Balkrishna Inds.

Operator: Ladies and gentlemen, good day and welcome to the Balkrishna Industries Ltd. Q2 and H1 FY27 earnings conference call. This conference call may contain forward-looking statements about the company that are based on the beliefs, opinions, and expectations of the company as of the 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 listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing star and 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 – Joint Managing Director: Thank you, Shaurya. Good morning, everyone, and thank you for joining us today. Along with me, I have Mr. Satish Sharma, Senior President and Director of Strategy and Business Development; Mr. Saroj Kuntia, CFO; Mr. Sushil Mishra, Head of Accounts; and SGA, our IR advisors.

Let me begin with my remarks on the quarter's performance. End markets across the globe were extremely volatile due to the evolving geopolitical situation. Despite this backdrop, we delivered good sales volume growth in Q2. Profitability was impacted by the headwinds caused by inflation in raw material and freight costs. Going forward, we believe these headwinds will continue in the coming few quarters. We did take some price increases; however, we could not fully pass through the cost-price inflation.

Similarly, in the carbon black business, we have continued to see raw material volatility led by higher crude prices. A key highlight was the recently announced tie-up with Pirelli for a strategic off-take agreement for the production of Pirelli-branded premium car tires at our facility in Bhuj. I would just like to add that, in Phase 1, production and sales are expected to start in the next calendar year, and we look forward to gradually ramping up sales volume to 8 lakh tires a year in Year 4, that is, in 2030. This strategic tie-up not only fills our capacity but also strongly establishes our position as a commendable player in the Indian premium PCR market. The agreement further paves the way for a second phase, which envisages certain conditions, including the creation of a 50-50 joint venture and the construction of a production plant dedicated to high-value passenger car tires for both brands, that is, the Pirelli brand as well as the BKT brand, to serve India and other international markets for both players.

Let me start with the highlights of our OHT business. Our OHT business delivered good sales volume growth in Q2. The sales momentum was led by an uptick in our end markets and segments. It is important to note that the growth is not exactly comparable with last year, as Q2 was marred by very low sales from the US owing to tariff situations. In Europe, we faced challenges due to extreme weather conditions and the related pressures on the agriculture market. Despite this, we have continued to build on the strong position we have created for the BKT brand in all major countries in the European market. India has continued to outperform. We have seen positive trends across all micro-markets in India despite erratic monsoons. In the Americas, we witnessed stable sales. We are focusing on sharper execution to further increase our market share in this larger geography. One of the emerging growth levers for us in the OHT segment is the positive response from our end markets for our all-steel radial mining tire range, which is increasingly finding acceptance in the

Report is AI-generated and may contain inaccuracies.

major mining markets across the world. I now invite Satish to share insights on the other two businesses.

Satish Sharma – Senior President & Director (Strategy & Business Development): Good morning, everyone. I will start with the carbon black business. For Q2 FY27, our carbon black business recorded decent revenue growth on a year-on-year basis, with third-party sales now at around 10% of the overall business. We are seeing robust demand for our range of products. Having completed all capex, we are firmly increasing our customer base. Further, we are initiating a roadmap for accelerated product development toward higher-margin specialty blacks.

Let me now move on to our on-road business. Our TBR and two-wheeler range of tires has gained strong acceptance from both the channel and the end users, ensuring that we have a steep ramp-up in both production and sales. Further, in this portfolio, we are looking forward to the launch of PCR tires in January 2027. The recent tie-up with Pirelli has also evoked a very strong positive sentiment from our channel partners. With this summary, I now invite Saroj to share our operational and financial highlights.

Saroj Kuntia – CFO: Good morning, everyone. I will now share our operational and financial highlights. For H1, tire sales volume stood at 185,187 metric tons. Of this, the on-road portfolio contributed early single-digit volume to the Q2 sales volume. Our standalone revenue for the quarter stood at Rs.3,450 crore, registering growth of 49% year-on-year. This includes a realized foreign exchange loss pertaining to sales of Rs.41 crores. For H1, standalone revenue stood at Rs.6,859 crores, registering growth of 35% year-on-year. This includes a realized foreign exchange loss pertaining to sales of Rs.76 crores.

Standalone EBITDA for the quarter was Rs.629 crore, with a margin of 18.24%. The margin was particularly impacted on account of raw material prices due to the global geopolitical situation and its impact on the supply chain. Further, India's contribution has increased to about 40% of overall volumes, which has also impacted the margin slightly. For H1, EBITDA stood at Rs.1,332 crore, with a margin of 19.42%. Profit after tax for the quarter was recorded at Rs.291 crore, while H1 PAT was Rs.723 crore.

Our capex spend for H1 FY27 was approximately Rs.1,850 crore. As of September 30, 2026, gross debt and cash and cash equivalents were approximately Rs.5,985 crore and Rs.3,100 crore, respectively. Accordingly, we have net debt of approximately Rs.2,887 crore. The Euro rate for Q2 FY27 is around Rs.103. The board of directors has recommended a second interim dividend of Rs.4 per equity share, in addition to the Rs.4 paid for Q1 FY27. I now hand over back to Mr. Poddar.

Rajiv Poddar – Joint Managing Director: Thank you. I would like to conclude by wishing all of you the best for the season's greetings. With this, I conclude my opening remarks and leave the floor open for Q&A.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Participants are also requested, in order to ensure that management is able to address questions from all participants in the conference, to limit their

Report is AI-generated and may contain inaccuracies.

questions to two per participant. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ragunandan NL from Nuvama Research Limited. Please go ahead.

Ragunandan NL – Nuvama Research: Congratulations to the team on the strong volume performance, and wishing you a very happy Diwali. My first question is on the volume trajectory. This has been an extremely strong performance for two quarters, especially in a challenging environment. Going forward, would you see the run rate of about 90,000 metric tons plus sustaining in the second half of the year? And what are your thoughts specifically on the low base supporting you?

How do you see the growth ahead for the European market, market share gains in America, and the continuation of growth in India? Can we expect the 90,000-per-quarter run rate to continue?

Management: [pause] Good morning to all of you. I think there is some... there is some background noise. Can you mute if you can? Thank you for the question. While I cannot comment on any particular number, it will be our endeavor to hit those numbers, and that is what we are trying to do: maximize sales and revenue growth.

Ragunandan NL – Nuvama Research: Noted, sir. My next question is on the on-road tires. It is good to hear about the initial positive acceptance. On the on-road tires, is this part of the tire volume? There is this other portion of 8,000 tons; are on-road tires part of that? How much will the on-road contribution be within that, and how do you see this business revenue ramping up in FY27 and FY28? Also, is there a cost impact relating to on-road tires in our Q2 results?

Management: Yes, you are right. It is a part of those 8,000 tons and, as Sathish mentioned in his opening remarks, it is a low-single-digit volume. Of course, we expect this to continue to grow. We are following our Vision 2030 roadmap, where we have said that we would like 5% of the market share to come by 2030 and 20% of our turnover to come from this new vertical. That is our endeavor, and we are quite sure of achieving that vision. Thank you.

Ragunandan NL – Nuvama Research: Thank you, sir. Just one last question on Q2: how much was the commodity inflation impact, and what is the expectation for Q3? Also, what price increase was taken in Q2, and what is the plan for Q3?

Management: [pause] I cannot comment on the first part of the question on this forum. On the second part, we have tried to pass on a price increase of about 2-3%, mainly in the Indian market. Globally, we are looking at the current environment and using a judicious mix of price and volume. We are making a tactical play in this, and that is what we are doing. This will continue in the coming quarters.

Ragunandan NL – Nuvama Research: Thank you very much, sir. Wishing you all the best. I will fall back into the queue.

Operator: Thank you. The next question is from the line of Siddharth Bera from Nomura Holdings. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Siddharth Bera – Nomura Holdings: Thank you for the opportunity, sir, and congratulations on a good set of numbers. My first question is on the raw material side. If I look at it per ton, it has increased quite steeply in the current quarter by over 17%. You had highlighted 5-6% cost pressure in the last call. Will it be possible to share whether that is the case, or was the cost pressure higher? How much impact would have come from the new categories that we are scaling up?

Management: As I mentioned in my opening remarks, the cost pressure would continue, and we are seeing it continue for the next couple of quarters.

Siddharth Bera – Nomura Holdings: Okay. Are we planning to take any further price increases in the coming quarter to offset this cost pressure? Can you share any quantum?

Management: [pause] At this moment, I will not share the quantum, but I will repeat my statement that we will continue to look at the current environment and, within this, use a judicious mix of price and volume to continue to balance growth as well as profitability. It will be a tactical play between the two, which we will continue to undertake.

Siddharth Bera – Nomura Holdings: Understood, sir. On the other line items, could you share the freight cost figure, because I would assume that this cost would also have gone up? Any number for freight cost as a percentage of sales would be helpful. On the capex side, we have already spent about Rs.1,850 crore, and we had targeted Rs.3,000 crore for the year. Does it remain on track, or do you think there could be an increase?

Management: Regarding freight cost, it is around 6.5% of the total sales value. Regarding capex, it is on track. We have already spent around {? 18,500 ?}... Rs.1,850 crore. We will undertake the remaining amount in the next 2 years.

Siddharth Bera – Nomura Holdings: Okay, sir. Thanks a lot. I will fall back into the queue.

Operator: Thank you. The next question is from the line of Arvind Sharma from Citi Group. Please go ahead.

Arvind Sharma – Citi Group: Good morning, sir. Thank you for taking my question. My first question is on this BKT 2.0 structure, where you have put the off-road, carbon black, and tire businesses into separate segments. What does it entail? Will we have more clarity on individual revenue contribution and profit contribution, or is it more for marketing, selling, and strategy purposes? That would be the first question, sir.

Management: It is more for marketing and other purposes.

Arvind Sharma – Citi Group: So there will be no different P&L or balance sheet or anything of that sort?

Management: No, not at all. It is one company. [pause] As I mentioned, I will repeat, and I am sorry to interrupt you, Mr. Sharma: as a company, we have one vision, which is Vision 2030. Under that, we will operate within three areas. One is off-road, one is on-road, and one is carbon black. Everything will merge into one vision, and for marketing and better branding purposes, we have made this kind of a breakup.

Report is AI-generated and may contain inaccuracies.

Arvind Sharma – Citi Group: That is clear at a high level. The second question is on the changing mix. The US as a proportion is coming down, and India is going up. The second point is the segment mix, with PCR, TBR, and two-wheeler tires contributing more next year. Finally, there is the Pirelli manufacturing. Where do you think margins and returns will go from here, given the revenue mix shift over the next 1.5 years?

Management: As I have mentioned in my past commentary as well, our endeavor is to maintain the EBITDA margin between 20% and 25%, and that is what we envisage. In the long term, if you see, that would be a good average range, and we will remain within it.

Arvind Sharma – Citi Group: Understood, sir. Just one clarification: you talked about the contribution to volume from the on-road tires. Is it possible to share the revenue contribution at this stage?

Management: Low single digit.

Arvind Sharma – Citi Group: Understood. That is all from my side. Thank you very much for taking my questions.

Operator: Thank you. The next question is from the line of Vijay Pandey from Axis Capital Limited. Please go ahead.

Vijay Pandey – Axis Capital Limited: Hi, sir. Thank you for taking my question. Can you highlight how demand looks in Europe and America, particularly? Generally, we see a quarter-on-quarter drop in Europe, but that was not the case this year. Can you highlight what is driving that and how you see demand going forward?

Management: [pause] I think you should look at it on... Growth has been substantial quarter-on-quarter as well; I mean, the numbers are marginally off. We had longer supply chain issues and freight availability issues, so I would not look at it on a quarter-on-quarter basis. There have definitely been headwinds, and the situation is a little difficult, but we are trying to find our way through it and are confident that we will continue to see positive growth.

Vijay Pandey – Axis Capital Limited: The freight cost you mentioned was 6.5% for Q2, correct? How do you see this developing? Are we taking some price increases, or how should we view the increase in freight cost in relation to ASP?

Management: [pause] We estimate sea freight to remain at these levels, with perhaps a marginal increase but not a major one. We estimate it to remain at these elevated levels.

Vijay Pandey – Axis Capital Limited: Is the higher freight cost passed on to ASP, or is it like...?

Management: Not yet.

Vijay Pandey – Axis Capital Limited: Okay.

Operator: Thank you. Mr. Pandey, do you have any more questions?

Vijay Pandey – Axis Capital Limited: Yes, thank you. One last...

Report is AI-generated and may contain inaccuracies.

Vijay Pandey – Axis Capital Limited: Yes, just one more thing, sir. The raw material cost per kilogram has increased substantially. This is a follow-up on Rahul's question. Do you expect this to continue? How do you see this developing going forward? Commodity costs have continued to play a role, and our mix is also coming down. Can you help us understand how we should look at this in terms of gross profit per kilogram?

Management: I will repeat the opening statement that I made. I will reiterate that profitability was impacted due to the headwinds caused by inflation in raw materials and freight costs. Going forward, we believe these headwinds will continue in the coming quarters. We envisage this raw material inflation continuing in the coming quarters.

Vijay Pandey – Axis Capital Limited: So, sir, do we expect gross margin per kilogram to be broadly in the range of {? 160, 165 ?}?

Management: We cannot comment on that forward-looking statement.

Operator: Thank you. The next question is from the line of Yash Agrawal from Nirmal Bang Securities Private Limited. Please go ahead.

Yash Agrawal – Nirmal Bang Securities: Thanks for the opportunity. Good morning, everyone. My first question is on carbon black capacity. You mentioned that it is contributing 10% of overall revenue. What is the capacity utilization as of now? Is there scope to incrementally increase capacity, primarily for external sales going forward?

Management: As we announced in the last quarter, our new capacity has come online. We are working toward getting that new capacity fully utilized. The old capacity was completely utilized. Regarding third-party sales, our endeavor is to increase them. The newer line would mainly feed third-party external sales.

Yash Agrawal – Nirmal Bang Securities: My second question is on the ramp-up of the TBR and two-wheeler business. You said that the initial response had been strong and that a gradual ramp-up would begin in Q2, as stated in the last call. What is the progress in terms of dealer network expansion, traction, and capacity utilization?

Management: Our primary network, consisting of distributors, is fully set up for all categories, including PCR, which has not yet been launched. Dealer expansion is in tandem with sales growth. The distribution ramp-up is also progressing very well and is in tandem with our growth.

Yash Agrawal – Nirmal Bang Securities: My third question is on regional demand in the end markets of Europe, the US, and India. Can you provide an update on demand trends and channel inventory levels across these key markets? Are we seeing any broad-based recovery, or is growth still concentrated in specific geographies?

Management: Channel inventory is at normal levels. That is where it stands. On the demand side, as I mentioned, there are headwinds, but as a company, we are pushing forward and are confident that our endeavor is to continue the run rate that we have achieved over the last two quarters.

Yash Agrawal – Nirmal Bang Securities: Thank you, sir.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. Just a reminder to all participants to please press star and one on your touchtone phone for more questions. The next question is from the line of Arvind Sharma from Citi Group. Please go ahead.

Management: Arvind, are you there?

Operator: Mr. Arvind has dropped off.

Arvind Sharma – Citi Group: Can you hear me? Hello?

Operator: Yes, sir. Please go ahead.

Arvind Sharma – Citi Group: Sorry for that, sir. If we exclude freight costs from the other expenses that you reported, there was a sharp decline in other expenses on a quarter-on-quarter basis. What are the drivers of this decline in other expenses, and will it sustain, or do you expect other expenses to increase again?

Management: Basically, if we look at promotion expenses, we are heavily investing in the Indian T20 League, and during that quarter, all the expenses for that had been booked. In accordance with accounting standards and good accounting governance, we club all of them into one quarter when we make the payment.

Arvind Sharma – Citi Group: Understood, sir. This would be more seasonal, with the first quarter being high on the other expense side because the Indian T20 League takes place during that period?

Management: Yes, the Indian T20 League takes place during that period, so the expenses fall in that period.

Arvind Sharma – Citi Group: Great. Thank you very much for the clarification. That is all from my side.

Operator: Thank you. The next question is from the line of Vijay Pandey from Axis Capital Limited. Please go ahead.

Vijay Pandey – Axis Capital Limited: Thank you for allowing the follow-up. Just a quick question, sir. Our working capital outflow was significant in the first half, largely on inventory and trade receivables. Do we expect it to reverse in the second half, or how should we look at it? Also, on the debt side, we have taken on debt and the debt level has gone up. I want to understand whether part of it is related to working capital or whether it is entirely capex-driven.

Management: The increase in working capital is in line with our revenue increase for H1, which was 35%, close to {? 1,800 crore rupees ?}. There was also a slight increase in inventory levels, mainly due to the supply chain disruption, and we hope that once the supply chain disruption settles down, these inventory levels will also come down further. We were also building up inventory for the EUD-R regulation, which comes into effect. We had to add some additional inventory to cater to that regulation, and that should also start easing up.

Report is AI-generated and may contain inaccuracies.

On your second question regarding capex, the loan that we took was because we brought forward the capex investment by a couple of quarters to speed up project completion. That is the reason we took the loan. However, this is in line with our strategy, and it will be paid off through the earnings that we generate in the future.

Vijay Pandey – Axis Capital Limited: Sure. Thank you.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Management: I once again thank everybody for taking the time, especially back-to-back for two close quarterly calls. We have had two close calls: one for the strategic alliance update and one for our quarterly results. We thank you all for your time. Before I conclude, once again, season's greetings to all of you, and we look forward to seeing you next quarter in the next calendar year. Thank you.

Operator: Thank you. On behalf of Balkrishna Industries Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.