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APL/SEC/32/2023-24/59

30<sup>th</sup> October 2023

BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001  
Security Code: 500820

National Stock Exchange of India Limited  
Exchange Plaza, 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 – Transcript of the Investor Conference**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference held on Thursday, 26<sup>th</sup> October 2023, with regard to the financial results of the Company for the quarter and half-year ended 30<sup>th</sup> September 2023.

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

[Investor Conference - Transcript](#)

You are requested to take the above information on record.

Thanking you,

Yours truly,

For **ASIAN PAINTS LIMITED**

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

*Encl.: As above*

# ASIAN PAINTS

## Q2 FY2024 Earnings Conference Call

Date : October 26, 2023



**Management:**      *Mr. Amit Syngle*      : MD & CEO  
                              *Mr. R.J. Jeyamurugan* : CFO & Company Secretary  
                              *Mr. Parag Rane*        : AVP – Finance  
                              *Ms. Sunila Martis*    : Head – Investor Relations  
                              *Mr. Arun Nair*         : Manager - Corporate Communications

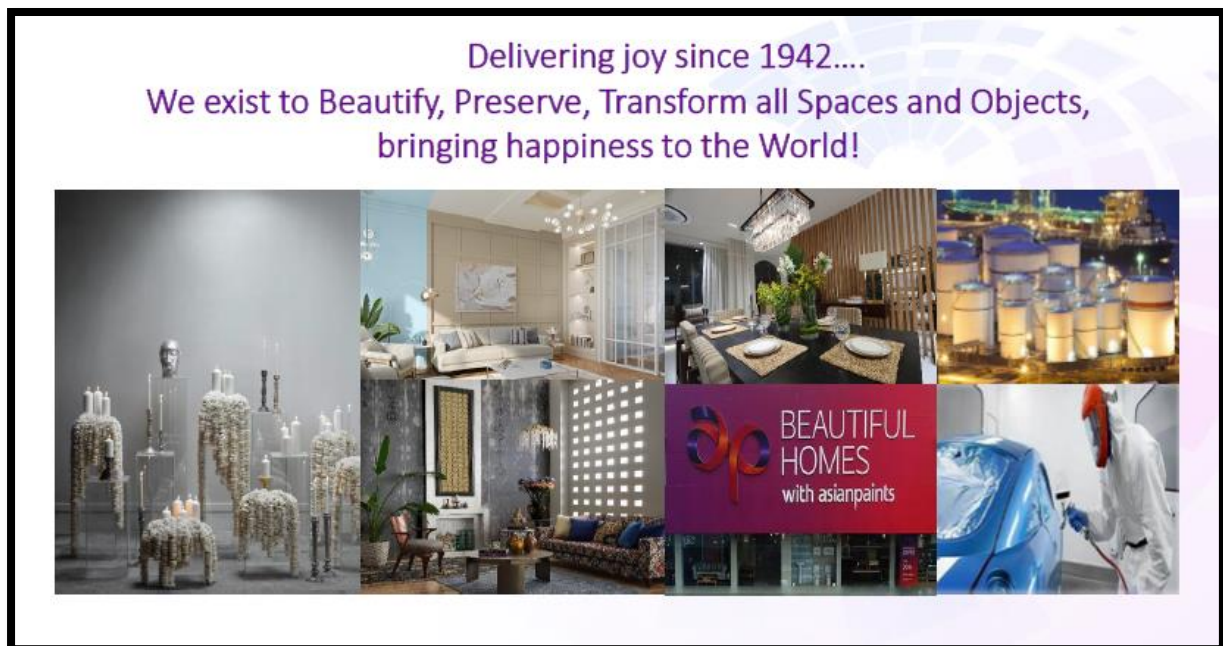
*Disclaimer: This is a memorandum of the proceedings of the Investor Conference Call of Asian Paints Limited held on Thursday, 26<sup>th</sup> October, 2023 at 5:00 pm with regard to the financial results of the Company for the Second Quarter and Half Year ended 30<sup>th</sup> September, 2023. While we have made our best attempt to prepare a verbatim transcript of the proceedings of the meeting, this document has been edited for readability purposes and may not be a word-to-word reproduction*

**Sunila Martis:**

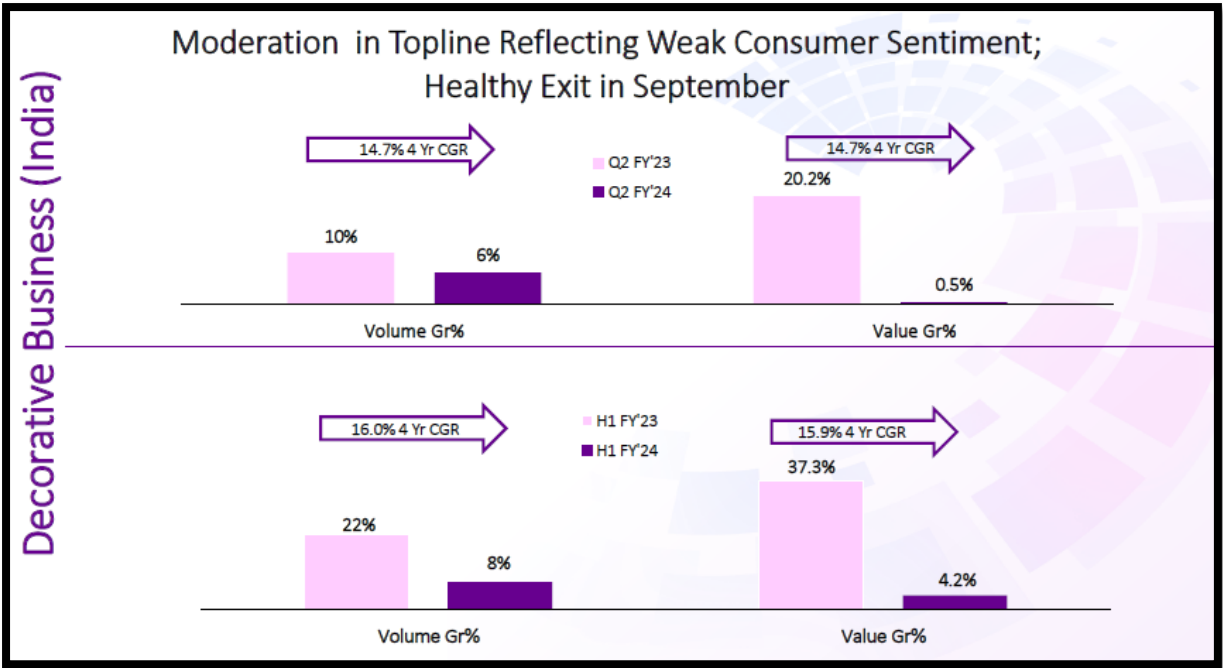
Good evening and welcome everyone to Asian Paints Q2 FY24 Earnings Call. I am Sunila Martis from Investor Relations. We also have with us today our MD & CEO, Mr. Amit Syngle, Mr. R. J. Jeyamurugan, our CFO and Company Secretary, and Mr. Parag Rane, AVP - Finance. I would now like to invite Amit for his opening comments.

**Amit Syngle:**

A very good evening to all of you and welcome to the Investor Conference for Q2 FY24.



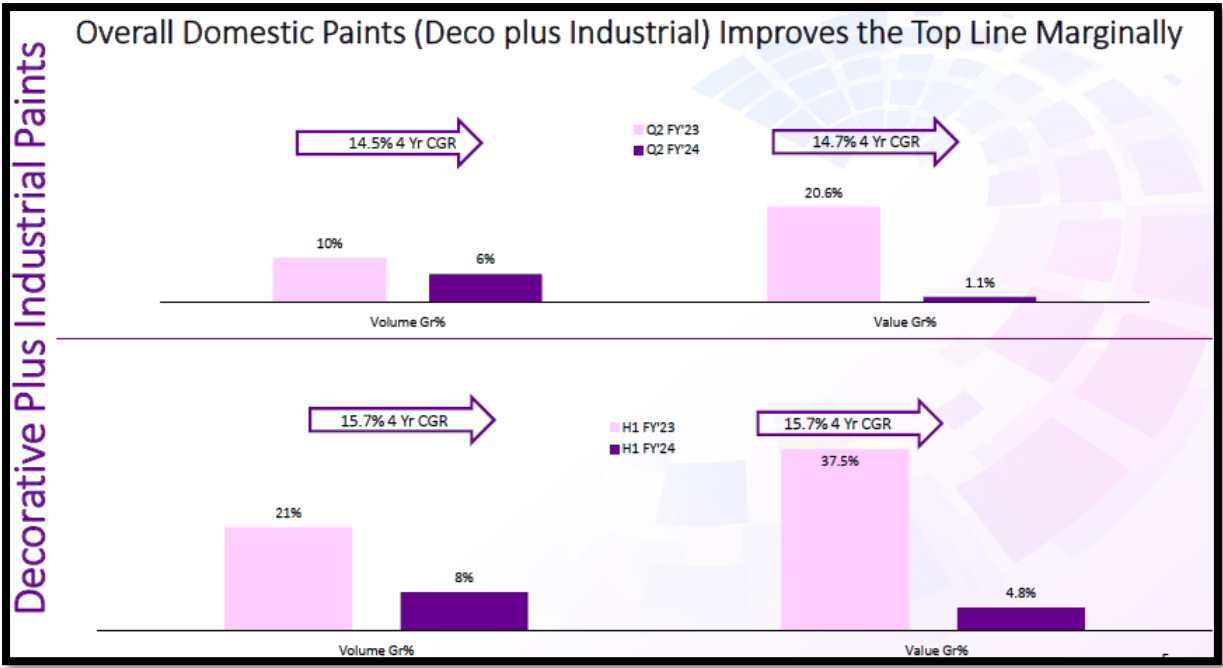
To reiterate, the bigger area which we have been looking at is delivering joy and happiness and clearly, we exist to beautify, preserve, transform all spaces and objects bringing happiness to the world. This has been the core area across businesses in terms of what we have been talking about and therefore the whole movement of 'Share of Surface' to 'Share of Space' which we have invoked going forward.



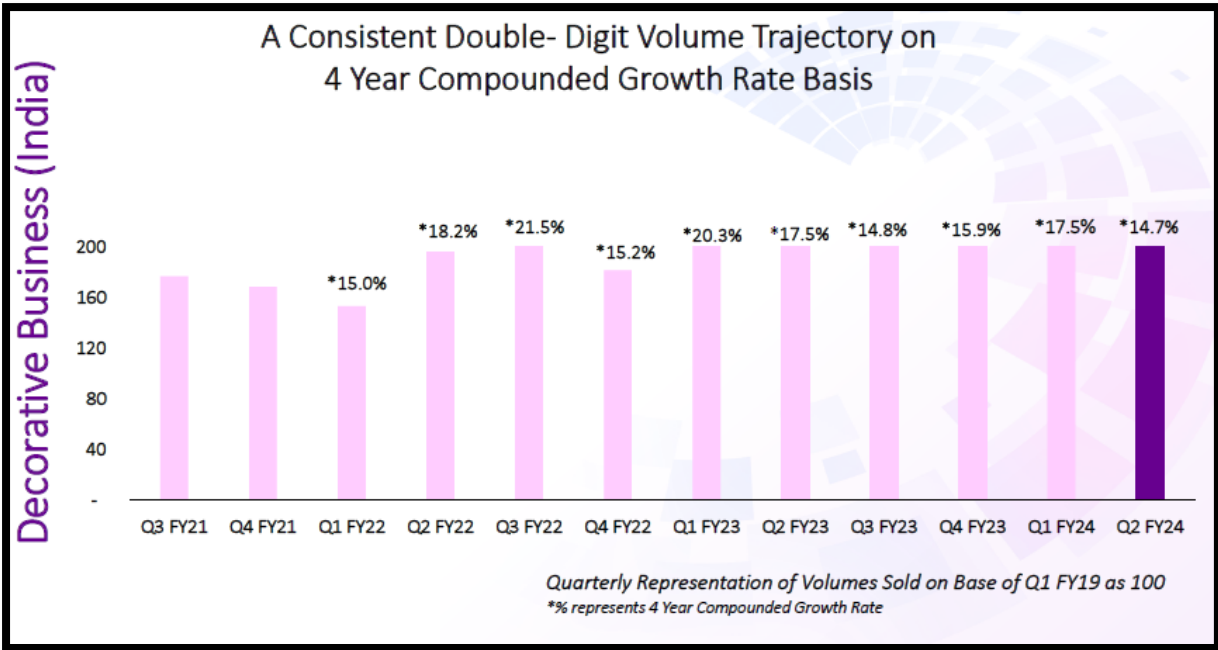
When we look at this quarter, there has been moderation in the top line, which has been seen in terms of the market and a weak consumer sentiment. I think progressively we have seen improvement; July was extremely weak, we saw August improving and I think it was a healthy exit in September. Overall, the bright spark, the volume growth has been 6% over double-digit in terms of what was there in Q2 FY23.

From a point of view of value, it has been flat, but there was a healthy growth last year in the same quarter of about 20%. The CAGR has been very strong at about 15% over a four-year period.

When you look at the half yearly results, they are slightly better. 8% volume growth, which is closer to the double-digit in terms of what we have been speaking about. And value has been a little lower at about 4.2% over a fairly healthy base. So, that's how the figures pan out, but CAGR levels here are also quite strong at about 16%, both on volume and value, which we see overall.



One of the areas which we wanted to bring in line is that if we look at just the paints and the coatings area, which is if you include the decorative sales and the industrial sales in terms of what we do, the volume growth is about 6% and the value growth is about 1.1%. So, it improves marginally given the fact that industrial sales have done well. The half yearly numbers also improve in terms of value to about 4.8% and in both these cases you can see the CAGR numbers are pretty strong on both volume and value. Both at the quarterly level as well as at the half yearly level. From the coatings point of view, we are able to see growth, which has come in both on value and volumes.



We have been speaking about this and you have been seeing this graph, our double-digit volume trajectory. And if you see, this is something which is still being maintained over a four-year CAGR basis and this is something as an organization, we are committed to going forward. Several imperatives which are working to see that we continue to really look at maintenance of this.

### Scorecard of our Growth Drivers

- ❑ High single-digit volume growth across urban markets; rural growth a notch lower
  - Over 4 years, both rural & urban centers growing equally well with similar double-digit CGRs
- ❑ Mix led by Economy range of products
  - Luxury range also saw reasonable traction
  - Reversal of trend in September
- ❑ Maintained strong growth in Smartcare Waterproofing
- ❑ Continued expansion of distribution footprint
  - Catering to over 1.6 lac retail touchpoints, added 2,500 touchpoints in Q2

- ❑ Strong traction for our Safe Painting Service (SPS) & Trusted Contractor Service (TCS)
  - Exponential growth over last year
  - Enhanced customer experience
- ❑ Robust growth in Projects / Institutional Business continues
  - Led by Builder, Factories & Govt Sector
- ❑ Continued our focus on innovation
  - New products contributed to about 11% of overall revenues
- ❑ Work on capacity expansion, backward integration initiatives progressing well

Some of the growth drivers to look at in terms of what really has happened overall. One of the differences which we have seen in this quarter is the rural and urban centres have been

behaving slightly differently and especially, we have seen that there is a change from Q1 to Q2. Today the urban centres have done better than the rural centres and that somewhere is a difference which is causing some of the dip in terms of demand.

We are also seeing that today, the current mix is led by a larger Economy range, although the Luxury range has also got reasonable traction. And we have seen some changes in terms of how September has behaved, possibly a larger traction on Premium and Luxury products.

Overall, Waterproofing has been a bright spark, strong growths, which we are seeing both in the Retail and the Projects segment. The whole area of our distribution footprint continues unabated. And today we cater to over about 1.6 lakh retail touchpoints. We have added about 2,500 touchpoints in Q2 itself. The overall additions, from a point of view of half year is closer to over 5,000.

We look at the entire area of our painting service, which is the Safe Painting Service (SPS) and the Trusted Contractor Service (TCS), which itself stands out as a big differentiator. It has really grown exponentially and doubled in its size, with some very, very good customer experiences measured through an NPS parameter. We can easily say that now globally, this is the largest painting service which is run by any painting company and therefore that's a clear edge in terms of the growth which we are achieving here.

From a point of view of Projects and Institutions, the business has been stronger despite the fact that there is some disruption because of the monsoons. We are seeing good growth coming from the government, the factories and the builder segment, which are growing at a fairly decent pitch in this quarter.

Our focus on innovation continues. You have been seeing a slew of new products which we have been launching over a period of time, and our new products contribution, even in this quarter, at 11% in terms of the overall revenue. So, I think this is a strong parameter which keeps on driving the sales.

We had announced huge Capex in terms of what we are taking, both from the point of view of capacity expansion and also from the point of view of backward integration. All these measures are going on pretty well, and we are definitely looking at achieving the numbers in terms of both Capex as well as the backward integration measures in the coming 2 to 3 years. So that's the overall scorecard on how we see some of the various areas behaving for us for this quarter.



**NILAYA NATURALS ECO SYSTEM**

The advertisement features three paint buckets: a green bucket labeled 'PRIMER', a clear bucket labeled 'TOP-COAT', and a white bucket labeled 'PUTTY'. Each bucket has the 'nilaya NATURALS' logo and a small image of a room. Below the buckets, the text reads 'Pushing the Boundaries on Innovation' followed by three bullet points:

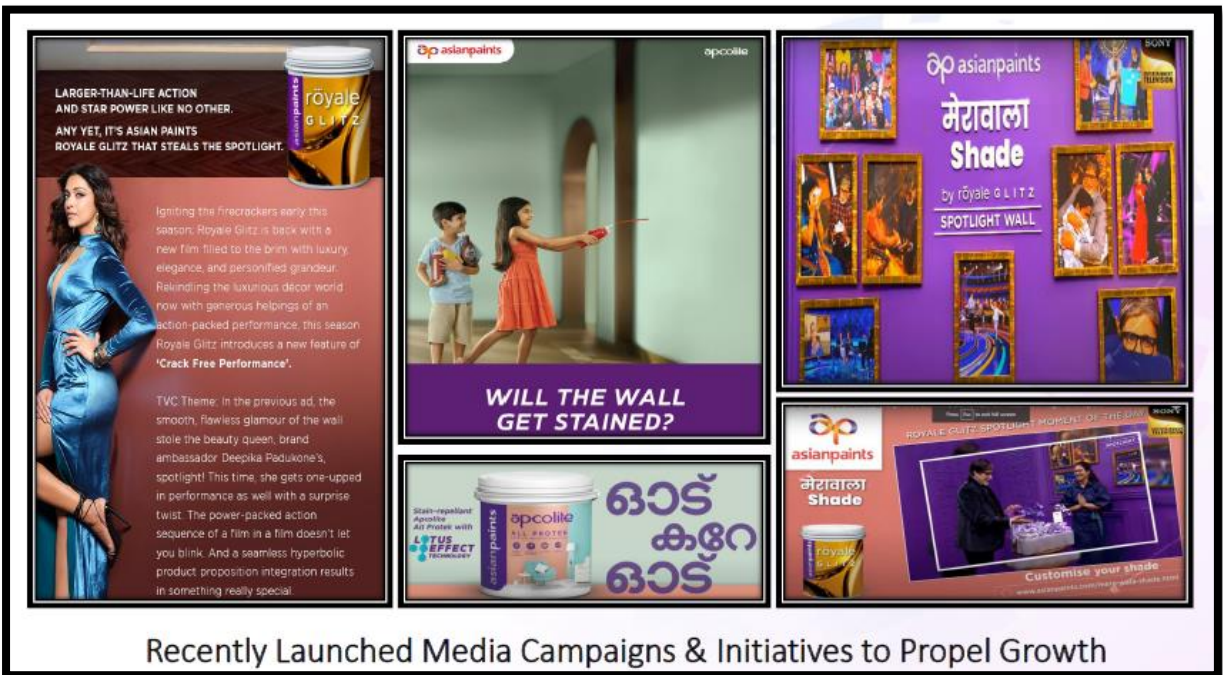
- ❑ Nilaya Naturals has over 90% natural content, leaving behind negligible carbon footprint
- ❑ Packaged in ocean recycled plastic, a 1<sup>st</sup> in the Indian Paint industry
- ❑ Available with its ecosystem - Primer & Putty, ensuring very low VOC

New products have been something which have been the strong point. Earlier, we had spoken about the 'Nilaya Naturals' Top-Coat. Now we have completed the entire range with the Primer, Putty coming in and this is really number one in terms of the paint industry. We are talking of something which is 90% organic, based on natural content which comes in and also something which in packaging is a revolution, because it is made of ocean recycled plastic. So, this is really a stellar product and it is one of its kind across the globe. At the Luxury end, it's something which is really appealing to the architects and designers.





Not only this, if you see, we are reinvigorating our offerings with respect to a certain consumer segmentation. We find that people who are above a certain level in terms of the SEC-A are preferring a lot of pastel and whites and to kind of cater to that we have launched what we call as the Whites and Ivories collection. It is called 'Shvet' and this is a designer palette, one of its kind, just got launched and is something which this season I think will do really well.



Recently Launched Media Campaigns & Initiatives to Propel Growth

Not only this, a slew of promotions, which are 360 degrees, whether it is in terms of ‘Royale Glitz’, what we have launched. It has been a mega starter in terms of what we have been able to put into the market and has got an extremely good response in the field. We have looked at various promotions based on integration in terms of media, whether it is ‘Kaun Banega Crorepati’ or whether it is in terms of cricket. We have looked at a lot of integrations which have come in terms of other products as well. ‘All Protek’ is the other product where we have looked at various media campaigns coming in.



Digital has been a very, very strong story and a lot of this is even marketed in various events which might happen in various places. For example, ‘The Boat Makers’ in terms of what we have done in Kerala, or looking at appropriating various occasions, even the ‘Chandrayaan’. Asian Paints has celebrated everything in terms of looking at reaching out to our customers. A lot of work happening around digital so that the campaigns are holistic in nature in terms of being able to reach out to our customers.



One of the big things which we keep doing is, looking at training people and increasing their livelihood by skilling them. These are various people across the country. We have a campaign which is called 'Kaamyabi Ke Rang', which looks at instilling skill, skill levels and therefore increasing the livelihood of people. And that is something which is very, very strong. We look at the training almost more than 500,000 people last year and this year also, this is going strong with almost the 300,000 trainings mark breached. So, this is a strong program which is really galvanizing the influencers to do something which is very different and to inculcate their loyalty towards Asian Paints.



## Strong Start to the Festive Season

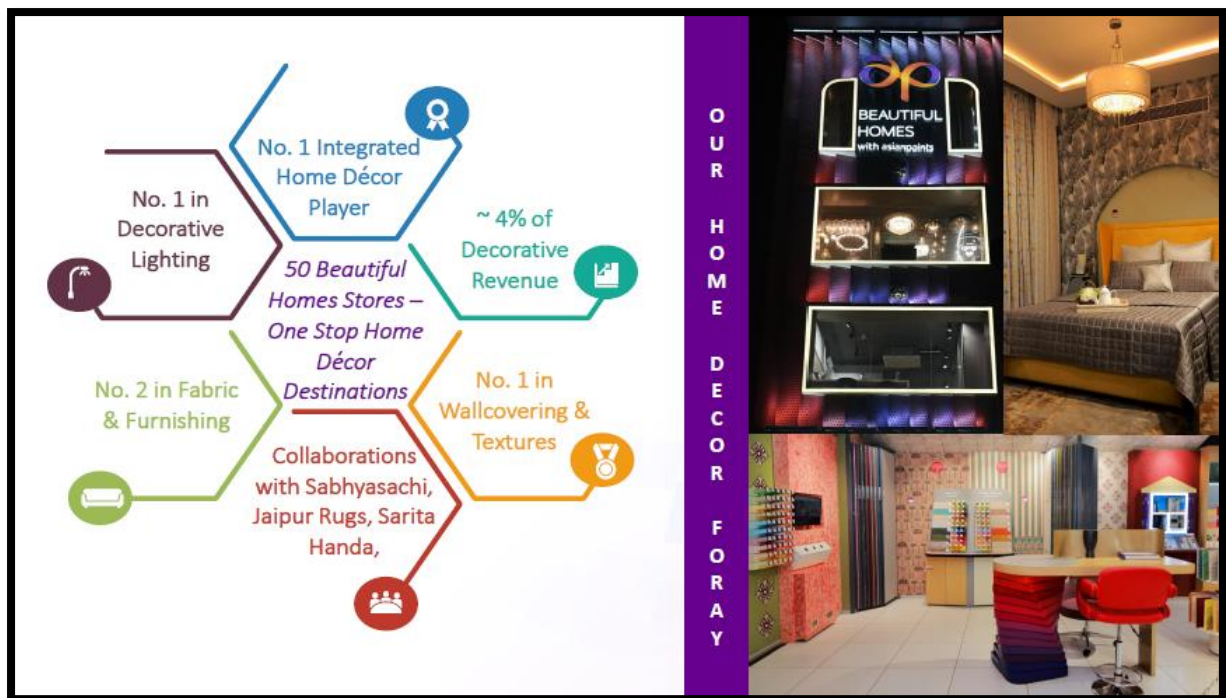


Special Puja tram to trundle between Tollygunge & Ballygunge

## A Tribute to West Bengal - Celebrating creativity, traditions & spirit of Durga Pujo with Sharad Shamman



Overall, when we look at various events and festivals, I think 'Sharad Shamman' at 'Kolkata' has been very strong. Just to give you an idea that the way we looked at the trams in Kolkata City, which we decked up specifically with respect to the culture in West Bengal. Whether it is the 'Howrah Bridge', whether it is in terms of talking of the nuances of the local culture, or in terms of even doing the inside of the trams in a strong way. So, 'Sharad Shamman' has become the 'Oscars' for West Bengal. And that is something which we celebrate every year. This is all to give you an idea of things which have been done in this whole area.



In the case of Home Décor, I think we have seen a little bit of a weaker demand this entire three months. But I think the organization’s foray in this is very, very strong. Our investments, our work which we are doing in this area is something which is very clear in terms of our approach. Today, we have become the number one integrated Home Décor player overall. We have now 50 ‘Beautiful Homes’ (BH) stores which are there across the country, and we are adding these stores steadily. Our ‘White Teak’ investment has taken us to a number one position in decorative lighting. In Fabrics, we are number two, in wall coverings we are number one. And lots of collaborations with ‘Sarita Handa’ and ‘Sabhyasachi’ and so on, so forth. Currently, the overall revenue is 4% of our Decorative Revenue, but we are committed that we would like to grow this exponentially as we really go in this Home Décor journey going forward.





Ador Wallcoverings  
Collection

So, when we look at this, we have been launching newer things. So, this is the new wallpapers which have come at the Smart Economy end.

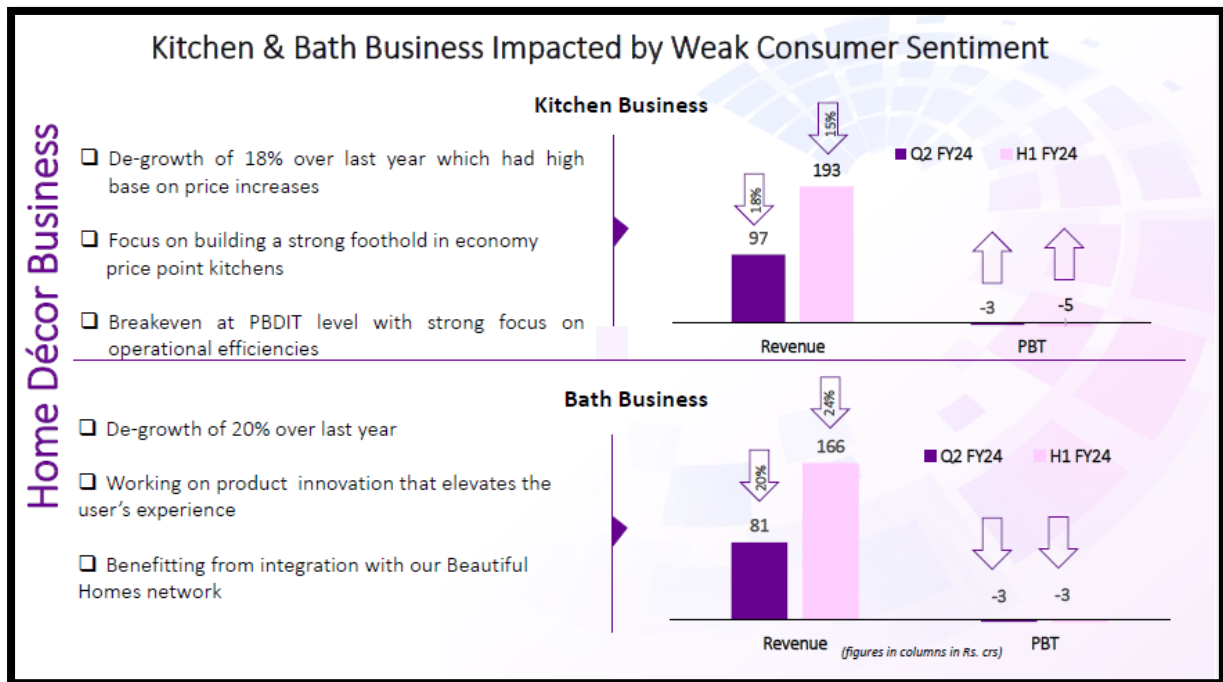


Our New Painted Forest Wallpaper Collection

*A Nilaya and Tilla Studio Collaboration. Tilla, established by clothing designer Aratrik Dev Varman, celebrates handmade Indian textiles & innovative craftsmanship*

At the same time, at the high-end Luxury end, we have launched some collections which we have worked with certain designers. The first kind of mural range which we have launched done by the 'Tilla Studio'. So again, to give you variability in terms of work happening at the

Economy, Premium and Luxury end. We are continuously looking at customers who are basically straddling these spheres as we look at the market.



This quarter, I think definitely the Kitchen and Bath business has been much, much slower in terms of what we have seen. Kitchen business had a price increase base last year and therefore we had larger bookings which were there by the consumers and that has impacted the sales there. I think the demand conditions have been weaker and therefore it has affected the top line numbers. However, we had our focus with respect to how we are looking at building our overall profitability here and we had done strong work in terms of operational efficiencies to maintain a certain kind of bottom line here.

Bath has been again, slower than Kitchens in terms of what we are seeing. So, I think while the BH network is kind of giving some energy to this, overall the business has been a little bit down. But I think that are strong plans on how we kind of prop up Kitchen and Bath as go forward for the balance part of the year.

## White Teak & Weatherseal – Well Integrated into our Home Décor Journey

### White Teak (Offering Decorative & Designer Lights)

- ❑ Net Sales of Rs. 26.1 crs in Q2 with 8.5% growth
- ❑ Expanding store network and increasing traction across Beautiful Homes

### Weatherseal (uPVC Windows and Doors)

- ❑ Net Sales of Rs. 12.6 crs in Q2, almost doubling revenue YoY
- ❑ Gaining from synergies with our Projects Business

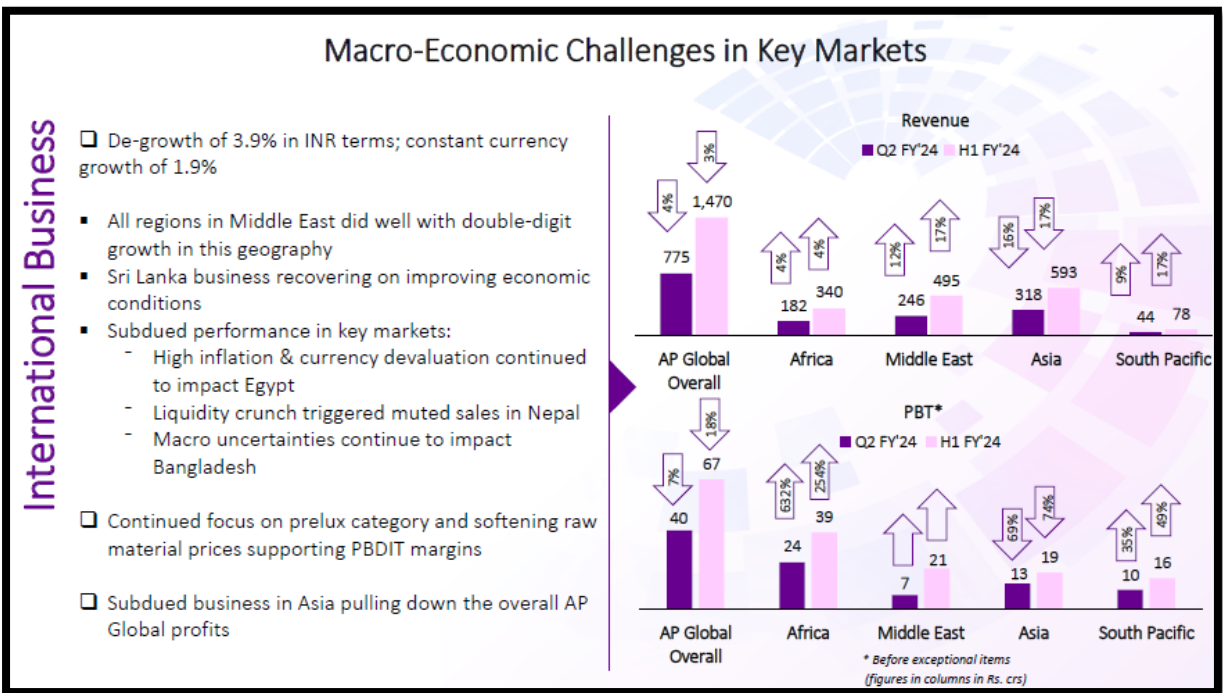


‘White Teak’ and ‘Weatherseal’, both are doing extremely well. Overall, top line is growing and we are really expanding the network across the country, along with Beautiful Homes being there. ‘Weatherseal’, which is the UPVC windows and doors again, business has doubled in terms of the value. We are introducing newer products here. We have just introduced system aluminium as well, which has come in and in the Projects business it is also doing well. So, I think these two would be the flagship kind of businesses which will lead Home Décor as we go forward strongly. So, I think these businesses are doing quite well in terms of how we see it.





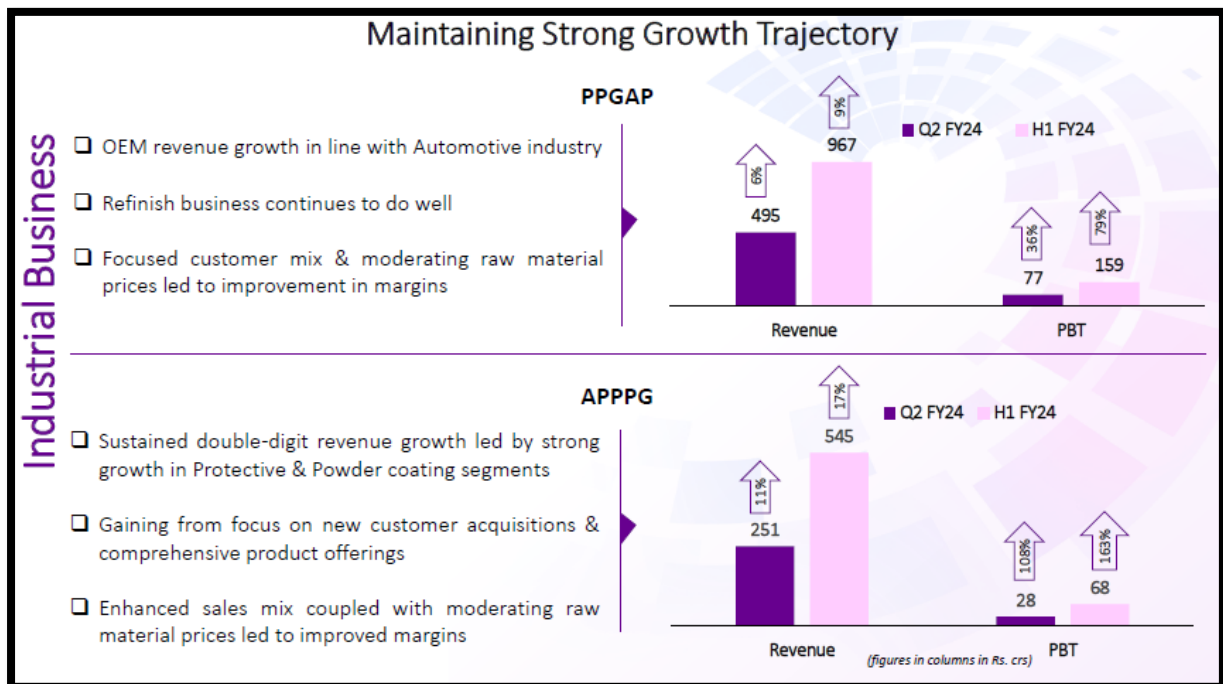
Coming to AP Global - This is the footprint, as you are all aware of in terms of where we operate - Asia, Africa and Middle East.



Overall, there has been a mixed performance as we see it. There have been various challenges which we have seen. Largely in terms of the overall numbers, while we have seen de-growth, but in terms of constant currency terms, there would be a growth of about 2% in this quarter. I think the bigger areas of performance has been Middle East, which has done very well with

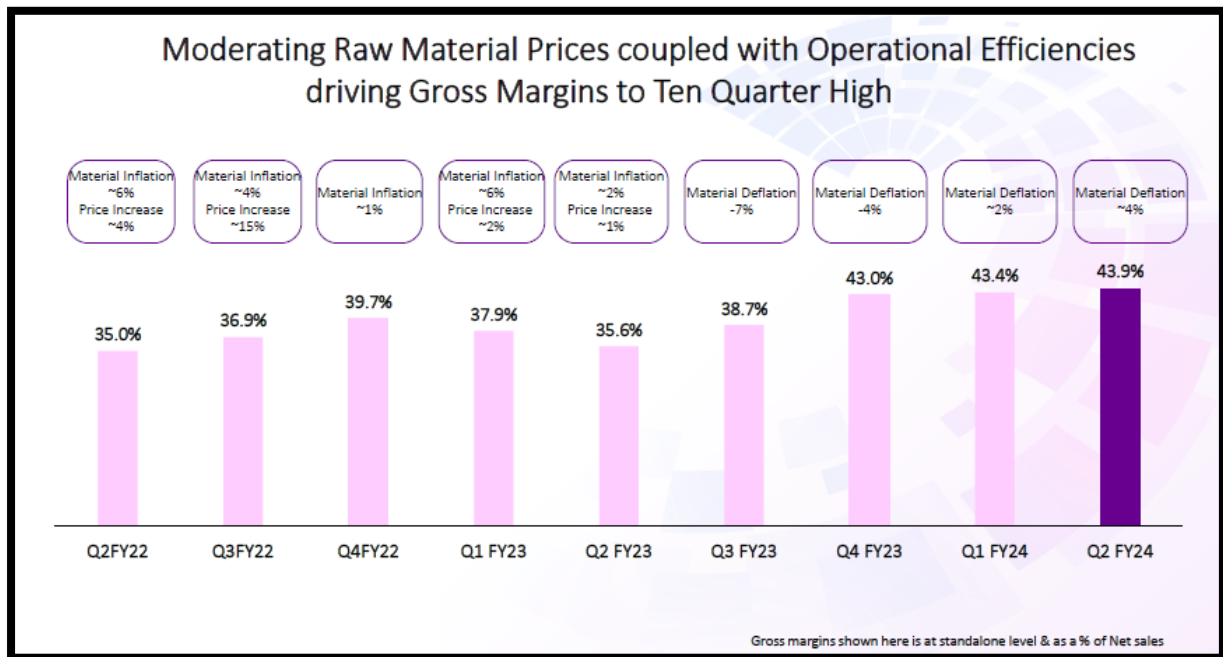
the double-digit kind of growth which has come in. Parts of Africa, which includes Ethiopia, has done decent. Sri Lanka, is something which is really improving in terms of the overall business. The whole impact largely has come in from Asia, where Nepal and Bangladesh have been a little bit more affected. We also see a large depreciation happening in Egypt, which is really disrupting the business in terms of both growth and bottom line.

So, some of these factors have really led to some disruption. However, we have been able to improve our PBDIT margins in terms of focus, obviously helped by some deflation, which is there. But, I think overall this business has been also on a slightly lower side as we see it, especially in some of the markets of Asia and Egypt. So that's how the AP Global Business looks like.



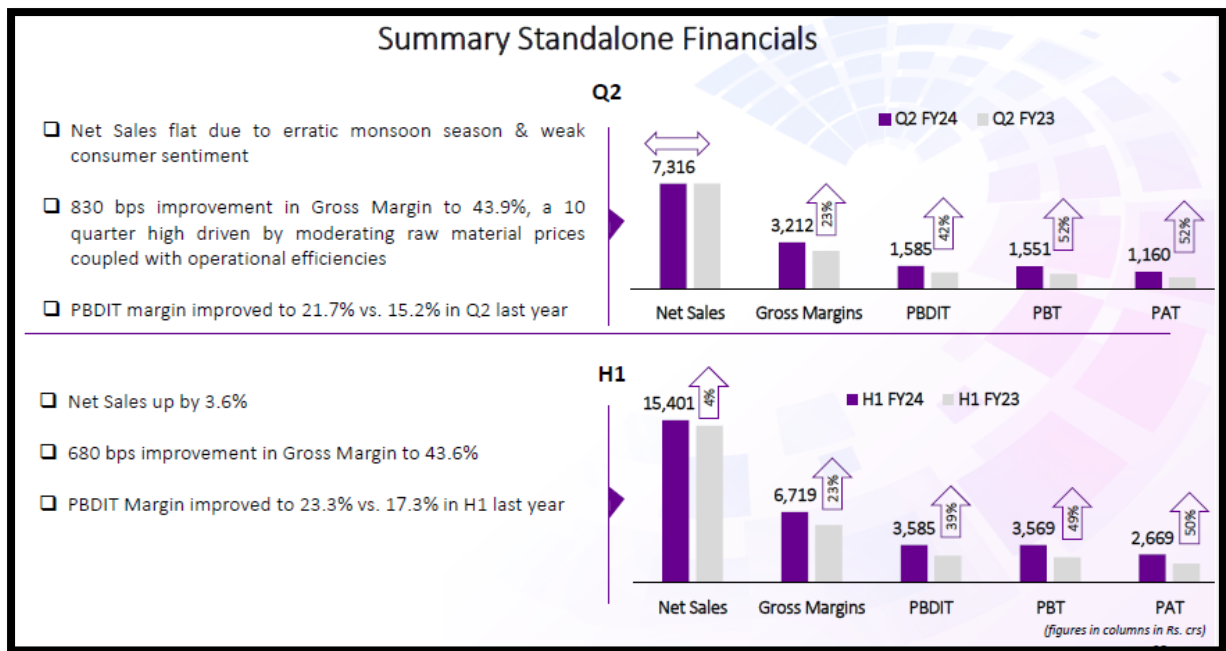
The Industrial Business, continued to maintain its strong growth trajectory. Overall, when we look at the PPGAP business, which is all about the auto refinishes business, I think both businesses have done relatively well, supported by good growth happening in the auto sector, especially passenger vehicles. I think there is good growth happening, which is reflected in terms of the topline numbers growing by about 6% and there is a strong growth with respect to even the PBT levels over the healthy growth which is there in the base. So, I think overall this business has done well.

If we look at even the APPPG business, which is about Protective paints and Powder coatings, this business also has grown in very healthy double-digits and their profitability has also been fairly good. Both segments have grown very well for us, and this is almost now a journey of the last 3.5 years that the business has been consistently growing. So overall, I think the Industrial Business does well and that is why in the overall coatings in Q2, we have registered 1.1% growth aided by the industrial performance coming in strongly.



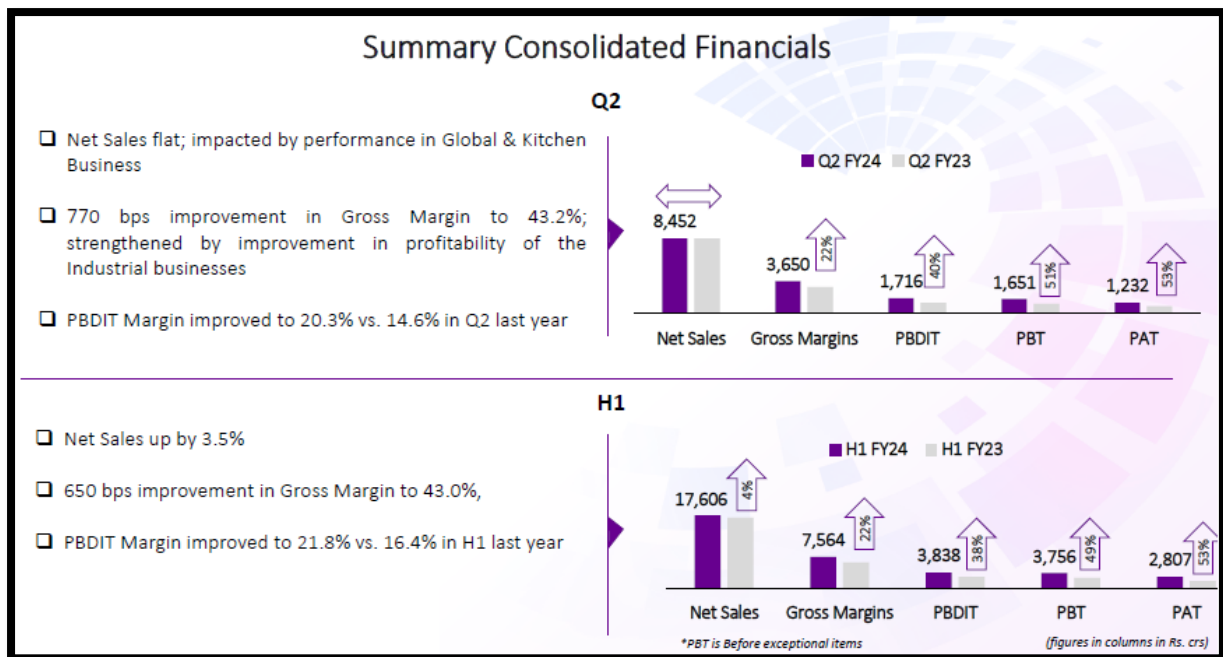
When we look at deflation which is happening over the quarters, especially the last two quarters, we have a material deflation of about 2%, which happened in Q1 FY24. And now, we have had about 4% kind of deflation in the quarter, which has just gone by. I think that is something which is clearly helping us in terms of looking at strong margins. If you see the gross margins, we are at about 43.9%, which is definitely in terms of trajectory, one of the higher gross margins in the last ten quarters.

As we go forward, we will have to look at larger macroeconomic things which are happening in other areas of the world, and we are closely watching this as we go ahead.



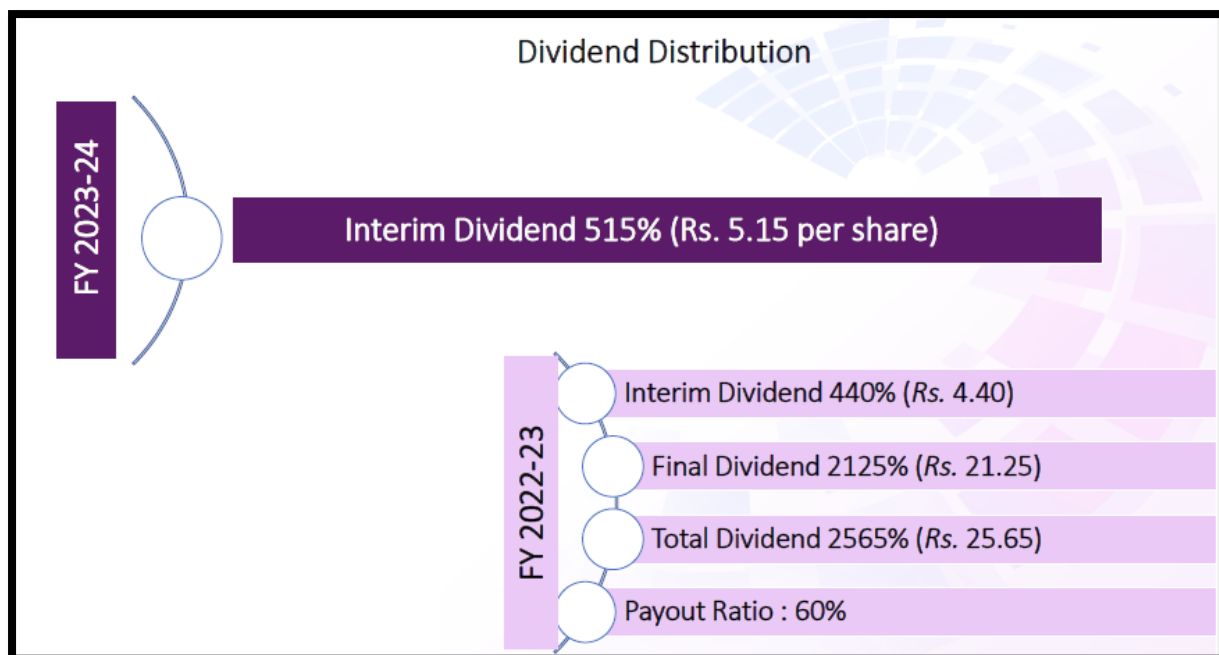
When we look at an overall summary in terms of the standalone numbers, obviously, as I said, the Net Sales is flat. But if you look at all of the parameters, whether it is the gross margins or the PBDIT margins or even in terms of PBT growth, I think very, very healthy in terms of what we are seeing. PBT growth is almost about 52% and PBDIT margins, from a previous comparable quarter of last year have really gone up almost by 550 bps to about 21.7%.

Even if we look at from the half yearly level, the trend is same. The Net Sales is up by about 3.6% and both gross margins, where we see 680 bps improvement and PBDIT margins again, the improvement is close to almost about 600 bps. So, I think the bottom-line story has been still very strong. Yes, some weaknesses in the top line, in terms of what we have seen in this quarter.



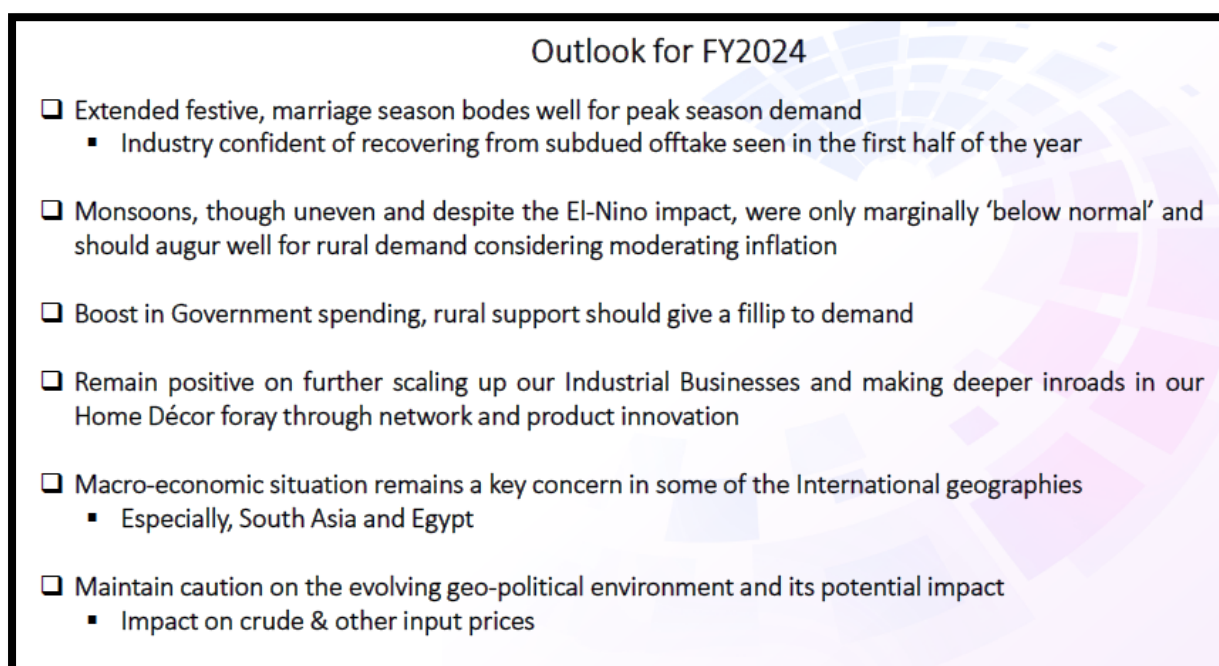
Consolidated financials, again, the story is similar with slight variations. Net Sales is closer to flat at the quarter level. Improvement with respect to gross margins, PBDIT, PBT margins overall. Gross margins have gone up by 770 bps. PBDIT margins are closer to about 20.3%, much above the 14.6% we saw last year in the same quarter. Overall, all parameters from the point of view of profitability look fairly healthy.

On a half year level similar to the standalone, I think Net Sales is up by about 3.5%. Again, improvements in margins, gross margins have gone up and now stand at 43% and the PBDIT margins stand at about 21.8%. So, that's how it stacks up in terms of all businesses coming together.



Dividend has been declared. I think it's a healthy dividend, which we have declared of Rs. 5.15 per share, and this is something which we are maintaining as a strong indication in terms of how the organization has done.

I remember in FY2022-23, the pay-out ratio was very strong at 60%. So, that's a very good sign in terms of how shareholders are benefiting from the point of view of overall performance.



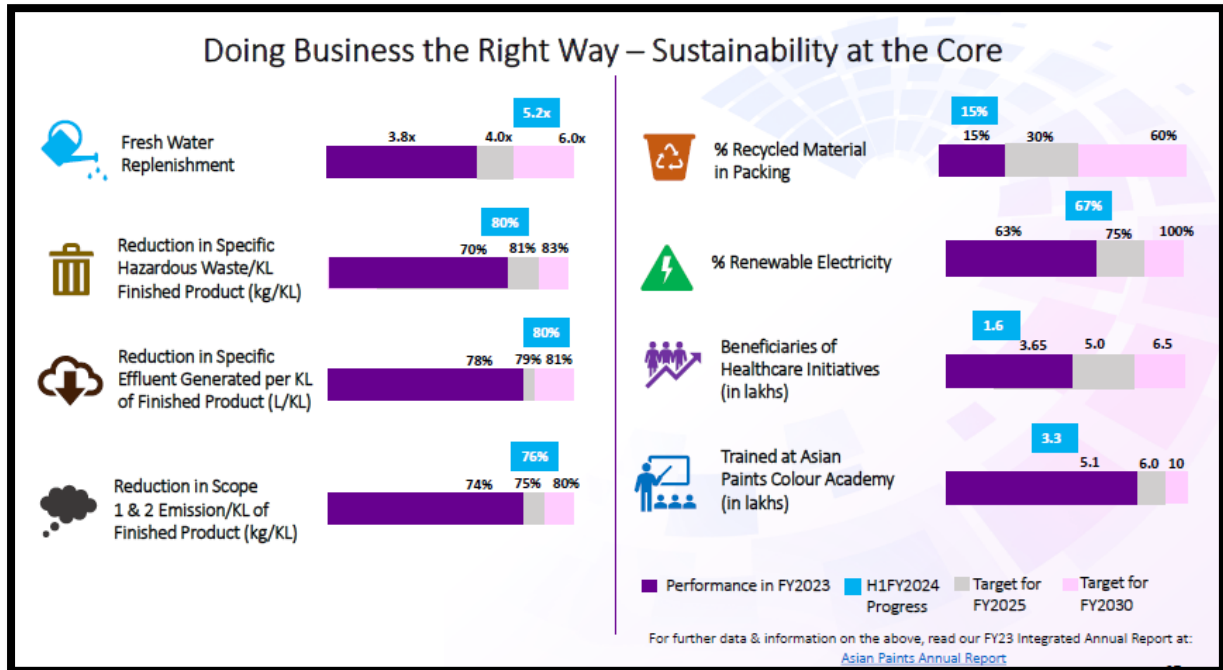
When we look at Outlook, I'm sure this is something which is on everyone's mind in terms of what's really happening. One very clear thing which has happened is that while there was erratic and sporadic rainfall in Q2, which took a toll with respect to the overall demand, it was very clear that we saw a shift towards possibly a longer festival season and therefore what we are seeing that right from 15 September onwards. there has been healthy ticking of overall sales. The exit of September was strong and therefore we are looking at a good 40 days of October and the first ten days of November, being very, very strong, which is happening because of the overall festive demand.

We also are seeing a strong wedding season, which is coming in November and December. So, I think we have the confidence that today going forward, we should see fairly healthy demand as an offtake which would come in led by the larger festive season which we are seeing currently. So, we are confident of that. Monsoons, though, I think have been uneven overall, but I think the deficit has been covered largely. So, no real kind of things which are coming as disturbance in this area. And I think overall, this should kind of favour the rural growth coming up, especially towards the end of Q3 and Q4 in the hope of a good harvest and good agrarian economy, kind of picking up.

Government spending, I think has been good. It has given a fillip to the rural demand also in support. Obviously, we'll have to see this in the context of the elections, which are coming up in terms of how it really behaves. As we see Industrial Businesses are doing quite well. Home Décor, we are quite confident that with the demand in terms of the real estate, which is picking up after the monsoon is over, I think it should really give a fillip to the overall Home Décor business going forward. As far as international geographies are concerned, I think the key concern is still Asia, where Nepal contributes to a larger chunk of our business. I think Nepal and Bangladesh, we have to see from what's happening and what is really the improvement which happens in Egypt. There is a little bit of uncertainty there. We are not very sure in terms of how things will shape up going forward. Let's see and hope for the best that how businesses recover in these places.

Overall, from the point of view of input prices, inflation, the second war which has started, is not something which is giving a very good sign. But we see that there would be some impact

on crude and all the derivatives around it, which might lead to some kind of inflation is what we are thinking in terms of the material prices going forward. But that is something which we like to really see and watch out in terms of what really happens. But in all, I think overall demand still seems to be positive and we are looking forward possibly to a good quarter as we go ahead.



Sustainability has been the core, and you would have seen that the way we have invoked the whole area of ESG has been very strong. I think it reflects on the kind of work which is happening. We are water positive first of all, I think that's a very big point. So, whether it is from the point of view of freshwater replenishment or with respect to either the effluent generation or it is about specific hazardous waste, large quantum of reduction in terms of what basically we have promised and are achieving in terms of what you see here very clearly.

Similarly, in terms of scope one and two emissions, I think there's very good work which is there where we see such strong reductions coming in. Everywhere RE has been a strong area with us almost at about 67% level. And this is something which is not purchased RE through certificates, this is something which we have actually achieved in a strong manner. Overall, I think the work in recycled material, again, very, very strong. The whole area of social, again very strong in terms of the work which we are doing on skilling, improving the livelihoods of



people or even working around health care initiatives. So, I think this strong body of work is something which is really the core in terms of bringing joy to people's lives.



And therefore, I think we continue in terms of spending on democratizing décor and really creating joy and happiness for various communities and people across the country. And also creating something what we call the Art Districts. We have about 7 Art Districts now across the country, and that is something which we are strongly taking going forward. Thank you so much.

**Moderator:**

Thank you, Mr. Syngle, with that, we now proceed to the Q&A session.

**Abneesh Roy (Nuvama):**

When I see your non-paint diversification, I see very good performance in adjacencies which are very close to paints. So very good performance in waterproofing, construction chemicals, putty over many years. But when I see your more diversified forays, for example, Ess Ess and Sleek, it's been a consistent challenge. When I see the real estate sales last year and this year, almost every company has seen very good sales. So, if there is a lag impact, it should have shown now. So, my questions here are essentially, is there a big festival impact which has impacted Ess Ess and Sleek because both have seen double-digit sales declines? Second, is

when you said you would be taking lot of concrete actions to recover sales in the balance of the year, my question is more on the structural thought from a longer term. How do you see this going much faster? Because when you say that you are the largest integrated Home Décor company, ideally these parts of business would have benefited more rather than paints, which is anyway doing extremely well from the existing dealer network rather than the Home Décor network. So how do you measure your Home Decor network is performing as per expectation because it could be a key differentiator.

**Amit Syngle:**

I think I would like to just clarify that if we look at the overall Home Décor foray, I think it's not only the adjacencies of waterproofing and construction chemicals and other areas that you're seeing. If you see, we have started putting focus on the recent buys of White Teak and Weatherseal and there we are seeing responses which are coming. Specifically, if you look at Kitchen and Bath business, if I talk of FY21 and FY22, two years, I think we had done exceptionally well, almost about 30% growth in both the businesses. Last year the growths were in double-digits.

So I think from that point of view, the trajectory has been good in the last three years in terms of what we have been able to do. Only this year and starting from Q4 of possibly last year, we are seeing weakness which is come in, in terms of the overall demand. And what we are seeing is that our imperatives with respect to the Beautiful Homes stores, I spoke of our 50 stores which have come in, a large chunk of these stores have come in the last one and a half years. So, I would say that from the point of view of going ahead, yes, you're right that we are seeing some of the weaknesses in the last about three quarters, definitely. But we still see a very, very high potential with respect to both the businesses. Because in Kitchen, we are the number one player in terms of the FKD business and we still think that the modular kitchen is a very, very strong bet.

We have been really conscious in terms of looking at our bottom line and not going and splurging in projects in a very big way where the real estate has kind of really gone in. Therefore specifically, we are not very strong with the builder segment, but we are strong from a point of view of retail demand, which comes in terms of renovations and other things

which people do in their homes in terms of replacing their regular kitchens with modular kitchens.

So, I think going forward, Kitchen, we are very confident that today we should do well because the last three years, we have grown at a good rate both from the point of view of kitchens and components. Bath again, last three quarters, it has got really effected in terms of the overall growth. There are some network challenges in terms of what we are facing from a point of view of overall distribution. But the whole area of Beautiful Homes, are really propping up the sales very strongly for Bath as well. There is some work which we need to do in terms of brand building as well. So, given these areas of focus, I think they still are very much in the reckoning. The organization is behind them and what we see is that we would revert back to the growth which we saw three quarters earlier and the trajectory which we were maintaining as part of the overall imperative of the number one integrated player in terms of Home Décor.

**Abneesh Roy (Nuvama):**

You mentioned that in retail you have high focus and real estate where the growth is much higher. I understand the margins will be much lower, given current lifecycle of Ess Ess and Sleek, won't it make sense to cross subsidize from the paints business because the amount of subsidy needed will be lower. It also addresses your earlier point that you need brand building here, so if you have that as a captive brand in the new home, won't it also help in terms of brand equity of both the businesses.

**Amit Syngle:**

No, it is there. So, the umbrella branding of Asian Paints is definitely helping us in both the businesses. I was talking more of the fact that today the awareness of people that we are in the Kitchen and the Bath category as well. I was talking more in terms of building that space as we go forward. It's not that we are totally out of real estate. We do participate in some real estate, but especially we are looking at a little bit of the mid-end, high-end builder's space and not looking at the lower end, which is there. So, as I said, we are looking at calibrating our margins there and looking at what products we could kind of really offer there.

So, it's not a segment which is left forever, but I think we are being a little bit more cautious with respect to how we want to achieve our bottom-line as well as grow this business of Kitchen and Bath going forward.

**Abneesh Roy (Nuvama):**

I think the last question is on your core business. You mentioned weaker sentiments, downtrading which is being seen in almost all forms of consumption currently. You take FMCG, you take QSR, all companies currently are suffering. Wanted to understand given this is a new trend at least in paints, what are the proactive steps you are taking in terms of increasing market share at the lower end so that the downtrading benefits you? Second, in Q3, you mentioned because of the festival demand and marriage season, some of the things might reverse. You see this as a Q3 phenomenon, given it started this quarter or you think this is a one quarter phenomena only and will get to know Q4 later but what's your sense?

**Amit Syngle:**

So, as we see it, I think this quarter has definitely been an anomaly in terms of what we see. You have been seeing the trajectory across the last 13 quarters in terms of what we have been able to do overall. What we see very clearly is that, if we look at the entire quarter, you know, July was the weakest and it picked up. July was weaker because of the rains, which were very, very high and strong and then I think progressively we have seen some improvement in August, and September. As I said, the exit rates in September has been very good. In terms of even the product mix, we are looking at, September is coming back strongly.

We feel that going ahead, given the larger festival and how we are seeing possibly the current October, this seems to be a little bit of a one-time phenomenon. But having said that, I think overall, if on an analysis of how last year was, in terms of the overall sales, which was high double-digit growth; in terms of overall volume, also how it is auguring; definitely what we see this year in the first half is that demand has been a little bit slower. More egged by the fact that the smaller tier towns are doing lesser or giving lesser kind of sales. But I think that apart, we would say that the phenomenon of really kind of looking at saying that we are looking strongly at the coming quarter I think remains and this quarter has been a little bit of an anomaly there from a point of view of sales.

**Avi Mehta (Macquarie):**

I just wanted kind of pick up on the demand environment bit. What I am trying to appreciate is, is it fair to argue and what I read between the lines is that the moderation in 2Q was largely because of festive timing and hence, would it be fair to say that if I were to add 2Q and 3Q and look at that growth momentum, that should be similar to the momentum that you were say witnessing at 1Q or probably prior to that? Is that the way I should look at demand or how would you look at it?

**Amit Syngle:**

Definitely, I think when we look at combining both the quarters and look at a Q2 plus Q3 kind of growth, I think that is something which definitely gives us a leeway in terms of saying that it should be closer to how we would have looked at our Q1 growth, which has kind of come in. So, I think that is the correct analysis in terms of what we see overall going forward from the point of view of how demand will augur given the larger festival season. Because what is very clear that last year Diwali was around 18th October or so, and this year it is around 12th November. So, there is a clear time period in terms of what you are kind of getting.

The other factor, which we must look at is that the whole pattern of rainfall has been very, very sporadic. If we look at from the point of view of this quarter. July - it was very heavy, August it was absent. And then in September, it kind of came back, which has also kind of killed the sentiment in terms of whatever demand would have kind of built up. Especially, the whole exterior segment has got affected in a very strong manner. So, we would definitely see some deferment of this demand which is going to come into that quarter apart from the festive thing which is there. And third, what we see is very clearly a very, very strong wedding season, which is coming in November and December. And that, I think, augurs quite well for our industry because typically there is a lot of painting which happens around wedding time. So, I think when we look at all these factors, possibly that Q2, Q3 is something which we are looking at, you know, in terms of the growth kind of really balancing out.

**Avi Mehta (Macquarie):**

So not a demand issue, more a timing issue is how I should kind of look at it. The second bit was on your comment on input cost. I wasn't quite clear. Is it the current level of input that

you are worried about and hence you need to take price increases on that? Is it more of crude rising? And related to that, just from a near-term perspective, this quarter had a mix impact, clearly Economy did well. If you are seeing bullishness coming in on growth, if you're seeing input costs, we don't know where it will be. But assuming stable, would it be fair to say that margin at the EBITDA level should also move up from 2Q levels just because the mix normalizes?

**Amit Syngle:**

So, what we see is very clearly that the larger geopolitical situation has kind of put pressure on crude. We are seeing increasing crude in the last about 10-15 days. And earlier also we had seen some upward movement which is there. Plus, I think going forward from a point of view of currency, also we don't know which way it is going. As a result, what we are looking at is that possibly in the coming quarter, you will definitely see some upswing in terms of the material prices, especially where crude derivatives are concerned, solvents are concerned. I think we will definitely see an upswing. What I was mentioning was very clearly is that the kind of deflation which we have seen in Q1 and Q2, that is something which we don't see any deflation. In fact, we see going forward, there will be some inflation and therefore I was not talking of a price increase. I was just saying that we might have to look at prices in terms of what we might have to do depending on how the inflation takes place going forward. So, I think from that point of view, there is some balancing which is happening with the material prices going up and this is a trend which I see in Q3 and Q4 going forward. So, from the point of view, I think the PBDIT margins and so on so forth, we have always kind of maintained that we would remain in that band of 18-20%. That's a very strong and steady way in terms of looking at how we perceive our margins going up, in terms of both calibrating prices or calibrating discounts and overall spends as we go forward.

**Jay Doshi (Kotak Securities):**

Could you comment on competitive intensity from local players and unorganised players? You mentioned that rural growth was much slower. Do you see more competition from local players in this environment.

**Amit Syngle:**

As we see it, I think the unorganized sector definitely has got affected post COVID. First, it was the whole disruption in terms of the supply chain. Now, we are also seeing a very clear shift towards brands, which is happening from the customer point of view. And what we have seen is that the price elasticity also which was there earlier has kind of really decreased, Overall, from that point of view, I think it is very clear that the unorganized sector is not growing at par with possibly the organized sector and that is something which we have seen in the last two years as well. Therefore, one of the areas from where we are gaining share is especially the unorganized sector which is there, given the gains which we have been able to achieve in about the last three years.

We see very clearly that the unorganized customer whose sitting at the fringe is kind of looking to buy into an organized brand. And therefore, what we see is that there is a lot of traction coming towards the emulsions which are the smart or the economy emulsions and people are looking at brands to really upgrade to because the price difference is not very high and they get the comfort of the assurance from a brand which comes in. So, I think the trend which is appearing is very clear that the organized industry is growing faster than the unorganized industry in terms of overall growth which is happening in terms of the products which are quite relevant to the paint industry.

**Shirish Pardeshi (Centrum):**

I think you said that the rains were uneven or sporadic. My understanding, this would have affected a larger exterior business. So, I'm more curious that generally typically what is this split in the rainy season between the exterior and interior in terms of decorative?

**Amit Syngle:**

There are two parts of it as we see it. While the exterior business gets affected. But, you know, I was largely talking of the painting segment because, you know, when it rains to a lot of customers, they would avoid doing interiors as well. So, it's not like just the exterior business is affected. So, I think what we have seen is that a lot of times, you know both, if the rains are sporadic and there are not kind of really clear periods which have been coming in, both interiors and exteriors will get affected. Also, from the point of view of B2B projects, I think

the larger builders also look at those free times which come in between in terms of as they start painting the buildings. So overall, what we see is that the more erratic the rainfall, the more demand it will affect, the more predictable the rainfall, I think the lesser demand it will affect. So, I think from that point of pattern, it is not only the exterior, but yes, the extent of exterior is higher. But interior also gets affected because of the overall sentiment. Having said that, the other areas of this, which can also take a toll, is the retail sentiment. It also gets affected from the point of view of overall stocking, how they would be kind of looking at stocking during this point of time. So, there are multiple factors at work and just kind of ascertaining the exterior percentage would not be the right way of assessing in terms of how demand would have got affected.

**Shirish Pardeshi (Centrum):**

To follow up here, so what you just said, if I understand. So, this delay or the postponement of the demand is always there, and that's why you are positive saying that September you have got that demand, is that the understanding Correct?

**Amit Syngle:**

So, it is as I said, what we have seen in general that whenever there is a longer Diwali, okay, definitely we find that the longer Diwali helps the period of about 45-60 days, which are there starting from second fortnight of September onwards. And therefore, you get a larger play because please remember that monsoons do continue in larger parts of the country till September end. And if you have a shorter Diwali, it basically gets affected because the season will not typically start from first September onwards. When you have a longer Diwali, you get the benefit of the fact that even if the monsoons end by September end you get a clear possibly 40 days in terms of that higher retail which comes in. So that's the shift which you must recognize, which is relative to the monsoons and therefore in the larger patterns which we have seen over the years. We have seen longer Diwali helps in terms of really a larger demand and therefore the respective quarter gets affected.

**Shirish Pardeshi (Centrum):**

You have been guiding double-digit volume growth. Given the first half is over, do you re-look at this guidance or you maintain that guidance?



**Amit Syngle:**

Overall, as I said for Q3, we definitely are looking at the same guidance. Now how in terms of this will come in is something we'll have to see how the demand augurs, but we are hopeful that for this quarter, we will maintain the same guidance.

**Shirish Pardeshi (Centrum):**

My second and last question on the projects, what you have announced over VAM and other projects. What is the current update and where and at what stage we are and maybe if you can give us what is the Capex already happened? What is more to come and when these projects will get completed and we will start get commercial production?

**Amit Syngle:**

When we look at the white cement project which is happening in Fujairah in Dubai, I think we are absolutely in line in terms of getting our permissions, the land acquisition and all the agreements in place. We are ordering equipment for our entire project. What we are seeing very clearly that if we look at the project, should we definitely be over by December of 2025. We will see if we are able to prepone the overall project, but it looks like it should be definitely be over by then.

If you look at the VAM VAE project, I think the basic work with respect to consultants in terms of overall larger layouts and looking at some of the various permissions, some of those applications are gone and we are looking at Q4 FY26 in terms of where we would be able to kind of complete those plants.

With respect to the brownfield investments, we have been able to complete our investments with respect to our plant, which is in the north in Kasna. We have been able to complete our expansions in Khandala, which is the Maharashtra plant and our expansion in the Ankleshwar plant, is expected to be over by about December of this year.

So, I think all those are in line in terms of what we have kind of put in. In terms of overall Capex, which we had committed, we would have kind of spent almost, I think about 50-60% of that Capex going into some of these projects.

**Parag Rane:**

For the for the brownfield expansions, out of the Rs. 3,400 crores we had announced for brownfield, we have already spent close to around Rs. 1,500 crores.

**Tejash Shah (Aventus Spark):**

As we entered last quarter, there was a lot of enthusiasm from industry because of the build-up period that we had got this time because of Adhik Maas to festive season. Now, do you think that that advantage has got negated because of erratic monsoon and now we are actually as good as any other normal year or you think that that pent-up demand can still reflect the surface in 3Q?

**Amit Syngle:**

I think for the exact culmination of that excitement, you have to wait till Q3 to kind of finish. We are still kind of looking at the fact that the festive demand is kind of good. We have exited, as I said, September at a good kind of rate and we are seeing some of those things happening in October as well. So, I think for us, possibly yes, there has been a dip in terms of what we have seen in Q2, which is disappointing for sure. But I think what we are looking forward is still that Q3 should kind of really make up for whatever is the deficit of Q2 going forward in some way or the other as we kind of look at it. So, I think from the point of view of estimation which we do, the industry should grow at one and a half times the GDP. I think that should still hold in terms of going forward as we look at it.

**Tejash Shah (Aventus Spark):**

If I see our distribution footprint expansion in the last 3-4 years, it has been reasonably aggressive, at least north of mid-teens number. And now, if I see the guidance for this year, 10,000 on a base of 1.6 lakh that we have it is it comes to somewhere around mid-single digit or high single digit. So just wanted to know, is this the number that will continue from here on or we have an opportunity to accelerate as we go along this year? And associated question, what would be the number of Colour World installations that we would have done in H1 FY24?

**Amit Syngle:**

When we look at the overall expansion, I don't think so it has been nominal. It has been very, very aggressive and I think when we look at absolute numbers very clearly rather than a percentage kind of increase over that because that is something which really matters. Overall, what we see is that we are already at a number which is if you look at a half yearly level, more than 5,000. So, I think we are well in line in terms of taking the number going to what we had kind of really looked at from our earlier mentions. So, I think from that point of view, the network expansion continues to be fairly aggressive and that will continue in the next half of the year or so. And therefore, what we are definitely looking is that we should be closer to about 8,000-10,000 points this year, as well our distribution.

**Moderator:**

With that, we conclude with the Q&A session. Thank you, everyone for your questions. Mr. Syngle, we now request you for your closing remarks.

**Amit Syngle:**

Okay. Thank you, everyone. It was great having you for this investor conference. Thank you for coming and joining us. Look forward to meeting you in the next quarter conference for sure. Thank you.

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