

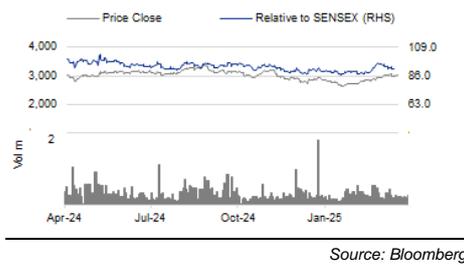
India

ADD (no change)

Consensus ratings*: Buy 10 Hold 2 Sell 5	
Current price:	Rs2,980
Target price:	Rs3,325
Previous target:	Rs3,470
Up/downside:	11.6%
InCred Research / Consensus:	6.4%
Reuters:	PIDI.NS
Bloomberg:	PIDI IN
Market cap:	US\$17,754m
	Rs1,515,773m
Average daily turnover:	US\$11.4m
	Rs975.3m
Current shares o/s:	508.6m
Free float:	30.4%
*Source: Bloomberg	

Key changes in this note

- Lower the target price to Rs3,325 from Rs3,470.



Price performance	1M	3M	12M
Absolute (%)	1.4	3.8	5.0
Relative (%)	(4.1)	(0.5)	(3.9)

Major shareholders	% held
Promoter and Promoter Group	69.6
LIC	3.4
Axis AMC	1.6

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Pidilite Industries Limited

Healthy outlook along with margin comfort

- 4Q consolidated/standalone sales grew by 8.2%/10.1% yoy led by 9.8% UVG, driven by 8%/16% growth in UVG in C&B/B2B segments, respectively.
- While rural markets continue to drive growth for PIDI, urban markets have started making a comeback, especially in 4Q. Recent launches did well.
- We expect PIDI to be able to maintain its growth momentum going ahead & retain our ADD rating on the stock with a new TP of Rs3,325 (60x FY27F EPS).

Healthy sales growth momentum despite a challenging environment

4QFY25 consolidated/standalone sales grew 8.2%/10.1% yoy, respectively, in line with our estimates. Pidilite Industries (PIDI) has been posting near double-digit volume growth throughout the year, despite weak overall demand conditions, closing 4Q at 9.8% UVG, led by 8%/16% UVG in consumer & bazaar/B2B segments, respectively. For the full year, PIDI posted 8.1% sales growth led by 9.3% UVG, with 7.2%/19.2% UVG from C&B/B2B segments. In FY25, the growth of adhesives and sealants category slowed to 3.6%, while construction chemicals and art materials grew faster. Industrial resins, industrial adhesives and organic pigments grew by 17.1%/6%/30.4% yoy, respectively. Domestic subsidiaries supported growth (growing 16.2% yoy) while international subsidiaries grew by 1.1% (although they supported margins with EBITDA margin expansion led by Asia operations).

Multiple levers to support sustained volume growth

PIDI's core offerings have been posting healthy growth driven by premiumization, with recent launches under the Fevicol brand performing very well. Within its growth categories, Roff (tile adhesives) and the waterproofing range are growing at 2-4x India GDP growth, with the momentum likely to sustain. Initiatives around rural outlet expansion have yielded positive results, with 1k Pidilite Ki Duniya stores added in 4Q – totaling 16.5k outlets as of FY25-end. Its JV with CollTech has started to secure contracts in the electronics adhesives segment, which is expected to be a US\$1bn market by 2030F, as per management.

Sharpens GTM models for foray into paints and NBFC businesses

PIDI has been focusing on paint business foray under 'Haisha Paints', largely in South India, with five states in the pilot scheme. While the initial response has been satisfactory, PIDI aims to focus on fine tuning demand generation before scaling it pan-India. Management commentary was clear that PIDI wants to become a strong player in paints in rural/small towns across India. Its non-banking finance company or NBFC project is being piloted in Bengaluru and the model will be refined before scaling it up.

Maintain positive outlook; retain ADD rating

We like PIDI's differentiated portfolio, thrust on distribution expansion and the ability to scale its B2B business. We expect sustained growth momentum in the medium term. Stable VAM prices provide margin comfort. We retain our ADD rating on the stock with a lower target price of Rs3,325 or 60x FY27F EPS (Rs3,470 earlier). Downside risk: Delay in urban demand picking up dragging sales growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	117,991	123,830	131,403	145,895	162,967
Operating EBITDA (Rsm)	19,844	27,073	30,125	34,753	39,591
Net Profit (Rsm)	12,733	17,294	20,762	23,762	28,145
Core EPS (Rs)	25.0	35.0	41.2	46.7	55.3
Core EPS Growth	5.5%	39.9%	17.5%	13.4%	18.4%
FD Core P/E (x)	118.97	87.61	73.00	63.78	53.85
DPS (Rs)	12.0	14.4	17.3	20.7	24.9
Dividend Yield	0.34%	0.37%	0.54%	0.70%	0.84%
EV/EBITDA (x)	76.22	55.30	49.37	42.78	37.48
P/FCFE (x)	363.92	174.44	266.05	134.14	97.95
Net Gearing	(6.3%)	(23.5%)	(30.6%)	(27.5%)	(26.3%)
P/BV (x)	21.00	18.03	15.54	13.68	12.01
ROE	18.7%	22.8%	23.1%	22.8%	23.8%
% Change In Core EPS Estimates				(7.69%)	(6.86%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Healthy outlook along with margin comfort

Highlights from the earnings call

- 4QFY25 standalone growth was 10.1% despite strong UVG in earlier quarters. This was driven by 9.8% UVG across categories and geographies, with 8% C&B volume growth and 16.4% UVG.
- FY25 performance: Standalone sales grew by 8% led by 9.3% UVG, with C&B growing at 7.2% and B2B at 19.2% UVG. Domestic subsidiaries and international arms saw an improvement in profitability.
- While rural markets continue to remain ahead of urban counterparts, urban market growth improved in 4Q.
- Fevicol Hyper and Nail Free Ultra are doing exceedingly well. Relam variant is also doing well. Within adhesives and woodworking, PIDI has built a joinery team, which has good profitability and market share.
- Paints business: Operates in five states, largely in South India. These states are Telangana, Andhra Pradesh, Odisha, Tamil Nadu, and Karnataka. Making good steady progress, growing QoQ. Continuing to evaluate like-for-like growth. Looking to build an understanding of the dealer network. More work is required to develop a moat. Looking to fine tune the play book on demand generation right - which is being worked on, after which it will be rolled out elsewhere. The company to focus first on being a strong player in RURBAN and small-town India.
- Lending business: The business PIDI operates in this space is to strengthen the applicators or dealers with finance options to drive growth for them. It is extended only within the PIDI ecosystem - not lending to everyone. Making good progress in Bengaluru (pilot market); however, the strategy needs to be refined further before rolling out pan-India. The focus is on ensuring PIDI's partners within the ecosystem have access to credit.
- Projects business growth is largely India-led. The pigment business enjoys large exports from India and has done well. Paints and ink companies are the customers in this space. Industrial adhesives also did well.
- The Colltech division has secured a few contracts. PIDI is in touch with OEMs and will gradually drive sales higher.

Subsidiaries

- International subsidiaries' sales were flat on account of festive holidays (largely Eid) in Mar 2025.
- Domestic subsidiaries clocked double-digit sales growth along with double-digit EBITDA growth.

Input costs and margins

- Gross margin improved, driven by soft input prices.
- Vinyl acetate monomer (VAM) prices stood at US\$880/t in 4QFY25 vs. US\$925/t in 4QFY24 and US\$884/t in 3QFY25.
- Advertising expenditure stood at 5.4% of sales in 4QFY25 vs. 4.7% of sales last year.

Outlook

- **FY26F:** Consumer demand in a normal environment looks good. In PIDI's case, the thrust of government spending will be stronger in FY26F as elections are behind us, and also a second consecutive good monsoon season should aid demand. Targeting double-digit UVG irrespective of the base.
- Management is confident of underlying customer demand, but FY26F has more uncertain geopolitical uncertainties and hence, the cautiously optimistic stance.

Figure 1: Quarterly results summary – consolidated

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	29,019	33,689	31,411	8.2	-6.8	1,23,830	1,31,403	6.1
Expenditure	23,249	25,705	25,086	7.9	-2.4	96,757	1,01,278	4.7
Consumption of raw materials	13,516	15,388	14,123	4.5	-8.2	59,940	59,963	0.0
as a % of sales	46.6	45.7	45.0			48.4	45.6	
Employee costs	3,736	4,341	4,547	21.7	4.8	14,651	17,416	18.9
as a % of sales	12.9	12.9	14.5			11.8	13.3	
Other expenditure	5,998	5,977	6,415	7.0	7.3	22,166	23,899	7.8
as a % of sales	20.7	17.7	20.4			17.9	18.2	
EBITDA	5,769	7,984	6,326	9.6	-20.8	27,073	30,125	11.3
Depreciation	1,125	895	967	-14.1	8.0	3,407	3,585	5.2
EBIT	4,644	7,089	5,359	15.4	-24.4	23,666	26,540	12.1
Other income	489	558	804	64.4	44.1	1,397	2,472	77.0
Interest	134	125	144	27	15.3	512	504	-1.6
PBT	4,999	7,522	6,019	20.4	-20.0	24,551	28,509	16.1
Total tax	1,219	1,947	1,487	22.0	-23.6	6,319	7,265	15.0
PAT	3,779	5,575	4,532	19.9	-18.7	18,231	21,244	16.5
(Profit)/loss from JVs /minority interest	57	51	60	5.3	17.0	221	232	5.1
Net profit (before extraordinary items)	3,723	5,524	4,473	20.1	-19.0	18,011	21,012	16.7
Extraordinary items	717	0	249	NA	NA	717	249	NA
Reported net profit	3,006	5,524	4,223	40.5	-23.5	17,294	20,762	20.1
Adjusted EPS	7.3	10.9	8.8	20.1	-19.1	35.4	41.3	16.6
Margins (%)				(bp)	(bp)			(bp)
Gross margin	53.4	54.3	55.0	161	71	51.6	54.4	277
EBITDA	19.9	23.7	20.1	26	-356	21.9	22.9	106
EBIT	16.0	21.0	17.1	106	-398	19.1	20.2	109
EBT	17.2	22.3	19.2	194	-317	19.8	21.7	187
PAT	12.8	16.4	14.2	141	-216	14.5	16.0	145
Effective tax rate	24.4	25.9	24.7	31	-118	25.7	25.5	-26

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Segment Revenue								
Consumer & Bazaar	22,472	26,726	23,976	6.7	-10.3	99,576	1,03,915	4.4
Business-to-Business (B2B)	7,079	7,572	8,089	14.3	6.8	26,386	29,952	13.5
Others	118	137	152	29.5	10.9	611	568	(6.9)
Total	29,669	34,435	32,218	8.6	-6.4	1,26,572	1,34,436	6.2
Segment Results								
Consumer & Bazaar	5,448	7,865	6,178	13.4	-21.4	27,166	29,792	9.7
Business-to-Business (B2B)	835	1,335	1,415	69.4	6.0	3,193	4,892	53.2
Others	3	-9	1	-67.9	-109.7	33	9	(73.4)
Total	6,286	9,190	7,594	20.8	-17.4	30,392	34,693	14.2
Add- Unall. income / (expenses)	1,153	1,544	1,431	24.1	-7.3	5,329	5,680	6.6
Less- Interest Expenses	134	125	144	6.9	15.3	512	504	(1.6)
PBT	4,999	7,522	6,019	20.4	-20.0	24,551	28,509	16.1
Segment Margins (%)				(bp)	(bp)			(bp)
Consumer & Bazaar	24.2	29.4	25.8	152	-366	27.3	28.7	139
Business-to-Business (B2B)	11.8	17.6	17.5	569	-14	12.1	16.3	423
Others	2.4	(6.8)	0.6	-179	736	5.4	1.5	-387
PBIT Margin%	21.2	26.7	23.6	238	-312	24.0	25.8	180

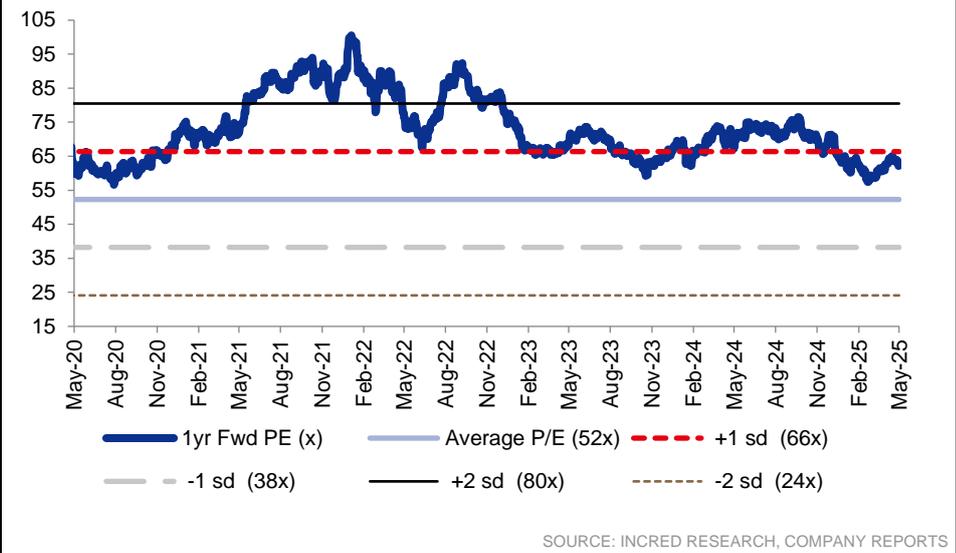
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

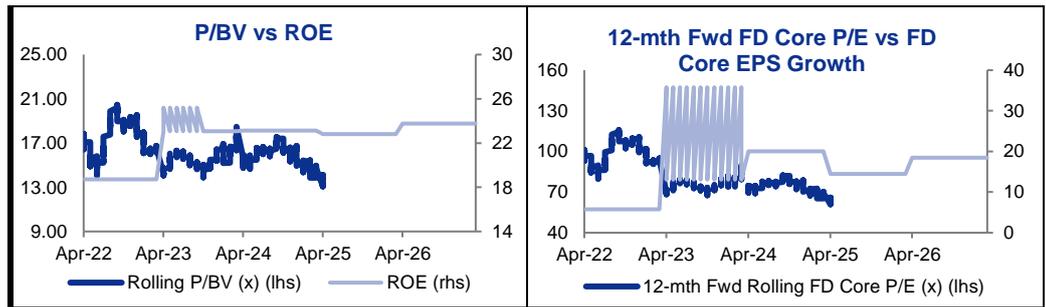
Y/E Mar (Rs. m)	FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Net sales	1,53,401	1,45,895	-4.9	1,72,407	1,62,967	-5.5
EBITDA	37,909	34,753	-8.3	43,263	39,591	-8.5
EBITDA margin (%)	24.7	23.8	-90 bps	25.1	24.3	-80 bps
Net income	25,742	23,762	-7.7	30,219	28,145	-6.9
EPS	50.6	46.7	-7.7	59.4	55.3	-6.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: PIDI's one-year forward P/E trades between +1SD and five-year average levels



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	117,991	123,830	131,403	145,895	162,967
Gross Profit	50,397	63,890	71,440	80,416	90,950
Operating EBITDA	19,844	27,073	30,125	34,753	39,591
Depreciation And Amortisation	(2,697)	(3,407)	(3,585)	(4,250)	(4,280)
Operating EBIT	17,146	23,666	26,540	30,503	35,311
Financial Income/(Expense)	20	885	1,969	1,200	2,244
Pretax Income/(Loss) from Assoc.	66	(41)	(33)	(36)	(40)
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	17,232	24,510	28,476	31,667	37,515
Exceptional Items		(717)	(249)		
Pre-tax Profit	17,232	23,794	28,227	31,667	37,515
Taxation	(4,344)	(6,319)	(7,265)	(7,885)	(9,350)
Exceptional Income - post-tax					
Profit After Tax	12,889	17,474	20,962	23,782	28,165
Minority Interests	(156)	(180)	(199)	(20)	(20)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,733	17,294	20,762	23,762	28,145
Recurring Net Profit	12,733	17,820	20,947	23,762	28,145
Fully Diluted Recurring Net Profit	12,733	17,820	20,947	23,762	28,145

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	19,844	27,073	30,125	34,753	39,591
Cash Flow from Invt. & Assoc.	66	(41)	(33)	(36)	(40)
Change In Working Capital	(338)	6,905	(713)	(9,539)	(9,785)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(476)	(512)	(504)	(225)	(225)
Tax Paid	(4,344)	(6,319)	(7,265)	(7,885)	(9,350)
Cashflow From Operations	14,752	27,106	21,611	17,067	20,192
Capex	(6,611)	(6,194)	(5,940)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,726)	(12,145)	(10,691)	1,095	2,139
Cash Flow From Investing	(10,337)	(18,339)	(16,631)	(5,905)	(4,861)
Debt Raised/(repaid)	(252)	(81)	717	136	143
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,083)	(5,597)	(8,134)	(10,546)	(12,656)
Preferred Dividends					
Other Financing Cashflow	636	(306)	715	(20)	(20)
Cash Flow From Financing	(4,700)	(5,984)	(6,702)	(10,430)	(12,533)
Total Cash Generated	(285)	2,783	(1,722)	732	2,797
Free Cashflow To Equity	4,162	8,686	5,697	11,299	15,473
Free Cashflow To Firm	4,891	9,279	5,484	11,388	15,555

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	8,579	24,035	34,982	35,714	38,512
Total Debtors	15,353	16,747	18,112	20,132	24,114
Inventories	18,171	14,149	16,851	21,037	25,521
Total Other Current Assets	6,188	6,112	7,594	7,226	8,685
Total Current Assets	48,290	61,043	77,538	84,108	96,832
Fixed Assets	40,303	43,170	45,520	48,270	50,990
Total Investments	3,497	3,649	3,894	4,224	4,554
Intangible Assets	12,898	12,817	12,822	12,822	12,822
Total Other Non-Current Assets	335	419	441	368	410
Total Non-current Assets	57,032	60,055	62,677	65,684	68,776
Short-term Debt	1,633	1,312	1,472	1,472	1,472
Current Portion of Long-Term Debt					
Total Creditors	21,751	24,172	28,102	25,768	25,646
Other Current Liabilities	11,115	12,696	14,201		
Total Current Liabilities	34,499	38,180	43,775	27,239	27,118
Total Long-term Debt	2,274	2,513	3,070	3,206	3,349
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,274	2,513	3,070	3,206	3,349
Total Provisions	4,932	6,589	7,616	6,554	6,860
Total Liabilities	41,705	47,282	54,461	36,999	37,326
Shareholders Equity	72,123	84,072	97,545	110,760	126,250
Minority Interests	2,336	2,099	2,033	2,033	2,033
Total Equity	74,459	86,170	99,578	112,793	128,283

Key Ratios					
	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	18.9%	4.9%	6.1%	11.0%	11.7%
Operating EBITDA Growth	7.4%	36.4%	11.3%	15.4%	13.9%
Operating EBITDA Margin	16.8%	21.9%	22.9%	23.8%	24.3%
Net Cash Per Share (Rs)	9.19	39.74	59.85	61.02	66.24
BVPS (Rs)	141.89	165.30	191.79	217.77	248.23
Gross Interest Cover	35.99	46.23	52.71	135.57	156.94
Effective Tax Rate	25.2%	26.6%	25.7%	24.9%	24.9%
Net Dividend Payout Ratio	39.9%	31.1%	38.7%	44.4%	45.0%
Accounts Receivables Days	45.87	47.31	48.41	47.84	49.55
Inventory Days	94.83	98.40	94.35	105.60	117.98
Accounts Payables Days	(112.30)	(139.82)	(159.10)	(150.14)	(130.29)
ROIC (%)	28.4%	41.9%	45.0%	36.3%	36.4%
ROCE (%)	22.1%	27.1%	26.6%	26.8%	27.6%
Return On Average Assets	12.8%	15.3%	14.7%	15.6%	16.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

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.