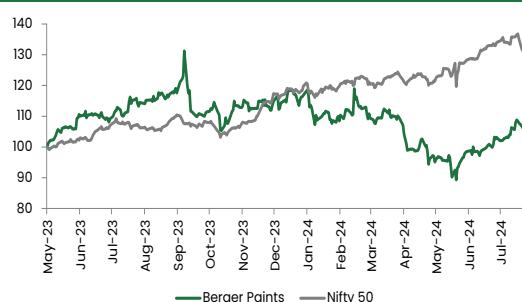
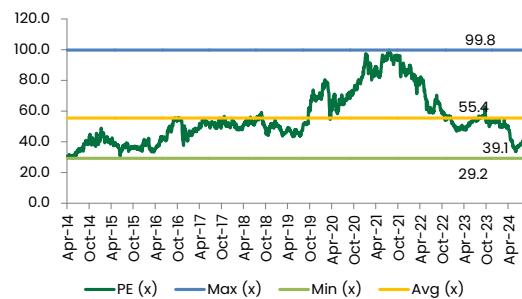


BUY

CMP (Rs)	531
Target Price (Rs)	655
Potential Upside	23.5%
Sensex	79,914
Nifty	24,420
Key Stock data	
BSE Code	509480
NSE Code	BERGEPAINT
Bloomberg	BRGR:IN
Shares o/s, Cr (FV1)	116.6
Market Cap (Rs Cr)	61,833
3M Avg Volume	24,31,296
52 week H/L	680/439

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
Promoter	75.0	75.0	75.0
FII	10.7	10.7	7.5
DII	4.7	5.1	7.6
Others	9.6	9.2	9.9

1 year relative price performance

1 year Forward P/E (x)

Research Analyst
Vinay Kalani

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Strong volume growth; Maintain Buy

Q1FY25 Result Update | Sector: Paints | August 12, 2024

Decent performance led by double digit volume growth: Berger paints reported consolidated revenue of Rs 3,091cr, which grew by 2.0% YoY and 22.6% QoQ led by volume growth of 11.8% and consistent growth in most of its subsidiaries. Further, company has gained highest market share gain among listed players on YoY and QoQ basis from 19.7% in Q4FY24 to 20.9% in Q1FY25. However value growth moderated due to impact of product price reduction of about 5% taken in Q3 & Q4FY24. Amongst segments, decorative performed well and continue to showcase double digit growth while industrial business was impacted due to general elections and subdued growth in the commercial vehicle segment. In the International market, strong growth was reported from Bolix Poland with improvement in operating margin while subdued performance continued from Nepal business due to unfavorable market conditions.

Margins remain impacted: Its gross profit grew by 2.2% YoY and 20.3% QoQ to Rs 1,232.6cr while its margin improved by 5bps YoY but declined by 79bps QoQ to 40.7% So, improvement in gross margin as compared last year was because of low cost inventory but sequentially it was impacted due to Inflation in raw material prices. Its EBITDA declined by 6.2% YoY but grew 48.9% QoQ to Rs 522.4cr with decline in margin by 148bps YoY but shown improvement of 298bps QoQ. On YoY basis, margins were largely impacted because of higher spending on advertisements and brand building. PAT was mixed, as it was flat YoY but grew by 59% QoQ to Rs 354cr while margins declined by 26bps YoY but improved by 262bps QoQ.

Key Highlights:

- Total volume growth during the quarter was 11.8%, while value growth was 2.4%. The value growth was impacted by a 5% price reduction taken in Q3 and Q4 of last year, as well as changes in the product mix.
- The company has increased prices on differentiated products in Q1. Additionally, a price hike was implemented in July, and another one is planned for August.
- Expect the operating margin to hover in the range of 15-17%, with a slight improvement in H1 FY25 due to the price hikes that have been implemented. Additionally, the gross margin is expected to improve to over 40%.
- In Industrial Segment, protective coating business had a modest performance somewhat impacted by General Elections but business picked up in June while automotive and general Industrial business saw muted growth in the quarter on the back of subdued growth in the commercial vehicle segment.
- Aggressive network expansion as it added 1900+ retail touchpoint and installed 1800+ color bank machine and renewed focus on urban market. Aiming to add 8000+ color bank machine in this year.

Outlook & Valuation: Berger Paints showed resilient performance for the quarter, consistently outperforming the industry growth rate and managing to gain the highest market share among the listed players. Further, management remains positive on the growth prospects which would be driven by double digit volume growth for decorative segment, steady demand, innovations and expansion in distribution along with catch up in rural areas will help in aiding growth. On the financial front, we estimate its revenue/EBITDA/PAT to grow at 13%/15.9%/16.3% CAGR over FY24-26E and maintain a **Buy** rating with a revised target price of **Rs 655**.

Financial Summary – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	10,568	11,199	12,431	14,295
EBITDA	1,487	1,861	2,101	2,502
EBITDAM (%)	14.1	16.6	16.9	17.5
APAT	860	1,170	1,305	1,581
APATM (%)	8.1	10.4	10.5	11.1
EPS (Rs)	8.9	10.0	11.2	13.6
PE (x)	59.9	52.9	47.4	39.1
RoE (%)	19.1	21.7	20.6	21.0

Source : RBL Research

Consolidated sales grew by 22.6% QoQ led by double digit volume growth

EBITDA margin remain impacted YoY because of low value sales growth and incremental advertisement expenses

P&L Account Quarterly - consolidated

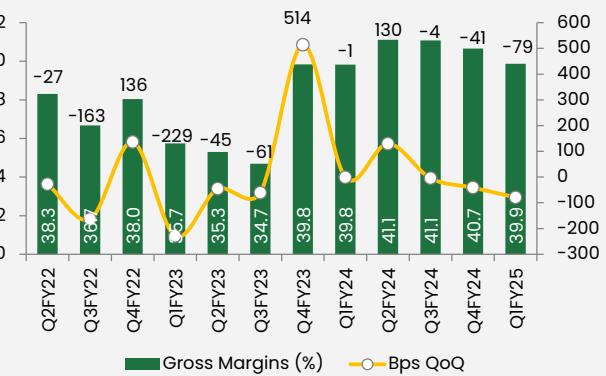
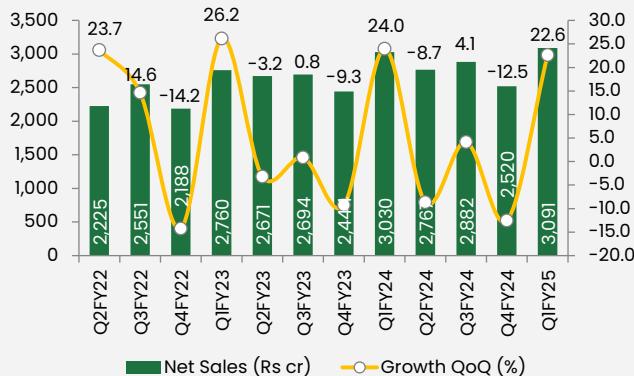
Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Net Sales	3,091.0	3,029.5	2.0	2,520.3	22.6
Cost of Raw Materials	1,577.8	1,481.0	6.5	1,322.5	19.3
Purchase of Finished Goods	267.3	247.6	8.0	229.4	16.5
(Increase) / Decrease In Stocks	13.3	94.5	-	(56.4)	-
Total Raw material cost	1,858.5	1,823.1	1.9	1,495.4	24.3
Gross Profit	1,232.6	1,206.4	2.2	1,024.9	20.3
Gross Margins (%)	39.9	39.8	5bps	40.7	-79bps
Employee Cost	192.2	166.9	15.2	174.4	10.2
Other Expense	517.9	482.8	7.3	499.6	3.7
Total Expenditure	2,568.6	2,472.8	3.9	2,169.4	18.4
EBITDA	522.4	556.8	(6.2)	350.9	48.9
EBITDA Margins (%)	16.9	18.4	-148bps	13.9	298bps
Depreciation	87.2	78.2	11.5	86.9	0.4
EBIT	435.2	478.5	(9.1)	264.0	64.9
Other Income	36.3	13.6	167.5	15.9	128.8
Interest	15.2	19.7	(23.0)	17.8	(15.0)
PBT	456.4	472.4	(3.4)	262.0	74.2
Shares of profits/(loss)	9.6	3.8	-	32.0	-
PBT	466.0	476.2	(2.1)	294.1	58.5
Tax	112.0	121.3	(7.7)	71.4	56.7
PAT	354.0	354.9	(0.2)	222.6	59.0
PAT Margin (%)	11.5	11.7	-26bps	8.8	262bps
EPS (Rs)	3.0	3.7	(16.9)	1.9	59.0

Source : RBL Research

Story in charts

Revenue grew by 2.0% YoY and 22.6% QoQ

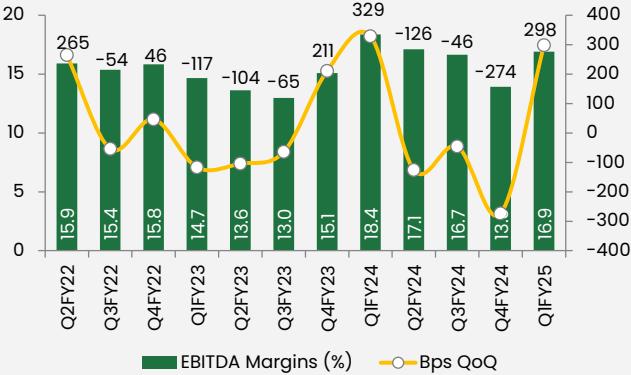
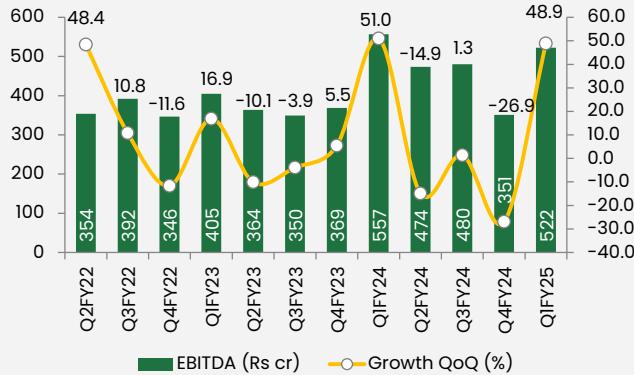
Gross margins improved by 5bps YoY but down by 79bps QoQ



Source : RBL Research

EBITDA de-grew by 6.2% YoY but improved by 48.9% QoQ

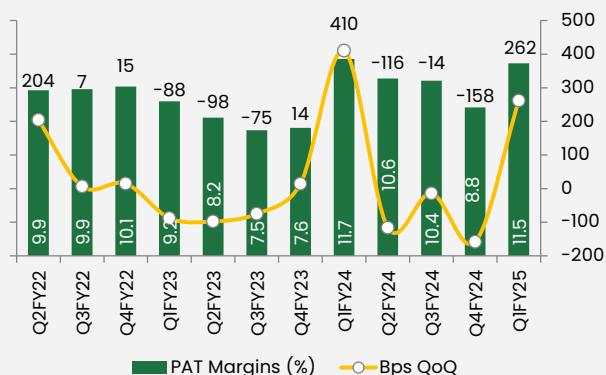
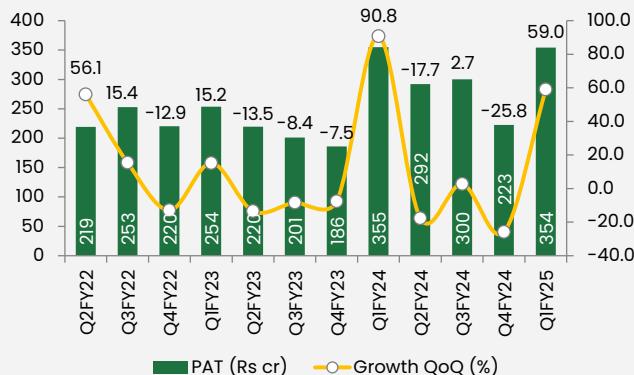
EBITDA Margin decreased by 148bps YoY but improved 298bps QoQ



Source : RBL Research

PAT was flat YoY but grew by 59% QoQ

PAT Margins de-grew by 26bps YoY but grew by 262bps QoQ



Source : RBL Research

P&L Account - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	10,568	11,199	12,431	14,295
Expenditure				
Cost of materials	5,853	5,597	6,215	7,076
Purchase of stock in trade	971	924	1,007	1,158
(Increase) / Decrease In Stocks	(93)	125	137	157
Total raw materials	6,731	6,646	7,359	8,391
Gross Profit	3,837	4,553	5,072	5,904
Gross Margins %	36.3	40.7	40.8	41.3
Employee cost	609	713	771	872
Other expenses	1,741	1,979	2,200	2,530
Total expenditure	9,081	9,338	10,330	11,794
EBITDA	1,487	1,861	2,101	2,502
EBITDAM (%)	14.1	16.6	16.9	17.5
Depreciation	264	331	367	422
PBIT	1,223	1,530	1,734	2,079
Other income	52	64	71	81
Interest expenses	99	78	52	37
PBT	1,176	1,516	1,752	2,123
Tax	302	387	447	542
Reported PAT	874	1,129	1,305	1,581
Exceptional Income / Expenses	(13)	41	-	-
PAT (after Exceptional)	860	1,170	1,305	1,581
PAT Margin %	8.1	10.4	10.5	11.1
EPS (Rs)	8.9	10.0	11.2	13.6

Source : RBL Research

Balance Sheet - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	97	117	117	117
Reserves & Surplus	4,397	5,262	6,206	7,425
Total Shareholder's Fund	4,494	5,379	6,322	7,542
Minority Interest	8	10	11	13
Long term borrowings	8	6	7	8
Short term borrowing	760	199	124	86
Total Debt	768	205	131	93
Deferred tax liabilities	74	94	104	119
Long term provision	12	13	14	17
Other long term liabilities	415	527	585	673
Total	501	634	704	809
Current Liabilities				
Trade payables	1,766	1,679	1,805	2,037
Short term provisions	67	62	68	79
Other current liabilities	363	399	443	510
Total	2,196	2,140	2,317	2,625
Total liabilities	7,967	8,369	9,485	11,082
Application of Assets				
Net Block	3,050	3,366	4,036	4,839
Current work in process	110	187	187	187
Goodwill on consolidation	282	305	305	305
Non current investment	130	-	-	-
Tax assets	69	49	55	63
Other non-current assets	162	123	136	156
Total	3,803	4,030	4,718	5,551
Current Assets				
Current investments	53	86	95	110
Inventories	2,319	2,180	2,419	2,782
Trade receivables	1,243	1,323	1,468	1,689
Cash balance	116	240	189	300
Bank balance	129	210	210	210
Short term loans and advances	4	43	48	55
Other current assets	300	257	336	386
Total	4,164	4,339	4,766	5,532
Total assets	7,967	8,369	9,485	11,082

Source : RBL Research

Cashflow - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	1,162	1,557	1,752	2,123
Add: Depreciation	264	331	367	422
Add: Interest cost	99	78	52	37
Other Inc/Int. Rec.	(16)	(26)	(18)	(20)
Others	34	(31)	-	-
Operating profit before WC	1,543	1,909	2,154	2,563
Changes in working capital	(260)	30	(242)	(255)
Cash from Operations	1,284	1,940	1,912	2,307
Less: Taxes	(308)	(349)	(447)	(542)
Cash flow from Operations	976	1,591	1,465	1,765
Net cash used in Investing				
Purchase of fixed assets	(748)	(275)	(1,037)	(1,226)
Purchase of investments	36	(25)	(9)	(14)
Sales of fixed assets	4	4	-	-
Div. Income//Interest Rec.	17	18	18	20
Others	90	(120)	-	-
Cash flow from investing	(600)	(398)	(1,029)	(1,220)
Cash flow from Financing				
Proceeds of borrowings	8,414	(582)	(74)	(38)
Sales of borrowings	(8,232)	-	-	-
Dividend (Incl dividend tax)	(301)	(311)	(361)	(361)
Interest cost	(61)	(36)	(52)	(37)
Others	(182)	(140)	1	2
Cash flow from Financing	(363)	(1,069)	(487)	(435)
Net cash Inflow/Outflow	13	124	(51)	110
Opening cash	103	116	240	189
Closing cash	116	240	189	300

Source : RBL Research

Key ratios - consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	8.9	10.0	11.2	13.6
Book value per share (Rs)	46.3	46.1	54.2	64.7
Dividend per share (Rs)	3.1	2.7	3.1	3.1
Dividend Yield (%)	0.6	0.5	0.6	0.6
Dividend Payout (%)	35.0	26.6	27.7	22.9
Profitability Ratios				
EBITDAM(%)	14.1	16.6	16.9	17.5
PBTM (%)	11.1	13.5	14.1	14.9
NPM (%)	8.1	10.4	10.5	11.1
RoE (%)	19.1	21.7	20.6	21.0
RoCE (%)	23.2	27.4	26.9	27.2
Efficiency Data				
Debt-Equity Ratio	0.2	0.0	0.0	0.0
Interest Cover Ratio	12.3	19.6	33.1	55.6
Fixed Asset Ratio	0.3	0.3	0.3	0.3
Debtors (Days)	42.9	43.1	43.1	43.1
Inventory (Days)	80.1	71.0	71.0	71.0
Payable (Days)	61.0	54.7	53.0	52.0
WC (Days)	62.1	59.4	61.2	62.2
Valuation				
P/E (x)	59.9	52.9	47.4	39.1
P/BV	11.5	11.5	9.8	8.2
EV/EBITDA	35.1	33.2	29.4	24.6
EV/Sales	4.9	5.5	5.0	4.3

Source : RBL Research

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Rating Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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S. No.	Statement	Answer	
	Tick appropriate		
		Yes	No
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	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
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	I/we have received any compensation from the subject company in the past twelve months?		No
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	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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