

CMP: ₹ 2,675

Target: ₹ 2,735 (2%)

Target Period: 12 months

HOLD

July 29, 2025

Muted growth outlook, expansion plans intact...

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%

Q1FY26 Results: BKT reported muted performance in Q1FY26. Standalone net sales for Q1'26 stood at ₹2,761 crore, up 2.6% YoY amid tyre sales volume of 80,664 tonne, down 3.5% YoY. EBITDA margins in Q1FY26 came in at 18.2%, down 370 bps QoQ. PAT for Q1'26 stood at ₹287 crore, down 40% YoY. Q1'26 performance was impacted by higher share of India sales and partial US tariff absorption.

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. The company however is witnessing muted demand prospects especially in the European region led by global macro uncertainty as well as geopolitical tensions which has resulted in muted volume show at its key export geographies. Consequently, company has not shared any volume guidance for FY26E as uncertainty persists.
- Vision 2030 – Targeting ₹23,000 crore sales (2.2x over FY25-30):** BKT vision 2030 roadmap targets ₹23,000 crore revenue with a 17% revenue CAGR by FY30 underpinned by consolidating leadership in OHT segment which is expected to contribute 70% of future revenues and reach an 8% market share (targeted capacity of 4.25 lakh tonne), while expanding into adjacent categories like rubber tracks, mining, and construction tires. It wants to the scale-up its Carbon Black business (from 2 lakh to 3.6 lakh tonne capacity), and enter into premium truck/bus and passenger car radial segments (aftermarket) domestically. While these new segments present growth opportunities, they operate at <20% margins, which is substantially below OHT segment historical ~25% margin profile and face intense competition, likely resulting in a lower overall blended margin.
- B/S Strength resilient, protects the downside:** Going forward we expect sales, PAT at BKT to grow at CAGR of 11.5%, 9.7%, respectively, over FY25-27E. 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

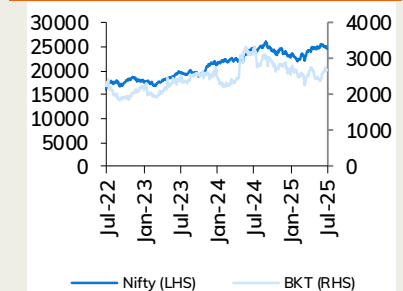
- With demand recovery still uncertain at its key export markets along with valuations being under check on account of its foray in scaling up the carbon black business & entry into domestic TBR & PCR domains, we assign HOLD rating on BKT with target as ₹ 2,735 i.e. 27x PE on FY27E.

**Particulars**

Particular	₹ crore
Market Capitalization	51,712
Total Debt (FY25)	3,212
Cash & Inv (FY25)	3,327
EV (₹ Crore)	51,597
52 week H/L (₹)	3,375 / 2,152
Equity capital (₹ crore)	38.7
Face value (₹)	2.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	58.3	58.3	58.3	58.3
FII	11.7	11.3	11.5	10.5
DII	23.3	23.8	23.6	24.7
Other	6.7	6.6	6.6	6.5

Price Chart**Recent event & key risks**

- Posted muted Q1FY26 results with YoY volume de-growth. Refrains from volume guidance.
- Key Risk: (i) slower than anticipated sales volume growth over FY25-27E, (ii) higher than anticipated margin recovery amid flat RM price outlook.

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	5,757.9	8,266.7	9,810.5	9,298.7	10,412.9	16.8%	11,187.0	12,938.8	11.5%
EBITDA	1,785.5	1,975.5	1,715.6	2,204.0	2,420.5	14.1%	2,436.6	3,114.5	13.4%
EBITDA Margins (%)	31.0	23.9	17.5	23.7	23.2		21.8	24.1	
Net Profit	1,155.4	1,410.7	1,078.7	1,437.6	1,628.3	11.5%	1,498.1	1,958.2	9.7%
EPS (₹)	59.8	73.0	55.8	74.4	84.2		77.5	101.3	
P/E	44.8	36.7	47.9	36.0	31.8		34.5	26.4	
RoNW (%)	19.2	20.4	14.2	16.2	15.7		12.9	14.9	
RoCE (%)	19.3	15.9	10.3	12.6	12.3		11.1	13.8	

Source: Company, ICICI Direct Research

Key takeaways of Recent Quarter

Exhibit 1: Quarterly Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Total Operating Income	2,760.5	2,689.5	2.6	2,746.6	0.5	Topline grew in single digit amidst 3.5% YoY decline in volume growth
Raw Material Expenses	1,338.1	1,285.9	4.1	1,384.0	-3.3	
Employee Expenses	130.3	116.0	12.3	128.0	1.8	
Other expenses	788.7	637.2	23.8	632.9	24.6	Other expenses came in on higher side
EBITDA	503.4	650.4	-22.6	601.7	-16.3	
EBITDA Margin (%)	18.2	24.2	-595 bps	21.9	-367 bps	EBITDA margins came in at 18.2%, down ~370 bps tracking adverse geographic mix
Other Income	104.2	158.8	-34.4	99.0	5.2	
Depreciation	186.2	161.7	15.2	176.4	5.5	
Interest	30.1	21.0	43.5	48.9	-38.4	Interest cost increased YoY
Tax	104.1	149.3	-30.3	113.3	-8.1	
PAT	287.2	477.3	-39.8	362.1	-20.7	PAT decline is attributed to muted demand prospects and forex impact
EPS	14.9	24.7	-39.8	18.7	-20.7	
Key Metrics						
Volume (MT)	80,664	83,570	-3.5	82,062	-1.7	BKT saw a volume decline of 3.5% on a YoY basis

Source: Company, ICICI Direct Research

Q1FY26 Earnings Conference Call highlights

- **Strategic vision and growth targets:** Balkrishna Industries reaffirmed its long-term strategic ambition of achieving a revenue milestone of ₹23,000 crore by FY30. This goal will be driven by three key growth levers: (1) strengthening the Off-Highway Tire (OHT) business, (2) scaling the Carbon Black business, and (3) entering new tire categories for the Indian market.
- **Sales segmentation:** For the Q1FY26, 38% of sales came from Europe, 35% from India, 17% from Americas and the balance from rest of the world. In terms of channel contribution, 73% was contributed from replacement, while OEM contributed to 25%. In terms of category, agricultural segment contributed to 59%, while OTR Industrial Construction contributed to 37% and the balance came from other segments.
- **Adverse mix during the quarter:** Company attributed lower margins due to rise in share of India in its overall sales mix which for the quarter stood at ~35% vs. its usual trend of being <30% as well as impact of US tariffs. In the call they mentioned a difference of 50-100bps in margin for India & export profile while there is a difference of 8-10% on realization front.
- **US tariff situation:** BKT faces a 10% tariff, which is typically shared between the customers & company in a 60:40 basis respectively.
- **Others:** The company guided for a blended EBITDA margin of 23–25% post full commercialization of its strategic initiatives. Management remains confident that even with new segments coming online, there will be no material dilution in margins due to a focus on premium niches and synergies with the existing business.

Exhibit 2: Assumptions

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
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
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	3,24,685	3,50,660
Volume growth (% YoY)		6%	-4%	13%	27%	4%	-3%	8%	3%	8%

Source: ICICI Direct Research

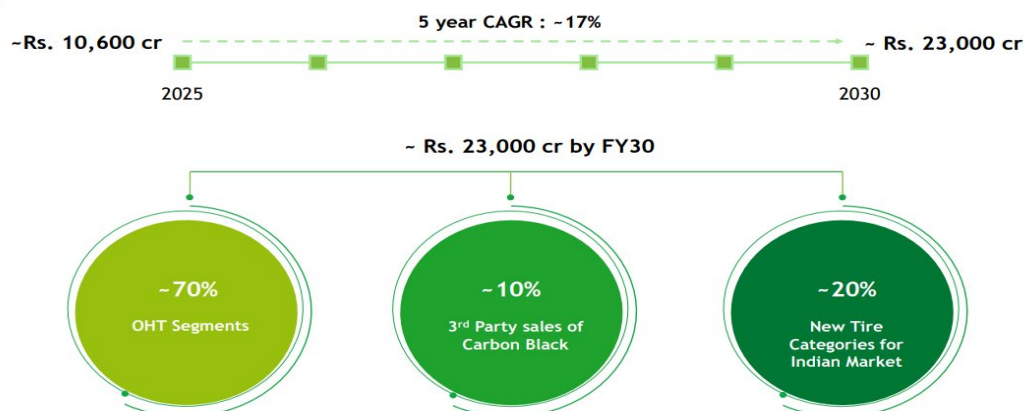
Key Slides from recent presentation

Exhibit 3: BKT – Vision 2030

2.2x Revenue Growth by 2030



Investor Presentation



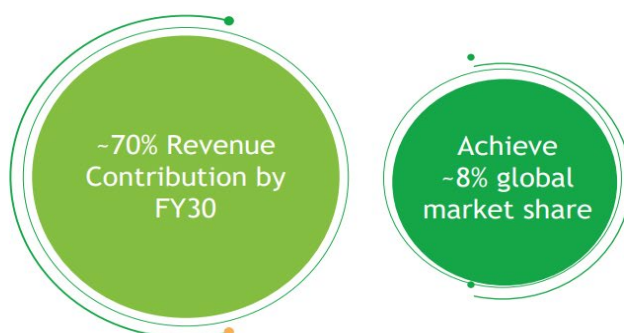
Source: Company, ICICI Direct Research

Exhibit 4: BKT – Vision 2030 – OHT Strategy

OHT Strategy



Investor Presentation



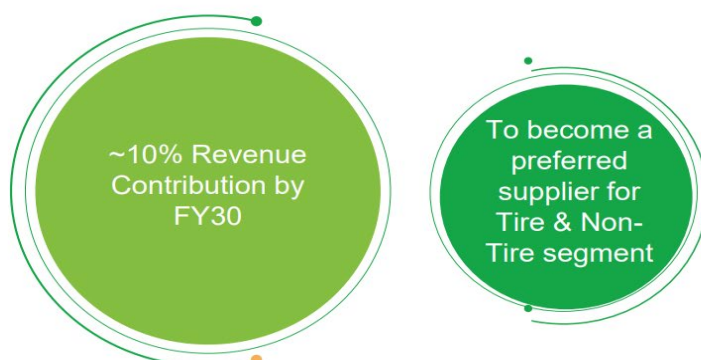
Source: Company, ICICI Direct Research

Exhibit 5: BKT – Vision 2030 – Carbon Black Strategy

Expand Carbon Black capacity



Investor Presentation



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	9,299	10,413	11,187	12,939
Growth (%)	-5.2	12.0	7.4	15.7
Raw Material Expenses	4,474	5,063	5,312	6,132
Employee Expenses	441	494	543	587
Other Expenses	2,179	2,436	2,895	3,105
Total Operating Exp.	7,095	7,992	8,750	9,824
EBITDA	2,204	2,420	2,437	3,115
Growth (%)	28.5	9.8	0.7	27.8
Depreciation	644	674	727	789
Interest	109	125	130	126
Other Income	448	535	427	412
PBT	1,899	2,156	2,006	2,611
Total Tax	461	528	508	653
Reported PAT	1,438	1,628	1,498	1,958
Growth (%)	33.3	13.3	-8.0	30.7
EPS (₹)	74.4	84.2	77.5	101.3

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	1,438	1,628	1,498	1,958
Add: Depreciation	644	674	727	789
(Inc)/dec in Current Assets	-116	-563	-76	-600
Inc/(dec) in CL & Provisions	200	103	219	244
CF from operating activities	2,165	1,841	2,368	2,391
(Inc)/dec in Investments	-574	-354	0	250
(Inc)/dec in Fixed Assets	-1,122	-1,345	-2,000	-2,000
Others	-72	-202	-89	-114
CF from investing activities	-1,768	-1,901	-2,089	-1,864
Inc/(dec) in loan funds	-217	175	50	-100
Dividend & dividend tax	-309	-309	-309	-387
Others	145	203	0	0
CF from financing activities	-382	69	-259	-487
Net Cash flow	15	10	19	41
Opening Cash	38	53	63	82
Closing Cash	53	63	82	123

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet ₹crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	39	39	39	39
Reserve and Surplus	8,823	10,345	11,534	13,106
Total Shareholders funds	8,862	10,384	11,573	13,144
Total Debt	3,037	3,212	3,262	3,162
Deferred Tax Liability	349	457	457	457
Minority Interest / Others	0	0	0	0
Total Liabilities	12,370	14,222	15,464	16,940
Assets				
Gross Block	9,853	11,158	13,143	15,143
Less: Acc Depreciation	3,650	4,323	5,050	5,840
Net Block	6,204	6,834	8,092	9,303
Capital WIP	944	985	1,000	1,000
Total Fixed Assets	7,148	7,819	9,092	10,303
Investments	2,767	3,344	3,394	3,164
Inventory	1,271	1,716	1,686	1,950
Debtors	1,543	1,611	1,686	1,950
Loans and Advances	76	101	108	125
Cash	53	63	82	123
Other current assets	301	327	351	406
Total Current Assets	3,244	3,817	3,912	4,553
Creditors	893	746	919	1,063
Provisions	4	5	6	7
Other current liabilities	338	588	631	730
Total Current Liabilities	1,235	1,338	1,557	1,801
Net Current Assets	2,008	2,478	2,355	2,753
Others	446	579	622	720
Application of Funds	12,370	14,222	15,464	16,940

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	74.4	84.2	77.5	101.3
Cash EPS	107.7	119.1	115.1	142.1
BV	458.4	537.1	598.6	679.9
DPS	16.0	16.0	16.0	20.0
Cash Per Share	72.5	91.3	92.3	81.5
Operating Ratios (%)				
EBITDA Margin	23.7	23.2	21.8	24.1
PBT / Net sales	16.8	16.8	15.3	18.0
PAT Margin	15.5	15.6	13.4	15.1
Inventory days	49.9	60.1	55.0	55.0
Debtor days	60.6	56.5	55.0	55.0
Creditor days	35.0	26.1	30.0	30.0
Return Ratios (%)				
RoE	16.2	15.7	12.9	14.9
RoCE	12.6	12.3	11.1	13.8
RoIC	15.6	15.3	13.5	16.2
Valuation Ratios (x)				
P/E	36.0	31.8	34.5	26.4
EV / EBITDA	24.2	22.0	21.8	17.1
EV / Net Sales	5.7	5.1	4.8	4.1
Market Cap / Sales	5.6	5.0	4.6	4.0
Price to Book Value	5.8	5.0	4.5	3.9
Solvency Ratios				
Debt/EBITDA	1.4	1.3	1.3	1.0
Debt / Equity	0.3	0.3	0.3	0.2
Current Ratio	3.6	5.0	4.1	4.1
Quick Ratio	2.1	2.7	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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