**Operator:** Hello and good evening, everyone. Welcome to the Asian Paints Ltd. Q2 FY27 investor conference. I'm Akshat Sharma from the investor relations team, and it is my pleasure to welcome you all. We are joined today by senior members of our management team, including our MD and CEO, Mr. Amit Syngle, [inaudible] EVP Finance, Mr. Parag Rane. I would now like to invite our MD and CEO for his opening remarks. Over to you, sir.

**Amit Syngle – MD & CEO:** Hello and good evening. Welcome to the Q2 investor conference. I think it is great to be speaking to you once again.

As we look at the overall picture, I think the core value at Asian Paints has always been delivering joy since 1942 in terms of what we have been doing. Here, we exist to beautify, transform, and preserve all spaces and objects, bringing happiness to the world. I think this is something which we have been pursuing, and that is something to which we remain committed.

A quick disclaimer in terms of the context that we are discussing today.

Coming to the overall areas we have looked at from the point of view of the year, and specifically from a point [inaudible] I think these are the six areas which we have spoken of as a strategic intent in terms of what we have been driving.

First of all, today Asian Paints as a brand has built a very strong overall perception in terms of where we are and what we stand for. That is an area which we wanted to continue building on. Therefore, building the brand is something for which we are looking at all forms of media, whether digital, above the line, or unique integrations from the point of view of programming. We look at all forms of media to take this forward.

The other area is innovation, and this is something to which we remain committed so that we are able to differentiate ourselves from the point of view of technology and premiumization as a larger objective in terms of what we can offer.

Then there is another differentiated area, which is services. We want to build this area, and we feel that as we go into the future, the services segment will become extremely important as a differentiated offering and also as a way to reach consumers directly.

The fourth area we have spoken of is regionalization. We think that today this is a very unique space where we are looking at the identity of a region and galvanizing our strategies from the point of view of a regional context in terms of where we see our business going.

The other area is the B2B space. We feel very strongly that, given the urbanization and industrialization taking place, as well as the overall investment in infrastructure, this space becomes more relevant and more meaningful for us as we go forward.

The last area, which I am also going to talk about, is very relevant. It is an area where Asian Paints has possibly taken the first step, and it is backward integration. This can help us from the point of view of innovation. At the same time, it can help create a significant margin pool for us so that we can continue investing in the market as we go ahead.

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These are the six areas which are very important in terms of what we speak of. As I said, today we are looking at this entire area of integrations very strongly. This is the new world we are approaching. As part of this, we have tied up with five Bigg Boss formats across five regional markets, giving impetus to the regional stories we can tell and helping us connect with the diversity of the people who come in as a scene.

Today, real-time shows are becoming a reality. Therefore, whether it is Bangla, Malayalam, Telugu, Kannada, or Tamil, we have aligned with all these formats so that we can reach out to people in their own diversity. This is not just a media tie-up. We would like to see how we can reach out to people, talk about our color leadership, talk about the inspiration of homes, and embody the local culture, customs, and aesthetics.

Therefore, we are launching shade guides in each of the five regions which are specific to those regions, so that we can communicate this nuance of color and inspiration very strongly. These are all inspirations from the Bigg Boss Beautiful Homes set which we have created in each of these integrations. This is something very unique and very different, which we think is going to give us a significant advantage.

At the same time, the entire regionalization initiative makes sense only when you are actually touching people from a regional perspective, something which truly embodies the art and culture of that region. Therefore, this entire perspective is being converted into a strong supply chain initiative, which we want to convert into a strong association with customers, influencers, and others. Those are the regional packs which you see us developing.

It is definitely something very unique, and again, it is something which only Asian Paints talks about. In addition, we have also been looking at the wood finishes pack, which embodies the entire area of wood and craft very strongly, given the higher usage of wood across homes and regions in the country. This is another very different initiative.

From the point of view of differentiation and premiumization, our endeavor is to give customers truly differentiated parameters. Therefore, we are introducing something very different in the form of the Apcolite New PU Emulsion and Satin, which is impregnated with technology using polyurethane. We are offering a range of products which provide world-class washability, and we are also offering a warranty which gives peace of mind to people using the product. That is another innovation which we are bringing forward.

The entire area of corrosion is very important, particularly because India has extreme weather conditions. Therefore, we have introduced something which is universal for wood and metal. At the same time, it uses very different technology, bringing polyurethane chemistry together with alkyd chemistry. It comes with a 4-year warranty and is another unique offering. These are some offerings which are focused very strongly on premiumization as we move forward.

The entire world of services which I mentioned has now become a norm at Asian Paints. We are creating differentiated services which become very difficult for anyone else to appropriate and take forward.

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The first of these is the Beautiful Homes Painting Service. We believe it is almost the world's largest painting service. We have brought in technology and servicing capabilities, and we are now able to give customers a differentiated experience with significant choices relating to color, visualization, and all the other elements of mechanization which we can bring in. This makes it a hassle-free and truly impressive service for customers.

The entire area of Total Assure is another differentiated service offered to large builders and large factories. We assess what is appropriate for these places, and we also provide expert execution of these projects. This is again something unique which is finding traction across the markets in which we operate.

The third area is waterproofing. Asian Paints was the first in the paint industry to introduce waterproofing products. We are now taking this to a different level by saying that we are not only offering products and technological differentiators, but also a service through which people can get the best waterproofing service from an expert, namely Asian Paints. SmartCare addresses this area.

Lastly, we are talking about asset management and asset protection. This largely applies to factories and large areas where we are able to adopt factories across locations, maintain their assets, and offer them the best products going forward.

These are four unique services which possibly no one offers today. That is a major differentiator, not only in India but across the world, in terms of what we see in these services.

At the same time, we want to reach customers through these services so that they know the services are available. Therefore, we have launched strong campaigns with clear takeaways for customers in terms of what they can receive. This creates awareness that such services are available and that customers should come forward and use them.

There is strong innovation from the point of view of creativity and the way we reach customers with what we promise, especially when we are talking about a time warranty relating to completion of the job. That is very strong in terms of what we are bringing forward.

The entire area of color is something which we have appropriated well. Last time, we spoke about the color warranty which we had introduced under the larger warranty umbrella offered to everyone. As part of that, we spoke about 5,000+ colors of freedom.

We launched Chroma Cosmos, which offers more than 5,000 shades and is the world's largest color system. A very good campaign received significant traction around the colors of India, adopting those colors and marrying them with the freedom movement. This is again very strong and innovative, and it appropriates color in a significant way as we move ahead.

As I said, B2B is a growing area. It is growing at a very fast pace, given industrialization and government spending on infrastructure. We are bringing various initiatives under 1AP to offer a range of services and products across the entire B2B platform, which includes B2B, B2C, and B2G, or government business.

Today, under our Assure program and our Juggernaut program, we offer unified platforms through which we can reach various B2B arms, strengthen these arms, and [cut off]

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**Management:** ...really be part of taking this growth to the next level in terms of what we can speak of.

Finally, one of the other differentiators which we are very proud of is an area where, for the first time, a company has stepped in to address a space which offers dual advantages. First, it brings very differentiated technology in terms of products and consumer propositions which only this kind of technology can provide. Second, it separates the area of obtaining advantages relating to raw materials and what we are able to do in that regard.

For the first time, we have entered into Gen Next green technology involving VAM and VAE chemistry. I am proud to announce that in September we started our VAE facility. This has been implemented in record time and with the highest levels of safety. It is very unique because it is green chemistry and Gen Next technology, with very low VOCs and other benefits.

It offers very unique product parameters in terms of what appeals to customers and creates universality of usage across product categories. I think this is the first such initiative in India in terms of what we are bringing overall.

Today, we have gone into phase one of the project, which has been implemented out of total capex of about 3,250 crores. The capacity is quite large. We are confident that as we move forward, within a year we should be able to ramp up to full capacity and offer this Gen Next emulsion in a very different way.

That is what we are doing. Coming to the main points of how this quarter has gone, I think it has been a fairly good quarter. Overall volumes, despite the very high inflationary environment and the steep price hikes taken in both Q1 and Q2, have grown at a good rate of about 6.4%. This is on the base of last year, which had approximately 11% growth on a like-to-like quarterly basis.

This is a strong performance, building on the good volumes of the last four quarters. We are seeing resilience in terms of volume growth, and we are taking that forward.

When we look at the overall value of the decorative business, I spoke of 6.4% volume growth. Value growth has also been very strong at 14.5%. Obviously, we have had price increases, but overall value growth has been quite strong.

From an H1 perspective, volume growth is again strong at about 8%, with value growth closer to about 16%. From an H1 perspective, the performance still looks very strong. This has been a period of significant uncertainty around raw material prices and inflation. Therefore, in a turbulent environment, I think the performance has been good.

What has lifted this entire performance is the industrial momentum. I have been speaking about this for approximately 2 years. We clearly see the trend of industrial growth continuing in terms of how we have performed.

Overall, the value growth for the quarter is about 16.4%. The decorative and industrial businesses together are lifted by the industrial growth. Therefore, decorative plus industrial stands at about 16.4% value growth and about 6.8% volume growth.

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Similarly, if we look at H1, the growth rates are similar at about 16.5% and about 8% volume growth. H1 is being lifted by the industrial performance which we are seeing today.

Net-net, what are we seeing in the market? First of all, decorative revenues are up. Volume growth is still quite healthy in terms of what we have achieved. The clear trend we are seeing is that rural markets are still leading urban markets.

The only difference is that when we look at the B2B business, we see strong performance in some urban markets, especially T1 and T2 cities. That is balancing the overall picture.

From the point of view of our distribution footprint, Asian Paints has been consistently looking at entering new towns and new clusters so that we are present and able to reach customers. This is a constant reach-strengthening program which continues. I am happy to say that even in this quarter, we have extended our reach further.

The services area, which I mentioned, continues to be strong and gives us a differentiated advantage. It works very well for the network and offers a strong proposition for customers, backed by the high NPS we are seeing.

Finally, innovation has been very strong. I am happy to announce that we continue to test the benchmark of new product contribution to overall revenues. Today, new products contribute about 18% of revenues, which shows that the innovation cycle is very strong and robust.

The phase one VAE facility which I mentioned has been commissioned, and formulations have started. As we go forward, you will see not only product innovation but also benefits from a cost perspective.

These are some of the highlights of how the business has performed.

Shifting to the area of owning the home from the point of view of space, along with services, this is an approach we have taken for some time. We see a lot of categories as part of the painting cycle because décor is very strong, and some areas of décor are fully integrated into the overall décor cycle.

This quarter, both bath and kitchen have been strong in terms of what we have been able to drive. Good growth has come through in these categories. Similarly, Weatherseal has seen good growth.

White Teak was the only business where growth was slower. Overall, from the point of view of the bottom line, the kitchen and bath business is something we are ramping up. We have been working on this for some time and continue to support these businesses because we believe the integration of décor and paint is very strong.

Industrial, as I said, has been a real high point. This trend has continued over the last 2 years. We have two joint ventures which we speak of.

One is PPG AP, which is the auto OE, refinishes, marine, and other OE business. Here, growth has been astronomical, at almost 34%, largely driven by the auto OE and industrial segments.

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There has been some inflationary impact, although the business has been proactive in passing on price increases. PBT is up by almost 10%, but the margin has fallen somewhat to about 14.2%, by 300 and 309 bps points.

When we look at JV 2, this is largely a general industrial joint venture, including protective and powder coatings. There too, revenue has been very strong, with almost 28% growth in Q2.

At the same time, there has been some setback in the bottom line because the price increases came through with a slight delay. This is something we expect to see improve in Q3.

Similarly, H1 revenues continue to look very strong in both businesses. This shows that the business is growing at a healthy pace going forward.

That is industrial for you. Coming to our global markets, this represents all the markets in which we operate and the brands we hold in some of these markets.

We have carried our innovation program into our international markets, launching a series of products across markets. Some of these markets are facing geopolitical crises, but we have continued to look forward and bring progressiveness to the various markets.

Therefore, we have launched products across geographies, focused on premiumization and products positioned at the top end. We have introduced Royale, Ultima, and Metallica across a series of markets.

This is quite commendable in terms of the contribution innovation has made to the overall growth we have achieved.

Overall, growth remains strong. Q2 is at almost 30% growth, while H1 is at about 28%. Growth has been broad-based across markets, whether Asia, Africa, or the Middle East.

On the PBT front, there has been some setback. The impact of inflation has been significant. Although price increases have been taken, they have been staggered. Today, overall PBT has come down to approximately 4.8%.

As we move forward and realize the benefits of the overall price increases, PBT should improve in Q3 and Q4.

Finally, to give you an idea of how gross margins have been moving, you will see that from higher gross margins of 45-44%, we have seen some decline this quarter.

This is despite taking a 7% price increase in Q1 and almost a 5% price increase in Q2. However, these increases do not match the inflation we are experiencing. In addition, we had inflation of about 3% in Q2.

This has impacted overall gross margins. However, we have been clear that we are taking calibrated increases so that we balance demand and maintain a clear focus on the customer while continuing to fuel the top line, which is what we are doing in Q2 as well.

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If you look at the overall standalone financials, the net sales growth I spoke about is now about 14.8%, approximately 15%. Overall gross margins are somewhat lower. PBDIT growth is close to 6%.

On a like-to-like quarterly basis, PBDIT margin is about 17.1%, compared with approximately 18.5% in the same quarter last year.

Historically, this has been a somewhat soft quarter from the point of view of the bottom line, especially because the product mix in this quarter is somewhat subdued. It is more seasonal. Therefore, this is a very different quarter and should not be viewed in the context of successive quarters.

This quarter is definitely very different and very seasonal from that point of view. PAT is still stronger, with almost 15% growth, which is very healthy, obviously aided by some other income.

From an H1 perspective, the picture is much brighter, with top-line growth closer to 16%, given the performance in Q1.

The important point is that PBDIT margin growth at the half-year level is very good. From the point of view of the overall PBDIT margin, it is in the higher range of the overall band we have been discussing, at 19.6%. That is the more relevant detail to consider because [trails off]

**Management:** Today, given the inflationary environment and the volatility, I think the H1 picture is more representative of where margins and overall business growth stand.

When we look at the consolidated figures, the numbers are not very different, although they are slightly higher from a top-line perspective. Net sales grew by about 17% in Q2.

PBDIT margins are somewhat lower at about 15.6%, lower by about 202 bps points. Overall PAT shows about 7% growth from a Q2 perspective.

On the H1 side, which is possibly the right perspective for looking at this quarter, growth is very strong both at the top line and at the PBDIT margin level, which is about 18.2% within the band we have discussed. PAT is also very healthy at about 24% growth.

These are strong numbers from the point of view of the first half, given the environment we have been operating in.

Going by that, we have announced an interim dividend of Rs. 5.75. We have broadly maintained the same payout ratio, at almost 21.4% in H1 FY '24 compared with what it was last year. This gives a clear signal about where we are headed for the year.

The overall outlook continues to be somewhat volatile. We are seeing raw material inflation, and the volatility continues. Competitive intensity in the market is also very strong and challenging.

At the same time, there are other challenges which will emerge, including the anti-dumping duty on TiO2, which has been announced and is effective October 24. These are areas which we will need to consider when looking at the outlook for Q3 and Q4.

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When we look at the full festive season, the previous quarter also saw some deferment because Diwali is later this time, in November. Therefore, Q3 should benefit from Diwali as well as the wedding season in this market.

Overall, in Q3 we will continue brand building, introduce innovation, realize some of the benefits of VAE through differentiated formulations, and balance some of the inflation from a cost perspective.

We will continue to take a calibrated view on pricing while trying to balance margins going forward, so that we do not disrupt consumer demand.

Looking at the overall benefits from the ESG framework which we have been following, this is a framework with which you are familiar. It is a very strong framework covering water neutrality, becoming nature-positive in hazardous waste and other areas, and product stewardship involving renewable and biodegradable raw materials which we use.

All these areas have been strong. If you look at the achievement at the H1 level, it is very strong and broadly in line with the targets.

More importantly, the social area has been very strong. Through the Beautiful Homes Academy, we have been training lakhs and lakhs of artisans, and the program has become much more inclusive of the artisan community, including carpenters, plumbers, painters, and others.

This is a very strong area and continues to be one of our strengths in terms of what we offer. It is something which consistently gets cited in terms of our offering.

That is a glimpse of the various things we have done. Overall, it has been a good quarter. Thank you.

**Operator:** Thank you, sir. We will now open the call for the question-and-answer session. We will wait a few minutes for the queue to form. To ask a question, please raise your hand using the participant tab on the screen.

The first question is from Mr. Mihir Shah from Nomura. Mr. Shah, we request you to kindly unmute and ask your question.

**Mihir Shah – Nomura:** Hi, sir. Thank you for taking my question. Good evening. Can you talk about how demand is shaping up in October? Specifically, Q2 volume would have been lower because we saw some inventory fill-up due to the price hike. How is normalized volume growth looking in October? Has the inventory which was filled up earlier also normalized in October?

**Management:** Overall, when we look at Q2, we have received the full impact in terms of the overall {? situation ?}. That is why it is the full impact {? in terms of what we see ?}.

From the point of view of overall volume, the product mix has been somewhat different in terms of what we achieved. As I said, this is a quarter with a different product mix. We have a lot of products which move seasonally, because this is also a stocking quarter from that point of view.

In that context, volume was quite decent in terms of what we were able to achieve. The impact of inventory has been fully reflected in what we have taken.

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**Mihir Shah – Nomura:** Understood. Secondly, with the price increases you have taken, Q2 will also have a mix impact because there was no exterior painting, which carries higher margins, whereas in Q3 exterior painting is likely to return. With that mix coming back, how should one think about the impact on gross margin? This time, it will appear optically much higher.

I understand that you have had a 28% cost increase and taken more than 20% in pricing. What should we understand about the normalized gross margin that we can deliver in the second half?

**Management:** Obviously, we have now taken further price increases. We have announced almost a 3.5% price increase for November, which has already been announced. This also takes into account the impact of anti-dumping duties.

As we go forward, that calibration will continue. From a gross margin point of view, it will depend on the amount of further inflation which comes through.

This band of about 41%-43% is the band which we are looking at going forward.

**Mihir Shah – Nomura:** Perfect, sir. Lastly, one quick question on the NextGen emulsion which you spoke about. I know this is the first time in India that it is going to be produced by you. Are these types of products available with anyone else in the market? Or will this be such a differentiated product that nobody else in the market will have it?

Also, the 18% VAE that you mentioned, are those differentiated products which may not face significant competition? I just need some clarity on that.

**Management:** If you look at it, there are two things. First, the VAE which we are making is a very differentiated VAE and not the general VAE which is available worldwide. There is clear technological ingenuity in what has gone into it.

This ingenuity gives us two or three benefits. First, it gives existing products some varied qualities which are consumer-focused. At the same time, it gives birth to some differentiated new products which may also enter the patent zone.

That is one part, relating to the entire area of differentiation.

From the point of view of our NPD, this has also been a continuous program. We look not only at filling consumer gaps but also at addressing the unstated needs of customers.

We continue to ensure that some of these initiatives are truly differentiated. We have reason to believe that this part of the NPD program which we pursue is reasonably differentiated and continues to give us a very strong differentiated offering in the market.

**Mihir Shah – Nomura:** Got it, sir. Thank you very much, and I wish you all the best.

**Management:** Yes.

**Operator:** Thank you. The next question is from Abhi Mehta from 360 ONE Capital.

**Abhi Mehta – 360 ONE Capital:** Yes, hi. Am I audible?

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**Operator:** Yes, sir.

**Abhi Mehta – 360 ONE Capital:** Hi, sir. I wanted to follow up on the margin pressure. You alluded to pricing being taken, but given where gross margin and EBITDA margin were trending, do you see any risk to the 18%–20% band which we were looking to maintain as the EBITDA margin level? Please share your thoughts on that.

**Management:** As I said, given the volatility we are seeing, even for Q2, if we look at the H1 picture, both at the standalone level and at the consolidated level, we are within the band we have stated.

As we go forward, while we are calibrating price increases, we have also launched a strong cost-excellence program. We also have VAE coming in and being incorporated into our formulations.

We believe that as we go forward, for the year we should be able to maintain the band we have spoken of, which is 18%–20%.

**Abhi Mehta – 360 ONE Capital:** Perfect, sir. As a follow-up, is there any range for the potential benefit from VAE? How much can accrue from phase one?

**Management:** Right now, we are at a stage where we are normalizing the formulations. However, we believe that when it reaches its full potential, it should give us an advantage of 300–500 bps points.

**Abhi Mehta – 360 ONE Capital:** This does not depend on all phases coming in, correct? The 300–500 bps points, sir?

**Management:** No. Right now, it is looking at what we can do through an extension of phase one and into a good part of phase two.

**Abhi Mehta – 360 ONE Capital:** Got it, sir. Lastly, from a volume growth perspective, you alluded to the first half being more representative. Should I view it that way from a volume growth and value growth perspective in terms of how we should look at the demand environment? Any thoughts would be helpful.

**Management:** Overall, given the longer Diwali, we should get good traction during the October–November period in Q3. We also have the wedding season coming in.

From this point of view, rural markets may face some questions because of the monsoon deficit. Overall, however, we believe it would be reasonable to expect volume growth of about 8%–9% going forward.

**Abhi Mehta – 360 ONE Capital:** Perfect, perfect. Thank you very much, sir. I wish you and everyone else a happy Diwali.

**Management:** Thank you. Same to you.

**Operator:** Thank you, sir. Mr. Aditya Bhartia from Investec. Sir, we kindly request you to unmute and ask your question.

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**Aditya Bhartia – Investec:** Hi. Am I audible?

**Operator:** Yes, sir, you are.

**Aditya Bhartia – Investec:** Perfect. My first question is on the profitability of the industrial and international businesses. In the standalone decorative business, it seems you have managed to pass on price increases to the extent that we are seeing decent EBITDA growth. However, in the industrial and international businesses, there seems to be a lag.

I wanted to understand the outlook for these businesses and whether you feel confident that all the cost increases, or essentially whether those costs are further going down [cut off]

**Aditya Bhartia – Investec:** [inaudible] Can you respond?

**Management:** How we see it is that even in industrial, we divide it into JV 1, which is the auto OE, refinishes, and industrial business, and JV 2.

You must remember that most of this industrial business is B2B, and typically in a B2B business there is definitely a lag in price realization. That is what has happened.

JV 1, which is PPG AP, has performed relatively better. They have been able to obtain some of the increases, but there is definitely a lag.

In JV 2, which is APPG, there has been a greater lag in realizing some of the increases we are taking. However, we are mindful that there are no alternatives in this regard. We have taken the necessary steps, and we should gradually see some improvement in the coming quarters.

As far as AP Global is concerned, the situation is somewhat more complicated because of the geopolitical situation, and there is greater extremity in various markets.

We have been somewhat more comfortable in the Asian markets, but the markets of the Middle East and Africa have been more problematic.

It also depends on the strength we have in various markets and our ability to take some of these increases. There has definitely been a lag, but at the same time, we have been able to drive top-line growth of almost 30% in Q2.

Therefore, we are anticipating some improvement in the coming quarters and will try to build on the lag which has occurred at this stage.

**Aditya Bhartia – Investec:** My next question is on the potential impact of the anti-dumping duty on TiO2. How much does that increase our cost by?

If we look at the divergence between the cost increases required and the price hikes taken, there appears to be a reasonably large gap, especially given that costs have started going up again.

What are the other levers we have apart from price hikes? Have discounts to the market been eliminated, and are we shrinking the {? rebate bills ?}, which means that the effective price increase can be higher than what the headline numbers indicate?

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**Management:** This is not something which we are unfamiliar with. If you remember, the anti-dumping duty was imposed earlier, and that gave us a heads-up regarding the various initiatives we had to implement within the organization.

One of the bigger initiatives has been rationalizing the overall use of TiO2 through various chemistries. That is something we have been doing for some time.

The second area is the use of differential grades and how we can maximize the benefit from them, because the anti-dumping duty varies from grade to grade. That is another area we have examined.

Having said that, it could have an impact of anywhere between 2%-3% on the overall cost structure.

We have tried to match this through some of the increases we are taking because we knew this was coming. As we move forward, we will have to watch how overall China pricing develops.

Last time, we saw that, given China's large production capacity, producers tried to ensure that the effect of the overall duty was marginalized by the subsidy they provided themselves in China.

It remains to be seen, but roughly it should be in the range I have mentioned.

**Aditya Bhartia – Investec:** That is very helpful. Thank you.

**Operator:** Thank you, sir. The next question is from Mr. Manoj Menon from ICICI Securities.

**Manoj Menon – ICICI Securities:** Hi, team. Just a couple of follow-ups. Good performance on the revenue and volume side.

I am trying to understand the performance on the decorative side. While I understand that the absolute cost increases have been attempted to be passed on, from the point of view of relative competitive intensity, how do you see the situation currently?

If there is an x% inflation at the industry level in decorative paints, is the industry able to pass on all the increases, or is that still some time away?

**Management:** As I said, in the market we have been very clear that some of the increases we have taken do not match the level of inflation. That gap is very obvious.

What we see is that competition has also done the same to some extent by following the same trajectory. Therefore, there are no different actions from competitors in terms of what we see.

However, competitive intensity at the network level, including promotions and other activities, has remained the same. In fact, it has only increased.

Overall, many players are probably in the same situation, not covering the full inflation while expenses remain high.

We have tried to balance this by focusing on premiumization going forward. As you see, Q3 should have a better product mix.

Second, we have the cost-excellence initiative which I mentioned. Third, VAE is coming in.

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At the H1 level, we have been able to retain the band we have spoken about. That gives us confidence that going forward, we should be able to manage the business with the increases we have taken.

**Manoj Menon – ICICI Securities:** Thank you, Amit, sir. Just a follow-up before I ask the second question.

Is it fair to say that, as the market leader and perhaps along with other industry players, you are concerned about price elasticity and its effect? Given that you said competitive intensity has been and remains high, I am trying to understand whether the difficulty in passing on all input inflation at an absolute unit level is related to consumer sentiment.

At the end of the day, price increases are an art and not a science. I am trying to understand why the entire impact could not be recovered, whether in terms of absolute profit loss or, in some periods, percentage loss, through {? direct relief ?}.

**Management:** If you look at the past, we have also faced inflation. From the point of view of price elasticity, I do not think it is only an art; it is also a science to understand how consumers will respond.

We are in a discretionary category. It is not a category which is used every day. Therefore, one lever consumers use when they are under pressure is to defer the maintenance component of this category when prices increase.

The second impact could be that people downgrade what they were going to use and move to a somewhat lower-end product.

We are mindful of that. Today, when you estimate demand, a customer will accept a certain level of inflation. If inflation goes beyond a certain point, it will obviously affect demand.

There is also the environment of uncertainty and the other factors which come into play.

Therefore, over the last 3 months, we have tried to create an environment of stability so that customers do not see prices increasing every now and then.

I would say that it is a multitude of factors which we consider so that we can address some of the apprehensions at the customer level. Therefore, I do not think it is reasonable to pass on the entire impact under the current circumstances.

**Manoj Menon – ICICI Securities:** Understood. Thank you, that is absolutely clear.

Second, a quick question or clarification on our earlier understanding that the backward-integration projects we have undertaken would result in approximately 200 bps of benefit, particularly because that was the plan a few years ago.

Where are we currently in terms of timelines? More importantly, do you see this as a through-cycle 200 bps benefit?

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**Management:** I have said this many times and will say it again. Currently, as we said, we have commissioned the plant. It is a good achievement and we have commissioned the overall project in record time.

As we proceed, we will use part of the overall capacity until March. Our plan is to utilize the full capacity of phase one next year.

That is the plan in terms of what we want to do, and this will give us strong benefits from three points of view.

First, it will give us significant advantages in our existing products through differentiated offerings, green products, and bottom-line benefits in terms of overall margins and cost savings.

The second angle is that it will help us develop newer products with newer areas of consumer benefit. These products will also give us revenues in the premium segment in a very different way.

There are many advantages which we are seeing going forward.

As I said, we should be able to utilize the full capacity of 150 KT next year.

**Manoj Menon – ICICI Securities:** Thank you very much, and season's greetings and good luck, sir.

**Management:** Thank you.

**Operator:** Thank you, sir. The next question is from Mr. Amit Purohit from Elara.

**Amit Purohit – Elara:** Thank you, sir. [pause] If we look at VAE, {? is it fair that VAE ?} can be used in this part of the portfolio, [inaudible] can it be [inaudible] at an overall level?

**Management:** First of all, it is across the category of products. That is the innovation we are bringing because the market perception is that it can only be used in premium products.

We are trying to disrupt that perception very strongly and move in that direction. At least this is the minimum benefit we believe we should be able to achieve. It could be higher going forward as well.

**Amit Purohit – Elara:** At the overall company level, can this benefit, which you may choose to pass on to the market in a different way, be reflected either through savings or through margins? Is that how we should think about it?

**Management:** Absolutely. Both.

**Amit Purohit – Elara:** Lastly, on demand, we have seen comments about moving working advertisements, especially on the painting service side, quite frequently nowadays.

If we take that into consideration, is it fair to assume that the environment in which the economy segment used to perform better than luxury has now reversed, with luxury performing better? Should we therefore expect second-half margins to be better than first-half margins?

**Management:** As I see it, India is a very large market. We give the entire economy segment and economy emulsions a very strong priority because a large part of the population consumes these

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products. Their contribution to our overall business is also fairly high.

At the same time, Asian Paints has been working to show customers how they can upgrade to premium, luxury, and super-luxury products.

We are present across all the segments. Obviously, the attempt is to drive the premium, luxury, and super-luxury brackets at a higher rate than the economy segment.

At the same time, the economy segment will remain very important from the point of view of galvanizing our network and reaching every stratum of consumers in the market.

**Amit Purohit – Elara:** Thank you. Thank you.

**Operator:** Thank you, sir. The last question is from Mr. Prateek Poddar from HSBC.

**Operator:** So kindly unmute and ask your question.

**Management:** Are you able to unmute yourself? [pause] No response.

**Operator:** Mr. Prateek has been facing some technical difficulty at his end. We would therefore like to conclude the question-and-answer session here. On behalf of Asian Paints Ltd., this concludes today's conference. Thank you for joining us. You may now disconnect your line and exit the webinar. Thank you, everyone, once again.

**Management:** Thank you all.

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Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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