"Berger Paints India Limited
Q4 FY26 Results Conference Call"
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Rajesh Kumar

- Hi, good evening, everyone. This is Rajesh Kumar from Emkay Global.
- I'd like to welcome all to the Berger Paints India Limited's Q4 FY26 Results Conference Call. I thank Berger Paint Management Team.
- We have with us today Mr. Abhijit Roy, Managing Director and CEO, Mr. Kaushik Ghosh, CFO, Mr. Sayantan Sarkar, GM Finance and Accounts. I shall now hand over the call to the management for the opening remarks, post which we will proceed with the Q&A session. Over to you, sir.
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Abhijit Roy

Thank you, and a very warm welcome to all of you, to today's earnings call.

- For quarter 4 of financial year 26.
- I'll take you through a short presentation, giving the details of this quarter's presentation and the annual presentation.
- And then, subsequently open it up for question and answer.
- So... The first part is dealing with the standalone results of Q4.
- Financial year 26.
- Volume growth of 11.8%, driven by healthy traction across key business segments.
- Value growth stood at 6.7% during the quarter.
- Indian operational market share amongst listed peers remained strong at slightly above 20%.
- Gross and operating margins expanded to a 12-quarter and 10 quarter high, respectively, supported by favorable mix, operating leverage, and of course, reduced raw material cost.
- Operating profit grew 18% nearly, with both sequential and year-on-year margin expansion.
- PAT, before Exceptional Items, increased 23%, while PAT, after exceptional items, grew 38%, aided by insurance claim recognition during Quarter 4.
- Now, if we look at the decorative business line, you know, delivered strong double-digit volume growth.
- With sequential improvement in value performance, supported by pre-price hike, channel pickup, and premium emulsion traction.
- Construction chemicals and waterproofing continue to outperform, sustaining robust momentum across key markets.

- Protective coatings registered healthy high single-digit volume and value growths on a strong base.
- Automotive coatings delivered strong double-digit volume and high single-digit value growth, driven by healthy demand in 2- and 3-wheelers, supported by lower financing costs and GST cuts.
- GI Business posted robust double-digit volume and value growth, while powder coatings witnessed sequential and year-on-year recovery.
- On a CAGR basis, if we look at the 2-year, 3-year, and 5-year.
- For the quarter, if we look at the 2-, 3-, 5-year volume, it is more or less at that level of 9-11% in terms of the volume growth.
- In value growth, again, it hovers between 5% and 7%, so it's 5.5% for a 2-year CAGI of 2.6% and 6.9.
- And an operating profit level, you know, growth.
- 18.8% for 2 years, 3 years it is 10.2, and 5 years it is 8.7 for the quarter. So, quarter seems to be...
- You know, quarter four, is much stronger in terms of operating profit growth, whether you look at, you know, the 2-year figure, and even in the volume value, it is pretty comfortable.
- On the annualized basis, however, though the volume growth is similar in 2, 3, and 5 year.
- The value growth reduces. One was... primary reason was, of course, the price drop, which we had, about two and a half years back, and that has impacted both the three-year and 2-year CAGR.
- The operating profit also shrunk in the last 2 years a little bit, so the CAGR has been at 0.1% for the 2-year CAGR.
- Now, the trend for gross margin has been very encouraging this quarter.
- It has been the highest in the last 12 quarters. In fact, in the last 16 quarters, this was the highest, at 42.3%.
- Margin trajectory remained resilient despite elevated competitive intensity and sharp rupee depreciation, so we lost
- Some profit element because of the rupee depreciation, but in spite of that.
- Our gross margin was at 42.3%.
- Gross margin improved sequentially and year on year, aided by favorable mix enrichment, waning impact of economy segment price cuts.
- And partial benefit from withdrawal of anti-dumping duty on titanium dioxide.
- In terms of operating margin also.
- It was one of the highest in the last 10 quarters, it was the highest, in fact, at 18.3%.

- The robust operating profit was driven growth of 17.8%.
- Gross margin expansion by 110 basis points.
- And operating leverage and sustained cost optimization measures continue to support margin expansion amid competitive market conditions.
- If you look at the trend, quarter on quarter.
- Beginning from Q3 of financial year 24,
- This is the highest at 18.3%, so 10 quarter highest operating margin, Was achieved this quarter.
- Decorative business. The decorative segment delivered double-digit volume growth, while value growth was supported by improved product mix across premium and economy emulsions.
- New offerings in premium emulsion categories, such as Color Plus and Color Plus Glow, performed well, while Weather Coat Anti-Dust in exterior segment continued to outperform with double-digit growth.
- Construction chemicals and waterproofing continue to perform well.
- Woodcoating's business continued to witness robust double-digit growth across markets.
- Retail footprint expanded to 1,900 stores, with over 700 additions during the year.
- While tinting machine installations crossed 10,000 units, with 2,600 plus deployments in Q4 alone.
- industrial business.
- Protective coatings delivered strong volume and value performance during the quarter, while operating margins remained at high teens.
- Automotive coatings registered healthy growth in both volume and value, driven by sustained traction in the two-wheelers segment.
- If you look at the financial results, this is how it looks. Total income from operations had a growth of 6.7%.
- Operating profit, 17.8%.
- PBT... PBIT is 23.6% growth.
- Profit before exceptional item and tax, 25% growth.
- PVT grew at 36.6%, and PAT at 38%.
- There is one exceptional item which is, in terms of the insurance cost due to the fire which we had in our Barasat warehouse.
- We had taken a provision in quarter one of this year, which got reversed when we got the money in quarter four.
- So that's about 36 crores which came in.

- Which took up, therefore, the profit, PBIT from 25% to PBT at 36.6%.
- But, you know, overall, a good sales growth, and a very strong operating profit, and PVT growth.
- In terms of the standalone annual performance highlight, it's the high single-digit volume growth.
- The value growth was relatively muted. The value-volume gap was due to higher contribution from construction chemicals, textures, and tile adhesives, which I had mentioned in my last call as well.
- The economic segment price cuts, and some impact of extended monsoon when
- This year has been... had been quite bad, and we lost out a significant portion of our exterior emulsion and roof coating sales, which is high-value items, in quarter two, and partly in quarter three as well, which is why the annual value growth was slightly depressed.
- Automotive coatings outperformed on improved demand post-GST cuts, while protective coatings witnessed recovery towards the end of the year.
- Gross margins improved year on year, driven by favorable mix, muted RM prices, despite competitive intensity and sharp rupee depreciation.
- Operating margins moderated slightly in FY26.
- Due to muted value growth impacting operating leverage and mark-to-market impact from rupee depreciation, YTD margins, however, remains within the guided range of 15-17%, which we have always maintained.
- On a 12-month basis, therefore, if we look at it, our income from operations grew at 2.5%, operating profit at 0.7%,
- And Pat at 1.7%.
- We introduced a few interesting, innovative products. One of them is the Cool Range Roof Cool and Seal, tank cool, and weather coat anti-dust Cool.
- In the summer months, when in this heat, these are products which will probably be very, very useful for the Indian consumer.
- Especially in the north, where the heat is very strong this time, and so we expect good sales coming out of this set of products.
- the...
- Another product which we have is the roof coolant seal, which is doing very well. In fact, in April, it had a record sale.
- And this product continues to go from strength to strength.
- This is a product applied on the roof which protects it from the heat and also seals it from water leakage, which is why the name Roof Cool and Seal.
- There is a set of products which we introduced in Quarter 4, called Color Plus Glow.

- And then we had introduced earlier Color Plus, both of these products in the mid-premium segment. Actually, in the premium segment is where it is placed. We had a brand called Rangoli. In that segment itself, this has been introduced.
- It's doing quite well and very well accepted in the market today. It's getting spread across the country, and we have good expectation from this particular brand this year.
- We introduced metallics.
- And both silk metallics, which was introduced in quarter four, and before that, in quarter two, we had, introduced Luxol metallics for metals, and this silk metallics is for the walls.
- Both of which have started doing very well. We had, again, a record sale of these two products in the month of April.
- So this is Luxol Metallics, which was introduced in Quarter 2.
- We have, of course, you know, many stores across the country, in the urban areas specifically, where we have this different model with SIS stores coming up in good numbers in the weak urban markets of ours.
- In terms of consolidated results, bollocks, the top line and operating profit growth was strong, partly aided by the P&L appreciation, the local currency of Poland.
- BJ and Nepal, revenue growth and profitability remained subdued during the quarter due to the elections and the resultant turmoil there. However, improvement in political stability, along with recent price increases.
- is expected to support recovery in the coming quarters. We have already seen robust double-digit growth in the recent one, two months, and therefore Nepal is back in growth path.
- STP Limited, top line continued to be impacted. Operating profit muted due to scale. We had consciously, there was a, you know, incident in our Jamsidpur factory in STP.
- And we had to close it down for 2-3 months to get it repaired and running again. However, you know, we are slowly getting... gaining back the customers.
- In this particular... it used to supply to some wires, and therefore, it had a little bit of an issue last year, but we are expecting to come to the growth path in STP again. You are growing at a very fast pace, and we expect the growth rate to be restored.
- However, gross margins improved on account of the mix change which happened, due to the closure of that factory. SBL Speciality Coatings, revenue growth at mid-single digit.
- Improved sequentially and year on year. Profitability, however, was affected by scale, high RM prices, and some impact of mix.
- Budger Becker coatings, robust sales growth.
- on a low base, and strong profitability driven by scale and margin expansion. So, it did very well, you know, coming back.

- From the fire incident the year before.
- And it had a slightly weak base, but it had strong double-digit value and profit growth.
- Berger Nippon Paint Automotive Coatings, strong double-digit revenue and profit growth, backed by buoyant demand in the passenger car and SUV auto space. Both Becker coatings and Nippon Coatings, of course, are joint ventures where we are 49%, so it doesn't get added to our sales.
- But the profit is added to the extent of 49%.
- Now, if we look at the results, you know, total income from operations, 6.1%.
- Operating profit growth 12.6.
- largely impacted by underperformance of STP and Nepal, both of which should do much better this year.
- PBT... PBIT, 13.1%. Profit before tax grew at 25.3%, PAT at 27.5%, and total comprehensive income for the period grew at 38.4%.
- On the 12-month basis, again, you know, slightly muted, but...
- Growing at 2.9% operating profit, marginally negative at 1.2%, and PAT at minus 4.6%.
- Total comprehensive income for the period growing at 1.7%.
- The net cash position?
- is positive.
- You know, has been growing. As you can see, in financial year 24, we were at 351 crores. It has moved to 689 crores last year.
- Last to last year, and then last year, 25-26. It has improved further to 11.98 crores.
- group continues to remain netcast positive.
- Business outlook?
- For financial year 27,
- Demand conditions continue to be closely monitored, with gradual recovery expected across decorative and industrial businesses.
- Staggered price hikes from March onwards expected to support gross margins and rising raw material costs.
- While sustained cost optimization initiatives likely to keep operating margins within the guided range, which we have always maintained.
- Competitive intensity expected to remain elevated?
- Growth momentum expected to be led by strong traction in construction chemicals, waterproofing, and wood coating segment, and upcoming product launches.
- Continued investments in branding, distribution expansion, and stores-led urban market initiatives should yield positive results.

- Protective Coating's business outlook remains positive, supported by expected increase in government capex spending.
- West Asian disturbances, volatility in crude-based derivatives.
- Rupee depreciation, supply-side disruptions, and potential inflationary pressures remain key monitors for the sector.
- Thank you.
- We can open up for questions.

Rajesh Kumar

Thank you, sir. We will now start with the session. I hand over the colleague, Mohit Dodeja, to moderate the question and answer session. Over to you, Mohit.

Mohit Dodeja

Thank you.

- Those of you who have questions can raise their hand now. We will announce your name and unmute your line.
- Please highlight your full name and the organization you are representing.
- The first question is from the line of Mihir Shah. Please go away.

Mihir P Shah

Hi, Sir, I hope I'm audible now.

Abhijit Roy

Yes, you are, yes.

Mihir P Shah

Okay, great, thank you, thank you for that. So firstly, congrats on a great set of numbers.

- So this step up in volume growth that we are seeing, what, according to you, would be the impact of pre-buying?
- Before the price increases, and how should we think about the 1Q volumes? Will this pre-buying have any impact on 1Q volumes? So that's my first question.
-

Abhijit Roy

So, you know, there is some impact, but obviously the volume growth was improving month on month. We saw an improvement in January from December, and February from January.

- And then March, it was slightly better than February as well. So it's not fully as if, you know, it is because of the price increase.
- The second is that, you know, in quarter one as well, there have been actually 3 price increases.
- And the fourth one is coming up on the 15th of May for us.
- So, there will be, a healthy growth, you know, in quarter one as well.

Mihir P Shah

Understood. Any level of secondary sales for, 4Q that you think that,

- You know, you can share.

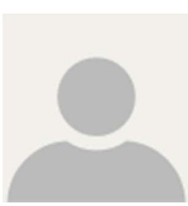
Abhijit Roy

Secondary sales had improved, you know, from what it was, as I said, you know, Q3 was better than Q2, and Q4 was better than Q3.

- In terms of secondary sales also. So, if we saw, you know, say, 11.5% or 12% approximately in terms of volume growth.
- Then I would say that, you know, the secondary would be around 8-9%, and then 3-4% would have been the bunching up of, purchasing, which would have happened, due to the price increases.

Mihir P Shah

Got it, that is clear, sir. Thank you for that. Secondly, sir, given the cost inflation, what is the level of cost increase that you are seeing in RMs currently? And what is the cumulative price increase of these four price hikes?

- That will, sit in one queue. And, should one expect, margins, given the timing issue, to compress in one queue, and to what level?
- 

Abhijit Roy

So, you know, more or less, whatever has been the raw material price increase so far.

- Unless the prices again start shooting up, you never know these things. But as of now, we are more or less covered.
- So, except for solvents, where there might be still a gap.
- Almost every other product category, we are more than adequately covered as far as price increases are concerned, compared to the raw material price.
- So, of course, the timing, a little bit of, you know, delayed price increases would have happened, but then we were carrying some stock as well, from earlier period.
- And therefore, more or less, it should neutralize each other. So, I don't see any major impact in the profitability that way.

Mihir P Shah

Fantastic, sir, fantastic. Sir...

Abhijit Roy

It's true for decorative, but for industrial, there might be a little bit of a delayed price increase, because there you need to negotiate, and sometimes, you know, but that's a smaller portion of our business, you know, primarily in automotive, where this is there, that you need to negotiate.

- But normally, they give from, you know, prior period, the price increases.
- And hence, you know, that might impact a bit, but otherwise it's fine.

Mihir P Shah

Understandable. So, B2B, usually, we understand that it'll take a bit of a...

- So lastly, I want you to check on the level of volume growth that one should expect in FI27, given 26, you know, has a favorable base.
- Also, it is an El Nino year, so do you think that there can be more painting days, and it can lead to higher volume growth? Can one expect double-digit volumes?
- or full of FI27 with no impact on margins.

Abhijit Roy

So, it's a difficult question to answer me at this stage, you know, as it is, it is so volatile that, you know, so there are negatives and there are positives. As you said, you know, there is this...

- favorable base, and at the same time, more stability in the competitive intensity. These two factors are in our favor, and the third is, of course, there is no
- Price decrease, happening, which tends to depress the value.

- On the other hand, in terms of the volume getting impacted a bit, you know, the inflation will be on the higher side.
- That might, you know, soften the demand a little bit. At the same time, the Elino effect that you mentioned, we don't know how much of it, of the impact it will have in the upcountry areas.
- So, and the uncertainty which is there overall might also impact the demand. So, it's a mixed equation, very difficult to project at this stage.
- what will happen, but we assume that, you know, it will be a fairly decent volume growth in spite of all of these challenges.

Mihir P Shah

Got it, sir. Thank you very much. Wishing you all the very best. That's all from my side.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you. To enable the management to answer most questions, I would like to request that each member kindly keep the number of questions to 2.

- The next question is from the line of Avi Mehta. Please go ahead.

Avi Mehta

Hi, sir, am I audible?

Abhijit Roy

Yes, you are. Go ahead, please.

Avi Mehta

Sir, I wanted to kind of check with you on two things. One, conceptually, you know, this cumulative price hikes, you know, I don't know if you could kind of give us a first number for it.

- And would it be... do you see it kind of improving the growth trajectory from the 6%? Basically, is the volume impact likely to be
- lower than the price hikes, is what I wanted to kind of understand, based on what we've seen historically.

Abhijit Roy

Right, you know, so the growth rate is likely to, you know, the price increase that we have taken is about 11-12%,

- Depending on the mix of the products that we sell, actually, but should be around that point. Now, in terms of what will happen to the volume-value equation, this time it will reverse, which means...
- the volume growth, there used to be a differential of about 4-5% between the volume and the value. It might go the other way around, which means the value growth will be higher than the volume growth.
- We expect the volume growth to marginally, you know, reduce or be at the levels at which it was earlier, but, you know, the value growth will be... definitely be significantly higher than what it was last year.

Avi Mehta

Got it very clear, sir. So, the second bit was just, you know, a follow-up to what you kind of clarified to the participant to me here, that we have taken price hikes to offset the input inflation till date. When you say this offset, is this an absolute

- You know, inflation number in rupees that has been passed on, or is it percentage margin
- How should we look at that?

Abhijit Roy

It neutralizes the percentage margin, sort of, you know, rather than the absolute.

Avi Mehta

Okay, so on a percentage margin basis, we should... we have neutral... we have maintained it, given... Okay, got it, sir. Perfect. That's all from my side. Thanks a lot, sir. Thanks for this.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you.

- The next question is from the line of Percy Pantagi. Please.

Percy Panthaki

Hello?

- Hello, am I audible?

Abhijit Roy

Yes, yes, you are. Go ahead, Percy.

Percy Panthaki

Yeah, so just wanted to understand, I mean, in terms of volume, see, in the last crude upcycle which happened during COVID times, we actually saw even volumes doing very, very well, even better than what it was earlier.

- But this was because I think it was a very special case where people were spending times at home, and they wanted to spend money on home improvement because they could not spend it on many other things. And that's why the volume growth was very strong. But this time, the environment is different.
- If we take, significant, pricing.
- don't you think there could be a sort of backlash in terms of volume? And how do we sort of figure out whether this will happen or not? I mean, do we have any...
- previous experience in this, apart from the COVID period, or... I mean, how do you try and look at this question internally? That is my first question.

Abhijit Roy

Right, okay. You know, so, you are right that after the COVID, though there was a significant price increase, the volume growth also went up, and that was largely, you know, a part of it was due to the pent-up demand of the COVID period, which came into play after the COVID.

- That will not hold true this year.
- Though there was, you know, some depressed,
- situation there in quarter two, quarter three of last year, due to the extensive monsoon. This time it will be lesser monsoon, and hence, you know, we may get a much better situation there in quarter two and quarter three of this year.
- So, difficult to comment these things, you know, as to how it will pan out. Earlier in previous records we have studied, whenever these price increases have happened, this has happened, but in fact, you know, every 3-4 years, this type of a situation arises.
- The prices do go up, and then one year and a half years down the line, it tends to slide downwards.
- That has been the record for every time the oil prices have gone up. It always slides down in a period of one and a half years. Sometimes it happens in 8 to 10 months, sometimes it happens in one to one and a half years, but it will always slide.
- But the issue is...
- That, you know, at the time when it goes up, raw material prices do go up for the paint industry, and prices also are taken up. Typically, with a little bit of a lag, this time we have been slightly more proactive and increased the prices, because the price increase of raw materials was much higher.
- We were forced to increase the prices. There was no choice.

- There.
- We believe that, you know, of the total paint cost, only 40% is the paint cost, and 60% is labor cost.
- Hence, the inflation to the customer is only, you know, 4-5% of the total paint job. And I think, given the current inflationary situation across product categories, this type of inflation can be absorbed. It may have a little bit of an impact on the demand.
- But then, as I said, the bases are favorable. The comparative intensity, or the strength at which it was, you know, growing has reduced, and therefore, those two are in our favor.
- Therefore, more or less, we should be able to hold on to the volume growth that we had last year, and that implies the value growth will be stronger.

Percy Panthaki

Understood. And, second question I have, is on, inflation.

- So, crude is up 40-50%, versus pre-war. I'm assuming, crude derivatives, which you use, would be up, in a similar fashion. TiO_2, of course, is up to a lesser extent.
- So, on your overall COGS basket.
- What is the inflation today compared to the pre-war situation?

Abhijit Roy

It's about 22-23%, and that's more or less covered through the price increase.

Percy Panthaki

How is it covered, sir? Because if you want to protect your margin, you will have to take a 22% price increase also, which is not taken, right?

Abhijit Roy

No, no, no, it is, you know, it is raw material, is it? 60% of the total cost, or 58% of the total cost, the way you look at it.

Percy Panthaki

So you have covered the rupee impact, not the percentage margin impact, right?

- 100% price increase, your gross margin will still fall, right?

Abhijit Roy

No, it won't, you know, so that's exactly what I'm trying to explain, that if you... if you take 20% increase in raw material prices.

- Which is, in terms of 60%, it will become approximately 12%.
- Because 60% or 20% is 12%. We have taken up price increases of 12%,
- And there are savings elsewhere which we have to bring on the table, which we work on always. So, therefore, you know, we will be able to maintain our boss margin.

Percy Panthaki

Okay, understood, sir, understood. Because wherever... whenever there has been such a big cost inflation in the past, at least temporarily for the 3-4 quarters, all the industry players, including yourself, have seen gross margins go down. So I'm a little surprised when you're saying that even temporarily we.

Abhijit Roy

It used to happen that way, you are right, absolutely, because it used to be in a... the price increases used to be in a more staggered manner. This time, because of the suddenness and the quantum of increase that have happened, we were left with no choice but to increase the prices very rapidly.

- You know, and that is why I'm saying that it will not impact to that extent.

Percy Panthaki

Okay, sir, that's all room. Thank you so much.

Mohit Dodeja

Thank you. The next question is from the line of Abneesh Roy. Please go ahead.

Abneesh Roy , Nuvama

Am I audible?

Abhijit Roy

Yes, Abnish.

Abneesh Roy , Nuvama

Yeah, thank you. Congrats on, excellent numbers. My first question is on your home state, where your headquarters are. So, we have seen government change. Obviously, double-engine Kisarkar generally works.

- So, specific question is, how big... how big is Bengal market for you as a percentage of revenue? And last 2-3 years, is there a slowdown? Related question is, a lot of Bengali workforce came back to Bengal to vote.
- Absolutely unprecedented levels.

- Does that impact, painter availability in, April or, yeah, April month, in any way across India?

Abhijit Roy

Yeah, so, you know, let me answer the first question, you know, it is, you know, a good thing that, you know, has happened, you know, in terms of

- Having a government in the state which is of the same party as that in the center, this has happened after 49 years in West Bengal. So we expect less karmis and more cooperation, and hence the growth rate is likely to accelerate.
- And that will be, you know, quite evident, especially in the infrastructure segment, and a quick completions of projects will happen.
- And therefore, you know, also the central money for the various schemes which were stalled will come into existence. We expect, therefore, the growth rate to accelerate in the state of West Bengal, for sure.
- We have a significant stake in West Bengal. In fact, you know, we are over-indexed in West Bengal compared to the entire industry.
- Our headquarters is here, we have two factories here, we have a very strong brand equity, our presence is extremely strong in this particular state. Last two years, we have been, especially last year has been a weak year in West Bengal.
- It was, you know, suffering a bit.
- And as a result, our performance was also getting impacted. We expect that, you know.
- This time, there will be significant growth coming out of West Bengal. Combination of two factors, one, you know,
- Is that, you know, the economy is likely to do well, and we are much better placed in this state, so we will gain from this.
- as far as West Bengal is concerned. The second is in terms of the infrastructure also. You know, we are the leader in any case in protective coatings across India, so therefore, you know, that'll also help us in growing faster in the state of West Bengal.
- On the question of the painter, yes, you know, they did come back, a large number of them, you know, in fact, almost reaching a crore number is what I am told.
- across, you know, in terms of population, total population. Of course, you know, the workers would have been in lakhs.
- And they did come back, the painters, and now, I think most of them have gone back.
- But it did impact a little bit in some areas, you know, there was this crisis of Pinterest.
- But not so much that it impacted sales.

Abneesh Roy , Nuvama

One thing you didn't answer, Bengal will be high single digit as a percentage of sales for you.

Abhijit Roy

No, it is double digit, actually.

Abneesh Roy , Nuvama

Okay, I'm missing.

- My second question is on, your commentary on slight moderation on the competitive intensity. Now, when I see any metric, for example, gross margin 3 ERI, EBITDA margin close to 2.5 ERI, and, you said volume growth X of the price increase.
- Behavior is also reasonably good.
- But, if you could explain, then, why is the competitive intensity high? Ultimately, it has to reflect in any of these numbers, because in...
- December quarter, also, your margins did expand.
- But second related question is when I see media as a consumer, I see outsized presence of, obviously, the market leader, which is always there, but the new player is also very aggressive. I don't see Berger with 20% market share in the legacy paint players.
- Having that kind of a media presence as a customer, so if you could tell us what is your media share when we take the new player also into account, and why you... are you under-investing if you are?

Abhijit Roy

Right, you know, so, competitive intensity, why I have said is that, you know, because it is still quite strong, you know, and...

- The figures, you know, may indicate a different scenario altogether, you know, the leader also might exhibit very strong figures, because the bases are muted for them, and for us as well.
- We had a good base, but yet we did well, and part of it would be the price increase impact, which would have helped. But the intensity exists, you know, on the ground. There is no doubt on that count.
- Though, as I said, it is, you know, the growth which was there has completely tapered off, and so now it is there in the form of, you know...
- any other competitor, like, you know, who's relatively doing well. So one more competitor has been added, and therefore, you know, some share which had gone to them remains with them, you know, so that is how it is, I would place it in that manner.
- The other question which you, said was... what was the second part which you...

Abneesh Roy , Nuvama

Media. Media?

Abhijit Roy

Media, media. So, you know, we spend about, you know, we have not increased or decreased our spends, you know, our spends remain at our market share, sort of, you know, which is 20%, and since Asian

- The market leader is at, you know, 52-odd percentage, so they spend 2.6 times ours, so they are much more visible.
- We are also not so present in the sports, which is where some of you might be seeing, and hence, you know, we are less present there. We were much more present in the news channels.
- We are correcting that media mix a bit this year. We were there also in the GECs more. We have reduced the spends there and increased our...
- spends on the sports this year, so you'll get to see much more visibly our brand in the sports channels as well. But, you know, the new entrant actually spent far, far beyond their, you know, market share. So.
- That's something which is their choice. We have always maintained our share of voice at a similar level as to our share of market.
- We don't go overboard, we don't underspend as well, and we maintain our, you know, profitability at the band at which we maintain. We have no surprises, therefore, on any of these. We are slightly boring, but consistent.

Abneesh Roy , Nuvama

Sure, thanks, that's all from my side.

Mohit Dodeja

Thank you.

- The next question is from the line of Akshayan Thakkar. Please go ahead.

Thakkar, Akshen

Yeah, thank you for the detailed comments and the presentation. Just wanted to double-click on the point that you made on margins. So, you know, just roughly 100 is your sales, 60 is your raw materials. Just for the sake of argument, you said that 60 has got

- 20% inflation, so your raw material cost will go up by 12, and which is the price increase that you've taken. Now.
- I get that an absolute gross margin in this scenario doesn't change, Let...
- In an accounting sense, the percentage gross margins would be lower, no, sir?
- I'm just sort of wanting to be on the same page here.

Abhijit Roy

Yes, you know, you are right, you know, it will have an impact, you know, slightly on the gross margin.

- We have, however, initiated certain measures which we believe
- Will give us some savings on the gross margin on account of
- you know, the formulation efficiency, and at the same time, in terms of sourcing efficiency that we bring to the table. So that, you know, we have done last year as well, and this year also, we believe that some of those advantages that we got last year will continue this year, plus we will add a few more.
- So that's one impact. It will still have possibly a slow 1.5% impact on the gross margin, but that will get neutralized in the EBITDA margin because of the scale efficiency which will come into play.

Thakkar, Akshen

Fair. Fair. So, so, percentage gross margins lower, and then, whatever efficiencies we get on cost.

- and operating leverage will drive the EBITDA this thing. Now,
- we've not seen a period where we've had 10-15% price hikes, only a few times in the past. You mentioned that elasticity is lower. I mean, what's giving you that confidence? Because, see,
- you know, discretionary spends could be under pressure, given where inflation is, no? So,
- Do you see downtrading as a risk? Do you see volume as a risk? I know it's a little bit of an unknown, but just wanted to pick your brains over there, because you would have seen more cycles than us.

Abhijit Roy

No, true, you know, so we... I've gone through this type of a cycle many times, you know, and... and we have not seen this type of increase of 12-13%, but we have definitely seen 7-8% price increases at least 4-5 times earlier.

- You know, which is a very similar type of, you know, okay, 3-4% more, maybe, in terms of inflation, in terms of prices, but that's very fairly similar, and whenever that had happened, the expectation was that, you know, it will impact volumes somewhat.
- It did impact, you know, but very marginal, on the margins, you know, so sort of, you know, really, you know, those who will paint will paint.
- 3-4% inflation and overall painting cost. If a person is willing to spend 1 lakh, I'm sure he's willing to spend 1 lakh, 5,000.

- You know, and instead of saying that, no, no, 1 lakh, be 1,500, and therefore I will not spend anything. That rarely happens. So, you know, that is why I'm saying, you know, more or less, you know, it doesn't impact so much the volume.

Thakkar, Akshen

Okay, and one very last question, sir, is on your comments on competitive intensity.

- You know, we've... we've discussed what the strategy for the new intent has been, and how in the past you've seen that as unsustainable. We've also seen one more player become a little more serious towards the paint distinct. Just generally, your comments on
- What's giving you the confidence that it's not increasing any further? Your comments seem to be on stability.

Abhijit Roy

Right, no, so I'll just explain why I said two things. One, you know, as far as the new entrant is concerned.

- It has, you know, increased the dealer price list, much more than, you know, what we have done, or what the leader has done, you know. So, in fact, it used to operate at 5% discount.
- Now, except for, you know, the low-end economic emulsions where it has a 2% advantage in price.
- Everywhere else, the prices are same. In fact, one or two cases, they are higher. So, therefore, you know, that price advantage which they were giving in the marketplace is... does not exist anymore.
- The second is in terms of, you know, the painter amount that they were, you know, giving to the painters in terms of various types of schemes. There also, there has been a substantial reduction announced this year.
- So overall, they are, you know, trying to shore up their profit. As I said, it was not sustainable, so it's evident from
- the current actions that, you know, they are trying to correct the situation and make, you know, the operation profitable. So, from that perspective, you know, it will have an impact.
- on their volumes.
- and the growth that they were registering. So that's one,
- Which is why... and then we have seen for the last...
- almost 5-6 months, our report from the market says that, it's more or less stable sales for them. It's not growing at the pace at which it had initially started growing, so it's month-on-month, quarter on quarter, if you track their figures, more or less it is at similar levels.

- As it was, you know, the previous month, or the previous quarter.
- So, this is how it has been, you know.
- In March, they did well, because I think their quarter and year-end schemes ended, so certainly, you know, there was some amount of
- Sales which would have happened at that period, because most of the dealers that we spoke to said that they have stocked up a little bit.
- So from that perspective, it would have gone up a bit, but otherwise, it has been, you know, relatively stable sales, and now with these price increases in the DPL of dealer price list, and reduction in expenses on painters, I don't think, you know.
- the growth rates will be the way it was in the first year. So this is why I said competitive intensity remains, but is not... is stable, it's not growing at a faster pace.
- As far as the new... other new player is concerned, yes, you know, they have plans.
- But, you know, we have...
- Both these players existed in the market. We know what they have done, or what they can do.
- So, you know, it's not something that they are coming from zero base or something. So, even if they grow, it won't impact so much, you know, the overall market.

Thakkar, Akshen

Okay, thank you, sir. I'll fall back in the queue.

-

Mohit Dodeja

Thank you.

- Question is from the line of Aditya Bhatia. Please go ahead.

Aditya Bhartia

So, again, harping on the same point as margins and raw material price increases that have been taken, so fair to assume that there may be a slight percentage reduction in gross margins, but at least gross profit that we'll be having on a per-liter basis

- should be remaining the same, or possibly expanding a little because of formulation benefits. And at the EBITDA margin side, at the EBITDA margin line, even percentage margins should be, should be remaining broadly similar.
- Is that...

Abhijit Roy

Right, absolutely, your understanding is correct.

Aditya Bhartia

Perfect, perfect, sir. And so, historically, what we have seen is, then when raw material prices start cooling off, paint companies have been able to retain a part of the advantage.

- Of course, every time that this had happened, it was before the Bidla Opus era.
- But given the kind of pricing discipline that the industry has shown in this hyperinflationary environment, is it fair to assume that a similar kind of a theme may play out once crude prices start correcting? Is that what your approach is likely to be?

Abhijit Roy

Well, it might happen, you know, it all depends on what happens, you know, to the prices of the raw material. Typically, you're right, you know, that partly, you know, it is kept

- To some extent, depending on the brand strength and some of the products where we might have an advantage, we don't tend to pass on the
- Full price decrease benefit at that point of time.
- as and when the situation arises, you know, so we will have to wait and see what happens. There are two new competitors now, you know, so it may not hold true, you know, completely, but at the same time, you know, wherever the brands are strong for any individual player, this may hold true.
- So, you know, some of the commodities, it may not... it may get passed on fully. Some of the branded items where, you know, there is, you know, possibility of retention, there might... it might be retained.

Aditya Bhartia

Sure, sir. And so, historically, you have guided for roughly 15% to 17% kind of in EBITDA range.

- Is that the range that you'll stick with, even in this inflationary environment and as raw material costs cool off? Or do you think, maybe we should be at the upper end of that range?

Abhijit Roy

No, we stick to that 15% to 17%, you know, like this quarter, we did exceed that, you know, we went up to 18.3%. But, you know, more or less, you know, our track record has shown that we typically remain in that 15% to 17.

- Sometimes when it goes up, consistently, if it is remaining at those higher levels, we will spend more on advertisement and brand building, you know, rather than, you know.
- Go up to 18, 19, or something.

Aditya Bhartia

Sure, sir, that's very helpful. Thank you so much.

Mohit Dodeja

Thank you. For the benefit of everyone, I'd like to request that each member kindly keep the number of questions to 2.

- The next question is, from the line of Jay Doshi. Please go ahead.

Jay Doshi

Hi, Abhijit, sir, thanks for the opportunity. Just a clarification on your previous question, previous response. So, 15 to 17 that you guide, is it always on standalone, or is it at a console level?

- Because console this quarter is 16.8, if I'm not mistaken.

Abhijit Roy

Correct, that's true. You know, it was on the slightly lower side.

- Compared to the standalone.

Jay Doshi

Your guidance is at a standalone level or consultant?

- When you generally talk about 15 to 17...

Abhijit Roy

You know, primarily I talk about standalone, but, you know, in the console also, it remains that... because, you know, mobile-based console follows the standalone, you know, so it should be somewhere around the same level.

Jay Doshi

Perfect. Second is, you know, you know, you did mention that the dealer price list of Berla Opus, you know, has gone up.

- You know, by a higher percentages than...
- you know, let's say merger or Asian Payne, so they've narrowed the gap. After rebates and trade schemes, do you think that net of all those schemes and rebates also, the gap has narrowed?

Abhijit Roy

Yes, that's right. Similar.

Jay Doshi

And, by how many percentage points, ballpark, do you think the gap would have narrowed?

Abhijit Roy

3-4%.

Jay Doshi

Understood. So that's, very clear, thank you. And, last one is, you did mention that, you know, material cost is only 40% of the total project cost, so 1 lakh rupee budget goes to 1 lakh rupee 5,000.

Abhijit Roy

Right.

Jay Doshi

You know, what we have seen in the past is that in an inflationary environment, painters also actually increase their labor charges and basically, you know, per square feet painting

- you know, cost, at a similar, you know, similar kind of inflation. So do you think, you know, this time around also, you know, it would...
- be same, or you think this time it will be different? Or if you can share your experience from the last inflationary cycle, where the industry had taken almost 24-25% price increase over a 4-6 quarter period. So, you know, how did labor costs move then?

Abhijit Roy

So, you know, it does move up a little bit, you know, it's not as if, you know, it remains completely static.

- But not to the extent of, you know, the material cost. So it typically, you know, because there is competition there in that segment, you know, a lot of the players, a lot of the painters may not raise their prices, some of them may

- And therefore, you know, the competitive intensity is much stronger there, so you cannot charge, you know, a much higher amount, therefore, and get business.
- So, the tendency is that, you know, there is a little bit of an increase, you know, because the overall cost for them also goes up, but it doesn't increase to the level of the material cost. The material cost, as I said, you know, if suppose it has gone up by 11-12%,
- The labor cost may go up by 3-4%. So, therefore, the impact will be much lesser as far as the labor is concerned.

Jay Doshi

Okay, and one final one, please. So see, if we look at the history of the industry.

- You know, historically, you know, all... in all inflationary cycles, all the players took gradual price increases, and at the end of, you know, in a deflationary cycle, it resulted in improvement in profitability for the industry, and it was quite a rational, competitive environment.
- We saw similar trends in, you know, 2022-23 pricing, you know, inflationary cycle as well. But then subsequently, after entry of Berla Opus, you know, because of higher rebates, discounts, competitive pressures, you know, that discipline of, you know, went away.
- Right? So this time around, you know, do you expect that, you know, what we had seen in the previous cycles will continue, or do you... are you very comfortable and confident
- That.

Abhijit Roy

You know, yeah, you know, to answer, you know, it is self-evident from this price increase itself that, you know, Berla has actually increased more than...

- what the industry has done. You know, in fact, they were increasing from the month of January itself, to narrow the gap between the industry and themselves. So, you know, obviously, they are, you know, behaving in a very responsible.
- as a responsible player within the industry, you know, and maintaining parity with the industry. So, no reason for us to believe that, you know, suddenly they will change behavior and create a gap for themselves, you know, when they have narrowed it down completely. So, I think, you know.
- It will behave in a similar fashion as it has happened. The industry, whatever I seen earlier, should repeat itself.

Jay Doshi

Thank you very much, and all the best.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you. The next question is from the line of Amit Porohit. Please go ahead.

Amit Purohit

Hi, sir, good evening, Amit here from Lara.

- So just on your comment on industry growth,
- I just wanted to know, one, on the trends with respect to luxury, premium, and economy. Any changes, like, I mean, for some quarters, we've been hearing that consumers are downgrading, and the economy segment of the lower-end segments have been doing well. Any trend change that you have seen, with the growth, gradually improving?

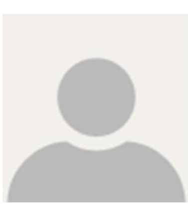
Abhijit Roy

No, so... yeah, so as far as the trend is concerned, typically, what happens is in the second and the third quarter, due to the rains.

- And this time it was excessive, you know, the premium emulsion for exteriors and luxury emulsions for exteriors, and the roof paint, you know, the roof coolant seal type of product, does not sell much, you know, so typically.
- The second quarter has a poorer mix for all paint companies, and it improves in the third quarter, and fourth quarter, it improves further.
- So that was the trend which was seen, and that is why you see our operating margin has moved up. A part of the reason is because of better sale of premium luxury emulsions.
- Comparatively, this quarter. So.

Amit Purohit

And...

- 

Abhijit Roy

It is not a trend shift, sort of, you know, seasonality is a factor there, and every time, you know, typically the third and the fourth quarter seems to do much better, and it continues in the first quarter as well.

Amit Purohit

So, then suffice to say that this year, given the fact that, rains are

- I mean, we have an Elino and more numbers. So, premium segments will… and have we seen similar signs in April month?
- I just wanted to know, one.

Abhijit Roy

Yes, that's right. You know, similar signs in April as well.

Amit Purohit

Okay.

- And what would be the, like, you indicated that, had this… I mean, is the trend in April would have been very strong in terms of primary, right? Because much of the price increases are happening now.
- is the secondary also, decent enough, in… during the April month?

Abhijit Roy

Yeah, this question was asked, and I did answer that yes, you know, not to the tune of the primary that we did, but the secondary was strong enough.

Amit Purohit

Okay, and a last question on, on the painter that you indicated on the price increases. Typically, just wanted to understand, in, markets like metros and all, we understand it's all per square feet.

- Yeah, is it the same phenomena across the country, or it is…
- Material cost is bought, and then labor is appointed. How do you…

Abhijit Roy

No, so it changes from city to city.

Amit Purohit

What's great for you.

Abhijit Roy

It is, you know, location to location. Some places, you know, they leave it to the contractors.

- Some places, you know, it is that the consumer goes and buys himself, and the labor is provided by the contractor.
- it changes, you know, and so there is no hard and fixed rule like that. Typically, in the urban centers, it used to be mostly, it still is, that the contractors play a larger role. And in the upcountry areas, you know, they have a little bit more time on hand.
- You know, they go and pick up the material, along with the contractor. That's how it happens.

Amit Purohit

Thanks a lot, sir, and all the best.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you.

- We take the last question from the line of Anirata Joshi.

Aniruddha Joshi

Hello?

Abhijit Roy

Yes, Harut.

Aniruddha Joshi

Yeah, sir, most of my questions are answered, but, now I guess, you have already crossed the age of 60.

- And, you have been in the role for 15 years, and you have spectacularly laid Berger to very strong market share gains with strong profitability.
- So, how should we think about next 5 years, 10 years, as such? So, whether you, means whether there will be continuity from your side itself, or...
- how the leadership roles will, change, emerge. If you can provide any, clarity on that, it will be very helpful.

Abhijit Roy

So, I'm there, you know, and I... in fact, you know, probably you'll get to hear soon that I'm there till 31, you know, so...

- So... 5 more years to go, you'll have to bear with me. So that's how it is.

Aniruddha Joshi

No, no, sir, you have been doing the... probably the best work.

- Sure, sir, sure. So that, answers the question. Answer, in terms of last question.
- Is the channel inventory really at a, high level right now? At least whatever the checks we would have done, it seems to have gone up materially. So is that a...
- Fair understanding, because if the entire industry has 10% price, like, is taken, means, for example, let's say a dealer is keeping inventory worth 5 lakh rupees in each shop. Now, he cannot suddenly change his budget. So, he would have reduced... he will reduce the volume, actually.
- Because the pin prices have gone up by 10%. But, we still don't see the reduction in volumes. In fact, volumes are also higher. So, is there a material increase in the trade channel inventory, or is there a reduction in the trade inventory for multiple smaller stroke unorganized players?

Abhijit Roy

So, both are happening, you know, so there is a little bit of stocking up happening, you know, so they're putting in more money from their kitty, because this type of large price increase gives them, you know, an enhanced margin for themselves, because they can sell

- And make good margins, so they tend to stock up a bit more. So that's one thing which is definitely happening.
- And the second part is, you know, some of the marginal players will get squeezed out in the process, because they know that, you know, the branded items will... it will be easier for them to sell

- And since the price increase is happening, they tend to concentrate on the branded items, stock them up more, and so the leaders in respective categories, you know, wherever they are, will tend to gain more.

Aniruddha Joshi

Okay, sure, sir, this is, very helpful. Many thanks.

Abhijit Roy

Thank you!

Mohit Dodeja

Thank you. That was the last question for the day. I now have the call to the closing remarks.

Abhijit Roy

Right, so thank you everyone for coming and joining for this, you know, Q4 results analysis. You know, have a great day, and, you know, carry on, you know. Thank you.

Mohit Dodeja

Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you all for joining us.