

5<sup>th</sup> August 2024

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

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

Dear Sir/Madam,

**Sub: Investor Call Transcript**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the investor call conducted by the company on Friday, 2<sup>nd</sup> August 2024 regarding the standalone and consolidated financial results of the Company for the quarter ended 30<sup>th</sup> June 2024.

This transcript is available on the Company website and can be accessed through the link:  
[https://akzonobel.co.in/investors\\_php#im](https://akzonobel.co.in/investors_php#im)

This is for your information and records.

Thanking you.

Yours truly,  
For Akzo Nobel India Limited

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

Encl: as above.



“Akzo Nobel India Limited  
Q1 FY '25 Earnings Conference Call”  
August 02, 2024



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

**MODERATOR:** **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q1 FY '25 Earnings Conference Call of Akzo Nobel hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi, ICICI Securities. Thank you, and over to you.

**Aniruddha Joshi:** Thanks, Yashashree. On behalf of ICICI Securities, we welcome you all to Q1 FY '25 results webinar of Akzo Nobel India. We have with us today's senior management represented by Mr. Rajiv Rajgopal, Chairman and Managing Director; Mr. Krishna R., CFO and Whole Time Director; and Mr. Rajiv Jha, Company Secretary and Compliance Officer. Now I hand over the call to Mr. Rajiv Rajgopal for his initial comments on the quarterly performance, and then we will open the floor for a question-and-answer session. Thanks, and over to you, sir.

**Rajiv Rajgopal:** Thank you Aniruddha. Thank you very much, and thank you for hosting the call. So look, first and foremost, good afternoon to all the -- all our investors and all the people on the call, wonderful to again speak to all of you. For those of you who are there on our AGM, some of it will be repetitive; for others, I'll quickly run through.

Look, as far as the quarter has gone by, we've had a -- I would call, a reasonable quarter. We've had a double-digit volume growth. We've had a high single digit in paints and a double digit in the coatings business. Coatings business' verticals have really dialed up well last quarter, and we've had very strong double-digit growths in many of them.

Paints, of course, continue to be a bit muted as you've seen it with some of our larger peers, who've already reported. From our perspective, we continue to be focused. And obviously, we are executing our strategy relentlessly. And that's what really we are looking at a bit like horse with blinkers. As far as decorative is concerned, we had a bit of a tough month in April, but we sort of bounced back in the last 2 months, more prolonged in June, and that's how we sort of managed to sort of touch the bar and making sure that we have at par sort of a performance.

In coatings, the value growth is in line with what we expected. But what we've really seen as a trend is look, I think value is lagging volume and that we will see it till almost end of the year. I believe that, look, the volume value catch-up will start getting seen in early next year. As you've seen -- we have seen an increase in the raw material prices, which we had already picked up and hence, we've taken some pricing actions of close to about 1.5% between July and mid-August, which we've already announced to the market, right?

So our endeavors, we already had price premiums. We want to make sure that we are competitive, and we are also driving significant -- as you've seen from our 160 bps increase in the gross margin, which Krishna will explain, we are focusing on making sure we are leveraging all our functions and working as a team and really gearing to make sure that we continue to be not just a relevant player but a meaningful relevant player as we move ahead, right? Krishna, if you can just give color on the financials, and then we can get straight into the Q&A.

**Krishna R.:**

Thanks, Rajiv. If I do some of the quarter gone by, it was a tough quarter as far as the industry per se is concerned. I think we were also part of and we witnessed several headwinds like heatwave, labor shortages and then limited demand conditions.

Despite of all these challenges, we achieved a double-digit volume growth. And the revenue grew at around 4%, which was constrained by the earlier price cuts, which we took, which are roughly around 4%. Growth during this quarter largely come from strong performance of the B2B businesses. We have also witnessed the stiffening of the raw materials somewhere in the mid of May and onwards.

And despite that, we were able to improve our gross margins by around 160 basis points through improvement in the mix -- product mix and sourcing efficiencies. Growth remains a priority, and we continue to invest in our brands, people and the distribution, to ensure sustainable profitable growth.

The profit EBIT percentage was around 14% plus, which is almost at the last year. PAT at INR114.6 crores in the quarter, which grew by about 4%. It's worth noting that this was the highest ever absolute performance across the revenue, gross margin, EBIT and the PAT. Thanks, Rajiv, back to you.

**Rajiv Rajgopal:**

Yes. So thank you. I think -- look, from our businesses, I think what has been our focus is really focusing on our existing customers because we've just taken -- decided to take a bit of a backstep saying that, look, we will just sort of go in a more careful, measured manner and really focus on increasing share of wallet of our existing customers. That's really what we really started doing as a team.

We started this exercise actually towards the end of last year, but we are now starting to see that the results of paying dividends, where we are saying how can we have solutions which are there. We're also looking at sources of growth, for example, in EV, et cetera, where our coatings businesses have already got world-class solutions.

As all of you know, we are the only paint manufacturer in perhaps the world, which has also participated in creating a solution for not just the earth, but also outside the earth. So we've obviously coated Rover, which went to Mars, as all of you know, with both powder coating and liquid.

So I think for us, now we are looking at saying, how can we bring some of those meaningful products into our ambit and really create a space that I think we will be able to sort of carve out a niche for ourselves and really get a head strength over our competitive. So I think that's where the focus is. I think this is about using the high-end technology and doing it. There's a small team working with me directly on this and really saying how can we really dial up some of the propositions we have in our decorative paints.

We've just launched Dulux VT Eterna. And for all our investors on the call, I strongly suggest if any of you are getting into a painting cycle to at least try one room with it. You would see -- and I can promise you, you will not come back to me with any complaints because I've just used it in my home for at least all the premium products.

I personally ensure usage and signing off with the management team members, me, Krishna, Rajiv, Director of HR, Neelima, some of the senior members in the team to make sure that we ourselves are signing off these products before it goes to the market. So look, I think some of the innovation pipeline, the 8-quarter pipeline or 12-quarter pipeline that we have, it's coming into fruition.

As I mentioned last year, during the call before Diwali that between last Diwali to next Diwali, we will see a flurry of products. Even on sustainability, we've got products like A6000, really some of world-class products that sort of addresses. We've also launched Interpon A3000, which is one of the first product, single-layer powder coating for 2-wheelers.

So we are dialing up certain products. Yes, we are -- I think we are trying to create a phenomenal position for ourselves in our coatings vertical and also making sure that our paints vertical work side by side. We also are trying to leverage some of our coatings position for our decorative business and trying to see how we can be very relevant from a customer perspective.

Yes, so that's really what I have to say. Anirudh -- our presentation is -- I'm not running through a presentation because it's already there on the website so that we keep more questions answers. I just want to be honest, we will -- given the competitive intension in the market and the curiosity, please pardon us, we will only be able to share something, which we generally believe which we can share, and I would not be in a position to share something which is competitive or a strategic advantage for us.

Because you will appreciate that this performance has also come because we've been able to keep secret sauce and that secret sauce is only with a few people in this organization, right? So that's something that you have to be mindful of when you ask questions. Thank you. Back to you, Anirudh, and back to -- for the Q&A session.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from Jayvansh Mehta from Care PMS.

**Jayvansh Mehta:** Congratulations on a good set of numbers. Sir, my first question was basically on -- can you share the number of tinting machines that we have currently? And also in the same line, can you -- if you share the retailers -- amount of retailers that we have and target retailers that we have for FY '25?

**Rajiv Rajgopal:** No, I think that those numbers have already been shared, but I'm happy to reshare it to you. We are looking at now getting to almost about 16,500 plus outlets to 17,000 outlets. Look, our yardstick on tinting machine -- this question is going to be a different one because we've got internally very stringent measures in terms of what is the productive tinting machine.

So the first point is what we've embarked on is to look at which are the nonproductive tinting machines we have and either redeploy them or put a program to sweat them. So that's the first. Second, in terms of distribution, look, as I mentioned earlier, we are looking at crossing -- hitting the 25,000 as early as we can before next year.

Currently, we are hovering at about 23,000, 23,500 outlets, but our endeavor and -- I think Rohit and the team are absolutely focused on ensuring that we start doing it. Our focus is really now to -- as I mentioned in the call, is really how can we be more meaningful in the outlets we are, right, given the competitive intensity. So really, for me, the first preference is, how can I start increasing our presence or make sure that we don't have too much of dealer attrition during this headwind and become a more relevant player. That's really the objective -- what we are trying to do. Hope I've answered your question.

**Jayvansh Mehta:** Understood, sir. My second question was, sir, can you share the B2B versus B2C volume growth for this quarter?

**Rajiv Rajgopal:** So look, I think the B2C has been approximately about, as I said, high single digit, yes. You could put a number there, almost 9%. There is nothing to hide. And B2B has been -- blended B2B has been at about 12%, right? So that's the reason we quoted a good double -- early double-digit growth.

**Jayvansh Mehta:** Sir, last question, sir. Sir, if we see -- compared this quarter versus last quarter...

**Rajiv Rajgopal:** Just one more point. When you say B2B, the paints B2B is also included in the B2B, not in the B2C so just wanted to confirm. Go ahead.

Last question because otherwise -- please allow the next person to come in otherwise.

**Jayvansh Mehta:** Okay. Okay. So, sir, this quarter, if you see the EBITDA -- gross margin was grown, but the EBITDA margin has slightly -- has not grown because of the increased brand spends. So can you share the brand spends for last quarter versus this quarter?

**Rajiv Rajgopal:** No, we would not be able to share because that's a little competitive for a simple reason that it also includes signing of the celebrity. As you know, we have signed up with Rocking Star, Yash. And one of the parts of the deal is that we do not share his endorsement fee, right? So I'm not in a position to be able to share that with you because that's a privileged information. But you can imagine that how much really Rocking Star, Yash, who is one of India's biggest celebrities, would cost so you can quickly sort of work on the number.

**Moderator:** Thank you. Next question is from Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:** Yes, sir, 2 questions from my side. So we have seen market share gains happening for almost more than 1.5, almost 2 years in a row now. So yes, we can understand definitely distribution differentiated launches. And in a way, aggression in the trade, all these things -- more investments in brand building spends, all of these things are working for us.

So what are the additional things that we are trying to do to increase the tempo of market share gains? And in a way, what are the market shares in industrial paints. I understand it is B2B, but if any ballpark figure that if you can share, where are we in different some segments in terms of market share? And what are the strategies to focus on gaining market share in that part of the business as well?

**Rajiv Rajgopal:**

Yes. So look, on the decorative side, as I said, we've got a slew of programs. So it will be very difficult to embark on one. But really -- if you really go in and some of these are -- obviously, as I said Aniruddha, I will not be able to share with you because that's a bit privilege, that some of the parts of the secret sauce that we have.

But what we've done is we put for a large dealer specific programs to make sure that it's very attractive for people to be with us during this current headwinds, right? And our focus, like you rightly said, has been dialing up Dulux Assurance because that's what we say is, look, we are the best-in-class quality, any customer who can, who can either through a website or through what can reach us while buying our product to ensure that if there is any complaint on stated coverage, the color, yes, -- our consistency of application, you can sort of write back.

And customers -- the fact is customers have really appreciated that the brand is really dialing in and sort of taking this head on, right? So these are some of the things that we've done. Otherwise, very frankly, there are a few more things that we are doing in dialing up on 2, 3 categories like particularly on the waterproofing and construction chemicals.

We will be entering the construction chemicals part of the business towards the later part of the year, towards the early next year if everything falls well, right? So we are dialing up into certain segments that we've not -- the reason we are taking time into this is, look, when you get into some of these segments, you must have an offering, either which is differentiated or you must be the best-in-class quality to be able to charge the premium because we're not going to enter any category where we cannot charge a premium.

So that's a very clear no from my end, right? So how do we really enter into fast-growing sectors that are there. On the industrial segments, Anirudh, I will not be able to share market shares. We have market shares at a level because these are not regularly tracked, but suffice to say that in many of our businesses, we've got high single-digit to double-digit market shares.

And what are we doing there? As I said, we are bringing in propositions, which are very relevant to customers. So if you look at sustainability, so the products that we've got are all -- as it is powder is very sustainable. But even within that, we are driving dialing up products, which are very sustainable.

Even on the architectural side, metallic bonding has got very high acceptability. We are the only player here offering while some of our competitors do it outside India but being one of the first to launch it and the quality of products, people know the sort of buildings that we've done use metallic bonding, whether it's -- even if you take sites that I've covered in my earlier roles like Burj Khalifa, Burj Al Arab or the Dubai Eye, people know what our products are, right?

So I think that's where we are getting a higher acceptability. On the coating side, look, I think our strength of our products is now giving us confidence that we can enter into sectors that we never were playing in, right? So we are entering into certain strategic sectors that globally, we have got strong positions. But in India, we have not.

And as I said, Anirudh, picture abhi baaki hai mere dost. I mean, let's understand all our planes, et cetera, coated in Singapore or Dubai and those are all done by Akzo Nobel. So as the MROs

come in Delhi or Mumbai, one year from now, we will be -- we've got a 75% market share globally on that. So I'm excited. I'm super excited because I think the products at Akzo Nobel will now start bringing into India world-class right?

So even on the decorative side, I'm quite excited, given the sort of headwinds, I think we are trying to hold our own. And we are trying to make sure that we also dial into categories that we've not been very active, particularly in the mass economy segments, et cetera. But what we want to do when we launch it, we want to make sure that some of those products are doing well.

And I must say this is an industry which is tough, it's not easy because all the established players have strong propositions. They've got good people, et cetera. So let's understand it's going to be a heated bucket for a while. We understand that, and our strategies that we are working on already includes that Anirudh?

**Aniruddha Joshi:** Sure. Sure, sir. That's very helpful...

**Rajiv Rajgopal:** Yes, I have given you a trailer...

**Moderator:** Rajiv, sir, we can't hear you.

**Aniruddha Joshi:** Rajiv, sir, you are on mute.

**Rajiv Rajgopal:** Sorry. Yes. So I think that gives you an idea of what we are really focusing on. We are working on a lot of global innovations right now of how do you really make paint form of meaningful? How can the application be there in a very sustainable manner, dialing in on sustainability, dialing in on cutting-edge innovation.

So let's wait for some of it. Some of these things are, as they call it, still in the lab in stages of testing. In Akzo Nobel, we are very clear. We don't launch products in a hurry. We take time. Some of the products you are seeing now actually have started work in 2023 -- 2022 and '23. They go through a rigorous lab testing. So we are not the sort of people, who will announce that we'll launch today and launch tomorrow.

It doesn't work like that. We need to make sure -- because we stand for the highest standards of governance, right? So when we say sustainable, we have to get all the approvals that we globally do, which is not easy.

**Aniruddha Joshi:** Sure, sir. Just one more question from my side. From the gross margin expansion, it definitely seems that the premium part of the portfolio has done definitely well. And we have also introduced a new paint in over luxury space. So if you can indicate where the launch has happened and how big is the size of the market, how fast it is going? And again, means a more about that product also. Yes, that's it all from my side.

**Rajiv Rajgopal:** So I don't think there is a -- it's -- we're just 2 months into launch, but I just wanted to give you a glimpse on -- in the AGM, et cetera, of the fact that we've put this and you would see some more products coming in, in the next couple of months across all the categories. We believe that our innovation contribution to the overall portfolio, which used to hover around 3% to 4% over



the last couple of years was moved to about 6%, 7%. And we are moving towards a double-digit contribution from our new product innovations, as we move forward Anirudh. That gives you a sense of what I'm talking scale.

**Moderator:** Thank you. Next question is from Avi Mehta from Macquarie. Please go ahead.

**Avi Mehta:** Sir, I just wanted to kind of double click on what is happening on the ground in the decorative. We now know a new entrant is on the ground. So I wanted to get your initial impressions or thoughts on -- versus what we were when there was -- there's clear uncertainty in what they will do. And now we have some clarity, I would love to hear your thoughts on how exactly are things on the ground? How are you seeing this? Any update over here? Because you could appreciate we would -- we have limited -- we'd love to kind of gain that understanding from you, please, if you could.

**Rajiv Rajgopal:** Look, Avi, each of you are going to be making choices and the choices...

**Avi Mehta:** Sorry, sir, I can't hear you. Sorry. I think you've gone on mute. No, sir, you're not audible.

**Moderator:** Rajiv, sir, you're on mute. We can hear you now sir.

**Rajiv Rajgopal:** So look -- Avi, all I'm saying is, look, the way each of you as individuals and as companies make choices is going to define. All I want to start with the preface before I get into the specific answers. Look, I joined this company as a Managing Director in 2018. I made promises to investors. Many of the people who I made perhaps are on the call and some not, right? I can only tell you that I think my performance and the team's performance in Akzo Nobel speaks louder than words.

Yes. I was brought in when my predecessor had resigned, the CFO and CEO of the MD of the company in 2018 and thereafter, the journey has started. So first, I would say that please verify the track record of what I've said versus what I've done as a team and not as an individual and I think that's the first thing.

Second, let's understand, we are not talking of any normal competitor. You're talking about a well -- established business house, and I normally give every competitor a complete respect, yes? So I think first thing I want to preface because I think they're all run by very fine individuals.

So let's assume there are people who are as smart as us and maybe even smarter. So let's keep that in isolation, right? Too early, Avi, to pronounce any verdict, yes. Our results are what they are. You're seeing -- I think it's for people like you to tell me who are evaluating us on a day-to-day basis by deciding whether to buy or not to buy the results?

All I can say is, look, I think the real intensity of the battle will be seen in the last quarter of the fiscal or first quarter of the next fiscal. That's when the steady state will come, right? And the winners will get separated. I would believe that it takes brand distribution to really succeed in the market.

And can you build it? I think it will be a case study somebody can show us how it is because it will also be a lesson for me to say how -- maybe what we could have done a little faster and earlier, right? But this is not -- in my view, having worked in different sectors like telecom, not a capacity game. This is a game of consumers and customers. So it takes time, right?

And pricing is important, but not the most important tool. And I think will the stack of the market shares change? I mean, let's wait for the final results. I think it's too early to call it a day and too early to give you any feedback based on 2 -- couple of months. I think it would be very naive on my part to make any comment.

**Avi Mehta:**

Fair enough, sir. So okay, if I can try -- but, sir, I understand your point about judging, maybe I'll rephrase. It was not a judgment. You clearly have done very well. And I mean kudos to you and the team for that. But I just wanted to kind of better understand that as things crystallize, you have a better hand. You will not have a complete handle and that I completely agree with you. But it was just trying to get those initial sense on how...

**Rajiv Rajgopal:**

No, no. Avi, look, I think each of the companies are focused on their strategies, okay? Again, I don't judge a book by its cover. One quarter doesn't define any individual or a company. My view is one has to look at it over a few quarters and to see what it is.

Well, market shares dramatically change. I think let's also flash back to a couple of players who come into the industry, see the time they've taken and some -- 1 or 2 good brands have got created of the new players have come in, right? Now when those new players have come in, and I'm not talking about the latest entrant, but the entrants who have come over the last many years, what has been the performance?

The CAGR of the industry has still been in double digit and -- of all the established players, right? So I think we've got to look at the sources of growth. Sources of growth, there is -- it's still a large market. When you're talking about a market which is INR60,000 crores and the turnover of all the top 4, 5 players, don't add up to that. I think that gives you the answer. So I think there is a large market.

Perhaps what will happen initially is that the incremental growth will start getting a little muted, which is what started seeing perhaps, right? But what will then thereafter happen is the stronger brands and brands which have got better distribution, et cetera, and are working on a particular strategy and sticking to it will come out as winners.

Yes. So again, I won't be -- Avi, too early for me to comment on specifically what **Grasim** is doing, right? They have come with a campaign. It's been a very high-decibel campaign. We've noted, right? We knew that it's going to happen. We came with our campaign with -- and that's the reason for me, after many years to take a celebrity like Rocking Star, Yash, has obviously really cost the wallet as you've seen in the opex inflation. Our opex has been driven by -- driving top line, yes. So that's really the focus. Krishna, you want to add something?

**Avi Mehta:**

Perfect, sir. That's -- and sir, just following up on the last question, which Anirudh asked about the competitive intensity in the industrial side. Has -- is it more steady? Is it rising? We're seeing new entrants or anything of that sort? .

**Rajiv Rajgopal:** No, I think within the established players, it's getting a little more heated because obviously when the decorative side is seeing a relatively lower growth, you are seeing some intensity come on to this side. But look, I think we are fairly -- I wouldn't use the word insulated, but we are fairly clear that our products are world-class, and our customers understand that.

All our customers who are -- who've got a footprint, not just in India but outside India, like Middle East, parts -- different parts of the world, understand what Akzo Nobel is and hence, we get as a preferred vendor supplier to them. So as a result, it's a relationship which we have globally, regionally and we are leveraging that.

Avi, around Middle East also along with South Asia now and India, so I can tell you that we've got phenomenal positions there where some of those businesses are now pushing teams to make sure that we are leveraging a common customer, say, the largest construction business houses, et cetera. So we will get very aggressive. We will -- we are focusing on our customer. We are focusing on what we have, and that's the plan.

**Avi Mehta:** Got it, sir. Would that -- would you be able to give us some sense on what is the premium product saliences where we're obviously building brands and brands become a lot more important? Would you be able to give us a rough sense how much would that...

**Rajiv Rajgopal:** You're talking on the decorative side?

**Avi Mehta:** Yes, sir, for us...

**Rajiv Rajgopal:** Yes. So look, I think that I mentioned many times. So our salience is anywhere between 45% to about 50% depending on the quarter that we play. So it's a very high salience that we have there.

**Avi Mehta:** No, sir, in decorative, the premium products, which is essentially where the brands obviously will matter. The consumer is a lot more brand conscious, I would assume so...

**Rajiv Rajgopal:** Yes. So that's precisely what I -- I know it's a bit of a surprise for you, but our salience is very high in the premium part of the portfolio. Our challenge, Avi, is that we are very underrepresented in the mass and economy segments. We have less than 1% of share so that's the issue.

**Moderator:** Thank you. We'll take our next question from Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** So 2 questions. The first one was at a broader industry level, it will be useful if you could share some nuances for decorative paints from a geographical standpoint. We're kind of getting these inputs that southern part of the country is a little more slower than the rest. Just wanted to check with you, are you sensing any kind of variations in the growth trajectory across the key regions in the country. If anything, where you start to call out?

**Rajiv Rajgopal:** Latika, I think all of you actually get these details far better than me, but -- and you know exactly how we've done. But I think suffice to say what you've said is absolutely bang on. I think the southern states -- and these things differ quarter-to-quarter. So it's very difficult for me to give a

trend in a particular geography or region, et cetera. But suffice to say that, yes, the South states in the last quarter had a higher headwind compared to some of the others.

We, as I've always mentioned in the investor call right from the beginning, usually represented in the western part and the eastern part of the country, where we've had lesser headwinds. So I must say that's also to do with the baseline because last year this time, we were having some terrific headwinds in the eastern part of the country until almost the previous quarter -- not the quarter that just went by, the previous quarter, right?

So I think there's a combination of the 2, right? We believe that, look, I think there are some -- the west and the parts of north are sort of really bouncing back faster. I expect south to start coming back. I mean we've had some challenges for us, states like Karnataka, where we were growing hugely double-digit, came under a bit of challenge, but we are slowly putting back.

**Latika Chopra:** That's useful and good to know. The second question was on price increases. You pointed out 1.5% price hike in Q2. Just trying to understand it from the cost inflation trends that you see right now and basis what the inventory days that you work with on raw material front, do you anticipate the need for more price increases in the coming months? .

**Rajiv Rajgopal:** So look, first and foremost, we -- if you look at our working capital, on the decorative side, we are one of the few companies who have got almost negative working to zero negative working capital, which is very unique in this industry. It's taken us years to blend it, more started towards 2018-'19 journey and something that we're really proud of. So really, to me, that's not the concern.

To answer your question, look, we've seen some headwinds come in terms of some of the raw materials. We don't compromise on our quality products. And as a result, we are ending up sometimes paying a bit of premium. And so we just want to make sure that while being competitive in the market, we are also managing our P&L very carefully.

So our 1.5% is a reflection -- a very careful judgmental reflection of what we need to ensure that we cover for the year. And we will see. At this point of time, the situation is a bit volatile. Krishna, do you want to say anything more? Please add.

**Krishna R.:** I think it's evolving over a period time. I think you need to see where it does start...

**Rajiv Rajgopal:** And Latika, what we are doing is, I think, between Krishna and me working with our procurement team and seeing what are the sourcing efficiencies, some of which you've seen in the last quarter. Some of these are one-offs, but some of these, we do plan to put measured ways of trying to ensure that we derive value creation without touching the quality of the product.

**Moderator:** Thank you. The next question is from Nirav Savai from Abakkus. Please go ahead.

**Nirav Savai:** My question is primarily on the project business side. So how was the project business performed this quarter and what would be its contribution on the overall decorative piece?

- Rajiv Rajgopal:** So Nirav, I think, I mentioned it in the earlier investor calls, just nice to speak to you. It's -- 20% is a contribution of the project business, and we've grown -- we just touched double digit at the end of June in the projects business. So it is a double-digit growth, and that's what it is.
- Nirav Savai:** And secondly, in your initial remarks said that B2B portion has grown by 12%, which also includes the decorative paint. So I understand it's a project part of it. So what would be the growth purely on the industrial side on the B2B? .
- Rajiv Rajgopal:** Look, we don't give the verticals because that's why I was trying to tell, then we'll start getting into subsegments. We don't do that. We broadly tell you, but I give you a broad headline of how some of the businesses have done when I told you that you've got approximately a volume growth of 12%. I think if you quickly calculate, we've had less price declines there. That will give you a quick indication of how we've done.
- Nirav Savai:** Got it. And also, it would be helpful if you can just elaborate more on the launch of mass and economic products where our market share is lower. And what will we be doing on the strategy side? It's a highly competitive industry, and the forte has been largely on the premium and the luxury side. So what's our strategy for next 2 to 3 years to scale up that segment?
- Rajiv Rajgopal:** So we are looking at products. We are looking at -- working at what could be the innovations that are there. We've already got a brand called Promise and then we launched -- 2020, we launched the Promise SmartChoice, which we entered into the lower -- the mass market sort of variant. We are currently working on something, which hopefully by early next year, we will be able to -- if not late this year, we'll be able to bring to market.
- Suffice to say, I think, what we are looking at is from our current 2%, 3% market share. Can we get equal to our overall market share, which is in between 5% and 6% now. So really, that's the first attempt. And so first, I think we need a proper product with the sort of global quality standards that we have, and we are working on that right now.
- So it will be too precocious for me to right now talk about it, but that's really the focus and how can we really drive, dial up and gain share from some of the competitors as we do.
- Moderator:** We'll take some text questions. The question is from Lohit Saini from Jay Ram Stock Brokers. Can you share the advertising spend as a percentage of revenue during the quarter?
- Rajiv Rajgopal:** Krishna, would you...
- Krishna R.:** So it should be roughly around 5%.
- Rajiv Rajgopal:** Yes, you got that to approximately 5%, yes.
- Moderator:** The second next question is from Nilesh Patel from ICICI Securities. Could you just insight on the company's strategy over super premium segment business? What is the pricing, peers and indicative contribution to decorative revenues?
- Rajiv Rajgopal:** So look, if I start dissecting it -- the secret sauce, so I'm not going to dissect it. Apologies for that, but I have to draw a line somewhere. On the strategy, look, I think super premium, we

believe there are 3 reasons why we will win. We believe that we've got global formulations and some world-class products that are being sold in many other markets, China, Latin America, et cetera, that we are looking into, where we believe there are propositions that we can dial in. Already work is on. I think it's about seeing the relevance to the India market before we bring it in.

So Deluxe VT Eterna is one such example. This -- equivalent of this brand sells very much in the U.K., and we've sort of taken that learning and brought it here. As we start dialing it up, you would start seeing that we are bringing some offerings, which are very close to it. We're also going to do similar stuff in our exterior portfolio and wood portfolio.

**Moderator:** Thank you. We'll take a question from Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:** Sir, two questions from my side. One, we have also seen from the parent that there is going to be a full throttle effort on the 2-wheeler paints. So -- and India is going to be a major market as per the parent also. So just some clarifications, what are the strategies that we are having to gain market share in the 2-wheeler paints?

What is our current status? And how do we see the opportunity? Also, whether the 2-wheelers includes electric vehicles and how should we read more on this? Because that's a very strong -- Interpon is a very strong product. So definitely, we have a right to win, but what are the strategies to execute the plan?

**Rajiv Rajgopal:** So I think Anirudh by asking me the question answered some of it. So first and foremost, yes, globally, we are one of the very few vendors which are -- which have got sustainable solutions for the EV market. And it's now formal. As the EV players are coming in, they are dialing in to us. We've got very strong relations with the 2-wheeler players in the market, and we already supply the largest -- the 2 large players in terms of liquid paint and also more than liquid also the powder paint, to answer your question, yes.

So I think what we are doing is, as I mentioned in powder, A3000, is a first single-layer powder coating for two-wheelers. We've launched a lot of products for the EV space, specifically. And we will continue to work on certain solutions to look at in terms of durability, lightness, et cetera, on that. These are all being done both at a global level and at India level. We also know that the India market -- when I say market, I mean the conditions in the -- are different from some of the global markets.

So we need to make sure that some of the paints both liquid and powder are going to be applicable here. So a lot of rigorous testing is happening in the labs and the teams are working on it, and they're doing a brilliant job. So we will be a very meaningful player in the 2-wheeler to sort of answer your question.

**Aniruddha Joshi:** Okay. Sure, sir, that's very encouraging. And second and last question from my side is now we have seen the Promise brand also is now offering 10% extra grammage. So whether it's a pan-India launch and how has been the response so far? And how do you see communicating that with the painters, the trade dealers as well as the eventual consumers also?

So how do we see the, in a way, overall opportunity panning out in this? And whether consumer offers or in a way such kind of offers have really worked in paint industry, if you can share from your global experience also because it's more of an influencer suggested product, which is purchased maybe once in 5 years or once in 6 years. So how should we read about these aspects of the business?

**Rajiv Rajgopal:**

Yes. So 2 things. Have we done it outside India? We've done it both in India and outside India many, many years ago. I think the first thing in Promise was to establish a proposition. And the proposition is about better coverage and then, say, we're giving you 10% more. So it's not just giving you a better coverage. It's giving you twice as much. So that's the core, right? Now the difference is, unlike many players who give 1 plus 20, we have given a 10% extra within. We are the only player which has done that.

Is it a pan-India launch? We are currently operating in many markets, some of our markets, and we'll see how the response is. The response has been quite reasonable so far. If it continues to be good, then we will sort of move towards it completely. But too early for me again to give you because 1, 2 months some of it is channel pipeline filling and all Anirudh but that is going to be -- so we have to wait and watch how much of this channel pipeline filling versus real offtake and then we will do it. It's also true for some of the new launches that we've done. We are being very careful in terms of what is channel pipeline filling versus offtake to really look at what really pulls the muscle through.

But we've got a few things up firstly, I think towards the end of the year during -- and again, as I always tell you, you will see a couple of launches before Diwali. And from this Diwali to next Diwali again, you will see some more stuff coming in, which -- we've got a calibrated program, which will hopefully keep us in good speed.

**Moderator:**

We'll take that as the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

**Rajiv Rajgopal:**

So first and foremost, to everybody on the call, really appreciate, thank you. I have to personally thank many of you for the huge support because it's very easy to feel very related after a quarter. But sometimes, we have to also have a head on our shoulders. And remember that we've been through difficult times, particularly during COVID and the early 2018 when I came in, when things were tough. Many of you stood by us.

I think -- so really, I think you should feel proud. I think the performance is due to your support, your encouragement and you pushing us saying, you've got faith in us. And that's a testimony you too continuing to support us and engage with us. Thank you so much for being there for us and look forward. As far as Akzo Nobel is concerned, look, we are going to play in this market. We are here to win. We are not here to lose, right? Now I'm not an astrologer, et cetera, to predict the future, but all I can say is as far as Akzo Nobel is concerned, we will be a very meaningful player.

We built fantastic positions in both our coatings businesses and also in our paints business. We've got a reasonable very strong proposition. We believe that we've got, with the R&D, a very

strong pipeline. And it's the confidence in our quality of our products that gives us the confidence to say that we will be able to deliver strong performances.

But again, it is an aggressive market. It is -- a tough competition out there. And we really like a horse with blinkers stay focused on what we do. So I would like to thank each one of you for your incredible support and in case any of you have further questions, we do contact Mr. Rajiv Lochan Jha, Company Secretary, who will then engage, yes.

Hopefully, sometime this quarter, I'm also looking forward to seeing some of you personally, again, something that Rajiv Lochan Jha and Krishna will reach out at an appropriate time. So thank you. Thank you all. I wish all of you a great day and look forward to being connected. Thank you very much.

**Moderator:**

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