



India

ADD (no change)

Consensus ratings*: Buy 9 Hold 3 Sell 5

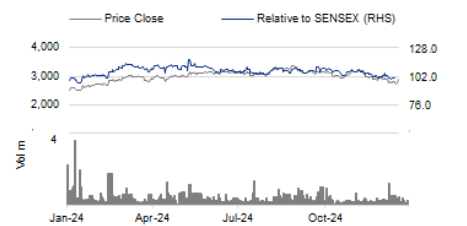
Current price:	Rs2,910
Target price:	Rs3,470
Previous target:	Rs3,470
Up/downside:	19.2%
InCred Research / Consensus:	7.6%

Reuters:	
Bloomberg:	PIDI IN
Market cap:	US\$20,381m
	Rs1,479,982m
Average daily turnover:	US\$15.8m
	Rs1143.9m
Current shares o/s:	508.6m
Free float:	30.4%

*Source: Bloomberg

Key changes in this note

➤ No change in our estimates or target price.

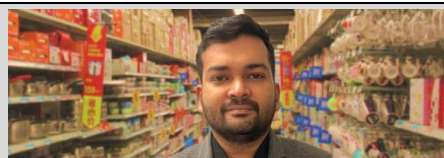


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.4)	(5.9)	15.3
Relative (%)	1.1	(1.5)	7.1

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

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Pidilite Industries Limited

Adhesion to growth despite headwinds

- PIDI posted 9.3%/9.7% 3Q standalone sales/volume rise despite weak overall demand conditions. Rural markets continued to outperform urban markets.
- Consolidated gross/EBITDA margins stood at 54.3%/23.7%, up 145bp/flat yoy respectively. EBITDA margin guidance for FY25F remains intact (20-24%).
- Stable raw material pricing trend provides margin comfort. Retain our high-conviction ADD rating on PIDI with an unchanged target price of Rs3,470.

Strong volume growth despite subdued demand environment

Pidilite Industries (PIDI) delivered 9.3% standalone sales growth in 3QFY25 driven by 9.7% volume growth, despite weakness in overall demand. The consumer & bazaar (C&B) segment grew 7% in volume/sales to Rs24.9bn, although PBIT margin contracted 177bp yoy to 30.6%. The B2B segment continued its momentum and grew 20.7% yoy in 3Q. Despite moderation of demand in certain core categories in rural markets, PIDI has consistently delivered strong growth in rural markets led by improved availability, targeted offerings and distribution gains. We expect the C&B segment's near-term growth trajectory to trend positively on a sequential basis, with a gradual volume growth improvement.

Multi-pronged B2B strategy to drive growth in emerging avenues

PIDI's B2B business, comprising projects, adhesives, and pigments divisions, is registering strong growth. The projects division clocked accelerated growth in recent quarters. The adhesives division has seen healthy growth in the packaging and conversion segment, particularly benefiting from the growth of e-commerce and quick commerce channels. The pigments business is clocking strong growth (on a low base). PIDI is strategically focusing on technological advancements through partnerships, as it did with Jowat for hot melt adhesives, thereby enhancing its position in the packaging and electronics segments, which are picking up momentum. PIDI also aims to capitalize on opportunities in emerging industries like electric vehicles and semiconductors in India going forward.

Margin to remain rangebound; stable input costs provide comfort

PIDI's VAM (vinyl acetate monomer) consumption costs declined to US\$884/t in 3QFY25 from US\$902/t in 3QFY24, a 2%/10% yoy/qoq decrease. Management expects raw material prices to remain stable qoq in 4QFY25F. Advertising and promotional spending is expected to remain elevated as the focus on accelerating growth/pioneer categories will intensify going forward. We expect FY25F EBITDA margins at 23.3%, closer to the upper end of the 20-24% guided range (unchanged), aided by stable raw material prices.

Reiterate our high-conviction ADD rating with a TP of Rs3,470

We maintain our high-conviction ADD rating on PIDI with an unchanged target price of Rs3,470 (63x Sep 2026F EPS). We believe PIDI can sustain its volume growth momentum over the medium term, building on the +9.2% growth clocked in 9MFY25. Stable VAM prices should support a stable margin profile. Downside risk: Slowdown in rural demand.

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)	116.16	85.55	68.78	57.49	48.97
DPS (Rs)	12.0	14.4	17.3	20.7	24.9
Dividend Yield	0.34%	0.38%	0.59%	0.71%	0.86%
EV/EBITDA (x)	74.41	53.98	45.90	38.39	33.41
P/FCFE (x)	355.33	170.33	140.18	95.43	65.62
Net Gearing	(6.3%)	(23.5%)	(22.1%)	(23.4%)	(27.7%)
P/BV (x)	20.51	17.60	15.29	13.21	11.42
ROE	18.7%	22.8%	23.8%	24.7%	25.0%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Adhesion to growth despite headwinds

Figure 1: Quarterly result summary - consolidated

Y/E Mar (Rs.m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
Revenue	31,300	32,349	33,689	7.6	4.1	94,811	99,992	5.5
Expenditure	23,875	24,661	25,705	7.7	4.2	73,520	76,192	3.6
Consumption of RM	14,749	14,767	15,388	4.3	4.2	46,425	45,840	-1.3
as % of sales	47.1	45.6	45.7			49.0	45.8	
Employee costs	3,729	4,356	4,341	16.4	-0.4	10,915	12,869	17.9
as % of sales	11.9	13.5	12.9			11.5	12.9	
Other expenditure	5,397	5,538	5,977	10.7	7.9	16,181	17,484	8.1
As a % of sales	17.2	17.1	17.7			17.1	17.5	
EBITDA	7,425	7,688	7,984	7.5	3.8	21,291	23,799	11.8
Depreciation	795	879	895	12.6	1.8	2,281	2,618	14.8
EBIT	6,630	6,809	7,089	6.9	4.1	19,010	21,181	11.4
Other income	370	571	558	50.8	-2.3	920	1,668	81.3
Interest	128	117	125	27	6.1	378	360	-4.7
PBT	6,872	7,263	7,522	9.5	3.6	19,552	22,490	15.0
Total tax	1,765	1,848	1,947	10.3	5.3	5,100	5,778	13.3
PAT	5,107	5,415	5,575	9.2	3.0	14,452	16,711	15.6
(Profit)/loss from JVs / minority interest	2	70	51	2455.0	-26.6	164	172	5.0
Net profit (before extraordinary items)	5,105	5,346	5,524	8.2	3.3	14,288	16,539	15.8
Extraordinary items	0	0	0	NA	NA	0	0	NA
Reported net profit	5,105	5,346	5,524	8.2	3.3	14,288	16,539	15.8
Adjusted EPS	10.0	10.5	10.9	8.3	3.3	28.1	32.5	15.7
Margins (%)				(bp)	(bp)			(bp)
Gross Margin	52.9	54.4	54.3	145	-3	51.0	54.2	312
EBITDA	23.7	23.8	23.7	-2	-7	22.5	23.8	135
EBIT	21.2	21.0	21.0	-14	-1	20.1	21.2	113
EBT	22.0	22.5	22.3	37	-12	20.6	22.5	187
PAT	16.3	16.5	16.4	9	-13	15.1	16.5	147
Effective tax rate	25.7	25.4	25.9	20	44	26.1	25.7	-39

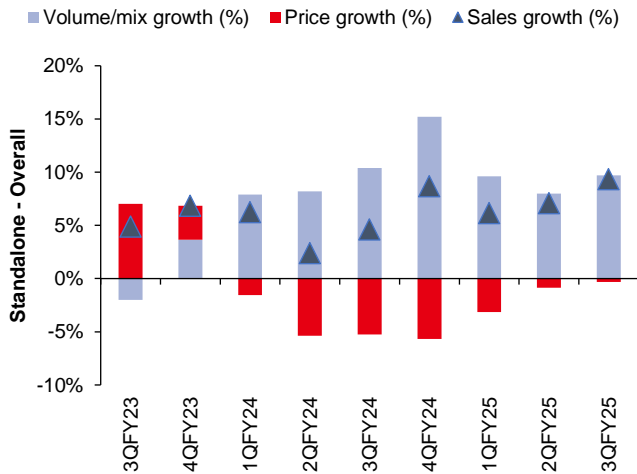
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
Segment Revenue								
Consumer & Bazaar	25,413	25,805	26,726	5.2	3.6	77,104	79,939	3.7
Business-to-Business (B2B)	6,373	7,036	7,572	18.8	7.6	19,307	21,863	13.2
Others	97	149	137	41.5	-7.7	493	416	(15.6)
Total	31,883	32,990	34,435	8.0	4.4	96,903	1,02,218	5.5
Segment Results								
Consumer & Bazaar	7,704	7,710	7,865	2.1	2.0	21,718	23,614	8.7
Business-to-Business (B2B)	757	1,040	1,335	76.4	28.4	2,358	3,478	47.5
Others	10	5	-9	-192.1	-272.2	30	8	(73.9)
Total	8,471	8,755	9,190	8.5	5.0	24,105	27,099	12.4
Add- Unall. income / (expenses)	1,472	1,375	1,544	4.9	12.3	4,176	4,249	1.8
Less- Interest expenses	128	117	125	-2.4	6.1	378	360	(4.7)
PBT	6,872	7,263	7,522	9.5	3.6	19,552	22,490	15.0
Segment Margins (%)				(bp)	(bp)			(bp)
Consumer & Bazaar	30.3	29.9	29.4	-89	-45	28.2	29.5	137
Business-to-Business (B2B)	11.9	14.8	17.6	576	285	12.2	15.9	369
Others	10.4	3.6	(6.8)	-1717	-1040	6.1	1.9	-425

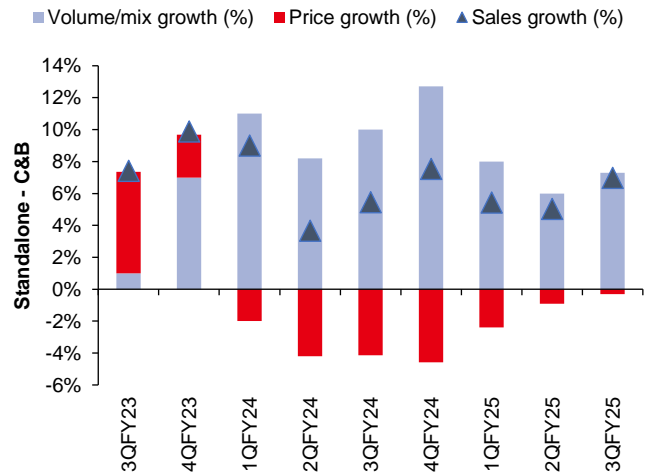
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Overall sales (std) continues to be volume-led



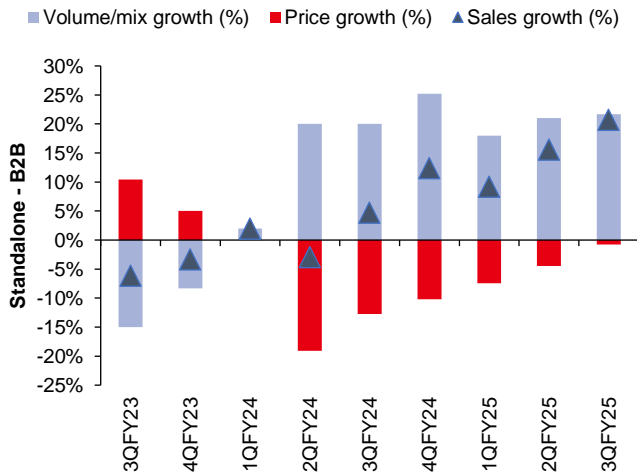
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: C&B volume growth stood at 7.3% in 3QFY25



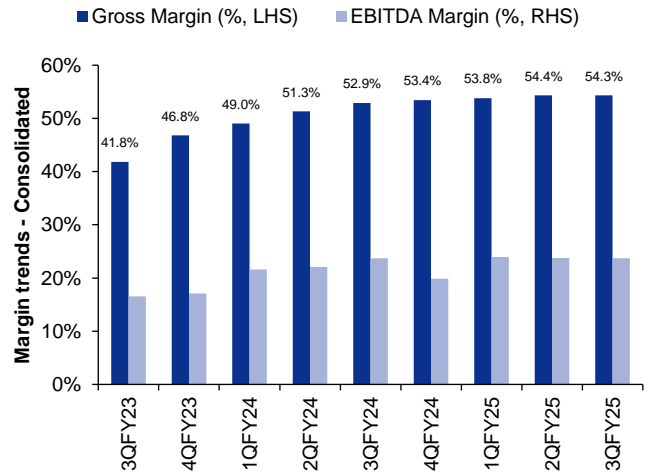
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: B2B volume growth stood at 21.7% in 3QFY25



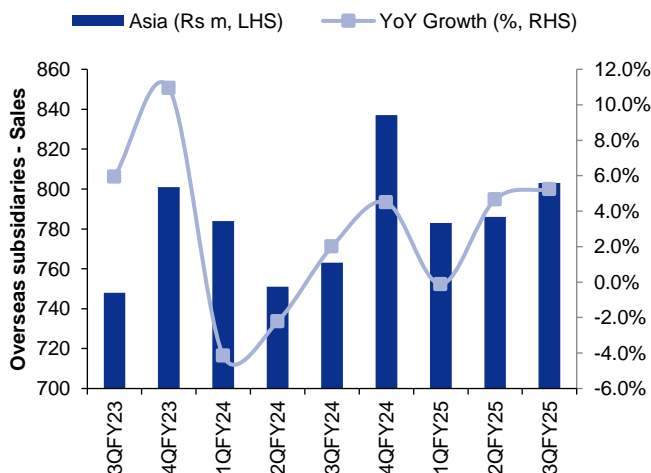
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Consolidated gross margin expanded by 145bp yoy in 3QFY25



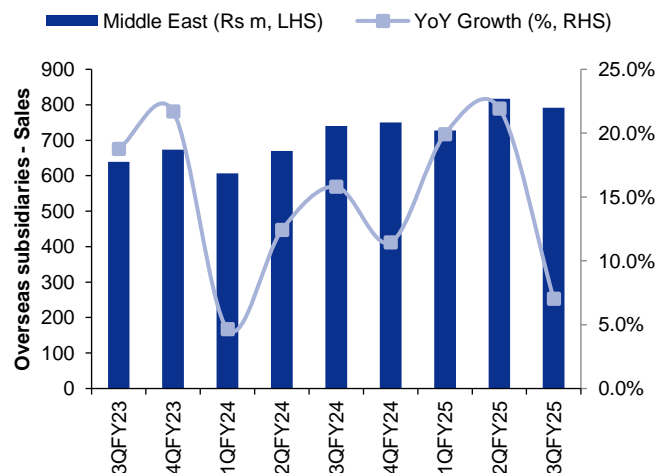
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Asia business posted 5.2% yoy sales growth in 3Q



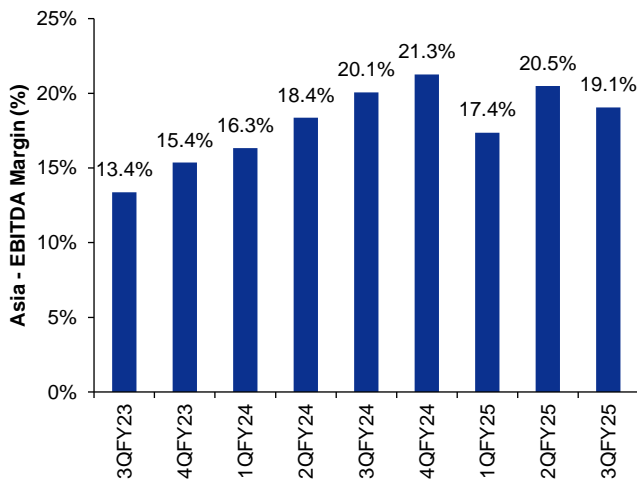
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Middle-East business posted 7% yoy growth in 3Q



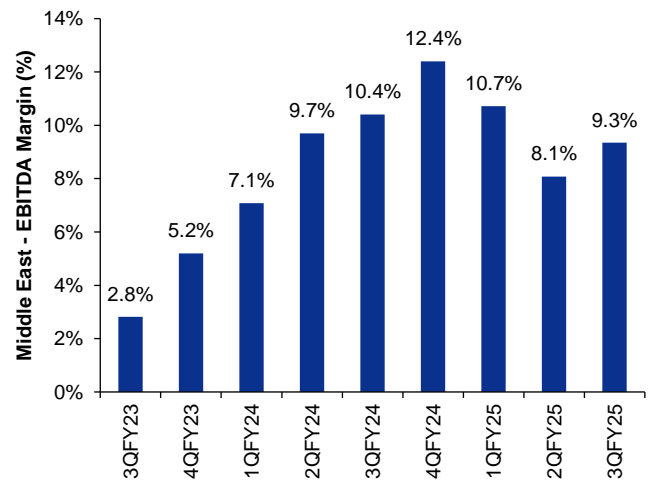
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Asia EBITDA margin contracted by 100bp yoy in 3Q



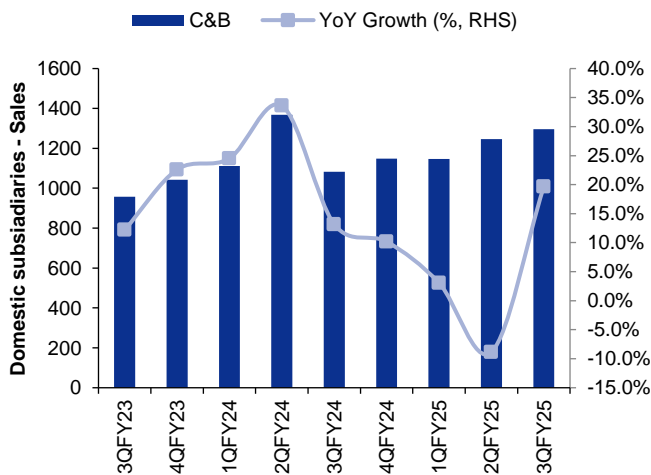
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Middle East EBITDA margin contracted by 106bp yoy



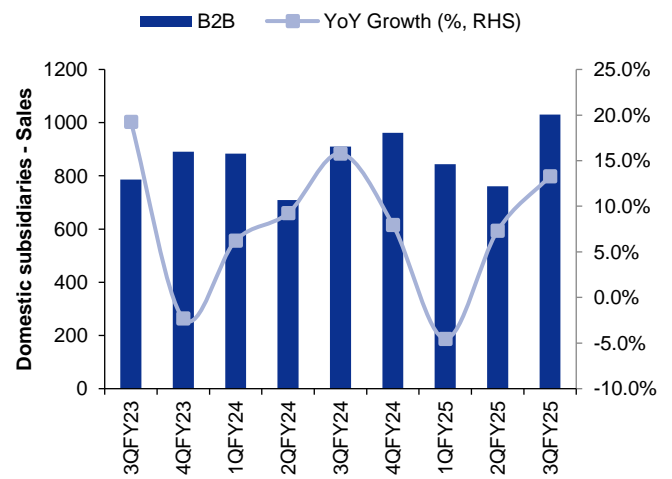
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Domestic C&B subsidiaries posted 19.7% yoy growth



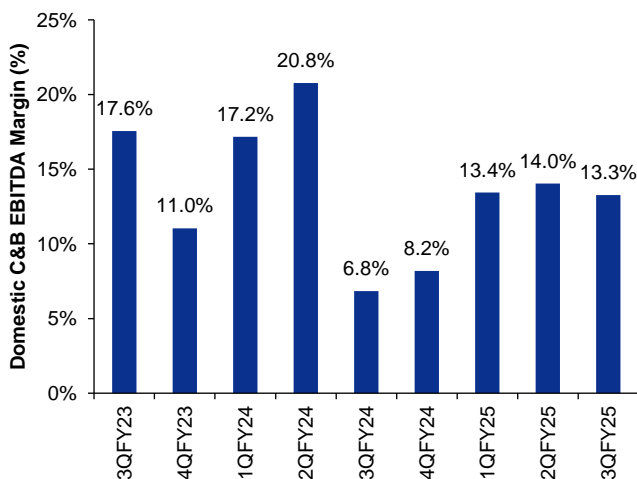
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Domestic B2B subsidiaries posted 13.3% yoy growth



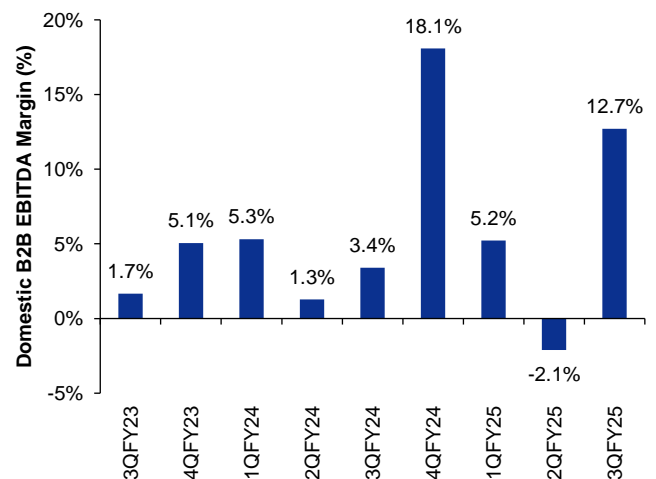
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Domestic C&B subsidiaries clocked a 644bp yoy improvement in EBITDA margin



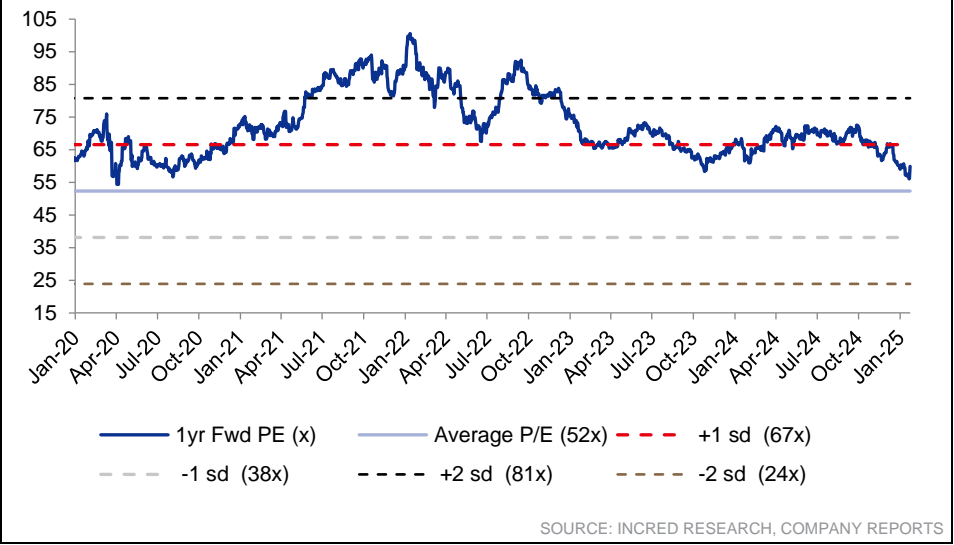
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Domestic B2B EBITDA margin expanded by 930bp yoy in 3QFY25

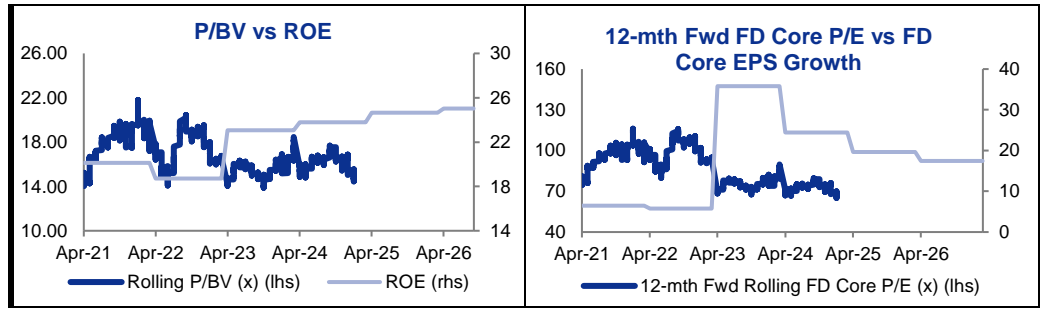


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: PIDI's one-year forward P/E trades close to its five-year average



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.