

## India

**ADD** (no change)

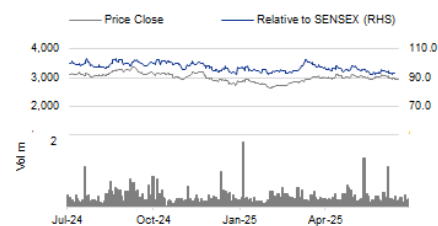
Consensus ratings\*: Buy 10 Hold 2 Sell 5

Current price:	Rs3,051
Target price:	Rs3,515
Previous target:	Rs3,325
Up/downside:	15.2%
InCred Research / Consensus:	9.9%
Reuters:	PIDI.NS
Bloomberg:	PIDI IN
Market cap:	US\$17,693m
	Rs1,551,848m
Average daily turnover:	US\$11.6m
	Rs1013.6m
Current shares o/s:	508.6m
Free float:	30.4%

\*Source: Bloomberg

**Key changes in this note**

- Raise the target price to Rs3,515 from Rs3,325 earlier.
- Introduce FY28F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.7)	2.5	(3.2)
Relative (%)	3.1	2.2	(5.3)

Major shareholders	% held
Promoter and Promoter Group	69.6
LIC	3.3
Axis AMC	1.6

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# Pidilite Industries Limited

## Poised for continuous growth

- Consolidated/standalone 1QFY26 sales grew 10.5%/10.6% yoy led by 9.9% UVG. B2B/C&B segments grew 9.7%/11.2% yoy led by 9.3%/12.6% UVG.
- Gross/EBITDA margins were flat/up114bp yoy at 54.1%/25.1%. Gradual margin improvement to be supported by stable outlook on raw material costs.
- Sustained near double-digit UVG and an improving trend in the B2B segment bolsters our positive stance. Maintain ADD rating with a higher TP of Rs3,515.

**Superior delivery across the board; rural markets still outperform**

Pidilite Industries' (Pidilite) consolidated/standalone 1QFY26 sales grew by 10.5%/10.6% yoy to Rs36.5/Rs34.8bn, respectively. The underlying volume growth (UVG) stood at 9.9%. Consumer & bazaar (C&B) segment posted 9.7% yoy growth in 1Q led by 9.3% UVG while the B2B segment posted 11.2% yoy growth led by 12.6% UVG. The C&B segment saw continued outperformance in rural markets which have been growing in double digits consecutively for Pidilite. PBIT margin expanded by 212bp yoy to 31.5%. The B2B segment's PBIT margin expanded by 127bp yoy to 16.5%. The international business posted 5.7% yoy growth led by 6% yoy growth in Asia and 5.4% yoy growth in the Middle East & Africa. The international business EBITDA margin remained flat yoy at 14.3%. Consolidated gross margin remained flat yoy at 54.1%. EBITDA grew by 15.8% yoy to Rs9.4bn while the EBITDA margin expanded by 114bp yoy to 25.1%. We expect margins to improve gradually led by stable input costs.

**Multiple levers in place to support sustained growth across markets**

Despite the intense competitive pressure from paint majors in categories like tile adhesives and waterproofing, Pidilite has been able to sustain growth, further improving its market share led by initiatives around rural distribution expansion, with differentiated concepts like Pidilite Ki Duniya stores. Pidilite is also creating new categories like renders under the Unofin brand, which will become a growth driver in the future, as well as entering new spaces on the B2B side in the electronics adhesives segment (via the CollTech JV).

**B2B segment recorded 8<sup>th</sup> consecutive quarter of double-digit UVG**

While Pidilite is the market leader in the B2C segment, it has been focusing on driving its B2B segment, which has seen a steady improvement in sales mix over the last few years, especially in the last few quarters, which supported overall growth despite a challenging demand environment. We expect a steady improvement in market share from here on.

**Outlook remains positive; retain ADD rating with a new TP of Rs3,515**

Pidilite's differentiated portfolio, thrust on distribution expansion, and the ability to steadily scale the B2B segment are expected to support sustained growth in the medium term. Stable raw material prices provide margin comfort. Maintain ADD rating with a higher target price of Rs3,515 (60x Sep 2027F EPS) from Rs3,325 earlier. Downside risks: Slower-than-expected recovery in urban markets or a slowdown in rural demand.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	123,830	131,403	145,895	162,967	182,106
Operating EBITDA (Rsm)	27,073	30,125	34,753	39,591	44,755
Net Profit (Rsm)	17,294	20,762	23,762	27,342	32,218
Core EPS (Rs)	35.0	41.2	46.7	53.8	63.3
Core EPS Growth	39.9%	17.5%	13.4%	15.1%	17.8%
FD Core P/E (x)	89.70	74.73	65.30	56.75	48.16
DPS (Rs)	14.4	17.3	20.7	24.9	29.9
Dividend Yield	0.36%	0.52%	0.68%	0.82%	0.98%
EV/EBITDA (x)	56.63	50.56	43.81	38.41	33.78
P/FCFE (x)	178.59	272.37	137.33	105.77	64.21
Net Gearing	(23.5%)	(30.6%)	(27.5%)	(25.8%)	(28.9%)
P/BV (x)	18.46	15.91	14.01	12.37	10.89
ROE	22.8%	23.1%	22.8%	23.2%	24.0%
% Change In Core EPS Estimates				(2.85%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Poised for continuous growth

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
<b>Revenue</b>	<b>33,954</b>	<b>31,411</b>	<b>37,531</b>	<b>10.5</b>	<b>19.5</b>	<b>1,23,830</b>	<b>1,31,403</b>	<b>6.1</b>
<b>Expenditure</b>	<b>25,826</b>	<b>25,086</b>	<b>28,121</b>	<b>8.9</b>	<b>12.1</b>	<b>96,757</b>	<b>1,01,278</b>	<b>4.7</b>
Consumption of raw materials	15,685	14,123	17,218	9.8	21.9	59,940	59,963	0.0
as % of sales	46.2	45.0	45.9			48.4	45.6	
Employee costs	4,172	4,547	4,642	11.3	2.1	14,651	17,416	18.9
as % of sales	12.3	14.5	12.4			11.8	13.3	
Other expenditure	5,969	6,415	6,262	4.9	-2.4	22,166	23,899	7.8
as % of sales	17.6	20.4	16.7			17.9	18.2	
<b>EBITDA</b>	<b>8,127</b>	<b>6,326</b>	<b>9,410</b>	<b>15.8</b>	<b>48.8</b>	<b>27,073</b>	<b>30,125</b>	<b>11.3</b>
Depreciation	844	967	967	14.5	0.0	3,407	3,585	5.2
<b>EBIT</b>	<b>7,283</b>	<b>5,359</b>	<b>8,443</b>	<b>15.9</b>	<b>57.5</b>	<b>23,666</b>	<b>26,540</b>	<b>12.1</b>
Other income	539	804	857	58.9	6.6	1,397	2,472	77.0
Interest	118	144	138	27	-4.0	512	504	-1.6
<b>PBT</b>	<b>7,704</b>	<b>6,019</b>	<b>9,162</b>	<b>18.9</b>	<b>52.2</b>	<b>24,551</b>	<b>28,509</b>	<b>16.1</b>
Total tax	1,984	1,487	2,383	20.2	60.3	6,319	7,265	15.0
<b>PAT</b>	<b>5,721</b>	<b>4,532</b>	<b>6,779</b>	<b>18.5</b>	<b>49.6</b>	<b>18,231</b>	<b>21,244</b>	<b>16.5</b>
(Profit)/loss from JVs / minority interest	52	60	55	6.4	-8.2	221	232	5.1
<b>Net profit (before extraordinary items)</b>	<b>5,669</b>	<b>4,473</b>	<b>6,724</b>	<b>18.6</b>	<b>50.3</b>	<b>18,011</b>	<b>21,012</b>	<b>16.7</b>
Extraordinary items	0	249	0	NA	NA	717	249	NA
<b>Reported net profit</b>	<b>5,669</b>	<b>4,223</b>	<b>6,724</b>	<b>18.6</b>	<b>59.2</b>	<b>17,294</b>	<b>20,762</b>	<b>20.1</b>
<b>Adjusted EPS</b>	<b>11.2</b>	<b>8.8</b>	<b>13.2</b>	<b>18.6</b>	<b>50.5</b>	<b>35.4</b>	<b>41.3</b>	<b>16.6</b>
<b>Margins (%)</b>				<b>(bp)</b>	<b>(bp)</b>			<b>(bp)</b>
Gross margin	53.8	55.0	54.1	32	-91	51.6	54.4	277
EBITDA	23.9	20.1	25.1	114	493	21.9	22.9	106
EBIT	21.5	17.1	22.5	105	544	19.1	20.2	109
EBT	22.7	19.2	24.4	172	525	19.8	21.7	187
PAT	16.7	14.2	17.9	122	368	14.5	16.0	145
Effective tax rate	25.7	24.7	26.0	27	131	25.7	25.5	-26

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakup - consolidated

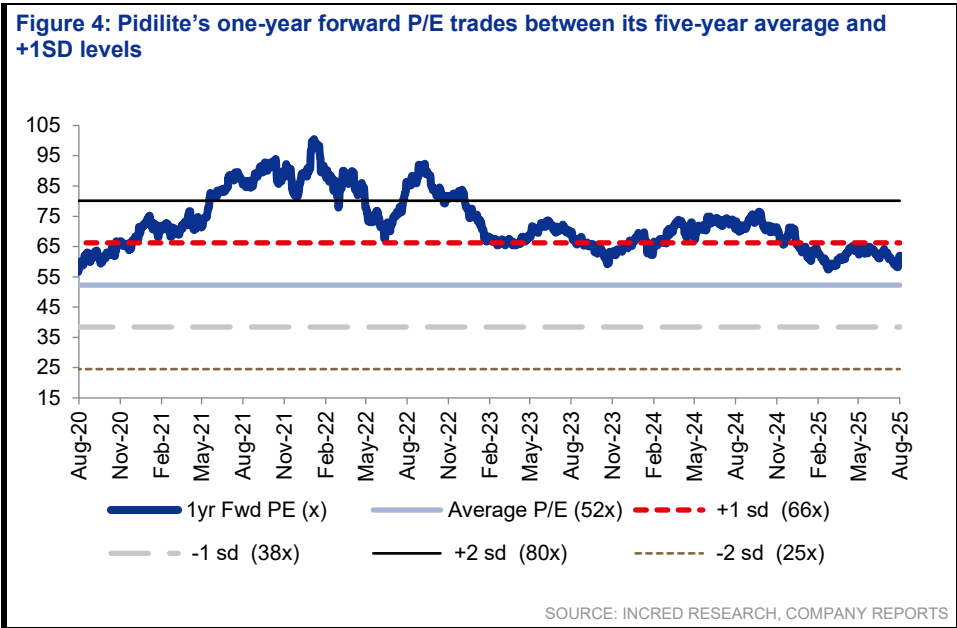
Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
<b>Segment Revenue</b>								
Consumer & Bazaar	27,408	23,976	30,067	9.7	25.4	99,576	1,03,915	4.4
Business to Business (B2B)	7,256	8,089	8,066	11.2	-0.3	26,386	29,952	13.5
Others	130	152	147	13.5	-3.5	611	568	(6.9)
<b>Total</b>	<b>34,794</b>	<b>32,218</b>	<b>38,280</b>	<b>10.0</b>	<b>18.8</b>	<b>1,26,572</b>	<b>1,34,436</b>	<b>6.2</b>
<b>Segment Results</b>								
Consumer & Bazaar	8,039	6,178	9,458	17.6	53.1	27,166	29,792	9.7
Business to Business (B2B)	1,103	1,415	1,329	20.5	-6.1	3,193	4,892	53.2
Others	12	1	-6	-154.2	-811.1	33	9	(73.4)
<b>Total</b>	<b>9,154</b>	<b>7,594</b>	<b>10,780</b>	<b>17.8</b>	<b>42.0</b>	<b>30,392</b>	<b>34,693</b>	<b>14.2</b>
Add- Unall. Income / (Expenses)	1,331	1,431	1,524	14.4	6.5	5,329	5,680	6.6
Less- Interest Exp	118	144	97	-18.3	-32.7	512	504	(1.6)
<b>PBT</b>	<b>7,704</b>	<b>6,019</b>	<b>9,160</b>	<b>18.9</b>	<b>52.2</b>	<b>24,551</b>	<b>28,509</b>	<b>16.1</b>
<b>Segment Margin (%)</b>				<b>(bp)</b>	<b>(bp)</b>			<b>(bp)</b>
Consumer & Bazaar	29.3	25.8	31.5	212	569	27.3	28.7	139
Business to Business (B2B)	15.2	17.5	16.5	127	-101	12.1	16.3	423
Others	9.1	0.6	(4.4)	-1346	-494	5.4	1.5	-387
<b>PBIT Margin%</b>	<b>26.3</b>	<b>23.6</b>	<b>28.2</b>	<b>185</b>	<b>459</b>	<b>24.0</b>	<b>25.8</b>	<b>180</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

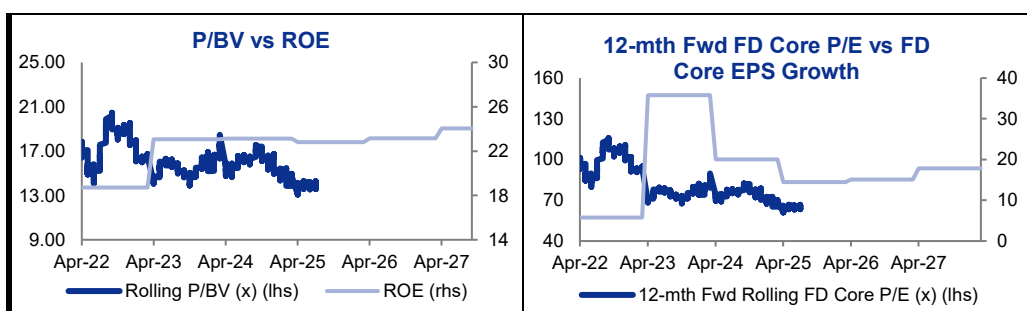
Figure 3: Our revised earnings estimates

Y/E Mar (Rs. m)	FY26F			FY27F			FY28F
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Net Sales	1,45,895	1,45,895	0.0	1,62,967	1,62,967	0.0	1,82,106
EBITDA	34,753	34,753	0.0	39,591	39,591	0.0	44,755
EBITDA Margin (%)	23.8	23.8	0bp	24.3	24.3	0bp	24.6
Net Income	23,762	23,762	0.0	28,145	27,342	-2.8	32,218
EPS	46.7	46.7	0.0	55.3	53.8	-2.8	63.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS



## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Net Revenues</b>	<b>123,830</b>	<b>131,403</b>	<b>145,895</b>	<b>162,967</b>	<b>182,106</b>
<b>Gross Profit</b>	<b>63,890</b>	<b>71,440</b>	<b>80,416</b>	<b>90,950</b>	<b>102,890</b>
<b>Operating EBITDA</b>	<b>27,073</b>	<b>30,125</b>	<b>34,753</b>	<b>39,591</b>	<b>44,755</b>
Depreciation And Amortisation	(3,407)	(3,585)	(4,250)	(4,280)	(4,270)
<b>Operating EBIT</b>	<b>23,666</b>	<b>26,540</b>	<b>30,503</b>	<b>35,311</b>	<b>40,485</b>
Financial Income/(Expense)	885	1,969	1,200	1,163	2,501
Pretax Income/(Loss) from Assoc.	(41)	(33)	(36)	(40)	(44)
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>24,510</b>	<b>28,476</b>	<b>31,667</b>	<b>36,434</b>	<b>42,942</b>
Exceptional Items	(717)	(249)			
<b>Pre-tax Profit</b>	<b>23,794</b>	<b>28,227</b>	<b>31,667</b>	<b>36,434</b>	<b>42,942</b>
Taxation	(6,319)	(7,265)	(7,885)	(9,073)	(10,705)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>17,474</b>	<b>20,962</b>	<b>23,782</b>	<b>27,362</b>	<b>32,238</b>
Minority Interests	(180)	(199)	(20)	(20)	(20)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>17,294</b>	<b>20,762</b>	<b>23,762</b>	<b>27,342</b>	<b>32,218</b>
Recurring Net Profit	17,820	20,947	23,762	27,342	32,218
<b>Fully Diluted Recurring Net Profit</b>	<b>17,820</b>	<b>20,947</b>	<b>23,762</b>	<b>27,342</b>	<b>32,218</b>

### Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	<b>27,073</b>	<b>30,125</b>	<b>34,753</b>	<b>39,591</b>	<b>44,755</b>
Cash Flow from Invt. & Assoc.	(41)	(33)	(36)	(40)	(44)
Change In Working Capital	6,905	(713)	(9,539)	(9,785)	(5,162)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(512)	(504)	(225)	(225)	(225)
Tax Paid	(6,319)	(7,265)	(7,885)	(9,073)	(10,705)
<b>Cashflow From Operations</b>	<b>27,106</b>	<b>21,611</b>	<b>17,067</b>	<b>20,469</b>	<b>28,620</b>
Capex	(6,194)	(5,940)	(7,000)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(12,145)	(10,691)	1,095	1,058	2,396
<b>Cash Flow From Investing</b>	<b>(18,339)</b>	<b>(16,631)</b>	<b>(5,905)</b>	<b>(5,942)</b>	<b>(4,604)</b>
Debt Raised/(repaid)	(81)	717	136	143	150
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,597)	(8,134)	(10,546)	(12,656)	(15,187)
Preferred Dividends					
Other Financing Cashflow	(306)	715	(20)	(20)	(20)
<b>Cash Flow From Financing</b>	<b>(5,984)</b>	<b>(6,702)</b>	<b>(10,430)</b>	<b>(12,533)</b>	<b>(15,057)</b>
Total Cash Generated	2,783	(1,722)	732	1,994	8,959
<b>Free Cashflow To Equity</b>	<b>8,686</b>	<b>5,697</b>	<b>11,299</b>	<b>14,670</b>	<b>24,165</b>
<b>Free Cashflow To Firm</b>	<b>9,279</b>	<b>5,484</b>	<b>11,388</b>	<b>14,752</b>	<b>24,240</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	24,035	34,982	35,714	37,709	46,667
Total Debtors	16,747	18,112	20,132	24,114	26,960
Inventories	14,149	16,851	21,037	25,521	28,525
Total Other Current Assets	6,112	7,594	7,226	8,685	9,715
<b>Total Current Assets</b>	<b>61,043</b>	<b>77,538</b>	<b>84,108</b>	<b>96,029</b>	<b>111,867</b>
Fixed Assets	43,170	45,520	48,270	50,990	53,720
Total Investments	3,649	3,894	4,224	4,554	4,884
Intangible Assets	12,817	12,822	12,822	12,822	12,822
Total Other Non-Current Assets	419	441	368	410	458
<b>Total Non-current Assets</b>	<b>60,055</b>	<b>62,677</b>	<b>65,684</b>	<b>68,776</b>	<b>71,884</b>
Short-term Debt	1,312	1,472	1,472	1,472	1,472
Current Portion of Long-Term Debt					
Total Creditors	24,172	28,102	25,768	25,646	27,061
Other Current Liabilities	12,696	14,201			
<b>Total Current Liabilities</b>	<b>38,180</b>	<b>43,775</b>	<b>27,239</b>	<b>27,118</b>	<b>28,533</b>
Total Long-term Debt	2,513	3,070	3,206	3,349	3,499
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>2,513</b>	<b>3,070</b>	<b>3,206</b>	<b>3,349</b>	<b>3,499</b>
Total Provisions	6,589	7,616	6,554	6,860	7,209
<b>Total Liabilities</b>	<b>47,282</b>	<b>54,461</b>	<b>36,999</b>	<b>37,326</b>	<b>39,241</b>
Shareholders Equity	84,072	97,545	110,760	125,447	142,477
Minority Interests	2,099	2,033	2,033	2,033	2,033
<b>Total Equity</b>	<b>86,170</b>	<b>99,578</b>	<b>112,793</b>	<b>127,480</b>	<b>144,510</b>

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	4.9%	6.1%	11.0%	11.7%	11.7%
Operating EBITDA Growth	36.4%	11.3%	15.4%	13.9%	13.0%
Operating EBITDA Margin	21.9%	22.9%	23.8%	24.3%	24.6%
Net Cash Per Share (Rs)	39.74	59.85	61.02	64.66	81.98
BVPS (Rs)	165.30	191.79	217.77	246.65	280.14
Gross Interest Cover	46.23	52.71	135.57	156.94	179.93
Effective Tax Rate	26.6%	25.7%	24.9%	24.9%	24.9%
Net Dividend Payout Ratio	31.1%	38.7%	44.4%	46.3%	47.1%
Accounts Receivables Days	47.31	48.41	47.84	49.55	51.18
Inventory Days	98.40	94.35	105.60	117.98	124.51
Accounts Payables Days	(139.82)	(159.10)	(150.14)	(130.29)	(121.43)
ROIC (%)	41.9%	45.0%	36.3%	36.4%	38.5%
ROCE (%)	27.1%	26.6%	26.8%	27.7%	28.2%
Return On Average Assets	15.3%	14.7%	15.6%	16.7%	17.1%

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.