

## Steady performance YoY; healthy growth expected in FY24; Maintain Buy

Q4FY23 Result Update | Sector: Paints | May 16, 2023

### BUY

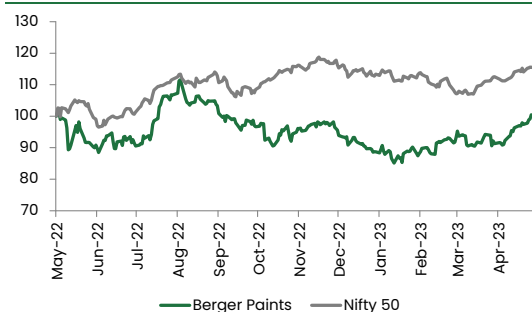
<b>CMP (Rs)</b>	629
<b>Target Price (Rs)</b>	766
<b>Potential Upside</b>	21.8%
<b>Sensex</b>	62,346
<b>Nifty</b>	18,399

Key Stock data	
<b>BSE Code</b>	509480
<b>NSE Code</b>	BERGEPAINT
<b>Bloomberg</b>	BRGR:IN
<b>Shares o/s, Cr (FV 1)</b>	97.1
<b>Market Cap (Rs Cr)</b>	61,121
<b>3M Avg Volume</b>	665,387
<b>52 week H/L</b>	710/527

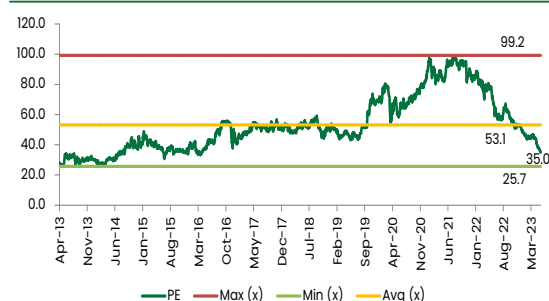
### Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
<b>Promoter</b>	75.0	75.0	75.0
<b>FII</b>	11.1	11.1	10.6
<b>DII</b>	3.2	2.9	3.5
<b>Others</b>	10.7	11.0	10.9

### 1 Year relative price performance



### EV/EBITDA (x)



### Research Analyst

**Nirvi Ashar**

nirvi.ashar@religare.com

**Mixed growth in revenue:** Berger paints standalone revenue for Q4FY23 grew by 13.6% YoY with volume growth of 11.1% while its consolidated revenue grew by 11.7% YoY but saw a decline of 9.3% QoQ to Rs 2,443.6cr. The growth was driven by double digit growth in the decorative segment as well as healthy demand for construction chemicals and pick up in sales of industrial segments. For FY23, its standalone revenue grew by 22.3% YoY to Rs 9,470cr with strong volumes growth of 15.5% YoY and its consolidated revenue grew by 20.6% YoY to Rs 10,567.8cr. The company achieved the milestone of 10,000cr in revenue on consolidated basis.

**Gross margin saw steady improvement:** The company's gross profit grew by 14.4% YoY and 4.2% QoQ to Rs 973.5cr because of decline in raw material prices and this further led to improvement of gross margins by 93bps YoY and 514bps QoQ. However, Its EBITDA margins saw mixed trend wherein it improved by 211bps QoQ but declined by 75bps YoY due to high advertisement spends and other overhead expenses as well as provisions for delay of receivables in Andhra Pradesh Government project. Further, PAT was down by 15.6% YoY and 7.5% QoQ due to increase in depreciation and interest expense while other income declined as well as there was loss on account of fire in the factory of Berger Becker Coatings, a JV of the company. Going ahead, the management plan is to maintain gross margins at the same levels of 38-40% while EBITDA margins to improve to 16-17% led by operating efficiency and further easing in raw material cost.

**Capacity expansion with focus on increasing utilization:** 1) The company's current capacity is ~95,000MT while it added new plant in Uttar Pradesh with total capacity of 33,000MT at an investment of Rs 1,036.6cr. 2) This plant is set up for manufacturing products across all categories such as water and solvent based paints, putty and construction chemicals. 3) Further, the plan is to increase overall capacity utilization to 60-70%. 4) No new green field project in FY24 but some capacity additions in existing plants. 5) New plant is to be commissioned in Panagarh, West Bengal by FY25 to produce Industrial paints & construction chemicals.

**Concall highlights:** 1) Consolidated revenue crossed Rs 10,000cr mark and also Berger gained market share in FY23. 2) Its strongest markets are East and North while in West and South they are trying to gain share as there are some states where they have strong presence. 3) Company added around 8000+ retail touch points in FY23 Installed 5200+ Colorbank machines. 4) Protective coating and non-auto industrial business have crossed sales of Rs 1,000cr and Rs 1,450cr, respectively. 5) New products are launched in weather coat and Imperia range during the quarter. 6) Management has plans to spend on advertisements. 7) Amongst industrial segments, auto, general industrial, protective and Infrastructure business saw decent pick-up driven by steady demand and new opportunities while powder coatings business saw significant de-growth on account of downturn in the fan industry.

**Outlook & Valuation:** Berger Paints numbers were steady with decent revenue growth YoY and gross margin expansion while EBITDA and PAT margin saw mixed trends. Going ahead, management continues to remain optimistic on the growth prospects and their focus will be on product innovation, scaling up distribution reach and intent to improve manufacturing efficiencies through automation. Besides, we believe positive industry trends like government focus on housing and infrastructure, strong demand for decorative as well as improving sales from industrial and construction chemicals and easing raw material prices bodes well for overall growth. On the financial front, we expect revenue/EBITDA to grow at 21%/38% CAGR over FY23-25E and have maintained a Buy rating with the target price of Rs 766, giving a PE multiple of 42x FY25E EPS.

### Financial Summary – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	8,762	10,568	12,681	15,471
EBITDA	1,332	1,487	2,072	2,837
EBITDAM (%)	15.2	14.1	16.3	18.3
APAT	834	860	1,258	1,764
APATM (%)	9.5	8.1	9.9	11.4
EPS (Rs)	8.6	8.9	13.0	18.2
PE (x)	73.3	71.0	48.6	34.6
RoE (%)	21.2	19.1	23.5	26.6

Source : RBL Research

Revenue grew by 11.7% YoY driven by strong volumes as well as double digit growth in decorative segment

Margins improved as there was decline in raw material prices

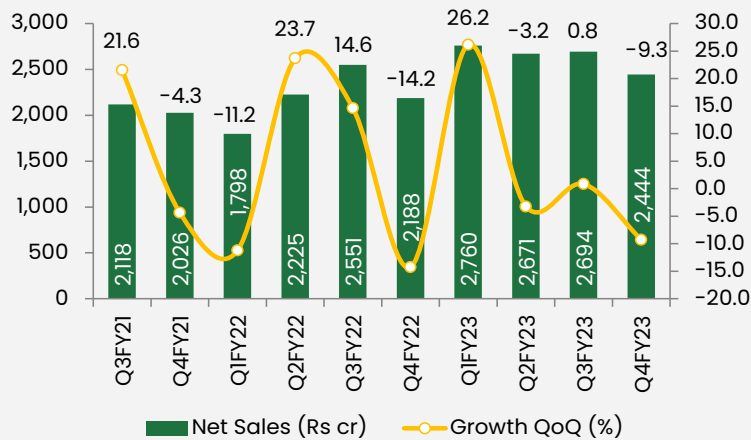
### P&L Account Quarterly – consolidated

Particulars, Rs cr	Q4FY23	Q4FY22	Y-o-Y %	Q3FY23	Q-o-Q %
<b>Net Sales</b>	<b>2,443.6</b>	<b>2,187.5</b>	<b>11.7</b>	<b>2,693.6</b>	<b>(9.3)</b>
Cost of Raw Materials	1,335.5	1,349.2	(1.0)	1,302.3	2.5
Purchase of Finished Goods	201.0	236.1	(14.9)	247.1	(18.6)
(Increase) / Decrease In Stocks	(66.3)	(248.9)	-	209.8	-
<b>Total Raw material cost</b>	<b>1,470.2</b>	<b>1,336.4</b>	<b>10.0</b>	<b>1,759.1</b>	<b>(16.4)</b>
<b>Gross Profit</b>	<b>973.5</b>	<b>851.1</b>	<b>14.4</b>	<b>934.5</b>	<b>4.2</b>
Gross Margins %	39.8	38.9	93bps	34.7	514bps
Employee Cost	154.7	134.1	15.3	148.1	4.4
Other Expense	450.0	370.5	21.4	436.7	3.0
<b>Total Expenditure</b>	<b>2,074.9</b>	<b>1,841.1</b>	<b>12.7</b>	<b>2,343.9</b>	<b>(11.5)</b>
<b>EBITDA</b>	<b>368.8</b>	<b>346.4</b>	<b>6.4</b>	<b>349.7</b>	<b>5.5</b>
EBITDA Margins (%)	15.1	15.8	-75bps	13.0	211bps
Depreciation	74.4	59.8	24.5	64.4	15.6
EBIT	294.4	286.7	2.7	285.3	3.2
Other Income	15.1	19.1	(21.2)	10.9	38.5
Interest	29.3	14.6	100.5	29.6	(0.8)
PBT	280.1	291.2	(3.8)	266.6	5.1
Shares of profits/(loss)	(22.2)	5.2	-	2.5	-
PBT	257.9	296.4	(13.0)	269.1	(4.2)
Tax	71.9	76.2	(5.6)	68.0	5.8
<b>PAT</b>	<b>186.0</b>	<b>220.3</b>	<b>(15.6)</b>	<b>201.2</b>	<b>(7.5)</b>
PAT Margin (%)	7.6	10.1	-246bps	7.5	14bps
EPS	1.9	2.3	(15.6)	2.1	(7.5)

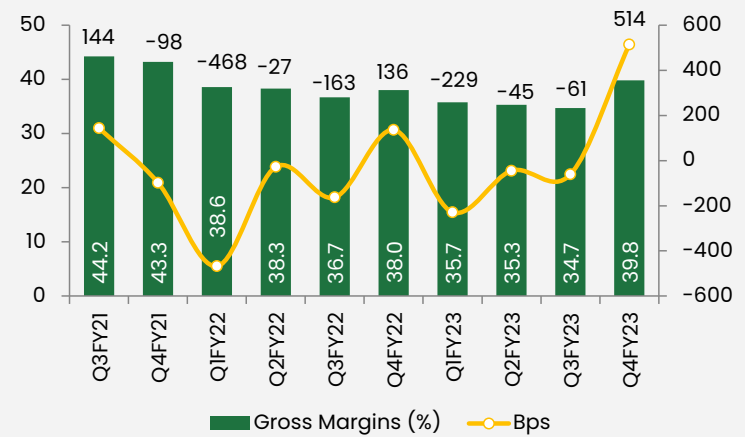
Source : RBL Research

## Story in charts

**Revenue grew by 11.7% YoY but decline by 9.3% QoQ**

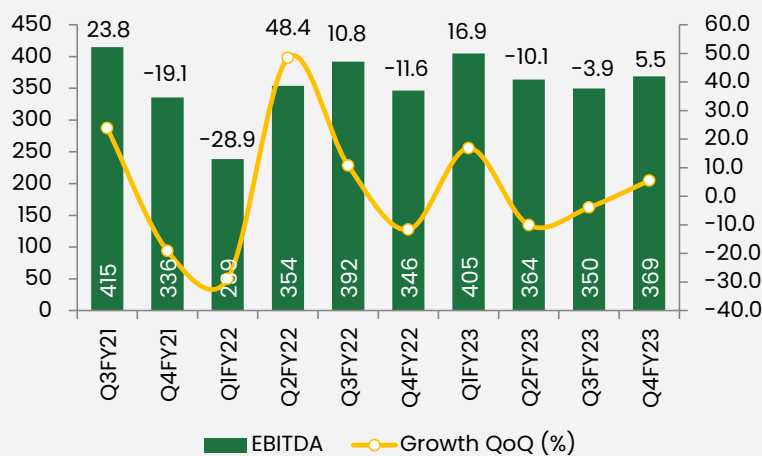


**Gross Margins improved by 93bps YoY and 514bps QoQ**

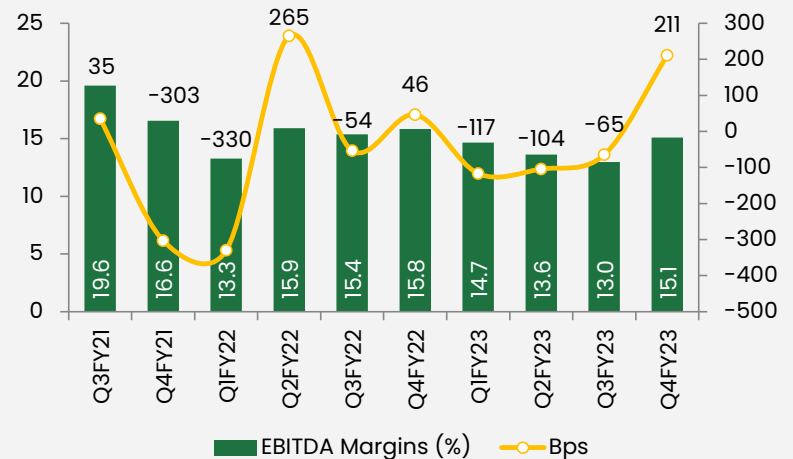


Source : RBL Research

**EBITDA grew by 6.4% YoY and 5.5% QoQ**

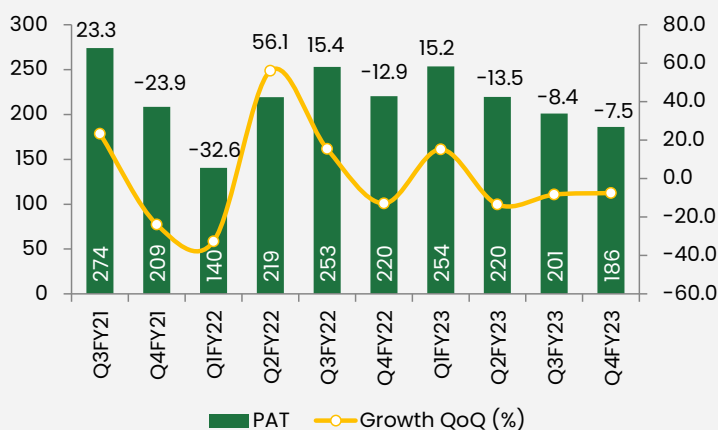


**EBITDA Margin down by 75bps YoY but increased by 211bps QoQ**

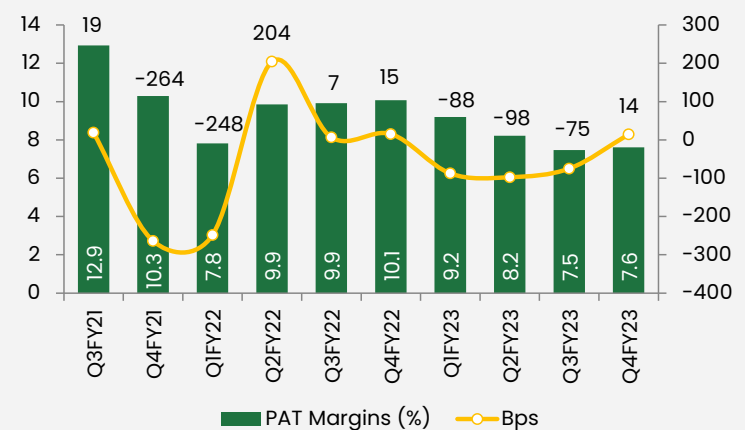


Source : RBL Research

**PAT declined by 15.6% YoY and 7.5% QoQ**



**PAT Margin down by 246bps YoY but increased by 14bps QoQ**



Source : RBL Research

### P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>8,762</b>	<b>10,568</b>	<b>12,681</b>	<b>15,471</b>
<b>Expenditure</b>				
Cost of materials	5,046	5,853	6,785	8,045
Purchase of stock in trade	764	971	1,154	1,346
(Increase) / Decrease In Stocks	(381)	(93)	(127)	(155)
<b>Total raw materials</b>	<b>5,428</b>	<b>6,731</b>	<b>7,812</b>	<b>9,236</b>
<b>Gross Profit</b>	<b>3,333</b>	<b>3,837</b>	<b>4,870</b>	<b>6,235</b>
Gross Margins %	38.0	36.3	38.4	40.3
Employee cost	543	609	731	892
Other expenses	1,459	1,741	2,067	2,506
<b>Total expenditure</b>	<b>7,430</b>	<b>9,081</b>	<b>10,610</b>	<b>12,635</b>
<b>EBITDA</b>	<b>1,332</b>	<b>1,487</b>	<b>2,072</b>	<b>2,837</b>
EBITDAM (%)	15.2	14.1	16.3	18.3
Depreciation	227	264	317	387
PBIT	1,105	1,223	1,755	2,450
Other income	65	52	62	75
Interest expenses	51	99	120	146
PBT	1,119	1,176	1,697	2,380
Tax	289	302	439	615
<b>Reported PAT</b>	<b>830</b>	<b>874</b>	<b>1,258</b>	<b>1,764</b>
Exceptional Income / Expenses	4	(13)	-	-
<b>PAT (after Exceptional)</b>	<b>834</b>	<b>860</b>	<b>1,258</b>	<b>1,764</b>
<b>PAT Margin %</b>	<b>9.5</b>	<b>8.1</b>	<b>9.9</b>	<b>11.4</b>
EPS	8.6	8.9	13.0	18.2

Source : RBL Research

### Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	97	97	97	97
Reserves & Surplus	3,830	4,397	5,267	6,545
<b>Total Shareholder's Fund</b>	<b>3,927</b>	<b>4,494</b>	<b>5,364</b>	<b>6,643</b>
Minority Interest	7	8	13	16
Long term borrowings	10	8	14	17
Short term borrowing	658	760	912	1,112
<b>Total Debt</b>	<b>668</b>	<b>768</b>	<b>926</b>	<b>1,130</b>
Deferred tax liabilities	71	74	89	109
Long term provision	12	12	14	17
Other long term liabilities	353	415	498	607
<b>Total</b>	<b>435</b>	<b>501</b>	<b>601</b>	<b>734</b>
<b>Current Liabilities</b>				
Trade payables	1,803	1,766	2,119	2,585
Short term provisions	40	67	81	98
Other current liabilities	333	363	436	532
<b>Total</b>	<b>2,176</b>	<b>2,196</b>	<b>2,636</b>	<b>3,215</b>
<b>Total liabilities</b>	<b>7,213</b>	<b>7,967</b>	<b>9,540</b>	<b>11,737</b>
<b>Application of Assets</b>				
Net Block	1,911	3,050	3,657	4,385
Current work in process	606	110	110	110
Goodwill on consolidation	276	282	282	282
Non current investment	147	130	156	191
Tax assets	60	69	83	101
Other non-current assets	156	162	194	236
<b>Total</b>	<b>3,155</b>	<b>3,803</b>	<b>4,482</b>	<b>5,305</b>
<b>Current Assets</b>				
Current investments	87	53	64	78
Inventories	2,316	2,319	2,783	3,395
Trade receivables	1,054	1,243	1,492	1,820
Cash balance	313	245	372	716
Short term loans and advances	-	4	5	6
Other current assets	288	300	342	418
<b>Total</b>	<b>4,058</b>	<b>4,164</b>	<b>5,058</b>	<b>6,432</b>
<b>Total assets</b>	<b>7,213</b>	<b>7,967</b>	<b>9,540</b>	<b>11,737</b>

Source : RBL Research

### Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	1,119	1,162	1,697	2,380
Add: Depreciation	227	264	317	387
Add: Interest cost	51	99	120	146
Other Inc/Int. Rec.	(20)	(16)	-	-
Others	(24)	34	-	-
Operating profit before WC	<b>1,353</b>	<b>1,543</b>	<b>2,133</b>	<b>2,912</b>
Changes in working capital	(487)	(260)	(262)	(366)
<b>Cash from Operations</b>	<b>866</b>	<b>1,284</b>	<b>1,872</b>	<b>2,547</b>
Less: Taxes	(299)	(308)	(439)	(615)
<b>Cash flow from Operations</b>	<b>566</b>	<b>976</b>	<b>1,433</b>	<b>1,931</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(774)	(748)	(924)	(1,115)
Purchase of investments	130	36	(37)	(48)
Sales of fixed assets	14	4	-	-
Div. Income//Interest Rec.	25	17	120	146
Others	83	90	-	-
<b>Cash flow from investing</b>	<b>(521)</b>	<b>(600)</b>	<b>(841)</b>	<b>(1,017)</b>
<b>Cash flow from Financing</b>				
Proceeds of borrowings	286	8,414	159	204
Sales of borrowings	-	(8,232)	-	-
Dividend (Incl dividend tax)	(272)	(301)	(389)	(486)
Interest cost	(23)	(61)	(120)	(146)
Others	(70)	(182)	5	3
<b>Cash flow from Financing</b>	<b>(78)</b>	<b>(363)</b>	<b>(345)</b>	<b>(425)</b>
<b>Net cash Inflow/Outflow</b>	<b>(33)</b>	<b>13</b>	<b>248</b>	<b>489</b>
Opening cash	136	103	116	364
<b>Closing Cash &amp; Bank</b>	<b>313</b>	<b>245</b>	<b>372</b>	<b>716</b>

Source : RBL Research

### Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
<b>Per share Data</b>				
EPS (Rs)	8.6	8.9	13.0	18.2
Book value per share (Rs)	40.4	46.3	55.2	68.4
Dividend per share (Rs)	2.8	3.1	4.0	5.0
Dividend Yield (%)	0.4	0.5	0.6	0.8
Dividend Payout (%)	32.6	35.0	30.9	27.5
<b>Profitability Ratios</b>				
EBITDAM(%)	15.2	14.1	16.3	18.3
PBTM (%)	12.8	11.1	13.4	15.4
NPM (%)	9.5	8.1	9.9	11.4
RoE (%)	21.2	19.1	23.5	26.6
RoCE (%)	24.1	23.2	27.9	31.5
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	21.8	12.3	14.7	16.8
Fixed Asset Ratio	0.2	0.3	0.3	0.3
Debtors (Days)	43.9	42.9	42.9	42.9
Inventory (Days)	96.5	80.1	80.1	80.1
Payable (Days)	75.1	61.0	61.0	61.0
WC (Days)	65.3	62.1	62.1	62.1
<b>Valuation</b>				
P/E (x)	73.3	71.0	48.6	34.6
P/BV	15.6	13.6	11.4	9.2
EV/EBITDA	46.3	41.5	29.8	21.6
EV/Sales	7.0	5.8	4.9	4.0

Source : RBL Research

## Research Team

Name	Email ID
Siddarth Bhamre	<a href="mailto:siddarth.bhamre@religare.com">siddarth.bhamre@religare.com</a>
Ajit Mishra	<a href="mailto:ajit.mishra@religare.com">ajit.mishra@religare.com</a>
Manoj Vayalar	<a href="mailto:manoj.vayalar@religare.com">manoj.vayalar@religare.com</a>
Nirvi Ashar	<a href="mailto:nirvi.ashar@religare.com">nirvi.ashar@religare.com</a>
Gaurav Arora	<a href="mailto:gaurav.arora3@religare.com">gaurav.arora3@religare.com</a>
Akshay Tiwari	<a href="mailto:akshay.tiwari@religare.com">akshay.tiwari@religare.com</a>
Abhijeet Banerjee	<a href="mailto:abhijeet.banerjee@religare.com">abhijeet.banerjee@religare.com</a>
Gaurav Sharma	<a href="mailto:gauravsharma2@religare.com">gauravsharma2@religare.com</a>

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S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	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
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	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

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**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 questions under F (a) to F(j) above , are given below]

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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