



August 12, 2025

To,
BSE Limited
Corporate Relationship Department
25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
Scrip Code: 543258

To
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (East)
Mumbai -400051
NSE Symbol: INDIGOPNTS

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call for the quarter ended June 30, 2025 held on August 8, 2025

Pursuant to the Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed the transcript of the earnings conference call held with the analyst and investors on August 8, 2025 at 11:00 hrs (IST) to discuss the unaudited standalone and consolidated Financial Results of the Company for the quarter ended June 30, 2025.

Pursuant to the provisions of Regulation 46 of the Listing Regulations the above information will also be made available on the website of the company at <https://indigopaints.com/investors/analyst-investors-meets/>

You are requested to take note of the same.

Thanking you.

For Indigo Paints Limited

Sayalee Yengul
Company Secretary & Compliance Officer
Membership No. A37267

Encl.: As Above



**“Indigo Paints Limited
Q1 FY26 Earnings Conference Call”
August 08, 2025**



MANAGEMENT:

**MR. HEMANT JALAN – CHAIRMAN AND MANAGING
DIRECTOR – INDIGO PAINTS LIMITED**

**MR. SURESH BABU – CHIEF OPERATING
OFFICER – INDIGO PAINTS LIMITED**

**MR. CHETAN HUMANE – CHIEF FINANCIAL
OFFICER – INDIGO PAINTS LIMITED**

**MR. SRIHARI SANTHAKUMAR – GENERAL MANAGER
FINANCE AND INVESTOR RELATIONS – INDIGO PAINTS
LIMITED**

MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Indigo Paints Q1 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded.

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

Aniruddha Joshi: Yes. Thanks, Samya. On behalf of ICICI Securities, we welcome you all to Q1 FY '26 Results Conference Call of Indigo Paints. Now I hand over the call to Mr. Srihari Santhakumar, General Manager, Finance and Investor Relations, to introduce the management and take the call forward. Thanks, and over to you, Srihari, sir.

Srihari Santhakumar: Good morning, everyone. Thanks, Aniruddha. Thanks, everyone, for joining the conference call for discussing the performance of the company for the first quarter. We have uploaded the investor presentations in the portals of the stock exchanges, kindly refer to the same for the disclaimers also regarding any future-related statements.

To discuss the performance of the company, today, we have with us Mr. Hemant Jalan, Chairman and Managing Director; Mr. Suresh Babu, Chief Operating Officer; Mr. Chetan Humane, CFO; and myself. Over to Mr. Jalan for discussing the performance of the company, following which we'll have a Q&A session as well.

Hemant Jalan: Thanks. Good morning, everyone. And thank you for joining us to discuss Indigo Paints' performance for the first quarter results of FY '26. As mentioned, we have uploaded the investor presentations on the stock exchange portals, and I presume that you have already gone through our financial results.

After a hiatus of over 12 months, it appeared that the demand in the paint sector was back in April and during the first half of May, only to be cashed by the early onset of monsoons, which rained in full fury from mid-May until the end of June. This impacted the sales in many states particularly in Kerala and Northeast, where monsoons are the first to arrive.

Earlier, the weeklong Indo-Pakistan conflict in May had disrupted sales in some northern bordering states to Pakistan. Despite these challenges, Indigo Paints has managed to achieve a small but positive growth for the quarter. Let me first come to our stand-alone results. Compared to Q1 of FY '25, our sales in Q1 of FY '26 have registered a value growth of 0.3%. We continue to maintain the pole position in terms of gross margin, which stood at 46.1%.

The EBITDA decreased from INR45.8 crores in Q1 of last year, to INR43.6 crores in Q1 of this year, registering a negative growth of 4.7%. The EBITDA margin of 14.8% clocked in this quarter was slightly less than 15.6% clocked in the corresponding quarter of last year. The PAT

is largely flat at INR26.4 crores compared to the similar period in the previous year. The PAT margin is also flat at 8.8% compared to 8.9% registered in Q1 of last year.

I would like to bring to your attention that historically for Indigo Paints, Q1 and Q2 are low margin quarters. The margins start expanding in Q3 and hit a peak in Q4. This pattern is due to the product mix changes during the course of the year. If you have tracked our EBITDA margins over the last 4 years, you will realize that our year-round EBITDA margins are always significantly higher than the figures in Q1.

Coming to consolidated results, our revenue degrew by 0.7% to INR308.9 crores during the quarter, while the EBITDA registered a negative growth of 6.5%, dropping from INR47.4 crores in Q1 of last year to INR44.3 crores this year. Subsequently, the PAT has also reduced marginally by 2.2% from INR26.7 crores in Q1 of last year to INR26.1 crores in Q1 of this year.

The EBITDA margin for the quarter on a consol basis was 14.3% and the PAT margin was 8.3%. Our subsidiary, Apple Chemie, has registered a negative growth of 17.6% in Q1 FY '26 compared to the same quarter last year. Their sales were affected due to onset of early monsoons, which affects the road construction and metro projects across India.

However, on a positive note, Apple Chemie's gross margin has improved significantly during the quarter under consideration. Subsequent to the strategic focus by the management on improving product mix and consolidating their operations to the more profitable projects. Apple Chemie is also launching more products towards the end of the current quarter, which is expected to improve the margins further.

I shall now give you some more operational details about the quarter going beyond financial numbers. During the last quarter, the overall A&P spend as a percentage of revenue decreased from 7.2% in Q1 of last year to 6.8% in Q1 of this year. For the seventh straight year, we had invested in brand building through IPL.

We have intensified our digital outreach further to engage better with the consumers and the influencers. We are launching our own experiential centers branded as Indigo color canvas stores through which we can exclusively exhibit our full range of products in an aesthetically designed store. We expect to launch somewhere around 50 to 70 sub stores in India during this fiscal.

The first few ones having already started. In line with our disclosure practices, we have given our volume and value growth numbers for each of the 4 major categories of paint products. During the quarter under consideration, both enamel category and the primer category grew both in volume and value terms, with value growth being significantly higher than volume growth.

Putty and emulsions have witnessed volume and value negative growth. In the emulsion segment, which is the largest segment, although the volume negative growth was 5.4%, the value degrowth was only 0.9%, showing that the product mix has improved more towards the premium range. We continue to focus on network expansion on improving the throughput for active dealer and increasing our tinting machine population.

As on 30th June 2025, our count of active dealers was around 18,600, and the tinting machine population was about 11,300. This network expansion happened despite the heavy monsoons. On the capex front, work is progressing in both the water-based paint plant and the solvent-based paint plant, both at Jodhpur.

As we have mentioned earlier, due to delays in civil construction work in the water-based plant, that plant is now expected to be commissioned sometime in Q3 or Q4 of FY '26, while the solvent-based plant is expected to be up and running by the end of the current quarter. The Brownfield expansion of our putty plant at Jodhpur will also be completed around the same time, and that is by the end of this quarter.

However, these minor delays are not expected to cause any impact as we have more than enough capacity to cater to our existing demand. The waterproofing and construction chemical products continue to consistently yield good results, contributing to high single-digit share in our overall revenue pie. And we are hopeful that their share in our revenues will soon cross the 10% mark.

Coming to sustainability initiatives, the installation of rooftop solar plants panels at our Cochin facility is complete and waiting for regulatory approvals. As we have mentioned earlier, we have started a new initiative called Indigo Seva Utsav. Under this initiative, Indigo Paints, along with the painters and community at large is undertaking painting of government schools in Tier 2 and Tier 3 towns.

And during the last quarter, we have painted over 45 schools across the length and breadth of the country. On the CSR front, we continue to extend educational benefits for the underprivileged girls around Pune. There are over 360 beneficiaries of this initiative so far. Indigo had also introduced a painter health benefit program 1.5 years ago. And during the quarter, an additional 7,500 painter families have been enrolled pan-India, taking the total number of beneficiaries under the program to about 32,500 painter families.

Finally, what seemed to be a good start for the quarter in April changed due to the early onset of monsoons. Indigo Paints, which is more indexed to Kerala was affected to a higher degree compared to our industry peers. However, we are once again seeing notable recovery in sales in the month of July, which has been a good month, and we are keeping our fingers crossed and expecting a sustained performance in the second quarter. On the raw material front, prices continue to soften, although marginally, and we expect our margins to be stable going forward. So that's all I have as an opening comment, and I'd be happy to answer your questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Yash Goenka from Awriga Capital Advisors LLP.

Yash Goenka: Other peers have been highlighting about certain issues with respect to demand and competitive pressures in southern markets. Can you comment on your sales mix and growth in the Southern region?

Hemant Jalan: See, we are -- as far as South India is concerned, other than Kerala, our share of market in other states like Tamil Nadu, Andhra, Telangana and Karnataka are fairly low. So I don't think we are seeing any increased significant competitive pressure in Kerala. For the other states, I think our

share of market is quite low for us to be materially impacted, and we won't notice any change in the competitive pressure really.

Kerala has been plagued with a demand softening during the last several months, and I understand that it's not just for us but for all paint companies. The early monsoon and the rigorous rains have not helped matters. I presume there would be a good pent-up demand, and we are just waiting for the bounce back to happen.

Yash Goenka:

Okay. Sir, can you comment on the mix for the Southern region?

Hemant Jalan:

The product mix in the Southern region is not very different from the rest of India. Low-margin items like putty tend to sell a little less in Southern India compared to other parts of India. Our differentiated products tend to sell a little bit disproportionately higher in Southern India. So if you look at margin contributions overall, I would say Southern India is ahead of other parts of India as far as Indigo Paints is concerned in terms of overall margin contribution.

The low market share in some of the other southern states means that the headroom to grow there is huge. And we have been doing reasonably well in southern states in terms of growth rate as far as that is concerned.

Yash Goenka:

Sir, I wanted to know the sales mix. Can you comment about it for the southern part of the country?

Hemant Jalan:

What specifically are you asking in terms of sales mix? I thought I had already answered...

Yash Goenka:

Sales contribution to the top line, sir.

Hemant Jalan:

Sales contribution to the top line, including Kerala, the whole of South, I'll have to pull out that number. Just a second. I'll give it to you. Yes, but -- I would say about 35% of our sales does come from South India, but a large portion of that is Kerala.

Moderator:

The next question comes from the line of Prakash Kapadia from Kapadia Financial Services.

Prakash Kapadia:

A couple of questions from my end. We've seen a good growth in enamels and wood coatings, I think 11.5% value growth. Is this on a low base or any specific geographies? And in the 4 categories, Hemant ji, which you mentioned in the PPT, is this right understanding that enamel will be the highest margin business followed by emulsion then by primer and putty and historically...

Hemant Jalan:

No. I mean when you say enamels and wood coatings, most of the good growth has actually come from the enamel, where we were the pioneers in launching a very differentiated enamel called PU enamel which, over the years, other larger peers have also attempted to duplicate, but we seem to have a very good hold in that part of the market, and we seem to be doing well.

Its overall contribution in the revenue pie is still a little less than what it is for other competitors. And the reason is that we only operate on the premium end of the enamel range. We are not there in the sort of economy range. Having said that, enamels by themselves are not a very high-margin contributor to any paint company.

Wood coatings are different. They do contribute higher, although their share is significantly lower than enamels. In terms of margins, the highest margin contributor would always be the emulsion category.

Prakash Kapadia:

Okay. Then putty would be the lowest, right?

Hemant Jalan:

Putty would definitely be the lowest, no doubt about it. But cement -- cement paints are fairly good. So when we club the two together, of course, putty is the dominant contributor in that category. So putty is a slightly lower margin. But we have taken a price hike in putty towards the end of the quarter.

And most paint companies including people outside the paint industry like Birla White and JK White have all taken a slight price increase. So that helps matters a little bit, but it still remains a high volume, low margin part of the business as far as paints are concerned.

Prakash Kapadia:

Understood. And it's been a couple of quarters for the industry, including ours, where demand has been muted. So is there -- fairly you've obviously mentioned about July being reasonable and we are seeing some traction. So is there now a case to build in recovery from H2 onwards? And what would you bet on? Would it be Tier 1, Tier 2 cities?

Would it be more of rural side? And what would lead to this demand? Because over the last few years, we've seen a fairly buoyant real estate cycle, but we have not really benefited from that. So what would you bank on from here on, assuming the demand would be back? Is there a case to be?

Hemant Jalan:

I'll take your last observation first. See, real estate boom that you see, first of all, only 15% of paints go into fresh construction. Most of it is repainting. And when you talk about the real estate boom, you're talking about listed real estate players who operate in barely 10, 12 cities of India.

So you're not really talking about any real estate boom as far as what I call the Bharat is concerned, which is a conglomeration of tens of thousands of small towns where individual dwellings come up. So a better index for real estate growth is consumption of cement which has not been the best in the last few quarters.

So if you look at pan-India, I don't think fresh construction has seen any kind of a boom per se. Now coming to the major category, which is repainting, consumer demand has been soft, and it has not been soft only in paints. It has been soft across all consumer categories. Now I think the government did what it could by giving a hefty tax break to the middle class.

I think the RBI has done its share by cutting down repo rates 3 times in a row by 100 basis points overall. Now there is a time lag between all of this happening and the demand sentiment changing, you're beginning to see a significant proof of a demand recovery coming and it will first come in FMCG products, the staples.

So you have seen a company like HUL reported its highest value growth in the last quarter compared to the previous 12 quarters. Just two days ago, the results of another company like

Britannia was out, which reported a value growth of some 8% to 9%. So indications from all other FMCG companies are that the demand is coming back.

We ourselves saw a good demand bounce back in April and the first half of May. It's just that our business is severely impacted by monsoons and this is one of those rare years when monsoon hit India 15, 20 days before it normally does. And there has been no dry patch in the monsoon right till the end of July.

So, that did impact sales in the latter part of May and June. However, July despite it being a heavily monsoon impacted month, we at least have seen very good growth in sales in July. Now whether it will sustain itself in August and September, we significantly hope so because there is fundamentally nothing wrong with the macros in the Indian economy.

And I hope that when the demand comes back, it will come back with a bang because there should be a lot of pent-up demand with the consumers who have not purchased the kind of quantities of paint that we would have normally expected them to purchase in the last 5 quarters.

So I'd expect to see a much better Q2 and a much, much better second half this year. But I preface it by saying that this is all conjecture. I mean, proof of the pudding lies in the eating, let it happen and we'll all bounce back.

Prakash Kapadia:

Sure. Sure. Sure, that's helpful. And lastly, from my side, on Apple Chemie, monsoon sales, do they come back? And how much of sales on an annual basis would be from infra and construction chemicals for us? Because if monsoon is a driver and that really affects sales. So will sales bounce back -- you mentioned about some product launches?

Hemant Jalan:

So 100% of their sales are through infra projects. So they are basically supplying to large contractors like L&T, B.G. Shirke, Afcons and these big people of the world and of the country who are engaged in large Expressway construction, flyover construction and metro project construction, amongst other things. And these projects -- when there was a much earlier than anticipated rainfall, these projects do kind of go in limbo when there is heavy rain.

And they normally do recover when the monsoons are over, unless the government's infrastructure spending comes down, which it is not likely to at all. So they do get made up. And I think they are making up. I mean they've had a slightly better July and their order book looks good as far as August and September is concerned.

So I think they will bounce back in this quarter and as the monsoon abates, which is some time away. So yes, monsoon does affect their business as much as it affects our paints business. In fact, it affects them more.

Moderator:

The next question comes from the line of Abneesh Roy from Nuvama.

Abneesh Roy:

My first question is on the demand side and the rain in relation to the demand impact on the demand. I agree with your statement that monsoon does have significant impact on exterior paint and maybe other parts of the consumption also. So specific question here is Bihar, Northeast, Andhra, Telangana have seen double-digit deficit in rain still now.

I do understand in some of these markets, your presence might be low. But still from a trend perspective, are you seeing good growth in markets where currently there is low rainfall because taking the logic that rains impacts demand adversely. So on the flip side, does it help demand when the rain is low in these 5, 6 key regions?

Hemant Jalan: Well, Bihar actually has been a very good performer for us. I was not aware that Bihar has been rain deficit till now. Thanks for informing. So Bihar has done well.

Suresh-Babu: Even Andhra has done well except for a little bit of a slowdown in the North where -- in fact, we have some little bit of manpower issues. But other than that, both the states, which you mentioned have done well for us.

Hemant Jalan: Northeast, I'm really surprised to hear that it is deficit in monsoon is very -- because to the best of my knowledge, it was very, very heavy rainfall. See, monsoon hits Assam and Northeast much earlier than the rest of India. It normally hits in mid-May is the normal time. And this time, it hit even earlier than that. So we have had a lot of flooding in huge parts of Assam. Assam and Northeast is a fairly large geographic area.

So I don't know about which parts have been rain deficient and which have been rainfall excess. But from what we hear from the sales force, there has been more than expected rainfall in that part of the country. So we have been negatively impacted in the Northeast, no doubt.

Abneesh Roy: So I was saying today's breakdown. So Bihar is 27% deficit cumulative. Assam is 38% deficit, based on IMD site only. And Arunachal?

Hemant Jalan: Today's data, Abneesh, including July till the first half of -- first week of August. Our results are...

Abneesh Roy: Yes, 1st of June to today, cumulative, 1st of June?

Hemant Jalan: 1st of June until today. But when you look at Northeast, you really need to know from 1st of May onwards because a lot of the rainfall in the Northeast happens there, but Bihar, yes, has done phenomenally well for us. In fact, so as has Bengal. And as Suresh just mentioned, we have also done fairly well in Andhra.

I had not correlated that to monsoon deficit, but -- and Tamil Nadu is doing reasonably okay because Tamil Nadu, this is not the monsoon time. Tamil Nadu, the rains will come in October and November. But most of India has been severely -- I mean, Kerala has had much more than its share of rainfall already.

And you know in Maharashtra, I mean all our dams around Pune are already 90%, 95% full, when you had expected them to be 65% full by now. So we have added a huge in most parts of India, you're reading what is happening in the North in Uttarakhand and Himachal, et cetera. So there has been a heavy rainfall.

It looks like most parts of India, there is a lull now for the next 10, 15 days. I hope that early onset of monsoon also means early withdrawal. If that were to happen, then that should augur well for September and October.

Abneesh Roy:

So that was my next question. In your outlook slide, you have mentioned anticipating early withdrawal. And generally, we see it before Diwali, we have 3, 4 weeks of dry period, that is a good demand generator because then the wall cool, exterior paint and generally, customer feels that this is now dried up, so we can paint.

So -- and because Diwali is earlier than the overall time which is available for monsoon to receive and the time available for the dryness to happen, becomes curtailed. So would you see that this as a risk given nowadays commenting on the weather and monsoon mostly people go wrong only from that yard see that Diwali is early, doesn't that pose one more risk to the overall demand side?

Hemant Jalan:

It is, but what happens is that whenever Diwali is early, and this time, we have one of the earliest Diwalis on the 20th of October. Normally, rainfall in India continues till the first week of October. So when you have a early Diwali, you don't get much time for pre-Diwali sales in the Northern Hindi-belt, and that is where Diwali has an impact.

It doesn't have an impact in Southern India. But usually, that gets made up for in subsequent months on November, December, January, whereas when you have a late Diwali, you usually have excellent pre-Diwali sales, but that is followed by a lull in the subsequent months. So as far as the whole year is concerned, it makes up for itself.

So I don't think one is that concerned about month-wise sales or what happens in 1 quarter as far as the overall year is concerned, early monsoon, late monsoon withdrawal, early withdrawal, all that in the course of the whole fiscal will correct itself. What we are more concerned about is the demand sentiment to come back.

And that is showing signs of coming back. And we hope it comes back with a vengeance. And if the trend of July sustains itself in August and September, that I think is more valuable than anything else. See, all these monsoon factors are partly built into the base of last year. Now you can have aberrations of late monsoon early monsoon or early withdrawal or late withdrawal. But over a slightly longer period of 2 quarters combined, they don't have any material effect.

Abneesh Roy:

So on the July aspect which you mentioned, this is the last question on the demand side. So can July good performance be a fall start? Because when you see July high rains, and still the demand has been good, and April, May started well, and then the later part suffered because of good monsoon.

So July, in spite of a good monsoon, the demand has been good. Is it more of a pent-up demand? Is it more that some of the states which you mentioned of Bihar, Andhra, et cetera, have seen less rain. So that is impacting the overall data point. So would you -- how do you -- what is the reason for the July good performance?

Hemant Jalan:

Yes, I don't have a way to analyze that, Abneesh. Maybe you can help me split up the demand growth into all these various parameters as to how much is pent-up demand and how much is deficient monsoon in certain parts, et cetera. It's very difficult to segregate all those things. I mean even when we rationalize and say that the demand was bad in June because of heavy monsoon, that is our post facto surmise, as to that is the only plausible reason that could have caused it.

Now when demand jumps back, we try not to delve too deep as to what has caused that uptick. We just take the improved demand as it comes and are happy because it's coming after a long time. So as I said, fingers crossed. I can't make any definitive predictions as to how demand will pan out in the months ahead.

But as I said, we take cues that normally recoveries in demands and consumer sentiments tend to show itself first in the FMCG sector because those are more basic products as opposed to paints, which are slightly more discretionary. So when you're seeing a bounce back happening in the FMCG sector, logic says that a turnaround in other sectors of consumer purchase are not very far behind, that's all I can say. But I'm not a macro economist or a weather scientist.

Abneesh Roy:

Sure, understood. Sir, the last question. On the competition, you have said a number of times, analysts asked on the competition, that is a barometer of how big is the impact? So I'll come to that part. This time, I want your answers to three specific things. One is on the dealer incentives now the smaller players, I'm not talking about the market leader.

The smaller players are saying that the dealer incentives are now almost converging for them and a new players. And some of the tinting machines of the new players are getting returned in few areas, sporadic cases, and 10% extra grammage of the new player also in some areas, in some SKUs getting returned. Obviously, you are a key market player. So what will be your take, sir, on all these three?

Hemant Jalan:

See, we have consistently said for the last 2 years, contrary to the commentary that was coming out from both the media and the collective analyst community that an entry of a new player is not likely to be disruptive in such a large market as the decorative paint market of India is concerned.

Now -- they had started out and you're referring to Birla Opus 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.

As far as the tinting machines coming back, I mean, these are things that we do here on the ground. I don't have definitive data as to how many tinting machines are being installed and how many are coming back from them. And as far as this extra 10% grammage is concerned, it is a fact.

We have seen the public announcement, they first withdrew that in 4-liter packs and now they have withdrawn that in 10-liter packs. So these were independent actions that a new entrant took. And it is for them to decide whether it has worked for them or it has not worked for them and at what point in time to shall I say throw in the towel as far as these kinds of measures are concerned, which nobody else in the industry followed because nobody believes that these things are going to have a material effect in escalating sales on a sustained basis.

I don't think we have been much impacted by their entry, very, very few dealers of ours across India have opted to switch to that brand. And therefore, it's been more or less a nonissue as far as we are concerned.

Moderator: The next question comes from the line of Mr. Manoj Menon.

Manoj Menon: Only one question. So let's say when I think about, let's say, the last few years of your geographical expansion, and also the context of the relative competitive intensity probably being different in the last 12 months in conjunction with an industry slowdown, it both happened.

Are there any changes to the medium term, let's say, the geography expansion plans would have done earlier? Is there something you need to tweak whether in terms of process, people or everything is absolutely intact?

Hemant Jalan: I think geographic expansion continues, and it continues even for players who have been around for 70, 80 years. So that's a constant process because you keep appointing new dealers, you keep weeding out some old dealers who are either bad paymasters or for some reason, are losing interest in paints.

And you always lose some dealers to competition, and you gain some from competition every year. So that little bit of churn is pretty normal in the industry that goes on. Having said, our dealer density in northern part of India is still quite low. So if you look at states like Jammu & Kashmir, Himachal, Punjab, Delhi, Haryana or even Rajasthan for that matter, there is a need to drastically increase our dealer intensity, and we try to do that.

More important than increasing dealers, which is a constant ongoing process and especially increasing dealer in the larger cities, which is what we have focused on in the last 2 years. The more important thing is to increase throughput per dealer. And we find that in most states of India, where we are lacking is not the dealer count. In fact, our dealer count is in many, many states, is equal to what the dealer count of a number two player or a number three player is.

However, their sales is significantly higher in those states despite having the same number of dealers. So now there is an attempt to identify dealers who are doing business with us. But maybe their volume of business with us is somewhat low, and they are doing maybe 10x the business with a competitor and trying to target specific dealers where the potential is large.

And they are already doing business with us, but their volume of business is low and to see how we can grow that business in those existing dealers by 50%, 70% or even 100%, which is imminently possible because their share of shop sale that we enjoy is fairly low. If it is like 5% or 10%, there is a good reason or should be easy to double that.

So that is where the focus is going. And I mean, these are all steps that you'll keep taking to keep mining data and saying, what is the weakest link and where do you need to put your efforts for maximum growth and hopefully, these efforts will bear fruit, and you'll see the results coming out in the subsequent quarters.

Manoj Menon:

Loud and clear, Hemant. The only reason I asked that geographical distribution question was because you had smartly, let's say had Mr. Dhoni as a brand ambassador for more than a decade. And your brand in my opinion, it's a classic case of a far higher awareness versus availability. I completely understood the store throughput. I just thought maybe both can go in tandem.

Hemant Jalan:

Yes, not only Dhoni, but also marquee ambassador from your home state, Manoj Menon.. Mohanlal. So we have had both of them for a long time, Dhoni, for, I think, 7 years now and intend to continue with him for many years going forward. So it's true that we punch above our weight in terms of brand recognition, partly due to the slightly unique ads, the creatives that we produce and certainly a large part of the credit to our brand ambassador MS Dhoni and Mohanlal in Kerala.

So yes, we enjoy good brand recall, but -- and cashing brand recall is not the easiest thing in the paint industry, as you know, which is why we have always talked about these high entry barriers in the paint industry. And as yourself and I read your analysis reports of the paint sector of other companies, I think you're also coming to the conclusion that what the prediction was as to what devastation, a new entrant would do has not really happened. And the other players continue to exist with their margins intact.

Manoj Menon:

Understood. And Hemant, one last question before I will fall back in the queue. If I look up in the long -- you reached a say \$150 million revenue currently. And when I -- with a certain set of templates, which has worked for you, whether it is people, process, SOPs, etcetera, is there anything which have worked off late last 6 months, 1 year in terms of, let's say, when you think about the journey from, let's say, 150 million to 300 million, 500 million or you think that the current set of the ways of working is appropriate for the, let's say, doubling from here or even higher from now?

Hemant Jalan:

You are aware that we had tried to acquire another paint company that was on the block, and we came close but we lost out, and that's fine. I mean, these things happen in business. And we keep looking around for both organic and inorganic modes of growth, there is nothing concrete on the table right now, but we keep looking. And while we keep looking for inorganic methods, we focus and double down on our efforts to grow at 2x, 2.5x the industry growth, while keeping profitability intact.

For us, pecking order in any industry is not determined only by top line of what you said \$150 million to make it \$500 million, the idea is to do it in a profitable manner, which rewards

shareholders and all stakeholders because I don't think packing orders are decided only by top line.

There is also something called the bottom line, and there are several lines in between the top line and the bottom line, which are all equally important. And we are very mindful of that, and our track record should show that we are as much focused on the bottom line as we are on the top line.

Moderator:

The next question comes from the line of Pratik from HSBC.

Pratik:

This is Pratik from HSBC. I have a couple of questions, please. A follow-up on the dealer incentives bid that you mentioned. You mentioned that dealer incentives for the incumbents have not increased. So the data in the annual report of gross revenues and net revenues, it does indicate some increase in dealer incentives.

Is that not the right way to look at it? And a two part question to that is, have the incentives for Birla Opus also normalized now or they still remain high for dealers?

Hemant Jalan:

So the first question, the answer is yes, dealer incentives for the earlier incumbents have increased marginally. I don't think there has been an attempt by anyone to respond to what a new entrant has done. It is just that when the demand scenario is weak, and top line growth becomes difficult, then there is a tendency by all incumbents to give a little bit extra to try and gain a little extra market share.

So you're right, when you see the annual reports of companies, you will find that dealer incentives for the year have been marginally higher than what they were in the previous year. Part of that is also because of softening of raw material prices. During the last 1 year, raw material prices have softened significantly. So there is a tendency to pass on that benefit to the trade or to the consumer in some manner, which may enable higher top line growth.

So that's the answer to your first question, but I don't think anyone has gone even remotely close to the discounting patterns of a new entrant. As far as them normalizing and coming and converging with the industry average as far as schemes are concerned, I frankly really don't know because I don't track them that carefully. And the reason we don't track them that minutely is because we have really not been impacted by them in any significant extent.

So we do know that there is some pullback happening at their end in extra grammage and maybe in discounts, maybe in credit limits and credit periods, et cetera. But these are all the rumors that we hear in the market, but we have not applied our mind to very, very minutely tracking these behaviors of the incumbent -- of the new entrant.

As a follow-up, rather than looking at discounts, why don't you track gross margins because that nets out the effect of raw material softening or hardening versus discounts. So if you track gross margins of companies, you'll find that they are not very different from what they were a year ago. As I said, plus minus 0.5% here and there. Gross margins have been largely remained the same for all the listed paint companies from whatever I observed, no noticeable change.

Pratik: Correct. Follow-up to that, if raw material prices have given fill up of say 3% to 4% on gross margins because of lower crude derivatives, lower TiO₂ at the time. Does that not also help the gross margin? So even if incentives might have increased, gross margins were protected because of lower RMs. Is that, right?

Hemant Jalan: I don't think RM prices as an overall have come down by 3% to 4%. I mean it's not come down that much. And on titanium dioxide in the last few months, we are faced with an anti-dumping duty that has been slapped which has actually increased titanium dioxide prices temporarily. There is a court case pending in the Calcutta High Court filed by the Indian Paint Association for which hearings are over and the judgment is awaited.

We all hope that this antidumping duty may get reversed if there is a favorable court decision on that, but we don't know. It is the other raw materials, which have softened a little bit. I think the overall contribution in the basket of our purchase is certainly not as high as 3%, 4%. But if it is, let's say, 1.5%, 2%, to that extent, of course, discounts have gone up. And that is why gross margins have kind of remained the same.

See, most people are comfortable in operating in a certain gross margin range and in a certain EBITDA range. As long as that range is not reached, there is always the tendency to increase trade discounts when raw material prices go down and to reduce trade discounts when raw material prices go up, keeping gross margins and EBITDA margins within a narrow band. And I think that is what has played out.

Pratik: Okay, that makes sense. If I can squeeze in another question. Project business, what is our -- how much -- what is our proportion of the projects business, do you see a change in intensity and competitive intensity there? Can you please elaborate on that?

Hemant Jalan: Yes. We are not actively engaged in project business. I mean, our project business is more of a retail project kind of a thing where in any kind of a lead given by the dealers, we service it through our retail network. We don't have a separate vertical. We don't have a separate product range.

We don't have separate pricing for projects. So which means we are not into the real big kind of projects. We are just into some retail projects, which is part of the normal retail business.

Moderator: The next question comes from the line of Ketan Chheda an Retail Investor.

Ketan Chheda: Sir, my question is with respect to Apple Chemie. When we did the acquisition, I believe it was into probably just 1 state or 1 geography and we had plans to kind of expand Apple Chemie's reach in multiple states as far as possible. So could you share some data and how well that strategy has played out so far after the acquisition has been done?

Hemant Jalan: Good question. Mixed results, Mr. Ketan. Apple Chemie, after the acquisition, tried to expand too fast in every corner of India and built up a huge manpower base in various places. Project business is a little slow in conversion. And in some parts of India, they found that the traction was not good, and the costs were very high, commensurate with the volume of business that was coming in even after waiting for about a year.

So let's say, in North India, they kind of decided to withdraw but they're getting good traction in South India and in Eastern India, where they continue. So still, the dominance is in the states of Maharashtra, Madhya Pradesh, Chattisgarh, so what we call West and Central India, that is where most of their business comes from and those are the areas which are in close proximity to that factory, which is located in A, in Nagpur and B, in Navi Mumbai.

We also realized that -- they also have a range of products like in our decorative paints, you have low-margin businesses like putty and you have high-margin business like emulsions and very high-margin products like your differentiated specialty products. So the similar is the case with Apple Chemie.

You have various products which are very high margin, and you have some products like ad mixtures, which are generally on the lower margin side, and which are very freight-sensitive. And therefore, it doesn't make sense to ship ad mixtures to various corners of the country from Nagpur.

So the attempt has been to concentrate on areas where you are getting traction, which, as I said, have been Eastern India and Southern India and to focus more on products and introducing newer products where the competitive intensity is much less. So they are in the process of commissioning maybe by the end of the month or early September, a new product line, which is MS polymers, where they face competition from only 2 multinationals and there are hardly any Indian manufacturers manufacturing that.

And these products are used in the same infrastructural projects where they are supplying other materials. And they have been focusing on other -- so they're looking along with the top line, they're also looking at the bottom line. And I think when we did the acquisition 2.5 years ago, their top line was about INR41 crores, INR42 crores which last year was about INR62 crores or INR63 crores or something.

And I think they hopefully will be somewhere in the INR70 crore to INR75 crore range in this current fiscal. So again, the effort is to grow, but grow profitably. And I think we are quite happy with the path that they are chalking out for themselves.

Moderator:

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

Aniruddha Joshi:

Yes, Sir, two questions. One on Apple Chemie, any thoughts in terms of acquiring the remaining 49% stake? That is one. And secondly, now some of the products are launched under Indigo brand as well. So whether it is launched through the Indigo that is listed entity itself or it is launched through Apple Chemie? I mean to say whether Indigo brand is getting used in Apple Chemie's products and distribution also? So that is question one.

And question two, now, two plants will come up -- I mean, will commence production in next 6 months, water-based as well as solvent-based. So any strategy that you can indicate in terms of -- while the production might be ready, but what will be the selling and distribution strategy, at least in Northern India for these 2 plants?

Hemant Jalan:

So on Apple Chemie, all the waterproofing and construction chemical products that are launched in the retail space, are manufactured at Indigo Paints factories. They are branded as Indigo and they are sold through the Indigo Paints network. They have nothing to do with Apple Chemie, except that there was a transfer of technology which took place from them immediately post the acquisition.

So the products that Apple Chemie sells, it sells in its own name. And there is no use of the Indigo branding as far as their products are concerned, which are entirely B2B. Your earlier question about acquiring the remaining 49%, well, the call options that we have kick in only after 1st of April next year.

So there's plenty of time to think about it, and I think we'll take an educated decision at that point in time as to how much to acquire more and if to acquire more and how to do that acquisition. And sorry, what was your next question on? On the new plants coming up. So see you set up more capacity and more modern plants to cater to the future.

And our present capacity at Jodhpur, which largely feeds North and East India was under stress and those were plants that had been set up many, many years ago and were really not designed for the capacity at which we are operating now. So the new plant coming up does result in an increase in capacity, but more than that it results in a lot of modernization and mechanization, which is very essential at the scale of operation at which we are operating.

However, as we have always said, in this industry, capacity does not mean sales. So building capacity is totally agnostic of what will happen on the sales front. Sales front, even now without those capacity coming, if we can increase sales, we would happily increase sales. And we do have the capacity to cater to it in some form or the other.

So it will just ease out the process by the time that plant comes up, that future production and dispatch related things will become much more streamlined because of more automation and mechanization. So we had set up a very modern plant in Tamil Nadu, which got commissioned about 21 months ago, and we are reaping the benefits of that and similar plant is coming up in North India.

The place where it will make a material difference is solvent-based paints, which so far were manufactured only in Tamil Nadu. And from a freight viewpoint, it was a little inefficient to cater to the entire country for solvent-based paints from one plant located in the southern corner of India. And therefore, the solvent-based plant coming up at Jodhpur will definitely mean a reduction in our freight costs as far as catering to that part of the business is concerned.

Aniruddha Joshi:

Okay. Sure, sir. This is very helpful. Many thanks.

Moderator:

Thank you. Ladies and gentlemen, we'll take this as a last question for today. I will now hand the conference over to the management for closing comments.

Hemant Jalan:

Okay. Thanks, Samya. Thanks. ICICI for hosting the call and thank you all for being patient listeners. Look forward to interacting with you again after three months and hopefully under much happier circumstances, both for Indigo Paints and the entire paint industry. Thank you all.

Moderator:

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