**Asian Paints Limited**
Asian Paints House
6A, Shantinagar
Santacruz (E)
Mumbai 400 055
T : (022) 6218 1000
F : (022) 6218 1111
www.asianpaints.com

APL/SEC/32/2023-24/17

17th May, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Fort, Mumbai – 400 001
Scrip Code: 500820

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
Block G, Bandra - Kurla Complex,
Bandra (East), Mumbai – 400 051
Symbol: ASIANPAINT

Sir/Madam,

**Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Investor Conference**

Please find enclosed the transcript of the Investor Conference held on 11th May, 2023, with regard to the financial results of the Company for the quarter and financial year ended 31st March, 2023.

The transcript has also been uploaded on the Company's website and can be accessed through the following link:

Investor Conference - Transcript

This is for your information and record.

Thanking you,

Yours truly,

For **ASIAN PAINTS LIMITED**

JEYAMURUGAN RAMALINGAM JEYAPANDIYAN
Digitally signed by JEYAMURUGAN RAMALINGAM JEYAPANDIYAN
Date: 2023.05.17 19:24:06 +05'30'

**R J JEYAMURUGAN**
**CFO & COMPANY SECRETARY**

*Encl.: As above*

# ASIAN PAINTS Q4 FY2023 Earnings Conference

## Venue:

Hotel Trident, Bandra Kurla Complex, Mumbai

## Date:

May 11, 2023

**Management:**

*Mr. Amit Syngle : MD & CEO*

*Mr. R.J. Jeyamurugan: CFO & Company Secretary*

*Mr. Parag Rane : Associate Vice President – Finance*

*Ms. Sunila Martis : Head – Investor Relations*

*Mr. Arun Nair : Manager - Corporate Communications*

**Ms. Sunila Martis:**

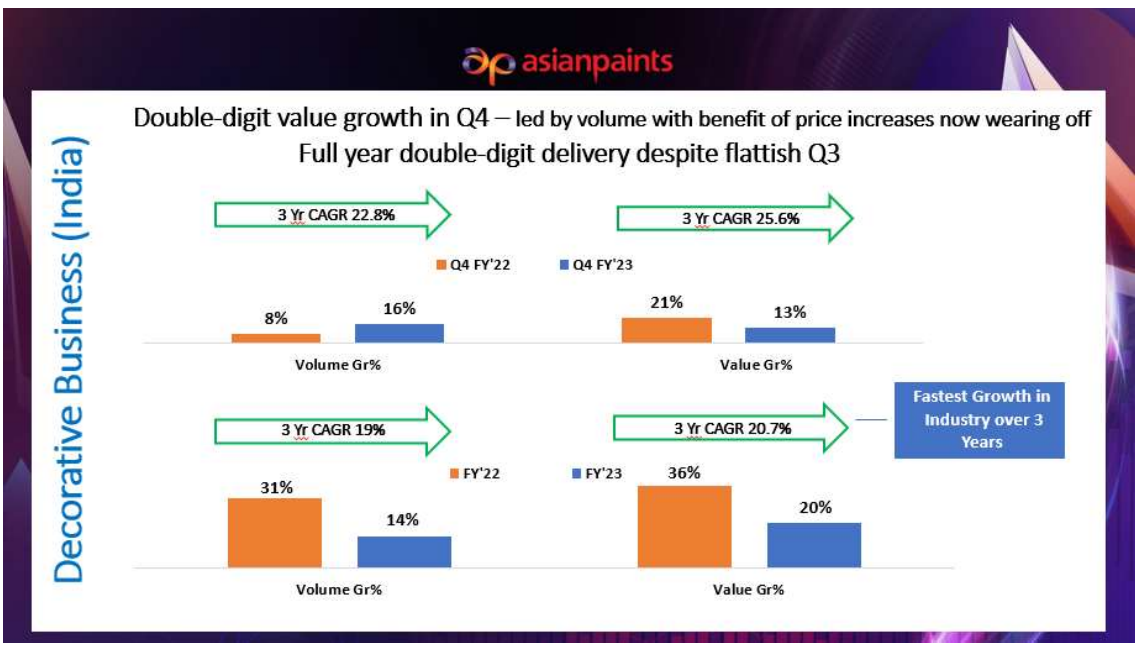
Good evening, all of you, and thanks for joining us to discuss Asian Paints Q4 & FY23 earnings. I am Sunila Martis, from the Investor Relations team. Together with my colleague, Arun, we are happy to welcome all of you here.

We have on the dais with us today, our MD & CEO, Mr. Amit Syngle. We also have with us, Mr. R. J. Jeyamurugan, our CFO and Company Secretary, and we have with us Mr. Parag Rane, Associate Vice President - Finance. I would now like to invite Amit for his opening comments.

**Mr. Amit Syngle:**

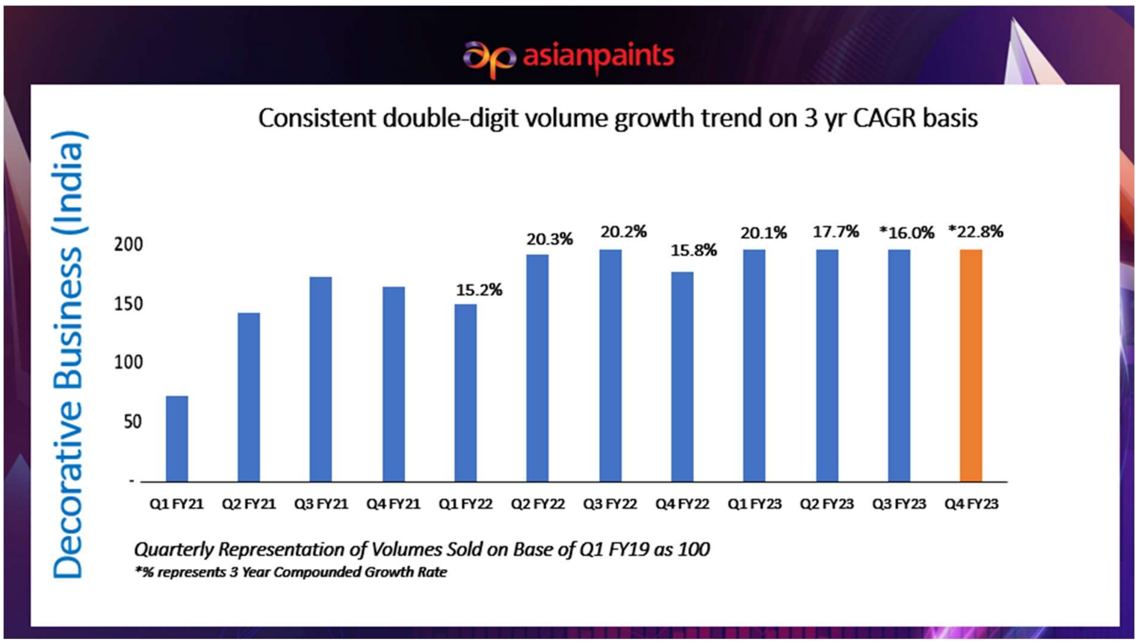
Good evening to everyone. It's a pleasure to meet you after a long time physically, one on one, and we are all here to look at the Q4 and FY2023 results. Just want to take you through a small presentation.


As you are all aware, this is something which is the core value in terms of what we look at. 'Delivering joy since 1942'. We have completed more than 80 years now in terms of looking at Beautifying, Preserving, and Transforming all spaces and objects and bringing happiness to the world. And this is something which is the core in terms of what we really believe as we go forward.

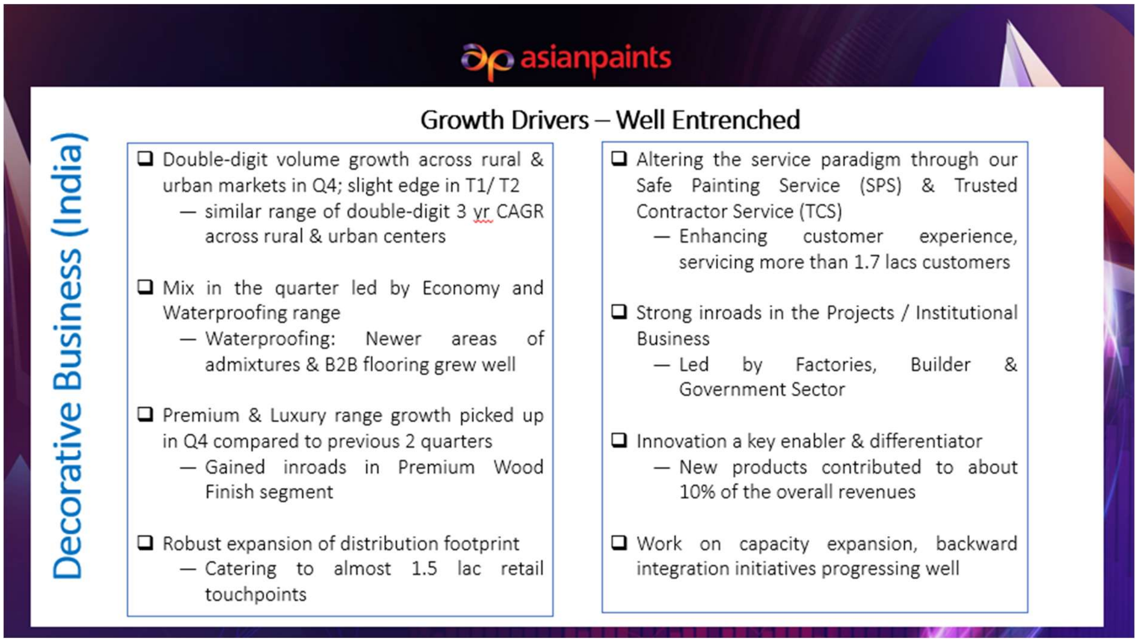




So, when we look at the overall results, I think it's been a strong performance which has come in Q4 and also in the entire FY2023. As we look at overall numbers, we had strong double-digit volume growth of about 16% in the quarter, and overall value is closer to about 13% in terms of what we delivered. So strong double-digit numbers coming in there.

This translates to the entire year, FY2023, when we look a strong number of about 14% in terms of volume. And this is despite the fact that Q3 was a bit flat in terms of what we saw and a very, very strong value number of about 20%, which comes in. While it has some component of price increases which were taken overall, but a strong performance coming in terms of the overall area of product mix. What is heartening here is both Q4 and FY23, if, you look at the CAGR numbers, they are very, very healthy in terms of what you see. CAGR numbers both on volume and value are strong healthy numbers. And I think this just shows the fact that the organization has been focusing very clearly, in terms of not only the value growths but the volume growths over a 3-year period, which have been very, very strong in terms of how they have come in.




This is another chart which reflects the same thing in terms of looking at the volume growth over three years on a CAGR basis. And if you look at the trajectory, again, very strong double-digit numbers coming from us and this is very clearly focusing on the fact that the whole area of growth, which is led by volumes in a strong manner, comes in there and this translates obviously to strong value growths as well over a three-year period. And this is quite a consistent performance. If you are able to see the numbers that way, the performance becomes quite consistent in terms of the way we have been growing over a period of time.




Some of the areas in terms of what have been typically the growth drivers as we kind of see it. In Q4, we looked at both T1, T2 cities and the T3, T4 cities growing almost at the same pace, which is really heartening because what you look at in the environment and when you look at the FMCGs largely, you know, the smaller cities not doing so well over the last 2-3 quarters. But for us, I think the smaller cities also, which is a very, very strong source of our growth, has done quite well over a period of time and there are clearly double-digit CAGR numbers which are coming across both rural and urban centres.

When we look at the mix in the quarter, again, the mix is quite good. Largely, we have grown at double-digit numbers, both with respect to the economy, premium and the luxury set of products. So overall, the double-digit kind of story continues with respect to the product mix. Obviously, some categories have grown even faster in a double-digit mode. So, when we look at some of the upgradation emulsions, when we look at waterproofing, look at some segments of flooring, admixtures, they have really gone very well for us and have outstripped even the kind of double-digit growth which has been across that category.

As I said, the premium and luxury products have been also growing quite well. And today we have really gained inroads in the premium luxury segment of wood finishes in a very strong manner. And that is something which is a strong footprint which has come in across our sales this quarter.

From a point of view of our expansion, the distribution keeps on expanding at a very, very strong pace. And overall, we are speaking of our distribution expansion to about almost 1.5 lakh retail points which are there, which is literally comparable to any FMCG kind of representation which takes place across the network. And we are very clear that this is something which is a strategy which continues so that we are making the product available to more and more customers easily across various clusters in various cities.

One of the other big differentiators which we see ourselves from the competition is the whole servicing footprint. We have something which is called the 'Safe Printing Service' and a related service which is called the 'Trusted Contractor Service'. And these two services put together have been doing exceedingly well. We are touching about 1.7 lakh customers throughout the country with more than 600 towns enabling this service across. We feel this is globally the world's largest service footprint, any coatings company has. So, it's decidedly a very, very big kind of a differentiator in terms of what we see. And you must remember that it is very difficult to kind of really match the servicing footprint of the company, for any competition to kind of come in to take it, and this kind of really gets us in the homes of the customers in a very, very strong manner.

When we look at Projects / Institution, as it is the B2B business, this again, has been growing at a very, very strong pace. And we find ourselves not only growing in the builder and the co-operative housing sector, which is there, but very strongly in two sectors where we're focused, which is the factories and the government sector. The government sector has been really exponentially growing for us, because of the government spending on infrastructure which is taking place. Our entire waterproofing range, which consists of membranes and admixtures and some of the other waterproofing kind of products which come in, which are in the repair range, have really kind of straddled very strongly in this sector, giving us really unprecedented growths in terms of what we have seen over the last three years and these growths really continue to kind of give us a very, very strong footprint. So much so that now, Asian Paints is the number one player in terms of waterproofing as far as we look at from a retail point of view, in a very strong manner.

Overall, we see that innovation has been a very, very strong footprint in terms of how the company has been driving the sales. Over the last seven years, we have launched about 250 new products in the market. And these are not products which are just variants which are coming. These are products which are really getting in a new customer proposition, which is very clear and today strongly going ahead. We have applied for almost 106 patents over some of these products which we are launching in the market. So, a very, very strong innovation pillar which is invoked. And today these products kind of contribute to more than 10% to the total revenue, which is a very healthy figure in terms of what we see and just showcases the innovation potential, in terms of what we are harnessing as we are going ahead.

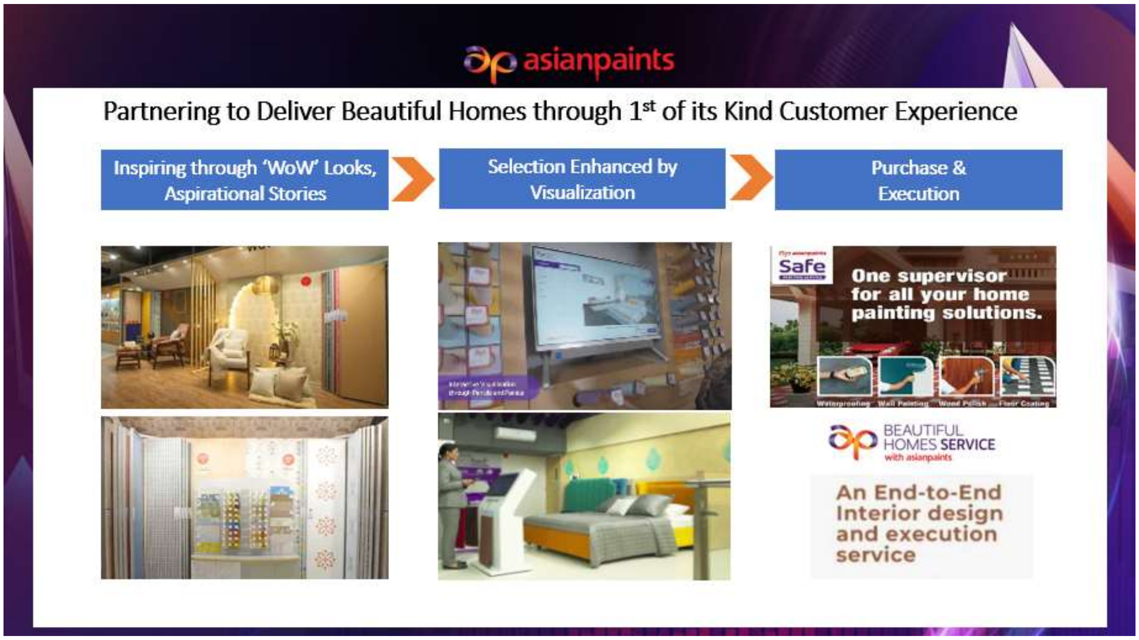
In addition, all of you are aware and we have been making you aware of the strong work happening in respect of capacity expansion, in terms of what we have taken. We have already committed very, very strong Capex, some brownfield, some new projects and also to backward integration projects which we have announced with respect to cement or our VAM VAE emulsion facilities which have been announced.

So, I think in all the very, very strong indicators which give the health of the organization in terms of the way we are proceeding and looking at going ahead.

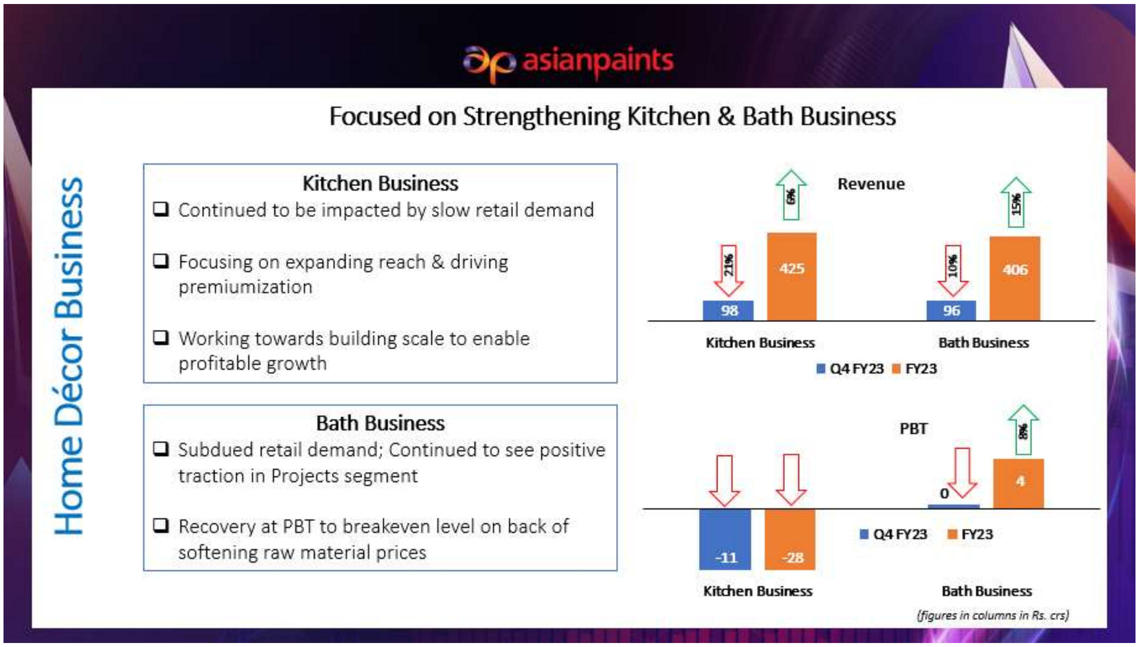

In addition, we continue to kind of really be the voice of the industry with respect to our color and material trends which we introduce. We reach out to more than 7,500 architectural firms across the country, and we talk of this preposition, which is very, very strong with respect to what are the kind of trends which we see are coming. And these trends are based on socio economic movements which are happening, which reflect on lifestyle trends and therefore the whole area of décor and color trends strongly. We have introduced this year, almost four stories which are strong in trends and the color of the year is called 'Silver Escapade', in terms of our launch, which is there.


We also have lots of campaigns as part of our marketing initiatives, in terms of what we launch and the bottom of the pyramid is a strong area in terms of where we keep on working, in terms of really converting the customer from the unorganized to branded smart emulsions in a very strong manner. And some campaigns like this, you would have been able to see which are very, very strong, which are coming. But not only this, our campaigns with respect to our LUX categories, which are Royale Glitz, and some of the other premium products which we launched have also done very, very well in terms of what we have been kind of taking in. Today, we can easily say that the share of voice in media is something which outstrips the competition and therefore we don't shy away from really spending good amount of money from an advertising mix point of view. And even in Q4, you would see that our spends in advertising, marketing has been much higher in terms of looking at really propelling the business as we kind of go ahead.

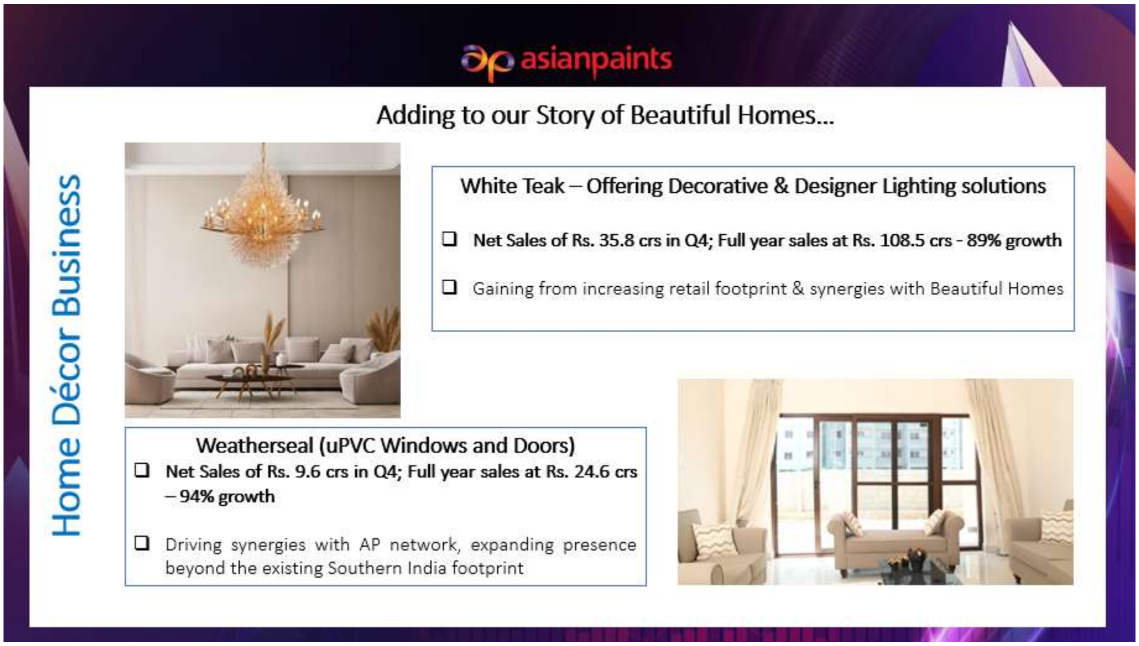

Our forte into Home Décor is something which is doing extremely well. And today we operate in so many categories apart from Bath, Kitchen. We have introduced the whole area of doors, windows, furnishing and furniture and so many other categories, rugs and so and so forth, which have come so that we have become almost, you know, an integrated player in terms of Home Décor offerings. We have now literally by April end, about 50 stores operational across the country. And this is something, which is a very, very strong initiative which is kind of coming and today this business is about 4 - 4.5% of our total business. And we have already announced that by March of FY26, we will look at this Home Décor business contributing to about 8 - 10% of our total architectural business going forward. So, this is a substantial kind of investment and strong focus with respect to Home Décor because this literally complements the painting category in a very strong manner, because it is all about the same home where you are selling and entering from a point of view of the décor life cycle of the customer in a strong manner.




We've also kind of looked at partnering the customer in terms of making a beautiful home for the customer in a strong manner and we have an end to end design and execution service, which is called the 'Beautiful Homes Service'. Now, this service is a first of a kind experience coupled with digital visualizations and professional execution, which kind of comes in and in its own way, it is something which is doing extremely well. We are today, very strongly focusing on this service. This service is now the number 3 service at an India level in terms what we look at as an end-to-end kind of service. In the paint sector, you don't have any other company which offers this kind of service and this is another differentiator over the 'Safe Painting Service', which I had highlighted earlier.

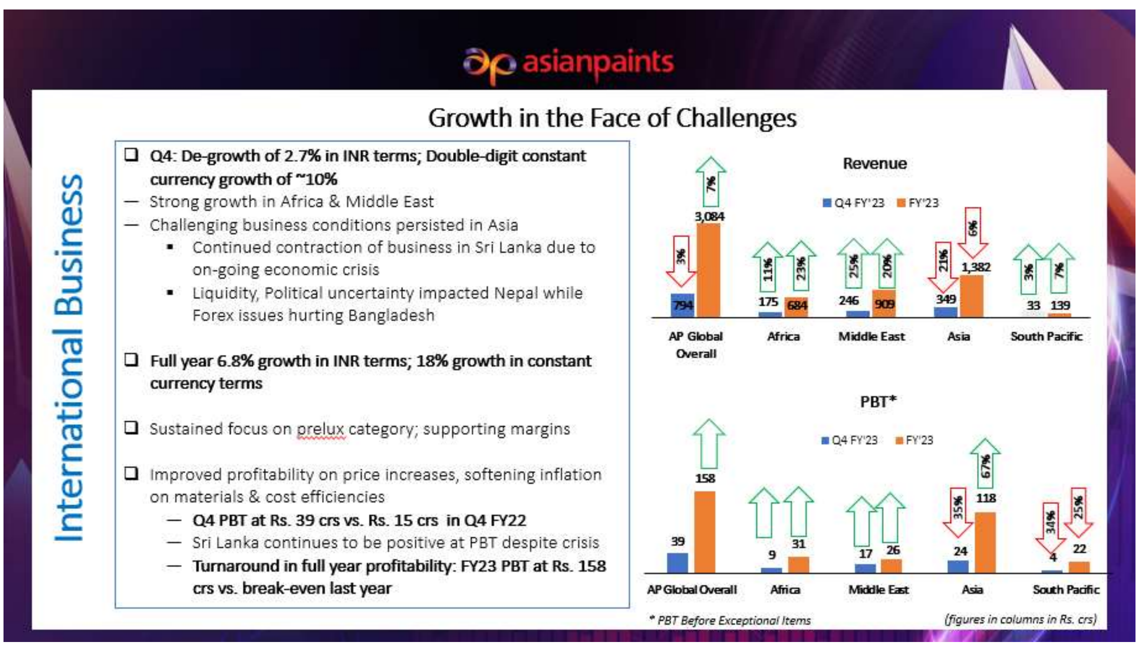



As one part of it, Kitchen and Bath is a strong business today. This is about Rs. 800 crores overall as a business in terms of Kitchen plus Bath. Q4 has not been very, very strong with respect to the Kitchen and Bath performance because of the sluggish market demand overall in terms of what we saw in the category. However, when we look at the year, Bath has done relatively well at about 15% growth and also registered a small profit in terms of what has come in, looking at the bottom-line. As far as Kitchen is concerned, the kitchen market is consisting of two things. One is a modular kitchen, which has done extremely well for us, and other is a components and hardware business, which has not done too well, and that has contributed to possibly a negative kind of de-growth happening in terms of the Q4. Also, at a yearly level, the Kitchen business because of the components, has not done well and also registered a small loss. But we are very confident that this is something which we should be able to overcome as we go ahead because the whole demand for this category seems to be definitely on and this is something which we are focusing very, very strongly.



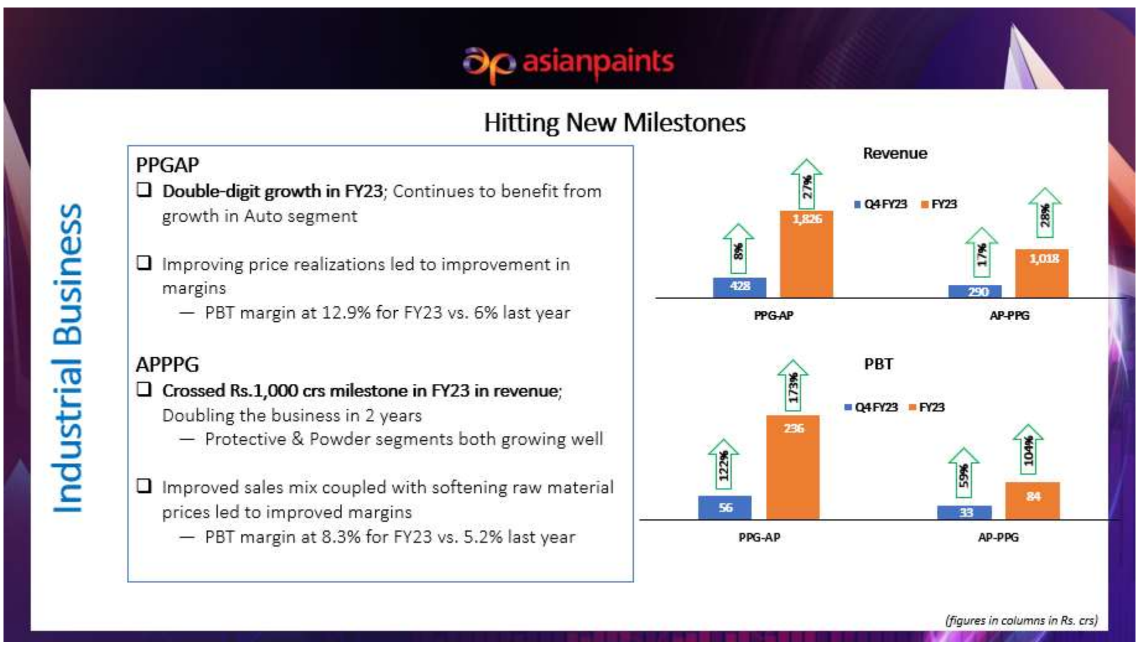

If you remember, we acquired two companies, one was White Teak, which was in the decorative lighting business and the other was Weatherseal, which was into uPVC doors and windows. Both the businesses this year have really taken off very, very strongly. Q4 has done very well in both categories. At a yearly level, we have literally kind of doubled the numbers to Rs. 109 crores in lighting with a very strong profitability coming there and also, in terms of the uPVC doors and windows, where we have taken that category almost from about Rs. 12 crores to about Rs. 25 crores. And therefore, both categories seem to be doing very well. In lighting, we are now the Number 1 player in terms of the decorative lighting as it has panned out for us. And therefore, these two categories are doing extremely well in Home Décor.


Coming quickly to the overall international business, this is the footprint in terms of what you see, where we are represented all across in terms of how we have been functioning over the years.




And today, when we look at the global environment, there have been, as you are aware, some challenges which are there in Lanka. We also have a lot of challenges with respect to devaluation of currency, which is happening in areas like Egypt, Bangladesh, Lanka and so on, so forth. So, if I look at basically Q4, what has stood out is performances in Middle East and

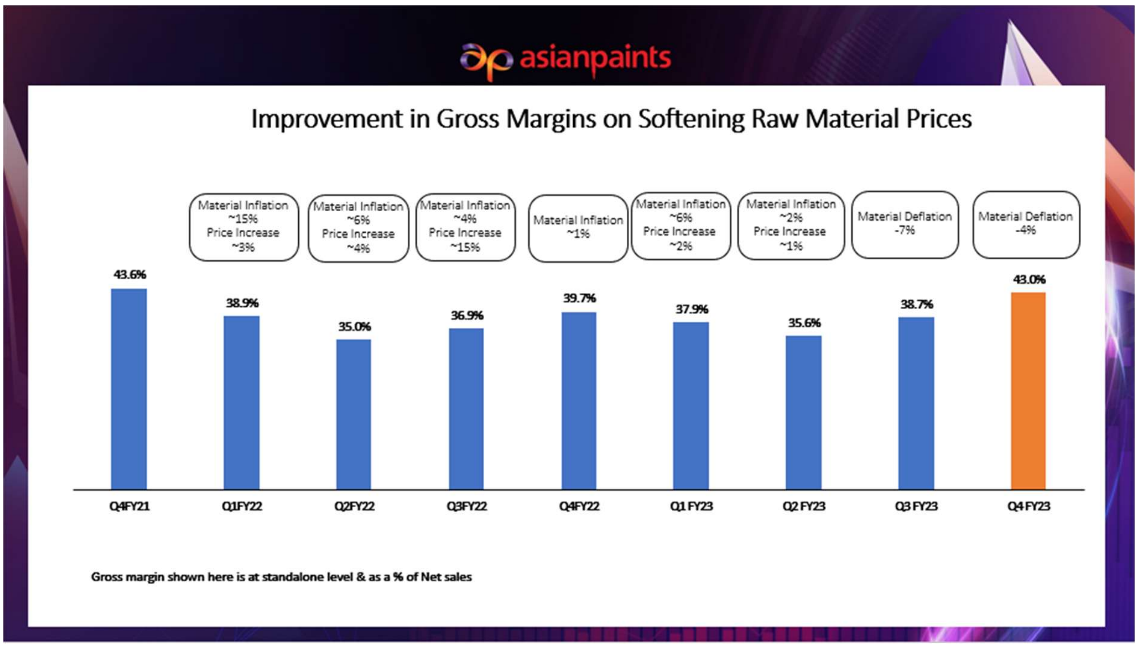
Africa, where the markets have done well. And Asia has been a little bit down because of Lanka and secondly, Nepal because of the political environment has not been doing too well in terms of what we see. Overall, while it shows a de-growth in the global business, but if you look at constant currency terms, the growth is about 9 - 10%. It's only because of the devaluation of the currency that you see a de-growth which is there of 3%. Overall, it has done quite well from on constant currency terms. The profitability has been the highlight in global. If you look from an overall yearly perspective, the profits have been very, very strong in terms of almost registering profits of about Rs. 158 crores. And therefore, we see that this is something which is strong in terms of the way we have bounced back in terms of the overall global environment this year, how it has panned out. So that's the global business for you.



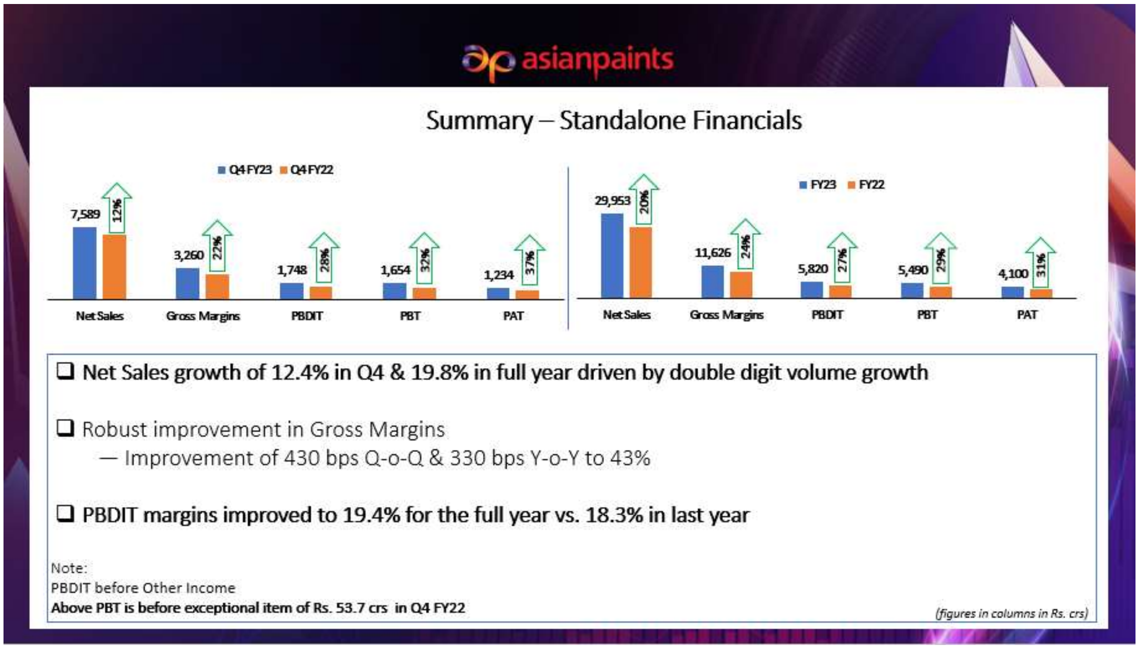

Coming to the Industrial Business, this has been really a strong kind of performance in terms of what we see of both the businesses. One is what we call the Auto OE business, which is a PPGAP business, and the other is basically the General Industrial business, which is APPPG business. So, if you look at from a revenues point of view, Q4 has done quite well in terms of both the businesses. But the highlight has been the yearly performance which you look at is in double-digit growth in terms of almost 27% growth, which are there in terms of the top line.

So, both businesses have done very well. And so also in the area of PBT. If you see, the PBT margins have been very, very strong in terms of the growths which have come in.

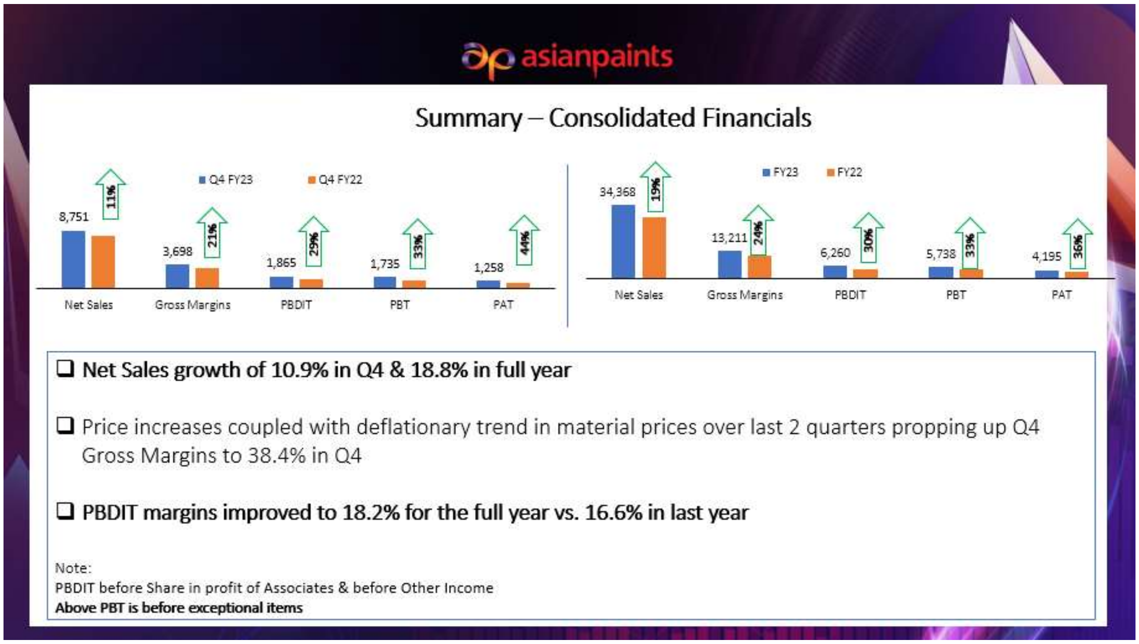
So Industrial Business is a highlight. In APPPG, we have crossed Rs. 1,000 crores for the first time and the business has doubled in about three years. So, it's been a very, very strong performance in terms of overall Industrial Business, in terms of how we have performed this year, both from top line and bottom line. This is really a category which has done extremely well.




If you look at gross margins, the gross margins have been going up steadily thanks to basically the fact that there has been a softening of the prices and there has been a little bit of deflation in terms of looking at prices across coming down and material costs are a very, very strong component of our business. So, when you look at possibly the gross margins in Q4, we are at about 43%, which is one of the highest gross margins in terms of what we are registering. And this is a very strong movement which you are seeing. And I think there was a worry amongst a lot of you in terms of saying where are the margins going and I think it is clearly dependent on inflation which we saw in the past. A very, very strong recovery with respect to gross margins in Q4 is something which you see is clearly reflected here. And what we saw in this Q4 was about a 4% kind of a deflation, which was seen in this quarter overall.

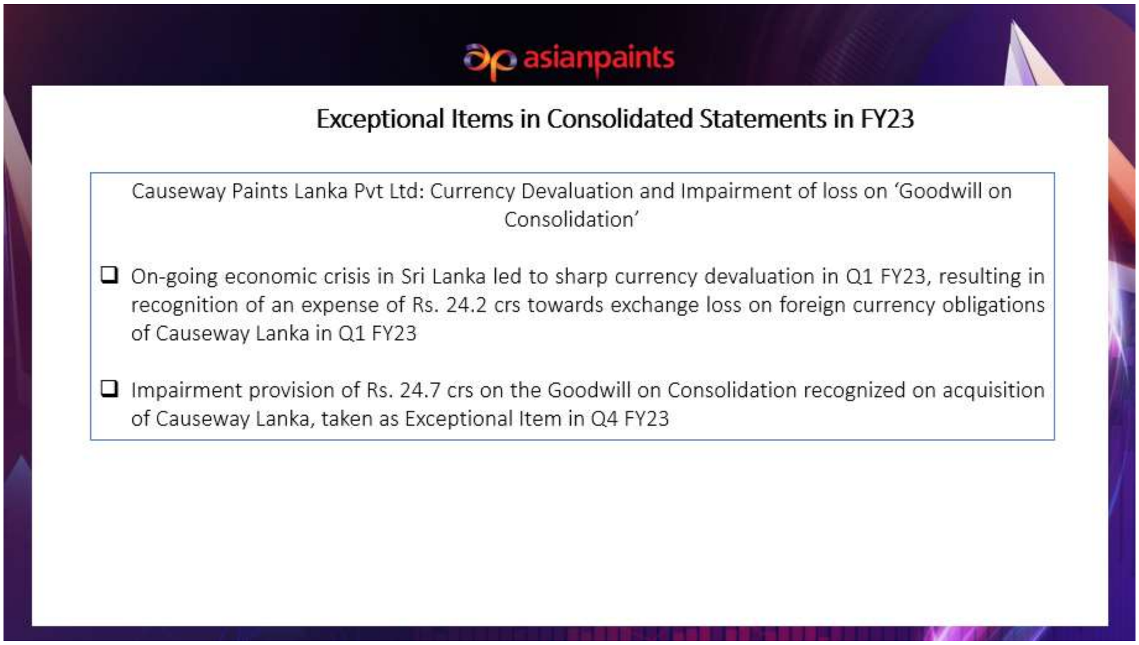



Coming to the standalone results, as I said, for Q4, the numbers are very clear where the value growth is about 12%, the volume growth is about 16% overall. The PBDIT numbers and the PBT numbers are very, very strong. Both quarter on quarter and year on year, the margins have substantially improved overall. The PAT growths are pretty healthy in Q4 about 37% on a standalone business, in terms of what we see. On a yearly level, again if you look at it overall, a 20% kind of a top line revenue growth which comes in with a 14% volume growth and PBDIT margins have gone up. PBT margins have also gone up from a point of view of a yearly perspective. And the PAT growth is about 31% overall. So, strong numbers for both Q4 as well as for the entire year. And that is something which is really quite positive for the overall business as we see it.




When we look at the consolidated numbers, obviously the consolidated numbers get dominated by the standalone numbers. We see that at consolidated level again, the overall top line number for Q4 is about 11% compared to a 13% of a standalone. But I think again, the good point is that the PBDIT margins have gone up in Q4 and the PAT is a very healthy 44% kind of increase, aided to some extent by the global profitability, which has come in in Q4 as well as in the year.

When we look at on a yearly basis, again, the top line numbers are very healthy to about 19%. So just about a percentage down from the standalone numbers of 20% in terms of what you saw. But again, I think the PBDIT and the PBT margins have grown on, as we compare with year on year basis. And the PAT is again a very healthy 36% in terms of what you see overall coming in. So, I think both set of numbers are pretty healthy in terms of what we see, and I think the heartening part is that the overall margins now are in the range of what we have been talking about in terms of where we wanted to be as we go ahead. So, I think that is something which is very, very strong in terms of how it has all come in.




There are some Exceptional Items in terms of the overall list, and this is something which we wanted to highlight. The expenses which are kind of really coming because of the ongoing problem in Sri Lanka, in terms of the economic crisis and there is something which we have taken an Impairment loss. The numbers are not too big, but that is something which we have taken. These are the two numbers which have come as an Exception which we thought we'll just highlight for you.

So, in summary, we look at some of the highlights. It is very clear that we have now touched Rs. 30,000 crore mark in terms of Net Sales at standalone level, which is a very, very strong number and this is 3 times the nearest competitor in India. So that generally shows the size which is there. And I must remind you that today the overall market size of paints is closer to about Rs. 70,000 - 75,000 crores, out of which, this becomes a substantial segment in terms of what we are operating in.

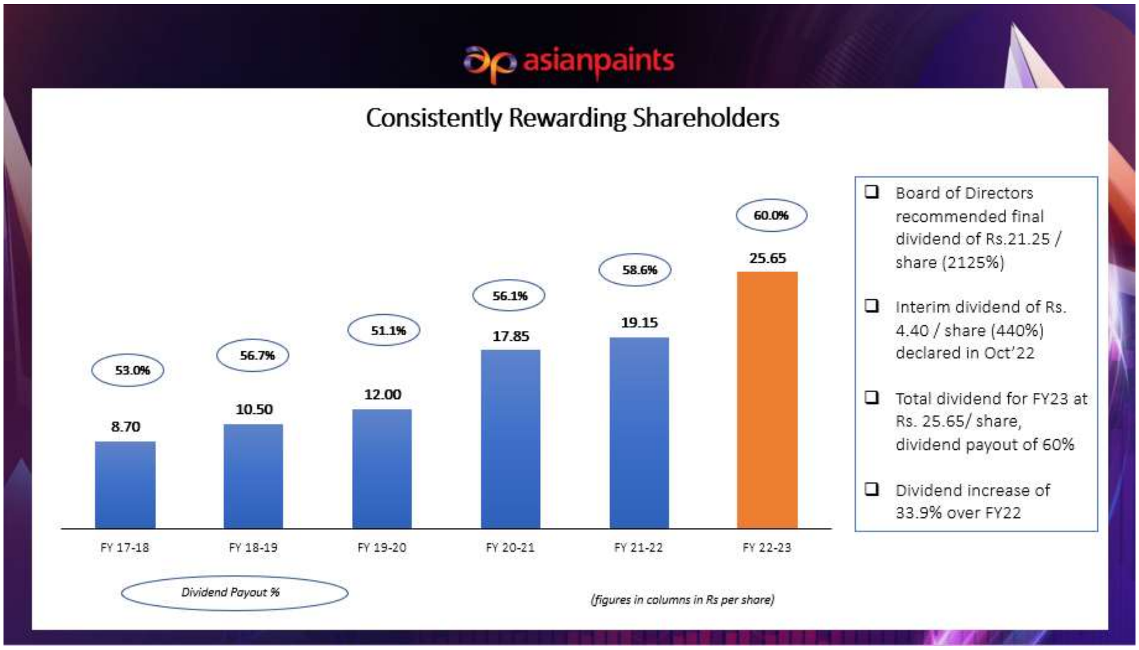
We are seeing double-digit volume and value growth for decor business for the year, and that is something which is very strong because you can easily see that the base numbers are not small numbers. The base is very, very strong numbers, which are coming in there. And to grow on that with double-digits is no mean task in terms of what we have kind of taken on.

Overall, committed to the Home Décor revenue, we have said that 8 - 10% will take a very clear focus on this category. As I said, this business complements the existing coatings business in a very, very strong manner.

The non-auto industrial business, which is a General Industrial business for Protective coatings is something which has crossed a landmark Rs. 1,000 crores. It has doubled the business in three years with very strong profitability also rising, which is a very good and positive sign in terms of showing the ingress of Asian Paints, not only from an architectural point of view, but also from an industrial point of view in a strong manner.

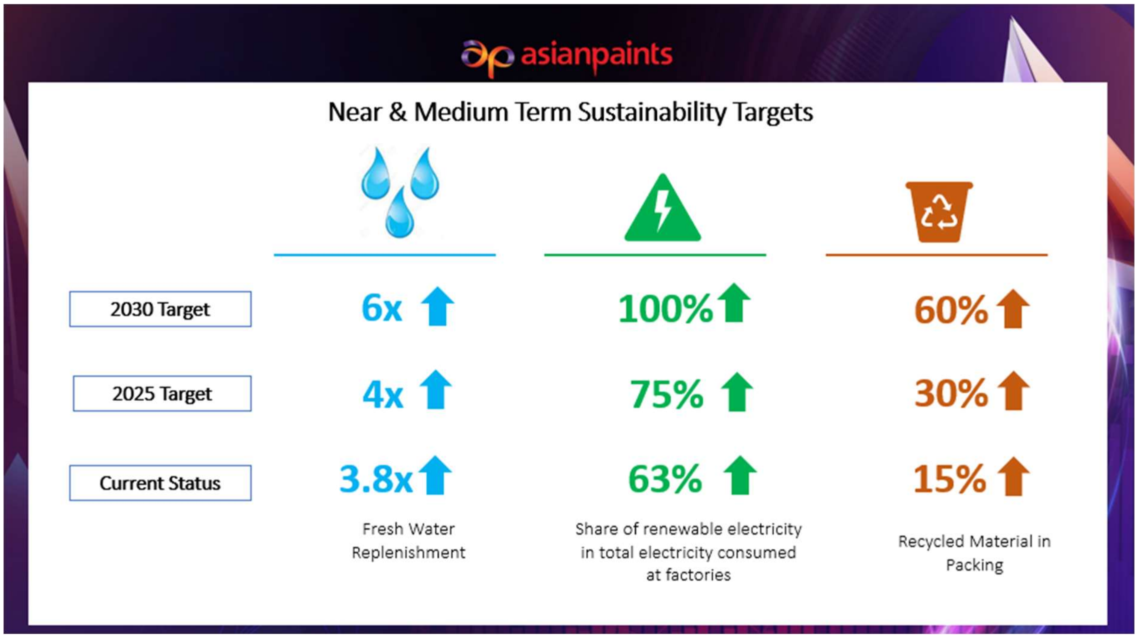
In global, as I said, while the numbers were looking weak, but if you look at it from constant currency terms, we still have a double-digit growth which we have been able to take. And this is because of the fact that there are devaluations of the currency happening in Egypt, Bangladesh and Sri Lanka, as you are aware of. But I think, the overall growth trajectory on constant currency terms is pretty strong in terms of what we see.

And the other thing which is there is that, one definitely there has been some softening of prices. But as an organization, we focus on operational efficiencies very, very strongly and also look at formulation and sourcing efficiencies, which is a large component, which we try to bring a strong efficiency in our overall input costs. And that has also contributed to our margin increase, which is both quarter on quarter as well as what we see from a point of view of on a year on year basis. So, these are strong signals which are possibly coming in terms of giving a hint in terms of what lies ahead.




In terms of dividend pay-out, there has been a constant strong upward journey. And I think, if you look at from an industry standard, the pay-outs are very, very strong in terms of what we are making. And this time the pay-out is almost 60% kind of a pay-out which shows the direction in the sense that we would like to reward the shareholders in terms of the good performance which has come in from a profitability point of view, as we see this year folding up.


The other thing which is very clear is we are deeply intertwined with ESG this year. We've started this process of sustainability long back, but we have now taken the ESG road very, very strongly. In all these areas of Environment, Social and Governance, I think there are very, very strong initiatives and imperatives which have been put, so that we are able to kind of really, as a leader, take a very clear lead in the market. For a lot of you who do not know, we today have RE which is the energy which comes in, almost about close to 60-65% is what is generated by us for our plants. And we are water positive, which means that the amount of water we take from the ground, we generate more water per say and I think this goes as part of our ESG framework. I think Governance is of the highest standards which we try to build in. And therefore, today you will see that as the annual report comes in, that all these elements are intertwined with the business in terms of going ahead. And it's not like it's a separate initiative. So, if you are able to turn ESG to kind of show you the way of profitability, I think that is something which really matters in terms of looking at what we want to do.




As I said, freshwater replenishment in terms of the numbers are very strong. Similarly, the renewable electricity, the numbers are very clear and our targets which we have taken for 2030 are pretty aggressive.

The new initiative of recycled material and packaging is another strong initiative which is being taken, which kind of shows that as a leader, we are willing to really put our money behind in terms of these issues and look at relaying into the business growth as we go ahead.


Obviously, I'm sure a lot of questions will come in terms of how we see the outlook overall, in terms of looking at how we want to grow.

I think the GDP numbers which have come out are pretty strong in terms of what is there. And we are all aware that when we look at paint, we speak of 1 – 1.5 times the growth of GDP as an indicative direction in terms of what is there. So, we feel for the year, definitely, I think the growth numbers look strong. We are focused on growth in a very, very strong manner as an organization to move forward. And this growth comes not only from the point of view of just competition or the unorganized sector. It also comes from overall increasing the per capita consumption of paint in the industry which as a leader we have taken on ourselves. Also getting into newer categories, like we have fuelled the whole story in waterproofing in a very big manner. So, I think our focus on growth, will remain and we are looking positive with respect to how the year would pan out from a point of view of overall growth.

Obviously, in terms of the monsoon forecast, there have been some questions raised in terms of the El Nino and so on, so forth. Now that is clearly what effects the agrarian economy in terms of initiating the rural demand. So, we will look at possibly coming to a more definitive analysis on that as the year progresses and we would know shortly in June and July what's happening to monsoons. But I think overall, we don't see an outlier here in terms of something which can upset the apple cart going forward.

Inflation, overall, raw material prices appear stable. We might not see too many high peaks or lows coming and therefore largely they might remain benign with some spurts here and there, depending on some geopolitical conditions which might develop overall, but fairly kind of appears stable as a structure in terms of going forward.

We focus our energies on architecture business, which anyway is the core, but along with that, growing the Home Décor business, growing the Industrial Business have been strong objectives with whatever we can do with respect to even the global business. So, I think focusing on all around work as an organization in terms of what we want to really target and grow, especially geographies of Sri Lanka, Bangladesh and Egypt is something which we would look at in terms of our international footprint going forward.
So that's all. And thank you very much for listening intently to this. We are now open to questions. Thank you.

**Moderator:**
We now begin the Q&A session.

**Mr. Abneesh Roy (Nuvama)**:
This is Abneesh here from Nuvama. Two questions. First is on Home Décor. So, when I see the strong performance of the real estate and I see that that's extremely strong. But when I see your numbers in Ess Ess and Sleek, you've pointed out that the retail demand is weak. So where is the disconnect there? And second, after so many years, the margins in both businesses are extremely weak, almost no profitability. So, what is the reason and what can change in three years? Because your guidance of doubling from 4 - 5% to 8 - 10% means that it would be extremely strong growth in terms of revenues because your core business is also growing in double digits. So where is the confidence coming from because if I see Ess Ess and Sleek, we are not getting the confidence. Of course, you have now diversified far beyond that. So is the confidence coming from those segments.

**Mr. Amit Syngle:**

So, you are right. What we have seen definitely is strong activity in the housing sector overall, which is there, which is reflected from a point of view of even the Projects B2B business which is coming in. If you look at closely, the last two years, the Kitchen and the Bath business has done well. It has grown at almost about 30% overall growth, which is there. This year, the Bath business overall is grown at about 15% and has given us almost about Rs. 4 crores profit over that number. Yes, the profits are lesser, but you must appreciate the fact that today, our share in the business of Bath is in single digits overall in terms of what we see. We are competing with a larger number of giants there in terms of what's working, be it a Jaquar, a Parry, a Cera, Hindustan, Kohler, kind of companies which are operating in terms of that segment. And therefore, today, I think we are kind of testing out various strategies in terms of what can take us there.

Similarly, in Kitchen, the Kitchen business has grown by about 17%, which is the modular kitchen business. It's the components business, which has a certain percentage in the broader business which has come down because it's like a hardware business in terms of what you see. And the modular kitchen business is in profits to that extent. It's the components which has come down.

How we see these two businesses flaring up and what is our confidence coming from is our chain of stores, which we have put up now. This chain of stores has come in the last three years, and this is called the 'Beautiful Homes' stores. As you spoke of, about 50 stores are there now operating in April. And we kind of want to take this number to about 100 stores over a period of next two years. We think that this is going to be a very big galvanizing factor, where we are able to offer décor under one roof very strongly and able to attract the customer in a strong manner and really make the customer aware of the Asian Paints prowess and together in terms of the overall Home Décor area. So, I think we believe that given the fact that we are the Challenger brand with respect to both the Bath and the Kitchen business, we are now looking more in control in terms of going forward and our basis of growing from 4 to 8% contribution arises from the fact that we definitely look at our chain of stores contributing in a sizable manner, along with categories of fabrics, lighting, furniture, fitted furniture, also coming in very, very strongly to kind of amp up the volumes overall.

**Mr. Abneesh Roy (Nuvama)**:

My second question is on waterproofing. You have become Number 1 in the retail waterproofing. So, I want to understand when you entered this space 6-7 years back, that time, what was the construct of the industry or who were the key players? What have you done different and who would have lost market share if you could clarify that?

Second is when I see B2B, obviously Pidilite is a big daddy there. So now that you've have cracked the retail part, would you go onto B2B also in a significant manner over the next 5 years and Pidilite has now entered paints, more interior paints. Would you see that as a big long-term competition? And is it a bigger competition than Grasim from a structural point of view, because Grasim currently is not present in most of the adjacencies.

**Mr. Amit Syngle:**

I think when we look at from the point of view of waterproofing, we started this initiative about 7 years back and we started from literally scratch and we developed indigenous technology in terms of looking at developing this business very, very strongly. In retail, the larger players which were there in the market was Roff, Sika, Fosroc and Pidilite. And over a period of time, what we see, it's not about just the share in terms of what we have gained from them. We have really enlarged the overall market by reaching out to more homes, making the awareness of waterproofing very, very strong. And the whole waterproofing area has been a boon for us, because earlier the complaints on paint was related to the paint. But now, what is very clearly happening is that we are able to take care of the dampness and the leakages because the waterproofing coming in. And therefore, what we see is that we have really exploded the retail market and left the existing players far behind in retail, because they were just servicing the demand and they were not doing anything in terms of inflating the demand. And therefore, we think that we are now far, far ahead of any other player in the retail market for sure. And that has also given credence because of our very, very strong distribution footprint we have used effectively in terms of really reaching out with waterproofing to every small town in the country. Our prowess in retail is more than any other brand because they operate through a distributor structure. We operate directly with the retailers and therefore we are able to train and teach our retailers to do much more business in a very strong manner.

As far as projects is concerned, I want to tell you that we are almost the number 3 player in projects as well because there are very different players in terms of projects. There are some multinationals there in terms of what is there overall. But, I would say that we are now a very significant player in projects as well. As I said, we have entered admixtures, we have entered the repair range, we have entered the membranes range and today we offer every other product. There are almost about 200 products which we are offering in the waterproofing category, which are technical products in the project regime. And I would say that it is another matter of 2 years, we would become tops in the project sales market as well. So that's the overall waterproofing answer.

The second area is with respect to Pidilite’s entry, in terms of the overall paint market. As I see it, you know overall, while they were in some segments of paint, some of the exterior segments they were present in wood finishes as form of ICA so and so forth. I think, this is a more range completion exercise which I see from them coming in. The products are at a very, very price economy level. There is nothing outstanding about the products which kind of comes in and what we feel is that it's just range completion which is happening, where they want to touch the market much before others do in terms of the new players coming in. Actually, we don't see any threat happening there at all because that segment is something which possibly we are entrenched very, very strongly in and we don't see any disruption coming in. So, we feel that possibly they might disrupt some of the unorganized sector, which is there because the price parity in terms of what they're offering is at a very low level and they want to utilize their distribution structure to kind of really reach out to some of the dealers who would ask for paint. I don't see it's a very significant kind of initiative which could kind of really ruffle the paint market anyways.

**Mr. Percy Panthaky (IIFL)**:

Percy Panthaky from IIFL. Two questions from my side. This quarter, margins have already exceeded 21%. Your earlier guidance was that you would try and maintain around 18-20%. So, do you think in light of these results, your guidance is conservative and actually you will do more than that going ahead?

**Mr. Amit Syngle:**

I think we are still maintaining the same guidance. We are not kind of really looking at saying that the margins can go up or whatever, because we still feel that the environment is not fully stabilized. Today, there is an element of large amount of inflation happening across the world. The demand conditions are all topsy turvy in terms of what we are seeing. So, we do not know in terms of from a point of view of overall price stability. While we have said that we are apprehending, at least for the first half of the year, some price stability should happen. We really do not know in terms of which way the overall raw material prices can go because you have seen the amount of jumps that we are seeing in crude. It kind of varies from something like 74 to 82 kind of a thing in 2-3 days' time. So, we do not really know in terms of which way it goes. We would like to kind of still see it for another 6 months in terms of how the entire thing moves before we kind of really look at changing our guidance overall. But we are very confident that we should remain in this bracket as we kind of go ahead.

**Mr. Percy Panthaky (IIFL)**:

If I assume hypothetically, if the input prices remain stable where they are, will the EBITDA margins also remain at Q4 levels? Or do you think that they would still sort of go down towards your 18-20% band because you would probably increase rebates, or you would pass on prices or increase ad spend or whatever other reason?

**Mr. Amit Syngle:**

As I see it, it is very clear that we want to look at seeing that we continuously inflate demand in the market. So today, the kind of overall price increases taken over the last one and a half years have been very, very high. We will still observe the market in terms of saying that if we need to pass on some and take decrease in certain prices and really rationalize some of the areas as we go ahead which can really affect possibly from the margin level in Q4. And that is why I said we would like to remain in that 18-20% band as a guidance overall. We are also looking at really taking on the area overall in terms of our marketing and advertising, in terms of what we want to do in some of the newer segments in terms of what we are doing. Therefore, I think on a safer side we should kind of really look at being in that 18-20 range as we go ahead.

**Mr. Percy Panthaky (IIFL)**:

Second question is as you have given some sort of guidance on the Home Décor business that it's around 4%. You want to take it to about 8.5%. Can you give some similar kind of idea on waterproofing? What percentage of sales currently is waterproofing and how much it can be 3 years down the line?

**Mr. Amit Syngle:**

So overall, we started waterproofing from a zero base. Just for your information, as I said. Today, if you look at from the size of the overall waterproofing market, when we looked at possibly the size of the waterproofing market was just about something like about Rs. 6,000 to 7,000 crores in terms of what is there. We feel that now the size of the waterproofing market has literally gone up, given our ingress in the market in a very, very strong manner. And therefore, what we see is definitely from a point of view of retail, we are very, very strongly contributing to the overall business, which comes in retail in a very strong manner and also in projects. It is very difficult to put a percentage to that because the overall segment growth is very very strong going forward.

**Mr. Percy Panthaky (IIFL)**:

But currently would waterproofing be close to a double-digit kind of contribution to your own sales?

**Mr. Amit Syngle:**

Definitely.

**Mr. Parag Rane:**

Percy, just one clarification. I heard you mentioning 21% odd margin. So, the band of 18-20% that we state as our targeted range. The way we look at it is PBDIT before Other Income, as a percentage of sales and not sales plus operating income. So, that is the expectation that we are saying.

**Mr. Mihir Shah (Nomura):**

This is Mihir from Nomura. So, my first question is on 4Q. Is there any element of postponed sales from earlier quarters that were weak in the 4Q? And if you can give any colour on how April and May are shaping up. Is the strong volume growth that we've seen in 4Q continuing in the April-May months?

**Mr. Amit Syngle:**

So how we see it is that there is no element of postponement definitely. I think Q4 is pure sales of Q4 in terms of what we see come in. And as we had said earlier, Q3, given the fact that it was a longer base which was there and that is why possibly the Q3 growths were a little bit lesser because of the shorter Diwali season this year and the demand not really picking up. But Diwali sales literally dies at that point of time. It doesn't really carry into the next quarter. As we look at the current environment, I think overall the demand conditions are good in terms of what we are seeing and we see that going forward possibly for this quarter, definitely. I think in terms of we are really aiming at a double-digit volume growth going forward.

**Mr. Mihir Shah (Nomura):**

My second question is little medium to longer term on distribution. Actually, you know, I recollect that in the nine months call, you had mentioned that, you know, you added a similar number of dealers or distributors or reach in what you had done in the previous year in FY22. In nine months, you added the similar number. So, can you share what you've done for the full year and what is the kind of distribution or dealer reach that we are thinking about for the next year and year after?

**Mr. Amit Syngle:**

So, what we see is that I think in the year gone by, we would have added almost about anywhere between 15,000–20,000 dealer points. And going forward, we are aiming at anywhere between 10,000-15,000 retail points coming up in the coming year as well. And that is going to be a strong aim in terms of what we would like to do. And the larger focus still remains on the smaller cities and the suburbs of the bigger cities, because we truly look it at that from a little bit of a cluster approach in terms of where we would like to have an outlet going forward. So therefore, possibly another 10,000-15,000 retail outlets, definitely, we are looking at.

**Mr. Mihir Shah (Nomura):**

I believe that over the period of last couple of years, we've seen a lot of formalization happening. We've seen very strong volume growth coming. We see that volume growth continuing. Can you talk a bit on the unorganized players, the regional players? How much have they shrunk? You know, to what extent are they pained or do you expect them to come back with raw metal prices now getting better or, you know, your raw material prices cooling off, your gross margins getting better? Can one expect the unorganized players to come back in in a big way?

**Mr. Amit Syngle:**

I think what we have seen is in the first two years that the unorganized players had their volumes compressed because of their supply chains being not so efficient as the bigger players. And the raw material scenario was also causing quite a bit of havoc with the inflation we were seeing. In the last year, what we have seen is that there is some stabilization happening with respect to their supply chains and people are no longer regional. They are still kind of becoming national because of the ease of their supply chains now happening. We have seen possibly, you know, we used to divide the unorganized sector as 30% and 70% as organized. Maybe I think in the last years, we would have seen some movement of 4 or 5% kind of decrease, which is there. Our belief is that possibly given the price advantage they still have and the fact that there are strong regional entities and are expanding, possibly I think the ratio will come back literally to what it was earlier in terms of they covering the ground to the 3 - 5%, which they have lost out.

**Ms. Sheela Rathi (Morgan Stanley):**

This is Sheela Rathi from Morgan Stanley. Thanks for giving the idea on the total size for industry, which is at Rs. 70,000 crores. How should we think of the growth rate over the next five years for the industry? And you just alluded to the fact that unorganized could go back to

35% in the near term. But how should we think of that number in the next five years?

**Mr. Amit Syngle**

So, we are pegging the number going to almost like about Rs. 1 lakh crores over the five years. So, the growth rates are definitely ranging between 10 - 12% kind of a zone as we kind of go ahead. So, I think this is an industry which will definitely grow. Given the fact that we see possibly a stable government, we see government spending strongly, we also see a GDP of anywhere between 6 - 7%. And to that extent, which will continue to fuel this market going forward. In terms of shares, I think the shares would kind of remain in this zone because the smaller players, MSMEs come with their own strengths. And I think it is always good to have the regional players possibly catering to the market in a strong manner. They have large government support also in terms of some of the pricing taxation structures which kind of come in. Therefore, we see that from a point of view of economy products in that kind of segment, they will continue to be in that market. But, we definitely see this industry going to about 1 lakh crore, as we kind of go forward.

**Ms. Sheela Rathi (Morgan Stanley):**

With respect to your presentation, where you have mentioned that we will pursue an aggressive strategy. So, I just wanted to understand the definition of aggressive. Is it around expanding into adjacencies? Is it around being more aggressive with respect to distribution, or do we expect some price cuts coming through because we are getting into a deflationary mode. So, if you could just expand on that.

**Mr. Amit Syngle**

So aggressive means everything what you said. It's not only architectural, we are looking at seeing that we have differential strategies to grow across the country. Whether it is in distribution, whether it is with the supply chain, whether it is with respect to our new products or whether it is in terms of looking at the premium luxury segment, in terms of what we are launching or even waterproofing segment. When it comes to industrial, I have already spoken that there has been very big aggression, which we have been taking, both from a General Industrial and the Automotive Industrial kind of a zone. Home Décor, I have indicated the kind of trajectory, we want to follow from where we are to where we want to go to by FY26.

Similarly, I think in Global, we would like to see that it's not only in terms of the existing countries. If there is any opportunity which comes, we will be in aggressive terms of going into a new country as well going forward. Our aggression continues from a point of view of even the whole area of really putting strengths in the organization, so that we are able to supplement and retain our margins strongly. That is why our backward integration strategy is very important. So that possibly as go ahead, we are able to take recourse from the fact that we are adding more and more margins to our material consumption story in a very big way. So, I think aggressive literally means that it is in all areas.

**Mr. Shirish Pardeshi (Centrum):**

Hi Amit and team, thanks for the opportunity and congratulations for good set of numbers. Just two observations. In this quarter you have reported a 16% volume growth and also margins have expanded. So, if I give the benefit and I just wanted to understand. Is this margin expansion primarily because of the falling raw material prices and packaging material or there is a mix improvement because if your volume growth is higher, than your revenue growth, I was suspecting the volume growth is driven by the more economic emulsions. So therefore, the question. There are two questions What is the quality of margin which you are trying to gather? And second, therefore, if you can give a broad number for domestic decorative in terms of premium emulsions, economy emulsions and low-end emulsions. The broad number - I know you will be hesitant to give me the exact number, but if you can help me on that.

**Mr. Amit Syngle:**

So overall, when we look at the margin story. It really revolves around 3 areas. One is the material prices softening, which is very clear. We have seen a 4% kind of a deflation in prices, which we have seen in Q4 very clearly. The second is a strong imperative on formulation and sourcing efficiencies, which is also giving us a strength in terms of really making our material prices lower, given the fact that we are working on formulation efficiencies and sourcing efficiencies.

The third area is the overall mix has been decent because while the premium and the luxury segments have also grown by double-digits, we have seen some of the other segments which have grown far higher than that double-digit on an outlier kind of perspective overall. So, I think it's a combination of the mix being good, but some of the other products really being an outlier kind of products coming in. So, from a point of view of premium luxury, we see that possibly premium luxury is in double-digits, but the smart emulsions, economy emulsions would be slightly higher than the premium luxury in terms of what they would have contributed into the margins.

**Mr. Shirish Pardeshi (Centrum):**

Would you comment on FY23, what would be the broad mix? If I check with you on the luxury premium?

**Mr. Amit Syngle:**

Our intention obviously is that we stay ahead on a very healthy product mix going forward because the whole game of getting the margins in that band is dependent on the product mix in terms of the way you operate. Obviously, it depends on inflation, in terms of prices very strongly because the material prices contribute to a substantial chunk in terms of our overall kind of price structure. So, going forward, I think we are very clear that we are going on a very, very balanced kind of a growth, where we look at furthering the luxury and the premium sectors very, very strongly. But what you must understand is that if you look at the entire structure of the product profiles, the bottom of the pyramid and the middle segment premium is a large contributor in terms of the overall structure, in terms of consumption, which really happens. So, while you would like to continue to grow at the luxury and the premium level, you can't ignore the premium and the bottom end in terms of growth. So, as I said, we will try to balance in terms of seeing that we are able to take a very, very structured, balanced approach where we grow possibly in a balanced manner across the luxury premium and the economy segments.

**Mr. Shirish Pardeshi (Centrum):**

My second question on the industrial part. The growth rates were lower. However, you have shown good margin expansion. Is it a function that it's a competitive business? You have not dropped the prices and now will be forced to drop the prices in industrial and the growth will come back.

**Mr. Amit Syngle:**

So, we have not dropped the prices. If you see the profitability, the profitability has improved of both the businesses, In fact, we have been one of the strong proponents in terms of taking the price increases very, very strongly, whenever we felt that we need to take price increases because of inflation. I think where the kind of imperative has come in is that we have looked at increasing our reach from a point of view of some key account customers.

We have looked at the depth of going to the customers and focused in terms of the technical servicing part in a very, very strong manner. We have also invoked our entire JV with PPG Industries and introduced some very, very superior products in the market, which are actually at the high end of the market. But they give very, very strong performance when it comes to the technical features they offer. Whether it is from a point of view of say a heat resistant paint or whether it is from point of view of epoxy or a chlorinated rubber in terms of what we offer in the market. So, I think it is a combination of superior technical service, the reach, the depth of quality of customers in terms of what we are doing and also very, very strong differentiated products which we are now invoking in the market in a very strong way.

**Mr. Shirish Pardeshi (Centrum):**

My last question on the capex and capacity, can you outline the next 15 months, which are the capacity which will get operational and what capex we are looking at FY24?

**Mr. Parag Rane:**

Next year, our capex plan in terms of spends should be in the region of about Rs. 2,000 -2,300 odd crores. The utilization the way we see it today, we are somewhere around the 75-78% mark. The brownfield expansions which are ongoing. And we have a host of them ongoing, I think a couple of them will definitely come on stream as we go into FY24. Then the balance spends beyond that year, that's how we are seeing it.

**Mr. Shirish Pardeshi (Centrum):**

Parag, just you can help me what KL capacity will get added in FY24.

**Mr. Parag Rane:**

So, in a FY24, we would add roughly about 2.2 - 2.5 lakh KL to the capacity.

**Mr Avi Mehta (Macquarie):**

Avi here from Macquarie. I wanted just to better understand the margin comment. Now, was there any one off in this quarter in terms of inventory? Because there's no low cost inventory. And really logically, it seems that you've done a change in formulation. Volume growth remains healthy. So, demand environment doesn't seem to be the concern, even your comments. Is this more a comment from a medium-term perspective, that over time demand might come off and hence we need to pass on? Is that why you're arguing for margins to come down from current levels? What exactly is the driver for that?

**Mr. Amit Syngle:**

Overall, what we see is that we had taken certain price increases over a period of time. And what has happened is that we have not looked at decreasing any prices in this quarter. So, the higher price increases continued and we had a scenario of material prices softening of about 4%. Coupled with that, we had this whole area of the operational efficiencies and also the purchase sourcing efficiencies really coming in strongly. You must appreciate that when you look at the overall environment, the suppliers themselves are quite confused in terms of what's happening because the US and China economies, which are big consumption hubs, they are going northwards from the point of view of not knowing and the overall inventories are coming down.

So therefore, the whole area of negotiation with the large vendors is becoming very strong in terms of procuring some efficiencies, in terms of what you are able to kind do. And given the fact that we never lowered our prices and our product mix is quite decent in terms of what we've been able to achieve, that has really supplemented in terms of the margins, which you see. Which is why I commented earlier, that we would not bank in terms of just saying that this thing will stay forever, because one, you do not know in terms of what are the material specific movements. For example, today we find that $TiO_2$ is kind of going higher and some other solvents are coming possibly lower. So, you do not know the exact mix of the raw materials in terms of which way they will move. Also, the fact that we are sensing that if today there are certain segments where customers are finding it a little bit more expensive to buy that product and there is some downtrading happening, we might look at possibly really adjusting some prices going forward. But the impact of this quarter is very clearly because of the price increases that you have gotten and the material prices going down, better negotiation of prices, all that has given us this kind of margin and the product mix being still strong.

**Mr Avi Mehta (Macquarie):**

In your framework, if understand it correctly, the way you are saying is, I will essentially ensure a particular revenue growth should be there and we will not necessarily focus on margins. Margins will be maintained in that band. But I would look to drive as much revenue growth as I can and that would be the thought process. The flow through the EBITDA may not be margin but will be more in revenue.

**Mr. Amit Syngle:**

See, we believe in balanced growth. If you have seen last three years also when I showed you the volume trajectory, we believe in not only driving only value, but we think that volume is a very, very essential kind of parameter which gives help to the market in a very, very strong way in terms of how you want to look at growing the market, because the only value component can come because of price increases as well.  So, volume is a true indicator in terms of the health, in terms how the overall product profiles are going. We believe in a balanced, profitable growth. I would not like to compromise one on the other side, and I think that's the right way to look at it, because in a growing market, possibly, you know, you can't be siding with one and saying that I don't want to look at the other side. Therefore, I think the way to go is a balanced, profitable growth in terms of what we are looking at.

**Mr Avi Mehta (Macquarie):**

The second bit is on the VAE project in particular. Now, you know, if you could give us some international examples where VAE is used because one of the pushbacks that tends to come in is that this can be similar to at some point of time.  If you remember, there was something called nanotechnology, which was being argued that could be a new thing in paints. You know, how do we understand the way, whether it's a fad? Why do think it's a very big change. So, any international examples you could share on where VAE is being used or give us to better appreciate this technology.

**Mr. Amit Syngle:**

Today, if you look VAE is used across the world. If you take even in a company like Sherwin-Williams, which is the largest paint player in the world today, they have a substantial usage of VAE, which they use because VAE is essentially a very progressive emulsion. It is one - environment friendly, it is low on VOC, it has literally no offensive smell, which comes in and therefore it is the emulsion of the future in terms of what we see. Today large quantities of this emulsion are imported into India because there are only four or five players across the world who make it. Where our game comes in very strongly is that the moment, we look at making this emulsion in India, it kind of gives us very, very strong leverage from the point of view of costings and margins, which we are able to derive in our products. This gives us the capability of really pricing our products very, very strongly from a point of view of what we want to do in the market going forward, which we think, today that the other players would be definitely forced to use this emulsion, but they have to import this emulsion otherwise and there is an import duty component, there is a freight component which comes in.

And therefore, the kind of efficiencies it does offers us is very strong because people cannot escape using this emulsion because it is one of those areas which also imparts some special properties to the paint, which you are able to get at a very cost effective manner, when you use this emulsion. And given the fact that this emulsion is progressive environment friendly and literally no offensive smell, it is definitely an emulsion where people can't really find an alternate in terms of just using it because that alternate will come at a higher cost.

**Mr. Tejash Shah (Avendus Spark):**

Hi, Tejash from Avendus Spark. The kind of ramp up that we have seen on our retail touch points, how what kind of ramp up we need on the backend in terms of depot network, in terms of feet on the street also. And does it mean that our depot network also would actually go up or would have gone up in the last two, three years in the same pace? So, has it actually expanded in the same way that we have expanded the frontend? And how what was it for example, this year we're targeting 10% retail touch point increase. Does it mean that the feet on the street that we have also needs to increase in the same proportion?

**Mr. Amit Syngle:**

So, what we have done is that over the last three years, the overall hiring of the company has been fairly aggressive. We even looked at the same thing during COVID times and this year itself, we would be recruiting more than 1,000 people in terms of what we are doing, both from the campuses all across, as well as the front liners, which would come in. And this is almost 3 times what we would generally recruit in every year. So, you're right, because with such a large retail network, there has to be a ramp up in terms of the people which are also happening. And therefore, I think we are definitely using large amount of technologies to kind of see that the productivity element remains in terms of our overall foray. But yes, the number of people are being ramped up and they are ramped up because of also the backward integration, the Home Décor and other areas coming in. So, it's an all-around ramp up which is kind of taking place.

**Mr. Tejash Shah (Avendus Spark):**

On depot network, what will be the count, if you can share and what was it 3 years back?

**Mr. Amit Syngle:**

I think we would have added about 40 odd warehouses over the last 3 years as we see it. But I think more importantly, what we have done is that the size of the warehouses has doubled to now almost like 1 lakh square feet to about 1.2 - 1.5 lakh square feet. So, both things in terms of expanding the size of our warehouses, the mechanization of the warehouses and the number of warehouses. So, all around there is expansion which is happening with respect to the distribution structure.

**Ms. Latika Chopra (JP Morgan):**

This is Latika from JP Morgan. My question was, you know, on this volume value differential of 3% in the quarter. If I go by your comments, probably we are looking at industry deco volume growth of 10 to 12%, one and a half to two times GDP. Do you anticipate for the coming year given you know, you mentioned that the economy emulsions are growing at a little faster pace? And then, of course, you have Home Décor contribution as well coming in. Would this volume value differential stay stable in your view, or it could expand for the coming year or reduce?

**Mr. Amit Syngle:**

It's very difficult to say because for each quarter, the mix also varies. It's not one mix which is there because when you come to Q2, there is also a stocking pressure which comes in which people stock for the season. And when we look at Q3, this time we are looking at a longer Diwali which comes in. So typically, during a Diwali season, what happens, the mix kind of varies from Q1 and Q4 in terms of what we you look at. So therefore, very difficult to say in terms of how the mix would augur going ahead. But I think, we have reason to believe that it should be a certain band in terms of what we should kind of follow. So, it could be possibly anywhere between plus minus 2-3% in terms of what we look at going forward, unless obviously there is some other disruption in the market which takes place. It is also a function of sometimes that if you are able to gain share from some of the unorganized, then it fuels the volume part to slightly more than the value part sometimes. So, I think it is very difficult to say that what would be the real guidance to kind of see the value volume kind of a stroke there. But I think from our point of view, the guidance very clearly remains from a margin perspective. Clearly that we would really like to retain that margin. At the same time, we would like to be, as I said, aggressive in all segments so that we are also looking at broadening the market and gaining share.

**Ms. Latika Chopra (JP Morgan):**

And any flavour on, you know, Home Décor segment other than Bath and Kitchen. You know, how do they track on gross margins, operating margins? You know, because you have given a FY 26 revenue target, but any thoughts on how the profitability will basically play out over medium term here?

**Mr. Amit Syngle:**

I think for each category, it kind of really varies. You've seen the Bath and the Kitchen in terms of the way it is kind of unfolding in terms of this thing. Typically, what we see is that when we have acquired the lighting category, you know, the margins there with EDITDA close to about

18 - 20% zone. And when you look at possibly the furnishing business, that would be in the range of about 10 - 14%. So, you know, it would vary from category to category depending on one, the innovation, the spread, the kind of range in terms of what you are kind of dwelling into. But I think over a period of time, definitely we would see that this category should be settling anywhere between 10 - 14% kind of a zone.

**Ms. Latika Chopra (JP Morgan):**

Can I just check for our FY23, on a standalone basis, what was advertising to revenue ratio for the full year? Is it possible to share?

**Mr. Parag Rane:**

It should be about three and a half percent.

**Mr. Chirag Shah (CLSA):**

This is Chirag Shah from CLSA. Amit. My question is going back to the Home Décor business, as we scale up this business and the business becomes far bigger, is there a merit in simplifying the corporate structure over here and what is the kind of capital that you need to deploy to scale up the ambition that we have? Are we also expecting more categories to get launched here? Also, a little bit, if you can, share the growth plans in the White Teak business in particular and on Beautiful Homes. We are right now catering only to 11 cities, but as we plan to double the number of stores, how many cities do we plan to sell in? Just trying to get a sense of where the market goes in terms of the geographical expansion.

**Mr. Amit Syngle:**

Just to factually correct you, the Beautiful Homes service platform is in 11 cities. The Beautiful Homes stores are in much number of cities, almost about 30 odd cities. So, I think both the framework will keep on expanding as we kind of go ahead and as I spoke of going from 50 to 75 to 100 stores, I think we will definitely have a footprint of about being about 50-60 cities where the Beautiful Homes store network is going to be there.

So, when we look at this thing in terms of categories especially, I think we are very buoyant in terms of categories like the fabrics, the lighting, the doors and windows, uPVC business. We are looking at literally exponential growth, upwards of 50% in some of these categories, which we will focus on as we go ahead. And as I said, some of these categories are also very, very profitable, and very strong from a point of view of design, commanding a certain price as you go ahead. We have already added categories like rugs, flooring, bedsheets in terms of the overall business going forward. We are working on a very big category, which is called the fitted furniture, which is there apart from the furniture which is there. And in future we will not mind adding any other categories which could kind of really be attractive overall.

But, we think that today we have harnessed actually most of the categories in terms of the Home Décor business, which are there and therefore we think currently we would like to have some consolidation. We have also launched tiles which are there, which is part of the Home Décor segment. But we are not going for very aggressive volumes in terms of the tiles, but we are looking more the designer and the high-end tiles, which are coming in as a range completion in terms of our overall Home Décor business. So, I think that is something which is the intention in terms of how we would like to grow this.

As a structure, right now, we have put all this under a particular Home Décor structure, so that we can leverage all our skills in design, designers, structure who operate and our own leveraging of the architects, the designers in a very, very strong manner. So currently it is a structure which is possibly we are trying to put where there is some overlap of the paint business. But as we move forward, the structure will possibly see, whether we merge this structure into the full structure or whether we make it sharper, is something which we are seeing as the business progresses.

**Mr. Chirag Shah (CLSA):**

On the White Teak part and the furnishing business, what is the expansion that we expect on White Teak and in furnishing will it be largely distribution led business, and if that is the case, is there a scope to significantly expand faster?

**Mr. Amit Syngle:**

When we see from a point of view of furnishing, when we took over the business, it had only about 100 retail points. Now we have 900 retail points in two years. So that is the way we have expanded the business and it is just not a distribution story. It is also a story of design where you give a very designer stuff. So, we have a Sabyasachi range of furnishing which is there. There is a 'Pure' concept range of furnishing which comes at even a price of Rs. 6,000 a meter to about Rs. 9,000 a meter, which is really the high end of the market. So therefore, we are looking at segmentation within that kind of market in a strong manner, and it's not a pure play distribution in terms of what we are looking. But as I said, we are now in the furnishing market become number two player already in the market in the short span of two years. We will continue the imperative of saying that not only we look at distribution, but we look at possibly the design, the quality of the cloth and other parameters which come in so that we can offer a very, very strong range to the customer in India in terms of what possibly the customer demands.

As far as lighting is concerned, we have ended this year at Rs. 109 crores. We are angling for definitely a 50% plus growth kind of a thing in terms of what we want to take on this segment. The segment, according to us, is about closer to about Rs. 1,100 crores as a market in terms of the overall segment. And therefore, we think that there is enough scope to grow profitably in this segment, because a lot of this lighting is imported from China today in the Indian market, which is of a certain quality. And therefore, there is enough scope to grow in the White Teak lighting segment as well.

**Mr. Chirag Shah (CLSA):**

My last question is on the backward integration. If you can just give an update on the backward integration facilities that we are expecting, in white cement, VAE and Monomer. And Parag, does the Rs. 2,300 crore number include this backward integration related capex as well and how much?

**Mr. Amit Syngle:**

Yes, that number includes because you must appreciate that the funding takes place over the next 2 to 3 years' timeframe. So, this funding, which Parag spoke of includes that kind of funding which is happening both from a VAM VAE perspective, which is a plant, which is coming up and also the cement plant which is coming up in Dubai, Fujairah. Apart from that, we have anyway expanded some other elements of backward integration as well, which is already implemented in our plants at the moment.

**Mr. Manoj Menon (ICICI Securities):**

Hi Amit and team, excellent performance given the market context. This is Maonj Menon from ICICI Securities. Sir, actually my questions are not really pertaining to the quarter. One question which investors do highlight to us or rather ask us how do you actually define volumes? You know, is it tonnage or is there a formula which you apply?

**Mr. Amit Syngle:**

So, the volume basically is a conversion in terms of the specific gravity of the material, in terms of which we look at converting it into litres. So today, whatever we sell in value terms, there's a conversion which takes place into defining it as a litre. And that kind of constitutes what we see as a volume. So therefore, in a way, the volume is linked to the value in a strong manner in terms of how it emanates.

**Mr. Manoj Menon (ICICI Securities):**

Understood, so is it fair to say that let's say when you sell a Putty at Rs. 20 per kilo, versus the top end of, let's say, paint that, you know, maybe Rs. 800, you know, per litre. I mean, give, or take, Kilo Vs Litre is like maybe 0.9. You know, is it fair to say that, you know, the formula which you use takes care of this, you know, significant, let's say delta in terms of 40 X in terms of low end to the high-end product, which you sell.

**Mr. Amit Syngle:**

No, see each volume, which comes in is basically related to the value in that sense; because what will happen in terms of, say, a category like distemper. When we look at distemper, basically it has a certain specific gravity ratio which kind of comes which qualifies it in certain volume zone. There is no formula which is used to bring everything to the same base. If there is a waterproofing product, it has a certain volume which is coming in because of the overall thing and it will have a certain value contribution which will be possibly lesser than the value contribution of a luxury product. So, there is no one formula which binds everyone to bring it into a certain zone that the same formula is applied towards that. It is a pure play volume which comes of that category, which adds to the overall volume in terms of what we project at the overall level. And why, we feel it is comparable because each company has the same product range today in the paint industry. So, there is no company in the paint industry, which does not have a putty, does not have a primer, does not have a distemper, or does not have waterproofing. So therefore, I think when people speak of volumes overall, it is by and large comparable in terms of what really people are speaking of in the industry.

**Mr. Manoj Menon (ICICI Securities):**

That's very fair. So basically, what I understood is it's not necessarily a value weighted volume, it's actually a volumetric volume understood sir.

**Mr. Amit Syngle:**

That's right.

**Mr. Manoj Menon (ICICI Securities):**

It's a brilliant work you have done in waterproofing. And I think there was no question on adhesives. Maybe some comments on adhesives also, would be helpful on some good work you have done there. You know, on building lot many more businesses outside of paints. 2 questions Amit, actually the quantitative part is there for all of us to see, qualitatively let's say how would you managing complexity. I know that's like an omnibus question but so many categories. And secondly, with some of the new businesses which you have, looking to ramp up also a lot of retail tinge to it right. Now you've been a product company for a long time, how are you managing the transition, at least in some of the businesses from, let's say, product to retail?

**Mr. Amit Syngle:**

So, we started waterproofing about seven years, eight years back now and because of our indigenous technology, we really grew the waterproofing business. Because waterproofing business is a very, very technical business where historically people like Sika, Fosroc and some of these companies have been as multinationals at the helm of affairs. Similarly, when we look at a category like adhesives, which we started about six years back and now we are clearly the number 2 player with respect to the adhesives category. Or we look at possibly, we started the whole zone of wallpapers or the painting tools which have kind of come in. In each of these categories, what we have clearly see is that, these are not like standalone categories where we will have to put a separate structure to take care of it. We have largely tried an integration approach that the current business is able to sustain that kind of new category, which we are introducing with possibly the same set of people, who are catering and reaching the same places where possibly paint is reaching.

So, the area, what we have looked at possibly going forward in terms of the new categories is largely an integration, where either the integration takes place at the retail point or the integration takes place at the consumer point. And therefore, possibly from a structure point of view, it has not added principally to the structural cost which possibly any new category would have added, and therefore possibly the resilience in terms of why we are able to grow these categories very strongly.

**Mr. Manoj Menon (ICICI Securities):**
One request actually, you know, which I would be doing with all the listed paint companies, you know from this quarter onwards. You know, will it be feasible to follow the template, let's say which Indigo started a couple of years back, you know reporting segmental at least the revenue part, if not the profits. It’s a request which has come from consensus investing side.

**Mr. R J Jeyamurugan:**
Manoj, will come back on that

**Mr. Abneesh Roy (Nuvama)**:
A few follow up questions. The first is on the Non-Deco India business. So, when I see your auto paints and industrial paints, last year your margins were fairly similar at 6%. But this year the gap is almost 450 bps, which was difficult to understand if you could explain that. Second is given the size of industrial at around Rs. 1,000 crores, how much would be the auto paints also. Third, as the leader in auto paint Kansai, two days back said that they have gained market share in all the verticals of auto paints - four-wheeler, two-wheeler EVs and the commercial vehicles also. So, if you could tell us with your relationship or partnership with PPG, what has been the gains in the last 6-7 years post the relationship being more formalized?

**Mr. Amit Syngle:**

One of the reasons I explained earlier, why the margins have really increased here is the fact that we have become very, very strong with respect to taking certain price increases in the market, which we were not possibly taking earlier. And this has come on the behest of our superior offerings which are there in the market from a point of view of differentiated offerings which we are able to give the market. As I explained, that if I am giving a floor coating, the floor coating will come with some additional parameters and therefore it will be of a certain higher price as compared to competition in terms of what we are able to put up. And this is also led by our technology which comes from PPG, what we have been kind of doing.

So, from an overall point of view, both businesses, whether it is the Auto OE business or it is the General Industrial businesses, we have been able to one, take very, very progressive price increases with respect to our range. Second, I think the differentiated products are giving us a very good opportunity to price and differentiate certain products much higher than competition, which has led to this kind of overall profitability. And third, I think there has been a strong amount of work at the R&D level in terms of looking at really working around the formulations to see that we are able to kind of increase our margins in a very, very strong manner. So, I think these are the components which possibly have inflated the Industrial volumes for us in a very strong manner.

**Mr. Abneesh Roy (Nuvama)**:

Your Auto paints, the margins are better because those are 450 bps ahead of Industrial. So, when you are saying R&D has helped or whatever differentiated, is it only in Auto that you are doing differentiated?

**Mr. Parag Rane:**

So Abneesh, another part of that question is also the fact that Auto margins were always better than the General Industrial. In the previous year, given the nature of the business, which is more B2B, the price increases actually come with a significant lag in the Auto business and therefore you had a much larger inflationary impact on the Auto business.

**Mr. Abneesh Roy (Nuvama)**:

And size of auto business, and if you could talk about the market share gains in the last seven years.

**Mr. Parag Rane:**

So, the Rs. 1,000 crores that we reported is on the non-auto business purely. It doesn't include any auto. The auto business is the JV, where about 1/3rd of the business is from the four-wheeler OEMs. Another 1/3rd is from the two wheelers and other commercial vehicles, and 1/3rd is from the refinish segment.

**Mr. Abneesh Roy (Nuvama)**:

So last question on Indonesia. 6 to 7 years back, there were big plans. Would do you say where you are currently, you'll be hugely disappointed? And is there disappointment because of the GDP, because most companies in Indonesia are disappointing, or would you be saying that you are in the right path, because of the COVID or whatever issues, things got a bit derailed?

**Mr. Amit Syngle:**

No, definitely. I think Indonesia has been a disappointment for sure. I think the trajectory in the last three years has not been good at all in terms of what we anticipated in the market. I think, we see ourselves very clearly that when you are at single digit market share, and we have not been able to grow the market very aggressively. So, we are putting adequate measures in terms of saying that we give ourselves some time in terms of seeing how we need to galvanize that business and take it ahead. I don't think I have to blame the economy for doing it because when you are at a low market share, then it is not the economy, but it is your own strength in terms of doing what we can do in that market. So, I think there is a way to go in that market definitely. What we have been definitely able to do is prune the losses a little bit in terms of what we were earning there. But having said that, I think the larger growth strategy has to kick in in terms of possibly, seeing that that business becomes worthwhile as we ahead.

**Mr. Abneesh Roy (Nuvama)**:

As of now, you don't think you have to model right, because you don't talk about it and you are still saying that you have cut the losses rather than you have the strategy to scale up.

**Mr. Amit Syngle:**

There is a strategy which is in place. It's just that some parts of the strategy have not gone in the way in terms of how we would have liked. For example, we tried to possibly see the entire lay of the land, because in Indonesia, if you see there are islands which are spread all across the country. We decided on approaching everything at one shot which possibly did not give us the leeway, now we are looking at a far more concentrated strategy in terms of key strategic places in Indonesia, and that's something which will follow now. But there is definitely a strategy in place because without strategy, then we would have winded up far earlier.

**Moderator:**

Due to time constraints, will be ending the Q&A session right now. We thank all the audience for all their questions. May I now request Mr. Amit Syngle for his closing remarks?

**Mr. Amit Syngle:**

Okay, great. I think it was a good session. I think after a long time we had a physical session with all of you. So, thank you for coming and I hope we added some value in terms of answering some queries of yours. I look forward to meeting you in future and seeing how we can make this session far stronger and more interactive as we go by. Thank you.