

Now Balkrishna Inds Shelves US Capex Plan

Analysts welcome move to scrap \$100-m greenfield project, even though near-term outlook is weak

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Mumbai: Off-road tyre maker Balkrishna Industries has put off its plans to build a \$100-million greenfield plant in the US, joining a swelling list of companies in deferring capital expenditure amid evident signs of weakness in major trading blocs across the globe.

Welcoming the decision, analysts said that although near-term outlook for the company and the industry is weak, dropping US capex plans would benefit Balkrishna in the long term.

This announcement has come a day after auto-ancillaries maker Endurance Technologies withdrew its plan of entering into manufacturing of two- and three-wheeler tyres last week on the

back of a stock price crash.

Shares of Balkrishna Industries, which plunged 8% on September 3, 2018, or the day the capex announcement was made, has declined 46% since then to ₹772 on Friday.

"After reviewing various aspects of the project in the backdrop of current challenging economic and business environment, the board has decided to put it in abeyance," Balkrishna said in a notice to stock exchanges on Saturday.

Several brokerages had downgraded the stock after the announcement to invest in the US as India's low labour costs give Balkrishna Industries the competitive edge against global peers, resulting in higher profitability and return ratios.

"Given the current environment of rising trade wars, slowdown in global growth and a crisis in Indian automobile industry, it's a good de-

STRATEGIC RETREAT

Balkrishna's move comes after Endurance Technologies cancelled its plans to make two- and three-wheeler tyres

cision by Balkrishna Industries to postpone the US capex plans" said A K Prabhakar, head of research, IDBI Capital. "This could benefit the company in the long term."

Last week, Endurance Technologies announced its plans of entering into manufacturing of two- and three-wheeler tyres on the sidelines of the June quarter results, and later attempted to convince investors that the plan is still at an

evaluation stage after its stock fell 20%. On Friday, the company withdrew its plans.

The company said that the management reconsidered the decision and decided not to pursue the project after feedback from important stakeholders.

Similarly, Siemens last week said it was dropping a plan to sell its mobility division and mechanical drives business to its parent, Siemens AG. Several investors and analysts raised concerns over the sale of the Siemens's mobility division and mechanical drives business, which together account for about 16% of the total revenue to its parent.

In February, Jubilant Bhartia Group withdrew plans to seek corporate brand loyalty from its three group companies Jubilant Food-Works, Jubilant Life Sciences and Jubilant Industries.