

16 November 2022

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 4 November 2022 regarding the standalone and consolidated financial results of the Company for the quarter ended 30 September, 2022.

This has been uploaded on the Company website also and can be accessed from following link:

<https://akzonobel.co.in/investors.php#im>

Yours Faithfully,
For Akzo Nobel India Limited

Harshi Rastogi
Company Secretary
Membership#A13642

Encl: as above.

Akzo Nobel India Q2 FY2023 Investor Call

4 November 2022

Management:

Mr. Rajiv Rajgopal, Managing Director

Mr. R Krishna, CFO and Wholetime Director

Ms. Harshi Rastogi, Company Secretary and Compliance Officer

Investor Call Transcript – Q2 FY2023 Results

Aniruddha joshi :

[0:13]

Hi all, Welcome to Q2 FI 23 and H1 FY 23 investor call of Akzonobel India hosted by ICICI Securities. We have with us senior management of Akzonobel, India, represented by Mr. Rajiv Rajagopal, Managing Director, Mr. R. Krishna, Chief Financial Officer, and Ms Harshi Rastogi, Company Secretary. Now a handover the call to the management for initial comments. And then we will open the floor for question and answer session. Thanks and over to you Rajiv Sir.

Rajiv:

[0:50]

Thank you and good afternoon to all of you. Thank you for taking time out to join. I do understand from Rushad, Aniruddha, that it's pretty packed schedule for all of you. I thought the best way to start this call would be to pick a part of our colour futures project, in the iconic city Jodhpur blue. You know, we've seen some huge traction on it, not just in India, but all over the world. Something that our team worked with the Jodhpur administration to really start making it once again, the Blue City. Yeah, but let's get on to the business quickly, how things have been just to start with. Many of you who are fully connected with the company, may know that we got a new CEO. So he's just succeeding Thierry Vanlancker, renowned French national, he has previous experience. He was the CEO of Sulzer, before that CEO of Erstwhile Alstom Grid , also the managing director of CVC Capital Partners amongst other companies, an International business leader for 25 years. I'm sure that our CEO will start to travel very soon. And I'm seeing that sometime early next year, given the focus and intensity in other areas. So I think we should sort of see Greg in India and we should also get chance to interact with him. Yeah, so if I can move to the next slide, I can see a few participants raise their hand. Request you to allow us to time to complete. And then we will come back to the q&a. Yeah, so just a quick recap, you know, 1460 employees, five plants. We are looking at capacity augmentation across a paints and coatings business. We've are scaling up distribution plus 1000 outlets basis, what we call the hub and spoke model after a distributor model. And we today are now moving our development from more than when I joined this company of about 2000 towns in 2015. We are already in about 5000 towns and will move to 8000 towns in the next couple of years. Yeah, we also cater to over 4000 B2B customers, we got a world class R&D center for ASC in Bangalore. And we have also launched what's called a low cost innovation center and running differentiated products. Yeah, so those are some of the things that sort of we will have to Yeah. Next slide. So on the business, I guess, just to summarize, the good part is today we are really proud to be a part of the Indian economy, where growth of India is significant above global growth. I don't think from our perspective, it's a comparison because that's anyway something that's expected. Yeah, but really, I would also say that while India is doing very well, we are not decoupled completely from inflation at 7.4. Yes as per the RBI governor, the range of prices are sort of starting to get a little benign, highlighting the real impact to benefit that will take a while for us to see. I've seen some of our commentaries by some of our other colleagues' companies in the industry. But I do believe as I mentioned,

Rajiv:

[5:27]

in the last quarter..... material, Currency, most of us see that from March at

Rajiv:

[5:47]

At about 74/75, it's moved its way to 80/83. Yeah. So just to sort of move ahead. Yeah. So we, as all of you know, we have sort of focused on strategy. We have grown very well wrt strategy for 2023. But because of the fact that the job is not fraught with global risks of headwinds in China. From my perspective, I wouldn't be here today if nothing changed. Because of that I presented to the experience country, showing me what continues to grow and be one of the shining stars with the company. You know, sometimes they even say stars conspire to make things happen. So this quarter so far, seems to have sort of held on to the belief that we intend to be in the top three players..... So eventually in terms of incremental work, what have we been doing? I think our focus has been to enhance customer experience, right. So whether it's brand building, whether embellishing advertising, we are focused on looking at customers, we can address and see the expanding of our entire strategy. The next is digital. All of you know, we were one of the few countries that launched paint the future. It was a global initiative. But we worked very closely with the NASSCOM, really grateful to NASSCOM and NIPP for supporting us. Where we've now got two startups with Fluid AI and Hyperreality to really start, you know, looking at initiatives where we can start driving digital industry, whether it's through a painter lab, and also looking at ways to run Customer Lifecycle Management in a very differentiated way. We also looking at value creation, because you know, all that's fraught with global risks. We are at the end of the day, a European company. So we are mindful of the fact that you know, we need to drive value creation harder, because expectation from India, as we start driving top line will also be to start now taking a little bit of lead over the next two to five years for Akzonobel. People continue to be at the heart of what we do. I'm delighted to inform all of you that for a third year in a row, we are in the top decile of the OHI Organizational Health Index, it's a McKinsey tool that put a score of almost 82. We are also now certified as a Good Place to Work. And our entire focus is how do we really drive innovation significantly? We are going to do that by bringing the power science to the magic of paint. And that's something that we'll talk more about as we start moving forward. So really a few examples of what we've done. One project awarded recently for Parliament beta campaign for protect. This will be the flagship brand Deluxe touch. We've launched an economy primer SmartChoice interior primer. So I already talked about these two fluid AI from Mumbai and hyper technologies from Bangalore, what we've done is a letter of intent, and we are working over the next six months to look at solutions, where we can look at digital experience of consumers, and also look at ways in which we can enhance our thought. On the coatings business, it's been also again for coatings, a terrific quarter. Yeah, our business has bounced back. It's after a long time, all four businesses have done very well. In marine and protective, we see very strong growth in infrastructure, oil and gas, power, new construction, about excess continues to accelerate. We've seen some good sort of bounce back in the architectural space and auto motor. The automotive business started seeing some good demand. We're also trying to look at playing the- lead role in the entire economy. As we start moving forward. Our industrial countries have done very good led by growth in the packaging segment. So you know, the Coke, Pepsi and other beverage cans. position in the country, some tribal, differentiated and reinserted set of products in the same in the automotive space. Delighted to tell you that we grew across both premium brands and new brands. We've seen a strong recovery in the auto segment. And this is something that we are cognizant of, and also the coating of ships as I mentioned. That's something that we're working on as a team to try and see how we can pass it. So with that said, we hand it over to Krishna, Krishna will walk you through the numbers.

Krishna:

[12:18]

Thanks, thanks. Rajiv. Thanks to all for participating in this call. I'm very happy to report the continued progress on our grow and deliver ambitions in q2 and H1 2022-2023. In line with the grow aspect of our ambition, we clocked a strong double digit growth across both paints and coatings businesses. Revenue stood at 946 crores with the growth of 25%, which is supported by the good festive demand, calibrated pricing actions and strong order book. Business revenue growth of 25% is especially commendable given a strong base, I'm proud that we continue to surpass our own records. Despite some challenges, our Paints business posted strong growth across all the channels and categories. As Rajiv has explained the quarter saw continued success of the recently launched campaigns and promotions. Mix remains strong. Projects business and urban markets outpaced in terms of the other verticals in the business.

India's core sector continues to expand which gives fillip to our coatings business. During the quarter the business had strong Orderbook across the infrastructure, marine, auto and consumer segments. Moving to the next slide. The industry experienced some inflationary challenges and FX volatilities during the quarter, but our pricing actions helped to grow GM by 19% with GM% at 38.4%.

Although we also invested in advertising and marketing initiatives and other growth-related spends, we maintained our focus on the Deliver aspect of our ambition, delivering 15% EBIT growth.

Profit after Tax was at ₹65.4 Crs, up 17%.

Moving to the OWC and cash flow, the easing of the supply chain and concerted actions from our end, our working capital management has improved. What do you see as a percentage of revenue is 9.6 in the September end versus for 12.3% last year. You could see the significant decline in the inventory days from 141 to 113 days. Our operating cash flow was positive, which coupled with our investments, supported capex and dividend. At ₹184 Cr cash and equivalents, liquidity remains strong. We remain vigilant in terms of macroeconomic risks, which was elaborated by Rajiv. However, I'm quite content in terms of progress on the grow and deliver journey for the h2 as well. Thanks. Rajiv. its over to you.

Rajiv:

[15:23]

Yeah, thank you, I think something we are very very keen on working on, and Harshi's doing this exercise is this entire thing on ESG, we want to make sure that we are the lead player in the country, we are globally one of the lead players. So what are some things to be doing I start wanting to work on the environment side, we are a member of together for sustainability that TFS, we are started looking at initiatives like that can make a sustainable difference through lets colour project tools. For example we are looking at many others, we also got all our sites covered by Lloyds. So really to monitor because I simply you believe that you can only manage what you measure. And hence, you know, having a very clear, not just a target. But also you know, is significant and important way of delivering them. In terms of social, we continue to work on skill building initiatives with 1.5 million painter community, a program on telemedicine initiative. We've also been contributing to the Mica initiative. And we started a

project where we are trying to work with women particularly, and we started this in the states of Assam, Tamil Nadu has seen some excellent responses. One of the things we noted is that particularly for the society, post COVID have been really struggling, you know, to some to get back, and also looking at ways to enhance the income. The last is governance. Needless to say, I think our ambition above all classic evidence from actual Akzonobel point of view, and also India point of view, means so whether it's a working policies, whether it's in terms of corporate governance, 50% independent board, 100% board attendance. So that's really, we call this the power of our team, which is people planet paint. That's really the purpose of who we really are. Yeah, suffice to say that we continue to our intent to continue to grow, out perform. I mentioned to all of you that our endeavours are to have the team behind some rocky moments, but again, like to thank each one of you for your patience.

Aniruddha joshi : [18:25]

yeah, Hello. Sorry to disturb Aniruddha here. Your voice is very feeble. Okay,

Harshi: [18:31]

can you hear me now?

Aniruddha joshi : [18:31]

Yeah, now its better.

Rajiv: [18:35]

So we continue our focus on brand, solution, digitization and sustainability. These are the areas that we continue to try to drive acceleration in our business. And we continue to commit to regular investor engagement. So with this pretty much on you know, I've pretty much come to the end of what I have to say. Thank each one of you for taking time to join us to keep it as interactive as possible. Yeah. So with this Anirudhha , hand it back to you. Will only request speakers, if you can identify yourself, and it will be nice if you can switch on your cameras because you can see us but it will be good to see you given the technology that you have.

Anirudhha Joshi [19:20]

Yeah. Thank you. So now we will begin the question and answer session. Participants and investors who want to ask question, please raise your hands. On raising hands, you will get an opportunity to ask question. So first question we have from Mr. Lakshminarayanan Ganapathi. So please go ahead.

Lakshminarayanan Ganpathi: [19:47]

Yeah, am I, audible okay, I don't know whether my video is visible. I think it's just not allowing me to do that. But anyway, so let's go ...

Rajiv: [20:01]

Yeah, we can we can see the phone, but you can't see you.

Lakshminarayanan Ganpathi: [20:06]

Okay, I'll just see if I can do anyway, I'll not waste your time. So, so you've been here and thanks so much. And I have two or three questions, because you have been consistent. And

looks like you're growing ahead of the market in decorative. Right? What changes in the width and depth of distribution you have done that that is actually giving you this growth? Right? I'm asking from a dealer point of view, right, why he is increasing depth at the counter? And why new people are coming and taking new dealerships with you? That's my first question.

Rajiv:

[20:42]

So look, I think the answer is a bit self-explanatory. I think if I ask you, why is Dulux, why Dulux? I think the answer will be because of the quality of the product. Right. And so what we did was we started a program, if you remember, in 2021, I mean, that program, we've seen a significant lift of our brand. I think we've been able to drive back for outlet, a value per outlet has been significant, and really outperforming from this from an India perspective, and from an industry perspective, but also some of the leading benchmarks now, on terms of width, you know, we are adding, you know, roughly about anywhere between 600 to 800 outlets. worth it right. So our endeavour continues to be that but in paints, you know, I've seen all the headline news. it's not about the number of outlets, It's about the number of outlets you retain. It's like, you know, I used to work in airtel , when I used to say gross ads, it doesn't mean anything in finding about data, which means how many of your consumers actually add to the revenue? Right. So that's the key, I think, in terms of net ads, net additions of those, I think we seem to be very comparable to industry, we have our endeavour and want to get it right So if you remember, in 2020, we launched promise, emulsions, which was our entry into the entire economy space, because that was a sector, which is booming. We wanted to participate in the high growth sectors. And I've been saying this consistently, that, you know, it's about building things brick by brick. So I'm glad that you know, things have over the last eight quarters really started falling in place. I think today, the result of this is not, you know, overnight success. You know, while we continue to do that, let me also assure that Indian industry will continue to face headwinds towards our neighbours. To answer your question, what is the sort of ads that were given and in terms of what are the ads we do? Give us in terms of is the VPO growing? yes ,it is growing high double digit.

Lakshminarayanan Ganpathi:

[22:55]

sir, what is growing double digit? Sorry

Rajiv:

[20:59]

the revenue growth in double digits, high double digit. you know, we would have grown almost equal to our overall growth. So that tells you that we've seriously gained market share.

Lakshminarayanan Ganpathi:

[23:12]

That's great. And while there is an output, clearly that it's growing, and also that new products are coming in, right? What makes a dealer somebody to actually put on go for the new dealership with you, right? What is what is the compelling proposition which he or she has, right? What is the input that is actually going into, what you're getting as an output, right? What

is materially changed over the last two, three years, with respect to the in other previous five years, I'm just looking for, from an input point of view.

Rajiv:

[23:48]

so from input point of view, we see things or we've strengthened our brands, significantly, the sort of advertising and the sort of scores we've seen on velvet touch. being honest, I joined this company 10 years ago, we've not seen that sort of response. So great work done by the team..... The second is really, you know, are fit for purpose portfolios. Yeah, we are doing a lot of digitization and automation, which is also driving, you know, our ability to be able to execute, you know, at the point of sale, so these are combination of things. If you look at it, it's really a very focused approach and a lot of discipline doing in execution. And yeah, I think, you know, for me, consistency matters.

Lakshminarayanan Ganpathi:

[24:47]

Got it. So I'll just have two more questions. The one is, I mean, how you go to market has actually changed in terms of numbers, right, because you had a direct, which you call it a single tier distribution. And then the second is the Two tier distribution, right? That go to market. I think when you when you took over there it was in a particular mix that has actually changed now, I believe, right? Can you just throw a light on how your single tier versus your distribution mix has changed in terms of declaratives? And whether that is propelling growth? And how do we think about it,

Rajiv:

[25:21]

Distribution is something really, we spend time in 2014 -16, which was my earliest stint, first in India, and then between 2018 and I would say, mid 2021, that we really focus right on really bringing distributors on place, as I mentioned earlier, that they got 175 distributors all pretty much there also last for five, six seven years. This is running through a very strong sort of performance there, what we've done is we've added a layer now, because one of the things is very worth creating your franchise, we are going to have no availability to about 5000 -6000 towns. that is how do you start taking it further, because you will realize that when you advertise, otherwise, the advertising spirit will be amount of wastage that happens because of the sheer reach it lacks. So our endeavor is to identify districts where we shouldn't be present, you know, using certain Sort of formulas that we are working on, and say that these are districts that we will target as you see some very good response there. Surprised to say that, you know, as I told you, what we already have in terms of outlets. And for us it in terms of retention, we will be one of the highest in the industry of the outlets where we enter, we still do have challenges, we honestly confess, we are, for example, some of the new players cannot launch certain products. You will agree if you value the service that we are selling at a premium compared to most of our competitors, right? So our endeavour is to try and make sure we get it right, you get the right, you know the right propositions, and get the right distribution to them.

Lakshminarayanan Ganpathi:

[27:22]

Correct correct. Just one last question is that you know, how your mix of projects versus non projects has changed in decorative. And, and pursue, what is the any change of the product portfolio, because last time you mentioned that you are 65% into paints. And so how that mix

has changed over the last three years, both projects and non-projects and how the decorative and the industrial mix has changed over the last few years. And whether you think it will settle because globally, we are like a 50-50 player.

Rajiv: [27:53]

So we will continue to remain the same in 65:35/67:33 Depends on a particular quarter.

Lakshminarayanan Ganpathi: [28:07]

Sir, I didn't hear you.

Rajiv: [28:10]

look we will remain in the same range. Whether it's 65 to 67 for paints.

Lakshminarayanan Ganpathi: [28:24]

Projects non projects?

Rajiv: [28:27]

I've already articulated our project contributes to our revenue ..., right, we continue to see very strong growth. That's largely because of the fact that we are in a state of bouncing back. But again, our retail is also doing equally well. So very clearly I don't see too much of a variation between the two. Yes projects here growing faster.

Lakshminarayanan Ganpathi: [28:52]

Thank you so much. Mr. Rajiv and the team. All the best.

Rajiv: [28:56]

Thank you good luck.

Aniruddha Joshi: [28:00]

Yeah, thank you, sir. Participants who wish to ask questions, please raise your hands. Next, we have question from Mr. Gaurav Nigam, sir, please identify your company name to and go ahead with your question. Thanks.

Gaurav Nigam: [29:17]

Yeah. Am I Audible? Hi.

Rajiv: [29:29]

Yeah, sure.

Gaurav Nigam: [29:23]

So first of all, thank you for taking my question. This is Gaurav Nigam from Tunga investments? So first question is, again, on the distribution side? To understand I think historically, we have been very strong in eastern North is what I understand. And now when we look at the reach like going forward on the distribution side, what are we like doing like in the last three, four years and going forward? Are we consolidating on our existing regions and going further deep into them or we are expanding into new regions? Obviously, there will be we'll be doing both but just Want to understand more from the management philosophy? On what is the plan on distribution growth? And how it has changed?

Rajiv: [30:07]

So Gaurav, thank you for the question. I think the answer is a bigger bowl. We don't look at it as usual, we look at it for me regions are very, very high level of measuring and we look at it from the district level. There are 640 districts in India, we look at the top 200 districts where we've got significant presence. So you know, all the new entrants we are also doing reasonably strong jobs, with due respect to everyone, I think we need to continuously fight for our launches and our share of the market. We're working on a plan that we sort of put together as a management team in 2021. And that plan continues to 2024. I see no reason, even if we have a couple of bumps in the road that we need to change that plan.

Gaurav Nigam: [31:26]

Okay, well, just, if I can just follow up on that question. But, is there a focus more on expanding in our existing like, strength of reasons? Like, what is the focus area? I think we can always do everything, but we have to choose our battles, right? So

Rajiv: [31:40]

look, obviously, if you got a strength in certain area, to enhance that already in markets when you're strong, right, that's natural. But that will come to a lot of other words, portfolio category shares, assortment. So those ... are a host of other things that you have to. So to my mind, the way it is will shift. Right. But, you know, people are calling it a strategy, if I were to tell you the idea. Very clearly, we're sticking to that. So pretty much we are going to be running, you know, our velocity in existing markets, while making sure we start looking at expanding through markets. Now, obviously, if you're going to drive into new markets and lose an existing market, that's not a wise thing to do.

Gaurav Nigam: [32:36]

Got it. Just one more question on this project versus non project, I think the previous participant was to understand how is this being business being done? And is this going via the dealer channel? And or is it done directly? And in Project business? Are we doing something different, which is leading to that higher growth, which you alluded to

Rajiv:

[32:59]

Gaurav I think. everybody will get a chance. So will it be possible for you to come back? Sure. I'm happy to answer your question. Historically, different companies perform in dealers also in projects. But there are certain things which are unique to us. So if we can allow Anirudha to allow the next person to ask question, and we'll come back. Thank you.

Aniruddha Joshi:

[33:29]

Yeah. Yeah, thank you, sir. Participants who wish to ask questions, please raise your hands. So by the time the question queue assembles. Let me just go ahead with some questions. Regarding the floor paints, how is this business doing, whether it is launched across other states, also now after West Bengal, and secondly, how has waterproofing done in this quarter, particularly, considering there were a lot of rains. So some of the peers have indicated that waterproofing has done very well. But due to rains, there is some loss of paint sales. So just wanted to understand how is the performance of waterproofing and assuming if there would be normal rains? Whether our decorative paint would have? I'm sure it would have definitely done better, but what is the real or indicative impact of lost sales for Akzo? So yeah, that's it.

Rajiv:

[34:36]

So thank you. Thanks Aniruddha for the question. So two, first, the floor coating, we've started putting it to stage. The product acceptability has been very good. However, this is something that we need to work rigorously on because you're right see, Flow paint is the one which is also affected a bit because of the fact that you know, they're obviously used for being on the floor. It's important to have good amount of sunlight. So really, we'll be able to get the true measure of it and start moving in different markets perhaps but will take a little longer because of what's happening around here in smog and fog, etc. But I do see the pickup now across most parts of the country being very strong, however, because we've actually, we've got a particular couple of players in mind that we want to outperform. So in my standards, we are not doing as well as the sort of benchmark that I thought of. We may be doing well in certain markets by the market champions, but that's not enough for me. Now, that hopefully answered your first question. The second question, waterproofing is a growing category. And I don't want to overdo it. But suffice it to say that, look, I think the 8% contribution of it is relatively small. So you know, you've got a long way to go. I would say that, look, we need to wait and watch. Yes, in the last two weeks of September, we had a bit of a challenge, because of the monsoons. But look, you know, our growth is pretty much in line, you know, upwards of right. So I don't think that is a bit of a challenge for us. And they're working on a strategy of looking at where to click, and in the months ahead, we will start looking and taking a management goal on saying how are we going to take this load much higher level? Right. So we are also playing with a lot of giants who are leaders in the space, who really created this category. So again, you know, with all modesty, I just want to make sure that what we do, we are able to you know, we've started We started very small, we are noticing very large business in this category. But we got miles to go when you look at some of the other players in this field.

Aniruddha Joshi: [36:57]

Yeah, yeah, sure. So that that's very helpful. Yeah, so we will move on to the next question. The question is from line of Mr. Nikunj Doshi. So please, introduce your company name and then go ahead with your question. Yeah,

Nikunj Doshi: [37:16]

This is Nikunj Doshi from the Bay capital. Just one question on the auto segment means what is the focus area in the repainting segment. And on OEM side, is there any breakthrough or any kind of efforts that we are making to address that?

Rajiv: [37:37]

Yes, we have some OEM labs but are very limited in India is largely to repainting when you're talking about the automotive refinish. So, automotive refinish business, a much smaller player in the OEM business globally, but yes. So what we have in the refinish part of it aftermarket is actually a growing premium, which is why we've seen some sharp roots in the premium end of the market while going with a premium brand secrets, and also growing one during the last segment. So which is also quite profitable. So that's been our strategy.

Nikunj Doshi: [38:29]

Oh, thanks.

Aniruddha Joshi: [38:30]

Thanks. Thank you, participants who wish to ask questions, please raise your hands. We have next question from Mr. Ram Krishna Neti. Please introduce your company name. And go ahead,

Ram Krishna Neti: [38:49]

Sir. Good evening. I'm from Zen wealth management services limited. But I have a couple of questions. Actually, in the AGM, you mentioned that you've been working on putting on some capex, if you can, please share some details on that front. That is my first question. Second question. I just trying to understand, is there any trading component that is there in your product mix very important from the parent and selling India? And finally on the adjacencies, do you have any plans to expand your product base?

Rajiv: [39:24]

Thank you. Yeah. That's possible. Okay. We explained that we're expanding on our major capex or we are expanding our powder product capacity. And the second point is regarding the trading some of our products in premium flagship brand in automotive aftermarket business, which is maybe 30 40% we are importing.

Ram Krishna Neti:

[40:09]

Certain that question is on adjacencies? Is there any, any plan to expand your product base? And also coming back to the capex? Can you please indicate any numbers that you're putting into I mean, that to be helpful, just trying to understand a broader perspective.

Rajiv:

[40:24]

Okay, so, so capex is not, is not that significant. And it's not different from what we explained earlier. It's roughly around 100 crores of capacity, expansion on the powder manufacturing.

Rajiv:

[40:49]

I need you to understand this, when you say this, you know, we've done a lot of focus on digital technology and driving productivity, where for us to scale back, we can produce almost one and a half times the volume two times volume that we do using our existing footprint. And we'll talk about it more closer to at the time of launch. But suffice to say we will play in the paints and coatings, and all categories which are included to get the paints and Coatings. So not anything to do with outside the category, for example, furnishings fabric, those are not warranted from a strategy perspective. Have I answered your question

Ram Krishna Neti:

[42:19]

sure, this helps. Thank you. Can I ask one more last question, please?

Rajiv:

[42:23]

If I can request because you know, just to be sure everybody gets a chance otherwise what happens? We sometimes we get people in the queue

Ram Krishna Neti:

[42:27]

No, I will join the queue? Not a problem. Thanks. Yeah.

Aniruddha Joshi

[42:31]

Yeah, yeah. Thank you, sir. Sir, we have received some question on the chat box. I will go ahead with those questions. What is the mix of premium to economy to mass in the decorative? why?

Rajiv:

[42:50]

Yeah, so you know, we don't give those splits, let's be honest. But I think our contribution margin gives you an indication of that, right? I'm reading some questions of Aniruddha so that you don't have to really read it out for me. Look, as far as margin , sustainable margins are concerned, we are looking at long term sustained margins. Let's be honest, in a player market where we are still number four...., we have to make sure that we start putting also start investing in our business to grow. And all you see in these challenging times. We've seen a lot of headline, news and complete respect to each one. everybody, every human has to have an ambition. And every organization has the potential to become a number two or number three player next five years, calories. Also, you know have obviously an ambition right? So for us to mentor I think we like to balance when we grow invest in the business from an auto perspective.

Today, I think the mandate from the global really now start getting India to start lifting itself, right to play as much longer..... We're no longer Dinesh Karthik of the team, where I come in the last five overs and score runs. Much longer innings. And when we start seeing how we can do a challenge. That's a very big ask. So remember, we when I started the journey we're less than what 2000 Crore company and when you just look at our results and extrapolated we are significantly bigger ...We have to do the right thing to answer your question and we will continue to do that as we move forward. We are not just driven by percentage and it is important, but we will use that. And of course, there is a benefit etcetera, we rather look at how we invest in a portfolio to get sustainable long term. The next is what the trend of non metro. Look, again, look, metros been a largest contributor and mentioned about it, we are now growing in our tier one. But what's also important is that you need the right portfolio, you need the design, people, the right mindset. I think suffice to say that we are where we move toward content. Because you know, I think in terms of our ambition -How are competitors reacting on ground to gaining share consistently?

Yeah, but Because let's be honest, it for the changes in management, I think there used to be a favourite question I complete my stint in India and then I moved to Dubai for two years. And I'm back. Right. So long.... Stable people are very good question.

You know, in terms of how we sort of do it, we are trying to competition, that rather than asking if there is anything that you pick up when you ask them.... or saying honestly, you have to learn to grow. You know, we have to be very mindful of the fact that you can still relatedly the number four player in the market, and we want to sort of have a fair play in that as a global brand, etc. As many of you remind me, you have a right to win. That's what we've been focusing on. I don't look at geography. Districts the point to say that in about 20 districts, we've got very I'm tracking about 75-80 districts were number one, you'll be surprised to share that in my first investment call, people thought I was calling it bluff till some of them actually went to some districts and started seeing it. So my thing is, look, if despite all the things that we've done or not done in the past, we've still remained as the number one in many districts. The question is, how can you take that slowly? What are the lessons you can learn? What can you quickly translate it not an easy exercise in a very aggressive and predictable? But I think that's something we're working on baby steps, right? Royalties came up percent of revenues, which spike from 3%? Is there a definitive number? Look, let's look at what royalty without saying how I can borrow from my I'm proud for parent because, you know, I guess like in the future, it's coming because I have the great amount of products , we are rolling in India, what we call the local low cost innovation for the globe. So today, it's become a two way street. Because I also want to give back. But one of the things I want to make sure that I get things just seamless now. See what I think to be fair, if you actually read the last couple of reports, quarterly reports and the annual report, there is sufficient mention of India, but it's my request to keep it a little under seed. Yeah, to be honest, let's be honest. You know, I come from a school where you know, I don't want you know, too much of attention. That's not my style. My style is to say that, look, guys, we're here to win, but not here to make a show. I'm here for the team to grow for the team and the company to grow , something I'm really proud of being a part of a team. That's fine by me. I know how it works because I don't think in the last 10 years, but the amount of presentation to the executive committee has.... So clearly and we've got some very high profile visits. we got a Chief Commercial Officer coming here on Monday for one week, we've got our global CEO likely to come in March April, hopefully. But we have to continue to

perform, I am sure , I am like each one of you. These are things that you cannot take for granted. So I got to be humble, it's good to be looking and allow the back to do the talking. That's what I will say. Yeah. So these are some of the questions that have come in. there any further questions? Happy to take it to enhance.

Aniruddha Joshi:

[50:45]

Yeah, participants who wish to ask a question, please raise your hand. Next we have a question from Mr. Keyur Pandya, sir, please introduce your company name. And then go ahead with your question. Thanks.

Keyur Pandya:

[51:00]

Hi, team Keyur here from ICICI Prudential Life Insurance. Congrats to the entire team for good result. So, the question is on the demand side, I mean, most of the companies are talking about some kind of slowdown you and your team being on the ground, the fillers you are getting, and why I'm asking this is that probably if there is any improvement or benefit on the lower RM basket slowdown in demand would result in the passing on of those prices and probably not getting the benefit of the lower price the basically demand also determines the gross margin. So how this equation is working out based on demand fillers you are getting.

Rajiv:

[51:51]

see the demand is very strong thing , we will notice that some of my viewers have talked about the monsoon I think the bigger impact on production was in October because this year we had like some of them already mentioned a very early Diwali because we get a benefit of Diwali despite only when we have in November, like next year, we will. But in October, Month Diwali that also the number of working days are much lower, there is a bit of a challenge. So that's one two, and yes. So I think we need to read and watch for that. Yes, there is a little bit of a slide. No, I wouldn't use the word slow down. But you know, margin, sort of primarily because of the fact that, you know, there is inflation and inflation is biting in some of our markets and consumer sentiments. Right. So that is there. But, you know, fundamentally, I believe that reporters will go one and half times. So, one and half to two times where the growth .. This question, you know, this is more relevant to the paints business, where I do see because of various reasons, a bit of bounce talking, because remember, the channel interest rates are going up even for a dealer, cost of capital is going.

Keyur Pandya:

[53:51]

Okay, and our recent introduction at the lower side of the pyramid, are we seeing I mean, it may be a blessing, not blessing in disguise, but basically, are we seeing any kind of downtrading and we have launched low end products are we seeing, say that Mix or such type of pyramid changing for us? Fortunately, we have launched this portfolio,

Rajiv:

[54:16]

No, we're not downtrading. Look, I think just to behavioural, topic, believers continue to buy the word about your brand.

Keyur Pandya:

[54:25]

Rajiv: [54:28]

Obviously, they look at, you know, consumers... on very, very clear, right. So I don't think they are very interested in any other offering. But yes, for some customers in the market. People are looking at it but I have not seen.... but I've seen the commentaries of not just some of our like, you know, industry peers, but now the industry will have to wait and watch. Again. The thing about premium market share has been getting significant.

Keyur Pandya: [55:08]

Understood. Sir one question. I mean, we, as an analyst community don't get idea of say, very minute list of raw materials, I mean, we just get to see crude oil as a benchmark. So, have we actually seen falling the RM basket, and when I asked this, this is in terms of INR, because we have seen like 10 -12 percent depreciation in last six or eight months,

Rajiv: [55:32]

so can you just give five to seven minutes will be one more chance to any other person.

Rajiv: [55:38]

Yes. This is partially offset by the volatility in the products. But we could definitely see the h2, there is an uptick in the margins, primarily on account of the raw material softness, unless there is some other surprise which comes up.

Keyur Pandya: [56:00]

understood sir, thanks a lot all the best.

Rajiv: [56:04]

So Aniruddha you have to ask questions in a queue.

Aniruddha Joshi: [56:16]

Yes, sir. Participants who wish to ask question, please raise your hand. So we have received one question on chat box. What are the three biggest worries for you as a CEO? Considering the business over next five years?

Rajiv: [56:34]

You know, to be honest, I wouldn't use the word worry. Because when you are number 4, player, I think you'll go in with a mindset saying, how do I really start driving growth? How do I start getting market share gain? And how do I do it in a profitable manner? I think the challenges as we move forward is really, we can only control what we can control the uncontrollable. So really, how much more of the uncontrollable controllable. As the CEO if you ask me, the last few years, I think this is the best experience, thrown over if you were to challenge a brand, you have to be profitable, you have to be prepared. Right. So my sense, you know, the ability to, you know, stay focused, and, you know, think about the strategic roadmap for the company. And you know, really make sure that the strategy articulated is delivering is one of the top priorities for me, the other second is really an engaged and inspired team. So really, it's about building the next level pillars of tomorrow, that's the second. And really, you

know, are you building a business that you can scale it up. I think, as a CEO, what I wanted to demonstrate was that we can go quickly before we look at any of that. But at some point of time, I think one of the things that I got hired for and brought back to India was looking at some inorganic options, are we looking at strategic fitment? That's something that is more exciting. So not something that really worries me, but I just wanted it to be re articulated. The main reasons that you can get worried, but really, I think, for me, I'm thrilled that I got an opportunity to get on a platform and perform. Right. That's the way I look at it

Aniruddha Joshi:

[58:55]

yes. Thanks, sir.

Rajiv:

[58:57]

Yeah, so another question in the last year, what has been disappointing, disappointing for the firm and what is this positive surprise? Are you building on these positive and negative?

Okay, sounds great question. Great question. So, you know, I think the biggest disappointment for the firm was I came in 2018. We did a massive restructuring. And one of the things when we saw the time that COVID started in China, that even spread down to India, and lo Behold, by March, we were all looking at a shutdown. It was a bit disappointing because all the enablers that we started putting in place, started creating a copy book all went out of syllabus. So to me, I think I've been able to handle a very complex environment, executing your strategy without allowing the larger team to know that you know, there's a bit of disappointment in the way things are, in the performance that we sort of had in that couple of quarters. Because if we remember, we were by far the number four. Right? Really the act of strongest positive surprise, we bounced back. Positive because I expect it to bounce back. But did I expect to bounce back like this? No. I think that's been a positive. So really, this is something I keep telling people that work on the processes, we are now moving to digital. We are bringing some of the best things like advanced planning tools, all automated systems or machinery, factories, etc. In the next couple of years, as we digitize the journey, how do we really unlock the productivity more into harnessing growth? And sustainable.

Aniruddha Joshi

[01:01:29]

Yeah. So we have got one hand from Mr. Keyur Panda. It's a follow up question from him. Please. Go ahead, sir.

Keyur Pandya

[01:01:38]

So just one question. Thanks a lot. I mean, a lot is talked about decorative, just want to understand in the context of a lot of buzz around capex cycle revival and real estate demand. So how our industrial segment doing if you can throw some light on six sub segments, and Outlook, the industrial sector? Thank you.

Rajiv

[01:02:02]

I think I said this at the beginning of the call, phenomenal growth across all businesses. all the 5 businesses – Paints, automotive, Marine, Protective, industrial coatings, I find doing remarkably well. So to me, I see the industrial segments continuing to grow. I think, going

forward, I see that we started putting a template where we give in terms of some of the products, we are gearing ourselves for shifts that are happening in the market. Electric vehicles, infrastructure, because of the quality of our products that we sell, right? You may or may not know that we also have just coated INS Vikrant, Vande Bharat express. So gives you an idea of what they are to express all this voted with us. Yes. Okay. Sure. We do see strong growths coming in.

Keyur Pandya

[01;03;20]

Understood, sir. Thanks a lot, and all the best. Thank you.

Rajiv

[01;03;25]

Is there any other question? Can we do this? So really? Yeah.

Aniruddha Joshi

[01;03;30]

Yes, sir. That was the last question. From ICICI securities, we thank the entire management team, as well as all the investors for participate in the call and now hand over the call to Rajiv sir for his closing comments. Thanks and over to you sir.

Rajiv

[01;03;45]

So thank you very much. I want to thank all of you. Rushad, please convey my thanks. So thank you all for helping to set it up. See, you know, we have been, whether it's a good quarter or bad quarter, you know, eight, nine good quarters. We continue to hold ourselves to the highest levels of corporate governance. We realize that we've got lots to do. So really, for us, the focus is on the road ahead. We are mindful that there will be bumps in the road, there will be sort of bends at the end. But really, it's about navigating those that we are working as a team, we continue to drive our enablers – brand, distribution, painter, contractor and innovation or customer. 75% of South Asia is India, in fact more now. Am I happy? Look, I'm a person who's never happy. Always believe that there is more to do. But that's why I have to also accept that you know, something that we are committed to and really want to build it brick by brick as we move forward. So thank you so much. Thank you so much. And if there are any other questions, please do feel free to reach out to Harshi. We will continue to stay connected, and hope to get to see all of you soon. Thank you. Thank you. Thank you.