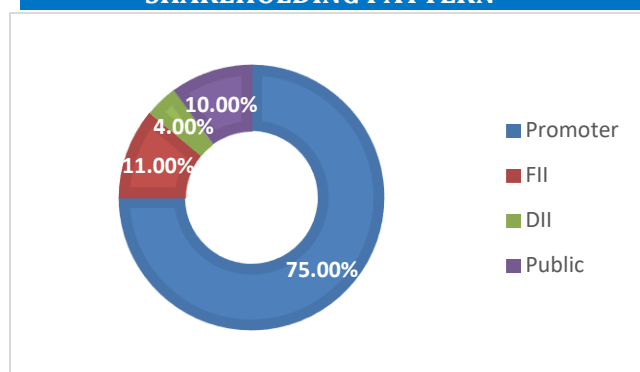


September 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	64,269
52-Week High/Low	857/544
EPS (TTM)	9.74
P/E Ratio (TTM)	68.8
Book Value per share (Rs)	40.4
Industry P/E	78.2
P/B Ratio (calc at CMP)	16.6
Dividend Yield (%)	0.47%
Enterprise value (Rs in Cr)	64,970

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	FY22	FY23E	FY24E
Sales (Rs. Cr)	8761.78	10,372.5	11,440
Growth (%)	28.5	18.4	10.3
Expenditures	7430.7	8860.5	9610
EBITDA (Rs. Cr)	1331	1512	1830
EBITDA margin	15.20	14.57	16
PAT (Rs. Cr)	829	960	1197
PAT margin (%)	9.46	9.25	10.46
EPS (Rs)	8.57	10	12.5
RoE (%)	21.2	25.5	30.0
RoCE (%)	24	27.5	31.0
P/BV (x)	17.34	17.2	15.5
EV/EBITDA (x)	49	43.5	35.7
P/E (x)	81.6	68	60

Strong topline led by higher volume growth...

Our Recommendation: Berger Paints' 1QFY23 result is above expectation and is on line with its peers'. Its subsidiaries maintained healthy revenue growth rate. Company's water proofing business is trending well and is growing at higher rate than paints. Company is focusing on 'water proofing & building chemical' category and this would help drive revenue growth in future. Company aims to occupy no. 1 or no. 2 position. Company to add 6000 to 7000 distributors in FY23. Given these scenarios, we estimate the company would continue to outperform in coming quarters. Thus, we recommend BUY in price range Rs. 640-660 with target price Rs 800 (upside 23%).

Investment Rationale:

About Company: Berger Paints is India's second largest decorative paint company. The company has eight manufacturing facilities in India and abroad. India accounts for nearly 92% of its revenue, with the remaining 8% coming from other countries. The company has the second largest distribution network in the industry, with 11,500 active dealers and 12,000 tinting machines. Berger has a strong presence in East and North India, accounting for 60% of its distribution network, while South and West India account for 40%. The company generates 80% of its revenue from decorative paints and the remainder from industrial paints, with automotive accounting for 8%, powder coating accounting for 2%, and other industries accounting for 10%. Berger Silk, Berger Rangoli, Berger Illusions, Berger Weather Coat, and Jadoo Enamel are among its top brands.

Q1FY23 Results: Robust revenue growth aided by improved demand in decorative and industrial paints.

- Revenue increased by 53% on year-on-year basis to Rs 2,760 crore from Rs 1798.5 in same quarter in a year-ago period. On sequential basis, revenue grew by 26.2% from Rs 2187.5 crore in Q4FY22.
- Gross margin reduced by 8% on YoY basis due to higher raw material costs, but EBITDA margin rose by 141 bps to 14.7% from 13.3% in a year ago period by savings in employee and other costs.
- PAT increased by 80.6% to Rs. 253.7 from Rs 140.5 crore reported in Q1FY22 on account of higher revenue growth and EBITDA margin expansion.

Strong volume growth & price increase drives topline: Berger Paints reported a significant increase in revenue. A 23% price increase has contributed to the increase in revenue. Decorative paints make up a large portion of Berger paints, which helps the company generate massive revenue growth. Due to operating leverage, Berger's EBITDA margin increased by 141 basis points. The results show that the company's performance is improving steadily.

Key Highlights from con-call:

- The decorative business grew rapidly in the quarter, aided by staggered price increases.
- The General Industrial and Automotive businesses grew strongly during the quarter.
- Management expected double digit volume growth in FY23 by new product launches and dealer additions.
- The company has limited presence in putty/economic products and now company plans to increase its presence in this segment.
- The company will launch two new products in waterproof segment that will lead to good volume growth.
- Demand for industrial paint to rise with revival of auto industry.

Financials and Valuations

Q1FY23 Quarterly financials consolidated (Rs in Cr)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
Revenues	2,759.7	1,798.5	53.4	2,187.5	26.2
COGS	1,773.1	1,104.7	60.5	1,336.4	32.7
Gross profit	986.6	693.8	42.2	851.1	15.9
<i>Gross Margin (%)</i>	<i>35.75%</i>	<i>38.58%</i>	<i>-283bps</i>	<i>38.91%</i>	<i>-316bps</i>
Employee expenses	146.0	131.0	11.4	134.1	8.9
<i>% of net sales</i>	<i>5.3</i>	<i>7.3</i>	<i>-199bps</i>	<i>6.1</i>	<i>-84bps</i>
Other Expenses	435.7	324.3	34.4	370.5	17.6
<i>% of net sales</i>	<i>15.8</i>	<i>18.0</i>	<i>-224bps</i>	<i>16.9</i>	<i>-115bps</i>
EBITDA	404.8	238.5	69.7	346.4	16.9
<i>EBITDA Margin (%)</i>	<i>14.7</i>	<i>13.3</i>	<i>141bps</i>	<i>15.8</i>	<i>-117bps</i>
Depreciation	62.8	54.8	14.6	59.8	5.1
EBIT	342.0	183.7	86.2	286.7	19.31
Other Income	13.0	17.0	-23.4	19.1	-31.8
Interest Expenses	16.3	9.6	69.7	14.6	11.3
PBT	338.8	191.2	77.2	291.2	16.4
Taxes	88.6	49.8	77.7	76.2	16.3
Adjusted PAT	250.2	141.3	77.1	215.1	16.4
Extra-ordinary items	0.0	0.0		0.0	
Reported PAT	250.2	141.3	77.1	215.1	16.4
Minority Interest	-0.28	-0.1		-0.4	
Share in Profit/loss of associate	3.47	-0.8		5.2	
Consolidated Net Profit	253.39	140.40	80.5%	219.9	15%
<i>Profit Margin</i>	<i>9.2%</i>	<i>7.8%</i>	<i>140bps</i>	<i>10%</i>	<i>(80bps)</i>
EPS	2.6	1.5	78	2.3	13.4

Income Statement, consolidated (Rs. Cr)

Y/E March	FY19	FY20	FY21	FY22
Net Revenues	6,061.86	6,365.82	6,817.59	8,761.78
<i>Change (yoy, %)</i>	<i>17.3</i>	<i>5</i>	<i>7.1</i>	<i>28.5</i>
Expenditure	5,126.32	5,304.83	5,629.61	7,430.71
EBIDTA	935.5	1,060.99	1,187.98	1,331
<i>Change (yoy, %)</i>	<i>15.9</i>	<i>13.4</i>	<i>12</i>	<i>12</i>
<i>EBITDA Margin (%)</i>	<i>15.43%</i>	<i>16.67%</i>	<i>17.43%</i>	<i>15.19%</i>
Depreciation	182	191	211	226.5
EBIT	753	870	977	1,105
Other Income	60.03	68.52	51.49	64.59
Interest	47.24	47.04	44.10	50.72
Exceptional items	0.00	0.00	0.00	0.00
PBT	766.06	891.46	984.23	1,118.43
Tax	271.27	227.06	258.9	289.34
<i>Effective tax rate (%)</i>	<i>35.4%</i>	<i>25.5%</i>	<i>26.3%</i>	<i>25.9%</i>
PAT	494.79	664.40	725.33	829.09
EO Items	0.00	0.00	0.00	0.00
Net Profit	494.79	664.40	725.33	829.09
<i>Profit margin (%)</i>	<i>8.16%</i>	<i>10.44%</i>	<i>10.64%</i>	<i>9.46%</i>
Min Int.	0.41	1.71	0.03	-0.13
Shares associates	-0.90	-8.30	-5.61	3.86
Consolidated Net Profit	494.30	657.81	719.75	832.82
EPS	5.09	6.77	7.41	8.57

Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY19	FY20	FY21	FY22
Shareholders' fund	2476.15	2667.24	3383.93	3934.16
Share Capital	97.11	97.12	97.13	97.13
Reserves & Surplus	2,375.59	2563.01	3279.74	3829.86
Minority Interest	3.45	7.11	7.06	7.17
Total Debt	483.93	535.89	383.77	667.90
Other liabilities	114.56	287.80	316.96	417.00
Curr Liab & prov.	1288.02	1414.08	1836.39	2193.60
Current liabilities	1256.05	1367.73	1793.11	2153.50
Provisions	31.97	46.35	43.28	40.10
Total Liabilities	1886.51	2237.77	2537.12	3278.50
Total Equity & Liabilities	4362.66	4905.01	5921.05	7212.66
Non-Curr. Assets	1767.44	2318.56	2414.72	3155.24
Net Fixed Assets	1094.78	1628.62	1748.14	1896.19
Intangible assets	8.10	7.99	8.45	15.06
Goodwill	269.25	278.96	287.63	275.56
CWIP	169.89	178.49	106.75	605.51
Investments	144.12	135.82	145.89	147.06
Other Non-curr assets	64.39	69.49	91.10	215.86
Long-term loans & Advanc.	16.91	19.19	26.76	0.00
Current Assets	2583.60	2586.45	3506.33	4057.42
Inventories	1,233.53	1278.46	1616.13	2315.83
Trade receivables	671.48	714.11	1019.72	1053.68
Cash/Bank Balance	238.48	219.93	439.61	312.95
Current investments	250.8	179.35	209.78	87.27
Other current assets	181.33	184.76	208.17	287.69
Loans & Advances	7.98	9.84	12.92	0.00
Total Assets	4362.66	4905.01	5921.05	7212.66

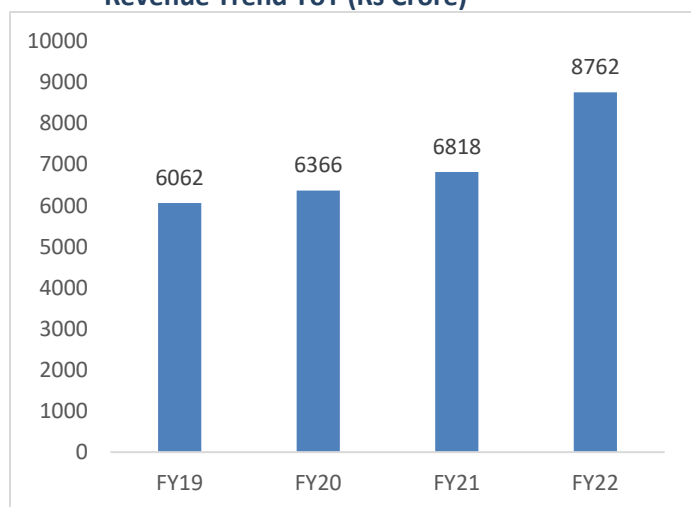
Cash Flow statement (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
PBT	704	765	883	979	1122
Adj. For Expenses	123	181	204	238	233
Other Adj.	-128	-92	-100	-168	-490
CF After WC	699	854	987	1049	865
Tax	-277	-243	-263	-252	-299
CF from Op. Activity (a)	422	611	724	797	566
CF from Inv. Activity (b)	-183	-379	-223	-457	-521
CF from Fin. Activity (c)	-200	-259	-479	-282	-78
Net Change (a+b+c)	39	-27	22	58	-33
Opening cash	45	84	57	79	137
Others	0	0	0	0	0
Closing cash balance	84	57	79	137	104

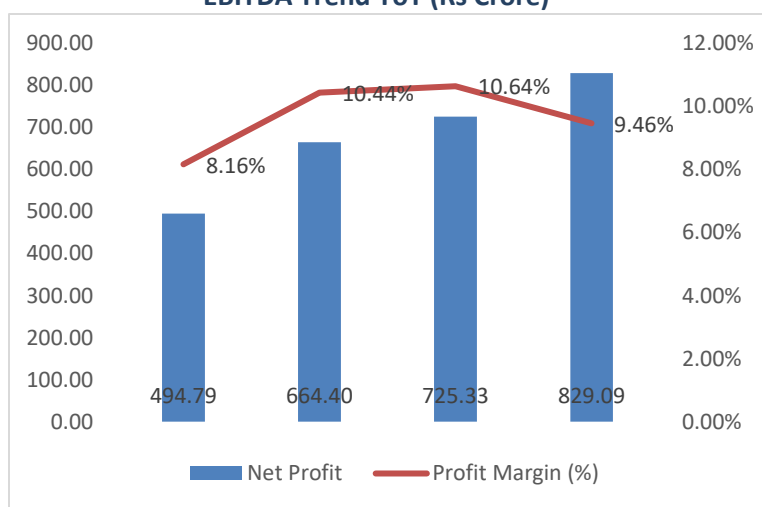
Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
Per Share Data (Rs)					
EPS	4.75	5.09	6.77	7.41	8.57
BV/Share	22.58	25.14	27.37	34.74	40.36
DPS	1.8	1.9	2.2	2.8	3.1
Dividend Payout (%)	37.89%	37.33%	32.50%	37.79%	36.17%
Valuation Ratios					
P/E	54.0	63.6	73.4	103.2	81.6
P/BV	11.36	12.87	18.18	22.01	17.34
EV/EBITDA	29.52	31.92	43.05	59.87	48.96
Return Ratios (%)					
RoE	22.5%	20.0%	24.7%	21.3%	21.2%
RoCE	25.2%	25.4%	27.2%	25.9%	24.0%
Leverage Ratio (x)					
Current Ratio	1.63	1.6	1.48	1.67	1.34
Quick Ratio	0.97	0.87	0.78	0.93	0.69
Interest Cover Ratio	29.68	17.22	19.95	23.32	23.05
Net Debt/Equity	0.19	0.21	0.2	0.11	0.17

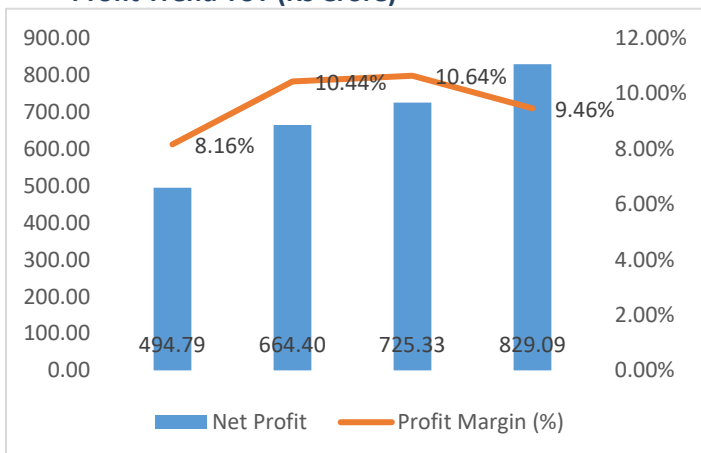
Revenue Trend YoY (Rs Crore)



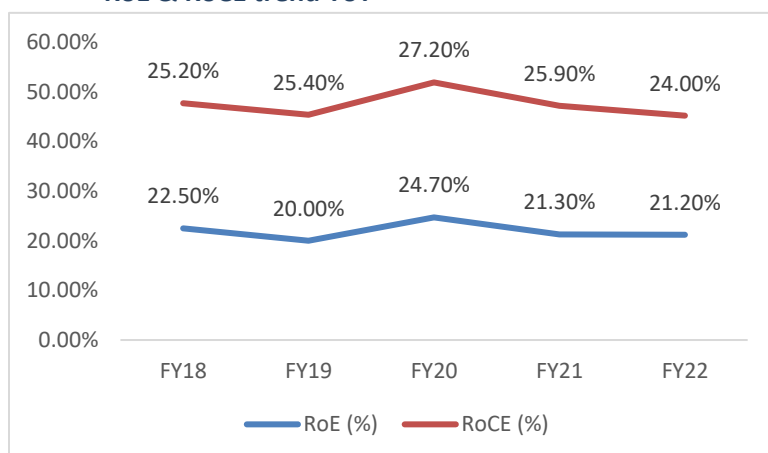
EBITDA Trend YoY (Rs Crore)



Profit Trend YoY (Rs Crore)



RoE & RoCE trend YoY



VP – Head Research - Dr. Ravi Singh
Mob: +919810313561
Email ID: ravi.singh@shareindia.com

Disclosure:

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