

## Background

**Balkrishna Industries Ltd (BKT)** is one of the leading manufacturers of off-the-highway (OHT) tyres. BKT makes tyres which are used in various applications including agricultural, construction and industrial vehicles as well as earthmoving, port and mining, all-terrain vehicles (ATV) and gardening. The company also offers tyres for backhoe loader, compact dumper, compactor, container handler, excavator, mobile home and skid steer. It also offers tyres for bulldozer, haul train and load haul dump (LHD). BKT is now an established exporter of OHT tyres, with exports comprising ~80% of its revenue share and has ~6% global market share with well spread distribution network which supports sales to 160 countries. BKT has manufacturing plants in Waluj near Aurangabad and Bhuj in western India, Bhiwadi and Chopanki in North India. In addition to this the company operates mould plant in Dombivli (near Mumbai). BKT's latest Bhuj plant has a dedicated capacity to produce large and ultra large all-steel radial mining tyres. It has an in-house production unit for tyre moulds as well, which helps it render faster response to customers. BKT has successfully commenced commercial production of the Brown Field Expansion and Debottlenecking Project at Bhuj Plant ahead of schedule with increased production of tyres up to 50,000 MTPA. The complete ramp-up in production is expected to be achieved in the next 6 months as per the management. BKT has over the years established a strong presence in the highly specialized global OHT market by leveraging on its own low cost advantage, extensive product portfolio (with over 2500 SKUs) supported with state-of-the-art R&D facility and wide distribution network across. Recently it launched SKUs in larger diameter tyres of 51" & 57" to strengthen its presence in the Off-the-Road (OTR) space (globally, only 3 OEMs are present in this segment).

## Important Statistics

<b>MCAP (₹bn)</b>	₹404.6
<b>52 Week H/L (₹)</b>	2724 / 1553
<b>NSE Code</b>	BALKRISIND
<b>BSE Code</b>	502355

<b>Shareholding Pattern</b>	<b>Dec'21 (%)</b>
<b>Promoters</b>	58.3
<b>FIIIs</b>	11.6
<b>DIIIs</b>	15.1
<b>Public</b>	15.1

## Financials

	(₹ mn)			
<b>Particulars</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
<b>Revenue</b>	<b>44,610</b>	<b>52,100</b>	<b>48,112</b>	<b>57,832</b>
<b>EBITDA</b>	<b>11,016</b>	<b>13,021</b>	<b>12,713</b>	<b>18,104</b>
<b>EBITDA Margin (%)</b>	<b>24.7</b>	<b>25.0</b>	<b>26.4</b>	<b>31.3</b>
<b>Net Profit</b>	<b>7,358</b>	<b>7,737</b>	<b>9,597</b>	<b>11,775</b>
<b>EPS (₹)</b>	38.1	40.0	49.6	60.9
<b>RoE (%)</b>	19.0	17.5	19.9	21.4
<b>RoCE (%)</b>	18.5	17.5	18.9	20.8
<b>P/E (x)</b>	55.0	52.3	42.2	34.4
<b>EV/EBITDA (x)</b>	37.5	31.7	32.6	22.9
<b>P/BV (x)</b>	9.9	8.7	8.1	6.7

Source: Company, Way2Wealth

## Investment Arguments

- **Expansion of OEM base along with reduced competition intensity and varied product range key brand positioning** – OHT being a highly specialized segment, requires unique customized solutions for success, given its wide-ranging usage (unlike conventional tyres) and higher emphasis on R&D. This necessitates a 'large variety but low volume' product portfolio approach as the applications range from a small lawn tyre to mining and construction tyres. The OHT segment caters to demand for specialized vehicles like agricultural equipment (tractors, harvesters, etc.), mining equipment, off-road vehicles, heavy construction equipment, etc. The global OHT market is estimated at \$15bn, with off-the-road (OTR) accounting for two-thirds of the market size and agri accounting for the balance one third. Globally, large tyre makers such as, Michelin, Titan, Pirelli, Bridgestone, Alliance, Continental, Sumitomo, etc. dominate the OHT segment. Considering the strong growth and profitability that this segment offers, major global players have been acquiring smaller/regional players to boost their presence in this segment. Michelin expects ~3% volume CAGR in global OHT market demand over the medium term. The global OHT industry has been witnessing increased mergers & acquisition (M&A) activities in the recent past, with few global majors acquiring small and niche players. Facing continued erosion of market share to low-cost producers, global majors have sought to leverage the strengths of low-cost operators in a bid to improve their competitiveness by leveraging their strengths of wider range of products, extensive distribution network, brands, etc. Over the last three-five years, there have been three major acquisitions in this segment: a) Trelleborg acquired Mitas in

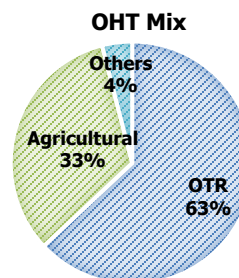
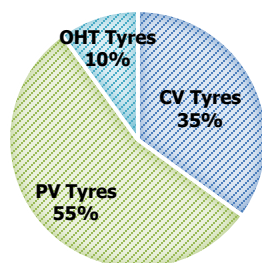
24<sup>th</sup> March 2022

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View – **ACCUMULATE**

Nov'15, b) Yokohama acquired Alliance Tyres in Mar'16, and, c) Michelin acquired Camso in Jul'18. M&A activity in OHT space has reduced the competitive intensity globally. While labor-intensive production and a wide product range pose entry barriers for large tyre companies, established players enjoy strong margins (nearly ~2x of conventional tyres) in this segment.

### GLOBAL TYRE MARKET



*Source—Company, Way2Wealth*

In structurally low growth markets, it is not easy to replace the current vendor of OEMs, which is the reason why most of the Indian tyre manufacturers target replacement OHT segment in Europe and North America. BKT too followed the same path initially, however off late, BKT has concentrated more on international market where its market share is close to 6%; which means that BKT has slightly shifted its focus from the highly fragmented replacement segment to the OHT OEM segment which is one of the main factors driving BKT's growth and is very well reflected from the fact that OEM share has now reached 26.3% from 20% in FY15. Through its strong R&D capabilities has expanded its product portfolio from conventional variety of cross ply to sophisticated polyester radial tyres having wide range of application from agri to deep mining operations. BKT currently has one of the widest product offering with 2700 SKUs which make it sought after brand offering one-stop to its distribution channel across the globe BKT's testing mechanism is among the best in the world, closely associated with European testing facilities ensuring its product adhere to the stringent and demand application.



*Source —Company, Way2Wealth*

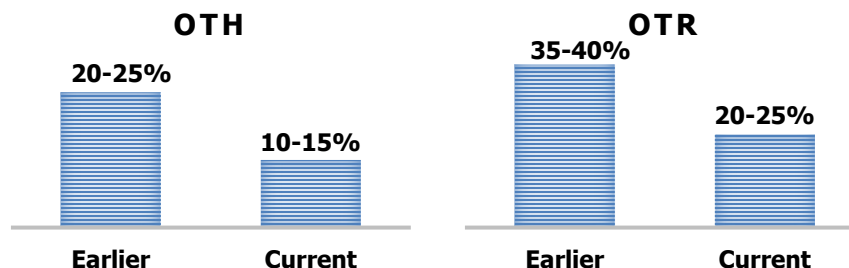
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- **Carved a niche on OHT due to low cost** – BKT being an Indian company has manufacturing base in India, thus gaining an edge over its global peers in terms of labour cost, which stands at 6-8% of revenues for BKT as compared to companies having operating base in developed nations vis-à-vis Michelin (28%) and Trelleborg (28%). Besides this factor, proximity to the largest rubber producing nations of the world like Thailand, Malaysia and Indonesia results in significantly lower raw material sourcing and logistics/transportation cost as compared to global peers. Therefore, BKT leverages its cost benefits significantly by positioning its products cheaper than leading brands while retaining strong +15% EBIT margin/+25% EBITDA margins. Lower cost of manufacturing, despite adjusting for higher freight and warehousing costs, has been a key driver of market share gains along with return ratios and robust profitability. BKT over the past years has thrived to improve its quality and consequent brand equity through continuous R&D initiatives. Over the years, BKT has developed a strong brand through its various marketing initiatives across geographies. This resulted in lowering its price discount versus global peers over the last 5 years, in both agri (from 25-30% to 10-15%) and the OTR segment (from 35-40% to 20-25%). Moreover, the company has more than doubled its advertisement and promotion spend from ₹1.2bn in FY18 to ₹2.5bn in FY21 (2.5-4.3% of sales). It has started promoting sports events globally to improve its brand visibility. As the company has increased focus on the domestic market in a bid to gain market share, it will likely to further aid in capturing the market.

#### PRICING DIFFERENTIAL OVER YEARS



Source – Company, Way2Wealth

- **Strong entry barriers in the business and customised products lends BKT an upper hand** – OHT tyres are significantly different from conventional tyres as far as the applications are concerned. The vastly different usage patterns of OHTs like the diverse surfaces on which they operate and applications necessitate unique customized solutions for each situation, contrary to conventional tyres. Due to high degree of customisation, the OHT industry remains large variety but low volume business by nature. The tyre ranges from 2-10 feet high and weighing 15-1000kgs per tyre which shows a very high range of customisation, which is the core for this business. Many players have entered in this business over past years but could not sustain due to high degree of specialization required by this industry, whereas BKT has created its own identity in the OHT space over a span of three decades. Besides, this segment is low volumes and that is the reason why Chinese players have not yet made a mark in this business due their large scale manufacturing DNA.

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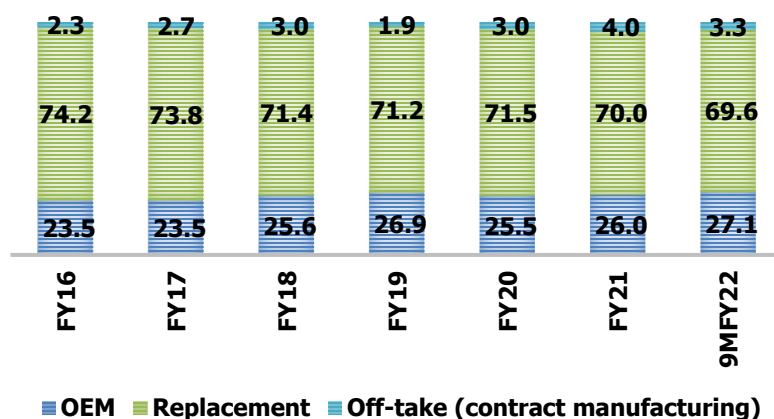
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View – **ACCUMULATE**

➤ **Agri demand resilient in replacement segment, OEMs to follow –**

Over the last 18-20 months, the global OHT market faced headwinds in Europe and the US from 1) adverse weather conditions in Europe (draught and heat wave, which hampered crop production, in turn impacting farm income) 2) US-China trade war, resulting in distressed farm sentiment along with suppressed global agri commodity prices and 3) with the ongoing Russia- Ukraine conflict resulting in many commodity price going up due to uncertainty. Global players on their outlook for agriculture, have indicated that global crop production is on track with most farms operating at normal levels and demand resilient, as farmers replace their aged fleet. Towards the end of CY20, the US Department of Agriculture (USDA) announced a US\$19bn relief package under coronavirus food assistance program to support farmer income. This we believe will directly support the US farmer and compensate for the pandemic-related losses. Overall, Agri demand had bottomed out in CY20 and OEMs expect better demand in the near to medium term. In the two markets of US and Europe, agri prices had risen post pandemic, causing a sharp revival in tyre replacement demand. A low base, coupled with improved weather conditions and rising agri prices would aid this recovery. With volume growth of 33% YoY in 9MFY22, management has revised volume guidance up in FY22 (21-25% growth) to 275-285,000MT v/s 250-260,000MT earlier led by strong demand momentum. Management views that demand remains strong from agriculture and with infrastructure cycle pick-up in developing countries including India will boost from the OTR segment.

**CHANNEL – WISE SALES MIX (%)**



Source –Company, Way2Wealth

- **BKT's increased focus on OTR Tyres –** Globally within the OHT industry, about two third of revenues come from OTR (mining, construction, earth moving) segment. However, in BKT's case, less than one third revenues come from OTR (31-32%, while agri constituted about 64-66% of BKT's revenues. BKT therefore is striving to increase this number through shift from cross-ply to radial tyres, which is high demand and is growing rapidly. In order to take advantage of this, BKT has already set up an all-steel radial OTR tyres plant in Chaupanki, Rajasthan Recently expanded Bhuj capacity will be used for larger diameter tyres used for OTR purposes (~5000 tonnes). OTR tyres have larger margins, therefore with this expansion; there is scope for BKT in this segment. Global leaders in OTR believe that

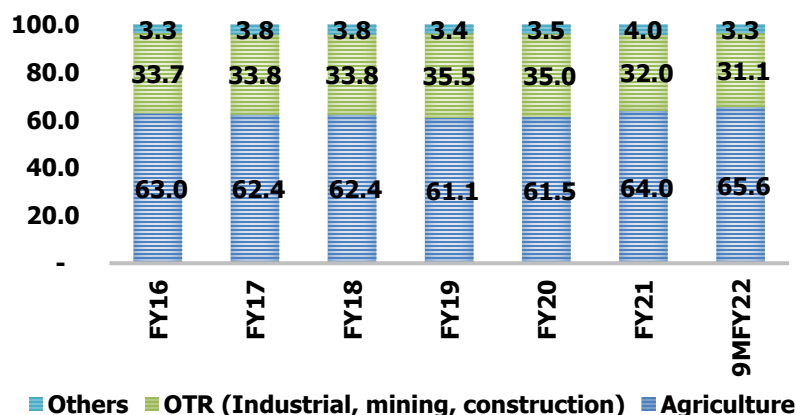
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mining industry is currently at early stages of multi-year recovery as replacement cycle and latent demand eventually comes in supported by investible commodity prices. They also believe that demand for base metal commodities is expected to remain strong. In the mining segment, there is a robust pick up in order book along with pending tender activity is strong wherein deliveries will be spread over the next few years. In Q2FY22, market has grown by 4-4.5%, and BKT's market share has grown from 5.5% to 6% globally. Management aims to attain 10% global market share.

**SEGMENTAL VOLUME MIX (%)**



Source – Company, Way2Wealth

- **Capex incurred should reap benefits as demand rises** – BKT is undergoing a huge capex plan of ₹22.5 bn which started from FY19 which includes maintenance capex spread across new capacities, upgradation and backward integration

**Carbon Black** – In order to address domestic shortages in carbon black procurement (~27% of raw material basket) as well as to ensure better quality of raw material (to penetrate the OTR segment with bigger size tyres) BKT has spent ₹4.25bn out of the ₹6.5bn to backward integrate its carbon black plant with expected completion by 1HFY23. The current achievable capacity stands at 115,000 MTPA (requirement of 55,000 MTPA). BKT is increasing the capacity of Carbon black upto 200,000 MTPA including 30,000 MTPA of high value advanced carbon material. This backward integration project of BKT is stemming from higher demand for Carbon black globally. **This facility will allow higher control over supply chain while fulfilling internal demand on expanded capacity of tyres and also meeting increased demand from third party clients.**

**Tyre Capacity Expansion** – In order to fulfill the increasing demand for OHT business, mainly on the agri and the construction side, BKT has undertaken expansion at its various plants. The current achievable capacity of BKT is 285,000 MTPA including the New Waluj plant that commenced operations in Sep'21. **The second expansion is the Brownfield plant at Bhuj** with additional capacity of 50,000 MTPA is completed with capex of ₹8bn and expected full operations to start in next six months. Also, the company is **focusing on modernization, technology upgradation and automation at its Rajasthan and Bhuj plants for a capex of ₹4.5bn.**



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**The third big capex on the tyres side is refurbishment of their Old Waluj plant which the company was planning to discontinue.**

However, due to rising demand they have planned to modernize it with latest machineries, replacement of older machineries, upgradation of certain systems and some portion of civil work. This will add capacity of 25,000 MTPA at a capex of ₹3.5bn, which will be available from Q3FY23.

**Therefore, the total achievable capacity by FY23 end will be 360,000 MTPA.**

- **Q3FY22 EBITDA impacted by raw material headwinds and higher other costs** – Revenue at ₹ 20.5bn grew ~36% YoY (-1.3% QoQ) as the company witnessed 12-19% YoY growth in agricultural and OTR segment volumes and 18% YoY increase in ASPs due to 2-3% price hikes taken during the quarter. The management decision on further price hikes will be dependent on the market dynamics. In terms of region, volumes in the EU and North America grew by 15-37% YoY whereas volumes declined by 4% YoY in India. The company highlighted that demand trends continue to remain strong; however, capacity constraint will impact sales volumes in 1HFY23. EBITDA at ₹ 4.6bn declined ~5%/15.1% YoY/QoQ with margins at 22.3% (-945 bps/-363bps YoY/QoQ) on higher RM cost, marketing cost, freight cost and power cost. Power cost was higher as company has to use its old boilers that run on coal and coal prices shot up in the period, these boilers were used as there was a shut down in company's co gen power plant. The company was been able to pass on the higher raw material prices. However, the under recovery has been in relation to shipping, bunched up marketing spends, power & fuel costs, which adversely impacted EBITDA margins. Its prices are at 12-15% discount v/s its peers and it would like to maintain it for some time. Freight prices had started coming down lately. Marketing cost normally is ₹ 1-1.1bn but it had increased to ₹ 1.2-1.3bn. Company maintained its margin guidance of 28-30%. Going forward, raw material inflation is further seen at 2-3% in Q4FY22 with margins expected to remain largely stable. As per the management production run rate to be at current level i.e., 70,000-75,000 with capacity utilisation at close to 100%. It has guided that margins in the replacement and OEM segment are at similar levels. Production during Q3FY22 was at 70,320 tonnes and for 9MFY22 was at 211,676 tonnes. Carbon black realisation last quarter was ~₹ 95/ kg and prevailing price was at ~ ₹100/kg. Carbon sales was less than 3% of revenue and 17% of the total Carbon Black produced was sold outside and rest was used in-house. Gross debt was ₹18.8bn and cash was at ₹ 19.21bn by the end of the quarter.

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(₹ mn)								
Particulars	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ(%)	9MFY22	9MFY21	YoY (%)
Volume (tonnes)	70,320	59,810	17.6	72,748	(3.3)	211,676	159,130	33.0
Realisation (₹ per Kgs)	295.6	250.2	18.1	285.9	3.4	279.7	253.2	10.5
<b>Revenue</b>	<b>20,458.1</b>	<b>15,092.3</b>	<b>35.6</b>	<b>20,722.3</b>	<b>(1.3)</b>	<b>59,209.1</b>	<b>40,297.4</b>	<b>46.9</b>
Cost of matl	9,948.6	6,216.2	60.0	9,770.7	1.8	28,349.2	16,254.5	74.4
Stock Purchases	203.2	217.8	(6.7)	175.8	15.6	551.3	528.2	4.4
Inventory Changes	(427.0)	(387.6)	10.2	(599.1)	(28.7)	(2,106.2)	(902.7)	133.3
Employee Costs	1,082.5	945.8	14.5	1,092.4	(0.9)	3,229.3	2,691.6	20.0
Other Exps	5,084.3	3,304.4	53.9	4,904.0	3.7	14,128.8	9,126.1	54.8
<b>EBITDA</b>	<b>4,566.5</b>	<b>4,795.7</b>	<b>(4.8)</b>	<b>5,378.5</b>	<b>(15.1)</b>	<b>15,056.7</b>	<b>12,599.7</b>	<b>19.5</b>
<b>EBITDA Margin (%)</b>	<b>22.3</b>	<b>31.8</b>	<b>(945)</b>	<b>26.0</b>	<b>(363)</b>	<b>25.4</b>	<b>31.3</b>	<b>(584)</b>
Other Income	1,130.4	546.1	107.0	1,333.3	(15.2)	3,285.5	1,108.7	196.3
Depreciation	1,175.7	1,045.5	12.5	1,114.3	5.5	3,358.4	3,100.9	8.3
Finance Cost	20.5	20.6	(0.5)	20.5	-	66.0	85.9	(23.2)
PBT	4,500.7	4,275.7	5.3	5,577.0	(19.3)	14,917.8	10,521.6	41.8
Tax	1,111.2	1,025.0	8.4	1,666.4	(33.3)	4,312.4	2,545.8	69.4
<b>Net Profit</b>	<b>3,389.5</b>	<b>3,250.7</b>	<b>4.3</b>	<b>3,910.6</b>	<b>(13.3)</b>	<b>10,605.4</b>	<b>7,975.8</b>	<b>33.0</b>
EPS (₹)	17.5	16.8	4.3	20.2	(13.3)	54.9	41.3	33.0

Source – Company, Way2Wealth

As % of Sales	Q3FY22	Q3FY21	YoY (bps)	Q2FY22	QoQ (bps)	9MFY22	9MFY21	YoY (bps)
Matl Cost	47.5	40.1	747	45.11	243	45.3	39.4	585
Gross Profit	52.5	59.9	(747)	54.89	(243)	54.7	60.6	(585)
Employee Exps	5.3	6.3	(98)	5.27	2	5.5	6.7	(123)
Other Exps	24.9	21.9	296	23.67	119	23.9	22.6	122

Source – Company, Way2Wealth

## Key Risks

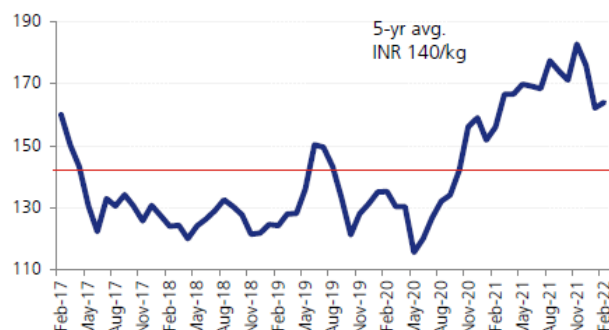
- **Lackluster Commodity/Agri cycle** – With majority of BKT's revenue skewed towards the Europe agri segment, any unfavorable climatic conditions could have a bearing on demand. Further, any downturn in mining and construction activities could unfavorably impact demand for BKT
- **Political risks in North America/Europe** – North America and Europe are key geographies for BKT, contributing ~17%/54% of 9MFY22 revenues, respectively. Uncertainty arising from prolonged conflicts, trade wars, higher import duty, etc., in these countries could negatively impact BKT.
- **Price war in the OHT space** – Although BKT has been a bigger player in India than global peers, relatively, it is a smaller player. Besides, BKT's products are priced at 20-25% discount compared with global peers; any aggressive pricing strategy by well-established players could significantly impact BKT's profitability and market share.
- **Increasing input costs** – Natural/synthetic rubber and crude derivatives are the key raw materials for BKT. Any sharp increase in raw material prices could impact margins. The company's new carbon black capacity which has been operational since FY20, should help offset the volatility in crude prices.

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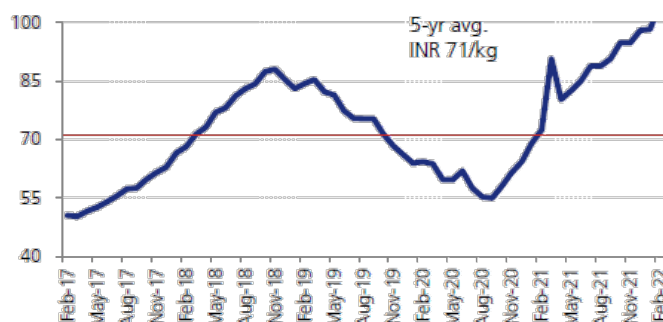
**Natural rubber - domestic (INR/kg)**



	1QFY22	2QFY22	3QFY22	4QFY22	CMP
Avg price.	169	173	177	163	165
QoQ	-6%	3%	2%	-8%	
YoY	38%	32%	16%	6%	-1%

**Source** –Rubber Board, Way2Wealth; **Note:** \* 4QFY22 avg. till 28Feb22

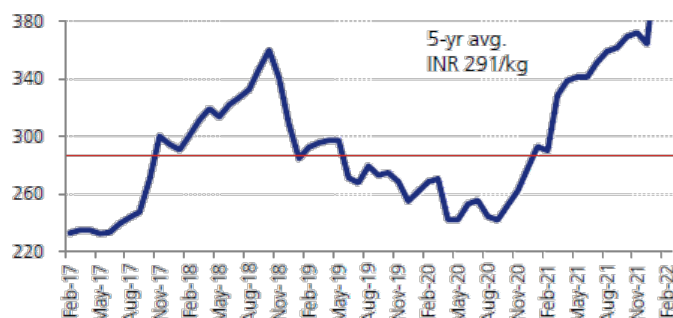
**Carbon Black (INR/kg)**



	1QFY22	2QFY22	3QFY22	4QFY22	CMP
Avg price.	83	90	96	102	110
QoQ	7%	8%	7%	6%	
YoY	37%	61%	57%	44%	21%

**Source** – Bloomberg, Industry, Way2Wealth; **Note:** \* 4QFY22 avg. till 28Feb22

**Nylon Tyre Cord Fabric (INR/kg)**



	1QFY22	2QFY22	3QFY22	4QFY22	CMP
Avg price.	341	358	369	436	456
QoQ	12%	5%	3%	18%	
YoY	38%	44%	40%	49%	39%

**Source** – Bloomberg, Industry, Way2Wealth; **Note:** \* 4QFY22 avg. till 28Feb22

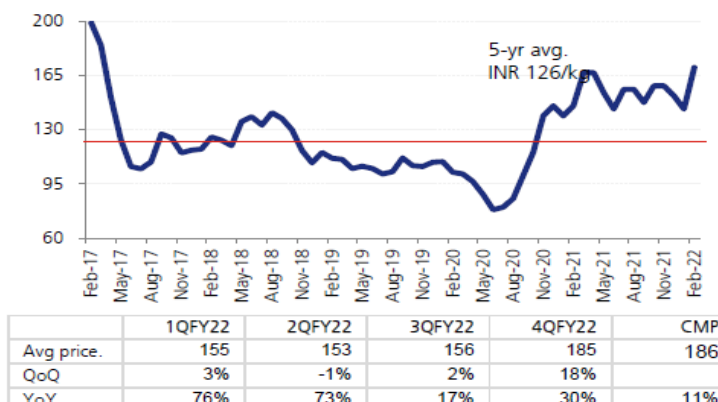


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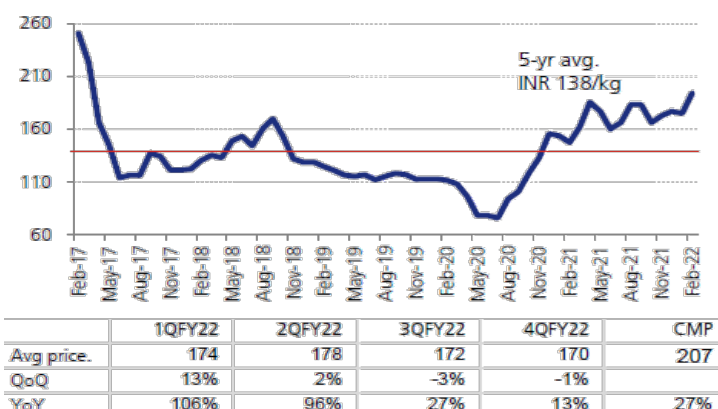
View – **ACCUMULATE**

Styrene Butadiene Rubber (INR/kg)



Source – Industry, Way2Wealth; Note: \* 4QFY22 avg. till 28Feb'22

Poly Butadiene Rubber (INR/kg)



Source – Industry, Way2Wealth; Note: \* 4QFY22 avg. till 28Feb'22

**Risk of pandemic** – Rise in future COVID-19 variant cases in Europe and USA may impact construction and mining activities given the fact that such activities are driven by economic development which get impacted by widespread pandemic.

## View

Aggressive brownfield expansion and backward integration in place to meet the increasing demand especially in the agriculture segment and recovery in the OTR segment along with optimum capacity utilisation will drive volume growth for the company over the coming years. The capacity expansion plans are in place both at Bhuj and Waluj taking the overall capacity to 360,000 MTPA by end of FY23. The current capacity is fully utilised and the volume run rate of 70-72k MT will continue for 3 more quarters. Company will look for 10-12% annual growth in the medium term whereas market growth is expected at 3-4%. With long term fundamentals and focus towards the OTR market in place, the company is likely to generate healthy cash flows and deliver good returns to its investors. But considering the uncertainty with regards to geo political risks which is likely to impact RM and other costs in the near to medium term, we view it as an **ACCUMULATE** stock trading at **P/E 25.3x FY24E EPS of ₹82.7.**

24<sup>th</sup> March 2022

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View – **ACCUMULATE**

## PEER COMPARISON

Company Name	CMP	MCAP	Revenue (₹ mn)			EBITDA (₹ mn)			EBITDA Margin (%)			PAT (₹ mn)			EPS (₹)		
	(₹)	(₹ bn)	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
BALKRISHNA INDS Ltd	2,093.1	404.6	52,100	48,112	57,832	13,021	12,713	18,104	25.0	26.4	31.3	7,737	9,597	11,775	40.0	49.6	60.9
MRF Ltd	67,139.9	284.7	160,625	162,394	161,632	23,054	23,740	29,423	14.4	14.6	18.2	11,306	14,226	12,771	2,667.0	3,355.0	3,012.0
Apollo Tyres Ltd	188.0	119.4	175,488	163,502	172,820	19,586	19,387	26,825	11.2	11.9	15.5	8,320	4,764	6,576	14.6	8.3	11.5
CEAT Ltd	977.9	39.6	69,845	67,788	76,096	6,425	7,238	9,830	9.2	10.7	12.9	2,522	2,312	4,320	66.9	57.1	114.3
JK Tyres & Inds Ltd	106.5	26.2	103,700	87,250	91,020	11,140	9,880	13,490	10.7	11.3	14.8	1,760	1,510	3,190	11.7	10.4	11.4
TVS Srichakra Ltd	1,702.0	13.0	23,818	20,522	18,704	2,592	1,094	2,070	10.9	5.3	11.1	1,032	(200)	559	134.7	(26.1)	72.9

Company	CMP	MCAP	RoE (%)			RoCE (%)			P/E (x)			EV/EBITDA (x)			P/BV (x)		
	(₹)	(₹ bn)	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
BALKRISHNA INDS Ltd	2,093.1	404.6	17.5	19.9	21.4	17.5	18.9	20.8	52.3	42.2	34.4	31.7	32.6	22.9	8.7	8.1	6.7
MRF Ltd	67,139.9	284.7	11.0	12.3	10.0	10.6	12.7	10.0	25.2	20.0	22.3	9.8	9.2	11.6	2.6	2.3	2.1
Apollo Tyres Ltd	188.0	119.4	8.4	4.8	6.2	6.4	4.5	5.4	12.9	22.7	16.3	8.1	5.3	5.9	1.1	1.1	0.9
CEAT Ltd	977.9	39.6	10.1	8.1	14.9	8.1	7.0	12.2	14.6	17.1	8.6	8.7	6.8	7.7	1.4	1.4	1.2
JK Tyres & Inds Ltd	106.5	26.2	7.7	6.5	11.9	9.9	7.5	12.8	9.1	10.2	9.3	6.2	6.0	4.9	1.1	1.1	0.9
TVS Srichakra Ltd	1,702.0	13.0	13.9	(2.6)	6.9	10.9	2.4	6.6	12.6	(65.2)	23.3	7.6	4.4	6.4	1.8	1.7	1.6

Company Name	CMP	MCAP	Net D/E (x)			Interest Coverage (x)			MCAP/Sales (x)		
	(₹)	(₹ bn)	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
BALKRISHNA INDS Ltd	2,093.1	404.6	0.2	0.2	0.2	87.1	100.9	122.5	7.8	8.4	7.0
MRF Ltd	67,139.9	284.7	(0.2)	(0.1)	(0.3)	5.6	4.8	6.6	1.8	1.8	1.8
Apollo Tyres Ltd	188.0	119.4	0.5	0.6	0.4	6.5	2.9	3.6	0.7	0.7	0.7
CEAT Ltd	977.9	39.6	0.5	0.6	0.4	5.1	3.0	3.7	0.6	0.6	0.5
JK Tyres & Inds Ltd	106.5	26.2	2.3	2.4	1.7	1.5	1.1	2.1	0.3	0.3	0.3
TVS Srichakra Ltd	1,702.0	13.0	0.6	0.4	0.4	5.4	0.6	0.6	0.5	0.6	0.7

Source – Bloomberg, Way2Wealth

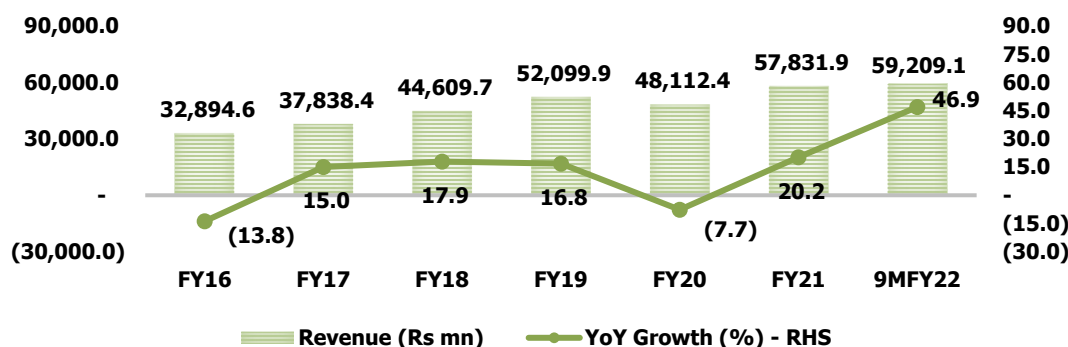
24<sup>th</sup> March 2022

CMP – ₹2,093.1/-

View – **ACCUMULATE**

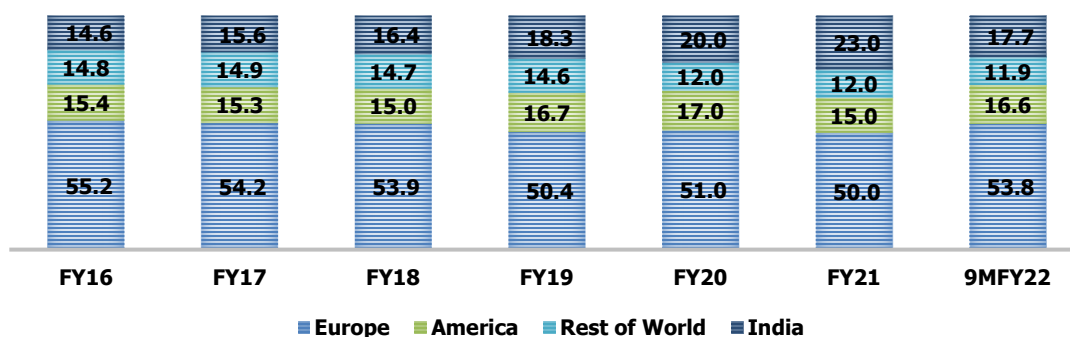
**PAST PERFORMANCE**

Revenue CAGR ~12% FY16-21



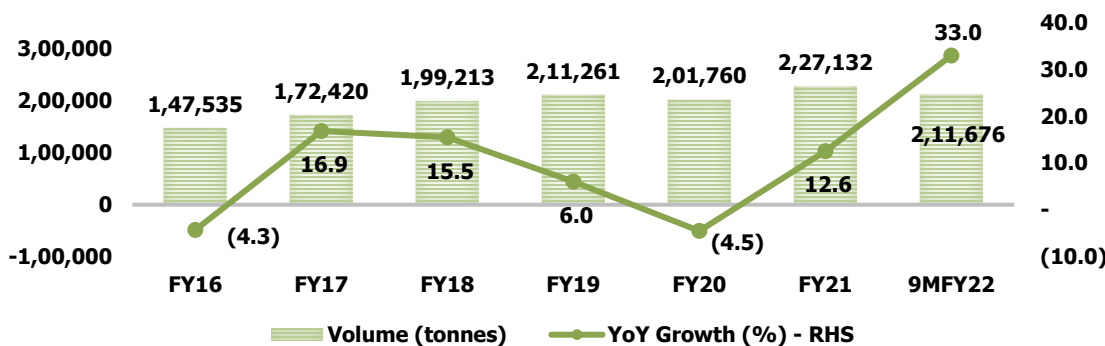
Source – Company, Way2Wealth

**REGION-WISE MIX (%)**



Source – Company, Way2Wealth

**Volume 9% CAGR FY16-21**



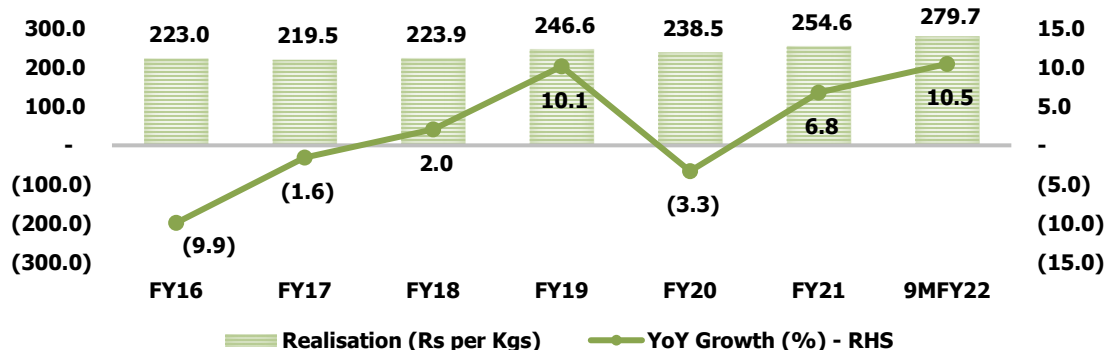
Source – Company, Way2Wealth

24<sup>th</sup> March 2022

CMP – ₹2,093.1/-

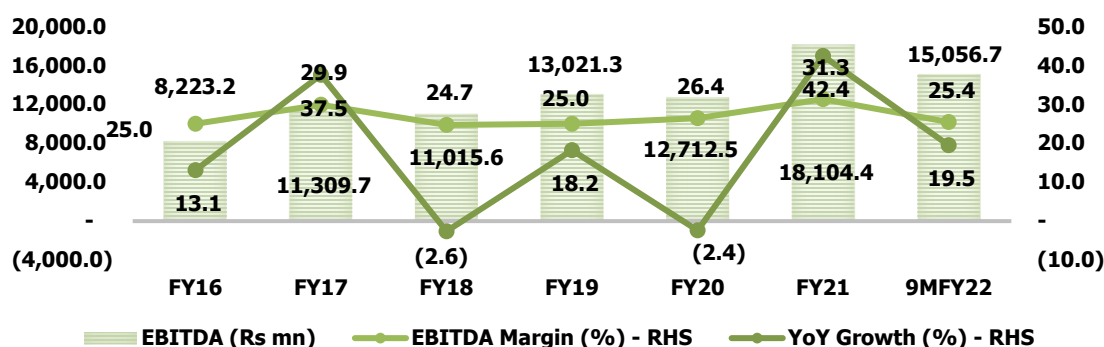
View – **ACCUMULATE**

**Realisation ~3% CAGR FY16-21**



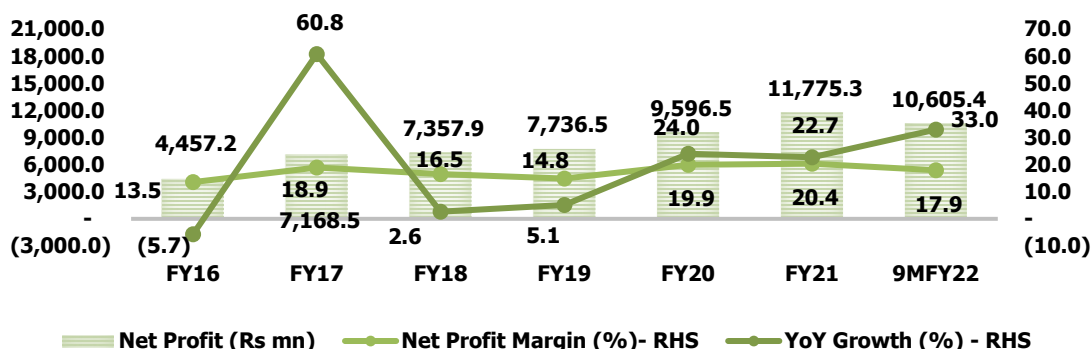
Source – Company, Way2Wealth

**EBITDA 17.1% CAGR FY16-21**



Source – Company, Way2Wealth

**PAT 21.4% CAGR FY16-21**



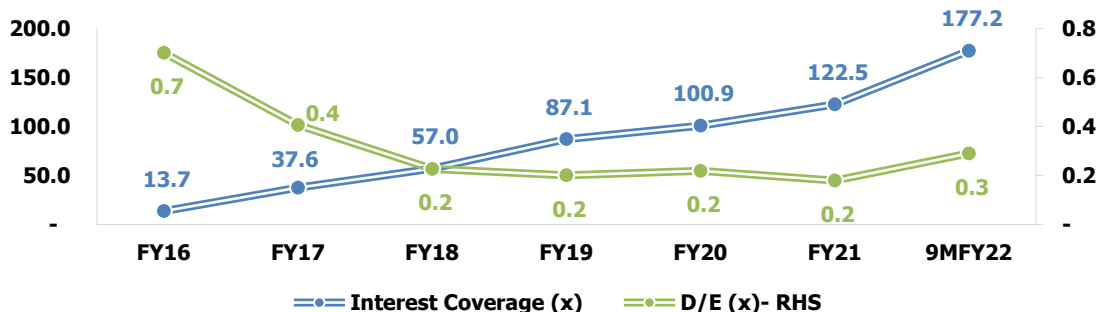
Source – Company, Way2Wealth

24<sup>th</sup> March 2022

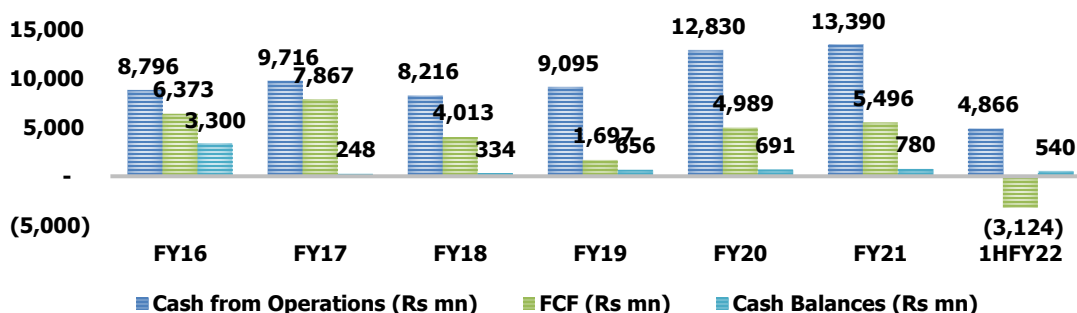
CMP – ₹2,093.1/-

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**Negligible Long term debt enabling improvement in coverage ratios and strong cash flows**

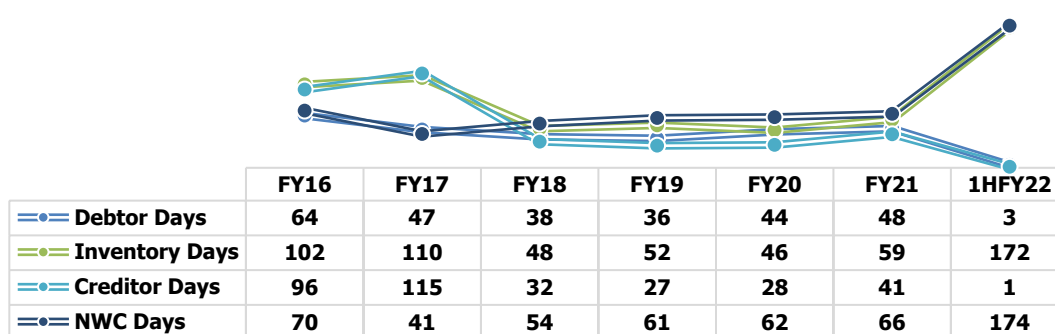


Source – Company, Way2Wealth

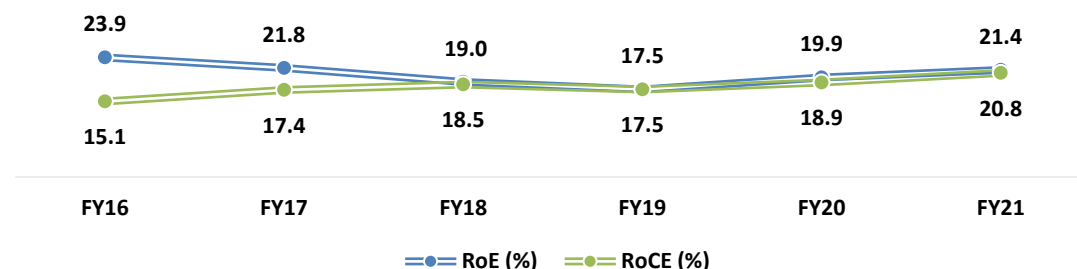


Source – Company, Way2Wealth

**Stable W.C. mgmt enabling good return ratios**



Source – Company, Way2Wealth



Source – Company, Way2Wealth



24<sup>th</sup> March 2022

CMP – ₹2,093.1/-

View – **ACCUMULATE**

## FINANCIALS & VALUATIONS

(₹mn)

Particulars	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Volume (tonnes)</b>	<b>147,535</b>	<b>172,420</b>	<b>199,213</b>	<b>211,261</b>	<b>201,760</b>	<b>227,132</b>	<b>284,624</b>	<b>307,549</b>	<b>328,174</b>
YoY Growth (%)	(4.3)	16.9	15.5	6.0	(4.5)	12.6	25.3	8.1	6.7
<b>Realisation (₹ per Kgs)</b>	<b>223</b>	<b>219</b>	<b>224</b>	<b>247</b>	<b>238</b>	<b>255</b>	<b>280</b>	<b>277</b>	<b>278</b>
YoY Growth (%)	(9.9)	(1.6)	2.0	10.1	(3.3)	6.8	10.0	(1.1)	0.4
<b>Revenue</b>	<b>32,895</b>	<b>37,838</b>	<b>44,610</b>	<b>52,100</b>	<b>48,112</b>	<b>57,832</b>	<b>79,695</b>	<b>85,191</b>	<b>91,232</b>
YoY Growth (%)	(13.8)	15.0	17.9	16.8	(7.7)	20.2	37.8	6.9	7.1
<b>EBITDA</b>	<b>8,223</b>	<b>11,310</b>	<b>11,016</b>	<b>13,021</b>	<b>12,713</b>	<b>18,104</b>	<b>20,563</b>	<b>24,320</b>	<b>25,898</b>
<b>EBITDA Margin (%)</b>	<b>25.0</b>	<b>29.9</b>	<b>24.7</b>	<b>25.0</b>	<b>26.4</b>	<b>31.3</b>	<b>25.8</b>	<b>28.5</b>	<b>28.4</b>
YoY Growth (%)	13.1	37.5	(2.6)	18.2	(2.4)	42.4	13.6	18.3	6.5
<b>Net Profit</b>	<b>4,457</b>	<b>7,169</b>	<b>7,358</b>	<b>7,737</b>	<b>9,597</b>	<b>11,775</b>	<b>12,886</b>	<b>15,671</b>	<b>15,991</b>
EPS (₹)	23.1	37.1	38.1	40.0	49.6	60.9	66.7	81.1	82.7
DPS (₹)	5.5	8.0	10.0	8.0	21.0	18.0	20.0	22.0	24.0
RoE (%)	23.9	21.8	19.0	17.5	19.9	21.4	21.0	20.8	19.1
RoCE (%)	15.1	17.4	18.5	17.5	18.9	20.8	19.6	18.9	18.2
Net Debt/Equity (x)	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.1
FCF	6,373	7,867	4,013	1,697	4,989	5,496	1,197	7,419	15,423
Cash Balances	3,300	248	334	656	691	780	596	967	1,212
Debtors Days	64	47	38	36	44	48	46	45	45
Inventory Days	102	110	48	52	46	59	55	53	50
Creditors Days	96	115	32	27	28	41	38	36	35
P/E (x)	90.8	56.4	55.0	52.3	42.2	34.4	31.4	25.8	25.3
EV/EBITDA (x)	51.2	37.0	37.5	31.7	32.6	22.9	20.5	16.9	14.7
P/BV (x)	14.6	11.4	9.9	8.7	8.1	6.7	5.8	5.0	4.3

Source – Company, Way2Wealth

24<sup>th</sup> March 2022

CMP – ₹2,093.1/-

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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
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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