

India

HOLD (no change)

Consensus ratings*: Buy 4 Hold 4 Sell 15

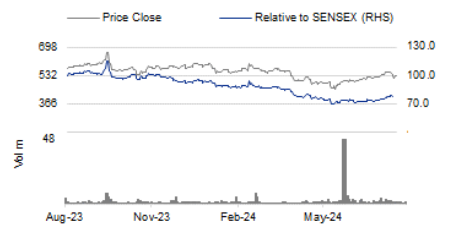
Current price: Rs532
 Target price: ▲ Rs540
 Previous target: Rs500
 Up/downside: 1.5%
 InCred Research / Consensus: 8.4%

Reuters:
 Bloomberg: BRGR IN
 Market cap: US\$8,535m
 Rs619,796m
 Average daily turnover: US\$12.8m
 Rs926.6m
 Current shares o/s: 1,165.8m
 Free float: 25.0%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs540 from Rs500.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.0	8.4	(8.0)
Relative (%)	2.0	(1.1)	(24.6)

Major shareholders	% held
Promoter and Promoter Group	75.0
LIC	3.8
SBI	1.5

Research Analyst(s)



Rohan KALLE

T (91) 22 4161 1561
 E rohan.kalle@incredresearch.com

Nishant BAGRECHA

T (91) 22 4161 1564
 E nishant.bagrecha@incredresearch.com

Saurabh SINGH

T (91) 2241611558
 E saurabh.singh@incredresearch.com

Berger Paints India Limited

Weak mix keeps margins suppressed

- Consolidated/standalone net sales were up 2%/2.4% yoy at Rs30.9bn/Rs28bn, respectively, in 1QFY25. Volume growth stood at 11.8%.
- Inferior mix and price cuts in the last two quarters impacted margins. Price hikes to provide some cushion in the near term, and support value growth.
- Retain our negative stance on the industry and maintain our HOLD rating on Berger Paints with a target price of Rs540 (47x Sep 2026F EPS).

Healthy volume delivery led by price cuts; sales mix remains weak

1QFY25 consolidated net sales of Berger Paints India (Berger) grew by 2% yoy to Rs30.9bn (our estimate: Rs31.4bn, a 2% miss). Standalone sales at Rs28bn were up by 2.4% yoy (vs -2.9%/-1% yoy for Asian Paints/Kansai Nerolac Paints, respectively). Volume growth stood at 11.8% in 1Q, led by price cuts of 5% taken in 3Q/4QFY24 and an inferior sales mix. Sales at the luxury-end were subdued led by muted demand from Kerala and West Bengal, which otherwise have a higher salience of luxury sales for Berger. Construction chemicals and waterproofing business performed well. Project business performance was decent led by the real estate sector. Distribution expansion continued in an aggressive manner, adding 1,900+/1,800+ touchpoints/tinting machines.

Overseas subsidiaries' profitability impacted due to weak mix

Bolix SA (Poland) and Berger Nippon Automotive Coatings (JV) posted healthy growth, with improvement in operating margin. BJN Nepal continued its dismal performance, both on the topline and profitability fronts, due to liquidity problems and unfavourable market conditions. STP posted decent topline growth, but profitability declined due to a weak mix (lower sales of admixtures). SBL Coatings posted muted growth with a decline in profits on account of lower scale and a weak mix.

Margins impacted by inferior mix; price hikes to provide cushion

Consolidated gross margin expanded by 10bp yoy to 39.9% (-80bp qoq) (Asian Paints/Kansai Nerolac Paints reported gross margin contraction/expansion of 40bp/150bp yoy to 42.5%/36.8%, respectively, in 1QFY25). A weaker sales mix and inflationary trend in methyl methacrylate and butyl acrylate impacted realization of the emulsions category. Advertising expenses were high during the general elections in India. The EBITDA margin, accordingly, contracted by 150bp yoy to 16.9%. Price hikes were undertaken during the quarter and should aid in margin improvement as well as improve value growth.

Retain HOLD rating with a higher target price of Rs540

Value growth is expected to remain subdued until Dec 2024F. We retain our negative view on the sector led by the aggression of a new entrant and reiterate our HOLD rating on the stock with a higher target price of Rs540 (47x Sep 2026F EPS), from Rs500 earlier, as we roll forward. Key downside risk: Market share loss due to aggressive roll out by new entrant. Upside risk: Faster-than-expected sales growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	105,678	111,989	122,640	133,057	145,393
Operating EBITDA (Rsm)	14,872	18,613	19,732	21,004	22,005
Net Profit (Rsm)	8,594	11,678	12,223	13,034	13,688
Core EPS (Rs)	7.4	10.0	10.5	11.2	11.7
Core EPS Growth	3.3%	35.9%	4.7%	6.6%	5.0%
FD Core P/E (x)	72.12	53.07	50.71	47.55	45.28
DPS (Rs)	2.9	3.5	3.7	4.0	4.1
Dividend Yield	0.63%	0.77%	0.81%	0.86%	0.90%
EV/EBITDA (x)	42.28	33.42	31.42	29.37	27.94
P/FCFE (x)	258.43	135.96	89.14	73.49	83.17
Net Gearing	19.7%	4.0%	0.2%	(4.4%)	(6.5%)
P/BV (x)	13.73	11.52	10.13	8.97	8.01
ROE	20.3%	23.6%	21.3%	20.0%	18.7%

% Change In Core EPS Estimates
 InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Weak mix keeps margins suppressed

Figure 1: Quarterly result summary - consolidated

Y/E Mar (Rs. m)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	30,295	25,203	30,910	2.0	22.6
Expenditure	24,728	21,694	25,686	3.9	18.4
Consumption of raw materials	18,231	14,954	18,585	1.9	24.3
<i>as % of sales</i>	60.2	59.3	60.1		
Employee costs	1,669	1,744	1,922	15.2	10.2
<i>as % of sales</i>	5.5	6.9	6.2		
Other expenditure	4,828	4,996	5,179	7.3	3.7
<i>as % of sales</i>	15.9	19.8	16.8		
EBITDA	5,568	3,509	5,224	-6.2	48.9
Depreciation	782	869	872	11.5	0.4
EBIT	4,785	2,640	4,352	-9.1	64.9
Other income	136	159	363	167.5	128.8
Interest	197	178	152	-23.0	-15.0
PBT	4,724	2,620	4,564	-3.4	74.2
Total tax	1,213	714	1,120	-7.7	56.7
Adjusted PAT	3,511	1,906	3,444	-1.9	80.7
(Profit)/loss from JVs/Assoc./MI	-32	-315	-92	-	-
APAT after minority interest or MI	3,544	2,221	3,536	-0.2	59.2
Extraordinary items	0	0	0	-	-
Reported PAT	3,544	2,221	3,536	-0.2	59.2
Adjusted EPS	3.0	1.9	3.0	-0.2	59.2
Margins (%)	1QFY24	4QFY24	1QFY25	(bps)	(bps)
Gross margin	39.8	40.7	39.9	10	-80
EBITDA	18.4	13.9	16.9	-150	300
EBIT	15.8	10.5	14.1	-170	360
EBT	15.6	10.4	14.8	-80	440
PAT	11.7	8.8	11.4	-30	260
Effective tax rate	25.7	27.3	24.5	-110	-270

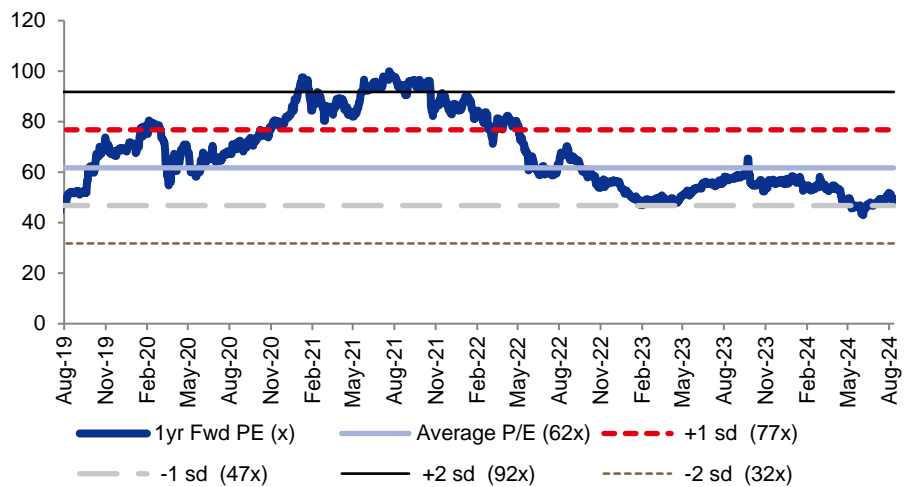
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F Introduced
	Earlier	Revised	% Change	Earlier	Revised	% Change	
Net sales	1,22,640	1,22,640	0.0	1,33,057	1,33,057	0.0	1,45,393
EBITDA	19,732	19,732	0.0	21,004	21,004	0.0	22,005
EBITDA margin (%)	16.1	16.1	0 bp	15.8	15.8	0 bp	15.1
APAT	12,223	12,223	0.0	13,034	13,034	0.0	13,688
EPS	10.5	10.5	0.0	11.2	11.2	0.0	11.7

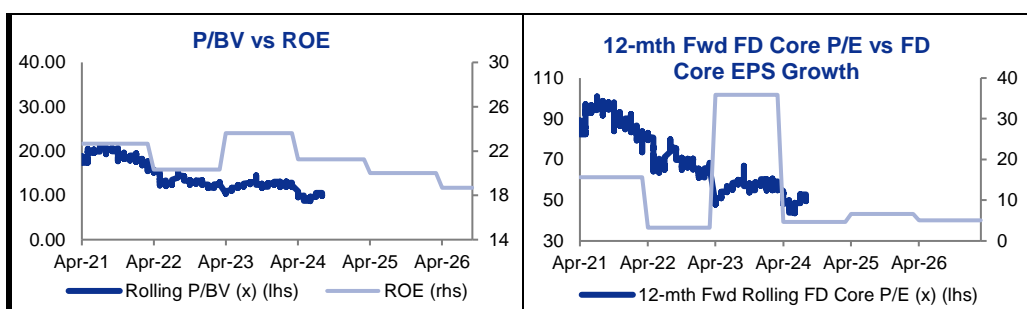
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Berger's one-year forward P/E trades close to -1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	105,678	111,989	122,640	133,057	145,393
Gross Profit	38,373	45,529	49,806	53,108	57,173
Operating EBITDA	14,872	18,613	19,732	21,004	22,005
Depreciation And Amortisation	(2,640)	(3,309)	(3,593)	(3,799)	(3,976)
Operating EBIT	12,232	15,304	16,138	17,205	18,029
Financial Income/(Expense)	(477)	(146)	289	305	344
Pretax Income/(Loss) from Assoc.	(132)	410	(90)	(90)	(90)
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	11,623	15,569	16,338	17,420	18,283
Exceptional Items					
Pre-tax Profit	11,623	15,569	16,338	17,420	18,283
Taxation	(3,019)	(3,870)	(4,115)	(4,386)	(4,595)
Exceptional Income - post-tax					
Profit After Tax	8,604	11,699	12,223	13,034	13,688
Minority Interests	(10)	(21)			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,594	11,678	12,223	13,034	13,688
Recurring Net Profit	8,594	11,678	12,223	13,034	13,688
Fully Diluted Recurring Net Profit	8,594	11,678	12,223	13,034	13,688

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	14,872	18,613	19,732	21,004	22,005
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,172)	793	(6,453)	(5,989)	(7,802)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(992)	(783)	(633)	(652)	(652)
Tax Paid	(3,019)	(3,870)	(4,115)	(4,386)	(4,595)
Cashflow From Operations	8,688	14,754	8,532	9,977	8,956
Capex	(9,072)	(5,532)	(2,500)	(2,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,028	(308)	922	957	996
Cash Flow From Investing	(8,044)	(5,840)	(1,578)	(1,543)	(1,504)
Debt Raised/(repaid)	1,754	(4,355)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,892)	(4,769)	(5,019)	(5,350)	(5,572)
Preferred Dividends					
Other Financing Cashflow	881	2,518	104	104	104
Cash Flow From Financing	(1,256)	(6,605)	(4,915)	(5,246)	(5,467)
Total Cash Generated	(613)	2,309	2,038	3,188	1,985
Free Cashflow To Equity	2,398	4,559	6,953	8,434	7,452
Free Cashflow To Firm	1,636	9,696	7,586	9,086	8,104

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,977	5,366	7,404	10,593	12,577
Total Debtors	12,431	13,020	14,871	19,082	22,982
Inventories	23,191	21,797	27,962	30,325	36,075
Total Other Current Assets	5,302	4,277	4,277	4,277	4,277
Total Current Assets	43,901	44,460	54,515	64,276	75,912
Fixed Assets	31,601	33,824	32,731	31,432	29,956
Total Investments	1,302	1,917	1,917	1,917	1,917
Intangible Assets	2,817	3,047	3,047	3,047	3,047
Total Other Non-Current Assets	41	431	340	438	519
Total Non-current Assets	35,760	39,218	38,034	36,833	35,438
Short-term Debt	8,466	3,050	3,050	3,050	3,050
Current Portion of Long-Term Debt					
Total Creditors	21,409	20,809	22,282	22,964	24,894
Other Current Liabilities					
Total Current Liabilities	29,875	23,859	25,332	26,014	27,944
Total Long-term Debt	3,424	4,485	4,485	4,485	4,485
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,424	4,485	4,485	4,485	4,485
Total Provisions	1,343	1,444	1,444	1,444	1,444
Total Liabilities	34,642	29,788	31,261	31,943	33,873
Shareholders Equity	45,135	53,790	61,188	69,066	77,377
Minority Interests	81	102	102	102	102
Total Equity	45,217	53,892	61,290	69,168	77,479

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	20.6%	6.0%	9.5%	8.5%	9.3%
Operating EBITDA Growth	11.7%	25.2%	6.0%	6.4%	4.8%
Operating EBITDA Margin	14.1%	16.6%	16.1%	15.8%	15.1%
Net Cash Per Share (Rs)	(7.65)	(1.86)	(0.11)	2.62	4.33
BVPS (Rs)	38.72	46.14	52.49	59.24	66.37
Gross Interest Cover	12.33	19.56	25.51	26.38	27.65
Effective Tax Rate	26.0%	24.9%	25.2%	25.2%	25.1%
Net Dividend Payout Ratio	45.3%	40.8%	41.1%	41.0%	40.7%
Accounts Receivables Days	39.66	41.48	41.50	46.57	52.80
Inventory Days	125.68	123.54	124.68	133.05	137.36
Accounts Payables Days	116.63	115.93	107.97	103.28	99.00
ROIC (%)	22.7%	27.5%	26.5%	26.2%	25.1%
ROCE (%)	23.0%	25.9%	24.8%	23.7%	22.3%
Return On Average Assets	12.0%	14.5%	13.5%	13.1%	12.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.