



**BIL/SE/2024-2025**

**30<sup>th</sup> October, 2024**

To,  
**BSE Limited,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

**National Stock Exchange of India Ltd,**  
5<sup>th</sup> Floor, Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (E), Mumbai 400 051.

Scrip Code: 502355 (Equity)  
Scrip Code : 973556 (Debt)

Trading Symbol: BALKRISIND

Dear Sir/Madam,

**Subject: Transcript of Conference call with Investors/Analysts conducted on 26<sup>th</sup> October, 2024 to discuss the Q2 H1 FY25 Results.**

In continuation of our letter dated 21<sup>st</sup> October, 2024 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of conference call with Investors/Analysts on Q2 H1 FY25 Results of the Company held on 26<sup>th</sup> October, 2024. This information will also be hosted on the Company's website at <https://www.bkt-tires.com/ww/us/investors-desk> .

You are requested to kindly take the above information on record and disseminate.

Thanking you,

Yours faithfully,  
For **Balkrishna Industries Limited**

**Vipul Shah**  
**Director & Company Secretary**  
**and Compliance Officer**  
**DIN: 05199526**

**Encl: As Above**

**Balkrishna Industries Ltd.**

**CIN No.: L99999MH1961PLC012185**

**Corporate Office : BKT House, C / 15, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, India.**

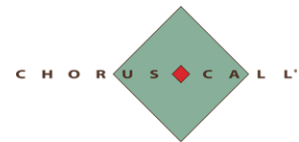
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“Balkrishna Industries Limited  
Q2 and H1 FY '25 Earnings Conference Call”  
October 26, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 26 October 2024 will prevail.”



**MANAGEMENT: MR. RAJIV PODDAR – JOINT MANAGING DIRECTOR  
MR. MADHUSUDAN BAJAJ – SENIOR PRESIDENT,  
COMMERCIAL AND CHIEF FINANCIAL OFFICER  
MR. RAVINARAYAN JOSHI – DEPUTY CHIEF  
FINANCIAL OFFICER  
MR. SUSHIL MISHRA – HEAD, ACCOUNTS  
SGA - INVESTOR RELATIONS ADVISORS**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Balkrishna Industries Limited Q2 and H1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajiv Poddar, Joint Managing Director. Thank you, and over to you, sir.

**Rajiv Poddar:**

Thank you. Good morning, everyone, and thank you for joining us today. Along with me, I have Mr. Bajaj, Senior President, Commercial and CFO; Mr. Ravi Joshi, Deputy CFO; Mr. Sushil Mishra, Head, Accounts; and SGA, our Investor Relations Advisors.

Let me begin with performance updates. The second quarter panned out as per our expectations. We are witnessing macro challenges accentuated by recessionary fears in USA, geopolitical tensions, and an inflationary raw material scenario, coupled with high sea freight costs. This has resulted in a weak demand scenario across our major markets, barring India, where we continue to witness a stable demand environment.

We expect this weakness in international markets to continue for the remainder of the year. In spite of these challenges, we believe we will be able to achieve a minor sales volume growth in the financial year '25, as guided in our previous earnings calls.

We have completed the capex for 30,000 metric ton per annum of high value of advanced carbon materials and commissioned the plant in September month. This is for the non-tyre grade carbon black, which will be used in plastics, inks, paints, and other special industries.

During the last Board meeting, we also announced the tyre capex. We have now begun the implementation of the first phase of this capex, which is towards the OTR range of tyres. We expect this completion of Phase 1 in the first half of financial year '26.

With this, I now move on to operational highlights. For the quarter, our volume stood at 73,298 metric ton, a growth of 4% year-on-year. For H1, volumes stood at 156,867 metric ton, a volume growth of 14% year-on-year.

Our stand-alone revenue for the second quarter stood at INR2,465 crores, registering a growth of 10% year-on-year. This includes realized gain on foreign exchange pertaining to sales of INR29 crores.

For the first half of this year, stand-alone revenue stood at INR5,207 crores, registering a growth of 19% year-on-year. This includes realized gain on foreign exchange pertaining to sales of INR-

81 crores. For the first half of this year, 44% of sales came from Europe, 29% from India, 16% from Americas and the balance from rest of the world.

In terms of channel contribution, 73% was contributed from replacement segment, while OEM contributed to 25% and the balance coming from offtake.

In terms of category, Agricultural segment contributed to 59%, while OTR industrial construction contributed to 37% and the balance came from other segments.

The stand-alone EBITDA for the quarter was INR619 crores, registering a growth of 13% year-on-year basis. The margin came at 25.11%. For the first half of this year, the stand-alone EBITDA came at INR1,333 crores, registering a growth of 29% year-on-year. The margin for the first half was at 25.6%.

Other income for the quarter stood at INR105 crores, while for the first half of this year, it was INR187 crores.

Profit after tax stood for the quarter at INR350 crores, registering a growth of 4%. While for the first half of this year, we have recorded INR827 crores of profit, registering a growth of 28%.

Our capex spend for the first half of this year were INR540 crores.

Our gross debt stood at INR3,062 crores at the end of 30th September '24. Our cash and cash equivalents were INR2,994 crores. Accordingly, we have a net debt of approximately INR68 crores.

The Board of Directors had declared a second interim dividend of INR4 per share. This brings the dividends to INR8 per share, including the first interim dividend.

Before I conclude and leave the floor open for opening questions, I would like to wish all of you a very happy advanced Diwali. Thank you.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. Our first question is from the line of Jinesh Gandhi from Ambit Capital.

**Jinesh Gandhi:** Quickly, 2 questions. One is in previous call, we had talked about increase in RM cost, increase in freight cost and in turn margins in that context should have come substantially lower, but it seems that you've done an exceptionally good job on margin management. So any price hikes taken and if you can quantify the impact of RM cost in this quarter and the upcoming quarter?

**Madhusudan Bajaj:** We have taken the price hike in Q2, not in the last quarter.

**Jinesh Gandhi:** Yes, what would be the price hike in Q2?

**Rajiv Poddar:** The impact of that will come in Q3, and it will be very marginal, maybe about 1% to 2%.

**Jinesh Gandhi:** And RM impact in Q2, can you quantify that, how much impact we saw?

- Madhusudan Bajaj:** In Q2 to Q3, RM impact may be similar, whatever increase we have given.
- Jinesh Gandhi:** In Q2, it was how much? On the commodity basket, what kind of increase we saw?
- Madhusudan Bajaj:** 3% to 4% on the raw material. And on the sales price, it will be half approximately.
- Jinesh Gandhi:** And last question is on demand outlook, you talked about weakness continuing in second half as well. This is the impact which you are seeing on the retail demand or is this still inventory correction which is taking place? I believe inventory correction is largely done, but if retails are weak, then is there further inventory correction which we have seen?
- Rajiv Poddar:** At the moment, it is mainly demand outlook.
- Jinesh Gandhi:** So inventory is comfortable?
- Rajiv Poddar:** Yes.
- Moderator:** Our next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.
- Mumuksh Mandlesha:** Happy Diwali. Sir, there has been increase in production stops for European players. Is it due to weak demand or they are losing market share? And also, we're seeing a lot of M&A activities in this space in Europe market. So how do you see that playing in terms of pricing and market share, sir?
- Rajiv Poddar:** Yes. So I think on the other players in Europe for that we can't comment. And on M&A, there is no impact, as we have mentioned. We are also waiting and watching.
- Mumuksh Mandlesha:** Sir, in terms of OEM demand, which was very weaker this quarter, any improvement of traction there you see in the Q3 quarter, sir?
- Rajiv Poddar:** We are working towards it, but not seeing in the immediate future.
- Mumuksh Mandlesha:** Sir, in terms of EUDR regulation, how is the preparation for the supply for the regulation? I just want to check the date of implementation for the regulation, sir. Is there any change there?
- Madhusudan Bajaj:** So there is a change in the EUDR regulation. European Union is postponing it for 1 year, but it has to be passed in the parliament, which is likely to happen in November. So all said and done, it is likely to be postponed. But we are ready with the EUDR production. We can do as and when it is implemented.
- Mumuksh Mandlesha:** And sir, lastly, what was the euro-INR rate for Q2? And what do you expect for H2 and FY '26, sir?
- Madhusudan Bajaj:** So last quarter, it was Rs 91. And rest of the year, we are expecting Rs 92.
- Moderator:** Our next question is from the line of Raghunandhan NL from Nuvama Research.

- Raghunandhan NL:** And the performance has been very good considering the challenging circumstances. Sir, firstly, on the demand side, can you speak about the distributor inventory levels? Is it higher than normal levels? And specifically, if you can comment about how you're seeing the Agri demand in replacement for Europe and North America?
- Rajiv Poddar:** So as the demand at the inventory level, we are seeing it to be at normal levels. But as I mentioned, the demand is slowing down, so that is what the challenge is which we are working towards.
- Raghunandhan NL:** And anything specific on the Agri side, where you are seeing any kind of -- or by when do you hope things could improve on the demand side?
- Rajiv Poddar:** It's a little early to comment on that. We are watching and being actively present in the market. So we are keeping an eye for that.
- Raghunandhan NL:** Understood, sir. On Carbon Black revenue, how was it in the current quarter? And how do you expect it to increase going ahead with the new capacity being operational?
- Madhusudan Bajaj:** So new capacities for the speciality carbon, so this has come only in the September. So in the coming quarter, you will see the impact of this one. And currently, we are selling approximately 50% of our carbon produce in the market.
- Raghunandhan NL:** And how much would that be in revenue?
- Madhusudan Bajaj:** It is less than 10%. -of total revenue.
- Raghunandhan NL:** And lastly, before I fall back to the queue, given that you have a better euro realization for H2 and you also have the benefit of a 1% to 2% price hike, which will come in Q3, how do you see the margin range broadly for the full year? Would you expect, given that first half you have done 25.5%, how do you see the full year range?
- Madhusudan Bajaj:** We expect similar around 25%, as we told in the last call also. So it will be around 25%.
- Moderator:** Our next question is from the line of Siddhartha Bera from Nomura.
- Siddhartha Bera:** Where is the bigger challenge in terms of demand, OE replacement, where do you see bigger stress? And what will drive that recovery, if you have some insight, what should we look forward to for the recovery to play out?
- Rajiv Poddar:** So at the moment, demand is weak all over. It's not replacement or OE. Overall in Europe and North America, it's a little weak. And I think we are also waiting and watching. It's very difficult to pinpoint to one thing and say, this is what will drive the recovery or something. There are a lot of factors currently affecting, geopolitical situations, tensions and also, we are waiting and watching.
- Siddhartha Bera:** Have you seen any sort of pickup in exports or market share gain for Indian players in US compared to China? Have we sort of seen any sort of trend like that?

- Rajiv Poddar:** No, no.
- Siddhartha Bera:** Sir, on the cost side then, if you can highlight, freight cost of late seems to have come down a bit. So shall we expect normalization in freight cost in the second half from where we are in Q2? Or do you think this will take longer?
- Rajiv Poddar:** No, we are expecting freight to hold at these levels for a while, but let's see. At this moment, we are not seeing any further reduction.
- Siddhartha Bera:** And sir, lastly on this other expense this quarter, there has been a decline on a Y-o-Y basis. So is it that some cost have not come in quarter or if you can throw some color on why it is down?
- Sushil Mishra:** Yes, it is because of a decrease in promotional expenses. Last quarter, there was a major expenditure in IPL. So this quarter, there was no such expenses. And apart from this, there was a reduction in production also.
- Siddhartha Bera:** So this should normalize as and when you start this promotional expenditure. That is what we should assume?
- Rajiv Poddar:** Yes.
- Siddhartha Bera:** Lastly, on the capex side, first half, we did about INR500 crores. So you have guided earlier for INR700 crores to INR800 crores for the year. So what is the updated guidance if you have for the year?
- Rajiv Poddar:** So between INR800 crores and INR1,000 crores.
- Moderator:** Our next question is from the line of Abhinav Ganeshan from SBI Pension Funds.
- Abhinav Ganeshan:** Wish you a very happy Diwali and congrats on a great set of numbers. I just had 2 questions. First one is regarding our volume. So we have done 1.56 lakh tons. So can we estimate that we will be able to match our FY '23 high volume of 3.02 lakh tons?
- Rajiv Poddar:** As I mentioned in my opening remarks that we believe we will be able to achieve a minor sales volume growth over the financial year '25. So this is what we are holding to.
- Abhinav Ganeshan:** so it would be like a low single-digit number? That would be fair to assume?
- Rajiv Poddar:** I cannot comment on that. I can give you what this guidance is. You can put the number whatever you feel. But our volume guidance is in that line.
- Abhinav Ganeshan:** And one more question is with raw material cost that is natural rubber and even crude oil being a little lower in the current quarter. So can we see some of that benefits flow through for us in Q3 and Q4, if you could give some thoughts?
- Madhusudan Bajaj:** There may not be any immediate relief for this price going down because we are the importer, so our raw materials are already in pipelines. This impact, if crude prices are getting reduced, will be seen in the fourth quarter.

- Moderator:** So we'll move on to the next question, which is from the line of Jinesh Gandhi from Ambit Capital.
- Jinesh Gandhi:** Two follow-ups. One is you said you don't expect freight cost to further reduce. However, we have seen a sequential increase in freight costs. So from the second quarter level, should there be reduction in freight costs in second half? Or that 7.4% of sales is what where it should sustain based on the current visibility?
- Madhusudan Bajaj:** There will be marginal reduction from the second quarter to third quarter.
- Jinesh Gandhi:** And secondly, on the tax rate. So we have seen a reduction in tax rate on Q-o-Q basis and seems to be quite low. Is there any one-off in that? Any tax write-backs, which is for the prior period? And otherwise, how should we look at tax rate from a full year perspective?
- Sushil Mishra:** Tax rate includes so many things like there are a lower tax income - in investment. And apart from this, there are other things- like unrealized exchange gain, loss that we can add or less in the tax calculation. So that's the reason for reduction in tax rate.
- Jinesh Gandhi:** So about 23%, 24% is where it should be overall tax rate?
- Rajiv Poddar:** Yes.
- Moderator:** Our next question is from the line of Sriram R, who is an Individual Investor.
- Sriram R:** Sir, with this India-China border dispute being resolved. So do we get to see some investments from Chinese players into our sector? Or are we open to forming JVs with them? What is your sense?
- Rajiv Poddar:** No, we don't see any such investment, and we don't know. If an opportunity comes, we will evaluate it at that time. But currently, we don't have any particular opportunity to evaluate.
- Sriram R:** But are you open to forming JVs with them or if you can just elaborate on this, it will be helpful...
- Rajiv Poddar:** We can't comment on that. If an opportunity comes, we will evaluate it and then take a call. But we cannot comment before and after -- we cannot speculate on that.
- Moderator:** Our next question is from the line of Ajox Frederick from Sundram Mutual Fund.
- Ajox Frederick:** Sir, sequentially, the realization has gone up, and you mentioned that you have not taken price hike during the quarter. So is it due to the mix -- improved mix, we are seeing -- increased realization?
- Rajiv Poddar:** Yes, it's a product mix and hedge rates, both.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Rajiv Poddar for closing comments.





**Rajiv Poddar:**

Thank you once again to all the participants. And we look forward to seeing you next quarter. And once again, wishing you a very, very happy Diwali. Thank you.

**Moderator:**

On behalf of Balkrishna Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.