



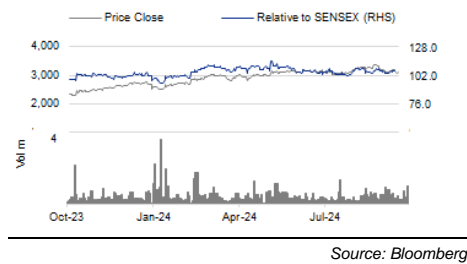
India

ADD (previously HOLD)

Consensus ratings*:	Buy 7	Hold 4	Sell 5
Current price:	Rs3,122		
Target price:	Rs3,470 ▲		
Previous target:	Rs2,860		
Up/downside:	11.1%		
InCred Research / Consensus:	8.8%		
Reuters:	PIDI.NS		
Bloomberg:	PIDI IN		
Market cap:	US\$18,884m		
	Rs1,587,663m		
Average daily turnover:	US\$15.7m		
	Rs1320.4m		
Current shares o/s:	508.6m		
Free float:	30.4%		
*Source: Bloomberg			

Key changes in this note

- Upgrade our rating to ADD from HOLD.
- Introduce FY27F estimates.



Price performance	1M	3M	12M
Absolute (%)	(4.4)	0.4	32.8
Relative (%)	1.7	0.4	6.2

Major shareholders	% held
Promoter and Promoter Group	69.6
LIC	4.3
Axis AMC	1.6

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Pidilite Industries Limited

Steady delivery even in a tough environment

- 2Q standalone volume/sales grew by 7.1%/8% yoy, respectively. C&B/B2B volume grew by 6%/21% yoy, respectively. Consolidated sales rose 5.2% yoy.
- Consolidated gross/EBITDA margins stood at 54.4%/23.8%, up 304bp/167bp yoy, respectively. Consol. EBITDA/PAT grew by 13.1%/18.8%, respectively.
- PIDI has delivered resilient performance despite subdued demand conditions. Upgrade to ADD rating with a higher TP of Rs3,470 (from Rs2,860 earlier).

Strong volume growth even in a subdued demand environment

Pidilite Industries' or PIDI's standalone sales growth of 7.1% in 2QFY25 was led by an 8% volume growth despite weak demand conditions. In 1HFY25, sales/volume were up 9%, which is healthy considering the impact of general elections and excess rainfall in many parts of the country. The consumer & bazaar (C&B) segment posted a 6% volume growth and sales growth of 5% yoy at Rs23.9bn. The C&B segment's PBIT margin expanded by 179bp yoy (81bp qoq) to 31.2%, largely aided by moderation in input costs. The B2B segment grew 15.6% yoy to Rs6.2bn while volume grew by 21%. Pidilite Industries has been delivering healthy growth in rural markets over the last few years led by improvement in availability, bundling up of rural specific offerings, ability to sell a full range of products and distribution expansion.

Strong execution capabilities and favourable assortment

PIDI is uniquely placed in terms of assortment, ability to create new categories as well as capture demand across niche spaces/applications and distribution reach compared to its peers. Initiatives like rural distribution expansion, ability to scale up high-growth categories and strong innovation capabilities should aid in driving double-digit volume growth (+9% clocked in 1HFY25). Management commentary indicated that demand in the festive quarter so far has neither been strong nor weak. The company has recently partnered with CollTech and is setting up a cold chain distribution of its products in India.

Input costs expected to remain benign in the near term

Pidilite Industries' consumption cost of vinyl acetate monomer (VAM) in 2QFY25 stood at US\$980/t vs. US\$1,000/t in 2QFY24. Spot prices stood at US\$800-900/t. The gap between volume/value narrowed to -0.9%. Consolidated gross/EBITDA margins stood at 54.4%/23.8%, respectively. Management expects raw material prices to remain stable in the near term and sees the EBITDA margin staying in the 20-24% range in FY25F (closer towards the upper end if raw material prices remain stable).

Resilient performance; upgrade to ADD with a higher TP of Rs3,470

Management remains focused on driving double-digit volume growth by the end of FY25F (+9% delivered in 1HFY25). We upgrade our rating on the stock to ADD (from HOLD earlier) with a higher target price of Rs3,470 (63x Sep 2026F EPS) from Rs2,860 earlier, rolling forward our valuation. Downside risk: Slower-than-expected EBITDA growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	117,991	123,830	136,544	153,401	172,407
Operating EBITDA (Rsm)	19,844	27,073	31,809	37,909	43,263
Net Profit (Rsm)	12,733	17,294	21,516	25,742	30,219
Core EPS (Rs)	25.0	35.0	42.3	50.6	59.4
Core EPS Growth	5.5%	39.9%	20.7%	19.6%	17.4%
FD Core P/E (x)	124.62	91.78	73.79	61.67	52.54
DPS (Rs)	12.0	0.0	17.3	20.7	24.9
Dividend Yield	0.32%	0.35%	0.55%	0.66%	0.80%
EV/EBITDA (x)	79.84	57.96	49.29	41.23	35.90
P/FCFE (x)	381.20	182.73	150.39	102.38	70.40
Net Gearing	(6.3%)	(23.5%)	(22.1%)	(23.4%)	(27.7%)
P/BV (x)	22.00	18.88	16.40	14.18	12.25
ROE	18.7%	22.8%	23.8%	24.7%	25.0%
% Change In Core EPS Estimates			(0.86%)	2.72%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady delivery even in a tough environment

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	30,760	33,954	32,349	5.2	-4.7	63,512	66,303	4.4
Expenditure	23,963	25,826	24,661	2.9	-4.5	49,645	50,487	1.7
Consumption of RM	14,978	15,685	14,767	-1.4	-5.9	31,675	30,452	-3.9
as % of sales	48.7	46.2	45.6			49.9	45.9	
Employee costs	3,632	4,172	4,356	20.0	4.4	7,186	8,528	18.7
as % of sales	11.8	12.3	13.5			11.3	12.9	
Other expenditure	5,354	5,969	5,538	3.4	-7.2	10,784	11,507	6.7
as % of sales	17.4	17.6	17.1			17.0	17.4	
EBITDA	6,797	8,127	7,688	13.1	-5.4	13,867	15,816	14.1
Depreciation	752	844	879	16.8	4.1	1,486	1,723	15.9
EBIT	6,045	7,283	6,809	12.6	-6.5	12,380	14,093	13.8
Other income	316	539	571	80.8	5.9	550	1,111	101.9
Interest	131	118	117	27	-0.8	250	236	-5.8
PBT	6,230	7,704	7,263	16.6	-5.7	12,680	14,968	18.0
Total tax	1,631	1,984	1,848	13.3	-6.8	3,335	3,832	14.9
PAT	4,599	5,721	5,415	17.8	-5.3	9,345	11,136	19.2
(Profit)/loss from JVs / minority interest	97	52	70	-28.5	34.9	162	121	-25.2
Adj. net profit	4,502	5,669	5,346	18.8	-5.7	9,183	11,015	19.9
Extraordinary items	0	0	0	NA	NA	0	0	NA
Reported net profit	4,502	5,669	5,346	18.8	-5.7	9,183	11,015	19.9
Adjusted EPS	8.9	11.2	10.5	18.8	-5.7	18.1	21.7	19.9
Margins (%)				(bp)	(bp)			(bp)
Gross Margin	51.3	53.8	54.4	304	55	50.1	54.1	394
EBITDA	22.1	23.9	23.8	167	-17	21.8	23.9	202
EBIT	19.7	21.5	21.0	140	-40	19.5	21.3	176
EBT	20.3	22.7	22.5	220	-24	20.0	22.6	261
PAT	14.6	16.7	16.5	189	-17	14.5	16.6	215
Effective tax rate	26.2	25.7	25.4	-73	-30	26.3	25.6	-70

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segment-wise breakup

Y/E, Mar (Rs. m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Segment-wise revenue								
Consumer & Bazaar	25,083	27,408	25,805	2.9	-5.8	51,691	53,213	2.9
Business-to-Business (B2B)	6,153	7,256	7,036	14.3	-3.0	12,933	14,292	10.5
Others	179	130	149	-16.9	14.9	396	279	(29.6)
Total	31,415	34,794	32,990	5.0	-5.2	65,020	67,783	4.2
Segment-wise results								
Consumer & Bazaar	6,935	8,039	7,710	11.2	-4.1	14,013	15,749	12.4
Business-to-Business (B2B)	685	1,103	1,040	51.9	-5.7	1,601	2,143	33.8
Others	16	12	5	-65.8	-54.2	20	17	(14.9)
Total	7,635	9,154	8,755	14.7	-4.4	15,635	17,909	14.5
Add- Unall. income / (expenses)	1,275	1,331	1,375	7.9	3.3	2,704	2,706	0.1
Less- Interest expenses	131	118	117	-10.7	-0.8	250	236	(5.8)
PBT	6,230	7,704	7,263	16.6	-5.7	12,680	14,968	18.0
Segment-wise margins (%)				(bp)	(bp)			(bp)
Consumer & Bazaar	27.6	29.3	29.9	223	55	27.1	29.6	249
Business-to-Business (B2B)	11.1	15.2	14.8	365	-42	12.4	15.0	261
Others	8.8	9.1	3.6	-520	-548	5.1	6.2	107
PBIT margin%	24.3	26.3	26.5	223	23	24.0	26.4	238

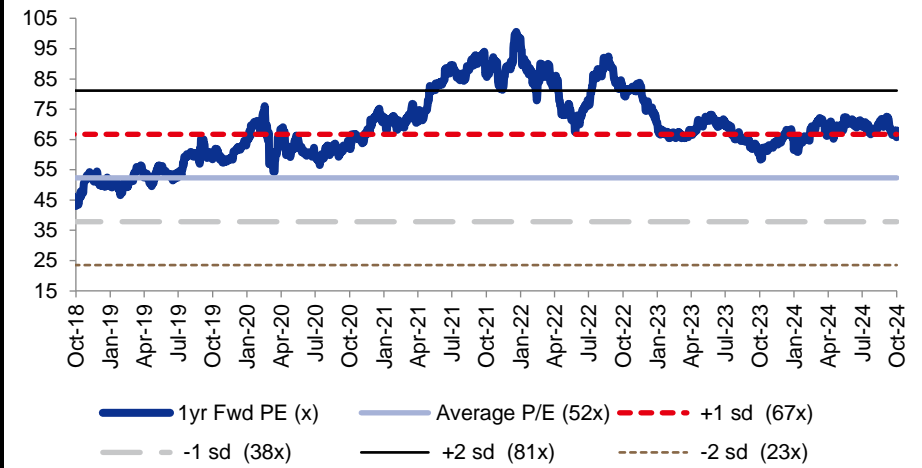
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Net Sales	1,40,526	1,36,544	-2.8	1,57,950	1,53,401	-2.9	1,72,407
EBITDA	31,543	31,809	0.8	36,421	37,909	4.1	43,263
EBITDA Margin (%)	22.4	23.3	80bp	23.1	24.7	170bp	25.1
Net Income	21,703	21,516	-0.9	25,060	25,742	2.7	30,219
EPS	42.7	42.3	-0.9	49.3	50.6	2.7	59.4

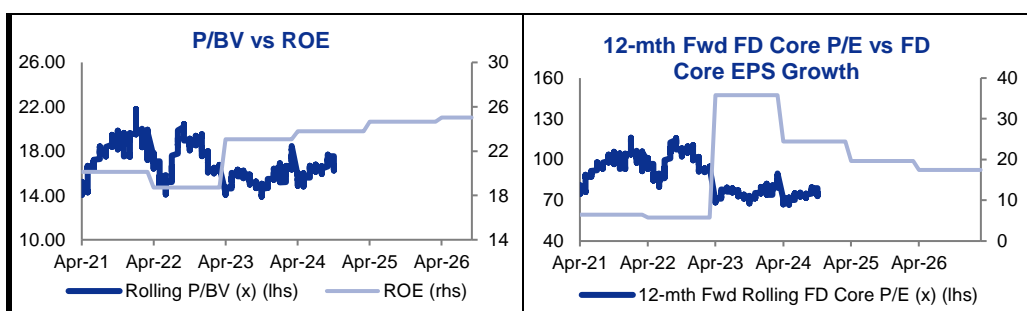
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: PIDI's one-year forward P/E trades at +1 SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	117,991	123,830	136,544	153,401	172,407
Gross Profit	50,397	63,890	69,389	79,002	89,966
Operating EBITDA	19,844	27,073	31,809	37,909	43,263
Depreciation And Amortisation	(2,697)	(3,407)	(3,750)	(4,250)	(4,280)
Operating EBIT	17,146	23,666	28,059	33,659	38,983
Financial Income/(Expense)	20	885	801	860	1,534
Pretax Income/(Loss) from Assoc.	66	(41)	(45)	(49)	(54)
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	17,232	24,510	28,815	34,470	40,463
Exceptional Items		(717)			
Pre-tax Profit	17,232	23,794	28,815	34,470	40,463
Taxation	(4,344)	(6,319)	(7,279)	(8,707)	(10,224)
Exceptional Income - post-tax					
Profit After Tax	12,889	17,474	21,536	25,762	30,239
Minority Interests	(156)	(180)	(20)	(20)	(20)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,733	17,294	21,516	25,742	30,219
Recurring Net Profit	12,733	17,820	21,516	25,742	30,219
Fully Diluted Recurring Net Profit	12,733	17,820	21,516	25,742	30,219

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	19,844	27,073	31,809	37,909	43,263
Cash Flow from Invt. & Assoc.	66	(41)	(45)	(49)	(54)
Change In Working Capital	(338)	6,905	(9,006)	(7,286)	(4,754)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(476)	(512)	(225)	(225)	(225)
Tax Paid	(4,344)	(6,319)	(7,279)	(8,707)	(10,224)
Cashflow From Operations	14,752	27,106	15,255	21,641	28,006
Capex	(6,611)	(6,194)	(5,500)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,726)	(12,145)	696	755	1,429
Cash Flow From Investing	(10,337)	(18,339)	(4,804)	(6,245)	(5,571)
Debt Raised/(repaid)	(252)	(81)	106	111	117
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,083)	(5,597)	(8,789)	(10,546)	(12,656)
Preferred Dividends					
Other Financing Cashflow	636	(306)	(20)	(20)	(20)
Cash Flow From Financing	(4,700)	(5,984)	(8,703)	(10,455)	(12,559)
Total Cash Generated	(285)	2,783	1,748	4,941	9,876
Free Cashflow To Equity	4,162	8,686	10,556	15,507	22,551
Free Cashflow To Firm	4,891	9,279	10,676	15,621	22,660

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	8,579	24,035	25,782	30,723	40,599
Total Debtors	15,353	16,747	18,506	21,439	24,094
Inventories	18,171	14,149	18,302	22,447	25,227
Total Other Current Assets	6,188	6,112	6,200	7,333	8,241
Total Current Assets	48,290	61,043	68,790	81,942	98,161
Fixed Assets	40,303	43,170	44,920	47,670	50,390
Total Investments	3,497	3,649	3,979	4,309	4,639
Intangible Assets	12,898	12,817	12,817	12,817	12,817
Total Other Non-Current Assets	335	419	374	420	473
Total Non-current Assets	57,032	60,055	62,090	65,216	68,319
Short-term Debt	1,633	1,312	1,312	1,312	1,312
Current Portion of Long-Term Debt					
Total Creditors	21,751	24,172	22,700	23,494	24,913
Other Current Liabilities	11,115	12,696			
Total Current Liabilities	34,499	38,180	24,011	24,806	26,225
Total Long-term Debt	2,274	2,513	2,619	2,730	2,847
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,274	2,513	2,619	2,730	2,847
Total Provisions	4,932	6,589	5,352	5,528	5,751
Total Liabilities	41,705	47,282	31,983	33,064	34,823
Shareholders Equity	72,123	84,072	96,799	111,995	129,559
Minority Interests	2,336	2,099	2,099	2,099	2,099
Total Equity	74,459	86,170	98,898	114,094	131,657

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	18.9%	4.9%	10.3%	12.3%	12.4%
Operating EBITDA Growth	7.4%	36.4%	17.5%	19.2%	14.1%
Operating EBITDA Margin	16.8%	21.9%	23.3%	24.7%	25.1%
Net Cash Per Share (Rs)	9.19	39.74	42.96	52.46	71.65
BVPS (Rs)	141.89	165.30	190.33	220.20	254.74
Gross Interest Cover	35.99	46.23	124.71	149.59	173.26
Effective Tax Rate	25.2%	26.6%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	39.9%	31.1%	40.8%	41.0%	41.9%
Accounts Receivables Days	45.87	47.31	47.12	47.52	48.20
Inventory Days	94.83	98.40	88.19	99.96	105.54
Accounts Payables Days	(112.30)	(139.82)	(127.38)	(113.31)	(107.16)
ROIC (%)	28.4%	41.9%	35.8%	38.0%	40.5%
ROCE (%)	22.1%	27.1%	28.2%	29.6%	30.0%
Return On Average Assets	12.8%	15.3%	16.5%	17.9%	18.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.