Pidilite Inds.

Operator: Q2 FY27 earnings conference call, hosted by ICICI Securities. As a reminder, all participant lines will be in 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. I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you, and over to you, Mr. Arun.

Arun Baid – ICICI Securities: Good afternoon, ladies and gentlemen. On behalf of ICICI Securities, I welcome you all to the Q2 FY27 post-results conference call of Pidilite Industries Ltd. From the management side, we have Mr. Bharat Puri – MD, Mr. Sudhanshu Vats – Joint MD, Mr. Sandeep Batra – ED and CFO, Mr. Amber Agarwal – CFO Designate, and Mr. Bharat Joshi – Senior Vice President, Corporate Accounts & Taxation. I now hand over the call to Mr. Batra for his opening remarks. Over to you, sir.

Sandeep Batra – ED & CFO: Thank you, Arun, and good afternoon, everybody. Apologies for this slight glitch. There was some connectivity challenge. Anyway, we have now joined, and I will quickly give a brief update on the second-quarter and H1 results, which were approved at our board meeting yesterday.

In the current quarter, our standalone revenue was a shade under 4,000 crores, with growth of 21.7% in nominal terms, underpinned by underlying volume growth of 10.7%, which was broad-based across Consumer & Bazaar [trails off]

Sandeep Batra – ED & CFO: I was just saying that the growth in the quarter was quite broad-based, with Consumer & Bazaar UVG at 11.1% and B2B UVG at 9.2%.

[pause] However, in the quarter, we saw the maximum hit and impact on account of elevated input costs, and standalone gross margins declined sequentially as well as year-on-year, indicating the extent of input-cost inflation. We always refer to the VAM consumption rate, which in the second quarter was $1,630, nearly double what it was in the same period last year, versus $1,370 in the first quarter. The second quarter saw the full impact of elevated input costs.

However, because of the robust top-line growth, we got operating leverage, and against a 720-basis-point decline in gross margin, our EBITDA was lower by 430 basis points and came in at the lower end of our range at 20.4%.

Subsidiary performance was good for the quarter, with international subsidiaries growing by 21.8%. We saw good growth in our businesses in Dubai, Bangladesh, Kenya, and Thailand. All four of them grew in excess of 20%. EBITDA in the international subsidiaries also improved, with growth of 53% versus top-line growth of 21.8%.

Domestic subsidiaries also delivered a strong quarter, with revenue growth of 22.2%, again led by the Consumer & Bazaar businesses, which grew by 22%, while B2B businesses also grew by 22%.

The only business that saw some revenue headwinds was MENA, which faced challenges because it did not have adequate work fronts available for waterproofing.

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However, as we had called out in the first quarter itself, when we saw the benefit of lower input costs and the benefit of the pricing that we had taken, it is better to look at H1 as a representation of the company's performance.

Therefore, in H1, our standalone revenues grew by 22%, H1 UVG was 11%, again broad-based, Consumer & Bazaar UVG for H1 was 11.6%, and B2B UVG was 8.3%. Our H1 EBITDA also came in strong, very much towards the upper end of the range at 23.5%.

That is all I had in terms of an overview of the quarter and the first half. I will open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy – Nuvama: Thanks. My first question is on the margins. You have done quite well on the demand side, with volume growth of 10%, so congratulations on that. My question is on the margin. You have said that there will be recovery in margins in H2. I wanted to understand whether pricing was delayed because you were expecting the geopolitical issue to be delayed, and if you could elaborate on the current pricing of VAM and crude-related inputs. That is the first question.

Management: Abneesh, it is always a pleasure to listen to you and to have you as the first question. I know that while Sandeep has spoken about our performance, I wanted to take a minute to discuss it in the context of the question you have asked and then address the question again.

What is happening is that we are in an environment with very high raw-material inflation. We talk about VAM as representative, but I think there is raw-material inflation in many other raw materials used by Pidilite. Some of them also have reasonable crude linkage. Therefore, that is a factor, and you have seen crude elevated at about $115.

Very high raw-material inflation is coupled with quite a lot of volatility and uncertainty. These two words are important. We use these words very often, but I want to give a little definition in our context.

First, uncertainty is very simple. I am referring to what is happening around the world. You see the entire West Asia conflict and, therefore, the movement of goods and so on. Forget the cost of sea cargo, but even the movement of goods is a challenge and continues to remain a challenge. Therefore, you have to manage that well.

Volatility is another point I wanted to touch on. As Sandeep was telling you, if you look at FY26, we had VAM at about $800-$900 through the year, roughly speaking. There was a little variation here and there, but it was $800-$900.

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As soon as the West Asia conflict happened, VAM shot up to almost $2,000, if I am not mistaken. It really shot up. We had a point of view on where VAM would go based on our earlier understanding of many years. Therefore, we thought that $2,000 was not sustainable. We thought it would settle at another level, at a number based on which we priced in the first quarter.

I am giving you illustrative examples of Fevicol and VAM, but this is true for our entire portfolio. We priced on what we call a replacement margin, which is based on the replacement cost at that time. We also got the advantage in the first quarter, as Sandeep pointed out, of low-cost inventory coming in from the previous quarter, Q4 of FY26.

We delivered a very robust in-quarter EBITDA margin of 26.3%, surprising most people because it was on the upside and was a pleasant surprise. Even then, I had said, and I want to reiterate, that you should look at it as H1 and as the year progresses.

Now let me address your question. As we entered the second quarter of FY27, VAM cooled down sharply. VAM cooled down as quickly as it had gone up. We saw almost $1,000, and some consignments may even have been $900, to be honest with you.

Therefore, it really cooled down, and our point of view as we entered the second quarter was that perhaps it was settling slightly lower than what we had thought it would at the beginning. We entered the second quarter and rebated, which I think we should have done because while we carry some inventory and have this consumption margin and replacement margin, most of our local competitors actually have one margin. They just buy and then carry very little inventory, if any, and therefore the spot price becomes important for them. That was the price the market was seeing.

In any case, we have a very clear principle in Pidilite that we will have a premium—some amount of premium—over the market, and we will give primacy to demand and growth. Of course, growth is always profitable growth, and margins will follow.

In that context, we rebated. As we rebated, as the quarter progressed, midway through the quarter or perhaps towards the second half of the quarter, VAM started going up again quite significantly.

Therefore, based on a lot of these factors, we have now said that we will take pricing, and we have taken one round of pricing on October 1.

The entire volatility is something that management has to manage. We are very clear as a company and as leaders that we will not transmit this volatility entirely through to the market. You cannot say that my price in one month is like this, in the second month it is like this, and in the third month it is like that. We will manage it for the year, and we will manage demand as well.

In that context, if you look at our margins at H1, they are about 23.5%. As we enter the third quarter with the pricing that we have taken, and with the current VAM price—which you also asked about—around $1,200, we remain very confident about the third quarter and quite confident about the full second half. We should be able to deliver within our EBITDA margin corridor of 20%-24%, ideally at the higher end of the corridor.

That is where it stands. You do not pass on this kind of volatility to the market, and therefore the in-month and in-quarter margin becomes a slightly difficult number to interpret. While you look at

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it, we have always maintained that you should look at EBITDA margin on a slightly longer-term basis, and we remain committed to delivering within that range.

I think that answers your question and also gives everyone on the call some context about what we did. It also helps you understand our confidence because the business is performing very well. You saw that the top line is growing well. We know that we have been pricing, and we have priced proactively.

We priced proactively earlier as well, and we have now taken one round of price increase on our two big brands, Fevicol and Dr. Fixit, on October 1. We may follow up with another round of price increase towards the end of this quarter or early next quarter, depending on how things develop.

That is the way it is. I hope I have addressed your question.

Abneesh Roy – Nuvama: That is very helpful. I have two quick follow-ups to my first question.

Whenever hyperinflation happens, local players reduce competition or even take a pause in terms of their presence. For example, in detergents, local players have exited the market. If you could elaborate across your different subsegments, are you seeing some level of deceleration in the intensity from local players?

The second quick question is about paints. Thirty to 40% of the raw material, in fact 40% of the raw material, is linked directly or indirectly to crude. For you also, will it be a similar number, given that VAM is now around 10% of your raw materials? Will crude and crude-related inputs also be around 40%?

Management: Let me answer the first question, and I will ask Sandeep to address the second. We have some raw materials, but I do not know the percentage.

On the first part of your question, what happens in our case, Abneesh, is that, first of all, some of our competitors are not local-local in the way you see in FMCG and in the laundry example you gave. They are not really regional or local. There are some, but they are not that many.

The point is that in our case, competition is as active as it has been. In the case of Fevicol, there may be a little change, because there are some very local competitors. But if you were to look at Dr. Fixit, our competitors are not local competitors. In some areas they are paints companies, and in some areas there are other types of competitors. There are all kinds of players in that space.

If you look at tile adhesives, our competitors are large companies in their own right. Therefore, our competition is a little different, and we have seen reasonable competitive intensity. I would not say that there has been any fundamental shift in competitive intensity. That is very clear.

Sandeep, do you want to talk about the second question?

Sandeep Batra – ED & CFO: Yes, sure. Abneesh, from a chemistry point of view, I think the bulk of our raw materials would be linked to crude, whether raw materials or packaging materials, but the link [trails off]

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Management: The linkage is not instantaneous or immediate. There would be other pressures or factors that impact pricing. One, of course, is input cost, but more importantly, something that we witness is the demand-and-supply dynamics of the suppliers themselves.

For example, with VAM as a raw material, if demand in China is soft or if demand in Europe is soft, then the full impact of input-cost increases may not translate into VAM prices.

There are many factors at play, but from a chemistry point of view, yes, they are all downstream petrochemical products. At some point or another, they will mirror whatever is happening at the crude-oil pricing level.

Abneesh Roy – Nuvama: My second and last question is about Araldite Wood and Araldite White. Are these really new products? Do you have similar products in your legacy brands? If not, what specific market will they address, and who is servicing those markets, if at all? Are these purely new innovations or purely brand extensions? Perhaps they are addressed by current products, but now they will be more dedicated products. And how is the pricing?

Management {? Sudhanshu ?}: There are multiple questions here, but let me try to explain them briefly.

Araldite Wood and Araldite StoneX and WoodX are what you have seen in the investor {? deck ?}. To give you some context, first of all, they are new, to answer your question. These are not products that existed in our portfolio.

The other thing I am also telling you, Abneesh, is that progressively, at least this year, we have a lot of innovation that is fundamental innovation.

Let me use this opportunity to give you an example from Fevicol. We have piloted products called Multi-Loc and Expert. They are going national in November. In some ways, they have the potential to become the core of the future.

In Dr. Fixit, we have a product called Wonderproof, which is doing really well, and we are conducting testing on it.

If you look at M-Seal as a brand, we have just been piloting a product called M-Seal Advance, which brings multiple features. One of them is the ability to wash your hands very easily.

All these products are relatively new. M-Seal Advance allows a plumber to wash the solvent off very easily, which is a fundamental innovation. It is universal, which is another important point. It is low in VOC and solvent, which is a progressive feature as we move forward.

Wonderproof has a very high drying time. In waterproofing, whether it is a pre-coat or a post-coat, you have the flexibility to do both. It also allows you to do waterproofing when there is some stagnant water, or when water is present because the leveling is not correct. It allows you to do the waterproofing even when some level of moisture and water content is present.

These are some of the fundamental shifts. Similarly, Araldite WhiteX and WoodX are for the premium segment. These products are particularly for premium wood and premium stone.

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There is a lot of innovation happening in different areas. This may also be relevant to others on the call and may answer future questions. A lot of innovation is happening across the company, and these innovations are very fundamental and very new.

Even in the consumer business, there are things happening. Our new steel offer, which has just been introduced, is getting a very good response from quick commerce, and so on.

Abneesh Roy – Nuvama: Thank you. That is all from my side. Thank you.

Operator: Thank you very much. Participants are requested to limit their questions to one per participant. The next question is from the line of Anand Maheshwari from Axis Capital. Please go ahead.

Anand Maheshwari – Axis Capital: Hi, team. I have one quick question. On the domestic subsidiaries business, we are seeing very strong growth, and it seems to be accelerating. Margins have also held up relatively well.

I wanted to understand in slightly more detail what is happening in the domestic subsidiaries. Which parts are delivering this stronger growth?

Management: Anand, I think that growth is fairly broad-based. If you look at the split of our domestic subsidiaries, the biggest business in Consumer & Bazaar is ICA, which is in wood finishes. It had a good quarter in terms of volume and top line.

Then we have a group of subsidiaries that manufacture products in the construction-chemicals space, starting with epoxy grout, marble and stone finishes, and some other waterproofing products, one of which Sudhanshu referred to as Wonderproof. It is a new product.

Most of the new products that have come through this joint-venture route have gained very good market traction. That is one of the reasons why the top line and margins in our domestic subsidiaries have been good.

As I mentioned in my opening remarks, the only business that has seen some headwinds because of the monsoon period has been MENA. All the others have grown north of 20%.

Anand Maheshwari – Axis Capital: Got it. That is fairly clear. Just one last small question on the price hike that you announced in October. Can you quantify how much we should factor in?

Management {? Sudhanshu ?}: On the price increase, to give you a sense, it varies from product to product and across our different brands and categories.

Wherever there was very high inflation, we took about a 12%–15% price increase in our first round. Most of that was during the first quarter, in two phases, in a staggered form.

What we did in October, and through October, is that we are again going to take a 3%–5% price increase in some of these areas where there is very high single-digit inflation.

Anand Maheshwari – Axis Capital: When you opened the statement, you said that with VAM at around $1,200–$1,300, plus or minus, you are confident of maintaining the margin band towards the

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higher end of the corridor in H2. That would be the right assumption?

Management: Yes, that is correct. That is absolutely the right assumption.

Anand Maheshwari – Axis Capital: Perfect. Thanks a lot.

Operator: Thank you very much. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar – Jefferies: Thank you for the opportunity. Firstly, on volumes and demand, I think that in 8 out of the last 10 quarters, we have delivered double-digit UVG, especially in a market with a lot of uncertainty because of consumption and other factors.

I would like to understand which areas or sectors are doing well for us. How should we look at volume growth going forward, especially with the relatively steep second price hike?

Management {? Sudhanshu ?}: There are many questions. The first part is that we have sustained double-digit underlying volume growth for about 6-8 quarters. You are absolutely right.

The second question is how we are managing to do this, and whether we seem to be ahead of our peers. The third is how confident we are that this will continue with these price hikes. Let me address all three.

The first point is that, as a company, we have the philosophy of core and growth, and within growth there are multiple segments that are growing very well.

In our earlier calls, and, time permitting, even in this call, we have talked about our construction-chemicals business, where we are doing a lot of work and where growth tends to remain very robust.

If you look at our brands there, Roff is doing exceedingly well, and Dr. Fixit continues to do well. Pidilite Projects Group, or PPG, which we had formed and which someone has discussed in detail earlier as well, continues to drive very strong growth.

Therefore, that is one area where we continue to see growth. It is present in both C&B and PPG. PPG is, of course, B2B, but both areas are showing strong growth.

In the period that has gone by, we have also seen robust growth in our core area. Fevicol has delivered better growth than it has in the past by about 50-100 basis points, and that makes a difference because it is a large brand.

As we continue, our portfolio is getting richer, and we are getting newer brands, newer products, and a newer portfolio. We have discussed a few innovations, and some of them are performing very well. Some of them come through our subsidiaries.

This entire portfolio gives us the confidence that we will continue to do well.

If you look at the primary activities we undertake—brand building—we have seen renewed campaigns for all three big brands. There was “Kursi Pe Nazar” in the first quarter. In the middle of

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the second quarter, the new Roff campaign was launched, and towards the end of the second quarter, the new Dr. Fixit campaign was also launched. You will see much more of Roff and Dr. Fixit in the third quarter as well.

There is a lot more work on brands. Continuous work is also happening on field marketing, which is very important. There is a lot of technology infusion there as well, including customization of some of our messages using analytics and AI. A lot of that work is happening, and it is largely done by us. This allows us to continue delivering on this growth.

With the growth of the country, and given that we have GDP indexation, we remain buoyant. If the country's real growth is in the 6.5%-7% range, our UVG growth should remain double-digit, and we would like to keep increasing it.

That is the fundamental point. We create a lot of demand ourselves.

Regarding the pricing we have undertaken, demand has been quite robust so far. With the latest round of pricing, El Niño, which is also going to have some effect, elevated crude if it remains elevated, and the last unknown—the possibility that the West Asia conflict flares up further—the impact of these factors is not fully built in. It is difficult to build them in fully.

As of now, we can assure you that we have seen reasonably robust demand. You have seen our first-quarter number, and we entered the third quarter quite well. That is what I can tell you.

Sonali Salgaonkar – Jefferies: My second question is that you have already taken about 12% in price hikes year-to-date, mainly in Q1, and we have seen VAM come down somewhat. If I may request some approximate quantification of the crude cost, how much has already been passed on? Or has everything been fully passed on?

Management: In absolute terms, the entire cost increase has been passed on. But in percentage terms, given the level at which our gross margins are, if you have to be at a 50% gross margin, you have to price in 2 times the cost increase to be at the same percentage level of margin. That is not something that can be done overnight.

Our first objective was to pass on the absolute value of the cost increase, which we have done and more. Depending on the underlying demand situation and the on-ground situation, we are looking at calibrated pricing wherever the opportunity arises.

Sonali Salgaonkar – Jefferies: Great to hear that. All the best to the team, and happy festive season to you.

Management: Thank you, Sonali.

Operator: Thank you very much. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi – Kotak Securities: Hi, team. Thanks for the opportunity, and congratulations on a good set of numbers.

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My question is about the adoption of AI. Do you see any potential for improvement in employee productivity for your sales force and other ground-level workforce? Similarly, regarding media and A&P spend, do you think that over the next couple of years you may be able to extract meaningful operating leverage on these line items or on other cost line items?

Management {? Sudhanshu ?}: Jay, that is a very good question, and it is something we keep discussing in management and at the board level as well.

Let me talk a little about Pidilite's AI journey and give you a glimpse of how we are looking at this area.

First of all, we are also adopting AI across the company, and we are very serious about it. For instance, our top 30 leaders attended a one-day, full-day, hands-on workshop on AI, where they themselves were coding, doing things, and experimenting with it.

Thereafter, as a company, we are running AI hackathons. We have completed the first one, and the second one is around the corner, across the company.

You could be a very senior person or a very junior person. You could be 60 years old, like some of us, or as young as 25 or 22. Everyone across the company is participating.

We have also identified quite a few use cases where we could deploy AI to begin with. In certain functions, we are also assessing whether we can use some agentic applications, particularly in HR for assessment, and moving forward, to some extent, in finance and other areas. That is the work we are doing as we speak.

At the front end, the first point is how we become more effective and how we get better at what we are doing. Efficiency derived from it, productivity, and reduction in manpower will be a subsequent discussion.

In the first phase, I gave the example of users, where we can customize our offerings in multiple ways and create renditions in all languages. We have a lot of content on users, by the way, across our brands. Now we can create short forms. A lot of that work is happening.

Influencer work is also happening in the relevant areas. There are different influencers for different areas. How do you manage that? How do you get your micro, medium, and mega influencers in each category? How do you define them? How do you work with them? How do you create copy or adapt copy quickly with AI? That is work we are doing.

Some AI-led analytics are also being used at the front end to improve range selling and determine what to sell in different markets. That work is happening.

We will take up productivity as phase two, particularly, as you mentioned, at the front end and, as we move forward, perhaps in manufacturing as well.

I would also like to bring in Kavinder and request him to talk a little about what we are doing in manufacturing and supply chain. This will give you a sense of our AI initiatives. Kavinder, please go ahead.

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Kavinder: On AI, we are looking at using its power to determine how we can improve material variances, particularly in manufacturing. Along with AI, some automation initiatives are also underway.

Since your question was broader and related to employee costs, the objective is not so much employee cost, but actually delivering consistent quality, which is very important.

There are AI use cases in supply chain that are being worked on to see how we can improve service delivery by reducing response time. There are also areas around network optimization, and we are examining those areas in supply chain.

There are various initiatives going on. To answer your specific query on staff cost, staff cost is not an objective in itself for us. As an outcome of whatever we do, we will see what happens, but we believe that workflows will become streamlined, people will have richer jobs, and, as the next phase of growth continues, operating leverage with regard to staff cost will remain in play, as we have already seen.

You will probably see more of it because all these initiatives will help us grow with limited additions to manpower or the number of people.

That is the way we are looking at it because we are in a growth phase. In our growth phase and in our journey, we believe the idea is not to reduce numbers, but to see how we can make people more effective and productive.

That is our focus. Thank you.

Jay Doshi – Kotak Securities: Thank you for the detailed answer, and I wish you the very best.

Sudhanshu: Thank you.

Operator: Thank you very much. The next question is from the line of Pratik Poddar from HSBC. Please go ahead.

Pratik Poddar – HSBC: Hello. Am I audible?

Sudhanshu: Yes, you are. Please go ahead.

Pratik Poddar – HSBC: Thank you for the opportunity. My first question is on the demand environment. Any color on the demand environment across regions and the urban-rural divide?

Sudhanshu: It is very broad-based. On the urban-rural divide, we have always had very robust rural growth, and our rural growth has generally led urban growth.

However, in the last couple of quarters, and specifically in this quarter, we have seen a resurgence or further uplift in urban growth. As I speak to you, urban and rural growth are quite similar. Arguably, in the second quarter, for the first time after a long period, urban growth was slightly ahead of rural growth.

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Therefore, urban growth is picking up, while rural growth is holding on. It is not that rural growth has declined. The way I want to frame it is that urban growth has seen an uptick, while rural growth has remained where it was for us until now.

Pratik Poddar – HSBC: That is understood. Could you provide more color on the construction-chemicals business? Waterproofing and tile adhesives did well. What is the split between the retail space and the projects business?

Kavinder: Construction activity in India continues to do well, as you may be tracking. That is something Sudhanshu also referred to in his earlier comments.

If you look at the Dr. Fixit portfolio, Roff tile adhesives, our grouts, and Tenax, which is another marble and stone-care brand, we are seeing robust growth in these businesses.

We are also beginning to see momentum in the floor-coating business. When we look at our construction-chemicals portfolio, which spans these four brands, we are seeing momentum both in urban markets and in the emerging India markets, which include rural areas and small towns.

That was more on the retail side. Your question is about both retail and projects, so let me address that.

On the retail side, momentum is good, and the tile-adhesives category continues to grow. We are also growing faster than the category. That is one thing we are determined to do in order to gain market share.

As far as the projects business is concerned, the pipeline is healthy, and conversions are happening well. We have transitioned from a small-and-medium-projects classification to a large-projects classification and now to a segment-based approach.

We are targeting medium and large builders in the residential and commercial segments. We have separated hotels, hospitals, and educational institutions into another category. There is also a separate category for EPC contractors.

We approach the market segment by segment, and we are seeing that this is beginning to yield results. Our teams were reorganized in the second quarter, and we saw some of the benefits in Q2. They will also play out in Q3.

Our ways of working, our focus on key accounts, and our focus on offering them the Pidilite range of solutions, which go beyond construction chemicals, are already underway.

The projects business is seeing momentum, and we believe this momentum will continue.

At an overall level, whether it is Dr. Fixit, Roff, or Tenax, and whether it is retail or projects, we continue to see momentum. We believe this momentum will continue as we move into the immediate future.

Pratik Poddar – HSBC: Thank you for the elaborate answer.

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Operator: Thank you very much. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Company Limited. Please go ahead.

Keyur Pandya – ICICI Prudential Life Insurance Company Limited: Thank you, and congratulations on the good volume growth.

My question is about your portfolio. You have always talked about pioneering moving to growth. Could you discuss which categories in the pioneering segment can become large or have a large TAM? Are there categories like Roff or Fevicol with relatively large TAMs? Or do you think that, for the foreseeable future, growth will come more from premiumization within the core and growth categories?

Based on what you have presented across these three categories, it seems that way. Could you talk about the large categories within pioneering that can grow fast and quickly move to growth?

Sudhanshu: We have quite a few of them. Let me give you a few examples.

When you do pioneering work across 10 or 20 categories, which is the case for us, some of them will take off. The question is whether the first one will take off, the second one, or another one.

We do the right work for each of them and continue working with them so that they can take off.

Let me give you a few examples. One pioneering example with a relatively large TAM is our work with Grupo Puma through the joint venture. Kavinder may have spoken about this earlier, but let me keep it concise and give you an idea.

This relates to exterior renders, where we are doing a lot of work. We have already completed 6–7 pilots in North India with good success, and you will see more of this as we move forward. We are also working on some large projects in this area.

This is a technology from southern Europe that has been around for some time. It can account for 15%–20% of all exterior walls done in a conventional manner, excluding the glass-and-steel towers that are being built now. This can represent 15%–20%. It is a very large TAM if you reach that level here.

When it will play out and how much it will play out remain to be seen, but we are working on it. This is another very good opportunity.

Similarly, in B2B, we have discussed quite a few opportunities, and we continue to do a lot of work. There is a lot happening beneath the surface. It is a bit like a duck: there is a lot of paddling under the water. You do not see it, and it appears calm, but the duck moves faster.

If you look at some of our newer applications, as India prepares for more manufacturing, there are segments where we are looking at opportunities that can grow very rapidly.

We have discussed electronics, and we have broken it down into subsegments. In the interest of time, I will not go into all of them, but we are looking at partnerships in those subsegments.

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Automotive is another large opportunity. There is some overlap between electric-vehicle automotive and electronics, as we define it.

India is now entering footwear manufacturing in a significant way. Many footwear companies are going to establish operations in India. A number of projects have been approved, and you will see significant footwear manufacturing in India.

Our footwear-adhesives portfolio and the partnerships we have in that area are another promising opportunity.

These are just a few illustrations. We have also developed ICA Pidilite, which is another pioneering business that has now become a clear growth category. Just as we did with wood finishes, there is also work happening on wall finishes.

I have given you a few illustrative examples across Consumer & Bazaar and B2B, but there are many such opportunities. Therefore, there are quite a few, and some of them will become quite large.

Having said that, growth in our core segment will also come through premiumization and new feature-led products. That work is also happening, and we have discussed it, so I do not want to repeat it.

Premiumization in Fevicol, feature-led products, and better products that solve bigger problems in Dr. Fixit and M-Seal are all part of the work between our core and growth segments.

There is also some premiumization work happening in the consumer space. A lot is happening at Pidilite in this area.

Keyur Pandya – ICICI Prudential Life Insurance Company Limited: Understood. My last question is a follow-up to this.

We are seeing double-digit UVG growth. In the last cycle, when raw-material prices were much lower, you reinvested a lot in A&P and other measures, and the gains are yet to be reflected in gross margin.

Based on that, along with the changing mix and improving mix of growth categories, can we move from 10%, 10.5%, and 11% UVG to a higher number? Should we expect that, or is this a sustainable number from a short- to medium-term perspective?

Sudhanshu: From a short-term perspective, this is the level we would like to deliver, which is double-digit growth.

We have discussed this earlier as well. This year is not the right time to talk about it with so much inflation, but our desire is to keep increasing underlying volume growth.

If you look at our track record over the last 3-4 years, we have increased it gradually by 60 basis points, 70 basis points, and 100 basis points over a period of 3-4 years, including this year.

The progress so far is quite good. We want to take this from classic double-digit growth to the early teens over a period of time. That is the desire.

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Therefore, in the medium term, UVG has to continue to grow.

Kavinder: If you look at the first half, Keyur, last year was 10.1%, while this year's first half is 11%, so we are committed.

Obviously, it is not going to jump dramatically in one year because this is underlying volume growth, not total volume growth. As we have always said, we are not chasing volume for its own sake.

Our mantra is profitable underlying volume growth. We are not here to chase volume in order to deliver any particular volume number. The growth has to be profitable volume.

Keyur Pandya – ICICI Prudential Life Insurance Company Limited: Understood. Thank you.

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

Tejas Shah – Avendus Spark: Hi. Thanks for the opportunity. As we entered this year, we were dealing with the backdrop of the war and the noise around job losses. As the year progressed, the headwinds gathered pace.

In this context, when I look at the numbers we have delivered, would you say that we had to work harder for what we have achieved, or are you also positively surprised by the demand on the ground, given that the team spends a lot of time in the marketplace?

I wanted to understand whether you are positively surprised and how you see this demand sustaining if, all else being equal, the macroeconomic environment does not improve or change from here for the rest of the year.

Management: We are not building in any improvement in the macroeconomic environment for the rest of the year. At the same time, we are also not assuming that this is a scenario of a significantly worsened macroeconomic environment.

This is the new macroeconomic environment, with conflicts continuing in some parts of the world, crude elevated to a certain level, and supply-chain disruptions continuing to occur.

You are absolutely right that the teams are working hard to address this, particularly in supply chain, to ensure that material is available, produced, and shipped.

To be honest, our exports from India into West Asia, or exports shipped through the West Asia region, are still underperforming because there are challenges in that area.

Having said that, as far as our work in India and our on-ground activities are concerned, we do a lot of work to generate demand ourselves. We are continuously working on field marketing and brand building, and we are making the right investments. We have discussed many of these initiatives and innovations.

We will continue doing that and remain firmly focused on delivering double-digit underlying volume growth even under these trying circumstances.

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Lastly, to your point, demand in India has held up, and that is good for us. Demand in India is holding up, and as we travel, we continue to see that.

Tejas Shah – Avendus Spark: On margins, we are known for not letting a crisis go to waste. Historically, we have seen that we step up efficiency efforts, including internal product re-engineering, during a crisis. That helps us when normalcy returns, and we reset margins at a higher level.

Assuming that we are doing the same during this crisis, should we assume that if normalcy returns—for example, if crude or raw-material prices fall by 20%-30% from here—all the efficiencies and pricing power we have displayed in the past would allow us to reset the margin base for the next 3-5 years?

Management: We have discussed the margin base extensively. We would like to keep the margin base at 20%-24%. You cannot fundamentally reset it beyond that.

However, we will continue to remain at the higher end and keep increasing it gradually. When costs cooled down for a slightly extended period, as you saw in 24-25 and 25-26, there were almost 2 years of benign costs. You saw us increasing margins and, in a few quarters, delivering ahead of our corridor as well.

Our understanding is that this is the right profile because trying to go too high on margins at times could compromise the growth opportunity in a country like India. It could also open up a segment for competitors and make it attractive for the wrong reasons.

Your philosophy is correct in principle, Tejas, and we will continue in that zone because it is part of our DNA. But the corridor is more or less where we are. That is the best way to look at it.

Tejas Shah – Avendus Spark: Great. Thanks, and best wishes for the festive season to the team.

Management: Thank you.

Operator: Thank you very much. The next question is from the line of Siddhi Soni from Samatva Capital. Please go ahead.

Siddhi Soni – Samatva Capital: I hope I am audible. I understand VAM is a headwind for the company because of demand and supply in the international market and crude-oil prices due to the Middle East crisis.

One of our competitors has set up a VAM plant. I wanted to understand whether we have any such plans, or whether we are seeking to buy from somewhere else to reduce our cost. What is the thought process on this?

The second question is about the Uno Mopon product that {? last year ?} was expected to replace the long paint layer. I want to understand the response in Delhi, Jaipur, and Chandigarh.

Management: We will take both questions. I will answer the first one and hand over to Kavinder to discuss Uno Mopon.

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On the first part, regarding the capacity that has come up for one of our competitors, only part of it has come up; it is not full VAM capacity as of now. VAM production has not started; {? VAE ?} production has started.

We have evaluated VAM ourselves, and also with one of our large international partners, multiple times.

Our understanding is that the minimum size required for VAM in India means that you need the right scale because this is a scale product. It is produced in a few large plants across the world.

Having a suboptimal size may not help with pricing in the long term, although it may secure part of the requirement. From a supply-chain-security perspective, it may help, but we have not faced a security-of-supply challenge until now, even in times like this.

From a pricing point of view, we see no advantage.

Our analysis has also shown that India does not have a natural advantage in either ethylene or acetic acid. Therefore, if you source ethylene and acetic acid and then convert them into VAM, you may or may not have the cost advantage you are seeking. Our own understanding is that you may not, unless you build a hyperscale project.

The project that has just been established by the competitor is, in our judgment, definitely nowhere close to that scale. It could be for other reasons, and we are nobody to comment on that. They may have a good reason for it.

From a cost-advantage point of view, however, it does not work for us.

As a branded player, and Pidilite has very strong brands, both models—backward integration or managing procurement and the peaks and troughs well—can work quite well. Many branded players across the world in most categories are not fully backward integrated. They run their businesses very well by procuring effectively and managing the cycles as they move up and down.

That is our philosophy. We are in that zone and space at the moment. We see no specific advantage and, to that extent, no specific disadvantage to us from this plant coming up.

I will hand over to Kavinder for the second part of your question on Uno Mopon.

Kavinder: As you are aware, we have been working with our Spanish joint-venture partner, Grupo Puma, to build a business around exterior renders.

There are advantages to entering this category. It is a new category with very specific technology. It provides 15-20 years of waterproofing and extremely good-looking facades aesthetically on the outside.

We have approached various segments, including hotels, villas, and residential buildings. We have learned along the way, and there are advantages to building this business because this is a sprayable, breathable render that enables very good-looking facades or exteriors for a long time, with the waterproofing intact.

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At this point, a lot of our learnings have been assimilated. We have seen interest from various architects in using this product in their projects.

We have decided to continue focusing on the projects business. Within that, the segments most suitable for this type of product are commercial buildings, hotels, and similar structures. Some low-rise residential buildings are also suitable.

We are rolling this out as we speak. As momentum builds, we are already assessing whether we need to establish more plants for this particular render production beyond our current facility in Rajasthan.

The news is positive. We are building this category.

Along with Grupo Puma, and as an addition to your question, our partnership is not limited to renders. We have also tied up with them for tile adhesives. We have launched a product called Neopro, which is gaining good momentum in the premium and specialized tile-adhesive range.

We are seeing that by working with partners, which has been our strategy, we can bring in technology and become an early mover in a category. That becomes, in some manner, a moat as we move forward.

As of now, the story is positive. It is building up slowly but surely.

Operator: [pause]

Operator: Thank you very much. I now hand the conference over to the management for closing comments.

Management: Thank you very much for your interest in Pidilite and for joining the call. I wish each of you and your families the best for the festive season. A very happy Diwali to everybody.

Kavinder: I wish you all a very happy Diwali.

Siddhi Soni – Samatva Capital: Thank you.

Management: Thank you.

Operator: On behalf of Pidilite Industries Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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