

4<sup>th</sup> February 2025

CMP – ₹2,731/-

 View – **BOOK PROFIT**
**Q3FY25 Result Highlights**

- Consolidated revenue increased by 13% YoY and 6% QoQ to ₹25.6bn. Volume tonnage grew by 5% YoY and 4% QoQ to 76,343 MT, while realization increased by 7% YoY and 2% QoQ to ₹335/kg.
- EBITDA stood at ₹6.0bn, with the EBITDA margin contracting 31 bps YoY and 50 bps QoQ to 23.5%. The benefit from lower freight costs QoQ was offset by higher employee costs and other non-freight expenses.
- EBITDA margin for Q3FY25 was 23.5% vs. 23.8% YoY and 24.0% QoQ.
- PAT stood at ₹4.49bn, with a net profit margin of 18% in Q3FY25.
- **Demand outlook remains challenging:**
  - The company anticipates minor sales growth in FY25, given the challenging market scenario. Despite channel de-stocking, volumes grew during the quarter, but there were no significant market share gains.
  - **America:** Growth was driven by a focus on products and infrastructure. Demand is expected to stabilize and grow in the coming periods.
  - **India:** The company is witnessing strong growth, partly due to BIL's lower base. It holds a 6-7% market share in India, similar to its global share, with a ~10% share in the Agri segment.
  - **Europe:** Demand remains weak.
  - **Rest of the World (RoW):** Growth in regions such as Africa, the Middle East, Australia, and New Zealand is sustainable.
  - Inventory levels remain comfortable, with the primary concern being EU agri replacement demand.
- On the raw material (RM) cost front, RM costs increased by 12% YoY and 7% QoQ. Management stated that the major impact will be visible in Q4FY25 due to the lag in shipping time. However, RM costs are expected to remain stable in the coming quarters. The company has not implemented any price hikes in Q3 or January. RM costs, as a percentage of sales, are likely to increase by ~100 bps in Q4, but are expected to stabilize thereafter.
- **Carbon Black Project** – The 30,000 MTPA advanced carbon black plant, completed in September last year, is currently undergoing customer testing for non-tire grade applications such as plastics, ink, and paint. Revenue contribution from third-party carbon black sales stands at 9-10%. Profitability in this segment is expected to meet or slightly exceed industry standards but may remain below the company's average margins.
- **Capex Update** – The company remains on track to complete the 35,000 MTPA OTR tire project, which was announced in August last year, by H1FY26. The company has guided for a capex of ₹11-12bn for FY26 and has incurred ₹9.68bn in capex during 9MFY25.

**Important Statistics**

|                        |            |
|------------------------|------------|
| <b>Nifty</b>           | 23,361     |
| <b>Sensex</b>          | 77,186     |
| <b>MCAP (₹ bn)</b>     | ₹526.00    |
| <b>52 Week H/L (₹)</b> | 3375/2194  |
| <b>NSE Code</b>        | BALKRISIND |
| <b>BSE Code</b>        | 502355     |
| <b>Bloomberg Code</b>  | BIL:IN     |

| Shareholding Pattern | Dec'24 (%) |
|----------------------|------------|
| <b>Promoters</b>     | 58.29      |
| <b>DIIs</b>          | 23.96      |
| <b>FIIIs</b>         | 11.28      |
| <b>Public</b>        | 6.47       |

**FINANCIALS**

| Particulars              | FY23  | FY24  | FY25E  | FY26E  |
|--------------------------|-------|-------|--------|--------|
| <b>Revenue</b>           | 97595 | 93689 | 101160 | 112653 |
| <b>EBITDA</b>            | 17071 | 22554 | 25290  | 27600  |
| <b>EBITDA Margin (%)</b> | 17%   | 24%   | 25%    | 25%    |
| <b>Net Profit</b>        | 10574 | 14715 | 17040  | 18607  |
| <b>EPS (₹)</b>           | 55    | 76    | 88     | 96     |
| <b>RoE (%)</b>           | 14    | 16    | 16     | 15     |
| <b>RoCE (%)</b>          | 10    | 13    | 13     | 12     |
| <b>P/E (x)</b>           | 50    | 36    | 31     | 28     |
| <b>EV/EBITDA (x)</b>     | 33    | 25    | 22     | 20     |

Source: Company, Way2Wealth

**Relative Comparison**

| Return (%) | 1 Yr        | 3Yr         | 5 Yr         |
|------------|-------------|-------------|--------------|
| <b>BIL</b> | <b>17.9</b> | <b>24.1</b> | <b>298.9</b> |
| Nifty 50   | 24.2        | 45.7        | 118.9        |
| Sensex     | 20.7        | 42.1        | 111.6        |

Source: Company, Way2Wealth

**Rupali Singh**
[rupalisingh@way2wealth.com](mailto:rupalisingh@way2wealth.com)

91-22-4019 2907


 4<sup>th</sup> February 2025

CMP – ₹2,731/-

 View – **BOOK PROFIT**

 ➤ **Other updates –**

- Interim dividend of ₹4/share has been declared, bringing the total dividend for 9MFY25 to ₹12/share.
- EU/INR realization rate for the quarter stood at 92, with expectations of 92-93 in the next quarter.
- In India, the market share stands at 6-7%, with agriculture at ~10% and industrial, construction, and mining at 3-4%.
- EUDR regulation has been deferred by one year, now set to take effect from January 1, 2026, but the company is fully prepared for its implementation.
- The company has no current plans for a buyback.

**View**

- While the market environment remains challenging, management does not expect any significant volume growth in FY25, maintaining its earlier guidance. Demand in India remains strong, whereas international markets are likely to face headwinds due to macroeconomic uncertainties and geopolitical tensions. Given the near-term uncertainties and lack of clear visibility on business normalization, we anticipate margins to remain under pressure in Q4FY25. Elevated raw material and freight costs, which increased in November and December 2024, are expected to impact financials with a lag.
- While near-term earnings may remain under pressure, we project a CAGR of 10% in Revenue, 11% in EBITDA, and 12% in PAT over FY24-26E. At the current price of ₹2,731, the stock is valued at 28x FY26E EPS of ₹96 and 20x EV/EBITDA on FY26E. **Given these headwinds in the sector and anticipation of subdued performance, we recommend booking profits on the stock.**

4<sup>th</sup> February 2025

CMP – ₹2,731/-

View – **BOOK PROFIT**

**Consolidated Quarterly Performance**

(₹ mn)

| Particulars                 | Q3FY25         | Q3FY24         | YoY (%)     | Q2FY25         | QoQ (%)     | 9MFY25        | 9MFY24        | YoY (%)     |
|-----------------------------|----------------|----------------|-------------|----------------|-------------|---------------|---------------|-------------|
| Volume (tonnes)             | 76,343         | 72,749         | 4.9         | 73,298         | 4.2         | 2,33,211      | 2,10,543      | 10.8        |
| Realisation (₹ per Kgs)     | 335            | 313            | 7.3         | 330            | 1.6         | 330           | 318           | 3.9         |
| <b>Revenue</b>              | <b>25,603</b>  | <b>22,744</b>  | <b>12.6</b> | <b>24,197</b>  | <b>5.8</b>  | <b>76,946</b> | <b>66,870</b> | <b>15.1</b> |
| Cost of matl                | 12,644         | 10,849         | 16.6        | 11,293         | 12.0        | 36,687        | 31,850        | 15.2        |
| Stock Purchases             | 361            | 301            | 19.9        | 290            | 24.3        | 1,000         | 862           | 16.0        |
| Inventory Changes           | (677)          | (123)          | 452.7       | (44)           | 1,431.7     | (868)         | (353)         | 146.0       |
| Employee Costs              | 1,447          | 1,263          | 14.6        | 1,305          | 10.9        | 4,047         | 3,691         | 9.6         |
| Other Exps                  | 5,821          | 5,048          | 15.3        | 5,555          | 4.8         | 17,640        | 15,076        | 17.0        |
| <b>EBITDA</b>               | <b>6,007</b>   | <b>5,406</b>   | <b>11.1</b> | <b>5,798</b>   | <b>3.6</b>  | <b>18,441</b> | <b>15,742</b> | <b>17.1</b> |
| <b>EBITDA Margin (%)</b>    | <b>23.5</b>    | <b>23.8</b>    |             | <b>24.0</b>    |             | <b>24.0</b>   | <b>23.5</b>   |             |
| Other Income                | 1,873          | 656            | 185.4       | 905            | 107.0       | 4,394         | 2,785         | 57.8        |
| Depreciation                | 1,726          | 1,609          | 7.3         | 1,664          | 3.7         | 5,024         | 4,766         | 5.4         |
| Finance Cost                | 157            | 364            | (56.9)      | 412            | (61.9)      | 788           | 820           | (3.9)       |
| Exceptional Item            | -              | -              | -           | -              | -           | -             | -             | -           |
| PBT                         | 5,997          | 4,089          | 46.6        | 4,626          | 29.6        | 17,022        | 12,942        | 31.5        |
| Tax                         | 1,502          | 1,035          | 45.1        | 1,157          | 29.8        | 4,158         | 3,094         | 34.4        |
| <b>Net Profit</b>           | <b>4,494.8</b> | <b>3,054.2</b> | <b>47.2</b> | <b>3,469.4</b> | <b>29.6</b> | <b>12,864</b> | <b>9,847</b>  | <b>30.6</b> |
| <b>Net Profit margins %</b> | <b>18%</b>     | <b>13%</b>     |             | <b>14%</b>     |             | <b>17%</b>    | <b>15%</b>    |             |
| EPS (₹)                     | 23             | 16             | 47.2        | 18             | 29.6        | 67            | 51            | 30.6        |

| As % of Sales | Q3FY25 | Q3FY24 | YoY (bps) | Q2FY25 | QoQ (bps) | 9MFY25 | 9MFY24 | YoY (bps) |
|---------------|--------|--------|-----------|--------|-----------|--------|--------|-----------|
| Material Cost | 48.2   | 48.5   | (33)      | 47.7   | 46        | 47.8   | 48.4   | (54)      |
| Gross Profit  | 51.8   | 51.5   | 33        | 52.3   | (46)      | 52.2   | 51.6   | 54        |
| Employee Exps | 5.7    | 5.6    | 10        | 5.4    | 26        | 5.3    | 5.5    | (26)      |
| Other Exps    | 22.7   | 22.2   | 54        | 23.0   | (22)      | 22.9   | 22.5   | 38        |

Source: Company, Way2Wealth

| Segmental volume mix (%)                      | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | 9MFY25 |
|-----------------------------------------------|------|------|------|------|------|------|------|------|--------|
| <b>Agriculture</b>                            | 62.4 | 62.4 | 61.1 | 61.5 | 64.0 | 65.5 | 62.7 | 60.5 | 59.0   |
| <b>OTR (Industrial, mining, construction)</b> | 33.8 | 33.8 | 35.5 | 35.0 | 32.0 | 31.1 | 34.2 | 36.2 | 37.6   |
| <b>Others</b>                                 | 3.8  | 3.8  | 3.4  | 3.5  | 4.0  | 3.3  | 3.1  | 3.3  | 3.4    |

| Channel-wise mix (%)                     | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | 9MFY25 |
|------------------------------------------|------|------|------|------|------|------|------|------|--------|
| <b>OEM</b>                               | 23.5 | 25.6 | 26.9 | 25.5 | 26.0 | 27.7 | 27.9 | 27.0 | 25.2   |
| <b>Replacement</b>                       | 73.8 | 71.4 | 71.2 | 71.5 | 70.0 | 69.1 | 69.5 | 71.1 | 73.3   |
| <b>Off-take (contract manufacturing)</b> | 2.7  | 3.0  | 1.9  | 3.0  | 4.0  | 3.3  | 2.6  | 1.9  | 1.5    |

| Region-wise mix (%)  | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | 9MFY25 |
|----------------------|------|------|------|------|------|------|------|------|--------|
| <b>Europe</b>        | 54.2 | 53.9 | 50.4 | 51.0 | 50.0 | 53.9 | 50.5 | 47.1 | 42.6   |
| <b>America</b>       | 15.3 | 15.0 | 16.7 | 17.0 | 15.0 | 17.3 | 17.9 | 16.9 | 16.4   |
| <b>Rest of World</b> | 14.9 | 14.7 | 14.6 | 12.0 | 12.0 | 11.9 | 10.0 | 9.2  | 12.1   |
| <b>India</b>         | 15.6 | 16.4 | 18.3 | 20.0 | 23.0 | 17.6 | 21.6 | 26.8 | 28.9   |

Source: Company, Way2Wealth

**FINANCIALS & VALUATIONS**

(₹ mn)

| Particulars              | FY22        | FY23        | FY24        | FY25E       | FY26E       |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Volume (tonnes)          | 2,88,795    | 3,01,181    | 2,92,628    | 3,04,515    | 3,29,779    |
| YoY Growth (%)           | 27%         | 4%          | -3%         | 4%          | 8%          |
| Realisation (₹ /Kg)      | 287         | 324         | 320         | 332         | 342         |
| YoY Growth (%)           | 13%         | 13%         | -1%         | 4%          | 3%          |
| Revenue                  | 82,951      | 97,595      | 93,689      | 1,01,160    | 1,12,653    |
| YoY Growth (%)           | 43%         | 18%         | -4%         | 8%          | 11%         |
| EBITDA (₹ mn)            | 20,088      | 17,071      | 22,554      | 25,290      | 27,600      |
| <b>EBITDA Margin (%)</b> | <b>24.2</b> | <b>17.5</b> | <b>24.1</b> | <b>25.1</b> | <b>26.3</b> |
| YoY Growth (%)           | 11%         | -15%        | 32%         | 12%         | 9%          |
| Net Profit (₹ mn)        | 14,354      | 10,574      | 14,715      | 17,040      | 18,607      |
| EPS (₹)                  | 74.3        | 54.7        | 76.1        | 88.2        | 96.3        |
| RoE (%)                  | 20.0        | 13.6        | 16.0        | 15.6        | 14.6        |
| RoCE (%)                 | 16.0        | 10.2        | 13.0        | 12.9        | 12.2        |
| Net Debt/Equity (x)      | 0.4         | 0.4         | 0.4         | 0.3         | 0.3         |
| P/E (x)                  | 36.8        | 50.0        | 35.9        | 31.0        | 28.4        |
| EV/EBITDA (x)            | 27.6        | 32.9        | 24.8        | 22.1        | 20.3        |

Source: Company, Way2Wealth

**Disclaimer**

**Analyst Certification:** I, Rupali Singh, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Rupali Singh, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement BALKRISHNA INDUSTRIES Ltd. as on 4 February 2025**

|                                                                        |                           |
|------------------------------------------------------------------------|---------------------------|
| Name of the Security                                                   | BALKRISHNA INDUSTRIES Ltd |
| Name of the analyst                                                    | Rupali Singh              |
| Analysts' ownership of any stock related to the information contained  |                           |
| Financial Interest                                                     |                           |
| Analyst :                                                              | No                        |
| Analyst's Relative : Yes / No                                          | No                        |
| Date of buying                                                         | No                        |
| Analyst's Associate/Firm : Yes/No                                      | No                        |
| Conflict of Interest                                                   | No                        |
| Receipt of Compensation                                                | No                        |
| Way2Wealth ownership of any stock related to the information contained | NIL                       |
| Broking relationship with company covered                              | NIL                       |
| Investment Banking relationship with company covered                   | NIL                       |

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.