ADD (Maintain)

CMP: **INR 991** Target Price: **INR 1,130 (INR 1,200)** ▲ 14%

ICICI Securities Limited is the author and distributor of this report

07 November 2025

India | Equity Research | Results update

Indigo Paints

Consumer Staples & Discretionary

Market share gains coupled with margin expansion

Indigo's Q2FY26 delivered on both key parameters of market share gains as well as margin expansion. It reported revenue growth of +4.2% YoY vs Kansai (+0.1%), Berger (+1.9%) and Akzo (-15%). The company was also able to report EBITDA margin expansion (+106bps) higher than its key peers – Kansai (+15bps), Berger (-319bps) and Akzo (-166bps). We consider this as commendable performance considering there was incessant rainfall and limited sales related to pre-Diwali. We believe there are multiple tailwinds for H2FY26 and FY27 such as (1) capacity expansion of putty, water-based plant and solvent-based plant in H2FY26, (2) revival in demand (green shoots visible), (3) additional efforts on distribution of Apple Chemie in South and East India coupled with brand relaunch, (4) softening of competitive pressures and (5) correction in commodity prices.

Indigo has continued its investments in distribution expansion and added 358 active dealers and 355 tinting machines in Q2FY26. ADD.

Q2FY26 results

Indigo reported revenue, EBITDA and PAT growth of 4.2%, 12.1% and 10.9%, respectively, YoY. Gross and EBITDA margin expanded 107bps and 106bps YoY, respectively, due to a change in revenue mix and lower commodity prices. Standalone revenues were up 3.4% YoY, indicating Apple Chemie revenue growth of 23.4% YoY.

Segment-wise growth rates

Value (volume) growth rates: Cement paints and putty: -2.2% (-6.8%), Emulsions: +7% (-3.9%), Enamels and Wood coatings: +5.7% (+3%), Primer, distempers & others: +10.1% (+10.2%). Apple Chemie revenues expanded due to incessant rainfall which led to higher demand of waterproofing/ construction chemicals.

Investments in distribution

Indigo's depot count stood at 54 at end-Q2FY26. Its active dealer count increased to 18,914 (up 1% YoY). The tinting machine count was 11,656 (up 10.4% YoY). Revenue-per-store increased 3.1% YoY due to market share gains. The company has steadily increased the penetration of tinting machine to 61.6% in Q2FY26 from 56.4% in Q2FY25.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	13,407	14,147	15,805	17,660
EBITDA	2,335	2,429	2,763	3,097
EBITDA %	17.4	17.2	17.5	17.5
Net Profit	1,417	1,539	1,772	1,961
EPS (Rs)	29.7	32.3	37.2	41.2
EPS % Chg YoY	(3.8)	8.6	15.1	10.7
P/E (x)	33.3	30.7	26.6	24.1
EV/EBITDA (x)	19.1	18.0	15.5	13.5
RoCE (%)	13.5	12.3	12.3	12.1
RoE (%)	14.7	14.0	14.2	13.9

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Market Data

Market Cap (INR)	47bn
Market Cap (USD)	533mn
Bloomberg Code	INDIGOPN IN
Reuters Code	INDG BO
52-week Range (INR)	1,650 /900
Free Float (%)	46.0
ADTV-3M (mn) (USD)	0.6

Price Performance (%)	3m	6m	12m
Absolute	(18.7)	2.0	(39.6)
Relative to Sensex	(22.1)	(1.3)	(43.2)

ESG Score	2023	2024	Change
ESG score	65.3	NA	NA
Environment	40.0	NA	NA
Social	67.0	NA	NA
Governance	81.8	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(1.9)	(3.4)
EBITDA	(1.9)	(3.4)
EPS	(2.2)	(4.4)

Previous Reports

08-08-2025: Q1FY26 results review
26-05-2025: Q4FY25 results review

Market share gains coupled with margin expansion

Indigo has likely gained market shares in Q2FY26 as it reported revenue growth of 4.2% YoY vs Kansai (0.1%), Berger (1.9%) and Akzo (-15%). We believe the key driver was Apple Chemie. The company was also able to report EBITDA margin expansion (+106bps) higher than its key peers – Kansai (+15bps), Berger (-319bps) and Akzo (-166bps).

Multiple growth drivers in place

We note Indigo's H2FY26 and FY27 earnings will have tailwinds such as (1) commencement of new capacities at Rajasthan, (2) benefits of brand relaunch of Apple Chemie and distribution expansion in East and South India, (3) revival in paint industry demand (green shoots visible), (4) correction in commodity prices and (5) softening of competitive pressures.

Capacity expansion on track

The company will be able to commence its water-based plant (90,000 KLPA) in Q4FY26 and solvent-based plant (12,000 KLPA) in Dec'25. It will also be able to commence putty plant (brownfield expansion) by Dec'25. We believe as all these plants will commence in Rajasthan; the company will be able to reduce freight cost of emulsion and enamels and potentially report stronger growth in North and West India in FY27.

Valuation and key risks

We model sales and earnings CAGR of 9.6% and 11.4%, respectively, over FY25–28E. Maintain **ADD** with a DCF-based revised TP of INR 1,330 (implied target P/E of 30x FY27E and 28x FY28E).

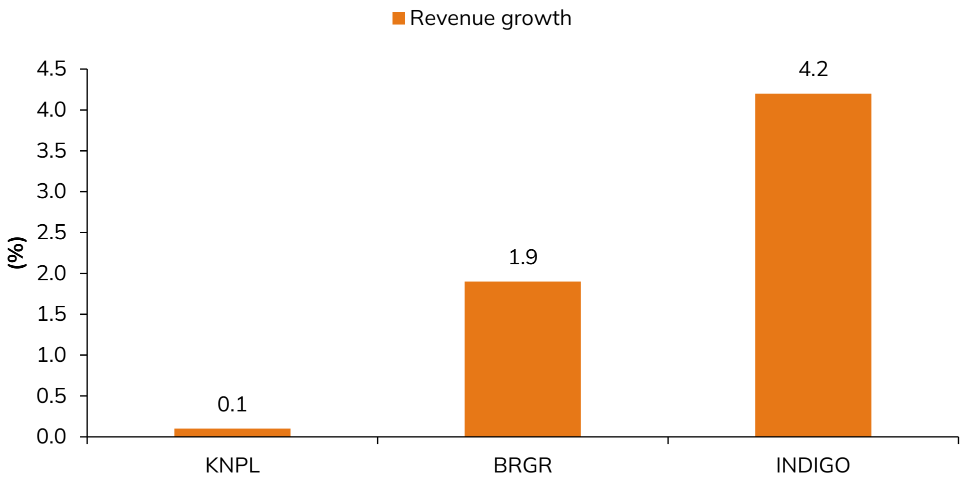
Key risks: Steep increase in competitive pressures; and inflation in commodity prices

Exhibit 1: Q2FY26 consolidated financial performance

INR mn	Q2FY26	Q2FY25	% chg. YoY	Q1FY26	% chg. QoQ
Net revenues	**3,121**	**2,995**	***4.2***	**3,089**	***1.0***
Raw materials	1,723	1,686	*2.2*	1,671	*3.1*
% of sales	*55.2*	*56.3*		*54.1*	
Employee costs	311	297	*4.6*	310	*0.3*
% of sales	*10.0*	*9.9*		*10.0*	
Other expenditure	621	597	*4.1*	664	*(6.5)*
% of sales	*19.9*	*19.9*		*21.5*	
Total expenditure	**2,655**	**2,580**	**2.9**	**2,646**	**0.4**
EBITDA	**465**	**415**	***12.1***	**443**	***5.0***
EBITDA margin (%)	*14.9*	*13.9*		*14.3*	
Other income	30	51	*(41.5)*	60	*(49.7)*
PBDIT	**495**	**466**	***6.2***	**503**	***(1.5)***
Depreciation	151	154	*(2.0)*	148	*1.6*
PBIT	**345**	**313**	***10.3***	**354**	***(2.7)***
Interest	7	7	*(0.1)*	7	*3.2*
PBT	**338**	**306**	***10.5***	**348**	***(2.8)***
Tax	85	83	*2.7*	87	*(2.1)*
% of PBT	25.2	27.2	*(7.1)*	25.0	*0.8*
PAT	**252**	**223**	***13.5***	**261**	***(3.1)***
Minority	2	-4		1	*5.3*
Adjusted PAT	**251**	**226**	***10.9***	**259**	***(3.1)***
Extraordinary	0	0		0	
PAT	**251**	**226**	***10.7***	**259**	***(3.2)***

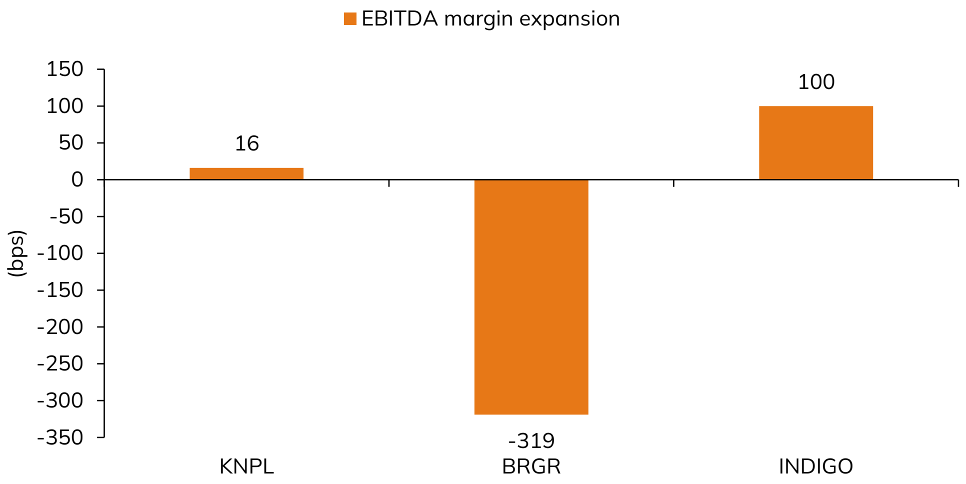
Source: Company data, I-Sec research

Exhibit 2: Revenue growth in Q2FY26 across peers (YoY)



Source: Company data, I-Sec research

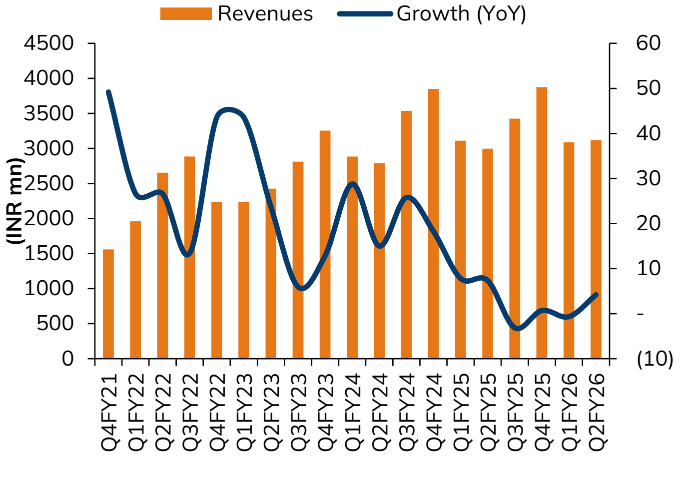
Exhibit 3: EBITDA margin expansion across peers (YoY)



Source: Company data, I-Sec research

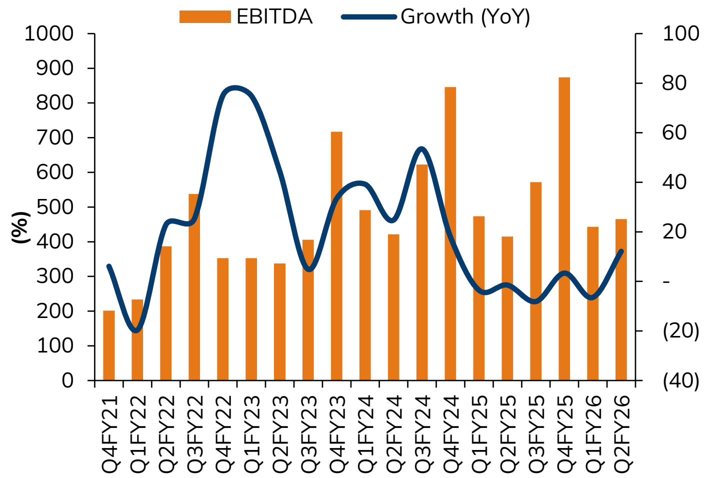
Operational highlights – Quarterly

Exhibit 4: Revenue and growth rates (YoY)



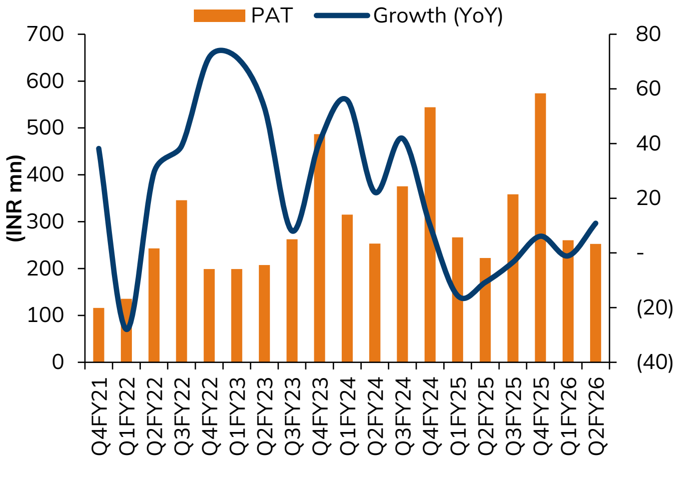
Source: Company data, I-Sec research

Exhibit 5: EBITDA and growth rates (YoY)



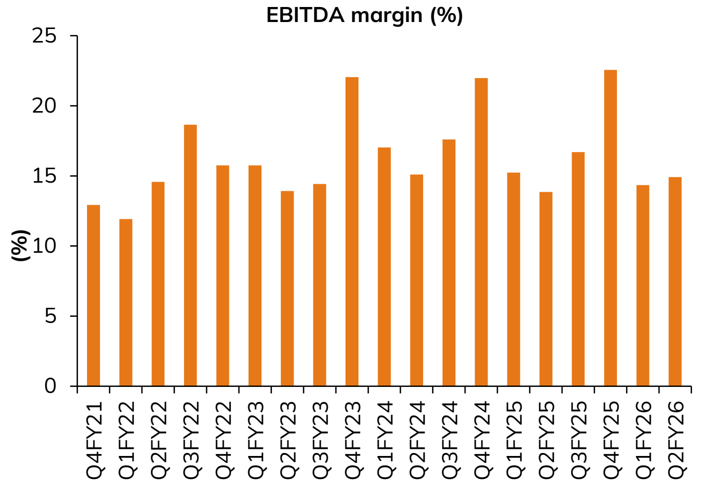
Source: Company data, I-Sec research

Exhibit 6: PAT and growth rates (YoY)



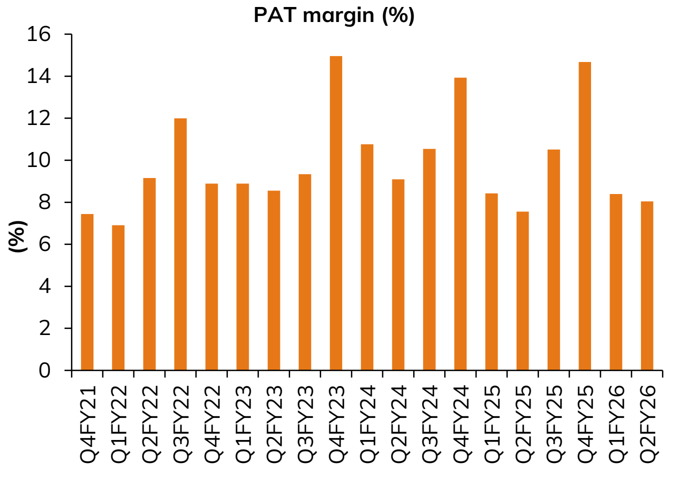
Source: Company data, I-Sec research

Exhibit 7: EBITDA margin



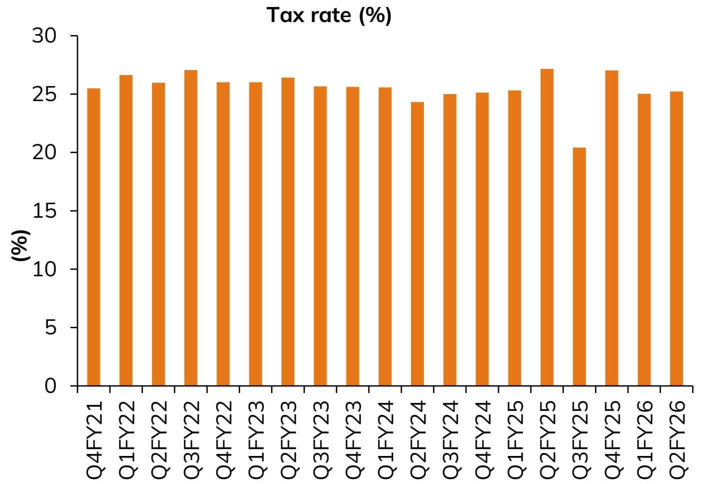
Source: Company data, I-Sec research

Exhibit 8: PAT margin



Source: Company data, I-Sec research

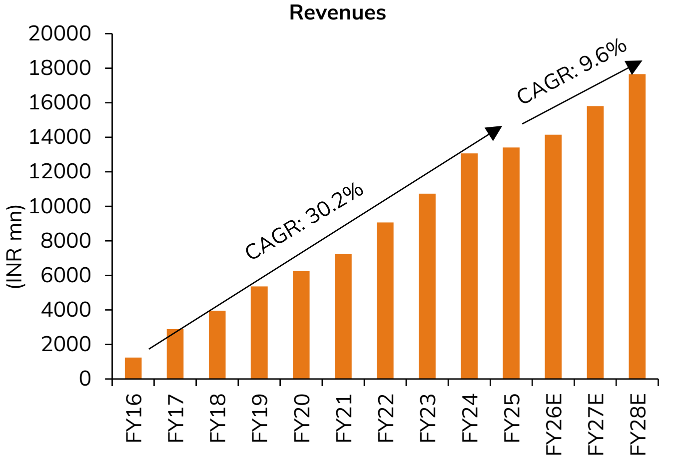
Exhibit 9: Effective tax rate



Source: Company data, I-Sec research

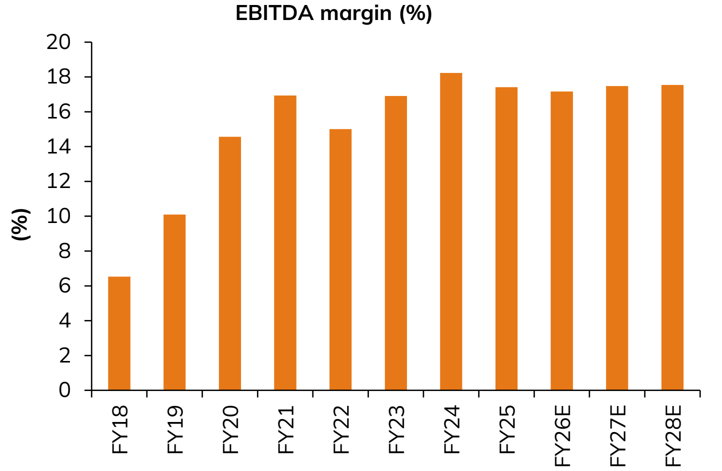
Operational highlights - Annual

Exhibit 10: Revenue and growth rates



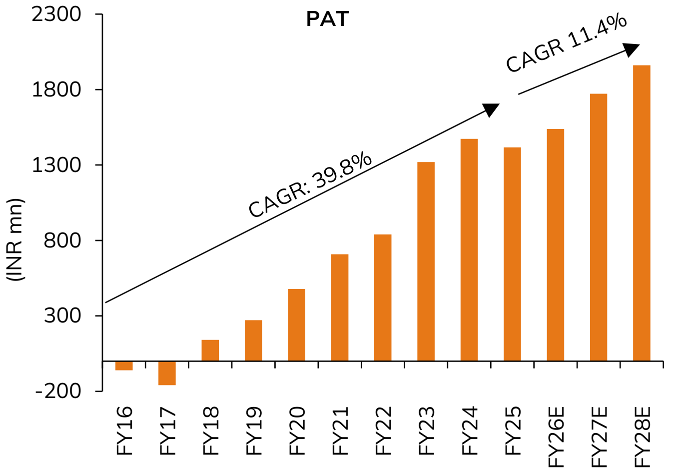
Source: Company data, I-Sec research

Exhibit 11: EBITDA margin



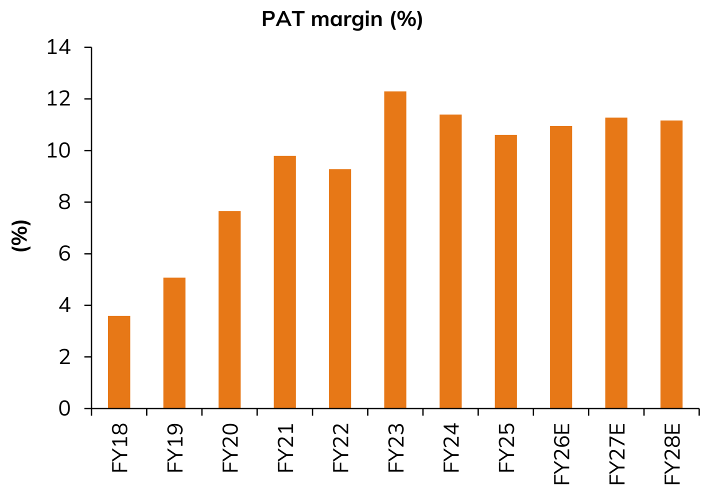
Source: Company data, I-Sec research

Exhibit 12: PAT and growth rates



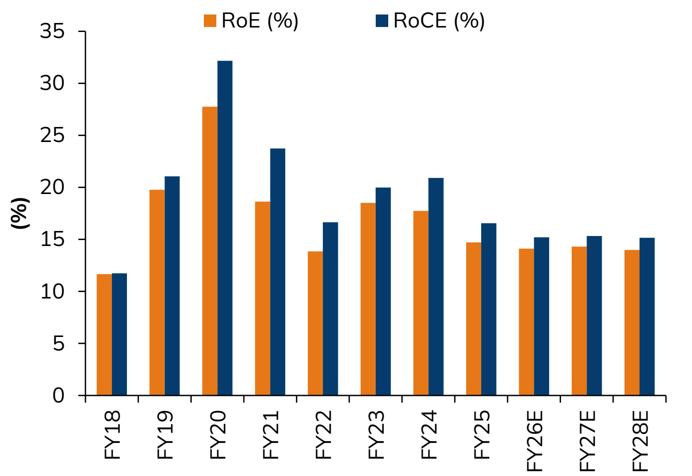
Source: Company data, I-Sec research

Exhibit 13: PAT margin



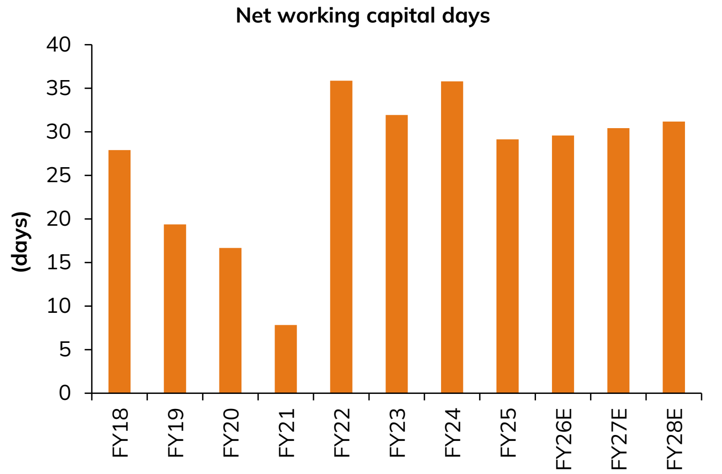
Source: Company data, I-Sec research

Exhibit 14: RoE and RoCE



Source: Company data, I-Sec research

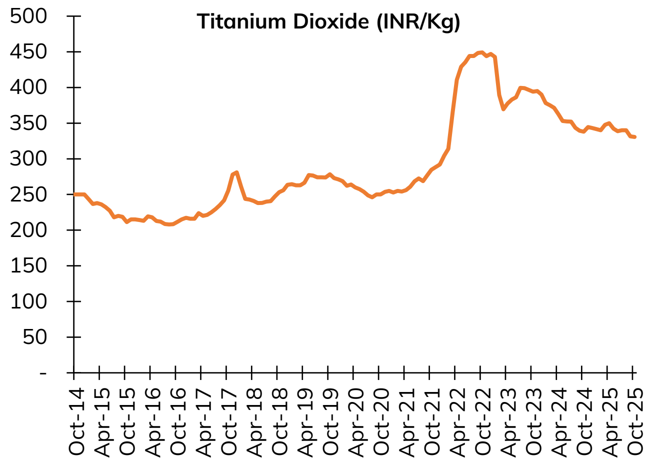
Exhibit 15: Net working capital days



Source: Company data, I-Sec research

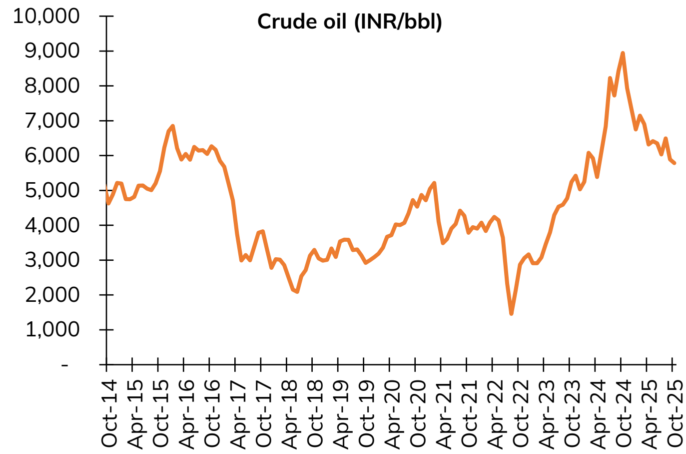
Key raw material prices

Exhibit 16: Titanium di-oxide



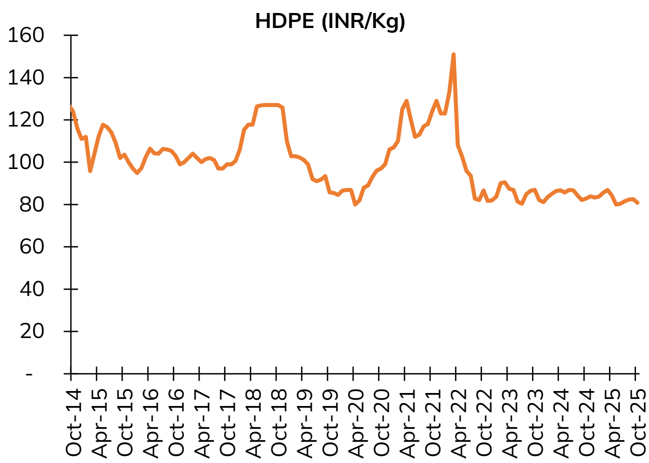
Source: Company data, I-Sec research

Exhibit 17: Crude oil



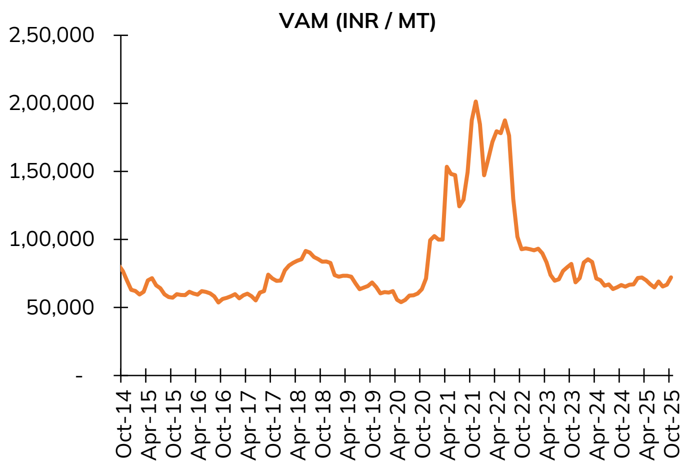
Source: Company data, I-Sec research

Exhibit 18: Packaging material - HDPE



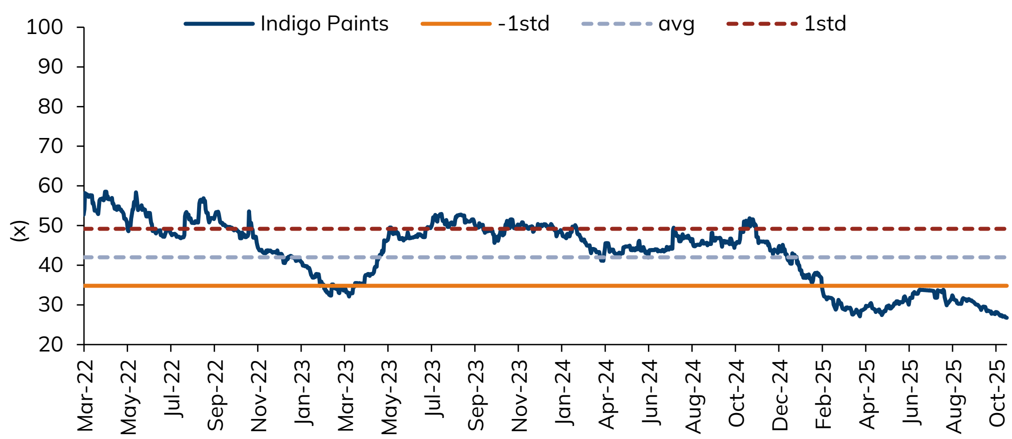
Source: Company data, I-Sec research

Exhibit 19: VAM prices



Source: Company data, I-Sec research

Exhibit 20: Mean P/E and standard deviation



Source: Company data, I-Sec research

Exhibit 21: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	53.9	53.9	53.9
Institutional investors	29.2	31.0	31.5
MFs and other	15.9	18.6	19.1
FIs/ Banks	-	-	-
Insurance Cos.	0.2	0.3	0.2
FIIs	13.1	12.1	12.2
Others	16.9	15.1	14.6

Source: Bloomberg, I-Sec research

Exhibit 22: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 23: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	13,407	14,147	15,805	17,660
Operating Expenses	**11,072**	**11,718**	**13,043**	**14,562**
EBITDA	2,335	2,429	2,763	3,097
EBITDA Margin (%)	**17.4**	**17.2**	**17.5**	**17.5**
Depreciation & Amortization	585	612	707	814
EBIT	1,750	1,817	2,055	2,284
Interest expenditure	35	5	5	5
Other Non-operating Income	185	258	331	355
Recurring PBT	1,900	2,070	2,381	2,634
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	**478**	**521**	**599**	**663**
PAT	1,422	1,549	1,782	1,971
Less: Minority Interest	(5)	(10)	(10)	(10)
Extraordinaries (Net)	(1)	-	-	-
Net Income (Reported)	1,416	1,539	1,772	1,961
Net Income (Adjusted)	**1,417**	**1,539**	**1,772**	**1,961**

Source Company data, I-Sec research

Exhibit 24: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	4,589	5,716	7,092	8,781
of which cash & cash eqv.	371	1,266	2,120	3,225
Total Current Liabilities & Provisions	2,832	2,989	3,339	3,731
Net Current Assets	**1,756**	**2,727**	**3,753**	**5,050**
Investments	2,261	2,261	2,261	2,261
Net Fixed Assets	4,453	4,841	5,384	5,820
ROU Assets	637	637	637	637
Capital Work-in-Progress	1,358	1,358	1,358	1,358
Total Intangible Assets	587	587	587	587
Other assets	187	187	187	187
Deferred Tax assets	-	-	-	-
Total Assets	**11,269**	**12,628**	**14,196**	**15,930**
Liabilities				
Borrowings	**64**	**64**	**64**	**64**
Deferred Tax Liability	**237**	**237**	**237**	**237**
provisions	5	5	6	6
other Liabilities	527	527	527	527
Minority Interest	-	-	-	-
Equity Share Capital	476	476	476	476
Reserves & Surplus	9,829	11,188	12,756	14,489
Total Net Worth	**10,306**	**11,665**	**13,232**	**14,965**
Total Liabilities	**11,269**	**12,628**	**14,196**	**15,930**

Source Company data, I-Sec research

Exhibit 25: Quarterly trend

(INR mn, year ending March)

	Dec 24	Mar 25	June 25	Sep 25
Net Sales	3,426	3,876	3,089	3,121
% growth (YOY)	-3.2%	0.7%	-0.7%	4.2%
EBITDA	572	874	443	465
Margin %	16.7%	22.6%	14.3%	14.9
Other Income	31	60	60	30
Extraordinaries	0	(1)	(0)	(0)
Adj. Net Profit	360	568	259	251

Source Company data, I-Sec research

Exhibit 26: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**2,293**	**2,090**	**2,324**	**2,599**
Working Capital Changes	210	(76)	(171)	(191)
Capital Commitments	(1,540)	(1,000)	(1,250)	(1,250)
Free Cashflow	**3,833**	**3,090**	**3,574**	**3,849**
Other investing cashflow	**(1,667)**	**-**	**-**	**-**
Cashflow from Investing Activities	(3,207)	(1,000)	(1,250)	(1,250)
Issue of Share Capital	0	-	-	-
Interest Cost	(35)	(5)	(5)	(5)
Inc (Dec) in Borrowings	33	-	-	-
Dividend paid	(167)	(191)	(214)	(238)
Others	-	-	-	-
Cash flow from Financing Activities	(147)	(196)	(219)	(243)
Chg. in Cash & Bank balance	**42**	**894**	**854**	**1,106**
Closing cash & balance	371	1,266	2,120	3,225

Source Company data, I-Sec research

Exhibit 27: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	29.7	32.3	37.2	41.2
Diluted EPS (Adjusted)	29.7	32.3	37.2	41.2
Cash EPS	42.0	45.2	52.0	58.3
Dividend per share (DPS)	3.5	4.0	4.5	5.0
Book Value per share (BV)	216.4	244.9	277.8	314.2
Dividend Payout (%)	11.8	12.4	12.1	12.1
Growth (%)				
Net Sales	2.6	5.5	11.7	11.7
EBITDA	(1.9)	4.0	13.7	12.1
EPS (INR)	(3.8)	8.6	15.1	10.7
Valuation Ratios (x)				
P/E	33.3	30.7	26.6	24.1
P/CEPS	23.6	21.9	19.0	17.0
P/BV	4.6	4.0	3.6	3.2
EV / EBITDA	19.1	18.0	15.5	13.5
EV / Sales	3.5	3.3	3.0	2.7
Dividend Yield (%)	0.4	0.4	0.5	0.5
Operating Ratios				
Gross Profit Margins (%)	46.0	47.0	47.3	47.3
EBITDA Margins (%)	17.4	17.2	17.5	17.5
Effective Tax Rate (%)	25.2	25.2	25.2	25.2
Net Profit Margins (%)	10.6	10.9	11.2	11.1
NWC / Total Assets (%)	12.3	11.6	11.5	11.5
Inventory Turnover Days	42.4	42.9	44.1	44.1
Fixed Asset Turnover (x)	2.1	2.0	1.9	1.8
Receivables Days	67.3	68.2	70.1	70.1
Payables Days				
Net Debt / Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(1.1)	(1.4)	(1.6)	(1.8)
Profitability Ratios				
RoCE (%)	13.5	12.3	12.3	12.1
RoE (%)	14.7	14.0	14.2	13.9
RoIC (%)	13.5	12.3	12.3	12.1

Source Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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