

India

**HOLD** (no change)

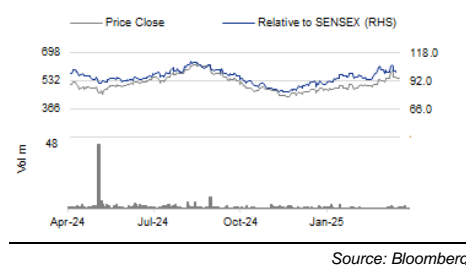
Consensus ratings\*: Buy 8 Hold 3 Sell 12

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

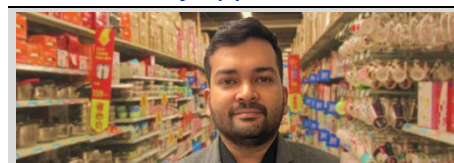
**Key changes in this note**

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



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 (%)
<b>Revenue</b>	<b>25,203</b>	<b>29,751</b>	<b>27,040</b>	<b>7.3</b>	<b>-9.1</b>	<b>1,11,989</b>	<b>1,15,447</b>	<b>3.1</b>
<b>Expenditure</b>	<b>21,694</b>	<b>25,033</b>	<b>22,763</b>	<b>4.9</b>	<b>-9.1</b>	<b>93,376</b>	<b>96,886</b>	<b>3.8</b>
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	
<b>EBITDA</b>	<b>3,509</b>	<b>4,717</b>	<b>4,278</b>	<b>21.9</b>	<b>-9.3</b>	<b>18,613</b>	<b>18,561</b>	<b>-0.3</b>
Depreciation	869	888	892	2.6	0.4	3,309	3,542	7.0
<b>EBIT</b>	<b>2,640</b>	<b>3,829</b>	<b>3,386</b>	<b>28.3</b>	<b>-11.6</b>	<b>15,304</b>	<b>15,019</b>	<b>-1.9</b>
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
<b>PBT</b>	<b>2,620</b>	<b>3,872</b>	<b>3,406</b>	<b>30.0</b>	<b>-12.0</b>	<b>15,159</b>	<b>15,334</b>	<b>1.2</b>
Total tax	714	984	870	21.8	-11.6	3,871	3,857	-0.4
<b>Adjusted PAT</b>	<b>1,906</b>	<b>2,887</b>	<b>2,536</b>	<b>33.0</b>	<b>-12.2</b>	<b>11,288</b>	<b>11,478</b>	<b>1.7</b>
(Profit)/loss from JVs/Ass. cos/MI	-315	-64	-84	-	-	-390	-326	-
<b>APAT after minority interest or MI</b>	<b>2,221</b>	<b>2,951</b>	<b>2,620</b>	<b>18.0</b>	<b>-11.2</b>	<b>11,678</b>	<b>11,804</b>	<b>1.1</b>
Extraordinary items	0	0	0	-	-	0	0	-
<b>Reported PAT</b>	<b>2,221</b>	<b>2,951</b>	<b>2,620</b>	<b>18.0</b>	<b>-11.2</b>	<b>11,678</b>	<b>11,804</b>	<b>1.1</b>
<b>Adjusted EPS</b>	<b>1.9</b>	<b>2.5</b>	<b>2.2</b>	<b>17.9</b>	<b>-11.2</b>	<b>10.0</b>	<b>10.1</b>	<b>1.1</b>
<b>Margins (%)</b>	<b>4QFY24</b>	<b>3QFY25</b>	<b>4QFY25</b>	<b>(bp)</b>	<b>(bp)</b>	<b>FY24</b>	<b>FY25</b>	<b>(bps)</b>
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

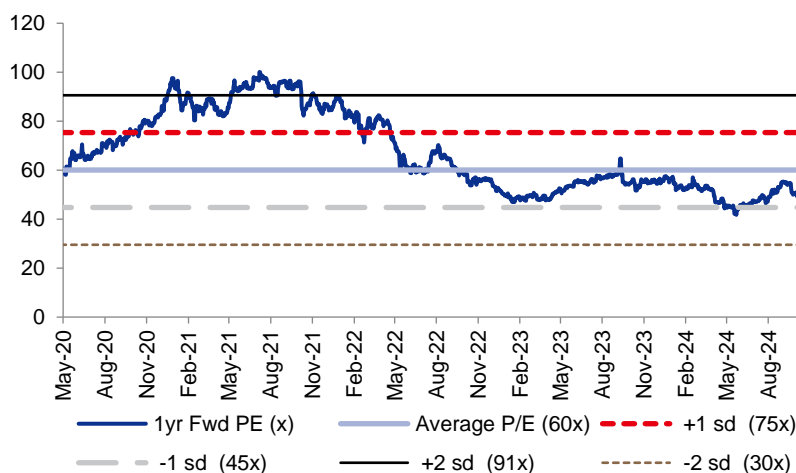
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Y/E Mar (Rs. m)	Earlier	FY26F Revised	% Change	Earlier	FY27F Revised	% Change	FY28F 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

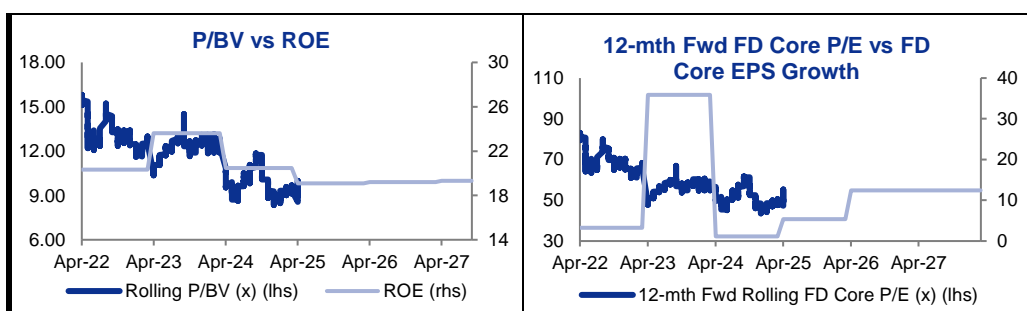
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

### Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	<b>18,613</b>	<b>18,561</b>	<b>19,571</b>	<b>21,730</b>	<b>24,070</b>
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)
<b>Cashflow From Operations</b>	<b>14,754</b>	<b>11,042</b>	<b>7,713</b>	<b>8,352</b>	<b>15,026</b>
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
<b>Cash Flow From Investing</b>	<b>(5,840)</b>	<b>(5,806)</b>	<b>(1,391)</b>	<b>(1,261)</b>	<b>(1,118)</b>
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
<b>Cash Flow From Financing</b>	<b>(6,605)</b>	<b>(4,530)</b>	<b>(5,010)</b>	<b>(5,641)</b>	<b>(6,408)</b>
Total Cash Generated	2,309	706	1,313	1,450	7,500
<b>Free Cashflow To Equity</b>	<b>4,559</b>	<b>4,404</b>	<b>6,322</b>	<b>7,091</b>	<b>13,908</b>
<b>Free Cashflow To Firm</b>	<b>9,696</b>	<b>5,869</b>	<b>6,981</b>	<b>7,821</b>	<b>14,638</b>

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
<b>Total Current Assets</b>	<b>44,460</b>	<b>51,134</b>	<b>59,845</b>	<b>71,091</b>	<b>84,352</b>
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
<b>Total Non-current Assets</b>	<b>39,218</b>	<b>40,179</b>	<b>38,857</b>	<b>37,355</b>	<b>35,648</b>
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					
<b>Total Current Liabilities</b>	<b>23,859</b>	<b>23,960</b>	<b>24,123</b>	<b>25,778</b>	<b>28,273</b>
Total Long-term Debt	4,485	4,188	4,188	4,188	4,188
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>4,485</b>	<b>4,188</b>	<b>4,188</b>	<b>4,188</b>	<b>4,188</b>
Total Provisions	1,444	1,500	1,500	1,500	1,500
<b>Total Liabilities</b>	<b>29,788</b>	<b>29,647</b>	<b>29,810</b>	<b>31,466</b>	<b>33,960</b>
Shareholders Equity	53,790	61,541	68,766	76,855	85,914
Minority Interests	102	126	126	126	126
<b>Total Equity</b>	<b>53,892</b>	<b>61,667</b>	<b>68,892</b>	<b>76,980</b>	<b>86,040</b>

### 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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## 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.