INDIGO
Be surprised!

August 12, 2023

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, Sandra Kurla Complex, Bandra East Mumbai 400051 **NSE Symbol INDIGOPNTS**

Dear Sir Madam,

Sub Intimation under Regulation 30 of the SEBI Listing Obligations & Disclosure Requirements Regulations, 2015 for Transcript of Earnings Call for quarter ended June 30, 2023

Pursuant to the Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India Listing Obligations and Disclosure Requirements Regulations, 2015, please find enclosed the transcript of the earnings conference call held with the analyst and investors on August 08, 2023 at 11 00 hrs IST to discuss the unaudited Financial Results of the Company for the quarter ended June 30, 2023

The above information will also be made available on the website of the company www indigopaints com investors

You are requested to take note of the same

Thanking you,

For Indigo Paints Limited

DAYEETA SHRINIVAS GOKHALE
Digitally signed by DAYEETA SHRINIVAS GOKHALE
Date: 2023.08.12 14:23:07 +05'30'

Dayeeta Gokhale
Company Secretary & Compliance Officer

Encl as above

"Indigo Paints Limited
Q1 FY2024 Earnings Conference Call"

August 08, 2023

ANALYST: **MR. MANOJ MENON – HEAD OF RESEARCH - ICICI SECURITIES**

MANAGEMENT: **MR. HEMANT JALAN - CHAIRMAN & MANAGING DIRECTOR - INDIGO PAINTS LIMITED**
MR. CHETAN HUMANE — CHIEF FINANCIAL OFFICER - INDIGO PAINTS LIMITED
MR. SURESH BABU - CHIEF OPERATING OFFICER - INDIGO PAINTS LIMITED
MR. SRIHARI SANTHAKUMAR - INVESTOR RELATIONS - INDIGO PAINTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Indigo Paints Q1 FY2024 Earnings Conference Call hosted by ICICI Securities. 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you Sir!

Manoj Menon: Hi everyone, as usual it is a wonderful good morning, good afternoon, good evening or even good night depending on those part of the world you are joining this call from. Representing I-SEC it is an absolute pleasure to host the management of Indigo Paints once again for the Results Conference Call. Now over to Srihari from the management for introducing the team members and further proceedings. Thank you.

Srihari Santhakumar: Good morning everyone. Thanks for joining the call today. Yesterday we have uploaded both the standalone financials as well as consolidated financials for the quarter ending June 30, 2023, and to discuss the same we have from the management team today Mr. Hemant Jalan, Chairman & Managing Director; Mr. T.S. Suresh Babu, Chief Operating Officer; Mr. Chetan Humane - Chief Financial Officer and myself Srihari. As usual have a quick brief on the performance of the company followed by Q&A. Over to Mr Jalan!

Hemant Jalan: Thanks Srihari. Thank you all for joining in on the earnings call of Indigo Paints for Q1 FY2024. As Srihari mentioned our financials for the quarter ending June 30, 2023, have been uploaded on the Stock Exchange portals along with our analyst presentation and we hope that you have had a chance to go through that. After the acquisition of a 51% stake in Apple Chemie India Private Limited we have published both the standalone and the consolidated financials for the quarter. It is quite satisfying to see our strategy 2.0 as you analysts tend to call it, which was announced about a year ago at the same analyst call forum.This strategy is playing out successfully and it is heartening to see Indigo Paints getting back to the trend of growing at 2x to 3x the industry growth rate. This phenomenon was part of our success story for 10 years prior to our IPO. Unfortunately, our growth rate tapered down to a level closer to the overall industry growth rate during FY2022. Naturally, we as a company were very concerned and we announced a modified strategy 2.0 for the forthcoming years. It sometimes takes some time for a modified strategy to fructify into results and I am happy to see that the modified approach is finally bearing very tangible results.

I shall first elaborate on the standalone results of the company for the quarter. Compared to Q1 of last year our sales in Q1 of this year have registered a value growth of 23.67%, which is far ahead of the industry growth. Our gross margins at 47.58% are significantly higher than the gross margin of 45.19% on a Y-o-Y basis. I may add that our gross margin percentage has consistently been the highest in the entire paint industry by a very wide margin. Our EBITDA has increased significantly by 35.3% from a figure of 35.28 Crores in Q1 of last fiscal to Rs.47.73 Crores in Q1 of this year. Our EBITDA margin of 17.23% clocked in this quarter has also expanded significantly from 15.75% registered in the comparable period of last year. Correspondingly, the PAT numbers have grown by 57.15% on a Y-o-Y basis from Rs.19.9 Crores last year to Rs.31.29 Crores in the corresponding quarter this year and our PAT margins have also expanded to a healthy 11.15% compared to 8.87% in Q1 of last year.

I will now come to the consolidated results and on a consolidated basis our revenues grew by 28.76% to a figure of Rs.288.42 Crores. While the EBITDA grew by 39.21% and the PAT grew by 58.29% the EBITDA margin on a consolidated basis was 17.03% and the PAT margin on a consolidated basis was at 10.78%. Both the management teams at Indigo Paints and Apple Chemie are working together to bring out the synergies in sales, in purchase, in finance and in distribution activities. Apple Chemie has started expanding its operations outside the state of Maharashtra and has ramped up the sales and marketing team in various parts of India. We expect that Apple Chemie will shortly start supplies of its products in various parts of India outside Maharashtra and will soon become a truly pan Indian company in the days to come.

Coming back to Indigo Paints in line with our brand building strategy our company continued to spend aggressively on advertising and promotion. During the last quarter we have launched a new advertisement campaign to promote our economy range of products. Although the absolute spends on advertising and promotion remained largely unchanged from Q1 of last year our A&P spends as a percentage of net revenue has dropped from 9.4% in Q1 of last year to 7.6% in Q1 of this year. As guided before, we expect this declining trend to continue in the future as we expect that the advertising spends will grow at a much slower pace than the increase in topline sales. We have also given our volume and value growth numbers for each of the four major categories of paint products in the analyst presentation being consistent with our past pattern of transparent disclosures. We can observe that the value growth and volume growths are largely in sync. During the last quarter, the company witnessed very high volume and value growth in all categories of paint products. The growth was particularly high in the putty category as well as in the category of primers and distempers, growth in the categories of enamels and also in the emulsion category were also quite impressive. We continue to focus on network expansion and improving the throughput per active dealer as also increasing our tinting machine population. Our count of active dealers and tinting machine population stood at almost 16,700 for active dealers and 8,657 for our tinting machines on June 30, 2023. We have also added two new depots in North India during the last quarter to increase our distribution efficiency. We intend to open a few more depots in the forthcoming quarters to further strengthen our distribution network.

On new product front, a comprehensive range of waterproofing products at the retail level have been launched across the country and this range is picking up very good sales traction. On capex, trial production has been carried out successfully at our new water-based plant in Tamil Nadu and we are very shortly expecting our final few statutory approvals for commencement of commercial production. We hope this will happen in the next couple of weeks. Work has also started at the proposed new water-based plant to be commissioned in Jodhpur of 90,000 KL per annum capacity which we expect will be up and running by the end of FY2025. To keep pace with the demand for solvent-based products, a solvent-based paint plant will also be set up at Jodhpur. This plant will be having a capacity to produce 12,000 KL per annum and is expected to be operational sometime in the next fiscal. We have worked very hard during the past year to restore our topline growth to a level of 2x the industry growth rate. Towards this end, we have initiated a large number of measures during the last fiscal including our focus on Tier-1 and Tier-2 towns as opposed to our earlier focus on smaller Tier-3 and Tier-4 towns.

Many other strategic initiatives were also undertaken in a phased manner last year some of which cannot be elaborated upon in public for confidentiality reasons. These initiatives do take some time to show results although green shoots were clearly visible in the second half of the last fiscal the full manifestation has emerged in the last quarter. I might say that we have gone significantly beyond our stated goal of achieving 2x the industry growth for we have ended up at more than 3x the industry growth on a standalone basis and about 4x the industry growth on a consolidated basis. Now, we fully understand that the true test of success will be proven only if we manage to maintain the superior growth for the several successive quarters.

We at Indigo shall leave no stone unturned to demonstrate precisely that. Q2 has started off on a very positive note for us and our high growth momentum of Q1 has certainly carried forward in the month of July. I sincerely hope that Indigo Paints will be successful in exhibiting continued outperformance of industry growth rate in the coming successive quarters to instill confidence in our shareholders of our ability. As always, Indigo's focus is not just on growth but on profitable growth. In terms of bottomline growth and various profitability parameters, I might add that our track record has been quite impeccable. We shall strive our best to ensure that this track record remains intact in the future. That is all that I have to say in terms of introductory comments. I welcome any questions that people may have who are listing in. Over to you Manoj!

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: Thanks and congrats on very good set of numbers. My first question is 3x the growth of the industry earlier you had pointed out that 40% increase in this on-ground sales team you are doing and also new loyalty programme for paint contractors so has this already given the full benefit and which one is working better and any learnings, any tweaking you would need in either of these?

Hemant Jalan: Thanks for the congratulations on the numbers. Now you know when you initiate three or four different initiatives, it is very hard to separate the results of them and say which initiative has contributed what. Some of these have a multiplicative effect rather than a simply additive effect, so it is very difficult for me to quantify as to which of these initiatives have yielded more. I think they have to be taken all in tandem and as far as tweaking ahead is concerned certainly that is an ongoing process and you keep tweaking these things. So you know when we have added to the sales force it is certainly not the end of it, we have planned on a more phased wise increase in sales force in every quarter for the next few quarters, also in our BTL team which engages with the contractors further engagements with the contractors and the painters, both in physical form and in the digital format and all of the things that we have been talking about, so I think that is an ongoing process. We hope that what we have demonstrated in the first quarter will not only be sustained, but we hope it will be accelerated upon in the quarters to come and that is what we as a company will strive for.

Abneesh Roy: One followup here. The same team is now selling waterproofing also or there is a separate team?

Hemant Jalan: No, it is the same team at the moment because by and large there is a very large overlap between paint dealers and selling of this retail waterproofing and construction chemicals. So by now I think these waterproofing products at the retail level are almost an integral part of paint offerings for most companies, so at the moment, yes, it is the same team that is selling both.

Abneesh Roy: Sure and my second question is on slide #15. Here I see almost 8% difference between the value and volume growth of primer, distemper and others, is this a price cut, is this a mix which is s different and why is it in terms of pricing difference versus emotions and enamels if you could explain that?

Hemant Jalan: Thank you for asking this question. I was hoping somebody would notice it and you see that in all other categories the volume growth and value growths are pretty much in sync but when you come to the primer and distemper category the volume growth as you rightly pointed out is 9% points ahead of the value growth. Now this is exactly what we are saying that this is the fallacy that stems in when you start combining products together. Now, in this particular case where we are combining primers and distempers, both of which are relatively low value added, but distemper being the lower value compared to primers, our growth in distemper volumes has been disproportionately high compared to our volume growth in primers. Therefore, the overall volume growth when you put the two together becomes higher than the value growth. Now you can see for yourself, even though we have split up the paint category into four different categories, the fact that we have combined primers and distempers and others in one category shows the contradictions that come between volume growth and value growth because of disparate things being put together. Now imagine if we start following what our other competitors do of combining all the products into one then you can understand what we consistently say that volume growth numbers really mean nothing unless you give more granular details of what volume growth and value growths are in different segments, so I hope that answers your question.

Abneesh Roy: Yes, that was quite helpful. My last question is on the advertising spends and growth in the Tier-1 and Tier-2 market. In FY2023 your Tier-1, Tier 2 market was around 32% has it now become 35% and second is when you are expanding so much in these tough markets where your legacy presence has been lower versus the Tier-3, Tier-4 how come you are able to save on advertising spend because the saving on advertising spend seems slightly ahead of expectations, I understand the other players are more at 4 to 5% of the revenue you are still maybe 7.5 to 8%, but it used to be in double digits so it seems the savings are add to our expectation?

Hemant Jalan: See, the growth even in this quarter in Tier-1 and Tier-2 towns has been about 1.5x the growth in the smaller towns. So as far as the whole year of last year is concerned you are right, the Tier-1 and Tier-2 towns together had started contributing 32% which was a jump from 25% what they contributed in the year before that. I have not analyzed the contribution that has come in from Tier-1, Tier-2 towns as far as the quarter is concerned. It is more meaningful to analyze it when the full year is over. We hope that by the end of the year it will start contributing at least about 38% or so of our total revenue, maybe 40% if we are lucky. Now you talk about advertising spend. So see, advertising spends has nothing to do with Tier-1 towns or Tier-3 towns. Your TV ads percolate through all genres of towns equally. Now, the advertising spends have not tapered down the advertising spends are pretty stable and in the course of the year you will find that there will be a slight increase in the advertising spends, but the growth in the advertising spends will be lower than the topline growth and therefore as a percentage of topline they will decline and that is what we have been saying for the last two-and-a-half years and that is why the EBITDA margin will keep improving and I think that the level of advertising we are doing now is quite sufficient. We have done brand track studies in many states and we find that the recall of our brand name is perhaps a little disproportionately high compared to our brand share or market share and therefore disproportionately just going on increasing on advertising we do not think is going to give us that much of incremental value. It is more important now to spend on other things our engagements with the influencers in various formats, both in terms of manpower costs as well as the incentivization that we do for the influencers and the efforts that we put on the ground to engage with them, it is those that are going to drive the growth and the proof of the pudding lies in the eating and the quarterly results clearly demonstrate that the path that we have chalked out on is bearing the desired results.

Abneesh Roy: Thanks. That is all from me.

Moderator: Thank you. The next question is from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Thank you for the opportunity and HemantJi thank you for your very detailed thoughts in the opening remarks as well as Q&A. I have two questions. One is that in Apple Chemie are you still looking at any gaps in the capability or product or geographical presence to sort of augment those would you continue to look at acquisitions that is my question number one and question number two was I know you talked of a very positive first quarter and continued momentum in second quarter, but are there any things either macro or micro that you worry about? Thank you.

Hemant Jalan: Apple Chemie itself I think has the capabilities of becoming a pan Indian player. So, I do not think that there are, we are looking actively to acquire a similar company in another geography. I think it is best that we organically grow Apple Chemie to cover various geographies in India. As far as product segments are concerned, yes, there are other product segments which are allied to that line in construction chemicals which Apple Chemie may not be engaged in today. I would not say that we are going out of the way to engage with any such company, but we are always welcome to look at such opportunities as and when they come and if such an opportunity does come up, which add synergy to the business of Apple Chemie we would be more than happy to look at it as and when it comes if we think it is a good fit. Your second question about macro and microenvironment that may worry us or be of concern at this point in time, not really so. The paint industry has been fairly resilient with changes in macro environment over the last 10, 15 years if you see both inflation graph in India, the overall economic growth, GDP growth they have gone through good spells and bad spells, but the paint industry has been fairly resilient towards all of that and also when it comes to a smaller player, a relatively smaller player like us most of our growth comes from gaining market share from others because our base is very small, so minor changes in macro environment I do not think will affect us in any significant way. In terms of micro parameters, yes, the raw material prices have been benign during the last four quarters I would say, they have shown a continuous declining trend. I think they are pretty steady now for the last couple of months. If something were to happen to upset that and if raw material prices suddenly start moving northwards and there is no indication at the moment that that could happen, but if that were to happen then it would affect the entire paint industry and the paint industry will again have to tighten its belts a little bit on trade discounts, etc., but I do not foresee any major change in the macro micro environment that would cause a sleepless nights at this point in time.

Namit Arora: Thank you very much for your answers to both the questions and all the best to the entire team. Thank you.

Moderator: Thank you. The next question is from the line of Hiral Desai from Anived PMS. Please go ahead.

Hiral Desai: Hi HemantJi congratulations on a super quarter.

Hemant Jalan: Thank you HiralJi.

Hiral Desai: Just on the Apple Chemie B2B business if you could sort of spell out how large can it become over next three years or so just wanted your thoughts on that?

Hemant Jalan: See Apple Chemie last year if I remember correctly was somewhere around 42 Crores or thereabouts. They have largely been operating in Maharashtra with very pedigreed customer base of some of the largest infrastructural companies in the country like L&T and Shapoorji Pallonji, B. G. Shirke, and Afcons and so on and so forth, largely being Maharashtra focused. Their order book at the moment seems to suggest that from within the same geography and the same customer base they could do maybe 40% or more growth in the existing geography with their existing customer base. Now, the same customer base exists in every corner of India and you know how much the infrastructure space is being invested in by the Government of India and so we have encouraged Apple Chemie and they have followed our guidance and they have recruited large number of sales and marketing teams in about 8-9 other states during the last quarter. Now B2B business takes a few months' time to fructify into results. We expect that a reasonable order flow from some of the other geographies will commence in Q2 and will probably gather a lot more momentum in the second half of this year, so it is a very small company where the sky is the limit in terms of opportunities, they certainly have the capabilities, the technology and the patents to execute it. Now, how fast the numbers will grow over what period of time is something that is very difficult to speculate, but in a couple of years to reach a number of 200 Crores in topline is not unforeseeable, it is something was a very practical and possible. How soon that will happen is something a little difficult to predict because we have invested in that company just three months ago and let us see their strategy playing out for a couple of quarters before we start giving any specific number guidances, but whatever it is, the growth can only be northwards at a high trajectory and we sincerely hope that that happens.

Hiral Desai: Actually the numbers that I was thinking about so more like 200 Crores in three years so I think.

Hemant Jalan: Great men think alike.

Hiral Desai: Nothing else on the business.

Hemant Jalan: Thank you HiralJi.

Moderator: Thank you. The next question is from the line of Anupama Prakash Bhootra from Arihant Capital. Please go ahead.

Anupama Prakash: Congratulations for the great set of numbers. So my question is just a followup question, it was related to Apple Chemie only, so Apple Chemie has opened those for institutional segments and you have answered what kind of opportunities just a followup question as in how the margins are impacted once we grow substantially in this segment?

Hemant Jalan: Anupamaji, the EBITDA margins and all the other profitability parameter margins of Apple Chemie are pretty similar to our set of numbers. So, therefore growth in Apple Chemie is not likely to be either margin dilutive or margin accretive. So, I think that our EBITDA numbers on a consolidated basis or the gross margin numbers or even the PAT numbers as a percentage are not going to change in any appreciable manner because they do operate in product ranges where they have a technological edge because of which they command some kind of a pricing premium. In many of their products they are competing against very high value imports and really do not have too many competitors within India so to speak and therefore we are not worried about any margin dilution that will happen with the expansion of Apple Chemie.

Anupama Prakash: Fine I got it. Thank you.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: The question is most of our peers have indicated about this strategy in projects business, indicating this business is becoming much larger and they are having separate teams for tracking architects as well as other large contractors, influencers, etc., so I understand that the ROCE in this business is relatively lower, but still what will be our strategy on this side of the business over a period of let us say next three odd years that is question number one and secondly we are growing at a phenomenal rate so you want to point out some of the regions or states which are doing relatively better for us as far as the growth is concerned and which are the other regions where we can see more similar kind of growth performance and also last question, third question on July I guess we have indicated that July has been a blockbuster month so any particular reason why we are seeing such strong growth whereas the peers are not yet able to such a report strong growth?

Hemant Jalan: Let Suresh Babu, our COO answer some of these questions that you have asked.

Suresh Babu: Good morning Aniruddha. Regarding that first question of projects team and focus on projects, Aniruddha we have just about started giving little bit of focus on the project business. We have recruited a senior person who would be heading that vertical from Pune and I think going forward we have identified certain geographies where we will be setting up teams for catering only to the project business, but that is just starting I would say, there is a long way to go in that. The second one was regions of higher growth, Aniruddha, it is quite difficult to tell you or reveal to you which are the exact regions, but it is more or less on the lines of what we were doing earlier. Most of our regions other than Kerala are also growing quite high and Kerala also has been registering double digit growth.. that is about it.

Hemant Jalan: You are talking about July, so you are saying that July we have witnessed very high growth. So you said compared to competitors and frankly I have no idea what competitors have registered in the month of July. All I can say is that if the trajectory of their stated results in Q1 have continued in July and that is a very big if, I do not know whether they have gone up or gone down, our momentum in Q1 has definitely more than sustained itself in July that is all I can say. Unfortunately, we will have to wait for three months to see how the other competitors are doing in Q2 and only then will we find out as to whether we continue to outperform them by the same factor or not as far as Q2 is concerned, but yes July has been good and pretty much the same pattern as April, May, June, so four months in a row when we are doing good growth that kind of augurs well, gives us confidence that this is sustainable and not a one-off result.

Aniruddha Joshi: Yes. Sir this is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: Thanks for the opportunity and congrats on very good set of numbers. A couple of questions from my side. The first one when I see your network expansion and if I just compared June this year versus the previous June basically 21 versus 22, so we had moved from some 14,000 odd dealers to 16,700 dealers and now 16,500 dealers in the last year and then this year the addition has been slightly underwhelming, so just wanted to understand that is it like 2-3 quarters back you had highlighted that after a point the focus should be to increase throughput per store so are we kind of drifting towards that part of the strategy or we are reading too much into the slowdown on dealer addition as of now?

Hemant Jalan: A little of both, increasing dealer count is always the focus. Even when we talk about Tier-1 and Tier-2 towns it is not that we are short of dealers we have a large number of dealers there. Our tinting machine population was low in these towns and the throughput per dealer was very low as far as the Tier-1 and Tier-2 cities were concerned. So you are right. Just adding dealers for increasing a head count is not what is going to give you disproportionate results, concentrating more on throughput per dealer is likely to give you much more disproportionate results. So yes, between the two increasing throughput per dealer is on a higher focus for us than simply increasing dealer count, although we still focus a lot on increasing the dealer base. Now if you look at the tinting machine count which is one of the primary determinants of throughput per dealer you will find that that has been very healthy. From last June to this year June we have added about 1220 tinting machines so that is averaging a hundred a month and if you look at this quarter itself we have added almost 400 tinting machines so that is like 125, 130 a month which is a pretty good number, so adding more tinting machines with the dealers that we have is what is going to give the higher throughput per dealer and that will give us more bang for the effort in the intermediate term and of course the dealer count will slowly keep inching up as it is happening, maybe at a slightly slower pace now.

Tejash Shah: Got it and like in FMCG in early days there used to be a thumb rule to expand your distribution by 10% one can expect revenue growth of 3% are you seeing any such thumb rule which can play out in our sector?

Hemant Jalan: No, we have not done it any analysis on that, but I would say that in any particular geography a disproportionate increase in the number of dealers becomes somewhat counterproductive because when you increase the competitive intensity between the dealers their profit margin starts going down because they each start undercutting the other to sell their products and after some time their interest in selling your brand starts waning a little bit. So it is a fine edge, a very tight rope that you had to walk as to how many dealers to increase so that your distribution efficiency improves, your sales go up at the same time you have to keep the interest of the dealer alive in profitability of your product so that they do not start losing interest in your product. Now I may add that in the last one year we have also stated in the past that we have started focusing on appointing a lot of wholesalers, so some of these dealer additions that are happening, a large percentage of them are wholesalers. Now a wholesaler in turn starts catering to another fifty small outlets so we only talk about active dealers who are engaged directly with us. We do not report sort of touch points that we have increased upon as some of the other paint companies like to report because we think that is not very quantifiable and very difficult to get exact data on and we would be very hesitant to give out a number that we cannot audit and verify in a very specific manner so many of the dealer additions that are happening or happening with wholesalers. So actually our touch points are increasing far more than what the numbers may show and the tinting machine count is more representative of the intensity of sales that the dealer is engaging in.

Tejash Shah: Perfect Sir and the kind of expansion that we are seeing from industry in the recent past in terms of adding dealers and then this is for industry and for us as well do you see the creditworthiness of the credit quality curve we are going down that or is it still maintaining the same?

Hemant Jalan: Absolutely credit is not something that we sacrifice on at all. We are very, very strict on our payment terms and our outstandings in terms of number of days have been pretty consistent and marginally going down by one or two days or something. So, I do not think that we use credit as a tool to grow that is a very dangerous strategy to tread on and certainly Indigo Paints would never be party to using credit as leverage for growth that is not at all in our DNA.

Tejash Shah: Very excellent Sir. Last question hypothetically obviously crude has been very volatile of late, but hypothetically let us say for the rest of the year if raw material basket has to go benign from here as a strategy would you like to pass on the benefit to consumer and how do you see the competitive intensity behaving in the hypothetical scenario?

Hemant Jalan: Two questions to that. A whether we would like to pass on by a price cut unfortunately that decision is always taken by the market leader we do not take those decisions. It really makes not much of a difference because what happens is that when raw material prices started going benign for the last few quarters, although the prices were not reduced of paints, but the discounts of the trade schemes that were offered by everyone started getting ramped up by all players in the industry, so the revenues that we report as per Ind-AS method of accounting is net of all discounts. So suppose the market leader were to announce some kind of a price cut in the months ahead hypothetically as you said what is likely to happen is that it will be accompanied with a reduction in the quantum of trade discounts that will also be concurrently happening, so on a net basis I do not think the topline is going to change very significantly. Now, the other question that you asked about increasing incoming competition from other players I think any new competitor would play a price war in paints at its own peril and it would be silly on their part if they attempted to do that because paint is not a product which is as elastic in terms of pricing the demand for paints and people do like to buy good quality paint because it is a statement that they make for their house and generally we have seen that undercutting prices and offering products at a lower price gives the impression rightly or wrongly to the customer that this is an inferior quality paint and those kinds of efforts have not been successful in the past. Now, taking your argument one step further hypothetically as you kept saying suppose a new competitor want to engage in some kind of a price war in certain paint segments what would happen, I think logic would dictate that whoever has the strongest gross margin is likely to be hurt the least and a paint player with low gross margins and low EBITDA margins is likely to be impacted more. We for many, many quarters or many years have always been the industry leader in gross margins. So I think we are likely to be the least impacted should such a situation arise, which to begin with I think is quite unlikely.

Tejash Shah: Very clear Sir. Thanks and the all the best to the team.

Moderator: Thank you. The next question is from the line of Sriram R, an Individual Investor. Please go ahead.

Sriram: Two questions. One is can you give the geographic split south, north, east and west and second is your product mix breakup how much would be emulsions and the other categories just breakup of these?

Hemant Jalan: I think you are asking for questions which I do have the answers to, but I would hesitate in sharing such granular information at this forum as to how much does each segment contributes. In general broadly I can say North India was the place where we entered the last and many states in North India like Jammu and Kashmir, Himachal Pradesh, Delhi, even Punjab, and Uttarakhand, we are fairly recent entrants in the last two to three years, some cases four years that we have entered those states, so overall North India's contribution is somewhat less than other parts. The only place where we have been disclosing our contribution to the total topline has been the state of Kerala, which last year if I recall was above 28% so that makes South India a little kind of heavy although we are pretty strong now in both East and West India and gaining market share in all those regions but specifically to give you contribution of each region or each product line to our overall turnover I think would be parting with information which would be somewhat confidential and I would not be very comfortable in sharing that information. We are sharing our growth numbers in all paint categories separately, which is far more than what anyone else in the paint industry discloses and I am afraid that as far as we are willing to go.

Sriram: Five years from now, do you still expect Kerala to contribute one third, what is your sense on?

Hemant Jalan: I think with the high market share that we have in Kerala we cannot expect the growth in Kerala to be as much as our ambitious growth plans for other parts of India. The share of Kerala in our overall pie has been gradually going down each year and if you see our transcripts of our earlier presentations, etc., a couple of years ago that number was about 32% it kind of goes down by about 1.5%, 2% every year and that is good because it makes us less dependent on the vagaries of one state. Having said that Kerala itself has been growing phenomenally well during the last 8-9 months, almost at par with our overall company growth rate, so yes we expect Kerala to continue to contribute a fairly significant portion of our revenue, but I would be surprised if it continues to be, some time ago it was 33% today it is 28% logic would suggest that it may come down to 25% in a year or two but it will still be heavy.

Sriram: Thank you so much. All the best.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments. Thank you and over to you all!

Hemant Jalan: Well, thank you all for listening in patiently, for all your accolades, for our good results and for the very interesting questions that you have had. We look forward to engaging with you in every successive quarter and we at Indigo Paints hope to continue our good performance in the quarters to come. So love to engage with you on a one-to-one basis as many of you have been doing and of course collectively in this conference call every quarter. Thank you all for your patience.

Moderator: Thank you. On behalf of ICICI Securities we conclude today's conference. Thank you all for joining. You may now disconnect your lines.