

30 January 2026

India | Equity Research | Results Update

Balkrishna Industries

Auto Ancillaries

Decent quarter; recovery in export markets remains key monitorable

Balkrishna Industries (BIL)'s Q3FY26 EBITDAM was 50bps ahead of our estimate. Unfavourable mix, part-absorption of US tariff and start-up costs related to new businesses continue to impact overall profitability for the company (EBITDAM -230bps YoY). Demand momentum in domestic market remains strong led by above-normal monsoon and recent GST rate cut. However, near-term demand in BIL's key export markets (US and EU) remains uncertain owing to weakness in underlying segments and geopolitical challenges (tariff uncertainty). Lower-than-normal channel inventory in these geographies could support growth. We cut EBITDA by ~1-3% for FY27/28E to factor in rising commodity costs. Maintain **HOLD**, with a revised TP of INR 2,450 (earlier INR 2,500), based on 24x FY28E EPS.

Takeaways from Q3FY26 conference call

- Volume was higher 6% YoY at ~80.6k tonnes, driven by India and EU. Americas' volume declined 30% YoY (+11% QoQ) as weak demand trend continues to persist owing to tariff increase. Volumes in EU grew ~10% YoY on inventory restocking. Volume in India grew 36% YoY led by strong momentum post GST rate cut supported by good monsoon. Realisation was down 1% YoY at INR 333/kg owing to unfavourable mix. EBITDAM stood at 22.5% in Q3, down 230bps YoY due to product and geographical mix (margin in India business is 50–100bps lower vs. export markets), and absorption of US tariff impact. BIL indicated that recent increase in Natural Rubber (NR) and crude prices may pose as a headwind in near term. EUR/INR rate for Q3 stood at 97 vs. spot rate of 110 owing to hedges (benefit to flow to PNL gradually).
- Pilot launch of CV radial tyres in India is on track for Q4FY26 (commercial production by H2FY27), followed by pilot launch of PV radial tyres by Q3FY27. BIL plans to gradually ramp up both these segments and aims for ~5% market share by FY30. Overall, the company is targeting 70% revenue from OHT, 20% from TBR and PCR and 10% from carbon black by FY30. EBITDAM guidance post full commercialisation of new businesses stands between 23–25%. With the costs related to setting up TBR and PCR lines expected to be front-loaded, we believe margins could remain under pressure in the near term. India-US trade deal and benefit from India-EU FTA remain key monitorables for medium-term growth outlook.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,04,129	1,08,070	1,18,618	1,31,938
EBITDA	24,205	24,541	27,258	30,174
EBITDA %	23.2	22.7	23.0	22.9
Net Profit	16,284	15,516	17,497	19,665
EPS (INR)	84.2	80.3	90.5	101.7
EPS % Chg YoY	13.3	(4.7)	12.8	12.4
P/E (x)	28.6	30.0	26.6	23.7
EV/EBITDA (x)	19.2	19.1	17.0	15.4
RoCE (%)	13.1	11.2	11.7	12.4
RoE (%)	16.9	14.2	14.4	14.5

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Market Data

Market Cap (INR)	466bn
Market Cap (USD)	5,077mn
Bloomberg Code	BIL IN
Reuters Code	BLKI.BO
52-week Range (INR)	2,916 / 2,152
Free Float (%)	41.0
ADTV-3M (mn) (USD)	4.4

Price Performance (%)

	3m	6m	12m
Absolute	3.2 (10.5)	(10.9)	
Relative to Sensex	5.9 (12.3)	(19.4)	

ESG Score

	2023	2024	Change
ESG score	69.1	69.8	0.7
Environment	48.2	54.1	5.9
Social	75.8	77.1	1.3
Governance	80.5	79.0	(1.5)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)

	FY26E	FY27E	FY28E
Revenue	(0.1)	(0.1)	(0.8)
EBITDA	(2.2)	(1.1)	(3.4)
EPS	(3.2)	(3.3)	(2.1)

Previous Reports

02-11-2025: [Q2FY26 results review](#)

28-07-2025: [Q1FY26 results review](#)

- Carbon Black (CB) sales were <10% of Q3FY26 sales (vs. 7%/9% in FY24/25) and may rise further in FY27, as capacity moves up from 200k tonnes currently to 360k tonnes. This segment is expected to be EBITDAM dilutive.
- Capex in 9MFY26 stood at INR 22bn, and the company has guided for INR 25-26bn of capex for FY26.

Exhibit 1: Q3FY26 result review

BIL standalone (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Sales tonnage	80,620	76,343	6%	70,252	15%
Net Sales	26,820	25,710	4%	23,200	16%
Raw Material	13,270	12,230	9%	11,570	15%
RM/Sales	49.5%	47.6%	190 bps	49.9%	-40 bps
Gross Profit	13,550	13,480	1%	11,630	17%
Gross margin	50.5%	52.4%	-190 bps	50.1%	40 bps
Staff Cost	1,300	1,310	-1%	1,260	3%
Staff Cost/Sales	4.8%	5.1%	-20 bps	5.4%	-60 bps
Others	6,210	5,780	7%	5,370	16%
Other expenditure/Sales	23.2%	22.5%	70 bps	23.1%	0 bps
EBITDA	6,040	6,390	-5%	5,000	21%
EBITDA Margin	22.5%	24.9%	-230 bps	21.6%	100 bps
Depreciation	1,920	1,710	12%	1,900	1%
PBIT	4,120	4,680	-12%	3,100	33%
Interest	420	150	180%	320	31%
Other Income	1,130	1,360	-17%	700	61%
PBT	4,830	5,890	-18%	3,480	39%
Tax	1,080	1,500	-28%	830	30%
Adj. PAT	3,750	4,390	-15%	2,650	42%
EPS (INR)	19.4	22.7	-15%	13.7	42%

Source: Company data, I-Sec research

Exhibit 2: Q3FY26 per kg metrics

Per kg matrix	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
NRV (INR/kg)	333	337	-1%	330	1%
GP/kg (INR)	168	177	-5%	166	2%
EBITDA/kg (INR)	75	84	-10%	71	5%
RM/kg (INR)	165	160	3%	165	0%

Source: I-Sec research, Company data

Exhibit 3: Key metrics and assumptions

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume ('000 tonne)	289	301	292	315	321	359	408
NRV (INR/kg)	286	326	319	330	337	330	324
Gross profit/kg	155	161	166	176	175	170	164
EBITDA (INR mn)	19,760	17,156	22,041	24,205	24,541	27,258	30,174
EBITDA Margin	23.9%	17.5%	23.7%	23.2%	22.7%	23.0%	22.9%
EBITDA/kg	68	57	75	77	77	76	74
Capex (INR mn)	14,986	20,529	11,311	13,440	25,000	15,000	15,000
PAT (INR mn)	14,112	10,787	14,376	16,284	15,516	17,497	19,665
FCF (INR mn)	(6,456)	(2,451)	9,383	4,097	1,284	8,996	11,293

Source: I-Sec research, Company data

Exhibit 4: Estimates revision

	FY26E			FY27E			FY28E		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue (INR mn)	1,08,139	1,08,070	-0.1%	1,18,693	1,18,618	-0.1%	1,32,936	1,31,938	-0.8%
EBITDA (INR mn)	25,096	24,541	-2.2%	27,555	27,258	-1.1%	31,240	30,174	-3.4%
EBITDA Margin (%)	23.2%	22.7%	-50 bps	23.2%	23.0%	-20 bps	23.5%	22.9%	-60 bps
PAT (INR mn)	16,022	15,516	-3.2%	18,026	17,497	-2.9%	19,958	19,665	-1.5%
EPS (INR)	83	80	-3.2%	93	91	-2.9%	103	102	-1.5%

Source: I-Sec research

Upside risks

- Better-than-expected volume growth supported by geographical and segmental diversification, resulting in reasonable growth in global market share.
- Improvement in RoCE backed by recovery in profitability and completion of capacity expansion plans.

Exhibit 5: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	58.3	58.3	58.3
Institutional investors	35.5	35.3	35.4
MFs and others	18.3	18.2	18.3
FIIs/Banks	0.5	0.2	0.2
Insurance	6.0	6.2	6.0
FIIs	10.7	10.7	11.0
Others	6.2	6.4	6.3

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart


Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	1,04,129	1,08,070	1,18,618	1,31,938
Operating Expenses	29,293	31,465	33,854	36,898
EBITDA	24,205	24,541	27,258	30,174
EBITDA Margin (%)	23.2	22.7	23.0	22.9
Depreciation & Amortization	6,735	7,770	8,776	9,462
EBIT	17,470	16,771	18,482	20,712
Interest expenditure	1,252	1,565	1,722	1,722
Other Non-operating Income	5,346	5,346	6,415	7,056
Recurring PBT	21,563	20,552	23,175	26,046
Profit / Loss from Associates	-	-	-	-
Less: Taxes	5,279	5,035	5,678	6,381
PAT	16,284	15,516	17,497	19,665
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	16,284	15,516	17,497	19,665
Net Income (Adjusted)	16,284	15,516	17,497	19,665

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	43,962	43,295	46,027	51,363
of which cash & cash eqv.	626	2,656	1,973	3,119
Total Current Liabilities & Provisions	15,049	15,347	16,483	17,838
Net Current Assets	28,914	27,948	29,543	33,525
Investments	32,649	32,649	32,649	32,649
Net Fixed Assets	69,134	86,364	92,587	98,125
ROU Assets	-	-	-	-
Capital Work-in-Progress	9,851	9,851	9,851	9,851
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	1,40,548	1,56,812	1,64,631	1,74,150
Liabilities				
Borrowings	32,140	37,140	32,140	27,140
Deferred Tax Liability	4,570	4,570	4,570	4,570
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	387	387	387	387
Reserves & Surplus	1,03,452	1,14,716	1,27,535	1,42,054
Total Net Worth	1,03,838	1,15,102	1,27,922	1,42,441
Minority Interest	-	-	-	-
Total Liabilities	1,40,548	1,56,812	1,64,631	1,74,150

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Mar-25	Jun-25	Sep-25	Dec-25
Net Sales	28,380	27,590	23,200	26,820
% growth (YOY)	5.2%	0.7%	-5.9%	3.7%
EBITDA	7,040	6,560	5,000	6,040
Margin %	24.8	23.8	21.6	22.5
Other Income	(30)	(500)	700	1,130
Adjusted Net Profit	3,630	2,870	2,650	3,750

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	17,536	26,284	23,996	26,293
Working Capital Changes	(5,483)	2,996	(2,279)	(2,835)
Capital Commitments	(13,440)	(25,000)	(15,000)	(15,000)
Free Cashflow	4,097	1,284	8,996	11,293
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(13,440)	(25,000)	(15,000)	(15,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	1,771	5,000	(5,000)	(5,000)
Dividend paid	(3,866)	(4,253)	(4,678)	(5,146)
Others	(1,900)	-	-	-
Cash flow from Financing Activities	(3,995)	747	(9,678)	(10,146)
Chg. in Cash & Bank balance	102	2,031	(682)	1,147
Closing cash & balance	629	2,657	1,974	3,120

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	84.2	80.3	90.5	101.7
Adjusted EPS (Diluted)	84.2	80.3	90.5	101.7
Cash EPS	119.1	120.5	135.9	150.7
Dividend per share (DPS)	2.0	2.2	2.4	2.7
Book Value per share (BV)	537.2	595.5	661.8	736.9
Dividend Payout (%)	2.4	2.7	2.7	2.6
Growth (%)				
Net Sales	12.0	3.8	9.8	11.2
EBITDA	9.8	1.4	11.1	10.7
EPS (INR)	13.3	(4.7)	12.8	12.4
Valuation Ratios (x)				
P/E	28.6	30.0	26.6	23.7
P/CEPS	20.2	20.0	17.7	16.0
P/BV	4.5	4.0	3.6	3.3
EV / EBITDA	19.2	19.1	17.0	15.4
EV / Sales	4.5	4.3	3.9	3.5
Profitability Ratios				
Gross Profit Margins (%)	51.4	51.8	51.5	50.8
EBITDA Margins (%)	23.2	22.7	23.0	22.9
EBIT Margins (%)	16.8	15.5	15.6	15.7
Net Profit Margins (%)	15.6	14.4	14.8	14.9
RoCE (%)	13.1	11.2	11.7	12.4
RoE (%)	16.9	14.2	14.4	14.5
Dividend Yield (%)	0.1	0.1	0.1	0.1
Operating Ratios				
Fixed Asset Turnover (x)	1.3	1.1	1.2	1.2
Inventory Turnover Days	60	60	60	60
Receivables Days	56	38	38	38
Payables Days	26	32	32	32
Effective Tax Rate (%)	24.5	24.5	24.5	24.5
Net Debt / Equity (x)	0.0	0.0	0.0	-
Net Debt / EBITDA (x)	0.0	0.1	(0.1)	-

Source Company data, I-Sec research

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