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Sub: *Transcript of the Q3 FY26 Results conference call for the quarter ended 31st December,2025*

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Q3 FY26 Results conference call for the quarter ended 31st December, 2025, conducted after the meeting of Board of Directors held on 5th February, 2026 for your information and records.

This has been uploaded on the Company website also and can be accessed through the link:

<https://www.bergerpaints.com/investors/download> .

Yours faithfully,

For BERGER PAINTS INDIA LIMITED

**ARUNITO GANGULY
VICE PRESIDENT &
COMPANY SECRETARY**

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**“Berger Paints India Limited
Q3 FY26 Results Conference Call”
February 05, 2026**



**MANAGEMENT: MR. ABHIJIT ROY – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER – BERGER PAINTS INDIA LIMITED**

**MR. KAUSHIK GHOSH – CHIEF FINANCIAL OFFICER –
BERGER PAINTS INDIA LIMITED**

**MR SAYANTAN SARKAR- GENERAL MANAGER-
FINANCE & ACCOUNTS– BERGER PAINTS INDIA
LIMITED**

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

Nitin Gupta

- Hi, good evening, everyone. This is Nitin Gupta from Emkay Global.
- I would like to welcome all to the Berger Paints India Limited's Q3 FY26 Results Conference Call.
- I thank Berger Paints Management for allowing us to host.
- 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.

Abhijit Roy

Thank you, Nitin, and...

- Good evening to all of you. With me today, here is Kaushik, and Sayantan is on the line in Kolkata.
- Let me start with the presentation.
- We have, just a quick highlights of the Q3 performance.
- High single-digit volume growth, while value growth remains muted.
- Extended monsoon spillover into October impacted demand momentum.
- Year-on-year and quarter-on-quarter expansion of gross margin, backed by improved product mix and stable raw material prices.
- And TBDIT margin is within the guided range of 15-17%.
- Standalone, if you look at the performance, 8.5% volume growth.
- The value growth, relatively much more muted at 0.4%. Value volume gap driven by mixed shift.
- Higher share of economic emulsion, textures, and tile adhesives, coupled with price corrections taken in financial year 25 in the economy emulsion segment.
- The two together had that impact of volume growth being relatively stable, but value growth being at 0.4%.
- Automotive segment delivered steady quarterly performance, while protective, including GI, remains muted.
- If you look at the volume and value, cagr, of quarter 3 and 9 months.

- If you focus on the 9-month, you know, figures, it's an interesting, figure that you will see.
- That in the volume growth, For 2 years, 3 years, 4 years, 5 years, whichever you look at it.
- 5 years, of course, is at 13.9%, but in the 2, 3, and 4 years, it's been hovering in that 8,
- to 10.7 range.
- So, it's nearly that high single-digit to double-digit type of volume growth.
- But value growth, correspondingly, is progressively reducing, from 13.4% to 8% to 2.8% to 1%.
- Now, the questions can be asked.
- As to why 4 years and 5 years, the gap were much lesser.
- And why has it been increasing when you look at the 3-year, 2-year, or the current quarter?
- There are two major reasons for it.
- One is the fact that there was this price drop which happened to the extent of about 4.5-5%.
- Which created this gap for 2 years, consecutive.
- And then, subsequently, there was this price drop which happened in the case of...
- you know, economic emulsions, which was about 2-2.5%, which is still persisting up to December, January 23rd, it was there, and no longer there after that.
- The second reason is the improved sale of certain
- High-volume, low-value products like techers, tile adhesives, the growth rates of which are much, much higher than paint.
- So, therefore, the volume growth happens
- To be there, but the value growth is relatively muted in such a case, though the profitability, as you can see from the gross margin, remains at a healthy level.
- If you look at the gross margin figures.
- In fact, this quarter, it has been the highest in the last 15-odd quarters, barring quarter 4 of last year, which was matched at 41.2%.
- This quarter, too, it is at 41.2%.
- At the EBITDA level.
- Of course, it is at 16.1, largely because of the scale effect. The value sales growth did not happen, so obviously the overheads
- Got spread over a lesser value, and hence.

- Otherwise, the EBITDA also would have been more closer to 17, but it's showing a 16.1% here, but well within the range of the 15% to 17% guidance that we have given all through.
- Standalone quarter three results, if you look at, you know, therefore, total income from operations, increase of 0.4%, gross margin 4% expansion.
- EBITDA margin flattish at minus 0.1.
- And, PAT, of course, is minus 2.5%.
- **Y2D basis, it is 1.2%, gross margin expansion of 2.5, PBDIT minus 4.4, and PAT at minus 8.8%.**
- Similarly, consolidated is very similar to standalone, at 0.3% in terms of top line, and minus 0.2% in terms of bottom line. And on a YTD basis, it is at 1.9% value growth, and minus 5.4% in terms of EBITDA growth.
- Decorative business, The dealer network expansion continued during the quarter.
- Driven by installation of 2,500 plus color bank machines.
- Which is, you know, what we had indicated that we will possibly do, and enhancing presence through addition of stores, and currently the store numbers are in excess of 1,800 stores across the country.
- Store-led urban initiatives undertaken in prior quarters are on track
- Resulting in positive traction with momentum expected to sustain.
- Newly launched Emulsion Color Plus.
- And metallic enamel and metallic water-based paint, launched very recently, performed well. Construction chemicals delivered robust growth.
- Driven by differentiated offerings such as roof segment, damp-proofing solutions supported by the successful launch of DAMShield, and strong traction in the tile adhesive segment.
- Strong double-digit and volume growth registered in wood coating segment.
- These are some of the products which we introduced. The Color Plus is an interior premium emulsion, doing quite well in the markets where we have launched so far.
- Silk Metallics is a new one which we introduced more towards the end of December.
- Doing very well in most markets already. In January, we clocked a healthy sale. February also has been started, you know, and now I think we expect that the metallics of Luxol metallic and silk metallics, these are high profit margin products, and doing quite well across the country.
- The other is, you know, in terms of the expanding range of construction chemical products and waterproofing range.
- We added Dam Shield, which is another product, which we added in the last quarter.
- And we are going to add one or two new products this quarter as well.
- Industrial business, auto seg... payment delivered... Hi, single bottom group value.

- Loop In Protecton and general industries, growth in terms of volume and value remained muted.
- These are some of the photographs of the stores that we are setting up in various markets.
- Net cash position consolidated has improved.
- From about 689 crore in March 25,
- to 918 crore in December 26.
- Console performance, Bullock's strong top line and operating profit growth, partly aided by P&L appreciation.
- BJ Nepal muted revenue and profitability amid political disruption, but things are stabilizing there.
- STP Limited, top line impacted by temporary shutdown at Jamshitpur plant. Operations normalized from January 26, so now it's okay.
- SBL Speciality Coatings Limited, revenue impacted by weak industrial demand and tariff impact, profitability affected by scale, and one-off start-off costs. We set up a new factory near Chandigarh, which consumed, you know, some initial expenses.
- But it is one-off and should come off, you know, from this quarter.
- Berger Becker coatings, robust sales and profitability driven by scale and margin expansion.
- And Berger Nippon Paint Automotive Coatings, strong double-digit revenue growth, aligned with boon demand in auto space, profitability also, strong double-digit growth, improved... improved, actually, and aided by stable raw material prices as well.
- Esg excellence at Berger Paints with a score of 64 across ESG parameters given by NSE.
- Score is a leader amongst the peers within India in the paint domain.
- We also got, you know, our corporate office was LEED Platinum certified. We got the certificate in last month, it's December 2025.
- Business outlook?
- Demand conditions continue to be closely monitored with early signs of gradual improvement. So, October was negative, November slightly positive, December more positive, January slightly more positive than December, so it's improving month on month.
- Focus remains on revenue growth, with sustained gross margins remaining the key objective.
- Operating margins are expected to remain within the guided range.
- Competitive intensity expected to remain elevated.
- Continued investments in branding, distribution expansion, and urban initiatives remain key to capture potential demand improvement as and when it keeps happening.

- Geopolitical uncertainty, forex volatility, and evolving tariff dynamics may pose Near to medium-term volatility.
- Thank you, and open to questions.
-

Nitin Gupta

Thanks, Abhijit. So, we will now start with Q&A session.

- I hand over the call to my colleague, Mohit Dodeja, to moderate the question and answer session. Over to you, Mohit.

Mohit Dodeja

Thank you.

- Those of you, those of you who have questions can raise your hand now. We'll announce your name and unmute your line. Please highlight your full name and the organization you are representing.
- The first section is from the line of Mihir Shah.
- Please highlight your full name and the organization you are representing, and go ahead with your questions.
-

Mihir Shah

Hi, sir, good evening. This is Mihir Shah here from Nomura. Thank you for taking my question.

- So I've wanted to check with you, if you strip off the month of October, from the results, how is the, sales growth momentum, for November and December, and any insights you can share on how that continuity happened... is happening in Jan as well? You did mention
- That, you know, the, the,
- Ebitda margin would have been, yeah, closer to 17%, if the impact wasn't there. Some insights on the sales growth momentum would be, helpful, sir.

Abhijit Roy

Yeah, so as I had mentioned, you know, October was negative, you know, and which I had indicated in the last time we met, you know, here with all of you. November did have a slight positive.

- And then December was better than that in mid-single-digit type of a growth rate, and that is where we are in January as well. So that is how it is.
- In terms of value, in terms of volume, and obviously that differential still exists up about 7%, 6-7%.

Mihir Shah

Understood.

- Sir, any insights on the competitive landscape that you can share? It remains stable the way it was, is some deceleration, or now, you know, gradually the other players were kind of getting stagnated.
- Any, any insights on how the intensity is shifting, on, the competitive front, please?

Abhijit Roy

It remains very stable now, you know, more or less, you know, the main player, remains at a stable point now.

- In terms of competitive intensity. It's not increasing, it's not decreasing, it is at a stable level. Month on month, we see the values remaining very similar, you know, to that category, and, you know, on a quarterly basis, if you look at it, there is no major gains happening. Yes, there is a slight gain, but not like they were growing at, say, you know, 35, 40, you know, now it
- 7, 8, 10, 12% type of a gain.

Mihir Shah

In light of all these, how do you see the next year shipping? Because now we have at least 2 years of,

- you know, lower value growth in the base. Can one expect... and there are most of the tailwinds around the macro parameters, already there.
- Can one expect any improvement in volumes to go to mid-teens levels in next year, and then you can go back to double-digit growth, in value terms, over the next year, sir?

Abhijit Roy

So, I think, you know, the double-digit volume growth should happen, and it is already very close to it. We should be able to definitely go into the volume, double-digit volume growth happening.

- As far as value growth are concerned, I think the differential will remain in the extent of 4-5%, so if the volume growth goes up to, say, 12-13%, then the value growth should be in the range of 7-8%. That's where I think it should be, and that's, I think, realistic as of today.

Mihir Shah

Got it. Thank you very much. Wishing you all the very best, sir.

Abhijit Roy

Thank you.

Mohit Dodeja

The next question is from the line of Sukhrit Patel. Please go ahead.

Sucrit Patil

Good evening to the team. My name is Sukrauk Patil from EyeSight FinTrade Private Limited. Am I audible?

Abhijit Roy

Yes, you are.

Sucrit Patil

Yeah, thank you. My first question to Mr. Roy is, as the decorative paints market continues to evolve, how is the management thinking about prioritizing growth levers such as distribution reach and product innovation?

- Among these, which do you believe will be most critical in strengthening Baja Payne's competitive,
- positioning and sustaining long-term brand leadership. That's my first question. I'll ask my second question after this. Thank you.

Abhijit Roy

Right, thank you. You know, I think both are important and very important for the decorative business, and specifically for us. We, as you know, are a number two player, but we have many areas in the country where we have a relatively weak presence in terms of distribution network.

- We have been ramping up this network, you know, at a furious pace in the last, I would say, 3-4 quarters.
- The results will take some time to become completely visible, but it should start showing, you know, very soon, because it takes time for a machine to start off and establish itself, and, you know, you get some sales, you know, and the mass builds up.
- that's going to happen, and that is something which we... and that drive will continue from our side. You know, there are still many areas of the country where
- I know there are gaps in terms of availability of material, and which we are now trying to bridge by adding more manpower on the ground, and at the same time concentrating on improving our distribution. So that's... that's one area which we will continue to lay stress on.
- The second is in terms of the product innovations which you mentioned.
- We did mention two or three products which we have recently launched. One, two more in the pipeline, very interesting ones. And I think we will continue to do that for two reasons. One, of course, you know, this channel that we are developing and increasing in size, we already have a fairly large number of machines on the ground, and we are adding this.
- So, to these counters, we add these innovative products.
- So that improves the sale. The second is, of course, the profitability moves up. So these are all products with higher margin also, normally, and then therefore, you know, it tends to boost the profitability as well. So we will continue to do both of these simultaneously.

Sucrit Patil

Thank you. My second question to Mr. Ghosh is, from a financial point of view, can you elaborate on the key trade-offs managed between input cost volatility, pricing discipline, and continued investment in brand and distribution?

- How do these considerations influence your approach to sustaining cash generation and return metrics across the cycles? Just want to understand your point of view on this, and how do you approach this? Thank you.

Abhijit Roy

So, basically, brand building has always been our priority.

- One sec. Can you see me?

Sucrit Patil

Yes, yes, very, very clearly, thank you.

Abhijit Roy

Yeah, so basically, brand building has always been our priority, and when it comes to margin maintenance.

- That's also a very big priority for us.
- So we continue to... Whenever it comes to... maintaining the...
- cost ratios. We continue to monitor them on a regular basis.
- And...
- So there is this con... constant,
- Innovations and the coordination with materials.
- And cost efficacy, which we continuously monitor.

Sucrit Patil

Is that it? Means,

- Okay, fine. Thanks, thanks. Thank you, and best of luck.

Abhijit Roy

Thank you.

Mohit Dodeja

The next question is from the line of Adita Bhartia. Please go ahead.

Aditya Bhartia

Hello. Hi, good evening, sir.

Abhijit Roy

Hi.

Aditya Bhartia

So my first question is on the insights on demand momentum that you shared.

- In the last conference call, we sounded a lot more optimistic about demand. We were speaking about, possibly, mid-single-digit kind of revenue growth in third quarter, touching close to double-digit kind of a revenue growth, towards fourth quarter.
- This time around, it has changed a bit, and not only for you, but for the entire sector.
- just want to understand, how are things changing at the ground? Why is the same optimism that was there last time around not there? That's my first question. And my second question is on RM costs. Is there any progress that has been made on anti-dumping duty on TIO2?

Abhijit Roy

Right, you know, very valid question that you asked, you know, I was also optimistic, you know, about

- being more closer to, you know, 7, 6-7% in terms of the growth, and possibly going towards the 8-9% mark, you know, by the fourth quarter. That was the expectation, that once the rains stop, the demand will pick up.
- It did pick up, but not to the extent that we would have loved to see. Possibly also that, you know, while the rains, which was elongated quite a lot, we kept, you know, pumping material into the dealer's shelves, so there was some amount of stock buildup which happened.
- Which got liquidated in the period between November and January.
- So therefore, you know, the replenishment sale did not happen to the extent that we would have loved to see there. Possibly it will start, you know, seeing improvement in terms of the actual growth situation.
- February, March, you know, progressively, it should... it should stabilize. This is, you know, to answer your first question. You answered this... you asked another question, I think...
- What was the second you asked?

Aditya Bhartia

Yeah, on anti-dumping duty at.

Abhijit Roy

Anti-dumping duty, you know, yeah, we did fight this case, and we won this battle in the court.

- And, the government... the court has given a judgment that, you know, it needs to be given back. So we've got part of the money back. The other part we have applied for, and we should get back that money also, in form of the anti-dumping. As of now, there is no anti-dumping duty on titanium dioxide.
- Until that point of time, therefore, the cost has come down for titanium dioxide marginally.

Aditya Bhartia

Sure, sir. Just a clarification, is this a final order from the court, or is it the stay that they had put,

Abhijit Roy

It's a final order which was given, so that's why the government had to, refund, you know, the anti-dumping duty from the date when that order was given.

Aditya Bhartia

Perfect, perfect. Thank you so much for answering my question, sir. Thank you.

Mohit Dodeja

Thank you. The next question is from the line of Kardik Chalapa. Please go ahead.

Karthik Chellappa-Indus Capital

Yeah, hi, Karthik here. Sir, am I audible?

Abhijit Roy

Yes, you are, Karthik. Go ahead.

Karthik Chellappa-Indus Capital

Okay, great. Sir, two questions from my side. The first is, if we were to look at this value-volume gap of about 8%, and if I were to bifurcate it between, let's say, mixed-level changes, where the economy segment probably did better, as well as, let's say, the price revisions that we have undertaken, which are yet to probably anniversarize, how will that split look, roughly, in your opinion?

Abhijit Roy

So, the mixed change will probably be about 3-3.5%, you know, on account of the low-value, high-volume products selling much more, than other products.

- The... about 2% to 2.5% were on account of direct price drops which were there, which we took in the low-end emulsions last year, which is still impacting. As I said, till January, this impact was there.
- From February onwards, that weans off.
- The third part which was there is we increased our spends in the painter, spends which was there in reaction to the competition which is there. And therefore, that's about 1.5 watt percentage which has gone up. So, all put together, this gap is explained.

Karthik Chellappa-Indus Capital

So, sir, in a way, going forward, to your comment on the value-volume gap will still remain 4-5%, even as volume goes to double-digit. So, inherently, you are making the assumption that the mixed changes is something that will continue, isn't it? Because the price...

Abhijit Roy

Right.

Karthik Chellappa-Indus Capital

Yeah, the price will anniversary at some point, and then.

Abhijit Roy

That is right.

Karthik Chellappa-Indus Capital

Okay. Why is that... why do you think that is the case?

Abhijit Roy

25:11

Because the growth of these categories is much higher, you know, it's starting from a low base as of now, and therefore, you know, and the market is, you know, quite big. We have just, you know, started, and therefore the growth rate for us, the trajectory of growth is much, much higher.

- And hence, this is going to continue for the next possibly one, one and a half, two years, maybe, after which it will obviously start petering down.

Karthik Chellappa-Indus Capital

Excellent. Okay, my last question, sir, is, I think this quarter, as well as probably the previous quarter, the market leader has probably done slightly better than us.

- And in the past, we used to have commentary or slides on our market share gains, and that was not there this quarter. What would you attribute, let's say, the slowness in our market share gain?

Abhijit Roy

So, you know, even today, you know, we are...

- We have lost a little bit of market share. In fact, market leader has also lost market share. It has gone mostly to Birla. If you take Birla also into one of the categories, given the fact that, you know, whatever they say, we assume that they are saying that this is what they have done. If you can consider that, then there is...
- A slight gain in market share for them, you know, and then losses for everyone else in the system.
- The reason for the slightly lower growth that you are seeing for us compared to the competitors, because competitor leader you were talking about had a very low base in the third quarter, and the fourth quarter of last year as well, second, third, and fourth quarter.

- the differential was very high. You know, in fact, the gap between us and them in the fourth quarter was 9.5%, you know, so they stand at an advantage of 9.5% starting
- So obviously, I would expect that the growth rates will be higher in their case compared to us. So that is what it is, but we are still, you know, holding on to fairly decent... we didn't lose any market share last year at all.
- This year, there is a marginal decrease, but, you know, we are still there, you know, doing fairly okay, I would say, given the current situation.

Karthik Chellappa-Indus Capital

Got it. Okay, thank you very much for the detailed responses, sir. Wish you and the team all the very best. That's all for myself.

Mohit Dodeja

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

Tejash Shah

Yeah, hi sir, thanks for the opportunity.

- Sir, first question pertains to your observation or your comment that you made that, the competition from the big, challenger has plateaued. I just wanted your observation or comment on the broader competitive landscape as well, so...
- There are... there is a long tail of competition also, which is joining the industry, be it smaller fragmented players are also coming, and then there is also consolidation, which is creating another large entity, which is AXO JSW.
- And then we also picked up that, Haisha also, it's not a very sizable competition, but Haisha is also from Pitolide is also kind of entering East India. So, when we zoom out and when we see a competitive landscape overall, not only from one new player, how would you read that?

Abhijit Roy

28:29

So, this, you know, this type of competition, the other competitors that you spoke about, you know, those type of competitors have been coming into this country and fighting for long years. Some of the MNCs we used to keep coming in, you know, sometimes Hempel will come, sometimes Jotun will come, sometimes Sherwin will come, sometimes two other people will come. So, they are there, but they are not very disruptive or

- you know, takes away a large chunk of the business. So, it is impacting.
- But to a lesser degree. I would say, you know, maybe all combined together, they may be again impacting the growth rate by 1-1 and a half percent, but that's about it, right?
- But the bigger impact is coming from that one player, which is, you know, stabilizing. So I would place it in that way. There are other players who are there
- are not very disruptive, or not coming from zero base. They are there for now quite some time. The incremental gains that they are making is not substantial to disturb the equilibrium in the system.

Tejash Shah

Fair point, sir. So, second, just, referring to an earlier participant question, that, the industry at large

- gave very positive signals in the previous quarter, and investors also kind of... we want you to say a good thing, so we also kind of cheered it very, very happily. And then the same could not last for a quarter.
- So just wanted to understand
- what is the forecasting significance of some of this high-frequency monthly numbers? Or should we rather wait for at least two quarters before we say that the worst is behind? And then that, along with one broader question, that if our bull case scenario is 7%
- value growth. For us, 5% to 7%, or you said mid-single digit. India, the government of India is actually hoping for 10% nominal GDP growth rate. So now, when I tie it up with low penetration of the category.
- and we not even eyeing or targeting normal GDP growth rate. Where's the disconnect? Why this number and that number are not matching?

Abhijit Roy

Yeah, so, you know, why is this, that, you know, we were relatively more, I would say, positive in our outlook? And why we are not saying that, you know, is largely because, you know, normally in the paint industry, we had seen in the past.

- that when rains happened, or when there was a disturbance in the demand situation, and it got broken for some time, like, say, COVID, or like any other disturbance in the system, and the pain demand was disrupted.
- When it came back, it came back, you know, all the pent-up demand used to come back, and it used to be far more stronger demand once it came back.
- This time, when it did come back, it did not happen at the pace at which we had seen earlier.
- Now, you might ask, why did it not happen? Why did it happen in the past?
- And why did it not happen now?
- It can be that, you know, as I said, we were still playing the game. It was not completely disrupted. We were selling, we were still growing at a lower pace, maybe, but it was still there, hanging on there.
- And therefore, you know, there was a built-up demand in the system, which got liquidated, you know, in the next 2-3 months. The second reason is that there is... or there are other new players who have come into the system, which, again, you know, we should have anticipated that that was there, still there, and that growth rate is still disturbing, right? So that
- To that extent, it did not bounce back fully.
- You can say that why are we not looking at a 10% nominal growth should result in at least a 10% growth for the industry. True, it should.

- Logically, you know, that is how it should be. But given the current context that at which pace which we are growing, we want to be conservative and be very sure that what we are saying, we should be able to deliver, and that's why we are saying that. It may so happen that we may actually grow at
- what you are saying as 10%, possibly next year. But, you know, we would like to be playing it safe. We don't want to say that, you know, we will grow at double digit and then land up with 4-5%.

Tejash Shah

Thanks for the detailed answer, and if I may squeeze in last one, any pocket of demand, be it in product side or regional side, which is doing much better than the aggregate numbers that we are delivering?

Abhijit Roy

Well, you know, some of the products, you know, as we have always said, you know, construction, chemical, waterproofing, wood coatings, some of our emulsants, you know, in the premium category are doing quite well, much better than the categories itself, and overall growth rate of the company.

- And in some regions, some of the urban markets where we have invested have started doing better than what we used to do, and much better than the category growth rate.

Tejash Shah

Thanks, and all the best for coming quarters.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you.

- The next question is from the line of Pratik Gauthi. Please go ahead.

Pratik Gothi

Hello?

Abhijit Roy

Yeah, Pratik, go ahead.

Pratik Gothi

Yes, thank you for the opportunity. This is Prateek Gauti from HSBC.

- Most of my questions have been answered. I want to push on a particular point you made, regarding some downtrading to the economy segment from premium and luxury in general. Could you elaborate on that? Why do you see that is happening? Why do you think that is happening? This is my first question.

Abhijit Roy

It's not really downtrading, per se, you know, we... the luxury category is not growing as much, you know. Part of the reason can be that, you know.

- In our case at least, you know, much of the luxury category growth and the luxury base exists in the East for us.
- The East Market hasn't done all that great in the last few months. And therefore, you know, for us, luxury category has been a bit muted.
- The economic category, on the other hand, you know, has been doing better. This is an upgrade, actually, from lower down distemper, etc, moving into emulsions.
- There has been a price cut which we had taken, which I mentioned about in the economy emulsion also. It is therefore much more price competitive, and therefore the demand and the volume growth has been higher in the economy emulsion.

Pratik Gothi

Sure, this helps.

- Since we're talking about regional presence as well, I remember that you also have a decent presence in Uttar Pradesh. I think it's above average.
- In terms of your national presence. So any regional trends from that particular state where growth has been strong, at least the GDP growth, underlying growth has been strong there.

Abhijit Roy

UPS can do well for us. It continues to do well for us.

-

Pratik Gothi

Okay, okay, thank you for the answers. Thank you. It's all from me.

Mohit Dodeja

Thank you.

- The next question is from the line of Rishi Modi. Please go ahead.

Rishi Mody

Yeah. So, first question I had was on the...

- Resin facility that y'all have operationalized.
- Just wanted to get an understanding on how much gross margin... how many bips gross margin expansion should come from this, and what do we intend to do with that margin accretion? Are we gonna retain it, let it flow to the bottom line, or are we gonna use it
- Somewhere in the P&L.

Abhijit Roy

Well, you know, not very significant, I would say, though it will have some impact. You know, this is basically for solvent-based production, which we have start, you know, which we are going to start in Hindu Pur. We are expanding there in our southern plant.

- It is meant for industrial paint, also for decorative. More so for industrial, and also a little bit for decorative paint.
- This is... this was necessary because, you know, we were a bit stretched in the industrial side for capacity, and this will help us to actually be comfortable as far as production capacity is concerned on the industrial side, which is growing at a decent pace.
- Especially the automotive will start picking up, and at the same time, we expect protective and general industries also to pick up soon, and therefore, you know, we wanted to have the capacity in place beforehand.
- So this is the reason why we have, you know, started off the resin manufacturing capacity. It will have some impact, but that will possibly be utilized by us, in the market. It is quite intense in terms of competition, so possibly we will have to spend a little bit more, you know, we will...
- Brand building efforts might require, you know, more money there. So therefore, you know, that might go there.

Rishi Mody

Got it, got it. Second question I wanted to understand, you know, you mentioned that y'all will have a 4-5% gap on the value-volume numbers.

- Asian Paints also mentioned the same thing, and the rationale given by both of y'all is that, non-paint products which are lower ASP are growing faster, and economy is growing faster than premium.
- For Asian, I can understand because a larger portion of their decor paints is premium paints. For us, it's, kind of the reverse, where we are more...
- Dominant in the economy and the exterior paint segment, and we are making our forays into the premium segment.
- So, shouldn't, ideally, that gap be much lower for us?
- Or do you think the demand
- For premium is not there, or we are missing something in that proposition, hence...
- Our economy's still gonna grow ahead of premium.

Abhijit Roy

No, no, not... and I explained that, you know, a minute... a few minutes back, you know, as to why this is happening.

- Our reasons are different, you know, their reasons are quite different. As I said, you know, we have our own reasons why the eastern area did a little bit of underperformance, you know, for our own internal reasons, which we have corrected now.
- So therefore, you know, that...

- A growth rate, will be restored, you know, as far as the luxury Mulsen is concerned. Premium Mulsen, in our case, is doing quite well. It's the luxury, which is slightly below par.
- The economy immersion, on the other hand, is growing because the category itself is growing. India is a vast country, even for them and for us, you know, whether we are present slightly more in terms of percentage, but they are also equally present there.
- Both of us are growing because the category is growing at a faster pace, you know. So that's... that's the reason why economy immersion keeps doing better.

Rishi Mody

Got it. And, so final question from my end, it's more on the capital allocation piece. Given that we'll be generating close to 1400, 1500 crores of cash flow from operations over the next couple of years.

- What amount of that will be used for organic Capex, and what do we plan to do with the remainder? And are we open to doing buybacks?
- At the, you know, given the current valuations, instead of paying out dividends.

Abhijit Roy

So, you know, we believe that it is a growing country, even though the growth rates have been a bit under the water, you know, for some time now. But we believe that things are going to change. As of now, we have plans for two factories, one in Panagar and one in Urissa.

- Both of which together is an investment of about 1,800 to 2,000 crore. So, it will absorb the free cash flow that is there. We already have about 900 plus crores in our books, and as you said, you know, about 1400 crore might be generated in the next 2 years.
- So this will be consumed, a large part of it, in these two new factories which are going to get set up.
- whatever leftover is there, well, you know, we don't know. As of now, we keep looking at acquisition opportunities, but we don't look at very big
- Stakes, we look at small stakes, which we can integrate with us, you know, either in terms of new technology, or in new geographies, or new product lines, which can help us to grow at a faster pace.

Rishi Mody

Got it, sir. Got it. No plans for buyback, though, at this point in time?

Abhijit Roy

Not at this present.

Rishi Mody

Alright, great. Thank you, that's it from my end.

Mohit Dodeja

Thank you. The next question is from the line of Aniruddha Joshi. Please go ahead.

Aniruddha Joshi

Yeah, thanks for the opportunity.

- Sir, while the market growth is slow, the onus to grow is on market leader and even, Berger also. So, what will be our initiatives to innovate, drive growth of the market? Means, what is really required, like, in terms of higher ad spends, or...
- Higher expense of the premium products, or...
- In a way, a little bit price cuts means what is, can really drive the growth of the...
- premium end of the market, and in a way, premiumization also should be driven from the corporate side as well. So, reducing the gap between premium and economy products, will that serve as the purpose? So, what are the thoughts on,
- these aspects, that is question number one. And then question number two, the new Challenger player,
- Had indicated that its, share of voice was more than 30%.
- So, and the, share of voice of other players had declined materially. So, has there been any change in that now? And,
- Has the share of voice for, especially Berger, has gone back to its share of market, or probably higher than share of market also? Yeah, that's it from my side. Thanks.

Abhijit Roy

Yeah, so, you know, to answer your first question, Andrew, you know, it is true that, you know, it's incumbent on the major players in the industry to try and shore up demand. You know, there are two major things which can happen, which can help build up demand. You need to create excitement by generating new product ideas, new thoughts.

- something which is different and, you know, which the consumers want, you know, and we keep looking at innovative product launches. We have been, you know, doing so for some time now, you know, many, many new products which we have introduced.
- into the market, which later got copied in the industry, and we will continue to do so. In the near term, we are, you know, we just introduced, you know, two products, three products, actually, you know, Damshield.
- Color Plus, and the metallic range, all of which are in this premium, super premium category, and with good profit margin, and at the same time.
- Much in demand in the marketplace.
- And I think it should do well, you know, so that's one part. The second which you said, you know, what was the other question which you asked?

Aniruddha Joshi

About, share of voice.

Abhijit Roy

share of voice. So, you know, in terms of the advertisement that we do, we are on par with almost, you know, our market share. The player that you spoke about, you know, is much in excess of the market share that they hold, and that's their entry strategy, which they don't have to worry about their profitability.

- We do, and you know, we are very conscious about it, and we want to remain in the band which we have indicated.
- our gross margins are to be protected. We can't operate at negative margins and all, you know, so spending money is not, you know, something which anyone can do. If you have to be profitable, then you have to be careful in doing so.

Aniruddha Joshi

Okay, sure, sir. Just last question from myself. You indicated loss of some market share. If you can elaborate a bit more on that, which region we would have lost, east, west, north, south, or rural, urban, metros, which, which, any, any color...

Abhijit Roy

It's a minor share loss, you know. We were at 19.5, 19.6, it would have probably gone down to 19.4. Overall, 0.2% loss.

- across, you know, various markets, not as if, you know, we have dropped by 2% or something, you know. So, 0.1, 0.2, 0.3 here and there.
- Some gains, some losses, you know, it depends on the market, and some of it is, you know, manpower-driven, our own changes which have happened, you know, so...
- There is no specific market I can point out, you know, where we are losing sight.

Aniruddha Joshi

Okay, sure, sir. Very helpful, many thanks.

Abhijit Roy

Thank you.

Mohit Dodeja

Thank you. The next question is from the line of Jakumar Doshi. Please go ahead.

Jaykumar Doshi (Kotak)

Hi, Abhijit.

- Thanks for the opportunity.
- Just, could you elaborate a little bit on, you know, your comment on competition as stabilizing the new competition?
- So, one is, you know, whether it is, you know, the dealer penetration, tinting activity, or at dealer-level market share that you may be tracking for some of your key dealers. Is it more or less refer... were you referring to their overall sales number, secondary sales?

- If there is one, and second is, could you give us some color on what, you know, how have you seen their...
- You know, trade schemes and rebates, whether that is also stabilizing, or are they intensifying the effort there?

Abhijit Roy

So, the first question, you know... our reading of the situation is that, you know.

- If you look at the month-on-month sales, sort of, you know, the pressure that we used to feel, you know.
- that's not increasing, right? You know, so, when we do our tracking of our counters where, you know, they might be present, or new counters where they might be getting in.
- That also does not indicate any sudden changes happening there in any of the markets. So, I presume that, you know, it's very incremental changes which are happening, which is why I said things are relatively more stable.
- If you look at, you know,
- the overall scenario, you know, and when we do track the movements happening in our network, that is what we see, that, you know, we haven't seen any great
- disruption happening, or great changes happening, in the network. So, that's why I'm saying, and you will get to see that, you know, primary figures also.
- There will be an improvement sequentially. Quarter 2 was relatively muted for them, and quarter three is a move up from that perspective. But, you know, month on month, it isn't shifting greatly. November and December would be... possibly be at similar levels for them.

Jaykumar Doshi (Kotak)

Understood. And, trade schemes, rebates, any comment?

Abhijit Roy

trade schemes and rebates have been also very stable, you know. In fact, they these days announce, you know, some 3-month schemes and stuff like that. The variations are,

- limited. There is, aggression which continues. They are already, as you know.
- much lesser in terms of price compared to competition. They were at 5% discount in DPL itself. Now, they have taken price increase. As you know, they have announced two price increases, you know, totaling to 2 to 2.5% approximately on them. Correct. Some of them are now almost matched in the luxury category.
- And in the commodity, you know, the differences are still there. So, therefore, the DPL difference has narrowed down. As far as the schemes are concerned, it is still higher, but as I said, stable, you know, not increasing, not doing something disruptive.

Jaykumar Doshi (Kotak)

Very helpful. Last thing, they were late entrant in eastern region. So, you know, even in East, they have not been able to, sort of, you know, penetrate or.

Abhijit Roy

Hello?

Jaykumar Doshi (Kotak)

Yeah, they were late entrant in East,

Abhijit Roy

Right.

Jaykumar Doshi (Kotak)

So, in the eastern region, in West Bengal and Northeast. Also, you're not seeing any increase in activities, very stable there as well.

Abhijit Roy

stable there. You know, it... No major change seen so far.

Jaykumar Doshi (Kotak)

Final one, if I may. Anything you've seen, different on EXO, from EXO, after the announcement of...

Abhijit Roy

things which they have done, you know, one is, of course, you know, some of the price corrections. They used to be at a much higher elevated level in terms of their DPL, etc.

- They have reduced their prices and matched it to the market rates, you know, so that's one thing which is clearly visible. Obviously, you know, that was, you know, constraining them in terms of their prices being high in the market, so that is something which they have adjusted.
- They have launched one or two products in the economy category, you know, which they are trying to penetrate, and adding some manpower in the sales team. Beyond that, you know, I think they're a reasonably stable player.

Jaykumar Doshi (Kotak)

So basically, irrational competitive behavior.

Abhijit Roy

That's right, no irrationality is something which is being shown.

Jaykumar Doshi (Kotak)

Perfect. That is very helpful, thank you so much, and wish you the very best.

Abhijit Roy

Right.

Mohit Dodeja

Thank you.

- The next question is from the line of Anurag Dayal.
- Please go ahead.

Anurag Dayal

Yeah, hi, so this is Anurag Dayal from Philip Capital. My question is on the industrial paint category. The growth trend has been mixed, while some of the competitors are doing well in this segment. Especially for the protective coating segment, we have not done that well.

- What is the reason behind it, A? And second, how should we look at the industrial segment growth going forward? Would... could we return to kind of a double-digit trajectory there in FY27?

Abhijit Roy

Right.

- No, you're right, you know, so, automotive, we are okay, you know, we could have done slightly better than what we did, you know, but the growth rates were actually there much more in the cars, you know, not so much.
- In the other categories, we... we...
- could have registered, say, another 3-4 percentage, but that's about it. In, protective, we could have done better.
- Our prices are slightly on the higher side, I think. You know, we will have to adjust a little bit, and be more competitive. Our EBITDA margin is much higher than competition.
- We are the leader in this category. We thought that, you know, we should be able to maintain that price gap, but we may have to adjust a little bit, and the growth rates can be restored.

Anurag Dayal

So, could we expect a double-digit growth trend of next year?

Abhijit Roy

We should be able to do that.

Anurag Dayal

Okay, that's great to know, sir.

- And secondly, just on the decorative side, Q4, we already had an 8% volume growth this quarter, so it's safe to assume that we would reach a double-digit kind of a 10% in Q4, and maybe maintain a 6% kind of volume-value gap.

Abhijit Roy

Yes, you know, you can... you can think like that.

Anurag Dayal

Thank you, so thank you, that's for my questions.

Mohit Dodeja

As there are no further questions, if we consider that as the last question for the day, I hand over the call to the management for their closing remarks.

Abhijit Roy

Thank you all for coming, taking time out, and reaching here, and

- Best of luck for the rest of the day. Thank you. Thank you.

Mohit Dodeja

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