

12th November 2024

Department of Corporate Services
BSE Limited
1st floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 500710

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, 5th floor,
Bandra-Kurla Complex
Bandra (E)
Mumbai – 400051
Symbol: AKZOINDIA

Dear Sir/Madam,

Sub: Investor Call Transcript

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the group investor call conducted by the company on 7th November 2024 regarding the standalone and consolidated financial results of the Company for the quarter and half year ended 30th September 2024.

This has been uploaded on the Company website also and can be accessed through the link: <https://akzonobel.co.in/investors.php#im>

Kindly take the aforesaid information on record.

Thanking you.

Yours truly,
For Akzo Nobel India Limited

Rajiv L Jha
Company Secretary & Compliance Officer
Membership No. F5948

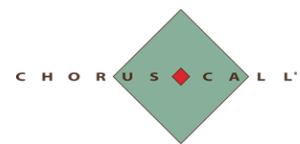
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AkzoNobel

“Akzo Nobel India Limited
Q2 FY '25 Earnings Conference Call”
November 07, 2024

AkzoNobel

ICICI Securities



MANAGEMENT: **MR. RAJIV RAJGOPAL – CHAIRMAN AND MANAGING DIRECTOR – AKZO NOBEL INDIA LIMITED**
MR. KRISHNA RALLAPALLI – CHIEF FINANCIAL OFFICER AND WHOLE TIME DIRECTOR – AKZO NOBEL INDIA LIMITED
MR. RAJIV JHA – COMPANY SECRETARY AND COMPLIANCE OFFICER – AKZO NOBEL INDIA LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '25 Earnings Conference Call of Akzo Nobel Limited, 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. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes. Thanks, Yashashree. On behalf of ICICI Securities, we welcome you all to Q2 FY '25 Results Webinar of Akzo Nobel India. We have with us senior management represented by Mr. Rajiv Rajgopal, Chairman and Managing Director; Mr. Krishna R, CFO and Whole-Time Director; Mr. Rajiv Jha, Company Secretary and Compliance Officer.

Now I hand over the call to Mr. Rajiv Jha for his opening statutory statements. Thanks, and over to you, Mr. Jha.

Rajiv Jha: So good afternoon, once again, everyone, who have joined this call. Let us begin this call with a safe harbor statement from our side. So this media release contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements.

These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues and legislative, fiscal and other regulatory measures as well as significant market disruptions. Stated competitive positions are based on management estimated supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest annual report.

Also, the company has been making the required disclosures and clarifications from time to time to BSE and NSE pertaining to Akzo Nobel NV's, which is our parent or promoter entity, media release on portfolio review with initial focus on Deco South Asia, and the management would not be responding to any general and/or specific query in this regard in this investors' call. However, the investors and public at large would be kept informed of any updates in this regard as per the listing regulations. Over to you, Krishna.

Krishna R.: Thanks, Rajiv. Let me quickly capture the brief highlights of last quarter gone by. We delivered strong double-digit volume growth for a fourth consecutive quarter despite of the challenging market conditions. Revenue growth of 3% was led by our B2B businesses. The impact of rising RMC is felt on the gross margins. There is a margin erosion of around 100 basis points led by the RM inflation. However, we continue to invest in our growth and branding while optimizing the cost and improving profitability. The profit after tax for the quarter was at INR97.9 crores with a growth of 4%.

And while coming to H1 performance, so far, the year was challenging. But we remained -- we maintained a healthy growth and a double-digit profitability. Working capital remains efficient

and as a percentage of revenue stood at 5%. This has helped to generate healthy cash flows and it supported our capex plans and dividend payout. We ended the September quarter with a liquidity of INR623 crores. This is the brief highlights of what has happened in the last quarter.

Now I would ask Rajiv to share the insights.

Rajiv Rajgopal:

Good afternoon, everyone. Delighted to be with all of you. We've put the investor call deck onto the website, and you can see the details there. But suffice to say, Krishna has run you through the financials. The decorative paints vertical for us had a high single-digit volume growth. The revenue was flat primarily because of the fact that we had the exterior part of the portfolio, which is a sizable part of the premium emulsions, which contribute a lot, was impacted.

We have seen, I would say, a different trajectory this quarter from all the earlier quarters. We've seen a little bit of rebounds of mass market mid-tier. And we've also seen basically the growth still for us coming from our larger towns. For us, we still believe that the rural markets, the rural -- the inflation impact is still lingering. However, of course, we see some marginal improvements that we've seen in the month of October. Our B2B part in the Decorative Paints grew well, double digit. And in our coatings verticals, marine protective and powder had some phenomenal performances while we had some challenging situations in our Automotive and Specialty Coatings business.

So that's broadly to say. We've had some good launches. Rohit and the team have been sort of executing our strategy well. We've seen a couple of results by some of our peers in the last couple of days. But I would not -- I would refrain myself from holding to a market share commentary till we see all the results. But so far from what we've seen, we believe that we continue to gain market share as we go across some of our -- all our flagship -- large flagship business, yes.

So that's what I have in substance. We don't want to spend too much of time on the deck. I also wanted to inform all our investors that we are delighted that as we conclude the 70th year of Akzo Nobel's business in India, we are delighted to make sure that we give onetime interim dividend in view of the occasion. And we wanted to first celebrate this with all our investors before we also celebrate this with our employees.

Just as a part of the process, I want to be very clear that given the responsibilities of the role that I have, Krishna and myself are completely recused from the process that Akzo Nobel N.V., the parent company is sort of actually anchoring at this point of time. Suffice to say, as the global parent has already mentioned, right, at this point, everything is in and all options are being looked at. And at any point of time when we believe that there is a material event, we would like to follow the appropriate protocols that we've been following now informing our Board and then informing our investors in the appropriate manner.

So with this, I think we've already concluded 15 minutes. So I think in the larger interest of time, what I would like to do is to open it up, Aniruddha and Manoj for any question and answers that people may have. I would like to state that this has been -- when I look at it, when I look at not just the peer set, but when I look at FMCG in general, we can see that the growth has been fairly

sluggish. Obviously, we were quite worried when the first couple of months went by, but we are happy to see that we managed to grow and also maintain our profitability.

And we've done that while investing in our growth. So it's not that we've cut corners. You've seen our advertising quite recently. I've been traveling the markets extensively. I was in just in Calcutta a day ago. So we've been between Rohit, myself and the team, we are extensively traveling, looking at what we can do. And our focus is to continue to grow the business as we move ahead.

So with this, Aniruddha, Manoj, Yashashree, we open the floor for questions.

Moderator: Thank you. We'll take our first question from Avi Mehta from Macquarie.

Avi Mehta: Thanks for this opportunity. Congratulations on the healthy performance in decorative business. I just wanted to appreciate if this...

Rajiv Rajgopal: Avi, can you be a little louder, please?

Avi Mehta: Okay. So I wanted to basically understand for the retail market. Is the second half...

Moderator: Avi, I'm sorry to interrupt. Avi, can you turn on your webcam? Your signal is weak. So if you turn your webcam, your audio will be better. Please go ahead.

Avi Mehta: Maybe I'll do that. Okay. So I just wanted to understand, sir, that are we seeing any signs of a pickup in the retail market versus the flattish trend that we saw in second half? This, in particular, given the festive is also shorter this time. That would be the first question. And second, I just wanted to -- while I understand you've recused yourself from the process, could you just help us understand what is the process going to be? Is this only for decorative? Is industrial also part of it? Just all the steps and how would this kind of go about? It would be useful to understand that.

Rajiv Rajgopal: So look, as far as the market is concerned, we've seen a slight pickup in our secondaries in the retail part of the business. What we are seeing very clearly is that as we approach Diwali, the first half -- the last part of September had unusual rains, which all our peers have reported. So I don't want to go over it again, which also included the first part of October. But we've seen a huge uptick in our secondaries. However, what we've seen is that the retail ability to stock up, which is our primary sales to the -- in the direct market to the retailer or our distributor sales to the retailer has not been of the level that the offtakes have been there in the second half.

And I guess that's also to do with the fact that we still believe that while our collections is very good, we believe that in this industry and many of the other peer industries, overdue and collections have become a bit of a challenging because of some money crunch that we observed in the market. So our focus has been and my focus as a challenger brand is always a sale is a sale when money is collected. So really, that's what sort of drove our actions and business.

But to answer your question, Avi, yes, there is a slight uptick. But it was towards the last 2 weeks. It's too early for me to pronounce and say everything has turned around. It's hunky dory.

As I mentioned to you, right, the blended growth of paints plus coatings is almost -- is a very high single digit, almost close to double digit actually.

So really, our volume is picking up, where we see a bit of a challenge is the fact that because of the price drop at the beginning of the year, there's still an impact of almost close to 3%. And obviously, a mix because of the industry, where the growth is coming in the industry continues to be a bit of a challenge. And that's where there's been a bit of a blended stuff when the revenue, we look at a flat trajectory compared to a high double-digit or a high single-digit volume growth, a 9% to a flattish growth, right? So that's the first part of your question.

The second part of your question, and I'm being very honest with you. We also are writing on a periodic basis to Akzo Nobel to keep us informed if there is any material event. And to the last message that Rajiv Jha got because he's anchoring the process for Krishna and me and for Rohit as Board of Directors, we have been told that nothing has got concluded. So is it decorative, is it coatings? And my answer will be consistent, not just to all our shareholders, but to all my employees, at this point of time, it is being run by the global business.

We are running a strategic review across various businesses. They are looking at what exactly are the sort of things that they really want to do? How can we -- the idea is how can we move this company into a winning position given the competitive intensity in the market. And so they're going to look at all options. And when we have some material information, Avi, I'm sure we will come back to you.

Avi Mehta: Fair enough, sir. Just if I may, just a small clarification on the second part about collections rising. So is this something that is specific to a few players? Or are you seeing this more broad? Because there is an entrant and we hear some things about the new entrants. So but I just wanted to understand any specific...

Rajiv Rajgopal: See, I don't want to comment about any specific player because I think that's not appropriate at my level. And I'm not -- I would not like to talk about -- when I look at it, I've seen this across FMCG because when I looked at paints as an industry, I wanted to see whether it's unique to paints. I've also seen a couple of large cement players, and I'm not naming, but people having similar issues because what I wanted to do when I work the market is to see is it unique?

Again, I must tell you that I would assume that we are still best-in-class in terms -- because our focus is to make sure the collections come before the sale is recognized. And second but I wanted to understand what exactly is the impact on the market because I'm also trying to deconstruct the India revenue growth versus the paints growth and versus our growth.

So really, that was my hunger of learning and trying to disaggregate that information that led me to this. My belief is that, look, a few -- obviously, a few players will get more impacted. Brands which have got higher velocity will be less impacted, right? That's obvious. But other than that, I would not like to disclose. I don't think it's appropriate for me in this call to mention any...

Avi Mehta: No, no. Sorry, sir, I didn't mean it specifically to account player. I just wanted to understand if it's broader-based or is it specific to markets. That's what I wanted to...

Rajiv Rajgopal: No, it is slightly broader based. But I believe that we should start seeing when I speak to many retailers by the second week of November. But remember last year, Diwali was in November '9, '10, '11. So you would start seeing that correction happening by the second half of November. People are expecting a better quarter this year. But again, we've been sort of -- we are putting up years absolutely into the ground, Avi and seeing how we really play in this and where to play, how to play. And we are looking at our strategies, our portfolio very, very carefully.

Moderator: We'll take our next question from Jayvansh Mehta from Care PMS.

Jayvansh Mehta: Congratulations on posting good set of numbers, sir. Sir, first question was basically on -- can you share the volume growth for B2B versus B2C? And also, sir, do we see any improvement in our B2C going forward because our anchor growth driver has been B2B lately? And lastly, sir, if you can share the share of B2B to the overall revenue for the quarter?

Rajiv Rajgopal: Look, when you say B2B, I want to say 20% of our decorative business vertical is also B2B. So when I say B2B, I'm going to include not just our coatings, but our decorative paints B2B because then it's similar, and I'll be able to answer better. All the B2B businesses are going double. I mean, I would say the larger part, almost 70% of -- by revenue of our business are growing double digit. We've had 2 businesses where we've had some challenges. One is in our coil coating, primarily because of some pricing pressures, et cetera. And secondly, in our automotive, which I think the industry players have also reported, right? So other than that, I think all businesses are doing well.

On our B2C business, look, your question is we will see green shoots. Remember that the B2C -- the revenue was under pressure after the price drops in December last year. By December, January, that price, that 3% will start getting negated. So we believe it's just a few months, and it will start growing. Are you seeing a tailwind, if that's also your question, the answer is we are not seeing material tailwind, but we are not seeing the sort of headwinds that we saw in the past. So I think we need to wait and watch for November and December before we move ahead. I hope I've answered your question.

Jayvansh Mehta: Yes, sir, it was very detailed. And sir, second on the same lines was like what is the main reason for good growth in the B2B? Is it company-specific? Or is it industry tailwinds that is going on?

Rajiv Rajgopal: No, no. I think I would be -- I think it's a combination of both. I don't think there's only industry tailwinds. I think there would be a bit of tailwind, but I think it's also because we've focused and we've been working hard on our order book across our businesses, right? So I think that with a specific focus in certain sectors is giving us better growth.

Jayvansh Mehta: Yes, sir, last question after that, I'll join the queue. Sir, like given the -- considering the capex that we are doing and also the government policies in terms of Atmanirbhar Bharat and everything, do we see double-digit growth in B2B going forward?

Rajiv Rajgopal: Yes. The answer is yes.

Moderator: We'll take our next question from Mihir Shah from Nomura.

Mihir Shah: Congrats on continuing to post better than peer set of numbers, sir. So firstly, I wanted to check with you. Most of the peers have witnessed a sharp increase in staff cost and not so much on A&P cost. I wanted to know your view if it would be a requirement for Akzo to beef up the feet on street going forward in line with peers? And how do you see A&P cost shaping up for you in the near to medium term?

Rajiv Rajgopal: So look, A&P, we have been hovering around the 2.5% to 3% of revenue. As I said, our stated intent is to go closer to 3.5%, 4%. You will see various initiatives that Rohit and team will be deploying starting January, more pronounced towards March next year. So there, you will see a bit of an uptick because the focus is really -- we've seen some significant improvements in our brand scores.

We do a brand health check on a periodic basis. And in recent times, we've seen a huge uptick in our brand, after a long time, we've seen a good uptick in our brand. We also had taken Yash, if you remember, the Superhero Yash as a brand ambassador for exterior, and that's paying us dividends, right? So that's on the brand.

The second question -- part of the question that you had was on the FTE. Look, remember that before I joined this company, I came from a digital world. So for me, I think we will definitely look at adding FTE provided we find appropriate or as we work on digitized solutions, which are able to offer better customer experience. So the focus is how can we strengthen our digitized work on enhancing customer experience, lead management, et cetera, et cetera. And we are going to look at some breakthrough solutions.

Again, Rohit, Vandana and team are working on various initiatives there, and we will come back to you. You will see some initiatives. Again, by more pronounced by the first quarter of next year between the fourth quarter and the first quarter, you would see that we are -- so for me, it's about -- remember, Mihir, as you know, we are a challenger brand.

So for me, as I organically grow, not adding huge weight is a part of the game because that's important for me to be able to continuously fight the battle ahead. So I'm absolutely careful on that. I stick to the EBIT margin guidances that I've always given. We don't want to deplete our profitability other than 0.5% type of stuff depending on competitive intensity. But work smartly, think intelligently, work smartly principle, which is what we and the team are trying to do.

Remember that we are one of the few categories. If you -- and I request all the investors to go to the market. And one of the things dealers tell you is there's no product which is close to Dulux in terms of quality. It's unbeatable, right? And I'm telling you, verbatim, even some of the dealers who are very small for us in terms of their overall outlay of revenue, the dealer outlay, they also acknowledge.

So we are now working on saying, okay, we get it if our product has got this unmatched experience, how can we make it a win, a clear win? And what are the things -- 3 things that we need to do that can take us to it. So focusing on launching some flagships, taking our best propositions ahead like just recently, we have launched VT Eterna, which is, in my view, the unbeatable interior paint, unbeatable, right?

We've done product testing. There's no player that comes even close to us. I can tell you, at least from our field testing that we've done. I'm sure others will do it and have different results, but I'm telling you what we've experienced, right? And our endeavour is to come with absolutely top line products and offer services to customers, our dealers, our distributors to make sure that we are able to move ahead. That's on the paint side.

And coating side, it's really what we are doing is how can we increase our wallet share of the existing accounts. So we've got -- see some of our -- we've got very marquee customers. So how can we increase our wallet share? How can we come with products and solutions, which we are able to offer. We understand what are the pain points of our customers, listen to their stuff and see how we can bring a difference to the way they run their business, yes.

Mihir Shah: Got it, sir. Delighted to hear the efforts that are being put in the marketplace. Sir, second question I wanted to check was on the gross margin. Raw material prices have softened. We believe can one -- would it be safe to assume that going forward, there can be some support to gross margins, at least in the deco side. However, I wanted to check with you on the other industrial side, coating side, would it require any price cuts to be taken from the client side basically?

Rajiv Rajgopal: So Mihir, let me answer the second part, and Krishna will quickly reel to you in terms of the procurement raw material movement and index. See, in my view, we are living in a very volatile world. What we have seen is we saw the crude a few months -- a month ago coming as low as \$67 and then we start rising up to \$78 with what's happening in the Middle East neighbourhood and a lot of other external parameters beyond our control. Remember that, that's only one part of it. The second part is the fact that dollar has been stronger, right? And for most of us, we buy all our raw materials in euros and dollars. So that's another challenge.

So keeping this in mind, I don't think we are looking at price cuts at this point of time because I think that will be naive because then you will have to take significant price increases next year to cover the cost of any wage inflation and other things that you -- NFT or whatever you ask, right? Krishna, on the gross margin, do you want to just give a...

Krishna R.: Yes. Thanks Rajiv. Mihir, when we see the raw material prices, it went up somewhere peak somewhere in the mid of August kind of stuff and then it started to taper. And once the inventory dilutes, I think we will see the uptick in the margins, which is expected in the November onwards. Unless there is eventually further surprise as alluded by Rajiv, FX is the wild card, which is -- we need to handle it as appropriate.

Moderator: We'll take our next question from Mrunmayee Jogalekar from Asit C Mehta.

Mrunmayee Jogalekar: Sir, my question was with respect to the product mix and how you expect that to move going ahead? Because I think you had mentioned earlier that you would want to increase your focus on some mass or economy products. So from that perspective, how do you look at the mix going ahead?

Rajiv Rajgopal: So look, I think the mix will be balanced as we move ahead. I believe that, look, we still got scope to grow in premium because in India, the premium consumers tend to consume. I don't see any issue in terms of income or it's more in terms of usage, primarily because of, say, issues

like rain or any external challenges that we have faced in the recent times. So that will continue to grow.

And look, we are underrepresented in categories like mass, et cetera. So -- but I do believe that, look, I think the mix will at best, see a very marginal adverse impact because our endeavour is to try and make sure that we keep it balanced as we move ahead. I hope I've answered your question.

Mrunmayee Jogalekar: Yes, sir. Thank you.

Moderator: We'll take our next question from Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, firstly, my question is regarding the inventory buildup, the change in inventory line item...

Rajiv Rajgopal: What is the question?

Moderator: Mr. Kapoor, we are not able to hear you.

Saket Kapoor: One minute. Now you can hear me, sir?

Rajiv Rajgopal: Yes.

Saket Kapoor: Sir, firstly, we have seen this increase in inventory for this quarter. If you could just explain the nature of the same since -- and how do the second half generally shape up? If you could give some colour on the same?

Krishna R.: Thanks, Saket. The inventory buildup is predominantly ahead of the festive season. We beefed up the inventory, and that has resulted in a spike in inventory, as of 30th September, we were at INR741 crores. It will get normalized over a period of 1 month to 45 days period.

Saket Kapoor: And sir -- your voice is not clear. Sir, come again, sir, what you mentioned?

Krishna R.: So we have beefed up the inventory ahead of the festive season and which is likely to correct in 30 to 45 days from the September 30. By now the inventory levels have come back to normal levels. Yes.

Saket Kapoor: Okay. And sir, taking into account how we have done for first half, what kind of volume growth can we expect for H2? And since the festivities in terms of Deepavali and all are behind in this quarter -- would be done with the third quarter. How do we see H2 currently shaping up in terms of the volume?

Rajiv Rajgopal: Look, in terms of volume, we didn't see any additional change in the trajectory between the 2 quarters, right? Despite relative muted demand, our businesses have at a blended vertical level, done a double-digit growth. We believe that we should be between a high single-digit to a double-digit growth. Where exactly we land to answer your question, it's going to be very difficult. But more importantly, I think the next quarter, if you're asking me, I don't see any material change that we see because of the fact that we are a brand that consumers ask for because they want a great experience inside and outside their home.

So really for consumers, which is a large set of India, we generally think that normally Dulux is for the upper echelons that's not true. We've been -- you can go to many markets in many parts of India, whether it's in Gujarat, East, parts of North, West, right? Our focus is really saying how can we increase our market share in our underserved markets, right? So my view is that's going to give us a bit of a delta and we'll hopefully compensate for any further adverse reactions. Now this notwithstanding any unprecedented competitive activity or any external event which may change the course. But otherwise, I hold to this number.

Saket Kapoor: Okay. And sir, we have -- in one of the notification to the exchanges, we have also spoken about our promoter giving us some guidance of how to expand or to increase our penetration in the South Asian market. If you could just elaborate where are we in terms of what's the message from the promoter side to the Indian entity?

Rajiv Rajgopal: The promoter has told me, look, you better ensure strong delivery because that's your license for your role, your job and making sure that you continue to make Akzo Nobel India a place of pride in the global Akzo Nobel jewel, that's the brief. And I'm being honest, it's a recorded call. I'm sure my promoter will also hear this. Let me be honest. In any job that I have done, my focus is on what I and my team can do. I don't allow myself to get distracted by external events.

Saket Kapoor: Correct, sir. Okay, sir. So we are looking for similar growth for H2 that should be penciling in, in terms of...

Rajiv Rajgopal: Absolutely. Yes, absolutely. And I assume you are an investor in the company, yes.

Saket Kapoor: Yes, sir, I am an investor, sir. And sir, so that is what should be the outlook going ahead.

Moderator: We have our next question -- yes, go ahead please.

Aniruddha Joshi: Sir, Aniruddha here. Sir, 3 questions from my side. So first of all, can you indicate about the performance of the waterproofing product that we had introduced, also floor paints and again, the low-priced emulsions because these have been the marked innovations for us. So how do we see that?

Secondly, in terms of the new distribution that we had -- expansion, distribution expansion that we had started. So update on that? And are you looking at any revised guidance on that, et cetera, also? Where do we -- where are we in terms of distribution? And how do we see the distribution rollout happening? That is the second question. Yes.

Rajiv Rajgopal: Aniruddha, let me go one step at a time. In terms of portfolio, I will not be able to give you exact numbers for obvious reasons. But suffice to say, if I look at waterproofing, we are growing high double digit. What's our license. It's the same as the existing portfolio where our product performance is seemed to be better than the other offerings in the market. So Dulux Aquatech and it's had one of the sharpest trajectories in entire Asia actually on the waterproofing business.

In terms of floor paint, it's not been a success. I also have to be honest enough in saying, I think that's something that we and the team are working on. I -- because not every product that we launch, we do expect a 10%, 12% going back to the drawing board. So this is one of those 10%

that has gone back to the drawing board because what we've launched is good, but it's not magnetic enough to get a massive shift from some of the larger players, right?

So we are back to the drawing board. Our R&D teams are working very closely with the marketing teams and our sales teams to try and see how we can create a magnetic product that sort of pulls and wins away consumers from the existing offerings in the market, yes.

In terms of economy, look, I think we had a dramatic run in economy on Promise SmartChoice between 2021 when we launched till 2024, maybe the end of the first quarter, right? It's been a little flattish, to be very honest, after that. I think, again, we are going -- we are a bit back on the drawing board saying, how do we really accelerate.

Now there are two ways to accelerate. One is usage and second is users, right? Now usage is going to come through some differentiated offerings, which I cannot elaborate. But within the next 9 months to 12 months, you will see that we are addressing the usage part in a very dramatic manner with some learnings that we've taken from some of our global countries.

The second is users. Now within users, there are users within the existing outlets and new outlets. Existing outlets, we are trying to see how we can get a higher painter adoption because we genuinely believe that when we gave a 10% extra that the reason we gave it is we believe that even without it, we would have better coverage than our peer set. And with it it's unbeatable, right? But as you know, we put the 10% in can. We didn't give it as a separate pack because we didn't want retail to discount, right?

So the adoption, it takes time for this to build. So that's what Rohit and team are working on seeing how best we can drive this user in existing outlets and new outlets, I think the team has done an incredible job on distribution, right?

So we -- as you know, if you look at the number of towns that we were present, we are on the anvil of getting close to 5,700 to 6,000 towns between -- in the next couple of quarters. So our journey on distribution continues. Our definition compared to other players is not looking at any outlet where paint is available. It is an outlet which does a minimum threshold business of painting at least a house -- a 1 room house, and we take that value close to INR30,000. So it's a very different definition because we want to make sure that we are sweating our assets as we move forward. So that's the way we are breaking it up, and that will give you an answer of how we are driving economy, yes.

Moderator: Thank you. We'll take our next question from Bhavdeep Vora from Franklin Templeton Mutual Fund.

Bhavdeep Vora: So 2 questions from my side, sir. So have you seen any change in competitive intensity in the industry in the last 6 to 9 months? And second question is about the channel partners. Is there any change in the channel partner behaviour, dealers, distributors? Are they expecting more discounts, credit period? And what's your experience about this factor?

Rajiv Rajgopal: So the answer on competitive intensity is, of course, it's increased. I mean, frankly, it has increased over the last 6 months after the new entrant has come in. And I think that's the fun of

this job, right? So I think it's welcome, it's welcoming. They teach us a lot. Every player comes with a lot of propositions and a lot to learn, right? So yes, competitive intensity has gone up, but more from 1 or 2 players, not across, right, of the new players who got into the business.

The second, has discount gone up marginally? It has. Yes, the answer is yes. But what is the dealer behaviour? Look, we are -- this is a weighted industry. And at the end of the day, our dealers who've been with us for years know the value of the relationships that they have with us, right? Whether it's Rohit, our regional managers, et cetera, we are completely ears on ground. And our endeavour is to try and make sure we get with differentiated offerings. And we use digital solutions to be able to provide offerings which are not visible easily at a bare eye level. I think that's the trick of the game.

Our endeavour is to keep creating solutions which are digital in nature and trying to differentiate by understanding different players, their approach to the market, the type of conversations that they have, the humility that they provide or not provide, right, and the route to market and the sort of push versus pull that they are creating in the market. And that's where we are trying to seek and create a bit of a niche for ourselves. I hope I have answered your question.

Bhavdeep Vora: Sure, sir. Sir, just a small follow-up on that, on the point of the competitive intensity. So are you seeing that increase in both the B2B as well as on the decorative? Or is there any meaningful difference? Or what's your experience?

Rajiv Rajgopal: No. Look, it's largely B2C -- decorative B2C.

Bhavdeep Vora: Okay. Okay. Not so much on the institutional and the B2B.

Rajiv Rajgopal: No. Our institutional products are world-class, So it's going to take a while.

Moderator: We'll take our next question from Jayvansh Mehta from Care PMS.

Jayvansh Mehta: And sir, one question was basically like exactly we heard from our competitor as well that the demand scenario in the southern region, especially in Andhra Pradesh, where we are also present is somewhat subdued, and that has been for a while now. So has the situation improved?

Rajiv Rajgopal: Look, our presence in Andhra Pradesh, and you said Andhra, I'm differentiating it from Telangana, is relatively low. So we are not as impacted. But yes, to answer your question, it has been relatively muted, but our presence is low, so the relative impact on us has not been very high.

Jayvansh Mehta: Okay. And sir, last question was basically, although we are not allowed to officially comment on the situation, but like due to this acquisition-related rumours that has been spreading around, have we seen any focus -- shift in the focus on our business?

Rajiv Rajgopal: Let me tell you, I'm not -- you said there's -- we cannot comment officially. I cannot comment unofficially.

And then -- right now, my focus is on my business, my friend. I don't have the bandwidth to be able to absorb and play with rumours.

You look at the -- between 2013 and now you look at the business, I think I can take pride that from a single-digit EBITDA margin of 5%, this business is at 14.5% EBIT margins with royalty. So you can imagine the shape and size. Yes, if you take a 2000 to 2024, where maybe at revenue levels 1 or 2-odd percent points lower than our industry, but you look at the shape of the business we've delivered.

And I can tell you my parent is very proud of this business, and they want to make this business into a winning position, right? That's the Akzo Nobel, and I'm a member of Akzo Nobel. So I'm proud of what this business, the global team and us have created.

Moderator: We'll take that as the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Rajiv Rajgopal: Thank you, Yashashree. Look, first and foremost to all the investors on the call, a big thank you. You've been a great support to many of you. I still remember in 2018, when I came into the business, there were a lot of concerns. Hopefully, even before the announcement has gone off, even when you saw our results, I told you that we believe, if you look at the last 4, 5 quarters, we are moving the needle, right? And our endeavour is to continuously move the needle and do our best and bring forward the real value of what Dulux stands for.

What Dulux stands for is international, best-in-class quality, colour expertise and really sustainability. And I believe that the team -- it's a magical team. I'm really proud and privileged to be a member of this team. Every member working in Akzo Nobel India is giving 200%. We understand the value of what has got created. We understand the value of what lies ahead. We understand this is a tough battle. We are going to fight tooth and nail, right? That's what we are going to do. And hopefully, in the process, we continue to win. Thank you. Thank you very much.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now exit the meeting.