



India

REDUCE (previously ADD)

Consensus ratings*: Buy 11 Hold 5 Sell 6

Current price: Rs2,660
 Target price: ▼ Rs2,400
 Previous target: Rs3,542
 Up/downside: -9.8%
 InCred Research / Consensus: -13.1%

Reuters: BLKI.NS
 Bloomberg: BIL IN
 Market cap: US\$6,035m
 Rs514,262m
 Average daily turnover: US\$7.7m
 Rs654.9m
 Current shares o/s: 193.3m
 Free float: 41.7%

*Source: Bloomberg

Key changes in this note

- FY26F-27F export sales volume cut by 4%.
- FY26F-27F EBITDA cut by 9-11%.
- FY26F-27F EPS cut by 12-14%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.2	(1.8)	(12.9)
Relative (%)	0.1	(10.3)	(19.6)

Major shareholders	% held
Promoter Family	58.3
LIC	3.7
HDFC Mutual Fund	1.1

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Balkrishna Industries Ltd**Car tyre expansion is long-gestation project**

- 4Q EPS dip of a sharp 25% and 18% qoq to Rs18.6 disappointed, which was due to lower gross margin, higher interest costs and lower other income.
- Considering the tariff impact on US exports, we cut FY26F EPS by 14%. Car/truck tyre expansion to be FY27F margin-dilutive, leading to 12% EPS cut.
- Due to a new segment demanding large capex & production process transition, we cut target P/E to a 10% discount to the mean, leading to a REDUCE rating.

Flat EBITDA yoy and interest cost spike disappoints

Balkrishna Industries' 4QFY25 net sales grew by just 5% yoy & 10% qoq to Rs28.4bn, driven by Europe and India businesses, which were marginally below our estimate but above the Bloomberg (BB) consensus estimate (4%). However, flattish EBITDA yoy at Rs6.9bn was 7% below our estimate due to lower gross margin. PAT dipped sharply by 25% yoy to Rs3.6bn due to higher interest costs (+64% yoy) and lower other income.

Management chalks out ambitious sales-doubling five-year plan

Management has unveiled an ambitious plan to raise sales 2.2x the FY25 level in the next five years, driven by India truck and car tyre segment entry, 18% expansion in off-highway tyre capacity and an 80% rise in carbon black capacity. The Rs35bn expansion capex for the coming three years looks ambitious. India truck tyre business expansion in 1QCY26F seems adjacent to its mining tyre segment presence now, but the long gestation period to season the tyres and get customer acceptance is a challenge. The expansion into the highly competitive and voluminous car radial tyre segment by 4QCY26F looks to be an unrelated expansion compared to its current capabilities in the batch production process.

EPS cut by a sharp 12-14% for FY26F-27F

The 10% duty on US imports (15% of volume), to be equally shared initially by the distributors and the company, will impact the EBITDA margin while geopolitical tensions to dent volume growth. Hence, we have cut FY26F EPS by a sharp 14%, driven by 5% sales cut and EBITDA margin cut of 150bp. We build in the new India business to start contributing to FY27F sales (6%) and get ramped up to 12% in FY28F and to 20% by FY30F. Considering that peer Apollo Tyre's India EBITDA margin was in the range of 10-18% in the last 10 years (Fig. 7), we feel Balkrishna Industries' initial margin will be sub-optimal in the business, leading to a cut in our FY27F EBITDA margin by 240bp to 22.7%.

Downgrade to REDUCE rating with a lower TP of Rs2,400

While management plans to tap niche premium segments within India truck and car tyre segments, considering the brand and quality-conscious customers, we feel it is going to be long-gestation project. Till the company proves its mettle in products and market share, we feel the valuation will take a hit. We have cut our target P/E to 24x one-year forward (15% discount to the mean), leading to a lower target price of Rs2,400 (Rs3,542 earlier). The key upside risk is better-than-expected demand recovery in the global agri tyre market.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	93,747	106,148	119,347	141,553	167,056
Operating EBITDA (Rsm)	22,800	26,525	27,886	32,062	37,393
Net Profit (Rsm)	13,976	16,284	16,678	18,867	22,089
Core EPS (Rs)	72.3	84.2	86.3	97.6	114.3
Core EPS Growth	25.2%	16.5%	2.4%	13.1%	17.1%
FD Core P/E (x)	36.79	31.58	30.83	27.25	23.28
DPS (Rs)	16.0	16.0	18.0	20.0	24.0
Dividend Yield	0.60%	0.60%	0.68%	0.75%	0.90%
EV/EBITDA (x)	23.86	20.57	19.42	17.00	14.50
P/FCFE (x)	158.63	161.11	109.97	50.06	54.67
Net Gearing	33.7%	30.3%	23.3%	23.4%	18.8%
P/BV (x)	5.80	4.95	4.39	3.89	3.44
ROE	17.0%	16.9%	15.1%	15.1%	15.7%
% Change In Core EPS Estimates			(13.89%)	(12.22%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Car tyre expansion is long-gestation project

Management conference-call highlights ➤

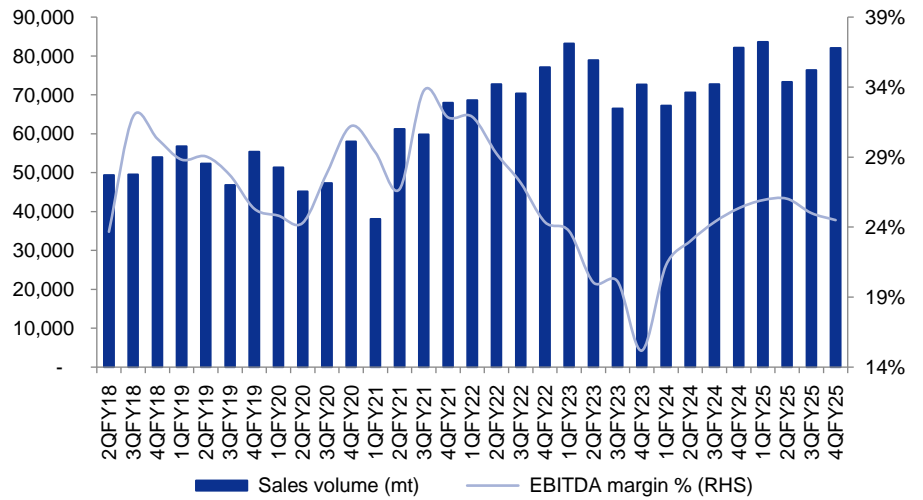
- **Revenue target by 2030F:** Balkrishna Industries aims to achieve revenue of ~Rs230bn by FY30F, at a 17% CAGR over the next five years.
- **Off-highway tyre (OHT) business:** Targeting a 70% contribution to revenue by FY30F, by expanding into making rubber tracks, mining, industrial, and construction tyres. The company has developed a proprietary all-steel radial technology for mining tyres up to 57 inches and plans to increase the production capacity from 360,000 to 425,000 metric tonnes per annum through 35,000t expansion and debottlenecking. Aims at 8% global market share (10% if the macroeconomic conditions improve). Its current global OHT market share is 6%.
- **New tyre verticals in India:** Targets a 20% revenue contribution by FY30F through its foray into premium passenger car radial (PCR) and commercial vehicle radial (TBR) tyre segments, focusing initially on the Indian replacement market. Pilot launches are planned for TBR in 4QFY26F and for PCR in 3QFY27F, aiming at a 5% market share in India's Rs800bn non-OHT market.
- **Carbon black business:** Aiming at a 10% revenue contribution from third-party sales by FY30F. The carbon black plant capacity will expand from 200,000 to 300,000 metric tonnes per annum, with the completion expected by early 2026F.
- **Carbon black market outlook:** The specialty carbon black business, which started trials in 4QFY25, is expected to see increased utilization by FY27F, with the focus initially on domestic sales but with export potential in the future.
- **Capex:** Planned a capex of Rs35bn over the next three years, primarily funded through internal accruals. FY26F capex is estimated at Rs10–15bn. Maintenance capex for the OHT business is expected to be Rs5–7bn. Capex incurred in FY25 was Rs15bn.
- **EBITDA margin:** Anticipates blended EBITDA margin of 23–25% post-full commercialization, driven by a superior product mix and operational efficiency, with a minimal impact on Return on Capital Employed (RoCE). Margin may be marginally lower in FY28F–29F during the sub-scale phase of new businesses.
- **Rubber tracks expansion project:** The company will expand its rubber track manufacturing facility, targeting agricultural, construction, and industrial applications for both domestic and global markets, with production starting in 2HFY26F.
- **Input costs:** Raw material prices are slightly declining, potentially improving gross margin by ~1% in 1QFY26F. Freight costs are stable.
- **Tariff impact:** A 10% US tariff is being partially absorbed and partially passed on to customers. No significant volume shifts to other Southeast Asian countries (e.g., Thailand, Vietnam) have been observed, as they primarily affect TBR/PCR segments.

Figure 1: Quarterly results highlights

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY25	qoq % chg	FY25	FY24	yoy % chg	Comments for the quarter
Revenue	28,376	26,971	5.2	25,716	10.3	1,06,148	93,747	13.2	2% below our estimate.
Raw material costs	13,840	12,595	9.9	12,235	13.1	50,631	44,744	13.2	
RM costs as a % of revenue	48.8	46.7	207.7	47.6	119.6	47.7	47.7	(3.0)	258bp above our estimate.
EBITDA	6,927	6,993	(0.9)	6,301	9.9	26,525	22,800	16.3	7% below our estimate.
EBITDA margin (%)	24.4	25.9	(151.7)	24.5	(9.0)	25.0	24.3	66.7	-
Depreciation & amortization	1,764	1,724	2.3	1,708	3.3	6,735	6,438	4.6	29% below our estimate.
EBIT	5,163	5,269	(2.0)	4,593	12.4	19,790	16,363	20.9	
Interest expenses	489	299	63.6	150	225.9	1,252	1,089	14.9	12% above our estimate.
Other income	80	1,366	(94.1)	1,447	(94.5)	3,026	3,317	(8.8)	90% below our estimate.
Pre-tax profit	4,754	6,336	(25.0)	5,890	(19.3)	21,563	18,591	16.0	
Tax	1,133	1,528	(25.8)	1,496	(24.3)	5,279	4,615	14.4	
Tax rate (%)	23.8	24.1	(28)	25.4	(156)	24.5	24.8	(34)	
Normalized net profit	3,621	4,809	(24.7)	4,394	(17.6)	16,284	13,976	16.5	8% below our estimate.
Exceptional items	-	-	nm	-	nm	-	-	nm	
Reported net profit	3,621	4,809	(24.7)	4,394	(17.6)	16,284	13,976	16.5	
Normalized EPS (Rs)	18.6	24.9	(25.1)	22.6	(17.6)	84.2	72.3	16.5	
Volumes (mt)	82,062	82,085	(0.0)	76,343	7.5	3,15,273	2,92,628	7.7	In line our estimate.
Realization (Rs/kg)	346	329	5.2	337	2.7	337	320	5.1	2% above our estimate.

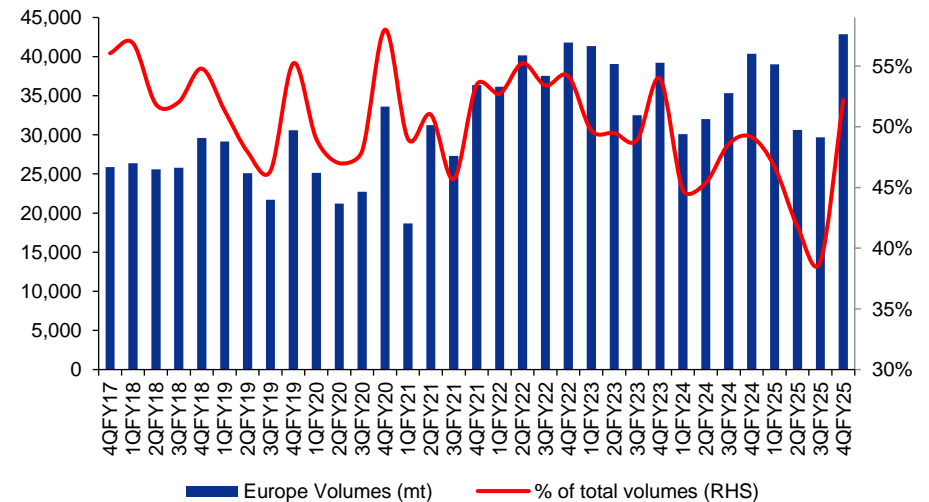
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: The EBITDA margin declines despite volume growth



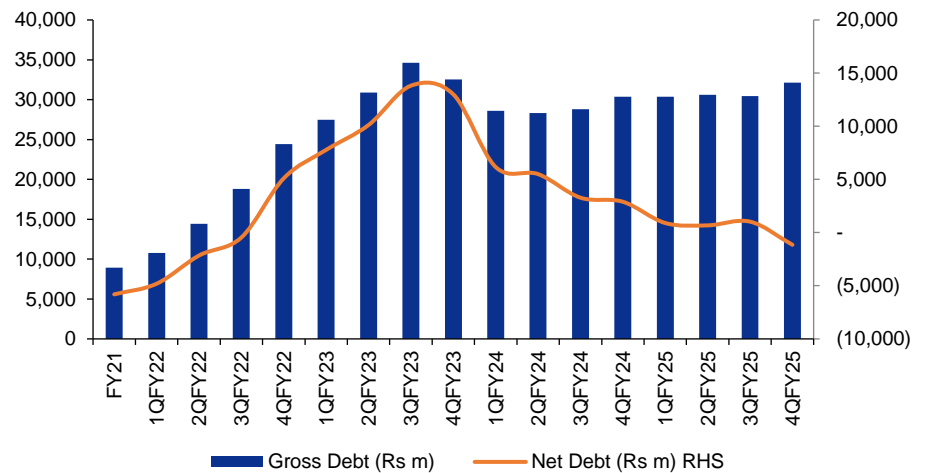
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Balkrishna Industries' Europe volume improves sequentially



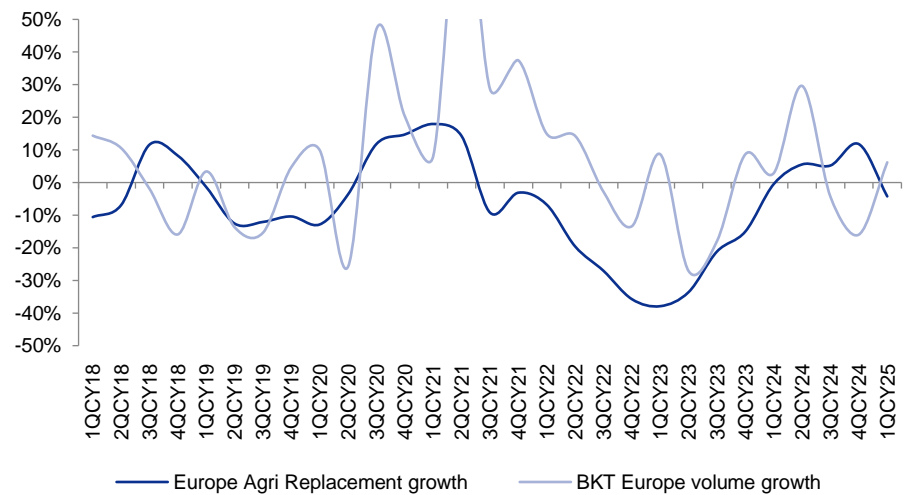
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Net debt turns negative, which provides comfort



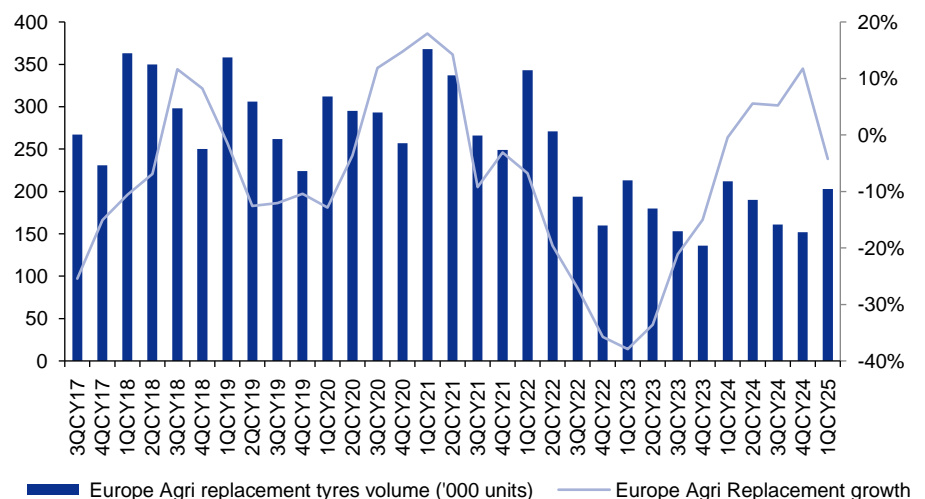
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Europe agri-tyre replacement market growth vs. Balkrishna Industries' Europe volume growth



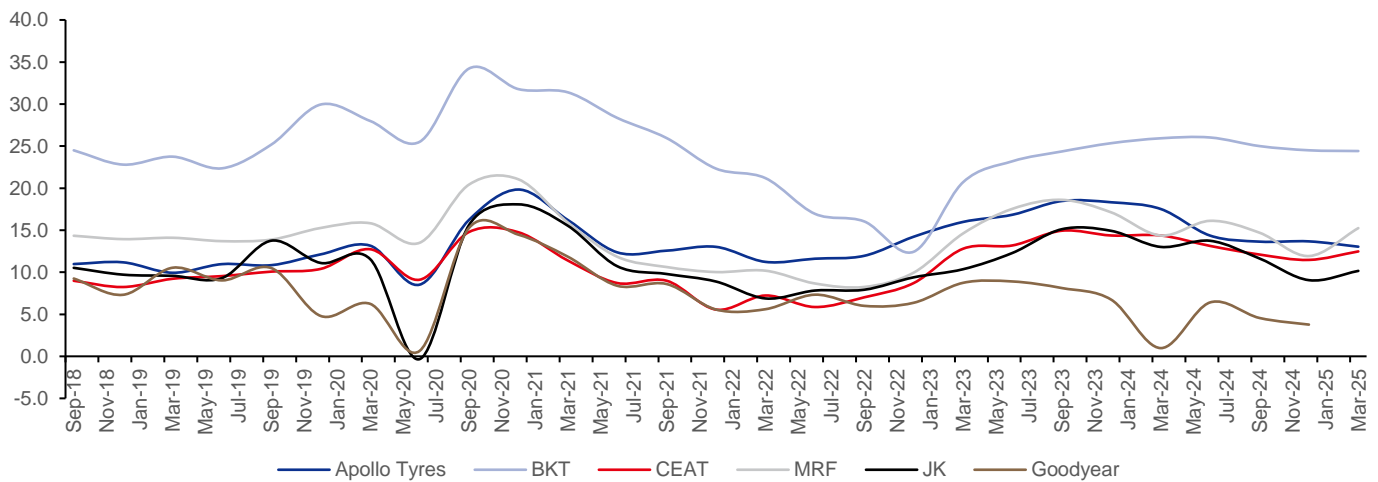
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Europe's agri tyre replacement volume trend



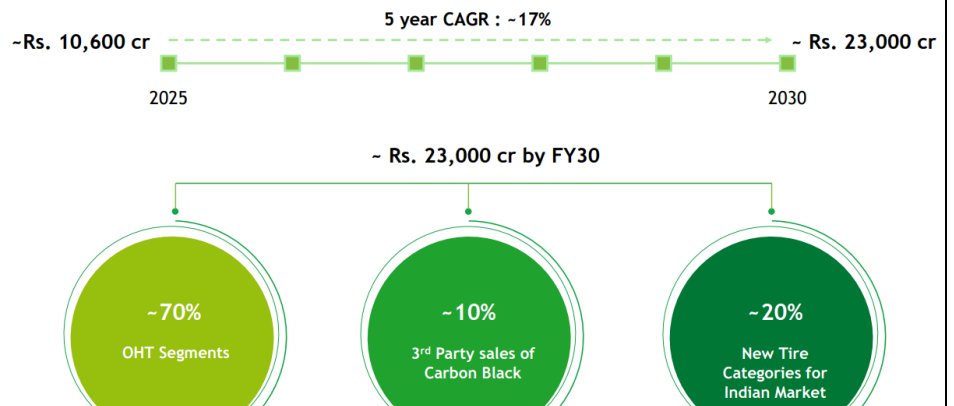
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Industry players' EBITDA margin trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Management gives guidance of 2.2x revenue growth by 2030F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: OHT segment's strategy



- Agricultural Tires : To sustain and further consolidate global leadership
- Mining Tires: Only Indian manufacturer to develop All-Steel Radial technology up to 57 inches. With full range in both Bias and Radial technologies, the global mining tire market offers a clear runway for accelerated growth
- Established a strong portfolio in Tracks, Industrial and Construction tires



- The on-going capex of 35,000 MTPA along with De-bottlenecking efforts, the OHT tire capacity will increase to 425,000 MTPA enabling us to reach 8% global market share



- Tracks: Expanding of dedicated manufacturing facility for Rubber Tracks; expected to commence production in H2-2026



- Reaching 10% global market remains a strategic goal, to be pursued through modular, carefully phased investments

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Expansion of carbon black capacity -1



- To capitalize on synergies with tire operations and leverage energy and raw material integration, the Board of Directors has approved the expansion of Carbon Black plant



- Expansion to be completed by early 2026. Increased capacity to ensure Raw material availability, Energy circularity and support sustainability efforts.



- Capacity to increase from 200,000 MTPA to 360,000 MTPA along with a 24 MW cogeneration power plant taking our total co-gen power capacity to 64 MW at Bhuj



- Further strengthens market position as a high-quality reliable supplier of Carbon Black to Tire companies in Domestic and International markets

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Expanding of carbon black capacity- 2



- Planning a modular entry into:
 - Premium Passenger Car Radial Tires
 - Commercial Vehicles Radial Tires
- Initial focus in on Indian Replacement Market for both the categories.



- CV Radial tires pilot will launch in Q4FY26 and will ramp up gradually
- PCR tires pilot will follow in Q3FY27 and will ramp up gradually

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Overall performance



Gross Cash and Cash equivalents of Rs. 3,327 Cr as on 31st March, 2025



Diversified Product Portfolio, spread across Agriculture, Industrial, Construction, Earthmoving, Mining, Port, Lawn and Garden and ATV tires



Self Reliant in Carbon Black along with Multiple sourcing arrangements for other Raw Materials



Total Achievable capacity to reach ~425,000 MTPA post completion of current tire capex and de-bottlenecking

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Earnings revision summary

Rs m	Old	FY26F New	Old	FY27F New
Sales volume (nos)	3,47,719	3,31,169	3,73,257	3,58,766
% change		-4.8%		-3.9%
Net sales	1,25,632	1,19,347	1,39,816	1,41,553
% change		-5.0%		1.2%
EBITDA	31,198	27,886	35,070	32,062
% change		-10.6%		-8.6%
EBITDA margin	24.8%	23.4%	25.1%	22.7%
bp change		(147)		(243)
PAT	19,368	16,678	21,494	18,867
% change		-13.9%		-12.2%
EPS (Rs)	100.2	86.3	111.2	97.6
% change		-13.9%		-12.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Key assumptions

	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
Sales volume (mt)	3,01,181	2,92,628	3,15,273	3,31,169	3,58,766	3,85,044
Growth yoy %	4.3%	-2.8%	7.7%	5.0%	8.3%	7.3%
ASP (Rs per kg)	314	281	298	322	335	345
Growth yoy %	13.4%	-10.6%	6.0%	8.0%	4.0%	3.0%
Net sales (Rs m)	1,00,725	93,747	1,06,148	1,19,347	1,41,553	1,67,056
Growth yoy %	19.6%	-6.9%	13.2%	12.4%	18.6%	18.0%
EBITDA (Rs m)	19,777	22,800	26,525	27,886	32,062	37,393
EBITDA margin %	19.6%	24.3%	25.0%	23.4%	22.7%	22.4%
PAT (Rs m)	11,166	13,976	16,284	16,678	18,867	22,089
Growth yoy %	-24.2%	25.2%	16.5%	2.4%	13.1%	17.1%
EPS (Rs)	57.8	72.3	84.2	86.3	97.6	114.3

Volume mix %

Europe	50.5%	47.1%	45.1%	46.4%	45.4%	44.8%
North America	17.9%	16.9%	15.2%	15.6%	15.4%	15.4%
India	21.6%	26.8%	28.6%	29.9%	29.9%	30.0%
Others	10.0%	9.2%	11.1%	8.1%	9.3%	9.8%

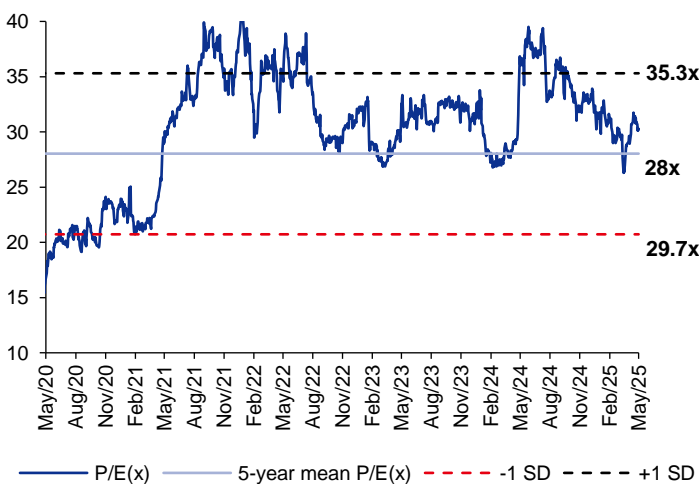
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: P/E-based target price

One-year forward EPS (Rs)	100.1
P/E multiple (x)	24.0
Target price (Rs/share)	2,400

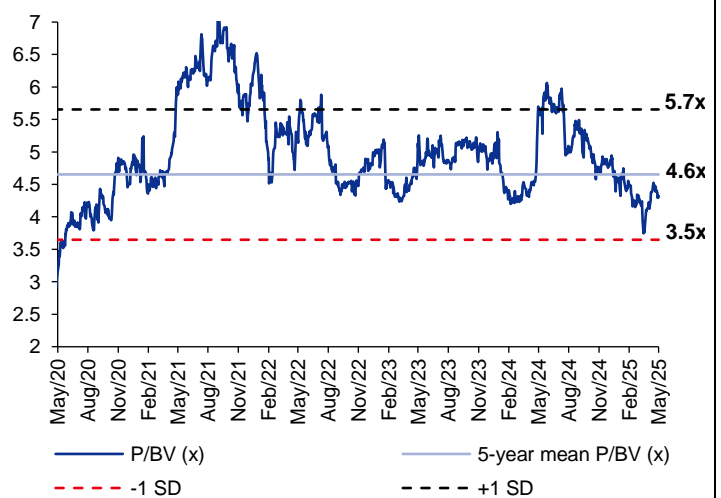
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Forward P/E valuation is above the 10-year mean level



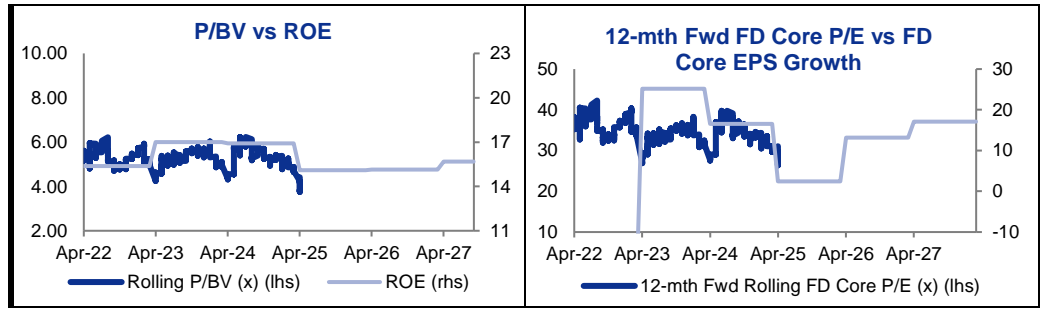
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 17: Forward P/BV valuation is below the +1 SD level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	93,747	106,148	119,347	141,553	167,056
Gross Profit	49,003	55,517	60,270	70,493	82,693
Operating EBITDA	22,800	26,525	27,886	32,062	37,393
Depreciation And Amortisation	(6,438)	(6,735)	(7,877)	(9,333)	(10,558)
Operating EBIT	16,363	19,790	20,009	22,729	26,834
Financial Income/(Expense)	(1,089)	(1,252)	(1,100)	(1,200)	(1,300)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	3,317	3,026	3,328	3,628	3,918
Profit Before Tax (pre-EI)	18,591	21,563	22,237	25,156	29,452
Exceptional Items					
Pre-tax Profit	18,591	21,563	22,237	25,156	29,452
Taxation	(4,615)	(5,279)	(5,559)	(6,289)	(7,363)
Exceptional Income - post-tax					
Profit After Tax	13,976	16,284	16,678	18,867	22,089
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	13,976	16,284	16,678	18,867	22,089
Recurring Net Profit	13,976	16,284	16,678	18,867	22,089
Fully Diluted Recurring Net Profit	13,976	16,284	16,678	18,867	22,089

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	22,800	26,525	27,886	32,062	37,393
Cash Flow from Invt. & Assoc.					
Change In Working Capital	4,381	(6,600)	(1,654)	(5,498)	(7,312)
(Incr)/Decr in Total Provisions	(3,677)	870	70	70	70
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	2,228	1,773	2,228	2,428	2,618
Tax Paid	(4,020)	(4,728)	(5,559)	(6,289)	(7,363)
Cashflow From Operations	21,712	17,840	22,971	22,772	25,405
Capex	(11,311)	(13,440)	(11,481)	(20,000)	(15,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4,989)	(2,980)	(3,814)	(2,500)	(3,000)
Cash Flow From Investing	(16,300)	(16,420)	(15,295)	(22,500)	(18,000)
Debt Raised/(repaid)	(2,170)	1,771	(3,000)	10,000	2,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,093)	(3,093)	(3,479)	(3,866)	(4,639)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(5,263)	(1,322)	(6,479)	6,134	(2,639)
Total Cash Generated	149	99	1,197	6,406	4,766
Free Cashflow To Equity	3,242	3,192	4,676	10,272	9,405
Free Cashflow To Firm	6,501	2,673	8,776	1,472	8,705

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	528	626	1,822	8,229	12,995
Total Debtors	15,433	16,109	17,003	21,330	27,461
Inventories	12,705	17,159	20,273	25,208	31,123
Total Other Current Assets	8,235	10,069	10,719	11,369	12,019
Total Current Assets	36,901	43,962	49,817	66,136	83,598
Fixed Assets	72,281	75,466	82,590	93,256	97,698
Total Investments	26,868	32,649	34,649	36,649	39,149
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	99,149	108,115	117,238	129,905	136,847
Short-term Debt	30,369	32,140	29,140	39,140	41,140
Current Portion of Long-Term Debt					
Total Creditors	8,926	7,455	9,809	13,574	18,307
Other Current Liabilities	4,295	7,111	7,311	7,511	7,711
Total Current Liabilities	43,590	46,706	46,260	60,224	67,158
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	3,840	5,053	3,758	3,778	3,798
Total Liabilities	47,430	51,758	50,018	64,003	70,956
Shareholders Equity	88,619	103,838	117,037	132,038	149,488
Minority Interests					
Total Equity	88,619	103,838	117,037	132,038	149,488

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	(6.9%)	13.2%	12.4%	18.6%	18.0%
Operating EBITDA Growth	15.3%	16.3%	5.1%	15.0%	16.6%
Operating EBITDA Margin	24.3%	25.0%	23.4%	22.7%	22.4%
Net Cash Per Share (Rs)	(154.38)	(163.03)	(141.32)	(159.91)	(145.60)
BVPS (Rs)	458.45	537.19	605.47	683.07	773.35
Gross Interest Cover	15.02	15.81	18.19	18.94	20.64
Effective Tax Rate	24.8%	24.5%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	22.1%	19.0%	20.9%	20.5%	21.0%
Accounts Receivables Days	54.45	54.23	50.63	49.42	53.30
Inventory Days	116.77	107.64	115.63	116.81	121.86
Accounts Payables Days	56.25	59.04	53.33	60.05	68.97
ROIC (%)	13.6%	15.7%	14.4%	15.0%	15.5%
ROCE (%)	14.0%	15.0%	13.8%	14.0%	14.6%
Return On Average Assets	11.4%	12.0%	11.0%	10.9%	11.1%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	(4.2%)	5.1%	7.0%	9.5%	10.0%
Unit sales grth (% , main prod./serv.)	(2.8%)	7.7%	5.0%	8.3%	7.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.