

Industry
Bloomberg
BSE CODE

Consumers
BRGR IN
509480

RATING	NEUTRAL
CMP	582
Price Target	477
Potential Upside	-18%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	597/284
Mkt Capital (Rs Cr)	56540
Free float (%)	25%
Avg. Vol 1M (,000)	1247
No. of Shares (Cr.)	61
Promoters Pledged %	NA

RESEARCH ANALYST

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Volumes remained impacted due to macroeconomic scenario in domestic market

3QFY20 Result Update

- In 3QFY20, BERGEPAIN revenue growth remained muted at 4.9% YoY to Rs. 1696 cr. Volumes stood at 10% YoY impacted on account of adverse macroeconomic conditions in the domestic markets.
- The Company's domestic decorative business posted modest growth on account of late monsoon, early diwali and general demand conditions; automotive business remained subdued on account of slowdown in automotive sector while Protective coatings business delivered robust top line growth
- Gross margin improved by 300 bps to 40.8% YoY on account of decline in Input prices while EBITDA margin expanded by only 199 bps to 17.5% YoY led by increase in other expense.
- PAT for the quarter stood at Rs. 182 cr. with PAT margin of 10.7% and PAT growth at 36.5% YoY.
- The company has entered into waterproofing construction chemical and will have scientific approach towards waterproofing solution and is also seeing encouraging response while Emulsion range (low to high price) which was launched last quarter is doing well for the company. Some of the products which are doing well are weathercoat champ, walmasta light, walmasta glow & Bison glow.

View and Valuation

BERGEPAIN 3QFY20 grew by 4.9% YoY growth led by volume growth of 10% YoY; Decorative volumes remained impacted on account of unfavorable macroeconomic scenario prevailing in the domestic market while automotive business continued to remain subdued due to continuous slowdown in automotive sector. On Joint ventures front, profitability of JV Berger Becker Coatings Pvt remained impacted due to provisions made during the quarter and JV BNPAC continued to suffer due to weakness automotive sector. Going forward, we expect the demand to stabilize with stabilization of prevailing macroeconomic scenario, new launches, distribution expansion in tier II & tier III cities, revival of automotive sector in near to medium term in domestic market are expected to drive top line. On JV front, JV Berger Becker Coatings Pvt, SBL Specialty Coatings Pvt Ltd and Bolix S.A are expected to post strong profits. Gross margin expansion is expected to get driven by benign crude prices while the company will continue doing media spends which in turn will restrict EBITDA margin expansion. Going forward after considering automotive slowdown, general demand scenario in the domestic market and sharp run up in stock price we have maintained our NEUTRAL recommendation with a target price of Rs. 477.

Key Risks to our rating and target

- Further slowdown in demand.
- Steep increase in input prices.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	4552	5166	6062	6596	7718
EBITDA	719	807	882	1144	1359
EBIT	611	683	744	996	1181
PAT	474	461	498	773	917
EPS (Rs)	5	5	5	8	9
EPS growth (%)	28%	-3%	8%	55%	19%
ROE (%)	26%	24%	21%	28%	28%
ROCE (%)	28%	27%	26%	31%	32%
BV	20	23	25	31	37
P/B (X)	12.4	11.4	12.7	16.4	13.7
P/E (x)	49.6	54.1	63.3	64.4	54.3

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3QFY20 Results

Mixed numbers

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1,617	1,472	1,717	1,599	1,696	4.9%	6.1%	5,166	6,062	17.3%
Other Income	15	16	22	16	14	-5.7%	-9.3%	46	60	30.9%
Total Revenue	1,632	1,489	1,738	1,614	1,710	4.8%	5.9%	5,212	6,122	17.5%
COGS	1,006	884	1,015	943	1,004	-0.2%	6.5%	3,010	3,700	22.9%
Gross Margin	38%	40%	41%	41%	41%	3.0%	-0.2%	42%	39%	-2.8%
Employee Cost	101	105	112	113	105	4.0%	-7.0%	357	409	14.6%
Other Expenses	260	271	284	292	291	11.8%	-0.5%	992	1,072	8.1%
EBITDA	250	212	305	251	296	18.4%	18.0%	807	882	9.2%
EBITDA Mar.	15%	14%	18%	16%	17%	2.0%	1.8%	16%	15%	-1.1%
Depreciation	47	35	46	47	48	2.9%	2.2%	124	138	10.9%
EBIT	203	177	259	204	248	22.0%	21.6%	683	744	8.9%
Interest	15	10	10	10	13	-14.1%	21.9%	25	32	31.7%
PBT	204	184	271	209	250	22.6%	19.3%	704	772	9.6%
Excpt Item	-	-	-	-	-	0.0%	0.0%	-	-	-
Tax	70	72	94	13	64	-8.3%	394.0%	244	273	12.0%
Share of profit/(loss) from associates	(1)	(0)	-	(2)	(4)	320%	139.9%	1	(1)	-241%
Minority Int	-	0	-	-	-	0.0%	0.0%	-	0	0.0%
PAT	133	112	176	195	182	36.5%	-6.6%	461	498	8.0%
PAT Margin	8%	8%	10%	12%	11%	2.5%	-1.5%	9%	8%	-0.7%

Concall Highlights

3QFY20 Result Update:

- The Company's volume growth stood at 10% YoY impacted on account of late monsoons.
- Distemper Paint (less-price) didn't perform well, putty sales and volumes of premium paint did well.
- Increase in Gross margins is due to reduction in raw material prices (crude Oil) and improvement in product mix. Benefit derived from decline in crude oil price decline won't be fully passed on by price cut, management will increase its expenditure on advertising to enhance brand.
- Regarding Expansion plans, pune plant is on schedule production will start from Q1 FY-21 (1st May-20) and new plant for Industrial coating and decorative paint coming near Lucknow construction work is about to start.
- In Domestic market, Decorative business displayed modest growth for the quarter on account of late monsoons, early Diwali and general demand conditions
- The company's automotive business continued to suffer in the quarter on account of continuous slowdown in the automotive sector.
- The company's Protective coatings business delivered robust top line growth.
- The Company has launched some architectural products during the quarter.
- The Profitability of JV Berger Becker Coatings Private remained impacted due to provisions made during the quarter.
- The company has entered into waterproofing construction chemical and will have scientific approach towards waterproofing solution and is also seeing encouraging response.
- Emulsion range (low to high price) which was launched last quarter is doing well for the company. Some of the products which are doing well are weathercoat champ, walmasta light, walmasta glow & Bison glow.
- The Company does not have significant impact due to Coronavirus.
- For the Company, new dealership continues to grow led by Tier II and Tier III cities.

Management Guidance:

- The Management expects automotive sector to revive in next 2-3 quarters.
- Expected CAPEX for FY20-Rs. 250 cr
- Expected tax rate for FY21-25%

Exhibit: Domestic Volume Growth

Volume growth remained impacted on account of late monsoons, early Diwali and general demand conditions.

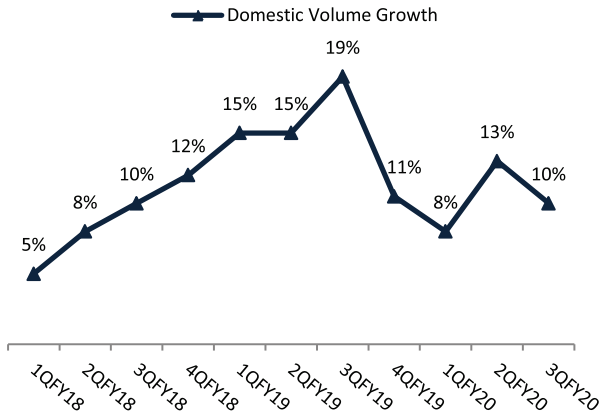


Exhibit: Revenue and revenue growth trend

Revenue growth remained impacted due to subdued performance of decorative and automotive business.

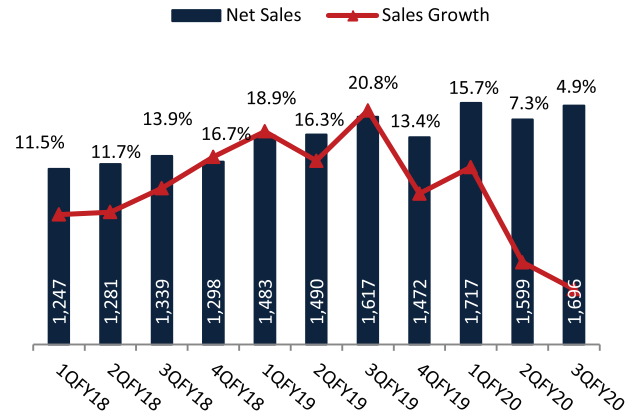


Exhibit: Gross & EBITDA margin trend

GrossM expansion led by input deflation while EBITDAM expansion remained low due to increase in other expense.

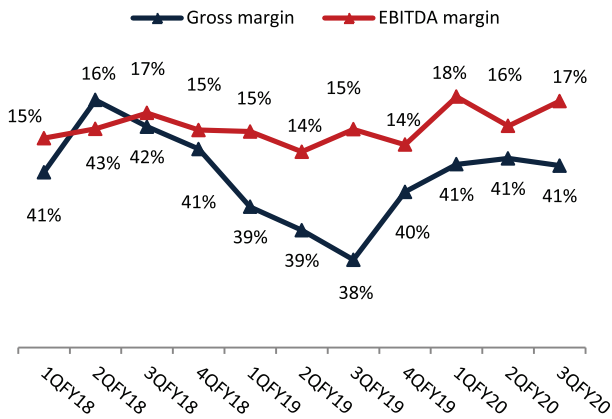


Exhibit: EBITDA & EBITDA margin trend

EBITDA margin expansion remained low due to increase in other expense by 199 bps to 17.5% YoY.

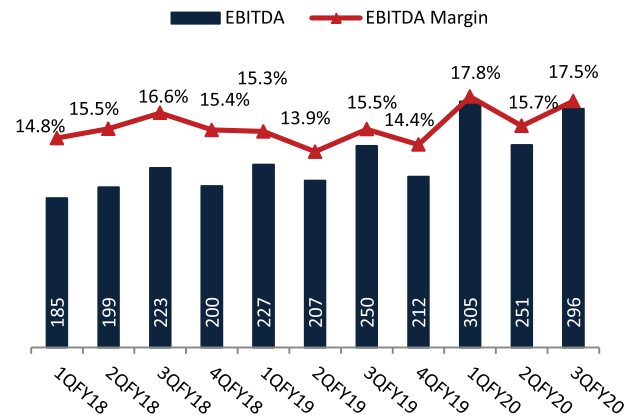


Exhibit: PAT and PAT growth trend

PAT grew by 10.7% YoY to Rs. 182 cr. in 3QFY20 with PAT margin at 10.7%.

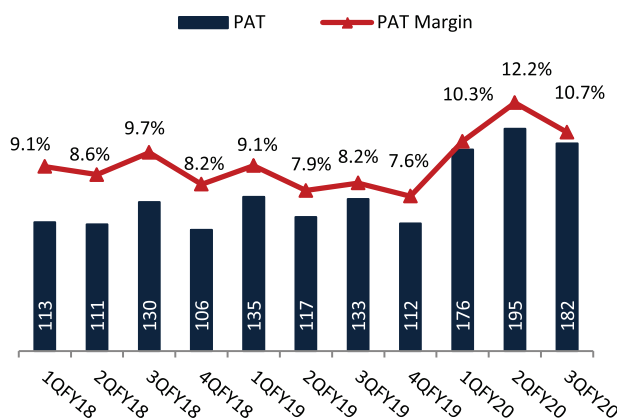
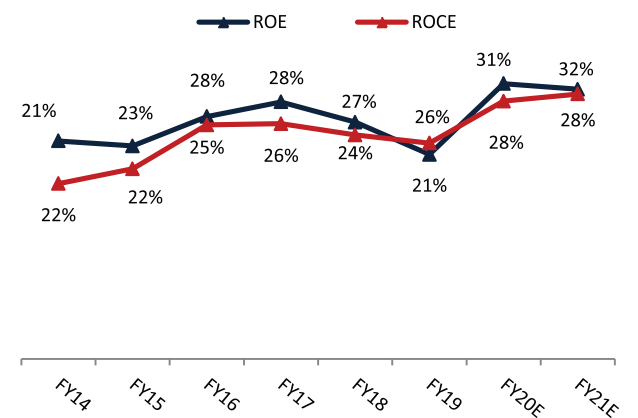


Exhibit: Return Ratios

Return on equity is expected to be at 32% in FY21.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	69	69	69	97	97	97	97	97
Reserves	1,051	1,245	1,493	1,804	2,097	2376	2933	3534
Net Worth	1,120	1,314	1,562	1,902	2,195	2473	3030	3631
Minority Interest	-	-	-	-	-	3	3	3
Debt	528	584	310	406	422	484	272	317
Other Non Current Liab	78	68	81	97	97	115	115	115
Total Capital Employed	1,727	1,965	1,952	2,405	2,713	3075	3420	4066
Net Fixed Assets (incl CWIP)	774	812	828	1,019	1,100	1273	1839	2081
Investment in JVs	-	41.8	47.6	104.9	105.5	144	144	144
Other non-current assets	273	245	263	248	370	351	351	351
Non Current Assets	1,048	1,099	1,138	1,373	1,575	1768	2335	2577
Inventory	696	694	733	935	1,007	1234	1293	1507
Debtors	486	500	545	578	692	671	731	855
Cash & Bank	184	74	42	45	84	57	64	340
Other Current Assets	182	300	419	509	585	632	358	375
Current Assets	1,547	1,568	1,739	2,068	2,368	2595	2446	3077
Creditors	544	538	670	761	955	999	1047	1221
Provisions	106	19	23	30	31	32	35	41
Other Current Liabilities	218	145	232	244	244	257	279	326
Curr Liabilities	868	702	925	1,035	1,230	1288	1361	1588
Net Current Assets	679	867	814	1,032	1,138	1306	1085	1489
Total Assets	2,595	2,667	2,877	3,440	3,943	4363	4781	5654

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY20E
Revenue from Operation	3,870	4,322	4,223	4,552	5,166	6,062	6596	7718
Change (%)	16%	12%	-2%	8%	13%	17%	9%	17%
Other Income	36	36	35	55	46	60	80	90
EBITDA	431	511	645	719	807	882	1144	1359
Change (%)	16%	18%	26%	11%	12%	9%	30%	19%
Margin (%)	11%	12%	15%	16%	16%	15%	17%	18%
Depr & Amor.	71	93	99	108	124	138	148	178
EBIT	361	418	546	611	683	744	996	1181
Int. & other fin. Cost	47	50	27	16	25	32	35	37
EBT	350	404	553	649	704	772	1041	1234
Exp Item	-	-	-	44	-	-	0	0
Tax	101	139	189	229	244	273	262	311
share of profit/(loss) of associates	-	-	6	10	1	(1)	-6	-6
Minority Interest	-	-	-	-	-	0	-	-
Reported PAT	249	265	371	429	461	498	773	917
Adjusted PAT	249	265	371	474	461	498	773	917
Change (%)	14%	6%	40%	28%	-3%	8%	55%	19%
Margin(%)	6%	6%	9%	10%	9%	8%	12%	12%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Current Ratio	1.8	2.2	1.9	2.0	1.9	2.0	1.8	1.9
Debt-Equity Ratio	0.5	0.4	0.2	0.2	0.2	0.2	0.1	0.1
Interest Coverage Ratio	7.7	8.3	20.0	37.6	27.8	23.0	28.5	31.9
Capital Turnover Ratio	3.1	2.8	2.4	2.1	2.1	2.2	2.2	2.1
Fixed Asset Turnover Ratio	5.0	5.4	5.2	4.9	4.9	5.1	4.2	3.9
Inventory Days outstanding	108.3	100.0	108.3	131.7	122.2	121.7	121.7	121.7
Accounts Receivable Days outstanding	45.8	42.3	47.1	46.4	48.9	40.4	40.4	40.4
Accounts Payable Days outstanding	84.7	77.6	99.0	107.2	115.8	98.6	98.6	98.6
ROCE	20.9%	22.7%	27.9%	28.0%	26.7%	25.7%	30.7%	31.6%
ROE	22.3%	21.7%	24.8%	26.3%	24.2%	20.9%	28.1%	27.5%
FCF per Share	1.0	3.7	6.9	1.3	1.4	1.6	8.5	7.2
Price / EPS	31.9	54.7	45.8	49.5	54.0	63.1	64.4	54.3
Price / Book Value	7.1	11.0	10.9	12.3	11.3	12.7	16.4	13.7
EV/EBITDA	19.0	28.9	26.1	32.5	30.8	35.7	43.4	36.4
EV/Sales	2.1	3.4	4.0	5.1	4.8	5.2	7.5	6.4
Div Yield	1.0%	0.6%	0.8%	0.7%	0.7%	0.6%	0.5%	0.6%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	350	404	559	703	705	771	1,035	1,228
(inc)/Dec in Working Capital	(26)	12	114	(128)	(128)	(93)	229	(129)
Non Cash Op Exp	45	76	73	22	98	94	68	88
Int Paid (+)	43	45	27	16	25	32	35	37
Tax Paid	(102)	(122)	(178)	(220)	(277)	(243)	(262)	(311)
CF from Op. Activities	310	414	595	395	422	562	1,105	914
(inc)/Dec in FA & CWIP	(242)	(160)	(118)	(264)	(290)	(317)	(280)	(212)
Free Cashflow	68	254	477	130	132	245	825	702
(Pur)/Sale of Inv	(79)	(38)	(148)	(37)	162	(3)	-	-
others	20	15	6	(7)	(56)	(89)	80	90
CF from Inv. Activities	(301)	(184)	(259)	(308)	(183)	(409)	(200)	(122)
inc/(dec) in NW	0	0	0	0	-	0	-	-
inc/(dec) in Debt	52	(15)	(232)	51	29	62	(212)	45
Int. Paid	(42)	(45)	(27)	(16)	(25)	(30)	(35)	(37)
Div Paid (inc tax)	(62)	(138)	(108)	(117)	(205)	(211)	(222)	(316)
others	-	-	-	0	-	0	-	-
CF from Fin. Activities	(52)	(198)	(368)	(82)	(200)	(179)	(470)	(308)
Inc(Dec) in Cash	(43)	32	(32)	4	38	(27)	435	484
Add: Opening Balance	227	47	74	42	45	84	57	493
Closing Balance	184	79	42	45	84	57	493	977

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