PAINTS AND ADHESIVES

POST-CONFERENCE NOTES

Gradual improvement to continue

We hosted top management of various Paints and Adhesives companies at the *Nuvama Home Improvement Conference 2025*. Key insights: i) Gradual improvement in demand to continue (some paint demand deferred due to heavy rains in Q2). ii) Volume growth for Paints companies to accelerate in H2FY26 as new competition shall be in base. iii) Higher focus on market share by leaders. iv) Input costs are benign and expected to remain stable for Paints and Adhesives players. v) Companies continue to fuel growth through innovation via brand distinctiveness, premiumisation and pioneering categories.

We maintain 'BUY' on Asian Paints, Berger Paints and Pidilite. Jyoti Resins and Adhesives is not rated.

Paints – Glimmer of gradual recovery

The paint industry is witnessing a gradual recovery. Growth in H2FY26E is likely to supported by a favourable monsoon and easing inflation, and likely GST cuts leading to higher disposable incomes.

Asian Paints – Key takeaways: The priority remains on protecting market share. EBITDA margin is likely to stay in the 18–20% band over medium term with quarterly fluctuations. Asian Paints has set up a dedicated team to win smaller dealers back, and continues to strengthen painter connect to drive demand in the economy and early-premium segments. In FY26, the volume-value gap is expected to be ~5%.

Berger Paints – Key takeaways: The company expects H2FY26 to be better than H1FY26, with volume growth of 7–9% post-monsoon and EBITDA margin in the range of 15–17%. Sustained strong performance in deco in differentiated products. A separate team has been created to address distribution gaps in urban centres and weaker presence in Maharashtra, Karnataka and Tamil Nadu. The impact of new player is stagnating and shall be in base in H2FY26.

Pidilite paint (Haisha) – Key takeaways: Haisha Paints' performance is below initial expectations as it continues to operate as a pilot project across five states. However, the business is showing QoQ improvement (in terms of SSG/dealer) supported by an increasing number of dealers, expanded tinting machine presence and rising sales at dealer locations. The brand is positioned with quality comparable to peers while being priced at a 5–10% discount.

Adhesives – Market leader continues to fire

Pidilite showed a strong performance in Q1FY26. It continues to maintain overall double-digit volume growth trajectory with EBITDA margin likely to be at the higher end of 20–24%. Volume-value gap in the next three quarters is likely to be 1.5–2% due to product mix. For Jyoti Resins, 85% of sales come from five states; it is foraying into new states while expanding in existing states with high market shares.

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Companies

ASIAN PAINTS

POST-CONFERENCE NOTES

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	2,493
12 month price target (INR)	2,935
52 Week High/Low	3,395/2,125
Market cap (INR bn/USD bn)	2,391/27.3
Free float (%)	47.2
Avg. daily value traded (INR mn)	2,812.3

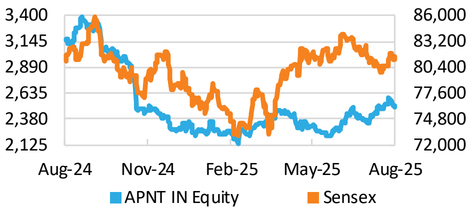
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	52.63%	52.63%	52.63%
FII	11.85%	12.23%	13.61%
DII	20.98%	15.51%	13.98%
Pledge	9.4%	9.3%	9.2%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	3,39,056	3,53,153	3,96,554	4,38,952
EBITDA	60,062	66,720	77,983	86,967
Adjusted profit	36,672	46,184	56,283	64,598
Diluted EPS (INR)	38.2	48.1	58.7	67.3
EPS growth (%)	(32.8)	25.9	21.9	14.8
RoAE (%)	19.2	22.6	24.9	25.6
P/E (x)	62.9	50.0	41.0	35.7
EV/EBITDA (x)	42.8	38.2	32.5	29.0
Dividend yield (%)	1.0	1.1	1.3	1.5

PRICE PERFORMANCE



Focus on protecting market share

We hosted top management of Asian Paints at the *Nuvama Home Improvement Conference 2025*. Highlights: i) The paints industry is normalising as postponements and down-trading are fading with demand back to steady levels. ii) Rural demand is strong while urban recovery is progressing steadily. iii) Competition is showing early signs of rationalisation, which is good for industry. iv) RM remains benign and is likely to remain stable through FY26. v) The priority is to protect market share with an EBITDA margin of 18–20% with QoQ variation.

We reckon momentum shall sustain in Q2FY26 led by urban demand recovery, benign RM and an early Diwali. All in all, we expect H2FY26 to outpace H1FY26; retain 'BUY' with the TP unchanged at INR2,935.

Key takeaways

Outlook: Priority remains on protecting market share. Margins to stay within the 18–20% band over medium term with quarterly fluctuations. Repainting drives 85–86% of revenue; focus remains on leveraging this demand. Anti-dumping duty on Titanium Dioxide to have limited impact as suppliers adjust pricing. It expects to maintain the current volume-value gap (~5%) for the rest of the year. For the near term, the company expects single-digit growth for both volume and value. July demand was hurt by heavy monsoons across the country.

Competition: Early signs of rationalisation on rebates from the industry. In FY25, an industrywide reduction posed a challenge; in this subdued environment, aggressive rebating by certain competitors pressurised counter share at smaller dealers. Competition targeted small/medium dealers (INR1–2.5mn sales) last year by offering higher margins. These margin-sensitive dealers were most hurt due to a slowdown. Asian Paints has formed a dedicated team to regain these dealers and is already reporting the return of some dealers.

Segments, pricing and margins: In FY25, the economy segment performed well; premium and luxury segments were most hurt by a slowdown. Painters play a critical role in pushing economy/early premium paints. The focus is on strengthening painter connect. Backward integration (VAM-VAE plant) is likely to yield a 150–200bp cost advantage with partial benefits by H1FY27 and full realisation by FY28. Deploying the cost advantage to expand revenue pie or flow through to P&L shall be a strategic choice at the company's end. Price is not the only lever to grow, operational efficiency, distribution strength and brand connect are more important than pricing.

Others: Current reach—90,000 dealers across India. Added ~7,000 dealers in FY25. Latex paints were launched in Apr-24 at ~INR45/litre versus unorganised market at INR30/litre is faring well. Initial attrition (as competitors poached talent) has stabilised; attrition at normal levels now. Home Décor is seen as an adjacency to the core paints business. Focus shall be on growing core but Home Décor remains integral to the company. Capex for FY26E shall be ~INR7bn (INR1bn incurred). Rural demand conditions remain strong; urban recovery is somewhat visible.

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	3,39,056	3,53,153	3,96,554	4,38,952
Gross profit	1,43,898	1,49,712	1,69,500	1,88,250
Employee costs	25,972	28,171	31,004	34,406
Other expenses	44,894	38,895	42,980	47,511
EBITDA	60,062	66,720	77,983	86,967
Depreciation	10,263	10,739	11,297	11,721
Less: Interest expense	2,270	1,872	1,642	1,412
Add: Other income	5,726	6,057	8,279	10,321
Profit before tax	53,255	60,167	73,323	84,156
Prov for tax	13,934	14,440	17,597	20,197
Less: Other adj	(3,631)	0	0	0
Reported profit	36,672	46,184	56,283	64,598
Less: Excp.item (net)	0	(3,631)	0	0
Adjusted profit	36,672	46,184	56,283	64,598
Diluted shares o/s	959	959	959	959
Adjusted diluted EPS	38.2	48.1	58.7	67.3
DPS (INR)	24.8	26.5	32.3	37.0
Tax rate (%)	26.2	24.0	24.0	24.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	959	959	959	959
Reserves	1,93,039	2,12,907	2,37,120	2,64,910
Shareholders funds	1,93,998	2,13,866	2,38,079	2,65,869
Minority interest	6,592	7,050	7,607	8,247
Borrowings	8,638	7,638	6,638	5,638
Trade payables	38,480	39,573	44,167	48,767
Other liabs & prov	40,940	40,940	40,940	40,940
Total liabilities	3,03,714	3,24,133	3,52,496	3,84,525
Net block	86,313	82,574	78,777	74,556
Intangible assets	5,888	5,888	5,888	5,888
Capital WIP	12,545	12,545	12,545	12,545
Total fixed assets	1,04,746	1,01,007	97,209	92,989
Non current inv	14,798	19,798	24,798	29,798
Cash/cash equivalent	40,269	55,462	69,033	86,817
Sundry debtors	43,137	47,410	53,236	58,928
Loans & advances	0	0	0	0
Other assets	1,00,764	1,00,456	1,08,219	1,15,994
Total assets	3,03,714	3,24,133	3,52,496	3,84,525

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Other exp (% of rev)	13.2	11.0	10.8	10.8
Con A&P (% of rev)	3.8	4.5	4.4	4.4
Gross margin (%)	42.4	42.4	42.7	42.9
EBITDA margin (%)	17.7	18.9	19.7	19.8
Net profit margin (%)	10.8	13.1	14.2	14.7
Revenue growth (% YoY)	(4.5)	4.2	12.3	10.7
EBITDA growth (% YoY)	(20.8)	11.1	16.9	11.5
Adj. profit growth (%)	(32.8)	25.9	21.9	14.8

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	36,672	46,184	56,283	64,598
Add: Depreciation	10,263	10,739	11,297	11,721
Interest (net of tax)	2,270	1,872	1,642	1,412
Others	(2,928)	(457)	(557)	(640)
Less: Changes in WC	(2,038)	(2,872)	(8,996)	(8,866)
Operating cash flow	44,240	55,466	59,668	68,224
Less: Capex	(13,907)	(7,000)	(7,500)	(7,500)
Free cash flow	30,333	48,466	52,168	60,724

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	87.0	90.0	92.0	92.0
Sales growth std	(5.4)	(0.7)	11.9	9.9
Volume growth - std	2.4	4.0	8.0	8.0
COGS % of sales (con)	57.6	57.6	57.3	57.1
COGS % of sales (std)	56.8	56.2	55.8	55.6
Staff cost (% of rev)	7.7	8.0	7.8	7.8
Std A&P (% of rev)	4.9	4.8	4.7	4.7

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	19.2	22.6	24.9	25.6
RoCE (%)	26.8	28.3	31.2	32.2
Inventory days	118	120	114	114
Receivable days	50	47	46	47
Payable days	72	70	67	68
Working cap (% sales)	20.2	20.2	20.3	20.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Interest coverage (x)	21.9	29.9	40.6	53.3

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	62.9	50.0	41.0	35.7
Price/BV (x)	11.9	10.8	9.7	8.7
EV/EBITDA (x)	42.8	38.2	32.5	29.0
Dividend yield (%)	1.0	1.1	1.3	1.5

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(32.8)	25.9	21.9	14.8
RoE (%)	19.2	22.6	24.9	25.6
EBITDA growth (%)	(20.8)	11.1	16.9	11.5
Payout ratio (%)	64.9	55.0	55.0	55.0

BERGER PAINTS

POST-CONFERENCE NOTES

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	535
12 month price target (INR)	670
52 Week High/Low	630/438
Market cap (INR bn/USD bn)	623/7.1
Free float (%)	25.0
Avg. daily value traded (INR mn)	337.8

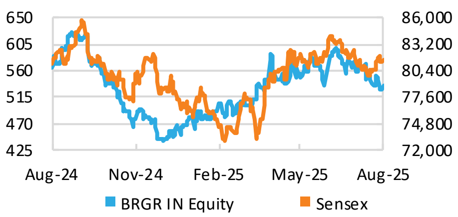
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	74.99%	74.99%	74.99%
FII	5.59%	5.75%	5.94%
DII	10.45%	10.11%	9.60%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	115,447	124,861	137,250	150,675
EBITDA	18,561	20,469	23,398	25,943
Adjusted profit	11,828	13,168	15,166	16,841
Diluted EPS (INR)	10.1	11.3	13.0	14.4
EPS growth (%)	1.1	11.3	15.2	11.0
RoAE (%)	20.5	20.1	20.5	20.1
P/E (x)	56.2	50.5	43.8	39.5
EV/EBITDA (x)	34.4	30.8	26.6	23.6
Dividend yield (%)	0.7	0.8	0.9	1.0

PRICE PERFORMANCE



Steady progress to continue

We hosted MD & CEO Mr Abhijit Roy of Berger Paints at the *Nuvama Home Improvement Conference 2025*. Key insights: i) Demand landscape has improved and H2FY26E shall outpace H1FY26. ii) Market share holding up at 20%-plus even after higher competition. iii) Initial excitement around new player appears to be fading. iv) Pricing and products continue to be aligned to regional preferences. v) Volume-value gap to narrow to 1.5–2% due to improved mix and prior price cuts. vi) Formed a separate team to tackle urban distribution reach.

Overall, we remain positive on Berger's aggression on expanding its distribution reach, focus on innovation and brand distinctiveness; maintain 'BUY' with a TP of INR670.

Key takeaways

Demand: A gradual improvement in demand indicators was reported with early momentum in urban markets. Berger believes a recovery shall come post-monsoon, which will aid a pickup in value and volume growth momentum (7–9%).

Macros: Well-progressing monsoon and easing inflation shall support rural sentiment under a supportive policy environment. A potential pickup in government infrastructure spending in H2FY26 could aid growth momentum and broaden economic activity.

Distribution: For Berger, network is a problem in many parts of the country. In urban centres, a lack of dealers exists. To counter this, a separate team has been set up to target weaker markets. In Q1FY26, Berger's retail footprint expanded to 1,300 stores and more than 2,500 tinting machines.

Competition: Overall, the competitive environment has now rationalised. It believes competition is more towards the economy category and less towards luxury and premium. In south region, Berger has faced more intense competition than the rest of the markets. It does higher rebating, which is not a right-to-win in this industry.

Margins: Aims to maintain EBITDA margins at 15–17% in FY26 (likely to close at the higher end of guidance). Given the overall RM scenario continues to be benign, gross margin shall stay at 40%-plus.

Innovations: Berger continues to innovate by providing products and solutions in order to stay ahead of the curve. Apart from launching multiple products across categories, the company has several other products in the pipeline. Recent innovations such as 'Kolor Plus', 'Tank cool', 'Anti-dust Cook' and 'Roof Kool' are gaining traction and continue to do well.

Industrial business: All industrial business lines demonstrated improved profitability at the operating margin level with market leadership positions in the industrial and powder coating segments.

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	115,447	124,861	137,250	150,675
Gross profit	47,828	51,561	56,992	62,914
Employee costs	8,147	9,000	9,844	10,890
Other expenses	14,629	8,349	8,592	9,452
EBITDA	18,561	20,469	23,398	25,943
Depreciation	3,542	3,821	4,177	4,488
Less: Interest expense	633	525	550	550
Add: Other income	948	900	950	950
Profit before tax	15,685	17,424	20,072	22,305
Prov for tax	3,857	4,256	4,905	5,464
Less: Other adj	0	0	0	0
Reported profit	11,828	13,168	15,166	16,841
Less: Excp.item (net)	0	0	0	0
Adjusted profit	11,828	13,168	15,166	16,841
Diluted shares o/s	1,166	1,166	1,166	1,166
Adjusted diluted EPS	10.1	11.3	13.0	14.4
DPS (INR)	3.8	4.5	5.2	5.8
Tax rate (%)	24.6	24.4	24.4	24.5

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,166	1,166	1,166	1,166
Reserves	60,375	68,276	77,375	87,480
Shareholders funds	61,541	69,442	78,541	88,646
Minority interest	126	(274)	(724)	(1,174)
Borrowings	1,462	862	62	(738)
Trade payables	17,403	18,074	19,790	21,640
Other liabs & prov	5,709	5,709	5,709	5,709
Total liabilities	91,316	98,888	108,454	119,158
Net block	33,539	34,220	33,544	32,555
Intangible assets	3,231	3,231	3,231	3,231
Capital WIP	1,226	1,400	1,400	1,400
Total fixed assets	37,996	38,852	38,175	37,187
Non current inv	1,990	1,990	1,990	1,990
Cash/cash equivalent	8,342	15,369	23,340	31,124
Sundry debtors	15,458	14,710	15,793	17,338
Loans & advances	1,388	1,388	1,388	1,388
Other assets	26,143	26,580	27,769	30,132
Total assets	91,316	98,888	108,454	119,158

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross margin	41.4	41.3	41.5	41.8
Staff to rev (%,Con)	7.1	7.2	7.2	7.2
Con A&P (% of rev)	4.0	4.0	4.0	4.0
EBITDA margin (%)	16.1	16.4	17.0	17.2
Net profit margin (%)	10.2	10.5	11.1	11.2
Revenue growth (% YoY)	3.1	8.2	9.9	9.8
EBITDA growth (% YoY)	(0.3)	10.3	14.3	10.9
Adj. profit growth (%)	1.1	11.3	15.2	11.0

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	11,828	13,168	15,166	16,841
Add: Depreciation	3,542	3,821	4,177	4,488
Interest (net of tax)	633	525	550	550
Others	(6,076)	665	(2,512)	(5,517)
Less: Changes in WC	2,764	(983)	556	2,059
Operating cash flow	12,691	17,196	17,937	18,421
Less: Capex	(3,915)	(4,500)	(3,500)	(3,500)
Free cash flow	8,776	12,696	14,437	14,921

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	86.0	87.0	88.0	88.0
Volume growth Std	7.6	6.5	8.0	8.0
Pricing change Std	(6.0)	1.0	1.2	1.0
Sub net sales growth	13.0	15.0	15.0	15.0
COGS % of sales (con)	58.6	58.7	58.5	58.2
Std A&P (% of rev)	3.6	4.0	4.0	4.0
Staff to rev (%,Std)	6.0	6.1	6.0	6.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	20.5	20.1	20.5	20.1
RoCE (%)	26.8	26.4	27.3	27.2
Inventory days	123	119	112	110
Receivable days	45	44	41	40
Payable days	92	88	86	86
Working cap (% sales)	17.8	15.7	14.7	14.7
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Interest coverage (x)	23.7	31.7	34.9	39.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	56.2	50.5	43.8	39.5
Price/BV (x)	10.8	9.6	8.5	7.5
EV/EBITDA (x)	34.4	30.8	26.6	23.6
Dividend yield (%)	0.7	0.8	0.9	1.0

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	1.1	11.3	15.2	11.0
RoE (%)	20.5	20.1	20.5	20.1
EBITDA growth (%)	(0.3)	10.3	14.3	10.9
Payout ratio (%)	37.5	40.0	40.0	40.0

PIDILITE

POST-CONFERENCE NOTES

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,107
12 month price target (INR)	3,785
52 Week High/Low	3,404/2,612
Market cap (INR bn/USD bn)	1,580/18.0
Free float (%)	29.8
Avg. daily value traded (INR mn)	1,043.4

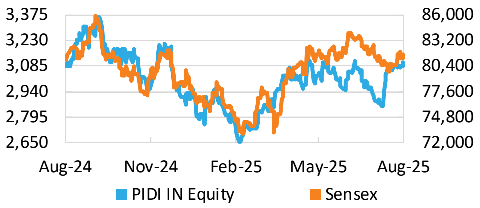
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	69.35%	69.49%	69.59%
FII	12.13%	11.60%	11.79%
DII	9.15%	9.43%	9.15%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,31,403	1,45,593	1,61,658	1,79,121
EBITDA	30,125	34,976	39,650	44,276
Adjusted profit	21,878	25,683	29,620	33,812
Diluted EPS (INR)	43.0	50.5	58.2	66.5
EPS growth (%)	26.5	17.4	15.3	14.2
RoAE (%)	22.1	23.3	24.3	24.7
P/E (x)	70.9	60.4	52.4	45.9
EV/EBITDA (x)	56.3	50.2	43.0	37.7
Dividend yield (%)	0.7	0.7	0.9	1.0

PRICE PERFORMANCE



Strong execution in play

We hosted top management of Pidilite at the *Nuvama Home Improvement Conference 2025*. Highlights: i) The company continues to maintain overall double-digit volume growth. ii) It expects EBITDA margin growth to be at the higher end of 20–24%. iii) Input costs are benign and likely to remain stable. iv) Haisha Paints' performance undershot expectation, but SSG is improving QoQ/MoM. v) B2B growth remains muted impacted by weakness in exports and softness in key end-industries.

Overall, we maintain a positive outlook on Pidilite maintaining its consistent growth in Core and Pioneer categories; retain 'BUY' with a TP of INR3,785.

Key takeaways

- **Outlook:** The company maintains its overall double-digit volume growth trajectory, with demand conditions likely to improve in coming quarters. Rural markets are witnessing stronger momentum than urban. The company is targeting EBITDA margins at the higher end of the 20–24% range, aided by a benign raw material basket, improved operating leverage and cost-optimisation initiatives.
- **Pricing:** Pricing was up 70bp in Q1FY26 and is expected to remain in a similar range through FY26. The company does not anticipate significant price cuts while pricing actions will be increasingly tactical given the soft input cost environment.
- **Competition:** Paints competition is more intense in urban areas than rural and small towns, wherein fewer paint companies have direct reach. In the Tiles business, competitive intensity is high in Hyderabad.
- **Raw material basket:** The company expects input costs to remain benign and largely stable, which has positively affected overall margins.
- **Haisha Paints:** Haisha Paints' performance undershot initial expectations as it continues to operate as a pilot project across five states. However, the paints business continues to grow QoQ/MoM (throughput/dealer also growing), focuses on the five pilot states and follows a Rurban approach. The brand is positioned as offering quality comparable to peers with pricing at a 5–10% discount.
- **B2B:** Growth in the B2B segment has been muted due to weakness in exports as well as in some end-industries being supplied.
- **Unofin:** Unofin offers large potential as a category-creation play, extending repainting cycles to 10–14 years compared with five–seven years for traditional paints. The product cost is at a 10–15% premium over conventional paints.
- **EV & chip adhesives:** The business remains at an early stage with product approvals under way with both OEMs and semiconductor manufacturers.
- **Others:** The company has scant direct exposure to the US and has multiple sources of supply. Hence, it does not anticipate any negative impact of US tariffs.

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	1,31,403	1,45,593	1,61,658	1,79,121
Gross profit	71,440	78,654	87,824	97,296
Employee costs	17,416	17,034	18,914	20,957
Other expenses	23,899	26,644	29,260	32,063
EBITDA	30,125	34,976	39,650	44,276
Depreciation	3,585	3,877	4,105	4,332
Less: Interest expense	504	407	288	113
Add: Other income	2,472	2,951	3,921	4,894
Profit before tax	28,476	33,731	39,282	44,843
Prov for tax	7,265	8,411	9,795	11,181
Less: Other adj	(249)	0	0	0
Reported profit	21,161	25,434	29,620	33,812
Less: Excp.item (net)	717	249	0	0
Adjusted profit	21,878	25,683	29,620	33,812
Diluted shares o/s	509	509	509	509
Adjusted diluted EPS	43.0	50.5	58.2	66.5
DPS (INR)	20.0	22.5	26.2	29.9
Tax rate (%)	25.8	25.5	24.9	24.9

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	509	509	509	509
Reserves	97,036	1,11,024	1,27,315	1,45,912
Shareholders funds	97,545	1,11,533	1,27,824	1,46,421
Minority interest	2,033	1,920	1,788	1,637
Borrowings	1,472	1,072	572	72
Trade payables	13,901	12,838	14,160	15,693
Other liabs & prov	23,543	23,543	23,543	23,543
Total liabilities	1,39,837	1,52,249	1,69,230	1,88,709
Net block	28,361	29,484	30,379	31,047
Intangible assets	28,692	28,692	28,692	28,692
Capital WIP	1,290	1,290	1,290	1,290
Total fixed assets	58,342	59,465	60,360	61,028
Non current inv	3,894	4,279	5,279	6,279
Cash/cash equivalent	34,982	43,444	54,440	67,689
Sundry debtors	18,112	20,349	22,682	25,208
Loans & advances	441	441	441	441
Other assets	24,067	24,272	26,028	28,065
Total assets	1,39,837	1,52,249	1,69,230	1,88,709

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Other exp (% of rev)	18.2	18.3	18.1	17.9
Con A&P (% of rev)	3.8	3.9	3.8	3.6
Gross margin (%)	54.4	54.0	54.3	54.3
EBITDA margin (%)	22.9	24.0	24.5	24.7
Net profit margin (%)	16.6	17.6	18.3	18.9
Revenue growth (% YoY)	6.1	10.8	11.0	10.8
EBITDA growth (% YoY)	11.3	16.1	13.4	11.7
Adj. profit growth (%)	26.5	17.4	15.3	14.2

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	21,161	25,434	29,620	33,812
Add: Depreciation	3,585	3,877	4,105	4,332
Interest (net of tax)	504	407	288	113
Others	(167)	(202)	(235)	(269)
Less: Changes in WC	1,311	(3,505)	(2,768)	(3,029)
Operating cash flow	26,394	26,011	31,009	34,960
Less: Capex	(5,940)	(5,000)	(5,000)	(5,000)
Free cash flow	20,454	21,011	26,009	29,960

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	86.0	87.0	88.0	90.0
Consumer & Bazaar	2.8	9.5	10.0	10.0
COGS % of sales (con)	45.6	46.0	45.7	45.7
Staff cost (% of rev)	13.3	11.7	11.7	11.7
Dep (% of gross block)	4.5	4.6	4.6	4.6
Yield on cash	7.1	10.0	10.0	10.0
Tax rate	25.5	25.0	0	0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	22.1	23.3	24.3	24.7
RoCE (%)	30.6	30.8	31.6	32.3
Inventory days	98	94	92	89
Receivable days	47	48	48	49
Payable days	67	77	73	67
Working cap (% sales)	6.8	6.8	8.6	9.4
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Interest coverage (x)	46.2	52.7	76.4	123.6

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	70.9	60.4	52.4	45.9
Price/BV (x)	15.9	13.9	12.1	10.6
EV/EBITDA (x)	56.3	50.2	43.0	37.7
Dividend yield (%)	0.7	0.7	0.9	1.0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	26.5	17.4	15.3	14.2
RoE (%)	22.1	23.3	24.3	24.7
EBITDA growth (%)	11.3	16.1	13.4	11.7
Payout ratio (%)	48.1	45.0	45.0	45.0

Source: Company and Nuvama estimates

JYOTI RESINS AND ADHESIVES

POST-CONFERENCE NOTES

KEY DATA

Rating	NOT RATED
Sector relative	NA
Price (INR)	1,286
12 month price target (INR)	NR
52 Week High/Low	1,635/1,011
Market cap (INR bn/USD bn)	15.4/0.18
Free float (%)	49.2
Avg. daily value traded (INR mn)	2.8

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	50.83%	50.83%	50.83%
FII	0.08%	0.1%	0.12%
DII	1.22%	0.77%	0.54%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY22A	FY23A	FY24A	FY25A
Revenue	1,820	2,613	2,573	2,841
EBITDA	238	606	839	895
Adjusted profit	185	463	670	738
Diluted EPS (INR)	15.4	38.6	55.9	61.6
EPS growth (%)	64.7	150.7	44.8	10.2
RoAE (%)	13.4	25.6	27.9	23.1
P/E (x)	70.9	60.4	52.4	45.9
EV/EBITDA (x)	36.1	24.6	19.0	14.7

Focus on expanding B2C

We hosted top management of Jyoti Resins and Adhesives at the *Nuvama Home Improvement Conference 2025*. The company manufactures various types of wood adhesives (white glue) under brand name EURO 7000—launched in 2006—and is now the second-largest selling wood adhesive brand in India in the retail segment.

Key insights: i) Euro 7000 is the second-largest selling wood adhesive brand in India in the retail segment. ii) Aims to maintain RoE of 30–40%, RoCE of 40%+ and revenue target of INR5bn over the next three years. iii) Foray into new states and higher market share in existing states. iv) Guides for 20%+ volume growth over the next three years. The stock is trading at 21x FY26E consensus EPS, and is *not rated*.

Key takeaways

Market share: Strong presence in Gujarat (~35%), Rajasthan (~25%), Madhya Pradesh (~25%), Maharashtra (~20%) and Karnataka (~15%). Total 85% of sales come from five states. It aims to lift market share to ~20% in underpenetrated geographies while in regions already above 20%, the target is to scale up to 30–40%.

Diversified product portfolio: Wide product range catering to different substrates such as anti-termite, wider coverage and weatherproof. Recently launched three B2B products contributing 6% of revenue with 20–25% EBITDA margins.

Capacity expansion: Current production capacity is 2000TPM. It is in the process of setting up a warehouse to enhance storage of raw materials and finished goods and undertake brownfield expansion at its existing facility.

Distribution network: It has a presence across 14 states, 54 branches (for bigger cities) 65 distributors (for smaller cities), 435-strong sales force, 13,000 retailers and 350,000 carpenters (of which 200,000 are registered under loyal programme). The strategy is to strengthen carpenter connect, expand into tertiary markets and target lower and middle-class customers.

Brand investments: Brand visibility strengthened with Pankaj Tripathi as ambassador. Aims to increase A&P s to 7–8% of sales from 2–3%. Out of this, 4% will be towards branch communication and the rest for trade marketing and advertising.

Others: Dealer's margins are 8–10% versus 4–6% in competitors. The company offers more attractive discounts as compared with its peers. B2B products are doing well in Mumbai, Hyderabad and Bengaluru. Improving service levels at branches remains a key focus.

Outlook: The strategy is to strengthen carpenter connect, expand into tertiary markets and target lower and middle-class customers. Long-term EBITDA margin guidance of ~25% and for FY26 expected at 28–29%. Aims for ~INR1bn in ad and marketing investments over the next three years. Going forward, focuses on 85-90% revenue coming from B2C.

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