INDIGO

Be surprised!

Date: February 16, 2023

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

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call.

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held with the analyst and investors on February 13, 2023 at 11.00 hrs (IST) to discuss the Unaudited Financial Results of the Company for the quarter and nine month ended December 31, 2022.

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

You are requested to take note of the same.

Thanking you,

For Indigo Paints Limited

SUJOY SUDIPTA BOSE

Digitally signed by SUJOY SUDIPTA BOSE
Date: 2023.02.16 16:35:13 +05'30'

Sujoy Sudipta Bose
Company Secretary & Compliance Officer

Encl: As above

“Indigo Paints Limited

Q3 FY '23 Results Conference Call”

February 13, 2023

MANAGEMENT: **MR. HEMANT JALAN – CHAIRMAN AND MANAGING DIRECTOR**
MR. T.S. SURESH BABU – CHIEF OPERATING OFFICER
MR. SRIHARI SANTHAKUMAR – GM, FINANCE AND INVESTOR RELATIONS

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indigo Paints Q3 FY '23 Results 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, 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. Over to you, sir.

Aniruddha Joshi: Yes. Thanks, Dorwin. On behalf of ICICI Securities, we welcome you all to Q3 FY '23 Results Conference Call of Indigo Paints. Now I hand over the call to Mr. Srihari Santhakumar, General Manager, Finance and Investor Relations, for the introduction of the management, and then we will open the floor for question-and-answer session. Thanks, and over to you, Mr. Srihari.

Srihari Santhakumar: Yes. Thanks, Anirudh. Good morning, everyone. Thanks for joining us on a Monday for our conference call. Today on the call, we have Mr. Hemant Jalan, Chairman and Managing Director; Mr. T.S. Suresh Babu, Chief Operating Officer and myself. As usual, we'll start the call with the highlights of the previous quarter, that is, the quarter ending December 31, and then we will have a quick Q&A. Over to you Mr. Jalan.

Hemant Jalan: Thanks, Srihari. Thanks, Anirudh. A warm welcome to all of you on a Monday morning for our Earnings Call of Indigo Paints for Q3 FY '23. Now our financials for the quarter and for the 9 months ending 31st December '22 have been uploaded on the stock exchange portals, along with our analyst presentation. Now a small apology, there was a minor typo on Slide 16 of the analyst presentation, and the corrected presentation was also uploaded yesterday. And I hope you've had a chance to go through them. I will start first with a summary of our financials and then move on to our future strategy and guidance.

Now compared to Q3 of the last fiscal, our sales in Q3 of FY '23 have registered a value growth of 5.95%. You probably already heard the commentary from other paint majors who have all reported muted top line growth, and the reasons are the same, twofold. We had an early Diwali on the 24th of October, and monsoons pretty much continued across India until the 18th of October.

So we had a very short festive season this time, which badly dented the sales of the entire paint industry in the month of October. However, we are happy to note that the sales growth has rebounded very sharply in both November and December. Our gross margins for the quarter have further improved to 43.82%, which is higher by about 2% points from the immediately preceding quarter, that is Q2 of FY '23, where we had a gross margin of 41.72%.

And this gross margin is also about 1% point higher on a Y-on-Y basis from Q3 of the last fiscal, where we had reported a gross margin of 42.89%. We have not implemented any price increases in the last quarter as raw material prices have more or less stabilized. Our EBITDA for the quarter has increased to INR 40.56 crores, which is about 5% higher from the corresponding figure for the same quarter last fiscal, although the EBITDA margins have largely remained flat at 14.42%.

It was 14.57% in the comparable period of the last fiscal. PAT has increased by about 8%, and PAT margins have increased very marginally from 9.08% in the same quarter last fiscal to 9.21% in the just-concluded quarter. If we look at the 9-month financials, the overall sales have been 21.09% higher than the corresponding 9 months of the last fiscal. Gross margins have improved slightly to 43.55% for the 9-month period. The EBITDA for this 9-month period has been 33.56% higher than the corresponding 9 months of the last fiscal. And the EBITDA margins have expanded significantly from 13.31% in the 9 months of last fiscal to 14.68% in the 9 months of this fiscal.

The PAT for the 9-month period has increased by 68.34% to INR 83.26 crores. Now I'm happy to note that our PAT for our entire 12-month fiscal FY '22 was INR 84 crores, and we have just about achieved that in 9 months of this fiscal. In line with our brand-building strategy, our company continued to spend aggressively on advertising and promotion. And A&P spends for the 9-month period ending on December 31 have been marginally 1% higher than the spends in the corresponding 9-month period of last year on an absolute amount.

So it should be noted that on a 9-month basis, despite having very similar gross margins compared to last year and despite a marginal increase in A&P spends, the EBITDA margins have expanded by almost 1.5% compared to the 9 months of the last fiscal, reflecting the benefits which are kicking in from economies of scale. We have given our volume and value growth numbers for each of the 4 major categories of paint products, consistent with our past pattern of transparent disclosure.

You will note that, again, the value growth is higher than the volume growth across all categories, which is a natural consequence to the price increase of almost 15% which was undertaken in Q3 of the last fiscal. During the last quarter-, the company witnessed a very strong volume growth and value growth in the putty and cement paints segment, where the volume growth was almost 35% and the value growth was in excess of 42%. The Emulsions segment has registered a slight negative growth in volume. However, if you look at the 9 months period, even the Emulsions segment has grown by 6% in volume and about 23% in value. Going forward, the base effects due to price hikes, etcetera, are now all behind us.

And going forward, unless something very unusual happens, we would expect volume and value growths to be almost in tandem in the upcoming quarters. We continue to focus on network expansion, and our count of active dealers stands at 16,785 at the end of the quarter, and our tinting machine population stands at 7,978. That is almost 8,000. Now I would like to specifically mention about our additions of tinting machines. Now although during the entire 9-month period of this fiscal, about 35% of our new tinting machines have been installed in our targeted 750 large cities.

But this whole idea of focusing on the large cities has really been gathering momentum starting from April. And in the last 4 to 6 months, we noticed that this number is over 50% of all the tinting machines being installed. So our focus on improving the sales in these larger cities has definitely started yielding results. We note that the sales growth in these 750 cities is almost double the rate of sales growth observed in other upcountry areas. In terms of new products, we would like to announce that we will very soon be launching a complete range of waterproofing and construction chemicals in the retail space.

These are very high-growth sectors in the economy, and they share good synergy with paint products, both in terms of product placement and our distribution network. Finally, for Indigo Paints, you may have noticed that Q4 of every year is traditionally our strongest quarter in terms of sales volumes, in terms of absolute profits and also in terms of profit margins. We expect this to continue in this fiscal.

The company has witnessed good sales growth in January '23 in continuation with the good growth it experienced in the preceding 2 months in November and December. Having consistently maintained industry-leading gross margins, we will continue to be aggressive in trade discounts to further accelerate growth while improving product mix and profitability in our seasonally strong Q4 quarters.

That's all I have by way of a presentation, and we'll be open to take questions from all of you. Thank you.

Moderator: The first question is from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: Sir, my first question is on the EBITDA margin and gross margin going ahead because you mentioned that the volume growth and the value growth will now be fairly similar, which means pricing growth will be hardly anything. So how do you get the, say, inflation, say, arising in the employee cost or in terms of advertising costs or the other costs also? Second is, yes, I do understand raw material scenario is coming favorable. Plus, you also mentioned that the trade discounts could go a bit higher. If I mix all these 3, how the trade will be in terms of growth and EBITDA margins for you?

Hemant Jalan: So we'd like to kind of maintain the gross margins around the level they're at. Now what happens is that because of the cooling-off of the raw material prices, if you do not increase trade discounts, then the EBITDA margins would go up. If we had not increased trade discounts during the last quarter, our gross margins would have been significantly higher than the already-high level they're at. But that is really not workable because there is aggression on the ground because all paint companies are experiencing the same drop in raw material prices.

So the EBITDA margins -- I mean, the gross margin after all discounts, etcetera, that you compute your gross margin on net sales basis. Increase in employee cost in terms of inflation is a very minor component of our P&L. So employee costs do not account for a huge portion, and the minor increase that happens on a year-on-year basis does not materially affect your EBITDA margins. In terms of advertising spends, although the advertising spends on an absolute amount increases marginally year-by-year but since the top line growth is always much more than the advertising expense growth, therefore, the advertising expense as a percentage of the top line drops by about 1.5% year-on-year, and that is exactly what has played out.

If you look at the 9-month period, I mean, the sales growth has been about 21%. The growth in A&P has been about 1%. And therefore, A&P as a percentage of sales has naturally dropped, and that goes straight to the EBITDA. So that will continue to happen for the years ahead because we continue to remain over-indexed vis-à-vis the rest of the paint industry in terms of advertising spends as a percentage of top line. I hope that answers your question, Abneesh.

Abneesh Roy: Yes, sir. Quite useful. My second question is on the outlook, which you have shared in the presentation on launching a complete range of waterproofing and construction chemicals. So here, is there any preponement of your strategy here? And how aggressive would you want to be because it's already -- almost every other paint company is present here, apart from some of the cement companies also.

Hemant Jalan: So I admit that we have been a little late compared to the others in coming in into this range. We wanted to be sure about our formulations and coming up with products which are best in class. I think our trials are showing that we have kind of achieved that. And we will be quite aggressive. I expect that in Q1 of the next fiscal, we will have a formal launch of this entire range. And we will offer virtually the entire range, which other companies, both in the paint sector and in the nonpaint sector, are offering.

And we understand that it is this component of the portfolio, which is giving a very high growth to the other paint companies. It may comprise of maybe 10% of their overall sales, but it contributes disproportionately to the growth percentage. And since the channel of sales is pretty much the same, I think it is a synergy that we should await of.

Abneesh Roy: Sure, sir. And the last question on the demand side. So -normally, you strive to grow faster than the other paint companies. In the paint costs of other companies in the Q3, companies have said that just like you, they have also seen improvement in November and December. And in Q4, they, as of now, aim to have a high single-digit to double-digit kind of volume growth. Would you also expect similar kind of numbers in Q4 in terms of volume growth?

Hemant Jalan: I would expect that we would grow faster than the larger peers that we have. You have to be a little careful when you compare us with our larger peers in the paint industry. Some of them have roughly 50% to 60% only exposure as far as the decorative paint segment is concerned and about 40% to 50% exposure in industrial or automotive paints. So the trajectory of growth in those segments could be very different from what it is in the decorative paints.

And therefore, if you compare the overall volumes or the value growth of both components put together, we may not be strictly comparing apples with apples. When it comes to the number 1 and the number 2 player, yes, by and large, I understand that almost 85% to 90% of their sales does come from the decorative segment. And to that extent, they are a little closer in factor or we are a little closer and connected to them. The industry leader is so much larger to us that I don't really know whether a comparison with them is very meaningful.

But yes, if you look at the decorative paint component of the entire industry, I have reason to feel that if we are not the best, we are very close to it in terms of percentage growth, and we hope to improve upon that as we go forward.

Moderator: The next question is from the line of Shrenik Bhandari from InvestYadnya.

Shrenik Bhandari: Sir, my question is regarding dealer expansion. So we see the momentum of the active dealers. The addition has been slowed down. So if you compare it to the last 9 months and 9 months of FY '22, you added almost more than 2,000 dealers. And if we see in this current quarter, you have less than 1,000 dealers. So what's your view on that?

Hemant Jalan: Suresh, would you like to take this question?

T.S. Suresh Babu: Yes. Mr. Bhandari, see, we have already lined up in our strategy that our concentration in terms of increasing our network was supposed to be more in the 750 bigger towns or the Tier 2 towns as we would call it. Now when we are going to these towns, obviously, we are looking at the quality of dealers rather than in the numbers. So that is one of the reasons that we have been having a lower number of dealers in terms of the pure numbers are concerned. However, we have been concentrating on increasing the throughput per dealer, and the throughput per dealer is definitely higher in this 9 months as compared to the last 9 months.

Moderator: The next question is from the line of Tejash Shah from Spark Capital.

Tejash Shah: So 3 questions from my side. So first, how are you reading the consumer sentiment on ground? And usually, 3Q is also loaded with good wedding season demand also which in other categories, which are associated with this sector. You have seen that they showed reasonable demand momentum. So just wanted to understand how to read through consumer sentiment last quarter. And how are you reading as in then this current quarter?

Hemant Jalan: The wedding season is on in full swing as we speak in Q4 also. And January and February, as we say, are heavy wedding months in Northern India. Now the pattern of the wedding season in South India is somewhat different from what it is in North India. So definitely, in terms of that, and you're quite right that the wedding season does give some kind of a boost as far as paint consumption is concerned. So we are facing very, very heavy wedding season. We have had it in January, and it will continue in February. Almost all of February, there is a very heavy wedding season.

Tejash Shah: Sure. Sir, second, just partly an academic question. Just wanted to understand Tamil Nadu plant, which will be starting in next quarter, what's the supporting distribution infra we'll be investing in terms of depot , which will be required to support the plant?

Hemant Jalan: No, I don't think we are planning any increase in depots because of a new plant coming up. So you add capacity when you feel that in the next 2, 3 years, your existing capacity is going to be insufficient to meet your growing demand. So that is how everyone in the paint sector, to the best of my knowledge, does it. So putting up a new plant does not instantly mean increased sales or increased infrastructure because I think we plan for increase in depots as and when the need arises, and we are already represented in every corner of India. Having said that, depots will gradually increase over a period of time, which I think is quite unrelated to setting up of new capacity.

So I think the setting up of the Tamil Nadu plant has been because we feel that in the next 6, 8 months, we could start facing supply constraints from a manufacturing viewpoint, and therefore, you set up a plant, which will hopefully take care of your needs over the next couple of years. And it is -- each time, when you set up a plant, you set up a plant which is more modern and more automated than your previous attempts to keep up with technology. And we do expect to start our trial productions in the Tamil Nadu plant in the month of March. And yes, it will probably go into commercial production from April onwards.

Tejash Shah: Very clear, sir. And sir, you spoke about trade discounts going up in the coming future. Just wanted to understand, is it a tool to boost primary sales or is it also that end consumer also responds to such initiatives?

T.S. Suresh Babu: No. The initiative is primarily to fill the channel because what happens is that because of higher disposable margins available with all the competitors, all of them become super aggressive in the market. And when we are competing in the like-to-like space, we should also be competitive with them. So that's why we are kind of hinting at increasing the trade spends. Of course, the secondaries will obviously depend upon the demand, which is there.

And we expect that the demand will only go up being the so-called wedding season in the North Indian market. And in general, the paint industry picks up in the second half of every financial year.

Tejash Shah: Got it. And sir, last one, if I may. Mr. Jalan, you have seen industry for so many years, in fact, decades. Just wanted to understand, do you think that the current competitor intensity and the one which will actually come in next 2, 3 years, do you believe that it merits consolidation in some form? Or industry has seen worse than -- or very high competitive intensity in past and still survive without getting into a consolidation phase? Just wanted to know your thoughts on that.

Hemant Jalan: I don't think there is a need for the industry to do any further consolidation. Some kind of consolidation happens on a natural course over time. You have seen a couple of smaller companies being acquired by potential new entrants during the last 1 year. I cannot predict whether more of that will happen as far as the next year is concerned. Amongst the larger players, I do not see anyone open for acquisition or trying to acquire the other person. So I doubt if any consolidation would happen at the level of the top 5 players.

But if some company wish to acquire smaller companies, sometimes maybe in the paint sector, it could be in adjacent sectors. So that kind of consolidation has been going on, and it will probably continue in the future. But if you're talking about any material change in the structure of the paint industry, I -- at least, I do not foresee it, but I don't have a crystal ball, so I cannot really predict about the future.

Moderator: The next question is from the line of Hiral Desai from Anived PMS.

Hiral Desai: So I had a couple of questions. So I think 2 years back, during the IPO, you had spoken about 2 sets of states, right? So there was Chhattisgarh, Bihar, UP, Odisha, where you are present since a while. And then there were some of these newer states, like Maharashtra, Gujarat, Karnataka, Telangana. So qualitatively, can you give us a sense of what has happened in these 2 cohorts over last couple of years?

Hemant Jalan: So some of the newer states that we have entered in, like you mentioned Gujarat. Now Gujarat, I think, is registering one of the strongest growth that we have amongst all the states in India. Telangana has also registered very good growth in the last 2, 3 years. Maharashtra, a little more in line with our company growth, whereas some of our larger states, like Kerala have been actually outperforming.

And this year, Kerala has gone stronger than the company average. So I think the growth is normal. Some of the more new states that we have ventured into -subsequent to the IPO discussions that you're referring to, like Himachal Pradesh or Jammu and Kashmir or Delhi, at least Himachal Pradesh and Delhi are showing the strongest growth that we are observing on an all-India basis. So it is heart-warming that even in metros like Delhi, Mumbai and Kolkata, at least we see very, very strong growth potential.

So that is heart-warming for us because the whole idea has been to now shift the focus to the larger cities. I wouldn't say that it has happened to the same measure in a big city, like Chennai or Bangalore is yet, but that's only a matter of time. So we are seeing good growth across all segments, both the states where we have been present for 15, 20 years, and even more so in the states where we have entered more recently.

Hiral Desai: And sir, any specific underperforming states and you have -any reason you'll be able to attribute to that?

Hemant Jalan: So there will always be -- when you're talking about 28 states in India, there will always be 2 or 3 states, which will underperform in 1 year, and then they will start overperforming the next year. Usually, that is a result of something to do with your sales team there. Maybe you need to strengthen the sales team.

Maybe you need to replace 1 or 2 people there. So that is a continuous process that goes on. You will always have some states, which will underperform and some that will overperform.

You can never have all states growing at exactly the same rate. But just taking order of which state grows faster and which grows lower tends to change very rapidly from 1 year to the next. So it's a function of competitor dynamics. It's also a function of how well your sales force is executing on the ground. And it is our job as management to identify the underperformance and make suitable changes in our teams out there to strengthen them.

Hiral Desai: The other question is on the advertising and promotion spend that you historically then shared, but we are now over in the spend -- the A&P spends will grow at single digits. But given that we are trying aggressively to get market share in these 750 cities, plus you're likely to launch the waterproofing and construction chemical. So you feel that the single-digit A&P spend growth will be enough to support all these initiatives, and especially given the competitive intensity as well?

Hemant Jalan: I know, but we do track what the A&P spends of our -competitors are. So we don't try to follow the market leader because they are in a totally different orbit of operation in terms of size. But we do look at the A&P spends of the number 2, number 3 and number 4 players. And I think our absolute spends are in line, if not larger, with many of them.

So I think we have also had some brand tracking studies done during the last 6, 8 months in various states in India, and we find that the brand recall of Indigo Paints is now no less than the number 2 or the number 3 player in the country. So if it were very simple, as simple as just increasing advertising spends and increasing market share, I'll happily double our advertising spends and get 60%, 70% top line growth.

Unfortunately, the world is not as simple as that. And when you attain a certain level of brand recognition, it is more important to focus on many other things which drive sales rather than merely concentrating on one element, which is brand salience, where I think we have done a pretty good job.

Hiral Desai: Got it. Can I sneak in one more?

T.S. Suresh Babu: We also try to be very competitive in terms of our share of voice other than the market leader. I mean, as you consider the second, third and fourth players, we try to be very competitive in terms of our percentage share of voice.

Hiral Desai: Got it. Can I sneak in one more question?

Hemant Jalan: Yes, go ahead.

Hiral Desai: So sir, lastly, on the Sequoia stake sale that just recently happened. So have you had a discussion with what their long-term goals are? Because we find the 4 and 5 or where they own the Indigo stake that is that sort of slated to close. So any discussions around the Sequoia stake?

Hemant Jalan: So we keep discussing with Sequoia because they are represented on our Board, and we had a Board meeting just 3 days ago. So I continue to reiterate that they are long-term investors in the company. They own 25% of the company. They sold some stake last year because of internal reasons. They may have had some pressure to redeem some money and get back to their LPs.

To the best of our knowledge, they do not have any immediate plans for any stake sale, but that is a question that is better addressed to Sequoia rather than asking us. They continue to iterate that they have a very long-term focus on the company, however, depends on what you call by long term because they have been invested in the company now for 8.5 years.

Hiral Desai: Yes, sir, which why I was precisely asking that.

Hemant Jalan: But their funds, I think, have a long life as we understand it, and there is no legal bar in them holding on for another 4, 5 years. But if you want to know whether they'll be invested for another 10 years, I sincerely doubt it because at some point in time, they will have to close out their funds from which they have invested. But beyond that, I really cannot make any predictions on behalf of Sequoia as to what their game plans are.

Hiral Desai; No, no. Fair enough. Fair enough.

Moderator: The next question is from the line of Rohan Bhuknesh, an individual investor.

Rohan Bhuknesh: I just wanted to ask, what is your revenue guidance in terms of the revenue growth for the next 3 to 5 years?

Hemant Jalan: That's a little hard one to predict to give any number guidance as to what will happen in the next 3 to 5 years in terms of percentage growth. It's a function of so many things. We don't know how raw material prices will behave, and therefore, we don't know what kind of pricing pressures will come on to the entire industry, which may artificially end up bumping up the revenue value growth targets. If you have a major price hike at the moment, there is no plan for that. Rather than try and give an absolute number guidance as to what our revenue growth would be.

I would say that the attempt would be to outperform the growth percentage of the entire industry. So our larger listed peers whose base is significantly higher than us, we should be able to outperform them and deliver a growth rate over time, which is at least 1.5x, if not twice the growth rate of theirs for the next few years. That is the direction in which we have been moving. And all our strategies for the last 1 year have been to attempt some course correction and shift the focus from smaller towns to larger cities where the potential of the sale of each dealer is significantly higher than the potential core dealer in a rural area or a smaller town. And I think we had mentioned even in Q1 that it is a strategy which is going to take some time to take shape.

We have reported this time that now when 9 months have elapsed since we kicked off this strategy, we are beginning to see measurable results on the ground. I sincerely hope that this will get stronger in the coming quarters. And if that happens and we are able to continue to execute this very well, then I think that the guidance that I gave you of outperforming the rest of the industry, you will gradually start seeing those numbers in the years to come.

Rohan Bhuknesh: Okay. That's great, sir. And sir, my last question is, in the last few years, we have been doing in a very fast shift, right? So what is our company doing? Or are we trying to create any moat around any products which will differentiate us from the larger peers?

Hemant Jalan: We already have a wide range of differentiated products in which we have a fairly strong moat around us. Our floor coat emulsions, our metallic emulsions, our sealing coat, our PU enamels and a whole host of other products are very differentiated products. They have been yielding approximately 30% of our top line. And so far, we have been very successful in the last 8 to 10 years as and when we have launched these products in defending our, shall I say, prima donna status as far as these products are concerned. And I don't think that there is any immediate offering coming up of a highly differentiated product which would create a major upswing in our sales.

If we can maintain the moats that we have built around our existing products, our present foray into waterproofing and construction chemicals are not really very differentiated products, so to speak. We'll try and come up with products which are best in the class, but these are products which are already available in the market.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Just a couple of clarifications. See, in the recent earnings call, the market leader did allude to a likely deceleration in industry growth over the next couple of years or so. Now listening to it, I was wondering, is it probably -- I guess, honestly, we have not mentioned the growth -- industry growth. But the question to you, sir, is, do you really think that's a possibility, the way you see the industry growth aspect out there? Because the way I interpreted what Mr. Singhal said in the call was possibly that they would have probably used out a lot of the low-hanging fruits for them in terms of diversification of maybe, let's say, putty or whatever, right? So how do you see the industry growth is the crux of the question, sir.

Hemant Jalan: See, I don't know in context -- in what context he said that, and I really cannot speak on the behalf of the paint major, the industry leader. One thing I would say is that during the last 4 quarters, the value growth figures have been a little artificially high because of the 15% price hike that happened in the Q3 of last fiscal.

So therefore, value growth has generally been 12%, 13%, 15% higher than the corresponding volume growth numbers during the last 4 quarters. Now that is now over. Sometimes, also, before the price increase, there were very sharp value growth compared to the same quarter in the previous fiscal because in the previous fiscal, you typically had 1 month or 2 months of COVID lockdowns when the sales were very low.

And then in the next year in the same quarter when you did not have a lockdown, again, the numbers appeared artificially high. I'm saying that all of this is now firmly behind us starting from January. When we look at the preceding quarter -- I mean, at the quarter in the preceding fiscal that would be starting from Q4, neither do we have any COVID disruptions which have happened in the same quarter last fiscal, nor is there a material change in pricing compared to the same quarter last fiscal. So before all this pandemic came and all this disruption and -pricing happened, the industry was growing at about low double digits, around 12%, 13%.

That used to be the norm in the industry. So I think the consensus within the paint industry is that we are back to that same normal. And unless something very unusual happens, you would expect now both volume and value numbers to be around that 12%, 13%. Now it could be a percentage or 2 higher or lower depending upon vagaries of the market.

But if -- now these numbers will look a little lower than the kind of 20% numbers of growth that you were seeing in the last couple of years, but those were for artificial reasons. Otherwise, I do not recollect anyone talking about any demand deceleration because that is simply not happening. On the ground, everybody is experiencing good market conditions. And I really don't know what further context that statement that you're referring to was made in, so I would hesitate to comment.

Manoj Menon: Very clear. The one -- another context I asked this question was because we cover like, let's say, 5 restaurant companies, 5 apparel, 5 footwear companies. There is a -- there is some trend, which you could plot to say that there is definitely a predicted slowdown, at least in some parts of discretionary consumption. So if I heard you correctly, you're essentially saying that there is no usage growth or like-for-like volume deceleration, which you anticipate to happen in trends?

Hemant Jalan: Correct.

Manoj Menon: Loud and clear. Secondly, specific to Indigo, if you could just talk about your journey in NPDs, some of the products which you have launched in the last 6 to 12 months. And how does the pipeline look currently?

Hemant Jalan: So new products?

Manoj Menon: Yes. Yes, sir.

Hemant Jalan: I don't think there's been any major new product launch that we have done. Well, it depends on how you define a new product. There are a lot of tweaks that go on, and that is happening across the industry that at a particular product or a price range in, let's say, emulsions, you come out with an extra sheen variant or you come out with a dust-free variant or you come out with -- multiple variants come out of the paint products. I mean, if you go back 10 years ago, emulsions were sold in virtually 2 price points, both exterior emulsions and interior emulsions.

Now all companies have virtually 4 price points. And within each price point, you have 2 or 3 variants of that. So the number of, shall I say, sub-variants that have emerged over the last 10 years have been quite overwhelming. And that is more the kind of new product launch that we are witnessing across the industry and even for ourselves. Waterproofing is going to be a major foray for us, waterproofing and construction chemicals.

We have had 1 or 2 small products in this range for some time, which are doing well, and we thought it would be a good time now to enter full scale with a full range of products in this sector. There is a lot of demand from the trade and from the sales team. And we are getting ready to launch that in Q1.

Manoj Menon: And lastly, if I may, the market leader's margin band used to be, let's say, 22, 23 which it does appear now that it is certainly down, let's say, high teens to 20. So how do you see this as, let's say, impacting every other player in terms of the headroom for absolute -- percentage margin?

Hemant Jalan: So I won't like to comment on the margins of the market leader. And you have to understand that the scale of operation is about 20 times ours. So we are really not in the same ballpark. And therefore, the pressures and pulls that apply to the market leader could be very different from the pressures and pulls on costing and margins that apply to a company like us.

I don't think we try to imitate the market leader in terms of bottom line margins or EBITDA margins. We look at our own margins. If you look at the number 2, number 3, number 4 players who are a little more comparable in size to us, although, strictly speaking, there are also companies that are much larger than us, then I think our EBITDA margins have been pretty healthy and more or less in line with the number 2, number 3 and number 4 players, sometimes better than them, sometimes maybe half of percentage point lower than some of them.

But I think we are fairly good on both EBITDA margins and on PAT margins compared to the number 2, number 3, number 4 players who we track a little more closely than the market leader.

Manoj Menon: Loud and clear, sir. Lastly, actually the decorative plant comes on stream in the new fiscal. Would it be fair to assume that you'll have a certain cost savings and -- which essentially would mean you'll have higher resources to drive accelerated growth?

Hemant Jalan: No, I don't think it is going to give any significant cost saving. I mean we already see most of South India and Central India at the moment for water-based paints was serviced from our Cochin plant, and our Jodhpur plant would cater to North and East. Now the Cochin plant is kind of reaching the brink of its full capacity.

And therefore, with the growth that was happening in Southern India and in Central India, it was necessary to augment our capacity -- manufacturing capacity in the southern part of India. So either we could have expanded our Cochin plant or we could have gone for a new plant at Pudukottai in Tamil Nadu, which shows the latter because space was more easily available there as compared to Cochin. And strategically, we wanted to have 3 locations for manufacture of water-based paints.

Sometime next year, we would be thinking of also starting manufacture of solvent-based paints in Northern India at Jodhpur because our solvent-based paints are presently only manufactured in Pudukottai in Tamil Nadu. And there is a lot of growth that is happening in the northern and eastern parts of India for solvent-based paints. So there is a need to have a manufacturing location somewhere in the north for that. And that would definitely give us some cost advantages as far as logistics is concerned for that segment of the portfolio. But I don't really see the Pudukottai plant as giving us any major cost advantage, which we will -- which would be very visible on the P&L in the next year.

Moderator: Ladies and gentlemen, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Hemant Jalan: Thanks. Thank you all for participating in this earnings call. As I said in my opening remarks, always, Q4 is the heaviest quarter for Indigo Paints and a very vital quarter for us. We have been off to a good start in the month of January. We hope to sustain the momentum in the months of February and March, and Q4 does have a disproportionate weight on our overall annual P&L in terms of sales, profits and profit margins. And we sincerely hope we'll come out with a good set of numbers when this quarter is over. Thank you all for joining in on this call. And I look forward to continually engage with many of you on a one-to-one basis in the days ahead. Thanks.

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