

DUSSEHRA SPECIAL

Top Picks

OCTOBER 21, 2023

Balkrishna Industries Ltd

Industry	Tyres & Allied
Breakout Type	Triangle Pattern
Volume Surge During Breakout	Significant
Prices Above Upper Pattern Boundary	Yes
Correction Phase Type	Sideways Timewise
CMP	2531
Support	2300-2200
Potential upside targets	2750 & 2900
Upside Potential (%)	15%
Horizon	9-12 months

Fundamental Rationale

- **Consistent Revenue Growth:** The company has shown steady revenue growth over the years. Its diversified product mix and expanding market presence bolstered this revenue growth. This growth in earnings is expected to continue as market conditions stabilize.
- **Improved Profit Margins:** As indicated by its profit margins, the company's profitability has seen improvement. Management's focus on cost management and operational efficiency drives these positive changes.
- **Healthy Liquidity Position:** BIL maintains a healthy liquidity position, which is vital for funding future growth initiatives, including capacity expansion plans.
- **Manageable Debt Levels:** The company's debt levels are within manageable limits, contributing to its financial stability.
- **Strategic Capital Allocation for FY24:** In FY24, the company plans to allocate an estimated capital expenditure (Capex) budget ranging between Rs. 550-600 crore. A substantial portion of this budget, approximately Rs. 250-300 crore will be directed towards routine maintenance Capex to ensure operational efficiency.

The remaining capital, however, will be strategically invested in initiatives pivotal to the company's growth trajectory. This includes the development of new product lines, such as rubber tracks and giant solid tires, designed to diversify the product portfolio and cater to a broader spectrum of end markets. Furthermore, a significant portion of Capex will be dedicated to intensifying brand-building endeavours and marketing initiatives, which are instrumental in achieving the ambitious objective of securing a 10% market share within the next 3-4 years.

- **Navigating Challenges Amid Heat Waves and Export Concerns** In the second quarter, a blend of challenges emerged due to scorching heat waves and concerns about economic downturns in export destinations. However, it is worth noting that global inventory challenges in the supply chain are gradually subsiding. On a brighter note, the momentum in domestic markets remains steadfast, showcasing resilience and a potential counterbalance to external headwinds.

A Promising Outlook for Balkrishna Industries:

The company is poised for favourable prospects in the foreseeable future. The remarkable recovery in Agri tire exports, surpassing the CY23 average by approximately 10% in July 2023, is set to bolster the company significantly. This development holds promise for BIL, given that Agri tires constitute roughly 65% of its product portfolio. Moreover, its limited

exposure to the United States, representing less than 20% of its revenue composition, strategically positions the company amidst the backdrop of challenging export dynamics. This unique combination of factors adds an appealing dimension to BIL's outlook.

Prominent Trends Enhancing Our Positive Outlook

- i. FII/FPI have increased holdings from 12.40% to 12.53% in Sep 2023 qtr.
- ii. Mutual Funds have increased holdings from 12.39% to 12.66% in Sep 2023 qtr.
- iii. Institutional Investors have increased holdings from 33.40% to 33.74% in Sep 2023 qtr.

Technical Rationale



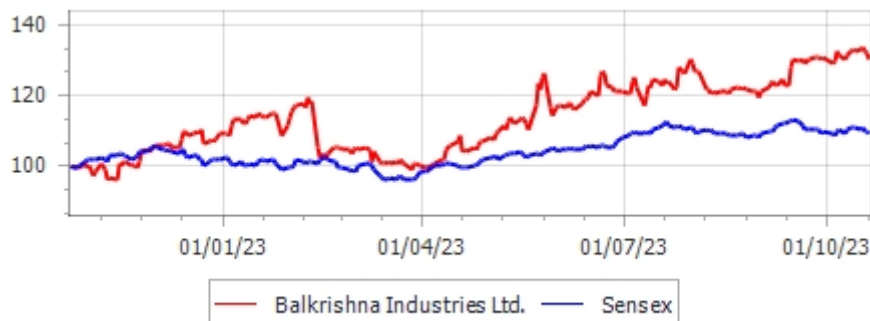
- The stock recently exhibited a breakout on its monthly chart, accompanied by a substantial surge in trading volumes. A triangle pattern characterizes this breakout, and the stock's prices have effectively maintained their position above the upper boundary of this pattern. This signals a probable extension of the preceding upward trend following a brief consolidation phase.
- After the breakout, the stock has entered a time-wise correction phase with a sideways movement. Remarkably, it has comfortably held its position above the pattern's neckline. Examining the lower panel, the momentum oscillator RSI (14) has broken out of a descending wedge pattern and is presently hovering near the 60 level, indicating a bullish crossover.
- An array of indicators and oscillators pertaining to the stock is aligning to suggest an attractive "buy-on-dips" opportunity. These metrics consistently read above the polarity levels, reaffirming the prevailing bullish sentiment. On the downside, a supportive range is discerned between 2300 and 2200, corresponding to retested levels within the bullish pattern. This support range serves as a reassuring buffer for bullish investors and underscores the resilience of buying interest.
- Turning our attention to potential upside targets, the stock exhibits promising prospects for attaining higher price levels, conceivably falling within the range of 2750 to 2900. These targets are derived from the breakout and the anticipated continuation of the upward trajectory, painting a sanguine picture of the stock's future performance.

Snapshot - Balkrishna Industries Ltd. - Standalone**Registered Office: B-66, Waluj MID C, Waluj Industrial Area, Chhatrapati Sambhajnagar - (Aurangabad), 431136, Maharashtra**

Balkrishna Industries Limited is primarily engaged into Specialty 'Off Highway Tire segment' which is consisting of Agriculture, Industrial, Construction, Earthmoving, Mining, Port, Lawn and Garden and All-Terrain Vehicle (ATVs) Tires, etc. This segment is highly technical & capital intensive and known as 'large varieties low volume segment' where any credible player needs to maintain large number of Stock Keeping Units (SKUs) to meet the diverse requirement of its customers worldwide. While the sub segment (agriculture) is largely known as non-cyclical in nature, the other sub segment (industrial, construction and mining) is generally considered as cyclical and the performance of it is largely linked to overall economic outlook of the world. The market for company's products is mainly Europe, America, Australasia and India.

Company Details

Industry	Tyres & Allied
Chairman	Arvind Poddar
Managing Director	Arvind Poddar
Company Secretary	Vipul Shah
ISIN	INE787D01026
Bloomberg Code	BIL IN
Reuters Code	BLKI.BO

Price Vs Sensex Chart**Key Market Indicators (Standalone)**

Latest Date	20-Oct-2023
Latest Price (Rs)	2,539.15
Previous Close (Rs)	2,570.20
1 Day Price Var%	-1.21
1 Year Price Var%	31.09
52 Week High (Rs)	2,644.85
52 Week Low (Rs)	1,801.00
Beta	0.7120
Face Value (Rs)	2.00
Industry PE	34.48
Industry BV	3.43
TTM Period	202306
TTM EPS(Rs)	55.41
TTM CEPS(Rs)	85.63
Price/TTM CEPS(x)	29.65
TTM PE (x)	45.82
Price/BV(x)	6.21
EV/TTM EBIDTA(x)	25.14
EV/TTM Sales(x)	5.63
Dividend Yield%	0.79
MCap/TTM Sales(x)	5.29
Latest Book Value (Rs)	408.73
Market Cap (Rs. In Crores)	49,086.13
EV (Rs. In Crores)	52,302.28
[Latest no. of shares (Rs. In Crores)]	19.33

[Share Holding Pattern as on 202309]

[Promoter No of shares (In Crores)]	11.27
Promoter %	58.29
FII No of Shares (In Crores)	2.42
FII %	12.54
Total No of Shares (In Crores)	19.33
Free Float %	41.71

Inc/Exp Statement(Standalone)**(Rs in Crores)**

Description	202303	202203	202103	202003	201903
Net Sales	9810.52	8266.71	5757.92	4782.49	5244.5
Total Income	10148.31	8697.31	5919.37	5148.47	5458.71
Total Expenditure	8066.1	6262.12	3972.03	3648.46	3932.05
PBIDT	2082.21	2435.19	1947.34	1500.01	1526.66
PAT	1078.71	1410.69	1155.38	944.98	782
Dividend %	1000	1400	850	1000	400
Adj. EPS(Rs)	55.8	72.98	59.77	48.89	40.46

Assets and Liabilities (S) as on 202309(U)**(Rs in Crores)**

Share Capital	38.66	Net Block	5628.28
Reserve	8190.56	Long term Investments	1376.11
Share Holder's Funds	8229.22	Short term investments	933
Long Term Debt - Calc	852.76	Total Investments	2309.11
Short Term Debt - Calc	1980.47	Cash and Bank Bal	39.71
Total Debt - Calc	2833.23	Net Current Assets	744.95

Quarter On Quarter (Standalone)**(Rs in Crores)**

Particulars	202309	202306	Q on Q Var%	202209	Y on Y Var%
Net Sales	2225.84	2120.02	4.99	2704.29	-17.69
Total Expenditure	1707.44	1638.64	4.20	2259.75	-24.44
PBIDT (Excl OI)	518.4	481.38	7.69	444.54	16.61
PAT	335.39	312.28	7.40	403.8	-16.94
PBIDTM% (Excl OI)	23.29	22.71	2.55	16.44	41.67
PBIDTM%	28.1	27.6	1.81	24.79	13.35
PATM%	15.07	14.73	2.31	14.93	0.94
Adj. EPS(Rs)	17.35	16.16	7.36	20.89	-16.95

Top Holdings as on 202309

Name	Category	Holding %
RAJIV PODDAR	Promoters	27.71
VKP ENTERPRISES LLP	Promoters	24.95
LIFE INSURANCE CORPORATION OF INDIA	Non - Promoters	4.71
KHUSHBOO RAJIV PODDAR	Promoters	3.93
HDFC MUTUAL FUND - HDFC TRANSPORTATION AND LOGISTI	Non - Promoters	2.7
KOTAK ESG OPPORTUNITIES FUND	Non - Promoters	2.5
GOVERNMENT PENSION FUND GLOBAL	Non - Promoters	1.7

Latest Events [BC, Bonus,AGM, Split & Rights Only]

Event	AGM / Board Meeting / Record Date	Details
Ex Dividend	31-Oct-2023	

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