

Balkrishna Industries

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BIL IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	515.3 / 6
52-Week Range (INR)	3375 / 2152
1, 6, 12 Rel. Per (%)	13/-7/-17
12M Avg Val (INR M)	812

Financials & valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	106.5	112.5	125.8
EBITDA	26.6	27.7	32.1
Adj. PAT	18.6	17.4	21.5
EPS (Rs)	96.4	90.2	111.4
EPS Growth (%)	26.0	-6.4	23.5
BV/Share (Rs)	537.4	607.6	694.0

Ratios

RoE (%)	19.4	15.8	17.1
RoCE (%)	15.3	13.5	14.1
Payout (%)	16.6	22.2	22.4

Valuations

P/E (x)	27.9	29.8	24.2
P/BV (x)	5.0	4.4	3.9
Div. yield (%)	0.6	0.7	0.9
FCF yield (%)	0.6	0.4	1.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter (%)	58.3	58.3	58.3
DII (%)	24.8	23.8	22.4
FII (%)	10.5	11.5	12.6
Others (%)	6.4	6.5	6.7

FII includes depository receipts

CMP: INR2,693 **TP: INR2,510 (-7%)** **Neutral**

Demand weakness continues in global OHT market

Favorable currency to provide some respite

- Balkrishna Industries' (BIL) 1Q earnings at INR2.9b were below our estimate of INR4.3b due to an adverse mix, the impact of US tariffs, and weak demand.
- BIL continues to face demand headwinds in its key global markets. Further, its foray into the PCR/TBR segments is likely to be closely monitored for: 1) the pace at which it gains material traction and 2) whether the margins and returns will be materially dilutive in the long run. While the stock has underperformed in the recent past and valuations at 29.8x FY26E and 24.2x FY27E are not too demanding, the future target multiple will likely depend on the company's ability to succeed in these new segments—not only by capturing market share, but by doing so without materially hurting core returns—which, in our view, remains a challenge. Reiterate Neutral with a TP of INR2,510.

Weak 1Q due to subdued demand and adverse mix

- Volume declined 3.5% YoY to 80,664 MT (in-line), impacted by weak global demand.
- Revenue rose marginally 1% YoY at INR27.6b (in-line), despite weak volumes, aided by favorable forex movement that drove a 4.3% YoY growth in blended average ASP.
- Gross profit margin was impacted by a lower share of exports (India mix now at 35% of total volumes).
- EBITDA margin contracted 220bp YoY (-100bp QoQ) to 23.8% (below our estimate of 25%). Apart from the adverse mix, margin was impacted by: 1) the impact of tariffs on sales to the US (Americas now at 17% of the mix) and 2) lower sales volumes.
- As a result, EBITDA dipped 8% YoY to INR 6.56b (vs est. 7.05b).
- There was an MTM loss of INR 1.54b in 1QFY26 (vs a gain of INR0.06b in 1QFY25), which also hurt profitability.
- Overall, PAT declined 40% YoY to INR2.87b (vs est. INR4.3b), with PAT margins contracting to 10.4% (vs 17.4% in 1QFY25).
- The Board declared an interim dividend of INR4/share, maintaining payouts despite the decline in PAT.

Highlights from the management commentary

- Europe volumes declined 20% YoY as the farm sentiment in Europe is currently weak.
- Input costs are likely to remain stable QoQ in Q2.
- The Euro-INR rate for 1Q stands at INR93.6, while the hedge rate for the remaining period is closer to the spot rate.

- Despite the benefit from currency depreciation, management has maintained its margin guidance of 24-25% for FY26, citing an uncertain demand environment. Accordingly, it has refrained from providing any volume growth guidance for FY26E.
- As part of its diversification into the PCR/TBR segments, the company plans to focus on niche premium segments, including radial. It aims to commence SOP for this project by Jun'26.

Valuation and view

BIL continues to face demand headwinds in its key global markets. Further, its foray into the PCR/TBR segments is likely to be closely monitored for: 1) the pace at which it gains material traction and 2) whether the margins and returns will be materially dilutive in the long run. While the stock has underperformed in the recent past and valuations at 29.8x FY26E and 24.2x FY27E are not too demanding, the future target multiple is likely to depend on the company's ability to succeed in these new segments—not only by capturing market share, but by doing so without materially hurting core returns—which, in our view, remains a challenge. We have not changed our target multiple for BIL yet and continue to value it at 22x June'27E. However, this may warrant a reassessment going forward if BIL's returns plunge due to its foray. Reiterate Neutral with a TP of INR2,510

Quarterly Earning Model (Standalone)

Y/E March	FY25				FY26E				FY25	FY26E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	VAR (%)
Volumes (Ton)	83,570	73,298	76,343	82,062	80,664	79,895	80,160	84,019	315,273	324,737	81,063	-0.5
YoY Change (%)	24.3	3.8	4.9	0.0	-3.5	9.0	5.0	2.4	7.7	3.0	-3.0	
Realizations (INR '000/ton)	328.1	336.3	336.8	345.8	342.1	349.7	350.3	339.5	336.7	345.3	346.4	-1.3
YoY Change (%)	4.2	5.6	5.8	5.2	4.3	4.0	4.0	-1.8	5.1	2.6	5.6	
Net Revenues	27,415	24,648	25,716	28,376	27,594	27,941	28,082	28,521	106,150	112,138	28,082	-1.7
YoY Change (%)	29.6	9.7	11.0	5.2	0.7	13.4	9.2	0.5	13.2	5.6	2.4	
EBITDA	7,137	6,185	6,391	7,035	6,560	6,957	7,077	7,368	26,813	27,962	7,049	-6.9
Margins (%)	26.0	25.1	24.9	24.8	23.8	24.9	25.2	25.8	25.3	24.9	25.1	-130bp
Depreciation	1,617	1,647	1,708	1,760	1,862	1,880	1,885	1,897	6,735	7,524	1,794	
Interest	143	404	150	490	290	260	240	224	1,252	1,014	350	
Forex loss/(gain)	-60	530	-1,120	580	1,540	0	0	0	-68	1,540	0	
Other Income	830	1,048	240	550	1,042	950	200	471	2,668	471	750	
PBT before EI	6,267	4,653	5,894	4,755	3,910	5,767	5,152	5,718	21,562	20,547	5,655	-30.8
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	6,267	4,653	5,894	4,755	3,910	5,767	5,152	5,718	21,562	20,547	5,655	-30.8
Rate (%)	23.8	24.9	25.4	23.8	26.6	26.5	26.5	26.7	24.5	24.0	24.2	240bp
Adj PAT	4,773	3,496	4,398	3,622	2,869	4,239	3,786	4,190	16,283	15,085	4,286	-33.1
YoY Change (%)	52.7	4.3	42.6	-25.8	-39.9	21.3	-13.9	15.7	12.6	-7.4	-10.2	

E: MOFSL Estimates

Key Performance Indicators

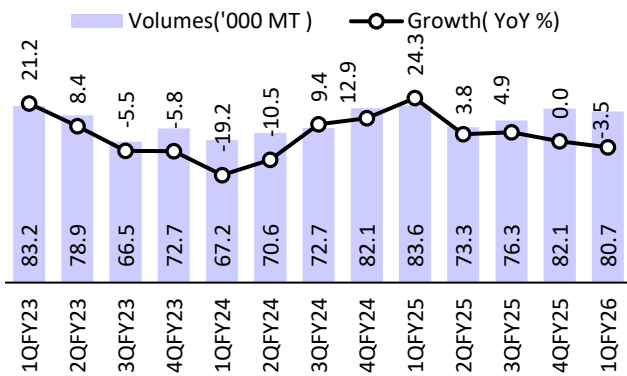
Y/E March	FY25				FY26E				FY25	FY26E	1QE
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Volumes (Ton)	83,570	73,298	76,343	82,062	80,664	79,895	80,160	84,019	315,273	324,737	81,063
YoY Change (%)	24.3	3.8	4.9	0.0	-3.5	9.0	5.0	2.4	7.7	3.0	-3.0
Realizations (INR '000/ton)	328.1	336.3	336.8	345.8	342.1	349.7	350.3	339.5	336.7	345.3	346.4
YoY Change (%)	4.2	5.6	5.8	5.2	4.3	4.0	4.0	-1.8	5.1	2.6	5.6
Gross Margins (%)	53.1	52.5	52.4	51.2	51.5	52.5	52.9	53.6	52.3	52.6	52.0
EBITDA Margins (%)	26.0	25.1	24.9	24.8	23.8	24.9	25.2	25.8	25.3	24.9	25.1
Gross Profit (INR '000/ton)	174.2	176.7	176.6	177.1	176.2	183.6	185.3	181.9	176.1	181.8	180.1
EBITDA (INR '000/ton)	85.4	84.4	83.7	85.7	81.3	87.1	88.3	87.7	85.0	86.1	87.0



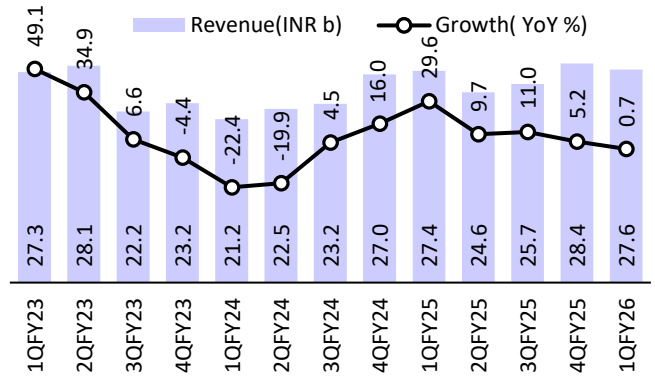
Highlights from the management commentary

- Given the uncertain tariff environment, the overall industry experienced a volatile ordering cycle in April. Management expects the ordering cycle to normalize once the complete tariff structure between all regions is in place.
- Europe volumes declined 20% YoY as the farm sentiment in Europe currently remains weak.
- Despite the adverse macro environment, BIL posted only a 3% YoY volume decline, which highlights the resilience of its business model, according to management. The company has outperformed its end market and is likely to continue its outperformance in the coming quarters as well.
- BIL's exports to the US are currently subject to a 10% tariff. Its end customer is absorbing about 60% of this impact, while the company is absorbing the balance. Management clarified that its competitive positioning remains unchanged even after the tariff levies by the US.
- Dealer inventory remains stable between 2 and 3 months.
- Carbon Black sales to third parties contribute 9% to overall revenues.
- Input costs are likely to remain stable QoQ in Q2.
- The Euro-INR rate for 1Q stands at INR93.6, while for the balance period, the hedge rate is closer to the ongoing spot rate.
- Despite the benefit of currency depreciation, management has maintained its margin guidance at 24-25% for FY26, citing an uncertain demand environment. Accordingly, management has refrained from providing any volume growth guidance for FY26E.
- Management has indicated that its export margins are about 50-100bp higher than those of the Indian business.
- Its rubber track expansion is set to commence SOP by H2FY26.
- As part of its diversification into the PCR/TBR segments, it plans to focus on niche premium segments, including radial. It aims to commence SOP for this project by Jun'26. The company is confident that it will outperform market expectations in this venture, citing a potential operational advantage over its peers.
- The advanced Carbon Black capacity is still in the trial phase and is expected to ramp up from Q4CY25 onwards.
- BIL currently has around 76 distributors for the core business. While there could be some overlap, it aims to set up a new distribution network for the PCR and TBR segments.

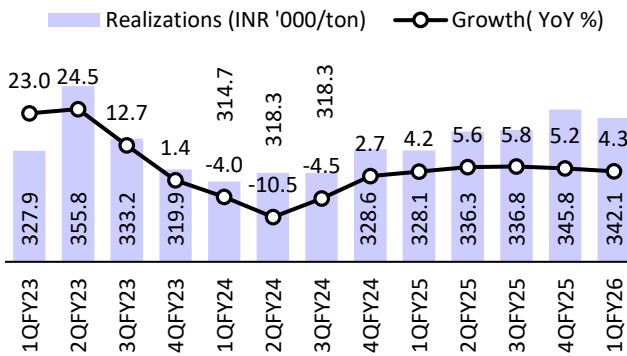
Key exhibits

Exhibit 1: Volume trend


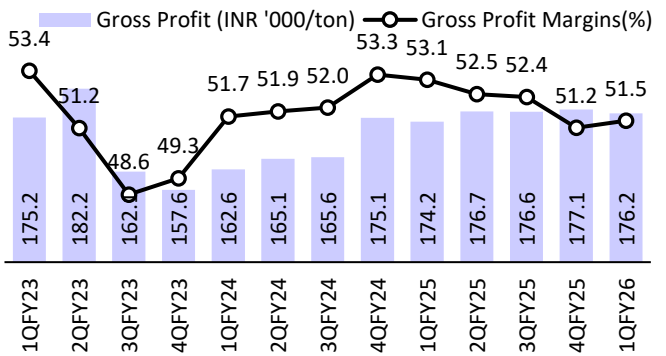
Source: MOFSL, Company

Exhibit 2: Trend in revenue


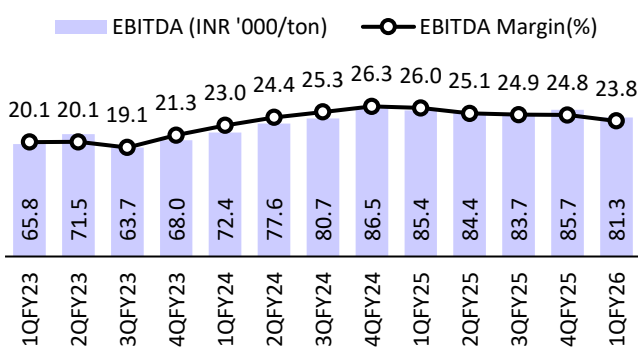
Source: MOFSL, Company

Exhibit 3: Net realization trend


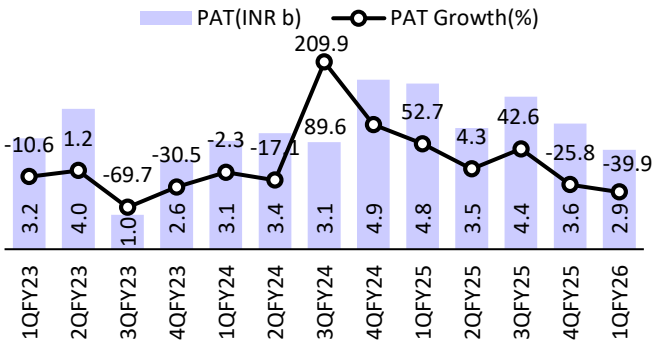
Source: MOFSL, Company

Exhibit 4: Gross profit margin trend


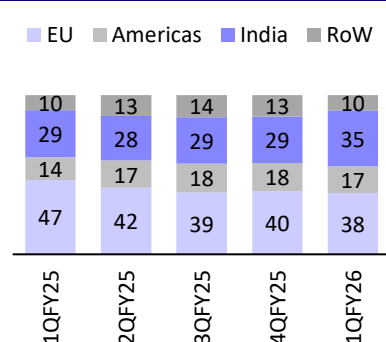
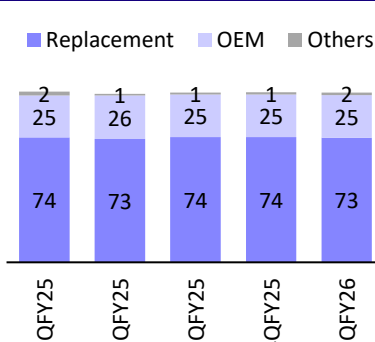
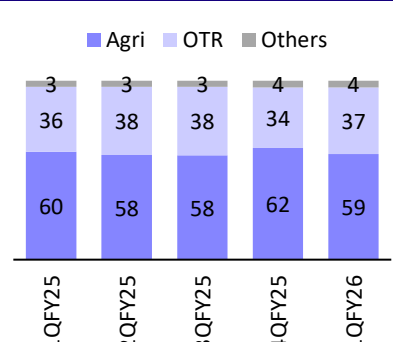
Source: MOFSL, Company

Exhibit 5: EBITDA margin trend


Source: MOFSL, Company

Exhibit 6: PAT and PAT growth trends


Source: MOFSL, Company

Exhibit 7: Geography-wise contribution

Exhibit 8: Channel-wise sales

Exhibit 9: Segment-wise sales


Source: Company, MOFSL

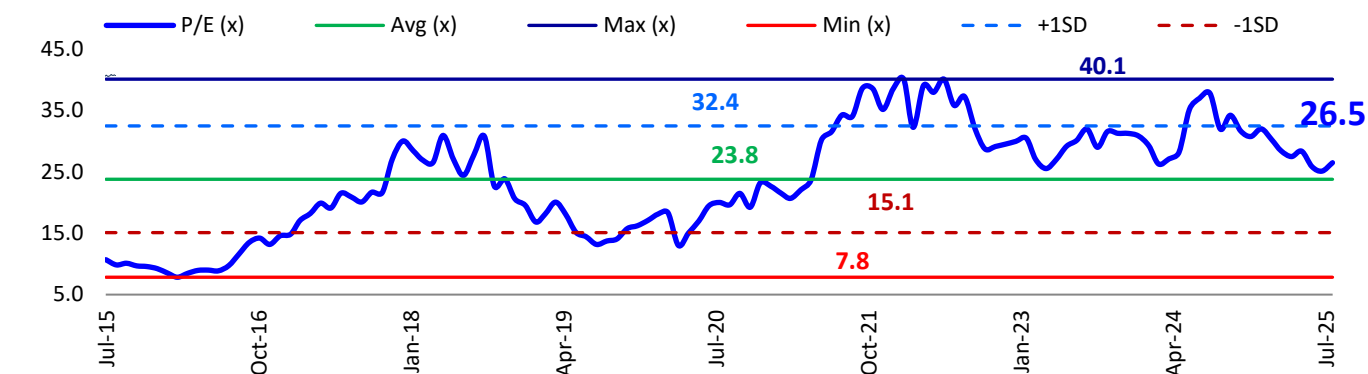
Valuation and view

- **Profitable market share gains to continue in the core:** BIL has a well-established competitive advantage, which has enabled consistent market share gains. Its competitive advantage is driven by: a) competitive cost and pricing, b) consistent product portfolio expansion, and c) expanding reach. With the current market share of 6% in the USD15b global Specialty Tyre segment, BIL aspires to increase this to 8% over the next four to five years by: a) ramping up the OTR segment, which is much larger than Agri Tyres, b) strengthening its presence in the North American and RoW markets, and c) gaining market share with OEMs. We estimate ~5%/9% volume/revenue CAGR over FY25-27.
- **Giant strides taken for growth; unlikely to be an easy journey:** Management has earmarked significant growth plans to ramp up revenue by 2.2x over the next five years to INR230b. While its core business is likely to post about 9% revenue CAGR during this period, which appears achievable, its foray into the TBR and PCR segments has taken us by surprise. Though we do not doubt management's capabilities here, we are unsure if this move was warranted at a time when there is a large global OHT market that remains untapped (BIL holds just about 6% share here). Further, we believe BIL is likely to take much longer to establish a meaningful presence in the TBR and PCR segments in India, given that established players have invested in brand building in these segments over the past few decades. In fact, its foray into niche premium segments is likely to take even longer, in our view, as these segments would be highly brand conscious. The same is the case with the TBR segment, where fleet operators are unlikely to change into a new brand easily given they are highly cost-conscious. Even if BIL succeeds in these segments in the long run, given that both Carbon Black and TBR/PCR are lower-margin segments than its core, its margins/returns are likely to get diluted in the long run, as these segments form a larger share of the pie. Hence, we are not particularly enthused by the management's foray into these segments.
- **Earnings cut led by weak global demand:** Given the weak 1Q performance, we have lowered our earnings estimates by 3% for FY26E, while maintaining our estimates for FY27E. Despite a decline in 1Q, we still factor in BKT to post about 3% YoY volume growth in FY26 given the low base of the coming quarters. We also factor in an improved pick-up of 6% for FY27. We have also factored in a 60bp margin expansion to 25.6% over the next two years, as benefits from favorable currency are likely to be partially offset by higher spends on its new venture into PCR/TBR. Overall, we estimate revenue/EBITDA/PAT for BIL to grow at 9%/10%/8% over FY25-27.
- **Valuations and view:** BIL continues to face demand headwinds in its key global markets. Further, its foray into the PCR/TBR segments is likely to be closely monitored for: 1) the pace at which it gains material traction and 2) whether margins and returns will be materially dilutive in the long run. While the stock has underperformed in the recent past and valuations at 29.8x FY26E and 24.2x FY27E are not too demanding, its future target multiple is likely to depend on its ability to succeed in these new segments—not only capturing market share, but by doing so without materially hurting core returns—which, in our view, is likely to be a challenge. We have not changed our target multiple for BIL yet and continue to value it at 22x Jun'27E. However, this may warrant a change going forward if BIL's returns plunge due to this foray. Reiterate Neutral with a TP of INR2,510.

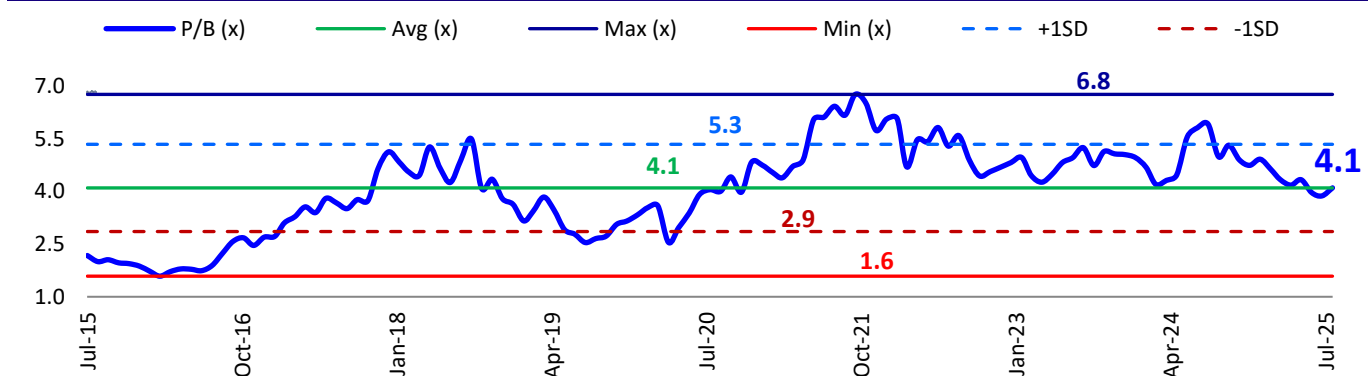
Exhibit 10: Revisions to our estimates

(INR M)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,12,477	1,14,455	-1.7	1,25,778	1,29,961	-3.2
EBITDA	27,745	29,032	-4.4	32,146	33,967	-5.4
EBITDA (%)	24.7	25.4	-70bp	25.6	26.1	-60bp
Adj. PAT	17,440	17,949	-2.8	21,539	21,538	0.0
EPS (INR)	90.2	92.9	-2.8	111.4	111.4	0.0

Source: MOFSL, Company

Exhibit 11: One-year forward P/E


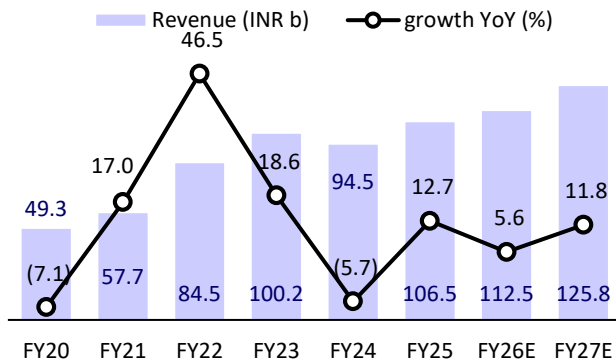
Source: MOFSL, Company

Exhibit 12: One-year forward P/B band


Source: MOFSL, Company

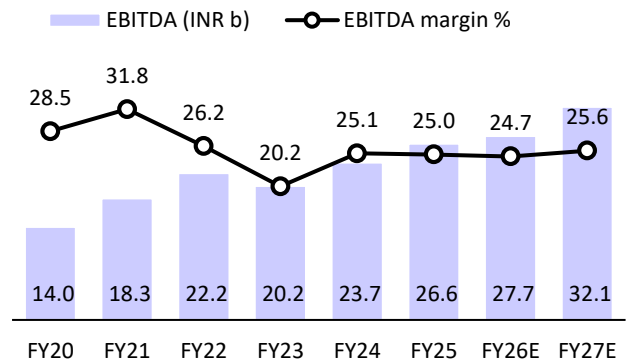
Story in charts

Exhibit 13: Revenue to post a ~9% CAGR over FY25-27E



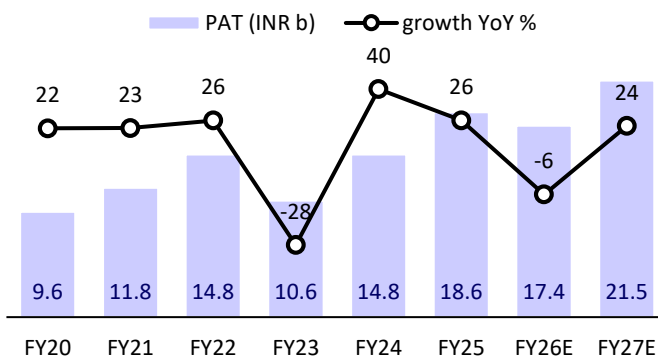
Source: Company, MOFSL

Exhibit 14: EBITDA margin to expand over FY25-27E



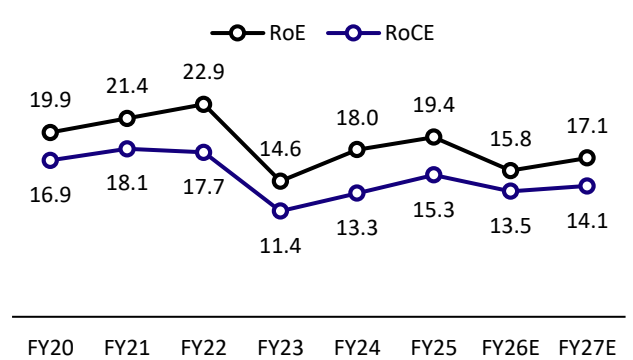
Source: Company, MOFSL

Exhibit 15: PAT to post ~8% CAGR over FY25-27E



Source: Company, MOFSL

Exhibit 16: Returns to decline over our forecast period



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement							(INR M)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Adj. Net Revenues	49,262	57,652	84,471	100,215	94,459	106,490	112,477	125,778
Change (%)	-7.1	17.0	46.5	18.6	-5.7	12.7	5.6	11.8
EBITDA	14,028	18,341	22,158	20,201	23,734	26,596	27,745	32,146
EBITDA Margin (%)	28.5	31.8	26.2	20.2	25.1	25.0	24.7	25.6
Depreciation	3,736	4,163	4,554	5,708	6,507	6,807	7,595	8,283
EBIT	10,292	14,178	17,604	14,493	17,227	19,789	20,150	23,863
EBIT Margin (%)	20.9	24.6	20.8	14.5	18.2	18.6	17.9	19.0
Int. and Finance Charges	89	114	92	480	1,129	1,283	1,046	779
Fx loss/(gain)	0	-180	-390	880	-550	-68	1,540	0
Other Income	1,190	1,297	1,920	1,217	2,810	5,388	5,383	5,257
PBT bef. EO Exp.	11,393	15,541	19,822	14,350	19,458	23,962	22,947	28,340
EO Items	0	0	-615	-23	-98	0	0	0
PBT after EO Exp.	11,393	15,541	19,207	14,327	19,360	23,962	22,947	28,340
Total Tax	1,799	3,774	4,852	3,751	4,645	5,324	5,507	6,802
Eff. Tax Rate (%)	15.8	24.3	25.3	26.2	24.0	22.2	24.0	24.0
Reported PAT	9,594	11,767	14,354	10,576	14,715	18,638	17,440	21,539
Adjusted PAT	9,594	11,767	14,814	10,593	14,790	18,638	17,440	21,539
Change (%)	22.5	22.7	25.9	-28.5	39.6	26.0	-6.4	23.5

Consolidated - Balance Sheet							(INR M)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	387	387	387	387	387	387	387	387
Total Reserves	49,696	59,612	68,944	75,183	88,152	103,489	117,063	133,769
Net Worth	50,083	59,998	69,330	75,569	88,538	103,876	117,450	134,156
Total Loans	9,316	10,006	25,286	33,465	30,994	32,675	32,675	29,675
Deferred Tax Liabilities	1,783	2,035	2,509	2,419	3,490	4,563	4,563	4,563
Capital Employed	61,182	72,039	97,125	111,453	123,023	141,114	154,687	168,393
Gross Block	48,210	52,954	64,051	83,240	99,070	112,053	129,053	147,053
Less: Accum. Deprn.	15,992	20,115	24,651	30,108	36,538	43,255	50,849	59,133
Net Fixed Assets	32,218	32,839	39,401	53,133	62,532	68,798	78,203	87,920
Capital WIP	5,866	8,555	12,584	13,916	9,444	9,860	9,860	9,860
Investment property	857	864	793	708	643	612	612	612
Total Investments	10,625	14,177	18,967	20,367	26,857	38,233	40,733	43,533
Curr. Assets, Loans&Adv.	18,498	25,230	38,045	35,353	37,370	38,844	40,707	43,721
Inventory	6,156	9,397	16,721	16,674	13,315	17,819	18,489	18,953
Account Receivables	5,899	7,536	10,962	11,153	14,454	14,945	15,408	17,230
Cash and Bank Balance	468	549	459	693	746	802	647	646
Loans and Advances	5,974	7,748	9,904	6,834	8,854	5,277	6,163	6,892
Curr. Liability & Prov.	6,882	9,626	12,665	12,024	13,823	15,233	15,428	17,252
Account Payables	3,837	6,550	8,293	4,921	9,102	7,539	8,628	9,649
Other Current Liabilities	2,746	2,750	4,056	6,754	4,329	7,160	6,163	6,892
Provisions	299	326	316	348	392	534	636	711
Net Current Assets	11,616	15,604	25,380	23,330	23,547	23,611	25,279	26,468
Appl. of Funds	61,182	72,039	97,125	111,453	123,023	141,114	154,687	168,393

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	49.6	60.9	76.6	54.8	76.5	96.4	90.2	111.4
Cash EPS	69.0	82.4	100.2	84.3	110.2	131.6	129.5	154.3
BV/Share	259.1	310.4	358.7	390.9	458.0	537.4	607.6	694.0
DPS	22.0	17.0	28.0	16.0	16.0	16.0	20.0	25.0
Payout (%)	53.4	27.9	37.7	29.2	21.0	16.6	22.2	22.4
Valuation (x)								
P/E	54.2	44.2	35.1	49.1	35.2	27.9	29.8	24.2
Cash P/E	39.0	32.7	26.9	31.9	24.4	20.5	20.8	17.5
P/BV	10.4	8.7	7.5	6.9	5.9	5.0	4.4	3.9
EV/Sales	10.7	9.2	6.5	5.5	5.8	5.2	4.9	4.4
EV/EBITDA	37.7	28.9	24.6	27.4	23.2	20.8	19.9	17.1
Dividend Yield (%)	0.8	0.6	1.0	0.6	0.6	0.6	0.7	0.9
FCF per share	20.2	21.5	-35.2	-15.7	51.8	16.3	11.2	33.4
Return Ratios (%)								
RoE	19.9	21.4	22.9	14.6	18.0	19.4	15.8	17.1
RoCE	16.9	18.1	17.7	11.4	13.3	15.3	13.5	14.1
RoIC	20.3	23.1	23.1	15.1	16.1	17.3	15.7	16.7
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	1.1	1.3	1.2	1.0	1.0	0.9	0.9
Inventory (Days)	46	59	72	61	51	61	60	55
Debtor (Days)	44	48	47	41	56	51	50	50
Creditor (Days)	28	41	36	18	35	26	28	28
Leverage Ratio (x)								
Current Ratio	2.7	2.6	3.0	2.9	2.7	2.5	2.6	2.5
Interest Cover Ratio	115.6	124.6	192.4	30.2	15.3	15.4	19.3	30.6
Net Debt/Equity	0.0	-0.1	0.1	0.2	0.0	-0.1	-0.1	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	11,393	15,541	19,207	14,327	19,410	23,962	22,947	28,340
Depreciation	3,736	4,163	4,554	5,708	6,507	6,807	7,595	8,283
Interest & Finance Charges	-135	-289	-324	116	661	650	-4,054	-4,181
Direct Taxes Paid	-2,884	-3,510	-4,579	-3,429	-4,235	-4,833	-5,507	-6,802
(Inc)/Dec in WC	544	-1,273	-8,289	-1,865	1,536	-4,437	-1,824	-1,190
CF from Operations	12,653	14,632	10,569	14,857	23,879	22,149	19,156	24,451
Others	-922	-1,242	-1,488	-378	-3,053	-4,508	0	0
CF from Operating incl EO	11,731	13,390	9,080	14,480	20,826	17,641	19,156	24,451
(Inc)/Dec in FA	-7,830	-9,232	-15,889	-17,523	-10,814	-14,484	-17,000	-18,000
Free Cash Flow	3,901	4,159	-6,809	-3,043	10,013	3,157	2,156	6,451
(Pur)/Sale of Investments	863	-2,891	-3,516	-883	-4,574	-1,760	-2,500	-2,800
Others	190	388	431	575	632	1,451	5,100	4,960
CF from Investments	-6,778	-11,734	-18,975	-17,831	-14,755	-14,794	-14,400	-15,840
Inc/(Dec) in Debt	279	857	15,498	7,097	-1,902	1,433	0	-3,000
Interest Paid	-88	-114	-90	-420	-1,022	-1,128	-1,046	-779
Dividend Paid	-5,126	-2,316	-5,603	-3,091	-3,095	-3,095	-3,866	-4,833
Others	-13	-3	0	-1	1	-1	0	0
CF from Fin. Activity	-4,947	-1,575	9,804	3,585	-6,018	-2,791	-4,912	-8,612
Inc/Dec of Cash	7	81	-90	234	53	56	-156	-1
Opening Balance	462	468	549	459	693	746	802	647
Closing Balance	468	549	459	693	746	802	647	646

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NOTES

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BUY	>=15%
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