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APL/SEC/32/2022-23/70

23rd January, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Fort, Mumbai – 400 001
Scrip Code: 500820

National Stock Exchange of India Limited
Exchange Plaza, Plot No. 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 – Investor Conference

Please find enclosed the transcript of the investor conference held on 19th January, 2023, with regard to the financial results of the Company for the quarter and nine months period ended 31st December, 2022.

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

Investor Conference - Transcript

This is for your information and record.

Thanking you,

Yours truly,

For **ASIAN PAINTS LIMITED**

JEYAMURUGAN RAMALINGAM JEYAPANDIYAN
Digitally signed by JEYAMURUGAN RAMALINGAM JEYAPANDIYAN Date: 2023.01.23 20:45:00 +05'30'

R J JEYAMURUGAN
CFO & COMPANY SECRETARY

Encl.: As above

"Asian Paints Q3 FY2023 Earnings Conference Call"

January 19, 2023

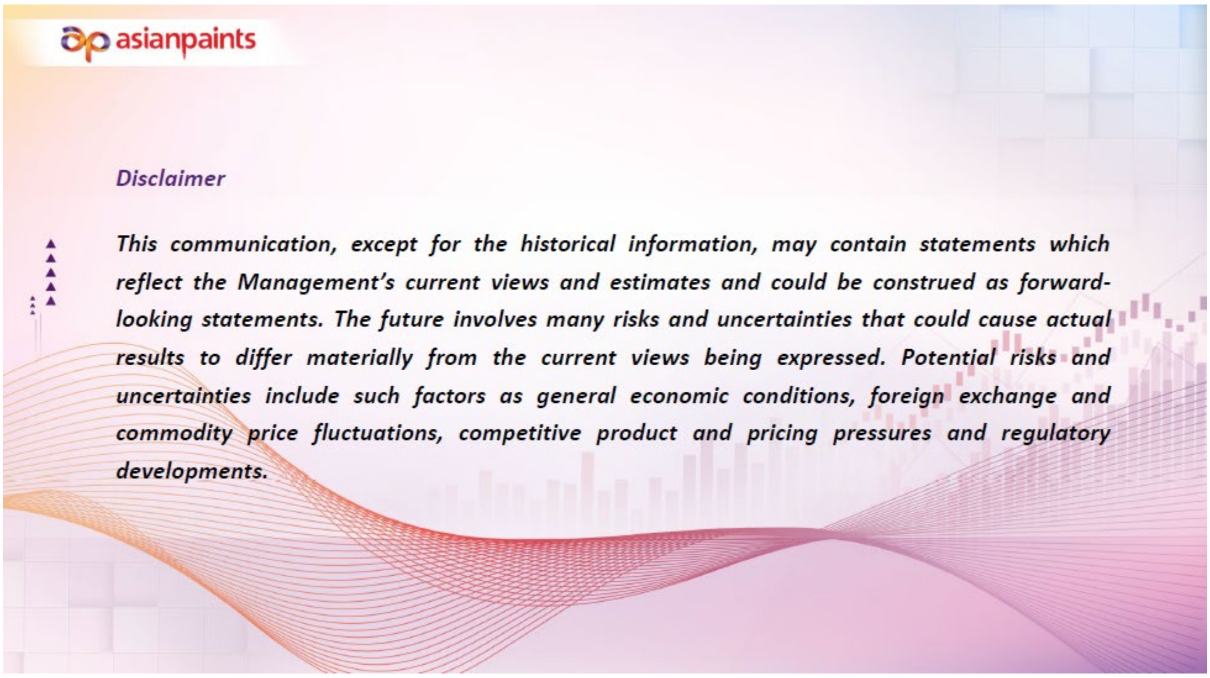
Management :	*Mr. Amit Syngle*	*: MD & CEO*
	Mr. R.J. Jeyamurugan	*: CFO & Company Secretary*
	Mr. Parag Rane	*: GM – Finance*
	Mr. Arun Nair	*: Manager - Corporate Communications*

Arun Nair: Good Evening and a very warm welcome to one and all to the Asian Paints Investor conference for Q3 FY 2023 results. This is Arun Nair from Corporate Communications.

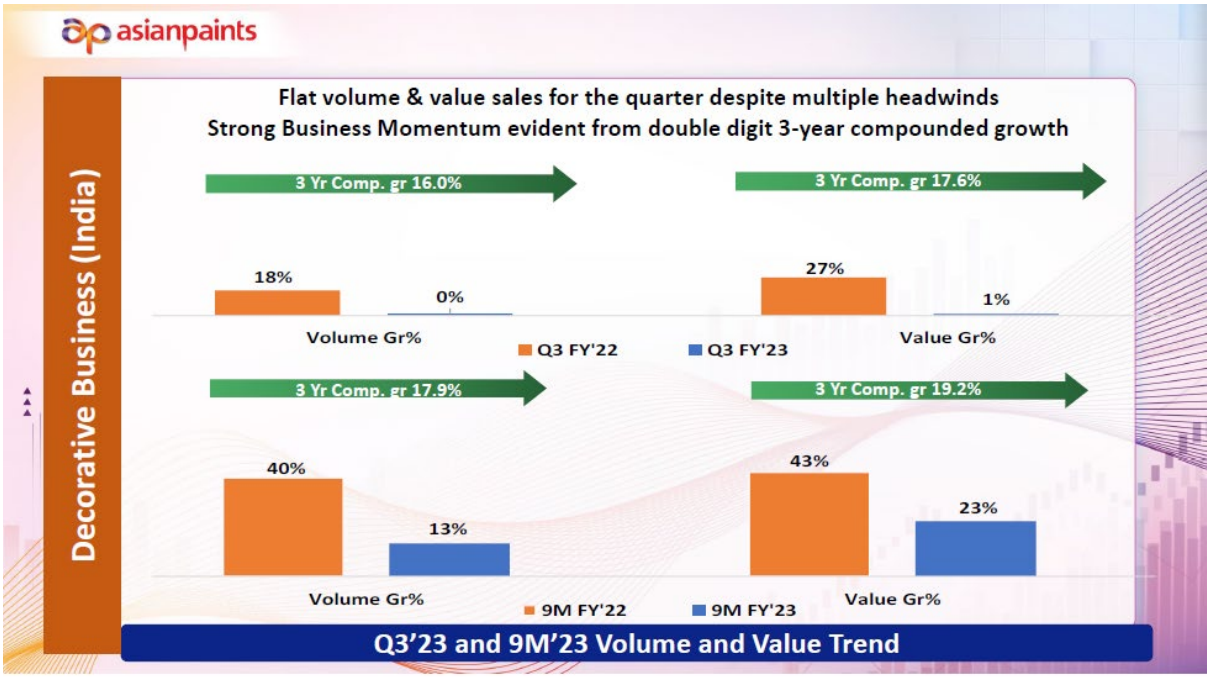
Today on the panel, we have Mr. Amit Syngle, MD & CEO; Mr R.J. Jeyamurugan, CFO & Company Secretary and Mr. Parag Rane, GM - Finance. May I now request Mr. Amit Syngle to take you all through the presentation. Mr Amit Syngle over to you.

Amit Syngle: Thank you, and good evening to all of you for coming to this investor conference for the Quarter 3 Financial year 2023 results. So let me just take you through some of the brief highlights before we really get into the questioning.

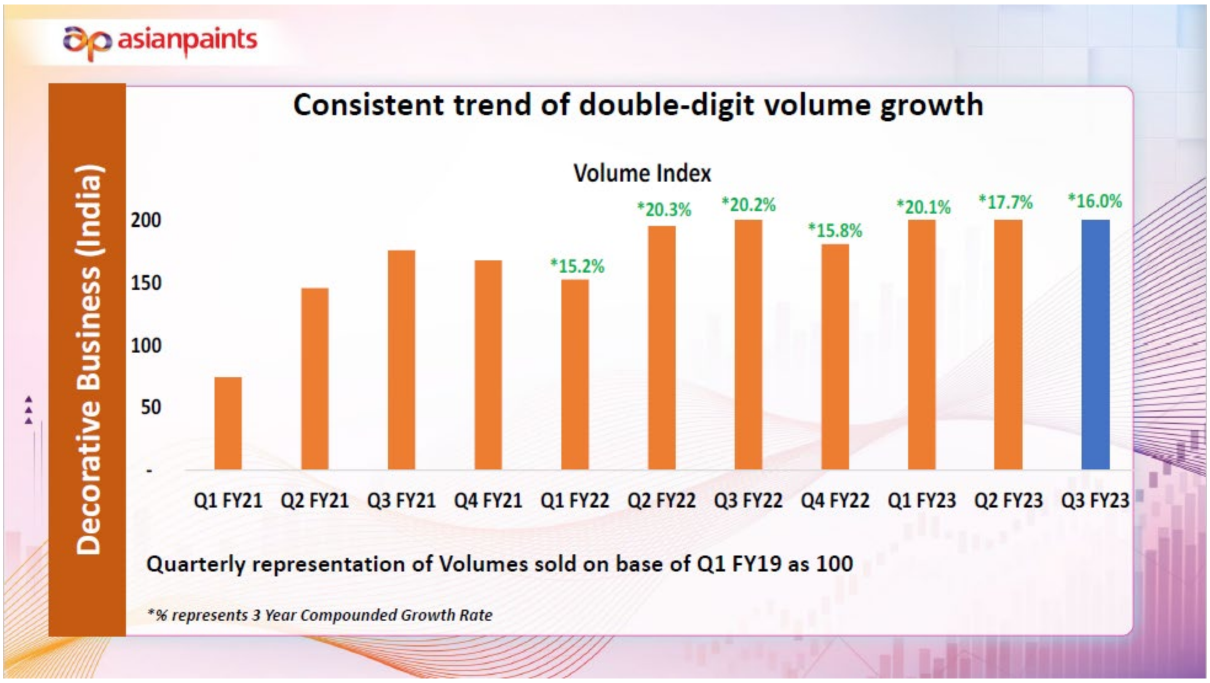
As you are aware that it's now almost eight decades of existence in which we have been there for looking at existing to beautify, preserve, transform all spaces and objects, bringing happiness to the world in a big way. So that has been one of the core values in terms of what we have been kind of speaking of and that is what we really imbibe in terms of the core value.



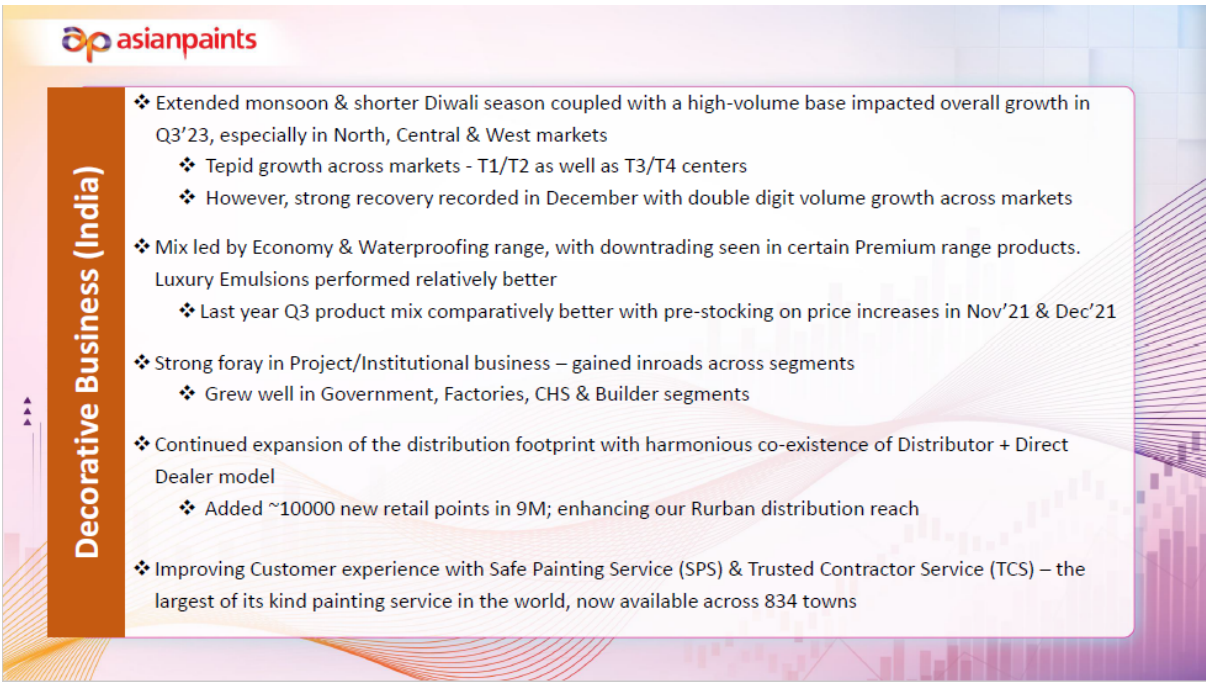
Just a disclaimer, obviously and going on to in terms of the results.



Obviously, this quarter has been a little bit of a rough quarter, in terms of what we have seen. The overall volumes are a little muted in terms of what we see with almost being at base and a value growth of about 1%. You know, this is obviously coming at the back of last year a very, very high price increase base which we have seen which is a 10% in increase which we had taken on 10th of November and a 5% increase we had taken on 1st of December. So fairly hefty increases in terms of what we have seen in the last year which had preponed a lot of Q4 volumes into Q3 of last year to that extent and that is why possibly one it is a very heavy base. And secondly, what we have also seen a prolonged monsoon which is kind of caught into the month of October, which has kind of really impacted the October volumes but there was a bounce back which happened in November and December; and December especially, we have looked at you know, double digit volume growth which is back in terms of what we have got. The other clear thing is that we look at our overall journey the volume growths have been very, very strong if you look back on to the last 6-8 quarters to that extent and therefore if you look at even on that kind of a number, the three year compounded growth rate is close to about 16% on volume and about 17.6% on value. So those are very strong numbers in line with our overall growth in terms of what we have been pursuing over a period of time. The nine monthly results kind of also gives us a peep in terms of how the overall year has been to that extent and we look at a clear double digit 13% volume growth which is there and a 23% value growth which is coming in, in terms of the overall decorative business. The CAGR numbers here are also very, very strong at volume at 18 and a value of 19.2. So clearly the nine monthly figures are very, very strong from the point of view of the overall growth of the business and the CAGR values kind of reflecting clearly, the fact that it is a consistency in terms of what's coming overall in terms of the overall growth story which has been there.



This kind of just validates the statement which I was making, you know in the last slide. If you look at that kind of volume growth story, I think it has been very, very strong. Strong double digit numbers all across, and even the number when we see for the quarter 3 of financial year 23, the CAGR number is at about 16%. So clearly showing that this whole impetus of the volume growth have been very strong and this kind of really looks at possibly what would be the way ahead in terms of how we would look at the business going ahead.

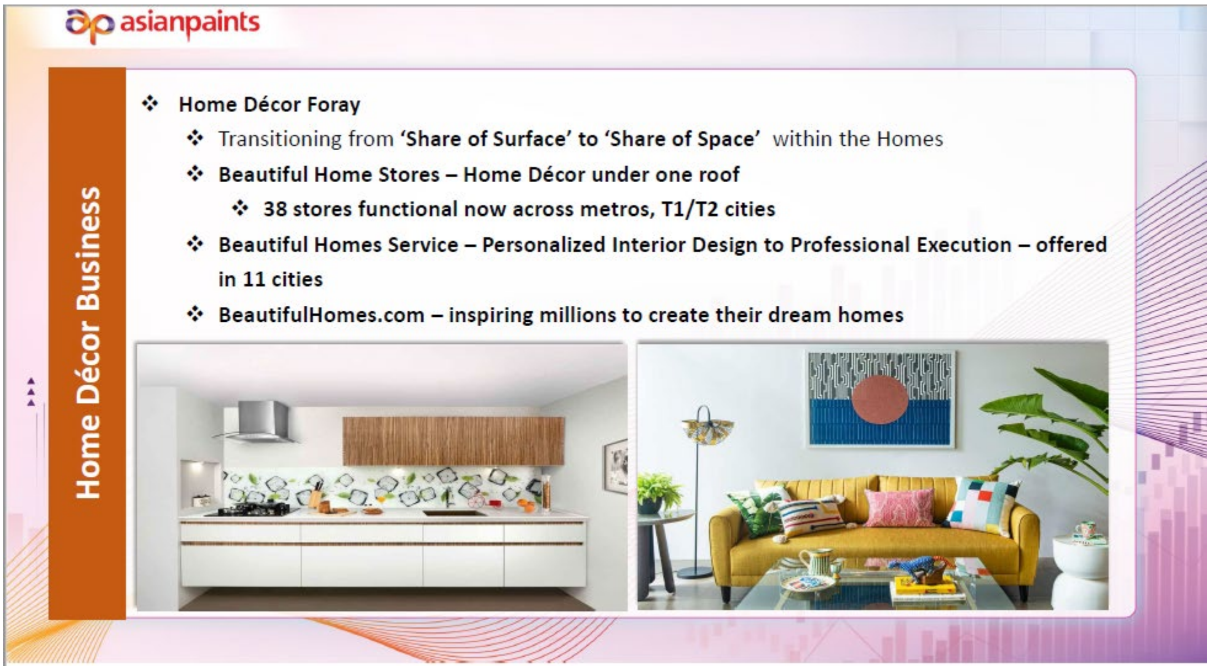


Overall as I just qualified that the monsoon took a toll and all the seasonal markets which are the North, Central and the Western markets basically got effected because of the you know, October, you know, the monsoons extending well into the October and you're all aware that Diwali is a slightly high seasonality which kind of comes in and given the fact that the shorter Diwali, it took a larger toll with respect to the month of October to that extent, coupled with obviously the price increases basis in terms of what I have already spoken off. We saw you know, in fact, tepid growth across T1, T2 and T3, T4 centers. We don't see too much of a difference between the growth rates which we got in the relatively metros and you know the bigger cities to that extent as compared to the urban market overall in terms of what we see. So, in our case, we don't see too much of a difference, yes there could be a differential of about 1% or so in terms of the overall growths but largely not too much of a difference in terms of saying that the smaller centres have done extremely bad or something like that. So it is I think fairly uniform in terms of what we see here. What we also see is the December recovery, which is clearly a double digit growth coming across market in terms of the overall business which is there. So clearly, I think the larger inventory in the network last quarter, was one of the reasons in terms of possibly that inventory not being there in this quarter, to that extent and that has affected the numbers to some extent, in terms of both volume and value to some extent. We also see that the mix last year was definitely much better given the fact that the price increases were higher on the relatively high cost products in terms of the premium and the luxury products to that extent. And that is why, they got better stocked in last year to that extent which is what possibly has affected even the mix this year in terms of what we have seen, and we have definitely seen some bit of downtrading happening in the premium luxury spaces to economy spaces given the fact that today, there has been a lot of price increases which have happened to that extent, affecting the mix in terms of the Q3 clearly. However, the Project's business has been very, very strong still, and it is continuing to grow higher than the Retail business and we have grown very well in the government, the factories, the cooperative housing sector and in the builder segments and these have been able to propel higher quantum of sales happening across the country to that extent. Our entire foray in terms of looking at you know, extending our presence across the country continues and we have largely a very strong entire program in terms of opening newer retail points to that extent. We have added about 10,000 new retail points in the nine months which have gone by this is on 10,000, which we added almost last year to that extent and therefore this reach continues to kind of go very, very strongly. We are closer to almost about 1.5 lakh retail points across the country which is kind of giving us very good presence than any other kind of brand in the industry to that extent. Overall, the services area has done also very well we have a painting service which is one a 'Safe Painting Service', and the other which is called the 'Trusted Contractor Service'. Both doing extremely well and now we have a presence which is large across the country. And this is an unmatched kind of area which no possibly, no other company matches us in India or at global level to that extent with this kind of a service orientation, in terms of painting, which we have. So that's the crux in terms of some of the highlights, in terms of what we see as in terms of what has happened in the Decorative business.

Some of the new products which we have launched is also something giving us a very good inroads today. Some of these products are really top of the end products which are there and you look at 'Dynamo' here which is a top of the end adhesive product, 'Purafin', which is again a strong wood finishes product which is there, 'Apex' which is an exterior product coming in. So I think all these products come in with a very clear technology advancement which comes in and something which cannot be matched by competition in a strong manner. Over the last few quarters, I have been showing you such products and today, we feel that we have about almost about 45 to 48 new products. We are basically competition or the industry doesn't have an answer, but it is a very good kind of preposition for the customers to have these kinds of products which basically gives them a large variety of solutions.

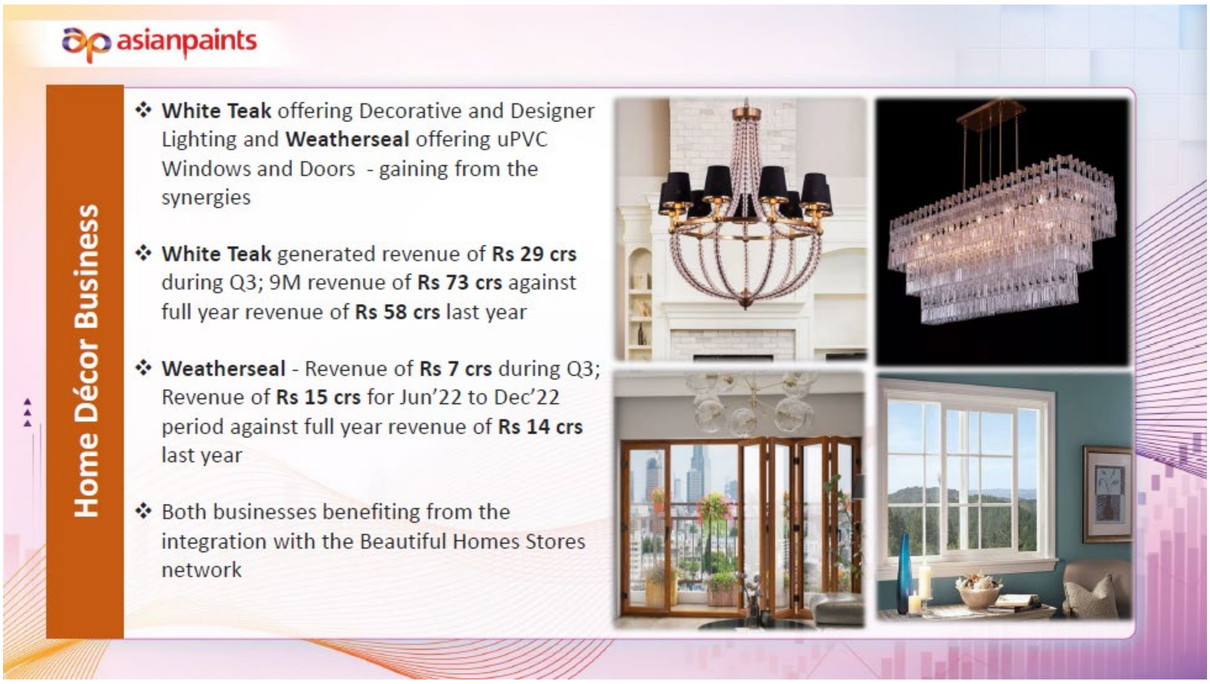
We have also launched two new cutting edge products which are there in the waterproofing which is there, one for interior which is called the 'Hydro Loc Xtreme' and one for exterior, which is called the 'Damp Proof Xtreme'. Both products basically acting on waterproofing and efflorescence in a very very strong manner in terms of the way they give protection and suited to the Indian environment, especially to the coastal markets, where the dampness on the walls is higher to that extent. So, I think again, cutting edge products where possibly, we see that we have the kind of credence of these products being only with us and these products definitely the technology is patented in terms of the way we have kind of looked at launching them and putting them in the market.

One other thing, which I wanted to highlight, which we have done which is a very strong thing is our partnership with the St+Art Foundation, which we have been working over the last eight years or so. We have done about you know 500 murals today across about across the country. This is our initiative to look at, you know really bringing art to public spaces and beautifying the public spaces in a very strong manner. And this is what we call is a democratization of art, where we take up basically large communities and design districts which we have created across the country, where we do this entire beautifying of the public spaces along with the communities who are there. It's a very large initiative. It gives brand very strong credits which is there to that extent. Recently, we've tied up with the Mumbai urban art festival which is there and which is currently on in Mumbai to that extent till 22nd February. I would urge a lot of you to kind of visit and enjoy this where we have done this entire Sassoon Dock, and really kind of looked at possibly giving the entire Mumbai it's a chance in terms of how basically public spaces can look very, very differently. We've also taken heritage structures and built it up in terms of showcasing the 'Colour of the year' in terms of what we have looked at. So very exciting times in terms of how it is kind of taking the whole brand imagery to another level as we kind of see going forward.

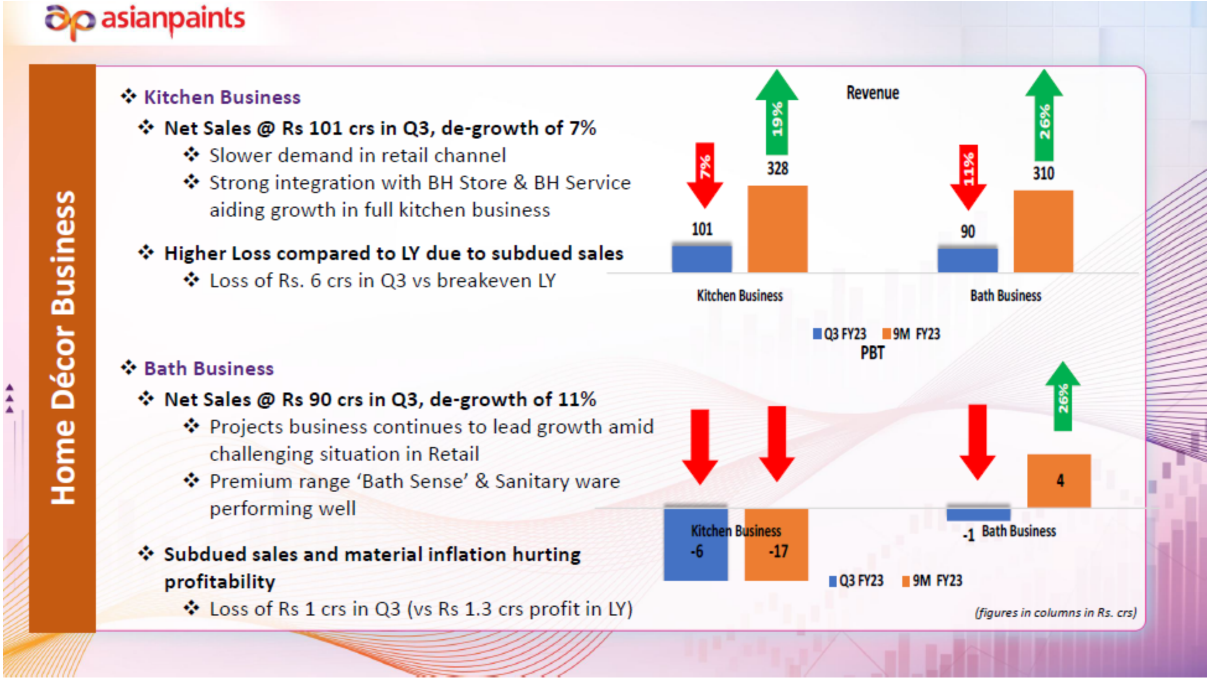


We look at the home decor foray as you remember this is the entire thing of 'Share of Surface' to 'Share of Space' kind of a transition which we are making in a strong manner. We have these stores which are a very big part of our journey in terms of offering decor under one roof, where we have now got about 38 stores which are functional across the you know T1, T2 cities and some of the metros to that extent where we kind of have almost about 15-16 categories being sold under one roof. But they are sold with a very clear preposition, which is technology led and which is led by interior designers and colour consultants which are there in these stores to that extent, a very strong customer proposition. We also have a 'Beautiful Homes Service', which is a personalized interior design to professional execution service, offered in 11 cities and this is also doing extremely well in terms of how we are able to take the full home preposition to a lot of people who are coming, who want to make their homes beautiful and do the entire home instead of just the painting. And I think it fits very clearly along with the current business because we are able to leverage this category of home decor to the people who are painting their homes, who want to kind of do renovation, get into first homes or into second homes to that extent. And therefore it becomes a very, very strong strategy which kind of really aids the core strategy of you know, paint and coatings to that extent.

We also have a 'beautifulhomes.com' which is inspiring portal, which is there which feeds into a lot of digital leads which kind of come in from people who are visiting this beautifulhomes.com, and we already have about 150,000 Instagram followers and a lot of buzz on the social media in terms of this entire home decor in terms of what we do through beautiful homes. So if you look at this business, these stores are 38 in number world class stores designed by Fitch, which is an international retailing agency and this is the state-of-the-art stores which are coming and we believe as we kind of go forward, this is something which is going to really look at helping us reach home decor in millions and millions of homes in India very strongly.



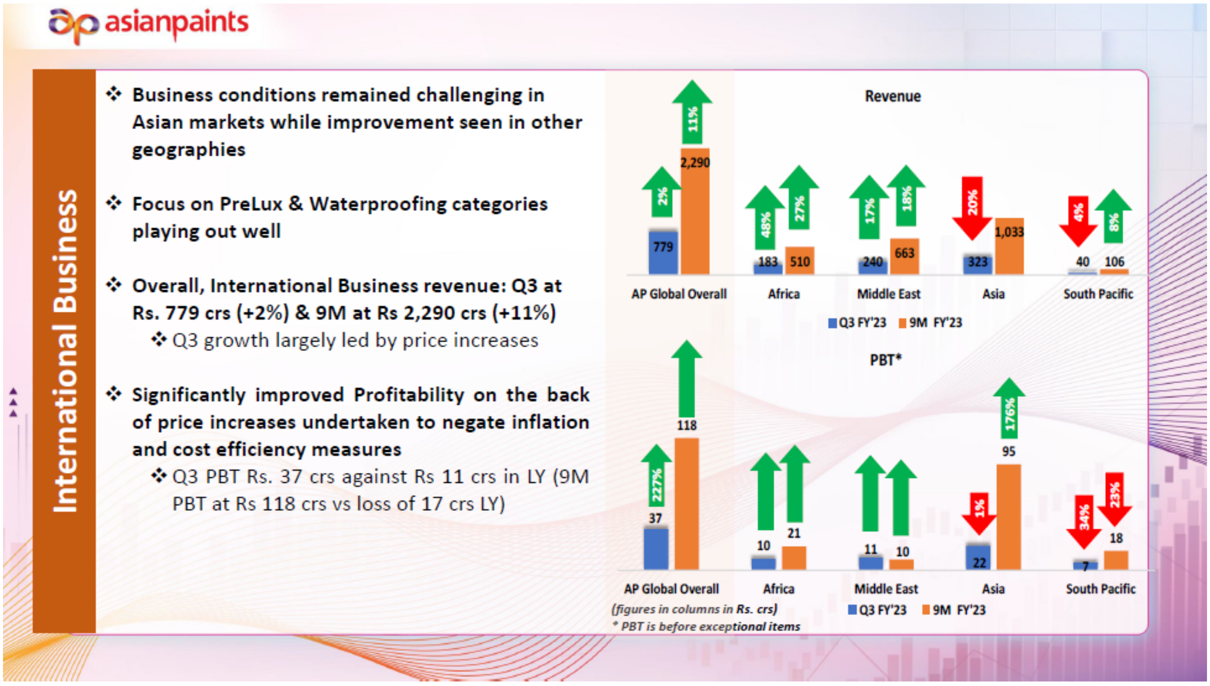
As part of this, we had acquired you know this company called 'White Teak', as you are aware and we have been kind of working around in terms of increasing the distribution footprint, looking at selling more and more of this decorative lighting and you will be happy to know that we've been able to do almost a business of about Rs. 29 Crores in Q3 and on a Nine monthly level we have done about Rs. 73 Crores of business against the last year full year business of about Rs. 58 Crores. So I think the strides we are taking a very, very big and this is clearly a profitable business which is going ahead in a very strong manner. The other company which we had acquired was 'Weatherseal', which makes UPVC Doors and windows. Again Q3, we have done about Rs. 7 Crores here. You know, our total revenue, which is from June to December of about Rs. 15 Crores is what we have done against the last year full revenue of about Rs 14 Crores to that extent. Again, good strides in this and possibly as we kind of go ahead, we will keep on reporting very healthy numbers there as we kind of go ahead. So I think these are kind of adding to our whole story of the beautiful homes, within the stores on in the home service in terms of what we are running.



The Kitchen business and the Bath business overall. faced a little bit of a slowdown in Q3 more because of the fact that the retailing was down a little bit and they also had price increases basis overall to that extent even in the last year to that extent.

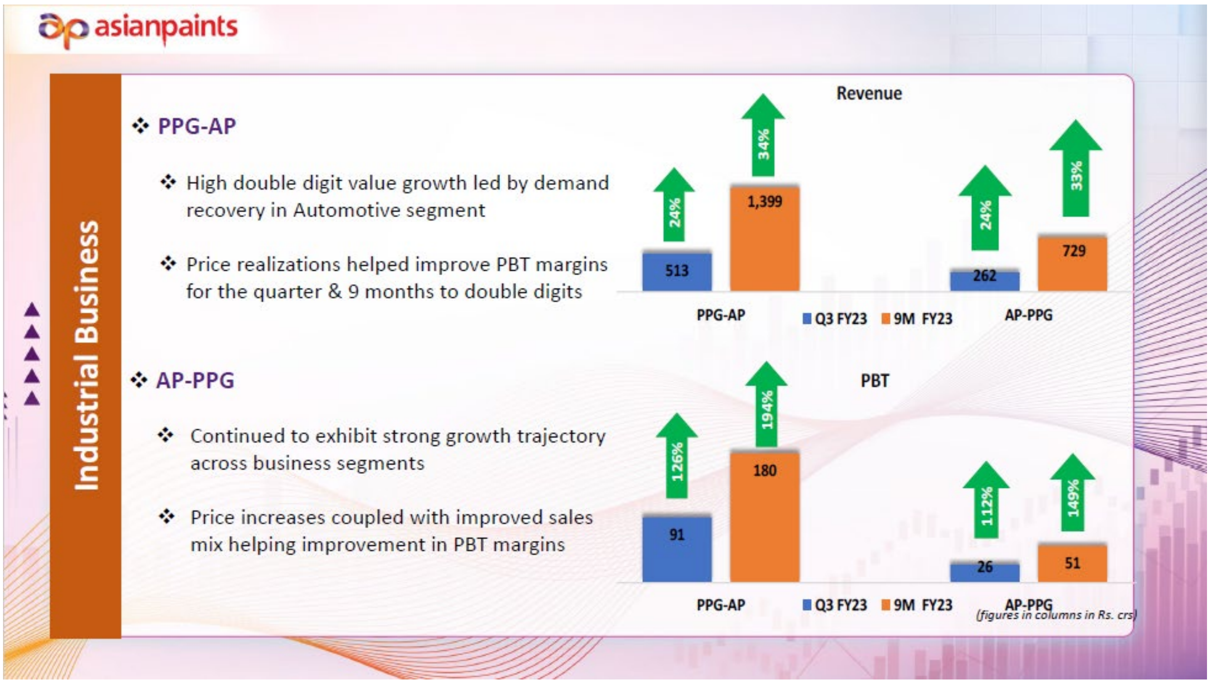
So overall if you look at the Kitchen business was down by about 7% on the top line in Q3 and in the Bath business, if you look at possibly was down by a close to about 11% in terms of the overall revenue. But the nine monthly results for both businesses show clearly double digit growths of 19% and 26% respectively in terms of what we have been able to see. On the PBT front of both businesses, we see that the Bath business for the last five six quarters has been giving us profits this month. This quarter was a little bit of a blip to that extent where we had slight loss in terms of the business, but on a nine monthly level we are clearly looking at about Rs. 4 Crores profit in terms of the overall operations. The Kitchen operations, this year have been challenged a little because of the components business there have not doing too well and the sanware business not performing too well because of the slower retailing to that extent. And overall the Kitchen business on the PBT front, has shown a loss of about Rs 6 Crores and this is something which we are working strongly in terms of what we can do, because even on a overall year basis, there is accumulated loss which is kind of coming onto this business, but I think we are confident of turning this around as you kind of go forward because, in the previous quarters we have been able to do a breakeven in terms of this business to that extent.

When we go ahead and look at our international, which is what we call as the 'AP Global 'operation, this is the representation, you'll see on the countries, where we are represented and the down below are the brands in terms of what we operate here.

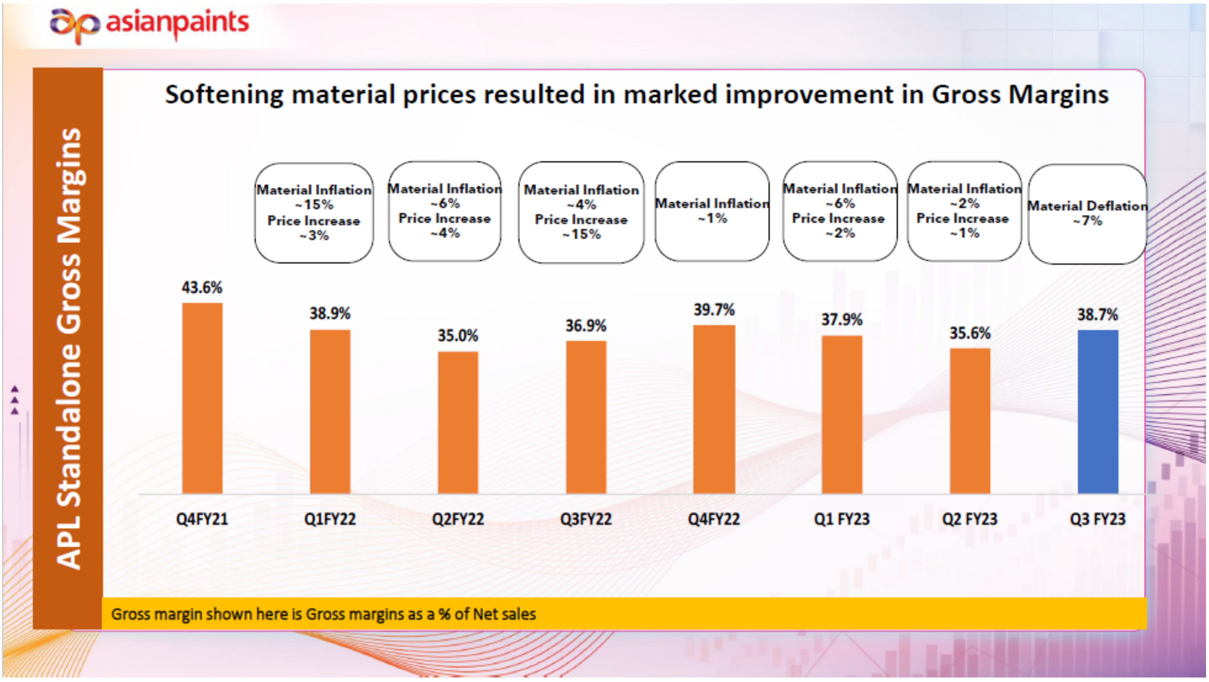


I think the markets have done fairly well overall to that extent, although they were a little bit muted market. So it's a mixed result in a way so we've seen overall AP Global doing about a 2% kind of revenue growth this year in the Q3. However, if we just take out Lanka out of this, where Sri Lanka you're aware in terms of has been not doing too well. The growth rates go up to about 13% in terms of the overall AP Global business. On a nine monthly level, we are at about 11% growth in the global business. As I said, Africa has been doing very well, Middle East has done well. Asia has been a little bit of an issue where we have seen Lanka obviously at a certain level. Bangladesh was facing certain Forex problems to that extent and Nepal saw a little bit of a slowdown in the market in this period to that extent, which has led to Asia kind of coming down a little bit. South Pacific was also marginally down to that extent but on the overall front you know, minus Lanka, we have still kind of done quite well in terms of the overall global business. On the PBT level again, this year has been a very strong year as far as the PBT is concerned we are at almost at about Rs. 37 Crores kind of Profit in Q3, which is there, which is a huge up on the last year where we are facing a debacle because of the price increases and the inflation which is coming even on a nine monthly basis with the profit is about Rs. 118 Crores. So I think the total profitability in the global has been a big story in terms of what we are seeing which translates to the PBDIT margins as well doing well and overall gross margins also going up in the overall business to that extent. So, that's the AP Global business in terms of what is there.

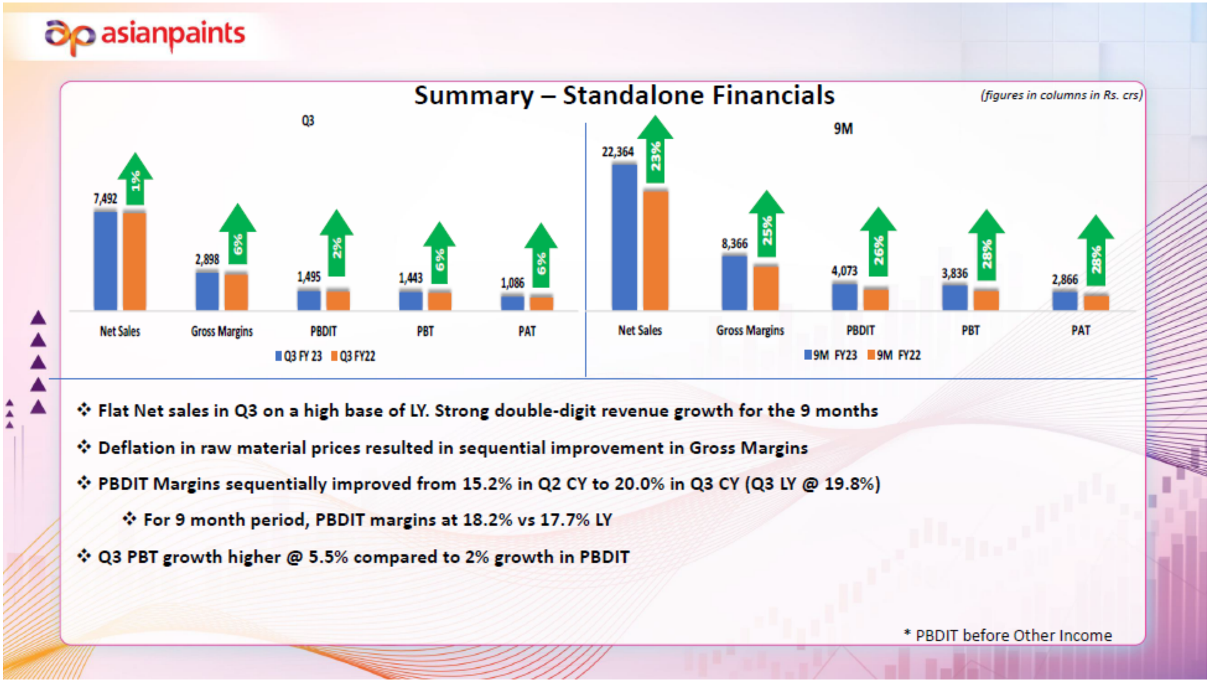
Coming quickly to the industrial business, you know we cater to every kind of surface here, whether it is Auto OE, whether it is in terms of General Industrial or it is in terms of Powder, we cater to all the businesses here.



We have two joint ventures which is there one is called the PPG-AP. This is a venture which kind of caters to the automotive segment. The auto story has been very, very strong. Last 2 quarters, we have seen auto coming back very strongly. In this quarter also, auto was very good, leading to almost about a 24% kind of quarter growth, which we have seen and even on a nine month level we have seen, overall business at about 34% kind of growth to that extent. So, very very strong top line which we have seen as far as this business is concerned. When we look at from the point of view of overall bottom line, the bottom line also has been healthy in terms of this business because we have been able to take price increases overall in support the business. We have seen about Rs. 91 Crores kind of profit this quarter and overall profit is at about 194% kind of growth. So I think the business has done extremely well both top line and bottom line. If you look at the General Industrial business, which is AP-PPG. Again, the business here is very strong. We've got a 24% top line kind of a growth which has come in, on a nine monthly level it goes to about 33% kind of growth which is there. So consistently for the last about 10 quarters, this business has been on double digit growth. So very, very strong story on the industrial side which is coming and the profitability has been also very good in terms of what it has come to Rs. 26 Crores in the quarter and about Rs. 51 Crores on a nine monthly basis. So overall, the margins have gone up, the gross margins have gone up and therefore the Industrial story is sounding extremely good in terms of what it is done in the quarter and almost at the nine monthly level as well. So this is basically the overall story amongst the businesses.

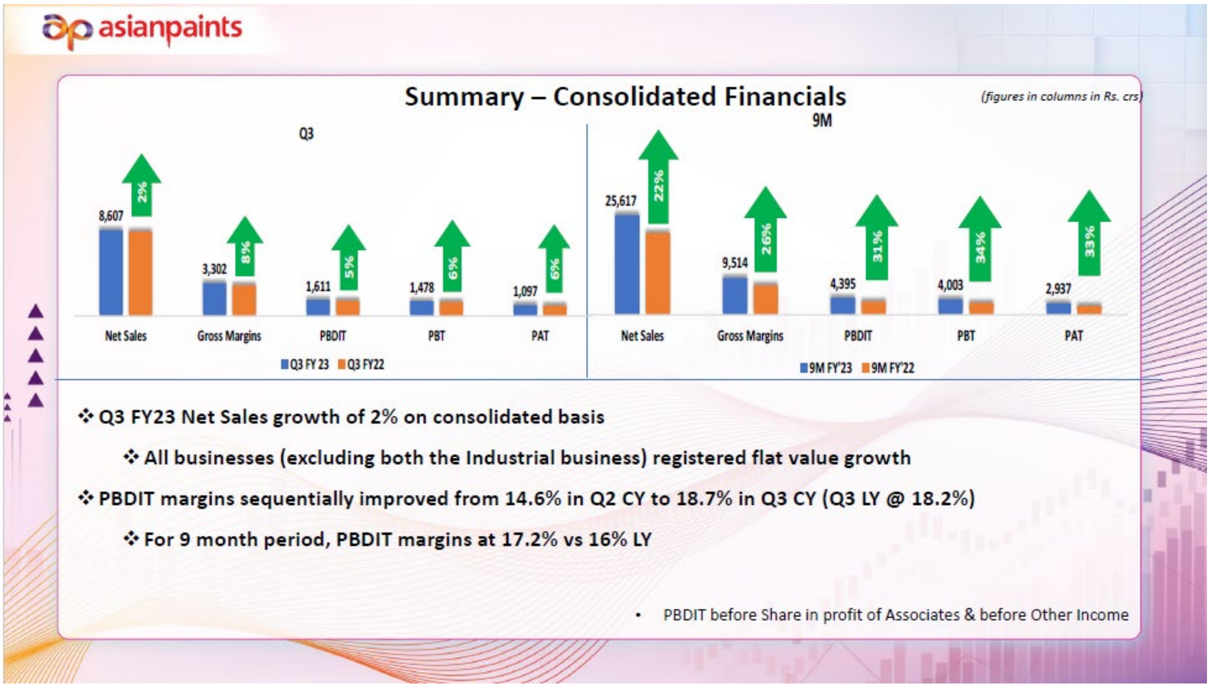


Just a trend to kind of show you that from a Standalone gross margins, how the gross margins have moved. Last time, there was a lot of concerns about the margins coming down this, this quarter we have got back very, very strongly. So on a sequential basis, we have gone from 35.6 to about 38.7 which is almost about a 3.1% jump in terms of what you see in terms of the gross margins coming over. Material deflation of almost about 7% which we have seen the quarter which is also half realized because of the higher inventory which is there in this quarter. So obviously margins are expected to possibly go even higher as we see the next quarter coming in. Even on a year on year, we see that, we are back to our original kind of profits of about 38, 38.9% which used to be the gross margin at that point of time earlier. 43.6 is a bit of an aberration, but I think we are back to the overall gross margins in terms of because of the deflation now happening to that extent and this only will get better as we kind of look at it. Even from year-on-year kind of gross margin situation, we have gone from 36.9 to about a 38.7 kind of a this thing which is almost like a 1.8% jump happening on the gross margin. So strong margin kind of scenarios. Which are emerging to that extent.



The overall summary of the business appears like this. Overall, the standalone business there is one percent kind of top line which is coming the gross margins have gone up the PBDIT margins have up to that extent. Overall if you look at PBT is at about a 6% growth to that extent and so is the PAT to that overall level. On the point of view of nine months this thing, the picture is very healthy. Overall net sales are at about 23% gross margins are also up as I just spoke about it and therefore the PBT and

PAT numbers are very, very strong from the point of view of almost showing about a 28% growth coming in from those numbers.



When we look at consol pictures, overall, the situation is largely similar in terms of what we see with a 2% topline coming and you know we see basically clear improvement with respect to the PBDIT margins sequentially going up from basically what 14.6 to about 18.7 in Q3 to that extent. And even here on here there is a very clear kind of increase which has happened of about 0.5% to that extent. So overall PAT is at about 6% growth. On a nine monthly basis, obviously the picture is far far stronger, 22% top line pat of 33%, both PBDIT and PBT numbers also looking fairly healthy. So I think that's something which is the overall picture. So that really completes the financial part of it.

I wanted to just highlight one or two more areas to you. As we kind of go ahead, we are still kind of quite positive in terms of what we see as a quarter story ahead. We've seen good kind of upturn in terms of December, which has happened. We think it is more the base correction which has happened this quarter. To that extent the overall foray from our sides in terms of growth will continue and that is something which we'll pursue as a growth story in terms of what we have been doing. Overall, what we see is that, in our case, we are still expecting T3, T4 towns to kind of really bounce back as we kind of go ahead. The rains have been good. Overall indications from the rural sector are going forward that in Q4 we will get better results and in Q1 going forward of next year, I think it will be still better. When we look at material prices overall, we are expecting it to soften it further plus we have not taken the full impact of the you know the deflation which is in Q3. So overall I think the prediction obviously is that the margins will get only better in terms of looking at going forward. The B2B business, Projects business will continue to do well. As I said the Industrial businesses are doing well. And I think they should continue in terms of doing so to that extent. Yes, a little bit of a caution in terms of the recessionary fears in terms of what we are seeing, but if the GDP continues to kind of grow at this pace to that extent, we do see no reason in terms of why possibly the Indian markets should not do well. Yes, international markets, there are some African Asian markets where there are forex pressures, but that is something I think we will just have to exercise a little bit of caution in terms of how basically it pans out as we look at Q4 and then the Q1 of next year. So, this is about what we see as in terms of the path forward going forward.

Just to kind of update while all these announcements we have made and we have a apprised you last time as well. Our total investments, we are going to now look at going forward, is close to about Rs. 8750 Crores. That's a quite a strong kind of punch which we are giving because today we are convinced about the growth story coming in and we've announced a new plant which is coming on the anvil. This total Greenfield plant which is coming where we've just announced about a Rs. 2000 Crores kind of investment with a 4 Lakh KL kind of capacity which is coming. Currently with some of the Brownfield which was coming our capacity was going to about 22.7 Lakh KL and with this new Greenfield coming, 4 Lakh KL will get added and will go to about 26.7 Lakh KL kind of per annum capacity overall to that extent, with already a huge capacity in terms of what we look at from the point of view of outside processing. So I think, we are preparing ourselves very strongly for the next three years to four years to how we kind of see the overall growths panning out in terms of looking at. In addition, the backward integration initiative we announced in terms of our white cement and the VAM VAE kind of areas which we are putting money and those should be ready in other two years time as we look which would kind of give us a further increase in terms of our margins as we kind of go forward. So strong story in terms of looking at profitable growth as we kind of go ahead in a strong manner.

So that's what I wanted to share with you. And I'm sure now there are questions and we'll take the questions now. Thank you.

Moderator: Good Evening, everyone. Today we have participants joining via Zoom video platform and via teleconferencing. Requesting all participants joined via zoom video platform, kindly rename yourself with your name and your company name. Please use the raise hand feature to ask a question to the panellists. Kindly unmute when given a chance to ask a question. Please mention your name and your company name before asking your question. Kindly restrict your questions to only 2 due to time constraints. Participants connecting via Zoom video platform can post their questions on the chat box and we will ask on your behalf. Participants joining via teleconference, please press *1 to ask your question. Our first caller has joined via zoom, Mr. Abneesh Roy (Nuvama).

Abneesh Roy: Yeah Hi, thanks for the opportunity. My first question is on the capacity and the demand in paints. So if I see in Q2, You had sharply increased the capacity guidance and now in Q3 further 4 lakh have been added. Being industry leader, I'm sure you will be tracking the capacity addition announcement by non-paint players, number 2, number 3 paint players also. So one question I had was over the next three four years with your capacity and so much capacity in the market, How do you see overall market share, overall pricing discipline etc. Because of that, because everything seems to be happening at the same time. What would your view be on that?

Amit Syngle: So first of all, as we see it, you know, our capex announcement is not equivalent to sales. I have been maintaining that for a very strong point of point of time. And we see that today when we are looking at an increase in capacity, it is to do with the way we have been growing in the last 10-15 years at a certain CAGR in terms of overall volume. And if we look at the last two years, we have added almost about Rs. 9000 Crores overall in just about two years to that extent. So, our capacity expansions in terms of what we are looking is in line with what we have seen as our growth patterns and also what we are putting our strategic direction in terms of growing and expanding our footprint with respect to the emerging Indian market, which we see a lot of potential in terms of going. Today, what I see very clearly is that the market is about Rs. 70,000 Crores to that extent. So we have all the newer players who are coming and they want to kind of do business, maximum I see in another three years' time, they can do a maximum sale of about Rs. 1000 Crores to Rs. 1500 Crores which actually would be miniscule percentage of the total capacity they are talking of in terms of putting. So I can say that for Asian paints that it is a very clear calculated move in terms of what we are making because today we are operating at about 70-75% of our capacity and going forward, we are very clear that we would be able to kind of utilize all these capacities and we are keeping pace with our growth plans to that extent and with respect to how others are kind of putting their capacity, I think it is their only calculation which is there. We do not know in terms of how they justify the capacity additions which they will do over a period of time because we don't see that they will be able to realize the capacities to that extent in terms of the way they are putting the capacities.

Abneesh Roy: Sure Amit, Thanks, one follow up on the demand bit. In Q3, the demand has been volatile. So, when I see the November remarks and December remarks, I wanted to understand the difference there. Is it because of the base because in December you have said double-digit growth, November you have set a recovery. So is it just because of base because what is the reason for difference in the commentary and in Q4, would you say that the double-digit sales growth which happened in December, could you be confident of a double-digit growth for the full quarter in Q4.

Amit Syngle: So, I think we are very clear that the commentary which is there for the quarter is that I spoke of two very heavy price increases which we took last year of almost 10 and 5% which has kind of increased the stock into the market and therefore the inventory has kind of had gone up in the in the network in a very strong manner. So that was clearly one of the reasons which we saw that we saw very, very strong numbers which were there in October and November which came in because of these two price increases to that extent. The second reason is that the extended monsoons which went on till almost about 15th October, really kind of effected the shorter Diwali which we had to that extent and therefore that was a double impact on the October volumes in terms of what it took this year to that extent and therefore I think the October is totally understandable in the way it was. And what we clearly saw that there was some impact of the price increase based in November as well. But definitely there was a recovery which happened and I think December we were back to normal in terms of what we could see with respect to the overall market conditions and how we see the secondaries moving in the market. Therefore, what we see is that we are fairly optimistic about the Q4 in terms of going forward. Obviously, the cold wave has been very, very strong in the northern markets in terms of some extent, which also effects the exterior painting at this point of time. But I think, we are confident that overall that the Q4 volumes should be optimistic in terms of going forward.

Abneesh Roy: Sure, and my second and last question is on the Bath and the Kitchen. So those are a bit more discretionary versus paints and when I see the urban demand in terms of new drivers clearly, we are seeing job losses in the start-ups, tech job addition has been anti multi quarter low. But then I also see that there is a inflation cooling off and the salary hikes also seem to be quite optimistic. So, if I mix all this, how do you see your Bath and Kitchen growth in the coming quarters?

Amit Syngle: So, in fact, I would qualify that question from the point of view of our home decor completely because now it is not the question of only Bath and Kitchen. It's a question of kitchen, furnishing, lighting everything in terms of what we sell. So, as we kind of look at the Q4 yes, these are categories which are slightly more discretionary, but we feel that this should be also in line with the overall economy in terms of the way we go off. The construction is going on at a good rate and there is good real estate equity in the market in terms of people are purchasing new homes and second homes despite the interest rates going up. So I think it is all dependent on this whole area of housing index, new construction, new houses coming up to that extent, but I think we are still optimistic that the overall home decor should kind of continue to do well as we kind of look at Q4 as well.

Abneesh Roy: So, thanks. That's all for my side, thank you.

Moderator: Thank you very much for your questions, Sir. I request all the participants to kindly limit your questions to only two due to time constraints. Moving ahead, our next caller has joined via Zoom video platform, Mr. Avi Mehta (Macquarie).

Avi Mehta: Hi, sorry, am I audible?

Amit Syngle: Yes, you are.

Avi Mehta: Hi Sir, I just wanted to kind of build it on your comment on the sequential EBITDA margin expansion in fourth quarter, given that third quarter was already at around 19-20%. Should the current input environment in terms of costs and if I hear you your demand commentary was also fairly supportive, are we looking at 20% Plus EBITDA margin trajectory going forward? Is that a fair way to read your comments or am I wrong in that assessment?

Amit Syngle: So, if you know, we have already kind of maintained that we would lie in this whole band of about 17-20% band in terms of what we have been speaking about. Obviously, when we look at, you know the PBDIT margins of the last quarter. It has improved by almost about 4.8% as far as the standalone business is concerned, and what we see is the realization in terms of the deflation has not been fully there to that extent. However, what we will see is that I think, we see that there could be marginal increase in terms of the overall margins, which we'll see in Q4. But definitely we are seeing some more deflation to come and full realization of the Q3 deflation to that extent. So therefore, we definitely see the margins to kind of go up.

Avi Mehta: And Sir, would it be fair that the mix also was inferior. The volume growth also was relatively weaker. So you also had, you know those headwinds in terms of margins and all that together still, you know, while steady state might be that range, it could be slightly ahead or more ahead of that. That's why I was coming. That's where I was coming with

Amit Syngle: Yeah, it would definitely be there because the product mix given the fact that last year in the same quarter, the high value products had a higher price increase and therefore the inventory of those products was higher. So as we kind of go see that the mix would definitely kind of improve is what we are confident of and obviously as the volume growths improve, the value growths also will improve with a better mix to that extent. So that will also definitely positively impact the margins.

Avi Mehta: Perfect Sir, okay and the second bit I just wanted to just understand the demand comment a little better. While you highlighted December had seen double digit value growth. I just want to understand what gives us confidence because there is also this comment that keeps kind of floating around that the stronger growths in the earlier periods was more an advancement of demand and hence we could probably move to a period of slow volume growth. I would love to hear your thoughts on why you believe that may not be the case.

Amit Syngle: So, what I see is that, you know, going forward, obviously a lot depends in terms of how the economy behaves and how the overall GDP comes up. We feel that, you know, there is definitely you know, a little bit of a bettering down not very high volatile volume grows to that extent. So, I think the volume growth would continue possibly, the level of volume growth which we have seen in the past would definitely come down to that extent because today the markets are kind of now coming to a certain maturity. They have seen two years of good growth overall to that extent the bases which we all are sitting are at a certain level. So we might not see very explosive volume growths to that extent, but definitely I think we would see good volume growths going forward to that extent because of the overall economy what has been predicted at being a decent level as we kind of go forward. So from that point of view, I think the December double digit was a good indication. But as I said then double digit there is always an 11% and there is always a 20% as well. So I think the double digits also vary from that point of view to that extent. And therefore what we are saying is that we are optimistic, but obviously I think the overall kind of story on volume growths might not be the same as what we have seen in the last two years.

Avi Mehta: Sir, but good would mean still a double digit? Would that be a fair comment? I think it can be 11 or 20, but still that would be a reasonable range

Amit Syngle: Yes.

Avi Mehta: Or are we seeing could might be a single digit, that's why I just wanted to clarify that point.

Amit Syngle: No, I will leave that interpretation to you. But for us, I think good can really be definitely in the double digit growths.

Avi Mehta: Perfect sir. That's all from my side. Thank you very much.

Moderator: Thank you very much. So our next caller has joined us via Zoom video platform. Mr. Jaykumar Doshi (Kotak Securities).

Jaykumar Doshi: Hi, thanks for the opportunity. You mentioned that, you know, full impact of 3Q deflation was not reflected in gross margin. And over and above that there is further reduction in RM prices in 4Q. So is it possible to quantify what is the extent of gross margin improvement? Should we expect further from 39% all levels for India business if RM prices stabilize at current levels? And at what point of time would you consider passing on some benefit to customers in the form of end product price reductions and what gross margins would you consider there?

Amit Syngle: So what we see is that see we are still assessing that for Q4 what would be the exact kind of deflation which we would see. As I said that part utilization of the deflation has happened in the Q3, which is there. Now I think it totally depends in terms of how Q4 augurs from the point of view of total RM softening in terms of what we see and I think any decision with respect to price corrections or otherwise we will take only when we are kind of very clear that there are certain kinds of cost reductions which are happening from the point of view of Q4 and they are there to stay in the market because we should not forget that the there is still which is a war which is going on to that extent, there is still some volatility, which we see in terms of the variation from up and down in terms of the prices which are happening to that extent. So we will take a call depending on how Q4 finally augurs with respect to the deflation. As far as gross margins are concerned, I think too from existing level of about 39 in terms of 38.6 where we are to that extent, there would be definitely marginal improvement which we'll definitely see as a result of what we have seen from the Q3 kind of deflation which overall has come about.

Jaykumar Doshi: Just a follow up there, are you still maintaining your band of 39 to 40% as the range you want to be in or is there a possibility of it moving up?

Amit Syngle: So see, it totally depends in terms of the softening of the prices and where they are and when do we kind of if they go up but yes, we would like to maintain overall, the overall band in terms of about that 38 to 40% in terms of what we would like to keep ideally.

Jaykumar Doshi: Perfect, and capacity expansion increase from 17.5 lakhs to 26 point something, so it's roughly about 50% increase. So is this like for like, I know you have some third party contract manufacturing also. Is the mix going to change? This is more of like for like a 50% increase.

Amit Syngle: No, this is our in house capacity in terms of what we are talking of increasing and there we have a mix of increases in capacity which is happening in water-based in terms of solvent-based in terms of some of the wood finishes categories, and even in terms of the waterproofing areas. So it kind of really spans across the various kind of overall product range in terms of what we have. As far as the you know the outsourced manufacturing is concerned, that is something which is in line it is almost equal to about almost about 15 lakh to 16 lakh KL in terms of capacity, which we have to that extent, which possibly is not going up at a very very high pitch as compared to what we are doing at in terms of the in-house kind of investments.

Jaykumar Doshi: But outsourced is usually different products. set of products right..

Amit Syngle: So yeah, so that is what I'm saying the outside processing largely would be for some of our powder products and some of the other primer products in terms of what we have to that extent even some range of stiff paints which we have to that extent, but there is some duplication, which happens in terms of the outside and the inside capacity as well. Depending on how the overall kind of logistics fare out in terms of various regions to that extent. So, as I said that the larger increase in capacities is in overall our water-based our overall solvent-based products and in terms of some wood finishes and waterproofing categories.

Jaykumar Doshi: Thank you so much.

Moderator: Thank you sir, our next caller is Mr. Shirish Pardeshi (Centrum), joined us via Zoom video platform.

Shirish Pardeshi: Hi Good Evening, Amit and team. Thanks for the opportunity. Two questions.. so you started with the remark that this quarter was rough. And you did explain that the rains were prolonged. But however, December you also mentioned you were very positive. So just wanted to understand in the beginning of rains or October, was the system inventory was cut because maybe the trade was expecting some some amount of price cuts and maybe if you can say what is the inventory level today happening at the trade level.

Amit Syngle: So as I said that, see when you announce a 10% increase you know the inventory levels across the entire trade will definitely go up, because in our paint industry 10% is too huge kind of you know pricing price increases will happen. If any retailer doesn't pick up any material in this kind of increase then the retailer cannot function in the market to that extent. So there was an all-round inventory increase across the set of retailers, whether it is small towns, mid towns, or it is the T1, T2 or the metro cities to that extent and therefore, the inventory definitely went up in the month of October and again in the month of November to that extent and therefore, if you sequentially look at it, Q4 was a little bit weaker as compared to the Q3 of last year to that extent. So I think very clearly what we saw was that this inventory impact coupled by the monsoon impact of October, which I spoke of, really did depress October in terms of the way we it kind of came up. There was definitely a recovery in November, which we saw, but it was not a full recovery because we had another price increase on first of December, which kind of really kept the inventory levels inflated to some extent. And it was only in December that those inventories started liquidating and compared to last quarter this year, we definitely see that the level of inventory in the network would be limited and not to the extent in terms of the way it was in Q3 of last year.

Shirish Pardeshi: Just one follow up here, I do understand for many years, we ran the annual incentive for the trade partners. Now was it that also was not a driver, or the quantum of incentive was not lucrative for the trade to pick up the inventory.

Amit Syngle: The quantum of incentive can never match the 15% kind of a price increase. So it can never match the price increases.

Shirish Pardeshi: Okay. Second question on the overall capacity expansion. You did mention that the capacity is growing, but can you give us some timelines over the next 8 to 10 months or maybe 12 months, what is the water base capacity which is going to come in the system?

Amit Syngle: So as I said that currently from 17, we are going to about 22.7 lakh KL which is there. So, you see almost five lakh KL jump which is happening and this five lakh KL jump would happen possibly in the next about two years to two and a half years in terms of what will come out and then we will start basically actioning the four lakh capacity in terms of what we have spoken of.

Shirish Pardeshi: Okay, thank you Amit and all the best to you and the team.

Amit Syngle: Thank you.

Moderator: Thank you sir, our next caller has joined us via Zoom video platform, Mr. Manoj Menon (ICICI Sec).

Manoj Menon: Hi team, this is Manoj from ICICI securities Normally, I wouldn't focus too much on the short term but this time given there are just too many moving parts and one off. Just forced to ask a few follow up again on the December quarter. To start with, you know, given the flattish rupees Crores revenue, largely speaking in standalone, does it kind of imply that paints would have declined significantly given the assumption that the rest of the business would have grown pretty well?

Amit Syngle: No, I think nothing like that. Overall because the larger contribution is from the paints only to that extent. So, overall if you look at from an organization perspective, the other businesses are fairly small from the point of view of the coatings business. So, the larger impact has come in from largely the decorative business of paints specifically, as I said, the industrial businesses, both Auto and the General Industrial business and coatings have done well. So the larger kind of impact is from the point of view of the Deco business.

Manoj Menon: Amit my question is, thanks for this was essentially, example do we include adhesives in the definition of decoratives. I am not sure whether I should add up both, whether adhesives should be clubbed with paints, we are trying to analyse. Just unsure.

Parag Rane : In the standalone revenue number, both paints and adhesives is definitely a part of it but the volume numbers are standalone paints, So to that extent, the volume is only for paints

Amit Syngle: And see in terms of the other businesses like even adhesives and all as compared to the overall larger categories, it will still be the larger categories which dominate the overall this thing. So it is reflective of the overall larger interior, exteriors, wood finishes and the waterproofing business which we have.

Manoj Menon: Fair Point and Secondly, it also is looking through the last year concall transcripts exactly the same time 12 months back, you know, what we find is, there are questions about inventory, etc. last year and the comment was, it is not a material one, that's one, second, you know, given the as a recall you know, the October, let's say the price, and the price increases in November, which was one of the highest, etc. Essentially, meant that that December would have been a low base month for you, right? I mean, so what I'm trying to understand is the recovery this December, is it an optical one or is it something underlying here?

Amit Syngle: No. So what as I said is that the recovery in December we see measure in terms of more from the point of view of the secondaries, which we see in the market, to that extent, because it's not that the inventory in the market will become zero, there will be some inventory which will still remain in the system to that extent, and what we would kind of say is that the double digit recovery in terms of what we are seeing is definitely with respect to the secondaries, which have been moving the market and we have seen that the secondaries have moved both in the T1, T2 and T3, T4 cities to that extent. So actually the double digit is coming, more from the point of view of watching what the extent the secondaries have kind of come in, and there is no possibly inventory pile up, which is kind of happening in the month of December, which is giving the double digit to the extent. But to the fact that last year, December would have been slightly lesser because of the increased pileup of inventory of October and November. That comment would be right

Manoj Menon: Fair point, Amit thanks for that. Secondly, just on the ESOP plan, which was announced some time back, you know, it's one of the first let's say you're done in a long time. Just could you comment about the people policy attrition particularly in the middle and above, and some more colour on the ESOP etc and, and more importantly, an analysis on let's say, What made the management decide to do this at a particular point in time and how do you see this panning out?

Amit Syngle: So, the ESOP policy was announced in June of 2020, in terms of when we had kind of really announced the whole area. So it was done almost about three years back in terms of what we see. One of the areas which we kind of looked at was that ESOP was now becoming a norm in all, you know, world multinational FMCG companies to that extent, and when we peg ourselves, we compare ourselves to the best in the world in terms of looking at the kind of people we get from premium campuses, all across India, and even at the lateral level in terms of whatever we take. So I think the whole concept of looking at ESOPs came in from the point of view of saying that this would be a strong area in terms of looking at one, propelling the overall growth in terms of linking it to the actual kind of business growths and therefore the return to the stakeholders, which kind of really happens. And the second area obviously, we looked at, was saying that as we kind of go ahead, the human capital is very, very important and the way we have ambitions in terms of going forward, we needed to kind of also see that we could kind of look at a dual area of both, you know, incentivization and retention of people in the organization to that extent. So I think that was the basis in terms of what we looked at the ESOP strategy and what we have seen in the last three years, actually, that overall, you know, the attrition rates today to that extent, are basically in a certain band in terms of what we see overall. The rates have not kind of gone up. In specific cadres it might have kind of increased a little bit here and there to that extent, but as far as the top and middle management is concerned, that is something which is basically in line with the last about seven, eight years in terms of what we have seen as the overall attrition.

Moderator: Thank you sir, our next caller is Mr. Tejash Shah (Avendus Spark) joined us via Zoom video platform.

Tejash Shah: Hi, thanks for the opportunity. Sir, we have been growing aggressively in Projects business for a while. So just wanted to know what will be our current contribution from this vertical and is there any number that you would like to saturate this business and how different is the margin and working capital profile of this vertical versus our core B2C paint business.

Amit Syngle: So overall, from the profile, we really see that this business is pegged at about anywhere close to about 15-20% of the total business in terms of what we see. It varies depending on how the overall retail and the project growth rate really pan out to that extent, but it kind of is in that kind of a band in terms of what we see. Overall, the growths in this business have been stronger in terms of what we see from a point of view of overall businesses which we have been able to see whether it is a builder segment, the government segment, the cooperative housing sector or the factory segment to that extent, and there is something which is a very strong focus in terms of what we have maintained. As far as overall working capital is concerned, we really worked through our retailers here and there is not a direct kind of intervention in terms of what we make to that extent. So therefore, the working capital requirements are literally similar as compared to the retailing environment. As far as overall returns are concerned from the business. Yes, definitely. This business is far more competitive to that extent, and it is definitely something which is slightly lower than the retail business in terms of what we make.

Tejash Shah: Sir second and last question. For many years, infact decades, this sector has enjoyed a form of oligopoly. And this question was perhaps not relevant because everybody was growing together. But now we have attracted competition from various quarters not even from our industry, but from outside also. So do you believe that the case for consolidation is very strong now than ever? And if you believe in that, would Asian Paints be willing to participate? In this? Or would you prefer to go organically and then face competition on your own?

Amit Syngle: You're talking about the paints category. I missed the first part of your question.

Tejash Shah: Yeah sir, yeah sir paints category.

Amit Syngle: Okay. So as I see it, I think, given the strengths which we have, from the point of view of our R&D, the strengths which we have in IT, the world class supply engine which we have and the areas of marketing and branding excellence in terms of what we pursue, I think we have been very strong in terms of looking at pursuing the kind of, you know, growths and the returns which we have seen. We have almost have a CAGR of about 12 to 14% in terms of what we have had for the last about 10 to 12 years and it has been a very strong growth rate in terms of we have been able to see. As a leader we have also been growing the market to that extent, and we don't look at competition only from the point of view of acquisition of sales from any other player to that extent. So we were the first pioneers in the exterior market to kind of grow up the market from cement paints to that extent. We have kind of transformed the French Polish market in terms of entire wood finishes market. We have looked at the bottom of the pyramid to explode the entire distemper market into economy emulsion sales market. So what we see is that we have been taking strategic shifts in terms of increasing the per capita consumption of paint and therefore, we have been channelizing the growth strategy of paint sector in a certain manner to that extent. As we believe we will continue to do that we don't really look at from the point of view of saying that any acquisition of competition is kind of giving us any benefits from the point of view of our strategy to that extent, but having said that, if there is a preposition which is really cutting edge, if it is there is something which comes up, which kind of adds to the organization from the point of view of either technology or from any other strength area, we are open to that in terms of looking at in terms of any anything which comes from a consolidation point of view to that extent; but I believe that we have a very strong story of our own, which is very clearly growth rate and it has led from a profitable growth perspective. Also, I think, I like to factually correct you that it is not that the competition is coming now. The competition has been coming for the last two decades. We had Sherwin Williams, which came in some time back, tried persisting for a certain point of time. We have had entries of Nippon, Jotun, lot many other players in the market. We have loads of other players which are relatively at a small level. There is already a Kamdhenu and there are other players to that extent. So I think the market is an Indigo, which has come up seven years, eight years back. So I think the market always has seen a lot of players coming into this market to that extent. So therefore, we see that this is a continuous process and I think we anticipate even more players coming as we can go ahead.

Moderator: Thank you Sir. Our last caller of the day is Mr. Mihir Shah (Nomura), joining us via zoom with your platform.

Mihir Shah: Thank you for taking my question. This is Mihir Shah from Nomura. So I just wanted to get your understanding on the demand environment in the near to medium term and how you see it because you know when we see your 3Q numbers and other discretionary category numbers, it is indicating a slowdown. Can we say that Asian Paints 3Q numbers, you know there was one off in the numbers and volume, you know, like you highlighted for the December month can continue to deliver double digit growth over the next couple of quarters. Is there any trend that you're seeing in rural, of course, you highlighted that the spot there was no trend but any trend that you've seen that in rural or urban demand. Is there slowdown gripping on or are there any green shoots of improvement, any kind of indication or you know even from the unorganized - are you seeing any competitive intensity increasing any of these, You know from the demand front if you can touch upon that would be very helpful sir. Thank you sir.

Amit Syngle: So I've already touched on this question and as I see it that overall, I think we remain pretty optimistic about the coming quarter to that extent in terms of the overall sales. Yes, there has been a little bit of a slowdown and I mentioned that possibly the kind of growths which we have seen in the last two years might start coming down to that extent, but we still see, you know healthy growths which are going to happen in the market as far as the paints category is concerned going forward; and therefore as I said that, possibly I don't see any difference with respect to T1, T2 cities or T3, T4 cities. In fact, our anticipation is that some of the T3 T4 cities will start coming up as we reach the middle of the Q4 and Q1 of next year to that extent. So overall, I think we are still kind of very positive about Q4 in terms of looking at how the growths are because I think the last 12 quarters, or last 11 quarters indicate the growth trajectory in terms of what we have been able to deliver and therefore we will see that this quarter definitely was affected given the high bases and the price increases in terms of what we have taken in the past; but we remain positive as far as Q4 is concerned.

Mihir Shah: Good to hear that, sir. Thank you. That's very helpful. So my last question is actually a bit a little bit of a bookkeeping. I just wanted to understand the mixed impact. When you triangulate the value growth and volume growth. You know and we factor in the earlier taken price increases. You know, we're still seeing, you know, price increase would have been in a mid teen range for the 3Q. Of course, it'll slow down further in the 4Q. But the mix impact for the 3Q seems to be quite large, similar to what we've seen in the 2Q, somewhere about you know, 12 to 14% range. Sir, can this quantum continue, or will it reduce to the, you know, negative 5% levels that we are used to seeing in the earlier years you know, so that's all from my side. Thank you.

Amit Syngle: So, what we see going forward, that the mix will definitely improve. We are kind of predicting that for the Q4 overall the mix as compared to Q3, we have delivered would definitely improve and therefore what we definitely see is that going forward, we will have possibly, you know, a larger focus with respect to the kind of growths which come in from, you know, the high end, premium luxury products in terms of going forward, which will definitely kind of look at in terms of taking the overall volume and value gaps to a certain level in terms of what we have seen in good in some of the times earlier to that extent. So therefore, going forward, we will always see possibly, you know, a gap of about, you know, the 4 to 6% kind of gaps which we see between them the volume and the value as we kind of go forward.

Mihir Shah: Fantastic. That's very heartening to hear. And I completely understand the point that you mentioned on the gross margin improvement, so nothing further to add. Just if you can throw one more small little bit of all the other expenses, you know, we've seen some moderation, can this be attributed to lower ad spends? And given that there's a large capex announcement? When will these costs you know start coming in and to what level would they kind of increase the other expense line item? That's all from my side? Thank you.

Amit Syngle: So overall, we don't see any aberration with respect to the overall overheads. The overheads would partially be as a percentage be higher because of the lower volumes to that extent, but overall, from a point of view of whether going forward that it can affect our advertising or marketing expenses or in terms of employee spends or in terms of general overheads, we don't see that there would be any larger curbs or anything which we would kind of place to that extent. The capex funding is very clear that it is coming from a certain section of our reserves which are there to that extent, so I don't see any implications with respect to going forward in terms of a larger containment of any of the overhead spends as we kind of go forward.

Mihir Shah: Thank you, sir, wishing you all the very best.

Amit Syngle: Thank you.

Moderator: Thank you sir and thank you everyone for your questions and for joining us. I now request Mr. Amit Syngle to give us the closing remarks.

Amit Syngle: So thank you, everyone, for joining us for this investor conference. And it was great kind of hearing all your queries and we hope that as we kind of go forward, we look at more buoyant times in future. Thank you.

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