

**Strong volume growth; Maintain Buy**

Q4FY24 Result Update | Sector: Paints | May 16, 2024

**BUY**

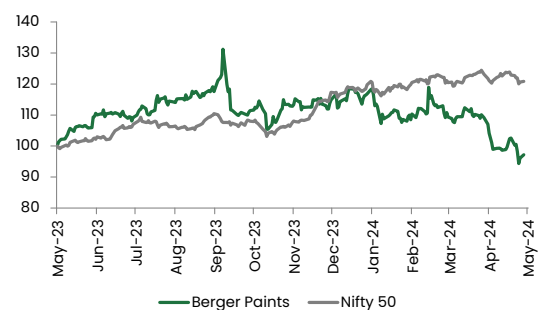
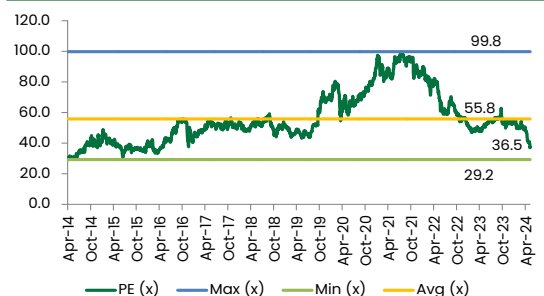
<b>CMP (Rs)</b>	<b>485</b>
<b>Target Price (Rs)</b>	<b>627</b>
<b>Potential Upside</b>	<b>29.2%</b>
<b>Sensex</b>	72,987
<b>Nifty</b>	22,201

**Key Stock data**

<b>BSE Code</b>	509480
<b>NSE Code</b>	BERGEPAIN
<b>Bloomberg</b>	BRGR:IN
<b>Shares o/s, Cr (FV 1)</b>	116.6
<b>Market Cap (Rs Cr)</b>	56,548
<b>3M Avg Volume</b>	1,039,107
<b>52 week H/L</b>	680/478

**Shareholding Pattern**

(%)	Sep-23	Dec-23	Mar-24
<b>Promoter</b>	75.0	75.0	75.0
<b>FII</b>	10.9	10.7	10.7
<b>DII</b>	4.1	4.7	5.1
<b>Others</b>	10.0	9.6	9.2

**1 year relative price performance**

**1 year P/E Forward (x)**

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**Double digit volume growth in topline:** Berger paints reported consolidated revenue of Rs 2,520cr, which grew by 3.1% YoY led by standalone volume growth of 13.9% and consistent growth in most of its subsidiaries. However price correction to the tune of 5% dragged the value growth. Amongst segments, both decorative & industrial performed well and decorative continue to showcase double digit growth.

**EBITDA remain impacted:** Its gross profit grew by 5.3% YoY but declined by 13.4% QoQ to Rs 1,024.9cr while its margin improved by 83bps YoY but declined by 41bps QoQ to 40.7% So, improvement in gross margin as compared last year was because of low value inventory & efficiency but sequentially it was a muted show. Its EBITDA de-grew by 4.8% YoY & 26.9% QoQ to Rs 350.9cr with decline in margin by 117bps YoY & 274bps QoQ largely impacted because of higher spending on advertisements and brand building. PAT was mixed, as it grew by 19.7% YoY but declined by 25.8% QoQ to Rs 222.6cr while margins improved by 122bps but declined by 158bps QoQ.

**Robust FY24 performance:** For FY24, its revenue grew by 6% YoY with standalone volume growth of 11.6% while value growth was impacted due to price correction. Its gross profit grew by 18.6% YoY to Rs 4,553cr with improvement in margin by 434bps YoY due to reduction in raw material cost. Despite increase in employee, advertisement and other expenses its EBITDA grew in double digit with growth of 25.2% YoY to Rs 1,861cr and margin improved by 254bps led by efficiency and gain in premium products. PAT grew by 36% YoY to Rs 1,170cr with improvement in margin by 230bps YoY.

**Key Highlights:** 1) High volume/low value products like Tile Adhesive & Admixtures saw higher growth during the quarter. 2) No price reduction in the luxury category. 3) Decorative business had a strong double digit volume growth and industrial business lines continued their growth trajectory with improved profitability. 4) Strong traction in the economy segment impacted value growth. 5) Robust performance was seen in construction chemical & water proofing business. 6) Aggressive network expansion as it added 7300+ retail touchpoint and installed 7100+ color bank machine. 7) Present capacity stands at 1.27mn MT. 8) Brownfield expansion at a certain location and expansion at Panagarh, West Bengal is ongoing and also has acquired land in Orissa.

**Outlook & Valuation:** Berger Paints reported decent numbers for the quarter. Further, management remains positive on the growth prospects which would be driven by double digit volume growth for decorative segment, steady demand, innovations and expansion in distribution along with catch up in rural areas will help in aiding growth. On the financial front, we estimate its revenue/EBITDA/PAT to grow at 12.5%/16.1%/16.5% CAGR over FY24-26E and maintain a **Buy** rating with a revised target price of **Rs 627**.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	10,568	11,199	12,319	14,167
EBITDA	1,487	1,861	2,119	2,507
EBITDAM (%)	14.1	16.6	17.2	17.7
APAT	860	1,170	1,320	1,588
APATM (%)	8.1	10.4	10.7	11.2
EPS (Rs)	8.9	10.0	11.3	13.6
PE (x)	54.8	48.3	42.8	35.6
RoE (%)	19.1	21.7	20.8	21.0

Source : RBL Research

Consolidated sales grew by 3.1% led by double digit volume but impacted by price reduction

EBITDA margin remain impacted because of low value sales growth and incremental advertisement expenses

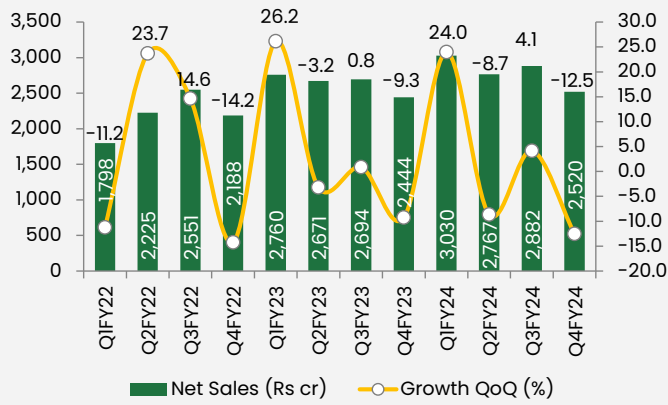
**P&L Account Quarterly - consolidated**

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>2,520.3</b>	<b>2,443.6</b>	<b>3.1</b>	<b>2,881.8</b>	<b>(12.5)</b>
Cost of Raw Materials	1,322.5	1,335.5	(1.0)	1,295.7	2.1
Purchase of Finished Goods	229.4	201.0	14.1	226.2	1.4
(Increase) / Decrease In Stocks	(56.4)	(66.3)	-	176.2	-
<b>Total Raw material cost</b>	<b>1,495.4</b>	<b>1,470.2</b>	<b>1.7</b>	<b>1,698.1</b>	<b>(11.9)</b>
<b>Gross Profit</b>	<b>1,024.9</b>	<b>973.5</b>	<b>5.3</b>	<b>1,183.7</b>	<b>(13.4)</b>
Gross Margins (%)	40.7	39.8	83bps	41.1	-41bps
Employee Cost	174.4	154.7	12.7	181.5	(3.9)
Other Expense	499.6	450.0	11.0	522.2	(4.3)
<b>Total Expenditure</b>	<b>2,169.4</b>	<b>2,074.9</b>	<b>4.6</b>	<b>2,401.8</b>	<b>(9.7)</b>
<b>EBITDA</b>	<b>350.9</b>	<b>368.8</b>	<b>(4.8)</b>	<b>480.0</b>	<b>(26.9)</b>
EBITDA Margins (%)	13.9	15.1	-117bps	16.7	-274bps
Depreciation	86.9	74.4	16.8	82.9	4.8
EBIT	264.0	294.4	(10.3)	397.1	(33.5)
Other Income	15.9	15.1	5.4	18.9	(16.2)
Interest	17.8	29.3	(39.1)	19.6	(9.1)
PBT	262.0	280.1	(6.5)	396.5	(33.9)
Shares of profits/(loss)	32.0	(22.2)	-	1.4	-
PBT	294.1	257.9	14.0	397.9	(26.1)
Tax	71.4	71.9	(0.7)	97.7	(26.9)
<b>PAT</b>	<b>222.6</b>	<b>186.0</b>	<b>19.7</b>	<b>300.2</b>	<b>(25.8)</b>
PAT Margin (%)	8.8	7.6	122bps	10.4	-158bps
EPS (Rs)	1.9	1.9	(0.3)	3.1	(38.2)

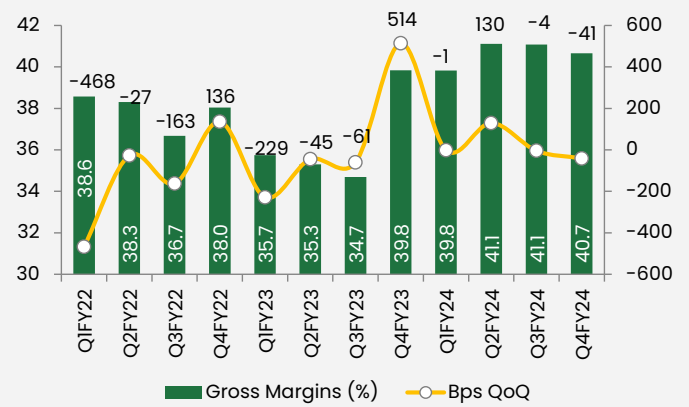
Source : RBL Research

Story in charts

Revenue grew by 3.1% YoY but declined by 12.5% QoQ

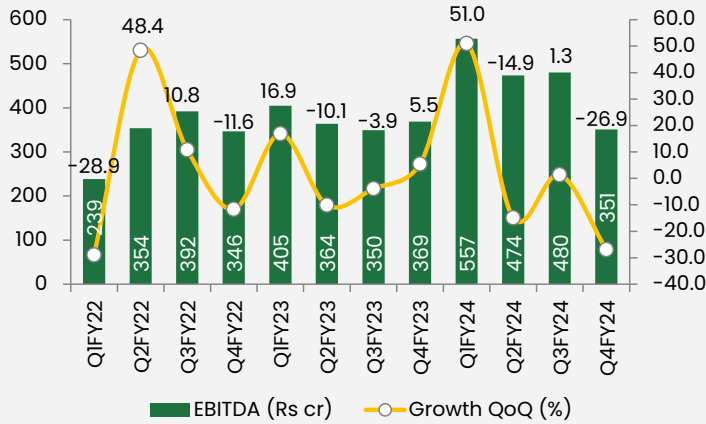


Gross margins improved by 83bps YoY but down by 41bps QoQ

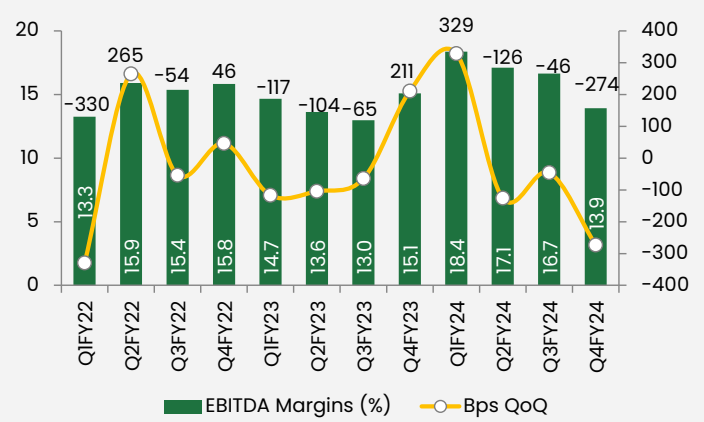


Source : RBL Research

EBITDA declined by 4.8% YoY and 26.9% QoQ

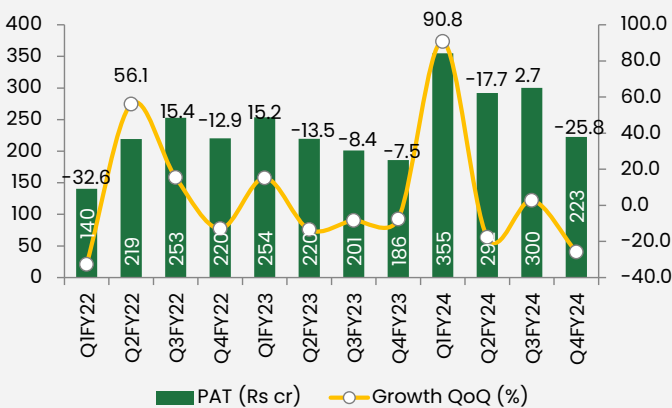


EBITDA Margin decreased by 117bps YoY and 274bps QoQ

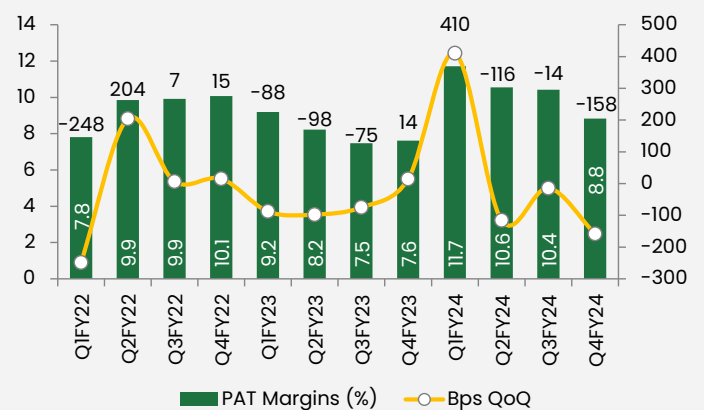


Source : RBL Research

PAT grew by 19.7% YoY but declined by 25.8% QoQ



PAT Margins improved by 122bps YoY but declined by 158bps QoQ



Source : RBL Research

### P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	10,568	11,199	12,319	14,167
<b>Expenditure</b>				
Cost of materials	5,853	5,597	6,122	6,984
Purchase of stock in trade	971	924	998	1,147
(Increase) / Decrease In Stocks	(93)	125	136	156
<b>Total raw materials</b>	<b>6,731</b>	<b>6,646</b>	<b>7,256</b>	<b>8,287</b>
<b>Gross Profit</b>	<b>3,837</b>	<b>4,553</b>	<b>5,063</b>	<b>5,879</b>
Gross Margins (%)	36.3	40.7	41.1	41.5
Employee cost	609	713	764	864
Other expenses	1,741	1,979	2,180	2,507
<b>Total expenditure</b>	<b>9,081</b>	<b>9,338</b>	<b>10,200</b>	<b>11,659</b>
<b>EBITDA</b>	<b>1,487</b>	<b>1,861</b>	<b>2,119</b>	<b>2,507</b>
EBITDAM (%)	14.1	16.6	17.2	17.7
Depreciation	264	331	364	419
PBIT	1,223	1,530	1,755	2,089
Other income	52	64	70	81
Interest expenses	99	78	52	37
PBT	1,176	1,516	1,773	2,132
Tax	302	387	453	545
<b>Reported PAT</b>	<b>874</b>	<b>1,129</b>	<b>1,320</b>	<b>1,588</b>
Exceptional Income / Expenses	(13)	41	-	-
PAT (after Exceptional)	860	1,170	1,320	1,588
PAT Margin (%)	8.1	10.4	10.7	11.2
EPS (Rs)	8.9	10.0	11.3	13.6

Source : RBL Research

### Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	97	117	117	117
Reserves & Surplus	4,397	5,262	6,221	7,448
<b>Total Shareholder's Fund</b>	<b>4,494</b>	<b>5,379</b>	<b>6,338</b>	<b>7,565</b>
Minority Interest	8	10	11	13
Long term borrowings	8	6	7	8
Short term borrowing	760	199	123	85
<b>Total Debt</b>	<b>768</b>	<b>205</b>	<b>130</b>	<b>93</b>
Deferred tax liabilities	74	94	103	118
Long term provision	12	13	14	16
Other long term liabilities	415	527	580	667
<b>Total</b>	<b>501</b>	<b>634</b>	<b>697</b>	<b>802</b>
<b>Current Liabilities</b>				
Trade payables	1,766	1,679	1,789	2,018
Short term provisions	67	62	68	78
Other current liabilities	363	399	439	505
<b>Total</b>	<b>2,196</b>	<b>2,140</b>	<b>2,296</b>	<b>2,601</b>
<b>Total liabilities</b>	<b>7,967</b>	<b>8,369</b>	<b>9,472</b>	<b>11,073</b>
<b>Application of Assets</b>				
Net Block	3,050	3,366	4,036	4,839
Current work in process	110	187	187	187
Goodwill on consolidation	282	305	305	305
Non current investment	130	-	-	-
Tax assets	69	49	54	62
Other non-current assets	162	123	135	155
<b>Total</b>	<b>3,803</b>	<b>4,030</b>	<b>4,717</b>	<b>5,549</b>
<b>Current Assets</b>				
Current investments	53	86	95	109
Inventories	2,319	2,180	2,398	2,757
Trade receivables	1,243	1,323	1,455	1,674
Cash balance	116	240	218	338
Bank balance	129	210	210	210
Short term loans and advances	4	43	47	54
Other current assets	300	257	333	382
<b>Total</b>	<b>4,164</b>	<b>4,339</b>	<b>4,755</b>	<b>5,524</b>
<b>Total assets</b>	<b>7,967</b>	<b>8,369</b>	<b>9,472</b>	<b>11,073</b>

Source : RBL Research

### Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	1,162	1,557	1,773	2,132
Add: Depreciation	264	331	364	419
Add: Interest cost	99	78	52	37
Other Inc/Int. Rec.	(16)	(26)	(18)	(20)
Others	34	(31)	-	-
Operating profit before WC	1,543	1,909	2,171	2,568
Changes in working capital	(260)	30	(229)	(253)
<b>Cash from Operations</b>	1,284	1,940	1,943	2,315
Less: Taxes	(308)	(349)	(453)	(545)
<b>Cash flow from Operations</b>	976	1,591	1,490	1,770
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(748)	(275)	(1,034)	(1,222)
Purchase of investments	36	(25)	(9)	(14)
Sales of fixed assets	4	4	-	-
Div. Income//Interest Rec.	17	18	18	20
Others	90	(120)	-	-
<b>Cash flow from investing</b>	(600)	(398)	(1,025)	(1,216)
<b>Cash flow from Financing</b>				
Proceeds of borrowings	8,414	(582)	(76)	(37)
Sales of borrowings	(8,232)	-	-	-
Dividend (Incl dividend tax)	(301)	(311)	(361)	(361)
Interest cost	(61)	(36)	(52)	(37)
Others	(182)	(140)	1	2
<b>Cash flow from Financing</b>	(363)	(1,069)	(488)	(434)
<b>Net cash Inflow/Outflow</b>	13	124	(23)	120
Opening cash	103	116	240	218
<b>Closing cash</b>	116	240	218	338

Source : RBL Research

### Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	8.9	10.0	11.3	13.6
Book value per share (Rs)	46.3	46.1	54.4	64.9
Dividend per share (Rs)	3.1	2.7	3.1	3.1
Dividend Yield (%)	0.6	0.5	0.6	0.6
Dividend Payout (%)	35.0	26.6	27.4	22.8
<b>Profitability Ratios</b>				
EBITDAM(%)	14.1	16.6	17.2	17.7
PBTM (%)	11.1	13.5	14.4	15.1
NPM (%)	8.1	10.4	10.7	11.2
RoE (%)	19.1	21.7	20.8	21.0
RoCE (%)	23.2	27.4	27.1	27.3
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.2	0.0	0.0	0.0
Interest Cover Ratio	12.3	19.6	33.8	56.4
Fixed Asset Ratio	0.3	0.3	0.3	0.3
Debtors (Days)	42.9	43.1	43.1	43.1
Inventory (Days)	80.1	71.0	71.0	71.0
Payable (Days)	61.0	54.7	53.0	52.0
WC (Days)	62.1	59.4	61.2	62.2
<b>Valuation</b>				
P/E (x)	54.8	48.3	42.8	35.6
P/BV	10.5	10.5	8.9	7.5
EV/EBITDA	32.1	30.4	26.6	22.4
EV/Sales	4.5	5.0	4.6	4.0

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

**[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]**

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

**[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]**

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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