

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGING RISKS

The Company actively fosters a risk-aware environment by working closely with functional leaders to identify and manage risks specific to their domains. By incorporating strategic oversight, policy implementation and continuous monitoring, our framework empowers employees and leadership to manage risks effectively while seizing opportunities for growth. Regular risk assessments and collaborative efforts reinforce our enterprise-wide preparedness and resilience. This culture encourages teams to view risks not only as challenges to be mitigated but also as opportunities for growth and innovation.

#### Risk management framework and governance

The risk management policy and framework is designed to identify, assess and mitigate both current and emerging risks, while reinforcing strong governance across the Company. This approach creates an ecosystem where risk sensitivity and opportunity recognition are integrated at every level, ensuring that risk management practices align with our risk appetite and governance standards.

The Risk Management Committee (RMC), chaired by an Independent Director, comprising of Independent

and Non-Executive Directors along with senior management, provides strategic guidance and oversight. The RMC reviews key risks and evaluates mitigation strategies. It also oversees the implementation of risk management policy and periodically assesses the effectiveness of the overall risk management governance.

During FY 2025-26, the RMC met three times to review existing practices, evaluate mitigation effectiveness and recommend improvements. The Board was also appraised on the risk management efforts taken by the Company.

The Company operates under a risk governance framework that features dedicated risk management roles:

Oversight by Risk Management Committee	Steering Committee	Senior Management members
Oversight of the overall risk management process of the Company and evaluate the adequacy of the risk management system.	Responsible for identification of the key strategic and business risks and put in place their treatment plans.	Assist Steering Committee in implementation of the risk treatment plans.



#### Alignment with ISO 31000

Our risk governance is benchmarked against ISO 31000 standards, ensuring consistency with international best practices and reinforcing our commitment to robust, transparent and effective risk management.

#### Risk management approach

Our risk management approach is governed by a comprehensive Risk Management Policy which references risk appetite and the balance between risk mitigation and opportunity pursuit.

A materiality-based prioritisation framework is used to identify and rank key risks, with clearly assigned ownership and control mechanisms embedded within a structured governance framework. This ensures accountability, transparency and consistency in risk oversight.

We also monitor evolving risks across PESTLE dimensions – Political, Economic, Social, Technological, Legal and Environmental. These include macroeconomic trends, regulatory developments, technological shifts and competitive dynamics that may influence business performance.

The RMC and the Board also reviewed global developments and emerging risks affecting our operations, including tariff movements, demand volatility, foreign exchange fluctuations, multiple

facets linked to Artificial Intelligence and deglobalisation, among others, along with other external factors that may influence business performance.

These reviews are designed not only to mitigate potential threats but also to identify opportunities arising from evolving market conditions.

#### Risk management process

We have implemented a five-stage risk management process to ensure structured identification, evaluation and mitigation of risks. The process captures both threats and opportunities, enabling timely responses and continuous improvement.

Key organisational risks are identified through inputs from top management and prioritised based on impact, likelihood, and the Company's risk appetite. The RMC strengthens preparedness for these risks through scenario-based mitigation plans and dynamic scenario planning.

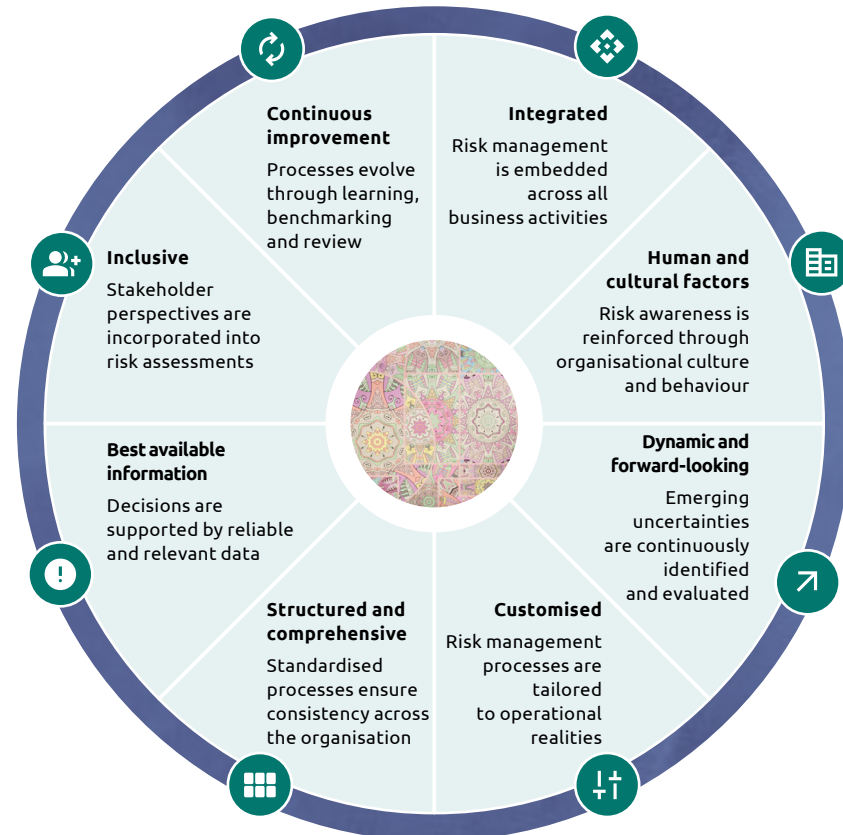
Identified risks are mapped to business functions/those responsible for developing and implementing of mitigation plans as necessary. Progress is monitored periodically at the Risk Management Committee meetings.

01 Risk identification	02 Risk assessment	03 Risk recording	04 Risk mitigation	05 Risk monitoring & reviewing
Utilise 'top-down' and 'bottom-up' approaches to identify risks across the organisation	Analyse and assess identified risks to determine potential triggers and impacts	Establish, prioritise, and document key risks in a structured manner	Develop and implement action plans across businesses to mitigate identified risks	Monitor mitigation actions on an ongoing basis, with periodic reviews by the Board and RMC

# MANAGEMENT DISCUSSION AND ANALYSIS

## Enterprise Risk Management

Our Enterprise Risk Management (ERM) framework strengthens governance, enhances organisational resilience and enables informed decision-making in an uncertain environment. The framework is guided by eight core principles:



This integrated and forward-looking approach enables us to mitigate risks, strengthen organisational resilience and harness opportunities for innovation and sustainable growth.

## Risk assessment

We leverage quantitative risk assessment tools, including Key Risk Indicators and the Value at Risk methodologies, to evaluate risk exposure and potential business impact.

### Key Risk Indicators (KRIs)

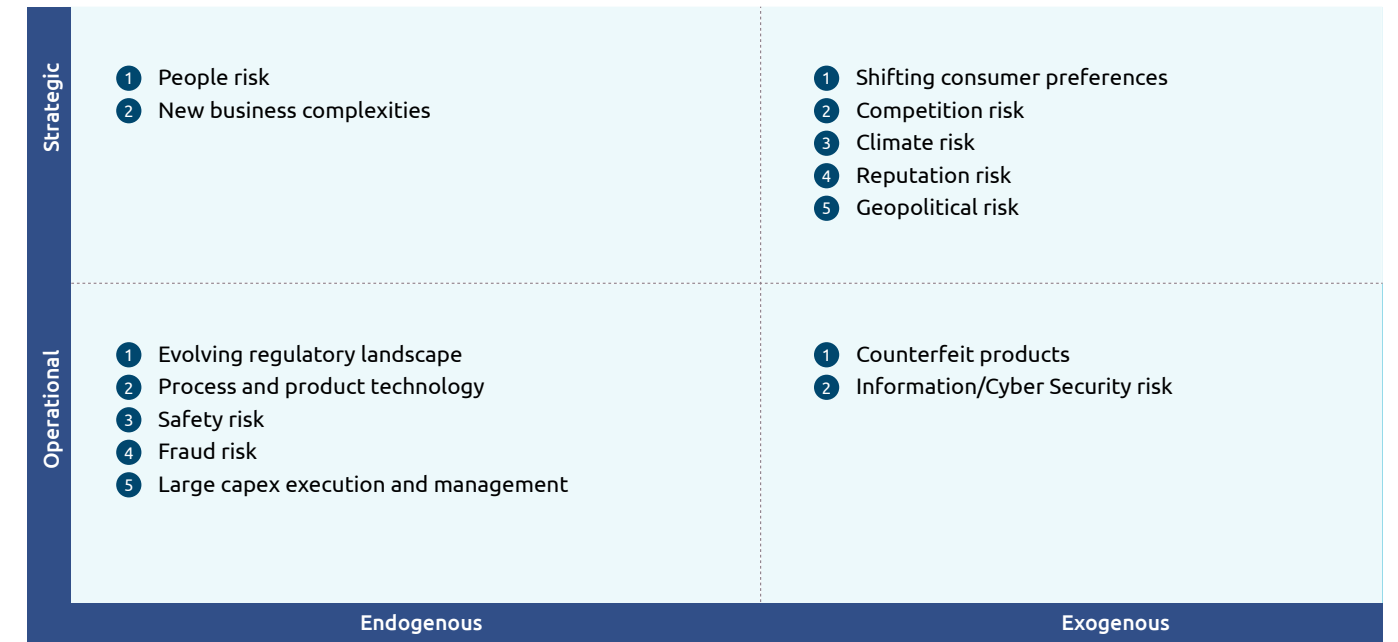
Key Risk Indicators (KRIs) are quantifiable metrics that serve as early warning signals to help organisations identify emerging risks and initiate timely mitigation. Our KRIs cover financial performance, operational matrix, regulatory compliance, cybersecurity and market dynamics and evaluate risks based on their impact on strategic objectives, operational effectiveness and reputational integrity.

### Value at Risk (VaR) methodology

To support data-driven risk assessment, we apply the Value at Risk (VaR) methodology, a statistical technique that estimates the risk-wise maximum exposure. VaR quantification enables us to better understand downside risk and incorporate this insight into our strategic and operational planning.

## Risk likelihood matrix

Risks are categorised using a matrix with two axis and four relevant quadrants. The horizontal axis includes endogenous factors (internal business factors) and exogenous factors (external events), while the vertical axis covers strategic and operational considerations.



## Critical risks and mitigation measures

All identified material topics are directly connected to the risks assessed by the RMC. Under the guidance of RMC, we have formulated comprehensive mitigation strategies to effectively address these risks.

These risks are linked to identified material topics:

### Linkage to materiality matrix

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>Climate Change Mitigation</li> <li>Air Emission Pollution</li> <li>Waste Management</li> <li>End-of-Life Management of Product and Packaging</li> <li>Water Management</li> <li>Occupational Health, Safety and Wellbeing</li> <li>Talent Management</li> </ul> | <ul style="list-style-type: none"> <li>Employee Engagement and Wellbeing</li> <li>Community Engagement</li> <li>Customer Delight</li> <li>Business Ethics and Corporate Governance</li> <li>Supplier Sustainability</li> <li>Human Rights – Value Chain</li> <li>Counterfeit Products</li> </ul> | <ul style="list-style-type: none"> <li>Sustainable Product and Service Offerings</li> <li>Product Chemistry</li> <li>Supply Chain Disruptions</li> <li>Competitive Landscape and Market Position</li> <li>Consumer Health and Safety</li> </ul> |
|--|--|---|

# MANAGEMENT DISCUSSION AND ANALYSIS

## Critical risks and mitigation strategies

### Shifting consumer preferences

**Impact**  
Increase/Decrease in sales  
Gain/Loss in market share

**Description**  
Consumer preferences are shifting towards eco-friendly products, comprehensive solutions, niche offerings and socially responsible brands impacting consumer delight

**Rationale for identifying as Risk/Opportunity**  
Evolving consumer preferences necessitate continuous product adaptation, presenting both risks and opportunities to deliver differentiated solutions

**Mitigation strategies**

- Sustain a pipeline of cost-effective, consumer-centric product innovations, including offerings with differentiated features such as lotus-effect technology and air-purifying paints
- Drive new product development by exploring innovative technologies through patent landscaping, customer insights, academic collaborations, and competitive benchmarking
- Emphasise differentiated offerings such as Beautiful Home Painting Services. Expand presence in the home décor and services segment through Beautiful Homes Stores, providing customised furniture, furnishings, and lighting solutions
- Strengthen the portfolio of environmentally sustainable products with certified low-VOC formulations, high durability, cool coatings, and other eco-friendly alternatives
- Build strategic partnerships to broaden product range and pricing options within the décor segment
- Enhance packaging by incorporating heritage-inspired designs that reflect cultural diversity and human stories
- Deliver end-to-end solutions addressing consumer needs across the entire painting lifecycle—from waterproofing and undercoats to final top coats

Linkage for material topics :

### Reputation

**Impact**  
Increase/Decrease in brand value and market capitalisation

**Description**  
Positive or negative perceptions regarding our Company and our products/services can significantly influence on customer relations, revenues, and interactions with regulatory bodies

**Rationale for identifying as Risk**  
Negative publicity from any news/reports arising out of any act/inaction by our Company

**Opportunity**  
Improved brand presence and reputation through proactive engagement with stakeholders

**Mitigation strategies**

- Maintained regular and structured engagement with Public Relations agencies and influencers in line with defined guidelines
- Closely monitored social media channels and ensured timely response to customer feedback and concerns
- Proactively addressed product-related complaints with a focus on improving overall customer experience during resolution.
- Ensured consistent delivery of products and services in line with commitments made to customers
- Adhered strictly to all applicable regulatory requirements and compliance standards
- Reinforced corporate governance practices, including strict adherence to the Code of Conduct
- Promoted transparency by regularly sharing key information with relevant stakeholders through structured updates

Linkage for material topics :

### Competition

**Impact**  
Increase/Decrease in sales  
Gain/Loss in market share

**Description**  
Migration of end consumers/dealers due to a higher number of choices

**Rationale for identifying as Risk**  
Loss of market share on account of increased competition

**Opportunity**  
Upgrading consumers from the unorganised market to branded product offerings. Introduce differentiated solutions tailored to meet evolving consumer needs

**Mitigation strategies**

- Rolled out differentiated offerings and new variants with strong emphasis on ease of use and distinctive features
- Introduced décor and end-to-end painting solutions to elevate customer experience and create clear competitive differentiation.
- Prioritised long-term dealer partnerships, with a focus on enabling their growth and sustaining profitability
- Continued strategic focus on Project Sales (B2B) to drive volume and institutional penetration
- Strengthened influencer ecosystem through continuous upskilling, engagement programmes, and incentive schemes
- Executed region-specific initiatives tailored to local market dynamics and demand patterns
- Amplified brand visibility and recall through a range of targeted marketing initiatives
- Enhanced brand salience through new partnerships and integrated campaign-led outreach

Linkage for material topics :

### Climate

**Impact**  
Positive or negative impact on our operations

**Description**  
Climate change-related impact on operations

**Rationale for identifying as Risk**  
Variations in climate conditions present heightened physical and transition risks, which, if not effectively managed, could adversely impact business operations

**Opportunity**  
Minimise the negative environmental impact of our operations and maximise the positive impact

**Mitigation strategies**

- Expanded green product portfolio through the introduction of environmentally friendly products and formulations with safer ingredients.
- Established a robust Business Continuity and Emergency Preparedness framework, supported by regular training programmes and mock drills.
- Identified and evaluated climate-related physical and transition risks in alignment with TCFD recommendations.
- Implemented both short-term and long-term mitigation strategies to address climate change impacts on operations.
- Continuously tracked evolving climate regulations, conducted employee training, and ensured timely compliance with new and amended requirements.
- Integrated climate considerations into long-term strategic planning and decision-making processes.
- Drove sustainability initiatives focused on energy conservation, increasing renewable energy usage, optimising alternative water sources, achieving water neutrality, reducing emissions across operations and logistics, and engaging suppliers on emission reduction.
- Extended producer responsibility to manage plastic waste.

Linkage for material topics :

Increase in risk, Decrease in risk No change in risk New risk

Increase in risk, Decrease in risk No change in risk New risk

# MANAGEMENT DISCUSSION AND ANALYSIS

## Critical risks and mitigation strategies

Evolving regulatory landscape

**Impact**  
Penalties and other impacts due to non-compliance

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**Description**  
Changes to existing regulations or the introduction of new regulatory requirements may impact our operations and compliance landscape

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**Rationale for identifying as Risk**  
Non-compliance and penalties may have a direct impact on our operations and cause financial stress

**Mitigation strategies**

- Ensured adherence to existing regulatory requirements and maintain agility to respond promptly to new and evolving legislation
- Leveraged updated compliance checklists for real-time tracking and monitoring of statutory compliance
- Conducted periodic reviews of applicable compliances using a third-party compliance management tool
- Facilitated quarterly oversight of compliance status by senior management and the Board
- Strengthened the compliance framework through well-defined governance structures and internal controls
- Maintained active engagement with policymakers and industry associations
- Proactively tracked and prepared for emerging regulations, including Labour Codes and Data Privacy laws, to ensure readiness and compliance

Linkage for material topics :

People

**Impact**

- Increase in diversity of thought through introduction of laterals
- Loss of talent

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**Description**  
Potential challenges and uncertainties associated with employees

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**Rationale for identifying as Risk**  
Attrition of key talent impacting the succession pipeline

**Opportunity**  
Infusion of lateral talent within the workforce and create growth opportunities for existing employees

**Mitigation strategies**

- Strengthened the leadership pipeline by systematically identifying and developing talent across critical roles
- Enhanced employee engagement through structured organisational listening
- Established functional academies for new incumbents to build essential general and functional capabilities
- Aligned compensation and benefits with industry benchmarks to ensure competitiveness and retention
- Fostered a safe, inclusive, and open workplace culture through focused organisational initiatives
- Reinforced learning and development programme to equip employees with the necessary skills and knowledge

Linkage for material topics :

Process and product technology

**Impact**  
Significant decrease in cost

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**Description**  
Rapid advancements in technology is a key source of disruption, with the digital economy reshaping customer engagement across industries. Innovations in product development and manufacturing processes provide opportunities to deliver enhanced, reliable, and efficient customer solutions

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**Rationale for identifying as Opportunity**  
Product and manufacturing technologies continually provide opportunities to deliver efficient and reliable offerings to customers

**Mitigation strategies**

- Drove industry leadership through consumer-centric innovations addressing both stated and latent customer needs
- Embedded 'Right First Time' and 'Inimitability' as foundational principles in product development
- Maintained a strong and structured pipeline of ideas for patenting and implementation
- Benchmarked products and innovations against global players, including internationally patented solutions and launches in paints and allied sectors
- Identified and pursued strategic partnerships to bridge technology gaps within the product portfolio
- Invested selectively in emerging digital technologies to build first-mover advantage and differentiated value propositions
- Continuously scouted and adopted advanced, efficient processing technologies at early stages to stay ahead of the curve

Linkage for material topics :

Counterfeit products

**Impact**  
Decrease in revenue

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**Description**  
Counterfeit and spurious products pose a widespread global challenge, impacting nearly every sector and resulting in substantial losses to both industries and governments

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**Rationale for identifying as Risk**  
Counterfeit and duplicate products pose a serious risk to the entire industry, leading to revenue loss, poor product performance, and reduced brand reliability

**Mitigation strategies**

- Cross-functional collaboration to proactively identify leads related to counterfeit activities
- Partnered with agencies and local authorities across states to detect and act against counterfeit manufacturers, including label printers
- Initiated and pursued post-raid legal actions through criminal and civil proceedings
- Strengthened anti-counterfeiting safeguards through enhanced packaging controls and features
- Increased awareness among key stakeholders to prevent, identify, and report counterfeit products

Linkage for material topics :

Increase in risk, Decrease in risk No change in risk New risk

Increase in risk, Decrease in risk No change in risk New risk

# MANAGEMENT DISCUSSION AND ANALYSIS

## Critical risks and mitigation strategies

### Safety

#### Impact

Increase in the number of incidents occurred

#### Description

Our manufacturing operations involve employees interacting with machinery and material handling equipment, presenting inherent risks of injury and potential exposure to hazardous materials or waste

#### Rationale for identifying as Risk

Injury or occupational health hazard

#### Mitigation strategies

- Ensured strict adherence to Occupational Health & Safety standards, EHS policies, and best-in-class practices for handling hazardous materials
- Maintained continuous engagement with suppliers to identify emerging risks and explore improved mitigation alternatives
- Conducted periodic quantitative risk assessments and ensured timely closure of identified action plans
- Designed plants based on inherent safety principles, aligned with applicable standards, embedding Process Safety frameworks and closed-loop handling of hazardous materials
- Implemented customised safety management systems for new facilities handling complex petrochemical operations
- Comprehensive Emergency Response Plan (ERP) to enable effective incident preparedness and response is in place
- Advanced the Behaviour-Based Safety (BBS) journey across all plants through ongoing initiatives and interventions

Linkage for material topics :

### New business complexities

#### Impact

Financial loss

#### Description

Tackling complexities of new business:

- Requirement of specialised technical expertise across multiple domains
- Managing diverse raw materials along with their specific safety and handling requirements
- Adherence to evolving laws and regulatory requirements to ensure compliance

#### Rationale for identifying as Risk

Difficulty in managing issues due to lack of experience in the new business, leading to delayed commencement or financial loss

#### Mitigation strategies

- Leveraged external advisors with specialised expertise to support niche and complex business areas
- Integrated technical and safety experts from the plant design stage to proactively mitigate safety-related risks
- Engaged subject matter experts to ensure adherence to all applicable regulatory and compliance requirements
- Targeted training on products, processes, and technologies to equip employees to manage business complexities effectively
- Undertook focused initiatives to enhance profitability and drive sustainable performance in these businesses

Linkage for material topics :

### Fraud

#### Impact

Financial loss

#### Description

Financial loss and reluctance to report fraud

#### Rationale for identifying as Risk

Frauds lead to financial losses and strain on control systems

#### Mitigation strategies

- Established a comprehensive Fraud Risk Framework to drive actions across identified risk areas
- Conducted awareness sessions and training programmes to encourage reporting of fraud and malpractices
- Promoted a zero-tolerance culture for Code of Conduct violations through mandatory e-learning and structured manager-led team discussions
- Reinforced ethical decision-making through weekly communications such as 'CoC Compass – Make the Wise Choice'
- Institutionalised investigation protocols with clearly defined guidelines for conducting enquiries and disciplinary actions
- Enforced strict disciplinary measures against employees and external entities involved in misconduct
- Strengthened fraud detection capabilities and conducted periodic Fraud Risk Assessments (FRA) under the governance framework

Linkage for material topics :

### Information/cyber security

#### Impact

Leakage of information

#### Description

Threats from external cyber-attacks/hacking and internal leakage/modification of information, or failure to protect information

#### Rationale for identifying as Risk

Loss of sensitive and confidential information and its impact on the reputation of our Company

#### Mitigation strategies

- 6-level architecture in place to curb information and cyber security risk – Identity, Data Centre, Network, Application, Device, and User Security
- Centralised identity and access management across systems, with automated provisioning/deprovisioning and authentication via active directory
- Comprehensive endpoint and device security, controlled VPN access and restrictions on personal devices
- Advanced network and communication security, including secure web access, email threat protection and firewalls
- Rigorous application and infrastructure security through secure coding, regular patching, and vulnerability assessments
- Strong data protection framework including information classification, rights management, restrictions on data sharing, and controlled external access
- Business continuity and resilience ensured through disaster recovery systems and drills and ongoing security awareness initiatives ('Kavach')
- Access to consumer-grade AI applications is restricted, with all AI usage governed through secure, enterprise-grade platforms

Linkage for material topics :

Increase in risk, Decrease in risk No change in risk New risk

Increase in risk, Decrease in risk No change in risk New risk

# MANAGEMENT DISCUSSION AND ANALYSIS

## Critical risks and mitigation strategies

**Large capex execution and management** ↔

<p><b>Impact</b></p> <ul style="list-style-type: none"> <li>• Delay in completion</li> <li>• Cost overrun</li> <li>• Safety incidents</li> </ul>	<p><b>Mitigation strategies</b></p> <ul style="list-style-type: none"> <li>• Defined clear project outcomes and aligned timelines upfront prior to initiation of any capex project</li> <li>• Monitored project execution through periodic progress reports in collaboration with the Project Management team, tracking actual spends against budgets</li> <li>• Integrated safety considerations early at the design stage to minimise inherent risks</li> <li>• Maintained a comprehensive Safety Manual outlining detailed procedures and precautionary measures</li> <li>• Conducted structured risk assessments such as Failure Mode and Effects Analysis (FMEA) and Hazard and Operability (HAZOP) to identify potential risks to personnel, equipment, and operations.</li> <li>• Implemented permit-to-work systems to evaluate and control risks before undertaking critical activities.</li> <li>• Deployed a dedicated on-site safety team at construction locations, comprising contractor safety engineers and internal safety representatives</li> <li>• Proactive efforts to ensure regulatory compliances/approvals are in place</li> </ul>
<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Delay in commissioning due to design changes/rework, vendor delays, manpower constraints, and other unforeseeable reasons, or an increase in capex costs due to delays or other factors.</li> <li>• Safety incidents that cause harm to people, property and interrupt operations</li> </ul>	
<p><b>Rationale for identifying as Risk</b></p> <p>Overrun in the budgeted capital expenditure and timeline and safety incidents</p>	

Linkage for material topics :

**Geo-political risks** +

<p><b>Impact</b></p> <ul style="list-style-type: none"> <li>• Material price inflation</li> <li>• Material unavailability</li> </ul>	<p><b>Mitigation strategies</b></p> <ul style="list-style-type: none"> <li>• Regular assessment of vendor or geographic dependency and ensuring minimal single vendor or region dependency</li> <li>• Development of new vendor and engagement with them in the regions with lower risks</li> <li>• Using cutting-edge technology-enabled Raw Material Procurement Planning solution to get an integrated view of the entire network, optimising procurement cost</li> <li>• Hedging of foreign currency risks.</li> <li>• Regularly monitor the global situation coupled with inventory management/stocking levels to ensure continued material availability.</li> </ul>
<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Geopolitical tensions and tariff changes may lead to supply chain disruptions.</li> <li>• Unpredictable costs, regulatory challenges, and delays in sourcing critical materials.</li> </ul>	
<p><b>Rationale for identifying as Risk</b></p> <p>Material unavailability leading to disruption in production and ultimately sales loss Higher cost of production leading to reduced profitability</p>	

Linkage for material topics :

↑ Increase in risk, ↓ Decrease in risk ↔ No change in risk + New risk

## Residual risks

While we strive to manage risks within established tolerance levels, some low-probability yet high-impact events—including natural disasters, macroeconomic shocks, regional conflicts or political instability—may surpass these levels. We proactively monitor such residual risks and remain committed to enhancing our systems and response strategies to minimise their potential effects.

## Emerging risks

Our Company remains alert to evolving risks that may not yet be fully quantifiable but hold potential implications for our operations. Among the uncertainties identified

are the emergence of multiple facets linked to Artificial Intelligence (AI) and deglobalisation, among others. Increasing usage of AI may present risks relating to data confidentiality and information security, particularly where sensitive or proprietary information is processed through such systems. Wherever necessary, proactive measures are being implemented to mitigate the impact of these uncertainties and unlock potential opportunity.

## Business Continuity Plan (BCP)

We have established a comprehensive and systematic BCP to ensure operational resilience in case of major disruptions.

The BCP framework adopts a structured, multi-dimensional approach covering customers, supply chain, information technology and human resources, with each dimension independently evaluated. Scenario-based assessments and simulated disruption exercises were used to test response readiness, escalation mechanisms, and decision-making agility across functions. Key observations from these exercises highlighted the importance of cross-functional coordination, real-time monitoring and rapid communication protocols, which have since been further strengthened to enhance operational resilience and preparedness.

The BCP undergoes continuous review and enhancement, encompassing the following elements:

<p><b>Risk/Scenario identification</b></p> <p>Identify various scenarios and potential risks associated with it.</p>	<p><b>Business impact analysis</b></p> <p>Various impacts that might occur in case the scenarios are not addressed/prevented.</p>	<p><b>Solution design and implementation plan</b></p> <p>Develop policies and response plans.</p>	<p><b>Train and maintain</b></p> <p>Conduct different types of drills for additional preparedness.</p>
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