INDIGO
Be surprised!

Date: May 27, 2022

To,	To
BSE Limited	**National Stock Exchange of India Limited**
Corporate Relationship Department	Exchange Plaza, Plot No. C-1, Block G,
25th Floor, Phiroze Jeejeebhoy Towers,	Bandra Kurla Complex, Bandra (East)
Dalal Street, Mumbai- 400001	Mumbai - 400051
Scrip Code: 543258	**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.

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held with the analyst and investors on May 23, 2022 at 11.00 hrs (IST) to discuss the Audited Financial Results of the Company for the quarter and Financial Year ended March 31, 2022.

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
(formerly known as Indigo Paints Private Limited)

Bose

INDIGO PAINTS LIMITED

Sujoy Sudipta Bose
Company Secretary & Compliance Officer

Encl: As above

“Indigo Paints Limited Q4 FY2022
Earning Conference Call”

May 23, 2022

ANALYST: **MR. MANOJ MENON - ICICI SECURITIES**

MANAGEMENT: **MR. HEMANT JALAN - CHAIRMAN MANAGING DIRECTOR, INDIGO PAINTS**
MR. CHETAN HUMANE — CHIEF FINANCIAL OFFICER, INDIGO PAINTS
MR. SURESH BABU - CHIEF OPERATING OFFICER, INDIGO PAINTS
MR. SRIHARI SANTHAKUMAR — DGM FINANCE & INVESTOR RELATIONS, INDIGO PAINTS

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY2022 Earnings Conference Call of Indigo Paints Limited, 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 is a wonderful good morning, good afternoon to depending on the part of the world you are joining the call from. At ISEC it is an absolute pleasure to host once again the Results Conference Call of Indigo Paints Limited. The company is represented today by Mr. Hemant Jalan, Chairman and Managing Director; Mr. T.S. Suresh Babu, Chief Operating Officer; Mr. Chetan Humane — Chief Financial Officer and Mr. Srihari Santhakumar, DGM Finance & Investor Relations. At ISEC we covered Indigo Paints and we continue to have a constructive view. Now over to Mr. Jalan for the opening remarks and post which we will have the Q&A. Over to you, Sir.

Hemant Jalan: Thanks Manoj and thank you all for joining in on the earnings call of Indigo Paints for Q4 FY2022. For once I shall not start the meeting with the customary greeting of wishing that you and your family members are keeping safe from the pandemic and that in itself should be a strong indicator that everything is back to normal in the paint industry.

Now our financials for Q4 FY2022 and for the full year FY2022 have been uploaded on the stock exchange portals, along with our analyst presentation and you have probably had a chance to go through them. Before I dwell on the actual numbers, let me first up front confess to a disappointment on behalf of Indigo Paints.

In the 10 years that preceded our IPO last year, we had consistently outperformed the paint industry in top line growth percentage by a factor of 2x or even 2.5x at times. It was expected that such high growth levels would continue in the future. However, we are conscious of the reality that this has not happened in the last five quarters. We have certainly kept pace with industry top line growth percentages, and generally outperformed on our profit growth numbers, but not to the extent that was expected of us.

Let me admit that this has been a far greater disappointment to us than to the investor community. So, during the last few months we have been digging deep into ourselves to figure out where we are going off the mark and what we need to do better. Now, during the last 20 years the Indigo Paints growth story has been led by launch of a range of differentiated products, a conscious focus on tier 3 and tier 4 towns for growth, gradual buildup of our brand equity through advertising, and a relentless increase in our dealer network and tinting machine population.

We now find that in most states of India, our network of dealers in these small towns is excellent and an attempt to further increase our network in tier 3 and tier 4 towns would be counterproductive. In these towns within our existing dealer network usually we find that our share of counter revenue for Indigo Paints is also fairly high and although there is considerable scope for further increase in our counter share within our existing network we also realize that this further increase will happen at a more gradual pace. So, we have now decided to focus on the next level of towns or cities in India, which you may broadly refer to as tier 1 or tier 2 towns. We have identified 750 such cities in India, which are the largest cities of the country by population excluding of course the largest 10 to 12 cities which may be referred to as the metro cities. So excluding these metro cities the next largest 750 cities is where we now need to expand our presence.

We find with data analysis that over the last few years we have managed to build a reasonably good dealer network in the 750 cities, but unfortunately our output per dealer is extremely low here. So we have now embarked on a vigorous campaign since the start of the current fiscal FY2023 to exclusively focus on these 750 cities to concentrate our engagement program with the influencer community which is the painter community to generate large increase in sales.

The scope or head room for growth is huge in these cities. Fortunately, our brand equity has become quite strong over the years and a dealer network in these cities for us already exists. We just need to focus and get more output from this network. Large-scale effort in this direction has started on an all India basis from 1st of April and early results are beginning to show. It will take a few more months before these efforts will start reflecting themselves in operational results in a significant matter. At which time we sincerely hope that our growth trajectory will be back to its earlier levels where we start outpacing the growth rate of larger players by a huge margin.

You are also all well aware of the unusual inflation and raw material prices which our industry has experienced in the last 18 months or so. You will recall that the industry took very sharp price increases in paints in Q3 of the last fiscal to mitigate this. During Q4, prices of raw materials remained relatively stable during the months of January and February, but once again moved up sharply in March due to further spurt in emulsion monomer prices globally.

The continuing war in Ukraine has certainly made matters worse. Minor price increases have been affected earlier this month and some further minor price increase is slated for next week. At the moment raw material prices have been relatively stable and steady in April and May and the near-term outlook for raw material prices appears to be stable. However, this remains somewhat unpredictable in the medium to long-term and we have to continue to react to the ongoing situation as and when it emerges.

Gross margins which had taken a big hit in the last fiscal have started moving up gradually in Q3 and Q4 and we expect further small movements in upward direction in Q1 and Q2 of this fiscal. Now the trade channels in the paint industry had overstocked materials in Q3 to avail of pre price increase benefits and the channel was in an overbought condition on the 1st of January 2022.

Naturally, volume off takes January and February were adversely affected by this and has generally seen the weak top line growth by listed paint companies in Q4 despite the fact that the average selling prices in Q4 were about 20% to 22% higher than the corresponding selling prices in Q4 of FY2021. Fortunately, we have all seen good growth returning in April and volume off takes have been strongly positive in April 2022 and we hope that this trend will continue.

At Indigo Paints, we strongly believe that we have to continue to aggressively invest in brand building through advertising to improve our brand equity. You will note that despite the severe pressures on gross margins last year we have avoided the temptation to reduce advertising expenses in an effort to shore up bottom line.

Our advertising expenses continue to register healthy growth and we have done so in FY2022 as well. Even the current fiscal FY2023 has started off by aggressive advertising in the IPL season, which is the most expensive advertising platform in the country. We are progressing reasonably well on the construction of our new water-based paint plant in Tamil Nadu with civil construction and machinery procurement in full swing, equipments have started arriving and equipment erection has now started although we are a little bit behind our schedule on civil works. So it now appears likely that the commissioning of this plant which we had earlier slated for Q2 of this fiscal is likely to get shifted to Q3 of this fiscal. However, this is not a cause for concern by the management as we have enough adequate surplus capacity at the moment to meet any demand.

I will now move on to our financial numbers and the related commentary: Compared to Q4 of FY2021 the Q4 of FY2022 showed a sales growth of 13.4%, gross margins had started slipping in Q1 and Q2 and had started recovering in Q3 and they have further improved in Q4 although only by 70 basis points . Despite maintaining our advertising and promotion spends at a high level in Q4 and despite the year-on-year contraction of gross margins experienced by the entire paint industry including ourselves. Our EBITDA in Q4 has grown by 25.2% on a Y-on-Y basis which has perhaps a much stronger growth than other paint companies. Our EBITDA margin has also increased to 18.6% in this quarter, which is up sequentially from 14.6% in the preceding quarter and even higher than 16.9% that we experienced in Q4 of FY2021. Profit before tax numbers for Q4 have expanded by 27.8% on a Y-on-Y basis and PAT numbers for Q4 have expanded by 39.1% on a Y-on-Y basis. Once again being a strong outperformer in profitability growth numbers within the industry. This reinforces our commitment to always grow the top line but maintain the growth in a profitable manner.

I now turn to the financial numbers for the full fiscal FY2022. Net sales in operations in FY2022 have been 25.3% higher than FY2021. Now it should be noted that this increase is on a more robust base level of FY2021 and Indigo Paints had not been as severely impacted by the first COVID wave relative to other paint companies and we had shown a much higher top line growth in FY2021 relative to others. So this growth of 25.3% comes from a relatively robust base for us.

EBITDA in FY2022 is 11% higher than the total EBITDA in FY2021 despite a significant fall in gross margins due to raw material inflation and despite the 14% increase in A&P spends during the FY2022.

PBT numbers for FY2022 are 16.7% higher than FY2021 and PAT numbers are 18.6% higher than FY2021.

EBITDA margin for the full year FY2022 has been 15% and PAT margin has been 9.2% both of which are slightly lower than the corresponding figures for FY2021 naturally due to steep raw material inflation, however the contraction in both of these margin numbers is not as severe as what you may notice in competition.

We have also given out the details of our volume and value growth for FY2022 in each of the four broad subcategories of paint products consistent with our past disclosures, because we always believe that reporting an overall volume growth does not reveal any meaningful insight into the sector because of several rounds of price increases it is not surprising that value growth is significantly more than volume growth in each category. What is heartening to see is that the growth rate has been the highest in the emulsion category which is by far the largest contributor to the overall sales pie.

During the last quarter we have opened two new depots, one for Himachal Pradesh and one for Delhi. Now these were the only two, the last two remaining parts of India where we did not have an active presence and that shortcoming has now been bridged. Our population of active dealers and population of tinting machines have shown robust growth over the last year as has been the trend in the preceding years.

A few more new product lines have been recently added one being a budget range of exterior emulsion and another being a high sheen variant of an existing premium exterior emulsion. We sincerely hope that we will be able to report a much higher growth trajectory on behalf of Indigo Paints in the forthcoming quarters.

That is all I have to say in terms of my opening remarks. 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 Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Hi! Good afternoon, thanks for the opportunity Hemant and team. Indeed it was a very good performance given the inflation. I have just two questions. On slide #14 where you have given the volume and value growth numbers and I really appreciate this is the consistency what I have seen in your presentation. I just wanted to understand if you can, I mean, not on a quarterly basis I want to understand on an annual basis how the products split in terms of your overall performance for FY2021 and FY2022 if you can share.

Hemant Jalan: What further details are you looking for Shirish because we have given the volume and the value growth for each of the core broad sections.

Shirish Pardeshi: I just wanted to understand the four categories what is the mix which we have seen in FY2021 versus FY2022.

Hemant Jalan: See that is a very granular level of detail individual by product category that companies would not normally like to share. If you talk in terms of order of magnitude then the overall emulsion category and I can speak on behalf of Indigo Paints, I cannot really talk about the others is almost half of the total revenue pie. Cement, paint and putty would be together in the range of about 10% to 15% and similar would be for enamels and wood coatings and the balance roughly of the order of about a quarter of our revenue would come from the primers, distempers and miscellaneous categories. But that is in broad order of magnitude, I would be hesitant to give you more detailed information on the exact split, but that is roughly what it is.

Shirish Pardeshi: No, more than that what I wanted to change because you have taken a lot of significant intervention. So emulsion is one of the thing and what is the change in the emulsion mix before the IPO and now. So I just wanted to understand the annual basis not the quarterly basis.

Hemant Jalan: No, even of the numbers that we have given are on the annual basis and it is basic observation that if emulsions have grown much higher than other categories in volume and in value terms then obviously the share of emulsions in the overall pie would have incrementally gone up by a few percentage points to what they were a year ago. They have to, I mean, that is basic arithmetic they have to happen that way.

Shirish Pardeshi: My second question is on the wood coatings when I visit the market and dealers when we talk suddenly we have seen a very strong aggression in the wood coatings for many players is that the growth is very strong and that is why everybody is jumping into it or maybe because of this market kit is underpenetrated and there is a lot of players are trying to get into spread.

Hemant Jalan: So when you come to wood coatings there are two very broad categories there is the lower end of the wood coating which we call the one pack offering where we have a strong brand called sleek and then there are the very, very high-end wood coatings which are also dominated by a lot of foreign players and Italian companies and some companies which have tied up with foreign players etc. Now, the use of wood coatings is not uniform across India there are parts of India that like to keep their wood neatly polished and show the grains of the wood you would find a lot of that in Kerala, you will find that in Jammu and Kashmir, you will find that in the Delhi region, you will find that in North East and Siliguri and Assam and that part of India, in large parts of India of course there is a demand for wood coating in every corner, but I am saying is that those may be the geographies where wood coating has a slightly higher demand than vis-à-vis the other parts of India where people may still be preferring in other parts to paint the wooden surface with an enamel or apply a laminate where a paint is not at all required. So, these preferences do vary by geography. Overall our understanding is that the share of wood coatings in the overall paint value sale is not more than 4% or 5%. So it may be a high growth area in value terms because some of these top-end wood coatings are very expensive on a per unit basis, but they still account for a fairly small share of the overall revenue pie.

Shirish Pardeshi: My last question is on the pricing. You did touch upon in the beginning saying that we have seen the inflation which is stabilizing, but you did mention there is some price changes which is happen in the month of April and May. So I just wanted to understand from the quarterly perspective and the annual perspective how much price increases would have taken in FY2022 and how much incremental has gone into month of April and May.

Hemant Jalan: In FY2022 these price increases have been kind of spaced out starting from May of last year and then something happened in June, July and went on in small increments and then a big burst happened in November and December. So, if you look at, at the end of the year versus the start of the year then prices were roughly on an overall basket 20% to 22% higher now that it is not uniform across all the product categories like for example if you take the category of putty the total price increase during the course of the year is probably not more than 4%, 5% whereas when you come to emulsions or something the overall price increase could be closer to 20% so it varies drastically across categories. So on an overall basket to say how much has been the price increase it would vary slightly from company-to-company because each company would have a slightly different product mix ratio, but roughly of the order of 22% to 22% April 1st this year versus April 1st last year. Now the price increase that have happened on 1st of May have been very marginal on an overall basket I doubt if it was even 0.5% and what has been announced by all paint companies for 1st June about a week from now is also fairly minor, it may be 0.6%-0.7% on an overall basket. So I think now the industry is moving more towards small incremental price increases on a more frequent interval rather than going for a big bang approach towards making price increase which is what happened in Q3.

Shirish Pardeshi: Sure. Thank you Hemant and team and all the best to you.

Moderator: Thank you. The next question is from the line of Shirish Guthe from HDFC Life. Please go ahead.

Shirish Guthe: Thanks for taking my question, First of all I want to really appreciate and congratulate on the quality of presentation and disclosure, so hope that you maintain that. So the question is this, based on my assumption that emulsion would be about 20% of volumes, if we look at putty, enamels and primers in the last two quarters it seems that there is a decline in volume on a per dealer basis. So just want to get your thoughts on what is the reason for that is it a competitive pressure, is it conscious call on your part to maintain profitability. So if you could give some color on that. That is the first question, I will come back with the second question.

Hemant Jalan: We have given volume and value growths for Q1, Q2, Q3 and we have given it for the overall year so you could very well do some quick back of the envelope calculation and find the corresponding numbers for Q4. So in Q4 you will find that the top line growth of most companies will be in the range of very low single digit to maybe the highest around 19%-20% and we fall at 13.5% roughly as far as Q4 is concerned. As I said prices in Q4 have been roughly on an overall basis 20% to 22% higher than the corresponding prices in Q4 of last year. So basic arithmetic tells me that you have to suffer negative volume growth in at least some categories in Q4 otherwise the numbers would not add up. Now because these various sub parts of the paint industry contribute very disproportionately to volume versus value, I mean, take putty for many companies it could be 45% to 50% of the volume but its contribution and value would generally hover around the 10% mark. So, I think that overall there has to be that relevant gap between value and volume growth and I strongly believe that giving volume numbers on an overall basis really does not reveal anything. So, by consistently we have given value and volume separately and you can see the numbers that in emulsion the volume growth has been very heavy whereas for the others it has been small. Now it has been small for various reasons, one is that even last year we have lost a complete month in the pandemic, May and part of June was a complete lockdown. So that has naturally affected the overall volume growth as far as the industry is concerned and this huge raw material inflation that has happened during the course of the year and the uncertainty that it has caused and the need to, you rightly said we are not willing to go for volume growth at the expense of profit. So to increase discounting beyond a certain point and to just show volume growth and it adds nothing to the bottom line of the company I do not know if it is anything very substantial as far as the company is concerned in the long-term. So I think you have to maintain some balance between volume growth and profitability and sometimes in some sectors you have to sacrifice a little bit of the volume growth if you feel that it is taking you on a very negative trajectory in terms of profit contribution. So I think at least that is what our strategy is we would like aggressive volume growth but to sell products with a negative gross margin is not something that has been in our DNA and at times we forego certain volume growth for that reason. So you are right in your perception on that matter.

Shirish Guthe: Yes, thank you very much for that answer very crystal clear. Second question is based on emulsion what is the capacity utilization and what are the future plans for maybe next two years what are we looking at in terms of capacity.

Hemant Jalan: So if you look at any paint industry company, if you look at average capacity utilization it will always be low, it will be around 60%-65% mark and I am pretty sure those numbers would be pretty even across all paint companies but average capacity utilization is not a factor which is very relevant to our industry. We always look at peak capacity utilization because our business is somewhat cyclical. So the business has one very strong peak around October which is pre-diwali which is generally a peak which is more in the northern parts and the Hindi speaking belt of India and we have another peak which comes around March or something for some companies it happens in March, for some companies it happens in April depending upon how your trade discount schemes are structured. For us it happens in March and that is very much a Pan India increase. So we look at capacity utilization in those peak periods. So we do have a very large expansion of emulsions and all water-based products ongoing at our Tamil Nadu factory which was one of the main objects of our IPO last year and I mentioned that we do expect to commission that plant in Q3 of this year. We have enough surplus capacity that even the next year's mark March peak demand that will come we will comfortably be able to service that even with our existing capacity. So normally you plan for capacity expansion at least a year, year and a half before you need it actually to come into production. So if we come into production by October, November this year as I said we are not worried about the upcoming peak in March of 2023 but when the next peak happens in October of 2023 it is very important that this enhanced capacity be on stream and we would be on stream a good 12 months before that. So capacity is not a matter of concern at this point in time.

Shirish Guthe: Thank you.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi! Sir, thanks for this opportunity and congratulations on the results. Just first bit is on the volume growth you said volume growth is coming back a bit lower than the pre-COVID levels. Are you seeing any signs of people moving to lower end products a lot more in the categories so in emulsions you will kind of move to a lower end emulsion level. Is that something that you are witnessing given the sharp pricing or there is no such movement in this.

Hemant Jalan: It is in our case we have not witnessed that in fact we are witnessing a converse we are seeing a higher growth in the premium and the emulsion than the economy range, but that may be peculiar to Indigo Paints, because we have either to be somewhat underrepresented in the premium emulsion category and as the brand equity grows and as our tinting machine population grows the growth rate of the premium end may happen at a much higher rate than the economy range where we were already reasonably well entrenched. Now that may or may not be the entire industry phenomena and in terms of macro trends as to whether people are down trading or not frankly I think that you will get a better response to that question, if you talk to the market leaders because they have a much larger presence and they would be able to discern these macro parameters somewhat better than us who is a smaller player and has a relatively lower market share, but to answer your question as far as Indigo Paints is concerned, no, the growth in the premium end of the emulsions is significantly higher than the economy range.

Avi Mehta: It is specifically for you and second, I mean, I would really like this approach of wanting to grow 2x versus the industry and I look forward to the results on that.

Hemant Jalan: You will have to be a little patient do not expect that immediately to happen that initiatives will take some time to start showing results, but hopefully in about six months time you will start seeing the breakout from the current trajectory is what we hope for.

Avi Mehta: So, just on that would you expect that from a margin trajectory that would entail higher investments especially because you are as you rightly said more under index of the emulsion side and that would entail some higher brand investments in the near-term because you are going to these geographies wanting to create a lot more understanding of the market, of the product which may be lesser is that the focus or is it infra and hence that these investments are no you do not expect any of them.

Hemant Jalan: No, I think it is completely independent of your brand expenditure because when you invest in brand building at least the major portion of it which goes on mass media advertising, I mean, that you see the ads in tier one and tier two towns as much as you see it in the tier three and the tier four towns. It is not that our ads find some way of landing up on the television stats of only the tier three and tier four towns obviously that does not happen. So there is no change as far as investment in advertising is concerned, it is just putting a different focus as far as the sales team are concerned. So when you work with the influencer community, see advertising is not the only thing that matters in the paint industry, your connect with the painter community is perhaps a more stronger determinant of your brand equity and your sales than television advertising. Television advertising helps in that as long as the consumer is aware of the existence of your brand and has a positive mental image about it then when an influencer tries to convince a customer towards your brand the resistance level from the customer is low. So the most important thing in our business is the connect with the painter community which is very, very important. Now all we are saying is that so far we were not, I mean, we had a very strong painter community interaction and outreach program and we have had that for many, many years. So far we were a little indifferent about where that connect happened and because our presence was stronger in the tier 3 and the tier 4 towns by force and by natural psychological behavior the sales force tended to focus this connect program more in these tier three and tier four towns where we were already doing quite well. So it is just a refocus by then that for a few months do not focus disproportionately on the tier 3 and tier 4 towns but shift the disproportionate focus to the painter connect in the larger towns of India. So I do not think it affects the quantum of expenditure, it is just a refocusing on where you channel your energies that is all. So I do not think it by itself has any impact on margins or expenditure going forward either positively or negatively.

Avi Mehta: Fairly clear Sir and lastly just from an industry point of view are you seeing any supply chain issues for the smaller peers which is probably kind of hurting the smaller players a lot more is that at play at all or now things have more or less normalized given that inflation is also broader.

Hemant Jalan: You are really have to ask this to one of the smaller players to find out but I would doubt it because now the supply chain issues which were very, very troublesome let us say 8, 10 months ago. Now it is not so bad, I mean, material is available, international shipping crisis seems to be by and large behind us that does not mean that international freight rates have come down to pre-COVID levels they have not but at least shipments are coming in with far more regularity and far more predictability than what was happening seven, eight months ago. So I think that availability of raw materials is not much of a concern. I would imagine therefore that supply chain issues for the smaller and the unorganized players would also have eased out considerably but of course prices remain at an elevated level and because of the shocks that we have weathered over the last 18 months anyone would be ready to predict as to what would happen four months from now as far as raw material pricing is concerned but at the moment availability does not seem to be a major point of concern.

Avi Mehta: Okay, perfect. I will come back in the queue I had one last question, but I will come back in the queue Sir. Thank you very much. Thanks a lot.

Moderator: Thank you. Due to no response we will move to the next question which is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Good morning Sir, thanks for giving me the opportunity and congrats for a good set of numbers in the tough raw material environment. My question is again related to the previous participant question. So this shift in focus what we have that we are focusing more on the tier one and tier two towns. So will it have any impact on the gross margins because we would tend to spend more higher trade margins to the dealers to improve our sales per dealer or sales. So will it have any impact on the gross margins as such.

Hemant Jalan: No I do not think it would and I answered that question I do not think you need to give a higher trade discount to dealers in the higher and the larger cities vis-à-vis the smaller towns so trade discounts are pretty much across the board and they do not change from the genre of cities. So trade discounts are pretty normal the expenditures that we incurred as far as the painter outreach program was concerned also remains unchanged is just that the placement of those programs changes from tier three, tier four towns completely focused now to tier one and tier two towns. So I do not think it changes anything on the cost structure per se.

Kaustubh Pawaskar: And my second question is on the new product launches, so lot much having spoken about differentiated product strategy so which was one of our key unique factor for us like the contribution has now gone up to around 29% so where do you see this contribution going up and whether we are planning to launch any new products in this segment.

Hemant Jalan: You will notice that the portfolio of differentiated products their share in the overall revenue despite the growth in the company kind of remains unchanged in fact it is very incrementally gone up by like 0.1% in the past the increase used to be more. So as and when an opportunity arrives we will definitely look at launching more differentiated products but I do not think that more and more differentiated products is going to be the story for Indigo Paints growth in the next decade. Now the next decade our major driver of growth has got to be an expansion in the share of counter sale in the larger cities of India. Now, we have deliberately chosen not to focus so much on the dozen metro cities of India because if you analyze data from other companies you will find that even the number two number three players struggle to make a meaningful mark as far as the metro cities are concerned for some reason for the metro cities it is really a winner takes on phenomena and the market leader has a disproportionately high market share when it comes there so it is not that we ignore the metro cities we are present and we have recently opened a depot in Delhi we have had a depot in Mumbai and in all the other metros of India but I am saying is that quantum jump in the metros is not something that we foresee for ourselves in the next three, four years. However, the mid the next level of cities which is the tier 1 and the tier 2 towns the 750 cities that I talked about that is a huge, huge market and today a very small percentage of our sale comes from there despite the existence of a good dealer network. So we just need to focus there and get more output for per dealer from those particular cities and if that happens then we are confident that our trajectory of top line growth can once again become 2x the industry growth and that is the direction in which we are working having said that there are more product launches that have happened recently which I talked about in my opening remarks none then at the moment that we have launched can be called as a truly differentiated product these are offerings that keep happening in the paint industry and almost everybody does it so more such offerings will keep happening in the future there are some very differentiated products that we have been working on for a long time but I do not think the tests have completed that we can launch it at this point in time but even if they do happen they are not what is going to give us that 2x growth growing forward.

Kaustubh Pawaskar: And my last question is more on the supply side. So when we are talking to the institutional or project guys. So they have been telling us that demand is something like they are seeing a strong demand in the month of April, May but there is an issue from the supply side from the top players because top players were not anticipating such kind of a demand and they were kind of cautious in terms of coming out with the products in the market and because of that there is a huge supply side issue.

Hemant Jalan: I would be very grateful to you if you could refer some of these project people to us who are facing supply issues from the larger paid companies we would be more than happy to satisfy their requirement to their hearts content but I sincerely doubt whether there is any kind of a scarcity of paints in the market or any reservation on the part of the larger players to supply to any demand that is emerging I sincerely doubt that I think everyone has sufficient capacity everyone is hell-bent on trying to outdo the other person in top line growth and I do not think that anyone is facing any serious supply chain issues with regard to purchase of raw materials or delivering its finished goods but as I said if you know of some customers who are being stopped or material please, please refer them to us.

Kaustubh Pawaskar: Sure thanks for that and all the best for the future.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Good afternoon Sir and thanks for the opportunity as always it is a pleasure to listen to your calls. First question pertains to your more focus on tier 1 or tier 2 cities that you spoke about. If I go back a year back the critical success factor at least as we understood for Indigo Paints was that we chose our battlegrounds very carefully which were largely underserved market in rural or semi urban areas and then we did very well to actually make a mark for ourselves in that market. Now this pivot does not mean that the market share gain scope is actually receding and that is why we are trying to actually get into slightly more competitive markets and second part of the same question is that how much fine tuning or changes will need to do in our product branding and sales engine to make this pivot successful.

Hemant Jalan: So first of all I would say that tier 3, tier 4 towns by no stretch of imaginations are underserved markets. So it is a misnomer that others do not focus on it and therefore we found it easy going there that that is not what I was saying or have ever said. All we said is that when a new player enters the industry and initial days your brand equity is not so great. We felt rightly or wrongly we felt that the correct sequence of approaching an entry into this industry is to start from tier 3, tier 4 towns, then to work your way up to the tier 1, tier 2 towns and finally try and attract the metro cities some people think that the reverse is the better approach and to each his own and no one to say as to which approach is right or wrong. So we took the approach initially and you will realize that when we started off in the paint industry, I mean, we did not belong to any large industrial group which had the benefit of a lot of cash in the pocket and the ability to burn money until profits surfaced. So therefore we were bootstrapped all the way through and we started from a zero base and therefore for us it made a lot of sense to start from tier 3 and tier 4 towns and the huge number of tier 3 and tier 4 towns across India and that is what we did incrementally over the last 20 years. What we have observed as you rightly pointed out in the last five quarters which I have admitted right in my opening comments is that if we continue on that strategy then we will just keep pace with the growth of the rest of the industry. Now are we happy doing that the answer is no. Our overall base of sale is much lower than the top three players in the paint industry and we have a lot of catching up to do, can we do that catching up by nearly remaining focused in the tier 3, tier 4 towns which yielded great results and percentage top line growth over the last 20 years our understanding now is that, no. It is time to start moving into the tier 1, tier 2 towns where definitely the requirements of brand equity are slightly larger, but we have built that brand equity over the last 8, 10 years with very, very aggressive advertising. Our advertising spends as a percentage of revenue are by far the highest in the paint sector and even if you look at the absolute amounts that we spend on let us say television advertising we are probably much, much higher than the number three and the number four players in the country for the last several years in succession. So therefore, brand equity buildup has happened, dealer network building has also happened over time. So as I said we have a good dealer network presence in the tier 1, tier 2 towns is just that we have not focused aggressively there to try and increase our share of counter sale. So let us say if you go in a tier 3, tier 4 town and we have a random dealer in any of those towns and we are getting 40% of his counter sale by Indigo brand when we move to the tier 1 and the tier 2 town we find that the share of his counter sale that we are getting is much less than 5%. Now the reason is that we have not specifically focused on painter community outreach in these particular cities and if we divert our painter community connect program that we have been running for the last 10-12 years in the smaller towns if we divert some of that energy very specifically and monitor specifically as to what happens in the tier one and the tier two towns, I am pretty sure that the same results will start coming in the tier 1 and the tier 2 towns also and the overall size of the market there is slightly larger than what it exists in the tier 3, tier 4 cities. So the head room to grow is huge. So it does not mean that we are going to start neglecting the small towns where our strength is derived from, but keeping that intact now a little tweak in the focus if we want to grow faster than the industry that is what I am meaning to imply.

Tejas Shah: Very clear Sir. Second question pertains to competitive intensity I know we have been asking this question for a while now for last one year, but in last two years we would have seen almost every six months there is either a new player joining the industry or a very docile player will be suddenly getting capital and getting revived. So in that kind of context and then now looking from 2017 data prior to that we used to be very comfortable as an analyst also that 1.5 to 2.2 times real GDP growth rate used to be converted into volume growth for the sector at least for last 15 years prior to that. Now suddenly that number is also under the new GDP services that is difficult to calculate but visibly it has actually slowed down if we remove putty from the calculation. So looking at the decelerating growth, increasing competition do you see that the profit pool of the industry as we have seen in last 20 years will be protected as we go forward?

Hemant Jalan: So you have talked about two very different phenomena. One is announcement by some large groups about their entry into the paint industry. Please note that at this stage they remain at the stage of announcements their actual entry into the paint industry is my understanding is at least six to eight quarters away. So there is no immediate threat coming from greater competition as far as the next two or three quarters are concerned. Secondly the overall phenomena about being one and a half times GDP growth as far as the growth in the paint industry is concerned well I think the data has become a little muddied in the last two years because of COVID, so the GDP growths of the company, of the country itself have been a little wavered and so has been naturally the effect of the paint industry but I do not think that as far as the growth in the industry itself is concerned it has taken any great shock because now that the pandemic is behind us as I said we just see the sales coming back to absolutely near normal levels and it is a little different when you start comparing with FMCG products which are everyday purchase items where you hear of a lot of very large FMCG players talking about zero volume growth or talking about rural stress, etc. You have to understand that growth I mean the way in which paint is purchased and in the way in which let us say a toothpaste or a shampoo is purchased is entirely different, paint is something you purchase once in five or six years as opposed to daily FMCG items which you purchased every month. So it is not something that is used to it affects your monthly household budget and fortunately people seem to be as concerned about beautifying their homes or in fact maybe more so because people are spending more time in their homes now during the last two years due to the pandemic. So therefore, the perception that volume growth is tapering off in the paint industry I do not quite subscribe to that. So I do not see any negative impact on profitability from that reason as far as competitors are concerned as and when they enter the industry has barriers to ensure that any competitor's entry no matter how large a group it is will necessarily not be a big bang entry they will all enter they will all find their space under the sun and the paint industry but it will be a more gradual entry and with the kind of growth that is happening inside the paint industry nobody is overly concerned about it and if any new entrant that enters one and a half years or two years from now decides to use pricing as a tool for gaining market share I think he would do so at his own peril because this is not a sector where low pricing transforms into more market share quite the reverse. So I do not think anyone would be silly enough to try that adventure as an approach and as long as they do not do that I do not see any impact as far as the bottom line is concerned of the paint industry in any manner whatsoever.

Tejas Shah: Fair point Sir very insightful as always. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Vineet Lambu from Moat Financials. Please go ahead.

Vineet Lambu: Hello Sir, it was nice insightful on the whole sector. So my question is what do you think for each color putting the same price on selling the whole paint so what would be the effect on the industry.

Hemant Jalan: Can you repeat your question.

Vineet Lambu: My question is what would be the effect on the paint industry as a whole when every color is sold on the same price.

Hemant Jalan: That is a strategy that one relatively new entrant has chosen to adopt to differentiate itself and nothing wrong at all with that approach does it have a meaningful impact on the paint industry as such I doubt it because the pigments that are used to make different colors are different and their costing is slightly different the variation in price from buying one color to the other is hardly 0.5% or 1% so I am not very sure that the customer views that as a very important factor and it will influence the paint industry or that others would follow suit. Having said that I think it is more of a marketing differentiation strategy to stand out in the clutter by using a particular tagline and that is their marketing approach and what can I comment on that?

Vineet Lambu: And also what do you think on the margins perspective like more players entering the market.

Hemant Jalan: I do not think that other players entering the market is going to affect the margins. I do not think that any player would be silly enough to start heavier discounting in order to get market share or lower the prices in the industry to gain market share because that is not a strategy that is likely to work.Paints are something that you purchase once in five years, you have noticed that despite the huge price increases that the paint industry has taken the demand has really not slackened so there is relative inelasticity in the demand I would not say to a complete extent, but as long as the whole industry moves in a particular direction the overall pricing has not broadly affected the paint demand per se and sometimes price is taken as an indicator of quality and therefore if you under price your product to the consumer you are likely to be perceived as a lower quality offering and therefore I do not expect and so far any of the other entrants who have entered have not tried to use higher level of discounting or lower prices to gain entry and sensibly so. So more players will enter they will enter incrementally the industry has good healthy growth to accommodate these newer entrants as and when they will come into production and I do not think that they are of extreme worry to anyone in the paint industry at this point in time.

Vineet Lambu: Thank you Sir.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi! Sir, I just wanted to understand the 750 focus towns that you have put in your presentation currently what percent of your overall sales come from these towns and what would be the corresponding number for the industry.

Hemant Jalan: Very hard I can tell you for ourselves that very broadly speaking roughly 25% our revenue comes from these towns what does it happen for the entire industry is a more difficult question to answer because nobody releases this kind of granular data but I would imagine that for the rest of the industry again let us not talk about the market leader who gets a disproportionately high share of sale in the metro towns but if you talk about the number two, number three players etc., in the industry my rough guess is that around 45%, 50% of their sales could be coming from this you size towns of tier one, tier two but I do not profess to have exact numbers on it and you will really have to ask this question to individual companies to know that but I do know that the share of sale that they derive from these tier 1, tier 2 towns is an order of magnitude higher than what we get from there and therefore we feel that the head room to grow here given the fact that we already have a network there and we have a good standing brand equity it should be possible to tap and grow at a much, much faster pace in these particular cities.

Percy Panthaki: Also in context of this you mentioned that there are some of these painter engagement programs which you run in tier three, tier four towns and you want to now shift the focus of that in the tier one, tier two towns my question here is that basically if you are not increasing your budget but you are just allocating the budget in different towns then the towns from which you are pulling out the budget will they not see a detrimental impact on the sales.

Hemant Jalan: There is an increase in the overall budget as far as this painter outreach is concerned in fact there is a substantial increase in that but the total amount that you spend in painter outreach is not such a huge amount that it makes a material change as far as your cost structure is concerned, but yes the total budget on an annualized basis for our painter outreach program is expected to be at least twice of what it was in the preceding years so we are not going to pull out from the tier 3 and tier 4 towns obviously you cannot let go of areas where you are strong to try and capture new continents. So that will remain but there is going to be a disproportionate thrust in these larger towns where the painter outreach program we found was extremely weak for Indigo Paints. So we have hiked up the budgets for that but its overall impact on the overall annual operating budget is fairly small.

Percy Panthaki: And since these initiatives are there in the market since 1st of April I guess there is no competitive information that you would be sharing which would be at your detriment if you could just give some understanding on what exactly these programs are, are there royalty programs or if so I mean what other type of outreach do you have that is one point and secondly is it the same as all the other computers are they also running the same kind of schemes and programs or do you have some differentiator here versus the competition in terms of the type of the scheme being run.

Hemant Jalan: Everybody runs similar programs we have improved the attractiveness of our loyalty program with the painter community this year we have compared our loyalty programs with the others and we have aggressively improved the attractiveness of that towards the painter community. Otherwise the standard format of these programs is to take groups of people who are engaged in this painting activity, they could be individual painters, they could be painting contractors, they could be wood publishers and in groups of them you regularly conduct meetings which last a couple of hours in which you demonstrate the quality of your product, you explain the incentive scheme that you have the tokens and whatever reward the long-term benefits that they have you do that on a regular basis and then you have to follow up with these applicators and painters etc., on a regular basis and if they have a particular site going it could be somebody's bungalow, it could be a large building you may have to do some sampling activities there to try and convert that particular initiative into an actual sale so those are the kinds of contact programs that are run by one paint companies it is a matter of hygiene everybody runs it. We have had such a program and we have been running it for 15 years we were not focusing it on specifically tier 1 and tier 2 towns and now that we have dissected our data we find that 90%-95% of that program was happening in the tier 3, tier 4 towns and we were getting good results now that we see that growth rate kind of becoming closer to what the rest of the industry is happening which has been a disappointment for us in the last few quarters and we have done this introspection we find that a lot of this effort needs to be directed where the head room to grow is much larger and that is all that we are doing. So some increase in expenditure will happen for sure.

Percy Panthaki: Okay Sir, that is all from me. Thanks and all the best.

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

Aditya Bhartia: Hi! Good morning Sir. Just need a clarification in the presentation you have indicated that there has been a small volume growth in fourth quarter. To my understanding there would have been almost something like a 20% price increase on a year-on-year basis on top of that mix for us has only improved and in that context of 13% revenue growth indicates that volumes may have declined on a blended basis.

Hemant Jalan: You are absolutely right and that is basic mathematics that if prices have increased by 20% to 22% and if the overall value growth is 13.5% then we could not have shown positive volume growth across all categories and the figures that we have given in the presentation by the way are for the full year they are not for the quarter. But I do have granular numbers for the quarter in front of me and in emulsion category we had moderate single digit growth in volumes even in Q4 compared to Q4 of last year for the other three categories we had low single digit negative growth in Q4 volumes versus Q4 of last year. If negative volume growth in some categories had not happened there is no way in which the arithmetic would have added up. So it is obvious that and the reasons for that as I said have been different it is because the markets were in a severely overbought condition on the start of the quarter because of the huge 15% price height that happened in Q3 and therefore and you would have heard this narrative from all other paint companies also that volume off takes in January and February and during the quarter were quite low and unfortunately other paint companies have not seen them giving this volume and value growth separately across different categories so the numbers kind of get marked when you report an overall volume growth and I do not know what conclusion as analysts you all draw from that I find nothing revealing when you add up these things into one number.

Aditya Bhartia: Agree with that and the second question was if you could just share what could be the revenue per dealer differential between T1, T2 towns as vis-à-vis the smaller towns wherein we are very strong.

Hemant Jalan: Very large sector to categorize and it is difficult to give a very granular number but it is huge. The off take per dealer in a tier 3, tier 4 town for Indigo Paints and I am not saying that this is true for the category as such it is by no stretch of imagination that way. For us broadly the output per dealer in a tier 3, tier 4 towns is at least 5x of what we get in a similar tier 1, tier 2 town for the other companies it might be quite the reverse. Again, I do not have exact data on competitors but I would expect that their output per dealer in a tier one, tier two town is significantly higher than the output per dealer in a tier three, tier four towns. So we are quite lopsided in our throughput per dealer in the larger towns and that is why we are focusing there and that is why we are confident that the headroom for growth is huge.

Aditya Bhartia: And lastly most of the dealer addition that we have been having in the last few quarters would it be fair to assume that a large chunk of that would be in larger towns and tier one, tier two towns.

Hemant Jalan: It would be across the board so a lot of it has happened in the larger towns if I go back to three years ago our dealer network in these towns was very, very poor and today I would not say that, that is the case we have a good network there it is just the output for dealer that is low some dealer expansion has happened in the smaller towns and will continue to happen there are geographies that we have entered fairly recently, I mean, a state of Himachal Pradesh we have only started marketing in the last one and a half months so there is a huge potential in all category of towns and states like that and there are other geographies that we have entered just two years ago or three years ago like Jammu and Kashmir we entered one and a half years ago or something like that. So there is hope for addition in the tier 3, tier 4 towns in some of the states. But in some of the other states I think further addition of network in those small towns is going to be counterproductive, I mean if there is a small town where there are only four paid dealers and two of them are already dealing with you. You really cannot be adventurous and appoint a third because if you do that one of your earlier dealers will shut down and that will be true for all brands not just Indigo. So you cannot be selling paint in every available paint counter in every corner of India because the leader community will not permit that to happen. So therefore the scope for further dealer expansion in tier 3, tier 4 towns is going to be smaller. There is more scope for dealer expansion in the tier 1, tier 2 towns despite the fact that we have a fairly decent network there.

Aditya Bhartia: Understood Sir, thanks a lot.

Moderator: Thanks you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Manoj Menon for closing comments.

Manoj Menon: Over to Jalan Sir for the closing comments, please.

Hemant Jalan: Thanks Manoj. Thank you all for patiently joining in on this call and we have had great interesting questions and we hope to continue to engage with you in the coming quarters. As I said we are now embarked on a 2.0 version of our strategy from this year. It will take a few months before you will start seeing the results of these efforts getting converted into P&L numbers. But I hope that sooner rather than later you will see again a breakout trajectory as far as Indigo Paints top line growth is concerned and we have not done too badly on the bottom line in any case. So hopefully that would grow at an even faster pace and if there are any other questions that any of you have please do reach out to the head of our investor relations which is our GM Finance, Srihari and we would be happy to connect with you and thank you all for joining in and look forward to more interactions in the future quarters. Thank you.

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