5th November, 2026

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The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051
Stock Code - PIDILITIND

Sub: Transcript of the Earnings Call

Dear Sir,

We enclose herewith, a transcript of the Earnings Call held with Analyst/Investors on 29th October, 2026.

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

Kindly take the same on records.

Thanking You,

Yours faithfully,

For Pidilite Industries Limited

MANISHA RAKESH SHETTY
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Pidilite Industries Limited

Q2 FY27 Earnings Conference Call

October 29, 2026

MANAGEMENT: **MR. SUDHANSHU VATS – MANAGING DIRECTOR**
MR. KAVINDER SINGH, JOINT MANAGING DIRECTOR –
MR. SANDEEP BATRA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER
MR. AMIT AGARWAL – CHIEF FINANCIAL OFFICER DESIGNATE
MR. BHAVESH JOSHI – SENIOR VICE PRESIDENT, DOMESTIC ACCOUNTS AND TAXATION

MODERATOR: **MR. ARUN BAID – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Pidilite Industries Limited Q2 FY27 Earnings Conference Call, hosted by ICICI 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 star, then zero on your touch-tone phone.

I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you, and over to you, Mr. Arun.

Arun Baid: Good afternoon, ladies and gentlemen. On behalf of ICICI Securities, I welcome you all to the Q2 FY27 Post Results Con-Call of Pidilite Industries. From the management side, we have Mr. Sudhanshu Vats, MD; Mr. Kavinder Singh, Joint MD; Mr. Sandeep Batra, ED and CFO; Mr. Amit Agarwal, CFO Designate; and Mr. Bhavesh Joshi, Senior Vice President, Domestic Accounts and Taxation.

Now, I hand over the call to Mr. Batra for his opening remarks. Over to you, sir.

Sandeep Batra: Thank you, Arun, and good afternoon, everybody, and apologies for this slight glitch. But anyway, we have now joined, and I will quickly give a brief update on the second quarter and H1 results, which were approved at our Board meeting yesterday.

In the current quarter, our stand-alone revenue was under INR4,000 crores with a growth of 21.7% in nominal terms and underpinned by underlying volume growth of 10.7%, which was broad-based. Consumer and Bazaar growth in the quarter was quite broad-based with Consumer and Bazaar UVG was 11.1% and B2B UVG was 9.2%.

However, in the quarter, we saw the maximum hit and impact on account of elevated input costs, and gross margins stand-alone declined sequentially as well as year-on-year as an indicator of the kind of extent of the input cost inflation. We always refer to what has been the VAM consumption rate, which in the second quarter was $1,630, nearly double of what it was in the same period last year and versus $1,370 in the first quarter.

So the second quarter saw the full impact of elevated input costs. However, because of the robust top line growth, we got operating leverage, and against the 720 basis points decline in gross margin, our EBITDA was lower by 430 basis points and came in at the lower end of our range, at 20.4%.

Our subsidiary performance was good for the quarter with international subsidiaries growing by 21.8%.

Good growth in our businesses in Dubai, Bangladesh, Kenya, Thailand. All 4 of them grew in excess of 20%. EBITDA in the international subsidiaries also improved with a growth of 53% versus the top line growth of 21.8%. Domestic subsidiaries too delivered a strong quarter with a revenue growth of 22.2%, again, led by the Consumer and Bazaar businesses, which grew by 22% and B2B businesses grew by also 22%. The only business that saw some revenue headwinds was Nina, which had challenges because they did not have adequate workfront available for doing waterproofing.

But I think as we had called out in the first quarter itself, where we saw the benefit of lower input costs and the benefit of pricing that we had taken; that it is better to look at the H1 as a representation of the company performance. And therefore, in H1, if I were to look at our stand-alone revenues grew by 22%, UVG was 11%.

Again, broad-based Consumer and Bazaar UVG for H1 was 11.6%, and B2B UVG was 8.3%, and our H1 EBITDA again came in strong, very much towards the upper end of the range at 23.5%. So that's all I had in terms of the overview of the quarter and the first half. Open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama.

Abneesh Roy: The first question is on the margins. You have done quite well on the demand side, volume growth trends are strong. So, congrats for that. My question is on the margins. So you have said that in H2, there is a recovery in the margin.

So I wanted to understand the pricing was delayed because you were expecting the geopolitical issue to get resolved? And if you could elaborate what is the current pricing of VAM and the crude-related inputs? That is the first question.

Sudhanshu Vats: Yes, Abneesh, always a pleasure to hear from you and to get you as a first question. I know while Sandeep has spoken about our performance, I just wanted to take a minute to talk about this in the context of the question you asked and then maybe address the question again. See, what is happening, in fact, we are in an environment, which has got very high raw material inflation. And I think we talk about VAM as representative, but I think there is raw material inflation in many other raw materials of Pidilite. Some of them have reasonable crude linkage as well, by the way.

So, therefore, and you have seen crude is elevated at about $115. So very high raw material inflation, coupled with quite a lot of volatility and uncertainty. And these 2 words are important. I use these words most of the time, but I want to give a little bit of definition in our context. So first, uncertainty is very simple.

I am saying that is what is happening around the world. You see the entire West Asia conflict, and therefore, movement of goods and so on and so forth. But forget cost of sea cargo, but even movement, and therefore, that is a challenge and continues to remain a challenge. And therefore, you got to manage that well.

Volatility is another point I wanted to touch base on. So as Sandeep was telling you, see, basically, if you look at FY26, we had VAM at about $800 to $900 through the year, I am saying a little bit here and there, $800 to $900. As soon as West Asia conflict happened, VAM actually shot up to almost $2,000, if I am not mistaken, just $2,000 really shot up. And we had a point of view on where VAM will go based on our earlier understanding of many years. And therefore, $2,000 was not sustainable.

We thought it will settle at a number based on which we priced in quarter 1. And I am giving you an illustrative example of Fevicol and VAM, but it's true for our entire portfolio. So, we priced that. We were actually proactive in pricing. We basically price on what we call replacement margin, which is what is the replacement cost there and then.

And we also got the advantage in quarter 1, as Sandeep also pointed out, of low-cost inventory coming in from previous quarter, Q4 of FY26. We delivered a very robust in-quarter EBITDA margin of 26.3%, surprising most people actually. This is on the upside. It was a pleasant surprise. But even then I had said and I want to again maintain that you should look at it as H1, and as the year progresses a little bit more through the year.

Now, let me tell you what has happened, to your question and start to begin to address your question. As then therefore, this volatility is important. As we entered Q2 of FY27, it sharply cooled down. VAM cooled down as fast as it has gone up. So, it was like reached almost about $1,000.

Maybe I think some consignments were maybe even $900, to be honest with you. So, therefore, it really cooled down. And our point of view as we entered Q2 was that perhaps it's settling down slightly lower than what we had thought it would in the beginning. And we entered Q2, and we rebated, which I think we should because while we carry some inventory, and we basically have this consumption margin and replacement margin, most of our local competitors actually have one margin. They just buy, and then basically, they carry very little inventory if at all.

And therefore, for them, spot price becomes important. So that was the price the market was seeing. In any case, we have a very clear principle in Pidilite that you will have a premium, some amount of premium on to the market, and you will give primacy to

demand and growth. And then, of course, approach is always profitable growth and margins will follow. So, I think in that context, we rebated it.

As we rebated, as the quarter progressed midway into the quarter or maybe towards the second half of the quarter, VAM started going up again quite a lot. And I think so therefore, we basically based on a lot of these, we have now said that we will now take pricing and we have taken one round of pricing on October 1.

I think the entire volatility, what happens with volatility is that you see this uncertainty and volatility is for us to manage as management. We are very clear, as a company and as leaders that we will not transmit this through and through to the market. You cannot say my price in 1 month is like this, second month is like this, third month is like that.

We will manage it for the year. We will manage demand as well. So, I think in that context, we have said that if you look at our margins at H1, it's about 23.5%. As we enter into Q3 with the pricing which we have taken with current, and you asked this question also, I think the current VAM price is around $1,200. With that and so on and so forth, we remain very confident of Q3 and quite confident of the full second half that we should be able to deliver in our EBITDA margin corridor of 20% to 24%, ideally in the slightly higher end of the corridor.

So, I think that is where it is. So what happens is that you don't pass on this kind of volatility to the market. And therefore, in-month, in-quarter margin becomes a little bit tricky number. And while you guys look at it, but I am saying we have always maintained that you should look at EBITDA margin on a slightly longer-term basis, and we stay committed to delivering to that. I hope it answers your question.

It also gives everyone on the call a little bit of the context of what we did and also allows you to understand our confidence because we know the business is motoring very well. You saw the top line is growing well. We know that we have been sort of pricing, and we have priced proactively. We priced earlier also proactively.

And again, we have now taken one round of price on our 2 big brands, Fevicol and Dr. Fixit on October 1. We may follow up with another round of price increase towards the end of this quarter or early next quarter depending on how things are playing out. So I think that's the way it is. I hope I have addressed your question.

Abneesh Roy: Sure. That's very helpful. Two quick follow-ups to my first question. So if I see whenever hyperinflation happens, local players reduce competition or even take a pause in terms of presence. For example, detergent, 10 local players have kind of exited the market.

So if you could elaborate in your different subsegments, are you seeing some level of deceleration of intensity from local players? Second quick question is paints, 30% to 40% of the raw materials, in fact, 40% of the RM is linked directly/indirectly to crude. For you also, will it be similar number? Given VAM is now, say, around 10% of your RM, will crude and related inputs be around 40%?

Sudhanshu Vats: So let me answer the first question. I'll ask Sandeep to address the second. I think it's true, we have some raw materials, I think percentage, I don't know. On the first part of your question, see, what happens is in our case, Abneesh, see, first of all, our competitors, some of them are not local-local, like the way you see in FMCG and the example you gave of laundry.

So they are not really regional local. There are some, but they are not that many. So the point is that in our case, the competition is as active as it has been. In case of Fevicol, a little bit maybe, but even there, because I am saying there, you do have some, let's say, very local competitors.

But if you were to look at Dr. Fixit, our competitors are not local competitors. They are like in some areas, big companies, some areas. So there are all kinds in that space. If you look at tile adhesives, our competitors are large companies in their own right.

And so therefore, our competition is a little different. So we've had reasonable competitive intensity. I wouldn't say that there is any fundamental shift in competitive intensity. I think that is very clear. Sandeep, do you want to talk about the second?

Sandeep Batra: Yes. So, Abneesh, from a chemistry point of view, yes, I think bulk of our raw materials would be linked to crude, be it raw materials or packaging materials. But the linkage is not instantaneous or not immediate. They would have other pressures or factors that impact pricing. One, of course, is the input cost, but more importantly and something that we witness is their own demand and supply dynamics.

So, for example, VAM as a raw material, if demand in China is soft or if demand in Europe is soft, then the full impact of input cost increases, may not translate in VAM prices and so there are many factors at play. But from a chemistry point of view, yes, they are all downstream petrochemical products. So at some time or the other, they will mirror whatever is happening at crude level pricing.

Abneesh Roy: Sure. My second and last question. So Araldite Wud and Araldite White, are these really new products? Do you have similar products in your legacy brands? And if no, what specific market you will address? And who is servicing them, if at all? Are these purely new innovations, new brand extension? So maybe they are addressed by current products, but now it will be more dedicated products. And pricing, how is the pricing?

Sudhanshu Vats: No, no. So there are multiple questions here, but let me try and explain to you in one, maybe a little bit short. I think Araldite Wud and Araldite Stone X and Wud-X is what you have seen in the investor deck. But actually, just to give you a conceptual thought. So first of all, they are new. To answer your question, they are new. This is not something which existed in our portfolio.

And the other thing that I am also telling, Abneesh, is that progressively, at least this year, we have a lot of innovation, which is fundamental innovation. And let me take this time to give you an example of, on Fevicol, we have piloted products called Multi Lock and X-Per. They are going national in November. They are in some ways, they have the potential to be the core of the future in that sense. So that's the way it is.

In Dr. Fixit, we have a product called Wonderproof which is actually doing really well as we are doing distinct. So, therefore, that's again a distinct. If you look at M-Seal as a brand, we are just piloting a product called M-Seal Advance, which brings multiple features, one amongst them is to be able to wash your hand very easily and so on and so forth. So all these products are relatively new.

So if you look at M-Seal Advance, M-Seal Advance allows the plumber to be able to wash the solvent so easily, which is a fundamental innovation. It's universal. That's another important thing. It's low on VOC and solvents. That is a progressive thing as you go forward.

Wonderproof, if you look at it, it has a very high drying time. And waterproofing, all the time, whether it's pre-coat, post-coat, you have the flexibility of doing both. It also allows if there is some stagnant water or water because if your leveling is not correct, I think it allows you to sort of do the waterproofing even in some level of moisture and water content available there. So some of these fundamental shifts. And similarly, Araldite White X and Araldite Wud X are for the premium segment. This one particularly for premium segment for premium wood and premium stones.

So a lot of innovation in different areas. Maybe it's relevant to others on the call as well and answers maybe future questions, a lot of innovation happening across the company, which are very fundamental, which are very new. In Consumer and Bazaar segment new innovations are happening . Our new Stainoff, which has just been done, is getting a very good response on quick commerce and so on and so forth.

Moderator: The next question is from the line of Anand Naresh Shah from Axis Capital.

Anand Naresh Shah: Just 1, 2 questions. Basically, on the domestic subsidiaries business, we have seen a very strong growth, and it sort of accelerated. And margins have relatively held up well

there. So, I just wanted to understand maybe slightly more granular what is happening in the domestic subs, which parts are delivering the stronger growth?

Sandeep Batra: So, Anand, I think that growth, I would say, is again fairly broad-based. And if you look at the split of our domestic subsidiaries, there is the biggest, in the Consumer and Bazaar is ICA, which is into wood finish. That's had a good quarter in terms of volume and top line. Then we have a bunch of subsidiaries that manufacture products, which are in the construction chemical space, starting with epoxy grouts, marble and stone finish and some other waterproofing products, one of which Sudhanshu referred to as Wonderproof. It's a new product.

So most of the new products that have come through this joint venture route have gained very good market traction. And that's one of the reasons why our top line in the domestic subsidiaries as well as margins have improved. As I mentioned in my opening remarks, the only business which has seen some headwind, it happens in the monsoon period has been Nina. Others have all grown north of 20%.

Anand Naresh Shah: Okay. Got it. Very clear. And just one just last small one on the price hike that you announced in October, can you quantify as to how much hike it's like?

Sudhanshu Vats: Yes. So, on pricing, to just give you a sense, of course, it varies from product to product from our different brands and categories. But I think wherever there was very high inflation, we have taken about 12% to 15% price increase in our first round, which was most of it was during quarter 1 in 2 phases in a staggered form. We have taken the price increase in October and there will be some more price increases in October . We are now again going to take 3% to 5% price increase in some of these areas where there is very heightened inflation.

Anand Naresh Shah: Got it. And just when you opened the statement, you did say that with this hike, and let's say, $1,200, $1,300 plus/minus VAM, you are confident of maintaining the margin band more towards the higher end of the corridor in H2. That would be the right assumption.

Sandeep Batra: Yes, that is correct.

Sudhanshu Vats: That's absolutely right.

Moderator: The next question is from the line of Sonali Salgaonkar from Jefferies.

Sonali Salgaonkar: My question is on the volumes and the demands. Since 8 out of the last 10 quarters we are delivering double-digit UVG, especially in a market, wherein there is a lot of uncertainty because of the Middle East conflict. So would like to understand of course, we are getting a price much better than our peers. So exactly which categories and

products are doing well for us? And how should we look at volume growth going gforward, especially with the 10%, 15% hike?

Sudhanshu Vats: Yes. So, I think there are, again, many questions. I think first part is that we have sustained double-digit underlying volume growth for about 6 to 8 quarters. Sonali, you are absolutely right. Thank you for the question. And second is, how are you managing to do this, and it seems to be ahead of the peers.

And third is, of course, with these set of price hikes, how confident are you that it will continue? So let me address all 3. I think the first part is that as a company, we have this philosophy of core and growth. And within growth, there are multiple segments that are growing very well.

In our earlier calls and time permitting even in this call, we can talk a little bit more about our construction chemical piece, where we are doing a lot of work where basically the growth tends to remain very robust. So if you look at our brands there, Roff is doing exceedingly well. Dr. Fixit continues to do well. Pidilite Projects Group, PPG, which we have formed, and Kavinder talked about it in detail earlier as well, continues to drive really strong growth.

So, therefore, that is one area where we continue to see growth, both on C&B and PPG, is, of course, B2B. But both places, they form strong growth. I think in the period which has gone by, I think we have seen robust growths in our core area as well. So Fevicol has delivered better growth than it has done in the past by about 50 to 100 bps, and that makes a difference. That's a large brand.

So I think as we continue, our portfolio is getting richer. And we are getting newer brands, newer products, newer portfolio. We talked about a few innovations. Some of them are performing very well. Sandeep again spoke about it.

Some of them go through our subsidiaries. So I think this entire piece gives us the confidence that we will continue to do well. If you look at our primary things which we do, basically brand building, we are seeing all 3 big brands have had a renewed campaign. There was Kursi Pe Nazar in Q1.

Middle of quarter 2, Roff's new campaign came in, and towards the end of quarter 2, Dr. Fixit's new copy has also gone in. So you will see Roff and Dr. Fixit a lot more in Q3 as well. So a lot more work on brand. There's continuous work which keeps happening on field marketing, which is very important.

A lot of infusion of technology there as well, customizing some of our messages, usually analytics, basically using AI to customize a lot of those messages. A lot of that

work is happening, which is largely done by us. So that allows us to continue to deliver on this. With the growth of the country and we have a GDP indexation, we continue to remain buoyant. If the country's growth is in the 6.5, 7 range in real terms, our UVG growth should remain double digit and we would like to keep inching it up that because a lot of these things we do, we create a lot of demand ourselves. So I think that's the fundamental thing.

I think on the pricing, which we have done, up until now, we are seeing demand to be quite robust. The latest round of pricing, which we are doing, El Nino, which is also going to have some effect, and elevated crude, if it remains and the last unknown is if West Asia conflict flares up even further - impact of those items are not fully baked in. It is hard to bake them in fully but as of now, we can assure you that we are seeing reasonably robust demand. You have seen our first quarter number. We have entered third quarter quite well. So that's what I can tell you.

Sonali Salgaonkar: That's great to hear, sir. Sir, my second question is, you already have taken about 12% price hikes YTD, mainly in the Q1, and we have seen VAM come down a bit. So if I may request for some approximate quantification of the total cost, how much has been already passed on? Or is everything fully passed on?

Sandeep Batra: So, Sonali, I think in absolute terms, the entire cost increase has got passed on. But in percentage terms, obviously, given the level that our gross margins are at, if you have to be at 50% gross margin, you have to price in 2x of the cost increase to be at the same percentage level of margin. And that's not something that can be done overnight, right?

So our first objective was to pass on the absolute value of the cost increase, which we have done and more. And depending upon the underlying demand situation and the on-ground situation, we are looking at calibrated pricing wherever the opportunity provides.

Moderator: The next question is from the line of Jay Doshi from Kotak Securities.

Jay Doshi: Congratulations on good UVG momentum. My question is with adoption of AI, do you see any potential for improvement in employee productivity for your sales force and other work force that you have on the ground workforce? And likewise on media A&P spend, so do you think that in the next couple of years, you may be able to expect meaningful operating leverage on these line items or other cost line items?

Sudhanshu Vats: So Jay, that is a very good question, and I think something which we keep talking in management and Board as well. So, let me talk to you a little bit about the AI journey of Pidilite and sort of give you a little bit of glimpse on how we are looking at it. So first of all, we are also adopting AI for our company, and we are very serious about it.

And let me tell you, for instance, our top 30 basically leaders who did a 1-day hands-on workshop on AI, full day hands-on workshop on basically where they themselves were coding and doing something and playing around with this. Thereafter, as a company, we are running AI hackathons.

We have done first. The second one is around the corner now for across the board in the company and you could be a very senior person, you could be a very junior person, you could be a 60-year-old or old fogies like some of us or you could be as young as a 25, 22. So I am saying, therefore, you're basically across the board, we are doing that.

We have also identified quite a few use cases where we could deploy AI to begin with. In certain functions, we are also seeing can you use a little bit of agentic pieces, particularly, let us say, in HR, in assessment a little bit, moving forward a little bit in finance and so on and so forth. So that's the work which we are doing as we speak. In the front end, what we are doing is how do we become more effective and how do we get better at what we are doing is the first protocol. Efficiency that we will drive from it, productivity and reduction in manpower will be a subsequent discussion. So, I think in first phase, again, I just gave the example of users where we basically can cut down multiple, customize our offering. We can do all language additions. We have a lot of content on users, by the way, across our brands. And now we can do short forms.

So there's a lot of that work happening. Influencers in the relative areas, influencer work happening. So there are influencers for different areas, which are different, that kind of stuff. So how do you manage that? How do you get your micro, medium and mega influencers in each category?

How do you define them? How do you work with them? How do you create copy or adapt copy quickly with AI is the work which we are doing? A little bit of AI-led analytics for front end to improve your range selling to what to sell in and so on and so forth. That work is happening.

On productivity, we will pick it up as a Phase 2, particularly as you talked about on front end and also maybe as we go forward in manufacturing. But I'd also like to bring in Kavinder here, request him to talk a little bit of what we are doing also in manufacturing and supply chain. So therefore, you will get a sense on AI.

Kavinder Singh: Actually, on AI, we are looking at using the power of AI to look at how we can improve the material variances, particularly in manufacturing. And of course, along with AI, there are some automation initiatives around. Since your question was a broader question on the employee costs, the idea is not so much employee cost, but to actually deliver consistent quality, which is something that is very, very important. There are AI use cases in supply chain, which are under works to see how we can improve our

service delivery in terms of reduced response times. There are areas around network optimization.

So, we are looking around those areas in supply chain. So, there are various initiatives going on. But to sort of answer your specific query on staff costs - for us, staff cost is not an objective by itself. As an outcome of whatever we do, whatever happens, you will see, but we believe that the workflows get streamlined, people have richer jobs. And when the next phase of growth, which is already on, is going on, obviously, the operating leverage with regards to staff costs, as you have already seen, is in play.

And you will probably see more of it because all these initiatives that we are taking will help us to grow with limited additions to the manpower or the people. So that is the way we are looking at it because we are in growth phase. And in the growth phase, in our journey, we believe the idea is not to reduce numbers, but actually see how we can make people more effective and productive. So that's the focus for us. Thank you.

Moderator: The next question is from the line of Pratik Gothi from HSBC.

Pratik Gothi: My first question is on the demand environment. Any color in terms of demand environment across regions, urban-rural divide? Any comments there, please?

Sudhanshu Vats: So I think it's very broad-based. But on the urban-rural divide, if I was to talk to you about, I think we have always had very robust rural growth, and our rural growths have always led urban growths. In the last couple of quarters and specifically in this quarter, we are seeing a resurgence or further uplift in the urban growth. So as I speak to you, the urban and rural are quite similar. Arguably in Q2 for the very first time after a long time, urban is slightly ahead of rural.

So I think, therefore, urban growth are sort of picking up. Rural growths are holding on. So the way I want to frame it is that urban growth has seen an uptick. Rural growth have been where they are up until now for us.

Pratik Gothi: Great. Understood. And any more color on the construction chemicals bit? So waterproofing and tile adhesives did well. Any more color in terms of retail space versus project business?

Kavinder Singh: Yes. So I think as you may be tracking, the construction activity in India continues to do well. And that is something that I think Sudhanshu alluded in his earlier comments also. So if you look at Dr. Fixit portfolio, Roff tile adhesives, and of course, we have grouts as well as some Tenax, which is another marble and tile stone care brand, we are seeing robust growth in these businesses.

We are also beginning to see momentum in the floor coating business. And so when we look at our portfolio on the construction chemicals, which spans across these power brands, we are seeing momentum both in urban and the emerging India markets, which include the rural as well as small towns. So this was more on the retail side. Your question is both on retail and projects. So on the retail side, momentum is good. And the category, I think, of tile adhesives continues to grow, and we are also growing higher than the category. That is one thing that we are determined to do to gain market share.

As far as the projects business is concerned, the pipeline is healthy. Conversions are happening well. We have transited from small and medium projects to large projects kind of classification to segment-based approach. So we now are targeting the medium and large builders on residential, commercial, and then, we have separated hotels, hospitals and education institutions as another category. There is a separate category of EPC contractors. So we go segment-wise, and we are noticing that, that is also beginning to yield results because our teams have got reorganized. That's something that we did in Q2, and some of the benefits we saw in Q2, and they will play out in Q3 as well. So our ways of working, our focus on working with key accounts and our focus on offering them, Pidilite range of solutions, which go beyond even construction chemicals is already underway.

So Projects is seeing momentum, and we believe this momentum will continue. And at an overall level, if I were to once again summarize whether it is Dr. Fixit, whether it's Roff, whether it is CIPY, both in retail and in projects, we continue to see the momentum. And we believe this momentum is here to continue as we move forward into the immediate future.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Company Limited.

Keyur Pandya: Congratulations on good volume growth. Sir, the question is on your portfolio. So, you have always talked about pioneers moving to growth. Now, you can just talk about which categories in the pioneer can become large or has large TAM as in Roff or Fevicol or relatively larger TAM or you think that the possible future growth would be more by premiumization within core and growth category? I mean that is what it looks based on what you have presented in all these 3 categories. If you can just talk about large categories within pioneer, which can grow fast and can quickly move to growth?

Sudhanshu Vats: Yes. So we have quite a few of them. So let me give you a few examples. And see, what happens is in pioneering work, what happens is when you are doing pioneering work around 20 categories or 10 categories, which is the case, I can sort of elaborate a

few as well, a few of them will just sort of take-off. Now another question is, of these 20 pioneering, is the first one going to take off or second one, so we do right work for each of them, and we continue to work with them so that they can take off.

Now let me give you a few examples. And I think we have talked about it a few earlier as well. I think one example on pioneering and with a relatively large TAM is our work with Grupopuma, the joint venture, and Kavinder may have spoken earlier also on this. But just let me keep it crisp and give you an idea. So basically, this is our external renders where we are doing a lot of work. We have already done 6 to 7 pilots in North India with good success, and we will see more of this as we go forward.

We are working on some large projects also in this area. So, this in Europe, in Southern Europe, where this has been around for some time, this can be 15% to 20% of all exterior walls is done in a conventional sense, not the glass and steel towers, which come up now, the conventional ones. This can be 15% to 20% this is a very large TAM if you get to that number here. But when will it play out, how much it will play out, but we are at it. So this is another very good one.

Similarly, in B2B, we've talked about quite a few, and we continue to do a lot of work, by the way. So, therefore, there's a lot of work happening. It's a bit like the duck. There's a lot of paddling happening under the water. You don't see it, it seems calm, but we'll move faster.

So here, again, if you look at it on some of our newer applications as India is gearing up for more manufacturing, there are segments we are looking at opportunities, and we are looking at segments, which can grow very, very rapidly. We have talked about electronics. We have broken that out into sub-segments. And in the interest of time, I am not going to get there, but we are looking at partnerships in those sub-segments. Auto is another big one where we can look at within, and there's a little bit of overlap in EV auto and in electronics, the way we call it.

India is now getting big time into footwear, a lot of footwear companies are going to step in into India. A lot of projects have been approved. You will see a lot of footwear manufacturing in India. Our footwear adhesives portfolio and the partnership that we do, that itself is another promising one. So I think these are just a few illustrations.

We have also done, by the way, like we had done ICA Pidilite, which is another one which is sort of a pioneer, which is now a clear growth category. Like we have done for wood finishes, there is some work happening on wall finishes. I have just given you a few illustrative examples across Consumer and Bazaar and B2B, but there are many of these. So I think, therefore, there are quite a few, and some of them will grow

quite big. Having said that, our core growth, growth in our core segment will also be through premiumization and new feature-led products.

That work is also happening, and we talked about that. So I don't want to repeat it, but premiumization in Fevicol, feature-led products or better products which solve bigger problems, both in Dr. Fixit, M-Seal. These are between core and growth, but existing big brands. I think there, again, so there's some premiumization, some work in consumer space as well. So there's a lot of work happening as far as Pidilite is concerned in this space.

Keyur Pandya: Understood. And just last question. Follow-up, we are seeing double-digit UVG growth. Now I think in the last cycle when RM prices are much lower, you have invested a lot, reinvested through A&P as well as through other measures, the gain that you had in gross margin.

Now based on that, plus with changing mix of growth categories or improving mix of growth categories, can we go from, say, this 10%, 10.5% or 11% UVG to higher numbers? Should we expect that? Or this is a sustainable number in the short to medium-term perspective?

Sudhanshu Vats: Thank you. So, for a short-term perspective, I think this is a number we would like to deliver, which is a double digit. But I think we've spoken about this also. And this year is, of course, not the right time to talk about with so much inflation, but our desire is to keep lifting up underlying volume growth. And if you were to look at our track record of the last 3 to 4 years, at least in 60 bps, 70 bps, 100 bps.

So we have slowly, slowly inched this up over a period of last 3 to 4 years, including this year, I think the going up to now is quite good. And so, therefore, we will continue and we want to take this from classic double digit to early teens. I think that's the desire over a period of time. So in the medium term, yes, UVG has to continue to grow.

Sandeep Batra: And if you see even first half, Keyur, last year was 10.1%. And this year, first half is 11%. So we have committed, obviously, it's not going to dramatically jump in 1 year because it's underlying volume growth. It's not total volume growth. And as we have always said that we are not chasing volume for volume's sake. For us, the mantra is profitable underlying volume growth. So, we are not here to chase volume for delivering any volume number. The growth has to be profitable volume growth.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities.

Tejash Shah: Sir, we entered this year on the backdrop of the war and also the noise of job losses. And as the year progressed, these headwinds have actually gathered pace only. Now with this context, when I see the numbers that we have delivered, would you say that we have done or we had to work harder for what we have done?

Or you are positively surprised with the demand on ground because you spend a lot of time as a team also in marketplace. Just wanted to understand from you, are you positively surprised? And how do you see this demand sustaining, let's say, set where this macro doesn't improve or change from here for the rest of the year?

Sudhanshu Vats: Yes. So therefore, we are not building any improvement in macro for the rest of the year. But at the same time here also, this is not the scenario for a really worsened macro. So, I think that's the point I am making. This is now the new macro, which is basically conflicts are on in some parts, crude is elevated to a certain level and basically some supply chain disruptions keep happening all the time.

So I think that you're absolutely right. And the teams are indeed working hard. So basically, Tejash, it's particularly supply chain, to make sure that material is available, to make sure that material is produced and then shipped. I think all that is happening. Our exports to be honest with you, our exports out of India into West Asia or going shipped through West Asia, that area are still underperforming because there are challenges in that space.

But having said that, as far as our work in India is concerned, on-ground work is concerned, we do a lot of work to generate demand ourselves. We are continuously working on field marketing, brand building. We are making the right investments. We talked about a lot of those things, innovation. So we will continue to do that.

And we stay firmly focused on trying delivering double-digit underlying volume growth even under these trying circumstances. So and lastly, to your point, demand in India has held up, and that's good. And that's a good thing for us. I'm saying so, therefore, in India, demand is holding up. And as we travel, we see that also up until now.

Tejash Shah: Super. Sir, just on margins, we are known not to let the crisis go to waste. And historically, we have seen that we actually kind of buckle up on efficiency, on internal product reengineering, everything during crisis. And that actually kind of helps us when the normalcy comes back, we actually go and settle down at a higher level of margins.

Now assuming that we are actually in this crisis period also, should we assume that if normalcy has to come back, let's say, hypothetically, crude has to fall or the raw

material has to fall 20% to 30% from here on tomorrow, would you say that all these inefficiencies and pricing power that we have displayed in the past will mean that we again reset the base for the next 3, 5 years on margins?

Sudhanshu Vats: So margin base, we have talked about a lot. I think margin base, we would like to keep at 20% to 24% because I am saying you cannot fundamentally reset this. But I think what we will do is we will continue to stay on the higher end, continue to inch it up a little bit. In between, I think with all the work which we've done on the previous cycle, when it cooled down, you saw that it cooled down for a slightly extended period, if you look at '24-'25, '25-'26, almost 2 years, very benign costs and all that. You saw us inching up and also a few quarters delivering ahead of our corridor as well.

But our understanding is that this is the right profile because trying to go really high on margin at times could compromise the growth opportunity in a country like India, could also open up the segments for competitors and make it attractive for wrong reasons. So I think, basically philosophically, what you are saying, Tejash, is correct, and we will continue because that's our DNA in that zone. But I think the corridor is more or less where we are. I think that's it.

Moderator: The next question is from the line of Siddhi Soni from Hansa Capital.

Siddhi Soni: I understand VAM being a headwind for the company in terms of the demand and supply in international market and crude oil disturbances due to Middle East Crisis. But one of our competitors has set up the VAM plant itself. So I just wanted to understand whether we are having any such plans or whether we are seeking to buy from somewhere else to reduce our cost? Or what is the thought about this, one?

And second will be, I wanted to put some light on UnoFin product, a plaster that would kind of replace the long chains layered. So I want to understand what was the response in Delhi, Jaipur and Chandigarh?

Sudhanshu Vats: Okay. So I think we'll take both the questions. I'll answer the first one, and I'll hand over to Kavinder to talk to you a little bit more about UnoFin. I think on the first part, on the capacity, which has come up for one of our competitors and part of it has come up, not full VAM as of now. I think VAM production has not started. PV has started. I think, see, we have evaluated VAM ourselves or with one of our large international partners multiple times. Our understanding is that the minimum size for VAM, which you need in India, first of all, that you should have the right scale because this is a scale product. So therefore, it is made in fewer large plants all across the world. So therefore, having a suboptimal size may not help you from pricing in the long term.

We secure part of it. So from supply chain security may be yes, but we've not had a challenge on security up until now even in times like this. So from a pricing point of view, we see no advantage. Even in our analysis, the other thing we've also seen is that India does not have natural advantage on either ethylene or acetic acid. So therefore, if you are going to source ethylene and acetic acid and then convert that into VAM, I think you may or may not have that cost advantage which you are going for.

Our own understanding is you may not have unless you build a hyperscale project. So the project which has just come up by the competitor is, in our judgment, definitely nowhere close to that. So it could be for other reasons. We are nobody to comment on that, I think for their other pieces, and they may have a good reason for it but from a point of view of cost advantage, I think it doesn't work for us.

Also, as a branded player, and Pidilite has very strong brands. I think, in general, if you look, now I'm saying conceptually, not necessarily specifically to this point, both models on backward integration or managing through buying and managing the crest and troughs well work quite well. Many branded players across the world in most categories are not fully backward integrated. They run their businesses very well by procuring well and managing the cycles as they go up and down quite well. So, I think that's the philosophy.

I think we are in that zone and that space at the moment. We see no specific advantage. And to that extent, no specific disadvantage to us with this plant coming up. I'll hand over to Kavinder on the second part of your question on UnoFin.

Kavinder Singh: Yes. So we have been, as you are aware, we have been working with our Spanish joint venture partners, Grupopuma, on building a business around these exterior renders. Obviously, there are advantages of getting into this category. It's a new category. There is a very specific technology.

It gives you 15, 20 years of waterproofing, extremely good-looking facades typically on the outside. So we have gone to various segments, hotels as well as villas and even residential buildings. So, we have obviously learned along the way. And there are obviously advantages of building this business because this is sprayable, breathable render and ensures that you are able to get very good looking facades or exteriors for a long time and with the waterproofing intact. Now, where are we and how do we want to go further?

At this moment of time, quite a lot of our learnings have been assimilated. We have seen interest from various architects to use this product in some of their projects. So we have decided, and we will continue to focus on the projects business within that segment, which are more amenable for this kind of a product are basically commercial

and hotels, and those kind of buildings. A little bit of residential is also fine, low-rise residential buildings. And this is something that we are now rolling out as we speak.

And as the momentum is building up, we are already trying to see whether we need to put up more plants of this particular render production if it can be done beyond the current facility that we have in Rajasthan. So the news is positive. We are building this category and even with Grupopuma, we have, just as an adjunct to your question, this is not just for the renders, we have tied up with them for even tile adhesives. So we have launched a product called NioPro, which is gaining good momentum in the premium tile adhesives, specialized tile adhesive range.

So we are seeing that by working with partners, and this has been our strategy, wherever there's a technology that we can bring in, it helps us to be an early mover in the category. And that becomes, in some manner, a moat as we go forward. So as of now, the story is positive. It is building up slowly, but surely.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Sandeep Batra: Thank you very much for your interest in Pidilite and for joining the call and wish each of you and your families the best for the festive season. Very Happy Diwali to everybody.

Sudhanshu Vats: Yes, I wish you all a very Happy Diwali.

Kavinder Singh: Thank you.

Moderator: On behalf of Pidilite Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited to improve readability)