May 29, 2026

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

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

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call for the quarter and year ended March 31, 2026 held on May 25, 2026

Pursuant to the Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed the transcript of the earnings conference call held with the analyst and investors on May 25, 2026 at 11:00 hrs (IST) to discuss the standalone and consolidated Financial Results of the Company for the quarter and year ended March 31, 2026.

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.

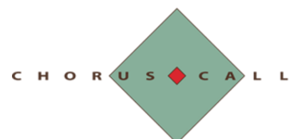
Thanking you.

For Indigo Paints Limited

Sayalee Yengul
Company Secretary & Compliance Officer
Membership No. A37267

Encl.: As Above

"Indigo Paints Limited
Q4 FY '26 Earnings Conference Call"
May 25, 2026



MANAGEMENT: **MR. HEMANT JALAN – MANAGING DIRECTOR – INDIGO PAINTS LIMITED**
MR. SURESH BABU – CHIEF OPERATING OFFICER – INDIGO PAINTS LIMITED
MR. CHETAN HUMANE – CHIEF FINANCIAL OFFICER – INDIGO PAINTS LIMITED
MR. AISHWARYA PRATAP SINGH – CHIEF BUSINESS OFFICER – INDIGO PAINTS LIMITED
MR. SRIHARI SANTHAKUMAR – GENERAL MANAGER FINANCE AND HEAD, INVESTOR RELATIONS – INDIGO PAINTS LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Indigo Paints Q4 FY '26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Alrik. On behalf of ICICI Securities, we welcome you all to Q4 FY '26 and FY '26 Results Conference Call of Indigo Paints Limited. Now I hand over the call to Mr. Srihari Santhakumar, GM, Finance and Head of Investor Relations, to introduce the management and take the call forward.

Thanks, and over to you, Mr. Srihari.

Srihari Santhakumar: Thanks, Aniruddha. Good morning, everyone. Thanks for tuning into our call today to discuss the results of Indigo Paints Limited for the quarter and year ending March 2026. We have uploaded the investor presentations in the stock exchange portals. Hope you had got a chance to look into it along with the disclaimers.

To discuss the call with us from the management side, we have Mr. Hemant Jalan, the Managing Director of the company; Mr. Suresh Babu, the Chief Operating Officer; Mr. Chetan Humane, CFO; and myself, Srihari. Today, in the call, we have one more participant, Mr. Aishwarya Pratap Singh. He has joined Indigo Paints back in January to strengthen our leadership team.

He is from ITC Foods, and he has over 20 years of experience spanning sales, marketing, brand management and business leadership. So as usual, we'll have a quick brief given by Mr. Jalan, following which we'll have a Q&A session. Over to you, sir.

Hemant Jalan: Thanks, Srihari. Thanks, Aniruddha. Good morning, everyone, and thank you for joining us today to discuss Indigo Paints performance for the fourth quarter and for the full year FY '26. Now paint industry has navigated a fairly prolonged period of muted demand, nearly 8 consecutive quarters of subdued growth, followed by a decisive demand uptick from November 2025 onwards.

However, after just 4 months of recovering demand, the Iran war resulted in a complete breakdown of supply chains. The month of March 2026 saw an unprecedented spike in raw material costs, coupled with very, very tight availability position of critical raw materials. In light of this disruption, we view our Q4 performance as being particularly encouraging.

Our value growth numbers on a Y-on-Y basis have progressively risen every quarter during FY '26. More importantly, the underlying quality of the business, that is, our gross margins, our product margin, our network depth has only strengthened over the course of the year. So as the

demand environment normalizes and the war clouds recede, we are well placed to make the most of it.

Now let me first come to the standalone results of Q4. Our standalone revenue from operations for Q4 stood at INR397.9 crores, reflecting a Y-on-Y growth of 8.4%. This growth was broad-based across all product categories with the premiumization of our portfolio continuing to drive both volume and value.

We are pleased that our gross margin was 48.6% in Q4, which is an improvement over 47.4% recorded in Q4 of last year. Now this was commendable given that key raw material prices surged almost 50% to 100% in March 2026 due to the Middle East conflict.

The growing contribution of differentiated products helped us to offset this input cost pressure, which we believe validates the long-term logic of our product portfolio strategy. The EBITDA for the quarter stood at INR91.7 crores, which is a 6.8% Y-o-Y growth with an EBITDA margin of 23.0%.

Now Q4 has historically been always our strongest quarter from a product mix perspective and therefore, from an EBITDA margin perspective and FY '26 was consistent with that pattern. On PAT, we recorded INR57.3 crores with a margin of 14.4% compared to 15.3% PAT margin in Q4 of FY '25.

Now the slight decline in PAT margin was due to a sharp decline in our other income, our treasury income basically, which was INR5.6 crores in Q4 of FY '25, and it came down to just INR0.19 crores in Q4 of FY '26, attributable entirely to mark-to-market losses in treasury income driven by adverse bond yield movements during the quarter.

Now this is a non-operational noncash item and the underlying performance of the business was robust. In fact, a lot of these mark-to-market markdowns losses have kind of rectified itself in April with the situation in the Middle East being perhaps not as bad as what it was in March.

Additionally, employee costs during the quarter were higher due to our planned expansion of our sales force, which is an investment in future growth that we are making purposefully. Advertising and promotion expenses were 5.6% of revenue in Q4 versus 5.0% in Q4 of FY '25, largely due to our participation in advertising during the Cricket World Cup and our sustained BTL engagement with painters, contractors and influencers. We view this as a calibrated investment in brand and channel relationships.

Coming to our results for the full FY '26 on a stand-alone basis, our revenue from operations was INR1,330 crores, a Y-on-Y growth of 4.1%. Now this year seems to have had 2 very distinct and different halves, a relatively subdued H1, reflecting broader industry softness and competitive pressures, followed by a noticeably stronger H2 as demand recovered and our growth initiatives gained traction.

The trajectory of improvement during the year gives us a good springboard for FY '27. Now, the gross margin for the full year improved from 46.5% in FY '25 to 46.9% in FY '26, sustaining our industry-leading position. Full year EBITDA was INR246.7 crores at an EBITDA margin

of 18.5%, which was also an improvement over the 18.1% recorded in FY '25, demonstrating that even in a year of moderate top line growth, we expanded profitability through our product mix enrichment and disciplined cost management.

PAT after excluding the exceptional gratuity provision of INR5.85 crores in Q3 relating to the draft Labour Code on wages, our PAT for the full year was INR149.8 crores, which was a 4% growth over FY '25 and a PAT margin of 11.2%, which was a tad higher than 11.1% in the previous year.

A&P spends for the full year reduced to 5.8% of net revenue from 6.4% in FY '25 as we continue shifting spends more towards BTL activities directed at influencer channels. On a consol basis, which includes our subsidiary, Apple Chemie India Limited, Q4 FY '26 revenue was INR425.3 crores, which was a 9.7% Y-o-Y growth.

EBITDA was INR95.6 crores with an EBITDA margin of 22.5%, growing 9.3% Y-o-Y and PAT was INR59.2 crores with a PAT margin of 13.9%.

For the full year FY '26, consolidated revenue stood at INR1,405 crores, a 4.8% growth. Consolidated EBITDA for the full year was INR254.8 crores with a margin of 18.1% growing 9.1% Y-o-Y. PAT except for the exceptional item pertaining to graduity was INR152.2 crores at a margin of 10.7%, growing 7% over the preceding year.

Just to place things in perspective, on a 5-year consolidated basis, our revenues have compounded at 11.6% CAGR and EBITDA at 17% CAGR since FY '22, reflecting the durable earnings quality of our business.

Coming to some more operational details. All 4 different product categories within our paint portfolio delivered positive growth on both volume and value basis during Q4 FY '26. The highest growth came from the primers and distemper category, which had a value growth of 14.9% and a volume growth of 9.6%. Next was the putty and cement paint category with a 12.6% value growth and 9.5% volume growth. Emulsions had a 10.5% value growth and 11.2% volume growth. And the fourth category, enamels and wood coatings had a 7.2% value growth and 5.4% volume growth. And if you look for the full year FY '26, the highest growth came in the primers and distemper category, which had an 11.1% value growth and 7.5% volume growth, whereas enamels and wood coatings had a 10.6% value growth and 8.5% volume growth.

Our distribution network continued its steady expansion. On 31st March 2026, we had over 19,350 active dealers, more than 12,200 Tinting machines and 55 depots spanning all 28 states. We are deepening our stronghold in Tier 3 and Tier 4 markets and growing our presence in Tier 1 and Tier 2 markets, a combination that broadens our addressable base and improves network productivity over time.

A few words on our subsidiary, Apple Chemie, which delivered another strong quarter with Q4 revenues of INR27.5 crores, which was a 34.7% Y-o-Y growth. For the full year FY '26, Apple Chemie recorded revenue of INR75.1 crores, which was a 17.8% growth over the previous fiscal with meaningful improvement in profitability metrics.

With strong order visibility and growing brand recognition, Apple Chemie is developing into a meaningful and increasingly profitable contributor to the consol business, and we are ambitiously targeting a 30% plus growth rate for Apple Chemie in FY '27.

I would now like to take a moment to discuss our capital allocation framework. Which I believe is an important and perhaps underappreciated dimension of the Indigo investment case. Now our new water-based plant at Jodhpur with an annual capacity of 90,000 KL per annum is in the final stages of commissioning and trial production is expected next month, that is in June 2026. Production at the new solvent-based plant and the expanded putty plant at Jodhpur have already commenced in the last few months.

Once this new water-based plant is fully operational, Indigo Paints will have substantial incremental capacity to meet growing demand for premium and economy water-based products across Northern, Eastern and Central India without the need for any further major capex. This brings me to a point of considerable significance for investors that is we do not envisage any further major capex until FY '29.

The heavy investment cycle is largely complete. What this means in practical terms is that from FY '27 onwards, Indigo enters a phase of meaningfully stronger free cash flow generation. Capacity is in place, network has been built and the brand is invested in, and the business is now positioned to convert its growth into cash returns.

Operating leverage, combined with the absence of large capex commitments, should drive a step-up in cash generation over the next 3 years. Reflecting this confidence in our financial position, the Board has proposed a dividend of INR5 per share for FY '26, which is a 43% increase over the INR3.5 per share, which has been distributed in the last 2 years.

This is a considered decision signaling the Board's conviction in the sustainability of our cash flows and our commitment to progressively enhancing returns to shareholders. As free cash flow strengthen further in FY '27, all the way through to FY '29, we intend to maintain the shareholder-friendly approach to capital allocation. Finally, a word about our ESG and CSR initiatives.

On sustainability, our 330-kilowatt solar installation at our Kochi factory is fully operational and generating renewable power. Our Indigo Seva Utsav initiative has now resulted in the repainting of over 230 government schools across Tier 2 and Tier 3 towns throughout -- through our painter community program. The Painter Health Benefit program covers more than 36,000 painter families nationwide. And our skill up initiative has trained over 1,100 painting contractors. Our Educare program continues to support approximately 360 underprivileged girls through the Payal Jalan Charitable Trust.

These programs are core to our culture and to the deep trust-based relationship we maintain with the painter community, which remains one of our most important channels. As we enter FY '27, we do so with clear strategic intent and improving business momentum. We have been recording high revenue growth for the last 5 consecutive months, and we expect this trajectory to continue.

Our focus for the year ahead is straightforward. To grow faster than the market, deepen our presence in the underpenetrated geographies and build on our product portfolio premiumization to drive sustainable profitable growth.

We are in a phase where growing and gaining market share is the top priority. To pursue this with the urgency it warrants, we are prepared to accept some moderation in our gross margins if required. This is a deliberate and considered choice. We largely expect that our EBITDA margins will remain unchanged. However, the overall focus will remain on achieving high top line growth.

On raw materials, key input prices rose as much as 50% to 100% for some raw materials in March. And the industry has implemented price increases of approximately 12% in the overall basket in response.

We expect the pricing environment to progressively absorb the cost impact over the coming quarters, and our procurement and production teams are actively working to mitigate the residual pressure. The Jodhpur water-based plant coming online in June will be an important enabler, both for capacity and for improving our supply chain responsiveness in the Northern and Eastern geographies where we see a lot of headroom for growth.

So thank you. That's all I had to say, and I look forward to taking your questions.

Moderator: Thank you. We will now begin the question and answer session. Our first question comes from the line of Abneesh Roy with Nuvama Wealth Management.

Abneesh Roy: This is Abneesh Roy. Congrats on good numbers. My first question is on Apple Chemie. So if I see the numbers, first 9 months in this financial year, the growth was a bit muted then Q4 35% growth and then FY '27 guidance also very strong at 30%. So what has changed here?

And if you could comment some specific numbers on gross margin and EBITDA margins also? And given in paints, you have an industry first gross margin, if you could tell us within waterproofing, how are the margins, given this is a much smaller business versus some of the other peers, how is the gross margin trajectory here?

Hemant Jalan: No. About Apple Chemie, I think even in Q3, they had given a pretty strong performance with a top line growth of 30% thereabouts. So both Q3 and Q4 have been high. Q1 was muted and a lot of their business comes from infrastructural projects in Maharashtra. And you may have read in the newspapers that various infrastructural contractors were struggling to get payment from the government due to some cash flow position or problem that the government had and a lot of money was stuck.

Now that slowly eased out towards the end of the second quarter. And then in Q3 and Q4, the going has been very good. So now the money flow looks good, the kind of orders that they have in hand and the new geographies that they have gone to, which extend much beyond Maharashtra to MP and now some parts of East and Northeast India, a little bit in Southern India.

So based on the order book trajectory is where we are pitching for a very ambitious 30% plus top line growth in the next fiscal, which is in line with what we have done in the last 2 quarters. Now, the gross margins in their business, hover, around 40%.

It depends a lot on the product mix. Sometimes it goes down to 38%, sometimes moves up to 41% or something. But I would say the norm is to be around 40%, plus/minus 1% as far as gross margin is concerned. And what else were you asking? I forget, Abneesh.

Abneesh Roy: Versus peers, how it is? And is government project a big chunk of this because in Q1, Q2, this impacted the money flow impacted is government projects a big chunk of the business currently?

Hemant Jalan: It's like this, yes and no. Ultimately, government projects are important. They are empanelled directly by the government agency, which is responsible for the project, but supplies made by Apple Chemie are not directly to the government. They are more to the infrastructural suppliers to the government, people like L&T, BG Shirke, Afcons and so on and so forth. So they have to be impanelled by the parent government agency.

The approvals come from there, but the actual supply, etc., happens to people -- more people like L&T, etc. Now if the money flow from the government becomes slow, then if the payment of the contractor gets held up, it has a cascading effect to their vendors also. And that is what Apple Chemie was facing in Q1 and Q2.

Now talking about peers in their industry, most of their peers in this industry are unlisted companies and publicly available information on their gross margins, EBITDA margins are not really available. There are a lot of high-tech products that they have where they are competing with foreign companies like Sika and Fosroc, and those are large multinational giants.

And in those segments, obviously, the gross margins go very high. But there are also commodity-type products where the gross margins are lower. So 40% is around the blended gross margin that they aim for and they have been achieving.

Abneesh Roy: Sir, my last question is on Aishwarya Pratap Singh. So obviously, a very senior role and strong experience in ITC. My specific question is in his first few months in Indigo Paint, what is the gap he's seeing or what is the strong points he's seeing versus a typical FMCG company, given you were in ITC Foods? Is there something he wants to change?

And second, sir, I personally found your comments on market share this time a bit more aggressive than earlier. Top line growth every paint company will get in FY '27 because there is a 12% kind of price hike. So that is not my question.

My question is on market share, is there a reason why you want to go more aggressive this year or it is the need of the hour? And also wanted to understand from Aishwarya, what made him join this company from a foods company? And what are the strength and weakness he is seeing in the sales and distribution?

Hemant Jalan: Okay. I'll answer my question and let Aishwarya answer whatever you want to know from him. You have known me for a long time, Abneesh, and you're right in noticing that there seems to be a particular, shall I say, spring in our feet when we are talking about top line growth this year.

Now in the last 5 years post our going public, we have grown faster than the industry, sometimes at 2x, 2.5x and sometimes by only a small margin. Our bottom lines have been always very good.

So a slow thinking has come into the company that are we being a little conservative in overprotecting our gross margins, which are even higher than the industry leader consistently for the last 5 years or our EBITDA margins, which are the second best in the industry despite being a significantly smaller company.

And I think it was a collective decision of the Board that maybe we have been a bit conservative in the past, and we need to press the accelerator and spend a little more liberally, whether it is on trade, whether it is on influencers, etc. It may result in a drop in gross margin by 2, 2.5 percentage points while still maintaining our leadership in the industry.

If the volumes pick up substantially, which we think it will, maybe the EBITDA margins will be around the same, but that is not the number that we are going to chase. I mean, if hypothetically, the EBITDA margins were to drop by 1 percentage point, it's not a matter of concern for a company like us.

It is much more important to jump into a much higher top line growth trajectory, and that is very much the intent as far as at least the next fiscal -- this fiscal is concerned. So you are right, we are going to be far more aggressive in pursuing top line growth.

We are not a company that has ever burned cash or come even remotely close to it. So I don't think we are worried about that aspect of it. And as far as Aishwarya is concerned, he's joined to strengthen the top management team.

And the last 4 months have been for him to learn, and I think he has now started formulating his opinion, and I hand it over to Aishwarya to address your other question as to what made him leave ITC and come to Indigo.

Aishwarya Pratap Singh: Abneesh, Aishwarya this side. So yes, I spent a considerable time in FMCG, which is close to around 19 to 20 years. And then I thought that I should try something which is different. Also, I tried to understand how Indigo is doing, and I found it to be extremely fundamentally very strong, not just financially, but operationally also. We've been doing quite well for quite some time.

And there's a challenge of growing a company to the next phase, and that is something I really wanted to explore more from a well-established FMCG business to something which is where the growth opportunities are immense is something that actually attracted me to join Indigo Paints, not to mention the financially strong condition of the company makes it all the more attractive to join.

So that's a major reason as to why I thought I'll try working with Indigo Paints. As sir said, I'm still in the understanding phase. It will be tempting to start telling that what is good in FMCG and try to put it over here, but it's more important to understand how business works fundamentally, learn each and every part of the business industry as well as how company operates. And the company has been doing quite well for quite some time.

So as of now, I'm in the process of understanding how Indigo operates, how industry operates because it's a very different dynamics. And I hope to catch up from here and get into the next phase of growth, which sir was talking that will be slightly more aggressive towards top line growth. And that is where probably I'll be contributing a lot more from my side.

Abneesh Roy: Okay. Just one last follow-up from sir. Sir, generally, you grow or aspire to grow 2x to 3x for industry and industry itself will grow around 12% at least in FY '27, given 12% price hike and if we take the negative 3%, 4%, still net hike for the legacy company will be in the ballpark, 7%, 8% and then volume growth. So 12% looking doable for industry. So to achieve, say, the 24% growth, which is 2x of the growth, are you confident? And second, the 200bps gross margin sacrifice, will that be enough to achieve 24% kind of growth?

Hemant Jalan: Answer to both your questions is yes. Yes and yes.

Moderator: The next question comes from the line of Rushabh Shah with BugleRock PMS.

Rushabh Shah: Am I audible?

Moderator: Yes.

Rushabh Shah: So my question was, we are adding dealers in the ecosystem. So 2 things, there will be strong markets and there will be weak markets for us. So how are we able to break the competition dealer and let the dealers keep our product as well?

Hemant Jalan: So yes, we are -- there are markets which are strong and there are markets that are weak. However, we are a nationally known brand because we have been advertising consistently since way back in 2013 or something. So it's been 12, 13 years of very sustained advertising.

The whole paint industry, even in our weak markets, are fully aware of at least our differentiated products, our floor coat, our metallic emulsions, tile coats and D&W emulsion, acrylic laminates and PU Enamels and so on and so forth.

So even if we are weak in certain markets, our advertising and word-of-mouth publicity has permeated to the dealership level so that they are all fully aware of what Indigo Paints can offer uniquely to them.

Many of them, in the past, they have not been dealing directly with us, have been indirectly buying our products from other wholesalers or other people and stocking it. So opening new dealers has not been a problem at all, either in weak markets or in strong markets. So does that answer your question?

Rushabh Shah: Just a follow-up on this one, sir. As you say the products, the differentiated products, so when Indigo comes out with a new differentiated product, sir, because as even the competitors are aware of our new products, so how much time do we get as an additional advantage because in 6 months or something like that, even a competitor would come out with a similar product. So how are we able to capitalize on the differentiated products?

Hemant Jalan: Differentiated products we have launched not in the recent past. We have launched them 10 years, 15 years ago. And we still have a monopolistic hold almost on these product lines. These products have been extensively advertised by us. And for some products, whether it's a PU enamel or whether it is a floor coat, they have almost become synonymous with Indigo Paints.

Now you must appreciate that what is good for an Indigo Paints is not necessarily good for an Asian or a Berger. The scale of operation is much larger. And so if there are various niche markets or niche product categories that we have developed, let us say there's a product category which contributes INR100 crores to our top line. It's very meaningful for Indigo. It's not very meaningful for an Asian Paints to go after a market of that size.

And therefore, how much time do they take to imitate the product, probably not more than a few months the day they decide to imitate, and they have attempted to do so. But they find that it's very difficult to put their might behind a product which is -- which has a limited market potential.

And therefore, we don't expect a very large company like an Asian or a Berger to start paying advertising money behind those products. For that reason, they find that these niches are well occupied by Indigo Paints and the going gets tough for them. And at some point in time, they kind of give up the race and concentrate on much larger categories, which is what you expect them to do in their position.

Rushabh Shah: Okay. So my second question is that as you know in the luxury segment, emulsion segment, 75% market share is with Asian Paints and 13% is with Dulux. And also Birla Opus went after the economy segment. So my question was how difficult is it for you to gain market share in the luxury segment as well as to defend our market share in the economy segment?

Hemant Jalan: So I don't know whether the numbers that you said that Asian has a 75% share in luxury and 13% by Dulux, I don't know the accuracy of those numbers. But qualitatively, yes, I will say that the market leader, which is Asian Paints, has a dominant market share in the premium luxury segments, which is more than their overall market share.

If their overall market share in the paint industry is around 50%, then their market share in the premium luxury segment is significantly higher than that. I don't have quantitative data to tell you as to what exactly that number is. Now for us, that number is quite low.

Obviously, when you start off in an industry, you start by the undercoats, then you move to the economy products, and it takes a long time for the premium products to sort of start getting accepted in the market. You will notice from the results of other companies that all other companies for the last 7, 8 quarters have been reporting a volume growth number, which is significantly higher than their value growth number.

Now that clearly and mathematically suggests only one thing, and that is that their economy and budget level products are growing much faster than their premium end products. If you look at our numbers, you will find that the reverse is true. And we are the only company that gives a breakup into 4 distinct categories, and we have been doing so for the last 20 quarters or more, where you will find that in general, the value growth is higher than the volume growth in almost all cases.

Now that suggests that the premium products are growing faster than our economy range or the overall basket is concerned. And therefore, we are making steps for the last 2, 3 years consistently in a gradual premiumization of the product portfolio. Now are we going to reach the level of some of the very large companies like Asian Paints in this category? No, not in the foreseeable future. And it is not important to do so.

It is just important that the share of premium emulsions in our overall product portfolio should keep increasing, which it is increasing. And therefore, it bodes well for the profitability of the company. It also bodes well for the market image and the brand equity of the company in the market because those are obviously established from your premium products.

Rushabh Shah: Okay. So my third question was for the loyalty programs for the dealers, do we have a dedicated team which looks into all the aspects of the loyalty program or we have outsourced it to someone else?

Hemant Jalan: It is not outsourced at all.

Suresh Babu: It is all in-house, Rushabh, because this segmentation of the dealers and giving them the loyalty programs has been a continuous process in the company. We have kind of evolved this over a period of time. And not only dealers, we have loyalty programs -- strong loyalty programs for the contractor community also, the painter and contractor community also.

And that has been our mainstay as in the growth of premium emulsions is concerned, it is because these are the people who are actually meeting up with the end customers and trying to upsell our products because the end customer obviously knows that we are strong in our differentiated products, but not as much as they have the knowledge as far as premium emulsion is concerned. And our focus on this contractor segment in terms of the loyalty programs has definitely helped us gain strong market shares as far as the premium emulsion segment is concerned.

Rushabh Shah: Okay. My last question was, as you say that one of the reasons for greater margins is the logistics cost, which is lower because of your putty plant, which is very, very near proximity to the sources of the principal raw materials. I just wanted to know the other 3 players, don't they have the factory near the raw material, hence, they have lower gross margins. Is that the only reason for us for greater gross margin as compared to our leaders?

Hemant Jalan: Putty is not the only reason why our gross margins is better than the others. Where are the putty plants located of our competitors is not something that I know. I know that a large majority of them outsource their putty to other job workers, by and large. Very few, if any, of them are

manufacturing any putty in-house. In our case, more than 90% of the putty is made in-house at a very favorable location.

But there are other reasons why our gross margins are high. We have fewer factories, which are in general, located close to the source of raw materials, and that gives us a huge advantage, whereas with respect to incoming freight of raw materials is concerned, -- we have almost 30% of our sales coming from a slew of differentiated products where we have much better pricing power and therefore, the gross margin contribution is higher.

And over the years, the premium emulsions as a share of our overall business has also been growing. So all of that, combined with very hard-nosed purchasing and sensible pricing, not going berserk when it comes to passing on discounts, etc., is concerned, having a disciplined approach has led us to -- a little bit of all of these things has led us to have a gross margin, which is higher than competitors.

Moderator: The next question comes from the line of Mihir Shah with Nomura Wealth Management.

Mihir Shah: This is Mihir from Nomura Securities. Sir, I wanted to just understand your comment on gross margins a bit better. When you say you will see gross margins. You're trying to lower gross margin by 200, 250 basis points. I wanted to understand from where are you going to extract that from?

And how do you plan to invest it back? Also, one-third of your sales are differentiated products. Should one expect gross margins in those differentiated products also to come down or it is going to be on the -- the impact is largely going to be from the two-third of your portfolio. Hence, the competitiveness can be significantly higher in that portfolio.

So that was one. Just in connection with the other, this gross margin reduction that you have called out, will it be because the competitive intensity has been elevated and now with JSW Akzo, with all the other competition keeping their spend significantly higher? Is it a necessity for you to grow faster? Is that the reason why we've taken this step? So that's my first question.

Hemant Jalan: So you said that we are going to try and take a gross margin down by 2, 2.5 percentage. Now that is not the intent. The intent is not to intentionally reduce gross margin. The intent is to hike top line growth. Now you do that -- to do that in a disproportionate way, you need to increase spendings at 2 places.

You can either spend a little more on trade schemes with the dealers or you can spend a little more aggressively with the influencers, that is the painters or the contractors, the tokens that you give them, the kind of loyalty programs that you have with them, etc. So these are 2 avenues.

And both of these expenses, whether you spend more directly on the influencer or you give higher trade discounts, all these expenses are netted off from the top line as per Ind AS accounting or at least they should be netted off from the top line. I know they are in our case, they may or may not be happening in the case of our other competitors who may be parking some of this in the advertising and promotion expense. We don't.

So therefore, if we spend a little more on that, it is expected that gross margins would come down slightly. Would that happen also with our differentiated products? By and large, most of them, no. because those are reasonably price inelastic. And when you have a dominant share there, there is no need to spend aggressively on those products because there is not much chance of gaining any permanent additional sales as far as that is concerned.

Your second question, is it because of increased competitive intensity? The answer is no. I think competitive intensity was very high 1 year, 1.5 years ago. I think it's kind of normalized now. As far as JSW acquiring Akzo, so far, the 2 are operating as 2 separate entities, and we see no change in behavior on the ground by either company.

So both companies have existed for a very long time, Akzo for, I don't know, 75 years and JSW also for the last 7 years or more. So I don't think there is any change in the competitive intensity as of now.

You would have heard from the narrative of our other peers who have had their investor calls earlier and from the investor call of Grasim that as far as Birla Opus is concerned, they have almost come on par on pricing with the rest of the industry as far as the products are concerned, which is a clear sign that the competitive intensity there is coming down and they are falling more with industry practices.

So I don't see any significant change in the competitive landscape in the last couple of quarters. If anything, things have moderated a little bit. So I don't think it is out of any necessity of something that we see happening on the ground that we are compelled to make this statement.

We just feel that we have not always grown the way we should be growing vis-a-vis the rest of the industry. There have been periods when we have done it and periods when we have not. And we just feel that we should be pursuing that with a little more vigor rather than simply defending a percentage point or 2 on our bottom line.

Mihir Shah: Got it, sir. That is very clear. And I wanted to just understand that clarity whether this is a spring in a step that which you mentioned going in that direction or how should we -- it is more of a defensive one that one should look at it? So that's what I wanted to understand.

Sir, secondly, I wanted to just understand with the kind of volatility we are seeing in the crude prices and the raw material prices, the kind of price increases that you and the industry has taken maybe appears that it is okay for now, but if it continues, there should be another significant round of price increases that may be warranted.

So how should one think about the price increases that have been taken? How much are they covering the margin? And what is the necessity of further price increases that will be required at least from your side? So that's my second question.

Hemant Jalan: I personally don't foresee any significant price increase coming our way in the very near future unless things deteriorate in the Middle East and there is some further disruption that we are not expecting. Now prices had gone haywire in the month of March. And there was also an

availability issue. I mean materials were just not available at any price. So the prices have gone through the roof.

Now I would say that in April or mid-April is when they started marginally stabilizing, albeit at a very elevated level. And the price hikes that the industry announced in almost 3 phases have more or less covered the cost implication that has resulted in these raw material prices, at least for the water-based paints completely.

There is a little uncovered gap in solvent-based paints, which is in enamels and wood coatings. Trade discounts have got slightly readjusted in the last couple of months when these prices went berserk. So overall, when it comes to Q1, depending upon who had how much of raw material stocks at old prices and how much new purchasing they had to do at elevated prices, you may see a little volatility in the gross margins of paint companies in Q1.

But by now, I think they have all kind of stabilized. Material is now available. As I said, the only place where there is a little uncovered gap is in solvent-based paints, but the price of mineral turpentine oil is coming down fast, along with the reduction in crude oil prices.

So if crude oil price continues to come down, I think we'll be reasonably covered even as far as solvent-based paint is concerned. And our share of the solvent-based paints, I mean, our overall share in solvent-based paints is not more than 17%, 18% of our product portfolio.

So we are not unduly worried about it. So I think for the time being, the industry looks like it is more or less done with the price increase. And as I said, barring some aberrations in Q1, if prices remain the way they are for a long period of time, and let us assume that it will, then at least in Q2, I think everybody will be back to their earlier levels of gross margins, whatever they were.

Moderator: The next question comes from the line of Tejas Shah with Avendus Spark Institutional Equities.

Tejas Shah: Sir, first question starts more of seeking a clarification just to reconcile our comment that we have been growing double-digit for last 5 months, while our reported number has been high-single-digits. So does that mean that the gap in between is largely because of increased rebates?

And just an associated question, even forward-looking guidance that we have given in the presentation also says that we'll grow double-digit at gross level. And the drivers that you spoke about what we need to dial up now, which is more incentives for dealers and influencer, does it mean that the reported net sales will be a casualty even if the -- even if the acceleration is witnessed at the gross level?

Hemant Jalan: No. In the past, in the last 4, 5 months, I would say, from November onwards, at a gross level, we have been in the double-digit realm for each of the 5 months, including the disruptive month of March. However, trade discounts, and it's not just trade discounts, it is also elevated discounts to the influencers, which get knocked off from the top line.

And therefore, for the quarter, you have seen 8-point-something percent growth in the top line, 8.5% growth in the top line. So therefore, because if the spends are even 2%, 2.5% higher, then

that will bring it a gap between the gross sales, which could have been around 10.5%, 11% down to 8.5%, which is what has happened.

What we are talking about now going ahead in the future is not talking about a gross sales growth of 10%, 11% because, frankly, that much should come with the pricing impact itself. So we're talking about a much, much higher top line growth.

And even if spends at the dealer level or at the influencer level are slightly elevated, we are not talking about slipping into single-digit range as far as net sales is concerned. Hopefully, we'll be much, much higher than that. But I hesitate in giving any kind of a guidance in terms of number because every time we do something disruptive happens in the world, which sets us back. And I mean, this one, Gulf War was pretty unexpected. So, the way things will turn...

Moderator: I'm sorry to interrupt, sir. I would request you to come a little closer to the microphone. You're not quite audible.

Hemant Jalan: Am I audible now?

Moderator: Yes, sir. It's a little better. Please go ahead.

Hemant Jalan: So I'm saying that I have not -- I would not have yet set any specific number, what the top line growth at a net level will be for the coming quarter. As far as Q1 is concerned, yes, we have had a fairly decent or fairly good April, but that April growth was more driven by price hikes for every company, not just for us.

I think the whole paint industry would have had a good top line growth in April because with so many price hikes, the dealer tends to hoard material. How May and June will pan out is something that time will tell, as to what is the kind of demand in the market and how much of overstocking has happened and some amount of overstocking has definitely happened.

But I'm talking a little more long term as far as this whole fiscal is concerned, that we don't expect to give you net sales, which are significantly, significantly higher than what we have done in every quarter of last year. And we are not talking about hovering around high single-digit and low double-digit range, but also numbers that -- that is year end.

Tejas Shah: Yes, sir. Second -- am I audible, sir?

Hemant Jalan: Yes, you're audible. Please go ahead. Mr. Tejas.

Tejas Shah: Yes. Sir, second last question. The macro construct, the way it is evolving, from my limited memory, it reminds me of 2009-'11 scenario where we had -- the industry had some 9 price hikes and then 3 price cuts later on. And net -- it actually ended up taking a lot of price increases in FY '11, '12 onwards. Do you believe that we are in that -- looking at competitive scenario, let's say, if that whole cycle has to repeat, the industry will be able to retain a lot of pricing when it goes into, let's say, FY '27 or '28?

Sir, just one request. This question was largely as an observer of industry and not only specific to Indigo Paints. But obviously, you were small at that time and perhaps below the radar. But

my question is more on our strength or our stage today where we are and also how you are looking at industry's ability to retain those benefits if the raw material has to go down?

Hemant Jalan: Yes, Tejas, that today, in this very volatile situation that has happened in the last 2.5 months since the Iran war started, if you talk to the MSME players in the paint industry or the small players, they have virtually shut shop during the last 2.5 months because for them to source raw material at any price was exceedingly difficult.

And for them to pass on price hikes to the end customer, the way the larger companies do is also extremely difficult. So therefore, the price hikes were such a magnitude that if you can't do either of those 2 or both of those 2 things, and that is to get raw materials at whatever the prevailing market price is for the larger companies and to be able to pass on the price hikes, it really makes no sense for you to operate at all because you'll be operating at negative margin.

Now I think that we are strong enough that we are able to behave the way the market leader does in terms of price pass-ons. In fact, the first price increase that happened by the market leader happened on, I think, the 8th of April.

We announced some price increases 10 days before that, around 24th, 25th of March, taking a unilateral decision before anyone else had announced a price increase. And I think Indigo Paints has the strength now that for many products, not all products, but for many products, we are able to take an independent decision irrespective of which way the market leader or the rest of the industry is growing.

And it is not necessary for us to completely follow what the rest of the industry does in price hikes. There are some products in which we increase a little more. There are some items in which the timing of our increase is a little earlier than the rest of the industry.

So I think that -- we have crossed that stage of being an MSME that we were in 2010 or something, where shall I say, survival was in question. I think we have gone way beyond that. And we are a strong player in the industry. Of course, there are players much stronger than us, which we respect. So I don't know what else you were wanting to get at in that question.

I think from my memory, the only last heavy price increase that I can think of was after COVID 2, which was in 2021 or something -- November 2021, when there was price hikes of almost 8%, 9% taken in the course of 1 month, that is the only period that comes to mind. But there, the inflation in raw material prices that happened gradually over a 6-month period. What happened then in 6 months happened now in 6 days.

Moderator: The next question comes from the line of Prakash Kapadia with Kapadia Financial Services.

Prakash Kapadia: I just had one question. You mentioned about the aspiration and the road map to growing faster than what we've historically grown. So I think that's the right direction. How do you offset consumer sentiments given that -- seen inflation concerns, muted job growth, AI threat, crude prices.

So how is the consumer sentiment because unless and until that revives or that doesn't translate to positive momentum, whatever initiatives we've been trying to do might not percolate to faster growth. So what is your sense at the consumer level? That was my only question.

Hemant Jalan: Right. And none of us have any power to influence consumer sentiment. If the consumer sentiment turns negative and because of inflation or fuel price hike or whatever other reasons, it's very hard to understand the consumer's mind. And suppose it has a negative effect on paint demand in the future, which we have been having for 8 quarters. It seems to be getting over before this Middle East war started.

For a company with a market share, which is around 2.5% theoretically, it should not matter. It's not that people stop buying paints altogether. I mean maybe the growth slows down. But for us, what do we have to do? We have to fight and get a little market share away from competition.

And if you can do that with a very low market share, you can always grow at a disproportionate rate. So consumer sentiment and all matters more to the market leader who has a 50% market share. It should matter much less to a smaller company like us. So therefore, I mean I know it's easier said than done.

And in the past, when demand environment has been weak, our growth has also slowed down to some extent. But the resolve is to not use that as an excuse going forward. And irrespective of what happens in the market, the outperformance with the paint industry should be much larger.

I mean, like we have outperformed even in Q4 and for the fiscal '26, but the gap between us and the others is fairly small. I mean, in this quarter, if others have grown at 5%, 6% and we have grown at 8.5%, I mean, that is an outperformance, but not by a desirable extent as far as I'm concerned. And similarly for the whole fiscal. So we just like to widen that gap. And I think widening that gap substantially should happen irrespective of what the consumer sentiment is.

Prakash Kapadia: Just a bit of follow-up on this. Historically, we've focused beyond the top 10 metro cities and differentiated products for our outperformance to industry. So will it be more depth in weaker markets or you're going to increase the width? How and what is the plan for '27 for this higher growth?

Hemant Jalan: No. As far as geography is concerned, I think those days when we were mainly present in Tier 3 and Tier 4 towns, I think those days are way behind us. I think by and large, I mean, yes, our presence in the few metros may still be a little weak. But it's not just weak for us. It's even weak for the number 2, number 3 and number 4 players as far as metro market penetration is concerned.

So if you leave out the top 10 largest cities of India, which you can classify as sort of metros or semi metros, I think we have now a fairly good dealership network in all Tier 1 and Tier 2 towns.

So we are no longer a small town player as we used to be 3, 4 years ago. I don't think it has to do with the size of the city anymore. I mean, we are present in all the metros and that expansion in the metros will proceed at its own pace. But I don't think it is the size of the city, which is going to determine our expansion for all categories of dealers that we have.

I mean, with the number of dealers that we have, which is more than around 19,500, we could be doing a sale which is 2x of what we are doing. I mean the number 3 player in the industry has maybe around the same number of active dealers, maybe just a shade higher and does a sale more than twice that of ours.

So there is a case for getting more store share of revenue from our existing level of dealers. And every year, we add a lot of new dealers across all categories of towns, and they also contribute pretty heavily to our sales. So I don't think it has to do with the size of the city anymore. It has to do with really deepening our presence with our existing dealer network.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Hemant Jalan: Thank you, Aniruddha, and thank you all for a very patient hearing and very interesting questions. Hope to meet you under happier circumstances in the ensuing quarters, and good day to all of you. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.