

India
January 27, 2025 - 10:14 PM

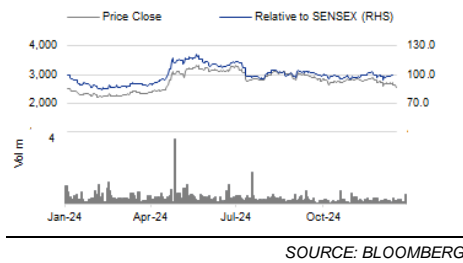
ADD (no change)

Consensus ratings*:	Buy 9	Hold 6	Sell 7
Current price:	Rs2,565		
Target price:	Rs3,517		
Previous target:	Rs3,517		
Up/downside:	37.1%		
InCred Research / Consensus:	18.3%		
Reuters:	BLKI.NS		
Bloomberg:	BIL IN		
Market cap:	US\$5,742m	Rs495,791m	
Average daily turnover:	US\$8.0m	Rs688.5m	
Current shares o/s:	193.3m		
Free float:	41.7%		

*Source: Bloomberg

Key financial forecast

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	16,580	19,368	21,494
Core EPS (Rs)	85.77	100.20	111.20
Core EPS Growth	18.6%	16.8%	11.0%
FD Core P/E	29.90	25.60	23.06
Recurring ROE	17.4%	17.7%	17.2%
P/BV (x)	4.87	4.24	3.72
DPS (Rs)	18.00	22.00	26.00
Dividend Yield	0.70%	0.86%	1.01%



Price performance	1M	3M	12M
Absolute (%)	(10.4)	(11.8)	1.5
Relative (%)	(6.5)	(6.4)	(4.8)

Major shareholders	% held
Promoter Family	58.3
LIC	3.7
HDFC Mutual Fund	1.1

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Balkrishna Industries Ltd

Volume growth is impressive; guidance tepid

- 3Q EBITDA growth of 7% yoy was above BB estimate (6%) but below our estimate (4%), as in-line sales were overshadowed by high employee costs.
- Management is conservative on volume growth, but favourable global macro situation and new hires provide confidence for sustaining double-digit growth.
- Valuation comfort continues to improve as forward P/E and P/BV ease to close to five-year mean. We maintain our ADD rating on the stock.

EBITDA miss primarily driven by increased employee costs

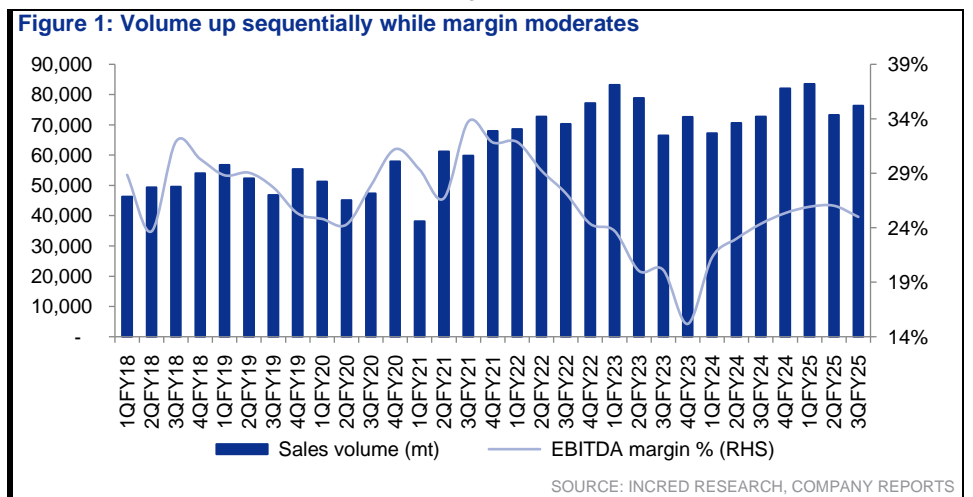
- Balkrishna Industries' 3QFY25 net sales grew by 11% yoy and 4% qoq to Rs25.7bn, in line with our estimate & the Bloomberg or BB consensus estimate.
- The EBITDA margin declined by 85bp to 24.5%, but EBITDA grew by 7% yoy to Rs6.3bn, a miss vs. our estimate (4%) but a beat 6% vs. the BB consensus estimate.
- PAT growth of 26% qoq and 42% yoy to Rs4.4bn beat our estimate (14%) due to higher other income, which grew by 168% sequentially.
- Net debt grew by 51% qoq to Rs1bn at the end of Dec 2024, and dividend per share or DPS was flat at Rs4.

Management remains cautious on the demand trend

- Management gave guidance of a minimal revenue growth in FY25F, as the European demand faces challenges while America and India markets continue to witness growth.
- Revenue contribution from the carbon black business is currently below 10% of the total income. Advanced carbon black production commenced in Sep 2024, and the product is undergoing testing at end-customers.
- Capex incurred was Rs9.7bn in 9MFY25, and FY26F capex guidance stands at Rs10-12bn. The capex for 35k metric tonne per annum OTR tyres, announced in Aug 2024, is on schedule, with Phase-1 expected to be completed in 1HFY26F.
- The EBITDA margin for the quarter contracted by 50bp qoq due to higher employee costs as capex has been completed.
- Improved raw material costs are expected to contribute a 100-200bp improvement next quarter, while freight costs are on a declining trend.
- In India, Balkrishna Industries holds a 6-7% overall market share in the off-highway tyre market, including a 10% share in the agricultural segment and 3-4% share in industrial and mining segments.

New product capacity expansion benefit provides hope; retain ADD

- We maintain our FY25-27F estimates, with a 9% volume CAGR and flat EBITDA margin. With easing risk of a recession in the US post Donald Trump coming to power, and Europe on a gradual cyclical recovery, we expect an upside risk to volume. New senior management hires in research and marketing to help expand the product portfolio and stretch to original equipment manufacturers or OEMs in the medium term.
- With forward P/E and P/BV valuations easing close to five-year mean improving the comfort level, we reiterate our ADD rating on the stock.



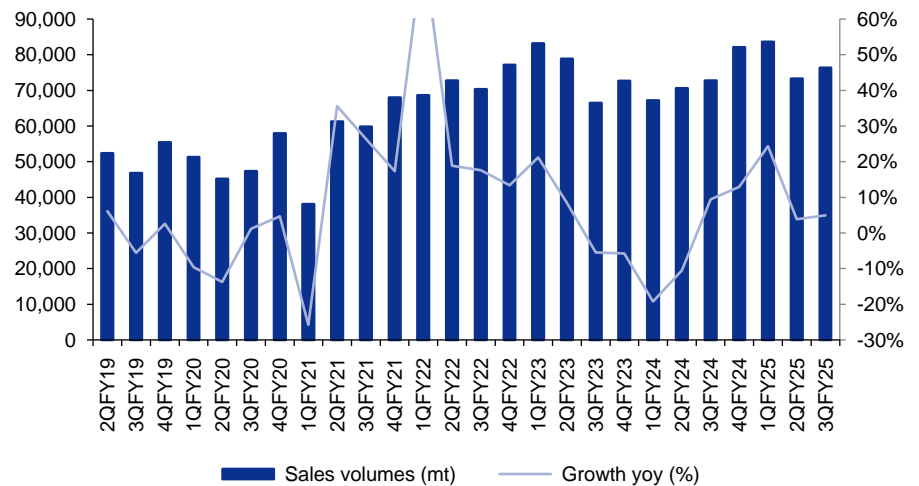
Volume growth is impressive; guidance tepid

Figure 2: Quarterly results comparison

Y/E Mar (Rs m)	3QFY25	3QFY24	yoy % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoy % chg	Comments for the quarter
Revenue	25,716	23,158	11.0	24,652	4.3	77,783	66,776	16.5	1% below our estimate.
Raw material costs	12,235	11,113	10.1	11,697	4.6	36,791	32,149	14.4	
RM as % of revenue	47.6	48.0	(40.9)	47.4	12.8	47.3	48.1	(84.5)	58bp above our estimate.
EBITDA	6,301	5,870	7.3	6,163	2.2	19,598	16,208	20.9	4% below our estimate.
EBITDA margin (%)	24.5	25.3	(84.7)	25.0	(50.1)	25.2	24.3	92.4	-
Depreciation & amortization	1,708	1,591	7.4	1,647	3.7	4,971	4,714	5.5	5% below our estimate.
EBIT	4,593	4,279	7.3	4,517	1.7	14,627	11,494	27.3	
Interest expenses	150	354	(57.6)	404	(62.8)	763	791	(3.5)	50% below our estimate.
Other income	1,447	185	682.5	540	167.9	2,945	1,951	50.9	107% above our estimate.
Pre-tax profit	5,890	4,111	43.3	4,653	26.6	16,809	12,655	32.8	
Tax	1,496	1,020	46.7	1,157	29.3	4,146	3,087	34.3	
Tax rate (%)	25.4	24.8	59	24.9	53	24.7	24.4	27	
Normalized net profit	4,394	3,091	42.2	3,496	25.7	12,663	9,568	32.4	14% above our estimate.
Exceptional items	-	-	nm	-	nm	-	-	nm	
Reported net profit	4,394	3,091	42.2	3,496	25.7	12,663	9,568	32.4	
Normalized EPS (Rs)	22.6	16.0	41.4	18.1	25.0	64.5	48.7	32.4	
Volume (mt)	76,343	72,749	4.9	73,298	4.2	2,33,211	2,10,543	10.8	1% above our estimate.
Realization (Rs/kg)	337	318	5.8	336	0.2	334	317	5.2	

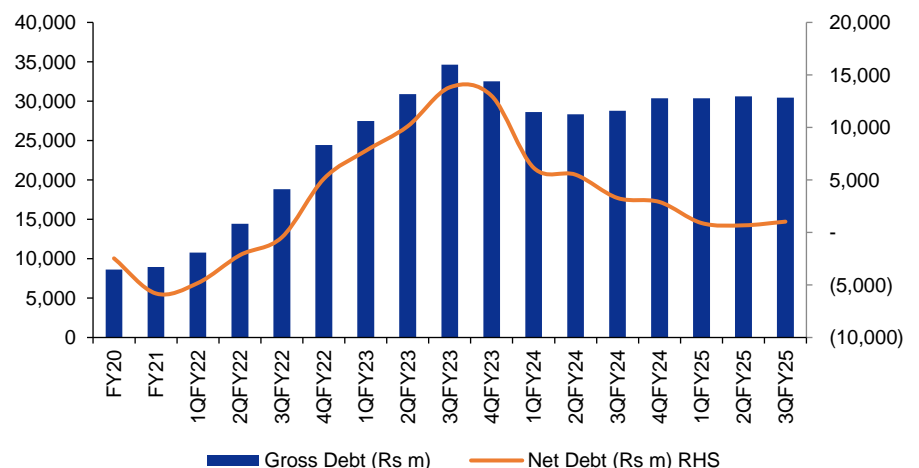
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Balkrishna Industries' sales volume growth sees a gradual pick-up



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Stable net debt trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	93,747	106,770	125,632	139,816
Gross Profit	49,003	56,588	65,329	74,103
Operating EBITDA	22,800	27,049	31,198	35,070
Depreciation And Amortisation	(6,438)	(7,458)	(8,461)	(9,893)
Operating EBIT	16,363	19,591	22,737	25,177
Financial Income/(Expense)	(1,089)	(1,200)	(1,000)	(850)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	3,317	3,715	4,087	4,332
Profit Before Tax (pre-EI)	18,591	22,107	25,824	28,659
Exceptional Items				
Pre-tax Profit	18,591	22,107	25,824	28,659
Taxation	(4,615)	(5,527)	(6,456)	(7,165)
Exceptional Income - post-tax				
Profit After Tax	13,976	16,580	19,368	21,494
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	13,976	16,580	19,368	21,494
Recurring Net Profit	13,976	16,580	19,368	21,494
Fully Diluted Recurring Net Profit	13,976	16,580	19,368	21,494

Balance Sheet

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	528	1,607	1,709	2,415
Total Debtors	15,433	13,163	16,521	18,387
Inventories	12,705	16,966	20,652	22,983
Total Other Current Assets	8,235	8,885	9,535	10,185
Total Current Assets	36,901	40,621	48,417	53,970
Fixed Assets	72,280	74,322	77,861	80,968
Total Investments	26,868	27,868	29,868	33,868
Intangible Assets				
Total Other Non-Current Assets				
Total Non-current Assets	99,148	102,190	107,729	114,836
Short-term Debt	30,369	25,369	22,369	17,369
Current Portion of Long-Term Debt				
Total Creditors	8,926	7,606	8,605	9,576
Other Current Liabilities	4,295	4,495	4,695	4,895
Total Current Liabilities	43,590	37,470	35,669	31,841
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities				
Total Provisions	3,840	3,622	3,642	3,662
Total Liabilities	47,430	41,091	39,311	35,502
Shareholders Equity	88,619	101,720	116,836	133,304
Minority Interests				
Total Equity	88,619	101,720	116,836	133,304

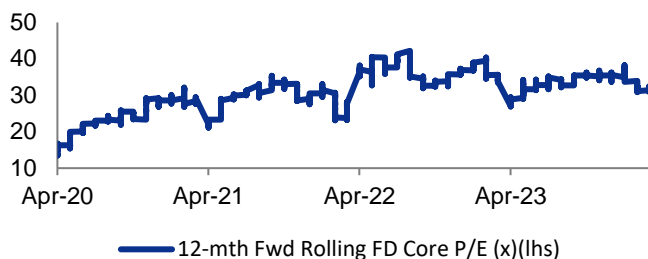
Cash Flow

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	22,800	27,049	31,198	35,070
Cash Flow from Invt. & Assoc.				
Change In Working Capital	4,381	(3,311)	(6,044)	(3,225)
(Incr)/Decr in Total Provisions	(3,677)	70	70	70
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	2,228	2,515	3,087	3,482
Tax Paid	(4,020)	(5,527)	(6,456)	(7,165)
Cashflow From Operations	21,712	20,797	21,855	28,232
Capex	(11,310)	(9,500)	(12,000)	(13,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(4,989)	(1,738)	(2,500)	(4,500)
Cash Flow From Investing	(16,299)	(11,238)	(14,500)	(17,500)
Debt Raised/(repaid)	(2,170)	(5,000)	(3,000)	(5,000)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(3,093)	(3,479)	(4,253)	(5,026)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(5,263)	(8,479)	(7,253)	(10,026)
Total Cash Generated	150	1,079	102	706
Free Cashflow To Equity	3,243	4,559	4,355	5,732
Free Cashflow To Firm	6,502	10,759	8,355	11,582

Key Ratios

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	(6.9%)	13.9%	17.7%	11.3%
Operating EBITDA Growth	15.3%	18.6%	15.3%	12.4%
Operating EBITDA Margin	24.3%	25.3%	24.8%	25.1%
Net Cash Per Share (Rs)	(154.38)	(122.93)	(106.88)	(77.36)
BVPS (Rs)	458.45	526.23	604.43	689.62
Gross Interest Cover	15.02	16.33	22.74	29.62
Effective Tax Rate	24.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	22.1%	21.0%	22.0%	23.4%
Accounts Receivables Days	54.45	48.88	43.12	45.57
Inventory Days	116.77	107.91	113.85	121.18
Accounts Payables Days	56.25	60.12	49.06	50.49
ROIC (%)	13.6%	15.4%	16.8%	17.0%
ROCE (%)	14.0%	15.5%	16.7%	17.0%
Return On Average Assets	11.4%	12.5%	13.5%	13.6%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	(4.2%)	5.7%	6.7%	3.7%
Unit sales grth (% , main prod./serv.)	(2.8%)	7.7%	10.3%	7.3%

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.