

Research Report

Balkrishna Industries

Industry : Automobile Ancillaries

Company Overview

> Incorporated in the year 1961, Balkrishna Inds is one of the world's premier manufacturer of pneumatic tyres for special applications, focusing on the production of range of off-highway tires that includes agricultural, industry, material handling, forestry, lawn and garden, construction and earth moving tyres.

> With a worldwide distribution network ensuring extensive reach and penetration, the company operates through three business segments namely, tyre, paper and textile processing, with the tyre business constituting to more than 80% of company's total business.

Industry Overview

> Indian Tyre industry's performance is directly linked to that of the Automotive Sector. The % share of tyre supplies to OEMs (Original Equipment Manufacturers), has been increasing consistently for all major tyre categories of CVs, Passenger Car, 2/3 Wheeler, Tractor etc. With the overall slowdown of the Automotive sector, the Tyre Industry too faced a slow growth and uncertainty prevailed for the future.

> The current turnover of the Indian tyre industry is around Rs. 47,500 crore, with production at 123 million tyres during the year and 10 large tyre companies accounting for 95% of the company's turnover

> Tyre Industry seeks regular supply and competitive domestic & international pricing/sourcing of its critical raw-material, with an urgent need for correction in the existing (and continuing) anomaly of 'inverted duty' structure.

> Strong developments in almost all major automobile segments will infuse tyre demand in the country in the coming months. Additionally, tyre manufacturers are ramping up their production capacities in line with the growing automobile sales. These capacity expansion plans will ultimately result in high tyre production

Key Highlights

> Maintaining a strong operating performance, the company was able to generate a profit of Rs. 115.41 cr with a substantial increase by 12.66%, backed by the increase of sales by 17.42% to Rs. 948.07 cr.

> The company's key strengths such as increasing market share in the global market, low cost of production and a strong pricing power give the company a better establishment opportunity in the industry

Key Risks

> Balkrishna Industries derives 70% of its revenues from US and Europe and any slowdown in these markets could adversely affect the profitability.

> With Rubber constituting to 60% of the raw material composition, any significant increase in the cost of rubber will affect its profitability



Recommendation	Accumulate
Current Market Price	798
Target	855
Accumulation Price Band	790 - 800
Time Frame	6 Months
Derivative Segment	No

Quick Glance

Share Capital (Rs Cr)	19.33
Market Cap (Rs Cr)	7,702.72
Enterprise Value (Rs Cr)	9,207.00
Face Value (in Rs)	2.00
52 Week High/ Low (in Rs)	832.50/222.10

Financials

EPS (Rs)	51.87
Book Value (Rs)	195.00
P/E	15.36
P/BV	4.09
ROE	25.08
ROCE (%)	17.60
Dividend Yield (%)	0.25
Debt - Equity	1.50

Highlights

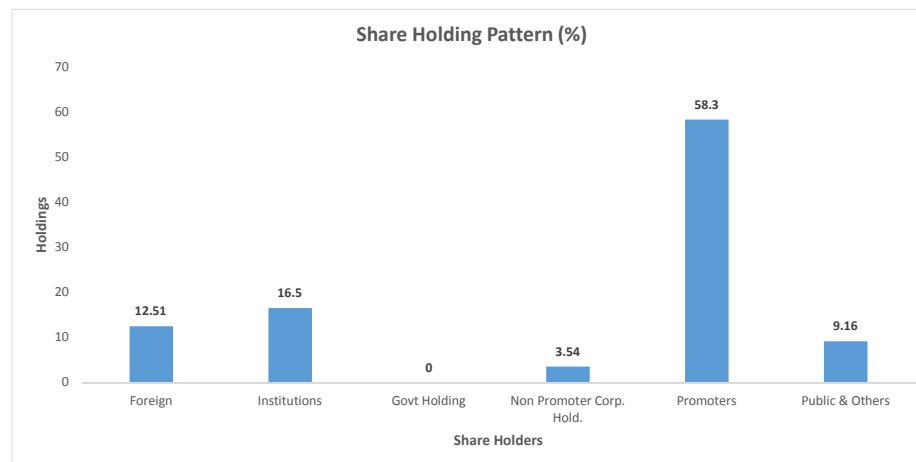
Debt (Rs Cr)	2,074.43
Reserves (Rs Crs)	1,399.64
FII Holdings (%)	12.21
MF Holdings (%)	16.46
Free Float Market Capitalization (Rs Cr)	3,217.99
Beta	0.72
Avg Volume Per day (no. of shares)	58,730
Avg Volume Per Month (no. of shares)	1,233,330

Financial Highlights

Income Statement (Annual)					
Particulars (Rs. Cr)	2013	2012	2011	2010	2009
Net Sales	3,190.57	2,819.96	1,934.14	1,351.19	1,219.01
EBITDA	668.73	509.19	370.04	396.05	202.26
EBITDA Margin	20.77	17.90	18.95	29.08	16.47
Depreciation	107.71	83.14	74.44	66.22	56.52
Interest	25.82	27.83	20.66	18.66	37.50
Other Income	4.21	3.30	91.24	62.21	38.72
PBT	535.20	398.22	274.94	311.17	108.24
APAT	355.83	268.52	185.56	208.73	70.30
PAT Margin (%)	11.05	9.44	9.50	15.32	5.73
Earnings Per Share	36.56	27.54	18.97	106.82	35.35

Balance Sheet					
Particulars (Rs Cr)	2013	2012	2011	2010	2009
Equity Share Capital	19.33	19.33	19.33	19.33	19.33
Reserves and Surplus	1,399.64	1,060.76	812.44	641.44	448.50
Tangible Net Worth	2,168.35	1,706.62	974.24	464.33	472.81
Deferred Tax Liability :	102.99	64.66	58.82	56.17	53.70
Long Term Debt	1,504.28	913.73	25.47	233.58	150.34
ShortTerm Debt	570.15	759.45	581.56	230.75	322.47
Total Debt	2,074.43	1,673.18	607.03	464.33	472.81
Current Liabilities	279.87	246.24	216.47	114.91	84.70
Total Provisions	21.68	19.97	18.07	276.92	194.62
Total Liabilities	3,587.32	2,786.71	1,806.01	1,125.10	940.64
Gross Block	1,784.22	1,226.66	1,008.95	871.47	738.79
Net Fixed Assets	1,277.71	828.15	687.44	614.88	534.55
Investments	32.91	32.24	32.24	80.73	32.23
Current Assets	1,453.43	1,537.89	871.45	817.26	630.85
Deferred Tax Asset :	3.13	2.07	1.83	1.36	1.31
Receivables	504.49	479.61	324.24	240.30	219.08
Inventories	432.55	481.07	410.38	203.05	122.26
Cash	266.31	357.40	10.99	4.23	11.14
Total Assets	3,587.32	2,786.71	1,806.01	1,125.10	940.64

Income Statement (Quarterly)								
Particulars (Rs. Cr)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	948.07	1,030.63	867.32	830.30	807.44	773.96	698.40	881.22
EBITDA	239.68	270.99	234.13	206.74	195.78	166.49	156.19	188.29
EBITDA Margin	25.28	26.29	26.99	24.90	24.25	21.51	22.36	21.37
Depreciation	56.70	47.87	42.54	39.25	35.30	32.13	27.24	25.42
Interest	11.66	7.87	5.88	5.58	5.64	0.31	18.79	(19.83)
Other Income	1.05	3.11	5.23	4.39	1.10	0.60	0.40	2.78
PBT	171.32	215.25	185.71	161.91	154.84	134.05	110.16	182.70
APAT	115.41	154.15	123.85	107.94	102.44	84.63	74.41	123.71
PAT Margin (%)	12.17	14.96	14.28	13.00	12.69	10.93	10.65	14.04
Earnings Per Share	11.94	15.95	12.81	11.17	10.60	8.75	7.70	12.80

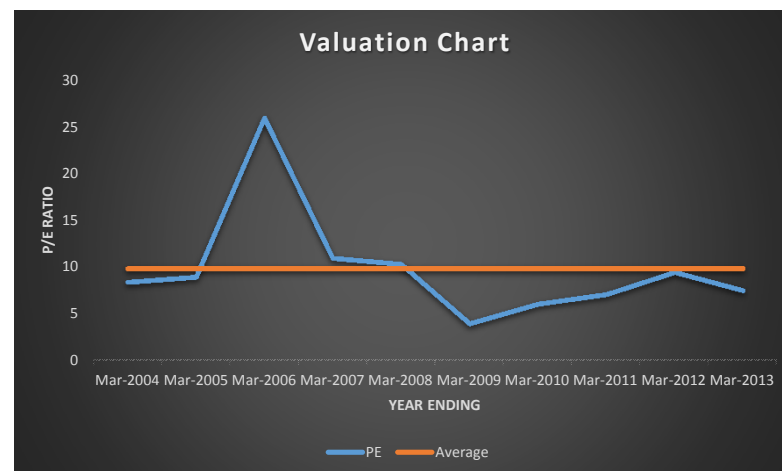
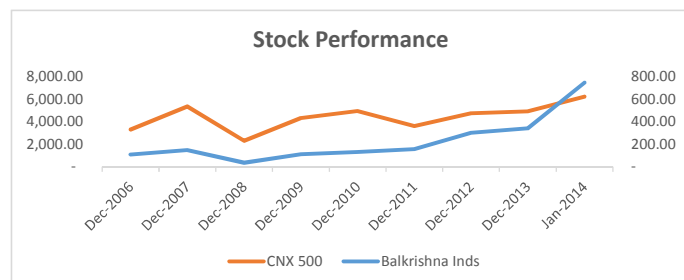


Key Financial Indicators						
Particulars	Units	2013	2012	2011	2010	2009
Revenue	Crs	3,190.57	2,819.96	1,934.14	1,351.19	1,219.01
EBITDA Margins	%	20.77	17.90	18.95	29.08	16.47
PAT	Crs	355.83	268.52	185.56	208.73	70.30
PAT Margins	%	11.05	9.44	9.50	15.32	5.73
Revenue Growth	%	13.14	45.80	43.14	10.84	24.64
EBITDA Growth	%	31.33	37.60	(6.57)	95.81	(13.36)
Debt - Equity	%	32.52	44.71	(11.10)	196.91	(33.41)
Gearing	times	1.50	1.19	0.72	0.83	1.15
ROCE	%	17.60	18.55	20.17	31.93	15.45
ROE	%	25.08	24.86	22.31	31.59	15.03

Peer Comparison				
Particulars	Units	Balkrishna Inds	Apollo Tyres	MRF
Revenue	Rs Cr	3,190.57	9,690.94	13,453.12
EBITDA Margins	%	20.77	12.24	13.35
PAT	Rs Cr	355.83	495.52	802.07
PAT Margins	%	11.05	5.11	5.96
Debt - Equity	%	15.32	0.71	0.51
EPS	Rs / Share	51.87	9.59	1,803.95
PE	times	15.36	21.60	17.26
P/BV	times	4.09	3.86	3.62
ROCE	%	17.60	21.52	23.86
ROE	%	25.08	18.11	22.00
EV/EBITDA	times	6.64	8.38	3.86

Stock Performance vis-a-vis Index

Particulars	Return (%)	
	YTD	QTD
Balkrishna Inds	135.48	5.58
CNX 500	28.62	6.49



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