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IPO OFFERING

INDIGO PAINTS LTD



INDIGO
Be surprised!

About Company

Recommendation: Subscribe for Listing gains

Indigo Paints Ltd is a Pune based 5th largest company in the Indian decorative paint industry in terms of revenue. It is the fastest growing amongst the top 5 paint companies in India. Indigo Paints manufactures a complete range of decorative paints including emulsions, enamels, wood coatings, distempers, primers, putties and cement paints. It has introduced differentiated products to create a distinct market in the paint industry, building brand equity for their primary consumer brand of “Indigo”. Indigo Paints is the 1st company to manufacture and introduce certain differentiated products in the decorative paint market in India, which includes their Metallic Emulsions, Tile Coat Emulsions, Bright Ceiling Coat Emulsions, Floor Coat Emulsions, Dirtproof & Waterproof Exterior Laminate, Exterior and Interior Acrylic Laminate, and PU Super Gloss Enamel (together, “Indigo Differentiated Products”). It owns and operates 3 manufacturing facilities located in Rajasthan, Kerala and Tamil Nadu with an extensive distribution network across 27 states and 7 union territories.

Price Band	: Rs. 1488 to 1490 per share
Bid Lot size	: 10 Shares
Issue size	: Rs. 1,169 Cr
Issue Opens	: January 20 th 2021, Wednesday
Issue Closes	: January 22 nd 2021, Friday
Min App Amount	: Rs. 14,900/- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View: We believe Indigo Paints is an innovative painting solution company pioneer in launching first-to market kind differentiated painting products with niche products addressing the fastest growing market demand in India. With niche product portfolio Indigo enjoys first mover advantage in generating higher margins compared to the rest of product portfolio in industry. We also have an optimistic outlook on Indian decorative paint industry on the back of change in industry repainting cycle which used to be a 7-8 years cycle in late 2010 and now the same trend has reduced to 4-5 years in 2019 which makes the industry look attractive and due to change cycle we expect good volume demand going forward. As on date Indigo Paints is a relatively small player with a 2% market share but its profit has grown significantly, nearly 4x in the last 3 years. Considering its leadership presence in tier 3-4 cities where brand penetration is easier and dealers have greater ability to influence customer purchase decisions and target to eat-up un-organised paint markets which is almost 30%+ in the decorative paint segment, we see it is well placed to tap this opportunity. The good fact about this IPO is that the fresh issue money would be utilized for future capex plan in Pudukkottai plant, purchase of tinting machines and retiring some borrowings on books. **On valuations parse at upper price band (Rs 1490/-), the issue is asking for market cap Rs 7088 Cr with PE (annualised FY21) 140x and P/BV at 34x which seems to be aggressively priced when compared to industry players which are trading Avg of ~90-100x price earnings. Hence, in the view of impressive revenue and profit growth with high margin products and niche player in the decorative paint segment, we recommend investors to ‘SUBSCRIBE FOR LISTING GAIN ONLY’ in the best case scenario.**

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BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2018	2019	2020	H1 FY20	H1 FY21
Equity Share Capital	28	28	29	29	29
Reserves as stated	80	100	150	108	177
Net worth as stated	127	147	197	155	224
Revenue from Operations	401	536	625	273	259
Revenue Growth (%)	-	33.28%	16.60%	-	-4.81%
EBITDA as stated	26	54	91	23	48
EBITDA %	6.43%	10.10%	14.56%	8.60%	18.54%
Profit Before Tax	13	34	67	12	35
Net Profit for the period	13	27	48	6	27
Net Profit (%) as stated	3.19%	5%	7.63%	2.19%	10.45%
EPS (₹)	2.88	5.98	10.61	1.33	6.03
RoNW (%)	10.09%	18.22%	24.27%	3.86%	12.12%
Net Asset Value (₹)	28.53	32.84	43.69	34.45	49.75
ROCE (%)	9.86%	17.26%	27.50%	6.16%	13.85%

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS ₹ (in Cr)

Companies	Revenue (₹Cr)	EPS	NAV	P/E	RONW%
Indigo Paints Ltd	626	10.61	43.69	140.43	24.27%
Asian Paints Ltd	20,515	28.25	105.61	97.48	27.39%
Berger Paints Ltd	6,434	6.75	27.39	115.33	24.66%
Kansai Nerolac Paints Ltd	5,305	9.67	69.77	64.19	13.72%
Akzo Nobel India Ltd	2,699	52.13	271.85	47.41	19.18%

~P/E Ratio has been computed based on the closing market price on NSE as on January 4, 2021. *Consolidated Financial Information as on and for the period ended March 31, 2020; ^Audited IND Financial Year ended December 31, 2019

Source: Company RHP