

Indigo Paints

Estimate change

TP change

Rating change



Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	59.1 / 0.7
52-Week Range (INR)	1720 / 1166
1, 6, 12 Rel. Per (%)	-3/-9/-20
12M Avg Val (INR M)	369

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	13.6	15.3	17.5
Sales Gr. (%)	3.8	13.0	14.0
EBITDA	2.3	2.7	3.1
EBIT Margin (%)	16.7	17.7	17.8
Adj. PAT	1.3	1.6	1.8
Adj. EPS (INR)	28.3	33.6	38.8
EPS Gr. (%)	-8.7	18.9	15.4
BV/Sh.(INR)	212.2	238.2	277.3

Ratios

RoE (%)	14.1	14.9	15.1
RoCE (%)	13.8	14.7	14.9

Valuation

P/E (x)	43.5	36.6	31.7
P/BV (x)	5.8	5.2	4.4
EV/EBITDA (x)	24.9	20.8	17.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	53.9	53.9	53.9
DII	17.1	16.1	1.8
FII	12.5	12.3	8.8
Others	16.5	17.6	35.5

FII Includes depository receipts

CMP: INR1,241

TP: INR1,500 (+21%)

Buy

Miss on revenue; demand pick up a key monitorable

- Indigo Paints (INDIGOPN)'s standalone sales declined 4% YoY in 3QFY25 due to consistent pressure on demand. The paint industry dipped 4% YoY in 3Q. Apple Chemie (subsidiary) clocked a robust sales growth of 21% YoY. Consolidated sales contracted 3% YoY to INR3.4b (miss).
- Putty & cement paint's value and volume declined 5% and 7%, respectively. Emulsions clocked 2% volume growth and 3% value growth. Premium emulsions remained the fastest-growing retail segment. Enamel and wood coatings' volume/value dipped 13%/12% YoY. Primer and distempers posted a volume decline of 6% and a value decline of 1% in 3QFY25.
- Consolidated GM contracted 160bp YoY to 46.6% (est. 46.3%) due to product mix and price cuts. Employee costs rose 7% YoY (+80bp), while other expenses were down 9% YoY (-140bp). EBITDA margin dipped 90bp YoY to 16.7% (est. 16.0%).
- INDIGOPN has seen some positive signs in Jan'25 and expects a gradual recovery. It will be driven by favorable crop conditions, a reduction in interest rates, and potential benefits of tax relief in the Union Budget. We model a 13% revenue and 17% EBITDA CAGR in FY25E-FY27E.
- Management is less concerned about competitive pressure from new entrants; instead, it is focused more on industry recovery. The size of the industry and long-term drivers will continue to present opportunities for most established players.
- We reiterate our **BUY rating with a TP of INR1,500 (based on 40x Dec'26 P/E)**, considering its growth outperformance, synergies with Apple Chemie, consistent capacity & distribution expansion, and its favorable valuation multiples vs. peers.

Miss on revenue; cost efficiencies moderate margin contraction

Consolidated performance

- **Miss on sales:** INDIGOPN's net sales declined 3% YoY to INR3,426m (est. INR3,715m). Standalone revenue dipped 4% YoY to INR3,275m. Apple Chemie delivered sales growth of 21% YoY to INR151m in 3QFY25.
- **Contraction in margins:** Gross margin contracted 160bp YoY to 46.6% (est. 46.3%). Employee expenses rose 7% YoY, while other expenses contracted 9% YoY. EBITDA margin contracted 90bp YoY to 16.7% (est. 16.0%).
- **EBITDA/PBT/PAT declined:** EBITDA declined by 8% YoY to INR572m (est. INR595m). PBT decreased 10% YoY to INR450m (est. INR484m). APAT was down 3% YoY to INR360m (est. INR366m).
- In 9MFY25, net sales increased 3% YoY, while EBITDA and APAT declined 5% and 9%, respectively.

Highlights from the management commentary

- The demand slowdown has persisted over the past year, with festive demand falling below expectations. No significant difference has been observed between urban and rural demand growth.
- INDIGOPN has been minimally impacted by Birla Opus, primarily due to its differentiated product offerings and strong distribution network. The effect on INDIGOPN's sales is estimated to be ~1%.
- The entry of new players has had a limited impact on existing industry participants. However, as the overall market is experiencing a slowdown, these effects have become more noticeable.
- As of Dec'24, the number of active dealers stood at 18,578, reflecting a sequential decline of 120. During periods of weak market conditions, active buyers tend to reduce their purchases, leading to a drop in dealer count. However, as demand recovers, the number of active dealers is increasing again.

Valuation and view

- Owing to a slow industry recovery and normalization of operating margin, we cut our EPS estimate by 5% for FY25/FY26.
- 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.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY24) within the paints 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 INR1,500 (premised on 40x Dec'26E EPS).**

Consolidated Quarterly Performance

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 3QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	2,884	2,790	3,538	3,849	3,110	2,995	3,426	4,026	13,061	13,557	3,715	-7.8%
Change (%)	28.8	15.0	25.8	18.3	7.8	7.4	-3.2	4.6	21.7	3.8	5.0	
Raw Material/PM	1,519	1,519	1,833	1,968	1,661	1,686	1,829	2,159	6,839	7,334	1,995	
Gross Profit	1,365	1,271	1,705	1,881	1,449	1,309	1,597	1,867	6,222	6,223	1,720	-7.1%
Gross Margin (%)	47.3	45.6	48.2	48.9	46.6	43.7	46.6	46.4	47.6	45.9	46.3	
EBITDA	491	421	622	846	474	415	572	803	2,381	2,264	595	-3.9%
Margin (%)	17.0	15.1	17.6	22.0	15.2	13.9	16.7	19.9	18.2	16.7	16.0	
Change (%)	39.2	24.8	53.5	17.9	-3.5	-1.5	-8.1	-5.1	31.1	-4.9	-4.4	
Interest	5	6	6	5	6	7	6	4	21	23	6	
Depreciation	101	113	146	156	152	154	147	158	516	611	155	
Other Income	38	32	31	42	42	51	31	60	142	185	50	
PBT	423	335	501	727	357	306	450	701	1,986	1,814	484	-6.9%
Tax	108	81	125	183	90	83	92	189	497	454	121	
Effective Tax Rate (%)	25.6	24.3	25.0	25.1	25.3	27.2	20.4	26.9	25.0	25.0	25.0	
Minority Interest	5	0	3	8	5	-4	-2	16	15	15	-3	
Adjusted PAT	310	253	373	537	262	226	360	496	1,474	1,345	366	-1.6%
Change (%)	55.9	22.1	41.9	10.3	-15.6	-10.6	-3.3	-7.5	27.4	-8.7	-1.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY24				FY25		3Q
	1Q	2Q	3Q	4Q	1Q	2Q	
Segmental volume growth (%)							
Cement Paints + Putty	64.6	50.6	24.2	20.2	8.2	2.8	-7.2
Emulsions	13.1	20.0	14.3	13.7	0.4	7.2	1.7
Enamels + Wood Coatings	35.3	5.4	27.3	3.4	5.0	4.3	-12.6
Primers + Distempers + Others	52.4	28.8	37.7	22.0	24.4	7.1	-6.0
Segmental value growth (%)							
Cement Paints + Putty	65.8	47.9	25.2	21.4	8.9	3.0	-5.3
Emulsions	17.8	15.4	18.2	9.1	-3.1	7.5	2.8
Enamels + Wood Coatings	36.6	3.0	25.2	-1.0	-1.0	3.6	-11.5
Primers + Distempers + Others	43.6	26.6	34.7	27.6	28.6	13.7	-0.6
2Y average growth (%)							
Sales	36.2	19.4	15.9	15.6	18.3	11.2	11.3
EBITDA	57.1	34.6	29.2	25.7	17.8	11.6	22.7
PAT	63.7	37.6	25.0	25.5	20.1	5.7	19.3
% of Sales							
COGS	52.7	54.4	51.8	51.1	53.4	56.3	53.4
Operating Expenses	30.3	30.5	30.6	26.9	31.4	29.8	29.9
Depreciation	3.5	4.0	4.1	4.0	4.9	5.1	4.3
YoY change (%)							
COGS	23.7	7.4	16.0	13.7	9.3	11.0	-0.2
Operating Expenses	32.5	26.0	30.8	28.3	11.6	5.2	-5.2
Other Income	684.9	-0.6	-18.8	47.8	10.2	61.3	2.7
EBIT	45.3	22.0	49.6	9.5	-17.7	-15.2	-10.8

E: MOFSL Estimates

**Highlights from the management commentary****Performance and outlook**

- The demand slowdown has persisted over the past year, with festive demand falling below expectations.
- No significant difference has been observed between urban and rural demand growth.
- The company has seen some signs of improvement in Jan'25 and expects demand to recover, driven by favorable crop conditions, a reduction in interest rates, and potential tax relief in the Union Budget.
- Emulsion value growth stood at 3%, while volume growth was 2%, indicating an improved product mix and increasing premiumization.
- Premium emulsion at the retail level is the fastest-growing segment, with a strong focus on engaging painting contractors across metro cities and Tier-1, Tier-2, and Tier-3 markets.
- Waterproofing and construction chemicals (WPCC) products for the retail channel were launched and marketed under the INDIGOPN brand (Protect Plus Series), while Apple Chemie continues to target the B2B and fast-growing infrastructure segment.
- The company is strategically focusing on selling Apple Chemie in regions where the product mix is more favorable.
- The company does not see significant demand for latex paint and has no plans to enter this segment.
- INDIGOPN has been minimally impacted by Birla Opus, primarily due to its differentiated product offerings and strong distribution network. The effect on Indigo Paints' sales is estimated to be ~1%.

- The entry of new players has had a limited impact on existing industry participants. However, as the overall market is experiencing a slowdown, these effects have become more noticeable.
- Pricing in the paint industry is primarily dictated by the market leader.
- Paint consumption is largely driven by repainting, which accounts for 85% of total demand, while new construction contributes ~15%.

Costs and margins

- Gross margin was affected by a change in product mix and price cuts implemented last year.
- During 2QFY24 and 3QFY24, the company hired additional employees as part of its expansion efforts, leading to an increase in employee costs.
- The additional depreciation from the new plant in Tamil Nadu (commissioned in Sep'23) impact on PAT is already factored into the base.
- Advertising and promotion (A&P) expenses as a % of revenue declined to 8.2% in 3QFY25 from 9.5% in 3QFY24.
- Apple Chemie's margins were significantly impacted due to an unfavorable product mix but are expected to improve with a better product mix and a focus on select states.

Distribution network

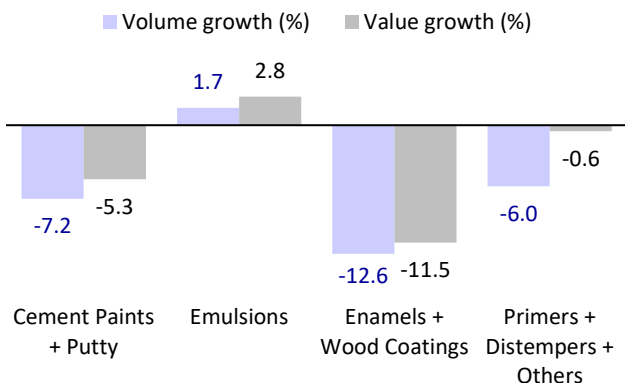
- INDIGOPN added 217 tinting machines in 3QFY25, bringing the total count to 10,772.
- As of Dec'24, the number of active dealers stood at 18,578, reflecting a QoQ decline of 120. During periods of weak market conditions, active buyers tend to reduce their purchases, leading to a drop in dealer count. However, as demand recovers, the number of active dealers is increasing again.
- The company has a network of 750–1,000 dealers that exclusively sell INDIGOPN's products.

Others

- In Jodhpur, erection work is progressing at full pace for the water-based plant with a capacity of 90,000 KLPA, with commissioning expected by 3QFY26.
- Erection and installation work is also progressing for the solvent-based plant, with a capacity of 12,000 KLPA, and commissioning is expected by 1QFY26.
- The brownfield expansion of putty production is expected to be commissioned by 1QFY26.

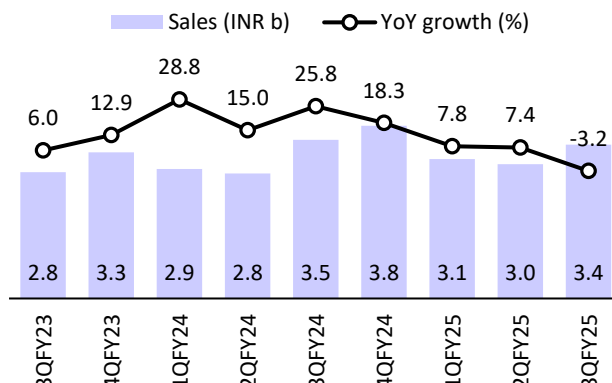
Key exhibits

Exhibit 1: Volume and value dip across categories



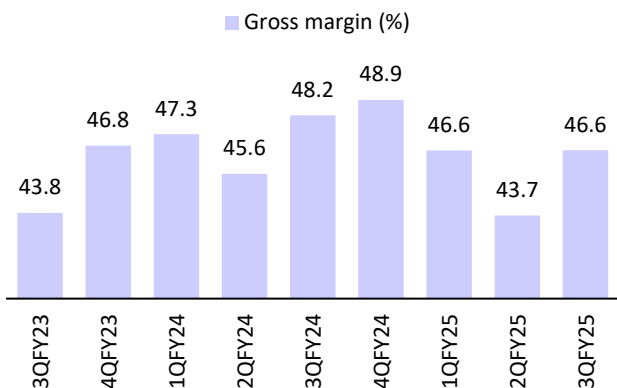
Source: Company, MOFSL

Exhibit 2: Sales down 3% YoY to INR3.4b in 3QFY25



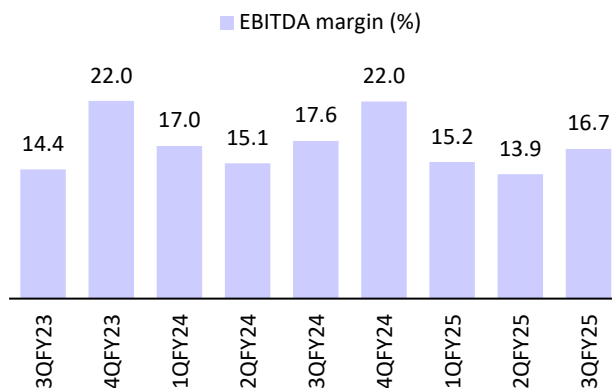
Source: Company, MOFSL

Exhibit 3: Gross margin down 160bp YoY to 46.6% in 3QFY25



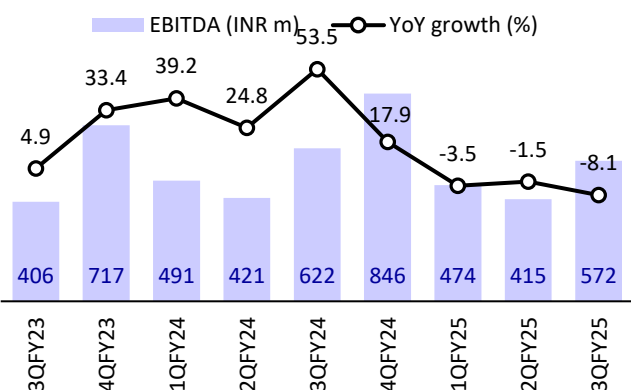
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 90bp YoY to 16.7%



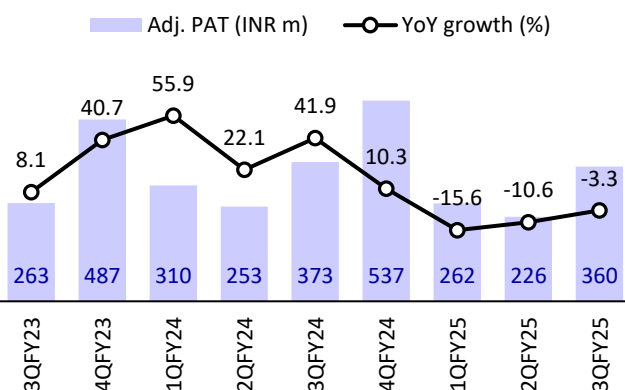
Source: Company, MOFSL

Exhibit 5: EBITDA declined 8% YoY to INR572m in 3QFY25



Source: Company, MOFSL

Exhibit 6: PAT down 3% YoY to INR360m in 3QFY25



Source: Company, MOFSL

Valuation and view

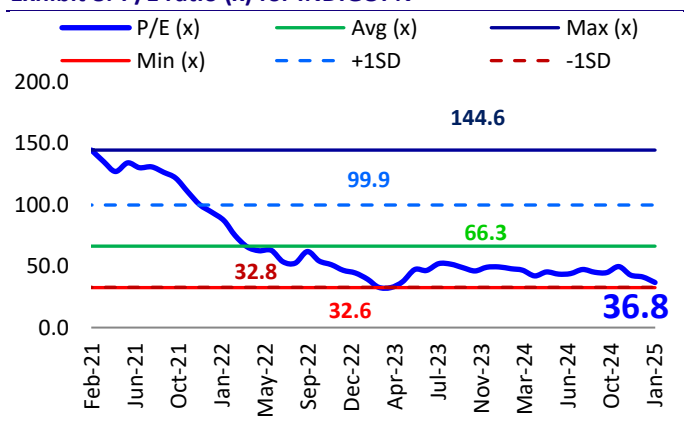
- Owing to a slow industry recovery and normalization of operating margin, we cut our EPS estimate by 5% for FY25/FY26.
- INDIGOPN's strategic shift to focusing on non-metro towns and increased investments in distribution and influencers as part of its Strategy 2.0 are proving to be a successful endeavor.
- Given the relatively small scale of INDIGOPN (INR13b revenue in FY24) within the paints 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 INR1,500 (premised on 40x Dec'26E EPS).**

Exhibit 7: We cut our EPS estimates by 5% each for FY25 and FY26

INR m	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	13,557	15,320	14,014	16,046	-3.3	-4.5
EBITDA	2,264	2,711	2,368	2,840	-4.4	-4.5
PAT	1,345	1,600	1,419	1,684	-5.2	-5.0

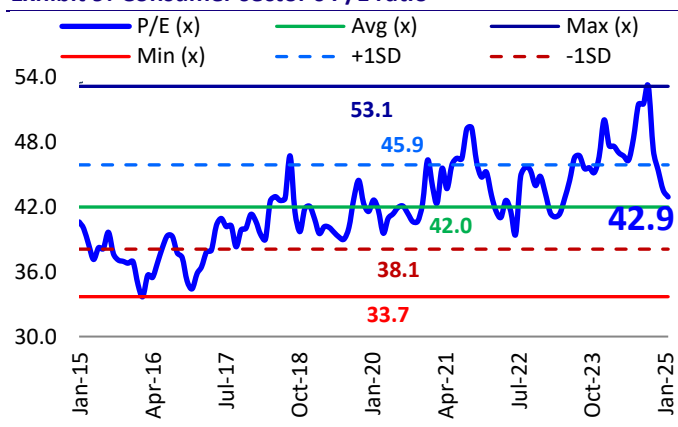
Source: Company, MOFSL

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	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	5,356	6,248	7,233	9,060	10,733	13,061	13,557	15,320	17,464
Change (%)	33.4	16.6	15.8	25.3	18.5	21.7	3.8	13.0	14.0
Raw Materials	2,985	3,220	3,765	5,135	5,952	6,839	7,334	8,165	9,291
Gross Profit	2,371	3,028	3,468	3,925	4,781	6,222	6,223	7,154	8,173
Margin (%)	44.3	48.5	47.9	43.3	44.5	47.6	45.9	46.7	46.8
Operating Expenses	1,830	2,118	2,243	2,565	2,965	3,841	3,959	4,443	5,065
EBITDA	541	910	1,225	1,360	1,815	2,381	2,264	2,711	3,108
Change (%)	109.6	68.2	34.7	11.0	33.5	31.1	-4.9	19.8	14.6
Margin (%)	10.1	14.6	16.9	15.0	16.9	18.2	16.7	17.7	17.8
Depreciation	171	196	244	313	343	516	611	744	842
Int. and Fin. Charges	47	56	38	13	14	21	23	26	28
Other Income	16	16	36	109	101	142	185	213	245
Profit before Taxes	340	674	979	1,143	1,559	1,986	1,814	2,154	2,482
Change (%)	145.2	98.2	45.2	16.7	36.4	27.4	-8.6	18.7	15.2
Margin (%)	6.4	10.8	13.5	12.6	14.5	15.2	13.4	14.1	14.2
Tax	48	147	256	288	418	435	454	539	621
Tax Rate (%)	20.1	29.1	27.6	26.5	25.8	25.0	25.0	25.0	25.0
PAT Before Minority	272	478	709	840	1,157	1,489	1,360	1,615	1,861
Minority Interest						15	15	15	15
Adjusted PAT	272	478	709	840	1,157	1,474	1,345	1,600	1,846
Change (%)	91.7	76.0	48.2	18.6	37.6	27.4	-8.7	18.9	15.4
Margin (%)	5.1	7.7	9.8	9.3	10.8	11.3	9.9	10.4	10.6
Reported PAT	275	478	709	840	1,320	1,474	1,345	1,600	1,846

Balance Sheet								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	289	290	476	476	476	476	476	476	476
Reserves	1,186	1,680	5,159	6,023	7,285	8,545	9,619	10,853	12,714
Net Worth	1,475	1,971	5,635	6,499	7,761	9,021	10,096	11,330	13,191
Loans	516	392	0	0	0	31	0	0	0
Other Liability	115	132	157	209	188	380	380	380	380
Capital Employed	2,106	2,495	5,792	6,708	7,949	9,432	10,476	11,709	13,570
Gross Block	1,006	1,669	2,339	2,612	2,785	6,316	7,816	8,616	9,116
Less: Accum. Depn.	137	245	452	716	987	1,421	1,962	2,609	3,306
Net Fixed Assets	869	1,424	1,887	1,896	1,798	4,896	5,855	6,008	5,810
Capital WIP	44	11	31	510	2,509	174	174	174	174
Right to Use Assets	311	278	301	332	543	616	596	1,099	1,554
Investments	197	208	497	1,731	1,317	1,667	1,767	1,867	2,367
Curr. Assets, L&A	2,002	1,967	4,983	4,288	3,996	4,950	5,079	5,871	7,357
Inventory	693	768	947	1,177	1,177	1,706	1,671	1,910	2,249
Account Receivables	1,038	1,045	1,212	1,717	2,001	2,231	2,229	2,728	3,254
Cash and Bank Balance	140	57	2,583	996	488	329	361	253	680
Others	130	97	241	398	330	684	818	980	1,174
Curr. Liab. and Prov.	1,623	1,698	2,212	2,354	2,520	3,275	3,395	3,709	4,091
Account Payables	1,362	1,386	1,856	2,014	2,106	2,290	2,414	2,728	3,110
Other Liabilities	261	289	315	270	318	920	915	915	915
Provisions	0	24	42	70	96	65	65	65	65
Net Current Assets	379	269	2,771	1,934	1,476	1,675	1,684	2,163	3,266
Goodwill on Cons.	306	306	306	306	306	399	399	399	399
Application of Funds	2,106	2,495	5,792	6,708	7,950	9,427	10,476	11,709	13,570

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	5.7	16.5	14.9	17.7	24.3	31.0	28.3	33.6	38.8
Cash EPS	9.3	14.2	20.0	24.2	31.5	41.8	41.1	49.3	56.5
BV/Share	31.0	41.4	118.5	136.6	163.2	189.6	212.2	238.2	277.3
DPS	0.0	0.0	0.0	3.0	3.5	3.5	6.0	8.0	8.0
Payout %	0.0	0.0	0.0	17.0	14.4	11.3	21.2	23.8	20.6
Valuation (x)									
P/E	215.3	74.7	82.6	69.6	50.6	39.7	43.5	36.6	31.7
Cash P/E	132.3	86.8	61.4	50.7	39.0	29.4	29.9	25.0	21.8
EV/Sales	6.7	5.7	7.7	6.2	5.3	4.3	4.2	3.7	3.2
EV/EBITDA	65.9	39.4	45.2	41.0	31.2	23.8	24.9	20.8	17.9
P/BV	39.7	29.7	10.4	9.0	7.5	6.5	5.8	5.2	4.4
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.3	0.3	0.5	0.7	0.7
Return Ratios (%)									
RoE	19.8	27.8	18.6	13.9	16.2	17.6	14.1	14.9	15.1
RoCE	16.4	22.5	17.8	13.6	15.9	17.3	13.8	14.7	14.9
RoIC	16.8	23.3	25.3	18.4	21.5	20.1	13.1	13.9	14.2
Working Capital Ratios									
Debtor (Days)	71	61	61	69	68	62	60	65	68
Asset Turnover (x)	2.5	2.5	1.2	1.4	1.4	1.4	1.3	1.3	1.3
Leverage Ratio									
Debt/Equity (x)	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(loss) before Tax	337	674	979	1,143	1,559	1,986	1,814	2,154	2,482
Depreciation	171	196	244	313	343	515	611	744	842
Net interest	45	54	22	-47	3	19	-162	-187	-216
Others	6	-8	-5	-19	4	-41	0	0	0
Direct Taxes Paid	-44	-124	-164	-258	-244	-593	-454	-539	-621
(Incr)/Decr in WC	2	-69	137	-479	-505	-377	27	-586	-677
CF from Operations	516	723	1,214	652	1,161	1,510	1,836	1,586	1,810
Incr in FA	-633	-613	-660	-1,208	-1,970	-1,041	-1,500	-800	-500
Free Cash Flow	-117	110	553	-556	-809	469	336	786	1,310
Pur of Investments	0	0	-2,522	460	1,100	-478	-100	-100	-500
Others	23	-21	2,138	-1,438	-599	83	135	-387	-355
CF from Invest.	-611	-634	-1,044	-2,186	-1,469	-1,436	-1,465	-1,287	-1,355
Issue of Shares	17	18	2,932	0	0	0	0	0	0
Incr in Debt	209	-143	-500	0	0	13	-31	0	0
Dividend Paid	0	0	0	0	-143	-167	-286	-381	0
Net interest Paid	-37	-47	-33	-2	0	-2	-23	-26	-28
Others	0	0	-41	-50	-58	-77	0	0	0
CF from Fin. Activity	189	-172	2,357	-53	-201	-233	-340	-407	-29
Incr/Decr of Cash	94	-83	2,526	-1,587	-508	-159	32	-107	427
Add: Opening Balance	46	140	57	2,583	996	488	329	361	253
Closing Balance	140	57	2,583	996	488	329	361	253	680

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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