MIRAE ASSET Sharekhan

Indigo Paints Ltd

Steady Q2; Outlook positive

Consumer Goods	Sharekhan code: INDIGOPNTS

Reco/View: Buy	⇔	CMP: Rs. 1,294 (as on Nov 13, 2025)	Price Target: Rs. 1,430	↑

Summary

- Indigo Paints Limited's (IPL's) Q2FY26 numbers were steady, on a gradual recovery in the paints industry. Consolidated revenues grew 4.2% y-o-y, OPM rose 106 bps y-o-y to 14.9% and PAT grew 13.5% y-o-y.
- Management eyes double-digit growth in H2 led on a gradual demand recovery driven by strong secondary sales and pent-up demand.
- Higher demand, lower RM prices and a better product mix are likely to drive up OPM.
- Stock trades at 40x/34x/31x its FY26E/FY27E/FY28E earnings, respectively. We maintain a Buy rating with a revised PT of Rs. 1,430.

IPL's Q2FY26 numbers slightly beat estimates on all fronts. Consolidated revenues grew by 4.2% y-o-y to Rs. 312 crore, largely in line with our expectation of Rs. 309 crore. Standalone revenue grew by 3.4% y-o-y to Rs. 299 crore, while Apple Chemie's revenue grew by 22.6% y-o-y to Rs. 14 crore on higher demand for waterproofing/construction chemicals amid extended monsoons. Gross margin and OPM improved by 107 bps and 106 bps y-o-y to 44.8% and 14.9%, respectively, aided by a better product mix and favourable raw material prices. OPM beat our expectation of 14.1%. Operating profit grew by 12.1% y-o-y to Rs. 47 crore. In line with operating profit growth, adjusted PAT grew by 13.5% y-o-y to Rs. 25 crore, in line with our expectation of Rs. 25 crore. In H1FY26, revenues grew by 1.7% y-o-y to Rs. 621 crore, OPM stood flat y-o-y at 14.6% and PAT grew by 4.9% y-o-y to Rs. 51 crore.

Key positives

- Primers, distempers and others category posted a 10% y-o-y value and volume growth.

Management Commentary

- Secondary sales were healthy in July, slowed significantly in August and revived again in September, with strong secondary sales and dealer inflows.
- Management hinted at a demand recovery driven by strong secondary sales and pent-up demand. Q3 is likely to see a sequential pick-up, while Q4 would see double-digit growth (expects double-digit growth in H2).
- IPL is set to post healthy numbers in the coming quarters aided by capacity expansion in Jodhpur, recovery in demand, Apple Chemie's brand relaunch and distribution expansion in in South and East India, softening of competitive intensity and a correction in commodity prices.
- Premium products such as emulsions and enamels continues to outperform economy segment.
- While Apple Chemie's primary region is Maharashtra, expansion efforts are underway in southern India (Karnataka, Tamil Nadu, Telangana) and parts of Delhi, Bihar, and Assam. With refreshed branding, the company plans to launch new products and accelerate growth in momentum.
- Management expects raw material prices to soften; therefore margins will likely see healthy performance in coming quarters.

Revision in estimates – We have reduced our earnings estimates for FY26 and FY27 to factor in expectations of gradual recovery in coming quarters. We have introduced FY28 estimates through this note.

Our Call

View - Maintain Buy with a revised PT of Rs. 1,430: IPL's Q2FY26 performance was a beat on all fronts. Widening presence in tier-3/4 cities and rapid growth in tier-1/2 cities, market share gains from organised players and good traction for waterproofing products are aiding IPL to achieve industry leading performance. Further, entry into project sales and construction chemicals, waterproofing segment and capacity additions will act as additional drivers, leading to a revenue and PAT CAGR of 10% and 12%, respectively, over FY25-FY28E. Gradual recovery in the paints industry will aid revenue growth, while stable/lower raw material prices will support profitability in the near-medium term. Stock trades at 40x/34x/31x its FY26E/FY27E/FY28E earnings, respectively. We maintain a Buy rating with a revised PT of Rs. 1,430.

Key concerns

Rising competitive pressures from large players or a rise in key input prices would act as a risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,306	1,341	1,414	1,583	1,765
OPM (%)	18.2	17.4	17.8	18.4	18.5
Adjusted PAT	149	142	155	179	197
% Y-o-Y growth	12.8	-4.5	8.7	15.9	10.1
Adjusted EPS (Rs.)	31.2	29.8	32.4	37.6	41.4
P/E (x)	41.4	43.4	39.9	34.4	31.3
P/B (x)	6.8	6.0	6.1	6.0	5.8
EV/EBIDTA (x)	25.2	25.6	24.1	20.9	18.6
RoNW (%)	17.7	14.7	15.1	17.5	18.8
RoCE (%)	22.6	18.3	18.5	21.4	22.9

Source: Company; Mirae Asset Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

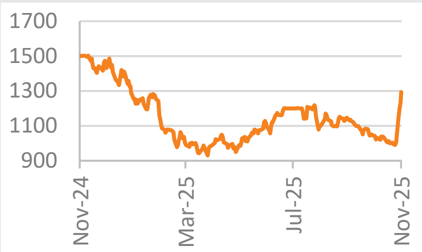
Company details

Market cap:	Rs. 6,169 cr
52-week high/low:	Rs. 1,537 / 900
NSE volume: (No of shares)	1.2 lakh
BSE code:	INDIGOPNTS
NSE code:	543258
Free float: (No of shares)	2.2 cr

Shareholding (%)

Promoters	53.9
FII	12.6
DII	19.7
Others	13.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	24.2	17.7	30.6	-13.8
Relative to Sensex	21.6	12.8	26.5	-22.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Key business updates

- Emulsions reported 4% volume growth and 7% value growth in Q2FY26. Enamels and wood coatings posted volume/value growth of 3%/6%, respectively. Putty and cement paints declined 7% in volume and 2% in value terms. Primers, distempers & others delivered 10% value and volume growth.
- Apple Chemie reported a 22.6% y-o-y revenue growth to Rs. 13.6 crore. Gross margin improved significantly as the team is focusing on improving the product mix.
- It added 355 tinting machines and 358 active dealers in Q2FY26, bringing the total count to 11,656 tinting machines and 18,914 active dealers at Q2FY26-end.
- Regarding the upcoming plant at Jodhpur, 1) Trial production has begun at the brownfield putty plant, with commercial operations scheduled for mid-November, 2) Commercial production for solvent-based plant with capacity of 12,000 kilolitres per annum is expected to commence in December 2025, and 3) water-based plant with an annual capacity of 90,000 kilolitres per annum, is in the final construction stages and is expected to be commissioned in Q4FY26. Besides these projects, the company does not anticipate any major capex over the next 3-4 years.

Results (Consolidated) Rs cr

Particulars	Q2FY26	Q2FY25	Y-o-Y %	Q1FY26	Q-o-Q %
Net revenue	**312.1**	**299.5**	**4.2**	**308.9**	**1.0**
Material cost	172.3	168.6	2.2	167.1	3.1
Employee cost	31.1	29.7	4.6	31.0	0.3
Other expenses	62.1	59.7	4.1	66.4	-6.5
Total expenditure	265.5	258.0	2.9	264.6	0.4
Operating profit	**46.5**	**41.5**	**12.1**	**44.3**	**5.0**
Other income	3.0	5.1	-41.5	6.0	-49.7
Interest expenses	0.7	0.7	-0.1	0.7	3.2
Depreciation	15.1	15.4	-2.0	14.8	1.6
Profit Before Tax	**33.8**	**30.6**	**10.5**	**34.8**	**-2.8**
Tax	8.5	8.3	2.7	8.7	-2.1
Reported PAT	**25.2**	**22.3**	**13.5**	**26.1**	**-3.1**
EPS (Rs.)	5.3	4.7	13.5	5.5	-3.1
			BPS		**BPS**
GPM (%)	44.8	43.7	107	45.9	-112
OPM (%)	14.9	13.9	106	14.3	57
NPM (%)	8.1	7.4	66	8.4	-35
Tax rate (%)	25.2	27.2	-193	25.0	20

Source: Company; Mirae Asset Sharekhan Research

Category-wise volume/value growth

Product Category	Value growth (%)	Volume growth (%)
Cement paints + Putty	-2.2	-6.8
Emulsions	7.0	3.9
Enamels + Wood Coatings	5.7	3.0
Primers + Distempers + Others	10.1	10.2

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural growth of the paint industry is intact

The paints industry is expected to grow at a steady rate with strong demand in the luxury segment, while we expect a recovery in demand in tier-3 and tier-4 towns. Entry of large players in the decorative paint industry might put stress on market share of smaller players in the near term. In the medium-long term, the decorative paints industry is expected to register a 12% CAGR over FY23-FY27 to Rs. 1,00,000 crore, led by a reduction in the repainting cycle to 4-5 years (from 8-10 years earlier), higher construction activities of new real estate projects, acceptance of better paint products in smaller towns and upgradation of premium brands in cities and large towns. Better product mix and efficiencies would help paint companies post higher margins in the long run.

■ Company Outlook – Growth momentum to sustain

IPL's Q2FY26 performance was a beat on all fronts with revenue growing 4.2% y-o-y, OPM up 106 bps y-o-y to 14.9% and PAT rising 13.5% y-o-y. IPL continues to focus on expanding its base in tier 1/2 towns, where it is gaining market share from large, organised players. The company expects strong sales volume growth (2x that of the industry) in the coming quarters because of its renewed focus on increasing throughput per dealer. Rising urbanisation, willingness to spend on home improvement, strong traction to differentiate products, expansion of distribution network and market share gains would help IPL to grow faster than the industry in the coming years.

■ Valuation – Maintain Buy with a revised PT of Rs. 1,430

IPL's Q2FY26 performance was a beat on all fronts. Widening presence in tier-3/4 cities and rapid growth in tier-1/2 cities, market share gains from organised players and good traction for waterproofing products are aiding IPL to achieve industry leading performance. Further, entry into project sales and construction chemicals, waterproofing segment and capacity additions will act as additional drivers, leading to a revenue and PAT CAGR of 10% and 12%, respectively, over FY25-FY28E. Gradual recovery in the paints industry will aid revenue growth, while stable/lower raw material prices will support profitability in the near-medium term. Stock trades at 40x/34x/31x its FY26E/FY27E/FY28E earnings, respectively. We maintain a Buy rating with a revised PT of Rs. 1,430.

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Asian Paints	69.2	61.2	52.2	41.8	37.8	33.1	17.1	17.9	19.6
Indigo paints	43.4	39.9	34.4	25.6	24.1	20.9	18.3	18.5	21.4

Source: Company; Mirae Asset Sharekhan Research

About company

Incorporated in 2000, IPL is the fifth-largest paint company in India. The company started its operations by manufacturing lower-end cement products and gradually expanded its range to cover most segments of water-based paints such as exterior emulsions, interior emulsions, distempers, and primers. The company kept churning out bright new ideas for painting solutions, with alarming regularity. IPL introduced India's first metallic paint, first-floor coat paint, unique ceiling coat paint, and first-of-its-kind paint for roofs. Differentiated products contribute ~28% to the company's revenue. The company has a growing dealership base of ~18,900 dealers covering 28 states.

Investment theme

IPL is the fastest-growing paints company in India, which has carved a niche for itself by developing and marketing differentiated products to establish its position in the high entry-barrier paint industry. The differentiated business model aided the company to achieve strong topline and earnings growth of 17% and 24%, respectively, over FY20-FY25, with the highest gross margin of ~46% among peers. Rising urbanisation, willingness to spend on home improvement, strong traction to differentiate products, and market share gains would help IPL to achieve strong growth in the coming years.

Key Risks

- **Increased raw-material prices:** Any significant increase in crude prices and other input costs will affect the company's profitability.
- **Delay in capacity expansion:** Delay in capacity expansion plans due to any regulatory hurdle or any other reason would affect the company's future growth prospects.
- **Heighted competition:** Any significant competition from large players entering the market would act as a key risk to the pricing power and profitability of the company.

Additional Data

Key management personnel

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

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management Ltd.	8.65
2	HDFC Asset Management Co. Ltd.	4.82
3	Kotak Mahindra AMC Ltd.	3.50
4	DSP Investment Managers Pvt. Ltd.	2.10
5	Grandeur Peak Global Advisors LLC	1.06
6	Ashoka India Equity Invst PLC	0.49
7	La Caisse de depot et placement du Quebec	0.26
8	Norges Bank	0.22
9	Tata Asset Management Pvt. Ltd.	0.20
10	Blackrock Inc.	0.20

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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