Balkrishna Industries (BALIND)

ICICI Direct

CMP: ₹ 2,400 | Target: ₹ 2,480 (3%) | Target Period: 12 months | HOLD

May 26, 2025

Company Update

ICICI Securities – Retail Equity Research

Entry into mass segments to test premium valuation

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
- Channel mix: replacement account for ~73% while OEM share is pegged at ~26%. Agriculture accounts for ~60% of volumes with OTR share at ~37%

Q4FY25 Results: BKT reported steady performance in Q4FY25. Standalone net sales for the quarter were at ₹2,747 crore, up 2.8% YoY amid tyre sales volume of 82,062 tonne, flat YoY. EBITDA margins in Q4FY25 came in at 21.9%, down 124 bps QoQ. PAT for the quarter stood at ₹362 crore, down 24.7% YoY.

Investment Rationale

- **Vision 2030 – Targeting ₹23,000 crore sales, 17% Revenue CAGR:** BKT shared its strategic roadmap to reach ₹23,000 crore revenue by FY30 (2.2x over FY25-30) through a well-defined three-pronged approach. Firstly, it intends to consolidate its leadership in Off-Highway Tire (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. Secondly, it wants to the scale-up Carbon Black business (from 2 lakh to 3.6 lakh tonne capacity), and thirdly it intends to enter into premium truck/bus and passenger car radial segments (aftermarket) domestically.
- **Scaling carbon black and TBR & PCR entry to test premium valuations:** As per BKT's vision 2030, while the first initiative of ~8% global market share is a lower ambition that it long slated goal ~10% market share, the scaling up of carbon black business and entry into TBR/PCR segments is expected to take the overall blended margin and RoCE profile lower, thereby challenging the premium valuations commanded by the company in the past. The point to note is that BKT has traditionally commanded stable ~25% EBITDA margins in its OHT segment while Carbon Black business is <20% margin segment and the same holds true for domestic TBR & PCR space as well which operates under a lot of competitive intensity. These businesses also don't command such premium valuations, thereby implying decent room for blended valuation to correct at BKT.
- **B/S Strength resilient, protects the downside:** Going forward we expect sales, PAT at BKT to grow at CAGR of 12.4%, 10.9%, respectively, over FY25P-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 net cash position of ~₹115 crore & significant internal accruals funding its growth capex, it offers a robust b/s to weather near-term uncertainties.

Rating and Target Price

- With valuations under check on account of BKT's foray in scaling up its carbon black business and entry into domestic TBR & PCR domains, we assign HOLD rating on BKT with target as **₹ 2,480** i.e. 24x PE on FY27E.

BKT GROWING TOGETHER

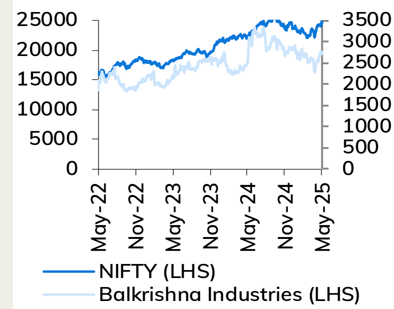
Particulars

Particular	₹ crore
Market Capitalization	46,396
Total Debt (FY25P)	3,212
Cash & Inv (FY25P)	3,327
EV (₹ Crore)	46,281
52 week H/L (₹)	3,378 / 2,152
Equity capital (₹ crore)	38.7
Face value (₹)	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	58.3	58.3	58.3	58.3
FII	12.6	11.7	11.3	11.5
DII	22.3	23.3	23.8	23.6
Other	6.8	6.7	6.6	6.6

Price Chart



Recent event & key risks

- Posted steady Q4FY25 results with flat YoY volume growth & EBITDA margins at 21.9%
- Key Risk: (i) slower than anticipated sales volume growth over FY25-27E, (ii) sharp correction in natural rubber prices lifting the overall margins.

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	5,757.9	8,266.7	9,810.5	9,298.7	10,412.9	16.8%	11,205.7	13,163.6	12.4%
EBITDA	1,785.5	1,975.5	1,715.6	2,204.0	2,420.5	14.1%	2,731.7	3,156.5	14.2%
EBITDA Margins	31.0	23.9	17.5	23.7	23.2		24.4	24.0	
Net Profit	1,155.4	1,410.7	1,078.7	1,437.6	1,628.3	11.5%	1,754.5	2,002.3	10.9%
EPS (₹)	59.8	73.0	55.8	74.4	84.2		90.8	103.6	
P/E	40.2	32.9	43.0	32.3	28.5		26.4	23.2	
RoNW (%)	19.2	20.4	14.2	16.2	15.7		14.9	14.9	
RoCE (%)	19.3	15.9	10.3	12.6	12.3		13.0	13.8	

Source: Company, ICICI Direct Research

Key takeaways of Recent Quarter

Exhibit 1: Quarterly Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
Total Operating Income	2,746.6	2,673.1	2.8	2,540.6	8.1	Topline grew in single digit amidst flat YoY volume growth
Raw Material Expenses	1,384.0	1,259.5	9.9	1,223.5	13.1	RM cost was on the higher side
Employee Expenses	128.0	110.6	15.7	130.9	-2.2	
Other expenses	632.9	637.7	-0.8	598.1	5.8	Other expeses came in on expected lines
EBITDA	601.7	665.3	-9.6	588.1	2.3	
EBITDA Margin (%)	21.9	24.9	-298 bps	23.1	-124 bps	EBITDA margins came in at 21.9%, down 125 bps tracking flattish topline growth
Other Income	99.0	170.6	-42.0	186.7	-47.0	
Depreciation	176.4	172.4	2.3	170.8	3.3	
Interest	48.9	29.9	63.6	15.0	225.9	Interest cost increased QoQ as well as YoY
Tax	113.3	152.8	-25.9	149.6	-24.3	
PAT	362.1	480.8	-24.7	439.4	-17.6	PAT decline is attributed to Mark to market losses and higher finance costs
EPS	18.7	24.9	-24.7	22.7	-17.6	
Key Metrics						
Volume (MT)	82,062	82,085	0.0	76,343	7.5	Volume growth was flat for the quarter on YoY basis

Source: Company, ICICI Direct Research

Q4FY25 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.

- **Lever 1:** The company has successfully entered the rubber tracks segment, and due to rising demand, is setting up a dedicated manufacturing unit that will go live in H2 FY26. With current capacity at 360,000 MT and an additional 35,000 MT under capex, BKT is targeting to scale up to 425,000 MT annually, aiming for 8% global market share, with aspirations to reach 10% as macro conditions improve.

- **Lever 2:** The carbon black division has laid a solid foundation over the last three years and is well accepted by global OEMs. BKT plans to expand this facility from 200,000 to 300,000 MT per annum by early FY26.

- **Lever 3:** BKT plans to enter the premium passenger car radial (PCR) and truck/bus radial (TBR) segments. A modular entry strategy will begin with a TBR pilot in Q4 FY26, followed by PCR in Q3 FY27. These new verticals are expected to contribute 20% to total revenue by FY30, enabling BKT to address a new ₹80,000 crore non-OHT market opportunity in India. The initial focus will be on the replacement market.

- Sales segmentation: For the FY25, 45% of sales came from Europe, 29% from India, 15% from Americas and the balance from rest of the world. In terms of channel contribution, 73% was contributed from replacement, while OEM contributed to 26%. In terms of category, agricultural segment contributed to 60%, while OTR Industrial Construction contributed to 37% and the balance came from other segments.

Others: *BKT emphasized several competitive advantages: integrated carbon black and power generation operations, ownership of land and infrastructure, and established brand presence. These support cost efficiencies and scalability. 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.*

Capex: *To support these initiatives, BKT has announced a ₹3,500 crore capex plan over the next three years, primarily funded through internal accruals. In FY25, the company spent ₹1,500 crore. The planned investments will cover expansion across all three growth levers and reinforce existing capacities. While a precise segment-wise capex breakdown wasn't disclosed, management indicated that spend for FY26 would be in the ₹1,000–1,500 crore range (for new projects).*

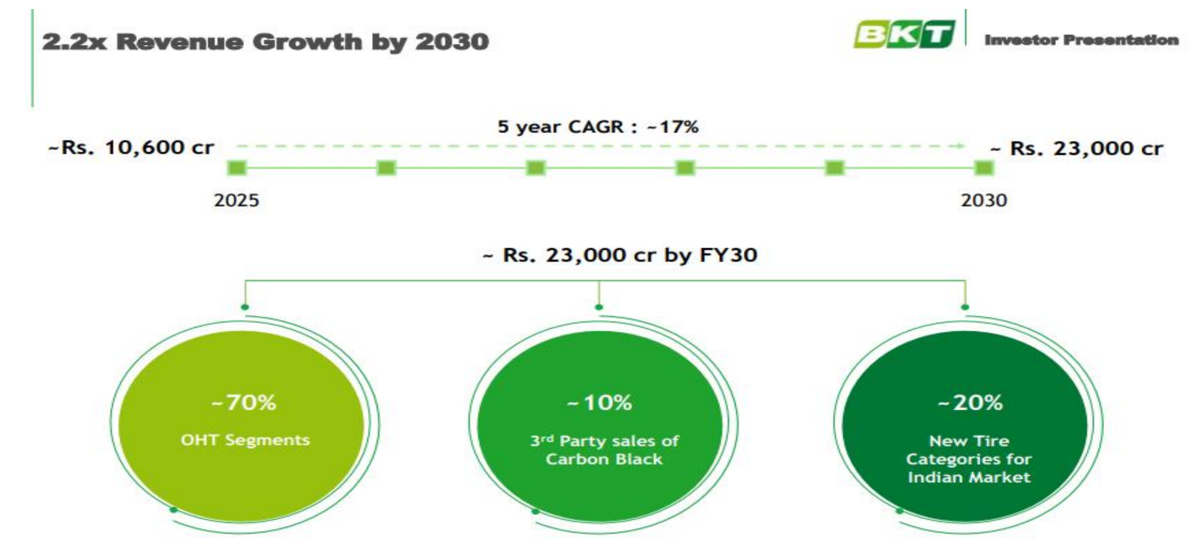
Exhibit 2: Assumptions

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	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	3,31,037	3,64,140
Volume growth (%, YoY)		6%	-4%	13%	27%	4%	-3%	8%	5%	10%

Source: ICICI Direct Research

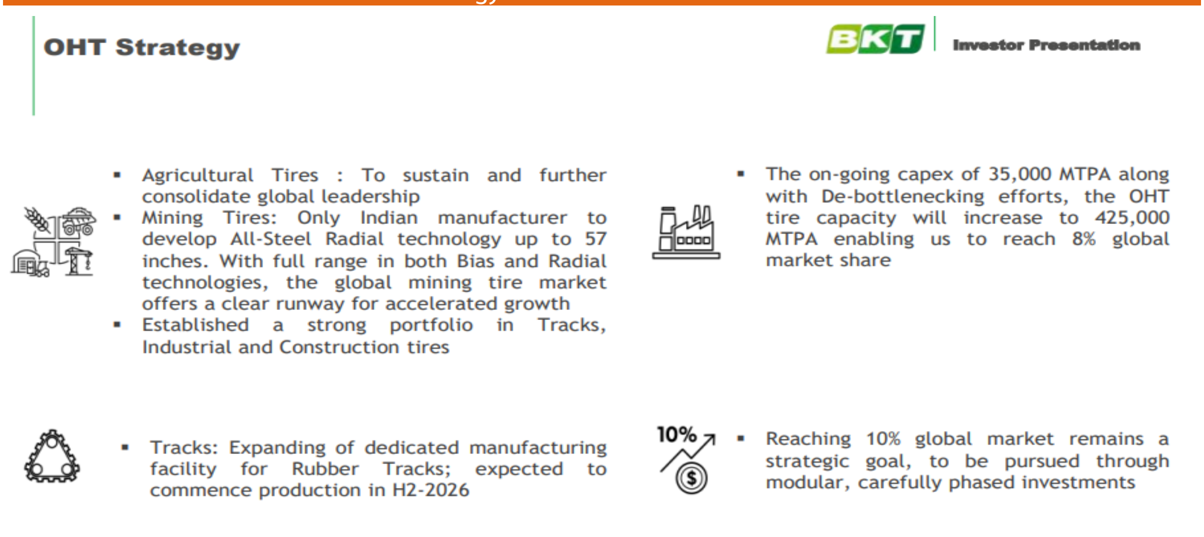
Key Slides from recent presentation

Exhibit 3: BKT – Vision 2030



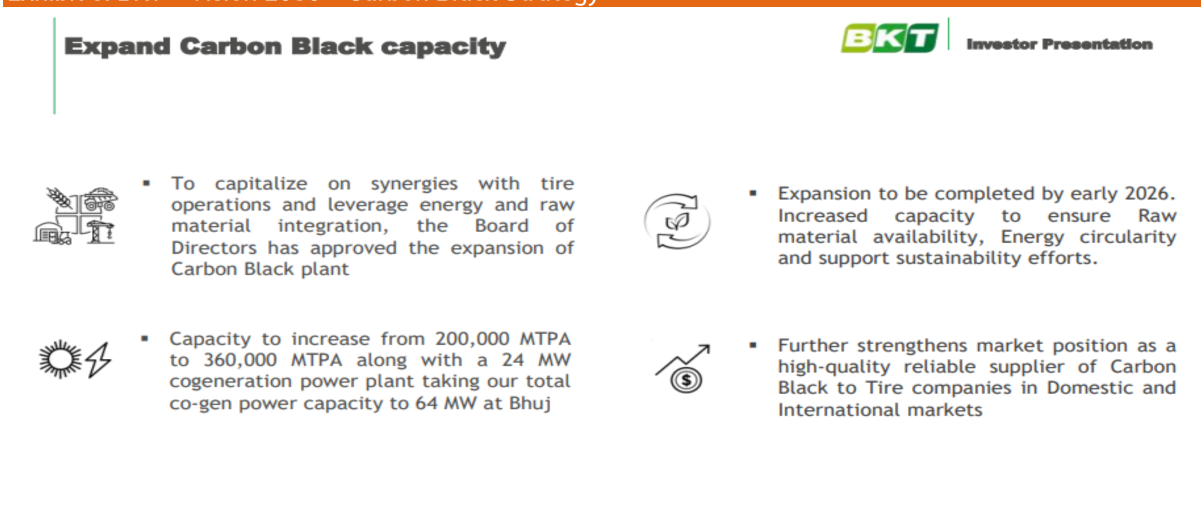
Source: Company, ICICI Direct Research

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	FY25P	FY26E	FY27E
Total operating Income	9,299	10,413	11,206	13,164
Growth (%)	-5.2	12.0	7.6	17.5
Raw Material Expenses	4,474	5,063	5,356	6,381
Employee Expenses	441	494	541	599
Other Expenses	2,179	2,436	2,577	3,028
Total Operating Exp.	7,095	7,992	8,474	10,007
EBITDA	2,204	2,420	2,732	3,156
Growth (%)	28.5	9.8	12.9	15.5
Depreciation	644	674	717	803
Interest	109	125	124	120
Other Income	448	535	434	419
PBT	1,899	2,156	2,324	2,652
Total Tax	461	528	569	650
Reported PAT	1,438	1,628	1,754	2,002
Growth (%)	33.3	13.3	7.7	14.1
EPS (₹)	74.4	84.2	90.8	103.6

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	1,438	1,628	1,754	2,002
Add: Depreciation	644	674	717	803
(Inc)/dec in Current Assets	-116	-563	-83	-670
Inc/(dec) in CL & Provisions	200	103	221	272
CF from operating activities	2,165	1,841	2,610	2,407
(Inc)/dec in Investments	-574	-354	-50	225
(Inc)/dec in Fixed Assets	-1,122	-1,345	-2,000	-2,000
Others	-72	-202	-90	-125
CF from investing activities	-1,768	-1,901	-2,140	-1,900
Inc/(dec) in loan funds	-217	175	-100	-100
Dividend & dividend tax	-309	-309	-348	-387
Others	145	203	0	0
CF from financing activities	-382	69	-448	-487
Net Cash flow	15	10	22	21
Opening Cash	38	53	63	85
Closing Cash	53	63	85	105

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet ₹crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	39	39	39	39
Reserve and Surplus	8,823	10,345	11,752	13,367
Total Shareholders funds	8,862	10,384	11,790	13,406
Total Debt	3,037	3,212	3,112	3,012
Deferred Tax Liability	349	457	457	457
Minority Interest / Others	0	0	0	0
Total Liabilities	12,370	14,222	15,532	17,052
Assets				
Gross Block	9,853	11,158	13,143	15,143
Less: Acc Depreciation	3,650	4,323	5,040	5,843
Net Block	6,204	6,834	8,102	9,299
Capital WIP	944	985	1,000	1,000
Total Fixed Assets	7,148	7,819	9,102	10,299
Investments	2,767	3,344	3,444	3,239
Inventory	1,271	1,716	1,689	1,984
Debtors	1,543	1,611	1,689	1,984
Loans and Advances	76	101	108	127
Cash	53	63	85	105
Other current assets	301	327	352	413
Total Current Assets	3,244	3,817	3,922	4,613
Creditors	893	746	921	1,082
Provisions	4	5	6	7
Other current liabilities	338	588	632	743
Total Current Liabilities	1,235	1,338	1,560	1,832
Net Current Assets	2,008	2,478	2,362	2,781
Others	446	579	623	732
Application of Funds	12,370	14,222	15,532	17,052

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	74.4	84.2	90.8	103.6
Cash EPS	107.7	119.1	127.9	145.1
BV	458.4	537.1	609.9	693.5
DPS	16.0	16.0	18.0	20.0
Cash Per Share	72.5	91.3	95.1	84.5
Operating Ratios (%)				
EBITDA Margin	23.7	23.2	24.4	24.0
PBT / Net sales	16.8	16.8	18.0	17.9
PAT Margin	15.5	15.6	15.7	15.2
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	14.9	14.9
RoCE	12.6	12.3	13.0	13.8
RoIC	15.6	15.3	15.9	16.4
Valuation Ratios (x)				
P/E	32.3	28.5	26.4	23.2
EV / EBITDA	21.8	19.8	17.5	15.1
EV / Net Sales	5.2	4.6	4.3	3.6
Market Cap / Sales	5.0	4.5	4.1	3.5
Price to Book Value	5.2	4.5	3.9	3.5
Solvency Ratios				
Debt/EBITDA	1.4	1.3	1.1	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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