GROWING TOGETHER

BIL/SE/2024-25	**24th May, 2024**

To,

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001	National Stock Exchange of India Ltd 5th 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 18th May, 2024 to discuss the Q4 & FY24 Results of the Company.**

In continuation of our letter dated 13th May, 2024 and 20th May, 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 Q4 & FY24 Results of the Company held on 18th May, 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
Digitally signed by VIPUL SHAH
Date: 2024.05.24 12:37:15 +05'30'

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

Encl: As Above

"Balkrishna Industries Limited Q4 FY-24 Earnings Conference Call"

May 18, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 20th May, 2024 will prevail

MANAGEMENT: **MR. RAJIV PODDAR – JOINT MANAGING DIRECTOR,**
MR. M.S. BAJAJ – CHIEF FINANCIAL OFFICER,
MR. RAVINARAYAN JOSHI – DEPUTY CHIEF FINANCIAL OFFICER-
MR. SUSHIL MISHRA – HEAD, ACCOUNTS,
BALKRISHNA INDUSTRIES LIMITED.
SGA – INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to the Balkrishna Industries Limited Q4 and FY24 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-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone 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, Sejal. Good morning everyone. And thank you for joining us today. Along with me, I have Mr. Bajaj – our CFO; Mr. Ravi Joshi – our Deputy CFO; Mr. Sushil Mishra – our Head Accounts and SGA our Investor Relationships Advisor.

Let me begin with performance updates:

We are glad to report, that contrary to our expectation of delays in shipment, due to the Red Sea crisis, the business picked up sharply, which led to a double-digit volume growth both year-on-year and Q-on-Q basis. While the cost of logistics has increased, we were able to meet the requirements of end customers who continue to see normalcy in demand in their end markets. The prices of key commodities, infra activity in major economies, and Indian market growth are leading to a positive uptake in our end markets. And the same is reflecting in the sales performance of our Company. For the Financial Year '24, we ended with a sales volume of 292,628 metric tonnes which is a minor de-growth from last year's levels.

In the month of March, during the last quarter, income tax authorities conducted search operations at our office premises and manufacturing units. We have fully cooperated with the officials. We will update the Stock Exchange on the outcome of the above search operation upon receipt of the same from the IT Department. We wish to reiterate that the Company adheres to higher standards of ethical conduct and legal compliance.

Coming to the ongoing CAPEX:

We are working on the advanced carbon black project with a capacity of 30,000 metric tonne per annum. The completion of this project at Bhuj is expected in the first half of this Financial Year. We also announced the mold manufacturing CAPEX. We expect this to be completed in the current quarter.

Another update for this quarter is pertaining to the EPR regulations. On 21st July 2022, the Ministry of Environment, Forest and Climate change issued a notice containing regulations on Extended Producer Responsibility (EPR) for waste tyres, which amongst others is also applicable to tyre manufacturers. The obligation is to be fulfilled by the purchasing certificates from recyclers registered with the Central Pollution Board. As on 31st March 2023, the Company was unable to reliably estimate its liability due to the lack of infrastructure for the same. Consequently, no provision was made for this obligation. In the current year, the necessary framework has been established, allowing the Company to estimate the liability and accordingly Rs.11.25 crores have been provided in the books in the current year, which has been included under the head of other expenses for the current quarter. In line with regulation, calculation for the obligation is based on the domestic revenue of Financial Year 2020-21(used for computing obligation for FY 2022-23) and of Financial Year '2021-22(used for computing obligation for FY 2023-24)..

With this, I now move on to the operational highlights:

For the quarter our volume stood at 82,085 metric tonne, a growth of 13% year-on-year. For Financial Year '24 volumes stood at 292,628 metric tonne a marginal de-growth of 3% year-on-year

Our standalone revenue for the quarter stood at Rs.2697 crores registering a growth of 16% year-on-year. This includes realized gain on foreign exchange pertaining to the sales of Rs. 24 crores. For Financial Year '24 the revenue stood at Rs.9375 crores. This includes realized gain on foreign exchange pertaining to the sales of Rs.77 crores.

For the last Financial Year, 47% of our sales came from Europe, 27% from India, 17% from Americas then balance from rest of the world. In terms of channel contribution 71% was contributed from replacement, while OEM contributed to 27% and the balance came from uptake. In terms of category, agricultural contributed 61%, while OTR Industrial and Construction contributed 36% and the balance came from other segments.

The standalone EBITDA for the quarter was at Rs.699 crores registering a growth of 42% year-on-year. The margin came at 25.9%. For the Financial Year, the EBITDA was at Rs. 2,322 crores, registering a growth of 14%. The Financial Year margin stood at 24.8%.

Other income for the quarter stood at Rs. 87 crores while for the Financial Year it was Rs. 275 crores. Profit after tax stood at Rs.481 crores for the Quarter registering a growth of 88%. For the whole Financial Year PAT came at Rs.1,438 crores a growth of 33% year-on-year.

Our CAPEX spends for the Financial Year were at Rs. 1140 crores. For Financial Year FY25 we expect routine maintenance CAPEX along with some last mile completion spends for the advanced carbon black project and mold manufacturing CAPEX both of which is slated to be completed in the first half of this Financial Year.

Our gross debt was at Rs.3,036 crores at the end of 31st March 24. Our cash and cash equivalents were at Rs.2746 crore for the year. Accordingly, we have a net debt of approximately Rs789. 290 crores. Further, I would like to update that in April 24 we have repaid Rs.175 crores of long term debt as per the repayment schedule.

The Board of Directors have declared a final dividend of Rs.4 per equity share subject to the approval of shareholders at the ensuing AGM. This is in addition to the three interim dividends of Rs.4 each paid over the year. With this, I conclude my opening remarks and leave the floor open to question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: A couple of questions from my side. One is, can you talk about the demand environment you talked about the fourth quarter seeing a recovery conflict of expectation. So have we started the process of inventory built up, or that has started now and what is the outlook for FY25?

Rajiv Poddar: So the channel inventory is now rebuilding and being maintained at the same level. As far as the outlook for the year it's too early to give any guidance or any reason because of the geopolitical scenario that is happening across the world.

Jinesh Gandhi: Okay, but at least we should not be seeing any material decline from where we are today?

Rajiv Poddar: As of today, visibly there is no reason for seeing that.

Jinesh Gandhi: And secondly, with respect to this quarter, we have seen several moments in our cost and realization side so margins have improved on Q-o-Q basis. But can you talk about the kind of price increases which we took on in this quarter vis-à-vis third quarter and kind of cost inflation which we saw both on RM and on the freight side that will be helpful.

Rajiv Poddar: So we are evaluating a price increase. We are waiting and watching in the marketplace. So we will be taking a price increase but when and how much we are yet deciding we haven't yet taken a call on that.

Jinesh Gandhi: We haven't taken any price hike in fourth quarter?

Rajiv Poddar: No.

Jinesh Gandhi: Okay. Then what was the cost inflation on the RM side in is quarter, the natural rubber inflation, and other commodities?

M.S. Bajaj: So, in the coming quarter we see Rs.1 or Rs.2 increase in the total cost of the raw materials.

Jinesh Gandhi: And in 4th Quarter?

M.S. Bajaj: Coming quarter.

Jinesh Gandhi: My question is for the fourth quarter. From Q3 to Q4 what kind of increase we saw?

M.S. Bajaj: Last quarter price was Rs.152 per kg.

Jinesh Gandhi: You mean fourth quarter?

M.S. Bajaj: Overall basket of the raw material cost was Rs.152 per kg.

Jinesh Gandhi: For the fourth quarter, right?

Rajiv Poddar: Yes.

Jinesh Gandhi: And Q3 would be what about Rs.148, Rs.149 or lower?

Rajiv Poddar: It was about Rs.149, Rs.150. So, we are expecting a marginal increase in Q4 and similar marginal increase in Q1 as well.

Moderator: Thank you. The next question is on the line of Arjun Khanna from Kotak Mutual Funds. Please go ahead.

Arjun Khanna: Sir, the first question is again to EPR, in terms of percentage of sales, where do you expect this number to settle up in terms of domestic sales?

M.S. Bajaj: The current year for '23-24 it will be 100% of our domestic which needs to be completed in Y plus two basis.

Arjun Khanna: sir. I meant earlier cost, so some of our players have brought out cost of maybe 1.2% of domestic revenues or maybe 1.4?

M.S. Bajaj: So, it will be less than a percent, because what we could achieve this time is closer to Rs.2.5 per kg and as and when there will be more recyclers price may settle down.

Arjun Khanna: So, the fair range is maybe Rs.1 to Rs.2 rupees a kilo would that be the right understanding?

M.S. Bajaj: At this juncture maybe closer to Rs.2 a right estimate.

Arjun Khanna: Sir the second question is regarding the CAPEX outlook while you did mention the mold facility -and 30,000 tonne of Speciality carbon black coming through, but in terms of our CAPEX layout for this year, what is our outlook in terms of spends, because we spent almost 1100 crores in FY24?

Rajiv Poddar: Between Rs 500 to Rs 600 crores.

Arjun Khanna: Right. So, the way things are moving would probably be a net cash Company at the end of this fiscal, are there thoughts on increasing the dividend policy, etc?

Rajiv Poddar: So, as we it looks like yes, we should be a cash positive Company. Regarding the dividend policy the Board has to decide, and whatever they decide we will proceed as per that.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Just on the freight rates sir, so we were able to pass on the order freight cost impact to the dealers, distributors there sir?

Rajiv Poddar: We have been able to pass on some of it mainly the surcharge part which is about 50% of the freight include.

Mumuksh Mandlesha: Okay. And so, there would be any impact next quarter also incrementally?

Rajiv Poddar: We don't see that.

Mumuksh Mandlesha: Okay, got it. Sir on the currency rates, what is the currency rate for Q4 and what you expected for FY25?

M.S. Bajaj: So Q4 was Rs.90 Euro hedge rate and for the next year we expect Rs.92.

Mumuksh Mandlesha: Okay. Sir on EPR regulation, any impact was taken in for last year and this year 11 crore, there was also impact for last year for FY23. So, any impact of that sir?

M.S. Bajaj: We have already taken this Rs.11 crore for the FY 2020-21 and 2021-22.

M.S. Bajaj: When you say it is related to price to the customer or in the books.

Mumuksh Mandlesha: In the book, there were two year impact for the EPR?

Rajiv Poddar: If you see my notes, I mentioned it is for both years in my speech.

Mumuksh Mandlesha: Okay. And just lastly on the carbon black sales, what was the revenue for this quarter and full year sir?

Rajiv Poddar: So it is about approximately about 7% of our revenue is from carbon black.

Moderator: Thank you. The next question is from the lineup Raghunandhan N.L. from Nuvama Institutional Equities.. Please go ahead.

Raghunandhan N.L.: Rajiv sir as you started off, saying on Q4 numbers are extremely strong, even 82000 metric tonne, absolute term also it's a very strong number. Growth has mainly come from the agricultural and American sectors, which have seen higher growth than other categories. If you can talk a bit about how you are seeing the recovery in demand in underlying market, you are continuing to see market share gains, and how the restocking with dealers are panning out?

Rajiv Poddar: So thank you for the message. As we have been saying, America is something that we have been focusing on. And, that's where the jump has, the hard work that we have been doing over there is sort of coming back and benefiting us. As far as the demand goes, it is as I mentioned, in my thing, the demand is returning to normalcy. But there is a lot of uncertainty due to geopolitical situations. Hence, it is difficult to make a call for the whole year, and the demand seems to be holding up.

Raghunandhan N.L.: Got it sir. And in your earlier comment when you said that, there shouldn't be a decline from the current level you were referring to the Q4 level right, we should be able to hold on to that level of performance or even better going ahead?

Rajiv Poddar: For the full year number, full year number of 292K.

Raghunandhan N.L.: Got it. And on the carbon black site for FY25, with the capacity also going up, what is the kind of growth you are expecting?

M.S. Bajaj: So from 170,000 metric tonne, it will be to 200,000 metric tonne.

Raghunandhan N.L.: And as you are contemplating a price hike, would it be fair to assume that the freight cost to revenue, which is around 8%, that should reduce going ahead. So going forward, margins should see an uptake from the current level maybe towards 27%, 28% would that be possible for FY25 or FY26?

Rajiv Poddar: No, I think the price hike is being taken more to, we are looking at some raw material inflation increase, so to cover that and the freight increase to cover that.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, my first question is on this volume side. Basically, if I look at India also for this year we have done very well in terms of growth, while the industry has not grown as much on the OE side. So some thoughts there what is driving that and is it more led by the replacement or OE or any color if you can give here?

Rajiv Poddar: For the Indian market, it is replacement market growth and some market share gains, so it's a combination of both.

Siddhartha Bera: Okay. So, do you think this is likely to sustain in the coming year or there is more scope to gain market share, and what will be the market share right now?

Rajiv Poddar: Market share right now would be between 7% to 10%, its difficult to put a exact number and we are able to, we are hoping to sustain that and as I already mentioned in my earlier notes also that India is going to be a focus market for us.

Siddhartha Bera: Okay. So largely the double-digit type of growth we should continue to expect in the coming year as well for the Indian market would that be correct?

Rajiv Poddar: I can't put a number to the percentage of growth. But yes, India will overall continue to grow.

Siddhartha Bera: Okay. And sir second question is on the pricing side, if you look at sequentially Q4, there has been about a 3% increase. So this is basically the pass through of the freight cost or you said they did not take any significant price hikes. So, just wanted to understand is it more because of mix or the parcel of the freight cost?

Rajiv Poddar: So, today it is the pass through of the freight costs, as well as some product mix improvement, this is a combination of multiple things basically. Also, better hedge rates so, a combination of all the three have impacted in this.

Siddhartha Bera: Okay, got it. Sir lastly, in terms of pricing, how much are you planning to sort of take in the current or coming quarters to offset most of the commodity cost?

Rajiv Poddar: We are working on that. We haven't taken a call on what is the exact amount but we are working on that.

Moderator: Thank you. The next question is from the line of Abhishek Jain from **Alfaccurate** Advisories Private Limited. Please go ahead.

Abhishek Jain: Sir, because of the Red Sea issues there was an inventory building in the last quarter. So just wanted to understand that how much inventory line at a channel level right now versus and what is normally?

Rajiv Poddar: So, it's at the desired level, the normal level, which is about close to 40 to 45 days.

Abhishek Jain: Okay. And what is the outlook for this quarter- volume growth? Will this the inventory acceleration will continue?

Rajiv Poddar: No, we can't comment on this quarter we are going through it so we won't be able to comment on that.

Abhishek Jain: Okay. And in the advance carbon black project expected to be commissioned in the first quarter FY25. So, just wanted to understand what kind of the revenue and the margin would be in this particular segment?

Rajiv Poddar: So for the margin, we initially it could be 200 to 300 basis points more for an extra 30,000 over the routine carbon black.

Moderator: Thank you. The next question is from the line of Pramod Amthe from InCred Equities. Please go ahead.

Pramod Amthe: So the first one is if I have to analyze this quarter tonnage, it's already at around 330,000. So overall looking at your balance sheet strand and the end market coming back.

Rajiv Poddar: If you analyze this year, what is the question with the numbers then?

Pramod Amthe: Sorry sir?

Rajiv Poddar: No, you said 330, but from where are you getting that number, that's why I am.

Pramod Amthe: 84 which you have made the tonnage for this quarter, if I multiply by four on annual basis.

Rajiv Poddar: As I mentioned that in my earlier commentary that, go by the number of 292 and we will, look from going from there. So, I'm not sure if this math that you are putting would, it's too early to comment on which way the markets would react looking at the geopolitical scenario. So just want to check that.

Pramod Amthe: Sure. But you don't think it's time to relook at your capacity for the next three or four years basis?

Rajiv Poddar: No, for the next couple of years we are okay. And as I mentioned in my commentary last quarter, that we have sufficient land bank and everything. So, it's smaller Brownfield projects, we can set up projects quickly as and when required. So 12 to 15 months will be a good enough timeframe to set up new capacity.

Pramod Amthe: So, the second one is with regard to advance carbon black project, this is a new oproduct per se. So, can you give some indication, how is the ASP in this project versus your traditional 170,000 project and what are the type of customers and the also enquires which you are getting which should be fulfilled over the next, over a one-year period?

Rajiv Poddar: It’s too early to give any comment on that. But basically, we will be looking at paint, ink, so those kinds of users, it should be 20% to 30% higher, but as we go through the journey, we will be able to give you more clarity on that.

Pramod Amthe: Okay. And also, would you be able to comment any new size we will be introducing in next two years to expand your addressable market in terms of both agri and industrial?

Rajiv Poddar: Probably that's an ongoing project. So we keep on adding new product ranges to the SKU basket as and when we go. So it's not a new thing for us. It's a very routine method for us to keep on adding that.

Moderator: Thank you. The next question is from the line of Basudev Banerjee from ICICI Securities. Please go ahead.

Basudev Banerjee: Few questions, one definitely outlook for the years to give him advance is talking the geopolitical environment. So even if you give us some idea that almost half of Q1 is over. And you said any challenge inventory addition does not meet 82,000, it was pure function of retail demand. So how first half of this quarter is panning out if you can give some color, is it more or less in line with retail demand in Q4?

Rajiv Poddar: Sorry, sir, but I can't comment on this ongoing quarter.

Basudev Banerjee: Sure. Second thing is the new products you are showcasing, like those Tracks and the larger dia tyres, so are they scaling up and what is the timeline now that you think they will substantially add to the revenue?

Rajiv Poddar: So we are going through the various testing phases, they are moving up the closer and closer to normal production. So, in the next two to three years, we should become a part of routine production.

Basudev Banerjee: Sure. And last question is, if I look at last couple of years or even last one year, where India volume mix used to be 15% or that has moved up to 25%, 30% or even more than 30% in select content. So, there has been a huge change in India volume mix altogether and per kg metrics has only improved. So broadly one can assume that India volume mix is not diluting overall margin. So, how should one look at that you are an established player for over decades. And India opportunity is coming into your numbers after so many years on a larger scale basis. So on a strategic basis, how should one thing that, why so late or what has changed in the market, making you realize to target that market on a serious note?

Rajiv Poddar: Sir, it's not nothing is late, or anything is just earlier when it's a journey. So when we didn't have capacity, we could not address a certain segment. And that's what we had mentioned: the add-on of capacity at Bhuj, we have some new capacity available and which we will use for the Indian market. So that was one. Number two, also, as we go through the Indian journey, in the last couple of, last few years that Indian markets have become more machine driven, more automated, earlier being more disorganized. So those things are looking at that factors is what forced us to look at India as a market. And that's we focused on it and we are getting the results.

Basudev Banerjee: So, broadly it will be right to assume that India, farm machinery or industrial machinery where such large tyres are required, that market is maturing where your product requirement is also improving. And that is helping you to make a larger volume here?

Rajiv Poddar: Yes, currently it is improving, the government policies are in the development of infrastructure, and all are helping in this sector.

Moderator: Thank you. The next question is from the line of Sonal Gupta from HSBC Mutual Fund. Please go ahead.

Sonal Gupta: My questions sort of been answered. But, I am just going back to the question on capacity addition, the next set of capacity addition you still see as a smaller Brownfield capacity addition of 30,000, 40,000 units, tonne?

Rajiv Poddar: Yes, that's what, at this stage we are envisaging smaller Brownfield capacity addition.

Sonal Gupta: Okay. And just in terms of the carbon black, could you sort of indicate, what sort of contribution with this business, will the margins in this business be similar to the overall or would be much lower than that?

Rajiv Poddar: Marginally lower.

Moderator: Thank you. The next question is from the line of Disha Sheth from **Anvil Research**. Please go ahead.

Disha Sheth: Sir wanted to check from 170K, how much we have carbon black capacity, how much is used for our operations and how much is saleable to other?

Rajiv Poddar: Approximately 50% is used in-house and Approximately 50% is sold outside.

Disha Sheth: And sir because of this facility, you mentioned something 200 to 300 bps margin, I didn't get that point. And then someone asked about the carbon back, how much is the carbon black?

Rajiv Poddar: The question that was asked to me was, with the advanced carbon black coming, how much difference in addition in margin would come because of the Speciality Carbon. So versus regular carbon, so I had answer in connection to that.

Disha Sheth: Okay. So on our overall Company, you feel it was 200 to 300 bps margin improvement?

Rajiv Poddar: No, only for that additional 30,000 tonnes of additional Speciality Carbon for that 30,000 we will get 200 to 300 basis points more compared to the 170,000 tonnes of regular carbon. Overall, in the Company, it is too smaller numbers to have an impact.

Disha Sheth: I agree. And sir that 82,000 which we are doing right now volume, do we think we can maintain that or are we see our growth over that?

Rajiv Poddar: No, as I have mentioned, my guidance give is over the 292,000 which is for the whole year, not on a particular quarter. And so we should look at the 292k and we are looking at a growth from there.

Disha Sheth: Okay. And sir we mentioned in the opening remarks, that the margins for the next quarter should be around because of the raw material increase right 2% to 3% impact?

Rajiv Poddar: No, I don't think I mentioned anything like that. I'm not sure from where you got that.

Disha Sheth: No, you - said 150 was the average for this quarter 152. For Q1, what was the average if we have the inventory there?

Rajiv Poddar: It is the raw material price, ma'am. It was not percentage per kg price that he has mentioned. My colleague has mentioned price per kg.

Moderator: Thank you. The next question is from the line of Chirag Maru from Keynote Capital. Please go ahead.

Chirag Maru: Sir, I have three question, one is on carbon black. The advanced carbon black capacity that we are adding is for the purpose that we already have good demand coming from that product from the client side right?

Rajiv Poddar: So, advance carbon we have not yet started, we are going to establish the plant in the first half. So after that, we will have to see how the market response.

Chirag Maru: Sir actually the thought was the reason why we were adding the advanced carbon black was that, already we were expecting that we would see good capacity utilization from the first year itself. And it was based on the demand else I don't know the reason why we are adding this advanced carbon black capacity. Could you just highlight me that once, what was the reason to add this capacity?

M.S. Bajaj: So our existing customers who are using our regular carbon they need the advanced carbon and looking into the performance of our regular carbon, some of the customers requested that we should start this one because it has a good demand. So that is why we have started this one.

Chirag Maru: Thank you for the clarification. What kind of gross block asset turns we can expect on this capacity?

Rajiv Poddar: Of carbon, advanced carbon or of tyre or what you want?

Chirag Maru: Of advanced carbon black.

M.S. Bajaj: Rs. 300 to Rs. 350 crores.

Chirag Maru: Thank you. Sir, my next question is related to non-agri tyres. Sir, I just wanted to understand what are our perspective and our vision related to penetrating into this market and what are the steps that we are taking to increase our market share?

M.S. Bajaj: So we are working on that. It's a process, where our tyres are going, they are performing, testing and so, it's an ongoing process. So, we are working on that if you see initially we used to be at about 70%, 75% of agri, that has come down to 67% or 61%. But on a higher turnover, so agri is also growing and our other sector has gone to 36%, industrial construction OTR of a higher enhanced turnover. So, that is already giving you results, if you look at it on a standalone basis tonnage wise.

Chirag Maru: Right sir. Any particular target that we have set for like five years per se, like this is the kind of size we want to achieve in terms of volume for industrial and construction?

Rajiv Poddar: So, our vision is to be in the next five years 10% market share of the entire basket of off- highway tyre manufacturing, currently we are about 5% to 6%.

Chirag Maru: Perfect, thank you for that. And sir third, I wanted to understand again on this industrial and construction tyre per se only, like what is the added advantage that the customer tries to look at when they try to get this product from the tyre manufacturers like why is it on a particular business is this only the pricing point that we try to attract the client like having 10% to 15% discount from the peers or is it the quality of the product?

Rajiv Poddar: It is purely quality we do not sell on price, we only sell on quality. Also the customer is looking for quality because they understand that people can sell on cheaper price, but eventually it's cost per kilometer or cost per operating hour is what they calculate and there, that is where BKT is able to prove its quality and prove valuable to the end user. That's why they are coming and asking for our product.

Moderator: Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

Tej Patel: Sir my first question is, what are the current prices for carbon black and what is the current demand supply scenario in the country given major companies are doing huge CAPEX, so is there any risk of oversupply in the industry which can affect the margins, that's the first question.

M.S. Bajaj: So, current prices are around Rs.102 per kg and currently, yes India per se if you talk then the production is more than the capacity and imports also come and export is also there. But looking into the demand globally, we would be able to sell because our product is being approved by all tyre majors. And we can easily sell even if we expand.

Tej Patel: So, you don't see any impact on margin because of over supply also?

M.S. Bajaj: No.

Tej Patel: And sir pardon me is this question sounds repetitive because my line got dropped in between. So, you said around Rs 11 crores you have charged to the P&L for the EPR for the last two years. So then how much are we anticipating for the next year and what are the current pricing for this credits?

M.S. Bajaj: Approximately Rs 15 crore will be there for the next year.

Moderator: Thank you. The next question is from the line of Peter from LIC Mutual Funds. Please go ahead.

Peter: Sir just wanted to ask one question. Some of the European manufacturers have stated that they had to reduce production because of the geopolitical tensions and the freight issues. So, has our Company been a beneficiary in terms of having more sales because of this issue?

Rajiv Poddar: Difficult to exactly pinpoint, but yes, the numbers are saying there has been some it's been a good set of numbers for the quarter driven by growth. So somewhere we must have gained something from that, but difficult to put exact number to that.

Peter: And given that, they are not fully out of that issue that they face and furthermore newer sanctions in and around by their regional governments make some raw materials that they procure at making it a higher cost effect. Do you think that, on the pricing front they will be challenged so, companies like us who import into that region will continue to benefit on that front?

Rajiv Poddar: Yes.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, I missed that commodity cost increase which you are seeing for the first quarter, what was that?

M.S. Bajaj: Rs.1 to Rs.2 per kg.

Siddhartha Bera: Okay. Because sir if you look at the global rubber prices, they have jumped quite a bit in the last two quarters so, is it that we are not seeing that sort of increase for you?

M.S. Bajaj: So, some channel inventory is also there for us, because we are importers. So there is some transit material so that is why impacted lesser

Siddhartha Bera: Okay. So, it will get reflected more later probably in quarter two?

M.S. Bajaj: Quarter-to-quarter.

Siddhartha Bera: Okay, got it. And sir globally also on the replacement side, commentary from many players have been quite muted. Are you also seeing similar type of trend for you or according to yourself for the replacement sites, globally like for US the demand is much stronger and you are confident of the growth sustaining?

Rajiv Poddar: We are talking about it being stable for us.

Moderator: Thank you. The next question is on the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: With respect to this EPR provisioning. So, obviously, India has come up with this regulation now, but I am presuming for European and US you would be already meeting with the regulations and providing for that already in our P&L is that's the correct understanding or that also can come in?

Rajiv Poddar: They are already there and we are already complying with that from the last couple of years it is being done by our channel partners, and they are taking care of it.

Jinesh Gandhi: Okay, so that's taken care by channel partners. Second question pertains to margin. So obviously, in the near term, you talked about, there are pressures on the commodity side. But if I look at the full Financial Year, FY25, from where we are today, what are the factors we are looking at in terms of positives and negatives from a margin evolution perspective?

Rajiv Poddar: We expect to maintain year-end margins for the whole year.

Jinesh Gandhi: Full year with FY24 margins should be maintained?

Jinesh Gandhi: Yes.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Rajiv Poddar: Thank you everybody for attending and taking time out. We will see you all next quarter take care.

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