

**Pidilite Industries Ltd**
**Hold**
**Price: - Rs 165**

In Rs Cr	Q2FY09	Q2FY10	Var (%)	Q1FY10	Var (%)	FY09	FY10E	Var (%)
Total Sales	484.41	510.88	5.46	522.58	-2.24	1785.12	1860	4.19
Total Expenditure	423.63	401.3	-5.27	404.79	-0.86	1542.81	1462.00	-5.24
PBITDA	60.78	109.58	80.29	117.79	-6.97	242.31	398.00	64.25
APAT	33.16	85.54	157.96	83.85	2.02	147.89	290	96.09
PBITDM (%)	12.55	21.45		22.54		13.57	21.40	
PATM (%)	6.85	16.74		16.05		8.28	15.59	
Equity(FV 1)	25.31	25.31		25.31		25.31	25.31	
EPS	1.31	3.38		3.31		5.84	11.46	
CMP	161	161		161		161	161	
PE	30.72	11.91		12.15		27.55	14.05	

Pidilite Industries came out with its results for Q2FY10. The company results were inline with our expectations. On consolidated basis the company reported topline of Rs 580 cr. On standalone basis the company reported a top line of Rs 510 Cr, improvement of 5.56% YoY. The consolidated PAT was a little lower than standalone at Rs 81.36 Cr

### Result Highlights

- The company topline of Rs 510 Cr, standalone, a growth of 5.46% YoY.
- The company has continued to keep its VAM facility shut, temporarily.
- The company reported PBDIT margins of 21.45%. We expect the margins for the company to stabilize near these levels for FY10.
- The company reported PAT of Rs 85.54 Cr for Q2FY10, improvement of nearly 158% over previous year.
- The EPS of H1FY10 has exceeded the EPS of FY09. H1FY10 EPS came in at 6.73 Vs FY09 EPS of 5.78.
- Company reported a marked improvement in PBIT margins for Consumer Bazar Product and Industrial products at 28.37% and 22.68% in Q2FY10 Vs 18.93% and 16.64% in Q2FY09 respectively. We have projected PBIT margins of 27.6% for Consumer bazaar Products and 22% for Industrial Product for FY10.
- Company has spent about Rs 253 Cr towards its 530Cr Elastomer Plant being set up Dahej.
- During the quarter, PIL Trading Egypt (LLC), a wholly owned subsidiary of the Company's step down subsidiary Pidilite Industries Egypt (SAE), was incorporated. The Company will be engaged in trading activities in Egypt, North Africa and COMESA countries

Segment Revenue	Q2FY09	Q2FY10	Var (%)	H1FY09	H1FY10	Var (%)
Consumer Bazar Product	347.19	393.14	13.23	714.49	803.67	12.48
Industrial Product	113.89	117.57	3.23	222.8	232.09	4.17
Others	38.83	81.6	110.15	83.2	10.67	-87.18

PBIT	Q2FY09	Q2FY10	Var (%)	H1FY09	H1FY10	Var (%)
Consumer Bazar Product	65.73	111.52	69.66	156.35	233.15	49.12
Industrial Product	18.95	26.66	40.69	33	46.39	40.58
Others	1.85	-2.95	-259.46	5.86	-5.75	-198.12

PBITM (%)	Q2FY09	Q2FY10	H1FY09	H1FY10
Consumer Bazar Product	18.93	28.37	21.88	29.01
Industrial Product	16.64	22.68	14.81	19.99
Others	4.76	-3.62	7.04	-53.89

- The company has reported lower PBIT margins in Q2FY10 vs Q1FY10 due to increase in raw material cost.

## Recommendation

*Recommendation History:-Recommended a buy on the counter on 27<sup>th</sup> Aug 09 at Rs 145 with a target of Rs195*

The company reported strong bottom line growth for Q2FY10. The company has the largest market share in domestic adhesive and sealant Industry. Pidilite has been increasing its presence abroad. Going forward, we expect the foreign subsidiaries to add to the bottom line and improve the EPS. We have upgraded our EPS for FY10 to 11.46. At CMP the company is trading at a forward earning multiple of 14`X. We recommend investors to hold the counter and buy on dips for a target of Rs 195 in the medium term.

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