

CMP: ₹ 2,360

Target: ₹ 2,500 (6%)

Target Period: 12 months

January 29, 2026

HOLD

Steady performance, not out of the woods yet ...

About the stock: Balkrishna Industries (BKT) is the leader in the niche tyre segment used in heavy machinery for mining and agriculture purposes.

- Exports form lion's share of its sales at ~71% of its revenues as of FY25.
- Channel mix: replacement account for ~73% while OEM share is pegged at ~26%. Agriculture accounts for ~60% of volumes with OTR share at ~37%

Q3FY26 Results: BKT reported steady performance in Q3FY26. Standalone net sales for Q3'26 stood at ~₹2,730 crore, up 7% YoY amid tyre sales volume of 80,620 tonne, up 5.6% YoY. EBITDA margins in Q3FY26 came in at 23.2%, up ~230 bps QoQ. PAT for Q3'26 stood at ~₹375 crore, down 15% YoY (aided by higher other income in base quarter), however up 42% QoQ.

Investment Rationale

- Near-term demand weakness persists at its core OHT business:** BKT operates in a niche off highway tyre (OHT) segment which finds application in agriculture and mining/industrial purposes. Currently it has ~5-6% market share in the global OHT space and has been long aspiring to take it to ~8-10% in years to come. BKT however faces persistent near-term demand weakness in its key markets of the US and Europe due to global macro uncertainties. Recent US trade policies have increased tariffs on Indian firms from 10% to 50% since August 2025, which sharply increases cost pressures and risks a significant reduction in US bound-shipment, representing ~15% of its revenue. Consequently, company refrains from sharing any growth outlook at its base OHT tyre business.
- GST Rationalization & Vision 2030 expansion:** BKT stands to benefit from GST 2.0 reforms and is targeting ₹23,000 crores in revenue by FY30 (2.2x over FY25-30), driven by market share gains ambition in the OHT segment-led by expansion into new categories including rubber tracks, mining etc., scale of its carbon black business & venture into domestic TBR & PCR segments. The segments being added (i.e. Carbon black and Bus/truck and car radial aftermarket) will see benefit from GST 2.0 reform domestically but have lower margin profiles (<20%) & will face stiffer competition, potentially impacting blended profitability despite growth opportunities.
- B/S Strength resilient, protects the downside:** Going forward we expect sales, PAT at BKT to grow at CAGR of 11.8%, 4.5%, respectively, over FY25-28E. Despite a volatile global environment, BKT has consistently delivered industry-leading EBITDA margins (20%+) and remains confident of maintaining a 23-25% range, even as new segments ramp up. With significant internal accruals funding its growth capex, it offers a robust b/s to weather near-term uncertainties.

Rating and Target Price

- Near term earnings at BKT stay constrained by weak export volume outlook, tariff related disruptions in US and venture into low margin profile segments. Hence, we maintain **HOLD** rating on BKT with target as ₹ 2,500 i.e. 26x PE on FY28E. BKT's robust B/S, steady domestic traction and large-scale internal accruals led capex pipeline protects the downside.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	5,757.9	8,266.7	9,810.5	9,298.7	10,412.9	16.8%	10,845.2	12,438.5	14,560.4	11.8%
EBITDA	1,785.5	1,975.5	1,715.6	2,204.0	2,420.5	14.1%	2,332.1	2,778.6	3,217.6	10.0%
EBITDA Margins (%)	31.0	23.9	17.5	23.7	23.2		21.5	22.3	22.1	
Net Profit	1,155.4	1,410.7	1,078.7	1,437.6	1,628.3	11.5%	1,342.7	1,600.7	1,859.8	4.5%
EPS (₹)	59.8	73.0	55.8	74.4	84.2		69.5	82.8	96.2	
P/E	39.5	32.3	42.3	31.7	28.0		34.0	28.5	24.5	
RoNW (%)	19.2	20.4	14.2	16.2	15.7		11.8	12.6	13.2	
RoCE (%)	19.3	15.9	10.3	12.6	12.3		10.0	11.3	12.4	

Source: Company, ICICI Direct Research



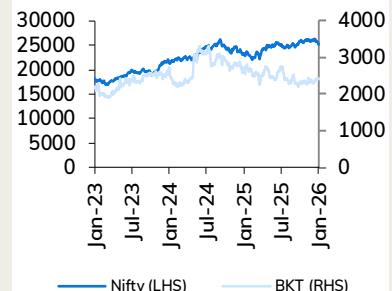
Particulars

Particular	₹ crore
Market Capitalization	45,623
Total Debt (FY25)	3,212
Cash & Inv (FY25)	3,327
EV (₹ Crore)	45,508
52 week H/L (₹)	2,916 / 2,152
Equity capital (₹ crore)	38.7
Face value (₹)	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	58.3	58.3	58.3	58.3
FII	11.5	10.5	10.7	11.0
DII	23.6	24.7	24.6	24.4
Other	6.6	6.5	6.5	6.3

Price Chart



Recent event & key risks

- Posted steady Q3FY26 results with YoY volume growth. Refrains from volume guidance.
- Key Risk:** (i) slower than anticipated sales volume growth over FY25-28E (ii) higher than anticipated margin recovery amid flat RM price outlook.

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Key takeaways of Recent Quarter

Exhibit 1: Quarterly Variance Analysis

	Q3 FY26	Q3 FY25	YoY (%)	Q2 FY26	QoQ (%)
Total Operating Income	2,729.7	2,540.6	7.4	2,388.7	14.3
Raw Material Expenses	1,326.9	1,223.5	8.5	1,157.6	14.6
Employee Expenses	129.7	130.9	-0.9	126.2	2.8
Other expenses	640.9	598.1	7.2	606.6	5.7
EBITDA	632.2	588.1	7.5	498.3	26.9
EBITDA Margin (%)	23.2	23.1	1 bps	20.9	230 bps
Other Income	76.8	186.7	-58.9	70.9	8.2
Depreciation	192.1	170.8	12.5	190.1	1.0
Interest	33.4	15.0	122.9	31.9	4.7
Tax	108.4	149.6	-27.5	82.6	31.3
PAT	375.0	439.4	-14.7	264.6	41.7
EPS	19.4	22.7	-14.7	13.7	41.7
Key Metrics					
Volume (MT)	80,620	76,343	5.6	70,252	14.8

Source: Company, ICICI Direct Research

- Management stated that prices for oil and natural rubber are increasing, but it is too early to determine the impact on RM basket.

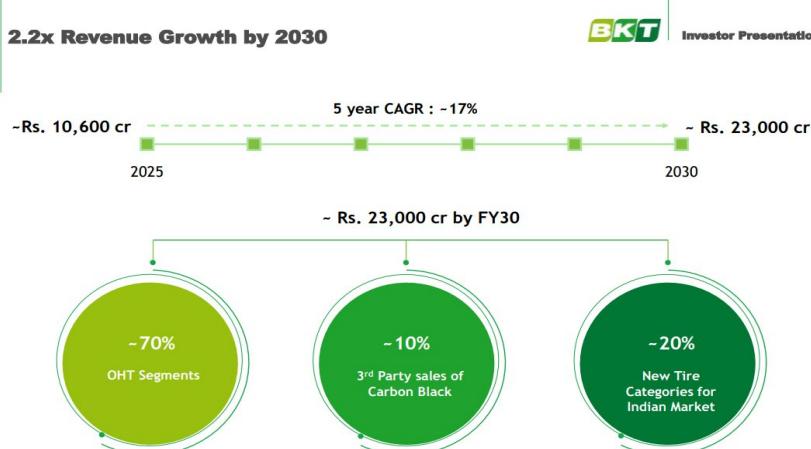
Exhibit 2: Assumptions

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capacity (MT)	3,00,000	3,00,000	3,00,000	2,80,000	2,85,000	3,35,000	3,60,000	3,60,000	3,77,500	3,95,000	4,25,000
Sales volume (MT)	1,99,213	2,11,261	2,01,760	2,27,132	2,88,795	3,01,181	2,92,628	3,15,273	3,17,701	3,43,117	3,77,429
Volume growth (% , YoY)		6%	-4%	13%	27%	4%	-3%	8%	1%	8%	10%

Source: ICICI Direct Research

Key Slides from recent presentation

Exhibit 3: BKT – Vision 2030



Source: Company, ICICI Direct Research

Exhibit 4: BKT – Vision 2030 – OHT Strategy



Source: Company, ICICI Direct Research

Sales segmentation: For the 9MFY26, 40% of sales came from Europe, 36% from India, 14% from Americas and the balance from rest of the world. In terms of category, agricultural segment contributed to 58%, while OTR Industrial Construction contributed to 38% and the balance came from other segments.

Others: 9MFY26 capex ~₹2,200 crore; management expects FY capex to be ~₹2,500-2,600 crore with remaining spends to come in next 1-2 years as projects commission; earlier multi-year plan (~₹3,500 crore) remains in play across the coming years.

A new carbon black line was commissioned during the quarter, increasing total capacity to 265,000 metric tonnes per annum, and all other Capex projects are on schedule

For new commercial vehicle and passenger vehicle segments, management aims to gain an initial 2% to 5% market share by offering a superior value proposition through product, channel, brand, and end-user value.

Financial Summary

Exhibit 5: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Total operating Income	10,413	10,845	12,438	14,560
Growth (%)	12.0	4.2	14.7	17.1
Raw Material Expenses	5,063	5,269	6,119	7,193
Employee Expenses	494	526	585	655
Other Expenses	2,436	2,718	2,956	3,494
Total Operating Exp.	7,992	8,513	9,660	11,343
EBITDA	2,420	2,332	2,779	3,218
Growth (%)	9.8	-3.7	19.1	15.8
Depreciation	674	761	840	946
Interest	125	130	135	126
Other Income	535	335	331	335
PBT	2,156	1,776	2,134	2,480
Total Tax	528	434	534	620
Reported PAT	1,628	1,343	1,601	1,860
Growth (%)	13.3	-17.5	19.2	16.2
EPS (₹)	84.2	69.5	82.8	96.2

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Profit after Tax	1,628	1,343	1,601	1,860
Add: Depreciation	674	761	840	946
(Inc)/dec in Current Assets	-563	41	-546	-727
Inc/(dec) in CL & Provisions	103	171	222	295
CF from operating activities	1,841	2,315	2,117	2,375
(Inc)/dec in Investments	-354	100	50	-50
(Inc)/dec in Fixed Assets	-1,345	-2,500	-1,850	-1,500
Others	-202	-70	-105	-134
CF from investing activities	-1,901	-2,470	-1,905	-1,684
Inc/(dec) in loan funds	175	500	150	-250
Dividend & dividend tax	-309	-309	-348	-406
Others	203	0	0	0
CF from financing activities	69	191	-198	-656
Net Cash flow	10	36	14	35
Opening Cash	53	63	98	112
Closing Cash	63	98	112	147

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Liabilities				
Equity Capital	39	39	39	39
Reserve and Surplus	10,345	11,379	12,631	14,085
Total Shareholders funds	10,384	11,417	12,670	14,124
Total Debt	3,212	3,712	3,862	3,612
Deferred Tax Liability	457	457	457	457
Minority Interest / Others	0	0	0	0
Total Liabilities	14,222	15,759	17,166	18,374
Assets				
Gross Block	11,158	13,643	15,743	17,493
Less: Acc Depreciation	4,323	5,082	5,922	6,868
Net Block	6,834	8,560	9,821	10,624
Capital WIP	985	1,000	750	500
Total Fixed Assets	7,819	9,560	10,571	11,124
Investments	3,344	3,294	3,264	3,334
Inventory	1,716	1,634	1,874	2,194
Debtors	1,611	1,634	1,874	2,194
Loans and Advances	101	105	120	141
Cash	63	98	112	147
Other current assets	327	340	390	457
Total Current Assets	3,817	3,812	4,371	5,133
Creditors	746	891	1,022	1,197
Provisions	5	6	7	8
Other current liabilities	588	612	702	822
Total Current Liabilities	1,338	1,509	1,731	2,026
Net Current Assets	2,478	2,302	2,640	3,106
Others	579	603	692	810
Application of Funds	14,222	15,759	17,166	18,374

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	84.2	69.5	82.8	96.2
Cash EPS	119.1	108.8	126.2	145.2
BV	537.1	590.6	655.4	730.6
DPS	16.0	16.0	18.0	21.0
Cash Per Share	91.3	88.0	86.1	90.5
Operating Ratios (%)				
EBITDA Margin	23.2	21.5	22.3	22.1
PBT / Net sales	16.8	14.5	15.6	15.6
PAT Margin	15.6	12.4	12.9	13.0
Inventory days	60.1	55.0	55.0	55.0
Debtor days	56.5	55.0	55.0	55.0
Creditor days	26.1	30.0	30.0	30.0
Return Ratios (%)				
RoE	15.7	11.8	12.6	13.2
RoCE	12.3	10.0	11.3	12.4
RoIC	15.3	12.1	13.2	14.1
Valuation Ratios (x)				
P/E	28.0	34.0	28.5	24.5
EV / EBITDA	19.4	20.4	17.2	14.8
EV / Net Sales	4.5	4.4	3.8	3.3
Market Cap / Sales	4.4	4.2	3.7	3.1
Price to Book Value	4.4	4.0	3.6	3.2
Solvency Ratios				
Debt/EBITDA	1.3	1.6	1.4	1.1
Debt / Equity	0.3	0.3	0.3	0.3
Current Ratio	5.0	4.1	4.1	4.1
Quick Ratio	2.7	2.3	2.3	2.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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