August 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 - Transcript of Earnings Call for quarter ended June 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 and investors on August 07, 2024 at 11:00 hrs (IST) to discuss the unaudited standalone and consolidated Financial Results of the Company for the quarter ended June 30, 2024.

The above information will also be made available on the website of the Company www.indigopaints.com/investors

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: 2024.08.12 21:59:57 +05'30'

Dayeeta Gokhale
Company Secretary & Compliance Officer

Encl: as above

"Indigo Paints Limited Q1 FY-25 Earnings Conference Call"

August 07, 2024

MANAGEMENT:	**MR. HEMANT JALAN – CHAIRMAN AND MANAGING DIRECTOR.** **MR. SURESH BABU – CHIEF OPERATING OFFICER.** **MR. CHETAN HUMANE – CHIEF FINANCIAL OFFICER** **MR. SRIHARI SANTHAKUMAR – GENERAL MANAGER FINANCE AND INVESTOR RELATIONS.**
MODERATOR:	**MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Indigo Paints Q1 FY25 Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, sir.

Manoj Menon: Hi everyone, it's a wonderful morning, afternoon, evening, depending on the part of the world you are joining this call from. Representing I-Sec it's our pleasure and privilege to host Indigo Paints Management once again for the Results Conference Call.

Before, I hand over to the management. Just want to highlight that we have upgraded this stock to an add from hold today morning, and as it stands right now, out of the five paint stocks we cover, we have an add rating on AkzoNobel, Indigo and Kansai. Our negative stance on reduced rating on Asian and Burger space. Now over to Srihari for further proceedings please. Thank you.

Srihari Santhakumar: Thanks Manoj. Good morning everyone and thanks for joining the Earnings Conference Call of Q1 FY25. We have uploaded the Investor Presentation in the Stock Exchange as well as in our website along with the relevant disclaimers.

As usual, in the call today we have Mr. Hemant Jalan – CMD of our Company; Mr. Suresh Babu - Chief Operating Officer, Mr. Chetan Humane our CFO and myself Srihari.

We will begin the call with a quick brief of the Performance Highlight by Mr. Hemant Jalan followed by the Q&A session. Over to you sir.

Hemant Jalan: Thanks Srihari. Thank you all for joining in on the Earnings Call of Indigo Paints for Q1 FY25. I presume you have gone through our Financial Results as well as our Investor Presentation uploaded on the Stock Exchange portals.

We have once again reported industry leading growth rate for the fifth consecutive quarter despite subdued market conditions. On a consolidated basis, our top line has grown by over 7.8% for the quarter. Although the growth is good relative to the industry performance, we at Indigo Paints are not enthused by this growth. We feel that we could have certainly done much better, but given the tough market conditions, we had to settle for this 7.8% growth level.

First, let me come to the Standalone Results of the Company:

Compared to Q1 of FY24 our sales in Q1 of FY25 have registered a value growth of 6.1%, this tepid growth rate can be attributed to the stark slowdown in the Kerala market. We understand from our sales team on the ground that Kerala has shown a negative growth for all the paint players. And since Kerala is a very significant contributor to our top line, it has served to drag our overall growth rate down. However, various other states did extremely well to compensate for the poor showing in Kerala and provided significant contribution to our top line growth. As usual, we have maintained the pole position in the industry in terms of gross margin, which is significantly higher than all other major paint players. However, due to price cuts, slightly elevated channel discounts and a temporary spike in certain raw material prices, the gross margin reduced slightly from 47.6% in Q1 of FY24 to 47.0% in Q1 of FY25.

The EBITDA has decreased marginally from 47.7 crores in Q1 of last year to 45.8 crores in Q1 of this year, registering a marginal negative growth of 4.1%. The EBITDA margin reduced from 17.2% in this quarter last year to 15.6% in Q1 of FY25 largely due to a sharp increase in employee cost of around 23% to 24% on a Y-on-Y basis. Last year, we had drastically expanded our sales force size in Q2 of FY24 to increase the number of feet on the ground in more states. Hence, the employee costs in the quarter just gone by is significantly higher than the corresponding figure for Q1 of FY24. Of course, if the top line growth had been a little higher, this would have been comfortably absorbed without resulting in any minor EBITDA drop.

Going forward, there will not be a significant increase in employee cost on a Y-on-Y basis from Q2 onwards, and we do not expect to see this aberration in future. The PAT has also decreased from 31.3 crores in Q1 of last year to 26.5 crores in Q1 of this year, which is primarily due to the additional depreciation charge incurred by the Company on account of the commissioning of our Tamil Nadu plant in September 2023.

Now coming to the Consolidated Results:

For the quarter, our revenue grew by 7.8% to Rs.311 crores, while the EBITDA showed a negative growth of 3.5% and PAT was down by 15.4% for reasons identical to what I have just stated. Our subsidiary Apple Chemie has registered a robust growth of about 47% in Q1 of FY25 on a Y-on-Y basis. We are pleased to announce that Apple Chemie is the first and the only construction chemical Company in India to have recently received NABL accreditation for its laboratory. With good sales traction for two consecutive quarters in a row, and with the investments made by Apple Chemie in terms of expansion of its sales force and marketing activities to various additional states in India, we expect them to register strong growth in the upcoming quarters as well.

Let us now look into some more operational details about the last quarter:

Going beyond the simple financial numbers. Our freight cost as a percentage of top line has shown a decline compared to the corresponding quarter of last year. The advertising and promotion spends as a percentage of revenue decreased from 7.6% in Q1 of last year to 7.2% in the quarter just gone by. Going forward, we intend to supplement our TV advertising spends with significant spends on digital media as well. Towards that end, we have already started several initiatives and will soon intensify our engagement with the target audience through digital media. However, the overall increase in A&P spends will be less than the expected top line growth in revenues, and hence, the A&P spends as a percentage of revenue is expected to continue to decline, albeit marginally.

In-line with our disclosure practices, we have given our volume and value growth numbers for each of the four major categories of paint products. For the quarter Q1 FY25, the Company witnessed over 29% value growth and 24% volume growth in the primer and distemper segment, and the healthy 8% value and volume growth in the putty segment. Value growth in the emulsion segment and in the enamel segment were lower than volume growth numbers primarily due to the industry wide price cuts undertaken in the second half of the last fiscal. Nevertheless, even in the subdued market, we witnessed a positive volume growth across all categories. And you will notice that the value and volume growth numbers have been largely in tandem with each other. We continue to focus on network expansion and increase our active dealer base and our tinting machine population. As on 30th, June 2024, our count of active dealers was about 18,500 and the tinting machine population crossed the milestone of 10,000 numbers and closed at 10,210.

Aside from the waterproofing and construction chemicals being marketed by our subsidiary Apple Chemie, we have also been selling similar waterproofing products in the retail space at Indigo Paints for the last year or so, and this segment is already contributing about 5% to 6% of our standalone top line. We expect the contribution from this segment to increase to around 8% to 10% of our top line as we move forward. On the CAPEX front, work is progressing well, on the state of the art water based paint plant being set up at Jodhpur and the solvent based plant also being set up at the same location.

Now we focus on our ESG Initiatives:

We have extended the electrical vehicle last mile delivery service in three more states in India. We are also targeting installation of one megawatt of renewable energy via rooftop solar installations in this fiscal. On the CSR front, we continue to extend educational assistance to about 150 under privileged girls in and around Pune city. We have also extended our health insurance program for the painter community to the states of Orissa and Chhattisgarh, apart from Bihar. We intend to extend this program to more states in the coming months.

Finally, we have witnessed high sales growth in the month of July, of a kind which we have not witnessed in any single month during the last seven or eight months. Whether this growth rate will continue into August and September is something that we do not know, and we keep our fingers crossed. With the industry have taken much needed price hikes of about 2% overall during July and August. It augurs well for an improvement in gross margins in future quarters. We sincerely hope that we shall exhibit a sharp uptick in both our top line and bottom-line growth from Q2 onwards.

Thanks everyone, and that is all that I had in terms of opening comments. I look forward to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gautam Rajesh from Ever Flow Capital. Please go ahead.

Gautam Rajesh: So, my first question was on, are you seeing any due to increase in competitive intensity and margin pressures on your differentiated products that you have in your portfolio?

Hemant Jalan: We have not so far seen any change in the competitive landscape as far as our Company is concerned, and therefore there has been no pricing pressure as a result of any new incumbent entering the field. If that had been so, I doubt if the industry would have gone for significant price hike now. So, obviously, at the moment, there is no change in the competitive landscape, and as we have repeatedly said in the past, we do not expect any significant impact from any new incumbent on our top line or bottom line for quite some time to come.

Gautam Rajesh: So, like for a differentiated product as of now, there is no competition that you are seeing?

Hemant Jalan: None that we have witnessed so far.

Gautam Rajesh: Yes. And my second question was on, has there been any changes in consumer prices or for channel margins, painter or dealer incentives in the industry after the entry of Birla Opus and how have we responded, I know you have said, there is no action from our side. But is there any changes that we are doing or seeing due to the Birla Opus entry into the market?

Hemant Jalan: No, I don't think that there is any change visible with the entry of Birla Opus. The competition amongst the existing players remains strong as always, and that is the major competitive intensity that we are likely to face in the next few years, having said that. Whenever the demand scenario becomes slightly muted, as it has been for the last two quarters in a row, for the entire paint industry, naturally there is a tendency to have a minor uptick in the channel discounts to scramble for whatever top line growth you can get in a muted demand scenario. So, there may have been a very minor uptick as far as channel discounts are concerned, but to attribute it to the entry of any new incumbent would be fairly farfetched at this point in time.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Nuvama Wealth. Please go ahead.

Abneesh Roy: Thanks, Abneesh from Nuvama Institutional Equities. My first question is on the Kerala issue. You said yours and even the industry's performance in Kerala, suddenly there is some weakness. Is that continuing even in first 37 days of Q2 and what will be your sense, is it any seasonal factors or base issue, or any festival related shift in terms of dates?

Hemant Jalan: Abneesh, I really don't know why Kerala market is performing badly for everyone. We can hypothesize and put all kinds of micro economic or macro-economic issues or political issues or climatic issues into it. But to be honest with you, I don't think anyone really understands why the market has really had a steep negative drop. As far as Q1 is concerned, we have seen an improvement as far as July is concerned. But to be able to extrapolate and say that there is a sharp recovery in Kerala going forward, we have to wait and watch. It's too early to comment as far as August is concerned, you have seen the severe landslides that have happened in certain districts in Northern Kerala, but that was only a part of the Kerala. And of course, heavy rainfall is built into the base also, Kerala does experience high rainfall. So, it experienced high rainfall last year also during this period. So, that is nothing very unusual. But yes, July has come back into positive growth for us, as far as Kerala is concerned, but it has witnessed a prolonged slowdown, and therefore whether it sustains going forward is anyone's guess,

Abneesh Roy: Right. My second question is on the waterproofing business. So, I remember earlier you had shared a kind of a target or a vision that maybe 8% to 10% of your business should come from waterproofing. You already reached 5% within one year, which is a very good achievement. So, could you talk more about it when you expect your final target of say 8%, 10% and which regions you are doing well, it is still overall 17 crores quarterly run it. So, still these are numbers which can go up sharply, but which cities or which locations you have seen more success?

Hemant Jalan: See the entire portfolio, waterproofing and construction chemicals is a fairly broad portfolio. And even when you talk within that, amongst waterproofing products, which are the major contributor at the retail level, there are various different products. So, there are some products that do extremely well in Eastern India, like West Bengal, there are certain products that do very well in Northern parts of India and Western parts of India. So, it's kind of distributed across India. In general, that segment has been growing very well it's just been slightly over a year since we launched that range, and already contributing more than 5% to our top line. So, I can't give a time frame as to when we would reach our target of 8% to 10% but hopefully another year, year and a half, we should be there and it is a fast growing segment for all the paint players as what we hear from their narrative. So, we expect to ride that wave and register high growth in that segment.

Abneesh Roy: Sure. Last question, so new plant in Tamil Nadu, and we have seen staff cost and amortization obviously increase because of that also. So, the sharp staff cost increase is it only because of Tamil Nadu, adjusting per say the normal inflation which is there for the current employee base. So, is there anything because of the new competition this step has been taken. Second is in terms of capacity utilization, if you could take us how this factory will evolve from a next two years perspective?

Hemant Jalan: So, the increase in manpower costs that we talked about, of course part of it is the normal salary hikes that happen in April. But as I mentioned last year, towards the end of Q1 and really at the start of Q2 we had taken a decision to significantly increase the number of feet on the ground in many, many states in India. So, our sales force had expanded by roughly 35%, 40% in numbers in Q2 of last year, and that led to a significant increase in manpower base, which has yielded results also. This quarter when we compare with Q1 of last year when that manpower increase had not happened, then the increase looks very sharp of almost 24% and that has been the cause of a marginal drop in our EBITDA numbers. As far as the Tamil Nadu plant is concerned, its contribution to our cost is significantly higher depreciation expense, because it is the state of the art plant in which we have spent around 300 crores of CAPEX, and therefore there is a significant increase in the depreciation burden on the Company, and that will continue in Q2 also, and from Q3 it will normalize because it will be built into the base of the Company. When you build large plants, you build it keeping the next four years in mind. So, we have a unit at Jodhpur, we have a unit in Cochin, we have one in Tamil Nadu at Pudukottai, which regions of India they serve depends upon logistics and the logistical efficiency. So, naturally, Tamil Nadu plant is catering more to the Southern and some of the Central and Eastern states of India. Most of the Northern, Western and Eastern states are catered to by Jodhpur unit, where we are undergoing, again a major brownfield expansion. And Kerala is more or less taken care of by the Cochin unit. So, we expect, once the new capacities at Jodhpur come on board, we expect that this would more or less meet our CAPEX requirements for the next four years or so, during which time naturally, the capacity utilizations would inch up year-on-year at each plant, and these capacity utilizations also vary quarter-to-quarter depending upon the seasonal mix of requirements in different parts of India.

Moderator: Thank you. The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Sir my question is on differentiated product portfolio. So, you have launched six products in FY24, how many of them would be a part of a differentiated portfolio that you have, and also in waterproofing, if you can touch upon what is the differentiated unique positioning that we are selling to our customers when it comes to a portfolio of a product versus the market. So, that's question number one.

Hemant Jalan: Not much of new differentiated product launched in the last fiscal. And I don't think we alluded to that, the share of these differentiated products that we have had over the last 17, 18 years have more or less remained constant. We have launched a couple of variants of existing emulsions and distempers in the last couple of quarters, I would not really call them as being significantly differentiated products. They are more as variants of existing products like we have a stain free version of interior emulsion, which has been offered by other companies in the past, we have come up with an economy range of distempers. So, nothing very differentiated about the products that have been launched in the recent past. As far as the waterproofing products are concerned, I wouldn't say that anything is really differentiated. We just feel that our quality of the products is much, much better than what is available in the market by any of our competitors, and that strength in quality comes from the technology that we have been able to inherit from our subsidiary Apple Chemie, which supplies similar products, of course of a much higher specification to large infrastructural projects across India for the building of metro lines and highways, expressways, dams, etc. So, naturally, the level of technology that they possess is of a very high degree, and we have been able to develop a retail range with their assistance, which we feel is significantly better than competition, and that is beginning to show itself in the market with high growth.

Priyank Chheda: So, sir how do we communicate this differentiated quality, or a better quality with a very solid tech, when our sales person would be communicating it to their dealers, and dealers would be communicating into their influencers. How is the communication being dissipated further?

Hemant Jalan: So, largely this communication happens by product demonstration, vis-à-vis competition, during various meetings that we organize with groups of painters and groups of painting contractors. Now, when it comes to wall emulsions, it is a little easier to show because there are simple scientific tools available which a person can carry and demonstrate to what your coverage, what your opacity and what your whiteness and brightness is vis-à-vis competition. It becomes a little more difficult when it comes to waterproofing products, because to demonstrate the superiority in technology requires sophisticated laboratory equipment which are not very mobile and cannot be carried out in the field very easily. So, some makeshift arrangements are done like you can take a tea strainer, or you can take a sponge, kind of a substrate and apply your product on it, and a competitive product on a like-to-like substrate, and put water inside the strainer and show whether the water leaks through or not after application. So, these are some of the makeshift arrangements that our team employs to try and demonstrate the technical superiority. But, I admit it becomes a little more difficult in the waterproofing space for lack of sophisticated equipment out in the field.

Priyank Chheda: Perfect. Sir my next question is on the active dealers that we have and the throughput that we get from the active dealers. So, now what we understand from the ground channel sets is that, a entry level dealer will somewhere around say Rs.2.5 to Rs.3 lakh per bill as a starting point to become an active for a competitors, not for you. But what I am saying is, over last five years, what we have seen is, from Rs.4.5 to Rs.5 lakh per dealer per annum. We have reached to Rs.7

lakhs per dealer per annum as a sales which is grown at 6% CAGR. So, now, how should we see and at Rs.7 lakh, we are still fairly at the point where dealers start their billing for the full year. So, how should we see this sales growth coming up from the existing dealers, as far as the throughput that you would like to see from all our active dealers and then also, if you can highlight there have been few appointments of the wholesale dealer that we have done which we were not present. So, with those appointments coming in, how should this sales per dealer number move, going ahead?

Hemant Jalan: I will let Suresh answer that.

Suresh Babu: See what happens is, that most of these dealers as you rightly pointed out that the throughput keeps increasing because we invest in deploying tinting machines at these counters. And when the tinting machine is deployed at the counter typically the average sales just shoots up by 3x, 4x of the existing sale of that particular dealer. And we also support it through our contractor programs and painter programs. We have a separate set of videos or business development officers who work very closely with the contractors in terms of demonstrating the product quality and encouraging more-and-more of such contractors to apply our product, tryout our product so that actually kind of helps in increasing the sales throughput per dealer. And apart from that, as you rightly pointed out we have been focusing on the wholesale dealer base. We have now in excess of 700 wholesalers and the throughput per wholesaler is pretty high. That comes to the range of Rs.4 to Rs.5 lakhs to start with. So, that also is helping and increasing the throughput. So, to answer your question, the throughput will keep increasing as the time comes goes by.

Priyank Chheda: Okay, perfect. And just a last question, so overall on a growth strategy last time you did highlight, the last quarter call about your reasons and the strategy that you are gaining market share which was a sharper execution, new dealers, waterproofing as well as, increasing the sales throughput. So, now these are the four, five broader blocks which you are deploying to grow faster than the industry. So, where is the energy further required, where is the further attention required in terms of a broader blocks that you are building up, where that can lead to a significant growth accelerating it further?

Hemant Jalan: Well, it all comes down to execution and the focus always is on better and better execution, to keep analyzing as to which regions you could have done better, whether you need some supplement in the manpower strength, or an upgradation in the manpower skill level, or a slightly different focus. Maybe some regions may not have been as active as others in appointing wholesalers or developing their larger dealers. So, it's a micro analysis, and that goes on 365 days in a year, and ultimately it's all a matter of execution. If you can execute, well, then we continue to outpace the industry as we have been doing for five quarters. There is no one lever that we can pull to drastically change the growth trajectory. It's a combination of all the things that Suresh mentioned that you have to keep, a little bit will come from new dealers, some will come from wholesale addition. Some will come from more tinting machine installations which will raise the throughput for dealer. We have many programs to encourage dealers to grow into larger and larger dealers by means of various long term loyalty programs which stretch to almost four years or so. So, there are various things that we do, and we continue to do, and the fact that we are outpacing the industry by a significant margin on a consistent basis is testimony to the fact that the strategy is by and large working out.

Priyank Chheda: Great. Just a last clarification, so when we mentioned that, whenever we install the tinting machine in the active dealer the sales throughput increase. So, going ahead the addition, if you can just give us a broad sense about what would be the active dealer additions per annum that you are looking out going ahead, and what should be the tinting machine additions per annum that we should model it ahead, and I assume that tinting machine addition should be far higher than the active dealer additions?

Hemant Jalan: Well, not necessarily but as a proportion, if you will find that the number of tinting machines as a proportion of our active dealer base that keeps growing up. The tinting machine addition speed is roughly to the tune of 1300 to 1500 per year. And we don't believe in giving free tinting machines to anyone, because we don't think that it generates much value or perceived value in the minds of the dealer. So, we do charge a nominal amount from the dealer as a right to use basis, so that he has some skin in the game, and installs a tinting machine only when he is serious about using the tinting machine, rather than it being lying as a decorative shall I say, paperweight inside his premises. So, we are a little selective about how we give the tinting machine so that they are effectively utilized. But, if we continue at our present pace which is 1300 to 1500 tinting machines a year that is a satisfactory trajectory to be on.

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

Aditya Bhartia: Sir my first question is on the product mix. Last eight quarters or so, we have seen low value product categories like cement and putty and primer and distemper growing at a pace much faster than let's say emulsions and even enamel in the last few quarters. So, what has that been on account of and as we start seeing rural picking up, should we expect of further acceleration in the same trend?

Hemant Jalan: No, I don't think the product mix changes too much across urban and rural India. That is a misnomer that, the lower category products sell in the rural areas and higher category products sell in urban India. We live in urban India, and we have that misconception, but it is a misconception. The product mix has a significant seasonality factor built into it. Now, as we go forward in Q2 the weightage of things like distempers and putty and even enamels will be significantly higher, whereas emulsions a significant part of which are exterior emulsion, their sales go for a toss in Q2 because of the monsoons. So, different products have different weightage in different quarters. For example, a very high percentage of distempers are actually sold in Q2 so, the sale of distempers in Q2 is a very high proportion of the overall sale of distempers in the whole year. And enamels also tend to have a very high sale in Q2 just before the festive season. Whereas when it comes to emulsions, their sales are higher in Q3 and they kind of go through the roof in Q4. Putty is a little more steady and consistent throughout the year and so are primers. So, different products have different seasonal patterns, and Q2 is usually the quarter when the product mix deteriorates for everyone. So, if you will look at our historical performance quarter-by-quarter for the last several years, you will find that the gross margins and the EBITDA margins in Q2 are always the lowest in the whole year. So, I am pretty sure you are likely to see that in the upcoming quarter also, because there is always a deterioration that happens in the product mix in Q2 and that recovers sharply in Q3 and it is the highest for us in Q4 by a very wide margin. So, that's how the trajectory goes. So, I don't think that there is any particular category which has outperformed or underperformed during the last few years. Distempers maybe, we have done higher growth in distempers in the last one, one and a half years, due to certain variants that we have introduced in the market which have done well, but nothing exceptional.

Aditya Bhartia: Sir the seasonality point well taken. But the year-on-year growth picture that you presented in the presentation. If I just tabulate it across quarters, it seems that cement and putty category has been growing at roughly, let's say 35%, 40% annually every quarter. Primers, distempers, almost 30% odd. Again sir, if I look at emulsions, the growth has been lot slower and for the last two quarters, emulsions as well as the enamels and wood coatings categories have actually been seeing very muted growth actually declined. So, that is what I was trying to refer to, if these are year-on-year numbers.

Hemant Jalan: In your observation, I don't have the numbers for the previous quarters right in front of me to be able to verify, but since you have done that analysis, I trust the figures that you are giving. See, putty is an item. Cement paint is not a high growth item, so the major contributor in that category is really putty. Now, putty becomes important because it aids in the selling of other higher value items. Otherwise, putty is a low margin item, but still all paint companies focus extensively on putty sales, because it is when putty sales go up it, it tends to take other products along with it, because putty is the entry point for the painting of any house, and therefore putty becomes important and therefore of a lot of focus as far as we are concerned.

Aditya Bhartia: Sure understood sir. Sir my second question was on employee expenses, that you mentioned that employee expenses rose sharply on a year-on-year basis on account of new additions that we had made in sometime Q2 last year. But, I look versus the personal expense that we had in Q2, Q3 or Q2 of last year, till there is a substantial increase, like versus Q4 of last year itself, on a quarter-on-quarter basis there is almost like a 30% increase in employee expenses. So, just wanted to understand that a little better as well.

Hemant Jalan: So, we started ramping up our sales force in Q2 of last year. So, many people joined in Q2, some joined in Q3 and some may have even joined in Q4. So, overall, as far as the year was concerned, we had a very significant increase in our sales force sizes. Most of the people did join in Q2 from what I recall, and Q1 the base was low, and therefore you see a very sharp uptake of about 24% in Y-on-Y numbers in this quarter as far as employee cost is concerned, the uptake that you will see in the subsequent quarters will be a lot milder than that on a Y-on-Y basis. And there is about a 12% average salary hike that happens every year, which does increase the employee cost by that percentage amount even without an increase in headcount. Normally, when the growth in the industry is good, these are really not any major talking points, because they get comfortably absorbed with the higher turnover and the higher margins that you earn as a consequence. It is when the growth becomes muted that all these minor aberrations start manifesting at themselves in a larger than life format shall I say. And that has been pretty much the story as far as this quarter is concerned, not just for us but for the entire paint industry.

Aditya Bhartia: Sorry, just to clarify on this point, last year FY24 if I look at personal expenses for the fourth quarters actually there is not a major variation at the lowest side it was roughly 23, 24 crores that we saw in first quarter and fourth quarter. Otherwise it was 25, 26 crores in second quarter and third quarter. So, if our numbers have increased.

Hemant Jalan: That is an increase of about 10% without an increase in the salary levels in the mid-year we don't go for any salary hike. So, if there was a 10%, 12% increase in the head count which caused that shift from Q1 to Q4 as what you have said. I don't have the exact numbers for every quarter right in front of me, but to that you add the 12% salary hike that happens in April, and Q1 versus Q1 of last year, the difference becomes 24% which is what I had stated.

Moderator: Thank you. The next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: So, previous participants asked that, I am sure this is a common thought process going on in analyst minds regarding the paint industry, is the effect on Birla Opus entry now, you said that and other competitors have also said that, it's not going to impact them as people are thinking so what I wanted to understand is, could you explain to me why you think that, why the main part is why, why do you think that this player's entry will not impact our financials in the years going ahead. So, wanted to understand is it because you think that the cash flow position of the existing paint players is too good for a player to come in and make a dent. Is it because you think the numbers are too aspirational. Could you please answer why, why do you think so I could better understand.

Hemant Jalan: See, for the last three years you are right the analyst community has been speculating on what kind of disaster a Birla Opus will cause to the paint industry. The existing players have been at pains to give various reasons why they did not expect that to happen. Now that six months have gone by almost since the inauguration of their factories and their launch. I guess it is time for that speculative game to end and for hard numbers to start doing the talking. So, it is for you to collect information as to what kind of top line growth they have clocked in the last quarter, and going forward, what kind of numbers they would be clocking. This is an industry the decorative part of it is easily 60,000 crores per annum. The reason of the why that you want to know is that, from past experience when many big names have entered India in the paint sector, starting from Nippon Paints, Jotun Paints, Sherwin Williams, JSW, who has also been around for five, six years, the barriers to entry are such that it takes considerable time for anyone to ramp up and start becoming a meaningful threat to the existing players, many of whom are very large. Now, if somebody in a 60,000 crore industry is, let's say doing 1500 crores or 1200 crores, or even 2000 crores, it does not change the competitive landscape in any significant effect, either for top line or for bottom line in an industry which is historically seen reasonably good growth happening on a year-on-year basis. So, therefore, irrespective of how a new entrant does, and I am no one to comment on whether their plans are ambitious or not ambitious, that is for them to decide. All we are saying is that, any effect of a new entrant. If somebody were to come and capture let us say, 15,000 or 20,000 crores in this market, definitely it would be a disruptive effect. We do not see that happening for a long time to come by any incumbent whether it is Birla or whether many others who have also announced or have entered the industry. So, the competition that we face, we have been born in this industry 25 years ago without a silver spoon in our mouth, and no one gave us a chance of survival against the giants like an Asian Paints or a Burger or a Kansai or an Akzo. But we have survived for 25 years, and we have grown in size, and we have at least reached that kind of a playing field on which the larger players play, and we have done that by consistently outpacing the industry performance. And these are not small or mild companies to be taken lightly Asian Paints or a Burger or a Kansai or Akzo, these are some of the best run companies that you can find in the Indian corporate space, and they have all existed for close to 100 years or more. So, having learnt our survival instincts and having, shall I say, reached within calling distance of the number four player in decorative space, we have enough survival instincts that we have learned over the last 25 years to be able to survive many new entrants who have entered over the last 25 years. Some have gone, some are still around and many more will come. So, I don't think that there is anything to fear about any new incumbent, at least for the next four, five years, until if they execute well and they become a large force to reckon with. We expect the major competition for us to continue to come from the four players who are larger than us and the competitive intensity that they offer is pretty severe, but we have weathered that for 25 years, and I am sure we will weather that for the next 25 years too.

Kaustav Bubna: Excellent. Thank you so much for that answer. And last question, I couldn't find this information online. Wanted to understand, you said Kerala is a big contributor to you. Could you explain to me a top five states and how much does that contribute to your overall revenue, how much, which are your top five states?

Hemant Jalan: I don't think I would like to share that kind of detailed information about state wise, but there are after Kerala, which is of course our top contributor. We have many, many states which are contributing pretty heavily and growing heavily. There are large states in North and Central India, like UP, MP, there is Bengal, there is Bihar, there is Chhattisgarh, there is Gujarat, there is Maharashtra, these are all fairly large contributors to us, but which state is contributing, how much exactly is a number that I would be reluctant to share at this forum.

Moderator: Thank you. The next question is from the line of Amit Purohit from Elara Capital. Please go ahead.

Amit Purohit: Sir just on the demand side, like you indicated last quarter was a difficult and we did well versus the industry. What has been the trend now, I know July is in a sense a lean quarter, but generally what are your expectations, or what is the trend as of now?

Hemant Jalan: No, I had already mentioned that July has been seen, it's a muted quarter during monsoon that's all right, but that's built into the base also for last year. So, we always look at Y-on-Y growth. So, therefore, the fact that monsoon period is a slightly dull season doesn't really justify any lower growth by itself and you should be able to grow well in any quarter because the base effect takes care of the seasonality. But, I did mention that the monthly growth that we have seen in July this year compared to July of last year is a kind of a growth that at least we at Indigo have not seen in the last seven, eight months. So, that's a very encouraging sign for us, but for me to stick my neck out and to say that this high growth will continue in the month of August and September is something that I am not really prepared to do, because one can't really understand the reasons why these demand swings happen in consumer behavior and until these things play out for at least another month or two, I would be reluctant to say that the bounce is back in the paint industry. We just have to keep our fingers crossed and wait and watch. I can't predict any numbers, because I wish I could, but unfortunately, I do not possess the saviness to be able to predict consumer behavior over the next few months. So, let's just wait and watch and hope that July was not an aberration, but a more sustainable harbinger of things to come.

Amit Purohit: And just one second question on the point that you indicated in your presentation as well that realization was slightly affected due to elevated discounts which you attributed that because there was a softness in demand, the discounts would have increased. Has that now in that sense reduced the discounting or its versus last year?

Hemant Jalan: The uptick in the discount was not very much, it may have been like 1% point, so from whatever levels they were. So, generally, when the going is good in the industry, then you kind of pull back on these dealer schemes and et cetera and reduce your expenses there slightly. And when the going gets rough, because of muted demand, there is a natural pressure to spend a little more and try and get a little more of top line growth, etc. So, minor aberrations, I don't see any material effect with these changes that happen. Having said that, you have to see that our gross margins are much, much higher than the whole industry so at any point in time, if we feel that we can sacrifice another 0.5% or 1% in gross margin and leverage that to get much higher top line growth, we would always do that. But unfortunately, that is not the only lever that works all the time, and therefore just giving more discounts does not necessarily result in higher sales. So, you have to balance these things out as you go forward.

Moderator: Thank you. That was the last question. I will now like to hand the conference over to the management for the closing remarks.

Hemant Jalan: Thanks. Thank you all for a very patient hearing, nice to see a lot of new people coming up with questions in the Earnings Call. And we hope to interact with you again at the end of Q2 and we hope that we shall come back with much better results which meet our internal goals in Q2 both on top line and bottom line growth. Thank you all very much.

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