

Indigo Paints

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	48 / 0.5
52-Week Range (INR)	1649 / 900
1, 6, 12 Rel. Per (%)	-6/-2/-43
12M Avg Val (INR M)	97

Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
Sales	14.3	16.1	18.1
Sales Gr. (%)	6.5	12.5	12.5
EBITDA	2.6	3.0	3.4
EBIT Margin (%)	18.1	18.6	18.8
Adj. PAT	1.6	1.8	2.1
Adj. EPS (INR)	33.2	38.5	44.5
EPS Gr. (%)	11.4	16.0	15.5
BV/Sh.(INR)	241.9	280.5	320.2

Ratios

RoE (%)	14.5	14.7	14.8
RoCE (%)	14.2	14.6	14.6

Valuation

P/E (x)	30.2	26.0	22.5
P/BV (x)	4.1	3.6	3.1
EV/EBITDA (x)	17.1	14.4	12.2

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	53.9	53.9	53.9
DII	19.7	19.3	16.1
FII	11.8	11.7	12.3
Others	14.6	15.1	17.6

FII Includes depository receipts

CMP: INR1,007 TP: INR1,400 (+39%) Buy

Recovery momentum building up; positive outlook for 2H

- Indigo Paints (INDIGOPN) reported standalone sales growth of 3% YoY in 2QFY26 as demand was impacted by extended monsoon. Management highlighted that Jul witnessed healthy offtake, Aug was soft, and Sep saw a recovery, with strong secondary sales and dealer inflows. Oct continued to see healthy traction, and the company expects double-digit growth in 2HFY26, aided by a pickup in demand momentum. Apple Chemie (subsidiary) sales grew 23% YoY. Consolidated sales rose 4% YoY to INR3.1b (est. INR3.0).
- Gross margin expanded 110bp YoY to 44.8% (est. 44.5%), led by favorable raw material prices and an improved product mix. EBITDA margin expanded 110bp YoY to 14.9% (above).
- INDIGOPN continues to focus on the premium and emulsion segments, with a deliberate shift away from the economy segment. It has consciously decided to not enter the low-margin general industrial segment, despite competitors pursuing it to boost revenue growth, as it affects margins and profitability. We model a CAGR of 13%/15% in revenue/EBITDA in FY26-28E. We model EBITDA margin of 18.1% for FY26 and 18.6% for FY27.
- We reiterate our BUY rating with a TP of INR1,400 (based on 35x Sep'27E EPS), considering its growth outperformance, synergies with Apple Chemie, consistent capacity and distribution expansion, and its favorable valuation multiples vs. peers.

Demand shows improvement; beat on operating performance

Consolidated performance

- **Mid-single-digit sales growth:** Net sales grew by 4% YoY to INR3,121m (est. INR3,025m). Standalone revenue grew 3% YoY to INR2,985m. Apple Chemie revenue grew 23% YoY to INR136m.
- **Premium outpace economy segment:** Putty & cement paint's value and volume declined 2% and 7%, respectively. Emulsions reported 4% volume growth and 7% value growth. Enamel and wood coatings' volume/value grew 3%/6% YoY. Primers and distempers posted volume growth of 10% and value growth of 10%.
- **Expansion in margins:** Gross margin expanded 110bp YoY to 44.8% (est. 44.5%), led by a better product mix. Employee expenses were up 5% YoY, while other expenses were up 4% YoY. EBITDA margin expanded 110bp YoY to 14.9% (est. 14.2%).
- **Double-digit growth in profitability:** EBITDA rose 12% YoY to INR465m (est. INR430m). PBT increased by 11% YoY to INR338m (est. INR322m). APAT grew 11% YoY to INR251m (est. INR240m).

Highlights from the management commentary

- Industry demand has improved after nearly six months of softness, despite continued weather-related disruptions from the extended monsoon. Jul saw healthy offtake, Aug was weak, and Sep showed a recovery trend.
- The company highlighted that larger competitors have not significantly impacted the company's performance over the last two years. Despite unprecedented trade discounts offered by peers, the industry largely refrained from matching them, thereby preserving margins.
- For Apple Chemie, Maharashtra remains the key revenue contributor, while sales traction is strengthening in the Eastern and Southern regions.
- The Jodhpur water-based plant (90,000 KLPA capacity) is in the final stages of construction and is expected to be commissioned in 4QFY26.

Valuation and view

- We raise our EPS estimates by 5-6% for FY26 and FY27 on demand recovery and margin beat, led by an improving product mix.
- INDIGOPN's strategic shift to focusing on non-metro towns and increased investments in distribution and influencers as part of its Strategy 2.0 are proving to be a successful endeavor. That said, the company continues to focus on the premium and emulsion segments, with a deliberate shift away from the economy segment.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY25) in the paint industry, the company has been able to grow much faster than the industry. Consumers' rising acceptance of the brand and the expansion of its distribution network have been driving its outperformance. However, the changing competitive landscape will be a key monitorable. **We reiterate our BUY rating with a revised TP of INR1,400 (premised on 35x Sep'27E EPS).**

Consolidated Quarterly Performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	3,110	2,995	3,426	3,876	3,089	3,121	3,735	4,334	13,407	14,278	3,025	3.1%
Change (%)	7.8	7.4	-3.2	0.7	-0.7	4.2	9.0	11.8	2.6	6.5	1.0	
Raw Material/PM	1,661	1,686	1,829	2,061	1,671	1,723	1,979	2,294	7,237	7,667	1,679	
Gross Profit	1,449	1,309	1,597	1,815	1,418	1,397	1,755	2,041	6,170	6,611	1,346	3.8%
Gross Margin (%)	46.6	43.7	46.6	46.8	45.9	44.8	47.0	47.1	46.0	46.3	44.5	
EBITDA	474	415	572	874	443	465	661	1,012	2,335	2,582	430	8.3%
Margin (%)	15.2	13.9	16.7	22.6	14.3	14.9	17.7	23.4	17.4	18.1	14.2	
Change (%)	-3.5	-1.5	-8.1	3.3	-6.5	12.1	15.6	15.8	-1.9	10.6	3.5	
Interest	6	7	6	15	7	7	10	16	35	40	18	
Depreciation	152	154	147	132	148	151	160	167	585	626	145	
Other Income	42	51	31	60	60	30	45	66	185	200	55	
PBT	357	306	450	787	348	338	536	895	1,900	2,116	322	5.0%
Tax	90	83	92	213	87	85	135	225	478	532	81	
Effective Tax Rate (%)	25.3	27.2	20.4	27.0	25.0	25.2	25.2	25.2	25.2	25.2	25.2	
Minority Interest	5	-4	-2	5	1	1	1	0	4	4	1	
Adjusted PAT	262	226	360	569	259	251	400	669	1,418	1,580	240	4.8%
Change (%)	-15.6	-10.6	-3.3	6.0	-1.0	10.9	11.0	17.6	-3.8	11.4	5.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY25				FY26	
	1Q	2Q	3Q	4Q	1Q	2Q
Segmental volume growth (%)						
Cement Paints + Putty	8.2	2.8	-7.2	-10.3	-4.0	-6.8
Emulsions	0.4	7.2	1.7	-2.5	-5.4	3.9
Enamels + Wood Coatings	5.0	4.3	-12.6	7.9	6.8	3.0
Primers + Distempers + Others	24.4	7.1	-6.0	2.2	1.8	10.2
Segmental value growth (%)						
Cement Paints + Putty	8.9	3.0	-5.3	-8.4	-1.5	-2.2
Emulsions	-3.1	7.5	2.8	1.3	-0.9	7.0
Enamels + Wood Coatings	-1.0	3.6	-11.5	11.4	11.5	5.7
Primers + Distempers + Others	28.6	13.7	-0.6	6.3	6.3	10.1
% of Sales						
COGS	53.4	56.3	53.4	53.2	54.1	55.2
Operating Expenses	31.4	29.8	29.9	24.3	31.6	29.9
Depreciation	4.9	5.1	4.3	3.4	4.8	4.8
YoY change (%)						
COGS	9.3	11.0	-0.2	4.7	0.6	2.2
Operating Expenses	11.6	5.2	-5.2	-9.1	-0.1	4.2
Other Income	10.2	61.3	2.7	44.9	41.6	-41.5
EBIT	-17.7	-15.2	-10.8	7.5	-8.2	20.4



Highlights from the management commentary

Performance and outlook

- Industry demand has improved after nearly six months of softness, despite continued weather-related disruptions from the extended monsoon.
- The company is witnessing clear signs of demand recovery, supported by robust secondary sales and strong dealer inflows.
- Product mix is expected to improve as exterior paint applications gain momentum.
- Within paints, the premium segment of emulsions and enamels continues to outperform the economy segment.
- Emulsions reported 4% volume growth and 7% value growth in 2QFY26.
- Enamels and wood coatings grew by 3% in volume and 6% in value.
- Putty and cement paints declined 7% in volume and 2% in value.
- Jul saw healthy offtake, Aug was weak, and Sep showed a recovery trend.
- This year, one month prior to Diwali, dealers typically stock up inventory; historically, this leads to an acceleration in post-Diwali sales.
- The company expects double-digit growth in 3QFY26 and high double-digit growth in 4QFY26.
- The company highlighted that larger competitors have not significantly impacted its performance over the last two years. Despite unprecedented trade discounts offered by peers, the company largely refrained from matching them, thereby preserving margins.
- In Bihar, only two phases of elections were conducted this time compared to five to six previously, resulting in fewer disruptions to transportation and logistics. The company does not anticipate any material positive or negative impact from the Bihar elections on demand.

- Management said that Bihar continues to be among the strongest performing states for INDIGOPN, delivering double-digit growth for the past 7-8 months despite broader industry weakness.
- The company holds the No. 2 position in Chhattisgarh, No. 3 in Kerala and No. 4 in most other states, indicating substantial headroom for market share gains.
- Management highlights that it normally takes 5-6 years to establish a strong foothold in any new state, as the process involves gradual distribution network expansion and brand penetration.

Guidance

- Gross margin expansion was supported by a gradual decline in raw material prices, without any corresponding price cuts, and a continued focus on premium product mix improvement.
- EBITDA margins for FY26 are expected to improve on the back of improvement in demand, lower raw material prices and an improved product mix.
- Ad spends declined to 5% of sales in 2QFY26, as highlighted earlier. A&P spends as a percentage of revenue may decline slightly in FY26, despite increased investments in digital marketing.

Distribution network

- It added 355 tinting machines in 2QFY26, bringing the total count to 11,656.
- As of Sep'25, the number of active dealers stood at 18,914, up by 358 QoQ.

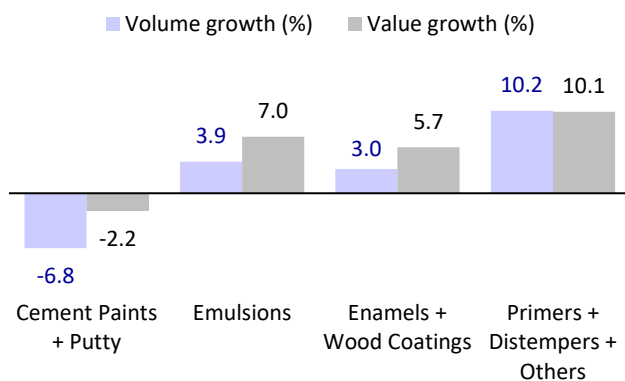
Apple Chemie

- Apple Chemie has become the first construction chemical manufacturer to receive NABL accreditation.
- The company reported strong all-round growth, supported by a significant improvement in gross margins, driven by a better product mix.
- Maharashtra remains the key revenue contributor, while sales traction is strengthening in the Eastern and Southern regions.
- With refreshed branding, the company plans to launch new products and accelerate its growth momentum.
- It expects that Apple Chemie's sales contribution will increase to double digits next year from the current high-single-digit contribution.

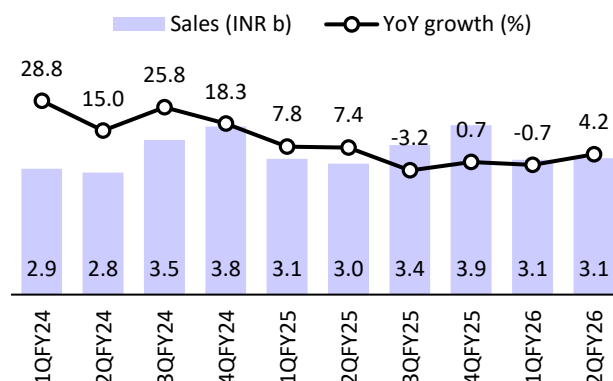
Others

- The Jodhpur water-based plant (90,000 KLPA capacity) is in the final stages of construction and is expected to be commissioned in 4QFY26.
- Equipment commissioning is underway at the solvent-based plant (12,000 KLPA capacity), with commercial production expected to commence in Dec'25.
- Trial production has begun at the brownfield putty plant, with commercial operations scheduled for mid-Nov'25.
- Apart from these projects, the company does not anticipate any major capex over the next 3-4 years.

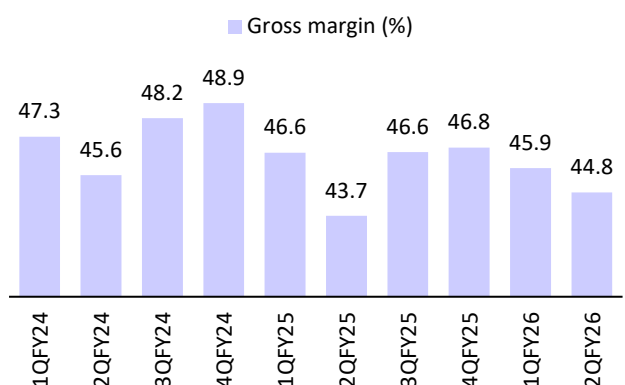
Key exhibits

Exhibit 1: Volume and value expand across categories


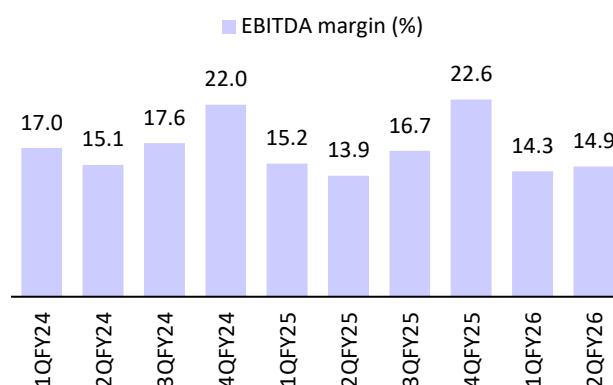
Source: Company, MOFSL

Exhibit 2: Sales up 4.2% YoY to INR3.1b in 2QFY26


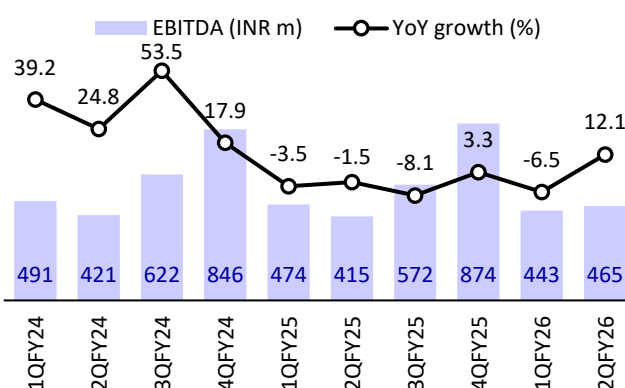
Source: Company, MOFSL

Exhibit 3: Gross margin up 110bp YoY to 44.8% in 2QFY26


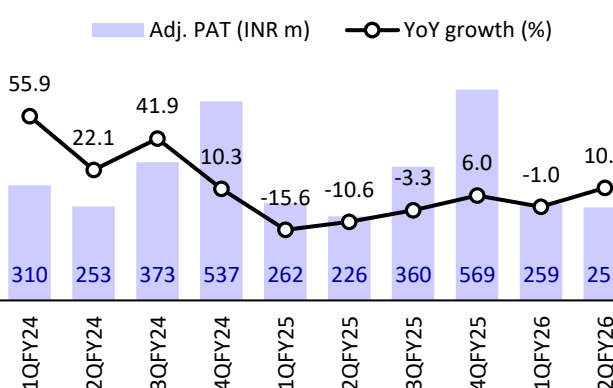
Source: Company, MOFSL

Exhibit 4: EBITDA margin expanded 110bp YoY to 14.9%


Source: Company, MOFSL

Exhibit 5: EBITDA up 12.1% YoY to INR465m in 2QFY26


Source: Company, MOFSL

Exhibit 6: PAT up 10.9% YoY to INR251m in 2QFY26


Source: Company, MOFSL

Valuation and view

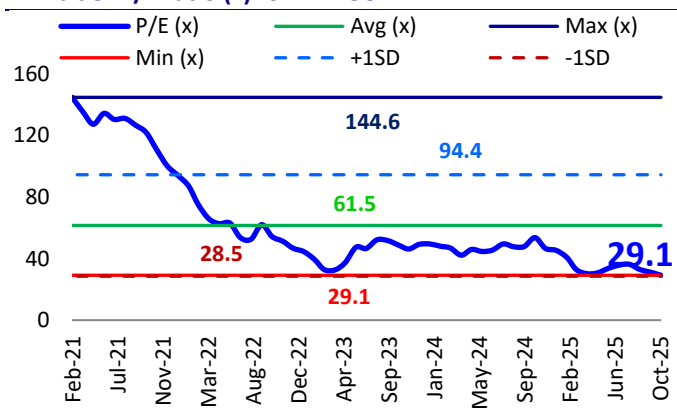
- We raise our EPS estimates by 5-6% for FY26 and FY27 on demand recovery and margin beat, led by an improving product mix.
- INDIGOPN's strategic shift to focusing on non-metro towns and increased investments in distribution and influencers as part of its Strategy 2.0 are proving to be a successful endeavor. That said, the company continues to focus on the premium and emulsion segments, with a deliberate shift away from the economy segment.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY25) in the paint industry, the company has been able to grow much faster than the industry. Consumers' rising acceptance of the brand and the expansion of distribution have been driving its outperformance. However, the changing competitive landscape will be a key monitorable. **We reiterate our BUY rating with a revised TP of INR1,400 (premised on 35x Sep'27E EPS).**

Exhibit 7: We raise our EPS estimates by 5-6% for FY26 and FY27

INR m	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	14,278	16,063	18,071	14,010	15,761	17,731	1.9	1.9	1.9
EBITDA	2,582	2,985	3,394	2,463	2,850	3,242	4.8	4.7	4.7
PAT	1,580	1,833	2,116	1,490	1,735	2,005	6.0	5.7	5.5

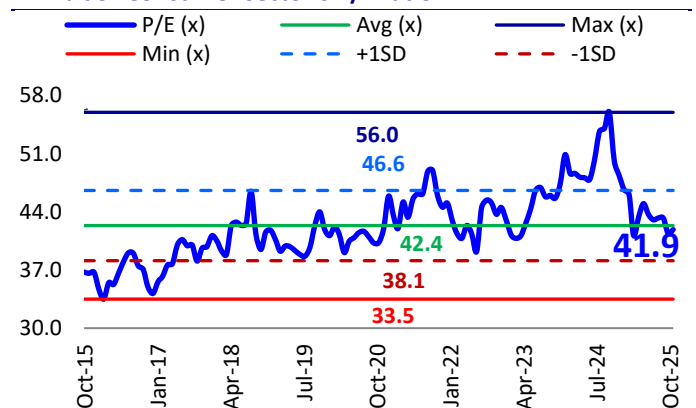
Source: Company, MOFSL

Exhibit 8: P/E ratio (x) for INDIGOPN



Source: MOFSL, Company, Bloomberg

Exhibit 9: Consumer sector's P/E ratio



Source: MOFSL, Company, Bloomberg

Financials and valuations

Income Statement consol.

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	6,248	7,233	9,060	10,733	13,061	13,407	14,278	16,063	18,071
Change (%)	16.6	15.8	25.3	18.5	21.7	2.6	6.5	12.5	12.5
Raw Materials	3,220	3,765	5,135	5,952	6,839	7,237	7,667	8,545	9,578
Gross Profit	3,028	3,468	3,925	4,781	6,222	6,170	6,611	7,517	8,493
Margin (%)	48.5	47.9	43.3	44.5	47.6	46.0	46.3	46.8	47.0
Operating Expenses	2,118	2,243	2,565	2,965	3,841	3,835	4,029	4,532	5,099
EBITDA	910	1,225	1,360	1,815	2,381	2,335	2,582	2,985	3,394
Change (%)	68.2	34.7	11.0	33.5	31.1	-1.9	10.6	15.6	13.7
Margin (%)	14.6	16.9	15.0	16.9	18.2	17.4	18.1	18.6	18.8
Depreciation	196	244	313	343	516	585	626	695	740
Int. and Fin. Charges	56	38	13	14	21	35	40	50	50
Other Income	16	36	109	101	142	185	200	214	229
Profit before Taxes	674	979	1,143	1,559	1,986	1,900	2,116	2,454	2,833
Change (%)	98.2	45.2	16.7	36.4	27.4	-4.3	11.4	16.0	15.4
Margin (%)	10.8	13.5	12.6	14.5	15.2	14.2	14.8	15.3	15.7
Tax	147	256	288	418	435	478	532	617	713
Tax Rate (%)	29.1	27.6	26.5	25.8	25.0	27.6	25.2	25.2	25.2
PAT Before Minority	478	709	840	1,157	1,489	1,422	1,584	1,837	2,120
Minority Interest					15	4	4	4	4
Adjusted PAT	478	709	840	1,157	1,474	1,418	1,580	1,833	2,116
Change (%)	76.0	48.2	18.6	37.6	27.4	-3.8	11.4	16.0	15.5
Margin (%)	7.7	9.8	9.3	10.8	11.3	10.6	11.1	11.4	11.7
Reported PAT	478	709	840	1,320	1,474	1,418	1,580	1,833	2,116

Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	290	476	476	476	476	476	476	476	476
Reserves	1,680	5,159	6,023	7,285	8,545	9,829	11,032	12,869	14,757
Net Worth	1,971	5,635	6,499	7,761	9,021	10,306	11,508	13,345	15,233
Loans	392	0	0	0	31	64	0	0	0
Other Liability	132	157	209	188	380	446	446	446	446
Capital Employed	2,495	5,792	6,708	7,949	9,432	10,815	11,954	13,791	15,679
Gross Block	1,669	2,339	2,612	2,785	6,316	6,559	7,359	7,859	8,359
Less: Accum. Depn.	245	452	716	987	1,421	1,917	2,400	2,942	3,518
Net Fixed Assets	1,424	1,887	1,896	1,798	4,896	4,641	4,959	4,917	4,841
Capital WIP	11	31	510	2,509	174	1,358	1,358	1,358	1,358
Right to Use Assets	278	301	332	543	616	637	794	941	1,077
Investments	208	497	1,731	1,317	1,667	2,261	2,361	2,861	3,361
Curr. Assets, L&A	1,967	4,983	4,288	3,996	4,950	4,806	6,146	7,695	9,381
Inventory	768	947	1,177	1,177	1,706	1,536	1,721	1,980	2,228
Account Receivables	1,045	1,212	1,717	2,001	2,231	2,439	2,543	2,993	3,367
Cash and Bank Balance	57	2,583	996	488	329	371	1,331	2,062	2,995
Others	97	241	398	330	684	460	551	660	792
Curr. Liab. and Prov.	1,698	2,212	2,354	2,520	3,275	3,286	4,062	4,380	4,737
Account Payables	1,386	1,856	2,014	2,106	2,290	1,767	2,543	2,861	3,218
Other Liabilities	289	315	270	318	920	1,502	1,502	1,502	1,502
Provisions	24	42	70	96	65	17	17	17	17
Net Current Assets	269	2,771	1,934	1,476	1,675	1,519	2,084	3,315	4,643
Goodwill on Cons.	306	306	306	306	399	399	399	399	399
Application of Funds	2,495	5,792	6,708	7,950	9,427	10,815	11,954	13,791	15,679

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)									
EPS	16.5	14.9	17.7	24.3	31.0	29.8	33.2	38.5	44.5
Cash EPS	14.2	20.0	24.2	31.5	41.8	42.1	46.4	53.1	60.0
BV/Share	41.4	118.5	136.6	163.2	189.6	216.6	241.9	280.5	320.2
DPS	0.0	0.0	3.0	3.5	3.5	3.5	8.0	8.0	8.0
Payout %	0.0	0.0	17.0	14.4	11.3	11.7	24.1	20.8	18.0
Valuation (x)									
P/E	60.9	67.3	56.8	41.3	32.4	33.7	30.2	26.0	22.5
Cash P/E	70.8	50.1	41.4	31.8	24.0	23.8	21.6	18.9	16.7
EV/Sales	4.7	6.2	5.0	4.3	3.5	3.4	3.1	2.7	2.3
EV/EBITDA	32.1	36.4	33.1	25.3	19.2	19.4	17.1	14.4	12.2
P/BV	24.2	8.5	7.3	6.1	5.3	4.6	4.1	3.6	3.1
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.3	0.3	0.8	0.8	0.8
Return Ratios (%)									
RoE	27.8	18.6	13.9	16.2	17.6	14.7	14.5	14.7	14.8
RoCE	22.5	17.8	13.6	15.9	17.3	13.8	14.2	14.6	14.6
RoIC	23.3	25.3	18.4	21.5	20.1	14.1	16.0	17.5	18.3
Working Capital Ratios									
Debtor (Days)	61	61	69	68	62	66	65	68	68
Asset Turnover (x)	2.5	1.2	1.4	1.4	1.4	1.2	1.2	1.2	1.2
Leverage Ratio									
Debt/Equity (x)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(loss) before Tax	674	979	1,143	1,559	1,986	1,900	2,116	2,454	2,833
Depreciation	196	244	313	343	515	585	626	695	740
Net interest	54	22	-47	3	19	32	-160	-164	-179
Others	-8	-5	-19	4	-41	-114	0	0	0
Direct Taxes Paid	-124	-164	-258	-244	-593	-308	-532	-617	-713
(Incr)/Decr in WC	-69	137	-479	-505	-377	-39	395	-501	-395
CF from Operations	723	1,214	652	1,161	1,510	2,056	2,445	1,867	2,286
Incr in FA	-613	-660	-1,208	-1,970	-1,041	-1,355	-800	-500	-500
Free Cash Flow	110	553	-556	-809	469	701	1,645	1,367	1,786
Pur of Investments	0	-2,522	460	1,100	-478	-423	-100	-500	-500
Others	-21	2,138	-1,438	-599	83	3	-99	-86	-71
CF from Invest.	-634	-1,044	-2,186	-1,469	-1,436	-1,775	-999	-1,086	-1,071
Issue of Shares	18	2,932	0	0	0	0	0	0	0
Incr in Debt	-143	-500	0	0	13	33	-64	0	0
Dividend Paid	0	0	0	-143	-167	-167	-381	0	-232
Net interest Paid	-47	-33	-2	0	-2	-32	-40	-50	-50
Others	0	-41	-50	-58	-77	-74	0	0	0
CF from Fin. Activity	-172	2,357	-53	-201	-233	-239	-486	-50	-283
Incr/Decr of Cash	-83	2,526	-1,587	-508	-159	41	960	731	933
Add: Opening Balance	140	57	2,583	996	488	329	371	1,331	2,062
Closing Balance	57	2,583	996	488	329	371	1,331	2,062	2,995

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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