

INDIGO PAINTS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	1,007
12 month price target (INR)	1,505
52 Week High/Low	1,650/900
Market cap (INR bn/USD bn)	47/0.5
Free float (%)	51.7
Avg. daily value traded (INR mn)	52.4

SHAREHOLDING PATTERN

	Sep-25	Mar-25	Jun-25
Promoter	53.88%	53.93%	53.93%
FII	11.81%	11.71%	12.41%
DII	19.68%	19.29%	16.74%
Pledge	0%	0%	0%

FINANCIALS

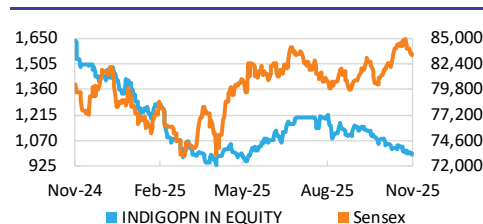
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	13,523	14,091	15,753	17,503
EBITDA	2,451	2,466	2,867	3,273
Adjusted profit	1,538	1,516	1,811	2,132
Diluted EPS (INR)	32.3	31.9	38.1	44.8
EPS growth (%)	(4.0)	(1.4)	19.5	17.7
RoAE (%)	15.9	13.8	14.5	15.0
P/E (x)	30.9	31.4	26.3	22.3
EV/EBITDA (x)	28.7	27.9	23.5	20.1
Dividend yield (%)	0.3	0.4	0.4	0.5

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY27E	FY28E	FY27E	FY28E
Revenue	15,753	17,503	-2.1%	-2.9%
EBITDA	2,867	3,273	-3.7%	-2.9%
Adjusted profit	1,811	2,132	-4.3%	-3.5%
Diluted EPS (INR)	38.1	44.8	-4.3%	-3.5%

PRICE PERFORMANCE



Improved mix aids margin expansion

Indigo Paints reported Q2FY26 revenue/EBITDA growth of 4.2% (four-quarter high)/12.1% YoY (six-quarter high). Emulsion volume/value rose 3.9%/7% YoY (up 7.2%/7.5% YoY in Q2FY25) driven by premium segment. Primer and Distemper volume/value grew 10% each. Gross/EBITDA margin expanded 107bp/106bp YoY led by a favourable product mix. A&P spends was 6.02% of sales in H1 (7.36% in FY25).

Given signs of a demand recovery supported by wedding season, improving consumer sentiment along with a favourable product mix and benign input prices, we reckon a gradual pick up in H2. However, due to weak H1, we are trimming FY27E/28E EPS by 4.3%/3.5%, yielding a TP of INR1,505 (earlier 1,560); maintain 'BUY'.

Demand showing early signs of recovery

What we like: Emulsion volume/value grew 3.9%/7% YoY, each marking a four-quarter high. Enamel and wood coatings reported volume/value growth of 5.7%/3% YoY while primers and distempers grew 10.1%/10.2% YoY. Gross/EBITDA margin grew 107bp/106bp YoY to 44.8%/14.9%, driven by an improved product mix led by premiumisation and benign input costs. Water-based plant (90,000KLPA) in Jodhpur is slated for commissioning in Q4FY26 while solvent-based plant (12,000KLPA) will commence production in Dec-25. Apple Chemie posted strong 22.6% YoY revenue growth in Q2 with Maharashtra remaining the major revenue contributor and sales traction improved in the East and South (particularly in Bihar and Assam).

What we do not like: Putty and cement paints reported a volume/value decrease of 6.8%/2.2% YoY in Q2, affected by heavy rainfall that disrupted outdoor and construction activity. The company curbed sales in this segment to avoid operating at loss-making prices.

Q2FY26 conference call highlights: The company expects to achieve double-digit growth by Q4FY26 as demand continues to recover. No major capex is planned over the next three–four years. The waterproofing and construction chemicals segment is likely to report stronger momentum in H2. Management is targeting Apple Chemie's revenue to reach the INR2–3bn range within the next three years. Raw material prices are likely to remain stable. Sales were strong in July, moderated in August and regained momentum in September. Token scans grew 30–40% in September–October with the number of painters and dealers scanning rising 18% in October. The total tinting machine count was 11,656 in Q2 (versus 11,301 in Q1FY26) while the active dealer count increased to 18,914 (versus 18,556 in Q1FY26).

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	3,121	2,995	4.2	3,089	1.0
EBITDA	465	415	12.1	443	5.0
Adjusted Profit	252	223	13.5	261	(3.1)
Diluted EPS (INR)	5.3	4.7	13.3	5.5	(3.1)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	13,523	14,091	15,753	17,503
Gross profit	6,286	6,510	7,325	8,226
Employee costs	1,137	1,240	1,371	1,523
Other expenses	470	676	709	788
EBITDA	2,451	2,466	2,867	3,273
Depreciation	585	610	630	678
Less: Interest expense	35	40	40	40
Add: Other income	185	211	225	296
Profit before tax	2,016	2,027	2,422	2,850
Prov for tax	478	511	610	718
Less: Other adj	(13)	(13)	(13)	(13)
Reported profit	1,525	1,503	1,798	2,119
Less: Excp.item (net)	(13)	(13)	(13)	(13)
Adjusted profit	1,538	1,516	1,811	2,132
Diluted shares o/s	48	48	48	48
Adjusted diluted EPS	32.3	31.9	38.1	44.8
DPS (INR)	3.3	3.5	4.2	4.9
Tax rate (%)	23.7	25.2	25.2	25.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross margin (%)	46.0	46.2	46.5	47.0
Staff cost (% of rev)	8.5	8.8	8.7	8.7
A&P as % of sales	7.1	6.6	6.6	6.6
EBITDA margin (%)	18.1	17.5	18.2	18.7
Net profit margin (%)	11.4	10.8	11.5	12.2
Revenue growth (% YoY)	2.6	5.1	11.8	11.1
EBITDA growth (% YoY)	(1.9)	5.6	16.3	14.2
Adj. profit growth (%)	(4.5)	6.7	19.5	17.7

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	87.0	90.0	90.0	90.0
Vol growth-Emulsions	1.2	2.0	12.0	11.0
Vol growth-Primers	6.0	5.0	10.0	9.0
Vol growth-Enamels	0.9	4.0	12.0	12.0
Vol growth-Putty	(2.5)	1.0	10.0	10.0
COGS % of consol rev	54.0	53.8	53.5	53.0
Other exp (% of rev)	12.9	13.3	13.0	13.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	33.4	31.4	26.3	22.3
Price/BV (x)	4.6	4.1	3.6	3.1
EV/EBITDA (x)	19.3	17.6	14.7	12.4
Dividend yield (%)	0.3	0.4	0.4	0.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	476	476	476	476
Reserves	9,829	11,179	12,791	14,689
Shareholders funds	10,306	11,655	13,267	15,165
Minority interest	0	0	0	0
Borrowings	64	64	64	64
Trade payables	1,767	2,492	2,771	3,050
Other liabs & prov	1,302	1,302	1,302	1,302
Total liabilities	14,102	16,177	18,067	20,244
Net block	5,090	5,188	5,264	5,291
Intangible assets	587	562	539	515
Capital WIP	1,358	1,358	1,358	1,358
Total fixed assets	7,035	7,108	7,160	7,164
Non current inv	0	0	0	0
Cash/cash equivalent	371	1,983	3,317	4,968
Sundry debtors	2,439	2,702	3,021	3,357
Loans & advances	0	0	0	0
Other assets	4,040	4,166	4,352	4,538
Total assets	14,102	16,177	18,067	20,244

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,525	1,503	1,798	2,119
Add: Depreciation	585	610	630	678
Interest (net of tax)	35	40	40	40
Others	259	313	398	436
Less: Changes in WC	(39)	336	(226)	(243)
Operating cash flow	2,057	2,291	2,031	2,312
Less: Capex	(352)	(683)	(683)	(683)
Free cash flow	1,705	1,608	1,348	1,630

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	14.7	13.8	14.5	15.0
RoCE (%)	19.9	18.7	19.7	20.2
Inventory days	82	80	80	80
Receivable days	64	70	70	70
Payable days	102	120	120	120
Working cap (% sales)	27.1	23.6	22.5	21.7
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.4)	(0.4)	(0.5)
Interest coverage (x)	53.3	46.4	55.9	64.9

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(4.5)	6.7	19.5	17.7
RoE (%)	14.7	13.8	14.5	15.0
EBITDA growth (%)	(1.9)	5.6	16.3	14.2
Payout ratio (%)	10.4	11.1	11.1	11.1

Exhibit 1: Trends at a glance

Particulars	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue (INR mn)	3,255	2,884	2,790	3,538	3,849	3,110	2,995	3,426	3,876	3,089	3,121
EBITDA (INR mn)	717	491	421	622	846	474	415	572	874	443	465
PAT (INR mn)	487	315	253	376	544	267	223	358	574	261	252
Revenue growth YoY (%)	12.9	28.8	15.0	25.8	18.2	7.8	7.3	-3.2	0.7	-0.7	4.2
EBITDA growth YoY (%)	33.3	39.2	24.7	53.3	18.0	-3.5	-1.4	-8.0	3.3	-6.5	12.1
Gross margin (%)	46.8	47.3	45.6	48.2	48.9	46.6	43.7	46.6	46.8	45.9	44.8
EBITDA margin (%)	22.0	17.0	15.1	17.6	22.0	15.2	13.9	16.7	22.5	14.3	14.9
Value growth YoY (%)											
Cement + Putty	45.1	65.8	47.9	25.2	21.4	8.9	3.0	-5.3	-8.4	-1.5	-2.2
Emulsions	9.4	17.8	15.4	18.2	9.1	-3.1	7.5	2.8	1.3	0.9	7.0
Enamels + wood coating	27.3	36.6	3.0	25.2	-1.0	-1.0	3.6	-11.5	11.4	11.5	5.7
Primer + distemper	23.2	43.6	26.6	34.7	27.6	28.6	13.7	-0.6	6.3	6.3	10.1
Volume growth YoY (%)											
Cement + Putty	42.0	64.6	50.6	24.2	20.2	8.2	2.8	-7.2	-10.3	-4.0	-6.8
Emulsions	5.2	13.1	20.0	14.3	13.7	0.4	7.2	1.7	-2.5	-5.4	3.9
Enamels + wood coating	24.8	35.3	5.4	27.3	3.4	5.0	4.3	-12.6	7.9	6.8	3.0
Primer + distemper	37.6	52.4	28.8	37.7	22.0	24.4	7.1	-6.0	2.2	1.8	10.2
Network size											
Dealer count	16,496	16,693	17,148	17,745	18,105	18,500	18,718	18,598	18,371	18,556	18,914
Tinting machine count	8,273	8,657	9,114	9,510	9,842	10,210	10,555	10,772	11,000	11,301	11,656
No of Depots	47	49	51	53	53	53	54	54	54	54	54

Source: Company, Nuvama Research

Exhibit 2: CAGR trends

Particulars	Q2FY21	Q2FY22	Q2FY23	Q2FY24	Q2FY25	Q2FY26	2-year	3-year	4-year	5-year
Revenue (INR mn)	1,548	1,961	2,426	2,790	2,995	3,121	11.1	8.8	12.3	15.0
EBITDA (INR mn)	291	234	338	421	415	465	10.9	11.3	18.8	9.9
PAT (INR mn)	188	135	371	253	223	252	(22.5)	(12.0)	16.8	6.1

Source: Company, Nuvama Research

Exhibit 3: Key commentary - Outlook

Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
The new plants shall see 35% capacity utilisation in the first year and shall go up to 55% in the second year and 75% in the third year. Anticipates slightly higher than 18% EBITDA margins in FY25, driven by product mix improvements. The company expects double-digit value growth for FY25. Expects to continue to outpace the industry growth, and anticipates improvement in demand scenario in Q3. The A&P expense for the entire fiscal is likely to decline marginally. The company expects product mix of Apple Chemie to improve in H2FY25.	The company anticipates a strong performance in Q4FY25, driven by increased demand and higher sales from rural areas. It expects to achieve high single-digit revenue growth in Q4FY25. The brownfield expansion at Jodhpur of putty plant will also be completed by Q1FY26.	A gradual improvement in demand sentiment was visible in Q4FY25, and a further improvement in Q1FY26. The company expects to return to double-digit value growth Q2FY26 onwards. EBITDA margin for FY26 is likely to move up with improvement in demand, softening raw material prices and better product mix. Margin uptick is anticipated in Apple Chemie with improving product mix and focus on select geographies. The company is focusing on digital outreach and BTL marketing to drive secondary sales.	Gradual improvement likely in Q2FY26 following a strong recovery in July. Raw material prices continue to soften, resulting in an improvement in margins. Premium segment is likely to perform better. The A&P expense for the entire fiscal is likely to decline marginally as a percentage of revenue. The company has guided for FY26 revenue of INR700–750mn in Apple Chemie. Expects contribution of waterproofing and construction chemicals to cross the 10% mark in the near term (currently high single-digit contribution in Q1FY26).	The company expects double-digit growth by Q4FY26 as demand is recovering. No significant capex is likely for next 3-4 years. Waterproofing & construction chemicals is expected to accelerate in H2. Management expects Apple Chemie's revenues to reach INR2-3bn range within 3 years. EBITDA margins for FY26 anticipated to improve supported by better product mix, soft raw material costs, and stronger demand recovery. Raw material prices are likely to remain stable. A&P expense to decline slightly as % of revenue, with higher focus on BTL and digital.

Source: Nuvama Research

Exhibit 4: Key commentary - competition

Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
New entrant has installed machines nationwide There is intense price competition in the putty segment with some players selling at negative gross margins Regarding Akzo Nobel's potential exit the situation remains unclear but could result in maintaining the status quo of major players if one new entrant replaces them	New entrant has gained ~ 3.5% market share on a YTD basis primarily competing in economy and mass market segments Impact in revenue of ~2-3% on all paint players	Most paint companies saw a decline in Kerala except Indigo Berger Paints, dominant in Eastern India, is benefiting from a faster recovery	New entrant has taken 5-6% market share primarily in the mid and lower-end segments. Indigo came close to acquiring Akzo, but eventually lost out. Market share in southern India, excluding Kerala, remains relatively low.	Over the past two years, the entry of new players has not affected the company's performance. The new entrant resorted to unprecedented discounting, which was not followed by other players, allowing margins to remain intact. Extra grammage discontinued in 4 and 10 litre packs by new player.

Source: Nuvama Research

Exhibit 5: Key commentary - revenue

Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue grew 7.4% YoY. Emulsions grew 7.5% YoY by value and 7.2% YoY by volume. Primers and Distempers posted value growth of 13.7% YoY and volume growth of 7.1% YoY.	Revenue declined 3.2% YoY. Emulsions segment volume/value growth is 1.7%/2.8% YoY. Primer and Distemper volume declined 6% YoY and value remain flat YoY.	Revenue remained flat YoY. Putty and cement volume declined 10.3% YoY and Emulsions volume fell 2.5% YoY, whereas Enamel and Primer/Distemper registered volume growth of 7.9%/2.2% YoY.	Revenue declined 0.7% YoY. Emulsion value/volume were flat/down 5.4% YoY. Enamel and Wood Coatings posted value/volume growth of 11.5%/6.8%.	Revenue grew 4.2% YoY. Emulsion value/volume grew 7.0%/3.9% YoY. Enamels and Wood Coatings value/volume grew 5.7%/3.0% YoY. Primers and Distempers value/volume rose 10.1%/10.2% YoY.

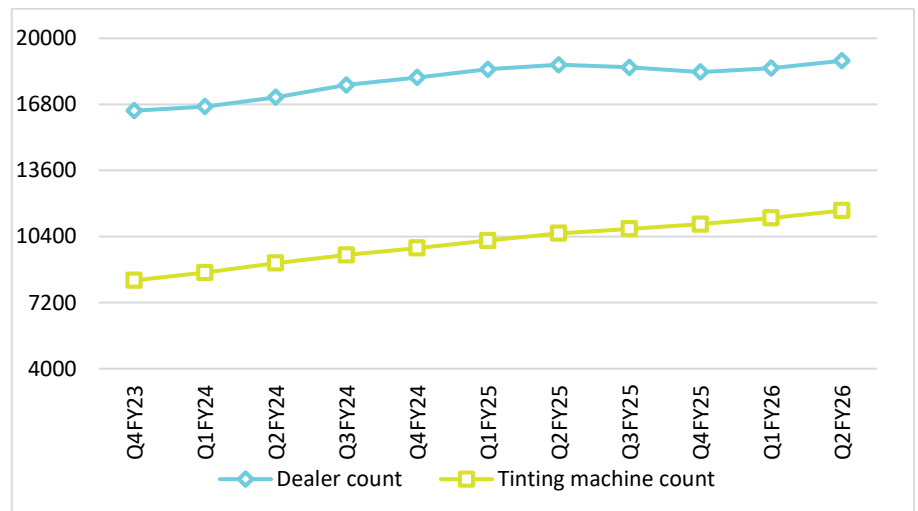
Source: Nuvama Research

Exhibit 6: Key commentary - margins

Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Gross margin of 43.7% dipped 186bp YoY/290bp QoQ. EBITDA margin of 13.9% slid 124bp YoY/137bp QoQ.	Gross margin of 46.6% dipped 156bp YoY/but expanded 292bp QoQ. EBITDA margin of 16.7% slid 90bp YoY, but increased 283bp QoQ	Gross margin at 46.8% contracted 204bp YoY, but remained flat QoQ. EBITDA margin at 22.6% expanded 58bp YoY/587bp QoQ.	Gross/EBITDA margin contracted 70bp/89bp YoY.	Gross/EBITDA margins expanded 107bp/106bp YoY led by favourable product mix.

Source: Nuvama Research

Exhibit 7: Dealer and tinting machine



Source: Company, Nuvama Research

Q2FY26 conference call: Key takeaways

Detailed takeaways

Outlook

- The company expects double-digit growth by Q4FY26 as the market is showing clear signs of recovery aided by good monsoon, rate cuts by the RBI, reduced income tax and pent up demand is beginning to materialise.
- No significant capex is likely for the next three–four years.
- Waterproofing & construction chemicals is likely to accelerate in H2.
- Management expects Apple Chemie's revenues to reach the INR2–3bn range within three years.
- EBITDA margins for FY26 anticipated to improve supported by better product mix, soft raw material costs, and stronger demand recovery.
- Raw material prices are likely to remain stable.
- A&P expense to decline slightly as percentage of revenue with higher focus on BTL and digital.

Key highlights

- On a standalone basis, revenue/EBITDA grew 3.5%/7.5% YoY in Q2.
- On a standalone basis, A&P spends as a percentage of revenue is 5.3% (5.4% in Q2FY25).
- July showed strong sales growth and softened in August, but regained momentum in September.
- EBITDA margin peaks in Q4, driven by a product mix and higher sales of differentiated products.

Demand

- After six quarters, market demand has started showing clear signs of recovery.
- This improvement is reflected in strong dealer collections, increased secondary sales at paint counters and a higher number of painter token scans in paint cans.
- Several positive macroeconomic factors are also contributing such as good monsoon leading to bumper harvests, recent RBI rate cuts and income tax reductions.

Margins

- Gross margin expansion was driven by steady softening in raw material costs and absence of price cuts by industry leaders which enabled higher trade discounts.
- Expected to remain stable going forward, supported by increased focus on premium products, which continue to gain a larger share in the overall mix.

New player

- Over the past two years, the entry of new players has not affected the company's performance.

- The new entrant resorted to unprecedented discounting, which was not followed by other players, allowing margins to remain intact.
- Extra grammage discontinued in 4 and 10 litre packs by new player.

Putty and cement paints

- This segment value/volume declined 2.2%/6.8% YoY.
- Putty is a commodity product with low contribution to bottom line.
- Putty forms larger share of sales (in teens as a percentage of total revenue) for the company as compared with competitors, where it contributes low-to-mid single digits.
- Decline in putty and cement paint volumes and value was due to heavy rainfall affecting outdoor and new construction activity and reduction in sales amid intense price competition as company avoids selling at loss-making prices.
- Management expects putty volumes to recover in coming quarters once pricing stabilises.

Emulsion

- Value/volume grew 7.0%/3.9% YoY led by strong performance in the premium range.

Enamels and wood coatings

- Value/volume grew 5.7%/3.0% YoY driven by the premium category.

Primers, distempers and others

- Value/volume grew 10.1%/10.2% YoY.

Apple Chemie

- Revenue surged 22.6% YoY in Q2 to INR136mn.
- Gross margin improved led by a favourable product mix.
- Maharashtra remains the largest revenue contributor with strong traction in East and South zones (particularly in Bihar and Assam).
- New product launches and refreshed branding likely to accelerate growth momentum.
- Apple Chemie operates primarily in the construction chemicals and waterproofing segment — mainly a B2B business model catering to large infrastructure and civil construction projects.
- Its contribution to the top line is in the high single-digit range.

Plants at Jodhpur

- Construction work at the water-based plant (90,000KLPA capacity) is in the final phase, with commissioning anticipated in Q4FY26.
- Commissioning of the solvent-based plant (12,000KLPA capacity) scheduled for December 2025 (Q3FY26).
- Trial production completed at the putty plant; commercial production to begin by mid-November 2025.

Distribution

- Total Tinting Machines stood at 11,656 in Q2 (11,301 in Q1FY26).
- Total active dealer count was 18,914 (18,556 in Q1FY26).
- Total number of depots is 54.

Market expansion

- The company is a Number 4 player nationally in most states.
- It holds stronger positions in Kerala (number 3) and Chhattisgarh (number 3).
- In other southern states such as Karnataka, Tamil Nadu, Telangana, and Andhra Pradesh, as well as northern states such as Punjab, Haryana, Delhi, and Himachal, it is still in expansion or early-stage mode.

Dealer

- The company witnessed unprecedented levels of token scanning (grew 30–40% YoY) in September and October.
- The number of painters and contractors scanning tokens grew ~18% in October.
- Token scanning reflects actual paint usage, as tokens are embedded in paint cans and scanned only when used.
- Therefore, the sharp increase in scans indicates very strong secondary demand and higher on-ground painting activity.
- Management interprets this as a clear sign of market recovery and rising consumption, especially during the festive and post-monsoon period.

Elections Impact

- This year, the Bihar elections are being conducted in only two phases — unlike earlier multi-phase elections (five–six phases), which used to disrupt logistics and trade for over a month.
- Half of Bihar (including Patna, where Indigo's main depot is located) has already completed voting, meaning logistics will normalise quickly as vehicles used for election duty are released.
- No major positive or negative impact from elections is expected.
- The growth recorded in Bihar is in high double digits and the company expects this strong performance to continue going forward.

Experimental centres

- Indigo Colour Canvas Stores (experiential retail centres) are launched to showcase the full product portfolio.
- Eight more stores were added in Q2.
- Several additional stores likely in upcoming quarters.

Exhibit 8: Consolidated financial snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change
Total Income	3,121	2,995	4.2	3,089	1.0
Cost of goods sold	1,723	1,686	2.2	1,671	3.1
Gross profit	1,397	1,309	6.7	1,418	(1.4)
Staff costs	311	297	4.6	310	0.3
Other expenditure	621	597	4.1	664	(6.5)
EBITDA	465	415	12.1	443	5.0
Depreciation	151	154	(2.0)	148	1.6
EBIT	315	261	20.4	295	6.8
Other income	30	51	(41.5)	60	(49.7)
Interest and financial charges	7	7	(0.1)	7	3.2
PBT	338	306	10.5	348	(2.8)
Provision for taxation	85	83	2.7	87	(2.1)
Core Profit	252	223	13.5	261	(3.1)
Reported PAT	252	223	13.5	261	(3.1)
Adjusted PAT	252	223	13.5	261	(3.1)
Number of shares	48	48	0.1	48	0.0
EPS	5.3	4.7	13.3	5.5	(3.1)
as % of net sales					
COGS	55.2	56.3	(107)	54.1	112
Staff costs	10.0	9.9	4	10.0	(7)
Other expenditure	19.9	19.9	(2)	21.5	(161)
EBITDA	14.9	13.9	106	14.3	57
EBIT	10.1	8.7	136	9.5	54
PBT	10.8	10.2	62	11.3	(43)
Net profit	8.1	7.4	66	8.4	(35)
Tax rate	25.2	27.2	(193)	25.0	20

Source: Company, Nuvama Research

Company Description

Indigo Paints was founded in 2000 and is the fifth-largest firm in India's paints sector. Emulsions, enamels, wood coatings, distempers, primers, putties, and cement paints are among the company's offerings. The company overcame the Indian paint industry's high-entry barriers with a patient and multi-pronged strategy that included introducing differentiated products, purposefully building a distribution network in rural and tier-II & III markets, building brand equity through high advertisement spending, driving the rapid penetration of tinting machines, and engaging with influencers (painters/contractors) to build trust. The company has been able to establish a significant presence in the market despite being a late entrant with high-entry barriers, thanks to its multi-pronged strategy of introducing differentiated products, incurring high advertisement spends (as a percentage of sales), focusing on rural markets, and increasing the penetration of tinting machines.

Investment Theme

As a relatively new entrant in the market, Indigo first focused on dealers in Tier 3 and 4 cities and rural areas, wherein brand penetration is easier and dealers have greater ability to influence customer purchase decisions. This helped the company engage with a larger base of dealers across tier 3 and 4 cities and rural areas. Indigo's manufacturing facilities are strategically located in proximity to its raw material sources, which reduces inward freight costs and results in lower cost of raw material. This boosts gross margin. Considering the oligopolistic nature of the organised Indian paints market, Indigo needed differentiated value-added products to make a mark. The company was the first to introduce certain category-creator products and value-added products such as metallic emulsions, tile coat emulsions, bright ceiling coat emulsions and floor coat emulsions. This helped the company set the pricing terms for such products and reap higher margins—due to first-mover advantage as well as niche nature of such products that attract less intense competition from large players.

Key Risks

- A slowdown in the economy is the biggest risk for the paints industry, as about 75% of demand for decorative paints arises from repainting, which, in turn, depends heavily on the country's economic condition.
- Steep increase in competitive pressure between existing players and announcement of new entrants in the paint business is one of the key risks.

Additional Data

Management

Ex Director	Mr. Narayan Kuttu
Auditor	Price Waterhouse Chartered Accountants LLP
MD	Mr. Hemant Jalan
CFO	Mr. Chetan Humane
Non-Executive Director	Mr. Ravi Nigam

Holdings – Top 10*

	% Holding		% Holding
Nippon Life Ind	8.65	Ashoka India Eq	0.49
HDFC Asset Mana	4.70	La Caisee de de	0.26
Kotak Mahindra	3.50	Norges bank	0.22
DSP Investment	2.03	Tata asset mana	0.20
Grandeur Peak G	1.06	Blackrock Inc	0.20

*Latest public data

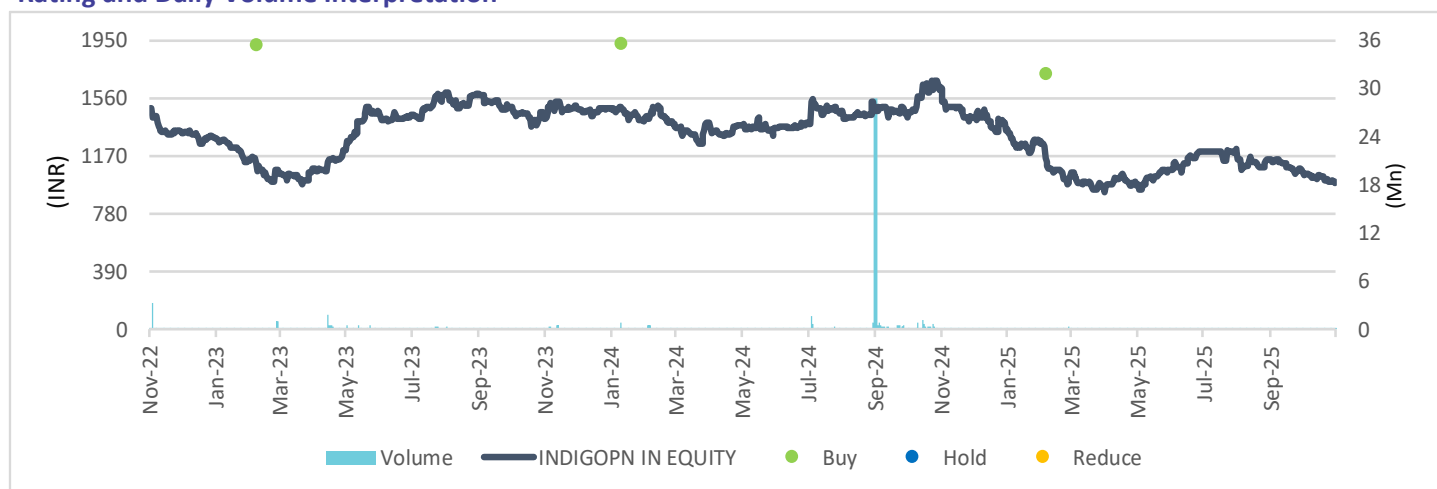
Recent Company Research

Date	Title	Price	Reco
06-Nov-25	Gradual recovery underway in H2; <i>Oven fresh</i>	991	Buy
08-Aug-25	Weak showing; gradual recovery likely; <i>Result Update</i>	1,152	Buy
07-Aug-25	Soft start to FY26 ; <i>Oven fresh</i>	1,210	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
04-Nov-25	Berger Paints	A dampener; hope glimmers in H2; <i>Result Update</i>
31-Oct-25	United Spirits	Robust show; Maharashtra pain persists; <i>Result Update</i>
31-Oct-25	Pidilite	Sticking to double-digit growth; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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