

September 15, 2014

Berger Paints India Ltd.

BSE Code: 509480 NSE Code: BERGEPAIN Reuters Code: BRGR.NS Bloomberg Code: BRGR:IN

Headquartered in Kolkata, Berger paints Ltd (Berger), the third largest paint manufacturer and the second largest decorative paint player in India, was founded in December 1923. The company operates mainly across four business segments, namely, decorative coatings, protective coatings, automotive coatings, industrial and powder coatings. With manufacturing facilities in West Bengal, Uttar Pradesh, Pondicherry, Goa, and Jammu & Kashmir, Berger has a countrywide distribution network of 16,500+ dealers serviced through 135 stock points and 10 production units. Internationally, Berger has expanded its footprints in four countries, namely, Russia, Poland, Nepal and Bangladesh.

Investor's Rationale

Revenue grew by 16.8% YoY driven by healthy growth from the domestic and international operations - During Q1FY15, Berger showcased a healthy performance with a growth of 16.8% YoY in its consolidated total income at ₹10,604.6 mn as against ₹9,077.8 mn in the same period a year ago, led by healthy growth across the domestic and international business. The domestic business reported a growth of 15% YoY in revenues in Q1FY15 driven by growth across its different segments. While the decorative business continued to show steady progress, advertised and premium products also steadily grow ahead of the category. Automotive and Powder coating segments of industrial business witnessed improvement in growth rates, but growth in protective coatings continued to be sluggish. Berger clocked a growth of 34% in its international operations led by sustained growth in Nepal, India JV operations (Berger Becker Coatings) and improvement in Bolix S.A., Poland.

Net profit inclined 17.0% YoY on higher other income - Berger posted a 17.0% YoY growth in its net profit at ₹574.6 mn in Q1FY15 as against ₹491.0 mn in Q1FY14, on account of an increase in other income by 21.7% YoY at ₹105.0 mn. Other financial expenses like depreciation, taxation and interest cost, on the other hand, grew by 40%, 37.3% and 33.9% YoY, respectively.

EBITA margin expanded by 84bps YoY on lower input cost – Berger's EBITDA grew by a robust 27.8% YoY to ₹1,146.6 mn led by a significant decline in input cost by 84bps YoY to 52.5%, as crude prices have softened and Berger was one of the beneficiaries owing to lower input cost. EBITDA margin expanded by 93bps YoY to 10.8% in Q1FY15.

Eyes EBITDA margin to be in 11-12% range in FY15 - The company is confident of achieving the EBITDA margin in the range of 11-12% in FY15 on the back of optimism over an improvement in the company's market share to the current 19-20%.

Market Data

Rating	BUY
CMP (₹)	349.6
Target Price	396
Stop Loss	325
Duration	Medium-term
52-week High-Low (₹)	374.5/201.4
Rise from 52WL (%)	73.6
Correction from 52WH (%)	(6.6)
Beta	0.4
1 year Average Volume (mn)	0.2
Stock Return (%)	3M- 34.1 6M- 66.6 1Y- 62.8
Market Cap (₹bn)	121.1
Book Value per share (₹)	32.3

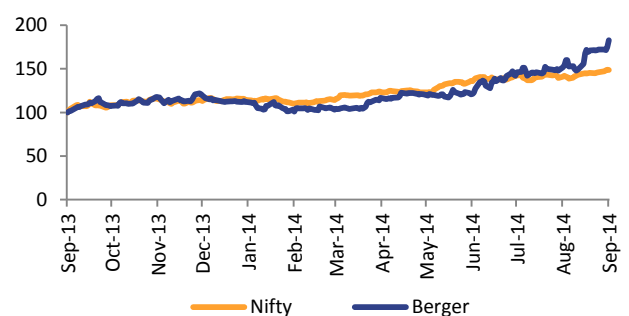
Shareholding Pattern

	Jun'14	Mar'14	Chg
Promoters (%)	75.0	75.0	-
FII (%)	11.9	11.7	0.2
DII (%)	2.6	2.7	(0.1)
Public & Others (%)	10.5	10.6	(0.1)

Quarterly Performance

(₹mn)	Q1 FY'15	Q4 FY'14	Q1 FY'14	QoQ Change(%)	YoY Change (%)
Total income	10,604.6	9,659.9	9,077.8	9.8	16.8
Op. exp	9,458.0	8,600.2	8,180.6	10.0	15.6
EBITDA	1,146.6	1,059.7	897.2	8.2	27.8
OPM (%)	10.8	11.0	9.9	(16bps)	93bps
Net profit	574.6	553.4	491.0	3.8	17.0
NPM (%)	5.4	5.7	5.4	(31bps)	1.0bps
EPS (₹)	1.66	1.6	1.42	3.7	16.9

One Year Price Chart





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