



Stock of the Month – Apr'21

INVESTMENT MANTRA

ABOUT THE COMPANY

Founded in 1987 as a bicycle tyremaker, company has rise over the past decade and recent journey has been phenomenal after it diversification into making tyres for off-the-road, industrial and construction vehicles.

This company mainly operates in the business segment of tires. The company focuses on the production of a range of off-highway tires that includes agricultural, industry, material handling, forestry, lawn and garden, construction and earth moving tires. In the domestic market, the company supplies to all the major construction equipment manufacturers and has a presence in the replacement market of the road construction sector.

Chairman & Managing Director : Arvind Poddar

Joint Managing Director: Rajiv Poddar

Whole Time Director & Co. Secretary : Vipul Shah

Registered Office : B-66, Waluj MIDC,,Waluj Industrial Area, Aurangabad, Maharashtra

Rational behind selecting this stock

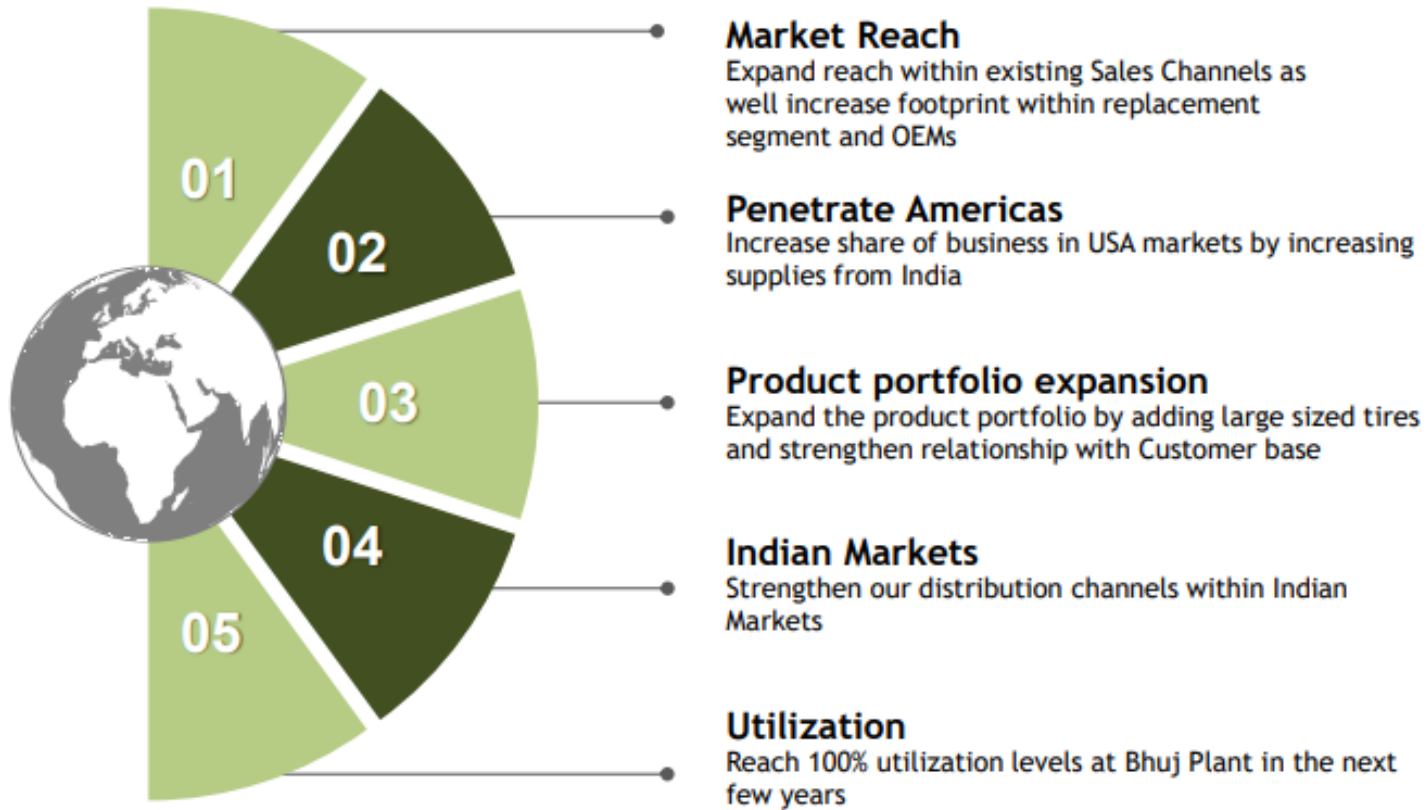
- Stock has surged past analyst expectations as investors bet on its industry-beating margins and an uptick in demand for off-highway tyres
- Demand for agriculture and mining tyres showing signs of a pick-up as large mining companies are ready to increase in capex in this post lockdown period again
- Research & development
 - BKT CERTIFIED ISO/IEC 17025:2017
 - The new EARTHMAX SR 412
 - The new V-FLEXA
 - AGRIMAX TURF RT 333, the new radial tire for small tractors
 - Many more*
- Overseas engagement in Europe and US-Canada is high in recent years. This will help to develop company to penetrate into their local market and develop as global brand
- Serving Global OEM's including legends like JCB, CAT, FERRARI, John Deere, TAFE and many more
- Key player under 'Make in India' which is flagship Project of Central Government
- Increasing Sales, Revenue and Profits



Key Features

- ❑ Long Term Debt Free with Cash and Cash equivalents of Rs. 1,423 crs as on 31st December 2020
- ❑ Diversified Product Portfolio, spread across Agriculture, Industrial, Construction and mining tires
- ❑ Self Reliant in Carbon Black along with Multiple sourcing arrangements for other Raw Materials

Strategy



Management Commentary

- ❖ The demand continues to be strong in Agriculture segment across Geographies. In the other segments, demand continues to remain stable more or less stable post the recovery in the end markets of industrial, construction and mining segment
- ❖ With 9MFY21 volumes of approximately 159,130 MT, we are increasing our guidance for FY21 and expect to end FY21 with sales volume of 215,000-220,000 MT. We strongly believe this demand trend to continue in FY22 and years to come
- ❖ The Board of Directors have shelved the USA Project
- ❖ The Board of Directors have approved a capex plan of Rs. 1,900 cr.
 - ❖ Brownfield project at Bhuj to increase tire capacity
 - ❖ Increase carbon black capacity including advance carbon black and power plant at Bhuj
 - ❖ Modernization, Automation and Technology upgradation capex at existing facilities

Curious about which Company
we are tasking about?





GROWING TOGETHER

Tires are our business...While the group foundation dates back to the 1950s, Balkrishna Industries Limited (BKT) started its Off-Highway tire business in 1987. For over 30 years, BKT has successfully focused on specialist segments such as agricultural, construction and industrial as well as earthmoving, port and mining, ATV, and gardening applications

....but your business is at our core. Thanks to your suggestions, requirements, and feedback, in the course of the years we have come up with many tire novelties that cater for the most demanding user needs in any Off-Highway application, and today we offer an extensive product range of over 2,700 high-performance specialist tires.

Product lines

Agriculture Tires



Cotton Pick Harvester



Tractor



Vineyard Tractor



Pivot Irrigator

Industrial Tires



Loader



Telehandler



Mobile Crane

OTR Tires



Load Haul Dump







Underground Mining



Container Handler

Recent Performance (Q3FY21)

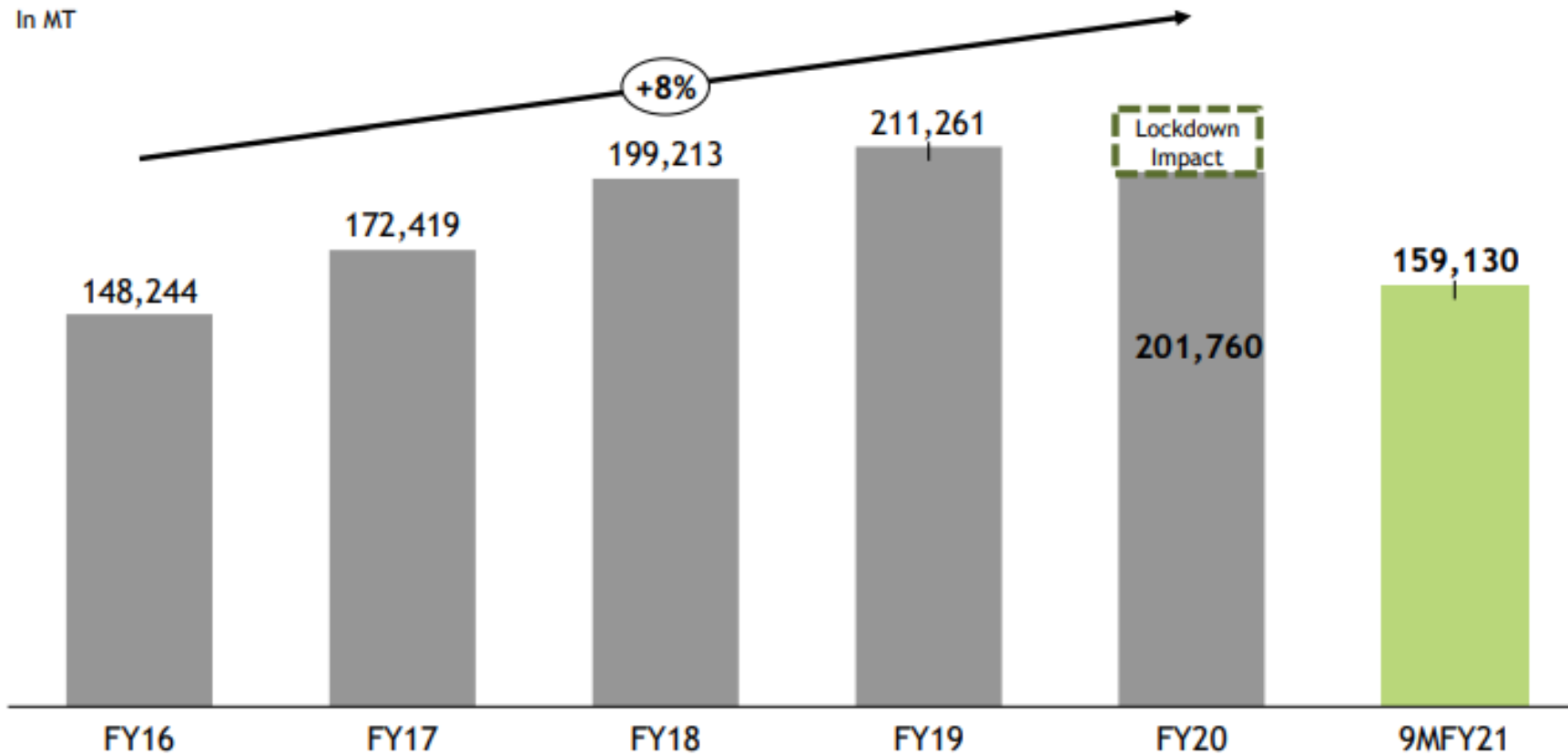
Sales Volume		Revenue		EBITDA		PAT	
59,810 MT	+26% YoY 	Rs. 1,497 Cr	+27% YoY 	Rs. 477 Cr	31.9% Margin 	Rs. 322 Cr	+46% YoY 

Quarterly Result

PARTICULARS	DEC 2019	MAR 2020	JUN 2020	SEP 2020	DEC 2020
Net Sales ⓘ	1,160.50	1,357.32	928.72	1,578.76	1,504.55
Total Expenditure ⓘ	819.02	984.77	698.13	1,042.05	1,028.17
Operating Profit ⓘ	341.48	372.55	230.59	536.71	476.38
Other Income ⓘ	30.06	66.37	33.29	18.38	51.37
Interest ⓘ	1.85	1.89	2.42	3.39	1.71
Depreciation ⓘ	94.86	98.26	99.60	101.19	101.93
Exceptional Items ⓘ	0	0	0	0	0
Profit Before Tax ⓘ	274.83	338.77	161.86	450.51	424.11
Tax ⓘ	54.15	81.47	40.05	111.03	102.22
Profit After Tax ⓘ	220.68	257.30	121.81	339.48	321.89
Adjusted EPS (Rs)	1.14	1.33	0.63	1.76	1.67

(All Figures in Cr.)

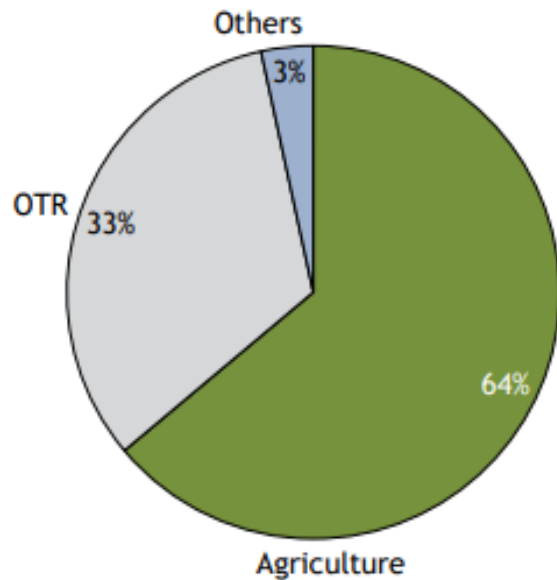
Sales Volume (9MFY21)



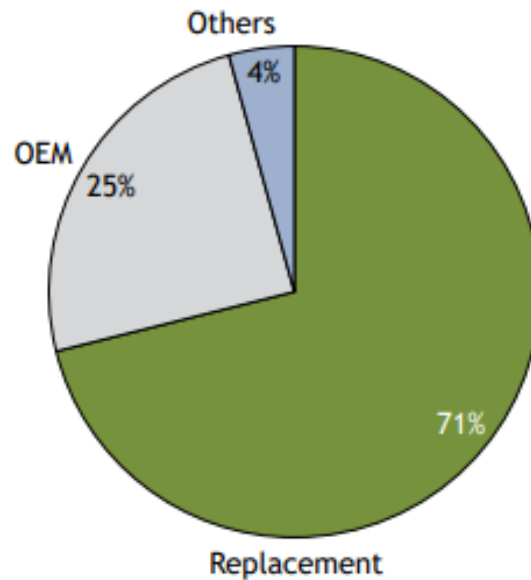
FY21 Sales volume guidance: 215,000-220,000 MT

Sales volume composition

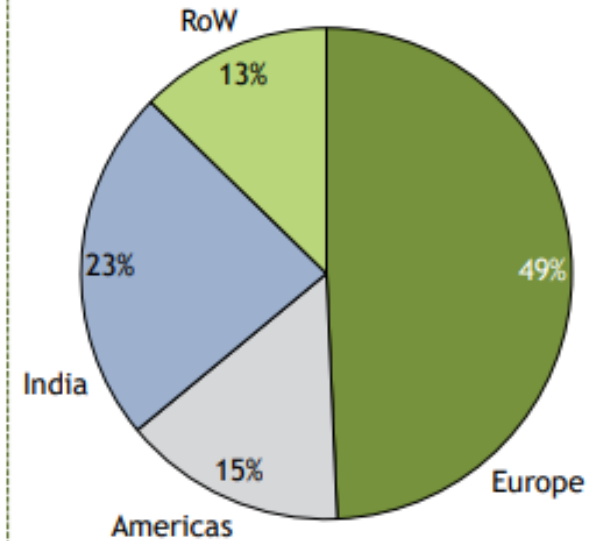
Segmental Sales



Channel Sales



Geographical Sales



Recent Delivery volume

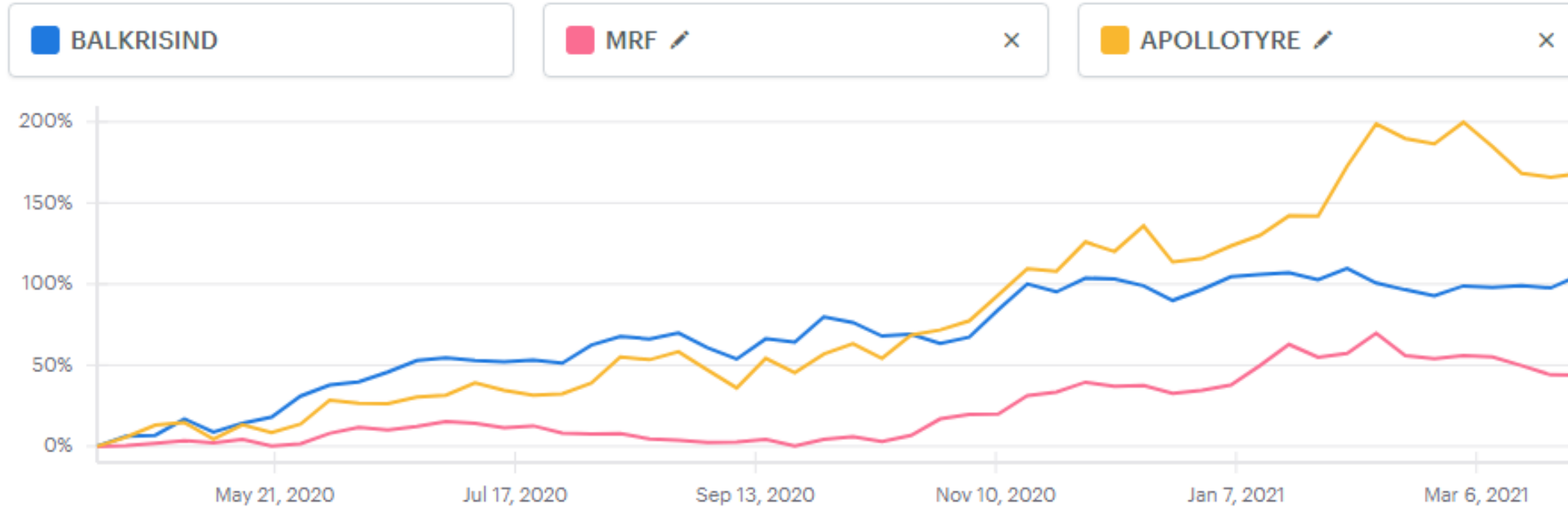


Peer Comparison

Stock	PE Ratio	PB Ratio	Dividend Yield
Balkrishna Industries Ltd	33.87	6.49	1.18%
MRF Ltd	24.78	2.88	0.12%
Apollo Tyres Limited	28.34	1.35	1.27%
CEAT Ltd	27.91	2.20	0.75%

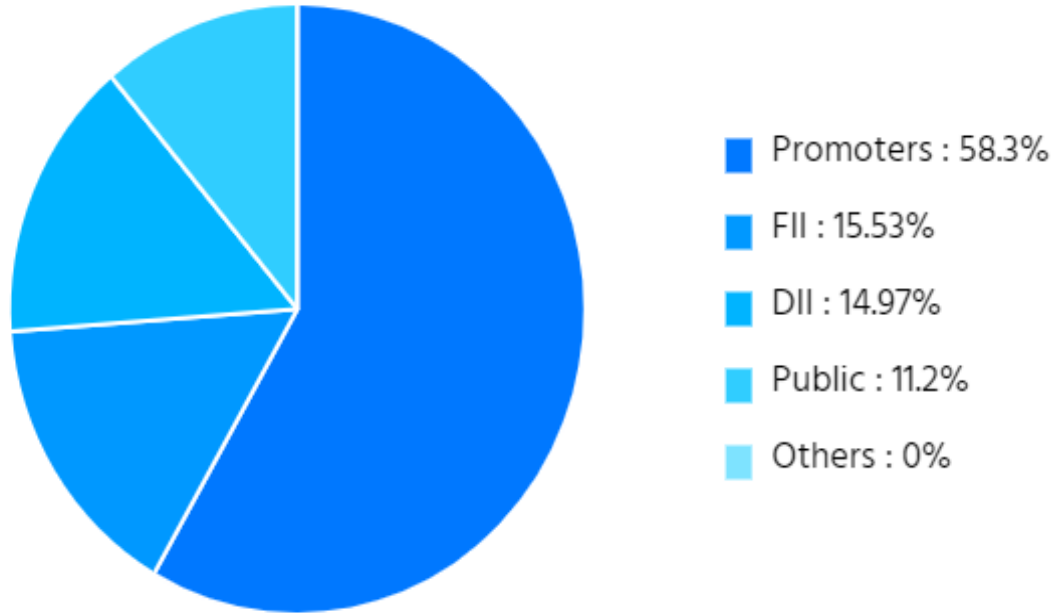
Compare BALKRISIND with any stock or ETF

Comparing from 📅 Apr 8, 2020 → Apr 1, 2021



Shareholding Pattern

Share Holding Pattern



Promoter Pledging %

DATE	PROMOTER %	PLEDGE %
Dec 2020	58.3	0
Sep 2020	58.3	0
Jun 2020	58.3	0
Mar 2020	58.3	0
Dec 2019	58.3	0

CAPEX Utilization

Ultra Large Giant Tires at Bhuj	Project for 51” and 57” Ultra large All steel giant radial tire plant has been completed. The tires are under various stages of testing
Carbon Black Plant at Bhuj	2 nd Phase of trial production was commenced in March 2020. This was ahead of schedule. With this our total installed capacity stood at 140,000 MTPA. Commenced sales to 3 rd party buyers and received strong acceptance on the quality of product
Replacement Tire Plant at Waluj	Replacement Tire Plant at a greenfield location in Waluj for 30,000 MTPA is likely to commence by Q1FY22
USA Project	The Board of Directors have decided to shelve the said project

- Rs. 1,900cr Capex to be funded by Internal Accrual and Debt, if required
- Post Brownfield capex achievable capacity of Tire Plant will stand at 335,000 MTPA
- Embarking on new capex in Carbon Black on back of Proven quality of product coupled with strong demand for captive consumption and 3rd parties
- Modernization capex to lead to better efficiency

P&L Statement

Particulars (Rs.Cr)	Standalone						
	Q3FY21	Q3FY20	Growth	9MFY21	9MFY20	Growth	FY20
Sales (MT)	59,810	47,321	26%	159,130	143,794	11%	201,760
Revenue from Operations	1,505	1,161		4,012	3,425		4,782
Realized Gain on Foreign Exchange	-8	23		-22	83		115
Total Income	1,497	1,183	27%	3,990	3,508	14%	4,898
Raw Material	642	501		1,676	1,559		2,078
(Increase) / Decrease in Stock	-39	-22		-94	-38		49
Employee Expenses	83	71		238	210		286
Other Expenses	333	264		915	802		1,104
EBITDA	477	369	29%	1,256	974	29%	1,381
EBITDA Margin	31.9%	31.2%		31.5%	27.8%		28.2%
Other Income #	51	2		91	86		117
Interest & Finance Charges	2	2		8	5		7
Depreciation	102	95		303	270		368
Profit Before Tax	424	275	54%	1,036	784	32%	1,123
Tax	102	54		253	96		178
PAT	322	221	46%	783	688	14%	945
PAT Margin	21.5%	18.6%		19.6%	19.6%		19.3%

Other Income

Particulars (Rs. Cr)	Standalone			
	Q3FY21	Q3FY20	9MFY21	9MFY20
Exchange Difference Gain (Realized)	1	28	8	97
Exchange Difference Gain (Un-Realized)	15	-22	-5	6
Others	36	24	95	79
Total Other Income	51	30	99	182

Particulars (Rs. Cr)	Standalone			
	Q3FY21	Q3FY20	9MFY21	9MFY20
Foreign Exchange Fluctuation on Sales	-8	23	-22	83
Foreign Exchange Fluctuation on Others	8	5	30	14
Total Realised Gain/(Loss) – A	1	28	8	97
Total Unrealized Gain/(Loss) - B	15	-22	-5	6
Net Forex Gain/(Loss) = A + B	15	6	4	103

Balance Sheet

Particulars (Rs. Cr.)	Sep'20	Mar'20
ASSETS		
Non-current assets	5,118	4,854
Property, Plant and Equipment	3,186	3,189
Capital work-in-progress	666	586
Investment Property	85	86
Other Tangible Assets	1	2
Financial Assets		
(i) Investments	837	712
(ii) Other Financial Assets	12	13
Income Tax Assets (Net)	80	90
Other non-current assets	251	177
Current assets	2,100	1,877
Inventories	761	580
Financial Assets		
(i) Investments	410	351
(ii) Trade Receivables	672	649
(iii) Cash and cash equivalents	30	23
(iv) Bank Balances other than (iii) above	23	22
(v) Loans	4	4
(vi) Others	35	14
Other Current Assets	167	232
TOTAL	7,218	6,731

Particulars (Rs. Cr.)	Sep'20	Mar'19
EQUITY AND LIABILITIES		
EQUITY	5,429	5,028
Equity Share Capital	39	39
Other Equity	5,390	4,989
Non-Current Liabilities	251	238
Financial Liabilities		
(i) Borrowings	1	2
(i) Other Financial Liabilities	0	0
Provisions	26	24
Deferred Tax Liabilities (Net)	174	178
Other Non-Current Liabilities	49	34
Current liabilities	1,539	1,465
Financial Liabilities		
(i) Borrowings	815	859
(ii) Trade Payables	387	361
(iii) Other Financial Liabilities	136	165
Other Current Liabilities	195	75
Provisions	6	4
TOTAL	7,218	6,731

Global Engagement

Initiatives in order to
penetrate and build strong
Brand into Europe, US &
Canada

- BKT is the Official and Exclusive Tire manufacturer of MONSTER JAM and its fleet of Monster Trucks – Monster Jam is a top sporting event in America
- BKT Continental Cup – Curling: BKT is the Title Sponsor of Continental Cup
- BKT is the new Title Sponsor for the ITALIAN SERIE 'B' FOOTBALL CHAMPIONSHIP – THE NEWBORN - “SERIE BKT”
- BKT is the New Official Global Partner for the Spanish Football League “La Liga”
- BKT is the Sponsor for the “LIGUE de Football Professionel (LFP)” in France
- Premium Partner of EUROLEAGUE BASKETBALL
- Team of 26 expert journalists in agricultural mechanization, will assign the Tractor of the Year (TotY) award to the ‘Best European Tractor’
- BKT is the Official “OFF-HIGHWAY TIRE PARTNER” for KFC BIG BASH LEAGUE (THE AUSTRALIAN CRICKET LEAGUE)
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Recent fall analysis

Stock price of Balkrishna Industries plummeted by 10% on 9th February'21 despite posting a strong set of quarterly results. The stock had recently touched an all-time high level of ₹1,875 on 8th February'21.

New Capex Plans

Company's management has announced their plans to incur a fresh capex to the tune of ₹1900 crore to cater to the increasing demand. This capex will be employed as follows:

- Increase tire capacity of Brownfield Project at Bhuj. Company is planning to invest ₹800 crore in this project to increase their capacity from 3 lakh MTPA to 3.5 lakh MTPA.
- Further, company wants to increase its carbon black capacity from 1.15 lakh MTPA to 2 lakh MTPA including advancing carbon and black power plant at Bhuj. For this project, it will invest ₹650 crore.
- Rest ₹450 crore will be utilized for Modernization, Automation and Technology upgradation.
- Company's board has directed that the payback period of this capex ranges between five to six years.
- The board has also decided to shelve their US capex plan for greenfield expansion with an estimated outlay of \$100 Mn

Possible changes in Capital structure due to new capex plans

- Although the new capex is planned to meet the increasing future demand, the company seems to have planned it too soon as its earlier capex cycle has recently ended.
- However, company's recent plans to fund the capex using debt did not bode well with institutional investors.
- Also, the new capex's long payback period will weigh on company's free cash-flow generation in short term.
- Institutional investors are also wary of company investing in expanding capacity of its non-core business i.e carbon black. Although majority of carbon black will be used for captive consumption, company plans to sell some of it to third party buyers.

Conclusion : Thus, the company's stock price fell 10% in a day mainly due to concerns over the new capex and changing capital structure. There was also some profit booking as the stock price had zoomed more than 150% from its March'20 lows. However, there are no significant changes in fundamentals of the company.

Price Trend

Price Summary

TODAY'S HIGH

₹ 1,707.70

TODAY'S LOW

₹ 1,654.65

52 WEEK HIGH

₹ 1,885

52 WEEK LOW

₹ 770



Best Entry Price



Entry from long term perspective is in a staggered manner in the range of INR 1600 and 1500 for 1850-2000-2400 Target in near terms.

With any negative sentiments in the falling market, best price to entre is around INR 1250