

PIDILITE

VISIT NOTE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,071
12 month price target (INR)	3,785
52 Week High/Low	3,404/2,612
Market cap (INR bn/USD bn)	1,562/17.7
Free float (%)	29.8
Avg. daily value traded (INR mn)	976.4

SHAREHOLDING PATTERN

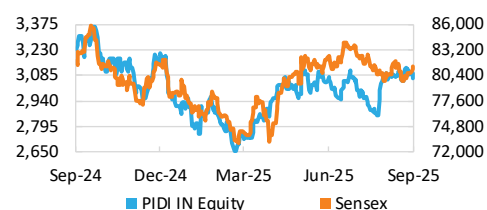
	Jun-25	Ma-25	Dec-24
Promoter	69.35%	69.49%	69.59%
FII	12.13%	11.60%	11.79%
DII	9.15%	9.43%	9.15%
Pledge	0%	0%	0%

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



Compounding thesis: Sticking well

We recently met with top management of Pidilite Industries (PIDI). Key highlights: i) *Tile adhesives* remains a high-growth story due to low penetration and a comprehensive portfolio. ii) Haisha Paints is slightly short of initial expectations, but improving steadily QoQ/MoM. iii) Confident of overall double-digit revenue growth with aspiration for double-digit volume growth and EBITDA margin at the higher end of 20–24%. v) Category creation in underpenetrated markets.

In Q1FY26, PIDI did very well (first quarter for new MD Mr Sudhanshu Vats) with revenue/EBITDA growth of 10.5%/15.8% YoY beating our and consensus estimates. We continue to view PIDI as a compounding machine. Maintain 'BUY' with an unchanged TP of INR3,785.

Key takeaways

Outlook: Aiming for double-digit revenue growth in FY26E. Core categories are expected to grow 1–2x GDP while growth categories are likely to expand 2–4x GDP. Pioneering initiatives to rake in INR1bn within three years of scaling up nationally.

Competitive landscape: While the company commands strong leadership in adhesives, waterproofing and retail tile adhesives, it faces stiff challenges from entrenched paint majors in paints and MNC competitors in project tile adhesives.

Even so, PIDI has an edge in tiles adhesives as it offers a comprehensive portfolio, i.e. spanning from basic to advanced items. In addition, Roff leads the retail tile adhesive segment and is inching towards overall market leadership.

Haisha Paints: Haisha Paints' performance is slightly below expectations. However, the paints business continues to grow QoQ/MoM (throughput/dealer also growing). It continues to operate as pilot projects in five states. Offerings are being fine-tuned while targeting 'Rurban India', wherein competitive intensity is lower than urban markets. The company is expanding distribution through additions of dealers and tinting machines, and increased reach.

EV and chip adhesives: PIDI is making progress in this category. Products are undergoing tests by large EMS providers, contract manufacturers and EV players. In Q1FY26, the company secured one additional large EMS account. The aim is to become a leading player in this complex space over long term given EV and chip adhesives' market potential shall be substantial by 2030E.

Margins and pricing: Management expects EBITDA margin at the higher end of 20–24% and gross margins to be steady around Q1FY26 level, and anticipates pricing growth to be 70–100bp in FY26. PIDI does not anticipate considerable price cuts while pricing would be increasingly tactical as input cost continues to be soft.

Raw materials: The company expects overall input costs to remain benign over medium term. While VAM prices spiked temporarily in Q1FY26 versus Q4FY25 levels, they are expected to stay stable. **PIDI has scant direct exposure to the US and has multiple sources of supply; it does not anticipate any negative impact due to tariffs.**

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

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

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

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

Source: Company and Nuvama estimates

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

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

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 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

Exhibit 1: Trends at a glance

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue (INR mn)	32,751	30,760	31,300	29,019	33,954	32,349	33,689	31,411	37,531
EBITDA (INR mn)	7,070	6,797	7,425	5,769	8,127	7,688	7,984	6,326	9,410
PAT (INR mn)	4,682	4,502	5,105	3,723	5,669	5,346	5,524	4,223	6,723
Overall volume growth (% YoY)	8.0	8.0	10.4	15.2	9.6	8.0	9.7	9.8	9.9
Domestic C&B volume growth (% YoY)	12.0	8.0	Double-digit	12.7	8.0	6.0	7.3	8	9.3
Industrial (B2B) volume growth (% YoY)	NA	20.0	Double-digit	25.2	18.0	21.0	21.7	16.4	12.6
Consolidated									
Sales growth (% YoY)	5.6	2.2	4.4	7.9	3.7	5.2	7.6	8.2	10.5
Gross margin (%)	49.0	51.3	52.9	53.4	53.8	54.4	54.3	55.0	54.1
EBITDA margin (%)	21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.1	25.1
CBP sales growth (% YoY)	9.2	3.2	4.9	6.4	3.0	2.9	5.2	6.7	9.7
Industrial Products sales growth (% YoY)	(6.1)	(1.3)	6.2	11.7	7.0	14.3	18.8	14.3	11.2
CBP EBIT margin (%)	26.6	27.6	30.3	24.2	29.3	29.9	29.4	25.8	31.5
Industrial Products EBIT margin (%)	13.5	11.1	11.9	11.8	15.2	14.8	17.6	17.5	16.5
Standalone									
Sales growth (% YoY)	6.2	2.4	4.6	8.7	6.2	7.1	9.3	10.1	10.6
Gross margin (%)	48.9	51.2	52.9	53.3	53.5	54.0	53.9	54.7	53.5
EBITDA margin (%)	22.7	23.1	25.0	20.4	24.5	24.5	24.2	20.5	25.5
CBP sales growth (% YoY)	41.9	3.7	5.4	7.5	5.4	5.0	7.0	9.1	10.2
Industrial Products sales growth (% YoY)	4.7	(2.9)	4.7	12.4	9.2	15.6	20.7	14.1	11.6
CBP EBIT margin (%)	28.3	29.4	32.4	25.7	30.4	31.2	30.6	26.4	32.0
Industrial Products EBIT margin (%)	15.4	13.2	14.0	11.0	16.8	17.9	18.1	18.1	18.5

Source: Company, Nuvama Research

Competitive dynamics

PIDI operates in a highly competitive environment in both adhesives and paints across geographies and product categories.

While the company commands strong leadership in adhesives, waterproofing and retail tile adhesives, it faces stiff challenges from entrenched paint majors in paints and MNC competitors in project tile adhesives.

Competition in tile adhesives market

- PIDI faces competition in Hyderabad in the tiles adhesives market.
- The company has MNC competitors, primarily focused on projects.

Strategic initiatives to counter competition

- PIDI offers a comprehensive tile adhesives portfolio, spanning from basic cementitious products to advanced specialty items that address the full demand pyramid—unlike paint players, which have only a limited range.
- PIDI's Roff leads the retail tile adhesives segment and is inching toward overall market leadership. The company is currently the number 2 player nationally.
- It is witnessing strong growth in tile adhesives across retail and projects. *Roff Starlike* has a competitive edge due to ease of application and durability.
- It maintains a marginal premium over competitors at entry level of the product pyramid. Focuses on continuous premiumisation to drive category expansion.
- The tile adhesives market is expanding at ~2x GDP, with PIDI growing at ~1.5x market growth or even more.

Competition in paints (Haisha Paints)

- PIDI is facing competition in paints because legacy players dominate urban markets with strong distribution, brand equity and high consumer recall.
- Paint majors are deeply entrenched in urban India, wherein competitive intensity is higher than rural/Rurban.
- The performance in paints is slightly below initial expectations.

Strategic initiatives to counter competition

- Haisha Paints targets 'Rurban India' in five pilot states, wherein competitive intensity is lower than urban markets.
- It is fine-tuning Haisha Paints' offerings and go-to-market strategy, leveraging applicator engagement to build a moat and competitive edge.
- Expanding Haisha Paints' distribution by adding dealers and deploying more tinting machines, thereby deepening reach and service capabilities.
- However, the paints business continues to grow QoQ/MoM (throughput/dealer also growing) and continues to operate as pilot projects in five states with a Rurban approach.
- The brand is positioned as offering quality comparable to peers with pricing at a 5–10% discount.
- Haisha Paints' launch has driven high growth in the company's coatings business, unpacking strong portfolio synergies and strengthening its competitive position.

Demand drivers and strategy

- PIDI's outperformance is attributable to its unique and diverse portfolio, distinct from single-category peers.
- Close engagement with applicators and users provides deep, real-time understanding of demand and needs, enabling continuous iteration and refinement of products.
- Innovation and premiumisation are key drivers, focusing on making jobs easier, improving productivity, and reducing the time needed for tasks.
- The company continuously runs 10–15 pilots at any given time, including visible ones such as Unofin and Haisha and more localised ones for new subcategories, premiumisation and new product groups.
- PIDI has increased its direct coverage by 2x and its PIDI Ki Duniya (PKD) centres by 3x in rural and small towns over a five-year horizon, not to mention the expansion of Dr. Fixit Centres (DFCs) by 3x.
- For urban demand, the company remains optimistic about increased consumer liquidity, expecting benefits for discretionary spending like home improvement and new construction.
- Targets for growth categories are 2–4x of real GDP and for core categories 1–2x of real GDP. Revenue target for Pioneering initiatives is INR1bn within three years of going national.

Exhibit 2: Category creation in value terms



Source: Company, Nuvama Research

Long-term picture in play

Business growth and outlook

- The company aims to maintain an overall double-digit volume growth trajectory, with improved demand sentiment offering further upside.
- Aiming for double-digit revenue growth in FY26E.
- Management anticipates double-digit volume growth in B2B business—following a light moderation in the previous quarter due to macro geopolitical issues and tariff uncertainties affecting a small part of their industrial business.
- Core categories are expected to grow at 1–2x GDP and targets for Growth categories are 2–4x GDP.
- Pioneering initiatives shall generate INR1bn within three years of scaling up nationally.
- Rural and Rurban markets are expected to sustain faster growth than urban markets over medium to long term.
- The company is optimistic that liquidity measures will support growth. Increased discretionary cash in consumers' hands is expected to benefit home improvement and new construction segments, wherein the company operates.

Margin and pricing outlook

- PIDI maintains guidance of EBITDA margin at higher end of corridor of 20–24% given that input costs are benign.
- The company anticipates 70–100bp pricing growth in FY26. Pricing was +70bp in Q1FY26. It does not anticipate considerable price cuts while pricing would be increasingly tactical as input cost continues to be soft.
- Gross margins are expected to stay at the levels reported in Q1FY26.

Input costs likely to stay benign

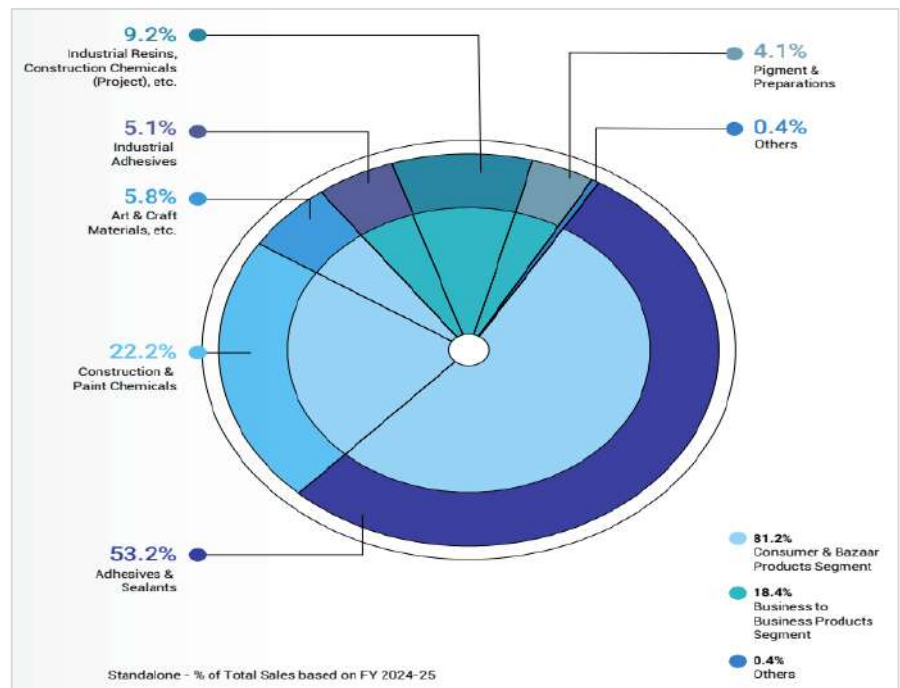
- The overall raw material basket remained benign; however, VAM prices witnessed a temporary uptick in Q1FY26 versus Q4FY25, but the long-term trend is expected to stay soft.
- PIDI has multiple sourcing arrangements for critical inputs such as VAM, ensuring continuity of supply.
- It has scant direct exposure to the US and has multiple sources of supply. Hence, it does not anticipate any negative impact from US tariffs.

FY25 at a glance

Financial highlights of FY25

- In FY25, consolidated revenue grew 6.1% YoY and EBITDA increased 11.3% YoY.
- Standalone revenue rose 8.1% YoY and EBITDA expanded 11.2% YoY.
- Return on equity (RoE) rose 19bp YoY to 22.8% in FY25 (22.6% in FY24), reflecting improved capital efficiency. Return on capital employed (RoCE) improved 19bp YoY to 30.8% (30.6% in FY24).
- Cash conversion cycle improved to 65 days in FY25 (78 days in FY24) owing to improved inventory management and higher payable days.
- Capex in FY25 was INR4.2bn (~INR5 bn in FY25), primarily spent on fixed assets for various manufacturing units, offices, laboratories and warehouses.
- Dividend per share was INR20, up 25% YoY.

Exhibit 3: Standalone product category % in FY25



Source: Pidilite Annual Report 2025

Category highlights

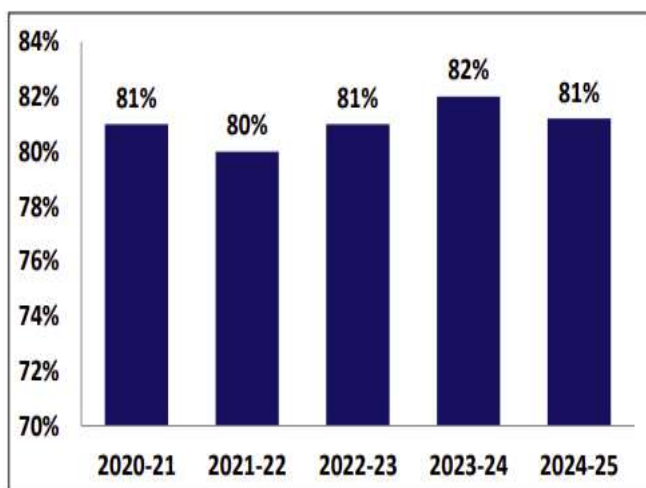
Consumer & Bazaar (C&B)

- Branded C&B segment grew 6.9% YoY in FY25. It contributed 81.2% to sales.
- Strong growth in the C&B business reflects an improved demand situation.

B2B

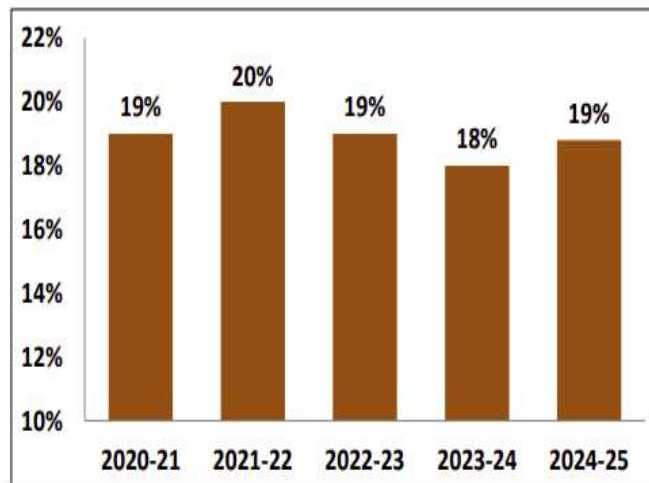
- The B2B segment has showed consistent double-digit volume growth for eight consecutive quarters.
- Project and joinery business showed good momentum.
- The B2B segment grew 16.1% YoY in FY25. It contributed 18.4% to sales.

Exhibit 4: C&B as % of total sales



Source: Company, Nuvama Research

Exhibit 5: B2B as % of total sales



Source: Company, Nuvama Research

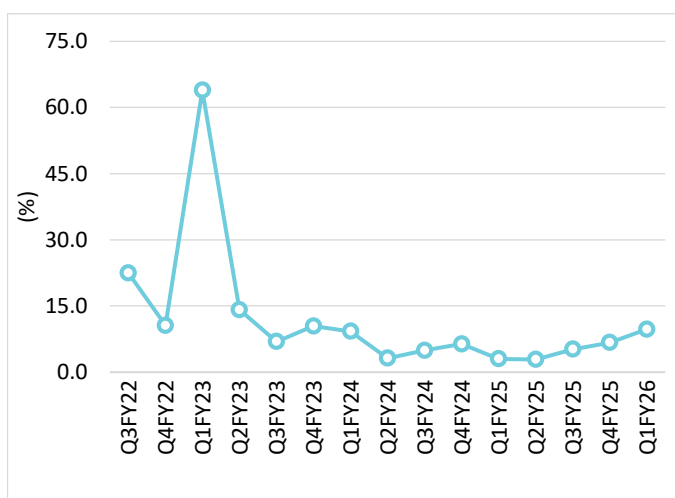
Domestic subsidiaries (FY25)

- Domestic subsidiaries' revenue grew 7.4% YoY and EBITDA by 9.4% YoY.
- Under this, the C&B segment reported revenue growth of 6.1% YoY while EBITDA increased 6.5% YoY.
- The B2B segment's revenue rose 9.2% YoY and EBITDA 16.7% YoY.

International subsidiaries (FY25)

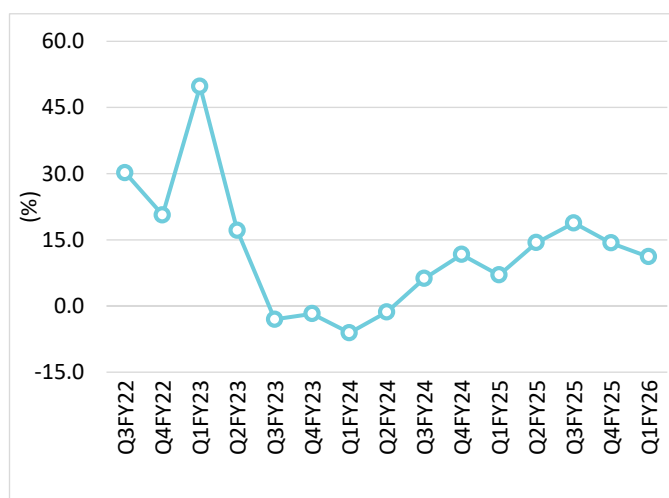
- International subsidiaries' revenue (in CC terms) moved up 6.8% YoY and EBITDA rose 10.7% YoY.
- Asia: Revenue edged up 3% YoY and EBITDA outgrew, up 12.5% YoY.
- Middle East and Africa: Revenue increased 11.1% YoY and EBITDA by 7.2% YoY.

Exhibit 6: C&B sales growth YoY



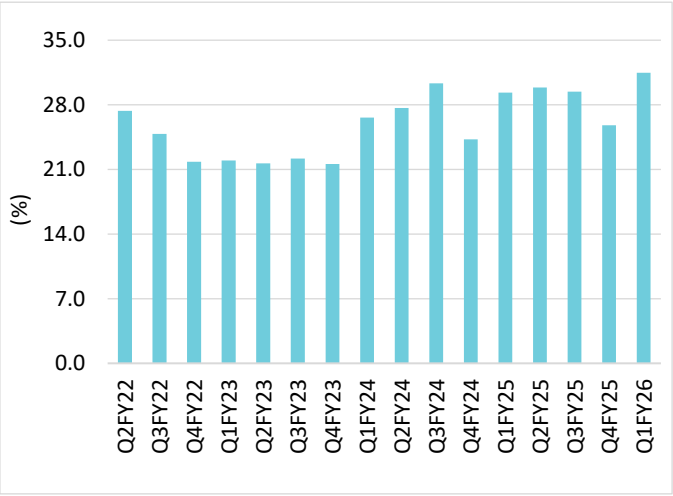
Source: Company, Nuvama Research

Exhibit 7: Industrials' sales growth YoY



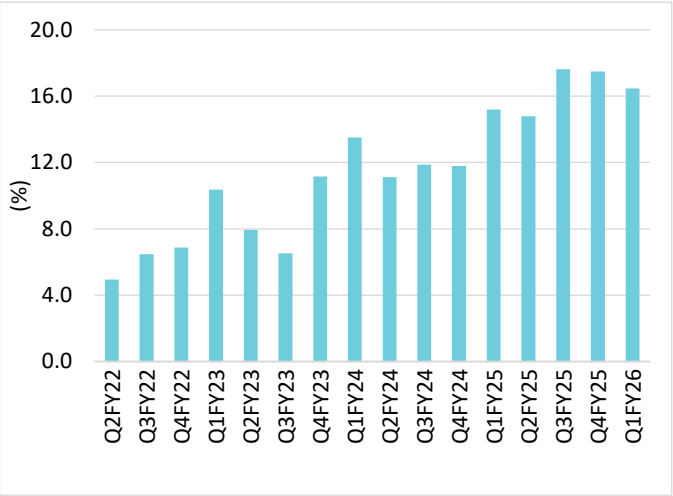
Source: Company, Nuvama Research

Exhibit 8: C&B EBIT margin



Source: Company, Nuvama Research

Exhibit 9: Industrials EBIT margin



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

Pidilite'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. Pidilite 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	Sudhanshu Vats
CFO	Sandeep Batra
Exe. Chairman	M B Parekh
Whole time Director	Mr. A B Parekh
Auditor	BSR & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	3.27	Norges Bank	0.81
Axis Asset Mana	1.63	UTI Asset manag	0.35
Vanguard Group	1.35	Mirae Asset Fin	0.33
BlackRock Inc	1.35	ICICI Prudentia	0.28
ICICI Prudentia	1.13	HDFC Pension Fu	0.25

*Latest public data

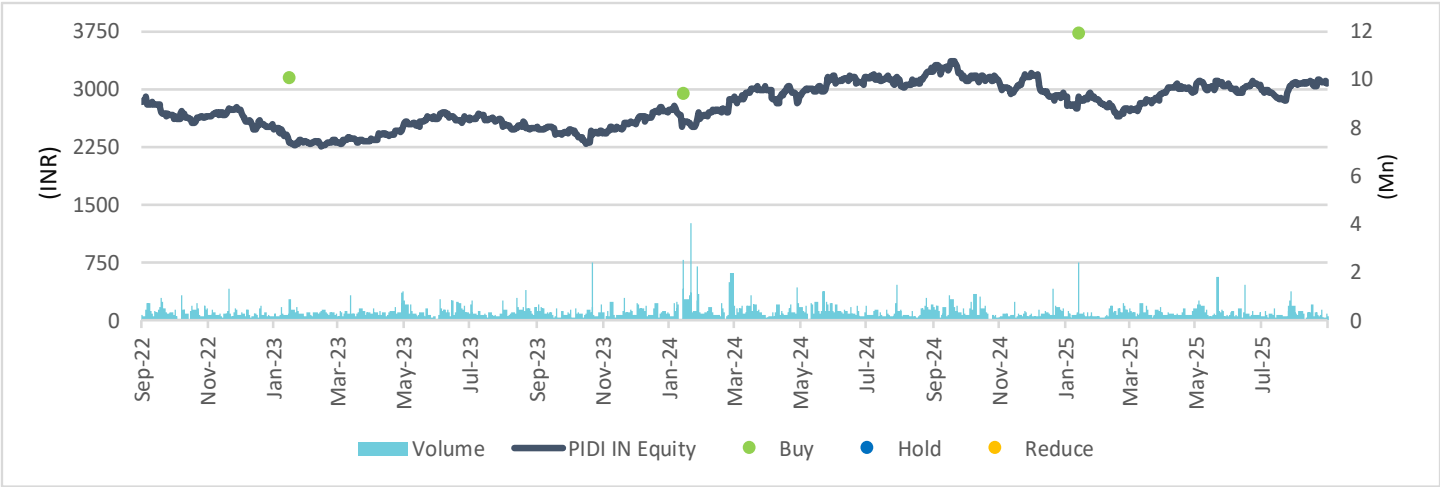
Recent Company Research

Date	Title	Price	Reco
07-Aug-25	Sudhanshu takes baton on a flying start; <i>Result Update</i>	3,051	Buy
06-Aug-25	Margins well ahead of expectations; <i>Oven fresh</i>	3,042	Buy
09-May-25	Compounding machine; <i>Result Update</i>	2,980	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
09-Sep-25	Berger Paints	Fundamentals intact despite Q2 blip; <i>Visit Note</i>
02-Sep-25	UNITED BREWERIES	Pouring efforts into expansion; <i>Nuvama Flash</i>
01-Sep-25	Asian Paints	More aggressive stance on market share; <i>Visit Note</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	69
Reduce	<-5%	37

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