

BSE Code: 500331 NSE Code: PIDILITIND Reuters Code: PIDI.NS Bloomberg Code: PIDI:IN

Founded in 1959, Pidilite Industries Ltd. (Pidilite) is an India based company engaged in the manufacturing of consumer and specialty chemicals. The company operates through three segments, including Branded Consumer and Bazaar Products, Industrial Products and Others. PIL has worldwide presence in adhesives, art material, construction chemicals and other industrial chemicals. Pidilite's most famous product is the Fevicol range of adhesives. Its other famous brands are "Fevikwik", Dr. Fixit, Cyclo, Ranipal, Hobby Ideas, M-seal and Acron.

Key Developments

Acquisitions undertaken by Pidilite in FY15:

Pidilite acquired 70% stake in NWSPL (Nina Waterproofing Systems Private Ltd.), making it a domestic subsidiary of the Company in FY15. Subsequently, in April, 2015, Nina acquired the water proofing business of Nina Concrete Systems Private Ltd. on a slump sale basis.

Further, the company through its wholly owned subsidiary Pidilite International Pte Ltd., has incorporated a subsidiary named "Pidilite Chemical PLC" in Ethiopia for manufacture of adhesives, mastics, paints, varnishes or similar coatings, printing, writing and painting inks, etc.

Consolidated net revenue rose ~9% in Q1FY16:

Pidilite Industries reported consolidated net sales growth of 9.3% YoY to Rs. 1,469.5 Crores in Q1FY16. EBITDA during the quarter surged by 43% YoY to Rs. 344.2 Crores, with the EBITDA margin soaring by 550 bps YoY to 23.4% in Q1FY16. The company reported ~34% YoY growth in its net profit at Rs. 225.5 Crores from Rs. 168.5 Crores in Q1FY15. The net profit margin grew by 281 bps YoY to 15.3%. While the financial charges like interest, depreciation and taxation grew by 45% YoY, ~28% YoY and ~59% YoY respectively during the quarter.

Products launched during FY15:

In FY15 Pidilite launched four new products, viz. – Fevicol Hi-per (reduces the chances of bubble formation, ensures fast setting and is a waterproof adhesive), Dr. Fixit Blueseal (a spray applied waterproofing system for roofs), M-seal PV Seal (a new range of solvent cement used for joining PVC, UPVC and CPVC pipes for the plumbing Segment) and Motomax Insta Shine (an easy-to-use disposable polishing sponge).

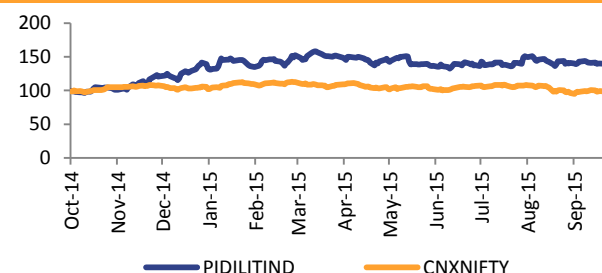
Market Data

CMP (Rs.)	577
Face Value	1.0
52 week H/L (Rs.)	637.5/376.2
Adj. all time High (Rs.)	637.5
Decline from 52WH (%)	9.5
Rise from 52WL (%)	53.3
Beta	0.5
Mkt. Cap (Rs. Cr)	29,573
Enterprise Value(Rs. Cr)	29,333

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (Rs.cr)	3,678	4,283	4,844
Net Profit (Rs.cr)	424	450	513
Share Capital (Rs.cr)	51	51	51
EPS (Rs.)	8.3	8.8	10.0
P/E (x)	31.9	35.0	57.7
P/BV (x)	8.2	8.1	13.0
ROE (%)	28.5	25.0	24.3

One year Price Chart



Shareholding	Jun15	Mar15	Diff.
Promoters	69.7	69.7	0.0
DII	14.0	4.3	9.7
FII	5.8	15.4	(9.6)
Others	10.5	10.6	(0.1)

Pidilite Industries Ltd. is engaged in the manufacture of adhesives, sealants, construction chemicals, etc in India.

Pidilite Industries – Overview

Incorporated in 1959, Pidilite Industries Ltd. is the largest player in adhesives and sealants, construction chemicals, hobby colours and polymer emulsions in the domestic market. The company's product range comprises of adhesives and sealants, construction and paint chemicals, automotive chemicals, art materials, industrial adhesives, industrial and textile resins and organic pigments and preparations. The company operates through three segments viz; Branded Consumer & Bazaar Products, Industrial Products and Others.

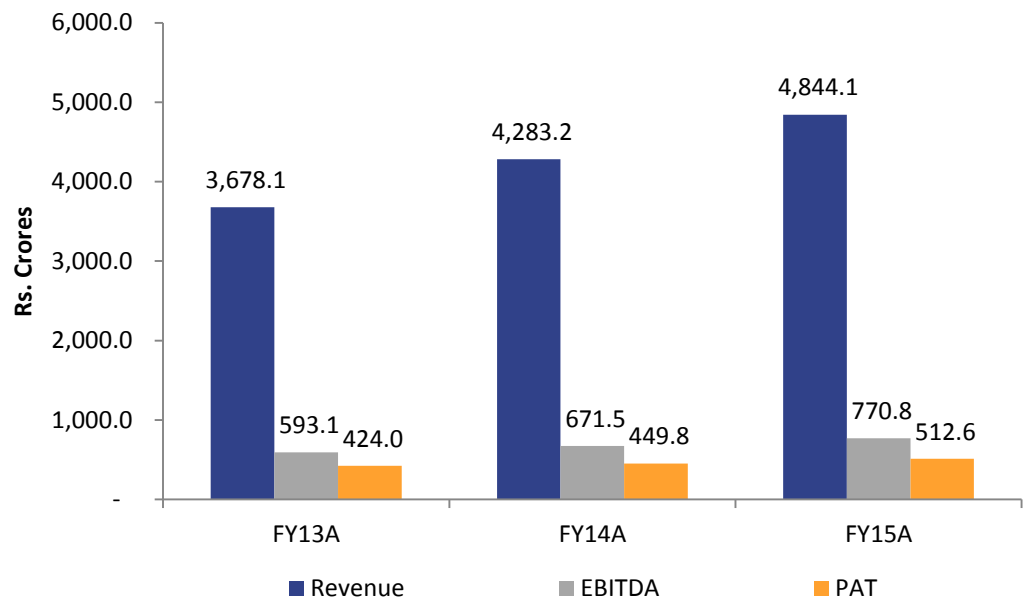
Branded Consumer and Bazaar Products segment is engaged in manufacturing of Adhesives, Sealants, Art Materials, Construction and Paint Chemicals. Industrial segment covers products such as Industrial Adhesives, Synthetic Resins, Organic Pigments and Pigment Preparations. Pidilite's most famous product is the Fevicol range of adhesives. Its other famous brands are "Fevikwik", Dr. Fixit, Cyclo, Ranipal, Hobby Ideas, M-seal and Acron.

Overseas subsidiaries

Pidilite has 14 overseas subsidiaries (4 direct and 10 step-down) and has manufacturing and selling operations in USA, Brazil, Thailand, Dubai, Egypt and Bangladesh. The company has invested Rs. 38.5 Crores in subsidiaries in FY15, out of which, Rs. 382 Crores was invested in overseas subsidiaries and Rs.0.2 Crores was invested in a domestic subsidiary.

Of the total investment made in overseas subsidiaries, Rs. 17.9 Crores was invested in Pulvitec do Brazil Industria e Comercio de colas e adesivos Ltda., Rs. 19 Crores was invested in Pidilite Middle East Ltd. for onward investments in Jupiter Chemicals (LLC) and in Pidilite Chemical PLC Rs. 1.2 Crores was invested.

Financial snapshot of Pidilite



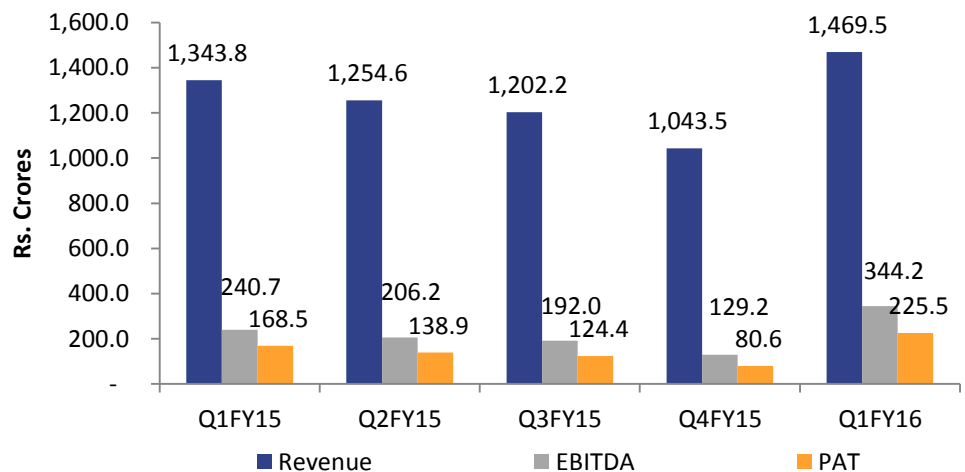
Consolidated net revenue stood at Rs. 1,469.5 Crores in Q1FY16. EBITDA was reported at Rs. 344.2 Crores and the net profit stood at Rs. 225.5 Crores in the same period.

Q1FY16 performance

Pidilite reported 9.3% YoY growth in its consolidated net sales at Rs. 1,469.5 Crores in Q1FY16. The revenue growth from the consumer bazaar products' (CBP) segment stood at 9.4%, while, industrial products segment witnessed a revenue of merely 0.7% YoY. The volumes growth during the quarter was up by ~5% YoY. The EBITDA during the quarter surged by 43% YoY to Rs. 344.2 Crores, with the EBITDA margin soaring by 550 bps YoY to 23.4% in Q1FY16. The operating costs during the quarter under consideration grew merely by 2% YoY to Rs. 1,125.8 Crores. Vinyl acetate monomer (VAM) is the key raw material for the company. The material costs (as % of sales) declined to 41.6% on Q1FY16 as compared to 48.3% in Q1FY15.

The company has reported ~34% YoY growth in its net profit at Rs. 225.5 Crores from Rs. 168.5 Crores in Q1FY15, with the net profit margin catapulted by 281 bps YoY to 15.3%. While the financial charges like interest, depreciation and taxation grew by 45% YoY, ~28% YoY and ~59% YoY respectively during the quarter.

Quarterly performance trend

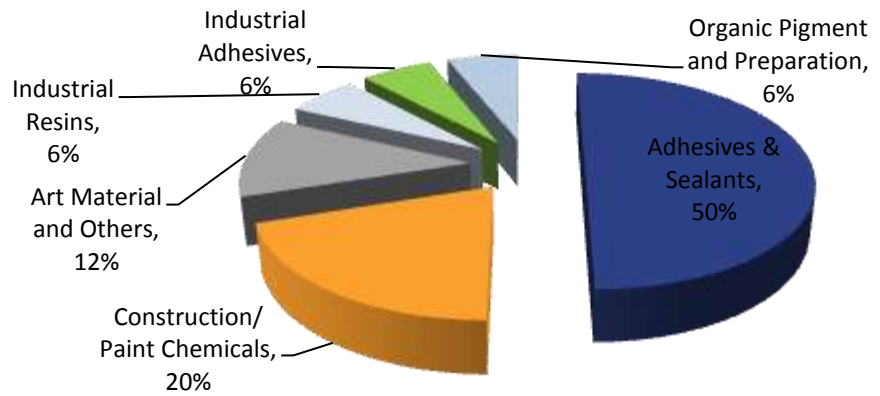


Branded Consumer & Bazaar Products segment: Major revenue contributor

The Branded Consumer and Bazaar Products segment includes products such as adhesives, sealants, art materials, and construction and paint chemicals. These products are used by carpenters, painters, plumbers, mechanics, households, students and offices. While, the Industrial Products segment includes products, such as industrial adhesives, synthetic resins, organic pigments, pigment preparations, and surfactants, and caters to various industries, such as packaging, textiles, paints, printing inks, paper and leather. Others segment largely comprises manufacture and sale of Speciality Acetates (the Vinyl Acetate Monomer (VAM) manufacturing unit). Branded Consumer and Bazaar Products segment alone contributed ~82% while the Industrial segment accounted for ~18% to the company's total revenue in FY15. The former segment grew by ~15% while the latter grew by 6.6% during FY15.

The major portion of revenue for the company comes from Branded Consumer & Bazaar Products Segment. In FY15, this segment constituted ~82% of PIL's total revenue.

Performance by industry segment in FY15



Major acquisitions during the year

The Company acquired 70% shareholding in Nina Waterproofing Systems Private Ltd. (Nina) during FY15, making Nina a domestic subsidiary of the Company. Subsequently, in April, 2015, Nina acquired the water proofing business of Nina Concrete Systems Private Ltd. on a slump sale basis. Nina is engaged in the business of supply and installation of waterproofing systems, including but not limited to waterproofing products or thermal insulation systems for construction projects, infrastructure projects.

Further, the company through its wholly owned subsidiary Pidilite International Pte Ltd., has incorporated a subsidiary named "Pidilite Chemical PLC" in Ethiopia for manufacture of adhesives, mastics, paints, varnishes or similar coatings, printing, writing and painting inks, etc.

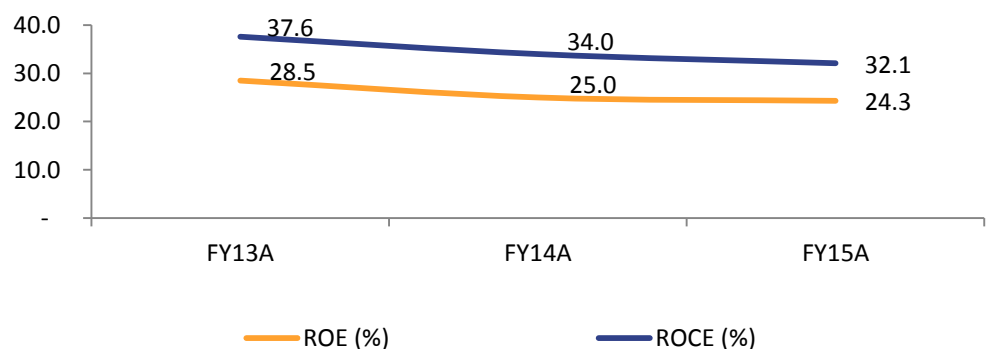
Product launches in FY15

The company continued to introduce new products in the markets. In FY15 Pidilite launched four new products, viz. – Fevicol Hi-per (reduces the chances of bubble formation, ensures fast setting and is a waterproof adhesive), Dr. Fixit Blueseal (a spray applied waterproofing system for roofs), M-seal PV Seal (a new range of solvent cement used for joining PVC, UPVC and CPVC pipes for the plumbing Segment) and Motomax Insta Shine (an easy-to-use disposable polishing sponge).

The company's iconic brands like Fevicol and M-Seal have market share of ~70% each in the domestic market.

Pidilite acquired 70% stake in NWSPL, making it a domestic subsidiary of the Company in FY15.

Return ratios trend



Balance Sheet (Consolidated)

(Rs. Cr)	FY13A	FY14A	FY15A
Share Capital	51	51	51
Reserve and surplus	1,600	1,901	2,219
Net Worth	1,652	1,953	2,271
Minority interest	1	4	5
Total Debt	51	46	58
Deferred tax liabilities (net)	50	54	57
Other non-current liabilities	17	32	24
Total Equity & Liabilities	1,770	2,088	2,415
Fixed Assets	1,053	1,164	1,419
Goodwill	21	23	22
Investments	294	260	360
Net current assets	321	568	501
Other non-current assets	82	73	113
Total Assets	1,770	2,088	2,415

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13A	FY14A	FY15A
Net profit/loss before tax	581	612	678
Net cashflow from operating activities	518	394	552
Net cash used in investing activities	(189)	(99)	(436)
Net cash used from financing activities	(340)	(242)	(165)
Net inc/dec in cash and cash equivalents	(11)	54	(49)
Cash and cash equivalents begin of year	77	65	118
Cash and cash equivalents end of year	66	118	69

Financial performance snapshot

Consolidated net revenue grew by 13.1% in FY15 to Rs. 4,844 Crores with volumes growth of 8.7% during the year. Branded Consumer & Bazaar Products segment contributed 82% to the total net sales of the company and grew by ~15% over the last year, while the sales from the Industrial Products segment accounted for the rest grew by 6.6% during FY15. Geographically, the sales from North America region grew by 11.1%. While, sales from South America grew merely by 3.1%, Middle East and Africa (+81.2%) and South & South East Asia (+14.4%). The EBITDA grew modestly by ~15% to Rs. 771 Crores, with the EBITDA margin improving to 15.9% from 15.7% a year earlier. Moreover, the consolidated net profit rose 14% to Rs 513 Crores in FY15 as compared to Rs. 450 Crores in FY14. The net profit margin grew merely to 10.6% in FY15 from 10.5% in FY14.

Profit & Loss Account (Consolidated)

(Rs. Cr)	FY13A	FY14A	FY15A
Net Sales	3,678	4,283	4,844
Expenses	3,085	3,612	4,073
EBITDA	593	672	771
Other Income	72	38	41
Depreciation	69	81	118
EBIT	597	629	694
Interest	16	16	16
Profit Before Tax	581	612	678
Tax	160	165	169
Minority Interest	0	0	1
Share in profit from associate	2	3	5
Net Profit	424	450	513

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	16.1	15.7	15.9
EBIT Margin (%)	16.2	14.7	14.3
NPM (%)	11.5	10.5	10.6
ROCE (%)	37.6	34.0	32.1
ROE (%)	28.5	25.0	24.3
EPS (Rs.)	8.3	8.8	10.0
P/E (x)	31.9	35.0	57.7
BVPS(Rs.)	32.2	38.1	44.3
P/BVPS (x)	8.2	8.1	13.0
EV/EBITDA (x)	22.3	23.0	38.1



Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.