



February 22, 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 and nine months ended December 31, 2025 held on February 16, 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 February 16, 2025 at 11:00 hrs (IST) to discuss the unaudited standalone and consolidated Financial Results of the Company for the quarter and nine months ended December 31, 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
Q3 FY ‘26 Earnings Conference Call”
February 16, 2026



MANAGEMENT: **MR. HEMANT JALAN – CHAIRMAN AND MANAGING
DIRECTOR – 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 LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Indigo Paints Q3 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 conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Shubham. On behalf of ICICI Securities, we welcome you all to Q3 FY '26 and 9 months FY '26 Results Conference Call of Indigo Paints Limited. Now I hand over the call to Mr. Srihari Santhakumar, General Manager, Finance and Investor Relations, to introduce the senior management and take the call forward. Thanks, and over to you, Srihari, sir.

Srihari Santhakumar: Thanks, Aniruddha. Good morning, everyone, and thanks for joining our investor call today to discuss our quarterly performance as well as the 9 months ending December. Today, for discussion of the results, we have with us Mr. Hemant Jalan, Chairman and Managing Director of the company; Mr. Chetan Humane, the CFO; and myself will be taking the queries -- Q&A session as well as any other queries we have. We have uploaded the investor presentation in the stock exchange portals. Please go through the disclaimer section as well. We'll start with the overview of the results. Over to you, sir.

Hemant Jalan: Good morning, everyone, and thank you for joining us to discuss Indigo Paints performance during the third quarter of FY '26. We have uploaded the investor presentations on the stock exchange portals, and hopefully, you've had a chance to review our financial results. Now we are delighted to report sustained and resilient growth for Indigo Paints in Q3 FY '26, even amidst a temporary setback in the month of October, which was triggered by delayed withdrawal of monsoons and an early Diwali festival, which together compressed the typical sales window.

This October softness, notwithstanding, our team delivered impressive double-digit growth in both November and December, which more than offset the early quarter headwinds and propelled us to a respectable overall top line performance for the period. What truly stands out is the expansion in our profitability. Both our EBITDA and PAT numbers grew at a significantly faster pace than revenue growth, powered by a favorable product mix that emphasized premium offerings alongside rigorous cost management initiatives that optimized operational efficiencies across the board.

First, let me come to the stand-alone results. Our stand-alone revenue from operations for Q3 FY '26 was INR338.9 crores, which is a Y-on-Y growth of 3.5%. We sustained our leadership position in gross margins, which stood at 47.1%. Our EBITDA margin significantly improved from 17.5% in Q3 of last year to 19.4% in Q3 of this fiscal with an absolute EBITDA at INR65.6 crores, which was 14.5% higher on a Y-on-Y basis.

During the quarter, a onetime expense of INR5.85 crores was booked to provision for the impact on gratuity consequent to the draft labour code on wages notified by the government. The PAT, including this exceptional item was down towards INR36.16 crores, but to enable an apple-to-

apple comparison, we have excluded the effect of this onetime expense in our investor presentations.

And for the rest of today's discussion, we will refer to PAT, excluding this exceptional item. Thus, for Q3 of FY '26, after excluding the effect of the exceptional item, PAT stood at INR40.5 crores with a PAT margin of 11.8%, up from 11.0% in Q3 of FY '25, reflecting an 11.2% growth in absolute terms compared to the same period last year.

On a 9-month basis, on stand-alone, we recorded INR932.2 crores in revenue, which is a 2.4% Y-o-Y growth with an EBITDA margin of 16.6% and a PAT margin of 9.8%, maintaining healthy profitability. On absolute terms, during the 9 months, we clocked an EBITDA of INR155 crores, which was a 6.4% growth over the same 9 months of the last fiscal and a PAT of INR92.4 crores, which was a 6.2% growth over the same period last year.

Now coming to our consolidated results. For the quarter, our consolidated revenues were INR358.8 crores, which is a 4.7% Y-o-Y growth with an EBITDA margin of 19% and a PAT margin, excluding exceptional items of 11.5%. On an absolute basis, EBITDA grew significantly by 19.5% to INR68.3 crores and PAT grew by a healthy 16.4% to INR41.7 crores.

Our subsidiary, Apple Chemie, delivered stellar growth and solid profitability during the quarter. Apple Chemie recorded Q3 revenues of INR20 crores, which was a 31.5% increase from the revenue in Q3 of last fiscal. Gross margins for Apple Chemie improved notably, backed by a favorable product mix. Apple Chemie has also commenced production in its new sealant plant at Nagpur, and we expect strong growth in Q4 as well from our subsidiary. We are also actively pursuing export opportunities for Apple Chemie.

For the 9 months, on a consolidated basis, Indigo Paints achieved a revenue of INR979.9 crores, which is a 2.8% growth over 9 months of FY '25. EBITDA grew by 9% to INR159.2 crores and PAT grew by 9.8% to INR93 crores. All other numbers are detailed in our investor presentation.

Let me now provide some operational details about the quarter going beyond the financial numbers. Now during the last 9 months, our A&P spend, as a percentage of revenue, has declined to 5.9% of top line compared to 7% in the same period of FY '25. We have deliberately moderated traditional advertising expenses. Instead, we are ramping up investment in direct influencer engagements, yielding visible results through an improved product mix.

We are also steadily expanding our Indigo Colour Canvas stores, which is our exclusive paint store, at select dealer counters to showcase our full portfolio in immersive aesthetically crafted environments. We have also refreshed the packaging of our Indigo Protect Plus series, which is our waterproofing range and backed it with a new advertising campaign.

In line with our past disclosure practices, we have reported volume and value growth figures for each of the 4 major paint product categories in our investor presentations. During Q3 of FY '26, enamels and wood coatings led with a strong 18.9% value growth and 20.2% volume growth. This was followed by the category of primers, distempers and others, which registered a 12.5% value growth and a 7.4% volume growth. While the putty and cement paint category grew by 5.5% in value and 2.1% in volume.

The fourth category, which is emulsions, showed a modest 0.2% value growth and a slight 3.4% volume dip. However, in emulsions, we continued to see good growth in the premium end of the emulsions, which is why value growth outpaces volume growth. This premium mix resilience contrasts with down-trading trends reported by the industry, where peers have often seen value growth lagging the volume growth, which is a trend which has not been noticed by us in any quarter.

Our waterproofing products continue to grow at a phenomenal rate and now account for close to 7% of our top line. We continue to focus on expanding our dealer network, enhancing throughput per active dealer and increasing the number of tinting machines across our network. And as on 31st December 2025, we had over 19,100 active dealers, more than 11,900 tinting machines. And during the quarter, we have opened one more depot in the state of Uttar Pradesh, notably at Prayagraj to enhance service efficiency, taking our overall depot count to 55.

On the capex front, production has commenced at our new solvent-based plant in Jodhpur, enabling us to better serve enamel demand in the Northern and Eastern regions of the country, which were previously catered from the Tamil Nadu facility. We have also started output from our brownfield putty plant expansion at Jodhpur.

What remains is the new water-based plant at Jodhpur with a capacity of 90,000 kiloliters per annum, which is now expected to start production sometime in June 2026. Despite the delay in implementation schedule, we have enough capacity to meet demands for water-based paint products as of now.

Under our ESG framework, we remain dedicated to advancing sustainable practices and deepening community ties. Key efforts include accelerating renewable energy adoption, highlighted by the recent commissioning of our 330-kilowatt solar panels at Cochin factory, now generating power since last month after regulatory clearances, and also by expanding our community impact via our Indigo Seva Utsav initiative, wherein with close collaboration with local painters and communities, we have successfully repainted and revitalized over 200 government schools across Tier 2 and Tier 3 towns since the launch of this initiative.

On the CSR front, we are dedicated to initiatives delivering lasting social value. Through the Payal Jalan Charitable Trust Educare program, we continue supporting education for over 360 underprivileged girls around Pune. The nationwide Indigo Painter Health Benefit program now aids more than 36,000 painter families across the country. And over 950 painting contractors have gained from our Indigo SkillUp training, equipping them with business development skills, which go beyond traditional painting expertise.

Finally, the Indian paint industry is exhibiting unmistakable signs of a measured recovery, steady progress rather than a sharp exponential rebound. At Indigo Paints, we have successfully harnessed this improving environment, delivering consistent double-digit growth for 3 months in a row since November '25, that is November, December and January of '26, outpacing broader market trends through our focus on premiumization, operational resilience and targeted network expansion.

Looking ahead, we are quite optimistic that this robust momentum will persist through the remaining months of FY '26, positioning us strongly for the seasonally strong Q4. That's all I have to say in terms of my opening remarks, and I look forward to answering your questions. Thank you.

Moderator: Thank you very much. The first question comes from the line of Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia: A couple of questions from my end. Hemantji, it's been almost 2 years that painting demand has been muted. So any insights you could give in terms of consumption patterns changing because people seem to be traveling, people seem to be buying cars. And this is contradictory at a time when real estate sales were pretty buoyant after COVID. And even if you consider a 4, 5-year cycle, rental markets have been strong. So why is the paint demand still not seeing recovery as anticipated? Any thoughts on that will be helpful.

Hemant Jalan: So you mentioned about people buying cars. Now notice that people were not buying very many cars until the GST cut happened very recently. And that has led to a big spurt in automobile purchase during the last 3, 4 months. Now unfortunately, paint sector has not benefited from any GST cut, and I don't think we are expecting any.

But your comment about real estate going up, see, new construction accounts for a very small part of paint purchase. So the major is repainting that happens. Now while there has been a demand slump and the demand slump was not just in the paint sector, it was across all categories in consumer products. And I think the government was sufficiently alarmed with that trend for the last 1.5, 2 years that it undertook several steps starting from the last year's budget when a huge income tax relief was given to the middle class, which was followed by, I think, 3 rounds or maybe 4 rounds of reduction in interest rates by RBI.

And finally, the GST cut, which did not impact paint. But overall, as far as the overall consumer basket is concerned, it provided a lot of relief to the middleman -- to the common man. And thereafter, you see that all consumer companies are reporting an uptick in demand. I think the paint industry is also witnessing a revival of demand.

Unfortunately, since paint demand is impacted by weather, which is not the true for soaps, shampoos, biscuits and other things, that October was expectedly a bad month because last year, Diwali came -- I'm talking about 2024 October, Diwali came on 31st of October. And this time, it was around the 20th of October. So a shorter Diwali season, coupled with a very delayed monsoon withdrawal led to a very short purchase window pre-Diwali. So October of this year compared to October of last year was definitely bad, and that seems to have dampened the results, at least for us, and my guess is for the entire paint industry.

However, from what I hear in the market, everyone seems to be doing well in the last 3 months relative to the past. Now it's not a hockey stick recovery, but there is a very perceptible change. And for us, after 2 years, this is the first time when for 3 months in a row, November, December and January, we are seeing double-digit growth in value. I'm talking only value.

I'm not talking volume, which I think is irrelevant. So hopefully, fingers crossed, this maintains itself in the coming months. And if that happens, I'm sure you'll see significantly better results definitely from Indigo and, my guess is, from the entire paint industry also as far as Q4 and going into FY '27 is concerned.

Prakash Kapadia: Understood. And any sense you could give in terms of the product mix now versus earlier, contribution of emulsions, enamels, value-added products versus a few years ago because we are trying to premiumize the portfolio and that end, we are doing relatively better. Any sense you would have in terms of contribution now versus earlier?

Hemant Jalan: I can talk about ourselves. So for ourselves, the share of the premium end of emulsions has been significantly rising continuously for the last 2 years. And that includes the demand slowdown period. The premium end of emulsions continued to do well for us and kept registering good value growth even during the worst of times.

During the last 1 year, the segment of enamels has done quite well. And we have specifically focused on that because it's a fairly large category, and we have a differentiated offering there by way of PU enamel, and we are kind of known as the PU enamel company. Others have tried to imitate perhaps not with as much success. So enamels are giving us a big boost. Waterproofing segment is giving a very good boost.

What has not fared well for us in the last 9 months has been the economy range of the emulsions. So we have made corrections. And in January, we registered our highest ever growth and the highest ever sales figures for economy-range emulsions. So it's just a question of retargeting your focus in terms of trade discounts and influencer engagements. And we intend to go after that sector pretty strongly because it's a very large segment. And unfortunately, we have not done very well for that in the first 9 months.

But if you talk in terms of macro in the last 2, 3 years, the waterproofing, which was zero for us 2 years ago, is now accounting for about 7% of our top line. Enamels, putty, et cetera, have more or less maintained their share. There has been a readjustment in emulsions that the share of premium emulsions have gone up and economy emulsions have come down a little bit. That's the broad change that I can talk about in our product mix.

Prakash Kapadia: Hoping to have a great Q4 and FY '27.

Hemant Jalan: Thank you Prakashji.

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

Abneesh Roy: My question is on the advertising spend. Last 3 years, you have saved almost 400 bps in terms of A&P to sales ratio at 5.87% in the last 9 months. Now you're pretty close to the larger players, which are broadly 4% to 5% of their sales goes to advertising. So are you now almost at the fag end of these cost savings?

Second is, if you could comment on how the advertising spend by the number 2, number 3 legacy players and the new players are, given overall competitive intensity change which has happened. That is my first question.

Hemant Jalan:

So on advertising, Abneesh, there has been a drop as a percentage, but not as significantly a drop in absolute terms in terms of our advertising. Now it drops as a percentage if you maintain your ATL advertising at a constant absolute level and your turnover keeps increasing, which it has significantly in the last 4 years. So that brings a natural drop in advertising expense as a percentage of revenue.

If you talk about where we are in terms of total advertising spends, we are certainly lower in advertising compared to the market leader, Asian Paints, and the new entrant, Birla Opus, both of whom spend a huge amount of advertising. We are somewhat lower than the number 2 player in terms of Berger.

But when we see our advertising TV ad spends, which is what we can track objectively, I think we are significantly higher than the number 3, number 4 player, that is both Nerolac and Akzo, and also from the other smaller players like JSW or Nippon, who have drastically reduced their advertising spends.

So I think on an absolute amount, we are fairly good. I mean, I would say that after Asian, Birla Opus and Berger, we are the next largest advertiser on television. And I think that, that is where we intend to stay. We have built a brand with consistent advertising at an elevated level for over 13, 14 years now. I think the brand is sufficiently well known. And we maintain a constant level of advertising for at least 9, 10 months in a year, excluding a couple of months during the monsoon.

So I think the brand recognition stays, the brand awareness is there. And in paint line, as opposed to certain FMCG, all you need is back of the mind brand recall. And you need to focus much more on influencer engagement so that they recommend your brand to the consumer much more. And that is where our focus and spends are now directed in a much higher proportion.

Abneesh Roy:

My second question is on dealer incentive, dealer promotions and overall intensity. In October, clearly, the entire industry saw weaker than the initial expectation. And my sense is maybe in November, December, there was a higher discounting to adjust on the higher inventory in the market. And you also said that in the emulsion, you plan to now become more attuned to the market in terms of the influencer and the dealer discount.

So I wanted to understand how is the overall intensity? Yes, last 3 months, there is a recovery for you and the industry. But is it only on the volume, is it also on the sales side? Because for the number 2 legacy player, we did see that the gap between volume and sales was on the higher side this time versus initial expectation and their own trajectory. So if you could comment on net discounting, net pricing, how is the current situation?

Hemant Jalan:

So Abneesh, we have always disclosed very granularly our value and volume growth across all segments. And not just in this quarter, even for the preceding quarters, if you take out the disclosures, you'll find that there is hardly any gap between the value and the volume numbers,

utmost 1 percentage point here and there now and then. And in most cases, the value growth leads the volume growth rather than the other way around for the other people.

So why is the volume growth much higher for other players compared to their value growth is a question that you have to answer them -- is a question that you have to ask from them because there has been no noticeable price change in the industry. So I really don't understand as to why value and volume growth should be significantly different from each other.

Now over the last year, as raw material prices have softened, people have resorted or passed it on because rather than taking a price cut, the industry has kind of passed on higher discounts to the trade. And that is something that naturally happens and that continues to happen for us also. We find that increasingly -- the discount compared to the same month of last year is slightly higher. And despite that, the gross margins maintain as to where they were. I mean, in Q3 of last year, our gross margin was 47.2%, and this time, it is 47.1%. So it's hardly any noticeable change.

Now having said that, we have been saying for the last 5 years that our gross margins are the highest in the paint industry, and they have been consistently the highest without exception of even a single quarter for the last 5 years. Now on one side, that is heartwarming. On the other side, it is perhaps a missed opportunity.

Why should we not think of going even more aggressively on trade discounts and maybe sacrifice a percentage point from our gross margin, we'll still be the highest. But if sales can grow disproportionately higher, then our EBITDA margins will not be impacted. They will, in fact, rise.

So that is the thinking going forward that let us treat this exceptionally high gross margin as an opportunity that we leverage properly in the market and try and get a disproportionately higher sales growth because we definitely have room for it in our gross margins to do that. And we have tried that in the last couple of months, and it has worked very well. And we intend to continue doing that going forward. And I'm quite hopeful that it will yield the desired results.

Abneesh Roy: Understood. Last quick question. Your active dealer count went down after Q2 FY '25 for 2 quarters and then started going up. So if you could tell us what was the reason at that point of time? And is that correction done? So you are now again expanding, but is that activity done in terms of correction?

Hemant Jalan: I don't think the active dealer count actually went down. Maybe it was kind of stagnant. We have given the dealer count -- okay, there was in Q4 of last year is the only time when I can see a dip in the dealer count happening.

Abneesh Roy: Q3 and Q4.

Hemant Jalan: Yes, Q3, very minor by maybe 100. Yes, you're right. I'm now seeing the slide presentation that we have done. So frankly speaking, the dealer count is not something that drives us very much. What we are looking at is throughput per dealer. With the active dealer count that we have,

which is only slightly less than, let's say, the number 3 player, we technically could be doing 2.5x the sales that we are doing. So what we really need to pull up is the throughput per dealer.

So I think a population around 19,000 active dealers is good enough. And that 19,000 organically may inch up to maybe 20,000 in the course of a year, but that is not what is going to give us our desired growth. We need to get 50% more out of the dealers that we have to get our real growth. And that is what is important for us.

And therefore, the tinting machine count, which is a little more relevant, you'll find that the tinting machine population has been growing much, much faster than our dealer count. I mean, in the last 1.5 years, our dealer count may have grown by maybe 1,000, but our tinting machine count has grown by 2,000.

So the percentage of our dealers having tinting machines is now significantly higher than what they were a year ago or much, much higher than what they were 4 years ago. So that is what really leads to a dealer increasing his throughput with us. So although we keep track of this active dealer count, I don't think we are overtly motivated by increasing that in a very significant way. That will inch up on its own in a small way as we go forward.

Moderator:

The next question comes from the line of Rohit Ranjan from KL Securities.

Rohit Ranjan:

I have just one question that was related to the Jodhpur plant coming live very soon. And that capacity has to get consumed at some point of time. So how exactly are we going to increase our market share with currently being at around 2% to 3%? And with our Jodhpur plant coming online, are we going to increase the throughput so that we are coming back to around the 25%, 30% margin? I remember growth projection that was given was that, okay, the industry players if they are growing at around middle single digits, then we will be able to reach 25% to 30%. It's been 2 years, we have not seen the light of the day for that?

With this Jodhpur plant coming in, it is going to hit our PAT margin because your depreciation will come into play. So unless until we see a good top line growth with a good jump in net profit, are we still going to be seeing a similar pattern what we have seen in the last 2 years?

Or is the management thinking, really we're pushing and gaining market share by taking other dealers or increase in throughput? So if we can have some realistic and a very aggressive target around this, how exactly you're going to change the situation? Or are we going to depending upon the low demand, which is going on up and down all the time?

Hemant Jalan:

So Rohitji, in this industry, capacity and sales are not necessarily correlated. I mean having more capacity does not necessarily result in higher sales. So capacity expansion and modernization and automation is a continuous process that you indulge in for the long term. Now this expansion at the Jodhpur plant was undertaken 3 years ago when the demand scenario was very good and when we were growing at more than 20% per annum.

Now in between for 2 years, there has been a slump in demand across the sector. That does not mean that you hold back or go slow on your capacity expansion because sooner or later, you

know that this demand will come back. And this capacity expansion is for the next 5, 6 years put together.

So you are right, that once this plant comes on stream, there is a slightly added depreciation load, which definitely starts affecting PAT in some way. It won't affect EBITDA, but it will affect PAT. But hopefully, with the tailwinds that we are seeing in the last 3 months, as I said, we are hopeful of being close to double-digit growth in Q4. And if the demand comes back properly, we should go back to our 20% growth sometime next fiscal.

Of course, that is all presuming and keeping fingers crossed that the overall industry demand comes back robustly. So we have to wait and watch for that. But a capacity -- it was not only a capacity expansion at Jodhpur, it was a significant modernization. This was a legacy plant that was set up originally in 2006 when our annual turnover was less than INR10 crores. And incrementally, over time, we have grown by just adding more machinery.

But after 20 years of growing and reaching a level of operation, which was 30x of what we were when the original plant was set up, it was time to completely modernize and automate the plant to cater to the scale at which we were operating. And that is something that we have done along with, of course, an expansion in the capacity.

And this will bring our significant capex to an end for the next foreseeable 4, 5 years. This will carry us through till maybe FY '29. So there will be a temporary dip in some ratios, like return on capital employed and all that. But that will recover itself in the next couple of years. And as far as operation is concerned, it is linked to demand in the market and what we can get and not so much related to the capacity that we have built up.

Rohit Ranjan:

So Hemantji just a follow-up question about the Apple Chemie, right? So it is into your B2B kind of business, so working directly with the infrastructure related kind of development, which is going on, with its presence being mostly in Maharashtra and the Mumbai 3.0 and the various port-related developments, which are going on, huge investment in infrastructure being planned. I mean, are we kind of wanting to double up on getting a good amount of revenue because there's a huge amount of pie out there. Can you focus on that?

Hemant Jalan:

True, you're absolutely right. So as I said, they have grown by 31% or 31.5% in this quarter compared to the same quarter last year. So they are getting the benefit of the increased infrastructure spends in India. Yes, a large portion of their revenue does come from Maharashtra and some nearby states like Madhya Pradesh, but it is not confined to that. They're beginning to get a significant portion of their sales from Southern India, from various metro and road projects there and also from Eastern India, in Assam and Bihar. And a small amount of exports have also started.

So all around, I think the future of Apple Chemie looks good. They have expanded their plant. They have added new product lines for self-manufacture, which they were getting a job worked earlier in a small way, which are the sealants and other adhesives. And I think the company has a bright future, and it's going along quite well.

Rohit Ranjan: Yes. And as investors, we have been patiently waiting for those days where we want to come back to 25% to 30%. It's been 5 years. Hopefully, we can turn the entire situation upside down and get back to a winning race here. Wishing you all the best.

Hemant Jalan: I sincerely -- well, like you, I personally am also a very large investor in Indigo Paints. And yes, it is disappointing, the performance, especially the last 2 years. Prior to that, it wasn't so bad. If you look at 2 years back, I mean, our growth numbers were quite healthy. So yes, just like you, we are also hoping that this demand turnaround accelerates in the days ahead, and we come back to good numbers.

If you're talking about investment in shares and all that, then you see those get also determined by some other factors. I mean, during the last 4, 5 years, if you see our profitability growth has always been very good. Even in the worst of times, we have grown significantly in profit. Now unfortunately, because of the entry of a large new entrant, the sector got derated that various analysts started writing of this sector as a doomsday is coming to the paint industry and profitability is going to be ruined, et cetera, which we were confident would not happen.

Time has borne itself out that we were right. Nobody's profitability has been impacted. Yes, a new entrant may have taken some market share at a significant cost to itself, that is their business. But by and large, the industry dynamics, the profitability, gross margins, EBITDA margins have largely remained unaffected.

Unfortunately, it coincided with a downturn in the demand happening across consumer sectors. So the effect was a little more depressing. But now that things are looking up, it's only a matter of time before people get back to their fancy for the paint sector. And I think everything will get rerated in the market in the near future.

Moderator: The next question comes from the line of Bobby Jay from Frunze Investment.

Bobby Jay: So your IPO was actually during the COVID years when the growth was very strong because it was an abnormal period, right? So we don't really know what a company of your size can perform during normal times. And that will be new even to you. So now given that your GDP is growing at 8%, there's good rainfall and the taxes are being cut and everything, but still we are unable to grow given a very small base. So what gives you the confidence that these high double-digit numbers that you talk about can be done in a normal market?

I mean, what edge do you have over the bigger players like Asian Paints? Because whatever innovation you come up with, they can come up with, they have far bigger budget. So could you explain that thinking? What gives you the confidence to increase capacity and that you can actually grow at a high growth rate?

Hemant Jalan: Okay. Our IPO did happen 5 years ago. If you can look at 10 years preceding the IPO, our growth or CAGR was in the range of 30% to 40%. Of course, in the earlier days, if you talk about 2012 or 2014 or 2015 when the base was much lower, you can say that it was easy to grow at 40%. I don't quite think so because no other company of our size that time ever grew by 40%. So you have more than 2,000 companies in the paint sector of all shapes and sizes ranging from INR1 crores in size to INR50 crores in size to a few hundred crores and so on.

I think we have outstripped that growth over a very long period of time and at least reached the big league, so to say. Now today, if you say, let's not compare with Asian Paints because Asian Paints is too large a company compared to us. Let us compare with, let's say, the number 4 player, AkzoNobel, where the decorative paint net sales is around INR2,200 crores, and we are, let's say, at around INR1,400 crores, INR1,500 crores.

So I would say that we are in the same ballpark. And a company like Kansai Nerolac, which overall is a much larger company than us, but its decorative paint business is somewhere of the order of INR3,500 crores. So we are just around half of their size.

So we are not that disproportionately small compared to them. But if you compare the track record of ours versus these 2 companies, and you can take any time horizon that you want, of course, for these 2 companies, which get 50% of their business from industrial paints, you will need to get granular insights as to how the decorative paint portfolio has been doing, and you will find that we have outstripped them many times over the past few years.

Now bigger companies have bigger budgets. Of that, there is no doubt. However, the differentiated products for which we are known for, which still account for anywhere from 28% to 29% of our portfolio, now these products were launched by us anywhere from 15 to 10 years ago, and they have been in the market for a long time.

Yes, other companies have budgets to replicate that, and they have replicated that and made repeated attempts to break into floor coats and metallic emulsions and tile coats and our PU enamels, et cetera, but they have not been very successful.

And we have managed to hold on to it with proprietary technology, very targeted advertising at these niche products and maintaining our goodwill and our product spread in the market. And if we have done so successfully for 15 years, I see no reason why we will not be able to do so in the forthcoming years also. So even after our IPO, maybe the first year after our IPO was not a very great year for us when our growth was similar to the industry growth. But after that, for the next 2 years, we did outpace all the industry leaders as far as the growth rate was concerned.

Even in the last 2 years during demand slowdown, we have been better, but the multiples, I mean, if they are at a negative level, if the market leader is doing minus 2 or minus 4, and if we manage to do even plus 2 or plus 4, I would consider that, that's pretty good. When there are headwinds in the market, it's very difficult to grow at 20% when the whole industry is saddled with a very weak demand.

Now as the demand comes back, you will start seeing that divergence between our growth rate and their growth rate. Our base is still a little lower than them. And I think we are an agile company with still a start-up mindset, although we are not exactly a start-up. And we are fairly confident of holding our own as we have held for the last 25 years.

Moderator: The next question comes from the line of Azharuddin Jariwala from Sameeksha Capital.

Azharuddin Jariwala: Most of my questions are already answered. You can skip me.

- Moderator:** The next question comes from the line of Dev Thacker from ithought PMS.
- Dev Thacker:** Sir, I just wanted to understand like what is our throughput ratio over the years between Tier 1, Tier 2 and Tier 3, Tier 4, like how it has improved and what are the plans going ahead?
- Hemant Jalan:** I'm sorry, I was on mute. Devji, the problem in giving a quantitative answer to your question is, I don't quite know whether there is a formal definition of what constitutes a Tier 1 market, what constitutes a Tier 2 market, etcetera. There is no formal definition of that in India. And people draw their lines between these various tiers depending upon what they think is reasonable.
- Having said that, broadly speaking and the definition that we use is that the top 12 cities in India, we classify them as like a metro. For us, a Tier 1 town would be a town which would be in excess of maybe 10 lakhs of population or something, a Tier 2 town would be something in the range of 3 lakhs to 10 lakhs or thereabouts roughly, a Tier 3 would be maybe 1 lakh to 3 lakh population and Tier 4 would be less than 1 lakh population.
- And anything below 25,000, we'd kind of classify as rural. That's the kind of broad definition that we take. Now if you look at 4, 5 years ago, our presence in the metros and Tier 1 cities was abysmally low. Now today, that is not true. In Tier 1 and Tier 2 cities, we have a very strong presence now in almost all the Tier 1, Tier 2 cities.
- As far as metros are concerned, there are some metros where we have made good inroads and there are many metros where our presence is still abysmally low. But overall, we are moving from being a predominantly Tier 3, Tier 4 focused company 5 years ago to being a company that has very good representation across Tier 1, Tier 2, Tier 3 and Tier 4. And we are trying to inch up further and do better as far as the metros are concerned.
- So that is a long process. It's a gradual process, and it is something that happens naturally over a period of time. And along with that, even in our product portfolio, we have been consistently moving upwards in the premium end of the paints rather than our earlier portfolio 5, 7 years ago, which was predominantly in the economy and the sub-economy range of products. I hope that answers your question.
- Dev Thacker:** Yes, sir. Sir, if possible, could you also give us some index number like 3, 4 years back in Tier 1 if a dealer was doing INR1 crores of sales, how much the Indigo throughput was? And currently, what could be the throughput?
- Hemant Jalan:** So that would be very hard to pull out and very difficult to disclose at a public forum. So as I said, even giving any kind of quantitative number would first mean that you and I have to reach an agreement as to what constitutes each tier. And beyond that, how much our share has increased in Tier 1 or Tier 2 is not a number that we'd like to publicly disclose, except to say that it has risen very, very significantly.
- Moderator:** The next question comes from the line of Aniruddha Joshi from ICICI Securities.
- Aniruddha Joshi:** Sir, 2 questions from my side. So we have seen there are a lot of different actions as far as pricing is concerned. Birla Opus has raised prices by 2% to 3%, whereas AkzoNobel has cut the prices

also. So how do you see the pricing discipline getting maintained? And how do you see the pricing actions for Indigo? So considering the commodity prices, at least, we believe at this stage, price hikes are not required, but will there be possibility of price cuts just to gain or retain the market share? That is question number one.

Question number two, in terms of the differentiated products because that has been the backbone of the company. Now we don't see much of a discussion on these aspects. So how do you see the differentiated products and how they are doing? Any new launches or plans to -- new plans of launches, et cetera? Anything if you can elaborate a bit more?

Hemant Jalan:

So Aniruddha, you talked about some price increase by Birla Opus. Now I think you're all well aware that Birla Opus was the product that was selling at the highest level of discount and the lowest price in the market compared to all other industry peers. So them having made a very minor price increase, I mean, their lower price was not of concern to anyone else in the industry and their increasing price by a small amount, they still remain the cheapest product available. So I don't think that matters to us or to anyone in the paint sector.

As far as Akzo is concerned, you will notice that the price decrease that they have announced are for very, very few products, and those were not significant selling products of Akzo at all. So if those are products that were really not selling in the market in any appreciable manner, then any price decrease or movement in that is also not likely to upset the pricing apple cart as far as the industry is concerned. Now what will happen for the pricing going forward, it's a question that only the market leader can answer as to what is its strategy.

Now recently, I've seen from the number 2 player in Berger that for some products, they have lowered the prices and for some products, they have increased the prices. Now I have no idea why that has happened, and they can answer that question. That must be a strategic call that the company has taken. Maybe for certain products, they're not doing well and they have chosen to drop prices and certain products, they are doing very well and they have chosen to counterbalance that by increasing prices there. But normally, pricing trends in the industry are dictated by the market leader.

Now if the market leader decides to either increase or reduce prices, and I don't see a trigger for either of that happening in the foreseeable future. But if for reasons best known to it, if it chooses to either increase or reduce prices, I think the whole industry will be forced to follow suit. And whatever impact it has will be passed on to the dealer either by reduced dealer discounts or by increased dealer discounts depending on which way the pricing goes.

But I personally don't expect any significant change in the pricing in the foreseeable future. And therefore, I think pricing and trade discounts will kind of continue where they have been in the last couple of months.

As far as differentiated products are concerned, their overall share in our total revenue we disclose once a year after the year is over because those products have a seasonality inside them. And therefore, to talk about it on a quarterly basis does not make very much sense. And we will

come back next quarter when the year fiscal is over and tell you as to what percentage contribution comes from those differentiated products.

My guess so far is that there is no material change in the last 1 year. And they continue to hold their own and account for roughly the same share of the top line as they have been in the last few years. So we are not losing market share there. We might have gained infinitesimally. We will know when the year is over as to where we are. But we seem to be holding our own as far as those products are concerned.

Aniruddha Joshi:

Okay. Sure, sir. Just one last question from my side. Now with AI entering various business processes, there will be changes in the way decisions will be made across all business processes, be it manufacturing, be it sales, marketing, finance, legal, everything. So how do you see it changing the dynamics in paint industry? Because a lot of decisions are made even now also on a lot of maybe channel feedback, which may not be 100% in organized way or a lot of demand planning, commodity sourcing, everything is done, but may not be in a 100% organized way, which may change post AI?

So how do you see things changing in the entire paint industry? And as far as Indigo is concerned, how do you see the preparedness? Means whether any large capex in terms of software or data management or any other will be required? And how should we think on those lines?

Hemant Jalan:

Aniruddha, I mean, AI remains as much of a black box to us as to industry at large. It's a very fast-evolving space, although a lot of investments in AI are happening from the people who are inventing these AI models, its practical use on a large scale has begun to be evident in very, very select sectors. IT, like when it comes to coding, is one sector where you can see some meaningful use impact.

You can see some impact in medical research where the list of possible kinds of molecules that could cure a certain disease are getting generated by AI, and that's what we hear. We haven't heard of any great breakthrough that has yet happened in medical research with AI. And a little bit in terms of -- I mean, we have been using AI in a small way for content creation and for visualizations, etcetera, in blogs on our website, but those are very small kind of case studies as far as what AI can do.

So I think that we have to hold our horses, let some practical use case scenarios emerge as to how AI can be used in day-to-day working. In the near future, I don't expect any major upheavals to happen in the way in which we take decisions. I certainly do not expect any capex in investing in AI in any significant way from a company of our size. We remain watchful.

And as and when we see some actual use case scenarios to which these AI models can be put to, maybe in some data analytics or something is the only scenario where I can foresee that it can help us analyze the vast amount of data that we collect more intelligently in a few years from now as these things develop and give us some better insights on maybe how better to focus our trade schemes or our influencer arrange -- interventions, etcetera. But I think in companies or in industries like ours, we are yet to see any meaningful AI adoption as of now.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Hemant Jalan: Thanks. Well, thank you all for giving us a patient hearing and asking probing questions. We seem to be feeling the tailwinds of the demand revival, I had mentioned that 3 months ago, and the last 3 months have been good or significantly better than the previous 2 years. I sincerely hope that this demand comeback maintains itself and accelerates in the days to come, so that Indigo Paints comes forward with a much better set of both top line and bottom line numbers in the ensuing quarters. So thank you all.

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