DSP Transcript

Sep, 2025

The only certainty you can derive from past financial data is that the future is always surprising. And it will most brutally surprise those who are most certain they know what is about to happen.

Jason Zweig

DSP

1. Corporate Longevity: Moat Meets Models
2. Consumption: Services Over Stuff
3. Credit Costs: Health Check
4. Air Conditioners: Summer Is Not Strategy
5. Paints: Aggression Meets Incumbency

QUOTES OF THE QUARTER

DSP

Clearly, slowing economy and a drop in credit supply is at one level good because when we used to look at the business loan lending, we used to wonder the market is not large enough to be of that size.

From a longer-term standpoint, it will give lessons to everybody.
Some lessons we'll also learn in the process.

Rajeev Jain BAJAJ FINANCE LIMITED

This year is actually a year of collection, not the year of disbursement.

Ravindra Kundu Chola Enter a better life

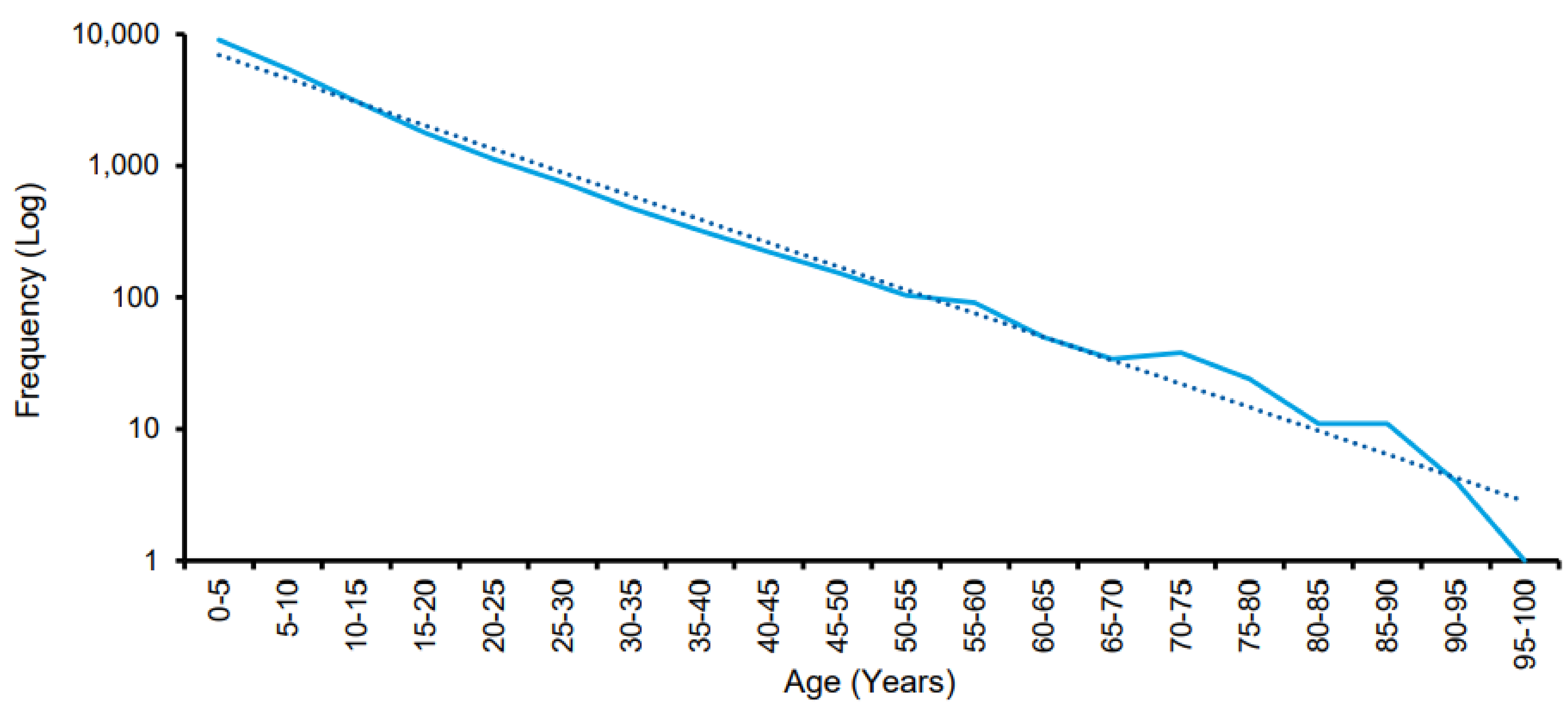
Corporate Longevity: Moat Meets Models

DSP

Every generation thinks it's been singled out to live through unusual disruption. But disruption isn't a bug in the system. It is the system. Each new technology mints winners and losers, and globalization plus instant communication have turned the dial up. The data is sobering. Bessembinder finds fewer than 4% of U.S. stocks beat Treasury bills over their lifetimes. In the U.K., just over 1% of firms listed in 1948 were still around seventy years later. M&A and delisting drive many corporate deaths. Survival ticked up a little in the 2000s and 2010s (in 90's dot.com mortality was high), yet the odds of seven-year survival are still about a coin toss.

Even if you survive, your prospects may swing wildly.

Longevity of Companies, 1926 - 2022



Source: Morgan Stanley, Counterpoint Global , Hendrik Bessembinder
https://www.morganstanley.com/im/publication/insights/articles/article_birthdeathandwealthcreation.pdf

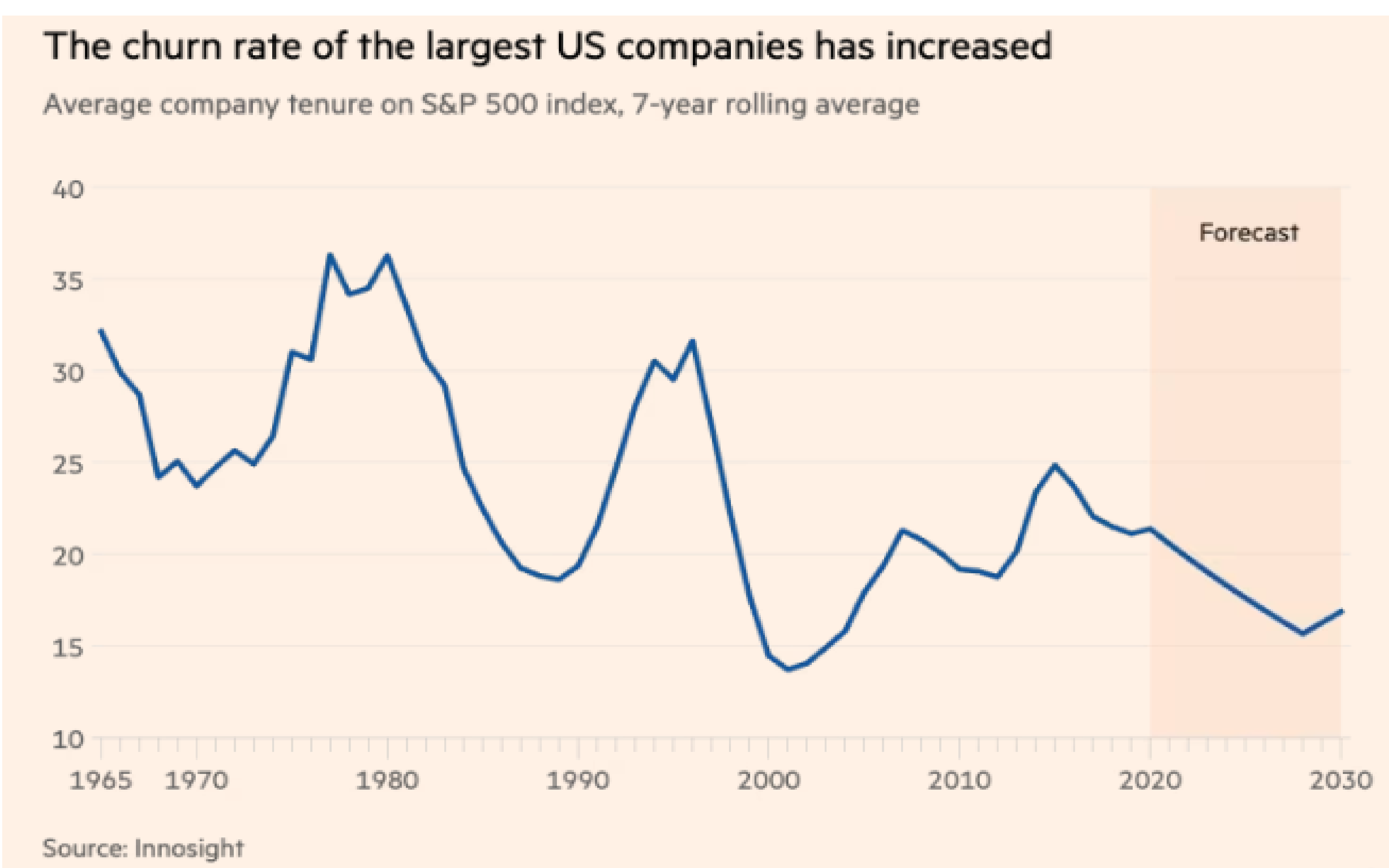
Corporate Longevity: Moat Meets Models

What does that say about our forty-year DCFs? In public markets the edge may lie less in forecasting the far future and more in two disciplines: putting ourselves in situations where good luck can find us and avoiding situations with negative asymmetry (DCFs help here).

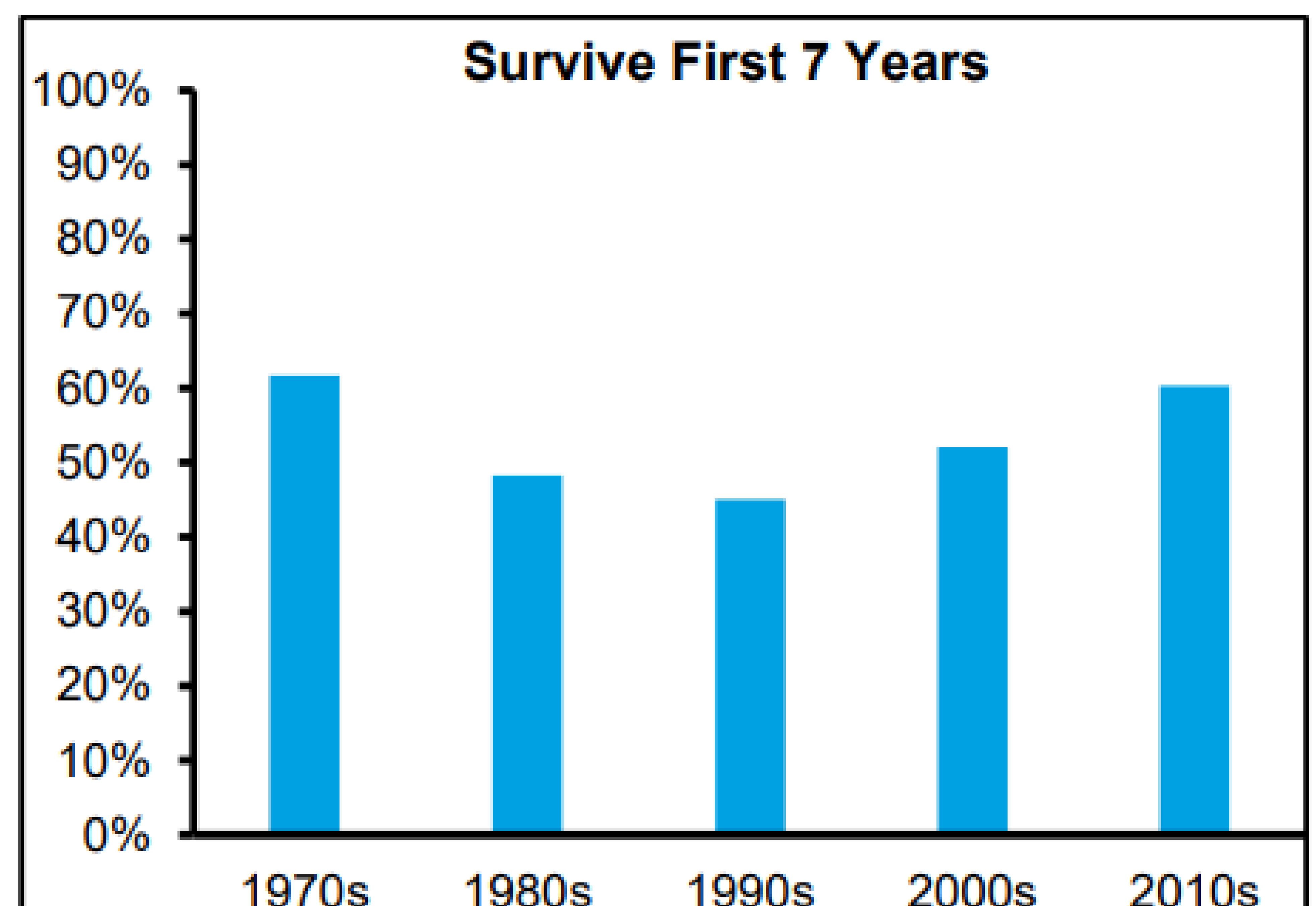
Both work only if we remember we may know less than we think.

For many businesses LLMs/AI is shifting value to different platforms, reducing the need to click, call, or pay and compressing traffic, volumes, and price per unit for incumbents. Markets are repricing to slower growth and lower terminal margins in many cases. Some of these threats are real, some are perceived and it's not easy to distinguish.

Buffett said, ‘I look for businesses where I can predict what they will look like in 10 to 15 years.’ That pool is shrinking. Should portfolio churn go up or down because of this? We wonder.



Source: FT.com
(https://www.ft.com/content/75b236c7-2219-44f1-add5-31115ba1a953)



Source: Morgan Stanley, Counterpoint Global
https://is.gd/oXZb54

Corporate Longevity: Moat Meets Models

DSP

New AI-powered live translation and language learning tools in Google Translate

Aug 26, 2025
4 min read

Using advanced AI models, we're introducing new live capabilities to make it easier to communicate in real-time, and a new language practice experiment designed to help you meet your unique learning goals.

https://blog.google/products/translate/language-learning-live-translate/

AI is already reshaping how work gets done here and across industries. It's not a question of "if" or "when"; it's happening now. To stay true to our mission of making language education accessible to all, we must embrace this change with boldness and urgency. Hesitation risks falling behind, just as it did for companies that clung to desktop-first models a decade ago.

CEO Letter, May 2025

Source: Google Finance

duolingo

Gamified, language learning platform.

Corporate Longevity: Moat Meets Models

DSP

In the first part of the year, we saw no noticeable impact from ChatGPT on our new account growth, and we were meeting expectations on new sign-ups. However, since March, we saw a significant spike in student interest in ChatGPT. We now believe it's having an impact on our new customer growth rate.

1Q CY 2023, Earnings Call

Source: Google Finance

Chegg

Study help platform.

Corporate Longevity: Moat Meets Models

DSP

I am absolutely betting on the fact that 5 years from now, there'll be more people saying, "I'm using creative tools to accomplish what I want," and there'll be more marketers saying, "I can now, with the agility that I need, truly deliver a marketing campaign in an audience that's incredibly more specific than I could in the past." And that's Adobe's job to demonstrate how we are both leading in both those categories and to continue to innovate. But I recognize and I understand the question that exists in the industry associated with AI, if the value doesn't accrue to interfaces.

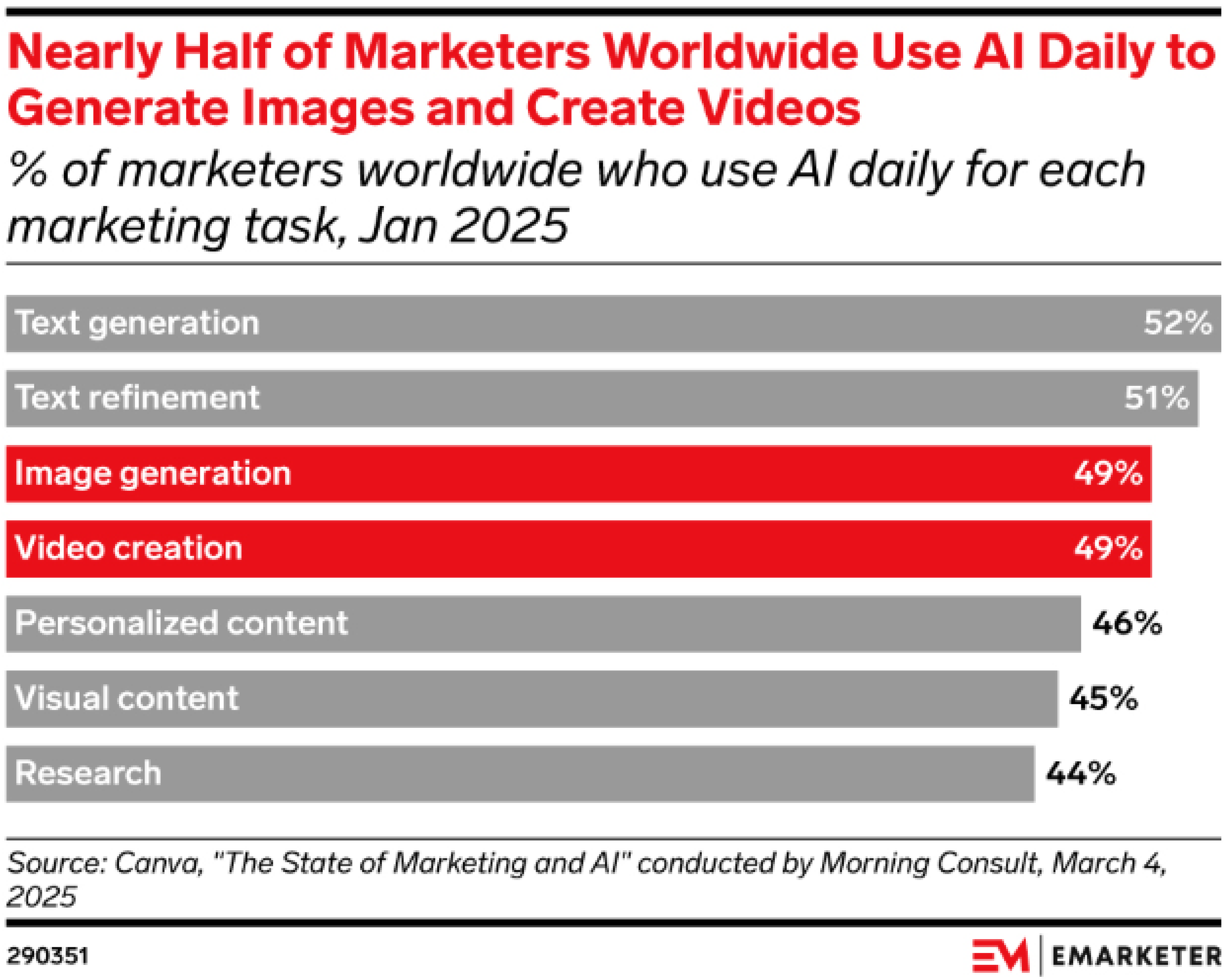
1Q CY 2024, Earnings Call

Source: Google Finance

Adobe

Creative software, design, photo tools.

Corporate Longevity: Moat Meets Models



https://www.emarketer.com/chart/271425

Corporate Longevity: Moat Meets Models

DSP

gettyimages®

Stock images, video, editorial platform.

Source: Google Finance

shutterstock images

Stock images, videos, music.

Corporate Longevity: Moat Meets Models

DSP

Call center giant Teleperformance faces the dizzying challenge of artificial intelligence

Robots replacing humans? Price pressure? New competitors? The French company, whose stock market value has fallen by 66% in a year and a half, is struggling with a whirlwind of existential questions.

By Olivier Pinaud
Published on March 29, 2024 at 5:15 a.m., modified on March 29, 2024 at 10:40 a.m. · 5 min read.

https://is.gd/4vf0qC

Will artificial intelligence, which becomes very widespread make humans obsolete? It's the fundamental question, isn't it? Or will these building blocks of artificial intelligence be used by humans to enhance their abilities and capacities and value creation and transform in a positive way the world? There are huge opportunities, and they are also huge risks. And that's why this is not going to be used outright as is. You have to have an overlay, which provides some degree of protection. People are not going to feed their codes straight into GPT.

2023 AGM

Source: Google Finance

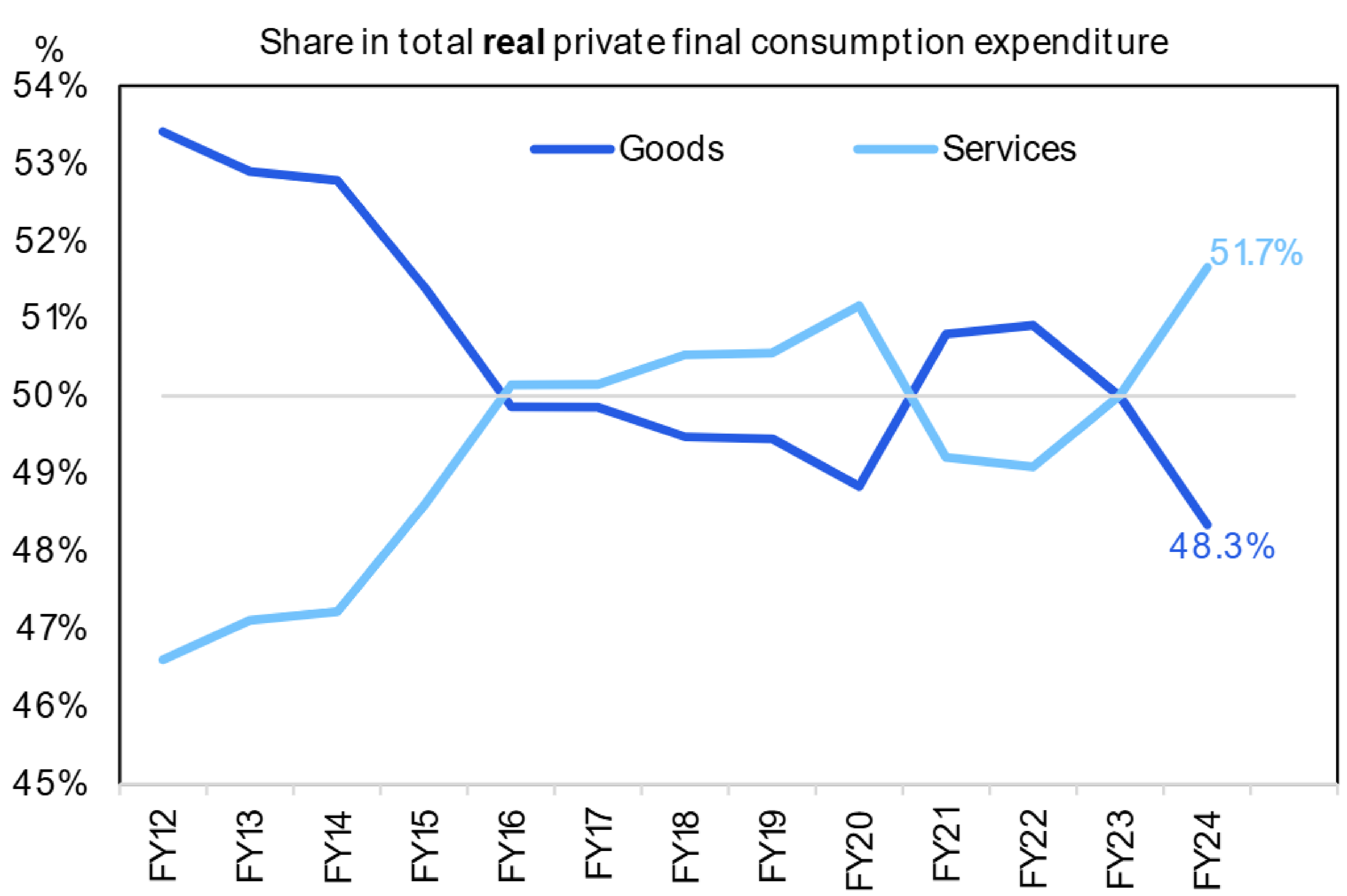
Teleperformance
each interaction matters

Debt collection, telemarketing, CRM, moderation, communication.

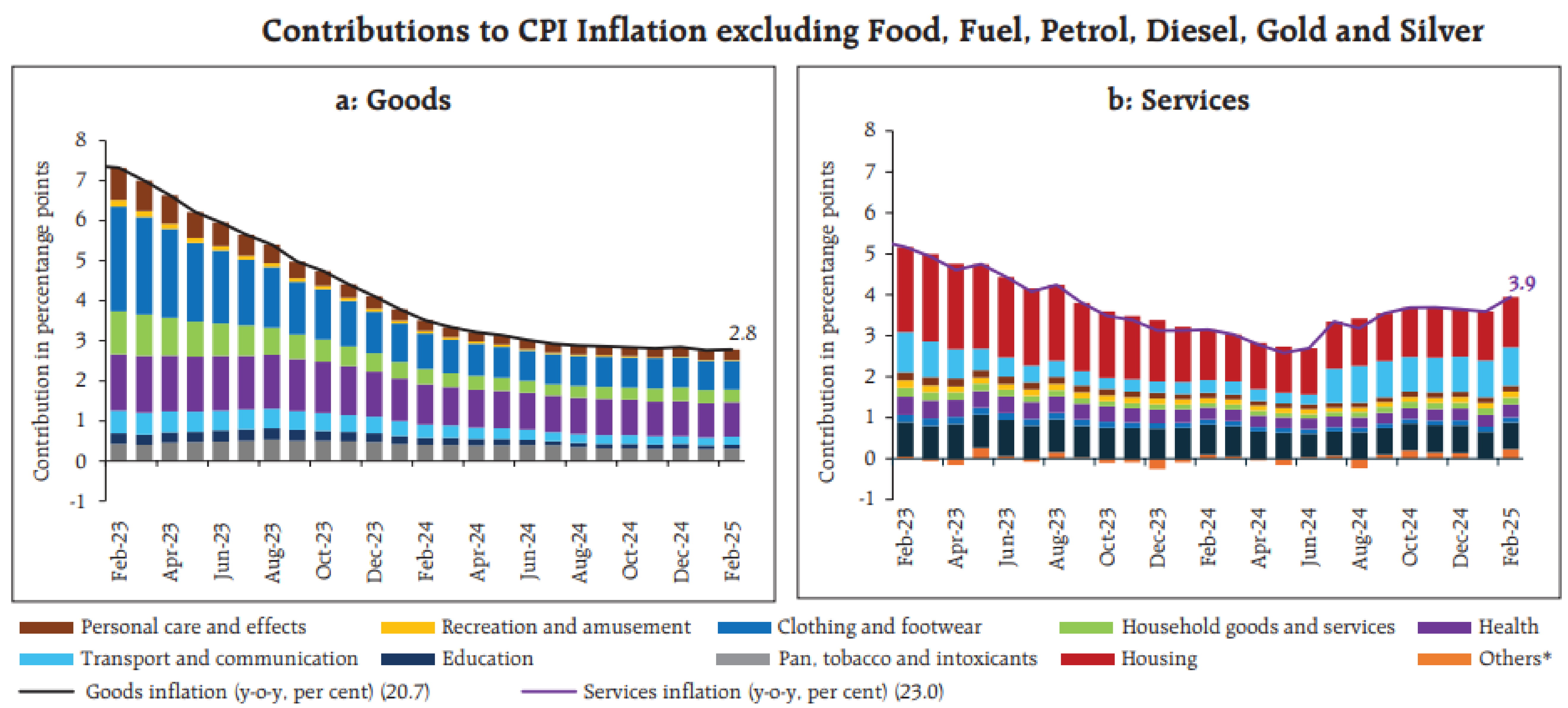
Consumption: Services Over Stuff

Over the past year, several factors have leaned in favor of consumption. There were tax cuts of roughly ₹1 lakh crore and GST rate cuts recently across many categories. Easier monetary conditions can support demand too by lowering EMIs and improving credit availability.

There is another set of changes that gets less attention. Tighter supervision of retail speculation in derivatives and the ban on real-money gaming can move large sums from app wallets back into bank accounts. This is not fresh income. Even so, when cash sits in bank accounts rather than closed wallets, people often feel a little better off and some may spend more in the near term. Markets have already pushed many consumption stocks higher on the belief that households will spend more on staples and discretionary items. That may happen, but it is not assured. Many families still face heavy debt service burdens and could choose to pay down loans instead. Spending might also continue to tilt toward services such as travel, eating out, health, and education.



Source: Citigroup, MOSPI



Source: RBI Monitory Policy Report April 2025

Consumption: Services Over Stuff

DSP

India: Monthly per capita consumption expenditure (%)

Category	1999-00	2004-05	2009-10	2011-12	2022-23	2023-24	'04 vs. '05
Cereal	17.26	13.48	10.92	8.65	5.7	6.18	-11.08
Food: Total	53.73	46.81	50.69	47.76	43.59	44.37	-9.36
Fuel and light	7.64	9.64	7.49	7.34	6.36	5.73	-1.91
Pulses and pulse products	3.33	2.51	2.78	2.35	1.47	1.48	-1.85
Sugar & salt	2.2	2.03	1.92	1.49	0.76	0.72	-1.48
Clothing & bedding	6.45	6.17	5.08	5.68	4.9	5.19	-1.26
Edible oil	3.44	3.87	3.18	3.08	2.94	2.25	-1.19
Milk and milk products	8.72	7.86	7.27	7.53	7.65	7.65	-1.07
Vegetables	5.65	5.06	6.98	5.63	4.51	4.96	-0.69
Footwear	1.14	1.02	0.94	1.01	0.81	0.91	-0.23
Other taxes & cesses	0.43	0.48	0.5	0.54	0.18	0.26	-0.17
Toilet articles & other household consumables	5.12	4.74	3.95	3.95	4.97	5.07	-0.05
Cereal substitutes	0.06	0.06	0.05	0.06	0.02	0.02	-0.04
Medical (non-hospitalization)	4.17	4.21	3.46	4.04	4.31	4.15	-0.02
Total expenditure	100	100	100	100	100	100	0
Gram	0.12	0.12	0.12	0.13	0.21	0.22	0.1
Spices	2.41	1.84	2.79	2.96	2.52	2.72	0.31
Entertainment	0.79	1.2	1.2	1.3	1.32	1.37	0.58
Pan, tobacco & intoxicants	2.39	2.07	2.24	2.41	3.06	3.04	0.65
Medical (hospitalization)	1.41	1.53	1.74	2.06	2.1	2.07	0.66
Fruits (dry)	0.39	0.4	0.56	0.68	1.22	1.2	0.81
Fruits (fresh)	1.69	1.57	2.24	2.45	2.48	2.59	0.9
Egg, fish & meat	3.23	2.9	4.19	4.22	4.17	4.15	0.92
Rent	2.43	2.93	3.13	3.35	3.63	3.53	1.1
Education	3.13	4.9	5.84	5.2	4.48	4.52	1.39
Consumer services, excluding conveyance	3.86	5.19	5.23	4.8	5.41	5.38	1.52
Durable goods	3.12	4.21	4	5.23	6.96	6.59	3.47
Conveyance	4.23	4.92	4.54	5.36	7.95	7.86	3.63
Beverages, processed food	5.27	5.15	7.72	8.44	9.97	10.26	4.99
Non-Food: Total	46.27	53.19	49.32	52.24	56.42	55.63	9.36

Source: MOSPI, Elara Securities

Consumption: Services Over Stuff

DSP

Something has changed in India in terms of spiritual tourism. The number of people going to Char Dham or Maha Kumbh, these kind of numbers have never been witnessed in the history before. The way our properties performing in Banaras, where we are adding another 100 rooms should open very shortly, doubling the size of the Taj Ganges. And many other hotels with other brands that we have in our portfolio will also be opening in Banaras.

So, there is something that has changed in terms of trips to spiritual destinations. We never had a hotel in Tirupati. Now, we have a Taj also and one under SeleQtions also. We never had a hotel in Puri, but since 7, 8 months, we have a Taj in Puri also. So, these are very resilient, I would say, in their performance.

IHCL
Indian Hotels Company Ltd
A TATA Enterprise

We do see an increasing middle class and a newer generation that focuses on experiences, we see an increasing international link both for Indian companies going abroad and foreign companies coming here. So

IndiGo

Consumption: Services Over Stuff

DSP

(Loss ratios have gone up) because of medical inflation, which is currently at 14%- 15% and we have been telling to all agencies across the year, that a large part of the medical insurance service that we give our policyholders is unregulated, which is the hospitals and as long as each and every hospital in each and every tier of cities does not get on to a cashless system where we are able to pre-fix or pre-determine the rates, this kind of inconsistencies is going to keep happening.

NEW INDIA ASSURANCE
दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड
The New India Assurance Co. Ltd

What happens our activity of the customer depends on its wallet share and size of the wallet. And what we see, if at all wallet is expected to grow at a rate of 11-12%, we are going to see activity of our customer increasing at least at the rate of 11-12%. But now if you look back and see that what in kind of like wallet share, they were giving for trading in market or investing in market, that got shrunk because of the regulatory changes. That has not come back to normal.

Young people, they would like to leverage and try out something in the market. So you see currently, they prefer trading in option. But if you look at their journey, slowly they moved to investment and all that.

AngelOne

Consumption: Services Over Stuff

DSP

In respect of derivatives, regulations have been a very evolving thing in the recent past particularly. If you recall, starting from November till April, we have been implementing multiple changes, which were brought in place based on the co-created process, which I just mentioned. So, this has resulted certainly in a change in the paradigm, with some amount of cooling off. Whether that is adequate or not, is a question which we need to be continuously asking. And whether still the retailers are losing money and how to ensure that they are able to understand what they trade and trade what they understand. This will be a continuous process and evolving process.

BSE
The Power of Vibrance

Online money gaming has seriously affected our middle class, our rural families, our youth and our students. There are so many cases of suicides, addiction and psychological behavior getting changed because of disorders caused by online money games. The WHO has even classified this as gaming disorder as part of their International Classification of Diseases.

The way the harm to society was growing, this would have become a much bigger national problem that the problem of drugs.

Ashwini Vaishnaw, Hon'ble Union Minister for Railways, Information and Broadcasting and Electronics & Information Technology

https://economictimes.indiatimes.com/tech/technology/rules-for-online-gaming-bill-practically-ready-it-minister-ashwini-vaishnaw/articleshow/123440777.cms

Consumption: Services Over Stuff

DSP

We're living in very strange times, I think, to say the least. And there is clearly uncertainty. And I think there is some amount of pressure that remains on urban. Again, I'll only talk urban because, as you know, our business is less weighted towards rural. But on the urban side, clearly, there is some pressure. So, there are areas where the pressure is easing, but there are areas where the pressure remains there.

NYKAA

Overall demand scene so far looks sluggish. In fact, June was the lowest TIV (total industry volume) in the last 30 months if you leave aside December. So, this was not very good. But at the same time, we are now entering the festival. So, we have every reason to believe that the worst is behind us.

HYUNDAI

In domestic market, the participation of first-time buyers in car buying continued to remain subdued, largely due to affordability issues. For the sake of clarity, since this definition has come up, first time buyers refers to first ever car purchase in the family, not the first ever purchase by an individual.

MARUTI SUZUKI

Credit Costs: Health Check

DSP

Last quarter, retail slippages ticked up at banks and NBFCs as growth slowed. MSME stress rose, and higher trade tariffs could delay recovery in that segment. Smaller ticket loans show more strain. Stress in personal loans and credit cards is fading. Early bucket delinquencies (1 to 90 days) are flat to improving across segments. Public sector banks have reported robust asset quality and credit costs.

We will need to watch high frequency data for some more time to judge whether slippages are truly easing or whether they are settling into a higher range that could persist for few more quarters.

If demand revives, GST cuts could lift auto disbursements. Further policy rate cuts would support NBFC NIMs but may delay the recovery in bank margins which are expected to bottom out in Q2. Although near term prints reflect the lead lag, markets typically look through it.

Net slippages (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
HDFCB	0.8%	0.8%	0.4%	0.5%	0.7%	0.7%	0.8%	0.4%	0.7%
AXSB	0.8%	0.6%	0.5%	0.6%	1.4%	1.0%	1.4%	0.8%	2.3%
ICICIBC	0.7%	0.0%	0.1%	0.4%	0.9%	0.6%	0.8%	0.4%	0.9%
KMB	0.6%	0.5%	0.4%	0.6%	0.8%	1.2%	0.9%	0.7%	1.2%
IIB	1.2%	1.0%	1.2%	1.0%	1.2%	1.4%	1.9%	2.8%	2.5%
YES	1.5%	1.1%	0.5%	0.7%	0.9%	1.2%	1.5%	1.1%	1.3%
FB	0.6%	0.0%	0.4%	-0.2%	0.4%	0.3%	0.3%	0.1%	0.9%
RBK	1.4%	1.1%	1.6%	-0.2%	1.4%	1.9%	1.7%	0.4%	1.6%
SIB	1.6%	-0.1%	0.2%	-0.2%	0.7%	0.2%	0.0%	-4.5%	0.0%
BANDHAN	6.3%	3.8%	1.0%	1.9%	1.7%	2.7%	4.3%	4.5%	3.8%
AUBANK	2.2%	2.2%	2.5%	1.8%	3.0%	3.3%	4.1%	3.6%	3.9%
UJJIVANS	1.9%	2.0%	2.2%	2.1%	2.9%	3.5%	4.8%	4.7%	4.4%
KVB	0.1%	0.2%	0.5%	0.5%	0.5%	0.4%	0.2%	0.4%	0.6%
CUBK	3.4%	0.7%	1.2%	1.3%	1.2%	1.0%	1.3%	1.3%	1.3%
DCBB	1.5%	1.2%	1.0%	0.2%	0.9%	0.6%	0.9%	0.5%	1.4%
BOB	0.4%	1.1%	0.4%	0.5%	0.5%	0.5%	0.4%	0.4%	0.7%
PNB	-0.6%	-0.8%	-0.6%	-0.3%	0.0%	-0.3%	-0.1%	0.3%	0.1%
CBK	0.7%	0.5%	0.8%	0.9%	0.9%	0.2%	0.5%	0.6%	0.4%
UNBK	0.6%	0.0%	-0.7%	0.4%	0.2%	1.5%	0.1%	0.0%	0.4%
BOI	0.6%	0.0%	0.0%	0.4%	-0.1%	0.5%	-0.2%	0.0%	0.2%
Large private	**0.8%**	**0.5%**	**0.4%**	**0.5%**	**0.9%**	**0.8%**	**0.9%**	**0.5%**	**1.1%**
Mid & small private	**1.8%**	**1.1%**	**0.9%**	**0.7%**	**1.1%**	**1.3%**	**1.7%**	**1.5%**	**1.9%**
Total Private	**1.0%**	**0.7%**	**0.5%**	**0.5%**	**0.9%**	**0.9%**	**1.1%**	**0.7%**	**1.3%**
Total PSUs	**0.3%**	**0.2%**	**0.0%**	**0.4%**	**0.4%**	**0.5%**	**0.2%**	**0.3%**	**0.4%**
Total Banks	**0.5%**	**0.3%**	**0.2%**	**0.4%**	**0.6%**	**0.5%**	**0.5%**	**0.4%**	**0.7%**

Net slippages (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
BAF (Consol)	1.3%	1.9%	1.8%	1.3%	1.9%	2.7%	2.2%	1.2%	2.1%
LICHF	3.0%	-0.7%	0.4%	-2.3%	1.4%	-0.5%	-0.3%	-0.8%	0.7%
SHFL	0.9%	2.1%	1.2%	1.5%	1.5%	1.5%	2.0%	2.2%	1.3%
CIFC	2.0%	1.3%	1.4%	0.6%	2.2%	2.4%	2.1%	1.3%	2.9%
MMFS	1.8%	2.8%	1.0%	1.2%	2.4%	3.1%	2.4%	1.3%	2.3%
PNBHOUSI	0.1%	-5.6%	0.3%	-0.8%	-0.1%	-0.1%	-0.1%	-0.7%	0.2%
IIFL (Consol)	2.7%	2.0%	3.1%	7.6%	1.4%	2.7%	6.9%	4.8%	4.7%
SBICARD	6.3%	6.5%	8.9%	7.9%	9.3%	10.0%	9.5%	9.0%	9.3%
CANFIN	0.4%	1.3%	0.6%	-0.3%	0.4%	-0.1%	0.2%	0.2%	0.5%
CREDAG	0.9%	1.2%	2.1%	2.5%	2.5%	5.7%	12.3%	12.6%	10.4%
AADHAR	1.9%	-0.2%	0.5%	-0.8%	1.4%	0.4%	0.6%	-1.0%	1.6%
HOMEFIRS	1.0%	1.2%	0.6%	0.5%	0.9%	0.5%	0.7%	0.4%	1.3%
Total NBFCs	**1.9%**	**1.1%**	**1.5%**	**0.8%**	**1.9%**	**1.9%**	**2.1%**	**1.5%**	**2.2%**

Source: Companies, HSBC

Credit Costs: Health Check

What we see is that consumer leverage continues to remain an area of concern. Company across lines of businesses continues to take several actions across all products to reduce contribution of customers with multiple loans. That's the single univariate pain point that (we) have identified, which has significant high bearings on loan loss and provisions.

So, business by business, since January, we have been pruning in most businesses, the action where what we would have wanted to do, except in MSME, which is still work in progress.

BAJAJ FINANCE LIMITED

Whether it's secured or it's unsecured, whether it's loans against property, whether it's business loans, or any of the other versions of MSME that we do, what I can assure you is, is extremely well calibrated on the risk side. Now, industry might be going through its various, I don't think there's anything too unusual about when I was handling, before my previous assignment, a very large portfolio as well. I think we have always had these situations of MSMEs - always have to be very well risk-calibrated. I don't see any storm in the industry in my assessment. These storms have always existed if you don't calibrate it well.

POONAWALLA FINCORP

Credit Costs: Health Check

DSP

We can do more on both personal loans and credit cards. In personal loans, I think as we may have commented in the past, we are quite comfortable with the quality of origination done over the last 12 to 15 months. So, I think we can see volumes pick up and see some better growth there. And similarly, on cards also going forward, maybe some better customer acquisition is also something we can see. So, I think we are quite focused on both the segments.

ICICI Bank

MFI credit cost were a significant contributor to the overall credit cost increase. However, it appears to have peaked and is expected to show a declining trend in the coming quarters. We have started cautiously stepping back into fresh disbursements given the declining trend in incremental slippages.

The credit cost in the credit card portfolio continue to plateau as we have highlighted earlier, and we should start to see it decline in the second half of the year. Credit cards fulfil a very important need for our target customers, and we have launched new products this quarter, namely – Solitaire and Kotak IndiGo to cater to our customer needs.

The credit cost on the personal loan portfolio have also stabilized from Q4. Strategically, this is part of our core proposition, and we are committed to grow this book.

kotak

Credit Costs: Health Check

DSP

We have not seen any great concern on the SME book so far. And the underwriting of SME also has improved tremendously. As I mentioned last time also, the Business Rule Engine which we have adopted, now we almost have crossed more than ₹65,000 crores worth loans which are processed using the Business Rule Engine where the data sets are much more robust. We have GST data, income tax data, our own account statement and historical default data. And we were able to develop a rule engine where the assessment, in my view, and underwriting, has tremendously improved. So, while SME is definitely more vulnerable than any other segment, but we are confident that the kind of loans which we are underwriting today, may not pose any major problems.

Let me also assure you that there is no concern on the asset quality in any of the segments; we have seen. And even among those slippages which we have witnessed in the Q1, as it happens every Q1, there has been a significant pull back as we speak in the last 30 or 45 days. So, there is no great concern on the slippages in any of the sector.

SBI

Air Conditioners: Summer Is Not Strategy

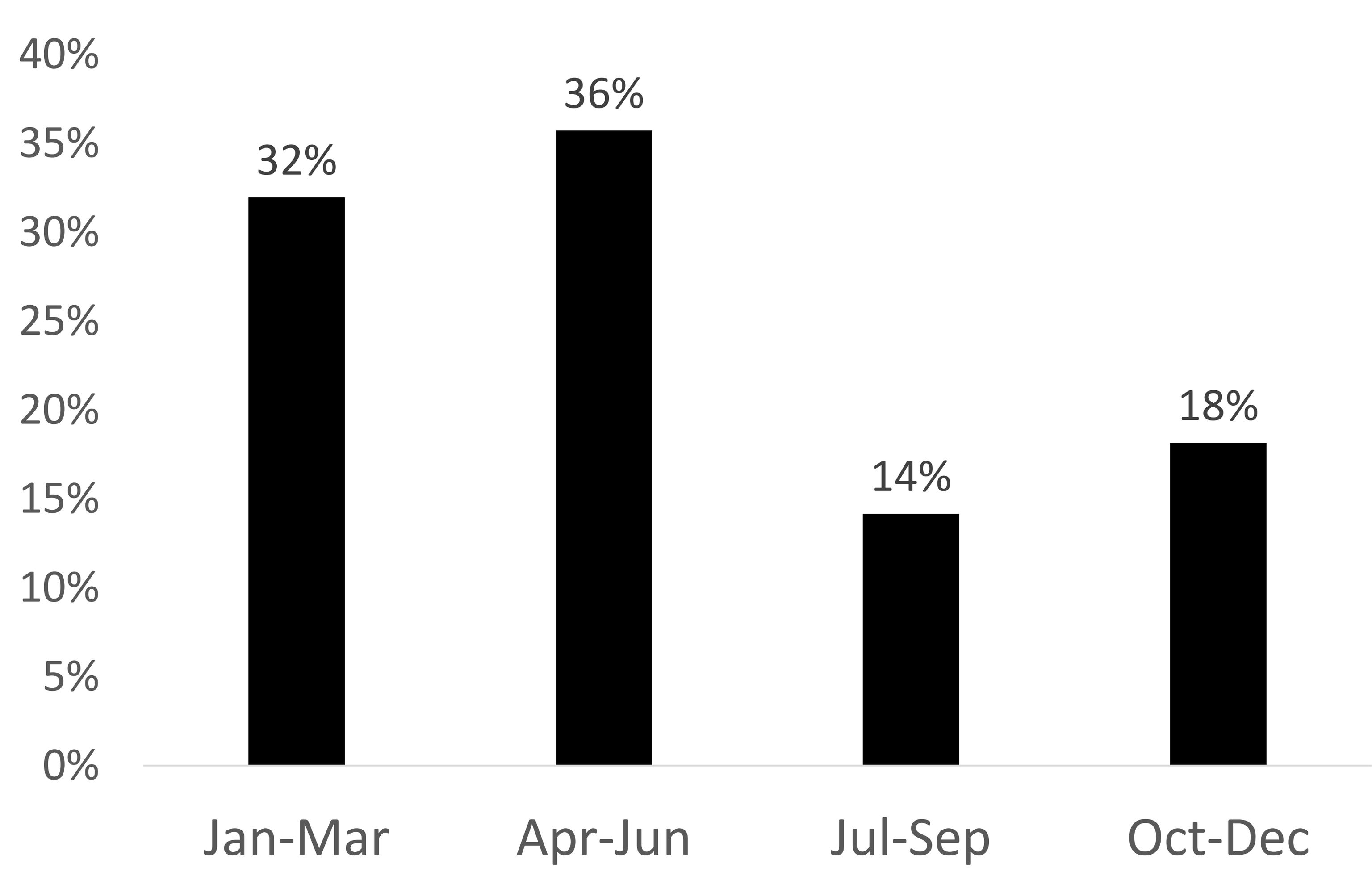
DSP

The India AC thesis, for a long time has been: "low penetration, long runway". But the product is relatively simple, entry barriers are low, and there are always new competitors emerging including private labels from Croma, Amazon, Vijay Sales, Reliance and Flipkart. That shows up in choppy margins.

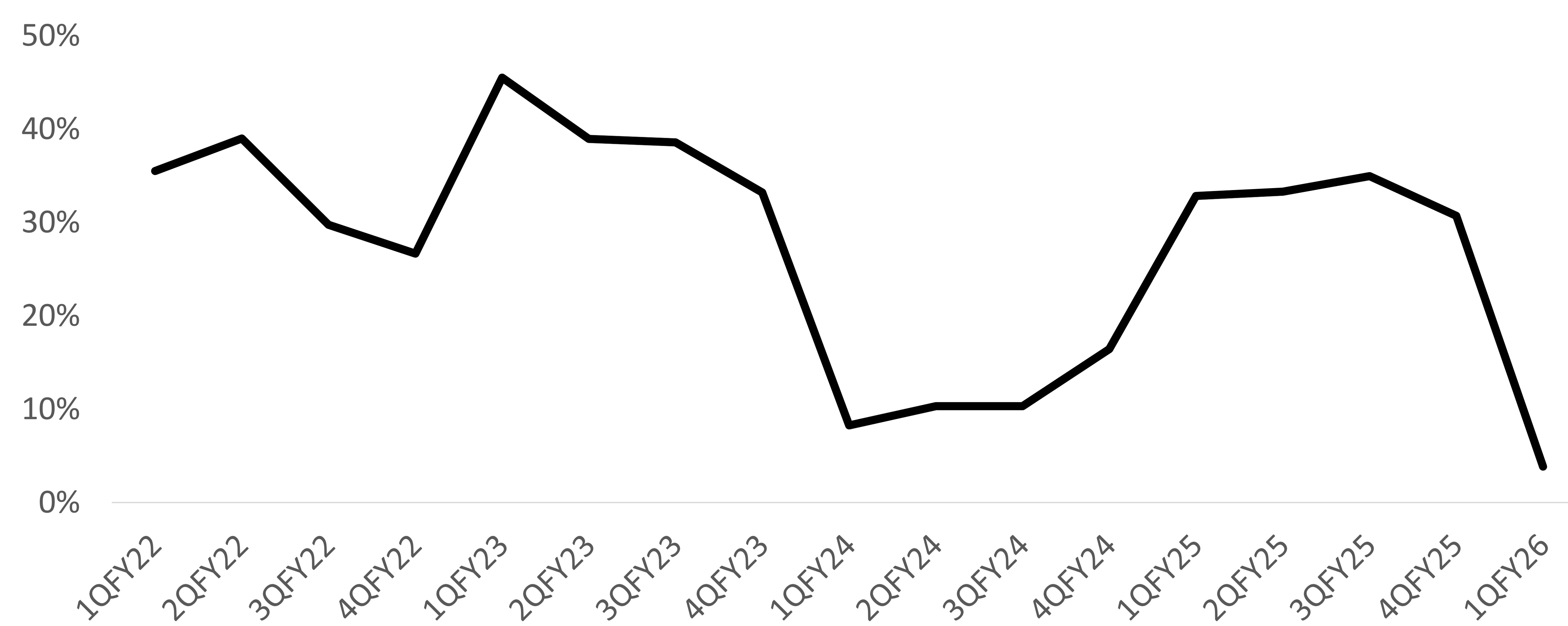
Sales are concentrated in the March and June quarters, while manufacturing and stocking happen earlier; an early monsoon or mild summer leaves channels and OEM partners heavy on inventory. It is odd that prices lurch with each hot summer or early rain when enterprise value barely moves. Whatever your take, bullish or skeptical, on how strong the moats are, swings in weather should not change the value. Yet market keeps pricing rain like a reset.

This year, inventory levels in the air conditioner (AC) market remain elevated, and the upcoming change in BEE (Bureau of Energy Efficiency) star rating norms is adding further complexity.

Share of Annual AC Sales In Each Quarter



Trailing Twelve Month AC Sales Growth



Source: Companies, Representative same of AC segment of Voltas, Bluestar, Johnson Controls Hitachi, Lloyds

Air Conditioners: Summer Is Not Strategy

DSP

During the quarter, weather-related volatility had a significant bearing on temperature-sensitive categories, most notably the air conditioning category. The summer of 2025 arrived late, stayed mild, and ended abruptly, curtailing peak demand for air conditioners. These factors, coupled with a record base in the prior year, explain the short-term pressure on Voltas' topline and margins. Despite these temporary challenges, Voltas demonstrated resilience by retaining its market leadership in Room Air Conditioners and maintaining stable performance across its core business segments.

There are so many players entering into the fray at the moment. And if you look, more than 65 players are available. And therefore, to some extent, (market) is likely to become a bit fragmented.

VOLTAS

It is a challenging quarter, but a challenging quarter based on the fact that it was a seasonal effect. So, it was not something which was pertinent to one brand or one company, it was a market reality.

HAVELLS

Air Conditioners: Summer Is Not Strategy

DSP

The inventory numbers, generally, the inventories are 1.4 million to 1.5 million. That's the standard inventories which the industry carries on. But now the numbers which we have is about 2.5 million to 3 million. I mean different research reports are stating different numbers, but that is the inventory. So, it's almost double the inventory what is normally kept by the brands because of the bad season or things.

In last 25 years of my experience, we have seen 7 bad seasons plus 2 COVID seasons, which were impacted in the March of 2020 and March of 2021. So, we have witnessed the disruption because of bad season plus COVID, 9 years, 9 seasons out of 25. 25 years back, the industry was 0.5 million mark. Today, industry is 15 million mark. So, despite of this, I would only request all of you not to see the room air conditioner stocks from a quarterly number. You will end up buying at a wrong quarter and selling at a wrong quarter. It is to be seen from a long-term perspective.

— amber —

Lot of cancellations happened for the month of June, July and August. In fact, all the plans which were there, they were cancelled to the tune of 50%-70% across most of the clients for the month of June, July and August. And the situation for the next year or the next season, we will get to know only post-September or maybe sometime in mid-October, because by that time, whole industry is expecting that there will be some moderation in the channel inventory and then they will be able to plan for the next season.

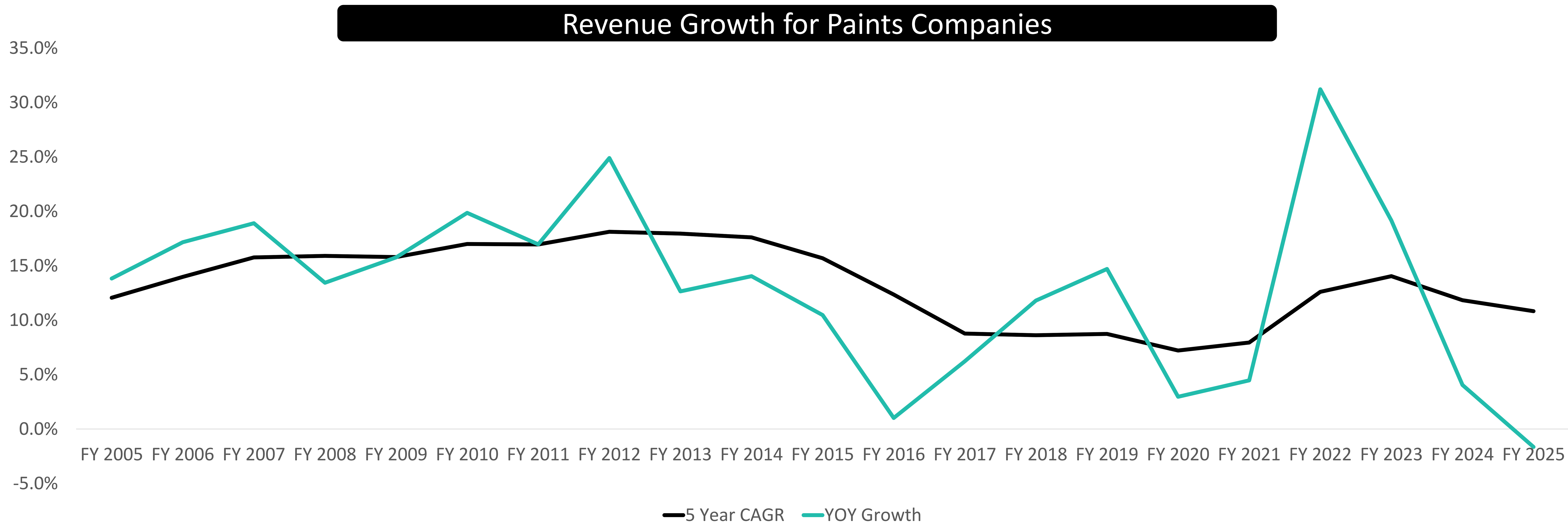
— PG ELECTROPLAST LTD —

Paints: Aggression Meets Incumbency

Paints were long viewed as a higher-growth sector with stronger moats than staples. The moat rested on dealer installed tinting machines, deep distributor relationships, and incentives aimed at the true decision maker the painter while paint itself is a small share of total painting costs.

Up to 2015, industry revenue grew consistently in the mid-teens. Since then, growth has become choppier, raising questions about cyclicality. After the COVID-era home improvement surge, demand faced a high base, and a large new entrant (Birla Opus) committed significant upfront investment and is competing aggressively, including with a one-year repainting warranty. The competitor entered in a low-growth environment. Incumbents, for now, appear to view the threat as manageable.

The core investor question now is whether the paints industry settles at lower profitability or slower growth closer to staples or even some discretionary categories especially as many listed players currently trade on similar forward multiples.



Source: Companies, Internal, Paints 5 year & YOY CAGR for a representative set of companies (excludes Birla Opus)

Paints: Aggression Meets Incumbency

DSP

I think the biggest battle we were having was with the newcomer who obviously put in a lot of volume and revenue into the market. What we are observing from the largest player, is the fact that we have started now in many markets seeing that the volume and revenue started averaging out, right? We believe that in our case, in many of the markets, both across West, East in particular, definitely in some parts of North, we are starting to get our lapsed dealers back, right?

Yes, there are a few markets where there are still some challenges, particularly in the southern part of the country, and we are trying to address it.

My belief is, look, that fundamentally in the Diwali quarter, which is the October-December period, you will see a bit of a growth, largely because of the spurt that would happen because of consumption, because consumption itself has been a bit low. It is not only paint. If you look at the consumption sector, right, today, we applaud 5% growth, right? And we come from a sector which used to be double-digit growth a year ago. So, I think that consumption itself will start seeing an uptick. We used to say that paints will be ideally 1.2x to 1.5x GDP. Now you have come to half, 0.3 to 0.6 of GDP, right? So, my belief is it will climb to one and then go up.

— AkzoNobel —

Paints: Aggression Meets Incumbency

DSP

Competition might offer many things which are free, higher, bigger, better, everything. But somewhere you have to settle with the norm or try to ultimately come to terms with what you want to achieve end of 2, 3 years as was stated.

Now when that starts happening and you realize that the throughput that you get because of all these initiatives not matching what was expected and what is meeting your target, you start sort of stabilizing or withdrawing.

— KANSAI NEROLAC PAINTS LIMITED

They had started with very high dealer incentives and very high discounts, maybe about 10 percentage points higher than the rest of the industry. The prediction of outsiders was that this will devastate the margins of the paint industry. And we were all collectively saying that, that is not going to happen. And I think the truth has been borne out that it has not happened.

Everybody's gross margin is more or less the same as what it was a year ago or 1.5 years ago, maybe plus/minus 0.5 percentage point, but nobody has followed the huge discounting policy of the new entrant. Now, if the new entrant has chosen to slowly lower its incentive structure and come back to a more industry convergent rate, good to see that happening. But even when they persisted on a very high discount, I don't think it bothered the paint sector too much.

— INDIGO PAINTS

Paints: Aggression Meets Incumbency

DSP

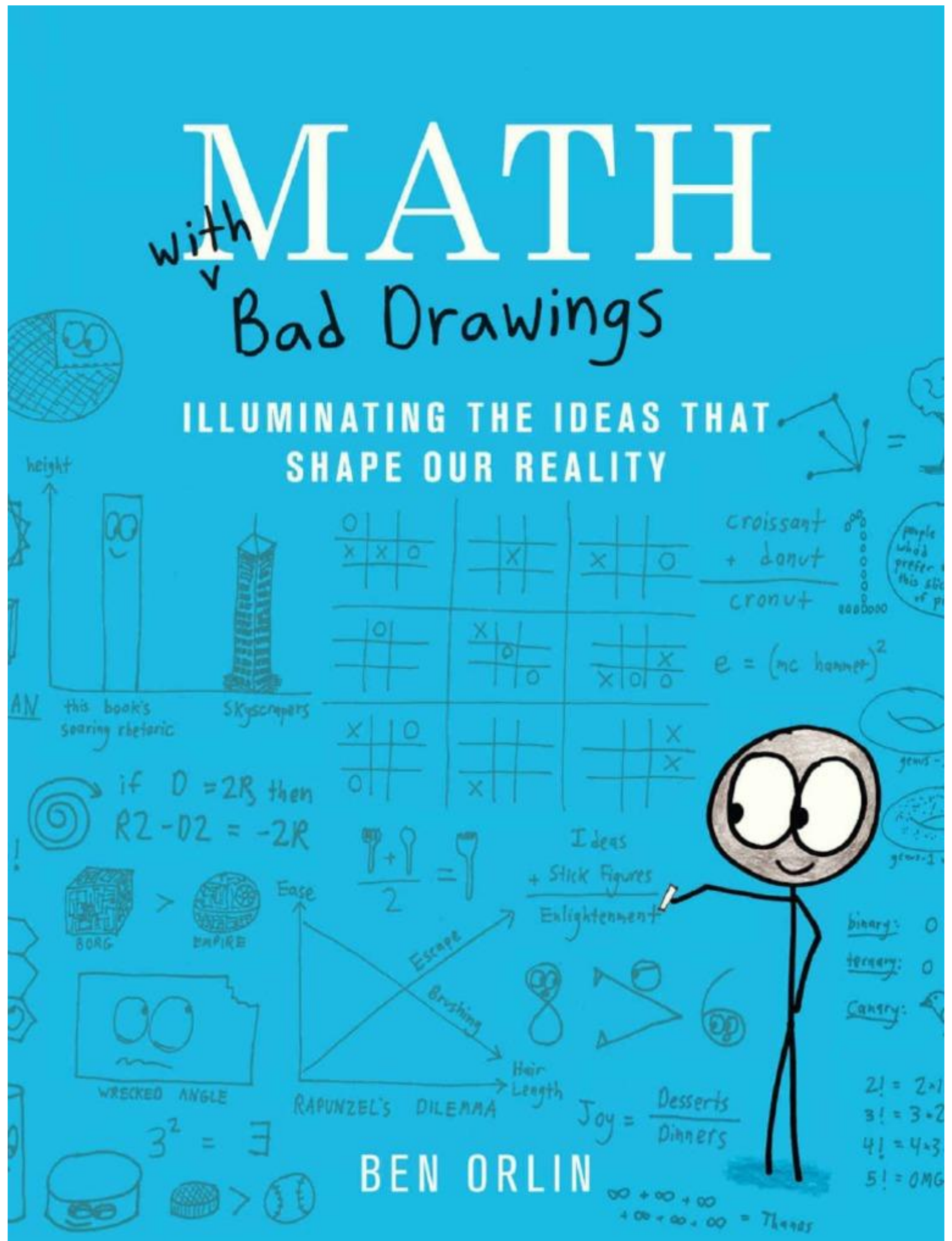
I am not able to comprehend that easily because firstly, let me tell you that apart from the franchises that we have majority of our dealers are multi brand dealers. We are not the first brand in the shop. We are either the second, third or fourth brand. And most of those dealers continue to be with us and continue to expand our portfolio and sell us more. If one or two dealers have gone back, that should not be taken in the other calls where we have heard that we are having dealer attrition.

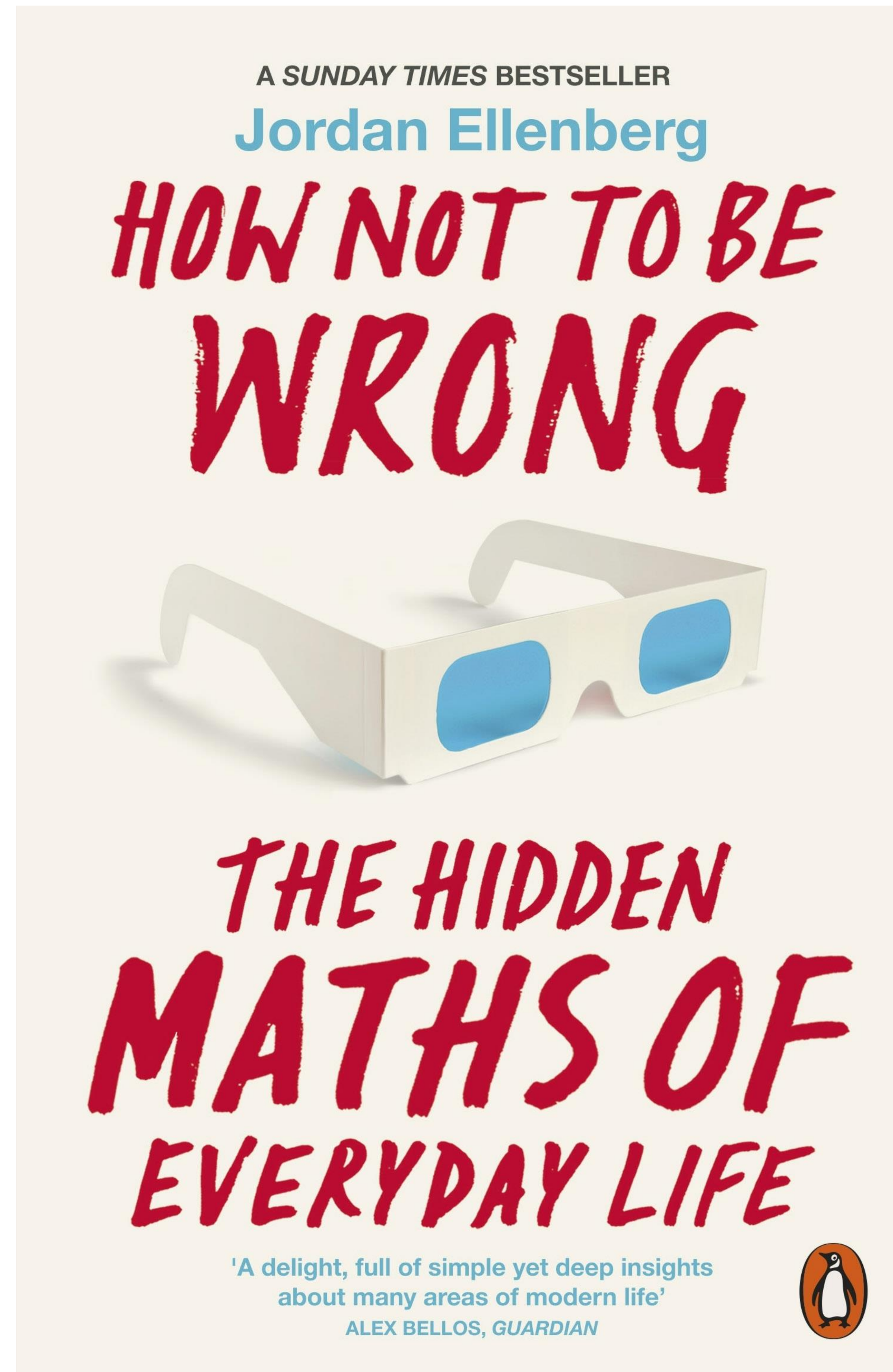
Let me put this record on straight that the 10% offer on 20 liters and 10 liters for majority of emulsion packs as we are giving fully continues.

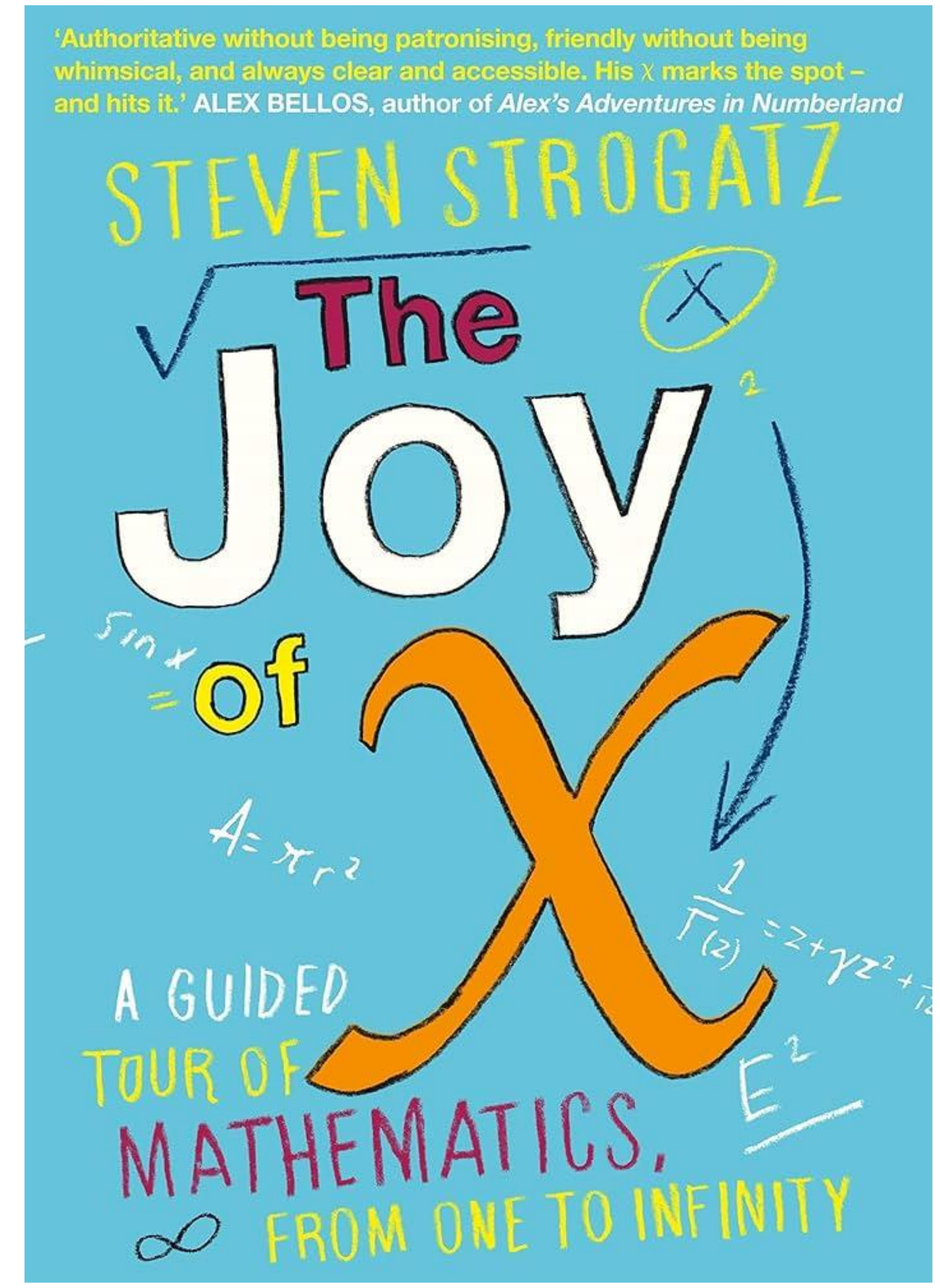
ADITYA BIRLA GRASIM

Read, Read, Read

DSP







"That's how life is: full of random one-off events. Unexpected train delays. Come-from-behind victories. Magical out-of-nowhere parking spots. In our storm-tossed world, anything can happen and fate never RSVPs".

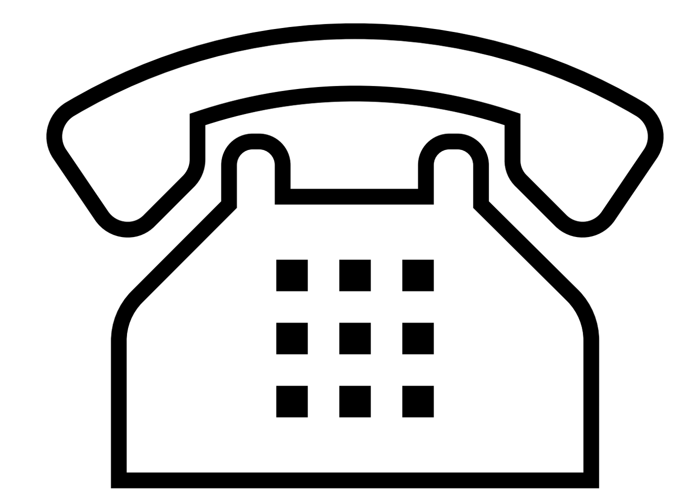
These books show Math as a way of thinking, not a school subject. Math with Bad Drawings is the easiest read and delightfully witty. How Not to Be Wrong shows how numbers help you make better choices. The Joy of X starts with the basics and gently pushes further, opening interesting ideas you may not have considered.

Even if you do not like math, you will enjoy the puzzles, light humor, and fresh ways to see daily problems.

The telephone may be appropriate for our American cousins, but not here, because we have an adequate supply of messenger boys.

Group of British Experts, 1876

Source: Gigerenzer, Gerd. Risk Savvy: How To Make Good Decisions



Western Union, the biggest US telegraph firm, refused Bell's telephone patents in 1876 for $100,000 saying, "Bell expects that the public will use his instrument without the aid of trained operators. Any telegraph engineer will at once see the fallacy of this plan. The public simply cannot be trusted to handle technical communications equipment".

Those patents later proved among the most valuable in industrial history.

DSP

TheTranscript@dspim.com

Disclaimer: