



12th May, 2026

1. Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
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Mumbai - 400001
2. Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
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Sub.: Q4 FY 2025-26 Financial Results Conference Call – Transcript

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

Dear Sirs,

This is further to the intimations done by the Company on 27th April, 2026, and 6th May, 2026, with respect to the Conference Call hosted by the Management of our Company on Wednesday, 6th May, 2026 at 17:30 hrs India Time to discuss Q4 FY 2025-26 Financial Results of the Company.

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

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

For **KANSAI NEROLAC PAINTS LIMITED**

G. T. GOVINDARAJAN
COMPANY SECRETARY
Encl.: As above



**“Kansai Nerolac Paints Limited
Q4 FY '26 Results Conference Call”
May 06, 2026**



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

MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Kansai Nerolac Q4 FY '26 Results Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

Aniruddha Joshi: Yes. Thanks, Rutuja. On behalf of ICICI Securities, we welcome you all to Q4 FY '26 and FY '26 Results Conference Call of Kansai Nerolac Paints Limited. We have with us today senior management represented by Mr. Pravin Chaudhari, Managing Director; Mr. Yash Ahuja, Chief Financial Officer; and Mr. Jason Gonsalves, Director, Corporate Planning, IT and Materials.

Now I hand over the call to the management for initial comments, and then we will open the floor for question-and-answer session. And thanks to the entire management team for posting a strong set of numbers amidst such a steep volatility. Thanks, and over to you, Pravin, sir.

Pravin Chaudhari: Yes. I'll request Jason, if he can walk them through the presentation.

Jason Gonsalves: So good evening, everybody. I'll just take you through our investor presentation, which we have just uploaded a couple of minutes back. From an opening standpoint, reinstating our purpose, our purpose was to create environments for a healthy and beautiful future. Our vision is to design solutions that protect, inspire and touch lives every day.

And on the ESG front, Nerolac has been working extensively over the years, and it is today water positive. It is committed to emission reduction and increasing green energy. From a brand perspective, for over a century, Nerolac has stood tall as a heritage brand, symbolizing excellence and innovation in the paint industry.

Our strength lies in robust R&D capabilities and strategic technology partnerships, particularly in the industrial segment, where we deliver cutting-edge solutions across diverse applications. Despite intense competition, Nerolac continues to command attention, proudly holding the position of the second most recognized brand in terms of top-of-mind awareness nationally.

One of our most enduring assets is the Nerolac Jingle, a cultural touchstone that has resonated across age groups for more than 3 decades. This timeless melody continues to reinforce our brand identity and emotional connect with consumers.

Building on our century old legacy, Nerolac continues to shape the future with breakthrough product innovations. Our sustainable solutions reflect our deep commitment to progress, responsibility and customer trust, ensuring that we not only meet today's needs, but also safeguard tomorrow.

Looking ahead, this same technological edge will increasingly shape our decorative segment, enabling us to introduce breakthrough concepts that align with the growing demand for premium products, a prime example of this is our range of products, which are exclusively category-defining products launched a few years ago, offering Indian consumers a truly differentiated experience in decorative paints.

Commenting on the business environment, what we have seen this quarter is that there has been a significant surge in crude oil prices, primarily because of the West Asia crisis. There has been a sharp depreciation in the rupee. The West Asia crisis has created a lot of uncertainty. There is a supply chain disruption, which has happened. Demand in automotive has continued to be healthy, and there is a continued focus of the government on infrastructure.

I will now talk about the decorative segment in which we will talk about the key elements of our decorative strategy, which are built on 5 elements, which are new products, new business, the projects business, influencer program, branding and marketing.

Coming to our new products, we have tried to bring out the salient details of our new products. I will just touch briefly on each of them. Our first product is Excel Sheen, which is a modified Excel acrylic emulsion with silicon additive, superior sheen with best-in-class dust pickup resistance and anti-algal performance across all weather conditions.

Excel Everlast 14, India's first self-cleaning paint powered by Japanese PU Silicon Hybrid Technology with anti-algal ENCAP technology, delivering unmatched beauty and performance. Excel Everlast 20, which is India's first exterior paint with 20 year warranty. It is engineered with bulletproof nano-silica technology for superior durability, crack bridging up to 2 mm and weather resistant.

Beauty Gold Washable Plus, which is an interior emulsion with rich sheen finish and 1.25x higher wash ability than competition. It's the only paint in the category that has both antibacterial as well as it's the most washable product.

Perma No Heat. Perma No Heat is a heat reflecting liquid applied waterproof coating based on acrylic copolymer emulsion. It reflects visible radiation and infrared rays, thereby reducing the surface temperature by up to 15 degrees. Soldier Rain Raksha is a high-strength fiber reinforced elastomeric liquid applied waterproof coating. It is formulated with resilient acrylic copolymers and reinforcing fibers.

Coming to the new growth drivers. In that in the new business, we have had robust growth in new businesses and the saliency of new business has increased further compared to the previous quarter and for the year.

The project business has also expanded to more towns. It has registered a high double-digit growth and the saliency of projects for KNP has further increased. We have given some of our marquee projects that we have painted, the Jharkhand High Court, the Vidhan Sabha at Raipur and the General Pool Residential Accommodation at Raipur.

Coming to our influencer program. Our paint as a service is today present in more than 250 cities, and we continue to invest aggressively in the next-gen service. Our architect and interior designer program, which is Illuminati today is present in more than 45-plus cities, and it is also growing healthily over last year. Our secondary program for painters today covers more than 1.2 lakh painters, which are associated with the program and secondary salience to primary has also significantly increased.

Coming to our retail platforms, we had 2 platforms earlier, which was the NXTGEN Shoppe and the Shop-in-Shop. We have now evolved and migrated to a new retail platform, which is called the Nerolac Paint Plus zone and almost 250-plus shops -- stores have been opened across India.

Coming to branding and marketing, our brand and marketing investments have remained strong with impactful campaigns running across both television and digital platforms. These initiatives are designed to deepen consumer engagement and reinforce Nerolac's identity in the mind of the audience.

The Ghar Ki Raunak program or campaign has beautifully captured the emotional essence of home, strengthening our bond with consumers by celebrating the joy and pride of living spaces.

In addition, our association with the Asia Cup has amplified our visibility on the national stage, connecting Nerolac with millions of passionate fans and further cementing our position as a brand that resonates across diverse audiences. Together, these efforts showcase how Nerolac continues to blend heritage with contemporary relevance, ensuring our brand remains vibrant and top of mind.

Now coming to the industrial business. The industrial paints serves diverse applications and thus creates diverse business opportunities in the 3 segments of powder, general industrial and high-performance coating. And as you've seen, we have shown some areas in each segment that the company is present in.

Coming to new products, our focus has been on enhancing finishes and functionality, offering versatile applications and prioritizing environment sustainability. Some of our products we have tried to spell out here. In the passenger vehicle segment, we have introduced products which are energy-efficient wet on wet systems, structural primers for chassis as well as premier clear finishes.

In the 2 and 3-wheeler segment, we have introduced low-bake technology. We have got anticorrosive underbody protection products and high gloss clear coats, which we have introduced in this year.

For commercial vehicles, we have introduced super low-bake color coatings, anticorrosive casting sealers for castings and clear adhesion promoters. Now when it comes to high-performance coating, again, on the same 3 platforms, the development has taken place.

And in general industrial and high-performance coatings, you can see that some of the products which we have introduced is highly flexible ROHS compliant coil coating, which withstand

severe forming operation, high-performance outdoor coating systems, which have long-term UV resistance and thermal insulating coatings.

For powder coatings, we have introduced low-bake one-shot matt powders, fusion bonded epoxy top coats and coatings of furniture and consumer durables, which have got high scratch resistance properties. Coming to the performance highlights of industrial. Passenger vehicles, as I mentioned earlier, has had healthy demand.

New models and SUVs continue to support the passenger vehicle growth. In the 2 and 3-wheeler segment, we have witnessed high double-digit growth and growth was supported by low interest rates and easy financing options. In the commercial vehicle and tractors, again, we have had double-digit demand and a strong harvest season supported this demand.

In addition, we have new segments where further saliency -- further increase in saliency of specialized products in passenger vehicle is where the company is putting a thrust. In the ARF business, as far as the business growth is concerned, there has been moderate demand. There has been a thrust towards premiumization where the saliency of premium products have increased.

And there's an active conversion of body shops from solvent-borne coatings to waterborne coatings. And there is a lot of digitalization of service operations, which is being undertaken to improve the customer experience and interaction.

In Performance Coatings, the liquid segment witnessed strong growth. Channel sales witnessed very strong growth, and we maintained the premium saliency. In Powder Coatings, the demand showed good recovery in Q4, and we witnessed mid-single-digit growth. Channel sales witnessed very good growth.

Among the accolades which the company has won, it has won quite a few accolades during the year. We have -- in Decorative, we have won the Dragons of Asia Marketing Awards in quarter 2 '25, where we won 6 awards for the Dukaan It Yourself campaign in the Maha Kumbh. We won the Gold Winner Ambient Media Award, the Goafest Award, 7 Baby Blue Elephant Awards.

In Industrial, we have had some excellent awards won from TAFE at the Global Supplier Meet 2025, where we were awarded the Best Supplier Award. Toyota Kirloskar Motor Company has awarded us the Best Raw Material Supplier. Maruti Suzuki has given us the superior performance in Safety Award. Suzuki Motorcycle has given us the Best Vendor award and as well as the Cost Down Award, which we got from Suzuki Motorcycle.

Coming to the area of ESG. KNP was rated in the B category in climate change and water security in the CDP cycle 2025. We have been awarded a bronze medal in EcoVadis. The result places KNP among the top 26% of companies assessed by EcoVadis 2025. We have been recognized in the strong category by CRISIL ESG Ratings 2025.

We have been rated in the top 12 percentile companies within the chemical industry group in the S&P Global large and mid-cap ESG Index 2025. And we have been rated in the top and ranked

20 out of 577 companies in the chemical industry and have received a low-risk rating, indicating lower ESG risk in 2025.

Coming to our CSR initiatives. Through our CSR initiatives, we remain deeply committed to driving positive change across multiple dimensions of community well-being. Our efforts span skill enhancement, ensuring environment sustainability and community development while also prioritizing preventive health care and sanitation.

At the same time, we continue to invest in promoting education, empowering individuals and fostering inclusive growth. These initiatives reflect Nerolac's ongoing dedication to giving back to society in a meaningful and sustainable way, creating impact that uplifts communities and builds a brighter and healthier future for all.

Coming to our financials. For the quarter 4 on a standalone basis, the revenue growth is 7.6% PBDIT was up 21% and PBT before exceptional items was up by 12.8%. For the year on a standalone basis, net revenue is up by 3.2%, PBDIT is up by 1.2% and PBT before exceptional items was down by 0.9%. For the consolidated basis, growth in quarter 4, revenue was up by 7.5%, PBDIT was up by 30.6% and PBT was before exceptional items was up by 23.2%.

For the full year, on a consolidated basis, net revenue is up by 2.9%, PBDIT was up by 3.4% and PBT before exceptional items was up by 1.4%. We have improved our working capital during the year, though the number shows an increase, but our special focus has been on reduction on inventory. The number of increase is because of investments. As far as the dividend is concerned, the Board has recommended a dividend for the year of 250%, which comes to INR2.5 per share.

When it comes to capex, the capex is more or less normal and in line with previous years. Coming to risk and outlook, among risks, West Asia crisis leading to supply chain disruptions is one of the key risks that we see in this quarter, high commodity prices due to crude oil price surge and impact on downstream products, import cost surge due to rupee depreciation.

And as far as the outlook is concerned, as per RBI, construction activity momentum will be sustained. Paint price increase on account of steep material inflation is being taken. And considering the inflationary scenario, demand visibility remains more or less a wait and watch.

So with that, I come to the end of the presentation, and I now open up the floor for question-and-answers.

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

Avnish Roy: My first question is on overall competitive intensity. So we have seen severe cost inflation last 2 months. As a result of that, we are seeing price hikes by almost all the paint players, including new players, fairly being similar. On advertising promotional intensity, are you seeing some reduction from the new players because they have never seen, obviously, this kind of inflation given the very short cycle. Any evidence you have seen either free grammage or in terms of dealer incentive?

Pravin Chaudhari: Yes. So as far as we understand from our sources that on economy, the free thing has been withdrawn, but I don't know. I mean that there's a mixed response always come from the trade, but I don't know what is the policy. But that's what you understand. On this thing, advertisement, see, I think whatever we have seen in month of April was committed much before this geopolitical problem and inflation. So I think they would have to go through it. I don't think there's a much option left.

Now it remains to be seen as to remaining months in quarter 1 and quarter 2 because this time, Diwali is late. So we might see some adjustment there. It might happen. But as far as current quarter is concerned, I think April being committed, I think that intensity, we could see that it was there. I mean people spend money on advertisement as well in month of April.

Avnish Roy: Right. One related question is, generally, when we see sharp inflation in FMCG paints, local players lose market share. Now you are a respectable player in the legacy overall market share. But overall, your size is much smaller than, say, the 2 legacy players and the number 1 new player is also very aggressive.

In that context, are you gaining from the local players or are you now starting to lose some more share to these 3 players given you have an overall pricing, which is a bit delayed in the B2B. And definitely, those 3 players, those 2 legacy and that new players are very aggressive. So overall, you see this situation as a positive or a negative?

Pravin Chaudhari: So it's very difficult to estimate how much unorganized players are gaining or losing. But we believe, I think they are there in the pockets and in difficult times, they go down and again, they emerge again. So very difficult to say as to whether we are gaining or not. But what we are definitely seeing is since November, there has been constant uptick in the market, and I think that is a positive sign. And this trend is only improving.

Now if I talk about November, December, Jan, there was no sign of any war or nothing of that sort. It was pretty stable. Raw material cost was benign. So I think with that thing also, so overall, I think market is quite, I would say, bullish in a way for decorative. And this might be a temporary pause, I would say, for unorganized sector, but remains to be seen. We have no data as such to really support that and very difficult, I would say.

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

Mihir Shah: Congrats on a good performance. So firstly, just a few bookkeeping questions. What was the growth between deco and industrial given auto sales were relatively strong this quarter again. So what is the difference in the growth in both of those key segments? Also in deco, if you can help us understand the volume growth and mix impact for you. Last quarter, it was quite negligible. But what was it for this quarter? That's my first question.

Pravin Chaudhari: Yes. So as far as volume value gap for decorative is concerned, it is again not very significant. And I think that is how I have been stating right from quarter 1 that our focus is very clear. We'll be focusing on select market where we want to gain market share and concentrate. Second thing is profitable mix is very, very important.

So we have cautiously curtailed our sale into items which are not profitable. So that might be seeing in, in terms of value, but I don't think that's very critical going forward. I think profitable growth with good margins in decorative is the key focus.

And we are confident the progression that you have seen from quarter 1 to quarter 4. I think that journey, I think, is we are getting a lot of confidence now that I think we are on the right path. And I think there's no point in getting into this mad rush of market share at any cost anywhere. That is not the idea. I think it's important to deploy resources carefully.

And it's the time where actually resilience will matter. And I think if you pass through this, I think future is very bright for decorative paint as far as company is concerned. So that is the road map that we'll have in future also.

As far as auto is concerned, yes, auto did grow by -- in double-digit, but we also have very sizable presence in industrial, which grew by single-digits. So overall, I would say it was mix slightly mid-digit plus as far as industrial is concerned. And as far as decorative is concerned, then obviously, it will be also in that range. So overall, I would say, a very balanced growth this quarter. And that too, I think, with a good improvement in contribution and overall profitability.

Mihir Shah:

Understood. And thank you for the road map that makes -- that brings a lot of clarity there. Sir, secondly, on the cost inflation that we are seeing, if you can highlight the kind of price increases that you have taken that will sit in 1Q from here on?

Also, given that you have a higher exposure to B2B players, historically we've always seen Kansai seeing some initial pressure on margins because the price hikes from B2B usually come with a lag. So how are your discussions with the B2B players? When do you expect the price hikes in industrial businesses to come through and the kind of price increases that you've taken in deco?

Pravin Chaudhari:

Yes. So deco, I think we were the first one to go in the market with price increase. The first increase we took in month of March itself, about 25th March, we took the increase. And then followed by 10th April, followed by 21st April and now it is the 11th May. So this price -- this March was about, I think, 2%.

After that, it is all 5% to 6%, 5% to 6%. So net-net, I would say we'll be higher single digit as far as price increase is concerned in decorative as of now. And in industrial also, I think auto also, we are very strong in terms of negotiation. We've got a good breakthrough. There are price increases which have been granted.

But obviously, it is -- I can't say it for entire auto. But one thing is very clear that it might be slightly delayed negotiation, but it is always with effective from. So I think that is very important. So I think with that in mind, I think we are not losing out on inflation as far as profitability is concerned. Maybe it will be slightly here and there in terms of timing.

In case of industrial, there is a good mix of OE as well as channel. Now when it comes to channel, like decorative, there also we announced the price increase and that new prices are effective mid-April itself. So overall, I would say a pretty satisfactory price scenario. And I think we are very

cautious about our overall profitability when we are getting into the business, and that is how the team is working on.

I think as far as our investor community is concerned, I would urge don't look at it quarter-wise what is happening. I think it's important to look at on a longer run as to how is our overall strategy and direction is concerned. But as far as profitability is concerned, definitely, pressure is on the team in terms of taking the price increases and direction is fairly positive. That is what I would like to comment.

Mihir Shah: Got it. Sir, lastly, can I ask you if there is any margin guidance for FY '27 that you would like to share? Where do you think we will probably be aggregating towards for FY '27 on consol and standalone both?

Pravin Chaudhari: Yes. So like historically, we have been talking about 13% to 14%. I think that is what the endeavor is. This year also, I think we were in that range only. So definitely, we would be there, though our endeavor is always to go on higher end. But as of now, I can leave it at that.

Moderator: The next question is from the line of Rehan Saiyyed from Trinetra Asset Management.

Rehan Saiyyed: So I have 2 questions regarding the margins and cost structure side. So firstly, around raw material, so given the crude inflation and rupee depreciation, so what is EBITDA margin sensitivity to 5% to 10% increase in input cost that we have shown in this quarter?

Pravin Chaudhari: I think if I -- and I could not hear you, but if I understand the question correctly, you're talking about inflation and its impact on profitability. Is that right? Is that what you want to say?

Rehan Saiyyed: Yes.

Pravin Chaudhari: Yes. So as I explained earlier, I think we are going ahead with the price increase and trying to pass on inflation as much as possible. Second thing, there is inventory that also we carry both on FG and RM. So to that extent, there is a cushion available. But obviously, the inflation already taking place will come in effect some time. But we are hopeful that by then price increase also kicks in. So our endeavor is to neutralize, though some impact cannot be ruled out.

Rehan Saiyyed: Okay. And sir, second question was on the Industrial segment side that you have mentioned increased reliance of specialized products in passenger vehicles. So what percentage of auto coatings revenue now comes from these high-value products? Could you just tell me?

Pravin Chaudhari: Yes. So being a leader there, I think our endeavor is to increase penetration into each vehicle that gets produced. So in the vehicle, there are many, many areas which are still unexplored. So we are trying to tap that each surface if there is a paint application that is possible. And now the areas which are left are very, very niche, but they are very, I would say, premium in nature. So I think that is the one area which now we'll tap so that more of a car, I think, is our endeavor, and that's the specialized paint we talk of.

- Rehan Saiyyed:** Okay. And just continuing with this part on the performance coating and power coating showed recovery and growth in this quarter. So what is the current utilization level in this segment and capacity headroom for growth going forward?
- Pravin Chaudhari:** Yes. So in case of industrial, I think in powder and industrial liquid coating, we have sufficient capacity. We should be operating about 70% to 75% as of now.
- Rehan Saiyyed:** And sir you haven't answered the second part, like segment capacity headroom for growth in this segment?
- Pravin Chaudhari:** Sorry. We can't -- not able to understand the question.
- Rehan Saiyyed:** Like you have answered the current utilization. I'm asking about the segment capacity headroom for growth in this segment?
- Pravin Chaudhari:** You're asking for outlook?
- Rehan Saiyyed:** Yes. Yes.
- Pravin Chaudhari:** Yes. So I think like we have been reporting in growth areas like performance coating, we have been growing in double-digit. So I would say that's our endeavor. I think in the infrastructure spend as long as it keeps happening, and we start expanding our segment, which I had briefed in our strategy session in month of February, I think that's our endeavor to really grow double-digit as far as performance coating is concerned.
- Moderator:** The next question is from the line of Mrunmayee Jogalekar from Asit C. Mehta Investment.
- Mrunmayee Jogalekar:** Yes. Sir, historically, Q4 has been a sequentially weaker margin quarter for us because of the mix being tilted towards industrial. This time, as we see the margin pressure sequentially was much lower compared to some of the historical Q4 numbers. So is it mainly because the scale was a little better, we are improving sequentially or any other factor that you would like to highlight here?
- Pravin Chaudhari:** Yes. So one is in both industrial and decorative, of course, performance is better. And in decorative also mix-wise, we are far better than last quarter. And that I think has resulted into overall contribution improvement.
- Mrunmayee Jogalekar:** So mix you are saying individually in both industrial and decor?
- Pravin Chaudhari:** In both, in both. Yes.
- Mrunmayee Jogalekar:** Okay. Great, sir. Great. And secondly, after the price hikes that you mentioned, the 4 set of price hikes that you have taken, have you seen any impact on volumes so far? I know it's not a long period since the price hikes have been implemented. But any color you can give on how the volumes are shaping up?

- Pravin Chaudhari:** As of now, frankly, there is no impact we have seen. And if really this geopolitical situation, obviously, someday, we believe it is getting over someday again, we think it's now not ending. But I hope if things change, I think we should be in a stable zone as far as quarter is concerned.
- Moderator:** The next question is from the line of Amit Purohit from Elara.
- Amit Purohit:** Sir, I just wanted to understand on your outlook for the next year. You indicated that November we have seen an uptick from an industry growth perspective and for you as well in the context that till now you haven't seen any significant negative impact. But how is the trend in terms of secondary sales now probably much of the activity would be primary or the secondary sales also because price increases have been taken, so stocking up might be happening. How do I assess for the full year, if you could just give us some sense on the industry growth?
- Pravin Chaudhari:** Yes. I mean, frankly, difficult to predict at this stage. But if I have to go by the recent trend of last 5 months, if that is anything to do with the overall market and economy which concerns paint industry, I think there has been significant improvement in all the verticals. I think if that is the indication which was pre-war, that means there is a fundamental things are getting corrected or changed, I would say that's the, I would say, green shoots that I'm seeing.
- And if this war gets over, I mean, soon, I think then there should not be any impact as the overall year is concerned. But of course, if this gets dragged on and this then it starts impacting our daily lives in terms of fuel increase and all those other costs going up, then I think it is anybody's guess.
- And if it happens to us, it might happen to entire, I would say, other sectors also which are consumption-driven. But it's like a very difficult to guess as to what will happen. As of now, I'm only relying on past 5 months trend. And I'm pretty hopeful that if that trend has to sustain, I think we should have another good year, I would say.
- Amit Purohit:** And sir, lastly, on the project side, which is your -- I mean, if you could give some indication on the new initiatives, new businesses and the projects, what would be the as a percentage of our total sales in terms of contribution?
- Pravin Chaudhari:** Project in a sense, decorative projects you are saying?
- Amit Purohit:** Yes. Yes, sir. Yes.
- Pravin Chaudhari:** I think decorative project should be now about 10% plus.
- Amit Purohit:** And the new businesses, which includes waterproofing, construction, chemical and even the wood finish.
- Pravin Chaudhari:** I think that also should be 10% plus, but slightly on a higher side than projects.
- Moderator:** The next question is from the line of Pratik Gothi from HSBC.
- Pratik Gothi:** This is Pratik Gothi from HSBC. I have 2, please. On dealer incentives, if I remember correctly, dealer incentives were increased across the board by all companies, I think, when input costs

were benign. Have you seen incentives lower now that cost inflation is back? This is for you. And if you have a comment on the industry dynamics as well, that will also be helpful, please?

Pravin Chaudhari: See, dealer incentives is also a function of time, and it varies month-on-month. And April typically is also a high stocking month otherwise also. I mean, forget this year with war and price increase, it could have been slightly accentuated, but otherwise also it happens. So I would say it's very difficult to comment on just 1 month of the inflation, what has happened.

But I think it is pretty much in line with what we would have seen otherwise also in last year or otherwise. Now it remains to be seen that if this inflation persists in next 1 or 2 months, then what happens. And definitely, whenever there's a price increase that happens, incentives are obviously adjusted to a certain extent. That is a normal practice which always happens in the industry.

Pratik Gothi: Understood. And on paint demand, if we split the deco market into projects business, construction chemicals, wood finishes and what we can call as core retail deco paints business, basically business that goes through the dealers, have you seen any improvement or growth in the core retail deco paints business?

Pravin Chaudhari: Yes, we have seen improvement.

Pratik Gothi: Okay. And in terms of mix, you mentioned that mix had improved for you. So can you give more color over there? How is that mix improvement coming about? Is that Nerolac Plus range that you have or any color on that would be helpful, please?

Pravin Chaudhari: Yes. So if you would have -- I think in presentation, this time we detailed out on the new products. So in quarter 4, I think the new product contribution is very high. I think that is one thing has contributed. And all these products are launched in emulsion category, which is obviously as such as a mix, it is considered premium.

And in that also, when we classify the economy premium, super premium, there also super premium has done well. I think that is the direction that obviously has taken. So new product in that also, it's a super premium doing well. I think all in all, that is why I call out as the overall mix being better.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities.

Tejash Shah: Sir, did I hear you correctly that you said that we focused on market share gain and we have gained market share in some focused market?

Pravin Chaudhari: Yes, you're right.

Tejash Shah: And sir, which region or which markets this would be?

Pravin Chaudhari: No, no. It is when we talk about focused market, it is pan-India. It is not like Northeast. So each so there are specific strategies for each towns, and we are focusing on that to really gain share there. So that is what is working very well now.

- Tejash Shah:** And sir, this would be urban largely?
- Pravin Chaudhari:** I would say, T2, T3 mainly.
- Tejash Shah:** T2, T3. And sir, just wanted to understand the character of the competition, which is now put to test. And then this time, I think there are 2 new players who are actually facing this inflation for the first time. And thankfully, we have seen that at least the large listed players have taken price hike. But how the new competition is behaving and how the long list of or long tail of unorganized or large unorganized guys are behaving in this environment?
- Pravin Chaudhari:** I think they also took price increase. In fact, they had announced price increase much before this war itself, one in Jan, one in Feb because they were anyway, I think, below market standard price. So they wanted to reach and bridge that gap, that is one. But after that, again, this inflation has hit. And I don't know as of now whether really they have taken further price increase.
- Now so as far as that remains in terms of what competition is trying to do, which is a new entrant. And on unorganized sector or a small player, obviously, there will be impact, which they'll have because of their capacity to absorb the inflation. And more than inflation, I think it is availability also, which is causing a trouble. So definitely, there will be some, I would say, impact that might be happening with unorganized.
- And in month of April, typically, it's a big stocking month. So as such, inventory is stocked of all the leading brands. So in this month, really, it's very difficult to say that whether unorganized got impacted and there is a sale that shift is happening, very difficult. It will be only seen in the next, I would say, 3 to 6 months, where that impact has really been seen where there is extraordinary demand that is coming of certain products.
- And typically, these are low-end products like primers and all. I don't see there'll be super premium, premium emulsion category, they are the major play. So it's all standard products, which I don't think will be any significant as far as we are concerned.
- Tejash Shah:** Got it. And sir, last question. Our margin guidance of 13% to 14%, is it assuming ceteris paribus on raw material to stay like this or there is a built-in assumption that second half, they kind of reverses and gives us some room to have that benefit?
- Pravin Chaudhari:** Yes. I think there is a strong, I would say, belief that things will change. I think we are seeing some signs. And some of the raw material prices also got corrected now. I think the temporary surge that happened because of this uncertainty and panic, I would say, is now stabilizing. So we believe that I think things should stabilize. Quarter-on-quarter, very difficult to project because timing-wise, there is always an issue. But I think overall, I think things should be better.
- Moderator:** The next question is from the line of Avi Mehta from Macquarie.
- Avi Mehta:** My questions have largely been answered. I just wanted to clarify, you said on the decorative growth and industrial growth this quarter, could you kind of -- I missed that comment, sir. If you could kind of just repeat how much was the growth momentum in each of the segments?

Pravin Chaudhari: Yes, Avi. So in industrial, I was saying there was a reference to auto being double-digit. I said, yes, it is close to double-digits. But we also have industrial section, which is also large, and that is where -- and my answer was in relation with the strategy where we focus on extremely premium profitable mix now, and we are doing away with all low-end non-profitable items.

So with that, I think I was talking about slightly higher single-digit as far as industrial is concerned. And even deco, I think we were pretty much mid-single digit or lower than that, around that. So I think overall, I think it is better show as far as mix is concerned.

Avi Mehta: Got it. Got it. Very clear. Sir, just on that front, on the industrial side, I mean, as we move now, there is obviously some inflation concerns, but auto industry, is my understanding correct that the growth momentum has sustained till this? Because there was a clarification that you said that in decorative, the momentum has kind of demand momentum has sustained. But is industrial also the similar kind of situation, especially auto?

Pravin Chaudhari: Yes, it is building on.

Avi Mehta: Okay. And sorry, if I may, just from a thought perspective, would that increase the ability to take price increases in that sense or is that -- would you kind of agree -- or would your comments on that would be helpful.

Pravin Chaudhari: No, I think even Avi otherwise also, I think whether it's a low phase, high phase, I think definitely, we are looking at margin and hence, there is something which we will not forgo and give it after price increases. If you look at this scenario, actually, this is not a standard kind of a thing. Entire raw material has undergone change along with dollar appreciation. So I think customers are listening very carefully, engaging. And I think based on justification, they have already started giving us price increases.

Avi Mehta: Okay, sir. So some price increases have already happened. Any quantum?

Pravin Chaudhari: In auto, it's very difficult, Avi. You'll appreciate that.

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

Aniruddha Joshi: Yes. Sir, the price hike -- in decorative effective price hike would be, I guess, in low teens for us as well as the industry, I guess. And if the war ends and if crude corrects materially, so will there be price cuts or we will try to increase ad spends or we will try to increase the margins. So what will be the strategy of the company? Question number one.

And in terms of how do you see the outlook for FY '27, considering there will be steep inflation, not just in paints, but in general, there is a possibility of material inflation in -- across commodities in India. So how is the outlook? And if you can share outlook in terms of decorative projects as well as industrial and auto?

Pravin Chaudhari: Okay. So auto, as I said, it looks like demand is pretty strong and most of our customers are talking about long waiting list as far as their products are concerned. So we are hoping that things should be okay for auto as a whole concerned. In other industrial segment also, we are not seeing

any change. I think infrastructure and even otherwise appliances and all that is going pretty standard and normal. So we hope that also continues.

Coming to deco, I just mentioned about last 5 months trajectory, and I think that has also gone through April. So we believe that things should be okay as far as deco from demand perspective is concerned, otherwise also, unless something dramatically happens and there's an inflation, which is beyond means and what we saw maybe 3, 4 years back, then of course, a different story. But as of now, it's too difficult to have an extreme assumptions in both ends, very, very difficult. I mean, it's like a crystal guessing.

Now as far as price increase topic that you are concerned and inflation or deflation, I mean, if inflation continues, then obviously, our price increases are there, and we might take further price increase.

Second thing is if there is a deflation that happens, then typically, what industry does in the short-term is obviously, the scheme gets adjusted. And if corresponding deflation, if it is making sense, it's always passed on. That happens. When price increase is there, scheme gets adjusted, reverse also happens when there is a deflation in a short period.

Obviously, if there is a sustained stability we see with the deflation, then obviously, price will get corrected downward. But we don't see that happening. And the reason is crude of 60 or 70, I don't know whether we will go back so soon there.

And the structural imbalance that got created with all this shipping lane disturbed and all of that, I think also might take some time to settle in. So I think we have to live with the situation, I would guess, for next 6 months with this. And if things improve, then maybe second half, we might see a dramatic change. That's what at least I believe, and that's how we are working with, yes.

Aniruddha Joshi: Okay. Sure, sir. Last question. Assuming crude settles at, let's say, 100, will there be any requirement to take further price hikes or current price hikes of low teens are in a way sufficient?

Pravin Chaudhari: I think with 100, I think it should be okay.

Moderator: The next question is from the line of Siddh Gandhi from IIFL Capital.

Percy Panthaki: This is Percy Panthaki here. I just wanted to ask one question on the other expenses line for this quarter. It is down and it's -- in terms of basis points, it's about 150 basis points down Y-o-Y as a percentage of sales. In absolute terms, it's about 1%, 1.5% down Y-o-Y, while the sales has grown at 7%, 8%. So can you give any reason why there is such a big 150 basis points kind of saving in this cost item?

Pravin Chaudhari: Yes. So if you look at absolute increase from last year to current year, it is same, right? So because of fuel increase, you're seeing the drop out there.

Percy Panthaki: Yes. But as the scale of the business increases, this cost would also normally increase, right?

Pravin Chaudhari: No, there is a fixed cost leverage -- optimization is also being done. So that also had mentioned earlier in quarter. So we are also looking at cost efficiency, spend efficiency. All that is also coming in now.

Percy Panthaki: Okay. So there is no full year truing up in Q4, which is causing this movement, is it?

Pravin Chaudhari: No, no, no.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Sir, you may please go ahead. We don't have any questions. Any closing comments from your side?

Pravin Chaudhari: No, I think nothing thank you so much. I think it is first time we conducted our investor meet in the evening at 5:30. So thank you all for joining, and hope to see you in next quarter. Thank you.

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