

Balkrishna Industries (BIL) - SELL

Company Update

Current Market Price (CMP) Rs.2250	Fair Value Rs.2050
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Rationale:

- Recent announcement of reciprocal tariff reduction by the US on India from 50% to 15% will provide a big relief to the company.
- Balkrishna Industries used to derive 12-14% of its volumes from the US.
- Europe and US demand trends remain moderate; inventory stocking may support recovery for the company.
- Freight rates have been on a downtrend; however, geopolitical tensions may pose upside risk to freight rates.
- We expect earnings per share (EPS) growth of 23.2% in FY27E and 18.7% in FY28E.
- We retail SELL with an unchanged FV of Rs2,050 based on 20x FY28E consolidated EPS.

👍 Positives:

- With revised US tariffs, immediate pressure on company's export competitiveness and margins from the US will ease, proving near-term stability for its core OHT business.

👎 Negatives:

- Company's expansion into domestic TBR, 2W and PCR carries execution risks; In the near term, we believe that this will result in RoCE/margin dilution.
- Domestic and international natural rubber prices have increased 18-20% from Q3FY26 levels, to weigh on margins in the coming quarters.

(FV: Fair Value; OHT: Off Highway Tire; TBR: Truck Bus Radial; 2W: Two-Wheeler; PCR: Passenger Car Radial; RoCE: Return of Capital Employed)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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