Berger Paints India Limited

Weak quarter; gradual recovery expected

- Consolidated/standalone 2Q sales grew by 1.9%/1.1% yoy led by an 8.8% volume growth. Growth was impacted by extended monsoons & downtrading.
- Inferior mix led to gross margin contraction of 10bp yoy, while EBITDA margin contracted 320bp yoy to 12.5% led by operating deleverage and higher costs.
- We expect the recovery to be gradual as competitive intensity is expected to revive post-monsoon. Maintain HOLD rating with a lower target price of Rs580.

India

HOLD *(no change)*

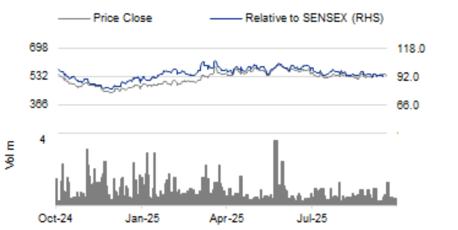
Consensus ratings*:	Buy 11	Hold 4	Sell 9

Current price:	Rs539
Target price: ▼	Rs580
Previous target:	Rs620
Up/downside:	7.6%
InCred Research / Consensus:	0.7%
Reuters:	BRGR.NS
Bloomberg:	BRGR IN
Market cap:	US$7,078m
	Rs628,417m
Average daily turnover:	US$3.4m
	Rs304.3m
Current shares o/s:	1,165.8m
Free float:	25.0%

Source: Bloomberg

Key changes in this note

- Lower the target price to Rs580 from Rs620.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.7)	(4.9)	1.4
Relative (%)	(3.9)	(8.7)	(3.8)

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

Subdued quarter impacted by extended monsoons and a weak mix

Consolidated sales of Berger Paints India (Berger) in 2QFY26 grew by 1.9% yoy to Rs28.3bn (2% below our estimate). Standalone sales grew by 1.1% yoy, with an 8.8% volume growth. Growth was impacted by extended monsoons and higher competitive intensity impacting key markets like Andhra Pradesh, Kerala, West Bengal, North-East region, Gujarat & Maharashtra. Categories like tile adhesives, admix and putty led volume growth while high-value products like exterior and roof coatings were muted, which led to an inferior mix and high volume/value gap. A marginal shift in mix took place from premium/luxury to economy emulsion segments in both exterior and interior segments. Sales momentum revived towards the end of Sep 2025, as weather conditions stabilized.

International subsidiaries posted a mixed performance

Bolix Poland saw healthy topline growth; however, pricing pressure impacted profitability. BJN Nepal reported strong revenue growth with muted profitability due to seasonal impact. SBL Speciality Coatings reported muted sales growth, and STP was impacted by a temporary plant shutdown in Jamshedpur. Berger Becker Coatings JV posted healthy growth in topline and profitability. Berger Nippon Paint Automotive Coatings Pvt Ltd continued its momentum driven by the four-wheeler segment, with healthy growth.

Margins dragged by inferior mix and downtrading

Gross margin contracted by 10bp yoy to 41.6% led by a weak mix. Employee costs were higher by 11% yoy led by feet-on-street expansion in urban markets, where projects business will be a focus area. Advertising and promotional spending remained elevated. EBITDA margin contracted by 320bp yoy to 12.5%. Management maintained its 15-17% EBITDA margin guidance for the medium term and expects 2HFY26F to see a 1.5% improvement in gross margin owing to an improvement in product mix. We expect margins to remain rangebound in the medium term owing to elevated competitive pressure.

Maintain HOLD rating with a lower target price of Rs580

Management expects 3QFY26F to see mid-single digit growth followed by double-digit growth in 4QFY26F, as the competitive intensity has stabilized; however, we expect a new entrant to step up its media spending to drive demand. We cut our FY26F/27F EPS estimates by 1%/2%, respectively, and maintain our HOLD rating with a lower target price of Rs580 (48x Sep 2027F EPS), from Rs620 earlier. Upside/downside risks: Faster/slower than expected sales growth..

Financial summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	111,989	115,447	120,724	128,041	138,253
Operating EBITDA (Rsm)	18,613	18,561	18,999	20,508	23,232
Net Profit (Rsm)	11,678	11,804	12,002	13,053	15,081
Core EPS (Rs)	10.0	10.1	10.3	11.2	12.9
Core EPS Growth	35.9%	1.1%	1.7%	8.8%	15.5%
FD Core P/E (x)	53.81	53.23	52.36	48.14	41.66
DPS (Rs)	3.5	3.5	3.9	4.2	4.9
Dividend Yield	0.76%	0.81%	0.83%	0.90%	1.04%
EV/EBITDA (x)	33.88	33.77	32.89	30.36	26.46
P/FCFE (x)	137.84	142.69	93.36	83.93	44.55
Net Gearing	4.0%	(2.7%)	(5.2%)	(7.6%)	(16.3%)
P/BV (x)	11.68	10.21	9.17	8.26	7.41
ROE	23.6%	20.5%	18.5%	18.0%	18.7%
% Change In Core EPS Estimates			(3.48%)	(6.63%)	(4.04%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

Weak quarter; gradual recovery expected

Figure 1: Quarterly result summary - consolidated

Y/E Mar (Rs. m)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	YoY (%)
Revenue	**27,746**	**32,008**	**28,275**	1.9	-11.7	**58,656**	**60,283**	2.8
Expenditure	**23,404**	**26,724**	**24,752**	**5.8**	**-7.4**	**49,090**	**51,476**	**4.9**
Consumption of raw materials	16,175	18,748	16,524	2.2	-11.9	34,760	35,272	1.5
as % of sales	*58.3*	*58.6*	*58.4*			*59.3*	*58.5*	
Employee costs	2,211	2,174	2,454	11.0	12.9	4,134	4,628	12.0
as % of sales	*8.0*	*6.8*	*8.7*			*7.0*	*7.7*	
Other expenditure	5,018	5,802	5,774	15.1	-0.5	10,197	11,576	13.5
as % of sales	*18.1*	*18.1*	*20.4*			*17.4*	*19.2*	
EBITDA	**4,342**	**5,284**	**3,523**	**-18.9**	**-33.3**	**9,566**	**8,807**	**-7.9**
Depreciation	890	940	971	9.1	3.3	1,762	1,910	8.4
EBIT	**3,452**	**4,344**	**2,552**	**-26.1**	**-41.3**	**7,804**	**6,896**	**-11.6**
Other income	211	285	260	23.2	-8.6	574	545	-5.2
Interest	170	145	174	2.2	20.1	322	319	-1.0
PBT	**3,493**	**4,484**	**2,638**	**-24.5**	**-41.2**	**8,057**	**7,122**	**-11.6**
Total tax	883	1,077	682	-22.7	-36.7	2,002	1,760	-12.1
Adjusted PAT	**2,610**	**3,407**	**1,956**	**-25.1**	**-42.6**	**6,055**	**5,363**	**-11.4**
(Profit)/loss from JV's/Ass/MI	-86	-108	-107	-	-	-178	-215	-
APAT after MI	**2,697**	**3,514**	**2,063**	**-23.5**	**-41.3**	**6,232**	**5,577**	**-10.5**
Extraordinary items	0	368	0	-	-	0	368	-
Reported PAT	**2,697**	**3,146**	**2,063**	**-23.5**	**-34.4**	**6,232**	**5,209**	**-16.4**
Adjusted EPS	**2.3**	**3.0**	**1.8**	**-23.5**	**-41.3**	**5.3**	**4.8**	**-10.5**
Margins (%)	**2QFY25**	**1QFY26**	**2QFY26**	**(bps)**	**(bps)**	**1HFY25**	**1HFY26**	**(bps)**
Gross margin	41.7	41.4	41.6	-10	10	40.7	41.5	70
EBITDA	15.6	16.5	12.5	-320	-410	16.3	14.6	-170
EBIT	12.4	13.6	9.0	-340	-450	13.3	11.4	-190
EBT	12.6	14.0	9.3	-330	-470	13.7	11.8	-190
PAT	9.7	11.0	7.3	-240	-370	10.6	9.3	-140
Effective tax rate	25.3	24.0	25.9	60	180	24.8	24.7	-10

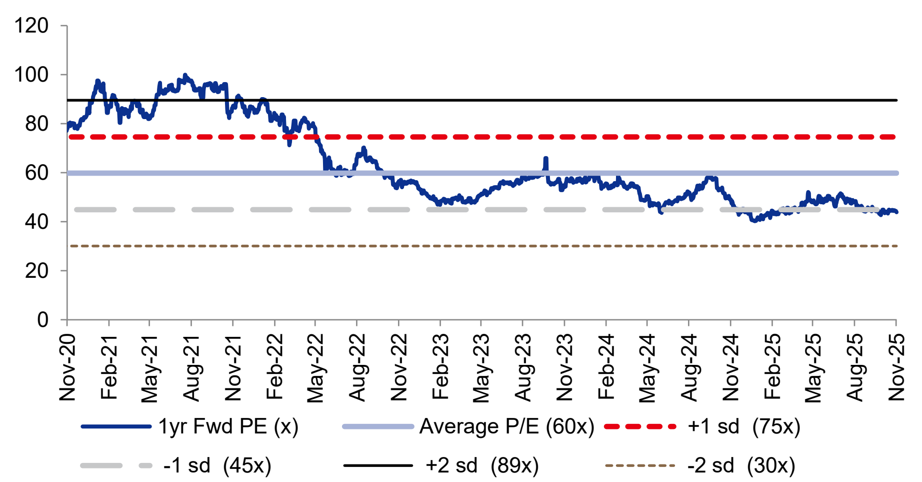
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs. m)	FY26F Earlier	FY26F Revised	FY26F % Change	FY27F Earlier	FY27F Revised	FY27F % Change	FY28F Earlier	FY28F Revised	FY28F % Change
Net sales	1,21,741	1,20,724	-0.8	1,30,177	1,28,041	-1.6	1,42,802	1,38,253	-3.2
EBITDA	19,164	18,999	-0.9	20,861	20,508	-1.7	24,029	23,232	-3.3
EBITDA margin (%)	15.7	15.7	0 bp	16.0	16.0	0 bp	16.8	16.8	0 bp
APAT	12,126	12,002	-1.0	13,322	13,053	-2.0	15,688	15,081	-3.9
EPS	10.4	10.3	-1.0	11.4	11.2	-2.0	13.5	12.9	-3.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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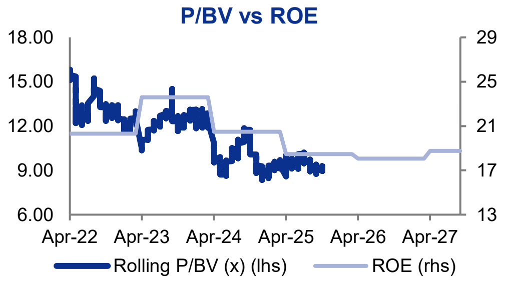

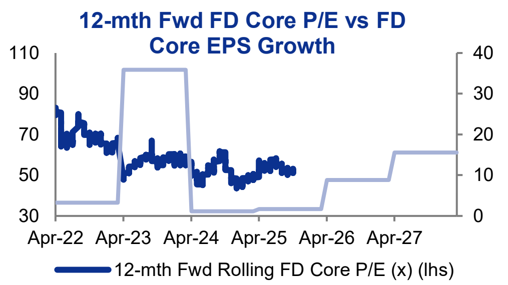

Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**111,989**	**115,447**	**120,724**	**128,041**	**138,253**
Gross Profit	**45,529**	**47,828**	**51,060**	**54,784**	**59,464**
Operating EBITDA	**18,613**	**18,561**	**18,999**	**20,508**	**23,232**
Depreciation And Amortisation	(3,309)	(3,542)	(3,837)	(4,081)	(4,266)
Operating EBIT	**15,304**	**15,019**	**15,162**	**16,427**	**18,966**
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**	**15,813**	**17,186**	**19,867**
Exceptional Items					
Pre-tax Profit	**15,569**	**15,685**	**15,813**	**17,186**	**19,867**
Taxation	(3,870)	(3,857)	(3,812)	(4,133)	(4,786)
Exceptional Income - post-tax					
Profit After Tax	**11,699**	**11,828**	**12,002**	**13,053**	**15,081**
Minority Interests	(21)	(24)			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**11,678**	**11,804**	**12,002**	**13,053**	**15,081**
Recurring Net Profit	11,678	11,804	12,002	13,053	15,081
Fully Diluted Recurring Net Profit	**11,678**	**11,804**	**12,002**	**13,053**	**15,081**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	18,613	18,561	18,999	20,508	23,232
Cash Flow from Invt. & Assoc.					
Change In Working Capital	793	(3,030)	(6,408)	(6,897)	(2,494)
(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)	(3,812)	(4,133)	(4,786)
Cashflow From Operations	**14,754**	**11,042**	**8,121**	**8,748**	**15,222**
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)	(5,209)	(5,660)	(6,564)
Preferred Dividends					
Other Financing Cashflow	2,518	1,364	394	444	444
Cash Flow From Financing	**(6,605)**	**(4,530)**	**(4,814)**	**(5,215)**	**(6,119)**
Total Cash Generated	2,309	706	1,916	2,272	7,984
Free Cashflow To Equity	**4,559**	**4,404**	**6,731**	**7,487**	**14,103**
Free Cashflow To Firm	**9,696**	**5,869**	**7,389**	**8,217**	**14,834**

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	10,258	12,529	20,513
Total Debtors	13,020	15,357	17,291	20,956	22,297
Inventories	21,797	23,661	27,538	31,566	34,226
Total Other Current Assets	4,277	3,775	3,775	3,775	3,775
Total Current Assets	**44,460**	**51,134**	**58,862**	**68,826**	**80,812**
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	469	524	562
Total Non-current Assets	**39,218**	**40,179**	**38,838**	**37,312**	**35,584**
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	20,843	21,693	23,240
Other Current Liabilities					
Total Current Liabilities	**23,859**	**23,960**	**23,358**	**24,208**	**25,755**
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**	**29,046**	**29,896**	**31,442**
Shareholders Equity	53,790	61,541	68,528	76,116	84,828
Minority Interests	102	126	126	126	126
Total Equity	**53,892**	**61,667**	**68,654**	**76,242**	**84,954**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	6.0%	3.1%	4.6%	6.1%	8.0%
Operating EBITDA Growth	25.2%	(0.3%)	2.4%	7.9%	13.3%
Operating EBITDA Margin	16.6%	16.1%	15.7%	16.0%	16.8%
Net Cash Per Share (Rs)	(1.86)	1.41	3.05	5.00	11.85
BVPS (Rs)	46.14	52.79	58.78	65.29	72.76
Gross Interest Cover	19.56	23.74	23.03	22.50	25.98
Effective Tax Rate	24.9%	24.6%	24.1%	24.0%	24.1%
Net Dividend Payout Ratio	40.8%	42.9%	43.4%	43.4%	43.5%
Accounts Receivables Days	41.48	44.86	49.35	54.51	57.10
Inventory Days	123.54	122.69	134.13	147.24	152.39
Accounts Payables Days	115.93	114.04	110.78	105.97	104.08
ROIC (%)	27.5%	25.2%	23.5%	23.5%	26.9%
ROCE (%)	26.0%	23.5%	21.4%	21.1%	22.0%
Return On Average Assets	14.5%	13.2%	12.2%	12.3%	13.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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. Mayuresh 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.