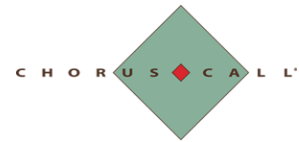




“Balkrishna Industries Limited
Q4 & FY '25 Earnings Conference Call”
May 24, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 24 May 2025 will prevail.



MANAGEMENT: **MR. RAJIV PODDAR – JOINT MANAGING DIRECTOR**
MR. MADHUSUDAN BAJAJ – SENIOR PRESIDENT &
DIRECTOR (COMMERCIAL) & CHIEF FINANCIAL
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MR. RAVI JOSHI – DEPUTY CHIEF FINANCIAL OFFICER
MR. SATISH SHARMA - SENIOR PRESIDENT &
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MR. SUSHIL MISHRA – HEAD, ACCOUNTS
SGA- INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to the Balkrishna Industries Limited Q4 and FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company on date of this call, these statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Rajiv Poddar, Joint Managing Director. Thank you and over to you, sir.

Rajiv Poddar: Good morning. Thank you for that. Thank you to everyone for coming on this call today and being here. I am joined along with Mr. Bajaj, Senior President & Director (Commercial) & CFO; Mr. Satish Sharma, Senior President & Director - Business Development & Strategy; Mr. Ravi Joshi, Deputy CFO; Mr. Sushil Mishra, Head of Accounts; and SGA, our Investor Relations Advisor.

Let me first begin with an overview of our 5-year strategic plan. At BKT, we have set a clear and shared ambition to reach a revenue milestone of approximately INR23,000 crores by 2030. To achieve this, we are moving forward along with 3 levers of growth.

Lever 1, the OHT business:. Here, we aim to achieve 70% contribution on the enhanced revenue by the financial year 2030.

Lever 2, carbon black: Here, we aim to achieve 10% contribution of enhanced revenue by the financial year 2030 from third-party sales.

And lever 3: We now plan to enter new tire categories for the Indian market. This should deliver around 20% of enhanced revenue by the financial year 2030. However, the major contribution of this will come in the back end of this journey.

I will now provide more details about all 3 levers individually.

Lever one, the off-highway tire business. We have achieved global leadership in agricultural tire sector, and we intend to reinforce this position across all geographies. At the same time, we are ready with a strong product portfolio in other sectors, that is, rubber tracks, mining, industrial and construction tires.

Our commercial entry into the rubber track segment has been well received and in response to growing demand, the Board of Directors has approved the expansion of our dedicated manufacturing facility for rubber tracks. This project is expected to commence production in the

second half of financial year '26 and will enhance both our product offering and market reach in the agriculture sector.

In the Mining segment, we are proud to say that we are the only Indian tire manufacturer to have developed the all-steel radial technology on our own, and we produce currently up to 57-inch.

With full range in both bias and radial technology now in our portfolio, the global mining tire market offers us a clear runway for accelerated growth. Geographically, we maintained steady progress in Europe, while driving expansion across Americas, India and select high potential markets. Our current production capacity stands at 360,000 metric tons per annum. And with the already announced capex of 35,000 metric tons and some debottlenecking, we are ready to scale up this production to 425,000 metric tons per annum.

This gives us the capacity to target an 8% share of the overall market share globally. Any signs of improvement in the global macroeconomic and geopolitical environment will act as a catalyst for us to achieve the aspiration of 10% global market share. However, reaching 10% continues to remain our strategic goal to be pursued through modular carefully phased investments.

Lever 2, carbon black. Over the past 3 years, we have laid a solid foundation for our carbon black business. Our product is now well accepted by major OEMs in India and globally. We aim to position ourselves as a preferred and strategic tire supplier to the tire industry.

We also see significant revenue and margin potential in non-tire segments, including the advanced carbon black line of us, which has gone on stream last year. To capitalize on synergies with our tire operations and leverage energy and raw material integration, the Board of Directors has approved the expansion of our carbon black plant from 200,000 metric tons per annum to 360,000 metric tons per annum. Along with this, a 24- megawatt cogeneration power plant will be added, taking the power capacity to 64 megawatt at Bhuj. This expansion is expected to be completed by early '26.

Lever 3, new tire verticals for India. India's economy is growing and so is the demand for all tire categories. Further, we also take inspiration from our own journey in the Indian OHT segment over the last 5 years. From a modest presence, we now hold over 15% share in the agricultural replacement market and have also established dominance in other OHT subsegments.

The brand investments that we have done in the Indian market over the last few years have further played a significant role in our success. Following the successful development of our all-steel radial platform, we believe we now have the right technological base to extend value to newer customer groups.

With this, we are planning a modular entry into the premium passenger car segment and commercial vehicle radial tire segment with the initial focus on the replacement market for India.

The commercial vehicle radial tire pilot will launch in Q4 of financial year '25, '26, and then it will gradually be ramped up.

The PCR tires pilot will follow in Q3 of financial year '26, '27, and then it will gradually ramp up.

By 2030, these new verticals are expected to contribute around 20% of our overall sales, leading to approximately 5% market share in India, allowing BKT to participate in non-OHT total addressable market of additional INR80,000 crores in India alone.

I now move to capital expenditure. To support these 3 levers, we have outlined a capex plan of INR3,500 crores to be spent over the next 3 years. Please note, this is to be funded mainly through internal accruals.

Let me now touch briefly on our competitive advantages.

Our carbon black plant is integrated to generate power, which is consumed directly by our tire facilities. It helps us mitigate one of the key cost components in tire manufacturing. Additionally, it also gives us control over one of the key raw materials in the tire manufacturing journey.

Second, we already own the land, have upstream equipment in place and also possess talent and systems required to scale up as we move in this journey.

Thirdly, our past investments in brand building in India will now generate greater value across our wider revenue base.

On the basis of the above stated competitive advantages, we expect blended margins post full commercialization to be in the range of 23% to 25%. This will allow us to grow our absolute EBITDA significantly.

On enhanced revenue, backed by our superior product mix and operational strength, we do not anticipate significant decline in ROCE once we achieve our full potential. I hope this has provided a clear and structured view of our strategic direction for the next 5 years.

Let me now give you financial highlights. Despite ongoing geopolitical tensions and global economic uncertainty, we have delivered strong performance. We achieved our highest ever annual sales revenue driven by our global footprint and resilient business model. Volume growth exceeded expectations, highlighting the robustness of our business strategy and also a well-laid out execution plan by our team.

Looking ahead, we remain focused on strengthening our product lines and market presence. Any improvement in market conditions will act as a strong tailwind in this journey. For the quarter, our volume stood at 82,062 metric tons, similar to the same period last year.

For the full year, volumes stood at 315,273 metric tons, recording a growth of 8% year-on-year. Our stand-alone revenue for the quarter stood at INR2,838 crores, registering a growth of 5% year-on-year. This includes realized gain on foreign exchange pertaining to the sales of INR91 crores.

For the whole year, the stand-alone revenue stood at INR10,615 crores, registering a growth of 13% year-on-year. This includes realized gains on foreign exchange pertaining to the sales of

INR202 crores. The stand-alone EBITDA for the quarter was at INR703 crores with a margin of 24.8%. For the whole year, the stand-alone EBITDA was at INR2,682 crores, registering a growth of 16% year-on-year basis.

The margin for the full year stood at 25.3%. Other income for the quarter stood at INR55 crores, while for the full financial year '25, it was INR267 crores.

Profit after tax for the quarter was recorded at INR362 crores, down by 25%. This was primarily on the account of M2M loss to the tune of INR58 crores and higher financial costs compared to the same quarter last year. For the whole year, the financial year of '25, we have recorded INR1,628 crores, registering a growth of 13%.

For this financial year, our capex spend was INR1,500 crores. Our gross debt stood at INR3,212 crores at the end of 31st March '25. Our cash and cash equivalents were INR3,327 crores. Accordingly, we have a net cash of INR115 crores approximately.

The Board of Directors has declared a final dividend of INR4 per equity share, subject to shareholder approval in the AGM. This brings the dividends to INR16 per share, including the earlier 3 interim dividends that were given.

I reiterate once again before ending that this vision is not just a destination, but we see it as a continuous journey of organic growth via modular expansions driven by long-term commitment to product and operational excellence, brand building and most importantly, stakeholder value creation. At BKT, we are focusing not on the near term, but for the next 25 years of business growth.

With this, I conclude my remarks and leave the floor open to Q&A.

Moderator:

Thank you very much. The first question is from the line of Siddhartha Bera from Nomura. Please proceed.

Siddhartha Bera:

Sir, first question again is on this new segments which we are planning to enter over the next 5 years. Some more clarity if you can share because these are quite competitive segments in terms of the number of players who are there, been operating here for quite some time and we probably being one of the quite late entrants now.

So what gives us the confidence of, probably, the right to win here? And how do you think in terms of the product or the brand, the sort of ramp-up will be here? I'm sure you need to maybe invest a lot more on network brand building as well. So some color there, how you think about some of the investments now as we enter these new segments going ahead?

Satish Sharma:

This is Satish Sharma this side. Like you rightly said, nothing is ever easy, but our strategy is based on various principles that we have. The first and foremost is the way Rajiv explained that the way we have entered and demonstrated success in the agriculture and other segments of off-highway in the Indian market over the last 5 years is very much evidenced in the kind of things that we can do in the market. And India is a growing economy.

The other thing is that our all-steel radial technology in off-highway also lends itself very strongly to our entry into the truck bus radial market in India, which is the commercial vehicle segment, given the fact that the Indian economy is growing at 6.5%, there is a growth in all these categories. Given our business model and our demonstrated success, we do believe that we can create a difference in the Indian market, and we are fairly confident about doing that.

Siddhartha Bera: Got it, sir. On the investments, like I was checking, we do spend around 5% every year to sort of improve the brand visibility in both India and global markets. So now with this new foray, do you think that also changes because you need to maybe reach out more to -- and we are targeting the replacement segment.

So we maybe need to reach out more to the consumers in India. and on the network also. So do you think there will also be some change to the investment plans you have over the next few years in these areas?

Rajiv Poddar: No, we see ourselves maintaining the level. And you'll see the benefit towards the end of this 5-year journey, you will see a cumulative benefit coming in. And as the enhanced turnover starts getting -- we start reaching it, you'll see the spends in percentage terms come down. So the benefit once it is reaped, you will see it come down.

Siddhartha Bera: Got it, sir. Lastly, sir, on this capex spend of INR3,500 crores, possible to break up how much you are planning for each segment? And what does it mean for our capex spend for FY '26?

Rajiv Poddar: No, we don't have -- I mean, we are not ready with the breakup since the budget has just been approved to be spent by the Board of Directors over the next 3 years. Now we will work out in more detail.

Siddhartha Bera: But sir, for FY '26, how much should we assume? Any color there?

Rajiv Poddar: About INR1,000 crores to INR1,500 crores.

Moderator: The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna: Sir, just continuing with the previous participant's question. So when you say pilot plants of PCR and TBR, what capacities are we talking about for the pilot plant? And b, in terms of selling the output, are we just looking at the domestic market, or are we potentially looking at exporting and tying up with OEMs abroad?

Satish Sharma: Yes. So I was saying that the truck bus radial tires, we are going to come from our existing already announced mining TBR capacity in the earlier times. So that will allow us an early entry in the truck bus radial market.

And as far as car radial is concerned, it's going to be a little later in the time horizon. The entry is in the domestic market only and in a phased manner. So the capacity planning, etcetera, is still being worked on.

- Arjun Khanna:** Sure. So there is no capacity also let us know at this point in time for both of the segments?
- Rajiv Poddar:** No. As we said, we are working on that, and we don't have that breakup.
- Arjun Khanna:** Right. Sir, the second question is just moving to the core business currently. Is there any guidance you could provide us with for FY '26 in terms of volume given that we are starting the year? And secondly, in terms of the specialty carbon black, could you help us with how that trending is given that it would have come on stream during FY '25?
- Rajiv Poddar:** So regarding the core business of ours, the off-highway, we cannot give any guidance on the current global scenario because it's very volatile with the trade wars going on in one part of the world, geopolitical wars going on in the other parts of the world. So we cannot give you any visibility on that. As far as the carbon black specialty is concerned, I'll give it to Mr. Bajaj.
- Madhusudan Bajaj:** So carbon specialty business started only in September last year. So only trials are going on. It will take some time to take the business forward.
- Arjun Khanna:** Sure. And do we see what would be the outlook for FY '26? Would we see peak utilization in '27?
- Rajiv Poddar:** For the advanced carbon black?
- Madhusudan Bajaj:** No. Are you asking for new capacity or advanced carbon?
- Arjun Khanna:** For the specialty carbon black sir?
- Madhusudan Bajaj:** '27, yes, we should see some utilization will be there.
- Moderator:** The next question is from the line of Basudeb Banerjee from CLSA. Please proceed.
- Basudeb Banerjee:** A couple of questions. This kind of tariff uncertainty scenario and geopolitical aspect which you highlighted, so what is the inventory situation in your end distribution? Has there been any prebuying before hearing the tariff as such? So, how do you look at this wholesale number from an inventory perspective?
- Rajiv Poddar:** So inventory at our distributor level is stable at the level that we wanted to -- desired level, so it's stable.
- Basudeb Banerjee:** Okay. That's perfect. And second thing, sir, as you rightly said, domestic OHT tire market being around INR80,000 crores and your desired revenue of INR4,300 crores is 5%. But by FY '30, this INR80,000 crores might move up to INR1 lakh crore plus and then the market share after FY '30 at your initial investment is going to be sub 4%. So do you think that at such a marginal presence, it will help you to derive industry competitive profitability as such from that angle?
- Satish Sharma:** So like Rajiv has already explained that we derive a fair amount of competitive advantages, in the way that we plan to enter the market. And we see that playing out for us. Regarding the marginal presence that you mentioned, our plan will continuously evolve given the -- and we will base it on the response that we get from the market. And we are hoping that we'll get a

strong response. And if that plays out the way we envisaged, we will keep evolving our own plan to enter the market.

Basudeb Banerjee: That's great. And last quick question, Rajiv sir, or Bajaj, this new project, which you said INR3,500 crores combined capex and existing business capex of INR1,000 crores to INR1,500 crores, then would it be right to assume INR2,500 crores kind of capex in '26, '27, '28 each year?

Madhusudan Bajaj: 3 years, INR3,500 crores we envisage will be spent.

Basudeb Banerjee: That is for the new projects and existing OHT business, maintenance and growth capex that...

Madhusudan Bajaj: Yes. That will be separate.

Basudeb Banerjee: So combined capex per year can be INR2,500 crores?

Rajiv Poddar: It will be between INR1,500 crores and INR1,800 crores at a peak because those capex may also come down once you've already done those capex. So it won't be continued in the OHT business so much.

Basudeb Banerjee: Okay. So largely the new project capex will be more towards FY '28 to '30 and not '26 to '27. And by that time the OHT capex will slow down?

Rajiv Poddar: It will be '26 and '27 and then you will start reaping the benefits of it in '28 to '30.

Moderator: The next question is from the line of Pramod Amthe from InCred Equities.

Pramod Amthe: First of all, I wanted to understand what criteria did you use other than your expertise in the normal radial technology to expand the new segment. The reason to ask is, are there any financial ROCE parameters used? Or why didn't you try to enter 2-wheelers, which might be relevant considering the rural penetration for 2-wheelers?

Rajiv Poddar: So we've used a mix of a lot of -- I mean, there are a lot of parameters which go behind the scene to make decision and convince the Board. But that was all for internally to be used to convince the Board. And now that they have given those clearance, we are going ahead with our project. It may not be possible for us to explain all the decisions at points that we were look at to convince our Board. But lot of parameters were definitely looked into.

Pramod Amthe: And any reason to keep the 2-wheeler tires out or you may look at it at a later stage?

Satish Sharma: We are already present in 2-wheelers, albeit in a very small way, and we hope to grow that business as well.

Pramod Amthe: So my question is more like the new segments which you are entering, there seems to be a continuous process-driven tire production versus the existing one where you specialize into a batch production for OHT or farm tires. So what type of manufacturing expertise you need and what we need to as investors watch out in terms of scrap or efficiency of the existing plants to bring in?

- Satish Sharma:** So firstly, you're very right in your observation, my compliments to you. so from our existing manufacturing, there are -- obviously, we'll draw synergies and capabilities, which are also needed in the business that we are getting into. At the same time, we have to develop new capabilities. So we are pretty much ready to deliver what it takes in adding the new capabilities which are needed.
- But at the same time, we are going to be enormously helped by the existing capabilities. After all, it's a tire manufacturing process, which is not very different, though the nature of businesses as you pointed out is different. So it's a mixed bag there.
- Pramod Amthe:** Sure. Thanks for the detailed answer. If I can ask one more question. You guys have been smart enough to identify niches between the tires and command the market share or the profitability. Do you see such opportunities within the broader truck tire space or within the car tire space, which exist which you can exploit over a period of next 3, 4 years?
- Satish Sharma:** Thanks for complementing us on the strength that you have identified. We do hope to carry this strength forward.
- Rajiv Poddar:** And just to add on to that, we are looking at such niches and that's why we are confident that despite entering competitive segments, our overall -- at peak, once we achieve full expansion and revenue, our EBITDA margins may not be diluted that much because we are going to focus on premium niches within these sectors. So we are not going to be catering at generic levels.
- We will continue our specialized approach that is what has brought us to this level will be continued in that. So that's why we are confident of our EBITDA margins and ROCE being at the levels where they are currently.
- Pramod Amthe:** Sure. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Raghunandan from Nuvama Research. Please proceed.
- Raghunandan:** Thank you, sir for the opportunity. Firstly, on the point which you highlighted that the focus will be on premium niches. Can you elaborate more on the target segments within the PCR, would you be focusing on certain diameter and above? And within the TBR, what would be the focus areas for you?
- Rajiv Poddar:** Let us work on it. We would not like to diverge this information at this moment, but as and when things play out, we'll definitely keep everybody aware of what we are doing, but not at this stage.
- Raghunandan:** Got it, sir. And I understand that out of INR3,500 crores, the exact breakup plans everything are yet to be finalized. Not asking for the near-term number, but by 2030 you are working with about, say INR4,600 crores of revenue target, which would mean that even if I assume a 1.5x gross asset turnover, a minimum capex of INR3,000 crores would be required. Would that be a fair way to think about the long-term capex requirement?

- Rajiv Poddar:** Roughly, yes by rule of thumb. Roughly, but with that we have to remove the -- some of the synergies that are already there. As I mentioned, we have the land, we have some upscale equipment. So you can remove that and reduce that cost, which will be accommodated in the OHT and carbon business. That's why we are quite confident that with this spend of INR3,500 crores, we should be able to hit our expected revenue of INR23,000 crores.
- Raghunandan:** Understood. So with this INR3,500 crores, we should be ready to achieve the target of that 30% revenue from both carbon black and 20% revenue from TBR and PCR?
- Rajiv Poddar:** Yes.
- Raghunandan:** Got it. Sir, on the U.S. tariff which you alluded to, currently would you be incurring 10% base tariff for current exports to U.S.? And is this passed on to customers or are you absorbing the impact?
- Ravi Joshi:** So it is being partly split between us and the customers.
- Raghunandan:** Got it. So currently, I mean, the earlier tariff was, say, 2.5% to 3% and now it has gone to 10%. So that delta of, say, 7% you are saying is partly being passed on and partly being absorbed. Would that be right?
- Ravi Joshi:** So the tariff is over and above whatever was there existing. So 10% is being split between us and the customer.
- Raghunandan:** Got it, sir. And very near term, can you indicate your expectation for commodity cost for Q1 and freight expectation, whether you expect any benefit on gross margin?
- Madhusudan Bajaj:** Okay. So freight is almost stable and raw material prices are coming slight down. So maybe some benefit we will see in the next quarter.
- Raghunandan:** Can you quantify, sir, would it be like 2%, 3% benefit on a Q-on-Q basis, Q1 versus Q4?
- Madhusudan Bajaj:** About approximately 1%.
- Raghunandan:** Got it, sir. And lastly, can you share the hedge rate for FY '26?
- Ravi Joshi :** We don't have handy number as of now. We'll circle back with you.
- Raghunandan:** Thank you so much, sir. Wishing you all the best on all the new plants.
- Moderator:** Thank you. The next question is from the line of Lokesh from Vallum Capital. Please go ahead.
- Lokesh:** Yes, hi. Good morning to Rajiv and team. My first question was on the margins. If we see the peers in the Indian market, they enjoy somewhere around 12% on an average cycle adjusted EBITDA margins. So just briefly what gives you the confidence that margins will not be dilutive? I mean you're talking about a double jump when you say 23% to 25%, you'll be able to maintain your long-term average within these segments. So it's a big jump. So just trying to understand?

Rajiv Poddar:

So firstly, let me clarify. In the next 2 years, operational financial years, there will be no dilution because our new business will not come on stream. One, as I mentioned that revenue and the sales will come towards the back end of this. Secondly, it will be a very small component of my overall business. It is going to be rather small. It's going to -- 70% of my revenue comes from the OHT part of the business.

And thirdly, as I mentioned earlier, we are going to focus on premium niches and not at a very mass level and generic sort of commodity business within those segments also. So all these three put together and certain competitive advantages that we enjoy, all of that put together, we are quite confident along with my team to be able to maintain our blended margin. So we are not talking about individual margin of new vertical or carbon or OHT. We are talking about a blended margin to be maintained at these levels.

Lokesh:

Right. Fair enough. Rajiv, second question was on the rubber track. If you can just throw some light on some more details on what these applications are and where they're going. And just a follow-up to that is in the -- with your new strategy to enter new tires in India, are you targeting replication of your distribution network as in your current distribution network is also being in OHT and are they also present in TBR and PCR, which is giving you the confidence to scale?

Rajiv Poddar:

So regarding the rubber tracks, as you are aware that we had started our pilot project earlier and we've got good response, good feedback from our products. And with that success, we are now looking to expand it. We are going to be catering to agricultural tracks as well as construction and industrial tracks. This completes the whole gamut of applications in the rubber track segment.

As far as the distribution network for the new verticals, we are yet working on it. We have just got our approval now and we will start working. So it's too early to comment on what kind of a network we will use and all. But yes, we have a lot of in-house strength and knowledge about the route that we need to take, but we are going to start putting it into action, and we will come back with more details as and when it plays out in the marketplace.

Lokesh:

Just last clarification. Rubber track will be domestic and export, both?

Rajiv Poddar:

Yes. All of our OHT line is going to be for global market, including India. It is just the new verticals, which are going to be pertaining to Indian market.

Lokesh:

So that should take you to the 8% conservative market share and the 10% if the macros in your favor?

Rajiv Poddar:

Yes. So yes, absolutely, you're correct. So you've actually taken the words out what I was going to tell you that we are currently at 6% and we are seeing the business growing to about 8%. However, as I mentioned, our global vision yet remains our ambition remains to be 10%. Please note that we are under a slow-moving economy. There are wars happening, there are trade wars happening. Uncertain times are there. So that is why we are looking at it very conservatively.

In case anything changes and there's a catalyst, we are absolutely ready to pounce on that opportunity and go back to our original vision of 10%. So that yet remains our ambition at BKT.

- Lokesh:** Fair enough. That's it from my side. All the very best. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sonal Gupta from HSBC Mutual Fund. Please proceed.
- Sonal Gupta:** Hi, good morning and thanks for taking my question Sir, just like you've announced this plan on premium PCR, etcetera. So premium, I mean, like are we talking about price positioning or are we talking that we'll be in the 16-inch and above sort of category, that's the target?
- Rajiv Poddar:** As I mentioned earlier, it's too early to give out these details. As and when we have executed our plans, we will share those details, but it's too early to share that at the moment.
- Sonal Gupta:** And I mean related to that, right, like would we need any sort of technological tie-ups here?
- Rajiv Poddar:** No. So far as BKT we have done more complicated stuff like the mining tires, radial technology, as I mentioned in my opening comments. So we do not envisage a requirement for any tie-up. We are quite confident of our in-house capability.
- Sonal Gupta:** Got it. And could you give me what is the revenue from carbon black for FY25?
- Rajiv Poddar:** It is roughly about 8% to 9%.
- Sonal Gupta:** 8%. I mean, like over the medium term, just trying to get like is your understanding now that on the OHT side, we'll sort of be able to grow at about 10% odd. And then, given that the cash flows we're generating, we can invest in these new areas to speed up our growth. Is that the thought process?
- Rajiv A. Poddar:** Yes.
- Sonal Gupta:** Okay. Got it, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Amar Kant Gaur from Axis Capital. Please proceed.
- Amar Kant Gaur:** Hi, good morning everybody. Thanks for taking my question. I had two-pronged questions. One is if you could maybe elaborate a little bit more on maybe lowering your market share target? And maybe throw some light on how has that market share trended over the last 3 to 4 years?
- Rajiv Poddar:** We have not lowered any target. sorry, your voice...
- Amar Kant Gaur:** In the near term.
- Rajiv Poddar:** Yes. Sorry, your voice was muffled. We couldn't pick that up.
- Amar Kant Gaur:** Yes. So maybe you can throw some light on how has our market share trended over the last maybe 5, 6, 8 years and from that, maybe build upon what now we are looking at maybe 8% kind of market share versus 10% that we had earlier?

- Rajiv Poddar:** So over the last few years, we have constantly been taking market share. We have grown from modest levels of 2% to 3%. And for a long time, we were at about 4% to 5% and now we are at about 6%. So that's of the global OHT market segment and as I mentioned earlier, that we are - currently under the current geopolitical and uncertain economic times, we are envisaging it to grow to 8% market share globally.
- In case if there is any improvement from here, we are ready to go back to our vision of 10%, which is our dream and ambition. In case that can be speed up or hastened up, we will not leave an opportunity to bounce on that. But we are conservatively saying that by 2030, we now see it to be 8%. So anything from here will be an improvement in the conditions, which will only help us improve our vision to get to 10%. So that yet remains our strategic goal.
- Amar Kant Gaur:** Okay. Thanks for that. My next question is on the new lines of business that we are building in. And you talked about maybe the new businesses not being very ROCE dilutive. So what would be the internal targets or anything aspirations that you would have in these new businesses that make you confident that you'll be able to maintain your ROCEs to current levels?
- Rajiv Poddar:** We are working on that internally. I would not like to disclose my strategy out at the moment. As I mentioned earlier, once it is played out in the marketplace, we'll come back and share those details with you.
- Amar Kant Gaur:** And sir, finally, on -- again, on the new lines of businesses. So now we see that you guys are quite resilient in terms of our business, in terms of RM volatility having an impact on your overall margins, gross and EBITDA. And now that we are getting into 30% of our business would be outside of this and would be more exposed to raw material volatility. How do you cope with that? Do you have any thoughts on that? Because that will lead us to be more cyclical in terms of our margins?
- Rajiv Poddar:** I think it's a work in progress. We have proved in the current set of business also that we are able to counter a lot of scenarios, and that has been our strength. We will continue that strength. And as and when any issues are coming up, we will come up with a way to tackle it. It's too early to give you a definitive answer on our strategy and thought process because we would like to let it play out in the marketplace and then come back to you. But internally, we have covered our basis. If that gives you confidence on our basis.
- Amar Kant Gaur:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Joseph George from IIFL. Please proceed.
- Joseph George:** Hi, thank you for the opportunity. I just have one question, which is on capex. So I just want to get the numbers right. So the INR3,500 crores is only in relation to the new projects. And that you mentioned will be front-ended with heavy spends in FY '26, '27 and maybe a smaller amount in '28 because for new projects, you'll have to do the Capex upfront. So is that right?
- Rajiv Poddar:** Yes, absolutely right.

- Joseph George:** Okay. And sir, what is the guidance for the capex on the OHT side? You did not give us specific numbers, but should we think of similar numbers as we have seen in FY '25 continuing in '26, '27, '28 broadly?
- Rajiv Poddar:** Yes. So I mean, we have already in our earlier approvals from the Board, we have got a 35,000 metric ton expansion approved, which is ongoing. After that, maintenance will only be spent on the OHT part of the business.
- Joseph George:** So does that mean much lower levels, maybe INR700 crores to INR1,000 crores annual capex on OHT for the next 2, 3 years? Just trying to get a handle on the number, sir?
- Rajiv Poddar:** Yes, maybe INR500 crores to INR700 crores on the maintenance side.
- Joseph George:** On the maintenance side. Understood. And to get to the 425,000, 430,000 tons, you don't have to spend anything more? I mean, nothing immediate?
- Rajiv A. Poddar:** We will do some minor debottlenecking, but we should be able to do that with the current maintenance spends.
- Joseph George:** Understood, sir. And the second thing...
- Rajiv Poddar:** This is after the capex done..
- Joseph George:** Understood. And the second clarification I needed was on the margins. So you mentioned that the 23% to 25% margin is something that you're seeing in steady state. That is once the new projects of the India TBR and India PCR reach steady state. Does it mean that in the interim, maybe FY '28, '29, when those businesses are really subscale, we will see lower levels of margins? And then when those businesses reach maybe sufficient scale on an improving trajectory get to '23 to '25?
- Rajiv Poddar:** Little bit marginally lower. Very marginally lower.
- Joseph George:** Understood. Just wanting to get a hold on the trajectory. Understood, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please proceed.
- Shashank Kanodia:** Yes. Thank you team for the opportunity. So, ust wanted to check, this is tariff thing, does it put us in any advantage position vis-a-vis other South Asian economies?
- Madhusudan Bajaj:** Yes, it put us in an advantage position because on Thailand and Vietnam, these countries have tariffs more than India.
- Shashank Kanodia:** Okay. Sir, have we witnessed any shift in volumes towards vis-a-vis these countries, sir? Is that trend evident now in our numbers?
- Madhusudan Bajaj:** They are majority on the TBR, PCR those segment. So not any visible sign.

- Shashank Kanodia:** Okay. And second, sir, what is the sustainable margins in the carbon black division? Because some of the peers which are listed and with decent amount of specialty domain are clocking something like 15%, 16% margin at the peak. So what's the margin trajectory right now? And what is the outlook over there?
- Rajiv Poddar:** We don't have that breakup handy of each division.
- Shashank Kanodia:** Okay. And are we looking for more of an export play in the carbon black domain or it's going to be more domestic sales because the peers are also kind of expanding aggressively in this domain?
- Madhusudan Bajaj:** Both. It's is currently it is domestic more, but in the coming time, export also.
- Shashank Kanodia:** Okay. And lastly, given the ASPs that currently, so with 4.25 lakh tones of tonnage, the realizable revenue seems to be closer to INR13,000-odd crores versus our target of roughly INR16,000 crores by 2030. So how do we reach this 20% gap? So it's going to be more of a product mix change led realizations or you're building some inflation to our ASP?
- Rajiv Poddar:** It's a mix of everything. So, some marketing spending will take us- improve our ASP, and the product mix will change. There will be a lot of -- there are a lot of factors to put in that inflation will come, dollar will -- exchange rates will come, market positioning will improve, product mix will improve. So it's a mix of everything.
- Shashank Kanodia:** Sure. Thank you so much. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please proceed.
- Mumuksh Mandlesha:** Yes. So sir, this quarter, realizations have improved Q-on-Q by 3%. So what has led to the improvement? Any price hikes have been taken, sir? And in the U.S. market, what kind of price hike have we taken after the trade changes, sir?
- Rajiv Poddar:** So there has been no price hike. It's product mix and hedge rate. And U.S., there is no price hike, as my colleague mentioned, we are sharing the -- I mean, some sort of share arrangement is there for the trade war impact.
- Mumuksh Mandlesha:** Got it, sir. That's all from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Vikram from DB Securities. Please proceed.
- Aditya Vikram:** Hi, sir. Thank you for taking my question. One of the things that we have noticed is that Q-o-Q and Y-o-Y, the margins have dipped down, right? What led to these pressures? Can you please call it out as to the raw material prices have been benign, but still the margin has come down?
- Madhusudan Bajaj:** No. During our last call, we also said that raw material prices are going up and will be peaking this quarter. So there will be some decline. There can be 1% or 2% decline in the margin and it is in line with that.

- Aditya Vikram:** Okay. Thank you. And sir, so going forward, what would be the steady state of margin which we are trying to achieve as a firm? Considering all the geopolitical pressures and everything which is surrounding us, what would be the steady state of margin which we can price in?
- Madhusudan B. Bajaj:** Around 25%.
- Aditya Vikram:** Okay. So this is 1 quarter blip, you don't foresee that to continue as a trend even with the trade wars. Okay. Sir, one other question. Most of our businesses are in Europe, right, or most of the revenues which we derive are from European region. Now if Trump's conversation which happened after the results, which were published yesterday, the tariffs are significantly hiked from June 1. Do you see we -- our company to be impacted significantly from that or do you not see a lot of difference in what is happening and how the sales will plan out?
- Rajiv Poddar:** Too early to comment. There are statements which are coming up on a daily basis. We are tracking it, but too early to comment on this impact.
- Aditya Vikram:** That is fine, sir. But if at all it happens, do you see a significant pressure on our firm or do we have levers to ensure that these impacts are not impacting us?
- Rajiv Poddar:** No. My friend, we can't offer any comment on that at the moment.
- Aditya Vikram:** Okay. Thank you very much, sir.
- Moderator:** Thank you. The next question is from the line of Alok Shah from Shree PMS. Please proceed.
- Alok Shah:** Sir, just want to understand the part of the manufacturing process that do we use recycled content in our tire manufacturing? And if yes, then can we foresee an improvement in the future margins of the product?
- Rajiv Poddar:** Some marginal is used. We cannot but comment a lot on that because that gives up our some recipe decision. So for the macro level, yes, we are using some recycled part of it.
- Alok Shah:** Okay. And secondly, is there any government regulation coming or any compulsion by the government that you have to use recycled content or some percentage of recycled content in the tires?
- Rajiv Poddar:** There is no regulation at the moment.
- Alok Shah:** Okay, sir. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, we take that as the last question. I would now like to hand the conference over to the management for closing comments.
- Rajiv Poddar:** So I'd like to thank everyone for taking the time out and hearing us and we look forward to meeting you next quarter. Thank you. Stay safe.
- Moderator:** Thank you. On behalf of Balkrishna Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.