

Industry
Bloomberg
BSE CODE

Auto Ancillary
BIL IN
502355

RATING	BUY
CMP	1254
Price Target	1471
Potential Upside	17%

Rating Change	↔
Estimate Change	↑
Target Change	↑

STOCK INFO	
52wk Range H/L	1298/678
Mkt Capital (Rs Cr)	24257
Free float (%)	42%
Avg. Vol 1M (,000)	834
No. of Shares (Crs)	19
Promoters Pledged %	0%

RESEARCH ANALYST

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Strong demand in Agri-segment across geographies

4QFY20 Result update

- BALKRISIND posted 4QFY20 result better than expected; Sales grew by 0.5% YoY to Rs 1357 crores (vs. expect. Rs 901 crores) backed by volume growth of 4.7% YoY. However, realization declined by 4% YoY. Realization declined due to weaker product mix and discounts offered in European markets.
- The company had the sales volume of 57,966 MT in 4QFY20 and of 201,760 MT for FY20.
- Production was 51000 MT in 4QFY20 and 194000 MT in FY20.
- Volume breakup between Agri, OTR and Others was as 65%, 31% and 4% respectively for 4QFY20.
- Channel mix was OEM, replacement and others as 25%, 73% and 4% respectively for 4QFY20.
- Gross Margin declined by 330bps on sequential basis to 55.4% largely due to inventory adjustment and higher sales of lower priced products. However, contraction 198bps QoQ in EBITDA margin was lower as compared to Gross Margin because of higher sales during the quarter.
- PAT stood at Rs 257 crores (vs. expect. Rs 142 crores), showing a PAT growth of 39.3% YoY led by higher other income and lower tax rate at 24% as compared to last year same quarter.

View and Valuation

The management seems bullish on agriculture sector as it continues to outperform overall economic activities across geographies (especially in Europe/India). The US market has also started picking up after trade war. Indian market continues to remain a focus area with 20% revenue contribution and the management plans to reach 25% contribution in next 2 years. The company has also become self-reliant in terms of carbon black sourcing as the second plant also commissioned in March 2020. Margins are expected to remain in the range of 28-29% based on softness in commodity prices and backward integration from carbon black plant. Factoring the strong demand across geographies and better margin guidance, we increase our FY21 PAT estimates by 23%. We value BALKRISIND at 26x FY22e EPS to arrive at a target price of Rs.1471 and maintain BUY.

Key Risks to our rating and target

- Slowdown in agriculture demand.
- Currency Fluctuation (Euro-INR).

Fig. in Rs. Cr.

KEY FINANCIAL/VALUATIONS	FY18	FY19	FY20	FY21E	FY22E
Net Sales	4464	5245	4782	4943	5426
EBITDA	1107	1311	1249	1419	1583
EBIT	795	979	881	1000	1139
PAT	739	782	945	878	1094
EPS (Rs)	38	40	50	45	57
EPS growth (%)	0	0	0	0	0
ROE (%)	0	0	0	0	0
ROCE (%)	0	0	0	0	0
BV	211	241	259	287	325
P/B (X)	5.2	3.2	4.8	4.4	3.9
P/E (x)	28.8	19.5	25.0	27.6	22.2

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Result above estimates

4QFY20 Results

Stand./Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	1,351	1,193	1,071	1,161	1,357	0%	17%	5,245	4,782	-9%
Other Income	40	72	81	30	66	65%	121%	214	249	16%
Total Income	1,391	1,265	1,152	1,191	1,424	2%	20%	5,459	5,031	-8%
COGS	660	575	468	479	605	-8%	26%	2,463	2,127	-14%
Staff Cost	59	70	70	71	75	27%	7%	264	286	8%
Other Exp.	312	281	266	269	304	-2%	13%	1,207	1,121	-7%
Expenditure	1,031	926	804	819	985	-4%	20%	3,933	3,533	-10%
EBITDA	320	268	267	341	373	16%	9%	1,311	1,249	-5%
Depreciation	82	84	91	95	98	19%	4%	333	368	11%
EBIT	238	184	177	247	274	15%	11%	979	881	-10%
Interest	2	2	2	2	2	-7%	2%	10	7	-26%
PBT	276	254	256	275	339	23%	23%	1,183	1,123	-5%
Excpt. Item	-	-	-	-	-	-	-	-	-	-
Tax	91	78	(35)	54	81	-11%	50%	401	178	-56%
PAT	185	176	291	221	257	39%	17%	782	945	21%

Concall Highlights

- DEMAND: The company has received encouraging response across segment especially in agri segment. Construction segment did pretty well.
- In FY20, Geography mix of Europe 51%, India 17%, America 20% and rest of the world 12%.
- Carbon black project is now fully commissioned. Phase 2 of the project with capacity of 80,000 MTPA was commissioned on 12th March 2020. Total capacity now stands at 140,000 MTPA.
- After resumption of manufacturing activities and dispatches in later part of April 2020, it was gradually able to ramp up its activities and have gradually gained normalcy in its manufacturing activities as well as dispatches to a large extent.
- The management's volume outlook is stable considering the last 2 months response, good demand in agri segment. Europe agri segment is also very robust. Demand from US is also growing post US china trade war.
- Gross margin for long term prospective is expected to be 58% -60%. Incremental GM on account of in house production of carbon black, lower raw material cost and better realisation.
- The company doesn't have full dependence on any particular geography/region for supply of input materials. Dependence on China is very less, only for some of the alternative parts China is considered.
- For carbon black surplus sale: already selling to leading rubber and Tyre manufacturing companies in India.
- Carbon black margins has improved. Overall EBITDA margin is 25% plus for external sale.
- The composition of tyre is as Natural Rubber, bead wire and crude derivatives as 35%, 3% and 62% respectively.
- In FY20, the company used 54,000 MT that was fully inhouse and for FY21 is expected to be internal consumption 55000 MT.
- Forex hedging rate of Rs 80 was there for FY20 and For FY21, it is Rs 82-83 though 55% for this year is already hedged.
- Normally, company cover raw material requirement for 75-90 days and it's benefit is reflected in next quarter.
- Residual capex is around Rs 500 crore for both putting together (bhuj and waluj plant). Maintenance capex of Rs 150 crores. Capex programs of the company are broadly on track; however, the completion will depend on the COVID-19 situation.
- FY22 onwards regular capex will be Rs 150 crores only.
- Realisation has been Rs 243/kg for FY20. Going ahead it is expected to be Rs 245/kg.
- The company took price cut of 2-3% in 4QFY20 and action taken in 1QFY21 in this regard.
- Effective tax rate of 25.14% for FY21.

Exhibit: Net sales (Rs.Crore) and Growth trend

Sales grew by 0.5% YoY to backed by volume growth of 4.7% YoY.

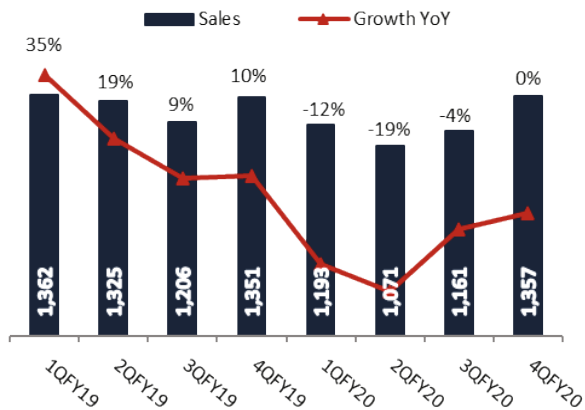


Exhibit: Volume trend and growth

The company posted sales volume of 57,966 MT, showing growth of 4.7% in 4QFY20

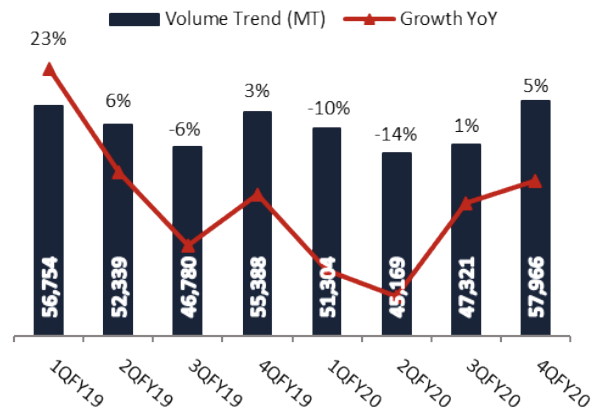


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin Trend

EBITDA margin declined by 198 bps, impacted by GM% decline \ in the quarter.

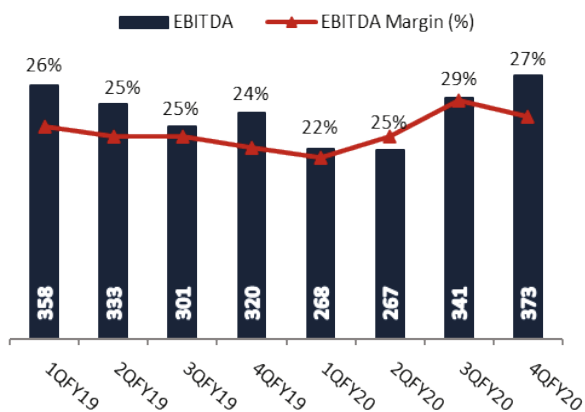


Exhibit: PAT (Rs. Crore) and PAT Margin Trend

PAT margin was at 19%. PAT growth reported was 39.3% YoY on account of lower tax and higher other income.

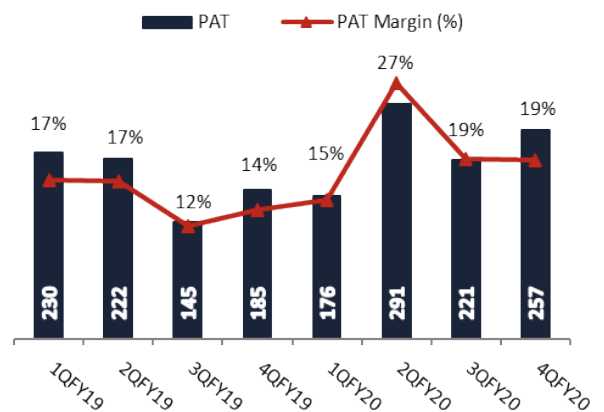


Exhibit: Revenue across regions

In FY20, Geography mix of Europe 51%, India 17%, America 20% and rest of the world 12%.

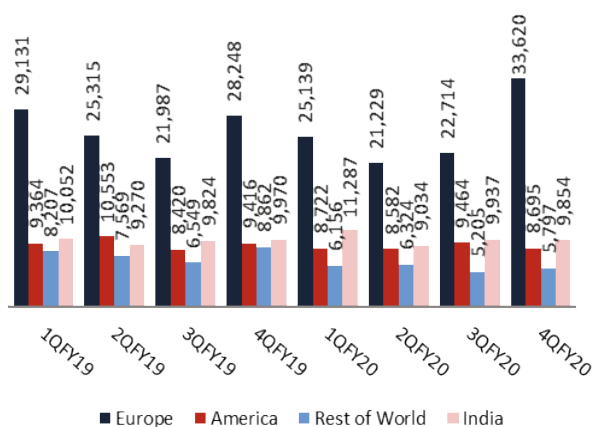
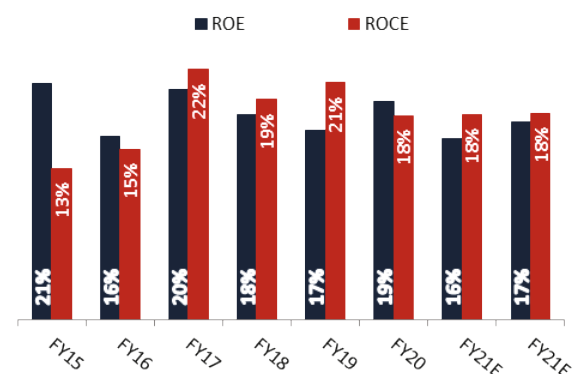


Exhibit: Return Ratios

Higher profitability will improve the return ratio, going ahead.



Financial Details

Balance Sheet

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	19	19	19	39	39	39	39	39
Reserves	2,257	2,756	3,524	4,045	4,615	4,970	5,500	6,246
Networth	2,276	2,775	3,543	4,083	4,654	5,008	5,539	6,285
Debt	1,993	1,290	797	651	871	931	702	652
Other Non Cur Liab	190	267	381	351	368	238	238	238
Total Capital Employed	3,635	3,606	3,762	4,086	4,656	5,010	5,541	6,287
Net Fixed Assets (incl CWIP)	3,049	3,090	2,951	2,917	3,309	3,807	3,987	3,608
Non Cur Investments	58	577	887	619	319	711	515	847
Other Non Cur Asst	168	166	205	325	380	366	366	366
Non Curr Assets	3,275	3,833	4,043	3,862	4,008	4,885	4,869	4,821
Inventory	411	398	476	619	759	616	633	694
Debtors	580	385	412	480	517	590	606	665
Cash & Bank	434	330	25	33	66	69	60	643
Other Curr Assets	618	453	833	885	1,129	647	954	1,041
Curr Assets	2,043	1,566	1,746	2,017	2,471	1,921	2,253	3,043
Creditors	399	341	374	409	386	384	394	433
Provisions (both)	37	12	18	20	27	30	30	30
Other Curr Liab	1,221	1,395	1,425	1,182	946	983	1,006	1,091
Curr Liabilities	860	1,066	1,069	794	586	629	642	688
Net Curr Assets	1,184	499	677	1,223	1,884	1,292	1,611	2,355
Total Assets	5,318	5,398	5,789	5,878	6,479	6,806	7,121	7,864

Income Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenue from Operation	3,817	3,289	3,784	4,461	5,210	4,811	4,943	5,426
Change (%)	1	-14%	15%	18%	17%	(8)	3	10
Other Income	277	174	254	340	218	251	184	330
EBITDA	727	822	1,131	1,102	1,302	1,271	1,419	1,583
Change (%)	(18)	13%	38%	-3%	18%	(2)	12	12
Margin (%)	19	25.0%	29.9%	24.7%	25.0%	26	29	29
Depr & Amor.	244	282	304	311	333	374	420	443
EBIT	483	540	827	790	970	898	1,000	1,139
Int. & other fin. Cost	48	39	22	14	11	9	9	7
EBT	713	674	1,059	1,116	1,177	1,140	1,174	1,462
Exp Item	-	-	-	-	-	-	-	-
Tax	241	229	342	380	403	180	296	368
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	473	446	717	736	774	960	878	1,094
Adjusted PAT	473	446	717	736	774	960	878	1,094
Change (%)	(0)	-6%	61%	3%	5%	24	(8)	25
Margin(%)	12	14%	19%	16%	15%	20	18	20

Financial Details

Key Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
ROE	21	16	20	18	17	19	16	17
ROCE	13	15	22	19	21	18	18	18
Asset Turnover	0.7	0.6	0.7	0.8	0.8	0.7	0.7	0.7
Debtor Days	55	43	40	39	36	45	45	45
Inv Days	39	44	46	51	53	47	47	47
Payable Days	38	38	36	33	27	29	29	29
Int Coverage	10	14	38	57	87	101	107	162
P/E	13.2	13.1	19.2	28.8	19.5	25.0	27.6	22.2
Price / Book Value	2.7	2.1	3.9	5.2	3.2	4.8	4.4	3.9
EV/EBITDA	9.9	7.7	12.3	19.2	11.6	18.9	17.1	14.9
FCF per Share	613	830	662	330	81	389	680	1,378

Cash Flow Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	713	857	1,059	1,116	1,177	1,140	1,174	1,462
(inc)/Dec in Working Capital	196	208	(111)	(215)	(193)	54	(28)	(103)
Non Cash Op Exp	244	281	304	311	333	374	420	443
Int Paid (+)	48	34	22	14	11	9	9	7
Tax Paid	(213)	(234)	(313)	(387)	(408)	(288)	(296)	(368)
others	(4)	(74)	(114)	(89)	(99)	(115)	-	-
CF from Op. Activities	984	1,073	847	750	820	1,173	1,279	1,441
(inc)/Dec in FA & CWIP	(371)	(242)	(185)	(420)	(740)	(784)	(600)	(63)
Free Cashflow	613	830	662	330	81	389	680	1,378
(Pur)/Sale of Inv	1,004	3,306	2,128	1,487	-	2,390	(300)	(58)
others	(1,070)	(3,616)	(2,506)	(1,159)	104	(2,284)	196	(332)
CF from Inv. Activities	(437)	(552)	(563)	(92)	(636)	(678)	(703)	(453)
inc/(dec) in NW	1	-	-	-	-	-	-	-
inc/(dec) in Debt	(61)	(498)	(502)	(519)	21	28	(229)	(50)
Int. Paid	(48)	(36)	(23)	(14)	(11)	(9)	(9)	(7)
Div Paid (inc tax)	(22)	(91)	(64)	(121)	(174)	(513)	(348)	(348)
others	0	-	-	-	-	(1)	-	-
CF from Fin. Activities	(130)	(625)	(589)	(654)	(165)	(495)	(586)	(405)
Inc(Dec) in Cash	420	(104)	(306)	4	20	1	(10)	583
Add: Opening Balance	15	434	328	23	26	46	69	60
Closing Balance	434	330	23	26	46	47	59	643

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