

Research Report

Berger Paints

Industry : Consumer Goods

Company Overview

- Berger Paints India Ltd incorporated on December 17, 1923 in Kolkata, is the third largest paint manufacturer and the second largest decorative paint player in India, with manufacturing facilities in West Bengal, Uttar Pradesh, Pondicherry, Goa, Jammu & Kashmir.
- Having around 75 stock points and above 12000 paint retailers, it operates with a market share of 11% in the organised decorative players segment.

Industry Overview

- Over the past few years, the Indian paint market has substantially grown and caught the attention of many international players. The country continues to enjoy a healthy growth rate compared to other economies, backed by the increasing level of disposable income, and demand from infrastructure and industrial.
- Presently, the growth of the Indian paint industry is being witnessed from new demand pockets, especially in Tier-II and Tier-III cities, thus, signaling the growing acceptance of quality products among the masses. The growing popularity of quality paints and increasing income levels of people residing in Tier-II and Tier-III cities have pushed the growth in premium paint market of Indian decorative paint industry
- The Rs 40,600-crore Indian paint industry is likely to see a 20 per cent compounded annual growth rate until 2016, this is due to increasing demand from retail consumers, on rapid urbanisation, and development of rural markets, backed by the increase in per capita consumption.

Key Highlights

- Berger Paints Nigeria plc has said it is in the final phase of setting up an ultra-modern factory that will be first of its kind in West Africa
- Berger Paints signs MOU with the Russian Government for conducting a feasibility study and establishment of an industrial coatings plant in the Stavropol region of Russian

Key Risks

- Economic Slowdown, Rupee Depreciation are likely to have an impact on the demand
- Escalation in the Material Cost likely to impact the overall profitability of the industry players



Recommendation	Accumulate
Current Market Price	206.05
Target	238.00
Accumulation Price Band	195 - 210
Time Frame	6months
Derivative Segment	Yes

Quick Glance

Share Capital (Rs Cr)	69.30
Market Cap (Rs Cr)	14,295.42
Enterprise Value (Rs Cr)	14,298.62
Face Value (in Rs)	1.00
52 Week High/ Low (in Rs)	465.00/115.93

Financials

EPS (Rs)	7.20
Book Value (Rs)	16.31
P/E	56.49
P/BV	12.64
ROE	22.30
ROCE (%)	31.30
Dividend Yield (%)	0.53
Debt - Equity	0.47

Highlights

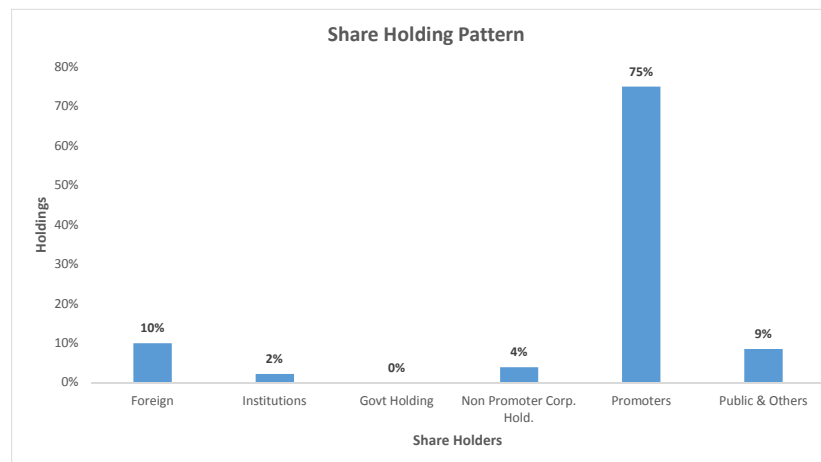
Debt (Rs Cr)	302.80
Reserves (Rs Crs)	1,062.59
FII Holdings (%)	12.02
MF Holdings (%)	0.48
Free Float Market Capitalisation (Rs Cr)	3,576.01
Beta	0.69
Avg Volume Per day (no. of shares)	411,571.30
Avg Volume Per Month (no. of shares)	3,442,541.30

Financial Highlights

Income Statement (Annual)					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Net Sales	3,869.72	3,346.41	2,947.70	2,317.07	1,839.70
Operating Profit	431.37	371.19	303.5	237.66	145.39
Operating Profit Margin	11.14	11.09	10.29	10.25	7.90
Depreciation	70.71	56.72	47.20	40.14	35.82
Interest	46.63	37.66	32.30	23.78	17.20
Other Income	35.95	31.43	30.50	42.53	79.69
PBT	349.98	308.24	254.50	216.27	172.06
APAT	249.39	218.40	180.10	150.09	120.39
PAT Margin (%)	6.38	6.46	6.04	6.33	6.27
Earnings Per Share	7.20	6.31	5.20	4.34	3.48

Balance Sheet					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Equity Share Capital	69.30	69.26	69.20	69.21	69.21
Reserves and Surplus	1,062.59	915.17	775.40	651.99	556.04
Net Worth	1,131.89	984.43	844.60	722.08	625.25
Deferred Tax Liability :	26.01	16.64	12.47	9.00	9.00
Long Term Debt	3.20	155.34	98.00	0.03	0.05
ShortTerm Debt	299.60	147.68	71.80	78.53	24.41
Total Debt	302.80	303.02	169.80	78.56	24.46
Current Liabilities	627.09	469.91	433.30	375.71	276.31
Total Provisions	99.14	81.47	64.00	44.01	52.59
Total Liabilities	1,434.69	1,287.45	1,014.40	800.64	649.71
Gross Block	879.43	601.98	518.80	419.49	371.74
Net Fixed Assets	548.42	321.68	271.10	203.23	184.61
Investments	187.29	90.58	79.60	117.59	170.20
Current Assets	1,164.98	1,124.00	837.90	673.16	530.05
Deferred Tax Asset :	-	-	-	-	-
Receivables	383.21	324.55	305.00	240.29	204.73
Inventories	618.70	576.91	513.90	403.92	299.33
Cash	163.07	222.54	19.00	28.95	25.99
Total Assets	1,434.69	1,287.45	1,014.40	800.65	649.71

Income Statement (Quarterly)								
Particulars (Rs Cr)	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Sales	974.89	957.42	937.85	850.03	827.29	816.16	734.09	819.00
Operating Profit	109.72	91.38	93.64	85.05	77.27	77.64	72.64	88.50
Operating Profit Margin	11.25	9.54	9.98	10.01	9.34	9.51	9.90	10.81
Depreciation	22.50	18.20	18.14	17.48	13.52	42.34	32.96	35.50
Interest	8.59	9.63	8.58	9.83	9.00	6.69	7.17	7.30
Other Income	7.46	8.86	8.50	6.50	6.90	9.40	8.88	8.43
PBT	78.41	74.33	89.70	63.60	65.50	68.40	62.41	59.94
APAT	55.16	50.90	65.40	45.80	47.70	48.80	44.92	43.01
PAT Margin (%)	5.66	5.32	6.97	5.39	5.77	5.98	6.12	5.25
Earnings Per Share	1.59	1.47	1.89	1.32	1.38	1.41	1.30	1.24

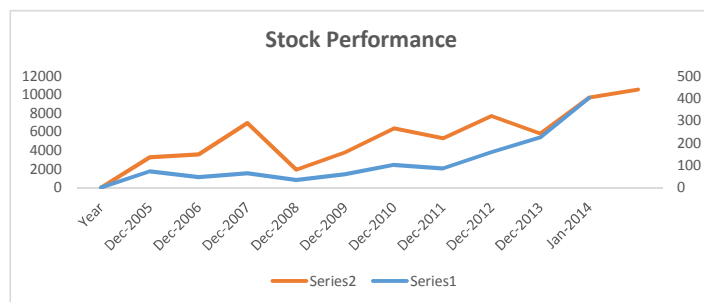


Key Financial Indicators						
Particulars	Units	2013	2012	2011	2010	2009
Revenue	Crs	3,869.72	3,346.41	2,947.70	2,317.07	1,839.70
Operating Margin	%	11.14	11.09	10.29	10.25	7.90
PAT	Crs	249.39	218.40	180.10	150.09	120.39
PAT Margins	%	6.38	6.46	6.04	6.33	6.27
Revenue Growth	%	11.92	13.60	26.34	24.36	11.57
Operating Profit Growth	%	16.21	22.30	27.70	63.46	9.03
PAT Growth	%	14.19	21.27	19.99	24.67	45.33
Gearing	times	0.47	0.58	0.43	0.44	0.45
ROCE	%	31.30	29.60	30.60	27.50	21.90
ROE	%	22.30	22.90	22.70	21.80	20.20

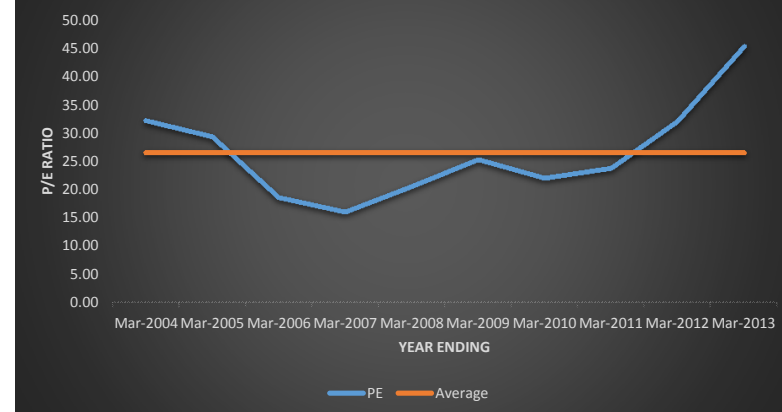
Peer Comparison				
Particulars	Units	Berger Paints	Asian Paints	Kansai Nerolac
Revenue	Rs Cr	3,869.72	10,300.22	3,136.10
Operating Margin	%	11.14	14.77	11.47
PAT	Rs Cr	249.39	1,169.06	206.60
PAT Margins	%	6.38	11.03	6.52
Gearing	%	0.47	0.01	0.04
EPS	Rs / Share	7.20	12.19	38.33
PE	times	56.49	59.01	44.00
P/BV	times	12.64	20.56	7.91
ROCE	%	31.30	26.61	21.69
ROE	%	22.30	22.21	15.25
EV/EBITDA	times	19.26	19.26	16.92

Stock Performance vis-a-vis Index

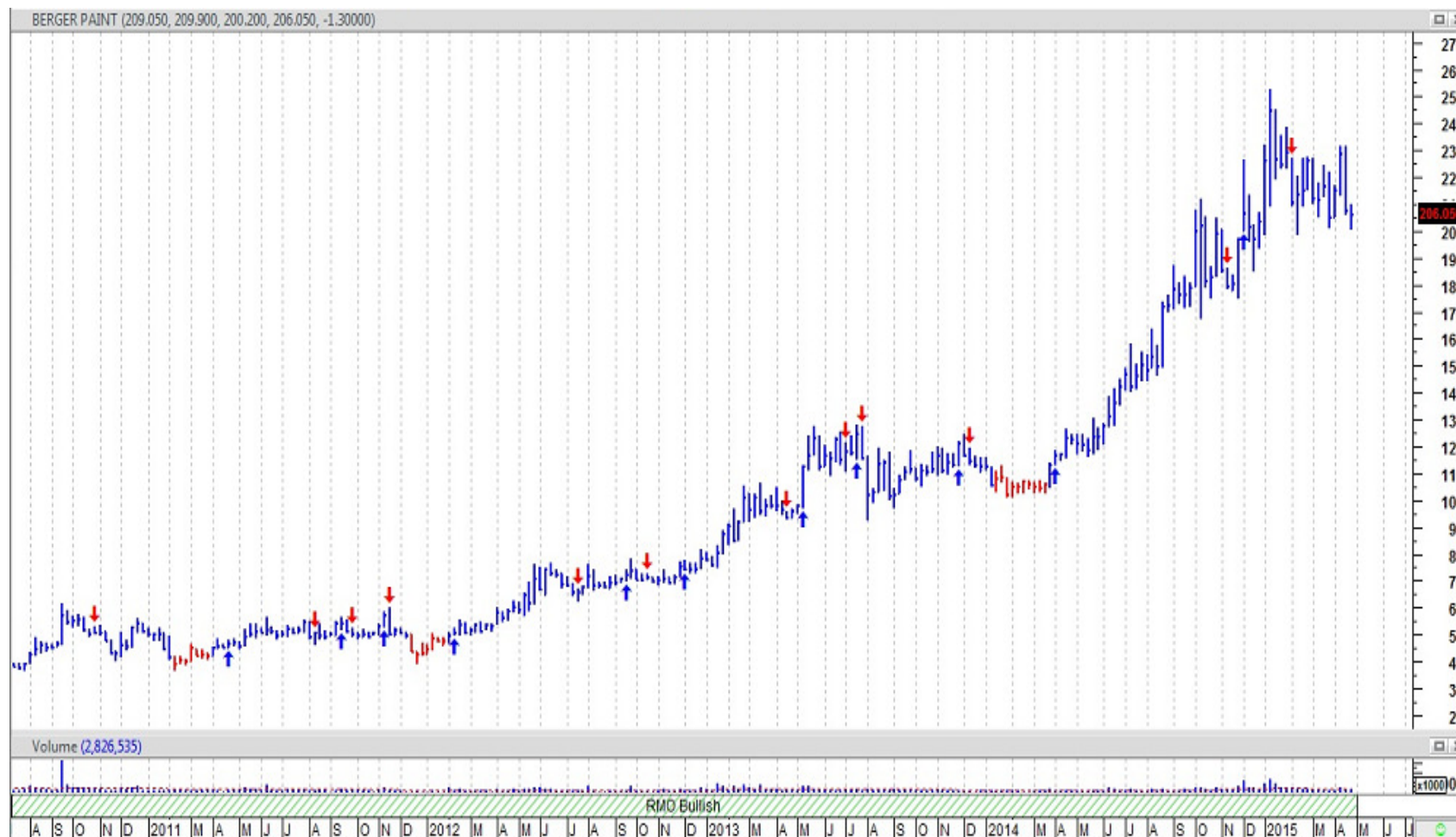
Particulars	Return	
	YTD	QTD
Berger Paints	2%	-4%
BSE Consumer Goods	9%	9%



Valuation Chart



Technical Outlook



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