

BUY

CMP (Rs)	556
Target Price (Rs)	693
Potential Upside	24.6%
Sensex	72,186
Nifty	21,929

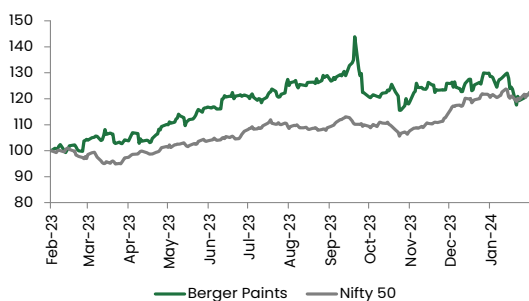
Key Stock data

BSE Code	509480
NSE Code	BERGEPAIN
Bloomberg	BRGR:IN
Shares o/s, Cr (FV 1)	116.6
Market Cap (Rs Cr)	64,789
3M Avg Volume	962,666
52 week H/L	680/458

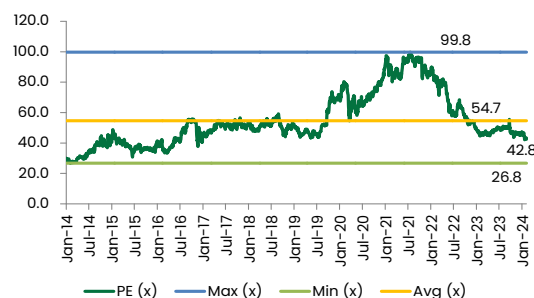
Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	75.0	75.0	75.0
FII	10.8	10.9	10.7
DII	3.8	4.1	4.7
Others	10.4	10.0	9.6

1 year relative price performance



1 year P/E Forward (x)



Research Analyst

Nirvi Ashar

nirvi.ashar@religare.com

Decent numbers; continue to maintain Buy

Q3FY24 Result Update | Sector: Paint | February 07, 2024

Steady volume growth: Berger paints reported consolidated revenue growth of 7% YoY/4.1% QoQ to Rs 2,881.8cr and its standalone revenue growth grew by 6.4% YoY with volume growth of 9.1% YoY. Amongst segments, both decorative and industrial segments continued to perform well, despite price cuts taken by the company. Additionally, decorative volume grew in double digit and consistent growth in protective coatings, automotive & general industrial segment as well as revival in powder coating segment aided sentiments. In the International market, strong growth was reported from Bolix Poland while subdued performance continued from Nepal business.

Robust improvement in margins: It reported consolidated gross profit of Rs 1,183.7cr, up by 26.7% YoY/4% QoQ with margin at 41.1%, which was flat sequentially witnessing an increase of 638bps YoY led by decline in raw material prices. Also, EBITDA grew by 37.3% YoY/1.3% QoQ to Rs 480cr and margin came in at 16.7%, up by 368bps YoY and was down by 46bps sequentially. The growth was led by better product mix and decent volume growth however increase in advertisement spends led by ICC Cricket World Cup in the quarter impacted a bit. Further, consolidated PAT grew by 49.2% YoY/2.7% QoQ to Rs 300.2cr.

Key Highlights: 1) India operation maintained its improved market share around 20%. 2) Product mix saw an improvement for the quarter. 3) Economy segment seeing good traction. 4) Price cuts taken for several products led to the gap between value and volume growth. 5) Advertisement expense as a % of sales was about 1.5%. 6) Amongst decorative, wood coatings, construction chemical & waterproofing business had another quarter of stellar performance. 7) Amongst the industrial segment, demand revival of the fan industry and new customer acquisition aided growth for powder coating business. 8) Tier 2 & Tier 3 showed better performance as compared to Tier 1. 9) It added ~2300+ retail touchpoints and installed ~1300 color bank machines in Q3FY24.

Outlook & Valuation: Berger Paints reported yet another quarter of decent numbers led by higher single digit volume growth and robust margin improvement as compared last year. Going forward, demand to remain robust driven by both its segments as well as pickup in rural demand. Additionally, the management expects higher government spending would aid growth for paints and coating segment along with its focus on adding more products, improving mix and expanding reach. However, on margins they do not expect much improvement while it could sustain near to similar levels of 16-18%. On the financial front, we estimate its revenue/EBITDA to grow at 17.2%/27.4% CAGR over FY23-26E and maintain a **Buy** rating with a price target of **Rs 693**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	10,568	11,416	13,927	16,991
EBITDA	1,487	1,978	2,465	3,075
EBITDAM (%)	14.1	17.3	17.7	18.1
APAT	860	1,235	1,531	1,918
APATM (%)	8.1	10.8	11.0	11.3
EPS (Rs)	8.9	10.6	13.1	16.5
PE (x)	62.8	52.5	42.3	33.8
RoE (%)	19.1	23.4	24.6	26.2

Source : RBL Research

Standalone volume grew by 9.1% YoY

Gross & EBITDA margin grew strong

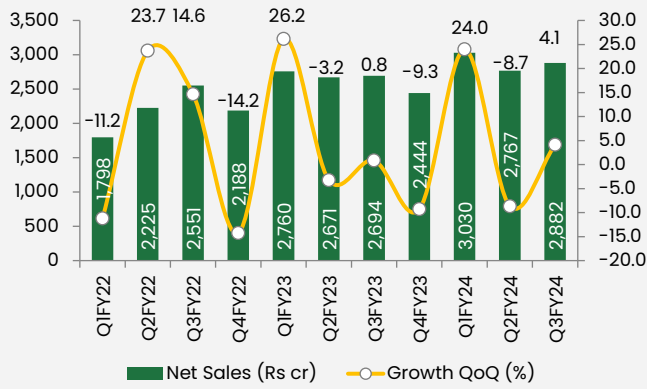
P&L Account Quarterly – consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	2,881.8	2,693.6	7.0	2,767.3	4.1
Cost of Raw Materials	1,295.7	1,302.3	(0.5)	1,498.3	(13.5)
Purchase of Finished Goods	226.2	247.1	(8.4)	220.6	2.6
(Increase) / Decrease In Stocks	176.2	209.8	(16.0)	(89.5)	-
Total Raw material cost	1,698.1	1,759.1	(3.5)	1,629.4	4.2
Gross Profit	1,183.7	934.5	26.7	1,137.9	4.0
Gross Margins (%)	41.1	34.7	638bps	41.1	-4bps
Employee Cost	181.5	148.1	22.6	190.2	(4.6)
Other Expense	522.2	436.7	19.6	474.0	10.2
Total Expenditure	2,401.8	2,343.9	2.5	2,293.7	4.7
EBITDA	480.0	349.7	37.3	473.7	1.3
EBITDA Margins (%)	16.7	13.0	368bps	17.1	-46bps
Depreciation	82.9	64.4	28.8	82.9	0.0
EBIT	397.1	285.3	39.2	390.8	1.6
Other Income	18.9	10.9	74.1	15.3	24.0
Interest	19.6	29.6	(33.6)	21.1	(6.9)
PBT	396.5	266.6	48.7	385.0	3.0
Shares of profits/(loss)	1.4	2.5	(43.8)	3.8	(63.4)
PBT	397.9	269.1	47.8	388.8	2.3
Tax	97.7	68.0	43.8	96.7	1.0
PAT	300.2	201.2	49.2	292.1	2.7
PAT Margin (%)	10.4	7.5	295bps	10.6	-14bps
EPS (Rs)	2.6	2.1	24.3	2.5	2.7

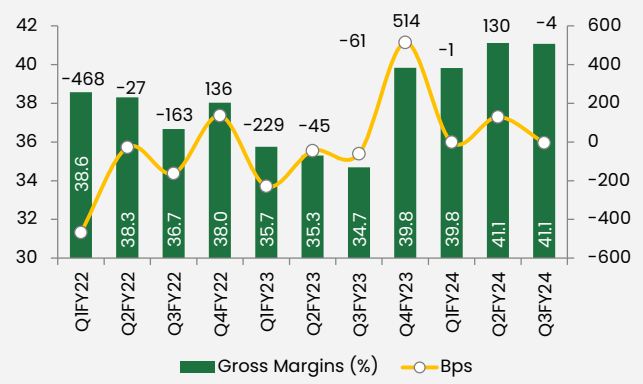
Source : RBL Research

Story in charts

Revenue grew by 7.0% YoY and 4.1% QoQ

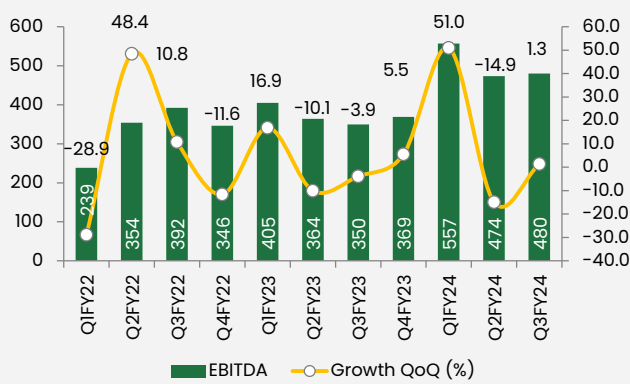


Gross margins improved by 638bps YoY but was flat sequentially

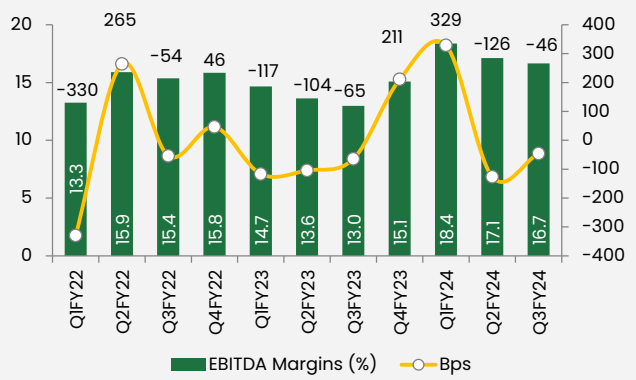


Source : RBL Research

EBITDA (Rs cr) grew by 37.3% YoY and 1.3% QoQ

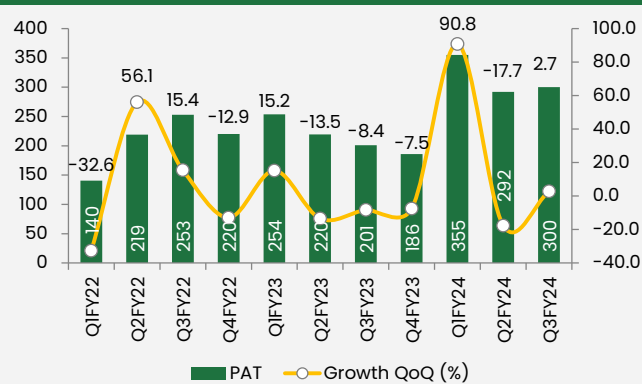


EBITDA Margin increased by 368bps YoY but decreased by 46bps QoQ

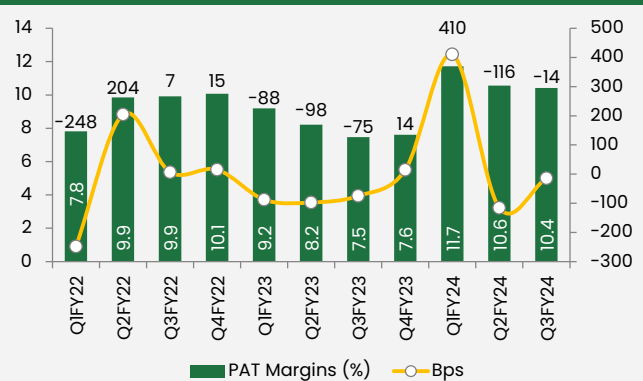


Source : RBL Research

PAT (Rs cr) grew by 49.2% YoY and 2.7% QoQ



PAT Margins improved by 295bps YoY but declined by 14bps QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	10,568	11,416	13,927	16,991
Expenditure				
Cost of materials	5,853	5,568	6,768	8,224
Purchase of stock in trade	971	924	1,128	1,376
(Increase) / Decrease In Stocks	(93)	265	306	357
Total raw materials	6,731	6,757	8,203	9,957
Gross Profit	3,837	4,658	5,724	7,034
Gross Margins (%)	36.3	40.8	41.1	41.4
Employee cost	609	708	863	1,036
Other expenses	1,741	1,972	2,395	2,922
Total expenditure	9,081	9,437	11,462	13,915
EBITDA	1,487	1,978	2,465	3,075
EBITDAM (%)	14.1	17.3	17.7	18.1
Depreciation	264	328	400	488
PBIT	1,223	1,650	2,065	2,587
Other income	52	67	82	100
Interest expenses	99	80	97	119
PBT	1,176	1,638	2,049	2,568
Tax	302	414	518	650
Reported PAT	874	1,223	1,531	1,918
Exceptional Income / Expenses	(13)	12	-	-
PAT (after Exceptional)	860	1,235	1,531	1,918
PAT Margin (%)	8.1	10.8	11.0	11.3
EPS (Rs)	8.9	10.6	13.1	16.5

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	97	117	117	117
Reserves & Surplus	4,397	5,166	6,114	7,216
Total Shareholder's Fund	4,494	5,283	6,231	7,333
Minority Interest	8	12	14	18
Long term borrowings	8	13	16	19
Short term borrowing	760	821	1,001	1,222
Total Debt	768	834	1,017	1,241
Deferred tax liabilities	74	80	98	119
Long term provision	12	13	16	19
Other long term liabilities	415	448	547	667
Total	501	541	660	806
Current Liabilities				
Trade payables	1,766	1,907	2,327	2,839
Short term provisions	67	73	89	108
Other current liabilities	363	392	479	584
Total	2,196	2,372	2,894	3,531
Total liabilities	7,967	9,042	10,817	12,928
Application of Assets				
Net Block	3,050	3,657	4,385	5,259
Current work in process	110	110	110	110
Goodwill on consolidation	282	282	282	282
Non current investment	130	141	223	272
Tax assets	69	74	91	111
Other non-current assets	162	174	213	260
Total	3,803	4,439	5,304	6,294
Current Assets				
Current investments	53	57	70	85
Inventories	2,319	2,505	3,056	3,729
Trade receivables	1,243	1,343	1,638	1,999
Cash balance	116	257	239	228
Bank balance	129	129	129	129
Short term loans and advances	4	4	5	7
Other current assets	300	308	376	459
Total	4,164	4,603	5,513	6,635
Total assets	7,967	9,042	10,817	12,928

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	1,162	1,650	2,049	2,568
Add: Depreciation	264	328	400	488
Add: Interest cost	99	80	97	119
Other Inc/Int. Rec.	(16)	(17)	(20)	(25)
Others	34	-	-	-
Operating profit before WC	1,543	2,041	2,526	3,150
Changes in working capital	(260)	(96)	(329)	(402)
Cash from Operations	1,284	1,945	2,197	2,749
Less: Taxes	(308)	(414)	(518)	(650)
Cash flow from Operations	976	1,531	1,679	2,099
Net cash used in Investing				
Purchase of fixed assets	(748)	(935)	(1,128)	(1,362)
Purchase of investments	36	(15)	(95)	(64)
Sales of fixed assets	4	-	-	-
Div. Income/Interest Rec.	17	17	20	25
Others	90	-	-	-
Cash flow from investing	(600)	(933)	(1,203)	(1,402)
Cash flow from Financing				
Proceeds of borrowings	8,414	66	183	224
Sales of borrowings	(8,232)	-	-	-
Dividend (Incl dividend tax)	(301)	(466)	(583)	(816)
Interest cost	(61)	(80)	(97)	(119)
Others	(182)	4	3	3
Cash flow from Financing	(363)	(457)	(494)	(708)
Net cash Inflow/Outflow	13	141	(18)	(10)
Opening cash	103	116	257	239
Closing cash	116	257	239	228

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	8.9	10.6	13.1	16.5
Book value per share (Rs)	46.3	45.3	53.5	62.9
Dividend per share (Rs)	3.1	4.0	5.0	7.0
Dividend Yield (%)	0.6	0.7	0.9	1.3
Dividend Payout (%)	35.0	37.7	38.1	42.5
Profitability Ratios				
EBITDAM (%)	14.1	17.3	17.7	18.1
PBTM (%)	11.1	14.3	14.7	15.1
NPM (%)	8.1	10.8	11.0	11.3
RoE (%)	19.1	23.4	24.6	26.2
RoCE (%)	23.2	27.0	28.5	30.2
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	12.3	20.7	21.2	21.8
Fixed Asset Ratio	0.3	0.3	0.3	0.3
Debtors (Days)	42.9	42.9	42.9	42.9
Inventory (Days)	80.1	80.1	80.1	80.1
Payable (Days)	61.0	61.0	61.0	61.0
WC (Days)	62.1	62.1	62.1	62.1
Valuation				
P/E (x)	62.8	52.5	42.3	33.8
P/BV	12.0	12.3	10.4	8.8
EV/EBITDA	36.8	33.0	26.6	21.4
EV/Sales	5.2	5.7	4.7	3.9

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com
James Kunnel	james.kunnel@religare.com

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
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	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
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	I/we have been engaged in market making activity for the subject company?		No

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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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