

August 8, 2024

Q1FY25 Result Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,383		3,141	
Sales (Rs. m)	1,36,120	1,52,966	1,36,120	1,52,966
% Chng.	-	-	-	-
EBITDA (Rs. m)	31,914	36,191	31,914	36,191
% Chng.	-	-	-	-
EPS (Rs.)	43.7	50.2	43.7	50.2
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,17,991	1,23,830	1,36,120	1,52,966
EBITDA (Rs. m)	19,844	27,073	31,914	36,191
Margin (%)	16.8	21.9	23.4	23.7
PAT (Rs. m)	12,889	18,191	22,192	25,540
EPS (Rs.)	25.4	35.8	43.7	50.2
Gr. (%)	6.8	41.1	22.0	15.1
DPS (Rs.)	10.0	11.0	16.5	18.0
Yield (%)	0.3	0.3	0.5	0.6
RoE (%)	18.9	23.3	24.4	24.2
RoCE (%)	24.4	29.7	30.7	29.9
EV/Sales (x)	13.6	12.8	11.6	10.2
EV/EBITDA (x)	80.8	58.6	49.5	43.2
PE (x)	125.0	88.5	72.6	63.1
P/BV (x)	22.3	19.2	16.5	14.2

Key Data

PIDI.BO | PIDI IN

52-W High / Low	Rs.3,279 / Rs.2,293
Sensex / Nifty	78,886 / 24,117
Market Cap	Rs.1,611bn / \$ 19,192m
Shares Outstanding	509m
3M Avg. Daily Value	Rs.1294.33m

Shareholding Pattern (%)

Promoter's	69.77
Foreign	11.31
Domestic Institution	8.94
Public & Others	9.98
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.2	20.8	20.8
Relative	4.6	9.4	0.8

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Pidilite Industries (PIDI IN)

Rating: ACCUMULATE | CMP: Rs3,168 | TP: Rs3,383

Both volumes and Input prices in favorable zone

Quick Pointers:

- 1Q UVG at 9.6%, outlook remains strong with double digit volume growth guidance for FY25
- Input costs remain benign as current VAM prices are 10-15% lower than 1Q usage price of USD1022/ton

PIDI has posted a resilient quarter with 9.6% UVG and 20.5% PAT growth enabled by 180bps margin expansion. Growth was broadbased across B2C and B2B segments in standalone and domestic subs. IBD reported improved profitability due to exit from loss making Americas business. Growth outlook remains strong given double-digit growth in rural India, expected uptick in demand in festival season post normal monsoons and strong tailwinds from both residential and commercial Real estate. We believe margins have limited scope to increase given that GM is already above 53%. PIDI remains a potent play on real estate cycle and new construction aids given deep distribution and sustained innovations. We estimate 18.5% EPS CAGR over FY24-26 and assign DCF based target price of Rs3383 (Rs3141 earlier) which assumes a target valuation multiple of 64x SeptFY26. Retain Accumulate for LT gains post 30% returns in past 3 quarters.

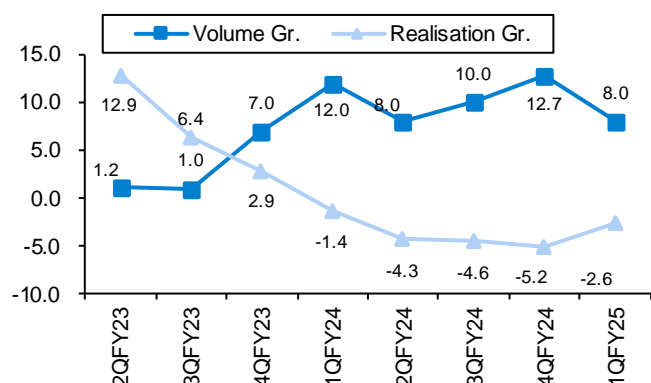
B2C volumes up 8% YoY; EBITDA margins up 235bps; Consolidated Revenues grew 3.7% YoY to Rs34bn (PLe: Rs35.5bn). Gross margins expanded 479bps YoY to 53.8%. (PLe: 53.4%). EBITDA grew 15% YoY to Rs8.1bn (PLe: Rs8.4bn). Margins expanded 235bps YoY to 23.9% (PLe: 23.6%). PBT grew 19.4% YoY to Rs 7.7bn. Adj PAT grew 20.5% YoY to Rs5.7bn (PLe: Rs5.9bn). **Standalone—** Sales increased 6.2% to Rs31.4bn, GM improved 460bps YoY/20bps QoQ to 53.5%. EBITDA grew 14.9% to Rs7.7bn; Margins expanded 190bps YoY and 410bps QoQ to 24.5%. Adj. PAT grew 18.0% to Rs5.5bn. B2C sales grew by 5.4% YoY to Rs25.6bn; EBIT grew 13.3% YoY to Rs7.78bnmn, margins expanded 210bps to 30.4%. B2B sales grew 9.2% YoY to Rs6.3bn. EBIT grew 19.5% YoY to 1066mn. 1Q B2C volumes grew 8%, overall UVG was 9.6% vs 15.1%/8% in 4Q24/1Q24

Concall Takeaways: 1) Demand trends remain strong and PIDI has reaffirmed double digit UVG growth guidance for FY25. 2) Rural/ semi-rural markets continue to grow ahead of urban markets. 3) 1Q VAM prices have been USD1022 versus USD1137 in 1Q24 4) current VAM prices are hovering between USD830-1000 which is lower than 1Q usage prices. 5) Gains from lower VAM and other RM prices will be used to increase advertising and distribution; any incremental price cuts look unlikely given volatile geopolitical conditions. 6) Paints business pilot is in 4 states and performance has been satisfactory. Future plans depend upon performance in festival season 7) B2B business has seen uptick in pigments and projects business 8) Pioneer and growth categories continue to gain traction given focus on brand building and consumer awareness category.

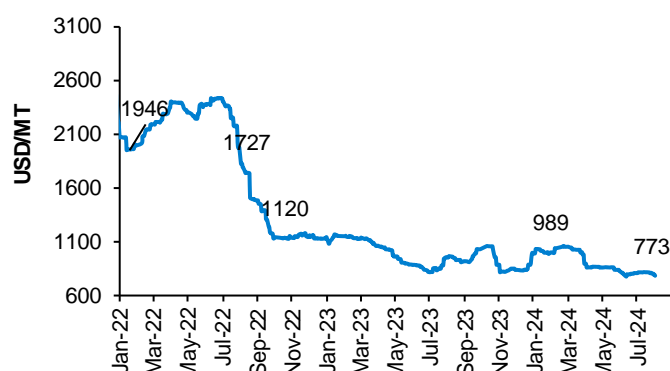
Exhibit 1: Revenues up 3.7%, EBITDA margins improve 241bps YoY and 30bps QoQ

Consolidated	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	FY25E	FY24	YoY gr. (%)
Net Revenue	33,954	32,751	3.7	35,535	(4.5)	29,019	1,36,120
Gross Profit	18,268	16,054	13.8	18,976	(3.7)	15,503	71,109
Margin %	53.8	49.0	4.8	53.4	0.4	53.4	52.2
Other Expenditure	10,141	8,984	12.9	10,589	(4.2)	9,734	39,195
EBITDA	8,127	7,070	15.0	8,386	(3.1)	5,769	31,914
Margin %	23.9	21.6	2.4	23.6	0.3	19.9	23.4
Depreciation	844	734	15.0	820	3.0	1,125	3,613
Interest	118	119	(0.5)	125	(5.4)	134	492
Other Income	539	234	130.2	500	7.9	489	2,041
PBT	7,704	6,451	19.4	7,941	(3.0)	4,998	29,851
Tax	1,984	1,704	16.4	2,065	(3.9)	1,219	7,612
Tax rate %	25.7	26.4	(2.6)	26.0		24.4	25.5
AdjPAT	5,721	4,746	20.5	5,877	(2.6)	3,779	22,239

Source: Company, PL

Exhibit 2: C&B UVG grew 8% YoY


Source: Company, PL

Exhibit 3: VAM prices down 23% from 4Q 24 levels


Source: Company, PL

Exhibit 4: B2C/ B2B sales grew by 3%/7%, B2B margin up by 270/170bps YoY

Segmental	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
B2C									
Sales (Rs m)	24358	24315	24216	21128	26609	25083	25413	22472	27408
Grow th (%)	63.9	14.1	6.9	10.4	9.2	3.2	4.9	6.4	3.0
EBIT (Rs m)	5352	5265	5372	4560	7078	6935	7704	5448	8039
EBIT Grow th %	44.5	-9.6	-4.6	9.2	32.3	31.7	43.4	19.5	13.6
EBIT margin %	22.0	21.7	22.2	21.6	26.6	27.6	30.3	24.2	29.3
B2B									
Sales (Rs m)	7220	6237	5999	6340	6780	6153	6373	7079	7256
Grow th (%)	49.8	17.2	-3.0	-1.8	-6.1	-1.3	6.2	11.7	7.0
EBIT (Rs m)	748	495	391	707	917	685	757	835	1103
EBIT Grow th %	78.1	88.4	-2.2	59.3	22.5	38.3	93.4	18.1	20.3
EBIT margin %	10.4	7.9	6.5	11.2	13.5	11.1	11.9	11.8	15.2

Source: Company, PL

Domestic subs – B2C margins Soft on tepid sales

- Sales growth in domestic subs remained tepid, both in B2B and B2C segments
- C&B subs (includes ICA Pidilite) registered 2% sales growth. Margins drop by 360bps YoY, although they increased by 520bps QoQ. EBITDA degrew 19.4% YoY.
- B2B business (NINA Precept) saw sales decline of 4% with EBITDA of Rs 44mn as margins declined 10bps YoY, EBITDA declined 6.4% YoY

Exhibit 5: Domestic subsidiary margins decline 200bps YoY on tepid sales

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Consumer & Bazar (C&B)	1,121	1,363	1,085	1,148	1,146
Business to Business (B2B)	883	707	913	962	844
Total Sales	2004	2070	1998	2110	1990
Sales Growth (YoY)	16	24	15	9	-1
Consumer & Bazar (C&B)	26	33	13	10	2
Business to Business (B2B)	6	9	16	8	(4)
EBITDA (Rs mn)	238	297	105	268	198
Consumer & Bazar (C&B)	191	288	73	94	154
Business to Business (B2B)	47	9	32	174	44
EBITDA margin%	11.9%	14.3%	5.3%	12.7%	9.9%
Consumer & Bazar (C&B)	17.0%	21.1%	6.7%	8.2%	13.4%
Business to Business (B2B)	5.3%	1.3%	3.5%	18.1%	5.2%
EBITDA growth (YoY)	40	49	-42	68	-17
Consumer & Bazar (C&B)	20.1	39.8	(56.5)	(18.3)	(19.4)
Business to Business (B2B)	327.3	NA	146.2	286.7	(6.4)

Source: Company, PL

IBD – Exit from Americas and benign inputs enable margin expansion

International business (IBD) reported 23.1% decline in sales while EBITDA increased by 49.7% due to exit from loss making Americas business. Excluding the impact of Americas in the base, sales increased by 8.6% and EBITDA increased by 25%.

Asia: Sales were flattish and EBITDA grew by 6.3% to Rs 136mn on 110bps margin expansion enabled by benign raw material prices

Middle East & Africa: Sales grew by 19.9% with EBITDA of Rs 78mn, a growth of 81.4%. Margins expanded by 360bps to 10.7%.

Exhibit 6: EBITDA Margins increase by 580bps on LTL basis

Subsidiaries	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Sales (Rs. m)	1,965	1,874	1,940	1,587	1,511
Americas	574	417	365		
Asia	784	768	790	837	783
Middle East & Africa	607	689	785	750	728
Sales growth (YoY)	(8.6)	(8.8)	(2.9)	(24.6)	(23.1)
Americas	(23.7)	(39.7)	(40.3)		
Asia	(4.2)	-	5.6	3.5	(0.1)
Middle East & Africa	4.7	15.6	22.8	5.6	19.9
EBITDA (Rs m)	143.0	114.0	211.0	271.0	214.0
Americas	(28.0)	(98.0)	(36.0)		
Asia	128.0	144.0	165.0	178.0	136.0
Middle East & Africa	43.0	68.0	82.0	93.0	78.0
EBITDA (margin %)	7.3	6.1	10.9	17.1	14.2
Americas	(4.9)	(23.5)	(9.9)		
Asia	16.3	18.8	20.9	21.3	17.4
Middle East & Africa	7.1	9.9	10.4	12.4	10.7
EBITDA growth (YoY)	(31.9)	(22.4)	119.8	137.7	49.7
Americas	(162.2)	988.9	63.6		
Asia	(18.5)	9.9	65.0	45.9	6.3
Middle East & Africa	437.5	172.0	355.6	173.5	81.4

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,17,991	1,23,830	1,36,120	1,52,966
YoY gr. (%)	18.9	4.9	9.9	12.4
Cost of Goods Sold	67,594	59,940	65,012	73,698
Gross Profit	50,397	63,890	71,109	79,268
Margin (%)	42.7	51.6	52.2	51.6
Employee Cost	12,456	14,651	15,583	17,387
Other Expenses	-	-	-	-
EBITDA	19,844	27,073	31,914	36,191
YoY gr. (%)	7.4	36.4	17.9	13.4
Margin (%)	16.8	21.9	23.4	23.7
Depreciation and Amortization	2,697	3,407	3,613	4,084
EBIT	17,146	23,666	28,301	32,107
Margin (%)	14.5	19.1	20.8	21.0
Net Interest	476	512	492	554
Other Income	496	1,397	2,041	2,802
Profit Before Tax	17,166	24,551	29,851	34,354
Margin (%)	14.5	19.8	21.9	22.5
Total Tax	4,344	6,319	7,612	8,760
Effective tax rate (%)	25.3	25.7	25.5	25.5
Profit after tax	12,822	18,231	22,239	25,594
Minority interest	-	-	-	-
Share Profit from Associate	66	(41)	(47)	(54)
Adjusted PAT	12,889	18,191	22,192	25,540
YoY gr. (%)	6.8	41.1	22.0	15.1
Margin (%)	10.9	14.7	16.3	16.7
Extra Ord. Income / (Exp)	-	(717)	-	-
Reported PAT	12,889	17,474	22,192	25,540
YoY gr. (%)	6.8	35.6	27.0	15.1
Margin (%)	10.9	14.1	16.3	16.7
Other Comprehensive Income	325	319	-	-
Total Comprehensive Income	13,213	17,793	22,192	25,540
Equity Shares O/s (m)	508	508	508	508
EPS (Rs)	25.4	35.8	43.7	50.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	52,521	60,859	64,892	69,840
Tangibles	36,286	44,715	49,494	54,846
Intangibles	16,235	16,145	15,398	14,994
Acc: Dep / Amortization	16,197	19,170	22,379	26,059
Tangibles	16,197	19,170	22,379	26,059
Intangibles	-	-	-	-
Net fixed assets	36,324	41,689	42,513	43,781
Tangibles	20,088	25,545	27,115	28,787
Intangibles	16,235	16,145	15,398	14,994
Capital Work In Progress	4,059	1,481	1,555	1,755
Goodwill	12,817	12,817	12,898	12,898
Non-Current Investments	4,239	4,443	4,554	4,668
Net Deferred tax assets	(3,780)	(3,640)	(4,532)	(5,193)
Other Non-Current Assets	1,994	1,962	2,450	2,753
Current Assets				
Investments	5,312	18,702	27,541	43,006
Inventories	18,171	14,149	17,811	20,595
Trade receivables	15,353	16,747	17,086	18,784
Cash & Bank Balance	3,267	5,333	5,036	4,249
Other Current Assets	2,379	2,831	2,724	3,061
Total Assets	1,05,250	1,21,040	1,34,921	1,56,268
Equity				
Equity Share Capital	508	508	508	508
Other Equity	71,614	83,563	96,990	1,13,225
Total Network	72,123	84,071	97,499	1,13,733
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	803	987	881	990
Other non current liabilities	1,756	1,938	3,045	3,999
Current Liabilities				
ST Debt / Current of LT Debt	1,633	1,312	1,633	1,633
Trade payables	10,636	11,476	10,153	11,509
Other current liabilities	11,838	15,188	14,272	16,222
Total Equity & Liabilities	1,05,250	1,21,039	1,34,921	1,56,268

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	17,166	24,551	29,851	34,354
Add. Depreciation	2,697	3,407	3,613	4,084
Add. Interest	476	512	492	554
Less Financial Other Income	496	1,397	2,041	2,802
Add. Other	(172)	(1,078)	(2,041)	(2,802)
Op. profit before WC changes	20,168	27,392	31,914	36,191
Net Changes-WC	(3,052)	(6,401)	(13,548)	(15,633)
Direct tax	(4,344)	(6,319)	(7,612)	(8,760)
Net cash from Op. activities	12,772	14,672	10,754	11,798
Capital expenditures	(6,611)	(6,194)	(4,591)	(5,552)
Interest / Dividend Income	496	1,397	2,041	2,802
Others	(579)	(193)	(138)	(147)
Net Cash from Invt. activities	(6,694)	(4,990)	(2,687)	(2,897)
Issue of share cap. / premium	112	(814)	(222)	-
Debt changes	(1,241)	(321)	321	-
Dividend paid	(5,083)	(5,591)	(8,387)	(9,149)
Interest paid	(476)	(512)	(492)	(554)
Others	192	(394)	394	-
Net cash from Fin. activities	(6,497)	(7,632)	(8,385)	(9,704)
Net change in cash	(419)	2,050	(319)	(803)
Free Cash Flow	6,161	8,478	6,163	6,246

Source: Company Data, PL Research

Key Financial Metrics

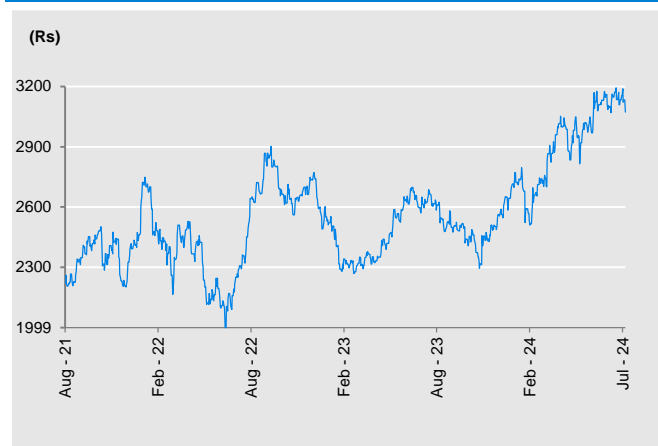
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	25.4	35.8	43.7	50.2
CEPS	30.7	42.5	50.8	58.3
BVPS	141.9	165.4	191.8	223.8
FCF	12.1	16.7	12.1	12.3
DPS	10.0	11.0	16.5	18.0
Return Ratio(%)				
RoCE	24.4	29.7	30.7	29.9
ROIC	17.7	24.4	27.7	29.5
RoE	18.9	23.3	24.4	24.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.3)	(0.3)	(0.4)
Net Working Capital (Day s)	71	57	66	67
Valuation(x)				
PER	125.0	88.5	72.6	63.1
P/B	22.3	19.2	16.5	14.2
P/CEPS	103.3	74.6	62.4	54.4
EV/EBITDA	80.8	58.6	49.5	43.2
EV/Sales	13.6	12.8	11.6	10.2
Dividend Yield (%)	0.3	0.3	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	30,760	31,300	29,019	33,954
YoY gr. (%)	2.2	4.4	7.9	3.7
Raw Material Expenses	14,978	14,749	13,516	15,685
Gross Profit	15,783	16,551	15,503	18,268
Margin (%)	51.3	52.9	53.4	53.8
EBITDA	6,797	7,425	5,769	8,127
YoY gr. (%)	36.0	49.7	25.6	15.0
Margin (%)	22.1	23.7	19.9	23.9
Depreciation / Depletion	752	795	1,125	844
EBIT	6,045	6,630	4,644	7,283
Margin (%)	19.7	21.2	16.0	21.5
Net Interest	131	128	134	118
Other Income	316	370	489	539
Profit before Tax	6,230	6,872	4,998	7,704
Margin (%)	20.3	22.0	17.2	22.7
Total Tax	1,631	1,765	1,219	1,984
Effective tax rate (%)	26.2	25.7	24.4	25.7
Profit after Tax	4,599	5,107	3,779	5,721
Minority interest	-	-	-	-
Share Profit from Associates	(14)	2	(20)	(8)
Adjusted PAT	4,585	5,109	3,759	5,713
YoY gr. (%)	35.8	66.0	31.5	20.6
Margin (%)	14.9	16.3	13.0	16.8
Extra Ord. Income / (Exp)	-	-	(717)	-
Reported PAT	4,585	5,109	3,043	5,713
YoY gr. (%)	35.8	66.0	6.4	20.6
Margin (%)	14.9	16.3	10.5	16.8
Other Comprehensive Income	(128)	16	594	(73)
Total Comprehensive Income	4,458	5,125	3,636	5,640
Av g. Shares O/s (m)	508	508	508	508
EPS (Rs)	9.0	10.1	7.4	11.2

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-24	Accumulate	3,141	3,100
2	08-May-24	Accumulate	2,980	2,815
3	09-Apr-24	Accumulate	2,764	3,019
4	24-Jan-24	Accumulate	2,764	2,590
5	08-Jan-24	Hold	2,704	2,720
6	09-Nov-23	Hold	2,644	2,458
7	07-Oct-23	Hold	2,610	2,454
8	11-Aug-23	Hold	2,610	2,545

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	2,974
2	Avenue Supermarts	Accumulate	5,104	5,027
3	Britannia Industries	Accumulate	6,080	5,766
4	Colgate Palmolive	Reduce	2,743	3,210
5	Dabur India	Hold	621	644
6	Emami	Hold	831	824
7	Hindustan Unilever	Hold	2,698	2,766
8	ITC	Accumulate	519	494
9	Jubilant FoodWorks	UR	-	570
10	Kansai Nerolac Paints	Reduce	284	307
11	Marico	Hold	681	672
12	Metro Brands	Hold	1,190	1,218
13	Mold-tek Packaging	Accumulate	853	797
14	Nestle India	Accumulate	2,746	2,481
15	Pidilite Industries	Accumulate	3,141	3,100
16	Restaurant Brands Asia	Accumulate	134	110
17	Titan Company	Accumulate	3,958	3,462
18	Westlife Foodworld	Hold	791	833

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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