

9th November, 2023

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**Sub.: Q2 FY 2023-24 Financial Results Conference Call – Transcript**

- Ref.: 1. Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**  
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Dear Sirs,

This is further to the intimations done by the Company on 27th October, 2023, 2nd November, 2023 and 3rd November, 2023 with respect to the Conference Call hosted by the Management of our Company on Friday, 3rd November, 2023 at 11:00 hrs India Time to discuss Q2 FY 2023-24 Financial Results of the Company.

We are enclosing herewith the transcript of the Conference call for your information and reference.

For **KANSAI NEROLAC PAINTS LIMITED**

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



**“Kansai Nerolac Paints Limited  
Q2 FY2024 Earnings Conference Call”**

**November 03, 2023**

**ANALYST: MR. ANIRUDDHA JOSHI - ICICI SECURITIES**

**MANAGEMENT: MR. ANUJ JAIN - MANAGING DIRECTOR - KANSAI  
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MR. PRASHANT PAI - DIRECTOR, FINANCE - KANSAI  
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PAINTS LIMITED**



*Kansai Nerolac Paints Limited*  
*November 03, 2023*

**Moderator:** Ladies and gentlemen good day and welcome to Kansai Nerolac Q2 FY2024 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi. Thank you and over to you Sir!

**Aniruddha Joshi:** Thanks Akshay. On behalf of ICICI Securities, we welcome you all to Q2 FY2024 results conference call of Kansai Nerolac Paints. We have with us senior management represented by Mr. Anuj Jain, Managing Director, Mr. Prashant Pai, Director - Finance and Mr. Jason Gonsalves, Director - Corporate Planning, IT and Materials. I congratulate the management for posting good set of numbers inspite of tough macro conditions and stiff competitive measures. Now I hand over the call to the management for their initial comments and then we will open the floor for question-and-answer session. Thanks and over to you Sir!

**Anuj Jain:** Thank you Aniruddha. Good morning everyone. Greetings to all of you. Thank you for your continued support and interest in our company. Also thanks for joining this call of Kansai Nerolac for Q2 of FY2023-2024. You must have seen in the results for the quarter the top line is up by 1.7% and EBITDA is up by 36.8%. PAT up by 53.4%. If you look at the first half of the year the top line is up by 4.2%, EBITDA by 33.3% and PAT after exceptional item was up by 229.7%. During the Q2 specifically if we look at it the demand has been subdued for decorative mainly because of erratic monsoons and generally we have seen that whenever Diwali is in the month of November there is a shift or demand towards the third quarter so demand during the quarter has been subdued. In industrial the demand has been decent, in industrial automotive and liquid performance coating has registered good growth. Decorative growth is marginally negative excluding putty it is around flat. Volume growth is also similar. In automotive KNP growth has been better than the market growth. Raw material prices remained stable despite volatility in crude and Forex during the second quarter and this along with continued cost reduction referred effort has helped the bottom line, partly the bottom line was also helped with the change of favorable mix. In decorative the growth drivers which we have been driving in our company so one in fact some of the products which we have introduced over a period of last one year and those products has helped in increasing the mix of the premium items so there has been a positive change in the mix and this also helped maintaining the average selling price despite that there has been a demand of the lower end products also but this helped us in maintaining the average selling price in the quarter. We continued the launches of some of the more unique products so during the quarter we introduced Beauty Little Master Sheen. This product we have started and launched across India.

This is a very unique product having an excellent sheen generally the high sheen is available in a very, very premium range. This is a breakthrough product in a very basic category. We have been able to bring this kind of feature so you can call it as a part of the economy range this product but with a very good feature of the premium so that is the product that we have introduced and we got a very good response from the market. We extended Impressions Kashmir we had introduced in some other variants but we introduced the high sheen variant. There are certain markets, certain states where in fact the preference of the consumer is towards a very high sheen so we have introduced that and also we have introduced the matt finish, so therefore now with these variants Impressions Kashmir has high sheen, matt, these kind of variants are available and it is a very pure product so we are getting a good response to this product. We also expanded some range in this waterproofing, construction chemical, so again one unique product which is Crystal Seal we have launched in this period. The other initiative in decorative which is around the influencer programme and services which we have been updating you last few quarters so our next generation painting services and our programme for architect interior designer which we started scaling up is gaining continuous momentum and we are seeing traction quarter on quarter basis and that scale up process has already started and we are going to scale it up further. The services has been expanded to more than 150 plus cities in terms of active lead generations now where we are generating the digital leads and we are having the control on that particular business. Service team and structure as we are expanding this services, the service team and structure also accordingly we are expanding. In new businesses overall the new businesses has shown strong growth and now in fact with our range the gap what we had in the range of new businesses that is no more there, probably we are doing little better than the market. In terms of project also we have registered a good growth so we have been expanding our team now almost more than 75 towns which has a good potential of project so we have a team in place footprints there and we have registered a good growth in projects also. In terms of network the expansion in the network was in the double digit growth and also as a part of our initiative we enhanced visibility through media and digitally also we have been very very active. We also participated in the high decibel events like Asia Cup and World Cup and there in fact we have been advertising communicating, the range of new product, the Paint Plus which we have introduced over a period of last year. Coming to industrial business in automotive our approach as we have been saying earlier continuous focus on technologically superior products, launching sustainable technologies to reduce VOC, volatile organic compound and to reduce carbon emission. Passenger vehicle segment continued steady growth trend. It got carried forward from Q1 and we expect SUV and new model to continue to drive demand. Two wheelers may see a better demand going forward but as of now the production growth of the industry if you see has been flourish, three-wheeler is fine, commercial vehicles continued a positive momentum and tractor has been under little stress. We are getting the traction of the new six segments where we have entered which is a seam sealer, underbody coats, and alloy wheels

so the business and the traction has started coming. In auto refinish which is after paint market in fact our focus is in terms of adding the A class body shop and that is helping us again driving the salience of premium products in the auto refinish and we also introduced during the quarter the next generation water borne paints for body shops that is what we introduced just about towards the end of Q2. In performance coating division which is a non-auto industrial category again one of the focus area we have taken was to come out of some business which at the low end, not so profitable and therefore increasing the salience from the premium business. There also gradually we are seeing increase in the salience of the premium category. We have been working to get approvals because this business is long-term sustainable growth is dependent on the approvals so in that pursuit we have received WRAS approval for fusion bonded epoxy powder so that is for performance coating division so the other updates to you the related to capacity during the quarter, the capacity utilization was 65% and our expansion project at Vizag and Jainpur were on track. In the Tamil Nadu, Hosur the expansion has been completed as per the plan. Some other initiative in the company we have been driving the Innovation programme and last year we started innovation programme and this time that we had created a innovation process and we are going for a good participation from the employees collecting ideas so that programme is taking a shape and we are receiving a lot of good ideas and that is building a good pipeline for implementing the good ideas to bring efficiency, optimization in our systems. We have been once again certified as great places to work so we received the certificate great places to work certified organization during the quarter so these are some brief updates related to quarter where I just mentioned about the top line, bottom line, the status, the progress on the initiatives what we have taken and I now welcome all of you for the questions.

**Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.

**Avi Mehta:** Hi Sir thanks for this opportunity. Sir I just had two questions, with second half you have indicated benefit of festive period as well as our paint plus initiatives are taking shape would it be fair to argue that the margin trajectory would be similar to what we saw in the first half which is at around 14.7% at the EBITDA level and what would be the risks if at all you think if you disagree thank you.

**Anuj Jain:** Avi I think the prices so far have been stable in the Q2 but going forward because of this volatility in crude and Forex there may be a possibility of upward trend in the raw material prices to that extent there may be some impact but the positive factor for the third quarter or the coming quarter would be a better growth so I think one has to balance between these two.

**Avi Mehta:** I mean would it be fair to expect this current trajectory to continue because last time we were kind of more towards a 14% for the full year but the performance has been positively so would it be fair to kind of extrapolate this or you would like to suggest that we should still stick to 14.

**Prashant Pai:** Avi has Anuj mentioned the crude prices have started showing an upward trend right, now to make a statement whether it will be the same or there will be some margin up and down but we believe that by and large the margin should be fine in the third quarter.

**Anuj Jain:** Also, Avi just keep in mind that because our margins also depend on the mix changes, so depending on how much sale is increasing in industrial and decorative so to that an extent some flexibility is always there in that regard.

**Avi Mehta:** Got it Sir, fairly clear Sir, and Sir just a bookkeeping question could you kind of give us a sense on how was the ad spend intensity in this quarter.

**Anuj Jain:** We have increased so we have been going little aggressive and as I said that we have enhanced our visibility whether it is traditional media or digital where this services where the initiative is all about the lead generation from the digital spending, so ad spends have gone up in the Q2.

**Avi Mehta:** Okay Sir that is all from my side Sir. I will come back in the queue for further questions.

**Moderator:** Thank you. The next question is from the line of Pramod Dangi from Unifi Investment Management. Please go ahead.

**Pramod Dangi:** Yes thanks and congratulations for recovery in the margin so you have given a very good commentary on the directional update on the restructuring which we have taken few quarters back, if you can quantify few of the numbers that would be very helpful such that out of the growth of 1% or the 5% last quarter how much driven by the volume growth and how much driven by any price change whether it is a negative or positive in case of let us say that ad spend had actually went up in Q2 and I remember that Mr. Anuj Jain had said few quarters back that our ad spend was very low and we would like to increase it so if you can quantify from 3.5% it went to 4%, 4.5%, 5% I think that quantification will help with your directional commentary.

**Anuj Jain:** Okay so this in terms of decorative if you are talking about value growth and volume growth the growths are similar so that is why I said that because there is a change in the mix of the premium and therefore we are able to maintain the average selling price so growth in value and volume is similar.



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- Prashant Pai:** So we have increased the ad expenditure in this quarter by around 20%.
- Pramod Dangi:** Okay great so around 1% top line growth the ad spend is actually 20%.
- Prashant Pai:** Yes.
- Pramod Dangi:** Okay good and if you can just give the contribution from the new product like I think March end our Paint Plus category was giving around 10% contribution to the revenue any significant change over there, how we are moving in that direction as we are introducing new and new product and similarly for the industrial product all the new categories which you have mentioned what kind of the contributions which you are seeing now mid single digit and how they are moving.
- Anuj Jain:** So in terms of new products the overall, the new products the contribution is about 10% to the total range and within the new products there are Paint Plus which are unique products so there also our salience is gradually going up. Even in industrial the contribution of the new product is higher single digit that is 10% only. Overall for the company you can say the contribution of the new product is around 10%.
- Pramod Dangi:** I am saying that on the project of the contractor business we had placed a new team a few quarters back so what kind of the experience we are having now is it better than what we have expected earlier because there is a lot of competition as of today so how we are building up on that side.
- Anuj Jain:** So in fact if you remember we have been talking quarter on quarter so we have been gradually expanding our team and when we expanded the team to further towns we got a good response therefore we have further expended and as I said now we have crossed more than 75 towns. Now our growth in project because the market growth is always higher than the retail growth and we have been lagging in that particular growth now we have caught up and we are in line with the market. Our salience remain low because if we compare with the market our salience of project sale to the total sale is lower but in terms of growth we have caught up.
- Pramod Dangi:** Okay got it and lastly one feedback. I tried to use your next gen service in Mumbai. I just repainted my house few months back but the call back I got after one week by the time my project was over so I do not know how to take this further that was in Mumbai and I know Mumbai is a weak market for us.
- Anuj Jain:** I will take it as a feedback and apologies for that but I tell you what happens is that because these are new concepts and when we introduce the new concept because what happens is that in fact we have started receiving very good responses, the number of leads so sometime

what happens is it takes little time to establish your complete structure because every month that we see that how the leads are going up, Team is there in the market because when we put the team say example in the city like Mumbai you do not have the control whether you are getting the more leads from south Mumbai or north Mumbai so those kind of things and those learning we take and continuously in fact there have been learning obviously initially when we started there have been challenges but now we are able to take care of a lot of challenges because our idea is that we should be able to respond properly so obviously we are not 100% right out there but I think as of now our satisfaction level or what we want to do has reached around 90% and obviously we have to cross the journey of balance 10% also where this kind of problem what you had faced should not happen.

**Pramod Dangi:** Sure thanks a lot.

**Moderator:** Thank you. The next question is from the line of Namit Arora from India Growth Capital. Please go ahead.

**Namit Arora:** Thank you for the opportunity. I was reflecting on the last slide of the presentation on risks and outlook so I would be grateful for your thoughts if you consider increasing competitive intensity in the Indian market also some sort of a risk for you and have you seen any impact on employee retention, the vendor ecosystem, distributor ecosystem etc., thank you.

**Anuj Jain:** Actually we have been talking about it so obviously it is a fact that the new competition is there. A lot of new competition has already come in some company will come towards the end of year but I think what is important is to know that the existing players so like for us also there is a established brand, there is a established network, there is a good relationship with the network some of the initiatives what we started in terms of influencer management so all that ecosystem is set, now it all depends at what approvals the new competition is going to take but in our view it is not overnight game, companies may come in. There is advantage also because in the market like decorative paint market like India where the size of big four or the organized sector is around 50,000 every year we expect a growth of around 10% so partly the new players can get absorbed from the growth also and rest it depends on what kind of approach it takes because it is a quality market so if you want to fight on a price the long-term sustainable growth becomes difficult so I think what is important is to focus in terms of our initiative, building network, building relationship with the dealers, influencers, creating growth drivers which we have been doing and then let us see that how it shapes up. As of now I can only comment that emergence of new players is good for the market because you see more innovation, you see more communication to that an extent more formalization happen maybe the penetration goes up, so these are some positive factors also.



**Namit Arora:** Got it. Thank you for your very detailed and candid thoughts Sir and all the best to the entire team thank you.

**Moderator:** Thank you. The next question is from the line of Atharva Bhutada from Purnartha. Please go ahead.

**Atharva Bhutada:** Hello Sir thank you for the opportunity so I just wanted to understand that in FY2024 will be able to grow double digit now because of such a poor quarter in the industry and then Q3 do you think that we will be able to beat the industry.

**Anuj Jain:** So I can only say that Q3, Q4 the market growth will definitely be better and therefore the outlook for the coming quarters is better than the first two quarters how much the outlook looks to be at least the coming quarter, the double digit looks possible as of now and when you say beat the industry what happens is that there are different segments like as I said paint, putty, project, the new businesses so if you look at segment by segment today so whether it is a project or new businesses somewhere we are equal to the market somewhere we are little higher than the market but some of these high growth sectors our salience is lower so therefore some gap you see mainly because of the salience. For us what is important is that if we are playing in that particular sector whether that we are able to catch up with the market growth or able to do better so that is how we do our calculation but since our salience is low sometimes there is a difference and therefore our attempt also would be that how do we increase the growth in a particular segment so that even the salience factor goes away but that does not disturb us because as long as every segment we are able to see other than this segment where we decide or choose that we do not want to play in a particular quarter because if the quarter market growth is high maybe sometime you want to participate in the volume driver product but if the market growth is muted so sometime that we go a little slow on that so I think that is the answer which I can give to your question.

**Atharva Bhutada:** Okay and Sir on a year on your basis for the second quarter according to the rainfall data that IMD has provided there has been a 12% dip in average rainfall in the country so what has happened that the paint industry has suffered such a significant blow to the demand.

**Anuj Jain:** You are saying paint industry has suffered.

**Atharva Bhutada:** A significant blow to the demand.

**Anuj Jain:** If we look at in terms of urban and rural the demand has been impacted in the rural sector now as you are rightly saying that the rains or we can call it a near normal so there may be a possibility and that there could be a better demand at least in the coming quarter because the monsoons have not been that bad. There is some deficit but it is like geographically some geography it is good, some geography it is not so good so in the geography that where it is

absolutely near normal there we expect a better demand and therefore overall at the country level if we compare with the Q2 to the demand definitely would be better in the coming quarters.

**Atharva Bhutada:** Okay Sir thank you.

**Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential life insurance. Please go ahead.

**Keyur Pandya:** Thanks for the opportunity. The first question is on the industrial side so if you can just give more quantitative details as to how we have grown in auto and non auto and what is the outlook for the second half in the industrial side since based on your presentation it seems that most of the engines are firing now, it is two wheelers segment was not participating in the growth now with four-wheeler, two wheelers as well as some other non auto industry doing well what kind of growth outlook you would give for the industry.

**Anuj Jain:** If we look at Q2 the passenger vehicle production growth of the industry as per the SIAM report is about 6% production growth so generally the paint growth goes in line with the production growth of the auto manufacturer is 6% and I think even in the coming quarters probably they will be able to maintain this kind of growth. Two-wheeler in the Q2 again as per the SIAM report the production growth was flat and maybe slightly negative also but in the coming quarters because the two wheeler growth is dependent on the uptake in the rural market so there are expectation as we talked to our customer that there are expectation that at least in some geographies the companies are expecting to see little better demand from the rural and therefore the two wheeler will get better. In the other non-auto like general industrial, performance coating I think based on the infrastructure, the spending from the government I think that sector is doing fine and it will continue to do fine, in powder coating probably there was some low demand mainly because of some few segment. There we have started seeing some kind of uptick and therefore going forward probably the growth could be better in those segments also.

**Keyur Pandya:** Okay just to clarify as you mentioned that in last three or four quarters that company has gained shared in the auto OEM business and with higher share of premium cars, premium paints and larger size cars should not the paint growth be higher than the volume growth and in that context could we expect double digit growth industrial plus auto combined going ahead.

**Anuj Jain:** So it depends within the passenger vehicle you may be right but this get offset with the two wheeler because two wheeler numbers are also very large and there the growth has been little lower so only if you look at the passenger vehicle there it is possible but when I look at the automotive it is a combination of passenger vehicle, two wheeler, three-wheeler,

commercial vehicles, and tractors so even if I like look at Q2 the commercial vehicle growth has been good, auto production growth as I said 6%, two wheeler growth is little negative and tractor also has been negative so as a combination if you see but only if you talk about the passenger vehicle you are right.

**Keyur Pandya:**

On the decorative side with all the initiatives that we have taken in last four to six quarters where do you see for the like to like category you growing faster or at least catching up with the industry and Q2 demand you just see because of the timing difference we have seen the slow down or there is consumer slow down that we are witnessing. So the slower demand that we have seen in decorative in Q2 is it just because of the timing difference of festive and monsoon or there is a genuine demand season that we have witnessed.

**Anuj Jain:**

So the growth, we are seeing of good traction in projects and the new businesses which we have started and there we are seeing a better traction within the retail categories, the categories like what we talk about, premium based on our influencer programme, architects services those initiative are supporting some of those categories and demand yes the demand has been slow one because of monsoon in fact this has become a trend now in fact we have seen that whenever Diwali is in November the third quarter growth is always better but the Q2 this year has been lower than expectation but yes we have seen some uptick in demand and we are hopeful that Q3 will be better.

**Keyur Pandya:**

Sure thanks a lot and all the best.

**Moderator:**

Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:**

Good afternoon Anuj and Prashant for the opportunity. Just two questions in the beginning to my understanding the channel has told us that because the demand was subdued in the month of July and August so we had a early discounting by most of the industry participants in the month of August and the intensity has climbed up very high so the question here is that is the promotion or discounting intensity has now stabilized or it is still gone up because the demand what you have been saying looks better in the anticipation festive season is going to be good but still rural is not recovered so your comments on that.

**Anuj Jain:**

I think discount intensity has gone up and as of now I cannot say it is stabilized but it depends that going forward that how it happens but as of now it has not stabilized it is still up.

**Shirish Pardeshi:**

Okay the second observation is that what we understand the Q2 growth was largely driven by the economy emulsions assume that if the festive season pans out and there is a luxury premium segment which should come back and wedding season also will complement so

that means the margin what we have achieved there is a likely chance that the margin will move up because of the mixed change is that fair assumption.

**Anuj Jain:** In our case if you see as I said that within our mix the contribution of the premium actually has gone up and as I said that excluding the cement putty or growth is better so generally what happens is that when the market is subdued the growth is subdued that time we do not chase volume so much because it may add to the volume but not much to the value but when you see a better market growth then probably during that period that we would like to release some resources even for the volume driven product so to that an extent I think it gets balanced.

**Shirish Pardeshi:** Okay and the last question yesterday we heard one of the leading player said that the south there are problems maybe the rains are below normal so there are pains so in your understanding what is happening in south or I mean is the south not important to us.

**Anuj Jain:** No every market is important but obviously our market share is low in south or salience is lower in south. Generally south market gets picked up by the end of November or first week of December because December, January is supposed to be a good season time so we can only hope that by the season time I think south market picks up and it therefore gives some spur to the growth of the industry.

**Shirish Pardeshi:** Okay so if south comes back with the full sheen can industry expect a double-digit volume growth for second half.

**Anuj Jain:** Yes it is possible.

**Shirish Pardeshi:** Okay wonderful thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Abhijeet from Antique Stock Broking. Please go ahead.

**Abhijeet:** Hi Sir good morning, so my question was on what would be the differential growth between industrial paints and decorative for you because our overall growth has been about 2% so I just wanted to get an understanding of what would have been the growth broadly in decorative and broadly, if industrial has grown at a higher rate then decorative sales would have been more muted. I mean just the difference between the two growth rates.

**Anuj Jain:** So I think I said at the start the decorative growth is marginally negative and excluding putty it is kind of flattish while industrial it is a higher single digit towards double digit growth you can.



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- Abhijeet:** Okay got it so high single digit growth in industrial and with a 6% growth in production that we have seen in passenger vehicles that high single digit could still be sustainable right I mean in Q2, Q3.
- Anuj Jain:** Yes.
- Abhijeet:** Even at the current rate.
- Anuj Jain:** Yes.
- Abhijeet:** That sounds nice so only your decorative growth has to move up for you to do a high single digit to a double digit growth in sales cells going ahead.
- Anuj Jain:** Yes.
- Abhijeet:** Understood. Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.
- Tejash Shah:** Hi Anuj, hi Prashant for the opportunity. So when we entered the quarter the narrative or the expectation from the industry was that whenever there is an Adhik Maas and run up to the festive season is delayed we usually see good pickup in decorative paints but now when we are picking up commentary it seems that it did not turn out to be that way so is it that the underlying demand is actually much more weaker than what it appears on the number.
- Anuj Jain:** So you are right in terms of definitely the growth in the Q2 was lower than what industry has estimated and mainly if I break it up in urban and rural center I think the demand was tough in the rural market and rural segment also contribute good to the paint industry so in fact there has been some stress and the industry has been hoping to see uptick which so far we have not seen but based on some of the trend as I said it may not be across the country but some of the geographies we are hopeful that in this quarter mainly because of the good monsoons in some of the geographies we are hopeful to see that and if that happens then I think the overall demand of the industry will go up.
- Tejash Shah:** Sir the divergence between urban and rural is very stark or relatively rural is weaker and hence urban looks better or urban has actually definitely picked up in very stronger way.
- Anuj Jain:** Urban you can say picked up in the sense urban there is a normal demand and rural the demand has gone down. Rural contribution is good and therefore it is affecting the total demand.

**Tejash Shah:** Got it and the last one so you spoke upon competitive intensity and this question has been asked in many different ways in last four, five quarters but from your experience you would have seen the industry has actually kind of fought with many challenges in last two decades and then still survived in a very strong way incumbents in particular would you qualify the new competition in the same bucket as in the way what we would have faced in last 20 years or this time sheer size of balance sheet with which it is coming you will say that this time it could be different.

**Anuj Jain:** So I would say this time it could be different because of the reasons as you rightly said but the basic effects of the industry remain same that what is the kind of brand you have, what is the kind of network in terms of dealers or the influencers you have and what are the drivers of the growth which industry is ready with so I think those factors are there so whether it is a big size player or small size player I think there is no answer available overnight so obviously people can come in as I said that it is always good for the industry to have more number of player because it always is helpful, beneficial for the industry in the longer run so that is what I expect that there may be a more good things happening in the industry rather than the bad thing and therefore the industry will prosper further.

**Tejash Shah:** And Sir last one on that. I am just trying my luck here. I am asking the forecast only here is crystal gaze, can the competitive intensity have a very different regional flavor or a market structure flavor as it could be very high at mass end or premium end or it can have a very regional flavor also that it could be very high on west and south and not necessarily north and east, do you have any such forecast if you can give.

**Anuj Jain:** It is very difficult for us to make any comment on that sorry.

**Tejash Shah:** Got it Sir that is all from my side and seasons greetings to you and the team.

**Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential life insurance. Please go ahead.

**Keyur Pandya:** Thanks for the opportunity again. Just one bookkeeping question in the Q2 the kind of growth that we have seen in other expenses if you can just tell is it A&T or some other line item or there is one off since the absolute growth itself is very high so if you can give clarity, thank you.

**Prashant Pai:** So other expenses as I said we have as per our plan and we have been mentioning quarter and quarter that we will be increasing our ad spent. We have been doing that as per our plan and that is one of the reasons plus other expenses are more which is in line with the inflation.

- Keyur Pandya:** Okay thanks a lot. Thank you.
- Moderator:** The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher Private Limited. Please go ahead.
- Amnish Aggarwal:** Hi Anuj and Prashant I have just one question on the volume growth because I think couple of questions back also it was discussed that if we put say our total volumes in two buckets that is decorative and industrial then on the say industrial side while auto is doing well I would say powder coatings and all even durables are slightly tapered if you look at the overall sales of the industry and general industrial is I would say doing reasonably well so that is one bucket and the second is decorative which has not done that great so far maybe because of delayed festival season. Now if the automotive industry say grows by 5-6% say volumes and general industrial you can say powder coatings they might grow say in tandem then do you see a possibility that the decorative will have a momentum which will enable double digit growth rate for the industry in the second half of the year.
- Anuj Jain:** As we discussed that obviously if you see the breakup between industrial and decorative the mainly the double digit growth is missed because of the decorative part and because of this Diwali momentum followed by the good marriage season which is expected in the month of November, December we are hopeful that this growth will get into the area of double digit volume growth.
- Amnish Aggarwal:** In 4Q also.
- Anuj Jain:** Hopefully yes.
- Amnish Aggarwal:** Okay and this time around I think the pricing will remain negative if your product prices are not changed.
- Anuj Jain:** Generally the price change that when you are able to see stability because now in the market still the volatility is there and as I said that going forward there may be some upward movement of the raw material prices so one will have to wait for that when it gets stabilized.
- Amnish Aggarwal:** Okay that is useful, second bit is on you can say your putty, waterproofing and all the other you can say construction chemical segment you can say entered over the past two, three years so how are we trending over there any you can say idea which you can give us on market share or in terms of say distribution actually what is our movement and how we are progressing in those particular segments.

- Anuj Jain:** In water proofing, construction chemical areas specifically we have started doing better than the market in terms of the growth. Obviously our salience is lower because we started late but in terms of growth we have started doing better.
- Amnish Aggarwal:** Sir can you share with us that how much that could be part of decorative now.
- Anuj Jain:** Overall new businesses would be about 7 to 8% of the decorative now.
- Amnish Aggarwal:** Okay and that new businesses include all this,
- Anuj Jain:** Yes.
- Amnish Aggarwal:** Okay thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhijeet from Antique Stock Broking. Please go ahead.
- Abhijeet:** Thanks for the follow opportunity. My question was on everybody has been asking for about competition, the competitive environment to intensify and all but on ground you will be able to tell me that or not I do not know but on ground have your large dealers seen I mean as the competition approach them have you seen any competition trying to tap the for large dealers have you seen that.
- Anuj Jain:** There are discussions in the market people are meeting but I think it is a little early because see the competitions have already entered. There are companies who have entered in last one year one and half year. Obviously whatever business is happening it is happening but that has not impacted much the industry and when you talk about some of the new players who are going to come in, as of now obviously there is nothing, the product is not introduced or the packages have not been rolled out so I think it is little early to comment upon that.
- Abhijeet:** Understood thanks.
- Moderator:** Thank you. The next question is from the line of Atharva Bhutada from Purnartha. Please go ahead.
- Atharva Bhutada:** Sir I just had one question. I just wanted to understand if the rural demand is being impacted due to higher price increases that we have taken over the last four to five quarters.
- Anuj Jain:** Could be possible but parallely industry has come out with lot of products which are there in the economy range also and generally in that what we are seeing in many of the





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consumer industries there is a downgrading which is happening and so therefore there are products available which are at the price range so I think it is a matter of demand and to some extent I probably would agree with you that it is a downgrading so to that an extent it is a combination of both.

**Atharva Bhutada:** Okay Sir.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I will now like to hand the conference over to the management for closing comments.

**Anuj Jain:** Thank you everyone for your patient hearing and we really appreciate for your continued support and this is a good part of the year in fact when there are so many festivities that we are approaching towards. From my side and behalf of Kansai Nerolac Paints Limited I extend the best wishes, greetings for Diwali to all of you. Please enjoy with your family and thanks once again. We will catch up again after the next quarter. Interesting times ahead for the industry but I think the industry trends have remained bullish in the past and will remain bullish in the future also. Thanks for attending and best wishes for the season, thank you.

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