PIDILITE

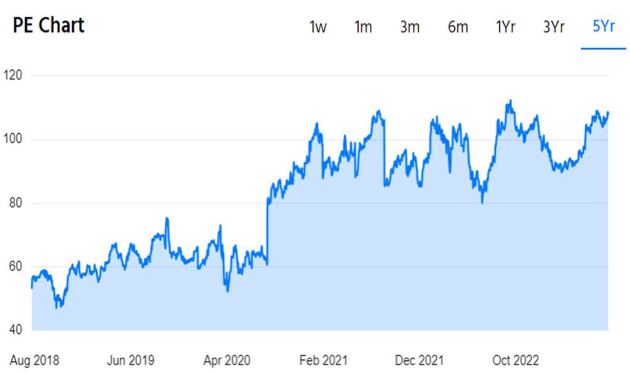
COMPANY OVERVIEW-

Pidilite Industries Limited (PIL) was incorporated on 28th July, 1969 as a consumer and specialities chemical company. The Company is the market leader in adhesives and sealants, construction chemicals, hobby colours and polymer emulsions in India. Its brand name Fevicol has become synonymous with adhesives to millions in India and is ranked amongst the most trusted brands in India. The company`s product range includes Adhesives and Sealants, construction chemicals, craftsmen products, polymer emulsions, paint chemicals, automotive chemicals, art materials and stationery, fabric care, maintenance chemicals, industrial adhesives, industrial, textile resins and organic pigments and preparations. Some of the company`s major brands are M-Seal, Fevikwik, Fevistik, Roff, Dr. Fixit, Fevicryl, Motomax and Hobby Ideas.

Pidilite is a company with a market capitalization of approximately **₹ 1,35,391.47 Cr.** Current price of Pidilite as of 22nd July 2023 in NSE was INR 2,662.80. The total number of outstanding shares in the market are 50.85 crore in number.

The company is **graded three out of five as** India's sustained and strong economic growth, supported by robust macro fundamentals, are major enablers for the growth of the chemical and petrochemical sector. Pidilite is the largest adhesive manufacturing company in India.

P/E and P/B ratio analysis-



The PE indicates for every rupee of earnings how much an investor is willing to pay for a share. Pidilite Inds. has a PE ratio of **106.34** which is **high** and comparatively **overvalued.** In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. The Price-to-Book (PB) ratio is a financial metric that helps investors assess the relative value of a company's shares compared to its book value. It is calculated by dividing the company's market price per share by its book value per share. A PB ratio greater than 1 indicates that the stock is overvalued compared to its book value.

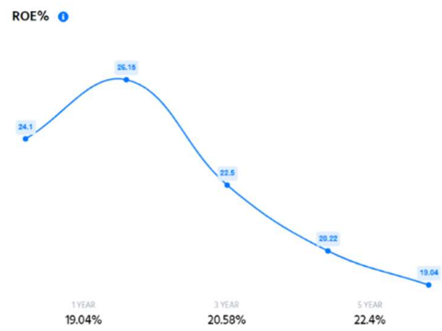
As both PE and PB ratio is high which signifies that the company is currently overvalued which defines maybe this is not the right time to buy the stock.

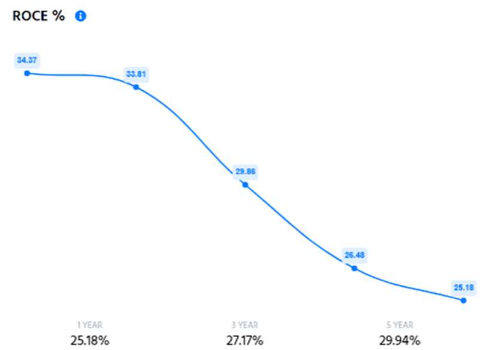
ROE, ROCE and ROA analysis –

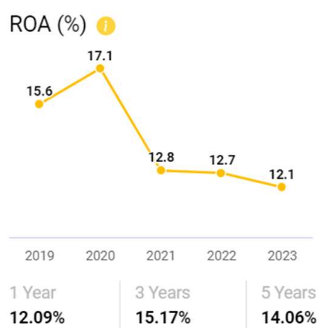
The data for the ROE (Return on equity), ROCE (Return on capital employed) and ROA (Return on Assets) are provided below for last 5 years. Both the trends of ROE and ROCE show first increasing and then decreasing values. This means company's net income is decreasing. The difference (of corresponding year) between ROE and ROCE is not very high, this indicates that the capital used by the company is not highly outsourced (Not from Debt).

Over the last year margins of this company is decreasing because by product of crude is used as raw material and prices of crude oil has been increasing.

ROE and ROCE decreasing again is not a good point to buy the stock.

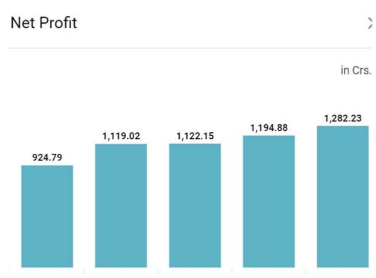




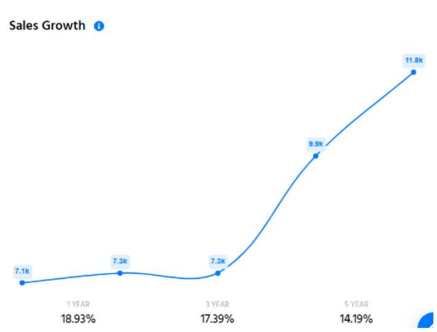


ROA has been constant for last three years about 12% which shows the company’s assets has remained constant over past three years.

Profit and Sales Growth analysis-



The company has shown a poor profit growth of 4.73%for past three year. With operating profit of 1,680.62Cr. in 2021 and 1,847.29Cr. in 2022 and 1,984.37Cr. in 2023. PAT (Profit After Tax) with value 1,126.13Cr. in 2021, 1,206.76Cr. in 2022 and 1,288.87Cr. in 2023.



The given trend shows increasing sales over last five years . The company has shown a good revenue growth of 17.39% for past three years.

Casf Flow and Cash conversion cycle-

Operating Cash Flow	844.78	1,279.55	1,392.13	955.37	1,557.57
Investing Cash Flow	-513.42	103.09	-1,595.06	-230.94	-643.03
Financing Cash Flow	-360.56	-849.21	-76.24	-467.96	-656.43
Net Cash Flow	-29.20	533.43	-279.17	256.47	258.11

The company has an efficient Cash Conversion Cycle of 43.15 days

The above table provies cash flow data of last five years. Company has started having positive cash flow which is a strong fundamental sign. This enables it to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges.

Current Ratio and Debt to Equity-

Debt to Equity ratio- It is a good metric to check out the capital structure along with its performance. Pidilite Inds. has a D/E ratio of **0.02** which means that the company has **low** proportion of debt in its capital.

Current ratio: - The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio is desirable so that the company could be stable to unexpected bumps in business and economy. Pidilite Inds. has a Current ratio of **1.89**.

After financial analysis of company and going through various factors I would grade **two out of five because** the company's profitability has increased about 5% over past three years. Company’s returns are around 20%. Sales have been continuously increasing over the years. Debt is low.

FUTURE PROSPECTS-

The standalone financial statements of the Company include investment in two subsidiaries, located at Brazil and Middle East, aggregating 165.98 crores (as at 31st March, 2023)

Pidilite Industries has tied up with a venture capital fund 100X.VC to identify strategic investment opportunities for an arm of the company, Pidilite Ventures. The company said it was looking for fast-growing, innovative companies that have synergies with its core business.

Pidilite has benefited from the fall in the crude oil price as it constitutes a major portion of raw material cost.

Over the past few years, company has made substantial investments to support the company. It currently has a portfolio of 500+ products.

So, I would **grade three out of five.**

PAGE INDUSTRIES

COMPANY OVERVIEW-

Page Industries Ltd. is engaged in manufacturing garments. Presently, the Company has 15 manufacturing locations. It has six Jockey Exclusive Brand Outlets in the UAE and three in Sri Lanka. The Company was incorporated in 1995 with the key objective of bringing the innerwear brand "JOCKEY" to India. It has introduced a wide range of quality products for men, women and children as well as active marketing concepts such as display modules aimed at enhancing the consumer`s involvement with the purchase. The Company commenced operations in the year 1995 in Bengaluru with the manufacturing, distribution and marketing of Jockey products. It entered into license with "SPEEDO", globally known international brand for swim wear.

Page Industries Ltd. is a company with a market capitalization of approximately **₹ 1,35,391.47 Cr.** Current price of Page Industries Ltd. as of 22nd July 2023 in NSE was INR. **40,900.36Rs.** The total number of outstanding shares in the market are **1.12 Cr.** in number. The company has CAGR return of 5%.

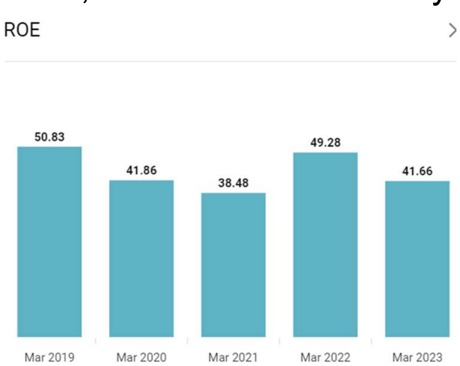
After going through following data, I would **grade three out of five** as Page Industries brand Jockey is one of the India's largest premium innerwear brands. Also, India is the world's second-largest producer of textiles and garments. The organized textile industry in India is characterized by the use of capital-intensive technology for the mass production of textile products and includes spinning, weaving, processing, and apparel manufacturing.

P/E and P/B ratio analysis-

The given chart shows P/E ratio has been decreasing over past three years. The valuation of the company is improved but still page industries have a PE ratio of 73.51 which is high and comparatively overvalued.

The company has a PB ratio of 30.65 which means currently the stock is overvalued.

ROE, ROCE and ROA analysis-



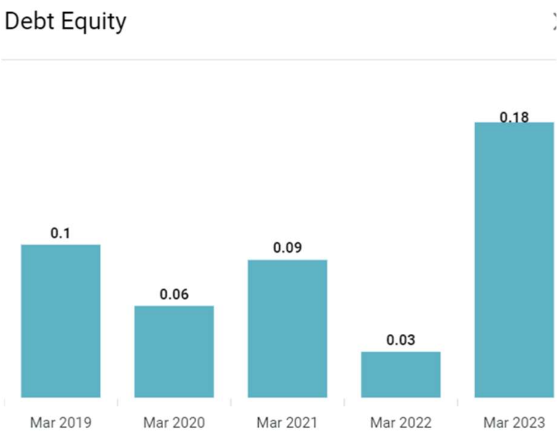
ROE trend shows there has been a decrease in returns during pandemic, rising to 49.23 in 2022 and then decreasing to 41.66% which is also a good return.

ROCE trend is also similar to ROE. Decreasing from 63.29 in Mar 2022 to 53.32 in Mar2023. 53.32 is a good return. Giving a possibility to invest in its stock.

As there is a difference in ROE and ROCE so working capital is not completely outsourced.

ROA which shows how efficiently a company can convert the money used to purchase assets into net income or profits. Page industries has a ROA of 23.71% which is a good sign of future performance.

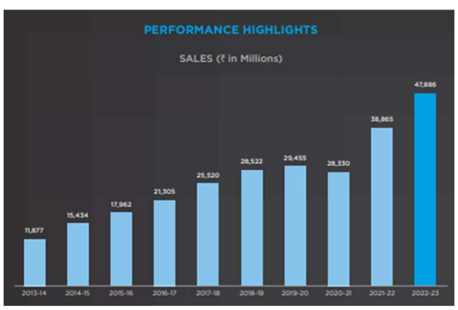
Debt Equity-



Debt-Equity ratio: During the year under review, the Company availed working capital loans, so the ratios significantly changed. Page Industries has a D/E ratio of **0.18** which means that the company has **low** proportion of debt in its capital.

Inventory Turnover Ratio- Inventory Turnover ratio declined from 2.23 in 2021-22 to 1.69 in 2022-23 due to higher inventory levels during the year. Page Industries has an Inventory turnover ratio of **1.69** which shows that the management is **inefficient** in relation to its Inventory and working capital management.

Sales and Profit Growth-



The trend shows continuous increase in sales which is a good for growth of a company.

An operating profit margin measures a company's ability to turn its revenue into profits after deducting the costs of doing business. The higher the operating profit margin is, the more profitable a company is. Operating profit margin of company has remained constant for about 18% in last three years.

The company's net profit has increased over the years with net profit of 536.53Cr in 2022 to 571.25Cr in 2023

Cash Conversion Cycle- The company has an efficient Cash Conversion Cycle of 49.36 days.

Net Cash Flow- Company has a negative net cash flow of -144.92 days, which is a bad fundamental sign. This makes it difficult for company to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges

After financial analysis of company and going through various factors I would grade **three out of five because** the company's profitability has steadily increased over the years. Company's returns are good. Sales have been continuously increasing over the years. Despite the company's PE ratio is high and has negative cash conversion cycle. The Company continues to be one of India's most profitable companies.

FUTURE GROWTH STRATEGY-

1. Transition to auto replenishment system- significant strides in the second half of the year.

2. Product penetration- strategic product development for competitive edge and enhanced reach.
3. EBO Expansion- The only brand with 1300 EBOs and plans to expand at 200-250 EBOs YoY.
4. Page Industries is planning an additional 40,000 sq. feet space adjacent to its existing elastic manufacturing premises at Hassan to meet the growing requirements of women's dyed elastic. The project is planned by Q3 of FY23.
5. Page Industries is working towards significant capacity expansion in its socks division with an additional 60 advanced knitting machines at the Bangalore facility to meet demand. This is planned in Q3 of FY23.

Over the past few years, company has made substantial investments to support the company.

So, I would **grade three out of five.**

Overall grade is three out of five.

ASTRAL INDUSTRIES

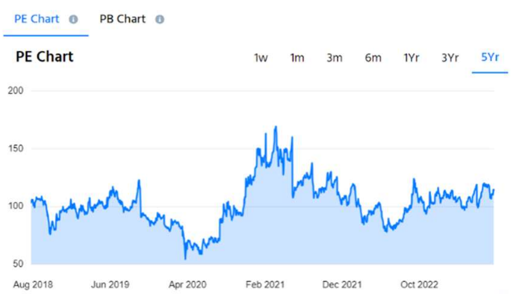
COMPANY OVERVIEW-

Astral Poly Technik Limited is a leading manufacturer of Chlorinated Poly Vinyl Chloride (CPVC) and Poly Vinyl Chloride (PVC) plumbing systems for residential and industrial use. The Company has a commanding market share in the domestic CPVC and PVC pipe industry. In addition to being a leader in the piping segment, it has expanded into the adhesives and sealants segment, infrastructure products, and water tanks. The company offers a wide array of products across piping and adhesives categories to meet the dynamic needs of the real estate sector and millions of Indian households. It has over 2,535 distributors and more than 1,80,000 dealers across the country.

Astral Ltd. is a company with a market capitalization of approximately **₹ 50,864.41 Cr.** Current price of Astral Ltd. as of 26nd July 2023 in NSE was INR. **1,893.55 Rs.** The total number of outstanding shares in the market are **26.86 Cr.** in number. Company has a good CAGR return of 30.7% over past 5 years.

After going through following data, I would **grade four out of five** as the company's product portfolio includes a wide range of products such as pipes, fittings, valves, adhesives, and water storage tanks. Astral 's products are used in a variety of applications, including residential, commercial, industrial, and agricultural.

PE ratio analysis-



A general rule of thumb is that shares trading at a low P/E are undervalued (it depends on other factors too). Astral has a PE ratio of **111.40** which is **high** and comparatively **overvalued. The** probable reason for ratio being such high is either due to high demand of the stock which led to increase in price o the stock without the corresponding increase in earnings.

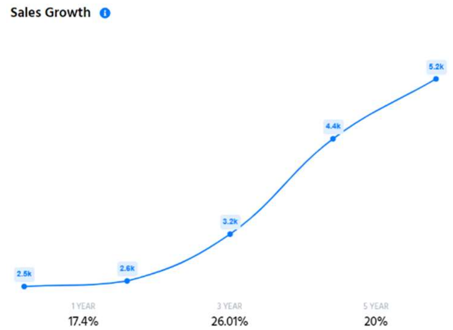
ROE, ROCE and ROA Analysis-

ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates. Astral has a ROE of **18.23** % (higher is better).

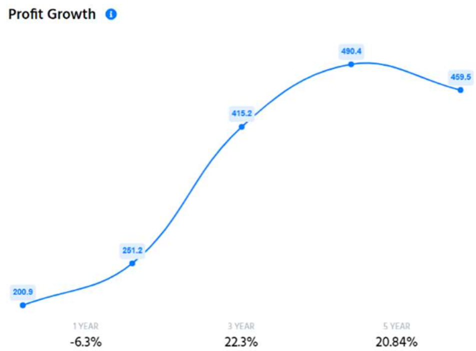
ROCE of company is 21.66 in Mar2023 which has remained constant in Mar2021 and 2022 about 27. As difference (of corresponding year) between ROE and ROCE of company is not high, this indicates that the capital used by the company is not highly outsourced (Not from debt).

ROA have been decreasing with 10.44 in Mar2023 from 14.28 in Mar2022.Which means assets have been increasing but not the revenues correspondingly. Over the past few years, company has made substantial investments to support their decentralisation strategy by expanding manufacturing capacities.

Sales and Profit Growth Analysis-



The given trend shows increasing sales over last five years. Astral has reported revenue growth of 17.40% which is fair in relation to its growth and performance.



Astral has shown a good profit growth of 22.3% in previous three years. Its operating profit has increased from 755Cr. in 2022 to 809Cr. A bit change in PAT (Profit After Tax) over past three years has explained the decreasing trend with 415.20Cr. in March2021, 490.40Cr. in Mar2022 and 459.50Cr. in Mar2023.

Current Ratio- The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio is desirable so that the company could be stable to unexpected bumps in business and economy. Astral has a Current ratio of **1.72**.

Debt to equity ratio- It is a good metric to check out the capital structure along with its performance. Astral has a D/E ratio of 0.03 which means company has a low proportion of debt in its capital.

CASH FLOW-

All values in Cr

	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Operating Activities	341.98	405.4	664.1	543.1	556.9
Investing Activities	-293.4	-317.7	-454.1	71.5	-479.7
Financing Activities	-4.95	-163	-153.2	-44	-190.6
Net Cash flow	45.72	-75.3	56.8	570.6	-111.8

Company has started having negative cash flow which is a not a good fundamental sign. This makes it difficult for company to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges.

After financial analysis of company and going through various factors I would grade **three out of five because** the company's profitability has steadily increased over the years. Despite unprecedented inflation and a challenging macroeconomic environment in FY22, the company's financial performance remained strong. The Company continues to be one of India's most profitable piping solutions companies.

The Company has favourable return ratios, and with most of the capital expenditures to be completed by FY23, these metrics are expected to further improve over time.

FUTURE PROSPECTS-

In a future-oriented move, Board, in a meeting held on April 29, 2022, approved to acquire 51% controlling equity stake in the operating paint business of Gem Paints Private Limited. Strategically, the entry into paints gives them the opportunity to harness synergies with the existing sales and distribution network and legacy of the Astral brand, and has the potential to create significant value for all their stakeholders.

They have reworked their product offerings to also include faucets and sanitaryware, transforming them into a complete building material. The Company will operate in the premium economy segment in this product category and will kick start the operations using an asset-light model and only announce CAPEX once critical sales are achieved. They are confident of adding incremental revenues of ₹ 15,000 million from these two new product categories and newly launched products in the next five year.

Over the past few years, company has made substantial investments to support their decentralisation strategy by expanding manufacturing capacities. So, in future prospects the company is **graded four out of five.**

Overall company is graded 3.6 out of 5.