BERGER PAINTS

VISIT NOTE

COFFEE WITH CEO

nuvama institutional equities

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	530
12 month price target (INR)	670
52 Week High/Low	630/438
Market cap (INR bn/USD bn)	618/7.0
Free float (%)	25.0
Avg. daily value traded (INR mn)	341.5

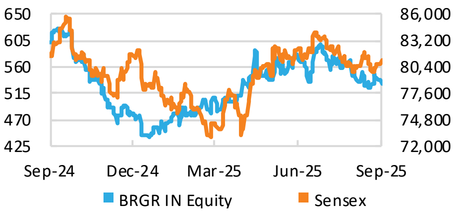
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	74.99%	74.99%	74.99%
FII	5.59%	5.74%	5.94%
DII	10.45%	10.11%	9.60%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	115,447	124,861	137,250	150,675
EBITDA	18,561	20,469	23,398	25,943
Adjusted profit	11,828	13,168	15,166	16,841
Diluted EPS (INR)	10.1	11.3	13.0	14.4
EPS growth (%)	1.1	11.3	15.2	11.0
RoAE (%)	20.5	20.1	20.5	20.1
P/E (x)	52.8	47.5	41.2	37.1
EV/EBITDA (x)	34.4	30.8	26.6	23.6
Dividend yield (%)	0.7	0.8	1.0	1.1

PRICE PERFORMANCE



Fundamentals intact despite Q2 blip

We recently met with Mr Abhijit Roy, MD & CEO of Berger Paints. Key insights: i) Consistently gaining market share, currently at 21.2% (improved 230bp between FY22 and Q1FY26). ii) Increased investment in value-added products to deepen market penetration and strengthen brand differentiation. iii) Accelerated urban expansion through franchise stores, contract partnerships and on-ground teams. iv) Euphoria is now over for new players among dealers.

We continue to forecast a gradual normalisation of intensity from new player (sales flattish over the past few months). In spite of some adverse impact on demand in Q2FY26 due to high rains, we estimate a recovery H2 onwards. Retain 'BUY' with an unchanged TP of INR670.

Key takeaways

Competition: On the new entrant, Berger believes providing higher rebates to dealers is not sustainable in long term, as after a point, dealers start to undercut each other. On the Akzo JSW deal, the company expects some increased advertising spending after the ownership change, but no major increase in competitive intensity.

Demand: Q2FY26 is likely to be a bit adverse due to above-normal rains across the country (more of a pent up demand rather than lost demand). However, Berger is poised for recovery H2FY26 onwards (post-monsoons volume uptick of 7–9% likely), owing to urban recovery, rural doing well and early signs of competition rationalisation.

Urban market push: Berger is betting on expansion in urban markets through faster premiumisation and stronger brand investment while continuing rural momentum. Berger's dealer network is currently just 40% of the category leader, implying substantial headroom for expansion.

Market share: In Q1FY26, Berger logged the sharpest increase in its decorative market share i.e. from 18.9% in FY22 to 21.2% (up 230bp). For few of its product categories under decorative business, Berger is the market leader in the semi-luxury segment. Within Industrial, in Protective Coatings, Berger is market leader in India.

Supply-chain and distribution: Berger plans to ramp up its rollout of tinting machines to its dealers. While 43,000 dealers have got tinting machines from Berger, it plans to cover additional 7,000 in the next year to ensure they can aggressively push Berger's products. It is scaling up reach and digitalising supply chain system, which helps in demand forecasting and better supply and operations planning.

Capex: Shall operate at total manufacturing capacity of 1.3mn MT yearly. Berger's Sandila plant is fully operational now. New plants in West Bengal (75,000 KL pa) and Odisha (410,000 KL pa) are likely to be commissioned in FY26.

Innovations/NPDs: Remains aggressive on launch of new products in the decorative segment and it currently contributes 80% to the overall business. Recent launches include 'Kool Range', 'Kolor Plus' and 'Luxol Metallics'.

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	115,447	124,861	137,250	150,675
Gross profit	47,828	51,561	56,992	62,914
Employee costs	8,147	9,000	9,844	10,890
Other expenses	14,629	8,349	8,592	9,452
EBITDA	18,561	20,469	23,398	25,943
Depreciation	3,542	3,821	4,177	4,488
Less: Interest expense	633	525	550	550
Add: Other income	948	900	950	950
Profit before tax	15,685	17,424	20,072	22,305
Prov for tax	3,857	4,256	4,905	5,464
Less: Other adj	0	0	0	0
Reported profit	11,828	13,168	15,166	16,841
Less: Excp.item (net)	0	0	0	0
Adjusted profit	11,828	13,168	15,166	16,841
Diluted shares o/s	1,166	1,166	1,166	1,166
Adjusted diluted EPS	10.1	11.3	13.0	14.4
DPS (INR)	3.8	4.5	5.2	5.8
Tax rate (%)	24.6	24.4	24.4	24.5

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,166	1,166	1,166	1,166
Reserves	60,375	68,276	77,375	87,480
Shareholders funds	61,541	69,442	78,541	88,646
Minority interest	126	(274)	(724)	(1,174)
Borrowings	1,462	862	62	(738)
Trade payables	17,403	18,074	19,790	21,640
Other liabs & prov	5,709	5,709	5,709	5,709
Total liabilities	91,316	98,888	108,454	119,158
Net block	33,539	34,220	33,544	32,555
Intangible assets	3,231	3,231	3,231	3,231
Capital WIP	1,226	1,400	1,400	1,400
Total fixed assets	37,996	38,852	38,175	37,187
Non current inv	1,990	1,990	1,990	1,990
Cash/cash equivalent	8,342	15,369	23,340	31,124
Sundry debtors	15,458	14,710	15,793	17,338
Loans & advances	1,388	1,388	1,388	1,388
Other assets	26,143	26,580	27,769	30,132
Total assets	91,316	98,888	108,454	119,158

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross margin	41.4	41.3	41.5	41.8
Staff to rev (%,Con)	7.1	7.2	7.2	7.2
Con A&P (% of rev)	4.0	4.0	4.0	4.0
EBITDA margin (%)	16.1	16.4	17.0	17.2
Net profit margin (%)	10.2	10.5	11.1	11.2
Revenue growth (% YoY)	3.1	8.2	9.9	9.8
EBITDA growth (% YoY)	(0.3)	10.3	14.3	10.9
Adj. profit growth (%)	1.1	11.3	15.2	11.0

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	11,828	13,168	15,166	16,841
Add: Depreciation	3,542	3,821	4,177	4,488
Interest (net of tax)	633	525	550	550
Others	(6,076)	665	(2,512)	(5,517)
Less: Changes in WC	2,764	(983)	556	2,059
Operating cash flow	12,691	17,196	17,937	18,421
Less: Capex	(3,915)	(4,500)	(3,500)	(3,500)
Free cash flow	8,776	12,696	14,437	14,921

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	86.0	87.0	88.0	88.0
Volume growth Std	7.6	6.5	8.0	8.0
Pricing change Std	(6.0)	1.0	1.2	1.0
Sub net sales growth	13.0	15.0	15.0	15.0
COGS % of sales (con)	58.6	58.7	58.5	58.2
Std A&P (% of rev)	3.6	4.0	4.0	4.0
Staff to rev (%,Std)	6.0	6.1	6.0	6.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	20.5	20.1	20.5	20.1
RoCE (%)	26.8	26.4	27.3	27.2
Inventory days	123	119	112	110
Receivable days	45	44	41	40
Payable days	92	88	86	86
Working cap (% sales)	17.8	15.7	14.7	14.7
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Interest coverage (x)	23.7	31.7	34.9	39.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	52.8	47.5	41.2	37.1
Price/BV (x)	10.2	9.0	8.0	7.0
EV/EBITDA (x)	34.4	30.8	26.6	23.6
Dividend yield (%)	0.7	0.8	1.0	1.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	1.1	11.3	15.2	11.0
RoE (%)	20.5	20.1	20.5	20.1
EBITDA growth (%)	(0.3)	10.3	14.3	10.9
Payout ratio (%)	37.5	40.0	40.0	40.0

Source: Company and Nuvama estimates

Exhibit 1: What paint companies have said on new player so far in Q1FY26 earnings call?

Company	What paint companies have said on new competitor so far in earnings call?
Asian Paints	➢ Management emphasised that market entry barriers remain high due to factors such as distribution, branding, consumer trust. ➢ It is closely monitoring competitive moves, but expressed confidence in its strong brand equity, innovation pipeline and channel relationships. ➢ No immediate impact on market share was flagged, but APNT remains cautious and focused on defending leadership. ➢ Asian Paints sees the extra 10% grammage as a dealer-driven discount tactic that will not meaningfully sway core customers.
Berger Paints	➢ The new entrant is anticipated to have gained 5.5–6% market share, primarily in the mid and lower-end segments. ➢ While some market share loss has happened, competitive intensity has stabilised in recent months and the initial buzz is fading. ➢ Earlier dealer incentives (such as 10% extra grammage on 4l, 10l and 20l packs) has been reduced to only 20l packs, hurting dealer margins and leading some dealers to return to established brands. ➢ The grammage strategy is being rationalised, and is seen as a short-term push that may be phased out. ➢ Competition is centred on the economy segment, with minimal impact on premium/luxury segments. ➢ South India remains the region with the highest competitive intensity.
Kansai Nerolac	➢ On new competition: Dealers are coming back to Kansai from the new player because RoI, which dealers get from new paint players, is now lower than what they get from Kansai. Dealer Incentives are now similar. ➢ On 10% extra grammage: Likely the new player has started withdrawing 10% extra grammage in some areas. Very difficult to keep giving 10% extra grammage in paints and unsustainable in long term. Likely more of an introductory offer by new player.
Akzo Nobel	➢ Impact of the new competition was the highest in southern regions followed by a bit in West and Punjab in North. ➢ Impact on eastern regions was minimal and it believes the number 2 player has been doing well there. ➢ It believes aggressive competitive intensity from new player has tapered off a bit leading to dealers returning to the company.

Source: Nuvama Research

What Grasim said in its Q1FY26 earnings call on Paints segment?

- Trial production of water-based paints and emulsions commenced at the sixth Birla Opus plant in Kharagpur and commercial launch is on track by end-Q2FY26. After this, the company's capacity in the organised paints industry would reach ~24% with an installed capacity of 1,332 MLPA.
- As per management, 10% grammage scheme continues to operate and no rollback of the same happened. Moreover, most dealers continue to stay with it and are expanding portfolio from product categories offered by the company.
- Birla Opus, by itself, has become India's number three decorative paints brand (management estimates) based on Q1FY26 revenue run-rate. Management indicated the revenue market share (including putty revenue) continues to be in double-digit in the organised decorative paints market – this reporting is in-line with how peers report.
- As per internal estimates, the organised decorative paints industry has grown by over 5% YoY (but excluding Birla Opus's revenue, the industry has slightly decreased – around 1% fall).
- The total capex incurred on the paint business until Q1FY26 was INR95.5bn.
- Birla Opus now has a pan-India presence (covered 8000-plus towns and launched 179 products with 1460-plus SKUs across all six decorative paint categories).
- The focus has shifted to improve revenue per dealer by increasing penetration of each category and wider range of products/categories.
- According to management, competitive intensity is continuing and is reported to be more in the value/economy segment with competitors resorting to more discounts.

Mr Abhijit Roy

MD & CEO for Berger Paints

Bio in Brief

Mr Abhijit Roy is a BE in Mechanical Engineering from Jadavpur University, Kolkata and completed his post-MBA from the Indian Institute of Management, Bangalore. He started his career with Asian Paints prior to joining Berger. He was appointed the MD & CEO of Berger Paints with effect from July 1, 2012.

Increased focus on urban markets

Remains aggressive on urban push

- A gradual improvement in demand indicators observed with early momentum in urban markets.
- Urban push is a key lever for making a bigger impact allowing it to drive margin enhancement, premiumisation and meaningful, problem-solving innovations for its customers, dealers and project partners.
- Network has been a problem for Berger in many parts of the country. To address this, it has accelerated its urban expansion strategy through a robust network of franchise stores, contractor partnerships and dedicated teams on the ground.
- It plans to achieve an internal target by end-FY26, it is investing in manpower, advertising and innovative service delivery models to fuel sustained growth.
- Urban markets allow Berger to push high-margin categories such as premium emulsions, waterproofing, and designer finishes, where customer willingness to pay is higher.
- The Urban Initiative is likely to contribute to project sales with growth projected to increase.
- Aims to improve market share in critical pockets of Bangalore, Mumbai and Pune.

Exhibit 2: Key products in exterior paints

Source: Company

Euphoria on new entrant seems to have faded

- Berger does not expect any big impact from the new player. Q3FY26 onwards, the earlier impact (2–3%) will largely be in the base.
- It believes the market share of the new player is heavily indexed towards mid and lower end of the segment.
- On the new entrant, Berger believes that providing high rebates to dealers is not a correct way to sustain and position oneself in the paints industry, as after a point dealers start to undercut one another.
- Although some loss of market share for some incumbents has happened, competitive intensity has not increased for the past few months. The initial excitement around the new player appears to be fading.
- The new player was heavily discounting (10% extra grammage). Once its network expanded and inter-dealing started, benefits were withheld (10% grammage now largely on 20l), dealer margins have contracted. As no further incentive was there for dealers, some dealers have now returned to legacy players.

Akzo JSW deal – Nothing changes much for industry

- Nothing changed much as both players have been operating individually. A little bit of aggression is likely, but broadly it is more of a change in hands and management style.
- Berger expects possibly some increased advertising spending after the ownership change, but no major competitive impact.
- It believes the number one and two player will not be significantly affected, and further heated competition shall take place at the bottom of the pyramid.

Defending/expanding market share remains top priority

- Berger's decorative market share has moved from 18.9% in FY22 to 21.2% in Q1FY26. It has been able to grow market share despites entry of new player.
- Berger has been a strong number two player in decorative paints, number two in automotive paints, market leader in Protective Coatings and General Industrial and no three player in construction chemicals.
- The company believes a recovery shall come in post-monsoon, which will aid in pickup of value as well as volume growth momentum. It expects 7–9% volume growth post-monsoons.
- Volume-value gap in the next three quarters is likely to remain at 1.5–2% largely due to a mix of the products. If everything goes well, it expects value growth to potentially reach the 9–10% range in Q3/Q4FY26.
- Strategic focus areas include innovation, digitalisation and network expansion, especially in under penetrated regions, to sustain growth.
- Market leader in 'Easy Clean' wall paint category, and being a dominant player in 'Anti Dust'.
- Roof Kool and Seal is doing exceptionally well and has the potential to be a market leader in that segment.

Exhibit 3: Market share discipline remains intact

Source: Company, Nuvama Research

Distribution expansion continues

- Aims to add 10,000 tinting machines this year (8,000 in FY25).
- Retail footprint expanded to 1,300 stores in Q1FY26. Store footprint expanded by 300 in Q1FY26.
- It is strengthening its own distribution network in key urban markets and aims to boost its urban market share to 12% in the near term and 15% within the next three years (currently 10%).

Industrial business growth remains commendable

- Urban markets are performing relatively better than others and select product categories, particularly in the industrial segment, are seeing strong traction.
- Within industrial Protective and automotive coatings continues to deliver strong growth while general industrial and powder coatings remained relatively muted amid subdued market activity.

Innovations gaining strong momentum

- In Protective Coatings, Berger is the market leader in India and its innovations include wet surface epoxy coatings, solvent less strong chemical resistant tank wash, and thermos indicative paints.
- In the Auto, General Industrial and Powder Coatings categories, Berger has introduced new-generation CED coatings (tin-free), Direct-to-Metal solutions, Monocoat systems for 2W/EV OEMs and soft-feel powder coatings for decorative applications.
- Its UK operations recently launched a building insulation and renovation system to reduce heating costs and labour dependency.
- Berger's 'Roof Kool and Seal' has now crossed INR1bn in sales as on FY25.

Exhibit 4: Launched 'Kolor Plus' — premium interior emulsions portfolio

Source: Company

Exhibit 5: Launched 'Luxo Metallics'

Source: Company

Exhibit 6: 'Roof Kool and Seal' has now crossed INR1bn sales as on FY25

Source: Company

Margins and pricing

- As of now, the RM basket is benign and price hikes are not needed. It continues to maintain price parity with the leader.
- Berger is a market leader for certain brands, and in those, there is a scope to increase prices.
- The company aims to remain in the 15–17% EBITDA margin range. In standalone, it is operating at EBITDA margins above 17%-plus.

Industry growth dynamics remains attractive

- India's Paints industry is currently valued at INR1,100bn and estimated to grow to INR2,640bn by FY33 (11.5% CAGR over eight years).
- India's per capita consumption continues to remain low, allowing legacy players and incumbents to continue work towards market share through expanding opportunities in both urban and rural markets.
- Innovation and a shift in consumer preference towards water-based, eco-friendly and premium paint solutions are adding traction to the decorative segment.
- Organised players now account for roughly 70% of the market, valued at INR620bn as on FY23.
- Decorative paints command 70% of total industry consumption. The remaining 30% comes from industrial paints, catering to sectors such as automotive, oil & gas, marine and aerospace, highlighting the industry's broad relevance across India's rapidly expanding economy.
- The Indian paint industry is experiencing increased competition with new players entering the market and existing players expanding their reach. This not only intensifies competition, but also ensures that the products are innovative, value for money and sustainable.
- Decorative paints, which account for 70–75% of total demand continue to be the primary growth driver fuelled by repainting activities, urbanisation and rising disposable income.

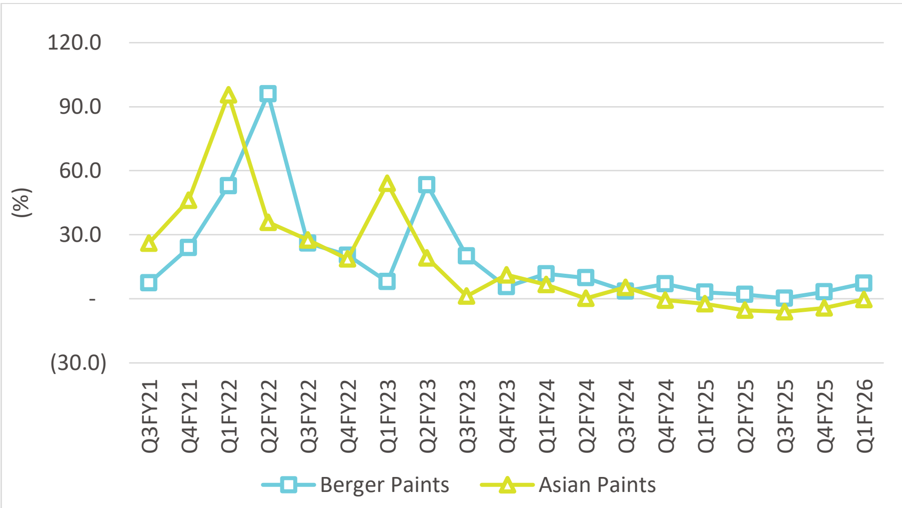
Other points

- 129 new suppliers were on-boarded in FY25.
- ~1.30mn MT total paint capacity.
- 15 domestic paint manufacturing units; 29 manufacturing facilities globally.
- Upcoming state-of-the-art manufacturing units at Panagarh, West Bengal and Khordha, Odisha.
- 59,000 touchpoints network.
- In FY25, 573 exclusive stores were opened and 38 new products were launched.

Exhibit 7: Trends at a glance

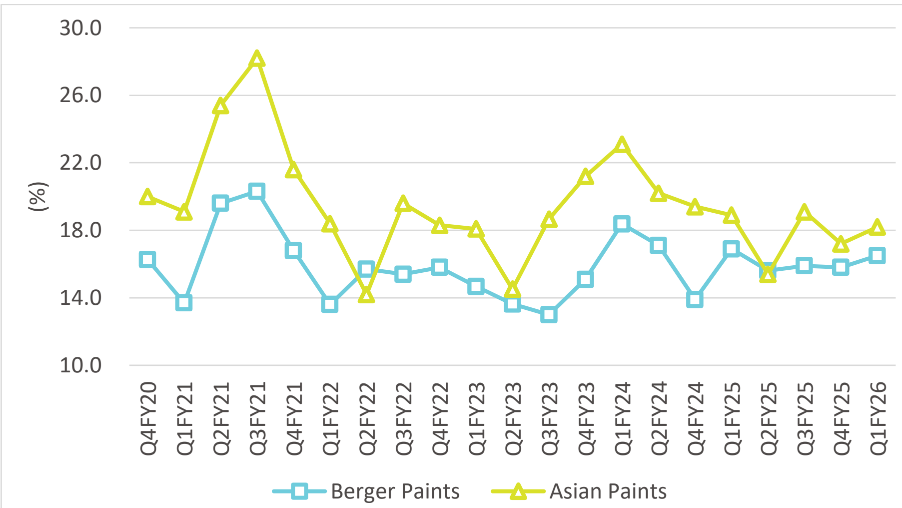
Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Consolidated performance									
Sales growth (%)	9.8	3.6	7.0	3.1	2.0	0.3	3.2	7.3	3.6
Gross margins (%)	39.8	41.1	41.1	40.7	39.9	41.7	41.6	42.7	41.4
EBITDA growth (%)	37.5	30.1	37.3	-4.8	-6.2	-8.3	-1.7	21.9	1.1
EBITDA margin (%)	18.4	17.1	16.7	13.9	16.9	15.6	15.9	15.8	16.5
Domestic Volume growth (%)	12.7	10.9	9.1	13.9	10	3.6	7.4	7.4	5.6
Standalone performance									
Sales growth (%)	10.1	2.8	6.4	2.7	2.4	-0.4	0.4	4.4	2.0
Gross margins (%)	39.4	40.0	40.4	40.3	39.2	40.4	39.8	41.2	40.1
EBITDA growth (%)	37.5	26.7	38.0	-5.1	-5.9	-4.9	-2.8	19.8	3.3
EBITDA margin (%)	18.8	16.5	16.7	14.5	17.2	15.8	16.2	16.6	17.4

Exhibit 8: Sales growth



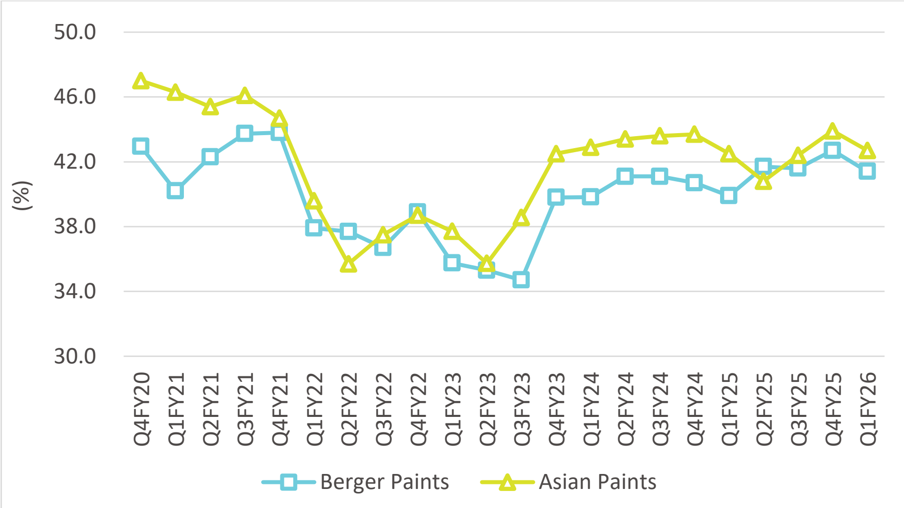
Source: Company, Nuvama Research

Exhibit 9: EBITDA margin trends



Source: Company, Nuvama Research

Exhibit 10: Gross margin trends



Source: Company, Nuvama Research

Company Description

Berger Paints is India's second-largest paints company headquartered in Kolkata. Domestic decorative paints form ~80% of domestic revenue. In powder coatings, Kansai is the leader, followed by Berger at No. 2. In protective coatings, Berger is the leader. In automotive and GI space, Berger is No. 3 after Kansai and APL. The company has international operations in Russia, Nepal and Bolix SA of Poland. It also has a tie up with Becker of Sweden. In 2013, the company acquired the decorative business of Sherwin Williams. It has also tied up with Nippon to strengthen its presence in the automotives segment.

Investment Thesis

The paints industry is expected to post robust volume growth led by strong repainting demand and from construction. Growth in the repainting segment, accounting for about approx. 80% of decorative demand, is on account of good demand in rural and small towns. Further, anticipated growth in construction activity over the next five years creates opportunity for fresh painting. Berger is expected to post robust growth with focus on premiumisation, brand equity and increasing distribution muscle. Sustained slowdown in the real estate sector and auto segments can act as barrier.

Key Risks

Economic slowdown: A slowdown in the economy is the biggest risk for the paint industry, as about 80-85% of demand for decorative paints arises from repainting, which in turn, depends heavily on the country's economic conditions.

Raw material prices: Rise in crude oil prices and INR depreciation could hurt Berger's margin as crude derivatives account for majority of its input costs.

Industrial: High competition in the industrial business, particularly from foreign players like PPG, Nippon Paints, Akzo Nobel and BASF, impacts pricing power of the business

Additional Data

Management

MD & CEO	Mr. Abhijit Roy
CFO	Mr. Kaushik Ghosh
CS	Mr. Arunito Ganguly
Non Ex Chairman	Mr. Kuldip Singh Dhingra
Auditor	S.R. Batliboi & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	4.30	SPAN INDIA PVT	0.72
SBI Funds Manag	3.43	UTI Asset Manag	0.60
Nalanda India F	2.93	Axis AMC Co Ltd	0.32
Vanguard Group	0.91	Norges bank	0.28
Nippon Life Ind	0.82	Dimensional Fun	0.18

**Latest public data*

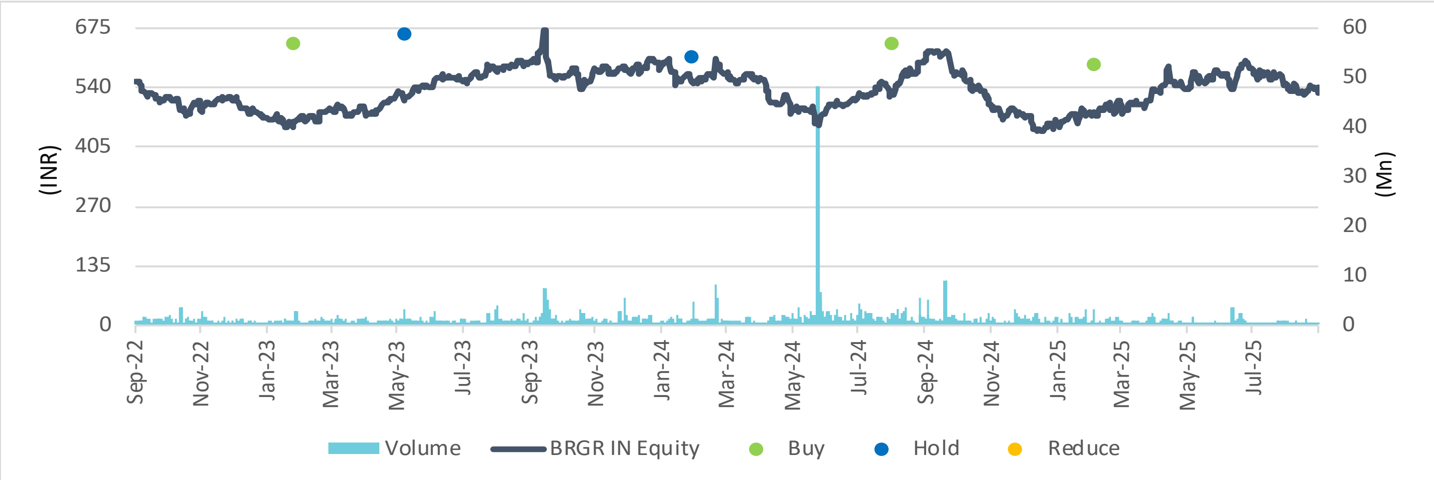
Recent Company Research

Date	Title	Price	Reco
05-Aug-25	Euphoria over new player over; *Result Update*	571	Buy
14-May-25	Painting a strong show; *Result Update*	553	Buy
12-Feb-25	Sequential improvement likely in Q4FY25; *Result Update*	485	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
14-Aug-25	United Spirits	Maharashtra: Key overhang in near term; *Result Update*
13-Aug-25	United Spirits	Cheers on sales, eyes on margins; *Oven fresh*
08-Aug-25	Indigo Paints	Weak showing; gradual recovery likely; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	69
Reduce	<-5%	37

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