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Institutional Equities

Berger Paints India Ltd. (BRGR)

Paints | NBIE Investor Conference Update

HOLD

CMP: Rs544 | Target Price (TP): Rs600 | Upside: 10%

August 21, 2025

Double digit volume growth might take some time; focus on improving market share

Key Points

- We recently hosted Sayantan Sarkar, General Manager – Finance & Accounts, Berger Paints India Ltd., at the NBIE Virtual Investor Conference to get an overview of the business environment and the company's future plans.
- Recognizing that the paint industry is distribution-led, Berger has made substantial investments over the past couple of years to fortify its network of contractors, painters, and dealers.
- While cannibalization with dealers is not highly anticipated in Berger's established regions, the company does expect an impact on its market share as the competitive intensity increases in the company's core region.
- Valuation is not cheap at ~42x FY27E EPS. At 45x Jun-27E EPS our target price is Rs600 — a 10% upside to the CMP. We maintain a HOLD rating as we await a better entry point.

1QFY26 performance update: BRGR's overall 1QFY26 performance was in line with our estimates. BRGR's 1QFY26 consolidated revenue was up ~3.6% YoY to Rs32bn (vs est. of Rs33.4bn). Consolidated EBITDA grew marginally by 1.1% YoY to Rs5.3bn (vs est. of Rs5.4bn). Adjusted PAT (APAT) declined ~3.1% YoY to Rs3.4bn (vs est. of Rs3.4bn). Volume growth came in at 5.6% in 1QFY26 (versus our estimate of 7%). Consolidated gross margins were up by ~150bps YoY to 41.4% (down by 130bps QoQ; vs est. of 42%). Higher employee cost (up by 60bps YoY) along with higher other expenses (up by 140bps YoY) meant that EBITDA margin declined by 40bps YoY to 16.5% (vs est. of 16.2%). Standalone 1QFY26 revenue grew 2% YoY; EBITDA was up ~3.2%. APAT increased ~5.3% YoY. Gross margin was up by 80bps YoY to 40.1%. EBITDA margin was up by 20bps YoY to 17.4%.

View and valuation: While ROEs in the business were always relatively lower than FMCG peers, earnings growth was significantly superior at ~16% CAGR over the last 10 years; this is now decelerating. Even on a weak base of FY25 (flattish EPS), earnings growth at 13% CAGR over FY25-FY27E is considerably lower than the past, while ROEs remain low at ~18-20% (a considerable discount to the average of ~23% during the last 10 years). While the management commentary continues to be positive, heightened competitive intensity from new and existing players, and its possible impact on realizations, volume, and margins remain key monitorables. Valuation is not cheap at ~42x FY27E EPS. Instead of valuing the company at a 15% discount to APNT multiples as in the past, we are now valuing it at ~25% discount to its historical 10-year average multiples, effectively arriving at a target multiple of 45x Jun-27E EPS. Our target price is Rs600 — a 10% upside to the CMP. We maintain a HOLD rating as we await a better entry point.

Est Change	No Change
TP Change	No Change
Rating Change	No Change

Company Data and Valuation Summary

Reuters:	BRGR.BO
Bloomberg:	BRGR IN Equity
Mkt Cap (Rsbn/US$bn):	633.7 / 7.2
52 Wk H / L (Rs):	630 / 438
ADTV-3M (mn) (Rs/US$):	344.7 / 4.0
Stock performance (%) 1M/6M/1yr:	(5.8) / 10.5 / (4.3)
Nifty 50 performance (%) 1M/6M/1yr:	(0.2) / 0.2 / 1.1

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	75.0	75.0	75.0
DIIs	9.6	10.1	10.5
FIIs	5.9	5.7	5.6
Others	9.5	9.2	9.0
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25	FY26E	FY27E
Net sales	1,11,989	1,15,447	1,22,405	1,36,122
YoY growth (%)	*6.0*	*3.1*	*6.0*	*11.2*
Gross margin (%)	*40.7*	*41.4*	*42.3*	*42.9*
EBITDA	18,613	18,561	20,264	23,378
EBITDA margin (%)	*16.6*	*16.1*	*16.6*	*17.2*
Adj. PAT	11,677	11,804	12,821	15,062
YoY growth (%)	*35.9*	*1.1*	*8.6*	*17.5*
Adj EPS (Rs)	10.0	10.1	11.0	12.9
ROCE (%)	*28.1*	*25.1*	*24.4*	*25.5*
ROE (%)	*23.7*	*20.5*	*19.6*	*20.3*
ROIC (%)	*30.4*	*28.4*	*29.9*	*34.4*
P/E (x)	*54.3*	*53.7*	*49.4*	*42.1*
EV/EBITDA (x)	*33.9*	*33.8*	*30.5*	*26.2*
P/B (x)	*9.8*	*8.6*	*7.6*	*6.7*

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Key Links-

1QFY26 Result | 1QFY26 IP

FY25 Annual Report

Please refer to the disclaimer towards the end of the document

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Following are the key highlights from the conference:

Financial Performance

- Berger has demonstrated resilience, successfully maintaining its margins over the last four to five quarters despite considerable market turbulence.
- The company's decorative segment has seen strong volume growth, particularly in construction chemicals, which, while having a low average selling price (ASP), contribute higher margins. Additionally, Berger's ancillary businesses (excluding paints) have shown consistent growth in both volume and value over the past five to six quarters.
- Berger's sales are predominantly from the decorative segment, accounting for 80%, while industrial sales comprise 20% where Berger is a market leader in protective coating.
- Historically, large volume growth was driven by high-volume, low-ASP, low-margin products like putties and distempers. However, Berger does not intend to engage in pricing wars within these segments. For volume growth to move into double-digit territory, the sales of emulsions will need to accelerate at a faster pace.

Volume value conundrum

- In the fiscal year 2021-22, the company experienced an elevated value growth of 18-20%, driven by price increases.
- In the last 1/1.5 years, despite a ~4.5% price cut, the value growth was still elevated.

Market share dynamics

- The competitive landscape has intensified with aggressive competition emerging since early FY25 and gaining share in the overall market.
- While cannibalization with dealers is not highly anticipated in Berger's established regions, the company does expect an impact on its market share as the competitive intensity increases in the company's core region.
- Berger's strongholds primarily lie in the East, covering states like West Bengal, Odisha, Jharkhand, and Bihar.

Birla Opus's impact

- Birla Opus is actively present in BRGR's strong territory, having opened stores in specific areas. However, their ramp-up in the region may not be as extensive compared to others.
- A significant impact of Birla's entry is observed in the dealer network; dealers across the industry, however, have reportedly returned to their previous companies as the competition has been withdrawing the level of rebates offered initially.

Strategic initiatives

- Berger is keenly focused on several strategic levers to counter competition and enhance performance:
    - **Strengthening distribution:** Recognizing that the paint industry is distribution-led, Berger has made substantial investments over the past couple of years to fortify its network of contractors, painters, and dealers. A considerable portion of the company's sales is channeled through card dealers and its dealer base has more or less remained intact despite heightened competitive intensity.
    - **Expanding retail footprint:** To drive sales, Berger is actively creating its own store formats, including dealer-owned, company-operated models and shop-in-shop arrangements for dealers.

Levers to increase RoCE

- Capacity and cost management: Efforts are underway to optimize capacity utilization and focus on tracking secondary sales to the last mile to reduce overall overhead costs.
- Product innovation and differentiation: A key strategy involves launching differentiated products that can achieve double-digit growth, e.g., innovations in the decorative segment, similar to the success of Ezee Clean.
- Thrust on expanding in urban markets.

Margins and profitability

- Berger has been successful in sustaining its gross margins, which are projected to remain in the healthy range of 39-41%.
- Despite the entry of significant competition, channel margins have largely remained unchanged.

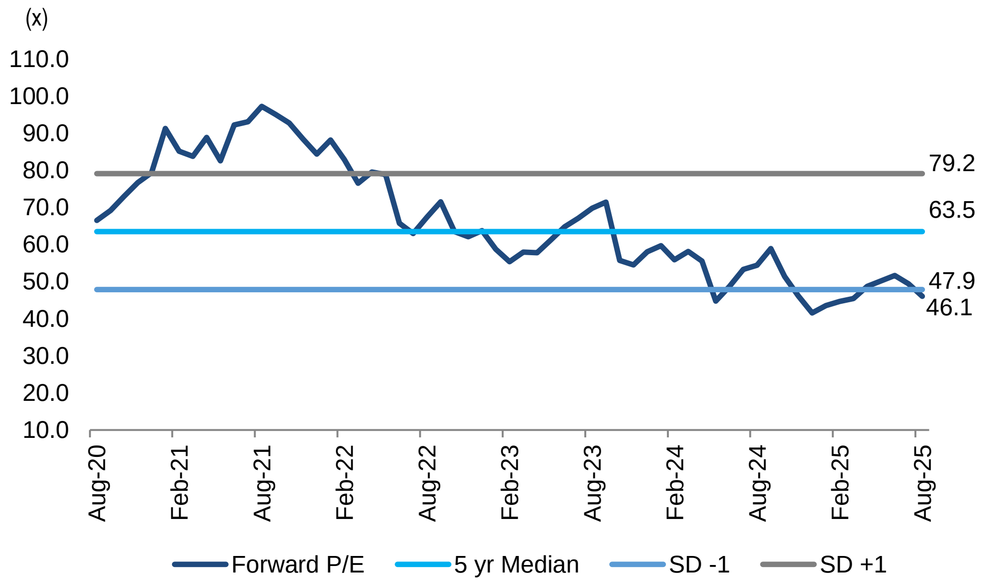
Urban market expansion

- Berger is placing a significant thrust on expanding its presence in key urban markets such as Delhi, Bangalore, Mumbai, Ahmedabad, and Chennai.
- These markets are notably dominated by the number 1 player with other competitors being distant contenders.
- Early signs of volume traction have been observed in urban areas like Bangalore, Chennai, and parts of Ahmedabad over the last two quarters, indicating the initial success of steps taken.

Others

- It is worth noting that latex paint did not perform as per expectations for both Berger and the market leader.

Exhibit 1: One-year forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

Financials (Consolidated)

Exhibit 2: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	**105,678**	**111,989**	**115,447**	**122,405**	**136,122**
% Growth	*20.6*	*6.0*	*3.1*	*6.0*	*11.2*
Gross profit	**38,373**	**45,529**	**47,828**	**51,777**	**58,396**
Gross margin %	***36.3***	***40.7***	***41.4***	***42.3***	***42.9***
Staff costs	6,092	7,130	8,147	8,446	9,120
% of sales	*5.8*	*6.4*	*7.1*	*6.9*	*6.7*
Other expenses	17,409	19,786	21,120	23,068	25,898
% of sales	*16.5*	*17.7*	*18.3*	*18.8*	*19.0*
EBITDA	**14,872**	**18,613**	**18,561**	**20,263**	**23,378**
% growth	*11.7*	*25.2*	*-0.3*	*9.2*	*15.4*
EBITDA margin (%)	***14.1***	***16.6***	***16.1***	***16.6***	***17.2***
Depreciation	2,640	3,309	3,542	3,880	4,119
EBIT	12,232	15,304	15,019	16,383	19,259
Interest costs	992	783	633	548	525
Other income	516	637	948	857	953
Profit before tax (before exceptional items)	11,755	15,159	15,334	16,692	19,687
Profit before tax	11,755	15,159	15,334	16,692	19,687
Tax	3,019	3,871	3,857	4,198	4,951
Rate of Tax (%)	*25.7*	*25.5*	*25.2*	*25.2*	*25.2*
Reported PAT	8,594	11,677	11,804	12,821	15,062
Adj PAT	**8,594**	**11,677**	**11,804**	**12,821**	**15,062**
% Growth	***3.2***	***35.9***	***1.1***	***8.6***	***17.5***

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	971	1,166	1,166	1,166	1,166
Reserves	43,970	52,624	60,375	68,320	77,563
Net worth	**44,941**	**53,790**	**61,541**	**69,486**	**78,729**
Minority Interest	81	102	126	-201	-527
Long term debt	78	60	30	30	30
Short term debt	7,783	2,223	1,740	1,740	1,740
Total debt	**7,861**	**2,283**	**1,770**	**1,770**	**1,770**
Net debt	**4,884**	**-3,083**	**-6,572**	**-14,902**	**-21,336**
Other LT liabilities	4,764	6,178	5,920	5,710	5,509
Total Equity and liabilities	**57,648**	**62,352**	**69,357**	**76,766**	**85,481**
Gross block	37,901	41,032	46,498	49,379	52,400
Depreciation	12,379	15,688	19,230	23,110	27,228
Net block	**25,522**	**25,344**	**27,268**	**26,269**	**25,172**
Capital work-in-progress	1,102	1,873	1,226	1,276	1,326
Intangible and others	7,797	9,670	9,529	9,403	9,280
Investments	1,831	2,551	5,326	5,827	6,328
Debtors	12,431	13,020	15,357	13,484	18,589
Inventories	23,191	21,797	23,661	24,593	27,659
Cash	2,447	4,507	5,005	12,835	18,693
Other current assets	5,343	4,917	3,876	6,856	5,451
Total current assets	**30,981**	**31,220**	**32,542**	**44,284**	**51,804**
Creditors	17,657	16,792	17,403	18,701	21,457
Other current liabilities & provisions	4,360	4,534	4,489	5,078	5,561
Total current liabilities	**22,017**	**21,326**	**21,892**	**23,778**	**27,018**
Total assets	**57,648**	**62,352**	**69,357**	**76,765**	**85,481**

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PBT	**11,623**	**15,569**	**15,685**	**16,693**	**19,687**
Depreciation	2,640	3,309	3,542	3,880	4,119
Interest	834	527	374	-309	-428
Other adjustments	331	-311	-434	-327	-327
(Inc.)/dec. in working capital	-2,594	302	-2,697	-152	-3,527
Tax Paid	-3,078	-3,486	-3,779	-4,198	-4,951
Cash flow from operations	**9,756**	**15,911**	**12,691**	**15,587**	**14,573**
Capital expenditure (-)	-7,439	-2,705	-4,245	-2,931	-3,071
Free cash flow	**2,317**	**13,205**	**8,445**	**12,656**	**11,502**
Inc./(dec.) in investments	629	-457	-1,891	272	374
Cash from investment activities	**-6,810**	**-3,162**	**-6,137**	**-2,659**	**-2,697**
Issuance of share capital	0	0	0	0	0
Movement of Debt	158	-7,418	-1,657	0	0
Dividends paid (-)	-3,011	-3,109	-4,080	-4,876	-5,819
Others	-775	-163	-318	-221	-199
Cash from financial activities	**-3,629**	**-10,689**	**-6,055**	**-5,098**	**-6,018**
Change in cash balance	**-683**	**2,060**	**498**	**7,830**	**5,859**
Opening cash balance	3,130	2,447	4,507	5,005	12,835
Closing cash balance	2,447	4,507	5,005	12,835	18,693

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Key ratios

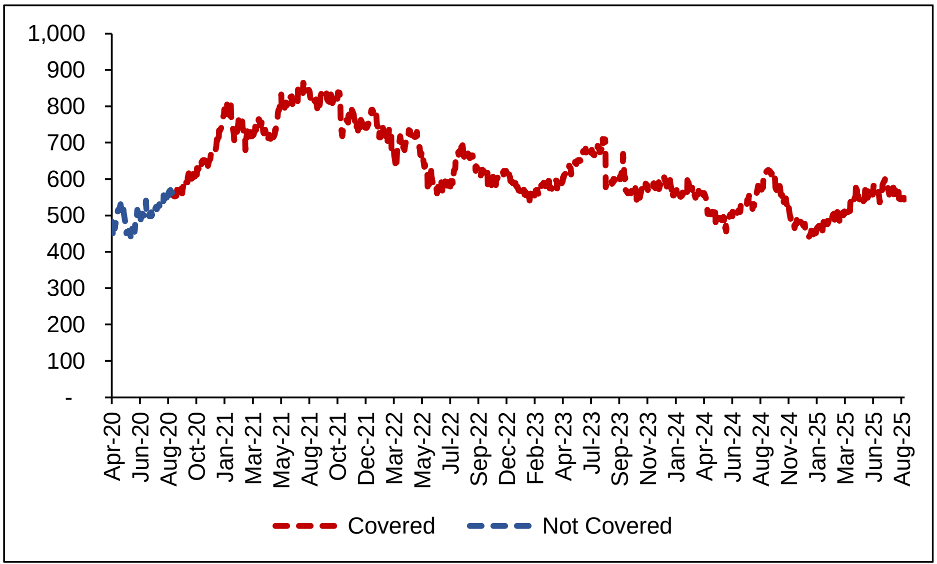
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	8.8	10.0	10.1	11.0	12.9
Book value	46.3	55.4	63.4	71.6	81.1
DPS	3.2	3.5	3.8	4.2	5.0
Valuation (x)					
P/sales	5.0	5.7	5.5	5.2	4.7
EV/EBITDA	35.8	33.9	33.8	30.5	26.2
P/E	61.4	54.3	53.7	49.4	42.1
P/BV	11.7	9.8	8.6	7.6	6.7
Return ratios (%)					
RoCE	18.3	20.9	18.8	18.2	19.1
RoCE (pre-tax)	24.7	28.1	25.1	24.4	25.5
RoE	20.4	23.7	20.5	19.6	20.3
RoIC (Pre-tax)	26.6	30.4	28.4	29.9	34.4
Profitability ratios (%)					
Gross margin	36.3	40.7	41.4	42.3	42.9
EBITDA margin	14.1	16.6	16.1	16.6	17.2
PAT margin	8.1	10.4	10.2	10.5	11.1
Liquidity ratios (x)					
Current ratio	1.4	1.5	1.5	1.9	1.9
Quick ratio	0.4	0.4	0.4	0.8	0.9
Solvency ratio (x)					
Debt to Equity ratio	0.2	0.0	0.0	0.0	0.0
Net Debt to Equity ratio	0.1	-0.1	-0.1	-0.2	-0.3
Turnover ratios					
Fixed asset turnover ratio (x)	2.7	2.6	2.4	2.4	2.5
Debtors days	40	41	45	43	43
Inventory days	80	73	72	72	70
Creditor days	97	95	92	93	94
Net Working capital days	23	20	24	22	19

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
1 September 2020	Sell	538	500
23 September 2020	Sell	561	500
10 November 2020	Sell	654	500
8 January 2021	Sell	793	595
11 February 2021	Sell	772	605
9 April 2021	Sell	762	610
2 June 2021	Sell	794	620
10 August 2021	Sell	811	645
23 September 2021	Sell	812	730
13 November 2021	Sell	795	740
11 February 2022	Hold	718	735
21 February 2022	Hold	738	800
31 May 2022	Hold	605	665
9 August 2022	Hold	675	680
14 September 2022	Hold	658	735
11 November 2022	Hold	583	660
3 February 2023	Hold	541	595
22 March 2023	Hold	596	650
16 May 2023	Hold	629	610
10 August 2023	Hold	699	670
3 November 2023	Hold	549	580
7 February 2024	Hold	556	585
15 May 2024	Hold	485	510
10 July 2024	Hold	514	510
9 August 2024	Hold	532	525
26 September 2024	Hold	614	590
9 October 2024	Hold	576	590
05 November 2024	Hold	513	570
9 January 2025	Hold	462	515
11 February 2025	Hold	476	495
11 April 2025	Hold	530	515
15 May 2025	Hold	553	570
09 July 2025	Hold	583	610
6 August 2025	Hold	572	600
21 August 2025	Hold	544	600

Rating chart



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