

# Pidilite



**The Leap Forward**

By  
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# Company Analysis

## Company

Since its inception in 1959, Pidilite Industries Limited has been a pioneer in consumer and specialties chemicals in India

## Flagship Brand

Fevicol has become synonymous with adhesives to millions in India and is ranked amongst the most trusted brands in India

## Revenue

The Group's turnover is 4103 Crores for the year 2013-14 to the 2014-2015 current year figures

## Competitor Grouping

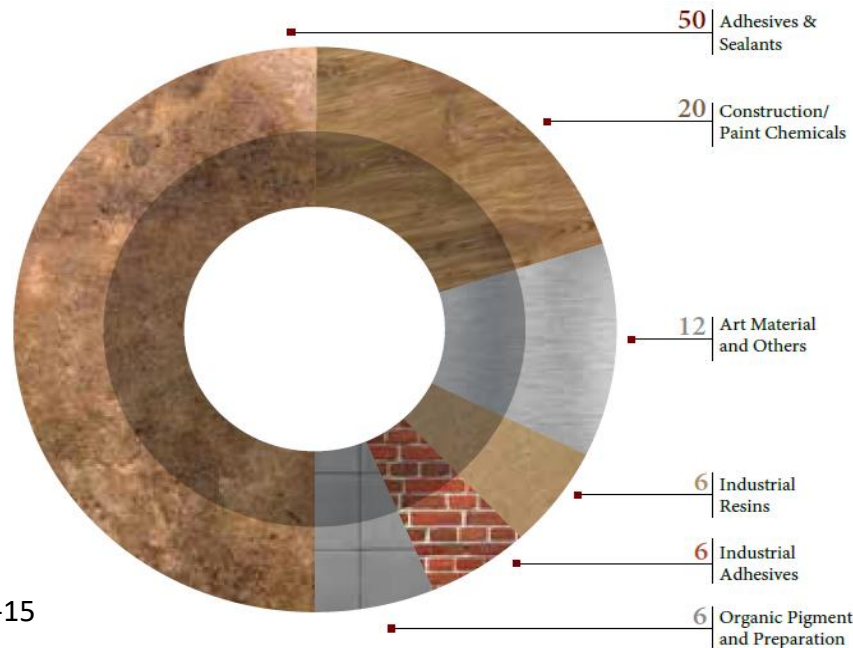
Table 1: Low competitive intensity creating a strong entry barrier

Segment	Pidilite brands	Competition brands
Adhesive & Sealant	Fevicol, Fevistik, Fevikwik, Mseal, Steelgrip, Feviquick	Jivanjor, Carpenter, Araldite, Dendrite
Construction chemical	ROFF, Dr. Fixit, Fevimate	Sika, Fosroc
Art material & stationery	Fevicryl, Hobby Idea, Fevicaft, Sargent Art	Camlin, Faber Castle
Fabric care	Ranipal	Ujala
Automotive	Cyclo, Motomax	Castrol
Decorative paints	Wudfin, Piditint	Asian Paints, Berger
Industrial Adhesive	Fevicol, Pidivyl, Tracol, Trisol, Pidiprimer, Kondicryl	Henkel, Huntsman, Sika, 3M, HB fuller
Textile Chemical	Texcron, Dopcron, Pidifinish, Pidicryl	BASF, Jubilant
Industrial Resin	Pidivyl, Pidicryl, Pidinon	BASF, Jubilant
Organic Pigments	Azo, Quinacridone, Methyl Violet	Clariant, Sudarshan
Leather Chemicals	Pidisper, Pidicryl, Acrytan, Pilcide	BASF, Jubilant

## Products

Performance by industry segment

(Business segments %)



Source:  
Pidilite Annual report 2014-15  
Chairman's Message

## Market Drivers

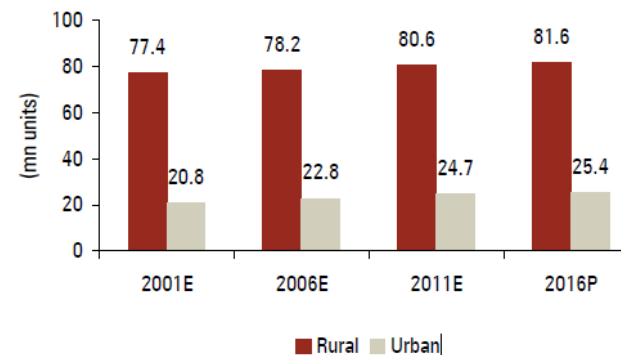
### Adhesives & Sealants

- Cater to the home decorations, plumbing and wood working industry
- Increasing use of laminates in the furniture and interior decorative Industry
- Increase in urban and rural housing
- the company's strategy to introduce products at every price point with attractive packaging (like bottle, angular tip tube and cone packing) helps the company to improve its volume among retail buyers

### Construction & paint Chemicals

- Growth in the construction/paint segment is highly driven by construction activities (housing, retail and office spaces)
- Construction of new houses or conversion of semi pucca to pucca houses would be key growth drivers for the growth of Pidilite's construction/paint segment

**Exhibit 12: Rural and urban housing shortage (in mn units) and conversion to pucca from semi-pucca houses to drive future growth**



Source: Crisil, ICICIdirect.com Research

### Art Materials & Others

- Increasing use of art material (for painting, drawing) in modern schools at the primary level. These products are also used for bonding or sticking paper, cardboard, thermocol, fabrics
- Increasing use of handicraft to decorate homes. This product is mainly used by traditional craftsmen to create artefacts including Pattachitra, Tusser Paintings, terra cotta, leather paintings, zari gota, pot paintings and papier-mâché
- Rising use of fabric whiteners
- Rising usage of auto-care products for maintenance and removal of scratches

# Specialty Industrial Segment

- The specialty industrial segment has major three sub segments: industrial adhesive, industrial resins and organic pigments & preparations. The company's specialty industrial chemical export revenue(contributes ~8% to topline) recorded ~21%CAGR over the last five years (2015)
- This segment caters to various industries (for example: textiles, leather, footwear, ink, packaging, etc.)

## Market Drivers

### Textiles

Rising domestic income level and middle class population added demand growth for the sector  
100% FDI in sector

### Finished Leather

Increasing disposable income domestic population  
Rising young age population with growing fashion consciousness  
Increasing number of working women

### Footwear

Increasing disposable income domestic population  
Rising young age population with growing fashion consciousness  
Increasing number of working women

### Indian Paint

Increase in repainting demand  
Rise in disposable income led to increase in use of premiumisation (shift from Emulsions to Enamel to Distemper)  
New house construction in India

# SWOT Analysis

## Strengths

- Diversified portfolio/Differentiated products
- Unpenetrated Market
- Strong brand equity
- Strong distribution network
- Existing Products serve different price segments
- Strong marketing and RnD-Customer needs identified and addressed by innovative products
- Smart advertising and educating decision makers
- Relevant acquisitions

## Weakness

- Uncertainty on Elastomer project
- Weak international business performance-Losses in international business continue

Source:  
Pidilite Annual report 2014-15  
Company, Edelweiss research  
Company, ICICIdirect.com Research 2013, Q3- 2015

## Opportunities

- Growth of specialty chemical business linked to growth of Textiles industry, Indian Paint Industry, Footwear industry, Finished leather Industry which are likely to grow ( Increase I GDP, urbanization and disposable incomes)
- 'Make in India' initiative to propel infrastructure and industrial growth which in turn will positively impact construction chemical industry sector and may create market for Green and Cool Building products developed by Pidilite Innovation center
- Urbanization leads to growth in consumer and bazaar segment
- Overseas subsidiaries and the Pidilite innovation center are storehouses of new products/ product ideas which can be introduced into the Indian market

## Threats

- Entry of paint players in the water-proofing space
- Weakness in Indian rupee
- Global geopolitical uncertainties
- Prices of VAM, a key input for the Company's products, had sharply increased towards end of last year and peaked in July / August 2014

# Current Scenario

## Product

- ❑ To use innovation to **create differentiated products** which address **customer needs** (target niche segments)
- ❑ Started manufacturing few specialty acetates at the plant which have received positive feedback from the markets
- ❑ Expansion of product portfolio through use of technology

Eg: Product line- *Fevicol Hi-*, *Dr. Fixit Blueseal*, *M-seal PV Seal*, *Motomax Insta Shine*



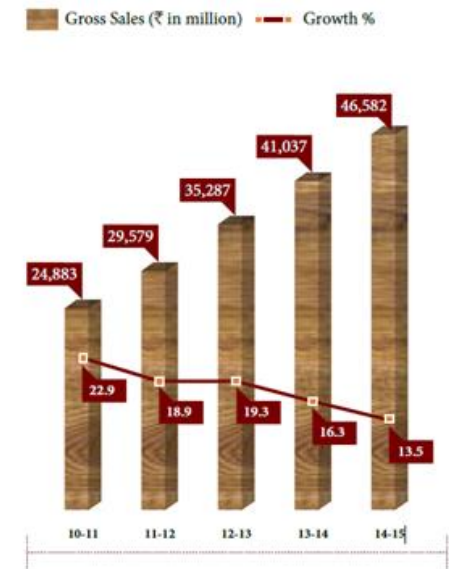
*Fevicol Hi-per with an anti-bubble formula reduces the chances of bubble formation, ensures fast setting and is a waterproof adhesive.*

*Dr. Fixit Blueseal, a spray applied waterproofing system for roofs.*

## Market

- ❑ Penetration into rural markets:  
Introduction of products like Parcol and Bullbond to cater to lower price segment  
Rural activation campaign's: The AudioWala Bus Station
- ❑ Expansion into new Geographies:
  - Pidilite Inds to expand operations in Asia, Africa markets
  - Incorporated Pidilite Chemical PLC, in Ethiopia
  - Established offices / subsidiaries in several countries including Singapore, USA, Brazil, Indonesia, Egypt, Bangladesh, UK, Kenya, South Africa and Ghana
  - Significantly increased exports of consumer & craftsmen products
  - Expanding of distribution network in various countries and deploying additional man
- ❑ Acquisition to kill competition Eg: Nina Waterproofing

Gross Sales & Growth %





## Current Scenario

### Process

- ❑ **Operational responsibilities** have been handed to non-family professionals
- ❑ The company has taken major initiative to curtail overseas losses by changing the management in the nonperforming Geographies
- ❑ **Optimization**-Company offered voluntary retirement to its workmen in its units in Panvel, Kamothe and Taloja
- ❑ The 'Talent Management Process', initiated in the previous year has now been strengthened.

### Technology

- ❑ **Pidilite Innovation center** is the Centre of Excellence for innovating Green Products
- ❑ The Company has undertaken **collaborative efforts with institutes** and research centres for development of new products
- ❑ To build capability in technology, a **technology platform group** has been created to work on new areas



# What's Next?

## Concerns

- ❑ Margins were adversely impacted by steep increase in input costs particularly in the first half of the year
- ❑ Full year loss (PBT) incurred by overseas subsidiaries was Rs. 20.2 million

Table 8: Snapshot of international subsidiaries' performance

(INR mn)		Revenues					Profit/(Loss)				
International subsidiaries	Country	FY09	FY10	FY11	FY12	FY13	FY09	FY10	FY11	FY12	FY13
Pidilite Speciality Chemicals Bangladesh Pvt Ltd	Bangladesh	NA	40	119	146	231	NA	0	5	6	13
Pulvitec do Brasil	Brazil	802	1,141	1,316	1,282	1,263	(200)	(8)	(88)	(217)	(416)
Pidilite Industries Trading Co. Ltd	China	NA	NA	3	15	20	NA	NA	(1)	1	1
Pidilite Industries Egypt SAE	Africa	NA	16	60	124	146	(2)	(27)	(20)	(23)	(15)
PIL Trading LLC	Africa	NA	28	69	48	50	NA	(2)	(21)	(15)	(2)
PT Pidilite Indonesia	Indonesia	16	30	4	3	8	(12)	3	(1)	(2)	(2)
Pidilite Middle East Ltd	Middle East	3	NA	NA	NA	NA	3	(0)	(242)	(30)	(1)
Jupiter Chemicals LLC	Middle East	194	188	106	154	98	(54)	(63)	(87)	(44)	(34)
Pidilite International Pte Ltd	Singapore	6	8	12	15	19	(2)	(66)	(3)	(23)	9
Pidilite Innovation Centre Pte Ltd	Singapore	25	25	54	79	80	(1)	(5)	(9)	(5)	6
Pidilite Bamco Ltd	Thailand	154	170	185	226	316	(27)	(4)	(6)	(1)	9
Bamco Supply and Services Ltd	Thailand	5	15	23	42	47	1	1	1	6	5
Pidilite USA	USA	1,250	1,114	1,220	1,364	1,604	(90)	(47)	14	25	(13)
Pidilite South East Asia	Thailand	1.4	0	-	0	-	-	(1)	-	-	-

Source: Company, Edelweiss research

## Focus of leveraging the synergies of the subsidiaries under the Pidilite umbrella

- Extensive portfolio of products under the Pidilite umbrella and access to various market provide number of Cross-selling opportunities . Eg: Mr. Strong Magic Sponge of Pulvitec can be introduced into the Indian market
- Introducing the products developed by Innovation center into the relevant market at the right time. Eg: Dr.Fixit FlorGrip
- Explore technologies which increase cost efficiency or are environment friendly Eg: Soy adhesives
- Forums to bring in innovative ideas and provide a collaborative platform for its employees from all across the globe



# The way forward- Culture and Leadership



## INSPIRE

MASTERING CHANGE - TRANSFORMING TODAY FOR TOMORROW  
DEVELOPING DIFFERENTIATION AND LEVERAGING CULTURE

Our business model has to be focused on a pioneering led approach, focus on niche segments and leadership through product innovation.

-M B Parekh

Pidilite's core values are not diluted even as we absorb the best of outside culture

-Apurva Parekh



## IMPACT

BUILDING LEADERSHIP FOR TOMORROW  
ENTRUSTING RESPONSIBILITY ACROSS THE ORGANISATION

- ❑ One of Pidilite's weak points has been its talent management systems
- ❑ Leadership development has been taken up as priority by the new CEO

Focus:

- Building talent from within
- Platform to address employee concerns
- Investigate for and eliminate bureaucracy
- Revisit HR policies
- Employer branding needs to be initiated



## INNOVATE

ODYSSEY TO PERFORMANCE EXCELLENCE  
EXPLORING UNIQUE POTENTIAL

- ❑ Innovation needs

Openness

Collaboration

Performance excellence

Focus:

- Align the HR systems to ensure the above stated needs
- Provide platform for its employees from all across the globe to communicate and collaborate to leverage on synergies and drive innovation

- ❑ Pidilite's new professionals are from some of India Inc's most respected companies, with very strong cultures of their own
- ❑ To ensure they assimilated in Pidilite's milieu, the first few recruits were attached to the chairman's office in staff roles before being given operational responsibilities

Focus:

- Mitigate Conflict between the old and the new
- Preserving the culture while introducing new systems /process & growing inorganically

Source: [http://articles.economictimes.indiatimes.com/2014-08-01/news/52327422\\_1\\_pidilite-industries-fevicol-ceo-bharat-puri/2](http://articles.economictimes.indiatimes.com/2014-08-01/news/52327422_1_pidilite-industries-fevicol-ceo-bharat-puri/2), <https://www.glassdoor.co.in/Reviews/Pidilite-Industries-Reviews-E519835.htm>, Brochure\_NHRDN\_19<sup>TH</sup> national conference

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THANK YOU

GRACIAS  
ARIGATO  
SHUKURIA

TASHAKKUR ATU  
SUKSAMA  
MEHRBANI  
BOLZİN  
MERCİ

DANKSCHEEN  
JUSPAKAR  
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