INDIGO
Be surprised!

Date: June 02, 2023

To,	To
BSE Limited	**National Stock Exchange of India Limited**
Corporate Relationship Department	Exchange Plaza, Plot No. C-1, Block G,
25th Floor, Phiroze Jeejeebhoy Towers	Sandra Kurla Complex, Bandra (East)
Dalal Street, Mumbai- 400001	Mumbai - 400051
Scrip Code: 543258	**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.

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held with the analyst and investors on May 29, 2023 at 11.00 hrs (IST) to discuss the Audited Financial Results of the Company for the Financial Year ended March 31, 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

Sujoy Sudipta Bose
Company Secretary & Compliance Officer

Encl: As above

"Indigo Paints Limited
Q4 FY '23 Results Conference Call"
May 29, 2023

MANAGEMENT: **MR. HEMANT JALAN – CHAIRMAN AND MANAGING DIRECTOR – INDIGO PAINTS LIMITED**
MR. T.S. SURESH BABU – CHIEF OPERATING OFFICER – INDIGO PAINTS LIMITED
MR. CHETAN HUMANE – CHIEF FINANCIAL OFFICER – INDIGO PAINTS LIMITED
MR. SRIHARI SANTHAKUMAR – GENERAL MANAGER, FINANCE AND INVESTOR RELATIONS – INDIGO PAINTS LIMITED

MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Indigo Paints Q4 FY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, sir.

Manoj Menon: Hi, everyone. It's a wonderful morning from Bombay to all of you. Representing I-Sec it's our absolute pleasure to host once again the results conference call of Indigo Paint. The company is represented today by Mr. Hemant Jalan and team. Over to Srihari from the company for further intros and taking the call forward. Srihari, over to you.

Srihari Santhakumar: Thanks, Manoj. Good morning, everyone. Thanks for joining us on a Monday for this earnings call. Today from the management side, we have with us Mr. Hemant Jalan, our Chairman and Managing Director; Mr. Suresh Babu, Chief Operating Officer; Mr. Chetan Humane, CFO; and myself I am Srihari. As usual, we'll have a quick overview of the results for the quarter ended March 31, 2023, followed by quick Q&A. Over to Mr. Jalan.

Hemant Jalan: Should I start Manoj? Okay. Thank you all for joining in on the earnings call of Indigo Paints for fourth quarter FY '23. Now our financials for the quarter and for the year ended 31st March 23 have been uploaded on the stock exchange portals, along with our analyst presentation, and you probably had a chance to go through them. Now before I start with a summary of our financials, I'm happy to announce that Indigo Paints has crossed the milestone of INR1,000 crores on a net revenue basis and I would like to thank the entire team at Indigo paints, our suppliers and all our customers for aiding us in this journey.

Coming to our Q4 results. Compared to Q4 of FY '22, our sales in Q4 of FY '23 has registered a value growth of 12.86%, which is largely in line with the industry. However, the EBITDA has increased significantly by 33.4% from a number of INR53.77 crores in Q4 of last year to INR71.73 crores in Q4 of this year. The EBITDA margin that we have clocked in this quarter of 22.04% is the highest for our company in the last two years. Correspondingly, our PAT has grown by 40.74% on a Y-o-Y basis from INR34.59 crores in Q4 of last year to INR48.68 crores in Q4 of this year and the PAT margin has expanded to a very healthy figure of 14.83% compared to 11.89% in Q4 of last year.

As guided before, the favourable product mix in the fourth quarter every year has once again boosted the profitability of the company. If we look at the entire fiscal FY '23, revenues grew by 18.47% whereas the EBITDA grew at a much faster pace by 33.5% and the PAT numbers grew at an even faster pace of 56.98%. The growth in the profitability metrics are probably the highest in the paint industry.

The EBITDA margin and the PAT margin also expanded significantly this year, and we closed the year with a healthy EBITDA margin of 16.91% and a PAT margin of 12.18%. For the year under consideration, the company has realized a total PAT of INR131.94 crores compared to INR84.05 crores in the previous fiscal.

The Board of Directors has recommended a dividend of INR3.50 per share compared to INR3.00 per share in the last fiscal. In line with our brand-building strategy, our company continued to spend on advertising and promotion aggressively. Although the absolute spend on A&P remained largely unchanged from the previous fiscal.

However, the A&P spend as a percentage of net revenue has naturally declined from 9.7% in FY '22 to 7.7% in FY '23. As guided before, we expect this declining trend to continue in the future with absolute advertising and promotion spends increasing at a much slower pace than the increase in our net sales. As usual, we have given our volume and value growth numbers for each of the four major categories of paint products, both for the quarter and for the entire fiscal.

We can observe that the value growth and volume growth numbers are largely in sync. We witnessed a positive volume growth in all the segments. During Q4, the company witnessed a very strong volume growth in the primer and others category segments where the volume growth was 37.6% and also in the Putty and cement paint segment, where the volume growth was 42%.

In the emulsion segment and the enamel segment, value growth in the quarter is slightly higher than volume growth due to favourable product mix within the segment. If you look at the growth numbers for the entire fiscal FY '23, as expected, the value growth numbers were significantly higher than the volume growth numbers, largely due to the steep increase in paint prices in Q3 of FY '22.

We continue to focus on network expansion, much more on improving the throughput per active dealer and also increasing our tinting machine population steadily. Our count of active dealers and tinting machine population stood at 16,496 active dealers and 8,273 tinting machines on 31st March 2023. On the new product front, Indigo Paints has already launched its complete range of waterproofing products very recently, and the same have started hitting the shelves of the dealers as recently as last week.

As announced earlier, Indigo Paints has acquired a 51% stake in Apple Chemie India Private Limited on the 3rd of April this year through a combination of primary capital infusion into the company and secondary share purchase transactions with the promoters.

Indigo Paints also has an option to acquire additional stake in Apple Chemie at the end of three years. Apple Chemie is a fast-growing company in the construction chemicals and waterproofing space with a five-year CAGR of around 30% in top line, manufacturing and supplying products in the B2B space to various reputed infrastructure projects in the Western states of India. Apple Chemie has a wide range of products, which are complementary to Indigo paints. They also have a marquee clientele, which includes all major engineering and construction conglomerates in the country and with the government's massive infrastructure spending plan and the established client base, Apple Chemie is primed to soon become a pan-India player.

This partnership has enabled Indigo paints to widen its product offerings in the waterproofing and construction chemical space. Apple Chemie by itself, which was earlier largely present in

Western India, will continue to focus on the B2B segment and now on a pan-India level. Finally, the company has internally taken many, many initiatives to drive the top line growth to becoming 1.5x to 2x the industry growth rate. Many of these initiatives have now started showing positive results. April 23 has been an exceptionally good month for the company for top line growth and May 23 appears to be headed in a similar direction.

With already industry-leading gross margins and healthy profitability, we now expect the top line growth to start leading the industry average in the upcoming quarters. In line with our expected top line growth, we need to keep expanding manufacturing capacity. Our new paint plant at Pudukottai in Tamil Nadu has started trial production very recently and will enter commercial production in a few weeks. We are now beginning to start work on setting up a state-of-the-art 90,000 KL per annum paint plant at Jodhpur. That is all that I have as far as introductory comments are concerned, I look forward to fielding your questions. Thank you.

Moderator: Our first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: Congrats on very good set of numbers. My first question is on water proofing and Construction Chemicals, both B2B and B2C. What would be your expectation for FY '24 broad numbers? And say if three years down the line, what will be the expectation. And in terms of sales team, would you be able to leverage your current team or then the investments needed there?

And in terms of advertising, how do you see one, you have got Indigo paints brand and then the waterproofing and construction chemicals plant. How do you see synergy benefit there? And how much advertising could go up in this part of the business?

Hemant Jalan: Okay. Now as far as the waterproofing and construction chemicals segment is concerned, now there would be the B2B segment, which would be led by Apple Chemie. Last year, they did a top line of around INR42 crores to INR43 crores which was concentrated in one or two states in Western India.

With guidance from our side, they are now pushing to expand their sales team on a pan-India level and have appointed people in six, seven other states of India where large infrastructure projects are going on. The client base is pretty much the same across all states. And therefore, we expect very healthy value growth as far as Apple Chemie is concerned.

It's too early in the game for me to give a very specific number guidance, but we'd expect them to be fairly aggressive. As far as our own launch of waterproofing products in the retail space under the Indigo name is concerned. If you look at other companies that have made a foray into that, the leading two companies in the decorative space in India, they report that the waterproofing and construction chemicals at the retail level is beginning to hit 8% or 9% of the entire top line.

It would be ambitious to think that we would reach something like that in the very first year of operation. But definitely two to three years down the road, we should be able to get a similar percentage of our top line growth coming from the construction chemicals and waterproofing segment.

At the moment, we plan to use the same sales team because the channel is completely overlap. Today, waterproofing and construction chemicals are no longer in a jump space for the paint industry. They've become a very integral part of the brand portfolio. And therefore, at the moment, we intend to use the same sales team.

In future, if we feel that there is a need to have a separate sales team for that, we will consider maybe for channels which are not selling paint products, if the need arises, we will consider that. In terms of advertising, you will note that even these waterproofing products are being sold under the same umbrella name of Indigo brand, albeit with a separate subsection, which we have called the Protect plus series.

We do have plans on launching advertising campaigns for the construction chemicals and waterproofing space with our brand ambassador Mr. Dhoni and since the products have just been launched, we'll wait for a few months, let the product placement fully happen. Let us get some feedback from the market. And maybe in the second half of the year, you will see some good advertising as far as that is concerned.

Abneesh Roy: Sure, sir, two quick follow-ups on that. One is in terms of manufacturing of waterproofing and construction chemicals, current infra of Apple Chemie, is it enough? And second, in terms of advertising, you earlier said that as a percentage of sales, it will keep coming down because of the operating leverage, because of strong growth in sales, will it still come down now taking into consideration spend on waterproofing and Construction Chemicals?

Hemant Jalan: Okay. First of all, Apple Chemie's manufacturing capacity will only cater to Apple Chemie's production and sales, which is on a B2B segment. And that is quite adequate at the moment to cater to a much, much larger sales than what they are doing. However, having said that, they are also considering expanding their manufacturing capacity in certain segments of waterproofing and construction chemicals, that may happen over the course of the year.

As far as manufacturer of waterproofing products and construction chemicals, at the retail level is concerned, they are not manufactured at Apple Chemie's, they are being manufactured at Indigo paints and our existing infrastructure is more than adequate to take care of that because the equipment's required to make these products are very similar to the equipments required to make paints.

So we have had to make absolutely zero addition as far as plant and machinery is concerned to cater to this. Second question on advertising we still maintain that our advertising spend totally are not going to increase by a huge amount this year. It's just that the products that you focus on advertising, I mean, we have been advertising our decorative paints for a fairly long time and achieved a fairly high level of brand recall.

I guess that part of that advertising budget will be spent, as I said, during the second half of the year in advertising these construction chemicals and waterproofing products. But I don't think that that is going to change the overall budget of A&P spends in any significant way. To answer your question, yes, A&P spends as a percentage of top line can be expected to continue to decline in the years ahead as our net sales increases.

Abneesh Roy: Sir, that's very helpful. My last question is on your Tier 1, Tier 2 market growth. You said April and May, very strong growth and you expect in FY '24 industry-leading growth. And even in Q4, the growth in Tier 1 and Tier 2 has been double of Tier 3, Tier 4. So I wanted to understand a few examples of Tier 1, Tier 2, where you have seen good success recently, and it's a very tough market. We know these are dominated by the number 1, number 2 players, respectively.

So what is working now because the last three years also, there have been some issues like the floods and COVID due to which your growth rate could not be to the desired level, that was is initial expectation. But now what is giving us the confidence that we can have the industry-leading growth.

Hemant Jalan: I'll ask Suresh to answer that question.

Suresh Babu: See, in the Tier 1 and Tier 2 towns, as we had specified in our Strategy 2.0, we have started focusing specifically on these bigger towns and we were having contractor programs to address the contractors. We are selecting the dealers very cautiously. The team was asked to specifically focus on these dealers and that has actually started yielding the results. Our schemes to these dealers have also become quite aggressive in line with that of competition in the bigger markets. So I think this will -- all this aggression will help us in the coming years and in the coming quarters. And we will also continue not to let down our guard on the up-country markets.

Moderator: Next question is from the line of Gaurav Gandhi: from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi: Congratulations on the good set of numbers. Just one question from my side. I have observed that the industry leader because of the age old relations with the dealers has been in a significant bargaining power regarding discouraging the dealers to keep products from other companies. How does this impact us? And how do we deal with these kind of situations?

Hemant Jalan: See, to ask a dealer not to stock a product of another company would be in contravention to laws and fair marketing practices, we would not expect an industry leader with the kind of governance that they have to engage in such unfair trade practices and frankly, we don't see any evidence of that on the ground.

Having said that, all dealers across India are largely multi-brand. Each company that is represented on any dealer outlets will always try to aggressively expand its share of that counter sales. So that kind of aggression always goes on. And it has been going on for the last 25 years, it will continue till eternity.

So I don't think that any company has the power or the inclination to wipe out any other competitor from any dealer outlet, ultimately, a dealer has to think for himself or herself as to what product mix and what brand mix best suit the requirements of the consumer and best suit his profitability goals that he may have for his shop.

So yes, of course, there is a constant aggression not just by the industry leader, but by all players, including us to gain market share at any dealer counter and that is healthy competition, and that will continue for all times to come.

Moderator: Our next question is from the line of Anupama Bhutra from Arihant Capital. Please go ahead.

Anupama Bhutra: Sir, my question is on Apple Chemie. So what kind of margins are we expecting? Is it going to be on the same line since it's B2B? And the other question is what kind of like there was a margin contribution from better product mix and incremental volumes. If you can just quantify little bit.

Hemant Jalan: The first question, the EBITDA margins of Apple Chemie are pretty similar to that of Indigo paints. And therefore, the addition and top line that will happen as a result of consolidation are not likely to be either margin dilutive or margin accretive. So I think that there, we don't have much to worry about. I'm sorry, I couldn't hear your second question clearly. Could you kindly repeat that?

Anupama Bhutra: Yes, yes. The second question is, again, regarding margins only since we witnessed a very good margin expansion. So I just wanted to understand what kind of benefit product mix like better product mix, which has got into margin and incremental volume. So if you can a little bit quantify what kind of basis points have they contributed in.

Hemant Jalan: So our margins, which our gross margins, if you note, have always been the highest in the paint industry, including higher than the industry leader by a fairly significant stretch. Now one of the contributors of that is the fact that we have a large arsenal of differentiated products where we kind of dictate the pricing terms, and they are now constituting 31% of our total portfolio. Now always, many of these differentiated products have a slightly disproportionate share of sale in Q4 because the weather conditions are more conducive for application of some of these products. And therefore -- and this is a guidance that we have always given, both in terms of top line sales as well as in terms of margin.

Normally, Q2 is better than Q1, Q3 is even better than Q2, and Q4 is our strongest quarter. Now that has historically been the pattern. If you omit COVID effects, which may have come in somewhere in between during the last two, three years, and we expect that trend to continue. So yes, I mean an EBITDA margin of 22% that we have posted in Q4, are we going to maintain that EBITDA margin in Q1? The answer is no. It won't happen. But if you look at the overall year where we have registered an EBITDA margin of 16.91, I think, we would expect a significant increase of that on a year-on-year basis as far as the whole fiscal is concerned.

One of the contributors of that will be the gradual drop in A&P spends as a percentage of top line, where we are still very, very overweight compared to the rest of the industry. And the other is the constant increase in our sales, especially the sales in our differentiated products. So I think the margin outlook for the whole year looks very, very healthy compared to the last year.

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

Hiral Desai: Congratulations on achieving the INR1,000 crores revenue threshold. So I had a couple of questions. Am I audible?

Hemant Jalan: Very audible Hiral Ji. Go ahead.

Hiral Desai: Yes. So sir, the question was it's been a year since we had embarked on the strategy of focusing on the 750 cities. Obviously, the idea was improving the throughput per dealer. So just wanted to get a sense, it's been a year, would you be able to share some numbers or have you been able to improve that? And in case you can't use the numbers, then you could use 100 as a base and just give us a sense of what has happened.

Hemant Jalan: So we have mentioned that in Q4, the growth rate in the larger cities, the Tier 1, Tier 2 towns have been almost twice that of the growth in the up-country markets. Now the fact that it has been a year since we announced it, some of these initiatives do take time to fructify and to start yielding measurable results on the ground.

We had to drastically increase the force of people that we have, what we call the BTL staff, below-the-line staff who engage with painting contractors in these larger cities, it's not just engaging with painting contractors, but then visiting their project sites, helping convert some of those sites to Indigo from other competitive brands.

So to get all these people recruited to get them properly trained and to start actioning the work on the ground probably took the better half, the better part of the first half of last year. It is really from October onwards that we started seeing some measurable increase in the growth in the larger cities. It has gathered pace in the Q4.

It seems to be gathering much more pace as far as Q1 is concerned, which is why we are saying that we are pleasantly surprised at the top line growth that is being recorded in April and so far in May, which is not yet complete. I'm sure much of that is due to this initiative of focusing on the large cities that we have.

Hiral Desai: Got it. Sir, the other question was just when you compare sort of our portfolio with the rest of the industry and by industry, I mean next of the market leader, what would be the share of your products for us versus, let's say, the number 2 or the number 3 player?

Hemant Jalan: Well, you can -- it's the decorative paint market is roughly INR50,000 crores or so. And if we do slightly over INR1,000 crores, then the overall pan-India market share would be a little over 2%. And you would expect the industry leader to be having slightly more than 50% or something around that order of magnitude.

Maybe the number two player should be having, let's say, about 17% to 20% or something in that range. So we have a long way to go in catching up with the bigger players. But I think we are well on our way to close the gap between them and forthcoming years.

Hiral Desai: Sir, lastly, I think on the EBITDA margin, obviously, there is some leverage on advertising. There is obviously some leverage, which would be possible on freight now that we have not seen in this year. So how should we think about the freight as a percentage of revenues as we go along?

Hemant Jalan: So we have presented in the analyst presentation, I mean, freight last year, as a percentage of top line was 8.9%, and this year is largely unchanged at 9%. You have to bear in mind that as the top line grows and the product mix becomes more favourable, you would expect freight expense as a percentage of net revenue to slightly decline.

But then you also have to take into account the huge increase that has happened in the last year in petroleum prices and therefore, the cost of diesel, which has driven up freight expenses to some extent. So therefore, if you look at the last four years, our freight expense has steadily declined from 10.5% of net revenue in FY '20 to now a level of 9%, we would expect this to keep moderating, although the effect is not likely to be as drastic as the decrease in A&P spend as a percentage of top line, so assuming that oil prices now remain stable, you would expect something like about 0.5% leverage to kick in from freight declining as a percentage of net revenue.

You would expect at least 1.5% to kick in from declining A&P spend as a percentage of top line, definitely not in absolute terms. So those are the two levers, which are definitely going to help improve our margins as we go forward.

Hiral Desai: Fair enough. This is super useful. Wish you guys a very good FY '24?

Moderator: Our next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: Sir, two questions. First question is on the gross margin. So the kind of expansion we have seen in Q4. So going ahead, where should gross margins settle considering so if there is any seasonality in Q4? Or do we expect any incremental gross margin being used for greater volume growth. So how -- what kind of trajectory do you see for gross margin expansion? That is first question.

Hemant Jalan: I think as far as the whole year is concerned, we'd be happy if we can maintain the gross margins at what we have or maybe with a very marginal improvement -- so for the entire year, if you see our gross margin has been 44.5%, which is significantly higher than anyone else in the paint industry. And by the way, we have been, at least in the last two quarters, been very, very aggressive in scheme discounts to dealers. Despite that, we have managed to get extremely good gross margins in the fourth quarter, 46.82%. As I said, 46.82% in the fourth quarter is not likely to be a number that will sustain in Q1 because the product mix in Q1 is never as favourable as it is in Q4. So maybe there could be a marginal decline in the gross margin percentage in Q1.

Basically, it is the month of June that always drags down this gross margin percentage for Q1 because depending upon when the monsoon starts, if the monsoon does hit in the first week of June, then the product mix during the monsoon months does become a little unfavourable as far as gross margin contribution is concerned. But I'm pretty sure that with the continued aggression that we have had in the last two quarters in terms of discounts and trade schemes to garner top line growth, the gross margins would probably continue to lead the industry by a significant margin, but there would be seasonal variations as far as Q1 to Q4 are concerned, and that is very inherent in the business.

Keyur: And second question is on the waterproofing. So our acquisition of the Apple Chemie based on your commentary, it seems that that would primarily focus on B2B business. So the acquisition purpose is only to get access to B2B business, and we'll continue to work on B2C from this stretch. Basically, if you can just clear how both of this structure would work for the waterproofing?

Hemant Jalan: So two parts to that answer. See, so far, Indigo paints had zero exposure as far as institutional sales or industrial sales was concerned. All our competitors have anywhere from 15% to maybe 45% exposure in industrial paints as a group may not necessarily be in the waterproofing sector somebody is heavily focused on automotive paints, somebody is focused on protective coatings as far as large industries are concerned, and some are focused on a wide variety of other things like oil coatings, powder coatings and so on and so forth. That segment has so far been a zero contributor to our top line.

Now we see huge growth in infrastructure happening Apple Chemie, which has a client base ranging from marquee names like L&T and Shapoorji Pallonji and so many other very, very large prestigious infrastructure development companies to expand their base from one or two states to maybe 10 states in India, I think, would give a lot of top line muscle and added growth in the years to come, both to Apple Chemie and also to the consolidated numbers of Indigo paints.

Secondly, when it comes to the decorative portion or let's say, the retail portion of waterproofing chemicals and construction chemicals. Now the retail portfolio of these products have a much lower specification than what is applied in the infrastructural projects when you're supplying these chemicals to build expressways or bridges or irrigation canals or dams, you can well appreciate that the specification and the technology being used to manufacture products for that segment is much superior to what is required when it comes to housing projects or bungalow construction, etcetera.

So therefore, we have taken and benefited a lot from shall I say, consultancy expertise from Apple Chemie to design our retail portfolio to provide best-in-the-class products as far as the retail space is concerned compared to all other competitors who are already operating there and also leverage the technological advantage in giving state-of-the-art products to the retail sector.

So therefore, the rationale for acquisition of Apple Chemie was twofold. One was to increase or to initiate our footprint into the industrial segment of the B2B segment. And the second was to learn from them and tailor-make our products in the waterproofing space, which is fast becoming a very large contributor to the top line of all paint companies.

Keyur: Understood. Sir, just one follow-up. So whatever our initiatives will be on say decorative or industry paint or, say, decorative paints on the institutional client’s side, would that be rooted to Apple Chemie or that remains in the Indigo Paint only?

Hemant Jalan: Apple Chemie I think will continue to focus only on construction chemicals and waterproofing because that is where their strength and their forte lies. At the moment, we have not launched any products, paint products per se as far as the institutional sector is concerned. If and when we launch it, that would be by Indigo paints or could be by a JV with some other company depending upon whom we tie up, if at all, we need to tie up with someone, but I don't think that Apple Chemie would be playing a role as far as paint products are concerned on an institutional basis.

Keyur: Understood sir, very clear.

Moderator: Our next question is from the line of Utkarsh Somaiya who's an individual investor. Please go ahead sir.

Utkarsh Somaiya: Can you please tell me what is your capacity utilization for FY '23 and for Q4?

Hemant Jalan: Measuring capacity utilization in the paint industry on an overall basis for a fiscal or for a quarter, Utkarsh is not very meaningful. For any paint company, that number is likely to be somewhere in the range of about 60%. It also depends upon what product mix you choose to make. The same equipment, depending upon what product you wish to churn out from that equipment, it can give you an output of, let's say, 30,000 litres a day or 10,000 litres a day with that same equipment depending upon the product.

So capacity utilization or even the notion of capacity is a slightly fuzzy number when it comes to decorative paints. What is more important in decorative paints is not the overall capacity utilization, but what is the capacity utilization during the peak months.

Paint products, as you are well aware, undergo a seasonality and typically, they witnessed two sharp peaks during the year. One comes around the time of October, just before Diwali, when the northern states of India witnessed a big spurt in painting activity, which we call the festive season, which is confined to North India. But that gives an overall peak to the demand.

The second is the peak that comes usually around March. March and April are two heavy painting months for climate reasons. The weather is very conducive. It's neither too hot, not too cold. It is just before the heavy marriage season, which comes in, in May. So that is the other time when the paint industry typically experiences a peak.

So your capacity has to be able to take care of the peak demand in October and March. Now there, what we found is that the capacity utilization during the March that has just gone by was pretty high. So it's not a number for the entire quarter, but what happens in that specific month when you need to service the demand. Paint products are very bulky.

You don't have the flexibility of making a lot of paint products in advance and storing them for two months, three months because the storage space that they will require would be humungous. And so all paint companies fluctuate their production to meet the seasonal pattern of demand.

Now whenever you see that during a peak month, you seem to be approaching some kind of, shall I say, bottleneck or you foresee such a bottleneck coming 1.5 years down the road, that is when you initiate some capacity expansion activity. So we manage to get by this peak of March 23 without any loss of sale. The Pudukkotai plant that we had initiated construction of almost two years ago is just coming on stream.

So it will be sufficient to take care of the peaks for the next two to three phases, that is October 23, March 24 and perhaps October of 24 also. Beyond that, we foresee a possible bottleneck coming in by the time we hit March 25, which is why we are now initiating setting up a large -- much larger capacity paint plant at Jodhpur, which is one of our existing facilities.

So that two years down the road, when we face a spurt and demand in March 25, we are not caught napping. So that is how the paint industry typically views capacity. Overall capacity utilization during the year is a much great relevance.

Utkarsh Somaiya: Understood. So this INR250 crores in CWIP in your balance sheet that doesn't include the Jodhpur plant, right yet?

Hemant Jalan: No, we haven't even started anything on the Jodhpur plant. It's almost completely accounted for by this Pudukkotai, Tamil Nadu plant. And the moment we declare it in commercial production that would translate and shift from CWIP to fixed assets.

Utkarsh Somaiya: Right. And historically, have been seeing you've been doing a fixed asset turnover of 3 to 3.5x. So would we expect to continue something like that going forward?

Hemant Jalan: It depends how you calculate that fixed asset turnover, do you include CWIP in the fixed assets? Do you not include it? Do you include idle cash, which is invested in treasury operations as part of assets or not? Different people have different metrics and ways to use it. And I can't say that one method is right or one method is wrong.

But whatever method that you use consistently, you'll find that our fixed asset turnover has been steadily going up from last fiscal to this fiscal and also on a quarter-on-quarter basis, and if you choose the metrics of including CWIP, then the fixed asset turnover will go up in proportion to our sales. As the sales will increase in the next year, you would expect that number to go up because we don't see any material change in fixed assets during the next 12 months other than the CWIP shifting to fixed assets.

Utkarsh Somaiya: Right. So including the new CWIP plant and the current fixed assets, would it be fair to assume your peak sales should be around INR1,700 crores to INR1,800 crores?

Hemant Jalan: Thanks for the compliment. We would expect that to happen this year. I don't mean the time actually materializes or not, let us wait and see. But going from a number of almost INR1,100 crores to INR1,800 crores would be a very welcome outcome if it were to happen. Just wish for the good wishes from you and the numbers get accumulate.

Utkarsh Somaiya: No what I meant was, I didn't mean when you could achieve it, but is it possible for our peak sales to touch INR1,700 crores, INR1,800 crores with the current capacity at...

Hemant Jalan: Yes, absolutely. With the capacity that we have set up at Pudukottai, which will, I mean, we have already started making small quantities of paints there. It's still not reached a level of continuity to be called as commercial production. But with this capacity, I think we'll be able to cater to much more than INR2,000 crores of sales far in excess of that in fact.

I think it should be sufficient to take us to a level of maybe about INR2,400 crores, roughly, give or take, a few hundred crores here and there depending upon the product mix variation. It is to go beyond that, to go beyond a level of INR2,500 crores that we need to initiate some capacity expansion at Jodhpur, and that will take 21 months to 24 months to fructify. So we hope it will come on stream sometime before March 25. And hopefully, we'll be touching peak sales or that run rate to cross INR2,500 crores at that point in time.

Utkarsh Somaiya: And what is the capex for the Jodhpur plant for the next 2 years...

Hemant Jalan: It has not yet been fully worked out. So I cannot give. We are just starting work on that. We are collecting all the estimates, etcetera. It would be a little premature to talk about that. The total capex, net of input tax credit for the Pudukottai plant is coming at around INR270 crores or thereabouts. I would imagine that it would be something of that same order of magnitude. But I cannot give a specific number guidance now until all the estimates have been fine-tuned.

Utkarsh Somaiya: And do you plan to raise debt or equity will it be funded through internal accruals? Whatever the number...

Hemant Jalan: Completely through Internal accruals, we see no reason to raise either debt or equity to fund these expansions.

Moderator: Our next question is from the line of Aniruddha Joshi from ICICI Securities Limited. Please go ahead.

Aniruddha Joshi: Sir, 2 questions. One, we have seen there is a very strong growth in the entire portfolio, except the emulsions. So when do we see the emulsions also coming back to the growth rates? And is there any impact, any region-wise or is segment of emulsion getting impacted? Can you throw more light on that? And secondly, you indicated that there are additional schemes as well as discounts as of now. So what is the extent right now? And generally, what is the normal scheme versus the what are the 3 schemes right now? Yes, that's it from my side.

Hemant Jalan: Volume growths in different categories happen at different paces. If you go back to the previous year, you will find that we had a very healthy growth in the emulsion category. And the growth in the putty category was significantly lower. The growth in enamel category was also lower. This year, the reverse has happened. The putty and the enamel category have grown much stronger and also the distemper category, where we have had an unprecedented growth compared to the emulsion growth.

So these things change from year-to-year, there is no specific reason that I can assign as to why in a certain year, certain categories grow much faster than the other categories, other paint companies unfortunately do not disclose such granular data. And therefore, it is very difficult for us to compare with others and see whether we did better than them on certain categories or worse than them in certain categories.

I wish other companies would disclose this data and maybe you people as a community should demand such data from the other paint companies because then it becomes easier to compare as to whether it was an industry-wide phenomena or something specific to our company. In the absence of that data, we are just left with comparing our overall top line value growth with the overall top line value growth of others. So that is something that I really can't do much about.

As far as discounts are concerned, previously, Indigo Paints used to be fairly conservative when it came to trade discounts. And I would say our overall quantum of discounts as a percentage of sales was probably much lower than that of the larger players in the industry. Since that was serving us well in the past, and we were getting good top line growth without starting with much higher discounts, we were fine with it.

In the last 6 months, specifically from maybe Q3 onwards of the last fiscal, we decided to get much more aggressive and start matching the quantum of discounts as a percentage of sales that other larger companies were offering. And today, I would say that our quantum on discounts are definitely on par with the rest of the industry. When we embark on increasing discounts, we thought that our gross margin percentages would decline.

And we were prepared for some sacrifice in gross margin to leverage higher top line growth because the higher top line growth would, in any case, have meant a higher EBITDA growth and a higher PAT growth. To our pleasant surprise, our gross margins have held themselves despite very aggressive increase in discounts. And we continue, I mean, yes, the gross margin percentage would have been probably higher than the high levels that they are already at had we not undertaken that activity.

But I think it has helped us run up good top line growth without sacrifice to the bottom line. And I think you will see a much clearer indication of that in the quarters ahead when our top line growth, hopefully starts outstripping the rest of the industry.

Moderator: Our next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Sir, first, I just wanted to kind of understand the construction chemicals bit. There has been suddenly a lot of interest from almost everyone in this space. I just wanted to appreciate what has changed over the last few years, which has made this segment so attractive because this was something that was existing earlier as well, but almost no one in the paint industry was kind of so focused on it. So if you could share your thoughts on what has made this more attractive over the last few years and why you kind of looked at this now, I would appreciate that.

Hemant Jalan: So I think the change that has happened and it has happened gradually over the last 4, 5 years. Previously, construction chemicals and waterproofing chemicals in the retail space were largely sold through cement outlets. There was a certain overlap as far as paint outlets and hardware stores is concerned, but the proportion of sales of this portfolio through paint dealers was much less than what it is now.

Previously, this product was largely something that was sold through cement dealers. And therefore, it was not as aligned to the paint industry as is now the case. Over time, maybe because of the entry of some of the larger paint companies into this space. gradually, we find that the share of sale of this set of products from the paint outlets has been steadily increasing. And now it can no longer be called as an adjacent space. I mean, take for example, I'll give you another product, wall putty.

Now wall putty has been around for maybe 15 years. So the originators of this wall putty were originally Birla White and JK White. Initially, it was largely sold through different channels. People who sold either cement or people who sold tile adhesives or people who sold various other kinds of hardware products, they were the prime sellers when it came to wall putty. And the market leader in the earlier days by far, I mean, Birla and JK probably together accounted for more than 90% of the wall putty that was sold.

Now that changed over time. And gradually, wall putty became one of the prime products to be sold by a paint outlet. And as that happened and as the entry of paint producers into this segment accelerated, the combined share of both Birla and JK in the putty segment has dropped considerably, considerably. I mean, today, I think that all the paint producers put together account for at least as much sale of wall putty as the 2 regional originators of wall putty are concerned, if not more than them.

I don't have exact granular numbers, so I cannot give exactly. But roughly all the paint producers put together account for almost half of the putty sale inside the country. I see the same trend happening gradually as far as the construction chemical and waterproofing space is concerned. So more and more of that sale is getting transferred into the paint outlets. People are finding innovative ways of combining some of these waterproofing products with some paint products and then applying them.

And these are learnings that we get when we interact with the paint dealers that some of the products are developing, shall I say, unintended users where some of these construction chemicals, some of these waterproofing products are getting mixed with putty or getting mixed with primer and other products before application. This is just hastening the becoming of all of these as mainline paint products because they no longer can be called ancillary products. So I hope that answers your question.

Avi Mehta: Fair enough, sir. I think I understood. Basically, now the channel has become easier to kind of set to and the applicator also has kind of started adopting it...

Hemant Jalan: Exactly. Previously, you brought in a very good point that I had missed out, previously to do waterproofing, there were a separate set of applicators. The painter never got involved in it. So you appointed a separate applicator to apply these waterproofing products and the painter was entirely different. Now over time, the painter has learned how to do it.

And typically now when a householder wants his home repainted, it first says that do waterproofing combined with painting activity. So the painter community has become expert at applying these waterproofing products and they take these projects in tandem that they will first do the waterproofing and then continue and apply your paint products and sometimes mix up the 2 products themselves also.

Avi Mehta: Got it, sir. Got it. No perfectly clear. So this is very helpful. So the second bit, I just wanted to kind of clarify, you pointed towards in the earlier question that capacity utilization is a fuzzy number. It can be 30k-10k litres depending on the product. Now this difference is because of what, whether it's a premium product or an economy product, is that what kind of defines that? Or what is this fuzziness related to? Or was this just a timing bit that you were talking about?

Hemant Jalan: No, no. See, for example, when you are making primers, now in the same equipment that you make primers, you make emulsions also in the same equipment. But when you make a primer, which is a product which is not subsequently going to be printed at the point of use, your tolerance level at the production shop floor for certain parameters can be much wider.

When you are making an emulsion base, which is going to be tinted ultimately, the tolerance level on certain technical things like contrast ratio, etcetera, those tolerance levels have to be much, much finer as compared to a primer because should there be a variation of even 1%, then at the point of tinting when the stainers are added by a tinting machine, the uniformity in the end colour would not exist.

And therefore, to finalize a batch, if you're making a 10,000-liter batch of an emulsion base versus making a 10,000-liter batch of a primer in the same equipment, the time that it takes to finalize the batch and start packing can be off by a factor of 2 and sometimes by a factor of 3, and therefore, what I say is that the capacity, if you just list out your equipments and say how much of throughput can I get out of it, the relevant question is, what is the product mix that you want to take out of that.

Depending upon that, your effective capacity and the effective throughput can go up and down reasonably significantly. Now of course, all companies have a certain product mix. And although there can be variations in their product mix, the product mix does not vary to completely switching over to primers or to completely switching over to emulsions.

And therefore, you give a broad guidance on what your effective capacity is given a certain product mix. But seasonally, and the product mix just changed for every company with 1 quarter to another depending upon the weather conditions, therefore, that capacity number does fluctuate a little bit.

Avi Mehta: Got it, sir. And also if I forget, even if I'm not looking from a quarterly perspective to more years perspective as well, the same capacity might be favourable for a large primer or a lower economy kind of thing. But as it moves up the curve and you have essentially made your brand much stronger, you need to set up more capacities for that same volume because now you need your capacity will be. Is that the correct way to look at this? I'm not...so essentially, the more premium you earn, the more...

Hemant Jalan: In my sense, you're saying you're right that as you move up the ladder, the share of emulsions in your overall portfolio does tend to increase. When you are a smaller company, normally, the share of distempers and primers are significantly a larger percentage of your portfolio. Emulsions are the products which are the most branded and therefore, as you move up the scale and as you start commanding greater brand equity, you would expect emulsions to gradually start occupying a higher percentage of your product portfolio.

And therefore, even if the total throughput is the same, you may need some more capex by way of more equipment addition because emulsions are going to be more time consuming compared to making primers or distempers.

Avi Mehta: Got it, sir. Got it. Sir, just I'm sorry for taking a lot of time. Just 2 bookkeeping ones. One, I just wanted to clarify the adv spend bit. Now we have seen a decline on an absolute basis in this year. and I just wanted to get your sense how you would kind of look at it from FY '20 to whatever I spent on ad spends, that number I will grow in the next year. Is that the way you are looking at it internally and that still might be lower as a percentage of sales?

Hemant Jalan: So adv spends we look at an absolute amount, which has largely been unchanged from FY '22 to FY '23, we think that the level of advertising that we are doing is quite adequate for the size of company that we are at, perhaps a little overweight. Initial years when we started advertising, we had to punch much above our weight on advertising because we were a newer brand and to compete against brands which were well established for a 50-, 60-, 75-year period, we had to shout much louder than them, and we have been doing that. Thanks to our continued advertising and aggressive adv spends over the last 10 years in continuation, and we have been steadily increasing our absolute spends on advertising over these 10 years.

I think we have reached sufficient brand recall. Obviously, the brand recall will probably not reach the level of the market leader, and it won't be that even for the number two and the number three player, but something adequate and commensurate with our size. And therefore, the further increase in ad spend on an absolute amount, we'd like to retain this level, some inflationary effect happens from year-to-year, most TV channels do increase their pricing on a year-to-year basis. marginal adjustments you make, depending upon which states become of slightly higher priority and which of slightly lower priority.

So a modest 5% to 10% increase in total A&P spends do happen. And since your top line grows significantly faster than that, therefore, the A&P spend as a percentage of top line keeps declining for a company like us.

Avi Mehta: Got it, sir. And sir, lastly, on the receivables bit, I wanted to get your sense on how should I look at this line because in 2020, we were at almost about 60 days of sales. We are currently at around 65, 70 days of sales. So I would love to hear your thoughts on how should we look at this number on an ongoing basis...

Hemant Jalan: Which slide are you looking at?

Avi Mehta: Sir, I was just looking at your receivables number and taking it as a percentage of sales or...

Hemant Jalan: Okay. If you look at that, you have to understand that there are a lot of quarterly fluctuations that happen. Now if you look at Q4 of this year, the number of days outstanding is looking at 32.37.

Avi Mehta: It is INR200 crores of receivables on almost about INR1,000 crores roughly...

Hemant Jalan: I'll tell you slight aberration that happens in the traditional method of accounting for that, see the sales pattern is not uniform, now the way you're calculating it, you look at the turnover, you divide by 12 to get a monthly figure. And then you look at the receivables at the end of the year and divide it by the monthly sales and arrive at some percentage of what your number of days of outstanding are, 2 or 3 errors that creep in, in that analysis. One is that the receivables include the GST component.

The sales figures do not include the GST component. So you are up by 18% straight away, but that is, of course, across the board. The other is that if your sales are very heavy in the months of February and March, the way we calculate days of outstanding is that we look at the sales that have happened in the last 45 days of that quarter because that is what is going to be outstanding at the end of that quarter rather than coming up with an average for the whole year.

So if you look at that way, for that, of course, you will need slightly granular data as to what the outstanding is, what the sales have been in the last 45 days or maybe what they have been in February and March and use that as a basis for calculating the outstanding, then we don't find any variation. And we in fact, we find a slight drop in our number of days outstanding for each of the quarters compared to the corresponding quarters of last year, although the variation is not more than 2 to 3 days.

Avi Mehta: Sir, I was not looking from a quarterly basis, sir, I was looking more from an annual basis. So maybe let me rephrase the question. Instead of focusing on the number whatever that number was in, say, 2020, before COVID versus what it is actually COVID had kind of happened. But yes, I mean, at that 2020 number, if it was x, now it might have gone up a little, but how do you look at it from a structural...

Hemant Jalan: 2020 would be a big aberration. Please remember that, now on the 20th of March, there was a complete lockdown and curfew inside the country. So sales that happened during that time, and we have March, as you know, is our heaviest selling month. And therefore, the sales that we had in March of 2020 was abnormally low. We would have had a huge amount of sales coming in that 10-day period, which went under a lockdown and the sales became zero.

And therefore, March 2020 would not be a good yardstick to determine as to what our outstanding figure at the end of the year is concerned, I would urge you to go back to March '19 to get a more representative figure, which was not affected by COVID. And again, FY '23 has not been affected by COVID. Unfortunately, I don't have the numbers of March '19 right in front of me, so I cannot give a quantitative reply.

But if you were to look at March '19 numbers as to what our outstanding were at that time, and I can ask Srihari to compute those numbers and send it across to you, Avi. That would be much more representative. March '20 would be a complete aberration because so much of sales did not happen, which should have happened in the second half of March in 2020.

Moderator: Sorry to interrupt Mr. Avi Mehta, may we request that you return to the question queue for follow-up questions. There are several participants waiting for their turn. Our next question is from the line of Marsal from Individual Investor. Please go ahead.

Marsal: Yes. You recently acquired this Apple Chemie for this waterproofing and construction chemicals. So is this company like equity factor accretive? Or like how do you think about this business?

Hemant Jalan: Can you repeat your question? I couldn't quite understand. What did you want to know about the company?

Marsal: Apple Chemie, we have acquired 51% stake. So this company is engaged in the construction chemical and the waterproofing?

Hemant Jalan: Yes.

Marsal: Right? So this company is in profit or in loss currently?

Hemant Jalan: No. It's very much a profit-making company, it has an EBITDA percentage of about 18% to 19%, and it has a healthy PAT. It's not at all a loss-making company. And it has been a profit-making company and a taxpaying company for many, many years.

Marsal: Very good. From my experience, I have seen that with waterproofing business needs a lot of just very solid attention to detail kind of thing because like I think that in this sector or in this industry, some sort of guarantee is given to the buyer or to the end user. So some...

Hemant Jalan: Some kind of what is given... sorry, your line is a little muffled.

Moderator: Sorry to interrupt. Mr. Marsal, may we request that you use your handset for optimal module quality.

Marsal: Hello, is it better now?

Hemant Jalan: Yes. Better. Please, can you repeat what did you say about waterproofing products?

Marsal: In waterproofing generally, for example, the seller provides a guarantee to the end user that okay this waterproofing will give you, I'm giving guarantee for 10 years, okay, there will not be any leakage of the water from your roof or whatever. And suppose if that waterproofing is not done properly, then we can get some claim. So are we providing only waterproofing material? Or are we executing the waterproofing also?

Hemant Jalan: No, we are not executing that. As I said, this company supplies to large infrastructural development conglomerates like L&T or Shapoorji Pallonji etcetera, who, in turn, are providing the guarantee to whichever project they undertake, suppose they're doing for Pune Metro or Mumbai Metro or to some irrigation project.

Our products of Apple Chemie have also been used on the new Samruddhi Expressway that was constructed from Nagpur to Bombay, and they are being used in both the Bombay Metro and the Pune Metro projects and many other such infra projects in Maharashtra and Gujarat. So those guarantees are given by the actual executor or the applicator of that project, which, in this case, could be L&T, it could be Shapoorji Pallonji or could be a host of other companies that do that.

Apple Chemie has to provide this product, they sell to the L&Ts of the world. and L&Ts would be testing the products at the time of acceptance and there is no long-time warranty that Apple Chemie has to provide to these people as far as the ultimate application and the end user is concerned. That becomes the responsibility of the infrastructure developer.

Marsal: Very nice, sir. And sir, second thing that like you say, your this March quarter has been really phenomenal, very good. So is this stand a one-off because of the March ending? Or like are you going to sustain this kind of performance in this current year also?

Hemant Jalan: Are you talking about top line or bottom line?

Marsal: Top line.

Hemant Jalan: I mean we are not very happy with our top line numbers for the Q4 because it has been largely along industry trends and I think that a company with a base slightly smaller than the top 3 players in the paint industry, we ought to be delivering top line growth much higher in terms of percentage compared to the industry leaders. And to that extent, I would say that we are disappointed that we could not do it in Q4.

We are fairly confident with the trends so far in the last 50 days of this year, that we will be able to demonstrate that as far as Q1 is concerned, Profitability-wise, in terms of profitability growth, you will find that we have generally outstripped the other paint companies on a Y-on-Y basis or even if you look at any particular quarter, our growth on a Y-on-Y basis and all the profitability metrics have been significantly higher than almost the entire industry.

And that trend we expect to continue. But when it comes to specific things like EBITDA margins, they have a certain seasonality associated with it, and therefore, to assume that Q1 EBITDA percentage would be the same as what we achieved in Q4, it would probably not happen, but it would be much, much better than what it was in Q1 of last year because there is a seasonality associated with paints. And the EBITDA margins will go up and down with the quarters depending upon the seasonality product mix.

Marsal: Very nice, sir. Sir, I have a very constructive feedback for you. I mean like being like investor of Indigo, we would like to use Indigo paint only in our home. So I was very particular to find some dealer in Kolkata. When I browsed your website, I can see in Kolkata, it is showing 47 dealers. But when you scroll down the dealer name and address, you can see only 15. So I think there is a problem...

Hemant Jalan: Yes, that... You please get in touch with our Mr. Srihari or he will get in touch with you, find out your exact location in Kolkata and refer you to a dealer of ours in Kolkata, who is located close to your house and maybe even arrange for salesman or a BDO person to visit you and help you out, thank you for considering Indigo Paints for painting your house. It will be our delight if you do that.

Marsal: Because sir, like we have got this apartment in new town like which is happening locality here. So I was really particular to use only Indigo. So how can I get the contact detail of Mr. Srihari?

Hemant Jalan: He will get in touch with you. He will get your contact coordinates from from ISEC, that is ICICI Securities that is hosting this call, and he will get back to you by the end of the day today. And when you say new town, I guess you're talking about Raja hat area of Kolkata.

Marsal: Yes, yes,

Hemant Jalan: We will refer you to appropriate dealer don't worry. I'm familiar with Kolkata...

Marsal: Yes. Very good, sir. And sir, in the meantime, kindly ask your IT team also to fix the issue in the website also so that like people can browse all the details...

Hemant Jalan: Does get updated every 3 months. So we'll make sure and thanks for this feedback. We will make sure that if the updation has not happened recently, the list of dealers in Kolkata City do get updated very soon.

Moderator: We move to our next question. Our next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Sir, my first question was, and I would like to thank you for the detailed response on waterproofing earlier. The question here is what would be the addressable stand for the paint companies in the waterproofing segment?

Hemant Jalan: Sorry, I didn't get your question. What would be what stand?

Sheela Rathi: Sir, the addressable TAM, total addressable market for the paint companies in the waterproofing segment.

Hemant Jalan: I don't have exact figures for it, but I'm told that the addressable market at the retail space for waterproofing products is something of the order of about maybe INR8,000 crores or thereabouts, I may be off by 20%, 25%, but maybe about INR8,000 crores is the addressable market at the retail level, I'm not counting the B2B segment. The total market for waterproofing and construction chemicals as a report that I had read recently is closer to INR15,000 crores per annum.

The retail segment may be roughly half of that. So that's a pretty large portfolio I mean with the paint industry, the decorative paint industry without the waterproofing segment being somewhere in the range of INR50,000 crores to INR55,000 crores and additional INR8,000 crores is potentially 13%, 14% of its size, which is why some of the industry majors in the paint are targeting 9% to 10% of the top line to come from this segment.

Sheela Rathi: Absolutely. And that brings me to the second question actually, how do you think of the recent foray by one of the waterproofing companies into the paint segment? Does that change anything for us, especially with respect to the advertising cost and obviously, the competitive intensity?

Hemant Jalan: Not really. From what we heard from the management and what we are also noting on the ground, there is at the moment, kind of like testing the waters in 3 states of India. They have announced Telangana, Andhra Pradesh and Odisha as being their focus for the next 12 months, whether that changes or not is something that time will tell.

On the ground, we have not seen any significant activity as yet in any of those 3 states to cause a concern for us. Paint industry is so large and grows so well that entry of any new entrant is never a point of concern to anyone in the paint sector. The market is large enough to absorb these new entrants, some old entrants also depart from time to time.

So what sales any particular company garners and you're obviously referring to Pidilite and there was an earlier question similarly talking about Pidilite, talking about JK and talking about Grasim, etcetera, how much sales they end up achieving in their first year or second year or third year is much less of a concern to any of the existing players. We wish them well.

The concern is does their entry in any way shake up the market and change the dynamics of the paint sector in terms of profitability? And the answer is a big no. I don't think any of these new entrants would be able to get such a large share of the market to be able to disturb the dynamics of the market.

So I don't think that the profitability or the growth of any of the existing players is going to be witness any significant impact. And so far, as far as the company that you're talking about, we have not seen any aggressive play on the ground. So we have to just wait and watch and be watchful of the environment, but we don't consider that as a point of concern at all.

Moderator: That was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Hemant Jalan: Thank you. It's been a good quarter in terms of bottom line. We would have obviously liked the top line to be much better. And I know that the investor community and the analyst community expects better top line growth from us, which is quite justified. We are hopeful that in the coming quarters, we would not disappoint you and come up with not just good bottom line numbers that we have been coming up with but also much more aggressive top line numbers. And we look forward to that and look forward to your combined best wishes to help us achieve that. Thank you.

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