



Balkrishna Industries Ltd.

Q2FY26



Balkrishna Industries Ltd.

Soft quarter with muted demand, weak margins and earnings miss driven by lower operating leverage

CMP INR 2,300	Target INR 2,370	Potential Upside 3.1%	Market Cap (INR Bn) 458	Recommendation HOLD	Sector Auto ancillaries
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Result highlights

In Q2FY26, Balkrishna Industries (BIL) reported a weaker-than-expected performance, with both revenue and profitability missing our estimates amid softer demand, adverse mix and limited operating leverage. Demand remained uneven across key geographies, while margins were further impacted by subdued scale, lower other income and a higher effective tax rate.

Revenue: Revenue from operations declined by 13.3% QoQ / 1.1% YoY to INR 23,935 Mn, marginally below our estimates (-10.0% variance). YoY performance was supported by steady realization trends, while QoQ decline reflects weaker volume traction and normalization from a strong Q1 base. The India business continued to provide relative support, although global OHT (Off-Highway Tire) demand remained muted.

Margin and Profitability: Gross margin moderated sequentially due to an unfavourable mix and lower absorption of fixed costs. EBITDA came in at INR 5,112 Mn, up 1.0% QoQ but down 11.8% YoY, missing our estimates. EBITDA margin improved QoQ by 302 bps to 21.4%, aided by softer raw material costs and normalization of certain expense lines, though YoY margin contracted by 260 bps, reflecting lower operating leverage and continued pressure in export-dominant categories.

EBIT declined 22.9% YoY to INR 3,186 Mn, dragged by higher depreciation charges. Other income contracted 21.3% YoY due to lower treasury yields.

Net profit stood at INR 2,732 Mn (-5.2% QoQ / -21.3% YoY), sharply below our estimates, impacted by weaker operating performance, lower non-operating income, and a higher tax outgo. PAT margin contracted YoY by 292 bps to 11.4%.

Segments / Verticals: Performance in Q2FY26 was weighed down by persistent softness in export-driven Off-Highway Tire (OHT) markets, coupled with an adverse mix that pressured profitability. Demand trends remained uneven across key global segments, including Agriculture and Industrial/Mining applications, though replacement markets — particularly in the EU — displayed early signs of stabilization. Despite maintaining operational discipline and a structurally resilient business model, the 4% YoY decline in volumes limited operating leverage benefits, resulting in a sharper 19% YoY contraction in EBITDA.

Outlook and Valuation: While near-term demand remains uneven across international markets, management commentary suggests gradual stabilization supported by normalization in freight, moderating raw material costs, and improved replacement demand. Margin recovery should remain range-bound in the near term, with sustainability initiatives and capacity enhancements aiding medium-term operating leverage. We maintain a cautiously constructive stance until volume momentum decisively improves.

We have rolled forward our valuation basis to Sept'27 estimates. We value Balkrishna Industries at 23x Sept'27 EPS, implying a target price of INR 2,370.

We downgrade our "ACCUMULATE" rating to "**HOLD**" on the stock as near-term volume and margin visibility remains constrained amid continued softness in key export markets.

KEY FINANCIALS

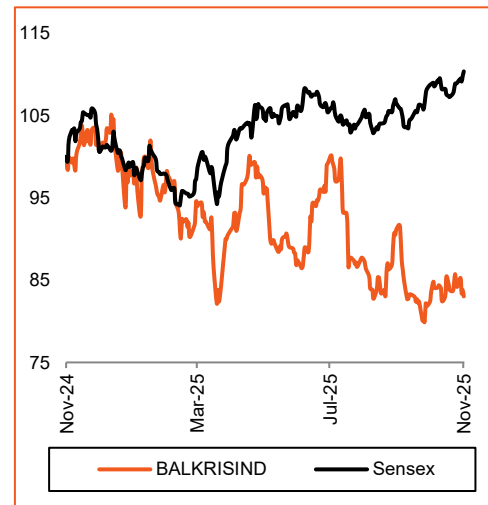
Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	93,689	1,04,470	1,10,740	1,26,474	1,43,051
EBITDA	22,554	24,580	26,010	30,870	34,540
EBITDA Margin	24.1%	23.5%	23.5%	24.4%	24.1%
PAT	14,715	16,554	15,609	18,938	21,094
EPS	76	86	81	98	109

Source: Company, DevenChoksey Research

RESEARCH ANALYST

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SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	387
Mkt Cap (INR Mn)	4,58,360
52 Week H/L (INR)	2,929/2,157

*Based on the previous closing

Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	58.3	58.3	58.3
FIIIs	10.7	10.5	11.5
DIIIs	24.5	24.7	23.6
Others	6.5	6.5	6.6
Total	100.0	100.0	100.0

10.0%

Revenue CAGR
between FY25-FY27E

7.0%

PAT CAGR between
FY25-FY27E

Balkrishna Industries Ltd.

Conference Call Highlights:

Key business updates

- Management expressed gratitude for the GST reduction in India, which is expected to support end-consumer demand. Early conclusion of the India–U.S. trade agreement (as per public domain) is anticipated to ease tariff pressures in coming months.
- Strategic priorities continue to be strengthening India and Europe, while building incremental growth in Rest of World. Company remains confident about long-term growth and its INR 23,000 Cr revenue vision by 2030.
- Key recognitions received: Caterpillar Global Supplier Excellence Award (fourth consecutive year). 5-Star & Sword of Honor for the Bhuj plant by British Safety Council. Title sponsor for Australia–India ODI & T20 series, reinforcing global brand building.

International Market

- Q2 saw a sharp impact as 50% tariff became applicable during the second half of the quarter. BKT has stopped supplying to the U.S. at current tariff levels, with distributors running down existing inventory. Once tariff relief comes, management expects volumes to normalize within weeks, with likely pent-up demand. U.S. remains a net importer, so long-term structural demand remains intact.
- Europe Market continues to face broad-based demand headwinds, affecting industry volumes. Management notes easing of headwinds recently, though it remains early to call a full recovery. BKT's market share remains largely stable; weakness is industry-wide rather than competitive displacement.
- Stronger push into Australia, Asia, and mining markets continues. These regions remain small today, but BKT is building them as future growth blocks (similar to India earlier).

Operational and financial performance

- Standalone revenue for Q2FY26 stood at INR 23,600 Mn, including a forex-related loss of INR 680 Mn, while the gross margin contraction was attributed to a weaker product mix and higher domestic volume contribution.
- Standalone EBITDA came in at INR 5,000 Mn., with EBITDA margin of 21.5%, impacted by lower US mix
- Net profit declined to INR 2,650 Mn., on account of decline in US shipments.

Guidance

- Management maintained a positive long-term outlook, reaffirming its FY30 revenue goal of INR 230,000 Mn, including INR 50,000 Mn from the manufacturing setup business over the next five years. Growth will be led by deeper penetration in India and Europe, alongside steady gains in other markets.
- Annual CAPEX is guided at INR 20,000–22,000 Mn, with key capacity additions—particularly the carbon black expansion—on track for commissioning in the second half of next fiscal.
- An early India–U.S. trade resolution is expected to ease tariff pressures and support medium-term U.S. demand.

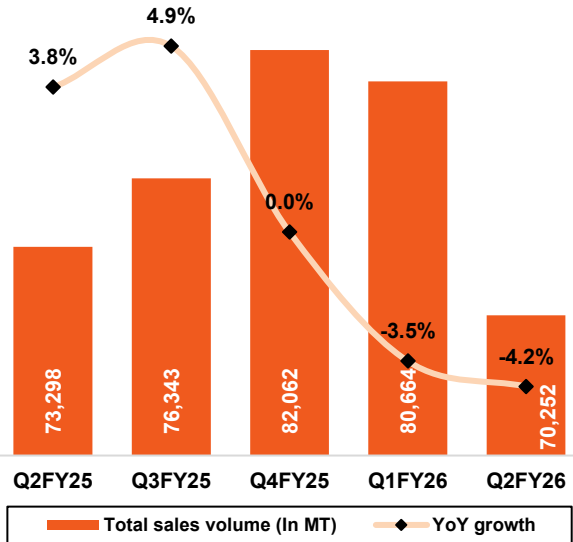
Outlook

- Management remains cautiously optimistic despite a challenging near-term environment. Export markets continue to face pressure—particularly the U.S. due to tariff-related headwinds and Europe amid broader demand volatility.
- Q3 volumes and revenue are expected to remain broadly flat QoQ. While softer raw material costs provide some relief, this benefit will be largely offset by the full impact of the EU anti-dumping duty in Q3, keeping overall cost trends stable.
- Despite these temporary pressures, management reiterated confidence in the long-term trajectory, noting that the current phase of volatility is cyclical and should ultimately reinforce the company's positioning for sustainable medium- to long-term growth.

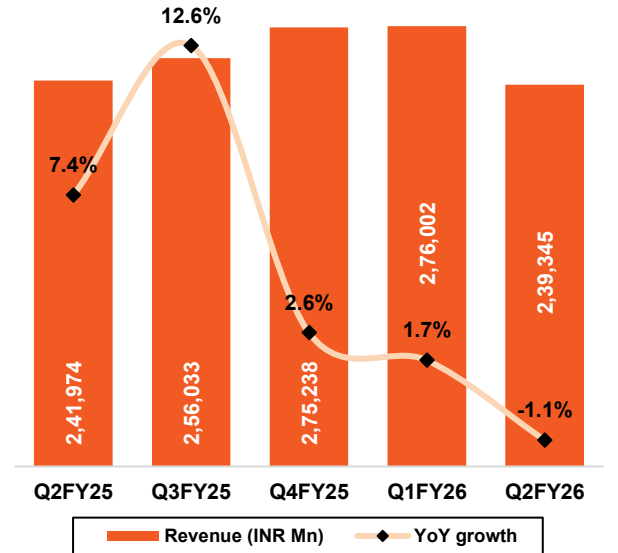
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Story in Charts:

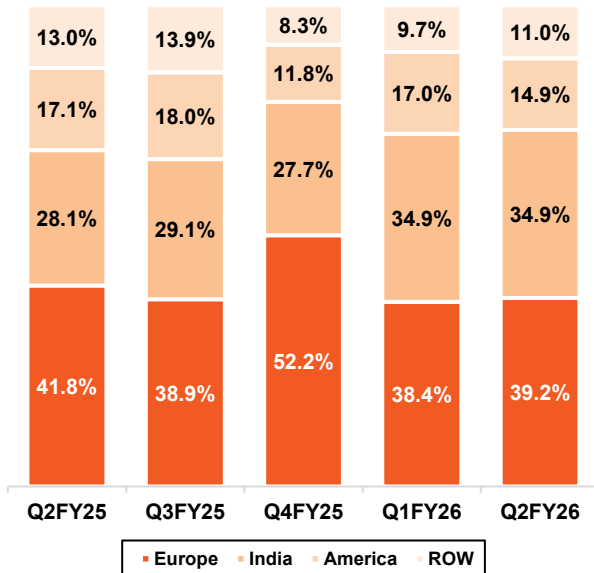
Peak volumes fade; sequential declines intensify by Q2



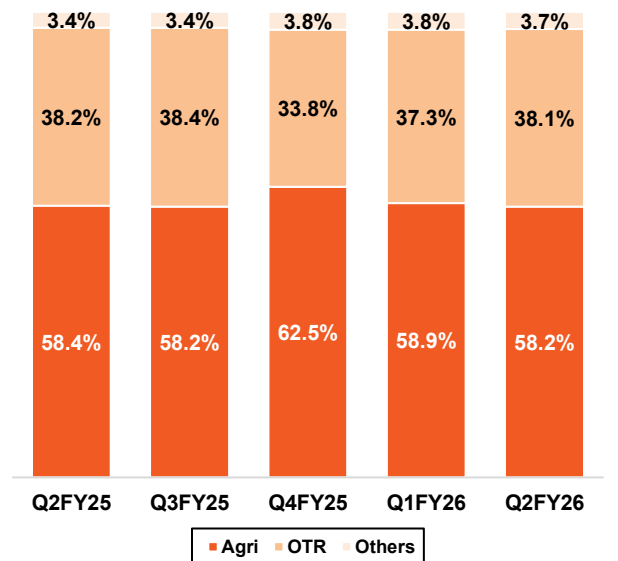
Growth trajectory reverses sharply; revenue moderates in Q2.



Europe gains share; America share declines modestly



Agri contribution eases; mix broadly unchanged sequentially



Source: Company, DevenChoksey Research

Balkrishna Industries Ltd.

Result Snapshot:

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)
Revenue from Operations	23,935	27,600	24,197	(13.3%)	(1.1%)
Total Expenditure	18,822	22,538	18,400	(16.5%)	2.3%
Cost of Raw Materials	11,082	12,508	11,293	(11.4%)	(1.9%)
Purchase of Stock	379	356	290	6.6%	30.6%
Changes in Inventories	61	500	(44)	87.9%	(237.1%)
Employee Cost	1,435	1,484	1,305	(3.3%)	10.0%
Other Expenses	5,865	7,691	5,555	(23.7%)	5.6%
EBITDA	5,112	5,062	5,798	1.0%	(11.8%)
EBITDA Margin (%)	21.4%	18.3%	24.0%	302 bps	(260 bps)
Depreciation	1,926	1,882	1,664	2.3%	15.7%
EBIT	3,186	3,180	4,134	0.2%	(22.9%)
Other Income	712	1,071	905	(33.5%)	(21.3%)
Finance Cost	325	308	412	5.7%	(21.0%)
PBT	3,573	3,944	4,626	(9.4%)	(22.8%)
Tax	841	1,061	1,157	(20.7%)	(27.3%)
PAT	2,732	2,883	3,469	(5.2%)	(21.3%)
EPS	14.1	14.9	17.9	(5.2%)	(21.3%)

Source: Company, DevenChoksey Research

Balkrishna Industries Ltd.**KEY FINANCIALS****Exhibit 1: Profit & Loss Statement**

INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	1,04,470	1,10,740	1,26,474	1,43,051
COGS	50,600	52,035	58,293	66,086
Gross profit	53,869	58,705	68,181	76,965
Employee cost	5,544	6,114	6,750	7,486
Other expenses	23,745	26,581	30,561	34,939
EBITDA	24,580	26,010	30,870	34,540
EBITDA Margin	23.5%	23.5%	24.4%	24.1%
D&A	6,807	7,758	8,560	9,600
EBIT	17,774	18,252	22,310	24,940
Interest expense	1,283	1,243	1,060	895
Other income	5,388	3,833	4,000	4,080
PBT	21,878	20,842	25,250	28,125
Tax	5,324	5,233	6,313	7,031
PAT	16,554	15,609	18,938	21,094
EPS (INR)	85.6	80.8	98.0	109.1

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	17,641	19,132	22,429	24,955
Capex	(14,830)	(13,289)	(12,647)	(14,305)
Dividend Paid	(3,095)	(2,900)	(2,900)	(2,900)
Change In Capital	1,433	2,500	(5,000)	(4,500)
Closing Cash	796	5,003	5,825	8,180
FCF	2,811	5,844	9,781	10,650

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	51.6%	53.0%	53.9%	53.8%
EBITDA Margin (%)	23.5%	23.5%	24.4%	24.1%
RoE (%)	15.9%	13.4%	14.3%	14.0%
RoCE (%)	15.6%	14.4%	15.7%	15.6%
EV/EBITDA	21.4x	18.2x	15.1x	13.5x
PE	29.8x	28.3x	23.4x	21.0x

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	387	387	387	387
Other Equity	1,03,489	1,16,199	1,32,237	1,50,431
Total Equity	1,03,876	1,16,586	1,32,624	1,50,818
Non-Current Liabilities				
Borrowings	3,873	4,170	3,576	3,042
Deferred Tax Liabilities (Net)	4,563	4,563	4,563	4,563
Other Current Liabilities	1,768	1,768	1,768	1,768
Total Non-Current Liabilities	10,204	10,501	9,907	9,373
Current Liabilities				
Borrowings	28,753	30,956	26,549	22,583
Other financial liabilities	3,023	3,174	3,333	3,499
Trade Paybles	7,539	7,128	7,985	9,053
Other current liabilities	2,951	2,951	2,951	2,951
Total Current Liabilities	42,267	44,210	40,819	38,087
Total Liabilities	52,471	54,710	50,726	47,460
Non-Current Assets				
PPE	68,562	74,093	78,180	82,885
Capital WIP	9,860	9,860	9,860	9,860
Other current assets	22,212	22,219	22,228	22,236
Total Non-Current Assets	1,00,633	1,06,172	1,10,267	1,14,981
Current Assets				
Inventories	17,819	18,533	20,762	23,537
Trade Receivables	14,945	16,990	19,404	21,947
Investments	17,028	19,028	21,028	23,028
Cash and Bank	802	5,003	5,825	8,180
Other current assets	5,119	5,570	6,063	6,604
Total Current Assets	55,714	65,124	73,082	83,297
Total Assets	1,56,347	1,71,296	1,83,350	1,98,278

Source: Company, DevenChoksey Research

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Balkrishna Industries Ltd.

Balkrishna Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
21-Nov-25	2,300	2,370	HOLD	Buy	More than 15%
01-Sept-25	2,289	2,520	ACCUMULATE	Accumulate	5% – 15%
29-May-25	2,488	2,474	REDUCE	Hold	0 – 5%
28-Jan-25	2,565	2,528	REDUCE	Reduce	-5% – 0
29-Oct-24	2,901	2,768	REDUCE		
22-Aug-24	2,845	2,768	REDUCE	Sell	Less than – 5%

ANALYST CERTIFICATION:

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