

August 20, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
Pidilite Industries Ltd.	Specialty Chemicals	1375	BUY	1512	10%

Key Stock Data

BSE Script Code	PIDILITIND
NSE Script Code	PIDILITIND
No. of shares	50.78
FV (Rs.)	1
MCAP (Rs.)	69,567 Crs
MCAP (\$)	993 Crs
52 Week High	Rs.1389
52 week Low	Rs.898
Time Frame	6 months

Pidilite Industries Ltd. (PIDILITIND) is an Indian based adhesive manufacturing company which is consumer centric company committed to quality and innovation. For decades, they have been pioneering products for small to large applications, at home and industry, which have forged strong bonds with people from all walks of life. The company is into diverse product portfolio ranging from adhesives, sealants, waterproofing solutions and construction chemicals to arts & crafts, industrial resins, polymers and more.

Investments Rationale**1. Volume growth to aid top-line**

PIDILITIND reported stupendous set of numbers during the consumption slowdown quarter and reported top-line growth of 27% Q-o-Q and 10% Y-o-Y to Rs. 1818 Crs in 1QFY20 as against Rs. 1672 Crs in 1QFY19 and a bottom-line growth of 20% Q-o-Q and 8% Y-o-Y to Rs. 288 Crs in 1QFY20 as against Rs. 267 Crs in 1QFY19.

2. Reduction in Crude prices to aid margin increment

With Brent crude trading below 60\$ per barrel, It will lead to decline in the Raw Material costs which in turn will lead to Gross margins expansion. Lower crude prices have turned the entire negative sentiments of margins contraction and the management has also guided for continuation of margins increment as crude is trading at comfortable levels.

Outlook & Valuations

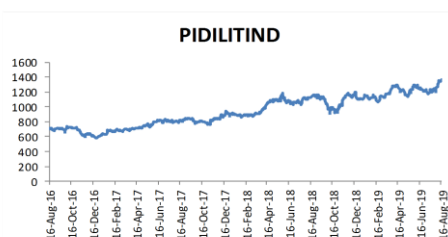
PIDILITIND is into adhesive manufacturing which is primarily consumer centric which has tremendous demand in the rural areas. Their raw material price which is driven by lower crude prices will also aid to margins expansion. Also, with the proposal to construct additional 1.95 crs houses in 5 years, it will directly infuse demand for the adhesive products; hence we expect volume growth to increase in double digits. The stock is currently trading at 47.58x FY21 E PE and we would like to allot a PE multiple of 50x on FY21E basis to arrive at a target price of Rs1512 per share.

Key Financial

Amt in Crs

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
Total Revenue	5299	5490	6094	7008	8129
EBITDA	1335	1428	1483	1752	2114
PAT	774	955	979	1191	1463
EPS	15.24	18.81	19.28	23.46	28.80
PE	89.95	72.90	71.11	58.44	47.58

3 years Price Chart



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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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