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21st July, 2021

BSE Limited
Corporate Relationship Department
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: Transcript & Audio Recordings – Investor Call

Please find enclosed the transcript of the investor call conducted after the meeting of Board of Directors on Tuesday, 20th July, 2021, with regard to the financial results of the Company for the quarter ended 30th June, 2021. This information will also be available on the website of the Company at:

[Investor Conference Call Transcript – Q1 FY2022 Results](#)

The audio recordings of the said investor call are also made available on the Company's website, at:

[Investor Conference Call Audio Recordings – Q1 FY2022 Results](#)

This is for your information and record.

Thanking you,

Yours truly,

For **ASIAN PAINTS LIMITED**

R. J. JEYAMURUGAN
CFO & COMPANY SECRETARY

Encl.: As above



“Asian Paints Q1 FY2022 Earnings Conference Call”

July 20, 2021



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

Investor Call Transcript – Q1FY2022 Results

Arun Nair : Good evening and a very warm welcome to one and all to the Asian Paints Investor Conference Q1-FY2022 Results.

Today, in the panel we have Mr. Amit Syngle, MD and CEO

We have Mr. R.J Jeyamurugan, CFO and Company Secretary

And we also have Mr. Parag Rane, GM - Finance.

May I now request Mr Amit Syngle to take you all through the presentation.

Mr. Amit Syngle...

Amit Syngle : Hello, Good evening and a very very warm welcome to all of you. I think it is great to be meeting once again at the end of this quarter 1 of the financial year 21-22.

So I would take you through some of the achievements and how would some of the numbers pan out in terms of the overall quarter 1, as we see it.

DELIVERING JOY SINCE 1942

Obviously, I think one of the big areas Asian Paints always has been working for the last 7 decades is that one thing very precious to us. That is, the core value of Asian Paints as a brand is about delivering joys since 1942. And we exist to beautify, preserve, transform all spaces and objects for bringing happiness to the world.

So I think, that's the theme, whether is it the whole journey from the surface to the space within the home or it is about industrial or it is about Auto OE or it is about the areas which are there in home décor.- I think, overall we kind of see that we can bring joy to people's lives, as we kind of go ahead. So, I think that is the overall purpose.

When we look at going ahead, this is the disclaimer which we wanted to put up, which is there. And now getting on to how Q1 journey has been.

MARKET CONDITIONS

So Obviously, I think, when we look at the overall Q1, sitting in Q4 of last year we were thinking that it is something where we will have roller time in terms of really taking the quarter 1 in a very very strong manner and all preparations were there and that was the time when the whole area of the second wave started impacting the business and we saw that from the last week of March, You know, regions like Maharashtra and other regions kind of started showing increase in cases. And by the second fortnight of April, we suddenly saw that the number of cases had spiraled. We started to seeing lockdown happening at various places.

So what we saw very clearly was that April, which was doing very well till 20th April or so, started basically coming down to that extent with respect to demand because obviously, there were

lockdowns happening and the market conditions were not good, and the paranoia in the customers' mind was back – in terms of what we saw.

So I think that was the impact which started in April, and we saw this impact really getting very very drastic in May; where the entire country practically was under lockdown scenario to that extent. And then, I think, we started seeing something of a reprieve, where cases started coming down and I think, demand started picking up since the lockdown started opening in June, to that extent.

So, I think, that's been the journey. But, for us, when we look at the month of April, I think we have done extremely well in terms of both, volume and value. And May was the month which we got really impacted and overall the numbers were not too good in the month of May. But June, again we really kind of came back very very strongly.

And therefore, if I were to sum up quarter 1, I think, it is the magic of April and June – literally where we were able to kind of give a uptick of volumes in a very very strong manner and that is where I think we saw a lot of demand also come in June – which was a pent up demand because of May possibly not going well.

So, overall given this journey, this is the numbers – how they kind of pan out. So, we get almost a 106% kind of a volume growth which we see over the last financial year and you must remember that obviously this was not a very normal Q1 to that extent because April was subdued in the financial year 2021 as we kind of look at.

But I think, the story has been that we have been fairly consistent with respect to our forays in the market, our strategies in terms of what we have been taking, and as a result if you see what we tried to show you here is that If you look at the CAGR numbers, which is the compounded growth rate over the 2 and 3 year periods, you know, that number is looking pretty good. So if you look at the yellow bar which is the financial year 2018-19, the CAGR is about 15.4%, and if you look at the figure which is the 2019-20, the CAGR is about 12.7%. And in terms of absolute growths, if you see 2018-19 it's about 14% and in 2019-20 financial year, it is 21%.

So, I think the story which is very very clear is the fact that even if we were to kind of really see that the last quarter was not so great, but I think the story of double digits has been very very consistent. And I think that is something which is kind of giving us a very clear signal that the strategies that we have taken with respect to, you know, growing the market have been bang on and something doing quite well.

Similarly, when we come to Net sales in terms of this thing, the story is similar. There is a 95% value growth over the corresponding year. The CAGR over 2018-19 and 2019-20, when we look at it is 8.8% and 4.5%. The absolute growth over these two years are 19% and 18%

So, story is quite similar obviously. Looking at absolute growths are double digits in terms of value and in terms of what we look at to that extent. And especially, I think the CAGR over 2018-19 is pretty good. So, I think, one of the clear signals here is that we see a very clear consistency, in terms of our strategies, in terms of going forward. And this has been the story for the last 4-5 years where I think, quarter on quarter – this is something which we would like to take on and that is something working for us. So, that's how in terms of overall volume and value, it kind of pans out.

When we look at this trend, over a few quarters, I think, what we have tried to show you here is very clearly that each of the bars here – If you see a Q1 of FY2022, and we will see a corresponding 3 year CAGR growth – okay, it's a 15.4% growth.

Similarly, when you go to a Q4 of financial year 2021, it is 17.9% and then 22.7% and 13.5%. The story, again is consistent what I just told you is that very very strong volume growth trends which we have been maintaining. You know as a leader, one of the imperatives have been that can we can we really grow the overall market. Just not look at in terms of what gain we want to kind of make, but can we grow the overall market and that's been the imperative of a leader, in terms of what we are doing. And that has given us very very healthy compounded growth rates, as you can see on the screen. So that's the story in terms of overall the way that volume trends has been.

Overall, I think one of the things which we saw that there is very very steep inflation in terms of the raw material prices and if we see, this trend started at the end of Q3 of financial year 2021. And we saw a huge increase in Q4 of financial year 2021, and then on Q1 over Q4 we saw another inflation to that extent. So, I think this has been very very strong inflationary period, coupled with the fact that market conditions were disturbed because of COVID, and they were not very very normal; I think, it was something that we had to be very careful about, in terms of how we need to handle and how we want to kind of take care of it. So, we looked at in terms of doing some price increases and we have taken some price increases if you look at the overall quarter 1. The first one we took on 1st of May and then we took something which was on 20th/25th of June, and then we took something which is now operational from 1st of July. So, I think, we have taken an overall increase of about 3%, which is there because anything additional to that, in this environment would not have been very very great from the point of view of how it would have landed on the customers, given the psyche of the customers at this point of time. It was not that we did not have the elasticity to take it, but we were very clear that we need to kind of be, you know, clear about not getting any imbalances in the market – and look at gradual kind of an increase.

In addition what we also did was we worked a lot in terms of looking at our sourcing efficiencies, our formulation efficiencies, and did a lot of work around that so that we could conserve some, you know, margins there to that extent and that is something which you see an end result that in Q1 of FY2022 the overall gross margins have fallen. So, they have come to about 39.6% and this is if you literally look at it, it is almost close to a 5% kind of a drop from what we were in Q4, as we kind of go ahead.

Now, obviously I think there would be a lot of questions which will come in on this, in terms of how this gross margins and there, and so on and so forth. Now as we go forward, there will be 2-3 things... one we will take more increases as we kind of go into Quarter 2. The other would be that when we see that how we want to deliver, we see also there could be some softening of prices in the coming quarter to that extent. And that coupled with how rupee kind of behaves, it will be a overall picture in terms of what we see, in terms of going forward.

But, what we see is that overall, as we kind of get into the future quarters, you know I think the margin story is very very intact. There is no problem in terms of looking at price increases and going forward. So, this is not a cause of a very big worry to the extent, as we kind of look forward.

DECORATIVE BUSINESS UPDATE

Overall, when we kind of look at the overall business thing, one of the key things which possibly, we would like to tell everyone is that, this time – in contrast to what happened last year, we see that the T1, the metros, T2 centres grew at a much faster rate as compared to the T3, T4, which in last year when we saw there was COVID and the market started opening, T3, T4, which are the smaller towns were growing much faster – which kind of really corroborates to the fact that I think the ingress of COVID, in terms of the cases, was much higher in the smaller cities and, therefore, they were still very affected while T1, T2 centres were bouncing back far faster to that extent. And that possibly, has also impacted a little bit in terms of seeing how the overall market has grown, how a certain mix has grown – in overall that point of time, how these things have happened and this is something which we see differences across regions – across divisions and so on and so forth.

But one of the big things, which is there is that the south market was the one which got really impacted – far more strongly. We saw whether the regions of north, central, west were still kind of okay. But south got really impacted because we saw protracted kind of cases happening in Karnataka, in Tamil Nadu, in Kerala and even Andhra Pradesh to that extent.

So I think, that is something which happened. Plus, I think the eastern market was affected - West Bengal because of the elections earlier and then the whole north east market which also got affected, which is also recovering now to that extent. So, I think these were the areas which, when you kind of really get into the market, you see in terms of what's really happening.

Overall, when we see the product mix, we have seen that the economy and the luxury range has been leading the growth. The middle segment is something that has a little bit stagnated to the extent. But I think, it is the economy and the luxury range which have led the growth in a very very strong manner. And within that also what we see is also that the whole area of exteriors market has grown quite well, overall in terms of what we see, because I think the paranoia was there and people were not allowing the painters and everything inside the houses to that extent and therefore, there was a slight differential which we saw with respect to how exteriors behaved as compared to interiors.

The other redeeming factor this time was that, unlike last year, the projects and large institutional sales did very well and we saw a lot of segments which are the segment of builders, segments of government and so on and so forth kind of really springing back and these two grew really well in April and June, again. Because May I think, universally the market was closed. And therefore, I think, projects business has been very very robust, which is a very good signal for you know going ahead in terms of how it kind of looks for the balance year.

The other category which kind of really did well for us was the waterproofing category. This is something which has been doing well across, so whether it is retail or whether you see in terms of projects. This is something which has been doing quite well and we have been launching a huge number of products here to that extent. Last year, we would have launched close to 25 new products here and even this quarter, we have launched some products here to that extent. This is something which is kind of giving us a very very good growth in terms of how we are growing and also it kind of really embellishes the top coats very strongly because you are getting into some areas at the foundation stage and therefore it really helps us in terms of selling the top coats as well, as we kind of go forward.

The adhesive range has also kind of done quite well even when we see. And this is something where we have introduced some really unique products in the market and really trying to challenge the existing players. This is something which kind of goes well because a lot of our retailers also sell adhesives to that extent and therefore it kind of gels with the business overall as we kind of see.

When we see new product prepositions again, one of the categories where we have been really expounding the market is in the area of wood finishes – so whether it is polyurethanes or polyesters, we have been doing a lot of job and these are real high-end, luxury ranges which are there with high kind of margins to that extent. And that is something which possible has done well for us in terms of looking at the overall market when we look at. So I think these are some brief glimpse in terms of our product range in terms of what has really happened, and how the whole quarter has really gone up.

Some of the new products which have been launched because innovation I think is a constant at Asian Paints. I think, it just is so so strong that we have been really able to look at a lot of patents in the last 3-4 years which have come in. And I think, we have a dedicated R&D Team and this is something which really kind of keeps the company live and they keep on contributing to the top line in a very very strong manner. And we are very proud, as market leaders we have been able to bring in new technologies, new concepts, new things in the market in a very big way.

So I think one of the products which has done very well is the 'All Protek' - First time in the Interior category of fire retardant paint which has come in coming. I think this is truly an innovative product which has come in. We have looked at Ingenio which is a polyurethane which has come in at the top end and Royal Glitz at the super luxury in terms of a product which is there, with outstanding stain resistance. So I think that has been the story but even smartcare as I said, this is only one of the product here which is Tile Grout; but a range of products coming in and I think this has been a very very strong to propellant in terms of one adding the top line and what I see is that for the coming years, I think this will remain as a core part of a strategy in terms of really invigorating the customer with new things, new technologies, new prepositions in terms of going forward.

Overall, when we look at the domestic decorative business, one of the things which Asian Paints continuously has been doing is the, you know, the market expansion and evolution in terms of looking at newer towns, newer places and enhancing our overall reach and today we continue to add lots of new dealers with our tinting machine which are called the Colour World to the extent and we keep on enhancing our Rurban footprint to that extent and the good part is that there are new towns, new districts which keep on coming and that is something which is a constant source of enhancing our overall reach to that extent.

We have a category which is called a 'Color Ideas' which looks at the offering you know decor to a customer which is aided and so forth the whole journey is very strong digital journey, which kind of comes in. And that's something which we keep on adding to the numbers and we have added six new stores here to that extent and finally the epitome in terms of what we have at the top end is what equal is a 'Beautiful Homes Store'. This is a one stop décor shop which under offers everything you would ask for from the point of view of home décor . So, whether it is furniture, whether it is furnishing, whether it is flooring, whether it is kitchen, bath – you ask for it, and every thing you will get under one roof. This whole store is very very unique. It's a concept at a global level. No one has a model like this and we are fairly proud of this model in terms of looking at large stores which are of 6,000 to 7,000 sq ft in size but offering to the customer a highly technology-led journey which is able

to kind of give them everything under one roof in a very strong manner. So these stores are doing very well we've already what 18 stores and another 15 are pipeline so this is strong strategy with respect to our entire movement from share of surface to the share of space within the home, and that is something which had been appropriating very strongly.

Now related to this, is the whole area where you know and terms of the 'Beautiful Homes service' which is there which is coming up and this was launched last year and we spoke about it earlier. This has been accepted really well and is kind of growing. I think, one of big changes post COVID what we are seeing is that the whole requirement of services @ home- is becoming a very very big zone and that is something which we be propounding, going forward and I must say that in the industry this is a unique model in terms of what we have got; No one else has a model within the paint industry in terms of offering beautiful homes, which is an @home design service and not only design but full execution sitting in the comfort of your home to that extent.

We also have a new alignment which we have done with Pure, Which is a well-known brand in the area of furnishing and we have done strong alignment with them in terms of the thing which is yielding very very good results because we have now various ranges which we work with them - We have 3 brands which we are working, the Adore brand, the Royale brand and the Nilaya brand which works there. And this is something which along with our wallpapers we're taking very ahead and we have aligned with the ace designer, the master himself, Sabyasachi, in taking this entire forward. Some of the glimpses for you in terms of you know how we have launched this as a new series of wallpapers which in alignment with Sabyasachi which have come in and equivalent, we have done a new launch, which is about furnishings, which also has been designed by the master himself. So, very unique super luxury right at the top and something which never existed in the market and something which is really the real top end of the market to that extent and this is something which we are taking across in a very, very strong manner across our Beautiful Home stores, and other parts of the network where we think we can sell it.

So, the whole synergy with respect to taking the share of surface to the share of space becomes very strong. So, anything which is in the home, whether it is furnishing, whether it is flooring, whether it is lighting, so, everything kind of converges here in a very strong manner, as you can kind of see it.

The other area, which we have forayed is the area of designer tiles, again, if you see it is talking about surfaces and spaces within the home to that extent, and these are tiles which we have launched in the market and this is a very strong segment with the architects and interior designers. And we offer lots of variants here in terms of, which are 3D, anti-skid and so on so forth. And we also see that this is a very strong preference with some of our market retailers to that extent and this is something going forward, we are looking at in a big way in terms of how we are able to kind of expand in the market.

So if you look at from a point of view of trajectory, the trajectory is very clear. If we are going to be in the home decor market, we are going to come with innovations, whether it is Sabyasachi, whether it is in terms of designer tiles, whether it is in terms of designer furniture or lighting, and something which we can stand out and something which we can take on very strongly, and it aligns with the overall business going forward.

Some of the other things which I wanted to quickly touch on is that I spoke of the 'Beautiful Homes service', which is one of the big kind of differentiators, which is there but along with that our entire

'Safe Painting service' has been a very, very big blockbuster. And that is something which has been a real boon in times of COVID when people prefer safe painting and so on so forth. And it has done extremely well in terms of looking at where it is kind of going. We have also launched a version of it, which is called, you know, which is meant for the AID's to that extent. And that is something which is also kind of doing well. We also have 'San Assure' service, which is all about sanitization. And in today's world, I think it is very, very necessary. So whether it is commercial spaces, or it is homes, or it is institutions, we have this service, we have two variants of it one a home variant, and the other is a pro variant, which is there to that extent, and both variants have been doing very well. And I must say that in quarter one, this has been a real differentiator in terms of looking at all these @ home services. And I think Asian Paints is very clear that this is something which will take forward strongly because this is truly real differentiator in the market as we kind of go ahead.

INTERNATIONAL BUSINESS UPDATE

Coming to other businesses, we speak about our international business. So if you look at the overall business, I think from a top line perspective, all regions have done extremely well. And you must remember that last year, while I think India was suffering with respect to the COVID very strongly into one, there were a lot of parts of the international business which kept on doing well. So whether it was the Middle East, whether it or it was Africa, it was only partly Asia, which was effected last year to that extent. But if you look at the numbers here, the top line has been really very very good if we compare with the last year numbers, and all the green arrows, which you see are the you know, the increases which we are seeing in the various geographies, so whether it is Africa, Middle East Asia, or South Pacific, the growths have been pretty good, and if you see that, even in Asia, where, you know, the growth is in triple digit, and this is a little bit more because of in Asia last year, the affect was more, but otherwise, I think fairly healthy numbers in terms of what you see, except for South Pacific, where it is a single digit kind of a growth in terms of what we've got.

However, what we see here is that like in India, I think the inflation was very, very high. And, you know, while we took price increases, to the extent of about 10%, in across various markets to that extent, but overall, I think it did impact the gross margins in a very, very strong manner. And therefore, we see the effect on the bottom line to that extent. So whether it is a case of Africa, where there's (-9) or whether it is Middle East, or whether it is Asia, which is just about to come to a little bit of a positive level, You know, we see that this has been a little bit led by the inflation in the market to that extent and despite the, you know, the increases taken it is something which has really affected the bottom line to that extent.

But I think going ahead, we are very clear that we are taking more increases as the inflation kind of is there and we feel this is something which we should be able to really overcome as we kind of go into future.

INDUSTRIAL BUSINESS UPDATE

When we look at industrial business, two businesses we have; one is the PPG-AP, which is the business where we tackle the Auto OE and the Refinishes market in a very, very strong, I think these are two businesses, which, you know, got affected very strongly in quarter one.

But what we are seeing is that, given the fact that the last year the quarter was depressed, the numbers are still very healthy on 256 crores on a base of 83. So, the growth is pretty huge in terms of what we see. But at the same time, I think, you know, overall, what we saw that even in this business, getting the price increases to the market and implementing those price increases, you know, it was a little bit slow. And that is what it has impacted in terms of looking at the numbers, which we see although the numbers are much better than what it was in the quarter one, which was a hugely negative last year to that extent; and therefore, the situation has improved quite well this year, from the point of view of this business, as we have seen that businesses in April and June were good here as well.

When we look at the other industrial business, which is the other JV which we have with PPG, which is called the AP-PPG. Here, the business has been very good, very strong performance across segments, whether it is Protective paints, whether it is powder, whether it is flooring, we've seen very good kind of this thing, and we've seen that despite, you know, despite the last quarter, so obviously, last quarter was a little bit depressed in this thing. But I think very strong growths which have come in which you see, to the level of about, you know, triple digit numbers, which you can see on the screen.

So I think, from that point of view, top line has been good. But I think the good part here has been that even bottom line has been not bad at all, if we see and we have made a profit here to that extent, as we see this business, although gross margins here, again, have come down because of the fact that we were able to do a certain amount of price increase in the market, but not able to take care of the full inflation which had come in to that extent and therefore gross margins were affected. But overall, I think this business has done quite well, when we look at it.

HOME IMPROVEMENT BUSINESS UPDATE

The last vertical, which is about the Home Improvement vertical. Now if you look at it here, you know, if you look at the kitchen business, I think it has done fabulously well, okay, where it has grown in triple digit numbers. Now even if you discount for the you know, the last year, a little bit of a lower base, the jump is pretty strong and in terms of CAGR is this number is also very, very good in terms of what we see.

So overall, I think there is a consistent growth now happening and it's a business which is on clearly on a defined path. And we think this is something which is going great. If you look at there was inflation here and we took some increases in this but the PBT has been much better, you know, we have reduced the component of high end loss which was there. And while there is a loss still there to that extent, but we have seen that in the last Q3 and Q4, as you've seen, we have come literally to almost breakeven here to that extent. So I think we are confident that this is something which we will kind of cross and go ahead with and it should not be any problem in terms of going forward.

As you see the bath business. Again, it has done well, lower than kitchen, but it is still on an absolute value quite good. The CAGR is here also is pretty good to that extend. And again, from a bottom line perspective. You know, we have done well over the previous year in terms of reducing the losses, almost like a breakeven kind of a scenario minus two crores, which is there. And what we have seen is that our efforts on premiumization, our efforts on expansion in the market have really kind of given

us gains there and both businesses I would say that now are stable from a future trajectory going forward to that extent as we kind of go. And I'm sure that the bottom line also will look good as we kind of go ahead.

So that's I think someone's substance in terms of all the businesses in terms of what you see it.

STANDALONE FINANCIALS

So overall summarizing the standalone financials, if you look at it, the revenue has been a whopper 95.6% which is there and as I said earlier, the CAGR number both on value and volume have been pretty good to that extent. And therefore it is consistent, robust, and very clearly in line with a strategy in terms of growing the market in a very big way.

You see the gross contributions are also quite good. But I think PBDIT had a little bit got affected with respect to the gross margins which are there but overall the number is pretty good in terms of what we see in terms of both PBDIT, PBT and the patent numbers which you kind of see. These are very strong numbers in terms of this thing. And when in terms of the absolute numbers, which you see, these numbers are pretty good in terms of when we see the last year quarter. And please remember that this is not a normal quarter, this is also an abnormal quarter to that extent. And therefore, these numbers really stand out and they are really good numbers in terms of what we are able to see in terms of looking at the kind of delivery which has happened for the standalone business.

Obviously, yes, the steep inflation has got the gross contribution, margin affected and even the PBDIT affected therefore, to that extent, and we have been taking price increases, as I said, across businesses in standalone as well. And I think as we kind of go ahead, this is something which will get addressed in future.

CONSOLIDATED FINANCIALS

When we look at the console. Again, if you see the numbers are possibly a little lower than the standalone numbers, which are there to that extent, which means the standalone business has done much better in terms of compared to the other businesses to that extent. But the numbers here are also pretty good because we see almost like a 91% jump in terms of revenue. And from a CAGR perspective. again, this is a positive numbers over a three year CAGR kind of a thing which will look and that is something which is heartening. Gross contribution, again, has the same story here where there's a dip because of the material inflation. And there is a contraction to some extent, but overall, the numbers stands pretty robust. PBDIT, again, the same story in terms of what we see that there is, you know, some bit of contraction, which is happening in terms of as a percentage to net sales. But overall, what we see is that we have been able to control the overheads well, arresting the fall in PBDIT margins to that extent. PBT and PAT numbers on the overall thing looks quite good.. 154% and 161% kind of increase. So overall, what we see is that, you know, on an absolute level, I think the numbers are pretty good in a very, very tough circumstances, tough environment in terms of what we have seen this year. And I think going forward, as markets are really opening, what we are seeing is that possibly, I think it's, you know, if we don't have a third wave, it should be I think, good to that extent.

COVID SUPPORT

Overall, you know, some other areas quickly to kind of tell you.. COVID - working around with stakeholders, internal and external, I think a lot of work has been done. And I must say that, not only in terms of our employees, we have looked at in terms of supporting the stakeholders, be it vendors, dealers, contractors in a very, very strong manner in terms of what has been done. We have really rolled out a very, very strong program as a vaccination drive. And we are proud to inform that now 90% of our eligible employees, when I say eligible, some of the people had got COVID and they can't really go for a vaccination for a certain time and 90% of the eligible employees have got the first jab so which is very good, and it kind of is a good preparation for the coming quarter, which is there in terms of this thing, which gives us the confidence ahead. And apart from this, we have really supported a good CSR work which has been there in the market, supplying concentrators, hospital beds, sanitizers to hospitals, in terms of doing a lot of work around that around the community, which we think as a brand we want to kind of take forward and last year, if you remember, we also had done a large amount of donation in that area to that extent to the government principles.

SUSTAINABLE FUTURE

Some area which you know, we you see that the direction we are going as a brand, working for a sustainable future in a strong manner. So, if you look at the area of water replenishment, again, this is a very, very strong area in terms of what we are seeing, and this something is a constant kind of zone which you are working because we want to conserve water overall in terms of as we kind of go ahead. And that is something you know, we want to add back to the mother nature in terms of going here. And this is something which we see will catch on Steam as we kind of go into the future quarters here.

Again, the whole area of the renewable energy is very strong. It's a very, very good percentage in terms of our total consumption, which comes from RE and that is something which is what we are proud of and this we have been increasing year on year to that extent.

Other parameters, whether it is the effluent generation, or it is reduction in hazardous waste. I think this have been strong parameters and we really look at benchmarking us in terms of where we are with respect to the industry and global players. And it's a very strong kind of numbers in terms of what we see in terms of what we have been able to reduce.. these are strong numbers which you can see which is 75.9 and 56%.

Again, in terms of the you know, we have been able to kind of look at the renewable content in terms of some of our large volume products to that extent And this side kind of just shows the direction which the company wants to take in terms of sustainability head.

And finally, the health and hygiene, I think we keep on Touching Lives, I think, you know, in a very, very strong manner, as we say that, you know, reaching out to people and you know, giving them joy, and bringing joy to their lives has been one of the core kind of principles we have operated on. And you will see that this is something which we are strong on, we've already kind of touched about 51,000 lives against what we did about 1.7 lakh numbers last year. So, I think, overall, these are all indications,

which are very positive in terms of what the brand wants to do, and how we want to kind of take this in this journey ahead.

LOOKING FORWARD

Lastly, the last slide in terms of overall when we look at, I think the how we are seeing is that the demand outlook is quite positive; with the second wave kind of abetting.. yes, some regions like Maharashtra and Kerala and parts of Northeast are still a little bit of a worry, we are we have a Delta variant kind of coming, but I think the vaccination drive is picking up to that extent, and what we see is the definitely, I think it's a very, very positive environment and what we have seen last year, we see a lot of pent up demand, which kind of comes in so, the paint demand really doesn't go off, it just gets deferred to that extent, from that point of view, I think, overall, Q2 looks very, very positive to us to that extent, and that is something which we have looked at in terms of looking at our inventory and our planning, so that we can take on Q2 in a very big manner.

Overall monsoons have been good till now and the forecast is that it is going to be a normal monsoon to that extent, and therefore, we feel that given the larger agrarian economy, the rural sector is kind of going to go do well and therefore, we see a splurge in the T3, T4 Kind of cities going to happen as we kind of go ahead.

We have a longer Diwali this year to that extent, and therefore, it kind of really helps the September October retail period in a big way. Also, today, you know, we are kind of, you know, building capabilities that tomorrow if there is a third wave, how do we kind of tackle, how do we kind of look at that, it can become part of a planning to that, so, that overall, we are not affected too much in terms of going forward and that is something which we are kind of really working around with.

Overall on the material inflation till now, it has been a worrying scenario, but what we are seeing some signs of softening, and we will see how this trend really settles. But as I said, some increases we are already committed to which we are kind of taking and going ahead to that extent and that is something which we will kind of look at possibly seeing how we can look at addressing the gross margins in terms of going forward. But I think the story of strong growth would still remain as we look forward to the balance here.

Thank you so much for listening to me and we will we are open to all questions. Thank you.

Moderator : Thank you, sir. We will now move into our question and answer session. Today we have participants joining on zoom video platform and also via tele calling platform. Requesting all our participants who want to ask question via zoom video platform, please use the raise hand feature to ask a question to the panellist. Kindly unmute when given a chance to ask a question. Please state your name and your company name before asking your question.

Participants who have joined us and connected with us through zoom video platform can also post their question on the chat box and we will ask the question on your behalf.

All those who have joined us through the toll free number, please press *1 to ask your question to the panelists. Please state your name and your company name before asking your questions.

Our first question is coming from the tele calling. We have Mr. Abneesh Roy (Edelweiss) who has joined us through tele calling.

Abneesh Roy : Amit, Congrats on very good sales and volume growth performance. I have two questions. The first is on patents. As on FY 21, you've filed 20 new patents and overall 76. So, paint is normally regarded not as a very high technology input kind of a category. So, wanted to understand these patents in what areas these are, what kind of competitive advantage these can give over longer term and how much you see the scope of the commercialization of these patents.

Amit Syngle : Thanks Abneesh, in terms of asking this question and how we see is that, you know, the whole area of patenting is a very, very strong indication of the technology pulse of the company and in terms of what platforms and what kind of technologies which we are kind of evoking and going ahead. So, if you look at the whole area of decorative and industrial - Yes, patents are more in vogue as far as the industrial paints are concerned and today, you would see across organization, there are a lot of industrial patents, which happen and in it is far easier to kind of really look at protecting that technology going forward, because it is meant for only specific customers to that extent and therefore, I think the patenting is quite well invoked there to that extent. So, out of the 70, which we have applied there are some which have gone into the industrial paint zone, but I think one thing which we wanted to alter the paradigm in the paint industry is we wanted to look at patents in the decorative paints as well and therefore, we have looked at a lot of products, which we are coming where the patenting is around, either a unique technology which we have taken or a unique process we have adopted in terms of making it to that extent or a clubbing of 2-3 technologies, which have come in. How we see it is kind of going forward is that it kind of gives us an edge in the market, because certain properties in paints, which we will get are a result of that patenting, which we have done so far. To give you an example, you know, we have recently developed a glass coating, which can be applied on glass easily, and it will not kind of vitiate the look of the glass, but it will give protection from dirt and any kind of, you know, impurity which comes on to that extent. Now it is a unique patent, which we have applied for it so that today, a lot of people cannot copy it to that extent. And secondly, I think we really get a heads up in terms of really taking the product to the market and really kind of doing it.

So I think our objective is that we do patenting from the point of view of looking at how much commercialization we can do and not look at from a theoretical perspective of saying and announcing in the market that I have so many patents to that extent. So I think that's an internal target in terms of looking at percentage commercialization of the total patents to that extent, and that is something which we are going forward. But in Crux the whole area of patenting, both in decorative and industrial gives you an edge, it kind of gives you something what we call as the inimitability index, which is you are differentiated from the market in a very strong way. And you know, it will take some time for any competition to catch on it or they can't even offer that kind of properties, which are emanating from a patented product.

Abneesh Roy : So thanks, that was quite helpful. My last question is on again R&D. So you have highlighted in your earlier calls that the R&D team is working on alternate raw materials, alternate formulations to drive cost savings. when I see the 630 bps margin contraction this quarter. So how do you measure the productivity of the R&D team? Not from a quarter perspective, because in paint, normally you have to see two quarter, three quarter to get full trend. So on that two quarter time frame, how to measure the productivity whether you're getting more savings vs industry? So 630 bps also because you are driving market share? So there could be more competition than industry? How do you measure the productivity? And how do we as outside people, how do we see whether it's working or not?

Amit Syngle : So overall, we have a lot of internal parameters in terms of what we look at, we have parameters like a sourcing efficiency in terms of what we speak of. So from what we were sourcing earlier to now in terms of what's the improvement in terms of that sourcing, there is a formulation efficiency, which means that earlier there was a certain cost of the formulation in terms of what have been able to work around so that we have been able to conserve that cost in terms of looking at the formulation efficiency. We also have certain other indicators like internally we have an H1 H2 H3 indicator to kind of look at in terms of which horizons we are kind of really looking at the products coming in in terms of what we are introducing.

So some of those horizons which will give us a larger margin. And a larger thing going will kind of in you know indicate a larger productivity for the R&D. So finally at the end of it, there is a value matrix which we kind of really look at measuring the R&D efficiency from the point of view of total money spent on R&D and the total contribution which R&D would make with respect to either conserving costs or generating revenues in terms of the new products they're generating.

Abneesh Roy : That was very helpful. That's all from my time.

Amit Syngle : Thanks Abneesh.

Moderator : Thank you. Our next caller is Mr. Avi Mehta (Macquarie) and he has joined us on zoom

Avi Mehta : So thanks a lot for the presentation, it is extremely detailed. First, I wanted to understand, you know, you have shown a very confident and very bullish outlook, in terms of the going forward in the near term. I wanted to just contrast it to what we are seeing globally, as the recoveries panning out there is a movement away from home improvement. Do you see that as a concern for India? And if not why? That would be the first question is well, if you could help,

Amit Syngle : Okay. So, when you look at I think the Indian market is very, very different in terms of how it kind of really behaves, I think it is a market, which really believes in, you know, huge consumption, which is there, given our population, which is there to that extent, and therefore, I think it, you know, as we see that consumption is the one which really differentiates our overall growth and deliveries in terms of what really happens in the economy in the market to that extent.

So as I see it, today, you know, across businesses, so whether it is our business, or whether it is FMCG, or whether it is consumer durables, or it is in terms of IT or anything, I think what we see is definitely, that as the markets really open, the pent up demand doesn't really go anywhere, the pent up demand, still kind of it literally remains to that extent, and therefore, especially if I talk of the paint industry, we have seen very clearly last year that given the fact that quarter one was down, the pent up demand really continued till Q3 and early parts of Q4 to that extent, and therefore, what really happens is only a deferment, and the demand really kind of doesn't go off to that extent.

And therefore, in some instances, what I see is that the demand literally kind of comes with the rebellion, it literally kind of comes with a very strong force to that extent. And therefore, if today I think customers get an inkling that today we are getting a clear quarter and they are going to be no, you know, further waves which are going to affect the market, I think the demand conditions will be very, very strong, as we kind of look at and most of the industries today are looking at preparing for this kind of a surge, which is going to happen to that extent going forward.

Avi Mehta : So if I understand it correctly, your argument is that from a it's a deferment, I kind of appreciate that. But you know, we had that same last year. So you're saying basically, whatever impact

we saw in growth trajectory last year, would come back with the renewed focus in this year or when the year normalizes? Is that a fair understanding?

Amit Syngle : Yeah, that's a fair understanding, because what we feel is that you know, and I could kind of amplify that point, because if someone is going to do a painting of his home, which is maintenance-led, okay or it is a new home led kind of a thing, you know, the person will kind of defer it and will do it somewhere in that quarter, which kind of follows to that extent, it will always be there. If it is a project which is going on a project will come to a standstill, but the requirement which is still kind of come in the subsequent period to that extent, therefore, what I feel is that the deferment kind of really kind of happens very, very strongly and it is something which is a feature which possible will happen this year also.

Avi Mehta: Okay, sir. So my second question was around the gross margin. Sir, I just wanted to understand, is there a threshold gross margin below which you would not? Or how do you look at this margin number.. is it growth number, internally, what is the benchmark that you kind of look at just to help us understand? Yeah, so.

Amit Syngle : So if you look at the gross margin depends on a lot many parameters. To that extent, I think the correct parameter to kind of look at is PBDIT. Where we look at possibly seeing that can we maintain the PBDIT in a certain range, and that is something which would then get back calculated to gross margins overall, a lot of other factors in terms of what we would kind of look at overall. So I think the correct way to look at is that we will always see the PBDIT as a percentage in a certain kind of a range which is there to that extent and that is something which would be possibly a good way in terms of keeping on monitoring in terms of which we are kind of going in the market ahead.

Avi Mehta : Sir, if I may push would you be able to share that range ?

Amit Syngle : So the range is possibly could be anywhere between 19 and say 21. So, that is the kind of range I think would possibly be there.

Avi Mehta : Thank you very much. That's all for myself.

Moderator - Thank you, Mr. Avi Mehta. Our next caller is Mr. Alok Shah (Ambit Capital), joining us on the zoom platform. Mr. Alok. Please unmute yourself and please ask your question by stating your company's name.

We will come back to you Mr. Alok. Meanwhile, we will move on to Mr. Shirish Pardeshi (Centrum). Mr. Shirish Pardeshi, please unmute yourself and ask your question.

Shirish Pardeshi : Yeah, hi. Good evening. Amit and the team. I have two questions. The first question is obviously on the volume recovery and you have sounded very confident in terms of the rural and T1 recovery. Could you quantify how the growth is actually happening on ground whether the metros and semi metros are really driving and pushing your volume. And how do you see the tier 2 and tier 3 markets panning out going forward.

Amit Syngle : So, I think I explained that point, when you look at the overall dynamics of the market, we have seen a larger ingress of COVID into the smaller towns and smaller cities this time, as a result, their fight back to normalcy has taken some time in terms of what is there which is in contrast to what was last there last year. So what has really happened is that the metros, T1 and T2 cities actually have kind of sprung back faster in terms of what we see. And, you know, from say, the last week of April, to the last week of May to that extent possibly they were down to that extent given the differential

lockdowns which were happening across the country, but they have sprung back far more faster in terms of contributing to the demand. And we see that definitely the demand conditions have been such that the growth rates which we see in Metro, T1, T2 cities are to the range of about 25-30% higher than what we see the growth rates which are happening in the T3, T4 cities to that extent. So I think that has been very, very strong redeemer with respect to seeing the volume numbers which are happening, and also, I think all the volumes, which I'm sharing doesn't have too much component of any inventory in the pipeline to that extent; in our case possibly, the inventories are not high. So to that extent, this is largely the secondary sales which you are seeing in the market to that extent. So there is no parameter which really says that this is not the secondary sales which are happening in the market.

Shirish Pardeshi : That that's wonderful. But while speaking to channel partners, I think one of the new growth driver for the company is also the exterior and the waterproofing business. So, if you can quantify non decorative per se, but what would be the contribution or growth numbers in these two segments?

Amit Syngle : No, that would be difficult to kind of really share in terms of those numbers to that extent in terms of quantifying, but I can really share with you that overall the numbers have been as I said very very healthy in these areas and the T1, T2 contribution have been much higher to the levels of 25 to 30% higher than the T3, T4 cities.

Shirish Pardeshi : Okay, my last question is on the non decorative paint segment, which is decorative home decor and all; how do you how do we look at this business in next three years, I mean in terms of contribution, profitability, number of stores, or what else can get added because you did mention that there is a lot of thrust on adding new products in the home decor segment.

Amit Syngle - See overall, as we see is that given the large share of the coatings in the overall business in terms of what we are doing, because I think that will still remain because the coatings business continues to grow by that 15- 20% kind of zone which is year on year to that extent. So even if a new category which comes in you know, finally what we will see is that in the coming three to five years it would be possibly contributing to in terms of a single digit to an overall kind of business to that extent, both with respect to top lines or in terms of Bottom lines to that extent. It will not something which will become immediately a substantial part of your business; Because you must remember that the base business is really gallivanting and growing in a very, very strong manner. And it is not that this diversification of getting into home decor is being done, because of there is anything which is happening to the parent business, it's being done because it really supplements the parent business in terms of coatings further. So what we see is that, in a way, this business coming in will also kind of really keep on growing our basic coatings business. So I think the overall contributions would remain at a single digit level.

Shirish Pardeshi : Thank you, and all the best to you and the team.

Amit Syngle : Thank you.

Moderator : Thank you, in the interest of time, may I request everyone to please restrain the question to only one. Thank you so much. We have Mr Alok Shah (Ambit Capital) back with us requesting Mr Alok to please unmute yourself and ask your question now.

Alok Shah : Yeah, hi, thank you very much for this opportunity. Apologies previously was not able to unmute. I just have two questions. Firstly, over the next few quarters, would you be worried of any sort of macro headwinds in the rural market? Or your economy range of product leading to any kind

of deferment in a particular section? any visible signs as of now for you or the demand condition is made quite resilient?

Amit Syngle : No, I don't see any issues there. Because as I said, even in the first quarter, both economy and the luxury range has done well to that extent. So I don't see any headwinds with respect to any of the categories to that extent, I think, as we kind of move ahead, we will see a fairly holistic kind of growth going forward. Yes, a little bit, depending on in terms of the purchasing power and this thing a little bit possibly, could be that people start looking at a little down from say, a luxury segment to a premium segment kind of a thing. So there could be a little bit of cannibalization, which could kind of take place, but largely, I don't see that there is going to be any big structural level changes in terms of really kind of giving a very different profile to our mix.

Alok Shah : Got it got it. This is really encouraging and just quickly, what were your capacity utilization levels currently and any capex guidance?

Amit Syngle : So, overall, I think, you know, the levels are increased from last year. So, we would be currently I think, when we look at the levels of July, we will be at anywhere between 70 to 75% kind of capacity utilization. So, I think there is enough kind of capacity which is available across locations to that extent and Currently, we are not putting any embargo on the capex. So wherever the capex is required, we are kind of looking at going forward and putting that capex in terms of areas which are required.

Moderator : Thank you, Mr Alok. Our next participant is Mr. Manoj Menon (ICICI Securities) who has joined us from the tele calling. Mr Manoj Menon, please ask your question to the panelists.

Manoj Menon : The first question Amit is actually on, you know, the, in the last year or so, it appears in our primary research that the unorganized segment has significantly suffered. You know, it seems quite obvious across different consumption categories. So the question here is, you know, is there a quantification which you have on how much the unorganised would have suffered, and the organised would have benefited, if any, so that's one, and how much of it is repeatable into the medium term?

The second question is, you know, is crude linkage is even relevant, given the significantly higher, you know, proportion of emulsions and the water based products that you have, and the third, maybe I'll come back to this three months later in the call was I was just wanted to hear your thoughts on the capability building, which you are doing as a company, which is completely qualitative on the non paints business, the people process, backend, etc. Thank you.

Amit Syngle : Getting on to your first question, I can just tell you that it's very difficult to quantify what is the share of the unorganized and what is the share, we are taking away and so on so forth, because see none of the unorganized figures are published. And to some extent there are more than 75- 200 organized play unorganized players who would be doing anything from ranging between, you know 20-30 crores to about 400 -500 crore s kind of zone. So, I think the whole area is very, very big from that point of view, but in general, what I can tell you is that, from the quantification we have been doing, what we see is that the unorganized companies have done very well in the regions where they are based actually, to that extent. So, the regional players have done quite well, it is only the unorganized companies who had a little bit of a Pan India kind of a business where they have suffered because their supply chain efficiencies have not been able to bail them out to kind of reach all parts of the country to that extent. So, I would say that, by and large, a lot of players have their regional strengths, and they have been able to maintain those regional strengths very, very strongly. But it is only that what we are seeing that on a pan India basis, some of these companies possibly are kind of suffering.

Overall, what I see is that the largest share, last year we have gained is from the organized sector and not too much from the unorganized sector to that extent in terms of we look at it, and therefore, going forward, I think we are very clear that whatever share we have gained is something which will stay with us in terms of going forward. And it's not something which is kind of going to go anywhere to that extent and that is something which we continuously have strategies in terms of what we need to do so, I think we strongly look at in terms of looking at our market shares in a very, very strong manner.

So that's the question one, the second question, in terms of what you were asking was about, I will jump to the subjective part of the question in terms of what you asked, I think you're right, as far as the home decor business and the diversifications, they require a different set of kind of competencies, which kind of come in, we have a very, very strong in-house functional training cells, which really work right from the induction of the person to look at in terms of what we are able to kind of do in terms of really nurturing the person in that direction. At the same time, we do take a lot of specialists, for example, to kind of tell you that overall at India level, we would have now almost like 1000 colour consultant designers kind of people to that extent, who are kind of really looking at, you know, educating the customer really kind of getting the whole area of design in customer's mind, looking at colour consultations going head to that extent. And the whole area of services, which I spoke of @ home services, are the areas in terms of what we have been strongly looking in terms of going ahead in terms of what we can do in what we can really kind of go look at.

So I think we have a very clear defined program, in terms of what kind of skill levels which you want to induce in certain existing people. At the same time, what fresh ingress of specialized people we need to kind of take as we kind of go forward.

And the third question quickly to answer in terms of the point of view from the raw materials point, which you asked. Yes, I think, to some extent, if you look at crude and crude derivatives, to that extent, they kind of really look at contributing to a certain percentage in terms of looking at the overall business. But yes, we have been trying to move the business to the water based kind of a zone going forward to that extent. And I think as we kind of go forward, that's a balance we maintained to that extent. And I think a huge kind of deployment is towards looking at economies of scale, looking at sourcing efficiencies, looking at formulations efficiencies going ahead, and I think that would be the basic part in terms of what we would maintain as we kind of go ahead.

Manoj Menon : Thank you Amit. Appreciate, superb.

Operator : Thank you. Our next question is coming from Mr. Aditya Soman (Goldman Sachs) joining us on zoom. Mr. Aditya Soman, please unmute yourself and please ask your question.

Aditya Soman : Hi, good evening. So just one question from my end. I mean, in terms of, I think when we discussed the numbers, you indicated that of your growth was obviously stronger in metros and rural. But if you look at the mix, that that the sort of the difference in the sales growth and the volume growth actually widened. What would be the explanation for that? And then in terms of input costs, again, I mean, I'm not very clear why we haven't taken pricing, it was just and why we feel a lot more confident about pricing in the last 10 days or so.

Amit Syngle : Okay, see, first of all, from a point of view of overall product mix in terms of what is there, I think overall, we have been strongly focusing in terms of the upgradation emulsions in a very strong manner, which is upgrading the conventional distemper user to organised emulsion coming to a smart emulsion to that extent and that is something which is a foray, which we have done in not only in T3, T4 cities, but also in T1, T2 cities in a very, very strong manner.

So, we are seeing that type of growth happening in terms of those things very strongly to that extent. And that is something which is showing in our mix as well in terms of going forward. At the same time, we saw a large uptick in terms of the luxury, and the super luxury products, which I mentioned with respect to our exterior and wood finishes, products, which are there to that extent, and that is something which is also showing to that extent coming from the T1 T2 higher demand, which is there.

But I would say that, you know, we should not read too much in the mix at this stage. Because what really happens in a COVID like scenario, the whole consumption patterns get disrupted. We don't know really, who's coming in, why is he coming in. And there is also what happens is a little bit of downgrade, which starts happening in terms of certain categories to that extent.

So I think what starts creeping in is a little bit of irrationality into a rational behaviour at that point of time. And therefore, I would only say that we should not read too much in terms of what's happening to the product mix at this point of time and look forward to a normal quarter and see in terms of what's really happening with respect to the product mix there, to that extent, so I would kind of read the situation like that.

Moderator : Thank you, sir. Next question is coming from Mr. Vishal Punmiya (Nirmal Bang). Mr. Vishal Punmiya, please unmute yourself and ask your question.

Vishal Punmiya : Yeah, thank you, Vishal, from Nirmal Bang. So my question is, again, a follow up on the previous question on the mix, if you can just quantify the mix of economy/bottom of the pyramid/value for money products for us currently, and the same, if you can give the number for FY 20 that would be really helpful. Thank you.

Amit Syngle : No, I think if I have to do that, I have to open several Excel sheets in front of you to kind of show you all the kind of percentage contributions like that.. that would not be really possible to that extent, but what I can tell you is that from an overall mix perspective, if you take the entire category of economy products to that extent, you know, the overall growth rates have been to some extent, higher as I said, overall, and the growth rates at the luxury end have been higher. It's the premium and in the middle, which has got you know, compressed a little bit to that extent, as we see and that is how the overall mix is emanating. And within this if you look at the T1 – T2 cities have done much better in terms of growth rates of both 25% kind of 25- 30% higher both in economy and in luxury products to that extent. And if you roughly look at the you know, the Metro, T1- T2 kind of cities would contribute to about, you know, 40-45% of kind of business, which is there overall in the mix. So, I think that's the stats which I can definitely share with you in terms of how it kind of looks.

Vishal Punmiya : Okay, thank you.

Moderator : Joining us on a teleconferencing call right now is Mr. Robert Marshall (Newton Investment). Mr. Robert Marshall, may I please request you to ask your question to the panellist.

Robert Marshall : My question is linked to the previous one on the mix effects and so I was wondering how much of an effect that has on the gross margin. As obviously there's being kind of raw material effects, operational leverage effects and then there's mixed effects too. So I was wondering what the end of the key components were in terms of gross margin and so to what extent you're expecting kind of reversals and also what your anticipations are in terms of raw materials. So to what degree do you need to increase pricing or to what extent you want to etc.

Amit Syngle : Okay, I see one of the reasons in terms of which was also kind of coming in is that how do we kind of look at in terms of increasing the price in the market depending on the raw material increases which are taking place, one of the things which possibly which has upset in the Q4 and Q1 of this year is mean that this whole thing of the lockdowns coming and the market not having a clear period in terms of what we could kind of really take. And that is why as I said in Q1, we have taken about a 3% kind of a hike in terms of going forward. We also feel that if you increase the prices, suddenly by 7- 8% in the market, it creates a lot of imbalances with respect to, you know, the rates in the market, which kind of happens, which causes inconvenience to the customers in terms of how they kind of deal with in terms of going forward.

So, I think, you know, if you want to know that the correlation between raw material increase and pricing, I think it is a little bit of a deferred increase in terms of what really takes place. And consequently, same thing, when it kind of the raw material prices reduce, again, it's a deferred decrease. So, I think from both ways, it kind of we want to balance the market, we want to see that the market doesn't come become very, very competitive from the point of view offering differential rates to the customer. So, I think we take a little bit of a steady view in terms of how we want to kind of decrease over a period of time, and this time, what has happened is that the material increase has been fairly unnatural, in terms of the way it is kind of happened in terms of going ahead, and that is why we have just taken a certain amount of increase and as we kind of go ahead, we will take more increases in terms of looking at, you know, the situation going forward.

Robert Marshall :- Can you speak to operational leverage, so kind of where you're at utilization, etc, what the effects of that?

Amit Syngle : Yeah, so, from a point of view of, you know, the leverage in terms of what we get is also a function in terms of how we can see that depending on how the raw materials profiling is going on, how we kind of look at bringing that whole part into our formulation efficiencies, and look at alternates in terms of what we can get from the point of view of certain raw materials to that extent, and also look at you know, multiple vendors, so that you are able to kind of really see that there is a differential which kind of comes in.

The leverage obviously comes in given the scale, which I think we operate and to that extent, and therefore, what we do try to do is that, using that scale, either you are able to kind of negotiate much better or you are able to kind of take advantages of the shortages which come in the market and look at in terms of a prolonged period where you will not get into shortages and get some commitments from the player, given the fact that your requirements are large. So that's the kind of leverage in terms of what we would kind of take going forward.

Robert Marshall : Do you have any kind of strong views on the raw materials? Are you expecting it to stay at these levels? Are you expecting a significant retrenchment?

Amit Syngle : So by and large, we think that, you know, they might stay like this, there is some softening, which is expected in terms of what is there to that extent, which could be the tune of about 1-1.5% kind of zone, but I don't see too much, softening of prices immediately.

Moderator : Thank you, sir. We request our participants to refrain their questions to one number only. Our next participant is again joining us on the tele calling, Mr. Percy Panthaki (IIFL). Please ask your question to the panelist.

Percy Panthaki : Hi, sir, I just wanted to know, I mean, I know it's difficult to do this, but your best estimate as to what is the COVID impact on the top line for this quarter?

Amit Syngle : Okay, see, if you look at from a CAGR perspective, actually, I would say that the double digit, both volume growths and the near double digit value growth to that extent, kind of really indicates that possibly the impact really happened in the month of May and to some extent to some number of days in April. But I think what we did was we could recoup up some of those volumes in the month of June to that extent. So I would say that it's not that we see that there is too much of an impact. What is an impact is basically the whole area of production, efficiencies in terms of working, in the distribution. And some of those inefficiencies which have crept in, given the various kinds of you know, you know, the kind of conditions which we have seen. So, whether it is the working capital some of those areas, So, overall on demand front, I would say that, it I don't see that there is too much of a depression you know, effect apart from May, part of which we have recouped and part we will possibly get into the Q2 numbers in terms of going forward.

However, the whole other areas which are in and around is something which has definitely taken a toll in terms of you know, the thing there. So, I think overall this is a way which possibly, while it was more vicious, overall I think, April and June being good, we have been able to kind of really recoup a lot of those volumes

Percy Panthaki : Right fine.. very quickly deriving the pricing from your volume and total value, it seems the derived pricing is negative 7-8% which is of course mix to a large extent, this is despite a 3% price increase. So, in absence of that the derived pricing plus mix would be minus 10 and this is in a situation where the metros etc have done well. So, just wanted to understand why this number is so huge this quarter?

Amit Syngle : No one number which is very clearly is that because we have not taken the kind of increases which we would have kind of taken because that's a clear you know 5-7% differential which is coming in the gross margins, which you see because of the material inflation being much much higher than the price increase which we have taken to some extent.

Secondly, it is a little bit of the product mix in terms of what you are seeing overall you know, because typically the volume value gap that you are seeing overall to that extent is still about 11% if you see in the overall range. Normally, that gap is in the range of about 7-8% kind of a thing. So, there is an impact of 2- 3% which is coming because of the mix impact which is there in the market to that extent and as I said that even in Metros, T1, T2, we cannot take for granted that the luxury segment stays the way it is to that extent and we have seen that in some cases people have downgraded and looked at other options which are there to that extent. So I think that's how we would kind of sum up in terms of how the overall pricing equation in the mix is kind of looking.

Percy Panthaki : Okay, so, thank you very much.

Moderator : Thank you. Our next question is coming from Mr Kedar Kailaje (Fortress Group) from zoom. So, Mr Kedar Kailaje request you to please unmute yourself and ask your question.

Kedar Kailaje : Yeah, thanks for the opportunity. I am Kedar Kailaje from The Fortress Group. So, my, I had two questions. So firstly, in the paints segment, how would you compare your growth versus the industry.. have you gained market share here and secondly, in the waterproofing segment, again have you gained market share here and since the competition is intensifying, how do you see or do you see any pressure on the margins going forward?

Amit Syngle : Okay, first of all in terms of you know, the various regions as I said, South is the only region which has not possibly grown so, much given the fact that we have had more pressing situations

in terms of lockdowns in various Southern markets be it Karnataka, be it Tamil Nadu, be it Andhra or Kerala to that extent. However, all across other places, we think we would have definitely grown better than competition obviously, all the results are not out as of now and so, we don't really know you know, we are the first players to kind of in the industry to come out with the results. So, I think in a month's time we will know in terms of what the actual situation is, but the way we have kind of worked, the way we have seen various markets, we have a reason to believe that definitely we would have kind of gained market share in the market to that extent.

As far as the waterproofing market is concerned, you know, the market is pretty big, you know, the market size is pretty big in terms of what is there we also see that you know, there have been no paint players in the market, to that extent, you know, we were the first ones to kind of really enter that market as a paint player to that extent and after us, we have seen all of the other companies followed us in terms of looking at entering that market. We believe you know, the whole market here lies in terms of one the, the ingenuity of your product in terms of the solutions which you are able to offer. So it's a product which is not like a product which you advertise and it sells. It sells because you are promising a solution and a certain promise to the customer and it kind of works in tandem. A strongly with what is the capability of your product and secondly, what is the skill set you have imparted to a contractor or applicator to apply that product and what is the kind of warranties which you are giving in the market.

So I think it's a very solution oriented product in the market, it's not very easy for a player to kind of come and start replacing others. We have worked very, very hard in this category one, in terms of getting the ingenuity in our products. Secondly, also looking at training a lot of people and third, based on that training and the product, we're looking at offering certain warranties in the market to that extent. So I feel that it is a category, which takes time to kind of get in and it's not very easy, even if competition is increasing. You know, I think the player which kind of really is promising a solution and is an expert in waterproofing would kind of stay ahead.

Moderator : Thank you Mr Kedar. Our next question is from Mr. Richard Liu (JM Financial). Mr. Richard Liu, may I request you to please unmute yourself and ask the question to the panelist.

Richard Liu : Thank you. Amit, I just wanted your perspective on gross margin. I know you've talked a lot about it already. But the thought that I have in mind is as under. You talked about a threshold EBITDA margin of about 19-21%. Whereas if I look at it in, you know, for the month of for Q1, I think the console level, it was more like 16- 16 ½ , your gross margin has fallen very, very sharply from the last two quarter level to whatever it is right now. And yet you are taking price hike, which is in the, you know, in the ballpark of about just about 1-2%. So, I know, you talked about balancing the market, etc, in terms of not taking sharp price high. But I just wanted to get your perspective on how you see this whole gross margin things shaping up, going forward. And you know, how much of pain do you see, to that extent before, before you see things and things balancing out either through your own pricing action or through the through raw material prices softening? Or operating leverage or whatever, there are other things you said?

Amit Syngle : Okay. So I see one of the things is that when I spoke of a certain PBDIT, I think, you know, if you look at a standalone business, which is a major contribution in the console, we are still at about 18.6% kind of a thing there. So I think, from the levels, which I indicated, I think, since that's a larger contribution, that is something which we are aiming at in terms of kind of getting on to, as far as you know, the consol business, if you look at the other markets, I think the international business has been one of the businesses which has not done well, to some extent, because of the you know, Asian markets, having a very large ingress in terms of the COVID, especially in Nepal, Sri Lanka, Bangladesh, Indonesia, kind of markets, to that extent. What we are very confident as we look at the

quarter ahead is that since these markets have started opening up one, we feel that, you know, the situation from the point of view of the International would be much better to that extent in terms of looking at it. And what we are saying is that we are not looking at a percentage alone in terms of increase, we are looking at larger increases in the coming time. So 1% is just something which we have announced now we are taking more increases, I think as we kind of get into the quarter to that extent, and therefore I think, the total impact will be much higher in terms of what we take, as a price increase. So what we see is that, you know that we should be able to cover up a large chunk in terms of looking at going ahead, we also expect some softening of the prices. So I think, as a combination of the two going ahead, I think we should be able to cover up, you know, a chunk of this kind of a deficit in terms of what we're seeing.

Moderator : Thank you. In the rest of time, we will take that as our last question. Thank you to our panelists and to all the participants for their valuable questions. May I now request Mr Amit Syngle to please share his closing address?

Amit Syngle : Okay, good. Having spoken to you, I know that there have been far more requirement of questions and so on so forth. And possibly I think what we'll have to do is next time is we can keep maybe the presentation a little bit more smaller and far more crisper to that extent so that we can accommodate more questions to kind of come in. But I'm really thankful to all of you in terms of coming and joining us for this meet. And, you know, hopefully I've been able to answer some of your queries strongly and I see that wishing you all the best and keep safe.

Thank you.

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