

Balkrishna Industries

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BIL IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	440.7 / 5
52-Week Range (INR)	2930 / 2152
1, 6, 12 Rel. Per (%)	-5/-20/-26
12M Avg Val (INR M)	732

Financials & valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	105.9	118.4	130.2
EBITDA	24.5	29.0	32.6
Adj. PAT	15.1	18.7	20.7
EPS (Rs)	78.0	96.7	107.3
EPS Growth (%)	-19.1	24.0	11.0
BV/Share (Rs)	599.3	678.0	765.3

Ratios

RoE (%)	13.7	15.1	14.9
RoCE (%)	12.1	12.4	12.4
Payout (%)	20.5	18.6	18.6

Valuations

P/E (x)	29.3	23.6	21.3
P/BV (x)	3.8	3.4	3.0
Div. yield (%)	0.7	0.8	0.9
FCF yield (%)	-0.3	0.6	1.1

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter (%)	58.3	58.3	58.3
DII (%)	24.7	24.8	23.5
FII (%)	10.7	10.5	11.7
Others (%)	6.3	6.4	6.5

FII includes depository receipts

CMP: INR2,280 **TP: INR2,257 (-1%)** **Neutral**

Weak quarter

Demand outlook remains uncertain in key markets

- Balkrishna Industries' (BIL) 2Q earnings at INR2.7b were below our estimate of INR3.7b due to an adverse mix, the impact of US tariffs, and weak demand.
- BIL continues to face demand headwinds in its key global markets. While the stock has underperformed in the recent past and valuations at 29.3x FY26E and 23.6x FY27E are not too demanding, its future target multiple is likely to depend on its 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, is likely to be a challenge. We have not changed our target multiple for BIL yet and continue to value it at 22x Sep'27E. Reiterate Neutral with a TP of INR2,257.

Earnings miss due to weak demand and adverse mix

- BIL's revenue declined ~6% YoY to INR23.2b, coming in below our estimates of INR25.5b. Volumes declined 4% YoY to 70,252MT and were below our estimate of 74k MT
- Blended ASPs also declined 2% YoY to INR 330k/MT due to a weaker geographical as well as product mix.
- As a result, EBITDA margin sharply contracted 360bp YoY (230bp QoQ) to 21.5% (well below our estimate of 24.4%).
- EBITDA declined 19% YoY to INR5b (20% miss).
- Adj PAT declined 24% YoY to INR2.7b, sharply below our estimates of INR3.7b
- Operating cash flow for BIL during 1HFY26 stood at INR14.1b, while capex was INR16.7b. This resulted in negative free cash of INR2.6b.
- BIL has approved its 2nd interim dividend of INR4 per share.
- BIL's volumes/revenue/EBITDA/PAT for 1HFY26 declined ~4%/2.4%/13.2%/33.2 to 151k MT/INR50.8b/INR11.6b/INR5.5b, respectively.

Highlights from the management commentary

- Currently, no global exporters are exporting to the US due to the sharp rise in tariffs. Most distributors are consuming existing stock and are adopting a wait-and-watch approach regarding the tariff situation. Thus, a favorable outcome on tariffs could prompt inventory restocking in the US.
- European demand remains weak but is showing early signs of stabilization. Management expects a gradual recovery in 2H.
- The impact of the EUDR regulation has started reflecting in 2Q and will be fully realized in 3Q. However, management expects this to be offset by the softening of commodity prices.

- Capex for 1HFY26 stood at INR16.7b, mainly towards the new TBR/PCR tire project and carbon black capacity expansion. FY26 capex is expected to be INR20-22b, with the remaining ~INR35b three-year plan to be incurred in subsequent years. Net debt currently stands at INR4.5b.

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 margins and returns will be materially dilutive in the long run. While the stock has underperformed in the recent past and valuations at 29.3x FY26E and 23.6x FY27E are not too demanding, its future target multiple is likely to depend on its 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, is likely to be a challenge. We have not changed our target multiple for BIL yet and continue to value it at 22x Sep'27E. However, this may warrant a change going forward if BIL's returns plunge due to this foray. Reiterate Neutral with a TP of INR2,257.

Quarterly Earning Model (Standalone)

												(INR m)
Y/E March	FY25				FY26E				FY25	FY26E	2QE	VAR (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Volumes (Ton)	83,570	73,298	76,343	82,062	80,664	70,252	77,106	87,210	315,273	315,232	74,031	-5.1
YoY Change (%)	24.3	3.8	4.9	0.0	-3.5	-4.2	1.0	6.3	7.7	0.0	1.0	
Realizations (INR '000/ton)	328.1	336.3	336.8	345.8	342.1	330.3	346.9	357.6	336.7	345.0	344.7	-4.2
YoY Change (%)	4.2	5.6	5.8	5.2	4.3	-1.8	3.0	3.4	5.1	2.5	2.5	
Net Revenues	27,415	24,648	25,716	28,376	27,594	23,207	26,752	31,187	106,150	108,740	25,517	-9.1
YoY Change (%)	29.6	9.7	11.0	5.2	0.7	-5.8	4.0	9.9	13.2	2.4	3.5	
EBITDA	7,137	6,185	6,391	7,035	6,560	4,999	6,501	8,351	26,813	26,411	6,226	-19.7
Margins (%)	26.0	25.1	24.9	24.8	23.8	21.5	24.3	26.8	25.3	24.3	24.4	-290bp
Depreciation	1,617	1,647	1,708	1,760	1,862	1,901	1,885	1,875	6,735	7,524	1,880	
Interest	143	404	150	490	290	319	270	266	1,252	1,145	300	
Forex loss/(gain)	-60	530	-1,120	580	1,540	10	0	-10	-68	1,540	0	
Other Income	830	1,048	240	550	1,042	709	200	712	2,668	712	950	
PBT before EI	6,267	4,653	5,894	4,755	3,910	3,478	4,546	6,932	21,562	18,865	4,996	-30.4
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	3,478	4,546	6,932	21,562	18,865	4,996	-30.4
Rate (%)	23.8	24.9	25.4	23.8	26.6	23.7	26.5	28.7	24.5	24.0	26.5	
Adj PAT	4,773	3,496	4,398	3,622	2,869	2,652	3,341	4,944	16,283	13,807	3,672	-27.8
YoY Change (%)	52.7	4.3	42.6	-25.8	-39.9	-24.1	-24.0	36.5	12.6	-15.2	5.0	

E: MOFSL Estimates

Key Performance Indicators

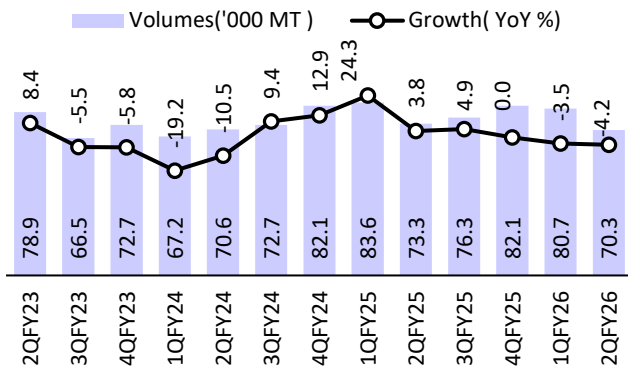
Y/E March	FY25				FY26E				FY25	FY26E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Volumes (Ton)	83,570	73,298	76,343	82,062	80,664	70,252	77,106	87,210	315,273	315,232	74,031
YoY Change (%)	24.3	3.8	4.9	0.0	-3.5	-4.2	1.0	6.3	7.7	0.0	1.0
Realizations (INR '000/ton)	328.1	336.3	336.8	345.8	342.1	330.3	346.9	357.6	336.7	345.0	344.7
YoY Change (%)	4.2	5.6	5.8	5.2	4.3	-1.8	3.0	3.4	5.1	2.5	2.5
Gross Margins (%)	53.1	52.5	52.4	51.2	51.5	50.1	52.0	53.6	52.3	51.9	52.0
EBITDA Margins (%)	26.0	25.1	24.9	24.8	23.8	21.5	24.3	26.8	25.3	24.3	24.4
Gross Profit (INR '000/ton)	174.2	176.7	176.6	177.1	176.2	165.6	180.4	191.6	176.1	179.1	179.0
EBITDA (INR '000/ton)	85.4	84.4	83.7	85.7	81.3	71.2	84.3	95.8	85.0	83.8	84.1



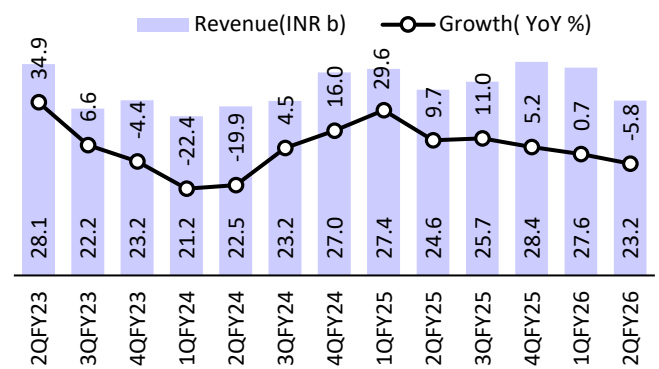
Highlights from the management commentary

- 2QFY26 was impacted by tariff headwinds in the US, with import duties raised to 50% from 25%, sharply affecting US sales. BIL's US sales accounted for ~10% of FY25 sales volumes. Given that the US is a net importer of OHT tires, some relief is expected in tariff measures from the US in the coming months.
- As a consequence, export volumes to the US have been halted due to unviable economics under current tariff levels.
- Currently, none of the global exporters are exporting to the US, given the sharp rise in tariffs. Most distributors are currently consuming existing stock and are in a wait-and-watch mode over the tariff situation. Thus, a favorable outcome on tariffs may prompt inventory restocking in the US.
- European demand remains weak but is showing early signs of stabilization. Management expects a gradual recovery in 2H. Market share in Europe is likely to have remained largely stable for BKT. The Indian market now contributes ~35% of revenue.
- Margins were primarily impacted this quarter due to an unfavorable geographical and product mix. Impact related to the EUDR regulation has started reflecting in 2Q and will be fully realized in 3Q. However, management expects this impact to be offset by the softening of commodity prices.
- Freight cost this quarter stood at around ~6-7% of sales and is expected to remain stable going ahead.
- Carbon black sales (to third party) accounted for ~10% of total revenue, with 55% of total carbon black production being consumed internally. Specialty grade carbon black ramp-up is expected in FY27.
- Capex for 1H FY26 was INR16.7b, which was mainly directed towards the new TBR/PCR tire project and carbon black capacity expansion. FY26 capex is expected to be at INR20-22b, with the balance of the ~INR35b three-year plan to be spent in subsequent years. Net debt currently stands at INR4.5b.
- Pilot production for TBR tires is expected to begin in 4QFY26, followed by PCR in 3QFY27. The company expects to ramp up this business gradually over FY27-FY28.
- Management has reaffirmed its long-term revenue target of INR230b by FY30, supported by its OHT, carbon black, and new tire categories in India.
- BIL is investing in brand-building activities aimed at strengthening its presence in the mining and OHT segments, which will eventually support its upcoming strategic initiatives.
- BIL does not plan to set up a local manufacturing plant in the US due to unfavorable economics. The company focuses on India as a global production hub.

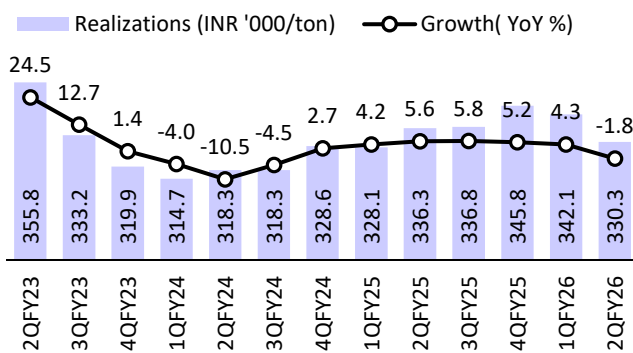
Key exhibits

Exhibit 1: Volume trend


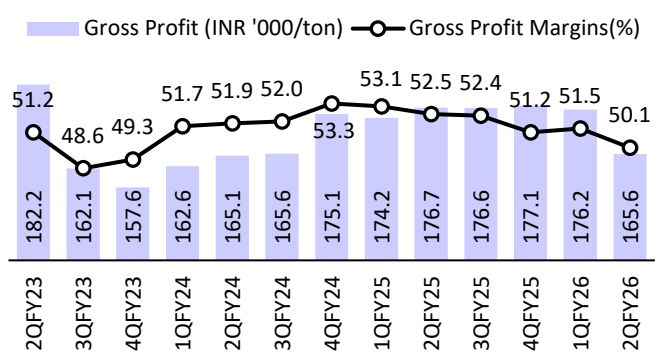
Source: MOFSL, Company

Exhibit 2: Trend in revenue


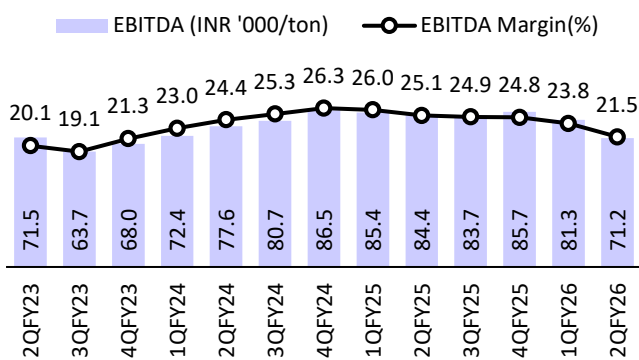
Source: MOFSL, Company

Exhibit 3: Net realization trend


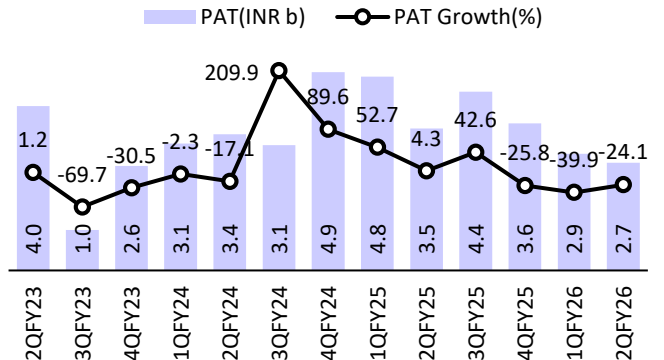
Source: MOFSL, Company

Exhibit 4: Gross profit margin trend


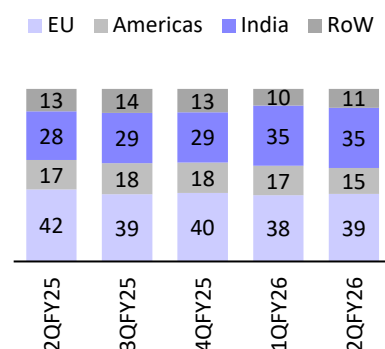
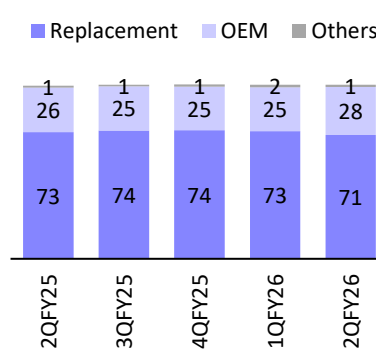
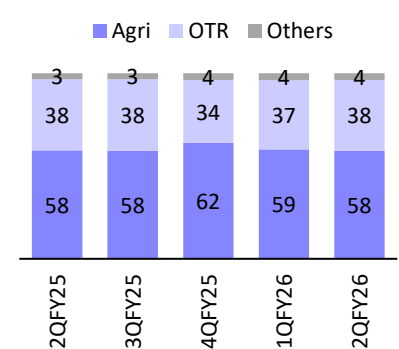
Source: MOFSL, Company

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

- **Global macro remains challenging:** 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. However, the current demand environment remains challenging in key markets. With the US imposing tariffs on OHT tire imports of 50%, economics are unviable for most global exporters. Given that the US is a net importer of OHT tires, there is an expectation of normalization of tariffs in the coming months. Further, demand in Europe also remains weak but is now stabilizing at lower levels. The only key growth driver for BKT currently remains India. Overall, we factor in a gradual pickup in demand over FY27-28E after a weak FY26E. We estimate BKT to post 4% volume CAGR over FY25-28E.
- **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 the management's capabilities, 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 in these segments). 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 1H performance, we have lowered our earnings estimates by ~7% for FY26E / FY27E each. As highlighted above, we now factor in a gradual pick-up in demand over FY27-28E after a weak FY26E. We expect margins to recover to 25% levels by FY28E. Overall, we estimate revenue/EBITDA/PAT for BIL to grow at 7%/7%/4% over FY25-28E.
- **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 29.3x FY26E and 23.6x FY27E are not too demanding, its future target multiple is likely to depend on its 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, is likely to be a challenge. We have not changed our target multiple for BIL yet and continue to value it at 22x Sep'27E. However, this may warrant a change going forward if BIL's returns plunge due to this foray. Reiterate Neutral with a TP of INR2,257.

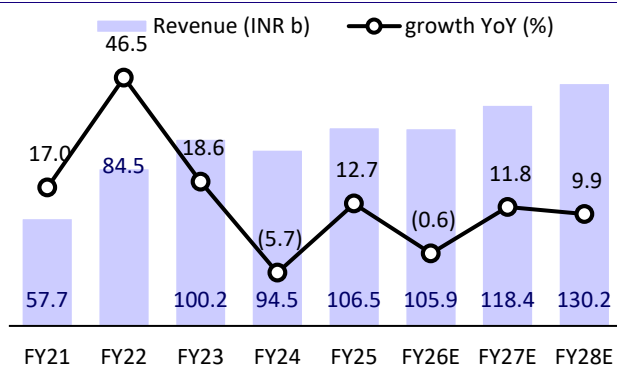
Exhibit 10: Revisions to our estimates

(INR M)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,05,881	1,09,079	-2.9	1,18,405	1,22,007	-3.0
EBITDA	24,537	26,193	-6.3	29,038	30,514	-4.8
EBITDA (%)	23.2	24.0	-80bp	24.5	25.0	-50bp
Adj. PAT	15,071	16,161	-6.7	18,684	20,015	-6.7
EPS (INR)	78.0	83.6	-6.7	96.7	103.5	-6.7

Source: MOFSL, Company

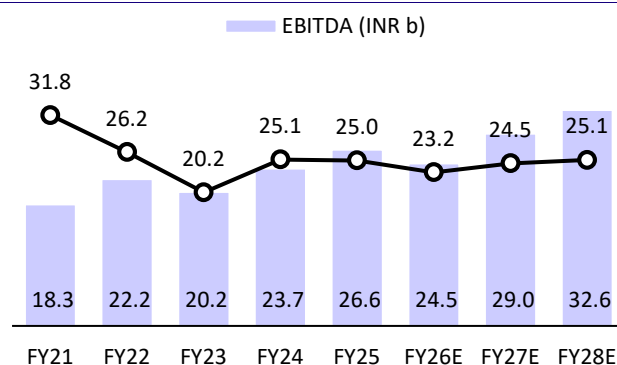
Story in charts

Exhibit 11: Revenue to post a ~7% CAGR over FY25-28E



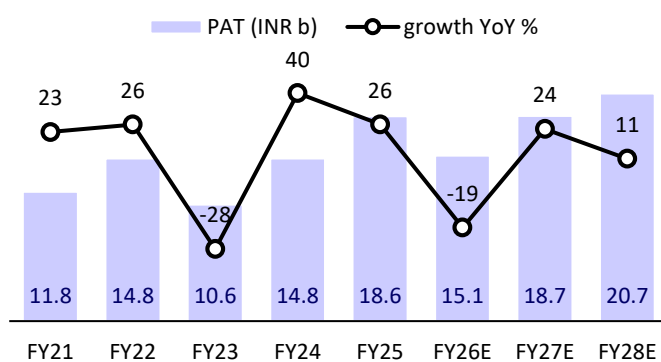
Source: Company, MOFSL

Exhibit 12: EBITDA margin to normalize by FY28E



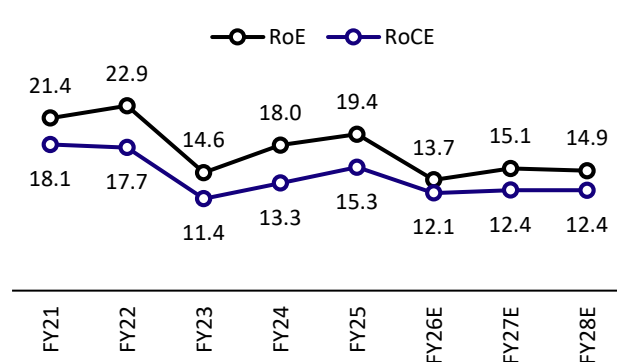
Source: Company, MOFSL

Exhibit 13: PAT to post ~4% CAGR over FY25-28E



Source: Company, MOFSL

Exhibit 14: Returns to decline over the forecast period



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR M)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Adj. Net Revenues	57,652	84,471	1,00,215	94,459	1,06,490	1,05,881	1,18,405	1,30,186
Change (%)	17.0	46.5	18.6	-5.7	12.7	-0.6	11.8	9.9
EBITDA	18,341	22,158	20,201	23,734	26,596	24,537	29,038	32,615
EBITDA Margin (%)	31.8	26.2	20.2	25.1	25.0	23.2	24.5	25.1
Depreciation	4,163	4,554	5,708	6,507	6,807	7,721	8,523	9,633
EBIT	14,178	17,604	14,493	17,227	19,789	16,816	20,515	22,982
EBIT Margin (%)	24.6	20.8	14.5	18.2	18.6	15.9	17.3	17.7
Int. and Finance Charges	114	92	480	1,129	1,283	1,327	1,187	1,214
Fx loss/(gain)	-180	-390	880	-550	-68	1,550	0	0
Other Income	1,297	1,920	1,217	2,810	5,388	5,383	5,257	5,512
PBT bef. EO Exp.	15,541	19,822	14,350	19,458	23,962	19,322	24,584	27,280
EO Items	0	-615	-23	-98	0	0	0	0
PBT after EO Exp.	15,541	19,207	14,327	19,360	23,962	19,322	24,584	27,280
Total Tax	3,774	4,852	3,751	4,645	5,324	4,251	5,900	6,547
Eff. Tax Rate (%)	24.3	25.3	26.2	24.0	22.2	22.0	24.0	24.0
Reported PAT	11,767	14,354	10,576	14,715	18,638	15,071	18,684	20,733
Adjusted PAT	11,767	14,814	10,593	14,790	18,638	15,071	18,684	20,733
Change (%)	22.7	25.9	-28.5	39.6	26.0	-19.1	24.0	11.0

Consolidated - Balance Sheet								(INR M)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	387	387	387	387	387	387	387	387
Total Reserves	59,612	68,944	75,183	88,152	1,03,489	1,15,468	1,30,672	1,47,539
Net Worth	59,998	69,330	75,569	88,538	1,03,876	1,15,854	1,31,059	1,47,926
Total Loans	10,006	25,286	33,465	30,994	32,675	33,675	34,175	35,175
Deferred Tax Liabilities	2,035	2,509	2,419	3,490	4,563	4,563	4,563	4,563
Capital Employed	72,039	97,125	1,11,453	1,23,023	1,41,114	1,54,092	1,69,797	1,87,664
Gross Block	52,954	64,051	83,240	99,070	1,12,053	1,33,053	1,51,053	1,70,053
Less: Accum. Deprn.	20,115	24,651	30,108	36,538	43,255	50,975	59,499	69,132
Net Fixed Assets	32,839	39,401	53,133	62,532	68,798	82,077	91,554	1,00,921
Capital WIP	8,555	12,584	13,916	9,444	9,860	9,860	9,860	9,860
Investment property	864	793	708	643	612	612	612	612
Total Investments	14,177	18,967	20,367	26,857	38,233	38,233	41,733	47,733
Curr. Assets, Loans&Adv.	25,230	38,045	35,353	37,370	38,844	38,703	43,252	47,465
Inventory	9,397	16,721	16,674	13,315	17,819	17,695	19,788	21,757
Account Receivables	7,536	10,962	11,153	14,454	14,945	14,794	16,544	18,190
Cash and Bank Balance	549	459	693	746	802	992	1,080	1,097
Loans and Advances	7,748	9,904	6,834	8,854	5,277	5,222	5,839	6,420
Curr. Liability & Prov.	9,626	12,665	12,024	13,823	15,233	15,393	17,214	18,927
Account Payables	6,550	8,293	4,921	9,102	7,539	7,542	8,434	9,274
Other Current Liabilities	2,750	4,056	6,754	4,329	7,160	7,252	8,110	8,917
Provisions	326	316	348	392	534	599	670	736
Net Current Assets	15,604	25,380	23,330	23,547	23,611	23,310	26,038	28,538
Appl. of Funds	72,039	97,125	1,11,453	1,23,023	1,41,114	1,54,092	1,69,797	1,87,664

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	60.9	76.6	54.8	76.5	96.4	78.0	96.7	107.3
Cash EPS	82.4	100.2	84.3	110.2	131.6	117.9	140.8	157.1
BV/Share	310.4	358.7	390.9	458.0	537.4	599.3	678.0	765.3
DPS	17.0	28.0	16.0	16.0	16.0	16.0	18.0	20.0
Payout (%)	27.9	37.7	29.2	21.0	16.6	20.5	18.6	18.6
Valuation (x)								
P/E	37.5	29.8	41.6	29.8	23.7	29.3	23.6	21.3
Cash P/E	27.7	22.8	27.1	20.7	17.3	19.4	16.2	14.5
P/BV	7.4	6.4	5.8	5.0	4.2	3.8	3.4	3.0
EV/Sales	7.8	5.5	4.7	5.0	4.4	4.5	4.0	3.6
EV/EBITDA	24.6	21.0	23.5	19.9	17.8	19.3	16.3	14.6
Dividend Yield (%)	0.7	1.2	0.7	0.7	0.7	0.7	0.8	0.9
FCF per share	21.5	-35.2	-15.7	51.8	16.3	-7.7	14.5	25.3
Return Ratios (%)								
RoE	21.4	22.9	14.6	18.0	19.4	13.7	15.1	14.9
RoCE	18.1	17.7	11.4	13.3	15.3	12.1	12.4	12.4
RoIC	23.1	23.1	15.1	16.1	17.3	13.3	14.0	14.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.3	1.2	1.0	1.0	0.8	0.8	0.8
Inventory (Days)	59	72	61	51	61	61	61	61
Debtor (Days)	48	47	41	56	51	51	51	51
Creditor (Days)	41	36	18	35	26	26	26	26
Leverage Ratio (x)								
Current Ratio	2.6	3.0	2.9	2.7	2.5	2.5	2.5	2.5
Interest Cover Ratio	124.6	192.4	30.2	15.3	15.4	12.7	17.3	18.9
Net Debt/Equity	-0.1	0.1	0.2	0.0	-0.1	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	15,541	19,207	14,327	19,410	23,962	19,322	24,584	27,280
Depreciation	4,163	4,554	5,708	6,507	6,807	7,721	8,523	9,633
Interest & Finance Charges	-289	-324	116	661	650	-3,773	-3,773	-3,986
Direct Taxes Paid	-3,510	-4,579	-3,429	-4,235	-4,833	-4,251	-5,900	-6,547
(Inc)/Dec in WC	-1,273	-8,289	-1,865	1,536	-4,437	490	-2,640	-2,483
CF from Operations	14,632	10,569	14,857	23,879	22,149	19,509	20,795	23,897
Others	-1,242	-1,488	-378	-3,053	-4,508	0	0	0
CF from Operating incl EO	13,390	9,080	14,480	20,826	17,641	19,509	20,795	23,897
(Inc)/Dec in FA	-9,232	-15,889	-17,523	-10,814	-14,484	-21,000	-18,000	-19,000
Free Cash Flow	4,159	-6,809	-3,043	10,013	3,157	-1,491	2,795	4,897
(Pur)/Sale of Investments	-2,891	-3,516	-883	-4,574	-1,760	0	-3,500	-6,000
Others	388	431	575	632	1,451	5,100	4,960	5,200
CF from Investments	-11,734	-18,975	-17,831	-14,755	-14,794	-15,900	-16,540	-19,800
Inc/(Dec) in Debt	857	15,498	7,097	-1,902	1,433	1,000	500	1,000
Interest Paid	-114	-90	-420	-1,022	-1,128	-1,327	-1,187	-1,214
Dividend Paid	-2,316	-5,603	-3,091	-3,095	-3,095	-3,093	-3,479	-3,866
Others	-3	0	-1	1	-1	0	0	0
CF from Fin. Activity	-1,575	9,804	3,585	-6,018	-2,791	-3,420	-4,167	-4,080
Inc/Dec of Cash	81	-90	234	53	56	190	88	17
Opening Balance	468	549	459	693	746	802	992	1,080
Closing Balance	549	459	693	746	802	992	1,080	1,097

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