



Asian Paints Limited

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APL/SEC/32/2023-24/74

22<sup>nd</sup> January 2024

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 Wednesday, 17<sup>th</sup> January 2024, with regard to the financial performance of the Company for the quarter and nine months period ended 31<sup>st</sup> December 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

## Q3 FY2024 Earnings Conference Call

Date : January 17, 2024



**Management:**      *Mr. Amit Syngle*      : MD & CEO  
                             *Mr. R.J. Jeyamurugan* : CFO & Company Secretary  
                             *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 Wednesday ,17<sup>th</sup> January 2024 at 5:00 pm with regards to the financial results of the Company for the Third Quarter and Nine Months ended 31<sup>st</sup> December, 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:**

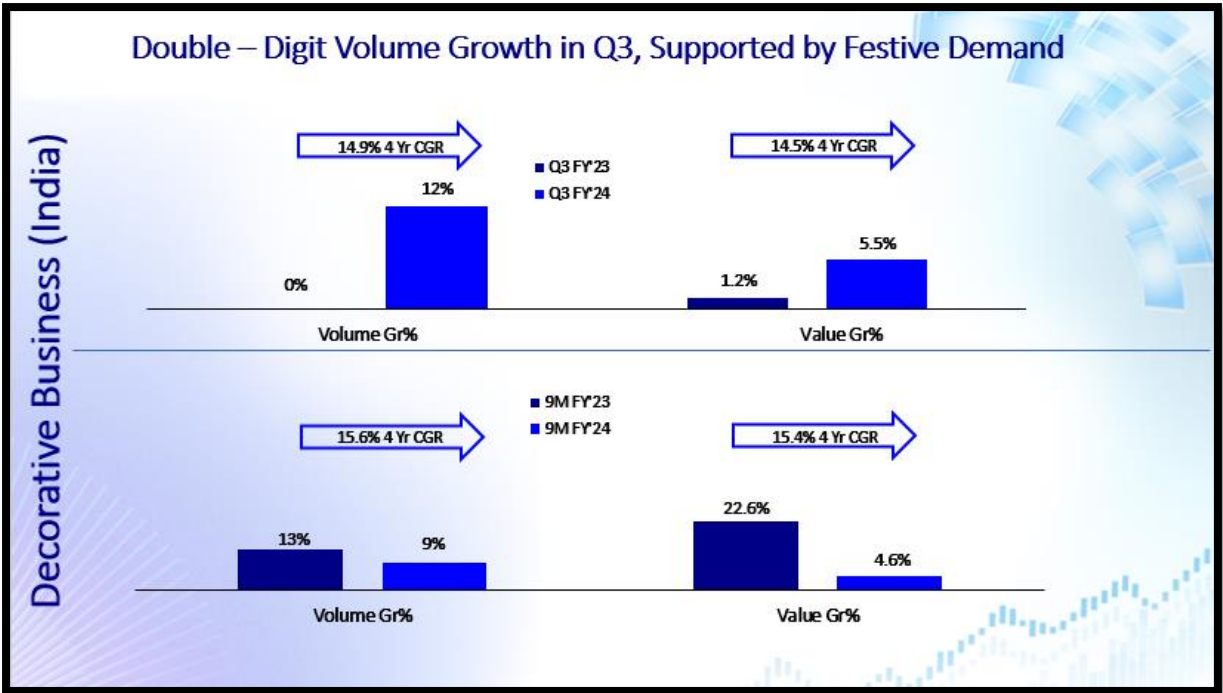
Good evening all of you, and thanks for joining us to discuss Asian Paints Q3FY24 earnings. I'm Sunila Martis from the Investor Relations team. Today we have with us, our MD & CEO, Mr. Amit Syngle. We also have with us, Mr. R.J. Jeyamurugan, our CFO & Company Secretary. I would now like to invite Amit for his opening comments.

**Amit Syngle:**

Thank you, Sunila, Welcome to our Q3FY24 results. I am sure all of you would have seen the highlights. I will just take you through certain specifics.

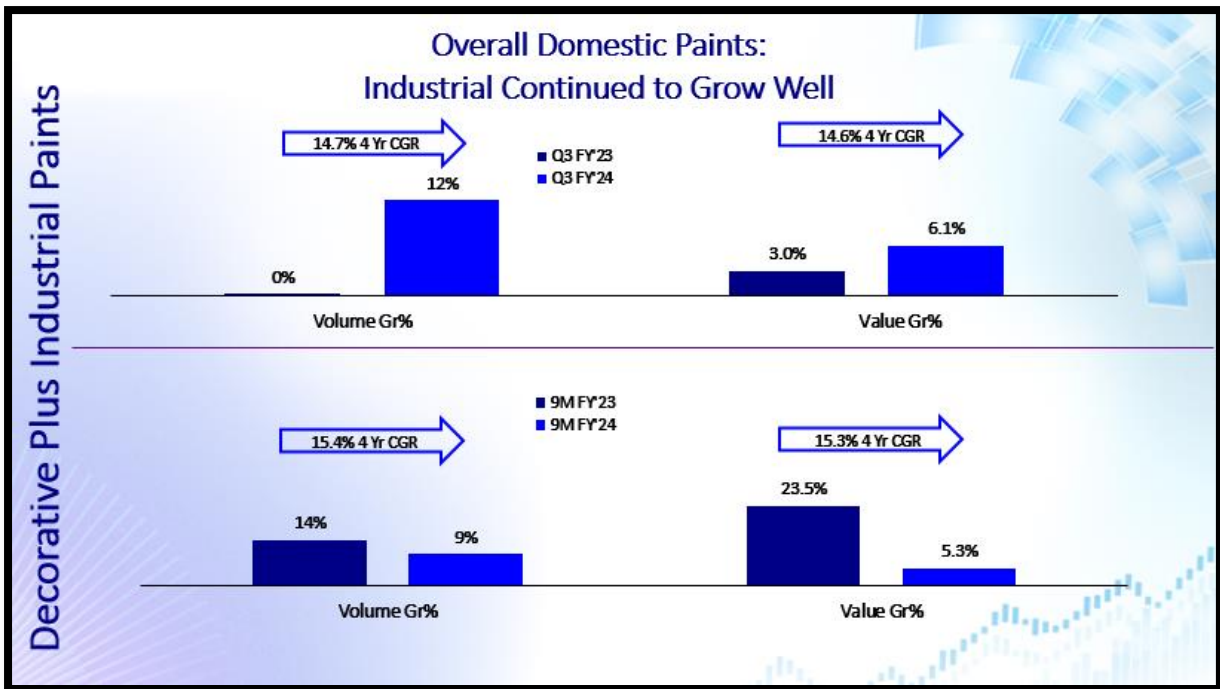


You are all aware of the legacy of Asian Paints since 1942. We exist to beautify, preserve, transform all spaces and objects bringing joy and happiness to the world. That is our core value in terms of what we have been speaking for a while.



And when we look at the results for Q3 from a point of view of volume, the results are very strong. 12% volume growth and 5.5% value growth in the Decorative business. CAGR numbers are very strong because this is something which we have been pursuing from about the last 14-15 quarters and this has been a story which has been fairly consistent.

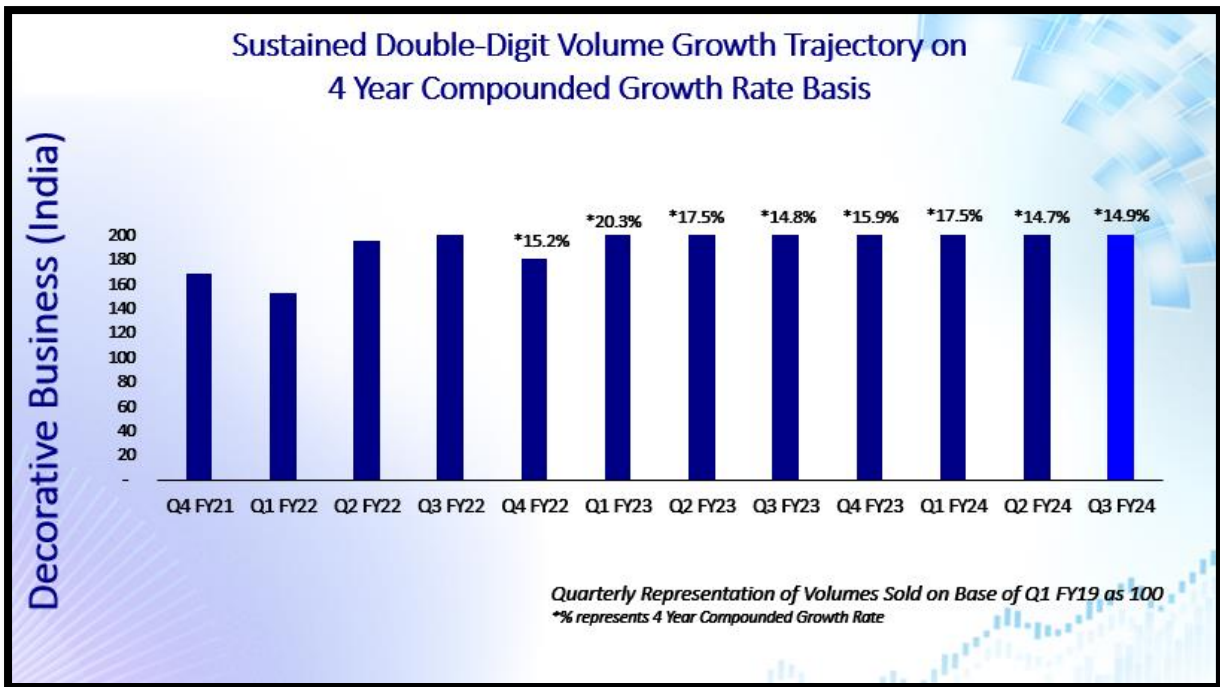
On a nine-monthly level, if you look from the point of view of overall volume since Q2, it was a little depressed. So, we are sitting at about 9% volume growth and 4.6% value growth. But here also, CAGR numbers are very healthy, upwards of 15%.



This slide shows clearly that when you look at the overall coatings' growth in India, where we have combined Industrial with Decorative, it has really grown very well for us. Both businesses in Industrial have grown quite well, whether it is the Auto OE business or the Protective paints, which is the General Industrial business. The volume number is the same because for Industrial, we don't look at volume and therefore it is about 12% growth. On value, there's a clear upsurge from 5.5%, which you saw on the previous graph to about 6.1% because the Industrial business has done far better in terms of overall numbers and CAGR numbers are over 14%.

From the nine-monthly part, again, a bit similar, except for the fact that the value growth here has gone up to 5.3% given the fact that the Industrial on a nine-monthly level has also done well. Volume growth remains the same. Interesting point there is that the CAGR is over 15%.

So, I think the net take away is that the volume growth has been pretty healthy. And if we look at the overall coatings' growth, that is pretty healthy and this has to be seen from the perspective that in the year, we have taken a price decrease of about 1.3% already, which has to be factored in value growth number.



If you look from the point of view of our performance across the various quarters, I think the story has been one which is very consistent. That is something which really matters, in terms of the compounded growth rates. This double-digit trajectory is very clear in terms of what we are seeing in the Decorative business.

### Tracking our Growth Drivers

- Double-digit volume growth across urban & rural markets; early signs of recovery in rural markets
  - Over 4 years, both rural & urban centers growing equally well with similar double-digit CGRs
- Mix led by Luxury & Economy range of products growing in double digits
  - Premium products grew at slower pace
- Continued expansion of distribution footprint
  - Catering to over 1.62 retail touchpoints, added 2,000 touchpoints in Q3

- Maintained strong growth in Smartcare Waterproofing
- Growth in Projects / Institutional Business continued
  - Builder, Factories & Govt Sector key contributors
- Continued our focus on innovation
  - New products contributed to ~12% of overall revenues
- Work on capacity expansion, backward integration initiatives progressing well
  - Brownfield expansions at Khandala & Kasna have been completed

When we look at the area of urban and rural, we classify them in terms of T1, T2 cities and the T3, T4 cities. If you look from a 4-year point of view, these numbers are pretty much the same. If you remember, last quarter we had said that rural was showing some stress. But this quarter, we have seen that some of the T3, T4 markets have recovered, and we are seeing possibly early signs of recovery as far as our growth rates are concerned. We see almost equivalent growth rates happening in T1, T2, and T3, T4 tier cities.

The other highlight is that, because of the fact that, there's a recovery in T3, T4, there has been definitely a surge on the growth of the economy range of products. But I think the heartening thing is that the luxury products have also done fairly well, and we see a double-digit volume growth on even the luxury products.

So therefore, I think it's a mixed bag where the premium products possibly have grown at a little bit of a slower pace. When we see from the point of view of the distribution footprint, this is again been a very consistent kind of rally which we have been seeing over a period of time. We have added almost about 2,000 touch points in Q3 as well, taking our overall retail footprint to about 1.62 lakh retailers across the country.

Waterproofing has been really the lighthouse brand. It has been doing pretty well overall and we have been seeing consistent growth, both coming from the retail and B2B segment. This is something which is really giving us a lot of strength in terms of various markets, which is also propelling some of the growth which we are seeing in terms of the overall coatings market.

The Projects Institutional business has again done fairly well. The good performance continues and is definitely significantly higher than the retail growth rates we see. Largely sectors which have done well are the builder segment, the factories, and the government sector, which are the three big contributors to the overall Projects Institutional B2B business.

From the point of view of innovation, I think there is something which we have pursued very strongly over a period of time. We have now more than 120 patents in the last about 6-7 years. 60 patents have been granted, 30 are commercialized. And therefore, when we look at this whole area of new products, it's something which is a differentiated story in terms what

we get from competition. And today, the heartening part is that the new products contribute to double-digit numbers as compared to the revenue contribution which comes in. Almost 12% contribution to the revenue, which is very healthy in terms of the whole area of innovation.

We have committed huge capital expenditure for not only brownfield expansion, but even backward integration initiatives. All are progressing quite well. By the end of the year, we would have committed about Rs. 2,000 crores of our Capex into all these initiatives. Khandala (Maharashtra) and Kasna (Uttar Pradesh) brownfield expansion have been completed, augmenting the overall capacity by another about 1,20,000 KL/annum. So, these are some of the key features which are there.

**Creating Differentiation in the Market**

**Decorative Business (India)**

- Safe Painting Services – rechristened as the Beautiful Homes Painting Service in over 650 towns in India. Globally the largest Painting Service by any player
- Mechanization : With 23 Colour academies, have introduced mechanization to more than 3 lac painters – Revolution in Painting Productivity
- Painting Tools : Vertical Integration in Painting tools including Spraying Machines – a first in the country



The bigger story here is of the innovation and that continues in the area of our painting services as well. This has been really the star service from our side in terms of what we are pursuing. We are globally the largest painting service which is offered by any player across the globe. Today, we have the pride of literally operating the Beautiful Homes Painting Services across 650 cities in India. We have just rechristened the entire service from a 'Safe Painting Service', which was more during the COVID time, given the environment that was there, to a




larger platform of 'Beautiful Homes'; and now it is called the 'Beautiful Homes Painting Service'.

One of the big hallmarks of this service is that we talk of mechanized painting service, where we use all the mechanization from the point of view of sanding and spraying and so on and so forth. This is really a first from Asian Paints that not only we invoke international brands in terms of getting spraying equipment, We are now talking of some of the Indian sprayers coming. Therefore, really looking at democratizing this entire process of mechanization so that we can talk of higher productivity. So, we feel that as a leader, this is a task we need to take where we evolve from the brushing and rolling technology to a spraying technology. This is something which we are actively doing in our Beautiful Homes Painting Service. But outside that also there is a fair bit of ingress in terms of what we are making, so that the larger set of consumers also benefit from this kind of initiative.

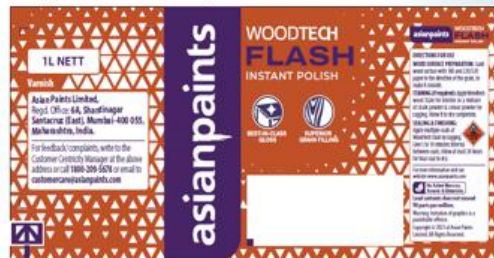
**Creating Differentiation in the Market**

Decorative Business (India)

- ❑ Innovation through new and differentiated products - All product categories have product chemistries and product propositions which no other company offers
- ❑ Products launched are 'New to World' and hence unique propositions
- ❑ New Products contribute in double digits to overall revenue; Q3 contributions at ~12%
- ❑ Highest number of patents granted in the industry; ~30% commercialized



**First Product which can be applied on 70% Damp Walls**



**Disrupting the Wood Finish Market, Bottom of the Pyramid**

I spoke of the innovation journey, and I think one of the things which we are really committed to is that today we give to the market differentiated products. I spoke about patents in terms of what we are building. One of the big areas we work is that we get chemistries which are new to the world, not only new to India, and that's been a hallmark in terms of our some of

our new products. Over the last 7 years, close to about 280 new products we have put in the market and as I said, their contribution to revenue has been very strong. All the products which you see on screen are, again, products with chemistries which are very different, and the competition does not have any equivalent products.

We have just introduced this product called 'Flash', which takes care of the entire French Polish market, which is the manual 'lakh dana' spirit kind of market which exists, which is like an untapped ocean. And therefore, I think one part of being a leader is that we continuously look at getting the unorganized customer to the organized market from the bottom of the pyramid. So as a leader, I think that's a very strong role we play.

**Decorative Business (India)**

**Building Brand – Asian Paints**

- Reinforcing the Proposition of 'Har Ghar Kuch Kehta Hai : Where the Heart is'
- Creating Innovative Propositions to stay ahead in Market : Anti Crack, Waterproofing on Damp Surfaces, Creating the world of Surface Décor through Interior and Exterior Textures, Cutting edge Wallpaper designs
- Digital & Social Marketing : Embracing new areas and creating strong communities
- Democratizing Décor through Street Art

The other area which is very important for us, is looking at building the brand and this is something which has really held us up in high esteem over a period of time. Given the kind of mindshare we speak of, we are very confident that today, when you have really looked at the customers mind and you have good mindshare, this is something which will always be with Asian Paints as we look at the future, irrespective of the competition which might come in.

We have been constantly reinforcing our proposition, which is the “Har Ghar Kuch Kehta Hai”. You would have seen the whole campaign on “Where the heart is”, which is a very strong campaign. We are taking to millions of people across the country in terms of saying that every house has a personality of its own and Asian Paints today owns that kind of emotion as we go ahead.

When we look at the area of innovative propositions, almost 30-40% of the portfolio has properties which is differentiated from what competition offers. We can clearly claim that this is something which competition is not able to offer. Like anti-crack - Royale Glitz, which is a campaign in which we talk of the anti-crack coating. We are talking of waterproofing for damp surfaces. We are looking at really talking of textures and bringing décor into the game in a strong manner and we are now the largest player in terms of the wallpapers as well in the country. So, I think some propositions which clearly are differentiated from competition. The world of digital, the whole social marketing is now pretty big and sizable part of our overall media money, and we are proud that today the kind of numbers we attract at an overall level is pretty big in terms of influencing the younger population across the country.

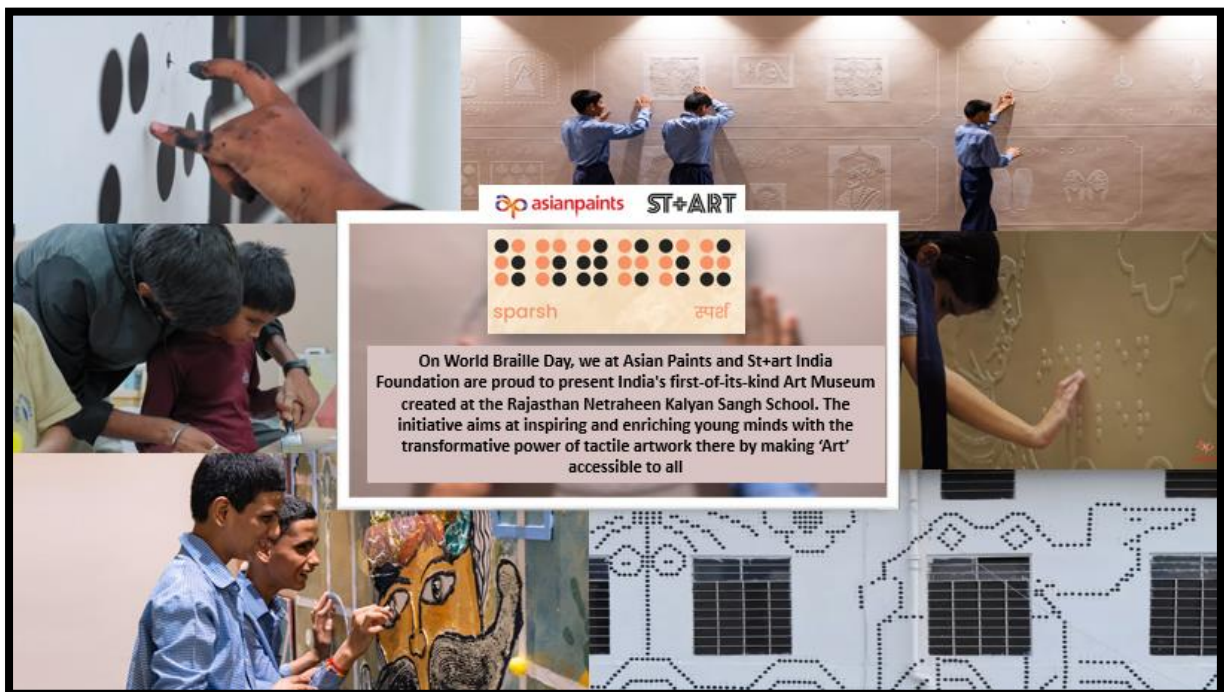
We also look at democratizing decor in a big way and we practice a lot of areas where across some 25 cities in India, there are almost about 250 murals which we have made and that is an initiative which is ongoing. And this time we have given it a very different edge, which I will just tell you.



This is the “Where the heart is” and this really connects with the people where we are able to get various profiles of celebrities talking about their homes, done up by Asian Paints. And therefore, this becomes a very good connect for people looking at home décor and the whole proposition of “Har Ghar Kuch Kehta Hai”, in a very strong manner.



This time, we came out with a very innovative campaign during the Diwali period, which was about graduating from the “Mera wala color” to about to “Mera wala mood” in the whole construct of “Har Ghar...” in a very strong manner. We had a face scan kind of technology which could determine your mood and therefore your colour in terms of what you would choose. So, this is something which was really met with a very strong reception from a certain target audience, and this is something which again, speaks of the innovation which we bring along with the products and also with the technology.



This was a very strong initiative, which we did along with the St+art Foundation, where on the World Braille Day, we aligned with them to look at creating a one of its kind of museum where we got a lot of visually impaired people to start looking at creating their emotions, their expressions on the wall. The whole area came alive in terms of what they could do, in their expression and their happiness was really unlimited. So, a touching initiative which looked at invigorating this profile for the first time in terms of something which any brand would have done in this space.



Going on to the Home Décor business, this is a very strong business. I had spoken about earlier, also is a very clear focus of the company. One of the big reasons of getting in here is that we want to be part of the consumer home décor lifecycle. So right from the point when the customer rents out a place to purchasing the first house, to renovation of the first house to the second home, which kind of comes in and then kids home. We are talking of a full consumer décor lifecycle which we want to be a part of, and therefore this really complements the coatings business.

We are literally talking of paints people getting into Home Décor and Home Décor people getting into the coating's world. So, it is something which we think is really amazing from the point of view of an overall strategy. We have seen that there is no other competition in terms of the paint industry who has followed suit. This is a difficult path ahead, but it is something which is a sure path in terms of what we can really look at getting this country to align in terms of beautiful homes.



This is something we have been pursuing and I think last three years journey has been very strong. We are now the number one decorative lighting brand. We are the number one integrated Home Décor player. Please remember this place is very segmented and you don't have larger national level players, you have regional and category players. We have now got 54 Beautiful Homes stores across the country, and this is a one stop Home Décor shop, which has really been very strong. We are now number one in wallpapers and textures; number two in terms of the fabrics and furnishings and our collaborations with designers are definitely giving us a very strong upshot in the market; especially our entire work which we have done with Sabyasachi in terms of looking at propping up the brand in a very big way.

## Home Décor: Sizing-up Our Home Décor Offerings



Kitchen, Kitchen Hardware & Components



Bath & Sanitary



Designer and General Tiles



Wardrobes and Vanities



Fabric and Furnishing



Designer Wall Paper



Furniture



Rugs



Lighting Solutions



uPVC Windows and Doors

Beautiful Home Stores: 54 stores now functional  
Beautiful Homes Services: now in 11 cities  
BeautifulHomes.com: ~50 Lakh visitors & over 5 Lakh Instagram followers

Committed to Home Décor Revenue Contribution of 8-10% of Deco Business by FY26

So, I think this is a foray where good energy is coming. And just for your information, now, we are literally in all kinds of Home Décor offerings. You think of something which completes your home, and we have something which is right there for you. Along with that, we also have a turnkey service, which is the Beautiful Homes Service, which is now in about 11 cities. And today, to complement this, we have a source which is called the beautifulhomes.com, where we get in more than 50 lakhs visitors over the years and a huge amount of insta followers looking at it.

So, I think this is something which is very strong. Right now, this business is about 4% of the overall Decorative turnover. We want to take it to about 8-10% as we go ahead in terms of looking at giving it a definite shape in terms of really growing this category strongly.



## Partnering to Deliver Beautiful Homes through 1<sup>st</sup> of its Kind Customer Experience



I spoke of the Beautiful Homes Service - very aspirational in terms of the work which we are able to do. And it is something which is supervisory and end-to-end kind of service. Again, a first from Asian Paints from the point of view of really holding the customer's hand and delivering celebratory experience for the customer in terms of what they can get while making their homes.

## New Launches in Home Décor

Launched campaign introducing Lotus 25 Hydrophobic Faucet enabling spotless bathrooms

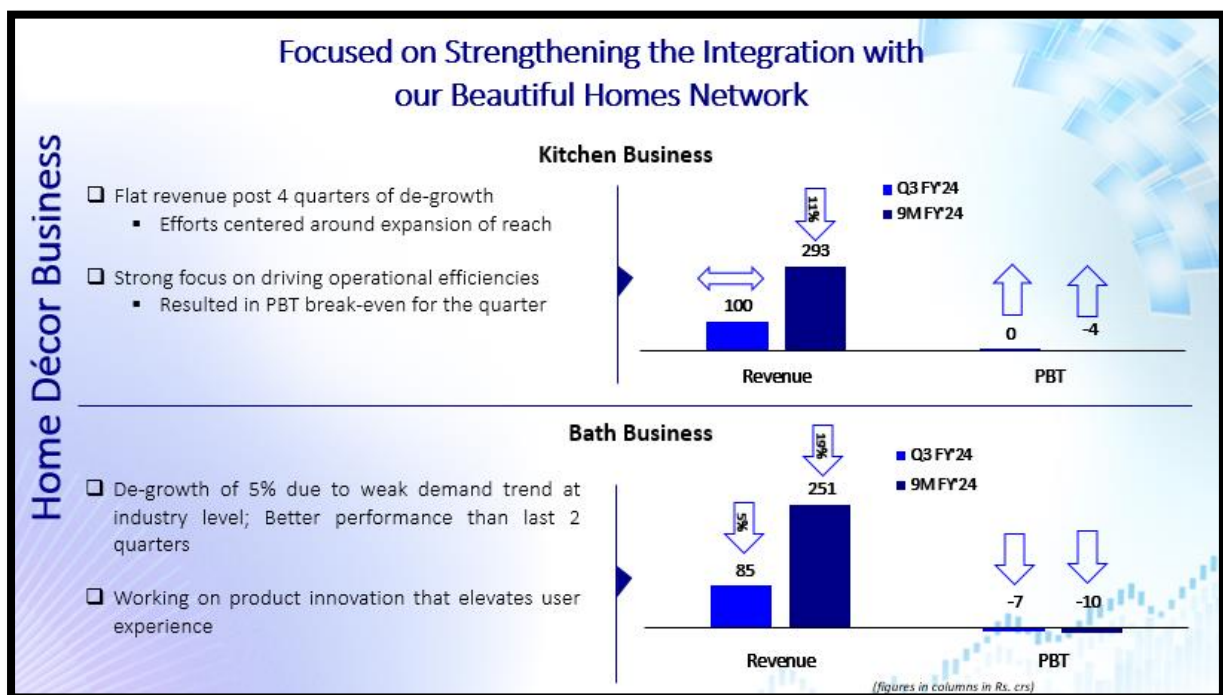
*"Some spots are desirable while some are not"*



Royale Wardrobes designed keeping in mind urban sensibilities of homeowners



The other is that we continuously do new launches here. It's like a fashion brand. We have a fall collection, we have a winter collection, and it is something which keeps on coming in terms of new things. For example, in the area of Bath, we introduced 'Lotus 25' - a Hydrophobic kind of coating, which doesn't allow water to stay on the tap or the faucet and thus prevents corrosion, giving life to the product for a very long time. Then we have the 'Royale Wardrobes'. This is something which is a new launch in terms of giving people something with different sensibilities at a very affordable price. So, I think launches here are also something which is in the offering, which will continue.



Now, obviously, I think you guys have seen that in the last two quarters the Kitchen and Bath business has not done too well. In this quarter, we have really propped it up. The good part is that, in terms of the Kitchen business, while the quarter was flat, I think we have got some energy going in terms of looking at taking it to some surge as we look at the coming quarters. And I think the great part here was that for the first time, we got a PBT which was neutral in terms of making a little money here. I think, it is a good sign overall. From the Bath business, you know, we have been logging negative growth of about 10 - 15% in the previous quarters. This time at least we brought the de-growth lower to about 5%. But there is still a lot of work

to be done in terms of looking at really propping up this category and aligning it with our Beautiful Homes stores far more strongly in terms of the work we can do to prop it up.

**Home Décor Business**

### White Teak & Weatherseal – Adding Range to our Home Décor Offerings

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

- Net Sales of Rs. 34 crs in Q3 with 18% growth

**Weatherseal (uPVC Windows and Doors)**

- Net Sales of Rs. 14 crs in Q3, more than doubling revenue YoY

Benefitting from synergies led by pan-India spread of dealer network & growing product portfolio

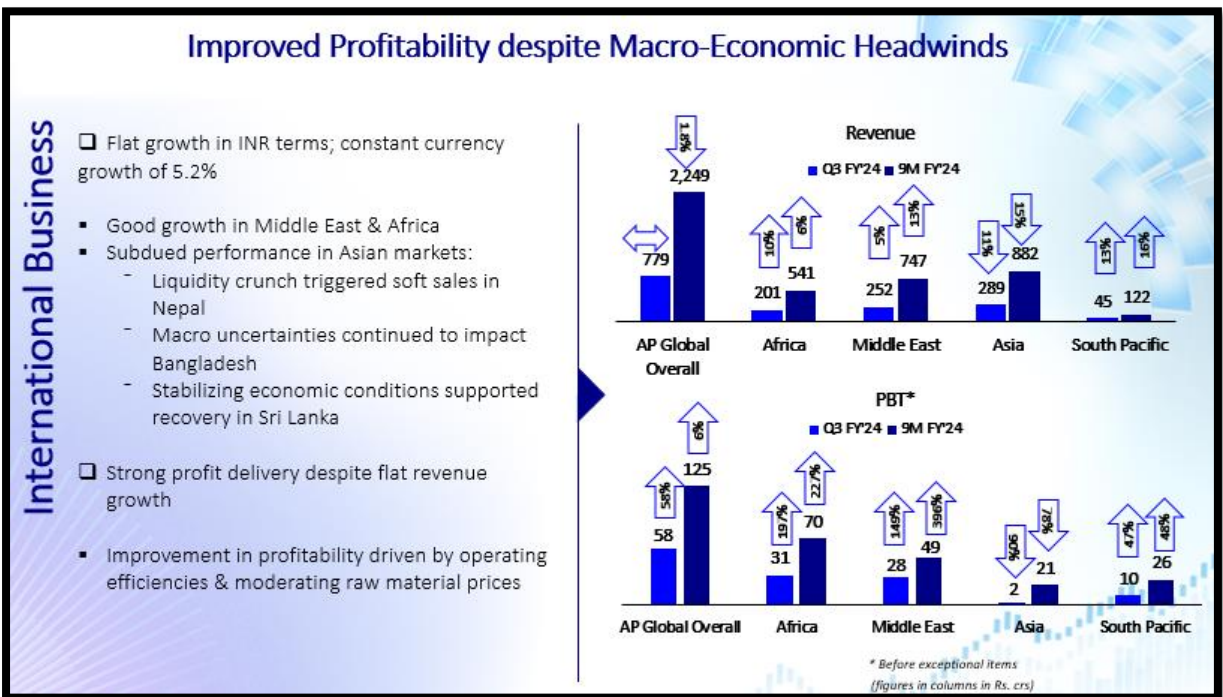


The clear heartening part is that the newer categories are growing very well in terms of the overall growth. Especially White Teak has been accepted by architects and designers in a very strong manner, integrated with the Beautiful Homes stores initiative very strongly and is something which is now a desired category making us Number One in terms of the lighting. Similarly, the whole area of uPVC windows and doors has been doubling. And I think this is something again, which has done very well.

So right now, we are in the expansion stage for both and are therefore deploying a lot of money from the point of view of overheads, people. It has to be looked from an expansion initiative in terms of where we are headed. So, that's about Home Décor.

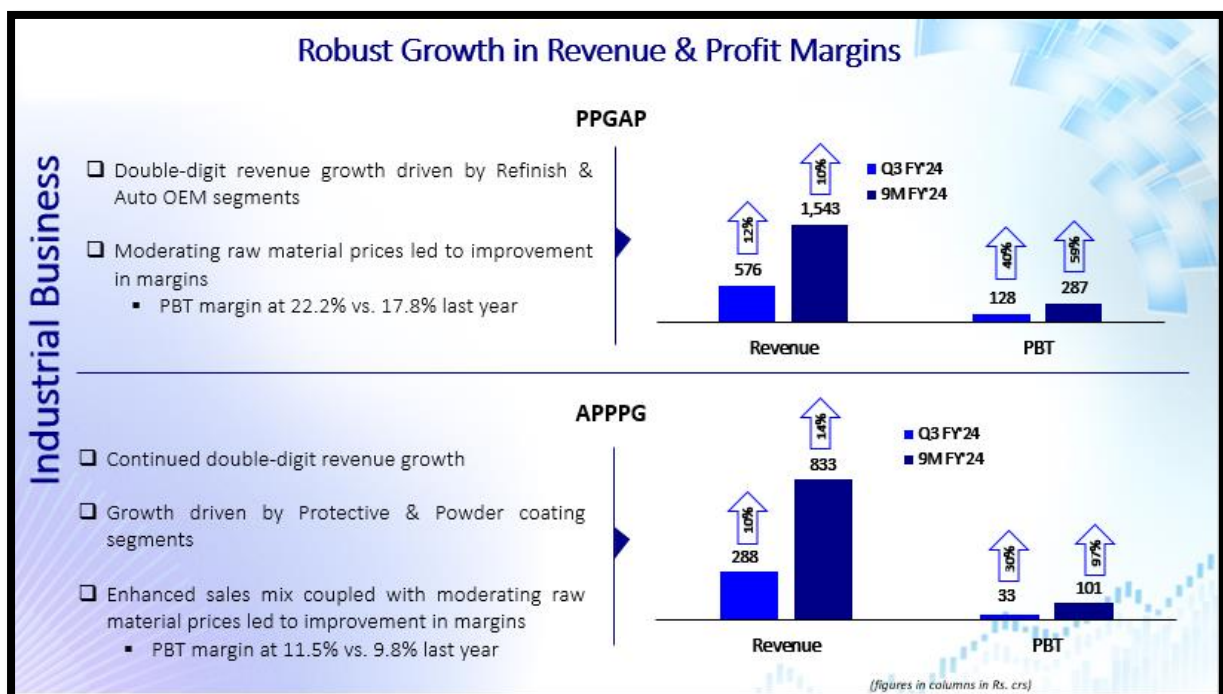


Coming to the AP Global business, this is the map that shows where all we are represented in terms of South Asia, Middle East, GCC and so on, so forth.



And in this business, again, last two quarters have not been good. This quarter at least, we got a flat growth in terms of the overall growth which has come in. But I think the part to recognize there is depreciation which is happening in countries like Egypt and Bangladesh very strongly. And if you were to see from constant currency term, we have grown by about 5.2%. Performances across has been good. Asia has been still weak, and I think there are major kind of headwinds in Nepal which is there. So, if I look at the business ex of Nepal, then in terms of Indian currency, we are at about 7% growth in global and in constant currency terms, we are at about 13% growth. I think overall the situation is improving. Nepal is definitely something, which we are hoping to see that the macro environment kind of turn around. But this is one area we are looking.

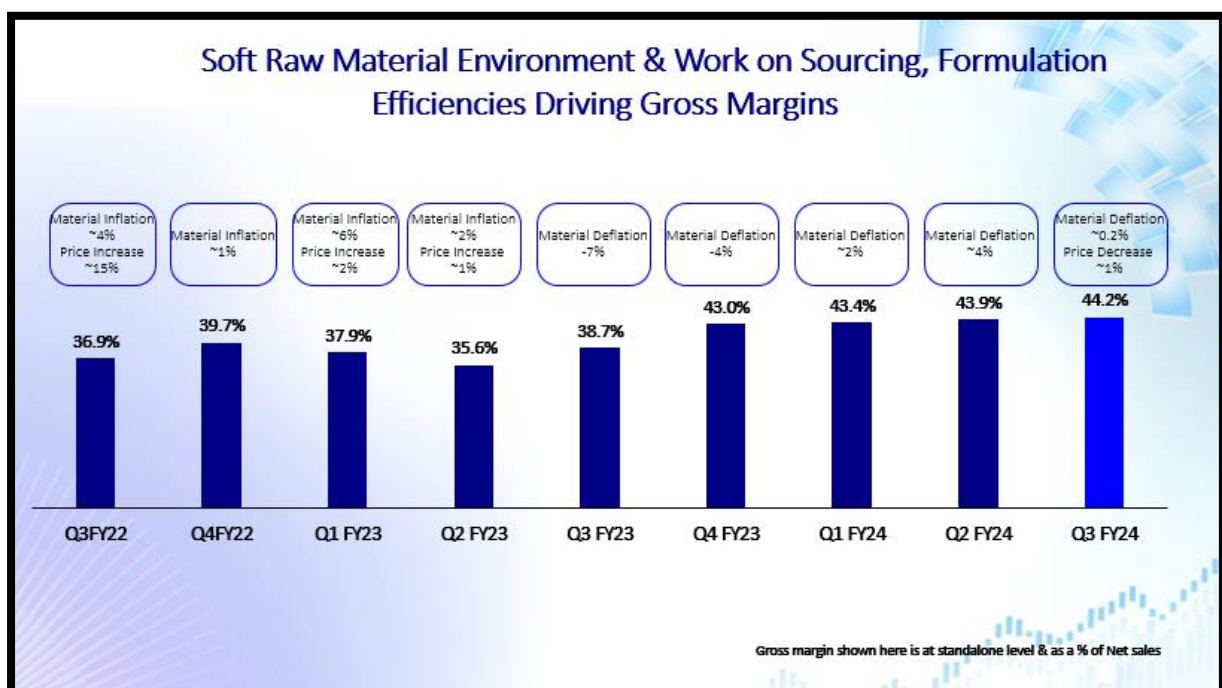
Profitability has been good here. If you can see overall, we have been able to get good growth in PBT, given the fact that margins have gone up and also the fact that there is part deflation. I think that's something which is good, which is happening from the point of view of overall profitability of the business.



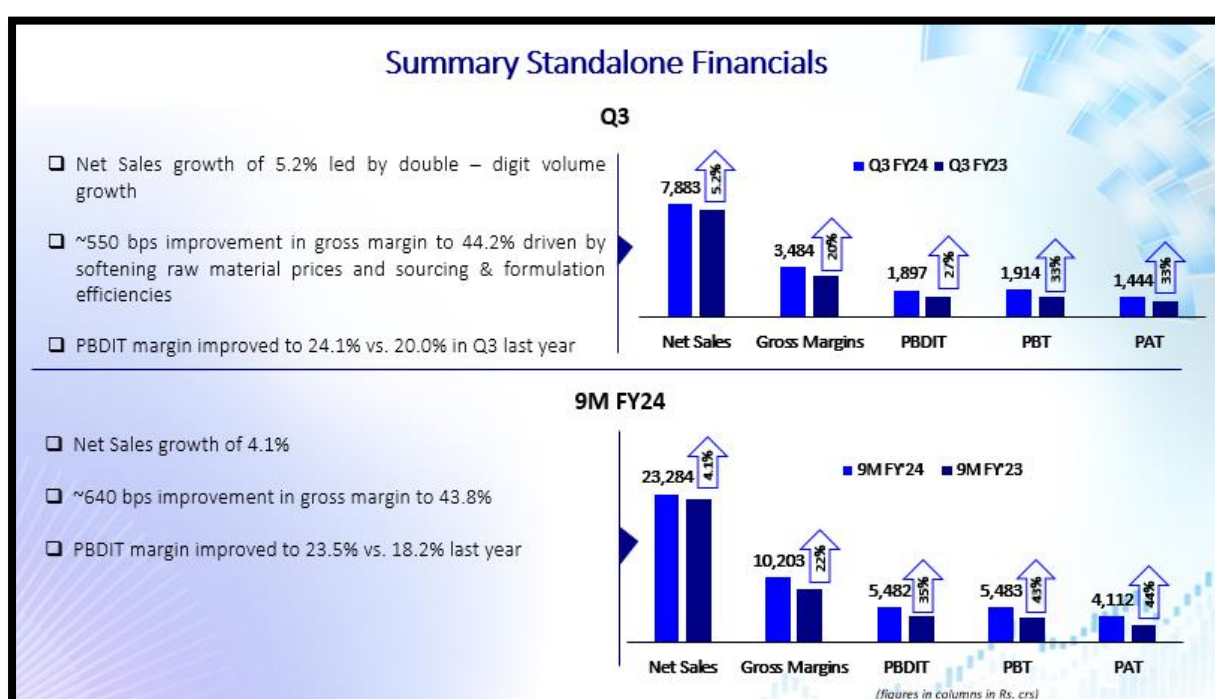
When we look at our two Industrial businesses, both businesses have done fantastically well. Overall, the Auto OE business, which is the PPGAP (PPG Asian Paints) business has registered

a double-digit number - almost at 12% value growth, and over a nine-month period, it is almost about 10% kind of growth. The great part is obviously I think the raw material prices have had an impact on the profitability and we've been able to get good prices from our B2B customers. If you look at very healthy increases in terms of PBT, which we have got. Overall numbers in the zone of about 40% up and on a nine-month level, also numbers which are 50% plus. So, a very strong performance, which has come in and the PBT margins are almost at their highest levels at about 22.2% vis a vis about 17.8% last year.

APPPG (Asian Paints PPG Business) - On the front of General Industrial business, again, this business has been doing extremely well for us in the last three years. We have almost doubled the business in three years. If you recall, and here again we have got a double-digit growth, and this is a business which talks of Protective, Powder paints, and so on, so forth. Overall, if you look at for the quarter, there is a 10% kind of value growth and on a nine-month level, we have got a 14% growth. But again, the heartening part here is that we have really improved the profitability thanks to obviously the prices. But I think there is also a strategic intervention from technology point of view, which is giving us strength. So, the PBT has definitely gone up by almost 1.7% over last year. So again, I think a strong performance coming from both businesses.



Since I've been speaking of the material prices, I think in this quarter itself we saw a deflation of about 0.2%. We also took a price decrease of 1% in this quarter. We had taken earlier a price decrease of 0.3%. So, the total price decrease actually works out to about 1.3%, which possibly is explaining some part of the value-volume difference which you are seeing. The gross margins are at one of their highest in terms of what we see in the last about 4 years. So, I think that is a very strong picture, which is coming from the point of view of overall gross margins as well.

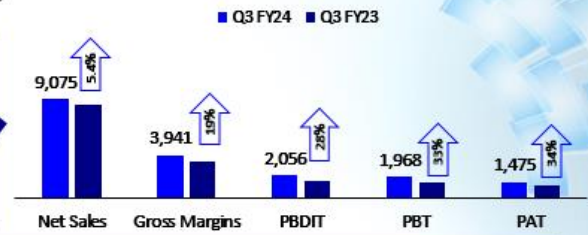


In summary, when we look from a Standalone financials point of view, I explained that a 12% volume growth, a 5.2% value growth, gross margins are up. The greatest part is that the PBDIT has improved to about 24.1%, which is again one of the highest versus the 20% which we saw in Q3 last year. And I think that's heartening, which has contributed PAT growth of almost about 32-33%. From a point of view of nine-monthly, I think almost similar thing in terms of results. 4.1% in terms of the overall value growth. But I think PBDIT margins are very strong at about 23.5% vis a vis 18.2% last year. So clearly, you know, a differential of more than 500 bps in terms of what we are able to see and ditto in terms of the overall PAT growth, which has been also very strong. So that's the position for the standalone.

## Summary Consolidated Financials

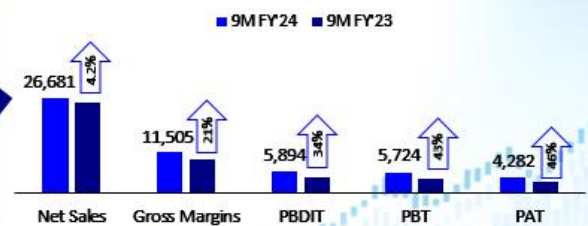
Q3

- Net Sales growth of 5.4%; strengthened by APPPG business
- ~510 bps improvement in gross margin to 43.4% driven by robust profitability in Industrial Business
- PBDIT margin improved to 22.7% vs. 18.7% in Q3 last year



9M FY24

- Net Sales growth of 4.2%
- ~600 bps improvement in gross margin to 43.1%
- PBDIT margin improved to 22.1% vs. 17.2% last year



(figures in columns in Rs. crs)

When we look at the Consolidated financials, here again pretty much replica of the Standalone numbers of 5.4% value increase is there. The PBDIT numbers moved again to one of its highest, about 22.7% versus the 18.7% of last year. PAT growths, again very strong. On a nine-monthly level, again, something which is similar to Standalone numbers for about 4.2% value and PBDIT moving to about 22.1%. I think the position is looking good, overall.



## Outlook for Q4FY24

- Expect to sustain the Q3FY24 volume momentum
- Satisfactory monsoon coupled with uptick in Government spending and moderating inflation likely to bring in positivity for rural economy
- Softer raw material price trend witnessed in the first nine months to persist in Q4FY24
- Remain confident on further growth in our Industrial Business and optimistic on scaling up our Home Décor foray
- Macro-economic headwinds expected to persist across some of our International geographies; especially South Asia, Egypt
- Need to remain vigilant on geo-political developments and its potential fallouts

When we look at the outlook, and I know that a lot of you are going to ask me about this. I think one thing is very clear is that we expect to sustain the volume momentum in terms of what we have built. Because of the elections coming, there would be excess money coming into the market. There would also be a little bit of lethargy in terms of painting your homes and some deferment, which could come in. So, I think this would be true for Q4FY24 and Q1FY25. But I think the good point is that the T3, T4 cities are showing an uptick, which kind of indicates that, we are talking of possibly a good growth coming from that side. We expect the raw material prices to be coming down further, despite all the geopolitical and other things which are happening, and we expect that trend of the material deflation to continue to some extent in Q4FY24 as well.

Industrial business - Auto business is doing extremely well, and we think that that is something which the builds will continue. And overall, in terms of the General Industrial business also is good because a lot of money is coming into India, a lot of investments are taking place, a lot of factories are coming up, a lot of expansion is there to that extent and the overall mood is buoyant.

Global is a little bit of a doubt in terms of what comes in, especially South Asia has been not really doing well. But now Bangladesh elections are over; Let's see if possibly we have a higher growth coming in Bangladesh. Sri Lanka has recovered to some extent, but Nepal continues to be a worry and we don't see possibly Nepal turning around in Q4. Egypt, we have an issue in terms of the depreciation, which is there and you know, issues like forex availability and other things. But I think from a growth perspective on constant currency terms it should give us that growth.

So overall, I think we need to be vigilant in terms of the overall geopolitical situation which can really make the crude prices go haywire to some extent. We have seen some of the oscillations in the past, but I think overall they should stay in a certain bracket and that would give stability. As I said that possibly a deflation in terms of the environment.

Thank you so much.



**Moderator:**

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

**Avi Mehta (Macquarie):**

To understand the outlook a little better. When you say you expect to sustain the Q3 volume momentum, are you calling for double-digit volume growth on YoY basis to sustain or could you give us the metric on which you are arguing for this momentum to sustain? Or what is the metric that we should be looking at? YoY growth rate, 4-year CAGR, 3-year CAGR?

You are arguing about the softer raw material price trend to continue. Does that mean also that margins are something that would imply where we are currently could probably sustain or how should we look at that?

**Amit Syngle:**

We are definitely seeing some recovery in terms of the T3, T4 cities across the country. We are also seeing certain geographies doing extremely well and the Projects business also being good. We also feel that the Industrial growth, both Auto and General Industrial should be good. So overall when I said sustainable volumes, we are still looking at a double-digit volume growth in terms of what we would like to sustain. From a point of view of CAGR, would be healthy CAGRs in terms of what you have been seeing from us. Unless the election plays spoilsport because the dates have not come in and it's very difficult to really comment when the whole activity will begin. But in general, I think this is the outlook.

The second part is that when we look at prices, we are going more by the trends in terms of what we are seeing. Because if you look at the US markets or the Chinese markets, we are not seeing consumption going up to that extent. While there are geopolitical situations, I think given the fact that the larger economies are not growing, there are two wars which are going on, we feel that from a point of view of consumption at a global level, the consumption would decrease, which would kick off deflation, in terms of the prices. This is our estimate in terms of what is going to happen.

And as a fallout, what we are doing is we are very critically observing the deflation which we will see. It is not very easy to really just look at calculations at this stage unless we look at in terms of crude derivatives, we look at additives, we look at certain kind of monomers and so on so forth as to how they are getting affected. We are trading at a good gross margin overall. We will look at possibly decisions which could be whether we want to retain, whether we

want to really look at any price decreases which would come. But that decision would come in once we know exactly what the kind of trend is, we are seeing in this quarter.

**Avi Mehta (Macquarie):**

You had pointed in the release that there is some weakness seen towards the latter half. Just wanted to get your sense, do you believe that price cuts can spur demand in this category? Because I was always under the impression that pricing is not a very material driver.

**Amit Syngle:**

I think the upsurge which we saw during the festive season was very good. So, when we spoke of saying that the latter part of the quarter was not so great, it was relative to that. So, it just an element of relativity which comes in. But I think that doesn't take away from the point of view of the double-digit growth in volume in terms of what we are gunning at. On the pricing part, see you are right that pricing sometimes really helps us in terms of some of the smaller towns because there is a bit of downtrading which starts happening and the price increases we have taken earlier is also to some extent in terms of premium and luxury kind of products, so it helps people to really counter that downtrading. I think it has got a little bit of a psychological impact. Also, I think it matters in terms of how you take the pricing. If your pricing is across the products, possibly the impact is not high; but if your pricing tomorrow is on only specific products, then it could be possibly a higher impact which could come in, which would definitely impact demand to some extent.

**Mihir Shah (Nomura):**

I wanted to understand your view on the strategy with respect to the negative mix that we have. As we understand the pricing led growth has vanished now, since quite few quarters. Now we have entered into a price cut type of a scenario and with your outlook of further price cut, we will have another negative pricing lever that is going to act on the overall value growth numbers. How would you think about the negative mix that happens? Would you think that in FY25, you shift gears into lowering the negative mix impact and focus more on volume? Because unless and until we get atleast a mid-teen kind of volume growth, we will continue to have very anaemic kind of overall top line growth of 2-4% over the next, 5 odd quarters.

**Amit Syngle:**

I don't think we are talking of only negative indicators to invigorate the growth. I spoke of fairly positive ones in terms of looking at T3, T4 tiers really coming alive from the point of view of rekindling demand. Also, you know, a 1%, 1.3% kind of a cut can't be a big strategy to really just invigorate the demand so much that it kind of goes into this kind of a paradigm. The third area is that we have seen luxury products also doing quite well in this quarter. Fourth is, we have seen demand coming from the B2B projects business also quite well. Fifth is the Industrial demand, which is looking quite good in terms of the both the Auto and the General Industrial. I think a combination of these factors is something we are looking to drive growth. I don't think we are looking at any price decreases as demand creator. I think sometimes slightly more psychological, some areas of downgrading which you see to that extent. But I think what we are seeing is definitely that some of these areas are big from the point of view of growth. Also, as I said, we at Asian Paints always had a very strong kind of focus in terms of looking at differentiated products and looking at the bottom of the pyramid. And we have now a lot of newer products which are coming to invigorate that unorganized customer to come into the organized sector along with the products in the waterproofing zone, which are also giving us a very good growth.

So, I think there are a lot of positive indicators which are coming, which would really continue. And even if you look at the value growth which has come in this quarter, as I said, if you were to net out the price decrease and other things, you are still close to about 7.5-8% kind of value growth.

**Mihir Shah (Nomura):**

On margins, when can one expect the backward integration benefits to kick in? Will it be in FY25 or it will only come in FY26 or later?

**Amit Syngle:**

Backward integration is still some time away as we see it, because whether it is our cement or whether it is the VAM VAE and so on, so forth, some of those will come possibly towards the end of next year. We don't see some of those kinds of benefits coming in handy at this point of time. But as I said, I think deflation would be very strong in terms of what we are seeing

from this quarter perspective which would definitely come in handy in terms of helping you to maintain your margins.

**Mihir Shah (Nomura):**

Would you want to revisit your margin band that you had indicated on gross margins and operating margins? You have done a phenomenal job in flying back all the gross margins. Do you think that its scope with the premiumization that is happening in the luxury end, or it kind of inching up a little further or do you think because of the economy doing well, it will remain in the similar range?

**Amit Syngle:**

I think as we go ahead, we would like to maintain the same guidance in terms of PBDIT numbers of 18-20% band. We are looking forward to deploying higher moneys from the point of view of marketing and above-the-line spends from getting a good share of voice as we go ahead. I think the whole area of brand building is something which we will focus on and look at in terms of seeing how we can possibly add value to the market in terms of taking the brand to a higher level.

**Mihir Shah (Nomura):**

This Qatar entity, that you set up, it is a trading entity? What are we planning to do out there?

**Amit Syngle:**

It is just that earlier we were supplying to Qatar. We were already doing business in Qatar, but we were doing through our distributor. Now we are setting up our own operation which will look at the whole area of distribution and supplying paints to the market. So, it's not a trading firm which we are opening. It is basically a mechanism to supply and service the entire market much better.

**Abneesh Roy (Nuvama):**

I know you focus very aggressively on the government related paint demand. My question is a bit different. If I see there is a huge infrastructure being created across many cities. We are seeing metro projects, we are seeing the MTHL between Bombay, New Bombay. Similarly in

Ayodhya for example next 5 years, 10 years, huge infrastructure, hotels, and roads, etc will be created. How do you monitor your rightful market share in these kind of projects, because not everything will be government. Second is, in this kind of very competitive market, how are margins and how the market share has moved in the last 5-10 years in these kind of marquee projects? I am not asking on overall B2B paints. I am asking on more about marquee projects, for example, MTHL, Metro, big hotels and all that. Because I am sure those would be extremely important demand driver, and as largest paint company, you would have a rightful market share in that. Could you talk about margins and market share, how things have moved in the last 5-10 years?

**Amit Syngle:**

From the point of view of the Projects business, which is the B2B business for us, the growth has been pretty strong over the last six, seven years. We have been doing extremely well. Government is only one sector, but I think for us factories, builders are also two very important sectors where we have been able to do well. In fact, we are part of literally majority of the marquee projects which are being done. So, whether it is the Ayodhya which is coming up or whether it is the parliament, whether it is the NHAI or the metro business. I think we are part of all the businesses because today we have a one consumer initiative. The consumer, whether they are coming from an Industrial or they are coming from Decorative or a Waterproofing range, we offer the customer from a single window in terms of what we are able to do and that is something which is really working very well for us. So, if you see, a large part of the airport expansions across the country, we have been part of that, from both, waterproofing window as well as in terms of Decorative paints. I think from that point of view, literally we can pick up all the marquee projects and we can say that at least about 80% representation is happening in those. And to that extent, what is very clear is that is giving us the growth.

The other thing is that, yes, the overall margins in the Projects business would be lesser than the margins we would get in Retail. But I think today, that also depends on project to project, where we have seen that some of the premium luxury projects, you are able to derive a higher set of margin. Also, when you are able to offer technical solutions, whether it is solutions with respect to waterproofing or it is with respect to certain other areas, you tend to take out a slightly higher margin given the fact that you have expertise from where you are coming, and

I am referring to all the projects like airport or metro where they are wanting a specialized product to come in.

So overall, what I would say is that we do monitor our share in terms of each of these categories. We look at some reconciliations from the published results of all the companies, we look at what is our share, look at the segment-wise share and in general, look in terms of ways and means, how we can really look at increasing the margins as this is a growing area.

**Abneesh Roy (Nuvama):**

Bath and Kitchen contribute 2% of your quarterly revenue, and obviously zero on profit. So why do this kind of business. My specific question is when it hardly adds anything to profit and 2% to topline. Why should such a large company do this and 5 years down the line, where do you see this kind of Rs. 85 crores run rate or Rs. 100 crores run rate in terms of revenue for these two businesses, because already many years have gone. If I see your initial comments, you are saying some growth, you are saying some profit. Ideally, these businesses should have grown much faster, irrespective of the real estate cycle. Why should such a large company do such a small business? And what is the way forward from a 5-year perspective?

**Amit Syngle:**

We had taken these businesses way back in 2013-14 and your question is right. We have not been able to grow these businesses at the rate we should have grown those businesses. I think we have looked at a little bit of a revamping of the overall strategy in terms of what we have seen for the last about two years or so in terms of saying that we are now not talking of these as standalone businesses, but as a part of our integrated Home Décor strategy which we want to bring.

We are looking at the whole area of décor under one roof as a very big strategy, as part of which Beautiful Homes is becoming a vehicle in terms of how we want to deliver this entire area going forward. And today, as you know, that if you look at some of the categories, we are number one in terms of the full Kitchens; but in Bath category, we are pretty small in terms of as an overall player when you look at the larger players in the market. So, we feel that today as we go forward, some of these standalone initiatives in these categories are not working



unless we bring them under an umbrella, and that is something which is Beautiful Homes for us. We are looking at really revamping and getting some growth in terms of as we go ahead. Essentially, we feel that from a point of view of our business, this business complements the paint and the coatings segment which we have already. Which is the whole area of moving from 'share of the surface' to 'share of space' within the home. And as we go forward, this could be a differentiated strategy which would come. It might contribute to only about 7%, 8% or 10% of the overall business, but it would be an important contributor in terms of really having a big place from the point of view of the brand and the consumer mindset in terms of what we would gain. Because we will then stand for overall décor and not for only paint, which is what all the other companies are standing for. So largely, I think strategically we are looking at possibly gaining a larger share of the consumer mind, which possibly also kind of has a good effect in terms of our overall coatings and paint business.

**Abneesh Roy (Nuvama):**

So last quick question is on the repeat business and cross-sell. So, in last ten years, you have hugely diversified your business and my question was more on paint and adjacencies. So, when I see paints, putty, construction and waterproofing, those are all very adjacent to each other. So, I wanted to understand from a repeat business and cross-sell, how are you monitoring how successful you are in this, because a lot of these may not be pan-India. A lot of these may not happen at the same time. For example, waterproofing, especially in terms of the old society, that may happen much later than when the customer has used paint. So, I wanted to understand how you monitor, how successful you are in terms of cross-sell and repeat businesses.

**Amit Syngle:**

I spoke of the overall Beautiful Homes Painting service. Today, when we pitch to the customer, we pitch to the customer an overall solution. The overall solution is in terms of possibly putty, waterproofing and top coating with paint. It's a complete solution when you approach a customer at any point of time. If you look from a per house perspective, the wallet size is something, which possibly we are able to take higher share given the fact that all these products are coming at one go. Even in normal painting now, putty and waterproofing are largely integrated in the process because today some of those products are giving so much of

benefit in terms of either cracks or dampness not coming, in the market that we are able to largely convert the customer. I would not call it an adjacency, I would call it something which is integral to paint.

I think why it has happened is that you see competition also following very clearly in this area and everyone has now a range of waterproofing. I would say that we should not look at calling the waterproofing as adjacency, but looking at possibly saying that all these are integrated. Even in Projects, what we are seeing today is that when we go to a large site, we pitch waterproofing first, which is at the foundation stage and then we look at possibly converting the site completely from the point of view of topcoat. I think the whole area is integrated much more strongly from the point of view of offering a complete solution to the customer.

**Amit Rustagi (UBS):**

I just wanted to understand that if we go ahead with this current metrics of double-digit volume growth, where do we see our revenue growth? Because a few years back, our value growth used to track the volume growth. Then we started to see value growth coming at a maybe 2-3% discount. And now we have started to see value growth at about 5-7% gap to volume growth. If we continue with a double-digit volume growth, where do you see value growth and can we start to see a reversal in some of these trends? Maybe when you have more value-added products and then you have more integration with VAM and VAE.

**Amit Syngle:**

From a company's point of view, the premiumization objective will always continue in terms of really saying how can I look at upgrading the customer to high value products and I think that's a constant strategy, which is at force in terms of what we are looking at, even if you look at this quarter. Overall, I think if you net out the price decrease and so on and so forth, as I was saying, you are still talking of about 4-4.5% kind of a gap, which is existing today between the volume and the value. As we see it, I think going forward, possibly some part of this gap might come down. But largely, I think the gap will remain because of the sheer fact that if you look at the country size and segments which are there, overall, the economy and the premium segments are very big segments as compared to just the luxury segment. And therefore, from a point of view of overall growth, when you grow in some of these areas the gap tends to be.

But what we are also seeing is that with high end waterproofing products, high end technological solutions, which are coming in, in terms of textures and some other areas which are there, there is definitely an upgrade which is happening. But I feel that today this kind of a lag of about 3-4% would kind of continue for some time.

**Amit Rustagi (UBS):**

When do we see the VAM and VAE projects coming up and when do we start to see the benefits of backward integration in the margins?

**Amit Syngle:**

Cement project should be on by December of 2025 and the VAM would come in about 4-5 months later. I think it will take 1.5-2 years more for some of those investments coming alive.

**Shirish Pardeshi (Centrum):**

I have two readings from the report. When I look back at Rs. 7,800 crores domestic revenue, you had 12% volume growth. You also mentioned that T3, T4 markets has done well, and you said the Economy Emulsions has done better. So, I know this is little stretch, but if you can split out of that Rs. 7,800 crores, what would be the Economy Emulsion contribution in the quarter or maybe some ballpark number?

**Amit Syngle:**

If you look at from the point of view of emulsions, there is definitely a larger contribution which comes from economy and premium and then there's the luxury. I think between the economy and the premium, you can take that the contribution comes to about almost 80% out of the 100% emulsions, which are being sold. I think that's something which we look at in terms of how we are going forward. And therefore, the entire effort is to convert the economy to premium and then premium to luxury.

**Shirish Pardeshi (Centrum):**

I don't think there is a margin story which is going to pan down. I mean, it will continue. That's my inference. On the Home Décor part, can you give some quantitative numbers because in the last four quarters, you have been saying that you are expecting 8-10% contribution by

FY26. So, though we gather that we have 54 stores, but in terms of metric, so how many stores, what kind of ROI or whether we are using the franchise route or how that scale up will happen and maybe if you can give some profitability numbers on that. That's really from the modelling perspective, because 8-10% contribution is a big number.

**Amit Syngle:**

Currently, as we maintain that Home Décor is contributing to about 4% of our total Decorative business and as we look at it, there are various parts of it today. One is the overall businesses which you are able to see, whether it is White Teak, whether it is Weather Seal or in terms of categories like fabric and other things which we have got, which basically gets sold either through Beautiful Homes or they also get sold through independent stores. When I look at the Beautiful Homes stores, we have a model in terms of ROI which we run. After we put up the store, where the retailer invests into the entire store from the point of view of property and looking at inventory and doing up the store, we look at the ROI of almost about 2.5-3 years by which he is able to get his investment back. So, we have been doing this activity for the last about 4-4.5 years. And out of the 54 stores, almost about 35-40 stores would have got their investment back. And therefore, all these stores are profitable stores, both from the point of view of the organization as well as from the point of view of the retailer.

**Moderator:**

Thank you. I now call upon Mr. Amit Syngle to give the closing remarks.

**Amit Syngle:**

It's been good listening to all the questions which you have been raising. I think it's been overall a good quarter, and we are conscious of the fact that we were the first FMCG coming on the plate. So, we better have good numbers to give you. I think it's been great meeting all of you, and I look forward to interacting with you in the next quarter. Thank you so much.

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