

## Balkrishna Industries

Thinking of tyre companies, the name Balkrishna Industries does not even come close to popular names such as MRF, Ceat or Apollo Tyres. It is still the fastest growing and most profitable Indian tyre company.

From its beginnings as a supplier of scooter tyres, a venture that did not end well, Balkrishna has not deterred from taking tough decisions, which are now benefiting

its shareholders – the stock has outperformed peers.



Soon after it commissioned the first scooter tyre plant in 1984 for Bajaj, the demand for scooters plummeted as consumer preference

shifted towards motorcycles. It then modified the plant to make bigger and heavier off-highway tyres (OHT), an uncharted territory. This continued for a while.

Come early 2000s, the Indian economy was doing well and the IT industry was booming, thanks to India's low-cost advantage. Balkrishna capitalised on this factor in tyre manufacturing. It started selling overseas. Its share of employee cost in sales was 5%, compared with 18-20% for global peers.

Its products are increasingly used in agricultural machinery, mining and industrial segments as well as heavy vehicles meant for construction work. Its share in the global market has grown from 3% in FY11 to 6% in FY18. During this period, volumes grew 7.5% annually. Today, exports make up 90% of its sales.

Despite selling its tyres at 20-25% discount to the competition, the company's operating margin before depreciation (EBITDA margin) is as high as 30%.

For global names in the tyre business, OHT is a sideshow. For Balkrishna Industries, it is the core. The international market for OHT is worth nearly \$15 billion.

*[jwalit.vyas@timesgroup.com](mailto:jwalit.vyas@timesgroup.com)*

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