

# PIDILITE INDUSTRIES

## VISIT NOTE



### KEY DATA

<b>Rating</b>	<b>BUY</b>
Sector relative	Outperformer
Price (INR)	2,738
12 month price target (INR)	3,660
52 Week High/Low	3,415/2,620
Market cap (INR bn/USD bn)	1,393/16.0
Free float (%)	29.8
Avg. daily value traded (INR mn)	1,026.5

### SHAREHOLDING PATTERN

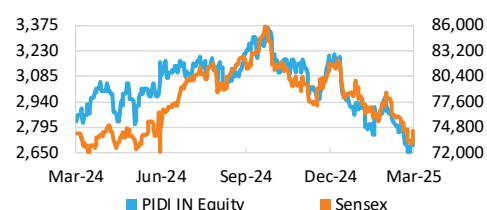
	Dec-24	Sep-24	Jun-24
Promoter	69.6%	69.6%	69.8%
FII	11.8%	12%	11.6%
DII	9.2%	8.9%	9%
Pledge	0%	0%	0%

### FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	1,23,830	1,32,907	1,49,580	1,69,399
EBITDA	27,073	31,792	36,568	42,002
Adjusted profit	17,294	22,740	26,516	30,777
Diluted EPS (INR)	34.0	44.7	52.1	60.5
EPS growth (%)	35.7	31.5	16.6	16.1
RoAE (%)	18.7	22.1	24.4	25.6
P/E (x)	85.3	64.9	55.6	47.9
EV/EBITDA (x)	71.5	51.8	44.2	38.2
Dividend yield (%)	0.6	0.7	0.8	0.9

### PRICE PERFORMANCE



## Urban reviving; Pioneer building up well

We recently met with Mr Bharat Puri, Managing Director (MD), and Mr Sudhanshu Vats, MD-designate, of Pidilite (PIDI). Highlights: i) 'Haisha' (paints business; scale-up good so far) and 'Unofin' (JV with Grupo Puma of Spain) to be the next Pioneer categories. ii) 'Roff' to cement itself a market leader in tile & stone solutions. iii) Partnership with 'CollTech' opens up a huge opportunity in electronics and EV adhesives. iv) Cautiously optimistic on the demand landscape.

In our view, PIDI is a compounding machine. We expect urban demand to improve from Q2FY26E spurred by tax benefits in the union budget and softer food inflation. PIDI's analyst meet is on 18th March. Retain 'BUY' with an unchanged TP of INR3,660.

### Key takeaways

**Electronic and EV adhesives:** PIDI has big plans to become a major player in the electronics and EV adhesives market. A partnership (exclusive distribution) with CollTech shall help PIDI expand its TAM.

**Haisha' and 'Unofin'** are among the Pioneer categories in the decorative paints and waterproof render category, offering innovative solutions catering to the growing demand for high-quality and durable finishes. Unofin is a groundbreaking alternative to the conventional 4Ps (Plaster, Putty, Primer and Paint) system.

**Roff and Joineries:** Roff shall be the market leader in tile & stone solutions (estimated market size INR25–30bn). The Indian joinery market is growing due to a shift in furniture manufacturing from on-site to off-site. Tie-up with 'Jowat' (showcased at India Wood 2025) aims to locally manufacture hot melt adhesives.

**Market share:** PIDI's strong portfolio in categories such as construction chemicals, sealants, waterproofing products and industrial adhesives has contributed to its market share expansion. It holds a near monopoly market share in adhesives and sealants led by Fevicol and M-Seal—each ~70%. In industrial adhesives too, PIDI enjoys a substantial market presence.

**Core to continue to strengthen:** Fevicol will add two–three new products a year. The focus is on premiumisation, innovation and reinforcing brand leadership. PIDI now has a balanced portfolio—Core to Growth & Pioneer has now become 55:45 (versus 80:20 five–seven years ago).

**Strong focus on emerging channels:** PIDI's emerging channels sales have soared 21x in five years. This is attributable to a dedicated emerging channels team; for instance, 'Quick Fix' as a part of the Consumer Adhesive portfolio has scaled up really well on Quick Commerce platforms.

**Distribution:** PIDI boasts a strong direct reach to drive penetration and market development. It reaches 38.5k towns (up from 18k in 2020); the number of 'Pidilite ki Duniva' outlets surged to 16.2k (from 6k in 2020). Dr. Fixit centres grew to 1.2k (from 450 in 2020). Plus, PIDI has partnered with HUL to sell products in rural Bihar.

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	1,23,830	1,32,907	1,49,580	1,69,399
Gross profit	63,890	71,399	80,844	91,975
Employee costs	14,651	15,949	17,501	19,820
Other expenses	22,166	23,658	26,775	30,153
EBITDA	27,073	31,792	36,568	42,002
Depreciation	3,407	3,646	3,658	3,920
Less: Interest expense	512	416	378	243
Add: Other income	1,397	1,794	2,541	2,871
Profit before tax	24,510	29,601	35,166	40,817
Prov for tax	6,319	7,676	8,768	10,177
Less: Other adj	(717)	0	0	0
Reported profit	17,294	22,023	26,516	30,777
Less: Excp.item (net)	0	717	0	0
Adjusted profit	17,294	22,740	26,516	30,777
Diluted shares o/s	509	509	509	509
Adjusted diluted EPS	34.0	44.7	52.1	60.5
DPS (INR)	16.0	19.5	23.5	27.2
Tax rate (%)	25.2	25.8	25.9	24.9

### Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Other exp (% of rev)	17.9	17.8	17.9	17.8
Con A&P (% of rev)	3.7	3.5	3.5	3.5
Gross margin (%)	51.6	53.7	54.0	54.3
EBITDA margin (%)	21.9	23.9	24.4	24.8
Net profit margin (%)	14.0	17.1	17.7	18.2
Revenue growth (% YoY)	4.9	7.3	12.5	13.2
EBITDA growth (% YoY)	36.4	17.4	15.0	14.9
Adj. profit growth (%)	35.8	31.5	16.6	16.1

### Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	71.0	71.0	71.0	71.0
Consumer & Bazaar	7.2	8.2	12.0	13.5
COGS % of sales (con)	48.4	46.3	46.0	45.7
Staff cost (% of rev)	11.8	12.0	11.7	11.7
Dep (% of gross block)	4.7	4.6	4.4	4.4
Yield on cash	5.8	11.0	11.0	11.0
Tax rate	25.7	26.0	25.0	24.9

### Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	85.3	64.9	55.6	47.9
Price/BV (x)	17.5	15.3	13.3	11.6
EV/EBITDA (x)	71.5	51.8	44.2	38.2
Dividend yield (%)	0.6	0.7	0.8	0.9

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	509	509	509	509
Reserves	83,563	95,676	1,10,259	1,27,186
Shareholders funds	84,072	96,184	1,10,768	1,27,695
Minority interest	2,099	2,000	1,882	1,745
Borrowings	1,312	1,462	1,062	562
Trade payables	11,476	7,583	8,474	9,545
Other liabs & prov	20,811	20,811	20,811	20,811
Total liabilities	1,20,756	1,29,028	1,43,984	1,61,346
Net block	25,545	26,899	28,241	29,321
Intangible assets	28,962	28,962	28,962	28,962
Capital WIP	1,481	1,481	1,481	1,481
Total fixed assets	55,987	57,341	58,684	59,764
Non current inv	3,649	4,649	5,649	6,649
Cash/cash equivalent	24,035	22,174	30,025	39,690
Sundry debtors	16,747	18,452	20,839	23,599
Loans & advances	419	419	419	419
Other assets	19,920	25,993	28,369	31,225
Total assets	1,20,756	1,29,028	1,43,984	1,61,346

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	17,294	22,023	26,516	30,777
Add: Depreciation	3,407	3,646	3,658	3,920
Interest (net of tax)	512	416	378	243
Others	221	(175)	(211)	(245)
Less: Changes in WC	7,085	(11,671)	(3,871)	(4,545)
Operating cash flow	28,518	14,238	26,470	30,150
Less: Capex	(6,194)	(5,000)	(5,000)	(5,000)
Free cash flow	22,324	9,238	21,470	25,150

### Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	18.7	22.1	24.4	25.6
RoCE (%)	24.3	30.6	32.0	33.2
Inventory days	95	98	102	114
Receivable days	46	47	48	48
Payable days	57	67	57	43
Working cap (% sales)	13.1	6.8	15.1	16.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.3)	(0.2)	(0.3)
Interest coverage (x)	36.0	46.2	67.7	87.0

### Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	35.7	31.5	16.6	16.1
RoE (%)	18.7	22.1	24.4	25.6
EBITDA growth (%)	36.4	17.4	15.0	14.9
Payout ratio (%)	47.1	45.0	45.0	45.0

We recently met with PIDI's MD Mr Bharat Puri and also MD-designate Mr Sudhanshu Vats and CFO Mr Sandeep Batra. They shed light on various aspects of the company and its growth prospects. We have collated concise excerpts and the key takeaways from our interaction.

## About Mr Bharat Puri



*Mr Bharat Puri, MD, Pidilite*

Mr Puri's association with PIDI began in 2008 as an Independent Director. In 2015, he assumed the role of Managing Director at the company. The term of Mr Puri ends in April 2025.

In our view, he will continue to be associated with PIDI as an overall guide.

Mr Puri has played a pivotal role in PIDI's global expansion strategy. He strengthened the company's adhesive and sealant portfolio through strategic bolt-ons and partnerships. Under his leadership, PIDI explored new growth segments and introduced cutting-edge technologies, driving its innovation agenda forward.

Mr Puri's multifaceted leadership style coupled with a people-first mindset contributed immensely to the success of other brands in his prior roles at Asian Paints and Cadbury. In his previous assignment, he was President – Global Chocolate, Gum and Candy Categories at Mondelez International, Zurich, with worldwide responsibilities for the growth of these categories.

Mr Puri's vintage legacy is incomplete without a mention of his career's origins, which are rooted in Asian Paints (beginning 1982). He climbed the corporate ladder to the position of General Manager – Sales & Marketing. In 1998, he moved to Cadbury as Director of Sales and Marketing for Cadbury India. In 2002, Mr Puri was appointed MD South Asia, after which he moved to Singapore in 2006, where he was responsible for Strategy, Marketing and Sales for APAC. Thereon, a series of senior leadership positions at the country, regional and global levels shaped his career trajectory.

## About Mr Sudhanshu Vats



*Mr Sudhanshu Vats, MD-designate, Pidilite*

Mr Vats will take charge as Managing Director with effect from April 2025, after the completion of term of the incumbent MD (Mr Puri). He began his career at Hindustan Unilever as a management trainee in 1991 and spent about 20 years in sales, marketing and general management leadership roles.

Prior to joining PIDI, Mr Vats was the CEO & Managing Director at EPL (formerly known as Essel Propack). He also led Viacom18 Media for eight years as Group CEO & Managing Director.

## Drilling down: Key takeaways

### Key summary

- **Paints demand:** Started to pick up from Feb-25 and is already ahead of its own as well as industry expectations.
- **Paints business focus:** PIDI remains optimistic of sustaining growth in the paints business and is focused on mainly rural and semi urban areas.
- **Electronics adhesives:** This is a massive long-term opportunity. PIDI has partnered with CollTech for exclusive distribution of a range of electronics adhesives in India.
- **Demand landscape:** PIDI is optimistically cautious about the demand landscape.
- **Raw material prices** have largely bottomed out; PIDI expects them to be stable for the next six months.
- **Capex** cycle would be upgraded for building new facilities; it would be between 3% and 5% of revenue.
- **Innovation:** One-third of growth would come from innovation.
- **Lending business:** Still in initial stages with a few pilots rolled out.

### Paints business

- Positive till now on the scale-up.
- The paint business initiative is focused on mainly rural and semi-urban areas. It is currently active in southern and western states.
- The company has introduced HAISHA Paints, which offers a simplified, differentiated and customized range to cater to the need of Indian users and consumers.
- HAISHA Paints has a range of interior paint products, including Luxury Emulsion, Select Emulsion, Classic Emulsion and Speciality emulsions, which include floor coat and ceiling emulsions.

### Unofin

- The **JV between Pidilite Industries and Grupo Puma of Spain** aims to cater to the residential, industrial, institutional & premium IHB construction segments.
- UnoFin replaces the conventional 4Ps (Plaster, Putty, Primer and Paint) system.
- Driving Applicator Training Program to build application capabilities in the country.
- Commercial production for it commenced in 2023–24
- State-of-the-art manufacturing unit is at Kishangarh, Rajasthan.
- Few mid-size projects with UnoFin renders completed in Delhi NCR, Jaipur and Chandigarh.

## Massive long-term opportunity in Electronics adhesives

- PIDI is exploring and unlocking a large opportunity for adhesives used in electronics manufacturing in India.
- It has partnered with CollTech for exclusive distribution of a range of electronics adhesives in India.
- The company launched an application lab in Bangalore in 2024 to demonstrate its capabilities to customers.

### Exhibit 1: Partnership with CollTech for electronics adhesives



Source: Company, Nuvama Research

## Demand

- Pidilite is optimistically cautious about the demand landscape in the country. However, increased government capex, a middle-class favoured budget and a reversal in urban slowdown due to more disposable incomes shall revive demand.
- The company has seen a slowdown in rural as well as urban demand, but rural continues to outpace urban.

## Market share in Core business

- The company has a near-monopoly in adhesives and sealants with Fevicol and M-seal each commanding a market share of ~70% in the adhesive and sealants product categories, respectively.

## Outlook

- PIDI is aspiring for double-digit underlying volume growth, and targeting EBITDA margins in the range of 20–24%. The EV and adhesives space is a potential untapped area for the company.
- The B2B segment is likely to sustain a double-digit uptick, wherein the Projects division shall be the outperformer.

## Core to continue to do well

- Fevicol has 200+ SKUs. The company adds at least two–three new products under Fevicol every year. Core category growth is achieved by focusing on premiumisation, innovation and reinforcing brand leadership.
- Core to grow at 1–2x of GDP.

## Growth and Pioneer categories

- The proportion of Core to Growth & Pioneer has now become 55:45.
- Growth and Pioneer categories are growing at 2–4x GDP growth rate.

## ***Growth businesses***

### ***Roff***

- “Roff” shall be a market maker in tile & stone solutions with a market size of INR25–30bn. Penetration of this category is estimated at 18–20% as majority of market still uses cement to fix tiles.
- Roff is positioned as an expert tile & stone solutions provider supported with a best-in class portfolio of brands/products through JVs with global specialists.
- Pidilite operates ten Roff plants on its own, ensuring greater control over production quality and supply chain efficiency.

### ***Joineries***

- Pidilite has tied up with Jowat to bring German engineering backed by the Pidilite promise, enabling local manufacturing of world-class Jowat hotmelt adhesives.
- The Indian joinery market is growing due to the shift in furniture manufacturing from on-site to off-site.
- The shift is driven by the need for more efficient and faster turnaround time for contractors, architects and interior designers.
- Fevicol’s Joinery division (Jowat) was recently showcased at the prestigious India Wood 2025 event. India Wood is the premier platform for showcasing furniture production technologies, woodworking machinery tools, fitting accessories, raw materials and products.

### ***Pidilite Professional Solutions***

- The company is expanding horizons by exploring opportunities in Medium & Large Developers, commercial offices and data centres, hotels, etc.

### ***Pioneer***

- Pioneer is a nascent category with a huge market creation opportunity and INR1bn in revenue in three years. “Unofin” and “Haisha” shall be the next Pioneer categories.

### ***Araldite and WD-40***

- Pidilite had acquired Araldite in 2020, a brand with 75 years of legacy with a large range of Adhesives and Epoxy.
- WD-40 is a versatile solution used for lubrication, rust prevention and cleaning.

### ***ICA***

- In 2016, Pidilite entered into a JV with ICA, a leading Italian manufacturer of high-end wood finishes, to manufacture and distribute wood finish products and accessories.
- ICA’s technical expertise combined with Pidilite’s sales and marketing savviness has set a new standard of wood finishes.

Exhibit 2: PIDI's diversified portfolio



Source: Company, Nuvama Research

## International business

- The company shall expand to those countries that are emerging markets and largely similar to India.
- The company continues to deliver consistent double-digit growth across emerging geographies, with improved profitability.
- The company's key international subsidiaries are located in Bangladesh, Sri Lanka, Thailand, Egypt and Dubai.
- The business environment in several of these regions remains challenging due to geopolitical tensions, currency fluctuations and inflationary pressures.
- Despite these challenges, management is implementing strategic initiatives aimed at boosting sales, increasing market share and improving the overall performance of these subsidiaries.
- In March 2024, the company successfully divested its subsidiary in Brazil.

Exhibit 3: Strong growth in International territories continues



Source: Company, Nuvama Research



## CAPEX

- PIDI has expended cumulative capex of INR26bn-plus over ten years at 60+ manufacturing units across the country.
- In FY24, the capex was ~INR5bn.
- For H1FY25, the capex was INR2.3bn.

## Inorganic growth

- Inorganic growth opportunities to be pursued only if they offer value and synergies.

## Distribution reach

- The number of towns covered have reached 38,500, up from 18,000 in 2020.
- The number of *Pidilite ki Duniya* outlets has touched 16,200, up from 6,000 in 2020.
- Dr Fixit Centres have almost trebled to 1,200 from 450 in 2020.
- The number of HUL Shaktis is now 12,500, up from 9,500 in 2020.

## Others

- Sales in Emerging channels have soared 21x in about five years. The company has a presence on more than 15 e-commerce and quick commerce platforms.
- In order to scale up in emerging channels, PIDI has launched “Quick Fix” on Quick Commerce Platforms, thereby positioning its consumer adhesives portfolio well.
- The company has put in place automated and robotic solutions for packaging.
- To make its supply chain future-ready, PIDI is using supply chain analytics and system automation to improve predictability and agility in its service to customers.
- PIDI is implementing best-in-class Warehouse Management System (WMS) with high digitisation and automated mobility, leading to system-driven approach and efficiencies.
- It is using AI in procurement to provide real-time last-mile stock visibility, enabling smarter decision-making for procurement, production and supply planning.



# PIDILITE INDUSTRIES

**Exhibit 4: Trends at a glance**

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Revenue (INR mn)	29,976	26,893	32,751	30,760	31,300	29,019	33,954	32,349	33,689
EBITDA (INR mn)	4,959	4,592	7,070	6,797	7,425	5,769	8,127	7,688	7,984
PAT (INR mn)	3,042	2,830	4,682	4,502	5,105	3,723	5,669	5,346	5,524
Overall volume growth (% YoY)	NA	NA	8.0	8.0	10.4	15.2	9.6	8.0	9.7
Domestic C&B volume growth (% YoY)	1.0	7.0	12.0	8.0	Double-digit	12.7	8.0	6.0	7.3
Industrial (B2B) volume growth (% YoY)	NA	NA	NA	20.0	Double-digit	25.2	18.0	21.0	21.7
<b>Consolidated</b>									
Sales growth (% YoY)	5.2	7.3	5.6	2.2	4.4	7.9	3.7	5.2	7.6
Gross margin (%)	41.8	46.8	49.0	51.3	52.9	53.4	53.8	54.4	54.3
EBITDA margin (%)	16.5	17.1	21.6	22.1	23.7	19.9	23.9	23.8	23.7
CBP sales growth (% YoY)	6.9	10.4	9.2	3.2	4.9	6.4	3.0	2.9	5.2
Industrial Products sales growth (% YoY)	(3.0)	(1.8)	(6.1)	(1.3)	6.2	11.7	7.0	14.3	18.8
CBP EBIT margin (%)	22.2	21.6	26.6	27.6	30.3	24.2	29.3	29.9	29.4
Industrial Products EBIT margin (%)	6.5	11.2	13.5	11.1	11.9	11.8	15.2	14.8	17.6
<b>Standalone</b>									
Sales growth (% YoY)	12.1	6.8	6.2	2.4	4.6	8.7	6.2	7.1	9.3
Gross margin (%)	41.1	46.5	48.9	51.2	52.9	53.3	53.5	54.0	53.9
EBITDA margin (%)	17.3	18.3	22.7	23.1	25.0	20.4	24.5	24.5	24.2
CBP sales growth (% YoY)	14.8	9.9	41.9	3.7	5.4	7.5	5.4	5.0	7.0
Industrial Products sales growth (% YoY)	0.2	(3.3)	4.7	(2.9)	4.7	12.4	9.2	15.6	20.7
CBP EBIT margin (%)	23.5	24.1	28.3	29.4	32.4	25.7	30.4	31.2	30.6
Industrial Products EBIT margin (%)	7.9	11.9	15.4	13.2	14.0	11.0	16.8	17.9	18.1

Source: Company, Nuvama Research

**Exhibit 5: Consolidated segmental snapshot (INR mn)**

Year to March – Revenues	Q3FY25	Q3FY24	YoY growth (%)	Q2FY25	QoQ growth (%)
<b>Consumer &amp; Bazaar Products</b>	26,726	25,413	5.2	25,805	3.6
Business to Business	7,572	6,373	18.8	7,036	7.6
Others	137	97	41.5	149	(7.7)
<b>Segment results (Profit/(Loss) before tax and interest)</b>					
Consumer & Bazaar Products	7,865	7,704	2.1	7,710	2.0
Business to Business	1,335	757	76.4	1,040	28.4
Others	(9)	10.1	(192)	5	(272)
<b>Segment margins</b>					
<b>Margin (%)</b>					
Consumer & Bazaar Products	29.4	30.3	-89	29.9	(45)
Business to Business	17.6	11.9	576	14.8	285
Others	(6.8)	10.4	-1,717	3.6	(1,040)

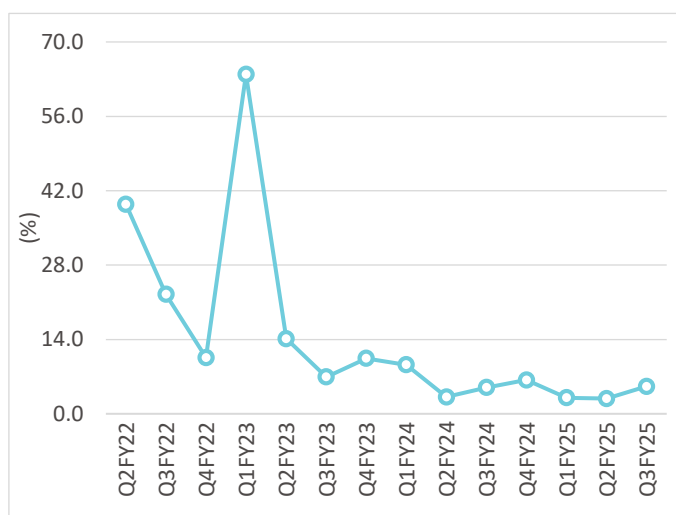
Source: Company, Nuvama Research

**Exhibit 6: Standalone segmental snapshot (INR mn)**

Year to March - Revenues	Q3FY25	Q3FY24	YoY growth (%)	Q2FY25	QoQ growth (%)
<b>Consumer &amp; Bazaar Products</b>	24,935	23,309	7.0	23,912	4.3
Business to Business	6,485	5,371	20.7	6,192	4.7
Others	134	97	37.6	148	(9.5)
<b>Segment results (Profit/(Loss) before tax and interest)</b>					
Consumer & Bazaar Products	7,630	7,545	1.1	7,459	2.3
Business to Business	1,175	752	56.2	1,110	5.9
Others	7	10	(35.3)	13	(50.4)
<b>Segment margins</b>					
<b>Margin (%)</b>					
Consumer & Bazaar Products	30.6	32.4	-177	31.2	(59.6)
Business to Business	18.1	14.0	411	17.9	20.0
Others	4.9	10.5	(556)	9.0	(407)

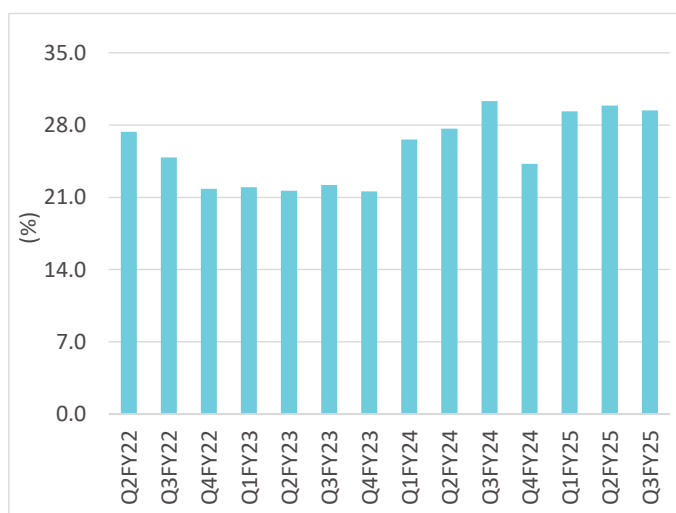
Source: Company, Nuvama Research

**Exhibit 7: C&B sales growth**



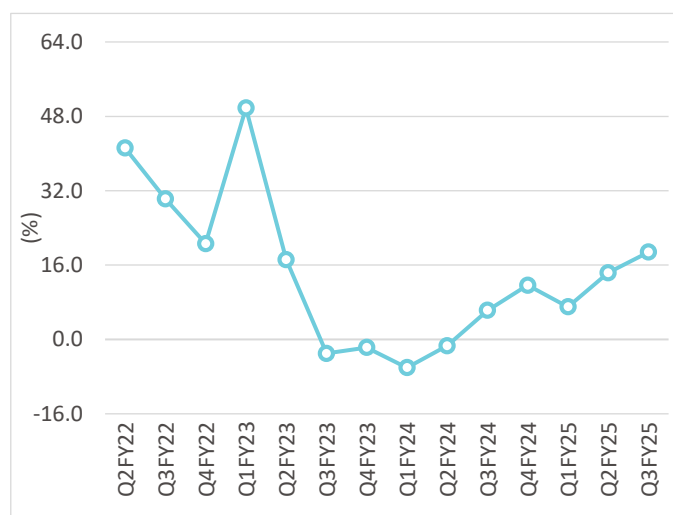
Source: Company, Nuvama Research

**Exhibit 9: C&B EBIT margin by quarter**



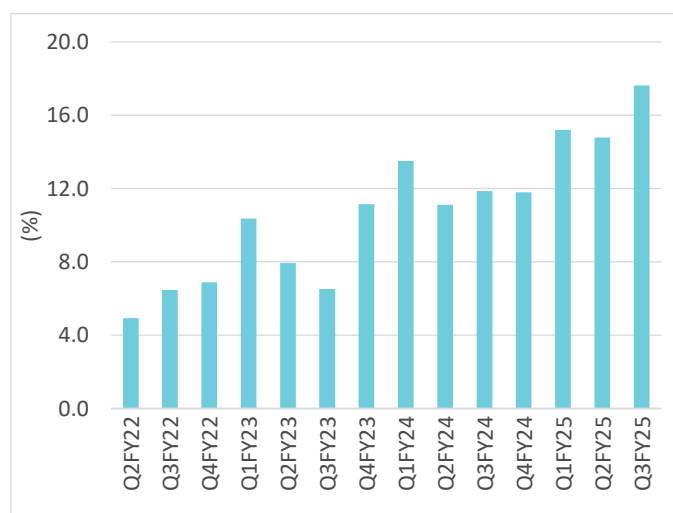
Source: Company, Nuvama Research

**Exhibit 8: B2B sales growth**



Source: Company, Nuvama Research

**Exhibit 10: B2B EBIT margin by quarter**



Source: Company, Nuvama Research

# PIDILITE INDUSTRIES

**Exhibit 11: Consolidated financial snapshot (INR mn)**

Year to March	Q3FY25	Q3FY24	% change	Q2FY25	% change
Net sales	33,689	31,300	7.6	32,349	4.1
Cost of goods sold	15,388	14,749	4.3	14,767	4.2
Gross profit	18,301	16,551	10.6	17,583	4.1
Staff cost	4,341	3,729	16.4	4,356	(0.4)
Other expenditure	5,977	5,397	10.7	5,538	7.9
EBITDA	7,984	7,425	7.5	7,688	3.8
Depreciation/Amortisation	895	795	12.6	879	1.8
EBIT	7,089	6,630	6.9	6,809	4.1
Interest expense	125	128	(2.4)	117	6.1
Other income	558	370	50.8	571	(2.3)
Profit before tax	7,522	6,872	9.5	7,263	3.6
Provision for taxation	1,947	1,765	10.3	1,848	5.3
Minority interest	46.6	4	NM	57	NM
Share of Profit/(Loss) in Associated Company	(4.5)	2	(287.5)	(12)	(63.1)
Exceptional items	-	-	NM	(717)	NM
Reported Profit	5,524	5,105	8.2	4,629	19.3
Prior period (Net of tax)	-	-	-	-	-
Exceptionals (Net of tax)	-	-	NM	(717)	NM
Adjusted Profit	5,524	5,105	8.2	5,346	3.3
No. of diluted Shares outstanding	508	508	(0.1)	508	-
EPS (INR)	10.9	10.0	8.3	10.5	3
As % of net sales					
COGS	45.7	47.1	(145)	45.6	3
Staff costs	12.9	11.9	97	13.5	(58)
Other expenditure	17.7	17.2	50	17.1	62
EBITDA	23.7	23.7	(2)	23.8	(7)
EBIT	21.0	21.2	(14)	21.0	(1)
EBIT incl. other income	22.3	22.0	37	22.5	(12)
PBT	22.3	22.0	37	22.5	(12)
Net profit	16.5	16.3	21	16.7	(17)
Tax rate	25.9	25.7	20	25.4	44

Source: Company, Nuvama Research

## Company Description

Pidilite is a dominant and leading adhesives company in India. It operates under two major business segments, i.e. Branded Consumer & Bazaar and B2B products such as adhesives, sealants, art & craft materials and others. Construction and paint chemicals are covered under Branded Consumer & Bazaar segment.

These products are widely used by carpenters, painters, plumbers, mechanics, households, students, offices, etc. The B2B segment covers products such as Industrial adhesives, industrial resins, construction chemicals (projects), organic pigments, pigment preparations, etc. and caters to various industries such as packaging, joineries, textiles, paints, printing inks, paper, leather, etc.

Pidilite markets the Fevicol range of adhesives. Its other brands are FeviKwik, Dr. Fixit, Roff, Cyclo, Ranipal, Hobby Ideas, M-seal, and Acron.

## Investment Theme

PIDI's presence in niche, under-penetrated and high growth categories with limited competition makes it a good play on Indian consumer goods spends. The niche presence yields high gross margins, high barriers to entry, strong brand equity, mass acceptance and superior growth opportunities. The company has near monopoly in adhesives and sealants with Fevicol and M-seal enjoying ~70% market share each in the adhesive and sealants product categories, respectively. PIDI commands a premium over competitors riding strong brand resulting a higher entry barrier. The company operates in categories where presence of large multi nationals is limited, which enables it to outpace small regional players (who lack financial strength, economies of scale and have poor distribution network and weak brand image) with aggressive ads and product extensions.

## Key Risks

Economic slowdown and competition getting stiffer in some segments.

Rupee depreciation has a bearing on margins as input prices are dollar linked.

## Additional Data

### Management

MD and CEO	Mr. Bharat Puri
MD Designate	Sudhanshu Vats
Exe. Chairman	M B Parekh
CFO	Sandeep Batra
Auditor	BSR & Co LLP

### Holdings – Top 10\*

	% Holding		% Holding
Life Insurance	4.29	ICICI Prudentia	0.71
Axis Asset Mana	1.58	UTI Asset manag	0.31
BlackRock Inc	1.28	Abrdn plc	0.28
Vanguard Group	1.23	ICICI Prudentia	0.24
Norges Bank	0.80	Federated Herme	0.22

\*Latest public data

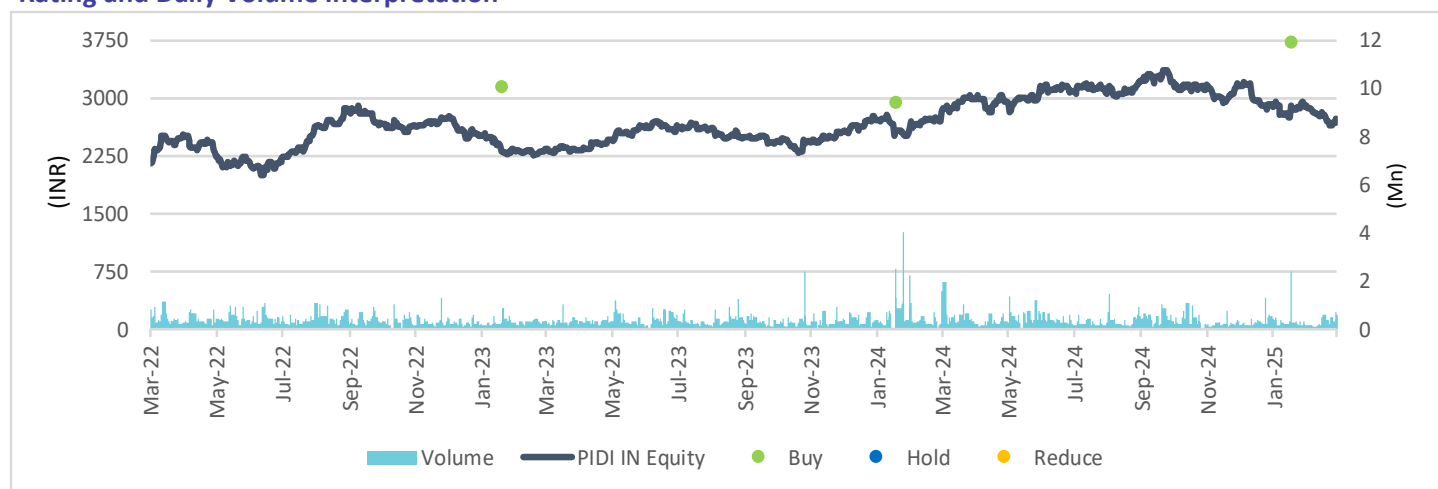
### Recent Company Research

Date	Title	Price	Reco
23-Jan-25	Impressive volumes amidst slowdown; <i>Result Update</i>	2802	Buy
22-Jan-25	Impressive volume growth; <i>Oven fresh</i>	2802	Buy
24-Oct-24	Consistent amidst uncertainty; <i>Result Update</i>	3121	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
14-Feb-25	UNITED BREWERIES	Impressive catch-up in Premium; <i>Result Update</i>
13-Feb-25	UNITED BREWERIES	Decent volumes; margins take a hit; <i>Oven fresh</i>
12-Feb-25	Berger Paints	Sequential improvement likely in Q4FY25; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	234
Hold	<15% and >-5%	61
Reduce	<-5%	23

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