



Asian Paints Limited

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APL/SEC/32/2024-25/22

22nd July 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Security Code: 500820

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
Symbol: ASIANPAINT

Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Investor Conference

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference held on Wednesday, 17th July 2024, with regard to the business and financial performance of the Company for the quarter ended 30th June 2024.

The transcript has also been uploaded on the Company's website and can be accessed through the following link:

[Investor Conference – Transcript](#)

You are requested to take the above information on record.

Thanking you,

Yours truly,

For **ASIAN PAINTS LIMITED**

R J JEYAMURUGAN
CFO & COMPANY SECRETARY

Encl.: As above

ASIAN PAINTS

Q1 FY2025 Earnings Conference Call

Date: July 17, 2024



Management: *Mr. Amit Syngle* : MD & CEO
 Mr. R.J. Jeyamurugan : CFO & Company Secretary
 Mr. Parag Rane : AVP - Finance
 Ms. Sunila Martis : Head – Investor Relations

Disclaimer: This is a memorandum of the proceedings of the Investor Conference Call of Asian Paints Limited held on Wednesday 17th July 2024 at 4:00 pm with regards to the financial results of the Company for the First Quarter ended 30th June, 2024. While we have made our best attempt to prepare a verbatim transcript of the proceedings of the meeting, this document has been edited for readability purposes and may not be a word-to-word reproduction.

Sunila Martis:

Good evening all of you and thanks so much for joining us today to discuss Asian Paints Q1-FY25 earnings. I am Sunila Martis from Investor Relations, and I am happy to welcome all of you here today. Today we have with us from the management team - Mr. Amit Syngle, MD & CEO; Mr. R.J. Jeyamurugan, CFO and Company Secretary, Mr. Parag Rane, AVP - Finance.

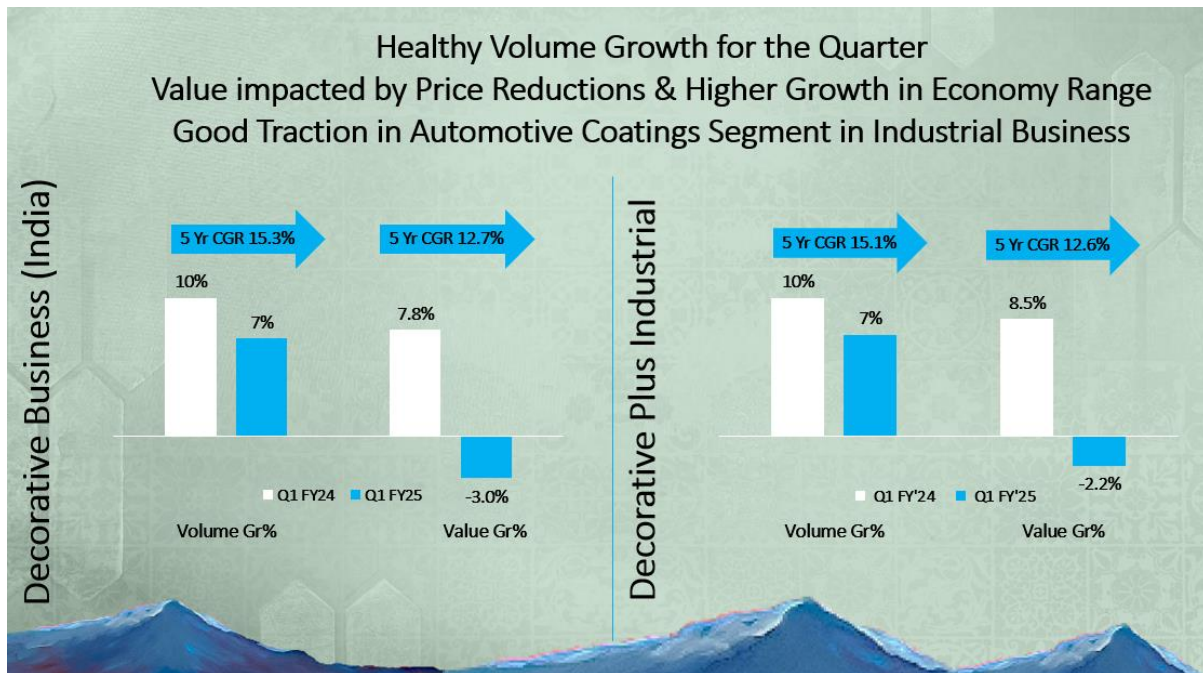
I would now like to invite Amit to give us his opening comments.

Amit Syngle:

Hello. Good evening to everyone and welcome to the Investor Conference for Q1-FY25.



We will start with our whole journey of 'delivering joy since 1942' and I think all of you are now familiar with it. This is the core of why we exist, which is to 'beautify, preserve, transform all spaces and objects, and bringing joy and happiness to the world!'. What you see are some of the newer initiatives in terms of what we have done in all the spaces, whether it is Decorative, whether it is from the point of view of Home Decor or it is from the Industrial business.

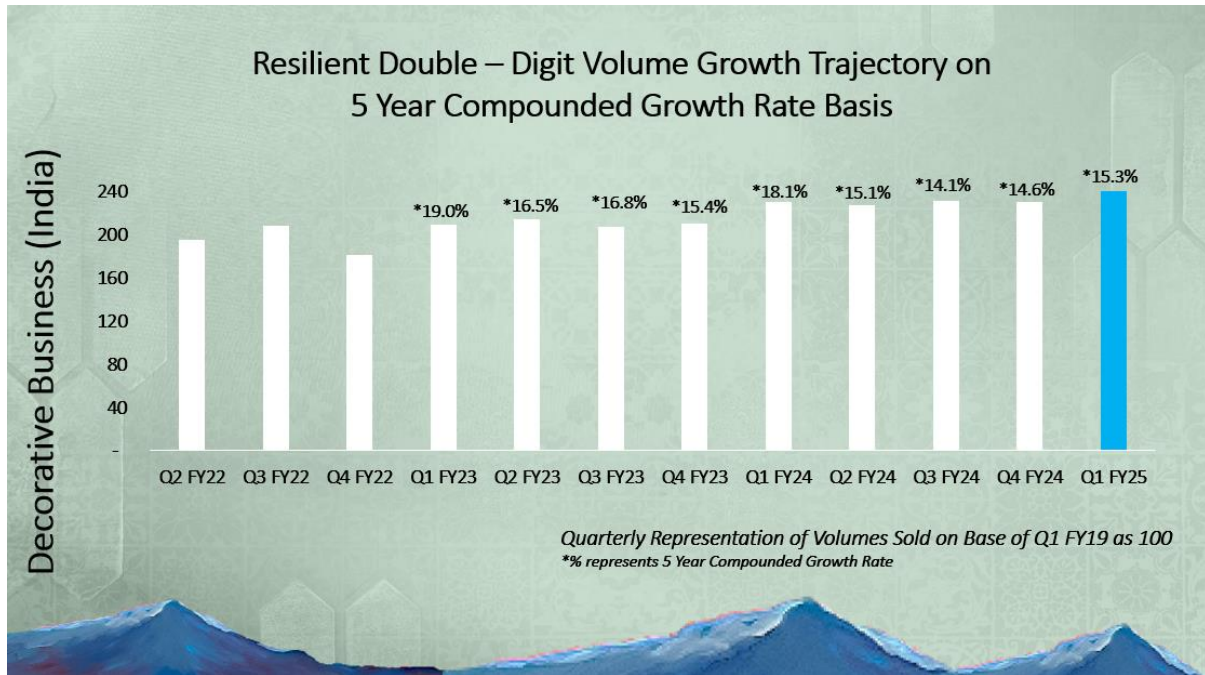


Let's start with the overall top line numbers. The quarter has been tough and overall, I think the demand conditions have been fairly challenging because of a host of reasons. So, the volume growth has been still fairly healthy. We were gunning for double digit volume, we have landed at about 7%, which is still healthy over a big base of 10%, we reported in Q1-FY24. The heartening thing which we see is the CAGR volume numbers are still very strong, even if you look over a five-year perspective at about 15.3%.

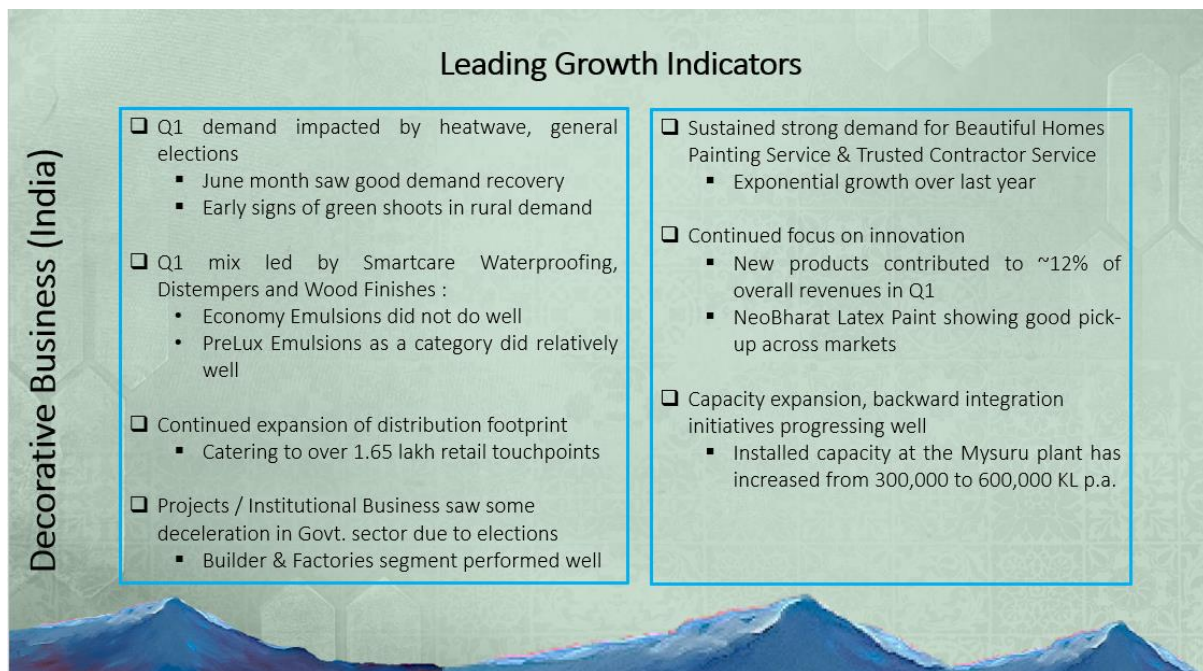
Overall, we see the value growth has been under real pressure at about -3% as compared to 7.8% in Q1-FY24. So obviously I think value has experienced the pressure as we have said, 2-3 areas coming very strongly which have been impacted. One is the fact that the product mix was a little inferior. Second, we had also inflation in the market and given the demand conditions, I think value was something which has been on the lower side as we see it.

If we look at the Industrial growth, the Industrial growth has been much better in terms of what we see on the backdrop of good auto sales. In terms of even some level of sales, which have been seen in the overall Industrial sector.

So, if you look at the combined growth of Decorative plus Industrial, the value degrowth comes to about 2.2% compared to growth of 8.5% in Q1-FY24. The volume is at 7% as compared to 10% in Q1-FY24. In both these cases also, if you see the CAGR levels are pretty healthy when we see with the industrial sales as well.



Going further, I think this is a slide which you are familiar with, and we have been talking about this. Volume growth is something which the company has been relentlessly following, and that has been the story for the last many quarters in terms of what we have delivered. So, the CAGR is still very good in terms of what we are looking at, about 15.3% over a five-year period. This quarter volume has been a little lower, at about 7% as I said.



As we look at further growth indicators in terms of what have come in. So overall, as we said, it was impacted by the heatwave and to some extent by the general elections, where we see especially both the retail as well as the Institutional business getting affected.

April and May were not very good months in terms of what we saw. There was recovery in the month of June which we saw post the elections. This was also a quarter where we saw some shoots of recovery in the rural demand also. In fact, we saw that the T3-T4 cities were growing at a slightly higher pace as compared to the T1-T2 cities in this quarter. So, I think that's a good sign in terms of what we see for going into the future.

Q1 mix was impacted overall, where we had higher growth coming from Smartcare, which is our waterproofing range, the whole area of Distempers and Wood Finishes. So, I think these were the general product categories where we did well. Economy Emulsions did not do well and that is where we struggled to get the numbers. Prelux, as a category did relatively much better in terms of what we saw, which is a good sign because there has been a clear focus on this category, and this has done well.

When we look at the distribution footprint, this continues to expand. Now we are at about 1.65 lakh retail touchpoints. The Projects institutional business saw a bit of deceleration

in terms of the overall numbers because, I think due to the whole general elections. I think the market was a little bit slow and especially when we saw the infrastructure sector was definitely on a slower side. But overall, we relatively still did well. And I think the B2B sector has done much better as compared to the retail sector in terms of the overall analysis.

From the point of view of all our Home Decor initiatives, that is something which has done well. Particularly when we come to the Beautiful Homes Painting Service, which is a service which has been going very strong. It has two constituents, which are the Beautiful Homes Painting Service and the Trusted Contractor Service, both have done very well. The parameters on NPS and the overall growth have been very strong and this quarter also the performance has been good.

From an innovation point of view, the new products continued to contribute to about 12% of our top line and that is something which has done well. We spoke about in the last meet, one of our newer launches, NeoBharat Latex paint, which has been launched at the bottom of the pyramid level, to kind of really upgrade the unorganized distemper consumer into organized kind of brand, has done extremely well. We are very happy that we have been able to widen the moat and increase the overall potential in terms of what we have access to the entire bottom of the pyramid now with this product coming in. So, it has really kind of given us a very good kick in this quarter as we have seen. Now we have products in Interiors as well as Exteriors under NeoBharat.

Capacity expansion has been the other bit in terms of what we have been doing. Last time I told you that we have done brownfield expansions in terms of our existing plants, which is Kasna, Khandala and Ankleshwar. Now, we have increased the installed capacity of Mysuru from 300,000 KL to 600,000 KL, which overall takes the capacity to about 2200,000 KL at the organization level. So, I think this is a very big boost in terms of what we have in the overall capacity coming for us, which is available from the point of view of growth.

NeoBharat - Nurturing Aspirations of Progressive Bharat



Har Ghar Khelega, Har Ghar Khilega | Colours of Progress

- ❑ Penetrating the unorganized space and 'bottom of the pyramid' segment with a branded solution which is smart, affordable & accessible to consumers
- ❑ Launched in both – Interior & Exterior application; Seeing strong traction across all markets

So, these are some of the indicators I spoke about the NeoBharat, which has done extremely well with our new brand ambassador Virat, I think, it's got a fillip. We have spent a good amount of money in terms of promoting this on various media channels. This has given us a very strong surge in creating a new avenue of growth from the point of view of the bottom of the pyramid, as I said earlier.

"Parivaar AP Ka" A Series Showcasing our relationships with our Dealer Partners

Dehradun, Uttarakhand
One of the 1st dealers to embrace the Colour World concept by us

Kanpur, Uttar Pradesh
Industry stalwart & valuable contributor to our growth

Bengaluru, Karnataka
Four-decade long partnership solidified with one of our 1st BH stores

Kochi, Kerala
Proud member of our family since 1977, set to evolve the partnership for the next 50 alongside his son

Kanpur, Uttar Pradesh
Set to celebrate 50 glorious years of dealership with us

We have also been running a lot of videos which basically showcase the relationship of Asian Paints with our dealer partners. This is an important initiative because it kind of reinforces the overall years and decades of relationship with Asian Paints. We have now been working with almost the third generation of people and that shows their trust in Asian Paints as a brand. And that is something which is amplified by some of these videos which have come up in terms of looking at showcasing this entire relationship.



We have also launched something for our wood finishes what is called the Woodtech Emporio, which is premium, almost a luxury brand and we are looking at facilitating architects very strongly in terms of how we kind of really bring esthetics in the brand and so on and so forth. This is our absolutely premium luxe kind of initiative, which really gives everyone an idea of what this product category is capable of creating as part of the whole digital series, which has come in.



The whole Home Decor foray has been extremely strong, and this is something which we have been pursuing and we've been speaking about, for the last about 4 years. We are happy to report that these overall categories have done very well. We are, as I said last time as well, Number One integrated Home Decor player, Number One in various categories including decorative lighting. It is also from the point of view of modular kitchens, wall coverings and textures, and also the fact that, we are now Number Two in the Fabrics and the Furnishing zones as well and our collaborations with lots of brands continue, whether it is Sabyasachi, Jaipur Rugs, Sarita Handa, and this is something which is a strong source which is kind of taking the Asian Paints' equity and also our partnership with our retailers forward in a very strong way. We are putting up Beautiful Home Stores across the country. Now we have more than 61 stores and a lot of them are WIP which are coming in the next quarter. So, I think strong performance at these stores also, which have grown in a very big way.



2024 Collection of Fabrics & Wallcoverings



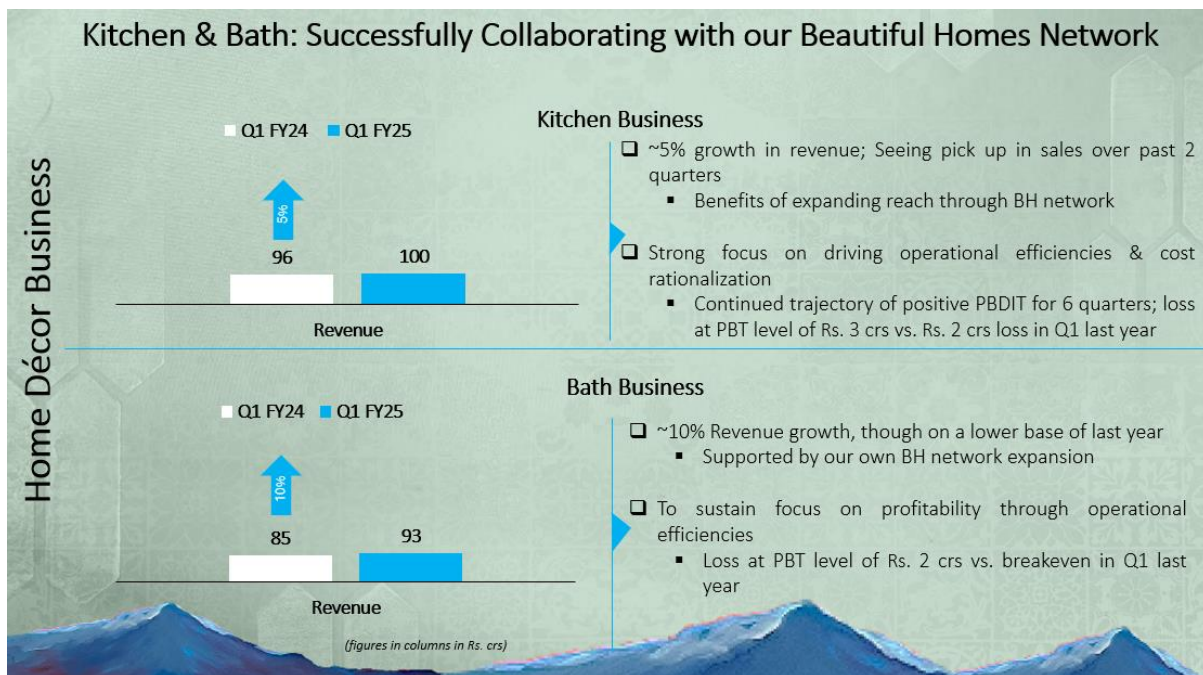
Our collections, as I said, are all in the Premium to Luxury ranges. What you are seeing is the 'Paris Calcutta' Collection from Sabyasachi along with that we have launched collections in fabrics as well as wallpapers. This is moving very well and the response from the market has been great in terms of what we are able to do. This kind of puts the brand into the luxury space in a very strong manner.

Beautiful Homes Studio – the Next Frontier of our Home Décor Journey



2nd BH Studio launched in Guwahati, Spanning over 16,000 square feet

This is another thing which wanted to introduce to you. We have opened our second BH studio in Guwahati. The first one is in Anand Nagar in Chennai. This one is more than 16,000 square feet. It is a store which is definitely par excellence. It gives the customer a phygital journey into the store with all premium to high end, kind of decor products including lighting, fabric, wallpaper, furniture, very strongly done and it's something which is really a masterpiece. So, I think these are strong forays which are happening in Home Decor as we look at it.



The modular Kitchen business has picked up finally and we've got a 5% growth in terms of the overall numbers. We have had a positive PBDIT for the last six quarters and that is something which is strong, in terms of what we have been pursuing here. Even the Bath business, which was down for the last 2 - 3 quarters has got a 10% revenue upshift and both the Kitchen and Bath business are getting very well supported by our Beautiful Homes network. In the Bath business, we had a bit of a loss, but I think this is part of the growth journey, we will definitely see the bottom lines also picking up as we are seeing the top lines now coming in terms of this overall category.

White Teak & Weatherseal – Reaping Benefit from Network Synergies

Home Décor Business

White Teak (Offering Decorative & Designer Lights)

- Net Sales of Rs. 30 crs in Q1 with 14% growth

Weatherseal (uPVC Windows and Doors)

- Net Sales of Rs. 12 crs in Q1 with 18% growth

Growth from extended product offerings, expanded reach and synergies with our Beautiful Homes Network

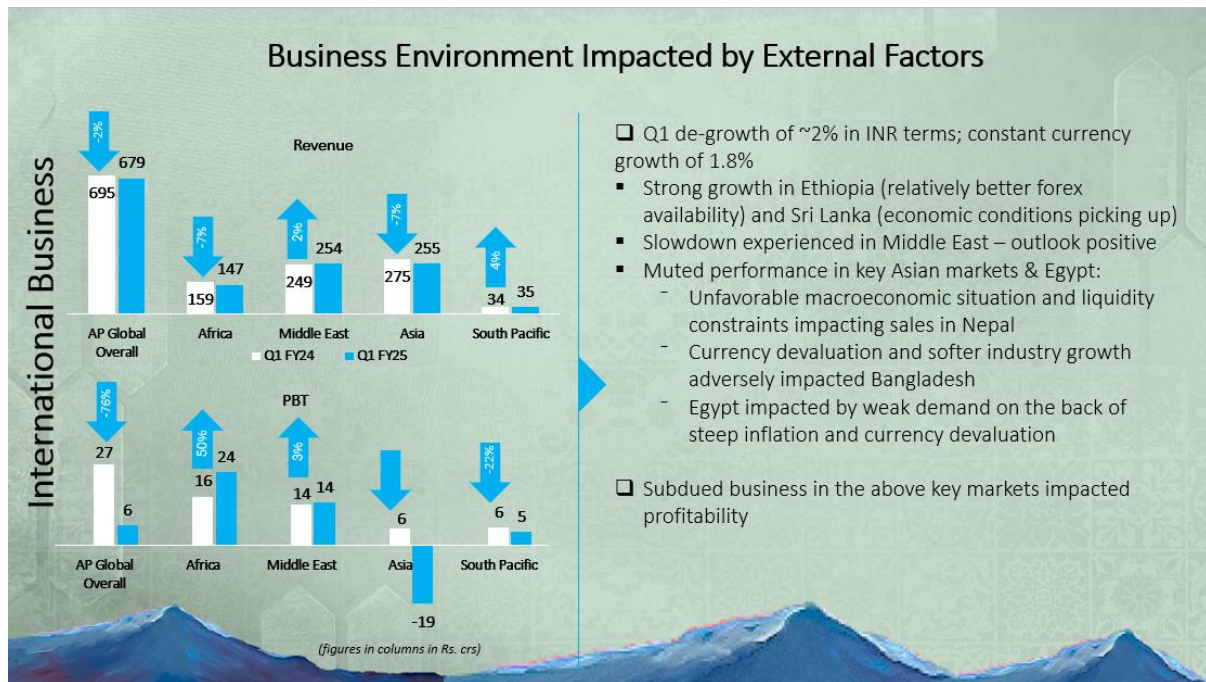


When we look at the other categories of Home Decor, both these categories were our acquisitions. White Teak and Weatherseal have grown in double-digits, and we are setting up more and more stores. In White Teak, both FOCO and COCO stores are coming up. The Beautiful Homes stores are also promoting both Weatherseal and White Teak in a strong way.

International Business

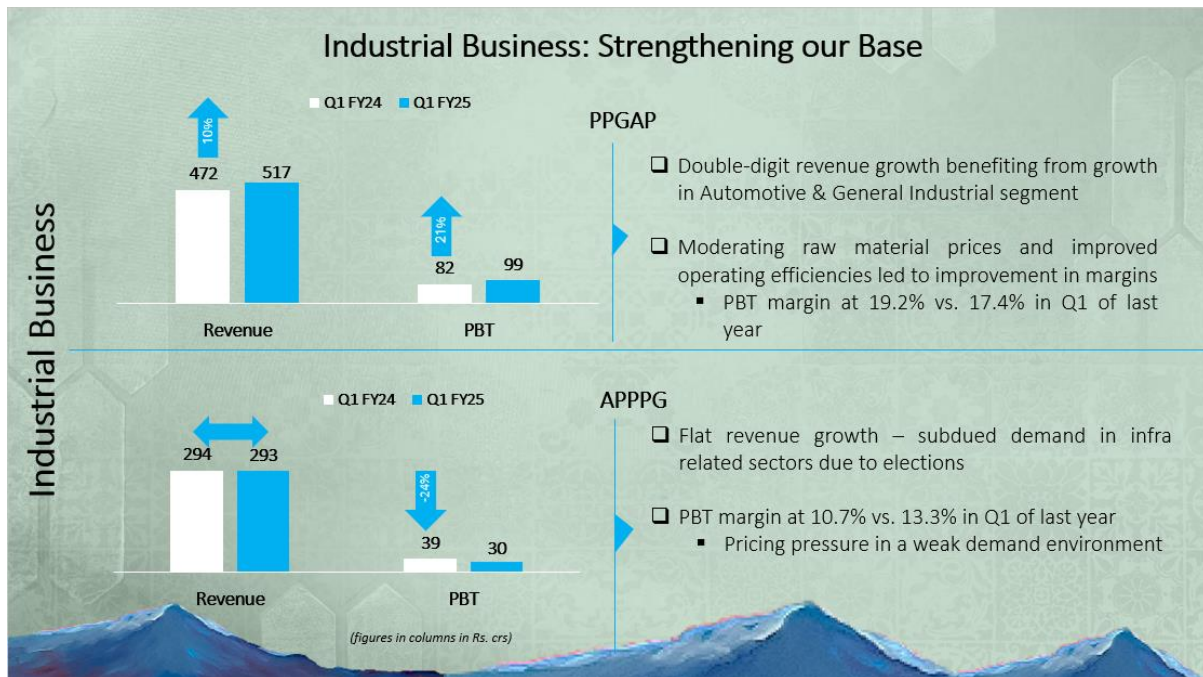


When we look at our international operations, this is how we are represented across the globe in parts of Asia, the Middle East, Africa and some parts of the South Pacific Islands.



Here, I think there has been a challenge in terms of the overall business. The top line has been under constraint. We have had a de-growth of about 2%, although in terms of constant currency, we would have grown by about 1.8%, given the fact we have had depreciation of currency in Ethiopia, Egypt and Bangladesh and that is something which has contributed to the difference between the INR and the constant currency. However, some, bright sparks which are coming - Ethiopia has done quite well. Sri Lanka has now picked up in a strong way. Little bit of slowdown in Middle East. One of the areas which has been obviously troubling us in the Asian markets is Nepal where the economic situation for the last 7-8 quarters has not been good. So overall, both top line and bottom line are affected there and that is something which possibly we are looking at in terms of how the situation recovers. As I said, both Egypt and Bangladesh were affected by the currency devaluation and there have been overall growth issues as well. I think subdued kind of show as far as the international markets are concerned, in terms of constant currency of about 1.8%. The profitability has also therefore consequently got affected. So, the numbers are lower in terms of what we have delivered on the overall profitability

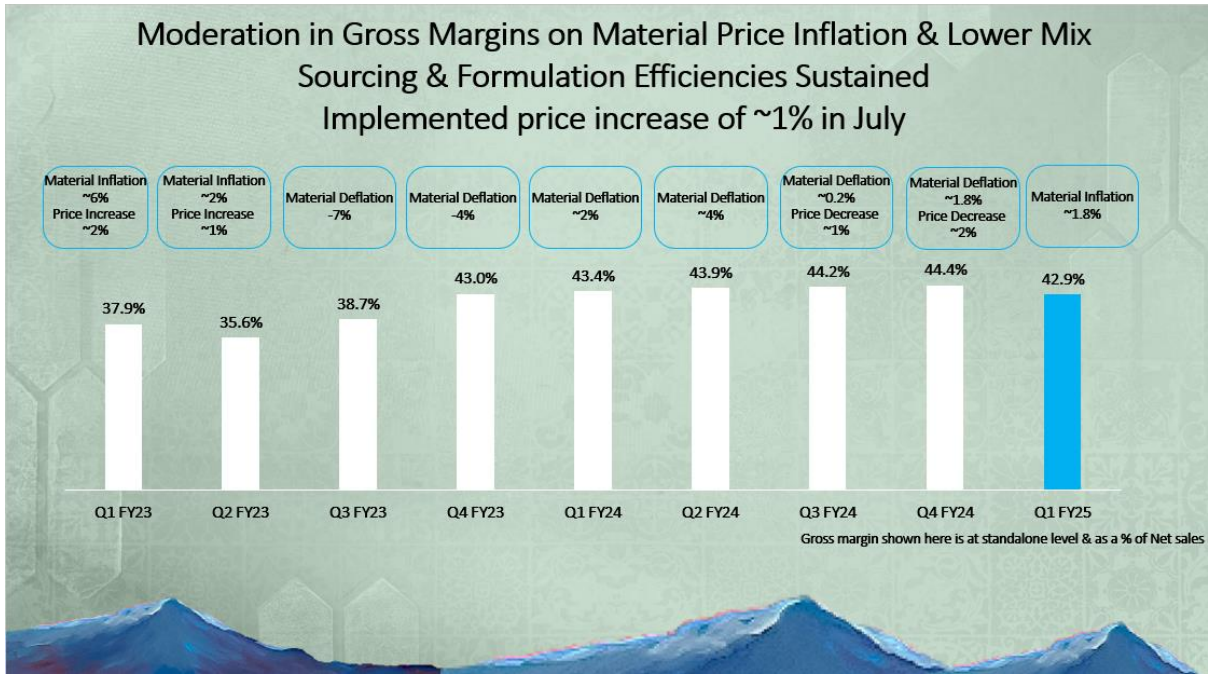
and that is something which we are looking forward in terms of how-to kind of really reverse as we look at this quarter going forward.



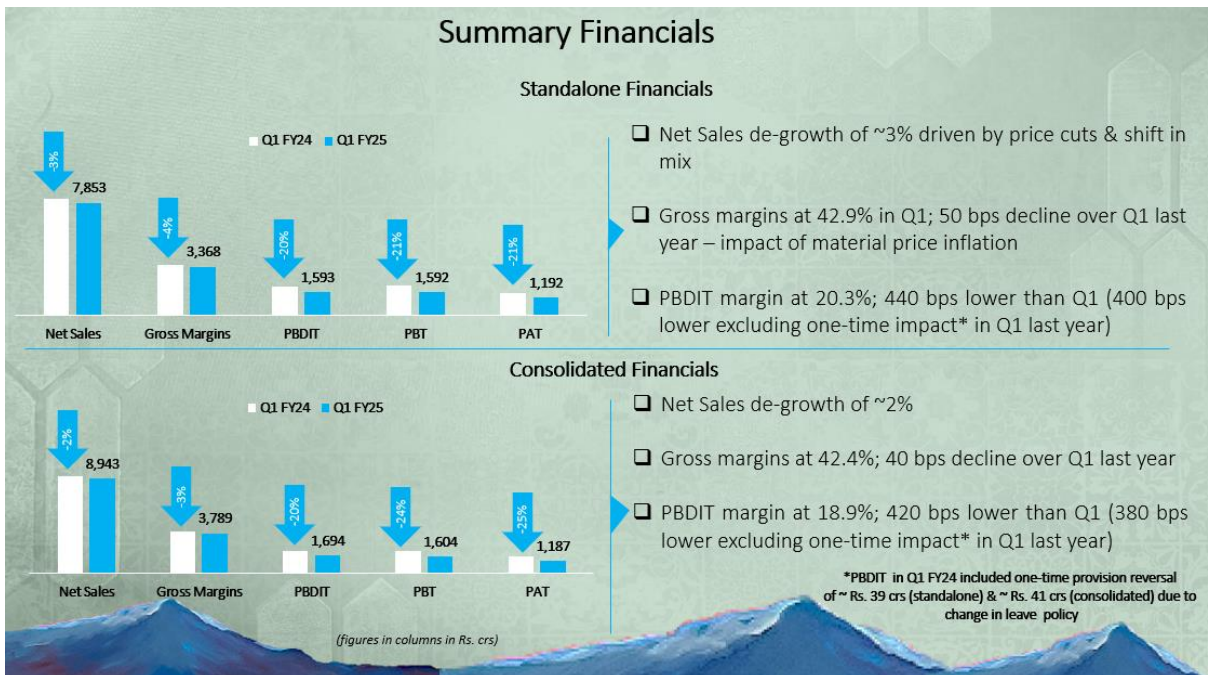
As far as the Industrial business is concerned, this business has done well, especially when we look at our Auto Refinishes and the Auto OE business. I think the overall builds in auto in the first quarter have been good. We have seen strong double-digit revenue growth in this business. Even the profitability numbers have been strong. We see that the PBT margins have also gone up. So, I think, auto has definitely given us a trend in terms of really looking at a good business happening.

When we look at the General Industrial business (APPPG), we have seen a flattish revenue and even the profits have been a little bit subdued. We have taken some price decisions here because the pricing pressure has been strong. So that has taken a little bit of a toll on overall profitability.

Overall, the Industrial business is almost at about 5.8% value growth, if you look from a combined business point of view.

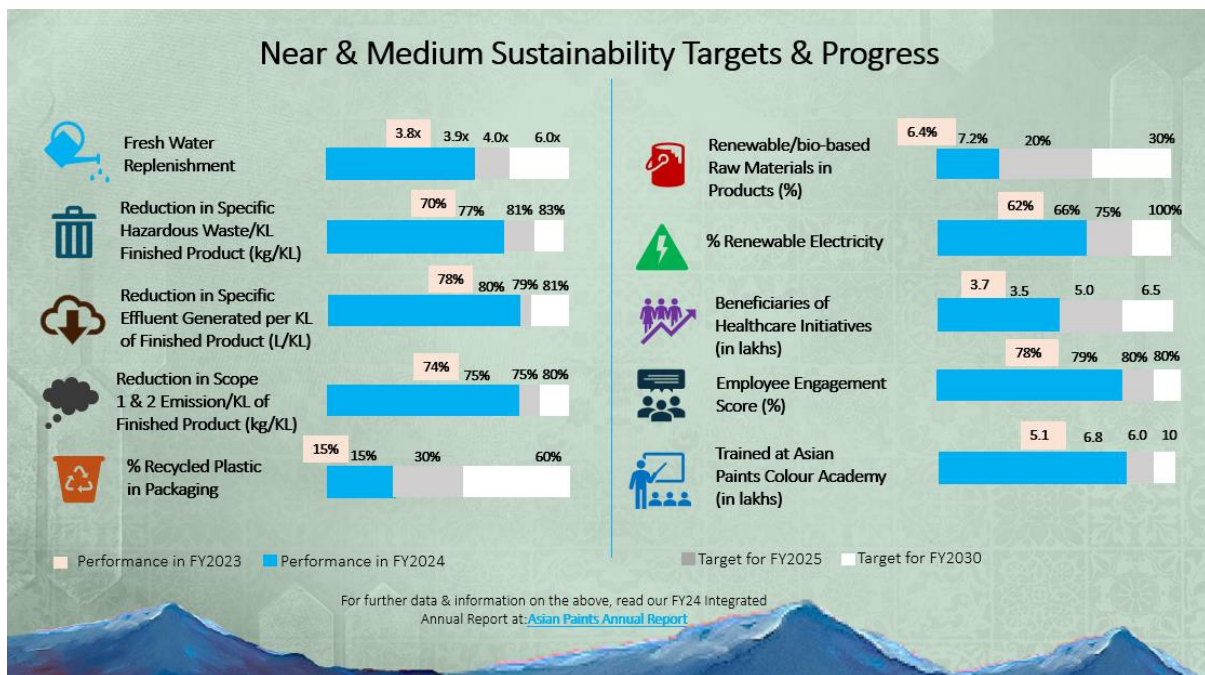


Gross margins, if you look, basically on a material price inflation which have happened and also in terms of a lower mix. Today some bit of our work, which is around the sourcing formulation efficiencies have given us some reprieve here, but still, we see that the gross margins are at about 42.9%. They have come down from what were there in Q4, but I think still fairly healthy in terms of where they are staying, if we take the effect of the material inflation, which has kind of come in.



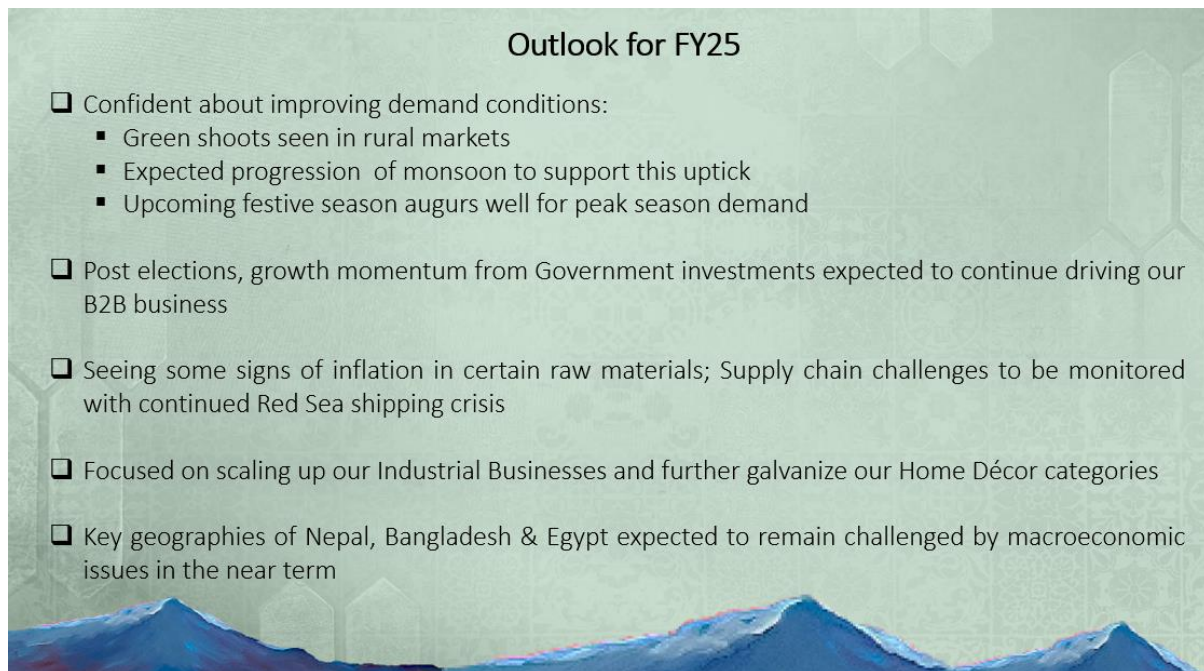
So, in summary, when we look at the overall financials, topline on a Standalone level was at -3%, and when we look at even a Consol level, it is -2%. The PBT margins are lower than Q1-FY24 but on a sequential basis, we see that they have come down by about 50 basis points. So, from about possibly 20.8% to about 20.3% in standalone and similar story, what we see in the consolidated where the PBDIT margins have come down over the last year by about 420 basis points, but sequentially, about 50 points down.

So, I think, we are in our overall PBDIT zone of about 18-20% and that is something which we will continue to strive for in terms of going forward, so that we remain in our overall margin band. I would like to kind of really say that it's largely inflation, the whole area of the mix which has kind of really affected the numbers. By and large, we don't think so that there is any competitive activity which is giving this performance.



From a point of view of overall sustainability in terms of what has been done, I think governance has been very strong. The organization is really committed to a very sustainable performance. So even from the perspective of ESG, we have got it all very strongly going well. So, whether it is from the point of view of renewable energy, where we are at a very strong level in terms of where we are at about 66%, or from the point of view of a freshwater replenishment. I think the numbers are very strong in FY24 and where we

are going towards in FY25. So, the numbers, whether it is the Specific Effluent Generation or it is from the point of view of Scope 1 or 2 emissions, or it is with respect to the overall work which is done in the social framework of training people or taking care of health care. I think those have been very strong. In fact, at the Color Academy last year, we were able to train almost 6.8 lakh people. So, it has been a strong initiative. So, I think overall it's been a strong foray with respect to some of these initiatives.



Something which I think all of you are looking at, in terms of what is the kind of forecast as we go ahead. I think there are some green shoots which are happening in the market. We see the rural markets definitely coming up. That is something which is being spoken about by other companies as well that they are seeing some shoots. As I said, for us, the T3-T4 markets grew a shade higher than the T1-T2 markets, which is a good sign.

Overall, we are now seeing an up kick in terms of the monsoons. And we hope that, today, whatever is the deficiency at the country level, that kind of really gets into a smaller zone. And I think this will really improve rural sentiments.

We also have the upcoming festive season. We have a full month of October, Diwali being 31st. So, I think, we have a full season of festive demand, which is there. So, I think these

are all factors which are looking good in terms of driving and now we will have a quarter which is free of any elections and other things. So, I think this is something which will definitely even kick off the B2B institutional business, which we expect to definitely grow much better as compared to what we have seen in Q1.

We have seen inflation, which is there to about 1.8% in Q1. We have also taken a price increase of about 1%. We see further challenges which are going to happen, in terms of looking at further inflation, which we expect could be in the range of about 1.4-1.5%. And therefore, possibly we could see further price increases as we go forward. So, I think that is something which we are seeing in the environment, and that is something which we will keep a watch on.

The Industrial business is on a good stream right now and we think that this is something which we are now focusing on growing and we will continue to do that.

The Home Decor business in terms of all categories have done well in the quarter one. This is our commitment in terms of really forging Asian Paints into the decor area because this is really aiding the paint category in a very strong manner as we go ahead.

Global, we believe that some challenges will continue in terms of some of the Asian markets. But we think that Middle East and the African markets would pick up as we kind of go forward. And that is something which we are looking at. So, on the whole, we are definitely looking that there should be an uptick in terms of the overall demand as we go forward both from a point of view of Indian markets and international markets as well as Industrial.



Moderator:

Thank you Mr. Syngle. We now proceed to the Q&A session.

Abneesh Roy (Nuvama):

In some of the south markets, Pidilite has the ambition to scale up in the rural part of those states. Plus, Birla Opus has also opened franchise stores in Hyderabad, 2 stores and maybe some more cities. So, when I join this with the sharp increase in the staff cost, it is up 23% Y-o-Y and 9% Q-o-Q. Wanted to understand any effect of these players on the broader market contours and on the staff cost, how much is a normal increase, plus expansion? How much is it because of your company being the poaching ground for all these new players? How much is the impact because of that?

Amit Syngle:

I think overall industry has been down in terms of the demand scenario we have seen. So, I don't think, it is really impacted by any larger competitive activity in terms of what is there. Even the newer brands, which are kind of coming in, are trying to stabilize and see what they can do. We don't think that they have really impacted anything overall. From an employee cost perspective, the employee costs have been higher. There were some corrections we had taken as part of our sick leave policy. If you take that out, the increase

would be lesser in terms of what you see today. But having said that, we have also invested in higher number of people this year. Given our imperative that we want to increase our distribution and have a larger footprint in terms of our overall retailing points, and that is something which has gone to really increase the numbers, which have also impacted the cost. These numbers are aiding us from the point of view of increasing rural footprint, increasing our activity with respect to the categories of waterproofing, the whole bottom of the pyramid segment and so on and so forth. And therefore, I would say the larger increase in terms of the employee cost has happened because of the new people additions. Otherwise, a normal addition is just the inflation in terms of the salary which takes place.

Abneesh Roy (Nuvama):

There has been some sales growth improvement in the Kitchen and Bath business. Now my questions are on the real estate side, new projects, new building sites. Of course, last few years for the real estate industry has been very good. We are getting some initial signs that there could be some slowdown in this. Very early days because Q1 of course, as you also highlighted many one-off factors were there. What's your sense on real estate overall demand side, because that does impact all your businesses. Also, from Kitchen and Bath topline, what were the structural improvements done. So, these are still very small number in terms of growth coming back, but would you say that most of the issues are now resolved in terms of strong growth metrics, tough decisions made, all those have been taken now in these two businesses?

Amit Syngle:

So overall, if you look at the Kitchen and the Bath business, we have put a lot of focus with respect to the whole area of servicing, which is there. We have also looked at possibly augmenting our overall range in terms of what we are supplying. We are introducing more newer design concepts which have come in. We have looked at premiumization coming with more expensive kitchens which are targeted at the premium customers. So, I think, today we are getting that benefit, which comes from the point of view of the work which is done. The second area is our Beautiful Home Stores, which are now spread across the country, 61 stores. They are also giving a fillip to both, Kitchen and Bath in a strong way in

terms of what we are getting. We have also new factories which have come in, which are basically aiding the whole supply and the servicing conditions for these two businesses going forward.

So, we have not been very strong players in the projects segment. We are stronger players as far as retail is concerned, in both the Kitchen and the Bath categories. Even in Bath we are involved more in terms of some of the smaller projects which are there. As we see it, I think, the builder segment, the construction segment has definitely been a little bit slow in terms of what we have witnessed in the last about six months as compared to earlier, while real estate has been on the high because there has been also a lot of existing inventory, which is getting now sold overall. We still feel that the housing sector is an important sector and I think the premium luxury sector is something which is doing quite well which will keep on aiding our B2B business. As I said, we are expecting much stronger growth to happen in our B2B business going ahead and real estate would be one big indicator which will come out of it. We think it will be still decent in terms of the market. But more impetus we see coming from the government infrastructure projects, which are going to be there, plus the segment of factories where a lot of companies are expanding, new companies coming in. I think that all aids the B2B business in a very strong manner.

Aditya Soman (CLSA):

On volume growth, during the analyst meet you had indicated double-digit volume, sort of guidance for FY25. Does that remain for the remaining three quarters, given that you expect an improvement? And second question on the price increases that you have taken in July and that you indicated that there might be affordable price increases to offset the material cost increases, will that transmission lead to the gap between volumes and value decreasing?

Amit Syngle:

If you see today, we have delivered 7% volume and if you net out from the point of view of inflation or the price decrease which we have taken earlier, which was to the tune of about 4% odd, we would have actually landed at about 1.5% kind of value. So, I think what we

see is that we are still watching the second quarter in terms of how it kind of really opens. I think what we are seeing is that the month of June has been good in terms of the demand pickup. As I said, rural demand is showing some signs, the sentiment because of monsoons is increasing. We also have a festive kind of season ahead. So definitely we are looking at double-digit kind of a volume growth for this quarter, going ahead hoping that the demand conditions will be better.

As far as the value and the volume gap is concerned. Last time also, we said the endeavor is that it would be in the zone of about 5-6% in terms of the gap. And as we look at some of the price increases which are coming, which are enabled because of the inflation, which is happening, I think this gap definitely should be in this zone as we go ahead.

Aditya Soman (CLSA):

The price increase will have nothing to do with competition.

Amit Syngle:

I think given the price elasticity which we have from the point of view of the brand and the equity what is there, we feel that our pricing anyway is at a premium in the market and there is a significant gap between any of the players which exist in the market. So, we feel that we go by the pricing decisions which are more from the point of view of looking at our overall margins, given the inflation which is there. So, I think, it is irrespective of what the competition is really doing in terms of the price because there I think the trajectory is very, very different in terms of what we see.

Avi Mehta (Macquarie):

So, while you pointed to some recovery in June, are you revisiting or are you still planning to achieve what you're targeting that double-digit volume growth for FY 25 with probably 5-6% pricing decline? Is that still on? Is that the right way to read that last answer?

Amit Syngle:

So, what we have seen in terms of June, I think, there has been the uptick in demand and the June conditions have been definitely much better in terms of what we have seen.

Basis that, I think, this overall sentiment improving what we see today and what we look at from the point of view of even, stocking for the coming festive season. I think both indicators are that we should really be able to gun for that double-digit in terms of going forward. So, I think those are the indications which we are getting from the market overall. Hopefully, the whole bottleneck we had due to elections, and everything is over now, which really affected the months of April and May in this quarter. Otherwise, this quarter also could have been much closer to the double-digit volume growth. I think what we need to really look at is the value growth in terms of where we need to really get in and that is something which we are looking at pursuing as to how do we really galvanize the growth and look at improving the overall mix as we go forward.

Avi Mehta (Macquarie):

Just continuing on that 1% price increase that we had taken, would that be enough to get gross margins closer to what we saw in fourth quarter versus where we are right now in the first quarter?

Amit Syngle:

So, we are anticipating about 1.5% inflation in the second quarter as well. So given the fact that we've already had about 1.8% and 1.5% is something what we are seeing, we may have to take further price increases as we go ahead.

Avi Mehta (Macquarie):

You would probably need to take more price increases to take care the future inflation? This price increase is okay for the existing inflation. Is that the right understanding?

Amit Syngle:

So, I think the increase is clearly linked to the overall inflation, which we are seeing. So, as you see, it is not really matched to the overall percentage levels of inflation. We never do that because we look at overall balancing in terms of what possibly is the right thing for the market in terms of going forward. So, we would like to look at balancing the increase in terms of going forward and it might not be exactly matched to the inflation in terms of what it is taking place.

Mihir Shah (Nomura):

I just wanted to check on the employee cost and the other expenses. I have adjusted for the one-off that you had called out last year for the employee cost and despite that, there is a 15% increase in employee cost and other expenditures have also gone up by 14%. So, I understand the gross margin or the gross profit part, that is not a major surprise. But I believe the surprise is coming on higher cost, which is dragging down the EBITDA materially.

Amit Syngle:

As I said earlier, I think we have definitely taken some increase in terms of adding the numbers with respect to where the overall employees are concerned. We are looking at expanding our footprint with respect to some of the newer categories. We are looking at increasing the number of retail points, as we have already stated, as part of our distribution policy. We are looking at a larger kind of focus with respect to certain span of controls for some of our people, especially when it comes to areas of sales and marketing. We hope to kind of really balance this with the value growths going forward. So, from that point of view, percentage to sales, we get into a reasonable band in terms of what we have been following over the years. The intention is very clear that we are looking to account for the kind of growth strategy in terms of what we are taking, because the growth strategy would be to look at the medium term in terms of how we want to grow.

Mihir Shah (Nomura):

It would be okay to assume that the costs that we are seeing in the first quarter are likely to continue for the remaining part of the year, for other expenditures and staff costs?

Amit Syngle:

Some of the cost will continue. There are other cost measures with respect to general overheads, where possibly we will look at what are the cost measures we can take, whether it is with respect to the general expenditures which kind of takes place. So, some of those will come under some optimization as we go ahead. So, as we go forward, some costs would remain, which are possibly fixed in nature, but some of those costs is something which we will definitely put a focus on.

Mihir Shah (Nomura):

I wanted to just deep dive on the gross margin bit. The new launch that you made in the Latex Paint seems to be doing quite well. And that is also dragging down the overall mix this quarter. You had earlier mentioned that the negative mix will be around 5-6%. Of course, we are seeing it at the higher end of the band, maybe 7% this quarter. Going forward, given that Economy Emulsions can continue to grow well. Also, you've taken some price cuts in the lower end in the distemper, in the putty and the primer segments, rather than all these paints that we have seen. So, do you think that can have a bearing on the gross margin bit also, should we revisit that assumption?

Amit Syngle:

No, we have not taken any price cuts. So, the only price cutting we have done was in the last financial year in terms of what was there, which was earlier to quarter four. So right now, we have only taken a price increase and as I said that we had spoken about a 5-6% band. If you net out the price decreases which were taken far earlier, you will see that the actual value would have come to about 1.5-1.6%, which is in that 5 -6% band for the 7% growth in terms of what we have spoken of. And therefore, I think, we are still targeting that kind of a band between the volume and the value going forward, but definitely we have not taken any cuts in terms of our prices.

Ashish Kanodia (Citigroup):

Just on the 5% to 6% that value gap you are talking about. So, you know, the price cuts which you took last year that will also have some impact in the next two quarters and then, when you look at the rural kind of growing much faster, the product mix could even get slightly adverse in the next 1 or 2 quarters. So, is it fair to say that the 5-6% gap between volume and value which you are targeting, is more like an exit run rate rather than a yearly average?

Amit Syngle:

The attempt here is to look at improving the mix in terms of going ahead and also kind of focus on the value going forward. I think that is the point which we are looking in terms of bridging the gap overall from the point of view of volume and value. Because currently the

mix, if you look at it, some of the Economy ranges have done much better as compared to the Premium Luxury part. Plus, I think, some of the price increases which are being taken will also help us in terms of looking at bridging that gap going forward. So, I think the endeavor is that we kind of remain in that bracket. But as, as you rightly said, I think we will have to put a lot of focus in terms of our premium products to kind of see that we are able to get closer to that range.

Shirish Pardeshi (Centrum):

This is regarding the 7% volume growth you achieved. So, three reference points. One, we have said that our NPD contribution is about 12%, we have also launched the NeoBharat paint in the market. And third, you also mentioned in the beginning that there's some Economy Emulsions has not done well. So just wanted to understand which segment has declined within that. I mean, putty primer would have grown. You also said waterproofing has grown. So maybe some more qualitative comments on that.

Amit Syngle:

As we said the whole segment of the bottom of the pyramid, which is the entire distempers segment which basically gets combined with NeoBharat, I think that is a segment which has done extremely well for us. And as you rightly said, segments of Smartcare, waterproofing, wood finishes, textures, some of those zones have done quite well for us, in terms of the growths which have come in. I think the segments where possibly there is stress, is the segment of the Economy Emulsions per say. Overall, some the segments of certain undercoats like primers and all have not done very well for us. Some of the premium ranges in terms of the waterproofing possibly have not gone to a desired level. And the Premium Luxury emulsions, while they have grown relatively at a decent level, possibly, I think the overall value could be much higher in terms of what we see of the overall product mix. So, I think that's the story where possibly the Economy story comes out in some of these products which I have mentioned, but the Economy emulsions out of the whole lot of emulsions is the one which is not doing well.

Shirish Pardeshi (Centrum):

So, we have now 61 Beautiful Homes. So, when I look back two years, we have taken a lot of steps to improve throughput. We have launched many new categories. What stops us, is the model still under reconstruction or getting the unit economics right or do you think that the economic conditions are not right and that's why we are going slow?

Amit Syngle:

We are adding about 18-20 stores every year. Our model is very different in terms of where we align with the retailer. It's a unique model we have launched. So, it takes a certain amount of time to really add the real estate and add to the entire store in terms of the design, because it's the phygital design with lots of technology. So, I think the endeavor is that we keep on looking at about 15-20 stores that we put every year and look at the newer categories which we can add. We have just added a category which is automated blinds which is a new factory which has come up in Chennai in terms of what is there to kind of focus on that category of Home Decor. So, I think we are firmly entrenched in the Home Decor endeavor because we feel that from a consumer decor life cycle, it really enhances the core category of paint, because you start owning the homes far more strongly. So, I think we are pretty strong and bullish on this category as we want to go ahead, and we are putting the adequate pace in terms of what we want to.

Shirish Pardeshi (Centrum):

What kind of gross margin or burn we would be having quarterly on this business?

Amit Syngle:

I think the total business is diverse today in terms of lot many categories which are there. Some categories are in a nascent stage, some categories like kitchen and bath are at a larger stage. So, the gross margin is a big band and for some categories take some time to come to a certain level. So difficult to really put one number in terms of putting it, saying what they will be at. So, I think it's a band which is there, which is pretty good from the point of view of overall realizations as we go forward.

Moderator:

I would now request Mr. Amit Syngle for his closing remarks.

Amit Syngle

I think we have been able to address some of the questions. We are looking forward to a much better quarter as we go forward. Thank you all for coming and joining us.

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