

India

March 06, 2025 - 4:25 PM

ADD (no change)

Consensus ratings*: Buy 10 Hold 6 Sell 6

Current price:	Rs2,497
Target price: ▶	Rs3,517
Previous target:	Rs3,517
Up/downside:	40.8%
InCred Research / Consensus:	24.0%
Reuters:	BLKI.NS
Bloomberg:	BIL IN
Market cap:	US\$5,551m Rs482,752m
Average daily turnover:	US\$6.9m Rs601.6m
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	29.11	24.92	22.46
Recurring ROE	17.4%	17.7%	17.2%
P/BV (x)	4.75	4.13	3.62
DPS (Rs)	18.00	22.00	26.00
Dividend Yield	0.72%	0.88%	1.04%



Price performance	1M	3M	12M
Absolute (%)	(9.6)	(11.0)	9.4
Relative (%)	(4.3)	(1.4)	10.0

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

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Balkrishna Industries Ltd

Bhuj plant visit takeaways

- Our visit to the company's largest-capacity Bhuj plant provided an insight about its superior product quality & expansion into new OTR tyre segments.
- Its carbon black project will be a part of future tyre capacity expansion to help limit power costs, while the specialty project provides customized solutions.
- The demand trend improving for agri tyres in Europe & India, along with a favourable P/E valuation, led us to maintain our ADD rating on the stock.

Bhuj plant to drive the company's capacity expansion

- The Bhuj plant, being a fully integrated facility, and the ease in procuring land there will drive most of the company's future capacity addition to achieve its medium-term global market share ambition. The plant is poised to double its capacity in the medium term.
- In the OTR segment, the company is gradually expanding to the highest diameter range of 61/63 inch tyres.
- The rubber track tyre facility seems to be ready for production of 25,000 units per annum. It is aimed at the domestic market first and then for exports.
- The sustained improvement in Europe's agri replacement tyre segment's growth in recent quarters, we feel, should aid Balkrishna Industries' Europe agri tyre export growth revival soon. With a strong focus on quality, we feel it is better positioned to participate in the segment's growth recovery, after nearly a three-year slowdown (CY21-24).
- In India, the company is marketing tyres based on agriculture soil conditions, ex-soft/hard-soiled tyres, so as to provide tyres of better quality and life span.

Carbon black division's performance is impressive

- Carbon black production seems well established now, with the industry's best operational standards and raw material sourcing from the nearby Reliance Industries' refinery. Management plans to sustain its current sales mix - captive consumption rather than scouting for external customers.
- Management stated that the new tyre capacity will be supported by capacity expansion at the carbon black project, and it will source additional power requirement for tyre manufacturing.
- The specialty carbon black project will be highly customized to customer needs. The R&D facility focuses on multiple industries like packaging, textile and wire industries to build its customer base.

Outlook

- With the macroeconomic industry demand tailwinds from Europe & also for agri tyres in India (72% of sales), we maintain our ADD rating as the stock's forward P/E valuation eased to below the five-year mean on both forward P/E and P/BV fronts. Key downside risk is the global trade war impacting user industries and, in turn, tyre demand.

Figure 1: Improving Europe agri tyre replacement market growth to help Balkrishna Industries' Europe volume growth revival soon

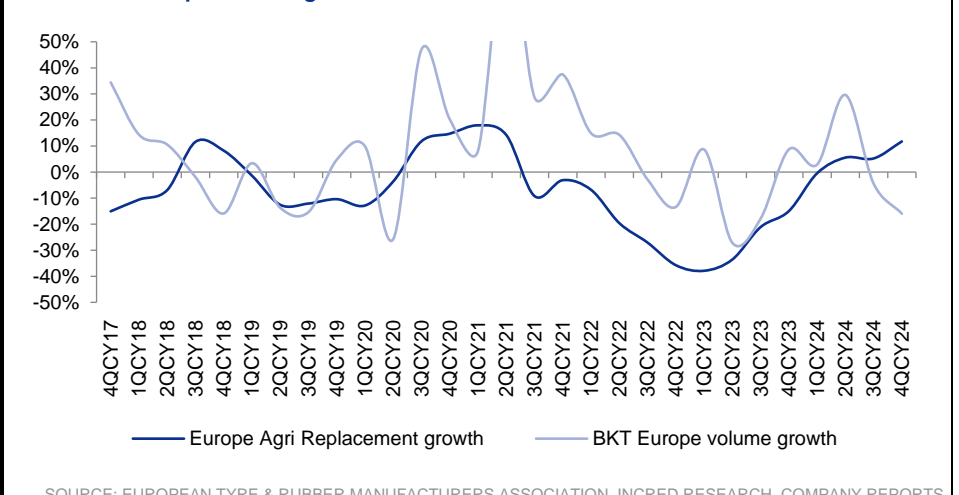
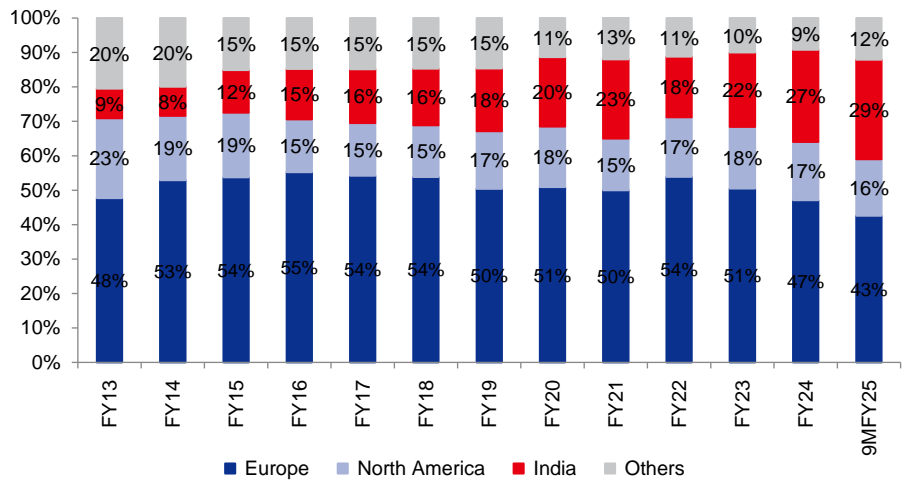
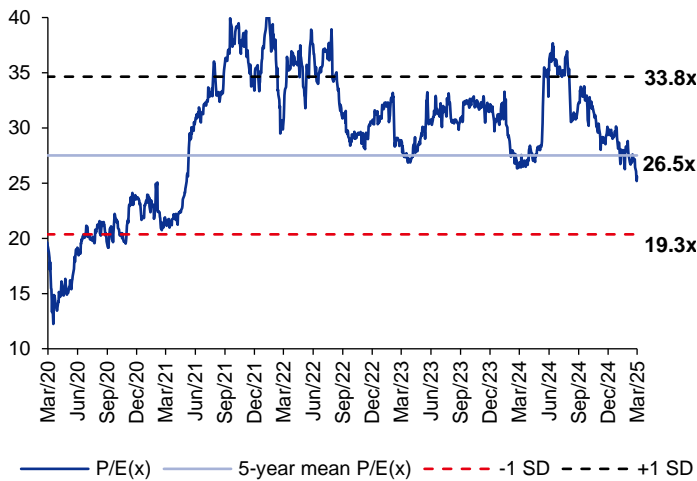


Figure 2: Region-wise sales mix trend



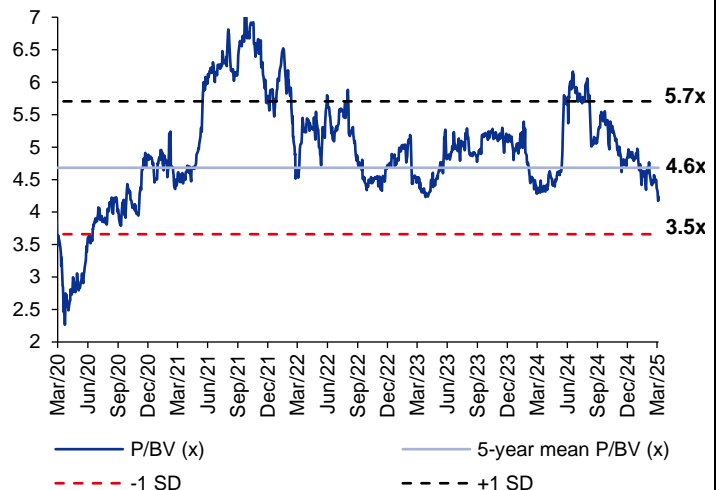
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Forward P/E valuation is below the five-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Forward P/BV valuation is below the five-year mean level



SOURCE: BLOOMBERG, 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	3,840	3,622	3,642	3,662
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

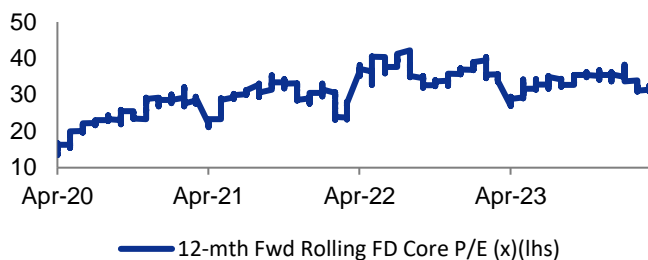
Cash Flow

(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%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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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- 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.

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Definition:

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- 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.