14th November, 2024

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2. BSE Scrip Code - 500165, NSE Symbol - KANSAINER

Dear Sirs,

This is further to the intimations done by the Company on 29th October, 2024, 7th November, 2024 and 8th November, 2024 with respect to the Conference Call hosted by the Management of our Company on Friday, 8th November, 2024 at 11.00 hrs India Time to discuss Q2 FY 2024-25 Financial Results of the Company. The Conference Call was in the nature of a group call.

We are enclosing herewith the transcript of the Conference Call for your information and reference.

For **KANSAI NEROLAC PAINTS LIMITED**

G T GOVINDARAJAN
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G. T. GOVINDARAJAN
COMPANY SECRETARY

"Kansai Nerolac Paints Limited
Q2 FY '25 Results Conference Call"
November 08, 2024

MANAGEMENT: **MR. ANUJ JAIN – MANAGING DIRECTOR – KANSAI NEROLAC PAINTS LIMITED**
MR. PRASHANT PAI – DIRECTOR-FINANCE – KANSAI NEROLAC PAINTS LIMITED
MR. JASON GONSALVES – DIRECTOR-CORPORATE PLANNING, IT AND MATERIALS – KANSAI NEROLAC PAINTS LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Kansai Nerolac Q2 FY '25 Results 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. 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, sir.

Aniruddha Joshi: Yes. Thanks, On behalf of ICICI Securities, welcome you all to Q2 FY '25 Results Conference Call of Kansai Nerolac Paints. We have with us today senior management represented by Mr. Anuj Jain, Managing Director; Mr. Prashant Pai, Director Finance; and Mr. Jason Gonsalves, Director, Corporate Planning, IT and Materials.

Now I hand over the call to the management for the initial comments on the quarterly performance, and then we will open the floor for question-and-answer session. Thanks, and over to you, Anuj, sir.

Anuj Jain: Thank you, Aniruddha, and good morning, everyone. I hope you all had a good and prosperous Diwali with family and loved ones. Our greetings to all of you and best wishes for New Year. I'm grateful for your continued support and interest in our company, and thanks for joining this call for Kansai Nerolac for quarter 2 of financial year '24-'25.

We have already submitted our presentation. And in that presentation, if you go to one slide, it basically talks about the diversified portfolio that we have. And that slide basically talks about that there is a bit of Nerolac's everyone's life. It also says that we meet all customer needs, and we have been adding more portfolio, which also we have shown on that slide. With this diversified portfolio, we mitigate risk,

As we have been speaking in the past that we remain the number two consumer brand. And our strength is technology, Japanese technology, leadership in automotive and auto coating, and we have been leveraging Jingle and Paint+ taking the advantage of, again, Japanese technology that also we have been doing. And this basically give us a combination of logic and magic, because logic is a technology and magic is all about our Jingle and the connect with the consumer.

If you look at the current business environment, the auto demand is stable. The quarter 1 was good. Quarter 2, slight moderation, but October was good. Infrastructure growth and good monsoons and easing of crude prices. Some of the challenges are geopolitical and rupee depreciation.

Just to give you some highlights of our industrial business. In automotive, as I said, demand was moderate in quarter 2, but on the back of our initiatives we did better, and we increased market share in automotive. October, I think the last 1 week, 10 days, whatever was reported in the channels or news, I think the sale was good. And I think that gives the hope that even in the coming quarter, I think the demand could be a little better than quarter 2.

Our approach, we continue to focus on technologically superior products, which is in line with our strategy, and have been launching -- expanding sustainable technologies to reduce resource use and carbon emission. So the new segment which we entered, basically to expand the size of the market, is the seam sealer, underbody, alloy wheels, and we have been increasing our salience in these areas also.

Some of the new products that gives us the edge in this automotive market. One is the high solid system, which basically give high aesthetics, also the lower VOC, lower carbon emission, shorter drying time that enhances the productivity of the customer, and the cost-effective, the less evaporation paint during the drying process. So some of these technologies we have been expanding. We are also expanding the polyurethane monochrome system, which is against the conventional system, conventional system is the 2 coat, and this also helps in terms of enhancing the productivity and also the other parameters.

We also developed some excellent corrosion resistance coatings for -- in the areas of commercial vehicles and sectors, basically to overcome field failures of paint peel off due to severe conditions during puddling operation in combination with fertilizers. So these are some of the examples of the new technology, and there are many more.

If you look at electrical vehicles, the penetration in the 4-wheeler is just about 2% to 3%, and in 2-wheelers, it's about 7%, 8%. So it is going up, but with a slower pace. 3-wheeler, more than 50%. And our reach penetration in the electrical vehicle is as good as the conventional system. And we are holding the higher market share in this segment also.

In the auto refinish, where our market share is low, the approach was to continue to put our systems in A class body shops, and we are expanding that because that's where the premium business is there, and we are continuously expanding that business.

The other part of industrial, which is performance coating or the liquid and powder business. So our strategy and focus was on performance coating business there, and there we have taken actions which we have spoken in the past also. One that we have expanded our business development team and feet on the ground, basically in product management or business development area through which we have chosen the segment to target and they we are getting the approval and matching the product with the customer requirement, because there, generally you have to have a customized kind of product to satisfy the requirement of the customer. So that's what we are doing.

There is also a large amount of business in High-performance coating, which happened through industrial dealers, and they basically cater to midsized or low-sized industries. That's the initiative we have taken. And we are expanding our distribution reach to reach out the small industries. And our salience of this channel has gone up. This is one segment of the business which is better placed in terms of the relative gross margin.

Also, the one approach was approvals in high-end coatings, for example, railways, bridges, oil and gas, through use of new technologies. And some of these technologies are like fluoropolymer anti-carbonation. So some of the pictures what we have given in our presentation, if you can see that these coatings have been applied in Mumbai Coastal Road and bullet train. So these are like bridges where we have applied anti-carbonation coatings. So Anti-carbonation coating, one, that it is more durable, the other, that it resists the dust and the emissions which set on the surfaces, and therefore it helps it looking better in terms of looks also.

We have also applied this fluoropolymer coatings on Trans Harbour, which is popularly known as Atal Setu. Fluropon is a very high-end durable coating, which gives a life of about 30 years. So this is applied on the steel structures which are there on the Atal Setu. So that's what we have done. Vande Bharat also we spoke about, and we have painted many Vande Bharat trains. So if you see the trains, which basically show now orange color, blue color, white color, all that is Nerolac, most of it is painted by Nerolac. And this is also a high-end epoxy systems and with the top coat of some clear that also keeps it clean and aesthetically looks good.

So some of these technology, which we have been saying that in the high performance coating 2, 3 years back we exited some low-end business, and the high-end business we are entering and we are making strong traction there. And based on these initiatives in the performance coating divisions, we have done well and witnessed very strong traction and also have a strong pipeline.

If we talk about some of more new products in performance coatings, the IP net coating, which is interpenetrating coating, we got the approval from Mumbai Metro Line. And also we developed RoHS, which is the hazardous, which is basically that how to make it nonhazardous and less hazardous compliance coil coating. That approval also we got from some of the key customers. Therefore, based on these technologies and the product launches, our -- the premium saliency in the performance coating is going up.

About the segments which we're capturing through performance coating from our side like bridge, windmill, appliances, construction equipment, helmet. So overall, our market share is good, and we are market leader. But in the premium segment, we have a potential to improve our market share. So there, we are focusing on rebar coatings, pipe coatings, alloy wheel and construction equipment.

Coming to decorative, some of the growth drivers which we have taken in decorative. One was related to our Paint+ and how do we differentiate our products in the market, and that also leads to some kind of premiumization. So far, we have introduced more than 25 products, and 10 were added in the current year. So total number of products are more than 25. And their salience is continuously going up. It is almost in the double-digit range now.

All the new products, what we introduced in decorative in last 3 years, they are contributing more than 10% to our sales. And overall, if you look at this quarter our YTD, the premium did better, and we had a degrowth in the product like putty in September.

About the new products which I would like to mention here, in fact, last year when we had the in-person meeting with all of you, we have demonstrated this product. But some of the new products what we introduced, one is the texture range, where there are very high end kind of Italian or different kind of finishes. We have just introduced a product called No Dust in category like Excel, which is a good proposition at a good value proposition.

We also launched a range of products and now we have expanded in the quarter 2 the Wow white So in fact, in many of the markets the acceptance or the penetration of white shade is very, very high. And we have launched multiple products the Wow White. These are best of the whites and also this product has a coverage which is higher by 15%. So this range also we are expanding and this is definitely our exclusive range, which I think that customer and market will like.

There are some products introduced in construction chemicals and wood finishes. In wood finishes, we have introduced 2 component polythene products at a very attractive value proposition, and that will help us to expand our business in the wood finishes.

If I talk about the new business, which basically has premium wood finishes and construction chemical and waterproofing. There, continuously our growth is strong. And now our salience from new business has gone to a double digit. So I think here, in fact, we feel that our growth is better than the market growth. Maybe the salience is still lower, but I think gradually we are picking up.

Also in project business, where we expanded our footprint and now we are available in more than 75-plus towns. There, also, in fact, we are continuously growing in double digits and doing better than the market. And our salience, though it's under indexed, but continuously it is going up. And I think as a matter of time that we'll be able to catch up with the market salience also in this business.

The other part of decorative strategy was focusing on influencer and services. So 2 years back, we introduced NxtGen painting services and the architect program, which we call Illuminati. That program, we introduced. And there, in fact, we are making continuous progress now. And as of now, about 3% or more business contribution has started coming from this initiative alone. This initiative today especially to services, and could be expanded, and we are serving a large number of cities.

The architecture program, continuously quarter-on-quarter we are increasing the number of architects which are enrolled with us.

So in terms of secondary tracking, because if you remember and recall that we said that one of the focus change in decorative is that how do you track secondary sales so that we have more control in the business. So almost the categories that's where we run the painter incentives and painter program, mostly in the emulsion categories, there, in fact, today, the secondary tracking has crossed more than 40%. Number of painters are expanding, and today we have a good number of painters with us. And the team, feet on street, who is connecting with this painter, demonstrating the product and helping them out to get the business insights.

At the dealer front, distribution front, basically to give a better retail experience, we started the initiative called NxtGen Shoppe and shop-in-shop. In fact, we have also introduced the system called Mix, which is basically a kind of spectrophotometer. It's AI-enabled, where it is able to advise and give consulting in terms of the shade combinations what customers can go for. We got a good response from the customers. And today, the NxtGen Shoppe along with this shop-in-shop model, about 250 are already in place in the market.

In terms of general distribution expansion, we have added about 2,000-plus dealers, and we are continuously looking for the expansion, and we have objective in mind for the year. As of now, we are on track related to that. So coming to the general performance for the quarter, the top line was up by around 1%. EBITDA is down by around 20%. And gross margins were down by 1.7% if you compare with the quarter 2 of last year. But if you compare with the quarter 1, then it was down by 3%.

There are primarily 3 reasons for that. One is the change in revenue mix because, as you know, that we are generally 55% decorative, 45% industrial. But because the industrial growth is higher in the quarter, so the mix is in favor of industrial, and in industrial the material cost is higher. So that's one main reason why there is a change in the gross margin.

The second reason is the relative impact of price reduction which happened last year. So that is the second reason. And third is some material inflation. The material inflation has continued until August. From September we are seeing softening of raw material, but that impact is there. And partly, we have been able to mitigate through cost reduction efforts, but there is some impact on material inflation also.

In terms of the outlook, what we see reports from RBI bulletin and some news that rural trend and overall demand is trending upwards. So as of now, if you look at quarter 1, quarter 2, we can see some sign, but difficult to comment. In industrial, in 2-wheeler, definitely we are seeing uptick in rural. But I think post good monsoons which will help the harvesting on crop, I think this is what RBI bulletin says, that rural demand is trending upward. And they also say that urban continues to hold firm, which is a little contrary to some of the news which we are hearing today that urban slowed down, but I think we'll have to wait and watch. The next quarter will be right indicators about what is happening.

Investment activities remain behind with government expenditure rebounding from a contraction in previous quarter. So that's a good signal for us that in the second half this activity picks up. It will help our project business and also the performance coatings business.

So all the other indicators are like in passenger vehicle, the demand moderated in quarter 2. But based on the last week's sales of October, the inventory has come down in the market, and therefore we feel that in the quarter 3, demand could be better than quarter 2. 2-wheeler demand is going stable, double-digit demand, and we hope this momentum will be maintained.

Performance coating, as I said, that based on the investment, government expenditure, we expect this market will continue to grow. And based on our initiatives and the order pipeline we will continue to do well.

Raw material prices, which have seen inflationary trend is in August, towards the end of last quarter we are seeing softening, and therefore it can give some advantage going forward.

So this is what I had to say on the quarter 2 and some of the actions and initiatives what we have taken. And I'm happy to answer your questions now.

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

Abneesh Roy: My first question is on the competition. So previous quarter, you had said that your confidence level is higher than what it was before 6 months, and now further 3 months has happened. So if you could update on how competitive dynamics are currently?

And second is on AkzoNobel. Clearly some form it will get sold, either fully or partly. So essentially, we are seeing one large player like Grasim enter, and then one number four player kind of exit. So what will be your thought in terms of competition from a, say, 1 year or 2 years later once the sale happens and once things stabilize? Do you see essentially that the worst of the competition is behind, it is consolidation in that case?

Anuj Jain: Thanks for the question. So Abneesh, on this new entry or this competition, I think the statement remains same, because 6 months, 9 months have passed, and we are seeing some traction, mostly the impact is different geography to geography. They are more into the numeric reach as of now.

I think it is still early to comment on that, to determine that how it will play out. We are monitoring the trend. But our understanding is that such moves stabilize over a period of time. And I think our objective is to remain resilient and keep delivering value under this situation.

But I think, as we said earlier also, I think it's a slow pace, this industry, in order to build the distribution, the painter, the bank, it takes time. I think that is what is being demonstrated in the market today. And I also still believe, as I said earlier also, that overall, unfortunately, for last few quarters, the demand scenario is down, but I'm sure it's a short-term kind of thing. It's a blip. Because never ever we have seen demand trending low for such a long period. I'm sure that later or sooner, the demand will come back.

And in that situation, the size of the industry is good, and more number of players, that helps in terms of driving innovation, it raises the standard and expands the markets. So I think that way, it's a good scenario. But whatever statement we have made, we stand on that particular thing. And I think based on our initiatives, we are clear that how it is panning out but we would like to wait for some more time.

On your second question, as of now, not much of comment, because all that is there in media as of now that we have not received much information about it. So as of now, it's a little premature and too early for us to comment on that.

Abneesh Roy: So one or two specific follow-up here. So in terms of disruption from the new players, have you now seen any big impact? You did say some traction in some markets. But in terms of anything disruptive in terms of what they are doing, that is one.

Second, again, confidence level, last quarter you said it was higher than 6 months back. Would it be fair to say that versus 3 months back confidence level is similar for you in terms of fighting competition?

Anuj Jain: Yes, Abneesh, when I said like this, that obviously, it's natural to experience some impact when company enter in this manner, but there's no disruption. And when you talk about the confidence, and confidence is going up and up only.

Abneesh Roy: Okay. And is what driving that?

Anuj Jain: Driving, one is that the initiatives what we have started that segment by segment when we are seeing the impact of that.

The second, that earlier, also we used to talk about that if there's a pricing strategy or a different pricing strategy which is taken in the market, whether how much it will work, how much it will put pressure on the existing companies.

Having seen all that, having seen the response from the customers, from the dealers, from the painters, I think that's what gives you more confidence.

Abneesh Roy: My last question would be on the volume growth expectations. So the #2 player has given kind of expectation that Q3 will be high single-digit volume growth for them and Q4 most likely double digits. And they have been generally claiming to be gaining market share, and data also seems to suggest that. Now other paint companies are having a more cautious response. And clearly there's a urban slowdown.

If I see from FMCG perspective, there's a very clear indication of that. So what will be your expectation of the industry or for your -- not asking guidance. I do understand marriage days are high, but these things can get postponed. I do understand it always comes back, so pent-up demand can come back in FY '26. But from an H2 perspective, would you also expect that industry could grow on a whole on the full 6 months, say, close to high single-digit volume growth for the industry?

Anuj Jain: So Abneesh, my comment is that definitely the demand will pick up. There will be uptick in demand. If we talk about for the month of October, October Diwali was very early. But if we say from Dussehra to Diwali, those, I think, from 12th of October to 31st of October, those 18 days sale -- retail sale in the market was good. And November/December is a good marriage season. So on back of it, we definitely feel the demand will go up. And gradually, it will pick up. So third quarter, it will be better. Fourth quarter could be further better.

I would not like to comment on the number as of now that how much it is. I think quantum is to be seen. But definitely, we also feel that demand is going to go up.

Moderator: The next question is from the line of Mihir Shah from Nomura.

Mihir Shah: So with the change in industrial portfolio by entering into the high-end premium segment paints in auto and performance coating, and given last year you had exited the low-margin products, can you share how much improvement was witnessed in the industrial margin?

And now, with the saliency of the new launches, new products increasing, ideally they should have increased. But can you also share what is the difference in margins versus deco and industrial paints currently?

Anuj Jain: So Mihir, generally, one is that the margins of decorative are always higher. But in case of industrial with a change in the strategy and technology, the product, the premium. So if you remember, if you see the history, one, that industrial used to be more cyclical, and second, there used to be high volatility when it comes to the margins.

So what we are able to do with these changes, one, that it gives the confidence that the company can reduce the volatility, and, on the sustainable basis, one can maintain the double-digit margin. So some of the dynamics of the industrial market remain, which we used to handle earlier also now also. But with these changes, I think we can produce more sustainable results. So that is one thing And what was the second question, Mihir?

Mihir Shah: The difference between industrial and auto used to be about 5%. Has that decreased with all these changes?

Anuj Jain: Marginally. Marginally, I can say. But they said that if you see at the gross margin level, always decorative margins would be higher. But when it comes to the EBITDA level, because in decorative, there would be expenditure on marketing, sales promotion and all those things. So I think at the EBITDA level, it has reduced.

Mihir Shah: Got it. Understood. Secondly, sir, would you still hold your guidance for maintaining margins for the full year? And how should one think about margins over the next 2 to 3 years, especially given the change in portfolio mix that we are seeing from your side and including the competitive intensity that is there in the market?

Anuj Jain: So see, Mihir, when we started the year, obviously, we had estimate of top line growth. And obviously, as we have seen the quarter 1 and quarter 2, the growth was lower than that estimate of the industry growth. And even if there is expectation that third quarter, fourth quarter, the demand will pick up. I think overall growth of the year, the top line growth, is going to be lower than what we estimated.

To that extent, there is expected to be some impact on the bottom line. But I think we have been talking about that our endeavor is to maintain the margin in the range of 13% to 14%. I think we still stay with that. It may be, because of the lower revenue growth, it may be a lower side of that range, but we still our endeavor is to remain in that range.

Mihir Shah: Got it, sir. Sir, lastly, I wanted to check on 2 fronts. One is the differentiated portfolio. I believe it's up 10%. How should one think about the differentiated portfolio for the next 2 to 3 years? Will that go up by about 15%?

And you have also stepped up your staff cost materially since 1Q. So should one expect this to be a phenomenon for this year only, or do you think that it can continue for coming years as well?

Anuj Jain: Differentiated products, our -- we have our internal number which I don't want to speak about it. But obviously, we want to keep increasing that number over a period of quarters and year. Because as we keep doing that, it gives you more insulation in comparison to the competition. So we have been launching products. We'll continue to launch differentiated products, and this percentage will go up and up. So our targets are aggressive targets. So let's see how it goes. So that's on the, what was the second question.

Our course is basically to back up the initiative that we spoke about. And fortunately, because the top line growth is low, as and when the market growth picks up, I think that will get absorbed, because cost has gone up because we have given the support to our initiatives. So as the growth goes up, which definitely we believe that coming quarters will be better and then coming years also will be further better, I think that will get absorbed.

Moderator: The next question is from the line of Avi Mehta from Macquarie.

Avi Mehta: Sir, I just had one question. While I understand the near-term weakness that you had cited, but you've given the healthy growth in industrial segment, given our Paint+ initiatives, could you help us understand how should we look at sales growth and EBITDA margin as we go beyond this year? How do you see these initiatives panning out or aiding sales growth and EBITDA margins? That will be useful, sir.

Anuj Jain: So in terms of sales, we said that if we compare with the quarter 1, quarter 2, quarter 3, quarter 4, we are expecting a better growth. And gradually, it will pick up. And therefore, our belief is that when we enter the next year or next 2 years, the growth of the market will be back to in line with GDP or closer to the GDP growth. That is what we believe, because it's very, very difficult to assume that for such a long time the market growth can remain down.

Rural market is showing some kind of positive scenario in industrial, and I'm sure with this after good monsoons, it will show in the decorative also. In the urban, we believe that maybe like FMCG saying urban demand is low, but if you see in paints today, the project is doing well and project penetration in urban market is very, very high. So to that extent, I think even the urban market in the paint industry will hold the demand. So I think we feel positive that the demand will pick up, and if you'll see next year or next 2 years, demand will be back closer to the GDP growth.

And in terms of our bottom line, I think that 13% to 14% we maintain. That will definitely, based on these initiatives, that remain our range. And there we have factored the effect of any new competition also. And if the effect of new competition is less, it can become better. Otherwise, that whatever we have seen in the market, whatever is visible that we have factored, and therefore, that remains. That range remains intact.

Avi Mehta: Got it, sir. And sir, when you say -- I understand the industry growth will probably move towards closer to GDP growth. But how would you see it playing out for us? Would you expect us to continue growing ahead of the market? Or is that -- or I should kind of build in? So if it's -- if the industry is growing closer to GDP, it would be slightly ahead of that? Is that fair assessment?

Anuj Jain: Avi, that's our internal target always. And in fact, 2, 3 years back, I think in some of these segments, we were not doing that okay. Our growth was a little lower. And some initiatives we have taken. And today, we are seeing the results in the new businesses or on the project. And because we are under-indexed, I think some difference has been there because of late start.

But at the segment level, I think we have seen that continuously, gradually, we are getting the result. And even if we are able to continue this particular phase, I think it's a matter of time.

Clearly, gradually, because that will be sustainable and resilient, I think we should be able to cross market growth.

Moderator: The next question is from the line of Darshit Vora from Asit C. Mehta Investment Intermediates.

Darshit Vora: I have a couple of questions. Some part of that has already been answered. But with respect to premiumization trend, so what are your thoughts on the continuation of the trend? Is it going to be as it has been guided? Or do you see -- and what do you think about the product mix that is going to change with respect to more premium segment products doing well and that entering into the volumes numbers?

Anuj Jain: Okay. So premiumization, I think last few quarters we have been seeing that the salience is going up. And I think that trend will continue. And the premium -- when the premium salience goes up, there are 2 things. One, the sale of premium itself is going up. Second, I think in the economy segment, the sale is a little muted.

There may be a possibility that when the rural market pick up, I know the economy segment or popular segment also start doing well. And if that sale pick up, I think it is overall good. So I think from the sales point of view, premium trend will continue. From the salience point of view, the economic category picks up. So at least the saliency could be maintained. So that's my answer to that.

Darshit Vora: Okay. And with respect to the gross profit margins, where do you, when do you see them returning to the previous higher levels?

Anuj Jain: Previous high levels in the sense that, as I said that for the EBITDA margins, what we are looking at is between in the range of 13% to 14%. And the gross margin, as I said that in our case, quarter-on-quarter basis, because of the business mix, the revenue mix keeps on changing. But at the segment level, if you see, ultimately the right indicator is at the year-end.

So I think keeping in mind that what investment we are doing in capability building, marketing and all those things, so I think that's how we look at it. And mostly because that your gross margin could go up but then there are investments which are planned, what's more important is that how EBITDA margins we are looking at in the current situation, maintaining in the range of 13%, 14% is how we look at it.

Moderator: The next question is from the line of Dhiraj Mistry from Antique Stock Broking.

Dhiraj Mistry: So I just have one question. So as you highlighted, post Dussehra until October end, there was a good demand for decorative paint. So I just wanted to know the region-wise demand, if you can throw some light on that?

And also like some of the consumer companies have been highlighting that, and even in your presentation, there is some moderation in urban market. And can you give some color in terms of rural demand versus urban demand and whether that has changed compared to previous quarter in this quarter?

Anuj Jain: Regional level, if we talk about the previous quarters, I think East and North, where you can say a little better. And towards the last quarter, I think the West picked up. When I said October, what I said is Dussehra to Diwali, because this time, Diwali was on 31st October. Last year, it was on 12th of November, and extended monsoon.

So actually pre-Diwali period, the number of days available were very less. So within that less period, the demand I'm talking about. Otherwise, for the entire month, because the period was short, so even October is – you cannot say it's very good, but it's better than the earlier months.

But I think the demand what we have seen between Dussehra to Diwali and also because there are a lot of marriages -- marriage season during November, December, that give us a feeling that the demand would be good. The second part you said is...?

Management: Urban market.

Anuj Jain: Urban market, rural market. In our industrial, it is visible. We are definitely seeing uptick in the demand of 2-wheeler from the rural. And that's how -- to some extent, the 2-wheeler demand has gone down in the urban market, but it has gone up in rural market, and that is how the demand is holding.

In the decorative as of now, we have not seen much change. Maybe slight incremental change in rural, but as of now our data does not indicate much change in rural and urban. I think next quarter would be a better period after the monsoon, how it pans out. So I think we'll have more clarity on the next quarter on that.

Moderator: The next question is from the line of Mr. Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: So sir, two questions from my side. First, how do you -- from your long experience in the industry, probably what should the industry do right now to revive the growth? Is it the more discounting required? Or is it more brand building efforts will be required at spend, etc. or more -- where push will be required? So essentially, what should the industry do to get out of this lull period?

And again, at least we have not seen any such prolonged slowdown period in the paint industry. So probably what should be the guidance in terms of, let's say, at the industry level in FY '26 for in a way revival in the industry? That is question number one.

And then second question is one of the MNC paint players is now almost on the block. So what will be Kansai's strategy in that case? I mean, again, going for industrial paint -- or industrial coatings business of that MNC company will significantly spend and concise on industrial portfolio also. So what are the thoughts on -- in this regard? Yes, these are the 2 questions.

Anuj Jain: Very different question you've asked. I think what industry should do, industry should keep patience at this moment of time, because our industry has demonstrated for many years the equilibrium, the resilience I think market demand will go up automatically because this is something related to a macro factor. And it's not industry-specific where industry can take any action, and the market discount or those kind of things can only disturb themargins.

So I think at this moment , one should accept it that, yes, the market demand is down and a few percentage here or there for a shorter period of time doesn't make difference. I think we should wait and we should believe in India's story, that it's just a matter of time when the market demand will pick up. Until that time, we should keep patient, and therefore should be able to maintain equilibrium. So that's my answer to your first question.

Second question, I have already said maybe it's too early for us to comment upon it. As of now, that we are navigating our own actions and seeing that -- how do we keep accelerating the execution of those particular things, our strategy in industrial, which we already spoke about because we have a technology available. We are working on the approval. So we want to continue on that. These are some of the changes which are going to happen in the market, but I think it's a little early for us to comment on that particular part.

Moderator: The next question is from the line of Viraj from Jupiter Financial.

Viraj: My question is, with so much -- so many initiatives, is it fair to think we'll be growing in high -- I mean, high single digits from here on, which you talked about early? And the second question is, you mentioned EBITDA of 13%, right? That's my -- yes, that's it from my side.

Anuj Jain: So initiative, if you recall, if you heard our earlier presentation, yes, and we had a situation where there was a gap from the market and therefore these initiatives help us in terms of narrowing the gap. And today, at the segment level, in some segments, we are growing better. Some segments, we are closer. Some segment we may still be lower. I think the first step was that we narrowed the gap.

And also because today the business is not that simple. Peers that used to be paint, now paint -- within the paint, there are too many things are there. So sometimes the -- always a direct comparison with the one company the other company also is not right. What is important for us is that, segment by segment, what initiatives we are taking and what traction we are seeing. And as of now, we are seeing positive traction.

And obviously, as a company, it is always our endeavor to see that we keep doing better, but better on the back of the initiatives. And because our initiatives are showing us the progress trend, a positive traction, so we would like to keep being patient and keep working on these initiatives so that we are able to get better growth across the market growth based on the initiatives.

Viraj: Any number would you like to put on to that, sir?

Anuj Jain: No.

Moderator: The next question is from the line of Archana Menon from Morgan Stanley.

Archana Menon Sir, two quick questions. First, if you could help break down the 1% top line growth this quarter across segments. And in terms of both volume and value, what would your decorative growth be like relative to the industry this quarter?

Anuj Jain: Overall volume growth is around 4%. Decorative would be slightly lower. And industrial value growth also is positive. Decorative, slightly negative.

Archana Menon Okay. So do you think that your decorative value growth would be at par with the industry this time?

Anuj Jain: Yes, it should be very close to that. As I said that we look at the segment-by-segment level, and therefore certain segments which are growing faster today, new business and project business, where -- though we are doing better than the market, but our salience is lower, under indexed. So sometimes 1% or 2% difference you see because of that particular reason. But the segment level will be very close to the market.

Moderator: The next question is from the line of Yash Goenka from Arka Capital Advisor, LLP.

Yash Goenka: My question had been answered.

Moderator: The next question is from the line of Mihir Shah from Nomura.

Mihir Shah: Is it possible to share your saliency -- sales saliency across North, South, East, West in deco? And which markets are you seeing an overlap with the new entrants?

Anuj Jain: Salience, I have not talked about the numbers, but our saliency is very high in North, followed by East, followed by West and followed by South. South, we are a weaker player.

And overlap, I think, because the new players are also -- ultimately, they are like all India entrants. So overlap would be there in all the markets.

Mihir Shah: Okay. Understood. Any dealer feedback that you can share in any of the markets that you're hearing, what is happening out there in each of the geographies? Or is the same thing across geographies?

Anuj Jain: Mihir, not much, because typically trade in fact, obviously, there is some kind of more energy, excitement because a lot of talks happening. The number of players are increasing. As of now, I think more than the new entrants, the market demand because it has been low and therefore a lot of actions are happening from the existing companies also. So the discussions are around that.

The new entrant, I think is fine because in 6 months, 9 months, and now people have seen that what kind of distribution is coming. Obviously, the products are getting into the market, which is, I think -- if you look at 25 years back, there used to be 7, 8 players in the industry, and then maybe after a few years, some players exited.

We are going back to the same stage where the number of players will increase. And to that extent, market will reset. Even if you see last 10 years, some new players have entered, maybe they have taken the approach which was more gradual. And in the gradual approach also, in those states, you can see some kind of resetting which has happened.

So I think here, the only thing is that the new entrant is more aggressive when they want to go with the speed. So over a period of time, I think it just gets reset. And I would say that the market feedback is in the same manner what it used to be earlier. Like if you're going to the market, there are 4 people or 5 people, generally people talk about then the competitive scenario, what is happening. So the number of players have increased, but it still remain the same.

Mihir Shah: Understood. Because when the product launch happened, the pricing was not materially different. In fact, we understood that certain geographies, the 10% additional volumes are also kind of taken back, while in certain other geographies, they continued. Also secondly, is not much of disruption was seen in the dealer margins. Lastly, one was expecting that during the festival there was a new ad campaign from their side. One was expecting some more firework on -- in the festive season, but that was also not witnessed. .

Anuj Jain: Had it been so simple, anyone could have done it. Had it been so simple, because the band, that firework or -- that cannot happen overnight. This is what we've been talking about with respect to the entry of any new payer in this industry, the more the merrier. It is good for the industry. And we definitely respect the players, the quality of players who are entering, and I'm sure that they will put a good marketing effort, which will be good for the entire industry.

And industry should accept it that over a period of time, some amount will get reset, but that's okay. And I think what is important is that today players are having a different kind of market share, maybe at some stage it will get reset and everybody grows at the right rate, grows at the right rate in terms of top line and bottom line. That is how we should look at it. It doesn't happen overnight. Nothing happen overnight.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Anuj Jain: Okay. Thanks, everyone, for your questions. As usual, the questions are always good insights for us. And I think we'll continue to work the way what we have been sharing. And looking ahead, I think we are definitely encouraged by the actions we have taken and we are implementing. We would like to accelerate some of the actions where we are seeing a better results coming. And these initiatives, we believe, position us well to achieve better outcome, and we are actively tracking to regain momentum.

I want to assure you of the team commitment, our commitment to creating long-term value. And our team is focused on executing this strategy and overcoming near-term obstacles. And we appreciate your patience and confidence. Thank you, all, everyone, greetings again. Happy New Year to you, to your family, to your friends. Thanks so much.

Moderator: Thank you so much, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.