



10th February, 2026

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Sub.: Q3 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 28th January, 2026, 3rd February, 2026 and 4th February, 2026, with respect to the Conference Call hosted by the Management of our Company on Wednesday, 4th February, 2026 at 11:00 hrs India Time to discuss Q3 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
Q3 & 9 Months FY '26 Earnings Conference Call”
February 04, 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

Moderator: Ladies and gentlemen, good day, and welcome to Kansai Nerolac Paints Q3 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in 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. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes. Thanks, Iqra. On behalf of ICICI Securities, we welcome you all to Q3 FY '26 and 9 months 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. Thanks, and over to you, Pravin, sir.

Pravin Chaudhari: Yes. Good morning, all of you. I'll request Jason to walk you through a brief presentation and the comments.

Jason Gonsalves: So good morning, everyone, and greetings to you. I'm grateful for your continued support and interest in our company. Thanks for joining this investor call of Kansai Nerolac. I'll begin by going through our presentation.

One of the first slides is on the Nerolac purpose and vision. Our purpose is to create environments for a healthy and beautiful future. And our vision is to design solutions that protect, inspire and touch lives every day. Kansai Nerolac is a water-positive company and is committed to reduction of emissions and improving the percentage of green energy used by the organization.

When it comes to our brand, our legacy is very strong. We have a 100-year-old excellence model. Our robust strength lies in R&D capabilities and strategic technology partnerships, especially in the industrial segment, where we deliver continuously cutting-edge solutions across diverse applications. Despite intense competition, our brand continues to command attention.

We proudly hold the position of a second most recognized brand in terms of the brand equity index nationwide. Our Nerolac Jingle, which has been there for more than 3 decades, also resonates across various age groups. I think that's another asset that we have created, and we are leveraging it pretty well. Our spirit of innovation is deeply rooted in advanced Japanese technology, which has been the driving force behind our industrial business.

Looking ahead, this same technological edge will increasingly shape our decorative segment, enabling us to continuously introduce breakthrough concepts that align with growing demand for premium products. A prime example of this was our Paint+ range, an exclusive line of category-defining products launched a few years ago, offering Indian consumers a truly differentiated experience in decorative paints.

Coming to the business environment. During the quarter, we saw a very good demand for automotive products fuelled primarily by GST cuts, the continued focus of government on infrastructure. Of course, there was extended monsoon in the beginning of the quarter. This time, the festive season was shorter because of an early Diwali. The quarter also saw a lot of geopolitical conflicts and tariff wars. Rupee was depreciated significantly in the quarter and the crude price remained range bound.

Coming to business highlights. In decorative, among the key things that have happened during the quarter, Paint+ group of products, which we had launched. Today, their contribution to overall decorative business is greater than 10%. The project and institutional business has shown a double-digit growth. We have been able to add 3,500 dealers in our network as on December '25.

Our specialty stores that the Nerolac NXTGEN Shoppe, Shop in Shop and Nerolac Plus Paint Zones, today, the network is more than 600 plus. We have a strong double-digit performance in construction chemicals, waterproofing and premium wood finishes. Services have continued to grow and are contributing more than 5% to our overall decorative business. And during the year, we have launched 11 new products and new product's contribution to decorative business remains pretty stable.

Among the innovations that we have launched during this quarter is the Excel Everlast 20, a product which offers 20 years performance, having superior weather resistance, including nonfading of shades and waterproofing property as well as water-based Excel Total Floor Coat, which is a product which offers excellent resistance to abrasion, algae resistance and resist hot tire marks, especially designed for paver blocks and cement tiles.

In industrial, in automotive 4-wheeler, we have launched a BTX-free metallic, monocoat, matt product for interiors of cars, a 1K common conductive primer having superior addition on multiple plastic substrates. For the 2-wheeler industry, we have developed a PU matt metallic monocoat and we have implemented against the existing 2-coat system, having superior properties of no colour transfer and of petrol rub after 0 hours of post baking and no gloss variation in broader workability band.

For the commercial vehicle segment, we introduced low-bake epoxy CED black, which will help reduce the baking conditions significantly. In the performance coating liquid segment, we have introduced low-bake back coat and top coat for coil coating, which has both been approved and commercially supplies have started. In the powder coating segment, we have introduced high scratch resistance coatings, especially designed in matt black and matt white variant.

Coming to our media campaigns. Our Ghar Ki Raunak campaign was extensively run. Our iconic Jingle modernized to resonate with today's consumers while preserving its nostalgic charm. This refreshed sonic identity is already gaining traction, adding a vibrant new dimension to our promotional strategy and further strengthening our brand record. This is promoted on all major media platforms like TV during the Asia Cup, radio, audio, digital videos, banners and social media influencers.

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

Coming to industrial highlights. In automotive, the auto segment witnessed very strong growth in Q3, fuelled by GST 2.0. And there has been a strong focus on innovation and creating new technologies to increase total addressable market. In performance coating, in the liquid segment, we witnessed very strong demand in the general industrial segment, driven primarily by construction equipment and pre-engineered buildings.

In powder coating, we were able to have a stable demand momentum, driven by auto ancillaries, electrical appliances and furniture segment. In auto refinishes, we witnessed a stable demand during the quarter. In the premium PU segment, we have had notable body shop wins and the conversion from solvent borne to waterborne systems is transitioning as per plan.

We won a number of accolades during the year; the Dragons of Asia Marketing Award in Q2 '25. The gold -- we were the Gold Winner in Ambient Media in Q1 '25, the Goafest in Q1 '25, 7 Baby Blue Elephant awards. We won significant awards from automotive majors like TAFE, Maruti Suzuki and Suzuki Motorcycle India.

Coming to the area of ESG, KNP was rated in B category in climate change and water security in the CDP Cycle 2025. And we were rated in the top 12 percentile within the chemical industry group in the S&P Global Large and medium -- Mid-Cap ESG's Index 2025.

In CSR, through our initiatives, we remain deeply committed to driving positive change in the area of education, health care, women's entrepreneurship and skill development. These efforts reflect our ongoing dedication to giving back to society in meaningful and sustainable ways, empowering communities and fostering inclusive growth.

Coming to our financial results. For the quarter, our growth in net revenue was 3.5%. For PBDIT, it was 0.2% and PBT before exceptional items was minus 3.7%. On a YTD basis, for stand-alone, the net revenue grew by 1.9%, PBDIT is down by 3.2% and PBT before exceptional items is down by 4%.

On a consolidated basis, for quarter 3, our net revenue is up by 3.1%, PBDIT by 2% and PBT before exceptional items is down by 3.7%. For the 9 months ending December, our net revenue was up by 1.5%, PBDIT is down by 2.4% and PBT before exceptional items is down by 3.1%.

Coming to risk and outlook, among the significant risks that we see, geopolitical tensions leading to supply chain disruptions and volatility in commodity prices, inflationary risks due to the tariffs uncertainty and import cost surge due to rupee depreciation.

Among outlook, as per RBI, construction activity would see a sustained momentum. Demand momentum generated by GST is expected to continue in quarter 4. Automotive segment is expected to maintain growth momentum and growth in infrastructure such as railways, roads, airports, power augur well for the paint industry and will drive demand for high-end coatings.

Thank you. This marks the end of the presentation. We will now take question and answers.

Moderator: The first question is from the line of Avi Mehta from Macquarie Capital.

Avi Mehta: I wanted to kind of first check with the decorative side. Could you give a sense on how the momentum was in 3Q? And what gives you comfort on the recovery? Also, if you could cover if there's any change in the competitive intensity, especially after the merger of AkzoNobel and JSW?

Pravin Chaudhari: Hi, Avi. So as far as deco is concerned, October, because of shorter Diwali, obviously, was not great. But what we saw -- as we run through this quarter, we saw that November and December, there was quite a good recovery. So, we are seeing that there is a good growth momentum, which is coming back now. And we hope that continues in Q4 as well as we move into Q4.

On competition intensity, yes, competition intensity still remains pretty intense. And as far as this Akzo and JSW is concerned, obviously, as they stated, the royalty is what they're going to pull back in the market to develop and obviously invest in either influencer or media depends on what they prioritize.

But that will remain to be seen as to how they deploy and what will be the effectiveness given the network. But obviously, everyone is trying to protect their own market and try to grow. So, I guess that intensity will continue to remain for some time now.

Avi Mehta: Got it, Pravin. Got it. Pravin, if I may, just essentially on the -- just closing on the other side, which is the industrial side. Now clearly, your comments on the industrial side was a lot more constructive. Now if automotive is seeing the kind of growth, it is seeing and decorative recoveries where it is, how do you see the EBITDA margin profile in the near-term for us? And is there a risk on that 12% to 13% number that you had shared target?

Pravin Chaudhari: Right. So, Avi, if you look at the kind of investments we're doing either in terms of manpower, feet on street, our influencer connect programs have intensified. We are investing heavily in that, whether it is architect, whether it is painter. Our CCD machine deployments have increased. We are now close to 85% of CCD machine we are reaching that target and also very actively investing in our dealer opening.

So, if you look at on decorative front, we are obviously not letting ball fall, and we are investing heavily in this area. Obviously, given that even industrial has pretty good runway as we see as far as quarter 4 is concerned. With all that happening, you will see that in quarter 3, we still maintain our EBITDA guidance of 13%. So, I think we are very cautious of this, and I think we maintain that. I think that is how it will be going forward. It will remain 13% to 14% is what we maintain even now.

Avi Mehta: Sorry, 13% to 14% EBITDA margin guidance?

Pravin Chaudhari: Yes. That's the range we intend to maintain.

Avi Mehta: Okay. And sir, last bit on the industrial side. If you could kind of just give a sense on for -- just a reminder of how margins differ between industrial versus decorative qualitatively or any numbers over there? And where do we stand versus pre-COVID, just to understand the work that has been done over there? That's all from my side.

Pravin Chaudhari: Right, Avi. So, while we'll not able to share a breakup or exact number, but I can only tell you that pre-COVID, I think our profiles have dramatically improved. And as far as our industrial margins are concerned, they have also improved. And in fact, that is how we are able to also try to invest more as far as decorative is concerned and manage overall guidance.

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

Mihir Shah: Sir, my question is on the staff cost. If I see entire last year and whatever seen over the past quarters of this year as well, the staff cost has remained elevated vis-a-vis the sales growth momentum that is there. I understand that you have been investing into higher staff costs?

But then when do you expect the benefits of higher investments to start showing into the decorative volumes, especially with the dealer reach increase and the feet on street increases that you have been doing seems to be higher than the industry average. And I want to understand when are you expecting the investments to start yielding results? That's my first question.

Pravin Chaudhari: Thanks, Mihir. So yes, you are right. I think investment is happening not only in decorative, but also on the industrial side, selectively in industrial, especially in our focus areas. And we are trying to expand our segmental play as far as industrial concerned, that is also called for some kind of investment in manpower. And obviously, this allied manpower investment happens across the chain.

As far as decorative is concerned, the investment that we are doing on manpower is yielding results, and we saw that in quarter 3 in terms of improvement in the performance metrics at town level. So, I'm sure that continued -- I'm sure that continued effort will start yielding greater results as we move forward.

Mihir Shah: Understood. Sir, secondly, if you could share some insights on how your older dealers has -- you've been able to hold up your older dealers and how that has changed with the competitive intensity increasing. Is there a material churn that is there in the -- probably the tail end of your dealers that is there, which is why there is an impact? Or there is no major churn in your dealer network, and you're just keeping on building on through newer dealers on this?

Pravin Chaudhari: So, Mihir, churn is there every year. I mean, what we have seen is percentage of churn has not changed at all. I think it remains the same. And the good part is our weighted-rich dealer; obviously, we can retain. And obviously, at the same time, acquiring a new competition dealer, which is a normal phenomenon in the industry that keeps happening. So, there's no material change that I'm seeing.

Obviously, it is the overall demand environment and intensity that is being seen. That is what is resulting in obviously realigning of share at each counter, but that doesn't mean that share loss is very different than what it has been in the past.

- Mihir Shah:** Got it. That's heartening to know. And sir, lastly, I wanted to just check on the gross margin profile. The third quarter usually with the exterior paints kicking in, you have higher margin profile. One would expect sequential improvement in gross margins, but because your industrial and auto segments, we can see the car production numbers have been robust.
- Maybe because of the mix change that happened, maybe the gross margins did not sequentially see an improvement. However, going forward, with that normalizing and with the input costs remaining constant, is there a possibility for gross margins probably to inch up further from these levels?
- Pravin Chaudhari:** Yes, you're right on mix front, yes, that's the right observation. And going forward, I think if our geopolitical situation remains as it is and if improvements that are happening currently, if that continues, I'm sure you can see some change, but I don't think there will be dramatic change that will happen.
- But -- and historically, for quarter 4 of ours as far as decorative is concerned, mix is also not favourable for us. So, in a way, I would say -- we would like to say that it will be at same level or marginally better, not significantly different as far as Q4 is concerned.
- Moderator:** The next question is from the line of Mrunmayee Jogalekar from Asit C. Mehta Investment Intermediates.
- Mrunmayee Jogalekar:** Sir, I wanted to know a little bit on -- so is the assumption correct that the deco revenue growth would still be negative in this quarter?
- Pravin Chaudhari:** I would say it is marginally negative to flat. That's how it is.
- Mrunmayee Jogalekar:** Okay. So, in that case, then industrial revenue would be slightly in the double-digit range growth?
- Pravin Chaudhari:** Yes, about that, touching double-digit, yes.
- Mrunmayee Jogalekar:** Right. So, within that, can you just give some colour because auto growth would be much higher in this quarter. Is that the right thing to assume?
- Pravin Chaudhari:** Sorry, can you come again?
- Mrunmayee Jogalekar:** I mean within that 10% industrial growth, can you split it up between, say, auto and some of the other non-auto segments?
- Pravin Chaudhari:** That will be difficult to say that because we don't give that breakup. Historically, that has not happened. Yes.
- Mrunmayee Jogalekar:** Okay. Okay, sir. All right. And sir, in the Q4, because in Q3, decorative revenue had an impact in the month of October, so March should ideally be a much better growth, probably closer to mid-single digits?
- Pravin Chaudhari:** As far as Q4 is concerned, yes, that's our intent.

- Moderator:** The next question is from the line of Amnish Aggarwal, an Individual Investor.
- Amnish Aggarwal:** Amnish from PL Capital. I want to know what exactly is the trend in the volume growth, both in decoratives as well as in the industrial. And based on that, have we -- how does our market share stand now in comparison to what we were in the previous quarters?
- Pravin Chaudhari:** Yes. So as far as market share is concerned, industrial, we are able to grow market share. And in case of decorative, it will be about same market share. Now as far as volume gap is concerned, volume, we have not been showing it any time. So, I don't think I'll able to share that. But only thing I can tell you as far as deco is concerned, our volume and value gap is nil. We're exactly at same level.
- I think that's a positive change from the mix point of view. And I think that is what we are trying to pursue. So, it is important for us to ensure that our premium segment grows, which have done very well in quarter 3. So, I think that's the direction we would like to take going forward as far as deco is concerned.
- And as far as industrial is concerned, I think typically, we look at really value because that's what matters. When you look at the high-end products, I think value matters more than volume. And there also, we are -- I think as we see things, I think we have done pretty well as far as overall industrial is concerned from volume perspective as well.
- Amnish Aggarwal:** Okay. Sir, I just wanted to understand how is the decorative volumes are going for Kansai and for industry? Because if I look at, say, market leader or any other player, everyone is today having, say, your putty construction chemical and waterproofing for everyone, it is growing in double digits?
- So even after that, if the volumes are, say, in the low-single-digit to mid-single-digit for most players, okay? So then how is the -- actually, if I look at pure paints volumes, how is that volume going for the industry and for Kansai?
- Pravin Chaudhari:** So frankly, because what is the industry details are not available at mix level. But I guess your observation is right, the volume value gap obviously is signified by poor mix. And second thing is higher discounting in the existing range. Both are the components.
- And I think in some con call, they must have shared this. But as far as we are concerned, obviously, putty is pretty easy. You can always dump it and at a higher discount, but it is not obviously making great margins. So consciously, we are not playing that.
- So as far as my important terms are concerned, my strong areas are concerned, obviously, I might put it as a package, but not -- that's not what we are using as an entry point in some other areas. So that's as far as we are concerned, I think it is important for us to focus on the product mix and looking at the premium nature and premium improvement as far as we are concerned.
- Moderator:** The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities.

Tejash Shah: Sir, you called out that competitive intensity is still very high. Just wanted to understand, is it increasing? Or is it kind of staying the same, a? And b, in what facet of business is it kind of surfacing the more? In the sense, is it more discounts at dealer level or customer level or even at resource level on the back end, be it on human resource or raw material -- securing raw material, which all facets we are seeing this competitive intensity there?

Pravin Chaudhari: Yes, Tejash, I think intensity is there across. The manpower deployment has happened a long time. I think that remains elevated across industry. As far as discounts are concerned, obviously, they have also increased, but they are now at similar level. There's no immediate reduction that you have seen as far as Q3 is concerned.

Obviously, there have been some price adjustments, which was announced by competition, a very marginal one, 2% to 3%, but that I don't think is also aimed to obviously try to adjust some bit of discount. I think it's a slow -- I mean, direction suggests that at least.

As of now, ending Q3, we have not seen any change in the intensity on all the front that you mentioned, whether it is influencer, whether it is dealer discounting or investment in the manpower. That all continues as far as decorative is concerned.

Tejash Shah: And sir, the new entrant has also launched this EMI scheme, which has actually hit the dealer level as well. So, we have picked up that it is very much in execution as well. So just wanted to know your thoughts. Is it a tool that we'll like to use in future to recruit customers? Or you believe that, that doesn't move the needle and hence, shouldn't be kind of triggered?

Pravin Chaudhari: I think the initial euphoria in terms of any new scheme will be there. But having seen the industry, I think it will be very difficult for this to sustain at a scale that it will demand. I think there are other players in similar industry have tried setting up fund to finance, but I don't think it has gone anywhere. So, I think we'll have to wait and watch. I think how that progresses. But as of now, our belief is that it should not -- I mean, scaling will be a problem, but we'll wait and watch how things go.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance.

Keyur Pandya: Two questions. So, first, on the industry growth. I mean, looking at overall growth for the listed players, it seems that as earlier participant highlighted that core paint growth is either low or no growth. Now are you able to assign any reason? Or are you seeing any changing trend after, say, all the fiscal and monetary efforts from the government? So that is first question.

And second question on your growth. So overall revenue growth into low-single-digit. At the same time, you are highlighting that industrial and automotive have done well. Does that mean that your decorative has de-grown in value terms?

And why I'm asking is that because Asian Paints JV for auto and industrial, both are growing in, say, either in high-single-digit or double-digit for last 2 or 3 quarters, which suggests that they have gained share. So, which of the segment is -- I mean, in which of these segments, decorative industrial, are you losing share, if so? So just clarification on that.

Pravin Chaudhari:

So Keyur, I think it depends on what you look at. I think as I mentioned earlier, as far as decorative is concerned, we are -- our volume and value gap is almost zero. That suggests that our focus on really selling quality or mix is very important for us. So, there's other products which are, I would say, low-margin products like putty and there are some other products which obviously they are in the industry and which is getting pushed, we are trying to cautiously be away from that segment. And that is what is resulting into this. So, it depends on how you look at market share.

I think what we are really concerned about is our future I would say, growth projections and maintaining profitability or improving profitability going forward, that will happen only if we try to invest in the quality of mix. So that is as far as decorative is concerned.

On industrial, yes, again, same thing. We are looking at premiumizing our portfolio and focusing on the profitability and investing systematically to build that. As a result, obviously, if we look at segmental-wise, there's no loss of share at all. And all that might have happened is there is a segment which is we are not representing. For example, marine.

We are not there in the marine at all because of our global arrangement, we are not -- we can't play in India. So that is how -- there are such segments where we don't play. Obviously, if there is a growth in that area, one can say that as an industry, there might be share realignment. But as far as our segment play is concerned, there's no share loss at all.

Keyur Pandya:

Sir, just first question of any green shoots on industry growth. So, core paints seem to be either not growing or growing at very low-single-digit. Are you seeing any green shoots? I mean, earlier we used to have -- so just core like-to-like products, what were there, say, 5, 6 years back. I mean, with no much large inflation or no large price cuts, there shouldn't be any value volume mismatch for those category of products, except for discounting?

Now they used to grow in, I'd say, high-single-digit value terms or low-double-digit in value terms as well as volume terms. Are you seeing any signs that industry is going back to those times or at least improving from where it is for last, say, a couple of years?

Pravin Chaudhari:

So, Keyur, as far as movement from, let's say, quarter 1 to quarter 2 to quarter 3 is concerned, definitely in quarter 3 after Diwali, November and December, we have seen changes happening in the demand pattern, and we have seen the recovery in core paint as well. So that is what you have seen. And we are hoping that that will continue in quarter 4 also in the core paint category, which is basically emulsion, enamel and distemper and whatever it is. So that is how it will continue and that is what we believe in.

Going back to a question of whether we'll see and when we'll see that equal to GDP or more, I think that we are also really hoping that, that day should come soon. And -- but looking at the changes that are happening and our discretionary nature of our industry, painting cycles, all that is also contributing to this. But hopefully, there will be some day into this because people -- I mean, ultimately, one has to paint their house, right? So -- but I don't know which quarter, which year that will happen.

Moderator:

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

Aniruddha Joshi: Sir, one question on long-term industry growth rates. So, if we look at compared to 2015, the efforts to drive the growth, that is the entire ad spend done by all the 4 majors, the initiatives in distribution expansion, the trade spends, the new product launches. Compared to that, we have seen there is a material increase in the efforts to drive the industry growth in terms of over past 10 years?

Like one, there are multiple number of new players have entered. The ad spend in the industry, the new product launches, trade spends, everything has gone up. Now despite that, the industry has kind of slowed down. So, is it fair to assume that probably the penetration level in India and the per capita consumption, etcetera, have reached to a decent level?

And hereon, the industry growth rates may structurally be lower the way we have seen it in case of a lot of other industries like toothpaste or hair oil or even soaps or detergent, etcetera, where the penetration levels have gone up to a very high level. So, expecting a very high growth in those industries sustainably is difficult. So, do you think that stage has reached for paint sector as well?

Pravin Chaudhari: So, Aniruddha, I don't think so that has reached because, I mean, we are still about one-third of global average. And given the prosperity and all that is happening as far as India is concerned and per capita income increasing, I'm sure our ability to spend more on the premium products will increase. So, what I foresee is like this that volume per se will actually change -- I mean, in the mix part will change.

So, all the products that we today call a decorative, I think slowly and gradually, that will get shifted to pure-play emulsion, which is what globally, I mean, exists. They don't have these so many categories. It's basically emulsion paint, which is called as a decorative paint. So that is likely to happen as we go forward, which essentially also means that my per kg price will increase. I think that is where the growth in value term will start coming going forward.

So as far as growth future is concerned, I think industry is pretty secured. I think there is a big runway available for this industry to grow. And probably that is one of the reasons why there are so many players who are interested in entering this industry because they see that there is a growth runway available. And there's a premiumness also possibility to exist if things are executed well on the ground.

Aniruddha Joshi: Okay. Sure, sir. Understood. And sir, second and last question. Now commodity prices are a bit lower. We have seen contrasting actions. Akzo has cut prices, whereas Birla Opus has raised prices. So how do you see the pricing trend to emerge in the industry? And what will be concise actions on that? Yes, that's it from my side. Thanks.

Pravin Chaudhari: Aniruddha, so as far as prices are concerned, I think they're very stable. And as of now, I don't think there's any need to really substantially change the prices. That is what our view is, unless there are some different actions which are taken in the market.

The price change that you've seen in the industry about Akzo or Opus, Birla Opus is not very significant. 2%, 3%, I don't think is going to really change much as far as industry is concerned.

As such, Opus was lower by 5%. So, they are correcting it, I guess. So, I don't think it has any material change or impact that is going to be seen.

Moderator: The next question is from the line of Ajay Thakur from Anand Rathi Securities.

Ajay Thakur: So, I have two questions. One, I wanted to understand more on the trend that you indicated of volume value gap, which has actually reduced for you. How has it been kind of narrowing over the last few quarters? And what are your expectations going forward? Are you likely to kind of maintain this kind of a flattish kind of a volume value gap? Or do you expect this to again inch up going ahead?

Pravin Chaudhari: Yes. So, Ajay, our intent is to actually have it at same level, which obviously means our quality of mix is better. Though while that is our endeavour, but obviously, quarter-on-quarter, it keeps changing because mix are very different. So, I would say I don't recall now what was our Q1, Q2, but Q4 also our intent is that only that to focus on the mix. But there might be a slight change because of different mix profile compared to last year. So that might play out. But it won't be very large that much I can share.

Ajay Thakur: Understood. The second was you kind of did indicate about the recovery in the prior quarter more in October, November, December, gradually. But can you just also throw some more light in terms of the sustainability of this recovery and also how you see in terms of cyclical recovery because there's a lot of talk happening in the industry about cyclical recovery of the paint sector. If you can throw some more light on that part, what is the confidence of this kind of a growth sustaining or kind of accelerating going ahead?

Pravin Chaudhari: Yes. So, I think as we entered quarter 4, we have seen that sign of some recovery. So that gives us confidence that quarter 4 should also be better.

Ajay Thakur: Understood. And is it likely to kind of improve from here on? Any sense on that or how stronger can we expect? Because still, if you look at the industry growth, it is still kind of subdued in that context?

Pravin Chaudhari: So that is right. Ajay, but what is happening, if you look at total industry, which includes all the new players also, which figures are very difficult. Those are not available except top 5. But I think as an industry unorganized, organized, our sense is that industry still has grown. I think it is not that industry itself is degrowing. INR70,000 crores, INR80,000 crores industry would have certainly grown by -- if not GDP, above GDP.

But what happened is there are so many players who are coming in and putting in their bet in one -- each state. Obviously, that is resulting into not knowing exactly a total impact on our -- quantify and reconcile impact on top 4. I mean that is what is happening. So as far as industry growth momentum is concerned, future is very secured. I think this is short-term.

So, I think resilience will be called for, and I think we are all trying to protect our own turf. And I think given that situation, I'm sure things should turn out better. And hopefully, we'll reach that as an industry and as all players that those are listed, we'll be able to show closer to GDP numbers once this settles.

Ajay Thakur:

Understood. Sir, last question from my side was more on the backward integration. We have seen that large players are undertaking backward integration given the fact that, that will help in terms of better margin for them. How do you perceive this given the fact that for a player such as us, can it lead to further impact in terms of the competition because they might pass on this benefit in terms of the margin benefit to either customers or to the trade and thereby kind of trying to gain further on the margin side of it?

So, is that something how you perceive it? Or how do you want to look at it in terms of going forward? And do you also have certain plans in terms of executing some of these backward integration projects so that you also gain that edge in terms of the margins? Yes. That's it from my side. Thank you.

Pravin Chaudhari:

So, Ajay, backward integration is a strategy which has to support either your absolute niche play or scale. I think these are the two aspects. So as far as scale is concerned, right now, we evaluate based on that. So, wherever we think that scale will support in terms of being more competitive, definitely, we invest.

Likewise, we invested on -- as far as industrial concerned, we are completely backward integrated on all major categories because we lead there. And obviously, we introduced a lot of niche and high-end technologies for our customer. Obviously, that -- we need that kind of backward integration to be competitive as well as to control quality and technology of that product. So that is as far as the industrial is concerned.

In decorative also, we have backward integrated as far as emulsions are concerned. For last 10 to 15 years, we are doing that. And that, again, is not being used really to produce a commodity product. I think that is used to produce very niche high-end unique to category product that we introduce offering unique benefits. That kind of product, we try to make it there and try to use that in our product.

So, it depends on what strategy we are going to pursue. If I'm going to put something in economy segment using scale and if I'm then trying to pass it on to market, I don't think I'll be able to improve my margin. Basically, I have reduced the price and I've set off everything. That is what is likely to happen. So, I don't know what is the aim.

But as far as we are concerned, we evaluate this is our requirements and definitely, whenever need be, either to protect our competitiveness or to introduce high-end products and premiumization, then we decide on the backward integration investment.

Moderator:

We have a follow-up question from the line of Avi Mehta from Macquarie Capital.

Avi Mehta:

I just wanted to get some colour on the businesses and Nerofix?

Pravin Chaudhari:

Yes. So Nerofix is doing pretty well, growing at double-digit -- higher double-digit, I would say. And that is also because of our play as far as retail is concerned as well as on the industrial side, they have increased their play on the segments. So that is going pretty well. On profitability, also, they have improved significantly. And I think that's a fantastic work that has happened as far as Nerofix is concerned.

On Nepal also continues to do very well. And I think that situation side disturbance was there that is now passing, and I think things have started recovering. So overall, I think subsidiaries are also in pretty good shape, I would say.

Avi Mehta: And sir, Bangladesh and Sri Lanka, anything to call out?

Pravin Chaudhari: Bangladesh, Bangladesh is still under stress. And I don't think when -- frankly, every quarter, we try to assess the situation, but with this election around the corner, and I don't know post-election, what happens, the situation remains difficult as far as Bangladesh is concerned for us. And as far as Lanka is concerned, we exited that. So that's past. Yes.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Pravin Chaudhari: Yes. Thank you so much for attending and showing interest in our company. I think our endeavour is to obviously maintain overall top line growth as well as profitability guidance that we've given. And we hope to see you in month of May for our quarter 4 and year-end investor briefing. Thank you so much.

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