

9<sup>th</sup> February 2024

Department of Corporate Services  
BSE Limited  
1st floor, New Trading Ring  
Rotunda Building, P J Towers  
Dalal Street, Fort  
Mumbai - 400 001  
Scrip Code: 500710

The Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, 5th floor,  
Bandra-Kurla Complex  
Bandra (E)  
Mumbai – 400051  
Symbol: AKZOINDIA

Dear Sir/Madam,

**Sub: Investor Call Transcript**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the investor call conducted by the company on 7<sup>th</sup> February 2024 regarding the standalone and consolidated financial results of the Company for the quarter ended 31<sup>st</sup> December 2023.

This has been uploaded on the Company website also and can be accessed from the link: <https://akzonobel.co.in/investors.php#im>

Thanking you.

Yours truly,  
For Akzo Nobel India Limited

Rajiv L Jha  
Company Secretary & Compliance Officer  
Membership No. F5948

Encl: as above.

# AkzoNobel

“Akzo Nobel India Limited  
Q3 FY '24 Earnings Conference Call”  
February 07, 2024

**AkzoNobel**

 **ICICI Securities**



**MANAGEMENT:** **MR. RAJIV RAJGOPAL – MANAGING DIRECTOR –  
AKZO NOBEL INDIA LIMITED**  
**MR. KRISHNA R – CHIEF FINANCIAL OFFICER AND  
WHOLE TIME DIRECTOR – AKZO NOBEL INDIA  
LIMITED**  
**MR. RAJIV JHA – COMPANY SECRETARY AND  
COMPLIANCE OFFICER – AKZO NOBEL INDIA LIMITED**

**MODERATOR:** **MR. MANOJ MENON – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call of AkzoNobel Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon, ICICI Securities. Thank you, and over to you, sir.

**Manoj Menon:** Hi, everyone. It's a wonderful good morning to all of you. As always, it's our absolute pleasure at I-Sec to host the conference call of AkzoNobel India. Today, we have, as always, the senior management of the company, represented by Mr. Rajiv Rajgopal, Managing Director; Mr. Krishna R., our Chief Financial Officer, and Whole-time Director; Mr. Rajiv Jha, Company Secretary and Compliance Officer.

Before I hand over the baton to the management, I just wanted to highlight a couple of things about our paints sector view, and how it has evolved over the last few months, few quarters, few years and also our take on AkzoNobel.

So we had a negative stance on paints industry for a fairly long period of time. And recently, we've changed that stance to recommend investors that for the contrary investor, time has come actually to avoid -- continued rather avoid Asian and Berger and have a neutral to marginal positive stance on Akzo, Indigo and Kansai for a variety of reasons.

Specifically, when it comes to Akzo performance, it was pleasing to note in the current quarter that the higher brand spend product quality improvements, and more importantly, a lot of product upgrades as well. So congrats team for the performance and wishing you good luck as we are entering maybe slightly choppy waters over the next 12, 24 months, etcetera.

And one request to Rajiv would be also to touch upon the recent organizational change. One thing I observed was that of India is separate business unit, which reports directly to the parent. And I would recommend, as an analyst, that that probably brings in a lot of focus and advantages. I request the team also to touch upon some of these qualitative aspects including org change aspect. Thank you. And over to you, sir.

**Rajiv Rajgopal:** Thank you, Manoj, and thank you to all the investors who've taken time out to join us on what I would assume is a very busy morning. So thank you. I would like to thank you for all the faith that you've sort of kept and invested in us.

Let me start with what Manoj has said. Yes, there's been an organization change. Effective 1st January, India used to report into what is called Southeast, South Asia, where Oscar Wezenbeek was the Chairman of the Akzo India entity, as you know, and he was also the Managing Director -- BU Managing Director, running Southeast Asia.

We've decided, I think our CEO, Greg has decided to split it two regions. I fully second it and support it because I think what happened in this was only the larger countries of India, Indonesia and Vietnam were getting adequate focus. And I think the idea in these markets is to how do you still grow not only in the key markets, but also in the smaller markets.

So what we've done is we've created two new BUs - ASEAN, headed by a colleague of mine called My Lan. She's based in Vietnam, and South Asia headed by me, I'm based in Gurgaon, Delhi. And really, how can we bring speed to market. So really, the organization change now. I'm going to run a BU team, which is inclusive. So we'll have obviously a few people who worked with me in the India team, but also people from some of the other countries in South Asia as a part of the team.

And our agenda is very simple. How do you empower and drive growth. And the purpose of this structure is to multiply the growth over the next few years, right? I also then come to the point that Manoj made in terms of choppy waters. I think if you look at the quarter gone by, let me just quickly qualitatively run you through it. We will tell you what we've done, and I will ask Krishna to add in terms of some of the quantitative stuff, right?

So first, if you look at the last quarter, I think at a very headline level, if you were to look at growth, you would say that, look, it's not very differentiated. Everybody seems to have done well. But if you really go beneath the surface, yes, you will see we've had a sharper performance. We've had one of the highest contribution margins in the industry. We've had very strong growth in the luxury segment in paints, continues to do well.

Also, some of the adjacencies waterproofing in particular, we continue to do very well. Our products are definitely getting rated by customers and consumers is superior. We've just had a brand study, which we just came in a few days ago, less than a year ago, where very clearly, we've got the highest brand score that we've seen in perhaps a decade, where consumers -- one of the greatest achievements really is the brand preference has dramatically shot up and which basically means the intent to buy has strongly gone up.

We've never seen this sort of a sharp rise in the last many years. So I think that's the positive. And the reason for that is very simple, that when you've got a good quality product, which is relatively well distributed and well marketed, and you run a program like Dulux Assurance, you give consumers peace of mind because I'll give you a money guarantee back if there is a problem in quality, consistency of coverage, then I think chances of you adopting it is very high.

If you look at our super premium brands, Dulux Velvet Touch and Dulux Weathershield PowerFlexx. These are iconic brands. Dulux Velvet Touch advertising received some of the highest scores, and you will see some more new work that we are working on in the next quarter when we present to you on these flagship brands as we move forward. I think where we've had a challenge in the paints business has been in the mass and economy, where the industry has had very strong growth.

This grew because of distribution growth, but at an average level we -- in what we call we track all the value per outlet or same-store growth as sometimes in some of the industries, you call it, right? We didn't fare that well. And there are certain reasons we've identified in a few key states, where we need to sort of look at it. The competition has been fairly aggressive in terms of discounting.

We are a little constrained there, not because of budgets, but because of the fact that we don't want to create practices, which are not going to be sustained, right? So I believe in the fact that I think distribution is a strong leverage. We've almost crossed 5,500 towns.

Now 5,700 is the target -- immediate target which the team is working on. -- and I believe now with the India now headed by Rohit brings in far sharper focus. With me also now also additionally adding weight with Krishna and team also not just at the operational, but at a strategic level, we believe that we've got the right to win.

On the coating side, I must say, again, very strong growth. We've seen very strong rebounds of our Industrial Coatings business with high double-digit growth. We've seen our automotive and vehicle refinish business, again, having strong growth. And our powder coatings business. We had a one-off in our marine and protective, which was on a 9-month basis is actually growing one of the fastest, but in the quarter because of some orders which have got postponed and now a very high base.

So -- and in all, is what I would say, if you look at our margins, there are two, three reasons why we've done well. One obviously, there's been a raw material deflation, which has been seen by the industry, but we've also worked on certain programs in terms of driving cost efficiencies.

Krishna leading a program in terms of war on waste, looking at certain operating leverage and also in terms of our factories where we are looking at digitization, not just digitization, it's not something that we only look at the front end, but also in terms of the manufacturing part, how we can do it. And I think Krishna and our teams are working in terms of how we can create over the next few years, be one of the companies that brings in factories, which are going to be carbon neutral, right?

So really, I think we are really, I think, delighted to see that we are able to sustain the momentum, and this despite the fact that we've had some players coming in, in the industry, as you know, some of the players have come and started pilots in different geographies. But we continue to sort of do well. And I think for me, I think the sustained growth is what makes the difference. So that's what I would say, Krishna, if I could just request you to add your comments with a few numbers and...

**Krishna:**

Yes. So if I have to sum up the quarter gone past, we have achieved the new records across all the parameters in absolute terms for both the quarter and for the 9-month period. And how we have done is that our focus on the strategic drivers, which has been alluded repeatedly with investors and the stakeholders.

We remain focused on this. And which is building the results consistently. And topline growth of 5% and 9 months with the topline growth is in line with that. And we also improved the GM percentage by 500 basis points, while EBITDA grew by 27%. So that's largely some of the efforts that translated into results. And back to you, Rajiv.

**Rajiv Rajgopal:**

So thanks, Krishna, again, delighted that we won an award on sustainability in the midsized category recently, again, shows that the work that we started putting in place with sustainability and governance is what we stand tall and in order, yes? And just to come back on the structure.

So India is now a BU. We report directly to Amsterdam. What that helps us obviously speak to market.

Our decision-making is now pretty much in India. And so we are going to get the best of both the global leverage and the India leverage moving forward. I think our focus is very simple. We are in an industry where we've got a highly respected leader, how do we really make sure that we all continue to hold our market shares and could drive growth.

I think that's a very simple thing. So Manoj, with that, let me now pass it on to all the investors who we have questions to ask. And really, I think this is a time for them to ask. So let me pass the baton back to all of you.

**Manoj Menon:** Moderator, could you announce the modalities for asking a question. I know the chat part of it, but yes, or could you please announce for the benefit of the larger audience, please?

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Arkoprattim Pal. May I request you to go ahead with your question from Sanjay Agarwal Broking Limited.

**Arkoprattim Pal:** Based on your latest results, sales growth currently stands at approximately 5%. In this scenario, what is your corresponding volume growth rate. Additionally, how will product pricing will be adjusted in influence volume growth? Could you share your expectations for volume growth within the current quarter?

**Rajiv Rajgopal:** Yes. So look, I think we've had a double-digit growth -- volume growth. Is there in our results pretty clearly. And we continue to see that we will get a double-digit volume growth. Right now, whether it's 10, 14, 15, 18 is a matter of conjecture, I believe that we should now start getting leading growth, volume growth in terms of the industry.

Look, the price drops have been more or less equalized across all the players. So it's not a point of conjecture or debate because it's all pretty similar. So to answer your question, we're looking at its double-digit growth, volume growth. We believe that, look, this is the quarter before the elections. So we believe that whatever investments in the country happen will happen in this quarter.

We do believe that the month of April will be a bit different, because that's what we've seen in every election year, '14, '19, right? So we believe that it would be -- it could be second half of April when the election dates are announced and it runs across a month across the country. It is a bit tepid in those 2 months.

So we believe that, look, I think these months will start. Jan was relatively not as aggressive because of various reasons. We had the carry fall of excessive rainfall in South, which was unseasonal and a little bit of heavy winter in North, but still has been reasonable. So I do think that, look, we are maintaining a volume growth stand, as I mentioned.

**Arkoprattim Pal:** Yes, yes, sir. Your operating profit margin is currently around 17%. Could you please elaborate on any potential changes in OPM that might be anticipated for this current quarter?

**Rajiv Rajgopal:** Krishna?

**Krishna:** Arko normally, we don't give forward-looking guidance in terms of the financial metrics. However, as we explained our intent is to deliver the profitable growth and enhance the shareholder value, yes? Thank you.

**Rajiv Rajgopal:** So just to -- Krishna saying is, I think they are very comfortable for us, when you look at EBIT margins, etcetera, we know where we are as a challenger player. For us, really, it's about holding it and then saying, how can we reinvest in our brands, people, and business.

**Arkopratiim Pal:** Okay, okay. And I'm talking about all while actually your company's recent PBT growth reaching approximately 15%, is also nothing that competitor like Asian Paints have achieved 32% growth. Similarly sales growth sits at around 5% compared to JSW Paints ambitious goals of 2,000 crores in just 3 years.

In light of this comparison, could you elaborate on the factor contributing to your company's current growth trajectory. Additionally, what are your expectation of the current demand scenario and your roadmap for achieving more competitive growth?

**Rajiv Rajgopal:** Okay so look -- so I said, thank you. Can you hear me?

**Arkopratiim Pal:** Yes, yes, I hear you.

**Rajiv Rajgopal:** I said, thank you. We cannot comment on other's expectations or illusions of what they will do, right? In fact...

**Arkopratiim Pal:** No, no, no...

**Rajiv Rajgopal:** Please allow me to answer. Please allow me to answer.

**Arkopratiim Pal:** Okay, okay.

**Rajiv Rajgopal:** I'm saying players have come in the last four years. They will do certain turnover in 2 to 3 years. We've seen 3 years have gone by; we've seen where we are. So I'll -- please allow. I think, look, we are living in a market, which has everyday challenges. Our job is to make sure that right and continue to grow.

What you've seen in AkzoNobel India is what I can talk to you about. If you look at the last 2 years, we've moved into the top two in terms of growth, something that I promised the investors 5 years ago, right, that it will take me 2, 3 years, speak to all the investors, and if you would have attended my road shows, you would have seen very clearly, I have said it, and that's why we've achieved.

And we will continue to make sure that we earn the right to win in our Paints & Coatings business. So I think that's not a concern. Look, I think you've got to understand when you talk about AkzoNobel and brand Dulux. You're talking of a brand, which is the best-in-class quality, brings in best-in-class international leverage through R&D, etcetera, right? So -- and you're talking about a company who has the highest levels of governance in the country, right?

So I also feel very proud of being a part of this organization also. And I can say that from a growth perspective, we've put a strong map. Unfortunately, we cannot share specifics now. But yes, we are very confident that we put a roadmap to address some of the challenges that the market will see in the coming times. Hopefully, it addresses your question.

**Moderator:** Our next question is from the line of Nilesh Patil from ICICI Securities. Please go ahead. Nilesh, may I request you to unmute your line from your side, please?

**Rajiv Rajgopal:** Nilesh, are you there?

**Moderator:** Mr. Nilesh, may we request you to unmute your line from your side please.

**Manoj Menon:** Operator, I can take -- Manoj here. Can I take a couple of questions in the chat window, please.

**Moderator:** Yes, sir.

**Manoj Menon:** Rajiv, just allow me to read out. I think this was -- and the previous participant did ask, I'm not sure it's appropriate. Let me read out because it's something which is there in the public domain. So Mayank Toddi from BMC is writing and said, look, despite being an aggressive and old player and having many technology and innovative products and increasing coverage to new companies like General Paints has already reached INR 2,000 crores in a span of 4 years. Why are we having a sluggish growth? And what can we do to achieve?

**Rajiv Rajgopal:** So I think Manoj first the question to that is, let's understand and we have to break the two parts. I think our Coatings business, our growths have been very robust, in line and ahead of the industry. So let's come to the paints part, which is where I think the question then sort of is. If you look at the bulk of the growth has been coming in terms of economy, what people say value segment, is a new English term that I picked up, but basically, it's mass economy category.

So we participate in these segments. Our strategy is very clear. We participate in the segment so that we keep growing our core business, which is our premium segment, which is what we are going for, right? So to my mind, that's been the strategy. I would beg to argue that if you look at the 9 months results.

If I look at our results, we've had a growth, which is -- and again, take a 2-year CAGR, okay, or 3-year CAGR, yes, we are in the top two in the industry. So yes, if you compare it to a 15-, 10-year period, you may call it sluggish, I take that point, right? But I think that what you're seeing is a renewed AkzoNobel India, yes, and not just 2.0, but maybe 5.0 because I think here, we are here to make a difference.

And I think what we are trying to do is to bring a lot more granularity in the way we run our business. Look at our premium portfolio, look at our propositions, look at the adjacencies that we've launched, right, and reinforce that we are a solid company that offers great value in terms of best-in-class quality and international to our consumers. So that's the answer, yes.

**Manoj Menon:** Yes, yes. Thank you, Rajiv. There is a bunch of questions from Laxminarayanan KG from Tunga Investments. Can I take one by one?

- Rajiv Rajgopal:** Yes, sure.
- Manoj Menon:** Yes. I think you answered some of it, but still help me to read it out. So how many tinting machines you have now? If I heard you correctly, you said 5,700, right?
- Rajiv Rajgopal:** Tinting machines, no, no. We have got much more. We...
- Manoj Menon:** Sorry, stands corrected. So that's the number of towns, yes, sorry. Yes, sorry. Let me read out the questions. Sorry, sir. How many tinting machines you have now? And second is, what is your dealer count. Point number three, you were available in 4,700 towns in FY '22. On a previous call, you mentioned you will scale to 7,500 to 8,000 soon. Where are you in the journey? And what is the dealer margins you give now, the range?
- Rajiv Rajgopal:** Yes. So let me go one by one. Our total outlet coverage, we are crossing almost about 23,000 to 25,000 is the range that we should be in a year's time. Tinting machine hence is almost about 18,000 to 20,000 because you see our capture of tinting machines, Akzo got very strict capture.
- We look at our revenue -- threshold revenue, which is not the way all players do. So it's not a like-to-like definition for players, right? I'm giving you a definition, which is a global definition, which is very stringent that machine has to give a certain throughput to be called active machine, okay?
- So in that any outlet, if you now come down, it comes to about 18,000 to 19,000, that's the sort of efficiency. And yes, we have crossed 5,000-odd towns. What I said is 8,000 towns in 2 years' time, we are on that journey. Our endeavor is using our micro distributors, what I used to hub and spoke. We are on that journey, and we will continue to sort of invest in our distribution to reach there.
- So I think these are the 3 questions you asked. In terms of dealer margins, look, dealer margin is a very difficult question to answer because it's a competitive play, right? The margins -- the dealer margins are, for us, are pretty much in line with the industry, I would say, right, in the sense that if you look at our competitive rates, yes, we -- I think the market leader and us may be a little more conservative compared to some of the other players in the industry. If I answer the question.
- Manoj Menon:** But is there a range, Rajiv, would be able to mention, the industry practice?
- Rajiv Rajgopal:** It's a very wide range, Manoj. It depends on the category in which you sell, right? It could start from 9%, 10% and go all the way up to 16%, 17%. So it's a very wide range. It depends on the specific product, market. That's a very wide range though.
- Manoj Menon:** Yes. Understood. Secondly -- okay, I'll take one at a time now. The sales mix on industrial and home. I believe he is meaning decorative there. So it's for industrial and decorative, and how it has changed 9 months fiscal '24 to 9 months fiscal '23?
- Krishna:** It's largely in line as we disclosed previously 65% is decorative than the industry is somewhere around 35%, which is largely in line, and it stands today.

**Manoj Menon:** But I would assume that you would have -- the industrial -- the non-deco would have increased in salience, right, given that it has been growing faster.

**Rajiv Rajgopal:** So very marginally, Manoj. You're right. So when you say 65%, 35% over a longer timeframe, when you take -- that's why when you look at a specific quarter right? If you look at the current quarter for which the results are announced by the prior quarter, yes, in the one quarter, it was even 60-40.

But on an aggregate, it's between 65 and 63 and 35 and 37, yes, that's the range in which it is it's not dramatically different. Paints is also doing well. It's not that paint is not doing well. That's what I think. Particularly, the B2B business in for us in the decorative side has done very well.

**Manoj Menon:** Basically, understood. Second, again, sales mix in decorative by premium, standard and economy, 9 months this fiscal versus 9 months last year.

**Rajiv Rajgopal:** We don't do that -- give that, Manoj. But suffice to say for us, I can share is that our premium super-premium, what we call the market now calls Luxury has been one of the drivers of growth. So that's been the driver of growth. I think we were growing in the last few years in terms of the value segment, mass in the economy, led by distribution initiatives.

We're doing some more work there to try and get that back, where the industry has seen a better sort of growth primarily because of the historic market shares and obviously, the consumer reach, right, customer reach, right? So that's something that we are still working on, and we will have some sort of ways to address that, too.

**Manoj Menon:** Understood. And then project business versus non-project business mix.

**Rajiv Rajgopal:** So the projects business, look, it now constitutes to about 23% of the overall space -- of the decorative space has been doing very well. Again, the reason is because that's where we sell all our premium propositions. And it's primarily because of the quality. Today, a lot of the people who come to us. If you look at all the iconic buildings that we are coating, it's largely because of the quality of the product that we offer. So we don't need any brand & advertising there. It's basically quality that gives us the volumes.

**Manoj Menon:** Very clear, very clear. and Metro top cities salience versus non-metro mix?

**Rajiv Rajgopal:** So there the metro salience is slowly coming down relatively because; a, for us, the metro performance has been slightly weaker over the last 2 quarters and also because of our distribution initiatives, etcetera, the non-metro growth have been faster, but that's expected, right?

I mean that's expected when you drive distribution that the non-metro contribution will start increasing over a period of time, Manoj. So that's built into our plan. There's nothing which is a bit of a surprise or concern at this point of time.

The concern is the fact that a couple of states, and I think some of the other players have also mentioned, whether it's some of the Eastern states and Kerala more a bit of a challenge. Kerala started slowly getting back. We still have a few challenges in some of the eastern states. I think

that's the only concern for us. And we put an action in place there, both in terms of structure organically, we are going to do some work and also in terms of investments, so that will address it.

**Manoj Menon:** Very clear. And lastly, in this segment, where have you gained market share?

**Rajiv Rajgopal:** So we believe -- look, we've continued to gain heavily in the premium segment. But at an overall level, we also believe because of adjacencies, etcetera. We continue to gain share. Primarily, that's what our internal numbers estimates that we pull and that's fairly accurate because it also shows us when we were dropping a few years ago, right?

So we believe that's a time and tested study for us now. And we believe that we are gaining shares now a little higher than about 9 to 10 states now, which is a good relief compared to the fact that many years of Krishna used to come from 3, 4 states, right? So that's where we are, I believe. Yes, we are really doing well in geographies now.

So I think that's the thing that we are pretty pleased with. But we've yet to move forward, Manoj, to really getting it across the country. I think that's the execution excellence part that we still need to as our team get the teams to completely align to.

**Manoj Menon:** Understood. Operator, I found Mr. Mayank Todi there in the voice queue. Is he still there? Otherwise, I can continue with the chat questions?

**Moderator:** No, sir. He's not in the voice queue anymore, sir. Do you want me to announce?

**Manoj Menon:** No, no, which is okay. You can announce actually, so then I can get back to the chat after that.

**Moderator:** Okay, sir. one moment. Sir, you can go ahead.

**Manoj Menon:** Okay. In fact, this question is from Mayank Todi of BMC Advisories. Will this 5%, 6% growth rate continue, or we are aiming to achieve higher growth rate, and how can we achieve?

**Rajiv Rajgopal:** So look, I think the answer is a bit mixed, and Krishna, feel free to answer the question. Look, there will be a gap between value and volume primarily because you've just seen the sort of price drops that have got announced. So that's obviously not going to apply for the full year, Manoj, okay? So whatever price drops have happened in December, Jan...

**Manoj Menon:** Hello?

**Moderator:** Sir, we are unable to hear you.

**Rajiv Rajgopal:** Manoj, can you hear us?

**Manoj Menon:** Yes.

**Moderator:** Yes, sir, we can hear you now.

- Rajiv Rajgopal:** Okay, okay. So all I was saying is, look, there will be a bit of a gap between value and volume. Our challenge is, how are we're bridging it, largely through better mix realizations and driving some actions in some of our key categories, making sure that we are able to partake some of our new product innovations that we'll bring during the later part of the year. Those are ways that we are looking at addressing it. Krishna, you want to add something?
- Krishna:** No.
- Rajiv Rajgopal:** Yes. So that's, Manoj, to my view of the way we are going to sort of look at it. We believe that we should continue to sustain good double-digit volume growth as we move forward.
- Manoj Menon:** Very clear. Next one is from Rohan Kale of Ingrid Capital. How much does project business and premium rates contribute to decorative sales currently versus 2 years back?
- Rajiv Rajgopal:** No, I did answer that question. I think projects, I just mentioned, Manoj. We moved from 2023 right, that's the answer. And premium, we don't answer because that's -- we don't give segment-wise results...
- Manoj Menon:** Absolutely, absolutely. And in fact, your disclosure standards are one of the best in the industry. Okay. The next one is from Alisha Mahawla. She's asking -- from Envision Capital. She's asking to have we taken any price cut during the quarter or in 9 months fiscal '24?
- Rajiv Rajgopal:** Yes. So we took the 2 price drops that we have taken recently in December. And we've just taken one in January, which works out to approximately 3%, right?
- Put together, 3%, yes. Both price drops, that's broadly in the paints side. Coatings side, there's been very little price drop. That is based on...
- Krishna:** It's a contract specific.
- Rajiv Rajgopal:** It's a contract-specific pricing.
- Manoj Menon:** Yes, yes. Fair enough. Sir, one question from my side on this pricing bit. Given that you're over-indexed on premium and luxury, is it fair to assume that the price actions requirement for you as an organization decorative would be far lower versus the peers?
- Rajiv Rajgopal:** Look, we are very clear here. We will sort of match pricing. We're not going to give any operating leverage to any player in the market, right? And we will continue to build and grow the brand, right? And that's the way I want to drive the business. We are not going to give anybody any unfair advantage in terms of room to play.
- Manoj Menon:** Very clear. Understood, understood. And getting back to the questions from Lakshminarayanan KG. He's got couple of questions on strategy. One, what are your strategic priorities for fiscal '25?
- Rajiv Rajgopal:** So I think in terms of strategies, I would only call the same things that I've been saying over many years, which is build the brand, make the brand a little more iconic, really how -- strong

distribution network because the business is there. How do you accelerate growth in the categories will drive the growth.

So for us, still work to do in the mass and economy segments, particularly, which the market now calls value segments, right? Those are the 3 key priorities really. And more importantly, how do you make sure that your people agenda you're doing well. In fact, Manoj, what I fail to answer because the question didn't get asked is that we've had one of the highest scores.

We've done an internal people study called Voices globally and India got a score of 4.2, which is one of the highest scores. So I think also tells you in terms of the mood of the people, right? So there we realized that, look, the market is going to get a little volatile in the months ahead. We, as a team, I think, we believe that we really want to thrive during such an opportunity.

It gives us an opportunity to bring to the market the best of what we have, and again, showcase how each of us can add value to the company and to the industry.

**Manoj Menon:**

And lastly from Laxmi, is when compared to the industry leader in decorative, where are the portfolio gaps for you? And when will you address this?

**Rajiv Rajgopal:**

Look, when you compared to some company, which is a fairly big growth -- look, I always believe in life when you fight a battle, don't look at the size of the company, right? You focus on terms of your strengths and your -- so we will continue to build on our strengths. Obviously, when you look at the -- I think the question that there's a huge gap in terms of the mass and economy segments, right?

And we are building a portfolio. But we are -- we've crafted a differentiated path for ourselves, Manoj, right? In fact, in the brand research, one of the things -- we are the only brand, which is now seeming differentiated. And I would be delighted if you guys also do a survey and tell me what your findings are in the industry.

Very clearly, the consumers are telling us that yours is the brand, which is differentiated in the industry. So very clearly, that's what we wanted to do. That's what we are seeing consumers facing to tell us that we are doing, and that's what we'll continue to do. Our job is to bring the best of some of the global brands and some of the best-in-class quality international, right? And the fact that Dulux is also about lets color. How do we bring color to people's lives.

**Manoj Menon:**

Understood, sir. Next one is from Dipen Sanghvi from Enam Asset Management. Two questions there. One, considering the raw material cost deflation, product mix change and recent price cuts in industry, do you believe that gross margin has peaked out at 44%. Where do you see it trending in the near term?

**Rajiv Rajgopal:**

Look, it's a very difficult question to answer because what the unknowns are far higher, as we speak, the impact of what's happened in the rates is still unknown for me. We live in a very fragile world today, Manoj. Every day, the new headlines keeps changing.

So if I assume everything is going to be as is, and there is no further disruptions, then I would agree. But I don't think that's the way it's going to happen. I believe that, look, there would be

certain drivers because you're seeing certain global large economies also having challenges in terms of growth, yes?

So those will add pressures to it. So which way the crude oil is going to go, which way the forex, the currency, is going to go is a million-dollar question. I think even some of the best brains in the country are going on trying to figure it out.

So I would leave Manoj, myself, and my team to what we are good at, which is to say that, look, we can't predict the external world, but let's know what best we can within what we can control, right? And that, to me, I believe that, look, the current margins are the sort of right to win margins, and we should try and sustain it.

**Manoj Menon:** Understood. But is it fair to say that the risk is actually on the downside and not really margin expansion is a very low probability wise?

**Rajiv Rajgopal:** Absolutely, yes. Primarily because of the portfolio. Because the contribution of premium is very high compared to the industry in the Paints business, right? So as you start going to the question that earlier was asked, by your other -- the other colleague, right, that if you start playing more in the mass and economy, obviously, the margins will sort of obviously come down. So yes, you're right.

**Manoj Menon:** Secondly, Akzo has taken -- this again is from Dipen from Enam. Akzo had taken some price cuts in the mass market. It's a question mark. What is the progress on regaining the market share.

**Rajiv Rajgopal:** Yes. So absolutely fair question. I think the reason we took the price cut was because we were -- we had at one point started touching 5% premium versus even the market leader, which is not sustainable, right? And we had to do that because of the sheer commodity cost inflationary pressure that hit us.

And as a challenger brand, it's very important to be very profitable when you grow, because otherwise, your ability to reinvest in people and business starts diluting, right? So that's something that we wanted to do. And as we started reading the tea leaves and started seeing the deflationary pressures, we wanted to correct it. How have we done? Look, we -- in a quarter, we didn't -- if I take 9 months, we are doing okay. Last quarter, we didn't do well. So there are certain challenges we need to fix there, and we hope to address that soon in the coming couple of months.

It's not something that I'll be able to immediately address in 1 month, but it will take a couple of months because there are certain geographic challenges, pricing challenges in a few markets, right? We also don't want to unnecessarily aggressively do a trade spend, which is not a sustainable solution in my view. So we are looking at it a little more holistically and working on the right way to address.

**Manoj Menon:** Okay. Next question is from Mayank Todi. He is asking what was the volume growth of this quarter -- for this quarter, rather? And how much volume growth we are expecting in the upcoming year?

**Rajiv Rajgopal:** So Manoj, I said double digit. I think in the overall commentary and even in the results, we've been very upfront on it. We expect to continue to be in the same region if not higher in the coming quarter.

**Manoj Menon:** And in the next 3 to 4 years, where can we ourselves, given that we are achieving by 5%, 6% growth. Understand the question, so I'm just reading it again. In the next 3, 4 years, where can we see ourselves given that we are achieving 5% to 6% growth?

**Rajiv Rajgopal:** Look, I think 5% to 6% is a this-year phenomenon, and that's happening because your volume growth is leading the value growth primarily because of the price gap, right? See ultimately, what is value? Value is volume, price, mix, right? These are the three variables, Manoj? So the volume is going up.

But your problem is your price has come down compared to the last year. That will end by December this year. So if you look at a 2-, 3-year phenomenon, we should be back. I think, look, pricing will come back right? Because the company has to also have better inflationary cost, people salary cost and other inflationary cost that need to bear. So pricing will come back.

I believe that both in this industry, right, it will be bearish for a year because of new players, everybody wanting their positions. But over a period of time, I don't think -- I think we will get back to the scenario that we've seen in '15, '16, Manoj, when some of the world's largest companies came into the -- try to come into the market, and were not able to craft any road map left.

**Manoj Menon:** Yes. The next question is from my colleague, Nilesh Patil, the investments towards premiumization of product portfolio has been stepped up with multiple new products. You have upgraded multiple products in decoratives. What are the further opportunities for premiumization within decorative segment?

**Rajiv Rajgopal:** So maybe I should answer this question in the next investor call because otherwise, I will be -- but suffice to say that, look, it's right on top of our agent, right? We believe the reduction in consumers really have money spent. See, ultimately, whatever you do in terms of premiumization has to add value to consumer and must have relevance to consumer.

If only consumers -- we're only going to buy things if the propositions are relevant to us, and we find it appealing. So the challenge for us is really to find those insights because in this industry, differentiation is not something which is very huge, right? In any industry, differentiation also can be matched over a period of time.

So we are working on it. We are working very strongly with our global teams. What I'm also pleased, Manoj, as a part of this, and I forgot to mention earlier when you asked me about this structure is, our R&D center in Thane is now going to be a global sort of feed, right? And so we are putting some of the best tools, analytics, etcetera, there so that we are able to also work on propositions, which are going to be in periods of time really differentiating.

So that's what we are working on, let's see, keeping fingers crossed, right? Some of these things are very difficult because some of the tests, sometimes you do in the lab, how it really responds in the market, sometimes is very difficult to predict.

**Manoj Menon:** Understood. Two more questions in question chat. Nirav Savai of Abakkus is asking what are the levers on the cost side, which can ensure that current margins are sustainable? What has been the volume growth in premium, luxury and value segment?

**Krishna:** Okay. Thanks, Manoj, I will take this question. And what is our strategic intent is to deliver the cost line, which is to support the growth. And we have a continuous improvement program, which is running in the multiple formats in terms of different functions.

And whatever is the cost, which is there, we are only spending where it is needed, be it on people front or on the media and the brand spend. Apart from that, all other costs are largely stable, and we are trying to bring the efficiencies in optimizing the cost structures, yes?

**Manoj Menon:** Yes. The second one, you want to take it, but let me just read out still, what has been the volume growth in premium, luxury and value segment?

**Krishna:** I think Rajiv has explained it.

**Rajiv Rajgopal:** We don't break it, we don't it. But Manoj, if you do a double-digit growth and the fact that we have not done well in one -- couple of segments, then you can put two and two together...

**Manoj Menon:** Yes, fair. Fair enough. This is also partially addressed, but still, let me read it out. Dhiraj Dave from Samvad Financial is asking you, any research activities carried out in India, what are expected new product applications, which shall be expected? Any idea about share of product launched in the last 5 years?

**Rajiv Rajgopal:** What do you mean by share of product launched in the -- so look...

**Manoj Menon:** So I think the NPD contribution is what I think he's asking. Let's say the product is done the new product...

**Rajiv Rajgopal:** So for us, maybe -- again, it's a definition of NPI. So I just wanted to find it that what we launched this year, we look at till -- because once you complete 1 year, it's no longer than NPD. Typically, these contribute to about 8% to 10% of our revenue.

And how have they done in the last 5 months, I would say about 65%, 70% of our growth have come from products, which have really been launched because we launched the economy segment in 2021, which is a driver. Waterproofing categories in the last 5 years, right?

And also revitalize some of our premium brands. So obviously, hence the large percent of our growth came from these part, and they continue to do well, Manoj.

**Manoj Menon:** Understood, sir. That brings me to the end of the chat question queue. [Please announce once again for the voice part of it, else we can close the call.]

**Moderator:** Yes, sir.

**Manoj Menon:** Krishna and Rajiv, over to you for any closing remarks, and we can close the call, please. Thank you so much.

**Rajiv Rajgopal:** Thank you, thank you. Really look forward to listing to more questions from the investors. I think some of the regular people who ask questions seem fairly either they've understood or maybe -- and we look forward. We do plan an investor meeting some time, and we will get in touch with all of you, and let you know.

But till then, stay strong. And if you have any further questions or any other thing to ask, please do reach out to Rajiv Jha, our Company Secretary, and we would be delighted to sort of answer you. Thank you, Manoj, and team, for hosting us, and I wish all of you a wonderful day ahead. Thank you. Good day. Bye-bye.

**Manoj Menon:** Thank you.

**Moderator:** On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.