



14<sup>th</sup> August, 2025

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**Stock Code – 500331**

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**Sub: Transcript of the Earnings Call**  
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Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 7<sup>th</sup> August, 2025.

A recording of the transcript is available on the website of the Company viz. [www.pidilite.com](http://www.pidilite.com).

Kindly take the same on records.

Thanking You,

Yours faithfully,

**For Pidilite Industries Limited**

**Manisha Shetty**  
**Company Secretary**

Encl: as above

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**“Pidilite Industries Limited  
Q1 FY '26 Earnings Conference Call”  
August 07, 2025**

**MANAGEMENT: MR. SUDHANSHU VATS – MANAGING DIRECTOR –  
PIDILITE INDUSTRIES LIMITED  
MR. KAVINDER SINGH – JOINT MANAGING DIRECTOR  
– PIDILITE INDUSTRIES LIMITED  
MR. SANDEEP BATRA – EXECUTIVE DIRECTOR  
FINANCE AND CHIEF FINANCIAL OFFICER – PIDILITE  
INDUSTRIES LIMITED  
MR. BHAVESH JOSHI – VICE PRESIDENT, DOMESTIC  
ACCOUNTS AND TAXATION – PIDILITE INDUSTRIES  
LIMITED**

**MODERATOR: MR. JAY DOSHI – KOTAK SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Pidilite Industries Limited Q1 FY '26 Earnings Conference Call, hosted by Kotak Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \*0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jay Doshi from Kotak Securities. Thank you, and over to you, Mr. Doshi.

**Jay Doshi:** Thanks, Manav. Good afternoon, everyone. On behalf of Kotak Institutional Equities, I welcome you all to Q1 FY '26 Earnings Call of Pidilite. We have with us Mr. Sudhanshu Vats, Managing Director; Mr. Kavinder Singh, Joint Managing Director; Mr. Sandeep Batra, Executive Director Finance and CFO; Mr. Bhavesh Joshi, VP, Domestic Accounts and Taxation.

I'll now hand over the call to Mr. Batra for opening remarks. Over to you, sir.

**Sandeep Batra:** Thank you, Jay, and good afternoon to everybody on the call. I will quickly share my opening comments and covering the Q1 FY '26 results, which were approved at our Board meeting yesterday. To commemorate the 101st birth anniversary of our founder, Shri B.K. Parekh, the Board has announced a special interim dividend of INR 10 per share as well as a bonus issue of 1:1. As you would recall, this bonus issue comes after 15 years.

Coming now to the performance for the quarter. The stand-alone revenue of INR 3,467 crores was higher than same period last year by 10.6%, largely led by an underlying volume growth of 9.9% with the remaining coming from price. Underlying volume growth for both Consumer and Bazaar and B2B was strong. Consumer and Bazaar UVG was 9.3% and B2B was 12.6%.

Within the geographical distribution for us, rural growth continued to outpace urban and that has been the trend now for the last few quarters. Stand-alone gross margins were in line with Q1 last year. However, our EBITDA margins were higher than same period last year by 101 basis points and stood at 25.6%.

The standalone profit before tax and exceptional items was higher than last year by 18.5%, whereas profit after tax grew by close to 18%. Our domestic subsidiaries cumulatively reported a sales growth of 11.5% and 31.7% growth in EBITDA because of softening of input costs and some pricing action taken last year in ICA. International

subsidiaries grew top line by 6.5% but also improved their margins because the EBITDA growth was 9%.

Consolidated revenues for the quarter at INR 3,742 crores were higher than last year by 10.6%, and EBITDA was higher than last year by 15.8%. So that is the overall commentary on outlook and comments on the performance for the first quarter.

Open the floor for question and answer.

**Moderator:**

We have our first question from the line of Abneesh Roy from Nuvama.

**Abneesh Roy:**

Congrats on very strong set of numbers. My first question is, two quarters back, you had highlighted two states where there was some level of slowdown, I think Gujarat and Andhra Pradesh (AP), and then in Q4, you said it is easing out. If you could update us now, are these two states now almost normal versus the pan-India growth? And any other states where you would want to highlight, which are the outperformers, and which are the laggards?

**Sudhanshu Vats:**

So Abneesh, first of all, very good to hear from you. And thank you. I think indeed, these are strong set of numbers under the current context. Abneesh, as you rightly pointed out, from period to period, as we do analysis of different states and look at numbers and performances in every state, it keeps changing.

But the good news is, like we were telling you last time as well, anywhere where we see a weakness, we do a very detailed analysis in the company, and we get into the root cause of why that has happened and put actions in place. So as you would rightly expect, and as you said yourself, I think some of the issues which were faced then, particularly in AP and in Gujarat, have eased out.

Competitive intensity in some parts of these states does remain. So for instance, Hyderabad has very high competitive intensity for one of our businesses, tile adhesive, as you would know. Gujarat has some level of competitive intensity on some of our other businesses. But overall performance of the states is improving quarter-on-quarter.

I think if you were to ask me, are there any states which are a bit of an outlier as we go forward, there are always some but I could say at the moment, Kerala is one state. When we look at Kerala, across our businesses, there is some challenges, but we will evaluate that also as we go forward, find solutions and be able to address it.

But I think in summary and a more conceptual point, just to let you know that we keep looking granularly at state by state sometimes, many times at districts and even town level and find solutions right up to that and sometimes even at dealer level.

**Abneesh Roy:**

Understood. One follow-up here. So tile adhesive cost is around 2x of cement. And almost many of the paint legacy players have now entered tile adhesive. So, if you could tell us in terms of pricing of the paint players versus your extremely strong brand, Roff, are you able to charge a premium still?

And on the Hyderabad-specific example which you gave in terms of more competition, why cannot that competition go to more markets? Because in India, we see that these types of issues are generally not specific to one city, right, in terms of competition. If you could elaborate on that, sir.

**Sudhanshu Vats:**

No, no. So this is not a new competition. As a matter of fact, we are getting more competitive. If you were to ask the other side, they will say perhaps that Hyderabad now Roff is doing a lot. So, as you know here, our key competitor had done a lot of work in projects well before us. And now we are inching towards leadership overall in the country. We are already leaders in tile adhesive when it comes to retail business.

Hyderabad tends to be the bastion or the “*gadh*” of our competitor who started the business there. That's why the shares are slightly disproportionate. So, will it travel elsewhere? I think if it had to travel, there were 20 years available for it to travel. So will it travel now? And then can it travel now? The answer is in my judgment, not very obvious. So it is not a new phenomena. It will not travel.

As a matter of fact, if you were to ask the other side, you will perhaps see that there is a lot of heat on from our side there. So I hope I have addressed your question.

On the second part, our growths are really, really good in this segment. And what we do here, I will tell you, Abneesh, is, see, when it comes to tile and you know some of these statistics at the back of your hand, I think one in four people only use tiles. So the purpose and the objective and the broader purpose in this category is to grow the category and to grow it exponentially.

Now you are absolutely right. The cost of this is higher than cement, but tiles are getting more sophisticated. Tiles are getting thinner, vitreous, also on vertical surfaces, sometimes even outside exterior surfaces. So, you need more sophisticated solutions. So, our entire endeavour is actually to keep on premiumizing and building offers all through the pyramid.

It is a classic pyramid, again, Abneesh, like you would understand from some other categories or companies in India. Tile adhesive is a classic pyramid. There at the bottom, you have the cementitious products and then you keep getting into more and more sophisticated products that you keep going up for different types of tiles. So we now are building that portfolio. We have almost a complete portfolio right up to the top.

So our endeavour is to be actually growing much, much faster than the market, which indeed we think we are, because our growths are very good. And we are continuing to build our portfolio all across. And at the very bottom, we continue to enjoy a marginal premium over our competitors. So I think that is where we are. With the progress of Roff, we are particularly satisfied and very happy, both on Roff retail and Roff projects, our growths are really, really good.

**Abneesh Roy:** To understand this fully, your presence in tile adhesive is far more comprehensive, far more SKUs and offerings versus the paint players which have a few offerings. Will that be correct?

**Sudhanshu Vats:** Yes. So different players will have different offerings and all that, but ours is a very comprehensive offering. So I am saying if you understand like other categories, and particularly some of the other FMCG companies will tell you, India has a pyramid structure for developing a full portfolio. You have to have big products; you have to have slightly more superior, mass premium products; you have to have premium products; you have to have specialty products. So, when it comes to Roff, we have everything, Abneesh.

**Abneesh Roy:** Sir, last question. In the analyst meet, we were shown that extremely interesting product, UnoFin. I understand it will take time for traction given it's a very different product. So if you could talk about the initial journey? What are the learnings? What is the progress?

And on Haisha Paints, anything you want to share, given paint industry, there is a gradual revival? And the new large paint player, I think, seems to be now stabilizing. So, any comments you have on what, say, the legacy paint players are saying on the new disruptive large paint players? Anything you have to further add on that, 10% extra grammage, dealers returning some of the machines, anything you want to add on that?

**Sudhanshu Vats:** So as far as we are concerned, Abneesh, we are focused in the 5 states. We are very focused on rural, which is rural and small town, that is where we are focused. So rural and small town India, basically in these states. It is very similar to the commentary

I gave last time, but there is progress, so I will repeat it. The good news from our end is that we are growing quarter-on-quarter, month-on-month, every month. So, I think that's very good news. We are growing in all our pilot states. We are indeed growing. So we are looking at all these comparisons and more like-for-like because we are focused on those 5 states. We are also looking at dealer like-for-like.

So the good news is that we are continuing to grow there. I think what we are still not satisfied is the absolute numbers which we are getting or the milestone we had set for ourselves. So what we are saying is that we will continue to fine-tune our offerings as we go forward, but more importantly, fine-tune our go-to-market, our work with applicators, build those business modules, get that moat which Pidilite has and get that advantage from there as well.

And once we have that as we go forward and have a clearly established right to win is when we go ahead, and we continue to remain focused on small town India and rural India. I think that's our first port of call. The commentary you are hearing is largely of the big paint players, largely of urban India and all that. We are focused where we are. We are continuing to grow. We are doing work there.

And basically, as far as we are concerned, our number of dealers are growing, our number of dealers with tinting machines is growing. And as I was telling you, our like-to-like sales at those dealer places is growing. So we are making steady progress. More work needs to be done before we extend. I think that's the headline.

**Abneesh Roy:**

And on UnoFin?

**Sudhanshu Vats:**

UnoFin I think it is early days. But what we have done is and I will ask Kavinder also to pitch in here, but the headline is that we are sort of continuously understanding how it should go out and revalidating our process. We are also shifting a little bit UnoFin to larger projects. I think in the initial, we had started a little bit more retail with more let's say, more bungalows and so on so forth.

We are now saying that we will look at it more like a project with larger projects, with those buildings. We are beginning to do that work. And again, this is a piece which is a habit conversion, as you would know, Abneesh. So it will take some time. I will also ask Kavinder to step in and talk about it.

**Kavinder Singh:**

Thanks, Sudhanshu. Abneesh, the UnoFin question needs to be answered in two parts. One, what is exactly our strategy in this category. And we believe that this is a bit of a game changer today, if you look at exteriors, a typical painting process has 4 layers - putty and primer, and then you have once again the coat, first coat and second coat.

So we are trying to create a category where the exteriors can be done with either 1 or 2 coats maximum, depending on the finish that you want. And this is sprayable, so it is a very unique advantage in terms of the construction labour, which is the #1 problem today, the construction industry faces.

And more importantly, it has about 20 to 25 years of life and is also water resistant. So the benefits are well known to people who understand this. Now where the second piece of strategy is falling in place is, we are trying to now pitch it to masonry contractors because those are the ones who need to be converted. And this will also go in places where the asset is owned by the owner.

For example, if you take the hotels, if it is a brand, you don't reach the brand, you reach the hotel owner. And the hotel owners love this idea because it reduces their downtime when it comes to repainting cycles. So anywhere where there is ownership, where people own the assets, this is a great product to pitch.

Also, the third piece is that we need to go to architects who understand and who recommend this. So at this point of time, I will just give you a brief overview. We have this new group called Pidilite Professional Solutions which is getting reasonable success in getting it specified with the architects.

Masonry conversion, masonry contractors' conversion is the second thing. And chasing projects, as Sudhanshu mentioned, and larger jobs and creating testimonials from the, let's say, users or also the end users, which is the client is the way forward in terms of driving word of mouth.

So just to give you a sense, one of the big projects that we have recently done is the Jewar Airport in the Greater Noida area, where the base coat was applied of UnoFin. So there, we have got some success. So like that, we are now moving into larger and larger jobs. So this is a bit of a slightly longer answer to your question, but this should give you a sense how we are going about it. And we are pioneers, we believe in building this category slowly but surely.

**Moderator:** We have our next question from the line of Latika Chopra from JP Morgan.

**Latika Chopra:** Sudhanshu and team, my first question was trying to get some more color from you on demand trends. If you could comment on your confidence in sustaining or improving this 10% volume growth, which is fairly healthy? And also, if you could talk about some flavor on the sub segments in the B2C business on adhesives, Araldite, waterproofing? You already talked about tile adhesives was very strong. But some of the other core categories, how are these placed versus the broader 10% volume growth



that you have delivered? And also, what kind of pricing growth you would anticipate playing out for the rest of the year?

**Sudhanshu Vats:**

So thanks, Latika, and good to hear from you. In terms of our growth and Sandeep talked to you about that, our 9.9% UVG growth, which is this time, 9.3% Consumer and Bazaar and 12.6% B2B. So, this time around, this growth is very uniformly spread if I can use the word, across the 2 segments where you have the numbers, but I can also assure you and share with you that we are seeing consistent growth across regions, across categories, even across product groups.

So that is very heartening. Very specifically, if I was to talk about a few product groups or categories, as you spoke about, we have seen very robust growth on Roff, which we spoke about. We have seen further increased growth on our Dr. Fixit portfolio. So Dr. Fixit overall is delivering very well on its promise. So that has done very well in this quarter.

Fevicol has done well. Araldite has done well. And we have got growth basically on the core part of the portfolio, but also we are beginning to see some of our innovations in these areas which are beginning to do well, Latika.

So for instance, if you were to look at Fevicol, if I was to give you one example. And if I was to pick up two of the newer areas, we have got into, one is to tackle multi-substrate where we launched a product called Nail-free Ultra. That product, I can tell you, is doing very well, very well. We are very happy with it. I think we have also done another thing that in India, lamination is a very, very important practice and people want to change, as you go forward, some of their laminates.

So in order to make that task easier, we launched a product called Relam. Again, Relam has done very well. So just to give you a little bit of flavor. Now similarly, if you look at our construction chemicals portfolio, once again, we have built products which are now delivering on the promise and are therefore, you are delivering superior products at a much better value. So there is a product which is doing very well now called All Seal, which is both for new construction and repair when it comes to that piece. That's an important one.

Bathseal, where we have done so, therefore, a Bathseal Select, we call it. So I think that is done very well. In our projects, more in projects, but in retail, there is Wonderproof. So just to give you an example, these are products which are now coming in new. These are newer products relatively, which have done well.

So I think across the spectrum, our premiumization thing, making things easier for people, improving the time needed to do the job, which is becoming important. So the productivity of our users and our customers are the areas where all these innovations are helping us.

This gives us a considerable amount of confidence that as we go forward, we should be able to maintain or better our double-digit underlying volume growth. So you saw these numbers. I think if the overall demand sentiment picks up, which you are hearing from everyone, that will be a little bit of further tailwind for us to be able to deliver better as we go forward.

**Latika Chopra:** That is encouraging to know. And any comments on the pricing growth? This quarter, we did see this turning positively. Do you think this can strengthen or firm up further? Or we should work with low single-digit pricing growth for the rest of the year?

**Sudhanshu Vats:** Sandeep can add more color to it, but you have seen in this quarter about 9.9% UVG translating to 10.6% revenue growth so 70 bps of pricing coming in. You will continue to see this in this range, I think, a little bit. So there will be pricing coming a little bit on top of the underlying volume growth that we deliver, that you will see. But are we going to under current circumstances, where input costs are benign; are you going to see considerable pricing to be taken up? I think the answer is no. But I will ask Sandeep to add further if there is anything he wants to add.

**Sandeep Batra:** No, nothing. I think you have summed it up very well, Sudhanshu. I think pricing will be more tactical. We don't see any commodity or input cost headwinds that will warrant an across-the-board increase in prices. Input costs overall do remain soft.

**Latika Chopra:** All right. And then just coming to margins. There has been a moderation on a Q-o-Q basis on gross margins. Is this to do with mix? Or if the underlying commodities are easy?

**Sandeep Batra:** So our margins, if you look at same period last year, Q-on-Q, they are the same, versus fourth quarter, there may have been a little bit of decline, partly is because of mix. And partly also, I think the VAM price for the first quarter was slightly higher than fourth quarter, but that was, I think, more momentary than a sign of things to come. So, I think gross margins, as we speak, should remain at the levels that we reported in the first quarter.

**Latika Chopra:** Okay. And the other expenses growth was modest out there. How should one think about on a full year basis? You clocked 25% plus margins in this quarter, and it could

be a quarterly trend. Do you think FY '26 could land at the higher end of your band of 20% to 24%?

**Sudhanshu Vats:**

Yes. So first of all, Latika, as you rightly pointed out, and that is my request to everyone, and I keep saying this again, that, I think, first of all, look at this number on a more annualized basis. Don't look at it quarter-to-quarter because we do have seasonality, point number one. And quarter 1 tends to be our largest quarter of the year.

We also do A&SP based on the requirement of the brand and business. We do not manage it for the quarter. We basically say what is needed, what are the activities we have, which brand or business needs that, and that will change from quarter-to-quarter. You may have a slightly lower seasonal quarter as in lower in revenue, therefore, slightly, but you may have A&SP spent commensurate or even higher because there were activities in that quarter, business needed it, brand needed it and vice versa.

So I think in this quarter, which is a gone by, you have seen the effect of these two seasonality and also A&SP being a bit low because of the intensity of the work which we needed to do on a few brands and businesses was different, and it will follow through in the year.

So for the full year if you look at it, and that guidance which we have given, the corridor of 20% to 24%, is the corridor you should look at and you should look at us. I think the way we started with the input cost being benign, are there chances that we will be on the high end of this corridor this year? The chances are quite high. So, I think let's see how the year progresses. But with the input costs being benign, with everything which we are doing, will we be on that slightly higher end of the corridor, perhaps yes.

**Moderator:**

We have our next question from the line of Tejash Shah from Avendus Spark.

**Tejash Shah:**

Sir, couple of questions. So, given the recent policy push to revive demand, especially at the urban side, are you seeing any early signs of improvement there? Because you called out that rural still continues to do well for you. So just wanted to know your read on the ground?

**Sudhanshu Vats:**

No, I think my view is very early to call anything. But having said that, we remain quite optimistic on the liquidity, which has been infused both through the budget in the hand of the consumers and also the last MPC announcements of the Reserve Bank of India Governor. So I think overall liquidity should be good for us. I think that, that should play out.

I also feel that some of the advantages or the cash in the hand of consumers will be more discretionary. So therefore, that should play out on to segments and sectors,

which are a little bit more discretionary, and we tend to be in that area, particularly home improvement and sometimes new construction.

So the benefit should flow through. Are we seeing any specific sign in the first 3 months post this? I think the answer would be it's too early. I do not think we have picked up any specific sign at this moment, but we remain quite bullish and confident on this space.

**Tejash Shah:**

And sir, your observation or your data, internal data are suggesting that rural continues to do well. Is it also to do with your extra focus on Pidilite Ki Duniya (PKD), and then rural distribution outreach that you have been doing for a while now?

**Sudhanshu Vats:**

To some extent, I would say, yes. So if you look at our model, it is actually about generating demand at the root, and we go basically, as you are fully aware, we work with applicators, users right up to the bottom. So therefore, we then focus a lot on generating demand. And I think it is the strength of our portfolio and the uniqueness of our model that allows us to deliver better results compared to some of the more conventional peers as you look at them. And this has happened quarter-on-quarter, including this quarter, if I may say.

So if you compare us to some of the other more very conventional peers either in one sector here, one sector there, you will see that Pidilite does better. So I think it's because of our portfolio and our model, the way we go about doing that go-to-market and our emphasis on demand generation, field marketing and all.

I think when it comes to rural and rural as we call it, which is both rural and small town urban, basically, we also have the advantage that we are continuously expanding our distribution as well on top of it. So I think that and many of the people, as you keep going down the pop strata in India, tend to be new users for most of our categories because our categories are slightly less penetrated. So that advantage is there. You are absolutely right.

If you were to look at our 5-year horizon and quarter-to-quarter, we keep adding numbers, but I was giving you a little bit, and last quarter, we have added. But if you were to look at our 5-year horizon, we have increased our direct coverage by 2x in rural and small town, direct coverage. So we were not directly there. Now we are directly there with our stock or something.

We have increased our PKDs as you talked about, by 3x. We have increased our DFCs, which are Dr. Fixit Centers also close to about 3x. So, you can see that this is a constant work which we do, expansion of distribution, generation of demand in our unique

business model, I think, gives us an advantage. We feel that our rural or rural should continue to deliver better growth compared to urban for a considerable period of time.

**Tejash Shah:**

Perfect, sir. And if I may squeeze in last one. So you sounded very positive on margin outlook. But looking at the volatile geopolitical environment and we are all watching Twitter every day in morning, are there any specific supply chain or sourcing exposure that you are actively monitoring or worried about, which can pose some risk in near term?

**Sudhanshu Vats:**

So the way I would look at it, I think just from a demand perspective or from our business top line perspective, our direct exposure to U.S. is very small. It is there but very small. But I think from a supply chain point of view, which is what you are asking, I think what we have is we have multiple sources for supply for our key raw materials.

So therefore, we, in our preparedness, do not anticipate anything specific, unless something else blows up in that opinion. And we, as a company, also plan for some of these things. So if you were to look at our slightly larger lead time, which could happen in terms of some of the movements and so on and so forth, a little bit of bottleneck. So those kinds of things which we plan for, so that we continuously do in the way we source and the way we plan for our supply chain and raw material inventories and others.

**Moderator:**

We have our next question from the line of Naveen Trivedi from Motilal Oswal Financial Services.

**Naveen Trivedi:**

Sir, on the consumer business side, we have seen acceleration both at volume and at the value growth level, while B2B business, if I look at, there is a bit deceleration on the growth side, especially on the volume side. Given the base for B2B is also high, do you think that this 1Q kind of a growth should be the kind of a growth run rate for the coming FY '26?

**Sudhanshu Vats:**

I cannot comment on a specific number, but what I will tell you is, see, the good news is that this is the eighth straight quarter of double-digit underlying volume growth for B2B. And you are right in your observation that the percentage growth, which you are seeing, 12.6%, seems to have moderated a little bit than what you were seeing in the immediate previous quarters, so that's absolutely correct.

I think what is happening there is in terms of our impact, if at all, which I was saying in response to the earlier question, the response of all the macro geopolitical issues, and specifically tariff uncertainties tends to be more on our B2B business, a part of our B2B business. So a small part of it has a direct exposure, our pigments business, and

some of the others have a, what is called a cascading exposure. So therefore, it is our industrial business, B2B business that supplies into industries or categories that have a large export intensity out of India.

So therefore, to that extent, is there a little bit of headwind on these categories as for the short term? The answer is yes. But I must also quickly hasten to add that we are very confident of the growth because our projects business, which is also part of our B2B business continues to do very well. There, we are seeing very robust growth and therefore, all the things we were talking about in some earlier questions. So I think that is very strong. We see that growth to continue. We are continuing to see that momentum.

Some of the growth in what we call our segment of offsite, which is joinery, again, has seen good growth. So therefore, there are parts of B2B business and reasonably big parts now or substantial parts, which are delivering good growth. So therefore, are you going to continue to see double-digit? Yes. What percentages we will come at? I am saying we see quarter-to-quarter, so I do not want to comment on that, but we should deliver double-digit robust underlying volume growth in B2B as well.

**Naveen Trivedi:** And on the consumer business side, we have seen EBIT margin, which was, I think, the highest in the last 18 quarters. So any kind of a benefit which we have seen this quarter? And how should we look at this margin profile for the year?

Although you alluded that for this year, given the RM benign cycle, you still see the kind of sort of a margin expansion trajectory for the year. But how should we look at the segment from the year's point of view on the margin side?

**Sandeep Batra:** So I think you should normalize the margins. We should not look at the first quarter margins, which has a lot of benefits because of the scale or the size of the quarter. So there is positive operating leverage, the whole size is less, we may not have spent at the advertising that we would like to spend for the full year.

So there will be many factors. Better to look at the margin of last year because that's when you look at the blended EBITDA margins that we are comfortable with is in the 20% to 24% zone. And if you look at full year last year margins, that should be the number that we should use as a reference.

**Moderator:** We have our next question from the line of Amnish Aggarwal from PL Capital.

**Amnish Aggarwal:** I have a couple of questions. My first question is regarding the Haisha Paints because it's a large category, and we are currently present in say 5 states over there. So what is the medium term goal over there? Because I think it's now more than a year, we are

there and it's a highly competitive category. So what are medium-term goals over there? And what kind of investments we have made in this particular venture? That is one.

My second question is, which is a bookkeeping question regarding the ESOP expense last year because the last year, ESOP expenses increased from INR 9 crores to INR 88 crores as per the annual report. So any clarification on that would be useful.

**Sandeep Batra:**

Yes, Amnish, so I think last year, we granted ESOPs after a gap of a couple of years. And the way the ESOP charge is accounted, it is, in some sense, front-loaded. That is why you saw an increase in the ESOP charge last year, and that kicker will continue for the first 12 months. But as also you would recall from the notes to the results, even yesterday, the company has granted further options.

So I think the ESOP charge is likely to remain at the same level as we saw last year. If anything, there may be a slight increase because for the next 12 months, you will have ESOP cost for 2 grants, one that was granted last year and one tranche that was granted yesterday.

**Amnish Aggarwal:**

Okay. So it means it will remain at least at the same level for another year and after that, it will taper off.

**Sandeep Batra:**

Yes.

**Amnish Aggarwal:**

Okay. And just related to it. Excluding ESOP also last year, there was around 18% increase in the overall salary cost. So, any particular reason anywhere we are increasing our manpower significantly?

**Sudhanshu Vats:**

So the manpower cost, now, actually, if you look at this quarter, let me look at this quarter, I think the percentage increase on manpower cost this quarter is almost in line with our top line growth. So see, what happens in our case is that and we talk about this quite often, but I'll just, again, Amnish, repeat this is that, see, because we do a bunch of new pioneering activities from time to time, some of the investments we make and the resources we put both in teams or staff, what you call staff cost, or also in what the quick, earlier investments we make in driving demand, tend to be front-loaded.

Now what happens is that the team tends to be or the staff tends to be a little bit more front-loaded. So let me try and explain that to you. The way we go about doing most of our business is with the pilot projects. We always talk about pilots. And you know Haisha pilot.



So what happens in pilots is that your resources for demand generation are restricted to that geography and to that pilot. And to some extent, while they are high, but they are commensurate to what the expected volume and demand will be whereas resource is a little higher. There is an on-ground resource, which is commensurate, which is very similar to, let's say, the capital or opex resource or any kind of resource but you have a team which is built in, and you sometimes get a few senior people to be able to drive that initiative.

And this happens over and over again. So, you were listening to UnoFin, we have talked about Haisha, and I can keep giving you examples. But that is our model, it's built in into our model. So I think that's the piece which happens. So therefore, we tend to be a little different in terms of benchmarking to manpower cost.

We are confident of retaining them at reasonable levels. The growths have now moderated as you are seeing. But will there be investment made for the right opportunity to lead a pioneering initiative? The answer is yes. And I think, therefore, that's what is the answer.

On coming back to Haisha, I talked about it earlier, but just very quickly again. see, as far as investments are concerned, if you look at it, in some ways, in a very technical sense, Pidilite has been in paints business for some time because we keep doing our waterproofing coatings, especially for exterior under the brand Raincoat. And that is a business which has grown quite a lot in some years.

So therefore, in the experiment which we are doing in southern states, the plant which has been put up is not a plant put up only for Haisha. It is a plant which is a composite plant for Haisha and coatings and other things. So therefore, there is some investment made but do we have a dedicated investment for Haisha? Or is it a very big investment? The answer is no.

In terms of benchmarks and all that, as I spoke earlier, you are absolutely right. There is competitive intensity, but competitive intensity is higher in urban India and relatively lower, slightly lower in the smaller town India and rural because in these places, we see that not many paint companies reach directly.

I think that is an observation we have. Our own distribution reach is arguably the best when it comes to home improvement. And therefore, we continue to see that as an advantage, continue to see that as building our portfolio and strengthening our go-to-market and maybe all composite services to the customer as you go down the pop strata in India.



And we see evidence of this through our considerable lift in growth in our coatings as well. As we have launched Haisha brands, one is the performance on Haisha brand, but I think a concurrent benefit which we are seeing is the growth, which is disproportionately high on our coatings business, which existed even before Haisha. So you can see that the portfolio is beginning to get some help. We have our benchmarks, and I am afraid I cannot share them publicly. We are working towards them. And as we reach them, we will expand beyond the five states.

**Moderator:** We have our next question from the line of Rahul Maheshwari from Dolat Capital.

**Rahul Maheshwari:** First of all, congratulations to the entire team that in a tough environment within the entire building materials space, Pidilite is one of the strongest to deliver. So, kudos to the entire team.

My two questions. First, in the analyst meet, you had mentioned that at any period of time, there are 10 to 15 pilots, which are being run, as you mentioned, UnoFin at that period of time. Can you give us some brief or insight that what other categories or pilots, which we can expect going ahead? Or you have found some early success into those categories? This is my first question. I'll get back to second question after this.

**Sudhanshu Vats:** Yes. So Rahul, a good question, and thank you and God is kind and the team is very good. And fortunately, as I keep saying, our business model and our portfolio gives us an advantage. And we are very satisfied with the strong results that we delivered.

I think coming to your point on pilots, see, there are some pilots which are bit more visible. So the visible ones, we talked about UnoFin, we talked about Haisha, we are doing some work in B2B in newer spaces, in newer categories. Those are one set of pilots. There is a second set of pilots we have in the company are around newer subcategories or product category, a premiumization of certain products, certain new product groups. These happen even more localized into one geography, one state, and we do not talk about them publicly. And as you would expect, it's not fair for us to talk about it as well.

Because in a way, we are piloting and testing some of our product portfolio as we are developing. So that we do not want, I think, while it may be at that space available to someone if you see it, but so therefore, it's a mix of these set of pilots. The more visible ones are the ones we have talked about quite a lot. So there is nothing new at this moment, which I would like to share on the more visible pilots or the more category refining or more new areas kind of stuff.

**Rahul Maheshwari:** Okay. And as you always give that Pidilite is between the core category and growth in pioneer. Can you give some directional growth that as of what X times the growth in pioneer category is growing compared to the core categories?

**Sudhanshu Vats:** Yes. So we have always said that. I think we are not revising that, which is basically our core categories tend to grow between 1x to 2x of real GDP. Core categories, we are satisfied if it is growing with the GDP to be honest with you because some of the core categories are quite well established, and that is the kind of growth we see.

In the growth categories, basically, we have always said that we want it to be 2x GDP to 4x GDP. And there, we are very particular that we should see at least 2x, and ideally a bit more on the, if I could say, the middle or to the higher end of that range, which we talk about 2x to 4x. I can share with you, as I am speaking to you, that our categories are performing in that zone. Our growth categories are indeed performing to that 2x to 4x.

And we are seeing that for all our growth categories, which are there. So our growth momentum continues. Pioneering is a part of it where we basically say that our desire is once we have gone national with a pioneering initiative we would like to be INR 100 crores. I think that is an absolute number, INR 100 crores in a period of 3 years from the date of going national.

So that is the stuff, that may or may not substantially add to our top line and as it keeps growing. But I think that is the fuel for the future because once they become growth categories, then they start adding substantially as we go forward.

**Rahul Maheshwari:** Just a follow-up question to this. Apart from the paints which you mentioned in your earlier remarks, any category or product which is not as per your expectation or there is very steep competition into that, and you have to do lot of pricing actions so as to maintain the growth or market share?

**Sudhanshu Vats:** No. Let me be honest with you, Rahul, and we are very candid and we share it as it is with all of you because we feel Pidilite is a family and you guys are part of the extended family. I think our models are that we keep perfecting everything. So even on paints when I tell you, I am saying for any other company, they would have been very happy because we are delivering growth here, but are we delivering it to the required standard is that issue?

And to answer your question at this moment, if you have us to look at some of my new sub-products, new variants, will there be a few which are doing well? Will there be a few where we need to iterate? The answer is yes. So we continuously keep doing this.

And I think this is part of the model. So we say, okay, we go on to the market, this is working well, this is not working well. We work a lot with the users and applicators almost day in and day out, almost on a universal basis. So, we pick up a lot of that feedback.

And I think that is what makes us unique. And we continue to iterate. And because it was a slightly bigger initiative, you are hearing about it, but this is our model, we keep iterating. But in more cases than not, we get it right. And we are very persistent as well as a company. So we are pioneering and persistent. So we will have to just keep on working on it, iterate it and make sure that it works well for us. So that is where we are.

**Moderator:** We have our next question from the line of Jay Doshi from Kotak Securities.

**Jay Doshi:** I have got three questions. The first one is just continuing on what Rahul asked earlier. Can you give us some colour of what is probably driving the growth outperformance of Pidilite versus some of the other categories or companies that we track? And this is probably the ninth consecutive quarter where you have had 9%-odd UVG, right? So is your core also growing faster than maybe some of the other categories? Or it's largely innovation and growth in pioneer?

And second is in FMCG, a lot of times, some companies do indicate contribution of innovation to growth or sales. So could you give us some color on what that number would be for you? So that is my first question, and I'll come back with the other two.

**Sudhanshu Vats:** So Jay, I think a very good question and thank you for asking this. See, I think I have talked about it a little bit but maybe at the risk of repeating it, I'll still say. See, the model itself, which we have, Jay, is very unique. And our portfolio is very diverse compared to many of the peer companies we are compared to. So therefore, if you were to look at some of the paints company, they would have 80%, 90% of their business coming from paints.

You look at FMCG, they basically they are in the fast-moving consumer goods spaces. If you look at our portfolio, our portfolio tends to be very diverse. And where we do different things like Consumer and Bazaar and B2B and within that, there are different subgroups, products and all that. So we keep looking at them.

So I think one is the advantage which the portfolio gives us, which is all very much there. Second is that unlike consumer companies, if you look at classic FMCG, if you look at it, you operate a lot more on sample understanding and then some survey data. So therefore, it is like our offtake data is more survey data. It is like needs and outputs

and all that, as you know, on shares and all that. And your understanding of your products and all that is based on sample, quantitative or qualitative, with consumers.

The distinctive thing about Pidilite and which I think makes us unique is that this tends to be more universal for us. I would not say we are 100% universal but we work so closely with our applicators and users that we cover a vast majority of our products and so on and so forth.

So therefore, our ability to see what is their demand, what do they need extra, what is working at this moment, not working at this moment. And we tend to be very detailed by the way. We tend to be very, very detailed. So I think that is something which really helps us. So that's one advantage.

I think if I was to single out one product category that is doing really well at this moment is Roff. We spoke about that. Roff, our tile adhesive, because tiles are growing, the surface itself is growing, and we are doing a very good job. Our distributor supply chain strategy, manufacturing, distributor manufacturing strategy is allowing us to deliver very robust growth in tile adhesive.

And when I say tile adhesive, I am here including both our classic tile adhesives but newer premiumization products, also grouts which is part of tiles, which is doing really well, which is grouting of tiles and all that. So that is doing very well.

Momentum on waterproofing and Dr. Fixit brand continues. So some of that and as I was responding to the earlier question, the growth categories, growth of growth categories is quite heartening.

On the core, because of our style of working and our model, we tend to be closer to at least 1x of the GDP. So therefore, do we grow core as well? And are we very possessive, if I could say, or very persistent about growing the core as well? That is also yes.

And perhaps we grow a little better. I do not know, I cannot comment on others' core and I do not know that kind of detail. But I think we remain very strictly this thing about it. As I keep saying, it is our portfolio strength, it is our business model.

And it's also one or two categories which we talk about, where there is considerable scope for market development and which are gaining ground now, I think those are the things which are helping us in our momentum and which are quite unique to us and which also are sustainable, Jay. So I think which is what I, on behalf of the team, is very proud of.

**Jay Doshi:** Understood. That is very helpful. So basically, core, which is roughly 50%, 52% of your business is growing 1x GDP and rest of the portfolio, which is growth and pioneer is probably growing at somewhere between 2x to 3x GDP for overall growth to be 10%, 12% rate.

**Sudhanshu Vats:** Yes.

**Jay Doshi:** Perfect. Second is on tile adhesives. So, can you sort of help us understand, one is what is the competitive landscape in that space? Who are your key competitors? And how do they compare versus Roff in terms of product portfolio, distribution strength footprint?

And from a channel standpoint, which channel is the most relevant channel for tile adhesive product? When we studied waterproofing in the past, and waterproofing is to sell through paints dealer network as well as hardware stores as well as other various kind of construction chemical stores. So how should we think about tile adhesives overall from a channel standpoint, from a competitive landscape and product portfolio?

**Sudhanshu Vats:** Yes. That was a great point. Jay, I think let me answer all three and maybe the product portfolio, I did answer in the context of earlier one but maybe...

**Jay Doshi:** Yes. I am aware. Yes. But I mean, who are the other players, if you can tell us, who would compare, how does it compare versus competitor?

**Sudhanshu Vats:** Yes. So one of our key competitors here is a multinational company called Laticrete. I think in India, they are basically MYK Laticrete as you know and they have been around much before us. Their focus tended to be more on projects, whereas we have sort of started now building Roff in a classic retail way. So therefore, we are going retail. We are also doing projects. By the way, even our project business is doing quite well. In our understanding, we are the #2 now. They are still ahead because they have some edge on projects.

But I think that is the piece. But other than that, there are national companies, some local, few other multinationals. So it is a full spectrum, which is there in the space and we keep monitoring that. The entire market itself is growing quite well. This market itself would be growing 2x GDP, if you ask me. I think that is our understanding, maybe a bit more. And therefore, if the market is growing, that we are arguably growing almost 1.5x of the market or maybe even more.

So the point I am making is that we are basically focused on what are the key competitors. And in context to Abneesh's first question also, I said there are a few pockets of where their original centre of excellence was. We are very focused on that

as well. So I think that is the piece which we are doing. We built a bit strong portfolio. We have built a strong classic portfolio pyramid, which I talked about and on the product, Jay.

But we also are very proud of this immediate ancillary, if I could call that, because when you join tiles, wherever the tiles are joined, you need to grout it with epoxy grouts. And our epoxy grout under the name of Roff Starlike which is part of our joint venture with an Italian firm is doing very well again. It is doing really well. So I think that is where we have a competitive advantage compared to people's 3K, 2K, that kind of stuff. So therefore, and it's, of course, very easy to apply, very, very good, long-lasting epoxy bond.

So I think there are advantages. We continue to build on that piece. As far as channel is concerned here, interestingly, you see the business or the segment started, Jay, in projects largely. So now that it is going retail, the segment is BMS, which is building material supply store segment, which we used to visit in any case for some of our construction chemical business. Some of the construction chemical guys also keep it a little bit, but largely BMS.

And what is happening progressively is that there are big specific tile dealers who are coming up and we have a program for these large tile dealers. This business tends to be more concentrated with these dealers. And we are basically now going out to them. We have a program for these dealers and so on and so forth, so what we call Roff Premium Partners and all that.

So therefore, all that piece is there. So therefore, in terms of channel, in terms of the channel advantage because of our retail presence and because of our understanding of the lay of the land in home improvement, I think we are able to reach that channel, arguably build that channel a little bit and definitely build good relationships with that channel.

**Jay Doshi:**

That is very helpful. The last question is on M&A front. Now Pidilite has had a track record of successful acquisitions. The last relevant large one was 5 years ago, almost 5 years ago. So how do you think about M&A opportunities and in the immediate future?

**Sudhanshu Vats:**

Jay, that is a great question. I will also ask Sandeep to add if there is any. See, we don't talk about M&As and no company should in my opinion in advance. But suffice to say, we basically keep looking at opportunities from time to time. When we explore opportunities, we tend to look at 3 dimensions. Are there some things which we bring

from a customer point of view? Is there something which we bring from a channel point of view? And is there something which we bring from a chemistry point of view?

So I think are there any those kind of ancillary categories and in some of those, we keep evaluating, wherever we want to come in, we want to come in with more premium and specialized products, possibly at the premium end of the market, not necessarily at the mass end of the market because I think our right to win there and ability to differentiate is lower. And so therefore, we go for that.

As I speak to you, we are evaluating, we keep evaluating opportunities. We will keep looking at opportunities for what are the ancillary areas, what are more specialized areas, everything in the area of home improvement, a little bit more specialized, a little bit more differentiated in terms of product offerings is something which we will keep looking at. So I think that is where it is. Sandeep, if you want to add anything.

**Sandeep Batra:**

I think the only thing, Jay, to add was that in addition to this classic M&A, which would mean a full buyout, we have also done very successfully many joint ventures, right, where you get a foreign partner to India, where you contribute your knowledge of the Indian market, your distribution and the partner brings in maybe technology. So that is another one that we have kind of expanded what you may call our TAM. So the Tenax, Litokol, Grupo Puma, they are all examples in that. And these are things that you cannot certainly time; you can work towards it, but you can't time it, right?

**Sudhanshu Vats:**

Yes, yes. No, great point, Sandeep. So therefore, you need to look at it more from a partnerships point of view, and we are always open to partnerships, that kind of stuff. So we do a lot of work in that space.

**Jay Doshi:**

Interesting that you mentioned home improvement. Historically, you have been sort of restricted yourself to adhesives, or mostly very close adjacencies. Are you actually also exploring other categories within home improvement, which may not be immediate or sort of very similar to adhesives or sealants?

**Sudhanshu Vats:**

See, our proclivity is to remain as close to what our knitting is, but as we find a reason to be basically looking at something, we will definitely do that. So, I think progressively, as our portfolio expands, it is arguably a little bit more home improvement portfolio, and whereas our knitting, as you rightly said, are more in these what you call adhesives, sealants and polymers. So, I think those are the two different ways of describing it, Jay, but I think that's where we are.

**Moderator:**

Ladies and gentlemen, due to time constraint, that would be the last question for today. And I now hand the conference over to the management for closing comments.

**Sandeep Batra:** Yes. Thank you. Thank you very much to everybody who took out time and joined the call. Thank you very much, and have a good evening.

**Moderator:** Thank you. On behalf of Kotak Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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(This document has been edited to improve readability)