



India

March 19, 2025 - 6:42 AM

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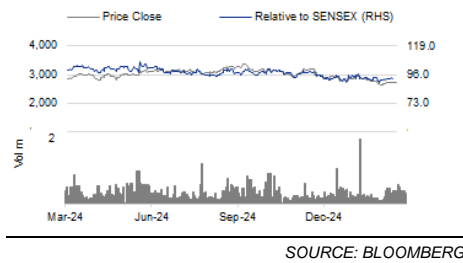
Consensus ratings*: Buy 10 Hold 2 Sell 5

Current price:	Rs2,729
Target price:	Rs3,470
Previous target:	Rs3,470
Up/downside:	27.2%
InCred Research / Consensus:	8.7%
Reuters:	PIDI.NS
Bloomberg:	PIDI IN
Market cap:	US\$16,036m
	Rs1,388,176m
Average daily turnover:	US\$12.6m
	Rs1087.1m
Current shares o/s:	508.6m
Free float:	30.4%

*Source: Bloomberg

Key financial forecast

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	21,516	25,742	30,219
Core EPS (Rs)	42.31	50.61	59.42
Core EPS Growth	20.7%	19.6%	17.4%
FD Core P/E	64.51	53.92	45.93
Recurring ROE	23.8%	24.7%	25.0%
P/BV (x)	14.34	12.39	10.71
DPS (Rs)	17.28	20.74	24.88
Dividend Yield	0.63%	0.76%	0.91%



Price performance	1M	3M	12M
Absolute (%)	(1.4)	(8.7)	(5.6)
Relative (%)	(0.6)	(3.9)	(9.7)

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

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Pidilite Industries Limited

Analyst Day - Highlights

- Pidilite Industries (Pidilite) hosted its Analyst Day 2025 on 18th Mar 2025. The key takeaways from the event are detailed below.
- Focused portfolios & separate teams aided growth in underserved markets. Distribution expansion & the innovation engine will continue to drive growth.
- While the near-term demand environment remains under pressure, Pidilite targets double-digit UVG in the medium term. Retain ADD rating on the stock.

Things that have worked well for Pidilite’s consumer franchise

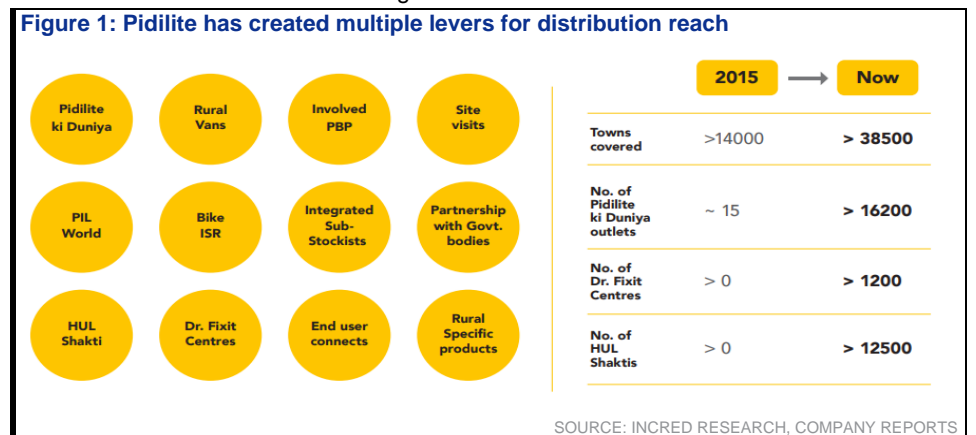
- **Tailor-made strategies for emerging India:** Pidilite’s rural-urban or rurban journey started in 2001 (in sub-50k population towns), and from 2016 the focus also moved towards 50k-200k population towns. Since 2019, rurban markets had become a strong pillar of growth, growing faster than urban markets. Initiatives to get closer to the market supported growth. Pidilite also tailored its product offerings to suit the requirements of rural markets (refer Fig. 21 for the current portfolio) to drive consistent growth.
- **Ability to innovate and drive premiumization across the portfolio:** Pidilite has consistently been innovating across brands like Fevicol & Fevikwik to drive growth. Fevicol has been extended into multiple segments like marine, heat resistance, PVC & acrylic laminates, etc. over the years. Fevikwik, which is available at 3m outlets and enjoys 65% household penetration, has also been extended into various applications.

Focus on new avenues to plug whitespaces – a large opportunity

- **Unofin:** Pidilite has launched new categories like external renders under the Unofin brand (via a joint venture with Grupo Puma) which serve as replacement for plaster, putty, primer & paints. The target customers are EPC contractors and architects for this segment. The application process for renders differs from the regular practice and hence, category development, positioning renders as a better solution (with a 25-year warranty), will remain a focus area.
- **Electronics:** Pidilite, which partnered with CollTech for distribution of a range of electronic adhesives in India, is exploring opportunities in wearable, consumer electronics and mobility (electric vehicle) industries as the solutions required are different (heat resistance is a key requirement).
- **Haisha Paints:** Pidilite has launched a range of paints, currently in South India and Odisha, and is building the segment from scratch. Pidilite will scale the brand in rurban India first as 30% of the demand for paints comes from smaller towns.

Differentiated portfolio to support growth in the long run

- Management reiterated that core categories (Fevicol, Fevikwik, M-Seal, Fevicryl, etc.) are expected to grow at 1-2x of India’s GDP, while growth categories are expected to grow at 3.5x GDP. Within pioneer categories, some verticals have moved to the growth category. While the near-term demand environment remains challenging, Pidilite’s focus on distribution expansion, innovation and projects business keeps medium-term drivers intact. We maintain our ADD rating on the stock.



Analyst Day - Highlights

Figure 2: Pidilite's portfolio was skewed towards core categories earlier...

Portfolio for Creating Value – Then



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: ...but now the portfolio is spread across growth and pioneer categories as well

Portfolio for Creating Value – Now



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Fevicol, as a brand, has been extended over the years based on features as well as applications



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Fevikwik has been extended with innovation as a key focus area; quick commerce is aiding premiumization



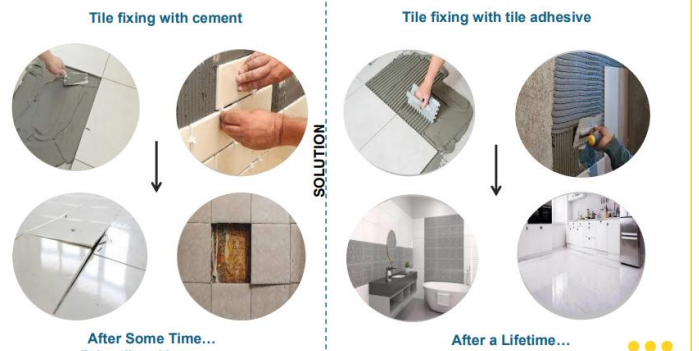
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Dr. Fixit has been expanded from just waterproofing to various coatings, with waterproofing at the core



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: The focus remains on driving awareness and taking market share from white cement under the Rofi brand



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Araldite and WD-40 brands have been extended across channels and formats



Figure 9: ICA Pidilite has seen strong traction despite premium pricing over competitors in wood finishings

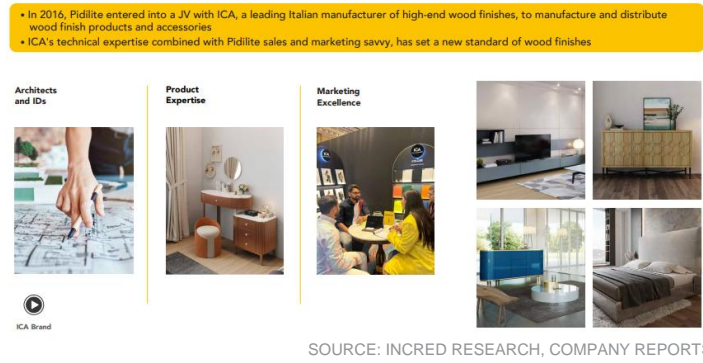


Figure 10: Distribution-led penetration gains across India

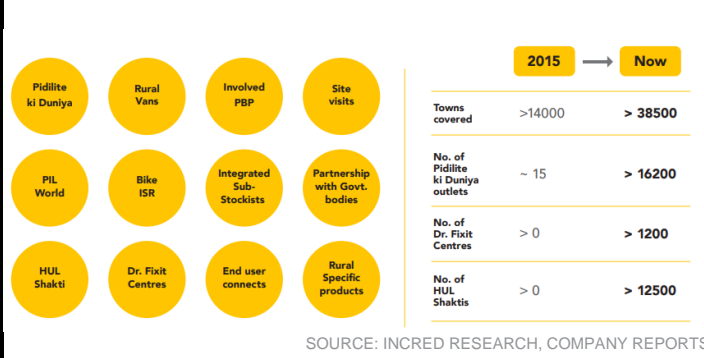


Figure 11: Digital infrastructure has been upgraded

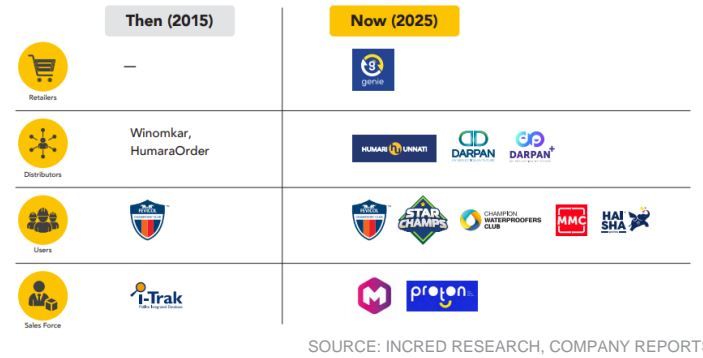


Figure 12: Strong distribution reach among joineries



Figure 13: The specialized projects vertical to provide professional solutions

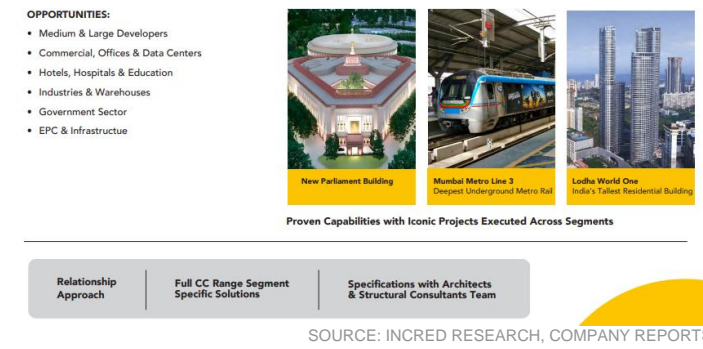


Figure 14: Exploring opportunities in the electronics industry through a JV with CollTech



Figure 15: Fills whitespaces with the launch of renders under the Unofin brand

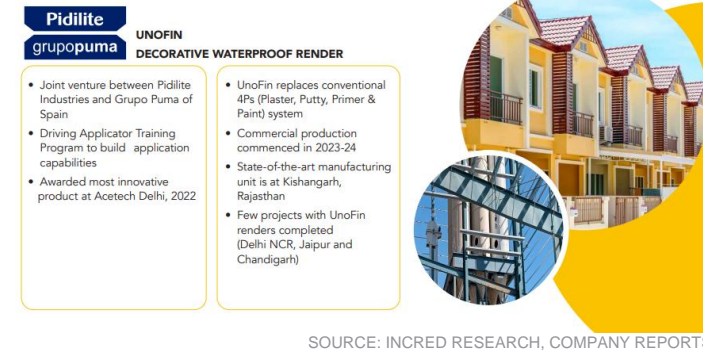


Figure 16: Haisha Paints being scaled in South India and Odisha

Adding to our existing range of Dr. Fixit WP Coatings, Stainers, Premium Distempers & Wood Finishes Introducing "HAISHA paints" a range of Interior Paint products which stay true to Fevicol's legacy of "Mazbooti"



HAISHA paints offers a of simplified, differentiated and customized range to cater to the need of Indian users and consumers



RANGE OF INTERIOR EMULSIONS

- Luxury Emulsion : Long-lasting High Sheen emulsion
- Select Emulsion : Highly washable premium finish
- Classic Emulsion : Affordable smooth finish


SPECIALTY EMULSIONS

- Floor coat: Highly abrasion resistant floor coating
- Ceiling emulsion: Super white, super matt ceiling paint

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: The thrust on innovation to continue

CONTINUOUS INNOVATION TO STAY AHEAD
Best in class for existing & new substrates



Waterproof, All-in-one, Heat Resistant, Anti-Bubble, New substrates, Fast & Sprayable, Nail Free, Lam on Lam

SOURCE: INCRED RESEARCH, COMPANY REPORTS

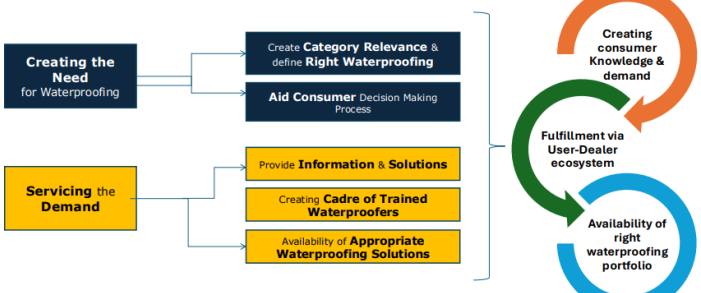
Figure 18: Waterproofing remains a big business opportunity

New Construction Opportunity						Small Repairs		Proactive Renovation	
Infra	Commercial	Flat Builders	Premium IHB*	Aspirer IHB*	Deprived IHB	IHB*	CHS* Flat owners	CHS + IHB	Institutional
50% of potential ~15% Category Penetration						20% of potential ~30% Penetration		30% of potential ~40% Penetration	

As penetration in waterproofing is low, Market has been growing at double digits
In more developed markets New Construction opportunity is 70% of total.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Pidilite is creating the need for the product as well as servicing the demand



Creating the Need for Waterproofing

- Create Category Relevance & define Right Waterproofing
- Aid Consumer Decision Making Process

Servicing the Demand

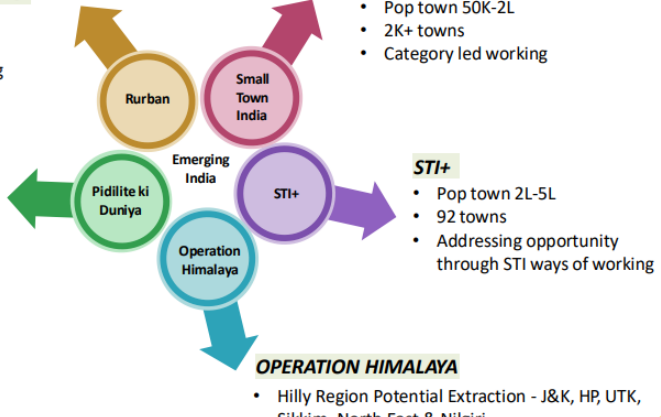
- Provide Information & Solutions
- Creating Cadre of Trained Waterproofers
- Availability of Appropriate Waterproofing Solutions

Fulfillment via User-Dealer ecosystem

- Creating consumer Knowledge & demand
- Availability of right waterproofing portfolio

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Creation of separate teams for rurban markets has yielded growth for Pidilite



Rurban: Reach more towns

- Pop towns <50K
- 20K+ towns
- Distribution Led Working

Small Town India

- Pop town 50K-2L
- 2K+ towns
- Category led working

STI+

- Pop town 2L-5L
- 92 towns
- Addressing opportunity through STI ways of working

OPERATION HIMALAYA

- Hilly Region Potential Extraction - J&K, HP, UTK, Sikkim, North East & Nilgiri

Pidilite Ki Duniya

- Pop towns <10K
- One stop solution
- Targeting 18K PKDs

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Focused product portfolio for smaller markets has led to success



Profit & Loss

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

Balance Sheet

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

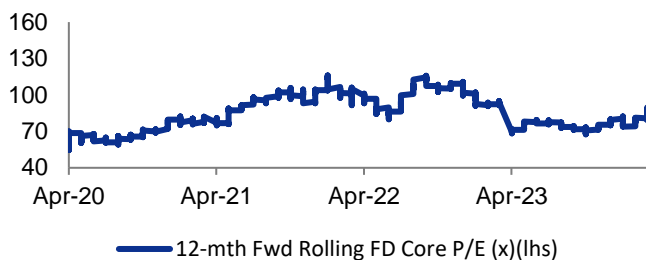
Cash Flow

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	27,073	31,809	37,909	43,263
Cash Flow from Invt. & Assoc.	(41)	(45)	(49)	(54)
Change In Working Capital	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	(512)	(225)	(225)	(225)
Tax Paid	(6,319)	(7,279)	(8,707)	(10,224)
Cashflow From Operations	27,106	15,255	21,641	28,006
Capex	(6,194)	(5,500)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(12,145)	696	755	1,429
Cash Flow From Investing	(18,339)	(4,804)	(6,245)	(5,571)
Debt Raised/(repaid)	(81)	106	111	117
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(5,597)	(8,789)	(10,546)	(12,656)
Preferred Dividends				
Other Financing Cashflow	(306)	(20)	(20)	(20)
Cash Flow From Financing	(5,984)	(8,703)	(10,455)	(12,559)
Total Cash Generated	2,783	1,748	4,941	9,876
Free Cashflow To Equity	8,686	10,556	15,507	22,551
Free Cashflow To Firm	9,279	10,676	15,621	22,660

Key Ratios

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

12-mth Fwd Rolling FD Core P/E (x)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

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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.

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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.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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