

Q1FY24 Result Highlights

- **Q1FY24 impacted by lower volumes mainly on account of production and logistical challenges** – Balkrishna Industries (BIL) reported Q4FY23 topline of ₹21.59bn, -17.6% QoQ and -6.8% YoY with volume de-growth of 19.2% YoY & 7.5% QoQ to 67.21k tonnes and small ASP growth of 2% YoY (-0.8% QoQ) mainly on account of production and logistical challenges due to Biparjoy cyclone (lost 4-5k MT of production), partial pass-through of price benefits to the end-consumers, reduction in freight surcharge as well as unwinding of channel inventory in developed markets. EBITDA at ₹5.1bn grew 12.8% YoY and 4.4% QoQ with margin at 23.2%, +625 bps YoY and +249 bps QoQ on account of RM tailwinds and a higher mix of OTR segment. Gross margins saw slight decline of 40 bps YoY and growth of 253 bps QoQ to 51.8%. EBITDA per kg stood at ₹74.5/kg, +39.6% YoY and +12.9% on a QoQ basis. The company expects RM basket to remain stable in Q2FY24 with similar margins sustaining in the near term. The company guided that the realizations will further decline to around ₹300-305 per kg as the company might have to pass on the benefits to end customers and price cuts to fend off market share lose with increase in competitive intensity on account of muted demand trends across the markets. Net profit was at ₹3.32bn, +8.1% YoY & +27.7% QoQ. The company declared 1st dividend of ₹4 per share (FV-₹2/-).
- **Volume mix by geographies in Q1FY24: Europe – 44.8%, America – 15.3%, India – 31.3% and the RoW – 8.6%. Volume mix segment-wise in FY23: Agriculture – 58.5%, OTR–37.8% and Others – 3.7%.** OEM-Replacement mix stood at: Replacement – 71.8%, OEM – 26.0% and others – 2.3%.
- In terms of geography, volume decline on a YoY basis was led by 27-37% YoY decline in EU, America and RoW regions, partly offset by 21% YoY increase in India. In terms of end-segment, agri segment demand remained weak with 26% YoY decline in volumes whereas OTR segment witnessed 7% YoY decline in volumes. Replacement segment volumes declined by 17% YoY while OEM segment volumes declined by 24% YoY in Q1FY24.
- Channel inventory has been destocked during Q1FY24 and currently remains at normal levels for the company. The company expects demand trends to remain weak in Europe and Americas markets in Q2FY24 on account of severe heat waves and recessionary pressures. However, the management expects Europe demand to normalize by 2HFY24, while Americas to continue on the same performance trajectory as FY23.
- Capex spend is estimated at ₹5.5-6bn for FY24. Out of this, routine maintenance capex will be ₹2.5-3bn. The balance will be spent towards new product development such as rubber tracks, giant solid tires to widen product basket in end markets along with higher investments in brand building and marketing efforts which is required to reach market share goal of 10%. This market share aspiration will be reached in 3-4 years post next round of capex getting commercialized as per the company.
- EUR:INR hedge rate stood at ₹87-88 for FY24. The company has a natural hedge of USD currency. Gross debt is around ₹28.5bn as of 30 June 2023 with 75% of debt is used for working capital with cash and balances at ₹22.45bn. Carbon black plant utilisation at 85-90%.

Important Statistics

MCAP (₹ bn)	₹459.1
52 Week H/L (₹)	2569/ 1801
NSE Code	BALKRISIND
BSE Code	502355

Shareholding Pattern		Jun'23 (%)
Promoters		58.3
DII's		21.0
FII's		12.4
Public		8.3

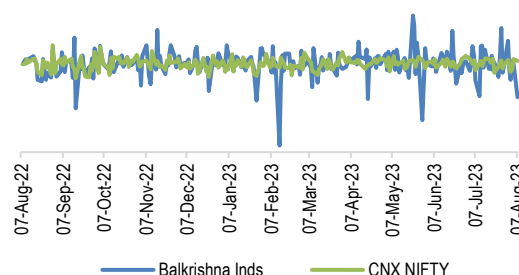
Financials

Particulars	(₹ mn)		
	FY20	FY21	FY22
Revenue	48,112	57,832	82,951
EBITDA	12,713	18,104	20,088
EBITDA Margin(%)	26.4	31.3	24.2
Net Profit	9,597	11,775	14,354
EPS (₹)	49.6	60.9	74.3
RoE (%)	19.9	21.4	20.7
RoCE (%)	18.5	19.5	20.5
P/E (x)	47.8	39.0	32.0
EV/EBITDA (x)	36.9	25.9	24.1
P/BV (x)	9.2	7.7	6.6

Particulars	FY23	FY24E	FY25E
Revenue	97,595	91,092	100,544
EBITDA	17,071	17,182	20,165
EBITDA Margin (%)	17.5	18.9	20.1
Net Profit	10,574	12,616	15,021
EPS (₹)	54.7	65.3	77.7
RoE (%)	14.0	15.6	16.7
RoCE (%)	12.6	13.8	16.6
P/E (x)	43.4	36.4	30.6
EV/EBITDA (x)	29.0	20.2	17.1
P/BV (x)	6.1	5.4	4.8

Source: Company, Way2Wealth

Relative Comparison



Source: Company, Way2Wealth

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View

We are likely to witness gradual recovery especially in Europe and America for the agri-segment volumes considering terms of trade deteriorating for farmers on account of weaker crop output due to heat wave. The competition intensity is also up leading to impact on volumes and realisation. Given that the RM basket benefits have been realised, we expect margin recovery to be driven by operating leverage benefits (2HFY24 onwards), a richer product mix (higher mix of OTR segment) and better hedge rate. However, if the demand scenario is persistently weak, the company may have to pass on the benefits to end-consumers, which may delay margin recovery. Margin recovery will be driven by operating leverage benefits, a richer product mix and favorable hedge rates, partly offset by elevated competitive intensity, which may put pressure on pricing. The cost pressures have eased over past two quarters and India business continues to perform well with new business wins; however, demand trends in Europe and the US remain muted currently. **Hence, we continue to maintain our ACCUMULATE stance with stock trading at P/E 30.6x FY25E EPS of ₹77.7.**

8th August 2023

CMP – ₹2,375.0/-

 View – **ACCUMULATE**
FINANCIAL & OPERATING PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Volume (tonnes)	67,209	83,153	(19.2)	72,676	(7.5)	301,181	288,795	4.3
Realisation (₹ / Kg)	321.3	315.0	2.0	318.8	0.8	324.0	287.2	12.8
Revenue	21,593.5	26,194.3	(17.6)	23,170.1	(6.8)	97,595.3	82,951.2	17.7
Cost of matl	10,293.4	13,779.3	(25.3)	11,363.6	(9.4)	48,041.9	39,578.8	21.4
Stock Purchases	295.2	233.2	26.6	297.3	(0.7)	1,062.5	775.3	37.0
Inventory Changes	(188.1)	(1,501.1)	(87.5)	85.0	(321.3)	48.7	(2,575.7)	101.9
Employee Costs	1,186.3	1,188.2	(0.2)	1,149.9	3.2	4,594.3	4,300.7	6.8
Other Exps	4,997.4	8,054.9	(38.0)	5,476.7	(8.8)	26,776.8	20,784.6	28.8
EBITDA	5,009.3	4,439.8	12.8	4,797.6	4.4	17,071.1	20,087.5	(15.0)
EBITDA Margin (%)	23.2	16.9	625	20.7	249	17.5	24.2	(672)
Other Income	1,057.6	1,057.2	0.0	570.1	85.5	3,465.3	4,379.2	(20.9)
Depreciation	1,552.9	1,292.7	20.1	1,556.5	(0.2)	5,708.1	4,553.7	25.4
Finance Cost	217.1	29.5	635.9	261.0	(16.8)	480.4	91.5	425.0
Exceptional Item	-	-	-	-	-	-	-	-
PBT	4,296.9	4,174.8	2.9	3,550.2	21.0	14,347.9	19,821.5	(27.6)
Tax	978.2	1,105.2	(11.5)	952.2	2.7	3,773.9	5,467.7	(31.0)
Net Profit	3,318.7	3,069.6	8.1	2,598.0	27.7	10,574.0	14,353.8	(26.3)
EPS (₹)	17.2	15.9	8.1	13.4	27.7	54.7	74.3	(26.3)

As % of Sales	Q1FY24	Q1FY23	YoY(bps)	Q4FY24	QoQ(bps)	FY23	FY22	YoY(bps)
Matl Cost	48.2	47.8	40	50.7	(253)	50.4	45.5	482
Gross Profit	51.8	52.2	(40)	49.3	253	49.6	54.5	(482)
Employee Exps	5.5	4.5	96	5.0	53	4.7	5.2	(48)
Other Exps	23.1	30.8	(761)	23.6	(49)	27.4	25.1	238

Source: Company, Way2Wealth

Segmental volume mix (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
Agriculture	63.0	62.4	62.4	61.1	61.5	64.0	65.5	62.7	58.5
OTR (Industrial, mining, construction)	33.7	33.8	33.8	35.5	35.0	32.0	31.1	34.2	37.8
Others	3.3	3.8	3.8	3.4	3.5	4.0	3.3	3.1	3.7

Channel-wise mix (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
OEM	23.5	23.5	25.6	26.9	25.5	26.0	27.7	27.9	26.0
Replacement	74.2	73.8	71.4	71.2	71.5	70.0	69.1	69.5	71.8
Off-take (contract manufacturing)	2.3	2.7	3.0	1.9	3.0	4.0	3.3	2.6	2.3

Region-wise mix (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
Europe	55.2	54.2	53.9	50.4	51.0	50.0	53.9	50.5	44.8
America	15.4	15.3	15.0	16.7	17.0	15.0	17.3	17.9	15.3
Rest of World	14.8	14.9	14.7	14.6	12.0	12.0	11.9	10.0	8.6
India	14.6	15.6	16.4	18.3	20.0	23.0	17.6	21.6	31.3

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Volume (tonnes)	172,420	199,213	211,261	201,760	227,132	288,795	301,181	298,663	324,337
YoY Growth (%)	16.9	15.5	6.0	(4.5)	12.6	27.1	4.3	(0.8)	8.6
Realisation (₹ /Kg)	219	224	247	238	255	287	324	305	310
YoY Growth (%)	(1.6)	2.0	10.1	(3.3)	6.8	12.8	12.8	(5.9)	1.6
Revenue	37,838	44,610	52,100	48,112	57,832	82,951	97,595	91,092	100,544
YoY Growth (%)	15.0	17.9	16.8	(7.7)	20.2	43.4	17.7	(6.7)	10.4
EBITDA (₹mn)	11,310	11,016	13,021	12,713	18,104	20,088	17,071	17,182	20,165
EBITDA Margin (%)	29.9	24.7	25.0	26.4	31.3	24.2	17.5	18.9	20.1
YoY Growth (%)	37.5	(2.6)	18.2	(2.4)	42.4	11.0	(15.0)	0.6	17.4
Net Profit (₹mn)	7,169	7,358	7,737	9,597	11,775	14,354	10,574	12,616	15,021
EPS (₹)	37.1	38.1	40.0	49.6	60.9	74.3	54.7	65.3	77.7
DPS (₹)	8.0	10.0	8.0	21.0	18.0	28.0	16.0	20.0	24.0
RoE (%)	21.8	19.0	17.7	19.9	21.4	20.7	14.0	15.6	16.7
RoCE (%)	17.4	18.5	14.9	18.9	20.8	14.1	10.7	13.8	16.6
Net Debt/Equity (x)	0.4	0.2	0.2	0.2	0.2	0.4	0.5	(0.1)	(0.1)
FCF	7,867	4,013	1,697	4,989	5,496	(4,655)	(3,145)	14,692	15,124
Cash Balances	248	334	656	691	752	517	763	6,073	7,543
Debtors Days	47	38	36	44	48	48	42	50	46
Inventory Days	110	48	52	46	59	72	57	56	56
Creditors Days	115	32	27	28	41	36	37	36	35
P/E (x)	64.0	62.4	59.3	47.8	39.0	32.0	43.4	36.4	30.6
EV/EBITDA (x)	41.8	42.5	35.9	36.9	25.9	24.1	29.0	20.2	17.1
P/BV (x)	13.0	11.2	9.9	9.2	7.7	6.6	6.1	5.4	4.8

Source: Company, Way2Wealth

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Disclosure of Interest Statement BALKRISHNA INDUSTRIES Ltd. as on 08 August 2023

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	No
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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