



INDIGO

Be surprised!

Date: August 12, 2021

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| To, BSE Limited Corporate Relationship Department 25 th 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 |
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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 August 09, 2021 at 11.00 hrs (IST) to discuss the Unaudited Financial Results of the Company for the quarter ended June 30, 2021.

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

You are requested to take note of the same.

Thanking you,

For Indigo Paints Limited

(formerly known as Indigo Paints Private Limited)

Sujoy Sudipta Bose

Company Secretary & Compliance Officer



Encl: as above





“Indigo Paints Limited
Q1 FY2022 Earnings Conference Call”

August 09, 2021



ANALYST: MR. MANOJ MENON - ICICI SECURITIES LIMITED

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



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Moderator: Ladies and gentlemen, good day and welcome to the Indigo Paints Limited Q1 FY2022 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities Limited. Thank you and over to you Sir!

Manoj Menon: Hi, everyone. Good morning, good afternoon, and good evening depending on the part of the world you are joining from. At I-Sec, it is our absolute pleasure to host the IQ FY202022 results conference call of Indigo Paints Limited. The company is represented today by Mr. Hemant Jalan - Chairman & Managing Director, Mr. T. S. Suresh Babu - Chief Operating Officer, Mr. Chetan Humane - Chief Financial Officer and Mr. Srihari Santhakumar - DGM-Finance Investor Relations. At I-Sec we continue to have a constructive view on Indigo Paints. Srihari, over to you. Thank you.

Srihari Santhakumar: Good morning everyone. Thanks for joining the earnings call today. As mentioned by Manoj, today we have with us, Mr. Jalan, he is the Chairman and Managing Director of our company, Mr. Suresh Babu our Chief Operating Officer, Mr. Chetan Humane our Chief Financial Officer and myself I am Srihari, I am heading the investor relations here. Over to Mr. Jalan for a brief performance of the quarter, post which we will have a Q&A session.

Hemant Jalan: Thanks, Manoj and thank you all for joining in on the earnings call of Indigo Paints for Q1 FY2022. We sincerely hope that you and your family are vaccinated and keeping safe. Now, although the current financial year started off on an optimistic note, as you are all aware the second COVID wave hit the country towards the latter part of April, lock downs across the country started gradually in the second half of April and extended through most of May. Naturally, the sales of the company were adversely impacted during this period. The situation has returned to what I would say a near normal condition in the months of June and July; however, as you know the state of Kerala continues to show a high COVID case load and since that state accounts for 30% of our top line, the Kerala COVID situation impacts us as a company more severely than others.

Fortunately, for us the rest of the country has shown extremely robust sales growth and have somewhat compensated for the slightly slower rate of growth in Kerala. We have managed to start active work on our new water-based paint plant in Tamil Nadu adjacent to



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our existing facility. We started this work in Junem after the COVID restrictions on the state were lifted. We hope to commission this plant in Q2 of the next financial year. Now we feel that Indigo Paints has to play a long-term growth story by continuously increasing its advertising presence and improving its brand equity. You may have noticed that some other paint companies have significantly reduced their advertising budgets in recent times to mitigate the cost pressures due to raw material escalation. We do not intend to emulate the same and we started the year with aggressive advertising in April, which was the continuation of our advertisement campaign from the last fiscal.

The financial performance for Q1 of FY2022 had been uploaded on the stock exchange portals along with our investor presentation and we hope that you had had an opportunity to peruse them. To summarize, compared to Q1 of last fiscal, our Q1 performance of the current fiscal shows a top line growth of 49%, an EBITDA growth of 6% and a PAT growth of 38%. Now, you should recall that Q1 of last fiscal had witnessed almost a zero level of advertising because the months of April and May 2020 were periods of complete national lock down. In contrast to that the current fiscal started on a positive note with the IPL tournaments returning to India in April and there were aggressive advertising spends by us at least in the month of April 2021. If you look at the entire quarter of this fiscal, our total advertising and promotion spends this quarter had been Rs.15.7 Crores, contrasted with only 2.5 Crores in the corresponding quarter of the last fiscal.

Now, this represents an increase in absolute amounts of more than 13 Crores and this alone is responsible for the subdued growth in our EBITDA and PAT numbers in Q1 of this year compared to Q1 of last year. You must appreciate that for a company like ours, which spends a disproportionate amount towards advertising relative to other paint companies, the timing of our advertising campaigns can cause wide swings in quarterly profits, although all this will even out over the course of the full year. Now, we all know that Q1 of the current fiscal and Q1 of the last fiscal, both had been severely COVID impacted and therefore we realize that a comparison of Q1 of this fiscal with Q1 of last fiscal is not completely relevant. Because this comparison is more a consequence of how badly you fared in Q1 of last fiscal rather than being a true reflection of the Q1 of this fiscal's growth performance.

For this reason, the financial community as a whole has been seeking a comparison of top line growth of Q1 of this fiscal against Q1 of FY2020 that is 2 years ago, which was a very normal quarter and not impacted by COVID to make the comparisons more meaningful. In this regard, we are happy to report we have an 8.4% growth in topline for Q1 of this fiscal



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versus Q1 of FY2020. Now although this figure is good, I do admit it could have been much better had it not been for the severe lock downs in Kerala due to the high COVID case. As a company, we do seek aggressive top line growth, but we believe in achieving it in a profitable manner. For this reason we continuously started increasing the prices of our paint products all the way from November of last year and have done so right till August 1, 2021, a week ago almost every month in a staggered manner.

Now, this has been necessitated due to the unprecedented push in raw material cost, which started escalating in Q3 of last fiscal. Because of this continuous, but staggered manner of price increases over the last 8 to 9 nine months we have been able to maintain our gross margins within a narrow band of 45% to 47% in both the last two successive quarters, unlike the rest of the paint industry, which has shown a sharp drop in gross margins in Q1 of this fiscal. Now, although raw material prices did soften somewhat during the last few months, but during the last 10 days we see again signs of a trending in the upward direction. We do not know if this trend will persist and if it does, we do not rule out further price increases in paint products.

Now in our investor presentation, we have already given you the details of the volume growth and value growth in each of the four broad subcategories of our decorative paint and this transparent disclosure is consistent with our past disclosures because we believe that reporting an overall volume growth in this sector does not reveal any meaningful insight. Now because of several rounds of price increases, which have happened, it is not surprising that value growth is slightly more than volume growth in each category. The growth has been the highest in the emulsion category, which is a very healthy sign because emulsions are the largest segment of any paint company's portfolio. We are also happy to witness a high volume growth this quarter in the premium end of both the emulsion category and the wood coating category and this is a good sign for us for the future quarters.

Now as we have said earlier, the main engine of growth for our company for the next few years will be an accelerated expansion in our dealer network and a corresponding increase in our tinting machine population. Both these processes have been somewhat difficult in Q1 due to the COVID lock downs, but despite those obstacles we have managed to increase our active dealer base from 13,200 at the start of this quarter to 13,900 by the end of the quarter and our tinting machine population also expanded by 300 numbers from 5,500 to 5,800. Now that the COVID restrictions are almost over, we hope to see acceleration in both these parameters in the coming months. Finally, all I can say is that the second quarter of this



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fiscal, July to September has started off on a positive note with a good uptick in sales in the month of July.

Our goal is to increase our active dealer count to 17,000 or thereabouts by the end of the year and our tinting machine population to roughly 8,000 by the end of the year. We have also planned to launch some innovative differentiated products during the year in keeping with our past trends. Advertising spends in absolute terms are slated to increase by almost 20% this fiscal, but since we expect the top line to grow much faster than that, the total A&P spends as a percentage of revenue is expected to decline. You will recall that the total A&P spends as a percentage of top line was 12.7% of revenues in FY2020, which came down to 10.7% in the last fiscal and we expect that number to moderate to somewhere in the region of 9% of top line by the end of the current fiscal, which will boost our EBITDA margins.

As a guidance for the year, we are targeting roughly 35% to 40% growth in top line this fiscal and we hope to end the fiscal with an EBITDA margin of around 18.5% or better, which would be a great improvement over the 16.9% that we reported in the last fiscal. Now that is all that I have in terms of my opening remarks and we would be very happy to take questions from all of you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Sir, congrats on a good set of numbers. My first question is excluding Kerala, what would be your 2-year growth like you said 8.7% is your overall 2-year growth, but Kerala had a COVID impact that was slow for whatever other reason, so just wanted to understand if we exclude that then what would be your growth instead of 8.4?

Hemant Jalan: I have not exactly computed that as to Kerala and non-Kerala, but obviously it would be much higher, an approximate number that I would say that the two-year growth excluding Kerala should be somewhere in the region of 15% to 20% maybe closer to 20%, I really do not know, I do not have those exact numbers.

Percy Panthaki: Understood, secondly wanted to understand in Kerala the reason for the slower growth, is it only the COVID impact or is there some other reason behind it?



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Hemant Jalan: There were two reasons, one is that our market share in Kerala is very high, we are unquestionably the number three player in the decorative paint industry in Kerala and number three by a very wide margin and not very far behind from the number two player, Now when you have a very high market share it would be difficult to kind of grow by 40% to 50% in a state like that so naturally our overall growth numbers in Kerala are and will continue to be slightly lower in numerical terms compared to the rest of the country were our market shares are lower, that is one reason and the second reason is that Kerala has seen very strict lock downs in large parts of the state during the last couple of months, it has fortunately opened up only three days ago when all shops I think starting from either Friday or some things have been permitted to open six days a week for normal business hours, now until four days ago large parts of the state were under very strict lock downs, some shops opening three days a week, some shops opening one day a week and in some areas shops not opening at all, it is unfortunate that the high case load has happened in a state where we have a disproportionately high presence. I am somewhat relieved to see the numbers of COVID coming down in Kerala over the last three days, I hope and pray that this trend continues and hopefully we will see much better growth returning, however, having said that the growth numbers in percentage in Kerala will never be able to match with the rest of the country because of our high market share.

Percy Panthaki: Understood, Sir. So, while there is no reliable market share data, your sense from your pre-tum fleet, etc., or whatever sense you have on the ground, have you lost any market share in Kerala?

Hemant Jalan: I do not think that we have lost any market share. Infact, Kerala as a state has also grown reasonably well in Q1 of this year compared to Q1 of last year, had it not been for the lock downs I think the growth numbers would have been even more spectacular and that would have considerably boosted our top line growth for the company as a whole, but I do not think that we are losing any market share in Kerala at all.

Percy Panthaki: Right, second question is on the dealers and tinting machines, two subparts to this question, firstly when you say active dealers what does it mean, does it mean that they order at least once a week and generally how many times would you service an active dealer, lot of the larger companies service dealers daily or sometimes even twice a day, is our model similar or do we have something different?

Hemant Jalan: I do not think there is any company, I mean there may be some companies which have the ability to service dealers more than once a day, but I would be very worried if a dealer of



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ours wants to be serviced more than once a day. It would kind of signal that the dealer is keeping inventory for less than two or three hours, which would not be very healthy. There is no formal definition of what an activity dealer case, what we understand the rest of the player the way they define it is a dealer who makes significant purchase in at least two different months during the last year is deemed to be an active dealer. A large number of dealers would be buying every month for sure, but there are many smaller dealers in smaller towns and rural areas who are somewhat seasonal in purchase and as long as they purchase at least twice during the last one year with some degree of consistency they are deemed to be an active dealer, that is the way the rest of the industry defines an active dealer and that is the definition we take in our investor presentations.

Percy Panthaki:

Understood and my second subpart was that you are adding dealers and tinting machine at a very fast clip, so could you give us some idea as to what are the incentives or what is it that the dealer finds so attractive to take your dealerships, are you giving some upfront incentives or what is the sort of story behind the number of that growth?

Hemant Jalan:

There are two or three things, we drive that, one is growing brand equity, now as your brand equity picks up with more and more advertising, that is one thing that makes the dealer confident that he can sell your product to the customer and the customer is demanding products for Indigo by name, so that is a very helpful parameter in helping you boost both the dealer count as well as your tinting machine population. Second thing has to do with product quality, we conduct a large number of engagement activities with the painter community round the year, all paint companies do that, but we always do this contact programs with the blind test, where we ask the painters to compare our paint product with a competing leading brand that may be stocked at dealer counter by marking both the cans with blank paper so that the painter does not know which product is the blank and after the painters have applied the product and given their verdict is when we unmask the containers and then the realization comes that our product is technically superior to the other competitive product that it has been benchmarked against that gets a lot of confidence to the influencer community which is the painters and the painting contractors. The third has to do naturally with the margin that the dealer earns, which has nothing to do with any incentives that we give, it is just that when your dealer count is slightly lower compared to the market leaders, the dealer of an Indigo paints does not have competition from another paint dealer who is 20 yards away, so typically what happens is that for companies which have a very, very wide distribution network you may have four or five dealers in the same street selling the same product and the dealer start competing with each other by driving down the prices



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and therefore end up reducing their own margin, which there is really no concrete way out of that problem. So companies like us where the dealer network is slightly smaller, the dealer understands that he would not be subjected to the same degree of competition so it is not that we discount our products or give high incentives to the dealer, but the dealer ends up holding onto a larger portion of the margin with the MRP and his dealer price that gap between that he manages to retain a much higher portion of that with our product so I think it is a combination of all of these three factors, the brand equity, the technical performance of the product and also the higher margin that dealer earns, which incentivises the dealer to sell more of Indigo products.

Percy Panthaki: Understood, Sir. This margin point which you made, the competition being less within the Indigo dealers that I understand, but isn't the competition also there versus a Berger or versus a Asian paint dealer who is in the same location and if they are discounting do not your dealers have to match up with that also because that is also competition, right?

Hemant Jalan: Not necessarily, each brand is treated separately and the demand for paint within a narrow range is fairly in elastic and sometimes price becomes a surrogate for quality, so discounting prices and using price as a medium to gain market share has never been very successful in the paint industry. Ofcourse, as you grow large and your network expands that competition among dealers is bound to come in at some time or the other in the future when the dealer margins will shrink slightly and other levers will have to get pulled to gain market share at that point in time.

Percy Panthaki: Right, Sir. I have more questions, but I will come back in the queue. Thank you.

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

Avi Mehta: Sir, sort of a basic question I had from a gross margin point of view, is it fair to see gross margins on a Y-o-Y basis because Q-o-Q would have the variations because of the mix, if you could help understand that?

Hemant Jalan: Absolutely right, the product mix in the paint sector changes significantly when you move from one quarter to another during the monsoon times naturally the exterior paints will undergo a dip in sales as also many other products and during the monsoon times it will be more the primer and the putty and the interior paints that will sell, so different products will exhibit different sales behavior during different quarters, but if you compare year-on-year



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the same quarter versus the same quarter of the last fiscal, the product mix does not change very appreciably so the gross margins can be expected to go a little up and down from one quarter to another depending upon the product mix change, but I think if you look at it as a comparison to the same quarter of the previous fiscal you will not be very far off.

Avi Mehta: Sir, exterior share kind of changes, exterior is typically as a concept a lower margin product or is it a higher margin?

Hemant Jalan: No, quite the opposite, exterior emulsions are usually one of the highest margin products in the decorative paint portfolio of most companies and we have other differentiated products like a floor coat emulsion or a tile coat emulsion, which also go in the exterior space, they do not go onto the walls, but they go onto the flooring of the driveway or they go onto the roof tiles, etc., so those are also exterior emulsions and those contribute very heavily to our gross margin and those tend to see a very high sales in Q3 and Q4 of the year. Normally, you will find that our gross margins are highest in Q3 and Q4 in fact the highest in Q4 historically.

Avi Mehta: That is extremely clear. Sir, just if I may follow up with, could you give me a sense of what is the overall portfolio level price increase that we have already taken and is there anything required to be taken because I was not very clear on your comments towards the end, you said input costs have moderated, but they have risen and hence we may have to increase so would you give us some sense?

Hemant Jalan: Some emulsion, or let us say the monomer of primary emulsion that is butyl acrylate which is at the moment completely imported into the country that is what had gone sky high along with many other raw material prices starting from October 2020 and they kind of reached a peak around January of this year. Since then they came down slightly not to the levels that had existed till September of last year, but they came down, but with the price increases that were implemented, I think we became reasonably comfortable in the gross margins and they had stabilized at a new normal. Now in the last 10 days and it is a fairly recent phenomenon we again see a sharp upward movement in the international prices of butyl acrylate. Now we do not know if that will persist and by the way Bharat Petroleum plans to start its own butyl acrylate plant in the country, it was supposed to have started in July, it has been postponed to August, the moment that comes on stream, I think that will reduce the volatility of this major monomer to a significant extent and we hope that the slight uptick that we are seeing in the last 10 days or so will not persist and if so I think we are reasonably comfortable on the gross margins, if not, if they continue to skyrocket I expect



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that the entire paint industry will come up with another round of price increase at least in some products in the foreseeable future, but at the moment it is wait and watch.

Avi Mehta: Sir, any number on the portfolio level of increase that you have taken till date?

Hemant Jalan: See, we do not compute that because for that you need to know the price increases are different for each class of products so to report that our overall price increase has been let us say 5% or 6% or 4% the requires a weighted average computation now that weighted average computation itself will change quarter-to-quarter as I responded to the previous question because the product mix changes a lot from quarter-to-quarter so therefore what reliable number can I give you in terms of a weighted average price increase gut feel without having done any specific math because I know that that math would be somewhat infructuous, I would say that about 5% to 6% of price increase has happened and the raw material increases may have been at about 10%, but raw material account for roughly half of our selling prices, so basically our gross margins are now back to the levels that they were till September 2020. We take those numbers with a little pinch of salt because that weighted average number of price increase would change as the product mix changes month-to-month.

Avi Mehta: Now, clear, I got this. I have some more questions, but I will come back in the queue, Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Abneesh from Edelweiss. Please go ahead.

Abneesh: Thanks. My question is on the butyl acrylate that BPCL is doing within India so one is the raw material for these products are also international linked plus there are multiple raw materials, so how important will this development be in the entire scheme of things and the international linkage, how does that work?

Hemant Jalan: See, to be honest with you I am not an expert on butyl acrylate manufacturing and I do not think any paint company manufactures butyl acrylate so what are the raw materials required for making butyl acrylate and how do they gel in the international market is something that I am not very conversant with. At the moment what happens when these prices go up and these prices generally go up because of some large plants making butyl acrylate shutting down in some part of the world for some reason or the other, either there is a maintenance shutdown of a routine nature lasting a month, sometimes there is a fire in some factory in some part of the world, now when a large plant making butyl acrylate comes up in India at



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least availability we expect will not be a problem and when the availability is there volatility in prices tends to be a little lower, so it is hoped that prices will moderate once this plant comes on stream if not earlier, but it is something that we have to wait and watch.

Abneesh: My second question is on pricing strategy, you mentioned ballpark number of 5% to 6%, so my question is not on that quantum, my question is on the frequency, so you mentioned every month you have taken price hike while the industry seems to have taken two to three times, so do you do every time this inflammatory scenario is there and what is the advantage of doing so frequent versus market leader doing only two to three times?

Hemant Jalan: See, if we increased prices by eight or nine times it is not that the same product has been subjected to eight price hikes. Each product may have been subjected to at most two rounds of price increase. So, we stagger the products like for example when we did the first price increase just after Deepavali of last year in mid November, we chose some of our differentiated products and increased the prices of maybe four or five products, we chose a separate basket of four or five products in December and a separate basket in January, so actually as far as the industry wide price increase happened I think the first price increase happened on May 1, 2021, the second happened on July 1, 2021 and the third happened on August 1, 2021 and even these three price hikes by the entire paint industry were also product wise staggered, some products were increased in May, some were increased in July and some were increased in August. So the rationale of doing it in a staggered manner is that you do not run the risk of an extreme price volatility effecting your top line sales so it goes down a little slower and in a more palatable manner to the dealer community when you do it in a phase manner, phased over different products, it is not that we are changing prices every month for the same product.

Abneesh: Last quick one on the advertising, Q1 your advertisement spends have gone up, but you said that it will normalize in the coming quarters for the full year, so my question is on the industry level last 3 to 4 year advertisement spends as a percentage of sales have gone up, but now you are seeing normalization, so is it a structural lowering or is it just because of the gross margin pressure the industry is facing, what would be your take on that?

Hemant Jalan: See, I cannot say what is the pressure on the rest of the industry which is compelling them to reduce advertising cost that is the question you will have to ask individual players. As far as ourselves is concerned, I repeat what I had said in my opening remarks that in absolute rupee terms we expect our media advertising budget to go up by almost 20% this year. Now what happens is that if your A&P spends go up by 20%, but if your top line goes up let us



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say by 35% to 40% then your A&P spends as a percentage of your top line naturally comes down. Now our A&P spends as a percentage of top line was 12.7% two years ago, it was 10.7% last year and may come down to 9% this year, this is contrasted with a range of anywhere from 2.2% to 4% for the rest of the paint listed players, the least advertiser amongst them spends about 2.2% of its top line and the most aggressive advertiser amongst them spends about 4% of top line and yes, we have witnessed them lowering their advertisement spends in the last fiscal I cannot comment on the reasons for that.

Abneesh: That is all from my side, that is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: Good morning and thanks for the opportunity. Sir, you just indicated that you are gunning for 35% to 40% growth this year top line growth, so what is your assessment for industry growth in this year and what is your expectation of recovery in Kerala because, for the past couple of quarters Kerala has trend down your growth so it has not seen significant out performance over industry so do you expect Kerala to come back or you think even without Kerala recovering enough you should still be able to do 35% to 40% much ahead of industry?

Hemant Jalan: See normally if you look historically, if you leave out the last two fiscals, which were both COVID impacted, FY2020 got COVID impacted in March of 2020 and March being a heavy selling month it knocked off the top line of all the paint companies to a significant extent when lock downs were declared I think around the March 20, 2020. So everybody reported slightly lower growth rates compared to the previous fiscal. FY2021 started off on a very bad note as you are all aware and therefore everybody's growth performance last year compared to FY2020 has also been low, but if you go back to the earlier numbers, I think the paint industry in general was growing somewhere in the region of 11% to 13% year-on-year. Now this year because they are working on a slightly lower base of last year of course this year also everybody has had COVID impact in May, I would say that the overall impact has been slightly lesser in magnitude compared to the impact in Q1 of last year, so therefore when you look at the whole year ahead assuming that there is no third COVID wave I would expect the industry to grow somewhere around 17% to 20% at least this year nearly as a consequence of the slightly lower base of Q1 of last year and if that happens then we are targeting at about twice the growth rate of the industry which I think should be very, very doable. In case the bounce back and demand exceeds the expectations and the industry



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grows faster I think we will also scale our growth targets as we go along in the future quarters that is something that we need to wait and watch. Secondly, Kerala has been growing and you know even as far as Q1 of this year has been concerned I mean Kerala has registered a growth of somewhere around 10% compared to Q1 of last year, so I would hope that Kerala comes back to a growth rate of somewhere around 20%, if Kerala grows at 20% and the rest of the country grows at about 50% to 60%, which while there are some states which can be expected to grow at 50% and have been doing that there are some smaller states that grow at much faster pace than that, so overall I think we will be comfortable to end up in that guideline numbers that we have given you. So the last three days are encouraging, Kerala has opened up, we hope the demand will come back and if it does sure should our growth rates in Kerala should accelerate in the coming months.

Jaykumar Doshi: Very helpful and thank you so much.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Good afternoon and thanks for the opportunity. Sir, could you help me on slide 9, you have given the growth rates, would you be able to give me a broad break up of each segment?

Hemant Jalan: What kind of breakup are you looking at, we have already broken up the total into four broad categories, I do not see any other paint company leading to such transparent disclosure, what further the breakup are you seeking, Mr. Pardeshi?

Shirish Pardeshi: I was looking at your emulsion growth rate is faster, so maybe if you can split emulsion versus broad other segments last year and this year?

Hemant Jalan: See, last year what had happened, emulsions as I said in response to an earlier question the product mix changes a lot quarter-to-quarter, now normally Q1 and Q3 and Q4 are the times when good emulsion sales happen, Q2 is a quarter in which normally emulsion sales dip slightly because of the monsoon effect, now last year, unfortunately because April and May there was almost a complete lock down and even when the lock downs were lifted people were very apprehensive in getting painters into their homes and getting their homes painted so emulsion category is the category that suffered the biggest drop as far as our Q1 product mix of last year was concerned. Understandably the bounce back in that segment has been much higher so beyond that and I am still not clear what kind of a breakup that can give you I mean if you want product wise in our detailed breakups I am sure that that is the level of



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granular information that you would not expect any company to diverge, so we are being transparent and breaking up our portfolio into four broad segments, which we think make sense and giving you segment wise both the value growth and volume growth.

Shirish Pardeshi:

I got that, the basic premise why I am asking, you did mention that many times that Kerala was affected in Q1, I tend to believe and at least the channel text suggest that Kerala is very strong market for you and it has got a lesser repainting cycle, so if my assumption is right if that pent up demand is going to come post rainy season, I think there is a chance and there is some merit for you to win the business. So in that context I was expecting the answer and clarification what is the emulsion change which we have seen in the overall product mix anyway if you do not want to tell I am happy with that.

Hemant Jalan:

In general, I can tell you one thing, Shirish, is that emulsion is the category that is most linked to your tinting machine population because that is the only category that is tinted through a tinting machine, primaries are not tinted through tinting machines neither in significant way nor our coatings and certainly not cement paint and putty. So emulsion which you know in terms of the contribution to the overall pie for the paint industry is roughly 45% for most major decorative paint manufacturers, the total emulsions will contribute roughly 45% of their overall value sale and to sell emulsions you need tinting machines on the ground, so I do not think the growth in emulsions have anything to do with Kerala versus non-Kerala, I think our sale of emulsions as the percentage in Kerala is almost the same as what it is in the rest of the country and increasing the population of tinting machines is an activity that we are planning all across the country and it is growing in every corner of the country including Kerala, so as and when the tinting machine population grows up, the growth in the emulsion segment ought to be a little higher than other segments that is all I can say.

Shirish Pardeshi:

Thanks for sharing and that is wonderful. I have a last question on slide 11 on the network expansion, you mentioned that you have active dealer 13,884 and that was very helpful you gave some commentary, how you measure the active dealers, my question is this increase what has happened about 600 odd dealers, how much the growth which has happened in non-Kerala markets?

Hemant Jalan:

I do not think I have that detailed of information available, I can check it up, but it is not the kind of information that one would like to pass on in an open forum, but increase in dealer count happens uniformly throughout the country, it happens at a faster pace in states where you are less populated, so in states where we have entered in more recent times let us say in



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the last four or five years, where there are wide open spaces where our network is not very extensive naturally you would expect dealer count to accelerate the highest in those areas and slightly lower increase overall in states where your network is already very well established, so it is not just Kerala, but there are many other states in the country where we had been there for 15 to 20 years and our dealer network is fairly well populated at least in the smaller towns and rural areas and expanding fast into the larger cities. So naturally, those states will experience a slightly lower growth in terms of active dealer count versus states where we have entered very recently where the sky is the limit at this point in time in terms of increasing dealer network. So it happens uniformly across the country. It is a metric that we monitor at the highest level along with the growth in our tinting machine population because those are the two key drivers for growth in terms of top line.

Shirish Pardeshi:

Just one follow before I stop, I had seen that 5% increase in a quarter in terms of active dealer growth and about 6% increase in tinting machine, is it fair to assume, I am not asking your internal target, but is it fair to assume that in four quarters put together we will have increase in activity less about 20% odd and similar population increase in tinting machine?

Hemant Jalan:

I think it should be a little better than that, I gave the guidance, see this first quarter to open a new counter or to install a tinting machine, it is never possible on the telephone you have to make physical visits and more than one visit to a counter before that materializes. Now, large parts of the country were under lock down, even when lock downs were lifted at some places to allow commerce to take place the dealers were very reluctant to allow the sales person to even enter the counter. So they have roped in and they were dealing at more than an arm's length in terms of conversation and discouraging people into coming into their shops so therefore I mentioned that this activity of increasing both the dealer account and installing tinting machine was fairly tough in Q1. Now those restrictions are gone away and in most parts of country that fear factor at least for now seems to have gone away we expect to see an acceleration in both of these parameters in Q2, Q3 and Q4 and we said that we expect our active dealer count to rise to 17,000 by the end of the year that would mean roughly almost 30% increase in our active dealer count and I said that we expect our tinting machine population to go up to 8,000 so that would mean more than a 40% in our tinting machine population during the course of the year. So I do not think that Q1 is very representative of the kind of growth that we want to have and that is unfortunate, for example, in Q4 of last year our expansion on both of these things was fabulous. But on lock downs this is one activity that takes a hit.



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- Shirish Pardeshi:** Thank you, Mr. Jalan, that was very helpful and all the best to you.
- Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.
- Keyur Pandya:** Thank you for the opportunity. Sir, two questions, first I think in our earlier interaction you have bifurcated your non-Kerala states into three categories - in north eastern part where you entered quite early in West Bengal, Bihar, Jharkhand, Chhattisgarh states, thereafter few I mean Maharashtra, Telangana, Karnataka which we have entered recently and you are planning to enter J&K and Punjab in very recent times. If you can bifurcate your not exactly growth rate, but how the business is doing in these states weather business or distribution and expansion that is my first question?
- Hemant Jalan:** I would say that in almost every other state the growth numbers have been extremely good, so even states where we have been around for a long time and you rightly mentioned I commend you on your memory in your states like Bihar, Jharkhand, West Bengal, Odisha, Chhattisgarh, MP, some of those states are showing the highest growth rates for us despite the fact that we have been around for a very, very long time and we have a reasonably mature distribution network there. So also for states where we have entered four or five years ago like states like Tamil Nadu or Karnataka or Telangana and naturally the states that we have entered very recently like Jammu and Kashmir where we entered only about seven to eight months ago or Punjab where we entered slightly over a year ago or Uttarakhand, we find the growth to be excellent in just about every corner of the country. Now, you will also note that just like Kerala has had an extreme case of COVID, some of these northeastern states and by northeastern states I am referring to states like Manipur, Mizoram, Arunachal, Tripura they have had an unusually high caseload compared to the size of that state and the size of that population and it is only in the last two to three days that we see some amount of moderation happening. So those case have accounted for a huge lock down during the last three months and movement of material in some of the states were simply not possible and we do a fair amount of business in some of the small states including Sikkim, Mizoram, Manipur, Meghalaya, Arunachal all of these states account for, not as large when you start comparing it with Kerala, but sizable. So that part of the northeast in Q1 has done slightly lower growth than what it would do because otherwise in the last fiscal that is one part of India that has been growing extremely well, so I do not think that there is any one region that we can pinpoint in terms of market share actually even higher than Kerala I think our market share is probably higher in Chhattisgarh, it is a small state, but our market share



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there is very high probably even higher than Kerala and Chhattisgarh has been doing phenomenal business. The absolute amounts of the sale are of course small when it comes to a large consuming state like Kerala, so we just hope that Kerala will bounce back very faster to a much higher growths number the moment the restrictions are removed which they have been, let us hope that that is there to stick.

Keyur Pandya: Sir, actually the context was the states where you entered recently, generally we are seeing that in the last one-and-a-half years, large players have become larger in any category, not in paint, so has that dented our growth prospecting near term or any difficulty in going into those states as per as the distribution and expansion and all?

Hemant Jalan: I am sorry, I did not understand the question, what did you say what have you observed in the last one and one-and-a-half years, I could not quite get you?

Keyur Pandya: The market leader have become even stronger not in case in general consumer painting category that larger become more larger and there they are having some concentration of market share towards larger players. So has that indented our growth prospects in the near term in the region where we have entered recently?

Hemant Jalan: I do not see that happening in paint and I do not see that there is any aggressive pressure by the market leaders in a disproportionate manner towards some states versus the others. I think everyone is equally aggressive right across the country because everyone does fight to maintain their market share and improve their market share in every corner of India. So we do not see any higher or lower degree of competitiveness in any one part of India versus the other, so I do not think that we are facing any undue pressure in some states versus other states due to any higher competitive activity by any of the larger players.

Keyur Pandya: Understood, Sir. Sir, just last question, if I look at our growth targets or say geographical expansion do you think that except for A&P will need to spend on an aggressive front as per other overhead is concerned or travel or distribution expansion. So except for A&P do we have other lever for operating leverage or you think it is difficult considering our growth targets for geographical expansion?

Hemant Jalan: See, increasing your traveling I do not think is directly correlated well to sales growth.

Keyur Pandya: That is what I mean that is in general if we need to say not only in that probably increase or improve our distribution ability versus the year?



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Hemant Jalan:

So, the increase distribution as I said constantly improving your quality, coming up with more innovative products which as I said we do have a few lined up for launch later this year along with increasing advertising spends. Now A&P spends when you talk about it, A&P is not just advertising, it is advertising and promotion. Now, a lot of expenses that you incurred in conducting contact programs with the painter community also get punched up in the total A&P spends. Advertising on the media is one component of it, it is a very large component of it, but there are other components also that contribute towards advertising and promotion. So I would say that your contact programs with the painters which we scale up every year is a very important cog in wheel in terms of driving your growth. So there are other things that you do you know putting a sign boards at the point of purchase that the dealer outlet, doing branding within the dealer outlet by posters, danglers and other kinds of display materials, etc., and all of these costs a fair amount of money so they do not come into the category of media advertising but they certainly do come into the overall category of advertising and promotion so those things do go up. Expansion of your sales team and your marketing team which conducts all these painter programs is also an important element, so every year we do expand our sales team in a significant manner as the growth happens and as we penetrate into more and more areas of any particular state, we aggressively add to the number of heads or the number of feet that we have on the ground to do all of these activities and that does add to our employee expense. So you will note that you know and you will see during the course of the year but other than A&P you will also see an absolute increase in the employee expense in absolute terms that will happen. But none of them happened in the same proportion as the top line growth I mean in the sense that if we aim to expand our sales by 35% to 40% as I have just said it is not necessary to expand your manpower by 35% to 40%, you probably expand your manpower by lower percentage and that is why the profitability in terms of percentage keeps going up and that is what you call operational leverage. So similarly the manufacturing plant scale up as the manufacturing plant scale up in capacity, you need to add more hands on the deck as far as the production facilities are concerned, you need to add more people on the logistics team, etc., so all of that happens, but overheads per se as a percentage of revenue, I think we are by far the lowest in the industry and we keep tight leash on overhead expenses and keep that to a minimum, we run a tight ship and because of that despite our relatively small signs we come up with profitability numbers which are on par with if not be a industry leader at least virtually on par with the number two, number three players.

Keyur Pandya:

Understood, Sir. Thanks a lot and all the very best.



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Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Sir, thanks for taking my follow up question, my question is your target is to reach about 17,000 to 18,000 distributor this year, assuming that you continue your aggressive growth and recruitment, two more years down the line you will be very close to what a Kansai or Berger is as of now in terms of distributor count and post that also of course you will keep adding distributors, but maybe the pace of admission will not be so aggressive because 27000 to 28,000 kind of number is anyway is a very, very robust number and can support a much higher sales than what you are doing, so my question is this that when you are growing your distributor network at 25% to 30% that is when you are also sort of getting your 35% kind of sales growth, when your growth in the distributor network comes down your sales growth will automatically fall to some extent and if it does not fall then you will have to make efforts to increase the sales for distributor in a very aggressive manner versus even I am sure that is happening even today as we speak sales for distributor is increasing, but we will have to increase at a much faster pace to compensate for the slowdown in the number of distributor increase, so just some thoughts of yours on a three to five year horizon, I mean we in the next two years growth rate definitely can be very high for you, but once you reach that kind of distributor network which the number, two number, three player already have after that what happens to growth and how will you maintain the higher growth rates, so some comments on that please?

Hemant Jalan: First of all, I response to what you said that in two to three years our dealer count would be as high as Kansai or a Berger... let us hope that happen.

Percy Panthaki: Assuming you continue at 30% kind of roll out.

Hemant Jalan: Do keep in mind that the industry leader has an active dealer count which is somewhere in the range of about 70,000 to 75,000 so I do not think that 30000 is necessarily an upper ceiling that should not be breached there is if and when we do reach that number whether we need that in two years or three years or whatever timeframe, I cannot make predictions over the next three, four years as to what will happen, but certainly that is the goal you have rightly said to try and reach somewhere in that region of 27000, 28000, 30000 dealer count within the next three years or so and I think that although it is a difficult target, it is an achievable target and that is the direction in which we are growing. Simultaneously the tinting machine population needs to be aggressively expanded, I think both the two companies that you mentioned do have a tinting machine population which is in excess of



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20,000, the market leader probably has a tinting machine population in excess of 45,000, exact numbers are not available, these are just crude industry guesstimates, so we just now at 5800 have a very long way to go and as the tinting machine population, expanding dealer network is one part of the job, the next is to populate your tinting machine in the new dealers that you have appointed and that is when the throughput per dealer goes up. So let us reach and you rightly say that we do not see any obstacle in doing this 35% to 40% growth over the next few years, let us reach that far that will take us a fair bit down the road. What the strategy for maintaining future growth will be beyond that point is a little premature for me to outline at this stage. Obviously strategies will have to change at different levels of growth and I think we will cross those bridges when we come to it. It is a little premature to start thinking of how what strategy will shift gears in three years down the road. Also note that is the other forms of growth that are also available, you have seen the industry leaders falling into construction chemicals space and a lot of their growth a significant part of it is also coming from aggressive growth that is happening in that segment. At the moment we have chosen not to enter that segment do we at some point in time also think of entering that segment, quite possible in the years to come that we think of going in that there is nothing immediately on the ground to say that we are planning an aggressive foray into that, but who knows I mean maybe a year or two down the line we also think of getting into adjunct spaces and that becomes another avenue for growth and you know people chalk out different strategies for themselves at different points in time and I am sure we will revisit our strategy as and when the need arises. At the moment for the next few years if you can simply expand the network and populate tinting machines and keep increasing our advertising spends on absolute amounts, not just absolute spends, but the quality of advertising, the quality of creative, the kind of image that you are projecting in the market all that is very important and those are the key focus areas as far as the company is concerned to drive growth in the near term.

Percy Panthaki:

I think my question would slightly different, let me rephrase, so what I am saying is that your sales for dealer even let us say with those with tinting machines is quite lesser than the other players so in many cases your brand is a number two or number three brand even within that particular dealer with the tinting machine, so two questions here, would not it be better to have beyond a point fewer dealers, but stronger ones are more dependent on you those kind of dealers rather than someone who for Indigo accounts only 10% of that dealer's sales, then he is probably not beyond a point sort of interested in doing that versus let us say if it accounts for 50% of sales so that is point one and if you agree with this



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philosophy then what steps are you taking to increase the throughput per dealer or per tinting machine?

Hemant Jalan:

First of all I contest your claim that at all the counters we are necessarily the number two or the number three player in that counter in terms of his share of the business, That is not necessarily true, there are a large number of counters in India and we have seen this trend starting in the last 18 months and it is gathering pace. A large number of new dealers that are opening up we are accounting for maybe even 75% of the portion of business of that counter or sometimes even more so there are a lot shall I say almost exclusive counters of Indigo, which we see opening up at a much higher pace than what we ever observed in the past. Going for fewer number of dealers and high concentration of being dependency on them is a strategy, which some other companies in the paint industry have tried in the past, are not overjoyed with the results that they have faced, I do not think it is a strategy that you want to pursue especially when you are building a brand by spending a lot on advertising, the availability of your material should be there at a fairly high level of visibility. If that availability is not there then to build brand by spending on advertising it is really not a very cost effective method of building up sales. Giving higher discount to the dealer and gratifying him with returns, but that has a limited appeal and you can go so far and only so far by that strategy. So that is an approach that we have never tried and I do not think we intend to go down that road, but as you rightly said increasing throughput for dealer is a very important part of the growth process so even if we are today at some counter that we are the number three in terms of his share of the revenue the attempt is to move to number two and number one and that you do by either some schemes for the dealer or convincing him on other activities with the influence of community around the dealer to convince them about the quality of your product. So I think quality and the perception of quality in the minds of the influence is a very, very important part of this jigsaw puzzle and trying to increase sales and as the painter start recommending your product, the awareness of your product goes up in addition to advertising you do a whole lot of activities online to directly target the influencer community to directly target people who have visited your website, etc., as far as the end consumer a concerned so there are many, many cogs in the wheels and I think you have to go with all of them in tandem you cannot follow unidimensional strategy of only focusing on one variable and hoping that it will give long term growth, chances are it would not, so I think we are deeply engaged on all those parameters and we do try to pull more than one lever every year, several levers in fact and so far it has worked well for us.

Percy Panthaki:

Right, Sir, that is all from me. Thanks and all the best.



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Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities and Finance. Please go ahead.

Binoy Jariwala: Sir, thank you for the opportunity. I had two questions, Mr. Hemant, one is on the pricing philosophy that I like to understand a bit more on, just to understand you have about 30% odd of your sales coming from the differentiated products, if you could help me understand what do you typically take a price increase every year or the price increase is link to the commodity inflation, how does it work?

Hemant Jalan: Now, 30% of our sales comes from what we call a very differentiated range of products, where by and large we are the only significant player producing that particular item, either we have been creating a new category by itself like a metallic emulsion or a floor coat emulsion or a ceiling coat emulsion where that kind of a paint for that end use application never existed earlier and we remain virtually the dominant player in that segment or in more genetic segments we have come up with a highly differentiated product, like an acrylic lemonade which is a very high gloss paint which can be used both in exteriors or interiors or what we have a dirt proof and waterproof exterior laminate which provides both dirt proof properties and water proofing properties which we believe that in a single paint nor the company does. So for those products we definitely have greater independence as far as pricing is concerned, now we generally tend not to increase price for the heck of it just because we can but if there is a pressure on pricing coming from any raw material side then the magnitude of the increase that we would tent to have for this differentiated products would be slightly higher than the magnitude of increase that we would go for more generic products where we have to sort of follow roughly the industry trend that is happening, so because of that these differentiated products have been contributing a higher amount to a gross margins. Now let me also clarify that in addition to this 30% portfolio of differentiated products there is a significant portfolio of products which cannot be called differentiated, but they are product categories which the larger list players for some reason had vacated over the last few years. Now take for example, cement paint, now 10 to 12 years ago all the majors in the paint industry were also manufacturing cement paint, also they were generally outsourcing that manufacturing to a third party vendor. Over time for whatever reasons most of them have exited the space and we have become today the only sort of branded in the cement paint space and if cement paint does have a reasonably significant contribution to our top line and also to the bottom line where it is not a differentiated products but amongst the listed players will be only person really offering that paint so again we have a high degree of independence and designing the pricing of that.



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Take another product distemper sold in one kg pouch, which was a great innovation by the market leader and they were responsible for launching that product some 30 years ago and it comprised of huge sales of almost all the large paint companies, but over the last three, four years again mainly because the product was generally outsourced to a third party vendor and maybe they found declining profitability or for whatever reasons I am not aware they have all vacated that space gradually and even the market leader who was in that space till last year, this year has chosen to almost move out so there again we have a lesser degree of competition at least from the larger players and therefore more independence in pricing. So naturally when you have a lesser degree of competition on certain categories of products, which collectively add to almost 45% of your portfolio, you tend to be a little more aggressive whenever the opportunity permits in terms of pricing increase and gaining gross margin contribution.

Binoy Jariwala: So would the understanding be correct that actually the gross margins of these two type of products has actually moved up let us say over the past two, three, four years?

Hemant Jalan: Certainly it has, as a share I will not disclose granular information but if our average gross margin is somewhere in the range of 48%, for these products as a basket, the gross margin is significantly high definitely.

Binoy Jariwala: Right, do you feel on a related note now do you feel this is the kind of gross margin that you work like to maintain on these differentiated products?

Hemant Jalan: Yes, sure, why not.

Binoy Jariwala: Or let me put it more clearly, what I am trying to understand is that let us say, if your company level average gross margin is ballpark 48% to 49% and let us say you are doing 1.5X, 1.3X of company level average or whatever that number is, do you feel that this is where you would like to hold and you would not like to go further up on this?

Hemant Jalan: Yes, I think that that would be, you cannot get too greedy and take the prices through the roof and reduce the overall sale of that segment. You do not want to do that because we have the largest stake in those segments and therefore our dominant position in that segment and the size of that segment is something that we need to protect. So I don't think we would like to take the pricing to a level where it dissuades people from even buying that segment of product. So I think we have to thread a cautious line, the gross margins are good as a percentage and kind of maintain at whatever levels we have it for those products minor



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variations plus or minus one or two percentage. But there is no plan to let us say if any one of those products is yielding a gross margin of let us say hypothetically 60% there is no intent to take that to 80% or something like that.

Binoy Jariwala:

Right, my last question is on the distribution network, now there are states like Kerala, West Bengal, Bihar, Jharkhand, Chhattisgarh, etc., where you have been present for more than 10 years or so, I understand in the past you also indicated that it takes roughly about six to seven years to completely proliferate a state in terms of building a distribution, now with more than 10 years of experience, keeping aside Kerala, the other top two, three states of yours, what kind of sales throughput increase per dealer are you witnessing?

Hemant Jalan:

Very large, as I have also said in the past, in the other states like you mentioned Bihar and Chhattisgarh and the other states Odisha, etc., where we have been present not just for 10 years but for 15 years or more, now in those states in the past the concentration was mainly in the small towns and rural areas. In the last couple of years the vehicle for growth in terms of the distribution network is now focused more on the larger cities. Now two years ago we may have had less than 10 people selling our product let us say in the city of Raipur, which is the capital of Chhattisgarh, today that number is about 70 or 80, so huge expansion in the larger cities of those states are still possible because those are areas that we had not occupied very aggressively in the past when our brand equity was low, as the brand equity has been growing very sharply in the last few years partly thanks to Mr. Dhoni, we find that our acceptability in the large cities is getting better and better, the increase in our tinting machine population continues to happen at very fast pace in all of the states that you mentioned and therefore our throughput for dealer is also going up sharply and therefore the overall top line is growing at a very aggressive pace and all of those sticks.

Binoy Jariwala:

No, Sir, I am not asking the sales growth at the state level what I am trying to understand in the town which you have completely proliferated, how has been sales throughput per dealer growth?

Hemant Jalan:

That would be a very detailed kind of an exercise that we have not taken to take out the small towns where we already have a very high proliferation and what is the kind growth happening in that town versus the other towns that would be a fairly mammoth exercise I do not think we have consciously measured that, but even in a small town if your network is good, let us say there is a very, very small town a tier 4 town where you have two dealers, now it is not that the competition is not present there, the competition may also be having one dealer or two leaders each in that particular town depending upon which company we



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are talking about. Now if there is a higher brand equity for another company then the dealers selling those company's products may still be over shadowing us in that particular town and as our brand equity grows our share of business in that small town grows even without expanding the dealer network. So we have a long way to go I mean the market leaders are giant companies compared to us and they are the market leader is about 20 times our size and the number two player is also about seven times our size, so there is a long way to go in terms of catching up with their brand equity and their throughput per dealer and it would be over optimistic to assume that that can happen within the next six months or one year or the next two years, it is going to take much longer and it is a game of patience, we have to steadily keep moving and keep plodding in the right direction and you will grow hopefully you continue to grow at twice the industry average and slowly keep bridging the gap but the gap, but the gap is not going to be bridged in a matter of two years or three years time we all should understand that.

Binoy Jariwala:

Thank you for that detailed explanation, that is all for my side.

Moderator:

Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta:

Thanks for the follow up, just one bit if you could give some sense on what is happening on the ground with the new entrance, there was a lot of noise about JSW and Grasim any update on the ground that is playing out, if you could give us some sense?

Hemant Jalan:

I think most of the noise is by your community, I see this question being asked to the heads of all the listed paint players and I have not seen anyone showing any concern or worry about it and I think our response would be the same as the response that I have heard other industry leaders talk about and that is that let competition come, good competition is always welcomed, the space is large, the space continues to grow, so there is room for more. Having said that let us understand that the barriers to entry in this industry exist for a very good reason, I am not saying that they are insurmountable there will be surmounted by the larger players who are entering in but it is a long process, it is not that someone with a lot of deep pocket can walk in and walk away with a 5,000 Crores top line in the first year or the first two years or even three years. This industry has certain characteristics which makes it a game of long patience. It will take time for them to build up their network, to build up the tinting machine population, establish their brand equity come up with some innovation in the market to differentiate us and all of these things take time, so I do not think anyone in the industry per se is worried about some new players who have entered and some who



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have announced their entry, but I believe that for the ones who have announced the entry the actual entry maybe still a good 18 months away, optimistically. So it will take time for them to come and we will have to wait and watch what strategy they adopt and the industry will respond to it and I am sure everyone will find their own rightful space in the industry and with an industry where the growth rate is so high overall I do not think anyone is concerned about any one entrant disturbing the top line or the bottom line of any other players, everybody will find their space and everybody will coexist.

Avi Mehta:

Sir, as of now we have seen anything from one of the players, in particular any kind of colour you could give, is there anything happening on that point and I understand your point about noise and what will happen we will kind of have to see their strategy, but for the player who are there on the ground, if you could just update on that?

Hemant Jalan:

I can say is that we have not experienced any serious disturbance by the player that you have just mentioned as far as our sales are concerned in any part of the country. I am sure that they are scaling up because they are not listed player exact numbers of their performance are not available at this point in time, so I have no idea as to how they are facing financially and they are I believe not just in the decorative paint space they are also significantly in the industrial space of coil coating, etc., where we are not present and that part of the business is never going to impact us and as far as the decorative paint is concerned they have been round for what more than two years now and they are there and they have some presence in some states of India. I read recently that they are planning to expand into other parts of India, but as I said this is a slow and a long drawn out process so it will be a while before any of the existing players start feeling any kind of a pinch from a new entrance and at the moment we do not seem to be threatened in any way by their presence so good luck to them.

Avi Mehta:

This is helpful, just one clarification, you highlighted even the distemper one kg kind of segment, the leader had vacated and you have been able to cement our position there, this is the recent event or this is an old event, I am trying to clarify that?

Hemant Jalan:

So, until a few years ago almost all the major paint players were active in that segment. One by one we saw different companies vacating that segment in the last four years or so and as far as the market leader is concerned it was quite active till last year. I am led to believe by my people on the ground that this year they are almost exiting that space, so it is a recent phenomena and because of that we have seen a huge surge in demand for us for that one kg pouch distemper and we have been kind of caught off guard because we had not been



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prepared for such an avalanche of business from that segment. It is a small segment but an important segment and reasonably profitable segment so this is a segment where the sales happens typically during the month of July, August, September. It is a seasonal sales, by and large so reasons are known to them they have chosen to vacate that space and we are thankful for that.

Avi Mehta: This helps clarify. Thank you very much, Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Hemant Jalan: Thanks a lot. I wish to thank the host of this conference call and to ICICI Securities for conducting it. I think we have had a very productive exchange. If you have anymore questions, please reach out to our investor relations team led by Srihari Santhakumar and we would be happy to engage with you even in the future days, should you have any question or any query about the Company, we would be happy to address that, so thank you all for joining in and look forward to interacting again with you in about three months time.

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