

India

HOLD (no change)

Consensus ratings*: Buy 8 Hold 3 Sell 12

| | |
|------------------------------|--------------------------|
| Current price: | Rs553 |
| Target price: | Rs600 ▲ |
| Previous target: | Rs505 |
| Up/downside: | 8.5% |
| InCred Research / Consensus: | 21.0% |
| Reuters: | BRGR.NS |
| Bloomberg: | BRGR IN |
| Market cap: | US\$7,560m Rs644,682m |
| Average daily turnover: | US\$5.7m Rs483.2m |
| Current shares o/s: | 1,165.8m |
| Free float: | 25.0% |

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs600.
- Introduce FY28F estimates.



Source: Bloomberg

| | | | |
|--------------------------|-------|------|------|
| Price performance | 1M | 3M | 12M |
| Absolute (%) | 4.2 | 15.6 | 11.8 |
| Relative (%) | (1.7) | 7.9 | 0.3 |

| | |
|-----------------------------|--------|
| Major shareholders | % held |
| Promoter and Promoter Group | 75.0 |
| LIC | 4.3 |
| SBI | 3.4 |

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Berger Paints India Limited

Healthy delivery despite a challenging year

- Consol./standalone sales grew 7.3%/4.4% yoy. Volume growth was 7.4%/7.6% in 4Q/FY25, respectively. The industrial business momentum continues.
- Margin expansion was led by a better sales mix & marginal gains from pricing actions taken earlier. We expect margins to remain range-bound from here on.
- Berger has posted better performance relative to peers, despite a challenging environment. Maintain HOLD rating with a higher target price of Rs600.

Healthy delivery on volume/value despite a challenging environment

Berger Paints India (Berger) delivered 7.3% yoy consol. sales growth to Rs27bn in 4QFY25. Standalone sales at Rs23.5bn were up 4.4% yoy led by 7.4% volume growth, with a volume/value gap of 3% (vs. 7% in 3QFY25). In FY25, Berger posted industry-leading volume growth of 7.6%, led by robust growth in new product extensions under construction chemicals, wood finishes and waterproofing solutions along with targeted go-to-market initiatives in urban markets. Market share increased to 20%. Paint majors have been reeling from a weak demand environment, coupled with heightened competitive intensity, after the entry of Birla Opus, which led to players like Asian Paints declining 4.5% yoy while Kansai Nerolac Paints stayed flat in FY25. Berger posted relatively better growth (+3.1% yoy) led by better performance in the eastern region and distribution expansion.

Scale-up of projects vertical and distribution expansion in focus

Berger had set up a team focused on urban markets (where the company was weak earlier) like Bengaluru, Mumbai, Pune, Hyderabad, etc. where the potential is high (c.Rs150bn, as per management). Growth is faster in these markets due to a low base and dealer addition. Channel inventory level in most counters has come down. When the consumer sentiment improves, the channel inventory for Berger will also improve, as per management. Berger is focusing on improving its urban market share (c.10% currently; 20% on a pan-India basis) and is witnessing higher growth in these markets currently.

Margins expected to remain range-bound in medium term

Berger witnessed a 200bp yoy (+110bp qoq) expansion in gross margin to 42.7% in 4QFY25 led by a better sales mix (led by premium categories), marginal gains from price hikes taken earlier and benign raw material prices. EBITDA grew by 21.9% yoy and the EBITDA margin expanded 190bp yoy to 15.8% in 4QFY25. Despite ongoing competitive pressure, management maintained its guidance of 15-17% EBITDA margin.

Maintain HOLD rating with a higher target price of Rs600

Berger has outperformed peers this year, despite demand headwinds and intense competition. While we have a negative stance on the domestic paint industry, we expect Berger to continue to outperform peers in the near- to medium-term. Maintain HOLD rating on Berger with a higher target price of Rs600 (50x FY27F EPS) as we roll forward. Upside/downside risks: Lower-than-expected sales growth/EBITDA margin or vice-versa.

Financial Summary

| | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm) | 111,989 | 115,447 | 124,987 | 136,929 | 151,373 |
| Operating EBITDA (Rsm) | 18,613 | 18,561 | 19,571 | 21,730 | 24,070 |
| Net Profit (Rsm) | 11,678 | 11,804 | 12,435 | 13,980 | 15,717 |
| Core EPS (Rs) | 10.0 | 10.1 | 10.7 | 12.0 | 13.5 |
| Core EPS Growth | 35.9% | 1.1% | 5.3% | 12.4% | 12.4% |
| FD Core P/E (x) | 55.20 | 54.61 | 51.84 | 46.11 | 41.02 |
| DPS (Rs) | 3.5 | 3.7 | 4.0 | 4.5 | 5.1 |
| Dividend Yield | 0.74% | 0.79% | 0.84% | 0.94% | 1.06% |
| EV/EBITDA (x) | 34.75 | 34.65 | 32.79 | 29.47 | 26.29 |
| P/FCFE (x) | 141.40 | 146.39 | 101.96 | 90.90 | 46.35 |
| Net Gearing | 4.0% | (2.7%) | (4.3%) | (5.7%) | (13.8%) |
| P/BV (x) | 11.98 | 10.47 | 9.37 | 8.39 | 7.50 |
| ROE | 23.6% | 20.5% | 19.1% | 19.2% | 19.3% |
| % Change In Core EPS Estimates | | | (2.02%) | 4.26% | |
| InCred Research/Consensus EPS (x) | | | | | |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Healthy delivery despite a challenging year

Figure 1: Quarterly results summary - consolidated

| Y/E Mar (Rs. m) | 4QFY24 | 3QFY25 | 4QFY25 | YoY (%) | QoQ (%) | FY24 | FY25 | YoY (%) |
|---|---------------|---------------|---------------|-------------|-------------|-----------------|-----------------|--------------|
| Revenue | 25,203 | 29,751 | 27,040 | 7.3 | -9.1 | 1,11,989 | 1,15,447 | 3.1 |
| Expenditure | 21,694 | 25,033 | 22,763 | 4.9 | -9.1 | 93,376 | 96,886 | 3.8 |
| Consumption of raw materials | 14,954 | 17,369 | 15,491 | 3.6 | -10.8 | 66,460 | 67,619 | 1.7 |
| as % of sales | 59.3 | 58.4 | 57.3 | | | 59.3 | 58.6 | |
| Employee costs | 1,744 | 1,998 | 2,015 | 15.6 | 0.8 | 7,130 | 8,147 | 14.3 |
| as % of sales | 6.9 | 6.7 | 7.5 | | | 6.4 | 7.1 | |
| Other expenditure | 4,996 | 5,666 | 5,257 | 5.2 | -7.2 | 19,786 | 21,120 | 6.7 |
| as % of sales | 19.8 | 19.0 | 19.4 | | | 17.7 | 18.3 | |
| EBITDA | 3,509 | 4,717 | 4,278 | 21.9 | -9.3 | 18,613 | 18,561 | -0.3 |
| Depreciation | 869 | 888 | 892 | 2.6 | 0.4 | 3,309 | 3,542 | 7.0 |
| EBIT | 2,640 | 3,829 | 3,386 | 28.3 | -11.6 | 15,304 | 15,019 | -1.9 |
| Other Income | 159 | 202 | 171 | 7.7 | -15.5 | 637 | 948 | 48.8 |
| Interest | 178 | 160 | 151 | -15.4 | -5.6 | 783 | 633 | -19.1 |
| PBT | 2,620 | 3,872 | 3,406 | 30.0 | -12.0 | 15,159 | 15,334 | 1.2 |
| Total tax | 714 | 984 | 870 | 21.8 | -11.6 | 3,871 | 3,857 | -0.4 |
| Adjusted PAT | 1,906 | 2,887 | 2,536 | 33.0 | -12.2 | 11,288 | 11,478 | 1.7 |
| (Profit)/loss from JVs/Ass. cos/MI | -315 | -64 | -84 | - | - | -390 | -326 | - |
| APAT after minority interest or MI | 2,221 | 2,951 | 2,620 | 18.0 | -11.2 | 11,678 | 11,804 | 1.1 |
| Extraordinary items | 0 | 0 | 0 | - | - | 0 | 0 | - |
| Reported PAT | 2,221 | 2,951 | 2,620 | 18.0 | -11.2 | 11,678 | 11,804 | 1.1 |
| Adjusted EPS | 1.9 | 2.5 | 2.2 | 17.9 | -11.2 | 10.0 | 10.1 | 1.1 |
| Margins (%) | 4QFY24 | 3QFY25 | 4QFY25 | (bp) | (bp) | FY24 | FY25 | (bps) |
| Gross margin | 40.7 | 41.6 | 42.7 | 200 | 110 | 40.7 | 41.4 | 80 |
| EBITDA | 13.9 | 15.9 | 15.8 | 190 | 0 | 16.6 | 16.1 | -50 |
| EBIT | 10.5 | 12.9 | 12.5 | 200 | -30 | 13.7 | 13.0 | -70 |
| EBT | 10.4 | 13.0 | 12.6 | 220 | -40 | 13.5 | 13.3 | -30 |
| PAT | 8.8 | 9.9 | 9.7 | 90 | -20 | 10.4 | 10.2 | -20 |
| Effective tax rate | 27.3 | 25.4 | 25.5 | -170 | 10 | 25.5 | 25.2 | -40 |

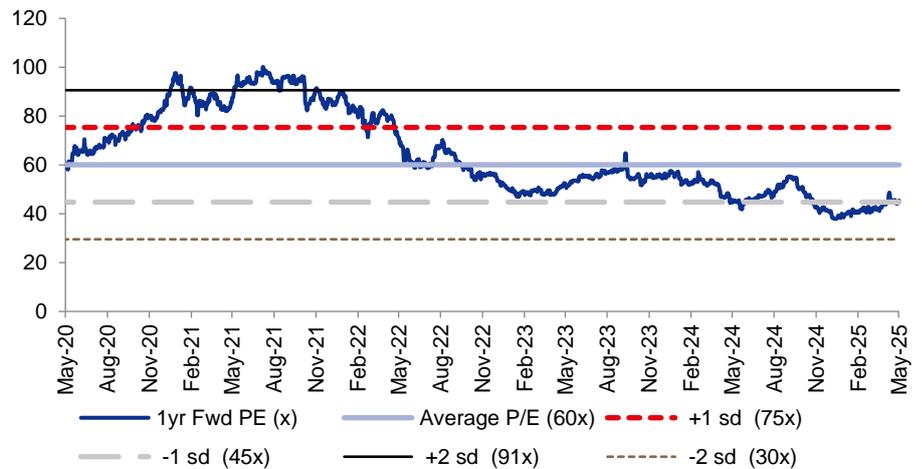
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

| Y/E Mar (Rs. m) | FY26F | | | FY27F | | | FY28F |
|-------------------|----------|----------|----------|----------|----------|----------|------------|
| | Earlier | Revised | % Change | Earlier | Revised | % Change | Introduced |
| Net Sales | 1,25,228 | 1,24,987 | -0.2 | 1,35,922 | 1,36,929 | 0.7 | 1,51,373 |
| EBITDA | 19,979 | 19,571 | -2.0 | 21,036 | 21,730 | 3.3 | 24,070 |
| EBITDA Margin (%) | 16.0 | 15.7 | -30 bp | 15.5 | 15.9 | 40 bp | 15.9 |
| APAT | 12,690 | 12,435 | -2.0 | 13,408 | 13,980 | 4.3 | 15,717 |
| EPS | 10.9 | 10.7 | -2.0 | 11.5 | 12.0 | 4.3 | 13.5 |

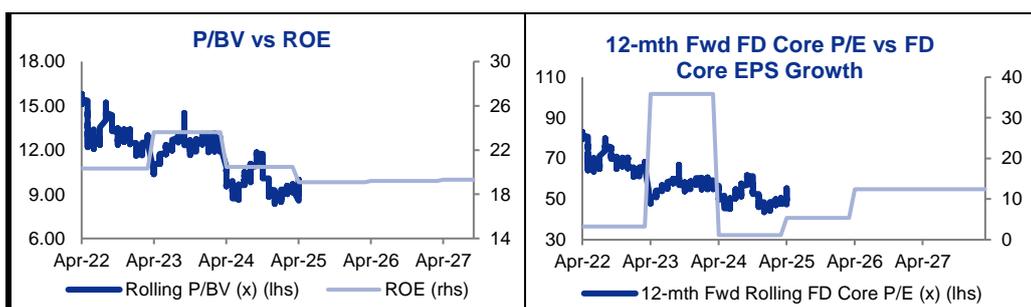
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Net Revenues | 111,989 | 115,447 | 124,987 | 136,929 | 151,373 |
| Gross Profit | 45,529 | 47,828 | 52,719 | 58,248 | 64,541 |
| Operating EBITDA | 18,613 | 18,561 | 19,571 | 21,730 | 24,070 |
| Depreciation And Amortisation | (3,309) | (3,542) | (3,837) | (4,081) | (4,266) |
| Operating EBIT | 15,304 | 15,019 | 15,734 | 17,649 | 19,804 |
| Financial Income/(Expense) | (146) | 315 | 451 | 509 | 652 |
| Pretax Income/(Loss) from Assoc. | 410 | 351 | 200 | 250 | 250 |
| Non-Operating Income/(Expense) | | | | | |
| Profit Before Tax (pre-EI) | 15,569 | 15,685 | 16,385 | 18,408 | 20,706 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 15,569 | 15,685 | 16,385 | 18,408 | 20,706 |
| Taxation | (3,870) | (3,857) | (3,950) | (4,428) | (4,989) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 11,699 | 11,828 | 12,435 | 13,980 | 15,717 |
| Minority Interests | (21) | (24) | | | |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 11,678 | 11,804 | 12,435 | 13,980 | 15,717 |
| Recurring Net Profit | 11,678 | 11,804 | 12,435 | 13,980 | 15,717 |
| Fully Diluted Recurring Net Profit | 11,678 | 11,804 | 12,435 | 13,980 | 15,717 |

Cash Flow

| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| EBITDA | 18,613 | 18,561 | 19,571 | 21,730 | 24,070 |
| Cash Flow from Invt. & Assoc. | | | | | |
| Change In Working Capital | 793 | (3,030) | (7,250) | (8,220) | (3,325) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | | | | | |
| Net Interest (Paid)/Received | (783) | (633) | (658) | (730) | (730) |
| Tax Paid | (3,870) | (3,857) | (3,950) | (4,428) | (4,989) |
| Cashflow From Operations | 14,754 | 11,042 | 7,713 | 8,352 | 15,026 |
| Capex | (5,532) | (4,177) | (2,500) | (2,500) | (2,500) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | (308) | (1,629) | 1,109 | 1,239 | 1,382 |
| Cash Flow From Investing | (5,840) | (5,806) | (1,391) | (1,261) | (1,118) |
| Debt Raised/(repaid) | (4,355) | (832) | | | |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (4,769) | (5,062) | (5,404) | (6,086) | (6,852) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | 2,518 | 1,364 | 394 | 444 | 444 |
| Cash Flow From Financing | (6,605) | (4,530) | (5,010) | (5,641) | (6,408) |
| Total Cash Generated | 2,309 | 706 | 1,313 | 1,450 | 7,500 |
| Free Cashflow To Equity | 4,559 | 4,404 | 6,322 | 7,091 | 13,908 |
| Free Cashflow To Firm | 9,696 | 5,869 | 6,981 | 7,821 | 14,638 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

| Balance Sheet | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
| Total Cash And Equivalents | 5,366 | 8,342 | 9,654 | 11,104 | 18,604 |
| Total Debtors | 13,020 | 15,357 | 17,870 | 22,317 | 24,294 |
| Inventories | 21,797 | 23,661 | 28,546 | 33,895 | 37,680 |
| Total Other Current Assets | 4,277 | 3,775 | 3,775 | 3,775 | 3,775 |
| Total Current Assets | 44,460 | 51,134 | 59,845 | 71,091 | 84,352 |
| Fixed Assets | 33,824 | 34,459 | 33,121 | 31,540 | 29,774 |
| Total Investments | 1,917 | 2,016 | 2,016 | 2,016 | 2,016 |
| Intangible Assets | 3,047 | 3,231 | 3,231 | 3,231 | 3,231 |
| Total Other Non-Current Assets | 431 | 473 | 488 | 567 | 626 |
| Total Non-current Assets | 39,218 | 40,179 | 38,857 | 37,355 | 35,648 |
| Short-term Debt | 3,050 | 2,515 | 2,515 | 2,515 | 2,515 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 20,809 | 21,445 | 21,608 | 23,263 | 25,758 |
| Other Current Liabilities | | | | | |
| Total Current Liabilities | 23,859 | 23,960 | 24,123 | 25,778 | 28,273 |
| Total Long-term Debt | 4,485 | 4,188 | 4,188 | 4,188 | 4,188 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | | | | | |
| Total Non-current Liabilities | 4,485 | 4,188 | 4,188 | 4,188 | 4,188 |
| Total Provisions | 1,444 | 1,500 | 1,500 | 1,500 | 1,500 |
| Total Liabilities | 29,788 | 29,647 | 29,810 | 31,466 | 33,960 |
| Shareholders Equity | 53,790 | 61,541 | 68,766 | 76,855 | 85,914 |
| Minority Interests | 102 | 126 | 126 | 126 | 126 |
| Total Equity | 53,892 | 61,667 | 68,892 | 76,980 | 86,040 |

| Key Ratios | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
| Revenue Growth | 6.0% | 3.1% | 8.3% | 9.6% | 10.5% |
| Operating EBITDA Growth | 25.2% | (0.3%) | 5.4% | 11.0% | 10.8% |
| Operating EBITDA Margin | 16.6% | 16.1% | 15.7% | 15.9% | 15.9% |
| Net Cash Per Share (Rs) | (1.86) | 1.41 | 2.53 | 3.78 | 10.21 |
| BVPS (Rs) | 46.14 | 52.79 | 58.99 | 65.92 | 73.70 |
| Gross Interest Cover | 19.56 | 23.74 | 23.90 | 24.17 | 27.13 |
| Effective Tax Rate | 24.9% | 24.6% | 24.1% | 24.1% | 24.1% |
| Net Dividend Payout Ratio | 40.8% | 42.9% | 43.5% | 43.5% | 43.6% |
| Accounts Receivables Days | 41.48 | 44.86 | 48.52 | 53.56 | 56.20 |
| Inventory Days | 123.54 | 122.69 | 131.84 | 144.83 | 150.43 |
| Accounts Payables Days | 115.93 | 114.04 | 108.72 | 104.08 | 103.03 |
| ROIC (%) | 27.5% | 25.2% | 24.0% | 24.5% | 26.9% |
| ROCE (%) | 26.0% | 23.5% | 22.2% | 22.4% | 22.7% |
| Return On Average Assets | 14.5% | 13.2% | 12.6% | 13.0% | 13.2% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.