

**Q1FY25 Result Highlights**

- **Strong volume growth in Q1FY25 with demand persisting even as freight rates continued to rise** – Balkrishna Industries (BIL) reported Q1FY25 topline of ₹26.9bn, ~+25% YoY (flat QoQ) with volume growth of 24.3% YoY & 1.8% QoQ to 83.57k tonnes and ASP growth was flat YoY (-1.5% QoQ). Also lower last year sales along with export sales due to channel filing enabled topline growth. Freight cost/revenue jumped to 6.4% from 4.6% in Q1FY24 but is lower than 7.7% in Q4FY24. As per the management in Q2FY25 the Freight cost/revenue is likely to jump to 8% and the RM cost likely to grow by 2-3% going forward driven by natural rubber prices. The EBITDA grew 29.8% YoY (-4.5% QoQ) to ₹6.5bn with expansion in operating margin by 35 bps YoY (-100 bps QoQ) to 52.2% led by better product mix. As per the management, the demand in USA and Europe was unstable due to geopolitical risks and higher transportation costs is likely to lead to minor (low single digit) YoY growth in sales in FY25. Was able to pass on the transportation surcharge to its customers during the quarter. The inventory levels have seen a built up at the distributors end. Declared interim dividend of ₹4 per share (F.V of ₹2/-).
- Advanced carbon black plant (30,000MT capacity) to be completed by end-1HFY25 while the Mould Manufacturing by end-Q1FY25. ASP of carbon black likely to be 20-30% higher than the normal carbon black plant.
- The company has provided ₹40mn in Q1FY25 for EPR while for FY24 was at ₹15-20mn.
- **Volume mix by geographies in Q1FY25 : Europe – 46.7%, America – 14.3%, India – 29.4% and the RoW – 9.6%. Segmental Volume mix segment-wise: Agriculture – 60.3%, OTR –36.3% and Others – 3.4%. Channel-wise volume mix - Replacement – 73.5%, OEM – 24.8% and Others – 1.7%.**
- The management refrained from giving specific volume guidance overall due to ongoing geopolitics. It considers the India market to sustain the current growth in the medium to long term. It holds 6-7% market share domestically in the agricultural tyres category and expects to sustain at this level going forward. The company is looking out for market share gains in replacement market in India. Overall it has gained market share in India from 11% in FY22 to 27% in FY24. The company continues to target for a 10% market share in the global OHT segment in the next five years from the current market share of 5-6%.
- Carbon black sales at 8% of total revenues with focus to take it to 10%. Targeting sales of 200,000 MT in FY25 from 170,000 MT in FY24. 50% of carbon black sales is used inhouse with the rest to 3<sup>rd</sup> party.
- The management has announced capacity addition of 35,000MTPA (mainly for OTR) at Bhuj and to supplement it a new mould plant for inhouse usage, hence, the new capex spend of ₹13bn over next few years. Q1FY25/FY25 capex at ₹2bn/₹6-7bn.
- Gross debt at ₹27.71bn with cash at ₹29.47bn resulting in Net cash position of ₹1.75bn as on 30 June 2024.
- The forward hedge rate stood at ₹92/ Euro in Q1FY25 and going forward at ₹92.5/ Euro.

**Important Statistics**

<b>Nifty</b>	24,139
<b>Sensex</b>	78,956
<b>MCAP (₹bn)</b>	₹537.1
<b>52 Week H/L (₹)</b>	3375/2194
<b>NSE Code</b>	BALKRISIND
<b>BSE Code</b>	502355
<b>Bloomberg Code</b>	BIL:IN

<b>Shareholding Pattern</b>		<b>Jun'24 (%)</b>
<b>Promoters</b>		58.3
<b>DIIs</b>		22.4
<b>FIIIs</b>		12.6
<b>Public</b>		6.7

**FINANCIALS**

Particulars	₹ mn		
	FY21	FY22	FY23
<b>Revenue</b>	57,832	82,951	97,595
<b>EBITDA</b>	18,104	20,088	17,071
<b>EBITDA Margin (%)</b>	31.3	24.2	17.5
<b>Net Profit</b>	11,775	14,354	10,574
<b>EPS (₹)</b>	60.9	74.3	54.7
<b>RoE (%)</b>	21.4	20.7	14.0
<b>RoCE (%)</b>	19.5	20.5	12.6
<b>P/E (x)</b>	45.6	37.4	50.8
<b>EV/EBITDA (x)</b>	30.2	28.0	33.4
<b>P/BV (x)</b>	9.0	7.7	7.1

Particulars	₹ mn		
	FY24	FY25E	FY26E
<b>Revenue</b>	93,689	101,148	112,663
<b>EBITDA</b>	22,554	25,371	29,634
<b>EBITDA Margin (%)</b>	24.1	25.1	26.3
<b>Net Profit</b>	14,715	15,863	17,739
<b>EPS (₹)</b>	76.1	82.1	91.8
<b>RoE (%)</b>	19.5	16.5	17.0
<b>RoCE (%)</b>	17.8	14.3	16.4
<b>P/E (x)</b>	36.5	33.9	30.3
<b>EV/EBITDA (x)</b>	25.2	20.9	17.6
<b>P/BV (x)</b>	6.1	5.3	4.7

Source: Company, Way2Wealth

**Relative Comparison**

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

Source: Company, Way2Wealth

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 14<sup>th</sup> August 2024

CMP – ₹2,780.80/-

 View – **ACCUMULATE**
**View**

Balkrishna Industries Limited (BIL) reported strong growth due to channel filing and export growth even as the geo political risks and associated with the freight cost price rise continued. Despite strong Q1FY25 performance, it has guided for low-single digit growth YoY in FY25, resulting from weak demand trends in both agri and OTR segments, especially in the US region. Overall also the global tire companies believe the slowdown in agri and industrial segment demand in developed markets will not be deep and firmly believe that the growth prospects in the medium term will continue to remain strong led by growth in farm incomes and capex spends on infrastructure development. The management indicated that procurement cost of natural rubber will increase from US\$ 1,800 per ton to US\$2,000 per ton to meet the EU regulatory requirements, which will result in increased procurement cost for natural rubber. Also, we expect strong backward integration would help BIL to increase wallet share in Agri and OHT. **Hence, we continue to maintain our ACCUMULATE stance with stock trading at P/E 30.3x FY26E EPS of ₹91.8.**

14<sup>th</sup> August 2024

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View – **ACCUMULATE**

**FINANCIAL & OPERATING PERFORMANCE**

(₹ mn)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Volume (tonnes)	83,570	67,209	24.3	82,085	1.8	292,628	301,181	(2.8)
Realisation (₹ / Kg)	321.8	321.3	0.2	326.7	(1.5)	320.2	324.0	(1.2)
<b>Revenue</b>	<b>26,895.3</b>	<b>21,593.5</b>	<b>24.6</b>	<b>26,819.2</b>	<b>0.3</b>	<b>93,688.7</b>	<b>97,595.3</b>	<b>(4.0)</b>
Cost of matl	12,749.2	10,293.4	23.9	12,194.4	4.5	44,044.5	48,041.9	(8.3)
Stock Purchases	340.3	295.2	15.3	336.3	1.2	1,198.5	1,062.5	12.8
Inventory Changes	(230.8)	(188.1)	22.7	24.0	(1,061.7)	(328.8)	48.7	(775.2)
Employee Costs	1,160.1	1,186.3	(2.2)	1,303.8	(11.0)	4,995.1	4,594.3	8.7
Other Exps	6,372.1	4,997.4	27.5	6,149.5	3.6	21,225.7	26,776.8	(20.7)
<b>EBITDA</b>	<b>6,504.4</b>	<b>5,009.3</b>	<b>29.8</b>	<b>6,811.2</b>	<b>(4.5)</b>	<b>22,553.7</b>	<b>17,071.1</b>	<b>32.1</b>
<b>EBITDA Margin (%)</b>	<b>24.2</b>	<b>23.2</b>	<b>99</b>	<b>25.4</b>	<b>(121)</b>	<b>24.1</b>	<b>17.5</b>	<b>658</b>
Other Income	1,588.3	1,057.6	50.2	1,707.4	(7.0)	4,492.2	3,465.3	29.6
Depreciation	1,616.9	1,552.9	4.1	1,741.5	(7.2)	6,507.2	5,708.1	14.0
Finance Cost	209.7	217.1	(3.4)	308.7	(32.1)	1,128.7	480.4	135.0
Exceptional Item	-	-	-	-	-	-	-	-
PBT	6,266.1	4,296.9	45.8	6,468.4	(3.1)	19,410.0	14,347.9	35.3
Tax	1,493.2	978.2	52.6	1,600.9	(6.7)	4,695.1	3,773.9	24.4
<b>Net Profit</b>	<b>4,772.9</b>	<b>3,318.7</b>	<b>43.8</b>	<b>4,867.5</b>	<b>(1.9)</b>	<b>14,714.9</b>	<b>10,574.0</b>	<b>39.2</b>
EPS (₹)	24.7	17.2	43.8	25.2	(1.9)	76.1	54.7	39.2

As % of Sales	Q1FY25	Q1FY24	YoY(bps)	Q4FY24	QoQ(bps)	FY24	FY23	YoY(bps)
Matl Cost	47.8	48.2	(35)	46.8	100	47.9	50.4	(242)
Gross Profit	52.2	51.8	35	53.2	(100)	52.1	49.6	242
Employee Exps	4.3	5.5	(118)	4.9	(55)	5.3	4.7	62
Other Exps	23.7	23.1	55	22.9	76	22.7	27.4	(478)

Source: Company, Way2Wealth

Segmental volume mix (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25
<b>Agriculture</b>	62.4	62.4	61.1	61.5	64.0	65.5	62.7	60.5	60.3
<b>OTR (Industrial, mining, construction)</b>	33.8	33.8	35.5	35.0	32.0	31.1	34.2	36.2	36.3
<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	Q1FY25
<b>OEM</b>	23.5	25.6	26.9	25.5	26.0	27.7	27.9	27.0	24.8
<b>Replacement</b>	73.8	71.4	71.2	71.5	70.0	69.1	69.5	71.1	73.5
<b>Off-take (contract manufacturing)</b>	2.7	3.0	1.9	3.0	4.0	3.3	2.6	1.9	1.7

Region-wise mix (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25
<b>Europe</b>	54.2	53.9	50.4	51.0	50.0	53.9	50.5	47.1	46.7
<b>America</b>	15.3	15.0	16.7	17.0	15.0	17.3	17.9	16.9	14.3
<b>Rest of World</b>	14.9	14.7	14.6	12.0	12.0	11.9	10.0	9.2	9.6
<b>India</b>	15.6	16.4	18.3	20.0	23.0	17.6	21.6	26.8	29.4

Source: Company, Way2Wealth

14<sup>th</sup> August 2024

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 View – **ACCUMULATE**
**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Volume (tonnes)</b>	<b>199,213</b>	<b>211,261</b>	<b>201,760</b>	<b>227,132</b>	<b>288,795</b>	<b>301,181</b>	<b>292,628</b>	<b>304,515</b>	<b>329,779</b>
YoY Growth (%)	15.5	6.0	(4.5)	12.6	27.1	4.3	(2.8)	4.1	8.3
Realisation (₹ /Kg)	224	247	238	255	287	324	320	332	342
YoY Growth (%)	2.0	10.1	(3.3)	6.8	12.8	12.8	(1.2)	3.7	2.9
<b>Revenue</b>	<b>44,610</b>	<b>52,100</b>	<b>48,112</b>	<b>57,832</b>	<b>82,951</b>	<b>97,595</b>	<b>93,689</b>	<b>101,148</b>	<b>112,663</b>
YoY Growth (%)	17.9	16.8	(7.7)	20.2	43.4	17.7	(4.0)	8.0	11.4
<b>EBITDA (₹mn)</b>	<b>11,016</b>	<b>13,021</b>	<b>12,713</b>	<b>18,104</b>	<b>20,088</b>	<b>17,071</b>	<b>22,554</b>	<b>25,371</b>	<b>29,634</b>
<b>EBITDA Margin (%)</b>	<b>24.7</b>	<b>25.0</b>	<b>26.4</b>	<b>31.3</b>	<b>24.2</b>	<b>17.5</b>	<b>24.1</b>	<b>25.1</b>	<b>26.3</b>
YoY Growth (%)	(2.6)	18.2	(2.4)	42.4	11.0	(15.0)	32.1	12.5	16.8
<b>Net Profit (₹mn)</b>	<b>7,358</b>	<b>7,737</b>	<b>9,597</b>	<b>11,775</b>	<b>14,354</b>	<b>10,574</b>	<b>14,715</b>	<b>15,863</b>	<b>17,739</b>
EPS (₹)	38.1	40.0	49.6	60.9	74.3	54.7	76.1	82.1	91.8
DPS (₹)	10.0	8.0	21.0	18.0	28.0	16.0	16.0	16.0	18.0
RoE (%)	19.0	17.7	19.9	21.4	20.7	14.0	19.5	16.5	17.0
RoCE (%)	18.5	14.9	18.9	20.8	20.1	12.6	17.8	14.3	16.4
Net Debt/Equity (x)	0.2	0.2	0.2	0.2	0.4	0.4	0.3	(0.1)	(0.1)
FCF	4,013	1,697	4,989	5,496	(6,873)	(3,145)	9,841	11,471	13,012
Cash Balances	334	656	691	752	517	763	800	964	1,133
Debtors Days	38	36	44	48	48	42	56	56	52
Inventory Days	48	52	46	59	72	57	57	56	54
Creditors Days	32	27	28	41	36	37	74	73	67
P/E (x)	73.0	69.4	56.0	45.6	37.4	50.8	36.5	33.9	30.3
EV/EBITDA (x)	49.6	41.9	43.1	30.2	28.0	33.4	25.2	20.9	17.6
P/BV (x)	13.2	11.5	10.7	9.0	7.7	7.1	6.1	5.3	4.7
PEG	27.6	13.5	2.3	2.0	1.7	(1.9)	0.9	4.3	2.6

Source: Company, Way2Wealth

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Name of the Security	BALKRISHNA INDUSTRIES Ltd
Name of the analyst	Jayakanth Kasthuri
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
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