

10th February 2025

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

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

Dear Sir/Madam,

Sub: Group Investor Call Transcript

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the group investor call conducted by the company on 7th February 2025 regarding the standalone and consolidated financial results of the Company for the quarter and nine months ended 31st December 2024.

This has been uploaded on the Company website also and can be accessed through the link:
<https://akzonobel.co.in/investors.php#im>

Kindly take the aforesaid information on record.

Thanking you.

Yours truly,
For Akzo Nobel India Limited

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

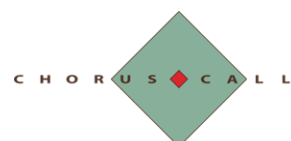
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AkzoNobel

“Akzo Nobel India Limited
Q3 FY '25 Earnings Conference Call”
February 07, 2025

AkzoNobel

 ICICI Securities



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

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

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of AkzoNobel Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

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

Aniruddha Joshi: Thanks, Yashasvi. On behalf of ICICI Securities, we welcome you all to Q3 FY '25 and 9 months results webinar of AkzoNobel India. We have with us today senior management represented by Mr. Rajiv Rajgopal, Chairman and Managing Director; Mr. R. Krishna, CFO and Whole Time Director; Mr. Rajiv L. Jha, Company Secretary and Compliance Officer.

Now I hand over to Mr. Rajiv Jha for initial regulatory comments. And then we will have comments from the management on the quarterly performance. Post that, we will open the question-and-answer session. Thanks, and over to you, Mr. Rajiv Jha.

Rajiv L. Jha: Okay. So good evening, everyone, to this Q3 investor call of AkzoNobel India. And before we start, we are having with us Mr. Rohit Totla, the Whole Time Director as well, who is representing the management team. Let me -- as per our process, let me start with the Safe Harbor statement, which is this presentation contains statements, which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements.

These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues and legislative, fiscal and other regulatory measures as well as significant market disruptions. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest Annual Report.

Also, the company has been making the required disclosures or clarification from time to time to BSE and NSE pertaining to AkzoNobel NV's, which is our parent promoter entity, media release and portfolio review with initial focus on Deco South Asia and the management would not be responding to any general and/or specific query in this regard in this investor call. However, the investors or public at large would be kept informed of any updates in this regard as per the listing regulations.

So I'm handing over the floor to Mr. Rajiv Rajgopal.

Rajiv Rajgopal: Thank you, Rajiv. Good evening to all the members who've joined, all our investors. First and foremost, thank you for joining us on a late Friday evening. What I thought -- our entire investor deck has already been uploaded in the afternoon on the website. So between me, Krishna, we are not going to be -- there's an echo, yes. So we are not going to be repeating or sort of running

through the deck, but I'll give you quickly some highlights, and we'll move straight into the Q&A.

We also will, I'm sure, over the next few weeks, months, have an opportunity to interact with many of you for various reasons. So what I thought is it's better we quickly keep this to largely the performance of the quarter. And if there are -- of course, there will be open questions, I'm happy to answer them.

First and foremost, as the top line for the quarter ended, as all of you have read, we've done an income of INR1,051 crores, which is about 2%. We believe that this is a strong performance given the sort of performances that the market and the industry would see otherwise. In the Paints business, we've had a very low -- almost touch base, a low single-digit growth in value. In volume, we registered growth. In the Coatings business, we've had a high single-digit growth in value, and we also had a mid-single digit growth in volume. So overall, volume is a very positive story. It's after many quarters that we are seeing a bit of a surge.

Remember that one of the challenges we've had in this quarter is that from a mix perspective, particularly in segments like putty, in decorative paints, we've not very aggressively participated given the prevailing market conditions and the discounts that are operating in that segment, yes. So that's the first part.

On the coatings vertical, all I would like to say is we've had very strong performances in the Marine & Protective and our powder coatings business. Our automotive and vehicle refinish obviously had a few challenges, more from a quarter point of view, but fundamentally, the business is strong with very sharp margins.

And we also had a bit of a challenge on the coil coating part of our industrial coating business, primarily because we've had large supplies to export markets where we had to take a bit of a correction, primarily because of certain economic challenges in a couple of those countries.

So that's all-in-all as far as revenue is concerned on the profit, as you've seen. At an EBIT level, we were flat and at a profit level, we were down 5%. One reason for that, of course, if you really look at it very closely, is also the income, primarily given the fact that we had given a special dividend during November last year.

As all of you know, AkzoNobel is celebrating 70 years in India. And as a result, we, as a management team with the approval of the Board decided to do it. So when you look at the income that is normally generated from the funds, the fixed rate funds, you can see a slight drop, which is the reason why there's a slight decline in PAT. But otherwise, we believe that the company is in great shape.

We believe that despite pretty adverse market conditions in our Paints business, we've been able to hold fort. We still believe that with the launches that are being done at the top end of the portfolio and a few launches in the waterproofing segment, which was done towards the end of the quarter, we believe that we've still got a right to win. And we, as a team, are completely focused on making sure that the business delivery continues to be strong, yes. So that's what I would like to say.

Let me now open it to Q&A. And what I would do is I would now pass it back to Yashasvi and to Aniruddha and open the floor for question and answers. Between me, Krishna and Rohit, we'll do our best to sort of address some of the concerns. And Rajiv has already been kind enough to read the Safe Harbor statement. So I'm sure that all of you would be understanding on the same. Yes. Thank you. Back to you, Yashasvi.

Moderator: We will now begin the question-and-answer session. We'll take the first question from Jayvansh Mehta from Care PMS.

Jayvansh Mehta: Sir, my first question was basically in the latest budget we saw that there has been a consumption boost. So how do we see the impact of that on the industry going forward?

Rajiv Rajgopal: I think first and foremost, we really thank the government. I think the consumption boost is a very welcome move. I think, frankly, it's something that in the industry, all the CEOs during the IPA had also -- were all together. We believe that this is going to give you a tailwind. First and foremost, the tax is effective from April. So to expect that the results of this quarter would start seeing a difference when the money is only going to come in April is something that we have to recognize.

Secondly, in my belief that it will take about a month or 2 for people to digest that they are seeing a delta income in their hands, right? And once that starts kicking in, in a month or 2, and remember that we are moving in the month of May and June to the holiday season, right? So you would start first seeing to me the key consumption sectors, which are essential pick up.

Remember, paints is discretionary. So we lag a bit in terms of it. But I believe that starting from the second half, we should start really seeing an uptick, which is what we had already plugged in. And we believe that the second half this year, with other things being equal, we'll see a very sharp rise.

This sector, if you look at the Paints and Coatings business over the last few quarters, when you look at the industry growth, including the growth of the new players, we believe that the GDP multiple, which used to hover around 1.5 to 2 had come down all the way to about a 0.6 to 0.8. You may argue even 0.9 or 1, right? We believe that this is slowly going to catch up. The catch-up is going to be a little slow because the monies are kicking in now.

Remember that there are 2 parts. There is a central government disbursement and a state government disbursement. We also have a few state elections. And as and when the state elections get complete by the end of the second half, we should start seeing a sharp uptick.

So to answer your question, welcome move, sharp uptick. We believe that we will be particularly on the real estate and infrastructure segments, seeing a sharp boost. And as a result, we are very confident that this is what is going to drive back double digit volume growth towards the second half for the Paints and Coatings businesses.

Jayvansh Mehta: Okay. That was a very detailed answer. And sir, my second question was on the line that we saw a decrease in the employee benefit expense in the latest quarter on a sequential basis as well as on a Y-o-Y basis. So would there be any explanation to that?

- Rajiv Rajgopal:** Krishna, would you like to?
- Krishna R.:** Jayvansh, what we normally do is that we do get the review of the employee provisions and get the actual valuations done in the December quarter. So that we drew up the cost lines there, which has resulted in the reduction in the cost. The underlying employment cost isolating the actual valuation impact on the reversals is intact. And that's a long and short answer for the question.
- Rajiv Rajgopal:** Jayvansh, that hopefully answered your question?
- Jayvansh Mehta:** Yes sir. And sir, just last question on -- can you just share on the thought process behind the restructuring that we are doing, obviously, not only specifics and all, but just a thought process that what -- that we have while doing the restructuring of the entity that we are currently going under.
- Rajiv Rajgopal:** Yes. So look, I don't know what you -- you're talking about the strategic review, when you say restructuring?
- Jayvansh Mehta:** No, sir, like the plans that we have at the Industrial Coatings business and R&D will be under the parent entity going forward, so...
- Rajiv Rajgopal:** Okay. Look, to be honest, these are very initial thoughts. These are not final. In the spirit of true disclosure, when the parent got in touch with us and said they wanted to carve out the powder coating business and the R&D business, the thought was to keep the 2 distinct businesses, liquid coatings and basically what the globe believes that they can continue -- if they continuously -- they own, they can see a higher value add, which is in the powder coating business, where there's a lot of R&D development, which is done centrally and the global -- what we call the International Research Center.
- What the International Research Center in Bangalore does, it does the color development for the automotive and specialty coatings. Remember that we also support McLaren Mercedes F1 and a lot of the color testing because these are very difficult conditions in which we have to paint a car is all done throughout, used -- Bangalore Lab is used as a test bed. So which is the reason why they have carved out.
- But again, to answer this question, this is a request which has come from the globe, and we've been upfront as in the spirit of true governance to immediately notify first to bring it to the Board, inform the Board and the Board has then asked to notify to the stock exchanges, which we've done. This doesn't mean that this is the first step.
- And obviously, this is undergoing various evaluations, and we'll come back to you as and when we believe that we are in a position to do it. The thought is very simple. The powder coatings business, globally, we are number 1 with a huge market share over the -- lead over the number 2 player, and that could be possibly the thought process behind it, at International Results Center, I've explained to you.
- Moderator:** We'll take a next question from Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi:

Sir, 2, 3 questions. One, we are doing extremely well on B2B side, and we have seen good favorable data in infra, power, mining, marine as well as real estate sector. So what are the key things that we have started doing differently or superior, which is leading to the higher momentum in Paints as well as Coatings? So that is one question.

Question number 2 is regarding Dulux Promise Freedom, the new latex paint we have introduced. So indicatively, how big is the market and what is the strategy over here? So whether it is, first of all, a pan-India launch or it's a trial launch at this stage or it is launched in any region specific? So how big is the product, etcetera? That is the second question.

And third question, now you have gained market share for 12 straight quarters in a row. So is the distributor model is really working or in a way, what is driving the market shares in the decorative side of the market as well? That's it from my side, three questions.

Rajiv Rajgopal:

Aniruddha, I'll do the first part, and I'll invite Rohit's thoughts on the second and third, but I'll obviously then end the answer once Rohit gives his thoughts, yes. So on the B2B business, look, I think on the paint side, the B2B business has been growing now for almost 2 years. We had a bit of a blip in between primarily when the elections happened because remember that a lot of the real estate investments, so we've got basically in the B2B business, repainting, we've got building and construction. We've got commercial properties and government, right?

And one of the largest drivers of the business, which is both government and commercial properties took a little bit of a dip in the last 6 months, that started slowly obviously inching back. And the real estate, as all of you've seen, you're seeing the numbers of all the players. We cater to the marquee builders. We're very fortunate that we've got a fantastic relationship with some of the key marquee builders, and they have been doing well. And hence, our share of the business has gone up.

Similarly, on the Coatings side, our B2B in both -- if you look at -- you talked of Marine, we are delighted that we got an opportunity to paint the 3 ships, Surat and the other 2 recently. Similarly, we -- as you know, we've done INS Vikrant. And based on the work that we've done, we've got a lot more from the Indian Navy. We also do a little bit on coastal, not just the Navy side in terms of dry docks. And that business has seen a bit of an upsurge.

We've also -- on the protective side, we've obviously enhanced. The team has done a brilliant job, not just on the relationship management, but also on certain products, which have come in, which are slightly improved versions of antifouling on Marine, on lining and on fireproofing, right? So these are some of the things that the team has done, and they obviously have cracked a lot of accounts, including certain high-growth areas like data centers, etcetera, which I've alluded to in the last quarter, yes.

So all-in-all, I would say that, look, the overall -- and it's something that you're seeing across -- consistently across when you look at the building material players, the B2B part of the business still is fairly robust. It's seen a good support. And obviously, we've had a little bit of headwind during the election time, general election and months till the Maharashtra elections were over. But now we believe that the key markets are slowly coming back, and we have got every reason

to believe going forward. And if I were to look at, for example, January as an indicator, we've a good start, right? So I believe that that B2B businesses are doing well.

On the B2C side, just before I hand it over to Rohit, of course, we've had a bit of challenges. But we've made terrific progress on distribution. As all of you know, we've got now -- we are the only player perhaps which has launched the distributor model way back in 2013, '14, and we've got about 160-odd distributors with almost about 90% of them being with more than 10 years with us. It's a deep relationship that we've built. Rohit and team have then taken forward to hub and spoke where we decided to go into the next set of towns. And now I invite Rohit to walk you through why we are getting share gain in the decorative side of retail and also the latest latex paint launch.

Rohit, over to you. Aniruddha, you can hear him?

Rohit Totla:

So let me start with your question on the latex paint, which is Freedom. Basically, it was again a test of concept, which we typically started doing that in Uttar Pradesh and Rajasthan. And your question number 2 and number 3 answers are the same because our distribution is expanding, and we are moving into lower pop-strata towns as well as into -- we are increasing our reach.

Typically, Dulux was considered as a premium player, but we are now offering across the spectrum all the products and with the best-in-class quality. And this is where to really ride on our distribution wave, what we have launched is this concept. We are testing this concept as of now in last 2 months in Rajasthan and Uttar Pradesh. And depending on the outcome, we will expand pan India.

On the retail side of the business, what we are doing a lot of activity on digitization and automation to give a better customer service and a flurry of product launches across the categories, including the waterproofing and the innovation of our product portfolio, which is typically helping us in reestablishing our presence and reinforcing our quality promises in the market.

Rajiv Rajgopal:

Yes. So just to add to Rohit and Aniruddha, just to summarize, 2 things. Latex paint, obviously, we are not the first in the industry, but we believe that we've got a proposition using the brand Freedom to really exploit the market. We are testing it for 3 months. We are looking at it because the market adoption for some of the other industry players was not very sharp.

So we've sharpened it a bit with a bit of R&D work on it, and we are testing to see what is the adoption. Initial early stages, sure, it's doing reasonably okay. But obviously, we've got a very ambitious plan. So let's see how it progresses and we'll keep you updated. Distribution, as Rohit said, look, the idea was that -- our challenge when I came in 2013 to now, and if I look at even from 2009 when Akzo acquired ICI, there were a lot of fixes that we had to do. We had to first get the quality mojo back. And it took us a long while because of the challenges during the transition from ICI to Akzo.

And really, the focus was really how can the market tell us and not we tell the market that we are the best in class. If you look at it, the needle really changed in the last 3 years, post COVID, in particular. And we launched the Dulux Promise, Dulux Assurance program, right, where we

said we are willing to give a guaranteed money back offer on this coverage, quality and consistency.

And with that, we started seeing a sharp uptick across our premium brands because obviously, it gave a vote of confidence on the brand. We plan -- you will see a very short 2.0 happening in the next few months on this particular program. And to build that, we had to launch the entire assortment, which is what Rohit and the team have been working very hard along with the marketing team, right?

And we believe that, look, our challenge was that we never had the assortment, so which is the reason why we entered segments like putty and mass. Our purpose of playing in mass is to make sure that we get the rightful share gain in premium. A 15%, 16% market share in premium is not enough. We want to -- we are ambitious. We want to drive -- dial it more. But to do that, you have to now be present in the smaller towns where premium is consumed, right?

And obviously, when we guys travel, we see a lot of premium consumption in smaller towns. So the idea was to build a portfolio, do it. And that's the logic with which we have launched some of these categories, including Promise SmartChoice, which has done brilliantly for us. And really changed the game.

And to answer your question, yes, I mean, the fruit of that labor is the fact that we've been able to clock market share gain. We had done an external survey and the external survey has also come back to us quite recently, validating the market share gains. I want to be also with all humility say that this is not happening across India. There are about 7 states which are leading it. There are a few other states where we still need to drive it further. And that's work in progress, and we will keep you updated as we move forward. Aniruddha, hopefully, that's answered your question.

Moderator: We'll take the next question from Lakshminarayanan Ganapathi from Tunga Investments.

Lakshminarayanan G: Sir, my question is related to -- there has been for the last 90 days or so, there have been enough media as well as company communications saying that your business would be restructured, right? Now my question is that how is the employee morale and the distribution morale because it puts in kind of uncertainty and how as a company you are actually handling it. Are you able to rope in new distributors...?

Rajiv Rajgopal: So first and foremost, look, I think, I would like to state, and I think we've put a clarification as and when required when we really think it's material. Look, market rumors will continue. This is a part of life.

We have been very upfront to our employees, and we've said that these rumors will come. I was in the market in Kolkata 3 months ago when one name of one player came, then 3 weeks ago, I was in a different market, another player.

So dealers also understand when you tell them that, look, now you're telling us so many names, you guys decided to come back, they all laughed. So look, I'll tell you, Lakshmi, what we are doing, okay? We have a regular weekly, monthly, at least twice or thrice catch-up with all

employees. My spirit is to tell the employees that you will be the first to know. And if any material conversation happens, we follow protocols, right?

So I've requested our parent that if there is material information, given my role as Chairman and Managing Director, anything that's told to me has to be informed to the Board, stock exchanges. And as soon as we put on the stock exchanges, we inform -- we immediately similarly, at the same time, have call with the employees with maybe a 5-, 10-minute lag to make sure there is no issue, right? And we have honest conversations.

The leadership has been traveling to most of the markets, have been traveling across to locations, speaking to employees, the functional leaders are also reaching out. I believe that there was a lot of anxiety in the first 3, 4 weeks, but now everything has died down, right? People realize that the outcome may or may not also happen, yes. They also realize that, look, because remember that the market cap in India has slightly fallen. And finally, it's up to the parent to decide what is the value they see, etcetera. And our job has been to keep the business focused, and you're seeing it in the results.

The other yardstick I look at is look at the attrition. I mean, normally, when these announcements happen, you have a lot of resignations of the top team. We've had 0 attrition at key managerial level. Yes, our attrition in the front line continues to be the same as that was there even 12 months or even 24 months preceding the announcement, right? So nothing has changed. We've got strong programs, which are to keep all of us focused on the business. We love this company. We love this brand. You've seen it on the website. I love Dulux is something that's not just a logo, it's something that's deeply embedded in us.

And I think if and when a material information is available, Lakshmi, we will be the first to inform you. As far as the dealers are concerned, similarly, we -- fortunately, this -- the dealer community, we -- Rohit has spent 15 years, I've spent 12 years in the company. People know us by name. We know families of our more than top 2,500, maybe 5,000 dealers by name, right? And hopefully, another 8,000 with a little bit of a nudge, right? But the reality is that initially, there was a lot of fear, I'm saying that what will happen. But I think over a period of time, now people have realized that, look, this is a strong brand.

What is the purpose of doing this strategic review? The purpose of the strategic review, if you look at what Greg said, our global CEO, is to take AkzoNobel India to the winning position for various reasons, right? The globe believes that given the global assortment and portfolio, the ability to invest now with the sort of competition you're seeing in India perhaps needs a little bit of a local hand, right? And that's what we are trying to do. Can we combine forces and that's -- there are various options, which are still in discussion and thought, to say, can we combine hands to try and move this brand to a winning position, right? It will take a lot of humility to also -it's a brand that I have now managed for 10 years. I can tell you, it's a brand that is very infectious.

For consumers, 90% of our consumers who have used our brand, and there's again a study on that to prove it, have come back to use the brand, right? So the challenge is to get more and more people to use it. That is the reason we are playing in now a larger sense in the last 5 years on portfolio. But we are very clear that we are very disciplined in the way we execute.

We do not give things free. We do not drop pricing. And hence, while people are adopting different practices, and I'm fine with that because we've seen that in different industries, we believe in this industry, running things in a very mature manner, as we've also seen from some of the new players is very important and a critical success factor for the future.

Lakshminarayanan G: Got it. I think in terms of new recruitment and -- I mean taking -- empaneling, getting more distributors, is it business as usual on those 2 fronts?

Rajiv Rajgopal: So distributors, Rohit, you want to answer?

Rohit Totla: Let me put it this way. Rajiv has already alluded that most of our distributors have played a long journey with us and that's the testimony of a transparent relationship, which we share with them. Still close to 5% of our distributor, we keep on changing during the journey. And because these distributors who are there for a long time with us, they only give the references to us saying that this is the good guy. And most of the time, the references are coming from the market rather than we going in and actively looking out for any distributor. So that's where the beauty of entire relationship lies.

Rajiv Rajgopal: And also same for employees. So what happened is, of course, we've had -- so let me put some numbers there. If I take a number of, say, 10 of the number of new recruits during the first 2, 3 months because of the announcement, we had almost 50% dropouts, right, Rohit, in a very transparent manner, right? But what has happened is in the last 3 months, that has dropped to about 10% because we are now going upfront telling people that there is a strategic review. This is a thing. We are giving the stories of people who've grown in this company.

We've had a huge amount of success stories, sales officers who have grown up to regional manager and even beyond, ASMs who've gone right up to it. So you don't get that in many companies where people have come in, and had great exposures, have been able to grow very well. And hence, with complete transparency, we are now getting in a lot more people coming in. Yes. So we don't see that. It was a challenge, Lakshmi, to be very honest with you in the first 3, 4 months.

And we were a bit concerned on, but I think between our HR, business teams and all of us, we've put our heads together, and we believe now things will start normalizing and people realize that this is a good company, good brand. And I'm sure if and when if the global parent were to pursue an option, it will also go into good hands. We are very confident of that.

Lakshminarayanan G: Got it. Because I think if I look at the last 8 or maybe even more quarters under your leadership, the company has been very, very stable and consistent and has been really among the top performers in the industry. So the question as an investor was to ensure that there is no disturbance on the 2 important stakeholders other than investors, be it employees as well as your distributors are undisturbed. I think thanks for the reassurance.

And second question is that if I look at your overall business in the last 9 months and compared to the previous year 9 months, what has been the growth across home decor and decor B2B and the industrials. I understand that industrials is around 35% of the business and 10% is B2B decor

and the balance is home decor. In these segments, what has been the performance in terms of volume or value? Some kind of a directional view would be helpful.

Rajiv Rajgopal: Yes. So I'll give you value because anyway value this year got corrected down by about 4% even despite a couple of price increases, it got negated with the discounts which are currently running in the market. So look, I think, the B2B part of the decorative business is still high single digits.

The retail business because of a strong performance in the first 6 months is at a flat to single -- low single-digit growth. But yes, obviously, we've had a tepid last quarter and maybe last 4 months. But if you -- again, if I were to look at January, things are slowly coming back. The B2B part is double digit. Hopefully, that answers the question.

Lakshminarayanan G: Got it. And last question, there has been a price thing that happened, I think, Q3 of last year or maybe Q4. And I think there will be -- I mean, you will have a base effect playing out, right? But when do you expect that to happen, whether it will be happening from Q4 or Q1?

Rajiv Rajgopal: So look, the base effect -- the price drop happened in December and January, and there was a slight price increase in the months of July and August. But again, January this year, there has been a slight margin -- price drop. Rohit, do you want to just add to it?

Rohit Totla: Yes. Last year, there were 2 price drops. One happened in November '23. Second happened in January '24. In July, August, we took a price increase and in last year, which is December and January of '24 and '25, we again took a small price drop. But what your question is, base effect will start from January.

Lakshminarayanan G: Got it. So you took a price drop or increase in December '24?

Rohit Totla: In December '24 and January '25, we took some price correction in one of our categories, especially to do with the mass market. And that's where...

Lakshminarayanan G: So index to last November '23 before the price corrections till now, if you index to 100, what would have been an aggregate price correction?

Rohit Totla: So right now, if I take out the base effect of it, we will be positive by close to 1.2%. If you take out the November '23, January '24 and all put together.

Lakshminarayanan G: Sorry, November '23, before the correction, it was 100 and now we are 1.2%...

Rohit Totla: It is 1.2%.

Lakshminarayanan G: Minus 1.2%?

Rohit Totla: It is actually minus 1.2%, correct, yes.

Moderator: Next question is from the line of Santosh Keshri from SKK Huf.

Santosh Keshri: Okay. So I have a couple of questions. One is in the commentary just now you said that we are expanding on B2C front and a lot of action is happening with the distributor with the retail chains

also. So my question is that despite all this, we are not seeing any rise in expense. So how is it that we are able to do it so cost effectively? Or we can expect some cost enhancement in the next few quarters? The costs are yet to come within the profit and loss account.

Krishna R.: The cost of distribution expansion is part of the gross to net in the revenue line, which is a variablized model. So hence, it will not be below the cost lines. Hope this clarifies.

Santosh Keshri: No, sir, my question is that compared to the last year, we are not seeing any increase in the other expense line. Like for the 9 months, you can see that the other expense is INR 597 crores vis-à-vis INR 594 crores in the last year's 9 months. So how is it that we are able to manage without much of cost range?

Krishna R.: Okay. So there are 2 areas where we are absolutely focused is that our cost development is confined to the revenue under both initiatives. And we are absolutely critically evaluating and in the process or we are reviewing the cost lines very closely wherever discretionary spend. So it's re-channelizing the cost base to protecting the profitability and enhancing the growth.

Rajiv Rajgopal: Also, what we've done, just to add to what Krishna said, we've looked at various things both from a supply chain perspective about 1.5 years ago to relook at the entire supply chain, which is one of the largest cost areas. We've also looked at productivity of our teams, which Rohit and team are effectively driving and put in certain stronger metrics to make sure that we are able to improve productivity. So our goal has been to say that how can less be -- less is more, right? And how do we really drive it.

We've also relooked at our structures. When I came in, remember that we had -- that was the first time when we really wanted to look at key account management, etcetera, with maturity of channels. Some of these roles have got embedded within the existing structures itself. So we've looked at various productivity and cost control measures, which the team has done very well. But like Krishna said, on the distributor side, it's a variable part. It's a part of the gross to net, yes.

Santosh Keshri: Okay. Great. That's -- and my second question is about the demand situation that you had in the last quarter, the quarter that just ended because we are seeing a lot of commentaries from other paint companies, the demand is not good, the consumption situation is not so healthy and some have almost sounded disappointment. So what is your take on the demand situation.

Rajiv Rajgopal: So my view is, look, if you -- look, I think we've got to look at it from a long-term perspective. From a 5 to 10 years, we used to say that the paint growth -- industry growth, when I say paints, paints and coating industry growth will be about 1.2 to 1.5x GDP from that lens, okay? So it depends on which lens you're looking at from. From that lens, yes, it is disappointing because even with this growth, it's barely coming to about 1x GDP, right? So from that lens, I would say, yes, there's still a bit of catch-up and demand has been. But let me tell you, this has to be addressed in all granularity.

We are seeing a very sharp uptick in our premium segments, and we've still seen -- which is the reason which is reflected in our contribution margins. We've seen that, look, there's been a good uptick in our premium segment. Our challenge has been in the mass economy segments. And of

course, in adjacent, particularly waterproofing, we've been doing very well, right? Now again, India is not one homogeneous market. It's a country, which is very different. Even within a state, it is different.

So our performances of different geographies have been different. If I were to look at last year, we had some challenges in one of our largest or highest market share regions, which was East, which got fixed other than one state. which is Manipur, which where we still have a bit of a challenge. You'd be surprised that we are very -- our contribution is fairly large from the region.

And then what we've then seen is a few challenges in a couple of the southern states where we've had historically high competitive pressures. But there, again, the competitive pressures seem to be weak. So in states like Tamil Nadu and even more recently in Kerala, we've started coming back. But we also see a lot of challenges in states like particularly Telangana and Andhra, etcetera, where we believe that we are on the cusp of doing -- we are resetting the organization.

And to answer the question that you earlier asked, yes, you will see some costs going up because we are going to put some investments on people and on technology -- in some -- technology across the country and people in some of these states to drive slightly higher growth. So when you break it through a lens of looking at it at a granularity of geography, there are challenges, and we need to address them. It's not a one-size-fits all strategy.

We believe that the demand will start coming back. Look, I think I don't want to talk too much of January but it's been encouraging. But suffice to say, we've seen it in the past that the first month is good. Unless you see 2 months in a row, we can't really comment. Yes, but I do believe that I think the bottom of the table has played out. We believe that, look, with now the right announcements coming in, we believe that, look, in the coming months, we should start seeing strong upticks.

First move towards a mid-single-digit growth and then towards a double-digit growth back. And I think it will take about 4 to 6 months for it to completely pay out because as I told you, the tax regime is effective from April. So you'll start seeing some of the money circulation slowly coming in and first going to essentials and then to discretionary.

Santosh Keshri:

Yes. So sir, are you seeing the competitive intensity from the new players particularly or...

Rajiv Rajgopal:

Yes, competitive intensity, look, has been happening in this industry. In 2013, we were 4 players. Today, when we were presenting to the Board, Rohit alluded to this. So I remember distinctly his slide. Then we had 7 players by 2015. Now we've got almost 14 players in the industry. So competitive intensity will be there. Some of us have seen it in different industries when we worked many years in the past. So it's something that we have to live with. Look, I think it's good because that also reaffirms the strength of what you do and enables you to put stronger actions in place.

Moderator:

We'll take our next question from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi:

Just one question. Waterproofing, we have been doing extremely well. And we have seen one more launch even in this quarter also with almost 8-year warranty. Again, it seems to be a pretty

differentiated product considering it can be used on vertical as well as horizontal wall surfaces also. So if you can share more details about this brand. And lastly, whether waterproofing will be in high single digit as far as revenue breakup is concerned?

Rajiv Rajgopal:

Rohit?

Rohit Totla:

Thanks, Aniruddha, for the question. Yes, we are consistently growing and product innovation and execution in the market were the key highlights for our continuous development in integral waterproofing. This 2-in-1 product is again a unique offering from Dulux where -- why we say 2-in-1 because not only on the dead walls, which we say vertical walls, but on horizontal surfaces also, it will work.

And that's why unique and also hardly any product come at this price point. And that's why we are very, very gung ho about this product. And the initial launch wherever we have that, shown great encouraging results about it. We are doing decently well in waterproofing segment. Volumes are growing double-digit plus.

Rajiv Rajgopal:

So the answer is we are growing high double digit in waterproofing. And I think the team has done an excellent job and we've got plans. We will increase that portfolio in the coming few months also.

Aniruddha Joshi:

Okay. Sure, sir. Understood. That's very helpful and encouraging. This was the last question. Now I thank the entire management of AkzoNobel for participating in the investor webinar. And I will hand over the call back to Mr. Rajiv Rajgopal for his closing comments. Over to you, sir.

Rajiv Rajgopal:

Thank you, Aniruddha. First and foremost, once again, thank you to all of you for taking time on a Friday evening and joining our call. We are really thankful for your support, encouragement and for all the questions that you have, please do feel free to be connected. If any of you have any reach out, please do reach out for any questions to our Company Secretary and Compliance Officer, Mr. Rajiv Jha, and we will be happy to answer your questions.

As and when we have any updates on the strategic review, as you always know, we've done, we would be the first to inform first the Board, the stock exchange, our employees and each one of you, right? So you can rest be assured the idea is very simple. How do we really take Dulux to a position. We believe that the brand has got the inherent strength. I have seen it with my eyes. I have great belief in the power of this brand, and our endeavor is to take it to the next level. And we are sure that we will continue to do strong growth. And thank you all for all your support. We stay connected. Thank you so much. Good luck.

Moderator:

Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now exit the meeting.

Rajiv Rajgopal:

Thank you very much.