# BALKRISHNA INDUSTRIES

nuvama institutional equities

RESULT UPDATE

## KEY DATA

| Rating | HOLD |
|---|---|
| Sector relative | Neutral |
| Price (INR) | 2,671 |
| 12 month price target (INR) | 2,700 |
| 52 Week High/Low | 3,378/2,152 |
| Market cap (INR bn/USD bn) | 516/6.1 |
| Free float (%) | 41.5 |
| Avg. daily value traded (INR mn) | 757.4 |

## SHAREHOLDING PATTERN

| | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|
| Promoter | 58.30% | 58.30% | 58.30% |
| FII | 11.46% | 11.28% | 11.72% |
| DII | 23.63% | 23.81% | 23.31% |
| Pledge | 0.00% | 0.00% | 0.00% |

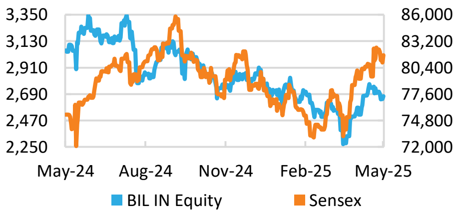
## FINANCIALS (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 93,757 | 106,149 | 113,544 | 126,936 |
| EBITDA | 23,221 | 26,812 | 29,557 | 33,042 |
| Adjusted profit | 14,379 | 16,216 | 17,661 | 19,423 |
| Diluted EPS (INR) | 74.4 | 83.9 | 91.4 | 100.5 |
| EPS growth (%) | 33.3 | 12.8 | 8.9 | 10.0 |
| RoAE (%) | 17.5 | 16.9 | 15.9 | 15.4 |
| P/E (x) | 35.9 | 31.8 | 29.2 | 26.6 |
| EV/EBITDA (x) | 23.5 | 20.4 | 18.6 | 16.5 |
| Dividend yield (%) | 0.6 | 0.6 | 0.7 | 0.8 |

## CHANGE IN ESTIMATES

| | Revised estimates | | % Revision | |
|---|---|---|---|---|
| Year to March | FY26E | FY27E | FY26E | FY27E |
| Revenue | 113,544 | 126,936 | 0 | 2 |
| EBITDA | 29,557 | 33,042 | -1 | 1 |
| Adjusted profit | 17,661 | 19,423 | -3 | -3 |
| Diluted EPS (INR) | 91.4 | 100.5 | -3 | -3 |

## PRICE PERFORMANCE




# Entry into new segments: A challenge

Q4FY25 revenue/EBITDA grew 5%/1% YoY to INR28.4bn/7.0bn, above estimates, on the back of higher volumes/realisation. From being an OHT player, BIL is entering TBR/PCR segments, at a capex of ~INR30bn. Factoring in large capex leading to higher depreciation/interest costs and decline in other income, we are cutting FY26/27E EPS by 3% each.

Over the medium term, increasing presence in TBR/PCR segments is likely to be challenging, considering high competitive intensity among mass-market tyre firms. These firms have lower EBITDA margins (less than 15%), and trade at lower valuation multiples (mean P/E at 15x or lower), compared with BIL. Downgrade to 'HOLD' with a TP of INR2,700 (INR3,100 earlier), based on 27x (30x earlier) FY27E EPS.

## Q4FY25 EBITDA above estimates

Revenue grew 5% YoY to INR28.4bn, above our estimate of INR26.2bn, owing to higher-than-expected volumes and forex gains. Volumes were flat at 82,062MT while realisation grew 5% to INR345,786/MT led by better mix and forex gains. Within volumes, share of replacement rose to 71% (versus 70% last year). Gross margin contracted 210bp to 51.2%. Freight cost/revenue fell 220bp to 5.5%. EBITDA inched up 1% to INR7.04bn, above our estimate of INR6.57bn on revenue beat. EBITDA margin contracted 110bp to 24.8%, led by higher employee costs and other expenses. Unrealised forex loss impact below the EBITDA line was INR580mn versus gain of INR490mn last year. All in all, PAT plunged 25% to INR3.62bn (estimate: INR4.55bn), missing estimates, mainly due to unrealised forex losses.

## Near-term prospects subdued for underlying OHT industry

Weak demand is likely in tractors and construction equipment tyres for North America and Europe markets in CY25. Major OEMs such as John Deere and CNH expect a fall in tractor volumes for North America and Europe markets in CY25 while Volvo, John Deere and CNH anticipate lower volumes in construction equipment. Although industry prospects are muted, we reckon BIL shall gain share and grow at a moderate pace, at a volume/revenue CAGR of 6%/9% over FY25–27E.

## Entry into new segments poses challenge

From being a niche OHT player, BIL has announced an entry into domestic TBR and PCR, at a capex of ~INR30bn. Over the medium term, an increasing presence in domestic TBR and PCR segments is likely to be challenging, considering the high competitive intensity with several established incumbent mass-market tyre companies. The tyre companies in these segments have lower levels of profitability, with EBITDA margins of < 15% versus BIL's margins at 25%.

## Financials

| Year to March | 4Q FY25 | 4Q FY24 | YoY (%) | 3Q FY25 | QoQ (%) |
|---|---|---|---|---|---|
| Net Revenue | 28,376 | 26,966 | 5.2 | 25,716 | 10.3 |
| EBITDA | 7,035 | 6,991 | 0.6 | 6,391 | 10.1 |
| Adjusted Profit | 3,619 | 4,804 | -24.7 | 4,398 | -17.7 |
| Diluted EPS (INR) | 18.7 | 24.9 | -24.7 | 22.8 | -17.7 |

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# Financial Statements

### Income Statement (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Total operating income | 93,757 | 106,149 | 113,544 | 126,936 |
| Gross profit | 49,013 | 55,518 | 59,838 | 66,515 |
| Employee costs | 4,413 | 4,936 | 5,356 | 5,863 |
| Other expenses | 21,380 | 23,770 | 24,925 | 27,609 |
| EBITDA | 23,221 | 26,812 | 29,557 | 33,042 |
| Depreciation | 6,438 | 6,735 | 7,603 | 8,746 |
| Less: Interest expense | 1,089 | 1,252 | 1,310 | 1,304 |
| Add: Other income | 2,750 | 2,670 | 2,742 | 2,727 |
| Profit before tax | 18,994 | 21,495 | 23,386 | 25,719 |
| Prov for tax | 4,615 | 5,279 | 5,725 | 6,296 |
| Less: Other adj | 0 | 0 | 0 | 0 |
| Reported profit | 14,379 | 16,216 | 17,661 | 19,423 |
| Less: Excp.item (net) | 0 | 0 | 0 | 0 |
| Adjusted profit | 14,379 | 16,216 | 17,661 | 19,423 |
| Diluted shares o/s | 193 | 193 | 193 | 193 |
| Adjusted diluted EPS | 74.4 | 83.9 | 91.4 | 100.5 |
| DPS (INR) | 16.0 | 16.0 | 18.3 | 20.1 |
| Tax rate (%) | 24.3 | 24.6 | 24.5 | 24.5 |

### Balance Sheet (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Share capital | 387 | 387 | 387 | 387 |
| Reserves | 88,232 | 103,452 | 117,580 | 133,118 |
| Shareholders funds | 88,619 | 103,838 | 117,967 | 133,505 |
| Minority interest | 0 | 0 | 0 | 0 |
| Borrowings | 30,369 | 32,124 | 33,395 | 31,799 |
| Trade payables | 12,657 | 13,813 | 15,488 | 17,609 |
| Other liabs & prov | 4,405 | 5,821 | 6,025 | 6,312 |
| Total liabilities | 136,050 | 155,596 | 172,875 | 189,225 |
| Net block | 62,681 | 68,961 | 76,974 | 88,830 |
| Intangible assets | 5 | 5 | 6 | 6 |
| Capital WIP | 9,444 | 9,851 | 15,901 | 12,966 |
| Total fixed assets | 72,130 | 78,818 | 92,881 | 101,802 |
| Non current inv | 26,862 | 32,649 | 31,649 | 31,649 |
| Cash/cash equivalent | 530 | 626 | 1,119 | 3,327 |
| Sundry debtors | 15,501 | 16,206 | 17,669 | 19,753 |
| Loans & advances | 0 | 0 | 0 | 0 |
| Other assets | 16,408 | 21,334 | 23,177 | 25,563 |
| Total assets | 136,050 | 155,596 | 172,875 | 189,225 |

### Important Ratios (%)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Gross profit margin (%) | 52.3 | 52.3 | 52.7 | 52.4 |
| Staff cost % sales | 4.7 | 4.6 | 4.7 | 4.6 |
| Other expenses % sales | 22.8 | 22.4 | 22.0 | 21.8 |
| EBITDA margin (%) | 24.8 | 25.3 | 26.0 | 26.0 |
| Net profit margin (%) | 15.3 | 15.3 | 15.6 | 15.3 |
| Revenue growth (% YoY) | (6.9) | 13.2 | 7.0 | 11.8 |
| EBITDA growth (% YoY) | 14.5 | 15.5 | 10.2 | 11.8 |
| Adj. profit growth (%) | 33.3 | 12.8 | 8.9 | 10.0 |

### Free Cash Flow (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Reported profit | 18,991 | 21,563 | 23,386 | 25,719 |
| Add: Depreciation | 6,438 | 6,735 | 7,603 | 8,746 |
| Interest (net of tax) | 706 | 314 | 1,310 | 1,304 |
| Others | (3,061) | (1,967) | 0 | 0 |
| Less: Changes in WC | 1,628 | (4,324) | (2,399) | (3,295) |
| Operating cash flow | 20,525 | 17,532 | 24,292 | 26,306 |
| Less: Capex | (10,750) | (14,456) | (21,667) | (17,667) |
| Free cash flow | 9,775 | 3,076 | 2,626 | 8,639 |

### Assumptions

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| India (tonnes) | 78,424 | 90,168 | 98,389 | 107,272 |
| Europe (tonnes) | 137,828 | 142,188 | 143,095 | 151,232 |
| America (tonnes) | 49,454 | 47,921 | 49,583 | 53,735 |
| Others (tonnes) | 26,922 | 34,995 | 39,568 | 44,563 |

### Key Ratios

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| RoE (%) | 17.5 | 16.9 | 15.9 | 15.4 |
| RoCE (%) | 17.2 | 17.8 | 17.2 | 17.1 |
| Inventory days | 117 | 108 | 122 | 119 |
| Receivable days | 55 | 55 | 54 | 54 |
| Payable days | 95 | 95 | 100 | 100 |
| Working cap (% sales) | 19.6 | 21.2 | 21.2 | 20.6 |
| Gross debt/equity (x) | 0.3 | 0.3 | 0.3 | 0.2 |
| Net debt/equity (x) | 0.2 | 0.2 | 0.2 | 0.2 |
| Interest coverage (x) | 17.9 | 18.2 | 18.8 | 20.7 |

### Valuation Metrics

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Diluted P/E (x) | 35.9 | 31.8 | 29.2 | 26.6 |
| Price/BV (x) | 5.8 | 5.0 | 4.4 | 3.9 |
| EV/EBITDA (x) | 23.5 | 20.4 | 18.6 | 16.5 |
| Dividend yield (%) | 0.6 | 0.6 | 0.7 | 0.8 |

### Valuation Drivers

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| EPS growth (%) | 33.3 | 12.8 | 8.9 | 10.0 |
| RoE (%) | 17.5 | 16.9 | 15.9 | 15.4 |
| EBITDA growth (%) | 14.5 | 15.5 | 10.2 | 11.8 |
| Payout ratio (%) | 21.5 | 19.1 | 20.0 | 20.0 |

*Source: Company and Nuvama estimates*

## Q4FY25 conference call: Key takeaways

- **2030 outlook:** The company has announced its 2030 revenue target of INR230bn, implying a five-year CAGR of 17%. Of this, 70% is likely to come from OHT, 10% from carbon black, and 20% from new tyre categories (TBR and PCR). Blended EBITDA margin, after the full ramp-up of new segments, is likely to be in the range of 23–25%. RoCE is likely to decline marginally.

### OHT

- **Market share:** Balkrishna currently holds a 6% share of the global OHT market and aims to ramp this up to 8% by 2030. Reaching a 10% global market share remains a strategic goal, to be pursued through modular and carefully phased investments. In the domestic market, the company holds a 15% share of the agriculture replacement segment and has established a dominance in other OHT sub-segments.
- **Rubber tracks:** The company has received positive customer response from its pilot project for tracks. It plans to expand this offering to cater to the agriculture, construction, and industrial sectors, targeting global demand. A dedicated manufacturing facility for tracks is currently being expanded and is likely to be operational by H2FY26.
- **Capacity expansion:** The company plans to increase its total capacity to 425,000 MTPA, driven by ongoing expansion efforts (35,000MTPA) and de-bottlenecking initiatives.

### Carbon black

- **FY25 revenue** accounted for 8–9% of the company's overall revenue.
- **Capacity expansion:** Capacity to increase from 200,000MTPA to 360,000MTPA along with a 24MW cogeneration power plant, taking total co-gen power capacity to 64MW at Bhuj. The expansion shall be completed by early 2026.

### TBR and PCR

- **Entry into new segments:** The company plans to enter the premium TBR and PCR tyre categories, aiming to scale this business up to a 20% revenue share by 2030. The initial focus will be on the domestic replacement market.
- **Timeline:** TBR pilot launch is likely in Q4FY26 while PCR in Q3FY27.
- **Market share:** Management expects to achieve 5% market share by 2030.

### Other

- **US tariffs:** Base tariff of 10% is now applicable to the company's products exported to the US. The impact is currently being partially absorbed by the company.
- **Cost trends:** Commodity costs have softened, and management expects 1% RM cost reduction QoQ in Q1FY26. Freight rates are likely to remain stable.
- **Gross debt** at the end of Mar-25 stood at INR32.1bn, **cash** at INR33.3bn and **net cash** at INR1.2bn.
- **Capex** in FY25 was INR15bn. The board has approved a capex of INR35bn over three years for setting up additional production facilities at Bhuj for carbon black, power plant, rubber tracks, TBR and PCR. The capex continues for 35,000MTPA OHT capacity, and yearly maintenance capex is likely at INR5-7bn.

### Exhibit 1: Change in estimates: Trimming FY26E/27E EPS by 3% each on higher depreciation/interest costs, reduction in other income

| INR mn | Old estimates | | New estimates | | Variance (%) | |
|---|---|---|---|---|---|---|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Net revenues | 113,332 | 124,425 | 113,544 | 126,936 | 0 | 2 |
| EBITDA | 29,733 | 32,761 | 29,557 | 33,042 | -1 | 1 |
| Adjusted Profit | 18,234 | 20,127 | 17,661 | 19,423 | -3 | -3 |
| Diluted EPS (INR) | 94.3 | 104.1 | 91.4 | 100.5 | -3 | -3 |

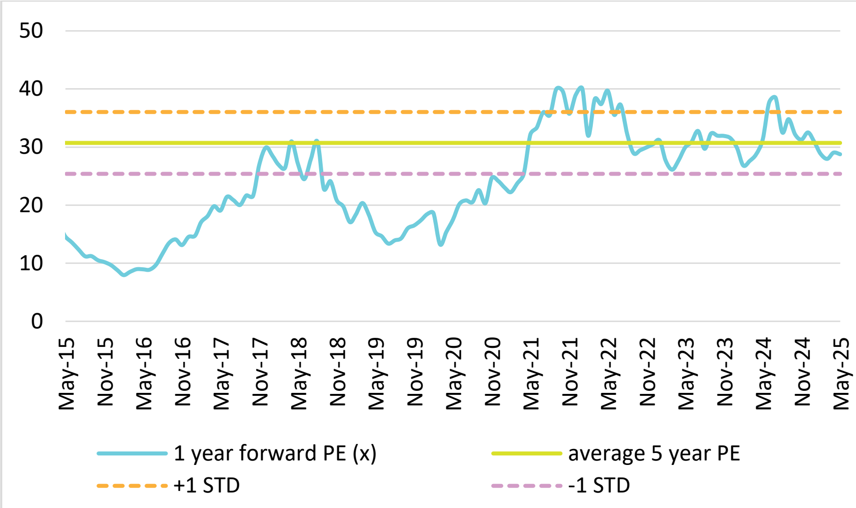
*Source: Nuvama Research*

### Exhibit 2: Key revenue assumption: CAGR at 9% over FY25–27E

| | FY24 | FY25 | FY26E | FY27E | FY25-27E CAGR (%) |
|---|---|---|---|---|---|
| **OHT volumes by geography** | | | | | |
| India | 78,424 | 90,168 | 98,389 | 107,272 | 9 |
| % of sales | 27 | 29 | 30 | 30 | |
| Growth (%) | 21 | 15 | 9 | 9 | |
| Europe | 137,828 | 142,188 | 143,095 | 151,232 | 3 |
| % of sales | 47 | 45 | 43 | 42 | |
| Growth (%) | (9) | 3 | 1 | 6 | |
| America | 49,454 | 47,921 | 49,583 | 53,735 | 6 |
| % of sales | 17 | 15 | 15 | 15 | |
| Growth (%) | (8) | (3) | 3 | 8 | |
| Others | 26,922 | 34,995 | 39,568 | 44,563 | 13 |
| % of sales | 9 | 11 | 12 | 12 | |
| Growth (%) | (11) | 30 | 13 | 13 | |
| **Total** | **292,628** | **315,273** | **330,635** | **356,803** | **6** |
| Growth (%) | (3) | 8 | 5 | 8 | |
| | | | | | |
| **Realization (INR)** | **295,765** | **306,296** | **310,259** | **315,789** | **2** |
| Growth (%) | (6) | 4 | 1 | 2 | |
| | | | | | |
| **OHT revenues (INRmn)** | **86,549** | **96,567** | **102,583** | **112,675** | **8** |
| Growth (%) | (8) | 12 | 6 | 10 | |
| | | | | | |
| **Carbon black/Others (INRmn)** | **7,208** | **9,582** | **10,962** | **14,262** | **22** |
| | | | | | |
| **Revenue (INRmn)** | **93,757** | **106,149** | **113,544** | **126,936** | **9** |
| Growth (%) | (7) | 13 | 7 | 12 | |

*Source: Company, Nuvama Research*

**Exhibit 3: One year forward P/E**




*Source: Bloomberg, Nuvama Research*

**Exhibit 4: Quarterly snapshot (Standalone, INR mn); EBITDA above estimates**

| Year to March | 4Q FY25 | 4Q FY24 | YoY (%) | 3Q FY25 | QoQ (%) |
|---|---|---|---|---|---|
| Net revenues | 28,376 | 26,966 | 5.2 | 25,716 | 10.3 |
| Raw material | 13,840 | 12,595 | 9.9 | 12,235 | 13.1 |
| Staff costs | 1,280 | 1,106 | 15.7 | 1,309 | (2.2) |
| Other expenses | 6,220 | 6,274 | (0.9) | 5,780 | 7.6 |
| Total expenditure | 21,341 | 19,975 | 6.8 | 19,324 | 10.4 |
| EBITDA | 7,035 | 6,991 | 0.6 | 6,391 | 10.1 |
| Depreciation | 1,764 | 1,724 | 2.3 | 1,708 | 3.3 |
| EBIT | 5,271 | 5,267 | 0.1 | 4,684 | 12.5 |
| Less: Interest Expense | 489 | 299 | 63.6 | 150 | 225.9 |
| Add: Other income | 550 | 874 | (37.1) | 240 | 129.2 |
| MTM (losses)/ gains | (580) | 490 | (218.4) | 1,120 | (151.8) |
| Add: Exceptional items | | | | | |
| Profit before tax | 4,752 | 6,332 | (24.9) | 5,894 | (19.4) |
| Less: Provision for Tax | 1,133 | 1,528 | (25.8) | 1,496 | (24.3) |
| Less: Minority Interest | | | | | |
| Add: Share of profit from associates | | | | | |
| Reported Profit | 3,619 | 4,804 | (24.7) | 4,398 | (17.7) |
| Adjusted Profit | 3,619 | 4,804 | (24.7) | 4,398 | (17.7) |
| No. of Diluted shares outstanding | 193 | 193 | | 193 | |
| Adjusted Diluted EPS | 18.7 | 24.9 | (24.7) | 22.8 | (17.7) |
| **As a % revenues** | | | | | |
| **Year to March** | **4Q FY25** | **4Q FY24** | **bps change (YoY)** | **3Q FY25** | **bps change (QoQ)** |
| Gross margins | 51.2 | 53.3 | (207) | 52.4 | (120) |
| Raw material | 48.8 | 46.7 | 207 | 47.6 | 120 |
| Staff costs | 4.5 | 4.1 | 41 | 5.1 | (58) |
| Other expenses | 21.9 | 23.3 | (135) | 22.5 | (56) |
| EBIDTA | 24.8 | 25.9 | (113) | 24.9 | (6) |
| Adjusted net profit | 12.8 | 17.8 | (506) | 17.1 | (435) |
| Tax rate (% PBT) | 23.8 | 24.1 | (29) | 25.4 | (154) |

*Source: Company, Nuvama Research*

## Company Description

BIL is the flagship company of the Siyaram Group and was incorporated in 1961. It is the holding company of Balkrishna Paper Mills, Balkrishna Tyres and Balkrishna Synthetic. The company's success story began in 1995, when it entered into production of cross ply off highway tires. Its product was instantly accepted in European and North American markets. With the help of persistent and intensive market research coupled with ever-expanding production capabilities, BIL is currently one of the world's leading manufacturers of OTH tyres and boasts of a large product range for agricultural, industrial, construction and earthmoving applications. BIL sells tractor tyres under brand Agrimax and OTR tyres under the brand Earthmax. Its continuous focus on R&D has helped it develop over 120–150 new SKUs every year, coupled with the world's fastest turnaround time of 8-10 weeks for new product development.

## Investment Profile

Weak demand is likely in tractors and construction equipment tyres for North America and Europe markets in CY25. Major OEMs such as John Deere and CNH expects a fall in tractors for North America and Europe markets in CY25 while Volvo, John Deere and CNH anticipates lower volumes in construction equipment. Although industry prospects are muted, we expect BIL to gain share, and grow at a moderate pace, with volume/revenue CAGRs at 6%/9% over FY25-27E.

From being a niche OHT player, BIL has announced entry into domestic TBR and PCR, at capex of ~INR30bn. Over the medium term, increasing presence in domestic TBR and PCR segments is likely to be challenging, considering high competitive intensity with several established incumbent mass-market tyre companies. These tyre companies in these segments have lower level of profitability, with EBITDA margin of <15%, versus BIL margin at 25%. Furthermore, mass-market tyre companies trade at lower valuation multiples (historical mean P/E at 15x or lower).

We recommend Hold, with TP of INR2,700 based on 27x P/E on FY27E EPS.

## Key Risks

- Lower-than-expected growth in underlying regions
- Geopolitical issues resulting in higher freight costs
- Spike in input prices
- Adverse currency movement
- Increase in competitive intensity

# Additional Data

## Management

| | |
|---|---|
| Chairman/MD | Arvind M Poddar |
| Joint MD | Rajiv A Poddar |
| Sr. President Commercial and CFO | Madhusudan Bajaj |
| CS | Vipul Shah |
| Auditor | Jayantilal Thakkar & Co. |

## Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| HDFC AMC | 5.57 | Vanguard Group | 1.72 |
| LIC | 4.60 | Blackrock Inc | 1.52 |
| PPFAS AMC | 2.17 | FundRock Manager | 1.51 |
| Kotak AMC | 1.75 | SBI Fund Manager | 1.17 |
| Norges Bank | 1.75 | Motilal Oswal AMC | 0.87 |

**Latest public data*

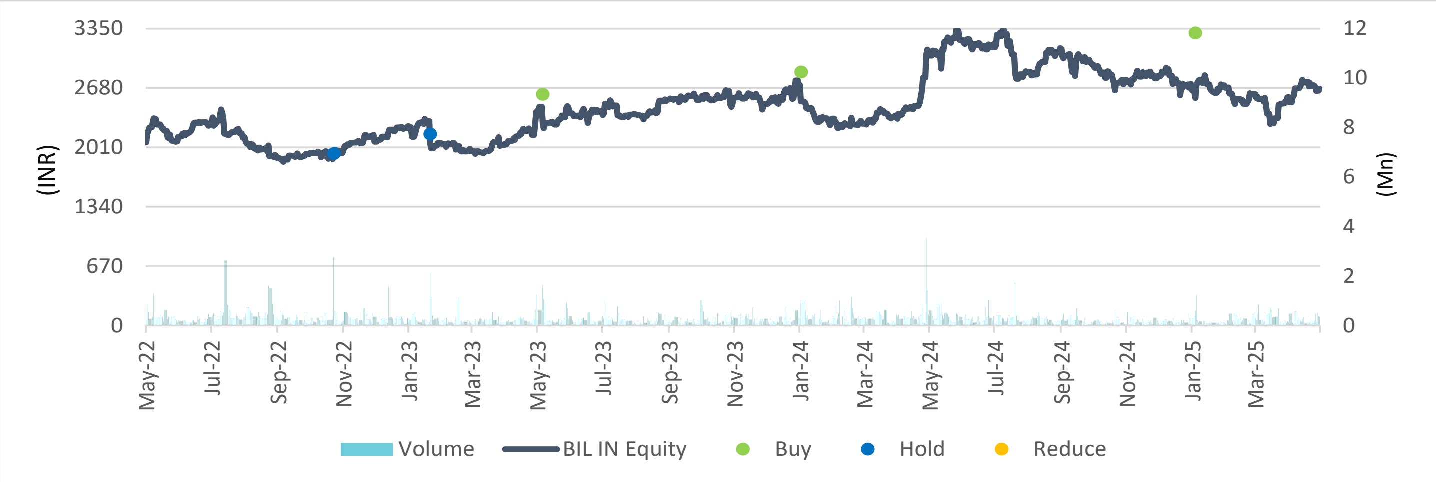
## Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 03-Mar-25 | Outlook muted; share gains to endure; *Visit Note* | 2,582 | Buy |
| 27-Jan-25 | Q3 in line; near-term outlook weak; *Result Update* | 2,680 | Buy |
| 26-Oct-24 | Q2 outperforms; near-term outlook weak; *Result Update* | 2,908 | Buy |

## Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 23-May-25 | AIA Engineering | Awaiting visibility on volume growth; *Result Update* |
| 23-May-25 | Flair | Nothing to write home about; *Result Update* |
| 20-May-25 | DOMS | Margins drag; capacities to power growth; *Result Update* |

## Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

## Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 204 |
| Hold | <15% and >-5% | 63 |
| Reduce | <-5% | 34 |

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