



13th May, 2024

1. Corporate Relationship Department  
**BSE Limited,**  
PhirozeJeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400001.
2. Manager – Listing  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, C-1, Block G,  
BandraKurla Complex, Bandra (E),  
Mumbai - 400051.

**Sub.: Q4 & FY 2023-24 Financial Results Investors Meet– Transcript**

- Ref.: 1. Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**  
**2. BSE Scrip Code - 500165, NSE Symbol - KANSAINER**

Dear Sirs,

This is further to the intimations done by the Company on 29th April, 2024, 6th May, 2024 and 7th May, 2024 with respect to the Investors Meet hosted by the Management of our Company on Tuesday, 7th May, 2024 from 5.00 p.m. to 6.30 p.m. at MCA Bandra Club, Bandra Kurla Complex, Mumbai to discuss Q4 & FY 2023-24 Financial Results of the Company.

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

For **KANSAI NEROLAC PAINTS LIMITED**

**G. T. GOVINDARAJAN**  
**COMPANY SECRETARY**



“Kansai Nerolac Paints Limited

Q4 & FY '23-24 Results Conference Meet”

May 07, 2024

MANAGEMENT:

**MR. ANUJ JAIN – MANAGING DIRECTOR – KANSAI NEROLAC PAINTS LIMITED**

**MR. PRASHANT PAI – DIRECTOR-FINANCE – KANSAI NEROLAC PAINTS LIMITED**

**MR. JASON GONSALVES – DIRECTOR-CORPORATE PLANNING, IT AND MATERIALS – KANSAI NEROLAC PAINTS LIMITED**

- **Mr. Prashant Pai – Director Finance, Kansai Nerolac Paints:**
- Good evening, ladies and gentlemen. Warm welcome to all of you to Kansai Nerolac Investor conference Q4 and FY23-24 results. First of all, many thanks to each one of you for coming here despite your busy schedule. I know a lot of companies are declaring results and you are busy covering them. Thanks for coming.
- You're aware that Kansai Nerolac is more than a 100 year old company and today we are in the 104<sup>th</sup> year of its operation. We have with us today Mr. Anuj Jain, our Managing Director and Mr. Jason Gonsalves, who is Director of Corporate Planning, IT and Materials. Also, our entire management committee is here. In case any of you want to interact, you are free to do so.
- You all know that we are market leaders in industrial paints and with a very high market share in automotive paints, and we can say with pride that 1 of 6 or 7 cars are painted by Nerolac. Our industrial growth for the current year has been very good. For the past few years, we have been taking a lot of initiatives in decorative area and it has started showing results. And, if you see our growth in this 4<sup>th</sup> Quarter, we have been able to deliver double-digit volume growth in decorative as well. Overall, our performance for the year has been pretty good with EBITDA growth of about 29% and profit before tax growth of about 42%.
- Now, without wasting more time, I would like to invite Mr. Anuj Jain to share his thoughts. Post this, there will be a Q&A. And, once again, thank you very much for coming. Thank you very much.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Good evening. Welcome all of you. Thanks for joining today here. This is our second physical in-person meet. In fact, based on your suggestion last year, we started last year, same month we had the first meeting, and then we are continuing this practice. All suggestions from all of you. I am Anuj Jain and it will be my pleasure to walk you through our company's performance and outlook.

- As Prashant introduced, I the entire management team is here. Can the management team please just get up if they can all see you all. So, this is our management committee team. Entire management committee team is here. And I am going to share with you that how this team is leveraging the opportunities and navigating the current market dynamics.
- So, I'll take you through this presentation. So, this is the agenda, which I'll take you through. The business environment, I'll talk about the Nerolac story. And the financial performance Prashant has covered, but still we'll go through it.
- So, talking about the business environment, what has happened? Is it okay? Can you hear me? The backside? Is my voice clear? Is it better now? Okay.
- So, the demand has been good in automotive. In fact, automotive penetration in India is low, and generally last 10, 15, 20 years, we have seen that demand is cyclical. But as the country is progressing, the infrastructure is progressing, we believe that going forward, the demand is not going to be that cyclical it is going to be stable. So that's good news for us because we have our largest market share in the automotive.
- Infrastructure growth, the government is spending, the Capex cycle has been up and therefore the in this non-auto industrial, which is high performance coating, general industrial also has been quite consistent in the last few years. And going forward also, we see the same momentum to continue.
- Rural growth has been impacted for the last 1 ½ - 2 years. And in our business, it was reflected in industrial, it was reflected in two-wheelers, but last six months, there's a pickup there. It is also reflected in the decorative. So generally, in the rural, probably some recovery, which we are hearing from the FMCG companies also. But in our case, it is seen in the B2B business more, as of now, less in B2C business. But in the past also, we have seen that if the rural is under stress, and whenever rural comes out, the B2B does better and then the consumer business follows.
- There have been challenges in the business, geopolitical, crude fluctuation, rupee depreciation all these challenges. Geopolitical situation has become something very, very difficult to predict because we don't know what is going to happen every time something new comes up. But despite all this volatility, despite all this uncertainty, I think the raw material prices is benign and remained stable. So, we have not faced any challenges and I think it is going stable even now.
- Coming to Nerolac's story, last year we spoke about it. This is our purpose, create an environment for a healthy and beautiful future; is our purpose. And this picture is a matter of pride for us, if you see. That's why we say that we have one of the most diversified portfolio in the paint industry. You just talk about the surface which needs a paint, and we are there. And in the yellow mark, these are some areas which we have added in last 2 or 3 years' time. So, we are expanding the market, we are seeing that what other surfaces needs a paint, and we are coming up with the product on that.
- Some of the positive comments related to our purpose, which I said, creating a healthy environment. We became water positive in 2023-2024. That's the target we kept for us and we achieved the target. Emission reduction, I'll talk about when I come to the ESG slide, but that's also, we are following a target. And the green energy, every year we are making a good progress. So in the ESG, we have established our metrics and we are following that metrics and we are achieving our targets.
- The brand, which is like 104 years old brand, second strongest brand, the mindshare. When we talk about the market share, generally the mindshare comes first. The brand has been strong, our jingle has been very, very strong. And even in last 1-2 years, the brand score, which we call brand equity index, has further improved. So, our awareness, the consideration, all has gone up. All our communication last year, I shared with you, that we are talking about Paint+, Japanese, the leadership in industrial, the Paint+ products, what we are launching. So that's an innovation we are continuing, and I'll share some of the details with you. And obviously the legacy of more than a hundred years.
- Here, I would like to share one film with you, which basically captures the essence of Nerolac, what we are going to talk about. And let's watch for a moment together this film.
- Video plays:
- Video ends:
- So, this showcase, the happy Nerolac, the product, the technology, the people, and I'll talk about a few points. So coming to give you some glimpse of businesses and decorative. So, we spoke about, last 2-3 years we have been talking about what initiatives we have taken in decorative paint. All of you cover paints and you know that it has

been a very traditional business. Typically, this business was all about, you have a distribution, you're selling paint to them by giving discount, you're doing painter meets and you do some advertisement. That's how this model has been. So, I think what we realize is that, going forward, as the consumer space is changing, the business models will also change. And therefore, we took as a challenge to understand what the future business model is going to be. And this slide covers that. We started Paint+, our new product, premium influencer, new business project, branding, and I'll talk about it, that how this journey we are traveling.

- So first part is Paint+. The first part of our journey is travelling from paint to Paint+. So paint is about colour. You know, when people think about paint, they want to do a colour. But color is given. This industry is 75,000-80,000 crores, 15,000-20,000 crores of informal also. So whenever the consumer is doing a paint, he expect colour and colour is given on the table. But how about the performance? Because the structure, it needs a lot of solution. And that's why, because we are expert in the paints, we are having a great market share in the industrial and our thinking, our strength is the technology, the expert area. How do we bring that in decorative? And that's what Paint+ is all about.
- So, we introduced more than 15 products in the last year. The salience is about 10%. We are also launching some of the unique products that could be unique in terms of their feature or unique in terms of their pricing. So, we introduced four new products in Paint+. The saliency has increased by 150 basis point. How it help us or how it will help us in future? It insulates from the competition because in these products we are not fighting. So there's no discount pressure or there's no price drop. So here we take our own pricing strategy. So therefore, we are looking forward that how do we keep increasing the saliency of the Paint+ products and the premium? In fact, in the popular category, economic category, our market share is better. In the premium category, there was a scope, and that's one initiative we have taken. 150 basis point saliency has increased in the premium products.
- Next part of the strategy is related to influencer. One is, paint as a service. So as I said, paint to Paint+ is the first part of the journey. The product to services is the second part of the journey. So we are selling product, but today the consumer space is changing, people want solution and the solution can be provided by the services. So, we got into the services. We came up with a unique proposition that it can be painted in 3 days, 5 days, shorter time, the convenience painting. And today, last one and a half years, because this, required to set up a dedicated team, the infrastructure, the digital infrastructure, all that we are ready with, and our capability now is to paint 5,000 plus sites in a month. So, in the last year, we got decent contribution coming from the paint as a service, and now it is going up month on month basis.
- Architect interior decorators are playing a crucial role. Earlier also they used to play, but now it is becoming very popular, not across all the towns, but we have identified the towns where the influence of architect and interior decorator on the paint consumption is very, very high. And again, we have created a team. And this is like... when we talk about Paint+, because everything cannot be tackled through the advertisement on the TV, it is like one-to-one. So through this team who goes to the site, meets the consumer, meets the architect, if architect wants, they meet the contractor. And there we take the opportunity to demonstrate. We have demo kits which are provided to all these people that how these products are different. We are already connected with 5,000 plus architects. Very good response we are getting. Whatever site recommendation we get from the architects, 70% of that is the premium product, otherwise premium saliency is very, very low. So that's a good initiative, giving us good traction.
- Painter has become very important. I think we keep talking about the consumer role is going up, but in the paint, I think the painter also has become very important, because still it's a fact that the consumer does not understand that how the paint is different from the other paint. So, painter plays that role of consultant or advocate. So we have come up with the initiative which is related to the painter - Pragati, and we are using now the artificial intelligence platform to pick up that which painters are working with us, not working with us, buying this product, or they can be upgraded. Earlier we used to have a general communication for all, but now there are specific cohorts we come out with that, this set of painters, this activity, this set of painters, this kind of incentive, and that's a capability which we have built over a period of last two years.
- The last part is primary to secondary. So as I said, paint to Paint+ journey one, the product to services journey two, and the primary to secondary. So traditional model was giving to the dealer, dumping to the dealer, and then waiting whether the dealer is going to sell and how soon it is going to sell. But now there are secondary efforts, which again is a team. The feet on the street, what we have created, is a very, very large team who meet the painters. We give them the lead, the dealer gives them the lead, they go to the sites of the customer and try to convert the business. So, this is the model which we have been working upon. I'll show some of the progress which has happened. This is one glimpse of the service which I was talking about. On digital, we are going very, very aggressive in terms of communicating that what this service is all about.
- These are some of the digital platforms we have introduced in last one year – dealer. So, it's a dealer app. The dealers can get any information, he can do any transaction with the company. The painter initiative is 100% on the digital. So when we started some of the new initiatives, we had not given any choice for the manual. So today

we are able to track each and every sale, the incentive and everything, the buying behaviour, the consumption. So everything is digital. The architect & interior designers, they can recommend their sites and we can track the site and what is the progress, what is happening. We are also ready with the digital commerce. This is not the right time to talk about what we are going to do, but we are also ready with this digital platform.

- Another initiative which we started 1 – 1 ½ years back, but we are not talking much about it, now we made good progress on that, is a Nxtgen Shopee. So, there are obviously good, big retail counters who want to upgrade their shops to the showroom. So Nxtgen Shopee. Now today, as we stand here, more than 80 plus Shopees we have built. And then there's a shop-in-shop model. The right side, if you see, this is the shop-in-shop model, which is like a smaller space. So that is also 80 plus, and it is growing on a month-to-month basis. It has a very small sensor kind of spectrophotometer, which is called Nix. So ultimately when the customer goes and 5,000 customers have already tested it in last 6 months' time, 8 months' time. So basically, if you have a choice of shade, which is not there in the shade card, it's a very like button type kind of Nix. It can read the shade and from the machine that shade can be provided. So, it's very consumer friendly and gives a good image. And, the imagery and the functionality is a part of this concept.
- New businesses where we started late, but then we entered, because our distribution, what we have with us, 25% of the dealers are exclusive dealers. And some of the new businesses were becoming an integral part of the paint. So we introduced the construction chemical, waterproofing, the premium wood finishes. The saliency in the last year has gone up by 180 plus basis point; significant growth in new businesses. And the Influencer, the product, what we're launching, the range is complete. The distribution, who wanted to deal with us for these kinds of products, is there with us. And I think in the new business, if I talk about 2023-24, we've already started doing better than the market.
- The project business - because clear cut trend is that there's a verticalization which is happening and it is spreading into the other towns also. The society, the apartments, multi-level apartments are coming up. So, this was one of our weak areas two years back. Then we set a team. We expanded it to 75 plus towns now. The number of active contractors has gone up. We had created a separate brand for project business, in which we expanded the number of products in the last one year. And the most important part in this business is creating a pipeline. I know that how many buildings are getting painted in any town where we are present and how much we know about that? So it's a very hard work. Street-by-street, you have to go and do a mapping. And then if you create a pipeline, then we know that this business, in which year this business is going to come. Then you approach. So I think we have built that it has become a part of the system. So when we start this year, there's a pipeline ready. So it's not that we are to generate the pipeline and go and put the effort; it is going to speed up, speed up, speed up. The salience of this business has gone up a 100 basis point. Again, in this business in 2023-24, we have grown faster than the market.
- Branding and media, where we said that we are increasing our marketing expenditure. Last two years, we have increased our marketing expenditure. And, as I spoke about, that our brand index has strengthened, we continue to be a Number 2 brand. It has become better. Digital, if you see, we have made a good progress. So that is the last three years trend. You can see it here, that how we have increased our digital presence. And accordingly, how are we outreaching the consumers specific to the market, specific to the target audience. The result is that on the website we are seeing multiplication in terms of traffic. The lead generation, which we generate through our website, where we are also able to capture the consumer data. So today we are sitting with a large amount of consumer data, which going forward, when the consumers have to repaint in 3 to 5 years' time, that data exists with us. So that capability also we have built.
- Some of the campaigns, which we have been doing on TV or digital, some of these pictures are there. And maybe some film, which I just want to take you through. In fact, some of the films, if you remember, are on the Paint+, because ultimately in the communication, what we said is, what we stand for Paint+ is Japanese technology, right? And they're like jingle. These are the three aspects which differentiate Nerolac with any other paint company, and that has been the part of our, our film. I'm not showing all the film, but I've shown last year. But two of the films, some of the digital films, and one new initiative which we started in South in Tamil Nadu, and therefore, Tamil Nadu specific film we have created. Let's have a look at that.
- Video plays:
- 20:15 to 21:25
- This one was a new film which was created, and it was launched in Tamil Nadu.
- 21:28 to 23:45
- So, if you see all these films, one thing I want you to notice, whether we are talking about Kashmir or Everlast, the message is very different. So we are not giving a general message. So in the world of communication,

especially when you want to be very efficient, what is important is that there are 40-50% consumers and any consumer research talks about it; they are ready to do the experimentation. They are ready to see what different benefit is there. Nerolac is a known brand. So that's why we are talking about no smell. So that's the catch. So we are looking at a very specific audience who is able to connect with this kind of benefit. Everlast, we are talking about self-cleaning property. After the rain, a small layer of the paint comes off. Therefore, after the rain, your building looks good. Some of the other films, Parmaji, Sharmaji, because Nerolac Perma is our brand for the waterproofing. So these are like educational films on the digital. So that is what we are continuously doing. And as I had shown in the previous slide how our digital expenditure is going up, there we are able to utilize them because you are able to target the audience specifically through the digital.

- So the very key marquee projects, what we have done in the last one year, Wankhede Stadium, Lucknow Airport, Atal Bihari Stadium, Ayodhya Dham, Delhi Railway Station, Bharat Sevashram. Some of these projects, as I spoke about that, we have started. Because project business is that you have to create the credentials. And the more credentials you create, the more business you start getting.
- Some of the rewards and recognitions our team had got in Decorative, which is mentioned here, just for your information. Shifting to... So basically, if you look at Decorative business with all these initiatives what we have put, when we started in 2022-23, when we were ready, because it took some time for the digital and all these things. So we tried at 5%, the dealers who are contributing 5% to our sale, and then we had seen the response. Last year, then we had scaled it up to the number of dealers who are contributing 30% of our sale. And although 30% of the dealer, our growth is better or equal, definitely it is better than the market. So we have tested these models, because ultimately, everything has to get linked with the dealer. And going forward, therefore, we are looking at expanding and further scaling it up. That's one part of the retail.
- The other part of the retail is that, as I said, rural market, which is still... that though there is some progression and we are hopeful that going forward, it will improve. But that has been a little lag in the last year. And in the rural, our contribution is higher. So therefore, there is some impact of that. And the moment the rural picks up as a KNP, we'll see the benefit of that.
- Coming to industrial business, the passenger vehicles, where our market share is very, very high 7% demand growth, if you look at the CM report. On EV, the penetration has gone up, almost double 100% growth. And our strategy here is a new technology, tin-free CED, what we are talking about here. The differentiation is that low baking time, what we are talking about. Low baking time means less energy, cost saving, energy saving, better productivity, those kinds of things. And so, it helps in terms of the environment area also, it helps in terms of declaration, in terms of the customer benefit also.
- Two-wheeler, again, our market share is very, very high. And there the first six months the demand was lagging. Last quarter, the demand has picked up. That's a good sign for us; we have a good market share. And again, a lot of new products, new technology, new innovative products we have launched in this market. In commercial vehicle, tractors have been little lag in last one year.
- So in industrial, where automotive... or when we are talking about, because the market share is high there. So what we are looking at is that how do we deploy new technologies? How do we get into a new segment? So therefore, there we have the opportunity to increase the size of the market. And in the last 1 to 1 ½ years, we have entered the alloy wheels, sealers and underbody, zinc flake coatings. All these are very niche, but has a decent business size, and we are exploring some more opportunities in this particular area.
- Coming to refinish business, where we were a late entrant, market share is a single digit. But again, our focus is on the premium side. And almost double sale in the premium we have done in the last year. And, A class bodyshop is something what we are targeting. Digitization, body management, body shop management software, what we have introduced in the market. So though, the market share in terms of market share, we are definitely looking at expansion, but only through the premium is the is our strategy in refinish.
- The high-performance coating or general industrial, which is a non-auto second part, which also has been a part of our thrust. In fact, we are increasing our focus in this business to increase our share, increase our business. In liquid, we have done very well, because in the liquid business, one business is OEM business, the other business is the channel related. And our channel is able to cater to small, small industries. So there, our focus was there, and we have been able to expand our market there.
- Premium, because we shared with you in the past that we came out with some of the low contribution, low margin business, and we increased our focus in the premium where you need a technology approval, there, there's an improvement of 70 basis points. We are introducing a lot of global product with the help of Kansai, Japan, the subsidiary of Kansai Europe, we are introducing. These are very different kinds of product where some of the products which I mentioned here, anti-carbonation for bridges, interpenetrating system. So very, very high technology product, very, very high durability, 15 years, 20 years kind of life.

- Powder, our market share is more than 40%. We are market leader there, but in growth there has been a lag in the last one year. But there again, the premium is our strategy, and we have been able to expand the saliency in powder or premium by 120 basis points.
- So, technology support, because in this business, the technology is very, very important. We have our Kansai support. We have the subsidiaries, especially in Europe, and we are working with Turkey very, very closely. And, there are high-end railway coaches which is happening in India now, and already they are there in Europe approved. So that's the kind of help we are getting.
- So these are some of the prominent project in industrial, the non-auto part, what we shared with you two years ago. This is what we have done - Mumbai Coastal Road, Trans Harbour Link, Bullet Train, Vande Bharat. So that's the kind of technology, a different product what we are talking about.
- And these are again, some of the rewards and recognition for our customers, which basically further strengthen the strong point, what we say that here our right to win is very, very strong, and this is what is endorsed by the customers again and again.
- Manufacturing, our capacity is 600 million litre per year. And in terms of the backward integration in decorative emulsion in industrial, the resins, the insolvent-based resins, that is what we have been augmenting in terms of creating the capacity. And almost today, everything is self-produced and consumed.
- We are doing a lot of digitalization in the factories. So in powder, we have tried in another factory. The idea is that when you do a digitalization, the manual intervention goes away. So your quality is consistent, your throughput goes up, your breakdown goes down. So it's become quite efficient. So this is one initiative we have taken. We have piloted, tested, we got the result, and we will be taking it forward again.
- Supply chain, material cost, highly focused one, that raw material prices were benign, but a lot of initiatives have been taken in terms of alternate, innovative raw materials. We did a lot of focus in terms of making our products available in the market. Because today, the number of products have increased. That's a good change in the market, the dealers/market is accepting new and new product, micro segments. And therefore, the number of SKUs have gone up. And in many of the markets, it is difficult for the dealers to increase their space. So therefore, it is important for us to supply as and when it is required. So, we improved, we expanded our distribution network in terms of the number of depots. We have started providing one innovation, the bike service in the bigger towns that in the premium product where dealer does not want to keep... because today these premium products are Rs. 10,000 a drum or Rs. 15,000 a drum, he doesn't want to keep inventory. So even if we need one drum or two drums, we supply within, maybe one hour or two hour. So that's the kind of service what we have started. We are using SAP Ariba platform to see how we can generate more efficiency in our procurement.
- Human capital has been.... the People First has been the approach and there we did a lot. We are certified by Great Place to Work. But more than that, we have created an internal platform Life at Nerolac, which is like happy. In this video film also, you must have seen the happy organization, where people are working together, collaborate together. And we celebrate small, small achievements. We do counselling, we do well being initiatives. So there's a lot of initiatives started as a part of People First.
- How do we nurture the talent? One is Gurukul. In fact, we have started doing very aggressive in terms of recruiting the management trainees from the management institutes. And there we have formulated a program which is called Gurukul. And then there is Abhyaas, the leadership training. We have tied up with one of the most reputed management institutes, and we are providing leadership training even to the senior team, where group coaching or the individual coaching is involved. We have done a lot of work on innovation. So last year, we spoke about innovation, we launched the initiative innovation in the company. Then last year, we created a digital platform. And now it's a system, it's a process which we have set under the name of Avinya. And then when we got success out of it, a lot of ideas were generated inside, we have gone outside with the initiative called Neon, where we invited the campuses to... So, we give a problem what we face in our business, and we throw it to the campus, where the student participate, and they come up with newer solutions. So that's the initiative as a part of this innovation we have started.
- ESG, a very, very important focus for us. In industrial, all our customers there's a ask, and as a company, based on our purpose, we are also very focused on this. In this year, we are awarded by Ecovadis. Probably we are the only company in this space who got the Bronze medal from Ecovadis. And before this, I think we shared S&P, FTSE, CRISIL, that we have been recognized on our ESG effort. And we are the only Indian paint company to get the SBTi Near Term Reduction Target approved. So, it is in line with that 1.5 degree, how the temperatures should not go beyond that. So we are the only Indian paint company to get this approval.
- So we have a roadmap that by 2030, how we are going to reduce the emission. So this is some of the data which is there in front of you, 13% reduction. And we are covering Scope 1, Scope 2, Scope 3, not only Scope 1, Scope 2.

Today, the total energy, renewable energy is 49%. Only electricity is 38%. As I said, water positive we have become, and some of this data is given here.

- Environment health safety, again, global safety is a big area of focus for the company. So Global Safety Quality is an initiative. Audits are conducted by our parent company Kansai in Japan, and our score is 96%. Any score which is more than 90% is supposed to be good here. We have done lifecycle assessment of all the products. And these products are being evaluated to again reduce the emission. And then we go for environment product declaration. That initiative we have completed. Occupational health and safety, behaviour training, all these things we have carried out. And waste management, just to mention, like the plastic rule, which has started a few years back, and extended producer responsibility. So, we have achieved 100% target under the plastic waste management rules of 2023-24. Whatever target was there, you know, we have been able to achieve that.
- CSR initiatives, again, we promote a lot of internal participation. It's not because a rule from the government, so one has to spend money, but we do take this exercise very seriously, and we work as per the sustainability development goals, and we follow that. Some of the activities we have done... most of the activities we do in the area of skill enhancement, promoting education, community building, and mostly we do it in the areas where our factories are there in the surrounding areas. So we have been doing activities. We do impact study of the main activities. We do map that the activities what we have done, how they're impacting the lives of the people in those villages.
- So these are some of the highlights related to the different areas. And now about the financial performance, which I'll not speak about it, because Prashanth already mentioned, but you must have seen the result. It's good 3.5% revenue growth in the quarter, 4.4% during the year. And if you look at the PBT, 32.7% for the quarter and 42% for the year. So, this is what we have achieved. If you see the EBITDA... So, on the standalone EBITDA, if you see 13.8%, we, I think we have been discussing that's our target, what we were keeping the band at, 13% to 14%. So this is what we have achieved. This is on the consolidated basis.
- Dividend, we have declared a special dividend. Total dividend is 375%. So if you compare with the last year, it is increased. So that also we have done. And Capex, we have increased in 2023-24. Further, it will go up in 2024-25. Some of the cash, we have a healthy cash in our balance sheet in our books that we are going to use for the opportunity. And here, how we do a backward integration in the industrial, took part of it in the decorative also. And capacity creation is something what we're looking at.
- The subsidiaries performance is muted because all the countries, unfortunately, post COVID, are finding it difficult to come out of the situation. Some or the other challenges are there. It is there in Nepal also, Sri Lanka also, Bangladesh also. I think the entire industry, all industries are facing some problem in the subsidies. But our contribution of these subsidiaries to the total business is not very high. But the team is working and I think it will take some time, but we are going to come out as the countries come out of this problem. And then the subsidiaries will start contributing. In Sri Lanka, despite last 2-3 years, situation was not so good. We have increased our market share in Sri Lanka. Despite all the industries going negative, but we have been growing.
- So thank you so much. This is what I wanted to share with you. And now, I'll be very happy to receive your questions.
- **Participant:**
- Thanks. My first question is on the market share in the last one year. And how do you see... because a new player has also come. He will be advertising in 2<sup>nd</sup> half mass media significantly. So how do you see that impacting your ad budget in the 2<sup>nd</sup> half? And till now, 1 ½ months has gone since Grasim announced entry. I know these are still early days, but what have you picked up from some of the markets where the launch has happened? Any initial feedback you can share on what is the customer response? What is the painter response? What is the architect response?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So as of now, I can say, there is no impact on the business. I think we have been talking earlier also that this industry takes time because there are different verticals. You have to build brand, you have to build dealers, you have to build painters. And it is not a game, like one month or three months somebody can be able to do. And for the market, it is always good that the new players are there. But if somebody wants to create a market overnight, then probably it will not happen like that. So, it will take time.
- Initial response, the launch has happened. It's fine, because this industry is a very complicated industry. So, as we expected, there could be a lot of execution gaps, which probably are seen at this stage. But obviously, in any new business, the teething issues would be there. Related to when you say they start advertising, it's fine, because if any new brand comes up, you need to advertise, they need to advertise. It doesn't mean that you need to



respond to that particular level. I think in preparation or based on our strategy, last two years, we've already increased our marketing expenditure. What is important for us, is that our brand is already established. What we need to encash, as I told you, that our mindshare is higher, the market share is lower. And that's the opportunity which is available with us. How do we capture that opportunity? Because when the demand comes in the market, you are able to capture that demand through your activities related to a painter or dealers or services, what we're talking about. So that is the way we are prepared. Our market share, you know, is in the range of around 10%. So, what we look at is 90% opportunities which are available for us. And therefore, I think in our preparedness in terms of digital or other activities, some of the activities that I've shared there, so we are prepared. And it's fine. I think gradually, we welcome the new player and gradually I think the market can absorb, but no one can turn it around in a very, very short time.

– **Participant:**

– One related question is the new company which has entered, they seem to be talking about some industry first, which I don't think is industry first. I think every entrant has done that. But still, given 10,000 crore kind of plans, wanted to check on one-year extra warranty, 10% extra grammage and digitally connected tinting machine. Does any of these matter, given their size? I know this has been tried, but do you think that you and other players would need to respond? These are early days, so not asking on current, but is this a disruption?

– **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

– No disruption, because generally what happens is, that we give a free material to the consumer. If you are painting your house, and I tell you that you take 10% extra material. If you need 20 litres, what you're going to do with that paint? You're not going to sell that paint. So, it doesn't work like that. Consumer thinking is that, if you say that it's a very good product at a lower price, that also work very less, because if the product is excellent, then the price premium has to be there. So, I don't think it's a disruption. It has been tried in the industry, and there's no disruption.

– **Participant:**

– And sir, last question, essentially, on the Paint+ which you talked about, which I think every paint company is doing. How do you measure the efficacy of this? So, in percentage terms of the premium, or say, of your total sales in deco, any number you can share? And for the market leader, how is this number? Every paint company talks about it, but without numbers, how do we know how is the needle moving, and whether we are going in the right direction?

– **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

– So I really don't know because Paint+ cannot be compared with any other company. Paint+ is a positioning. I think most of the companies have the positioning of the colour. This is the performance. What we are talking about is, what other companies also could be talking about are, the different products, or maybe differentiated product. So that's fine. It's like innovation. Every company is capable to do that.

– In our case, Paint+ is a platform where we say the product can perform. And what are the important performance parameters, some of the communication, what I had shown. So, we are coming up with new and new products, which are not available in the market. And as of now, I would not like to talk about the salience of that, but it is growing. You can say it is now probably coming closer to higher single digit, which two years back, obviously we started from the zero. So how it helps is that you are away from the competition. Even if all companies are able to do it, it's fine. Then probably this industry is safeguarded in terms of getting into a direct fight, because then you have different products and you are able to create your own space.

– **Participant:**

– Thank you.

– **Mr. Jay Doshi – Kotak Securities:**

– Profitability... 13.8% EBITDA margin in FY24 is much lower than the previous levels that you had achieved in the past. Whereas, when we look at other companies, they pretty much were in line with what they had delivered in the past in terms of peak margins. So could you give us some breakup between what was decorative margins for the full year and industrial margins, and where is the gap? Is decorative below pre-pandemic levels or it's largely because of industrial still way below where you were earlier?

– **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- If you look at the gross margin expansion, it is higher than the EBITDA margin expansion. If you notice, 500 basis point is the gross margin expansion. We have increased our marketing expenditure. And that's why, if you look at the 13.8% in EBITDA it is... We are equal kind of 55-45 in decorative and industrial kind of company. In industrial, our profitability used to be very, very low till two years back. It was one challenge that we have taken that, how do we come in the double digit margin and then we try to keep it stable and fortunately we are able to do that. So I think this is healthy range, you know because coming for any B2B company, coming in that double digit margin range and then obviously in decorative there is a need to increase in the marketing expenditure. I think that is what we have done and therefore to some extent, you will see what gross margin expansion we have had. It is not reflecting in the EBITDA. So with the other companies, comparing is difficult because our portfolio is different, our mix is very very different.
  
- **Mr. Jay Doshi – Kotak Securities:**
- Understood! So industrial portfolio is now double-digit EBITDA margin and you think this is a healthy bend for that business.
  
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Yes.
  
- **Mr. Jay Doshi – Kotak Securities:**
- So it cannot go back to the previous highs in the up cycle that we had seen maybe 4-5yrs. back? So those are unsustainable levels.
  
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- In the previous years also, even if there was an increase in the margin, that was for a very short term period. It's not that we were able to sustain it.
  
- **Mr. Jay Doshi – Kotak Securities:**
- Understood! Thank you so much.
  
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- Yes. First and foremost, you have done an absolute U-turn in going digital. You have so wonderfully communicated through the digital media. Its full marks to your branding and marketing team.
  
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- You have seen that?
  
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- Yes. Excellent! And as well as your very eye decibel communication in all forms of media particularly television and during this IPL with a wonderful brand ambassador in Ranveer Singh. With his energy, he has done a wonderful job and you picked up the clue that I gave you last year was, that you need to communicate vociferously which you have done. Full marks to you and your team.
  
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Thank you so much. You need to convince everybody that....
  
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**

- Ya. In particular digital media, because now everybody is carrying a mobile phone and by default, you will be able to access and one has access to your communication which is not 1, not 2 but 5 which you showed us even here. The thought which comes to my mind is, with this strong backing to your marketing team, I was sharing with your marketing team here that we have 2 big distributors in the place where I stay and when I go to them, there is always Asian Paints Executive or marketing executive standing behind the customer, just watching. He will not talk or he will not interfere. And a little push of this nature, maybe a junior level team member at a distribution point, at a nodal point in certain pockets of a city like Mumbai would help and do wonders. The mind share is excellent. We have to enhance our market share, that's my thought.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Thanks for the suggestion. We will make a note and definitely we will work on it.
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- And the 2<sup>nd</sup> thing is, you go to any retailer or dealer or a distributor, predominantly prevalent, the message coming from the opposite side is Asian Paint Royale. If you ask them Dulux, some of them have it like a velvet touch but if you ask for your paint Impressions or British Paints, Berger Paints, nobody stocks these products. Now where should I find? In case I have to find your 20 litre Impressions white can, I was finding it difficult, from where will I get it, in a suburb like Andheri West in Mumbai?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So one is, obviously we have to expand our distribution network which in Mumbai, last 2 years we have done but the market is very big, very small and we are going gradually. The other is the service that we have introduced which is, communication is available through digital where any consumer can reach out to the company directly. So that's one way....
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- Yes, I would like to meet your marketing people here after we finish and take a proper lead to go and pick up a can of 20litres.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Most welcome!
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- And full marks to your digital initiative. I think it has done wonders. There is a sea change in the whole communication and connectivity with the consumer.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Thanks for the appreciation.
- **Mr. Ramesh Potwani – Mehta & Vakil Co. Pvt.Ltd.:**
- All the best Sir.
- **Mr. Avi – Macquarie:**
- Hi Sir! This is Avi here from Macquarie. Sir, I just wanted to get your thoughts on how as we progress into, as 4<sup>th</sup> quarter gets over, how do you look at the next year. You had highlighted in the last meet that you expected to be volume led. Is there any change in that expectation? How should we look at? Any colour on that Sir?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So 2 parts of it. One, if you look at the industrial, where the passenger vehicle as we said last year, the growth was 7%, the vehicle production. 2 wheeler is picking up. CV and tractor, they are like a little lag. So I think in the automotive segment, maybe one segment will go little lower and one segment will go little higher. So not much

of change. I think automotive would stand. So maybe PV, CM is saying that 1-2%, the production growth can go down but then again, the growth will be led by SUV, small cars will go down. So from the paint perspective may not be much of difference. 2 wheeler is definitely looking good and we have great share in the 2 wheeler also. I think that's good. If you look at the high performance coating the general industrial which last 3yrs., it is continuously doing well and in last quarter, moderated and mainly because of some reason, election, typically in the election period, it's a timing factor where the capex size goes down, the government refrains from coming with any policy and the sentiments are also a little different. So I think, once the elections are over, that cycle would be back. So one or two quarter I think, we will see some moderation in that high performance coating and general industrial and thereafter, it will definitely be backed the way the country is spending money on the infrastructure. So that's about the industrial part.

- In the decorative, because the raw material prices have gone down so there is a price reduction which has happened, that's why we are saying that its volume led but typically you must have seen that in the last 20-30yrs., there is a clear relationship of the industry growth with the GDP growth. In fact, there was a time, when it used to be 1.5 times of the GDP growth but even in situations when the prices come down, it is good. When the price comes down, it will help the rural market also to pick up. So therefore the volume growth will be outpacing the value growth but I think, if we just look at last year or maybe last quarter as aberration, because last 40-50yrs. has established that the paint industry has a very sound direct proportional relation with the GDP. So I think in the medium term to the long term, we will definitely see that, that relation is restored and that situation continues.

- **Mr. Avi – Macquarie:**

- The performance on decorative which we saw in 4<sup>th</sup> quarter, double digit volume growth, do you see that sustaining into the year or is that something that could be at risk?

- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- So +/- 2%, you can say but definitely the volume growth, we will see.

- **Mr. Avi – Macquarie:**

- And Sir, the 2<sup>nd</sup> bit I wanted to check is on the market share in the decorative segment. Now you have.....if I remember earlier, you have highlighted that you have gained market share. Could you update us on how we should look at the decorative segment performance on the market share basis? How's that behaving? Is it on an overall now, similar? Is the gap reducing? Are we still gaining share at the category level? Any updates on that Sir?

- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- So if you remember on what we said, there was a gap which we were having with the market growth and 1<sup>st</sup> target what we said is that we have to reduce this gap and come closer to the market. I think some of the segment that I spoke about, new business, project business, we are higher in the market, retail, the initiatives as I said that, 30% of our channel where we deployed, we are seeing a better growth. Rural is a lag, even if the rural market comes up, I think we touch the market growth. So that's a salient factor and I think I definitely know that this journey that we have travelled and we have seen the progressive trend, that if the gap was double digit, then it came to single digit and it further narrowed down. Since this progression continued, I think we are hopeful that we will do better in the market.

- **Mr. Avi – Macquarie:**

- Ok. So it's just a mix thing right now. Is that how you would put it? Right now, it's just because the rural salience for us is higher, otherwise in rural like to like, we will continue to gain share. Is this how I should read this Sir?

- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- Ya and I said the weak market for us or the weak areas for us are urban where all these models what we deployed, we have started seeing the results. So I think we are going to create a very balanced situation and in rural, our market share is also very strong. So I think that will be maintained or we will be able to grow it but the market growth has to support which we foresee that now some of the commentaries which are coming or the 2 wheeler that we have seen in the last 2 quarters, we see that with some lag, it will start reflecting in the decorative also.

- **Mr. Avi – Macquarie:**
- Ok Sir. Thank you very much. That's all from me.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Thank you Avi.
- **Mr. Pramod – Unified Capital:**
- Hi Sir! Pramod here from Unified Capital. Just one question – you just mentioned that this time the marketing expenditure was higher. So if you can quantify that number and since we have 45, 55 mix between the B2B and the B2C, how as a percentage of revenue we should compare this with the other decorative companies? Are we under spending? Are we over spending?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- You are talking about the marketing expenditure?
- **Mr. Pramod – Unified Capital**
- On the marketing expenditure.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Marketing expenditure, if you look at the decorative year over index, so we are spending aggressively if you compare with the other companies. So in terms of percentage, how much it will be? 4.5-5%, if you look at overall but if you look at decorative, it will be higher.
- **Mr. Pramod – Unified Capital**
- Last year, we spent almost like 270cr. rupees on the marketing as per the numbers which we had.....what will be the number this year?
- **Mr. Prashant Pai – Director Finance, Kansai Nerolac Paints:**
- More than 350cr.
- **Mr. Pramod – Unified Capital:**
- More than 350cr., ok. in the previous question, you mentioned that, the previous margins, the peak margins which we have achieved 2-3yrs. back is not a sustainable margin. So how we should look at the sustainable margin in a neutral year. There will be volatility because of the RM cost and all. But how one should look at the.....what can the sustainable margin be in a normal market scenario?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- If you are talking about the industrial this is what we said that in the B2B business, double digit margins are sustainable margins. So 10-12% kind of margins is a sustainable margin, that is what we are looking at. We had low margins in the industry 2 yrs. back, now we are back in this particular range. I think the target and endeavor for the company is, how do you maintain that out. In the decorative space, the margins can go up but in the situation where number of players are there and there can be some increase in the intensity of the competition, to that extent maybe 1yr., 1.5yr., we have to see how does it play out but in the longer run, definitely there is a potential of improvement in margins, in case of decorative.

- **Mr. Pramod – Unified Capital**
- Ok. Lastly, if I look at the year on year number for the full year, there is a significant increase. Our volume increase by 10% plus, our revenue topline is because of the pricing focus and plus but the other expenditure and other cost actually went up by 18-19%. So are we seeing some moderation over there or it will continue like that?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So those expenses have gone up on account of some of the investments that we have made, I think I talked about digital because that was a quite a good investment. In terms of team also because some of the initiatives that we have taken, whether it's a service or project or the wood finishes, separate dedicated structure and team was required. So I think, mostly we have made that investment. Now it will be in line with the market growth so that is how it has gone up. Once the market starts showing a better growth, we go towards a better growth, we can see some advantage coming out of it.
- **Mr. Pramod – Unified Capital**
- Thanks.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- Hi! This is Abhijeet from Antique Stock Broking Limited, so I had 2 main questions. One was, in terms of geographies, how the performance has been? Because you have your core geographies and your non-core geographies. So which geographies have done well for you? That is one part. And secondly, in terms of distribution expansion, because the leader has increased the distribution very aggressively in the last 5yrs. We have seen that in addition to the product extension that they had. So in terms of distribution, where are we right now and what are the plans in terms of distribution expansion? These are my 2 questions.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- 1<sup>st</sup> question was, how has been the performance across geographies, in the sense North South?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So we have done better in North and West, probably we have done better than market also in North and West. In South and East, we can say there was a lag. So in terms of geography, this is how it is. And 2<sup>nd</sup>, question
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- 2<sup>nd</sup> was in terms of distribution expansion.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So in distribution, there is a difference in our strategy because some people take numeric reach as a strategy. Our strategy is on the weighted reach. And also the distributions are not comparable because sometimes you look at the direct, indirect kind of distribution while we look at the direct distribution. So typically when the number of players increase in the market, there is a possibility like today, the cement companies are coming or other category companies are coming and they start selling paint also to these cement dealers, then in one city today if there are 20 dealers selling paint, tomorrow 40 dealers are selling paint. Number of consumers remain the same, the demand remains same, then there is going to be a fight between dealer to dealer, rate undercutting. How these things are going to work, don't know. So ultimately, we work on the weighted reach. Weighted reach is, in the market if there are 100 dealers but only 30 dealers or 40 dealers contribute 70pc of the market sale, so that's the weighted reach. So we follow that strategy. Otherwise some companies follow numeric strategy.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- If you have to look at your own weighted dealers where are we
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- We are expanding our distribution and all these initiatives are also helping us gaining better acceptability, therefore we are looking at double digit expansion and maybe as these initiatives are shaping up, maybe more expansion of the distribution network but in the weighted reach category.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- And particularly in which geography?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- It will be all geographies. So North is a good market for us, we have a good share. In east also, we have a good share. South is weak for us. South, we see as an opportunity. So that's a market where we have a large opportunity available. Some of the actions that have taken, regional films that we have shown, so there we have a good scope for increasing our distribution.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- Ok, in terms of cash,so you have good amount of funds also. So how would be the capital allocation going ahead? Where would be the major capex spends?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- One would be capex like last year how much?
- **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**
- Around 240.....
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- And next year would be?
- **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**
- Next year will be 300.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Next year will be more than 300. So we are increasing our capex, we are creating capacity in the industrial and in the decorative also, that is one part. We had also given one special dividend. We are exploring business opportunities and obviously in these kind of situations, it is always better to keep extra cash with you. So this is how capital allocation of that healthy cash what we have in our books.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- At the ground level, any increase in trade margins or rebates that you have seen, I mean across geographies?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Yes, yes. There have been some increase in the last 2yrs. in the trade margin mainly because of some the products where the competition has gone up, item like putty and all, there has been some increase in the trade margins.
- **Mr. Abhijeet – Antique Stock Broking Limited:**
- Understood, thanks. That's it from my side.
- **Mr. Sagar Doshi – Fintuit.in:**
- Hi! Sagar Doshi from Fintuit Investments. So my 1<sup>st</sup> question is regarding, do we pay any brand fees or royalty to our parent? Next one would be, let's say I am talking about volume growth in total. So let's say if the market

leader is guiding something like 10-12% plus, ok, over a medium to long term, so are we also assured that we will be able to maintain that kind of volume growth going ahead and then coming on to the pricing. We being a strong player in the industrial segment, do we have pricing power out there, at least in that segment?

– **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

– So I will answer your 2<sup>nd</sup> question first. See, in industrial pricing power definitely because we have multiple plants and we are the only company which can service these requirements because today if you see industrial customers also, car or 2 wheeler. Earlier, the white shade was very popular, still it is popular but there are a lot of new shades. Earlier, we used to say A category and C category. Now that has gone. Whether you are supplying paint for 100 cars or 1 car, it is equally important because the customer needs color for that one car also. that's the capability what we have. In case of any risk which happens with any of the plant, we can you know service from, our customer does not keep the inventory. We supply and it's like Just In Time kind of supply what we give to the industry/ customer and the track record is that, never because of this lack of service, any of the line stopped at the customer end. So that's kind of service we have been able to build. The technology what I spoke about, that we are looking at newer and newer technology where the customer also gets the benefits. Sometimes the benefit is indirect that if we are providing tin free CD, low baking time, there is advantage in terms of not only price but its like when you save the energy, there is an indirect cost saving which we are able to demonstrate to the customer. So your question is, do we have the pricing power in industrial? Definitely we have the pricing power in industrial and you know because of the technology, because of the services, obviously there will be work with the relation. It doesn't happen like in the consumer market that somebody takes the decision and then you follow but all these strengths, over a period of time has demonstrated, because of these reasons, because of these strengths, we do have the pricing power industrial. And he is talking about the 1<sup>st</sup> question...royalty. Royalty to the parent company.

– **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**

– Ya. Royalty to parent company, yes it is there specifically for certain automotive products which we have got from Kansai Paints. That will continue and that percent is around 3% of the next sales for such products.

– **Mr. Sagar Doshi – Fintuit.in**

– So if I take the total revenue, what would be the percentage?

– **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**

– Total?

– **Mr. Sagar Doshi – Fintuit.in:**

– Total revenue.

– **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**

– Total revenue is very very insignificant because if it's not paid on all the products, .....

– **Mr. Sagar Doshi – Fintuit.in:**

– It's only on the specific products....

– **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**

– Very very small, it's less .

– **Mr. Sagar Doshi – Fintuit.in:**

– And on the volume growth side?

– **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**



- As we said, the industry volume growth last year also, 8-10%, +/- 2%, so whatever growth that's established now as I said GDP or the volume growth, that's what we are expecting, that it could be higher single digit. It's difficult to predict but definitely in that range of 8-10%, volume growth.
- **Mr. Sagar Doshi – Fintuit.in:**
- Ok, thank you.
- **Participant:**
- Can you give some color on your capex because if I see the normal capex has moved from 88 to 112 and now 167, so something very unexpected significant rise are coming in normal, so what is the nature and does it enhance the capacity or is it just for the maintenance? That's one question. And you said, next year FY25, it will be 300cr., if you can give some breakup over there? And related question is, post Vizag and other expansion completion in this year, what will be the capacity in terms of litres moving from 611?
- **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**
- So as far as capex is concerned, we have 2 big projects which will be coming up in the coming year. Right? 24-25. One is new green field plant at Vizag and another brown field expansion at Jaipur. So that itself will be a major project expenditure that will be incurring during the year. Right? Apart from that, the normal capex, generally pertains to our IT infrastructure, CCD machines and some additions in some of the plants. So that is the 100 odd to 150cr. that we are talking is normal expenditure.
- **Mr. Sagar Doshi – Fintuit.in:**
- So that trend will remain
- **Mr. Prashant Pai – Director Finance, – Kansai Nerolac Paints:**
- Yes, that trend will remain. Now we have got 6 big plants plus these 2 coming. So that addition will keep coming.
- **Mr. Sagar Doshi – Fintuit.in:**
- So out of 300, almost 200 will go there and 100 will go for Vizag and Jaipur.
- **Mr. Sagar Doshi – Fintuit.in:**
- What will be the capacity post Jaipur and Vizag?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- I think we are increasing the decorative capacity by around 25-30%.
- And in the industrial area, it will be more in the area of raisings and backward integration. So raising capacity we are increasing.
- **Mr. Sagar Doshi – Fintuit.in:**
- So what will be the figure of 611 move to?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Around 700+.
- **Mr. Sagar Doshi – Fintuit.in:**
- 700, thank you.
-

- **Participant:**
- In automotive paints, we are doing almost 80% capex. So do we do anything B2C or its only B2B?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Capex?
- **Participant:**
- Yes.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- He is saying 80% capex you are doing in automotive paint.
  
- **Participant:**
- Rs. 50 crores odd Capex.
- **Management - Kansai Nerolac Paints:**
- No, this expansion is on basically decorative.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Are you talking about the Rs. 50 crores expense?
- **Participant:**
- Yeah 50 crores.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- That is basically our resin capacity which we are expanding which is for automotive.
- **Participant:**
- For automotive.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Yeah. This is only for automotive.
- **Participant:**
- So it will be increasing capacity by 80% approximately. And do we do in automotive B2C or only B2B?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Only B2B.
- **Mr. Vimal Modi – Individual Investor:**
- Hello sir, my name is Vimal Modi. I'm an investor. I have three questions. One is, this Rs. 50 crore worth of expansion we are doing, just announced, what will be the impact on top line as well as bottom line. Shall I ask all the three together then? Next point is, you said about paint to paint plus product to services and primary to secondary and all that. Do you have any like projection in terms of the ratio of those plus with the main business?

That is my second question. And he talked about Rs. 300 crore worth of expansion in coming years, CapEx I mean. So, even after doing that we are going to have roughly 1100-1200 worth of cash in the balance sheet. Or even more than that, I couldn't reconcile the figures. So do we have any plans like buyback of shares or rewarding with a large dividend, one time dividend? If not that, what ideas do you have for that? Thank you Sir.

– **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

– So first this Rs. 50 crore expansion of the resin. It is a continuity of the business also because this is our backward integration, we create resin which is used in paint. Now our capacity is coming to peak there. So therefore we have to create this new capacity. If we do not create this new capacity then you have to buy from outside. And therefore the advantage in terms of that you make in-house, so you get advantage in terms of your profitability in the industry. So it will not have because you know, in industry our market share is high, we are growing good and we are seeing next 3 years or 5 years spread also will remain good. So therefore we need to create this capacity.

– Second question, what you are saying the ratios of primary to secondary and the paint to paint plus or the productive services. So as of now we don't want to talk much about the number but I can share with you like, in the primary to secondary, the visibility to us two year back was zero. Now at least 20% of our sale we are able to track that whatever we are selling to the market, 20% secondary we are able to track and every year it is going up. So definitely next few years we would see that more than 50-60% of sale we are able to track that how the secondary movement is happening. The product to services, the services what we are talking about, just started last one year. Good traction. Less than 5% but still a good traction. But based on the consumer understanding what we feel that next 3 years', 5 years' time it has a potential to go up to 10%. Same in the new business and the project business. The project business earlier used to contribute 5-7% I'm talking five years. Now for the industry it contribute 15%. We were weaker there. When we started were around 5-6%. Now every year we are able to increase our salience. We are still less than 10% but growing faster there.

– The third question you said is Capex 300, right?

– **Mr. Vimal Modi – Individual Investor:**

– Utilization of cash.

– **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

– Utilization of cash I spoke about. The one that this capacity creation, the second is business opportunity. You know, we'll be able to evaluate. Third is a special dividend which we have already announced. And fourth is that in this competitive scenario, it is good for the company to keep higher cash in the books.

– **Mr. Vimal Modi – Individual Investor:**

– I mean, just Rs. 300 crores worth of expansion we are talking about and we have Rs. 1200 crore plus.

– **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

– So that is one. The second I am talking about the special dividend what we had given and then obviously, when you are evaluating the opportunities you have to park money for that particular thing.

– **Mr. Vimal Modi – Individual Investor:**

– So, no concrete usage ideas.

– **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

– We cannot share as of now.

– **Mr. Vimal Modi – Individual Investor:**

– Sir, can you share some ideas on D2C potential, our plans for decorative?

– **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

- D2C?
- **Mr. Vimal Modi – Individual Investor:**
- Direct to customer, are we planning to aggressively enter?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Direct to customer is through the services, where the services are directly to the customers. And there, you know, if we see 2023-2024 against 2022-2023, whatever business we have done in 2022-2023 and 2023-2024 it is more than the double. What we are looking at even in the coming year would be that. So percentage as of now is low, but in terms of expansion, it is higher. And that D2C is not, though we are now there in 250 plus cities, but now we have understood that from which cities the business is coming more. So if you go at the city level, today we have the understanding that in top 50 cities, how much business is going to come from D2C. So it is market by market, but top 50 towns, it will be very large. But overall also, it is growing very fast. And I feel that next 5 years, this business will grow very-very fast and that's why we are prepared to encash on that particular opportunity.
- **Mr Prashant Pai:**
- And to answer your question on buyback, there's no plan to buy back.
- **Ms. Archana Menon – Morgan Stanley:**
- Hi sir, this is Archana Menon from Morgan Stanley. Two questions from me. Firstly, on the pricing side. Last time you had mentioned that you had taken a 3% odd price cut in the decorative segment. Have you also taken something similar on the industrial side, especially in the automotive segment?
- And the second question again was on the automotive side. While you are market leaders, could you share some insights on what your market share is currently and how has it been trending, especially given that the EV penetration is on the rise?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Market share of...?
- **Ms. Archana Menon – Morgan Stanley:**
- Automotive.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- So, pricing dip, what we have taken in decorative in industrial, it is less, selectively yes, but it is less. Because typically in industrial, what happens is a cycle. It takes a lot of time. And today also, we believe that because of geopolitical situation, the volatility in crude and the Forex, the visibility for next 3 months, 6 months is still not very clear. So we don't get into the price increase or reduction till we are hundred percent clear about the visibility of 6 months or 1 year of time.
- Market share in automotive, specifically, if you are talking about it, is in the range of 58% to 60%.
- **Mr. Mihir – Nomura:**
- Hi sir, this is Mihir here from Nomura. So I wanted to ask a question, firstly, on the mix that has been negative, the difference between the volume and the value growth. Do we expect the mix to deteriorate further given rural is expected to come back, growth in rural, and you're also getting into the economy side in the paint plus category? So does that impact the mix further and will it pressure overall revenue growth or you expect the mix to remain stable?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- So definitely no deterioration. It can be same or it can better, it cannot deteriorate.
- **Mr. Mihir – Nomura:**

- Understood sir. Sir secondly, I wanted to check on tinting machines. Given that the competitor is likely to have a different type of a tinting machine which is 40% lower in size, any plans for you to change your tinting machines in case if the dealer thinks about replacing or....?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- No, that's not the reality. So we already have the machine which is smaller only. So in the earlier days, because we, I think launched machine in probably 1998 or 1999. So first 10-15 years, whatever machines we have, those are bigger machine. Last 5 years machines, whatever we are giving those are smaller machines. There is hardly any difference with the new machine and our machine. Maybe very hardly any difference.
- **Mr. Mihir – Nomura:**
- Understood. Sir, another question on dealers actually. The competitive intensity is largely played out in the dealer space because it seems that the product pricing is broadly similar to all the paint players. There is no major price differentiation apart from the initial discount that they are giving, which is probably introductory offer. So that's not going to be the place of any price cuts or price wars that was expected. That is not happening at this point of time.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- No.
- **Mr. Mihir – Nomura:**
- So largely the intensity will play out at the dealer end and you said, probably rebates have gone a little bit up but no material change in rebate structure is also being visible at this point of time.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Yes.
- **Mr. Mihir – Nomura:**
- Sir, can you give some colour on your distribution and dealer strength, basically? How many of them or what portion of them would be dedicated to you, who you are confident that will not deviate from your franchisee? And probably there will be some who are aggregators which will probably, if they are stalking two, three brands they may think about getting rid of one tinting machine. Any colour that you can share on that front where you are very strong in certain cohorts, what percentage that would be?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- So roughly, I can tell you that 25% of our network is exclusive. They are quite loyal. So they will definitely remain with us. Then, rest of the distribution we see that how many dealers are keeping two brand, three brand, four brand. So even in the two brand, our counter share would be very high. So again, loyalty would be very-very high. So there is some percentage, which is 25-30% of the network which keep three brand, four brand and they are like multi branded dealer and so therefore they want to see that even if the new company is coming, let us try it out. But there also it is not a shift. It is like today maybe you are selling 100 litre, you are dividing in three brands, maybe tomorrow you want to divide between four brand and give 2%-3% share to the fourth brand and then see how it happens. So that is how it pans out. But that way if you see 70-75% of network which is exclusive or two brand or up to three brand, there the shift doesn't happen. 25% who are very multi branded, they can give some space.
- **Mr. Mihir – Nomura:**
- Brilliant! So basically the fear of rising competitive intensity is kind of not as fearful as expected because you already have a very strong foothold in your key distributor reach which are relatively very loyal and losses from there would be marginal
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

- I think enough number of players have entered the market. And the market model, 10-15 years back, if the companies were entering paint industry, they were not getting the success. Now the good part is in last 10 years, whatever companies have entered, they have created their space. So that is good. But if you see last 10 years, what is the change? Because if the industry grows at the rate of 7%, 8%, 10% every year which is Rs. 5000-7000 crore of growth in that some part, 500-600 goes to the new player. And as I said that when the number of player increase over a medium term, definitely it help industry growth to go up whether it is from informal to formal. So I think it will help the growth and the existing companies will find that because it is happening gradually, it cannot happen overnight. It is happening gradually, it will not be seen. But today, if I have to comment that 10 years back if there are four player today there are eight players, if you compare with the 10 years back, obviously the market has reset. Everybody has taken 1%, 2%, 3%, some share they have taken. But whether it has impacted the existing company, no. There are more number of consumers, market shares are getting reset. But over a period of time. So ultimately what is important for the business is that I need to grow in the top line, I need to grow bottom line. So as long as that opportunity is available and we keep encashing on that opportunity, it is fine for the business.
- **Mr. Mihir – Nomura:**
- Brilliant, sir! Sir last question. A repeated question on margins actually. You know, given in the deco part of the business, paint plus saliency is increasing 150 basis points, probably to high single digits. You said it's increased. So margins are better out there. Even in the auto and industrial, you're exiting the lower margins. You are entering into the higher margins. Structurally anything, any steps that you are taking ideally are margin accretive steps. So that's point number one. So that trend will ideally continue. So you know, probably, I felt your comments a little more conservative on margin improvement side because that these trends will continue. So maybe one comment on that and one more follow up on margins.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- No. So there is...one is this leverage that when we are increasing premiumization, obviously it is helping the margin. But then also help you to play out in the market. So if we are doing better in the premium products and for example, if I talk about *putty* or there are some other products which are very competitive, so even if you want to play out in those segments, the margin does not get impacted. I'm just saying. Because if you don't do that and then you want to play in the lower end also because that is also the market, tomorrow the rural market picks up, the growth is coming from the economic product ,we would like to encash on that. So I think the positive way you can see it that since those initiatives are working so even if you invest, because at the end of the day we are not saying that we are going to play only value game, ultimately it will be a volume game also, so core business what is there. So you are in a position. In this situation, if the competition is there in case, if you have to fight it out so you have the leverage to play in that market without affecting your margins. If it doesn't happen, then obviously the margins will improve.
- **Mr. Mihir – Nomura:**
- Got it. And finally on margins again, no juice left from the margin improvement historically or there is still a little bit of juice left when we were trying to...?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- How can we make this statement? There is always a juice.
- **Mr. Mihir – Nomura:**
- Okay. Got it. Fair enough. Thank you very much and wishing you all the very best.
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Thank you.
- **Mr. Amneesh – PL:**
- Hi, this is Amneesh from PL. So my question is regarding the market share in the decorative. So what has been the trend in the market share in the current year and if I take, say last couple of years?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**

- Last couple of years were losing market share. This would this year we would be very close to the market. So that is how the improvement what we are talking about. Because in between 2-2½ year, we had a loss of market share. Now we are able to almost arrest it or very close to the market growth.
- **Mr. Amneesh – PL:**
- So it means a 10% market share, which you indicated is more or less what you had 12 months back?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Yeah, you can say that.
- **Mr. Amneesh – PL:**
- Okay. My second question is on the automotive. On the industrial and deco, what is the ratio now?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- Generally we talk about 55-45. But because this year, 2023-2024, the growth of industrial is better, some change, May be 55 has gone down to little extent and 45 has little gone up.
- **Mr. Amneesh – PL:**
- Okay. And in particularly, the automotive used to be a very dominant part of the industrial, but now looking at the entire infrastructure growth - railways, flyovers, bridges coming up so has that ratio changed and how much are the Japanese companies now accounting for as a proportion of our total automotive paints?
- **Mr. Anuj Jain - Managing Director, Kansai Nerolac Paints:**
- So Japanese contribution to our total automotive sale would be 55-60%. And what was the other question?
- **Mr. Amneesh – PL:**
- The other question is, what is now the proportion of your non-auto in the total industrials?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- It has gone up. Generally, earlier it was within the industrial, 70% was automotive and 30% was non but that 30pc is going up now. The market size has become large. In fact based on the growth what we have seen in the last 2-3yrs., I think in the next 2-3yrs., the size would be equivalent to the automotive market and obviously we have the scope and the opportunity, the growth prospect to keep on increasing.
- **Mr. Amneesh – PL:**
- So does this change in mix makes the industrial side moving away from auto to more on the general industrial, would it be marginative because I perceive auto companies have more bargaining power?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Margins are similar, whether automotive or this particular part and as I said earlier that bargaining power is fine but I think the time has come now where we talk about technology, the other advantages and I think it's quite a balanced situation. It's not that bargaining power takes you to a situation where you work on the non-acceptable margins. So business has to be remunerative and therefore if we have a target margin, I think we work on that because if your business is not remunerative then what is the attraction to do a business? I think it has come to that level. Bargaining power is there, that's why probably in the B2B business, we don't see margins like decorative but I am saying, whatever right margin is there for the B2B business, that margin is there and even the customers are able to understand that. Today in fact most of our customers, you will be surprised to know that they want to deal with the players who are having a decent margin. If your margins are less, they feel that these vendors are also risky vendors. So today, when we sometimes discuss with the customer, they also give us target of the margins. So they may do a bargaining. But they also say that you have to operate in these kinds of range so that you are a sustainable growing company.

- **Mr. Amneesh – PL:**
- So you are indicating that industrial margins between 10-12% kind of a level. So is there any scope left for you to increase the margin and profitability?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Yes, definitely. So premium is the scope, new technology is the scope, definitely there is scope. But generally based on our past experience, we say that these are sustainable margins but as a company, as a people, we always work on this and if your question is whether juice is available, yes juice is available.
- **Mr. Amneesh – PL:**
- Ok, thanks a lot Sir.
- **Mr. Nikunj Doshi – Bay Capital:**
- Hi, this is Nikunj Doshi from Bay Capital. Just wanted to understand this infrastructure and project business. Is it through direct selling or is it through distributors that we are selling to these projects?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Project business we are selling through the project dealers. They are dealers only but they are specified project dealers whose job is to fund. They sell to the builders, to the contactors and architects. So we sell through them because our responsibility is to provide service to the site. Their responsibility is to collect the money.
- **Mr. Nikunj Doshi – Bay Capital:**
- So we don't take risk on the.....collection risk on the .....
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- No. Having said that, some amount of very large project, we do direct also. Payment risk is not there.
- **Mr. Nikunj Doshi – Bay Capital:**
- And Vande Bharat you mentioned and bullet train project also you mentioned. So already we are supplying or .....
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Vande Bharat we are supplying, Trans harbour we are supplying. Already we have supplied.
- **Mr. Nikunj Doshi – Bay Capital:**
- So is this a large opportunity for us going forward or it's going to be.....
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Yes, large opportunity. If you see traditionally, then the business in railways used to be low end. Now it is high end. And tomorrow as Vande Bharat and the bullet will come, so in railway, the entire thing is going to change completely. So earlier they used to talk about very low alkyd based paint, now we are talking about high end polyurethane epoxy paints.
- **Mr. Nikunj Doshi – Bay Capital:**
- And paints for EV, is there a special kind of a paint or is it the same car paint which is used for EV?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**



- It's the same.
- **Mr. Nikunj Doshi – Bay Capital:**
- There is no technology difference for EVs or anything?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Some difference will come in the battery and there could be some opportunity inside the battery and those kind of opportunity there but otherwise the substrate is same. Therefore, the paint is also same.
- **Mr. Nikunj Doshi – Bay Capital:**
- Ok. Thank you.
- **Participant:**
- Last time you said in the digital lead system that our conversion rate went up from 1-2% to almost 7-8% and you close the year by, at 10%. Any improvement over there? How is the lead system working now? How much conversion is happening?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- The lead system is basically for the services part, end of the service and there our conversion is higher than 10% which is the benchmark in the industry. Generally, you target more than 10% conversion. We have reached to that level.
- **Participant:**
- Ok. On the direct distribution model also, you had commented something earlier on the alternative distribution model and the direct distribution model and I think on the low end side restarted some distribution channels. So any development or update on that side?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- So we are working like these are like smaller markets, the rural markets where we find it difficult to go directly. So there we have appointed distributors who cater to those markets. We are making progress on that.
- **Participant:**
- Sir, any significant contribution coming from that it's still very early days to say anything?
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- Early days to talk about number but it is picking up very fast.
- **Participant:**
- Thanks.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**
- I hope the questions are over
- **Mr. Prashant Pai – Director Finance, Kansai Nerolac Paints:**
- Anymore questions? Ok, thank you, thank you, thanks a lot. Thank you for attending. It was great interacting with you.
- **Mr. Anuj Jain – Managing Director, Kansai Nerolac Paints:**

- Thanks for joining. We really value your feedback, insights, partnership and look forward to continue this journey going forward and as we move ahead, we will remain focused on our initiative so as to deliver value to all our stakeholders. Thank you so much for joining us.
- **Mr. Prashant Pai – Director Finance, Kansai Nerolac Paints:**
- Please join for high tea.