



November 11, 2025

To,
BSE Limited
Corporate Relationship Department
25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
Scrip Code: 543258

To
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (East)
Mumbai -400051
NSE Symbol: INDIGOPNTS

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call for the quarter and half year ended September 30, 2025 held on November 7, 2025

Pursuant to the Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed the transcript of the earnings conference call held with the analyst and investors on November 7, 2025 at 11:00 hrs (IST) to discuss the unaudited standalone and consolidated Financial Results of the Company for the quarter and half year ended September 30, 2025.

Pursuant to the provisions of Regulation 46 of the Listing Regulations the above information will also be made available on the website of the company at <https://indigopaints.com/investors/analyst-investors-meets/>

You are requested to take note of the same.

Thanking you.

For Indigo Paints Limited

Sayalee Yengul
Company Secretary & Compliance Officer
Membership No. A37267

Encl.: As Above



“Indigo Paints Limited
Q2 & H1 FY ‘26 Earnings Conference Call”
November 07, 2025



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. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Indigo Paints Q2 and H1 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Aniruddha Joshi from ICICI Securities Limited. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Iqra. On behalf of ICICI Securities, we welcome you all to Q2 FY '26 Results Conference Call of Indigo Paints Limited. Now I hand over the call to Mr. Srihari Santhakumar, General Manager, Finance and Investor Relations, to introduce the management and then take the call forward. Thanks, and over to you, Srihari sir.

Srihari Santhakumar: Yes. Thanks, Aniruddha. Good morning to everyone and thanks for joining the earnings conference call of Indigo Paints for the quarter and half year ended September 30, 2025. As usual, on the call for discussing the performance of the company, we have with us Mr. Hemant Jalan, the Chairman and Managing Director of the company; Mr. T. S. Suresh Babu, the Chief Operating Officer; Mr. Chetan Humane, and myself Srihari, I am heading Investor Relations here at Indigo Paints.

We have uploaded the presentations in the portals of the stock exchanges. Kindly refer to the disclaimer section for any future-related information that may be discussed during this call today.

In the usual format, Mr. Jalan, he will present the performance of the company for the quarter ended September 30 and post which, we'll have a quick Q&A session. Over to you, sir.

Hemant Jalan: Thanks, Srihari. Good morning, everyone, and thank you for joining us to discuss Indigo Paints' performance for the second quarter results of FY '26. As mentioned, we have uploaded our financials on the stock exchange portals and hopefully, you have gone through them.

We are very pleased to see growth picking up again for Indigo Paints indicating improving market conditions despite the extended and persistent monsoons during the quarter. While the quarter began strongly in July, sales slowed down considerably in August before regaining momentum in September.

The run-up to Diwali was shorter this year yet the Indigo team delivered a commendable performance despite these challenges. There has been excellent inflow of money from the dealers during the short Diwali season, which is the best indicator that secondary sales from the counters have been good and dealer's stocks have been liquidated.

First, let me come to the stand-alone results. Our stand-alone revenue from operations for Q2 FY '26 was INR298.5 crores, a Y-on-Y growth of 3.5%. We sustained our leadership position

in gross margins, which expanded to 45.1% from 44.1% clocked in the same quarter last year. Our EBITDA margin improved from 14.8% in Q2 of last year to 15.3% in Q2 of this year with absolute EBITDA at INR45.8 crores, up 7.5% Y-o-Y.

Profit after tax stood at INR25.5 crores with a PAT margin of 8.5% up from 8.2% in Q2 of last year, reflecting a 5.8% growth in absolute amount compared to Q2 of the previous fiscal.

I would also like to highlight the fact that historically, Indigo Paints' EBITDA margin always peaks majestically in Q4, driven by an improved product mix and significant growth in the sales of differentiated products. So all I can say is that the best is yet to come later this year.

On a half year basis, we recorded INR593.4 crores in revenue, which is a 1.9% growth Y-o-Y, with an EBITDA margin at 15.1% and a PAT margin at 8.6%, maintaining healthy profitability. We continue to outperform peers in gross margins, reinforced by a basket of differentiated products. On absolute terms, we have clocked an EBITDA of INR89.4 crores during the half year, registering a growth of 1.2% and a PAT of INR51.9 crores, registering a growth of 2.6%.

Now coming to the consol results. For the quarter, we recorded INR312.1 crore in revenue, which is a 4.2% growth Y-o-Y, with EBITDA margins at 14.9% and a PAT margin at 8.0%. On an absolute basis, EBITDA has grown by a healthy 12.1% to INR46.5 crores and PAT has grown significantly by 13.5% to INR25.2 crores.

Our subsidiary, Apple Chemie, delivered strong growth and healthy profitability during the quarter. Apple Chemie recorded revenues of INR13.6 crores during the quarter, marking a 22.6% increase from Q2 of last year. Gross margins of Apple Chemie improved notably following strategic initiatives to optimize the product mix.

While Maharashtra remains the primary revenue driver for Apple Chemie, sales momentum is strengthening in the Southern and Eastern regions, particularly in Bihar and Assam. With refreshed branding, Apple Chemie is poised to introduce new products and accelerate its growth journey.

For the half year, on a consol basis, Indigo Paints has achieved a revenue of INR620.9 crores, which is a 1.7% growth over H1 of last year. The EBITDA has grown by 2.2% to INR90.8 crores and PAT has grown by 4.9% to INR51.3 crores. All other numbers are given in detail in our investor presentation.

I'll now give you some more operational details about the quarter going beyond just the financial numbers. Now during the quarter, the overall A&P spending as a percentage of revenue has largely been flat at 5.3%. We have strengthened our below-the-line marketing efforts to better monitor and drive secondary sales through dealer counters.

In the previous quarter, we had launched our own experiential retail centers under the banner Indigo Color Canvas stores, designed to showcase our entire product portfolio in an aesthetically designed environment.

Encouraged by strong dealer interest, we have added 8 more stores in Q2 and with the peak season still ahead, we expect several additional stores to become operational in the coming quarters. In line with our disclosure practices in the past, we have reported volume and value growth figures for each of the 4 major paint product categories.

During the quarter, all categories, except for the category of putty and cement paints have recorded healthy growth in both volume and value terms. Within the emulsion category and within the enamels category, the premium end has performed particularly well which is why the value growth for those 2 segments are nearly double that of the volume growth.

For instance, emulsions have achieved a value growth of 7% compared to a 3.9% in volume growth. Now this performance contrasts with the broader industry trend, where several peers have reported down trading and value growth lagging behind volume growth by several percentage points. We are pleased to see our below-the-line initiatives delivering results and are further focusing on strengthening engagement with the influencers.

Sales of waterproofing and construction chemical products continue to grow at a phenomenal pace, and we expect it to grow even further in the second half of the year.

We continue to focus on expanding our dealer network, enhancing throughput for active dealers and increasing the number of tinting machines across our network. As of September 30 this year, we have over 18,900 active dealers and more than 11,650 tinting machines. This growth in network coverage was achieved despite the impact of a very heavy monsoon season.

On capex front, the brownfield expansion of our putty plant at Jodhpur has been completed and trial productions are underway. At the new solvent-based plant, which has a capacity of 12,000 kiloliters per annum at Jodhpur, equipment commissioning is in progress and commercial production is scheduled to begin early next month. The water-based plant at Jodhpur with an annual capacity of 90,000 kiloliters per annum is in the final stages of construction and commissioning is expected late in Q4 of this year.

As part of our broader ESG commitment, we continue to emphasize sustainable growth and community engagement. Our key sustainability initiatives focus on renewable energy adoption and community outreach through the Indigo Seva Utsav program. where in collaboration with painters and the local communities, we have repainted and renovated over 50 government schools during the first half of the year.

On the CSR front, we focused on initiatives that create meaningful social impact. We continue to support education for the underprivileged girls in and around Pune benefiting over 360 students to date. Our Painter Health Benefit program, which was launched in FY '24, has now expanded nationwide and covers more than 36,000 painter families across the country. Additionally, over 600 painting professionals have benefited from the Indigo Skillup program which is a specialized training initiative designed to empower painting professionals with skills beyond their craft and to support their business development.

Finally, after nearly 6 quarters, market demand is showing clear signs of recovery, reflected in strong collections, increased secondary sales at paint counters and the rise in scanning of painter tokens in paint cans. Favorable factors such as a good monsoon leading to bumper harvest, RBIs repeated rate cuts, government income tax reductions and lower GST rates have contributed to this optimism, supporting the view that pent-up demand is beginning to materialize.

We are optimistic that post Diwali sales, as the wedding season kicks in and favorable market conditions come forward, these will all add a strong tailwind to revive demand in the market.

That is all that I have by way of a presentation. I look forward to answering your questions. Thank you.

Moderator: The first question is from the line of Prakash Kapadia from Kapadia Financial Services.

Prakash Kapadia: A couple of questions from my end. We were expecting double-digit volume growth to come back, but that has not been up to expectations. So the primary thesis was demand will come back on a low base. This has been for some time. Obviously, we've been doing things like dealer expansion, focusing on value-added products, increasing tinting machines.

So how do we build up case of the next few quarters, is double-digit growth now certain because some of the commentary you made in the opening remarks where these are tailwinds, so are we confident of huge outperformance to industry? And primarily, the industry growth has to come back, then our outperformance to that industry growth becomes more relevant, right?

And secondly, if you could also give us some sense, we've added gross block, we've had a CWIP, which will get come in. So from the INR1,300-odd crores kind of sales, what is the optimum sales possible in the next few years based on this capacity expansion?

Hemant Jalan: Thanks, Prakash. Two questions that you have asked. First on growth, well, first of all, our growth is not on a very weak base. In Q2 of last year, we had considerably outperformed the industry. I don't remember the exact number, but it was somewhere between 6% to 7% last year when industry leaders had declared a substantial negative top line in Q2 of last year. So our base is not that weak compared to others.

Now normally, monsoon is built in into the base. Every year, we have rains in Q2, and Q2 is always the weakest quarter. However, you will notice that sequentially, contrary to all other people who have declared results, our Q2 top line numbers are slightly higher than Q1 numbers. Now normally, what happens in monsoons is that although monsoon extends from June till end of September and easily sometimes also spills in into the first half of October, you usually have monsoons with a break in between of about a month or 20 days or 25 days. Now that did not happen this year.

The country has received much more than normal rainfall and there has virtually been no break in the monsoon. It's also the longest monsoon period that I remember in history where monsoon

arrived about 10 to 15 days earlier. Normally, the onset of monsoon is first June in Kerala and hits the rest of the country after 15th, 20th June.

This time, monsoons arrived by 20th May and the whole country was drenched in rain from end of May onwards, and that continued till the first week of October. So the reason for my optimism for growth, of course, weather patterns are something that we cannot control, but you look at other indicators on the ground, now the market leader, we still have to wait for the results to come out. Now they have reported top line negative for 6 quarters in a row.

I don't have access to their numbers, but our market intelligence says that they have probably done significantly better in Q2 and may report positive for the first time in 7 quarters. Now that's a good sign as far as the industry, and the bellwether for industry growth. And you rightly said the industry growth has to come back on track.

And once the industry growth come back on track and the industry starts growing at 6%, 7%, we can hope to jump back to our earlier outperformance and perform at 20%. But when the industry is in negative territory, it becomes very difficult for us to register 15%, 20% growth. No initiatives work when the mood on the ground is somber and downbeat.

Now 3, 4 things have contributed in the last quarter signals that we got. We started the quarter with a very good July. And unfortunately, that was followed by a terrible August, but September was again very good. So 2 out of 3 months in the quarter, registering good growth was one good signal.

The fund inflow from the dealers was at an unprecedented high during the last 2 months. Now that is a very clear signal that their stocks have been liquidated because as long as the dealer is sitting on excess inventory, the payments are a little sluggish as always. And as the stocks get liquidated, the money flow improves very significantly.

The third signal that you get is that, as you are aware, all paint companies put various tokens in paint cans for painters and contractors to scan. The scanning that we have seen in the last 2 months have also been at an unprecedented level.

Now scanning will occur only when secondary sales happen. And when secondary sales happen in a big way, the paints get used, the tokens are discovered by the influencers and they scan those. So all of these have pointed in a very, very positive direction.

And normally, the one month before Diwali is not a time when dealers will typically stock up any more inventory. They are usually in an inventory liquidation mode. If the inventory gets liquidated well during the month of -- 3 weeks preceding Diwali, then post Diwali, the sales is excellent. That is what has happened.

And I expect to see, because last year Diwali was 31st October. So for 7, 8 days after Diwali, large parts of the country are closed down. Bihar, Jharkhand, Eastern UP are closed down because of Chatt. Gujarat is Lapancham, which comes 5, 6 days after Diwali and so on and so

forth, in many other parts of the country, you have Bhai Dooj and various other festivals. And really, the buying resumes 8, 10 days after Diwali.

So we expect now and we can see that already because all those festivities are behind us, we can see the uptake in primary offtake happening now. And there is a bumper monsoon -- bumper wedding season ahead, unprecedented number of weddings, which are perhaps a bigger precursor to painting than Diwali actually. And therefore, it gives me confidence with the signals that we have received that these are not just green shoots, but clear indication that demand is coming back.

Now whether it will come back to its original level where the industry grew at 8%, 9%, whether it will come back within 1 month or it will take 3 or 4 months for that to happen is something that I cannot predict but I'm very optimistic that very soon, you will start seeing double-digit growth from us and high double-digit growth, hopefully, by Q4, at least, if not earlier.

As far as the second question that you asked on capex, well, capex that is done for capacity expansion is really done with a very long-term view in mind. So a plant coming on stream does not necessarily add either to the top line or the bottom line.

So those are long-term initiatives taken more with a strategic long-term view as to what the demand will be in the next 4, 5 years. And those plants will come on stream, some of them in this quarter, in this month or next month and some in the next quarter. But I would not link that to our growth prospects going forward.

Prakash Kapadia: What I was trying to understand is we can double our turnover from this capex? Or would more capex be required?

Hemant Jalan: I mean, technically, can we double, we can do much more than that. I mean the capacity that is being created is to more than double the turnover. But it's not that when a plant comes into is and immediately, your sales get...

Prakash Kapadia: Yes, yes, over a period of time. I understand that.

Hemant Jalan: In fact, I mean, to be more specific, after this capex, we do not expect any significant capex for the next 3 to 4 years. I think this will ride us till FY '29 very comfortably.

Prakash Kapadia: That what I was getting at. And lastly, when we -- in terms of the demand coming back, so that feel good factor or that sentimental change in terms of that repainting happening or that repainting driving demand for us and all the other players, is that sense coming from on the ground because that remains the crucial pile volume growth coming back for all the players?

Hemant Jalan: I gave you all the indicators that cause us to feel that. The liquidation of stocks at the dealer end, the increased scanning by the painters and contractors, all that means, and these are at fairly unprecedented levels, at levels that we have never seen in the past. And therefore, it gives us confidence that the demand is happening at the ground.

It has not reflected as much as we would have liked to in primary sales, but as long as secondary sales has been very good in the recent, last 1, 1.5 months, the primary demand is not very far behind. And I think you will see the results from that across the entire industry, I would expect from Q3.

Prakash Kapadia:

Understood. That's very clear and very helpful. Wishing you all the best, and hopefully, we'll see the mojo coming back for us and the industry very soon.

Moderator:

The next question is from the line of Jainam Gosar from Nuvama Wealth Management.

Jainam Gosar:

Three questions. My first question is on the gross margin. So we are seeing 100 bps gross margin improvement for you. So I wanted to understand from a competition perspective, dealer incentive perspective and overall discounting, how are things versus, say, 2 quarters back?

Because 2 quarters back, I think the peak of the new competition was impacting sector, post that the new player is stagnating. In fact, they have called out that Q2 is lower than Q1. So if you could comment on that? And any thoughts on the CEO leaving the new paint company because it's very early? So any thoughts you are picking up? Any thoughts you can share on this?

Hemant Jalan:

See, I wouldn't like to comment on happenings within a recent competitor and people leaving and joining and what they are doing. We have said consistently during the last 2 years that the entry of a large new player has not impacted us in any significant way. Maybe there are some other paint players who have been impacted a little more, but I don't think it has shaken up things very much.

Now this new incumbent, as you are all aware, has resorted right from its launch at unprecedented levels of trade discounts, et cetera. Thankfully, no one in the industry has chosen to follow that course, which is why everyone's EBITDA margins and profit margins have remained within the original band that they were and people have not attempted to emulate these horrific levels of discount.

The gross margin expansion that has happened has happened for 2 or 3 reasons. One is that raw material prices have been softening slowly but steadily during the last 1 year. And this softening of raw material prices, which has not been accompanied by any price drop by the industry, has naturally led to a slightly higher trade discount by all players. Despite the slightly higher trade discount, which has been prompted more by a raw material price drop, the gross margins, you would have expected to remain kind of stable for all players.

For us, we have been focusing a lot on improving our premium end products, and that has borne fruit. And those are clearly visible in our value and volume growth numbers across categories. And when the premium end products grow more than the overall basket, naturally, your gross margins go up because the premium products do carry a slightly higher profit margin than the economy range. So that is the main reason for the gross margin going up by 100 basis points compared to Q2 of last year.

Jainam Gosar:

Okay. My second question is on specific Bihar market. It's an important state for you. So currently, we are seeing a very high election kind of thing, which also picks up on the entire state GDP given so much of travel, so much of consumption happens.

Obviously, there is a INR10,000 freebie being given to almost every family woman. So from all this, do you expect Bihar to be a much faster growth than overall recovery which you are envisaging? Would you expect all this to really flow in Bihar in a more pronounced manner?

Hemant Jalan:

Not really. I mean the good thing is that for the first time in the last 30, 40 years, Bihar elections are thankfully being conducted in only 2 phases. Now in the past, elections in Bihar used to be in 5 or 6 phases, and that would stretch for typically more than a month.

And that would spell disaster for the entire trade because transportation and logistics in Bihar become very difficult in election time, unlike in the rest of the country. All vehicles, whether it is a 1-tonne vehicle or a 10-tonne vehicle, they get impounded by the election machinery for election duty and there is no way in which you can ship goods.

Now half of Bihar has already gone to poll yesterday. So all the -- including Patna, where our main depot is located. So all those vehicles will now get released from today and will be back in service. As far as the freebies given out by the government is concerned, I believe that they are more to the women community to encourage self-employment and business generation rather than any handout which goes for discretionary spends. So I'm not expecting anything as a result of election, either positive or negative as far as Bihar is concerned.

Having said that, during the last 7, 8 months, Bihar has been one of our strongest performing states in the country, where the growth has been definitely in high double digits. So Bihar has been one of the standout states for us in India amidst a relatively weak demand scenario during the last 6 quarters. And I think we expect that to continue going forward and further strengthen.

Jainam Gosar:

Sure. Sir, one quick follow-up on the competition from the new player. In terms of the 10% extra grammage, anything which is changing on ground versus, say, 2 quarters back and now?

Hemant Jalan:

I don't follow them very much because, as I said, they don't impact us very much, so we don't follow them very closely. What I have heard is that for most products, this extra grammage that they were giving, originally in 4-liter, 10-liter and 20-liter cans, I believe that they have discontinued it in the 4-liter and 10-liter cans. And there are rumors in the trade that this extra grammage even in the 20-liter cans may get discontinued before the end of the fiscal.

But please don't quote me as an authoritative source on it. I think the management of that company would be best positioned to answer this question. As I said, we have not been very materially affected by them. So minor changes in policy by that company are really not tracked at a microscopic level by us.

Jainam Gosar:

Sure. Last quick question on demand side. In terms of commentary, your commentary was quite positive this time. And even the #2 player in terms of sales and volume, they have also said that

in Q4, they expect double-digit volume growth for sure and possibly even double-digit sales growth, which I think you are also kind of saying similar in Q4. So my specific question here is, which is the more contributing factor? Strong weddings, I understand. Strong rains leads to a lot of water leakage and definitely from a sentiment also, it's a positive.

And third is, of course, new player is now stagnating. They were taking a 5%, 6% market share in the first year. Now they are more of a status quo. Which is the more important reason in terms of the recovery to double-digit volume growth or sales growth for you by Q4?

Hemant Jalan:

I think the main thing that determines this is consumer sentiment, which is something which is not quantifiable. Good monsoon means good crops, which means a lot more money flowing into the rural sector. Along with that, the government significantly reduced income tax in the budget announced in February, which put more money in the hands of the middle class.

Then RBI followed it up with 3 successive rate cuts totaling 100 basis points, which has reduced interest rates and therefore, people's EMIs on whether it is housing loan or consumer durable loan or et cetera.

And then this GST cut, although it has not directly impacted the paint sector, but GST cuts on a whole host of household items puts more money into the pocket of the housewife. And when a person has a little more discretionary money available as a consequence of all of these things, the sentiment changes. Now you can see that, that pre-Diwali, which is the time when people buy a lot of automobiles as it's considered auspicious or iPhones, et cetera, from what I read in the press, there has been bumper, bumper sales of these products despite a very short Diwali period.

And splurge on credit cards and consumer spends on white goods, et cetera, have been at an all-time high. Now this was missing for the last 1.5 years. So that is a clear signal that consumer sentiment has changed. That, along with the other very clear indicators that we gave you that we see as paint companies on the ground, show that, that is going to translate into paint consumption very soon.

Hopefully, and I cannot say that for sure, but hopefully, there is a lot of pent-up demand that has built up with lesser painting during the last 18 months. And we hope that, that pent-up demand will come back.

And therefore, the demand recovery, whether it happens in 1 month or whether it happens over the next quarter, that I cannot predict. But when it comes, it will probably come back with a bang. And we may see very, very high growth in the coming quarters as far as the industry is concerned. And you were talking about the narrative of another large player who had declared the results a few days ago. Yes, they're talking about double-digit volume growth coming in, but they also have said in their narrative that they expect the value growth to lag behind the volume growth.

Now in our case, you see that, that is not true. In fact, it is quite the reverse. The value growth is higher than the volume growth by a few percentage points. So we are very optimistic of good results accompanied -- I mean, good results, not just in the top line, but also accompanied by strong performance on the bottom line, which, as a company, we have been very mindful of and our results bear them out.

Moderator: The next question is from the line of Sonal Minhas from Patent Cap Investment Advisors LLP.

Sonal Minhas: I have 3 questions. Sir, wanted to understand some bit of subjective logic behind putty and cement degrowing both in volume and value terms. Is this largely because these are outdoor paints and there was a heavy rain and over the course of next 5, 6 months, this is expected to settle back?

Hemant Jalan: See, let's take the question one by one. If you ask all 3 questions together, I'll forget the first one.

Sonal Minhas: This was the first one.

Hemant Jalan: Yes. I know. Cement paint is a small component of that category. The major contributor in that category by far is putty. We club them together because these are both powder paints and have some similarity in raw material and method of manufacture. So as far as putty is concerned, putty is a commodity.

Now putty sale is a matter of choice. It contributes very little to bottom line, but it is essential to make putty because it helps sell the other products. Now the contribution of putty in our sale is significantly by a very wide margin as a percentage terms, much, much higher than the putty contribution to sales in other people's sales, for example. Other people, it may be in low to at most mid-single digit. For us, putty contributes to definitely in the teens as far as value contribution is concerned. So it's a high contributor.

We moderate sales of putty depending upon pricing, et cetera. If you find that there is too much of competitive intensity and the prices are dropping to unreasonable levels, we pull it back consciously because it doesn't make sense to sell products at a loss. So these minor variations that happen in putty in some quarter, you'll find it jumping up and some quarter, you'll find it coming down.

I'm sure you'll find a good growth coming in the quarters ahead because we have managed to tackle this pricing issue by locating some toll manufacturers in different parts of India, which are strategically located, which will be able to cater to the demand of those regions in a slightly more economical manner. So that is all that I would say about putty. I would not read too much into it because it's a very, very minor contributor as far as the bottom line is concerned.

Sonal Minhas: I'll go to the second question. It is more with regard to states where your market share is growing and you are -- your starting position is that your market share is low basically. So do we expect with the new capacity, maybe with more headcount, more sales that in these states, a focused targeted growth over the course of next 1 or 2 years?

And what are we doing in these states, which is different from, let's say, the southern states where we are dominant, we have higher market share? Just wanted to understand a little bit on subjective insights that you can give on sales, channel, what are we doing different in those states? Like Bihar, you mentioned just a while back.

Hemant Jalan:

So in Southern states, Sonal, the only state where we have a significantly higher market share than many of the other large players is Kerala. But it is not true that we have a very dominant market share in either Karnataka or Tamil Nadu or Telangana or Andhra Pradesh.

So those are all states where we have a lot of catching up to do, including various northern region states where we had entered late and therefore, we are still, shall I say, in the start-up mode when it comes to Jammu and Kashmir or Punjab, Haryana, Himachal, Delhi, et cetera.

So I think the playbook everywhere is the same. There is no separate strategy for states where we have a slightly bigger sale compared to states where we have a lower sales, because even in states where we have a sizable sale like Kerala or like UP or Bihar or now even Bengal or MP or Maharashtra or Chhattisgarh, the scope to grow is huge.

I mean we are nowhere near saturation. In most places, we are still #4 player. And therefore, I mean, in Kerala, we may be #3, maybe in Chhattisgarh, we may be #2. But in most other states, we are either 3 or generally in most states, we are #4 player. And therefore, the headroom to grow is huge.

And therefore, our playbook now is more effective schemes for the dealer, which does not necessarily mean higher discounts. It means tailoring the schemes to what the dealer wants. Secondly, much more gratification and connection with the influencer community, which is the painter and the painting contractor.

Again, better connect and better gratification does not necessarily mean more payout in money. Sometimes with the same payout, you have to deliver what the influencer is looking for, which may not be extra cash. It may be something in kind. It could be something else.

And you have to connect with them on those fronts. I don't think our increased capacity is going to have any role in driving the sales out there. I keep saying that capacity is relatively irrelevant in this industry so long as you have enough capacity to meet the demand, which all players do.

So adding up more capex or more plants does not, in the short term, lead to higher sales. There is no planned major increase in headcount anywhere. I think our headcount is reasonably sufficient in almost all the states.

We just have to execute better and tailor our offerings to what either the dealer or the influencer wants, maintain our advertising, which we have been doing, so that we are there in the minds of the consumer, maintain our product quality and our financial discipline and be more consistent than the results in the past have always followed.

We have typically always outperformed the industry, except during the times when the industry goes in negative territory and the gap between us and the industry becomes very marginal.

Sonal Minhas:

No, I understand that, sir. And thanks for the detailed explanation. But just to put a number on this to understand more as an analyst or as somebody's researching, is breaking into a state and saying now we are more meaningful than what we were to begin with. Is that like a 3-year journey? Is that like a 4-year journey? I just trying to figure it out.

Hemant Jalan:

That probably say it's a little longer than that. I would typically say that when you enter a new state, it takes 5, 6 years to set up a wide and deep distribution network and to get your brand presence felt on the ground. So it does take quite a bit of time. It's not simply opening counters and dumping material out there. That's the easy part of it and not the right way to do it.

Ultimately, you have to engage with the influencers in that part of the country who may not be familiar with your product. They may have heard of your product by advertisements, but they have to experience your product. They have to experience your service and delivery and get confidence in your product before all these start resulting in high volume of sales and throughput at the dealer counters. And I think a certain amount of patience is required to achieve that.

T.S Suresh-Babu:

And if I may add to that, what happens is that you should be mindful about the margins your dealers or trade partners are maintaining. Being a new entrant in a new state, if you start expanding mindlessly, what happens is that they are not able to retain their margins.

Ultimately, they are the people who are investing in building the market in terms of holding inventory and credit. So you should be very, very careful about that, that -- I mean, you can't overdo it. If you try to do it in a shorter span of time, then effectively, it will come back as a boomerang.

Sonal Minhas:

And is the margins tracked systematically by companies like yourselves or Asian, I'm assuming so. But are there software tools to understand this more on a regular basis just to trying to get a sense of how does this...

Hemant Jalan:

Sonal, it's very simple. Without having a strong brand pull that is created on the ground, if you mindlessly expand the number of dealers, which is easy to do, you will create competition amongst the dealers, which will drive down the retail selling price of your product and therefore, drive down the margin that the dealer retains and then the dealer loses interest in your product.

Now if somebody tries to do this very fast, and there have been companies, I will not name them, who have attempted to do this of expanding the dealer network a bit too fast, you get some short-term results, but that boomerangs on you very quickly because the dealer loses interest in you as fast as they have gained interest and then they start dumping you and then it's very difficult to come back from that position.

Sonal Minhas:

You've gone for long, sir, after that basically. I agree.

- Moderator:** The next question is from the line of Yash Goenka from Awriga Capital Advisors LLP.
- Yash Goenka:** Am I audible?
- Hemant Jalan:** Yes, you are.
- Yash Goenka:** Sir, you indicated unprecedented levels of scanning and collection growth. So can you quantify, is it the range you would like to 20% or even higher?
- Hemant Jalan:** Lot of disturbance in your line. Can you repeat your question?
- Yash Goenka:** Sir, my question was on scanning and collection. You indicated unprecedented growth in collection and scanning. So can you quantify what the growth has been? Is it 15% to 20% or even higher than that?
- Hemant Jalan:** There was some growth in September. In October, I think the growth in scanning has been upwards of 30%, 40%. And the number of distinct people who have scanned has also seen a big jump, almost 18% in the month of October. So this level of scanning of tokens, we have not seen in a very, very long time or perhaps the highest in our history.
- Now this means that the secondary sale in October has been excellent is the only conclusion we can draw. And we look forward to this translating into great primary sales at our end in the months of November and December. That's all I can say.
- Yash Goenka:** Okay. And sir, the inventory level at dealerships would be lower than average?
- Hemant Jalan:** It would be at this time. It typically does go down during Diwali. So typically, what happens that before the festive season, July, August and September are the periods when dealers stock material in anticipation of Diwali. And 3 or 4 weeks before Diwali, the stocking exercise completely stops. At that time, the dealer goes into a liquidation mode. And he buys only whatever is running out of stock that much and no more.
- After Diwali is when dealers take stock of how much unsold inventory they have and then the restocking exercise starts typically 8, 10 days after Diwali, after all these festivities are over. So that is the phase that we are in now.
- So if the money inflow is good, it means that stocks are getting liquidated. They are not likely to purchase to replenish that huge amount of stocking at that time. They'll wait until the Diwali is over. And now is when the restocking of their inventories would happen. So I'm fairly sure with the fund inflow and the scanning that has happened that the dealer inventory of our products should be at a fairly low level now across the country.
- Moderator:** The next question is from the line of Aniruddha Joshi from ICICI Securities Limited.
- Aniruddha Joshi:** So first question on Apple Chemie. Post acquisition, it has done superbly well. So if you can share more details in terms of like next 3-year vision or 5-year vision of Apple Chemie, right

now, the current total distribution network, current regions it operates in? And you have any market share target like reaching up to x percent of market share of waterproofing and construction chemicals market, et cetera? So if you can elaborate a bit more on Apple Chemie.

Hemant Jalan:

So measuring market share in the segments that Apple Chemie operates is very difficult because it's a very fragmented market. You don't have too many listed players in India that give granular information for you to be able to measure those things. Network concept does not exist because this is all B2B selling.

And it is mainly construction chemicals, much less in waterproofing. So these are supplied to large infra builders of the country, people like L&T and Shapurji Pallonji and Afcons and various people who get contracts from the government for building large expressways, ring roads, bridges, dams, metro projects, et cetera.

Now previously, when we acquired this company 2.5 years ago, their play region was mainly Maharashtra. Now encouraged and prodded by us, they have attempted to expand into different parts of India because generally, it is the same infrastructure providers who operate in all parts of India.

So now in addition to Maharashtra, they get a huge amount of their sales from the neighboring state of Madhya Pradesh. And they have attempted to go into different corners of India. They have got empaneled in various impressive infra projects in Southern India, in Tamil Nadu.

And recently, they have received a lot of empanelment in large infra projects in Assam and Bihar. So those supplies have started and they're expected to accelerate. The major competition from them comes from -- at least for the high-value products from multinationals like Fosroc and Sika.

For the lower value products like ad mixtures, et cetera, there are hundreds of manufacturers at a local level across India, which offer competition. And they are progressively entering into more value-added newer products like sealants, et cetera, crystalline durability compounds.

They have started hitting the export market a little bit now, which we hope will intensify in the days to come. So the idea, I don't have a specific number guidance that I can give you as to where Apple Chemie will reach in 2 or 3 years' time.

But in 3 years, if this company is somewhere in the range of INR200 crores to INR300 crores, we would be very happy, so long as this growth comes in a profitable manner, and that is what we are trying to ensure and the management at Apple Chemie is also very prudent on that.

And aside from their business of B2B supply, you will note that it is after that acquisition that we inherited all the know-how to make high-quality waterproofing and construction chemicals under the Indigo brand name at our own factories, which are sold at the retail counters through the same paint dealers, and that has shown phenomenal growth in the last 2.5 years and is beginning to account for high single-digit contribution to our top line as of now. And the highest

growth rate still comes from that segment. So I wouldn't be surprised if next year, the contribution from that segment to our top line is in double digits.

Yash Goenka:

Okay. Sure, sir. This is very, very helpful. Any thoughts on raising the stake to almost 100% at Apple Chemie? And any timelines for that?

Hemant Jalan:

Well, we do have call options to do that starting from April of '26. I don't think there is any intent to raise the stake to 100% because it's a company that is extremely well run by the current promoters, and we would like them to have skin in the game so that they are enthused and motivated to continue to grow the company well.

So I don't think we intend to get involved too much in the day-to-day functioning of that company. I think it is being run extremely well. We provide outside support wherever required. We are trying to help them out in developing a bigger export market because we realize now that there is a lot of export potential for these products. And that's the extent. Whether we will up our stake from 51% to a slightly higher number is a call that we will take by the end of this fiscal.

Moderator:

The next question is from the line of Shashank Jha, an individual investor.

Shashank Jha:

[inaudible 0:57.55]

Hemant Jalan:

I'm sorry. Your line is not clear. I can't hear what you're asking.

Moderator:

Sorry to interrupt, Shashank.

Hemant Jalan:

I cannot understand the question. The line is too unclear. No, I don't think the line is at all clear, Shashank. Are you using a handset?

Shashank Jha:

I just wanted to know like about the ad that you are showing on the TV. Birla paint has a good ad, why can't we do something like that, I am just saying from an user point of view. Indigo Paints ad is just like a common ad, people don't connect to the ad. If you can work on the ad it will work wonders?

Hemant Jalan:

We will convey this message to our marketing department.

Shashank Jha:

I am holding, indigo paint for last 2 years. Just thought sharing it with you.

Hemant Jalan:

Thanks for your feedback. We will share it with our creative agency and marketing department. We release 2 or 3 ads every year. Last month we have completed a new ad. Now the running ads of Dhoni and some aliens, I thought that it was quite different from anything that we have done in the past. But still, if you are finding that it is not very differentiated, we will try and pass on these messages to our creative agency and see what better we can do.

- Unknown Attendee** Just like in World Cup 2023, there was a ad of Birla which was different from other ads, which might have created a good impact to them. So I am requesting, if you can work on the ad this will benefit us.
- Hemant Jalan:** We will convey this to our creative agency.
- Moderator:** The next question is from the line of Manish, an individual investor.
- Manish:** Congrats on the good set of numbers. Sir, my question is related to the retail consumers behavior. Sir, do you think now the world has changed. Now even for buying our daily groceries, we are dependent on quick commerce companies. Like the people have no time like they are ordering everything online and they are too much dependent on quick commerce.
- So it's like every -- the couples are working. So do you think now the people don't have that much time to spend for painting their house because it's like a lot of time-consuming effort taking activity.
- So do you think like there is something which can be done as an innovation to make this process very fast? Because if you see, I'm calling from Kerala, Trivandrum, you see like there are frequent rains. So people have not that much interest to keep your luggage outside the house.
- And so it is very time taking. So it's like you have -- because they are keeping it as a last option. So do you think that behavior has changed? And if it is, like do you have any plans to address that by some innovation to make it a fast process? That is my question.
- Hemant Jalan:** Well, this is a question that everybody in the paint industry has grappled with, and people have tried to move to online sales. The difficulty about doing that in paints, a, items are very, very bulky. And relatively low cost per weight as compared to iPhones or even vegetables or other things. So to transport paints through quick commerce or e-commerce is very difficult.
- Secondly, when you're buying vegetables online, I think your wife knows exactly how much of potatoes and onions and brinjals to buy. But when you do repainting of a house, paints are not the only thing you need to buy. Along with paints, you need primers, you need putty, you need some brushes, you need rollers, you need masking tape and a whole lot of other paraphernalia. And typically, consumers are not very knowledgeable as to what the relative quantities of all these things should be.
- And therefore, for all these reasons, they still prefer to go to a nearby store accompanied by an influencer or with a prescription written by the influencer as to what to buy out of a list of 10, 12 items to do the painting. And attempts to sell paint online have been largely very, very unsuccessful across the world, not just in India. And I think that, that is where it is going to stay.
- Manish:** Sorry, just like I think my question is like not related to sales of the paint. That is fine because people are ready to spend time on like buying the paint. That is not a concern. My concern is like the shifting of their luggage and like waiting for 5, 6, 7, 8 days for the whole house to be

painted, that's like painting activity. Do you think that -- because in this world, like I'm relating it...

Hemant Jalan:

Manish. I mean, many, many implements and tools have come up and the market is flooded with them and most painting contractors have access to them. For grinding the surface, there are tools available.

For painting, there are now many people are using sprays instead of using a brush, which works much faster. This business about professionalizing and shifting your furniture and shifting it back after the painting is done is also something that is slowly being acquired by the better painting contractors. And it's a habit that will slowly come.

The penetration of all these tools is much better. But most of these tools are relevant more for interior. For exterior painting, as you were saying, dislocation of furniture is not really involved. And generally, spray painting is not used as much for exterior as it is used for interior.

And people are using brush and rollers for exterior and the habits of the painters vary a lot from one corner of India to another. But when you say that you are from Trivandrum, I mean, Kerala is a slightly more sophisticated and advanced market compared to the rest of India. So most contractors that we have seen in Kerala have been the early adopters of all these modern tools, which are available, which do shorten the painting cycle a little bit.

Moderator:

Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments.

Hemant Jalan:

Well, thank you for hosting this call, and thank you all for patiently listening in. As I said, the gloomy days of the last 6 quarters seem to be coming to an end. We seem to be on the cusp of a demand revival. We are very hopeful that we'll come back to you at the end of the present quarter with significantly better numbers. And hopefully, the industry as a whole will also be back on track with good growth numbers in the days to come. Thank you all.

Moderator:

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