

Balkrishna Industries

Estimate change 

TP change

Rating change 

Bloomberg	BIL IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	540.9 / 6.5
52-Week Range (INR)	2799 / 2105
1, 6, 12 Rel. Per (%)	18/-8/4
12M Avg Val (INR M)	774

Financials & valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	94.5	104.8	120.9
EBITDA	23.7	27.6	32.9
Adj. PAT	14.8	17.6	22.1
EPS (Rs)	76.5	91.1	114.4
EPS Growth (%)	39.7	19.0	25.5
BV/Share (Rs)	458.0	514.1	593.5

Ratios

RoE (%)	18.0	18.7	20.6
RoCE (%)	13.3	14.9	16.6
Payout (%)	21.0	38.4	30.6

Valuations

P/E (x)	36.6	30.7	24.5
P/BV (x)	6.1	5.4	4.7
Div. yield (%)	0.6	1.3	1.3
FCF yield (%)	1.9	2.7	2.9

Shareholding pattern (%)

	Mar-24	Dec-23	Mar-23
Promoter (%)	58.3	58.3	58.3
DII (%)	22.1	21.4	20.3
FII (%)	12.2	12.7	12.4
Others (%)	7.4	7.6	9.0

FII Includes depository receipts

CMP: INR2,779

TP: INR2,535 (-9%)

Neutral

Healthy volume growth boosts overall performance

Demand outlook remains uncertain

- BIL's 4QFY24 overall performance significantly beat our estimates, led by strong growth in volumes. EBITDA margins came in at 26.3% (+500bp YoY) due to lower RM and other costs, despite a rise in freight costs (+200bp YoY). The management indicated that demand recovered well in 4Q but remains uncertain.
- We raise our FY25E/FY26E EPS by ~12% each to factor in a gradual pickup in demand and resultant margin improvement. We reiterate our **Neutral rating with a TP of INR2,535 (~22x Mar'26E EPS)**.

ASP improves QoQ due to better mix, freight cost pass-through

- BIL's standalone 4QFY24 revenue/EBITDA/PAT grew 16%/44%/90% YoY to INR27b/INR7.1b/INR4.9b (vs. est. INR23.5b/INR5.7b/ INR2.9b). FY24 consol. revenues declined 7% YoY, but EBITDA/adj. PAT grew 15%/34% YoY.
- Volumes grew 13% YoY to 82.1k tons (est. 73.95k tons). Realizations grew 3% YoY to INR328.6k/unit (est. INR318.4k). Realization grew sequentially, mainly led by a better mix, pass-through of high freight costs and better hedge rates, despite no price hikes in 4Q.
- Gross margins expanded 4pp YoY (+130bp QoQ) to 53.3% (est. 51.8%). There was an adverse impact of freight costs (up 200bp YoY as % of sales) due to the Red Sea crisis. Despite this, EBITDA margin improved by 5pp YoY to 26.3% (est. 24.1%), adjusted for the EPR provision of INR112.5m.
- Adj. PAT beat was driven by forex gains, higher other income and a lower tax rate.
- The board declared a dividend of INR16/share for FY24, flat YoY.
- FCF stood at INR10b in FY24 (vs. cash outflow of INR3b in FY23), mainly due to strong operating cash flow of INR20.8b (vs. INR14.5b in FY23) and lower capex of INR10.8b (vs. INR17.5b in FY23).

Highlights from the management commentary

- **Retail demand improved in 4Q, outlook remains uncertain:** 4Q demand was ahead of the management's guidance as demand picked up in key regions in 4Q. However, the management refrained from giving any volume growth guidance for FY25 as the demand outlook in key regions remains uncertain due to the ongoing geopolitical tensions.
- **RM cost hike to be offset by price hikes:** The management expects a rise in RM costs by only INR1-2/kg in 1QFY25, despite a rise in rubber prices in international markets, as BIL has some stock in inventory and some in transit. To mitigate this impact, BIL plans to hike prices in 1QFY25.
- **Carbon black sales:** FY24 carbon black sales formed 7% of total revenues, which is expected to scale up to 8-9% in FY25. Its current capacity for carbon black stands at 170k tons, which is expected to reach 200k tons. Capacity utilization stands at ~85-90%.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- Retail demand in key global markets is currently on an upswing, while demand in India also remains healthy. However, the management has refrained from giving volume guidance for FY25 due to ongoing geopolitical issues. We expect BIL to continue to outperform the specialty tyre industry, driven by the expansion of its product portfolio and the ramp-up in the OTR segment, providing opportunities to strengthen its competitive positioning.
- Current valuations fairly reflect its industry-leading margin, FCF, and capital efficiencies. It currently trades at a P/E multiple of 31x/25x FY25E/FY26E EPS. We reiterate our **Neutral** stance on the stock.

Quarterly Earning Model (Standalone)**(INR m)**

Y/E March	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Volumes (Ton)	83,153	78,872	66,480	72,676	67,209	70,585	72,749	82,085	3,01,181	2,92,628	73,948
YoY Change (%)	21.2	8.4	-5.5	-5.8	-19.2	-10.5	9.4	12.9	4.3	-2.8	1.8
Realizations (INR '000/ton)	327.9	355.8	333.2	319.9	314.7	318.5	318.3	328.6	334.4	320.4	318.4
YoY Change (%)	23.0	24.5	12.7	1.4	-4.0	-10.5	-4.5	2.7	14.7	-4.2	-0.5
Net Revenues	27,263	28,063	22,153	23,246	21,150	22,481	23,158	26,971	1,00,725	93,760	23,547
YoY Change (%)	49.1	34.9	6.6	-4.4	-22.4	-19.9	4.5	16.0	19.6	-6.9	1.3
EBITDA	5,470	5,640	4,233	4,942	4,863	5,493	5,868	7,098	20,284	23,322	5,664
Margins (%)	20.1	20.1	19.1	21.3	23.0	24.4	25.3	26.3	20.1	24.9	24.1
Depreciation	1,262	1,341	1,449	1,515	1,537	1,586	1,591	1,724	5,566	6,438	1,594
Interest	27	43	136	250	208	229	354	299	456	1,089	357
Forex loss/(gain)	-260	-490	1,660	-30	-330	-250	520	-490	880	-550	460
Other Income	-150	580	430	280	660	520	700	870	1,140	2,750	712
PBT before EI	4,290	5,327	1,417	3,487	4,108	4,448	4,104	6,436	14,521	19,095	3,965
Extra-Ord expense	0	0	0	23	0	0	0	98	23	98	0
PBT	4,290	5,327	1,417	3,465	4,108	4,448	4,104	6,337	14,499	18,997	3,965
Rate (%)	25.4	24.1	29.8	26.1	23.9	24.4	24.8	24.1	25.7	24.3	24.7
Reported PAT	3,199	4,043	995	2,559	3,125	3,363	3,084	4,809	10,774	14,382	2,986
Adj PAT	3,199	4,043	995	2,576	3,125	3,363	3,084	4,884	10,791	14,456	2,986
YoY Change (%)	-10.5	1.2	-69.7	-30.5	-2.3	-16.8	209.9	89.6	-25.9	34.0	15.9

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Volumes (Ton)	83,153	78,872	66,480	72,676	67,209	70,585	72,749	82,085	3,01,181	2,92,628	73,948
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Realizations (INR '000/ton)	327.9	355.8	333.2	319.9	314.7	318.5	318.3	328.6	334.4	320.4	318.4
YoY Change (%)	23.0	24.5	12.7	1.4	-4.0	-10.5	-4.5	2.7	14.7	-4.2	-0.5
Gross Margins (%)	53.4	51.2	48.6	49.3	51.7	51.9	52.0	53.3	50.8	52.3	51.8
EBITDA Margins (%)	20.1	20.1	19.1	21.3	23.0	24.4	25.3	26.3	20.1	24.9	24.1
Gross Profit (INR '000/ton)	175.2	182.2	162.1	157.6	162.6	165.3	165.6	175.1	169.9	167.5	165.0
EBITDA (INR '000/ton)	65.8	71.5	63.7	68.0	72.4	77.8	80.7	86.5	67.3	79.7	76.6

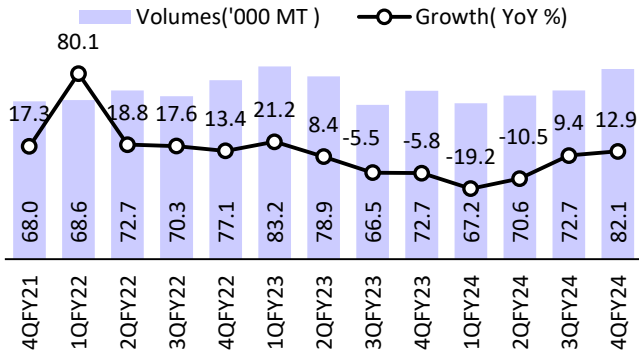


Highlights from the management commentary

- **Demand:** Inventory in key markets is returning to normalcy. The management has refrained from giving any volume growth guidance for FY25 as the demand outlook remains uncertain in its key end-markets given the ongoing geopolitical conflicts.
- **4Q performance:** Business picked up notably contrary to muted volume growth guidance given by the management. India volumes were driven by both replacement and market share growth. It is seeing a gradual pickup in growth in America, aided by the work it has been doing for the last few years. There were **no price hikes in 4QFY24**. Realization improvement on a sequential basis was due to the pass-through of freight costs, product mix improvement and better hedge rates.
- **The management does not expect freight rates to further increase in 1QFY25.**
- RM cost basket was INR149-150/kg in 3Q and INR152/kg in 4Q. It **expects a further rise in RM basket by INR1-2/kg in 1QFY25**. This is despite rubber prices rising to a higher level in the international markets as BIL has some stock in inventory and some in transit. To mitigate this impact company is **planning to take a price hike in 1QFY25**.
- **Advanced carbon black plant:** Production of 30k MT of advanced carbon black capacity is expected to start in 1HFY25. This would take total carbon black capacity to 200k MT/annum (170+30). The rationale for setting up this plant was that existing customers needed advanced carbon black. Margins would be 200-300bp higher than normal carbon black. There would be an addition of INR3-3.5b to the gross block due to this facility. Presently carbon black sales are 7% of overall sales.
- **EPR provisions:** It made INR112.5m of provisions for FY23 and FY24, which it provided in the other expenses. It expects INR300m impact due to this in FY25 (or less than 1% of total revenues).
- **Capex for FY25 would be INR5-6b (vs. INR11.4b in FY24).** The company has enough land bank to support small brownfield expansions, which would be set up in 12-15 months.
- Other data:
 - Present inventory level of 40-45 days
 - Gross debt stood at INR33.4b as of Mar'24 with cash of INR27.5b, taking net debt to INR2.9b. It has already repaid INR1.75b debt in Apr'24 and expects to be cash positive company by FY25.
 - 4Q EUR/INR rate was 90, while it is expected to be 92 for FY25.

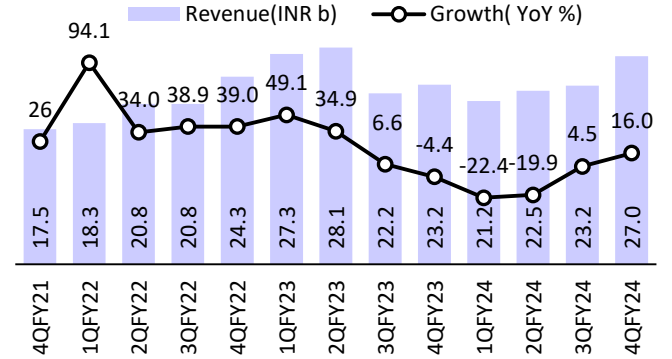
Key exhibits

Exhibit 1: Volume trend



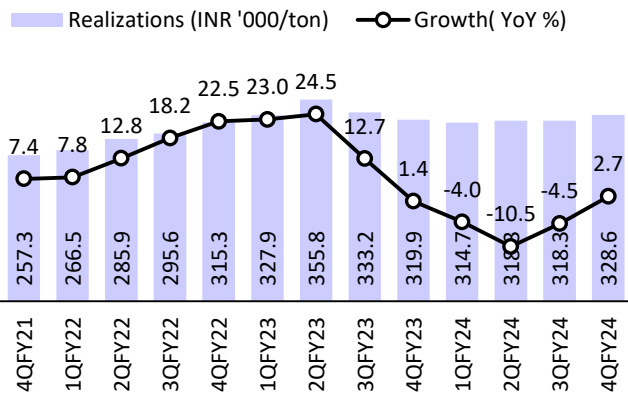
Source: MOFSL, Company

Exhibit 2: Trend in revenue



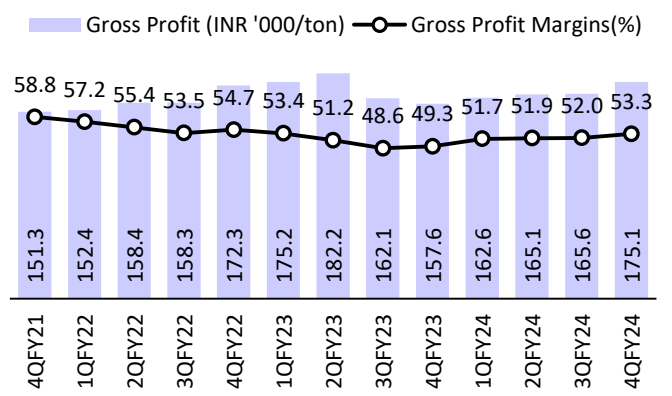
Source: MOFSL, Company

Exhibit 3: Net realization trend



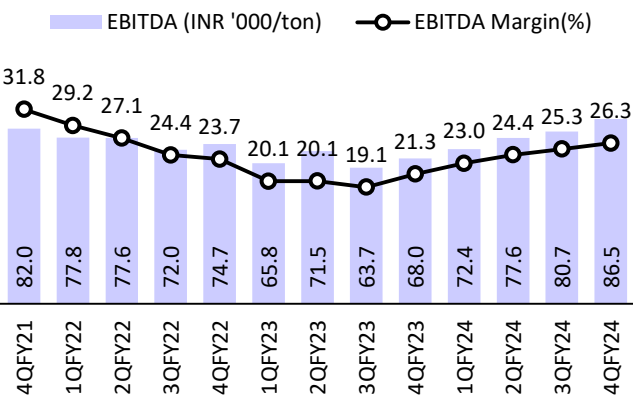
Source: MOFSL, Company

Exhibit 4: Gross profit margin trend



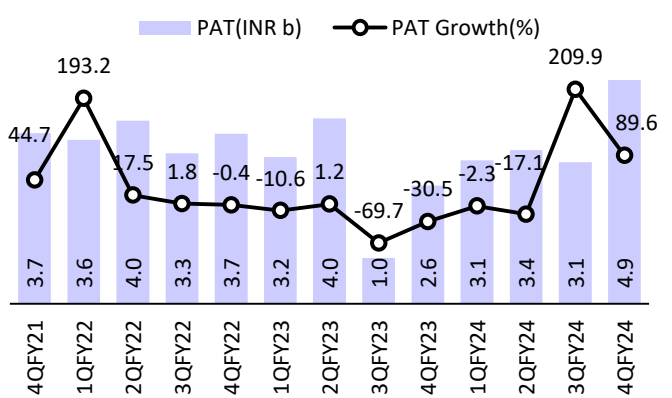
Source: MOFSL, Company

Exhibit 5: EBITDA margin trend



Source: MOFSL, Company

Exhibit 6: PAT and PAT growth trends



Source: MOFSL, Company

Exhibit 7: Geography-wise contribution

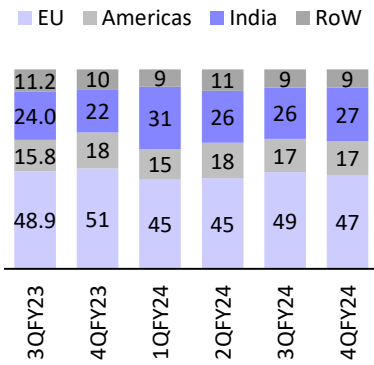


Exhibit 8: Channel-wise sales

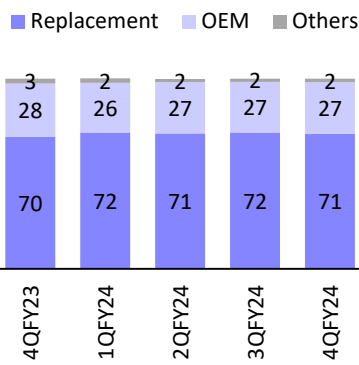
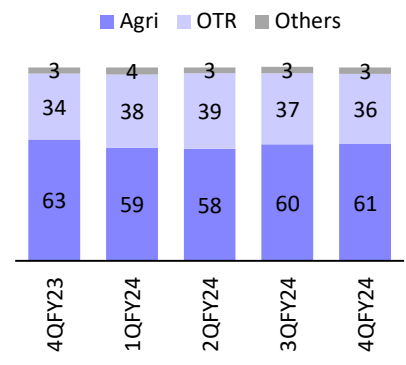


Exhibit 9: Segment-wise sales



Source: Company, MOFSL

Valuation and view

Huge opportunity, strong competitive positioning

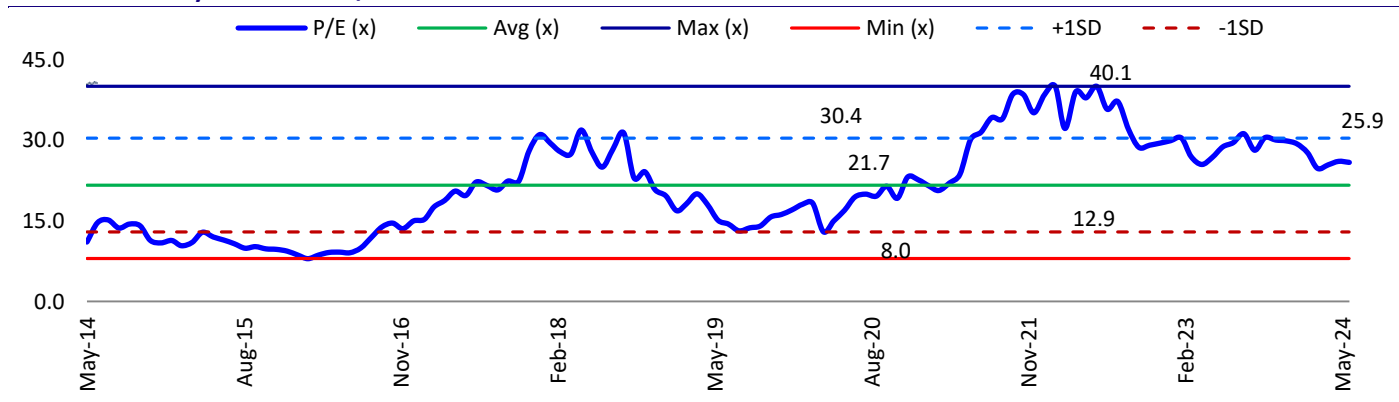
- Profitable market share gains to continue:** BIL has a well-established competitive advantage, which has enabled consistent market share gains. Its competitive advantage is driven by: a) competitive cost and pricing, b) consistent product portfolio expansion, and c) expanding reach. With a current market share of 5-6% in the USD15b global specialty tyre segment, BIL aspires to increase this to 10% over the next four-to-five years by: a) ramping up the OTR segment, which is much larger than agri tyres, b) strengthening its presence in North America and RoW markets, and c) gaining share with OEMs. We estimate a CAGR of ~11%/14% in volume/revenue over FY24-26E.
- Investing to improve its competitiveness:** The management has invested over ~INR44b in the last three years for expanding capacity in tyres/carbon black, modernization and automation. At the company level, achievable capacity stands at 360k MTPA. As a percentage of sales, capex intensity would start moderating in FY25-26E to ~5-6% of sales (vs. the last five-year average of 16%), driving improvement in FCF generation.
- Earnings growth to pick up:** We estimate consol. revenue/EBITDA/PAT for BIL to grow 13%/18%/22% over FY24-26E. We expect an improvement in EBITDA margin of ~220bp over FY24-26E to ~27%, led by stable RM and benefits of operating leverage. With total capex likely to be ~INR12.5b over FY24-26, we estimate FCF generation of INR30b over the same period.
- Valuations factor in a focused business model:** We have raised our FY25E/FY26E EPS by 12% each to factor in a gradual pick-up in demand and resultant margin improvement. BIL ranks the highest among domestic peers in terms of cost competitiveness and financial strength. In terms of valuation, it trades at a substantial premium to its mainstream peers. Premium valuations fairly reflect its industry-leading margin, FCF, and capital efficiencies. It currently trades at 31x/25x of FY25E/FY26E EPS. We value BIL at 22x Mar'26E EPS (in line with its 10-year LPA) to arrive at our TP of INR2,535. We reiterate our **Neutral** rating on the stock.

Exhibit 10: Revisions to our estimates

(INR M)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,04,830	1,01,586	3.2	1,20,852	1,17,414	2.9
EBITDA	27,569	25,949	6.2	32,937	31,125	5.8
EBITDA (%)	26.3	25.5	80bp	27.3	26.5	70bp
Adj. PAT	17,607	15,746	11.8	22,104	19,800	11.6
EPS (INR)	91.1	81.5	11.8	114.4	102.4	11.6

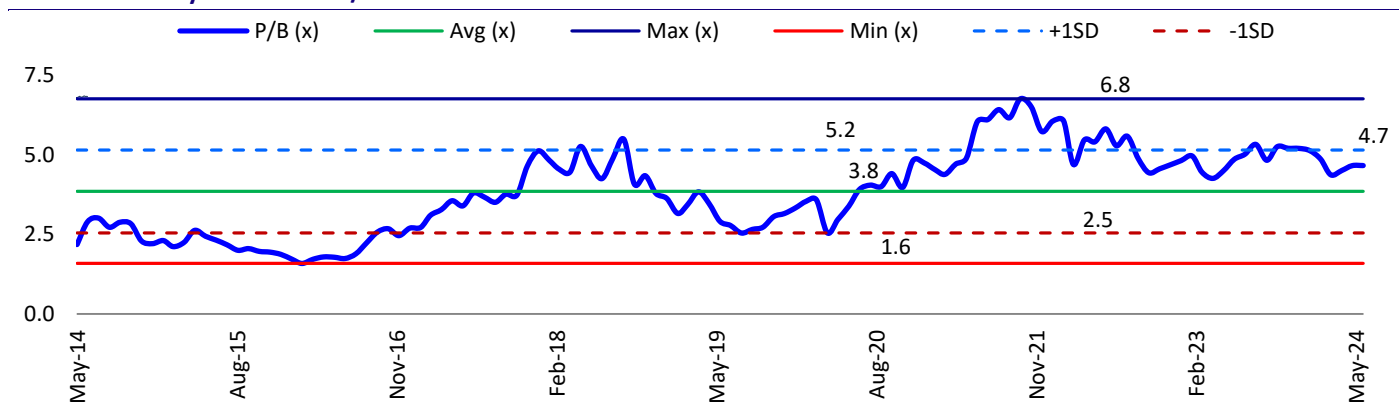
Source: MOFSL, Company

Exhibit 11: One-year forward P/E



Source: MOFSL, Company

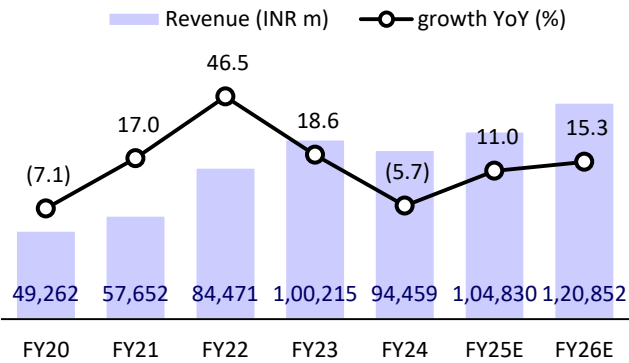
Exhibit 12: One-year forward P/B band



Source: MOFSL, Company

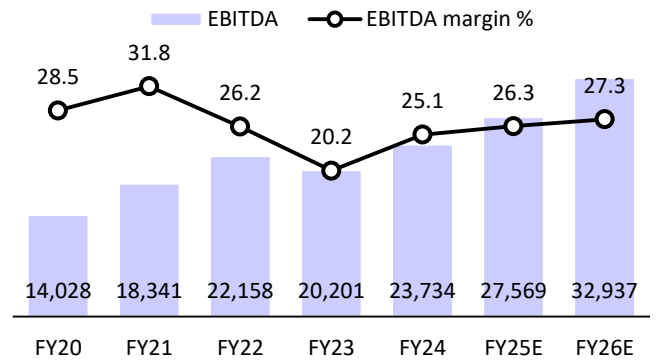
Story in charts

Exhibit 13: Revenue to register a ~14% CAGR over FY24-26E



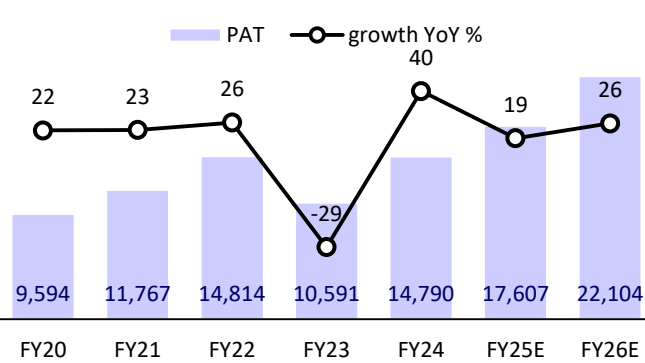
Source: Company, MOFSL

Exhibit 14: EBITDA margin to improve over FY24-26E



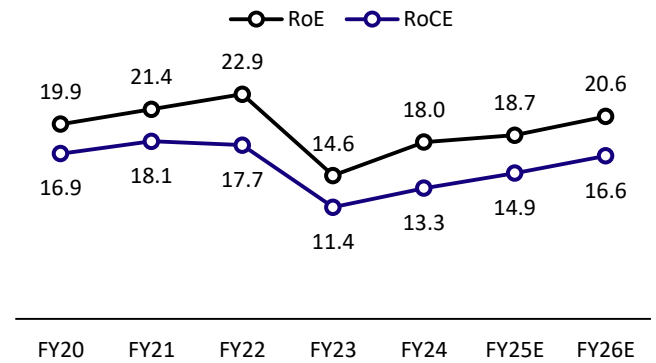
Source: Company, MOFSL

Exhibit 15: PAT to register a ~22% CAGR over FY24-26E



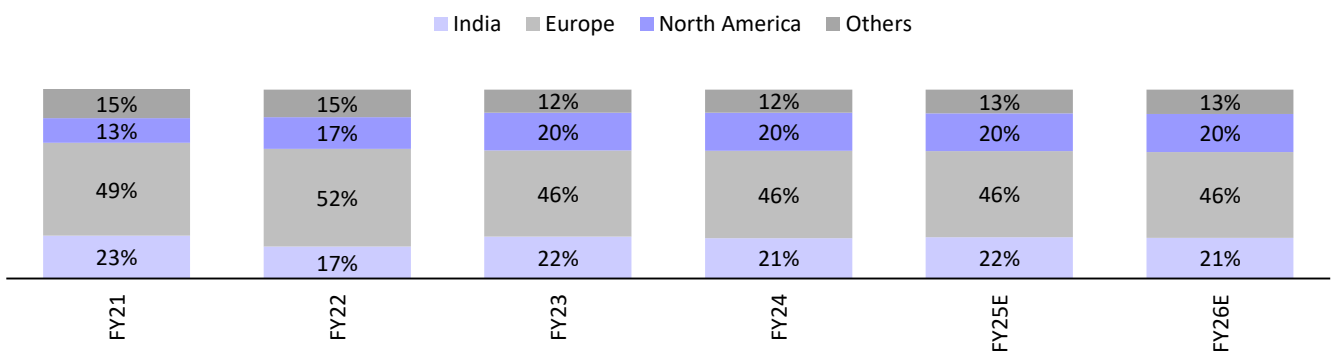
Source: Company, MOFSL

Exhibit 16: RoE to see a gradual pickup



Source: Company, MOFSL

Exhibit 17: Revenue mix trend across geographies over the years



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Adj. Net Revenues	49,262	57,652	84,471	1,00,215	94,459	1,04,830	1,20,852	
Change (%)	-7.1	17.0	46.5	18.6	-5.7	11.0	15.3	
Raw Materials	21,388	23,110	37,778	49,153	44,914	49,480	57,042	
Employees Cost	3,286	3,709	4,301	4,594	4,995	5,395	5,934	
Other Expenses	10,561	12,492	20,235	26,267	20,816	22,387	24,938	
Total Expenditure	35,235	39,311	62,314	80,014	70,725	77,261	87,915	
% of Sales	71.5	68.2	73.8	79.8	74.9	73.7	72.7	
EBITDA	14,028	18,341	22,158	20,201	23,734	27,569	32,937	
EBITDA Margin (%)	28.5	31.8	26.2	20.2	25.1	26.3	27.3	
Depreciation	3,736	4,163	4,554	5,708	6,507	6,751	7,174	
EBIT	10,292	14,178	17,604	14,493	17,227	20,817	25,764	
EBIT Margin (%)	20.9	24.6	20.8	14.5	18.2	19.9	21.3	
Int. and Finance Charges	89	114	92	480	1,129	775	620	
Fx loss/(gain)	0	-180	-390	880	-550	500	500	
Other Income	1,190	1,297	1,920	1,215	2,810	3,625	4,441	
PBT bef. EO Exp.	11,393	15,541	19,822	14,348	19,458	23,167	29,085	
EO Items	0	0	-615	-23	-98	0	0	
PBT after EO Exp.	11,393	15,541	19,207	14,325	19,360	23,167	29,085	
Total Tax	1,799	3,774	4,852	3,751	4,645	5,560	6,980	
Eff. Tax Rate (%)	15.8	24.3	25.3	26.2	24.0	24.0	24.0	
Reported PAT	9,594	11,767	14,354	10,574	14,715	17,607	22,104	
Adjusted PAT	9,594	11,767	14,814	10,591	14,790	17,607	22,104	
Change (%)	22.5	22.7	25.9	-28.5	39.7	19.0	25.5	

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Equity Share Capital	387	387	387	387	387	387	387	
Total Reserves	49,696	59,612	68,944	75,183	88,152	98,993	1,14,332	
Net Worth	50,083	59,998	69,330	75,569	88,538	99,380	1,14,719	
Total Loans	9,316	10,006	25,286	33,465	30,994	30,994	30,994	
Deferred Tax Liabilities	1,783	2,035	2,509	2,419	3,490	3,490	3,490	
Capital Employed	61,182	72,039	97,125	1,11,453	1,23,023	1,33,864	1,49,203	
Gross Block	48,210	52,954	64,051	83,240	99,147	1,08,591	1,15,591	
Less: Accum. Deprn.	15,992	20,115	24,651	30,108	36,615	43,366	50,540	
Net Fixed Assets	32,218	32,839	39,401	53,133	62,532	65,225	65,051	
Capital WIP	5,866	8,555	12,584	13,916	9,444	5,500	5,500	
Investment property	857	864	793	708	643	643	643	
Total Investments	10,625	14,177	18,967	20,367	26,857	26,857	26,857	
Curr. Assets, Loans&Adv.	18,498	25,230	38,045	35,353	37,370	50,593	68,392	
Inventory	6,156	9,397	16,721	16,674	13,315	14,360	16,555	
Account Receivables	5,899	7,536	10,962	11,153	14,454	12,924	14,900	
Cash and Bank Balance	691	780	517	763	800	10,385	22,037	
Loans and Advances	5,752	7,517	9,846	6,763	8,800	12,924	14,900	
Curr. Liability & Prov.	6,882	9,626	12,665	12,024	13,823	14,953	17,239	
Account Payables	3,837	6,550	8,293	4,921	9,102	10,052	11,589	
Other Current Liabilities	2,746	2,750	4,056	6,754	4,329	4,308	4,967	
Provisions	299	326	316	348	392	593	684	
Net Current Assets	11,616	15,604	25,380	23,330	23,547	35,640	51,153	
Appl. of Funds	61,182	72,039	97,125	1,11,453	1,23,023	1,33,864	1,49,203	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	49.6	60.9	76.6	54.8	76.5	91.1	114.4
Cash EPS	69.0	82.4	100.2	84.3	110.2	126.0	151.5
BV/Share	259.1	310.4	358.7	390.9	458.0	514.1	593.5
DPS	22.0	17.0	28.0	16.0	16.0	35.0	35.0
Payout (%)	53.4	27.9	37.7	29.2	21.0	38.4	30.6
Valuation (x)							
P/E	56.4	46.0	36.5	51.1	36.6	30.7	24.5
Cash P/E	40.6	34.0	27.9	33.2	25.4	22.2	18.5
P/BV	10.8	9.0	7.8	7.2	6.1	5.4	4.7
EV/Sales	11.2	9.5	6.7	5.7	6.0	5.4	4.6
EV/EBITDA	39.2	30.0	25.5	28.4	24.1	20.4	16.7
Dividend Yield (%)	0.8	0.6	1.0	0.6	0.6	1.3	1.3
FCF per share	20.2	21.5	-35.2	-15.7	51.8	74.7	80.6
Return Ratios (%)							
RoE	19.9	21.4	22.9	14.6	18.0	18.7	20.6
RoCE	16.9	18.1	17.7	11.4	13.3	14.9	16.6
RoIC	20.4	23.2	23.2	15.1	16.1	17.9	21.1
Working Capital Ratios							
Fixed Asset Turnover (x)	1.0	1.1	1.3	1.2	1.0	1.0	1.0
Asset Turnover (x)	0.8	0.8	0.9	0.9	0.8	0.8	0.8
Inventory (Days)	46	59	72	61	51	50	50
Debtor (Days)	44	48	47	41	56	45	45
Creditor (Days)	28	41	36	18	35	35	35
Leverage Ratio (x)							
Current Ratio	2.7	2.6	3.0	2.9	2.7	3.4	4.0
Interest Cover Ratio	115.6	124.6	192.4	30.2	15.3	26.9	41.6
Net Debt/Equity	0.0	-0.1	0.1	0.2	0.0	-0.1	-0.2

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	11,393	15,541	19,207	14,325	19,410	23,167	29,085
Depreciation	3,736	4,163	4,554	5,708	6,507	6,751	7,174
Interest & Finance Charges	-135	-289	-324	116	661	-1,920	-2,845
Direct Taxes Paid	-2,884	-3,510	-4,579	-3,429	-4,235	-5,560	-6,980
(Inc)/Dec in WC	544	-1,273	-8,289	-1,865	1,536	-2,508	-3,860
CF from Operations	12,653	14,632	10,569	14,855	23,879	19,930	22,573
Others	-922	-1,242	-1,488	-376	-3,053	0	0
CF from Operating incl EO	11,731	13,390	9,080	14,480	20,826	19,930	22,573
(Inc)/Dec in FA	-7,830	-9,232	-15,889	-17,523	-10,814	-5,500	-7,000
Free Cash Flow	3,901	4,159	-6,809	-3,043	10,013	14,430	15,573
(Pur)/Sale of Investments	863	-2,891	-3,516	-883	-4,574	0	0
Others	190	388	431	575	632	2,695	3,465
CF from Investments	-6,778	-11,734	-18,975	-17,831	-14,755	-2,805	-3,535
Inc/(Dec) in Debt	279	857	15,498	7,097	-1,902	0	0
Interest Paid	-88	-114	-90	-420	-1,022	-775	-620
Dividend Paid	-5,126	-2,316	-5,603	-3,091	-3,095	-6,766	-6,766
Others	-13	-3	0	-1	1	0	0
CF from Fin. Activity	-4,947	-1,575	9,804	3,585	-6,018	-7,540	-7,385
Inc/Dec of Cash	7	81	-90	234	53	9,585	11,653
Opening Balance	462	468	549	459	693	746	10,331
Closing Balance	468	549	459	693	746	10,331	21,984

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NOTES

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