

India

**HOLD** (no change)

Consensus ratings\*: Buy 9 Hold 4 Sell 5

Current price: Rs572  
 Target price: ▲ Rs620  
 Previous target: Rs600  
 Up/downside: 8.4%  
 InCred Research / Consensus: 7.6%

Reuters: BRGR.NS  
 Bloomberg: BRGR IN  
 Market cap: US\$7,591m  
 Rs666,542m  
 Average daily turnover: US\$4.6m  
 Rs406.4m  
 Current shares o/s: 1,165.8m  
 Free float: 25.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise the target price to Rs620 from Rs600 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(4.1)	5.2	5.7
Relative (%)	(0.8)	5.1	3.0

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

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# Berger Paints India Limited

## Gains momentum despite high competition

- Consolidated net sales in 1QFY26 grew by 3.6% yoy to Rs32bn. Standalone sales at Rs28.6bn were up 2% yoy, with a 5.6% volume growth.
- Consolidated gross margin expanded by 150bp yoy to 41.4%. The EBITDA margin contracted 40bp yoy to 16.5%. Margins are likely to be range bound.
- Recovery in volume expected post-monsoon although the near-term remains challenging. Retain HOLD rating on the stock with a new target price of Rs620.

**Volume growth at 5.6% in 1QFY26, targets 7% post-monsoon**

Consolidated 1QFY26 net sales of Berger Paints India (Berger) grew by 3.6% yoy to Rs32bn (3% below our estimate). Standalone sales at Rs28.6bn were up 2% yoy (vs. -1.3%/+1.8% yoy for Asian Paints /Kansai Nerolac Paints, respectively). Volume growth stood at 5.6% in 1Q. The quarter saw a qoq improvement in demand, with month-on-month improvement being observed. The early onset of monsoons dampened growth. The volume-value gap reduced to 3.6% (7% in FY25). Categories like waterproofing, construction chemicals and wood coatings saw healthy growth. The industrial segment's growth was led by the automotive division, which posted strong volume and value growth compared to the decorative segment, while general industrial and powder coatings saw a muted performance during 1Q. Berger expects high single-digit value growth by 4QFY26F.

**International business posts healthy growth**

The international business division posted healthy growth, with Nepal outperforming within the group, while Berger Rock and BNPA (JV) saw strong momentum on both revenue and profitability fronts. Bolix SA (a wholly-owned subsidiary) saw a stable quarter in constant currency or CC terms; however, muted operations in the UK (long-tenure projects) impacted the Bolix group's profitability. Berger Becker JV saw a strong turnaround, after fire-related losses, aided by an improved product mix & margin recovery.

**Gradual recovery expected led by competitive pressure stabilizing**

Consolidated gross margin expanded by 150bp yoy to 41.4% (-130bp qoq). Consolidated EBITDA margin contracted by 40bp yoy to 16.5%. Management retained its guidance of 15-17% EBITDA margin range and expects a gradual recovery in volume to 7-9% post monsoon (with the volume-value gap narrowing to 1.5-2%) led by 1) waning of initial euphoria among dealers post rollback of schemes by Birla Opus, 2) gradually improving consumer sentiment, & 3) a decent recovery in overall demand in most markets barring South India.

**Maintain HOLD rating on the stock with a new target price of Rs620**

While the paint industry has been reeling from intense competition, we expect Berger to continue to outperform the industry in the medium term. We maintain our HOLD rating on Berger with a higher target price of Rs620 or 50x Sep 2027F EPS from Rs600, as we roll forward. Upside risks: Strong market share gains and faster-than-expected demand recovery. Downside risks: Continued pressure on margins due to intense competition..

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	111,989	115,447	121,741	130,177	142,802
Operating EBITDA (Rsm)	18,613	18,561	19,164	20,861	24,029
Net Profit (Rsm)	11,678	11,804	12,126	13,322	15,688
Core EPS (Rs)	10.0	0.0	0.0	11.4	13.5
Core EPS Growth	35.9%	0.0%	0.0%	0.0%	17.8%
FD Core P/E (x)	57.07	0.00	0.00	50.03	42.48
DPS (Rs)	3.5	0.0	3.9	4.3	5.1
Dividend Yield	0.72%	0.00%	0.79%	0.87%	1.03%
EV/EBITDA (x)	35.93	(0.08)	(0.17)	31.69	27.19
P/FCFE (x)	146.20	0.00	0.00	89.73	47.28
Net Gearing	4.0%	(2.7%)	(5.0%)	(7.2%)	(15.4%)
P/BV (x)	12.39	0.00	9.72	8.73	7.81
ROE	23.6%	20.5%	18.6%	18.4%	19.4%
% Change In Core EPS Estimates				(4.71%)	(0.19%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Gains momentum despite high competition

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
<b>Revenue</b>	<b>30,910</b>	<b>27,040</b>	<b>32,008</b>	<b>3.6</b>	<b>18.4</b>	<b>1,11,989</b>	<b>1,15,447</b>	<b>3.1</b>
<b>Expenditure</b>	<b>25,686</b>	<b>22,763</b>	<b>26,724</b>	<b>4.0</b>	<b>17.4</b>	<b>93,376</b>	<b>96,886</b>	<b>3.8</b>
Consumption of Raw Materials	18,585	15,491	18,748	0.9	21.0	66,460	67,619	1.7
as % of sales	60.1	57.3	58.6			59.3	58.6	
Employee Costs	1,922	2,015	2,174	13.1	7.9	7,130	8,147	14.3
as % of sales	6.2	7.5	6.8			6.4	7.1	
Other Expenditure	5,179	5,257	5,802	12.0	10.4	19,786	21,120	6.7
as % of sales	16.8	19.4	18.1			17.7	18.3	
<b>EBITDA</b>	<b>5,224</b>	<b>4,278</b>	<b>5,284</b>	<b>1.1</b>	<b>23.5</b>	<b>18,613</b>	<b>18,561</b>	<b>-0.3</b>
Depreciation	872	892	940	7.8	5.4	3,309	3,542	7.0
<b>EBIT</b>	<b>4,352</b>	<b>3,386</b>	<b>4,344</b>	<b>-0.2</b>	<b>28.3</b>	<b>15,304</b>	<b>15,019</b>	<b>-1.9</b>
Other Income	363	171	285	-21.7	66.3	637	948	48.8
Interest	152	151	145	-4.5	-4.1	783	633	-19.1
<b>PBT</b>	<b>4,564</b>	<b>3,406</b>	<b>4,484</b>	<b>-1.7</b>	<b>31.7</b>	<b>15,159</b>	<b>15,334</b>	<b>1.2</b>
Total Tax	1,120	870	1,077	-3.8	23.8	3,871	3,857	-0.4
<b>Adjusted PAT</b>	<b>3,444</b>	<b>2,536</b>	<b>3,407</b>	<b>-1.1</b>	<b>34.4</b>	<b>11,288</b>	<b>11,478</b>	<b>1.7</b>
(Profit)/Loss from JVs/Ass/MI	-92	-84	-108	-	-	-390	-326	-
<b>APAT after MI</b>	<b>3,536</b>	<b>2,620</b>	<b>3,514</b>	<b>-0.6</b>	<b>34.1</b>	<b>11,678</b>	<b>11,804</b>	<b>1.1</b>
Extraordinary Items	0	0	368	-	-	0	0	-
<b>Reported PAT</b>	<b>3,536</b>	<b>2,620</b>	<b>3,146</b>	<b>-11.0</b>	<b>20.1</b>	<b>11,678</b>	<b>11,804</b>	<b>1.1</b>
<b>Adjusted EPS</b>	<b>3.0</b>	<b>2.2</b>	<b>3.0</b>	<b>-0.6</b>	<b>34.1</b>	<b>10.0</b>	<b>10.1</b>	<b>1.1</b>

Margins (%)	1QFY25	4QFY25	1QFY26	(bp)	(bp)	FY24	FY25	(bps)
Gross margin	39.9	42.7	41.4	150	-130	40.7	41.4	80
EBITDA	16.9	15.8	16.5	-40	70	16.6	16.1	-50
EBIT	14.1	12.5	13.6	-50	110	13.7	13.0	-70
EBT	14.8	12.6	14.0	-80	140	13.5	13.3	-30
PAT	11.4	9.7	11.0	-50	130	10.4	10.2	-20
Effective Tax Rate	24.5	25.5	24.0	-50	-150	25.5	25.2	-40

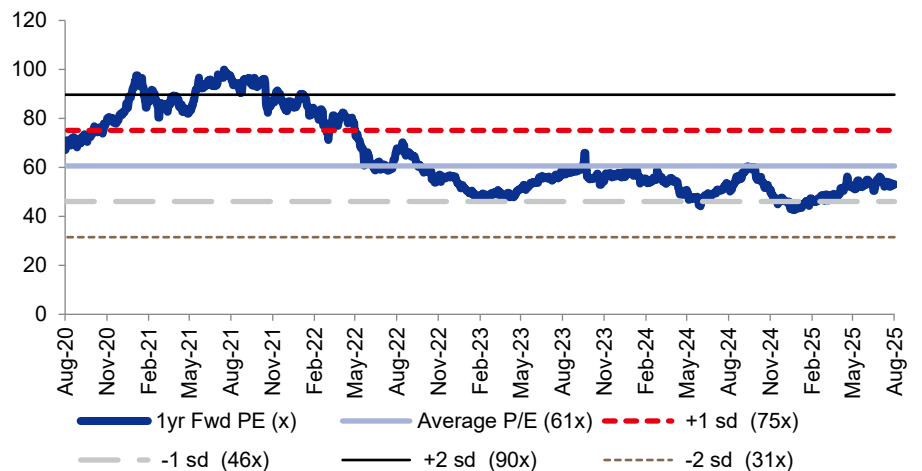
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

	FY26F			FY27F			FY28F		
Y/E Mar (Rs. m)	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	1,24,987	1,21,741	-2.6	1,36,929	1,30,177	-4.9	1,51,373	1,42,802	-5.7
EBITDA	19,571	19,164	-2.1	21,730	20,861	-4.0	24,070	24,029	-0.2
EBITDA Margin (%)	15.7	15.7	10bp	15.9	16.0	20bp	15.9	16.8	90bp
APAT	12,435	12,126	-2.5	13,980	13,322	-4.7	15,717	15,688	-0.2
EPS	10.7	10.4	-2.4	12.0	11.4	-4.7	13.5	13.5	-0.3

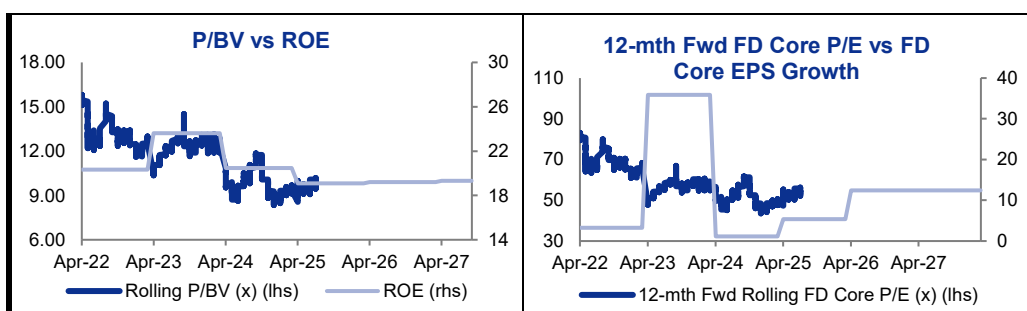
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Berger's one-year forward P/E trades between its -1SD and five-year average levels



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>121,741</b>	<b>130,177</b>	<b>142,802</b>
<b>Gross Profit</b>	<b>45,529</b>	<b>47,828</b>	<b>51,477</b>	<b>55,668</b>	<b>61,351</b>
<b>Operating EBITDA</b>	<b>18,613</b>	<b>18,561</b>	<b>19,164</b>	<b>20,861</b>	<b>24,029</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>15,326</b>	<b>16,780</b>	<b>19,763</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>15,977</b>	<b>17,539</b>	<b>20,665</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>15,569</b>	<b>15,685</b>	<b>15,977</b>	<b>17,539</b>	<b>20,665</b>
Taxation	(3,870)	(3,857)	(3,851)	(4,218)	(4,977)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>11,699</b>	<b>11,828</b>	<b>12,126</b>	<b>13,322</b>	<b>15,688</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>12,126</b>	<b>13,322</b>	<b>15,688</b>
Recurring Net Profit	11,678	11,804	12,126	13,322	15,688
<b>Fully Diluted Recurring Net Profit</b>	<b>11,678</b>	<b>11,804</b>	<b>12,126</b>	<b>13,322</b>	<b>15,688</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>19,164</b>	<b>20,861</b>	<b>24,029</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	793	(3,030)	(6,615)	(7,225)	(3,106)
(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)	(3,851)	(4,218)	(4,977)
<b>Cashflow From Operations</b>	<b>14,754</b>	<b>11,042</b>	<b>8,040</b>	<b>8,689</b>	<b>15,216</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)		(5,267)	(5,786)	(6,849)
Preferred Dividends					
Other Financing Cashflow	2,518		394	444	444
<b>Cash Flow From Financing</b>	<b>(6,605)</b>		<b>(4,873)</b>	<b>(5,341)</b>	<b>(6,404)</b>
Total Cash Generated	2,309		1,776	2,086	7,693
<b>Free Cashflow To Equity</b>	<b>4,559</b>	<b>4,404</b>	<b>6,649</b>	<b>7,428</b>	<b>14,097</b>
<b>Free Cashflow To Firm</b>	<b>9,696</b>	<b>5,869</b>	<b>7,307</b>	<b>8,158</b>	<b>14,827</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	10,118	12,204	19,897
Total Debtors	13,020	15,357	17,425	21,278	22,983
Inventories	21,797	23,661	27,784	32,133	35,435
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>59,101</b>	<b>69,390</b>	<b>82,090</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	474	534	585
<b>Total Non-current Assets</b>	<b>39,218</b>	<b>40,179</b>	<b>38,843</b>	<b>37,322</b>	<b>35,607</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	21,021	22,060	24,011
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>23,859</b>	<b>23,960</b>	<b>23,536</b>	<b>24,575</b>	<b>26,526</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>29,223</b>	<b>30,262</b>	<b>32,213</b>
Shareholders Equity	53,790	61,541	68,594	76,325	85,358
Minority Interests	102	126	126	126	126
<b>Total Equity</b>	<b>53,892</b>	<b>61,667</b>	<b>68,720</b>	<b>76,451</b>	<b>85,484</b>

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	6.0%	3.1%	5.5%	6.9%	9.7%
Operating EBITDA Growth	25.2%	(0.3%)	3.2%	8.9%	15.2%
Operating EBITDA Margin	16.6%	16.1%	15.7%	16.0%	16.8%
Net Cash Per Share (Rs)	(1.86)		2.93	4.72	11.32
BVPS (Rs)	46.14		58.84	65.47	73.22
Gross Interest Cover	19.56	23.74	23.28	22.99	27.07
Effective Tax Rate	24.9%	24.6%	24.1%	24.0%	24.1%
Net Dividend Payout Ratio	40.8%		43.4%	43.4%	43.7%
Accounts Receivables Days	41.48	44.86	49.14	54.26	56.56
Inventory Days	123.54	122.69	133.62	146.76	151.39
Accounts Payables Days	115.93	114.04	110.30	105.52	103.23
ROIC (%)	27.5%	25.2%	23.7%	23.8%	27.5%
ROCE (%)	26.0%	23.5%	21.6%	21.5%	22.8%
Return On Average Assets	14.5%	13.2%	12.3%	12.5%	13.4%

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.