



**“Grasim Industries Limited
Q2 FY '26 Earnings Conference Call”
November 05, 2025**

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Moderator: Ladies and gentlemen, good day, and welcome to the Grasim Industries Limited Q2FY'26 Earnings Conference Call. 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 call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Ankit Panchmatia, Head of Investor Relations at Grasim Industries. Thank you, and over to you, sir.

Ankit Panchmatia: Yes. Hi. Thanks Raiyo. Good evening, and thank you for joining everyone on Grasim's Second Quarter Financial Year 2026 Earnings Call. The financial statements, press release and presentation are already uploaded on the websites of stock exchanges and our website for your reference. For safe harbor, kindly refer to cautionary statement highlighted in the last slide of our presentation. Our management team is present on this call to discuss our results and business performance. We have with us Mr. Himanshu Kapania, Managing Director, Grasim Industries and Business Head, Birla Opus Paints; Mr. Hemant Kadel, Chief Financial Officer of Grasim Industries. Also from the business team, we have with us Mr. Jayant Dhobley, Business Head of Chemicals, Cellulosic Fashion Yarn and Insulators business; Mr. Vadiraj Kulkarni, Business Head of Cellulosic Fibers business; and Mr. Sandeep Komaravelly, CEO, Birla Pivot, our B2B ecommerce business. Let me now hand over the call to Himanshu sir for his opening remarks, on macro and updates on key businesses. Over to you, sir.

Himanshu Kapania: Thank you, Ankit, and good evening to everyone. We welcome you to Grasim Industries Earnings Call for the quarter ending 30th September 2025. Hope you had a good Diwali and New Year Vikram Samvat 2082. Also, as today's Guru Nanak Jayanti, may you be blessed with peace, happiness and love.

Starting with macroeconomics, we have now entered the final lap of this calendar year 2025 with a global economy that is not in recession, but not in a synchronized expansion either. We are living in a world where trade is rewiring, capital is repricing and geopolitics has once again become a single order economic variable, not a background noise. On October 29, 2025, the Fed cut the target range for the federal fund rate by 25 basis points to 3.75% to 4%, the lowest in three years. This followed an earlier cut of 25 basis points in September. The rate cuts indicate balance of risks are now shifting towards risk of growth and employment. Add to that, the Trump administration's renewed emphasis on tariff-based negotiations, especially on Europe and key Asian blocks may amplify short-term noise. However, the structural drivers of demand, competitiveness and consumption momentum remains intact.

China is the second spotlight. China's GDP growth slowed to 4.8% year-on-year in quarter 3 of this calendar year 2025, the weakest pace in a year. Data shows China is not in an acute crisis, but in a structurally lower growth orbit. Property demand is frozen, household confidence is weak and private entrepreneurs are holding back capex decisions. The upcoming 5-year plan will be closely watched as it will set national priorities through 2030. Just to summarize, the situation that global trade is seeing is more pressure points. It is not a collapse, but more friction and friction slows velocity.

And then India. The country is the positive outlier in the sentimental spectrum, but even India cannot fully decouple from the global liquidity and global trade. In a landmark move in September 2025, the center rationalized GST slabs from 4 to 3, reducing taxes across essential and aspirational items. The reform simplifies GST rates, eases compliance, boost disposable income and supports long-term economic revival. India's GDP growth for FY '25, '26 was revised upwards, thanks to a strong domestic consumption, robust investment activity and resilient exports. Supportive government reforms and RBI's accommodative monetary policy has further boosted demand while moderate inflation provides room for sustained growth. So if I had to summarize the world in one line today, globally, this a low speed economy with pockets of strength, intermittent confidence and policymakers for moving carefully, not boldly. The world is not constant. And in this environment, winners will not be those who bet on direction. Winners will be those who stay flexible on timings. It is an era where optionality has more value than certainty. We don't need to predict the future with 100% precision. What we need to do is stay prepared for multiple futures.

Grasim's multi-segment presence create a synergistic engine of growth, combining resilience with opportunity. The growth continues to exhibit resilience with trailing 12-month revenues now nearing INR1,60,000 crores, that is over USD18 billion compared to approximately INR95,000 crores, that is USD11 billion in FY '22 when measured on equal currency rates, a remarkable growth of 14%. Moreover, the stand-alone business continues to gain share now at 24% in quarter 2 FY '26 in the overall consolidated revenues nearing its highest ever milestone of INR10,000 crores per quarter. Our CFO, Mr. Hemant Kadel, will further touch upon these numbers in detail. However, as I said earlier, we do not live in a constant world, which is why 2 years back, we entered into 2 new high-growth businesses, and I'm very happy to say that both these businesses are on track to achieve their stated targets.

I will start with our growth businesses, Paints and B2B e-commerce businesses. Birla Opus is now a distinctive force in India's decorative paints landscape, not as another brand in the shelf stack but a category pace setup. We are institutionalizing (a) superior paint performance; (b) quality assurance up front and in writing; (c) tech-led contractor, painter and consumer engagement. This resetting expectations of what premium should actually mean in India. From application science to film durability testing to shade integrity to dealer enablement, we are building this new gold or should we say, platinum standard. This why Birla Opus is becoming integral in conversations across the value chain, whether it is with retailers, contractors, applicators, builders, institutions and homeowners because we have not just launched Decorative Paints, we are raising the reference benchmark for how paints should be engineered, sold and serviced in India.

I'm happy to share that we have commenced production at our largest and sixth plant in Kharagpur, West Bengal on 15th October 2025. The plant has 236 million liters per annum capacity and is one of the largest paint plant in West Bengal and Eastern India. This plant can manufacture water-based paints, solvent-based paints, colorants and distemper paint. It will significantly improve our serviceability to Eastern and Central India markets and bringing network efficiency.

With this plant's commercialization, the announced project phase of Decorative Paints concludes and the decorative paints installed capacity is now 1,332 million liters per annum across the six plants. This makes Birla Opus the second largest decorative paints company commanding 24% of the industry capacity, a feat unmatched around the globe for speed and cost. Now we focus all our energies to bridge the gap between our volume market share and capacity share.

Coming to the performance of Decorative segment, Birla Opus continues to grow its market share and expand its position as number 3 decorative brand with double-digit market share, including Birla Opus and Birla white putty revenues, similar to the revenue reporting by legacy companies of all paint majors. Despite the extended monsoon, Birla Opus hits its highest ever monthly sales in the month of September and saw an equally strong October month, indicating increasing brand salience across markets. Not only the primary sales at highest level, but also the secondary sales have been touching levels higher as a percentage of primary sales, indicating fast movements that is offtake from dealers to contractors or from dealers to customers from these counters.

As per internal estimates, the organized decorative paint industry has grown in low single digits on Y-on-Y basis in quarter 2 FY'26, largely due to incumbents push for lower-end economy products. However, as per our estimates, excluding Birla Opus revenues, the organized decorative paint industry has degrown slightly on a year-on-year basis. Birla Opus continues to disrupt through innovation and launched two big consumer propositions in the second quarter.

First one was the Birla Opus Assurance Campaign, the first ever written paint promise by any paint company to assure the customers of painting performance backed by superior product quality of Birla Opus products. This campaign was another disruptive and differentiated campaign in which we launched four films that you must have seen on print, television and digital media. The campaign has received overwhelming response from customers, contractors, painters, dealers and thousands of paint projects under Birla Opus Assurance program have been undertaken and continue to be executed. We expect the demand for Birla Opus Assurance to accelerate snowballing into basic consumer expectation doing painting beyond product warranty.

The second one was expansion of Birla Opus painting services offered under PaintCraft brand through our dealer and franchise partners on a pan-India basis. This first of its kind differentiated painting services offering that leverages digital technology and integrates the platform for all stakeholders, including company, franchise, applicators, painters and consumers. PaintCraft is a win win for all stakeholders as it offers, (a) transparent consumer pricing; (b) EMI financing on painting first time in India; (c) end-to-end company oversight of dealer-led painting services through trained execution network; and d, a fully GST-compliant painting service. The network has appreciated these initiatives by Birla Opus to bring a standardized painting service in the market. We're happy to announce that PaintCraft has already scaled up across 170 towns and expected to reach 300+ towns by quarter 3 and through company's dealer-operated franchisees and high-performing dealers. We remain on track to build India's differentiated and largest painting service network serviced through the largest branded franchise network.

Customers can simply log in to Birla Opus website and avail the benefit of these two unique programs. The success of these campaigns is reflecting in our brand scores as well. Our independent research shows the consumer love for Birla Opus brand continued to rise as Birla Opus has become the number two brand in top of mind recall across India at the end of Q2FY'26. Such brand recall within 18 months of our launch and 12 months of pan-India operation is quite unheard of in the marketing world.

On the product front, the premium and luxury products revenue contribution was upwards at 65% of revenue, covering all categories across emulsion enamel, wood finish and waterproofing, including retail and institutional segment. The company has also launched an array of new products and crossed 190-plus products in this portfolio. Out of this, 13 new products were launched during this quarter, the company launched a new branded tools segment with a range of non-mechanized tools under the sub-brand known as Artist. Company is proud to launch in-house Made in India, high-quality range of wallpapers, which has seen excellent network response. The other new products launched are pure elegant soft shine, aerosols, aluminum paints, clear varnish and few new bases in the existing product range. The Birla Opus products have been now applied by over 6 lakh painters and contractors, across lakhs of residential sites, making it one of the largest contractor painter network in India.

On distribution front, the brand has crossed its earlier guidance and reached to over 10,000 towns on a pan-India basis, which is historic achievement in such a short time. The focus now shifts to depth of presence in each of these 10,000 towns. The company's branded franchise store network has crossed 500-plus towns presence and will soon cross 4-digit mark of branded exclusive store count, making it amongst the largest branded stores in the country.

The total capex spend for Paints business stood at INR9,727 crores as on 30th September 2025. Grasim applauds the Birla Opus team for flawlessly executing a large and global scale greenfield project, commissioning six state-of-art plants simultaneously, achieved without cost overruns with rapid scale-up and consistent first-time right quality across 190-plus products. This feat showcases exceptional financial discipline and manufacturing and supply chain excellence, a truly unparalleled achievement by a dynamic start-up.

Finally, continuing on Birla Opus, our CEO, Mr. Rakshit Hargave has decided to pursue opportunities outside Grasim. Today, Grasim NRC has accepted his resignation and approved his request to exit the company effective 6th December 2025. Rakshit joined Grasim in November 2021 and has played significant role at the Birla Opus start-up stage and initial scaling of the Decorative Paints business. Today, the operations are stable, and we have built a high-performing team. In the last four years, this team has helped establish six integrated manufacturing facilities, scale distribution, build brand salience and supply chain network. I believe we have built a rock-solid foundation for next level growth in the Decorative Paints business, which has all the necessary ingredients to achieve number 2 revenue market share and committed profitability in the 3 years of full-scale operations. The company appreciates Rakshit's contribution and wishes him the best for the future endeavour. Rakshit's successor will be announced in due course. In the interim, I as business head for the last five years of Paints

business, and who helped conceptualize, strategize, plan and execute this large project will directly oversee the paints business until the new CEO is appointed.

Moving on to other new business, Birla Pivot, which has been marching steadily and strongly. Birla Pivot was created to solve a pressing challenge in India's business landscape, simplifying building and other sectors raw material procurement for the companies that power the nation's growth. Today, it has evolved into a one-stop shop B2B platform covering the complete spectrum of procurement, fulfilment, assured quality and quantity with financing solutions of material needs from steel and cement to tiles and chemicals, all in one smart seamless ecosystem by enabling digital adoption across the B2B ecosystem, Birla Pivot is not just a procurement platform, it is a catalyst for efficiency, transparency and growth in India's industrial and construction sector. Post a successful foray into building materials, the business now expands its product portfolio to become full stacked raw material procurement platform. The platform has now added a diversified range of raw materials, including polymers, solvent, textile chemicals and nonferrous metals. For your reference, B2B e-commerce market is set to hit USD200 billion by 2030, powered by strong demand from chemicals, metals, infrastructure and construction sector, etc. Birla Pivot's expansion is well timed to capture this momentum, enabling smarter tech-enabled procurement. As digital penetrations remain below 2%, India's B2B ecommerce trade is on the cusp of a major shift. What does such product additions give to us? First and foremost, growth momentum, which is what it is visible in Q2FY'26, where the revenues are sequentially higher by 15% in spite of monsoons. Secondly, it also gears up for new aspirations, which means newer targets to our businesses beyond its stated revenue guidance of achieving INR8,500 crores or \$1 billion mark by FY'27.

To conclude, Grasim's diversified business model spans India's high-growth sectors from cement powering infrastructure, decorative paints, enabling urban aspiration, B2B commerce and financial services driving enterprise and inclusion to chemicals and sustainable fibers like cellulosic, linen, wool and cotton, addressing industrial and global demand. This multi-segment presence creates a synergistic engine of growth, combining resilience with opportunity, a true force for growth building India, enabling aspiration and driving sustainable progress.

Let me now hand over the call to Hemant for discussing financial performance and highlight on our core business, which is cellulosic fibers and chemicals. Over to you, Hemant.

Hemant Kadel:

Thank you, Himanshu. Good afternoon and festive greetings to everyone. It is a privilege to address all of you on this earnings call in my capacity as CFO. I have been with the group for more than 30 years. And during this journey, I have been part of the core management team, leading several strategic initiatives and governance responsibilities. My experience spans across corporate finance, risk management, mergers and acquisitions and enterprise-level initiatives. As a CFO of a conglomerate like Grasim, my role is to ensure that our financial strategy and execution are fully aligned with the five pillars that has defined our organization's long-term growth journey, which is leadership, innovation, sustainability, capital allocation and cost leadership.

Coming to our current quarter performance, Grasim has delivered consistent revenue growth for 21 consecutive quarters on a year-on-year basis with trailing 12 months consolidated revenues of INR1,59,663 crores, up by 8% compared to FY '25 revenues. The standalone revenue grew at a faster pace, reaching a record high of INR9,610 crores, up by 26% year-on-year.

Let me now talk about business-wise performance: Firstly, cellulosic fiber business, the average quarter 2 FY '26 cellulosic staple fiber utilization rates in China have improved to 89%. And inventory days, though higher year-on-year, have sequentially reduced to 15 days. Total sales volume of CSF was lower by 5% year-on-year due to logistics-related issues at Vilayat, which is now normalized. Specialty fiber volume mix improved to 24%, led by higher exports of specialty fibers, improved product mix and currency depreciation supported blended realization of CSF. Cellulosic fashion yarn sales volume grew by 3% year-on-year, led by festive demand. However, the realizations continue to remain impacted by cheaper imports from China. The cellulosic fibers segment revenue were up 1% year-on-year to INR4,149 crores. High input price of key raw materials impacted the EBITDA, which degrew by 29% to INR350 crores.

Coming to our Chemicals business, the business revenue stood at two year high levels driven by all-round performance across caustic soda, chlorine derivatives and specialty chemicals. While the global caustic prices have softened with CFR SEA down by 5%, domestic caustic prices stood higher due to stable demand and rupee depreciation. The improvement in caustic prices led to higher ECU, which was partially impacted by increasing negative chlorine realizations. Caustic sales volume for the quarter were flat due to constrained production on account of lower power availability. Specialty Chemicals revenue contribution improved to 30% versus 26% in quarter 2 FY '25 driven by volume growth of 34% year-on-year due to stabilization of newer capacity. Specialty chemical profitability remains impacted by elevated raw material prices. During the quarter, chlorine derivative capacity increased by 11 KTPA with addition of aluminum chloride capacities. Two key projects, CPVC in partnership with Lubrizol and ECH remains on track. The mechanical completion is expected by Q3 FY '26. Post completion of ongoing projects, chlorine integration is expected to reach 70% compared to current 64%.

In our Cement business, UltraTech's capacity expansion continued to reinforce its position as the backbone of India's infrastructure build-out. With every incremental million ton added, the business is structurally strengthening supply to support the country's historic capex cycle across roads, ports, industrial corridors, logistics infrastructure and housing. The business has recently announced capacity expansion targeting total gray cement capacity of over 240 million metric ton per annum by March 2028. Compared to its current capacity of 192.3 million metric ton per annum for quarter 2 FY '26, the consolidated sales volume were up by 6.9% year-on-year to 33.85 million metric tons. Operating EBITDA per metric ton grew by 32% year-on-year to ₹966 led by volume and realization growth, coupled with lower power, fuel and logistics cost.

Coming on Financial Services business, Aditya Birla Capital's financial service portfolio continued to sharpen its focus on customer first execution. While leveraging cross-business synergies to strengthen outcomes, revenue for Q2 FY '26 grew by 3% year-on-year, led by growth in NBFC, Housing Finance and Health Insurance segments. Total lending portfolio, that is NBFC, and housing finance stood highest ever at nearly INR1,78,000 crores, up 29% year-

on-year. The NIMs have started to marginally improve quarter-on-quarter. Total assets under management of AMC, Life and Health insurance grew by 10% year-on-year at nearly INR550,000 crores.

Talking about Other businesses, firstly, textile revenue grew by 6% year-on-year to INR586 crores. The business has demonstrated remarkable turnaround, returning to profitability with EBITDA of INR24 crores due to normalization of input prices in linen segment. Just as a reference, this business historically demonstrated 8% to 10% EBITDA margins.

Coming to renewable business, Aditya Birla renewables revenue nearly doubled on a year-on-year basis to INR259 crores, led by newer capacities and onetime revenue of INR50 crores on account of rate differential. The business current peak capacity stood at nearly 2 gigawatt and is laying the foundation for a greener, more resilient India. It is also playing its part in the group's collective transition to a sustainable energy future.

Let me now briefly touch upon the capex. Grasim has outlined a capex outlay of INR2,263 crores for FY '26, of which INR941 crores was deployed in first half of financial year '26. The lyocell capacity expansion with the cellulosic fiber business is progressing as scheduled and remains on course for commissioning by mid-2027.

On sustainability front, happy to share that Birla Cellulosic Fiber division of Grasim has received the highest rating of "Dark Green Shirt" in the Canopy's Hot Button Report for the sixth consecutive year, reflecting its focus on sustainability. We remain committed to continuously elevating our sustainability performance. A key thrust will be to improve the capacity share of renewable energy and increasing recycled water usage to structurally reduce our dependence on freshwater. These shifts are integral to embedding resources efficiency into our operating model and strengthening long-term environmental resilience.

On the balance sheet side, net debt declined by INR292 crores and stood at INR6,861 crores as on 30th September 2025 as against INR7,153 crores as on 30th June 2025. Stand-alone net debt to TTM EBITDA stood at 2.19x as against 2.41x.

With this, we open the floor for question and answers.

Moderator:

Thank you very much. First question is from Avi Mehta from Macquarie.

Avi Mehta:

Sir, my questions were on the paint business, especially wanted to better understand your thoughts post the resignation of Rakshit, in terms of the rough time line for the successor announcement, any change in growth strategy, aggression. I would love to hear your thoughts on that. And so the second question, if I can put it up front, is on the performance in the paint business in the quarter on a sequential basis. You did point towards market share gains, but the other peers who have announced have seen almost a 10% decline given the weak monsoon, weak environment, I would love to know how does the business stack up versus that? Those are the two questions.



Himanshu Kapania:

Thank you, Avi. In the life of a professional, individuals take their call on where they want to build their career. Rakshit has helped Birla Opus from the very start of the business to build the project and in the initial phase of launch. Now Birla Opus has a very strong, high-performing team and will continue to stay course on the vision that has been announced to the market. I'd like to remind you the vision that the company has announced to the market, we have committed to be number two as well as profitable within three years of full-scale operation. We will stay course on that.

As regards to the performance of quarter 2, this is our first time that we have faced a full monsoon season. And the first time we saw that the overall industry on a quarter-on-quarter basis has had a double-digit decline. And it is our internal estimate on a year-on-year basis. If you were to eliminate the performance of Birla Opus, the industry is slightly negative in performance. Our Birla Opus on a year-on-year basis had a significant growth, but on a quarter-on-quarter basis, had a low single-digit decline, which was primarily during the periods of July and August. We turned back very strongly in the month of September as well as in the month of October, as I mentioned in my opening remarks. We are seeing very strong secondaries or movement of paint buckets from the dealer counter to the contractors and consumers and as well as return of the institutional business. We remain committed to growth, and we remain committed to the vision that has been articulated to the market.

I forgot to tell that Rakshit be there with us until 5th of December.

Moderator:

We'll take the next question from Rahul Gupta from Morgan Stanley.

Rahul Gupta:

A couple of questions. First, just as a continuation on the Paints question earlier. Now that we are out of a pretty long and persistent monsoon season, how should one look at the industry demand for the second half? And to that extent, with Kharagpur now fully commercialized, how should we look at your ramp-up in second half from that perspective? So that's my first question.

Himanshu Kapania:

Thank you, Rahul. We are highly optimistic and results of September and October bear us out of a strong quarter 3, both on a year-on-year basis as well as a quarter-on-quarter basis. So our guidance is continued double-digit growth on a quarter-on-quarter basis and a significantly high growth on a year-on-year basis. As regards to our capacity, as we mentioned, we are at 1,332 million liters per annum, with Kharagpur arrival in the short term, it will help managing our logistics costs and better servicing on the Eastern and Central India. But in the long term, our aim is to ensure that the volume market share and capacity market share converge all investments and all efforts, whether it's advertising, manpower, distribution, servicing and any new initiatives will be directed towards to match our volume market share closer to our capacity share.

Rahul Gupta:

Got it. Maybe we will revisit on the industry a quarter later. My second question is on B2B e-commerce. See, the business is growing at a very fast pace. And if I look at this quarter numbers, the revenues are annualizing more than INR6,000 crores. Now you have guided for INR8,500 crores for fiscal '27. Is there a case for this number getting revised up? Or will you be reaching this targeted number sooner than fiscal '27? So any color on this will be very helpful.

Sandeep Komaravelly: Thanks, Rahul. This Sandeep here. I think your observation is right. Our growth has been compared to what our expectations, I think we've been doing very well compared to our plan. We are on track. And I think our earlier recommendation was that we will achieve \$1 billion scale in FY '27. There is a likely chance that we will get there and hit that milestone sooner. But for now, we are not changing any of our direction as of now.

Moderator: Next question is from Amit Gupta from ICICI Securities.

Navin Sahadeo: This Navin Sahadeo from ICICI Securities. So two questions. One on paints and the second on B2B commerce. On paints, if you could just give us more details about the number of dealers in this particular quarter versus the last quarter. And the reason I'm asking this because this time, Diwali was a little advanced. As you mentioned in your presentation, there is net addition to the number of accounts from 8,000 in the previous quarter to 10,000. The SKUs have gone up. The product portfolio has also expanded. But yet, sequentially, as you mentioned in your opening comments or to the previous question that there is a marginal lower single-digit kind of a drop in revenue. So how should one look at this in terms of the expanding network in the first place.

Himanshu Kapania: Thank you, Navin. You're right. We have expanded our distribution network to beyond our original guidance of 8,500 towns to 10,000 towns. And we continue to be able to expand beyond urban into the rural and the small town category. As regards dealers, the way to look at it is either we measure dealers on a quarter-wise basis, or we measure on a month-wise basis. Your concern has been how is it that we have been expanding our reach, and it has not translated into revenue. To measure that, we should look at the number of dealers that have participated with us in September and October. And we've been growing dealer participation on a month-on-month basis. There was a lull in July and August, and it has returned back to a significant growth, almost a double-digit growth of dealer participation in September, and the same momentum has continued in the month of October. So, the overall number of dealers have continued to grow, if I were to measure the total number of dealers who participated in quarter two over quarter one. What is important is you will say the throughput may have fallen. The throughput may have fallen on a quarterly basis. But when we measure on a September basis, the throughput is back and both in September and in October, dealer throughput is at levels and slightly higher than what it was at quarter one. So, our focus is both expansion as well as depth of performance. And currently, while we are getting a lot of dealers to be able to sample our products and start using our products, there are dealers who have sustained with us now for more than one year. And almost 30% of the dealers are currently doing more than 40 to 80 products for us. And that number continues to grow. And the dealers, I'm very happy to report the dealers who have worked with us in the over one year, we've sustained a large percentage of them. So I hope that answers your question.

Navin Sahadeo: Just to clarify, if you could give us the number of dealers? And second is the traction that you said or rather a spurt that you've seen in September and October, is it led by the consumer style financing or the EMI options that you introduced a couple of months back?

Himanshu Kapania: So those are factors which help in secondary sales. So I'll not mix the two certain topics that we first focus on primary sales, that is sales from companies to dealers. The number of dealers

participation has grown as well as number of products sold has grown, both in September and October. Now once this has grown, how has been the throughput different from our legacy companies, which have a track record, and they are able to force dealers to stock. Most of our dealers prefer to buy and keep a very low stock. So for them, the most important is throughput or secondary sales. And what has been encouraging for us is, number one, we have a central monitoring system of our tinting. And we are finding that the secondary on our tinting for dealers in September and October has been almost 120% to 130% of the volume that they purchased in September and October, showing a very strong secondary or throughput from the dealers on to customers as well as reducing their inventory significantly. That is part one. Second thing that has helped is assurance. So it is helping painters and contractors to be able to tell to customers of the assurance program. And we've had thousands of projects being registered in multiple stages of execution at this point of time, the Assurance plan. And the third is the new painting services. Both Assurance and painting services are secondary-based programs as well as dealer stocking and dealer purchase are the primary-based programs. So both are running strong. I hope that clarifies.

Navin Sahadeo:

My question second was on B2B e-commerce. So if you could just help us understand the private labels now are what percentage of our revenues, and in the same way then what's different from a technology or any other innovation that we are doing in this B2B ecommerce gives the confidence that we might be able to surpass the revenue target sooner. But that was my question.

Sandeep Komaravelly:

I'll answer your question on the innovation that we're doing and what gives us the confidence that we will grow and continue on this growth momentum. So look, as you're aware, we have built an integrated e-commerce platform, which fundamentally forms a digital backbone and connects pretty much every stakeholder in the entire ecosystem, starting from the brands, OEMs to our buyers who are consuming these products, logistics service providers who are actually moving the material to our lending partners who are providing financial solutions to all other network operators who plug into this backbone. And what this fundamentally helps us is in creating this end-to-end visibility, which is predominantly not there in most of the sectors or most of the materials that are fundamentally transacted today. And that, I think, is where our ability to provide bring in efficiency, ability to provide the best price, ability to provide the widest assortment, ability to provide a very reliable experience, all of that come into play. And this already showing up in the way our repeat transactions are happening in the way the buyers are coming back to our platform to keep buying. And just as an indication, all the buyers who we acquired last year, they've already purchased on an average more than twice the amount this year, giving us the confidence that whatever experience that we're delivering through both a combination of our assortment and our technology backbone is giving results. And I think that is one of the biggest reasons why we believe our growth momentum will continue. And to drive all of this, these are custom-built tech modules that we've built from the ground up, and they are very specific in terms of addressing the use cases that are for B2B. There are a bunch of solutions that have come up in the past for B2C ecommerce, but B2B e-commerce is a lot more complex. There are a lot more stakeholders. To fulfil a single transaction, it requires more than 30, 40 touch points. and to orchestrate all of this in a system that is seamless is where our edge comes in. I hope that answers the question on innovation.

On the second part or on the first part that you had asked about private labels, we are right now not breaking down our revenues into different product categories, and we will share that at the right moment. But I'll share this that our private label since the time of launch, they have seen very good acceptance. Most of the buyers who are coming to our platform to buy some of the bulk categories. As the project progresses, they have shown very good interest to continue that purchasing experience with us. They started buying behind the wall categories, and now they've also started buying the finishing categories. So we are currently operating in tiles, ply, bathware and faucetware, and we continue to increase our penetration there. What we've also seen is that we see great acceptance for these private labels in our retail channel. So, we fundamentally have two channels. One is the projects channel where we are able to directly supply materials to the site locations. And the other channel is our retail channel wherein we work with retailers who further then sell a lot of these finishing products to individual homebuilders or smaller contractors or smaller retailers. We've seen great acceptance for these private labels in the retail channels because they are seeing a great way to diversify their portfolio without having to do higher investment or having to keep inventory at their location, and that is what is driving acceptance of these private labels. So overall, I'd say all indicators are towards good experience, reliable experience.

- Moderator:** Next question is from Percy Panthaki from IIFL Securities.
- Percy Panthaki:** Can you just tell us the number of distributors, your target was 50,000. Have you achieved that target?
- Himanshu Kapania:** Yes, we are there.
- Percy Panthaki:** Okay. Okay. And how many of them would be monthly active distributors as in ordering at least once a month?
- Himanshu Kapania:** We believe we are better than the industry standards.
- Percy Panthaki:** In percentage terms?
- Himanshu Kapania:** Yes, right.
- Percy Panthaki:** Understood. Understood. And your guidance of INR10,000 crores turnover by FY '28, does that remain valid?
- Himanshu Kapania:** Yes.
- Percy Panthaki:** Understood. Understood. Also, just wanted to understand what is the next push in terms... See, when you started off, the first push was in terms of making the distribution available and increasing the number of distributors. Now more or less, that lever is sort of done. Of course, there will be some incremental growth there, but nothing major. So for the sales growth to continue double-digit on a Q-o-Q level, what is the next thing that you will focus on? What is the next lever which will drive this growth?

Himanshu Kapania:

I think this very typical of any business. Focus is on consumer. So you need a distributor or a dealer to be able to make sure the products are available at the right time at the right place. That activity, we have managed. So all our attention is moving to consumers. And there are two types of consumers. One is a painter contractor and second is direct homeowners. That's the reason why we continue to be the most visible brand amongst the most visible brand. And we are really happy to report that within a period of one year, this the last World Cup, then we started to advertise. And this World Cup, this happens with Women's World Cup, and we won both the World Cups. And in the results, we saw that we have top of mind recall, we are number 2 brand, which is the starting fact of consumers to be able to go and ask for Birla Opus at the dealer outlet. So that is the one step, and we believe 30% to 40% of the consumers make direct purchase of paints. Remaining 60% to 70% of the consumers do it with the help of the painters and contractors. So all our effort is to be able to attract maximum number of painters and contractors, ensure these painters contractors are able to experience our high performing products and superior products as well as able to offer to customers two very new services, number one, direct painting services from branded by us, which has transparent pricing, EMI as a GST bill. And Assurance where not only the customer gets product warranty, but he will get in the first year itself, if there is any problem, our commitment to not only replace product, but also cover his labor costs to be able to give assurance both to the painter and contractor as well as to consumers. So, all the focus of the business is to be able to do consumer-related activities. And that will help us in what is happening is that is helping us dealers who first joined and took a small percentage of our 192 products. And now we are getting dealers who are increasing the number of products that they're buying and offering to consumers.

Moderator:

Next question is from Manish Poddar from Invesco.

Manish Poddar:

So just wanted to get some sense, sir, let's say, because of this rainy season, has there been any sort of impact in this Q2 thing? And that is why you're calling out, let's say, the early part of the quarter was tapered. And despite you adding stores or adding distribution, you haven't seen performance to that extent. Because what is happening is the market always correlates individuals leaving at the top to the delivery of outcomes. And if that is, I'm just trying to get some sense on that.

Himanshu Kapania:

Understood, Manish. So let me first clarify. We believe that we have the best growth on a quarter-on-quarter basis. Obviously, when you measure on a year-on-year basis, we are a triple-digit growth. So that may not be so relevant. But on a quarter-on-quarter basis, we had a least decline when the industry had a double-digit decline. I had almost flat or slightly negative on decline basis. What is the reason for this decline? Broadly, whenever there is monsoons, the exterior products and institution business slows down. And that is our peak monsoons in July and August. So if a part of our business is not happening. That is the reason why the slowdown happens. And that is historic of industry. On a quarter-on-quarter basis, quarter 2 is amongst the slowest quarter for the industry, and we faced it for the first time. But having said that, we have to measure the overall industry on a year-on-year basis. If you were to remove Birla Opus performance, the industry has had a slightly negative growth is what our assessment is based on various feedback that we've got from the market. Not every company has yet reported their financial results. But whatever our study of the market is against but, with Birla Opus, there has

been a low single-digit growth that has happened, and Birla Opus continues to help grow the market at this point of time. I hope that answers the question.

Moderator:

Next question is from Nirav Jimudia from Anvil Wealth.

Nirav Jimudia:

I have two questions on chemicals. Sir, the first is when we see our EBITDA run rate for chemicals, like last year, we were at anywhere between INR250 crores to INR300 crores. And today, when we see we have inched up to anywhere between INR350 crores to INR400 crores. So just want to understand from you that when can we again start seeing the meaningful improvement in the EBITDA run rate for chemicals? And if you can explain this in context of, (a) chlorine value-added products. So is there any scope for improvement in per kg margins here. (b) newer capacities like ECH and CPVC and when it should start contributing meaningfully? And (c) whether the benefit of the power cost reduction with our shift to renewables is optimally achieved or there is a further scope of improvement?

Jayant Dhobley:

So, I'll go in reverse order of your questions to the extent I remember all of them. So firstly, we are at about 24%, 25% renewable level as of now, right? If I look at all that we have and all the state-level regulations, we expect that in the next three years, we should be able to technically get to 40%. And I use the word technically because we have not yet envisaged those projects. We have not yet signed the PPAs, but that would be a kind of aspirational level for the next 3 years. I can't forecast because, as you know, every state has its own regulation on banking, billing, surcharges, etcetera. But we think that the current 25% has feasibility to reach the 40%. Then I think your second last question was ECH.

Nirav Jimudia:

Yes, when it should start meaningfully contributing in terms of the operating profits?

Jayant Dhobley:

So that ECH and CPVC would be meaningfully contributing from Q1 of next financial year. We will be mechanical complete by Q3, worst case situation in January, but the start-up times of these plants are long and complicated. And as you know that some of it are -there are safety risks as well. So we expect that meaningful contribution will happen from first quarter of next financial year.

Then I think you had a question on chlorine derivative profitability. Rather large basket of products, right? We have probably the largest basket of chlorine derivatives in India. And some of them are pretty seasonal because, for example, water treatment and monsoon has a higher season, right? Plastics has another high season. So I think these are mature products. It's not like you're going to see breakthrough profitability in any of these traditional chlorine derivatives, but it is necessary for us to do them so that we can get the caustic utilization rates that we want.

And then your very first question was around what could be the catalyst for the next step improvement, I think, in profitability. And Nirav, the honest answer to that is it essentially depends on chloride, given our large exposure still to the chloralkali business. It's a combination of caustic prices and chlorine demand in India. That is the most meaningful factor that drives our results. And the business of predicting caustic prices for a long time is very tricky. So far, we can make our best estimates, but it's a tricky business.

Moderator: Next question is from Jai Doshi from Kotak.

Jai Doshi: My question is generally on market share trends. Now last year, during the course of the year on a Q-o-Q basis, you were adding 100, 150 basis points of market share every quarter. It seems to have moderated to about 20 basis points starting this year. So is this entirely the difference between primary, secondary? That's my first question.

Second is, is there a risk that it decelerates further? Or you think that you will be able to gain 20, 30 basis point market share Q-o-Q from here onwards over the next few quarters as well. And lastly, mathematically, for you to sort of INR10,000 crores in FY '28 means 13%, 14% market share. So whereas if I understand correctly, you may be at 6.5% today, gaining 20, 30 basis points quarter-on-quarter. So what do you think from here can sort of drive acceleration in sequential market share trends for you?

Himanshu Kapania: Thank you, Jai. I'm not sure how you're doing your calculations and how you're arriving at quarter 1, 20 basis point or quarter 2 at a slow market share growth. So first and foremost, I want to register the revenue reporting of paint companies has 3 broad components: decorative paints, putty business as well as industrial paints. Now we have a fair bit of idea of their industrial paints, some of them are also reporting a breakup between industrial and decorative paints. Now with decorative paints and putty business of the legacy players and decorative paints and putty business of Birla White, our assessment is we have grown very significantly. And last quarter, we had talked about reaching double digit, and we have grown more than 700 to 800 basis points in this quarter further. So, we are there. And on a stand-alone basis, our assessment is we will be in quarter 4 to quarter 1 of next year, double digit. We are trying to reach this in the quarter 4. But we are between quarter 4 of this year or quarter 1 of next year, we should be in a double-digit number. And our degree of confidence remains solid around there. So you may have your own internal calculations and the number that you are giving us as the end market share is quite different from the numbers that we have on our internal calculation basis.

Moderator: Next question is from Prateek Kumar from Jefferies.

Prateek Kumar: I have a couple of questions. Firstly, on PSF segment and caustic, the performance on a cumulative basis remains range bound like last few quarters. Do you see any figures which could provide any positive change in performance in this business. Some of it you have already alluded and like answered that.

Vadiraj Kulkarni: Yes. See, we expect a slightly better performance in Q3. But obviously, there are a lot of ifs and butts in terms of U.S. tariffs, in terms of global pulp prices. We expect stability and a slightly better performance for Q3.

Prateek Kumar: Okay. Also, another question is on resignation of Rakshit, which comes as a big surprise to anyone who has been tracking Birla Opus closely. My question is, should investor view this transition as a natural phase in generally difficult competitive business or as inflection point of any refreshed strategy?



Himanshu Kapania: It's a natural phase of professionals growing in their career. This will have no impact on the business and business will be as usual. And there will be no change in the growth strategy.

Moderator: Next question is from Rashi from Citigroup.

Rashi: I just had a clarification. When you're saying that the paints industry has grown at low single digits in the second quarter, and it's negative, excluding Birla Opus. This just decorative organized paints or adding putty as well?

Himanshu Kapania: Yes, including putty.

Moderator: Thank you very much. Due to time constraints, we'll have to take that as the last question. On behalf of Grasim Industries Limited, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.