INDIGO
Be surprised!

November 12, 2024

To,
BSE Limited
Corporate Relationship Department
25th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400001
Scrip Code: 543258

To
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block G,
Sandra Kurla Complex, Bandra (East)
Mumbai - 400051
NSE Symbol: INDIGOPNTS

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call for quarter and half year ended September 30, 2024

Pursuant to the Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held with the analyst/ investors on November 08, 2024 at 17:00 hrs (IST) to discuss the unaudited Financial Results of the Company for the quarter and half year ended September 30, 2024.

The above information will also be made available on the website of the Company at https://indigopaints.com/investors/analyst-investors-meets/

You are requested to take note of the same.

Thanking you,

For Indigo Paints Limited

DAYEETA SHRINIVAS GOKHALE
Digitally signed by DAYEETA SHRINIVAS GOKHALE
Date: 2024.11.12 10:49:11 +05'30'

Dayeeta Gokhale
Company Secretary & Compliance Officer

Encl: as above

"Indigo Paints Limited

Q2 FY '25 Results Conference Call"

November 08, 2024

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

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Indigo Paints' Q2 FY '25 Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Nikita. On behalf of ICICI Securities, we welcome you all to Q2 FY '25 results conference call of Indigo Paints. We have with us senior management. And now I hand over the call to Mr. Srihari Santhakumar, General Manager of Finance and Investor Relations, to introduce the management as well as take the call forward. Thanks, and over to you, Mr. Srihari.

Srihari Santhakumar: Good evening, everyone. Thanks, Anirudh. Thanks for joining the earnings conference call for the quarter ended Q2 FY '25 and for the half year ended the same period. From the management side, we have with us Mr. Hemant Jalan, Chairman and the Managing Director; Mr. Suresh Babu, he's the Chief Operating Officer; Mr. Chetan Humane, the CFO; and myself joining the call today.

As usual, we'll start the call with a quick brief on the performance for the quarter by Mr. Jalan, followed by a quick Q&A. Over to you, sir.

Hemant Jalan: Thanks, and thank you all for joining in on the earnings call of Indigo Paints for Q2 FY '25. Sincerely hope you and your family have had a good Diwali. We have uploaded the investor presentation on the exchange portals, and I hope you have had a chance to go through our financial results. We are happy to report our sixth consecutive quarter of industry-leading growth, of course, based on the results declared so far as far as this quarter is concerned.

On a consolidated basis, our top line has grown by over 7.4% for the quarter. Now the last 3 quarters have been tough for the industry as a whole. Though this quarter, Q2, opened with strong double-digit growth for us in July, the months of August and September were a bit of a drag, which resulted in the streak of a low-demand scenario to continue in Q2 as well. Despite the persistent low-demand scenario, we at Indigo Paints have maintained an industry-leading growth with good profitability.

First, let me highlight the stand-alone results. Compared to Q2 of last year, our sales in Q2 of this year have registered a value growth of 6.7%, which is significantly ahead of the industry growth. As usual, we have maintained the pole position in terms of gross margin, which stood at 44.1%.

The gross margins were slightly muted compared to the corresponding period of the previous year when we had recorded 45.7% in Q2 of last year, and this slightly lower gross margin percentage is largely due to the price cuts which were taken by the industry in both Q3 and Q4 of the last fiscal.

The EBITDA has increased from INR41.8 crores in Q2 of last year to INR42.6 crores in Q2 of this year, registering a growth of 1.9%. The EBITDA margin of 14.8% clocked in this quarter is slightly lower than the 15.2% registered in the comparable quarter of last year.

The PAT decreased by 7.7% to INR24.1 crores compared to INR26.1 crores clocked in the same quarter of last year. The PAT margin for the quarter moderated from 9.6% clocked in the same quarter last year to 8.2% recorded in Q2 of this fiscal, primarily due to the higher depreciation on account of our new plant at Tamil Nadu. Since the new plant was commissioned in mid-September of last year, the higher depreciation will be built into the base from Q3 onwards. And we would not see a divergence between EBITDA growth and PAT growth from Q3 onwards.

On stand-alone basis, for the first half of this fiscal, we have clocked a top line growth of 6.4% compared to the same period last year, and have achieved sales of INR582.5 crores. The EBITDA for the 6-month period has reduced slightly by 1.3% to INR88.4 crores. And EBITDA margin for the 6 months has clocked at 15.2%, which is slightly lower than the 16.4% in the first half of last fiscal, for 2 reasons, a) due to the slightly elevated employee expense pursuant to the ramp-up in our sales force in both Q1 and Q2 of this fiscal, and also, as mentioned earlier, due to the sharp price cuts taken by the industry a few quarters ago.

The PAT decreased to INR50.6 crores for the first half of this fiscal. And the PAT margin stood at 8.6%, versus 10.4% in H1 of FY '24, again, due to the significantly higher depreciation burden.

Coming to the consolidated results for the quarter, our revenue grew by 7.4% to INR299.5 crores, while the EBITDA degrew by 1.5% and the PAT degrew by 12.1%. The EBITDA margin for the quarter on consol basis was 13.9% and the PAT margin was 7.3%.

Our subsidiary, Apple Chemie, has registered a robust growth of 27.7% in Q2 of this fiscal. However, their margins were impacted significantly due to adverse product mix, which we expect to improve significantly in the upcoming quarters.

For 6 months FY '25, on consol basis, Indigo Paints has achieved a revenue of INR610.5 crores, which is 7.6% growth over H1 of last year. The EBITDA has degrown by 2.6% to INR88.9 crores in H1 of this fiscal compared to INR91.2 crores in the H1 of last fiscal. And the EBITDA margin contracted from 16.1% in HY of last fiscal to 14.6% in HY of this -- H1 of this fiscal. All other numbers are given in detail in our investor presentation.

I shall now give you some more operational details about the second quarter going a little beyond the financial numbers. During this Q2, our overall A&P spends as a percentage of revenue decreased from 5.8% in Q2 of the last fiscal to 5.4% in Q2 this year. As we had mentioned earlier, we have started supplementing our TV advertising spends with significant spends on digital media as well, an area where we have been passive in the past.

However, the overall increase in A&P spends are less than the top line growth in revenues. Hence, the A&P spends as a percentage of revenue is expected to still decline going forward.

In line with our disclosure practices, we have given our volume and value growth numbers for each of the 4 major categories of paint products. For the quarter, Q2, the company witnessed both value and volume growth across all 4 segments. The only segment where the value growth was significantly higher than the volume growth was the Primer, Distemper and the Miscellaneous segment where the value growth was 13.7% compared to the volume growth of 7.1%. And this is largely due to a sharp uptick in our waterproofing product sales. For all other segments, you will notice that the value and volume growths were largely in tandem.

The Emulsion segment, which is the largest segment, also saw good growth, and premium segment of the emulsions grew at a significantly higher pace than the economy segment. We continue to focus on network expansion on improving the throughput per active dealer, and on increasing our tinting machine population. As on the 30th September of this year, our count of active dealers was 18,718, and our tinting machine population was 10,555.

On the capex front, civil works are progressing in both the new plants that we are setting up at Jodhpur, one is the state-of-the-art water-based paint plant, and another is the solvent-based plant. The water-based new plant is expected to be commissioned sometime in Q2 of the next fiscal, while the solvent-based plant, we are trying to get it up and running by the Q4 of this fiscal, at most, it may spill over to Q1 of the next fiscal.

Simultaneously, we are also undertaking a brownfield expansion of our putty plant at Jodhpur, which would certainly be completed in Q4 of this fiscal. The waterproofing and construction chemical products continue to consistently yield good results, contributing to healthy mid-single digit to the revenue pie.

Coming to our sustainability initiatives. We continue to use electrical vehicles for the last-mile delivery of our products at select depots, and are exploring to deploy more. We have commenced work towards the installation of a rooftop solar model -- or panels at our Cochin factory. We have also started a new initiative called "Indigo Seva Utsav". Under this initiative, Indigo Paints along with painters and the community at large are undertaking painting of government schools in Tier 2 towns. This initiative, which was piloted so far in 2 to 3 states, will soon be rolled out across multiple states in the subsequent months.

Also as part of our CSR initiatives, we continue to extend educational benefits for the underprivileged girls in and around Pune, and also provide free health care benefits through the Cancure Foundation in Kochi.

Indigo had introduced a health insurance program for painters and their families last year in Bihar. In the beginning of this fiscal, we extended the program to the states of Odisha and Chhattisgarh, and now we have decided to expand the benefit to a much larger community spanning over 11 states. Already more than 5,000 painter families have been enrolled in this program.

Finally, we hope that this long streak of muted underlying demand situation comes to an end in Q3, and that the industry does a sharp reversal towards its normal growth rate.

With a broad portfolio of products, a robust sales force and an extensive distribution network, we at Indigo Paints are well equipped to expand our market share as demand picks up in the upcoming seasonally favorable quarters.

That's all I have to say as an opening remark, and I look forward to answering your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: My first question is on putty. Another paint company said that the industry leaders are having gross margin negative in some of the markets in putty in Q2. If you could confirm if in your market also it has been done. And would you be worried given you're expanding putty expansion in Jodhpur in the coming quarters? Would you be worried that this negative gross margin could continue, and then it becomes a bit challenging for you also in the putty side of the business?

Hemant Jalan: For us, Abneesh, putty has never been a negative gross margin. And the reason is that we are perhaps the only paint company that manufactures almost all of its putty in-house. Most others outsource the putty manufacturer to a third-party vendor. And our putty plant is only located at Jodhpur, which is very near in proximity to the sources of the principal raw materials, which are very high-quality dolomite and, of course, white cement. As you know, both the white cement factories in India are located within a 50-kilometer radius of Jodhpur. So manufacturing it in-house in a very, very modern plant and being very close proximity to the raw materials. No doubt, the margins in putty are somewhat low, but they are definitely not negative in our case.

And the reason why we continue to expand our putty production is putty is a very good input, sort of first entry point into any household, which starts painting. So if you supply putty there, you have a much better chance of moving in with your higher-value products. Also being a bulk commodity, it helps in rationalize our logistics costs in terms of freight.

So I know that there are many large players that have been dropping putty prices. We took a call with our sales force. We noticed that some of these people have been also compromising their quality to take care of these very low realizations.

Our sales force felt that we should not go that way. And we have maintained our quality and not deteriorated our formulation in any way whatsoever. And we continue to have positive growth in volume sales of putty as far as this year is concerned. And as I said, we do have slightly subdued gross margins in that, but they are very far from being negative. So I think we are in a much stronger position by making all the putty in-house and making it at a very favorable location.

Abneesh Roy: Sir, two follow-ups there. Is it the first time industry has seen, at least in the last 7, 8 years, negative gross margins in putty? And second, I understood that for you it's not negative because of the in-sourcing. But margins and pricing have both come down for you in putty?

Hemant Jalan: We have not lowered our price at all. Whether it has been the first time in the last 7, 8 years where the industry has experienced negative gross margin, I cannot answer on behalf of others. That's a question that you'll have to ask them. But we do not follow the strategy of deteriorating product quality to match prices. And we think that the users are intelligent enough. There will be a class of users which will only go after price. Equally, there is a large component of the user population that doesn't mind paying a little bit extra for really good quality.

We recently had a brand tracking study done in 3 different states of India. And everywhere, the results came out exactly endorsing this, that the dealers and the influencer community is extremely happy with our product quality, in particular, on putty. And they don't mind paying a slight premium. So we have stayed away from falling into the trap of lowering product quality and lowering price. We'll appeal to a segment that is quality conscious and is willing to pay the price for it.

Abneesh Roy: Sir, my second question is on waterproofing. You mentioned adverse mix in Apple Chemie in Q2. So if you could tell what was the reason, and will that continue? Second, I wanted to understand from a pricing per kg for waterproofing, how does it compare for you versus pricing per kg for paint. So I wanted to understand if waterproofing is growing at 28% versus paint growing in, say, mid- to high single digits, what kind of a pricing benefit comes if waterproofing grows much faster as a consol company. That understanding I wanted.

Hemant Jalan: So you have to separate the waterproofing and construction chemicals being offered by Apple Chemie, and there is a parallel line of waterproofing and construction chemicals offered by Indigo Paints in its brand name through its retail segment. The 2 are entirely different. As far as Apple Chemie is concerned, yes, they had a 28% top line growth in this quarter, and the growth is actually 38% if you look at the first half of this year, which is extremely good. The gross margins in Q1 were pretty good. In Q2, due to .., well they have some star products which have high gross margin, and those products deteriorated in volume during Q2, largely due to certain big projects being affected due to excessive monsoon in those parts of India.

It has picked up very strongly again in October. And therefore, the gross margins in October for them are pretty much back to normal. And therefore, their profitability going forward should be good. Now you asked about the waterproofing and construction chemicals, which are part of our Indigo portfolio, which, as we said, contribute to mid-single-digit contribution as far as our overall revenue pie is concerned.

Now this segment is a conglomeration of about 7 different products that we offer. And the price per liter or price per kg of these products is fairly similar to, shall I say, the lower end of the premium paints that we sell. So they are reasonably high value. They are not in the equivalent to the luxury segment, but they are higher than, let's say, the economy segments of paints that we sell.

And because this product line in Indigo paints has really flourished in the last 12 months or so, therefore, for one of the segments in which we have reported volume and value growth, you'll find that the volume -- the value growth is significantly higher than the volume growth. Because as compared to distempers and primers, these products, which have been bundled in that same bucket, do have significantly higher price realization, which is why the value growth is significantly more than the volume growth. All other segments, you find that the gap between value and volume growth is negligible.

Abneesh Roy: Sir, last quick question on media. So in FMCG now, digital is almost 40% plus as part of the total pie in terms of spend. For you, how much is digital because you said you have been passive. And for paint industry ballpark number, what will be the benchmark digital as a percentage?

Hemant Jalan: See, FMCG, a lot of it is either e-commerce, where digital spends are very high because they get related to what you call performance marketing. You advertise digitally, people go there, click, and buy products. When it comes to paint industry, there are some larger companies that offer a lot of painting services, which we do not offer.

And I have seen the transcripts of some of the calls by some of our larger competitors in the paint industry, and they have mentioned that they use digital marketing largely to generate leads for painting services, which is again performance marketing. So I do not know what the split between digital and TV is. It's a question that you'll have to ask them. I do not have that information. But as far as we are concerned, since we are not using digital media for performance marketing in terms of generating leads or doing any e-commerce or anything like that, our purpose for digital advertising is slightly different.

Our purpose is that simply generating brand awareness, as we do in television to tell a little story about ourselves. Now increasingly, there is a growing population in India, especially amongst the younger age group that does not watch television anymore. So that segment is not exposed to the extensive advertising that we do on television. And really to reach out to that audience, we have started digital advertising.

Now this year, it may comprise of maybe 15% of our total media spend, which is a subsection of the total A&P spend. And since this is the first year, we'd like to go a little slow, get a feel for what kind of results it is delivering. And maybe the percentage will ramp up as we go forward if we get a good feedback. So far, we find that it is reaching out to a very large audience, which was not being captured via television ad campaigns.

Moderator: The next question is from the line of Rajesh Mangal Agarwal from Rajesh Mangal & Co. Please go ahead.

Rajesh Mangal Agarwal: Yes. Hemant, sir, can you tell me the active dealer for your 18,718, and the tinting machine is 10,555.

Hemant Jalan: Correct.

Rajesh Mangal Agarwal: So whether every dealer is not required a tinting machine?

Hemant Jalan: No company, even the industry leader, all the dealers will never have a tinting machine. That percentage, which until 3 years ago for our active dealers, roughly 35% of them had tinting machines. That number has crept up to about 55%. Maybe for some of our larger competitors, that number may be 75% and maybe closer to 90% for the industry leader.

The reason why not all dealers have tinting machine is it depends upon what products of Indigo they are selling. Now only the emulsions, that is the wall paint, the final top coat, whether it is exterior or interior, those are largely the products that go through a tinting machine. There is a large segment of paints, almost 50%, if not more, that does not require tinting. Examples are putty, primer, enamels, which are largely sold in premixed shades, ready-made shades.

Waterproofing products, which don't require tinting. Wood coatings do not require tinting. And all of our differentiated products like floor coat, tile coat, ceiling coat, we are all offering them in ready-made shades. So it is entirely possible for a dealer to sell a reasonably large portfolio of our products without the aid of a tinting machine.

The other phenomenon that happened, although not to a very large extent, is some of the more experienced dealers are able to use the tinting machine of another company, and tint the product of another company. And that happens, although to a smaller extent. You may not be able to get the very exact shade, but an experienced dealer will be able to come somewhat close to it.

So we have also seen dealers of ours who sell good quality of our emulsion without having our own tinting machine. Of course, the effort always is to try and convince them to have our tinting machine, and we do eventually succeed. But sometimes, due to lack of space, they say, "We have some other brand of tinting machine and we are able to tint your products with that machine."

So we hope that in a few years, our percentage of our active dealers who have tinting machines will also grow closer to 75%. That is the objective in the medium term.

Rajesh Mangal Agarwal: Yes, yes. Second question is, sir, regarding this, you know this -- all the paint industry sale, it depends upon the dealer and painter. And to some extent, the advertisement made from us, okay?

So you have directed very good work, this health insurance for painter community. So can you throw some more light on how we are covering this painter community in Chhattisgarh. Basically, I'm in Chhattisgarh.

Hemant Jalan: Okay, you're from Chhattisgarh. Okay. See, first of all, this is a CSR objective initiative. It has got nothing to do with our business. Since it is a community which is somewhat marginalized as far as socioeconomic status is concerned, is why we are reaching out to them.

When we enrolled painters for this health benefit, I can tell you frankly, we made no effort to find out whether that painter has been promoting Indigo Paints products or not. And that is definitely not a criteria. As long as he's a painter, he may be selling Indigo Paints, he may be selling any other brand of paints, that is not at all our concern.

Any painter that we can get, so long as he is a painter of any brand, we are willing to enroll them. If you are aware of painters who are not enrolled in this program of ours, if you can send us the list of those centers with their mobile numbers, we'd be happy to connect with them on telephone, get the details of their family members, and also enroll them.

So this list of painter families that we are covering in whichever states we have started actually grows every quarter as more and more painters come forward and enroll themselves because now a large number of painters are the beneficiaries of this program. And it covers everything, right, from maternity to any possible thing that requires hospitalization. So it's a good program. And...

Rajesh Mangal Agarwal: Sorry to interrupt you, sir. What is the amount of health insurance we are providing to this community?

Hemant Jalan: As part of the insurance, we are providing about 1 lakh per year for all the family members put together. And if there is a case where, for some reason, the cost goes beyond that, we find ways of even bridging that gap. But the official amount is INR1 lakh. And normally, most of these painters are in small towns. So far in our 1-year experience, we have not encountered even a single claim that has gone beyond a lakh for the family members put together. Usually, they are significantly lower. It's only in the large cities that medical costs are significantly higher. In small towns, the medical costs are pretty low.

Rajesh Mangal Agarwal: You see, Hemant, sir, now, as of now, Government of India and many more states have already provided this health insurance of about INR5 lakh. So I don't think this will benefit much more to our company. What is your opinion?

Hemant Jalan: See, it's like this, that those health care facilities being provided by the government, you are right, largely cover the below the poverty families. And therefore, many of these painters are not enrolled into that. In some cases, the state government supplements it with additional health care facilities, which are free of cost. In some states, these facilities offered by the state government is extremely good. And in some cases, it is fairly average.

Also, there is a fair amount of documentation required to get enrolled into all these health care programs, either by the state government or by the central government, which some of these people are not able to fulfill. So it's a voluntary thing for anyone to get enrolled. It is their choice whether to avail of the free government program or whether to go to a private hospital and ask us for a claim.

We do get a significant number of claims every month. We have a short verification procedure to just ensure that the claim is genuine and the hospital bill amount has not been tampered with. And then we have a fairly quick method of disbursing that amount to the family.

Rajesh Mangal Agarwal: Sir, what is the...

Moderator: Rajesh, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn.

Rajesh Agarwal: Madam, just last question, a follow-up. This is the last question. Hemant, sir, to whom should we contact for this program?

Hemant Jalan: You can contact our.. well, we do have a CSR team within our organization. But you could get in touch with anybody in our sales force at Chhattisgarh or you can get in touch with our head office, our investor relationship person, Mr. Srihari. Anyone that you get in contact with will be able to direct you to getting more and more painters covered. It would be very welcome, and we would be thankful to you to help us in this novel CSR cause that we are pursuing.

Moderator: The next question is from the line of Jasdeep Walia from Clockvine Capital. Please go ahead.

Jasdeep Walia: Sir, how has been the progress of your initiative to increase sales in Tier 1, Tier 2 cities, how is it progressing? And if you could give us some trend in data points that you see to benchmark your performance, let's say, in the first half?

Hemant Jalan: No, that initiative has been going on now for quite some time, I would say, almost 2 years now. And I think the progress in Tier 1, Tier 2 has been extremely good. Basically, there was a phobia in the sales force in going to the larger cities because for a very, very long time, they had become accustomed to selling in the smaller towns. I think that fear is completely gone away.

The percentage of sales coming from the Tier 1 towns is increasing quite sharply. And also the percentage of tinting machines that we are installing, a fairly large percentage of that is coming from the larger cities. So I would say that, that part has become now a nonissue for the company. And it doesn't require any special focus because now the entire sales force is as much oriented towards selling in the larger cities as they were earlier in the smaller towns.

Moderator: The next question is from the line of Aditya from Investec. Please go ahead.

Aditya: Sir, my first question is on gross margins. So you pointed out that there were a couple of price cuts in the second half of last fiscal, which have partly kind of led to this margin correction. But at the same time, some of your peers have taken some price hikes in this quarter and in the preceding quarter. Have you also taken those price hikes? And is this...

Hemant Jalan: Yes, we have. But you must understand that the price cuts that were taken in Q3 and Q4 of last year aggregated to somewhere around 4.5%, almost 5%, depending upon your product mix. And the price hikes that have happened in the quarter just gone by is at best 1.5%. So there is still a clear 3% to 3.5% deficit in pricing. And although raw material prices have been largely stable but when you compare the principal raw material prices today to what they were a year ago, they are somewhat higher.

So there has been a little cost push from the purchase side and a drop in prices on the selling side. And therefore, contraction in gross margin was inevitable. That is one. Secondly, what happens is that the industry has been going through a weak demand scenario, and you'll find that in the narrative of all the paint players. Now whenever the demand scenario becomes a little weak and the underlying demand growth is not what the industry has been used to, there is a tendency to marginally up the trade channel discounts, et cetera, to try and grab a little share of the pie.

And although that is not in a very large way responsible for the marginal drop in the gross margin, but it may have contributed also in infinitesimally towards that. But significant contribution comes from the fact that our pricing today overall is still about 3%, 3.5% lower than what it used to be a year ago.

Aditya: Understood, sir. But sir, if I just look -- compare it with last few quarters' margins also, I understand that Q2 typically is a slightly lower margin quarter. But in the preceding quarter, Q1, we had 46%-plus margins, almost 46.5%. In Q4 of last fiscal, we had 49%, 48% in Q3. So the drop -- I mean, and in Q3 and Q4, those price cuts were partly already reflected. So from that perspective, the drop in margins appears to be quite sharp.

Hemant Jalan: No, you have to compare gross margins always on a Y-on-Y basis. Comparing them sequentially from 1 quarter to the other will give you very misleading results. Because the product mix changes completely when you go from 1 quarter to the other, especially when you come to Q2. Now even if you look at the last fiscal, our gross margins for Q2 were the lowest. And they rise a little bit when it comes to Q3, and Q4 is when they hit the roof, because most of our profitable products -- and the same thing you'll find with EBITDA margins.

So maybe it is a little more pronounced in our case compared to others, I cannot answer that. But you can go through and look our EBITDA margins and gross margins quarter by quarter for the last 3 years and you will find exactly the same trend, that they are decent in Q1, they dip sharply in Q2, they rise sharply in Q3, and they go very, very high in Q4. And that's how it has always been, and that's how it will continue to be.

Because exterior painting undergoes a slight decline or a major decline during Q2, during the monsoon period. It starts rising from 15th October once the rains go away. And Jan to March is the period -- still even in Q3, there are parts of India that get rained, notably Tamil Nadu, which gets the northeastern monsoon. So actually October and November are their peak months for monsoon.

And typically, on the eastern coast, when it comes to Northern Andhra, Odisha and West Bengal, there is a season of cyclone that typically hits around October, November. So it does cause disruption to some extent in limited geographies even in Q3. Q4, there is no disruption at all. So Q4 is the best season for paint sale from a climate viewpoint.

Aditya: Sure, sure. Understood, sir. And sir, my second question is on Apple Chemie. The gross margin erosion, again, that we have seen over there, given that you are saying that those products are back in action from October onwards, should we be expecting those margins to be back as well? Is there some pricing pressure as well?

Hemant Jalan: Good gross margins from them. The top line growth is very good. But you noted it right, it's a small-ish subsidiary. At the moment -- of course, bottom line, one always has to be conscious about. But I think at this scale of operation, we are more interested in them geographically expanding their reach to every corner of India and growing the top line. Bottom line can be corrected when it becomes meaningful. At the moment, little variations in their EBITDA margins or gross margins, in the scheme of overall things on a consol basis for Indigo Paints, do not create a very sizable change.

What is good is that the top line has grown by more than 38% in the first half of this year, which is extremely reassuring. And we are more interested in seeing that top line growth to a much more meaningful number. And in a year or 2, when that number becomes much more meaningful, that is the time to take a sharper look at what can be done to improve the bottom line. But having said that, I'm pretty sure that the bottom line would be fairly good in Q3 as far as Apple Chemie is concerned.

Aditya: Fair point. And sir, just 1 last question. While you kind of highlighted that putty is nowhere close to being a negative gross margin business for you. But while it may be positive, but have you seen any deterioration in profitability in the last couple of quarters? Or even over a slightly longer period of time, have you been seeing a profitability of this segment coming down a little?

Hemant Jalan: See, profitability -- the raw material prices for putty have been very, very stable. As far as profitability coming down, it will come down only if you reduce prices. And we refuse to reduce prices. And we get growth in volumes without reducing prices. So I see absolutely no logical reason why the profitability will come down. Having said that, profitability in putty has always been the lowest profitability contributor amongst all the other segments.

Enamels are another somewhat lower profitability gross margin contributor into the paint pie. Most solvent-based products have a gross margin which is slightly lower than water-based products. So different products have different gross margins for whatever historical reasons. As products tend to get more commoditized, their gross margins are likely to fall.

But in this business, you can't pick and choose and say, I will cherry pick and only sell this product and not sell a certain class of products. Because if you need a satisfied dealer who's committed to you, you have to offer them the entire basket of goods. So along with that, we have some products where the gross margin contribution will be very, very high. So they compensate each other. And the weighted average gross margin ours is the highest in the industry. In fact, it has consistently been almost 4% higher than the industry leader.

So I don't think that you can find much to complain about our gross margin as such. And if you come to the #2, #3 players in the industry, the gap that we have in our gross margin versus their, becomes 8% to 10%, 8 to 10 percentage points. So that's, I think, very commendable for a company of our size, to maintain that kind of prudent purchasing and to command pricing, which we do not sacrifice so easily irrespective of what others do.

Moderator: The next question is from the line of Vedant Mehta from QRC Investment Advisors. Please go ahead.

Vedant Mehta: I just wanted to understand how your differentiated products are protected and are presented from being copied? What helps your sustain your edge on above average gross margins?

Hemant Jalan: So there is nothing we can do to prevent it from being copied. The question is how successful will the person who's copying it be as far as marketing it is concerned. Now most of these differentiated products, we have had them around for anywhere from, I would say, 10 years to 15 years. Now it is not that the competition has not tried to imitate them. Companies much, much larger than us in size have come up with equivalent products multiple times in the past.

The reason why they have not been very successful is, wherever we have launched these differentiated products, we have supported it with very extensive advertising for several years. And by the time the larger giants in the industry wake up to the potential of these products, these products or product categories have almost become synonymous with Indigo.

You also have to realize that the size of each one of these products, the market size, could be significant for Indigo. It may not be very significant for a very large paint manufacturer. And therefore, it doesn't make sense for them to put advertising money behind any of these products.

Because in their scheme of things, this would be a relatively small contributor to the overall pie. So therefore, for very valid reasons, they do not back it with advertising money, and they find the going tough and many of them after some time, abandon venturing into this line. Or even if they, they stay at the fringes, and we have not had a problem in protecting this box that we have built over the last 10, 15 years.

Vedant Mehta: Yes, that's very well explained. And I have another follow-up question. Are there any plans to introduce new differentiated products? And if not, why.

Hemant Jalan: Yes, there is one very major product that is on the annual, which is undergoing some regulatory clearance, which is required. I'm hopeful that we will get it in the next 3, 4 months or so. And it's a product that we have worked on for a very, very long time. And once we get our regulatory approvals, and I'm afraid that's all I can talk about it at this stage, I think it could be a very big addition to our strong portfolio of differentiated products.

Moderator: Thank you. The next question is from the line of Chinmay from Crescent Capital. Please go ahead.

Chinmay: Sir, in our channel checks in Delhi and in Central India, we have come across quite a number of dealers who although stock Indigo's floor paint, but they do not stock the other products. Could you give some colour on why this is? And do you face any challenge in converting or convincing these dealers to stock the rest of your products as well. And in extension to that, could you guide which are the markets where you enjoy good share in your differentiated products and our emulsions, and where you're able to supply your entire range of products.

Hemant Jalan: So basically, if you stay away from the metros, where we'll be very weak, and we are not the only ones who are weak. Even the #2 and #3 player, you will find their presence relative to the size is extremely weak in the metros. So when you come to the 10, 11 largest cities of India by population, it's virtually winner takes all. And even the #2 and #3 players struggle to make most of the mark.

So you're absolutely right, you will not find too many dealers in Delhi who stock our full range of products. You observed very correctly that even if they were not stocking the full range of our products, they were invariably keeping our floor coats. So in a way you answered what the previous questioner Mr. Vedant Mehta: was asking, how do we protect the moat, and that is correct.

A person may want to buy the emulsions, the primers or whatever other products of larger brand names or the industry leader. But when it comes to a floor coat or a tile coat or a metallic emulsion, the prescription of the painter invariably is Indigo. And that is an advantage that we enjoy.

We would love to sell our entire portfolio of products in a Delhi or a Mumbai or a Bangalore or Hyderabad or a Chennai. But unfortunately, the consumer sentiment is such that it is difficult for anyone other than the market leader to penetrate those markets. We are present in Delhi. Our sales are rising fast in Delhi, but it is a drop in the ocean compared to the potential of that particular city.

And that would perhaps also be true in the entire NCR region, whether you go to Gurgaon and Faridabad or Noida or something, I mean, they're all virtually considered part of Delhi. You'll find the same observation if you went around to Bangalore or Mumbai or Chennai or Hyderabad or Chandigarh or Jaipur. Some of the -- or even Kolkata for that matter.

But when you come to the Tier 1 towns, the next rung of cities, like if you went to a Kanpur or even if you went to a Lucknow or even if you came down to Pune or you went to a Surat, you'll find our presence is significantly better as a percentage compared to what you would find in a Delhi or a Mumbai or a Bangalore.

And if you went to the Tier 2 towns and lower, you'll find that our presence is very, very strong as far as offering the entire basket of goods are concerned. So this is a natural progression that happens in this industry, and you know that we have started from smaller towns because we read this phenomenon and we have been slowly working our way up. I think we are reasonably good in Tier 1 and Tier 2 cities with a lot of headroom still to grow. And the headroom to grow in the metros is just massive. We haven't even scratched the surface so far.

Suresh Babu: And to add to it Chinmay, Delhi is a very new market for us. I mean we have been there about a couple of years now. And this is a normal process of entering a market because we use our differentiated products to penetrate the dealers. The dealer gets to know the products, gets to know us as an organization, how well the commercials are handled by us.

And subsequently, we allow them to try the other products, which are the normal vanilla products of emulsions and primers and things like that. We have an extensive program for contractor engagement. We subsequently engage with the contractors of those dealers. And slowly, slowly, we ensure that more and more of his counter share comes to us as an organization. So that's the normal process that we adopt.

Hemant Jalan: So after floor coat, you will -- if you really go around Delhi, you will find a fair number of dealers who are actively selling our putty. They are selling our distempers. Emulsions become the last hurdle and the most difficult hurdle to crack in these metros. And that takes time, and we just have to be patient.

Moderator: The next question is from the line of Mohit from Envision Capital. Please go ahead.

Mohit: Thank you for taking that question.

Moderator: Sorry for interrupting you, sir, your voice is not clear. Could you speak a little loud?

Mohit: Yes. Is it better now?

Moderator: No, sir. Could you speak a little loud?

Mohit: Yes. Is it better now?

Hemant Jalan: Yes, much better.

Mohit: Yes, sorry for that. Congratulations on the top line growth. Sir, I just wanted to kind of break down the capex plans a little better. So essentially, there are three projects that are going on, right, the water-based plant, the solvent-based plant, and then the brownfield expansion, correct?

Hemant Jalan: Correct.

Mohit: Okay. And sir, in the stand-alone cash flows, we can see that in H1, around INR65 crores has been spent. So the INR65 crores has been spent on these three projects?

Hemant Jalan: 95% of it will be on these 3 projects. Some capex happens on tinting machines also. But the major amount would be for these 3 projects, yes, with the water-based plant consuming the maximum amount.

Mohit: Okay. Understood. And what is the capex plan? Any number you can share for FY '25 where we can end for the full year?

Hemant Jalan: I don't remember how much we have already spent on these projects in the last fiscal, I can tell you the total capex outlay. The total capex outlay for the water-based plant that we are setting up is going to be somewhere around INR250 crores to INR275 crores. For the solvent-based plant, I believe, is about INR55 crores or something like that. Sorry, it's closer to INR50 crores. And for the brownfield expansion of the putty plant, it will be around below INR15 crores or so. This is not counting the cost of the land, which we already had from before.

Some of this would have been spent in the last fiscal. Major amount will come in this fiscal. And for the water-based plant, there will be some CapEx that will come in, in the Q1 and Q2 of the next fiscal also. So it's being funded entirely by internal cash accruals, and we are fairly comfortable.

Mohit: Right. Understood. And any further investments that we expect to make in Apple Chemie to scale that business up a little bit more?

Hemant Jalan: They have undertaken small amounts of CapEx, but those quantums are fairly small. They are in the region of about INR5 crores, INR6 crores or something. And most of it they have already incurred, and some minor capacity enhancements that they had to make in certain lines of product. They are more or less done.

Mohit: Okay. Got it. Great. And sir, just coming back to these water-based and the solvent plants. Just wanted to understand once again that when can we -- when do we expect to reach, let's say, a peak utilization in these plants? And the products that will be made in these plants, will these be more differentiated? Will it be along the similar portfolio that we have? Anything you can share on that as well? That would be very helpful.

Hemant Jalan: So product lines that will be made will be exactly what we are making now. We are already making water-based products at Jodhpur, except that it's a legacy plant. That plant was originally set up in the year 2000. It has incrementally grown over the last 25 years by adding machinery, adding some buildings, adding some construction.

But the scale of operations that we have reached, the whole plant was designed in a slightly manual mode. With the scale of operations that we have reached now, it is no longer conducive to manufacture at this scale in that kind of a setup. So which is why we set up a state-of-the-art, highly automated plant in Tamil Nadu, which we commissioned last September. And it is that identical plant that is coming up at Jodhpur. And all the products that we are presently making at Jodhpur will get shifted to this new plant in a far more streamlined manner.

Solvent-based plants, the volumes are much lower. They are nowhere comparable to the water-based production capacities. And therefore, today, we make solvent-based products only in our Tamil Nadu facility. And because a significant amount of sales for these products comes in Northern India and Eastern India, we wanted to set up a plant also at Jodhpur where we had land available, so that from a logistics and freight viewpoint, it becomes more convenient and it will save significantly on our logistics cost to service these solvent-based products in North and East India from Jodhpur rather than it coming all the way from Tamil Nadu, which it presently does.

And putty, we only make at Jodhpur and we will not make it anywhere else because it does not make economic sense to make it anywhere else. We are right in the center of the best raw materials available and the cheapest sources. So over time, our -- there are many months when we face a crunch in putty manufacturing capacity. So we are doubling the capacity almost so that it takes care for our requirements ahead.

Now you asked a question that by when will we get great utilization, that's a little difficult to answer. See, by and large, paint industry is somewhat CapEx-light. So when you do an expansion, you don't expand keeping the next 1 year in mind. You do an expansion keeping the next 4 years in mind.

So it doesn't matter. Probably with the size of the plant that you set up, in the first year, the capacity utilization may be 35% and goes up to 50%, 60% in the next year, and then slowly comes up to 75% in the third year. And once you start reaching those levels, you know it is time to start working on another round of capacity expansion.

So basically, with the kind of capex that we are putting in now, which will all come in stream somewhere between February, March to maybe August of next year, we don't envisage any significant capex for the next 3, 4 years, keeping healthy demand growth in mind.

Now in case the demand were to pick up exponentially, maybe we don't have to wait for 4 years and maybe in 2.5 or 3 years, I sincerely hope, that would be a nice problem to have to need to expand capacity earlier than what we had originally envisaged. But as of now, I think chances are we will not need any significant capex for the next 3, 4 years.

Mohit: Right. Sir, this was very helpful. So essentially, the capex will follow the demand. And capacities will be added based on the demand scenario going ahead, essentially.

Hemant Jalan: Yes. Of course.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities. Please go ahead.

Tejash Shah: First of all, at the risk of repeating myself, I would like to express my appreciation for the clarity and insights that you share on your calls, it has been fantastic.

Hemant Jalan: Thank you, Tejashji.

Tejash Shah: Sir, you mentioned today earlier on the call that 50% of our network has tinting machine net of the total network. Would it be fair to assume that this segment of our dealer network will be contributing 60%, 70% of our overall sales?

Hemant Jalan: I have not done -- I mean we do have those analysis. I don't think I have that -- those figures readily available. Do you have it?

Suresh Babu: No, it should be around -- would be around 60%.

Hemant Jalan: It should be more than 60%. I mean if 55% of our active dealers have tinting machines, I -- my gut feel is that they should be accounting for at least 70%, 75% of our total sales throughput. But keep in mind one thing, that, as I said, 50% of your paint products don't need to go through a tinting machine. So we have some very, very large dealers who don't have a tinting machine, who don't sell our emulsions but still do a huge amount of business. So I'll need to separate out the tinting machine dealers from the non-tinting machine dealers to give you a more accurate figure, but I'm afraid I don't have those numbers readily available right now.

Tejash Shah: No, sir, I was also seeing -- trying to see it as a sign of loyalty, that even without selling -- even without selling non-tinting product, I actually -- if a dealer actually kind of logs into your tinting machine, it means that he's already selling a lot of your non-tinting based product, and that's why he has put in money.

Hemant Jalan: Yes. There are many dealers like that. Most of our differentiated products, which account collectively for 30% of our top line, they don't require tinting. Putty accounts for well over 10% of our top line, and when it comes to primers and distempers. So therefore, let's say that in our case, maybe 65% of our offerings don't go through a tinting machine at all, neither do enamels. So if some person for reasons best known to him does not want to sell our emulsions, but is doing great business in the others, we have no problems really.

Tejash Shah: Perfect. And sir, if somebody is having your tinting machine, it is safe to assume that he has started dealing on emulsions with you?

Hemant Jalan: It should be. 95% of the cases, it would be.

Suresh Babu: There are cases where sometimes they go off the grid because of some outstanding issues. But otherwise, they will deal in our emulsions.

Tejash Shah: Perfect. Sir, second question, throughout last 2 quarters, across earnings call, we are hearing that we have still not seen any discernible presence or impact of the new competitor on business or on demand. But when we look at the number, both on demand side and margin this quarter was very weak for the industry. So should we say that the cost of growth has increased or growth itself has been also kind of taken away by some -- not necessarily only the new competitor, but there's a lot of intensity around it.

Hemant Jalan: No, not really. See, if you -- I mean for the new competitor and you're talking about Birla Opus. I think the results will come out sometime next week. Hopefully, they will disclose what their top line in paint sector is. If they do disclose that -- see, this is an INR60,000 crore industry, which does INR15,000 crores of sales in a quarter. Any new competitor who is aggressive enough, and certainly, they have been aggressive, may have captured anywhere from 2% to 3% of that market in terms of at least the primary sales.

Is that going to be responsible? Is that diminished growth that we are talking about? Certainly not. I mean the industry normally grows at about a healthy 8%, 9% every year. So the industry should have been growing by at least around INR1,400 crores to INR1,500 crores per quarter. And if some new entrant comes and takes a small portion of that, that is not what leads to demand slowdown.

So I think the numbers will speak for themselves. It's become fashionable for the last 2 years to ascribe anything that happens in the industry to the so-called competition from a new entrant, but it doesn't quite work that way.

And they are still in the mode of channel expansion. There could be significant diversion between their primary sales and their actual secondary sales. So I endorse the views of what others in the paint industry have said that we do not feel any significant pinch as far as our sales are concerned by the entry of any other competitor, at least not so far. And I sincerely doubt whether any pinch will be felt by anyone in the future. The industry is very large and large enough to accommodate more entrants like them. So I don't think that, that is going to be a factor.

And normally, when we have earnings call, the first 4 callers talk only about this. Today, I'm glad to see that you are the eighth questioner, and finally this question has come up. We can do it some time, but I guess the euphoria or the brouhaha about a new entrant is slowly tapering off as people realize that. Maybe they are doing well, I have no idea, but they are not affecting us. So why should we bother our heads too much about them?

Tejash Shah: Yes, sir. I spoiled the flow today.

Hemant Jalan: If it was not you, it would have been the next person. So it's okay. It's not complete without talking about Birla Opus, unfortunately.

Tejash Shah: Yes, I just stuck with the custom. Sir, the last one, and this is about the exit part, which is like you are aware that there's a potential consolidation which can happen in the industry. So first of all, do you believe looking at the profit pool, how it is behaving, there is a reason for more consolidation happening in the industry? Or you believe this is a very bottom-up call of the player itself and nothing to do with the industry scenario?

Hemant Jalan: See, I cannot talk about what reasoning has prompted one of the players to talk about a possible divestment. And at the moment, it is only a possible divestment if you read the words carefully of what they have uploaded. What has prompted them to do that? I really don't know.

What they have said, and that's all I know, what is available in the public domain, is that they wish to focus on their core industrial coatings business worldwide. And therefore, they're apparently planning to get out slowly from the decorative business not just in India, but in many other parts of the world also.

As far as we are concerned, any consolidation is good for the industry. There is one player less to compete on. But one player less, 2 more will come in, in due course of time. So this has been happening for the last 25 years. It will continue to happen for the next 25 years. There are many large players who have either exited in the last 25 years or have been relegated to the fringes of the industry. And many new entrants have come in. So there is no way to stop this process. But as any large player exits, partially or wholly, it's always good for the -- for all the other players in a minor way. No earth-shattering changes will happen, but whatever incremental change will happen will be for the good of everyone else.

Tejash Shah: Sir, do we compete with that portfolio directly, of the potential exit portfolio?

Hemant Jalan: Not really, see because that company is more metro and a large city-oriented company, and more a very, very premium segment-oriented company. Our strengths lie quite the opposite of that. So yes, I mean, do we compete against each other somewhere or the other, of course, we do. We'll be competing against every player in the paint industry in some form or the other. But whether it's a very significant competitor to us given our geographical and product mix, the answer would be not much.

Moderator: The next question is from the line of Rajesh from SK Capital. Please go ahead.

Rajesh: Thank you for giving me this opportunity. In fact, just to let you know, it's been like 2 quarters that I have been in the queue trying to ask this question, and I'm lucky that I got this chance, and it's a pleasure talking to you, Mr. Hemant Jalan, one-on-one.

There are two questions on my mind. It's been like 3.5 years for this IPO of INR1,200 crores with the Tamil Nadu plant going live last year, the tinting machines being deployed, the Apple Chemie company being acquired, waterproofing business, the sales team for them being said. The team has been now looking into the Tier 1 and Tier 2-related geographies as well.

Meanwhile, the financials, when we look at it, the sales have doubled and the profit has tripled. The Jodhpur plant is planned to be coming. Everything is through internal accruals. Yet the share price of your company in the last 3.5 years is pretty much trading at the IPO price. Don't you think it would be a good idea to kind of go with some kind of a buyback to kind of see the kind of value that it can deliver in the future, and also reassure the investors who have been patiently holding onto the investments within Indigo Paints? That's my first question, sir.

Hemant Jalan: It would be great if people like you start buying up the shares in the stock market, that would certainly drive up the stock price and yield good dividends to all the existing shareholders. But on a more serious note, the share prices of our shares, not having risen much from the IPO, you can take the share price of all paint companies. The number one, number two, number three players, and look at their price movement in the last 2 years. They have all had decent earnings growth, all have had decent top line growth. And the share price has not moved, I think, more than plus or minus 5% for any one of them.

Now why is that happening? I think the analyst community, which is represented on this call, has been partially responsible because each one of you for the last 2 years has talked about this impending doom of the paint industry with a large entrant announcing its entry, and everyone has predicted that the profit pool will be ravaged and all kinds of unpleasant things will happen to the sector.

And the investing public relies on your advice and your prophecy. So because of that, I guess, none of the paint company prices have moved a lot. Our prices did take a dip post IPO. But if you look at our share price movement in the last 7 months, the last I saw, we were up about 25-odd percent. If you look at our share price movement in the last 1.5 years, I think we have moved beyond 50% to 60%.

So yes, if you compare with the IPO price which was 4 years ago, and after that, everybody's share price sunk after this mammoth announcement by a large new entrant, we seem to be recovering a little better than others. I think it's only a matter of time.

The day questions about the new incumbents stop coming on the analyst earnings calls of all the paint companies, that will be the day when you'll find the share price of all paint companies coming back to their rightful position.

Rajesh: Sir, any buyback kind of thing on the mind of the management to kind of seize the value...

Hemant Jalan: That's a very good suggestion, and it is something that the Board will definitely consider in due course of time. At the moment, the capex that we are undergoing which was not part of the IPO proceeds, the IPO proceeds talked about the capex at Tamil Nadu plant which got completed a year ago. And all the tinting machine and other things that we had talked about when we raised the funds in the IPO, have all been spent much more than a year back.

So now with this fresh capex that we are talking about, which is slightly in excess of INR300 crores, which is being funded completely with internal accruals with zero debt being undertaken by the company, and the company giving sustained dividend year after year after year, this would not be the time when we would have enough cash surplus to do a buyback.

Maybe 1.5 years from now when all this capex is behind us, I'm sure when we have a lot more surplus funds, the Board will take a decision at the appropriate time for a capex and -- for a buyback, as you suggested. And that's definitely one of the options that we would pursue at the appropriate time.

Rajesh: Perfect, sir. Sir, my last question is one more of an advice or a suggestion or maybe an out-of-the-box kind of suggestion here. And that is with regards to -- we have been seeing that a lot of trading companies are coming up or setting up shop where they basically are doing bulk buying from the tile manufacturers, the sanitaryware, and the steel and paint kind of products, to support building materials. So is it -- would it be a good idea for Indigo Paints to tie up with something like a Shankara product or, let's say, a SG Mart or an ofbusiness for bulk buying, that would be one.

And the second thing would be in terms of the digital area. A lot of these youngsters are kind of watching a lot of Instagram and YouTube. So why wouldn't Indigo Paints kind of think of tying up with these influencers? That way, people who have got like 1 million subscribers and so on and so forth, so that we have got a lot of visibility amongst these social media viewers.

Hemant Jalan: You have given a very good suggestion as far as the digital is concerned, and we have started our influencer marketing program, I think, just about 15, 20 days ago, and that is going to intensify as we go forward.

Rajesh: Yes. We have tied up with some influencers through our digital media agency, and we are on the road to executing the same.

Hemant Jalan: And when you talk about influencers, you have to understand that they don't come cheap. And the larger their following, the higher is their price tag. So you have to strike a balance between what kind of following they have, what kind of target audience their following exists in, and what their price tag is. And we are already doing that. We had not been doing that earlier. This is an exercise that has started just last month, and it will intensify going forward.

But as far as your earlier question was concerned about tying up with these so-called building material stores, I think their success rate in the paint sector has been somewhat low. All the other products that you talked about, Rajesh ji, whether it's the tiles or pipes or sanitaryware, et cetera. Please remember that those are generally once-in-a-lifetime purchase or at least, at most, once in 20 years purchase. And those are all project sales items.

So their timing is together when a new construction is happening, you require electrical wires, you require tiles, you require sanitaryware, you require bathroom fittings, you require laminates and a whole lot of door fittings, et cetera, et cetera. Paint does not fall in that category.

Only about 15% of paint consumption is accounted for by new construction, 85% is repainting. So generally, selling paints through that channel has not been very effective. Also, these bulk-buying stores exist mainly in the metro cities of India where they can cater to a large number of very large builders. As I said, our presence in the metro cities is low.

And in paints, you have to work first with the influencers, not the influencers on digital media, but the influencers in real world, which is the painter and the painting contractor community. And unless they get confident about their products and recommend your product, price -- lower price being offered by these stores is generally not a very important factor for selling of paints.

Rajesh: Perfect. Sir, I think with that, I would like to congratulate the team and hoping that we kind of see the results of all the hard work that has been done by the management reflecting the share price very soon.

Hemant Jalan: Thanks for your kind words.

Moderator: Thank you. As we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Hemant Jalan: Thank you. Thank you all for joining in on the call. It's been a reasonably long call, and thank you for your patience. And I welcome the kind of questions that came up, which were extremely interesting and quite a joy to answer. I look forward to engaging with you in the days ahead and certainly in our quarterly calls every quarter. So thank you all for listening in. Thanks.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.