KANSAI PAINT

NEROLAC

10th August, 2026

1. Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001

2. Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051

Sub.: Q1 FY 2026-27 Financial Results Conference Call – Transcript

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

Dear Sirs,

This is further to the intimations done by the Company on 22nd July, 2026 and 3rd August, 2026, with respect to the Conference Call hosted by the Management of our Company on Monday, 3rd August, 2026 at 17:00 hrs India Time to discuss Q1 FY 2026-27 Financial Results of the Company.

The Conference Call was in the nature of a group call.

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

For **KANSAI NEROLAC PAINTS LIMITED**

G T GOVINDARAJAN
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Date: 2026.08.10 16:36:06 +05'30'

G. T. GOVINDARAJAN
COMPANY SECRETARY

Encl.: As above

"Kansai Nerolac Paints Limited

Q1 FY '27 Earnings Conference Call"

August 03, 2026

MANAGEMENT: **MR. PRAVIN CHAUDHARI – MANAGING DIRECTOR – KANSAI NEROLAC PAINTS LIMITED**
MR. YASH AHUJA – CHIEF FINANCIAL OFFICER – KANSAI NEROLAC PAINTS LIMITED
MR. JASON GONSALVES – DIRECTOR-CORPORATE PLANNING, IT AND MATERIALS – KANSAI NEROLAC PAINTS LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Kansai Nerolac Q1 FY '27 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes. Thanks, Nithya. On behalf of ICICI Securities, we welcome you all to Q1 FY '27 Results Conference Call of Kansai Nerolac Paints Limited. We have with us today senior management represented by Mr. Pravin Chaudhari, Managing Director; Mr. Yash Ahuja, Chief Financial Officer; and Mr. Jason Gonsalves, Director, Corporate Planning, IT and Materials.

Now I hand over the call to the management for initial comments on the quarterly performance, and then we will open the floor for question-and-answer session. Thanks, and over to you, Pravin, sir.

Pravin Chaudhari: Yes. I'll request Jason to walk you through the presentation.

Jason Gonsalves: Good evening and greetings to everyone, and thank you for joining us for this investor conference call. We appreciate the continued confidence of our shareholders, analysts and stakeholders. Today, I will walk you through the key developments of the quarter.

I'd like to begin by restating our vision and mission. Our purpose is to create environments for a healthy and beautiful future. Our vision is we design solutions that protect, inspire and touch lives every day. And our ESG commitment, which is we are water positive, emission reduction and green energy.

Coming to our brand. For over a century now, Nerolac has established itself as a trusted heritage brand, synonymous with excellence, innovation and leadership in the paint industry. Our enduring success is anchored in strong research and development capabilities and strategic global technology partnerships.

This is particularly evident in our Industrial Coatings business, where we deliver advanced high-performance solutions across a wide range of applications. In an increasingly competitive marketplace, Nerolac continues to enjoy strong brand recall and consumer trust, consistently maintaining its position as the second most recognized paint brand in India in terms of top-of-mind awareness.

One of Nerolac's most iconic brand assets is its timeless Jingle, which has strengthened its generations and has remained deeply embedded in consumer memory for over 3 decades. This enduring cultural connect continues to strengthen our brand identity and foster lasting emotional resonance with consumers.

Nerolac remains focused on shaping the future through breakthrough product innovation and technological advancement. Our portfolio of sustainable solutions reflects a steadfast commitment to responsibility, progress and customer trust, ensuring that we not only address the needs of today, but also contribute to a better tomorrow. Emotional connect builds long-term equity and Nerolac continues to nurture this bond through meaningful consumer engagement and a consistent brand experience.

Looking ahead, our technological expertise will play an increasing significant role in strengthening our decorative paints business. By leveraging innovation, we are well positioned to introduce category-defining products that cater to a growing demand for premium and differentiated products. A notable example is our Paint+ range, an exclusive portfolio of pioneering solutions that has created new benchmarks in the decorative paints category, delivering distinctive value and superior experience to the Indian consumers.

We have introduced our employee value proposition this year, and it is where our passion takes color, reflecting our belief that the passion of our workforce is central to everything we do. Through this proposition, we aim to foster a positive environment that encourages growth, ownership, continuous learning and open communication across the organization.

Now coming to the business environment that we saw in the first quarter. In the first quarter, we saw 6 significant things. There was a significant oil price increase. The rupee depreciated sharply. There was a geopolitical challenge because of the West Asia crisis. We saw good demand in automotive and continued focus on infrastructure. And of course, there was a delayed offset of monsoon.

Now speaking about our decorative strategy, which is built on 6 pillars, new products, project business, construction chemicals, waterproofing and wood finish, branding and media spend, influencer program and network expansion and focused geography. We are driving this 6-pronged decorative strategy through strategic digital technologies like CRM, scheme management, integrated business planning and distributor management software.

Now coming to the decorative highlights. Let's first focus on the retail side. Here, services is aiding the primary business with mid-single-digit percentage contribution of -- to the decorative business. Our PaaS is present now in more than 250-plus cities. AID, our architect and interior designer program is present in 45-plus cities. And our Pragati program for painters now covers 65,000 painters in terms of participation in quarter 1.

Coming to our project and institutional business, where we recorded a double-digit growth. Our geographical reach is today at 80-plus cities. We have a strong pipeline of project sites, and we have a complete range of products called Super Series for the project business. Our -- in the network expansion, we added 1,700 dealers in this quarter, and our distribution network continues to expand in low-presence towns.

Coming to the construction chemicals. There, we recorded a double-digit growth. We are exploring and executing international collaborations for launching technology-backed solutions, and our focused market and focused product approach is continuing to yield good results. In the premium wood finished segment, we recorded high single-digit growth. Our focus here is on weighted contractors engagement to drive primary growth and also the same focused market and focused product approach to drive growth.

Coming to our off-line channel for retail. Today, we are at 186 stores in terms of NXTGEN Shoppe. We are at 275 stores in our Shop in Shop model, and we are at 385 stores in our Nerolac Paint+ zones. These are adding significant value to us. Coming to our product portfolio, we have a complete range of products in all the 3 segments of economy, premium and super premium. In interiors, we have impression series in super premium and the beauty series in premium.

In exterior emulsions, we have Excel Everlast 20, a new product, Excel Everlast Super Premium, Mica Marble and Anti-Peel Premium and Suraksha Economy. In the wood proofing range, we have No Heat, No Damp and Soldier Rain Raksha. In the tile adhesive range, we have Platinum Plus, Platinum and Diamond Plus, and we have in the other range, other Perma ranges. In the premium wood finish range, we have Gloria and in the popular wood finish range, we have clear acrylics like 1 K PU and NC Sanding Sealer.

Coming to some of the new products that we have launched, Excel Everlast 20, India's first exterior paint with 20-year warranty, engineered with bulletproof nano silica technology for super durability, crack bridging up to 2 mm and weather resistance. The second product is Excel Total Floor Coat, which is a superior premium water-based exterior emulsion that protects and beautifies floor tiles and cement surfaces with rich scene, antifungal properties and superior abrasion resistance.

And we have the third product, which is Perma NoDamp NXT, which is a high-strength fiber reinforced elastomeric liquid applied waterproofing coating. It is formulated with resilient acrylic copolymers and reinforcing fibers. Upon curing, it forms a thick, seamless, durable membrane that offers ultimate waterproofing.

In terms of media campaigns, we ran 2 major campaigns, Excel Everlast, where the reach and engagement covered 550 million-plus impressions across key geographies, 52 million views on YouTube, 30 million views on reels, 110 million views on social media, 2 million clicks and 1.2 million plus views on YouTube Shorts. In terms of no heat, in terms of reach and engagement, we had 210 million impressions in key geographies experiencing extreme heat, 20-plus million views on Meta, 15 million views on YouTube and 2.5 lakh clicks.

Coming to advertising and digital marketing, we had 160 out-of-home holdings across 27 cities. Nerolac remains committed to strengthening its brand through sustained investments across television, digital and integrated media platforms, enhancing consumer engagement and reinforcing its position as an innovative and trusted leader in the paint industry.

A key highlight has been the Out of This World campaign, which celebrates Nerolac's spirit of innovation and showcases pioneering solutions that go beyond conventional paint offerings. The campaign underscores the brand's focus on delivering differentiated products that address evolving consumer needs and elevate the paint experience.

Complementing this, the No Heat campaign that has effectively highlighted the benefits of Nerolac's heat reflective coating solutions, demonstrating how advanced technology can help create cooler and more energy-efficient living spaces. Together, these initiatives strengthens Nerolac relevance, deepens consumer connect and reinforces its image as a forward-looking and consumer-centric brand.

Now coming to the industrial update. In automotive, we have access to the latest global technology through a tie-up with Japan and other countries. Our focus is on innovation, creating new and enhancing existing technologies, water-based, high solids and low bake technologies and introducing paints with superior and unique properties, highly durable, superior finish, corrosion resistance and workability.

In new business, we have increased our presence in identified accounts and a thrust on electrical vehicles. And in new segments, we continue to gain market share in steam sealer and underbody black, alloy wheels, pretreatment and boost chemicals, which is a new area we have entered. In terms of business performance, auto segment witnessed strong growth with a focus on innovation and creating new technologies to increase the total addressable market.

Coming to Performance Coating. In the general industrial and the high-performance coating area, our growth strategy in these areas is centered around premiumization, new technologies and dealer network expansion. Under premiumization, we are driving growth across high-value segments, including infrastructure, bridges, railways, construction, appliances and electricals.

Through new technologies, we continue to expand our portfolio with fluoropolymer coatings, antic-carbonation systems, high solid coatings, direct-to-metal solutions, low bake systems and water-based technologies. To strengthen market coverage, we are focused on dealer expansion and increasing our presence in untapped geographies.

In terms of business performance, Performance Coating Liquids segment also witnessed very strong growth, and this was led in areas such as construction equipment, drum and barrels and the coil coating segment.

Coming to Powder Coatings, our powder coating business is again focused on premiumization, new technology development and maintaining the high market share that we enjoy. Under premiumization, we are expanding our presence in rebar, construction, alloy wheels, super durable coatings, pipe coatings and heat resistant coatings. Through new technologies, we are driving innovation in low bake, fast cure systems, bonded metallic powders, anti-dirt pickup solutions and thermoplastic coatings.

To maintain our leadership position, we continue to focus on network expansion and securing new customer approvals. In terms of business performance in Powder, we witnessed robust growth. Strong growth was witnessed in auto ancillaries, ACs and electrical segments and focused products like metallic powders witnessed healthy growth.

Across both the liquid and powder coatings, our focus remains on premiumization, technology-led innovation and market expansion, enabling us to deliver sustainable growth while strengthening our leadership across these key industrial segments.

In Auto Refinish, our focus in premiumization is on increasing the sale of premium PU products. In new technology, we are focused on increasing the sale of premium PU products, to promote high solid paint systems and waterborne coatings. And under network expansion, we are increasing the count of body shops and securing new approvals to further strengthen our market presence. In terms of business performance in Auto Refinish, our growth was flat. In the premium PU, we have notable body shop wins. The conversion from solid-borne to waterborne systems is transitioning as per plan.

Among the new products that we have introduced in industrial, our focus has been on enhancing finishes and functionality offering versatile -- offering versatile applications and prioritizing environmental sustainability. In industrial coatings, driving innovation through sustainability, performance and versatility through strong R&D capabilities and global technology partnerships, we are developing next-generation coatings across Automotive, Performance Liquid and Powder Coating segments.

In automotive, under environment sustainability, we expanded the adoption of Tin Free CED technology with higher solid content across key customer accounts. We introduced premium clear coat solutions, delivering matte and silky smooth finishes, enhanced aesthetics for premium 2-wheelers applications and dual tone finish compatibility. We also developed highly durable top coat systems for commercial vehicle applications which delivers industry-leading performance with up to 1,200 QOV resistance hours.

In performance coating liquid, under environment sustainability, we increased the focus on water-based coating technologies, enabling low VOC applications. In finishes and functionality, we developed advanced anti-carbonation coating systems, especially designed for metro rail infrastructure and other link road structures. And among versatile applications, we developed high scratch resistance coatings for coil coatings for facade and appliance applications.

In powder coatings, under environment sustainability, we continued the transition from conventional liquid coatings to powder coating technologies supporting low VOC. In finishes and functionality, our powder primer systems we developed, which are compatible with liquid top coats and successfully commercialized for alloy wheel applications. And we introduced specialized heat-resistant powder coatings designed for direct flame and high-temperature environments, including furnaces and fire pits.

Across all industrial coating businesses, our innovation efforts remain focused on delivering sustainable technologies, enhanced functionality and application-specific solutions. These advancements not only strengthen our market leadership, but also help consumers and customers improve performance, efficiency and environment compliance while creating long-term value. We have given our diverse range of products in the performance coating segments, whether it is powder coating, general industrial or high-performance coating.

Among the accolades that we won this quarter, in manufacturing, we won the Golden Peacock Award for Energy Efficiency at Hosur Plant. In decorative, we won an ABBY 2026 award, 1 Grand Prix, 1 Gold, 6 Silver and 3 Bronze.

In terms of capacity expansion, we are now expanding our capacity for automotive, powder coating and resin at Sayakha, Bawal and Hosur with a total capex outlay of INR601 crores with a total capacity addition of 66,000 KL per year and a resin capacity of close to 10,000 metric tons per year.

In ESG, KNPL has been awarded a bronze medal in EcoVadis in 2026 for the third consecutive year. The result places KNPL among the top 18% of companies assessed by EcoVadis. We are recognized in the strong category by CRISIL ESG Ratings 2026, and we are rated in the top rank -- top and ranked 16 out of 548 companies in chemical industry and have received a low-risk rating indicating lower risk in the CDP cycle.

Coming to our financials. On a stand-alone basis, our net revenue growth for the quarter was 10.2%. Our PBDIT has grown by 7.7% and our PBT has grown by 5.1%. On a consolidated basis, our net revenue has grown by 9.8%, PBDIT by 8.3% and PBT by 5.8%.

Among the risks and outlook among the risks, geopolitical conflicts are leading to supply chain disruptions, one of the key risk and arising out of that, high commodity prices due to high crude oil mix, the crude oil prices and raw material availability uncertainty and import cost surge due to rupee depreciation.

In terms of outlook, as per RBI, sustained demand will continue for infrastructure and construction sectors, continuous monitoring of the market situation in view of the continued geopolitical disturbance. Automotive demand continues to be buoyant, driven by new launches and inventory buildup for the festive period and consumer sentiment may get impacted due to the inflationary environment.

With this, I come to the end of the investor presentation. Over to you for the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama.

Abneesh Roy: I have 2 questions. So first is on the decorative you've given the 6-prong strategy. I wanted to understand versus market, if you could give us if your volume growth is now growing in line with the market because market leaders' volume growth was around 9% and revenue growth was 16%. So if you could tell us how you have done in Q1? And on the new player, are you seeing now competition across all 3 segments? If you could tell us if there is some reduction in competition or it remains on the higher side? That is my first question.

Pravin Chaudhari: Thank you, Abneesh. About this decorative volume growth, it is not obviously lesser than what the competition has shown. But that is with the reason that we are clearly prioritizing our premium mix, and we are not participating greatly into low-margin, high-volume items where it is not adding to my strategy -- strategic expansion of the market. So we are very focused on the markets and making choices in terms of which market we can gain traction using these levers and not unnecessarily pitching into these products. So that is first.

But I think we are happy with the underlying performance of our markets and the way our strategy is getting developed. And we have seen improvements in all the parameters of decorative, whether it is our business development team efforts, whether it is a paint as a service, project distribution and also about our overall new dealer opening and return of our dealers that were concerned. So I think underlying performance on all the growth drivers, I think, is positive. And I'm sure in the, I think, quarters to come, I think this should come to full fruition and we should see the good result as far as overall volume development is concerned.

On the second part on competition, competition intensity continues to remain intact. We are not seeing much let down there. And I think that is what we anticipate will continue because I think now as market starting getting developed and we have reached overall equilibrium, so to say, in terms of new competition entrenching very well across the market, and we also formed the base.

Now it's the time whether it will decide how much extraction from this particular network is coming. And that is why I guess for this year, at least that intensity will remain and people will test water in terms of this new set equilibrium. And then time will tell us whether one succeeds in one fails and what will happen next year.

Abneesh Roy: Thank you. One follow-up. So if I see market leader, it has seen good margin expansion. And you said you are focusing more on premium products. But in your case, margins are almost stable Y-o-Y. So why the focus on premium that is not visible on margins? Is that because you're investing more in terms of the A&P, the influencer program, the dealer expansion? So if you could elaborate why the margin expansion is non-visible?

Pravin Chaudhari: Yes. So Abneesh, for us, the portfolio consists both industrial and decorative. So I think while decorative did fairly well, I think it is industrial, which is lagging in terms of price increase. In industrial, it always follows and it takes about a quarter or 2 to really get the full impact of price increase. So that is still under discussion.

And I'm sure -- the way discussions are happening, I'm sure this will come through as far as quarter 2 is concerned. And if you see some positive impact subject to geopolitical situation not worsening and which happens every other week we see situation changing. So, if I believe in a steady state, I think we should see improvement going forward.

Abneesh Roy: Yes. Sir, last question. You said competition is high, but you also said that market has come to an equilibrium. So, if you could elaborate what you mean by both these statements because it seems competition is quite high, but market share now seems to be stable. And you could tell us in terms of the new player was giving in terms of say, 10% extra grammage, etcetera. In your markets, is there any reduction by the new player?

Pravin Chaudhari: So first of all, when I say equilibrium means this competition has formed this base now, which is sufficient and which I guess having increased the distribution network, having reached every corner of the country, now possibly they have the base. Now the challenge is more than numeric reach, I think it will be more extraction from the counter, which is exactly what we have been doing. And our network addition is to be to the extent of 5% to 10% every year. So I think that is where I call it a steady state.

Now in the steady state, obviously, if your value proposition is enough for dealer to give you more business or consumer having good traction in terms of buying, then obviously, your intensity can be slightly lower, but this seems to be not happening. So one has to really push hard in terms of really getting that more from the counter. And that's why I said that new entrants still maintains high competitive intensity.

Third on coming to freebies, I think it is a general trend. It is not specific to my focus towns. I think there has been some letup we saw in terms of economy, but it's mix somewhere we see that is happening. Some markets, we see that it is still continuing. Frankly, I don't know whether it is because of stock they have or it's a regional strategy, I think, is yet to be figured out. But it is a mix in terms of the offering free products in the market.

Moderator: The next question is from the line of Avi Mehta from Macquarie Capital.

Avi Mehta: Just 2 questions. First, if you could kind of give us the value growth in decorative, how is it -- is it in the mid-single is it double-digit level or in the high single digit or kind of give us some clarity over there? And also when you say it has remained healthy, how is the momentum? And the similar thing on industrial, which segment as well, if you could kind of start with that, please?

Pravin Chaudhari: Yes. So in decorative, it is high-single digit is our growth. And as I said, we cautiously plan that way. So that is one. And when I say -- sorry, Avi, what was the second part? I missed it.

Avi Mehta: Industrial, it would be then double digits. So we have moved to double digits over there and this is in the high-single digit. That is how would it be?

Pravin Chaudhari: That's right. That's correct. What happens in, Avi, quarter-by-quarter, mix also keeps changing because quarter 1 is heavy on decorative and quarter 2 is different, quarter 3 is different. So that mix keeps changing. That's why I think our consolidated numbers also look different in each quarter.

Avi Mehta: So the mix also had an impact, right, logically, sir, because your industrial is growing more and hence that's how it will also have an impact on the margin profile. Is that understanding correct?

Pravin Chaudhari: Yes. That's right. And one more thing, Avi, is industrial margin obviously has improved over the years. And now because of this price settlement that is happening and which is taking time, that's why you might see 1.3-odd percent reduction in gross contribution. But I'm sure as price development will happen and price cost price pass-through will happen, I'm sure you'll see the improvement there also.

Avi Mehta: Okay. So the margin guidance is retained. I just wanted to reconfirm that part. That was the only bit for FY27.

Pravin Chaudhari: As of now, I think -- yes, looks like. I think we have our endeavour is to really maintain that.

Avi Mehta: Okay, sir. Okay. So the second and the last bit was on the capex, sir. If you could kind of just give us a sense on how does this -- what does this mean from an annual capex outlay perspective, the INR600 crores? Is this going to be more front-ended and hence, overall capex, what we should kind of build in? That was the only bit.

And last, sir, if I may, with your permission, if you could just spend some time explaining this employee engagement program details, if you could kind of help us understand what has been done? How much are we outlaying on this? Those are the two points.

Pravin Chaudhari: Yes. So, on capex front, our normal capex is about INR150 crores to INR200 crores. And this capex outlay, INR600 crores will be over about 2 years, 2-plus years. So that is how it will be spread out. So, I don't see any significant impact on the annual capex that will happen. So that is on the first part. And second part, you talked about employee, right, employee...

Avi Mehta: Yes, engagement. You said engagement there has been increase in employee engagement programs. Was this existing employees you were essentially doing ESOPs? Or if you could just explain what was that meant in the...

Pravin Chaudhari: Okay. Okay. That is the employee value proposition. So it is more to do with -- I mean, why people should join Nerolac. Because I believe in current this talent race, it is really becoming difficult. One is to retain and attract talent. And I think this is also part of a global HR program where every group level, we are doing this activity.

And hence, this is one initiative from our side really to drive this complete change in the process, the way we interact, hire to retire kind of a life journey of an employee, what can be done. So, it is from that angle. And I'm sure with that, with a higher engagement score, I'm sure we'll be able to sustain and improve it further as far as engagement is concerned.

Avi Mehta: Sorry, sir, just this INR200 crores plus another INR600 crores divided by 2.5 – 2 years to, 2.5 years is how I should build the annual capex. Is that what...

Pravin Chaudhari: You're right. You're right.

Moderator: The next question is from the line of Disha from Trinetra Asset Managers.

Disha: My first question was on the decorative Industrial coating side. How do you see for the remainder of FY27 which is the primary contributor to the incremental revenue growth that we see?

Pravin Chaudhari: As I mentioned earlier, in terms of decorative and industrial both, I think the way we saw this market development since November, I think it has been continuously improving. And we see that trend going forward continuing. So, it's very difficult to put numbers and figures, but I think you'll see through this result this quarter, I'm sure you will see quite positive figures coming back. And I'm sure that trend, we hope it continues.

In addition, our Diwali this time is in month of November. Hopefully, our quarter 3 where October will be fully available for us to really deploy material and have the full painting cycle. So, we believe, all in all, I think there has to be slightly better season going forward is what our belief is.

And industrial, as I said, I'm sure market will continue to expand. But in addition to that, the way we are driving new segments and higher penetration through premium products and technology-driven solutions, I'm sure we hope to maintain good growth levels in industrial as well.

Disha: Sir, my next question was on the dealer network side. How is the productivity per dealer evolved? And are any recent dealers are like reaching the targeted sales level within the expected time frame?

Pravin Chaudhari: We have not measured in terms of time line like that, but I'm sure productivity definitely has gone up per dealer because of our focus on premium products. I think that is certainly up as far as productivity is concerned. The second in terms of time, I don't think we have that metric in terms of when we reach that particular size or scale. Very difficult to say that.

Disha: Got it, sir. And just one last question on the medium-term strategy side. The decorative paint industry is like really competitive with significant investments from both incumbents and new entrants, right? So have you observed any changes in the pricing discipline or dealer incentives or competitive behaviour during the quarter when compared to the previous year?

Pravin Chaudhari: No, no change at all. I think intensity continues in the market as it was possibly in last year or even quarter 4 exit also it is same, both on the printer applicator or on scheme front is same.

Moderator: The next question is from the line of Aniruddha Joshi from ICICI Securities Limited.

Aniruddha Joshi: Thanks for the disclosure like you have highlighted the growth rates in projects separately construction chemical, waterproofing as well as premium wood finishes. If I can ask you more about what will be the growth in, let's say, value for money decorative paints as well as the premium decorative paints?

And also how are the price hikes in industrial coatings per se? Because generally, we have seen the price hikes in industrial coatings lag at least 1 to 2 quarters, the price hikes in decorative paints. So, any view on the industrial price hikes? That is question number two.

And lastly, the capacity expansion is happening, but the way the market leader is also investing in backward integration. So, any strategy like that along with the capex that Kansai is doing or whether the -- in a way backward integration will not be looked at this stage? Yes. These are the 3 things.

Pravin Chaudhari: Okay. So economy and super premium is the first question. I think economy grew mid-single digit, whereas super premium grew double digit is what I can say as far as overall product portfolio is concerned.

And in terms of industrial price hike, I think it is very difficult to put that number because it's all at customer level. But if you were to put a number to it, I think it will be about 5%, all you can say. That's what the number we have got so far. And there are a lot of discussions happening, which will obviously be adding further in quarter 2.

Other thing to note is also when we ask for price increase, it is always with effective date. So obviously, our ask is from 1st April. It depends on what our negotiation levels are on how much leverage we get. So, I think all in all, we are pretty satisfied with progress so far. And I think we hope to get more as far as quarter 2 is concerned. That is on the industrial part.

And third part was on capacity. So, our capacity increase is definitely considering backward integration. If you note, there is a resin which is mentioned, that resin is nothing but backward integration for automotive paint. In fact, I think we are the only one in India who manufacture full range of resins, intermediates that are required for automotive, right from CED to metallic to tops to clear.

So, I think that is always our endeavour. However, we are not getting into backward integration of raw material. That is not yet on the card. In future, I don't know whether if we find it worth well, definitely, we'll have to discuss that.

Another advantage which we have is, I think, as a Kansai Group, we have operation in more than 30-odd countries where you have many assets which produce a variety of products right from high-end intermediates to economy kind of intermediates. So, I think as per the need, we can always source depending on that kind of item if required. So as a group, I think we are well equipped to handle a lot of backward integration, which possibly we may not have. So that can be always sourced from the group.

Aniruddha Joshi: Okay. Sure, sir. Just one last question. It seems that now Kansai is investing more. So is there any -- with the aggressive strategy, it seems, is there any target that you can share on market share, let's say, in 3 years or 4 years, 5 years that the company is looking at? And is there any additional spend in terms of ad spend or trade spend, etc., which you can quantify?

Pravin Chaudhari: So our capacity expansion, obviously, is happening in automotive and industrial side and powder coating, where obviously, we are leaders. And in industrial also, I think we are in a very strong position, growing higher than the market. So there, obviously, we would like to be number one as far as industrial, even non-auto business is concerned. That's our endeavour. And I think in next year or so -- or sorry, next 2 years, our endeavour is to reach there. That is one.

On decorative front, obviously, competition intensity. And I think when we elaborated our strategy, it was very clear that we would like to maintain our position, if not improve. So that is what we are really investing in to have that market position maintained.

And once I think this does settle, and I'm sure there will be time when Nerolac brand, which is number two brand recognized in the country, I'm sure we'll have our chance to grow further aggressively and expand the market. So that is what I would -- in short term, I think that is what we would like to really say about this growth strategy.

Aniruddha Joshi: Sure. And sir, about any incremental costs that the company is looking to incur, any impact on, let's say, margins or even in Q1, if there was any?

Pravin Chaudhari: No. Aniruddha, as I mentioned, our ad spend actually we increased in the quarter 1. And given our mix, actually, we could sustain our margins. So I think it is suffice to say that our investment will be commensurate with the mix that we are trying to drive in the market. So I'm sure it has to be a very productive investment.

It just -- because I think for Nerolac, awareness is not a concern. I think our awareness is 95 plus. So, I think people know Nerolac brand, people know everything. I think it's availability, distribution reach and then obviously getting conversion, I think, is a priority and for which we are investing in the market.

And digital is the main spend where we are actually targeting these towns now. And we saw very good success when we target the market rather than just being on the television and trying to sprinkle everything everywhere. So, I think that's our approach. So, the net-net, ad spend has increased, and it is in line with our overall mix improvement that we saw, hence the impact on the margin is not significant at all.

Moderator: The next question is from the line of Mihir Shah from Nomura.

Mihir Shah: Congrats on a decent set of numbers. Sir, first question is on the quarter margins. It seems like in 1Q, we did not see any impact on the gross margins as you would have some low-cost price inventory.

How should one think about second quarter margins, which you will see both an impact because of a seasonally weaker quarter and also you will start consuming the high-cost inventory and the full impact of that will come in 2Q. So how should one think about the margins in 2Q specifically? So that's question number one.

Pravin Chaudhari: So yes, there was some inventory which was there with us, both on on RM and FG front in Q1. And Q2, obviously, there will be high-cost inventory. But coupled with that, the full impact of price increase of deco as well as industrial will come in. We are quite hopeful that we're able to manage this overall inflation that was there. Needless to say, it is challenging. But obviously, with our internal sourcing efficiency, value engineering and formula optimization, obviously, we're able to -- we'll try to overcome that.

The second thing is also the inflation which was there in the month of June at peak, we saw some downward trend also and this slight deflation that has happened. I think that augurs well in terms of offsetting -- if there is any shortfall in the price increase we see, I think it will be helpful for us to really manage that overall cost inflation. I think net-net, I believe while it is challenging, but obviously, our endeavour and our internal alignment and initiatives are to maintain our margins compared to last year same quarter.

Mihir Shah: Understood. So, for the quarter also, you have an outlook of maintaining margins. That's actually wonderful. Sir, if you can just talk about what is the current level of pricing growth in this quarter on an overall consolidated level? And what is the kind of pricing growth that is likely to go through in 2Q, again, on a consol level, which includes both deco and industrial, given industrial price increases will come with a lag? So we can get some understanding on the level of pricing that we can expect.

Pravin Chaudhari: Yes. So, I think in quarter 2, I believe deco, we should see additional 3-odd percent, which will flow through, which we did not last quarter. And industrial, I guess, it will be another maybe 3% to 5% is what I can put. That is the number which will come along.

Mihir Shah: And for this quarter, what was the pricing for this quarter on which I can take a 3%...

Pravin Chaudhari: 4% to 5%. About 5%.

Mihir Shah: On a consol level?

Pravin Chaudhari: Yes.

Moderator: The next question is from the line of Siddh Gandhi from IIFL Capital. Siddh sir, can you hear me.

Percy Panthaki: Hi, sir, Percy Panthaki here. Am I audible?

Moderator: Yes, you are audible.

Percy Panthaki: I just wanted to understand in terms of the decorative business, is there no price hike this quarter? Because you mentioned that volume is in line with industry, which is high single digit. Then in response to another question, you mentioned that sales growth in decor is also high single digit. So, if both are high single digit, does that mean that this quarter, actually no price increases have gone through? Or if they have gone through, they have been nullified by some other force -- I mean, some other aspect which I'm not aware of?

Pravin Chaudhari: Yes. So earlier, I did not talk about volume growth in decorative. I talked about value growth, which was slightly lower than the competition, which is what single digit. Our volume growth is obviously lower. It is a low single digit.

Percy Panthaki: Okay. Okay. Got it. And what is the reason that the volume growth is on the lower side? Because this time, Asian Paints said that the mix effect has actually been positive. So it is the volume, which is like a genuine volume growth and not through low value-added products.

Pravin Chaudhari: Yes. That is right for them. But for us, we have some our mix is obviously not in line with what possibly industry and we are correcting that. Hence, we are sacrificing some of the volumes and trying to over-index on the premium market, which is basically emulsion. So that's our endeavour, and that's why this picture you are seeing.

Moderator: The next question is from the line of Palak Shah from Entrust Family Office.

Palak Shah: Just quickly on the INR600 crores of capex that we are announcing. So if you look at our reported numbers also, excluding cash, our ROE, ROCEs are in between 15% to 18%. What are our expectations from this incremental capex of INR600 crores over the next 5 to 6 years and average ROE or ROCE that we are intending to make?

Pravin Chaudhari: So I think our anticipation is, I think it will be in line with what we have currently because growth will also be in that direction.

Palak Shah: In terms of capacity utilization, is the current industrial utilization optimal 70%, 75% and above and thus we need to have this additional capex or is this for a new set of products?

Pravin Chaudhari: No, you're right. That is how it is. And second thing is our start to end, I think in industrial is quite high. So that is why it is going to take about 2 years from now. And by then, I think we'll be reaching our capacity where we need definite addition to maintain the market demand -- to meet market demand.

Palak Shah: Got it. And given that our asset turns are usually around 1x, right, at consol level, so would that even for industrials or we do higher asset turns for industrial versus deco?

Pravin Chaudhari: Similar one.

Palak Shah: So, if that's the case and if our margin expectation is 15%, we are not hoping for more than a 15% ROCE even in the new capex that we are doing today?

Pravin Chaudhari: Yes. So right now, yes, it also depends on how market develops. The other important thing is also there is some kind of a front-loading in this capex to the extent of some of the infrastructure we are creating.

So hence, the additional capacity, which will be required, let's say, in '29, '30, this growth volume continues, will be slightly lower than the current capex. So my per KL capex for now and the future incremental capacity will be far better. And with that, I think our ROCE will be slightly on the higher end towards 18% is what our expectation is.

Moderator: The next question is from the line of Amit Purohit from Elara.

Amit Purohit: Thanks for the clarity on the margin. Just one thing I want to do. You said FY27, we should be able to maintain kind of margins if things remain as they are. And how do we think about medium term? Basically, do you think that you would kind of maintain the kind of margins and drive the premiumization gains and invest in the brand, how do we think from a medium-term perspective? Is that first the observation is correct that is the right?

Pravin Chaudhari: Yes. So, you are right, Amit. I think if you look at the quarter 1, how do you see this quarter 1? I think with industrial also a sizable portion in our portfolio, okay, it changes quarter-on-quarter. It may not be 50-50, maybe it is 45 this quarter or find accretive. But in industrial, I think if you look at our main items like solvents and everything, they have their prices, we don't maintain inventory of 30 or 60 days for solvent. I think they're just barely 15-odd days.

And the kind of inflation that we saw in solvents, I think is humongous, not that we got price increase next day. Despite that, I think we could maintain our margin and actually in absolute terms, we improved overall profit pool. I think that shows the capability and the price through or the managing overheads and everything, the ability of company to really manage that.

With that, I'm very confident that this year also, our endeavour is to maintain 13% to 14%. Now again, it has always come with the statement that if tomorrow, the geopolitical situation expands the way we have some indication sometimes that some more countries have got in and something more happened.

If that kind of situation happens, then obviously, it's one-off and it's very difficult to control and maintain. But I think that given whatever we saw in last 3, 4 months, I think we could still manage this kind of a margin. So I think over a year scenario, I guess we should be around our targeted stated margin levels.

And on the midterm, I think our endeavour is obviously go to higher end of 14% plus kind of a thing. That is what we stated in February or I think May strategy call also. So that's our endeavour in midterm. And that calls for obvious strategies of premiumization over-indexed on industrial segments where we are not present and trying to grow at a faster rate.

I think all that will deliver this kind of efforts where my fixed cost leverage will start coming in, where my manpower deployment that has already happened on the ground, investment that have happened in the capacity, all those fixed cost investment will be leveraged. I think that's our endeavour, and that's the way we are playing. And hopefully, in the next 2 to 3 years, we should see be hitting that range.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. I would now like to hand the conference over to the management for the closing comments.

Pravin Chaudhari: Thank you all for joining. I think it was quite interesting, quite challenging questions and interesting observations. Thank you so much. Hope to see you in quarter 2 investor call. Thanks for always supporting us. Thank you.

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