Pidilite

7th February, 2020

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Exchange Plaza, Plot no. C/1, G Block,
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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 30th January, 2020.

Kindly take the same on your records.

Thanking You,

Yours faithfully,
For Pidilite Industries Limited

Bansal

Puneet Bansal
Company Secretary

Encl: as above
PN

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“Pidilite Industries Limited
3QFY20 Earnings Conference Call”

January 30, 2020

ANALYST:	**MR. PRATEEK MAHESHWARI – AMBIT CAPITAL**
MANAGEMENT:	**MR. APURVA PAREKH - EXECUTIVE DIRECTOR - PIDILITE INDUSTRIES LIMITED** **MR. PRADIP MENON – CHIEF FINANCIAL OFFICER - PIDILITE INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Pidilite Industries Limited 3QFY2020 earnings conference call, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I will now hand the conference to Mr. Prateek Maheshwari from Ambit Capital. Thank you and over to you Mr. Maheswari!

Prateek Maheshwari: Thank you. Good afternoon, everyone. On the behalf of Ambit Capital, I would like to welcome you to the Pidilite Industries 3QFY2020 earnings Call.

From the management, we have with us Mr. Apurva Parekh, the Executive Director and Mr. Pradip Menon, the Chief Financial Officer. We will now begin this call with the opening remarks from the management and then we have the floor open for the Q&A. Thank you and over to you, Mr. Menon.

Pradip Menon: Good evening, everyone. This is Pradip Menon. Amidst a challenging market environment, Pidilite has delivered a resilient performance. While topline growth remains subdued, earnings have improved substantially, primarily as a result of softer input cost. We remain focused on driving volume growth, enabled by investments in brand building, growth categories, capabilities and sales and distribution.

I will begin with the summary of the financial performance for the quarter and nine months period ended December 31, 2019 for the standalone business. Net sales for the standalone business at Rs 1,652 Crores grew by 5% over the same quarter last year with an underlying sales volume and mixed growth of 3%.

This was driven by a 13% growth in sales, volume and mix of industrial products and 2% growth in sales, volume and mix of consumer and Bazaar products. Net sales for the nine-months ended stood at Rs 4,982 Crores and grew by 6% over the same period last year.

Lower growth was on account of the higher base of the prior year. For the quarter ended December 31, 2018 we have delivered a double-digit volume growth, predominantly on account of price increase announcement from January 2019. Material cost as a percentage to net sales is lower by 629-basis points over same period last year and 25-basis points versus prior quarter.

The same was also lower by 385-basis points when compared with the nine-month period. The current spot price of our major raw material VAM or Vinyl acetate monomer is around $850 to $900 while consumption cost for this quarter has been at $875. This is comparable to Q3 consumption cost of $ 1300 in last year. EBITDA before non-operating income stood at Rs 430

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Crores and grew by 32%. EBITDA for YTD December 2019 stood at Rs 1,200 Crores and grew by 16% over the same period last year.

PAT at Rs.330 Crores grew by 47% over the same quarter last year. The effective tax rate for the quarter has been reduced from 32.3% to 23.8% due to a reduction in the corporate tax rate and remeasurement of the deferred tax liability.

For the nine months, PAT at Rs. 942 Crores grew by 28% and on an underlying basis after excluding exceptional items at 38%.

Now moving on to the consolidated performance, net sales at Rs.1,916 Crores for the quarter grew 4% year-on-year. Material cost as a percentage to net sales is lower by 661 basis points versus the same period last year and 41 basis points versus the prior quarter.

EBITDA before non-operating income stood at Rs.464 Crores, a growth of 36% over the same quarter last year. Profit after tax at Rs.346 Crores grew by 58% over the same quarter last year. Moving on to our subsidiaries' performance. Domestic subsidiaries have had challenges on growth and profitability on account of direct exposure to the ailing real estate and auto segments, resulting in adverse demand and liquidity conditions.

We have significant focus on cash flow, customer credit assessment and tight management of receivables and expect things to improve further. Nina Percept and CIPY have improved their performance as compared to the first half of the year. They continue to operate in challenging market conditions in the wake of slowdown in their respective sectors. Total EBITDA growth of 37.7% is primarily driven through ICA Pidilite due to scale up in local manufacturing and CIPY due to efficient sales mix and lower input costs.

Moving on to our international subsidiaries. Subsidiaries in Bangladesh, Sri Lanka and Egypt have reported good growth in sales. EBITDA is lower in Bangladesh due to investment in an additional manufacturing facility. Sargent Art, a division of Pidilite USA and Pulvitec do Brasil reported sales and EBITDA growth for consecutive quarters mainly due to growth in key products and customers. The subsidiaries in Thailand reported a decline in sales and EBITDA growth for the quarter due to the one-off large project executed in the same period last year.

That is all in terms of the opening remarks. We can open the floor for questions now.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Good expansion on the margins. So, in the past, when we have seen such sharp expansion, after that in the next three, four quarters, there is a strong erosion in margins also and because these margins are very high, so, fair to expect that you are taking some price cuts so that volume growth can also be healthy. Also, any comment on pricing which you are taking currently?

Apurva Parekh: Abneesh, we have been taking price adjustments from time to time and we had increased discounts in some products. We have done some price adjustments in all quarters of this year and we will continue to do so, purely on a need basis. So, wherever we believe there is a need, and where we believe some price adjustment could help us improve sales growth, we will do that.

Abneesh Roy: But are you quantifying till now YOY basis say in December quarter what was the price growth, price dip, some comments on that?

Apurva Parekh: Price reduction was in a few product categories. Overall, impact at the company level would not be very high, but in a few product categories we did some price adjustment. We do not find that any significant price adjustment right now would help us grow volumes and as we have said in the past, we need to be very judicious and careful about it so price reduction was done in a few product categories, where we felt it was necessary to do so, but have not done it across the board.

Abneesh Roy: Second question is on industrials and your overseas businesses, so one is in industrials how much is exports and second is most of your overseas geographies have really done well this quarter also and nine months also, so was that a conscious strategy that because India was slowing so, you are a bit more aggressive on pricing in those geographies to get market share gain, is that the reason?

Apurva Parekh: I will take the international subsidiaries question first. The performance of some of the subsidiaries has been uneven, so we have been taking steps to improve their performance and some of that is showing results. In addition, focused markets like Bangladesh and Sri Lanka have been now doing consistently well. So it is not because there is a slowdown in India and that we are focusing more on India but we have good strength in our international subsidiaries and have been working towards improving their performance. Many of them have performed very well in this quarter. On your other question on the Industrial Product business, you are aware that we have a mix of domestic and export. We have a substantial amount of export business especially for products like pigments and some of the industrial speciality chemicals. Our product range is very well accepted by leading customers in both Europe and U.S. We may have got some benefit because of China impact where some of the products manufacturing there has reduced but overall we have a very good specialty chemicals portfolio and we have been working with key customers around the world and that has helped grow our industrial product business in exports.

Abneesh Roy: Sir, exports will be bigger than the domestic business in industrials?

Pradip Menon: Overall, no. Overall, it is less than domestic. But it is substantial.

Abneesh Roy: Sir, next question is one Homelane. So interior company you are putting Rs. 49 Crores, so why take stake in these kind of companies, if you want to do learning, you can do tie ups and that is what you do for your normal business wherein you tie up with the carpenters, why take equity stake. I do not understand why should a Pidilite kind of a company take a stake in Interior Design Company?

Apurva Parekh: It is not learning alone. Today, a lot of changes are happening in the marketplace. This is very strong technology enabled company and it is growing very fast and with the changes in the interior décor space, we wanted to partner with them, collaborate with them for mutual benefit. They are participating in a space with high growth. They are doing business in a little different manner and working very closely with them, collaborating them and getting a very close look at that we believe is beneficial and hence we have made a small investment, but which allows us to work with them in a close manner and not just on a transactional partnership basis.

Abneesh Roy: On your existing products, right. This helps your existing products?

Pradip Menon: Mainly for our existing products, yes. There are many other ways to collaborate like influencers, end-users etc., so there are a number of ways in which we are working together and as some of these things develop further, we will share the details, but essentially things are changing and we want to participate in this change, so this is a step in that direction. As we have said, we intent to make strategic financial investment in relevant start ups and support and collaborate with these start ups for mutual benefit. So it is a part of that strategy.

Abneesh Roy: Any amount you want to share for startup investment?

Pradip Menon: We have not allocated any particular amount, but we will be careful. As you saw, our first investment is also modest, so we will be very careful about making these investments, but we have not allocated a particular amount, but we will carefully do it as and when the right opportunities come up.

Abneesh Roy: That is all from me. Thank you.

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

Avi Mehta: Just wanted to understand a little bit on the input cost environment. As you have highlighted that VAM has been more or less stable kind of moderating at 850-900, is there any impact of or are there expected any shutdowns especially because some of the manufacturing locations are close to the province where this Coronavirus is coming in and if you could give us a sense on how the VAM environment is?

Pradip Menon: The current prices are in the range of $850 to $900 for the quarter that we are in; however, it is a fact that typically, we end up anyway having stocks for certain period i.e. for few weeks So, at this point of time, we do not see any significant change in the range of $850 to $900. Having said that, in today's world, there are so many uncertainties whether it is currency or any of the

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geopolitical risks which can emerge, so fingers crossed, we expect the current trend to continue into the following quarters.

Avi Mehta: Second bit on the demand environment, I mean, we have seen some sort of a pickup in the volume growth from the last quarter levels, while it clearly is below what we would have our medium term target. There is clearly a sense of pickup also in the Nina Percept business there is a pickup. So just wanted to understand how you would read this with the base now becoming clearer for the consumer product segment, do you believe that the growth rates should logically inch up even if demand remains stable or it is very uncertain?

Apurva Parekh: It is uncertain. I would not like to read too much into the difference in growth rate between the second quarter and third quarter, demand conditions continue to remain somewhat subdued and we remain cautiously optimistic and see how things will shape up over the next few quarters.

Avi Mehta: And with Nina Percept, you think the worst is behind?

Apurva Parekh: Nina Percept is a waterproofing services company so it also depends on a number of other factors like monsoon, availability of labour, construction-related activities. So some of these activities as we had reported earlier were very badly impacted in first and second quarters. So, that has clearly seen an improvement and some of the work which had stopped in the first and second quarters has now started in some parts of the country. In addition, we have been taking efforts to expand our customer mix, going after new customer segments like industrials and growing the commercial and infra business so broadly the customer base is also helping us get new customers and increase the business, but the first quarters for Nina Percept were badly impacted because of the external factors that we have reported earlier.

Avi Mehta: So, one of the hurdles you said is the credit, so that one you have not mentioned this time, so that is one out of the door probably?

Apurva Parekh: It is not. We cannot say that it is out of the door but what Pradip has said earlier is that we are very cautious about it and if payment becomes a problem, then we do not like to do the work, so that continues. There is no change in our stance and some amount of liquidity problems do continue.

Avi Mehta: If I may, just the ad spend, would you be able to share how was the ad spend this quarter?

Pradip Menon: In our earlier conversations, I think we have shared with you that we typically operate in a range of ad spend and that range is around 4% for the full year. There will always be quarter-on-quarter variations depending on the requirements of launches in products, etc. as we have continued to invest in our brands. So, in an environment where there is external uncertainty we have not shied away from making the right set of investments in the brands, so that continues.

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Apurva Parekh: We are consistent in terms of our spend, which is about 3.5% to 4%. What we have said is was that in the second quarter of this year we had usually higher spend because a couple of campaigns that came together. That could normalize over the next two quarters and for the full year, our spend is always in the range of 3.5% to 4% and that could continue in this year as well.

Avi Mehta: Sir, would you be able to share some number for the third quarter just so that it helps us understand the remaining trend inflation, something that you typically share?

Apurva Parekh The figure is in the same range, which is 3% to 4%.

Avi Mehta: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for taking my question. Sir, it is regarding this acquisition that you have done, so the investment is around 5% and it values the company at Rs. 1000 Crores. Sir, my question is with regards to the acquisition that you have done, which values the acquired company at around Rs. 1000-odd Crores, so would you like to give some background in terms of the financials as to what is the growth rate of the company, what is the topline that they are doing, anything more would be really helpful?

Apurva Parekh: We have not acquired the company. We have just made an investment into the company. It is operating in a space, which is very high growth so typically the growth rates of this company are very high, upwards of 100%, they have achieved good critical mass in this segment. It is in the top two players in this particular segment and growing very well. The valuation is in line with similar numbers in this field, but on the benefit for Pidilite it is not just a financial investment, it is a financial cum strategic investment and as we have said we plan to work very closely with them for mutual benefit.

Gaurav Jogani: Sir, the press release mentions that you have paid around 50-odd Crores for 5% so, hence the number I quoted?

Apurva Parekh: But there is pre-money and post money valuation. When a round is funded, this is based on the post money valuation and we have said it is over 5%, so our equity stake is a bit more than 5%.

Gaurav Jogani: Thank you Sir. That is all from me.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity. Sir, I know you do not share the numbers, but would it be possible to share some qualitative comment on demand momentum and subsegments, construction chemicals, adhesives and are they materially different from the overall average that we are showing?

Apurva Parekh: We would not like to break it up into product-wise because people may read too much into it, but overall, I would say the demand scenario was not very different across our businesses, but geographically we saw some parts of India got slower. So, for example, in West and some parts of North, the growth was lower than other parts of India, but across our product segments, it was not very significantly different. Also, in our case, our small town and rural area grew faster than urban areas.

Tejas Shah: This is largely in the B2C segments, right?

Apurva Parekh: What we call as the Consumer & Bazaar segment, yes.

Tesjas Shah: Sir, second we are hearing a lot of stress in housing project segments, especially with the new supply inventory, which is coming and that is creating a lot of stress in the total value chain in terms of demand and also in terms of rotation of money. So, we are not directly dealing with them in most of the product line, but are we seeing any stress points being shared by our channel partners on discount?

Apurva Parekh: Overall, as you know we have been talking about this that there has been some challenges in the market and some of them are related to the construction segment, and that is also one of the reasons in slowdown in growth. Nothing new or no significant change that we see as you mentioned in recent times.

Tejas Shah: So sequentially things have not deteriorated further?

Apurva Parekh: I would not like to comment whether they have deteriorated or not or how they are, we have not seen any material change and that is reflecting in our numbers.

Tejas Shah: Sure, lastly one book-keeping question, if I may, our tax rate for full year for this year and next year?

Pradip Menon: Our tax rate is slightly shy of 22% at the moment and we see the rates for the next quarter in and around 23%. On next year, we will be in a position to give you this information in the Q4 call in the month of May.

Tejas Shah: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Dipan Mehta from Excelsior Equities Private Limited. Please go ahead.

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Dipan Mehta: Sir, just wanted an overview of any products you may have launched in the adhesives side or any of the other divisions?

Apurva Parekh: As we always add new products in all our segments, so within adhesive segment also we have introduced some new adhesives for interior décor. We have introduced some new construction chemicals and coatings, so new products is a continuous process in each of our business segments. We do introduce new products from time to time. But nothing what we have introduced is a part of our core segments and is more a part of regular activity. We have introduced some new sealants, some new adhesives, new construction chemicals and coatings.

Dipan Mehta: Sir, any number you can provide to us as the new product say launched one year ago or three years ago? What is the sales contribution? Just to understand whether the sales growth whatever is coming, is it coming from product launched several decades ago or the contribution of all the efforts to launch new products has also driven sales and going forward that is the trend?

Apurva Parekh: In our case, the products introduced in the last one year will not have a significant impact, because in our category the gestation periods are longer. In our category, people are used to a particular product and to upgrade or to adopt to new products takes time. So, the gestation periods are longer and I can tell you that the products introduced in the last one year will not have a significant impact. It is not that all the sale happening from products which were launched decades ago. We continuously introduce new products, we refresh old products, so significant sales will come from products which have been launched in the last five to seven years, but generally, we would not like to share the figures, because it again confuses things because some of the products maybe overlapping or replacing an existing product. In the case of Pidilite, as we have reported and shared the number of examples, we regularly introduce new products both in terms of premiumization as well as some of the new usages.

Dipan Mehta: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Thank you for the opportunity. Sir, my first question is related to our exceptional losses, what we made in Q2. Sir, just wanted to know are we booked all impairment losses from the elastomer project or is there anything remains in the coming quarters?

Pradip Menon: I think we had updated in the last call of where we see the realization in terms of the impairment and there is no change at this moment. We continue to look at opportunities on realization of the values that are there in the books and that is where we are. There is no change in position at the end of the quarter.

Hitesh Taunk: Now my second question is pertaining to our ICA Pidilite. The number while other subsidiaries performance have remained subdued, for various reasons our performance in ICA Pidilite has remained very strong. So, is it because of just a lower base or are you looking at a very strong growth or demand in the segment. Can you throw some light a bit understanding on that segment?

Pradip Menon : I think there are two parts to ICA Pidilite. I think one is that we used to import products and there is an angle of profitability also in this company. We have now switched to local manufacturing and there is a substantial impact on profitability and that is why you see the profitability significantly moving up. The result of that is a quicker response to market requirements and that does have an impact on the topline; however, the segment is exposed to demand which is linked to real estate in some cases, though not directly, so those conditions remain. They have had a reasonable growth in the current quarter and we see a similar trend as we speak.

Hitesh Taunk: Thank you for the answers.

Moderator: Thank you. The next question is from the line of Arun Vaidh from BOB Capital Markets Limited. Please go ahead.

Arun Vaidh: Sir, my question was, if I look at nine months, our volume growth in C&B business is about 2.6%. Typically, we used to always say that we will grow at x rate of the GDP, is there something a mismatch now we are seeing there?

Apurva Parekh: Yes, we are saying that the market conditions have not been very favourable and that has had an impact on growth. That has happened since the last few quarters.

Arun Vaidh: Sir is this a new norm like GDP we always used to look at multiple of GDP, but what I am seeing in the last nine months from a number perspective 2.6%, so what I am trying to understand is has the norm changed or this is just one off?

Apurva Parekh: The norm has not changed but currently we are seeing a challenging market environment like many other companies. So, that has had an impact on the growth; however, we continue to take initiatives so that we revert back to our growth rate of around 15% in value terms.

Arun Vaidh: Sir, personally what do you expect? This can happen in the next three, four quarters? Do you think that is possible or it is going to be much longer?

Apurva Parekh: It is very, very difficult to say on what will happen, and when the macroeconomic conditions will improve, so we would not like to comment on it as has been our policy. We would like to continue to work on the fundamentals, we would like to continue to work on our initiatives and we believe that the things should improve. So, as we said, earlier we are cautiously optimistic that things should start improving from next year and should help us improve the growth rates.

Arun Vaidh: Thank you Sir.

Moderator: Thank you. The next question is from the line of Bismith Nayak from RW Advisors. Please go ahead.

Bismith Nayak: Thanks for the opportunity. Sir, of the new categories and collaboration, like WD-40 CIPY, ICA Pidilite and such, which one has the highest opportunity size in India?

Apurva Parekh: All of them have very good opportunities. Nina Percept, CIPY, have good size already and they have very good potential in India, so I would not like to compare one against the other. WD-40 is a smaller business; however, here it is more like a consumer and smaller craftsman business. All of them have a good growth runway ahead.

Bismith Nayak: So, what I am trying to understand is which of them could be the next Dr. Fixit or Fevicol or something like that?

Apurva Parekh: Dr. Fixit and Fevicol are very, very large brands. So, I do not want to say which one of them would be the next in that category. They still have a long way to go before they can be the next Dr. Fixit or Fevicol, so we do not work or plan in that manner, but we believe that all three of them have very good potential though Nina Percept already have a runway of Rs 300-400 Crores in size, so fairly sizable. So, in terms of size that is the largest business. CIPY also has a good size.

Bismith Nayak: Sir, one last question, would you indicate to share the total opportunity size and expected growth rate of construction, paint chemicals?

Apurva Parekh: As we said, this is a kind of category which would grow upwards of two times GDP growth, so that is the kind of growth possible in this category but the last couple of years, the market conditions have been a bit different, some segments like this have been impacted more than others. So, overall in terms of construction chemicals, we believe both in terms of the consumption as well as penetration, there is a lot of headroom to grow. So, the growth rate should be higher than two times GDP but in short-to-medium-term that growth rate may be impacted because of the overall macroeconomic situation.

Bismith Nayak: Regarding our international subsidiaries, what we have seen over a period of time, historically that America and Middle East have not done as well as those closer to our home, so is the international strategy same for them or are we planning to change them in some time in the future?

Apurva Parekh: The strategy is different largely for SAARC, the countries near India like Bangladesh, Sri Lanka and Nepal are focused markets. Those markets are very similar to India, so our focus is much more on that. We have manufacturing facilities in those countries. Those countries have a lot of other dynamics, which are similar to India. In case of Middle East, we have two business, one is an export of our core products to Middle East and that business has been doing well. In many of the products we are market leaders in Middle East countries; however, our construction chemicals business in Middle East was a bit impacted because of the local slowdown and some of the other factors. In the Middle East, our core business has been doing well. Our focus is now much more on emerging markets which is Middle East, Africa and SAARC. USA is a different situation. While we have a good business in the US, it is no longer a focus market for us.

Bismith Nayak: Thanks Sir. That is all from my side. Thank you.

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

Jay Doshi: Thank you for the opportunity. Just one quick question, how big is the unorganized market in the core adhesives category and do you have products or are you planning to launch products to capture the lower end of the market? First of all is there an opportunity and if so then does it fit, align with your strategy?

Apurva Parekh: Overall, if you look at white glue market, the premium category maybe around 60% of the market, then there is you know what they call economy and popular segment and then comes absolutely unorganized. So, the premium market could be around 60% to 65% of the market and 35% is the popular, economy and unorganized. We have a set of products for popular and economy segments, we have fairly good presence in those markets, but our market share and presence is much stronger in the premium segment.

Jai Doshi: So, my reading is that there is not a big opportunity out there at the lower end in terms of price point that you are left unattended?

Apurva Parekh: As I said, our market shares are higher in premium, so in the lower end of the segment, also we have an opportunity to grow. So there is an opportunity to grow in terms of scale but our focus is still much higher on the premium end of the segment. Even within the popular and economy segment, we have a very good offering and we also are taking initiatives and steps to grow our presence in that; however, our focus continues to remain on the premium segment and to introduce new value-added products and to upgrade the users.

Jai Doshi: That is helpful. Second is can you share some more light on HomeLane? What do they do? What will be Pidilite's role there? Is it purely as a strategic investor or you will work, I know you spoke about it a little bit earlier in the call, but because it looks very interesting and there are quite a few well respected venture capital funds who have also invested in the name?

Apurva Parekh: HomeLane was started by a very good entrepreneur and it is backed by leading private equity players and they have built a fairly good business in short period of time. They are a tech-enabled interior décor company. So, they do interior décor for houses by using technology in an effective manner. They have experienced centres where consumers can go and see the interior décor and then they can work with them to get it done. They manufacture furniture and do other interior related items. So, essentially, for Pidilite, interior décor is an area of significant interest and as interior décor evolves, it is important for us to also participate in that segment. So, here we have made an investment with them and then we are working with them for a number of initiatives where we collaborate for mutual benefit. As this takes a greater shape we will share more details, but it is a good company, growing well, and it is creating a space for itself.

Jai Doshi: Are there similar companies globally that have scaled up meaningfully and become sizable player in any other markets?

Apurva Parekh: A number of companies have scaled up. Globally, I am not fully aware, but there must be. Indian interior décor and habits are very different, so I do not have full information on the global market, but in India a couple of players have scaled up very well. There is another player called LivSpace and couple of other players who are doing well in this space. HomeLane is one of the leading players in this segment and it is possibly the fastest growing player in this space.

Jai Doshi: That is helpful. Thank you so much. Good luck for the coming quarter.

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

Avi Mehta: Just a clarification 3.5%-4% of sales for ad spends is for the year, right Sir?

Apurva Parekh: Yes, that is for the year, but quarter-to-quarter it can change.

Avi Mehta: Fair enough and second Sir, as you highlighted the demand is uncertain and you said we remain focused on volume growth just want to understand in an environment where you gauge that price adjustments will not drive growth. It would be fair to look at this as a long wait to recover the time it takes is what will define the volume growth or they looking at some initiatives to what are you, I just wanted to understand your thought process Sir?

Apurva Parekh: Avi, as I said earlier, in some of the product categories we have made price adjustments so in most of our leading products in one of the last three quarters we have done some price adjustment, not in all. But in many of our leading products we have done some kind of price adjustment. What I am trying to say just we are very careful and we are very judicious about it and we do price adjustments where we believe is absolutely necessary and we will do even more of it if necessary, but just cutting price automatically does not result into volume gain. There is a slowdown in consumption so we are very careful about it but we have definitely done price adjustment in product category where it was necessary and we will do more of it if we believe that would aid in volume growth.

Pradip Menon: I just want to chip into what Apurva is saying, we are looking at growing our rural markets faster and that we are seeing some traction there so that we see as an opportunity. It is also a fact that while we have deep penetration in many of states in India, there are pockets where we can improve our distribution and reach and that is also an action we are doing. We continue to invest behind our brand and behind our distribution and people so all of these factors we believe will put us in a good space when there is some of recovery in the market.

Avi Mehta: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investment. Please go ahead.

Hiten Boricha: Good evening Sir. Sir you have mentioned that margin improvement is mainly because of the raw material cost? So are these margins sustainable for next year?

Apurva Parekh: Margins depend on a number of factors, largely the raw material is first , the raw material prices can fluctuate a lot, it can go up or it can go further down so it is very difficult to predict this and as you must have seen over the last several quarters that the raw material prices and margins have fluctuated a lot so it is very difficult whether it will sustain or not, it depends on number of external factors.

Hiten Boricha: So any outlook from the current quarter like what according to the present raw material prices?

Apurva Parekh: We would not like to give any outlook but you can look at the trend and you can guess based on that but we not like to give an outlook because it depends on number of factors.

Hiten Boricha: Thank you Sir.

Moderator: Thank you. The next question is from the line of Raghav from Axis Capital. Please go ahead.

Raghav: Thanks for the opportunity. One small question, on Nina Percept, Bangladesh, so any expectation you could share on this?

Apurva Parekh: No. There is no expectation. There is some business that has come up there so they formed a subsidiary to facilitate getting that order and executing that order, but there is no significant expectation or anything like that we would like to share. It is a normal course to expand their business activities to surrounding countries.

Raghav: Thank you very much.

Moderator: Thank you. The next question is from the line of Nawaz Sarfaraz from Dalal & Broacha Portfolio Managers. Please go ahead.

Nawaz Sarfaraz: Thanks a lot just one question. You mentioned that currently in a premium segment the organized market stands at around 60% to 65% so over the next few years where do you it going up to?

Apurva Parekh: It is difficult to say where it will go to, but expect the premium segment will remain large and it may improve from the current levels. We see a number of products where premiumization is happening and we are aiding that. We have introduced a number of premium products like Fevicol Marine, Fevicol Hiper, Fevicol HeatX so what we are doing as a company is introducing several value-added premium products to premiumise the market and increase the share of the premium products.

Nawaz Sarfaraz: Can you give us some idea how it is moved over the last three or five years?

Apurva Parekh: There are no published data. So I would not like to quote something. The market has moved up steadily.

Nawaz Sarfaraz: What would be the price difference between premium player product versus an organized player product and non-organized players product in the premium segment?

Apurva Parekh: It is a substantial price difference between premium, popular economy and unorganized. It would take a long conversation to explain all that that but there is substantial price difference at each stage.

Nawaz Sarfaraz: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Srinath V from Bellwether Capital Private Limited. Please go ahead.

Srinath V: I just wanted to find out what is the opportunity in the tile adhesives market and what would be the kind of benefit tile adhesives have over cement and sand and if you could provide kind of just a broad overview on this space and what is the basic USP for migrating from cement and sand to tile adhesive?

Apurva Parekh: Again, this would require a long conversation to really explain all the dynamics of tile adhesives. Just on tile adhesive, the benefits are many compared to cement in terms of how we use, we can separately send you a video of our advertisement which will explain various benefits of the products over cement but increasingly the market is moving from cement to tile adhesive. For a number of applications, as bigger tiles come in, vertical tiling applications come in, the usage of this product is going up and the market is expanding across India. For us also, this is an important segment, it is one of our fastest growing categories but we cannot share the products wise sales for this particular product category.

Srinath V: Not our sale but would there be kind of industry opportunity size in product like this?

Apurva Parekh: Again I do not have the market size figures but it is a fast growing category and it is likely to be fairly large in size but I do not have the exact figure available with us right now, if you want we can separately send it to you.

Srinath V: Just one last question just wanted to understand the impact of readymade furniture to our wood adhesive business how does this affect our business?

Apurva Parekh: Readymade furniture is not a new trend. Readymade furniture have been there for a very long period of time. So readymade furniture and custom-made furniture both have been coexisting for over 30-40 years and we also have a business which manufactures adhesives for joineries so we are also a market leader in that particular segment.

Srinath V: Is readymade furniture actually gaining significant share, is there something like that where you can see from your standpoint?

Apurva Parekh: No we do not see that.

Srinath V: Thank you Sir.

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

Pradip Menon: I just want to thank you all for joining the call and look forward to interacting with you during the quarter and next quarterly call that we will join together. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(*This document has been edited for readability purposes*)