Indigo Paints Ltd

Better margins drive Q3; outlook improving

Mirae Asset Sharekhan

INDIGO PAINTS

STOCK UPDATE
Result Update - Q3FY2026

SECTOR
Consumer Goods

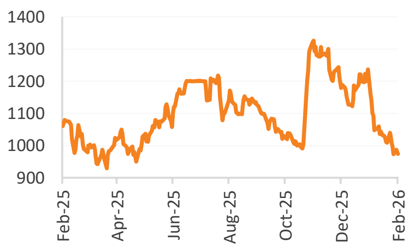
COMPANY DETAILS	
Market cap:	Rs. 4,646 cr
52-week high/low:	Rs. 1,345 / 900
NSE volume: (No of shares)	1.2 lakh
BSE code:	543258
NSE code:	INDIGOPNTS
Free float: (No of shares)	2.2 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)	
Promoters	53.9
FII	12.0
DII	21.1
Others	13.0

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE				
(%)	1m	3m	6m	12m
Absolute	-16.1	-26.5	-14.5	-8.1
Relative to Sensex	-16.6	-25.4	-17.5	-18.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **BUY**	CMP: **Rs. 975**	Price Target: **Rs. 1,350**

Quick Snapshot

- IPL delivered strong margin performance in Q3FY26, with OPM rising 236 bps y-o-y to 19% (versus 17.7% estimated). Revenue/adjusted PAT grew 4.7%/16.4% y-o-y, respectively.
- After a muted October, good traction is visible since November and company expects the trend to continue in Q4.
- FY26 OPM is expected to improve with demand recovery, better product mix and lower A&P spends as a percentage of revenue.
- Stock trades at 30x/27x/24x its FY26E/FY27E/FY28E EPS, respectively. We maintain Buy on the stock with a revised PT of Rs. 1,350.

Result overview

- Consolidated revenues grew by 4.7% y-o-y to Rs. 359 crore, driven by 3.5% y-o-y growth in the standalone business to Rs. 339 crore and 31.5% y-o-y growth in Apple Chemie (subsidiary) to Rs. 20 crore. Lower sales in Oct-25 (affected by early Diwali and extended monsoon) affected revenues.
- Emulsions reported 3.4% volume decline and 0.2% value growth. Enamels and wood coatings posted volume/value growth of 20.2%/18.9%, respectively. Putty and cement paints grew by 2.1% in volume and 5.5% in value terms. Primers, distempers & others delivered 7.4%/12.5% volume/volume growth, respectively.
- Gross margins were stable y-o-y at 46.8% supported by lower raw material prices and better mix, while OPM rose by 236 bps y-o-y to 19%, aided by lower A&P spends (at 5.6% A&P spends were 260 bps lower y-o-y).
- Operating profit grew by 19.5% y-o-y to Rs. 68 crore, while adjusted PAT increased by 16.4% y-o-y to Rs. 42 crore. Considering exceptional items related to new labour code, reported PAT came in at Rs. 37 crore (up 3.6% y-o-y).
- IPL opened a new depot in Prayagraj, Uttar Pradesh in Q3 to enhance service efficiency, taking the depot count to 55 at Q3FY26-end.
- It added 220 active dealers and 257 tinting machines in Q3, taking the network to 19,134 active dealers and 11,913 tinting machines at Q3FY26-end. Revenue-per-dealer increased 1.8% y-o-y, while penetration of tinting machines rose to 62.3% versus 57.9% in Q3FY25.
- 9MFY26 consolidated revenue grew 2.8% y-o-y to Rs. 980 crore, OPM rose by 92 bps y-o-y to 16.2% and adjusted PAT increased 9.8% y-o-y to Rs. 93 crore.

Our Call

A gradual recovery in the paints industry, widening presence across markets and capacity additions will aid revenue growth, while stable/lower raw material prices will support profitability in the near-medium term. We expect IPL to clock revenue and PAT CAGR of 9% and 11%, respectively, over FY25-FY28E. Stock trades at 30x/27x/24x its FY26E/FY27E/FY28E earnings, respectively. We maintain a Buy rating with a revised PT of Rs. 1,350.

Key Risks

Higher competitive pressure or increase in key input prices are key risks to our earnings estimates.

Valuation (Consolidated) **Rs cr**

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,306	1,341	1,395	1,538	1,716
OPM (%)	18.2	17.4	18.0	18.3	18.9
Adjusted PAT	149	142	155	172	195
Adjusted EPS (Rs.)	31.2	29.8	32.5	36.0	41.0
P/E (x)	31.3	32.8	30.1	27.2	23.9
P/B (x)	5.2	4.5	4.6	4.6	4.4
EV/EBIDTA (x)	18.9	19.2	18.1	16.3	14.2
RoNW (%)	17.7	14.7	15.1	16.8	18.8
RoCE (%)	22.6	18.3	18.6	20.5	22.9

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

- Demand was muted in Oct-25 owing to early Diwali and extended monsoon. However, it has consistently improved from Nov-25 onwards, with the company achieving double-digit growth since then. IPL expects the paints industry to revive from Q4FY26.
- Apple Chemie:
  - Posted strong 31.5% y-o-y growth, with profitability improving as well.
  - While a large portion of revenue currently comes from Maharashtra and Madhya Pradesh, it is now beginning to gain salience in Southern and Eastern markets.
  - It is the first construction chemical manufacturer to receive NABL accreditation.
  - WPCC products for retail channel were launched and marketed under the Indigo brand (Protect Plus Series), while Apple Chemie continues to target the B2B, fast growing infrastructure segment.
  - Production began at the new sealant plant in Nagpur, which will enable it to internally produce sealants and other adhesives, which were earlier manufactured by third parties in a limited capacity.
- Raw material prices reached pre-COVID levels in Q3FY26. Thus, the discounting on a y-o-y basis is slightly higher.
- Differentiated products (e.g., floor coats, metallic emulsions, tile coats) account for 28-29% of the total portfolio, backed by proprietary technology, targeted advertising, etc. Competitors have tried to replicate these products but have been unable to succeed so far.
- Management has deliberately moderated traditional ATL advertising. Instead, IPL is reallocating funds towards direct influencer engagement (painters and contractors), which it believes yields more visible results in product mix improvement.
- Waterproofing products are growing at a strong rate and now account for ~7% of the company's topline versus no presence two years ago.
- Regarding the upcoming plant at Jodhpur, construction work at the water-based plant (90,000 KLPA capacity) is in the final stages with commissioning expected in June-26, while production has commenced in solvent based and brownfield Putty plant.

Results (Consolidated) Rs cr

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net revenue	**358.8**	**342.6**	**4.7**	**312.1**	**15.0**
Material cost	191.0	182.9	4.4	172.3	10.8
Employee cost	32.0	28.1	13.6	31.1	2.7
Other expenses	67.4	74.4	-9.4	62.1	8.6
Total expenditure	290.4	285.4	1.8	265.5	9.4
Operating profit	**68.3**	**57.2**	**19.5**	**46.5**	**46.9**
Other income	3.7	3.1	18.4	3.0	24.5
Interest expenses	0.6	0.6	-5.0	0.7	-19.1
Depreciation	15.0	14.7	2.3	15.1	-0.2
Profit Before Tax	**56.5**	**45.0**	**25.4**	**33.8**	**67.2**
Tax	14.7	9.2	60.3	8.5	73.2
Adjusted PAT	**41.7**	**35.8**	**16.4**	**25.2**	**65.2**
Extra-ordinary gain / loss	-4.6	0.0	-	0.0	-
Reported PAT	**37.1**	**35.8**	**3.6**	**25.2**	**47.1**
EPS (Rs.)	8.8	7.5	16.4	5.3	65.2
			bps		bps
GPM (%)	46.8	46.6	14	44.8	198
OPM (%)	19.0	16.7	236	14.9	414
NPM (%)	11.6	10.5	117	8.1	354
Tax rate (%)	26.1	20.4	570	25.2	90

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management Ltd.	8.65
2	HDFC Asset Management Co. Ltd.	5.09
3	Kotak Mahindra AMC Ltd.	3.40
4	DSP Investment Managers Pvt. Ltd.	2.19
5	Arisaig Asia Fund Ltd.	2.18
6	Carne Global Fund Managers Ireland Ltd.	1.86
7	Emirates of Abu Dhabi United Arab Emirates	1.37
8	Whiteoak Capital Asset Management Ltd.	1.12
9	Tata Asset Management Pvt. Ltd.	0.26
10	La caisse de depot et placement du Qubec	0.20

Source: Bloomberg

Key management personnel

Name	Designation
Hemant Kamala Jalan	Chairman and Managing Director
Chetan Bhalchandra Humane	Chief Financial Officer
Sayalee Yengul	Company Secretary and Compliance Officer

Source: Company Website

SOMIL RAMESH MEHTA

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