

Retail Equity Research

Berger Paints (I) Limited

Paints

BSE CODE: 509480

NSE CODE: BERGEPAIN

Bloomberg CODE: BRGR:IN

SENSEX: 65,539

BUY

12 Months Investment Period Rating as per Large Cap
CMP Rs. 698 TARGET Rs. 774 RETURN 11% ↑
(Closing: 16-08-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Steady revenue growth; margins expand

Berger Paints India (Berger) is the second-largest paints company in the domestic market, with 16 strategically located manufacturing units and a countrywide distribution network of 25,000+ dealers.

- The company's consolidated revenue increased 9.8% YoY to Rs. 3,030cr, driven by robust volume growth and strong performance in the decorative business.
- EBITDA margin expanded 370 bps YoY (+330 bps QoQ) to 18.4%, supported by lower raw material prices.
- The company reported strong earnings performance in Q1FY24, with improved sales and margins. Berger's earnings potential appears promising, with favourable demand prospects, new product launches, and sustained profitability. We reiterate our BUY rating on the stock with a revised target price of Rs. 774 based on 53x FY25E adjusted EPS.

Strong revenue growth led by volume surge

During Q1FY24, consolidated revenue rose 9.8% YoY, totaling Rs. 3,030cr. This growth was propelled by a robust volume increase of 12.7% YoY. The decorative division grew 11.4% YoY, resulting in increased market share, even in the face of a challenging comparison to a high base and an inflationary setting. The waterproofing segment also maintained its strong growth trajectory. However, the powder coating business in the industrial segment shrank in the quarter due to a high base and a decline in the fan industry. The company's JV, Berger Nippon Paint Automotive Coatings, had a notably strong quarter, benefiting from an increase in the passenger car and SUV sector. Bolix, Poland, delivered a solid quarter, propelled by impressive results in the UK business. In contrast, the company's overseas subsidiary, BJN Nepal, faced another quarter of declining growth due to a slowdown in the construction sector and significant inflationary pressures.

Reduced input prices boosted margins

EBITDA surged to Rs. 557cr, marking a significant YoY growth of 37.5%. It was accompanied by an enhancement in EBITDA margin, which reached 18.4% from 14.7% in Q1FY23. Additionally, profit after tax improved, reaching Rs. 354cr, reflecting a substantial 39.8% YoY increase in Q1FY24. The favourable impact of moderated input prices contributed positively to the margins.

Key concall highlights

- During Q1FY24, Berger Paints expanded its presence by incorporating over 1,500 new retail touchpoints and implementing more than 1,300 colour bank machines.
- In Q1FY24, the company managed to increase its market presence, reaching a market share of 20.2% from 19.3% in Q4FY23, owing to distribution expansion and new product innovations.
- The company intends to maintain EBITDA margins within the range of 16%-18%.

Valuation

The company is optimistic about achieving double-digit revenue growth in FY24, driven by favourable factors such as positive monsoon progress, infrastructure investments, and an extended festive season. The outlook for profitability remains positive since raw material prices are expected to moderate in the upcoming quarters., Grasim's entry could introduce increased competitive pressures, potentially impacting profits. However, we reiterate our BUY rating on the stock with a revised target price of Rs. 774 based on 53x FY25E adjusted EPS.

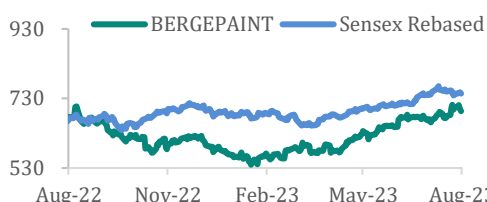
Company Data

Market Cap (cr)	Rs. 67,925
Enterprise Value (cr)	Rs. 69,065
Outstanding Shares (cr)	97.1
Free Float	24.0%
Dividend Yield	0.5%
52 week high	Rs. 721
52 week low	Rs. 528
6m average volume	36,415
Beta	0.6
Face value	Rs.1

Shareholding %	Q3FY23	Q4FY23	Q1FY24
Promoters	75.5	75.0	75.0
FII's	11.2	10.6	10.8
MFs/Insti	3.0	3.5	3.8
Public	10.2	10.7	10.2
Others	0.1	0.2	0.3
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	10.0%	22.5%	3.4%
Absolute Sensex	5.5%	7.6%	10.1%
Relative Return*	4.5%	14.9%	-6.7%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	10,568	11,868	13,280
Growth (%)	20.6	12.3	11.9
EBITDA	1,487	2,039	2,215
EBITDA Margin (%)	14.1	17.2	16.7
Adj. PAT	860	1,256	1,420
Growth (%)	3.2	45.9	13.0
Adj. EPS	8.9	12.9	14.6
Growth (%)	3.2	45.9	13.0
P/E	65.6	54.2	47.9
P/B	12.6	12.9	11.0
EV/EBITDA	38.7	33.9	31.2
ROE (%)	19.1	23.8	23.0
D/E	0.3	0.3	0.3

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q1FY24	Q1FY23	YoY Growth %	Q4FY23	QoQ Growth %
Revenue	3,030	2,760	9.8	2,444	24.0
EBITDA	557	405	37.5	369	51.0
EBITDA margins	18.4	14.7	370bps	15.1	330bps
Depreciation	78	63	24.5	74	5.1
EBIT	479	342	39.9	294	62.6
Interest	20	16	21.2	29	(32.7)
Other Income	10	10	2.5	37	(73.7)
Exceptional Items	-	-	-	-	-
Share of profit from Associate	4	3	8.6	(22)	117.0
PBT	472	339	39.4	280	68.6
Tax	121	89	36.9	72	68.6
Reported PAT	351	250	40	208	69
Minority Interest	1	0	100.0	0	75.0
PAT att. to shareholders	354	253	39.8	186	90.8
Adjustments	-	-	-	-	-
Adj. PAT	354	253	39.8	186	90.8
No. of shares	97.1	97.1	0.0	97.1	-
Adj. EPS (Rs.)	3.6	2.6	39.8	1.9	90.8

Change in Estimates

	Old estimates		New estimates		Change %	
Year / Rs. cr	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	11,857	13,250	11,868	13,280	0.1	0.2
EBITDA	1,977	2,226	2,039	2,215	3.2	(0.5)
Margins (%)	16.7	16.8	17.2	16.7	50bps	(10bps)
Adj. PAT	1,121	1,280	1,256	1,420	12.0	10.9
Adj. EPS	11.5	13.2	12.9	14.6	12.2	10.6

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	6,818	8,762	10,568	11,868	13,280
% change	7.1	28.5	20.6	12.3	11.9
EBITDA	1,188	1,331	1,487	2,039	2,215
% change	12.0	12.0	11.7	37.1	8.6
Depreciation	211	227	264	322	330
EBIT	977	1,105	1,223	1,717	1,885
Interest	44	51	99	108	115
Other Income	51	65	52	83	140
PBT	984	1,118	1,176	1,692	1,910
% change	10.4	13.6	5.1	43.9	12.9
Tax	259	289	302	423	478
Tax Rate (%)	26.3	25.9	25.7	25.0	25.0
Reported PAT	720	833	860	1,256	1,420
PAT att. to common shareholders	720	833	859	1,254	1,418
Adj*	-	-	-	-	-
Adj PAT	720	833	860	1,256	1,420
% change	9.4	15.7	3.2	45.9	13.0
No. of shares (cr)	97.1	97.1	97.1	97.1	97.1
Adj EPS (Rs.)	7.4	8.6	8.9	12.9	14.6
% change	9.4	15.7	3.2	45.9	13.0
DPS (Rs.)	2.8	3.1	3.2	4.8	5.5
CEPS (Rs.)	9.6	10.9	11.6	16.2	18.0

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	931	1,059	1,124	1,578	1,749
Non-cash adj.	76	(73)	82	118	153
Changes in W.C	(211)	(420)	(230)	(547)	(573)
C.F. Operation	796	567	976	1,149	1,330
Capital exp.	(185)	(760)	(744)	(682)	(730)
Change in inv.	(286)	216	134	2	2
Other invest.CF	14	23	9	(0)	0
C.F – Investment	(457)	(521)	(600)	(681)	(729)
Issue of equity	0	-	0	-	-
Issue/repay debt	(227)	217	(0)	170	227
Dividends paid	(29)	(272)	(301)	(470)	(532)
Other finance.CF	(25)	(23)	(61)	(108)	(115)
C.F – Finance	(282)	(78)	(363)	(408)	(420)
Chg. in cash	57	(33)	13	60	182
Closing cash	440	313	245	305	487

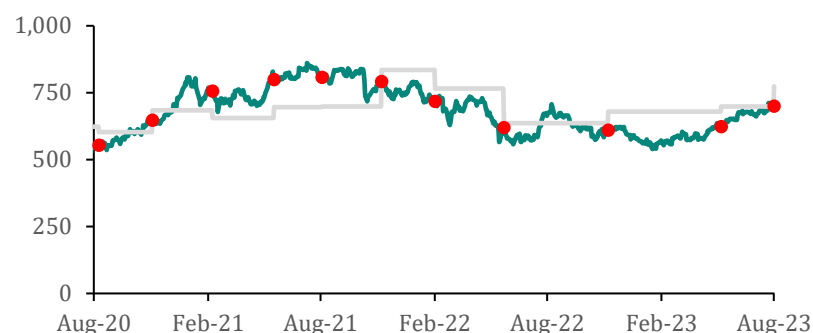
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	440	313	245	305	487
Accounts Receivable	1,020	1,054	1,243	1,454	1,693
Inventories	1,616	2,316	2,319	3,078	3,666
Other Cur. Assets	431	375	358	358	374
Investments	146	147	130	110	89
Gross Fixed Assets	2,072	2,217	3,435	4,118	4,848
Net Fixed Assets	1,414	1,473	2,536	2,894	3,292
CWIP	107	606	110	112	115
Intangible Assets	631	713	796	821	848
Def. Tax (Net)	3	1	1	1	1
Other Assets	114	215	230	231	233
Total Assets	5,921	7,213	7,967	9,365	10,799
Current Liabilities	1,776	2,118	2,128	2,583	2,895
Provisions	11	12	12	13	14
Debt Funds	693	1,091	1,265	1,435	1,662
Other Liabilities	58	57	60	46	52
Equity Capital	97	97	97	97	97
Reserves & Surplus	3,280	3,830	4,397	5,181	6,067
Shareholder's Fund	3,377	3,927	4,494	5,278	6,164
Minority Interest	7	7	8	10	11
Total Liabilities	5,921	7,213	7,967	9,365	10,799
BVPS (Rs.)	35	40	46	54	63

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	17.4	15.2	14.1	17.2	16.7
EBIT margin (%)	14.3	12.6	11.6	14.5	14.2
Net profit mgn.(%)	10.6	9.5	8.1	10.6	10.7
ROE (%)	21.3	21.2	19.1	23.8	23.0
ROCE (%)	24.0	22.0	21.2	25.5	24.1
W.C & Liquidity					
Receivables (days)	54.6	43.9	42.9	44.7	46.5
Inventory (days)	152.5	155.7	125.8	151.5	157.0
Payables (days)	141.3	121.2	95.8	107.7	104.6
Current ratio (x)	1.7	1.4	1.4	1.4	1.5
Quick ratio (x)	0.8	0.5	0.5	0.5	0.5
Turnover & Leverage					
Gross asset T.O (x)	3.5	4.1	3.7	3.1	3.0
Total asset T.O (x)	1.3	1.3	1.4	1.4	1.3
Int. coverage ratio (x)	22.2	21.8	12.3	16.0	16.4
Adj. debt/equity (x)	0.2	0.3	0.3	0.3	0.3
Valuation					
EV/Sales (x)	10.9	7.8	5.4	5.8	5.2
EV/EBITDA (x)	62.5	51.7	38.7	33.9	31.2
P/E (x)	102.8	81.6	65.6	54.2	47.9
P/BV (x)	21.9	17.3	12.6	12.9	11.0

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
28-May-21	REDUCE	696
13-Aug-21	REDUCE	698
17-Nov-21	HOLD	835
11-Feb-22	HOLD	766
2-Jun-22	HOLD	636
17-Nov-22	BUY	679
18-May-23	BUY	698
16-Aug-23	BUY	774

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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