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## Initial Public Offering of Indigo Paints Limited

**Price Band ₹ 1,488 - ₹ 1,490 per Equity Share**

Initial public Offer of up to [●\*] equity shares of face value of ₹10 each ("Equity Shares") of Indigo Paints Limited ("Company" OR "Issuer") for cash at a price of ₹ [●] per equity share (including a share premium of ₹ [●] per equity share) aggregating to ₹ [●] million (the "offer") comprising a fresh issue of up to [●] equity shares aggregating to ₹ 3,000 million (the "Fresh Issue") and an offer for sale of up to 5,840,000 equity shares aggregating to ₹ [●] million (the "offer for sale"), comprising up to 2,005,000 equity shares aggregating to ₹ [●] million by Sequoia Capital India Investments IV, 2,165,000 equity shares aggregating to ₹ [●] million by SCI Investments V (collectively referred to as the "Investor Selling Shareholders") and up to 1,670,000 equity shares aggregating to ₹ [●] million by Hemant Jalan (referred to as, the "Promoter Selling Shareholder" and together with the investor selling shareholders, the "Selling Shareholders", and such equity shares the "Offered Shares").

The offer includes a reservation of up to 70,000\*\* equity shares, aggregating to ₹ [●] million (constituting up to [●]% of the post-offer paid-up equity share capital), for subscription by eligible employees (the "Employee Reservation Portion"). The offer less the Employee Reservation Portion is hereinafter referred to as "Net Offer". The Offer and Net Offer shall constitute [●]% and [●]%, respectively, of the Post-Offer paid-up equity share capital of our company.

\* Assuming aggregate shares, amounts and/or percentage calculated at higher Price Band of ₹ 1,490.

\*\*Company and the Selling Shareholders in consultation with the BRLMs, may offer a discount of up to 10% of the Offer Price to Eligible Employees bidding in the Employee Reservation Portion.

### Overview of the Company

#### Business Overview

- Indigo Paints manufactures a complete range of decorative paints including emulsions, enamels, wood coatings, distempers, primers, putties and cement paints.
- Company has identified the potential product needs from customers and introduced differentiated products to meet these requirements, and create a distinct market for such products.
- Indigo Paints is the first company to manufacture and introduce certain differentiated products in the decorative paint market in India, which includes 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
- Company owns and operates three manufacturing facilities located in Jodhpur (Rajasthan), Kochi (Kerala) and Pudukkottai (Tamil Nadu) with an aggregate estimated installed production capacity of 101,903 kilo litres per annum ("KLPA") for liquid paints and 93,118 metric tonnes per annum ("MTPA") for putties and powder paints.
- As on 31st March 2020, distribution network comprises of 36 depots, and 11,230 active dealers in India. And, the total number of tinting machines that the company has placed across network of dealers is 4,296
- Company typically commence distributing products in new states to dealers in Tier 3, Tier 4 cities and rural areas, and subsequently leverage this network to engage with dealers in tier 1 and tier 2 cities and metros as well

#### Industry Overview

- The Indian paint industry comprises a sizeable portion of India's GDP. The industry has registered a CAGR of approximately 11% during Fiscal 2014 to Fiscal 2019, almost double the growth rate of India's GDP.
- The high growth trajectory and shift of preference toward odor free, and dust and water resistant paints can be attributed to the rise in urbanization, growth in the popularity of branded paints, shortening of the re-painting cycle and robust pricing power prevalent in paint industry.
- An increase in demand is expected for both the decorative and industrial paints during the forecast period with the massive infrastructure initiatives by the Government of India.
- The decorative paint segment constitutes around 74% of the total paint sales, resulting in the paint sector growing at a robust rate even at the time of an industrial slowdown. The Indian paint industry is valued at approximately ₹ 545 billion and is expected to grow to amount to ₹ 971

	<p>billion by 2024.</p> <ul style="list-style-type: none"> <li>• Going forward, the decorative paint market is expected to grow at a CAGR of 13% while the industrial paint market is expected to grow at a CAGR of 9.9% by 2024.</li> <li>• Within the paint industry, the organized sector has a 67% market share and the remaining 33% is held by the unorganized sector. Until 2015 the unorganized sector had a market share of approximately 35%, which has been penetrated by the organized sector due to challenges faced by smaller players in the form of demonetization and implementation of GST</li> <li>• The organized players are expected to dominate the market share in the forecast period (through 2024) with companies like Indigo Paints tapping into the market of unorganized players in Rural Areas and smaller cities.</li> <li>• A diversified customer base with under penetration, lower competitive intensity and stifled demand has brought the growth of the paint industry almost in line with the traditional fast-moving consumer goods industry, making it an appealing investment for a long-term investor.</li> </ul>
<p><b>Board of Directors</b></p>	<p><b>Key Promoter Background</b></p> <ul style="list-style-type: none"> <li>• <b>Hemant Jalan (Managing Director and Chairman)</b> <ul style="list-style-type: none"> <li>– He is the founding Director and is the promoter of the Company. Holds a bachelor’s of technology degree in chemical engineering from the Indian Institute of Technology, Kanpur, a master’s degree in science from Stanford University and a master’s degree in business administration from the University of Chicago. He has over 20 years of experience in the paint industry.</li> </ul> </li> <li>• <b>Anita Jalan (Executive Director)</b> <ul style="list-style-type: none"> <li>– She is an Executive Director of the Company. She has not received a formal educational degree. She has over 20 years of experience as a director in the Company.</li> </ul> </li> <li>• <b>Other members of the Board of Directors are :-</b> <ul style="list-style-type: none"> <li>– Mr. Praveen Kumar Tripathi – (Independent Director)</li> <li>– Mr. Sunil Goyal – (Independent Director)</li> <li>– Mr. Narayanan Kutty Kottiedath Venugopal – (Executive Director)</li> <li>– Mr. Sakshi Chopra - (Nominee Director)</li> <li>– Mr. Ravi Nigam - Independent Director</li> <li>– Mr. Ravi Shankar Ganapathy Agraharam Venkataraman - Alternate Director to Sakshi Chopra</li> <li>– Ms. Nupur Garg - Independent Director</li> </ul> </li> </ul>
<p><b>Strengths</b></p>	<ul style="list-style-type: none"> <li>• <b>Track record of consistent growth in a fast growing industry with significant entry barriers</b> <ul style="list-style-type: none"> <li>– Indigo Paints is the fastest growing amongst the top five paint companies in India.</li> <li>– Company is the fifth largest company in the Indian decorative paint industry in terms of revenue from operations for Fiscal 2020</li> <li>– Company’s revenue from operations have grown at a CAGR of 41.9% between Fiscal 2010 and Fiscal 2019, compared to the range of 12.1% to 13.1% recorded by the top four paint companies in India</li> </ul> </li> <li>• <b>Differentiated products leading to greater brand recognition and enabling expansion into a complete range of decorative paint products</b> <ul style="list-style-type: none"> <li>– Consistently seek to launch first-to-market products by identifying niche product opportunities and introducing products that address these requirements</li> <li>– Indigo Paints is the first company to introduce certain category-creator products, including metallic emulsions, tile coat emulsions, bright ceiling coat emulsions and floor coat emulsions in the decorative paint market in India</li> </ul> </li> <li>• <b>Focused brand-building initiatives to gradually build brand equity</b> <ul style="list-style-type: none"> <li>– Company has strategically undertaken brand-building initiatives to gain visibility with prudent use of resources, gradually increasing branding and marketing expenses consistent with the growth of business</li> <li>– Advertisement and sales promotion expenses is 12.65% of revenue from operations in Fiscal 2020 vis-à-vis top four paint companies were in the range of 3.3% to 5.0% in Fiscal 2020</li> </ul> </li> <li>• <b>Extensive distribution network for better brand penetration</b> <ul style="list-style-type: none"> <li>– The Company has established distribution network gradually and strategically through the bottom-up approach with prudent use of time, cost and resources by first focusing on dealers in Tier 3, Tier 4 cities, and rural areas, where brand penetration is easier and</li> </ul> </li> </ul>

dealers have greater ability to influence customer purchase decisions

- Approaches dealers in these markets with differentiated products, being products with greater marketability, to improve penetration of Indigo brand and strengthen relationship with these dealers. Company then capitalizes on these relationships to distribute a wider range of decorative paints.
- As on 31st March 2020, distribution network comprises of 36 depots, and 11,230 active dealers in India.
- **Leveraged brand equity and distribution network to populate tinting machines**
  - During the last three fiscals, Company has installed an average of 1,223 tinting machines every fiscal, and as of September 30, 2020, it had a total of 4,603 tinting machines across network of dealers in India.
  - Tinting machines are manufactured by recognized international companies and are capable of producing unlimited shades.
- **Strategically located manufacturing facilities with proximity to raw materials**
  - The Company’s manufacturing facilities are strategically located in proximity to raw material sources, which reduces inward freight costs and results in lower cost of raw materials
  - As a result of locational advantages and the higher margins generated from the Indigo differentiated products, gross margins have consistently been higher than the industry average
- **Well-qualified and professional management team with a committed employee base**
  - Company has a strong management team with considerable industry experience
  - Promoter Mr. Hemant Jalan and Executive Director Mr. Narayanan Kutty Kottiedath Venugopal have been instrumental in the growth of business
  - Mr. Hemant Jalan has over two decades of experience in the paint industry. Mr. Narayanan Kutty Kottiedath Venugopal has several years of experience in the paint industry and was previously the managing director of Hi-Build Coatings Private Limited

#### Balance Sheet

Particulars (INR mn)	FY18	FY19	FY20	H1FY20	H1FY21
Net worth	1,274.6	1,474.63	1,970.53	1,552.71	2,243.73
Total Assets	2,973.94	3,731.83	4,219.59	3,767.13	4,112.91

#### Income Statement

Particulars (INR mn)	FY18	FY19	FY20	H1FY20*	H1FY21*
Total revenue	4,031.05	5,372.62	6,264.36	2,733.97	2,602.43
Revenue from Operations	4,014.76	5,356.29	6,247.92	2,726.36	2,594.20
EBITDA	274.31	557.25	926.32	972.87	917.78
EBITDA Margin (%)	6.80%	10.37%	14.79%	8.86%	18.79%
Restated profit after tax	128.62	268.70	478.15	59.94	272.05
PAT Margin (%)	3.19%	5.00%	7.63%	2.19%	10.45%
Earnings per Share (Basic)	2.88	5.98	10.61	1.33*	6.03*
Earnings per Share (Diluted)	2.82	5.90	10.49	1.32*	5.97*

\*Not Annualised

#### Objects of the Offer

- Funding capital expenditure for expansion of the existing manufacturing facility at Pudukkottai, Tamil Nadu by setting-up an additional unit adjacent to the existing facility
- Purchase of tinting machines and gyroshakers
- Repayment/prepayment of all or certain of our borrowings
- General corporate purposes.