



September 03, 2026

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, 2026 held on August 14, 2026.

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 14, 2026 at 11:00 hrs (IST) to discuss the unaudited standalone and consolidated Financial Results of the Company for the quarter ended June 30, 2026.

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/analystinvestors-meets/>

You are requested to take note of the same.

Thanking you,

For Indigo Paints Limited

Hemant Kamala Jalan
Chairman and Managing Director
DIN: 00080942

Encl.: As Above





**“Indigo Paints Limited
Q1 FY27 Earnings Conference Call”
August 14, 2026**



MANAGEMENT: **MR. HEMANT JALAN – MANAGING DIRECTOR**
MR. SURESH BABU – CHIEF OPERATING OFFICER
MR. AISHWARYA PRATAP SINGH – CHIEF BUSINESS OFFICER
MR. CHETAN HUMANE – CHIEF FINANCIAL OFFICER
MR. SRIHARI SANTHAKUMAR – GENERAL MANAGER FINANCE AND INVESTOR RELATIONS

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Indigo Paints Q1 FY27 Earnings Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this

conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi. Thank you and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Atharva. On behalf of ICICI Securities, we welcome you all to Q1 FY27 Results Conference Call of Indigo Paints Limited. 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: Yes. Thanks, Aniruddha. Good morning, everyone. Thanks once again for joining the Earnings conference call today. To discuss the performance of the company for the quarter, from the management side, we have with us Mr. Hemant Jalan, Managing Director; Mr. Suresh Babu, Chief Operating Officer; Mr. Aishwarya Pratap Singh, the Chief Business Officer; Mr. Chetan Humane, Chief Financial Officer and myself will be discussing the performance of the company today. As usual, there will be a brief note from the MD regarding the performance of the company, followed by a quick Q&A. Over to you, sir.

Hemant Jalan: Good morning, everyone, and thank you for joining us today to discuss Indigo Paints performance for the first quarter of FY '27. Now we have uploaded the investor presentation on the stock exchange portals and trust that you've had the opportunity to go through them. Now the demand momentum that we described at the close of FY26 has carried through into the first quarter of FY27.

Revenue has grown in double digits, the first such quarter in almost two years for us. And while the price increases that we implemented also aided in achieving this outcome, what is more encouraging is that volumes also grew in double digits and did so across the product portfolio.

On the input side, raw material prices, which rose very steeply in March following the disruption to global supply chains due to the Iran war, have since retreated from their peaks. However, they remain elevated and continue to be volatile, which necessitates constant monitoring on this front.

Set against this backdrop, we are satisfied with the quality of what we have discovered in Q1, a top line growth well ahead of the paint sector, meaningful margin expansion and further strengthening of our distribution network and product mix. We'll first briefly look at the performance on a stand-alone basis before going to the console financials.

Our standalone revenue from operations for the quarter was INR350 crores as against INR295 crores in the corresponding period last year, reflecting a growth of 18.7%. We believe that this places us comfortably ahead of the paint sector, and we would highlight that the growth was accompanied by double-digit expansion in volumes as well as in value across all 4 of our product categories, details of which have been given in the presentation.

The gross margin for the quarter stood at 45.3%. Although it is slightly lower than the level that we recorded in Q1 of last year, our margin continues to run well ahead of the average for all the listed paint companies, a lead that we have now sustained for many years. EBITDA for the

quarter was INR61.9 crores against INR43.6 crores a year ago, reflecting a growth of 42% lifting our EBITDA margin from 14.8% in Q1 of last year to 17.7% in Q1 this year.

This is the healthiest Q1 quarter that we have recorded as far as EBITDA margins are concerned during the last 4 years. The improvement is principally due to the operational leverage that comes with a larger revenue base, together with tighter control of discretionary expenditure across the organization.

The PAT was INR42.4 crores as against INR26.4 crores in the same quarter last year, reflecting a growth of 60.7% with the PAT margin moving up from 8.8% to 11.8% in Q1 of this year. Now we did have a mark-to-market gain on our treasury income, which also partially contributed to the expansion in the PAT margin.

Our advertising and promotion expenditure was 4.3% of revenue in Q1 compared to 6.8% in the same quarter last year. Now although we took a strategic timeout from advertising during the IPL season, we have redirected a lot of those funds towards painter and contractor engagement, influencer partnerships and measurable digital advertising channels.

Our commitment to brand investment for the year as a whole is undiminished, and we would encourage you to assess our A&P intensity on an annual basis rather than viewing it on a quarterly basis. Turning to the consolidated picture, which includes our subsidiary, Apple Chemie. Revenue for the quarter was INR369.7 crores, a Y-o-Y growth of 19.7%.

EBITDA was INR62 crores at a margin of 16.8%, up 40% on an absolute amount and PAT was INR41.7 crores at a margin of 11%, up 60% on a total amount. Apple Chemie's performance was accretive to our growth this quarter, but marginally dilutive to our margin, and I'll come to those reasons in a short while.

On the product mix front, I'm glad to highlight that every product category recorded growth in both volume and value terms during the quarter. The category of primers and distempers led with almost a 30% value growth and a volume growth in excess of 18%. This was followed by the putty and cement paint segment, where the value growth was upwards of 21% and the volume growth was closer to 14%.

The enamel and wood coating segment, the value grew at 17.5% and the volume growth was close to 10%. And for the emulsion category, which is the largest category in paints, the value growth was more than 17% and the volume growth was around 12.5%. Our distribution footprint widened further during the quarter.

We closed the quarter at about 19,400 active dealers and around 12,400 active tinting machines. The dealer count has risen by about 800 in the last 1 year, but our tinting machine has -- count has increased by 1,100 over the same period. And you would appreciate that tinting machines represent a committed counter space and is a considerably firmer measure of the depth of our dealer relationship.

Coming briefly to the performance of our subsidiary, Apple Chemie, it recorded a revenue of INR19.7 crores for the quarter as against INR14.0 crores last year, reflecting a top line growth

of more than 40%. Profitability, however, was compressed on two counts. The first is that input costs rose sharply in the wake of supply disruptions.

And since Apple Chemie is a predominantly B2B business player, it had limited ability to pass those increases through to its customer within the quarter, a latitude more readily available to players like us in the decorative paint business. The second is that Apple Chemie had to purchase significant high-cost inventory when the supply chain disruptions happened, which were procured at elevated prices, which weighed on its cost of goods sold.

Now we view both these matters as transitory in nature. As the high-cost inventory is consumed, we expect gross margins of Apple Chemie to improve through the second quarter and return to its normal level by Q3. And as an expression of our confidence in this business, we propose to acquire a further 11% stake as per our terms of original agreement, taking Indigo Paints' aggregate holding in Apple Chemie up to 62%.

The original promoters will retain the balance 38% and will continue to drive growth and enhance shareholder value. Coming to capacity, our water-based facility at Jodhpur with an annual capacity of 90,000 kiloliters per annum is in the final stages of commissioning, and we expect to start trial production in the second half of August itself, comfortably ahead of the festive season.

The solvent-based plant at Jodhpur is already in production for the last several months and is ramping up output steadily. Once the water-based plant is operational, our ability to serve demand across Northern, Eastern and Central India improves materially, both in terms of lead time and in freight economics.

Now with this water-based Jodhpur facility being commissioned, our principal capex investment cycle draws to a close. We do not anticipate any significant capex requirements for the next 3 years. The plants and capacity are now in place. The network is established and we continue to invest substantially in our brand.

From here, incremental revenue should translate into free cash flows at a considerably better rate than over the last 5 years. Coming to our ESG and CSR initiatives, our installed solar capacity now stands at 350 kilowatts across the Pune and Cochin facilities, and we are planning a further 1,200 kilowatts at our Jodhpur plant.

Through our Indigo Seva Utsav program, we have painted over 240 government schools in Tier 2 and Tier 3 towns in collaboration with the painter community at large. Our painter health benefit program now extends to more than 30,000 families nationwide. And our Skill Up initiative has trained more than 1,250 painting contractors in the commercial and interpersonal skills that support their business.

We have also extended educational assistance and career guidance to over 420 underprivileged girls through our Educare program. Now these programs are not peripheral to us. At least the painters and the contractors remain our most important partners in our value chain and the trust that we hold within that community is an asset that we have built over many years.

Finally, coming to future outlook, we had mentioned in our last earnings call that henceforth, we should be pursuing accelerated top line growth even if it comes at a marginal cost to the bottom line growth. Although we have achieved a healthy top line growth this quarter, the fact that our bottom line has increased at a faster pace indicates that we were not aggressive enough, and we can afford to do more.

So we shall be even more aggressive in Q2 with respect to our spends on trade and influencer engagement in an attempt to further widen the gap between our top line growth and that of the industry. On raw materials, the prices -- the price increases that we implemented in response to the RM cost spikes that happened in March and April have protected our margins.

The raw material costs have eased since then, but remain elevated and volatile, and we are monitoring the situation quite closely. Taken together, our strongest Q1 operating margin in 4 years, a capex investment cycle, which is now behind us, new capacity arriving in time for the festive season and the demand environment that has remained constructive, we enter FY27 in a distinctively stronger position than the previous year. That's all that I have as far as my opening comments are concerned. We'd be happy to now take your questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question comes from the line of Abhneesh Roy from Nuvama.

Abhneesh Roy: Congrats on great set of numbers. If it is okay, my first question is to the Chief Business Officer, Aishwarya Pratap Singh. So almost 7, 8 months into a new sector and a new company, I wanted to understand as Chief Business Officer, what is going right, what can be improved in Indigo Paints versus your 20-year strength in marquee FMCG companies like ITC, Foods, Personal Care and of course, Dabur also. And what else is left in terms of changes as a Chief Business Officer level, what is left to be done in the next one year?

Aishwarya Singh: Thank you for the question, and thank you for the detailed understanding of my profile. So yes, in last 6 to 7 months, I have been trying to understand, first of all, the industry and my primary objective was to, first of all, see where are the strength of Indigo Paints lies and what are the opportunity areas. FMCG is an interesting area where you actually work a lot towards ensuring physical and mental availability.

And I don't copy paste learning from previous industry. The idea is to understand how industry used to work and what kind of learnings can come over here. With that intent only, I've been working on two major areas. One is to utilize and juice out maximum of the current distribution network.

We have a very wide network, like sir was saying, we have around 19,400 dealers associated with us. How do we use it further through segmentation or micro segmentation of dealer clusters is what is my priority right now. And with that intent only, we are looking at different kind of dealers, some are big, some are small, some are really small, some are opportunity.

Different kind of initiatives and strategies have been taken and implemented in quarter 1 to take care of those different kind of dealer clusters. Otherwise, sometimes there's an intention to work only with the bigger dealers. That seems to have worked quite well, and we are able to activate

a lot more of a number of dealers who are working with us in some way or the other, but they are actually activating -- working quite closely with us.

That was the first part of the story, which basically is aligned with how FMCG works and which you want to reach out and work with as many dealers as possible. In this case, my intention was to work with existing set of dealers and working more aggressive and that seems to be working a lot.

The second part was about category level growth, and that is where we have devised a strategy in which we looked at the sensitivity of different kind of product portfolio and what works more for which particular category. Sometimes it is brand building, sometimes it is influencers, sometimes it is trade focus. So divided the portfolio into these three different clusters and appropriately inputs were injected into the system in quarter 1.

Again, that seems to be one of the reasons why we are able to grow faster because we understood that this category works because of influencer. This category is aggressive and trade really helps, and this is more of a brand building activity. And that is why you must have seen and like sir was telling, we are able to get good growth across different categories. It is not just coming from one or two areas.

Lastly, a lot more focus has been given in terms of people. Again, learning from FMCG that people are most important. So we are spending a lot of time and energy towards not only training and working with them, but also providing enough bench strength so that we have manpower available with us.

A company of our size actually is a lot more dependent on the passion and the work that people are doing on to the field and the difference they are able to make on the -- at that level. So these are the 3 areas through which we have been able to do well. It's been 3 months is the time we have implemented all of these things, and we are seeing results right now.

And strategies should be actually continued for a reasonable amount of time before we change anything. So right now, my priority is to ensure execution of all of the activities that we are doing at a greater detail, especially when the festival season comes up, a lot more action will be happening on to that front.

Yes, some more action has to happen more towards brand building like sir was saying, we have taken a strategic timeout in quarter 1. So you'll see a more of action on both traditional marketing as well as towards the digital marketing. Again, that is something that I carry from my learning, both handling new age brand as well as conventional, traditional brand also within ITC and Dabur. So you'll see more of that action happening in quarter 2. But on-ground execution is what I will continue to work on exactly the way it was done in last quarter. I hope it answered the question that you were asking.

Abhneesh Roy:

My second question is to Mr. Jalan. So sir, if I see your sales growth is impressive. It is top-tier growth. But when I see the gap between you and obviously, India's dominant player, the gap is very limited and they are three times your size. So ideally, you should have grown much faster, which you yourself said that should have been done. So, do you think that this is mostly in terms

of mass media because rest of the buckets you have spent in terms of influencer, in terms of painter, in terms of discount you have spent, but mass media, would you say that was a missed opportunity?

Hemant Jalan:

See, what happens, and this is something that the industry leader also indirectly acknowledged during his earnings call, when you have steep price increases and the kind of price increases that happened in Q1, the magnitude of the price increases and the frequency with which it happened is something that has been unprecedented in the last 25 years.

Now whenever you have such large price increases happening at very short intervals of time, the greatest beneficiary of that is always the market leader. Now that is taken for granted, and it was known that the greatest beneficiary of that would be the market leader because all dealers will tend to first talk up on the leading brand before they start purchasing the other brands.

So therefore, the top line growth that you see of the market leader, you will notice that it is well ahead of all the other players in the industry, excluding us. However, what you say is a valid point that the gap between us and the rest of the industry needs to get wider. When we said last quarter that we will pursue top line growth even if the bottom line growth starts lagging a little bit.

The fact that the bottom line grew faster than the top line very clearly means that we did not do enough. We need to do more or we can afford to do more. And that is what we will do now. You will realize that last quarter was a slightly tumultuous quarter with the situation in Iran and the consequent effect on supply chain.

And at least half of Q1 was spent on somehow getting raw materials together to be able to continue to run the factory and provide materials. And all the elevated spendings and all that we talked about was really -- I mean, whatever happened, happened in the last 45 days of the quarter.

In the first 45 days of the quarter, the paint industry had virtually withdrawn all trade discounts and spends, because nobody was sure about the raw material situation. So I think you will see a lot more of that going forward. And all I can say is that I hope that the gap between us and the other players should be wider than what it is. And hopefully, it will get wider as we go forward.

Abhneesh Roy:

Sir, just one follow-up, and that's my last question. You expect gap to become wider. Any concern on Kerala floods in Q2 is fairly severe. And one follow-up I wanted on strategic time out for IPL. What is the specific reason? Was it because IPL, the ROI did not make sense given the rates, advertising rates and maybe too much of crowded paint ads?

Second one was Dhoni did not play. So entire season, he did not play. He's your brand ambassador. So he is not active in the season, overall advertising, that rub-off effect is missing. And third is, if I see on the crowded effect, the market leader and new paint player are almost going head on. So it is best left to the biggest to fight it out and then come back later. Which one was the bigger reason in terms of the strategic timeout?

Hemant Jalan:

Well, the first question that you asked, I'm not aware of any significant floods in Kerala as such. Kerala is having pretty normal rainfall or maybe slightly below normal rainfall. So, so far, there

is no indication of any flood situation. The only part of the country that I think is really under some kind of a flood is parts of Assam and Northeast.

So those parts, especially upper Assam region, Jorhat, Tinsukia, Dibrugarh area, those are the parts of India that are really under floods at the moment. But I'm not aware or I have not heard of anything adverse as far as floods in Kerala are concerned. So Kerala is actually doing very well for us.

It has done very well in the first 4 months of the year, including July, and looks like it is poised to continue to do well. As far as IPL is concerned, I don't think it had anything to do with the intensity of advertising of two large players. Our advertising is not based on what others are doing. It is based on what we feel is necessary for our brand building.

I think we have consistently advertised in IPL for about 7 years or so, and we had signed up to advertise in IPL this year, too. In early March, when the Iran war broke out, and as I said, it did not look very clear as to whether raw materials would be available to continue to run the factory beyond 10th of April or something like that because raw materials have just vanished from the market.

In that kind of a scenario, we felt that to spend money to advertise when we were really not sure of how much material we'll be able to supply to the market seemed a little foolhardy to go ahead with such an expensive property. And therefore, we requested time out with the channel that we'd like to opt out for this reason.

We had no idea whether Dhoni is going to play or not going to play. That had nothing to do with it. And even if Dhoni has not played, I mean, sooner or later, he is going to retire from IPL, if he's not done so already, we don't know. But does that mean that we stop advertising completely? The answer is no.

And I don't think the effect of Dhoni is going to fade away at least for several years. I mean, Sachin retired, what, 12, 13 years ago from cricket. He's still a marquee brand ambassador for so many brands and a very effective brand ambassador. So there are some people who become eternal. I think Dhoni is a legend and will continue to play the role of our brand ambassador very effectively for a long period of time.

So IPL skipping out was entirely because of the Iran war. In retrospect, in hindsight, we were able to manage all the raw materials. We were able to provide materials the way we have been doing. And therefore, with hindsight, which always comes easy, maybe we should not have bowed out of IPL advertising. But that doesn't matter.

I mean now we want to pump that money back in at an increased pace in the coming months. And shifting of advertising expense from one quarter to other doesn't really matter very much for a company that has been advertising very steadily at an increased pace for the last 12, 13 years and will continue to do so. So I'm not worried about that at all.

Moderator:

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

Prakash Kapadia:

After a long time, Hemant ji, we've seen profitable growth. So how are you reading this? Is this low base effect? Is this demand coming back because we were fairly optimistic about demand coming back and it has come back. And historically, if I were to look at our track record, the biggest concern, which we've shared, discussed on con calls is paint industry not growing was the biggest concern?

So now given that we've seen growth across the sector, is it fair to say we'll continue to outperform the industry by a good margin as we've done historically? Because of differentiated products and a slightly slower base and lower market share. So how are we looking at demand and our growth specifically in the coming quarters?

Hemant Jalan:

So you're right when you say, Prakash ji, that the demand situation for the paint and not just the paint industry across all consumer categories had been subdued for the last 2 fiscals. So companies, whether they were in consumer staples or whether in consumer durables or virtually all sectors were reporting very, very sluggish top line growth. And that includes like HUL, etcetera, Nestle, they were all reporting very, very sluggish top line growth.

Now I think the paint industry, in particular, started saying and we started seeing the improvement from Q3 onwards. Q3 was significantly better for the paint industry compared to Q1 and Q2. Q4 was even better. And Q1 for everyone has been even better. So therefore, there is a progressive improvement that has happened and we have been calling it out repeatedly that we can see the tailwind now there.

And we can see the growth momentum back to the normal situation that existed 2 years ago and has existed at all points in time in the last 25 years, barring small periods of aberration. So as far as the demand is concerned, I think now we are reasonably comfortable that demand is back to near normal growth conditions. And I've already said in my remarks that we do expect to grow faster as we used to. We are growing faster than others. Maybe the gap this time.

Management:

It's not as large as what we wanted.

Hemant Jalan:

Yes, definitely not what we wanted. But that is because any strategy execution, at least during the first half of the quarter was not possible. I mean all trade discounts had been totally suspended by us and the rest of the industry. Everybody was busy in somehow just getting raw materials together to keep their plants running.

It is only really, I would say, in the second half of May and really in June that we got down to executing the strategy that our Chief Business Officer was talking about in response to the earlier question. Hopefully, if there are no further significant disruptions, we will get the full quarter to execute the strategy that we talked about.

And what will happen will happen, time will tell, but we are hopeful that the gap between us and the other players will widen as far as this quarter is concerned. In terms of your earlier comment, your first comment saying that after a long time, we are seeing profitable growth, I think profitability has never been the concern for us, the growth level for 2 years has been, of course, disappointing.

- Prakash Kapadia:** Yes. What I meant was margin expansion, sales, volume, value all coming in together, which was long ago?
- Hemant Jalan:** Although I do add that we are not pursuing margin expansions as a primary goal. If it happens as a byproduct, well and good as it has happened this quarter, there could be quarters when the EBITDA margin and gross margins could be slightly less than the corresponding quarter of last year and so be it. I mean, basically, we are focused on much higher top line growth. Bottom line will eventually take care of itself.
- Prakash Kapadia:** Understood. Wishing you all best and hope we regain our mojo back in the coming quarters.
- Moderator:** The next question comes from the line of Mihir Shah from Nomura.
- Mihir Shah:** Okay. Sir, firstly, on the sales front, if any color you can share on how July and August thus far has been going. We believe that there would have been some upstocking in the earlier quarter in 1Q. And can there be a likely negative impact or destocking impact in the second quarter? Or given that -- so what was -- what is the situation in July and August after the upstocking that we have seen in 1Q? So that's my first question?
- Hemant Jalan:** So I had mentioned in response to an earlier question that normally when big price hikes happen, the normal tendency for the channel is to overstock on the market leader. So if at all overstocking would have happened, and I have no primary evidence to point to that, the chances are it could have happened with the market leader and maybe a little bit of destocking they may experience in July and going forward, if at all, there was some overstocking.
- In our case, we don't find that the channel has overstocked at all. July has been actually a very good month for us. So our top line growth has maintained its momentum or maybe gone a little better than Q1. It's a little early to say in August. We are not even halfway through. So -- but things are looking all right.
- So there is nothing devastating that is happening in the country in any part on account of rains. I mean, every year during rains, there is some flooding here and there that happens that is kind of built into the base. The Middle East problem seems to have slowly gone away from the news, not the problem has been solved, but I guess alternate sources and alternate routes for raw materials have been found over time.
- And therefore, availability of raw material is not a concern. Of course, raw material prices are slightly elevated, and therefore, the paint industry is not dropping prices at this time, but keeping a watchful eye on it. But so far, the evidence that we have with 40 days in the quarter gone, it looks like the good days are continuing is all I can say.
- Mihir Shah:** Understood. That was actually my second question on the margin front on two accounts, both on the gross and EBITDA. Even let's assume you had first 45 days of low-cost inventory and now you will start consuming the higher cost inventory in the second quarter?
- Hemant Jalan:** Yes, that is possible. So frankly, I will not give any guidance for what the margin situation is going to be in Q2 because we have gone through a pretty much of a roller coaster ride as far as

both the raw material input prices are concerned and our selling prices. So it is a very fuzzy situation.

When you say that the high-priced inventory will start getting consumed now, that would be true for some raw materials, may not be true for other raw materials. Where the overall average will end up is something that is a little difficult to predict. But in light of that, I would not make any concrete prediction as far as Q2 margins are concerned.

In any case, Q2 is the worst quarter for the paint industry as far as margins are concerned because of product mix deterioration. The premium products, the exterior products, all those take a back seat in Q2 because exterior painting gets drastically reduced because of monsoons. And the kind of paints that you tend to sell in Q2 is always an inferior product mix from a profitability viewpoint.

So profit margins in Q2 are traditionally lower than Q1 or Q3 and because of this topsy turvy of raw material prices, it's a little uncertain as to what exactly would be the gross margin and the EBITDA margins for Q2. It may be better for the paint industry for you to look at the 6-month period and look at margins for the 6-month period and compare that with the corresponding 6 months of last year. I think that would give a more stable and a more accurate representation. But as of now, it doesn't seem to be causing any major problem to the paint industry, although many people may have a slightly lower profitability in Q2 compared to Q1.

Mihir Shah: Understood. Yes, fair point. Fair point, sir. In that regard, if I can ask you to just crystal ball gaze a bit in what can happen in the second half, assumption is that the further price increases, there may not be a business case for further price increases now as most things?

Hemant Jalan: As of now, no. Yes. As of now, no. But if you can predict what side of the bed the U.S. President would get off from tomorrow morning, I would be able to make -- do a little better crystal ball gazing. We have no idea which way the war is headed and what will happen.

Mihir Shah: Yes. No, no, won't we all be better off if you had that knowledge. But the point is that assuming the current prices that we are witnessing now and they remain at these levels, would there be a business case for the price cut in the second half likely?

Hemant Jalan: It is possible.

Mihir Shah: Because I can see that.

Hemant Jalan: See, it is possible. It depends upon how prices move and how confident. See, even if today, people are a little comfortable with the pricing situation, what happens? We tend to pass on a little more in terms of trade discounts. So it's not that the gross margin changes substantially. Once the industry becomes sure that these prices are stable going forward. And I would expect that, that would only happen post Diwali is my guess. The industry may choose to take a price drop, at which time the trade spends and the discounts will also reduce appropriately. So ultimately, on a net sale basis, I don't think anything changes.

Management: Gross margins kind of remain pretty much the same.

- Moderator:** The next question comes from the line of Sonal from Prescient Capital.
- Sonal:** This is Sonal. I hope I'm audible.
- Hemant Jalan:** Yes, you're audible.
- Sonal:** Sir, just a question with regard to product launches. You've upped your commentary on product growth for the year. Also wanted to understand, does this entail launch of newer, better, more premium products? And if you could give us a road map to that, that's one. Second part also is just to understand how the company is moving towards more premium paints in the emulsion category?
- So trying to understand like taking an example of, let's say, Asian Paints Ultima Pro, which is the highest-end paint on the interior side, what does it take for Indigo Paints to actually build that product from scratch or build that product? What is the effort required in-house? And what is the effort required to put that on the shelf at the distributor? So just want to understand that context as well?
- Hemant Jalan:** See, I don't think that we are short of any product offering. Whatever products that you are referring to of competition and the market leader, we do already have equivalent products, which we think perform better, both on exterior and on interior. So there is nothing missing in the product portfolio per se.
- However, having said that, when it comes to the premium end products, the market leader tends to have a disproportionate market share of that segment. And that always happens because that is the segment that requires the highest brand equity. So if the market leader has an overall market share of 50%, when you come to the premium products, their market share is likely to be closer to 75%. I mean, I don't have an exact number. I'm just throwing a rough ballpark number.
- Sonal:** Ballpark number.
- Hemant Jalan:** What happens. So as far as all the other players are concerned, especially a smaller player like us, our attempt is not necessarily to just keep launching more products, which are not necessary because the product portfolio is there. You have to keep working with the influencers so that our share of the premium products keeps rising steadily.
- Now that has been happening over the last two years, and I'm sure it will continue to happen over the next several years. But that is always a slow process. It's not that you're suddenly going to increase drastically on the premium emulsion category because brand building takes a very long time.
- So that keeps happening. Now you were talking about what other product launches we are talking about, the segment in which we are going to be launching whole range of new products is in the area of wood coatings. Now wood coatings has been a small segment for us, and we have basically been active in the entry-level range of wood coating products.

We have not been very active in the higher end of wood coatings, which is the bulk of the market and is the highest growth area as far as wood coatings is concerned. So we have recruited a team for select parts of India, which are large wood coating markets. We have developed in-house a lot of products which are comparable with the best available when it comes to the -- what is called the two-pack polyurethane segment for wood coatings.

And we expect to launch these products in the market during September and October in a phased manner. So this hopefully will give us some fillip as far as that end of the market is concerned on wood coatings. And wood coatings is a reasonably profitable segment of the paint industry. So hopefully, it will be accretive as far as margins are also concerned.

Moderator:

The next question comes from the line of Yasser Lakdawala from M3 Investment.

Yasser Lakdawala:

Congratulations, Jalan, good performance. My first question is, there will be some -- as you said, like there will be -- we'll be sacrificing some profitability to grow our business. But at the same time, our opex absorption of our Jodhpur plant should also happen during this year. So what would be our running cost of that Jodhpur facility that you see getting absorbed over this financial year? If you could like probably just help us understand that?

Hemant Jalan:

See, we already had a water-based plant at Jodhpur, and we have had it since we started in 2000, 2001. So the water-based plant at Jodhpur per se is not new. It's just that we have set up a separate facility, which is a highly automated state-of-the-art plant with a slightly bigger capacity than what we originally had.

The existing water-based plant is a legacy plant that we have carried for the last 20 years, which is not really designed with our current scale of operation in mind. So it was a somewhat manual process, and it was not really conducive to the kind of output that we were generating. So I don't think the opex really is going to change very much.

We are pretty much going to scrap the existing plant and everything shifts to this new plant, which is in the process of getting commissioned. A few little bit of change in manpower here and there. But otherwise, it is the same manpower that carries forward from the old legacy plant to this. So I don't think that there is much of a change as far as opex is concerned as far as Jodhpur.

Yasser Lakdawala:

And Jalan ji, if you could help us sort of understand, I think we've had Akzo being bought out by JSW. How is the competitive intensity, say, compared to like a couple of years back, would you see that after those deals and entry of obviously another large player, how is the competitive intensity now in the paint industry? And any thoughts on how you see that sort of playing out?

Hemant Jalan:

I don't think there has yet been -- I mean, both JSW Paints and AkzoNobel have both existed in the paint sector for quite some time. And at the moment, both continue to operate as two separate entities. They have not announced any formal merger or something between them. So as far as the ground is concerned, I don't think that there is too much of change visible as far as the competitive landscape is concerned due to JSW's acquisition of Akzo Nobel.

Of course, there was a change in the competitive intensity 2.5 years ago when Birla Opus entered. It didn't affect us in a very significant way. And we noticed that the brouhaha about them coming in has kind of subsided in the market. And I think they have kind of almost stabilized as far as their dealer network or their top line is concerned.

So it's all got built in into the base effect. So which is why you don't see any disruption happening in anybody's top line in the paint sector. I think people are continuing to grow the way they used to grow. And I think that is how I would expect the situation to remain in the forthcoming future.

So no change in the competitive intensity. And by the way, the paint sector has always been very, very competitive, even much before all these players entered. So there's never been a time which has been short of excitement as far as new entrants and all is concerned. And that will continue even going forward, then fine, you have to take these things in your stride.

Yasser Lakdawala:

Fair enough. And lastly, we've had a legacy of always launching differentiated and sort of fit for certain specific purpose type sort of offerings. Any thought process of increasing our share of differentiated portfolio? Are we looking to launch any such?

Hemant Jalan:

There is no new differentiated product, which is on the anvil about to get launched at this point in time. However, the existing portfolio of our differentiated products continues to grow well. And as a percentage of revenue, they generally climb marginally every year. So they're all doing well and they're holding their own.

And their share of our revenue is about 29%, and it kind of maintains itself between 29% and 30% with growth. So we're quite happy with that. We need some ideas of what new differentiated products to launch. If you have any idea, please pass it on to us, and we'll definitely manufacture those products and launch it.

Moderator:

The next question comes from the line of Dev from iThought PMS.

Dev:

Most of my questions have been answered. I just had one follow-up on the new plant capacity. Earlier, sir, this plant was supposed to come much earlier, but then we had pushed it to June. Now it is getting pushed to August. So just wanted to understand like the -- is the raw material disruption is the only reason or apart from that, there has been some reason to putting up this capacity together. Because as this plant is coming just before the festive quarter, so how should we see the ramp-up in this?

Hemant Jalan:

When you say that the -- originally, it was supposed to be June, you're being kind to us. Actually, it was supposed to be even earlier than that. It has nothing to do with the raw material scenario. It is just that the civil contractor that we had who was doing all the civil works has been extremely tardy.

So all our equipments arrived almost a year ago and have been waiting. But because of delay in the civil work and once you get stuck with a particular civil contractor halfway through a project, it's very difficult to change horses. So we were kind of stuck with it. Fortunately or unfortunately, the demand scenario during the last two years had been weak, and therefore, we were really not under any pressure.

So despite the delays, which was unfortunate, we managed to continue to service the demand from our legacy plant. Finally, the work of the civil contractor has kind of come to an end. And one by one, all the equipments are getting commissioned, and we expect to start actual trial production in another 10 days' time, hopefully earlier.

So it augurs well as far as the festive season is concerned. Hopefully, the plant would be well stabilized in about a month's time, we hope. And when the real pressure comes in the month of October, we should be in a position to deliver it. If there is any unexpected delay of a month or so, which we do not anticipate, we still have adequate capacity with our legacy plant to be able to service that.

So I'm not worried about fulfilment of demand per se. It is just that some automation is definitely required at our present scale of operation, which the legacy plant does not have, and that just puts a little strain on our management at the plant. Hopefully, that will be behind us by the time we meet again next quarter.

Moderator:

The next question comes from the line of Prithvi Raj from Unifi Capital.

Prithvi Raj:

Hi Jalan. I just have one question. You have been emphasizing on aggressive top line growth, which is great to hear. But you also mentioned it will come at the cost of profitability. So how should we look at margins on Y-o-Y basis? Can we assume margins to be flattish or slightly higher or do you think there's a scope for margins to come down because the revenue growth will be very high?

Hemant Jalan:

See, that's very difficult to predict. The question is, what do you put your eye on? And what are you aiming for? So we aim for aggressive top line growth. Because of which if we spend more either on trade or in influencers, what will happen to the gross margin, they will obviously slightly decline.

We are prepared for that. Now it doesn't bother us because our gross margins have been consistently higher every quarter for the last 5 years, even from the industry leaders' perspective. So we have had the highest gross margin. So if the gross margins drop by a couple of percentage points, there is no problem.

Because of the increased volume and the increased operational leverage, what happens to the EBITDA margin is a little difficult to predict. Maybe the EBITDA margin goes down a little bit by 1 percentage point, maybe it rises. I mean that will depend upon how the operational leverage will play out.

Either way, whether the EBITDA margin declines by 1 percentage point or goes up by 0.5 percentage point, we are very clear that, that is really not in the focus. Even on EBITDA margins, we have consistently been the second best in the industry after the market leader. So we are in a very comfortable position and a 1% movement in either direction on EBITDA is not going to make or break the company. What we really need to do is to expand aggressively on the top line so that our market share increases, minor changes on the bottom line will take care of itself once we decide to slow down our growth, which is not foreseeable in the next few years.

- Prithvi Raj:** Okay. That's clear. And on the top line aggression, do you still stick with the guidance of 2x of industry growth rate for this year?
- Hemant Jalan:** See, that depends upon what the industry growth is. If the industry growth is like, let's say, 15%, then 2x becomes difficult, maybe we'll say 10 percentage points higher than them. If the industry growth is like 5%, then yes, you should do better than 2x or something like that. So it's very hard to give a very concrete number guidance on that, except that there should be a substantial gap between our top line growth and the rest of the industry. And as we move forward, every quarter, we just hope that, that gap widens between us and them. I would hesitate to give a very concrete number guidance on where exactly that growth number will stabilize.
- Moderator:** The last question comes from the line of Amit Purohit from Elara Capital.
- Amit Purohit:** Congrats on good set of numbers. Just on the point that you highlighted on the differentiated products. So would you, I mean, consider this the wood coatings also part of the differentiated product part or is it a normal as you stated on that segment?
- Hemant Jalan:** I don't think these are differentiated products. I don't think we are coming up with anything which is revolutionary in nature, which is different from what is being offered. So I don't consider any new launch as being a differentiated product. What we are offering and what we are attempting to offer now are products which are on par or marginally better than what the rest of the industry is giving, but I would not call them as a differentiated product at all.
- Suresh Babu:** We did not have any products in that particular category. What we are speaking about is this two-pack polyurethane category. We are just trying to fill the gap. And it actually requires a specialized sales team to execute the sales in that segment because of the very peculiar nature of architects and contractors coming in terms of influencing the customers' purchase decision significantly.
- So that's why we are focusing on that area where earlier our focus was not at all there. And it's a significant market. It's upwards of INR9,000 crores approximately by our estimates, and we are nowhere there in picture in terms of our current turnover. So that's why the effort is there to ensure that we gain significantly in that market.
- Amit Purohit:** Sure. And just one follow-up on the differentiated products. So I wanted to understand the initiatives that we are -- do you think that these products continue to be differentiated relevance from that perspective, the current products that we have, which will help us to kind of grow them even faster in some of the new markets and improve our mix currently at 29%, 30%, so say, over the next 3 years to 33%, 35%. Is that a possibility?
- Hemant Jalan:** I don't see the possibility of it becoming 35% of our share. But 5 years ago, when we did our IPO, if I remember correctly, the same differentiated products were about 25%, 26% of our total sales basket and they have gradually inched up to about 29.5% of our total basket. So that means that their growth is a little faster than the rest of the me-too products growth.
- So that's good for us. And as long as we can maintain it in that band of 28% to 30%, I think we'd be quite happy because there hasn't been any new addition to that basket of differentiated

products in the last couple of years. So I mean, if we grow at like somebody was saying maybe 2x the industry growth and if the basket can keep pace at that growth rate and still contribute whatever 29% of our top line, I think that would be a very happy outcome and to ambitiously try to take that percentage to 35% or 40%, I think, would be a little overambitious.

Moderator: We'll take that as the last question. And I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

Hemant Jalan: Thank you, and thank you all for giving us a very patient hearing. And we look forward to interacting with you again next quarter. And we sincerely hope that our performance next quarter would be even better than what we have registered now. So thanks a lot to ICICI Securities team and to the Chorus team for organizing this con call. Thank you all.

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