

India

HOLD (no change)

Consensus ratings*: Buy 7 Hold 4 Sell 12

Current price:	Rs476
Target price:	Rs505
Previous target:	Rs540
Up/downside:	6.1%
InCred Research / Consensus:	0.5%
Reuters:	BRGR.NS
Bloomberg:	BRGR IN
Market cap:	US\$6,390m Rs554,819m
Average daily turnover:	US\$8.0m Rs697.7m
Current shares o/s:	1,165.8m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Lower the target price to Rs505 from Rs540.
- Lower FY26F/27F EPS by 1.9%/2.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.3	(3.0)	(14.1)
Relative (%)	4.7	0.0	(20.0)

Major shareholders	% held
Promoter and Promoter Group	75.0
LIC	4.1
Nalanda India	3.5

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

Healthy delivery despite a weak environment

- Consolidated/standalone sales in 3Q grew by 3.2%/flat yoy. Volume grew by 7.4% yoy led by categories like putty, tile adhesives and texture coatings.
- Margin pressure is expected to sustain owing to elevated rebating/promotional intensity stemming from heightened competition and weak overall demand.
- Berger Paints India has delivered a competitive performance, compared to its peers, in an otherwise weak environment. Retain HOLD with a TP of Rs505.

Healthy delivery on volume growth despite weak demand conditions

Consol. net sales of Berger Paints India (Berger) were up 3.2% yoy at Rs29.8bn in 3QFY25, 1% above our estimate. Standalone sales at Rs25.8bn were flat yoy. Volume growth stood at 7.4%, implying a volume/value gap of 7%. Volume growth in 9MFY25 stood at 7.7%, ahead of peers, which was delivered by higher sales of categories like putty and relatively new categories for Berger like tile adhesives and texture coatings. Paint majors have been reeling from a weak demand environment as well as heightened competition due to rapid network expansion by a new entrant, with players like Asian Paints declining 7.5% yoy & Kansai Nerolac Paints remaining flat yoy. Players like Akzo Nobel (Not Rated) & Indigo Paints (Not Rated) grew/declined by 1.7%/3.2% yoy, respectively. Berger has posted better growth led by better growth in the eastern region (which was weak in 2Q) and the focus on urban expansion. Premium & mass economy categories continued to fare better. The waterproofing category saw healthy growth in volume as well as value terms.

Scale-up of projects business and distribution expansion in focus

Berger has set up a team for 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 seeing higher growth in these markets currently. Management clarified that Berger is not vying for a stake in Akzo Nobel India at the current juncture.

Margin pressure expected to sustain; retain HOLD rating

While Berger has been the only player to post gross margin expansion among the paint pack for the quarter, the EBITDA margin pressure is expected to sustain owing to heightened competition from Birla Opus (which has garnered c.3.5% market share as of 9MFY25-end, as per management), weak overall demand and heightened rebating intensity. Berger has been delivering better performance than its peers over the last few quarters and should be able to continue outperforming the pack in the near term. We retain our HOLD rating on Berger with a lower target price of Rs505 or 45x Sep 2026F EPS, from Rs540 earlier. Downside/upside risks: Lower-than-expected sales/EPS growth and vice versa.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	105,678	111,989	117,571	125,228	135,922
Operating EBITDA (Rsm)	14,872	18,613	19,015	19,979	21,036
Net Profit (Rsm)	8,594	11,678	11,956	12,690	13,408
Core EPS (Rs)	7.4	10.0	10.3	10.9	11.5
Core EPS Growth	3.3%	35.9%	2.4%	6.1%	5.7%
FD Core P/E (x)	64.56	47.51	46.40	43.72	41.38
DPS (Rs)	2.9	3.5	3.6	3.8	4.0
Dividend Yield	0.70%	0.86%	0.87%	0.93%	0.97%
EV/EBITDA (x)	37.91	29.93	29.15	27.56	26.06
P/FCFE (x)	231.33	121.70	77.96	65.91	74.43
Net Gearing	19.7%	4.0%	(0.9%)	(6.1%)	(8.7%)
P/BV (x)	12.29	10.31	9.08	8.06	7.20
ROE	20.3%	23.6%	20.8%	19.5%	18.4%
% Change In Core EPS Estimates			0.95%	(2.07%)	(2.25%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Healthy delivery despite a weak environment

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Revenue	28,818	27,746	29,751	3.2	7.2	86,786	88,407	1.9
Expenditure	24,018	23,404	25,033	4.2	7.0	71,682	74,124	3.4
Consumption of RM	16,981	16,175	17,369	2.3	7.4	51,506	52,129	1.2
as % of sales	58.9	58.3	58.4			59.3	59.0	
Employee costs	1,815	2,211	1,998	10.1	-9.6	5,386	6,132	13.8
as % of sales	6.3	8.0	6.7			6.2	6.9	
Other expenditure	5,222	5,018	5,666	8.5	12.9	14,790	15,863	7.3
as % of sales	18.1	18.1	19.0			17.0	17.9	
EBITDA	4,800	4,342	4,717	-1.7	8.6	15,104	14,283	-5.4
Depreciation	829	890	888	7.1	-0.2	2,440	2,650	8.6
EBIT	3,971	3,452	3,829	-3.6	10.9	12,665	11,633	-8.1
Other income	189	211	202	6.9	-4.1	478	777	62.5
Interest	196	170	160	-18.5	-6.0	604	482	-20.3
PBT	3,965	3,493	3,872	-2.3	10.8	12,538	11,928	-4.9
Total tax	977	883	984	0.8	11.5	3,156	2,986	-5.4
Adjusted PAT	2,988	2,610	2,887	-3.4	10.6	9,382	8,942	-4.7
(Profit)/loss from JVs/Ass/MI	-9	-86	-64	-	-	-74	-242	-
APAT after minority interest (MI)	2,997	2,697	2,951	-1.5	9.4	9,456	9,184	-2.9
Extraordinary items	0	0	0	-	-	0	0	-
Reported PAT	2,997	2,697	2,951	-1.5	9.4	9,456	9,184	-2.9
Adjusted EPS	2.6	2.3	2.5	-1.5	9.4	8.1	7.9	-2.9

Margins (%)	3QFY24	2QFY25	3QFY25	(bp)	(bp)	9MFY24	9MFY25	(bp)
Gross margin	41.1	41.7	41.6	50	-10	40.7	41.0	40
EBITDA	16.7	15.6	15.9	-80	20	17.4	16.2	-120
EBIT	13.8	12.4	12.9	-90	40	14.6	13.2	-140
EBT	13.8	12.6	13.0	-70	40	14.4	13.5	-100
PAT	10.4	9.7	9.9	-50	20	10.9	10.4	-50
Effective tax rate	24.6	25.3	25.4	80	20	25.2	25.0	-10

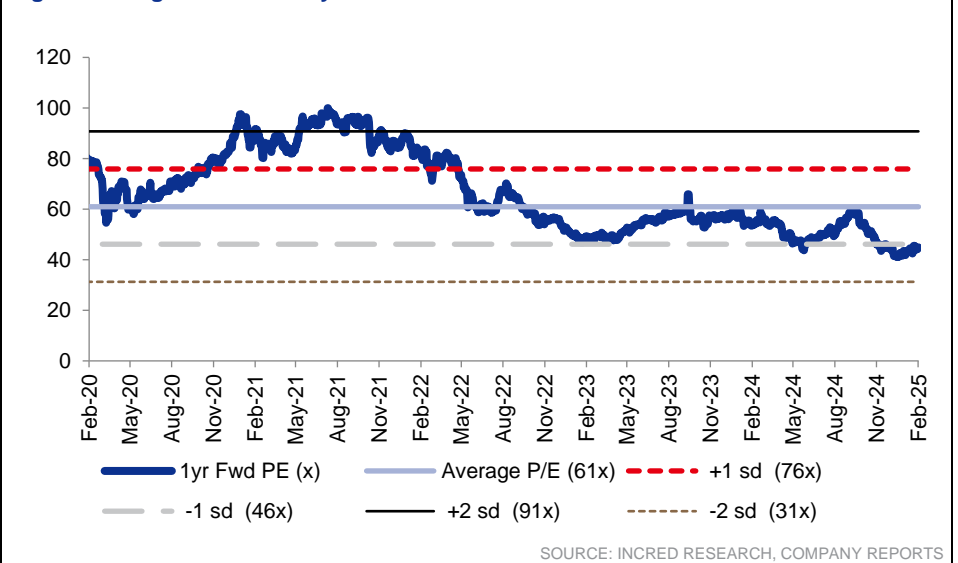
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	1,17,571	1,17,571	0.0	1,28,313	1,25,228	-2.4	1,41,026	1,35,922	-3.6
EBITDA	18,912	19,015	0.5	20,251	19,979	-1.3	21,343	21,036	-1.4
EBITDA Margin (%)	16.1	16.2	10bp	15.8	16.0	20bp	15.1	15.5	30bp
APAT	11,844	11,956	0.9	12,958	12,690	-2.1	13,717	13,408	-2.3
EPS	10.2	10.3	0.5	11.1	10.9	-1.9	11.8	11.5	-2.5

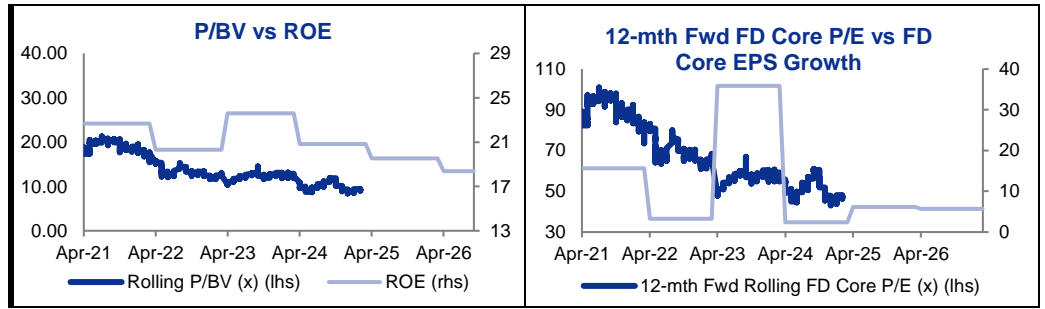
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Berger Paints' one-year forward P/E trades at -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	117,571	125,228	135,922
Gross Profit	38,373	45,529	47,790	50,064	53,566
Operating EBITDA	14,872	18,613	19,015	19,979	21,036
Depreciation And Amortisation	(2,640)	(3,309)	(3,521)	(3,712)	(3,890)
Operating EBIT	12,232	15,304	15,495	16,267	17,146
Financial Income/(Expense)	(477)	(146)	60	142	139
Pretax Income/(Loss) from Assoc.	(132)	410	240	200	250
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	11,623	15,569	15,795	16,609	17,534
Exceptional Items					
Pre-tax Profit	11,623	15,569	15,795	16,609	17,534
Taxation	(3,019)	(3,870)	(3,838)	(3,918)	(4,126)
Exceptional Income - post-tax					
Profit After Tax	8,604	11,699	11,956	12,690	13,408
Minority Interests	(10)	(21)			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,594	11,678	11,956	12,690	13,408
Recurring Net Profit	8,594	11,678	11,956	12,690	13,408
Fully Diluted Recurring Net Profit	8,594	11,678	11,956	12,690	13,408

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	14,872	18,613	19,015	19,979	21,036
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,172)	793	(5,620)	(5,285)	(7,095)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(992)	(783)	(653)	(632)	(702)
Tax Paid	(3,019)	(3,870)	(3,838)	(3,918)	(4,126)
Cashflow From Operations	8,688	14,754	8,904	10,144	9,113
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)	713	774	841
Cash Flow From Investing	(8,044)	(5,840)	(1,787)	(1,726)	(1,659)
Debt Raised/(repaid)	1,754	(4,355)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,892)	(4,769)	(4,846)	(5,153)	(5,383)
Preferred Dividends					
Other Financing Cashflow	881	2,518	434	394	444
Cash Flow From Financing	(1,256)	(6,605)	(4,411)	(4,759)	(4,938)
Total Cash Generated	(613)	2,309	2,705	3,659	2,515
Free Cashflow To Equity	2,398	4,559	7,117	8,418	7,454
Free Cashflow To Firm	1,636	9,696	7,769	9,050	8,156

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	8,071	11,730	14,245
Total Debtors	12,431	13,020	14,316	18,052	21,555
Inventories	23,191	21,797	26,740	28,437	33,558
Total Other Current Assets	5,302	4,277	4,277	4,277	4,277
Total Current Assets	43,901	44,460	53,404	62,496	73,636
Fixed Assets	31,601	33,824	32,803	31,591	30,201
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	319	402	472
Total Non-current Assets	35,760	39,218	38,086	36,957	35,637
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	21,316	21,547	23,147
Other Current Liabilities					
Total Current Liabilities	29,875	23,859	24,366	24,597	26,197
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	30,295	30,526	32,126
Shareholders Equity	45,135	53,790	61,095	68,826	77,046
Minority Interests	81	102	102	102	102
Total Equity	45,217	53,892	61,197	68,928	77,148

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	20.6%	6.0%	5.0%	6.5%	8.5%
Operating EBITDA Growth	11.7%	25.2%	2.2%	5.1%	5.3%
Operating EBITDA Margin	14.1%	16.6%	16.2%	16.0%	15.5%
Net Cash Per Share (Rs)	(7.65)	(1.86)	0.46	3.60	5.76
BVPS (Rs)	38.72	46.14	52.41	59.04	66.09
Gross Interest Cover	12.33	19.56	23.74	25.73	24.42
Effective Tax Rate	26.0%	24.9%	24.3%	23.6%	23.5%
Net Dividend Payout Ratio	45.3%	40.8%	40.5%	40.6%	40.1%
Accounts Receivables Days	39.66	41.48	42.43	47.17	53.18
Inventory Days	125.68	123.54	126.94	133.97	137.38
Accounts Payables Days	116.63	115.93	110.17	104.07	99.04
ROIC (%)	22.7%	27.5%	25.7%	25.3%	24.5%
ROCE (%)	23.0%	26.0%	23.9%	22.5%	21.4%
Return On Average Assets	12.0%	14.5%	13.6%	13.1%	12.7%

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.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

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.