1st February, 2023

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Corporate Relationship Dept.,
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Mumbai - 400 001
Stock Code – 500331

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051
Stock Code - PIDILITIND

Sub: Transcript of the Earnings Call

Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 25th January, 2023.

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 FY23 Conference Call”

January 25, 2023

MANAGEMENT:	**MR. BHARAT PURI – MANAGING DIRECTOR, PIDILITE INDUSTRIES LIMITED** **MR. SUDHANSHU VATS – DEPUTY MANAGING DIRECTOR, PIDILITE INDUSTRIES LIMITED** **MR. SANDEEP BATRA – DIRECTOR FINANCE & CFO, PIDILITE INDUSTRIES LIMITED** **MR. SUNIL BURDE – SR. VICE PRESIDENT ACCOUNTS, PIDILITE INDUSTRIES LIMITED**
MODERATOR:	**MR. AMNISH AGGARWAL – PRABHUDAS LILLADHER**

Moderator: Ladies and Gentlemen, Good day and welcome to the Pidilite Industries Limited Q3 FY23 Conference Call hosted by Prabhudas Lilladher Private Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amnish Aggarwal of Prabhudas Lilladher. Please go ahead, Sir.

Amnish Aggarwal: Hi everyone, welcome to the conference call and thank the management for letting us host the call. We have with us today, Mr. Bharat Puri, Managing Director of Pidilite; Mr. Sudhanshu Vats, Deputy Managing Director; Mr. Sandeep Batra, Director Finance & Chief Financial Officer; and Mr. Sunil Burde, Senior Vice President Accounts. Without further ado, I hand over call to the management for the opening remarks followed by Q&A.

Sandeep Batra: Good afternoon, everybody, and thank you for joining the Q3 earnings call. I will first begin with a summary of the performance and then we will open the floor for Q&A. I'll cover consolidated sales first.

So, on a consolidated basis, net sales for the nine months ended December '22 stood at Rs. 9,077 crores and registered a growth of 23%. This was led by a 24% growth in Consumer and Bazaar segment and 19% growth in the B2B segment. Sales for the quarter were up by 5.1%, which on a three-year CAGR is a growth of 15%. Material cost as a percentage to net sales for the quarter was higher by 175 basis points over the same period last year but was 88 basis points lower than the immediately preceding quarter.

As we can see that input prices have moderated and gross margins have improved marginally though over the previous quarter, this is largely as a result of carrying a high-priced inventory which will get liquidated over the next couple of months. EBITDA margins are in line with the previous quarter despite increased spend on A&SP. EBITDA for the nine-month period ended December '22 was up by 5.5% over the same period last year, largely as a result of higher input prices that have not been passed on. Profit before tax and exceptional items for the nine months at Rs. 1,331 crores were 5% higher than the same period last year. Profit before tax for the quarter, however, was Rs. 419 crores and lower than the immediately, over the same period last year.

Quickly looking at the standalone financial performance. Net sales for nine months ended December at Rs. 8,179 crores were higher by 23.3%, led by strong growth in C&B segment, up 24.6% and B2B segment up 18.6%. However, for the quarter, net sales registered a growth of 4.8%, largely as a result of a very high base. Just for the information of all on the call, in the third quarter of last year, we had taken two price increases that would have led to some amount of inventory build-up in the channel and if you would recall, in the previous year third quarter, we had reported a revenue growth of 26%. So, coming off a high base and given the fact that there were price increases taken last year, the growth for the current quarter should be better looked at on a CAGR basis where the numbers are very healthy at 15%. If we look at how input costs have behaved, as I mentioned earlier, costs have moderated. VAM, which is our biggest raw material, the consumption rate in the third quarter was about 2,000 tons versus 2,500 tons in the second quarter. Current spot rates of course are much lower, they are around $1,200 per ton range.

If I look at the performance of the subsidiaries, despite uncertain global economic conditions, currency devaluation and inflation, our international subsidiaries reported moderate sales growth, whilst EBITDA remained under pressure due to higher input costs and impact of currency depreciation. Our domestic Consumer and Bazaar subsidiaries continue to deliver industry-leading growth as well as profitability. We are increasingly optimistic for the future because the significant input cost reductions as well as the increased construction activity combined with government initiatives in capex and the rural sector augur well for the future and our focus continues to be to deliver broad-based profitable volume growth.With this, we'll open the floor for Q&A.

Moderator: Thank you. We have the first question from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Just wanted to check Sir, in the last quarter you had given a guidance that you will reach 20% plus margins by fourth quarter, would you still stick to that? and just a clarification, this 20% guidance was for consolidated or standalone EBITDA margins?

Sandeep Batra: So, just to clarify, Umang, we as a company do not give any guidance. So, I think maybe the comment would have been misunderstood. All we had said was that given the trajectory that is there on input costs and assuming that there is no black swan kind of event and no major disruption in the economy, we are on track to achieve our EBITDA margins in line with the corridor that we like to operate, which is in the 20% to 24% range. We had not given any definitive comment on when we are likely to reach that number.

Umang Mehta: Understood, understood. Got it. That was the only question from my end. Thank you.

Moderator: Thank you. We have the next question from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Sir, my question was around the wood coating segment the business that is done by our subsidiary ICA. So, this business has scaled up pretty well in the last couple of years. So, I wanted your thoughts to understand what is leading to growth in this side of the business and how big of this opportunity is there, like could it become Rs. 1,000-2,000 crores of business for Pidilite?

Bharat Puri: Thank you for that question. As far as ICA Pidilite is concerned, it operates at the premium end of the wood finishes market, therefore, makes what I would call not even mass premium, but pure super premium wood finishes. These are equivalent to the best available anywhere in the world. In fact, our Italian collaborator, which is ICA, has only two plants: one in Italy and one in India. As you can see, over the last four years, we have registered very healthy growth rates. Largely, this is because of, A) a lot of conversion from lesser premium, mass premium wood finishes to premium wood finishes and the increased prosperity across. Now, without going into numbers, are the growth prospects of ICA Pidilite good? I would say, absolutely, yes. The past is a great indicator of its future performance.

Ankush Agrawal: Okay and can you help me with the nine months revenue numbers for it?

Sandeep Batra: We do not share subsidiary-wise numbers.

Ankush Agrawal: Okay. Thank you. That is all I had.

Moderator: Thank you. We have the next question from the line of Purushottam from Vintech. Please go ahead.

Purushottam: Please refer to Slide number 16 of the analyst presentation. I would like to know where do you reflect revenue from Araldite and revenue from GCP alliance and why it is not really benefiting the company?

Sandeep Batra: So, Araldite as a company has been merged with Pidilite. So, the numbers are subsumed in what we show for Pidilite. They are not shown separately and what was the second question that you asked? Can you repeat it?

Purushottam: How much revenue are you generating out of GCP alliance and what percentage of revenue in the current quarter is related to GCP?

Sandeep Batra: I am not able to understand the alliance that you are talking about

Purushottam: There is a license agreement with GCP, USA who sells construction chemicals. So, where do you reflect that in the chart number 16?

Sandeep Batra: I am not able to relate to the name of the company that you are saying. Maybe if you don't mind, you could connect with me separately outside the call and I'll clarify that point, okay?

Purushottam Garg: Okay sir, thank you.

Moderator: Thank you. We have the next question from the line of Kaustubh Pawaskar from Sharekhan BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Sir, my question is on the VAM prices. In your initial comment, you mentioned that the current spot prices are around $1,200 and the procurement price for us in Q2 was around $2,000. So, considering the fact that the inventory of high cost raw material is receding, should we expect our consumption price to reduce substantially in Q1 considering the prices remain stable at the current level?

Sandeep Batra: Actually, just to clarify, the current buying price is $1,200 and it was much below $2,000 also in the third quarter. The $2,000 that I referred to, was our consumption price, which is a mix of the higher price inventory and lower price inventory. So, certainly, we will see benefit of the lower VAM prices starting from the fourth quarter itself. We will not have to wait till first quarter of next year.

Kaustubh Pawaskar: Okay, okay. Thanks for the clarification and my second question is on the demand per se, like Tier 2, Tier 3 towns are really living under the pressure. Tier 1 towns are a little resilient to what the current slowdown in the market is, but what is your expectation in the medium terms, where do you see demand shaping up in the medium term?

Bharat Puri: See, Kaustubh, let me first just do a correction. Actually, we are seeing fairly decent demand across Tier 1, 2, and 3 towns. It is actually Tier 4 and 5 that have been under pressure, which is really the rural and the semi-urban markets. We expect rural and semi-urban markets also to start hopefully turning around from January itself as the money from the new crop starts coming in, the government puts in more spends in this sector, we are expecting a turnaround and better demand in this sector and again, just to give you a perspective, unlike the conventional consumption mass FMCGs, our business even in rural and semi-urban India is not declining or constant, it is still growing. The only thing is normally our expectation is that it grows 1.5 times in urban. It has come at times to the same level as urban or even a little below urban and therefore, our hope that across the next six months, this will see a major improvement. Demand conditions in Tier 2 and 3 towns are fairly reasonable and we are seeing an increased amount of construction activity, we are seeing an increased amount of commercial activity, both of which really helps the home improvement sector.

Kaustubh Pawaskar: Right, Sir, and should we expect any pricing action if raw material prices continue to stabilize in the coming quarters, so that would further help you to see recovery, rather, the focus would be on recovering the sales volume than focusing on maintaining the margins as well?

Bharat Puri: We have always said that our focus is profitable volume growth. So, volume growth is our priority. Frankly and again, I don't want to make any predictions because any prediction for the last three years has not been good, but we expect raw material prices to remain largely stable, at least across the next three, four months unless there are some new black swan events, new Russia-Ukraine or a situation like that. The depreciating rupee have therefore been accounted in that. If you recall, we took pricing only at 75% of inflation. We do not see the need now for any further price increases.

Kaustubh Pawaskar: Okay. Thank you.

Moderator: Thank you. We have the next question from the line of Amnish Aggarwal. Please go ahead.

Amnish Aggarwal: So, I have a few questions on the scenario. First being that, if you look at the past few quarters, , people were hopeful that the demand will come up, but post festival season also I think the demand has not yet stabilized. So, do you believe that - not say in the one quarter that Pidilite will be back to double-digit kind of growth rate in another couple of quarters and given the fact that now raw material prices are softer, so it will be largely a double-digit volume growth kind of a scenario, is that possible?

Bharat Puri: See, without again going into predictions, Amnish, we have actually, post the festival season not seen any drop in urban demand to Tier 1, 2, 3 towns. We are seeing reasonable demand. It is actually rural and semi-urban that remains under strain. Having said that, we expect this to continue. As we have always maintained, our plan/objective is, we divide our business into three categories; core, growth, and pioneer. We try and grow core categories at 1 to 2 times GDP, normally 1 to 1.5 times GDP. Growth categories are 2 to 4 times GDP and we hope the pioneer categories become growth categories in three years. If therefore, the market improves, GDP improves, we will see our volume growth also improve, but without making any predictions, we see an improvement in November and December over October. Actually, it was October with the extended monsoon and the long Diwali holiday that actually impacted demand.

Amnish Aggarwal: Okay. And sir, if you look at some of the companies on the wire side, which is also used in the construction on the residential as well as non-residential. They have posted clear encouraging set of numbers. So, do you think that because you can see overall activity there, will have a rub-off effect?

Bharat Puri: While I, by no means am I an expert on the wire industry, so I would mind making comparisons, but remember, overall, our business, two-thirds of our business comes from repair and renovation and about one-third comes from new construction. I suspect of things like wires, etc., is probably the other way around or even greater. We are seeing that construction activity, both organized construction and real estate in the big cities and individual houses in Tier 2 and Tier 3 are fairly robust and as you know, as houses gets complete, that's where home improvement comes in. So, we see that demand lasting for some period of time.

Amnish Aggarwal: Okay. Sir in terms of demand, are you witnessing any sort of a break-up that whether your adhesive segment is doing better, or your waterproofing segment is or some of the new initiatives, so which one is the bigger driver today?

Bharat Puri: See, as we have said, the growth categories, like waterproofing is a growth category, so it is doing better at an overall level. A large part of adhesives is core. They are growing, both are growing. As we have indicated, when we look at our nine-month growth, we are growing at about 23%, 24%. All our businesses have to grow if we have to grow at 23%, 24%. Our CAGR in a volume sense are about 14%. So, actually, we are seeing fairly broad-based growth, both across categories and geographies. Obviously, the growth categories, which are waterproofing, tile adhesives, these areas are growing faster than the regular core categories.

Amnish Aggarwal: Okay, understood. And Sir, if you look at this quarter's margin, the margins particularly on the domestic subsidiaries, then in the domestic subsidiary in the Consumer and Bazaar segment actually we have reported a loss. So, is there any one-off over there or can you throw some light on this?

Sandeep Batra: No, no, there is no loss. I think those numbers are not reported separately. So, if you are only subtracting from the consolidated numbers, that will not give you the correct number. None of our domestic subsidiaries have reported a loss. In fact, they have reported significantly improved performance over the same period last year. But separately, Amnish, maybe after the call, I can connect and clarify to you, but just to confirm, none of our domestic subsidiaries have reported a loss.

Amnish Aggarwal: Okay, because I was just referring to one of the tables which is given. Okay. So, it was on Slide number 12 right-hand side, B2B, there is minus 4.9%.

Sandeep Batra: That is previous year, Amnish.

Amnish Aggarwal: Okay, okay.

Moderator: Thank you. We have the next question from the line of Amit Purohit from Elara Capital. Please go ahead.

Amit Purohit: Sir, just two points questions on my side. One, you highlighted the growth pioneer and core categories, so would you be able to share some salience of each, is it possible to share that? And second, just wanted to understand what are the new channels you are exploring from a distribution perspective or you are seeing some industry trends, which are looking at new channels, what I mean is that, we have been seeing this dealer stoke distribution channel and now they are large retail formats which are coming in, which are becoming a one-stop shop, so how do you see that shaping up plus the online channel? So, just wanted to have your thoughts how do you see three-four years down the line things changing and how are we placing ourselves?

Bharat Puri: See, on the first question, just when you talked about the salience of core growth pioneer, are you asking really as to what are the - what constitutes core, growth, pioneer?

Amit Purohit: No, I am saying in terms of percentage-wise. Like I understand, construction chemical has been our growth in that sense and pioneers are new innovation, right? And the core part remains Fevicol, but broadly, is that the way to look at when you share in your PPT a pie chart, which talks about 50% is adhesive and sealants, but within adhesive and sealants probably there would be some pioneer categories.

Bharat Puri: Absolutely, yes. So, you cannot go category-wise because there are some parts of the category may be Growth and Pioneer and may be in Core, but broadly speaking, how do we look at core growth and pioneer? In core, we have already created the category. So, whether it is a Fevicol, it's a FeviKwik, it's an M-Seal, this is where we have created the category and our job is to grow the category because we have a market domination position as far as the category is concerned. In growth categories, we have to create the category. We are normally a lot of times competing against non-consumption. So, for example if you take waterproofing, even now 6 out of 10 homes in India do not do any proper waterproofing. So, the job is to take this 6, make it reduce to 3 and then automatically the market becomes far, far larger. Therefore, this is about creating categories. So, whether it is like tile adhesives where people normally just use sand and cement and do not use an adhesive, these are all growth categories.

You could also have growth geographies like Bangladesh, you can have growth channels like e-commerce, and in fact, that segues well into your second question. We, as an organization, obviously, we are dynamic and we are always experimenting both with new channels and new initiatives. Just to give you a perspective, we have an initiative called Pidilite Ki Duniya, which is small rural stores in villages with a population of below 10,000. We now have close to 7,000 Pidilite Ki Duniyas. In these villages, there will be practically no other home improvement company that reaches directly. We will be the only one in most cases. There may be some getting it from wholesale. Now that is a channel for obviously e-commerce. Three years back, what we were selling in a year, now we sell the same in every 20 days. If you go to Amazon, the number one drain de-clogger, the number one rust remover, the number one play kit, all are Pidilite products. So, we are obviously looking at a whole lot of action there where the modern trade, the emerging channels, we keep experimenting, we keep carrying along, but remember, it is difficult, Amit, to make a prediction of what will happen in three to four years. In India, things move slowly, but they move surely. Our job is to make sure that we are in each of the emerging channels without trying to disturb the balance across channels.

Amit Purohit: Sure, sure. And broadly, on the first question, which what I was trying to understand is that, over a period of time, the salience of Growth categories which have gone up and probably the Core categories, if I am not wrong, I mean, should we assume that it should be down. Core could be less than 30% of the total sales or the consumer that the way to think or?

Bharat Puri: No, no. Five years back it was 75% core and 25% growth in pioneer. It is now about two-thirds and one-third. In the next three years, we will make it 50:50.

Amit Purohit: Okay. More in favor of growth than pioneer. Okay, that is helpful and lastly, on that second part, just a follow-up on that. Do you think this one-stop shop could scale up very significantly and could be double-digit or I mean, I don't know what is the salience in the industry mix, so pardon me for my limited understanding. I just wanted to know what would be the mix, to get a sense of how this distribution is shaping up?

Bharat Puri: And when you say one-stop shop, you refer to?

Amit Purohit: I mean, it could be, there are stores which are coming up like Hippo by Dalmia?

Bharat Puri: Yeah. We are participating there.

Amit Purohit: Correct. There are standalone, there are many players who are actually looking at this as an option in terms of building a format. So, actually that will be very small, if you could share what is the e-commerce right now like you indicated the growth trends, but what would the salience whether 2%, 3% of our total or 5% or what would it be like?

Bharat Puri: See, as far as e-commerce is concerned, it is best to look at it as a percentage of the consumer products business because a lot of trade businesses, e-commerce is much, much smaller and we are slowly reaching the same FMCG averages. As long as these one-stop shops are concerned, it is too early to say. We participate in lot of them, we actually hold hands with a lot of them, but from a consumer perspective, I do not see any of them which has been a runaway success.

Amit Purohit: Sure, okay. Thank you so much, sir.

Moderator: Thank you. We have the next question from the line of Akshay from Canara Robeco Mutual Fund. Please go ahead.

Akshay: If I recollect, VAM is just 25% of your raw material basket. So, there you did talk that it has corrected from $2,000 to $1,200, but sir, directionally, if you can give sense on the balance 75% of the raw material. I know there would be many, but just a broad sense if you can give, like do you see some cooling off there also or how do you see them?

Sandeep Batra: Yes. I think we have seen softening in most of our input costs. VAM, since it is the largest by far, we specifically called out the cost trends of VAM. But in the others also there is cooling off. Just keep in mind that the other raw material basket had not increased at the same pace as VAM. VAM, just for your reference, more than doubled in a very short period of time. So there the correction also has been equally steep. But in other raw materials also there has been softening in prices.

Akshay: Thank you, sir.

Moderator: Thank you. We have the next question from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: Sir, the question is in general when most of the consumer companies are talking about some kind of demand slowdown, company-specific factors, which gives us optimism how would be the demand for our category?

Bharat Puri: See, in our categories, what we are seeing, Keyur is, there is a tailwind ever since the reduction/coming down on COVID, consumers seem to have evaluated their relationship with their own homes and therefore, we have seen a lot of consumer attention to both renovating and expanding and therefore, looking at new homes, which is why one of the reasons you are seeing real estate come back so strongly. Now that obviously serves as a multiplier for us. Also, as you see things like hospitality, malls, shopping as the consumer goes outdoors, is something a hotel has not been used for two years, so on and so forth. They need a certain amount of renovation. So, both from a commercial activity as well as from a household activity both in new construction and repair and renovation, we are seeing a certain tailwind and that's probably why the home improvement sector is still fairly sanguine about demand conditions. And let us see how that turns out in the next six months.

Keyur Pandya: Okay, and sir, two subsidiaries, Nina and Percept, earlier used to be a separate subsidiary, which saw some slowdown as well as we chose shrinking some of our business to be more conservative. So, are we seeing a pick-up there also in terms of B2B application business of waterproofing?

Bharat Puri: Actually, the B2B business of waterproofing is picked up and has come back very strongly, because, A) there is a lot of investment happening both in corporate, whether it is offices, manufacturing, factories, and of course government infrastructure. So, actually, the Nina Percept business is the whole large user business coming back very strongly in the waterproofing segment.

Keyur Pandya: Okay. And sir, lastly, without naming, but basically in both of our categories, adhesives as well as waterproofing where other large peers are entering or have entered in last two years, when now raw material basket is in our favor, any upside gap beyond which we would not like to go in terms of EBITDA or gross margin and would like to go for growth, so any gap or any broad guidance on the profitability?

Bharat Puri: See, we have always maintained that we would like to focus on profitable volume growth. We have always indicated that we are comfortable with margins in a certain range, which is the 20% to 24% range and because that we believe reflects the right price equity for our brands, that is where we intend to remain. As far as competition is concerned, obviously, we are no strangers to competition. With the kind of market shares we have, we will have new competitors pretty much every quarter, and that has been happening now for at least the last 10 years.

Keyur Pandya: Okay got it. Sir, thanks a lot, and all the best for the future.

Bharat Puri: Thank you, and all the best to you too.

Moderator: Thank you. We have the next question from the line of Rajesh Gajra from Informist. Please go ahead.

Rajesh Gajra: I just wanted to ask you that your B2B sales and profit, they were down year-on-year in the December quarter. So, just wanted to ask how is it going in the current quarter so far in the first 25 days of this quarter as compared to the December quarter?

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Bharat Puri: See, as far as B2B sales is concerned, just let me give you a background, Rajesh. Basically, there are two aspects to the business. Wherever there is strong domestic business, like for example, waterproofing, there demand conditions are strong, and the business is doing very well. Where the business is suffering is really wherever we have exports, especially to the Western Hemisphere and where our customers have exports, whether it be leather, whether it be textiles, the largest impacted of this is pigments, where our pigment exports have been substantially hit and if you look at all the other pigment companies, you will see the extent of the problem. Frankly, in the first 15 days or 20 days of January are no different from December, at least for the international export-oriented businesses. The rest of the domestic businesses are normal.

Rajesh Gajra: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Sir, you talked about the market share trends and you said that competition has always been there in this space and you are the leader there, but just one question I had here was that, have you seen a resurgence of smaller and regional players in the last one quarter because inflation has eased and all the supply chain-related issues are behind us, so is there a higher competitive intensity which has picked up and not in general for your sector, but in general, across the space, do you see that as the same playing out?

Bharat Puri: I think your observation is an astute one. We have not seen that in the third quarter, but we are seeing signs of that beginning, because obviously, a lot of the small regional players who had suffered greatly because of this raw material inflation situation now are finding the situation a lot more to their liking. The way I would answer that is, in the next three to six months, we definitely expect a lot more increased competition from them and obviously, we are prepared for it.

Sheela Rathi: And then how should we think of margins going ahead, because things are in favor, but at the same time, we will see competition?

Bharat Puri: See, that is why a lot of times, a lot of analysts keep asking us the question where we have had quarters where raw materials have been benign, has gone up to 27%, 28% and we have always said that we prioritize volume growth and market share over a greater margin. We believe this margin range allows us the right price to equity relationship and it also keeps competition at bay. So, that is where we will remain.

Sheela Rathi: But sir, would you like to give any sense on how the margins could play out by the end of the year?

Bharat Puri: Very difficult. See, as we consume all of the higher-priced inventory, the margins will steadily go up. I would suggest that the best margins will be the exit March margins, then quarter one will follow. So, I mean, I think we will be at fairly at normal range during that time.

Sandeep Batra: Absolutely. I think we will see, as I said earlier, margins improving throughout the fourth quarter and we would certainly look to hit the range by the time we exit March.

Sheela Rathi: Understood. Thank you. Just one more question. I joined the call a little late, so I am not sure whether this was addressed. But sir, you had talked about the Capex plans last year. If you could give us some update in terms of where we are and on the distribution side in terms of how much distribution we have added in the last three months?

Bharat Puri: So, as far as the Capex is concerned, as we have always been maintained, at Pidilite, we are prepared for the next phase of growth. In the course of the last 24 months, we have expanded and completed expansion of seven of our brownfield factories and we have completed five new greenfield factories. There are another six brownfield expansions currently going on and there are eight new greenfield factories in progress. All of these will complete in the next financial year. So, that is as far as Capex is concerned.

As far as sales and distribution is concerned, at Pidilite, we have always been clear that sales and distribution is a very strong driver of growth. In the first nine months of this year, we have actually added a little over 2,100 towns, which actually are villages with a population of between 5,000 and 10,000 to our direct distribution reach. We now actually cover about 32,000 towns/villages directly, so that process is an ongoing process. We now have 7,000 Pidilite Ki Duniya, which are the small retail stores in villages between 5,000 and 10,000. Our dealer app, which is the Pidilite Genie app, now pretty much gets 10% of our sales is coming via the app. It doesn't need a salesman or a distributor to call, it's directly via this app. So, we have got a whole set of initiatives, which is around, A) sales and distribution expansion, both quality as width and depth. We have got a set of initiatives around a resilient supply chain in terms of both factories and warehouses. We have got a whole initiative around digitization, which includes whether it is e-com, whether it is analytics, and whether it is our internal digital programs, and obviously, we have got a whole program around innovation. We have introduced a whole range of new products across all of our major division what we call as a new premium variant called HyperStar.

In the waterproofing business, we have introduced a new economy waterproofing solution for exteriors called Raincoat Neo. We are doing very well in the roof acrylic coating segment with a brand called Roofseal. In our consumer maintenance businesses, we have launched this product called HomeFix, which we are testing in Kerala, which is a substitute for nails. You don't need nails. Like this I mean, we can take you through a whole round of innovation where pretty much every quarter you will see one major and two minor innovations from our divisions in Pidilite for the next 12 to 18 months.

Sheela Rathi: This is very helpful. Thank you, sir.

Moderator: Thank you. We have the next question from the line of Shashank Krishnakumar from Macquarie. Please go ahead.

Shashank K: Thanks for taking my question. Sir, you called out that you saw an improvement in November and December over October. So, can you just comment on how the demand trends in the consumer and bazaar segment have been in these few weeks of Jan?

Bharat Puri: We have seen the same trend continue, Shashank, in January.

Shashank K: Okay. Sir, and just the second question on innovation. Can you just call out what the contribution from new products have been in the first nine months of FY '23?

Bharat Puri: See, we have a very simple objective at Pidilite that one-third of our growth should come out of innovation, plus-minus 10% we keep focusing there

Shashank K: Okay, thank you Sir.

Moderator: Thank you. We have a follow-up question from the line of Purushottam. Please go ahead.

Purushottam: I am referring to Slide number 15 and this is related to Araldite. Sir, where do you reflect Araldite in this industry segment composition? That is my first question? And second question is, when we acquired Araldite brand, we must have prepared the projected revenue. So, when we look at the first three quarters performance of Araldite sales, are we on track with reference to the assumed revenue that we expected out of Araldite acquisition?

Bharat Puri: On the second part, Purushottam, we are absolutely - in fact, we are beating our acquisition case on Araldite from the revenue and a profitability base. When it was reported as a standalone business, you can look at the kind of growth rates that we had. Huntsman grew it at an average of 6% to 8%. Obviously, we have grown it at a much better rate.

Sandeep Batra: And your question on how we report Araldite, we report it as part of the Consumer and Bazaar segment, because the company has got merged with Pidilite from 1st April, '22, so we are showing Araldite sales and EBITDA as part of the Consumer and Bazaar segment and also to make comparisons, to make the previous year data comparable, whatever the Araldite sales were in the same period last year have also been added, so that the numbers are comparable.

Purushottam Garg: Okay thank you.

Moderator: Thank you very much, ladies and gentlemen. I would like to hand the call back to management for some closing comments.

Management: No closing comments, just thank you to all of you for your continued interest in Pidilite, and all of you have a great evening. Thank you.

Moderator: Thank you. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited to improve readability)