

Indigo Paints (INDIGOPN) - REDUCE

Result Update

Current Market Price (CMP) Rs. 996	Fair Value (FV) Rs.900
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Rationale:

- Indigo Paints' revenues grew 9.7% yoy (KIE: +9%).
- Decorative paints growth at 8.5% yoy was a tad better than peers, but below its 1.5-2X the industry growth aspiration.
- EBITDA margin declined 10 bps yoy to 22.5% (KIE: ~22%), despite 180 bps GM expansion due to sales team expansion and higher A&P spends.
- Management highlighted its overarching focus on delivering topline growth at 2-3X.
- Company will intensify trade and influencer spends, which can impact near-term GM.
- We increase FY27-28 EPS estimates by 3-4%, roll over and revise FV to Rs900 (from Rs850). REDUCE.
- We expect earnings to de-grow 3.4% in FY27E and 10.7% in FY28E.
- We valuing the stock at 25X June 2028 PE (unchanged).
- We stay cautious and continue to monitor the competitive landscape and demand environment.

👍 Positives:

- Indigo Paints' consolidated revenues grew 9.7% yoy to Rs425 cr. (0.6% beat).
- Apple Chemie sales growth was robust at 34.7% yoy.
- Value/volume growth of cement paints and putty stood at 12.6%/9.5%.
- Prioritizing growth over GM leadership by increasing trade spends.

👎 Negatives:

- Margin impacted due to 28% growth in employee expenses amid sales team expansion.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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