



7th November, 2025

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Sub.: Q2 FY 2025-26 Financial Results Conference Call – Transcript

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

Dear Sirs,

This is further to the intimations done by the Company on 27th October, 2025, 3rd November, 2025 and 4th November, 2025, with respect to the Conference Call hosted by the Management of our Company on Tuesday, 4th November, 2025 at 10:30 hrs India Time to discuss Q2 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
Q2 & H1 FY '26 Earnings Conference Call”
November 04, 2025



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 Q2 and H1 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes thanks Iqra. On behalf of ICICI Securities, we welcome you all to Q2 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 their initial comments on the performance, and then we will open the floor for question-and-answer session. Thanks, and over to you, Pravin, sir.

Pravin Chaudhari: Thank you, Aniruddha, and good morning to all of you. Thanks for joining. I'll request Jason Gonsalves to give you a brief commentary on quarter 2. And sorry for my voice as my throat is not looking good, but I request Jason to go ahead, then I'll answer the question and answers.

Jason Gonsalves: Thanks, Pravin, and good morning to all of you. Seasonal greetings to everyone who has joined the call. I'm grateful to your continued support and interest in our company. Thanks for joining this investor call of Kansai Nerolac. I will take you through the presentation that we have uploaded last night. We begin with our vision and mission.

Our purpose is to create environment for a healthy and beautiful future. And our vision is we design solutions that protect, inspire and touch lives every day. We are committed to ESG, and we are already a water-positive company and working extensively to reduce Scope 1, Scope 2 and Scope 3 emissions and extensively on green energy. When it comes to our brand, we are a legacy brand.

And as a legacy brand, Nerolac stands tall with over 100 years of excellence. Our strength lies in robust R&D capabilities and strategic technology partnerships, especially in the industrial segment, where we deliver cutting-edge solutions across diverse applications.

Despite intense competition, our brand continues to command attention and we proudly hold the position as the second strongest consumer brand in terms of top-of-mind awareness nationwide. Our jingle resonates across age groups, and that's an asset we have created. And recently, we have relaunched it and 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 give shape to our decorative segment, enabling us to introduce more breakthrough concepts that align with growing demand for premium products. A prime example was our Paint+ range, an exclusive line of category-defining

products launched a few years ago, offering Indian consumers a truly differentiated experience in the decorative paint segment.

Coming to the business segment -- business environment for quarter 2. We had outlined 6 major factors. One is we felt that the demand in automotive was fairly stable. There was a renewed thrust of the government and infrastructure. Monsoons were heavy and prolonged. Of course, we faced a lot of geopolitical tensions. The rupee depreciated and it was volatile and crude was also range bound during this period.

Coming to our decorative business. Overall, our value growth was slightly negative and the volume and value growth was almost similar. Key highlights of our performance. Our Paint+ products performance improved by 240 basis points over H1 of '24. We witnessed a double-digit growth in the project segment.

We added 2,500-plus dealers in the first half. Our new retail formats, we have crossed 500 numbers. There has been a strong double-digit growth in construction chemicals, waterproofing and premium wood finishes. And services, which was an area we entered a couple of years back, is now contributing 5% of our decorative business.

When it comes to innovation, in the decorative business, we have introduced 2 or 3 major products. One is Beauty Gold Washable, which offers ultra rich sheen, stain resistance and super smooth finish. And in the construction range and waterproofing segment, we have offered a couple of products in terms of grouts and epoxy products, which offer longer durability, chemical resistance and excellent waterproofing in wet areas.

In the industrial segment, in the 4-wheelers, we have introduced a new 2K PU Clear Coat, which offers superior gloss and appearance. And in auto refinishes, we have offered a clear coat having superior finish for the market.

In 2-wheelers, we have come out with a multi travel Metallic Hyper Brown finish, which has been introduced, which has the most vivid and chromatic color shifts. And we've also introduced a low-bake common mono coat that has been implemented and is suitable for both plastic and metal substrates.

In the performance coating liquid segment, we have introduced an under insulation pipe coating, which is used in refineries, having good heat resistance and high corrosion resistance. And in the powders, we have introduced epoxy polyester hybrid powder, which provides good aesthetic and corrosion resistance.

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

A highlight of this quarter has been the revamp of our iconic brand, Jingle, modernized to resonate with today's consumers while preserving its nostalgic charm. This refreshed sonic identity is already gaining traction, adding a new vibrant dimension to our promotional strategy and further strengthening our brand record.

Coming to the Industrial segment. In Industrial, our growth has been in lower single digit. In automotive, we have witnessed lower single-digit growth. However, the GST 2 reforms and the festive season onset provided demand push towards the end of the quarter. There has been a focus on innovation and creating new technologies to address the total addressable market.

In Performance Coating in the liquid segment, our channel sales witnessed strong demand growth and our premium segment performed well, driven primarily by the railway segment. And in powders, we witnessed strong dealer sales. However, in segments like white goods, like AC and electricals, they took a hit due to unseasonal rains.

In Auto Refinish, we have significantly increased our presence in the PU -- premium PU segment, and this saliency has gone up because of additions of new body shops. There has been technology upgradation from solvent borne to waterborne, which is an ongoing conversion, and we are engaging with our customers through continuous training and up-skilling.

We have won a lot of accolades, which you can see in the slide. We have won the Dragons of Asia Marketing Awards in quarter 2, we won 6 awards, which was held in Malaysia. We are the Gold Winner in Ambient Media. We won awards in Goa Fest. We won 7 Baby Blue Elephant awards. And in the industrial segments, we have got the Best Supplier Award from TAFE, Superior Performance Safety Award from Maruti and a Cost Down Award from Suzuki.

ESG, we have continued our relentless efforts, and we are ranked 17 out of 571 companies in the chemical sector and have received a low ESG rating from Sustainalytics. In CSR, through our CSR initiatives, we remain deeply committed to 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 financials. For Q2, our net revenue was up by 0.4%. PBDIT is down by 1.5% and PBT is down by 4%. For H1, our revenue is up by 1.1%, PBDIT is down by 4.7% and PBT by 4.1%. And on a consolidated basis, our net revenue is up by 0.1%, PBDIT by 1.6% and PBT is down by 0.6%. And in H1, our revenues are up by 0.8%. PBDIT is down by 4.3% and PBT is down by 2.8%.

Coming to risks and outlook. Geopolitical tensions may continue to disrupt global supply chains and create volatility in the commodity markets. Tariff-related inflationary pressures could impact input costs, particularly for imported raw materials. And depreciation in the Indian rupee poses a risk to import-dependent segments, potentially affecting margins going forward.

In outlook, as per the RBI, the construction activity is expected to remain strong, supporting demand across both the industrial and decorative segment. However, continued rain disruptions and season time changes might impact the decorative segment. We are hopeful that November and December will see an uplift in demand.

Automotive demand is likely to be buoyant by favorable policy measures and seasonal trends, especially in the tractor segment. Infrastructure growth in railways, roads, airports and power is

set to drive demand for high-performance coating. With supportive economic measures in place, consumption demand is expected to pick up steadily in the second half of the fiscal year.

With this, I now open the floor for question answers.

Moderator: Thank you very much. The first question is from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil: My question is as the paint and coating space gets more competitive, what is Kansai Nerolac doing to build a strong edge not just through brand or dealer reach but through something deeper that makes the business hard to replace?

Pravin Chaudhari: Yes, thank you for the question. So one thing we have been maintaining is about our Kansai Nerolac's balanced portfolio. So as you see, it is -- there are segments where there will be a competition, and we have seen in the past also. And like today, we are facing this competition in Decorative, very heavy competition.

So as far as we are concerned, while we definitely going to protect our Decorative market, which we are trying to do through the last 2 quarters, as you would have seen, we will be making calculated investments in our strong markets and also improving our product mix and not getting into products which are actually low or almost 0 profits. So that's a clear strategy.

At the same time, also invest in other industrial areas. So industrial is a very wide segmental on play. It is not only -- auto is possibly one block. But when we go to other industrial areas, there are many, many segments which are possible and with infrastructure spend, there's a lot of investment that is happening and Kansai has a right to win there with global technology availability, global approvals as well as our own capabilities of R&D as well as widely spread and well-balanced supply chain network that we have in India.

So I think as far as our strength is concerned, that is where we'll invest very heavily. And I believe because of the nature of this business, it is not so easy to penetrate that quickly because of the inherent technology availability, approval, capability, service capability, so on and so forth. I think that's slightly difficult to replicate. So I think that's a clear aim as to where we'll invest heavily.

Sucrit Patil: I believe Mr. Yash Ahuja is also on the call today. I have one question for you. As input cost and product mix keeps on shifting, how are you planning to protect margins? And what cost levers do you think will remain strong over the next few years? I'm just trying to understand how you're going to balance short-term volatility with long-term margin stability?

Yash Ahuja: See, we keep on looking at our portfolio and keep on improving our product mix with that, and there is a continuous effort going on, on a cost reduction activities and value creation. So we could keep on innovating our products, working on our formulations. And this is how we manage our cost.

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

Rehan Saiyyed: I have 2 questions on me. First, we have a joint set of Decorative Segment. So, the Decorative segment says hydrogen is due to expand this monsoon and a shorter festive window we have seen. We have started seeing a recovery in October, November. So like what was the demand on the volume and how is it retails versus project demand trading up now?

And continuing with this question, could you please understand me to the new product launch contributed around revenue in half -- H1. So could you share it for the category at revenue this traction and what is your internal target for new product contribution by FY '26?

Pravin Chaudhari: Yes. So your audio was not very clear, but let me repeat, I think you are asking for towards -- there was an impact to extended monsoon. But how was the recovery towards the end, I think is for your first question.

Yes. So in terms of demand, definitely, we saw a slight uptick towards back end of the September. So I hope that continues. But given October, our last year base was very heavy because Diwali was in November and October was the peak month last year, whereas this time, Diwali started -- I mean this was extended Diwali starting right away from 17th, so there is a very little window available really to push the materials.

So October, definitely then there might be some challenges. But we hope that because of this early Diwali, we have seen in the past also that there is a slight uptick, which happens post Diwali also. So we're hoping that month of November and December, we'll see some kind of uptick.

But I think looking at the trend that we are seeing, I believe quarter 4 should be far better in terms of the growth prospects are concerned, both for Decorative and Industrial. That's our belief as of now, subject to many things that keeps happening in the environment. So that was your first question.

Second question, I was not very clear as to what you asked. So if you can repeat?

Rehan Saiyyed: Specifically, the second question is on the side of new product launches that is contributing around 10%. So like whatever -- what is the product that is driving the H1 in this quarter? And target for the new product provision by 26?

Pravin Chaudhari: Right. Yes. So our contribution is about 10% to 12% is what we target because there is always new product which comes in, some cannibalization happens. So we obviously do that. In the product category, all the innovation that happens are basically in emulgent category. That's where actual actual play is.

And in terms -- for us now this construction chemical that we have entered into, which is basically a repair segment, there also we are introducing a lot of new products. So I think these are the 2 segments, emulsion as well as construction chemical, I think will remain our focus area in coming quarters.

- Rehan Saiyyed:** Okay. And just last one more question. Like for this after the few product launches, you will definitely be operating leveraging your margins. So is there any guidance range that you have to put for coming 2 years or quarter, like you are maintaining a bit of margin?
- Pravin Chaudhari:** So it's difficult to put margin guidance. But as we have been always maintaining, it's about 13% to 14% in the short term. And in the long term, I think it is about 15% is what we're aspiring to be.
- Moderator:** The next question is from the line of Avi from Macquarie.
- Avi:** I just had a few questions. First, if you could give us a sense on how the Decorative performance has been across the geographies, across products? And this is more from a sense to appreciate kind of correlated with the margin performance. So is the weakness in margin on a sequential - how you witnessed -- is this more a mix thing between Industrial, Decorative or is it even within each of the substations? That will be the first question. Then I will come back for the other?
- Pravin Chaudhari:** Thank you, Avi. So as far as Decorative is concerned, region-wise, I think because of this extended monsoon, which impacted North obviously did not perform well. In the order packing, I think East, which we did very well, followed by West and North and South. I think this is how I think the market performs.
- In terms of geographic or socioeconomic classification, also we found that urban has been slightly doing better than rural. I think that's our sense that we got from our quarter 2. In terms of products, obviously, emulsion is a driver there. Emulsion obviously is pushing our premium selling has increased compared to last year.
- And we are definitely dialing down upon -- we are reducing our exposure on all the ancillaries and parties and all that, which is actually getting into commodity play and people are using it as more of an entry kind of product. But we are okay with it. But I think our consumer network and relationship that we have built over the years, we have said that, that doesn't make much sense.
- And I think despite reducing our inputs on these products, I think we saw that there was no major impact as far as the network defection is concerned. So I think that is as far as Decorative products is concerned.
- And our overall margin, definitely, it cannot be compared last year's quarter 2 because of Diwali, our inputs on the ATL & Retail as well as, were actually pulled earlier and it was heavy in September. And that's the result you will see reflection in the quarter 2.
- Coming to industrial, I think as I have already stated earlier in last quarter also, we are continuously improving our margins due to our focus on premization. And that is true mainly for our industrial segment, where there's a lot of play available and we are -- because it's a pretty big market and wide areas of premiumization available.

And certainly, that's the area which is doing fairly well. And we are actually touching almost -- as far as growth is concerned, it is slightly higher than the mid digit as far as quarter 2 is concerned.

Avi: Very clear, sir. Very clear. So the second bit is essentially to kind of just get a sense on margins. I do understand your earlier comment that you are looking at a 13% to 14% in the near term. But for the FY '26, we were -- we ended at 13% in FY '25.

First half was a decline to some extent. Would you believe that you would still want to retain that guidance, given that the uptick is likely to happen only in 4Q? How should we -- or is the near term would more be in the next year? I wanted to kind of just better appreciate that?

Pravin Chaudhari: So Avi, I think we are not very far from that. I mean first 13%-plus. And looking at the material movement that we are seeing with slightly benign conditions, which are prevailing, and I don't see that changing immediately, subject to, obviously, this and some other commodity variation because of all the global policies that are happening.

But I don't see that changing. And I'm sure if that happens and through our value-generating efforts, which are procurement and R&D is very active. I believe I think that we should be reaching that thing this year also.

Avi: Got it. And sir, last, if I may, just 2 bits. One, any comment on the competition? You did cite dealers coming back, how is that momentum continuing or the performance in the focus markets that we have kind of decided to dial up our energy? And second, if you could just share some comments on the subsidiaries in our Nerofix as well as international?

Pravin Chaudhari: Right. Yes. So I think that trend continues. I'm sure last time our competitor has said, you know, that it's a multi brand store. And I think that is true. So that going away and coming back is happening, but we are seeing definite trend where it's -- we believe it's positive for us. So that is as far as our dealer bit is concerned.

On Nerofix, you would have seen that we are EBITDA positive this quarter. And I think very good growth is what we are seeing as far as Nerofix is concerned. And there also we are changing our mix and from moving away from industrial to more retail and that is also improving our overall contribution as well as profitability.

And even Construction Chemical business, which we acquired along with that company, is also doing fairly well. And it's a focused approach now with the dedicated team being given. I think they are doing a fairly good job supported by all our support functions.

As far as international subsidiaries are concerned, Nepal had some bit of issues with the protest and something was growing earlier also. So slight pressure, but I think fundamentally, we are fairly strong and we have done reasonably well, I believe, compared to the competition.

As far as Bangladesh is concerned, I think things are just the same. I think there's no change as far as disturbance levels are concerned and market remains challenging. And I think we are also one of them facing the brunt as far as Bangladesh is concerned.

- Avi:** And Sri Lanka? Last, sorry, you did say towards some weakness last time, is that also...
- Pravin Chaudhari:** Sri Lanka, I think, Sri Lanka also very challenging situation continues there also. So I think in international subsidiary, I think only Nepal is fairly good. Bangladesh, Sri Lanka is a problem right now.
- Moderator:** The next question is from the line of Aditya Bhartia, from Investec.
- Aditya Bhartia:** So my question is on gross margins. How should we think about them because there are different forces which are moving in different directions? At one side, we are seeing crude being quite benign, but then rupee is depreciating and there's likely to be a hit on antidumping duty that has been imposed on TiO₂. So just wanted to understand how -- what is happening on the costing front? And what would be your anticipation regarding gross margins?
- Pravin Chaudhari:** Yes. There has been -- in our case, there has been some improvement in the gross margin, definitely on back of crude, there is definite advantage we are getting. Rupee has depreciated, but not to the extent where crude has depreciated. So that's the advantage, I would say.
- As far as antidumping duty is concerned, I think through our intense association effort, I think antidumping duty is stalled and they have been referred back to government to reconsider it. So as of now, there's no antidumping duty as far as TiO₂ is concerned. So I think with these 2 factors, I hope that these 2 quarters, we should have a stable gross margin scenario.
- Aditya Bhartia:** In that case, should we be seeing a reasonable improvement in second half in gross margins? I understand that negative operating leverage may play out in third quarter. But at least on the gross margin side, should we start seeing a reasonable improvement?
- Pravin Chaudhari:** Yes, I guess so. I think yes, you also believe so. But whether it will be substantial or marginal, I think it remains to be seen based on the product mix because quarter 2 obviously is not the comparable quarter as the product mix is very different. It's very economy driven. But as we have always seen in last year also quarters despite being -- should have been a premium quarter actually turned down to the -- down trading has happened.
- So if something like that happens, I guess there will be again pressure on the gross margin. But given the same scenario, given the same product mix as it was last year, I believe there will be improvement in the gross margin, subject to no change happens in the mix.
- Moderator:** The next question is from the line of Mrunmayee Jogalekar from Asit C Mehta Investment Intermediates.
- Mrunmayee Jogalekar:** My question pertains to the subsidiary profit because you also mentioned that Nerofix has turned EBITDA positive. If I look at the difference between the consol and standalone margin, that has also come down. So going ahead, how do we expect this to pan out? Because in the last year, we have seen consol margins to be about 90 basis points lower than the stand-alone margin. So going ahead, do you expect this gap to narrow further or what -- how should we look at it going ahead?

- Yash Ahuja:** You are right. Actually, what has happened is, as we mentioned that we have a challenge in the subsidiaries, the international subsidiary. But overall, when you look at total, there is an improvement vis-a-vis the last quarter. So that improvement, that is why you will find this factor in consolidated. So going forward also, we are trying to improve those things. It should keep on improving.
- Mrunmayee Jogalekar:** Okay. But, is there any time line where maybe the consol margins would get in line with standalone margins or maybe minimal deviation or something like that?
- Yash Ahuja:** There will be a minimum deviation because that improvement path will continue. So we are continuously as we have spoken about the Nerofix and Nepal also, they are doing well. And we are seeing good traction coming in, and we are seeing good improvement happening over there. And this is a good potential area. It will keep on improving.
- Mrunmayee Jogalekar:** Got it. And second, you did allude to the Auto segment. But then if you can just give some more sense on, in Q3, how are you seeing growth pan out in that segment? Is it like a significant uptick from the previous quarter?
- Pravin Chaudhari:** Yes. Definitely. I mean as far as quarter 3 is concerned, there has to be slightly better fundamentals as well as Auto demand is concerned. And we saw that after GST change happened, there was a rush in bookings also that you have seen. Now it remains to be seen whether that demand continues or whether, again, there is some slowdown happens. But as of now, we are pretty optimistic the forecast that we have so far got is quite positive. And let's believe that it goes on that way.
- Mrunmayee Jogalekar:** Okay. And sir, any new client acquisitions in the auto space?
- Pravin Chaudhari:** I think whoever is there, I think whoever comes except for, I would say, Hyundai, Kia, Korean accounts, I think we have all of them with us. So whoever comes in, I think they start dealing with us. That's I think the shortest answer.
- Moderator:** The next question is from the line of Vishwa Solanki from PL Capital.
- Vishwa Solanki:** So I wanted to know what was the volume in quarter 2 for Decorative and Industrial?
- Pravin Chaudhari:** So in terms of Decorative, our volume and value is slightly negative. And the gap between 2 were absolutely nil, that much we can say.
- Vishwa Solanki:** Okay. And secondly, like given the GST push, could we expect a high single-digit growth in Auto in terms of value for second half?
- Pravin Chaudhari:** Yes, I think we can, yes. I mean it has been always positive. I think it used to be mid-single-digit to slightly higher single digit. I think we'll be hovering around that range.
- Moderator:** The next question is from the line of Amit from Elara Capital.
- Amit:** Just in case I have missed out, I just wanted your comments on what would have been the Decorative industry growth in Q2? And how is this shaping up right now in October, November?

- Pravin Chaudhari:** Yes. So as far as Decorative is concerned, it was slightly negative, both value...
- Amit:** No. I'm saying, your no. I'm saying generally, your industry, would you be able to comment on that?
- Pravin Chaudhari:** I think what sense we got, I think, will be flattish or maybe trending towards maybe mid-single digit is what we understand. Obviously, we know in this proving itself what has happened. As far as Industrial is concerned, obviously, we have grown far better than the industry. There also, I think it was lower single digit what we understand, as far as the market is concerned.
- Amit:** Okay. And how has been October and November?
- Pravin Chaudhari:** October, as I mentioned earlier, I think Diwali being early and fairly extended Diwali, there was a very small window available. I think about 15-odd days were available for us to really bid. And after that, there is a long period of silence in the market. And so it has been, I think, quite a challenging October.
- But I believe, as has been seen in the past, I think, of course, Diwali also -- when Diwali comes early, the demand picks up on the back of other events like weddings and so on and so forth. So we believe that November and December should be slightly better, and we are able to cover it, is what our belief is. But looking at the movement that is happening in the market, we believe that quarter 4, I think should be better than, I think, remaining 3 quarters that you see.
- Moderator:** The next question is from the line of Pratik Gothi from HSBC.
- Pratik Gothi:** I have a couple of questions, please. You added 2,500 dealers in H1. Can you please comment on the region where you added them, what kind of dealers? Are they hardware shops? Are they paint dealers? This is the second, third tinting machine. Some color on that. And the new entrant has commissioned the last plant in East region Kharagpur. Any comments on product availability perspective as competitive intensity increase in the East region? Any color on that, please?
- Pravin Chaudhari:** Okay. So Pratik, as far as dealers are concerned, I think dealers are quite evenly, I would say, been added. But if I have to still rank amongst them, I think it was East first, then North, West and South. I think this is the order of packing in terms of dealer addition. As far as quality of dealers are concerned, there are a mix of both hardware as well as paint dealers, we got added.
- And with our distribution initiatives where there are a lot of white spaces available, it's difficult to reach for us. There, a distributor has been appointed and the distributor is obviously reaching to these retailers, which need not be large paint dealers.
- I think they typically fall into this hardware type of shop. So that's how I think the spread is as far as dealer additions are concerned. You must also note that this dealer addition has been, I think, far higher than what I think we have been tracking in a couple of years. So I think it's a positive sign.
- On the back of it, we also saw that the participation of the dealers in first half, I think, is far better. I think these 2 drivers, I think, gives us confidence that I think the initiatives, actions on

the ground, field force activation, influencer management, I think all that is now resulting into positive momentum, and we hope to continue this as we go forward.

As far as your second question is concerned on new entrant, yes, they started their plant in East. And obviously, that will give them some advantage in terms of some freight benefit and some service level, I would say. But I think supply chain today are so matured that I think even we service our East from our Kanpur plant and our line fill rates are very, very high. I mean, they're compared to all FMCG benchmark.

So I don't think in terms of having a plant only will give you that edge because these items are the stock and sell items. These are not make-to-order items. So anyway, I have to stock in my depots, and I have a wide network as far as depots are concerned. So we manage our inventories and forecasting method so well that we respond to the changes that happened. And I don't think we have lost any sales because of not having plant in East.

Pratik Gothi: If I can add -- squeeze in a question, please?

Pravin Chaudhari: Go ahead, Pratik.

Pratik Gothi: So in terms of -- you said the influencer management and sales activation, in general, if you think about incentives, both dealer and influencers, any comment on that? Are they still increasing? Have they plateaued?

Pravin Chaudhari: Yes. As far as inputs are concerned, they are not increasing now. So they remained at what they are. So it only when market will stabilize, we see some directional change happening for better as far as margins are concerned. I mean, incentives are concerned as far as dealers and painters are concerned. But as of now, there's no increase is what we have seen now.

Moderator: The next question is from the line of Shashank from Crescentia.

Shashank: Just one simple question. Trade receivables have gone up substantially over last 6 months to this 6 months. Are we extending extra credit to buy market share?

Yash Ahuja: So a little bit, we extend that credit also. But otherwise also, this is a seasonal impact, if you look at. So as such, when we look at season to season, it's not increasing much because it's a seasonal impact and mix -- and because of the Industrial and Decorative mix there is some impact.

Moderator: The next question is from the line of Pankaj Agrawal, an Individual Investor.

Pankaj Agrawal: My question is regarding the EV segment. Now with so many companies coming with their EV pipeline, what is the inroad that we have been able to make in EV till now for any major contracts in progress or discussion?

Pravin Chaudhari: Yes, Pankaj, thank you. As far as EVs are concerned, I think our existing players have obviously EV play. And a percentage of that obviously is not great, very high, and we obviously supply to all of them.

As far as others are concerned, which are -- there are too many players in the 2-wheeler segment, there also, if I have to say that there are about 80 to 100 players which are there in the market today who make EV, either bicycle or motorcycle or whatever. And I think we have a sizable play in there also. So as far as any automotive, any mobility solution that you can name it, I think we are there. And we are substantially present in those segments.

Pankaj Agrawal:

Second question is on the waterproofing business because in last 3 years, we have seen many paint companies coming into waterproofing business. Is it really so lucrative that 3, 4 companies in the paint business are coming in waterproofing business? And what is the current status of concise mirrorless? And do we expect any sizable business contribution out of our overall scheme of operation?

Pravin Chaudhari:

So Pankaj, as far as waterproofing is concerned, there are 2 segments in that, one is the waterproofing, which is actually a paint application and other one is the mason layer, which is basically a clear cut leak-proof kind of a solution, which goes in at the time of building a house or a building or a repair kind of a thing.

So as far as waterproofing is concerned, which is a paint layer solution, I think it's just the extension of my painter and availability of that space where I enter. I try to do that waterproofing also. So I think it has become an integral part of the Paint segment.

And the penetration and awareness of that is fairly low. I -- it's difficult to put a number, but I think maybe it's about 40% of people only are aware today about the waterproofing, and that's a huge scope given our urban infrastructure and otherwise urbanization that is happening, I think there's a huge scope of increasing this overall waterproofing domain is concerned.

And as far as margins are concerned, I think since it is coming at a very incremental cost as far as because advertising happens per se, largely in this segment, which we did in the beginning. But today, I don't see that happening significantly. I think it makes more sense to take more, I think, share of the space by offering products which suits and which meets the requirement of the area.

Pankaj Agrawal:

Understood. So this means that this can be taken only as a supplement to our existing paint business and cannot be regarded as a full-fledged business in near future?

Pravin Chaudhari:

I think, as I said, now it has become integral part. So earlier Decorative definition today has completely changed. I mean, earlier, it used to be just enamel distemper and emulsions. But today, we have so many other categories which are also being driven. Like, for example, wood finish also.

I think earlier, there were different classifications, they used to get accounted in a different domain. But today, that has also become part of the Decorative largely. So I think there are segments which will keep emerging based on the consumer taste and what -- where we see opportunity. So that, I think, should be one which -- because we see the growth there, I'm sure that is where we'll go after.

- Pankaj Agrawal:** And my last question is on the margin expansion because of the crude stabilization that might be possible in Q3 and Q4?
- Pravin Chaudhari:** Yes. So yes, like I answered earlier also, I think looking at the current crude levels, we believe that it should be sustained at that level, subject to something dramatically changing in the global economics, but I don't see that happening as of now. So we believe if my product mix remains same as last year same quarter, I believe there will be definitely a marginal improvement in the margins are concerned. But if there is...
- Pankaj Agrawal:** At least 10, 20 basis points that we expect in Q3 or Q4?
- Pravin Chaudhari:** I think it is suffice to say that there will be some improvement. Difficult to put a number because I can't really control the mix in the market. If mix changes, then I think it will be difficult to really answer that and justify.
- Pankaj Agrawal:** Sir. And if I get a question in future, I would like to know in Bangladesh, Sri Lanka and Nepal, we are doing not so great because of the macroeconomic situation. Are we still thinking of international operation to move towards Middle East or Southeast Asia or Brazil, etc.? That's all from my side.
- Pravin Chaudhari:** So I think as far as -- for other paint companies, we are also -- we are no exception as far as these 3 geographies are concerned. But suffice to say that Nepal is doing fairly well, and I think we are well positioned as far as Nepal is concerned.
- As far as Middle East is concerned, because we are part of the Kansai Global and they have operations globally, so I think there are territories which are marked for each player to play. And I think if tomorrow, if there is any change in the policy or if they say that there is some territory opens for you, we'll definitely play there. As of now, but there are no plans.
- Moderator:** The next question is from the line of Aniruddha Joshi from ICICI Securities.
- Aniruddha Joshi:** In terms of the cash, which is lying idle on the balance sheet, so what will be the plan with the cash? And is there any dividend policy that you are working on in regard to the excess cash generation? That is question number one.
- Question number 2 is now we are seeing the market leader and even some of the players are also doing the backward integration projects also. So eventually, in the industry, the cost for some players may go down. Obviously, they may need to do the capex for that. But still they will be able to generate better margin and so they can pass on some of the benefit just to gain the market share. So what will be Kansai's strategy as far as the backward integration is considered?
- And the third and last question, you indicated that October has been a relatively softer month. But how do you see the quarter panning out in terms of -- and a little bit more detail on October, whether it was softer in terms of just the Decorative or it was softer for Decorative as well as the Industrial, including Automotive also?

Pravin Chaudhari: Yes. Thanks, Aniruddha. As far as your first question on cash is concerned, yes, we are sitting on a fairly good cash position. And obviously, we keep looking at opportunities if there is any possibility of looking at any inorganic options. So that continuous scan happens. So far, there's no definitive plan as far as that is concerned.

In terms of our own deployment of the cash, looking at our -- it may not have been in short term, but looking at the lead times that are required to set up a plant, any greenfield are fairly substantial. So obviously, we'll be also looking at our overall network and optimizing that network going forward. And that work will happen in the next year or so. And then we'll obviously decide as to how much of cash can be pulled there.

On dividend, obviously, it's a Board decision. So I'll leave it to Board to decide as to what they want to do with the overall dividend offers. And that I think, you will come to know as far as in quarter 4 Board meet that will decide on that particular part.

On your backward integration questions, earlier also, I think last quarter, I think I reflected on this. See, as far as we are concerned, there is a backward integration available for all the main product lines that we are already manufacturing. And our backward integration is very, very strong when it comes to industrial.

I think that's the one area which -- because of our competitive advantageous position we have, I think we always want to refine and strengthen our competitive position there, and we keep investing as far as that area is concerned.

If you're referring to some of the initiatives which competition has taken on the Decorative part, I think because of the size and because of the scale, what they operate at, maybe I think it is justified. When we evaluate, I don't think, in the short term, it makes sense for us. And obviously, we'll not pursue that.

Instead, we'll rely on a network of suppliers and relation to really work on the other value engineering projects, which might give me similar advantage. I think that is at this stage, suffice to say on that. As far as October is concerned, Decorative has been mainly a softer segment. And I think industrial has done fairly well.

So we believe I think that trend should reverse as far as -- I mean, Decorative things should reverse as far as November and December are concerned. As far as Industrial is concerned, I think that remains to be a strong growth area.

Aniruddha Joshi: Okay. Sure, sir. This is very helpful. Just one follow-up from my side. In earlier call also, you had alluded to that some of the dealers from the new competitor are coming back to Kansai now. So has that trend continued or I mean, how should we see regarding the distributors who would have started distributing for the new large player, would have started coming back to Kansai? Has that trend continued to be there even in this quarter also?

Pravin Chaudhari: Yes, that trend continues. And as I said, there are always some people who -- I mean, dealers who go away and they come back to us also. But what we are really looking at is my share in

that counter, what it was, let's say, 2 years back? What was it last year? And what is it today? I think if that is what I map, I find that my share in the counter has increased.

And I think that I would also call it as a return, so to say. So I think that trend continues, and our effort is always on in our focus towns where we really want that to happen more aggressively. And things are getting good results as far as my focus terms are concerned.

Moderator: The next question is from the line of Amnish Aggarwal, an Individual Investor.

Amnish Aggarwal: Yes. I have a couple of questions. My first question is on the capex part that how much will be the capex in the current year, that is FY '26 and even for FY '26 plan. And secondly, we have had a reasonably good amount of total cash and cash equivalent investments at the end of last year, whether if you look at it on a Q-o-Q basis, our other income has seen a very sharp deceleration from INR52 crores to INR28 crores. So any color on these 2 things?

Yash Ahuja: See, there are 2 things. One is that definitely, there is some reduction because we have paid dividend. Also because of the interest rates going down, some of the returns on that investment has reduced, but that's a short-term phenomenon. But that is one of the reasons why it has come down.

And as far as the cash reserves are concerned, as we have explained previously, we keep on looking at opportunities for acquisition -- and of course capex also, there is a plan of around INR200-plus crores, which is a regular activity which we keep on doing. And there are a few projects also which are going on right now.

Amnish Aggarwal: Okay. But sir, I believe you were having close to INR2,000 crores in your cash and investments and even as we consider dividend. So this INR28 crores seems to be too low numbers. So is there a probability that this number should increase in the coming quarters?

Yash Ahuja: Yes, it will increase a little bit. But as you know, it depends upon the rate of interest, the way it is going on, looking at that, it will move in that direction.

Moderator: The next question is from the line of Henil Bagadia from Equicorp.

Henil Bagadia: I had just 2 quick questions. So we had a strategy where we actually wanted to do a lot of institutional business and push a lot of products as we got into the construction chemical side, we got into waterproofing side. We're also there on the floor coating side. So how is the institutional business on the Decorative side, where you actually wanted to test a lot of products and its efficacy?

And then you actually want to get on the retail side as the POC, proof of concepts pick up. So if you could just give some strategy out there? Because I mean, there's been an extended monsoon. So I mean, Q2, I think so the construction activity started back. So any feedback from you?

Pravin Chaudhari: Yes. So there has been some impact. But despite that, because of our base being slightly low, I think our project business has still recorded double-digit growth. I think that's what we saw. And we continuously invest in that area by expanding our territories. And now we are present in more

than 85 cities. So that spread both numeric reach as well as extraction keeps happening, and we are growing as far as project segment is concerned.

Henil Bagadia: So if you actually see this project segment, is it more on the side where it is infra projects and we've got some JICA funding out there, and that's why we are impaired or are we seeing wins on actually our ability to, I mean, service customers or their specific needs, which a lot of competitors may not be able to provide?

Pravin Chaudhari: Yes. So as far as our mix is concerned, we are not so much as far as government segment is concerned. So there are no one-off tender-based projects as a significant portion of our project business. It is mainly to do with builders and cooperative housing societies that I think that's our main focus. So which I believe is a fairly steady kind of repeatable business, considering the nature of it and the growth that we are witnessing.

Henil Bagadia: Okay. Sir, lastly, on the One Kansai strategy. So are there any products or any capability or the technology, which I mean still has to be transferred from a parent or any of the acquisition based on of Europe or any other place globally, where we actually see a growing market actually happening in India?

Pravin Chaudhari: Yes. So I think it's a continuous activity. So as and when we come across the segment because we are also -- it's impossible to address all the segments in one time. So we have a phased program where we are addressing each segment by scanning it, by looking at the potential, looking at our own strengths, and that is how we enter into.

So every quarter, we'll find that there are some kind of a technology transfer requests, which are made by us from our global operations, and we keep getting that. So it's a continuous process. I mean there's nothing like one shot, I'll get everything. I mean there is a box available, but one has to also know what I'm supposed to do with that technology. So...

Henil Bagadia: I think it's -- yes, sorry, please continue.

Pravin Chaudhari: No, no. So it is only when a proper case is made, only then that particular thing is asked for.

Henil Bagadia: Sir, my specific requirement here was actually since you are pretty strong in the auto side and actually, Kansai has got a very good product on the optoelectronics side, which is actually used on the painted circuits. There's a coating chemical used on the painted circuits. So I mean it's just an adjacency that we actually need to explore. So have we placed a request to get that technology? And are we doing any supplies here or we still are in the queue for getting the technology?

Pravin Chaudhari: Yes. I think that is quite a specific thing. I won't know exactly whether that has been asked for. But given our position in auto, if there is anything that has to do with this kind of requirement, I'm sure you would have got that.

Henil Bagadia: And lastly, also, if I can just squeeze one question. Sir, are we -- is the parent looking for any manufacturing for any of the global acquisitions based out of India, given the cost benefits that we have here or is that still not a thought that's crossed their mind?

- Pravin Chaudhari:** Yes. Still, there's no thought on that area.
- Henil Bagadia:** Okay. Sir, and just a follow-up on that, sir, are we willing to commit any of our cash balances that we have for those kind of -- I mean, manufacturing outsourcing or it's on a future date that you might assess it?
- Pravin Chaudhari:** No. I think, tomorrow, if there is a case for me to really invest and also make business sense out of it, definitely, we'll do it. But as of now, there's nothing on the table.
- Moderator:** Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments.
- Pravin Chaudhari:** Thank you all for joining. I think, and thanks for your support all through. Let's hope that quarter 3 turns out to be a better quarter than one it was. And I hope to see in the quarter 3 investor call. Thank you so much. Have a good day.
- Moderator:** Thank you very much, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.