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APL/SEC/32/2024-25/48

7th February 2025

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference held on Tuesday, 4th February 2025, with regard to the business and financial performance of the Company for the quarter and nine months period ended 31st December 2024.

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**

JEYAMURUGAN RAMALINGAM JEYAPANDIYAN
Digitally signed by JEYAMURUGAN RAMALINGAM JEYAPANDIYAN
Date: 2025.02.07 19:29:40 +05'30'

R J JEYAMURUGAN
CFO & COMPANY SECRETARY

Encl.: As above

ASIAN PAINTS

Q3 FY2025 Earnings Conference Call

Date: February 4, 2025

Management: *Mr. Amit Syngle : MD & CEO*

Mr. R.J. Jeyamurugan: CFO & Company Secretary

Mr. Parag Rane : AVP - Finance

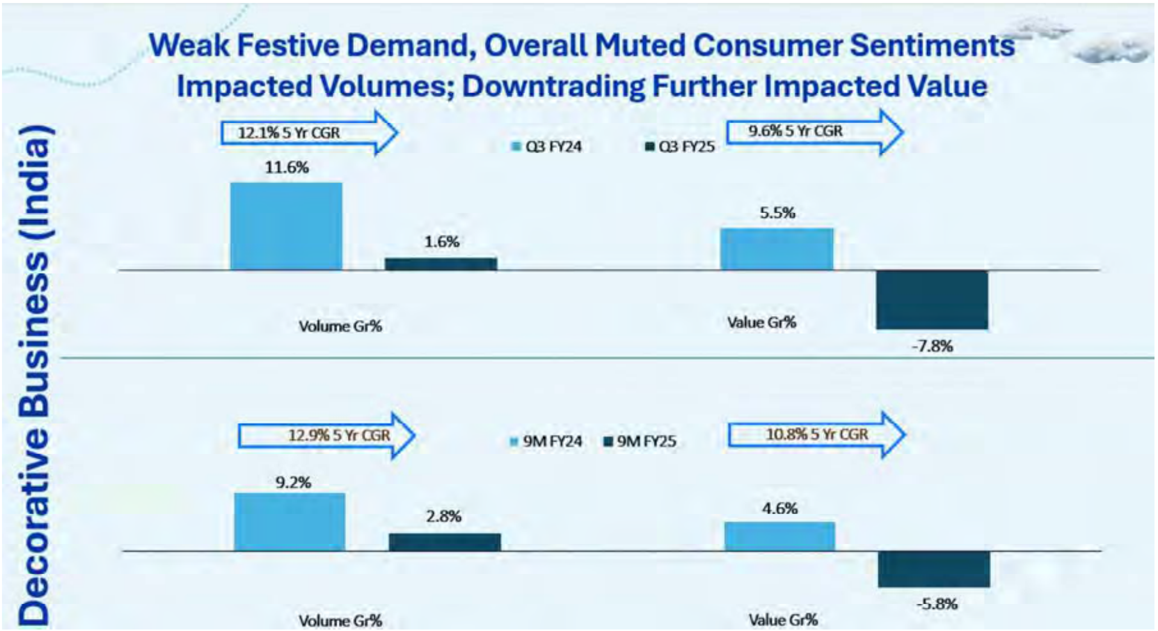
Ms. Sunila Martis : Head – Investor Relations

Disclaimer: This is a memorandum of the proceedings of the Investor Conference Call of Asian Paints Limited held on Tuesday 4th February 2025 at 6:00 pm with regards to the financial results of the Company for the Third Quarter ended 31st December 2024. 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 thank you so much for joining us today to discuss Asian Paints Q3 FY25 results. I'm Sunila Martis from the Investor Relations team and I have with us today our management team. We have Mr. Amit Syngle, CEO and MD, Mr. RJ Jeyamurugan, our CFO and Company Secretary, and we have Mr. Parag Rane, AVP Finance. I would now like to invite Amit to give his opening comments.

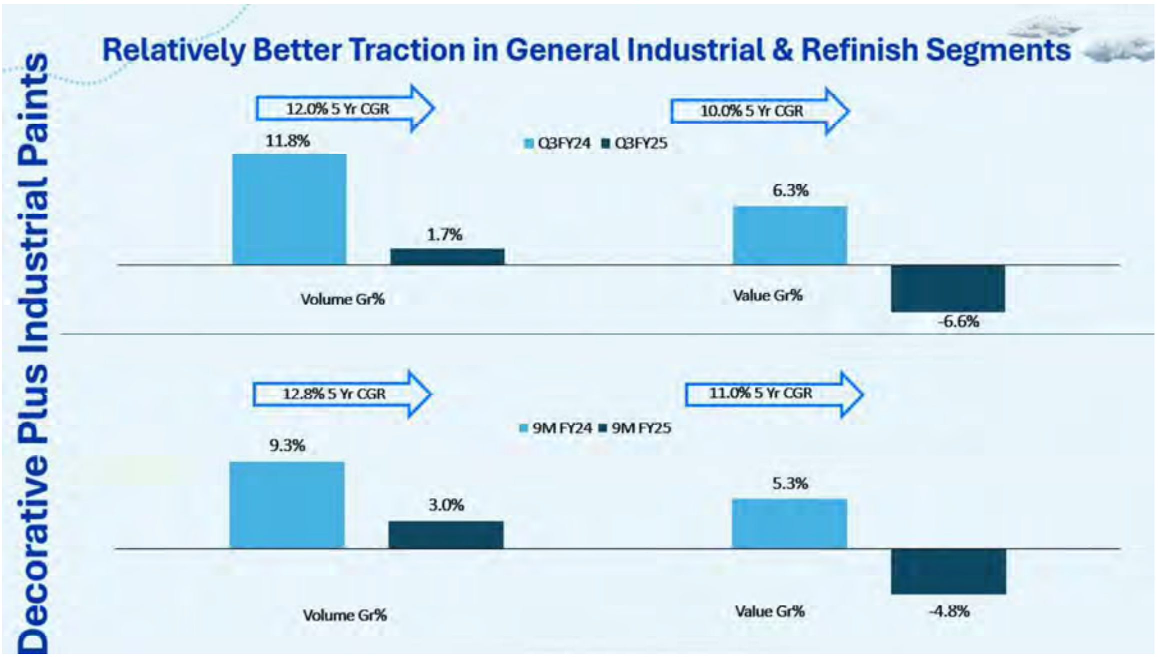
Amit Syngle: Good evening, everyone and welcome to the Investor Conference for Q3. I will take you through the results and overall numbers in terms of how they look at the end of this quarter.

Delivering joy since 1942, I think that has been our core value. We exist to beautify, preserve, transform all spaces and objects bringing happiness to the world. And that is something which we continue doing over a period of time.

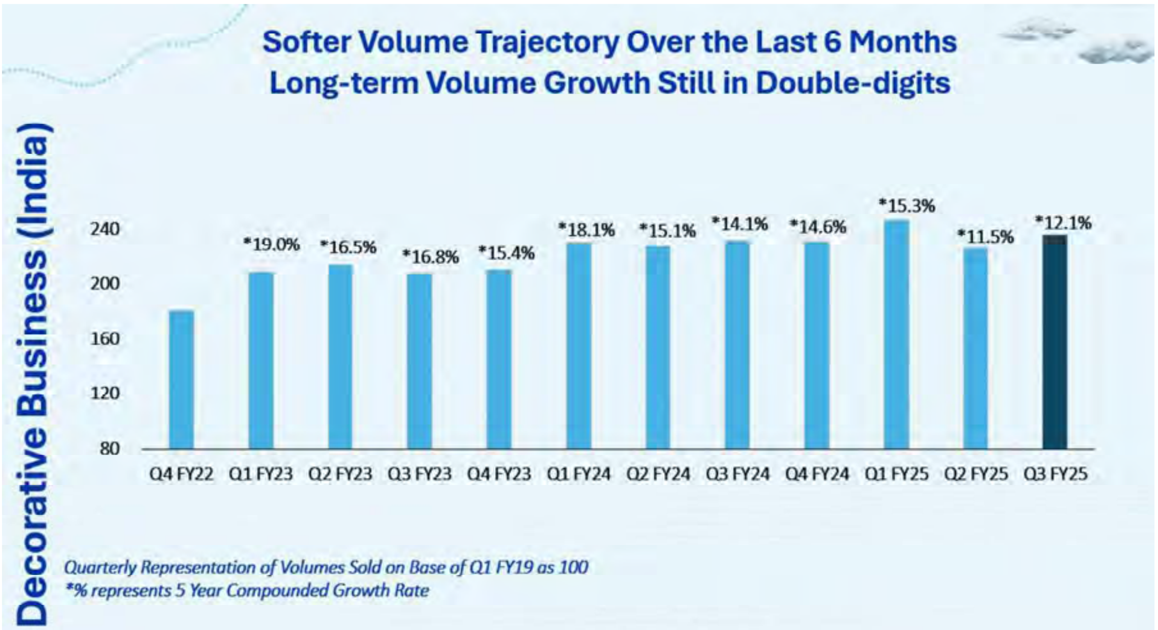


When we look at the overall numbers for Q3 it has been a weak demand period. The overall consumer sentiments have been muted as we are seeing across a lot of industries to that extent. And that is something which is true for the paint industry as well. This has really impacted the overall volumes which we have seen, and we have seen coupled with this also some amount of downtrading which is happening which has really impacted the overall value delivery in this quarter. If you look from a point of view of volume growth, we have registered about a 1.6% volume growth this quarter. But the comparative value growth has been on a decline. It is minus 7.8%. In both these cases we see the CAGRs on the volume numbers are still double-digit over a five-year period. On value it is about 9.6%.

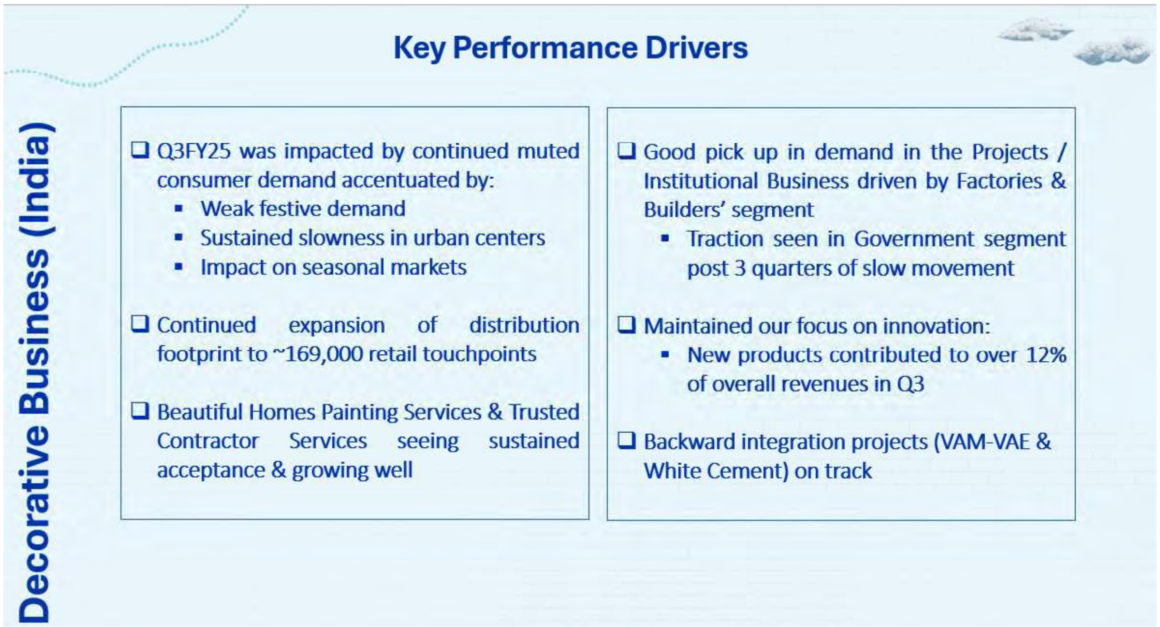
Same numbers if we were to see over a nine-month period, the volume growth is closer to about 2.8% and the comparative value growth is minus 5.8%. And in this case also, if you see the CAGR numbers over five years are double-digit in terms of what we are still maintaining and have been able to deliver. So, overall, muted quarter in terms of what we see. And it is very clear that the overall industry seems to be on a little bit of a muted trend in terms of the environment.



When we look at the whole area of industrial as well. So, the total decorative plus industrial business overall combined, the performance gets slightly better given the fact that industrial segment has done slightly better as compared to the retail segment. When we look at the volume growth, we are at about 1.7% in terms of the overall volume growth. And in terms of value from 7.8% it comes to about minus 6.6% here. The CAGR numbers remain double-digit. On a nine-monthly level, the volume goes up to about 3% and the value is about minus 4.8%. So, this is something which you would actually see is the actual coatings representative number for the quarter which is decorative plus industrial. So, net, the industrial business has been much better, whether it is from a point of view of auto, whether it is from the point of view of protective paints and so on, so forth.



Overall, this is the slide which we have been sharing with you over a period of time which shows how we have been proceeding on the quarter-to-quarter trajectory on a long-term basis. The double-digit volume growth is still intact. If you notice in Q2 it had come down a little. It has gone up now in Q3 at about 12.1% in terms of CAGR. So, that is something which we are still maintaining as we look at from the point of view of the decorative business.



Some of the key factors which we have seen for Q3, as I said, the overall demand was impacted in this quarter. First of all, we saw a weak festive demand, this time we had a shorter Diwali as compared to a larger Diwali. So, I think October was affected in a big way. Coupled with that, what we saw was urban centres continued to be showing a slow growth. All the seasonal markets, given the fact that they are impacted by the festive season, I think have grown on a slightly slower side, which has the impact of October.

From a point of view of distribution, there is continued expansion. We continue to expand more retail points in newer towns, suburbs. In terms of what is happening across India, we have now about 1.69 lakh retail counters across the country to that extent. And that is something which is a constant endeavour in terms of what we see that we are available at every consumer point across the country. Our painting service, which is the Beautiful Home Painting Service, which is there, has seen sustained acceptance and growing quite well. It is a service which is possibly the biggest in the world today in terms of what we are offering with very, very strong NPS scores and referrals which kind of come from this. So, I think it is a service which now is spreading across more than 650 towns across the country and doing quite well.

From the point of view of the B2B business has done quite well. The projects / institution business overall picked up in Q3 as compared to Q2. We saw some traction happening in terms of the government spending also coming live. And as we see it, this will go further, and both the factories and the builder segment also did well. So, I think the overall B2B segment is something which is definitely picking up, which is a positive sign in terms of going forward.

Our innovation movement continued, which is all about newer products and a lot of new products happening in the premium and the luxury space in terms of where our endeavour is to keep the market excited. The new products contributed to about 12% of the overall revenues in Q3. We've been speaking about our backward integration projects. The VAM-VAE project which is coming up at Dahej and the White Cement which is coming at Fujairah, Dubai, both are on track. And that is something which possibly will give us very, very strong value as we go ahead at the time of implementation of these projects.

If you look at some of the new products I spoke of, we are talking of this absolutely new and strong product which is coming first time possibly in a world in terms of what we are launching. This is Apex Ultima Suprema Air-O-Clean. This is a unique product which is basically is a champion for sustainability in terms of going forward. It has got a photocatalytic technology which neutralizes pollutants like SOx NOx which are there in the environment and therefore brings them down in the overall environment and makes the environment great. It is also powered by a very good resistance to dust and overall available in white and some shades in terms of what we launch it. So, it is absolutely the top end of technology in terms of what we are launching for the very first time today. And I think this is something which is going to be very strong from the point of view of B2B business going forward.

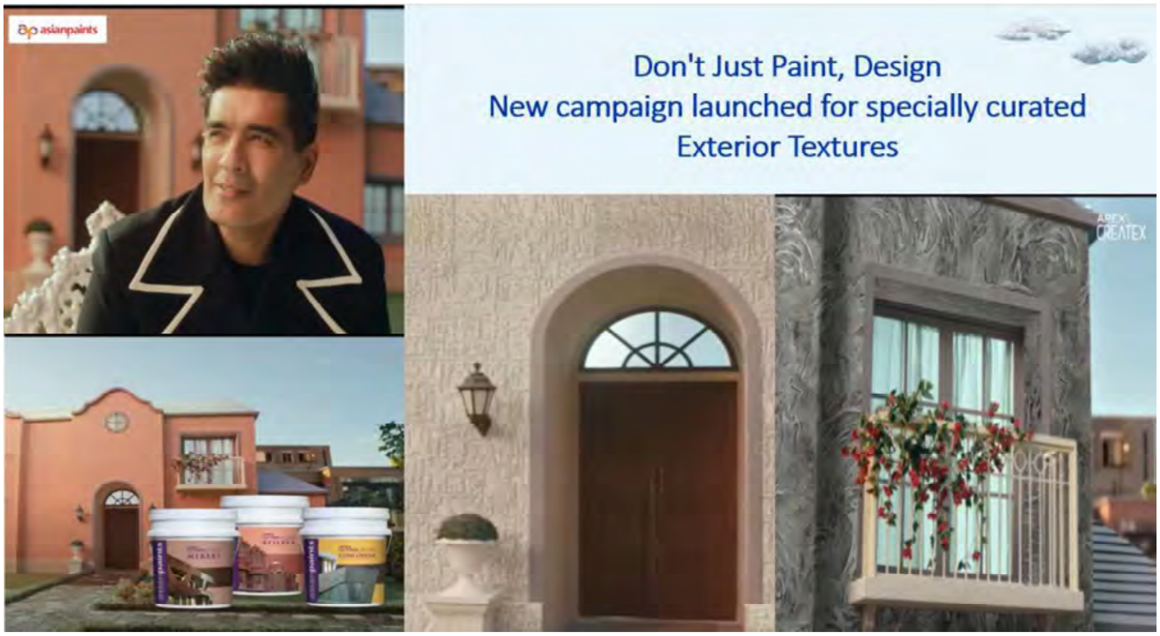
The other area which we have been continuously working is that given the fact that today the regional fervour is coming up very, very strongly and to pick up the consumer sentiment around the region, we have been looking at innovation in terms of our packs. And these are the regional packs which we have done, which are packs which are interactive packs where the customer, by scanning the QR code can look at experiencing the culture of the region and so on, so forth. And this is something which has been very, very popular in terms of how people have looked at, in terms of creating excitement.

We have also looked at a stronger packaging change which is far more international contemporary in terms of the overall looks, which comes in along with a very, very strong ingredient story which comes in. So, we have amped up the overall quality and the overall premium-ness of the packs. So, I think this is something which has been accepted well by the market, and it is something giving us a very, very strong imagery in terms of the market the way it comes in.

This is the same packaging change, and this has been done across the product. So, you can see for yourself the packaging is fairly contemporary in terms of the way it looks.

We have also launched the future of waterproofing, as we call it. It is something which is a polyurethane dispersion-based paint. which is the single component paint. This is talking of almost about 25 years of warranty, which is unheard of and has the best-in-class kind of crack bridging ability and so on, so forth.

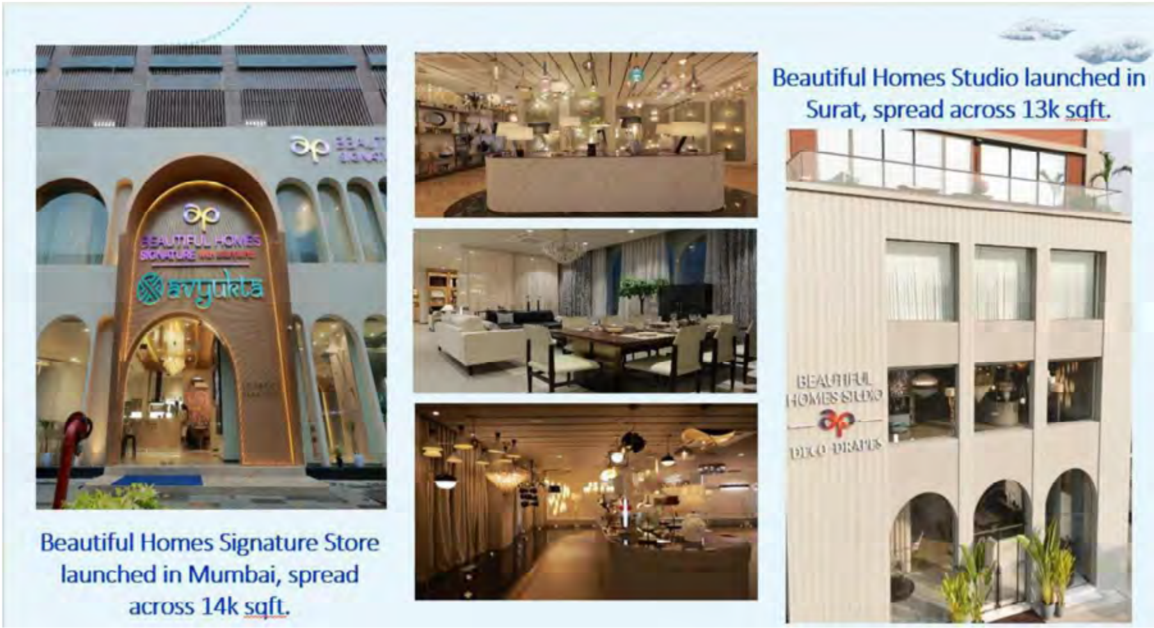
So, I think again, if you notice, the trend is very clear that we want to look at the premium and the luxury segment and look at introducing newer products here, which can be very value adding to the consumer and are very, very strong from a point of view of sustainability and environment protection. We have launched a new campaign for Ultima Protect, which is with graphene, which is the new ingredient which we have looked at reinforcing the whole durability of the product, giving it a 12-year warranty. New commercial which we launched called the Safe House. And this is something which we have launched across the markets. And this is something which is doing very well amping up the Ultima story of Protect very strongly.



The whole area of textures, which is the strength at Asian Paints, which possibly no one else has, is something which we have really amped up again and here has been a strong effort to really develop something which is unique which possibly the world has not seen. And this is something which we are really looking at. It goes for the bungalow segments, even for a lot of second homes in terms of what people are looking at and in terms of some form of even high-rise buildings overall. So, I think again a revolutionary area in terms of influencing the market with more and more textures in the form of product Apex which is offering.

We continue to really propagate the brand, Har Ghar Kuch Kehta Hai as a strong emotional connect with the consumer. Where we have Season 8 of "Where the Heart Is" along with some popular celebrities who have done up their homes and we have done a full home makeover for them in terms of how it stands. And this has been a very strong area in terms of how we can really look at reaching out to consumers and really link the emotional connect of Har Ghar with them in a very strong manner.

Our Home Decor foray continues as we see it happening across the various categories. We are, as we have been saying, number one, integrated home decor player. 64 Beautiful Home stores across the country in terms of what is there, number one in decorative lighting, number two in fabric and furnishing overall. And in terms of both wallpapers and other collaborations which we have with Sabyasachi, Sarita Handa, Jaipur Rugs, I think are going strong from that point of view and they contribute to about 4.5% of the decorative revenue. So, I think this has been strong. The whole imperative of moving from a share of surface to a share of space within the home so that we are able to connect with the customer over the decor life cycle very strongly.

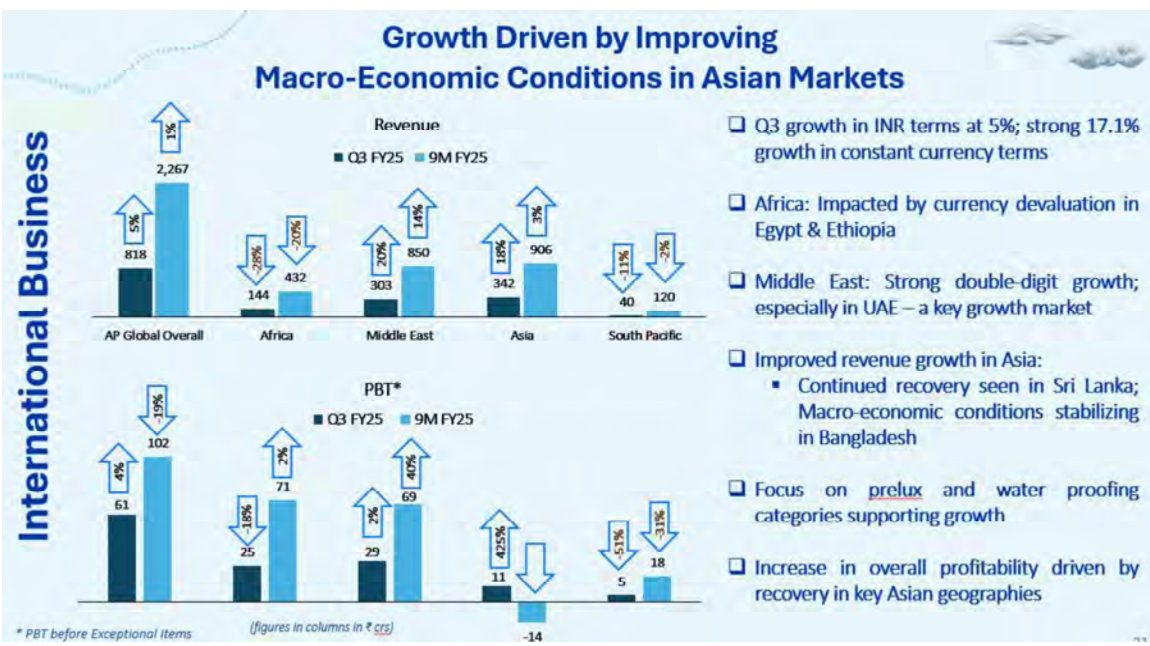


We have opened some more stores. We have the, you know, a Signature store which has come in Mumbai, in Borivali, which is almost about 14,000 square feet in terms of size and something which is very strong from a point of view of offering decor under one roof strongly. Some images of it, you can see. And then we also launched a store in Surat, which is there, which is another 13,000 square feet store. Again, basically showing us everything in terms of what can be done within the home in a very strong manner. So, I think this is something which is really kind of taking the decor root strongly across and kind of really, you know, appropriating Beautiful Homes in a strong way as we go ahead.

When we look at another thing, this whole concept of Insta is something which is very big. People are looking at something which can be done in a jiffy. We have launched this product called the Nilaya Wall WRAP, which is called Nilaya Play and Nilaya Ones. This is a wonder product in terms of what we are introducing, which is absolutely green with no VOC and it does not consume any water also at all. And this is something which we are looking at, you know, having a proposition that you can actually do a 2 BHK house in 3 days. So, a new revolutionary technology in terms of what we are bringing. Again, something at the top end, which we know is something very clear in terms of the direction.

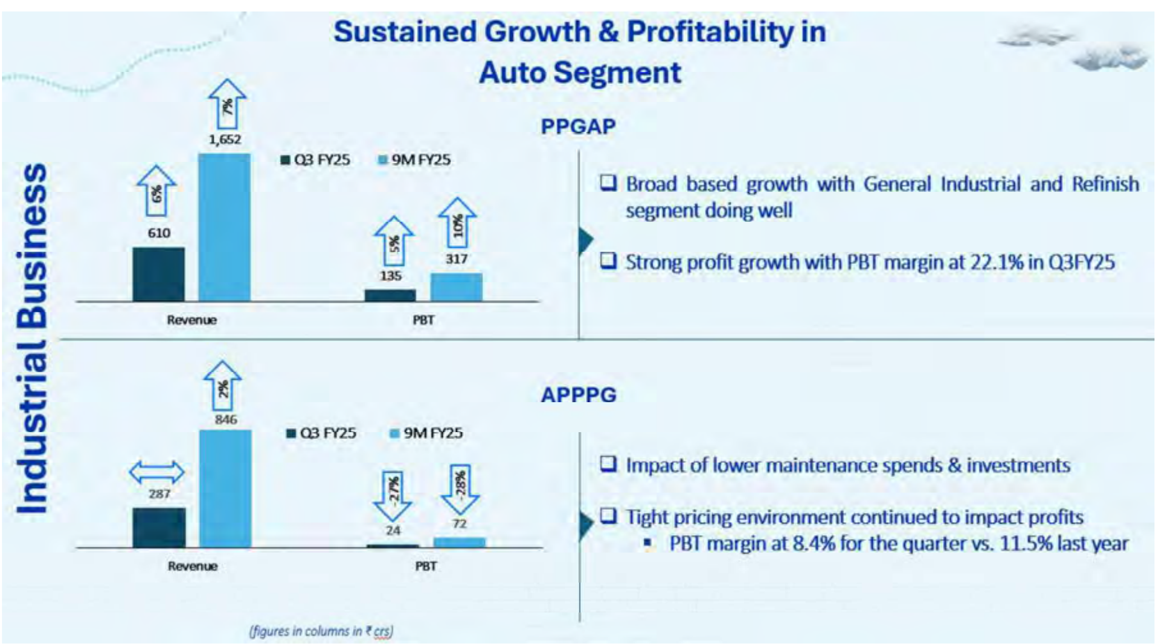
When we look at the Home Decor, while all the categories are growing, this year the environment has kind of literally subdued the overall growth. In terms of what we were seeing, we have in Q3 grown in Kitchen at about 3%, but at a nine-monthly level, we are at about 5% level. And ditto with, you know, the Bath area as well in terms of the growths. So, single digit growths happening here on White Teak and Weatherseal. On a nine-monthly level, we see about 1% growth here. The consumption has been slightly muted again given the overall environment. But this is something we are confident should kind of pick up as we go forward. White Teak has been impacted a little bit by some of the BIS challenges in terms of what we have seen. But we hope that this is something which recovers as we enter Q4.

If you look at the AP global markets, these are the representation across the world in terms of the places where we are operating. And from here we also export to certain other countries.



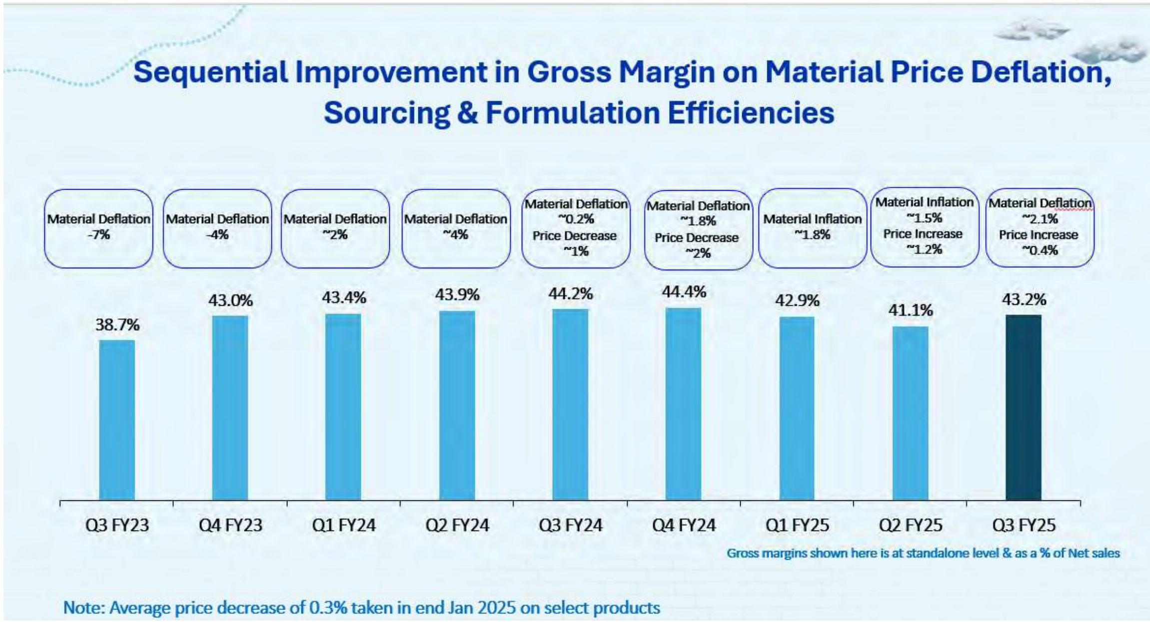
Overall, when we look at this performance, it has been much better than Q2 in terms. In INR terms, we have grown at about 5% at an overall global level and a strong 17% in constant currency terms. If we look at from the point of view of various regions, the Middle East region has done spectacularly well at 20% growth in terms of Q3. Similarly, Asia has done well on the back of Lanka and Nepal doing to some extent well. And I think Africa and South Pacific are the areas which have been suffering given the fact that there is some turmoil which is happening in Africa given the depreciation of currency and so on, so forth. However, when we look at from the point of view of profitability, I think Q3 we have had a 4% growth overall.

However, the nine-month picture is definitely on a lower side in terms of what we see in terms of the profitability which is there. Just to remind you that there is definitely impact of the currency devaluation in Egypt and Ethiopia in terms of what we see. But both the Middle East area as well as I think the area of Asia both basically are still doing good from a point of view of overall profitability in terms of what we see. So, that's on the global markets.



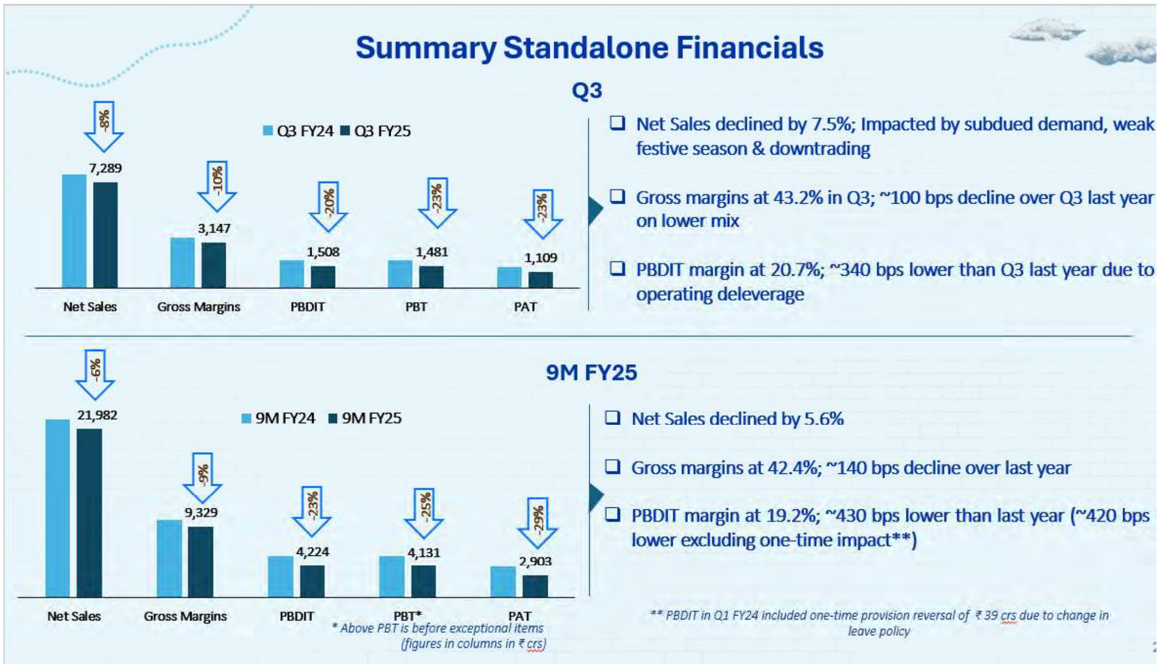
When you come to the industrial business, we have two joint ventures as you know. One is the auto OE joint venture which is called the PPGAP which is there which is about Auto Refinishes and General Industrial business. Here as I said, the market has been better despite the auto builds coming down to some extent. But we have grown at about 6% here. So, this has been a good quarter overall. In a nine-monthly level we are growing at 7%. But I think the best which has happened is the profitability is something which is doing extremely good. PBT margins are at about all time high of about 22% here.

When we look at the second business, which is about General Industrial business, which we do more on Protective and Powder Coatings, APPPG. This has been a subdued quarter here after a very long time. We have seen very, very good growths in this APPPG for the last about three years in continuous succession. It has been at base this quarter overall, although at a nine-monthly level it is at about 2% growth. And profits have been a little bit challenging here given the fact that there has been a tight pricing environment. And therefore, the overall PBT margins are at about 8.4% vs. about 11.5% of last year. So, overall Industrial has done much better as compared to the decorative architectural business.

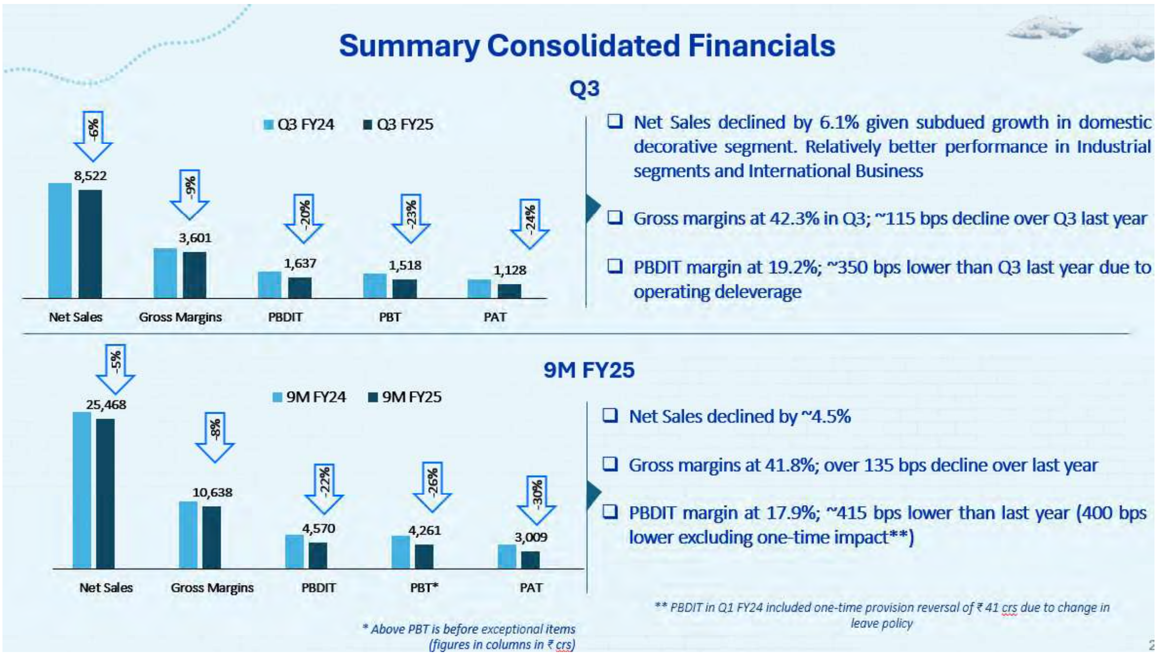


Just to give you an idea in terms of how the overall, you know, gross margins have been moving and how are the material price deflations happening. The gross margins have improved sequentially if you see from 41.1% to about 43.2% overall. So, that is something which is strong which has happened in terms of the sequential movement. Although from a year-on-year perspective it has moved from 44.2% to about 43.2%.

This quarter we have seen price deflation and as you are aware we had announced a price increase in Q2 of about 1.2% and it has a carryover effect of about 0.4% in Q3. So, I think we have been strong with respect to overall the way we have been looking at prices and that is something which is supporting the bottom line as well as we look forward.



Overall, when we look at the standalone financials, I think given the fact that the top line has been weak, we see PBDIT really affected and PBT and PAT also affected to that extent. However, as I said, gross margins have been up sequentially and 100 bps point decline over the Q3 of last year. PBDIT margins have improved from the last quarter, by almost about 400 bps points. However, if you look at from the comparative quarter of last year it is about 340 bps points lower. But it is in a good range in terms of what we have got the PBDIT margins. The nine-month PBDIT margins are at about 19.2%, about 430 bps points lower than comparative last year quarter. So, that's the overall picture in terms of what we see amongst at a standalone level.



When we go to consolidated financials the picture is a little bit similar. You know, you have a top line which is at about minus 6% in terms of what we see overall at Q3 and gross margins at about 42.3% and a PBDIT margin of about 19.2%. On a nine-monthly level, this number goes to about minus 5% on a top line and it goes to about almost like 17.9% on a PBDIT margin overall. So, I think these are the financials from a top-line and bottom-line perspective in terms of the top line being subdued this quarter.

Outlook for Q4FY25

- Demand conditions challenging considering stress in urban areas; Cautiously optimistic about recovery over the next couple of quarters
- Adequate monsoons coupled with expected boost in Government spending should continue to support rural demand
- Maintain focus on the core & strengthening the brand
- Focus on growing and scaling our Industrial Businesses
- Improving macro-economic situation across some of our key Asian geographies to support business in International markets
- Expect some softening in raw material prices; Weakness in Rupee a key concern

When it comes to the outlook, obviously I think the demand conditions have been challenging in this quarter and it was impacted even more given the fact that the festival season was much smaller. As we go forward, we definitely see the stress in terms of the urban areas will continue. We are optimistic about some of the rural, you know, towns batting to that extent. So, therefore our overall intention is that it is a little bit of a cautious optimistic approach in terms of what we see as a recovery for the next couple of quarters.

Overall, when we look at from a point of view of spending, government spending would be strong. And therefore, as I said, B2B business as well as the rural business should be, I think, strong going forward. I think Industrial Business also should be strong going forward. We are looking at really leveraging the core strength of the brand going forward, looking at a series of marketing forays in terms of what we want to do. So, that the brand imagery, the whole mindshare is something which is strong, which remains. We are looking at scaling the Industrial Business overall in terms of how it goes.

And we see that some of the Asian geographies should kind of do well to boost the international markets. So, we are putting our focus in terms of both Asia and Middle East going forward.

From a point of view of raw material prices you know, we see some softening. The buoyant dollar is something which is a concern. We are already seeing weakening in the rupee. And that is something which we will have to watch out and see in terms of how it pans out. So, that is the overall outlook in terms of what we see for Q4. Thank you so much.

Moderator:
Thank you Mr. Syngle. We now proceed to the Q&A session.

Avi Mehta (Macquarie): Wanted to just better understand your cautious optimism on near term recovery - what is driving this? And more importantly by when you expect sales value to start moving to YOY growth rates versus the decline that we've seen for the last few quarters.

Amit Syngle: So, overall, for Q4, I think definitely what we are saying is that the urban centres are appearing as a stress area for us. However, we see that rural demand should definitely be better in terms of how it kind of goes. And as I said that we are also relying on the B2B business to kind of pick up as we go ahead to that extent. Industrial should also be good. So, we see that possibly, I think it would take at least, you know, two quarters in terms of at least where we see that possibly some of this area will be there. Obviously, we would look at getting you know, stronger value growth possibly towards at least single digits as we kind of go forward. But right now, we see a stress in terms of the two quarters as we go ahead.

Avi Mehta: With input costs expected to remain benign and pricing largely through, would nine-month performance be a good indicator of the likely EDITDA margin for FY25? Is there any need to revisit our steady state margin profile guidance of 18 to 20% now that we have more colour on the new competition and how they are behaving on the ground?

Amit Syngle: So, we have been strong in terms of maintaining the PBDIT focus in terms of going ahead. So, we are very clear that we are not running after price strongly to that extent. We want to kind of really concentrate at looking at some of the segments where we have a strong leverage in terms of going forward and we would like to maintain our overall guidance of 18 to 20% as we go ahead.

Tejash Shah (Avendus Spark): You spoke at length about the demand scenario. Just wanted to know, are there any segments or geographies which are outperforming the broader trend?

Amit Syngle: In Q3, we saw that all the seasonal geographies, you know, especially geographies which are centred around the northern, central parts of the country, I think to some extent underperformed overall, given the fact that October is a big month, and the October definitely was much slower in terms of the overall demand. And it was also a shorter Diwali. So, I think today what we see is that some parts other than the seasonal markets across the country have been much better and therefore we see a clear differential in terms of growth - what we have seen in November and December as compared to October.

Tejas Shah: Perhaps early in the quarter, but any sense you would have got from your feedback on the ground on our market share position? Would we have protected it in most of the territories or gained or lost?

Amit Syngle: I think at the industry level, we are saying the overall industry is definitely on a decline in terms of what we see from the point of view of consumer demand. I would say that at least the decorative industry is definitely ranging anywhere around minus 4%, minus 5%, kind of zone in terms of what we see. The Industrial is still up in terms of the overall market. So, I think the feel is very clear that, you know, given the large number of players which we are there, there would be some shaving off of shares here and there, but nothing which is very, very significant in terms of what we see to that extent happening with us.

Tejas Shah: Your guidance on margins, 18% to 20%, looking at the tailwinds and headwinds, both in terms of what government has done on demand recovery and at the same time, you spoke about rupee depreciation and other headwinds which are there. Would you prefer to operate at 18%, given if there's a choice and revive demand, or you will, you will let it go as it comes if you have to kind of go back to 20% in the near term?

Amit Syngle: So, I think, you know, currently demand is just not a function of simple pricing in terms of what we see. Demand is also a function in terms of the inherent consumption. Ours is a category where people are able to postpone the spends to some time to that extent. So, what we are seeing is that we would definitely like to overall spend money in terms of really building the brand and looking at a strong mind share which is going to come about to that extent as we go forward. We are working on a lot of initiatives so that we are able to kind of look at optimizing cost, you know, recovering more cost internally so that we have more monies to spend in terms of going forward. So, I think as I said going forward, we would still like to maintain our overall guidance between 18% to 20% to that extent. It's very difficult to say that it should be only 18% or it should be only 20%.

Manoj Menon: I don't really have a question but it's more of request for insights from the panel. Amit, Jeyamurugan, Parag and Sunila. Look in your long careers, particularly in the paint industry, could you just look back in history and say that you have seen similar sort of consumption, particularly for paints where it is generally assumed that given the repainting cycle which has been reducing over the years etc. There is certain predictability to the demand. But let's say if you take a step back and go 24, 36 months back also probably we didn't see this sort of, let's say an impact on paints let's say demand was not necessarily a base case for anyone, including analysts. You know, excluding let's say periods like the Lehman crisis or a demonetization or a Covid probably these are all one-off events. Just want to understand from your understanding of the industry for the last 20, 30, 40 years you know that what are those periods and then let's say what are the specific activities, which you as a market leader would have done. And also, if you could comment about anything which you can talk in a public domain on, let's say the actions or activities which you are undertaking currently as a 60% market leader, which could actually drive demand.

Amit Syngle: So, overall, I think it's a good question because when you go back almost two decades to three decades, you know, we haven't seen possibly a challenge like this in terms of what we are seeing in terms of demand. Possibly when you go to the era of 1997 or something, that is a time when we would have seen some kind of streaks of this kind of market. So, it's been definitely quite challenging in terms of the overall demand conditions in terms of what we are seeing.

But having said that, I think some of the areas which we have looked at basically churning up demand is the fact that we have looked at also areas which are unexplored to that extent. So, one of the areas which we have looked is the bottom of the pyramid in terms of what we had spoken at the beginning of the year, in terms of looking at introducing Neo, which was a new category by itself called the Latex paint, so that we could kind of get a lot of newer customers and they kind of come and get into the organized market for the first time. So, which kind of really broadens the overall pie for everyone to that extent. And after us, we have seen some of the other players also trying to launch some similar products in that area. So, I think it kind of really largens the segment for everyone. Similarly, when we look at the whole segment of wood finishes, we have launched certain products like GloMax and some other polishes which kind of enlarges the overall segment, so that we get more players to kind of come in and start really utilizing organized brands in terms of enlarging the market.

The other area which we are looking at is how can we get people to paint much faster. And for that we are looking at, you know, decor options, which are far stronger, far quicker in terms of doing. I just spoke about this whole area of Nilaya Play and Nilaya Once, where you could possibly do your house in just 3 days, so that the whole hassle free kind of becomes a very strong preposition for especially, you know, nuclear homes in terms of looking at what they could do in just 2 - 3 days, so that the frequency of painting itself can go up. It is a long shot in terms of doing it. But that is something which we are looking at in terms of bringing about.

The fourth area we are looking at bringing mechanization into painting in a very strong way. And as a leader, we have put almost 23 centres across the country where we are training a lot of painters into mechanization so that their productivity goes up, their painting time basically reduces, the hassle free in the market kind of comes in. Which basically means that for consumers it becomes an easier process to that extent in terms of going forward. So, I think these are the some of the measures in terms of what we have been taking and I think the other clear measure is that keep the innovation index high in terms of what you've been able to do and keep on leveraging the brand from a point of view of really building the brand and building the mindshare as you go ahead.

Aditya Bhartia (Investec): My first question is that if we look at employee expenses and our overhead expenses this quarter, they haven't really grown much on a year-on-year basis. On a sequential basis, there's been a decline in an environment wherein we are seeing competition intensifying, new players coming in, attrition for us has been going up a bit. How is it that we are able to control employee and OPEX costs and what is going to be the strategy around this?

Amit Syngle: So, as we look at it definitely from a point of view of employee cost. As we had said that we had looked at possibly, you know, manning more people in the beginning so that we could really cater to our network far more strongly. Post that we have also taken steps in terms of how we can boost the productivity of the people much more. So, that is something which serves as a trigger for us so that we can get the best utilization as the best maximum output in terms of those people.

I think one area which we are clearly looking is that in terms of going forward, how is it that basically we can utilize the number of people much better in terms of the overall productivity. The sales and distribution expenses have gone up overall in terms of what we see given the intensity of competition which is there in the market. And that is something which we are trying to see in terms of what way you could maximize on the stakeholders in terms of what is there so that we are able to give them a good value which they can pass on to the customer as we look forward.

At the same time, the other area which we are looking at is looking at optimizing all the areas of cost which are there in the organization. So, whether it is from a point of view of looking at overheads which are related to possibly travel and other areas which are there, we are kind of looking at seeing how we can basically optimize the overall operating expenses so that we can really have a good leverage in terms of going forward.

Aditya Bhartia: And when you speak about 18 to 20% margin guidance, are we baking in some of these cost savings and therefore thinking of slight reduction and maybe in gross margins and some savings coming through from OPEX which kind of offset each other and we get to 18 to 20% kind of margin?

Amit Syngle: So, it is an overall cost model we will have to kind of look at. So, it is as I said a far more holistic approach in terms of the cost which is being taken because you would like to kind of really spend the money in the right manner so that we are able to kind of also spend money in terms of initiating demand, looking at the right consumption, spending it in the right segments in terms of what we want to kind of do. So, it is a combination in terms of looking at optimization, some of the operating levers to that extent. At the same time looking at in what way possibly we can look at the overall material cost, the overall formulation efficiencies. Even in terms of the whole area of manufacturing excellence, in terms of what we can bring so that the whole overall area of cost is something which gives us the leverage to put the money in the right manner in terms of what we can do and still really look at to some extent top line coming and maintaining the 18 to 20% kind of margin guidance.

Parag Rane: Just to sort of add to what Amit said, I think a better way of looking at some of these expenses like employee cost and some of the discretionary spends is actually to look at the nine-month sort of numbers rather than focusing on the quarter. So, just wanted to place that with you.

Aditya Bhartia: Also on Neo Latex paints, if you could just give us some indication about how large the category is likely to have become for us and for the industry and how do you see that shaping up going forward?

Amit Syngle: So, I think the overall kind of potential in the category is much, much bigger. Almost the potential is more than 5 lakh KL in terms of the overall category. As

I see it, we are just scraping possibly at the moment, you know, 7 to 9% of that overall pie which is there. So, I think the potential is still very, very huge in terms of what you can pick up and what you can get in. It is also a question in terms of how much kind of depth you are able to get, how much you are able to reach in T3, T4 cities, how much you are able to create awareness about that product, both at a consumer level as well as at the contractor painter level. So, I think the potential it offers is fairly big in terms of the volumes it can garner.

Mihir Shah (Nomura): On the demand environment, we understand the decline in urban demand, can you share how is rural doing? Should one think that rural is growing much faster and urban is declining? And any colour on how Jan is shaping up, if you can just throw some insight to that.

Amit Syngle: So, as I said very clearly, the urban centres, I think the demand has been slightly muted, whereas in terms of the rural which we are seeing is demand has been much better in terms of the relative sense. Overall we've also seen that the monsoons have been fairly good, which basically augurs well for Q4 and Q1of next year. So, I think we believe that the rural demand should accelerate further in terms of both Q4 and Q1. And some of those things we are seeing in January itself also happening. And possibly I think the big area of surge which should happen is looking at how, you know, the urban centres kind of start to pick up as we go forward.

Amit Sachdeva (UBS): Just one question and it's a bit elusive one and you know, and it's my attempt to just ask on the new competition which has been there for a while now. After a long time, such competition has happened in the paints industry and clearly there is some response, and counter response may have been. But my question is that what is your interpretation of how the new competition is positioned its product. And what is a true value proposition thereafter to various stakeholders, whether it's trade as well as customer. And how you have responded to that? Now it's a bit of vague but I just want to understand because sometimes as it's a me-too product, it's a price at discounts and this first way to look at it. But I think there is some value proposition which is circulating in the industry to trade partners, to even painters and all those stakeholders. And what communication you have picked and what is your interpretation, what is going on, how you are responding with your own value proposition there? I don't know whether it's sort of, you know, not specific enough, but I just wanted your reaction to it.

Amit Syngle: First of all, you know, as we see it, there have been literally competitions earlier also. In fact, we have had some players five years back who had launched. And now obviously, you know, there has been new competition this year in terms of what we are seeing. Frankly, if you look at from the point of view of the first half, we have not seen too much possibly, you know, numbers which would have kind of come out. Although I think the spread across the country is something which they are taking a scale in terms of looking at, from a point of view of overall products. They seem to have products at all price points in terms of what we see in the market. But at the moment, very difficult to say that if they have a proposition for the customer coming in.

And a lot of things obviously at the moment are looking at price and discounting led in terms of what we see in the market. So, as I said, we've just seen possibly now 3 quarters. It’s too early in terms of seeing whether there's a larger impact which is happening on the market. Because today, as I said, the market is pretty large in terms of what we see of 80,000 crores. And I think we could kind of only say that someone is making an impact if you are talking of at least garnering 7, 8% kind of a share out of that market in the first year. So, I think to that extent possibly it remains to be seen in terms of how well possibly they will do. I think it's too early to kind of really comment.

Amit Sachdeva: So, where I'm coming from is, you know, obviously somebody who comes new wants to tell a consumer or trade partners that I'm special, I'm different, I'm distinctive, I have better value. And that narrative is set using quality or price curve. Price curve is not necessarily a right way to position a product that I'm cheaper. Also, people tend to communicate through that we are superior quality XYZ attribute and things like that they might be using above the line spend such as keeping a unique salesperson on the ground, with large dealers there could be several tactics somebody can employ. So, I'm just trying to sort of be very curious that has there any narrative you have picked which says that there is something that you need to respond to or something like that? Because I would not probably assume that somebody is just using a cheaper card to have a foot in the door in the market. My sense is the game would be slightly more than that. And if that is something that you're picking up, especially above the line spends like that.

Amit Syngle: So, overall, what we see is that I think there is definitely a lot of action with respect to as I said, the competition reaching a certain scale across the country. Looking at possibly spending on above the line, below the line in terms of looking at it. But in terms of the overall product story, it remains to be seen that is there a real value proposition which is coming out right now in terms of what they are specifically doing. Because at the moment there is no uniqueness in terms of what we see which is there from a point of view of either a product or a proposition currently. But as I said these are possibly early days, and we will have to see how it kind of really emerges.

Amit Sachdeva: And your conservatism when you go to the next year, you are not really wanting to communicate that you will do a positive pricing growth, etc. Although there's a base that is very benign. So, is it because of that, that you want to keep that in your hand still that if required you need to respond and is that what is built into your conservatism even though theoretically, we can think tax breaks are coming and this is happening, one should feel more optimistic about it. But you are still, you know, keeping very cautious kind of pricing outlook. Is that what is inbuilt?

Amit Syngle: So, I think the larger cautious optimism is with respect to the consumer demand we are not seeing. You know, very, very strong consumer demand flavours coming in the market as we see. And it is not only in our industry, but we also see it possibly across industries. And if you look at particularly the construction business, that area of new homes coming at a larger, mid lower segment. I think all across in terms of what we are seeing is definitely there is a little bit of a muted demand which is kind of coming in. And I think the whole kind of approach is based in terms of saying that unless the demand really comes back very, very strongly, there is only so much you can trigger in the environment as you kind of go ahead.

Jaykumar Doshi (Kotak): First one is just a clarification on your earlier response to Avi's question. You indicated that you're expecting stress to continue for at least another 2 quarters. Did you also indicate that revenue decline would continue for another two quarters and then maybe you move to a single digit growth six months out. So, I'm not sure whether you also indicated that value decline will continue for two quarters, or you did not call that out?

Amit Syngle: The attempt is very clearly that we should kind of really aim for single digit volume growth in terms of going forward. And I think it all depends on the urban centres, the kind of demand which emerges in terms of how value would kind of really come about to that extent. But I think the attempt is very clearly that we have logged in about, you know, 1.6% Q3 overall. So, going forward we would like to kind of really look at single digit volume growth, definitely happening and look at a better product mix so that we can get to a decent value growth.

Jaykumar Doshi: On competitive pressure, over the last 6 to 9 months, do you think that, you know, now trade schemes, margin trade schemes, rebates, discounts have more or less stabilized or are you still seeing increase in competitive pressure or more discounting or trade schemes from the new entrant?

Amit Syngle: So, what we see is, I think it's a dynamic game in terms of which is there and it kind of varies from region to region, town to town. So, I think in any marketing sales structure, you know, there is never a stability in terms of what you find for any kind of sales discounting. It is something which is dynamic. And as we see it, I think the agility there would kind of still remain as we go forward. Because it is very difficult to predict in terms of what one company will look at in terms of energizing the market in a very different way. So, I think it is very difficult to say that today it has reached a stage of stability in terms of where it is to that extent. Because if you want to kind of really garner anything, you will not mind possibly putting in even more money in terms of looking at going. Because at this moment possibly some of the players might not be worried about the bottom line.

Sheela Rathi (Morgan Stanley): With respect to your comment around the B2B business, what kind of growth we are thinking of in this business? And is there a specific plan in terms of focus? And my question is more in context of where the trends could be over the next 12 months in this particular business? And what is the share of the B2B business now and where it could be?

Amit Syngle: Going forward we see strong trends coming in B2B because today we see that there is a lot of CapEx which is coming into India, a lot of investment which is happening. And therefore, I think factories is a very important segment in terms of how we are seeing in terms of coming up. And that is something which we are looking at.

The second segment is government. I think that is also a strong segment in terms of what we are seeing where the government spendings are supposed to kind of now go up. This has this year has been slightly lesser given the fact that there was elections. And it’s kind of really kicked off at a stage which we are seeing in Q3. So, I think that's another segment which is going to be big. Third, I think given the fact that today hospitality is a big segment in terms of what we are looking in terms of going forward.

So, as we look at, I think our strategy is very clear. We want to kind of really concentrate with respect to some of these segments as part of the B2B business and look at even offering some kind of services which are strong so that we are able to hold this business going forward in a very big way. Today the segment would be somewhere in the range of about 16, 17% contribution. And we would definitely like to see that given the growth trajectory here, we have grown at very good numbers this year in Q2, and we would like to kind of have double-digit kind of growth numbers as far as the B2B business is concerned.

Sheela Rathi: How is the competitive landscape in this particular segment?

Amit Syngle: So, this segment I think has two aspects of it. One is an aspect which basically moves from a point of view of pricing and a credit game which is largely the builder segment which is there. And there is another segment which is on technical specifications which are there in terms of factories, government and so on, so forth. So, I think that's how basically these segments move. And therefore, I think in both the areas we look at one, in terms of the value proposition which we are able to offer rather than just a price and credit. And second, more technicality in terms of technology-led products in terms of what we can give which are specification led so that we are able to kind of garner a larger business here.

Moderator: Thank you for joining us today. Due to time constraints, those are all the questions we can take for today. I now hand over the call to Mr. Amit Syngle for his closing remarks.

Amit Syngle: Thank you everyone for joining us for this investor conference for Q3 FY25 results. It was good to interact with you. Hoping to see next time for the next quarter. Thank you.