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Berger Paints India Ltd.

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Berger Paints India Ltd (BPIL) is India's second largest decorative paint player headquartered in Kolkata, with an employee strength of about 2,500 and a countrywide distribution network of 15,000+ dealers. The Company has 11 strategically located manufacturing units and about 170 sales offices (all including those belonging to the Company's own division and subsidiaries). The company also has an international presence in 3 countries.

Investor's Rationale

Robust growth in decorative business boosted the topline by 19% YoY – BPIL recorded a robust growth of ~19% in its consolidated topline during Q2FY'14 at ₹9,617.9 mn. The company's decorative business recorded good double digit volume growth, driven by healthy performance across all geographies, particularly in Tier 2 and Tier 3 cities. However, the industrial business growth continued to be affected by the demand conditions in Automotive & Infrastructure sectors. The company's joint ventures continued to perform well.

Net profit rose 17% on sharp rise in other income – BPIL bottomline reported healthy growth of 17.3% YoY at ₹626.7 mn mainly assisted by better topline growth and sharp jump in other income to ₹83.1 mn vis-à-vis ₹49 mn a year ago period. However, the sharp rise in finance cost by 35.5% YoY to ₹123.3 mn and depreciation grew by 20% YoY to ₹164.7 mn restricted the growth in the bottomline. Consequently, NPM contracted 12bps YoY to 6.4% from 6.5%.

EBITDA margin contracted 33bps on high raw material cost – EBITDA margin contracted by 33 bps YoY to 10.8% from 11.1%, as it was reported that raw material cost increased by 27.1% at ₹5,441.2 mn and other expenses increased by 29% YoY to ₹2,212.6 mn from ₹1716 mn. Accordingly, OPM contracted 33bps YoY to 10.8% from 11.1%.

Focused to maintain healthy growth and product innovation - The company recorded another outstanding performance during Q2FY'14 in terms of both top-line and bottom-line. We expect the company to maintain the growth trend in future on the back of expected pickup in sales in India. Further, BPIL will commence commercial production in Hindupur (A.P.) plant, with an initial capacity of 7,000 tonnes per month. Provision were made to scale up the capacity to 20,000 tonnes per month. This will add on to revenue base.

Market Data

Rating	BUY
CMP (₹)	217
Target Price	256
Stop Loss	196
Duration	Short-term
52-week High-Low (₹)	256.4/158.4
Rise from 52WL (%)	37.3
Correction from 52WH (%)	15.2
Beta	0.45
1 year Average Volume (mn)	0.24
	3M- (2.1)
Stock Return (%)	6M- (11.3)
	1Y- 42.9
Market Cap (₹bn)	74.61
Book Value (₹)	27.5

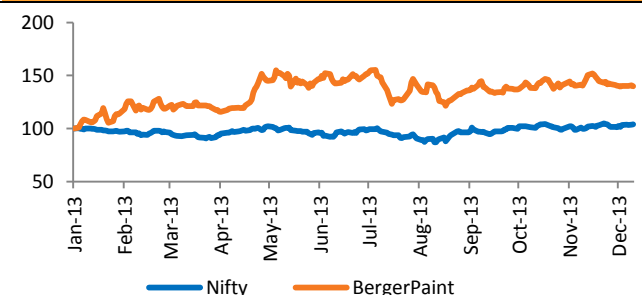
Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	74.96	74.96	0.00
FII (%)	11.75	11.35	0.40
DII (%)	2.7	3	(0.30)
Public & Others (%)	10.59	10.69	(0.10)

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	9,617.9	8,083.4	9,043.9	19.0	6.3
Op. exp	8,620.3	7,210.5	8,180.6	19.6	5.4
EBITDA	1,041.6	900.9	897.2	15.6	16.1
OPM (%)	10.8	11.1	9.9	(33bps)	90bps
Net profit	626.7	534.3	491.0	17.3	27.6
NPM (%)	6.4	6.5	5.4	(12bps)	107bps
EPS (₹)	1.8	1.5	1.4	17.5	27.5

One Year Price Chart





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