

Indigo Paints

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to Indigo Paints Limited Q1 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anirudh Joshi. Thank you, and over to you, sir.

Anirudh Joshi – ICICI Securities: On behalf of ICICI Securities, we welcome you all to the Q1 FY27 results conference call of Indigo Paints Limited. I hand over the call to Mr. Sri Hari Santhakumar, General Manager, Finance and Investor Relations, to introduce the management and take the call forward. Thank you, and over to you, Sri Hari, sir.

Sri Hari Santhakumar – GM Finance & IR: Good morning, everyone. Thank you once again for joining today's earnings conference call 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, Chief Business Officer; Mr. Chetan Humani, Chief Financial Officer; and myself. We 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 – MD: Good morning, everyone, and thank you for joining us today to discuss Indigo Paints' performance for the first quarter of FY27. We have uploaded the investor presentation on the stock exchange portals, and trust that you have had the opportunity to go through it.

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 2 years for us. 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 delivered in Q1: topline growth well ahead of the paint sector, meaningful margin expansion, and further strengthening of our distribution network and product mix.

We will first briefly look at the performance on a standalone basis before moving to the consolidated financials. Our standalone revenue from operations for the quarter was 350 crores as against 295 crores in the corresponding period last year, reflecting 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 value across all four 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 61.9

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crores against 43.6 crores a year ago, reflecting growth of 42% and 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 in terms of EBITDA margins during the last 4 years. The improvement is principally due to the operating leverage that comes with a larger revenue base, together with tighter control of discretionary expenditure across the organization.

PAT was 42.4 crores as against 26.4 crores in the same quarter last year, reflecting growth of 60.7%, with the PAT margin moving up from 8.8% to 11.8% in Q1 of this year. 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. Although we took a strategic timeout from advertising during the IPL season, we redirected a lot of those funds towards painter and contractor engagements, 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 369.7 crores, a year-on-year growth of 19.7%. EBITDA was 62 crores at a margin of 16.8%, up 40% in absolute terms, and PAT was 41.7 crores at a margin of 11%, up 60% in absolute terms. Apple Chemie's performance was accretive to our growth this quarter, but marginally dilutive to our margin, and I will come to those reasons shortly.

On the product mix front, I am 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 30% value growth and volume growth in excess of 18%. This was followed by the putty and cement paint segment, where value growth was upwards of 21% and volume growth was closer to 14%. In the enamel and wood coatings segment, value grew at 17.5% and volume growth was close to 10%. For the emulsion category, which is the largest category in paint, value growth was more than 17% and 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 count has increased by 1,100 over the same period. You would appreciate that tinting machines represent committed counter space and are a considerably firmer measure of the depth of our dealer relationship.

Coming briefly to the performance of our subsidiary Apple Chemie, it recorded revenue of 19.7 crores for the quarter as against 14.0 crores last year, reflecting topline 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 predominantly a B2B business, it had limited ability to pass those increases through to its customers within the quarter—a latitude more readily available to players like us in the decorative paint space. The second is that Apple Chemie had to purchase significant high-cost inventory when the supply chain disruptions happened. This inventory was procured at elevated prices, which weighed on its cost of goods sold.

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We view both these matters as transitory in nature. As the high-cost inventory is consumed, we expect the gross margins of Apple Chemie to improve through the second quarter and return to their normal level by Q3. As an expression of our confidence in this business, we propose to acquire a further 11% stake as per the terms of our 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 kilolitres 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 has already been 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 will improve materially, both in terms of lead time and freight economics.

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 flow 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 Kochi 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 businesses. We have also extended educational assistance and career guidance to over 420 underprivileged girls through our EduCare program.

These programs are not peripheral to us. The painters and 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 the future outlook, we had mentioned in our last earnings call that henceforth we would pursue accelerated topline growth, even if it comes at a marginal cost to bottom-line growth. Although we have achieved healthy topline growth this quarter, the fact that our bottom line has increased at a faster pace indicates that we were not aggressive enough and that we can afford to do more. Therefore, we will 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 topline growth and that of the industry.

On raw materials, the price increases that we implemented in response to the raw material cost spikes that occurred in March and April have protected our margins. 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 that is now behind us, new capacity arriving in time for the festive season, and a demand environment that has

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remained constructive mean that we enter FY27 in a distinctly stronger position than the previous year. That is all I have as far as my opening comments are concerned. We would be happy to now take your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, please wait for a moment while the question queue assembles. The first question comes from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy – Nuvama: Thank you, and congratulations on a great set of numbers. If it is okay, my first question is to the Chief Business Officer, Aishwarya Pratap Singh. After almost 7–8 months in a new sector and a new company, I wanted to understand, as Chief Business Officer, what is going right and what can be improved at Indigo Paints compared with your 20-year stint in marquee FMCG companies such as ITC Foods, Personal Care, and, of course, Dabur? What else remains to be changed at the Chief Business Officer level, and what else is left to be done in the next 1 year? Thank you.

Aishwarya Pratap Singh – Chief Business Officer: Thank you for the question and for the detailed understanding of my profile. In the last 6–7 months, I have been trying to understand the industry, and my primary objective was first to see where the strengths of Indigo Paints lie and what the opportunity areas are.

FMCG is an interesting area where you work extensively towards ensuring physical and mental availability. I do not copy and paste learnings from a previous industry. The idea is to understand how the industry works and what kind of learnings can be applied here.

With that intent, I have been working on two major areas. One is to utilize and maximize the potential of the current distribution network. We have a very wide network. As 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? That is my priority right now.

With that intent, we are looking at different kinds of dealers. Some are big, some are small, some are really small, and some represent opportunities. Different kinds of initiatives and strategies have been taken and implemented in Q1 to take care of those different dealer clusters.

Otherwise, sometimes there is an inclination to work only with the bigger dealers. That seems to have worked quite well, and we have been able to activate many more dealers who are working with us in some way or the other. They are actually becoming active and working quite closely with us.

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

The second part was category-level growth. We have devised a strategy in which we looked at the sensitivity of different products in the portfolio and what works best for each particular category.

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Sometimes it is brand building, sometimes it is influencers, and sometimes it is trade focus. We divided the portfolio into these three different clusters, and appropriate inputs were injected into the system in Q1.

Again, that seems to be one of the reasons why we are able to grow faster. We understood that one category works because of influencers, aggression on trade really helps another category, and another category is more suited to brand-building activity. That is why you must have seen, as sir was saying, that we are able to achieve good growth across different categories. It is not coming from just one or two areas.

Lastly, a lot more focus is being given to people. Again, this is a learning from FMCG: people are the most important factor. We are spending a lot of time and energy 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 is highly dependent on the passion and the work that people are doing in the field and the difference they are able to make at that level. These are the three areas through which we have been able to do well.

It has been 3 months since we implemented all of these things, and we are seeing results right now. Strategies should be continued for a reasonable amount of time before we change anything. Therefore, my priority right now is to ensure detailed execution of all the activities that we are undertaking. Especially when the festival season arrives, a lot more action will be happening on that front.

More action also has to happen towards brand building. As sir was saying, we took a strategic timeout in Q1. Therefore, you will see more action in both traditional marketing and digital marketing. This is something that I carry forward from my experience of handling both new-age brands and conventional physical brands within ITC and the other companies. You will see more of that action happening in Q2.

However, on-ground execution is what I will continue to work on, exactly as it was done in the last quarter. I hope this answers the question that you were asking.

Abneesh Roy – Nuvama: Thank you, Aishwarya. That was a very detailed answer. My second question is to Mr. Jalan. Your sales growth is impressive and is top-tier growth. But when I see the gap between you and India's dominant player, the gap is very small relative to, say, their 10% your size. Ideally, you should have grown much faster, which you yourself said should have happened. Do you think this is a shortcoming in terms of mass media? You have spent in the other areas, including influencers, painters, and discounts, but would you say that mass media was a missed opportunity?

Hemant Jalan – MD: What happens, and this is something that the industry leader also indirectly acknowledged during his earnings call, is that when you have deep price increases—and the kind of price increases that happened in Q1, in terms of both their magnitude and the frequency with which they occurred, was unprecedented in the last 25 years—the greatest beneficiary is always the market leader.

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That is taken for granted. It was known that the greatest beneficiary would be the market leader because all dealers will tend to first stock up on the leading brand before they start purchasing the other brands. Therefore, when you look at the topline growth 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: the gap between us and the rest of the industry needs to get wider. When we said last quarter that we would pursue topline growth even if bottom-line growth started lagging a little, the fact that the bottom line grew faster than the topline very clearly means that we did not do enough. We need to do more, or we can afford to do more. 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 the supply chain. At least half of Q1 was spent on somehow getting raw materials together so that we could continue to run the factory and provide materials. All the elevated spending and everything that we discussed happened during 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. Therefore, I think you will see a lot more of that going forward.

All I can say is that I hope the gap between us and the other players will be wider than it is now, and hopefully it will get wider as we move forward.

Abneesh Roy – Nuvama: Just one follow-up on that, my last question. You expect the gap to become wider. Is there any concern regarding the Kerala floods in Q2? The situation is fairly severe. I also wanted one follow-up on the strategic timeout during the IPL. What was the specific reason? Was it because the IPL return on investment did not make sense given the advertising rates, and perhaps because there were too many paint advertisements? Second, Dhoni did not play; he did not play during the entire season. He is your brand ambassador, so he was not active during the season, and that overall advertising rub-off effect was missing. Third, if I look at the cluttered environment, the market leader and a new paint player are almost going head-on. Is it best left to the big players to fight it out and for you to come back later? Which was the bigger reason for the strategic timeout?

Hemant Jalan – MD: To answer your first question, I am not aware of any significant floods in Kerala as such. Kerala is having fairly normal rainfall, or perhaps slightly below-normal rainfall. So far, there is no indication of any flood situation.

The only part of the country that I think is reeling under some kind of flooding is parts of Assam and the Northeast. Those parts, especially the Upper Assam region, including Jorhat, Tinsukia, and Dibrugarh, are the parts of India that are reeling under floods at the moment. However, I am not aware of or have not heard of anything adverse as far as floods in Kerala are concerned.

Kerala is actually doing very well for us. It has performed very well in the first 4 months of the year, including July, and looks poised to continue to do well.

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As far as the IPL is concerned, I do not think it had anything to do with the advertising intensity of the 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 advertised consistently during the IPL for about 7 years or so, and we had signed up to advertise during the IPL this year too. In early March, when the Iran war broke out, it was not clear whether raw materials would be available to continue running the factory beyond April 10 or so, because raw materials had simply vanished from the market.

In that kind of scenario, spending money on advertising when we were really not sure how much material we would be able to supply to the market seemed somewhat foolhardy. Therefore, we requested a timeout from the channel because we wanted to opt out for that reason.

We had no idea whether Dhoni was going to play or not, and that had nothing to do with it. Even if Dhoni has not played, sooner or later he is going to retire from the IPL, if he has not done so already—we do not know. But does that mean that we stop advertising completely? The answer is no.

I do not think the effect of Dhoni is going to fade away for at least several years. Sachin retired from cricket 12–13 years ago, and he is still a marquee brand ambassador for many brands and a very effective brand ambassador. Some people 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.

Therefore, skipping the IPL was entirely because of the Iran war. In retrospect, with the benefit of hindsight, we were able to manage all the raw materials and provide material in the way we had been doing. With hindsight, which always comes easily, perhaps we should not have withdrawn from IPL advertising. But that does not matter. We are now going to put that money back in at an increased pace in the coming months.

Hemant Jalan – MD: Shifting advertising expenditure from one quarter to another does not 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. I am not worried about that at all.

Abneesh Roy – Nuvama: Thank you. That is all from me. Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia – Kapadia Financial Services: Thank you for the opportunity. After a long time, Mr. Jalan, we have seen profitable growth. How are you reading this? Is this a low-base effect? Is demand coming back because we were fairly optimistic about demand coming back, and it has come back?

Historically, if I were to look at our track record, the biggest concern that we have shared and discussed on conference calls has been that the paint industry was not growing. That was the biggest concern.

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Now, given that we have seen growth across the sector, is it fair to say that we will continue to outperform the industry by a good margin, as we have done historically, because of differentiated products and a slightly slower base and lower market share? How are we looking at demand and our growth specifically in the coming quarters and—

Hemant Jalan – MD: You are right when you say, Prakash, that the demand situation for the paint industry, and not just for the paint industry but across all consumer categories, had been subdued for the last 2 fiscals. Companies, whether they were in consumer staples or consumer durables, or virtually any sector, were reporting very sluggish topline growth. That includes large companies such as HUL and Nestlé; they were all reporting very sluggish topline growth.

I think the paint industry in particular started to show, and we started to see, improvement from Q3 onwards. Q3 was significantly better for the paint industry compared with Q1 and Q2. Q4 was even better, and Q1 has been even better for everyone.

Therefore, there has been progressive improvement, and we have repeatedly highlighted that we can now see the tailwind and that the growth momentum is returning to the normal situation that existed 2 years ago and that existed at all points in time during the last 25 years, barring small periods of aberration.

As far as demand is concerned, I think we are now reasonably comfortable that demand is back to near-normal growth conditions. I have already said in my remarks that we do expect to grow faster, as we used to. We are growing faster than others; perhaps the gap this time is not as large as we wanted.

It is definitely not what we wanted, but that is because strategy execution was not possible, at least during the first half of the quarter. All trade discounts had been completely suspended by us and the rest of the industry. Everybody was busy somehow getting raw materials together to keep their plants running.

It was only in the second half of May, and really in June, that we got down to executing the strategy that our Chief Business Officer was discussing 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 discussed. What will happen will happen, and time will tell, but we are hopeful that the gap between us and the other players will widen during this quarter.

Regarding your earlier comment that after a long time we are seeing profitable growth, I would add that profitability has never been the concern for us. The growth level for the last 2 years has been somewhat muted.

Prakash Kapadia – Kapadia Financial Services: What I meant was margin expansion, with sales, volume, and value all coming in together, which, as you said, happened a long time ago.

Hemant Jalan – MD: I would add that we are not pursuing margin expansion as a primary goal. If it happens as a by-product, that is good, as it has happened this quarter. There could be quarters when EBITDA margin and gross margins are slightly lower than in the corresponding quarter of last year, and so be it.

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We are fundamentally focused on much higher topline growth. The bottom line will eventually take care of itself.

Prakash Kapadia – Kapadia Financial Services: Understood. Wishing you all the best, and I hope we regain our momentum in the coming quarters. I am looking forward to growth in both topline and bottom line. Thank you.

Hemant Jalan – MD: Absolutely, sir. Thank you.

Operator: Thank you. The next question comes from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah – Nomura: Thank you for taking my question. I hope I am audible.

Hemant Jalan – MD: Yes, you are audible.

Mihir Shah – Nomura: Firstly, on the sales front, could you share some information on how July and August have been progressing so far? We believe that there would have been some upstocking in the earlier quarter, in Q1. Could there be a likely negative impact or destocking impact in the second quarter? What is the situation in July and August after the upstocking that we saw in Q1? That is my first question.

Hemant Jalan – MD: I mentioned in response to an earlier question that normally, when large price hikes happen, the normal tendency for the channel is to overstock on the market leader. If overstocking happened at all—and I have no primary evidence to point to that—the chances are that it could have happened with the market leader, and perhaps they may experience a little destocking in July and going forward, if there was some overstocking.

In our case, we do not find that the channel has overstocked at all.

July has actually been a very good month for us. Our topline growth has maintained its momentum, or perhaps improved slightly compared with Q1. It is a little early to say anything about August; we are not even halfway through the month. However, things are looking all right.

There is nothing devastating happening anywhere in the country on account of the rains. Every year during the rains, there is some flooding here and there. That is built into the base.

The situation in the Middle East seems to have slowly gone away from the news. That does not mean the problem has been solved, but I assume that alternate sources and alternate routes for raw materials have been found over time, and therefore the availability of raw materials is not a concern.

Raw material prices are, of course, slightly elevated, and therefore the paint industry is not reducing prices at this time but is keeping a watchful eye on the situation. However, based on the evidence we have with 40 days of the quarter completed, it looks as though the good days are continuing. That is all I can say.

Mihir Shah – Nomura: Understood. That was actually my second question, on the margin front, on two accounts, both gross margin and EBITDA margin. Assuming that you had around 45 days of low-cost inventory and will now start consuming higher-cost inventory in the second quarter—

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Hemant Jalan – MD: Yes, that is possible. Frankly, I will not provide guidance on what the margin situation will be in Q2. We have gone through quite a roller-coaster ride in terms of both raw material input prices and our selling prices. Therefore, it is a very uncertain situation.

When you say that high-priced inventory will start getting consumed now, that would be true for some raw materials and perhaps not true for other raw materials. Where the overall average will end up is somewhat difficult to predict.

In light of that, I would not make any concrete prediction regarding Q2 margins. In any case, Q2 is the worst quarter for the paint industry in terms of margins because of product mix deterioration.

Premium products, exterior products, and all those categories take a back seat in Q2 because exterior painting is drastically reduced during the monsoons. The kind of paint that you tend to sell in Q2 is always an inferior product mix from a profitability viewpoint. Therefore, profit margins in Q2 are traditionally lower than in Q1 or Q3.

Because of the volatility in raw material prices, it is somewhat uncertain what exactly gross margin and EBITDA margin will be in Q2. It may be better for the paint industry for you to look at the 6-month period and compare margins for that period with the corresponding 6 months of last year. I think that would provide a more stable and accurate representation.

As of now, the situation does not seem to be causing any major problem for the paint industry, although many companies may have slightly lower profitability in Q2 compared with Q1.

Mihir Shah – Nomura: Understood. That is a fair point. In that regard, if I can ask you to look ahead a little, what can happen in the second half, assuming that the volume—

Hemant Jalan – MD: Ultimately, on a net-sales basis, I do not think anything changes. Gross margins will remain more or less the same.

Mihir Shah – Nomura: Understood, sir. Thank you. That is all from my side, and I wish you all the very best.

Hemant Jalan – MD: Thank you, Mihir.

Operator: Thank you. The next question comes from the line of Sonal from Prasant Capital. Please go ahead.

Sonal – Prasant Capital: Hi, this is Sonal Minhas. I hope I am audible.

Hemant Jalan – MD: Yes, you are audible. Please go ahead.

Sonal – Prasant Capital: This question relates to product launches. You have increased your commentary on product growth for the year. I also wanted to understand whether this entails the launch of newer, better, and more premium products. If you could give us a roadmap for that, that is one part.

The second part is to understand how the company is moving towards more premium paints in the emulsion category. To take an example, such as Asian Paints Ultima Pro, which is the highest-end

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paint on the exterior side, what would it take for Indigo Paints to build that product from scratch? What effort is required in-house, and what effort is required to put that product on the shelf at the distributor? I just want to understand that context.

Hemant Jalan – MD: I do not think that we are short of any product offering. Whatever product you are referring to from the competition and the market leader, we already have equivalent products that we believe perform better, both on the exterior and interior sides. Therefore, there is nothing missing in the product portfolio as such.

However, when it comes to premium-end products, the market leader tends to have a disproportionate market share of that segment. That always happens because this is the segment that requires the highest brand equity.

If the market leader has an overall market share of 50%, when you come to premium products, its market share is likely to be closer to 75%. I do not have an exact number; I am just giving a rough ballpark. That is what happens.

As far as all the other players are concerned, especially a smaller player such as us, our attempt is not necessarily to keep launching more products that are not required, because the product portfolio is already there. We have to keep working with influencers so that our share of premium products keeps rising steadily.

That has been happening over the last 2 years, and I am sure it will continue to happen over the next several years. However, that is always a slow process. It is not that you are suddenly going to increase your share drastically in the premium emulsion category because brand building takes a very long time. That process will continue.

You were also asking about the other product launches that we are planning. The segment in which we are going to launch a whole range of new products is wood coatings.

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 the highest-growth area in wood coatings. Therefore, we have recruited a team for select parts of India, which are large wood-coatings markets, and we have developed in-house a number of products that are comparable with the best available products in what is called the two-pack polyurethane segment for wood coatings.

We expect to launch these products in the market during September and October in a phased manner. Hopefully, this will give us some fillip at that end of the wood-coatings market. Wood coatings is a reasonably profitable segment of the paint industry, so hopefully it will also be accretive to margins.

Sonal – Prasent Capital: Understood, sir. Thank you for the detailed explanation. That is all from my side. Thank you.

Operator: Thank you. The next question comes from the line of Jasbir Lakadawala from M3 Investments. Please go ahead.

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Jasbir Lakadawala – M3 Investments: Congratulations, {? [unclear] ?} sir, on a good performance. There would be some sacrifice of profitability to grow our business, but at the same time, absorption of the opex of our Jodhpur plant should also happen during this year. What would be the recurring running costs for the Jodhpur facility that you expect to be absorbed over this financial year? Could you help us understand that?

Management: We already had a water-based plant at Jodhpur, and we have had it since we started in 2000–2001. Therefore, the water-based plant at Jodhpur as such is not new. We have set up a separate facility, which is a highly automated, state-of-the-art plant with a slightly larger capacity than what we originally had.

The existing water-based plant is a legacy plant that we have operated for the last 20 years. It was not really designed with our current scale of operations in mind.

It was a somewhat manual process and was not really conducive to the kind of output that we were generating. Therefore, I do not think opex is really going to change very much, because we are essentially going to scrap the existing plant and everything will shift to this new plant, which is in the process of being commissioned.

There will be a few minor changes in manpower here and there, but otherwise it is the same manpower that is being carried forward from the old legacy plant to this one. Therefore, I do not think there will be much change in opex as far as Jodhpur is concerned.

Jasbir Lakadawala – M3 Investments: {? [unclear] ?} sir, could you also help us understand this? I think you have Akzo being bought out by JSW. How is the competitive intensity compared with a couple of years ago? After those deals and the entry of another large player, how is the competitive intensity in the paint industry now, and do you have any thoughts on how you see that playing out?

Management: I do not think there has yet been much change. Both JSW Paints and AkzoNobel have existed in the paint sector for quite some time. At the moment, both continue to operate as separate entities. They have not announced any formal merger or anything of that sort between them.

As far as the ground situation is concerned, I do not think there is too much visible change in the competitive landscape as a result of JSW's acquisition of AkzoNobel.

There was, of course, a change in competitive intensity 2.5 years ago when Birla Opus entered. It did not affect us in a very significant way. We noticed that the excitement around its entry has subsided in the market. I think it has more or less stabilized in terms of its dealer network and topline.

That has been built into the base effect. Therefore, you do not see any disruption happening in anyone's topline in the paint sector. I think people are continuing to grow as they used to grow, and I expect the situation to remain that way in the foreseeable future.

There has been no change in competitive intensity. The paint sector has always been very competitive, even before all these players entered. There has never been a time without excitement in terms of new entrants and similar developments. That will continue going forward, and you have

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to take these things in your stride.

Jasbir Lakadawala – M3 Investments: That is fair. Thank you for that. Lastly, we have a legacy of always launching differentiated and fit-for-purpose offerings. Is there any thought process around increasing our share of this differentiated portfolio? Are we looking to launch any such differentiated products going forward?

Management: No, there is no new differentiated product currently on the anvil and about to be launched. However, the existing portfolio of our differentiated products continues to grow well, and as a percentage of revenue, these products generally increase marginally every year.

They are all doing well and holding their own. Their share of our revenue is about 29%, and it generally remains between 29% and 30% as it grows.

We are quite happy with that. We need some ideas for new differentiated products to launch. If you have any ideas, please pass them on to us, and we will definitely manufacture and launch those products.

Jasbir Lakadawala – M3 Investments: That is fair. Thank you very much, {? [unclear] ??} sir. Thank you for that. I wish you all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Dev from I-thought PMS. Please go ahead.

Dev – I-thought PMS: Thank you for the opportunity, sir. Most of my questions have been answered. I just had one follow-up on the new plant capacity. Earlier, this plant was supposed to come much earlier, but then we pushed it to June. Now it is being pushed to August. I wanted to understand whether the raw material disruption is the only reason, or whether there has been another reason for putting off this capacity. Since the plant is coming just before the festive quarter, how should we view the ramp-up?

Management: When you say that it was originally supposed to be ready in June, you are actually being kind to us. It was supposed to be ready even earlier than that.

It has nothing to do with the raw material situation. The civil contractors who were doing all the civil work have been extremely tardy.

All our equipment arrived almost 1 year ago and has been waiting. However, because of the delay in the civil work, and because once you get stuck with a particular civil contractor halfway through a project it is very difficult to change horses, we were essentially stuck with that contractor.

Fortunately or unfortunately, the demand scenario during the last 2 years had been weak, and therefore we were not under any real pressure. Despite the delays, which were unfortunate, we managed to continue servicing demand from our legacy plant.

Finally, the civil contractor's work has more or less come to an end, and the equipment is being commissioned one piece at a time. We expect to start actual trial production in another 10 days.

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Hopefully, it will happen earlier. This augurs well for the festive season. Hopefully, the plant will be well stabilized in about 1 month, and when the real pressure comes in October, we should be in a position to deliver.

If there is any unexpected delay of about 1 month, which we do not anticipate, we still have adequate capacity at our legacy plant to service demand. Therefore, I am not worried about fulfillment of demand as such.

It is just that some automation is definitely required at our present scale of operations, which the legacy plant does not have, and that puts some strain on our management at the plant. Hopefully, that will be behind us by the time we meet again next quarter.

Dev – I-thought PMS: Understood, sir. Thank you very much, and all the best for the coming quarters.

Management: Thank you very much.

Operator: Thank you. The next question comes from the line of Prithviraj from Unifi Capital. Please go ahead.

Prithviraj – Unifi Capital: Hi, {? [unclear] ??} sir. I have just one question. You have been emphasizing aggressive topline growth, which is great to hear, but you also mentioned that it will come at a cost to profitability. How should we look at margins on a year-on-year basis? Can we assume margins to be more or less flat or slightly higher, or do you think there is scope for margins to decline because revenue growth will be very high?

Management: That is very difficult to predict. The question is, what do you focus on and what are you aiming for?

We aim for aggressive topline growth. If, as a result, we spend more either on trade or on influencers, what will happen to gross margins? They will obviously decline slightly. We are prepared for that, and it does not bother us because our gross margins have been consistently higher every quarter for the last 5 years, even compared with the industry leader.

We have had the highest gross margins. Therefore, if gross margins decline by a couple of percentage points, there is no problem.

Because of the increased volume and increased operating leverage, what happens to the EBITDA margin is somewhat difficult to predict. The EBITDA margin may decline slightly by 1 percentage point, or it may rise. That will depend on how the operating leverage plays out.

Either way, whether EBITDA margin declines by 1 percentage point or rises by 0.5 percentage points, we are very clear that this is not really the focus. Even in terms of EBITDA margins, we have consistently been the second-best in the industry after the market leader. Therefore, we are in a very comfortable position, and a 1% movement in either direction in EBITDA is not going to make or break the company.

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What we really need to do is expand aggressively on the topline so that our market share increases. Minor changes in the bottom line will take care of themselves once we decide to slow down our growth, which is not foreseeable in the next few years.

Prithviraj – Unifi Capital: That is clear. On topline aggression, do you still stand by the guidance of 2x the industry growth rate for this year?

Management: That depends on what the industry growth is. If industry growth is, say, 15%, then 2x becomes difficult. Perhaps we would stay 10 percentage points higher than the industry. If industry growth is 5%, then yes, we should do better than 2x or something similar.

It is very difficult to provide concrete numerical guidance on that. The only point is that there should be a substantial gap between our topline growth and that of the rest of the industry. As we move forward each quarter, we hope that the gap between us and them widens.

I would hesitate to provide concrete numerical guidance on where exactly that growth number will stabilize.

Prithviraj – Unifi Capital: Thank you. Thank you very much, {? [unclear] ?} sir.

Operator: Thank you. The last question comes from the line of Amit Purohit from Elara Capital. Please go ahead.

Amit Purohit – Elara Capital: Thank you for the opportunity, and congratulations on a good set of numbers. Regarding the point you highlighted on differentiated products, would you consider wood coatings to be part of the differentiated-products portfolio, or is it a normal product, as you said—

Management: No, I do not think they are differentiated products. We are not coming up with anything revolutionary or different from what is already being offered.

Therefore, I do not consider any new launch to be a differentiated product. What we are offering and attempting to offer now are products that are on par with, or marginally better than, what the rest of the industry is providing. However, I would not call them differentiated products at all.

We did not have any product in the particular category we are discussing, namely the two-pack polyurethane category. We are simply trying to fill a gap, and this requires a specialized sales team to execute sales in that segment because of the very particular role played by architects and contractors in significantly influencing the customer's purchase decision.

That is why we are focusing on an area where our earlier focus was absent. It is a significant market. By our estimate, it is approximately 9,000 crores, and we are nowhere in the picture in terms of our current turnover. That is why we are making the effort to ensure that we gain significantly in that market.

Amit Purohit – Elara Capital: Certainly. I have one follow-up on the differentiated products. I wanted to understand the initiatives that you think—

Amit Purohit – Elara Capital: —that these products continue to be differentiated and their relevance from that perspective. Can the current products help us grow even faster in some of the new

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markets and improve our mix, currently at 29–30%, to, say, 33–35% over the next 3 years? I just wanted to check whether that is a possibility.

Management: I do not see the possibility of these products becoming 35% of our share. However, 5 years ago, when we conducted our IPO, if I remember correctly, these same differentiated products accounted for about 25–26% of our total sales basket, and they have gradually increased to about 29.5% of our total basket.

That means their growth is a little faster than the growth of the other me-too products, which is good for us. As long as we can maintain their share in the band of 28–30%, I think we will be quite happy, because there have not been any new additions to that basket of differentiated products in the last couple of years.

If we grow at, as somebody was saying, perhaps 2x the industry growth, and if the basket can keep pace with that growth rate while still contributing around 29% of our topline, I think that would be a very satisfactory outcome.

To ambitiously try to take that percentage to 35% or 40% would be somewhat overambitious.

Amit Purohit – Elara Capital: Thank you very much, sir. Thank you. All the best.

Management: Thank you.

Operator: Thank you. We will 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.

Management: Thank you, and thank you all for giving us such a patient hearing. We look forward to interacting with you again next quarter, and we sincerely hope that our performance next quarter will be even better than what we have registered now.

Thank you very much to the ICICI Securities team and to the Chorus team for organizing this conference call. Thank you all.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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