

Result Update – Q4FY26 || Current Market Price – INR 2,148 || Target Price – INR 2,350 || Upside – 9.4% || Date: 18th May 2026

Record Volumes Marred by Margin Compression; BKT 2.0 Vision Sets Long-Term Growth Trajectory

Investment thesis:

On-Highway Entry Significantly Expands Addressable Opportunity: BKT's transition beyond its core OHT franchise into the on-highway segment (TBR, PCR and 2W) represents a structural expansion in addressable market size. While the company currently operates within the ~INR 25,000 crore global OHT opportunity, the domestic replacement market for on-highway tyres alone exceeds INR 1.4 lakh crore. Management's FY30 on-highway revenue target of INR 5,000 crore (~20% of targeted FY30 revenue of INR 23,000 crore) implies a credible ~5% domestic market share aspiration. Importantly, the company has already established a ~90-distributor primary network and is entering the market without aggressive discounting, indicating confidence in product quality and long-term brand positioning. Phase-1 CVR capacity (800 tyres/day) is operational, while PCR capacity of ~6,700 tyres/day is expected by CY26-end

Integrated Carbon Black Business Remains an Under-Recognized Margin Driver: BKT's backward-integrated carbon black business provides a structural cost and margin advantage that remains underappreciated by the market. With capacity set to expand to 360,000 MTPA by Q1FY27, ~30% captive utilization supports raw material cost optimization, while the remaining ~70% third-party sales create an incremental earnings stream at industry-level margins. The integrated 64 MW co-generation power facility at Bhuj enhances energy efficiency and reduces exposure to power cost volatility. Additionally, the company is scaling specialty carbon black applications across plastics, pipes, cables and inks, diversifying the business beyond tyres. Management targets carbon black contributing ~10% of overall revenue by FY30.

Current Capex Phase Reflects Investment Peak Ahead of Earnings Scale-Up: BKT is currently in the heaviest phase of its investment cycle, with execution front-loaded while earnings benefits remain back-ended. Of the total planned capex of INR 6,800 crore through FY29, ~INR 3,000 crore has already been incurred, leaving a manageable residual spend of INR 3,800 crore over FY27-29 against FY26 operating cash flow generation of INR 2,224 crore. FY27 capex guidance stands at INR 1,500–1,800 crore, including incremental investments towards AI-enabled automation in the on-highway segment, which should support operating leverage as utilization ramps up. Elevated leverage (D/E at 0.37x vs 0.31x YoY) is therefore more reflective of capex timing rather than balance-sheet stress and is expected to normalize as new capacities scale.

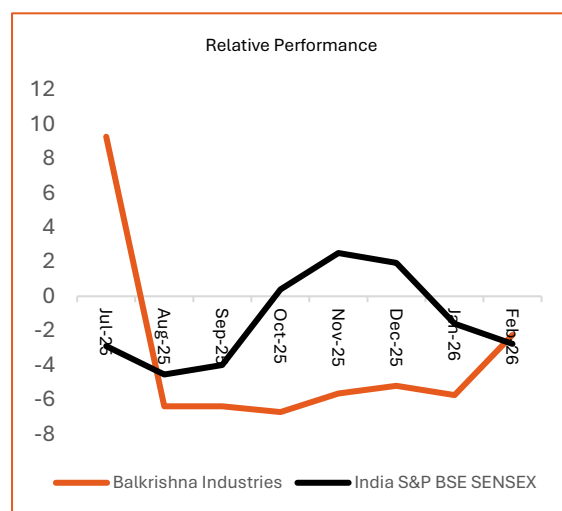
US Market Recovery Could Drive Margin Accretion: The reopening of the US market remains a key earnings catalyst for BKT. US contribution remained below 10% in FY26, though management expects this to move beyond 10% in FY27 amid improving traction in the Americas region. The tariff environment has now stabilized at ~10%, which management believes is absorbable given BKT's differentiated positioning in the OHT category. The company has also filed for reciprocal tariff refunds as the importer of record in the US. Given the superior profitability profile of the US market within OHT, any sustained recovery in volumes is likely to be EBITDA-margin accretive.

Outlook & Valuation – We believe Balkrishna Industries to grow its Revenue/EBITDA/PAT at a CAGR of 10%/13%/12% over FY26-FY28E, which translates the stock trading at 27x FY28E. We value the stock at 29x implying a Target Price of 2,350 (9.4% Upside). Rating: **Accumulate**

Particulars	
CMP (INR)	2,148
Market Cap (Cr)	41,510
Free Float Market Cap (Cr)	17,194
52 Week High / Low (INR)	2,800 / 2,016
Avg Daily Vol (1Y) shares	2,82,700
No. of Shares (Cr.)	19.3

Key Financial (INR Mn.)	FY26	FY27E	FY28E
Net Revenue	1,08,231	1,20,711	1,31,575
EBITDA	23,004	26,556	29,604
PAT	12,431	14,130	15,666
EPS	64.30	73.09	81.03

Holding	Sep-25	Dec-25	Mar-26
Promoters	58.30	58.30	58.30
FIs	10.70	11.1	11.13
DIs	24.55	24.42	24.25
Govt.	0.14	0.00	0.00
Public	6.31	6.29	6.32
Total	100.0	100.0	100.0



Source: Company Research, Deven Choksey Research

Story in Charts

Exhibit 1: Sales Volume & YoY Growth

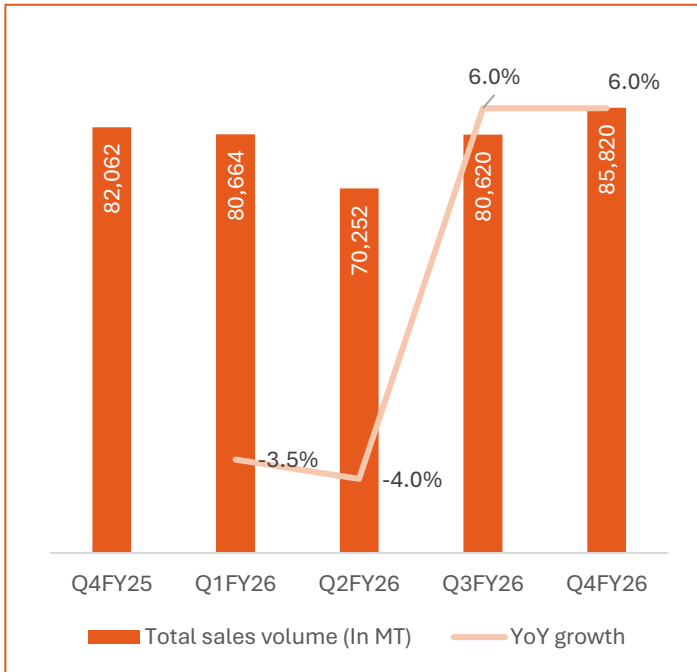


Exhibit 2: Total Revenue & YoY Growth

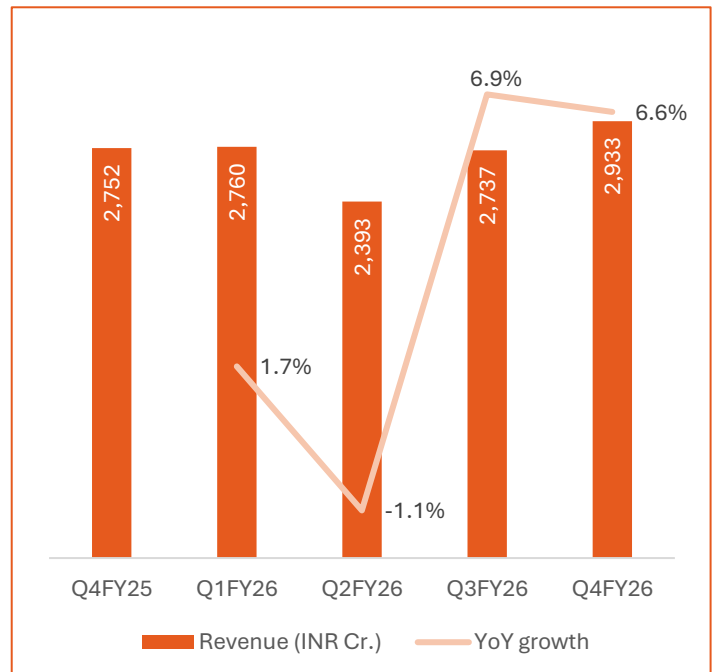


Exhibit 3: Gross Profit & GM

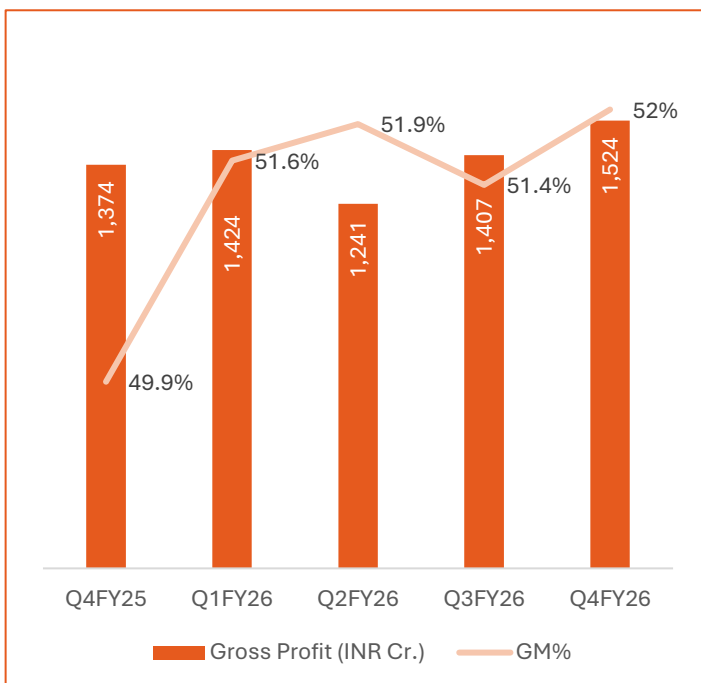
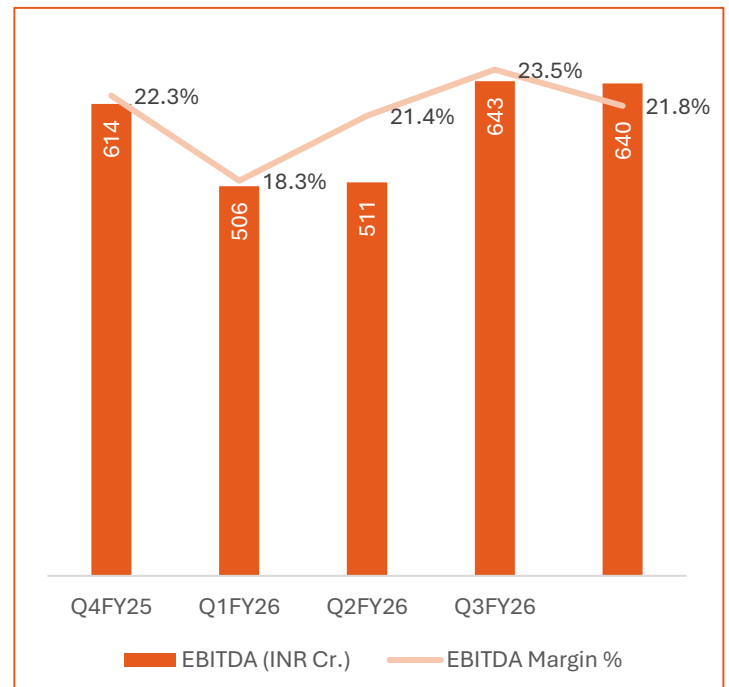


Exhibit 4: EBITDA & EBITDA MARGIN



Source: Company Research, Deven Choksey Research

Result Snapshot

Particulars (Cr)	Q4FY25	Q3FY26	Q4FY26	QoQ	YoY
Income					
Revenue from Operations	2,752.38	2,736.79	2,932.82	7%	7%
Other Income	99.37	77.41	-3.92	-105%	-104%
Total Income	2,851.75	2,814.20	2,928.90	4%	3%
Expenses					
Cost of Materials Consumed	1,316.78	1,313.02	1,468.89	12%	12%
Purchases of Stock-in-Trade	35.64	40.57	51.81	28%	45%
Changes in Inventories	26.19	-23.54	-112.10	-376%	-528%
Employee Benefits Expense	149.69	146.03	158.24	8%	6%
Finance Costs	49.50	34.05	36.24	6%	-27%
Depreciation & Amortisation	178.23	195.34	198.86	2%	12%
Other Expenses	610.57	617.67	726.02	18%	19%
Total Expenses	2,366.60	2,323.14	2,527.96	9%	7%
Profit before Tax (PBT)	485.15	491.06	400.94	-18%	-17%
Tax Expense					
Current Tax	91.97	100.35	109.49	9%	19%
Income Tax of Earlier Years	0.00	0.00	0.00	N/A	N/A
Deferred Tax	24.63	8.56	-8.01	-194%	-133%
Total Tax	116.60	108.91	101.48	-7%	-13%
Profit after Tax (PAT)	368.55	382.15	299.46	-22%	-19%

Source: Company Research, Deven Choksey Research

Key Concall Highlights

Volume & Demand Outlook

- Q4FY26 OHT volumes at 85,820 MT (+5% YoY) – highest-ever quarterly volume; FY26 annual volumes of 3,17,356 MT were also a record.
- Europe (key market): H2 showed strong recovery over H1 driven by easing channel inventories. Channel inventory currently at normal levels – no restocking tailwind expected.
- Americas: Improving traction with sharper go-to-market strategy. US contribution was just short of 10% of volume; targeting 10%+ in FY27.
- India: Continues to outperform all markets with sustained momentum. Cautiously optimistic given favorable IMD monsoon forecast.
- Management refrained from giving explicit volume guidance due to geopolitical volatility but confirmed expectation of growth.

Raw Material & Margin Commentary

- RM prices increased ~4-5% in Q4FY26; expected to rise a further 7-8% in Q1FY27 (on RM basket, not as % of revenue).
- Price hikes of 3-5% taken across geographies; additional ~2% planned by end of May 2026. Further hikes possible if cost pressures persist.
- Freight cost at 4.5-5% of revenue in Q4; expected to increase marginally subject to no further disruption.
- Sustained EBITDA margin of 23-25% remains the company-level target. Near-term margin pressure acknowledged due to RM inflation.
- Product mix shifting towards higher-margin radialized products including IF/VF technology.

On-Highway Business Update

- Truck Bus Radial (TBR) segment launched in Feb-26; Phase 1 CVR capacity of 800 tyres/day operational with fungible use for OHT.
- 2-Wheeler tyres re-launched with current capacity of 100,000 tyres/month; scalable without limiting constraints.
- PCR tyres targeted for launch by CY26-end; Phase 1 capacity of 6,700 tyres/day. Premium positioning at par with market leaders.
- Primary distribution network of ~90 distributors complete for CVR and PCR categories. Dealer network expansion linked to sales ramp-up.
- On-highway revenue contribution targeted at ~20% by FY30; stated vision of INR 5,000 crore on-highway revenue.
- Brand building: “Elevate Your Drive” campaign with Ranveer Singh as brand ambassador; products placed in market from April 2026.

Carbon Black Business

- Current capacity: 265,000 MTPA (Phase 1 commissioned Dec-25). Full utilization achieved on new lines.
- Phase 2 to take capacity to 360,000 MTPA by Q1FY27.
- Split: ~30% captive consumption, ~70% third-party sales at industry-average margins.
- Carbon black contributed ~9% of overall revenue in FY26; targeted at ~10% by FY30.
- Co-gen power capacity at Bhuj expanded to 64 MW (from 40 MW) in Feb-26, supporting energy circularity.

Capex & Balance Sheet

- Total capex plan through FY29: INR 6,800 crore (project capex only, excl. ~INR 200 Cr annual maintenance).
- INR 3,000 crore already spent; INR 3,800 crore residual over FY27-29.
- FY27 capex guidance: INR 1,500-1,800 crore. Funding mix of internal accruals and debt being finalized.
- Net debt at INR 895 crore (Gross debt INR 4,049 Cr; Cash INR 3,154 Cr). D/E at 0.37x (vs 0.31x YoY).
- FY26 OCF strong at INR 2,224 crore (vs INR 1,753 Cr in FY25), aided by positive working capital release of INR 165 crore.

US Tariff & Trade

- Current US tariff on Indian tyres at 10% (reciprocal), significantly reduced from earlier 50% punitive levels.
- BKT is importer of record in the US; has filed for reciprocal tariff refund. Refund not yet received.
- Any refund received would be partly passed back to customers as per fair practice.

Key Financials

Profit & Loss Account (Mn INR)	FY25	FY26A	FY27E	FY28E
Revenue from Operations	1,04,470	1,08,231	1,20,711	1,31,575
COGS	50,600	52,272	62,039	69,396
Gross Profit	53,869	55,959	58,672	62,179
% Margin	51.6%	51.7%	48.6%	47.3%
Employee cost	5,544	5,962	6,564	7,373
Other operating expenses	23,745	26,993	25,552	25,201
EBITDA	24,580	23,004	26,556	29,604
% Margin	23.5%	21.3%	22.0%	22.5%
Depreciation & amortisation	6,807	7,750	8,366	9,397
EBIT	17,774	15,255	18,190	20,207
% Margin	17.0%	14.1%	15.1%	15.4%
Other income, net	5,388	2,518	2,518	2,518
Finance Cost	1,283	1,336	1,993	1,975
Earnings Before Tax (EBT)	21,878	16,437	18,716	20,750
% Margin	20.9%	15.2%	15.5%	15.8%
Income tax expense	5,324	4,006	4,585	5,084
Earnings After Tax (NP)	16,554	12,431	14,130	15,666
EPS	85.61	64.30	73.09	81.03

Balance Sheet (Mn INR)	FY25	FY26A	FY27E	FY28E
Non Current assets				
Property, Plant and Equipment	68,562	73,265	78,304	83,365
Capital Work-in-Progress	9,860	24,725	24,725	24,725
Investment Property	612	556	556	556
Intangible Assets	37	73	73	73
Right of use of assets	199	199	199	199
Investments	15,616	17,965	17,965	17,965
Other Financial Assets	1,060	385	385	385
Income tax Assets (Net)	158	202	202	202
Other Non-Current Assets	4,530	8,749	8,749	8,749
Total Non Current Assets	1,00,633	1,26,119	1,31,158	1,36,218
Current assets				
Inventories	17,819	18,085	21,056	22,030
Investments	17,028	13,275	13,275	13,275
Trade Receivables	14,945	14,466	19,747	22,181
Cash and Cash Equivalents	802	609	508	325
Other Bank Balances	60	36	36	36
Loans	97	103	103	103
Other Financial Assets	909	130	130	130
Other Current Assets	4,053	4,841	4,841	4,841
Total Current Assets	55,714	51,545	59,697	62,921
Total Assets	1,56,347	1,77,663	1,90,854	1,99,139
Liabilities and equity				
Share capital	387	387	387	387
Other Equity	1,03,489	1,09,166	1,22,137	1,29,518
Total equity	1,03,876	1,09,553	1,22,524	1,29,904
Non Current Liabilities				
Borrowings	3,873	8,880	8,780	8,650
Lease liabilities	46	41	46	46
Other Financial Liabilities	210	2,798	2,798	2,798
Provisions	484	530	530	530
Deferred Tax Liabilities (Net)	4,563	3,168	3,168	3,168
Other Non-Current Liabilities	1,029	1,804	1,804	1,804
Total Non current liabilities	10,204	17,221	17,125	16,995
Current liabilities				
Borrowings	28,753	32,176	31,075	30,859
Lease liabilities	4	12	4	4
Trade Payables	7,539	9,123	10,547	11,797
Other financial liabilities	3,020	5,891	5,891	5,891
Other current liabilities	2,901	3,629	3,629	3,629
Provisions & current tax liabilities	51	60	60	60
Total current liabilities	42,267	50,890	51,205	52,240
Total liabilities and equity	1,56,347	1,77,663	1,90,854	1,99,139

Balkrishna Industries Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
18-May-26	2,148	2,350	Accumulate
21-Nov-25	2,300	2,370	HOLD
01-Sept-25	2,289	2,520	ACCUMULATE
29-May-25	2,488	2,474	REDUCE
28-Jan-25	2,565	2,528	REDUCE
29-Oct-24	2,901	2,768	REDUCE
22-Aug-24	2,845	2,768	REDUCE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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