



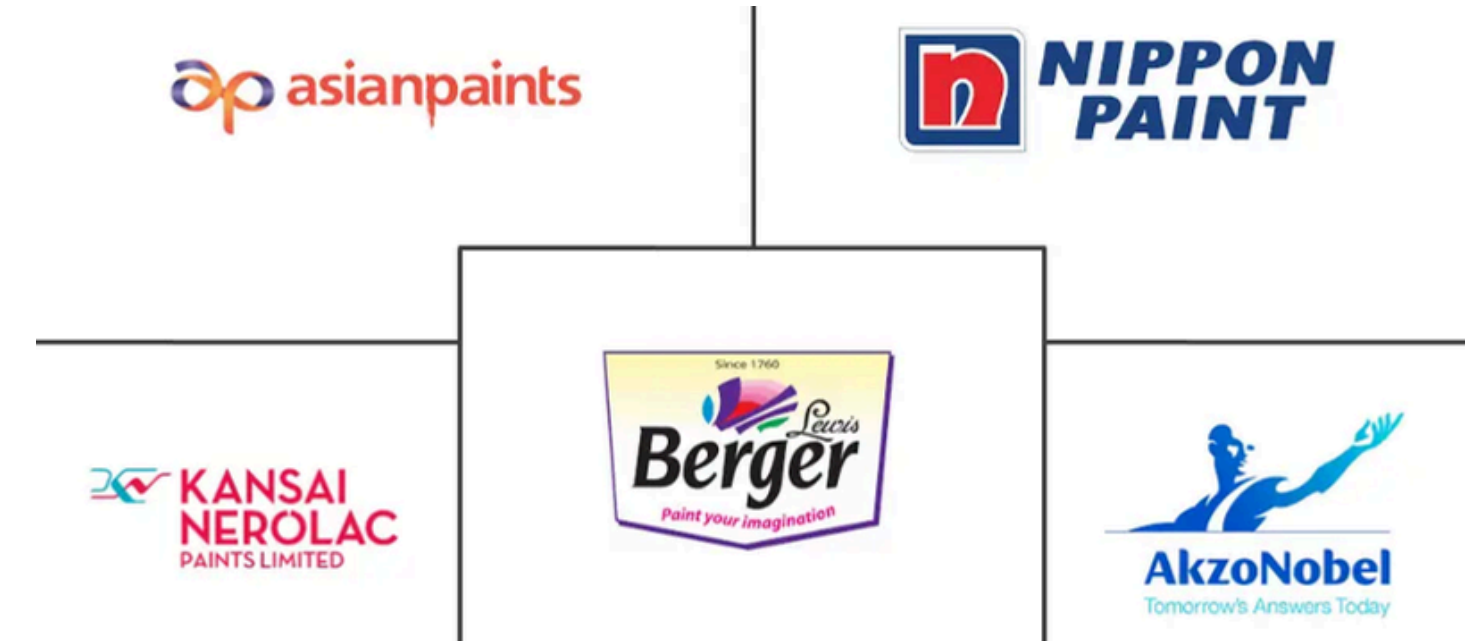
Berger Paints Analysis



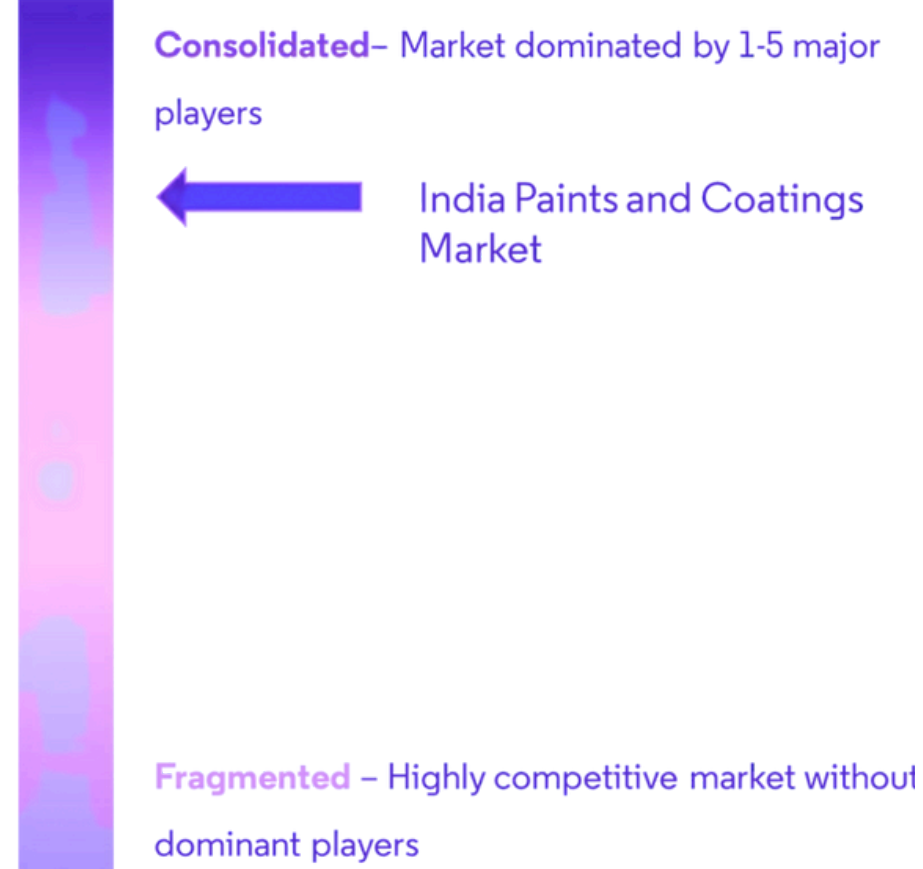
Industry Overview

The Indian Paint Industry is today worth over INR 62,000 crores (USD 8 billion), and it is expected to register a CAGR of more than 7% during the forecast period of 2023-2028.

It has over 3,000 paint manufacturers.



India Paints and Coatings Market Concentration



The Indian market for paints and coatings is divided into segments based on technology, resin type, and end-user industry.

It has a near 75% share of architectural paints and a 25% share of industrial paints. The Indian paints and coatings market is highly consolidated in nature.

Major players -Asian paints, Berger Paints India Limited, Kansai Nerolac Paints Limited, AkzoNobel NV, and Nippon Paint Holdings Co. Ltd, among others

The market for paints and coatings is being driven by the growing demand from the construction and automotive industries, but its growth may be hindered by fluctuations in raw material prices.

Company Profile



- Berger Paints Ltd is an Indian multinational paint company based in Kolkata. The company was founded by Lewis Berger in 1760 in the UK and started its operations in India in 1923.
- It has 16 manufacturing units India, 2 in Nepal, 1 each in Poland and Russia.
- It has a distribution network of 50000+ dealers and retailers, and 180+ warehouses.

FY22

57000 cr

Market Cap
12% market share

1129 cr

Normalized
EBIT






8762 cr

Revenue
From Operations

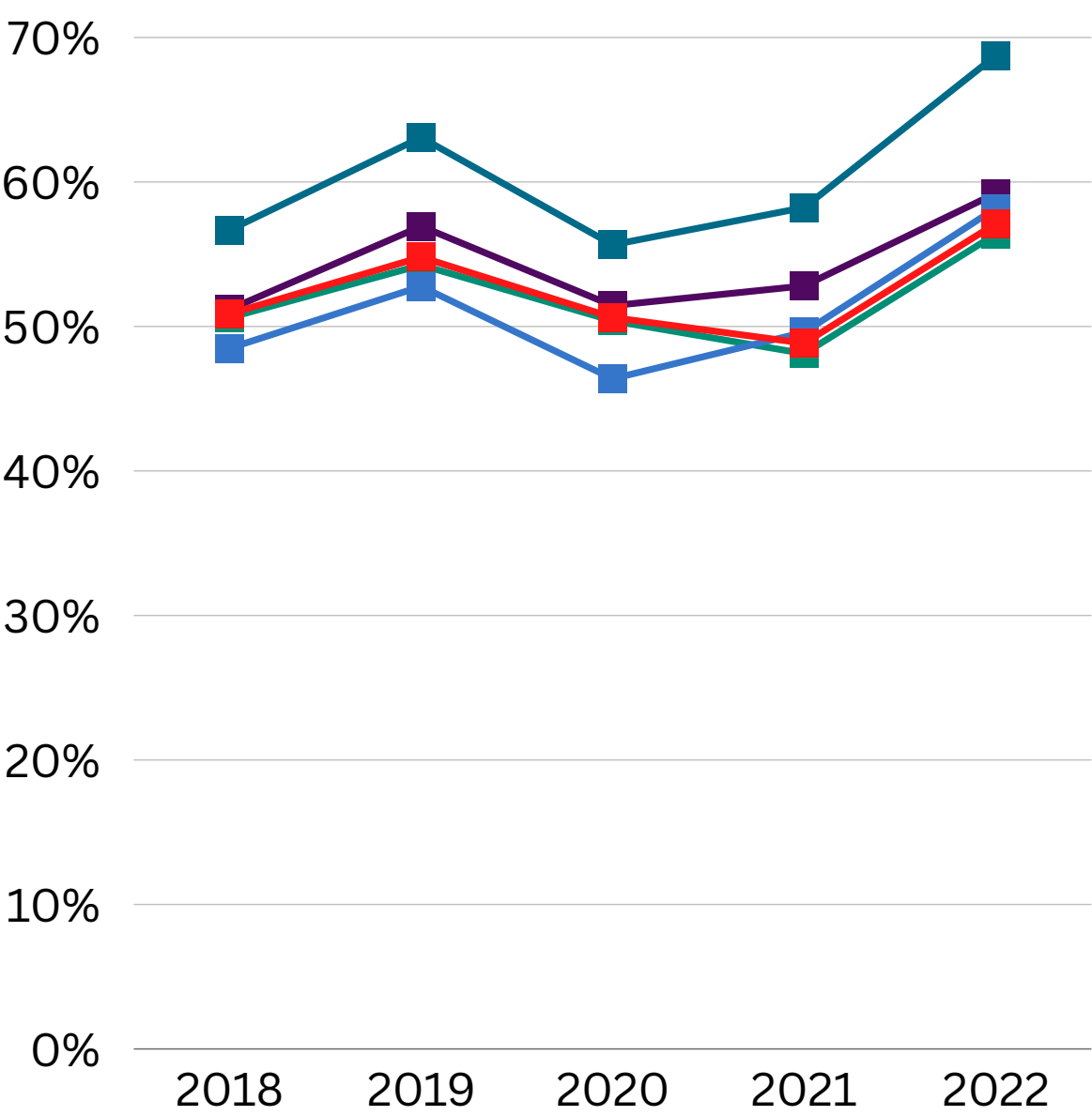
750 cr

Net Income for
FY22

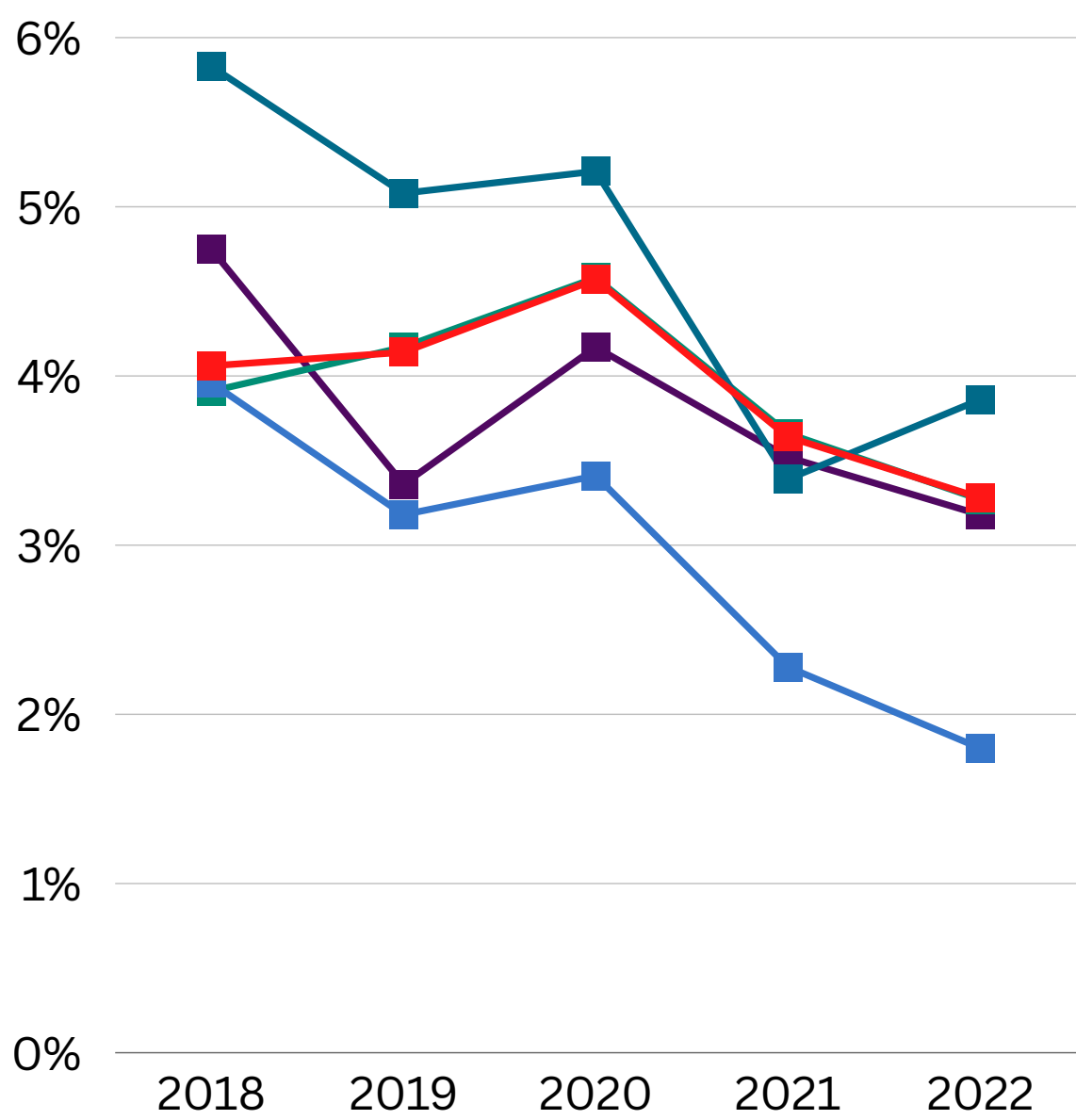
Porters 5 Forces

Threats of substitutes 	Bargaining power of buyer 	Bargaining power of suppliers 	Threat of New Entrants 	Intensity of competitive rivalry 
<p>Low</p> <ul style="list-style-type: none"> faces a moderate threat from substitutes such as wallpaper, tiles, and other wall coverings. But buyers' propensity to substitute is low 	<p>High</p> <ul style="list-style-type: none"> buyers of paint products in India include both individual customers and businesses availability of a wide range of products and the low switching costs 	<p>Moderate</p> <ul style="list-style-type: none"> over 300 raw materials make the final product Some raw materials have a global shortage, thus supplier of these material has high bargaining power 	<p>Moderate</p> <ul style="list-style-type: none"> moderate level of entry barriers due to the need for significant investment and pre-existing oligopoly. However, there is a possibility of new entrants from other countries with lower costs of production, which could increase competition and lower profitability. 	<p>High</p> <ul style="list-style-type: none"> several major players and many small and medium-sized companies competing for market share. competition based on factors such as price, quality, product range, and customer service. industry players are constantly innovating to differentiate their products and stay ahead of the competition.

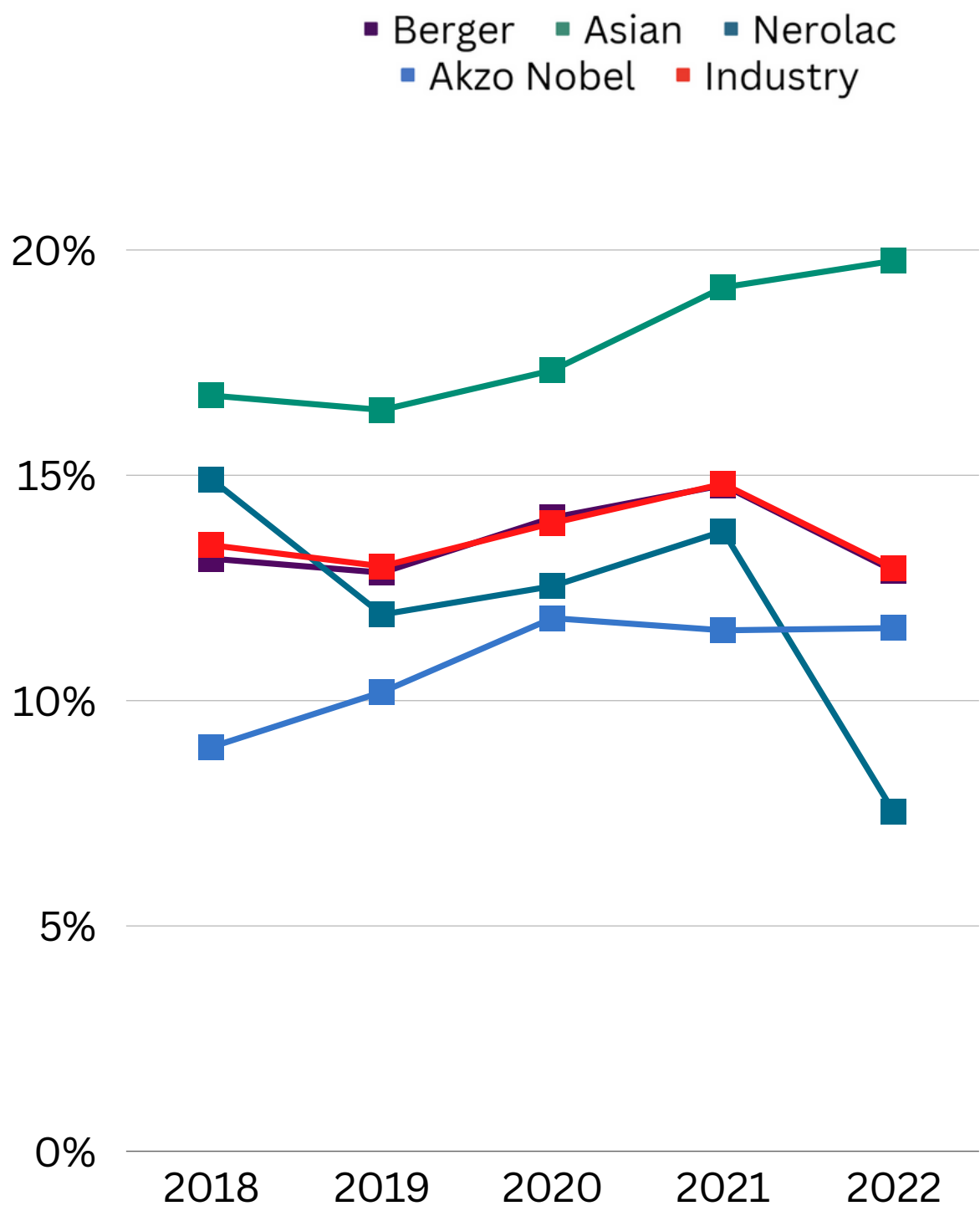
Key Operating Benchmark



Raw Material Spend % Sales



Advertising Spend % Sales



EBIT Margin

Takeaway

- Berger Paints more or less follows the industry average w.r.t their operating benchmarks in terms of raw material spend and EBIT margins
- Berger Paints undercuts the industry average in advertising expenditure which points towards a solidified position in the market - this wasn't the case until 5 years ago, when it spent quite heavily to overtake Nerolac in terms of Market Share.



Revenue Growth



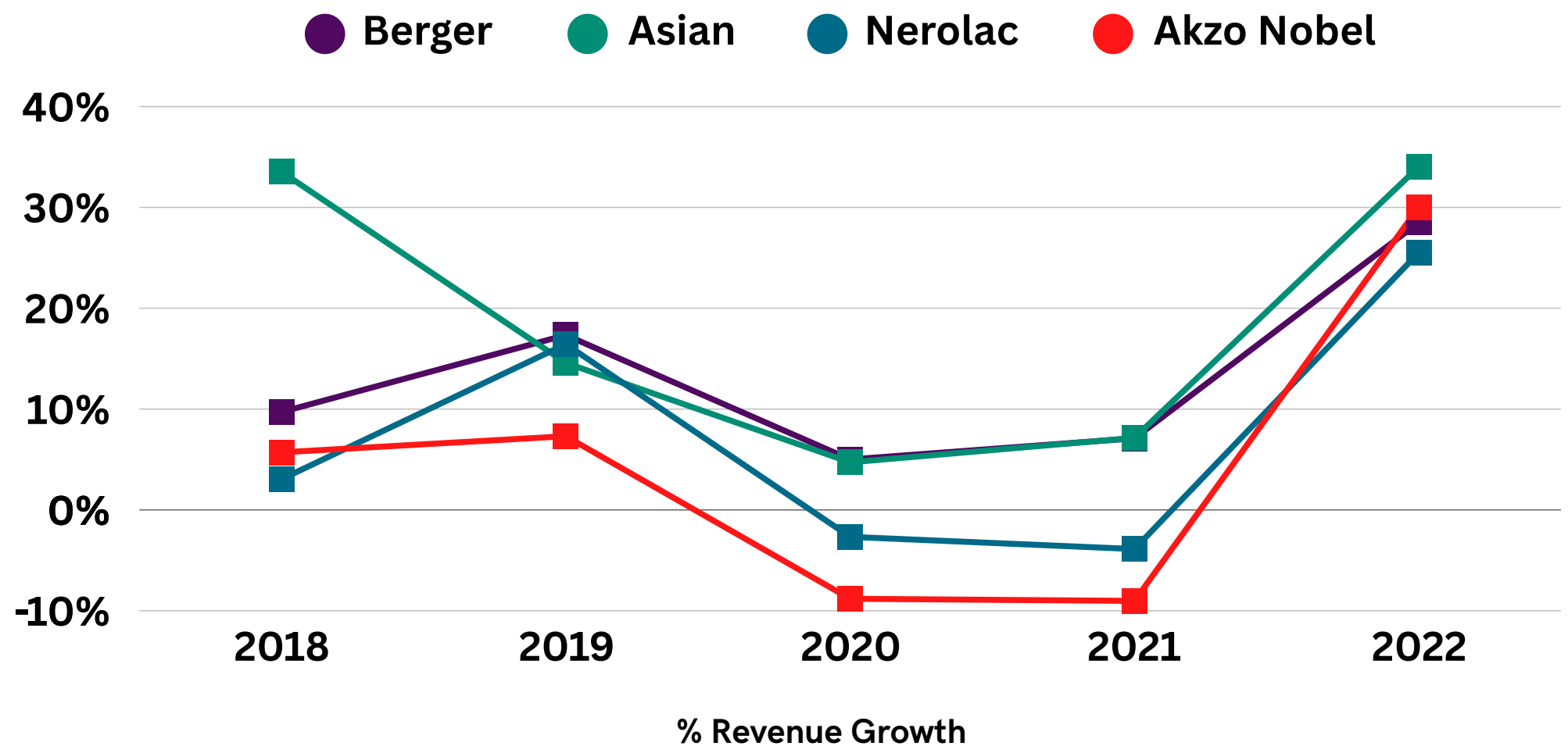
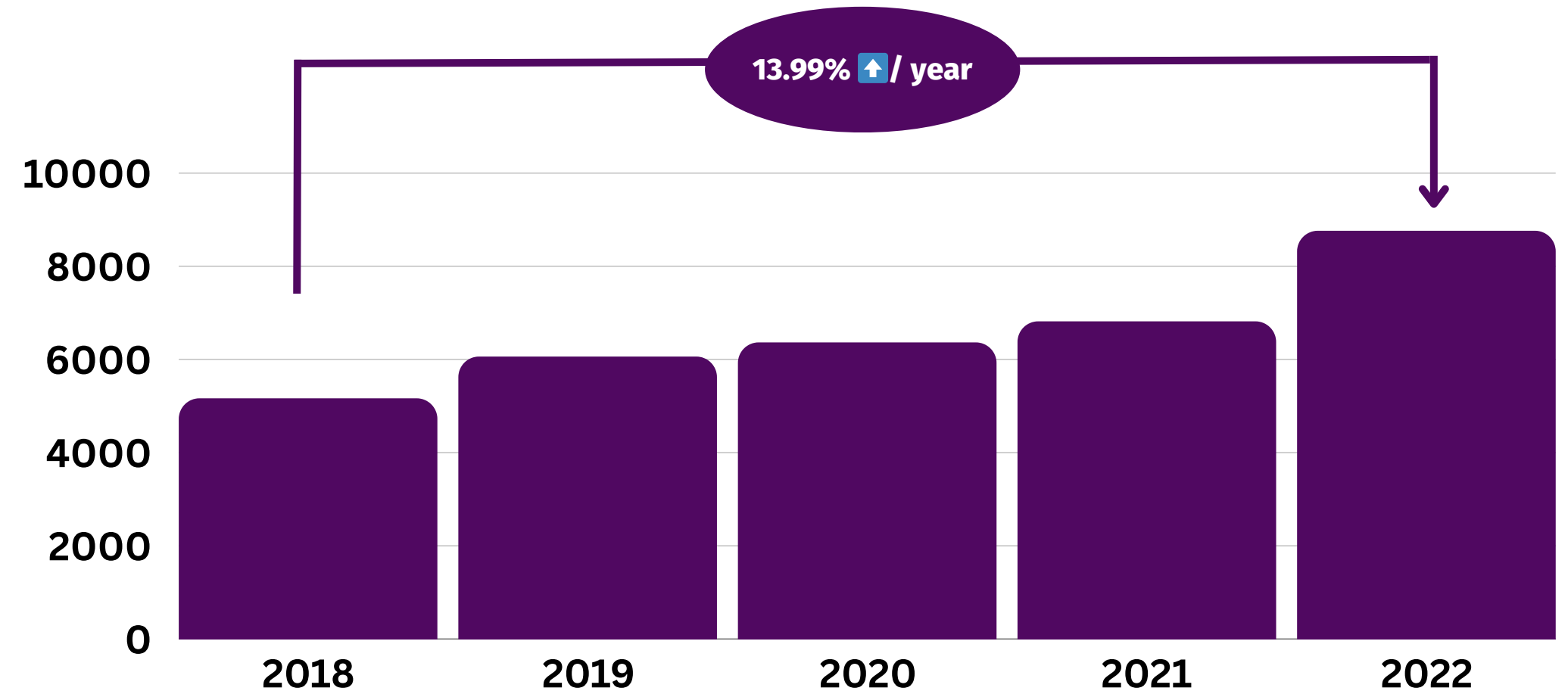
Industry bounce back in FY21-22



Revenue increase a mix of pricing and volume

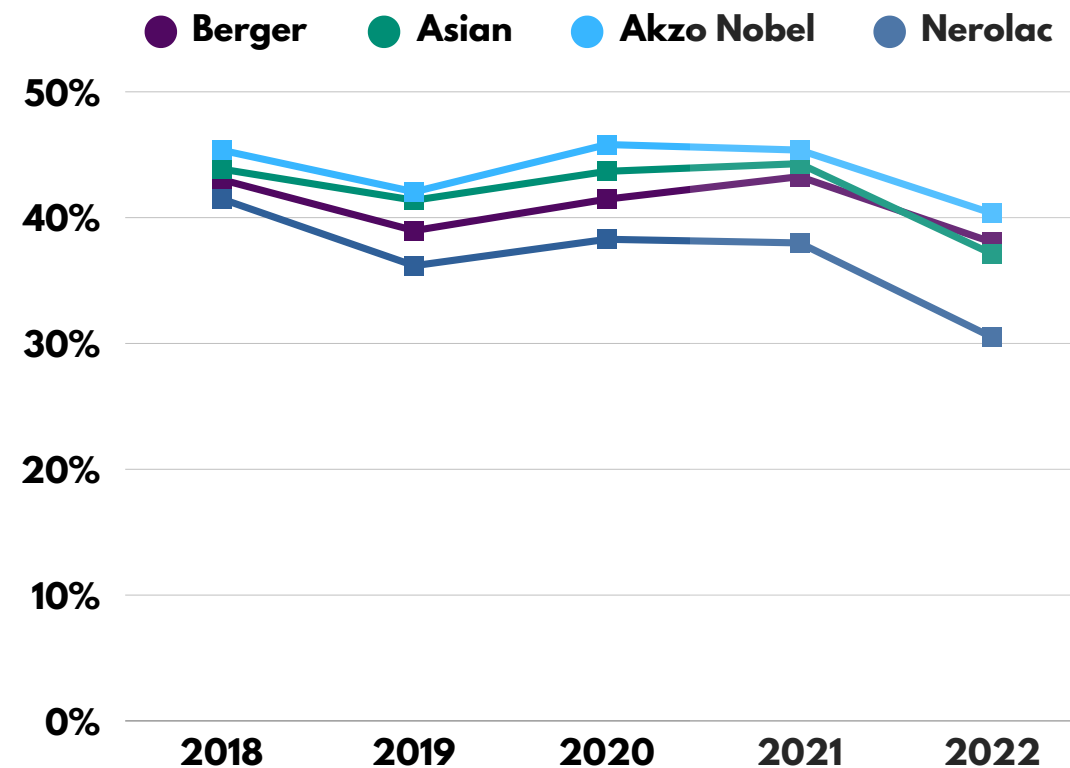


Apart from increasing demand throughout offerings, growth in waterproofing division

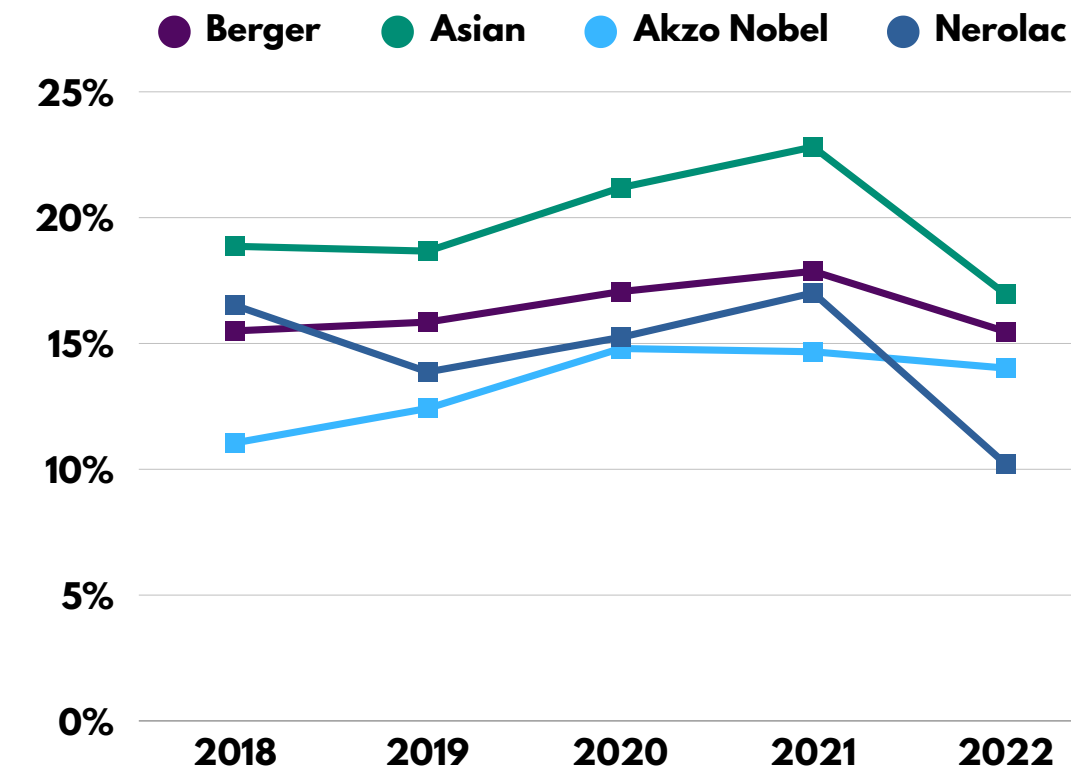


Profitability Ratios

Gross Margin



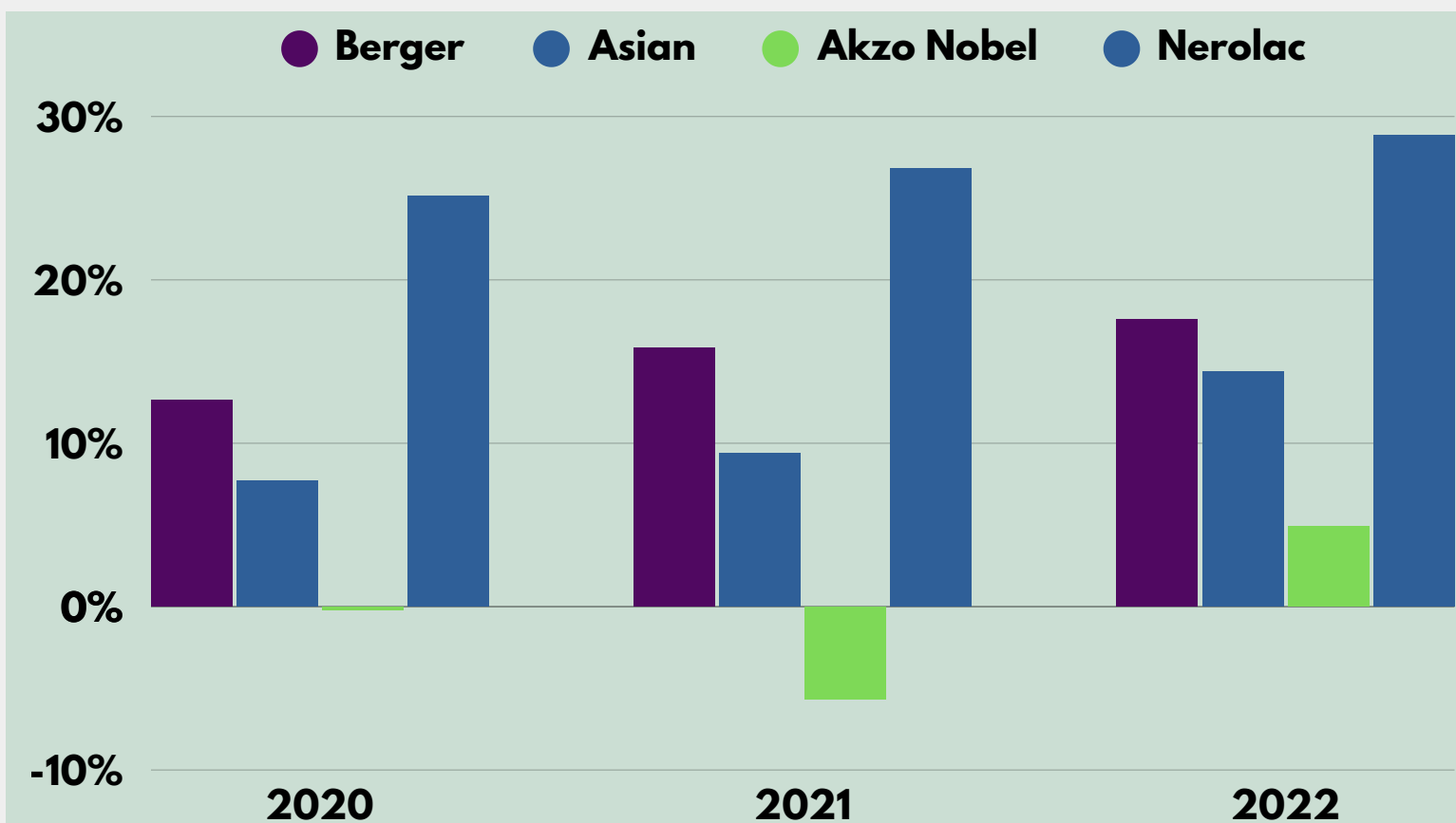
EBITDA Margin



- Margins have followed broad industry trends over the past 5 years
- Witnessed a fall (5%) in gross margins between 2021 and 2022 after a gradual rise in margins for the previous two years.
- Similarly, observed a fall in EBITDA margins (from 18% to 15.5%) between 2021 and 2022.
- Was observed due to rise in crude oil prices and carrying of large volumes of inventory at high cost.

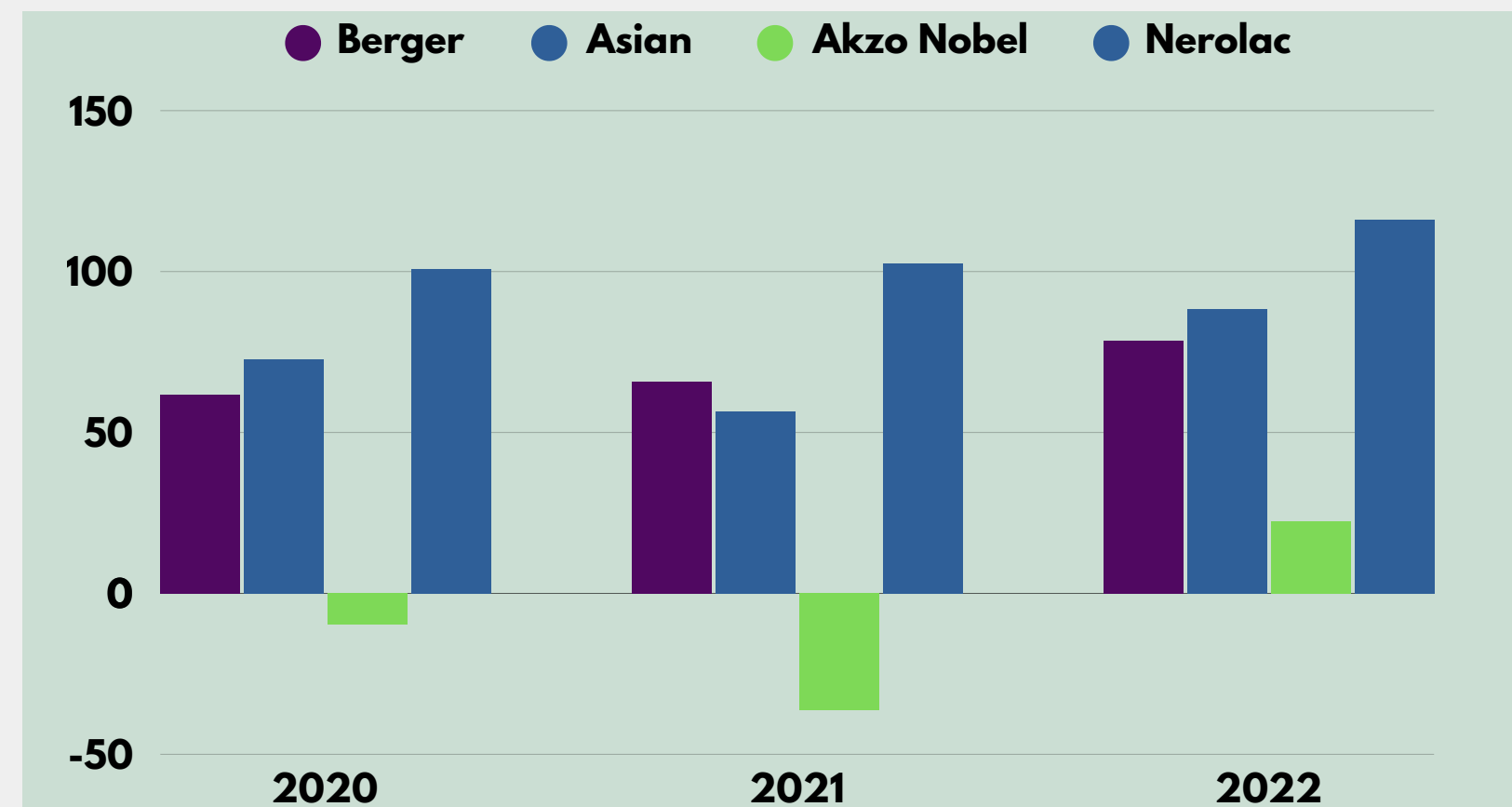
OWC & Cash Cycle

OWC % Sales



- Berger Paints' OWC % sales remains steady at around 13% through 2018-20, post which we see an increase to 17.5% in 2022.
- Fairly high OWC/Sales ratio as compared to some of its peers.

Cash Cycle

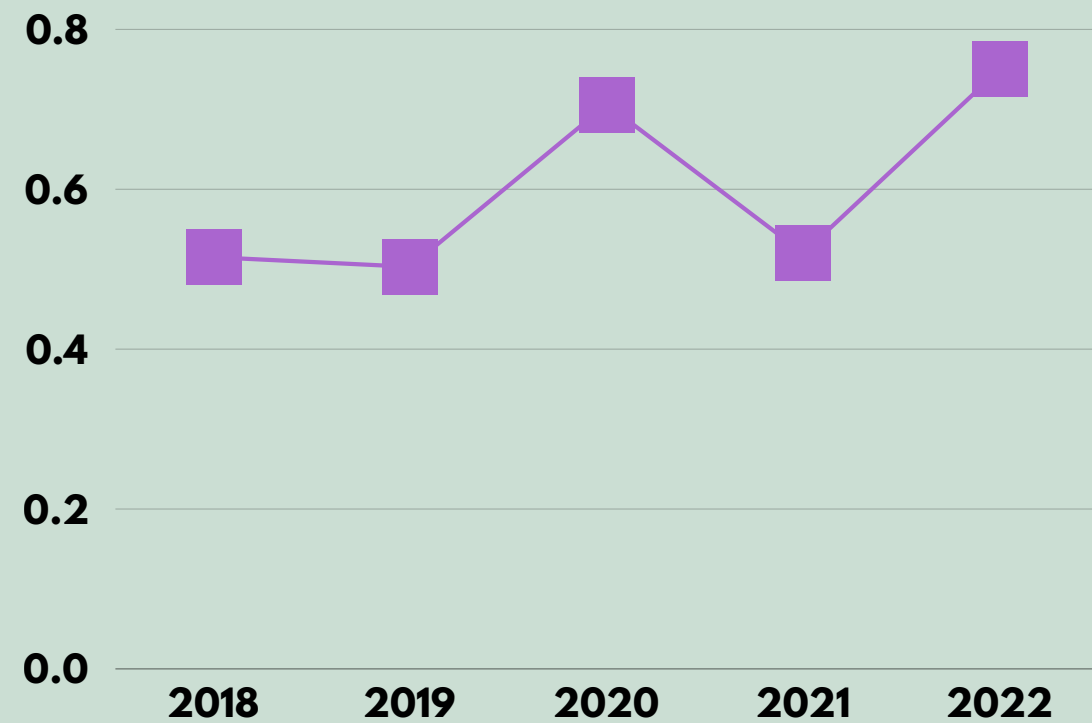


- Berger has a positive cash cycle which has increased over the past 5 years.
- Has the highest value of inventory days among peers due to overstocking at high cost.

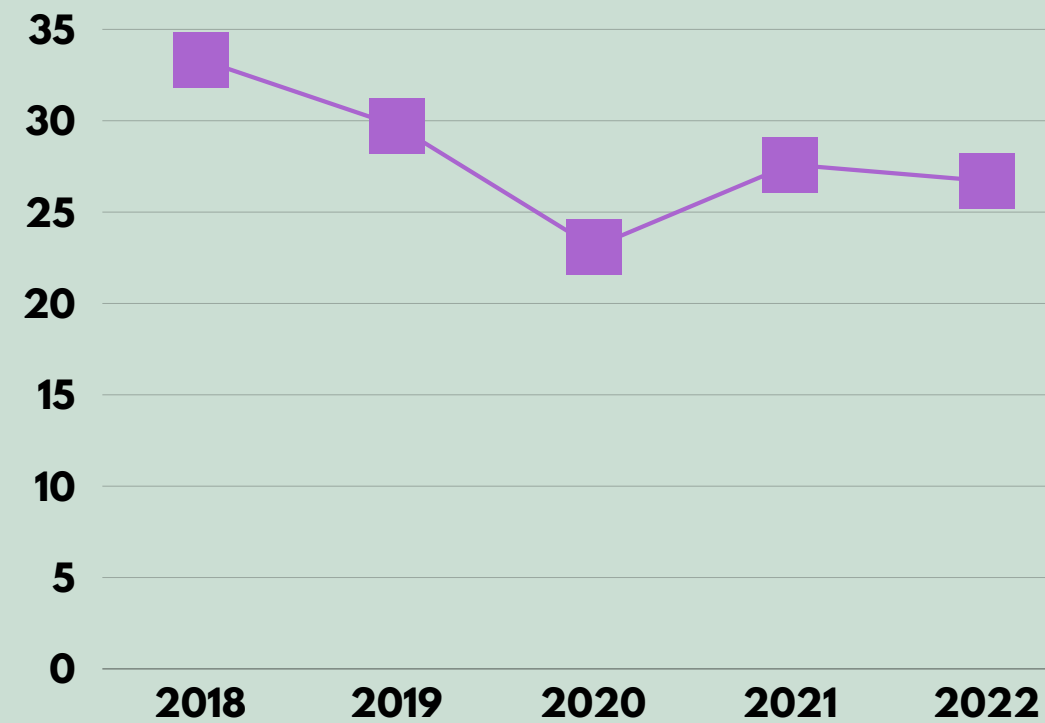
Debt and Solvency



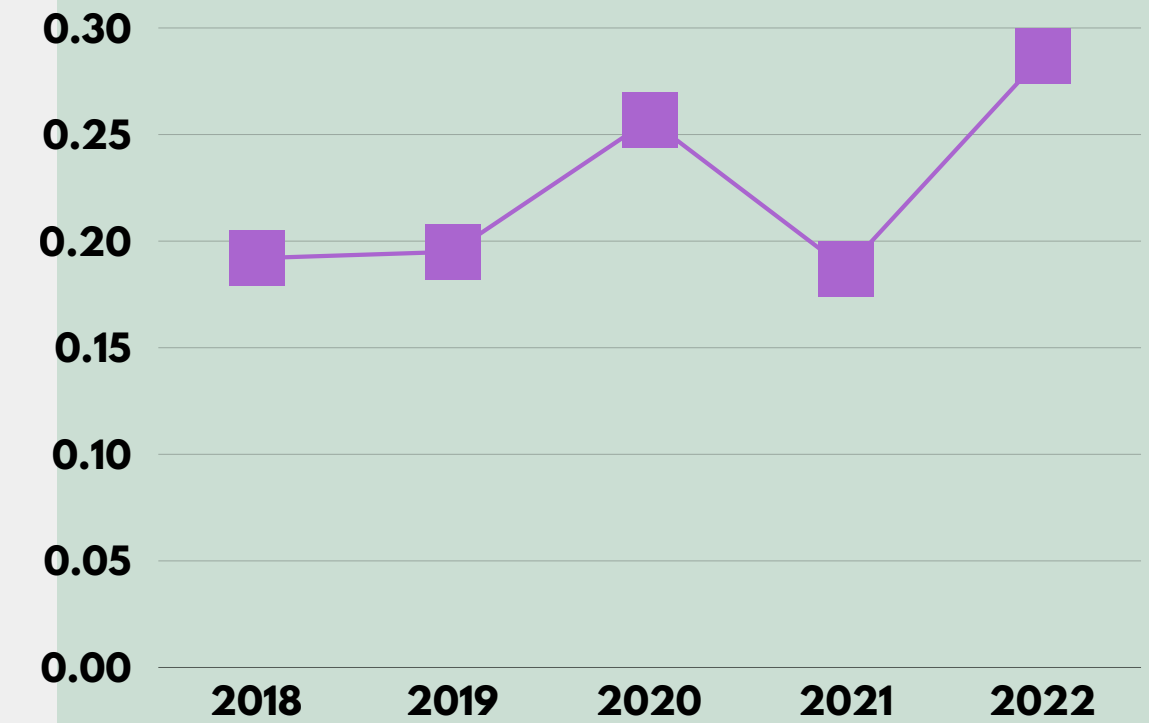
Total debt/EBITDA



Interest Coverage



Debt Equity

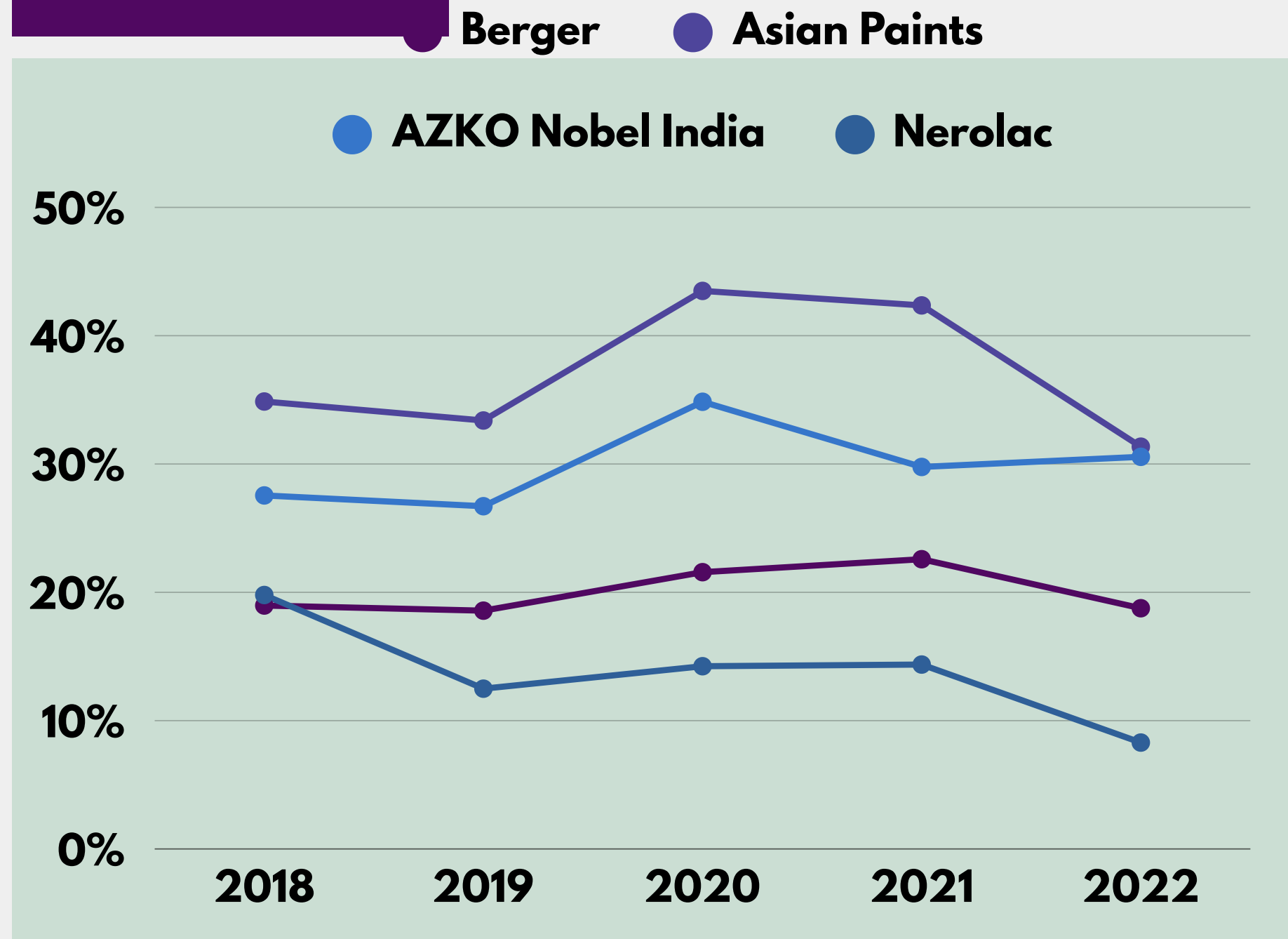


- The Total Debt/EBITDA ratio fluctuates over the years from 0.5 in 2018 to 0.75 in 2022. The low ratio indicates that Berger has a strong ability to service its debt.
- The interest coverage ratio varies from 33.35 in 2018 to 26.7 in 2022; The increasing trend in this ratio from 2020 to 2022 indicates that Berger has sufficient earnings to meet its interest payment.
- The Debt equity ratio varies from 0.192 in 2018 to 0.26 in 2022. The low ratio indicates a lower level of debt financing relative to equity financing (which may indicate lower financial risk)

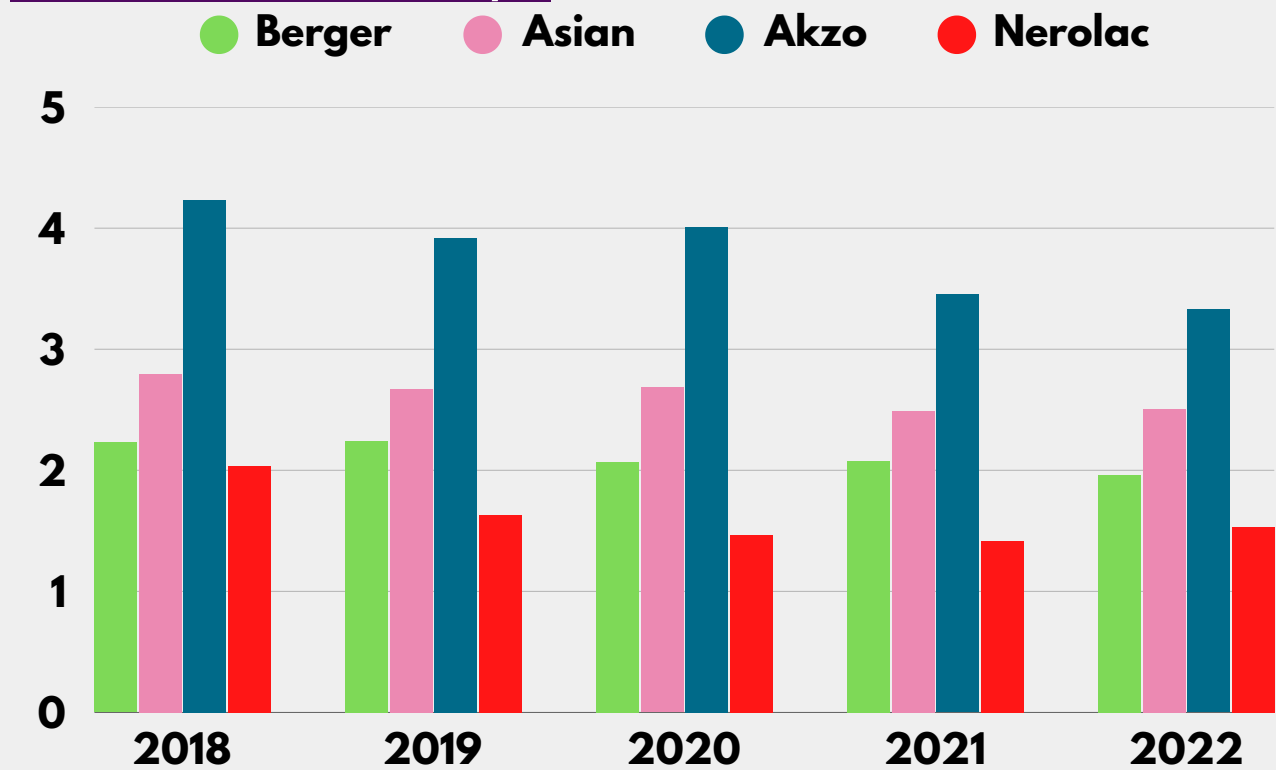
ROIC and Constituents



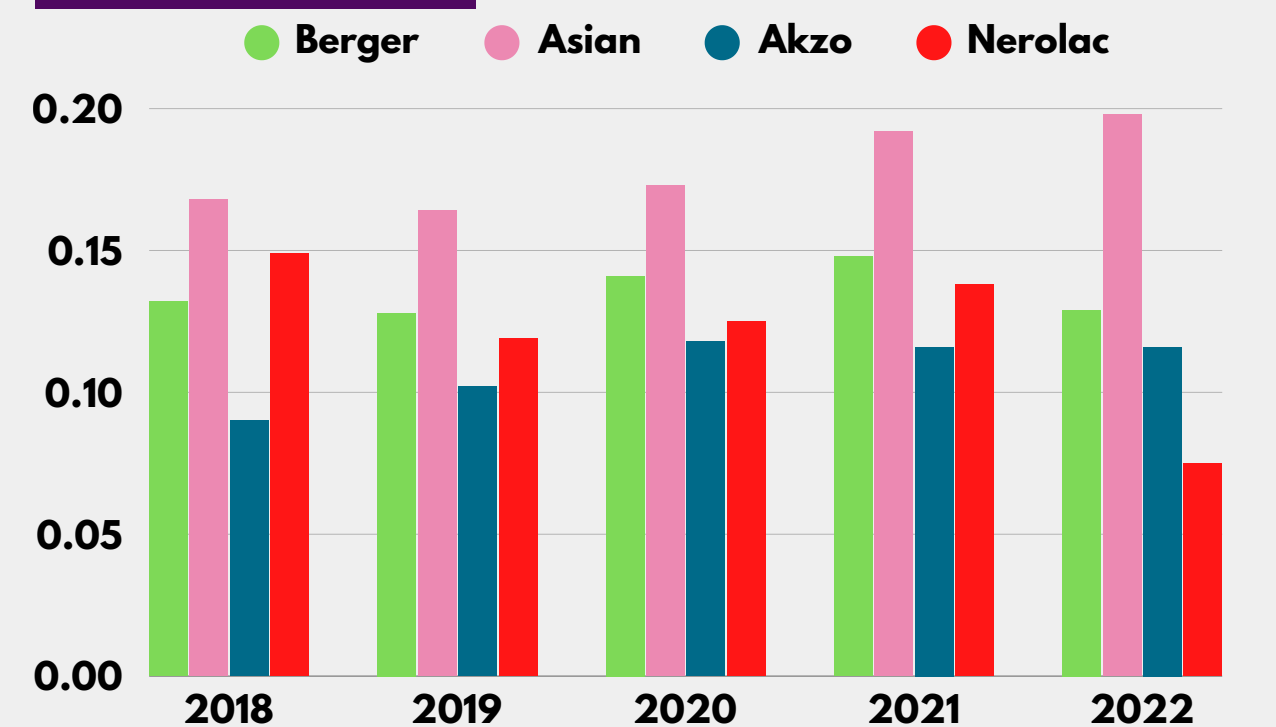
ROIC



Asset Efficiency



Profitability



ROIC Trends and Analysis

- ROIC for Berger Paints hovers around the 18%-22% bracket, substantially lower than the Paint Industry ROIC average of 28.56%.
- As compared to its peers, Asian Paints witnesses a higher ROIC because of greater profitability and Asset efficiency. (low debt and high sales)
- For Akzo Nobel India, the slightly low Profitability is countered by the high asset efficiency because of low working capital and high fixed asset turnover.
- Berger Paints Asset Efficiency has decreased from 2.08 to 1.96 - Capital Expenditure.
- Lower Profitability of Berger Paints - high cost of Raw Material inventory
- Prolonged Monsoon Season

Profitability

FY18	FY19	FY20	FY21	FY22
0.132	0.128	0.141	0.148	0.129
0.168	0.164	0.173	0.192	0.198
0.090	0.102	0.118	0.116	0.116
0.149	0.119	0.125	0.138	0.075

Asset Efficiency

FY18	FY19	FY20	FY21	FY22
2.23	2.24	2.07	2.08	1.96
2.798	2.675	2.684	2.493	2.510
4.232	3.920	4.009	3.452	3.328
2.034	1.632	1.468	1.416	1.529