

# Indigo Paints Limited

4<sup>th</sup> July 2024

## A challenger in the Indian paint industry

Indigo Paints Ltd (IPL) ranks as India's fifth-largest decorative paint manufacturer by revenue in FY24. The Company specializes in a diverse range of paints and allied products, including emulsions, enamels, wood coatings, distempers, primers, putties, and cement paints. IPL operates five manufacturing units with a total capacity of ~160,000 KLPA for liquid paints and ~138,000 MTPA for putty and cement paint. The Company's extensive distribution network comprises 53 depots, serving 18,105 active dealers, and is supported by 9,842 tinting machines nationwide as of FY24. Recently, IPL inaugurated a new water-based paint facility in Tamil Nadu and is expanding its solvent-based and water-based paint capacities in Rajasthan. Furthermore, in April'23, IPL acquired a 51% stake in Apple Chemie India Pvt. Ltd. (ACIL) to diversify into the Waterproofing and Construction Chemicals (WPCC) segment, targeting the B2B market. We believe IPL will continue to witness 18% growth in its existing business, along with improvement in margins due to operating leverage.

### A challenger in the Indian paint industry

Since its inception in 2000, IPL has rapidly emerged as the fastest-growing player in the Indian decorative paint industry. Over the last five years, the Company has grown at a CAGR of 20% and is now the fifth-largest decorative paint manufacturer in the country. This impressive growth is the result of a multi-pronged strategy, including its portfolio of differentiated products, strong brand equity, strategically establishing manufacturing sites near raw material sources, an extensive distribution network, and widespread installation of tinting machines across its dealer network. To further support this growth, IPL expanded its capacity in FY24, with plans to nearly double its existing capacity by the end of FY25. Additionally, the Company recently acquired a majority stake in ACIL, aiming to expand its footprint in the industrial B2B sector and leverage its expertise in the WPCC segment, which is expected to further boost IPL's growth.

### Expanding and enhancing its distribution network

To drive future growth, IPL plans to expand its presence in metro and Tier I cities while consolidating its position in lower-tier cities. Alongside broadening its dealer network, the Company is focusing on increasing throughput per dealer. This efficiency in IPL's distribution network is evident, as the Company is growing its revenue at a faster rate than its dealer network and is adding more tinting machines to its dealers, reflecting better dealer acceptance and market demand.

### View & Valuation

We initiate our coverage on Indigo Paints Ltd. with a BUY rating and a target price of Rs. 1,594 (41.5x FY25 P/E). Over the years, IPL has emerged as a formidable player in the Indian paint industry, challenging the dominance of established competitors since its inception in 2000. The Company has consistently achieved growth rates of 2-2.5x compared to its peers. We expect IPL to grow its revenue by 18% in FY25 and, due to operating leverage, expect margin to improve further.

## BUY

CMP Rs. 1,381

TARGET Rs. 1,594 (+15.4%)

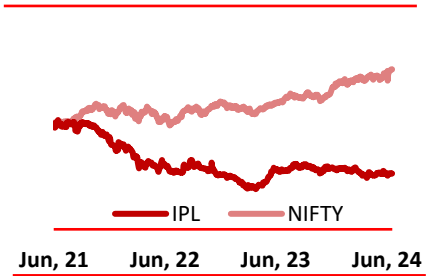
### Company Data

Bloomberg Code	INDIGOPN IN
MCAP (Rs. Mn)	65,858
O/S Shares (Mn)	48
52w High/Low	1,700/ 1,253
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	76.97

### Shareholding Pattern %

	Mar-24	Dec-23	Sep-23
Promoters	53.94	53.94	53.95
FII's	7.73	8.77	8.75
DII's	1.96	1.77	2.29
Non-Institutional	36.37	35.52	35.01

### IPL vs Nifty



### Key Financial Data

(Rs Mn)	FY23	FY24	FY25E
Revenue	10,733	13,061	15,412
EBITDA	1,815	2,381	3,067
Net Profit	1,319	1,473	1,828
Total Assets	10,616	12,704	14,624
ROCE (%)	19%	18%	18%
ROE (%)	19%	16%	18%

Source: Company, Keynote Capitals Ltd.

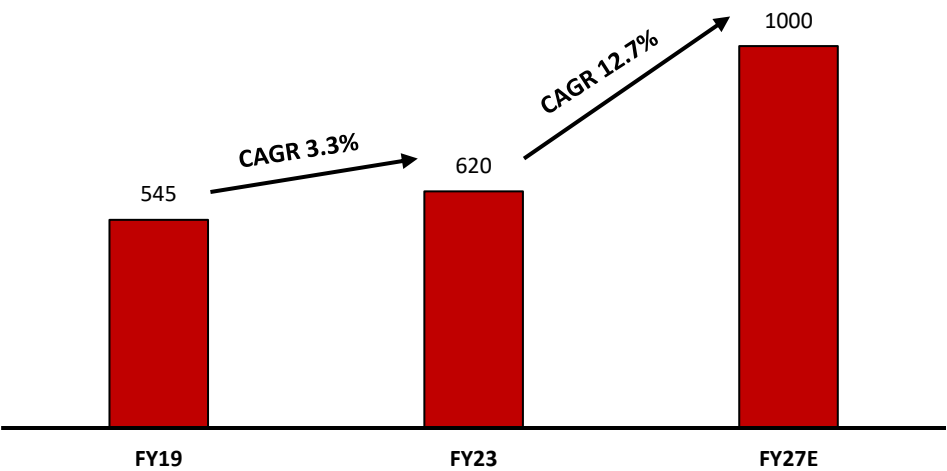
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Indian Paint Industry

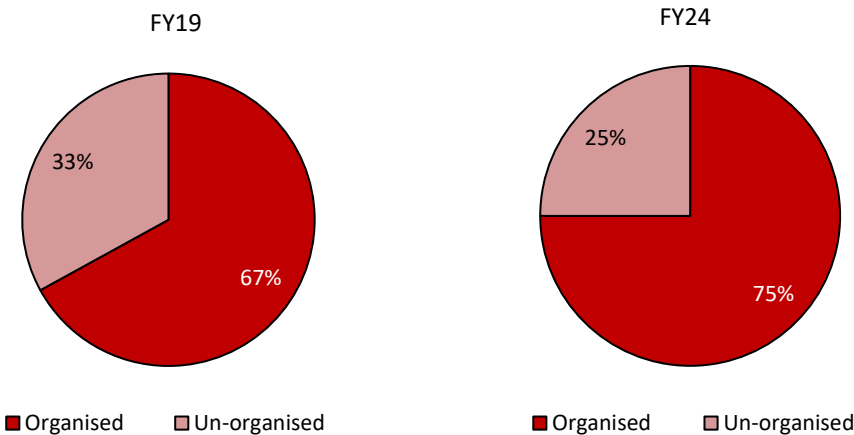
The Indian paint industry was valued at ~Rs. 620 Bn in FY23, with the organized sector comprising ~75% of the market. Despite having over 3,000 paint manufacturers in the country, the industry remained oligopolistic, with the top five companies dominating ~90% of the organised market. Over the years, the Indian paint industry has experienced significant transformation, driven by rapid urbanization, increasing disposable incomes, and technological advancements. The industry is projected to grow at a CAGR of ~12.7% from FY23 to FY27, reaching a market size of ~Rs. 1,000 Bn. The organized segment is expected to gain market share, propelled by factors such as network expansion, product innovation, the introduction of economically priced paints, pricing power, and enhanced technological capabilities.

Indian paint industry (~Rs. Bn)



Source: CareEdge Ratings, Keynote Capitals Ltd.

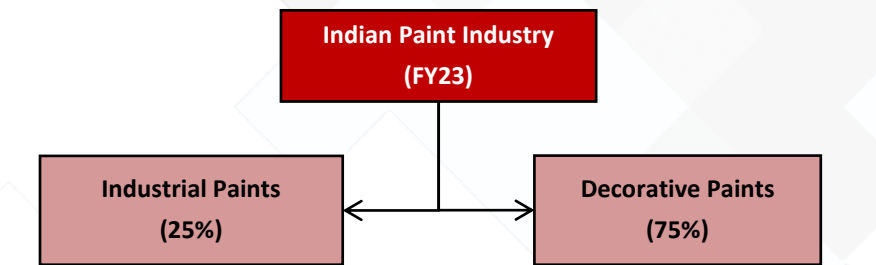
Organised sector gaining market share



Source: Company, Grasim Industries, Keynote Capitals Ltd.

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In terms of consumption, the Indian paint industry is broadly divided into decorative and industrial paint segments.



Source: CareEdge Ratings, Grasim Industries, Keynote Capitals Ltd.

Industrial Paint Industry

This segment comprises ~25% of the market and includes paints used for industrial applications, including automotive, marine, protective coatings, and powder coatings. The demand in this segment is influenced by the growth of various industries, such as automotive, manufacturing, and infrastructure development.

Decorative Paint Industry

The Indian decorative paint industry accounts for 75% of the Rs. 620 Bn Indian paint market. In the past few years, the industry has witnessed a gradual shift in consumer preference from traditional whitewash to high-quality paints like emulsions and enamel paints.

This segment includes various water-based or solvent-based products such as interior and exterior paints, primers, enamels, and wood finishes. Water-based paints are easy to clean, quick-drying, and eco-friendly, making them ideal for indoor use. Solvent-based paints offer superior durability and gloss but have higher chemical emissions, stronger odors, and longer drying times, making them suitable for tougher finishes. Demand in the decorative paint segment is primarily driven by the real estate sector, with applications in residential, commercial, and institutional buildings for both aesthetic and protective purposes. The demand for interior and exterior paints has increased due to customers’ growing preferences for aesthetics. Additionally, the demand for roofing and flooring paints is gaining momentum, mainly from residential buildings.

Product Description

Product	Type	Application	Finishing	Cost
Emulsions	Water-based	For painting interior walls and ceilings	Available in matte, satin, and glossy finishes	Low to High
Enamels	Solvent-based	Suitable for metal and wood, provides a hard protective layer	Glossy, durable finish, resistant to wear and tear	Low to High
Wood coating	Water-based	Enhances and protects wooden surfaces	Available in glossy and matte, it enhances wood's natural beauty	Medium to High
Primers	Water-based	Base coat for better adhesion and durability	Matte finish, designed for topcoat paints	Low to Medium
Distempers	Water-based	For interior walls, ceilings, and corridors	Basic matte finish for interior walls	Low to Medium
Cement paints	Water-based	For exterior surfaces, durable and weather-resistant	Matte or slightly textured finish for outdoor conditions	Low to Medium
Putties	Water-based	Fills cracks and smooths surfaces before painting	Creates a smooth, even surface for painting	Low to High

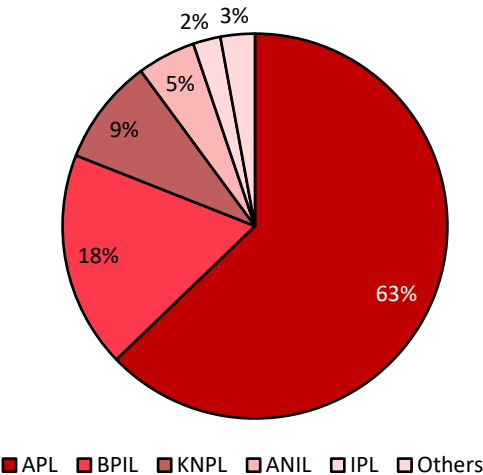
Source: Company, Keynote Capitals Ltd.

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Over the last decade, the average cycle of re-painting the house has gradually reduced from an interval of 7 to 8 years in 2013 to 4 to 5 years in 2023. Earlier, the primary factor for re-painting the house was the life of the paint coat, i.e., repainting was done only when the paint withered. However, this trend has been changing gradually, with some consumers giving more importance to aesthetics and changing the looks and appearance of their premises at regular intervals even while the existing paint's condition is good. These consumer behavioural changes have led to a reduction in the repainting cycle.

The Indian decorative paint industry presents significant barriers to scale the business. These barriers include the development of an extensive distribution network through relationships with dealers, the ability to set up tinting machines with dealers, significant marketing costs, and establishing a distinct brand to gain product acceptance.

Indian decorative paint industry market share (%) in FY23



Source: Company, Asian Paints Ltd. (APL), Berger Paints India Ltd. (BPIL), Kansai Nerolac Paints Ltd. (KNPL), Akzo Nobel India Ltd. (ANIL), Keynote Capitals Ltd.

Note: APL, BPIL, KNPL, and ANIL's share of the revenue from the decorative paint sector taken 84%, 80%, 55% and 60%, respectively.

Increased competitive intensity

In recent years, the paint industry has witnessed the entry of formidable new business conglomerates like Grasim Industries, Pidilite, and the JSW Group, significantly altering the competitive landscape and challenging established players. These companies, backed by substantial financial resources, are investing heavily in capex, with the industry set to deploy Rs. 200-220 Bn over the next 3-4 years to expand capacity by 20%, intensifying competition further. Despite their strong capabilities, establishing a significant market presence and capturing share from current industry leaders is expected to be a prolonged endeavour, requiring an estimated 5-7 years for these new entrants to achieve meaningful market penetration.

The success of new entrants in the paint industry hinges on two critical factors: distribution capabilities and investment in marketing and advertising. Established players such as top 5 paint companies have solidified their market positions through extensive dealer networks and strong brand equity built over years of marketing campaigns. Establishing brand recognition in this competitive landscape presents a formidable challenge for new entrants, particularly given the substantial investments top companies make in advertising and sales promotion. Achieving parity with these industry leaders will demand substantial time and resource commitments from new players.

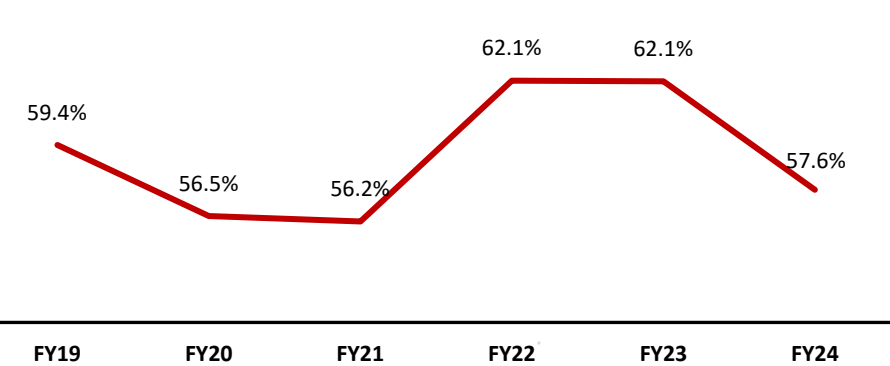
Softening raw material prices

In recent years, the decorative paint industry has encountered several challenges, including rising input costs, inflation, and supply chain disruptions, which have dampened overall sentiments.

Raw materials, which typically account for 50-60% of total sales, are crucial in paint manufacturing and include inputs such as titanium dioxide, phthalic anhydride, solvents, pigments, resins, and other derivatives of crude oil. During FY22-FY23, prices for these key raw materials increased due to pandemic-related supply disruptions and the Russia-Ukraine conflict impacting crude oil prices. However, raw material prices started cooling down from H2FY23.

The price of titanium dioxide (TiO2), a major cost component, also decreased during FY24. Other raw materials closely linked to crude oil likewise experienced price softening as crude oil prices declined. Consequently, industry players who had implemented price hikes of 15–20% in FY23 witnessed expanded profit margins in FY24, supported by stable paint prices and lower input costs.

Average COGS of top 5 players



Source: Company, Keynote Capitals Ltd. Top 5 players include APL, BPIL, KNPL, ANIL and IPL.

Growth drivers

Low Per Capita Consumption of Paints Compared to Global Markets

In India, the per capita consumption of paints is ~3.5 kg, significantly lower than the global average of 10 kg per year. This disparity indicates considerable growth potential for the paint industry as India’s infrastructure continues to develop.

Shortening Re-Painting Cycles:

The home repainting cycle has shortened from 7-8 years in FY13 to 4-5 years in FY23. This accelerating trend signifies increased paint consumption in India.

Strong Multiplier Effect on GDP Growth

Over the last 25 years, the volume growth in the paint industry has been 1.5-2 times the India’s GDP growth. This trend is driven by rising urbanization, increasing income levels, and low per capita consumption. As economic development continues, sustained high levels of volume growth in the paint industry are expected.

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### Housing Demand Growth

Housing demand is a fundamental driver of paint consumption, with the real estate sector accounting for ~70% of the total paint demand. The real estate sector is expected to see strong demand growth in the coming years due to significant project completions and increased government spending on affordable housing and infrastructure.

### Government Initiatives on Infrastructure and Housing

The Indian government has increased its infrastructure budget by 11% for FY25. The 'Housing For All' scheme, launched in 2015, has already constructed 8.2 Mn houses, with 3.7 Mn more underway. The 'Smart Cities Mission' has sanctioned 8,035 projects worth Rs 1,682 Bn, with 87% completed and 1,046 projects worth Rs 270 Bn ongoing. These initiatives are set to boost demand for the paint industry significantly.

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### About Indigo Paints Limited

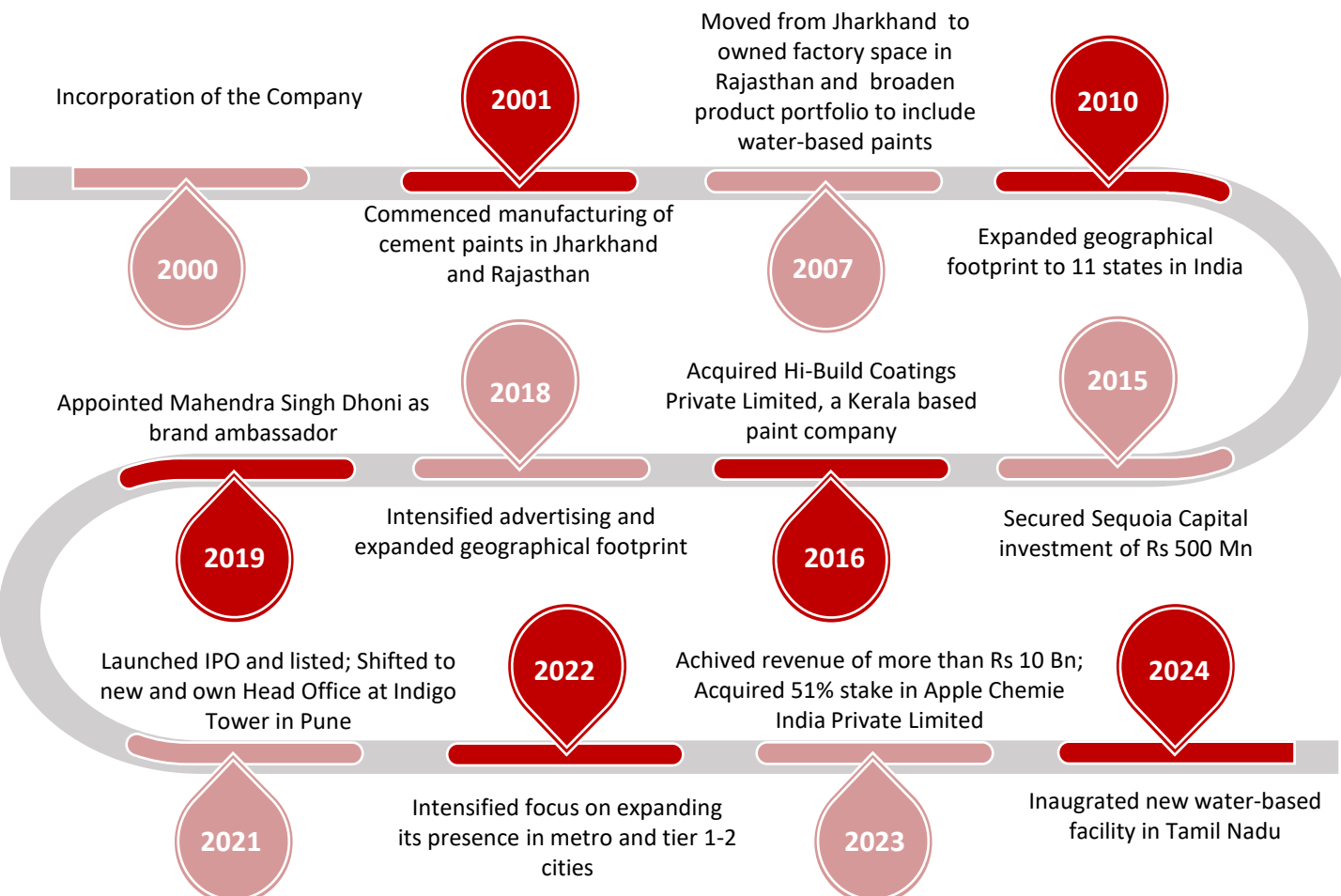
Established in 2000, Indigo Paints Ltd (IPL) is one of the fastest-growing paint Companies in India and is the fifth-largest manufacturer of decorative paints by revenue in FY24. The Company specializes in manufacturing, trading, and selling a diverse range of paints and allied products, including emulsions, enamels, wood coatings, distempers, primers, putties, and cement paints. IPL is well-known for its differentiated product offerings and commitment to quality, establishing itself as a leading player in the Indian decorative paint industry.

The Company operates five manufacturing units located in Rajasthan (2), Kerala (1), and Tamil Nadu (2), with a combined installed capacity of ~160,000 KLPA for liquid paints and ~138,000 MTPA for putty and cement paint. As part of its expansion strategy, IPL is increasing the capacity of its Rajasthan facility and has recently inaugurated a new water-based paint facility in Tamil Nadu, which commenced operations in Sept'23 and is running efficiently.

IPL has established an extensive distribution network across India, comprising 53 depots and 18,105 active dealers, supported by 9,842 tinting machines as of FY24.

In April '23, IPL acquired a 51% stake in Apple Chemie India Pvt Ltd to diversify and expand its operations. Apple Chemie is a rapidly growing entity within the Waterproofing and Construction Chemicals (WPCC) space, specifically focusing on the B2B segment.

### Timeline



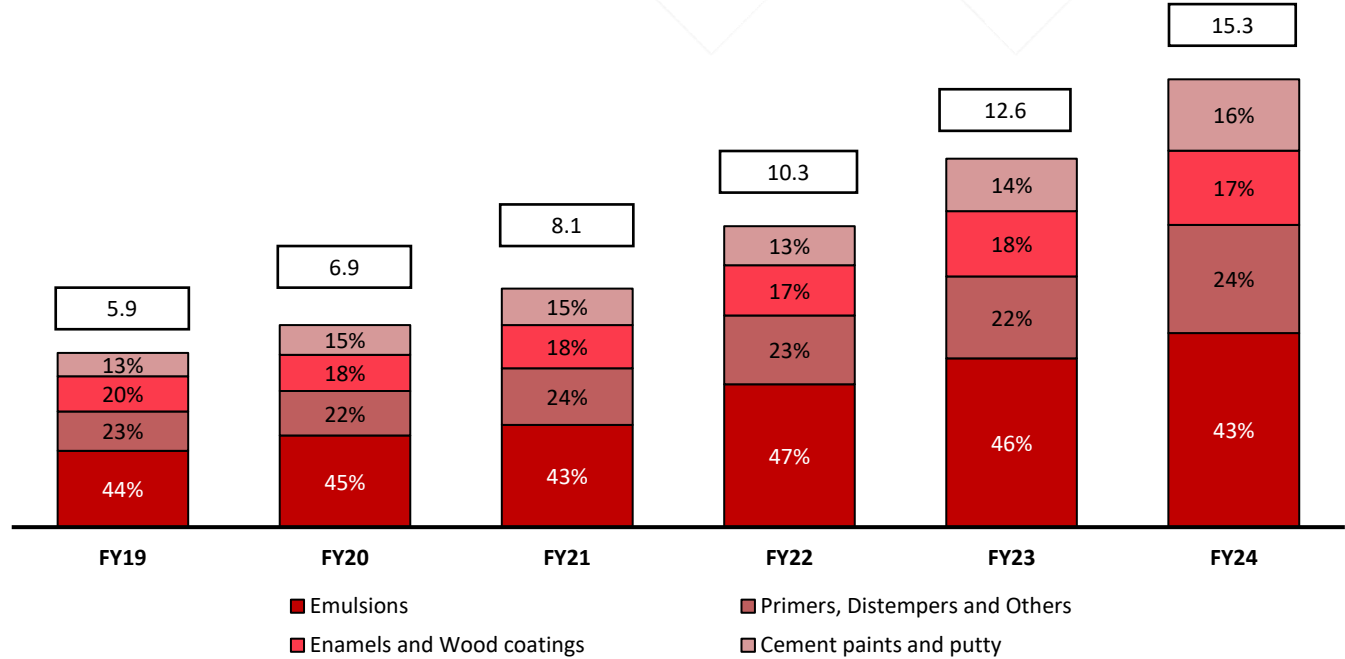


Key product categories of IPL



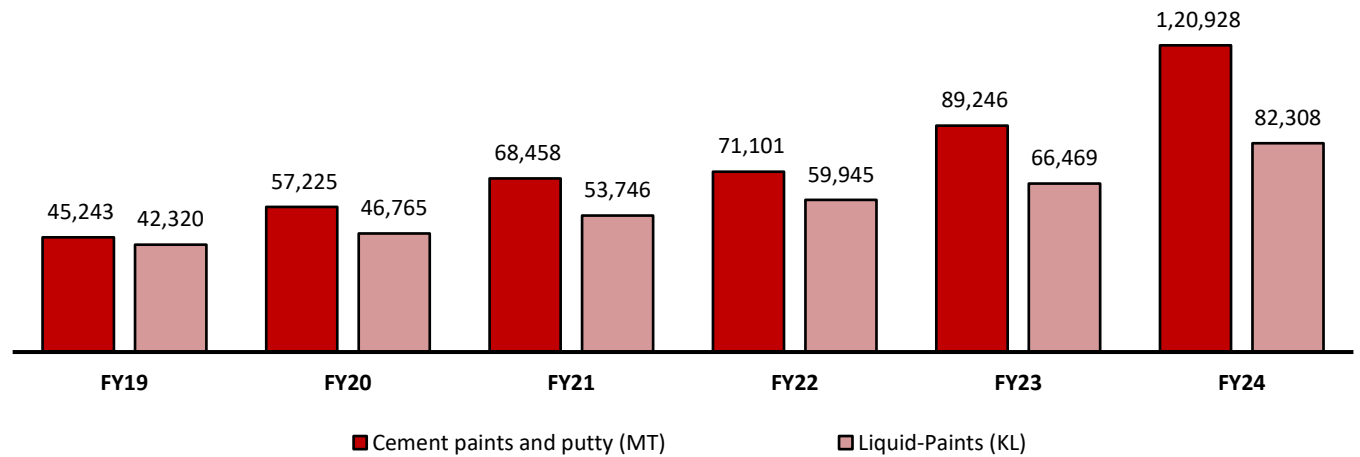
Source: Company, Keynote Capitals Ltd.

Revenue Mix of Gross sales (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

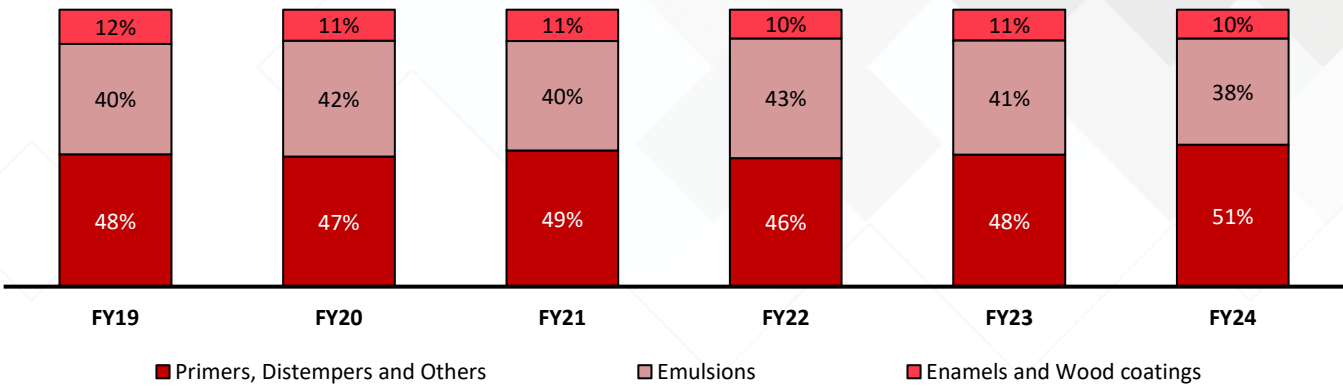
Volume (MT,KL)



Source: Company, Keynote Capitals Ltd

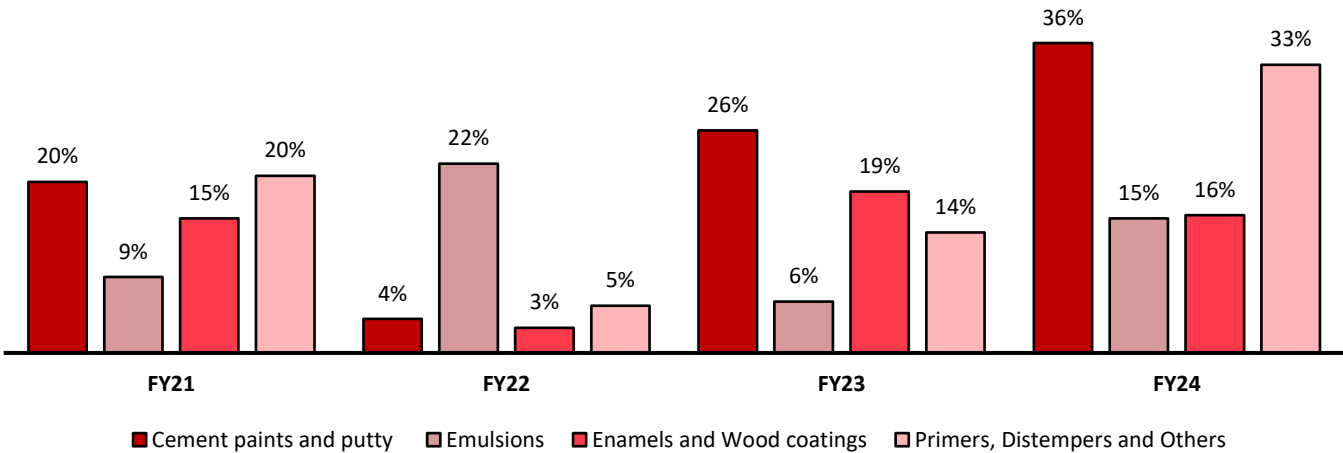


Liquid-Paints Volume Mix (%)



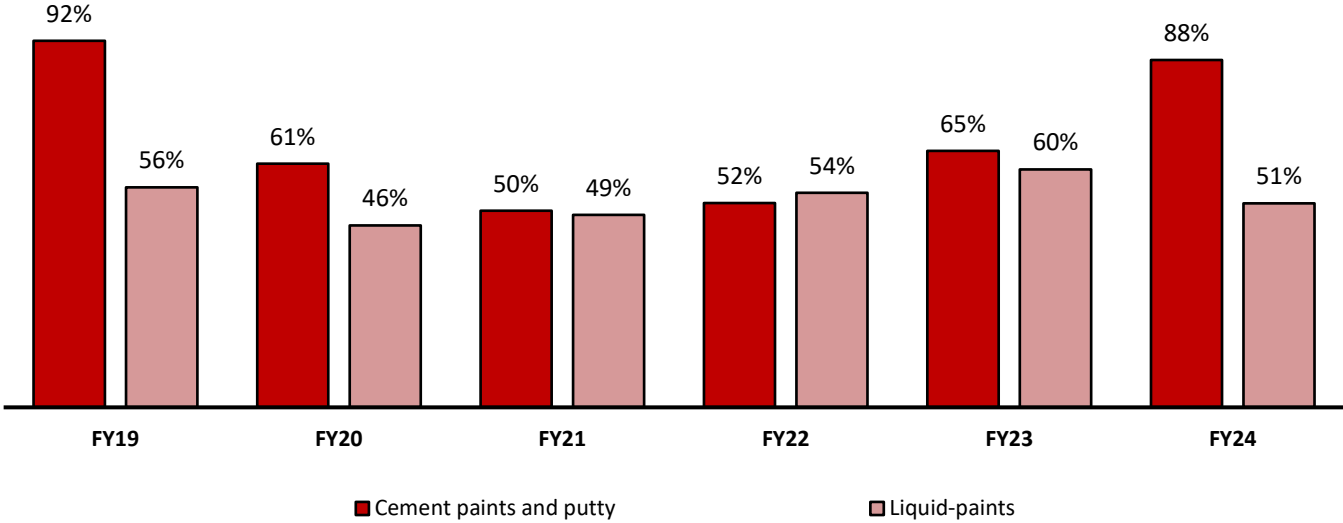
Source: Company, Keynote Capitals Ltd; Distempers are manufactured in MT.

Volume growth (%)



Source: Company, Keynote Capitals Ltd

Capacity Utilization (%)



Source: Company, Keynote Capitals Ltd

IPL - A Multi-dimensional Approach

In an oligopolistic industry dominated by four large players, IPL is one of the few new entrants that has successfully scaled its operations and gained market share with its patient and multi-pronged strategy.

The industry has high barriers to scale as the incumbents have strong moats such as a) robust distribution networks, b) strong brand equity, and c) the significant penetration of tinting machines.

IPL has secured its position in the competitive Indian decorative paint industry through a multi-dimensional approach. This includes introducing differentiated products to create a distinct market demand, building brand equity for its primary consumer brand "Indigo" through high investments in ads, strategically locating manufacturing sites near raw material sources, establishing an extensive distribution network across the nation, and installing tinting machines across its network of dealers.

Strong Marketing and Brand Strategy

Unified brand with pan-India appeal and targeted marketing from small towns to big cities.

Differentiated Portfolio

Complete range of decorative paints with several first-to-market products

Strategic Manufacturing Base

Manufacturing plants at 3 locations situated close to raw material sources

Extensive Distribution Network

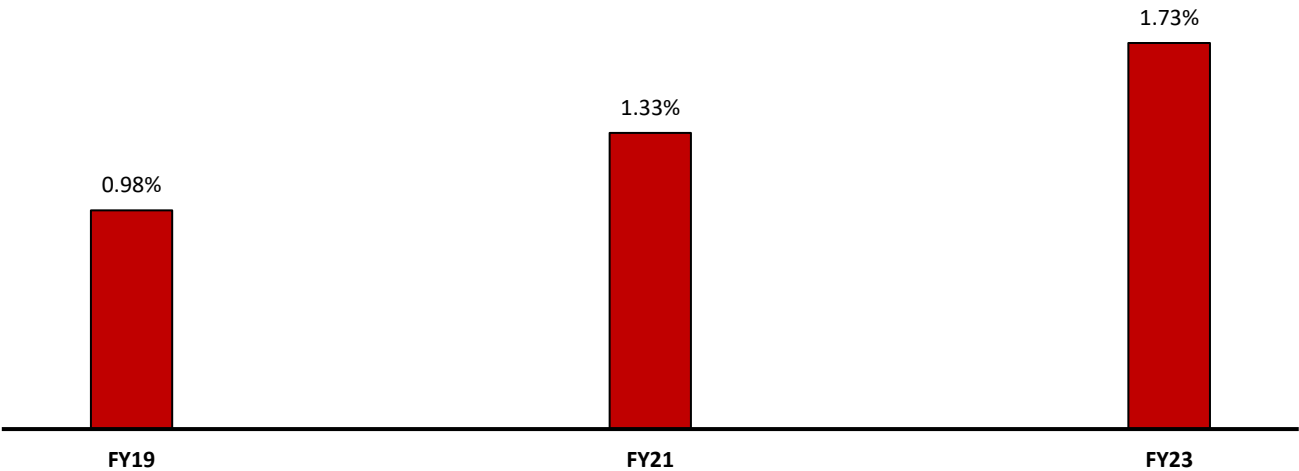
Present in all 28 States and UTs in India



Source: Company, Keynote Capitals Ltd.

Growing market share over the years

IPL’s market share (%)



Source: Company, Keynote Capitals Ltd.

Differentiated Product Portfolio

IPL has effectively identified and capitalized on niche opportunities within the decorative paint market. By focusing on unmet needs and specific applications, the Company has introduced products that stand out in a crowded market. This strategy not only helps the Company differentiate its offerings but also commands premium pricing.

The Company’s strategy involves engaging with dealers and the painter community through its ground-level sales team to understand market demand dynamics. By maintaining close relationships with these key stakeholders, the Company can gather valuable insights into market trends and customer preferences. This feedback loop enables the Company to tailor its product development efforts to meet the evolving demands of the market.

The Company's Differentiated Products portfolio, which includes "category-creator" and "value-added" products distinguished by specialized end-use specifications and enhanced properties, has been a significant driver of its success. Products like Metallic Emulsions and Tile Coat Emulsions have set new industry standards and helped the Company build a strong brand reputation for innovation.

By continuously innovating and introducing new products, IPL has been able to sustain its competitive advantage. The Company's focus on differentiated products helps attract new customers and retain existing ones by offering them unique solutions that meet their specific needs.

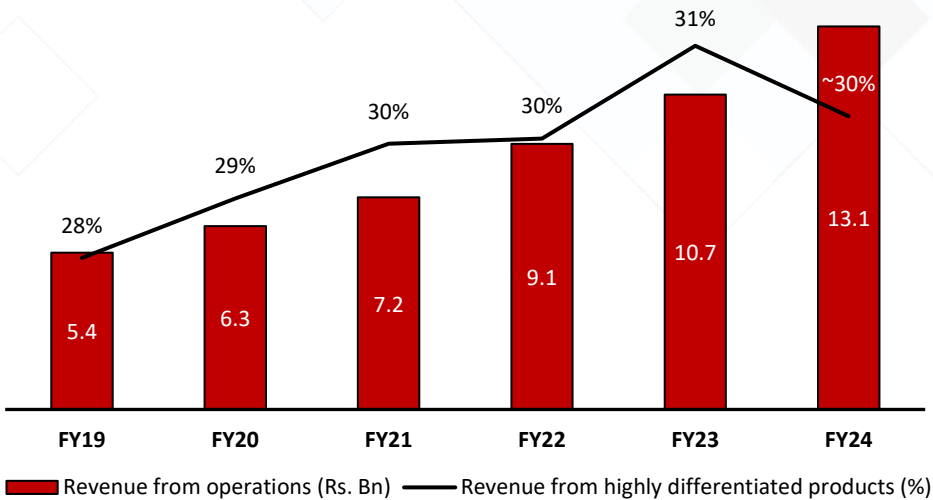
The Company’s strategy of focusing on differentiated products and first-to-market innovations has been instrumental in its rapid growth and success in the Indian decorative paint market. This has set it apart from its competitors and positioned it as a challenger in the industry.



Classification	Product	Type	Application
Category-creator products	Metallic Emulsions	Water-based	For interior walls, stylish glossy metallic texture
	Tile Coat Emulsions	Water-based	For outdoor roof tiles, enhances gloss, luster, and durability
	Bright Ceiling Coat Emulsions	Water-based	For ceilings, provides a brighter, more reflective finish
	Floor Coat Emulsions	Water-based	For terrace floors, driveways, pathways, and cement surfaces, glossy finish withstands heavy use
Value-added products	PU Super Gloss Enamel	Solvent-based	For metal and wood, a hard protective layer with glossy sheen, suitable for indoor and outdoor use
	Dirt & Waterproof Exterior Laminate	Water-based	For exterior walls, dirt-resistant, waterproof, long lasting protection
	Exterior & Interior Arcylic Laminate	Water-based	For exterior and interior walls, high-gloss finish, versatile and durable

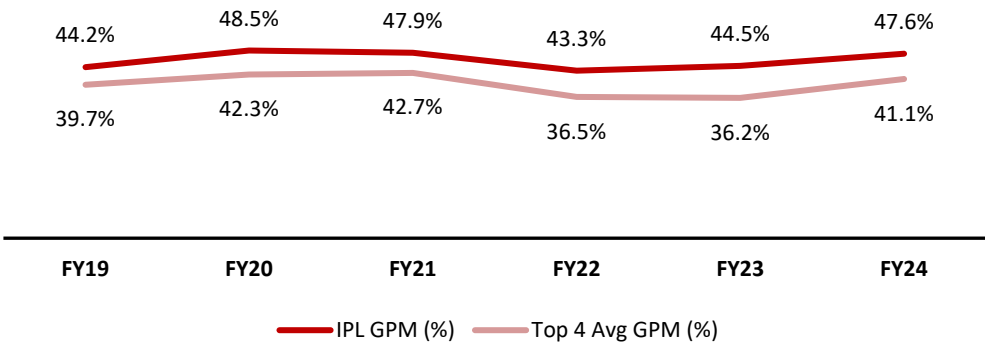
Source: Company, Keynote Capitals Ltd.

With limited competition in these specialized markets, the Company's marketing efforts were strategically directed towards promoting these unique products. This strategy led to increased acceptance and demand among consumers and its dealer network, thereby enhancing brand recognition. The growing popularity of these differentiated products is evident in their increasing contribution to IPL's revenue, accounting for ~30% of total revenue in FY24.



Source: Company, Keynote Capitals Ltd.

As the first mover in introducing innovative products to India, IPL has secured a significant competitive edge, reflected in its industry-leading gross margins of 48.9% in Q4FY24. This advantage allows IPL to set pricing terms and dominate niche markets, coupled with focused marketing efforts, has strengthened its market share and competitive position. This strategic approach positions IPL for continued success and growth in the Indian paint industry.



Source: Company, Keynote Capitals Ltd.

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### Product Innovation

IPL consistently innovates to provide solutions by identifying niche opportunities and addressing specific needs. In its pursuit of excellence, the Company has introduced several products over the years to fulfill demand and differentiate itself from its peers. From FY21 to FY24, IPL has developed 13 unique products. In FY24, the Company expanded its portfolio to include WPCC products through a collaboration with Apple Chemie.

The acquisition of Apple Chemie aimed to establish IPL's footprint in the industrial B2B segment and leverage its expertise to create specialized products for the waterproofing market, which is becoming a significant revenue driver for paint companies.

### Recent Key Innovations:



Damp Seal Primer



Leakproof Emulsion



Aquashield



Superseal



Polyrepair



DampStop 2k

Source: Company, Keynote Capitals Ltd.

The Company anticipates that the waterproofing segment will account for 8-9% of its sales over the next 2-3 years, given that the retail market potential for waterproofing products is estimated at ~Rs. 80 Bn in FY23, excluding the B2B segment. To promote these products, IPL established dedicated teams in all depots in Q3FY24 to collaborate with channel partners and influencers.

Innovative products over the years

Product	Year	Type	Feature
Leakproof Emulsions	2021	Water-based	Combines waterproofing and heat-reflective properties to prevent leaks and keep rooms cooler by up to 5 degrees Celsius.
Self-Priming Epoxy Enamel	2021	Solvent-based	Two-in-one single pack epoxy system that functions as both a primer and topcoat, providing protection for metal surfaces in adverse climatic conditions.
PU Floor Coat	2021	Water-based	Polyurethane modified coating for paver blocks, cement tiles, and concrete floors, offering a glossy and durable finish.
Premium Interior Sheen Emulsion	2021	Water-based	Adds elegance with properties like stain resistance, fungal resistance, high brightness and rich sheen.
Anti Odour Paint	2022	Water-based	Transforms walls with deodorizing power and imparts a germ-free environment.
Rustic Texture Finish Putty	2022	Water-based	Provides a beautiful fine grain textured look to walls.
Damp Seal Primer	2023	Water-based	Seals dampness in walls, preventing the appearance of damp patches and efflorescence.
Exterior Emulsions (Silver)	2023	Water-based	Provides a durable and weather-resistant finish with added protection against dirt and water.
Premium XT Sheen	2023	Water-based	Offers a high-sheen finish with properties like stain resistance, fungal resistance, high brightness, and rich sheen.
Aquashield	2024	Water-based	Easily penetrates small pores in the plaster to prevent water from entering, leaving the wall free from dampness.
Superseal	2024	Water-based	Based on special polymers, it provides strength, corrosion resistance, water permeability, and good workability to concrete/plaster/mortar.
Polyrepair	2024	Water-based	Works both as a repairing and bonding agent as it bonds old and new concrete surfaces with plaster.
Dampstop 2k	2024	Water-based	Designed to handle both positive and negative side waterproofing.

Source: Company, Keynote Capitals Ltd.

Strategic Manufacturing Base

As of FY24, IPL operates five manufacturing units in India, located in Rajasthan, Kerala, and Tamil Nadu. These facilities collectively offer an installed production capacity of ~160,000 KLPA for liquid paints and ~138,000 MTPA for putties and cement. The strategic positioning of these manufacturing facilities near raw material sources reduces inward freight costs, thereby lowering overall raw material expenses.

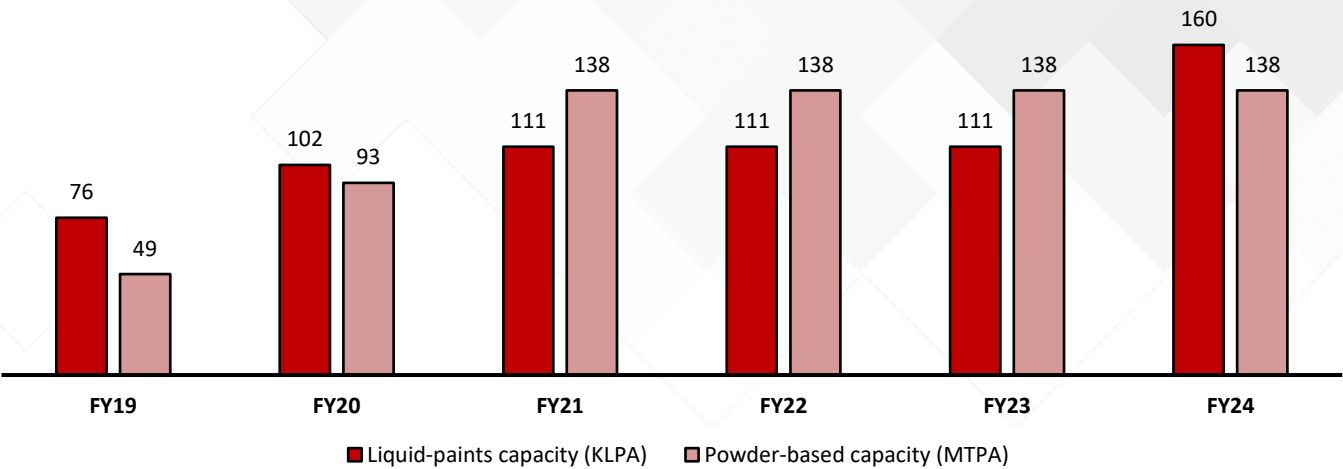
This locational advantage, combined with higher margins from differentiated products, enables IPL to consistently achieve gross margins above the industry average. While increased outward freight costs due to the distances between factories and points of sale partially offset these benefits, the EBITDA margins remain similar to those of competitors. This strategic positioning enhances production efficiency and strengthens IPL's financial performance.

**Jodhpur, Rajasthan:** This facility produces water-based paints, cement-based paints, and putties. It is undergoing expansion to include a solvent-based plant and increased water-based production capacity.

**Kochi, Kerala:** This plant specializes in manufacturing water-based paints and was acquired through the purchase of Hi-Build Coatings Pvt. Ltd. in FY16.

**Pudukkottai, Tamil Nadu:** Also acquired through Hi-Build Coatings Pvt. Ltd., this facility traditionally focused on solvent-based paints. It was expanded in Q2FY24 to include a water-based paint plant.

Annual manufacturing capacity (In '000)



Source: Company, Keynote Capitals Ltd; approximate figures.

Capacity Expansion

The Company has been steadily expanding its manufacturing capacities to meet rising demand and strengthen its market presence. Recently, it inaugurated a new water-based facility in Tamil Nadu with a capacity of 50,000 KLPA in Q2FY24. Additionally, it is developing a solvent-based plant in Rajasthan with a capacity of 12,000 KLPA and plans to increase its existing water-based capacity to 90,000 KLPA by the end of FY25.

Upon completion, IPL's total production capacity will be ~262,000 KLPA for liquid-based and ~276,000 MTPA for powder-based products, sufficient to meet market demand for the next five years. The new water-based facility in Tamil Nadu (servicing southern and eastern regions) and a solvent-based plant in Rajasthan (servicing the northern and western regions), along with its focus on premiumization, are expected to reduce freight costs and enhance operational efficiency. The ability to service different regions more efficiently and the impact of higher-value premium products is expected to improve its gross margin and profitability.

	Current (FY24)	Addition	Total
Liquid Based (KLPA)	160,000	102,000	262,000
Powder Based (MTPA)	138,000	138,000	276,000

Source: Company, Keynote Capitals Ltd.



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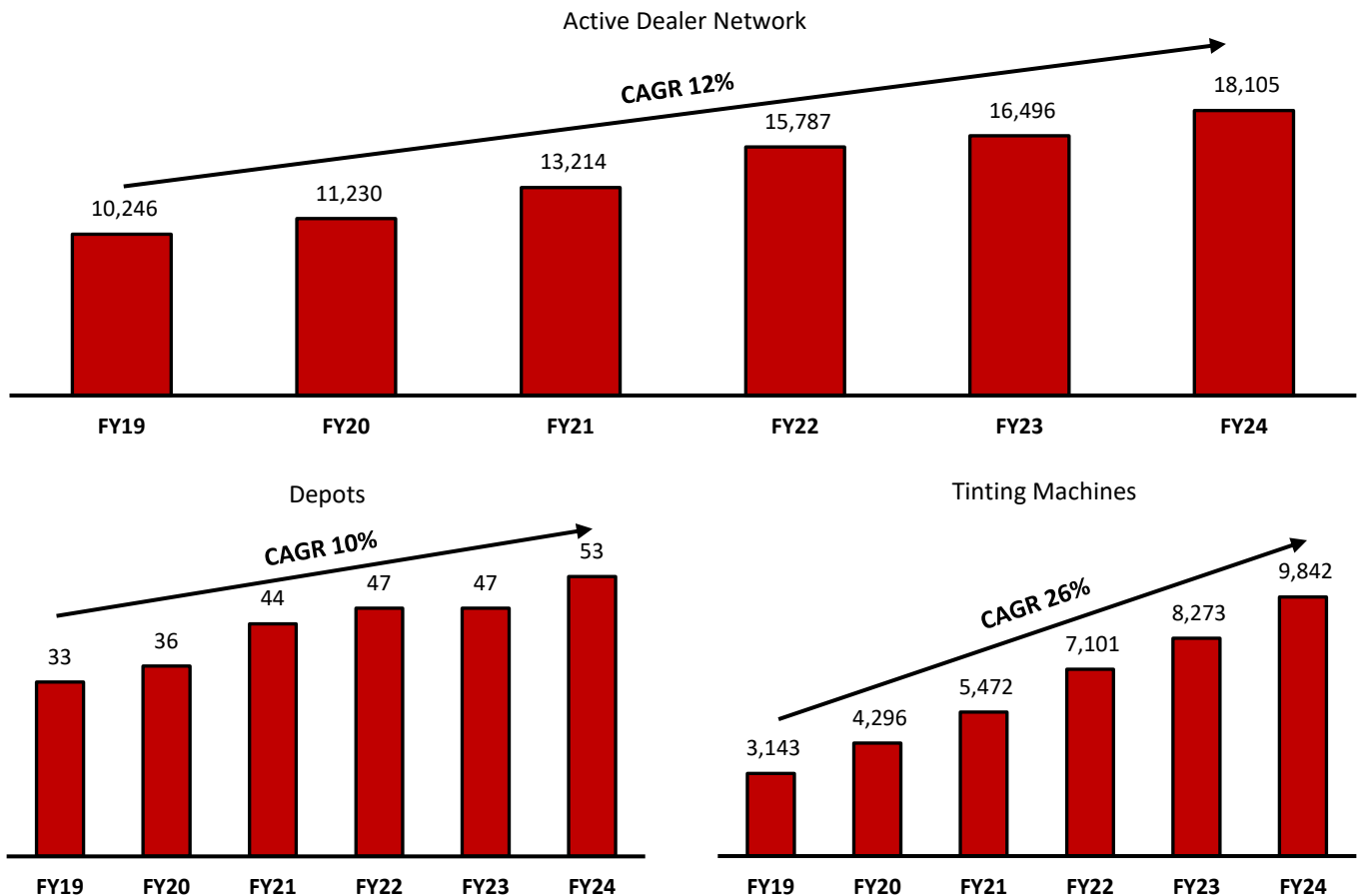
### Extensive Distribution Network

Developing a robust distribution network is crucial for paint companies to enhance product visibility and reach. This requires substantial investment in financial resources, market knowledge, and time. The distribution network serves as a significant barrier to scale in the Indian paint market, as it involves establishing relationships with multi-brand dealers across diverse geographic locations, including metropolitan areas, large cities, towns, and rural regions.

IPL's strategy of focusing on unsaturated markets, particularly smaller towns and rural areas, has been instrumental in its growth. These markets often have significant dealer influence, making it easier for new brands to penetrate and establish a presence. By targeting these areas first through its differentiated products and high marketing spending, IPL was able to build a strong foundation and create brand loyalty among dealers and consumers.

Once IPL had established strong relationships with dealers in smaller towns and rural areas, it leveraged these connections to distribute a broader range of decorative paints. This approach allowed IPL to expand its product offerings and increase its market share. The Company's ability to build and maintain strong dealer relationships has been a critical factor in its success.

As of FY24, IPL's extensive distribution network includes 18,105 active dealers, 53 depots, and 9,842 tinting machines across India. This network enables IPL to effectively distribute its products and capitalize on emerging market trends. The expansive network also allows IPL to achieve significant market penetration and drive robust growth.



Source: Company, Keynote Capitals Ltd.

Despite intense competition from larger and well-established industry players, IPL has rapidly expanded its dealer network and tinting machines over the years. This growth is attributed to the Company's continuous engagement with dealers and the painter community, a portfolio of differentiated products, and impactful marketing campaigns that have significantly enhanced brand visibility.

Enhancing Network Productivity

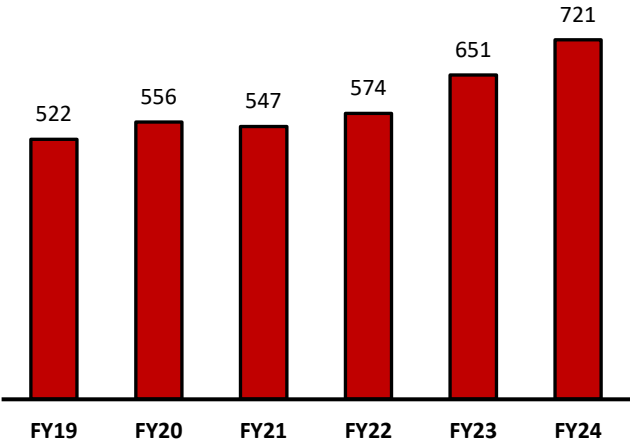
In addition to expanding its network, the Company focuses on increasing its productivity, especially since most dealers are multi-brand. Merely adding more dealers is not sufficient. Productivity improvements are reflected in a larger share of counter sales, higher revenue per dealer, and more tinting machines per dealer. By improving productivity, IPL ensures that each dealer generates higher revenue and a larger share of counter sales. This approach is more sustainable and efficient compared to merely increasing the number of dealers.

The increase in revenue per dealer is a significant indicator of productivity. By ensuring that each dealer sells more products, IPL can achieve higher overall sales without the need for extensive network expansion. This is particularly important in a market where most dealers are multi-brand and have limited capacity for additional products.

The ratio of tinting machines to the dealer network is another critical measure of productivity. Typically, dealers in India have 2-3 tinting machines, and installing a new tinting machine means competing with existing brands for the dealer's limited floor space. Dealers will only adopt a new tinting machine if they decide to replace an existing one. IPL has excelled in this area by increasing the number of tinting machines per dealer, which in turn boosts sales and productivity.

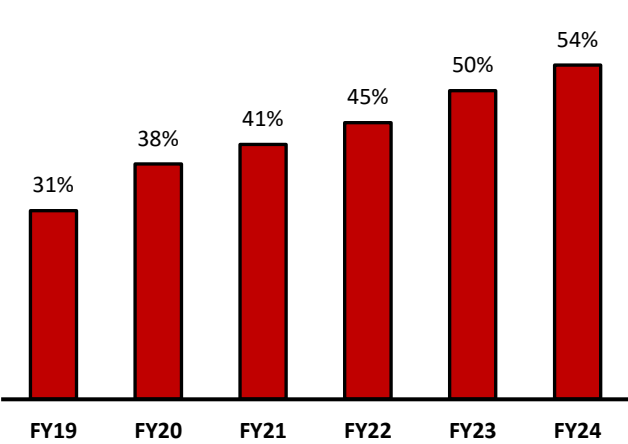
By focusing on productivity, IPL has been able to compete effectively with other brands. The Company's ability to increase the number of tinting machines per dealer and revenue per dealer has given it a competitive edge. This focus on productivity has driven strong revenue growth.

Continuous improvement in revenue per dealer (Rs. In '000)



Source: Company, Keynote Capitals Ltd.

Significant improvement in tinting machine to dealer ratio (%)



Unique marketing strategy

IPL strategically built its distribution network from the ground, starting in Tier III & IV cities and rural areas where brand penetration is easier, and dealer influence is strong. By introducing differentiated products in these underserved markets first, IPL improved brand penetration and strong dealer relationships, creating a robust foundation to expand into larger cities and metropolitan areas. This approach set the Company apart from competitors, enabling ~40% growth in revenue over the past decade. The focus on Tier III, IV cities, and rural areas has been particularly effective, as these regions now drive nearly half of the industry's total sales.

In addition to its unique marketing strategy, IPL sets itself apart by using a single brand name, 'Indigo,' for all its products, categorized into Platinum, Gold, Silver, and Bronze series. This unified branding enhances brand recall, strengthens brand equity, and simplifies consumer choice. Unlike competitors who use multiple brand names, IPL's consistent brand identity ensures effective marketing across its entire product portfolio, fostering trust and reinforcing its reputation for high-quality, innovative paint solutions.

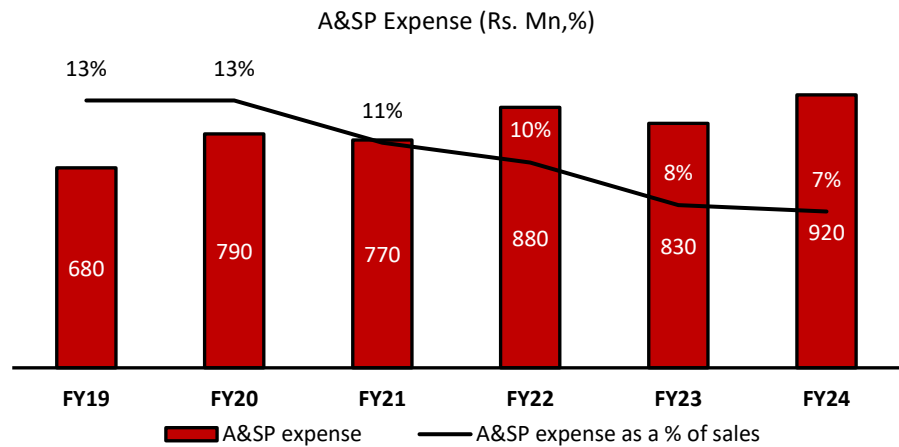
Segment	APL		BPIL		KNPL		IPL	
	Interior	Exterior	Interior	Exterior	Interior	Exterior	Interior	Exterior
Premium	Royale	Apex Ultima	Silk	WeatherCoat Long Life	Impressions	Excel Total	Indigo	Indigo
Mid-price	Apcolite	Apex Advanced	Easy Clean	WeatherCoat Smooth	Beauty Gold	Excel Mica Marble		
Economy	Tractor	Ace Exterior	Bison	Walmasta	Suraksha Plus	Suraksha Exterior		

Source: Company, APL, BPIL, KNPL, Keynote Capitals Ltd.

Strong brand recognition

In the highly competitive Indian decorative paint market, brand recall is essential for consumer-facing companies. For a smaller player like IPL, establishing a strong brand presence is critical to gaining market share and competing effectively against well-established industry giants. Brand recall helps in creating consumer trust and loyalty, which are vital for sustained growth and profitability.

Despite competing with established players with decades of presence, IPL has built significant brand equity through aggressive advertising and focused brand-building around its differentiated products under a single brand name.



Source: Company, Keynote Capitals Ltd.

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In FY19, IPL signed Mahendra Singh Dhoni as their brand ambassador, leveraging his pan-India appeal. Dhoni's association with the brand has likely contributed to increased brand recognition and trust among consumers. The recent campaign featuring Mohanlal, a superstar in Kerala, is another strategic initiative aimed at strengthening IPL's presence in a key market. By associating with well-known and trusted figures, IPL can effectively reach a broader audience and enhance its brand image.

The introduction of a zebra mascot with colorful stripes resembling IPL's logo is an innovative branding element designed to boost brand recall. This unique mascot helps differentiate IPL from competitors and makes the brand more memorable to consumers. Such creative branding strategies are essential in a competitive market where standing out is crucial.

The Company promotes its brand and products through television, newspapers, magazines, dealer signage boards, in-shop branding, and the internet. IPL's dealer network is closely integrated with marketing efforts, enhancing brand image. Dealers display advertising boards and life-size cutouts of IPL's brand ambassador to attract consumers. IPL engages with dealers and painters by distributing branded merchandise, conducting painter meets with blind product tests, and offering loyalty programs. These activities help gather product feedback and insights on emerging trends, which inform product development.



Source: Company, Keynote Capitals Ltd.

Additionally, IPL is enhancing engagement through digital channels, effectively utilizing various social media platforms to amplify its brands and unique value propositions. This strategic digital marketing effort has not only fueled business growth but also strengthened IPL's online presence and brand visibility.

Looking ahead, IPL intends to increase A&SP spending in FY25 by supplementing TV advertising with significant investment in digital media, an area where IPL has been relatively passive in the past. However, the overall increase in A&SP spending will be less than the expected topline growth in revenue, so A&SP expenses as a percentage of revenue are expected to continue to decline.



Source: Company, Keynote Capitals Ltd.



Followers

17,900



Instagram

10,800



Twitter

854,000



Facebook

196,000



Website reach

Source: Company, Keynote Capitals Ltd.

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## Strategic Acquisitions

Continuous improvement and the drive to provide unique solutions are integral to IPL's DNA. This is evident in its strategic acquisitions. In FY16, IPL acquired Hi-Build Coatings Pvt. Ltd. to enhance its manufacturing capabilities and strengthen its presence in southern India, where the Company still sells a limited range of products under the former Hi-Build brands "HBC" and "Enigma." The acquisition also provided operational synergies. Several key personnel, including Mr. NKK Venugopal (MD) and Mr. TS Suresh Babu (COO), joined IPL through this acquisition, playing a crucial role in the Company's growth.

Building on this success, IPL acquired a 51% stake in Apple Chemie India Pvt. Ltd. in April'23 for Rs. 293 Mn at a P/S of 1.4x. This move aligns with IPL's strategy to establish a footprint in the industrial B2B segment, where Apple Chemie operates, and to leverage its expertise to create specialized products for the waterproofing market.

### Apple Chemie India Ltd. (ACIL)

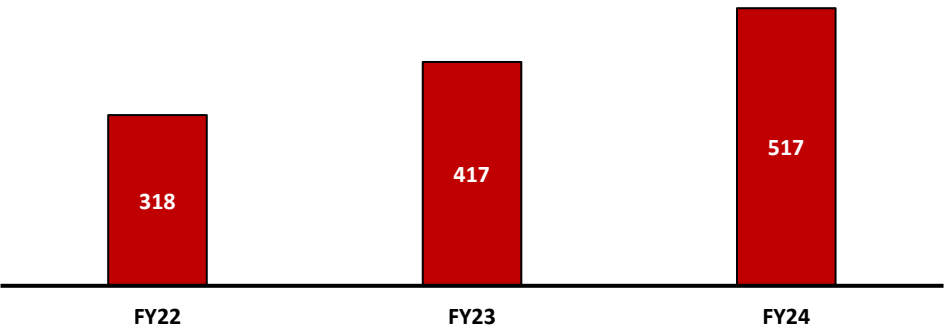
ACIL is a rapidly expanding B2B player in the WPCC space, primarily based in Maharashtra. As an R&D-driven organization, Apple Chemie excels in developing industrial-grade WPCC products, achieving an impressive CAGR of ~35% over the past three years.

The Company serves prominent clients such as L&T, Shapoorji Pallonji, B.G. Shirke, and Afcons, supplying products for major infrastructure projects including the Pune Metro, Mumbai Metro, the upcoming trans-harbor link in Mumbai, and the Samruddhi Expressway from Nagpur to Mumbai.



Source: Company, Keynote Capitals Ltd.

ACIL's revenue (Rs. Mn)



Source: Company, Keynote Capitals Ltd.

### Strategic Synergies Post-Acquisition

The acquisition has created synergies, allowing IPL to offer a comprehensive range of decorative paints and construction chemicals. IPL will handle the manufacturing, marketing, and distribution of WPCC products in the B2C segment, while Apple Chemie will expand its marketing and distribution network across India for the B2B segment.

Post-acquisition, ACIL achieved impressive revenue growth of over 24% to Rs 517 Mn in FY24. ACIL has expanded its sales force into 8-10 regions across India, beyond Maharashtra, and has already begun obtaining approvals and orders from these areas. Depending on the outcomes in these regions, further investment in enhancing its sales capabilities and exploring new markets will be made, leveraging the significant growth potential of the WPCC industry and ACIL's proven success in initial markets.



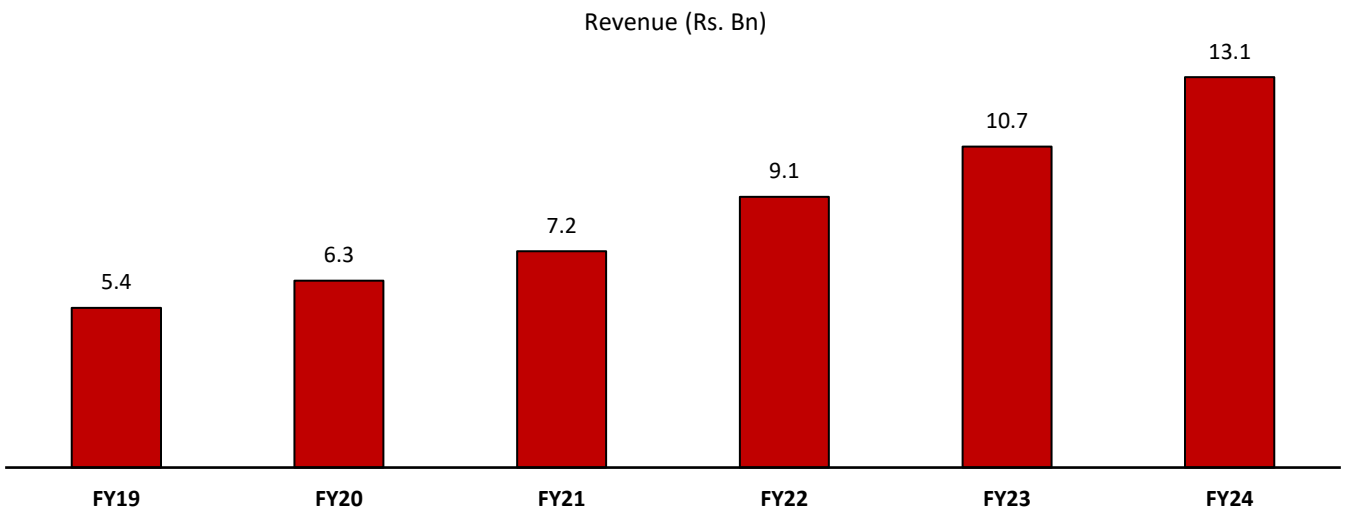
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### Financials

Since its IPO in Jan'21, IPL has demonstrated strong revenue growth of ~22% CAGR, far exceeding the industry and peers' growth. This consistent growth results from the Company's successful market strategies, product innovation, and expanding distribution network. Additionally, its relatively small base has helped it achieve strong financial performance despite intense competition from established players.

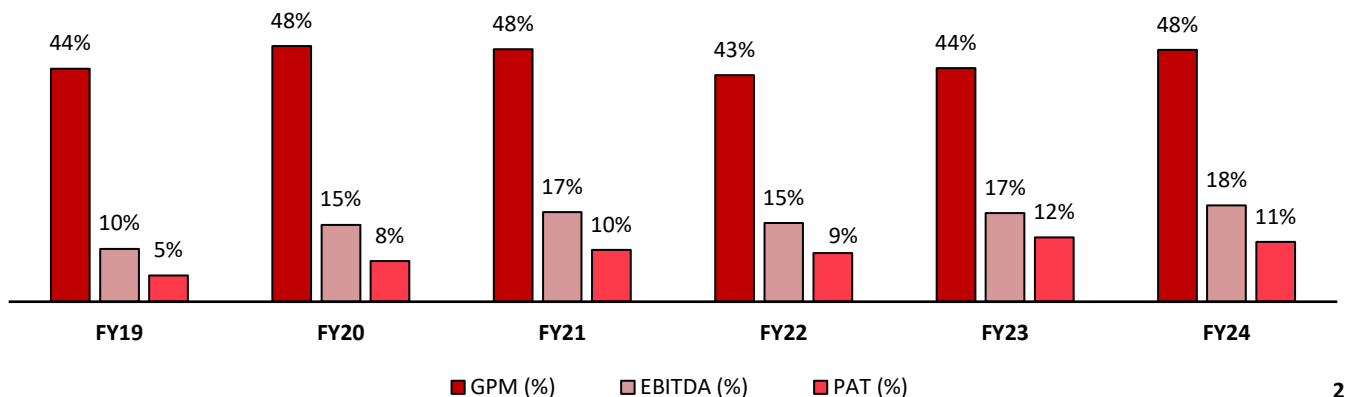
The Company's revenue from its highly differentiated portfolio has been on an upward trend since its launch, accounting for ~30% of IPL's revenue in FY24. This indicates greater market acceptability and the effectiveness of its differentiated offerings. In FY24, IPL reported a revenue increase of ~22%, reaching Rs. 13.1 Bn. The focus on differentiated products, which enjoy superior margins, has been a critical factor in this growth trajectory.

IPL's strategic initiatives, including geographic expansion into Tier I and II cities and the introduction of new product lines, are expected to drive future growth. Looking ahead, IPL's management is focused on optimizing its distribution network, increasing output per dealer, and enhancing its product portfolio to sustain and accelerate growth. The Company expects to grow its revenue at 3-4 times the industry growth by expanding its presence in larger towns and cities and entering the WPCC segment through Apple Chemie.



Source: Company, Keynote Capitals Ltd

### Margin (%)



Source: Company, Keynote Capitals Ltd.

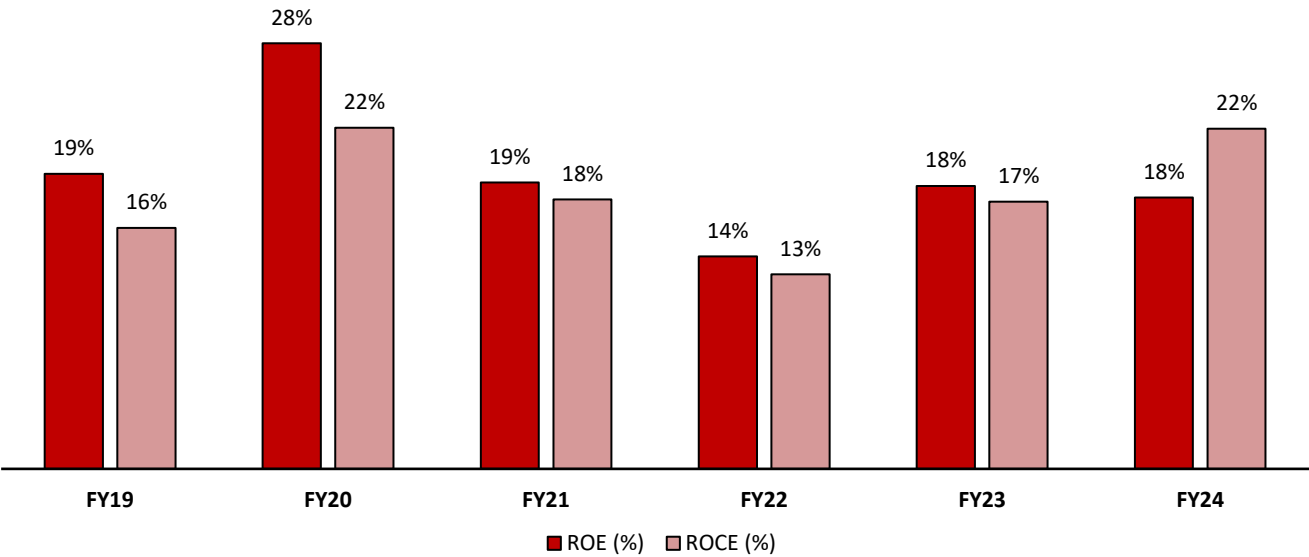
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The Company is renowned for its industry-leading GPM, driven by high margins from differentiated products and low carriage inwards costs, facilitated by strategically located manufacturing units. Within the competitive paint industry, these margins typically remain stable, fluctuating mainly due to crude oil prices and price adjustments by the market leader.

In FY24, the Company achieved an exceptional GPM of ~48%, the highest in the industry. Despite this strong GPM, the EBITDA and PAT margins normalize in comparison to peers due to the Company’s smaller size (economies of scale) and slightly higher freight outwards costs.

Looking ahead, the Company anticipates maintaining its GPM at current levels, with some seasonal variability due to changes in product mix. EBITDA margins are expected to improve by 50-100 basis points as A&SP expenses as a percentage of revenue are projected to decline marginally along with robust revenue growth.

Return ratio (%)



Source: Company, Keynote Capitals Ltd.



Management Analysis

Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with IPL (Yrs.)
Mr. Hemant Jalan	Chairman and MD	Promoter	24+
Mr. N.K.K. Venugopal	Executive Director	Professional	8+
Mr. Chetan B. Humane	CFO	Professional	23+
Mr. T.S. Suresh Babu	COO	Professional	7+

MD is Managing Director, CFO is Chief Financial Officer and COO is Chief Operating Officer  
Source: Company, Keynote Capitals Ltd.

Compensation and Skin in the Game

Particulars	FY21	FY22	FY23
% Promoter Holding	54.0%	54.0%	54.0%
Management Salary (Rs Mn)	1.4	1.5	2.4
As a % of PAT	1.9%	1.7%	1.8%

Source: Company, Keynote Capitals Ltd.

Top shareholders >1%

Particulars	FY21	FY22	FY23	FY24
Sequoia Capital India Investments / Peak Xv Partners Investments	28.5%	28.5%	25.2%	25.2%
Ashoka India Opportunities Fund - Whiteoak India Opportunities Fund	1.4%	1.9%	1.9%	1.9%
Abu Dhabi Investment Authority	1.4%	1.4%	1.4%	1.4%
Smallcap World Fund, Inc	1.3%	2.1%	2.6%	-
ICICI Prudential Life Insurance	-	1.9%	1.8%	-
Nomura India Investment Fund	1.3%	-	-	-
Total	33.9%	35.7%	32.8%	28.4%

Source: Company, Keynote Capitals Ltd.

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## Peer Comparison

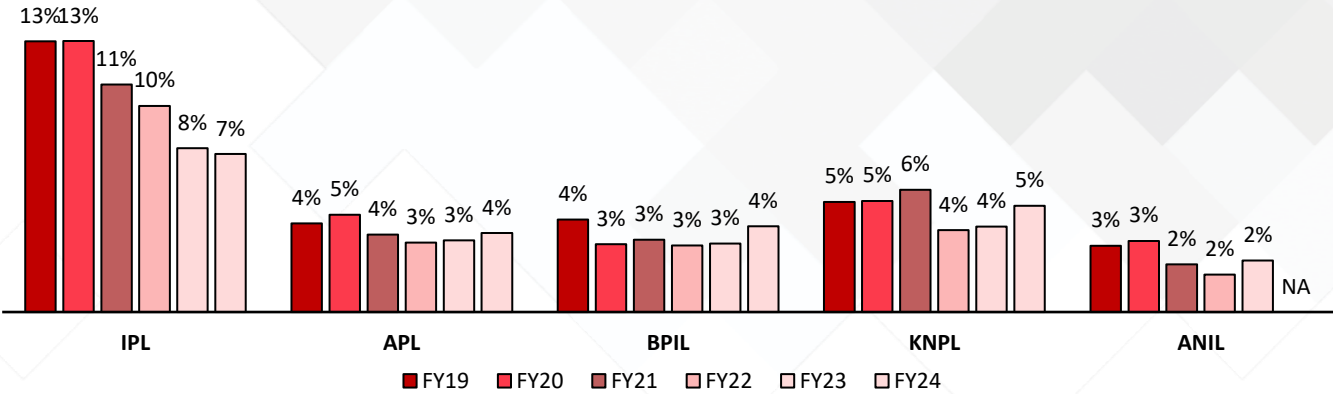
We reviewed IPL alongside the top four paint companies in India: Asian Paints India Ltd. (APL), Berger Paints India Ltd. (BPIL), Kansai Nerolac Paints Ltd. (KNPL), and Akzo Nobel India Ltd. (ANIL). Together, these top four companies and IPL constitute ~90% of the total Indian decorative paint industry. IPL is renowned for its innovation and primarily operates in the decorative paint segment. Its peers, APL (with ~84% revenue from decorative paints), BPIL (~80%), KNPL (~55%), and ANIL (~60%), have diversified their portfolios to some extent but still derive the majority of their revenue from the decorative paint sector.

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	5YCAGR (%)
<b>Revenue (Rs. Bn)</b>							
IPL	5.3	6.2	7.2	9.1	10.7	13.1	<b>19.6%</b>
APL	192.5	202.1	217.1	291.0	344.9	354.9	<b>13.0%</b>
BPIL	60.6	63.7	68.2	87.6	105.7	111.9	<b>13.1%</b>
KNPL	54.2	52.8	50.7	63.7	75.4	78.0	<b>7.5%</b>
ANIL	29.2	26.6	24.2	31.5	38.0	39.6	<b>6.3%</b>
<b>EBITDA (%)</b>							
IPL	10.0%	14.6%	17.0%	15.0%	16.9%	18.2%	
APL	19.6%	20.6%	22.4%	16.5%	18.2%	21.4%	
BPIL	15.4%	16.7%	17.4%	15.2%	14.1%	16.6%	
KNPL	13.9%	15.2%	17.0%	10.2%	10.8%	13.2%	
ANIL	11.7%	14.2%	14.0%	13.7%	13.8%	16.0%	
<b>PAT (%)</b>							
IPL	4.9%	7.7%	9.8%	9.3%	12.3%	11.4%	
APL	11.0%	13.2%	14.3%	10.3%	11.6%	15.3%	
BPIL	8.2%	10.5%	10.6%	9.5%	8.3%	10.1%	
KNPL	8.3%	9.9%	10.4%	5.6%	6.3%	15.2%	
ANIL	7.2%	8.9%	8.6%	9.2%	8.8%	10.8%	

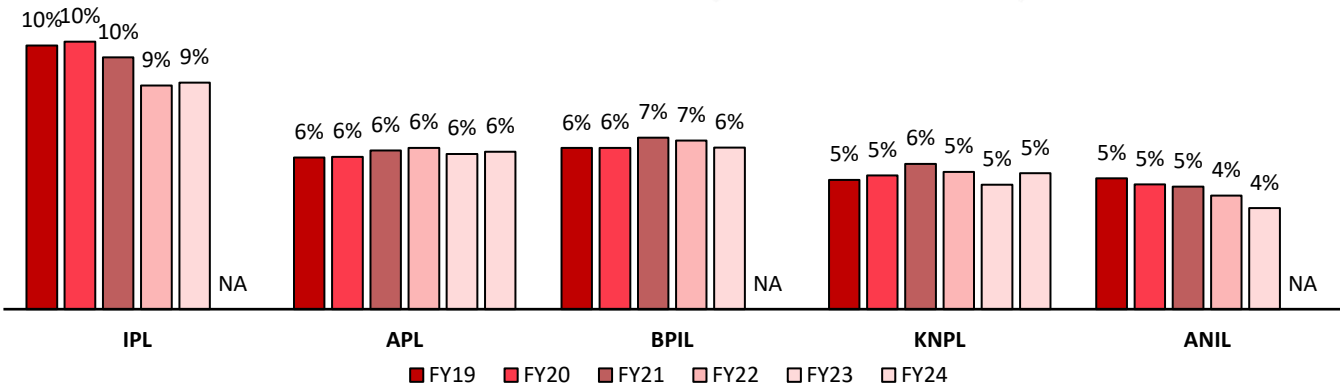
Source: Company, Asian Paints Ltd., Berger Paints India Ltd., Kansai Nerolac Paints Ltd., Akzo Nobel India Ltd., Keynote Capitals Ltd.

Note: Revenue is on consolidated basis.

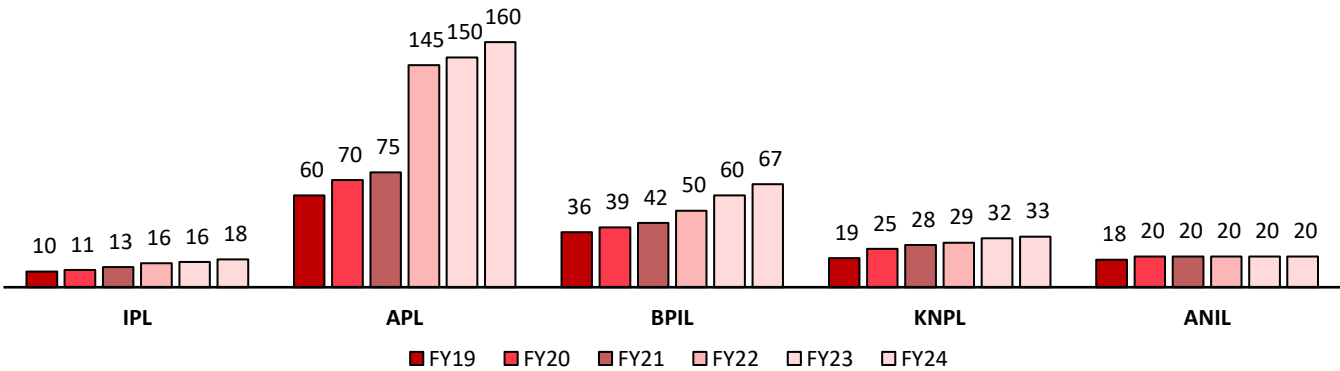
A&SP expense as a % of sales



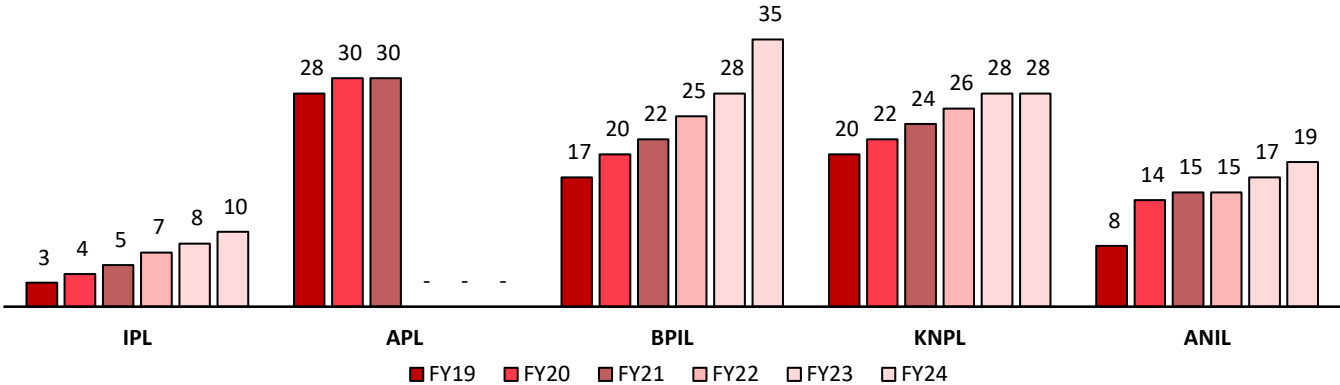
Freight expense as a % of sales



Dealer network/ Retail touchpoints ('000)

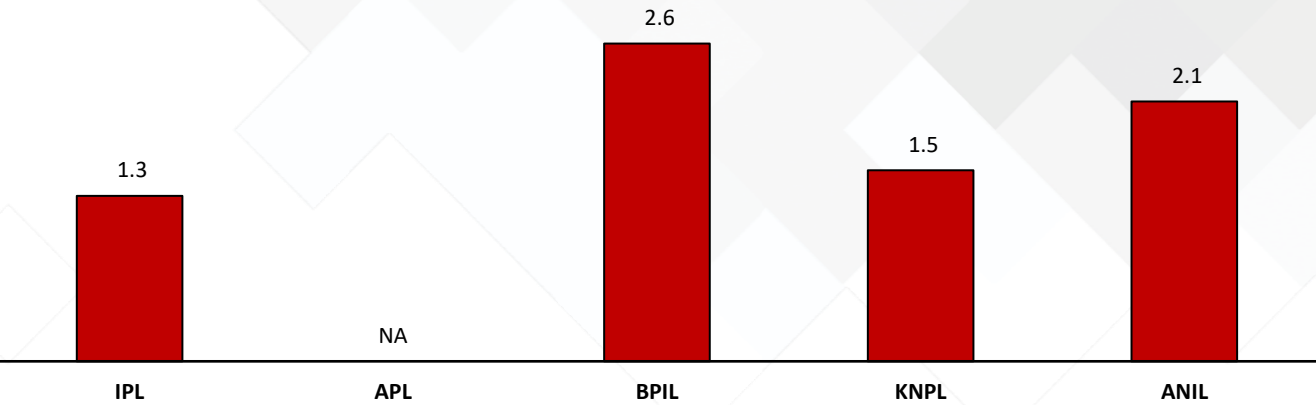


Tinting machine ('000)



Source: Company, Asian Paints Ltd., Berger Paints India Ltd., Kansai Nerolac Paints Ltd., Akzo Nobel India Ltd., Keynote Capitals Ltd.

Revenue per tinting machine (Rs. Bn, FY24)



Source: Company, Asian Paints Ltd., Berger Paints India Ltd., Kansai Nerolac Paints Ltd., Akzo Nobel India Ltd., Keynote Capitals Ltd.

Particulars (FY24)	IPL	APL	BPIL	KNPL	ANIL
ROE %	17.7%	31.4%	23.7%	12.8%	32.4%
ROCE %	22.2%	37.5%	27.6%	16.6%	42.2%
5Y cummulative CFO/EBITDA %	68.5%	65.1%	67.2%	61.9%	75.9%
Net Working Capital Days	85	93	59	83	-1

Source: Company, Asian Paints Ltd., Berger Paints India Ltd., Kansai Nerolac Paints Ltd., Akzo Nobel India Ltd., Keynote Capitals Ltd.

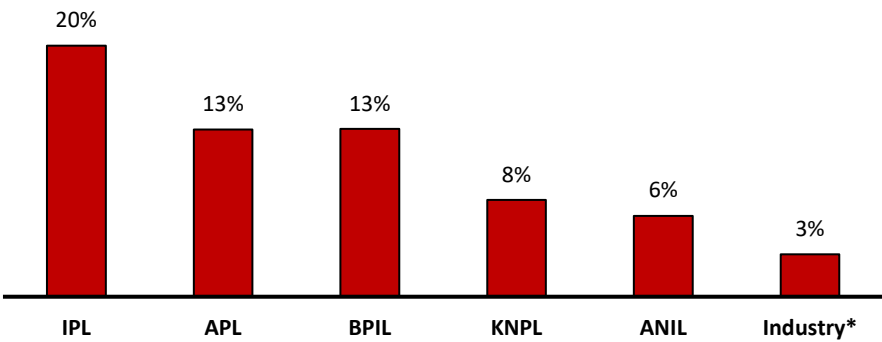
Opportunities

A challenger in the Indian paint industry

IPL has emerged as a formidable player in the Indian paint industry, challenging the dominance of established competitors since its inception in 2000. It has rapidly grown to become the fifth-largest decorative paint manufacturer in India, consistently surpassing industry growth rates. While the Indian paint industry has historically grown in double digits, IPL has consistently achieved growth rates of 2-2.5x compared to its peers. This success can be attributed to its multi-pronged strategy, including introducing differentiated products, focusing on rural and Tier III and IV markets, and investing heavily in brand building and advertising.

In FY24, IPL outperformed industry growth by 3-4 times and is confident in maintaining this trend. It targets a growth rate of three times that of the industry average. For example, if the industry is expected to grow at 7-9%, IPL aims for a robust 25-30% growth in its top line.

Revenue CAGR (FY19-24)%



Source: Consolidated revenue, Company, Berger Paints India Ltd., Kansai Nerolac Paints Ltd., Keynote Capitals Ltd.

Note: \* CAGR from FY19-23, Revenue growth is on consolidated basis.

Looking ahead, IPL plans to expand its footprint in metro and Tier I cities while consolidating its presence in Tier II to Tier IV cities, leveraging its strong brand equity built over two decades. The Company also aims to deepen its engagement with dealers and painters' community to enhance market penetration.

To support these expansion plans, IPL is increasing its manufacturing capabilities. It recently commissioned a state-of-the-art water-based paint manufacturing unit in Tamil Nadu with an initial capacity of 50,000 KLPA, expandable in the future. Additionally, a solvent-based plant with a capacity of 12,000 KLPA and expansion of its existing water-based capacity in Rajasthan to 90,000 KLPA are under development and expected to be commissioned by FY25.

Combined with an expanding and more efficient distribution network, growing tinting machine installations, and aggressive marketing activities, IPL is poised to sustain its growth momentum and solidify its position as a major force in the Indian paint industry.

Rajasthan	CAPEX (Rs. Mn)
Water-based facility	2,700
Solvent-based facility	400-450
Putty facility	>150

Source: Company, Keynote Capitals Ltd.

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### **Leveraging differentiated products with strong brand recall.**

In the highly competitive Indian decorative paint market, brand recall is essential for consumer-facing companies. For a smaller player like IPL, establishing a strong brand presence is critical to gaining market share and competing effectively against well-established industry giants. Brand recall helps create consumer trust and loyalty, which are vital for sustained growth and profitability.

IPL has effectively identified and capitalized on niche opportunities by engaging closely with dealers and the painter community through its ground-level sales team to tailor its product development. This strategy has allowed IPL to introduce standout products that command premium pricing and differentiate its offerings in a crowded market.

By continuously innovating and introducing new products, IPL has sustained its competitive advantage. The focus on differentiated products helps attract new customers and retain existing ones by offering unique solutions that meet specific needs. This approach has led to increased acceptance and demand among consumers and dealers, enhancing brand recognition. The growing popularity of these differentiated products is evident in their contribution to IPL's revenue, accounting for 30% of total revenue in FY24.

Furthermore, the recent expansion into the WPCC space has broadened IPL's product portfolio, catering to both B2B and B2C segments. This segment is expected to contribute 8-9% of IPL's future revenue and diversify its offerings.

### **Expanding and enhancing distribution network**

The Company has strategically focused on expanding its distribution network and tinting machine population, which has been a cornerstone of its growth strategy. IPL has established a vast distribution network of 18,000 dealers and 53 depots across all Indian states, complemented by 9,842 active tinting machines. This extensive presence, particularly in Tier II to Tier IV towns and villages, has allowed IPL to secure a strong foothold in less saturated markets, where onboarding dealers is relatively easier.

Moreover, IPL's distribution network is becoming increasingly productive. This is evident from the rising revenue per dealer and the growing acceptance of IPL's tinting machines within its dealer network. Over the past three years, the Company's dealer network has grown at a CAGR of ~11%, while the tinting machine network has expanded at twice that rate. This indicates IPL's success in increasing dealer confidence and achieving higher adoption rates, all of which contribute to stronger market penetration and greater revenue potential.

Looking ahead, IPL plans to penetrate metro and Tier I cities while fortifying its position in Tier 2 and below cities. The Company is also focusing on improving throughput per dealer and intensifying its engagement with the painter community to drive further market penetration. This continuous focus on expanding and enhancing the distribution network presents a significant opportunity for IPL to sustain its growth momentum and achieve greater market share in the competitive Indian paint industry.

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## Challenges

### Intense Competition

IPL operates in the highly competitive Indian paint industry, historically dominated by four major entities with an aggregate market share of ~73% in FY23. This intense competition presents several challenges for a relatively smaller player like IPL.

The attractiveness of the Indian paint industry has drawn significant attention, evidenced by the recent influx of players from allied-product sectors. Companies like Grasim Industries, backed by the Birla Group, and JSW are investing heavily in the Indian paint market. These entrants can leverage their established distribution networks for products like cement and putties, as well as their existing infrastructure and brand equity, to quickly gain market share in the paint industry.

Name	Upcoming capacity (KLPA)
Grasim Industries	1,332,000
JSW Paints	410,000*
Astral	60,000
JK Cement	60,000

Source: Grasim Industries Ltd., JSW Paints Pvt. Ltd., Astral Ltd., JK Cement Ltd.

Note: \* includes combined decorative paints and industrial coating capacity.

However, despite their advantages, these new entrants face significant challenges, including high barriers to scale and intense competition from established players. Their substantial investments in marketing, distribution, and innovative product development pose a direct challenge to IPL, which has built its market presence over the years through a multi-pronged strategy. The entry of such well-capitalized competitors requires IPL to continuously innovate, enhance its product offerings, and strengthen its market penetration.



## Financial Statement Analysis

## Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Sales	9,060	10,733	13,061	15,412	18,186
Growth %		18%	22%	18%	18%
Raw Material Expenses	5,135	5,952	6,839	7,906	9,329
Employee Expenses	563	731	995	1,125	1,328
Other Expenses	2,001	2,235	2,846	3,314	3,910
<b>EBITDA</b>	<b>1,360</b>	<b>1,815</b>	<b>2,381</b>	<b>3,067</b>	<b>3,619</b>
Margin%	15%	17%	18%	20%	20%
Depreciation	313	343	516	672	717
<b>EBIT</b>	<b>1,047</b>	<b>1,472</b>	<b>1,865</b>	<b>2,395</b>	<b>2,902</b>
Interest Paid	13	14	21	23	20
Other Income & exceptional	109	101	142	142	142
<b>PBT</b>	<b>1,143</b>	<b>1,559</b>	<b>1,986</b>	<b>2,514</b>	<b>3,024</b>
Tax	302	239	497	629	756
<b>PAT</b>	<b>840</b>	<b>1,319</b>	<b>1,488</b>	<b>1,886</b>	<b>2,268</b>
Others (Minorities, Associates)	0	0	-15	-58	-68
Net Profit	840	1,319	1,473	1,828	2,200
Growth %		57%	13%	27%	20%
Shares (Mn)	47.6	47.6	47.6	47.6	47.6
<b>EPS</b>	<b>17.67</b>	<b>27.73</b>	<b>30.94</b>	<b>38.39</b>	<b>46.20</b>

## Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Cash, Cash equivalents & Bank	996	488	329	2,165	4,248
Current Investments	1,731	1,317	1,667	1,667	1,667
Debtors	1,717	2,001	2,231	2,543	3,092
Inventory	1,177	1,177	1,706	1,977	2,332
Short Term Loans & Advances	89	187	0	0	0
Other Current Assets	14	18	313	313	313
Total Current Assets	5,724	5,187	6,246	8,664	11,652
Net Block & CWIP	3,043	5,156	6,085	5,645	5,200
Long Term Investments	0	0	0	-58	-126
Other Non-current Assets	432	273	373	373	373
<b>Total Assets</b>	<b>9,199</b>	<b>10,616</b>	<b>12,704</b>	<b>14,624</b>	<b>17,099</b>
Creditors	2,014	2,106	2,290	2,576	3,051
Provision	160	216	35	35	35
Short Term Borrowings	0	0	85	85	85
Other Current Liabilities	269	319	452	452	452
Total Current Liabilities	2,442	2,641	2,861	3,147	3,622
Long Term Debt	0	0	125	-69	-269
Deferred Tax Liabilities	85	69	200	200	200
Other Long Term Liabilities	173	145	496	496	496
Total Non Current Liabilities	258	214	821	627	427
Paid-up Capital	476	476	476	476	476
Reserves & Surplus	6,023	7,285	8,545	10,373	12,573
Shareholders' Equity	6,499	7,761	9,021	10,849	13,049
<b>Total Equity &amp; Liabilities</b>	<b>9,199</b>	<b>10,616</b>	<b>12,704</b>	<b>14,624</b>	<b>17,099</b>

## Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,143	1,559	1,986	2,514	3,024
Adjustments	246	351	494	553	595
Change in Working Capital	-479	-505	-377	-297	-429
Total Tax Paid	-258	-244	-593	-629	-756
<b>Cash flow from operating Activities</b>	<b>652</b>	<b>1,161</b>	<b>1,510</b>	<b>2,142</b>	<b>2,434</b>
Net Capital Expenditure	-1,208	-1,970	-1,041	-231	-273
Change in investments	460	1,100	-506	0	0
Other investing activities	56	25	30	142	142
<b>Cash flow from investing activities</b>	<b>-692</b>	<b>-844</b>	<b>-1,517</b>	<b>-89</b>	<b>-131</b>
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	-64	-194	-200
Dividend (incl. tax)	0	-143	-167	0	0
Other financing activities	-53	-58	-2	-23	-20
<b>Cash flow from financing activities</b>	<b>-53</b>	<b>-201</b>	<b>-232</b>	<b>-217</b>	<b>-220</b>
Net Change in cash	-93	116	-239	1,835	2,083

## Valuation Ratios

	FY22	FY23	FY24	FY25E	FY26E
<b>Per Share Data</b>					
EPS	18	28	31	38	46
Growth %		57%	12%	24%	20%
Book Value Per Share	137	163	189	228	274
<b>Return Ratios</b>					
Return on Assets (%)	10%	13%	13%	13%	14%
Return on Equity (%)	14%	19%	18%	18%	18%
Return on Capital Employed (%)	15%	19%	16%	18%	19%
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.0	1.1	1.1	1.1	1.1
Sales / Gross Block (x)	2.8	3.0	2.3	2.0	2.3
Working Capital / Sales (%)	35%	27%	23%	29%	37%
Receivable Days	59	63	59	57	57
Inventory Days	75	72	77	85	84
Payable Days	132	126	109	109	106
Working Capital Days	3	9	27	33	35
<b>Liquidity Ratios</b>					
Current Ratio (x)	2.3	2.0	2.2	2.8	3.2
Interest Coverage Ratio (x)	86.9	114.3	94.7	108.5	154.2
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.2	-0.1	0.0	-0.2	-0.3
<b>Valuation</b>					
PE (x)	90.9	57.9	44.4	35.8	29.7
Earnings Yield (%)	1%	2%	2%	3%	3%
Price to Sales (x)	8.4	7.1	5.0	4.2	3.6
Price to Book (x)	11.8	6.2	7.2	6.0	5.0
EV/EBITDA (x)	55.4	26.2	27.0	21.0	17.8
EV/Sales (x)	8.3	4.4	4.9	4.2	3.5

Source: Company, Keynote Capitals Ltd. estimates

Valuations

Particulars	FY25E
Revenue (in Rs. Mn)	15,412
PAT (in Rs. Mn)	1,828
PAT Margin %	11.9%
EPS (Rs.)	38.4
P/E (x)	41.5
Target Price (Rs.)	1,594
CMP (Rs.)	1,381
% Upside/(Downside)	15.4%

Source: Company, Keynote Capitals Ltd. estimates

Over the years, IPL has emerged as a formidable player in the Indian paint industry, challenging the dominance of established competitors since its inception. The Company has consistently achieved growth rates of 2-2.5x compared to its peers. This success can be attributed to its multi-pronged strategy, including introducing differentiated products, focusing on rural and Tier III and IV markets, and investing heavily in brand building and advertising.

IPL aims for a robust 25-30% growth in its topline. However, the intensity of competition is increasing in the industry. We expect IPL to grow its revenue by 18% in FY25 and due to operating leverage, expect margin to improve further.

Over the years, the Company has achieved growth surpassing the industry average despite rising competition. For valuation purposes, we have applied a ~25% discount to the average P/E of the top three players. Based on this, we value the company at a 41.5 P/E ratio.

Indigo Paints Ltd | Initiating Coverage Report

Our Recent Reports

Structural Steel Pipes Industry | Industry Report

KEYNOTE

Structural Steel Pipes Industry

26 June 2024

Multiple levers for strong growth

The structural steel pipes industry is an integral part of India's infrastructure and construction sectors, providing the backbone for a wide range of projects, from bridges and highways to oil and gas pipelines. With the government's emphasis on infrastructure development and the country's rapidly urbanising population, there is a strong demand for structural steel pipes. The industry is expected to grow at a steady pace, driven by both government and private sector investments. Key players in the industry include Tata Steel, JSW Steel, and ArcelorMittal. The industry's growth is supported by a robust regulatory framework and a skilled workforce. The industry's growth is supported by a robust regulatory framework and a skilled workforce. The industry's growth is supported by a robust regulatory framework and a skilled workforce.

Company	Rating	Price	EPS	Dividend
Tata Steel	BUY	1,450	1,050	250
JSW Steel	BUY	1,100	800	200
ArcelorMittal	BUY	1,200	900	220

Strong growth potential and improving operating margins

Additional demand will be met by the steel industry. The steel industry is expected to grow at a steady pace, driven by both government and private sector investments. Key players in the industry include Tata Steel, JSW Steel, and ArcelorMittal. The industry's growth is supported by a robust regulatory framework and a skilled workforce. The industry's growth is supported by a robust regulatory framework and a skilled workforce.

IFB Industries Ltd | Initiating Coverage Report

KEYNOTE

IFB Industries Limited

12th June 2024

Strong combination of growth and margin expansion

IFB Industries Ltd is a leading manufacturer of industrial machinery and equipment, serving a wide range of industries including textiles, food processing, and pharmaceuticals. The company has a strong track record of growth and profitability, driven by its focus on innovation and quality. The company's growth is supported by a robust regulatory framework and a skilled workforce. The company's growth is supported by a robust regulatory framework and a skilled workforce.

Company	Rating	Price	EPS	Dividend
IFB Industries	BUY	1,200	800	200

Strong growth potential and improving operating margins

Additional demand will be met by the steel industry. The steel industry is expected to grow at a steady pace, driven by both government and private sector investments. Key players in the industry include Tata Steel, JSW Steel, and ArcelorMittal. The industry's growth is supported by a robust regulatory framework and a skilled workforce. The industry's growth is supported by a robust regulatory framework and a skilled workforce.

MPS Ltd. | Initiating Coverage Report

KEYNOTE

MPS Limited

17th May 2024

Strong growth potential and improving operating margins

MPS Limited is a leading manufacturer of industrial machinery and equipment, serving a wide range of industries including textiles, food processing, and pharmaceuticals. The company has a strong track record of growth and profitability, driven by its focus on innovation and quality. The company's growth is supported by a robust regulatory framework and a skilled workforce. The company's growth is supported by a robust regulatory framework and a skilled workforce.

Company	Rating	Price	EPS	Dividend
MPS Limited	BUY	1,200	800	200

Strong growth potential and improving operating margins

Additional demand will be met by the steel industry. The steel industry is expected to grow at a steady pace, driven by both government and private sector investments. Key players in the industry include Tata Steel, JSW Steel, and ArcelorMittal. The industry's growth is supported by a robust regulatory framework and a skilled workforce. The industry's growth is supported by a robust regulatory framework and a skilled workforce.

Structural Steel Pipes Industry Rating Methodology

IFB Ltd.

MPS Ltd.

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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