



15th May, 2024

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The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
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Sub: Transcript of the Earnings Call

Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 8th May, 2024.

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 Shetty
Company Secretary

Encl: as above

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“Pidilite Industries Limited
Q4 FY '24 Earnings Conference Call”
May 08, 2024

MANAGEMENT: **MR. BHARAT PURI – MANAGING DIRECTOR – PIDILITE INDUSTRIES LIMITED**
MR. SUDHANSHU VATS –MANAGING DIRECTOR DESIGNATE – PIDILITE INDUSTRIES LIMITED
MR. SANDEEP BATRA – EXECUTIVE DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER – PIDILITE INDUSTRIES LIMITED
MR. SUNIL BURDE – SENIOR VICE PRESIDENT, FINANCE AND ACCOUNTS – PIDILITE INDUSTRIES LIMITED

MODERATOR: **MR. AMNISH AGGARWAL – PRABHUDAS LILLADHER PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Pidilite Industries Q4 FY '24 Earnings 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amnish Aggarwal from Prabhudas Lilladher. Thank you, and over to you, sir.

Amnish Aggarwal: Welcome to Pidilite Industries Limited 4Q FY '24 Call. We have the top management of Pidilite, represented by Mr. Bharat Puri, the Managing Director; Mr. Sudhanshu Vats, the Managing Director Designate; Mr. Sandeep Batra, the Executive Director, Finance and Chief Financial Officer; and Mr. Sunil Burde, the Senior Vice President, Finance and Accounts.

So without wasting much time, I would hand over to Mr. Sandeep Batra. Please go ahead, sir.

Sandeep Batra: Very good evening to everybody. On the call, I will quickly take you through my summary and opening remarks, covering the fourth quarter and full year results, which were approved at our Board meeting yesterday on the 7th of May.

In the current quarter, stand-alone underlying volume growth was in the mid-teens at 15.2% whereas the Consumer and Bazaar businesses had an underlying volume growth of 12.7%, and we saw a very strong bounce-back in the B2B underlying volume growth at 25.2%.

Gross margins in the quarter were higher than the fourth quarter of last year by 690 basis points, largely led by softening in commodity costs. VAM consumption was at \$925 a ton versus \$1,300 in the fourth quarter last year. We also, as mentioned earlier, stepped up our investments in brands and other market-facing initiatives. Also, you would notice that the fourth quarter revenues were nearly INR 250 crores lower than the third quarter, and that had some kind of a negative operating leverage. And as a result, our EBITDA margins for the quarter was 20.5%. However, compared to same period last year, it was nearly 200 basis points higher.

In the current quarter also, we took a onetime impairment charge on account of one of our manufacturing facilities at Mahad, and that is why the depreciation and amortization charge is higher. This onetime impairment charge is about INR 20 crores.

The current full year's revenue was underpinned by robust underlying volume growth across categories and geographies, along with an improvement in mix. Growth was broad-based, with both the Consumer and Bazaar and the B2B divisions achieving double-digit underlying volume growth. This double-digit growth was enabled by distribution expansion, innovation, supply chain and digital initiatives. And for us, both urban and rural markets have grown in double digits, with rural markets growing faster than urban.

Consolidated revenue for the quarter was slightly under INR 2,900 crores and was up by 8.1%, driven by strong volume growth across geographies and categories. Our international subsidiaries, with the exception of Pidilite USA, where we have wound down the business and Pulvitec Brazil, which we divested in the end of March, have reported modest sales growth and with significantly improved EBITDA margins. Our domestic subsidiaries also recorded good sales growth, and profitability also improved.

In the consolidated results, there is an exceptional item of INR 72 crores, which is largely the loss on account of the divestment in the Brazilian business. That INR 72 crores hit in the exceptional items is offset by a INR 26 crores gain in other comprehensive income. So the net hit is INR 45 crores.

We, as a company, remain focused on building the Pidilite of the future, and our capex cycle continues for upgrading and building new facilities. In the last financial year, that is FY 2023-24, we have expanded capacity in existing plants, consolidated a few manufacturing facilities and commissioned 10 new plants. And we continue to increase our distribution touch points, both in urban and rural markets, combined with effective use of digitization. Innovation as a driver continued across the company and has significantly contributed to the overall revenues of the company.

With this, I open the floor for question and answers.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Abneesh Roy from Nuvama.

Abneesh Roy: Congrats on very strong volume growth. So my first question is on the demand side. So you have been delivering double-digit volume growth, and real estate cycle is expected to continue for at least a few more years, and you have been a key beneficiary of that. And we are seeing a lot of FMCG companies also say that rural recovery has started and could also get strengthened post monsoon, which again, you will also benefit. And you have said that this quarter, Q4, rural has grown faster than urban for you, which means that clearly, rural is in the right direction.

So my question is if I combine all this with your comment on soft demand in the near term, which you have alluded in the CNBC interview, to the disruption caused by election, so first, I wanted to understand, let's ignore the near term, how do you see post the near term, essentially the election-related disruption going away? Do you remain as confident as your Q3 commentary on the demand post that?

And second, disruption exactly, is it linked to the Model Code of Conduct wherein the government are not able to give the approval? Is it linked to that? Or is it linked to the manpower slight movement which happens here and there?

Bharat Puri:

Thanks Abneesh. Always good to start with you. See, let me just give you the full clarification. When we are talking of near-term softness, it is largely due to the election, a little bit due to the heat, but the heat happens every year, so we shouldn't worry about it. What tends to happen, and we have seen this in past elections also even in state elections, see in categories such as ours, and this is true largely for building materials, what happens is there is a shortage of labor because a large part of the labor gets displaced.

There is also an issue about moving people. There is also an issue in a lot of the economy, especially in the smaller towns, etcetera, is a cash-based economy, carrying of cash, truck availability and so on. So we find that there is a minor disruption. So let's not worry about it. That will frankly even out in 30, 45 days.

As far as the year is concerned, frankly, as we have said, we are optimistic and confident on the prospects. Fortunately, our sector is one of the sectors which has considerable tailwind. The real estate cycle is clearly still on the upswing. We are beginning to see signs of that helping demand especially where individual housing is concerned. In organized real estate, it tends to be in T+3 and T+4, that is, 3 years, 4 years from the project starting. And this cycle will play out, and therefore, it will be advantageous. The focus on infrastructure always has an impact on our sales across the board, and we are seeing that.

So I mean, frankly, we don't expect demand conditions to be any different and with a good monsoon and so on. Though again, I want to clarify for us, rural is not just about quarter 4. For the whole year, our rural has been 1.5x urban. You, of course, are a strong Pidilite watcher, so you know we have consistently invested strongly behind rural because we felt we were underpenetrated in a lot of our categories, and that is paying us dividends over a longer period of time.

So therefore, if I was to take a step back, how do we look at FY '25, presuming there are no black swan event, geopolitics, frankly, which are outside any of our controls, I think it will be as good, if not better than FY '24.

Abneesh Roy:

Right. On the demand side, Bharat sir, 2 follow-up questions I have. One is, a lot of discretionary categories like furniture, shoes, apparel, and many more have had a very tough last almost 5, 6 quarters. And most of these use adhesives in one way or the other. This part of the demand, obviously, would have suffered for you also. In spite of that, you are reporting almost 15% kind of volume growth and double digit in most quarters. So how is this part of the adhesive demand shaping up? And whenever recovery happens, is that an additional growth? That's one question.

And second, telecom cost will go up for end customer post-election. That is now a given almost. So there can be 10%, 20% hike. Do you see that impacting your end consumption in any manner?

Bharat Puri:

So the first part of your question, which is the discretionary categories that obviously, like you, Abneesh, we have been keeping a close watch. Actually, what we have not found an impact in the domestic market, remember for furniture, even today, more than 80% of furniture in India is made on site by carpenters, which is not bought ready-made. And as is evident from our volume figures, then we will not deliver this kind of volumes if our lead products, all of the furniture adhesives don't grow at similar rates.

So we are not seeing any issues as far as demand in the areas of furniture or domestic adhesives is concerned. Where we have seen actually strain is, exporters who are dependent on overseas markets, whether they are making shoes or they're making textiles, or they are making furniture. And of course, direct exports to these countries. We have seen an issue, for example, Nepal has struggled with foreign exchange. Bangladesh had some problems with foreign exchange.

So there are more problems outside. Frankly, within India, we have not seen any major patterns, which reflect what the discretionary apparel, shoes, furniture people are saying as far as we are concerned.

Abneesh Roy:

Sure. Last quick question on depreciation. Sandeep sir did highlight the one-off. So I wanted to understand, you have been opening a lot of new factories also. So one, if you could explain in Mahad what happened, why this goodwill was getting impacted. So if you could clarify on that a bit why depreciation one-off happened this quarter. And given so much of factory expansion, how do you see depreciation in the coming quarters? This quarter, it was very high, INR 112 crores. And earlier, it used to be more

like INR 80 crores. So is the INR 80 crores the right number to look at in the coming quarters?

Sandeep Batra: So I think the right way to extrapolate will be look at the fourth quarter, subtract INR 20 crores because of that onetime impairment, and that should be the run rate going forward.

And to your question on why we took the call because every year, for plants we will do an impairment test for all our assets. And in that, this particular plant, we decided to write down the value to what we believe can be realized because it is not a plant that is running. That is why we did the impairment cost.

Avnish Roy: Okay. So it is an obsolete kind of factory?

Sandeep Batra: Yes.

Bharat Puri: And again, I have one more fact that my team tells me I must mention is that when we are talking of demand softness, remember, we are coming from a position of double-digit volume growth. A lot of times when FMCG is saying, we are seeing better rural demand, we are going from 0% to 5%. We have already been at like 1.5x the current rate. So there is a difference of the starting point.

Moderator: Next question is from the line of Jay Doshi from Kotak.

Jay Doshi: Congratulations on good performance and good year overall. I am just following up on the previous question and just to make sure if I heard it correctly, did you mention that FY '25 will be, if not better, at least as good as FY '24 from a volume growth perspective based on the way you see things today?

Bharat Puri: Absolutely. That is our objective without doubt.

Jay Doshi: Sure. That's helpful. Can you say the same about margins, at least as much as FY '24, if not better?

Bharat Puri: See, margins, Jay, we will always be guiding you in the 20% to 24% now. How it plays out, what happens with the number, but we will be comfortably in the 20% to 24% range unless, again, as I said, something goes out of hand geopolitically. Otherwise, given the regular course of business, we will be at 20% to 24%.

Jay Doshi: Sure. My next question is, you have talked often about the consolidation of manufacturing facilities and the capex that you've done in the recent past. How should one think about the net benefit? So there will be some efficiency-led gains that will help you and perhaps be accretive at gross margin level. And on the other side, there

will be a slight increase in depreciation. So as per your own assessment at a net level, from a P&L standpoint, will it be PAT margin or PBT margin accretive over the next 2 or 3 years as some of these facilities are you know at full utilization?

Sandeep Batra:

Yes, absolutely, Jay. I think when we look at any capex or capital expenditure proposal, given the return on capital employed that we enjoy, we have a fairly stringent bar in terms of the IRR and the payback for all these investments. Obviously, the timing at which they will reach the right level of capacity utilization may vary. But 100%, all the capacity expansion that we are doing is going to be accretive at the PBT level. It will have savings maybe in freight, maybe in manufacturing, in the conversion costs. But in summary, it will be accretive at a PBT level.

Jay Doshi:

Sure. One final one, a short one. There was a very strong growth in B2B business this quarter, perhaps led by exports. Can you provide us some color in terms of what kind of visibility you generally have in that business? And is this something that can continue for at least 2, 3 more quarters, given that the base is quite favourable there? Or was this like just a one-off in this quarter?

Bharat Puri:

See, it's definitely not one-off. The year earlier, the second half was a little depressed. So therefore, it's not reflective of a real growth because it's on a base that was depressed.

Having said that, I must tell you 3 things. One is domestic projects business is buoyant. It is growing at rapid rates that is strong. That will continue to be strong when we look at our order book. It's all a question of execution and being able to execute because the number of projects, so on and so forth that are underway is substantial.

The second is domestic industry. Based on domestic, demand is also strong. And having now taken the price reductions that we needed to take, the volume growths are back, and we are growing strongly. We are seeing the first green shoots of recovery in the international markets, especially in pigments. We definitely will have a much greater improvement as far as pigments is concerned, starting with the first quarter, but the large part of it will come in the quarters 2 to 4, and there will be a substantial improvement.

As far as industry-related exports is concerned, my guess is as good as yours. But I think now that we are cycling basis that itself are depressed, I don't see them going down further, but we'll have to see how strongly they come back.

Moderator:

Next question is from the line of Sonali Salgaonkar from Jefferies India.

Sonali Salgaonkar: Team, congratulations on a great set of volume growth, truly very encouraging, especially because even last quarter, we had a healthy double-digit UVG.

So my question is on the ad spend. We do understand that you have reinvested part of these gains in the form of higher promotion as a growth-oriented initiative. If we could quantify the ad spend as in FY '24, how much was it higher as compared to last year?

Bharat Puri: Our ad spend was 70% higher than the earlier year, so you can see that, Sonali, we put our money where our mouth is, and we said we will invest behind growth. We have invested behind growth, and frankly, we have got the growth.

Sonali Salgaonkar: Absolutely, sir. Sir, secondly, on the price rollbacks, were there any price rollbacks effected in Q4? And what would be the number for FY '24 as a whole?

Bharat Puri: See, again, no price rollbacks in quarter 4 because as we said, the VAM prices, we had already seen the impact. If you see overall, if you look at the difference between our value and volume growth, which is approximately 5%, at a yearly level, we would have reduced prices, overall, by 5%. It may be more in some categories and less in some others.

Sonali Salgaonkar: Got it, sir. Very clear. Sir, lastly, any update you would like to share on your paints business as well as your lending business?

Bharat Puri: So let me start with the easier one, which is the lending business. I mean we are still in the process of licensing, so it is really still to get off the ground. Even the pilot is just beginning to get off the ground. So we have a long way away from even telling you, Sonali, if you listen, we are now fully in market, and therefore, we should give you results. I think it will be 6 to 9 months before we come back to you on that business.

As far as paints is concerned, the 4 states, we have now been there for a little over 6 to 9 months. Again, I keep telling my teams everything that good companies or companies with great distribution networks always do well. I would frankly declare success or otherwise give us another 6 months. As of now, we have always said it's a range-completion exercise. We are not one of those fellows who are getting into the ring to fight with all of these majors. We will leave that to other players who come in to do that.

But we are happy with the pace that we are going. But really, I mean, I would declare success or otherwise 6 months later. Right now, all I can say is we are meeting our action standards, but then we didn't have very great ambitions in the first place.

- Sonali Salgaonkar:** Got it, sir. Very clear. Then just one last question, this one to Mr. Batra. In the initial remarks, you said that VAM prices in Q4, the average consumption price was about \$900 per MT. Sir, what is it currently? I mean from the average of Q4, has it gone up?
- Sandeep Batra:** No, it is at the same level, Sonali. It is, by and large, at the same level. Yes, it is the same.
- Moderator:** Next question is from the line of Avi Mehta from Macquarie.
- Avi Mehta:** I just wanted to clarify the understanding, and sorry to belabour on this, but the way I should look at the next year is while 1Q might have some disruption, it is more a transient impact, which will be offset by the remaining quarters. And we remain focused on driving that double-digit volume growth guidance.
- Bharat Puri:** Absolutely right, Avi.
- Avi Mehta:** And second, sir, is it also fair to say that the realization decline that we've been having about 5% or so, that's kind of coming into the base. So from here on, that number should also trend down or actually become 0. Is that the right way to look at that?
- Bharat Puri:** I would say the right way is from the second quarter onwards, I would say. Then we would have cycled everything. But on a broad basis, I would say, in the year, yes, with the exception of the first quarter, you will find that our values and volumes will match. And if there is any inflation, then we will come back to you on what we need to do on pricing.
- Avi Mehta:** Got it, sir. Perfect. Very clear. And the second, which was just a clarification. In the other expenses, the increase is largely because of timing of the ads spend only, and is there any one-off?
- Bharat Puri:** No, largely around advertising, our A&SP, sir. See, you have to just remember because our big quarters are quarter 1 and quarter 4. A lot of our big ads, etcetera, start getting produced in quarter 4 of the previous year.
- Avi Mehta:** Okay. So it's a production cost that comes in here.
- Bharat Puri:** In the next 15 days, we have been asked a lot by the market, "Where is the new Fevicol? We haven't seen the new Fevicol campaign for some time." So wait till the 15 days, Avi, and you'll see where we spend the ad money.
- Avi Mehta:** Perfect, sir. And sir, any innovation, new launch, which we would like to highlight, which you have done, or we are in this quarter? Or that's something that will come along with the communication in the first quarter?

Bharat Puri:

No. Actually, for example, I'll talk about 3 innovations, all 3 of which have got off to a really good start in the market.

The first is in Fevicol, we have launched a nail-free sealant. It's called Fevicol Ultra, which is therefore a sealant, which is in a plastic canister. It's got off to a great start. It is now becoming the sealant of use, basically replacing nail as well as replacing any screws. And actually tracking above our action standards.

We have also launched a super-premium variant of Fevicol called Fevicol Hiper Star, which also is out in the market to a good reception. But as I said, you know that I'm always conservative. And I only declare success of anything at least when I see it for 12 to 18 months, but these are both off to a good start.

If you see our whole Fevikwik range, we have now expanded the Fevikwik range, and we have price points of INR 5 to INR 75. So there is a Fevikwik. There's a Fevikwik Gel. Fevikwik which is used when a surface may get wet. Fevicol that you use when surfaces have to be bent and it's flexible. So obviously, we've done good consumer work, understood some unmet needs and, therefore, expanded the Fevikwik brand. So you've got a whole range of products under Fevikwik. In fact, right now, it's available across modern trade, quick commerce as well as the top-end outlets.

Similarly, in waterproofing, we've got a range of what we call economy exterior coatings, which are waterproof coatings, which have just been launched under the Raincoat Neo brand. That has also got off to a good start. In art material, we've relaunched a small brand called Glue Drops, of which you would have seen some advertising. So we've always maintained, in Pidilite, innovation is one of our differentiators and strong drivers of growth. And my push to my teams always is that 1/3 of our growth must come out of innovation. We are very close to that figure.

Moderator:

Next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra:

My first question was actually on your noncore businesses and also on waterproofing. So if you could help us in the full year FY '24, how much did these businesses grow? And if there is any broad sizes you could share on, let's say, tile adhesive, Araldite, maybe some of those homegrown businesses? From here on, do you see these businesses continue to track at the high growth you have had in the last couple of years? Or are they making a scale where the growth rate could slow down a little bit in this part of the portfolio?

Bharat Puri:

So if I look at 3 businesses. I will first look at Roff, which is the tile adhesives business; Araldite; and maybe ICA Pidilite, which is the super and premium end wood finishes. Frankly, on all 3, we still have a large runway for growth. They have all grown at very

healthy rates. I mean just to give you a perspective, in February, we inaugurated our 11th tile adhesive plant close to Lucknow for Roff. Now Roff has obviously become an extremely, I don't want to share figures because that wakes up my competitors and gets them overexcited for no reason.

So all I can tell you is whether it is Roff, whether it is Araldite or whether it is ICA Pidilite and ICA Pidilite, since it's a subsidiary, you will see its results separately and in our annual report. But you will see that all of these businesses are continuing to be strong growth businesses, and in our way of thinking, we still have a 3- to 5-year runway for growth before we can even call them like core businesses by any stretch of imagination.

Arnab Mitra:

Understood. And on waterproofing, have you seen any change in the growth profile? This is a category which obviously has had more competition in the year. Just qualitatively, did this grow significantly below what the overall growth rate is? Is it something that is dragging on the growth rate overall?

Bharat Puri:

No, actually, not for us. For us, it is growing very healthily and strongly. In fact, what is happening is, there is a very loose definition of what is waterproofing in the current state. Each and every person likes to look at waterproofing the way like the paint companies now have started counting their exterior paints in waterproofing. They've even started counting some primers in waterproofing because they'll call them damp proof primers, etcetera.

But having said that, given again the scope for growth, I mean consumer research tells us even now that 4 out of 10 homes are doing any form of waterproofing. The job for any good company is to keep expanding that pie while making sure that obviously, you are keeping your share and your salience and which we are continuing to do for us. Waterproofing is still a strong driver of growth. We are not looking at it being anywhere near a core category, at least for the next 5 years.

Arnab Mitra:

Understood. And my last question was on the rural distribution expansion, especially PKD. So what we have seen in mostly in rural expansion is there is a certain point afterwards, it's not economically worth going deeper. I think you were adding almost 1,000 PKD per quarter. Do you see that scope going ahead also for the next 1 or 2 years? Or at this level, you will probably consolidate and try to increase the traction in that channel?

Bharat Puri:

See, we keep actually doing both. We have a concept called the Adarsh PKD, where a PKD meet standards, we keep shuffling. But I must tell you, these 13,000 PKDs are still only in 8 states. So we still have a long runway for growth.

Arnab Mitra: Understood. On the television interview, you mentioned that in your categories, the benefit of the real estate cycle comes with a couple of years lag, would you say currently what you're seeing in terms of demand has any reflection of the pickup or that's something which will happen a year or 2 down the line? I am asking this because the growth rates have obviously picked up, but there are a lot of initiatives you have taken. So would you ascribe it more to the macro pickup? Or that's yet to kind of come?

Bharat Puri: No, there is part of the macro pickup that is definitely happening because there was a lot of unsold real estate, and a lot of real estate that was in limbo, which has all got completed. Well, there is also a boom in new projects. I mean those of us who live in Bombay know that you pick up the Times of India, the first 4 pages are just announcements on new projects. All of this will benefit us in years 3, 4 and 5. It will benefit us in waterproofing in year 2, but otherwise, 3, 4 and 5.

Moderator: Next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Congrats on good volume growth. Sir, you partly answered this question on previous question. But the part of the tailwind that we are excited about in coming 3, 4 years is already playing out as we speak because mathematically somewhere, the real estate cycle kind of picked up from October 2020 or 2021, around the fourth quarter of 2021. So do you believe that it will accelerate further from here? Or do you believe that we are in the midst of that cycle, and we are already kind of eating fruit of that cycle?

Bharat Puri: That's a great question, Tejash, but very difficult to say because when I talk to real estate developers, they are saying this is just the start. We're only 1/4 of the way in the cycle. Having said that, I must say that when I look at, for example, forget the Bombay's, Bangalores and Gurgaons, but even if you look at the next stage, the number of new projects coming up, it does appear that the cycle will be a much longer cycle than we think.

Tejash Shah: Got it. Sir, second question, I heard you earlier today on TV, where you mentioned that we are creating kind of a leadership bandwidth, but I was just wondering that company of our pedigree, be it in paints or jewellery or FMCG, we have not seen such structure of leadership. So just wanted your thoughts or insights around why are we creating the structure? And what are we trying to kind of achieve in 3, 5 years or incoming period with this?

Bharat Puri: Absolutely. That's a great question. See, what distinguishes us from similar-sized companies or even a little bigger companies, having again spent time in both paints and FMCG, most of these remain 1, 2 or 3 category companies. We are the only company given the nature of our pioneering business model that we have 37 different

verticals and 37 different categories. Our belief is, given that take all the projections, whether it is 7, 10 or 12 years, if the Indian economy is going to double in this period of time, we're going to add a new India to us between in the next dash number of years, and what we've done in the first 70x years of independence and in our belief by then, we will probably have 60 verticals. We therefore felt that it is necessary for us to prepare for the future, put a structure which is therefore, cognizing of this future and actually helps accelerate this future rather than struggling to catch up. And that's why you know this structure that we've gone into.

Moderator: Next question is from the line of Sohil Kaura from ICICI Securities.

Sohil Kaura: So just following up on your A&P expenses, you said there's a 70% growth, which roughly translate to about 3.8% of revenue. So is this the kind of run rate that we are looking going forward as well?

Bharat Puri: Yes. We have always said that we obviously assess according to requirements and how many new categories, etcetera, we are getting into. But we are very comfortable at the rate of between 4% and 4.5%. So I suspect we are in the right ballpark as we would say.

Sohil Kaura: All right, sir. And you earlier mentioned that for the full year, you had a double-digit underlying volume growth. Would it be possible to quantify that for the stand-alone, the C&B segment and the B2B segment as well?

Bharat Puri: Yes, yes, absolutely.

Sandeep Batra: I think the growth in B2B was 12.2%. In the case of Consumer and Bazaar, it was 10.5%. And the cumulative for the company was in double digit, 10.5%.

Sohil Kaura: 10.5%, And sir, finally, on your capex guidance, does it still remain at around 3.5% to 4% of the revenue?

Sandeep Batra: Between 3% and 5%.

Bharat Puri: Absolutely, yes.

Moderator: Next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: Congratulations for the good set of numbers. A couple of questions. Sir, first, basically, can you indicate, on a 2-year CAGR basis, the underlying volume growth number, please?

Bharat Puri: See, on a 2-year CAGR also, the number is close to double digits, so the 4-year CAGR, it is 13%. So we have now actually, over 4 years, our underlying volume growth is double digits.

Ritesh Shah: Is it possible to break it up, say, for 2 years, if you can?

Bharat Puri: I'll just give it to you for 2 years, approximately, Consumer and Bazaar is 13.5%; B2B is 16%; and the total is 15% for 4 years.

Ritesh Shah: For 4 years, okay. That's helpful. Sir, secondly, I just wanted to pick your thoughts when you say rural is growing faster than the urban. What are the underlying variables that we are looking at?

Bharat Puri: See, remember, for us, the biggest variable is our categories are underpenetrated. See, if I was a soap or toothpaste or a toffee or a chocolate, I don't have to teach people how to use my product. But when I'm doing waterproofing or I'm getting furniture made or I'm now doing tile adhesives or I'm now getting things to be stuck together, there is a substantial amount of effort I have to put in, in educating and training both users as well as consumers.

This is a decision we took. Those of us who have been Pidilite watchers for long about 7, 8 years ago, we set up a new division called Emerging India with 2 sales forces, one that deals with the trade and services the trade and one that actually just creates demand. All of this we put into place with our initiatives around Pidilite Ki Duniya, Dr. Fixit centers, etcetera, etcetera. All of that has been paying us actually over the last 3 years. For the last 3 years, for us, rural growth has always been higher than urban growth.

Ritesh Shah: Sir, the reason to answer, sir, you also indicated that there will be near-term softness because of a few variables. Now technically, given everything that you just indicated, we could continue to see pretty decent growth like what we have seen in the last year. So just trying to rehash the question, like are there any specific variables that you actually keep an eye on?

Bharat Puri: Actually, that statement has actually got pulled out of context. What we were just saying is –in the very near term in the next 1 month, categories like us see a disruption due to the election because of movement of material, movement of goods, cash availability and people, labor availability all becomes an issue. Logistics at times becomes an issue. So we see, as always in our categories, a certain amount of variability or a certain amount of softness during an election time. Frankly other than that, if you'll ask me for the full year, are we optimistic about there? Absolutely, yes.

Ritesh Shah: Sure, sir. Sir, second question is on VAM and VAE. One of the other listed players, they're actually backward integrating. What sort of impact do we see on the cost curve for them, and hence, it will indirectly have a bearing on how we position our products in the marketplace? How are we looking at mitigating this particular aspect?

Bharat Puri: See, that's a good question. But remember, we have made VAM ourselves in the past as have other manufacturers. Up to now, as far as VAM is concerned, the economic size of a plant worldwide does not justify a plant in India. We have obviously looked at this. But obviously, people have done other work. The fact of the matter is, we buy from the largest players in the world. We are in touch with them. We've got working with them. And therefore, we do not believe there will be any substantial advantage of making VAM domestically as compared to procuring it internationally, even with minimal import duties.

Ritesh Shah: Sure. That's helpful. And sir, just last question, you indicated we have 37 different verticals and categories. Just a broader question, to what extent do we cross-sell amongst those verticals? If you could give a broad number on percentage of our total revenues are across verticals, some way to understand this, that would be great, sir.

Bharat Puri: See, what we do is we obviously convert our sales into common, what we call, PD points for dealers so that they get a benefit of being a Pidilite dealer. We do work with users. And obviously, across divisions, we keep conducting seminars, there are products that are sold with our sealant sales. Sealants are sold by 3 different divisions.

So on a regular basis, we keep doing that. Very difficult to ascribe a percentage because one division selling the other, so on and so forth and the other one selling another division's products, so very difficult. But the fact of the matter is, as we look at channels, obviously, we try and make sure that we cover all channels.

Ritesh Shah: Okay. But sir, if you have to look at bundling, is it something which is possible across verticals? Do we do it? Or is it something which is work in progress?

Bharat Puri: We do it when the channel is common. There, we do it. But remember, we go across 6 or 7 completely discrete channels, which have very little overlap with each other.

Ritesh Shah: Okay. Sir, possible to quantify some numbers over here on any categories where we actually do this?

Bharat Puri: So see, again, remember, I'll give you an example. Now when we deal with architects, interior decorators, and large contractors, we have a separate division called One Pidilite. So the person therefore, as far as the architect or the contractor is concerned, he has got one key account manager, who deals with him. And whether he does

waterproofing, whether he puts styles, whether he makes furniture, any of these needs are met by that one key account manager.

Now different divisions may bill him, but it's done all by one fellow. So that's why I'm saying it's very difficult. But I would say there would at least be anywhere between 400 and 600 large dealers in the country who would be selling more than 3 Pidilite divisions.

Ritesh Shah: That's helpful. And sir, last question on paints. You indicated that you will indicate whether it's successful or not after 6 months. Possible to indicate the yardstick that you are looking at over here?

Bharat Puri: We are clear as we said, we want to A/B in an area where we believe we have a right to win, which is small town and rural India. There, we want a viable position, which is self-sustaining and profitable. So just wait and watch it. Then we will come back and tell you when we do that.

Moderator: Next question is from the line of Ashish Kanodia from Citigroup.

Ashish Kanodia: Just one question. So in FY 2024, we have seen sustained higher investment in branding and customer-facing initiatives, and that kind of helped in double-digit UVG. So when you look into FY 2025 with the ambition and target of double-digit UVG, do you see this accelerated or higher investment in branding and customer-facing initiatives continuing in FY 2025 as well? Or do you believe that the levels which we have seen in 2024 is ample to drive that double-digit growth?

Bharat Puri: See, obviously, you will not see the level of increases that you have seen in the last year, right? We believe we are plus/minus 10%. We've always felt that the ideal number for us to achieve our growth objectives is anywhere between 4% and 4.5%. So we are largely already there.

Ashish Kanodia: Sure. But apart from ad spend, is there any other expenses where you are investing maybe in terms of dealer margins, etcetera? Are there any other items as well where there's a push to drive higher growth?

Bharat Puri: Yes, there is a whole set of measures, Ashish, across the board. I mean while you see the consumer advertising, we actually spend, of our advertising, pretty much half on the users. So whether it be a carpenter, a mason, a plumber, a coating contractor, a tile layer, we have loyalty programs. We have various incentives and, obviously, a lot of education for each of these. We have obviously programs for dealers, both across divisions and within divisions. We have, therefore, a whole set of initiatives. We are

obviously investing in route to market, so whether it be in terms of distribution points, number of people, demand generation.

On a consistent basis, what we call customer-facing growth investment is something, at Pidilite, we never skimp about because we are clear believers in the future. And we don't like, therefore, worry about 1 or 2 quarters of cost to be able to make sure that we are on the right track.

Ashish Kanodia: Sure, sir. And just maybe one more follow-up. You touched upon the volume and value growth. Now when you look at the current pricing versus where other players might be, do you see there is still some scope to take a pricing action more to drive higher volume growth and gain market share?

Bharat Puri: Absolutely. As it looks from where we are sitting, it seems very unlikely that we will see any further moderation in input prices. And there is a certain amount of price equilibrium between us and our competition. So frankly, unless there is some, again, black swan event, you will not see any further reductions in price as far as we are concerned. In fact, in the second half of the year, if crude or there is some inflation, then we will look at pricing action to the other side.

Moderator: Next question is from the line of Bharat Sheth from Quest Investment.

Bharat Sheth: Congratulations on good set of numbers. Sir, on our slide number 18, we have saw on 1 category, growth category, which is emerging category with significant potential, and we expect to grow at 2 to 4x of GDP.

So can you give some more color, which are those brands? Or how much does it contribute to overall our top line? And how do we see in next 5 years this growth business to be part of the business? And is it the same when we have created several leaders in our company?

Bharat Puri: See, remember, the whole Pidilite model is, a, look at pioneer categories, turn them into growth categories and then look at growth categories and turn them into core categories. Now if you take, for example, something like tile adhesives, 5 years back, we would talk about it as a pioneer initiative. We had just started on the journey, so on, so forth. Now today, it is very clear to be a growth initiative. I mean forget 2 to 4x GDP. If I look at over the last 4 years, the business has actually gone up about 8 to 9x.

So therefore, we are very clear that we will keep identifying categories, make sure that we get consumer validation for those categories and turn them into growth categories. So whether it is Roff, whether it is Araldite, whether it's our joineries business, each

of these, in our view, are strong growth categories. And of course, the largest growth category still remains waterproofing.

Bharat Sheth: All right. Sir, just some kind of a sense how much has this growth category currently contribute to top line?

Bharat Puri: Not to top line. I can tell you that when we started on this journey, pioneers and growth categories were 20% of our business, and 80% was core. We are now at 55% - 45%. 55% is core, and 45% is growth in pioneers.

Bharat Sheth: Okay. And EBITDA-wise, also, is it fair understanding it is in the same range or some maybe because where ASP requirement in growth and pioneer is higher?

Bharat Puri: What we do, Bharat bhai, is we don't worry about the EBITDA of these categories of the initial type. But we worry about the gross margin. The gross margins will be similar to our other categories, but we will obviously invest a lot more in these categories via both sales force as well as the ASP as well as below the line. So the EBITDA may not be same because obviously, these are fast-growing children that require a lot more nutrition than grown adults. But overall, we make sure that –they re all at a gross margin where when they reach a certain size, they are equal to the other categories and not disadvantaged in anyway.

Moderator: Ladies and gentlemen, this was the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Sandeep Batra: Thank you very much to everybody for joining the call and for your continued interest in Pidilite. Wish each of you a very good evening and a great year ahead. Thank you.

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

(This document has been edited to improve readability)