

31st January, 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 24th January, 2019.

Thanking You,

Yours faithfully,
For Pidilite Industries Limited



Manisha Shetty
Additional Company Secretary & Compliance Officer

Encl: a/a

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“Pidilite Industries Limited
Q3 FY2019 Earnings Conference Call”

January 24, 2019

**ANALYST: MR. NIMIT SHAH - RESEARCH ANALYST - ICICI
SECURITIES**

**MANAGEMENT: MR. APURVA N. PAREKH - EXECUTIVE DIRECTOR -
PIDILITE INDUSTRIES LIMITED
MR. P. GANESH – CHIEF FINANCIAL OFFICER - PIDILITE
INDUSTRIES LIMITED**



Pidilite Industries Limited
January 24, 2019

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Pidilite Industries Limited Q3 FY 2019 Earnings Conference Call, hosted by ICICI Securities. Please note that this conference is being recorded. I now hand the conference over to Mr. Nimit Shah from ICICI Securities. Thank you, and over to you, Nimit!

Nimit Shah: Good afternoon, everyone. We would like to thank the management of Pidilite Industries for giving us an opportunity to host this call. From the management side, we have Mr. Apurva Parekh, Executive Director; and Mr. P. Ganesh, the Chief Financial Officer on the call. Thank you, and over to you, Sir!

P. Ganesh: Good afternoon, everyone. We have delivered another quarter of double-digit volume growth. However, this quarter saw our gross margins being impacted substantially as a result of input cost inflation and rupee depreciation. Fortunately, input costs have moderated. Overall, we remain committed to our strategic agenda of delivering consistent, profitable volume-led growth.

I will begin with a summary of the financial performance for the quarter and 9 months ended December 2018 for the standalone business.

Net sales at Rs.1580 Crores grew by 16% over the same quarter last year. The underlying sales volume and mix grew by 11%, which is a double-digit volume plus mix growth for the 6 quarters running, though in the current quarter, price increase did play some role in sales growth. This was driven by a 13% growth in sales volume and mix of Consumer & Bazaar products and the decline of 2% in sales volume and mix of Industrial Products. All our key product categories registered good sales growth.

Our IP sales during the quarter were impacted by competitor pressure and market conditions. Net sales for YTD December 2018 stood at Rs.4681 Crores and grew by 16% after adjusting for GST impact over the same period last year.

During the quarter, the gross margins contracted by over 500 basis points given the high input cost. Major raw material cost remained high during the quarter on account of high input prices and a weak rupee. Fortunately, input prices have moderated. The current spot price of our major raw material VAM is below \$1000 at present, as compared to the Q3 consumption cost of over \$1300. The price increases taken during the quarter, coupled with softening input prices, should aid in margins getting back to near-normal levels.

EBITDA before non-operating income stood at Rs.327 Crores and declined by 9% over the same quarter last year. EBITDA margin for the quarter stood at 20.7%. The year 2014-2015 had



Pidilite Industries Limited
January 24, 2019

witnessed input cost similar to the levels seen during the current quarter. The EBITDA margins during that year was at about 17%.

EBITDA for YTD December 2018 stood at Rs.1035 Crores and was flat over the same period last year, given the input cost-led contraction in gross margins by over 300 basis points and higher A&SP spends.

Profit after tax stood at Rs.225 Crores and declined by 6% over the same quarter last year. Profit after tax of YTD December 2018 stood at Rs.736 Crores and grew by 3% over the same period last year.

Now I will move to a summary of the financial performance for the quarter and 9 months ended December 2018 for the consolidated business. Net sales at Rs.1838 Crores grew by 20% over the same quarter last year. Net sales for YTD December 2018 stood at Rs.5404 Crores and grew by 20%, adjusting for GST impact and after excluding the sales of Cyclo division of Pidilite USA, which was divested by Pidilite USA Inc. in June 2017 over the same period last year.

EBITDA before non-operating income stood at Rs.337 Crores and declined by 9% over the same quarter last year, given the input cost-led contraction in gross margins by over 600 basis points. EBITDA for YTD December 2018 stood at Rs.1091 Crores and grew by 2% over the same period last year, given the input cost-led contraction in gross margins by over 400 basis points and higher A&SP spends.

Profit after tax at Rs.220 Crores declined by 8% over the same quarter last year. For YTD December 2018, profit after tax at Rs.692 Crores declined by 4% over the same period last year.

Moving on to our subsidiaries' performance. Our domestic subsidiaries recorded a growth of 47.6% on a like-for-like basis, while international subsidiaries grew by 1% during the quarter. Nina, Percept, ICA Pidilite and Cipy, which are our domestic subsidiaries, reported strong sales numbers.

Nina's EBITDA for the quarter was impacted on account of a provision of Rs.4.4 Crores made against an FD of Rs.8.8 Crores placed by the company Nina with the IL&FS group.

Many of our focus international geographies, including Sri Lanka and Bangladesh, have also reported reasonably good sales growth. EBITDA across some of the international subsidiaries was impacted by high input cost and foreign exchange fluctuations. We continue to remain focused on SAARC, Middle East and Africa markets in our international business as our growth drivers.

We can now open the floor for questions.



Pidilite Industries Limited
January 24, 2019

- Moderator:** Thank you. Ladies and gentlemen will now begin with the question and answer session. The first question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Congratulations on a good sales good performance. Just wanted to understand, have these demand trends that you witnessed in 3Q, have they sustained? Or are there any risks that you think we should be concerned about on demand?
- Apurva Parekh:** See, as you have seen, Avi that we have had almost now 6 quarters of consistent double-digit volume growth. So again, we continue to remain cautiously optimistic. It is difficult to say whether there are some external or macro factors, which can impact the growth so it is difficult to forecast. But based on our recent performance, we remain cautiously optimistic.
- Avi Mehta:** Sir, no, I was just understanding the caution reason because, I mean, now it is as you rightly said, 6 quarters of great performance?
- Apurva Parekh:** It is like do we foresee anything? We cannot foresee anything of that nature. However, it is always good to be cautiously optimistic. That is just the way we think.
- Avi Mehta:** Fair enough. Sir, lastly, just on the gross margin front. I am a little confused about the Q-o-Q contraction. Now we saw price increases that you had clearly announced in the 2Q call as well, and you had highlighted that VAM prices also had started to moderate now from USD/INR terms as well. Could you highlight what exactly is the reason for this moderation, because there seems to be a sharp Q-o-Q moderation and just correspondingly, a question, have now the price increase has taken? Are they enough for where the VAM prices stand right now? Or do you need more pricing?
- P. Ganesh:** You are right. On a Q-o-Q basis, the gross margins have contracted by about 200 basis points. And what we also need to bear in mind is that the input cost scenario continued to be high in Q3, also to some extent, impacted by high-cost inventory, which we are holding. And also, the rupee-dollar exchange rate had also deteriorated during the quarter when compared to Q2. While VAM is taken as a yardstick given that it is the single largest raw material, there are other raw materials also which have seen an increase. So, all of this put together meant that there was a contraction as far as gross margins on a Q-o-Q basis is concerned. Of course, on a Y-o-Y basis, the contraction is much higher at more than 500 basis points. So, we have taken some more price increases in Q3 as well. Now with the softening of VAM prices, generally, the input prices and the VAM being the major one for us, while the average consumption cost was upwards of \$1300 for us in Q3, the current spot prices are less than \$1000. So, with the softening of input costs coming in; with the rupee-dollar also seeming to stabilize at relatively lower levels but of course, it is too early to predict anything in terms of which way the rupee-dollar will go; and also, the full impact of price



Pidilite Industries Limited
January 24, 2019

increases which we have taken will be seen in Q4, all of these things put together, we should see ourselves getting back to somewhere close to normal levels as far as gross margins go.

Avi Mehta: Sir, as far as the gross margin or is it the EBITDA margin? Because you had indicated your last quarter, I do not know if that is correct, my understanding was that normal EBITDA levels is 22% to 23%. Is that what you mean?

P. Ganesh: Absolutely yes.

Apurva Parekh: EBITDA levels will also depend on what sales growth we achieved, advertising and promotion expense. So, in a quarter-to-quarter basis, that number can fluctuate a bit. And it will also vary greatly depending on the topline growth and the advertising and promotional expense in that quarter, along with the gross margin. So, you need to see both in conjunction. Also, if you see, last quarter for us, every year, the gross EBITDA margins are lower because the sales base is also lower. So, this is just to add, on a quarter-to-quarter basis, you see then the sales growth and other expenses will also have an impact on the EBITDA margin.

P. Ganesh: Yes, because leverage comes into play when you look at EBITDA.

Avi Mehta: I think gross margin is what you are talking about, then EBITDA will depend on how the leverage plays out. And Sir, lastly, what did you say in the first remarks; some sales got impacted by competitive pressures and market conditions? Was that YTD sales? Or what was that, Sir?

P. Ganesh: No, that is for our IP division.

Apurva Parekh: See, our IP division, I would just like to add, first of all, our IP division is made up of lot of different verticals serving lot of different type of end consumer, both in India and outside of India. So, some of the product segments like leather, footwear and some textile business got impacted because of demand scenario. In some overseas countries, the demand conditions were not so great. So that was the reason. And in addition to that, in a rising raw material scenario, the competition is significant on price, and hence, also, that causes some impact on the market share. So, this was about IP business. The comment was regarding the low growth of IP business.

Avi Mehta: Thank you. I will come back in the queue for further questions.

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

Abneesh Roy: Sir, my question is on the IL&FS exposure. So, one is, is this in the IL&FS subsidiary? Second, when was this done? And apart from this Rs.8.8 Crores, is there any more exposure in any subsidiary and/or at the parent level?



Pidilite Industries Limited
January 24, 2019

- P. Ganesh:** Yes. So, the total exposure at Pidilite Group is Rs.8.8 Crores, and it is entirely in our subsidiary, Nina. And this exposure was taken more than three years back. And at this point in time, we have made the provision of 50% of the amount, given that there is uncertainty in terms of where this is headed. And therefore, as a conservative measure, we have provided for half the amount.
- Apurva Parekh:** This was done in very early days of Nina. At that time, the management invested based on the rating. But this was done at very early stage of Nina's integration with Pidilite.
- P. Ganesh:** Other than this, we do not have any other exposure to the IL&FS group.
- Abneesh Roy:** And this exposure is to IL&FS parent or the subsidiary?
- P. Ganesh:** Partly to parent and partly to subsidiary.
- Abneesh Roy:** And why was it not taken write off as in, in the previous quarter? A lot of companies took in the Q2.
- P. Ganesh:** So, this is something, which we will review on a quarter-by-quarter basis. And given that clarity has not emerged as yet is why we have taken this provision.
- Abneesh Roy:** Sir, coming to the business side, if you see paint companies, the results whatever has come. They managed their margins much better. And this is something this is not only this year. Every time we see high volatility, Pidilite's margins are more volatile. Now my question is why not change it? And going ahead, do we see the price hikes becoming more frequent? You have much more market share in your key categories versus the paint companies, so why you do not want to take more frequent price hikes if warranted?
- Apurva Parekh:** No, I think, see, first of all, paint business and our business is very different. So, it is not comparable, number one. Second thing is if you look at our overall margin, they are significantly higher than paint companies, including Asian Paints. So, we have a different approach of managing our margin. As we have always said, we like to operate in a margin band. And when I say like to operate, it does not mean every quarter. Generally, on a year-to-year basis, we like to operate in a margin band. Now if you really see in last 3 years the way our margin have shot up, we have been consistently saying that some correction is possible. Now this correction greatly depends on the sudden changes that can happen in prices of key raw material and dollar. Now we as a company do not believe that we should respond quarter-to-quarter. To maintain very, very strong market position, we need to be judicious about making the price increases. But as you have seen over a very medium- to long-term period, that we consistently are able to get back to the right kind of margin level, even though we may have an impact for a short period of time. So, our approach is to follow in a particular manner. Plus, we are into large number of diverse segment



Pidilite Industries Limited
January 24, 2019

and for us to continue kind of a price increase we believe it is not the most judicious way to manage the business. So, we have our approach and we believe our approach is doing quite well. But once in a while, this can happen, if there is such a sudden sharp increase in the price of VAM and some of the other raw materials.

Abneesh Roy: Sir, last quarter, your Y-o-Y price hike was 3.5%, and you mentioned to Avi that further price hike has happened. Now how much is the portfolio hike?

Apurva Parekh: See, we have not done price increase in all the categories. But if you see many of the major product categories the price increase is in the order of about 5%.

Abneesh Roy: So, from 3.5%, further 1.5% has been added.

Apurva Parekh: 1.5%, 2%. In some products, a bit more as well.

P. Ganesh: Yes, that is right.

Abneesh Roy: Sir, coming to the international part of the business, if you could elaborate Brazil, more competition. Is it short term? What are key players, is it the market leader? And in the U.S., the adult coloring, what is the issue here? We, Sir, keep seeing this issue coming back again and again. So, what is the solution, long term?

Apurva Parekh: Brazil, the key competitor is Saint-Gobain. Saint-Gobain has acquired a business in Brazil. And Henkel is the second company. So, these two are the major competitors in the segment in which we operate. Brazil economy, as you know, has been going through difficult period, and hence, people have been fighting for share in that kind of market. And hence, it is competitive from the view of pricing and margins. While we as a company took a call few years ago, we want to make sure that we do not lose money and it is important that we do not do the kind of pricing strategy which may result into losses. And hence, we have been conservative with a focus that, "Let us maintain the business, and let us make sure that we do not incur losses." So, with this approach, some businesses we have to let go, where the price competition and intensity has been more. Now we have taken lot of effort in terms of cutting our costs and improving our efficiency and which is allowing us to maintain a breakeven or a little better than that. But however, long-term, we are evaluating various options. In terms of economy that was fairly bad, we are seeing some signs of improvement as the new government has come in. And we have taken some initiatives further in terms of sourcing and cost reduction. So, we will now closely see what goes forward. But compared to what were the situation three or four years back, we are in a better position. As far as U.S.A. goes, in U.S.A., if you recall two three years ago, this adult coloring trend had very significantly taken up and the sales growth was very high for couple of years. Now that trend has moderated significantly, and hence, we are seeing the carry forward impact of that, which will



Pidilite Industries Limited
January 24, 2019

continue. Hopefully, now going forward, the impact may not be much. But that was an impact that we saw because of very sudden growth in sales because of this new trend, which on moderation, is now resulting into reduction in sale. Now again we run in an efficient manner, whereby we are making some profit while evaluating the strategic options. So as far as overall strategic objective, we are not investing more money in both of the subsidiaries. We are trying to manage them efficiently till we will find some way to have more strategic options evaluated.

Abneesh Roy: Sir, the last question, volume growth was quite strong in domestic. So, in region-specific, do you want to highlight something? Kerala, was it much stronger in terms of volume growth?

Apurva Parekh: Kerala may have been better than all India, but it is not that anything there has had created a big impact on the all India growth. We saw that in our main product categories like adhesives and sealants and construction chemicals, there has been good growth across most of the markets. So, most of our brands in this portfolio across most of the markets, they have done well.

Abneesh Roy: And competitive intensity in Fevikwik remains are not a big concern, right, from the other organized player?

Apurva Parekh: We do not believe it has created an impact on our share. So as of now it is like that, but we watch everybody very closely. But we do not believe it has had material impact on our share.

Abneesh Roy: Thank you,

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

Anand Shah: Thanks for the opportunity. Sir, just a few questions on the top line growth. So firstly, is there any element of festive timing shift that would have propelled the growth a little bit higher, like it happened in paints?

Apurva Parekh: Small impact. We are not as linked to paint, but some impact would have been there. But we are not that closely linked to paint cycle or to the Diwali cycle. However, as Ganesh mentioned earlier, there will be some impact because we had some price increases in some key product towards end of December, and hence, the channel may have bought a bit more inventory ahead of the price increase. So that would have played some role in the growth.

Anand Shah: Okay. So, you are saying marginal upstocking would happen ahead of price hikes?

Apurva Parekh: Yes. Upstocking would have happened, yes.



Pidilite Industries Limited
January 24, 2019

- Anand Shah:** Okay. And are you seeing underlying demand trend picking up in general? I mean, we are seeing this across building materials. Any comments that you can add?
- Apurva Parekh:** See, we do not have any comment except to say that we are seeing steady, consistent demand across many parts of India. But I do not have any comment beyond that. Anything, Ganesh, would you like to add?
- P. Ganesh:** So, across our categories, we have seen fairly good growth.
- Anand Shah:** Okay. And what about art materials, specifically? I mean, has that stabilized and is back on growth trajectory?
- Apurva Parekh:** Art materials, so hobby and craft. Our hobby coloring business is stable and that is doing okay. Maybe the question that you are asking is about our handicraft adhesive portfolio, which had seen difficulties in last couple of years. So that segment is still facing some headwinds in terms of the way in which the handicraft segments should have picked up. We do not see that level of growth. But overall, at the company level, the contribution of this business is fairly small. But we are not seeing significant improvement, maybe some improvement, but not significant.
- Anand Shah:** Okay. And on this, the international business, obviously, the volatility in INR would have impacted the margins and there would be a lag in price hikes and all as well earlier. And now, given that both crude and INR have reversed to an extent, do you see that margin stabilizing or improving a bit in the next few quarters?
- Apurva Parekh:** So some of the subsidiaries like Bangladesh and Sri Lanka will see clear, immediate improvement. Egypt will also see some improvement because they all consume good level of VAM. So their margin should certainly improve.
- P. Ganesh:** And as regards to currency, while the rupee has now stabilized, the Sri Lankan rupee, for example, has deteriorated.
- Apurva Parekh:** Right.
- P. Ganesh:** So country-to-country currency impact, we will need to wait and watch.
- Anand Shah:** And then just lastly, on the domestic subsidiaries, I mean, they are doing quite well. And specifically, on ICA, I mean that piece is now completely stabilized and back on growth trajectory?



Pidilite Industries Limited
January 24, 2019

- Apurva Parekh:** But on ICA, we must add one point there. Last year, we had some supply disruption in December, and hence, the sales growth is a bit higher because of the lower sale in December of last year. But having said that, the business is stabilizing well. We have commissioned a new manufacturing plant in Gujarat, so now we will be making these products in India. Many of those were imported earlier. So that it is a big step forward. But these businesses have stabilized well, all of them: Nina, Percept, ICA and now even Cipy, which has been the most recent acquisitions. So, we believe that the domestic subsidiaries are on right track. Of course, there is a lot of work to do there, but they have sort of the initial start has been good.
- Anand Shah:** Okay. And post the commencement of this manufacturing facility for ICA, you do see margins also improving for ICA?
- P. Ganesh:** Yes. So, as we ramp up manufacturing, we should start seeing margins improve.
- Anand Shah:** So FY2020 and 2021 onwards, you at least over the next four quarters or so, you should start seeing better margins in ICA?
- Apurva Parekh:** Yes.
- Anand Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kartik Mehta from IDFC Mutual Fund. Please go ahead.
- Kartik Mehta:** Thanks a lot for the opportunity. Sir, my question is pertaining to the price hike. What we have taken was considering the VAM prices of \$1300? Or we actually took the price hike a little lesser than what was required, and now the crude has corrected so we are balancing out?
- Apurva Parekh:** I think it depends on both dollar and crude. The price hike we had done was not to fully mitigate the impact of \$1300-plus VAM and dollar at Rs.73, Rs.74, but it would have mitigated lot of cost increase. But now the cost has come down substantially, as we said earlier.
- Moderator:** Thank you. The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.
- Tejash Shah:** Sir, the kind of growth we have been witnessing for last six quarters, is it a fair assumption that we must be gaining market share in a large chunk of our portfolio, because industry growth cannot be this high for this long?



Pidilite Industries Limited
January 24, 2019

- Apurva Parekh:** It is possible that we would have gained share, yes. In some of our product categories, we would have gained market share, yes.
- Tejash Shah:** But this is against organized players? Or this is unorganized players losing market share?
- Apurva Parekh:** I would say it would be mix of both.
- P. Ganesh:** And again, this is what we estimate could be the position, because we also need to bear in mind that we do not have authentic market share data like in AC Nielsen, for example. But having said that, with this kind of growth, yes, it is possible that we could have gained market share.
- Apurva Parekh:** In many of the markets, we see that we probably have gained share. But there is not any firm, accurate data to support our position, so we hesitate to say.
- P. Ganesh:** And also, in some of our key categories like construction chemicals, for example, it is more about creating the market and driving consumption than so much about market share.
- Tejash Shah:** Sure. So which are categories, if you can call out, where you are at least based on your anecdotal understanding, you believe that you would have gained market share? Or top three categories, just to give some colour?
- Apurva Parekh:** See, the two big categories, adhesives and sealants and construction chemicals. Now within there, there are subcategories and other detail. But our two broad categories, the large categories, are adhesives and sealants and construction chemicals.
- Tejash Shah:** Okay. So you are saying overall categories, you would have gained market share. But subcategories, you are not sure whether how to approach that?
- Apurva Parekh:** We have some general idea, but I would not like to sort of share it because the reliable, accurate data is not there. But we generally are positive about the sales development that has happened over last six quarters. We have made good progress and we have certainly gained share in some of our product categories.
- Tejash Shah:** Sure. Sir, secondly, there is a lot of thrust in the last two years on NPD pipeline and we have been talking about this emerging portfolio or core versus the growth portfolio. So what will be the share of this new portfolio in last two, three quarters? And has the share been increasing as we are going along on that?
- Apurva Parekh:** See, the products introduced in the last two to three quarters will not have any meaningful contribution if that is what you are asking. Generally, in our kind of product category, the



Pidilite Industries Limited
January 24, 2019

gestation period is fairly long. Because you must understand, it takes years for changing habits of, majorly, craftsmen. So these are craftsmen who are using products for years together and it takes lot of effort to convert them. There is a long gestation period. But once the change happens, then they remain with you for a long period of time. But to give you an example of some of the products that we have been sort of trying to increase the sale, there is this product that I call Fevicol Hi-Per, which is an advanced anti-bubble type of Fevicol. This product is now doing really well. There is another product called Fevicol HeatX, which is a fast-setting Fevicol but with the heat resistance property. That product is also doing very well. We brought a sprayable Fevicol, which we advertised on television called Fevicol Ezee Spray. That is also doing very well. So these are examples of product that we have introduced, which are doing well in their respective segments. But some of them have been introduced three years ago, four years ago, and two years ago. So in our case, the gestation periods are a bit longer and it does take a little bit of time to grow. We have launched a set of tile and stone products, which are doing well. So in each of our product end category, we have introduced products, and some of that are doing well, but they take few years to really start changing the habit and achieving some kind of sales.

Tejash Shah: Sure. And Sir, any update on Parivartan project? You were talking about putting up factories and focusing on cost efficiency in mines. So I just wanted to know.

Apurva Parekh: So regarding Parivartan project, we have identified and we are going to open a new manufacturing plant in South of India. So there was lot of work done on the network design, and coming out of that, we are going to set up a manufacturing plant in South of India. And in addition to that, Parivartan project was also about identifying other cost-saving opportunities in packing material, raw material, manufacturing process, etc., So in many of those identified areas, we have made progress and implemented some of the initiatives.

Tejash Shah: Sure. Sir, lastly, based on some of the previous questions also, looking at where VAM prices have stabilized Q-o-Q and dollar has also moved in our favour, and with all the cost-efficiency program that we have been undertaking, do you think that the upper side of your guidance on margins can be revisited further on the positive direction? Or you believe that you will reinvest anything above that threshold number?

Apurva Parekh: See, if you look at the three years that we saw, that 2015-2016, 2016-2017, 2017-2018, if you really look at that kind of range, that is an upper end of our margins. So if, really, we start going above that, we would certainly like to invest to accelerate sales growth. But those three years, the kind of margin that we had is towards the upper end. And we would like to invest more if we are really able to have higher gross margins.

Tejash Shah: Thank you. All the best Sir.



Pidilite Industries Limited
January 24, 2019

- Moderator:** Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Sir, I had a question on the Nina project. Now what we do understand from the market is that the pricing was revisited. I am not sure if that was across the board. But I was told that there is a revisit on the pricing, which has aided growth. Now clearly, that has kind of borne fruit for us. Is that understanding correct and if you could help clarify that for us, Sir?
- Apurva Parekh:** I am not clear exactly what you are referring to. But maybe, there were a couple of strategy in Nina. One is, of course, we take a close look at the margin and the way we are doing business so that we do not end up doing lot of projects, which are at the very, very low margin. So there is an increased focus on managing our margin better. That is clearly there. In addition to that, we want to also focus on sectors, which are, other than real estate, large buildings. So we want to look at manufacturing plants, commercial projects and lot of other type of construction project, where also, again, the margin profile could be better. So overall, in this type of businesses, we need to have a proper financial management. And the team has been creating the framework to be able to do so. Other than that, I am not sure what exactly are you referring to about pricing.
- Avi Mehta:** Sir, then maybe there is a margin moderation that we have seen versus last year adjusted for, obviously, that is not the case and if that is the case or is that just more one-off.
- Apurva Parekh:** No, there has been some margin moderation because they have also faced a cost increase. They as a company use both material and labor to do a job. So they have also faced the cost increase. And also, it is a challenge, as I said, to manage a proper margin mix in this. So some of when you have an accelerated sales growth, it is possible that some of the orders are at the lower end of the margin.
- P. Ganesh:** And they have also taken certain fast-track projects, which are at relatively lower margin. So it is a combination of things.
- Apurva Parekh:** However, we are very conscious of the fact that we want to make sure that we continuously work towards improving our margin. So that is clearly a focus. And it is not that we just want to grow without earning reasonable margins.
- Avi Mehta:** And Sir, even the Percept subsidiary, the moderation is obviously sharper over there. Is that also got to do with input cost only? Or is there also something, which has got to do with mix?
- Apurva Parekh:** Look, for the size of company, it is mix, and it could be some one-off carry forward from quarter-to-quarter. Because for this sized business, quarter-to-quarter is not a reliable indicator at all.
- P. Ganesh:** So if you look at what YTD December and compare it with FY2018, it is not a significant dip.



Pidilite Industries Limited
January 24, 2019

- Avi Mehta:** That clarifies. That is it from my side. Thank you very much.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments. Please go ahead.
- P. Ganesh:** I would like to thank everyone for coming on the call. Thank you.
- Apurva Parekh:** Thank you, everybody.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.

(This document has been edited for readability purposes)