15th November, 2021

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Sub: Transcript of the Earnings Call

Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 11th November, 2021.

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

Kindly take the same on records.

Thanking You,

Yours faithfully,

For Pidilite Industries Limited

Manisha Shetty
Additional Company Secretary

Encl: as above

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“Pidilite Industries Limited
Q2 FY2022 Earnings Conference Call”

November 11, 2021

ANALYST:	**MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED**
MANAGEMENT:	**MR. BHARAT PURI – MANAGING 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 Q2 FY2022 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Percy Panthaki from IIFL Securities. Thank you and over to you!

Percy Panthaki: Hi good evening everyone. Thanks for joining into this call. Pidilite has reported a very strong sales growth as markets have opened up post COVID and in this relatively very high-cost inflation environment they have managed their margins also very well. Without further ado I would like to pass on the call to Mr. Bharat Puri. From the management side, we have Mr. Bharat Puri, Managing Director and Mr. Pradip Menon, CFO so they will take you through the results highlights and then we will open up for Q&A. Over to you Sir!

Pradip Menon: Many thanks Percy. Good evening everyone. I will start with an opening set of commentary from our side and then we can open up for Q&A. Strong sales volume and value growth was recorded as the business witnessed improved consumer demand environment due to accelerated vaccination, reduced COVID infection and increased mobility. Growth was broad-based across Consumer and Bazaar and B2B segments, as well as urban and rural geographies. Consumer and Bazaar reported growth across all categories such as adhesives, construction chemicals, and DIY portfolio. B2B growth led by continued momentum in industrial activities.

I will begin with a summary of the financial performance for the quarter and half year ended September 30, 2021. On consolidated basis, net sales at Rs.2,613 Crores for the quarter grew by 41%, excluding the newly acquired Huntsman subsidiary PAPL it grew by 33%. This was led by 39.5% growth in C&B segment and 41.2% growth in B2B segment. Gross margins have contracted on account of sharp escalation and volatility in input cost. Material cost as a percentage to net sales is higher by 1,027 basis points versus the same quarter last year and 375 basis points versus sequential quarter. Moderated price increases as well as sharp focus on operational efficiency has helped us to maintain EBITDA margins in our historic range. EDITDA before non-operating income at Rs.550 Crores grew by 7% over the same quarter last year. EBITDA for the half year ended stood at Rs.907 Crores and grew by 56% over the same period last year. On a like-to-like basis EBITDA in Q2 declined by 2% and grew by 44% for the half year. Profit before tax and exceptional items at Rs.492 Crores grew by 3% over the same quarter last year. PBT for the half year ended stood at Rs.781 Crores and grew by 53% over the same period last year.

Moving on to standalone financial performance, standalone net sales at Rs.2,200 Crores grew by 36% over the same quarter last year with underlying sales volume and mix growth of 25%. This was driven by 25% sales and volume mix in Consumer and Bazaar segment and over 20%

growth in sales and volume mix of B2B. Our key raw material Vinyl Acetate Monomer procurement rates have increased over the month from $930 per metric ton in previous year fiscal to $2,000 per metric ton in April. Temporary softening in VAM procurement rates were observed between July to August 2021 with a price range between $1,600 to $1,750 per metric ton, still much higher than our previous fiscal year. Current rates are at increased level of $2,300 to $2400 per metric ton. Q2 VAM consumption rates were at $2,071 metric ton as against Q2 FY2021 that is last year of $840 per metric ton and Q1 FY2022 which is the previous quarter which was $1,610 per metric ton. Material cost as a percentage to net sales for the quarter is higher by 1,102 basis points over the same quarter last year and 372 basis points versus sequential quarter. EBITDA before non-operating income at Rs.479 Crores grew by 1% over the same quarter last year. EBITDA for the half year stood at Rs.787 Crores and grew by 38% over the same period last year. PBT at Rs.442 Crores declined by 3% over the same quarter last year and again for the half year it was Rs.797 Crores grew by 50% over the last year. About subsidiary performance, overseas subsidiaries modest revenue growth in Asia on the back of lockdown restrictions in many countries, margins impacted on account of input cost inflation and America's revenue declined on a higher previous year base. During the previous year sales were higher on account of pent-up demand as well as benefits passed by the government to consumers during COVID. Domestic subsidiaries in Consumer and Bazaar business returned to double digit growth led by higher sales in premium products. Subsidiaries in B2B business has improved sequentially on account of recovering real estate and construction related activity; however, margin recovery will take longer due to unabated commodity inflation. Pidilite Adhesives Private Limited achieved sales of 135.5 Crores for the quarter with EBITDA margin of 34.9% compared to previous quarter margins have improved by 3.9% on account of price increases to mitigate persistent steep inflation in input cost. We have also started selling, distributing Araldite in rural areas using the benefit of wide Pidilite distribution network. Unabated commodity inflation and supply availability remains a significant challenge and would require continued focus. Going forward we remain cautiously optimistic on continuing robust demand conditions. Our focus remains on driving consistent profitable volume growth to investment in our brands, supply chain and people. With that we come to the opening section of the discussion and I now hand it over back to the host for opening for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Just had one question on essentially trying to understand the pricing change and the impact on gross margin. You highlighted that VAM has increased further from Q2 but I would assume that 10% realization in growth that we are witnessing some of it will continue to flow through so could you help us understand how to look at gross margins as we go forward?

Pradip Menon: As we have said in earlier calls as well Avi that what we have seen a really unprecedented situation, the prices are not just 20%-30% it is like 2.5 times last year's prices so obviously in terms of pricing actions we have to take calibrated price increases and in a sensible manner so that demand does not get impacted so we have continued to do that over the last almost eight to nine months and what you are seeing in the current quarter is the result of those actions. Obviously, we have also been cautious on the way we manage our costs and the fact that we have the momentum on demand is also helping in overall managing the EBITDA margins. As you also know that our intent is to manage the overall margins in the range of 20% to 24% and therefore whatever action is required to ensure that range is maintained will be done. What we have done in the first half of this fiscal is broadly cover about 70% of inflation through pricing and as we see further increases coming, this is not just VAM, we just highlighted VAM as an example, but we have got input cost increases across the range of raw materials, we are also seeing significant increase in freight, all of these will need to be factored in while doing the pricing, we just briefly talked about the recently acquired subsidiary PAPL where again there is a huge amount of inflation coming through on account of epoxy so we are doing the pricing category-by-category, product–by-product with the intention to make sure that we pass on pricing in reasonable chunks without impacting the demand and overall cover at least 75% of inflation and we are planning pricing in the markets or products going forward as well if this trend continues.

Bharat Puri: The basic stance remains that we will be conservative on pricing, we will take a hard look, pass off only 70%-75% and wait, manage margin actively because we believe that passing on all price is also dampener on demand.

Avi Mehta: The way I should look at it is, if the focus would be on sustaining the demand and meeting the margin in the 20% to 24% range more at the lower end, is that a fair understanding?

Bharat Puri: In the current situation yes, it depends on how prices moderate because it is also our belief that a large part of this is due to supply chain disruptions and not due to intrinsic demand having shot up so we do believe it may take three, six or nine months before everything evens out. But we do at least in the current circumstances presume that, there is more than adequate capacity and therefore these kinds of rates will only sustain if lot of this capacity was to go off permanently.

Avi Mehta: You said about three to six months that is on input inflation coming off, right?

Bharat Puri: Yes. I would say more six rather than three.

Avi Mehta: Okay Sir I will come back in queue for any questions. Thank you very much Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks and congrats on a very good set of numbers. My first question is on PAPL when I compare a normal quarter Q4 to Q2 the sales have increased from 109 Crores to 135 Crores, which is a good growth, so want to understand if this largely price led, you also mentioned good scale up and rural areas you have expanded so how is the current scale up if I say total opportunity say 100 where are we in terms of reaching out to more distribution, more rural area and second when I see the margins, it is fairly stable in PAPL, it is broadly 34% margin, so fairly stable so would it be fair to say that here clearly pricing power is much higher and so it is basically cross subsidizing some of the other segments?

Bharat Puri: See absolutely not cross subsidizing any of the segments, basically here the price increase has happened earlier and then has not continued to go up in fact they have gone up in the last one month but otherwise they have not and therefore the margin is a lot more stable whereas given our large mix in the other places there has been a lot more volatility in epoxy, epoxy resin and the number of raw materials is limited. Having said that I would say the pricing power is probably the same between our strong brand in the core Pidilite business or Araldite. As far as scope for growth is concerned while I won't put a percentage for it, we still believe that we still have got a long runway for growth in terms of using the Pidilite sales and marketing muscle to take it to the next level. We have just started in some states, but we believe that we would treat Araldite as a growth category and not as a core category though it is a leader, it has more than 50% market share the kind of growth rates we would want from it and push from it will be more what we look at from growth categories rather than from core categories.

Abneesh Roy: Sure that is useful. My second question is on your manufacturing capability currently you have got 26 domestic plants and 30 co-makers, you are also putting up 12 new projects in India, if I compare your capacity expansion in past few years versus Asian Paints, Asian Paints has been a bit more aggressive in terms of creating a new capacity maybe because of tax benefits, etc. Is there any change in your thought processes next three to five years create more capacity upfront because your demand clearly is good and we are seeing real estate recovery so we could discuss in terms of capacity augmentation what is the plan next three to five years, in the past you have said 4%-6% of sales in capex any change to that number?

Bharat Puri: Again, my advice to you Abneesh would be do not look at Asian Paints as one-to-one because Asian Paints is 90% paints, in our case we are across at least minimum of 25 verticals, each of which has a distinct product line with distinct production facilities and therefore the capex per tonne and the way we look at it is very different. I would say from a capacity perspective our utilization of capacity vis-à-vis Asian Paints will be plus or minus 5%, it is not that we are at 90% capacity and they are 60%, we are at similar level. We have drawn up our plans for the next five years which is why we have all this plant expansion, and you will see some more. Our capex again, as we are going forward and the growth improves, it may go from 4% to 6%. We don't see it changing substantially.

Abneesh Roy: If I see your gross margins 1,000 bps so whenever we see such a sharp inflation in raw material in consumption, we see local and unorganized players lose market share so if we could discuss across different segments how much is opportunity, do you see good gains happening and have they also taken similar price hikes because for them it becomes very difficult to manage the working capital and limited pricing power?

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Bharat Puri: There is no doubt about the fact that we are gaining market share in situations like this, this is for two reasons. One is obviously our ability to manage supplies and manage prices, from a leverage point of view is far higher than theirs and therefore in a lot of cases they tend to struggle and they will always have to follow our price, they cannot precede our price and therefore I would definitely believe that actually, over the whole COVID period we have consistently kept gaining share, very difficult to put it in percentage points but I would say at an overall level we would have gained market share in most of our core segments and in our growth categories largely from the unorganized/small/ regional players.

Abneesh Roy: Okay that is very helpful that is all from me. Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Institutional Equities. Please go ahead.

Krishnan S: Congratulations on a great set of numbers. Bharat my question is on the pioneer categories, we understand from various companies that scale up in the newer businesses has been affected by the volatile environment, could you just highlight the progress on brands like Cipy, on Roff, Tenax and Grupo Puma, anywhere that has scaled up satisfactorily and where are we like?

Bharat Puri: See there are two things actually. So, I will first separate the two where it is B2C Roff, Tenax, Grupo Puma these are more B2C whereas in B2B which is Cipy and Nina Percept it is different, the scale up has been more difficult in B2B largely because B2B has taken a lot more time to come back and it is only now that we have had one quarter and hopefully more quarters of normalcy. What is however got impacted in some of the pioneer categories like Roff or like Litokol actually is, your capital plan because of all of the delays around COVID, then shipping, etc., a lot of our projects are running three to four months late because of factors completely outside our control but from a sales perspective we are still continuing the scale up. For example if you look at Litokol we have now tested across two large markets, established a success model, we have now got permission for our plant and the plant construction is started so it has got a little delayed as a result of COVID. From a sales perspective we are making great progress. I think as more distributed manufacturing happens this will obviously improve sales and margins further and that is in process that has got little delayed because of largely COVID and then shipping related supply chain disruption across the world.

Krishnan S: Okay understood thanks.

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

Jaykumar Doshi: My first question is on Other Expenses. If I look at your other expenses in this quarter it is almost flat as compared to September 2019 quarter while on two-year CAGR your volume growth would be like more like 14%-15% and there is Araldite acquisition also that you have done so, want to understand what are the steps you have taken other than A&P cuts, which are understandable that you have taken and what should we think as normalized run rate of Other Expenses?

Pradip Menon: When you look at Other Expenses there are some components which actually vary with volume for example certain expenses such as power, fuel there is a variation with the production and the volume that we operate in but then there are certain other expenses like travel, certain fixed costs where things do not necessarily vary with the kind of volumes that you are talking about. So, travel is the classic one where of course over a two-year period there has been number of actions that we have taken in terms of digital connect with end users, some of those elements we are seeing coming through. The sustainability of this while we are seeing this in Q2 or in Q1 there were still certain restrictions on travel and so on and so forth so how much of that will really sustain going forward is difficult to even gather or model but suffice to say that there are some benefits which are creeping in because of the fact that certain fixed costs are not going to expand in the same proportion as the volume and that scale benefits or productivity benefits is what you are seeing coming through, again very difficult to model some of these things.

Jaykumar Doshi: Understood and would you be able to give some color in terms of what are the savings in terms of A&P spends or where it was as a percentage of sales normally it is in 3% to 4% range

Pradip Menon: Typically, we operate in that range, it varies in one quarter versus another. Suffice to say that as far as this quarter is concerned, we have operated in terms of absolute spend, higher than last year in terms of growth and maybe in similar lines as topline, we have invested in our A&SP, but as a percentage of revenue it has not really moved significantly higher so that we will decide depending on how the various inflation situation comes. So to answer your question A&SPs grown in proportion to sales versus last year but in terms of the percentage of revenue not a significant movement versus last year.

Bharat Puri: What we also do is we do not manage A&SP on a quarter wise basis. You would see it based on for example, construction seasons, marriage season so on and normally we also tend to avoid as much as possible advertising in the one month before Diwali because that is seemingly the most crowded media environment so over a period of time actually as we speak in Q3, etc., you may see some new campaigns from us, which are part of the plan because normally we find post Diwali actually new construction, etc., season boom and that is a far better time to advertise than during the festive season.

Jaykumar Doshi: Normally if you look at historically your other expenses has been in the range of 18%-19% of sales, now this quarter it is 14% and I can understand that A&P cannot give you more than 100 basis point leverage, travel cannot give you more than 50-70 basis point leverage so there is a good 200 bps or 250 bps of cost savings that you have managed, which is very impressive, part of it could be operating leverage in some of the fixed costs that do not change much but the idea of asking this question is have you taken some hard decisions, which has reduced your cost structure from a structural perspective and when environment normalizes would you settle at lower Other Expenses as a percentage of sales?

Bharat Puri: I would say mix of both, very difficult to say.

Pradip Menon: As I explained upfront, I think there is a very big impact of the volume leverage you get in the P&L. Like if your volumes are growing or your values are growing by 35% some of these costs do not grow in the same proportion other than power, fuel and some of those variable kind of expenses like freight so what we are seeing here is partly coming from the fact that we are able to do the same sales with similar spend like travel and so on and so forth and in other cases it is simply the fact that you are getting more benefit of the larger value. Not that we are doing a deep cut in cost or structurally we are changing the costs so that will be the answer to your question.

Jaykumar Doshi: Understood thanks and a quick question if I may on demand, see we tend to compare Pidilite's growth, volume growth as well as revenue growth with paint companies for the lack of other comparable peers and my understanding is that in a good real estate cycle some of the categories that you operate in, benefits from new construction whereas paint as an industry depends more on repainting and after many quarters for the first time we are seeing that on a two-year CAGR basis your growth is almost matching up with the category leader in case of decorative paints so from here on as we think about the next two to three quarters do you think we are at a point where new construction is driving or is demand from that side of that segment is fairly healthy and your growth rate should actuate the category, is that a way to think about it?

Bharat Puri: I would advise you not to think about in that way for two reasons -one is Paints, as you have rightly said more than two thirds of the demand comes out of repainting rather than our fresh construction, we have a little greater multiplier from fresh constructions. The other thing is we go across broader spectrum than paints and therefore we do not tend to compare ourselves with paints. If you look at the paint companies over the last four quarters and you take out the volume that in a sense, they have bought putties and low-price products and frankly on premium products our sales we do not operate in those segments at all in our part on the market, largely because we find those largely commodity segments. I think that while I know that there are no easy comparators of Pidilite largely because of its pioneer nature I think comparing us with Paint is in many ways a disadvantage to both depending on the kind of quarter it is.

Jaykumar Doshi: Understood but do you see a better outlook for fresh construction cycle and associated businesses than what you have seen in the past 2, 3, 4 years?

Bharat Puri: There is no doubt about the fact that organized real estate has picked up in the last six months and specifically in the last three. With individual housing start with what we call IHB independent housing units will they also pick up the next three to six months, we will see but it does appear that the consumer is focused on home and getting the home to be a) upgraded, b) renovated seems to be greater than it was prior to COVID.

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Jaykumar Doshi: That is helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Just one quick question from the previous participant on the construction business you said. If I extend the thought, are you really witnessing on ground, I am not saying per se what is the growth in the month of October and early part of November but are you seeing these factors are panning out for your business especially into B2B part of the business?

Bharat Puri: Yes, but too early to say, lot of this will get clear in the next three to six months on whether it is a longer-term secular trend and also remember a fair amount of pent-up demand as things have opened whether it will be tourism and therefore hotels and restaurants, shopping malls and shops in shopping malls there has been a fair amount of pent-up demand that is also got fulfilled so it will be good to see whether the new construction continues in the same rate over the next six months.

Shirish Pardeshi: My second and last question, if I take a cue from the Q2 number there is a large amount of volume led growth which has come and you said that our demand has been very, very cautious and that is why you are not aggressively taking price increase that could be a good strategy but is that understanding correct that, at this point of time the primary focus of the company is more on the volume led growth than maybe later on if demand stabilizes we will take price increase or whatever price increase will happen is yet to get implemented and seen from effect of the P&L?

Bharat Puri: We have always maintained that our focus is profitable volume led growth. We want to operate within our margin bands as an organization but focus strongly on volume growth because we are leaders in pretty much most of the categories, we operate in then the thing that sticks the best is our ability to grow volume aggressively because that in a sense helps us create categories and gives us greater leverage. The fact if you look at this over a longer 10-year period and you see the improvement in our operating margins one of the reasons is because the volume that the leverage we now have is far greater than we had five years back and far greater than we had 10 years back.

Shirish Pardeshi: Okay on the waterproofing and construction chemical business. Although what we found from the trend, that over last five, six quarters growing fast but would you provide some qualitative comment why such a large growth higher of 40%-50% we are witnessing in the industry, is that purely because of the old construction coming up for refurbishment or is it because the new demand which is really driving?

Bharat Puri: There are two things happening - one is traditionally the quality of construction in India has been poor and there has been little or no waterproofing. The fact even now is in independent housing it is only about 4/10 homes that do any form of formal waterproofing and if you look at waterproofing vis-a-vis for example paint vis-à-vis other developing markets I am not talking of the US and the UK but I am talking of the Thailand and Brazil, our waterproofing market is much, much smaller, which is why also you have so many people rushing to get into waterproofing because everybody believes there is a scope rightly so. The fact of the matter is that yes there is a large runway for growth but whenever you have to create categories you have to do three things you have to a) educate the consumer, b) you have to create a brand and c) provide service and over the period whoever does that work best is going to continue to win and hopefully we will continue to do that.

Shirish Pardeshi: I completely agree. Thank you and all the best to you.

Moderator: Thank you. I would now like to hand the conference back to the management for closing comments.

Pradip Menon: So, I just wanted to thank everybody for joining the call and on behalf of the company and management just wanted to convey all the best wishes for the year ahead and belated Diwali greetings.

Bharat Puri: Firstly, thank you all for being here and very happy Diwali also to everybody on the call. I thought I will just spend two minutes mentioning we spend a lot of time on the hard numbers and what is behind the numbers. I like to spend five minutes on why we also believe in Pidilite, we have momentum. The work that we have done for example in digital, the work that we have done in rural/emerging markets, the investment that we have made obviously in supply chain and finally the way we have managed the whole culture and people agenda. There are lot of steps and I am obviously not going to go into each of these but one of the reasons why we believe as an organization we have momentum is that we are spending a lot more time strengthening the enablers and not just the numbers and therefore when we take step back whether it be the investment in supply chain, it be the investment in digital, there is probably a one-hour presentation that we can do for you in digital, which is about how it is now carpenters, plumbers, masons who are all digitally connected with us, they are actually now being educated digitally, dealers we have now got over 100,000 dealers actually ordering on our Pidilite Genie app, which does not involve either salesman or anybody. The extent of our distributor computerization is now pretty much complete amongst large amounts of the population and therefore it is auto-replenishment, cultural piece around an organization that is a great place to work for which we have been voted now on a regular basis. So, there is a lot more happening beneath the surface in the enabler, which we are focusing on which continuously keep strengthening us and hopefully not directly but actually enables the numbers lot more and at any point in time I would be happy to answer any questions or any observations on that.

Percy Panthaki: Couple of questions from my side, couple of data points actually, what is the quantum of price increase in Q2 this year versus Q2 last year?

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Pradip Menon: It is a sort of a difficult question to answer because it varies by category and by product so suffice to say that broadly we are covering up 70% of the inflation with the pricing that you see that really vary and we have been taking pricing some of the B2B categories for example the pricing has been almost 100% inflation whereas in the case of some of the Consumer and Bazaar business in more proportion of the private.

Percy Panthaki: What I am trying to do is just get 40% Y-o-Y growth I just want to understand how much of it would be volume?

Pradip Menon: Okay that is clear enough so if you look at what we have published, we have published a set of numbers when you said year-on-year the growth is essentially about 35% and the average volume growth sitting inside that is 25%.

Bharat Puri: That is standalone, probably the same proportion would exist on the consolidated basis also.

Percy Panthaki: Understood and one more question I know there was already a question about capex but if you could just give guidance as to in terms of Rs Crores how much of capex you would be doing in FY2022 and FY2023?

Pradip Menon: Last year we spent close to almost 400 Crores as a company on capex and that is similar set of numbers that we would expect. Again as we said all the time it varies typically somewhere between 4% to 6% of revenue so that is the kind of number you can expect.

Percy Panthaki: Okay and one more in terms of growth that you have witnessed, and this is not just this quarter but even let us say in normal times, over the last five years or so, how much difference would you have in between your growth in the last let us say the top 20 cities versus rest of India is there a big difference in the growth or it is almost at the same level?

Bharat Puri: I would say over the last three years or so the growth in the small towns and rural would probably be one and a half times that of the last years.

Percy Panthaki: And this is just because you are actually penetrating those areas and getting the growth from there and that is what is driving the growth?

Bharat Puri: Penetrating more importantly in our categories, we have actually ever since we created this division called emerging India, which also has a whole demand generating sales force, when you have done that automatically the growth rates have gone up because you are doing a lot more work on users and consumers now in these towns which you were not doing earlier, it is not only distribution penetration it is also obviously consumer penetration.

Percy Panthaki: Right and how much is the revenue split between these two your top 20 towns versus rest of India what would be the revenues split currently?

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Bharat Puri: I would not go to top 20, what we define as rural versus rest of India. Rural India tends to be close to 30% rural and small towns India tends to be 30%; 70% is the rest of India but it is not 20 towns that would probably be the top I presume 50 or 60 towns.

Percy Panthaki: Okay understood that is all from me.

Moderator: Thank you very much. Ladies and gentlemen on behalf of IIFL Securities Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

(This document has been edited to improve readability)