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APL/SEC/32/2022-23/50

25th October, 2022

BSE Limited
Corporate Relationship Department
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 20th October, 2022, with regards to the financial results of the Company for the quarter and half year ended 30th September, 2022 and other acquisition / investment proposals.

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**

R J JEYAMURUGAN
CFO & COMPANY SECRETARY

Encl.: As above

“Asian Paints Q2 FY2023 Earnings Conference Call”

October 20, 2022



Management :

<i>Mr. Amit Syngle</i>	<i>: MD & CEO</i>
<i>Mr. R.J. Jeyamurugan</i>	<i>: CFO & Company Secretary</i>
<i>Mr. Parag Rane</i>	<i>: GM – Finance</i>
<i>Mr. Arun Nair</i>	<i>: Manager - Corporate Communications</i>

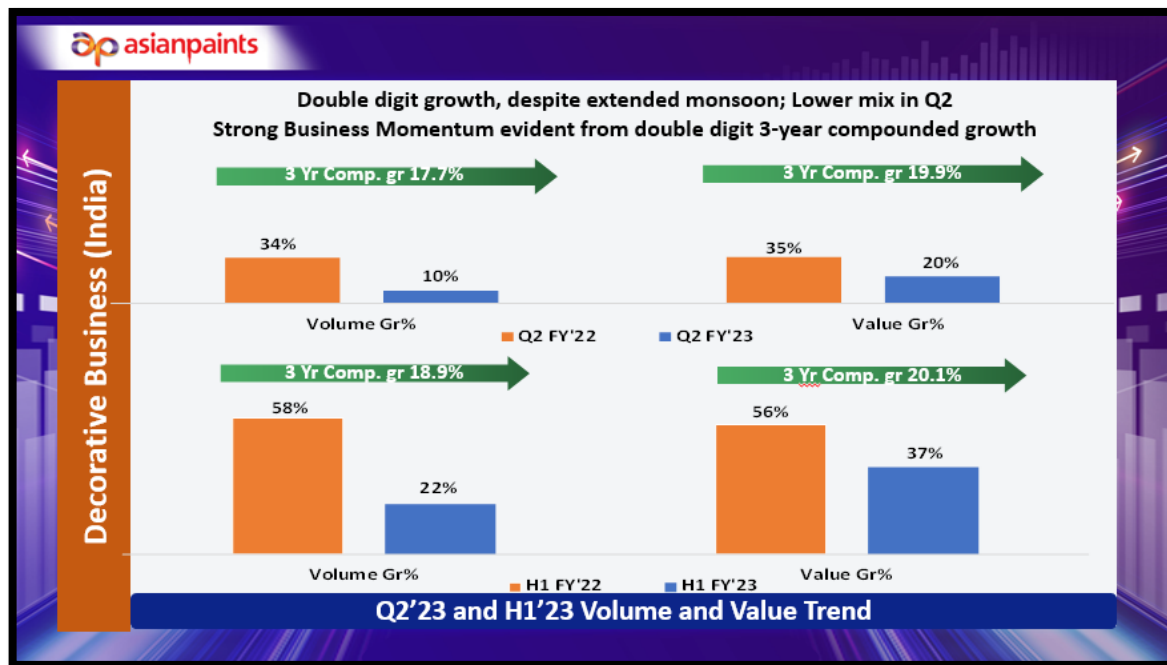
Arun Nair: Good Evening and a very warm welcome to one and all to the Asian Paints investor conference for Q2 FY 2023 results. Today, on the call we have Mr. Amit Syngle, MD & CEO; Mr. R J Jeyamurugan, CFO & Company Secretary and Mr. Parag Rane, GM - Finance. I am Arun Nair from Corporate Communications.

May I now request Mr Amit Syngle to take you all through the presentation. Mr. Amit Syngle, over to you.

Amit Syngle: Hi everyone a very very warm welcome to all of you in terms of today's Investors meet and I'm sure we have a interesting conversation ahead.

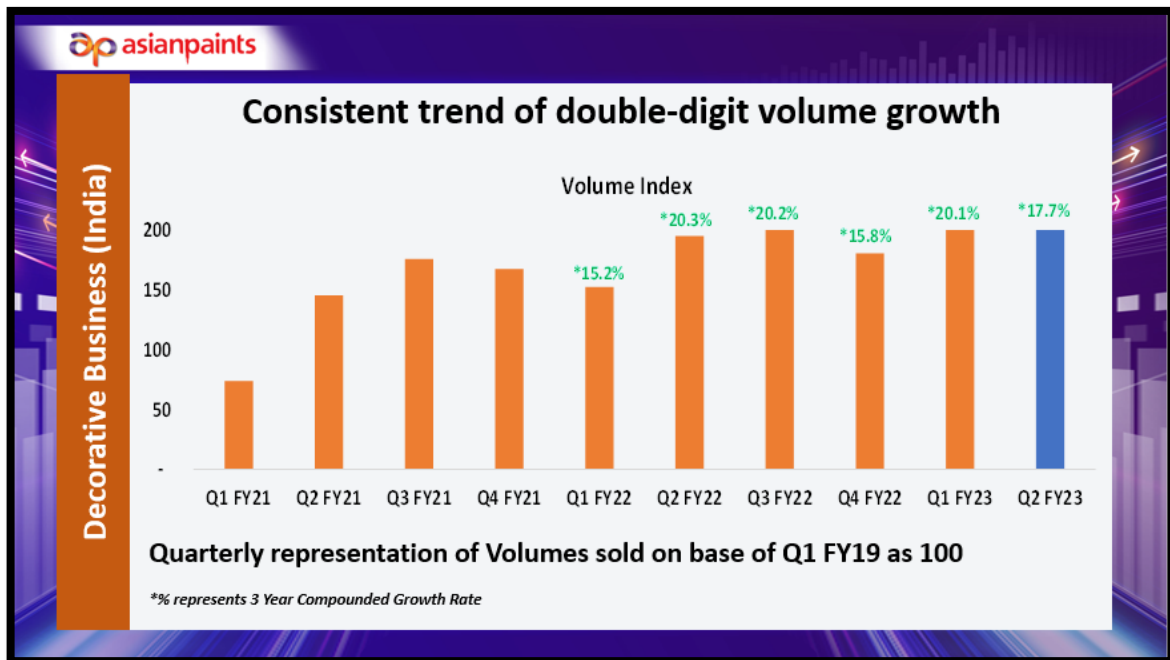


When we look at overall Asian Paints, this is something which all of you are familiar with almost now 80 years of existence in terms of looking at beautifying, preserving, transforming all spaces and objects, and bringing happiness and joy to the world. That is something which is the core value in terms of what we really stand for.



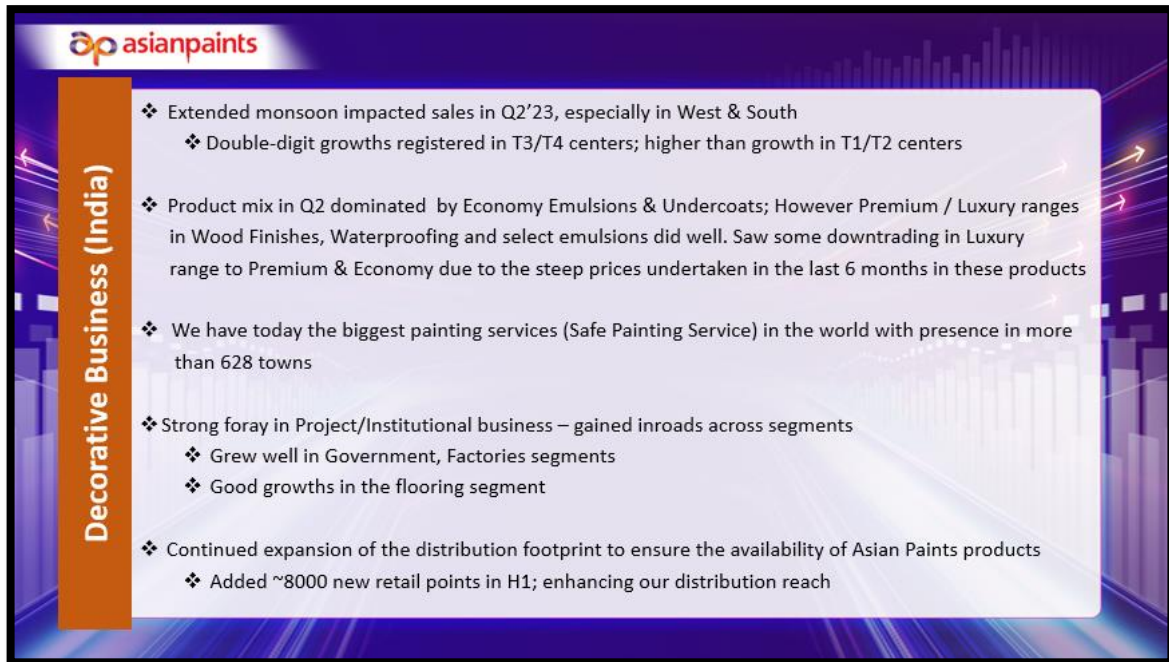
Overall, when we look at the business in Quarter 2, I think the overall business has been very very strong from the point of view of the environment, In terms of what was there for the whole quarter. We had an extended monsoon as you are all aware and rains have gone into October across the country in terms of what we are saying, and which has kind of really taken some bit of toll with respect to the exterior's painting market and in terms of the overall projects and construction business which is going on around the country. But overall, despite that, we logged in a strong 10% double digit volume growth which has come in this quarter, which translates to almost value sales, value growth of about 20% which has kind of come in here. If you look at the three-year CAGRs here, and why 3 years because we've seen that 2019-20 was the normal year in terms of from a pre-covid point of view. So today, we had a normal Q2 in 2019-20 and that is why the comparison in the entire presentation we have taken a three-year CAGR kind of a reference. So the volumes are very healthy at about 18% in terms of the CAGR and the value was clearly about 20% which shows the fact that the top-line focus has been ensured in terms of the organisation over a set of quarters, as you have kind of really heard from us. At the H1 level also, if you see, the growths are pretty satisfying in terms of the overall volume at being 22% in terms of what we have been able to achieve overall and if we look at the

fact that the three years CAGR here is close to 19% and a comparable to the last year where the growth were also pretty high in terms of what we have kind of achieved. So the bases are relatively much much higher as compare to the last year Q2 in terms of what you see or the last year H1 which you kind of see overall. In terms of value, again now it's 20.1% CAGR and almost at 37% value growth. So, I think the H1 trends are pretty staggering in terms of what we have been able to achieve overall and I must remind you that overall, if you see the each quarter is different in terms of the overall contributions in the entire year as well as from the point of view of how the product mix matters from quarter to quarter as we kind of go ahead in the year.



When we look at the overall trend of the top line, it is very clear that the volume index, what is visible right to you on the screen is a very strong double digit number in terms of what you are seeing overall to that extent, and therefore this is representative of the three-year CAGR numbers and Quarter on Quarter you can see that the overall CAGRs in terms of the, you know the double digit growth have been very very strong in terms of what we have seen over a period of time and that is something which is very clearly the

overall organisation, we are committed that we are able to kind of grow at this kind of volumes, Quarter on Quarter.



The slide features the Asian Paints logo at the top left. A vertical orange bar on the left side contains the text "Decorative Business (India)". The main content is a white box with a list of bullet points. The background of the slide is a dark blue and purple gradient with abstract light patterns.

- ❖ Extended monsoon impacted sales in Q2'23, especially in West & South
 - ❖ Double-digit growths registered in T3/T4 centers; higher than growth in T1/T2 centers
- ❖ Product mix in Q2 dominated by Economy Emulsions & Undercoats; However Premium / Luxury ranges in Wood Finishes, Waterproofing and select emulsions did well. Saw some downtrading in Luxury range to Premium & Economy due to the steep prices undertaken in the last 6 months in these products
- ❖ We have today the biggest painting services (Safe Painting Service) in the world with presence in more than 628 towns
- ❖ Strong foray in Project/Institutional business – gained inroads across segments
 - ❖ Grew well in Government, Factories segments
 - ❖ Good growths in the flooring segment
- ❖ Continued expansion of the distribution footprint to ensure the availability of Asian Paints products
 - ❖ Added ~8000 new retail points in H1; enhancing our distribution reach

Just a brief description as to what really happened over all as I said that there was an extended monsoon and especially what we saw was a larger impact in terms of the West and Southern geographies in terms of what we witnessed but unlike possibly what the commentary we have been hearing in the market, we have grown much better in the T3-T4 centres which means the rural demand for us has been much better in terms of what we are seeing as compared to possibly the growth which we are seeing in the Metros, T1 and T2 centres. Now this also kind of really impacts the overall kind of a product mix in terms of what we are selling overall in this quarter. But, I think the fact that T3-T4 centres have grown well is kind of auguring well in terms of even future that today I think the rural demand is not kind of really died out, but it is still very live and very good in terms of what we see as we kind of go forward.

Overall, the product mix in Q2. As I said that the product mix varies from quarter to quarter, in Q2 It was dominated more by the economic emulsions, the undercoats to some extent. However, the Premium and Luxury ranges when we look at Wood finishes

waterproofing and select emulsions did well. We saw some downtrading in terms of the Luxury and Premium and some of the Economy products due to the steep prices undertaken in the last about six months on these products to that extent so there is a definitely a trend of downtrading in terms of what is kind of relevant but overall what we see that the mix was a little bit affected but at the same time, it was also having some set of premium and luxury products which were growing for us at a good pace overall.

Today from the point of view of the painting service, we have the biggest painting service today in the world with the presence in more than 628 towns in India and I think this is something which is clearly a strong advantage. The brand has in terms of how we see overall, the trend in terms of the consumption which really happens because you are literally kind of going into so many houses across so many towns to that extent and this service has grown almost at a rate of about hundred percent. So, I think it's been a strong kind of a performance which has come in here.

When we look at the Projects business, the project business obviously has been growing much faster than the retail business in terms of what we have been seeing. Despite the fact that yes, we had monsoons, we got some Exterior painting and some of the construction work came to a standstill, but we had very good kind of sales realisations coming from the government in the factory segment; And also we did quite well in the flooring segment which is a new emerging segment for us, where we have launched a slew of products on the Epoxy, and the Polyurethane platforms to that extent. As you see one of the key strategies that Asian Paints has been in terms of looking at expanding our footprint with respect to distribution, so that customers all across the country have easy access to Asian Paints products and this is something which we have been pursuing very strongly and we've already added about 8000 new retailing points this year, when we look at the half year which is happened this year. So, I think it's again something which has been going on a very strong path and we believe that this is one of the areas which is also

giving us very good growths as far as the rural towns are concerned and that is principally one of the reasons how the rural demand is getting ignited.



New Product Introductions in Q2

- Glitz Ultra Matt**
 After the mega success of Royale
 Glitz ultra shine
- SmartCare Tile Coat**
 A pioneering premium product opening the proposition of Waterproofing to Tile substrates
- Ace Power+**
 A unique chemistry Which elevates the Economy user to premium economy emulsion
- Tractor Sparc Enamel**
 A differentiated upgradation product based on tech innovation

45 clear differentiated products from Asian Paints with no comparable product offerings from competition

Going ahead, I think the new products, the Innovation, the Technology has always been the torch bearer at Asian Paints and this is something which we have looked very very strongly and each product comes with possibly a certain attribute which is unmatched by competition to that extent. We spoke about almost you know something like about 40 products in the previous quarter in terms of what we are having which we have a clear kind of advantage in terms of prepositions. We launched 4 more very clear things, and these are not all the introductions, these are some of the key introductions which we see. Glitz Ultra Matt, which comes with technology where basically it's a unique self-healing kind of a product which is there. A Tile coat which opens the whole area of water proofing for tiles in a very big manner. Ace Power+ which is basically looking at elevating the customers from an economy to a premium kind of a category in a strong manner and finally an Enamel which is really differentiated in terms of technology, but a strong source of upgradation from people to come to from an unorganised brand to an organised brand

to that extent. So clear kind of innovations with technology as the backdrop and very very strong innovation from the point of view of the product quality in terms of how it syncs with the consumer. So that's about a new introduction in terms of what we do.

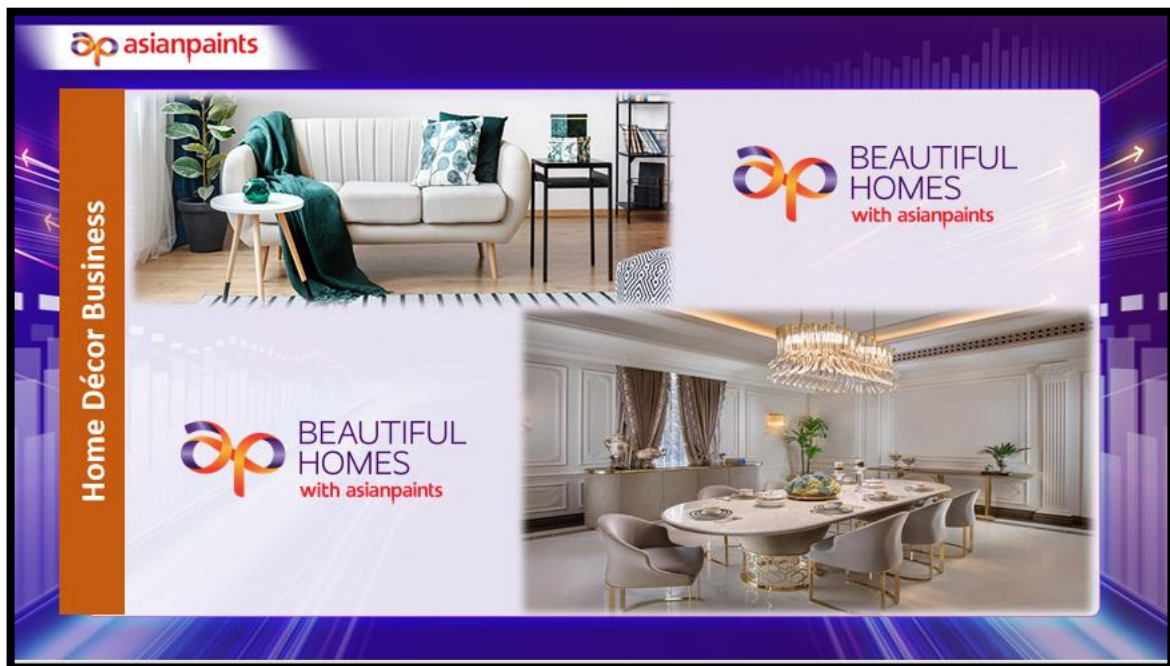


The slide features the Asian Paints logo at the top left. A vertical orange bar on the left side contains the text "Home Décor Business". The main content area is white with a list of bullet points. Below the text are two photographs: one of a modern kitchen with a bar counter and stools, and another of a living room with a sofa, armchairs, and a coffee table.

- ❖ **Home Décor Foray**
 - ❖ Transitioning from 'Share of Surface' to 'Share of Space' within the Homes
 - ❖ BeautifulHomes.com – inspiring millions to create their dream homes
 - ❖ Beautiful Home Stores – Home Décor under one roof
 - ❖ 36 stores functional now
 - ❖ Beautiful Homes Service – Personalized Interior Design to Professional Execution – offered in 11 cities

Coming quickly on to our 'Home Décor' foray. All of you are aware we have been speaking about this for some time now we are transitioning from really the 'Share of surface' to the 'Share of Space' within the homes in a very very strong way and there are certain clear things in terms of what we have taken today. So, all categories is something Asian Paints is kind of now present and as I said earlier, we now have basically a very strong model where we are literally into the manufacturing of lots of categories within the Home Decor space which comes in, which possibly augurs very well from the point of view of our control over design and in terms of what we need to kind of give the consumers, as far as the overall costs are concerned. The engine here is what we call as the *beautiful homes.com*, which basically is the inspiration to people to kind of come in and we have more than about 60 to 80 Lac people who keep on coming on to this platform in terms of really seeing how people are kind of getting inspired to kind of do up their homes. We have an execution mechanism in terms of the Beautiful Homes stores. Last year, we had

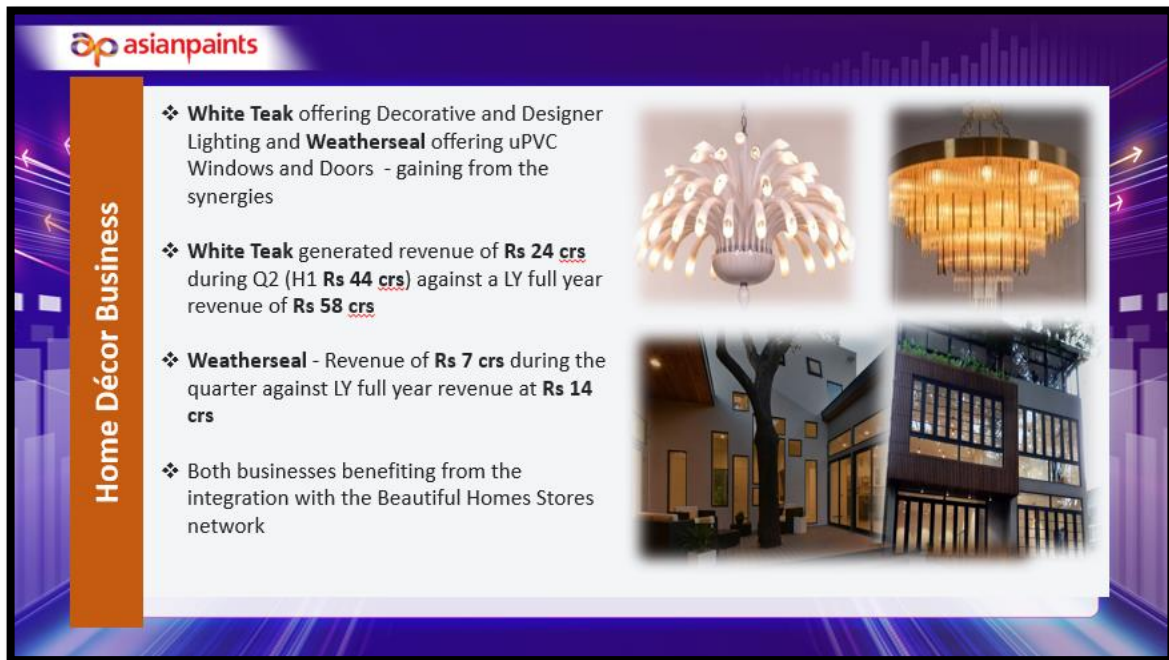
about 29 Stores we have added about 7 more stores this year and we are now 30 store which are functional across the country and this is a one-stop Decor shop which is there to that extent, where the customer is going through almost a phygital journey, which is physical plus a digital journey in terms of what we offer; and a coupled with this we have a 'Beautiful Homes Service', which is a personalised Interior design to an execution kind of service which we now offer in 11 cities. So, I think the whole foray is kind of very clear right from inspiration to execution to really turnkey arrangement in terms of making the Beautiful Home come alive at your home is something which is what we look at.







So as I said, today the beautiful homes house all the categories whether it is lighting, whether it is furniture, whether it is Rugs, whether it is from the point of view of furnishing, so all categories flooring, everything kind of really comes in this category in

terms of what we offer very strongly; and this is the whole engine which runs the beautiful homes overall as inspiration for people to come in and get inspired in terms of what they want to kind of do with their homes overall. And the 'Beautiful Homes Service', which basically helps people to really convert what they are thinking, what their choices are into the actual home, what they want to that extent. So, I think this is something which then augurs very well from a point of completing the loop completely.



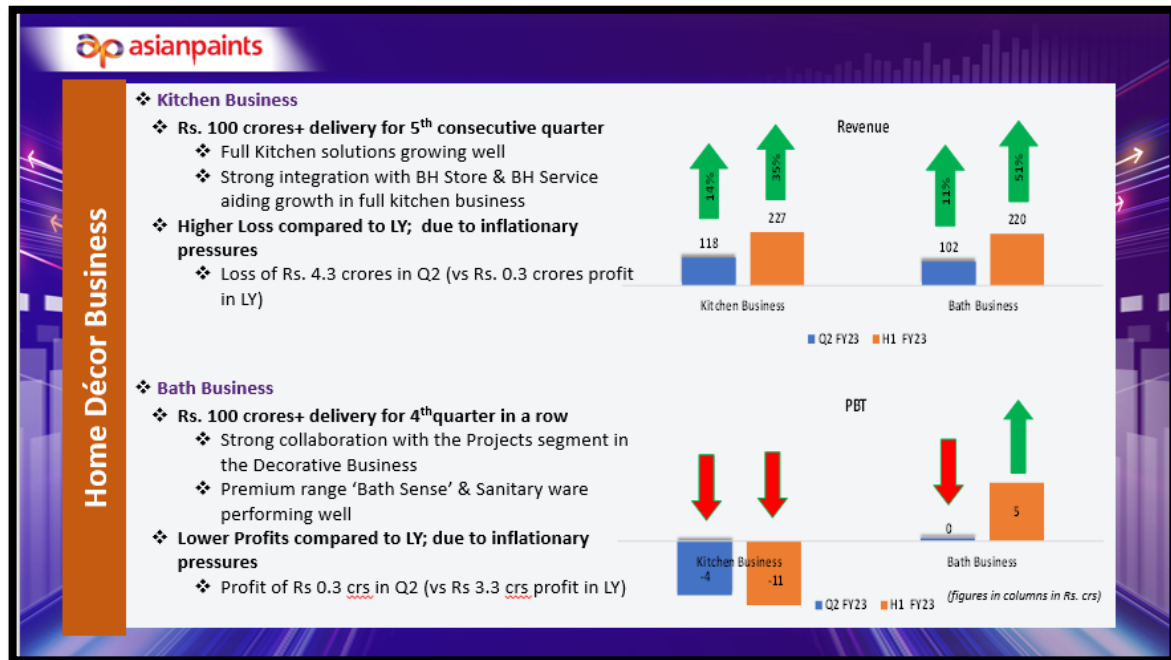
Home Décor Business

- ❖ **White Teak** offering Decorative and Designer Lighting and **Weatherseal** offering uPVC Windows and Doors - gaining from the synergies
- ❖ **White Teak** generated revenue of **Rs 24 crs** during Q2 (H1 **Rs 44 crs**) against a LY full year revenue of **Rs 58 crs**
- ❖ **Weatherseal** - Revenue of **Rs 7 crs** during the quarter against LY full year revenue at **Rs 14 crs**
- ❖ Both businesses benefiting from the integration with the Beautiful Homes Stores network



In this, you are aware, that we had announced, we had acquired 2 companies - One was 'White Teak' and the other one was 'Weatherseal'. 'White Teak' was a complete lighting solution which is there to that extent in terms of the decorative lighting, which goes in terms of chandeliers, pendants and other light which comes. We have introduced some functional lights as well in terms of this thing and Weatherseal was all about the uPVC doors and windows which were there. We have now looked at strong synergies in our 'Beautiful Homes stores' and 'Beautiful Homes Service', with this and both the businesses, I am pleased to kind of report, have done extremely well when we look at from the point of view, what they had achieved in the full year last year and what they have achieved today overall when we see from the H1 perspective of or even from the Q2 perspective.

So I think both businesses doing very well both from the point of view of top line as well as bottom line as we kind of look at in terms of going forward.

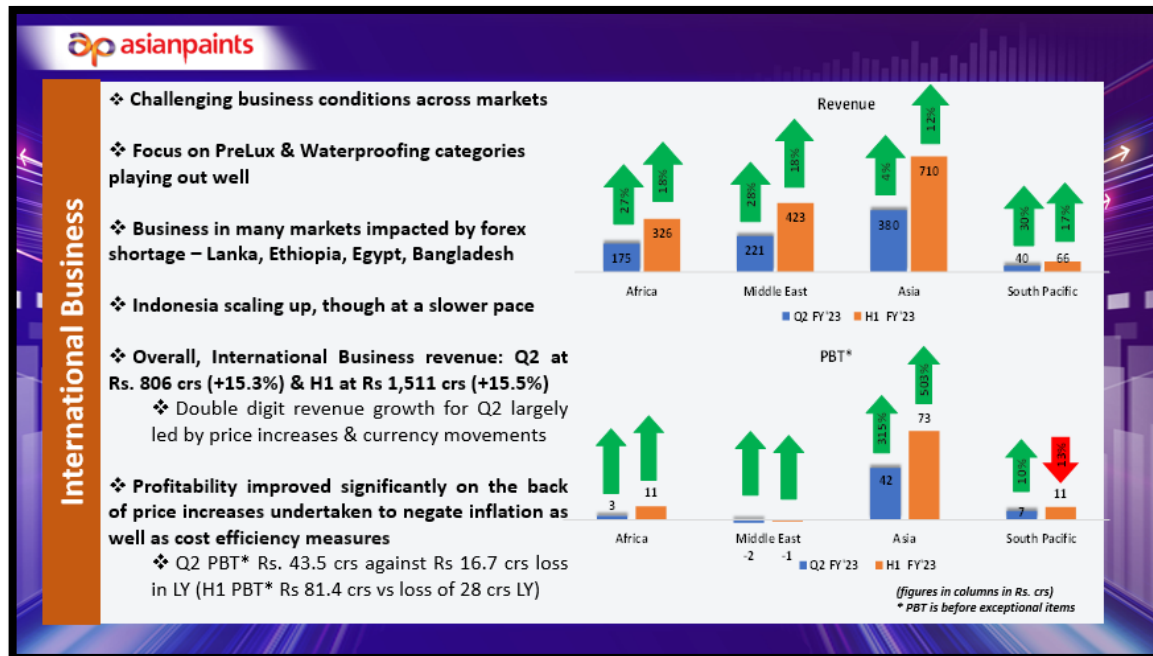


When we look at the two businesses, which have been there for some time - the kitchen business and the bath business here. Both the businesses, overall, from a top line perspective grew well today. When we see the Q2 in kitchens, we grew at about 14% and bath we grew by 11%. At a half yearly level, we grew at about 35% and 51% which is a strong growth at a half yearly level in terms of what we see overall. In terms of the bottom line as we see, kitchen business was slightly affected because the components business, which is a substantial part of the overall business of kitchen, I think did not do too well to that extent. But the kitchen business is something which is the full kitchen business is doing extremely well and there is a little bit of a loss which is showing with respect to the bottom line in terms of the kitchen business overall. But I think we are confident that this is something which we should be able to take on when we look at Q3 and Q4 going forward. The bath business overall in Q2 had a break-even kind of an overall delivery, but at half year level, there is a gain or a profit of about Rs. 5 crores which is kind of come in

overall. So, I think relatively if you see from the top-line perspective, the businesses have done fairly well overall in terms of how we kind of look at.



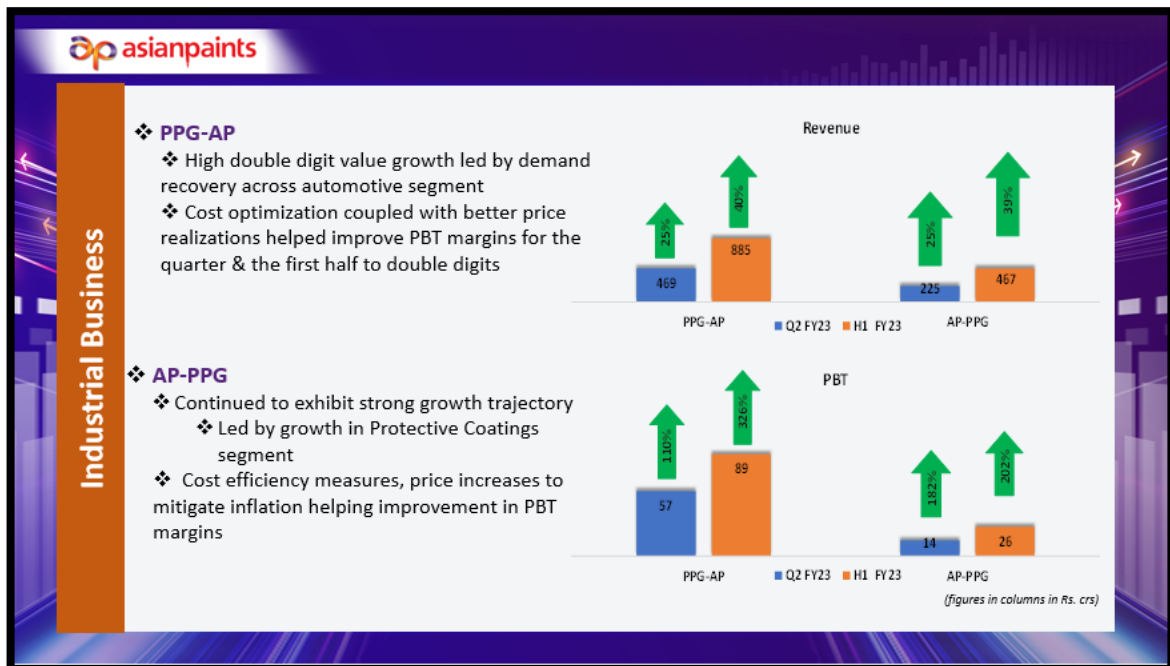
Coming on to the whole international business, this is just showing you the countries where we are represented across the globe to that extent, which is there, along with the various brands which we have, across these geographies, when you look at it.



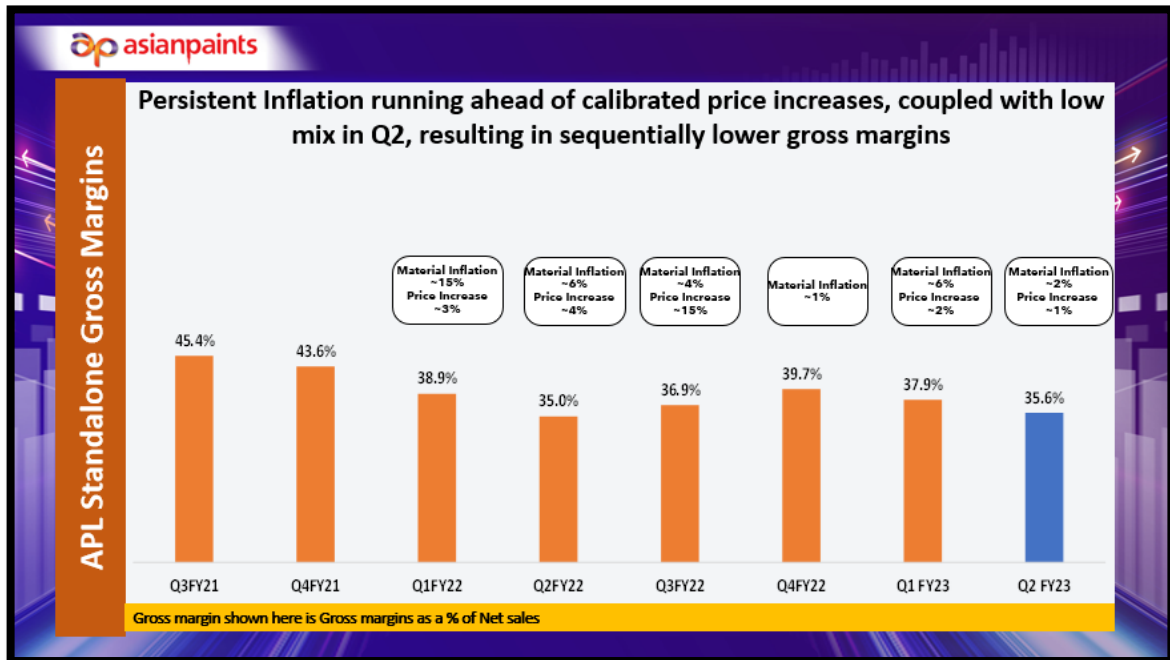
When we look at the performance, the performance has been very very strong as we see it overall to that extent. If you see the performance coming overall, when you see the Q2 levels, we have grown by almost about 15.5% which is there and so as well as at the H1 level. So, the businesses have been strong as we look at from the overall perspective of overall growth which has kind of come in. From the graphical point of view, I think all the geographies have done quite well. When we look at obviously the geographies at Africa, kind of stand out to that extent, but overall, even Middle East has done quite well and Asia has done well, despite the fact, that some growths have been pulled off by the Lanka condition which is there as you all are aware, but overall, the geographies have done well. Even from a point of view of overall profitability. It's been a very strong performance where the PBT growths have been strong. We got about Rs. 43.5 crores against a Rs. 16.7 crores loss last year to that extent and even at the H1 level, the numbers are very very strong in terms of a PBT of about Rs. 81.4 against a loss of Rs. 28 crores last year. So, I think the International business has done very well and some of the areas like even Indonesia and all has kind of performed fairly well in terms of both volume and value growth in Quarter 2 in terms of what has come about.



Going forward, when we look at our industrial business it is divided into 2 JVs which is there and what you see is the range of work which we do for any object or any auto or any surface to that extent in terms of the range which we have.



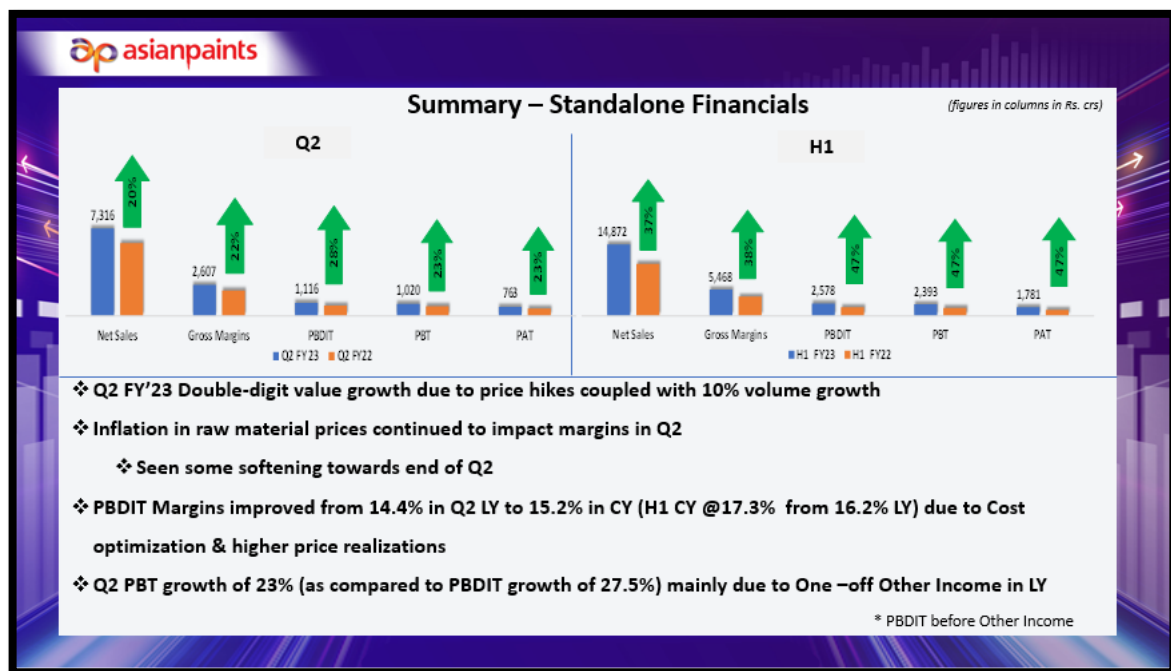
This is divided into two JVs, which we have the PPG-AP and the AP-PPG which are the 2 JVs with PPG of US and in both JVs. I think there has been a spectacular performance in the quarter in terms of what we see. As you are able to kind of see that PPG-AP, if from a quarter perspective when we see they have grown at about 25% and at a half yearly level at about 40%. So, I think strong revenues kind of coming in there and similarly if you look at AP-PPG, the growth there also have been fairly substantial with overall, I when we look at from the point of view of Quarter 2 growing at about 25% and from an H1 perspective, we have grown at about 39%. So, if you look at both businesses, comparatively doing fairly well in terms of this and I must say that the AP-PPG business has been doing this kind of a performance consistently for the last about 8 quarters now to that extent. Even from the point of view of today, when we look at the PBTs overall, I think the growths are very good in terms of what we're looking at and substantial increase in terms of gross margins and overall profitability which is kind of coming in the two businesses which you can see from the graphs which is in front of you. So, I think, in all again strong performance coming from the industrial business overall in terms of what we see.



So, I think just to kind of explain and I'm sure there are going to be a lot of questions with respect to margins and what's really happening there to that extent. When you look at the trajectory obviously, I think the margins have been doing a little bit of a sinusoidal kind of a thing dependent on in terms of how we are seeing the inflations kind of going in the market. I must point out, saying that price increases have not kept in pace with all the inflation which have been happening on quarter to quarter. Even I think if you go back and look at the Quarter 3 financial year 2021, 45% margin is a little bit of an over delivery which is there. Normally I think the range which we have seen is about 40% in terms of the overall margins at an average level to that extent and if you see we are at about 35.6 in Quarter 2 and please remember there was inflation of about 6% in Quarter 1 and the larger effects of that have been seen in Quarter 2, because of the fact that we already carry a certain amount of inventory, which is there and the actual effect of any of these inflations actually come in subsequent quarter to some extent which is there. In addition, we had a material inflation of about another 2%, which happened. So, Quarter 1 plus Quarter 2 put together, there is almost like about 8% kind of inflation, which is there against which we have taken increase of relatively about 3%. So, there is clearly a 5% kind of a deficit which is kind of coming into some extent here and even if previously you were to calculate from the overall inflation which has happened, there we have not really taken all the price increases really matching the inflation and there has been a gap of about 3-4% there as well from the last year inflation kind of numbers which is there. So, I think what we are trying to say is that today, what we feel is that as a leader in the market we don't feel justified that we should kind of pass on all the sinusoidal trends of the inflation immediately to the customer. We need to have a considered view and therefore I think the market also has to see it with a certain level of maturity in terms of how the margins are behaving because today traditionally Quarter 2 has been, has been a quarter where basically you have seen a relatively inferior product mix as compared to the other quarters as I said and it all depends in terms of how the Diwali dates are and some of the kind of sales kind of augur according to that, and therefore, the Quarter to Quarter sequentially is not really comparable to that extent and I'm talking of normal quarters as the bases

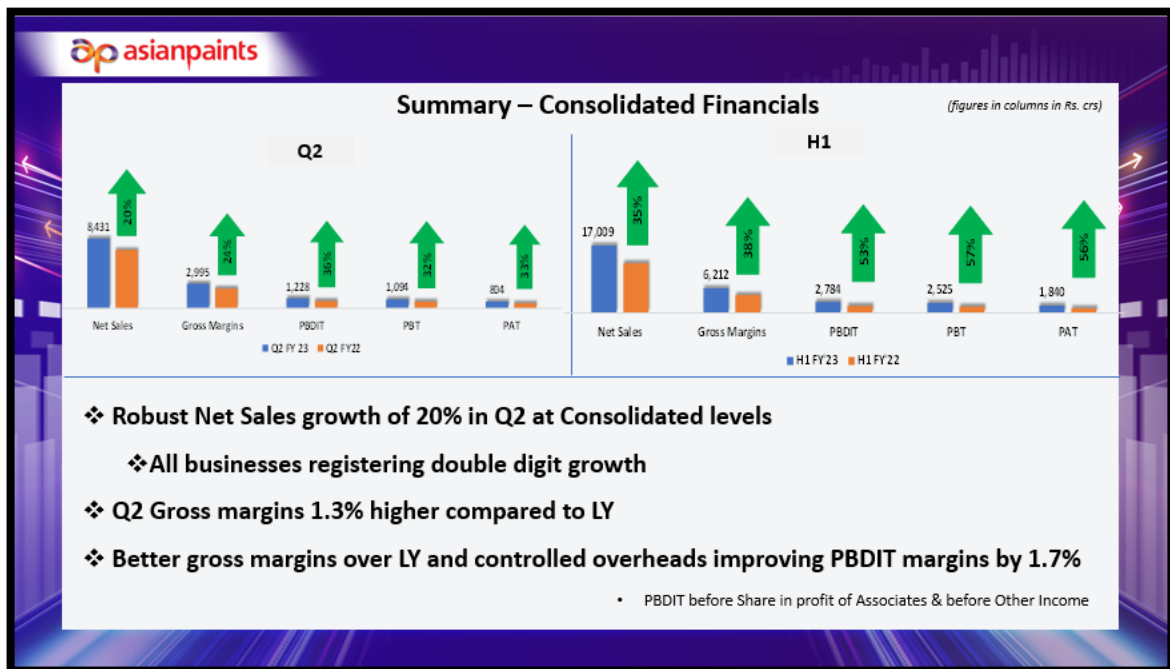
here to that extent and not the Covid bases here to that extent. So, in effect what you see is that from the quarter 2 of last year to now actually there is a 0.6% margin improvement, which is there, although sequentially from 37.9, it has come down to about 35.6, but I think going forward what we're very clear is that you know, we are already seeing a trend of a deflation happening and we definitely see that going forward you know 3-4% margin correction would happen by virtue of the fact that there is a deflation which is coming and the fact that the inflation was not so very high in terms of the second quarter but obviously as we see, I think the best effect of this will come in quarter four going forward to that extent as we look at it.

So, I think for us as we see I think the gross margin stories not a worry. We think this is a phenomenon in a time which is happening to that extent and as we go forward possibly, this is going to improve very strongly, and the business is fairly sturdy and very clear in terms of what is the premiums we were enjoying in the market, and this is something which we very clearly feel has no impact in terms of going forward.



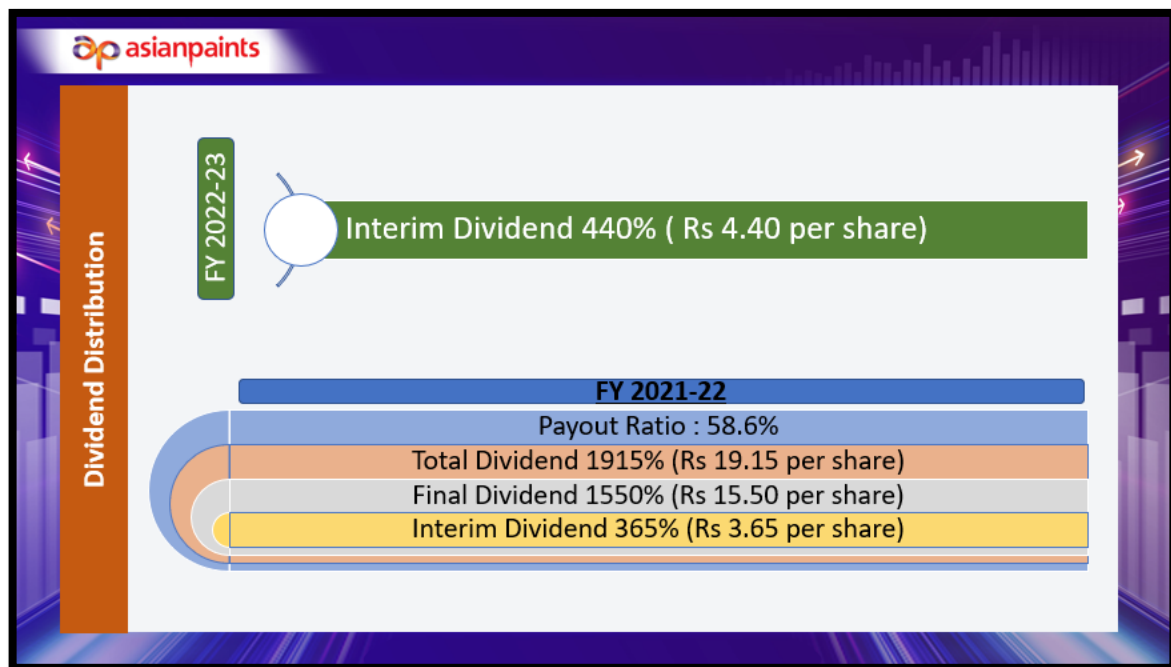
When we look at the overall Standalone financials, I think the story is very strong. If you look at the net sales going up by 20%, the gross margins going up by about 22%, the PBDIT

has gone about by 28% and therefore the similar story on PBT and PAT in terms of the overall growth, which we are seeing to that extent and over and above as I said, a double digit volume growth which has kind of come in, which is definitely encouraging from point of view as we see the industry trends overall to that extent. When you look at H1 obviously the numbers are even far higher in terms of what you see as the overall delivery which kind of augurs for us very well, especially when you see the PAT numbers at about almost about a 47% increase overall to that extent. From a point of view of PBDIT margins, you know what we see quarter comparable, possibly in terms of when we look at to last year quarter. So, it has really improved from 14.4 to about 15.2 and similarly at the H1 level there is an improvement. Similarly, when you look at PBT okay, overall, basically the growths are pretty strong in terms of what we're seeing but obviously there is one of other income which kind of comes into that calculation, but as a standalone, the 23% growth is pretty good in terms of what we are seeing.

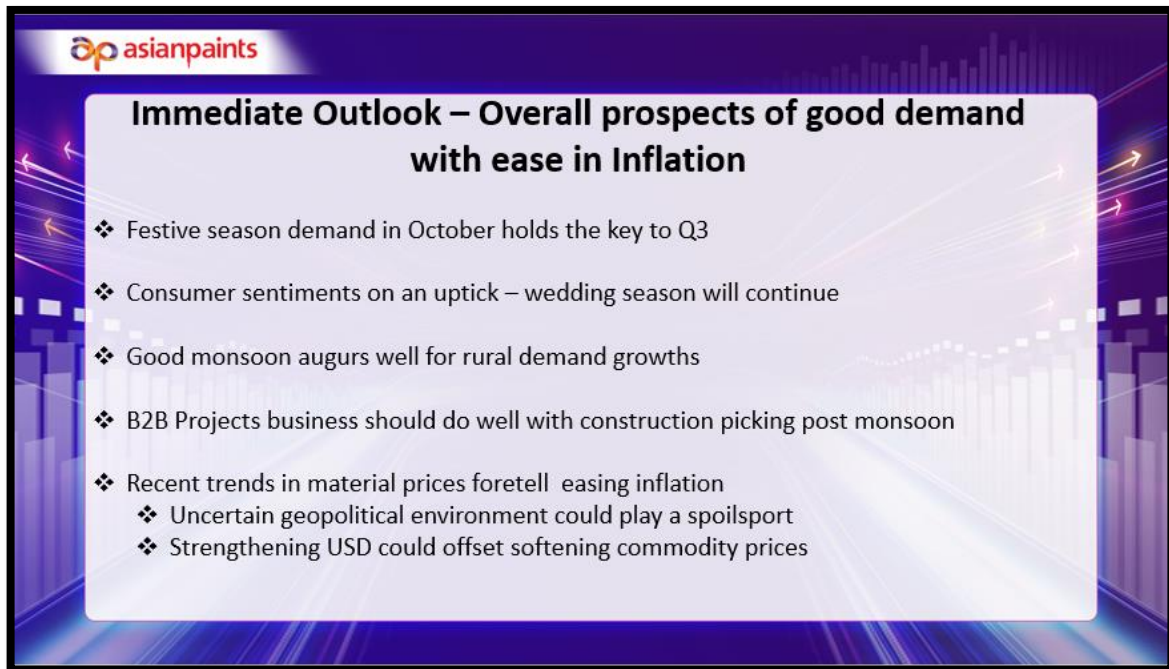


When you come to consolidated again, the story is the very strong in fact the story. From a bottom line perspective is even stronger because of a very strong performance on the bottom line from the international business which has kind of come in and if you see the top line is 20% here and PAT, is at about 33% growth at the quarter level and at a half

year level, obviously the numbers are very very strong with PAT growing at almost about 56% which is really definitely one of the highest number in terms of the PAT growth, which we are seeing here to that extent. So, as I see it, I think the overall sales has been pretty robust to that extent and I think had the rains possibly stopped in September, it would have been definitely much much higher to that extent, but I think overall still delivering a volume growth has been strong. What we are seeing is even in and so even in consolidated, the overall you know gross margins have really improved over the last year by about 1.3% and that has led to a higher PBDIT margins as well at about 1.7%. So, I think that's how the overall business is, and we are pretty happy about the fact that it is still a very strong performance in terms of the way it has kind of come about.



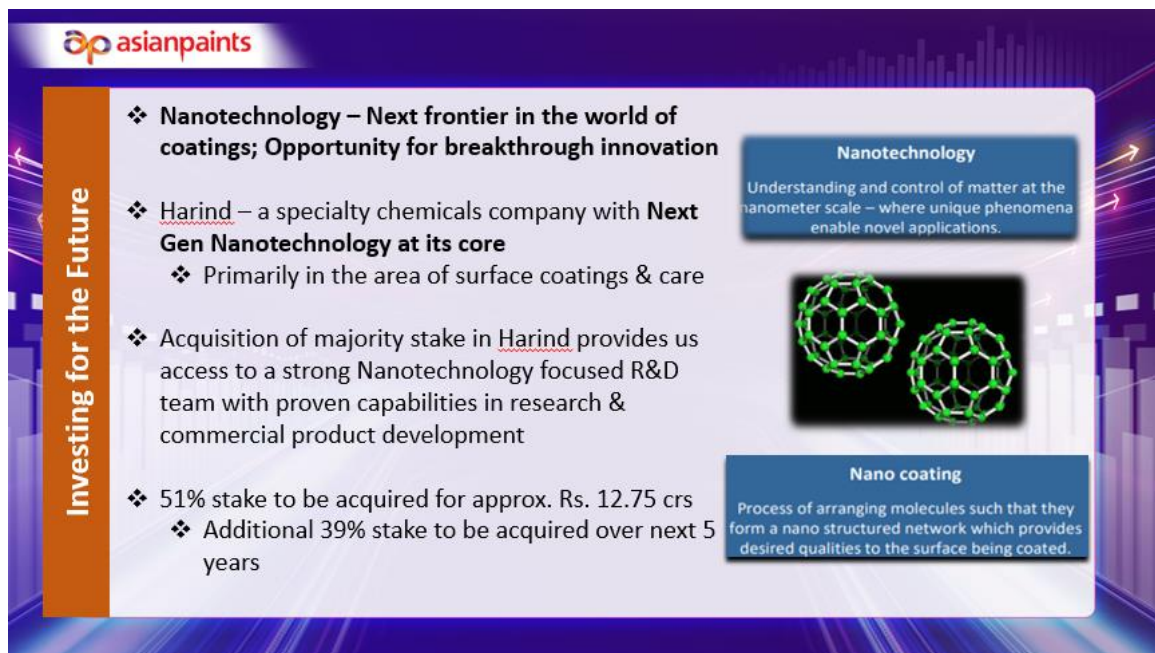
When we look at the dividend we have declared, dividend of about Rs. 4.40 per share and just to kind of remind you last year the pay-out ratio was about 58.6% and the dividend pay-out last year interim dividend was Rs. 3.65. So, I think the overall interim dividend also is going up to a good thing which is a good signal to the shareholders.



Immediate Outlook – Overall prospects of good demand with ease in Inflation

- ❖ Festive season demand in October holds the key to Q3
- ❖ Consumer sentiments on an uptick – wedding season will continue
- ❖ Good monsoon augurs well for rural demand growths
- ❖ B2B Projects business should do well with construction picking post monsoon
- ❖ Recent trends in material prices foretell easing inflation
 - ❖ Uncertain geopolitical environment could play a spoilsport
 - ❖ Strengthening USD could offset softening commodity prices

When we look at the immediate outlook, we think that today while I think it's been raining in October as well but I think there is, we are seeing some good demand which is kind of coming which is the festival demand; but actually what we do is that we don't rely too much in terms of just this demand because the actual season kicks in after that to that extent. There is a strong wedding season which is coming in, the project business looks very good because a lot of construction is picking up, the real estate is kind of really picking up overall to that extent despite the fact that the interest rates had kind of gone up to that extent. Good monsoon by enlarge some deficits in some states overall but I think which kind of augurs very well for the rural demand which is already good for us and we think that is something which will kind of pick up. Obviously, I think the party spoiler here could be the geopolitical situation in terms of its kind of taking a very different turn to that extent and the other area is that obviously I think the rupee depreciation and the dollar strengthening is kind of really impacting, you know, some of the areas to that extent, and we hope that that is something which should not be a party spoiler as we go ahead. But nonetheless, we think that overall, from a demand point of view, I think it should be a good quarter ahead.

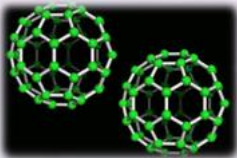


Investing for the Future

- ❖ **Nanotechnology – Next frontier in the world of coatings; Opportunity for breakthrough innovation**
- ❖ **Harind** – a specialty chemicals company with **Next Gen Nanotechnology at its core**
 - ❖ Primarily in the area of surface coatings & care
- ❖ Acquisition of majority stake in **Harind** provides us access to a strong Nanotechnology focused R&D team with proven capabilities in research & commercial product development
- ❖ 51% stake to be acquired for approx. Rs. 12.75 crs
 - ❖ Additional 39% stake to be acquired over next 5 years

Nanotechnology

Understanding and control of matter at the nanometer scale – where unique phenomena enable novel applications.



Nano coating

Process of arranging molecules such that they form a nano structured network which provides desired qualities to the surface being coated.

So this was a business point and now I want to kind of just share some other things which were kind of very very strong and very happy about. First of all, for the core business, Now, we are really strengthening the core business in a very strong manner. We are now looking at acquiring a nano technology player basically Harind, which is a specialty chemicals company and it has the NexGen nanotechnology as its core. This is a technology which is something, which is really kind of growing over all across the world. It has been there for some time, but the innovations are now happening from NexGen level in terms of the properties which were able to kind of bring into that extent and therefore for us, I think it becomes very very strong opportunity and that with this acquisition or R&D will really kind a spiral up in terms of able to offer some NexGen products which can come in the market which can be very very helpful for the consumers and some real new innovation can come in. We are, at the moment, taking about a 51% stake in Harind that about Rs. 12.75 crores and additional stake of 39% could be acquired over the next five years. So overall, we think this is a very very strong move from the point of bolstering the overall technology at Asian Paints and this will kind of give birth to a lot of innovation coming in emulsions and waterproofing and lots of other products to that extent and this is something which we are very excited about. That's part one.



Securing Key Raw Material Inputs

Backward Integration Project to manufacture Vinyl Acetate Ethylene Emulsion (VAE) and Vinyl Acetate Monomer (VAM) in India

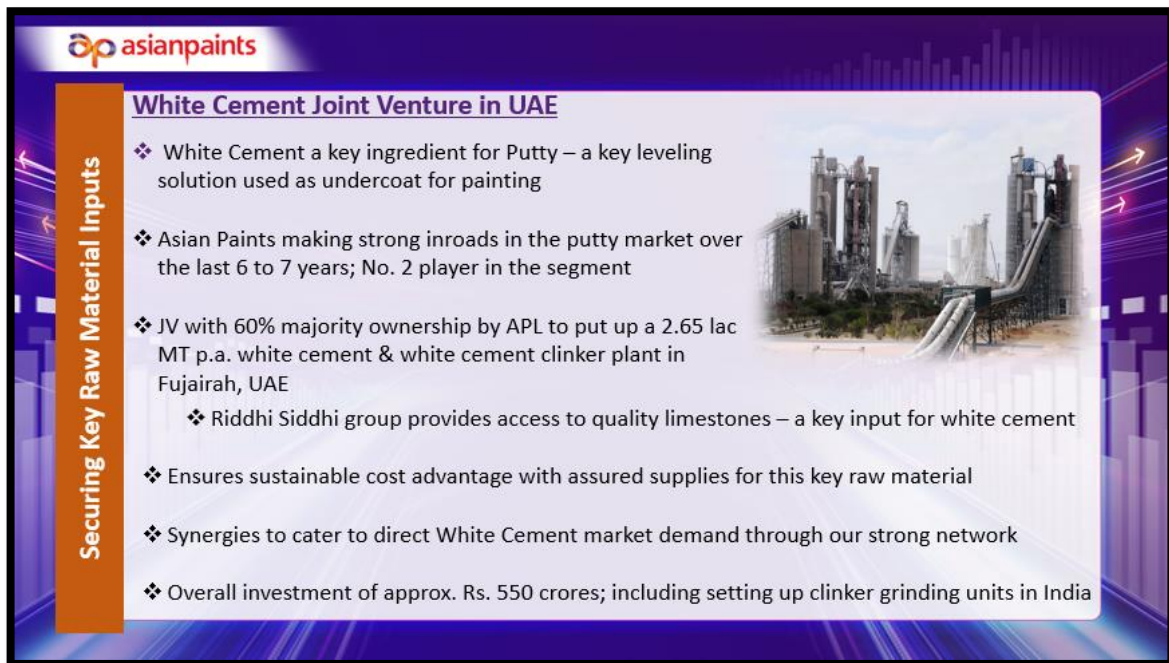
- ❖ VAE – an emulsion of the future; a key constituent for manufacturing environment friendly paints; VAM a key ingredient that goes into VAE manufacturing
 - ❖ At present, India fully imports VAM, VAE
- ❖ Project offers sustainable cost efficiencies; reducing import dependence
 - ❖ Would be a key competitive edge; enhancing our capability to offer coatings with unique properties
- ❖ Investment of approx. Rs 2100 crores over 3 to 4 years for setting up an installed capacity of 1.5 lakh tonnes p.a. for VAE and 1 lakh tonnes p.a. for VAM
- ❖ Strategic collaboration with Kellogg Brown & Root LLC for their proprietary VAM manufacturing technology



Let's look at what else. We are also now looking at a very very strong area of backward integration. Today, some of you would know that Asian Paints always has been making their own emulsions. An emulsion is a very strong binder into the overall formulation which really holds the real formulation together in a very very strong manner and today as part of an extension of that strategy, we decided to possibly really invest into a technology which is absolutely the futuristic new-age technology of the world. This is the technology which is basically what we call as the Vinyl Acetate Ethylene Emulsion which is there to that extent. It is an environment friendly emulsion which is there to that extent. It has a very sweet smell and basically it is something which gives special properties to the paint in a very strong manner. We are already using VAE in our products but at the moment, we have been importing this entire thing from the world players. There are very few players in the world who have both the VAM which is the Vinyl Acetate Monomer which is a raw material which goes in terms of making the Vinyl Acetate Ethylene Emulsion. So I think we are putting a combined plant which is the first, no one in India has this technology to that extent and even world-wide there are only about 3 to 4 players who have this technology which is there and we think that this would be really

a game changer in the market in terms of what we look at it in terms of what we are offering here. Here the investment is substantial. We're putting almost about Rs. 2100 crores over the next 3-4 years for setting up an installed capacity of 1.5 Lac tonnes per annum for the Vinyl Acetate Ethylene Emulsion and 1 Lac tonnes for the Vinyl Acetate Monomer which is the key ingredient going into the Vinyl Acetate Emulsion to that extent.

We have done a strategic collaboration here with Kellogg Brown & Root LLC, which is a multibillion-dollar US-based firm with the right kind of technology, licences and so and so forth which is there which is going to help us put up this plant which is going to come up to that extent. We think this is really getting into a very big area which can give us a sustainable competitive advantage for future and that is something which we are investing in and this is the technology of future which will remain for the next 50-100 years as we kind of go forward. So that's the second area which possibly we are announcing now.



The slide features the Asian Paints logo at the top left. A vertical orange bar on the left contains the text 'Securing Key Raw Material Inputs'. The main content is titled 'White Cement Joint Venture in UAE' and includes a list of bullet points. To the right of the text is a photograph of an industrial cement plant with tall chimneys and conveyor belts.

White Cement Joint Venture in UAE

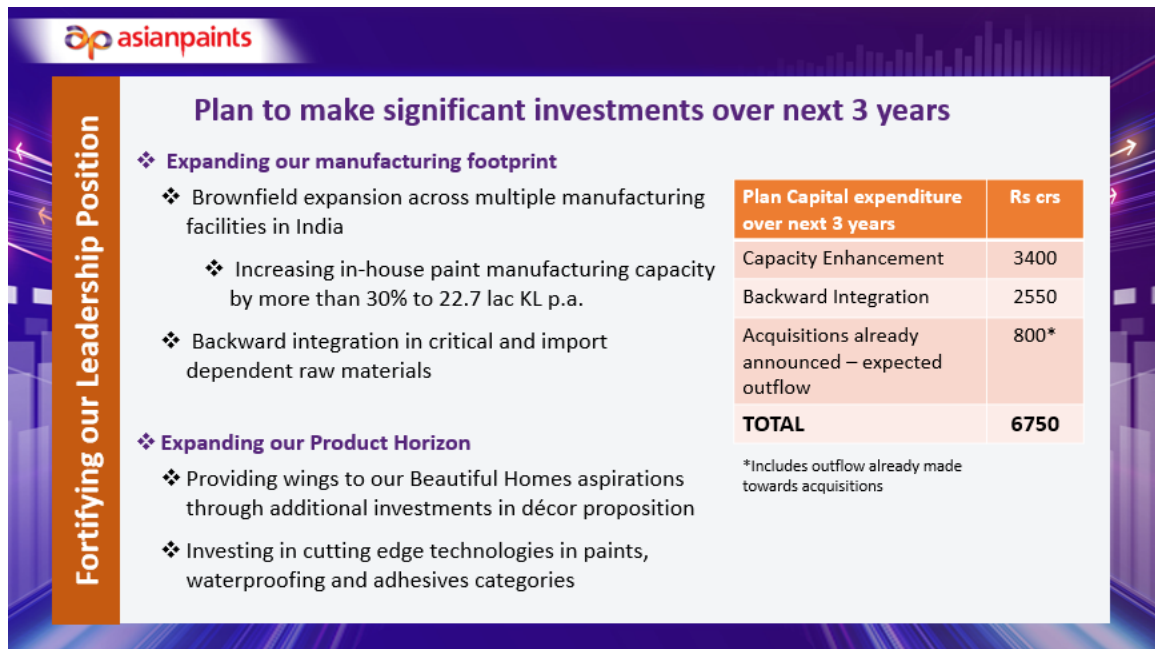
- ❖ White Cement a key ingredient for Putty – a key leveling solution used as undercoat for painting
- ❖ Asian Paints making strong inroads in the putty market over the last 6 to 7 years; No. 2 player in the segment
- ❖ JV with 60% majority ownership by APL to put up a 2.65 lac MT p.a. white cement & white cement clinker plant in Fujairah, UAE
 - ❖ Riddhi Siddhi group provides access to quality limestones – a key input for white cement
- ❖ Ensures sustainable cost advantage with assured supplies for this key raw material
- ❖ Synergies to cater to direct White Cement market demand through our strong network
- ❖ Overall investment of approx. Rs. 550 crores; including setting up clinker grinding units in India

The third area is that now we're looking at another area backward integration where we are getting into the manufacturing of white cement, and this is a joint venture which we are doing in UAE in Middle East to that extent. Now white cement is a very very key

ingredient in the putty which we make. It is almost about 19-20% of the putty which, you know where the white cement goes to that extent and that is something becomes a very key this thing. The putty has been overall a strong initiative at Asian Paints, and we have been growing strongly in this over the years overall, and we want to be clearly putting a lot of energy in terms of looking at getting the best product to the market, and really looking at incorporating what are the kind of properties, which we can do in terms of really looking at modifying the white cement which kind of comes in.

So, what we are doing here is, we are putting up a JV with 60% majority ownership by Asian Paints to put up almost about 2.65 lac MT, per annum capacity of a white cement and white cement clinker plant in Fujairah in UAE. And this is something which we are doing with Riddhi Siddhi group, which has a good access to the limestone mines and so and so forth, which is a very key input for the white cement per say. So I think overall this gives a very strong advantage into a growing business which is there to that extent and overall what we also see is that today the entire distribution points of paint industry which is into hardware, building material and so on so forth they are also selling white cement as a very key ingredient for repairing, tile fixing, marble repair and so and so forth to that extent and therefore it gives an opportunity to even seed white cement into our network, which is basically buying all the paints from us to that extent, and therefore kind of really plugs in one gap which we had never had over all to that extent. So I think this is a strong backward integration measure in terms of what we are saying as a key ingredient which goes into a putty and I think this will kind of really augur very well in terms of really supporting our overall growth as we kind of go forward. The investment here is about Rs. 550 crores in terms of what we are doing with including some of the clinker, grinding units which we will set in India very close to our putty making units overall so that we have synergy there in terms of the overall cost being minimised as we kind of go ahead in this entire venture.

So, I think this is another great kind of strategic investment in terms of what we are making, which can give us gains for years ahead as we kind of look at it.



Fortifying our Leadership Position

Plan to make significant investments over next 3 years

- ❖ **Expanding our manufacturing footprint**
 - ❖ Brownfield expansion across multiple manufacturing facilities in India
 - ❖ Increasing in-house paint manufacturing capacity by more than 30% to 22.7 lac KL p.a.
 - ❖ Backward integration in critical and import dependent raw materials
- ❖ **Expanding our Product Horizon**
 - ❖ Providing wings to our Beautiful Homes aspirations through additional investments in décor proposition
 - ❖ Investing in cutting edge technologies in paints, waterproofing and adhesives categories

Plan Capital expenditure over next 3 years	Rs crs
Capacity Enhancement	3400
Backward Integration	2550
Acquisitions already announced – expected outflow	800*
TOTAL	6750

*Includes outflow already made towards acquisitions

So, I think this was the overall plan, in terms of the three big businesses which we are putting, and you must be wondering in terms of what are we really planning overall.

So, I would divide our overall investments into two parts. One is the overall expansion of the manufacturing footprint. Today we operate at almost about a 75% kind of a capacity utilisation, overall, to that extent. We are looking at increasing be in the entire manufacturing capacity for more than 30% to about 22.7 lac KL per annum, which is for our own manufacturing capacity in terms of what is other than the outside processing in terms of what we use; and this is something which possibly is in line with our overall growth in terms of what we are seeing in the coming next 3-4 years overall that we will require this kind of capacity to come in overall to that extent and basically we also look at in terms of from the point of view of the backward integration that it will really help us. So, if you look at the only the capacity announcement part, we are looking at almost about an investment of Rs. 3400 crores, which possibly includes the investment of the capex in terms of this year and going forward in the next three years. The backward integration two things which I spoke of, which is the VAM VAE and the white cement

which is there in terms of what we have spoken and is about another Rs. 2550 crores and the acquisitions which we have already made earlier in terms of White Teak, Weatherseal and now Nano overall this is about Rs. 800 crores. So, this is a total outlay of almost about Rs. 6750 crores in terms of what we are committing for the next three years which would be a big kind of really step in terms of Asian Paints which is taking to really see that we're in line with their overall aggressive growth for the next three years plus the entire thing of a sustainable cost advantage which really comes in from the backward integration at the same time, furthering our overall core business and Home Decor business with some key acquisitions, which we are taking to that extent overall to that extent. So, I think that's the overall plan, and I think we are pretty excited in terms of taking this ahead as we look at it.

Thank you so much for listening to it and we are now open to questions.

Q&A

Moderator: Good Evening everyone. Requesting all participants joined by zoom video platform, please use raise hand feature to ask a question to the panellist. Kindly unmute when given a chance to ask a question. Please mention your name and company name before asking your question. Kindly to limit your questions to only 2. Participants connecting via zoom video platform can post their questions on the chat box too, and we will ask on your behalf. Participants joined through toll free number, please press *1 to ask questions to the panellist. Please mention your name and company name before asking your question. Kindly to limit your questions to only 2.

Our first caller is Mr. Abneesh Roy (Nuvama Wealth Management), who has joined us through tele-conferencing. Sir you are now live and can proceed with the question.

Abneesh Roy: Yeah, thanks I have 2 questions this is Abneesh Roy from Nuvama. My first question is on the backward integration big projects, so first is VAE and VAM, does it also mean in adhesive you will get aggressive, because you are mentioning VAM is the raw material for VAE. So wanted that clarification; and when you say emulsion for future, what is the opportunity? what exactly is the future? Is it 5 years? 7 years? That time frame and similarly on white cement, why now? Is it because cement players is going to enter paints and what could be the margin improvement because of the white cement Capex. That's the first question.

Amit Syngle: Okay, great Abneesh. Good hearing your voice here. Now I think when we are talking of the VAM VAE technology, which is kind of coming. Yes, it would be helpful for us in the entire area of adhesives rightly because the VAM kind of goes into the adhesives in a strong manner. So, it will give us a strong impetus in two ways. One in terms of improving the kind of quality of adhesives which we can give in and second from the point of view of margins which would kind of come in strongly from that point of view. So, I think it makes the entire area far more competitive when you can expect some aggression there coming in from us. The second area which you asked. Yes, it is a futuristic emulsion and this emulsion as I see it holds promise you know even for the next 40 to 50 years as we see it. It's not a question of just a dip for the next three years of five years because this is an emulsion which possibly, we will have to get into expansion after sometime, for sure to that extent given the kind of overall consumption it can happen and take it. What this emulsion does is that one it has very low VOC which is the volatile organic compound, which is there, as compare to any styrene acrylate emulsion which is there overall to that extent. So it offers a very huge leap to the companies who are on the bandwagon of environment friendly paints in a big way which anyway I think most of the organisation are something which are looking at in a strong manner. The second thing it does is it basically impart some very good properties in the paint in terms of scrub resistance, in terms of stain resistance, and also from the point of view of what you know some other areas which kind of coming which enhances the overall durability of the

product, when we look at from the overall interior paint's perspective point of view. So, I think as a combination it works very well and not only this as I said that kind of really offers you a strong kind of advantage with respect to the overall margins in terms of what it will improve as we kind of go ahead. Second question on white cement, which you said. Now obviously I think this white cement we have been kind of looking for at some point or sometime in terms of investing because this is not because of any other entry which is happening in to the paint market but more from the point of view of a purist backward integration initiative, where we feel that if we have to really sustain our aggression in terms of going into the under coat space, because please remember that we are into powder products across which are not only from a putty perspective but also in terms of textures, in terms of tile adhesives, and lot many other areas where white cement becomes a key ingredient to that extent and therefore we have been exploring this for a point of time and we think that this is a very good move we are making so that today it kind of offers us a huge advantage which kind of comes in and from an overall perspective we can say that even in terms of some of our products, it can give us a boost in terms of at least about 5-7% gross margins, overall to that extent going forward.

Abneesh Roy: Sir, there is one follow up on the white cement opportunity, could you discuss that how big will that be. Already in putty you are big, but when you are saying that you will target the tile finishing, tile joining, etc also and white cement, how big is that opportunity for you?

Amit Syngle: So, overall, when we look at the Indian market that I think is close to about 7 to 8 **Lac** tonnes kind of a market in India in terms of the whole repairing and other segment to that extent and it is going at almost about 15-20% overall so I think that is also big opportunity and 80% of that sold by our network to that extent. So, it becomes a fairly big opportunity in terms of selling in retail packs and look at possibly taking that market especially when we are also into bath, tiles and sanitary.

Abneesh Roy: Sir, my last question is on H2 growth. So, 3 things there. In Q1, you had mentioned downtrading in Economy end, and in Q2, you are mentioning in Luxury also there is some level of downtrading. In H2, you had very high pricing growth starting in Q3 itself last year and of course this time the festive is early. If I put all this together, would you say in H2, the pricing growth and volume growth in double digits as of now, it is looking very tough?

Amit Syngle: No, I don't think so, because see I think it's a function Abneesh of how the overall product mix kind of augurs. So, to that extent when you look at this quarter as I said largely, you know there is a little bit of inferior product mix in terms of what we have got. As we get into Q3 and Q4 traditionally, the product mix is quite good overall in terms of what we would kind of see. We also saw that other retail kind of demand got effected because of the monsoons which were there and also the exterior kind of season got affected in a very very big way. So, I don't think so that that should be the case we are still looking at possibly going forward. I think the volume growth should be healthy and so would be the value growths coming in this thing... because please remember we have also taken some price increases now, which will start kind of giving us some effect as we kind of go ahead.

Abneesh Roy: Amit, just one last follow up and I'll end there. So, last year Q2 and this year Q2, your margins have been negative surprise and you also mentioned the mix deteriorate in Q2, so is it because exterior paints is a higher margin business? Because that is the only seasonality I see in terms of demand.

Amit Syngle: No, see what happens is that largely, if you look at quarter 2, September is a strong kind of this thing for all the products, whether it is wood finishes, whether it is emulsions, whether it is kind of water proofing products, whereas July and August are largely stocking months which really happened to that extent. So, I think to some extent

possibly that has kind of a toll with respect to it, but the gross margins over the last year quarter have actually gone up from 35 to 35.6% in Quarter 2.

Abneesh Roy: That's all from my side, thanks a lot!

Moderator: Thank you Sir. Our next caller is Mr. Avi Mehta (Macquarie) joining through zoom video platform.

Avi Mehta: Hi Sir, am I audible?

Amit Syngle: Yes, you are.

Avi Mehta: Thanks sir for the opportunity. First, I just wanted to kind of understand for the integration in the backend that you have kind of contemplated could you share what has triggered this expansion given typically, raw material availability has not been an issue. Also, does this not kind of weigh on return profiles, because typically backward integration has meant return profiles sticking ahead, so would love to hear your comments on these 2 aspects, thank you.

Amit Syngle: So, actually, I think Asian Paints has been into a backward integration earlier as well as you know a lot of emulsions, we are making ourselves for quite some time whereas a lot of companies do purchase all the emulsions from outside, and to my mind you know the emulsion making has given us a very big boost with respect to our overall margins and profitability to that extent. So I think for us the backward integration has kind of augured quite well with respect to the overall increase in margins and overall kind of really flexibility in terms of procurement to that extent. The other thing which I see is that this investments are fairly unique and these are not generalstic to that extent so the VAM VAE is really kind of a protected technology worldwide in terms of what is there and it is the technology of future so to that extent which we feel that this is a backward integration

which really helps us from the point of view of not only increasing our margins substantially but also from the point of view of imparting some new customer facing properties which can give our products a new kind of turn in the market from the point of view of how consumer see it and how they see the performance of the products coming in. Similarly, the white cement one is pretty strategic, because of the fact that today what we see is that, if there is the raw material which is kind of contributing to a significant contribution in the formulation and today, we have a control in that thing we can really vary various properties at the manufacturing stage which helps us possibly giving qualities in the finished product. At the same time, I think the marginal gains kind of really change because in some of these products these are the powder products are fairly low-end products to that extent and any kind of improvement in margins can be really very benefiting for you. So, I think is the strategic and we think that cost and really the differentiation in the market at two very big kind of pillars in terms of what we are riding as far as the backward integration is concerned.

Avi Mehta: Okay sir, okay I hear you ask second bit is just a clarification would it be fair understanding that our margins are going to move to around 39.5 - 40.5 % by 4th quarter, is what you indicated. What I wanted to understand, you know because you highlighted down gradation in the painting demand, does that not kind of be a risk. Do you see that as a risk or are you fairly confident about still reaching that target, in the third quarter and second half of the fourth quarter?

Amit Syngle: No, I don't see any risk because if you have seen that you know we were at 35% last year in quarter two and then we kind of came to about 39% overall as far as quarter one is concerned. So, I don't see anything I think this is just a quarterly phenomenon which is happened more from the point of view of the inflation, which we are kind of seeing in the market and little bit cyclical to that extent. We are very confident in terms of looking at saying that the band possibly going forward would still remain at 39-40% in terms of the overall gross margins as we kind of go ahead. So, I think It is just a

phenomena of the quarter in terms of what we are saying but going forward, I don't see any areas, this thing where possibly the margins would kind of stay at this level. Second, I think the downtrading and so and so forth is possibly just incidental which happens, because you must remember that today, you know some of the price increases which we have taken have an immediate impact but over a period of time, they normalise to that extent because this is a consumption market and this is not a market where people have too many alternatives or they could defer their overall demand indefinitely to that extent. Even in covid we have seen that people whenever normalcy has come in they have kind of gone and splurged in terms of doing up their homes to that extent. So, I see no reason in terms of why possibly it will not jump back.

Avi Mehta: Got it sir, thank you very much and wish you luck. Thanks a lot sir.

Amit Syngle: Thank you.

Moderator: Joining us through zoom video platform is Mr. Shirish Pardeshi (Centrum). We request you sir to please mention your name and your company name and proceed with your question. Thank you.

Shirish Pardeshi: Yeah, Good Evening this is Shirish Pardeshi from Centrum. Amit, congratulations for showing that kind of aggression in the market at this time. So, two things, one is that on the Riddhi Siddhi joint venture, what are the timelines? and do you mean that you will bring the limestone to India and probably towards near the port and the related question to that, what is the reserve and what are the rights Riddhi Siddhi has for the mines?

Amit Syngle: Okay, so first of all, see the limestone reserves are in Fujairah as I said and Riddhi Siddhi actually has a right for you know very long time and I think over 50 years to 100 years as we see it in terms of the overall limestone market which is there. So, I think

that is not a concern. We are putting up a clinker manufacturing unit right in Fujairah so that is something which is what we are planning. This would kind of come up in the next about 24 months in terms of what we see in terms of this thing. We are taking aggressive timeline in terms of putting that there. We would put some grinding units in India in terms of getting the product so that we could kind of save with respect to overall cost which would kind of come into that extent and which align with our putty locations overall to that extent. So, I think the whole area is where we are able to conserve cost the maximum, at the same time what we are able to do with the formulations so that we get advantage in the product.

Shirish Pardeshi: Okay, that's helpful. Second question on the capacity expansion which you have mentioned. How soon, how quickly which are the locations you have finalised or if not finalised... This is primarily going to be on decorative emulsions, or the capacity expansion is going to be related to something else also.

Amit Syngle: Yeah so, the overall capacity expansion is respect to our decorative, because that is the key category which has been growing at a very very strong pitch what I showed you with respect to the overall volume growth, quarter on quarter to that extent and largely with respect to our entire initiative on water-based products to that extent. We are looking at certain brownfield projects as well overall, to that extent. So, our entire Ankleshwar plant is something which we are revamping up and really kind of doing and putting some solvent based additional capacities which are going to come in there to that extent and as we kind of go ahead we have the second phase of our certain investments coming in some of our plants going forward. So, I think these are all coming from the point that we are sitting at a certain capacity utilisation and this will all come in the next as I said about three years in terms of what we want to kind of put, which takes our capacity to a certain level as was pointed.

Shirish Pardeshi: My last question on the demand side, I think the raw material prices are falling down so is that their growth which is tapered or the inventory by the trade has lowered. Obviously, the rains has prolong, but generally the sense which I am getting that event trade is also expecting very sharp drop in the prices is that the fear or is that you have already implemented or communicated to the trade?

Amit Syngle: See you know, I'm a firm believer that you can't really play with the prices as if you are playing on a stock exchange. Okay, so this is something which is really a strong imperative that as a leader, you need to have responsibility, that you can't be erratic in your behaviour in terms of just increasing and decreasing the prices at your wims and fancies in terms of the way it kind of comes in. I think we have a larger onus towards the consumers in terms of seeing how demand augurs to that extent. I don't think so we are getting immediately in terms of looking at any decrease in prices despite the fact that there would be a raw material decrease which would kind of happen. We would love to kind of really let things stabilise over a period time and then take a concerted call, in terms of what is there because we are all in favour in terms of seeing to us the consumer demand sacrosanct and would like to continue to kind of really see that we are growing handsomely in the market and overall gaining share.

Shirish Pardeshi: Okay, thank you Amit I could see the bandage on your hand so please take care.

Amit Syngle: Thank you.

Moderator: Thank you Sir. Our next caller is Mr. Percy Panthaki (IIFL Securities) joining us through zoom video platform. Sir, request you to unmute yourself and proceed with your question.

Percy Panthaki: Hi Sir am I audible?

Amit Syngle: Yes, you are.

Percy Panthaki: Two questions from me. One is, what is the total price increases that has been taken between 31st March of this year versus what it is now. That's the first one. Second one is, your difference between the derived pricing, that is the volume you give versus the sales and the announced price increases, if we add up on a YOY basis, the difference is quite high this quarter may be about 13-14 percentage points. The derived is 10% which is 20 minus 10 and the announced price increase are close to about 24%. So where do you see the stabilising. See we have always had some amount of difference between the derived and announced price increase. This quarter, It is definitely on the higher side, but would you say that out into the future say FY2024 or something, we would still have something close to 10% difference in the derived pricing, sorry derived versus the announced pricing. Yeah, those are my 2 questions.

Amit Syngle: No I don't think so it is that simplistic the way you are kind of putting up, but first of all I must tell you that that between 31st of March and now, we have taken about approximately 3% price hike over a total inflation of about close to about 8% in terms of what has happened in quarter 1 and quarter 2 to that extent. So that's in terms of the price increase numbers in terms of what you were asking. The other is from the point of view of this derived number in terms of the volume and the derived value growth in terms of what you are kind of speaking of. See this is a larger function of too many factors which kind of come in to play one is the whole area of the product mix; in terms of how the product mix is auguring out and which products are doing because the margins on various product categories are very very different in terms of what it kinds of really looks at and the price increases we have taken are also not uniform across the products. The price increases vary from product category to category. In some categories, the price increases have been far higher in some categories the price increases has been strategically kept low overall to that extent, so that we don't kind of really upset the elasticity of pricing at

the consumer level to that extent. So, I think going forward, some of this difference will kind of continue. It is very difficult to really kind of put a number saying will it be stabilised at 10%, will stabilise at 8% or 12%; but I think some variability will look. I think its best kind of really look at this thing stabilising and saying that in terms of where do we settle, in terms of its kind of a derived growth in terms of what you are talking of.

Percy Panthaki: Sir, reason I ask is, even if we assume that volume growth going into FY2024 will remain robust say at around 15%; but FY2024 will have very little price increases assuming that the materials stay at the current level and then if just implied pricing differential is to the extent of 10%, then we will dip into a single digit value growth in FY2024. So, is that calculation correct and if not, where am I going wrong in that?

Amit Syngle: No, it's not the correct because you know what can happen is that when the volume growth goes up, what I was explaining to you. If it goes on certain category of products where the possibly, the increases which we have taken are fairly high to that extent, okay, it would kind of really increase the value growths to that extent in terms of overall to that extent. Now, if it kind of really doesn't kind really get on to those product categories and the growth is coming from some of the other growth categories, then the differential would kind of get maintained overall to that extent. So, I would say that possibly going ahead, you know, our aim would be that possibly the you know the we are able to focus on the right set of products overall, which kind of gives that kind of a value growth and overall gross margin and profitability to that extent. So, as I said, I think the correct way to possibly kind of look at is that you can't put an algorithm or trend on to it that it will remain like this. It kind of really would kind of augur from the point of view of how the product mix kind of shapes up and second please remember that this 3% increase in terms of what is there which is the which will also have some implications going forward to that extent although nominal and not to the tune of what possibly it was last year.

Percy Panthaki: Thanks Sir, very helpful. Thanks, and all the best.

Moderator: Thank you sir, we request everyone to kindly limit your questions to only 2. Our next caller is Mr. Jaykumar Doshi (Kotak Securities), joining us via zoom video platform.

Jaykumar Doshi: Yeah, Hi Good Afternoon, thanks for the opportunity. I want to understand this Rs. 2100 crore investment for backward integration of VAE a little better. You know, if I did some ballpark maths, your overall RM cost COGS is about Rs. 19,000-20,000 crores. So, I am assuming your Emulsion purchase will not be more than Rs. 7,000-8,000 crores today is that right understanding?

Amit Syngle: No as I said, we don't kind of really purchase too much of emulsions. We are making a lot of emulsion inside but as I said that there is a clear pricing difference in which comes in from the point of view of what we are using and what this possible technology will kind of offer to that extent. So currently we might be purchasing some quantity of this emulsion from outside, which we are trying to make, but overall, when it kind of replaces the existing emulsions in terms of what we are using it will also give us a lot of benefit.

Jaykumar Doshi: You talked about 500 to 700 basis point gross margin advantage for, in putty because of this white cement backward integration. What is the magnitude of gross margin improvement that this capex can drive for your rest of the decorative portfolio or emulsions portfolio?

Amit Syngle: So, overall, what we see is in terms of the advantages would be much higher as we look at from the point of view of the VAM VAE coming in terms of what it kind of really pegs us at from the point of view of overall margins. What we also have to remember is that we will also kind of see that whether as we kind of use this the emulsion going forward, whether we would like to kind of absorb those margins or we would like

to also pass some of them in strategic pricing overall, in terms of as you go forward to that extent. But I think the margins here could be even higher

Jaykumar Doshi: Final one, how did this 1.5 lac capacity compare versus decorative paints. So, you are targeting 22.57 Lac tonnes of decorative paints capacity so will this be...

Amit Syngle: Sorry, we lost you in between. Will this be?

Jaykumar Doshi: How does this 1.5 Lac tonnes capacity of backward integration compares versus your overall decorative paints' capacity of 22.7 Lac tonnes that you are targeting.

Amit Syngle: Okay, so I think what it does is that it kind of bolsters our overall water-based emulsions capacity till about I think 2027 or so to that extent. After that might have to go for a further expansion, given the fact that the way we are kind of growing and projecting. So, it would kind of definitely give us an advantage till about 2027-2028, but we will then have to kind of get into expansion plans over this 1.5 Lac KL capacity which we are talking of.

Jaykumar Doshi: Thank you so much, that's it from my side. Thanks a lot.

Moderator: Thank you Sir, our next is Mr. Varun Singh (IDBI Securities) joining us through teleconferencing. Sir, I request you to please mention your name and your company name and proceed with your question. Thank you.

Varun Singh: Yeah, thank you very much. So, my question is on the new endeavours. So, in the decorative segment sir if you can mention some ballpark number with regards to how much margin accretive, we expect with backward integration overall company level Sir.

Amit Syngle: Sorry are you saying I couldn't understand your question. Are you saying that because of VAM VAE in terms of this thing because if you are hearing, the previous caller was asking exactly that.

Varun Singh: Yes sir, so white cement, VAE VAM combined both any ballpark number that we should expect with regard to overall operating margin improvement for the company.

Amit Syngle: No, as I said that overall basically, I think individually both will affect the gross margins in terms of the product categories differently and therefore we will have to see from the point of their overall contributions in terms of the business, as we kind of grow forward what are you doing; but overall as I said, in both categories. I think the gross margin improvement easily to about 4-5% will happen.

Varun Singh: Okay sir, sir my second question is on waterproofing business, so where do we stand as on now? You can give some under objective or understanding about the overall business.

Amit Syngle: So, waterproofing you are asking... okay, so what we think waterproofing we have been in the business of waterproofing for the last about 8 years now. Overall, the business has been growing substantially over all and is now a significant contributor in terms of our overall business going forward. Both at retail level as well as from the point of view of projects we have been doing extremely well. We think that as we look at from the retail market, we are easily one of the leading players in the market in terms of what we are and our brand 'SmartCare' has done extremely well. We have a slew of really differentiated products which we have offered in the market which are performing very well overall in the market. Even from a project point of view, we have kind of got into the whole backward integration of looking at making bituminous emulsions and bituminous membranes and HDP membranes which are there and specialised range with respect to

the repair and construction chemicals. So today I think our range is more than 200 odd products which we have which come in the whole area of waterproofing and we think that today our positioning of being an expert solution provider is very very strong and this is the business we think will continue to kind of do well for us.

Varun Singh: Okay Sir, thank you very much and all the best.

Moderator: Thank you Sir, Thank you all for joining. I now request Mr. Amit Syngle to give the closing remarks

Amit Syngle: Okay, I think it was extremely good in terms of taking at least some of the questions from you and I think hopefully we have been able to answer some of your queries which have come into that extent. We look forward in terms of your interest with the brand kind of going up again and again and I can promise you that today, I think the whole area of excellence in terms of taking the brand ahead is something which we kind of really pursue very very strongly.

Wishing you a very happy Diwali and a strong festival ahead.

Thank you so much!

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