16th May, 2025

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Stock Code – 500331

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

Sub: Transcript of the Earnings Call

Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 9th May, 2025.

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

Kindly take the same on records.

Thanking You,

Yours faithfully,

For Pidilite Industries Limited

MANISHA RAKESH SHETTY

Digitally signed by MANISHA RAKESH SHETTY
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"Pidilite Industries Limited
Q4 FY25 Earnings Conference Call"

May 09, 2025

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

MODERATOR: **MR. ARUN BAID – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY25 earnings conference call of Pidilite Industries Limited (Pidilite) hosted by ICICI Securities.

As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing *' then '0' on your touchtone phone.

I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you and over to you sir.

Arun Baid: Good afternoon, ladies and gentlemen. On behalf of ICICI Securities, I welcome you all to the Q4 FY25 and FY25 Results Conference Call of Pidilite Industries Limited.

From the Management side we have Mr. Sudhanshu Vats – Managing Director, Mr. Kavinder Singh – Joint Managing Director, Mr. Sandeep Batra – Executive Director-Finance and Chief Financial Officer and Mr. Dharmendra Lodha – Senior Vice President - Finance.

Now I handover the call to Mr. Batra for his opening remarks. Then we will have the forum open for questions and answers. Over to you, Mr. Batra.

Sandeep Batra: Thank you and good evening and welcome everybody to our fourth quarter and full year earnings call. I will quickly give you the highlights of the performance and the financial results which were approved by our Board of Directors (Board) yesterday. I will quickly cover the fourth quarter performance and start with the standalone performance.

So, the quarter's standalone revenue growth was 10.2%. We have achieved double-digit revenue growth. This 10.2% top line was underpinned by UVG of 9.8% across categories and geographies. The Consumer and Bazaar (C&B) UVG was 8%, which improved sequentially, and the B2B segment continued to report strong UVG and in the quarter clocked 16.4%. Our gross margins improved both sequentially as well as YoY, primarily driven by soft input prices. VAM consumption in the quarter was at around $880 a ton vis-à-vis $925 a ton in Q4 last year and just for reference, in Q3 it was $884 a ton.

As we had mentioned earlier, we stepped up our advertising and sales promotion spends to drive demand generation. And in Q4 they were at 5.4% of sales versus 4.7% in Q4 last year. Our EBITDA margins remained in line with the fourth quarter at

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20.6%. Profit before tax and exceptional items grew by 30.8% over the same period last year. Some of that is also led by dividends from our subsidiaries and therefore when I comment on the consolidated results, you will probably get a more representative picture.

If you recall, last year in the fourth quarter, in the standalone results there was an exceptional gain of Rs. 7 crores due to a share buyback of our Pidilite USA subsidiary and there was divestment of our subsidiary in Brazil. This year however, there is an exceptional loss of Rs. 20 crores largely on account of impairment of loan to an associate entity.

The Board also at its meeting yesterday recommended a dividend of Rs. 20 per share, subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Our domestic subsidiaries reported double-digit sales growth in the quarter. EBITDA growth was also double-digit. Sales, however, of our international subsidiaries were flat relative to Q4 last year, largely on account of festive holidays in March, largely on account of Eid festival. So many of our subsidiaries had a lot of holidays in the month of March which would have to some extent impacted the revenue growth.

Quickly commenting on the consolidated performance, revenue for the quarter was Rs. 3,130 crores and on a comparable basis, that is excluding the revenues of the Brazilian subsidiary, which was in the base last year, the growth is 9.5% over Q4 last year and EBITDA before non-operating income grew by 9.7% and profit before tax and before exceptional items grew by 20.7% at consolidated level. Profit after tax shows a growth of 40.5% largely because last year there was an exceptional loss of Rs. 72 crores on account of divestment of the business in Brazil. In the current year, the exceptional loss is Rs. 25 crores as mentioned earlier, mainly on account of impairment of loan and investment in an associate company.

Quickly looking at the performance for the full year; at a standalone level, revenues at Rs. 12,023 crores are higher by 8.1%, underpinned by a UVG of 9.3% with C&B growing for the full year at 7.2% and B2B at 19.2%. Gross margins expanded by 254 basis points and EBITDA margins expanded by 70 basis points.

Our domestic and international subsidiaries all reported growth and improvement in profitability. As a result, the consolidated revenue for the year was Rs. 13,094 crores, higher by 7.6% again after adjusting the business in Brazil, which had been divested in March last year. EBITDA for the full year was Rs. 3,013 crores, higher by 11.3%,

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PBT higher by 16.2% and PAT for the year at Rs. 2,096 crores was up by 20% over last year.

So, with this I will hand over the call for any questions that the participants may have.

Moderator: Thank you very much. The first question is from the line of Abneesh Kumar Roy from Nuvama. You may proceed.

Abneesh Roy: My first question is on the demand side. So, in the Q4 call, almost all the FMCG companies and even Asian Paints yesterday, FY26 outlook in terms of the volume growth and overall demand side, they have said that FY26 will better than FY25. In your case in Q3 call, you had said that in Gujarat and some pockets of Andhra Pradesh, Hyderabad, etc. real estate there was some tightness in the demand side. So, if I take that and given you have already done quite well in FY25, it's a reasonably high base. In your case, you think these robust numbers of high single digit kind of volume growth or say double digit kind of sales growth, is that looking possible in FY26 when I combine all this.

Sudhanshu Vats: Hi Abneesh, first of all good to hear from you and always consistent in keeping your record on being number one on the block. So, thank you, it's indeed our pleasure to hear from you. So, I think like the others have commented, so let me look at it like this. So, the consumer demand in a pristine sense, in a normal environment is continuing to look good. So, we completely echo what you have been hearing from others. In our case, we are also seeing that the thrust of the government on the government spending, will be stronger in FY26 because the elections are behind us. Last year, there was that national election and some others. So therefore, that effect will flow through in our opinion. Secondly, consecutive good monsoon which is what has been predicted will further add to this. So, from a consumer demand point of view, we remain quite consistent. We have always said Abneesh, that we will deliver double digit profitable underlying volume growth and so therefore that is something we will continue on. We are on this treadmill. So, therefore the base has got no major effect on it. I think we have delivered a good FY25, but that does not mean that FY26 should not be or will not be equally good. In all of this as I am speaking to you, we are in a very unprecedented macro environment both from a geopolitical sense and also from a global economic sense. Now the big question for FY26 is, what the longevity of this uncertainty and unpredictability is. If this is short lived about 30-40 days, maybe even a month or two max, then I think the year would perhaps play out to the fundamental consumer demand. If this is extended, then the impact of this is something which we have not factored in and will be very different in our opinion.

Abneesh Roy: Sure, the geopolitical risk applies to everyone. That's the point well taken. One follow-up on this, on the weakness in Gujarat and Hyderabad markets in real estate which you had pointed last time. Is there any reversal and are there more pockets in the country where this issue seems to be coming up?

Sudhanshu Vats: So, these specific places, it's eased out a little bit. That is fair and it's also reflected in our overall numbers for the quarter, Quarter 4 if you look at it which we reported, our urban growths have been much better than what they were in the past. Although we have maintained, our rural growth is still ahead of urban growth. So that piece remains consistent. But our urban growth especially for Quarter 4 are much better. So, this is again from a data point of view also quite consistent to the observation you had made earlier.

Abneesh Roy: Thanks. My second question is about the slightly different thing I am seeing in terms of your cost item. For example, in Q4 again most consumer companies staff cost is almost stagnant on YoY basis and If I see BSE 500 also, Q4 and earlier quarter also there's just 5% inflation in terms of the staff cost. In your case it is 21% up YoY, 5% up QoQ, is there any one-off in staff cost?

Sandeep Batra: Yes, Abneesh there are about Rs. 17 odd crores of year end adjustment that has happened, that has kind of flowed into the fourth quarter, that is not going to get repeated.

Abneesh Roy: Is it ESOP adjustment or what adjustment it is?

Sandeep Batra: Some of it is ESOP, some of it is actuarial valuation of our retiral benefit. Some of it is true up of whatever is the performance linked compensation that we pay off. We have to all true it up in March. We have got a onetime charge of about Rs. 17 crores. So, if you adjust that the manpower cost will be same as third quarter.

Abneesh Roy: Sure. Last quick question. So essentially coming back to the tariffs, Pidilite has always been ahead of the curve in terms of new demand generation. Now US itself is saying that most of the Apple phones will be manufactured in India eventually. So would your optimism on opportunity from adhesives in phone manufacturing, would that get bolstered versus say 6 months back because of the developments? We don't know the tariff eventually where it will pan out. But based on the current understanding and comment by US itself, would you say that the opportunity longer term becomes stronger here? I am not talking about this quarter or this year. I know these are things which take time but is it looking better?

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Sudhanshu Vats: Yes, Abneesh, I think we have talked about this in the past also. We recognize the electronics, EV and maybe moving forward semi-con opportunity in India. We have recognized that in the past. We are very confident of being able to make good of that opportunity and we are working towards that. I think on the very specific question on how tariffs will play out and how much of that will shift, I would still wait and watch a little bit because I think we have got to see this. So therefore, the way I would respond is that we were bullish on this opportunity. We had recognized this opportunity already. If this opportunity becomes an even better opportunity, we will be better placed to exploit that. I think that is what I would say.

Abneesh Roy: Sure. Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Nitin Shakdher from Green Capital Single Family Office. You may proceed.

Nitin Shakdher: Hi, good afternoon to the management for another steady set of good results. My question is more forward looking so please answer it in the present to the best possible that you can. Now we have seen many large industrial players entering cement, wires, cables and paints specifically. And that's hit the margins of the larger dominant companies. Now whether it's Asian Paints or Havells who already had a lot of market share, now, is there any future risk mitigation plan that the company is working on, which sort of tells them what we should do in case a larger industrial house were to enter the adhesives. Just wanted to get a management sense of how we are working in the future because it might happen in the future. We don't know when, but it might. So, just wanted to get a sense of that. This is more as an investor rather than an analyst.

Sudhanshu Vats: Yes, Nitin, thanks for raising this question and I think this question has been asked of us earlier as well, especially in some one-on-one conversations. So, the way to look at Pidilite, and I will answer it in two stages, one, explain a little bit of how we think you or others should look at Pidilite, which is a little different. And two, is to your specific question on what more we are doing to sort of strengthen our position and make this eventuality less likely, if at all it should happen. So now the question is, first of all, Pidilite, unlike many of the players sometimes you get compared to, is far more diversified even today. So, when we talk of Pidilite, we obviously and very rightly talk of us as an adhesive company and as Fevicol, which is our flagship brand. And we are indeed very proud of both our presence in the segment and of course Fevicol as a brand. But I think our portfolio is now far more div ersified. So, this piece is less than a third of our portfolio. Our portfolio has a very strong construction chemical coming in and growing very rapidly as we speak to you. Our portfolio has expansion in the area of projects and services, where we have demonstrated very good growth in the past seven odd quarters. Our portfolio also has progressively renewed industrial products thrust and Abneesh's previous question on electronic adhesive was also a pointer in that direction. So, our portfolio is far more diversified compared to any of the others you have spoken about. Also, the sheer size of the business, even if you were to take a part of our portfolio which is adhesives, is not as big or arguably, especially from a size point of view as attractive as it can be for some other sectors. And thirdly, I think we strongly believe that our brands are far stronger than some of the branded names that are talked about, maybe with the exception of one or two. Fevicol, as we have said repeatedly, is a consumer brand and India is perhaps the only country where Fevicol gets mentioned in the top 10 consumer brand across categories. It is a part of the cultural lingo. So, the strength of the brand per se is in our judgment disproportionate to the comparisons that get made. Having said all of this, I think what we as a company are going to steadfastly do, which is up to us and we are going to work, continue to work on to further diversify our portfolio, strengthen our portfolio both from the point of view of product category diversification but also as we go forward in the form of geographical diversification and growth of international business. So, as the company grows, the richness of our portfolio and the diversity of our portfolio in some ways is going to always be a strong indemnity or a strong insurance if I can use the word to any likely such move.

Nitin Shakdher: Okay, thanks. Sir, my follow-up question on that is it's extremely clear that you have already anticipated the risk and probably the management is working on a strategy or a vision that if a risk like that were to happen you will be able to counter it. My follow up question is, is there any feedback on the ground from let's say the larger distributors, the B2B business or the B2C business that what can the company do in terms of innovations that it's probably not done before? I mean it is very tough to change products overnight but strategy at the management can look into working with innovative ways of trying to control a larger market share. So, if that risk were to happen you probably lose out a lot lesser.

Sudhanshu Vats: Yes, so this is one thing in which we as a company, Pidilite, one of our strengths is actually listening to feedback continuously from the market, from stakeholders. And when I say market, I mean our dealers, our users which are applicators and all consumers where it is relevant and so on and so forth; and all partners. It's a very consistent and continuous stream. We continuously keep listening to this, we continuously keep working on that and I think therefore that is something which we have been doing all along. And to just give you one or two examples, I think the way we look at keep looking at innovations and premiumization. So, if you look at our Fevicol flagship brand, our premium portfolio, the most premium offering now which

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is called Fevicol Hiper Star is doing very well indeed. These things come out of that, also from substrate point of view we have something called a multi straight substrate Fevicol called Fevicol Nail Free Ultra which is actually a different chemistry by the way but it's applicable to multiple substrates, that's doing exceedingly well. It's growing really well as I speak to you. We have also introduced something called Fevicol Relam which is laminate over a laminate kind of stuff so, a product which is helping you with that. So just a few examples I give you to give a tangible feel. But we keep looking at some lot of these things again within the context of adhesives and woodworking, the entire movement from on-site to off-site, we have been cognizant of that. We have built a very strong off-site team called Joinery team. Our shares are strong there; our profitability is good there. So, we are very cognizant of a lot of these things which are happening, and we remain vigilant, attentive and proactive in many of these areas.

Nitin Shakdher: Great. Sudhanshu, my one follow up is that the company is proactive and innovative. Now I understand that cyber security is not the core business of the company, but you have multiple plants running logistics. Is the company working to tackle concerns about cyber security, we are living in an information world and if tomorrow we think that some other risk might come in. Any thoughts on management, any discussions on that? I know it's not connected to the main business, but I always worry about companies that are not looking at cyber security for their operations.

Sudhanshu Vats: So, Nitin, you are absolutely right. This is not our main business. But I have always maintained all companies are technology companies and so is Pidilite. And I think cybersecurity has been top of our agenda from a risk management point of view. Now, not for this year, but for arguably 2 or 3 years we have a dedicated small team cell. We have a very competent person looking after this and we have partnerships with the best in the country in order to make sure that we are ahead of the game on cyber security as well.

Nitin Shakdher: Okay, great. Thanks a lot, Sudanshu and all the best to the management and Jai Hind.

Sudhanshu Vats: Thank you.

Moderator: Thank you. The next question is from the line of Jayakumar Doshi from Kotak Securities. You may proceed.

Jaykumar Doshi: Thanks for the opportunity. Crude prices have come off quite a bit in the last one month. So how is the crude price and your raw material basket and what percentage of your raw material basket do you think will have a deflationary tailwind?

Sandeep Batra: Hi, good evening, Jay. So, a large proportion of our products are indeed derivatives from crude, but all of them don't have a linear price in the short term with crude. So, I think it is something that one has to wait and watch as to how the overall demand, supply, inflation, currency, how all these variables play out. But certainly, the fact that crude prices have cooled off is a very positive sign for us. We haven't seen immediate transmission of it. VAM remains at the levels that we consumed in fourth quarter. So, it's wait and watch. But certainly, the signs are are positive.

Jaykumar Doshi: Understood. And do you think this year could be a year where of pricing perspective it could be a deflationary year or at this point of time it's too early to say?

Sandeep Batra: There are too many, there are too many moving parts. It is very difficult to hazard any guess at this stage. We will take it as it comes.

Jaykumar Doshi: Second question is, B2B segment has done consistently well for a few quarters now. So, on the high base, do you still think that this is a business where low to mid-teens kind of growth is sustainable for maybe 2-3 years?

Sudhanshu Vats: Yes. The short answer is yes. But I also have Kavinder now, who directly looks after this and we have sort of formed a division called Pidilite Professional Solutions which is going to specifically be targeting at this opportunity. So, we remain very confident. But I would request Kavinder to also elaborate on this to give you a little bit more context and flavor on how we are progressing.

Kavinder Singh: Thanks, Sudhanshu. Just to build on your question, I think we are seeing a fairly large opportunity in the construction sector and as we are already present through multiple brands. Whether it's Dr Fixit, then we have a floor coating brand Dr Cipy, then we have tile adhesive solutions through Roff. What we are realizing is that there is an opportunity to tap into this larger sector by going in an integrated way to the architects and structural consultants. And that is what Sudhanshu talked about Pidilite Professional Solutions, is all about. We want to make a big move in this area so that we are able to get ourselves specified in various segments, whether it is residential, whether it is commercial, within commercial - hotels, hospitals, education institutions as well as the EPC contractors, the big EPC contractors through which we will be participating or are rather already participating in the government and infrastructure projects. We believe that the Professional Solutions which are more in the nature of systems, construction system solutions which are needed by various players have to be addressed in an integrated manner rather than selling products through multiple verticals which we continue to do. So, as we speak, we are moving in this direction and eventually our idea is to also tap these segments in a manner in which even the go-to-market strategy is sort of around the segments. So, we believe that the opportunity is tremendous, and we are confident that as long as this cycle of construction upswing which is on right now, almost in all the segments and you can track that through the growth in even cement consumption, the number of hotels that are getting constructed, the number of new hospitals that are coming up. So there seems to be an opportunity to be leveraged by Pidilite's strengths that we have with regard to our R&D and our solutioning approach that we are taking. If you have any follow-up question, I can take it up. Otherwise, I am handing it back to Sudhanshu.

Jaykumar Doshi: Yes, I do have a follow up. Look, you gave a very good overview of your business at the investor day earlier this year. But what we are not too sure about is from a classification perspective like Rs. 3,000 crores top line for B2B in FY25, what are the big areas? How do you break up that Rs. 3,000 crores into sort of because earlier there used to be pigment business. There is an industrial adhesives, there must be something else. So, if you could give us some color.

Sandeep Batra: Yes. So, our B2B could be divided into three subgroups. One is our business of waterproofing that we sell to projects.

Jaykumar Doshi: Its Nina Percept.

Sandeep Batra: It has Nina Percept which is an application company. But then we also have product supplies that go to these projects. Nina does apply and supply. And then we have a business which is into pigment and pigment preparations. And then we have an industrial adhesives business which also makes industrial intermediates. So, we do not specifically share the revenues of each of the segments, but there are these three categories. The project business which Kavinder spoke about is largely India led and is riding on the back of an upswing in construction activity. The pigment business has large exports out of India and that has done well. The big customers of that business will be paint and ink companies and then you have industrial adhesives which supply to a wide variety of end use industries.

Jaykumar Doshi: Understood, that's helpful. Thank you so much.

Moderator: The next question is from the line of Avi from Macquarie. You may proceed.

Avi: Sir, I just want you could share any update on the paints and lending business. You had indicated, you might kind of think about sharing that towards March end, so would love to hear any update over there, sir.

Sudhanshu Vats: I would like to call them intermediate updates if I can, but I will give you a context and flavor on both. So let me first start with the lending piece. This question keeps coming up. So, 2-3 things and we have said this earlier as well, but just want to make it very clear, Avi, that the question to ask is what business are we in? So, the business we are in here, and while it is classified as lending business, that's correct, but the business we are in is to actually strengthen our applicators or our dealers with availability of finance in order to ensure that they are optimally able to grow. So therefore, our focus will continue to remain our ecosystem defined as our large contractors' or dealers. So therefore, that's the first key part and I just want to reiterate that because that's very important. We are not doing a classic lending business. We said this earlier, I am just repeating it and in Bangalore where we have done this project, we are making good progress. We have actually on all parameters making good progress. But like many pilots and in a classic Pidilite way, while the progress is good, we still feel that we need to stay there. We feel that we need to fine tune it. We feel that we need to therefore continue to cross the T's and dot the I's on the playbook, develop modules and then look forward. So, making progress focused on our own stakeholders, our own ecosystem, more specifically our dealers and contractors and so on and so forth. We have a very good understanding of these guys, we have deep relationships, we broadly understand their financial capability as well. So, I think that's the piece on how Bangalore is progressing well and therefore this piece is progressing reasonably well.

On the paints part, again, as you are aware, we are in the five states largely in the south. We normally call that TAO-TK. I am taking the liberty of sharing some acronyms with you which is basically Telangana, Andhra Pradesh, Orissa and now TK being Tamil Nadu and Karnataka. So, we have been there in TAO-TK. We are making good, steady progress. So, we are growing QoQ and are indeed growing month on month. We are very keen to continue to evaluate at a micro level like for like growth. We want to develop a very fundamental understanding of how we are doing with the dealers, big dealers, dealers where we have tinting machines, contractors, so on and so forth. So that work is happening here again, like I said to you for the earlier piece, we think that we need to do more work to develop our moat, our fundamental hypothesis of doing things in a very Pidilite way and demand generation piece. So that work is again happening. We believe that while we made good progress and most of the companies would say that this is good sales progress, 'abhi aage badho'. But Pidilite is going to sort of, we are going to again continue to fine tune our playbook. We want to be sure that we have got our demand generation, particularly our demand generation playbook, right. And very critically important for Pidilite as you know, for most of the other things. So, we are working on that piece as well and once we have that we will look at further extension and we will come back to you. But we are making very good progress even on Haisha and we are basically going in these places, we are delivering strong progress sequentially as well.

Avi: Okay sir. And sir, any size targets, anything you would want to kind of share about the forum or not, too early?

Sudhanshu Vats: No, I think that is something which has been shared earlier as well. So, frankly it may be a little bit premature to share the size. But I will tell you the philosophy. The philosophy is simple, philosophy is that we will be focused at least to begin with and for a considerable period of time on what is called rurban and small-town India. And we want to be an important player in rurban and small-town India. So that is the measure we are keeping ourselves. So, are we getting there, are we in the consideration set of the dealers, are we getting recall from the consumers, are we getting demand in these places? So, this is the work which we are doing. Once we get a little bit more of this thing we will work on numbers, again for Pidilite numbers follow. So, I think once we get this thing right, hopefully numbers will follow and we will be in a position Avi, to even share some more with you.

Avi: Thanks, that's very clear. Sir, just clarify and please correct me if my understanding is right. The key risk in assuming that Q4 is a reasonable guide on what we can see panning out in FY26 which is the caution for you is the longer period of geopolitical linked uncertainty. Is that the right understanding? And we have seen two quarters of good growth. So, I am just trying to better appreciate why we should not at least build in Q4 as a reasonable expectation on growth going forward on sales. Thank you, sir.

Sudhanshu Vats: That's a good point, Avi. Let me ask again, I think this came up in some of my early morning discussions also. I think this, when we say cautiously optimistic, let me sort of break it up into two. We remain optimistic on fundamental consumer demand which I think has been strengthening. In the earlier piece when the demand was a little sluggish, we managed to deliver a double-digit underlying volume growth. So, we remain confident that we will and can deliver double digit UVG in the pristine consumer demand sense. But as we enter FY26, as I was saying in the first question which was asked, these are unprecedented times. The geopolitical situation and also the global economic situation is very uncertain and very unpredictable in that sense. So therefore, the cautiousness is coming around largely from there this time. I hope this answers your question.

Avi: That answers the question, perfect, sir. Thank you very much. That's all from my side.

Moderator: Thank you. The next question is from the line of Saurabh Kundan from Goldman Sachs. You may proceed.

Saurabh Kundan: My question is how much cover do we generally carry on our raw material? Just trying to see what the lag with which you start seeing benefits of crude correction. And related to that is, when RM cost does go down for you, let's say at some point can you take a gross margin expansion from here or gross margin you think is at a good level now.

Sandeep Batra: Overall, we would have about 60 to 75 days cover in terms of raw materials. That will become slightly higher when you also add the finished goods inventory that we keep. And in terms of the reaction if input costs do soften, it's something that we don't react on a day-to-day basis to movements in cost. We will look at what the longer term is or a medium-term outlook on input costs and accordingly, take a call. I mean if you would recall from October 2023, from the time where input costs actually started to go down, we would have taken price adjustments which is why you would have seen that our revenue growth would have lagged underlying volume growth and there has been EBITDA margin expansion. So I think when input costs correct, it all depends on the magnitude and the duration. And we will take a very judicious call at that time because we are very careful that we do not want to pocket all the gains and suddenly make our category very attractive for competition to enter via the back door.

Saurabh Kundan: Right. Thank you very much. That's all.

Moderator: The next question is from the line of Nitin Jain from Fair View Invest. You may proceed.

Nitin Jain: I have two questions, given that the government is giving a lot of priority to electronics manufacturing in the country, so can you share the opportunity size that we can see in adhesives used in electronics assembly? And my next question is if you can elaborate more on the CollTech partnership and how Pidilite stands to benefit. Thank you.

Sudhanshu Vats: Yes, Nitin, the two are related questions and let me just tell you. In terms of market size estimation for electronic adhesives, if I was to give you a broad number of the market size for electronic adhesives moving forward because I tell you this, electronics manufacturing also needs to be contextualized. Lot of the time when we say electronics manufacturing, many times it is just assembly and if it is assembly, so there the use of adhesives is much less. As we keep getting into more and more manufacturing, including the motherboard, the other pieces and so on and so forth, electronic adhesives really kicks in. So, I think it will progressively build. Our understanding is that this business could be a billion-dollar market by 2030 to give you a ballpark number. And

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I am talking about electronic adhesives opportunity. Now, having said that, this is also a very complex business because there are multiple parts in each component and then there are multiple products and then there's of course EV and then there is in future some semi-con and all that stuff. So therefore, in mobile itself, different models and iPads, laptops, all of that. And there are multiple moving parts in this. So, what happens is that there are fewer companies that are specialized in individual areas, each company specialized in individual areas, there aren't many companies or any company, if I could use the word, definitely not many companies which will perhaps have the full spectrum. Point number one.

Point number two is that even when you have this classically for any vendor, client, partnership or relationship, there will be multiple people who will be there. So therefore, in that context, that naturally flows to my second question, which is that we have now partnered with CollTech as we speak to you, we are their official exclusive distributors for this part of the world, for India as a territory. And that is progressing well. And in this business, you have to start with specifications, then that period goes for some time. Then you have to, once you have specified, some more sampling and trials and then you get into commercial. As I speak to you, we managed to get a few commercial orders. So that has started. As I speak to you, we are in constant touch with all the important contract manufacturers and, electronic manufacturing services (EMS) companies as they are called. They are the ones who put all of this together in some form or the other for various brands. So, we are making good progress. It's a piloting business. It's going to take time. We have full intent to play in it and we are building it block by block.

Nitin Jain: Thank you, that's very helpful. Just if I can add a follow up to that. So, would most of the applications be within mobile phones or it spread across mobile phones, televisions, etc.?

Sudhanshu Vats: No, it's spread all across. Mobile phones are larger or tends to be, but depends on again our product portfolio. And I am not going to talk about that at the moment. But it's not only product profile, it's not only mobile phones, it's hearables, it's wearables. So, you are thinking only electronics in one direction. But you have all your hearables which come in which are actually, by the way India may be a larger market because of presence of Boat and all that. And then of course, wearables again. So, India is again a pretty large market for certain set of wearable products. So, it's a pretty large gamut and it's very interesting, but it's reasonably complicated, which is what I want to tell you.

Nitin Jain: Thanks for the clarification.

Moderator: The next question is from the line of Latika Chopra from JP Morgan. You may proceed.

Latika Chopra: My first question was regarding some color on the borderline volume growth for some of your new forays or relatively new forays. One is tile adhesives, the other is wood finishes. And also, if you can give some flavor on how waterproofing volume trends have behaved versus 7%-8% volume growth that we have clocked for C&B for FY25. And if you could also share some color on how do you expect these growth rates to trend going forward?

Sudhanshu Vats: Yes, Latika, thanks for the question and we will give you some indication. I have not followed what the first question was, so I have understood waterproofing, which you said later. What is the other one you wanted?

Latika Chopra: Tile adhesives Roff, basically.

Sudhanshu Vats: So Latika, as you very well know, the way we define our growth categories and there's a broad distinct, we say 2X to 4X of the real GDP now and I am happy to share with you that tile adhesives a little bit more than Dr Fixit construction chemical, but both of these growth brands and categories are delivering to that range. So therefore, we are happy with that. And when we say here, as Kavinder was explaining to you earlier, especially in the case of Dr Fixit, but arguably for both brands, we take the full spectrum. So, we are talking about what you would call retail or bazaar for our business, projects and so on and so forth. So, it's a full spectrum of these product categories for Pidilite. So, they are both delivering in that zone. Roff, a little ahead of Dr Fixit as you would expect in terms of growth. Our understanding is that this trajectory will continue. We are quite confident about that. Kavinder spoke to that on how we are looking at this piece and therefore more enablers, more go to market, more specific go to market structural interventions which we are doing which should help us deliver that. So therefore, momentum on both of these should continue moving forward as well, in our opinion.

Latika Chopra: Sure. The second question was about your rural retail expansion strategy. If you could give us some color on what kind of number, you landed FY25 on Pidilite Ki Duniya (PKD) and what kind of growth plans do you have there? Thank you.

Sudhanshu Vats: Yes, so PKD we have continuously been expanding, and I think even in this quarter we further expanded. So, actually we have closed the year if I could use that and we share that number. So, I am happy to share that again, is there about 16,500 PKDs now basically, which is about close to just under 1,000 added even in this quarter. So, we continue to keep making that. But the way to look at expansion or distribution, Latika, is three areas. One is that PKD momentum will continue, but the other area where because of our thrust construction chemicals, you will also see us looking at what we call the Dr Fixit Centers (DFC). We will do a lot more work in that space as well. That will continue. And thirdly, both for these DFCs and PKDs, the terms which we have used, all of you are familiar with, we will also look at qualitatively how do we take them to the next level. So, it's not just numbers, but it is what we are doing with these. And therefore, as the village where it is there, tends to mature or becomes bigger or as the demand continues to grow, how do we make these better? And we maybe use terms like super PKD and all that. So therefore, that is the stuff which will continue. So, our expansion journey continues both quantitatively from numbers point of view but equally and more importantly qualitatively from what we do there, how do we use that real estate more and more effectively for us?

Latika Chopra: Understood. So basically, you mean throughput per outlet also is increasing

Sudhanshu Vats: Yes, range throughput and Latika also the demand generation activities, multiple things.

Latika Chopra: Is there a way one could measure what's the salience of the revenue we generate from these stores? Is it a very meaningful number?

Sudhanshu Vats: So, we do not share that. Of course we do measure all the productivity measures which are needed for this and how it should be effective.

Latika Chopra: Fair enough. All right, thank you so much and all the best.

Sudhanshu Vats: Thank you.

Moderator: The next question is from the line of Tejas Shah from Avendus Spark. You may proceed.

Tejas Shah: Hi Sir, thanks for the opportunity. Two questions pertaining to Haisha. So just wanted to understand our go-to-market strategy, especially when the incumbents are complaining that the cost of shelf has actually gone up too because of the competitive intensity. So how are we going about it? Second, at what scale or repeat purchase trigger or channel readiness, would you be confident to take Haisha pan India? What is the key trigger that we are monitoring for that rollout?

Sudhanshu Vats: It's a very good question, Tejas but I must also tell you if I disclose all of this, in the current environment we are not going to be able to talk about any of this. The question broadly and maybe at the risk of not repeating myself and I talked about it in some detail. We are looking at how to progress this in a different way. First of all, when you come at it from the competitive intensity in urban India, we do not approach this from that point of view as of now. So, I think we look at it from growing demand in rural and small-town India. Is there a little bit of interplay because of the competitive intensity in this sector at this moment? The answer is yes, there is a little bit of interplay. You don't live in isolation. But I think that is the reason that we want to continue to fine tune this as we go forward. But we are approaching it Tejas very differently from the conventional piece. We are approaching it more from, so we have to keep asking the question on what is our license to play and right to win. Our license to play broadly there is because from the point of view of our portfolio, our availability deep down and we have spoken about that, the way we reach out to some of these places. Our right to win needs to be sharpened and we need to be very clear on that and we are continuously working on that piece. And as I said, and maybe just a quick repetition. From the point of view of numbers, I think we are making good, satisfactory progress. Our numbers are growing quarter-on-quarter, month-on-month. So, we are making progress. So therefore, that is the good news. But from the point of view of when are we ready to scale it up to the full level? I don't think we are ready at this moment. We need more work to be done and that's what I spoke about earlier as well.

Tejas Shah: Perfect. Very clear, sir. Thanks and all the best for coming quarters.

Sudhanshu Vats: Thank you.

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

Sandeep Batra: Thank you very much. I would like to thank each of them who joined the call for their continued interest in Pidilite. Thank you very much. Have a good evening.

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

(This document has been edited to improve readability)

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