

Balkrishna Industries Limited

20th Jan 2023

Aiming for 10% Global Market Share in Off-Highway Tyres

Balkrishna Industries Limited (BKT) is one of the world's leading manufacturers of Off-Highway Tyres (OHT). BKT has the widest product range with more than 3,200 Stock Keeping Units (SKUs) and acts like a "One Stop Shop" for all the OHT solutions. The Company has a global market of ~6% in the OHT segment, with ~69% of revenue coming from replacement demand. To standardize its raw material quality, the Company did a backward integration for manufacturing a critical raw material called 'Carbon Black'. BKT is in the midst of expanding its current capacity to boost future sales and modernize & automate its older plants to improve its efficiency. We initiate coverage on Balkrishna Industries Limited with a BUY rating and a target price of Rs. 2,499 (30x FY24e Earnings)

Improving brand visibility

BKT has established a robust brand identity through various marketing efforts across different regions. Over the years, the Company has spent ~3-4% of its revenue on advertising and promotional activities. BKT has consistently promoted global sporting events. BKT is the official and exclusive tyre manufacturer for 'MONSTER JAM', a premier sporting event in America. Additionally, to increase market share in the domestic market, the Company has employed a similar sports-oriented marketing strategy

Expecting rubber prices to normalize

In Q2 FY23, rubber prices traded in a range of ~Rs. 155-160 per KG. It is expected that rubber prices will soften due to excess supply in the international market, which will lead to the normalization of gross margins of BKT around ~53-55%. In Q2 FY23 gross margins were ~50%.

Cost competitiveness acting as a moat for BKT

BKT's manufacturing base in India provides a significant cost advantage over its international peers, as employee costs are ~6-7% of its revenue, whereas for Michelin, its ~26-28% of revenue. This cost advantage acts as an economic moat for the company, allowing it to maintain higher profit margins than its competitors despite selling its products at a ~10-15% discount. This is demonstrated by the company's ability to achieve an EBITDA margin greater than 20%, while MNC players like Michelin, Titan, Yokohama, and Trelleborg are unable to achieve the same level of profitability

Expansion for fuelling future growth

The Company is spending Rs. 14.5Bn for expanding its tyre manufacturing capacity, Carbon Black (critical raw material) capacity, and modernizing & automating its older plants. This will fuel future growth of the company. It is expected that within next year, all plants will be commercialized.

View & Valuation

We initiate coverage on Balkrishna Industries Limited with a BUY rating and a target of Rs. 2,499(30x FY24e EPS). BKT's majority of revenue comes from replacement demand. With an increase in focus on larger radial tyres (higher margin product) and Off-The-Road Tyre market (shorter replacement cycle), we believe that BKT is bound to do well and able to reach its 10% market share mark in OHT industry.

BUY

CMP Rs. 2,223

TARGET Rs. 2,499 (+12.4%)

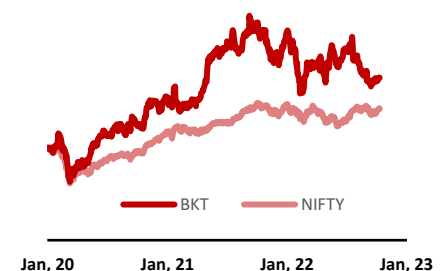
Company Data

MCAP (Rs. Mn)	429,727
O/S Shares (Mn)	193
52w High/Low	2,482 / 1,682
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	660

Shareholding Pattern %

	Sep 22	Jun 22	Mar 22
Promoters	58.30	58.29	58.29
FIIs	12.96	14.30	14.05
DIIIs	18.81	11.17	11.78
Non-Institutional	9.94	16.24	15.87

BKT vs Nifty



Source: Company, Keynote Capitals Ltd.

Key Financial Data

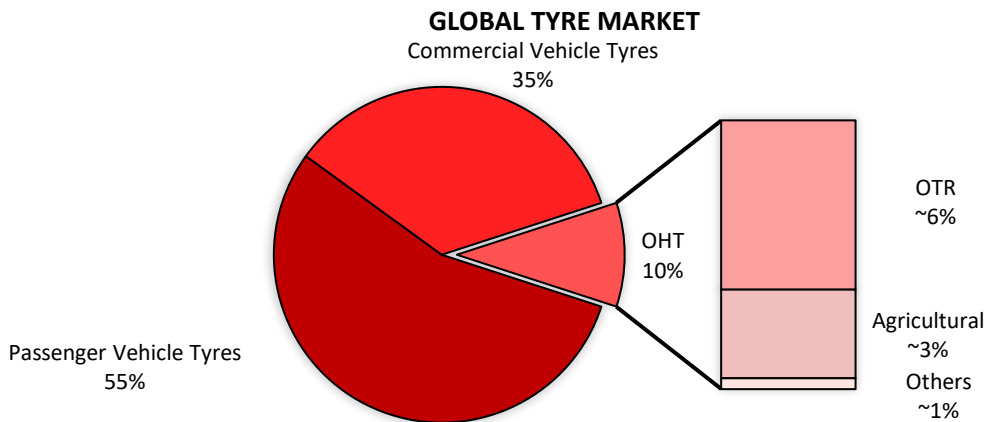
(Rs Bn)	FY22	FY23E	FY24E
Revenue	83	100	103
EBITDA	20	17	24
Net Profit	14	13	16
Total Assets	110	122	132
ROCE (%)	19%	13%	15%
ROE (%)	22%	18%	20%

Source: Company, Keynote Capitals Ltd.

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Industry Overview

The global tyre industry is worth \$180Bn, of which the OHT segment commands a 10% share (\$18Bn). Within OHT, 63% are Off-The-Road (OTR) tyres (such as construction and mining equipment tyres), 33% are Agricultural tyres (such as tractor & harvester tyres), and rest are others (such as all-terrain motorcycle tyres). As per Market Research Future, the OHT industry is expected to grow at ~5% CAGR till 2030.

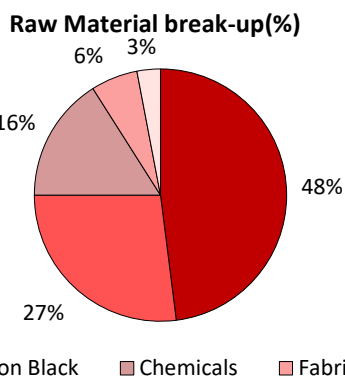


Source: Company, Industry Data, Keynote Capitals Estimates

Process of Manufacturing Tyres

Tyres are typically manufactured using a combination of several processes, including mixing, extrusion, tyre building, curing, and finishing.

- 1) **Mixing:** The first step in the manufacturing process is to mix the raw materials, such as rubber, carbon black, and other chemicals, to create the tire compound.



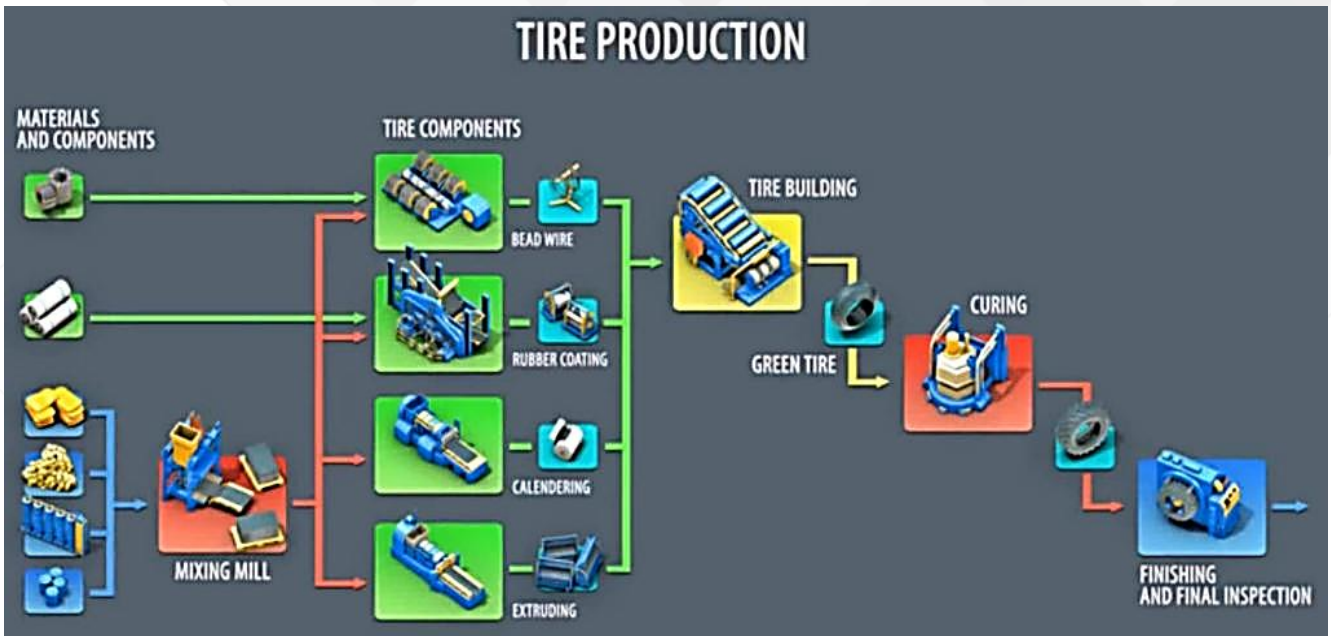
Source: Company, Keynote Capitals Ltd.

- 2) **Extrusion:** The tire compound is then extruded, or forced through a die, to create the basic shape of the tire, known as the green tire.

- 3) **Tyre building:** The green tire is then mounted onto a building drum, where it is shaped and reinforced with steel or fabric to give it strength and durability.

- 4) **Curing:** The tire is then cured in a press under heat and pressure to harden the rubber and give it its final shape.

- 5) **Finishing:** The final step in the manufacturing process is to inspect, finish and package the tire, before shipping it to customers.



Source: Industry, Keynote Capitals

Industry Dynamics

OHT are highly technical and capital-intensive segment, also known as “large varieties and low volume” segment. Credible players are required to maintain a large number of SKUs to meet the diverse needs of customers globally and provide pre-and post-sales customer support services. These aspects create high entry barriers for a new player to enter the market. These are the significant factor that explains the absence of a dominant Chinese player in the industry.

The global OHT industry has witnessed multiple Mergers and Acquisitions (M&A) due to the inability of companies to compete with low-cost producers. Currently, a few tyre manufacturers like Michelin, Bridgestone, Pirelli, Yokohama, and others dominate the industry. These players have been acquiring regional players to increase their penetration in the market as well as boost their presence in this segment. A few recent acquisitions include Yokohama Rubber Company acquired Alliance Tyre Group for \$1.2Bn in 2016, and Michelin acquired Casmo for \$1.36Bn in 2018.

Dandelion (an alternative to rubber)

In conjunction with The Fraunhofer Institute for Molecular Biology and Applied Ecology, Julius Kuehn-Institute, and EKUSA, a company named Continental Tire has produced and tested the first tyre where tread is made 100% out of dandelion rubber as a polymer. Continental Tire is focusing on a specific species known as Russian Dandelions. This crop is less sensitive to weather. The growth cycle of Russian Dandelions is approximately one year compared to seven years for rubber tree. It plans to begin manufacturing tires by 2025.

Continental Tire is focusing on a process to extract rubber from Russian Dandelion's roots. The use of dandelion rubber in tyres will be a sustainable and environmentally friendly alternative to traditional rubber

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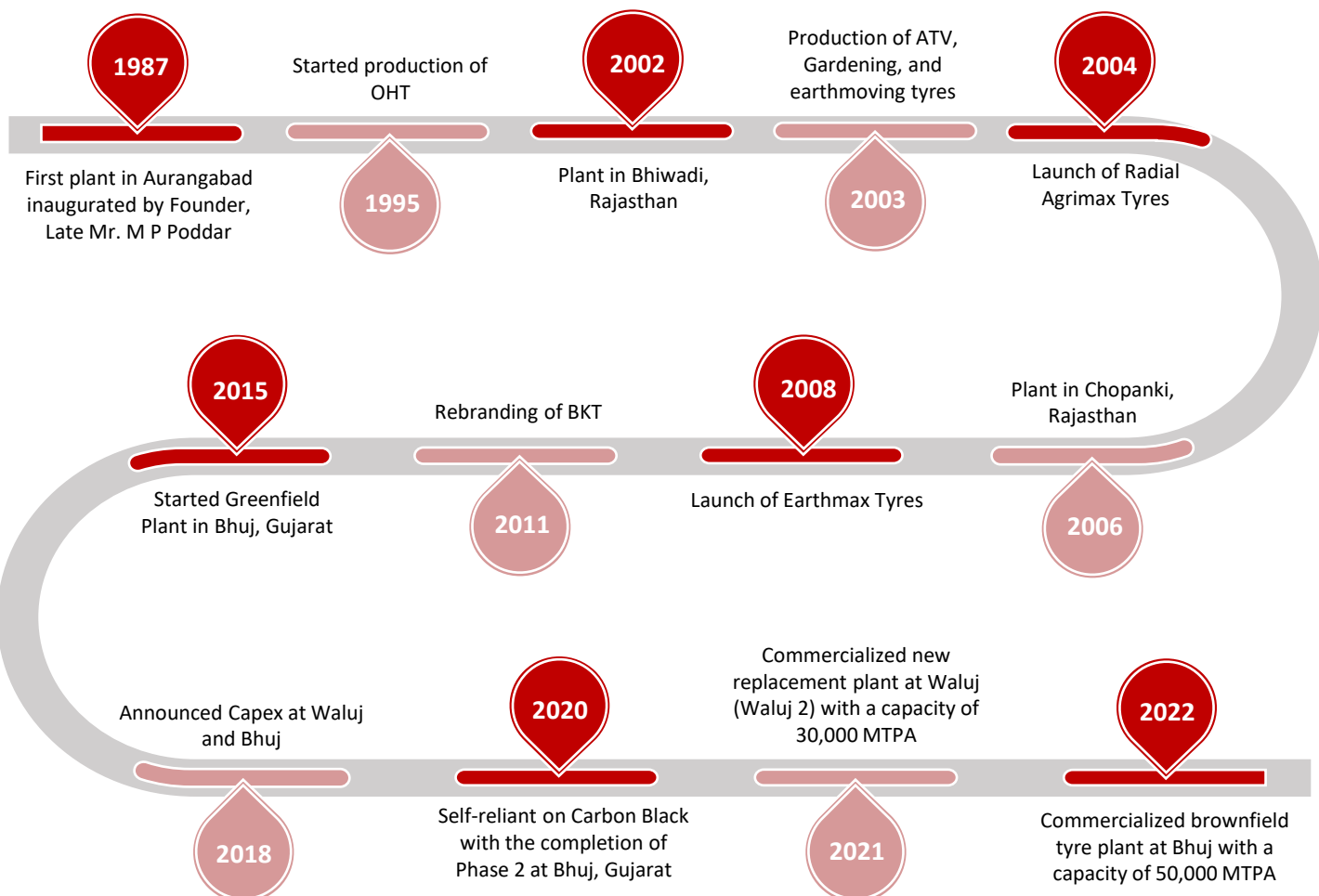
Company Background

Balkrishna Industries Limited (BKT) commenced its business as a 2/3-wheeler tyre manufacturer. In 1995, Management decided to shift their focus to specialized tyres (OHT) business. This acted like a pivotal point for the company. Currently, BKT is one of the world's leading manufacturers of OHT tyres with 6% global market share with sales and distribution reach across 160 countries.

Point of difference	2/3 Wheeler Tyre	OHT
Entry Barriers in Industry	Low	High
EBITDA Margin	~8-12%	~23-27%
Competition	High	Comparatively Low

Source: Company, Industry, Keynote Capitals Ltd.

Journey of BKT



Source: Company, Keynote Capitals Ltd.

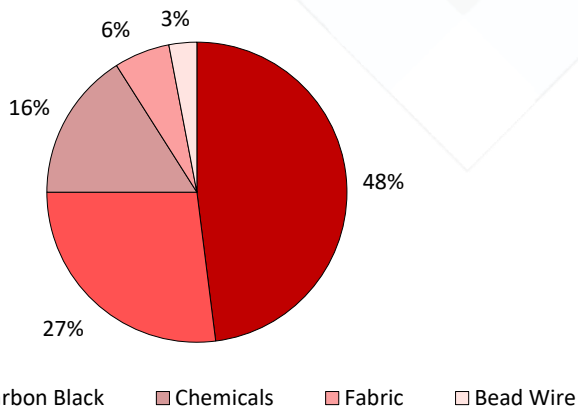
Business Model

BKT's primary product line includes specialty tyres, commonly referred to as OHT. In 2016, the Company made the strategic decision to integrate backward and begin producing a vital raw material known as 'Carbon Black'. This not only alleviated the issues of scarcity that existed in the market at that time and ensured the standardization of raw materials available to the company but also resulted in cost savings in terms of transportation and power.

Primarily Carbon Black is utilised captively and balance is sold in open market

Steam generated in manufacturing carbon black is re-used in manufacturing tyres

Raw Material break-up(%)



Source: Company, Keynote Capitals Ltd.

Customers

BKT has a wide range of customers across various industries, including agriculture, construction, mining, and earthmoving. They are also a supplier for Original Equipment Manufacturers (OEMs) in the off-highway vehicle industry. Some of the major customers of BKT are John Deere, Caterpillar, Case New Holland, JCB, and Kubota.



Source: Company, Keynote Capitals Ltd.

Product Portfolio

BKT has the widest product range with 3,200 SKUs which are used across agricultural, OTR and other segments. BKT has a product portfolio from 29 to 57 inches tyres. BKT aims to launch 63-inch tyre by next year.

63-inches tyre is the largest tyre in the industry. Currently, it is the only OHT tyre which BKT doesn't manufacture

Although there is minimal variation in pricing between agricultural and off-the-road tires, the replacement demand for agricultural tyres is significantly higher with an average interval of 4 years in contrast to the shorter 1–2-year replacement cycle for off-the-road tyres.

BKT is increasing its focus on OTR tyres. This change in strategy is aimed at reducing the volatility in revenue and creating a more consistent demand for BKT's products.

In order to improve its EBITDA margin, BKT is increasing its focus towards large radial tyres, which has ~1-3% higher EBITDA margin. Recently, the Company has started a 5,000 MT manufacturing unit in Bhuj for manufacturing ultra-large radial tyres.

Agricultural Tyre



Source: Company, Keynote Capitals Ltd.

OTR Tyre

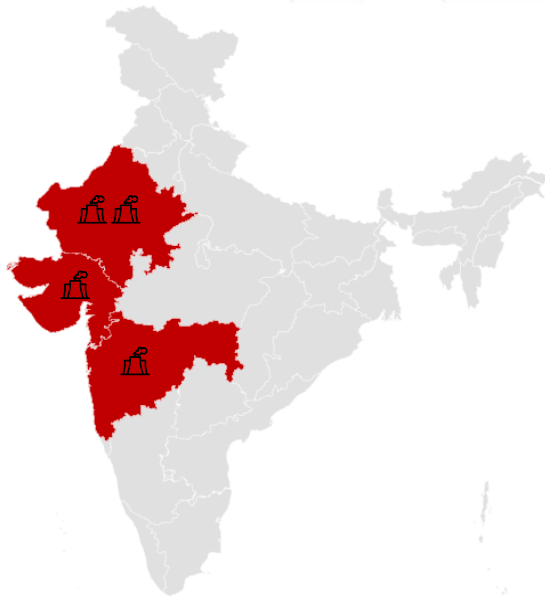


Source: Company, Keynote Capitals Ltd.

Plant Location

BKT's manufacturing plants are state-of-the-art facilities equipped with the latest technology and machinery. In addition to this, BKT also has a research and development facility in India where they work on developing new products and testing & improving existing ones.

Europe, America, Australasia, and India are the primary markets for BKT



Source: Company, Keynote Capitals Ltd.

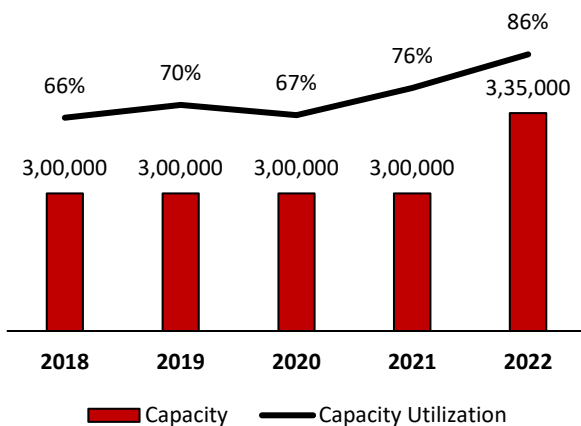
Location	Current Achievable Capacity	
	Tyre (MT)	Carbon Black (MT)
Waluj, Maharashtra	30,000	
Bhuj, Gujarat	1,90,000	1,15,000
Bhiwadi & Chopanki, Rajasthan	1,15,000	
Total	3,35,000	1,15,000

Source: Company, Keynote Capitals Ltd.

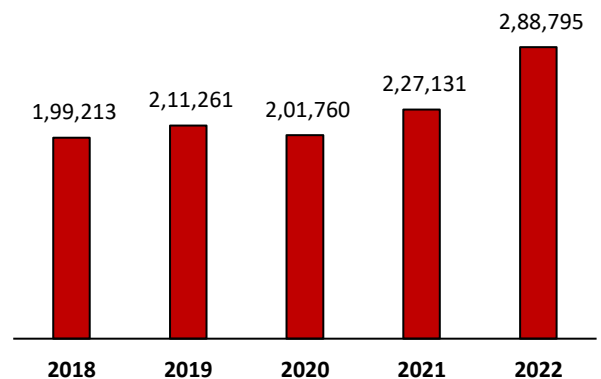
Capacity Utilization

Over the years, the Company has emphasized on improving its capacity utilization. In the last 4 years, BKT grew its volume at a CAGR of ~9.7%, while the OHT industry experienced a lean period. As a result of sweating assets better, BKT has improved its capacity utilization and has also gained market share.

Achievable Capacity (MT) & Capacity Utilization (%)



Volume Sold (MT)



Source: Company, Keynote Capitals Ltd.

Expansion Plans

Expansion at Waluj, Maharashtra: The Company will spend Rs. 3.5Bn for an additional capacity of 25,000 MT and modernize its old plant. The plant is expected to ramp up its production in H2 FY23.

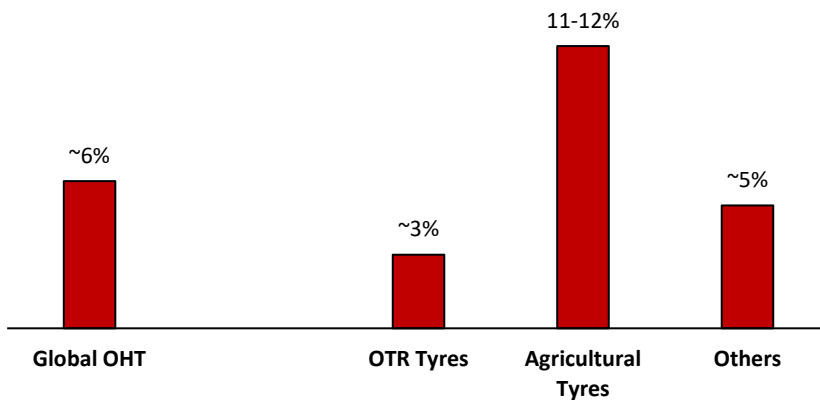
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Modernization, Automation, and Technology Upgradation: Installation of the latest machineries, replacement of certain machineries, upgradation of certain systems, and some portion of civil work at Gujarat & Rajasthan plant for quality and efficiency improvement; the Company will spend Rs. 4.5Bn. It is expected to be completed by H1 FY24

Market Share

The global OHT industry is valued at \$18Bn (Rs. 1,440Bn). Within the OHT industry, 63% is attributed to off-the-road tyres, 33% to agricultural tyres, and 4% to other segments. BKT holds a market share of approximately 6% in the global OHT industry.

Market Share (%) in each sub-category of OHT industry



Source: Company, Keynote Capitals Ltd. estimates

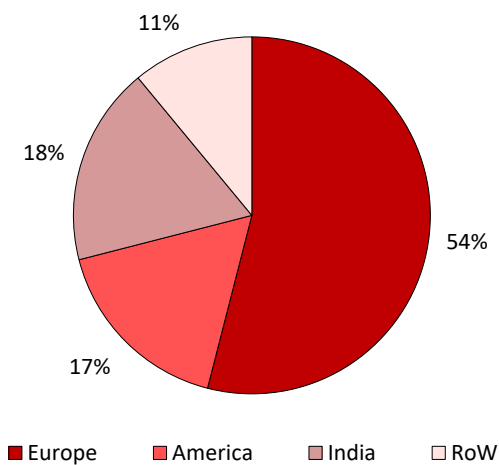
Revenue Segmentation

Geography-wise: Historically, a large portion of BKT's sales volume has originated from Europe. However, the Company is now shifting its focus to America and India in order to diversify its customer base and reduce reliance on the European market.

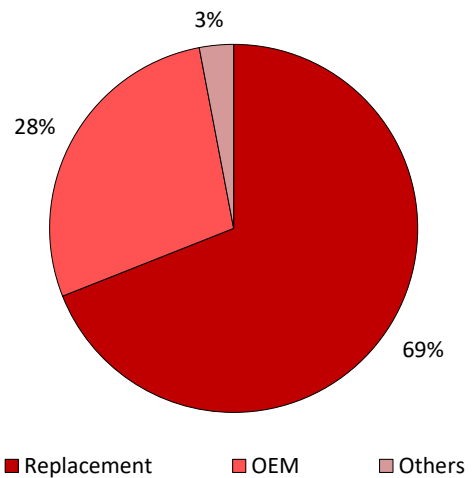
Channel-wise: Almost 70% of BKT's sales volume comes from replacement demand. This has enabled the Company to increase its market share during periods of stagnant growth within the industry.

Segment-wise: A large portion of BKT's sales volume has been generated from agricultural tyres, which have a replacement cycle of 4 years. However, the company is now focusing on expanding its market share in the OTR tyre market, which is ~63% of OHT industry and has a shorter replacement cycle of 1-2 years.

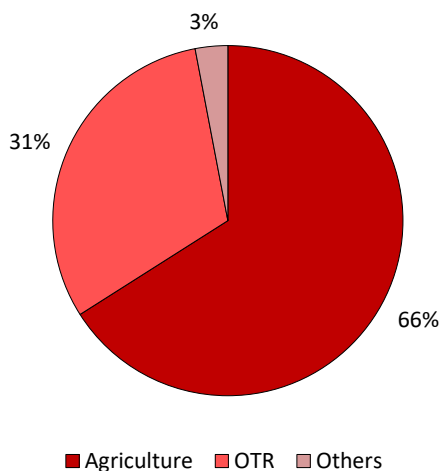
Geography-wise Volume Mix(%) [FY22]



Channel-wise Volume Mix(%) [FY22]



Segment-wise Volume Mix(%) [FY22]



Source: Company, Keynote Capitals Ltd.

Unit Economics

Though BKT is gradually improving its Gross Profit per KG, EBITDA per KG has seen a substantial dip in H1 FY23. The primary cause for this is an increase in freight and transportation expenses. However, it is anticipated that with the decrease in rubber prices and freight expenses, the company will be able to maintain an EBITDA of Rs. 70 per KG post-FY23.

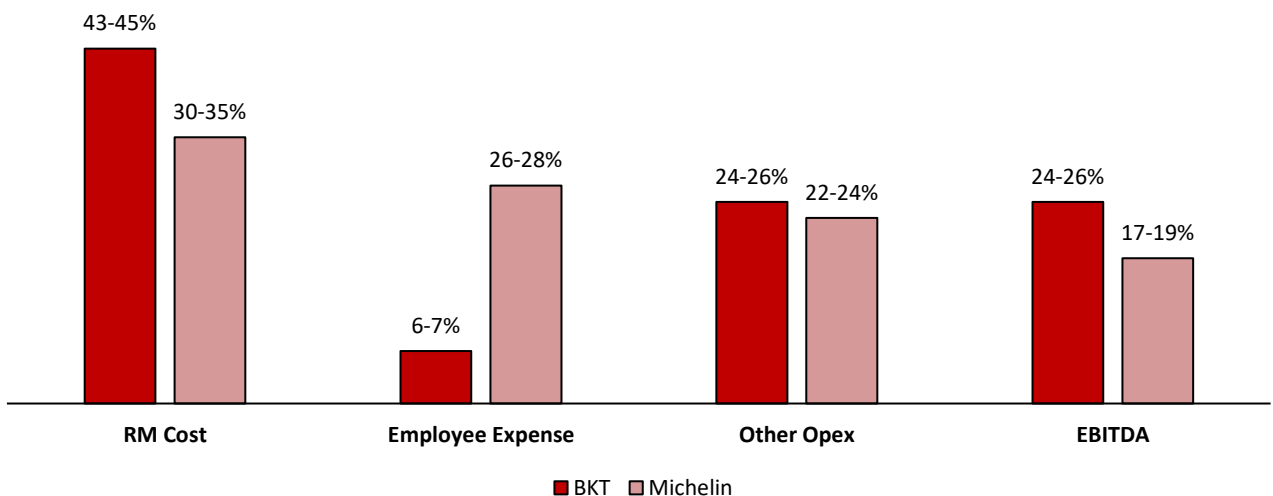
Per KG Analysis	FY18	FY19	FY20	FY21	FY22	H1 FY23
Volume Sold (MT)	1,99,213	2,11,261	2,01,760	2,27,131	2,88,795	1,62,025
Net Sales	223	247	238	255	287	326
COGS	108	116	106	102	131	160
Gross Profit	115	131	132	153	156	166
GP M%	52%	53%	56%	60%	54%	51%
Employee Cost	14	14	16	16	15	14
Other Expense	47	56	60	58	72	98
EBITDA	55	62	57	80	70	54
EBITDA M%	25%	25%	24%	31%	24%	17%
PAT	37	37	48	52	50	43
PAT M%	17%	15%	20%	20%	17%	13%

Source: Company, Keynote Capitals Ltd.

Peer Comparison with Global MNC (Michelin)

BKT's pricing strategy is influenced by major industry players. The Company offers a ~10-15% price discount, which results in higher raw material costs as a % of its revenue. However, BKT's entire manufacturing operations are based in India, which gives it a significant cost advantage over its international competitors. BKT's employee costs is ~6-7% of its revenue, whereas, for Michelin, it's around 26-28%.

Significantly low employee cost is the primary reason for higher EBITDA Margins



Source: Company, Michelin, Keynote Capitals Ltd.

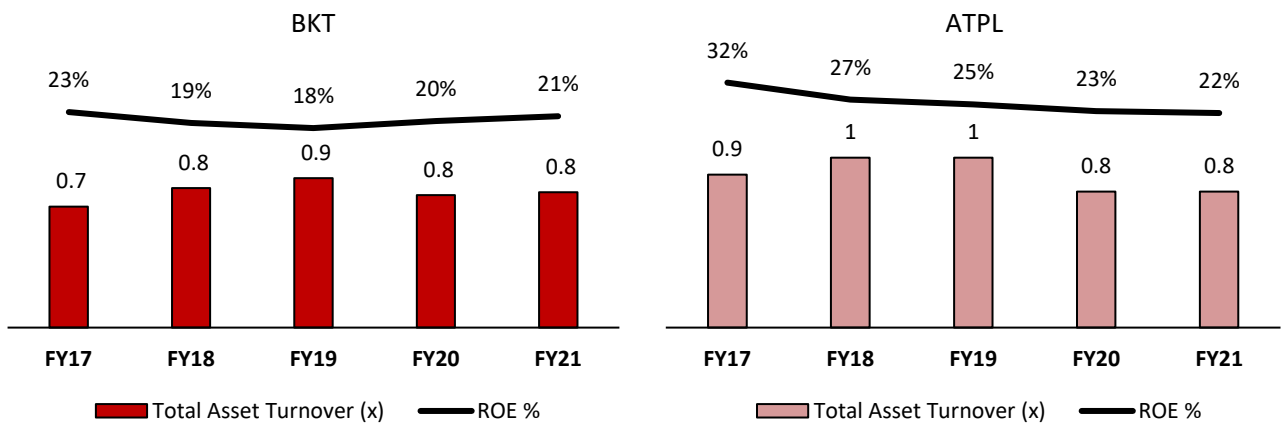
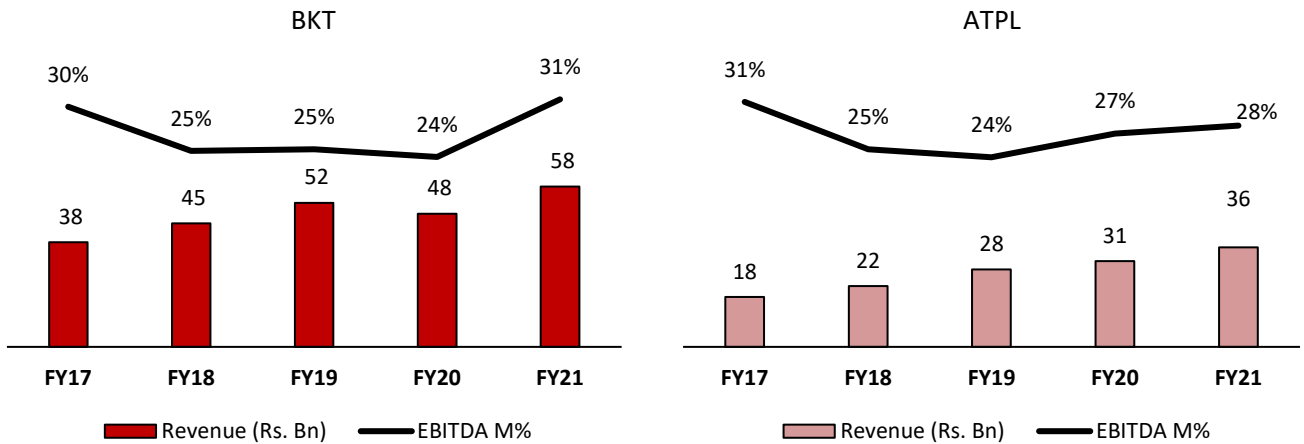
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Peer Comparison with Indian Manufacturer (ATC Tires Pvt. Ltd.)

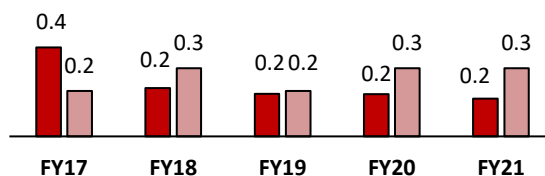
- Incorporated in 2007, ATC Tires Pvt. Ltd. (ATPL) is a part of Alliance Tire Group (ATG).
- ATG was sold to Yokohama in 2016.
- ATPL was run by the former CEO of BKT, Mr. Yogesh Mahansaria (who was ATPL's CEO till 2017)
- ATPL has 2 plants in India: Gujarat and Dahej

Currently, Mr. Yogesh Mahansaria runs his own company (Mahansaria Tyres)

On all parameters, BKT is facing fierce competition from ATPL. From FY17-21, BKT grew its revenue at a CAGR of ~11%, whereas ATPL grew it at ~19%. Both Companies have similar EBITDA margin profiles. Due to capital intensive nature of business, both the companies have a stable asset turnover of ~0.8-1x and D/E of less than 0.5, but the ROE% of ATPL is better than BKT.



D/E



Board of Directors & Top-Level Management Team

BKT is run by a combination of the Poddar family, who founded the company, and professional management. The Poddar family provides a strong sense of continuity and direction to the company, while professional management ensures that the company is run efficiently and effectively. The leadership team is composed of experienced individuals who have been with the company for an extended period of time. This long-standing relationship enables them to have a deep understanding of the company and its operations which in turn helps BKT to stay competitive and achieve its goals.

Name	Position Held at BKT	Years with BKT	Total Relevant Experience	Qualification
Arvind Poddar	Chairman & Managing Director	32+ Years	32+ Years	-
Rajiv Poddar	Joint Managing Director	15+ years	13+ Years	Bachelors in Business Administration (BBA) from Kingston University
Vipul Shah	Whole Time Director & Company Secretary	27+ Years	-	-
Madhusudan Bajaj	President (Commercial) & CFO	20+ Years	35+ Years	CA
Rajeev Kumar	Head-Agricultural Sales	7+ Years	14+ Years	B.A. in Economics & Diploma in Sales & Marketing Management
Narendra Kumar	President Operations	11+ Years	34+ Years	B. Tech (Mechanical) from NIT, Calicut and Senior Management Programme from IIM-A

Source: Company, LinkedIn, Keynote Capitals Ltd.

Top Shareholders (%)

Particulars	March-20	March-21	March-22	Sept-22
Life Insurance Corporation of India	-	1.2%	3.9%	3.9%
HDFC Mutual Fund	5.7%	4.2%	3.1%	2.7%
Kotak Mutual Fund	1.8%	2.4%	2.3%	2.5%
Government Pension Fund Global	1.6%	1.6%	1.9%	1.6%
Mirae Asset Mutual Fund	1.9%	1.4%	1.6%	1.6%
HDFC Life Insurance	1.7%	1.5%	1.5%	1.4%
DSP Mutual Fund	1.8%	1.9%	1.1%	1.1%
Amansa Holdings Pvt. Ltd.	2.0%	-	-	-

Source: Company, Keynote Capitals Ltd.

Opportunities

Improving Brand Visibility

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Strengthening BKT Brand : India

BKT | GROWING TOGETHER



Official Partner of Teams in the Cricket T20 League for Season 14

Source: Company, Keynote Capitals Ltd.

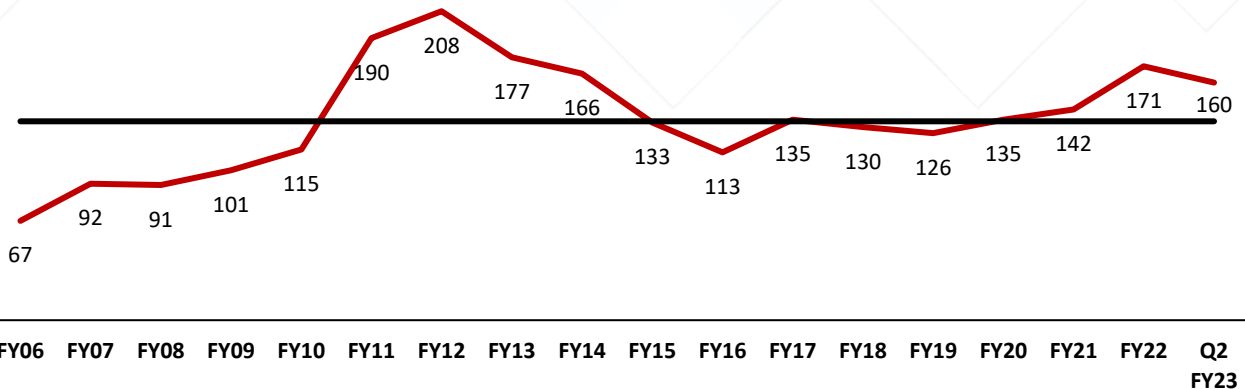
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"Rubber prices had risen very high after the pandemic subsided, and are now seeing a correction", said K N Raghavan, Executive Director of Rubber Board

Average Rubber Prices of RSS-4 at Kottayam (Rs./KG)

Median: 134



Source: Rubber Board, Management commentary, Keynote Capitals Ltd.

Cost competitiveness acting like a moat for BKT

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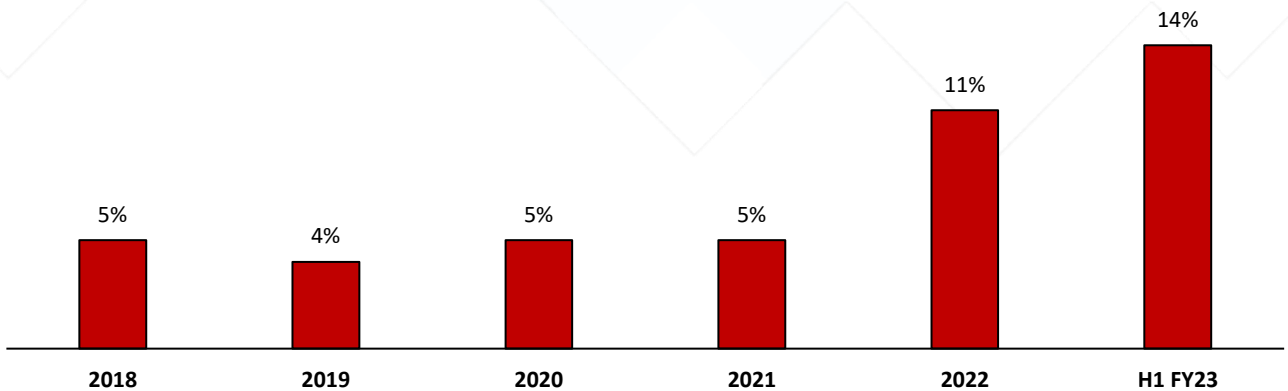
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Challenges

Inability to pass on freight cost

From a normalized level of ~5-6% of revenue, freight cost has jumped to ~14%. BKT is unable to pass on the entire cost to its customers leading to an impact on EBITDA margins. Management is expecting that freight costs will soften in the near future.

Freight Cost as a % of revenue



Source: Company, Keynote Capitals Ltd.

Headwinds in international markets

As a result of the economic recession in the United States, macroeconomic challenges in Europe, and de-stocking taking place at the distributor level, the management team will not be able to achieve its volume target for FY23 of 320,000-330,000MT. If these headwinds persist, it will also negatively impact volume sales in FY24.

Pricing Policy

Pricing policy is dependent on top-tier players in the industry. The lack of independent pricing policy can have a severe impact BKT's profitability if peers reduces their Average Selling Price. Management had made it clear that they will sell at a discount of ~10-15% price compared to leading industry players.

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Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	57,832	82,951	99,959	1,03,189	1,11,647
Growth %		43%	21%	3%	8%
Raw Material Expenses	23,110	37,778	48,980	47,467	50,241
Employee Expenses	3,709	4,301	4,498	5,675	6,141
Other Expenses	12,905	20,783	28,988	25,797	26,795
EBITDA	18,108	20,090	17,493	24,249	28,470
Growth %		11%	-13%	39%	17%
Margin%	31%	24%	18%	24%	26%
Depreciation	4,163	4,554	5,395	6,644	7,242
EBIT	13,945	15,536	12,098	17,605	21,227
Growth %		11%	-22%	46%	21%
Margin%	24%	19%	12%	17%	19%
Interest Paid	118	94	134	134	134
Other Income & exceptional	1,722	4,379	5,250	4,000	4,000
PBT	15,549	19,822	17,214	21,471	25,093
Tax	3,774	5,468	4,304	5,368	6,273
PAT	11,775	14,354	12,911	16,103	18,820
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	11,775	14,354	12,911	16,103	18,820
Growth %		22%	-10%	25%	17%
Margin%	20%	17%	13%	16%	17%
Shares (Mn)	193.3	193.3	193.3	193.3	193.3
EPS	60.92	74.26	66.78	83.30	97.35

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash, Cash equivalents & Bank	751	517	450	9,987	23,192
Current Investments	3,920	6,845	6,845	6,845	6,845
Debtors	7,536	10,962	11,995	12,383	13,398
Inventory	9,397	16,721	19,592	17,563	17,584
Short Term Loans & Advances	1,726	870	870	870	870
Other Current Assets	1,461	3,027	3,027	3,027	3,027
Total Current Assets	24,791	38,942	42,779	50,675	64,917
Net Block & CWIP	42,258	52,778	61,377	62,988	62,445
Long Term Investments	10,256	12,122	12,122	12,122	12,122
Other Non-current Assets	4,359	5,949	5,949	5,949	5,949
Total Assets	81,665	1,09,790	1,22,226	1,31,733	1,45,431
Creditors	6,550	8,293	10,370	9,087	9,047
Provision	51	45	45	45	45
Short Term Borrowings	9,989	20,270	23,270	23,270	23,270
Other Current Liabilities	2,425	3,749	3,749	3,749	3,749
Total Current Liabilities	19,015	32,356	37,434	36,151	36,111
Long Term Debt	15	5,010	5,010	5,010	5,010
Deferred Tax Liabilities	2,035	2,509	2,509	2,509	2,509
Other Long Term Liabilities	602	584	584	584	584
Total Non Current Liabilities	2,651	8,103	8,103	8,103	8,103
Paid-up Capital	387	387	387	387	387
Reserves & Surplus	59,612	68,944	76,303	87,092	1,00,830
Shareholders' Equity	59,998	69,330	76,689	87,478	1,01,217
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	81,665	1,09,790	1,22,226	1,31,733	1,45,431

Source: Company, Keynote Capitals Ltd.

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	15,549	19,822	17,214	21,471	25,093
Adjustments	2,602	2,127	279	2,778	3,376
Change in Working Capital	-1,251	-8,289	-1,827	359	-1,077
Total Tax Paid	-3,510	-4,579	-4,304	-5,368	-6,273
Cash flow from operating Activities	13,390	9,080	11,362	19,241	21,120
Net Capital Expenditure	-9,232	-15,889	-13,994	-8,255	-6,699
Change in investments	-2,891	-3,516	0	0	0
Other investing activities	388	431	5,250	4,000	4,000
Cash flow from investing activities	-11,734	-18,975	-8,744	-4,255	-2,699
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	857	15,498	3,000	0	0
Dividend (incl. tax)	-2,316	-5,603	-5,552	-5,314	-5,081
Other financing activities	-122	-91	-134	-134	-134
Cash flow from financing activities	-1,581	9,804	-2,686	-5,448	-5,215
Net Change in cash	76	-91	-68	9,537	13,206

Valuation Ratios

	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data					
EPS	61	74	67	83	97
Growth %		22%	-10%	25%	17%
Book Value Per Share	310	359	397	453	524
Return Ratios					
Return on Assets (%)	16%	15%	11%	13%	14%
Return on Equity (%)	21%	22%	18%	20%	20%
Return on Capital Employed (%)	19%	19%	13%	15%	15%
Turnover Ratios					
Asset Turnover (x)	0.8	0.9	0.9	0.8	0.8
Sales / Gross Block (x)	1.1	1.4	1.4	1.2	1.2
Working Capital / Sales (x)	8%	7%	6%	10%	19%
Receivable Days	42	41	42	43	42
Inventory Days	123	126	135	143	128
Payable Days	72	60	66	78	66
Working Capital Days	93	107	112	108	104
Liquidity Ratios					
Current Ratio (x)	1.3	1.2	1.1	1.4	1.8
Interest Coverage Ratio (x)	133.2	213.0	129.5	161.3	188.3
Total Debt to Equity	0.2	0.4	0.4	0.3	0.3
Net Debt to Equity	0.2	0.4	0.4	0.2	0.1
Valuation					
PE (x)	27.7	28.8	32.8	26.3	22.5
Earnings Yield (%)	4%	3%	3%	4%	4%
Price to Sales (x)	5.6	5.0	4.2	4.1	3.8
Price to Book (x)	5.4	6.0	5.5	4.8	4.2
EV/EBITDA (x)	18.5	21.8	25.6	18.5	15.8
EV/Sales (x)	5.8	5.3	4.5	4.3	4.0

Particulars	Estimates
Estimate Period	FY24E
Revenue (Rs. Mn)	103,189
PAT (Rs. Mn)	16,103
PE	30
Market Capitalization	483,090
Fair Value per Share	2,499

Source: Keynote Capitals Ltd. estimates

We have assumed Volume growth of ~7%/10% in FY23E/FY24E, with realization growth of ~13%/6% in FY23E/FY24E. This will lead to revenue growth of ~21%/3% in FY23E/FY24E. Along with this, BKT has showcased a stable historical EBITDA Margin of ~25%. Based on our assumptions, we arrived at an EPS of 83.3 for FY24E.

Our Recent Reports

MOFLS | Initiating Coverage Report

Motilal Oswal Financial Services Limited 30th Dec 2022

Opportunities to drive growth, valuations to follow

Investment in 100% Motilal Oswal Financial Services Limited (MOFLS) led to a solid start with the planned entry of a well-established financial services company that provides a host of products and services across Retail and institutional settings. Strong brand management, consistent marketing, complete Equity Asset Management (EAM), and Wealth Finance. With over three decades of experience in the capital markets, MOFLS has achieved multiple accolades and client trust metrics. The Company's liquidity and robust support for its trading client has contributed to strong retention, thereby supporting its client business. MOFLS is well-positioned to take advantage of the increasing participation of retail clients in the equity markets on the back of the digitalized functions, the robust coverage on Motilal Oswal Financial Services Limited with a BUY rating and a target price of Rs. 800 using the Special Dividend (SD) method.

BUY
CMP Rs. 516
TARGET Rs. 800 (+55.2%)

Company Data
Sector/Industry: 1525/15
Market Cap: 1,06,145
Revenue (Rs. Mn): 1,06,145
EPS (Rs.): 14

Shareholding Pattern %

Public	99.99
Foreign	0.00
Ins	0.00
Govt	0.00
Non-Govt	0.00
Other	0.00

MOFLS on Nifty

Year oncoming in the Housing Finance segment

The Company entered the housing finance segment in 2015 but had nominal contribution in terms of loan to GDP. The Company reported around 10% loan to GDP and over 10% share in the total housing finance portfolio. The Housing Finance (HF) segment, which has been in operation in the industry, the Company report the segment contribution by expanding credit portfolio and system. The strategic focus included in overall management capabilities, risk, and recovery. HF segment is expected to contribute significantly to the overall growth of the Company. The management is currently discussing the possibility of raising HF to the FY23. The management is currently discussing the possibility of raising HF to the FY23. The management is currently discussing the possibility of raising HF to the FY23.

View & Valuation

We believe that the company is well positioned to drive growth in the coming years. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow.

MOFLS

CGCEL | Initiating Coverage Report

Crompton Greaves Consumer Electricals Ltd. 12th Dec 2022

Strong Execution Record Affirms Future Growth

Consumer Greaves Consumer Electricals Ltd. (CGCEL) is a leading manufacturer of fans, with a 20% market share. The Company has also managed to enter a market in the top three players in almost all major categories. Recently, CGCEL acquired majority stake in the company, which is a significant step towards growth to overcome a longstanding problem in the Indian appliance business. The market coverage of CGCEL with a 20% market share and a target price of Rs. 400 based on SD method (10% P/E).

BUY
CMP Rs. 352
TARGET Rs. 424 (+20.7%)

Company Data
Sector/Industry: 1525/15
Market Cap: 44
Revenue (Rs. Mn): 44
EPS (Rs.): 4

Shareholding Pattern %

Public	99.99
Foreign	0.00
Ins	0.00
Govt	0.00
Non-Govt	0.00
Other	0.00

CGCEL on Nifty

Additional Source of Market Growth - EAM

The Company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow.

Crompton Greaves

Varun Beverages Limited | Initiating Coverage Report

Varun Beverages Limited 4th Dec 2022

Ample Upside Available to Drive-while Maintaining Profitability

Investment in 100% Varun Beverages Limited (VBL) is a leading manufacturer of soft drinks in India. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow.

BUY
CMP Rs. 1,100
TARGET Rs. 1,240 (+12.7%)

Company Data
Sector/Industry: 1525/15
Market Cap: 4,100
Revenue (Rs. Mn): 4,100
EPS (Rs.): 410

Shareholding Pattern %

Public	99.99
Foreign	0.00
Ins	0.00
Govt	0.00
Non-Govt	0.00
Other	0.00

VBL on Nifty

View & Valuation

We believe that the company is well positioned to drive growth in the coming years. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow. The company has a strong track record of growth and is expected to continue to grow.

Varun Beverages

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd./Rating & Fair value under Review/Keynote Capitals Ltd. has suspended coverage

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