Balkrishna Industries (BALIND)

ICICI Direct

CMP: ₹ 2,280 | Target: ₹ 2,400 (5%) | Target Period: 12 months | HOLD

November 2, 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%

Q2FY26 Results: BKT reported muted performance in Q2FY26. Standalone net sales for Q2'26 stood at ₹2,389 crore, down 2% YoY amid tyre sales volume of 70,252 tonne, down 4.2% YoY. EBITDA margins in Q2FY26 came in at 21%, up ~260 bps QoQ. PAT for Q2'26 stood at ~₹265 crore, down 24% YoY. Q2'26 performance was impacted by higher share of India sales and US tariff led disruption.

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 has not shared any volume guidance for FY26E as uncertainty persists.
- **GST Rationalization & Vision 2030 expansion:** BKT stands to benefit from GST 2.0 reform 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 12.8%, 2.3%, 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

- Near term earnings at BKT stay constrained by weak export volume outlook, adverse geographic mix, and tariff related disruptions in the US. Hence, we maintain **HOLD** rating on BKT with target as **₹ 2,400 i.e. 27x PE on FY27E**. BKT's robust B/S, steady domestic traction and large-scale internal accruals led capex pipeline protects the downside in our view.

BKT GROWING TOGETHER

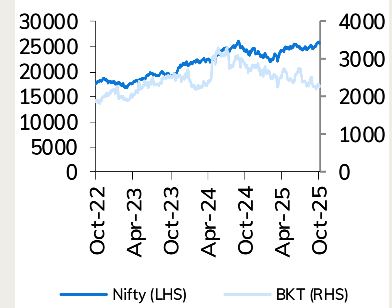
Particulars

Particular	₹ crore
Market Capitalization	44,076
Total Debt (FY25)	3,212
Cash & Inv (FY25)	3,327
EV (₹ Crore)	43,961
52 week H/L (₹)	2,930 / 2,152
Equity capital (₹ crore)	38.7
Face value (₹)	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	58.3	58.3	58.3	58.3
FII	11.3	11.5	10.5	10.7
DII	23.8	23.6	24.7	24.6
Other	6.6	6.6	6.5	6.5

Price Chart



Recent event & key risks

- Posted muted Q2FY26 results with YoY volume de-growth. Refrains from volume guidance.
- **Key Risk:** (i) higher than anticipated margin recovery amid flat RM price outlook. (ii) slower than anticipated sales volume growth over FY25-27E.

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Company Update

ICICI Securities – Retail Equity Research

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%	10,795.3	13,247.1	12.8%
EBITDA	1,785.5	1,975.5	1,715.6	2,204.0	2,420.5	14.1%	2,223.1	2,846.7	8.4%
EBITDA Margins (%)	31.0	23.9	17.5	23.7	23.2		20.6	21.5	
Net Profit	1,155.4	1,410.7	1,078.7	1,437.6	1,628.3	11.5%	1,291.1	1,704.6	2.3%
EPS (₹)	59.8	73.0	55.8	74.4	84.2		66.8	88.2	
P/E	38.1	31.2	40.9	30.7	27.1		34.1	25.9	
RoNW (%)	19.2	20.4	14.2	16.2	15.7		11.4	13.4	
RoCE (%)	19.3	15.9	10.3	12.6	12.3		9.6	12.1	

Source: Company, ICICI Direct Research

Key takeaways of Recent Quarter

Exhibit 1: Quarterly Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Total Operating Income	2,388.7	2,436.2	-2.0	2,760.5	-13.5
Raw Material Expenses	1,157.6	1,169.7	-1.0	1,338.1	-13.5
Employee Expenses	126.2	118.6	6.4	130.3	-3.2
Other expenses	606.6	567.6	6.9	788.7	-23.1
EBITDA	498.3	580.3	-14.1	503.4	-1.0
EBITDA Margin (%)	20.9	23.8	-296 bps	18.2	263 bps
Other Income	70.9	90.0	-21.2	104.2	-31.9
Depreciation	190.1	164.7	15.5	186.2	2.1
Interest	31.9	40.4	-20.9	30.1	6.1
Tax	82.6	115.7	-28.7	104.1	-20.7
PAT	264.6	349.6	-24.3	287.2	-7.9
EPS	13.7	18.1	-24.3	14.9	-7.9
Key Metrics					
Volume (MT)	70,252	73,298	-4.2	80,664	-12.9

Source: Company, ICICI Direct Research

Q2FY26 Earnings Conference Call highlights

- **Strategic vision and growth targets**: Management repeated its mid/long-term ambition to grow BKT into a ₹23,000 crore revenue company by 2030, and emphasised continued investment even amid near-term volatility (brand spend, manpower and large capex for new capacities). They view the current headwinds (geo-political, tariffs, Europe softness) as temporary and are positioning the company to capture upside once markets normalise. Management also reiterated openness to M&A if attractive opportunities arise to fill product/geography gaps. 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 H1FY26, 39% of sales came from Europe, 35% from India, 15% from Americas and the balance from rest of the world. In terms of channel contribution, 71% was contributed from replacement, while OEM contributed to 28%. In terms of category, agricultural segment contributed to 58%, while OTR Industrial Construction contributed to 38% and the balance came from other segments.

- **Adverse mix during the quarter**: Primary drivers of margin/realisation moderation were: (a) adverse geographic mix (sharp reduction in US shipments), (b) product mix shifts with higher share of lower-realisation India volumes replacing some US volumes, and (c) cost impact from compliance with new sustainability rules (EUDR) — management has started building raw material inventory to comply with EUDR which introduced incremental procurement cost that is now flowing through. They said EUDR impact will be fully felt in subsequent quarters but will be partially offset by softening of other raw-material prices. Freight costs is pegged at around 6–7% of sales.

Debt as of 30 Sep '25: gross debt ₹3,615 crore, cash ₹3,159 crore, net-debt ₹456 crore. Board declared a second interim dividend ₹4/share in addition to ₹4 paid earlier.

- **US tariff situation:** Management flagged a material tariff shock: US import duties on India rose (Q2 saw tariff escalation from 25% in the early part to 50% during the latter part of the quarter), which materially curtailed US shipments. Management stated they are not absorbing the tariff (i.e., not selling into US at a hit) and have largely paused fresh supplies to the US; distributors there are depleting local inventories and market participants are in a "wait-and-watch" mode. Management expects volumes to normalise quickly once a trade solution emerges and suggested some pent-up demand could cause a relatively fast rebound.

Others: H1 capex ~₹1,737 crore; management expects FY capex to be ~₹2,000–2,200 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.

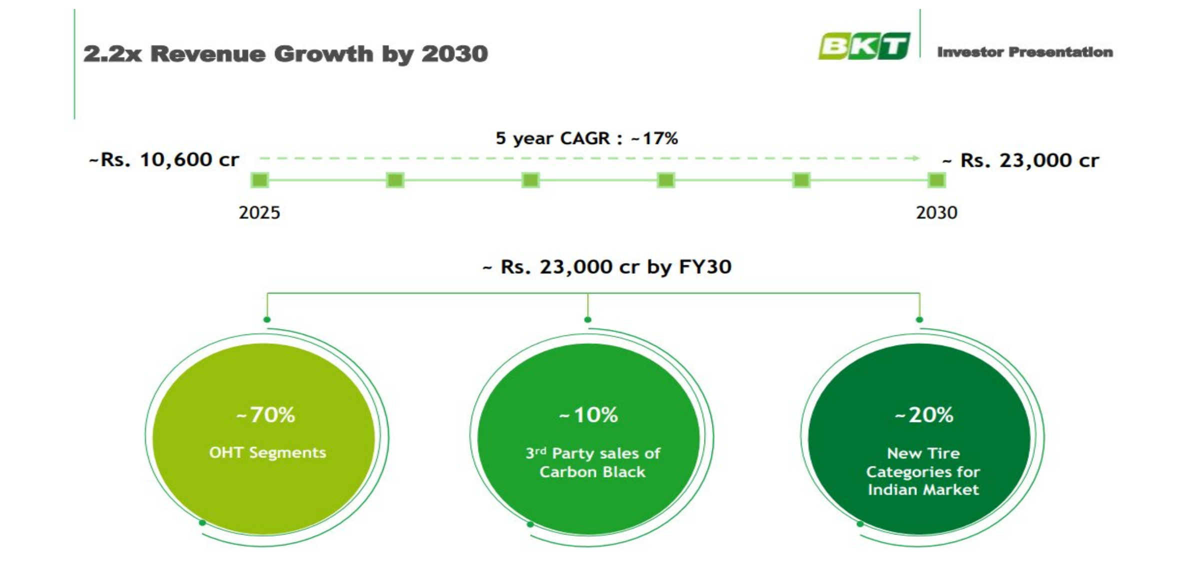
Exhibit 2: Assumptions

	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	3,15,657	3,47,223
Volume growth (%, YoY)		6%	-4%	13%	27%	4%	-3%	8%	0%	10%

Source: ICICI Direct Research

Key Slides from recent presentation

Exhibit 3: BKT – Vision 2030

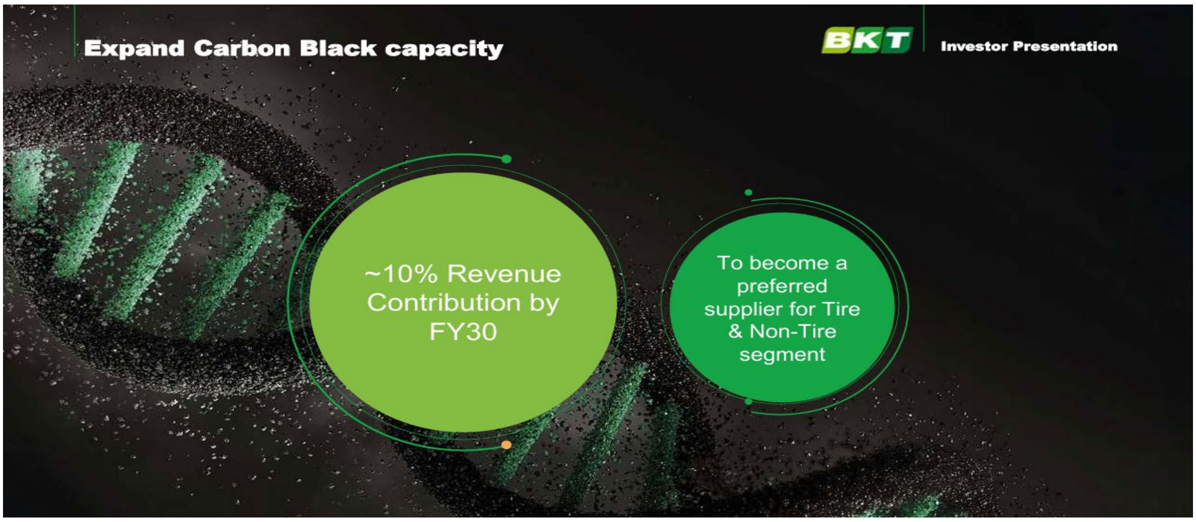


Source: Company, ICICI Direct Research

Exhibit 4: BKT – Vision 2030 – OHT Strategy

Source: Company, ICICI Direct Research

Exhibit 5: BKT – Vision 2030 – Carbon Black Strategy



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	10,795	13,247
Growth (%)	-5.2	12.0	3.7	22.7
Raw Material Expenses	4,474	5,063	5,227	6,595
Employee Expenses	441	494	538	609
Other Expenses	2,179	2,436	2,807	3,196
Total Operating Exp.	7,095	7,992	8,572	10,400
EBITDA	2,204	2,420	2,223	2,847
Growth (%)	28.5	9.8	-8.2	28.1
Depreciation	644	674	756	861
Interest	109	125	133	123
Other Income	448	535	390	410
PBT	1,899	2,156	1,724	2,273
Total Tax	461	528	433	568
Reported PAT	1,438	1,628	1,291	1,705
Growth (%)	33.3	13.3	-20.7	32.0
EPS (₹)	74.4	84.2	66.8	88.2

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	1,291	1,705
Add: Depreciation	644	674	756	861
(Inc)/dec in Current Assets	-116	-563	58	-839
Inc/(dec) in CL & Provisions	200	103	164	341
CF from operating activities	2,165	1,841	2,269	2,067
(Inc)/dec in Investments	-574	-354	0	250
(Inc)/dec in Fixed Assets	-1,122	-1,345	-2,000	-1,500
Others	-72	-202	-67	-152
CF from investing activities	-1,768	-1,901	-2,067	-1,402
Inc/(dec) in loan funds	-217	175	120	-250
Dividend & dividend tax	-309	-309	-309	-387
Others	145	203	0	0
CF from financing activities	-382	69	-189	-637
Net Cash flow	15	10	12	28
Opening Cash	38	53	63	75
Closing Cash	53	63	75	103

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	11,327	12,645
Total Shareholders funds	8,862	10,384	11,366	12,684
Total Debt	3,037	3,212	3,332	3,082
Deferred Tax Liability	349	457	457	457
Minority Interest / Others	0	0	0	0
Total Liabilities	12,370	14,222	15,327	16,399
Assets				
Gross Block	9,853	11,158	13,143	14,643
Less: Acc Depreciation	3,650	4,323	5,079	5,940
Net Block	6,204	6,834	8,064	8,703
Capital WIP	944	985	1,000	1,000
Total Fixed Assets	7,148	7,819	9,064	9,703
Investments	2,767	3,344	3,394	3,164
Inventory	1,271	1,716	1,627	1,996
Debtors	1,543	1,611	1,627	1,996
Loans and Advances	76	101	104	128
Cash	53	63	75	103
Other current assets	301	327	339	416
Total Current Assets	3,244	3,817	3,771	4,639
Creditors	893	746	887	1,089
Provisions	4	5	6	7
Other current liabilities	338	588	609	747
Total Current Liabilities	1,235	1,338	1,502	1,844
Net Current Assets	2,008	2,478	2,269	2,795
Others	446	579	600	737
Application of Funds	12,370	14,222	15,327	16,399

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	74.4	84.2	66.8	88.2
Cash EPS	107.7	119.1	105.9	132.7
BV	458.4	537.1	587.9	656.1
DPS	16.0	16.0	16.0	20.0
Cash Per Share	72.5	91.3	91.9	80.5
Operating Ratios (%)				
EBITDA Margin	23.7	23.2	20.6	21.5
PBT / Net sales	16.8	16.8	13.6	15.0
PAT Margin	15.5	15.6	12.0	12.9
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	11.4	13.4
RoCE	12.6	12.3	9.6	12.1
RoIC	15.6	15.3	11.7	14.4
Valuation Ratios (x)				
P/E	30.7	27.1	34.1	25.9
EV / EBITDA	20.7	18.8	20.5	16.0
EV / Net Sales	4.9	4.4	4.2	3.4
Market Cap / Sales	4.7	4.2	4.1	3.3
Price to Book Value	5.0	4.2	3.9	3.5
Solvency Ratios				
Debt/EBITDA	1.4	1.3	1.5	1.1
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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