

BUZZING

STOCK

Pidilite Industries Ltd.

CMP – Rs.203

Analyst

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Key Stock Data

Sensex	19976
Nifty	5932
Sector	Chemicals -Organic
Bloomberg	PIDI.IN
Reuters	PIBI.BO
No. of shares (m)	252
Market Cap (Rs m)	51,313
Market Cap (US\$ m)	1,301
52-week H/L	Rs.214/100

Shareholding Pattern (%)

Promoters	71.87
Mutual Funds	5.65
FIs	10.24
Corporate Bodies	0.94
Pubic & Others	11.3

Business Overview: In the Q2FY08, the company registered Net Sales of Rs.3705m, up 18.75% YoY. PAT at Rs.563m was up substantial by 69% YoY. Substantial rise in operating margins together with revenue growth helped the company to report excellent earnings growth. Operating margin during the quarter jumped 427 basis points to 19.41% compared with 15.14% in the same quarter, a year earlier.

Pidilite is India's biggest adhesive maker, with well-known brands Fevicol, Dr. Fixit, Do-it-Yourself, Fevicryl Hobby Ideas, Silk Colours and Mould and Paint Kits. In FY07 a number of novel products were launched i.e. Masking Tape, which can be used to protect surfaces from unwanted painting and polishing. Made of crepe paper it can also be used for pasting mica on wood, laminate pasting, general packaging and labeling. The Company has setup India's first craft and hobby store in the city of Mumbai, Ahmedabad and Pune. The hobby idea shops offer a large variety of hobby and craft products sourced from around the world.

International markets – Growth through acquisitions: International markets currently account for around 8% of revenues, but growing rapidly. In FY07, the exports of consumer and bazaar products grew by over 60% to Rs.509m while specialty chemicals exports grew by 33.3% to Rs.459m. The Company increased its market share of its Fevicol brand in markets like Middle East, Africa and several South East Asian countries and it also received permission to open offices in South Africa, Kenya and Ghana.

The company is taking the in-organic route to aggressively grow its presence in the international markets. In FY07, its fully owned subsidiary Pidilite USA acquired the brands and business of Sargent Art Inc and Cyclo. Both have been operating in US for the last 50 years - Sargent Art manufacturing and selling quality Art Materials in Educational market, while Cyclo has been selling automotive chemicals. In Brazil, its fully owned subsidiary has acquired the entire share capital of M/s. Pulvitec do Brasil Limitada which is an adhesives and construction chemicals manufacturer. Pidilite also acquired controlling equity in Pagel Concrete technologies Pvt Ltd. in India. Pagel is an internationally known brand for industrial grouts and repair mortars.

FCCB issue launched : Recently, the company has launched a \$40mn FCCB Issue, at a conversion price at Rs.256 per share. This will go towards partly funding the capex plan of Rs.3bn (\$75mn) in the current year. Proposed new plants include a greenfield manufacturing sites in Dubai, Egypt and Bangladesh. Also the Company is exploring various acquisitions overseas. In FY07 the company commissioned one manufacturing facility in Himachal Pradesh, taking up its manufacturing sites in the state to 4. Two more units are being planned in the state by year-end, for manufacturing consumer adhesives and construction chemicals.

Valuation: In FY07 the company reported Gross Turnover of Rs.12,901m, up 23.5% YoY and PAT of Rs.1,197mn, up 32.3% YoY. In the 1HFY08, the company has reported Gross Turnover of Rs.8,190mn, up 20% YoY and PAT at Rs.1,143mn, up 60% YoY. The company's current equity is Rs.252m, with Face Value per share of Rs 1. The current price discounts 22x FY08E EPS of Rs.9 (annualised 1HFY08).

Financial Snapshot

Pidilite Industries Ltd				Rs.m			Ratios (%)			
	Q2 FY08	Q2 FY07	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)
Financial Year End: March										
Net Sales	3705	3120	19	11544	9075	27	Debt -Equity	0.2	0.2	47
Other Income	67	44	52	190	175	9	PBIDTM	15	16	(4)
Total Income	3772	3164	19	11734	9250	27	PBDTM	14	15	(6)
Total Expenditure	2986	2649	13	9828	7647	29	RoCE	30	31	(2)
PBIDT	786	515	53	1906	1603	19	RoNW	27	23	15
Interest	32	17	88	63	15	320				
PBDT	754	498	51	1843	1588	16				
Depreciation	80	73	10	303	275	10				
Tax	112	93	20	307	389	(21)				
Reported Profit After Tax	563	333	69	1199	907	32				
Extra -ordinary Items	0	0	0	(2)	(2)	6				
Adj. Profit After Extra-ordinary item	563	333	69	1200.6	908.7	32				
No. of shares (m)	252	252	-	252	252	-				
EPS (annualised.) (Rs.)	8.92	5.28	-	4.76	3.6	-				
P/E	22.8	38.5	-	42.7	56.5	-				

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