



“Berger Paints India Limited Q3 FY25 Results Conference Call”

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MODERATOR: **MR. NITIN GUPTA – EMKAY GLOBAL FINANCIAL SERVICES**

Nitin Gupta: Hi, good evening, everyone. This is Nitin Gupta from Emkay, Global.

Nitin Gupta: I would like to welcome all to Berger Paints India Limited. So Q3 FY 25 result conference call.

Nitin Gupta: I thank management for allowing us to host. We have with us today Mr. Abhijit Roy, Managing Director, and CEO, Mr. Kaushik Ghosh, CFO Mr. Sujyoti Mukherjee Vice President - Finance and Account and Mr Sayantan Sarkar GM-Finance & Accounts

Nitin Gupta: I shall now hand over the call to the management for the opening remarks post, which we will proceed with the question and answer session.

Nitin Gupta: over to you. The gentleman.

Sujyoti Mukherjee: Good evening, ladies and gentlemen, and a warm welcome to Berger Paints India Limited earnings Update call for Q3 FY 25.

Sujyoti Mukherjee: • The management presentation has already been circulated, and it is already updated in the website.

Sujyoti Mukherjee: • I would request Mr. Abhijit Roy, our MD and CEO, to walk you through this presentation followed by your questions.

Sujyoti Mukherjee: Over to you, Mr. Roy.

Abhijit Roy: Thank you, Sujyoti, and good evening to all of you. Sorry for keeping you waiting a few minutes

Abhijit Roy: We had a high single digit volume growth in decorative segment.

Abhijit Roy: There was uptick in both. Sequentially there was an uptick both in volume and value. Growth.

Abhijit Roy: Protective business has a strong performance in the quarter.

Abhijit Roy: We continue to gain market share in quarter 3

Abhijit Roy: current market share is in excess of 20%

Abhijit Roy: operating margin remained in the guided range and improved sequentially

Abhijit Roy: company improved its net cash position at the end of the quarter.

Abhijit Roy: If you look at the volume growth for quarter 3, financially at 25, that is, last quarter.

Abhijit Roy: We had a volume growth of 7.4%

Abhijit Roy: Ytd basis, we had a volume growth of 7.7%

Abhijit Roy: value growth 0 point 4%

Abhijit Roy: on a Ytd basis. It is 0 point 9%.

Abhijit Roy: The volume value gap that you see is mainly on account of 2 reasons.

Abhijit Roy: one product price decrease, undertaken in earlier quarters.

Abhijit Roy: and second, stronger sale of high volume and low value, products like texture, paints tile, adhesive and admixtures

Abhijit Roy: and muted sales of high value, product like enamel exterior premium segment did well.

Abhijit Roy: Waterproofing and construction. Chemical segment had a strong double digit growth.

Abhijit Roy: protective and infrastructure. Business continued its good performance in the quarter

Abhijit Roy: sustained growth trend was observed.

Abhijit Roy: If you see 4 years, figure

Abhijit Roy: the volume growth is 15.6 at a Cagr level

Abhijit Roy: and value growth is 16.7.

Abhijit Roy: If you come down to 3.3 years, also 11.8 and 10.4,

Abhijit Roy: so the volume value gap in both these cases, if you see, are negligible.

Abhijit Roy: but on a 2 year, and this year there is a gap in a 2 year basis. It is 9.3 volume growth and 3.6 value growth.

Abhijit Roy: As I said, 2 primary reasons.

Abhijit Roy: One is, of course, the price drop of 4 to 5%,

Abhijit Roy: and the second reason is sale or increased sale of categories, like tile adhesive texture, coatings and admixtures which are mostly of add, you know, waterproofing and construction chemical.

Abhijit Roy: which results in you know distortion in the volume growth compared to the value group.

Abhijit Roy: If you look at the gross margin percentage, it's been pretty healthy, as you can see, and

Abhijit Roy: at 39.8% of quarter 3.

Abhijit Roy: It is more or less hovering around in that range of 39.3 to 40.5 over the quarters. It's been in that range, so no great

Abhijit Roy: change, as far as the gross margin is concerned. In spite of intense competition, gross margins are being held at those levels.

Abhijit Roy: The same holds true, for Ebitda margin as well

Abhijit Roy: is at 16.2%. It's been hovering in that range. Only we have always guided that it will be possibly be in the 15 to 17% range.

Abhijit Roy: It's ahead of 16. So that 16.2 is where we are, as far as operating margin is concerned.

Abhijit Roy: gross margin contracted marginally over the corresponding period of last year

Abhijit Roy: on account of product price reduction undertaken in the last financial year.

Abhijit Roy: Currency, depreciation in the current quarter.

Abhijit Roy: and some inventory impact of monomer price increase.

Abhijit Roy: However, prices have now started coming down.

Abhijit Roy: Operating margin was lower on a year on year basis.

Abhijit Roy: however, improved sequentially on the back of some operating leverage.

Abhijit Roy: Operating margin, however, remained on the higher end of the band of 15 to 17%. As guided earlier

Abhijit Roy: profit. Growth at net level, saw an uptick, aided by dividend received from Bj. And Nepal.

Abhijit Roy: So this is in terms of

Abhijit Roy: numbers 0 point 4% total income from operations.

Abhijit Roy: We we operating profit negative 2.8

Abhijit Roy: dbt, 11% growth and and pat 16.3 Dbt. As as I mentioned, there's a Bj and Nepal dividend which came in, and that's why it is one positive so much

Abhijit Roy: on the console.

Abhijit Roy: It is 0.9% on Ytd basis for standalone.

Abhijit Roy: it is 0.9%. Ebitda is negative 4.6 profit

Abhijit Roy: is 7.2% 1.9% negative in pvit, pvt, 0.8% negative and pat is 0.9% positive

Abhijit Roy: decorative business recorded, high single digit volume, growth.

Abhijit Roy: exterior premium, segment did well in this quarter.

Abhijit Roy: Construction. Chemical waterproofing and wood coating products had a robust performance. Strong double digit growth, aggressive network expansion continued

Abhijit Roy: added 2,000 plus retail touch points

Abhijit Roy: installed around 1,800 color bank printing machines.

Abhijit Roy: and our urban initiative is progressing well.

Abhijit Roy: Many of the high growth products continue to do well.

Abhijit Roy: the waterproofing and construction chemical. We have added a few more products, the ranges expanded, and we are doing very well in this category.

Abhijit Roy: Many new stores have been set up, especially in the urban centers.

Abhijit Roy: and they are giving us good results. Experience business outlets

Abhijit Roy: which are working well for us Berger. Exclusive stores, which are basically

Abhijit Roy: these are exclusive points where one can see, touch, feel the textures, the various types of paint, spend some time with the family and then buy paint.

Abhijit Roy: industrial business, protective coatings. Business continued its leadership position with strong performance in the quarter.

Abhijit Roy: aided by infrastructure, push from the government.

Abhijit Roy: automotive, general industrial and powder coatings. Business line had a muted growth.

Abhijit Roy: improved net cash position in the quarter.

Abhijit Roy: December 24.

Abhijit Roy: From September 24. Level. It improved from 2 42 crores

Abhijit Roy: to 377 crores

Abhijit Roy: on the Consolidated level. Our total sales growth.

Abhijit Roy: our income from operations was 3.2%

Abhijit Roy: Ebitda level. If you look at it, 1.7% negative

Abhijit Roy: and pat 1.4% negative again, Ytd.

Abhijit Roy: December 1.9% growth.

Abhijit Roy: Ebitda, 8.5 point 4% negative and pat is 2.9% negative

Abhijit Roy: companies overseas subsidiary bolex. Poland had a steady top line growth.

Abhijit Roy: The profitability was muted on account of some one off project expense which will not be there in the next quarters.

Abhijit Roy: Companies overseas, subsidiary. B. And Nepal had a robust turnaround performance on top line.

Abhijit Roy: aided by a low base and improvement in business conditions. In Nepal

Abhijit Roy: profitability, growth was strong, aided by the Scale Effect

Abhijit Roy: company, subsidiary step, limited at a quarter of steady top line growth.

Abhijit Roy: However, profitability suffered on account of deterioration in product mix, owing to low traction in admixture, sales.

Abhijit Roy: Sbl speciality coatings also had a modest growth in top line

Abhijit Roy: and a flat growth at the operating profit level.

Abhijit Roy: The joint venture, Berger, Becker coatings, and another quarter of very healthy growth of top line and Profitability

Abhijit Roy: Company's joint venture. Berger Nippon paint automotive coatings had a strong top line growth

Abhijit Roy: and profitability and showed significant improvement. Aided by gross margin expansion, business outlook.

Abhijit Roy: we remain optimistic on decorative business, improving its growth sequentially

Abhijit Roy: on the back of likely improvement in consumer sentiment

Abhijit Roy: pooled by favorable budget announcements and adequate monsoon, and the volume Value Gap

Abhijit Roy: is expected to bridge due to weaning of price decrease impact in the coming quarters.

Abhijit Roy: protective business prospects seen better on the back of government, spending on infrastructure, automotive, and other industrial businesses

Abhijit Roy: likely to perform better in the coming quarters.

Abhijit Roy: Geopolitics and currency, depreciation appear as likely risks.

Abhijit Roy: This is our new head office, from which, from where I'm speaking, therefore, this little delay, because there was some small issues there in a new place. Always there are some challenges.

Abhijit Roy: So this is in the form of a paint can, as you can see.

Abhijit Roy: with a rooftop which is solar powered.

Abhijit Roy: It's a unique architecture.

Abhijit Roy: And and the 100th year

Abhijit Roy: we had to shift out from the old premises where we are running out of space.

Abhijit Roy: So this is the new office which we have come out with

Abhijit Roy: yesterday, in fact, was the inauguration

Abhijit Roy: inaugurated by the West Bengal Industries Minister Sashi Paja, and this is one photograph

Abhijit Roy: where all of us are present

Abhijit Roy: from Berger side, and the minister herself.

Abhijit Roy: Thank you, and I await questions from all of you.

Nitin Gupta: Thanks, Abhijit, so we will now start with Q. And a session.

Nitin Gupta: I hand over the call to my colleague, Kevin Shah, to moderate the Q. And a session over to you. Kevin.

Kevin Shah: So those of you who have questions can raise your hand. Now we will announce your name, and you can then, and unmute your line.

Kevin Shah: please, highlight your full name and the organization you are representing.

Kevin Shah: The 1st question is from the line of Aneruthi. Joshi, please go ahead.

Aniruddha Joshi: Hello!

Abhijit Roy: Yes, go ahead.

Aniruddha Joshi: Yeah, sir, thanks for the opportunity.

Aniruddha Joshi: sir. we have seen the new entrant in the market has reached

Aniruddha Joshi: more than almost 1,200 crore sales, probably in 9 months itself. And now the new plant will also start in the Eastern India. So now, Berger in a way uniquely, has got some extra time compared to other peers

Aniruddha Joshi: to understand. The strategies and the aggression, and even the product, portfolio, etcetera. So now what will be our strategy to counter as it enters the key region of Eastern India. That is question number one

Aniruddha Joshi: question number 2 is we are from the channel checks, and even other companies have also highlighted that there is, some green shoots are visible in January. So is that trend observed by Berger also. And do we see the overall growth rates sustaining in in this quarter entire quarter also. Or this is this a structural

Aniruddha Joshi: reversal in the growth rates of the inter sector, or we will have to wait for more time to see how the trend pans out.

Abhijit Roy: Right to answer the 1st question first.st You know.

Abhijit Roy: I I don't think you know there is any material impact on where the factory starts is production because they have enough production capacity.

Abhijit Roy: And it's not that, you know. In one place they start production. And you know, immediately that place starts getting affected.

Abhijit Roy: It doesn't happen like that, because, you know, it's not as if the supplies are not there. The supplies are coming from all over, and they have started operations in the East. Maybe

Abhijit Roy: the supply will improve a little bit, but it's not going to substantially change the scenario on the ground

Abhijit Roy: as of now. Yes, you know they are a serious competitor, as I have all always maintained.

Abhijit Roy: and no, there has been some sales growth, you know, impact, as far as the existing players are concerned, all of us would have been impacted in small measure.

Abhijit Roy: It's our estimate is that you know, Virulla has got about on a Ytd basis

Abhijit Roy: about 3.5% of the market, right? You know, which is.

Abhijit Roy: if you consider 5 main players which consider, you know, which produce the result.

Abhijit Roy: and take also Birla in that

Abhijit Roy: which is the 6th player. Then in that 6 players they have about 3.5%

Abhijit Roy: right on a white key basis.

Abhijit Roy: Now.

Aniruddha Joshi: Okay.

Abhijit Roy: Now that I don't think is going to, you know, materially impact.

Abhijit Roy: you know anything or substantially the growth of any of the companies. It does impact to the extent of 3 and a half percent. So

Abhijit Roy: that impact is there. To some, some of the players may get impacted by 5%. Some of the players may get impacted by 2 and a half percent.

Abhijit Roy: But it is, the broad range is in that category, right? So that's the growth rate impact. Which is there so far

Abhijit Roy: right

Abhijit Roy: now, if you do away with that. With the paint industry, there have been 3 major problems this year.

Abhijit Roy: Number. One problem was that you know, there was a price decrease which we had done, which is about 5% last year, right? Which lasted right up to January.

Abhijit Roy: which has been impacted the paint growth rate.

Abhijit Roy: The second is the slowdown in the market itself.

Abhijit Roy: which is to the tune, in my opinion, of 3 and a half odd percentage is on account of the slowdown.

Abhijit Roy: So 5 plus 3 and a half, 8 and a half.

Abhijit Roy: These 2 are temporary in nature.

Abhijit Roy: These 2 are completely temporary in nature.

Abhijit Roy: 5%. The price decrease is already off from middle of January. So therefore, this quarter itself, we will see that impact.

Abhijit Roy: The second part is related to the slowdown.

Abhijit Roy: That also is temporary, hopefully, and that with the budget that we have seen, you know, we look forward that you know a large part of that will get bridged from April onwards.

Abhijit Roy: So, therefore, one part is going to go away largely in this quarter itself, and the second temporary part is possibly going to change scenario from April onwards.

Abhijit Roy: as far as the competition is concerned, that will continue.

Abhijit Roy: that for every player, as I said, is different for different players.

Abhijit Roy: In our case, our impact is slightly lesser than the 3 and a half percent.

Abhijit Roy: So we are impacted to that extent right, and that impact will continue going forward as well. We don't anticipate that going away

Abhijit Roy: completely, but, as I have always said it 2 and a half to 3% is expected that the growth rate will be impacted by the new entrant.

Abhijit Roy: Then we have to ensure that we restore that growth rate through our own measures, our own initiatives.

Abhijit Roy: our own initiatives in terms of distribution, expansion at a much faster pace than what we do normally.

Abhijit Roy: and also the urban initiative which we have undertaken.

Abhijit Roy: We are reasonably confident that we should be able to overcome this.

Abhijit Roy: You know, backlog of 2 and a half to 3%. So that you know, we don't get into any problem of growth.

Abhijit Roy: This is my reading of the situation.

Aniruddha Joshi: Okay, sure. So this is very helpful. just regarding your view on one of the Mnc. Player is has plans to sell out the decorative business. So what is Berger's view on that? We keep hearing from media news stores? But maybe what is the stance? Berger.

Abhijit Roy: No, I've given media statements, you know already that it doesn't as of now, doesn't fit in strategically with what we think of in doing, and we have therefore not bid for this at for the time, be.

Aniruddha Joshi: Okay, sure. And the margin guidance 15 to 17%. So do you see? The margins remaining closer to the top end, or or lower to the or or towards the lower end, considering where the crude oil level, or even the inr depreciation, has also happened, and also, the competitive intensity will be at Peak in Fy. 26.

Abhijit Roy: The competitive intensity is already there. Nothing much has changed in the overall scenario. I don't think any significant change will happen in the future

Abhijit Roy: it will remain, possibly in that band of 15 to 17%. That's the guidance that we maintain.

Abhijit Roy: You know, we have maintained that. And we are continuing to maintain that.

Aniruddha Joshi: Okay, sure.

Aniruddha Joshi: This is very helpful. Many thanks.

Abhijit Roy: Thank you.

Kevin Shah: Thank you.

Kevin Shah: The next question is from the line of Milesha. Please go ahead.

Mihir P Shah: Hi, sir, good evening. This is Mihil Shah from Nomura. Thank you for taking my question so firstly, congrats on your new head office looks quite nice hope to come down and meet you soon there

Mihir P Shah: and again congrats on your strong volume performance. There seems to be a very stark difference between you know, Burgess volume performance versus all the other listed players this quarter.

Mihir P Shah: Can you help us dissect and understand why this divergence? Is it due to the regional presence that you have versus other players? Or and or is it because grassives entry? You know. You know, maybe a little more in the other regions, and probably less in

Mihir P Shah: your region. Or your stronger markets. Can any insights on? Why the divergence in volume growth versus everybody else, Sir.

Abhijit Roy: So you know, I I think we make too much out of this glass inventory. Yes, it has impacted some of the players, you know slightly more

Abhijit Roy: but that is not the primary reason for the difference, because that, as I said, their total share, as I said, is 3.4% right? Ytd.

Abhijit Roy: so you know, even on this quarter, probably it would have been higher, because this quarter they did. You know better than what they have been doing in the previous quarter.

Abhijit Roy: so probably it would have gone up somewhat. But still it's not the major in force which is impacting everyone else. Right? You know, so different players have got impacted differently

Abhijit Roy: in our case, you know, I think the divergence is coming out of 2 factors. Primarily, distribution expansion which is happening at a very good pace, you know, I would say, and in fact, we would like to accelerate that further.

Abhijit Roy: and the second is the urban initiative that we have undertaken.

Abhijit Roy: Small results have started coming. I think it will further give better results going forward.

Mihir P Shah: Perfect. So that's wonderful. Secondly, if I can check on the gross margins, I mean, I I thought historically, 3rd quarter margins ideally should be better than the second quarter margins given. The exterior paints, you know, start to sell in the 3rd quarter versus the second quarter. However, maybe in this result. We are not seeing that much of a difference in gross margin profile

Mihir P Shah: also, the mix seems to have deteriorated further. You know, in your case? At negative. If I'm assuming a minus 2 pricing. So firstly, would we have a minus 2 pricing this quarter and which ideally should become a plus 2 from next quarter. So that's 1, and maybe why are we still seeing a small dip in the gross margins? you know. Despite higher sales of exterior plates and premium pins.

Abhijit Roy: So, you know, made actually, this quarter every year the premium sales and the luxury category sells very well, you know the 3rd and the 4th quarter, typically after the rains

Abhijit Roy: tends to pick up momentum in terms of luxury, product sales and premium product sales. So the base effect is also there, you know. Last year also, these products would have sold very well the growth rate, you know, as we have seen, for most consumer categories haven't done anything substantially great there, so the growth rate has been very limited as far as this exterior category or premium category or luxury category is concerned, especially on the interior luxury

Abhijit Roy: we had a muted growth. We had a good growth in the exterior category, but in the interior luxury, category, and the premium category. The growth was relatively muted.

Abhijit Roy: Also the fact that you know, when you are talking of the volume Value Gap, that you are seeing, as I explained to you.

Abhijit Roy: Part of it is price decrease. But you are rightly saying that you know what about the balance? The balance is not because the mix is deteriorated as such. But the fact is that you know tile adhesive as a category did not exist 2 year back. But that volume is large, and it is coming, and it's a good, profitable item. So we continue to sell that

Abhijit Roy: the second is texture coatings. Now we were not present in that particular segment, but in projects, in, especially in the western and southern parts of India, texture coatings is has become sort of de rigor for almost every building you know. So now the texture coating volumes goes up. This is a low value item, but high volume. So therefore.

Abhijit Roy: all of these these are nuances which is difficult to explain individually. But you know these are the things which impact the volume. Value gap that you are seeing, and you will see that you know, for most of the leading decorative players. This type of

Abhijit Roy: gap will happen if they sell these type of products. If they're not selling. Obviously the volume value Gap will be less so. It is not because the mix is deteriorating or improving. It is because of the sort of products that is being sold as of now, which is distorting the picture a little bit. But that's about 2, 2 and a half percent distortion, because of that.

Abhijit Roy: and 4 to 5% is due to the price decrease, which was there that 4 to 5% will go away, the 2 to 2 and a half percent will remain so in terms of volume value differential. You can expect a 2 and a half percent to sustain in the next few quarters.

Abhijit Roy: Got it. So got it. Thank you. So, lastly, okay.

Mihir P Shah: No, very clear. This is very clear. So thank you so much for that. So lastly, if I could just ask on the current of you know, months or the Jan months trajectory? I miss. I might have missed your comment. Are you seeing a pickup in the sales on volume front.

Abhijit Roy: Sequentially there is an improvement for sure, you know. So we, as I had indicated, you know, in the last meeting in quarter 2 results also that quarter 3 sequentially will be better than quarter 2, which we did not very significant. But there is an improvement compared to what the market has done, and in quarter 4 it is going to be further improvement. We have.

Abhijit Roy: You know we are at 7.4 or something in volume. I expect that we will possibly go up more towards the double digit figure in terms of volume, growth, and in value growth. As I said, there will be a difference here of 2 and a half, 3%. So we expect bit single digit growth in terms of value. Growth.

Mihir P Shah: Got it, sir. Thank you very much, and wishing you all the best, sir.

Abhijit Roy: Thank you.

Kevin Shah: Thank you. The next question is from the line of Ajay Thakur, please go ahead. Your line is on mute.

Ajay Thakur: Hi! Thanks for taking my question. So, sir, I wanted to understand there was some mention about the valuation part while you were commenting on the pull out from the Exxonobil deal in the media. So if you just throw some light on what kind of valuation has been quoted for

Ajay Thakur: Exxonobil, and and you know.

Kevin Shah: You! Repeat!

Ajay Thakur: So if if you can just throw some.

Abhijit Roy: Yeah, you know, I I haven't, you know, mentioned, you know, these guys press can write anything. You know. They 1st wrote that. You know we are. We are bidding that we are the most serious player. Then they wrote that you know that we are not happy with the valuation, etcetera, etcetera.

Ajay Thakur: I was.

Abhijit Roy: Get into these things you know, as of now, I would just say that it doesn't have a strategic fit. You know, the value benefit equation doesn't fit in with our requirements.

Abhijit Roy: so we are not, therefore, a serious contender in this race as of now. This is all that I can tell you.

Ajay Thakur: Understood, sir? Sir, second question would be in terms of the the, you know, if you were to look at the leaders number for the quarter, and also for the last quarter. We have seen a very dismal performance from them. And even if you were to kind of add up the the new player

Ajay Thakur: roughly, about 3 and a half percent. So will it be kind of a fair estimate to under. Say that, you know, the leader would have lost more than 3 and a half percent market share given the fact that you know, our you know, value share has been at least, you know, been better versus the the others. Given that our growth has been better versus the others.

Abhijit Roy: You can do that, maths, you know. It's very simple maths, you know. I don't think you know, I need to say anything on that. Obviously, you know, there will be. The net sum is 100% right. If someone gains, someone has to lose. We are not losing that. All. That's all that I can say. What has happened and who's lost. You know that you can easily calculate and find out for yourself.

Ajay Thakur: Understood, sir. Sir. Just last one. Obviously it is related to again the Akzonobel, but any potential new entrant. Can it again? You know, we already are seeing quite a bit of a you know, complete intensity.

Ajay Thakur: a potential new entrance from, you know the the buyer of the Akzonobel. Can it lead to? You know, further kind of a competition in the space that we already seen.

Abhijit Roy: So I know it depends. I I foresee no such great, you know.

Abhijit Roy: Problem because Exxonobil has already been in existence in India.

Abhijit Roy: for you know, more possibly 100 years or so. Right, you know. So whoever acquires it will be running that same company with same brands, you know. Maybe they will do some plus minus. But it's not going to change dramatically the picture. This is not a newcomer who is coming into the industry. So I see no

Abhijit Roy: major issue there, you know, unless you know. There is some major change happening on the ground. Only time will say what happens. But as of now. I don't see anything majorly happening. There.

Ajay Thakur: Thanks, thanks for answering all my questions. Thank you, sir.

Abhijit Roy: Thank you.

Kevin Shah: Thank you. Participants. Request you to call out your full name and organization you are presenting.

Kevin Shah: We have the next question from the line of Amit Purohit, please go ahead.

Amit Purohit: Hi, sir, good evening. Thank you for the opportunity.

Amit Purohit: Am I audible, sir?

Abhijit Roy: Yes, yes, you are. Please go!

Amit Purohit: Yeah, sir. Just I mean, based on your comments on the quarter for Q. 4 it seems that probably industry should also be growing at mid to high single digit. Right? Is that a fair assumption in value terms.

Abhijit Roy: No, I don't think so, you know, in value terms. No, no way, you know, no way, no.

Amit Purohit: For Q. 4. I'm saying. Q. 4.

Abhijit Roy: Okay. Q. 4, yeah. Q. 4. Possible. You know. Possible that volume terms it might be in high single digits, value terms. I don't think so, you know, as far as the industry is concerned. No, given based on the comments that have been made so far. I don't think that is possible or feasible.

Amit Purohit: And secondly, sir, when I look at I mean for us also. Like, you indicated that there will be some impact because of the new products that you are selling largely on the construction, chemical and tile adhesive side this would be true for even next year. Also, right? The the math that you explained us for Q. 4 should be relevant for Fy 26 as well. Is that okay?

Abhijit Roy: It will be relevant, you know, for a in a few more quarters, maybe because till the base catches up, because it's actually growing at a very fast place from very low basis. So once it reaches a steady base, then it will, you know, become a normalized growth, and it won't have that much of an impact.

Amit Purohit: Sure. And, sir, if you could provide some insights on your urban initiatives, and also the exclusive dealers. What is the profile of the dealer

Amit Purohit: who is taking up a Berger paint. I mean, I'm just asking this, because now he has an option to look at, and a Berger. So what does a Berger brings on the table? Or he's an existing paint dealer who is becoming an exclusive dealer, or is he the altogether new new

Amit Purohit: individual who is entering into the paint industry as a becoming a fresh dealer. Just if you could highlight that, and also on the urban strategy. Is there a link towards this exclusive dealer and the urban strategy? Anything that sort.

Abhijit Roy: So in Urban, you know. Basically, we need to get foothold in the marketplace. If if most of you are based out of Mumbai. You will see that you know very few Borja dealers are visible on the ground, you know. So

Abhijit Roy: the 1st task is to get, you know, dealers to stock and sell our products, because, though a customer might want this product from, you know, because he he might have used it in the past, or he likes the product, but the availability becomes a major issue. The same holds true for even the painters or contractors

Abhijit Roy: when they don't get material at short notice, they also try to avoid this particular brand. So, therefore, getting foothold into the market and getting your some of the dealers to stock, this material becomes very important. The second is, you know, having got him to stock, we need to also ensure that the sales happen from his counter.

Abhijit Roy: That's something which we, you know, earlier days we never used to work on that. But we have learned our lessons from, you know various experiments that we did, and we focus on getting the sales going or the being sustained. So based on these 2,

Abhijit Roy: we are looking at all options. It's not, you know, it can be competition dealer it can be, you know, non dealer, it can be someone who is interested, very enthusiastic, energetic, who wants to come into the paint business. So combination of any factor is fine as long as we get good representation across points.

Abhijit Roy: and then we work with them, you know, to ensure that the sales happen so other details I will not be able to share with you, but you know we we are quite hopeful that this will work very well for us.

Amit Purohit: And typically the urban demand is largely would be, would this fair assumption that it will be more incrementally project led, and hence exterior paints becomes far more important for us, and since we have a broad, a very strong brand, and we can kind of scale up from there for.

Abhijit Roy: Yes, to some extent you are right. That you know it is much more exterior focused, you know, in the urban centers, because the towns and the cities. You know, the urban centers, big ones, at least, are mostly vertical, so you know, mostly exterior paint oriented so that game has to be played well, basically.

Amit Purohit: Sure. And, sir, lastly, on the margin you indicated 15 to 17%. I just want to have your thoughts. I mean, we really don't know how 6 months next 6 months will play out, because even the new entrant has aspirations of reaching out high single digit market share, and the

leader has also indicated till the time the high single digit market share is not achieved. They are also not considering the new player as to be serious enough

Amit Purohit: so so from that perspective, we see that say, maybe second half of

Amit Purohit: of the next financial year there could be.

Amit Purohit: Assuming that continued, then there could be some activity on competitive intensity which may arise, and and the increments also start indicating some kind of pressure on moral things. So I just want your thoughts on one on the the openness of or are you looking when the demand

Amit Purohit: 3 stores to high double digit. You're looking to re-look at 15 to 17% kind of maybe. Look at lower end of the 15 to 17, or you would.

Amit Purohit: I still believe that that should not be a challenge. Given your urban initiative and premiumization towards exterior paints that will cover up for that.

Abhijit Roy: Yeah, I think it should not be a challenge, you know. I think we should be able to hold, you know, at these levels, at 15 to 17%, you know. In fact, we have.

Abhijit Roy: always indicated that, you know. We are not interested in this game of, you know, no profit or less profit. And you know, trying to do some sale, you know. Somehow, that's not what we are, you know, interested in. We are looking at, you know, doing it sensibly so sales and market share. As I have said, we have managed to gain, even in this situation.

Abhijit Roy: even with competition even with, you know the new competitor, if you add them up also, we have gained market share over last year, so there is nothing much

Abhijit Roy: to worry on that count. You know I unlike you, know what other people have said. I take them very seriously. I think they're a serious competitor. Whether they reached, you know, high single digit. When they reach you know they will possibly reach there, you know, 2 years, 3 years down the line, maybe. But the issue is, you know, how long can they sustain these losses that they are incurring that has to be seen?

Abhijit Roy: There will be huge losses there, you know this year itself for them, and how much, how much time they can incur these losses has to be seen. We want to grow profitably. Our logic is very simple. You know. We carry on with our work. We carry on with our growth rate both in sales and maintain good profits. That's that's how we would look at it!

Amit Purohit: Sure, that's it. Focus. Thanks a lot.

Kevin Shah: Thank you. We have the next question from the line of Karthik Chellappa from Indus. Capital. Please go ahead.

Karthik Chellappa-Indus Capital: Yeah. Thank you very much for the opportunity. Am I audible.

Abhijit Roy: Yes, you are, I think.

Karthik Chellappa-Indus Capital: Great. Thank you very much, sir. Just a couple of questions from my side. Now I noticed that in the standalone statement our other expenses are actually down year on year, despite being a festive quarter, and despite the demand conditions actually being challenging this year compared to say last year or so so what would be some of the expenses which we have managed to save this quarter? And how sustainable are they.

Abhijit Roy: So there are many areas, you know, where we had opportunities to save, and I think we still have opportunities to save.

Abhijit Roy: These are costs which are, you know, of the nature which are non essential. I would say

Abhijit Roy: we have looked at each of those areas, you know, and and try to conserve as much as possible. As you can well understand. These are challenging times, and therefore, you know, more work needs to be done around those.

Abhijit Roy: There are large work, you know. In fact, you know, if you look at our advertisement spend, which doesn't come separately broken. But in many cases people have reduced their ad spends. We have maintained our ad spends at no levels which were there earlier as well. But there are other areas where we have cut back, which I think, you know, we can cut back. And those are areas which are easily the overheads have been reduced to a large extent. Some amount of technology has been brought in. Some, you know.

Abhijit Roy: new startups have helped us in, you know, generating savings there. So some of these are happening which will, you know, enable us to. In going forward also you will see these costs being kept under control.

Karthik Chellappa-Indus Capital: Oh, sorry, sir, just to clarify when you said you have maintained ad spends, I mean, this quarter. Our revenue, at least in the domestic business has been flat. So when we say we have maintained, is it as a percentage of revenue, or is it just in absolute terms? Also it has been flat here on.

Abhijit Roy: In absolute terms. It has been more or less flagged.

Karthik Chellappa-Indus Capital: Okay. So we did not feel the necessity to increase our ad spends in the light of you know the entrant which is coming in and stepping up, basically.

Abhijit Roy: No, not really, no, not as of now, you know, we may be conserving some of our energy for later date.

Karthik Chellappa-Indus Capital: Okay, okay, fair enough. My second question, sir, is the 7.4% volume growth. It actually seems to be a standout based on what other companies have reported till date, in fact, even smaller companies or so. Is there any geographical salience to it? Or could you give us some qualitative comments on region wise. How did that demand play out for you?

Abhijit Roy: No, it's more or less spread across most parts of the country. One or 2 areas did not do all that. Great.

Abhijit Roy: Like the west. We we struggled a bit this quarter.

Abhijit Roy: but you know otherwise. Most other locations. We had decent growth.

Karthik Chellappa-Indus Capital: So, including East East also, was a positive volume. Growth geography.

Abhijit Roy: Yes, this time, you know, because second, till second quarter we were struggling a bit

Abhijit Roy: 3rd quarter, including East, as you said, you know. Yes, we had some growth in the East as well this time.

Karthik Chellappa-Indus Capital: Okay, got it. Thank you very much for these useful data points, sir. Wish you all the best for the following quarters, that's all for myself.

Abhijit Roy: Thank you.

Kevin Shah: Thank you.

Kevin Shah: Just a reminder. Those of you who have questions may raise your use. The razor hand option.

Kevin Shah: We have the next question from the line of Tejash Shah. Please go ahead.

Abhijit Roy: Hello!

Tejash Shah: Yeah. Hi, sir, am I audible?

Abhijit Roy: Yes, it is.

Tejash Shah: So thanks for the opportunity and

Tejash Shah: congratulations, for the new office looks very classy and and

Tejash Shah: So a key pillar of our strategy for last few quarters which we have called out is disproportionate focus on urban expansion.

Tejash Shah: So any number that we are running with in terms of how many dealers we want to add, or in percentage terms, what growth or what expansion we are targeting in that part of the market. That's 1 and second, let's say, the addition that we would have done last year. How's the retail offtake in all those counters? And how's the health of the inventory in some of those additions that we would have done last year.

Abhijit Roy: Right? So yes, you know. The urban centers contribute, you know, a significant portion of the total business, you know. See, paint

Abhijit Roy: mostly is consumed in urban markets, right, you know. But what we have done is we have selected some of these markets, defined them as urban, where we are relatively weak in terms of market share, and called them our urban markets. So it's not like

Abhijit Roy: paint gets, you know, used in rural huts or something it is always used in, mostly in urban markets, but it can go down to tier 2 tier 3. Those are also towns. Those are also urbanized.

Abhijit Roy: but you know, the maximum concentration in our effort has been on key markets where we are relatively weak. But the potential is very large. So that's what we have defined as urban in those markets. You know, we are growing at a faster pace than the normal growth rate, obviously at a substantially faster, because, you know it's a base is very low, and therefore, when you are adding dealers, when you are, you know, sustaining them, you tend to grow much faster in those markets. The second part is

Abhijit Roy: Which you asked is, you know, what are you doing to sustain this right.

Tejash Shah: Yeah. And, sir, health of the inventory. Retail of take.

Abhijit Roy: And the health of the inventory. So sustenance we we are more or less because we have managed to create, you know, secondary sales demand for liquidating the stock.

Abhijit Roy: and therefore the inventory. In fact, you know it is quite dry. You know you will be surprised, I think, if the market sentiment improves. You know, there will be quite a good sales growth happening, because you know what they used to hold at 1 point of time the inventory levels in most dealer counters have come down. This is, we do a tracking every month

Abhijit Roy: of you know what is being lifted from each dealer counter and that that trend clearly indicates that the stock level has been coming down for most dealers. So the inventory level holding of dealers is at a low level.

Abhijit Roy: As soon as the situation improves and sentiment improves. We might see, you know, a good increase in in impetus and demand.

Tejash Shah: Yes, sir, and, sir, you spoke about that. The new player would have garnered somewhere around 3, 3 and a half percent. So just wanted to understand, where is this market share coming from? Is it at a very premium and economy or mass market.

Abhijit Roy: Mostly economy and mass market, as of now.

Tejash Shah: Okay, okay?

Tejash Shah: And so, lastly, on on volume growth that we have reported, which is a very strong number just wanted to clarify. Will it be like to like versus last year, because you also.

Abhijit Roy: It is like to like over last year, because some of them.

Tejash Shah: File addresses. Also. That's why I'm clarifying.

Abhijit Roy: Validity was there last year, but the growth rate in that is higher. So from that perspective, you know it, it might give you a slight increase there, but it is like to like.

Tejash Shah: Okay, okay, that's.

Abhijit Roy: But the product was there, but the growth rate, obviously the base, was small, and you know it is growing at a much faster clip. So therefore

Abhijit Roy: you might have, you know, some added value added volume growth coming out of these products. Obviously, that is happening. All of these 2 3 products which are growing much faster is adding to 2, 2 and a half percent. But the rest, you know, is normal volume growth.

Tejash Shah: Perfect, and Sir waterproofing also will be part of this high growth portfolio, or will it be part of the normal one?

Abhijit Roy: Waterproofing is high growth, you know, high volume growth and value. Growth also is fairly good there in waterproofing.

Tejash Shah: Perfect. That's that's very great. So thanks, and all the best for coming quarters.

Abhijit Roy: Thank you.

Kevin Shah: Thank you.

Kevin Shah: We have the next question from the line of Darshitwara.

Kevin Shah: Please go ahead.

Darshit Vora: Yeah. Hi, am I audible?

Abhijit Roy: Yes, you are there. Shit.

Darshit Vora: Yeah. So thanks for giving me the opportunity and congratulations for the relatively good results. So my question was that

Darshit Vora: relatively. Other companies are saying that you know their rural is doing better than urban is doing slightly diminished. Although we know that they have their own ways of you know, categorizing, urban, and rural. But is that this like a similar trend being observed by you as well.

Abhijit Roy: So, as I said, you know, we, since we are relatively, was a weak player in the urban areas, and we are focused there much more strongly. Actually, we are getting better growth rates there, you know. So we might not be the representative sample of, you know the entire industry, you know, as far as we are concerned, we aren't seeing any great difference. In fact, you know, we are seeing a slightly higher growth

Abhijit Roy: for ourselves in the urban market. As I said, slightly lower basis were there, and therefore we are growing at a higher click. There.

Darshit Vora: Alright, alright! And and would you be able to give slightly more context on the open initiative that you say has, you know, brought you such volume? Growth.

Abhijit Roy: So I just mentioned Darshit. You know. I I hope you know you're listening in, you know. So I did mention that. You know these are the things which we are doing. We are looking at, you know, establishing getting, you know, dealers on the ground first, st

Abhijit Roy: and then working with those dealers to ensure that, you know, they stabilize their sales. We work on the secondary side of it and try and grow that market. So so that's that's the whole objective.

Darshit Vora: Alright! Alright! Thank you so much.

Kevin Shah: Thank you.

Kevin Shah: We have the next question from the line of Natin Jain. Your line is unmuted. Please go ahead.

Nitin Jain: Hello! Can you hear me now?

Abhijit Roy: Yes, nitin, we can.

Nitin Jain: Thank you for the opportunity, sir, and congratulations for the standout result. So I have just one question in the context of Q 4 so we have seen that the currency has depreciated significantly in, you know, the last 2 months or so almost to the tune of 2 to 3%. So to what extent do we see this impacting our margins in the coming quarter?

Abhijit Roy: Yeah. So, Minam, you are right. You know. There has been a currency depreciation, you know, but the quantum of you know imports that we do, which is about, you know, in terms of Rmc total cost is about 25 to 30% is, you know, imported which will get impacted. 70% won't get impacted. So to that extent, yes, you know, there is some impact.

Abhijit Roy: but not very significant. As such. You know, there have been some price adjustments, also lowering of prices in some of the other items. So it balances out more or less, you know. So it's not a great, you know, impact so far.

Abhijit Roy: But if it further depreciates, and you know, if the prices also start going up, which is unlikely because oil prices, I think, is likely to remain stable given. What trump has said that you know drill, baby drill and all, you know. So you want to. You know oil prices are unlikely to, therefore sharply move upwards.

Abhijit Roy: It's going to remain in the stable zone.

Abhijit Roy: and therefore, you know, chances of raw material prices. Misbehaving is low, so I don't see any challenge there, you know. Frankly speaking.

Nitin Jain: Okay, great. That's quite helpful, sir, and all the best for the coming quarter. Thank you.

Abhijit Roy: Thank you. Nitin.

Kevin Shah: Thank you.

Kevin Shah: Next we have a follow-up question from one Joshi. Please go ahead.

Aniruddha Joshi: Yes, sir, thanks for the follow up. Just one question so why do we think? The new? The Mnc. Player, which is selling the decorative business is probably not strategic fit, considering. It operates at the top end of the market.

Aniruddha Joshi: So definitely, Baja has got silk offering also. But Baja can definitely benefit at the top end of the market, plus it has relatively higher share in certain pockets like larger cities in Delhi, Bengal, Rupune, or some cities in Gujarat also. So I guess Metro presence is also relatively better in Western as well as the overall metro presence.

Abhijit Roy: I got your question, and I understood, you know. But see, you know

Abhijit Roy: we also have very good presence in many of these markets in the urban markets, in even in the project segment where they play. We also have got very strong presence there, so a class of interest, to some extent, is there?

Abhijit Roy: There are advantages. It is, you know, the value benefit equation, which you have to look at very seriously. Right? You know it's not something which is, you know, coming cheap, or you know, you can just take that risk very easily. So, having weighed everything very carefully, you know, looking at the value, benefit analysis that we did for ourselves. We did not find, you know it attractive enough for us. It may be very attractive for others, but for us. It was not sounding very attractive.

Aniruddha Joshi: Okay. Okay. Sure, sir. Understood. Thank you.

Abhijit Roy: But for like, for example, in the urban market, exterior segment is a strong one. They also have very good brand. We also have very good brands. Right weather code is a very, very strong brand, and long life is a strong brand. So there is, you know. What do you do with, you know, fighting amongst each other, and then you have 2 teams going into the same places and fighting, you know. So there are confusions with it can be tackled. But you know, then you have to look at the value benefit overall and then decide.

Aniruddha Joshi: Okay, okay, sure, sure, sure, really, important.

Abhijit Roy: Thank you.

Kevin Shah: Thank you. We have a follow up question from Karthik Shalap. Please go ahead.

Karthik Chellappa-Indus Capital: Yeah, thank you. So just one industry level question. So in the past cycles, we have noticed that paint's demand growth has always been a multiplier of the Gdp growth. Now, in this cycle it is running at probably 0 point 5 times Gdp, or probably even lower, which is very, very unusual.

Karthik Chellappa-Indus Capital: while the urban Slowdown is well documented and shared by companies across other industries as well. For some reason paints is turning out to be much weaker than even other consumer categories. So what I wish to know is, are there any other nuances that you have observed in this cycle which is causing the Slowdown to be deeper than what you would normally expect.

Abhijit Roy: Yeah, that's

Abhijit Roy: this question has been, you know, asked repeatedly. I've explained. But let me try and explain to you again, you know, and in fact, you know, right at the beginning I said the same thing. See, you know normally what was happening was when the Gdp was, say, growing at 7%. As you rightly said, one and a half times of that, which is 10.5% was the value growth of the paint companies or 11%. You can say

Abhijit Roy: in that 11%, there was a volume growth of possibly 9% and a 2% price inflation which used to happen, and that used to take it to 11% right? This was the trend line which was there.

Abhijit Roy: you know, for the last many years. So always there used to be. Price increases because oil prices will go up and there will be some price increase happening in most years. So 2 to 3% will come out of that and 9 to 10% volume growth will happen. So you'll get 1112% of value growth happening right through the years.

Abhijit Roy: Now this year there have been 3 peculiarities which has impacted the paint industry.

Abhijit Roy: One was, there is, instead of a value growth. We have a value dip of 5%. Right? So when you have a volume growth of 10%, you are only getting a value growth of 5%. So you see on the oh, it is only 5% growth. So earlier, it was one and a half times. Gdp. Now it has become less than Gdp.

Abhijit Roy: Then you have a competition, which is picking out 3 and a half percent from the total market right? So that reduces it further by 3 and a half percent, because that industry. It is there. But since they are not publishing results, and you're not seeing it in the overall industry, the growth seems, you know, coming down by another 3 and a half percent. Right? So when you remove from 10% volume 5 and 3 and a half, it comes to

Abhijit Roy: one and a half percent. So you know, that is why it looks like Gdp over is underperforming.

Abhijit Roy: That is why I explained that this is going to go away. This 5% is temporary.

Abhijit Roy: So once that goes away, you will see a much closer approximation, possibly equal to Gdp and or slightly ahead of Gdp. It will become, and then then other 2 problems which are plaguing this one is the consumption slowdown itself hopefully, that will change from April onwards.

Abhijit Roy: The other one, which is the competitive intensity which has gone up, and therefore some share loss that will continue, you know, for most players, and therefore that cannot be avoided. These 2 will restore itself back so the price decrease. Impact will go away hopefully. There will be some price increase impact.

Abhijit Roy: you know, soon. And and the second part is related to the other factor, which is the sentiment improvement. And in that case, again, you will see Gdp into 1.5. So there is no permanency of this whole thing. It is purely temporary, it will restore itself very soon.

Karthik Chellappa-Indus Capital: So, in your view, there has been really no change per se in the repainting cycles, or anything of that sort.

Abhijit Roy: No, no, nothing has happened which is worth

Abhijit Roy: cycle. Change hasn't changed. Cycle remains. The people are still. Only thing which has changed a little bit is the, you know, sentiment which, for all consumer categories, as you are aware, has been, you know, little bit slower than normal once that comes back. And once this price differential of 5% goes away, you will see a change scenario.

Karthik Chellappa-Indus Capital: Perfect. Thank you, sir, thank you very much, and wish you all the very best.

Abhijit Roy: Thank you.

Kevin Shah: Thank you. As there are no further questions, we consider that as the last question for the day, I hand over the call to management for closing remarks.

Abhijit Roy: So thank you all for coming, and, you know, spending time in today evening. And now, hopefully, I've been able to answer most of your queries to your satisfaction. Thank you once again, and see you again next quarter.

Kevin Shah: Thank you. On behalf of Emkay Global Financial Services. And this concludes the conference. Thank you for joining us.

Sujyoti Mukherjee: Thank you all.