Shubh Nivesh

Indigo Paints (INDPAI)

CMP: ₹1150 | Target ₹ 1445 (26%) | Target Period: 12 months | **BUY**

August 17, 2026

Re-painting aggressive growth story...

About the stock: Indigo Paints (IPL) incorporated in 2000, is India's one of the fastest growing decorative paint company. The company's product profiles ranges across cement paints, putty, Emulsions, wood coatings and primers & distempers. IPL has 1 facility in Rajasthan, 1 in Tamil Nadu and Kerala each. The company has also entered waterproofing and construction chemical category through its subsidiary, Apple Chemie.

Investment Rationale:

IPL to return to double digit growth through aggressive growth strategies: Intensified competition from new entrant and muted demand environment moderated IPL's revenue CAGR to ~4% over FY24-26. With improving demand environment (especially in the rural market) and easing of competitive pressure, IPL's management is targeting aggressive revenue growth through revamped marketing and trade strategies in the coming years. It started FY27 on strong note by registering ~20% revenue growth in Q1FY27, driven by mix of double-digit volume growth (across portfolio) and double-digit value growth (price-led growth). It will become more aggressive in offering higher trade margins and promoting premium products through influencers/digital marketing to widen the revenue growth gap compared with industry in the coming quarters. This will be supported by strong backend initiatives such as capacity augmentation and distribution expansion in the coming years. IPL's dealers' strength increased by 826 dealers on YoY basis to 19,382 in Q1FY27. Revenue per dealer has grown by ~15% YoY, indicates focus on sweating existing dealer base to drive more growth. Overall, the company is well-poised to clock revenue CAGR of 14% over FY26-28E.

IPL has better margin profile compared with large peers: IPL's EBIDTA margins at ~18% is equivalent to some of the large listed peers. Its gross margin at 46% is highest compared with industry average of 40-41% on back of its better product mix (high margin differentiated products contributes ~30% of revenues). The company is ready to let-go some of the gross margins to offer higher trade margins or discounts to customers to clock better volume growth in the coming years. Though the gross margins are expected to taper a bit, the improving operating leverage and systematic advertisement spend would help EBIDTA margins to remain in the range of 18-19% in the near term. Increasing contribution of high margin products, operating efficiencies and stable input prices will help margins to improve in the long run.

Augmented capacity to support growth aggression; no-major capex plan till FY29; FCF to improve ahead: IPL invested ~Rs.350cr to augment its capacity in the water-based paints and solvent-based paints categories to provide a strong back-end support to its aggressive growth plans in the coming years. Production at the new solvent-based plant (12,000 KLPA) and the expanded putty plant at Jodhpur have already commenced in FY26, while Water-based paint unit with a capacity 90,000KLPA will be operational by Aug,26. With this expansion, the company doesn't envisage any further capex until FY29. Thus free-cash flow is expected to improve over the next 2 years. Further with scale-up in revenues and stable margins, the return profile of IPL is expected to improve with RoE/RoCE likely to improve to 19%/23% in FY28E from 14%/17% in FY26.

Rating and Target Price: Recovery in the decorative paint demand and management aggression to drive industry leading growth augurs well for IPL to achieve Revenue and PAT CAGR growth of 14% and 23% respectively over FY26-28E. **We recommend a Buy with a price target of Rs1,445(valuing at 30x its FY28E EPS of 48.2).**

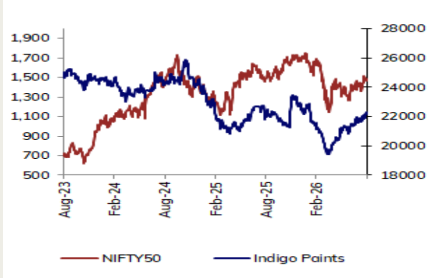
Particulars

Particuar	Amount
Market Capitalisation (Rs crore)	5483
Debt (FY26) - Rs crore	110
Cash (FY26) - Rs crore	32
EV (Rs crore)	5560
52-week H/L (Rs)	1346 / 708
Equity capital (Rs crore)	47.7
Face value (Rs)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	53.9	53.9	53.9	53.9
FII	11.8	11.2	7.4	5.4
DII	19.7	21.1	23.0	25.3
Others	14.6	13.8	15.7	15.4

Price Chart



Key risks

(i) Significant increase in the raw material prices to impact gross margins.

(iii) Increase in the competition from peers.

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Key Financial Summarys

Key Financials (₹ crore)	FY24	FY25	FY26	2 Year CAGR (FY24-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	1306.1	1340.7	1405.0	3.7	1653.0	1837.4	14.4
EBIDTA	238.1	233.5	254.8	3.4	305.1	352.2	17.6
EBIDTA Margins (%)	18.2	17.4	18.1		18.5	19.2	
Adjusted PAT	148.8	142.2	152.3	1.2	195.2	229.6	22.8
EPS (Rs.)	31.2	29.8	32.0		41.0	48.2	
PE (x)	36.8	38.5	36.0		28.1	23.9	
EV to EBIDTA (x)	23.0	23.6	21.8		17.8	15.5	
RoIC (%)	28.1	20.5	20.5		24.1	25.8	
RoCE (%)	22.6	18.3	17.0		20.4	23.4	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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