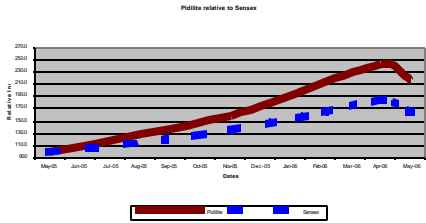
	Report Date		May 26, 2006.		
	Company Name		Pidilite Industries		
	Price / Recommendation		Rs.100.15	HOLD	
	Original Recommendation Price & Date		Rs. 40.50/-	February 09, 2005	
Sector	Chemicals	Q4 FY2006 Result Overview			
One Year Target Price	Rs 120/-	➤ Net Sales grew by 21% to Rs.206.53 crore.			
Market Capitalisation	Rs.2527.8 crore	➤ OPM increased marginally at 11.8%.			
52-week range	Rs.47-Rs.123.	➤ PBT (before extraordinary items) spurted by 41.4% to Rs.20.7 crore.			
Shares in issue (mio.)	252.40	➤ However, PAT declined to Rs.14 crore, a fall of 21.5%.			
BSE Ticker	500331				
NSE Ticker	PIDILITIND				
BSE Sensex	10666.32				
Shareholding Pattern on Mar. 2006		Future Prospects			
	%	➤ Is expanding international operations.			
Promoters	71.87	➤ One of major growth drivers in future will be Himachal Pradesh (HP) plant set up in a tax haven, which will boost its bottomline.			
FII's	10.05				
MFs / UTI	4.56				
Banks / FIs	1.08				
Others	12.44				
Price Performance (%)		Valuation			
	1M	6M	12M		
Absolute	-11%	35%	116%		
Relative to BSE Sensex	0%	13%	51%		
Relative Performance (Chart)		➤ Company's pioneering efforts in bringing strong branding in FMCG branded bazaar segment will enable its topline to grow @ CAGR of 20% and with HP units contributing to profits and leading to tax savings, bottomline is expected to grow @ CAGR of 27.5% over next few years.			
		➤ At CMP, the share is trading at 19.4 times FY 2007 expected EPS of Rs.5.2 and 15.6 times FY 2008 expected EPS of Rs.6.3. In view of bright prospects, we recommend to "HOLD"			

Financial Summary	Rs. Crore
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For Year Ending March	Q4 FY 05	Q4 FY 06	2005 A	2006 A	2007 E	2008 E
Net Sales	170.7	206.5	769.5	907.5	1,129.0	1,354.8
<i>% Change</i>		21.0%		17.9%	24.4%	20.0%
EBITDA	21.7	28.1	135.1	160.5	206.5	247.0
<i>% Change</i>		29.6%		18.8%	28.7%	19.6%
EBITDA (%)	11.4%	11.8%	16.3%	15.8%	16.5%	16.5%
Interest Expenses / (Income)	0.4	0.4	1.7	1.5	0.3	(1.6)
Depreciation	6.6	7.1	27.0	27.5	29.3	31.6
P.B.T.(before extraordinary items)	14.6	20.7	106.4	131.5	176.9	217.0
Net Profit	17.8	14.0	76.6	90.7	130.3	159.9
<i>% Change</i>		-21.5%		18.4%	43.7%	22.7%
Annualised EPS (Rs)	2.8	2.2	3.0	3.6	5.2	6.3
Equity Capital (Re. 1/- paid up)			25.2	25.2	25.2	25.2
Book Value (Rs)			14.2	16.3	19.9	24.3
RONW (%)			23.0%	23.6%	28.6%	28.7%
ROCE (%)			34.4%	37.0%	44.3%	49.3%
P/E (x)			32.93	27.83	19.37	15.79



Q4 FY 2006 Result Analysis

- Net Sales increased by 21% to Rs.206.5 crore mainly led by 23.2% growth in its Consumer & bazaar products segment to Rs.170.63 crore (constituting 71.4% of Net Sales). Industrial Products division (constitutes balance 28.6% of Net Sales) grew by 10.9% to Rs.68.39 crore.
- OPM% was almost constant at 11.8%. While PBIT % of Consumer & bazaar Products division declined to 13.9% (16.4%), PBIT% of Industrial Products division improved to 13.9%. (4.6%).
- Higher Net Sales coupled with improved margins and higher other income of Rs.3.69 crore (Rs.2.27 crore) on account of profit on investments Rs.1.23 crore, led to 41.4% spurt in PBT (before extraordinary items) to Rs.20.7 crore.
- However PAT declined by 21.5% to Rs.14 crore, on account of writeback – deferred tax Rs.2.53 crore and past tax provision of Rs.3.62 crore in Q4 FY2005.

FY 2006 Result

- Net Sales increased by 17.9% to Rs. 907.52 crore led by 21.6% increase in turnover of Consumer & bazaar products division to Rs.789.33 crore (Rs.649.05 crore).
- OPM% declined marginally to 15.8% (16.3%) due to decline in PBIT% of Consumer & Bazaar products division to 19.6% (20.7%)
- After accounting for higher other income of Rs.17.48 crore (Rs.10.07 crore), PBT (before extraordinary items), increased by 23.6% to Rs.131.5 crore (Rs.106.41 crore). A higher tax rate of 30.9% (27.9%) restricted growth in PAT to 18.4% at Rs.90.7 crore.

Future Prospects

- Pidilite's portfolio consists of formidable brands like Fevicol, M-Seal, Roff and Dr.Fixit. Fevicol continues to be generic in adhesive space and dominates almost 25% of total turnover. Dr.Fixit brand is used for waterproofing, repair and rehabilitation and has a great potential in India. Roff too has emerged as a strong retail brand.
- Company is expanding in overseas markets of Bangladesh, Middle East, Egypt, Saudi Arabia etc. As MNCs are not present in most of these markets, Pidilite can make a headway. Pidilite is expanding its international operations through mergers and acquisitions.
- Commissioning of Company's new plants in tax haven of HP @ total capex of Rs.50-60 crore plants will be good growth and profit driver for Pidilite as it will have excise & sales tax exemptions in addition to income tax benefit of 100% for 5 years & 30% for next 5 years. Two smaller plants have come up and in case of remaining two, production is to be started from April 2006 and another in June 2006. HP unit will have an impact on OPM from FY2007.

Recommendation

- At CMP, the share is trading at 19.4 times FY 2007 expected EPS of Rs.5.2 and 15.6 times FY 2008 expected EPS of Rs.6.3. In view of bright prospects, we recommend to **“HOLD”**

Disclosures

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