29th January, 2025

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**Stock Code – 500331**

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
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Mumbai - 400 051
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**Sub: Transcript of the Earnings Call**
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Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 23rd January, 2025.

A recording of the transcript is available on the website of the Company viz. www.pidilite.com.

Kindly take the same on records.

Thanking You,

Yours faithfully,

**For Pidilite Industries Limited**

MANISHA RAKESH SHETTY

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"Pidilite Industries Limited

Q3 FY '25 Earnings Conference Call"

January 23, 2025

**MANAGEMENT:** **MR. BHARAT PURI – MANAGING DIRECTOR – PIDILITE INDUSTRIES LIMITED**
**MR. SUDHANSHU VATS –MANAGING DIRECTOR, DESIGNATE – PIDILITE INDUSTRIES LIMITED**
**MR. KAVINDER SINGH – JOINT MANAGING DIRECTOR, DESIGNATE – PIDILITE INDUSTRIES LIMITED**
**MR. SANDEEP BATRA – EXECUTIVE DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER – PIDILITE INDUSTRIES LIMITED**
**MR. DHARMENDRA LODHA – SENIOR VICE PRESIDENT, FINANCE – PIDILITE INDUSTRIES LIMITED**

**MODERATOR:** **MR. AMNISH AGARWAL – PL CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to Pidilite Industries Limited Q3 FY '25 Earnings Conference Call hosted by PL Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amnish Agarwal from PL Capital. Thank you, and over to you, sir.

**Amnish Aggarwal:** Hi. Good evening, everyone. On behalf of PL Capital, I welcome you all to Pidilite Industries Ltd. (Pidilite) Q3 conference call. We have with us the senior management of Pidilite represented by Mr. Bharat Puri, Managing Director; Mr. Sudhanshu Vats, Managing Director Designate; Mr. Kavinder Singh, Joint Managing Director Designate; Mr. Sandeep Batra, Executive Director, Finance and Chief Financial Officer; and Mr. Dharmendra Lodha, Senior Vice President, Finance. So, without taking much time, I hand over the call to the management to take the proceedings further.

**Sandeep Batra:** Thank you Amnish, and good afternoon, ladies and gentlemen. I will quickly take you through some of the salient points of the third quarter and nine months results, which were approved at our board meeting yesterday. In the current quarter, we had an underlying volume growth of 9.7% across categories and geographies and that translated into a revenue growth of 9.3%. So, as you would have observed, the gap between the underlying volume growth and the value growth has now converged. Underlying volume growth for our Consumer and Bazaar business (C&B) was 7.3%, while the B2B segment maintained its growth momentum with underlying volume growth of 21.7%.

Gross margins improved by 100 basis points year-on-year largely due to benign input prices. VAM consumption in the quarter was around $884 a ton as compared to $902 a ton in the same period last year. As we had mentioned earlier, we had plans to step up our A&SP spends, which we did in this quarter and our EBITDA margins came in at 24.3% versus 25.1% in Q3 last year. If I look at the nine-month performance and this is for the standalone entity, underlying volume growth was 9.2% with C&B at 7% and B2B at 20%. Gross margins in the nine-month period were 284 basis points higher than last year and EBITDA margins were at 24.5% compared to 23.7% in the previous nine months. We continue to invest in our brands and upgrading and building new facilities, expanding our distribution network, stepping up innovation, and innovation remained a strong contributor to the overall revenues.

If I look at the performance at our subsidiaries, the domestic subsidiaries cumulatively reported double digit revenue growth with improvement in EBITDA margin. Owing to global economic uncertainty, inflation and political instability in some countries, our international subsidiaries, excluding Pidilite USA, which we wound down last year and Pulvitec Brazil, which we divested in March, these subsidiaries cumulatively reported modest sales growth, but margins were maintained. So, that's all I had by way of opening comments and opening the floor for question and answers.

**Moderator:** Thank you very much, we will now begin the question-and-answer session. The first question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** My question is on the macro front. We have been hearing about urban consumption slowdown from a few companies in the last couple of quarters. What is your sense on the entire macro piece? Secondly, what is your mix between urban and rural and do you see an equivalent offset in terms of rural recovery, which is sort of countervailing whatever urban slowdown you are seeing and again within urban if you could give some color on whether we are seeing any different outcomes among the various segments like adhesive, construction chemicals, and so on?

**Bharat Puri:** Thanks, Percy, for the question. See at the macro level environment clearly, we are seeing a certain amount of, I would say softness in both urban and rural. You know, from a demand perspective, we are seeing a certain amount of strain. Remember, for us, rural has continued to do well while everybody else spoke about rural being underperforming. For us, we have consistently grown rural, but when we look at the numbers, especially in our core categories, we see a certain amount of strain in demand. Having said that, it is still positive, and the strength of our portfolio, which is well straddled now across core growth pioneer and the proportion is changing. Now, the growth and pioneer almost being 45% of our overall portfolio, we are therefore still delivering growth across both rural and urban. But is there a strain on demand? The answer is yes. Could it be better? The answer is yes. Is it different across categories? No, across core categories, it does not matter whether it is adhesives, or it is putties or epoxy putties, or M-Seal and so on. We are seeing that there is a certain amount of slowdown which hopefully in the first and second quarters of the next financial year, the fourth quarter, we don't see too much of change happening, but hopefully post the budget and therefore the first quarter of next year, we are hopeful that things should improve.

**Percy Panthaki:** Got it and for you, for whatever reason, given your distribution expansion or whatever maybe the reason, would I be right in assuming that for you, your rural growth is ahead of the urban growth?

**Bharat Puri:** That is true. Even now, our rural is ahead of urban. As we go ahead, yes.

**Percy Panthaki:** Understood, and the growth construct that used to give us that your core will grow at 1X GDP and growth at 2X and Pioneer at 3X to 4X. So, in this scenario of consumption slow down, are you seeing that multiplier effect of the new categories growing significantly ahead of the core, that multiplier being of a lower order or it is still the same kind of multiplier?

**Bharat Puri:** It is the same kind, but it's the lower end. We always say that we would like to grow core at 1-2X GDP. It is nearer now. Therefore, to GDP rather than twice GDP and when we say growth in to grow 2-5X, it is closer to 2-3X rather than 5X.

**Percy Panthaki:** Right. Understood. And on input cost, any kind of change or should we expect this 23.5% to 24% kind of EBITDA margin to continue given where the costs are currently?

**Bharat Puri:** So, two different questions. As far as input costs are concerned, again, given the geopolitical uncertain world that we live in and now there is also a new variable with the US coming into play, I would say for the next two months, so on and so forth, we don't see any change. I think with two headwinds that we are keeping a close watch on, is the depreciating rupee as well as crude prices, both of which will impact us in the medium term, not in the immediate short term. But having said that right now, I would say for at least for Q4, input prices would remain benign. We do not monitor margins on quarter wise basis, based on our inputs how much we spend on behind our brand, sales, and distribution etc., we will remain in the 20 to 24 range as far as we are concerned.

**Percy Panthaki:** Right. See, the only reason why I am asking this is that your margins for the last 2-3 quarters that EBITDA level have been very stable and if input costs are stable and if we assume, if it’s a reasonable assumption to say that if input costs are stable, the margins will also continue at this level. The base which is Q4 last year has a significantly lower margin and therefore the growth at a profit level could be significantly higher, at least on a YoY basis due to a base effect. So, is this a fair assumption for us to go along with?

**Bharat Puri:** No, I don't think it's a fair assumption. Again, I am saying that listen, we are clear that in this environment, we need to continuously invest behind growth. If we see our margins at the higher end, we will look at further sets of actions to stimulate growth in the first half of next year. So, I would not go by that assumption as of now. Sandeep, if you want to add.

**Sandeep Batra:** Percy just also to clarify that, if you see the relative salience of each quarter, you will find that our Q1 and Q3 are the bigger quarters from our top line point of view and Q4 is the smallest quarter and therefore we have a negative operating leverage in that quarter and you will see it historically that given the size of the quarter our margins are in the fourth quarter are never representative.

**Percy Panthaki:** The difference is not very large, but I get your point.

**Sandeep Batra:** Yes

**Percy Panthaki:** Yes, that's all for me, Sir. Thank you and all the best.

**Moderator**: Thank you. The next question is from the line of Jay Doshi from Kotak. Please go ahead.

**Jay Doshi:** You often mention that about 50% of your business is dependent on new construction and so are you in position to get a sense of what is the kind of growth you are seeing in that part of the business and what is the growth in the remaining repair, maintenance, innovation part of the business? Is it possible for you to over a six-month period or quarterly basis actually get a sense? The idea of asking this question is there is no divergence between your growth rate and some of the other building material categories especially I know paints is not the right comparison, but still divergence is widening, so want to understand whether this is entirely driven by the new construction exposure that you have or is there something else? Thank you.

**Bharat Puri:** Firstly, good to hear from you Jay. Let me tell you that it is very difficult for us to try and find the real proportions between maintenance, repair; while we know it at a gross level because obviously a lot of small builders, medium sized builders are also serviced by the trade, a lot of them also do top-up purchasing. Having said that, I can tell you that real estate, the kind of buoyancy that you saw six months back, currently there are sets of local factors, whether it be in Hyderabad, in some of the larger metros, there are local factors which are in a sense actually delaying regular construction. So, I would still say that there is not a significant difference where new construction is still booming and maintenance and repair has come down. I think both are at the historic levels. It is more at a geography level than we are seeing substantial differences. Like just give you an example. Hyderabad has a new regulation around construction, so on so forth. They have done some zoning and so on so forth. When I was in Hyderabad, they were complaining. One heard that the similar thing is happening in one or twoother locations. We are also hearing of some amount of slowdown in the A class cities. The next round of city like Jaipur, Indore, and so on where there is some amount of unsold inventory, but this is all anecdotal. I mean there is no not enough data to support this.

**Jay Doshi:** Understood and again a follow up there. Earlier at the beginning of the year some time you had indicated that the urban real estate construction cycle benefit comes with a 2-3 year lag and you are hoping during the course of the year you will start seeing more and more benefit or maybe FY26 could be a better year? You still have that confidence, or you think that, the core underlying demand is moderated so much that it will essentially not be visible?

**Bharat Puri:** No. If you look at our project business. If you look at our B2B growth rates, one of the strong drivers behind that growth actually is organized real estate and a lot of that is now coming up for finishing/waterproofing, etc. So, I think in the short run, frankly, we will see it continue. Now, what we are seeing for the first time is there are substantial differences between geographies? So, for example, Kerala is very slow, Gujarat is tending to be slow. Some of the other states are doing much better. So, you can't again get a countrywide picture.

**Jay Doshi:** Understood. Thank you so much, Mr. Puri and thanks for your insights all over the years. I am not sure if we'll have you on the call next time or not.

**Bharat Puri:** Thank you. Yes, always a pleasure.

**Moderator:** Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** My first question actually was also on the real estate cycle where we have heard some moderation and you also alluded to certain regional issues, but I was just wondering that, our view at the end of September quarter was that because we had the monsoon effect and the election effect, there will be a bounce back from that. So, have you not seen that benefit in play out in terms of projects or work, which would have stalled, which kind of accelerated or that has happened, but other things have slowed down. Just trying to understand how the positives and negatives played out.

**Bharat Puri:** Good to hear from you Arnab, actually, both things have not played out to the extent we thought. The festive bounce didn't come at all this year and normally when there's a shorter festive season, the post festive season tends to be a little buoyant. That was not the case. As I said on real estate, we have not seen a substantial bounce again. The number of issues that we are facing or we are hearing about in local geographies , which are specific to states, is not leading us to believe that, it is all buoyant, but having said that, there is still, as we see it, this cycle of a lot of these, the construction boom that has happened over the last three years, we have started seeing benefits and frankly we do believe we will still see substantial benefits going forward.

**Arnab Mitra:** Understood. Second question was actually on this B2B business, which has continued to grow very fast for you. Could you help us understand a little better what are the end industries that you service in this, which are the segments that are driving the growth fastest and how should we think of sustainability of this growth rate going ahead?

**Sudhanshu Vats:** Hi Arnab, I think it is a good question. Let me try and give you a little bit of context on B2B. So first of all, when we look at B2B, we look at broadly three business divisions, if I can use that word, and multiple business verticals within that. But the three broad business divisions are projects, and Bharat was just alluding to that. I think we have seen continued growth momentum in projects. I think this has been there for about six to eight quarters now, and I think if at all, it has picked up in the last one or two quarters. So therefore, our growth momentum in projects is very strong. And we continue to see this growth momentum in projects, I think, into the quarters ahead. So that is one part which you see in this 21.7%.

The second part which you see in this 21.7% is, what is our B2B business, which is largely our adhesives business, which goes into different segments, now some of these segments this year are performing much better, and I think we see that momentum to continue as well. To just give you one illustrative example on this, one of our segments is basically advanced packaging and conversion. Simply put, this is a lot of your packaging which is done for e-commerce, a bit like quick commerce now, a lot of the shippers but even otherwise, all your packaging which goes into consumer goods. I think this segment of ours is showing good momentum. And in my judgment, this momentum will continue.

I think the third element, which is the broad one here, which is basically our pigments business, which you may be aware of, pigments business this year has a little bit of a comparator effect, which is basically that in the last couple of years before this year,


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there was a subdued demand in the Western world. Our pigments business has a large export intensity so therefore there, this year we are seeing very good growth. But again, these good growths have a little bit of a comparator effect. So, these growths moving forward may moderate a little bit.

In summary, if I were to then say B2B momentum, how will it continue? We have seen B2B momentum continuing into the future. The numbers could vary a little bit depending on how each of these plays out. So, there is enough opportunity. And at the same time, in B2B we are also looking at pioneering businesses, and there are some of those which will begin to play out better in the years ahead. I think that is what it is and I hope it addresses your question.

**Arnab Mitra:** Yes, thanks for the answer. My last question actually is on overall growth. So, where I was coming from is we are probably now in a relatively stable input cost environment. How do you think of pricing in this kind of an environment as a company? Historically, FMCG companies have always looked at some 3 to 4% pricing even if the demand input costs are benign. Do you look at it that way or in this environment you would just look at volume growth and pricing and revenue and volume growth will more or less match?

**Bharat Puri:** See, if there is no inflation, I mean right now, we are seeing a certain amount of pressure because actually right now only on the Rupee devaluation, it was Rupee sliding downwards, but our stance is always very clear. If there is genuine inflation and that impacts us, we will pass on to the extent of 75% of the inflation. Otherwise, we will tend to focus on trying to step up our underlying volume growth rather than try and do pricing because we believe that gets you short term results but a lot of medium term pain.

**Arnab Mitra:** Got it. That's very clear. Thanks so much. All the best.

**Moderator:** Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Thank you for the opportunity. Just continuing on the comments from you on the demand side, it seems there is a bit of a caution in terms of the growth rate. And at the same time, you said there is demand which could come from the projects or the construction schedule that’s happening. Just trying to get an understanding about the conviction, confidence you have in sustaining this 7-8% kind of consumer and bazaar volume growth. Do you see a material downside risk to this? Is that what this caution is about? If you could comment on that.

**Bharat Puri:** Sure. Good to hear from you Latika. If you look at, we are just being cautious. I mean, we have obviously changed our commentary from increasingly optimistic to cautious, simply because we are seeing a certain amount of strain in demand in urban and rural. Now barring black swan events, we don't expect it to get worse. Hopefully the budget, the money that will come in with the crop as a result of the good monsoon and greater government spending on both infrastructure as well as the overall thrust on Capex, we believe hopefully it should actually step up. But frankly, barring black swan events, we don't see the consumer bazaar falling further.

**Latika Chopra:** All right, understood. That's clear. The second part was on your domestic subsidiaries. You have put in a lot of investments behind these businesses and just wondering, would it be possible to get a figure on what is the annualized run rate for some of these subsidiaries or businesses today? Just to get a sense of what levels these have reached that is ICA Pidilite or any other material businesses that are scaling up well?

**Bharat Puri:** See the two substantial subsidiaries that we have are ICA Pidilite and Nina Percept. And actually, ICA Pidilite has been the star performer this year with all the demand issues, especially ICA Pidilite tends to be very urban and therefore is facing a certain amount of what I would say, subdued demand. Having said that, Nina Percept, we had our own internal issues post Covid of getting the labour back, getting the whole organization in place. Now all of that has fallen into place, you will see that both of these are A) growing at healthy rates, B) have now good decent profitability. And frankly both of these, we see as growth businesses.

**Latika Chopra:** All right, okay. And the last bit was just trying to understand the company's intent towards inorganic growth. How do you think about this over the medium term? If Bharat ji could comment on that. Thank you.

**Bharat Puri:** Thanks Latika. See, we are very clear on inorganic. Our stance has always been while yes, we are cash rich, we are also quite conservative and unless we can see substantial value, we don't do stuff. Up to now we have had a very good success rate with all of our acquisitions, be it Araldite, be it Blue Coat and Falcofix before that and so on. Having said that, if it is an adjacency, we see a substantial advantage, we see long term advantage, we will look at it, but at the right value. We still look at the conservative numbers and see that we should be able to generate a decent return both from a top and bottom line and hopefully at least get a lot of the synergies with us rather than give them as payment to the person we are acquiring. That's our philosophy.

We keep looking at opportunities, let's see if we get the right ones.

**Latika Chopra:** All right, thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Abneesh Roy from Nuvama Wealth Management. Please go ahead.

**Abneesh Roy:** Thanks, and congrats. My first question is on the B2B. You have done quite well. My specific question here is, in terms of market share, if you could give us some sense, how is the market share there? Your market share in B2C is very strong and dominant market share. In B2B, any sense on how market share trend is and what would be the market share there?

**Bharat Puri:** See Abneesh, you cannot really look at market shares in B2B simply because each of these goes to different user segments. So B2B you will have a joinery segment, you will have paper and packaging, you will have textile emulsions, you will have leather. So, your market shares tend to be different in each of these. There is no composite market share. In most cases with one or two exceptions. We tend to be a top 2 or a top 3 player. Over time we moved up the value chain so therefore we tend to compete a lot with the multinationals. But one market share, very difficult to give you of specific segments; offline whenever you want, we can discuss.

**Abneesh Roy:** Sure. My second question is, currently India is seeing a boom in terms of the phone manufacturing; global players are setting up, and second is EV. Clearly, we are seeing the new players enter that and clearly consumer shift is happening and I am sure adhesive usage in both these two segments in the medium long term are extremely large opportunity. So, could you give us some sense where we are currently as a company and Sudhanshu did refer that in B2B more pioneer products are being planned. Was he referring to these two verticals, EV and phone manufacturing adhesives?

**Sudhanshu Vats:** So what is happening in B2B and I think Bharat spoke to you also just now about a few other segments, but if you remember some of our star segments I spoke about for this quarter and for the last couple of quarters and what we see going ahead, so see what we are doing here is we are preparing at three levels. And, let me just give a little bit of colour on this to just add on to what you already know. So, first is that, if you remember, and I am sure Bharat would have shared that some time back we had done a technological partnership with Jowat for manufacturing of hot melt adhesives, hot melt pressure sensor's adhesives and some other products. Now, that technological partnership and our understanding of that technology now is helping us spur the entire advanced packaging and conversion piece which I was talking to you, and we are confident that as we go ahead that will only grow. But HMPSA and hot metal adhesives per se also have a lot of usage in auto and electronics. Along with these, the entire thermal insulation products, some of these other products that we are also looking at which will allow us to play the automotive and electronics segment as we go forward. So, there is one level of preparation happening from a technology point of view.

The second level of preparation happening is from the point of view of partnership. And I have spoken about our proposed partnership. We are currently their distributors, but a partnership we want to build with an electronics adhesives manufacturing company and that partnership will allow us to address more very-very specific products from the point of view of electronics manufacturing and that comes into play. And you are absolutely right, we are therefore gearing up to address this opportunity and this is another of our pioneering pieces which we want to work on from an India perspective through partnership.

And lastly, I think what we are doing in all of this is, continue to look at opportunities which may arise, particularly in the area of EV and semiconductors in the future which we could be able to tap and I think that is the piece which will continue. As we look at many other opportunities, those are other opportunities which we could be potentially tapping into the future.

**Abneesh Roy:** Understood. My second question is on the demand side. Bharat sir and Sudhanshu, you both have significant experience even in FMCG. From the FMCG hat also I wanted to ponder on the demand question. First of course is, Bharat sir, you mentioned two specific states, Gujarat and Kerala which seem to be growing a bit slower than the national average. Is it because of more urbanization? And second part to the demand side and more on the overall consumption, not specific to Pidilite necessarily, FMCG companies are saying there are three reasons for the current urban slowdown. One is food inflation which seems to be easing off. Tomato, onion prices are now back to normal. So, we have reached some level of normalcy there. They have also said real wage growth is a problem and they have said that rentals are a clear problem. Out of these three issues Bharat sir and Sudhanshu, in your view what is really required for urban to come back? I'm sure once the base effect happens say in the next two quarters, it should anyway course correct. Let us leave aside the base issue, in your understanding in terms of the urban recovery, what is required to resolve the problem?

**Sudhanshu Vats:** It's a great question Abneesh, I will also ask Bharat to comment later. So first of all, I think this is more a question left to economists and policymakers than us. But let me give you a little bit of a practitioner view here. I think what I am trying to say is that basically, first, as you rightly pointed out, it is about food inflation, it's a little bit of that rental inflation, it is also some areas of education, telecom, so on and so forth where there is slightly unusual changes because in these two or three other components these are step changes which happen once in a while and then that affects the share of wallet of India's lower and middle class. So, I think that's the piece which has happened, as you rightly pointed out. Our own understanding is that it will perhaps be tackled in two or three ways. One is the base effect which we are leaving out, as you rightly said. I think the second one is that we are very hopeful, and the industry is hopeful that the Finance Minister in this budget will leave a little bit more money with all Indians. So basically leave money in the hands of all Indians which will allow some more disposable income and therefore that will spur demand. And that, in my opinion, could be one of the triggers and the last piece is that as productivity and manufacturing picks up, further I think that will play out a little bit in the maybe medium term, may not be immediately, you will see some amount of incomes growing in different segments. Because as we were talking to Abneesh just in the previous question, some of the projects that are being put up in India are of a very-very different scale, you will be aware. So, we are talking of now once again, townships that will be put up of 50,000 people. And some of these will be between blue and white collars. You cannot technically call them blue collars, although they will not be a white collar job, it's a manufacturing job. So I think as these come up and some of them are genuinely coming up, there is considerable investment happening in these places. I think that will also be leading to improvement in demand. And I think that is something we all should be geared to work towards.

**Abneesh Roy:** And on Gujarat and Kerala, what are the reasons?

**Sudhanshu Vats**: Gujarat and Kerala... Bharat will answer.

**Bharat Puri:** Abneesh, it's very difficult to say. When you go to these markets, you keep hearing a large number of local factors. Like Gujarat, in Surat they talk about how the real diamonds are getting replaced by lab grown, textiles are suffering because of A B C, real estate there is new set of issues. Kerala, it tends to be that the state government doesn't have money and remittances have come down, though the data doesn't show it substantially, but they are not going up either. I don't think anybody has a full handle. But it goes back to what Sudhanshu was saying. I think there is not enough increase in disposable income in the hands of the consumer. I mean, if I was to very simply put it as a result of many-many reasons.

**Abneesh Roy:** Understood. And last quick question, essentially on marriage demand, adhesive is used in lot of the discretionary consumption and in marriage, daily discretionary products are sold. Now in Q3 marriage season was strong and next two quarters also marriage season dates are much-much higher. So, any benefit you see in these micro markets in terms of demand?

**Bharat Puri:** See all spends help, especially marriage spends. But we are not seeing, I mean the increase over, it is not that there is a large spend, unlike, post Covid where there were all these pent up marriages to happen, right now it must be like, while people cloud date so on, so forth, there is no substantial increase over the previous year.

**Abneesh Roy:** Bharat Sir, just one last question. So, essentially you mentioned Kerala government money shortfall. Now, one development politically is clearly every State government is competing with each other, every political party is competing with each other in terms of freebies, and we have seen, for example, Beer industry in Telangana so many thousands of crores not being paid because governments don't have money. They want to spend on the freebies. So, structurally, not just for you but for maybe the industry, the overall spend, do you see this as a concern because next 4 years coalition politics at the Centre and States also now clearly freebies politics will continue? As a structural issue, would you see that as a constraint because Kerala already you highlighted that?

**Bharat Puri:** See, it is all again, to my mind, how this plays out, how much it plays out and if the consumer gets money for their basic necessities, do they spend on other stuff so on. Let's just wait and see but, obviously, this money is going to come at the expense of something else. We'll have to see what it comes at the expense of.

**Abneesh Roy:** Understood. Thanks a lot, Sir. All the best.

**Bharat Puri:** Thank you, Abneesh.

**Moderator**: Thank you. The next question is from the line of Rajesh Kajra, who is an Informist. Please go ahead.

**Rajesh Kajra:** Hello, Mr. Bharat. I just want to know what you see in the current quarter what is the VAM consumption rate currently? And where do you expect it for the entire March quarter? So, current, in January so far and for the full quarter, what is your expectation? Thank you.

**Sandeep Batra:** So, for the third quarter it was $884 a ton and we anticipate it to be pretty much in this range in the fourth quarter, give or take 1% or 2% here or there. But by and large in the same range.

**Rajesh Kajra:** Okay, alright. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Tejas Shah from Avendus Spark Institutional Equities. Please go ahead.

**Tejas Shah:** Hi, Bharat. Hi, Sudhanshu. Sir, consumer and bazar growth has been kind of in single digit for the past 7 odd quarters. So, for a strong, relatively inelastic portfolio like ours, do you think that mild inflation supports value growth without significantly sacrificing volume? Or you prefer the line inflationary environment where volume growth is fine, but we are not able to cross that hurdle of double digit value growth?

**Bharat Puri:** Tejas, good to hear from you, see, if you give me a choice, I would always take double digits underlying volume growth rather than value plus volume going to double digit. But frankly, I mean, because we have had these unnatural situations where post COVID we had all these supply chain disruptions, raw materials went totally out of kilter, now they are slowly gone the other way. I think we will, probably in the next financial year return to normalcy where you will have a certain amount of hopefully low inflation along with good volume growth. That's the hope that we are all working under but let's wait and see.

**Tejas Shah:** Sure. Sir, second, one hallmark of our strategy for the last couple of years has been our commitment to distribution expansion, especially in semi-urban and rural areas. So, any guidance how much we can actually grow further there and when I see our effort on that side and the growth, is it that despite putting so much effort on distribution we have reached where we have reached and otherwise the underlying situation would have been much worse if we would not have done this?

**Bharat Puri:** Not fully true. See, just remember, in our case the kind of categories that we have, we have to do a double pronged effort because we have to teach people how and when to use our categories, be it waterproofing, be it adhesives, be it tile adhesives. So, therefore, we were always very clear that equalize for income we have a strong runway for growth in rural and semi-urban India. And if you ask me, we still have a 2–3 year runway before we will reach equivalent to urban levels of consumption, equalized for income. So, we still see a runway for growth there.

**Tejas Shah:** Got it. Mr. Bharat, it has been absolute delight to engage with you for past years. Wish you all the best for future endeavours. Thanks.

**Bharat Puri:** Thank you so much, Tejas.

**Moderator:** Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

**Avi Mehta:** Hi, team. I just wanted to clarify on the pickup post budget point, is this more linked to a macro or is this something that tends to happen with budgets which tend to historically drive some pick up? I want to just clarify that point.

**Sudhanshu Vats:** No, absolutely linked to a macro pick up. We don't see any historical thing where post budgets you always have a pickup.

**Avi Mehta:** Okay. Just the other bit, Sir, I just wanted to understand as we are seeing more and more growth move towards the pioneer and the growth categories, do you see a need to probably revisit our 3%-4% ad spend to save the range to a higher target as these products, which you highlighted earlier, need more customer education?

**Bharat Puri:** Just repeat your question, sorry it got garbled in the middle.

**Avi Mehta:** Sir, you traditionally said that the ad spend range is more in the 3%-4% level but that was assuming a split between growth and pioneer and core. Now, we're increasingly seeing pioneer and growth drive a lot more or increasing the share and the experience in the portfolio, does that need a revisit in our ads spend to sales as well reach? Do you think? It's not a near term question but maybe in the next couple of years.

**Bharat Puri:** See, that's a great question but just remember, Avi, if you take a step back, we are very clear that because of the size of the core even now, more than half the growth is still going to come out of the core and the core will be a source of growth for the near future. And while obviously we will keep picking the categories which we believe are categories of the future and backing them as growth categories, when we do our mix so on so forth, etc., I don't see anything substantial. Anyway, remember 4% is an average. There are a lot of categories that have no advertising and there are some categories that have 7% and 8% advertising. So, if you ask me, I am very comfortable at a range of 3%-5% of ASP at least for the next 3 years.

**Avi Mehta:** Perfectly clear, Sir. And, Sir, lastly, just any update on the lending and the paints businesses, if you could kind of share?

**Bharat Puri:** So, as we said, on both these businesses we will do a review at the end of the year. Both are proceeding, both of the pilots are in full flow. The lending pilot in the South and the paints pilot also in rural and semi-urban in the southern states. So, as of now, remember a company with our strength and distribution, you will always get great results in the first 3-4 months and that is why you know that at Pidilite it has consistently been our policy to under-promise and overdeliver. And, therefore, we will come back to you once we are clear that sure of our distribution strength, etc., we have got sufficient data to tell us how we have to go ahead and then we will come back and share that with you.

**Avi Mehta:** No-no, fair enough, Sir. It has been a pleasure interacting with you, Sir. Thanks a lot for all the help that you have provided and look forward to hearing more, Sudhanshu, as we go forward. Thank you very much, Sir.

**Bharat Puri:** Thank you, Avi. Always a pleasure.

**Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

**Bharat Sheth:** Good afternoon, Sir, and thanks for the opportunity. I want to understand about the overall opportunity that we look forward from say around the medium term from 3-5 years perspective for our size of business in this electronics manufacturing? We have already tied up with Jowat and we have also entered into distribution agreement with CollTech. So, do we require more JV also as well as what kind of opportunity we are seeing in that?

**Sudhanshu Vats:** I think it is a substantial opportunity in the 5-year horizon and as you talked about, Abneesh was also talking about it. And at this moment, Bharat Bhai, suffice to say that we are looking at all options as to how to grow and maximize this opportunity. This is again as we keep saying for our partnering businesses, it will be in these areas you need to be specified with the custom contract manufacturers or many of these players. The process of all of this is anywhere between 12-24 months. You need to keep developing products with them for their future products. That process also requires some time. So, it is a substantial opportunity. That's where we are looking at it. We are also looking at multiple areas, Bharat Bhai, as you rightly pointed out a couple, we will look at more which are appropriate to be able to address this market. Thank you.

**Bharat Sheth:** Thank you and all the best, Sir.

**Moderator:** Thank you. The next question is from the line of Amnish Agrawal from PL Capital. Please go ahead.

**Amnish Agarwal:** So quite an intriguing discussion. Just one thing, there is a general perception that, say for example, last couple of years, real estate has been doing quite well in terms of offtake, more at the end of large developers. Now, there is a view that as you can say the apartments or the real estate construction which started mostly after, say COVID, say 2 years back, 3 years back, so that is yet to be delivered to the people who purchased the real estate. So, the next couple of years' growth should be significantly sustained or better for companies like Pidilite, So, any view on this thought?

**Bharat Puri:** See, again, there is a lack of organized data. I think your question is the right one. It does appear, at least from the outside, that what you are saying appears to be true because as we see across not just the Metros but even the A and B class cities, there is a large amount of construction that is coming to completion and, therefore, all of this obviously helps companies like ours substantially. So, I would say wait and watch but, I mean, on this we are quite hopeful and optimistic that it will happen because we have seen signs of that on a regular basis.

**Amnish Agarwal:** Okay, thanks a lot, Sir.

**Moderator:** Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley.

**Sheela Rathi:** Thanks for taking my question. Just a follow up to one of the questions earlier, Mr. Puri, where you mentioned that for lot of your categories you need to really train the people to understand the category and that's why this distribution expansion will continue for a long period of time. From your overall portfolio, will you be able to call out what is the competitive landscape for you because it feels like that there is limited competition in most of your categories? I mean, how will you define the competitive landscape for your categories?

**Bharat Puri:** Good to hear from you, Sheela. I think your question is absolutely the right one. In a large number of categories, especially in rural and semi-urban India, and I say this with all humility, we actually compete with non-consumption. It's that the consumer, they do not know that there are alternatives. It's like, for example, when we do these small meets, etc. in villages on waterproofing and show them that actually you can construct without water leaking or the things that are broken in their home, this is how they can stay, you can use them again and after that nothing happens. So, the fact of the matter is, of course, in some categories we do have competition but as a pioneer in most of rural and semi-urban India, whether it be our core and most times our growth categories, we tend to be the category creator rather than having to look at any category share. That tends to be the role by and large.

**Sheela Rathi:** Mr. Puri, will you be able to quantify this because in your category it's possible that you would want competition to enter but it's not the case. I mean, most of the companies would not like competition.

**Bharat Puri:** No, so in our case, frankly, let me just tell you that while we don't have, except the paint companies who at least coming to renovation, waterproofing, if you look at most of our other categories we have strong regional competitors. So, if I look at Fevicol, from the outside it appears like and, yes, we have obviously very high market shares but in every geography, there is a strong regional player. In the West, there is Euro, in the North there is Jivanjor, there is American Bond. So, therefore, we do have competition but a large amount of the time we focus on expanding the market rather than looking at trying to get share from them.

**Sheela Rathi:** Okay, fine. And, Sir, in the past you have also said that on platforms like Amazon, for a lot of the categories we are a number one player. So, now what part of our business is online versus offline? I believe large part would be offline but what is the trend here? And, if you can share any numbers here?

**Bharat Puri:** See, the basic thing is, remember in most of our bazar businesses, whether it's woodworking adhesives, whether it's waterproofing, it tends to be the consumer and contractor who buy and, therefore, modern trade or e-commerce plays a very little role. In consumer products, actually there we have expanded a fair bit and close to between 7%-10% of our sales now is coming from e-commerce in the consumer product businesses.

**Sheela Rathi:** Understood. Thank you very much, Sir. And it's always a pleasure listening to you. Sir, thank you. All the best.

**Bharat Puri:** Thank you so much, Sheela.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

**Sandeep Batra:** No closing comments other than wishing everybody on the call a very good evening and thank you for your continued interest. I think Bharat wanted to speak.

**Bharat Puri:** Yeah, again, given that I will not be on the investor calls for the last one of the year, I just wanted to thank all of you for your support, for your questions, for your contribution, for your enthusiasm. And you know it's wonderful that we have made so many friends along the way. Thank you so much all. One has learnt a lot from you, and it's been a wonderful journey along with you. Thank you all.

**Moderator:** On behalf of PL Capital that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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(This document has been edited to improve readability)