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A Study on Financial Performance Analysis of Pidilite Industries

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Abstract:

Pidilite Industries Limited is one of India's leading manufacturers of adhesives, sealants, construction chemicals, and consumer specialty products, best known for its flagship brand Fevicol. This study aims to analyse the overall performance, growth strategies, and market position of Pidilite Industries in the Indian manufacturing sector. The research focuses on the company's product portfolio, financial performance, marketing strategies, and innovation-driven approach that has contributed to its long-term success. Secondary data collected from annual reports, company websites, journals, and published articles have been used for the analysis. The study highlights how Pidilite's strong brand equity, extensive distribution network, and continuous investment in research and development have helped it maintain market leadership. Additionally, the study examines the challenges faced by the company, including rising raw material costs and increasing competition, and the strategies adopted to overcome them. The findings suggest that Pidilite Industries has sustained steady growth through customer-centric innovation and effective management practices. The study concludes that Pidilite Industries serves as a strong example of successful brand building and strategic management in the Indian industrial and consumer goods market.

Keywords: Financial Performance, Profitability Analysis, Liquidity Ratios, Capital Structure, Revenue Growth.

INTRODUCTION

Pidilite Industries Limited is a leading Indian company engaged in the manufacturing of adhesives, sealants, construction chemicals, and consumer specialty products. Since its establishment in 1959, the company has achieved strong market recognition through well-known brands such as Fevicol, Fevikwik, Dr. Fixit, and M-Seal. The financial performance of Pidilite Industries plays a crucial role in understanding its operational efficiency and long-term sustainability. This financial study aims to analyse the company's financial position by examining key financial statements, ratios, and performance indicators. The study focuses on aspects such as profitability, liquidity, solvency, and growth trends over a specific period. Secondary data collected from annual reports, published financial records, and reliable financial sources form the basis of this analysis. By evaluating the financial strengths and weaknesses of Pidilite Industries, the study seeks to provide insights into its financial stability and managerial effectiveness. The findings of this study will help investors, researchers, and management understand the company's financial health and support informed decision-making**.**

OBJECTIVES

- To analyse the overall financial performance of Pidilite Industries using financial statements.
- To evaluate the profitability position of the company through various profitability ratios.
- To assess the liquidity position of Pidilite Industries by analysing liquidity ratios.
- To examine the capital structure and solvency position of the company.
- To study the growth trends of Pidilite Industries over the selected period.

STATEMENT OF THE PROBLEM

Financial analysis is an essential tool for evaluating the performance, stability, and growth prospects of a company. In a highly competitive manufacturing and consumer goods sector, companies like Pidilite Industries Limited must maintain strong financial health to sustain market leadership and meet stakeholder expectations. Despite Pidilite's strong brand presence and consistent growth, fluctuations in raw material costs, changing market conditions, and increasing competition can have a significant impact on its financial performance. Therefore, a systematic financial study is required to assess the company's profitability, liquidity, solvency, and efficiency over a period of time. This study seeks to identify the financial strengths and weaknesses of Pidilite Industries through the analysis of financial statements and key financial ratios. Understanding these financial aspects is important for investors, management, and researchers to make informed decisions. The problem addressed in this study is to evaluate whether Pidilite Industries has maintained a sound financial position and effectively utilized its resources to achieve sustainable growth.

LITERATURE REVIEW

Praveen et al. (2025) provides an extensive longitudinal analysis of Pidilite's market positioning and its impact on the company's financial sustainability. The central argument of this literature is that Pidilite operates as a "hybrid" entity, blending the manufacturing capabilities of a specialty chemical firm with the branding and distribution power of a Fast-Moving Consumer Goods (FMCG) company. This "Consumer & Bazaar" (C&B) focus, which researchers note accounts for nearly 80% of total revenue, serves as a significant growth moat The authors delve into the "Category Creation" strategy, citing the historical performance of flagship brands like Fevicol and Dr. Fixit. According to the study, Pidilite's financial strength is rooted in its ability to grow its Underlying Volume Growth (UVG) at 1–2x the national GDP. The literature highlights that even during the volatile period of 2021–2024, Pidilite maintained a double-digit revenue CAGR, projected to hit ₹13,140 crore by fiscal 2025. This resilience is attributed to a massive distribution network of over 7,000 dealers and 135 warehouses Furthermore, Praveen and his colleagues address the "moat" created by the brand's psychological dominance. They argue that the high cost of switching for carpenters and contractors—who are the primary influencers—creates a barrier to entry that competitors like Aarti Industries or Atul Ltd. find difficult to penetrate despite lower pricing. The review concludes that Pidilite's financial model is built on "Volume-Led Growth," where consistent demand ensures that the company does not have to rely on aggressive price hikes to maintain its top line, thereby sustaining a healthy relationship with its core market.

Prerana's extensive study focuses on the quantitative deconstruction of Pidilite's balance sheet using a comprehensive ratio analysis framework. This literature is critical for understanding the "internal mechanics" of the company's financial health. The research highlights two specific areas: liquidity management and the "Debt-Free" philosophy. A recurring theme in this review is the maintenance of a robust **Current Ratio**, which peaked at 2.3x in fiscal 2025. Prerana argues that this signifies superior working capital management, where the company's liquid assets significantly outweigh its short-term obligations. The study further identifies the **Inventory Turnover Ratio** as a key performance indicator. While many chemical companies suffered from inventory pile-ups during global supply chain disruptions, Pidilite's efficient supply chain allowed it to normalize its inventory cycles faster than its peers. Perhaps the most significant finding in this body of literature is the analysis of Pedialyte's solvency. The author points out that with a **Debt-to-Equity ratio of effectively 0.02** (or near zero), Pidilite is a benchmark for "Conservative Financial Management." The literature explores how this lack of leverage results in an **Interest Coverage Ratio** of over 57x, meaning the company's profits can cover its interest obligations fifty-seven times over. This high degree of solvency provides Pidilite with the unique ability to fund massive R&D projects and acquisitions entirely through internal accruals. The review concludes that the company's high **Return on Equity (ROE)** of 21–25% is not manufactured through debt-led growth but through genuine operational efficiency and high asset turnover.

Dr. Masuma Mehta's "Financial Face-Off" provides a critical literature review on how the market perceives and values Pidilite Industries compared to its diversified chemical peers. This research addresses the "Premium Valuation Paradox"—the fact that Pidilite consistently trades at a high **Price-to-Earnings (P/E) ratio** (often between 60x and 80x). Mehta argues that the high valuation multiple is a reflection of investor

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confidence in the company's consistent **Return on Capital Employed (ROCE)**, which often stays above 29%. The study compares Pidilite to players like Asian Paints, noting that while Asian Paints dominates the decorative paint segment, Pidilite owns the "bond" (adhesives) segment with a 70% market share. This dominance translates into stable **Net Profit Margins (NPM)**, which grew from 14.1% in FY24 to 16.0% in FY25, despite fluctuations in raw material costs like Vinyl Acetate Monomer (VAM). The literature also warns of specific "Monitorable" or risks. Mehta highlights that Pidilite's heavy reliance on imported raw materials makes its profitability susceptible to foreign exchange (Forex) fluctuations. Furthermore, the study reviews the company's performance in international subsidiaries, noting that while the domestic business is a powerhouse, international growth in regions like Brazil or the Middle East has been historically inconsistent. Despite these risks, the review concludes that the market assigns a "scarcity premium" to Pidilite because of its consistent dividend-paying history and its status as a "safe-haven" stock in a volatile manufacturing sector.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The study adopts a descriptive and analytical research design. It aims to analyse the financial performance and position of Pidilite Industries Ltd by systematically evaluating its financial statements.

TYPE OF DATA

The present study is based entirely on secondary data. The required data have been collected from the annual reports of Pidilite Industries Ltd, official company website, and financial statements published on BSE and NSE. Additional information has been obtained from financial journals, textbooks, and research articles related to financial performance analysis.

PERIOD OF STUDY

The period of study covers five financial years from 2019–20 to 2023–24. This duration has been selected to examine the recent financial performance of Pidilite Industries Ltd. It helps in identifying growth patterns and changes in profitability over time. The study period allows comparison of year-wise financial results. It also assists in understanding the company's financial stability and efficiency. Overall, the selected period provides a reliable base for meaningful financial analysis.

TOOLS USED FOR ANALYSIS OF DATA

- Ratio Analysis
- Trend Analysis
- Comparative Financial Statements
- Common-size Statements

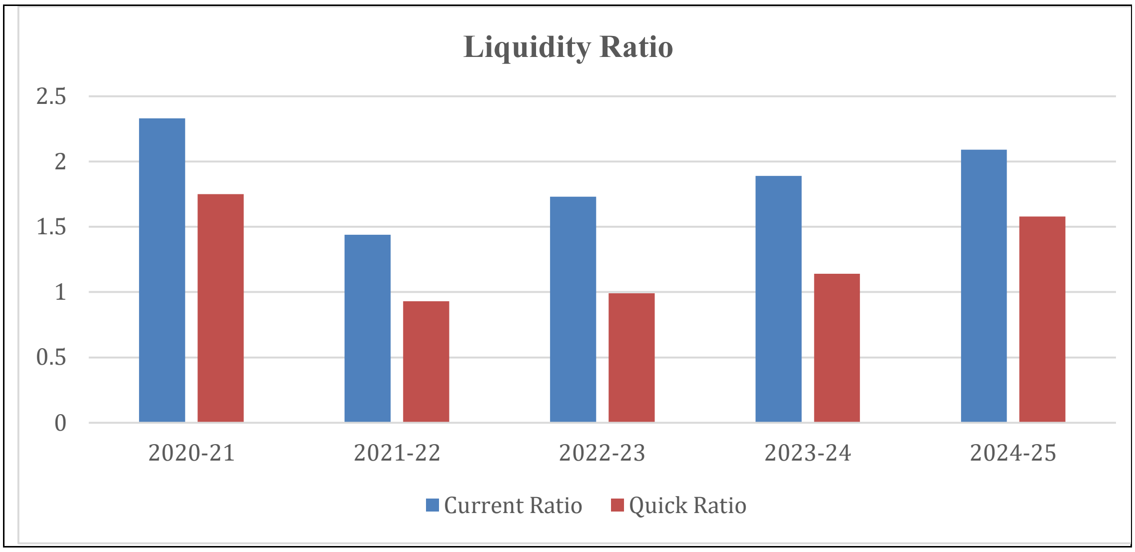
DATA ANALYSIS AND INTERPRETATION RATIO ANALYSIS

Table No:1.1

S.NO	FINANCIAL YEAR	CURRENT RATIO	QUICK RATIO
1.	2020-21	1.44	0.94
2.	2021-22	1.73	1.00
3.	2022-23	1.89	1.14
4.	2023-24	2.09	1.58
5.	2024-25	2.27	1.76

Liquidity Ratio

Chart No:1.1



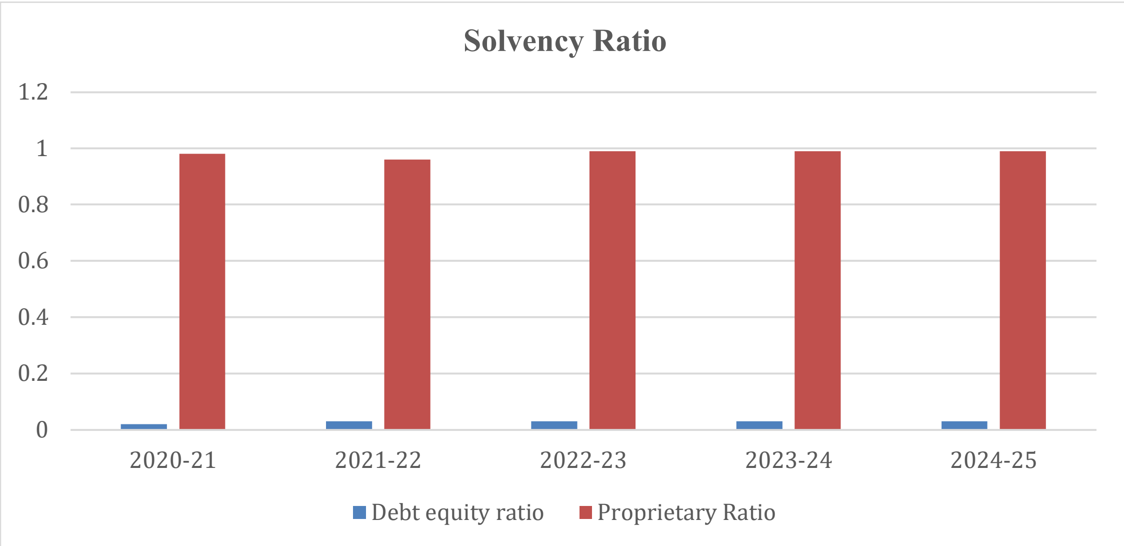
INTERPRETATION

The liquidity position of Pidilite Industries Ltd, as shown by the bar chart, indicates a generally improving trend over the study period. The current ratio declined sharply in FY21, reflecting temporary pressure on short-term liquidity, but it recovered steadily from FY22 to FY25, showing improved ability to meet current obligations. Similarly, the quick ratio was relatively low in FY21 but increased consistently in subsequent years, indicating better management of liquid assets without relying on inventory. Overall, the rising trend in both ratios suggests strengthened working capital management and a sound short-term financial position of the company in recent years.

Table No:1.2
Solvency Ratios

S.NO	Financial Year	Debt Equity Ratio	Proprietary Ratio
1	2020-21	0.02	0.98
2	2021-22	0.03	0.96
3	2022-23	0.03	0.99
4	2023-24	0.03	0.99
5	2024-25	0.03	0.99

Chart No:1.2



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INTERPRITATION

The debt-equity ratio of Pidilite Industries Ltd. has remained consistently low over the past five years, ranging between 0.02 and 0.03, indicating very low dependence on borrowed funds. This shows that the company follows a conservative financing policy and relies mainly on shareholders' funds. The proprietary ratio has remained very high throughout the period, close to 1, which indicates that most of the company's assets are financed by owners' equity. A high proprietary ratio reflects strong long-term solvency and financial stability. The low level of debt reduces financial risk and interest burden on the company. Overall, the capital structure of Pidilite Industries Ltd. is sound and well balanced. This strong financial position increases the confidence of investors and creditors.

Table No:1.3
Profitability Ratio

S.NO	Financial Year	Gross Profit Ratio	Operating Profit Ratio	Net Profit Ratio
1	2020-21	54.2%	23.1%	15.4%
2	2021-22	51.6%	18.7%	12.2%
3	2022-23	49.8%	16.9%	10.9%
4	2023-24	52.9%	21.3%	14.1%
5	2024-25	55.4%	24.8%	16.0%

Chart No:1.3

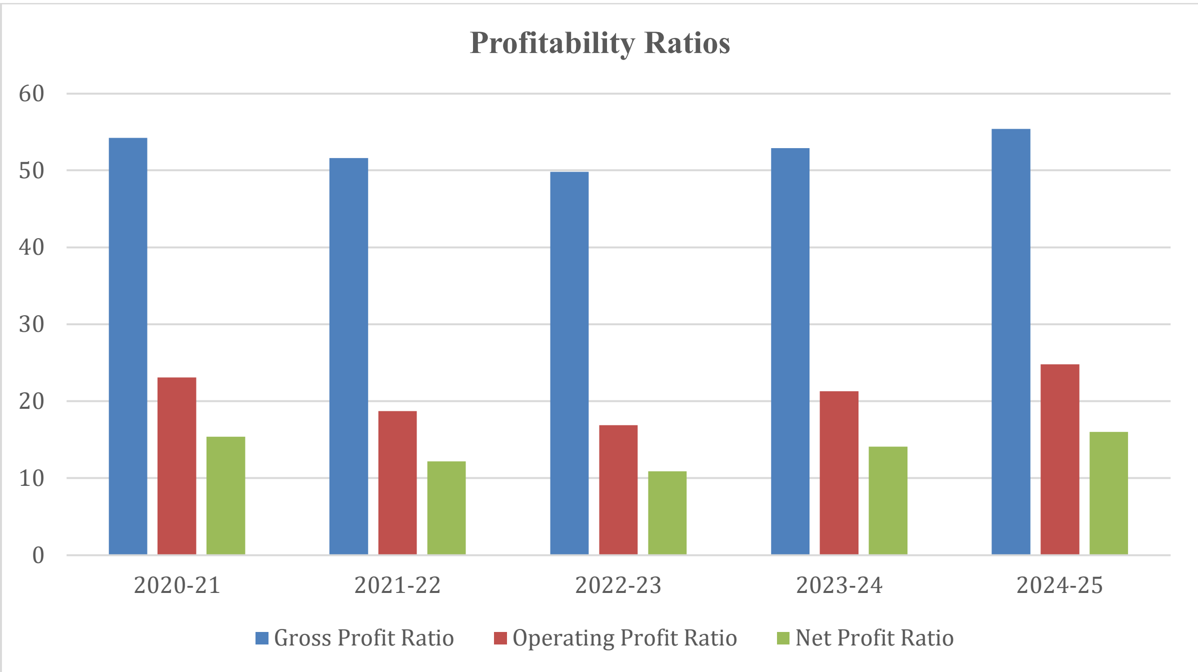

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Table No:1.4
Comparative Balance Sheet

Year	Total Assets	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities
2021	100%	39.8%	60.2%	81.2%	18.8%	100%
2022	100%	42.2%	57.8%	79.8%	20.2%	100%
2023	100%	43.3%	56.7%	78.3%	21.7%	100%
2024	100%	48.2%	51.8%	80.2%	19.8%	100%
2025	100%	53.3%	46.7%	81.2%	18.8%	100%

INTERPRETATION

Pidilite Industries Ltd. shows a strong and stable financial position over the years. The liquidity ratios indicate that the company is capable of meeting its short-term obligations comfortably, reflecting efficient working capital management. The solvency ratios reveal a very low dependence on external borrowings, highlighting a conservative and low-risk capital structure. Profitability ratios such as gross profit and net profit ratios show a consistent improvement, indicating effective cost control and strong pricing power. Return ratios like ROCE and ROE remain high, demonstrating efficient utilization of capital and higher returns to shareholders. Activity ratios suggest that inventory and receivables are managed efficiently, resulting in smooth business operations. The company's growing current assets improve liquidity without increasing long-term liabilities significantly. Overall, Pidilite Industries maintains excellent financial discipline, operational efficiency, and long-term financial stability, making it a financially sound and well-managed company.

FINDINGS

- Pidilite Industries Ltd. has shown consistent growth in total assets, indicating steady business expansion.
- The company maintains a low level of long-term debt, reflecting a conservative and safe capital structure.
- Profitability ratios show an upward trend, indicating strong operational efficiency and cost control.
- Return on capital employed and return on equity remain high, proving efficient use of funds.
- Overall, Pidilite Industries Ltd. is financially sound, low-risk, and efficiently managed.

SUGGESTIONS

1. Pidilite Industries should continue to maintain its low debt policy while carefully using leverage only for high-return expansion projects.
2. The company can further improve profitability by optimising operating costs and improving production efficiency.
3. Since current assets are increasing, effective working capital management should be ensured to avoid excess idle funds.
4. The company may focus on expanding into new markets and product segments to sustain long-term revenue growth.
5. Continuous investment in research, innovation, and brand building should be encouraged to maintain its competitive advantage.

CONCLUSION

Pidilite Industries Ltd. has demonstrated strong and consistent financial performance over the years. The company shows a steady increase in total assets, reflecting continuous growth and expansion. Liquidity position is sound, as current assets adequately cover current liabilities. Low dependence on long-term borrowings indicates a conservative and low-risk capital structure. Profitability ratios have improved, showing efficient cost control and strong operational performance. Return ratios such as ROE and ROCE highlight effective utilization of shareholders' funds and capital employed. Activity ratios suggest efficient management of inventory and receivables.

The company's strong brand value supports stable revenue generation. Growth in shareholders' funds strengthens long-term financial stability. Pidilite relies largely on internal resources for financing. Overall financial management appears disciplined and well planned. Hence, Pidilite Industries Ltd. can be considered a financially sound and well-managed company with good future prospects.

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