Balkrishna Industries Limited

March 05, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	750.00	CARE AA+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the non-convertible debenture (NCD) issue of Balkrishna Industries Limited (BKT) factors in its strong business risk profile, supported by its established market position in the global off-highway tyre (OHT) market where it is the largest Indian exporter for OH tyres. The rating also reflects its diversified product portfolio, presence across both the original equipment manufacturer (OEM) and replacement segments, and geographically diversified operations catering to over 160 countries. The rating factors in promoters' long track record in the OHT segment, and the company's robust financial risk profile, strong debt coverage indicators, healthy operating margins aided by backward integration, and strong liquidity position.

However, the rating remains constrained by the competitive intensity in the global OHT market, exposure to currency risk, raw material price volatility, and susceptibility to regulatory changes in key export destinations. The company is also exposed to the impact of economic downturns, which may dampen demand in its principal markets.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant volume growth supported by geographical and product diversification, resulting in growth in the global market share in specialty tyres, with operating margin sustaining at 26-28% on a sustained basis.
- Sustained robust financial risk profile with net debt free profile and strong liquidity.

Negative factors

- Sustained decline in operating revenues caused by increased competition intensity or change in product mix, resulting in operating profitability declining sustained below 18%.
- Weakening in the financial risk profile or deterioration in liquidity due to large capex or acquisition on a sustained basis.

Analytical approach: CARE Ratings Limited (CareEdge Ratings) has adopted a consolidated approach for analysing BKT's financials, considering the high degree of financial, managerial, and business linkages among the entities. Entities consolidated are listed under Annexure-6.

Outlook: Stable

CareEdge Ratings believes that BKT will continue to maintain a healthy business risk profile, supported by its established position in the OHT segment. The company is also expected to improve its global market position in the OHT segment despite the volatile geo-political environment in key overseas markets. Its planned entry into the passenger car (PC) and commercial vehicle (CV) radial tyre replacement market in India and expansion of its carbon black business is expected to further diversify its product presence. BKT is likely to sustain a healthy financial risk profile and liquidity profile, driven by its strong balance sheet, steady cash generation, and capex plans funded primarily through internal accruals.

Detailed description of key rating drivers:

Key strengths

Well-diversified revenue base and geographical presence

The company has a well-diversified revenue profile and caters to agricultural and industrial segments (including tyres for mining and construction activities). In FY25, ~59.9% of revenue was derived from the agricultural segment (PY: 60.5%) and 36.6% from the off-the road (OTR) segment (PY: 36.2%). The company is also diversifying its revenue profile by entering into new tyre categories, namely premium passenger car radial (PCR) tyres and commercial vehicle radial (CVR) tyres in the domestic market. This segment is expected to contribute ~20% of the company's total revenue by FY30. The company also plans to expand its third-party carbon black sales to contribute ~10% of total revenue by FY30. The company has presence in original equipment

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

manufacturer (OEM) and replacement segments. The replacement segment generally offers higher margins. In FY25, ~72.8% (PY: 71.1%) of revenue was derived from the replacement segment and 25.7% (PY: 27.0%) from OEM segment. The company also has a wide geographical presence, with 45.1% (PY: 47.1%) of revenue coming from Europe and 15.2% (PY: 16.9%) from the Americas. The company caters to over 160 countries worldwide with over 3,600 stock keeping units (SKUs). The diversification across categories and geographies helps it to insulates from adverse movements in economic cycles and political scenarios.

Healthy total operating income and operating margins aided by backward integration of carbon black

In FY25, the company's revenue from operations improved by 13% y-o-y led by 8% growth in sales volumes primarily in Europe and domestic markets and a 5% increase in realisations. In 9MFY26, the company's revenue remained healthy and improved by 3% y-o-y due to a 4% improvement in realisations despite a marginal 1% decline in sales volumes. The company currently enjoys a market share of ~5-6% in the global specialty market, which is expected to increase in the next 4-5 years through capacity expansion and deeper penetration in global markets. The company has robust operating margins due to the backward integration of carbon black. This integration reduces both input and transportation costs and structurally supports the margins. In FY25, operating margins remained healthy at 25.55% (PY: 25.53%) considering improved product mix and easing raw material prices. In 9MFY26, operating margins declined to 21.04% (PY: 23.97%) due to an adverse product mix arising from the impact of the US tariff measures and the company partly absorbing tariff burden for the US exports.

Comfortable leverage and strong debt coverage indicators

The company's capital structure is comfortable, with robust debt coverage indicators as evinced by overall gearing of 0.31x at FY25-end (PY: 0.35x). Improvement in overall gearing was due to accretion of profits to reserves. The company is planning to incur capex of ~₹5,300 crore from FY25–FY28 for capacity additions across carbon black, power plant, CVR tyres, rubber tracks and premium PCR tyres, along with maintenance capex. Majority of this outlay will occur by FY26–FY27, with benefits expected to start accruing in phased manner. This capex is expected to be funded through mix of internal accruals and debt, and the company's financial risk profile is expected to remain strong. Interest cover was also comfortable at 21.30x in FY25 (PY: 21.47x). CareEdge Ratings expects the company to maintain comfortable leverage in the medium term supported by strong internal accruals.

Liquidity: Strong

The company's liquidity position is strong as evinced by cash and liquid investments of ₹1,392 crore as on December 31, 2025. The company also has unquoted investments of ₹1,572 crore. In FY25, it generated gross cash accruals of ₹2,401.61 crore, comfortably covering the ₹334.78 crore of debt repayment obligations falling due in the next four quarters. Of this, ₹242.33 crore was already repaid in 9MFY26. Average utilisation of fund-based and non-fund-based working capital limits together remained moderate at 71% for 12 months ended January 2026. This provides ample liquidity headroom, and available free liquidity buffer.

Key weaknesses

Exposure to raw material price volatility

Inherent to the tyre industry, raw material cost constitutes the largest cost head, accounting for 65-70% of the total cost of sales. Principal raw materials for BKT are natural rubber, synthetic rubber, carbon black, and other chemicals. Rubber and crude oil are global commodities and prices vary across international markets, making the tyre business highly sensitive to their movement. Rubber prices peaked at ₹238 per kg in August 2024 but have since moderated and are expected to remain stable in FY26. Average rubber prices increased by 28% from ₹156 per kg in FY24 to ₹200 per kg in FY25, stood at ₹198 per kg by March 2025, and further moderated to ₹184 per kg by December 2025, easing by 4% y-o-y in 9MFY26. Crude prices also moderated in FY25 and 9MFY26, leading to a decline of 2% and 7% y-o-y decline in carbon black prices in FY25 and 9MFY26, respectively. Although price increases are taken periodically, operating margins remain susceptible to variation in raw material prices.

Exposed to intense competition in industry and currency risk

BKT operates in an intensely competitive OHT market, with competition from global manufacturers, domestic players and cost-competitive Asian suppliers. This competitive landscape can constrain pricing flexibility, particularly in price-sensitive segments. While BKT benefits from strong brand recognition and niche product capabilities, it needs to continue differentiating through technology, product performance and service to sustain its market position. As a net exporter, BKT is exposed to foreign exchange fluctuation risk, primarily from export receivables. The company mitigates this exposure through active hedging strategies, including, foreign exchange and cross currency forward contracts, and through foreign currency borrowings that provide a natural hedge, lower interest costs and partially offset imports of raw materials and capital equipment. CareEdge Ratings expects BKT's pricing flexibility and profitability to remain sensitive to competitive intensity and movement in foreign exchange rates in the near term.

Exposure to the US reciprocal tariffs measures

BKT remains exposed to the adverse impact of U.S. tariff measures, given that the U.S. has historically been a key export market contributing ~10% of its revenue in FY25, with the Americas accounting for 15.2% in FY25 (PY: 16.9%). Imposition of the 25% US reciprocal tariff effective August 07, 2025, and later to 50% effective August 27, 2025, increased landed cost for Indian exports, including tyres, adversely affecting BKT's sales in the US market. As a result of these higher cumulative tariffs, the contribution of the Americas declined to 13.9% in 9MFY26 (PY: 16.4%). While BKT has been able to partially pass on these elevated landed costs, it continues to absorb a portion of the tariff burden which has impacted the margins.

Tariff conditions eased in early 2026 after the US withdrew the additional 25% Russia-related duty from February 07, 2026, reducing part of the burden on Indian exports. Around the same time, the US and India outlined an interim trade framework that includes a proposed 18% reciprocal tariff on select Indian goods, though this is not yet effective. Policy uncertainty increased further after the US Supreme Court struck down earlier reciprocal tariffs on February 20, 2026, prompting the US administration to introduce a temporary 10% global import tariff for 150 days, adding to overall volatility.

Consequently, CareEdge Ratings expects tariff-led uncertainties to persist in the near term till the time comprehensive US–India trade arrangement is finalised. CareEdge Ratings expects that BKT's realisations and margins from the US market to remain uncertain in the near term given the evolving tariff regime and continued policy volatility.

Environment, social, and governance (ESG) risks

CareEdge Ratings believes that BKT's ESG profile supports its strong credit risk profile.

Environmental:

- The company integrates environmental considerations into product development.
- Products are stated to be designed with environmental and safety considerations, and the company has obtained REACH SVHC compliance certification for all manufactured products.
- BKT was also one of the first tyre companies to comply with the REACH requirements of the European Union, underscoring its environmental commitment.
- Regular supplier audits are conducted to ensure adherence to quality, safety, and sustainability standards.
- The company continues to adopt measures to address climate-change-related risks and is increasing its use of renewable energy sources such as solar power and other low-carbon fuels.
- Wastewater treatment is closely monitored, and the Bhuj and Waluj plant operates on a zero-liquid-discharge basis.
- As a member of the Global Platform for Sustainable Natural Rubber (GPSNR), BKT benefits from standardised sustainability reporting and digital frameworks supporting compliance with the European Deforestation Regulation (EUDR).
- In FY25, the company used 32% renewable raw materials, recycled or reused 98.17% of waste generated, reduced non-renewable grid electricity consumption by 21.37% Y-o-Y, and achieved a 14.92% Y-o-Y reduction in total waste generation.

Social:

- Education, healthcare, and rural development form the core of the company's CSR programme.
- BKT also supports mid-day meal programme aligned with the Government's PM POSHAN initiative benefiting ~30,000 school children in Bhuj.
- It also supports infrastructure upgrades across schools, communities, and hospitals.
- The company assists under-construction educational institutions by providing drinking water systems, sanitation facilities, and teacher training programmes.

Governance:

- The company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical, and transparent governance practices.
- Presently, the Board consists of two women directors and 50% of its board comprises independent directors (four out of eight directors).

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Auto Components & Equipments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Tyres and rubber products

Incorporated in 1961, BKT is engaged in manufacturing specialty tyres, known as OHT, that cater to agriculture, industrial, construction, earthmoving, mining, port, lawn and garden, and all-terrain vehicle (ATV) applications. The company offers over 3,600 SKUs as on December 31, 2025. BKT exports its products to over 160 countries across Europe, America, and Australasia. The company operates four tyre manufacturing plants in India at Waluj (Maharashtra), Bhiwadi (Rajasthan), Chopanki (Rajasthan), and Bhuj (Gujarat). It also runs a carbon black manufacturing facility at Bhuj (Gujarat), a windmill at Jaisalmer (Rajasthan), and a mould plant at Bhuj (Gujarat). The company has an achievable tyre manufacturing capacity of 360,000 MTPA as on December 31, 2025, supported by backward-integrated carbon black capacity of 265,000 MTPA, including 30,000 MTPA of high-value advanced carbon material used partly for captive consumption and partly for external sales.

Brief Financials (₹ crore): Consolidated	FY24 (A)	FY25 (A)	9MFY26 (UA)
Total operating income	9,541.17	10,714.31	7,890.26
PBILDT*	2,435.65	2,737.69	1,660.47
Profit after tax (PAT)	1,471.49	1,654.96	943.64
Overall gearing (x)	0.35	0.32	NA
Interest coverage (x)	21.47	21.30	17.05

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	Proposed*				750.00	CARE AA+; Stable

*The proposed NCDs will be issued in multiple tranches, carrying a coupon rate of ~7.45%, with maturities falling at the end of the 3rd, 4th, and 5th years.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Debentures-Non-convertible debentures	LT	-	-	1)Withdrawn (23-May-25)	1)CARE AA; Positive (03-Jul-24)	1)CARE AA; Positive (04-Jul-23)	1)CARE AA; Positive (06-Jul-22)
2	Debentures-Non-convertible debentures	LT	750.00	CARE AA+; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	BKT Europe S.R.L	Full	Wholly owned subsidiary
2	BKT USA INC	Full	Wholly owned subsidiary
3	BKT Tires (CANADA) INC	Full	Wholly owned subsidiary
4	BKT Tires INC	Full	Wholly owned subsidiary
5	BKT Netherlands B.V.	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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