



“Pidilite Industries Q3-FY12 Earnings Conference Call”

February 6, 2011



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Moderator: Ladies and gentlemen good day and welcome to the Pidilite Industries Q3FY12 post results conference call hosted by IIFL Capital. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch tone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. J. Radhakrishnan, Thank you and over to you sir

J. Radhakrishnan: Thank you Vinita. Good afternoon ladies and gentleman. On behalf of IIFL Institutional Equities, I would like to welcome you all for the third quarter FY12 earnings conference call of Pidilite Industries. From the management, we have with us Mr. Sandeep Batra, Director Finance of Pidilite Industries. I would now like to hand over the floor to Mr. Batra for his opening remarks. Over to you sir.

Sandeep Batra: Thank you Mr. Radhakrishnan and good afternoon to all the participants on the call. Thank you very much for your interest in Pidilite and I will start by giving you executive summary of the performance of the company for the quarter ended December.

As far as the standalone performance goes net sales grew by 16.3% over the same quarter last year. This growth was led by 22.6% growth in the sales of consumer and bazaar products where the growth in the domestic category was higher as exports sales grew by only 14.2%. The domestic sales therefore were higher and the consolidated growth of 22.6%, however, overall growth of the company was impacted by a 2% decline in the sales of industrial product largely led by lower exports and slightly lower domestic sales. In terms of material cost to sales for the overall company, there was benefit of reduction in commodity cost, however a large amount of this benefit was offset by the weakening of the rupee versus the US dollar and material cost as percentage of sales went up by about 30 basis points compared to the immediately preceding quarter even though it remain that 340 basis points above the same period last year. Other expenditure during the quarter was up by 113 million largely on account of increase in spend on market development activities and high inflation in fuel power and labor rates. Our non-operating income has increased in the current quarter as there has been a one time receipt of compensation on account of announcement of tenancy rights in a non-manufacturing property. We had a small R&D center for our pigment business in Mumbai, In Kurla which was a rented property, we have surrendered that property and got this one time gain on account of that. However, largely because of the material cost to sales have been increased by 340 basis points over same period last year. The EBITDA for the company is only up by 7.7% going further down the P&L increase cost at 73 million also shows a 40% increase over same period last year, but that is largely on account of restatement of the YTM liability on the FCCB deals. Just to recall, we have about 33.3 million of FCCB these outstanding, while they don't carry any

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coupon rate of interest, they have YTM and that YTM is also dollar denominated, because of the impact of rupee versus the dollar, the closing YTM liability as on December has got restated and the entire impact of that restatement is reflected in this quarter.

Also during the quarter, the company opted to take the advantage of the central government notification which allowed corporate's to amortize any mark to market losses on account of loans taken for acquiring foreign currency assets and because of that accounting treatment, we amortized 9.87 crores and put that into a amortization pool, which will get amortized over the life of the loan which is FCCBs and which will then therefore get amortized over the period January 2012 till November 2012. During the quarter, the board also decided to take an impairment provision representing the diminishing in the value of the investment in the Brazilian subsidiary. As I have mentioned in my earlier discussions, the operation in Brazil continue to perform below expectations. This has resulted in accumulated losses even in the current year, the subsidiary has incurred losses and taking a view of the carrying value of the investments in the books

The company has decided to make provision of about 10 crore on account of diminishing in the value of that investment. Accumulative effect of all the above has resulted in lower than last year PAT so our profit after tax at 74.3 crores is lower than 81.5 crores reported in the same period last year. I will quickly cover the performance across the two business segments that we have as far as the standalone company is concerned, so if you were to look at the consumer in bazaar products category as I mentioned earlier, top-line grew by 22.6% and the PBIT to sales, the margins in that division at 23.6% were better than 22.8% reported in the immediately preceding quarter, though lower than 25% that was reported in the same period last year. As I mentioned industrial products had a declined in sales of about 2% largely led by lower exports and lower sales within India. PBIT to sales for that segment came in that 10.6% lower than 14.8% reported in the immediately preceding quarter largely because of the steep effect of the rupee versus dollars depreciation which could not get passed on to customers. Now I will turn to the performance of our overseas subsidiaries. While in nominal terms, the sales from the overseas subsidiaries shows a growth of 15.9%, but this is largely because of translation effect of US dollars into Indian rupees where the translation effect has worked in a very favorably. In constant currency terms, sales were marginally lower by 0.8% over the same quarter last year.

The performance in North America improved over the last two quarters with sales in constant currency growing by 9% over the year and for the period ended December 2011, the business in north America has generated a higher cash profit of 30% over same period last year. The business in South American which is largely in Brazil, continuous to face headwinds in operations with sales declining by 16.5% and with input cost inflation not fully passed on. The business continues to make losses.

Businesses in Middle East and Africa which we have operations in Dubai and in Egypt reported sales growth of 62% over the same period last year largely on account of improvement in operating conditions and stabilization of the business and because of action in reducing cost, both these business reported lower losses than same period last year. Our business in South and South East Asia which is made up operations in Bangladesh, Thailand and Singapore reported sales growth of 17% over same period last year and improved performance at EBITDA level by reporting in EBITDA of 11 million as compared to 8 million in the same period last year in the quarter.

In terms of these status updates on the polychloroprene synthetic elastomer project. The board reviewed the presentation made by the consultant and the board advice the consultant to further evaluate certain critical aspects of the project and submit their recommendation. There is a schedule meeting of the board sometime in end of March and at that meeting, the board will likely to consider the recommendation of the consultant. That's all I have in terms of an update from my side. I am open to questions now.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Abneesh from Edelweiss, please go ahead.

Abneesh: Hi sir, there is Abneesh here, congrats for the good set of numbers. My question is first one on the volume in Q3 and how do you see volumes going a head especially if you can give color habit segment wise consumer bazaar exports and the industrial?

Sandeep Batra: Again business are constant difficulty I have every time that you know we have so many different segments to give some kind of a flavor in terms of volume and value is bit of a challenge, but if you look at our top-line growth in consumer and bazaar of 22.6%, volume growth would have been closed to 14-15% across these areas sub categories that make up this segment. Volume growth certainly in the industrial product segment would have been lower certainly volume has declined in industrial product segment largely in exports where because of this uncertainty in developed markets of Europe and USA, lot of customers have either canceled or postponed their orders, so volume growth certainly would be negative in industrial products by as much as 8-9% in terms of going forward as a company, we do not give any guidance for the future, but certainly in terms of, we do not see these kind of decline in industrial products is permanent. It could be an example of some kind of inventory destocking by the customers in that period.

Abneesh: Sir this industry destocking does it mean may be one or two quarter only the pain is as far as current understanding and your export business versus or industrial international business, there is a disparity, international is growing better compare to exports, so any large cancellation of order is that what you are saying?



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Sandeep Batra: No there is no large cancellation of orders in that sense, it is just that, I mean this is again something which is only what we have seen in the last quarter, before that there was growth as far as industrial products business is concerned, but our understanding is that in that last quarter, there were some customers who either canceled the orders or postponed the orders. So real, a better picture on how that particular segment will perform, I guess we will have to wait and see this current quarter results, before we come to any conclusion.

Abneesh: Can these cancellations postponed will be with geographies in particular?

Sandeep Batra: Largely it will be Europe and US.

Abneesh: And sir margins if you see currency is now far more now in our favor below 49 so how much inventory do we have and if say hypothetical situation, currency remains at this level for the entire Q4, do you see a good improvement in the overall margins YOY?

Sandeep Batra: Definitely the way the currency has made a U turn versus the dollar in the first five weeks of year has definitely very positive and will have a positive effect on that margins of the company. Yes we do carry inventory of about you know 30 days and finished product in another 40 odd days in raw material, so the real benefit of the currency correction will take a while once the inventory gets written down, but certainly if the currency remains at this kind of a level which is you know sub 50 levels, margins in the fourth quarter logically should see an improvement.

Abneesh: Sir coming back to sales again, regarding pricing, we normally take price increase only once a year at least in consumer bazaar, so what's the next price increase you plan to take any decision taken as of now, similarly on the industrial and exports, what is the situation in price?

Sandeep Batra: In the consumer and bazaar categories while general across all products categories, we maintained a very-very watchful look as far as margins are concerned, so wherever margins go below our threshold expectation, we will take a price increase. But yes in the last quarter, we would not have taken price increase across various categories. It would have been very nominal price increases would have been implemented and as far as again, the export and the industrial business goes, the endeavor is just that, that we should have a certain level of margins maintained and in that transition, there are lags between cost and price increase.

Abneesh: Okay sir thanks, I will come back if I have more. All the best.

Moderator: Thank you. The next question is from the line of Ankur Agarwal from Nomura, please go ahead.

Ankur Agarwal: Good afternoon sir. Congratulations on a strong set of numbers. I have a few questions, firstly wanted to understand why is the packing material cost as a percentage of sales, why is that

decrease so much when your gross margins are down than probably the lowest in the last 11 quarters, so any reason for that packaging material cost to decrease as a percentage of sales. Secondly on the FCCB accounting, so its clear that you are going to amortize another 9.8 crores till December 2012? you booked 2.6 crores in this quarter, so if I do the maths correctly 9.8 plus 2.6 so you would have booked under the previous accounting policy around 12 crores of forex loss in this quarter, had you not adopted this policy? In the previous quarter, you had booked around 5.3 crores, so the currency fluctuation in this quarter was not so dramatic that you would have booked 12 crores or am I missing something on this front?

Sandeep Batra: The currency fluctuation has been quite dramatic because rupee which used to be around \$50 in September went up to 54 in December. So if you take 4 rupees on to some \$33 million worth of bond, we will get some 13-14 crores as the fluctuation impact, but to answer your question, had we not adopted to amortize the fluctuation on the foreign currency loans then we would have had to charge off another 9.8 crores and the books, which is what we are now seeking to amortize.

Ankur Agarwal: Yeah, but I think the currency fluctuation percentage of that happened in September, October, November, December is the quarter that was the third quarter, so I was just trying to check that?

Sandeep Batra: Oh that was very severe because the third quarter, the currency went from 50 to 54. Okay that was very significant and your other question on packing materials, if you see the P&L, there is a line under expenditure called A, which is increased-decreased in stock and trade, so whatever, packing material, so some amount of that cost goes there because the inventory has reduced, then you would have consumed it from inventory and you would not bought fresh packing material.

Ankur Agarwal: Okay.

Sandeep Batra: Some of it is contained in that line.

Ankur Agarwal: And the other questions are on the tax rate, its dropped from 26% in Q2 to 24.2, it is purely the geographical mixture UAE and the Egyptian business low tax rate regime growing faster or there is something else there?

Sandeep Batra: I think tax rate is just look at for consolidated result that is a number because, I mean on standalone results, consolidated results, tax rate will not give you high picture, okay. So as far as our standalone tax rate is concerned, it is the same as the earlier quarter.

Ankur Agarwal: Okay. And in terms of the subsidiary performance, clearly when we look at the standalone results, the consumer and bazaar product margins PBIT margins have actually marginally

declined, whereas when we looked at the consolidated, they have increased by 170 basis points, so can you indicate which subsidiaries actually did very well. You have already mentioned UAE and Egypt are fairly strong on the revenue front.

Sandeep Batra: I think the only subsidiary, which has not done well is remains Brazil. All the other subsidiaries have reported higher top-line. It is only the operation in Brazil where sales have actually declined over last year.

Ankur Agarwal: Okay. Now in terms of the slow down in the industrial product business, can you indicate whether it was the industrial adhesive resin or organic pigment or was it across the board in all three sub segments within this business that you were declined?

Sandeep Batra: Declined was in all three segments, in some segments, the decline may have been sharper, but that is not something that I would like to share at this stage, but yes the decline has been in all the three segments. Some of the segments are like the industrial adhesive business is largely domestic, so decline exports would not have had an impact there, but yes industrial resins and pigments both of which have a significant amount of exports outside India. They have also been impacted by slow down in exports.

Ankur Agarwal: Okay and in the consumer and bazaar segment if you can give us some suggestions of the performance by sub segment, so adhesive sealants construction chemical and the art material business?

Sandeep Batra: I think they have all grown the same rate of growth as in the earlier six months. I mean the proportion of growth has been similar. There is no major discontinuity in any of these categories.

Ankur Agarwal: Okay. Thanks a lot sir. Thank you.

Moderator: Thank you. The next question is from the line of Mr. Hiral Desai from I-Alpha Investments, please go ahead.

Hiral Desai: I just wanted to check out one thing, the industrial segment where there has been a 700 bips plus decline in margin, how much of that would have been purely related to the ForEx element and how much of that would have been your know our ability to take price hikes?

Sandeep Batra: Yeah, see I don't think there is any separate effect because of ForEx. I think the effect of ForEx would be in higher input cost.,

Hiral Desai: Sir I just wanted to understand out of this 700 basis point?



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- Sandeep Batra:** You know what impact is because of the rupee depreciation, if look at the consumer bazaar products, where we would again have imported raw material, there we have not seen a significant impact on the margin front.
- Management1:** Because see what generally what tends to happen is that the lag between cost and price increase in the industrial business is larger. Because it is not something which is the price increase cannot be unilateral decision of the company. I have to take the customer into confidence and that is why at the kind of pace that which we saw input cost go up, largely because of the way the currency behaved against the dollar has had a very severe impact in industrial products. If you see the margin in the second quarter, they were 14.8% versus 18.3% in December in Q3 last year, so they have been continuously coming under pressure because of input cost inflation.
- Hiral Desai:** Sir one small thing in the consumer bazaar product, where we have seen about 23% growth in the 9 month level, what would roughly be the volume growth there if you can just give us a number?
- Sandeep Batra:** Of the overall.
- Hiral Desai:** For the nine months.
- Sandeep Batra:** I would say about 14 odd percent would have been volume and 8-9% would have been price.
- Hiral Desai:** And sir the other question is on the industrial side where you know we have seen this dip in the margin, so how much of price increases do we envisage start to cover up or you know come back to the normal gross margin levels?
- Sandeep Batra:** We would like suddenly getting back to the kind of margins that we had last year may not be possible because that was probably an all time high level margins for the business, but if you look at average margin that we had in the second quarter certainly that kind of level we would like to see the business to be.
- Hiral Desai:** and the just a small question on the construction chemical business, sir how was the growth mean for that business for nine months versus the overall segment growth?
- Sandeep Batra:** Overall construction chemicals would have growth about 30% in this period.
- Hiral Desai:** Okay sir, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Gautam Chhaochharia from UBS, please go ahead.



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- Gautam Chhaochharia:** Hi Sandeep.
- Sandeep Batra:** Hi Gautam, how are you?
- Gautam Chhaochharia:** Good, I just have couple of questions, one can you elaborate a bit more on the Brazil side in terms of what is the reason for taking that provisioning and how do you look at it from next three to four quarters strategically?
- Sandeep Batra:** See what we looked at as far as Brazil was concerned, we have a investment in Brazilian currency is about 38 million Brazilian riyal, and if you look at the kind of losses that subsidiary has made including what we likely to see the year close at. The cumulative losses are around 18-19 million Brazilian riyals and we had not taken any charge on the book on the standalone company, while in consolidation, the loss do get add it up, so you look at consolidated results, but as far as the standalone performance was concerned that investment we continue to show at cost. We continuously have been looking at how the performance in that subsidiary can be improved, so what we have done is that we have been looked at present value of the future earnings, future performance of that company and when you look at the present value, you compare that with the carrying cost of that investment. Between the carrying cost of the investment, an our estimate of the future earning discounted future earnings of that company revealed a gap of around 4.2 million riyal which is what we have taken a provision for in the books of the parent company.
- Gautam Chhaochharia:** How we are looking at the strategic opportunity there still?
- Sandeep Batra:** No that opportunity is still from the country, still is very promising for us. We believe we made the right decision of acquiring that company, it is still that because of internal issue, we have not been able to realize the opportunity and which is what we are working towards. So we are looking at how we can strengthen the organization in that subsidiary to best en-cash the opportunities at the country presents.
- Gautam Chhaochharia:** any plans to invest more capital there?
- Sandeep Batra:** Nothing at the moment in terms of building capacity, but yes if some amount of capital is required to give head room to that business to grow largely to look at how we can compensate the past losses, yes certainly we will look to make that business strong enough to compete, but in terms of large scale investments for capacity, its not at the moment.
- Gautam Chhaochharia:** One last question on a time line , what kind of time line you are looking at?
- Sandeep Batra:** I think what the board has told we can certain this to you know look at some other aspects of the project and come back and we may have a meeting of the board towards the end of this

quarter, so if that meeting were to happen then the consultants report will be reviewed in that meeting.

- Gautam Chhaochharia:** And what is the status on the ground right now? Right now there is no work?
- Sandeep Batra:** At the moment we are not doing any major commitments on the project. Whatever is required to keep the operations on the side going, that kind of commitments we are doing, but other further commitments in terms of ordering further long lead time items, no there are no further commitment in that.
- Gautam Chhaochharia:** At what operations on the segment that....
- Sandeep Batra:** We are keeping operations that are going, we have assets on the ground, assets has to be protected, some of the old machinery that we have bought that may need to be refurbished for it to remain usable, those kind of minor commitments.
- Gautam Chhaochharia:** Okay thanks Sandeep.
- Sandeep Batra:** Okay thank Gautam.
- Moderator:** Thank you, the next question is from the line of Harit Kapoor from Motilal Oswal Securities, please go ahead.
- Harit Kapoor** Yeah good afternoon sir.
- Sandeep Batra:** Good afternoon.
- Harit Kapoor** Sir just few things, just wanted to check firstly whether post the price increase say on Fevicol which we took I think last quarter in 2Q about 5-6% has there been any other price increase in consumer and bazaar that you have taken?
- Sandeep Batra:** We would have taken across individual products category, nothing which would be very material or significant, but yes certainly keep on taking price increase across categories on a time-to-time, so that process is continue, but nothing which is across a very large category.
- Harit Kapoor** Okay and secondly sir just wanted to check on our Brazilian subsidiary, it would roughly be about 35-40% of our international business?
- Sandeep Batra:** Roughly of that order.
- Harit Kapoor** Okay sir that's it from my side.



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- Moderator:** Thank you. The next question is from the line of Amar Kalkundrikar from HDFC Mutual Funds, please go ahead.
- Amar Kalkundrikar:** Hi thanks for taking my question sir. Just you are earlier speaking about raw material prices and rupee, now appreciation back in rupee to benefit at some stage on gross margin side, can you share where are the VAM prices currently?
- Sandeep Batra:** VAM prices currently would be at around \$1000 level.
- Amar Kalkundrikar:** Okay so at the beginning of Q3, they were about 1100 odd from there, they are com down to this level now.
- Sandeep Batra:** Yes.
- Amar Kalkundrikar:** Okay, do you foresee, if there are any views on how they would, how they are expected to be let say next few months quarters?
- Sandeep Batra:** No we don't have any rate visibility of prices in the longer term, quarter-to-quarter yes we have, but beyond that, no.
- Amar Kalkundrikar:** This 1000 should hold on for a....
- Sandeep Batra:** It is there for this quarter, now let see what will happen in next quarter.
- Amar Kalkundrikar:** Okay sir thank you very much.
- Sandeep Batra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management, please go ahead.
- Jiten Doshi:** Good afternoon sir.
- Sandeep Batra:** Good afternoon sir.
- Jiten Doshi :** Couple of things on the project that you all have shelved, the elastomer project, I want to know that has been the CapEx cumulatively that you have incurred on this project till December?
- Sandeep Batra:** First of all we have not shelved the project. The project is under consideration. It has not yet been shelved. It is just that we have for the time being stop further commitments till the

consultant completes the evaluation of all the aspects of the project. What we have spent till end of December, this 353.85 crores.

- Jiten Doshi :** 353.85 crores. And you have right now stops spending anything further?
- Sandeep Batra:** No stop no major commitment.
- Jiten Doshi :** No major commitment. What is being the CapEx for the nine months ending December?
- Sandeep Batra:** Nine months would have been about, I think 40 crores if I am not wrong.
- Jiten Doshi :** 40 crores, what has been the overall CapEx of the company sir?
- Sandeep Batra:** see of that 40 crores, lot of that CapEx has been on account of the interest that has got capitalized and the fluctuation on foreign currency, which has got capitalized. Just to clarify that point that you asked. Overall CapEx for the company would have been about 90 crores it think in first nine months.
- Jiten Doshi :** So what do you think for this project and the overall company for the year as a whole would be your CapEx projected?
- Sandeep Batra:** Total CapEx for the company will be between 125 to 150 crores.
- Jiten Doshi :** All inclusive.
- Sandeep Batra:** All inclusive.
- Jiten Doshi :** And would that trend continue for the next year also?
- Sandeep Batra:** Of that yes, I can't specifically answer what it would be for next year, but first 34.46 CapEx would be of that order.
- Jiten Doshi :** Okay and sir if the consultant recommended sale of this business, would you be open to booking some loss and selling it out for let say 290 crores or 300 crores or things like that.
- Sandeep Batra:** It's a hypothetical question. I don't think I would like to answer that. Let the consultant present the view to the board. The board will take a final call.
- Jiten Doshi :** so as of now basically the project is more in the commissioning stage?
- Sandeep Batra:** No, it is under construction and we have then taken a call to halt the construction of the project till all the clarity around the issues is received.



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- Jiten Doshi :** Okay and sir what is the current prevailing prices of that product in the international markets?
- Sandeep Batra:** They are around between \$5-5.4 kg.
- Jiten Doshi :** \$5-5.4 kg. Okay and it's gone up in the last quarter or?
- Sandeep Batra:** No I think it has remained there
- Jiten Doshi :** For the quarter, it has been very stagnating.
- Sandeep Batra:** Yes 5-5.4.
- Jiten Doshi :** 5-5.4. and sir how do you see a material cycle overall in 2012-13 for the year, I mean are you getting trends consultants others who are giving you trends that there is going to be a softer environment? For the material, not for the project, for the company's raw material, how do you look at the next year in terms of the outlook?
- Sandeep Batra:** I don't think outlook in isolation is of relevant as far as we are concerned, we are concerned with the ability or being able to manage and hold our margin. So what we have seen in the past is whenever commodity costs have increased very rapidly because of the lag that we have between cost and price increased, our margin get impacted. But if the commodity cost remains at the same level or if they are marginally declined then we have a better ability to hold on to our margins.
- Jiten Doshi :** So basically you don't decrease your product prices?
- Sandeep Batra:** No we would very rarely decrease our prices
- Jiten Doshi :** Okay so what sort of growth, are you experienced slow down in either the urban side or rural side for your products.
- Sandeep Batra:** We are seeing some effect of slow down as far as our industrial products is concerned in India as well as outside India. Even in the consumer and bazaar product, we are seeing some amount of headwinds as far as volume growth is concerned in some sectors which are impacted by the overall economic slow-down. But if you look at the top-line in consumer bazaar, we have been able to maintain our average growth over the first nine months.
- Jiten Doshi :** So going forward, you believe that this is going to be a challenge to maintain this growth?



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Sandeep Batra: See there are headwinds. There are economics factors which would suggest that growth could be slower than what we had seen now. We are looking at what ways we can do to improve demand for our product.

Jiten Doshi : Okay, thank you very much, so wish you all the best.

Sandeep Batra: Thank you.

Moderator: Thank you, the next question is from the line of Abneesh from Edelweiss, please go ahead.

Abneesh: Sir Abneesh again, one follow-up question sir in other consumer good companies we have seen that the competitive intensity from local and smaller players, that has reduced because of the volatility in raw material, because of the foreign volatility. Their working capitals have gone for a toss. In any of your segments have you got a benefit or an adverse situation in the competitive scenario?

Sandeep Batra: No I don't think so, I don't think we have had any material change as far as competitive intensity was either favorable or adverse?

Abneesh: And sir regarding the new products in the last three years, how they have been shaping up as per your expectations and if you could talk regarding in the pipeline in the next one or two years, which are the segments we can look forward to?

Sandeep Batra: I think the growth remains even in the established categories, we are looking at increasing or introducing new products, so for example in the main DCF category Fevicol Marine which is a differentiated product that we introduced continuously to do well and it continues to grow faster than the main Fevicol brands, so Fevicol Marine as a differentiated product has established its proposition in the market and we are looking at similar other differentiated products even in the main Fevicol category. Similarly, if you look at construction chemical again products in the area of water proofing or the product that we have introduced LW Plus which is to help in making construction more long lasting and more rustproof, both these products continue to you know again acceptance in the market place. So these categories continue to lead the growth for their individual sub-segments.

Abneesh: Sir your other expenditure I think which has the ad spends also, that has seen slightly muted growth this time and you are saved around 58 bps there, are you cutting back on your ad spends or is it because of seasonality, because of no big events like cricket led spending

Sandeep Batra: No we have not cut that, actually in this quarter, it has been higher than the previously quarter. So higher than the preceding quarter, but lot of it is being advertising, cannot be timed to



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quarter-over-quarter. It has to be time depending on the property that you are going to advertise behind. So I don't think we have cut it down.

Abneesh: And sir regarding tax rate, its a bit volatile quarter-on-quarter it is down, YoY it is up. What is the steady state tax rate for FY12 and FY13? What kind of increase we should model in?

Sandeep Batra: For the current year it will be around 24%. See quarter-to-quarter it fluctuates because there are certain expenses which don't get considered for tax purposes. But other than that yes our tax rate this quarter would be around 24% this year.

Abneesh: And next year we should see around 100 to 150 bps?

Sandeep Batra: Yes about 200 bps up

Abneesh: Okay sir thanks a lot.

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

Tejas Shah: Hello.

Sandeep Batra: Yes.

Tejas Shah: Sir you just share top-line and EBITDA for each geography, North America, South America respectively?

Sandeep Batra: Yeah sure, as I mentioned you know top-line in North America was about 335 million and EBITDA was about 20 million in the quarter. Sales was up by about 9% in the quarter in North America and profitability also improved. In South America, sales declined by 16% in the quarter to be 349 million and the EBITDA also was (-7) million compare to a positive EBITDA in the same period last year. Middle East and Africa sales grew by 60% in this quarter and cash losses were reduced, in fact losses were reduced in these operations. South and Southeast Asia sale grew by 17% and EBITDA performance improved in both these units.

Tejas Shah: What was in the absolute terms?

Sandeep Batra: South and Southeast Asia, sale was 107 million.

Tejas Shah: And for MEA?

Sandeep Batra: MEA was 71 million.



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Tejas Shah: Thanks Sandeep.

Sandeep Batra: Okay.

Moderator: Thank you. As there are no further questions, I would now like to hand the flow over to Mr. J. Radhakrishnan for closing comments please.

J. Radhakrishnan: We thank the management for this call and all the participants. Have a good day.

Sandeep Batra: Thank you very much.

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