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1. Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.
2. Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
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Sub.: Q4 & FY 2024-25 Financial Results Investors Meet - Transcript

- Ref.: 1. Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**
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Dear Sirs,

This is further to the intimations done by the Company on 2nd May, 2025, 6th May, 2025 and 7th May, 2025 with respect to the Investors Meet hosted by the Management of our Company on Wednesday, 7th May, 2025, from 4:00 p.m. to 5:30 p.m. (IST) at Taj Hotel, Santacruz: Grand Ball Room, off Western Express Highway, Santacruz (East), Mumbai, Maharashtra 400099 to discuss Q4 & FY 2024-25 Financial Results of the Company. The Investor Meet was in the nature of a group meet.

We are enclosing herewith the transcript of the Investor Meet for your information and reference.

For **KANSAI NEROLAC PAINTS LIMITED**

G. T. GOVINDARAJAN
COMPANY SECRETARY

Kansai Nerolac Paints Limited
Investors' Meet Q4 & FY25 Results

- **Mr. Prashant Pai – Chief Financial Officer, Kansai Nerolac Paints Limited:**
- A warm welcome to all of you for Kansai Nerolac Paints Investor Meet FY24-25. First of all, thank you very much for coming and making your presence. I know it was short notice but thanks a lot for making it to the conference. At the outset, let me introduce to you our new Managing Director, Mr. Pravin Chaudhari. Pravin Chaudhari is a visionary and a dynamic leader. Pravin Chaudhari brings an exceptional blend of strategic insight, operational expertise, transformation leadership to the role. His extensive experience in the paint industry has consistently demonstrated his ability to drive operational excellence, faster innovation and lead businesses to sustain growth. Mr. Pravin Chaudhari had a long career with Kansai Nerolac Paints, nearly 25yrs. where he was the Executive Director. Then from there he went to Pidilite where he was CEO of special products and from there, he moved on to Kansai Paint Japan where he held very senior level roles in Kansai Paint Japan and now, today he is the Managing Director of Kansai Nerolac Paints. So, we welcome him to Kansai. We also have Mr. Jason Gonsalves, who is our Director, I.T & Supply Chain, so he is here. And apart from this, the entire management committee is here. All of you can interact with them during the Q&A. We all know, currently the paint industry is going through a challenging environment, particularly decorative, mainly due to new competition and stress on demand. However, off late, there has been slight improvement and we are on the growth trajectory. Apart from this, as far as industry is concerned, it has been growing and we have been doing well on the industrial front as well and we believe, going forward, we will continue to do well on the industrial. With these few words, now I request Jason Gonsalves to take you through our presentation for the quarter ending FY24-25.
- **Mr. Jason Gonsalves – Executive Director, I.T & Supply Chain, Kansai Nerolac Paints Ltd.:**
- Thank you, Prashant, and once again a warm welcome to all of you. Thank you for making it here this afternoon. Over the next 20-30 mins, I will try and give you insight into what we as an organization have been doing over the last 12 months and after that, we will open the floor for questions and answers. This will be the rough flow of the presentation.
- Coming to the Nerolac story, this is the slide we put up in every investor conference. It outlines our purpose and our vision. Our purpose is to create environments for a healthy and beautiful future and our vision is to design solutions that protect, inspire and touch lives every day. And as you can see in this pictorial representation, Nerolac is probably present in every aspect of our lives, be it at home, be it when we are at offices or even when we are travelling wherever we go. So, there is a bit of Nerolac in our lives on an everyday basis.

- We are a very focused paint organization. We believe in coatings, and we consider ourselves as a Powerhouse of Paint. And this is because maybe there are 5 pillars on which we believe very strongly. One is a strong 100+ years of expertise and legacy in the paint industry. A very very strong research and development orientation in the mindset where we have cutting edge technologies which we work on. We have also access to a lot of global technologies, thanks to Kansai Paint and the entire Kansai Paint network. We are an innovative company. We bring the pioneering spirit of Japan to India. We are the undisputed leaders in industrial and over the last 3 yrs., we have been talking of this innovation called Paint Plus in the decorative market. We are the 2nd strongest consumer brand. We still maintain that position and we have an iconic Nerolac jingle. So, these are the 4 or 5 elements which make us a Powerhouse of Paint and that gives us our strength and gives us confidence about how we would navigate the future.
- Coming to the business environment, if you look at 24-25, there were 6 big themes that emerged. One is a very stable demand in automotive. During the year, there were a lot of talks that the automotive will slow down. There is some sort of a slowdown in the automotive, especially passenger vehicles but overall auto did pretty well. I will cover that in the later part of my presentation. The Government thrust and infrastructure continued throughout the year and that's also reflected in our numbers. Crude has shown signs of softening. Today it is hovering in the range of \$60-65. Rural recovery had started in the previous year, towards the end of the previous year continued and of course we have some new challenges in the form of geo-political challenges which are emerging. I need not talk about them. I am sure all of us are aware of it and of course, there is a lot of volatility in the forex market, and we saw a sharp decline in the rupee.
- Coming now, to our main businesses, which is the decorative business and the industrial business, I will begin with the decorative business. Our decorative strategy which we have been talking about in the last 2-3yrs. is around 7 elements. I will not talk about them now but in each of these coming slides, I will cover these elements in a little more detail. Our decorative portfolio today is a very vast portfolio. We are present in virtually in all segments of the decorative market, whether its retail segment, construction chemicals, wood finishes. So, we have got the whole range of products to compete in the marketplace. As far as strategy is concerned, there are some pillars of this strategy which is products superiority based on Paint+, Japanese technology that we bring into all of our products. A very strong focus on influencer program and loyalty program which is basically being leveraged for 3 things. On the retail front, to actually increase extraction and expansion and to drive possibly 2 new verticals which we have been working aggressively in the last 2-3yrs., which is projects and new businesses. So, these are the 3 elements which are driving on the ground our growth or our aspirations. It is backed by the whole background of superior product technology, the Japanese technology and Paint+. Coming to Paint+, we launched this, beginning of 22-23, it was based on creating a differentiated product portfolio. Happy to say, in 3yrs., this has actually borne fruit. Today we have a double-digit salience in Paint+ and in the last 1yr., we have progressed by 190 basis points, and we have a whole host of products which we keep bringing out in

the Paint+ range to try and create a differentiation and uniqueness in the marketplace for Nerolac Paints. And this spirit to try and create something different is also reflected in the way we launch products. In the last 1yr, we have launched 20+ new products in the marketplace. Many of them are unique in the category or are I think existing products in the existing market/basket or maybe exploiting new price points in the price point niches. So, this is the kind of range and the kind of innovation engine that is running in the organization and this is a repeat of possibly what we did in the previous 2 yrs. also. So, there is a relentless focus on trying to bring new things to the marketplace and bring a freshness to the portfolio time and again for the consumer.

- So, moving ahead on the decorative, the 3rd pillar is our Influencer Program, and we have 3 elements in the influencer program. One is paint as a service. Today we are present in 250 cities. The salience of paint as a service keeps on increasing in the decorative business for us. We have a very sustained program for architects and interior designers. Today, we are present in 45+ cities, almost 8000 architects are almost onboard. And 3rd is the program for the painters which is our Pragati Program. Today, we have 1 lakhs+ painters associated with the Pragati Program and over the last 3yrs, we have seen an increase in the secondary salience to primary. So today, possibly as an organization, we have a better understanding of who is actually consuming our emulsion paints. So, the Influencer Program in the last 2-3yrs., has gone from strength to strength and this is possibly something which will give us a lot of dividends going forward.
- The 4th element is the whole retail experience. So, we have 2 major pillars out here. One is the NextGen Shoppe and Shop in Shop concept that we have tried to propagate. And over the last 1yr., we have added 200 such retail platforms. Today, that number is roughly 350+ and today its contribution is somewhere in the middle single digits to the decorative sale.
- In terms of New Business & Projects, what these businesses are doing extremely well. They are growing better than the market and we have a good strong pipeline for the project business. We have an active set of customers, and this is actively tracked and today we are present in almost 80+ cities for the project business. So, this is giving us a lot of traction and these 2 are actually acting as good growth drivers, almost repeating the same kind of growth that we had in the previous year.
- In terms of branding, marketing and media campaigns, our visibility in the TV media has been slightly lesser. The focus this year is on digital platforms and there was a lot of work that we did here and which is reflected in both, increase in organic traffic as well as in organic leads and these helps retain our brand awareness at no. 2 position
- These are some of the accolades that we have won, and these are some of the marquee projects that we have executed. There are many more, but we have just put a couple of them on the slide.

- Coming to the industrial part of our business, again we have a huge portfolio of products. We are the undisputed leaders in industrial. So, you can see our wide range of product portfolio. Some of it is kept out for those of you who would like to see and understand the products. On industrial, our strategy is, you can say is divided into 2 parts. In automotive, where we have a very high market share. We have access to the latest technology and here, we are trying to increase the addressable markets. We are trying to find new segments to enter so that they become the growth drivers of the future. And in the other part of the industrial business, which is what we call the performance coating business, there are 4 things that drive the business. One is, premiumization, new technologies, new approvals and expansion. So, this is the way we are driving our whole industrial go-to market in the last 1yr. or so.
- Coming to the highlights in automotive, we can see that SIAM reported a 6pc increase in passenger vehicles. We maintained good growth momentum. We gained market share here in this particular segment and we have introduced some of the latest technology that is there in the portfolio for the passenger vehicle market.
- Similarly, 2-wheelers and 3-wheelers had a double-digit growth and here launched a low bake product, a low-cost performance monocoat product for 2-wheelers. So, a lot of technology which is driving the whole go-to market in the automotive segment.
- Commercial vehicles and tractors had a modest contraction in the current year. There is some revival in the tractor segment because of rural demand and here we launched again some products for this particular segment.
- Coming to Auto Refinish, we had a high single digit growth. We maintained the momentum of the previous year. Again we introduced new technology in the form of water-based solutions, low VOC paints and we implemented some digital solutions for the paint shops.
- Coming to performance coating, both in liquid and powder, I think we had very good growth especially in liquid, I think the growth has been excellent. We have strengthened the portfolio in both the coil coating, thermal range and the Nerothane PO range. And in powder, we introduced some of the new products to keep our leadership intact in the powder segment.
- These are some of the accolades that we have won in the industrial business.
- Coming to manufacturing, we have 600 million litres plus capacities. We are augmenting the capacity at Jainpur, the plant is close to commissioning. Vizag Phase1 got commissioned in the current year and we are now expanding our auto paints in the coming year. And we introduced some amount of digitalization, or we further the digitalization footprint that we have in manufacturing by introducing certain solutions in our manufacturing plants.

- Similar is the case in supply chain, which is the heart of the entire paint industry because you need to be agile, you need to be flexible and we are implementing a whole new digital solution here, which will shortly go live. Similarly, on human capital, we continued, the thrust of people first, nurturing talent and ensuring that we have an engaged and collaborative work culture within the organization through some of our platforms that we have internally.
- These are some of the two, you can say, two new platforms that we introduced. Our dealer app, we completely reinvented it. We have launched it on a completely new platform, and we have introduced a procurement solution for our vendors.
- On ESG, there is a whole body of work that is going on, as you can see. We are water positive. These five elements drive our strategy, decarbonization, resource use, quality of life, diversity, and governance. And the kind of work that we are doing is reflected in possibly the kind of ratings that we are getting in the various rating agencies on ESG. So, if you see the S & P Dow Jones, we are rated in the top 8 percentile. In FTSE, we are in the top 12 percentile. CRISIL rates us in the strong category. So, I mean, a lot of work that is happening, in this space. These are some of our CSR initiatives and we got the Golden Peacock Award this year for a corporate social responsibility.
- Coming to the financial performance, if you look at quarter 4, we have had a growth of 4.7%. We have been able to maintain our PBDIT marginally lower. And for the year, at a standalone basis, our revenue growth was around 1.4%. There's a slight dip in our PBDIT by around 4.8%.
- Coming to the consolidated figures, because our subsidiaries did not do all too well, our net revenue for the quarter was up by 2.7 and for the year, at 0.3. Our working capital, we have been able to maintain our cash conversion cycle. We' have actually bettered it in the current year. We have controlled our inventories and that's helped us to improve our cash conversion cycle. And in terms of dividends, we are maintaining the same dividend as we gave last year at 375%. So really, that confidence is there in the organization and that's what we want to convey to our shareholders. In terms of Capex, most of the Capex is normal Capex. There's a slight increase in projects because of the Vizag plant. But otherwise, everything is normal and as in the previous years.
- In terms of risk and outlook, we see few risks. One is the rupee depreciation. There's a lot of volatility in the rupee, the uncertainty because the kind of changes at the global level. Currently, we are not witnessing anything in the short term, but we really don't know what will happen going forward. In terms of outlook, as per the RBI bulletin, rural demand is expected to continue to be good. Construction activity is poised to increase. Passenger vehicles and two wheelers is expected to continue to maintain the demand momentum. And performance coating, we believe, will do well backed by a good order pipeline.

- So, with this friends, I conclude the presentation, and I will now open up the floor, for question and answers and I will request Pravin Chaudhari and Prashant Pai to come to the dais.

- **Mr. Prashant Pai – Chief Financial Officer, Kansai Nerolac Paints Limited:**

- So, we can start with the QA.

- **Mr. Avi Mehta - Macquarie Group:**

- Ya, hi! Hello? Am I audible? I'm not sure. Ya, am I audible? This is Avi here from Macquarie. Sir, I just wanted to have 2 questions. One, if I were to look at the company's performance on EBITDA margin front for the last, say, you know, from 2019 onwards, we have seen EBITDA margin contract by almost about 100 basis points from 19 to 25. Now, while we don't disclose segmental level between decorative and industrial, it would be great if you qualitatively give us a sense on where has this margin expansion been sharper in to help us appreciate how should we look at it going forward. This is in context with our earlier presentation where we had shared a focus of growing more through industrial. So an ability to appreciate how the industrial margin profile has behaved and how the decorative would be useful. If you could address that, Sir.?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Right. Right, Avi. Good to hear from you. So as far as last five years, if you are looking at, you know, our EBITDA margin contraction that you are referring to, has been primarily driven by the RM thing that you would have noticed, you know, in last till 22-23, there has been severe inflationary phase where we have found it's difficult to pass through to industrial and that's why it has led to that contraction. But if you look at now, I think this profile is much more improved in terms of pass through that has happened in the last two years. And in decorative, obviously, because of competitive competition intensity being very high, there has been lot of upfront investment that has happened in terms of advertising spend, manpower front, even little bit on influencer spend that has increased. So, all that is happening. And we believe that is important from the point of view protecting our market share in our strong market as far as decorative is concerned. Now as this intensity will settle, I am sure all this investment will have its own payback and then we will be recovering from whatever investment we have done in protecting our margin.

- Coming to our industrial front, what we have told on April 18 in our session, obviously, industrial being, important growth driver that you identified clearly from the point that India is now investing heavily in infrastructure. Kansai as a group, globally is well poised to leverage that industrial growth from technology point of view, from approval, specification, all that point of view. And the important point is as India market is maturing in infrastructure, the requirement of the paint that they're asking for is actually high

performance in nature, where there are more warranties, more take on the sustainability, lot of that thing is getting asked by. And they also obviously want a global approved suppliers. In that space, I think Kansai Nerolac stands a great chance. And then there is enough opportunity for us to premiumize also. Take the railway as a segment. I think the kind of railway we used to have and now kind of railway that we travel in, obviously ask for a greater and more sophisticated paint, which obviously comes at a premium and we have those kind of approvals from the global supplier. So, I think all such play that we have identified, I think will give us leverage in terms of the premiumization opportunity, which will help us in improving our margin. So, as we move forward, I think even in industrial, we see uptake as far as margins profile is concerned.

- **Mr. Avi Mehta – Macquarie Group:**

- Sir, if I may follow-up and you know, kind of what I was trying to get to is, we are taking 2019 to 2025. Crude has gone through its ups and downs but we are broadly at a level where crude is passing, should have been passed on. What I was trying to understand is, if the headline margin is down 100 basis point, is decorative margin more than 100 and industrial less than 100 or is it equal? And the underlying theme or under appreciation what I was trying to get is, if you focus more on industrial, does that then change the margin dynamics? Because industrial, as we appreciate, is being a different margin trajectory versus where decorative is. So that is where I was trying to kind of dig deeper. Would you be able to give any numbers or any sense on how should we look at next year from a margin perspective?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- I think next year, I think our guidance has been always 13 to 14. I think we stick to that. At least for this year, we are looking at the current nature of the business that we are into. But I'm sure kind of effort that we have elaborated in our midterm plan, obviously, guidance is that we should be doing better than that going forward. But in for current year, at least, it will be at the same level of 13 to 14.

- **Mr. Avi Mehta – Macquarie Group:**

- Ok. So, we are at the bottom end of that range. Still, we should kind of see it. Ok. Fair enough, Sir. Right! So, the second question is about the growth expectations. Now when we started, as we are in this year, we have a realization that is essentially declining in the decorative segment. And this year's performance, while it has been a sequential improvement, still is in the low single digit realm. From a year perspective, is, would you see 2nd half kind of moving up and still the full year still is looking like a mid to high single digit or should we look at a low to mid-single digit kind of performance? And between that, if you could give us a sense on how do you see automotive behaving in particular? That's all.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- Ok. So I think as far as decorative is concerned, looking at the quarter 3, quarter 4 and quarter 3 is concerned, I think we have seen slight uptake. As far as growth is concerned, especially rural is shaping better. Even the monsoon prediction and whatever incentive government are now subject to geopolitical situation not changing dramatically, I think should help us, you know, improve further as we move as far as Decorative is concerned. But that full-fledged, I think picture, or you know, outlook will be clear in the 2nd half, giving the current competition which is, you know, making this whole picture muddy with the listed company and not so you know, listed but not declaring the segment result is concerned. So, I think 2nd half will be definitely better compared to I think first half as far as decorative is concerned.
- As far as automotive is concerned, I think there has been, I would see, you know, automotive as a whole, there will be some kind of a mix change that might happen. Passenger vehicles as was said, you know, there will be some pressure as they are indicating but two wheeler on the other side, two wheeler, three wheeler, they're projecting a good volume growth. So, I think as a whole, auto should still do reasonably well compared to what has been shown or indicated. So we are pretty confident that whatever we have done last year, we have grown higher than the market. I think same trend should continue this year also.
- **Mr. Avi Mehta – Macquarie Group:**
- Got it sir. And last, just a small bookkeeping. From a two-wheeler versus four-wheeler, is there any margin divergence that one should be bearing in mind, as in two wheelers lower margin?
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- No.
- **Mr. Avi Mehta – Macquarie Group:**
- Ok. That's all from my side, sir. Thank you.
- **Ms. Mrinmay – Asit C. Mehta:**
- Hi Sir! Thank you for the opportunity. This is Mrinmay from Asit C. Mehta. So, I had a couple of questions. Firstly, you had mentioned earlier that the gap between the industrial margins and the decorative margins has been going down. So, with that happening, should we see lower seasonality in terms of margins? Because Q4 being strong on an industrial basis, we have seen a sequential margin pressure. Should that change going ahead?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Ya. I think yes. But that will also depend on the, I would say, ratio. In auto itself, if you see some ratio might change. And industrial, when we say it's not only auto, it is also about other three four verticals that we have including powder, high performance coating, general industrial. So, I think auto is what I said, actually, there is a margin profile which is changing but in industrial as we start preimmunizing, hopefully that will also get changed. So, for some period of time that seasonality might impact and we might see some variation but over a longer period, I think yes, you're right. There will be some kind of a rationalization and stabilization that will come.

- **Ms. Mrinmay – Asit C. Mehta:**

- So, when you say longer period, would you say....

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Maybe 2 to 3 years.

- **Ms. Mrinmay – Asit C. Mehta:**

- Alright, ok. And secondly, you mentioned that, you know, rupee depreciation is a risk that you are seeing. But with the crude prices coming down, is it setting each other off or do you still expect some kind of margin benefit to come in, in the coming quarters?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Ya. So as of now, till quarter 4, actually it is set off. Whatever crude benefit that we got actually got offsetted by the dollar. But yes, beyond this, if it comes, there will be some pass through also will happen as far as industrial is concerned. So, we will try to retain as much as possible but of course not whole thing will come as margin.

- **Ms. Mrinmay – Asit C. Mehta:**

- Okay, sir. Thank you.

- **Mr. Ramesh Bhojwani – Mehta & Vakil:**

- Sir, Ramesh Bhojwani from Mehta & Vakil. First and foremost, your presentation this time has been very, very positive, pragmatic and purposeful. It has covered a lot of things without detailing much. The two thoughts which I would like to share. Recently, the entry of Mr. Aditya Birla in paint came an unpleasant surprise but notwithstanding the fact that

they are in. Asian Paints has started communicating in the television media very, very strongly. How do you see the participation and the how is the Aditya Birla playing up the market? I believe they are still in the decorative segment. They are not in industrial. Industrial segment is your forte, 50% of the portion is protected. But the decorative segment, how are you looking at it going forward with JSW Paints, with Aditya Birla and, you know, trying to rattle up the market?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Ya. So, I mean, it's their strategy and obviously to create brand awareness, they'll do all this but despite all that happening, we just saw in the presentation, even our brand reckoning is still number 2. We are still top two brand recognized as far as India is concerned.

- **Mr. Ramesh Bhojwani – Mehta & Vakil:**

- Yes, yes.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- So, without advertising also, the legacy of Nerolac, this 100-year-old still, I think, is paying us off. Having said that, if you look at our ad spend is no we have not reduced our ad spend. Only thing is that, the manner in which we advertise has changed. The channel has changed. I think we focused heavily on the digital now. So obviously, you know, we are doing fairly targeted advertising rather than doing a mass advertisement, which because I don't think more consideration awareness is going to help us. I think it is now pretty much targeted effort we need to do to extract more whereas for other competitor, I think it is more of awareness requirement. So, I think the need of the hour is different and obviously our choice of the media is different. So, I think we are aware of that particular requirement, and we are pushing our expense towards more digital and which is more targeted. But as far as spend is concerned, it is same as what we were doing earlier.

- **Mr. Ramesh Bhojwani – Mehta & Vakil:**

- Because I saw a lot of innovation in WOW , white, and outside. So this thought I thought I will share with you.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- No. So in India, see, 70% of the market is decorative as of now and that I think likely to be so far future, foreseeable future. And if that be the case and historically if we have been growing at least one, one time of GDP, which is 6 to 7%, I think it is very important for us to maintain that growth rate as far as the decorative is also concerned, for us to, as a

company to grow and obviously focusing on industrial to grow slightly higher than that. That's obviously the ambition and desire that we have and efforts are in that direction. Now all the effort of launching new products and, you know, obviously putting in technologically advanced products in the market using new channels, obviously, all that game is to maintain that particular growth rate.

- **Mr. Ramesh Bhojwani – Mehta & Vakil:**

- Thank you and all the best.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Thank you.

- **Participant:**

- Good evening, sir. Yes, sir. So just continuing on his question, Birla Opus, last year wasn't much, you know, in the market. But right now, 6 to 8%, they have captured the market. They should be around 9% for 25. They got a very strong access to the dealer network and they are targeting approximately to be the 2nd player in the next 3 to 4 years. So how would our company stay off this particular in the decorative market, seeing this coming up?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Right! Ya. So that's their ambition. As far as we are concerned, I think our choice of market is very clear. We are extremely strong in North and East and followed by West. So, I think our whole effort is to protect our market share in that particular market and resist all the moves from the competition to capture our market and grow at the market rate. That's our ambition. So, they'll try their best and we'll be obviously there to fight out battle in the market.

- **Participant:**

- But now North, they're entering very strongly.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Sorry?

- **Participant:**

- North, they're entering very strongly.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- So, in fact, they started with the North plant first, then South plant. I think these two plants started. But again, you know, starting plant and extracting more from the markets, this sale has happened. So, we are watching that situation, and we will be definitely happy to see that this effort gets truncated someday, maybe this year.

- **Participant:**

- What is your strategy for the dealer? Basically, vis-à-vis theirs, like, how they have captured so much of the dealer network. What is your go to market strategy? How are you planning to do that?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- No, they copied our strategy. Right? I mean, we are here for the last 3, 4 decades and our old GTM was exactly the same what possibly they copied. I mean, we were there. Dealer, direct dealer distribution was there, then we added distributors to have to open up more retail points in the smaller towns and obviously using paint as a service, project business, all that thing is copied as it is. All that one did is, whatever I was giving, more than that I am giving. That's all. Now the question is, how long you sustain and whether consumer really buys that thing, whether pass through is happening to the consumer, etc. So, we will interface with the same. But there's nothing different and unique is the message. And then if it is not unique, sustainability or sustaining that effort for long is always a challenge.

- **Participant:**

- Thank you, sir. Wish you all the best. Thank you.

- **Mr. Darshad – Asit C. Mehta:**

- Ya, hi! Am I audible? I'm Darshad from Asit C. Mehta and my question is towards subsidiaries' performance. You said that it's weaker and this is impacting the console results. So, could you elaborate more on that? And also, will it get better and if yes, then in what time frame?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Ya. Thanks. Prashant, would you like to?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Subsidy performance, is it, how was it and is it going to be better or what is your outlook on that?

- **Mr. Prashant Pai – Chief Financial Officer, Kansai Nerolac Paints Limited:**

- So, as far as subsidiary, we are facing challenges in Sri Lanka and Bangladesh because of the local issues there. Currently, there is a stress. As far as Nepal is concerned, we are we are doing better than the market. And our domestic subsidiary, of course, we have done a revamp. We had not done well last year but there's a big change and there is likely to be, good improvement in the year, in the current year.

- **Mr. Ajay Thakur - Anand Rathi Securities:**

- Hello Sir! Ajay Thakur from Anand Rathi Securities. So just want to get a sense on the growth volume, growth in the industry. How it had been in Q4 and what is the trajectory that we can expect going forward, say for Q1 and Q2, if some colors can be given on the same?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Ya. So as far as quarter 4 is concerned, results are not yet out but our estimate is that it will be about mid-single digit volume growth is our expectation. As far as quarter one and quarter two concern, it should be in the same range.

- **Mr. Ajay Thakur - Anand Rathi Securities:**

- And sir, the volume value gap that we had been seeing, in the realization versus the volume growth for the decorative segment, which has been persistent for all the companies, all the industry players. It has been reducing, or it has been kind of, you know, indicated to reduce. How has the trend been now? Are we seeing that trend reducing further in Q4?

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Volume value gap?

- **Mr. Ajay Thakur - Anand Rathi Securities:**

- Yes.

- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Yes. It is improving now.

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- **Mr. Ajay Thakur - Anand Rathi Securities:**
- Okay. And, sir, last bit was on the crude oil prices. We have crude oil prices correcting quite a bit and quite sharply off late. Given the current at \$60. If you can throw some broad numbers or you know, at least indicative number as to \$10 kind of correction on crude oil prices, what kind of a benefit we can expect for our gross margins or the EBITDA margins?
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- Yes. So, see, this crude oil correction also has to be sustained for some time, you know, because we have inventory there and obviously, there are contracts. So one has to wait for this, you know, level to be settled and if that happens in the next contract, obviously, we will be able to get that benefit. But right now, you know, it is very difficult to know that whether it will be sustained or whether dollar will be where it is and what happens after this geopolitical situation. So I think it's a wait and watch.
- And as far as industrial concern, obviously, there will be some pass through, some may be able to retain. As far as decorative, if it is either way, obviously, it will be straight pass through that will happen to market.
- **Mr. Ajay Thakur - Anand Rathi Securities:**
- Understood. Thanks Sir.
- **Ms. Mrinmay – Asit C. Mehta:**
- Sir, you mentioned that you know your target would be to maintain your stronghold in the Northern and Western markets. But you have a new capacity that's come on stream in Southern India in Vizag. So, do you expect or are you targeting that, you know, because there's a new capacity installed in the South that you would want to, fight in that market and gain some share because, our market share in the Southern markets would be lower than our, pan India share. So any aspiration with respect to that area?
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- So North is obviously strong. There's no doubt. And as far as Vizag is concerned, our next best city, our next best state in South is Andhra and Telangana. So obviously, to service that, it makes sense that we have a capacity available there. That was the main reason why Vizag is there. So obviously the idea is to maintain and grow that particular state. And second, we also have plants in Hosur, which is in Tamil Nadu, where also we have this entire range that we can produce to service the market. But Vizag expansion was purely from this Andhra and Telangana state.

- **Ms. Mrinmay – Asit C. Mehta:**
- So just to solve, is the existing demand in those states or you are targeting to, you know, ramp up?
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- No, existing because see, my existing plant in Kanpur obviously is getting saturated, so we had to expand in some region and target that particular sale for that state.
- **Ms. Mrinmay – Asit C. Mehta:**
- So there could be some benefit coming in from, lower transportation costs or things like that.
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- Exactly!
- **Ms. Mrinmay – Asit C. Mehta:**
- Ok.
- **Mr. Prashant Pai – Chief Financial Officer, Kansai Nerolac Paints Limited:**
- Anyone else?
- **Mr. Pratik – HSBC:**
- Hi! Thank you. This is Pratik from HSBC. My question is about the broad industry. Can you speak a little more about the unorganized segment? How do you see them? Do you see them losing market share further or will they remain around the current 20% on industry level? If you can split that between Deco and industry, that will also be great. Thank you.
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- So your question is organized sector, whether they will lose market share further?
- **Mr. Pratik – HSBC:**
- Sorry, unorganized, unorganized.
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**

- Unorganized sector, ok. So, see, there's nothing, there's no systematic data as far as the unorganized sector is concerned. So, it's very difficult to say what is happening. Obviously over the years, there has been some shrinkage which has happened because organized paint players have expanded into rural areas also via distributors and so many other means. So as a result obviously, there has been some shrinkage that might have happened, I am sure. There are some sectors which obviously there is a great shrinkage that you've seen especially in the solvent based paint especially and after GST, that whole price arbitrage benefit is gone completely. So, there is a clear disadvantage to that particular segment, especially on higher working capital requirement, etc However having said that, there are some niche markets where they are present in some niche segments of projects and some particular items. It's very difficult to estimate whether that ratio has changed or not changed, very difficult to estimate. But obviously, if I enter a rural market, assumption is that I would have taken some share also. And if you look at last 3, 4 years growth of 33%, 24 %, obviously one is pent up demand and also some, I would say, trouble with unorganized player, I guess. But very difficult to put number. Frankly, it's a very qualitative answer in absence of proper data.
- **Mr. Pratik – HSBC:**
- And is there an unorganized space in the industrial segment as well or is that larger or smaller?
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- Ya, there are. In our unorganized sector also, there is an organized segment as far as industrial is concerned. Very large, it's there. But they are primarily into economic segment, not into premium segments as I elaborated earlier. So as far as we are concerned, we are placed right in premium and mid-range where performance matters. So frankly, it really doesn't matter for us whether they are there or not.
- **Mr. Pratik – HSBC:**
- Thank you.
- **Mr. Prashant Pai – Chief Financial Officer, Kansai Nerolac Paints Limited:**
- So, if there are no other questions, we can close this Q and A and please join us for high tea.
- **Mr. Pravin Chaudhari – Managing Director, Kansai Nerolac Paints Limited:**
- Thank you. Thank you so much.

END OF TRANSCRIPTION