

Business Overview

Berger Paints is the second largest paints company of India headquartered in Kolkata, India. It has 11 strategic 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. It has an employee strength of about 2,500 and a countrywide distribution network of 15,000+ dealers, It also has a vibrant portfolio of paints and tailor-made customer services in every paint segment.

Key highlights

- The domestic paint sector sales grew at 17% CAGR during the last 10 years. Urban growth revival, government's infra initiatives and shorter repainting cycle are significant growth kickers.
- Paint sector's strong pricing power is reflected in mere 2% price cut taken in the period when there was a ~70% crude price correction.
- Our 13-point proprietary framework clearly points to Berger being a strong No. 2 with undivided focus on paints (no diversification into home décor).
- Sustained product development and distribution aggression have been hallmarks of Berger's growth narrative. Moreover, prudent switch to premiumisation strategy has paid rich dividends, amply reflected in gross margin expansion.
- Also, its initiatives Express Painting and UBERisation are deepening brand equity with consumers. Berger's recent JV with Nippon will strengthen its equity in automotive.
- Standalone net sales growth of 15.6% YoY was aided by strong domestic decorative volume spurt of ~15% YoY, clearly reflecting Berger's strong traction. We like Berger's strategy of gaining strength across all verticals of the paint industry.
- Delayed Diwali should boost Q3FY19 demand. Price hike of 2.2% taken in October. There is likelihood that Tio2 prices may cool off since China is likely to restart production. This should aid margins in Q3FY19.

Risks

- Slowdown in the economy
- Industrial Slowdown
- Raw material prices

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QUICK DATA

Face Value (Rs.)	1.0
Div. Yield (%)	0.6
No of shares ('mn)	971
52-week High/Low (Rs.)	350/232
NSE Symbol	BERGEPAIN
BSE Code	509480
Edel Code	BERPAI
Market cap (Rs. bn)	300

SHAREHOLDING PATTERN (%)

Promoters	75.0
MFs, Fls & Banks	4.2
FIs	10.2
Others	10.6

EDELWEISS CLASSIFICATION

Market Cap	Large Cap
Relative Risk	Low
Relative Reco	Perform
Sector Rating	Underweight

Edelweiss Ratios

Company	Berger
1 Wk Price performance (%)	1%
3 M Price performance (%)	-5%
PE (x)	55
EV to EBITDA (x)	33
Return on Capital Employed (%)	31

Financial Snapshot

Year to March	FY16	FY17	FY18	FY19E
Net Revenue	4,223	4,552	5,165	5,831
Revenue Growth (%)	7.2	7.7	13.4	12.8
EBITDA	644	718	806	935
Adjusted PAT	370	473	460	563
Adjusted diluted EPS (INR)	3.8	4.4	4.7	5.7
EPS Growth (%)	39.9	15.8	7.3	22.1
ROAE (%)	27	25.4	22.5	23.8

Technical View

	S1	S2	R1	R2
Berger	309	301	326	338

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