

RESULT UPDATE

MID CAP

Share Data

Reuters code	PIDI.BO
Bloomberg code	PIDI IN
Market cap. (US\$ mn)	1,409
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	506
Target price (Rs)	150

Performance (%)	1M	3M	12M
Absolute	(14)	(15)	33
Relative	(5)	(1)	19

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	6.6	7.5
+/- (%)	11.9	13.3
PER (x)	19.1	16.9
PBV (x)	5.7	4.8
Dividend/Yield (%)	1.6	2.0
EV/Sales (x)	2.8	2.3
EV/EBITDA (x)	13.8	11.7

Major shareholders (%)

Promoters	71
FII's	9
MF's	8
BFSI's	1
Public & Others	11

Financial highlights

(Rs mn)	3QFY10	3QFY11	YoY (%)	9MFY10	9MFY11	YoY (%)	FY10	FY11E	YoY (%)	FY12E	YoY (%)
Net Sales	4,608	5,884	27.7	14,829	17,970	21.2	19,297	22,869	18.5	27,070	18.4
EBITDA	872	1,134	29.9	3,217	3,805	18.3	3,860	4,632	20.0	5,363	15.8
EBITDA margin (%)	18.9	19.3	-	21.7	21.2	-	20.0	20.3	-	19.8	-
Other income	73	107	46.4	198	291	47.4	272	383	40.7	449	17.3
Interest	74	52	(30.0)	228	221	(3.1)	286	268	(6.2)	238	(11.3)
Depreciation	108	111	2.5	349	330	(5.3)	464	465	0.2	528	13.5
PBT	763	1,078	41.2	2,838	3,546	24.9	3,382	4,281	26.6	5,046	17.9
Extraordinary exp. (income)	8	(6)	(176.2)	92	22	(75.9)	93	22	(76.2)	-	NA
PBT after extraordinary item	755	1,084	43.7	2,746	3,524	28.3	3,289	4,259	29.5	5,046	18.5
Tax (incl deferred tax)	117	233	100.1	405	779	92.4	398	942	137.0	1,262	33.9
Reported PAT	682	851	24.8	2,385	2,745	15.1	2,935	3,317	13.0	3,785	14.1
Adjusted PAT	646	844	30.6	2,434	2,767	13.7	2,984	3,339	11.9	3,785	13.3
Adjusted PAT margin (%)	14.0	14.3	-	16.4	15.4	-	15.5	14.6	-	14.0	-
Adjusted EPS (Rs)	1.3	1.7	30.6	4.8	5.5	13.7	5.9	6.6	11.9	7.5	13.3

Pidilite Industries

Maintain Outperformer

Price: Rs 126

BSE Index: 17,776

09 February 2011

3QFY11 Result – Impressive quarter, though margin concerns surface

Results were above expectations as the top line recorded an impressive growth of 28% YoY, aided by strong growth in both the consumer and industrial segments. The consumer segment benefitted from a late Diwali, which pushed some of the second quarter sales to the third quarter. The industrial segment was helped by a significant pick up of ~70% in exports. Margins improved on a YoY basis but as expected, were suppressed on a sequential basis following the run up in prices of crude based derivatives. Higher other income along with a reduction in interest outgo, following the repurchase of its NCDs, led to an increase of 25% in the reported PAT.

Although the margins improved on a YoY basis, the increasing cost of crude based derivatives (used as raw material), is bound to put some pressure on the margins in FY12. The company has the pricing power to pass on input price inflation partially, and is expected to exercise that in 4QFY11. The A&P spend, which stood at ~3% in this quarter, can also increase marginally during the upcoming World Cup 2011 and the IPL 4 season.

The synthetic elastomer plant should be operational by the end of FY12. It will incur an additional capex of Rs 1.4 bn, which is likely to be funded from its internal accruals. The plant is expected to commence commercial operations from the beginning of FY13, with an initial capacity of 20,000 TPA. The utilisation is expected to be low in the first year and gradually increase afterwards.

Taking into account the expected pressure from input price inflation and the initial expenses on the elastomer plant, we are downgrading our FY12 earnings by 5%. The revised target price, based on 20x FY12E stands at Rs 150. The stock currently trades at 19.1x FY11E and 16.9x FY12E our revised estimates. Maintain Outperformer.

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Net sales	17,611	19,297	22,869	27,070
Growth (%)	14.7	9.6	18.5	18.4
Operating expenses	(15,267)	(15,437)	(18,237)	(21,706)
Operating profit	2,344	3,860	4,632	5,363
EBITDA	2,344	3,860	4,632	5,363
Growth (%)	(7.5)	64.7	20.0	15.8
Depreciation	(472)	(464)	(465)	(528)
Other income	239	272	383	449
EBIT	2,111	3,668	4,550	5,284
Interest paid	(318)	(286)	(268)	(238)
Pre-tax profit (before non-recurring items)	1,793	3,382	4,281	5,046
Non-recurring items	(161)	(93)	(22)	0
Pre-tax profit (after non-recurring items)	1,632	3,289	4,259	5,046
Tax (current + deferred)	(168)	(398)	(942)	(1,262)
Net profit (before Minority Interest, Pref Dividend, etc.)	1,464	2,891	3,317	3,785
Reported PAT	1,464	2,935	3,317	3,785
Prior period adjustments	0	44	0	0
Adjusted net profit	1,624	2,984	3,339	3,785
Growth (%)	(12.2)	83.7	11.9	13.3

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Cash & marketable sec.	1,447	2,955	3,619	4,356
Other current assets	5,782	5,908	7,650	8,871
Investments	2,231	2,483	2,483	2,483
Net fixed assets	6,733	6,949	6,705	7,207
Total assets	16,193	18,294	20,456	22,916
Current liabilities	2,836	4,279	5,089	5,712
Total debt	5,580	4,214	3,730	3,580
Other non-current liabilities	441	415	415	415
Total liabilities	8,857	8,908	9,234	9,707
Share capital	253	506	506	506
Reserves & surplus	7,083	8,880	10,716	12,703
Shareholders' funds	7,336	9,386	11,222	13,209
Total equity & liab.	16,193	18,294	20,456	22,916
Capital employed	13,357	14,015	15,368	17,204

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Pre-tax profit	1,632	3,289	4,259	5,046
Depreciation	459	456	450	498
Chg in working capital	348	950	(1,228)	(893)
Total tax paid	(150)	(423)	(942)	(1,262)
Cash flow from oper. (a)	2,289	4,316	2,540	3,389
Capital expenditure	(1,722)	(672)	(206)	(1,000)
Chg in investments	(783)	(2,700)	(175)	(135)
Other investing activities	852	1,598	800	800
Cash flow from inv. (b)	(1,653)	(1,773)	419	(335)
Free cash flow (a+b)	636	2,543	2,959	3,055
Equity raised/(repaid)	(0)	224	0	0
Debt raised/(repaid)	554	(1,366)	(485)	(150)
Dividend (incl. tax)	(506)	(518)	(885)	(1,180)
Other financing activities	(899)	(1,822)	(1,100)	(1,122)
Cash flow from fin. (c)	(851)	(3,482)	(2,470)	(2,453)
Net chg in cash (a+b+c)	(215)	(940)	489	602

Key Ratios

Yr end 31 Mar (%)	FY09	FY10	FY11E	FY12E
EPS (Rs)	3.2	5.9	6.6	7.5
EPS growth	(12.2)	83.7	11.9	13.3
Book NAV/ share (Rs)	14.5	18.5	22.2	26.1
Dividend/ share (Rs)	0.9	1.5	2.0	2.5
Dividend payout ratio	31.1	29.7	35.3	39.0
Tax	10.3	12.1	22.1	25.0
EBITDA margin	13.3	20.0	20.3	19.8
EBIT margin	12.0	19.0	19.9	19.5
RoCE	16.7	26.8	31.0	32.4
Net debt/Equity	56.3	13.4	1.0	(5.9)

Valuations

Yr end 31 Mar (x)	FY09	FY10	FY11E	FY12E
PER	39.3	21.4	19.1	16.9
PCE	30.4	18.5	16.8	14.8
Price/Book	8.7	6.8	5.7	4.8
Yield (%)	0.7	1.2	1.6	2.0
EV/Net sales	3.9	3.4	2.8	2.3
EV/EBITDA	29.0	16.8	13.8	11.7

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09	FY10	FY11E	FY12E
Net margin (%)	9.2	15.5	14.6	14.0
Asset turnover	1.2	1.1	1.2	1.2
Leverage factor	2.2	2.1	1.9	1.8
Return on equity (%)	23.6	35.7	32.4	31.0

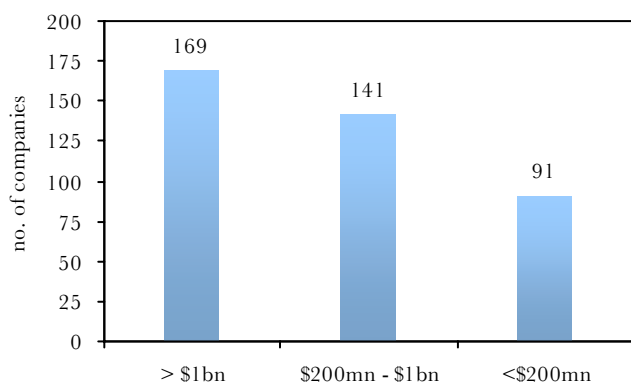
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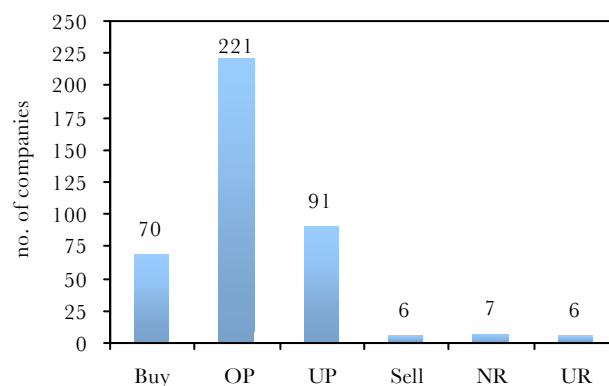
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings:

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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