

Industry
Bloomberg
BSE CODE

Consumers
BRGR IN
509480

RATING	NEUTRAL
CMP	511
Price Target	525
Potential Upside	3%
Rating Change	↔
Estimate Change	↔
Target Change	↑

STOCK INFO	
52wk Range H/L	597/300
Mkt Capital (Rs Cr)	49605
Free float (%)	25%
Avg. Vol 1M (,000)	53
No. of Shares (Cr.)	97
Promoters Pledged %	NA

RESEARCH ANALYST

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Higher other income increased profitability

4QFY20 Result Update

- In 4QFY20, BERGEPAIN revenue decline by 8% YoY to Rs. 1355 cr. Impacted on account of nation-wide lockdown amidst COVID-19 in 4th week of 4QFY20. However the business remained impacted from the 15th March itself.
- The Company's domestic decorative remained impacted due COVID-19 turbulence; automotive business remained subdued on account of slowdown in automotive sector.
- Gross margin improved by 365 bps to 43.6% YoY on account of decline in raw material prices (solvent based products, monomers and mineral turpentine) while EBITDA margin expanded by only 100 bps to 15.4% YoY led by increase in other and employee expenses.
- PAT for the quarter stood at Rs. 103 cr. Impacted on account of lower top line with PAT margin of 7.6% and PAT de-growth at 7.8% YoY. However, higher other income on account of dividend received to the extent of Rs. 100 cr. from subsidiaries favoured PAT.
- The Company witnessed strong performance from subsidiaries in Berger Jenson & Nicholson (Nepal), Saboo coatings (Chandigarh) and Bolix S.A. (Poland) resulting into higher revenue and profitability at consolidated level while Nepal and UK business remained impacted due to COVID-19.

View and Valuation

BERGEPAIN 4QFY20 revenue remained impacted amidst COVID-19. The Company's domestic business remained impacted due to COVID outbreak which impacted the overall standalone revenue while PAT remained higher on account of higher other income on account of dividend received from subsidiary. Going forward, all the plants are running except plants in containment zones. The company is receiving good response from Tier III and Tier IV cities as they remained less impacted due to COVID while Tier I cities and western part of India are still under stress. The prices are expected to remain stable but the company may pass the benefits if the RM prices declines further. On the international business front the subsidiary in Poland is performing well while the UK and Nepal remained impacted due to lockdown there. Gross margin expansion is expected to get driven by benign crude prices while currency fluctuation risk will continue to pertain as the company imports some of the raw materials. Going forward after considering slowdown in automotive segment, slowdown in tier 1 cities, stress in demand, labor unavailability we maintain our NEUTRAL rating on stock with a target price of slowdown, scenario in the domestic market and sharp run up in stock price we have maintained our NEUTRAL recommendation with a target price of Rs. 525.

Key Risks to our rating and target

- Further increase in COVID -19 affected states.
- Steep increase in input prices.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20
Net Sales	4223	4552	5166	6062	6366
EBITDA	645	719	807	882	1061
EBIT	546	611	683	744	870
PAT	371	474	461	498	656
EPS (Rs)	4	5	5	5	7
EPS growth (%)	40%	28%	-3%	8%	32%
ROE (%)	25%	26%	24%	21%	26%
ROCE (%)	28%	28%	27%	26%	27%
BV	16	20	23	25	27
P/B (X)	10.9	12.4	11.4	12.7	17.4
P/E (x)	45.8	49.6	54.1	63.3	70.4

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4QFY20 Results

Mixed numbers

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	1,472	1,717	1,599	1,696	1,355	-8.0%	-20.1%	6,062	6,366	5.0%
Other Income	16	22	16	14	17	1.1%	16.8%	60	69	14.1%
Total Revenue	1,489	1,738	1,614	1,710	1,371	-7.9%	-19.8%	6,122	6,434	5.1%
COGS	884	1,015	943	1,004	764	-13.6%	-23.9%	3,700	3,726	0.7%
Gross Margin	40%	41%	41%	41%	44%	3.7%	2.8%	39%	41%	2.5%
Employee Cost	105	112	113	105	124	17.5%	18.2%	409	453	10.8%
Other Expenses	271	284	292	291	259	-4.6%	-11.1%	1,072	1,127	5.1%
EBITDA	212	305	251	296	208	-1.6%	-29.7%	882	1,061	20.4%
EBITDA Mar.	14%	18%	16%	17%	15%	1.0%	-2.1%	15%	17%	2.1%
Depreciation	35	46	47	48	49	42.5%	2.2%	138	191	38.6%
EBIT	177	259	204	248	159	-10.2%	-35.8%	744	870	17.0%
Interest	10	10	10	13	14	45.5%	11.2%	32	47	45.5%
PBT	184	271	209	250	162	-12.1%	-35.2%	772	892	15.6%
Excpt Item	-	-	-	-	-	0.0%	0.0%	-	(8)	-
Tax	72	94	13	64	56	-22.3%	-12.1%	273	227	-16.9%
Share of profit/(loss) from associates	(0)	-	(2)	(4)	(2)	533%	-38.7%	(1)	-	-100%
Minority Int	0	-	-	-	-	0.0%	0.0%	0	-	0.0%
PAT	112	176	195	182	103	-7.7%	-43.3%	498	656	31.8%
PAT Margin	8%	10%	12%	11%	8%	0.0%	-3.1%	8%	10%	2.1%

Concall Highlights

4QFY20 Result Update:

- As per Management Rural is doing better due to lesser effect of Pandemic as compared to metros like Mumbai, Ahmedabad, Delhi and Chennai.
- The Company saw sharp decline in certain Raw materials like solvent based products, monomers and mineral turpentine in 4QFY20.
- The Company import 10% of RM from china but if the supply gets disturbed the company has the options to switch to substitute and can import the same from other countries.
- As per the company sales is coming back almost to pre COVID-19 level.
- Gross margin expansion for the quarter was driven by lower raw material and crude prices.
- The Company undertook price reduction in solvent based products in the start of 2019. The Total price decrease at a portfolio level stood at ~2% in FY20 (taken in first 3 Quarters of FY20)
- Higher other income on account of dividend received to the extent of Rs. 100 cr. from subsidiaries in 4QFY20.
- Provision for taxation in standalone remained lower due to lower corporate tax rate.
- As per the company if RM prices continues to decline then the company may look at passing the benefit to consumers.
- The Company is also running strong safety campaign to promote safe painting to its consumers and the cost charged to customer is marginal.
- The Company did not reduced Ad spends in 4QFY20 despite COVID-19.
- In FY21 the company will focus on reducing cost through reduction in RM (will try to offset increase in diesel price with negotiation in freight), travelling, maintenance and manual cost.
- For the Company dealers count grew by 10-12% in FY20.
- Expected CAPEX for FY21: Rs. 200-250 cr.

Subsidiary Performance:

- The Company witnessed strong performance from subsidiaries in Berger Jenson & Nicholson (Nepal), Saboo coatings (Chandigarh) and Bolix S.A. (Poland) resulting into higher revenue and profitability at consolidated level.
- As per Management, Poland (Insulation business) posted healthy growth effected by the pandemic whereas Nepal and UK remained impacted by the lockdown.

Exhibit: Revenue and revenue growth trend

Sales remained impacted on account of nation wide lockdown due to COVID-19.

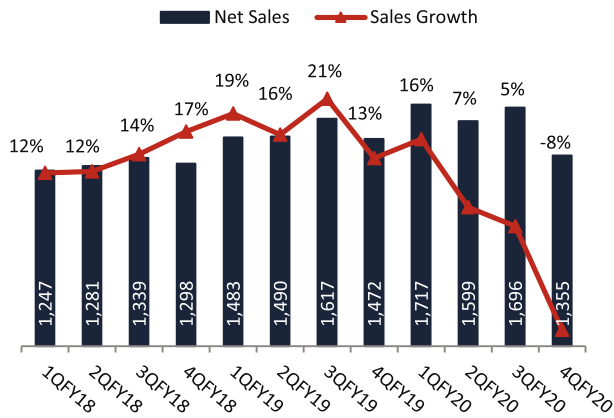


Exhibit: Gross & EBITDA margin trend

GROSSM. expansion led by decline in RM prices while increase in emp. exp. reduced EBITDAM. expansion.

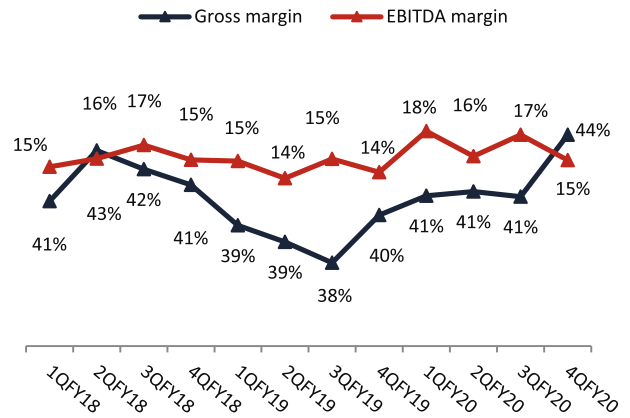


Exhibit: EBITDA & EBITDA margin trend

EBITDAM expansion remained low due to increase in employee and other expense.

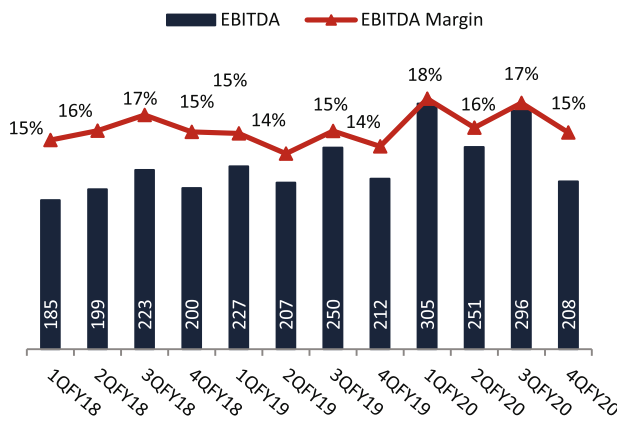


Exhibit: PAT and PAT growth trend

PAT growth led by decline in tax rate at standalone basis.

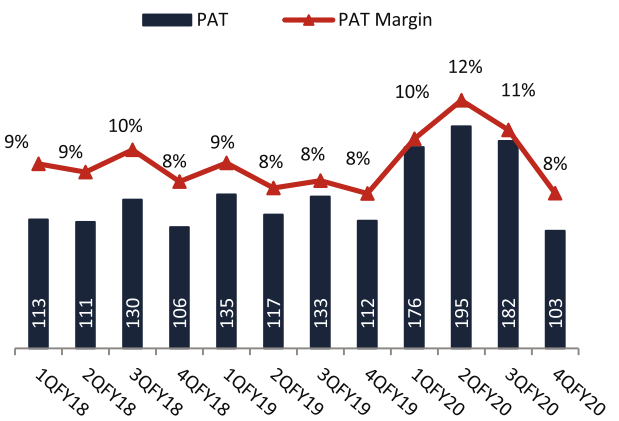
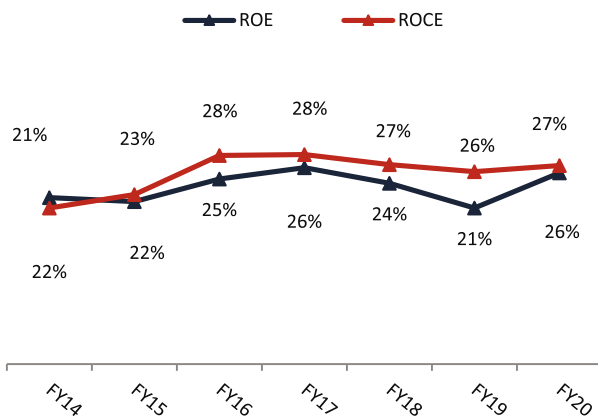


Exhibit: Return Ratios

ROE and ROCE for FY20 stood at 26% and 27% respectively.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Share Capital	69	69	69	97	97	97	97
Reserves	1,051	1245	1493	1804	2097	2376	2563
Net Worth	1,120	1314	1562	1902	2195	2473	2660
Minority Interest	-	0	0	0	0	3	7
Debt	528	584	310	406	422	484	536
Other Non Current Liab	78	68	81	97	97	115	288
Total Capital Employed	1,727	1965	1952	2405	2713	3075	3491
Net Fixed Assets (incl CWIP)	774	812	828	1019	1100	1273	1815
Investment in JVs	-	42	48	105	106	144	136
Other non-current assets	273	245	263	248	370	351	368
Non Current Assets	1,048	1099	1138	1373	1575	1768	2319
Inventory	696	694	733	935	1007	1234	1278
Debtors	486	500	545	578	692	671	714
Cash & Bank	184	74	42	45	84	57	79
Other Current Assets	182	300	419	509	585	632	515
Current Assets	1,547	1568	1739	2068	2368	2595	2586
Creditors	544	538	670	761	955	999	1066
Provisions	106	19	23	30	31	32	46
Other Current Liabilities	218	145	232	244	244	257	302
Curr Liabilities	868	702	925	1035	1230	1288	1414
Net Current Assets	679	867	814	1032	1138	1306	1172
Total Assets	2,595	2667	2877	3440	3943	4363	4905

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenue from Operation	3,870	4322	4223	4552	5166	6062	6366
Change (%)	16%	12%	-2%	8%	13%	17%	5%
Other Income	36	36	35	55	46	60	69
EBITDA	431	511	645	719	807	882	1061
Change (%)	16%	18%	26%	11%	12%	9%	20%
Margin (%)	11%	12%	15%	16%	16%	15%	17%
Depr & Amor.	71	93	99	108	124	138	191
EBIT	361	418	546	611	683	744	870
Int. & other fin. Cost	47	50	27	16	25	32	47
EBT	350	404	553	649	704	772	892
Exp Item	-	0	0	44	0	0	-8
Tax	101	139	189	229	244	273	227
share of profit/(loss) of associates	-	0	6	10	1	-1	0
Minority Interest	-	-	-	-	-	0	-
Reported PAT	249	265	371	429	461	498	665
Adjusted PAT	249	265	371	474	461	498	656
Change (%)	14%	6%	40%	28%	-3%	8%	32%
Margin(%)	6%	6%	9%	10%	9%	8%	10%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Current Ratio	1.8	2.2	1.9	2.0	1.9	2.0	1.8
Debt-Equity Ratio	0.5	0.4	0.2	0.2	0.2	0.2	0.2
Interest Coverage Ratio	7.7	8.3	20.0	37.6	27.8	23.0	18.5
Capital Turnover Ratio	3.1	2.8	2.4	2.1	2.1	2.2	2.2
Fixed Asset Turnover Ratio	5.0	5.4	5.2	4.9	4.9	5.1	4.1
Inventory Days outstanding	108.3	100.0	108.3	131.7	122.2	121.7	125.2
Accounts Receivable Days outstanding	45.8	42.3	47.1	46.4	48.9	40.4	40.9
Accounts Payable Days outstanding	84.7	77.6	99.0	107.2	115.8	98.6	104.4
ROCE	20.9%	22.7%	27.9%	28.0%	26.7%	25.7%	26.5%
ROE	22.3%	21.7%	24.8%	26.3%	24.2%	20.9%	25.6%
FCF per Share	1.0	3.7	6.9	1.3	1.4	2.5	3.0
Price / EPS	31.9	54.7	45.8	49.6	54.1	63.3	70.4
Price / Book Value	7.1	11.0	10.9	12.4	11.4	12.7	17.4
EV/EBITDA	19.0	28.9	26.2	32.6	30.9	35.7	43.6
EV/Sales	2.1	3.4	4.0	5.1	4.8	5.2	7.3
Div Yield	1.0%	0.6%	0.8%	0.7%	0.7%	0.6%	0.6%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20
PBT	350	404	559	703	705	771	883
(inc)/Dec in Working Capital	(26)	12	114	(128)	(128)	(93)	(100)
Non Cash Op Exp	45	76	73	22	98	94	149
Int Paid (+)	43	45	27	16	25	32	47
Tax Paid	(102)	(122)	(178)	(220)	(277)	(243)	(263)
CF from Op. Activities	310	414	595	395	422	562	725
(inc)/Dec in FA & CWIP	(242)	(160)	(118)	(264)	(290)	(317)	(431)
Free Cashflow	68	254	477	130	132	245	294
(Pur)/Sale of Inv	(79)	(38)	(148)	(37)	162	(3)	3,297
others	20	15	6	(7)	(56)	(89)	(3,089)
CF from Inv. Activities	(301)	(184)	(259)	(308)	(183)	(409)	(223)
inc/(dec) in NW	0	0	0	0	-	0	0
inc/(dec) in Debt	52	(15)	(232)	51	29	62	52
Int. Paid	(42)	(45)	(27)	(16)	(25)	(30)	(31)
Div Paid (inc tax)	(62)	(138)	(108)	(117)	(205)	(211)	(382)
others	-	-	-	0	-	0	(118)
CF from Fin. Activities	(52)	(198)	(368)	(82)	(200)	(179)	(479)
Inc(Dec) in Cash	(43)	32	(32)	4	38	(27)	22
Add: Opening Balance	227	47	74	42	45	84	57
Closing Balance	184	79	42	45	84	57	79

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