



27th November, 2019

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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 14th November, 2019.

Kindly take the same on your records.

Thanking You,

Yours faithfully,
For Pidilite Industries Limited


Puneet Bansal
Company Secretary

Encl: as above

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“Pidilite Industries Limited
Q2FY2020 Earnings Conference Call”

November 14, 2019

ANALYST: **MR. PRATEEK MAHESHWARI – AMBIT CAPITAL**

MANAGEMENT: **MR. APURVA PAREKH - EXECUTIVE DIRECTOR -
PIDILITE INDUSTRIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Pidilite Industries Limited Q2FY2020 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. Maheshwari

Prateek Maheshwari: Thank you Karuna. Good afternoon, everyone. On the behalf of Ambit Capital, I would like to welcome you to the Pidilite Industries Q2FY2020 earnings Call.

From the management we have with us Mr. Apurva Parekh. We will start with the initial comments on the results and later, we will open the lines for Q&A. Thank you, and over to you, Sir.

Apurva Parekh: Thank you, Prateek. Good afternoon, everyone. This quarter has seen moderation of topline growth as a result of the challenging market conditions, liquidity crunch as well as prolonged monsoon and attendant disruption. While gross margins have improved substantially due to softer input costs, the higher advertising and sales promotion costs, due to phasing in this quarter, saw EBITDA at the same level as last year.

For the first half, consolidated net sales grew at 7%, while EBITDA has grown at 8% and profit after tax, excluding exceptional items by 36%.

While we expect demand conditions to improve in the New Year, we remain focused on driving volume growth, enabled by investments in brand building, capability and growth in small towns and rural India.

I will begin with a summary of the financial performance for the quarter and half year ended September 2019 for the stand-alone business. Net sales grew by 4% over the same quarter last year, with underlying sales volume and mix growth of 1%. This was driven by 13% growth in sales volume and mix of Industrial products and decline of 1% in sales volume and mix of Consumer & Bazaar products.

Net sales for the half year grew by 7% over the same period. Gross margin improved by 4% over the same quarter last year and by 2% over the preceding quarter. The current spot price of our major raw material, Vinyl Acetate Monomer, is around \$890 as compared to the 2Q consumption cost of around \$901.

EBITDA before non-operating income grew by 1% over the same quarter last year on account of higher A&SP spends due to phasing in this quarter.



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EBITDA growth, excluding A&SP spend in both quarters, would be around 11%. EBITDA for half year grew by 9%. Profit after tax grew by 33% over the same quarter last year. Profit after tax grew by 49%, excluding exceptional items and dividend income from subsidiaries and effect of tax thereon in previous corresponding quarter.

Effective tax rate for the quarter has reduced from 33% to 7.5% due to reduction in corporate tax rate and remeasurement of deferred tax liability.

During the quarter, the company decided to sell plant and machinery included in capital work in progress pertaining to Synthetic Elastomers project and accordingly disclosed the same as asset held for sale at its fair value of Rs.38 Crores, after providing for impairment loss of Rs.22 Crores, as disclosed in exceptional items.

Now, I will move to a summary of the financial performance on the consolidated business. Consolidated net sales grew by 3%. EBITDA before non-operating income marginally declined by 0.6%. Profit after tax grew by 41% and excluding the exceptional item grew by 49%, mainly on account of reduction in tax rates by the government.

Now I will talk briefly about the subsidiaries. The domestic subsidiary performance, particularly Nina Percept and CIPY, continue to face challenging market conditions in wake of the economic slowdown in real estate, auto and engineering industry, resulting in adverse demand and liquidity conditions.

This was further accentuated by prolonged monsoon in many regions. EBITDA growth in ICA is on account of improved margins due to scaled up local manufacturing and forex gains.

In case of international subsidiaries, subsidiaries in Bangladesh, Sri Lanka and Thailand have reported good sales growth. EBITDA growth in Bangladesh subsidiary is lower than sales growth due to investment in the new manufacturing facility.

Sargent Art a division of Pidilite and Pulvitec Brazil reported sales and EBITDA growth for consecutive quarter, mainly due to growth in key products and customers.

The subsidiaries in Egypt reported decline in sales growth for the quarter due to competitive pressures and market conditions.

We can now open for the questions. Thank you.

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

Abneesh Roy: My first question is on the domestic Consumer & Bazaar volume growth, so last three quarters; we have seen a significant slowdown. Q4 was 4% and Q1 6% then minus 1% so my question is,

from Q1 to Q2, why is there a marked deterioration? Because we have not seen the same level of deterioration in a lot of the other consumer staple companies so from plus 6%, you are down to minus 1% within a quarter. And do you see this kind of a slowdown continuing in Q3 also?

Apurva Parekh: Yes, I think we should not read too much into quarter-to-quarter. Last year, we had couple of price increases so to that extent, it distorts the growth rate from quarter-to-quarter. It is very difficult to predict how next 1 or 2 quarters would look like. But we believe that from next year, the growth conditions should clearly improve, but it is difficult to predict for next 1 or 2 quarters.

Abneesh Roy: And Sir, industry also would have seen similar dip so is there any market share issue here?

Apurva Parekh: No. The industrial growth has very different dynamics because in our industrial products, for some of the products, almost half the sale is outside of India. Lot of this growth is driven by our pigment business where we are gaining both in Indian market and export market, partially due to some business moving from China and also due to our focus on high-performance pigments. So lot of growth is for our one particular business out of our overall industrial business.

Abneesh Roy: Sir, actually, my question was on Consumer & Bazaar only so if your growth is minus 1%, would your peers or would your competitors also would have seen similar kind of a slowdown?

Apurva Parekh: Well Abneesh, we believe that the market would have seen a similar slowdown in our core sectors, yes, we do believe that. That is why...

Abneesh Roy: We are still seeing lot of the results in these spaces being fairly good so which sector is impacting the maximum in terms of slowdown? Is it furniture, is it footwear or is it something?

Apurva Parekh: See we are seeing slowdown in construction-related activities, interior decor. Liquidity crunch impacts both the dealers and the consumer as well as construction-related activities, which have been impacted. Also, some of our services business, which service auto and engineering industry have been impacted. But largely, the two biggest factors which have impacted us are construction-related activities and interior decor-related activities.

Abneesh Roy: So, Dr. Fixit would have seen a much bigger delta, right, in terms of growth?

Apurva Parekh: Yes, Dr. Fixit has seen a significant delta because it is very largely dependent on construction and repair activities.

Abneesh Roy: Right, Sir. My second question is on the phasing, which you mentioned in terms of ad spend. So, could you elaborate on that?

Apurva Parekh: Yes, so what has happened during this quarter, our advertising and sales promotion spend is about 4.8% of sales. This is because we had two very significant new advertising campaigns. One



is a Fevicol sofa campaign and one is a new Fevikwik campaign, so both for making the film and releasing them, our spend went up to as high as 4.8% as compared to our normalized annual spend of about 3.8% to 4%. Now last year, the opposite had happened. Last year in this particular quarter, our spend was around 2.5%, in fact, 2.4%, which was less than normal, when the full year spend was about 3.6%, we were at 2.4%. And this year at our expected spend is of 3.8% or so, in this quarter, we were at 4.8%, so this is a significant delta of almost more than 200 basis point in A&SP expenditure, mainly due to timing impact, and these are the ads which we released based on the timing, and it is not something which we face quarter-to-quarter.

Abneesh Roy: But Sir, full year, we should bring the 3.8% to 4% only for the full year?

Apurva Parekh: Something like that, yes.

Abneesh Roy: Sir, the last question on Elastomer. This has been an issue for multiple years so now; finally, it seems closure is happening so my question is by when completion will happen? And is it a scrap sale because, obviously, the number Rs.38 Crores seems to be 1/10th of the value which you had acquired?

Apurva Parekh: No, it is not 1/10th of the value, that was a total investment that we have done, which included dismantling of the asset, moving the asset over and erection and buying the land and other things. So total expenditure included also our investment in land, building the full plant and machinery, intellectual property, etc. Now what has happened, over the last 3 - 4 years, most of the value of this has already been written off. Only value which was remaining, one is land and building, which is already put to use for export of some of our other products, adhesives .. The remaining value is the plant and machinery, which was of fair market value of about Rs.60 Crores. Now we have decided we want to sell this plant and machinery in the best possible manner and that our people are working on finding the best value for it. But at this point of time, we did a fresh valuation of this and we were advised to take an impairment of Rs.22 Crores. So just to summarize, bulk of the value has been written off over the last 2 to 3 years, and the remaining value, we will sell it at the current fair market value, which is expected to be Rs. 38 Crores and hence, we took an impairment of Rs.22 Crores. The exact value of what we realized out of remaining Rs.38 Crores, we will know in next couple of quarters.

Abneesh Roy: For the next couple of quarters, the sale will happen. And after that, basically, based on deal closures, the money will come in?

Apurva Parekh: Right but essentially, no further activity or investment has happened on this project in the last many years, but the land that we acquired for it is already put to use by initiating export of our adhesives from that place.

Abneesh Roy: And the factory will go away, right? It will be a scrap sale kind of...



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- Apurva Parekh:** No. It is not all going to be scrap sale because some of the plant and machinery maybe even useful in some other plants of Pidilite or for some other industry so some of that will be used by others in their manufacturing.
- Abneesh Roy:** Okay Sir thanks a lot.
- Moderator:** Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.
- Arnab Mitra:** Hi Apurva, my first question was on the growth that you highlighted that we should not look at it from a quarter-to-quarter basis, so I wanted to understand one thing from you that do you think this slowdown that we have seen in this quarter, is there a substantial component of trade pipeline also? Or would you say that the growth is kind of mirroring the offtakes in the market? And also, between Q1 and Q2, though, we should not look at the exact numbers. Is there a sequential slowdown that you sense, which has further happened in the Q2 compared to the Q1?
- Apurva Parekh:** See, I would say, there is a little bit of channel inventory correction because the liquidity crunch impacts everybody in the trade, so some level of inventory would have reduced of the dealers and distributors in some cases. However, there is a reduction in offtake as well, and there is a reduction in usage. One of the key reasons also has been prolonged monsoon, which has impacted some of the activities and also due to the liquid market conditions, the slowdown in construction and real estate activity. So, there is both an impact on offtake and consumption as well as some channel correction. Difficult to calculate the two, but there is a definite impact on both the offtake and consumption during the quarter. Now sequentially, when you ask from first quarter to second quarter the numbers, you have seen that the volume growth has reduced compared to the first quarter, and that we see across most of our major product groups.
- Arnab Mitra:** Okay and the second question was that on the Nina Percept and CIPY businesses there, given that the real estate market is quite tight and there are liquidity issues, would you continue to remain a little cautious here? And therefore, there the growth recovery could take more time than the Consumer & Bazaar business of your standalone?
- Apurva Parekh:** Yes. We are being extremely cautious, while order book is better than what our revenue is reflecting, we are careful in terms of execution. And we do not want to take undue credit risk. We are doing that. And also, in case of Nina Percept, particularly, we are focusing on a change in customer mix. Earlier we had a significant customer mix of real estate, which is now being diversified more towards other segments like industry, commercial and that kind of other segments. So we want to improve our customer mix and be a little cautious during this period. But eventually, once the things improve and all these activities would help us drive better growth.



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- Arnab Mitra:** Right. And my last question was that VAM prices, as you said, it seems to be now stabilizing so are the full benefits of the lower VAM now reflecting in the gross profit of the quarter, and therefore, would it be fair to say that you will probably sustain these levels unless the commodity substantially moves from here?
- Apurva Parekh:** So, the change is minor. About \$900 is the consumption value in the quarter and the current price is like \$890, so more or less the same. It depends on how the VAM prices move. As you know, they can change a lot from month-to-month and quarter-to-quarter. Depending on the VAM situation we check if we need to take any pricing action. But historically, when the VAM prices have been at this level, our gross margins are good.
- Arnab Mitra:** Okay thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Just wanted to understand, while there has been a near-term impact that we have seen, why are we guiding towards the recovery next year? Is this because we are continuing to see this weakness?
- Apurva Parekh:** No. Avi, it is more that it is very difficult to predict things in near future and so we do not want to say that when we have come off a quarter like this, it is very difficult to say that the next quarter will suddenly look around. We like to be cautiously optimistic, so we believe that when there is a slowdown in economy, it does take a couple of quarters to really recover. So from that aspect, we are saying more in the new year, but there is no definitive way for us to know that.
- Avi Mehta:** Is it fiscal or new CY you mean?
- Apurva Parekh:** By new year, we mean the new fiscal year. But again, Avi, please take it with an understanding; it is not something that we can accurately predict. The recovery can happen a quarter earlier or a quarter later. This is just a gut feeling based on the first two quarter results that we have got, we would rather be cautiously optimistic. They are hoping that the recovery will happen earlier.
- Avi Mehta:** Okay. Fair enough second just a clarification, Apurva, is, if I recollect, correct me. We took the first increase in Q2, the price increase. We started in Q2 in the last year, Q2 FY2019 so the price increases will anniversarize in the next quarter, right? Is that a fair understanding or no? Have we taken more price increases over the quarters, which is why we still have some realization-based benefits?
- Apurva Parekh:** No. The last year, we had done one more price increase in December. If that is what you are asking?
- Avi Mehta:** Yes?



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- Apurva Parekh:** This is the second increase. Yes, there was one more increase in December.
- Avi Mehta:** So, there was bigger one in the September quarter or it was in December only? Sorry, I was just trying to understand that part only?
- Apurva Parekh:** No. Both increases were around the same, so no bigger or smaller because we have a wide product mix, but I would say both increases were of around the same magnitude.
- Avi Mehta:** Okay and lastly, Sir, in this ad spends what you highlighted, whatever is, this was largely, Sir, marketing based is what I understand. Would that be a correct understanding? Or was there also a promotional element in this as well?
- Apurva Parekh:** No, it is largely advertising. If you may have seen, we had two big advertising commercials. One was the 60-year ad of Fevicol called Fevicol sofa, which has been greatly liked and would help us significantly strengthen the brand over medium to long term, continue to maintain the strength of Fevicol and the second was on Fevikwik where we launched a new campaign, "Phenko Nahi Jodo", which has also found a very good resonance amongst consumers urging them not to throw things and to bond it in a very interesting manner. So we had launched these 2 new advertisements. So, there was a significant ad spend when two large campaigns happened in Q4 as compared to much lower than average spend in the same quarter last year.
- Avi Mehta:** And Sir, if you could give me a sense on given how the VAM industry is doing because we earlier highlighted that there were some capacity-related additions and how is that kind of now panning out, Sir?
- Apurva Parekh:** See VAM is a very global commodity, so there could be sometimes temporary changes in demand and supply. But the supply always keeps on coming to keep pace with demand. So, whenever we have demand supply gap, they are temporary. Right now, there is no demand supply gap because, overall, globally, the growth has been low across the countries. So currently, there is abundant availability of VAM and also the raw materials which go into making VAM which are acetic acid and ethylene. So currently, because of good availability, the raw material prices are soft. Now going forward, what will happen is difficult to say sometimes, there is a temporary outage. It is a 1 or 2 plants because of some situation that can also have an impact.
- Avi Mehta:** Okay. But, Sir, as of now if things had been normal, I know that is a big assumption, but it looks like VAM is likely to remain benign. And this margin that we see is reflecting because it is close to the current level.
- Apurva Parekh:** As of right now, the VAM situation is favorable. But it is difficult to predict what will happen in coming months. But as of right now, it looks favorable.



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- Avi Mehta:** Okay and lastly, Sir, this tax rate, could you share I mean, how should out of this, the 7.5%, what would be the number that would be related to prior year current tax and the deferred tax asset change or provisioning change that has happened?
- Apurva Parekh:** So currently, the deferred tax liability reversal was Rs.28 Crores in this quarter.
- Avi Mehta:** Rs.28 Crores and Sir, what would be the current tax reversal for the first quarter?
- Apurva Parekh:** Rs.65 Crores
- Apurva Parekh:** Rs.65 Crores was the reversal. And I think more relevant is, going forward, the tax rate will be 25%.
- Avi Mehta:** Would be 25%.
- Apurva Parekh:** If you are trying to determine, then going forward, the tax rate will be 25%.
- Avi Mehta:** Okay Sir that is all from my side Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI. Please go ahead.
- Keyur Pandya:** Sir, my question is that with the slowdown that we have seen in Consumer & Bazaar, so some would be because of the macro factors, some would be seasonal so should we see some improvement just because of the season improving, I mean, just rain subsiding, that is first? And second, would you attribute any of this slowdown to competitive intensity in the Consumer & Bazaar segment?
- Apurva Parekh:** So, I think, as you said, seasonality monsoon, yes, this time monsoon had a greater impact than normal because rains in many parts of the country have been extended and that does impact lot of activities where our products are used so that should clearly benefit us in this quarter. Other seasonal impacts are related to earlier and later Diwali, but that has a much lesser impact on our business than say, for example, paint companies so this is the reply to the seasonal activity.
- Keyur Pandya:** Any of this slowdown you would attribute to competitive intensity or how that landscape is right now, you can throw something light on it?
- Apurva Parekh:** As far as our core business of adhesive and sealant goes, we do not believe that there has been a significant change in competitive intensity, so we do not believe it is there in case adhesives and sealants. In case of waterproofing products, yes, there has been increased competition, as we have discussed over the last couple of years from paint companies, some cement companies, but our position continues to be strong. But there has been increased competitive activities from several large and mid-sized players. But we would attribute that the impact on our growth has



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been more due to market conditions than because of competition, as far as waterproofing products go.

Keyur Pandya: Okay perfect. Thank you, Sir and all the best.

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

Anand Shah: Just a few questions. Firstly, can you throw any color on the month-on-month or the quarter progress like July, August and September or so, especially in Consumer & Bazaar? And in October, also, we have seen very high monsoons to be above normal for a lot of reasons so would the extended monsoon impact also continue partly in Q3?

Apurva Parekh: Anand, I would not like to comment on the quarter, which is under progress, which is October, November. And in October, while the rain was there in the beginning, there is a more than enough quarter left. So Oct – Dec, I would not like to comment, that would not be fair and also during the last quarter, month-by-month, I am not sure in terms of what your question is, did we see greater slowdown or less slowdown?

Anand Shah: Yes. I mean, do you see some improvement or some deterioration, let us say, July, August...

Apurva Parekh: I would not differentiate much between any of the three months. More or less, the situation was similar. Our internal growth rates could be different month-on-month, but we saw a similar sort of situation during the quarter.

Anand Shah: Okay. Secondly, we have seen this improvement happening in the international business sort of your growth rates have picked up across most regions so are you seeing this trend sort of sustaining?

Apurva Parekh: So, we definitely believe that the good sales growth should continue in the countries like Bangladesh and Sri Lanka, where we have made investment. Bangladesh, as you know, we have set up a second manufacturing plant. In Sri Lanka, also, we finished doing a plant last year. So these two countries, our initiative and efforts appear to be giving us a steady and consistent sales growth. As far as Brazil goes also, as we have been saying over last few quarters that our focus has been to improve efficiency and the operations of the business and several initiatives have been taken. And also, Brazil overall seems to be a bit more stable than what it was several years ago and hence our export business appears to be moving in the right direction, with significant focus. SAARC countries are delivering very good growth and we expect good growth to continue in that region.

Anand Shah: Okay. Perfect. And Sir, lastly, I mean, you are, obviously, seeing a lot of gross margin tailwind coming forward and perhaps it will likely sustain in the next few quarters so is there any delta



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you can have either in terms of focusing more on trade promotions or price cuts and passing some of these benefits are all pushing volume growth? Or is the macro so weak there that these initiatives would not help?

Apurva Parekh: So, to some extent, we have taken this macro. I think, if you remember, in the first quarter, also, we had said we have taken some early pricing actions so when the raw material prices had fallen, we had taken some pricing actions and wherever required, we are giving a little bit higher schemes or discount. But we are doing it in a manner reflecting that doing too much of it will not benefit us. If there is an impact on offtake and consumption, it is going to affect our sales so just to give some scheme to load up the channel, we generally avoid doing that.

Anand Shah: Okay thanks a lot.

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

Shirish Pardeshi: Thanks for the opportunity. I have a few questions. The first question, you highlighted there was some inventory correction, which has happened. Would you be able to help us what kind of inventory reduction we have seen maybe in urban and rural towns?

Apurva Parekh: No, Shirish, I think when the question was asked, my point, what I answered was, there is definitely an impact in terms of offtake and consumption and there could be some correction in channel inventory. It is difficult for us to estimate how much of it is because of dealer inventory, we do not have any accurate number to say what is the dealer inventory and how much of that is corrected. So that is purely a feeling that we have, that there is some channel correction, but the greater impact clearly has been due to reduction in offtake or consumption.

Shirish Pardeshi: Yes. I agree that point, but from the primary distribution point, your distributors could have reflected in terms of the impact.

Apurva Parekh: No. Our distributor inventory does not reduce, it's because our distributor work on a replenishment system, so we have standard software and they just replenish and maintain their norms.

Shirish Pardeshi: All right so that is good enough. Would you be able then to tell me what is the peak VAM prices we have procured in last one year?

Apurva Parekh: Peak in last 1 year, maybe 1200, 1300. Just one second, I will check. I would say it is about 1200, 1300? 1410. That was in third quarter.

Shirish Pardeshi: And from that, you are saying its current price is \$890.



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- Apurva Parekh:** Yes.
- Shirish Pardeshi:** And generally, what kind of VAM inventory we hold at this point of time?
- Apurva Parekh:** Maybe around 45 days.
- Shirish Pardeshi:** 45 days.
- Apurva Parekh:** Roughly, 45 days, yes. But, Shirish, you must keep in mind that this is a dollar-linked item so rupee going up and down also has an impact. It is not just the VAM price. Okay.
- Shirish Pardeshi:** Okay. The other thing which I was watching, Consumer & Bazaar product which we have seen a slowdown in recent quarter and which forms a larger part of the business so would you be able to I mean, sometime before you were guiding us that rural is growing and we have a distribution expansion so could you please tell what kind of distribution we will have for Consumer & Bazaar products? And what can be the growth that can be expected for the next 2 to 3 years?
- Apurva Parekh:** See our small-town business is still growing at much faster than urban towns. The growth rate in smaller town, even in a quarter like this in value terms are in double digits so small town, rural areas in India is growing at a faster pace for us. In terms of distribution, in terms of numbers, a steady growth in distribution we are doing every year. More focus is on ensuring proper regularity of coverage and to do market development activities to increase consumption. Otherwise, stepwise, earlier, we move to cover all towns up to 20,000. We are expanding to ensure that we have proper coverage in all Tehsil towns so that is the way we are penetrating every year. We add probably about 1,500 to 2,000 villages or towns every year.
- Shirish Pardeshi:** Okay so you would say your village coverage is roughly between 20,000 and 30,000?
- Apurva Parekh:** I would say, yes. It would be with bit but direct and indirect coverage through our super distributor and other means, yes.
- Shirish Pardeshi:** And obviously, these towns will have further penetration through the wholesale, say, sub-10,000 and less population.
- Apurva Parekh:** Yes.
- Shirish Pardeshi:** So, what could be the wholesale sales for us because I am sure wholesale is also reeling under the pressure of liquidity and other issues?
- Apurva Parekh:** I do not have an actual number on what is the contribution of wholesale to our total sale, but I would not think because some products, it is higher. But overall, as a company, I would not think it is more than 20% - 25%.



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- Shirish Pardeshi:** Yes, but this will be largely for the large products like Fevikwik and Fevicol?
- Apurva Parekh:** It would be for our consumer products, yes.
- Shirish Pardeshi:** Okay. And the last question on international bit. I mean, we have seen very volatile performance. And I think some or the other, we are trying to address but then what is the most severely affected region, I guess, Nina and Egypt and this place but do you think the recovery will happen? And what I am expecting the answer is that, basically, which is the most severely affected business and which you don't think will come up in the next 2 to 3 quarters?
- Apurva Parekh:** So, your question is not on international, your question is on subsidiaries because Nina Percept is a domestic company.
- Shirish Pardeshi:** So, I think international subsidiaries.
- Apurva Parekh:** So, Nina Percept is not international. It is a domestic subsidiary. In international, most of our subsidiaries have reported good growth during the second quarter. Most of our subsidiaries have grown by double digit. Only subsidiary, which possibly have not done well is the one in Egypt. Otherwise, most subsidiaries have grown at double digits pace. Most of them have grown well I mean, in the second quarter and in the first half.
- Shirish Pardeshi:** So, you are very confident in the second half, the similar growth rates would continue?
- Apurva Parekh:** No. We do not say I would not like to say we are confident or anything like that. You are seeing that trend. We make steady progress. We are growing well, and we hope to continue to do well. But we would not like to comment anything by saying we are very confident or anything of that nature.
- Shirish Pardeshi:** Yes. What I am trying to explain, like construction growth and macro issues which are pertaining to India, have similar issues, which we have seen from the commentary from other companies also in the Middle East and other parts, so I know you would have grown and done better in first half, saying the double-digit growth, which has come in, but the macro factors which are supporting this kind of growth? That is what my question is?
- Apurva Parekh:** See macro factors are better in some countries than in other countries and also that our penetration and our market share in some of these country is lower than in India so we have a lot of opportunity for geographical expansion, depth and width especially countries like Bangladesh and Sri Lanka where we have a strong position, but still, there is a much greater opportunity to gain market share and to expand our presence in those countries, to introduce new products in those countries so to that extent, this local conditions have a smaller impact than in India.
- Shirish Pardeshi:** Got it. Thanks a lot, and all the best to you.



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- Moderator:** Thank you. The next question is from the line of Kiran Naik from Mody Fincap. Please go ahead.
- Kiran Naik:** Yes. Can you tell me, Sir, by March 2020, how much will be the revenue growth in percentage wise compared to March 2019?
- Apurva Parekh:** We cannot give you a growth projection. We, as a company, do not give a growth projection or outlook.
- Kiran Naik:** Okay and what will be the EBITDA margin for March 2020?
- Apurva Parekh:** Again, the answer is the same. We would not like to give out the projection. As a company policy, we do not give an outlook or a projection.
- Kiran Naik:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Arun Baid from BOB Capital Markets. Please go ahead.
- Arun Baid:** Sir, can you just tell us what was the A&SP spending in the first half of this year compared to last year?
- Apurva Parekh:** Yes, just one second, the first half of this year, our A&SP spend was 4.5% of sale. And last year in the same period, our spend was about 3.6% of sales. But more impact was in second quarter, where last year, the spend was 2.4% of sale, and this year, it was 4.8% of sale.
- Arun Baid:** Okay thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for their closing remarks. Over to you, Sir!
- Apurva Parekh:** Thank you all for joining the call and your questions. Have a good evening.
- Moderator:** Thank you very much, members of the management. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

(This document has been edited to improve readability)