

Retail Equity Research

Bharat Forge Ltd.

Sector: Auto Ancillaries



Accumulate

13th August 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 1,345
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	BHFC:IN	80,540	BHARATFORG	500493	12 Months
				CMP	Rs. 1,180
				Return	+14%

Data as of: 13-08-2025 17:00 hrs

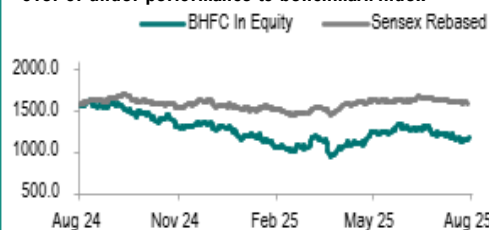
Company Data

Market Cap (Rs.cr)	56,395
52 Week High - Low (Rs.)	1647 - 919
Enterprise Value (Rs.cr)	61,827
Outstanding Shares (cr)	47.8
Free Float (%)	56
Dividend Yield	0.7%
6m average volume (cr)	0.14
Beta	1.2
Face value Rs.	2

Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	44.1	44.1	44.1
FII's	17.9	16.1	14.4
MFs/Insti	28.3	30.2	31.2
Public	9.7	9.7	10.3
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.6%	10.5%	-24.6%
Absolute Sensex	-2.3%	6.2%	2.1%
Relative Return*	-2.2%	4.3%	-26.7%

*over or under performance to benchmark index



Consolidated (Rs.cr)	FY25A	FY26E	FY27E
Sales	15,123	16,388	18,674
Growth (%)	-3.6	8.4	13.9
EBITDA	2,694	2,884	3,380
EBITDA Margin (%)	17.8	17.6	18.1
Adj. PAT	1,098	1,243	1,609
Growth (%)	14.0	13.2	29.4
Adj. EPS	23.0	26.0	33.6
Growth (%)	11.0	13.2	29.4
P/E	57.0	50.4	38.9
P/B	6.8	6.3	5.7
EV/EBITDA	24.4	22.3	18.7
ROE (%)	13.4	13.0	15.4
D/E	0.6	0.5	0.4

Author: Saji John - Sr. Research Analyst

Growth levers in place for the long haul...

Bharat Forge Ltd. (BFL) is a leading player in the forging industry. The company serves in several sectors, including automobile, power, oil and gas, rail & marine, aerospace & defence, construction, mining, etc.

- Despite a weak quarter primarily due to global uncertainties, BFL's diversified streams of revenue across geographies and new businesses & verticals have led to a resilient performance.
- Standalone revenue for Q1FY26, de-grew by 10% YoY due to weak export revenue. However, better performance from US and EU subsidiaries has led to an offset decline at a consolidated level.
- EBITDA margin contracted by 83 bps YoY to 17.2% owing to tariff uncertainty, lower utilisations and adverse product mix. We expect margin to show resilience at the current level due to better realisation.
- The current executable order book for KSSL stands at Rs.9,463cr and 1,400cr order yet to be converted. Despite seasonally weak H1, BFL expects growth to recover in H2FY26.
- Losses in the e-mobility segment have narrowed, and EBITDA breakeven in the EV verticals remains contingent on securing large orders. The domestic CV market is expected to improve in H2 owing to seasonality and replacement demand. Additionally, acquisition of American Axle India CV assets will enable BFL to include a wider portfolio and more value-added product line-ups.

Outlook & Valuation

Given the ongoing global uncertainty, BFL's diversified portfolio across products, geographies, and long validation cycles has aided in navigating the near-term headwinds. We believe margin resilience was largely driven by strong performance in defence, aerospace and overseas subsidiaries. The second half of the year is expected to be stronger than H1, supported by improved utilisation, domestic tailwinds and inorganic growth, and is anticipated to add to revenue growth. Along with these factors, any favourable tariff outcome will support our overall premium valuation. **Hence, we reiterate our valuation at 40x FY27E EPS and upgrade our rating to accumulate at CMP, with a target price of Rs. 1,345.**

Quarterly Financials (Consolidated)

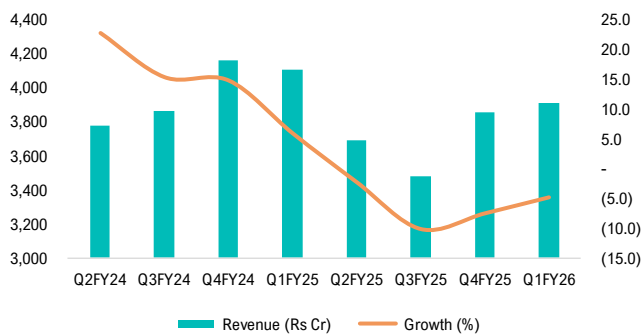
Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	3,909	4,106	-4.8	3,853	1.5
EBITDA	673	741	-9.2	681	-1.2
Margin (%)	17.2	18.0	-83bps	17.7	-47bps
EBIT	447	523	-14.5	458	-2.4
PBT	414	299	38.6	426	-2.8
Rep. PAT	284	203	39.9	282	0.6
Adj PAT	284	355	-20.0	287	-1.3
EPS (Rs)	6.1	7.6	-20.0	6.2	-1.3



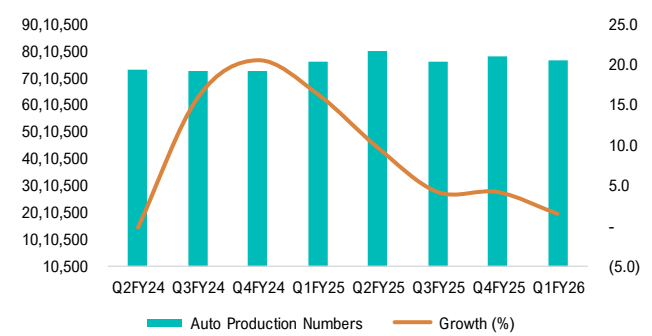
Key Concall Highlights

- The business remains resilient and forward-looking in FY26, with aerospace expected to grow over 20% YoY, supported by strong demand and strategic focus. The American Axle acquisition will add around ₹1,000 crore to consolidated revenue, enhancing capabilities in LCVs and SUVs.
- U.S. aluminium operations posted a second consecutive quarter of positive EBITDA (6.1%) despite tariff-related costs of ₹14 crore. Standalone EBITDA declined 6.5% due to lower utilization and product mix.
- The consolidated EBITDA margin stood at 17.4% in Q1. Q2 is expected to be weaker than Q1, mainly due to U.S. exports, but the second half of the year should see recovery.
- Defence remains a key growth area, with a ₹9,000 crore RFQ pipeline and a pending ₹1,400 cr tender. Artillery systems form less than half of the backlog (~₹4,000 crore). The carbine order, where Bharat Forge is L1, is not yet included. Q1 saw ₹900 crore in new business wins, led by Bharat Forge (₹429 crore), Defense (₹269 crore), and JSA (₹149 crore).
- Tariff uncertainty persists but hasn't impacted order inflows due to long validation cycles. The company is negotiating pricing adjustments with customers to offset costs. U.S. aluminium capacity was deliberately kept underutilized to capture future demand. The domestic business outlook remains positive, supported by government spending and diversification.
- The company is expanding into electronics manufacturing with SMT lines for defense and EV components. It is also entering server manufacturing via a partnership with Compal Electronics, targeting AI-based and data servers. The balance sheet remains strong, with continued investments in strategic growth areas.

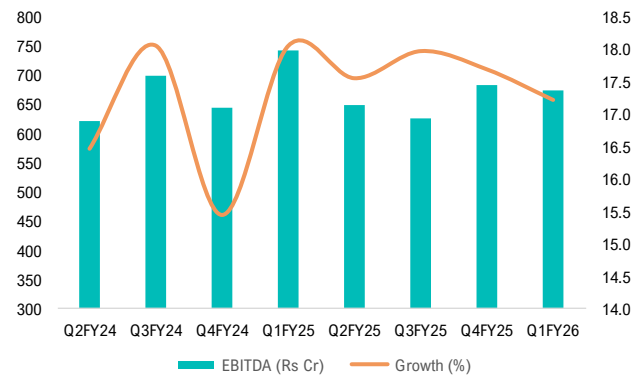
Revenue



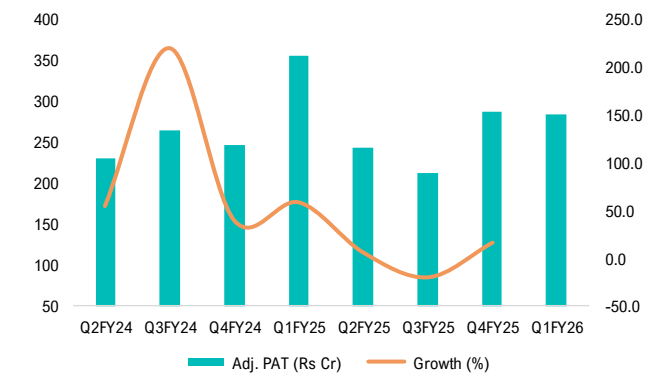
Auto Production Numbers



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	16,264	18,208	16,388	18,674	0.8	2.6
EBITDA	2,993	3,496	2,884	3,380	-3.6	-3.3
Margins (%)	18.4	19.2	17.6	18.1	-80bps	-110bps
Adj. PAT	1,354	1,732	1,243	1,609	-8.2	-7.1
EPS	29.1	37.2	26.0	33.6	-10.7	-9.6



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	12,910	15,682	15,123	16,388	18,674
% change	23%	21%	-4%	8%	14%
EBITDA	1,768	2,558	2,694	2,884	3,380
% change	-12%	45%	5%	7%	17%
Depreciation	736	848	874	925	979
EBIT	1,032	1,710	1,820	1,959	2,401
Interest	299	491	417	344	278
Other Income	173	227	214	213	243
PBT	860	1,434	1,460	1,828	2,365
% change	-39%	67%	2%	25%	29%
Tax	319	529	543	585	757
Tax Rate (%)	37%	37%	37%	32%	32%
Reported PAT	528	951	941	1,243	1,609
Adj*	-46	-12	-157	0	0
Adj PAT	574	963	1,098	1,243	1,609
% change	-42%	68%	14%	13%	29%
No. of shares (cr)	46.6	46.6	47.8	47.8	47.8
Adj EPS (Rs.)	12.3	20.7	23.0	26.0	33.6
% change	-42%	68%	11%	13%	29%
DPS (Rs.)	8.5	8.5	8.5	8.5	8.5
CEPS (Rs.)	28.1	38.9	41.2	45.3	54.1

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	1,596	2,282	2,333	2,753	3,344
Non-cash adj.	-106	-59	-171	-261	-499
Changes in W.C	62	-662	126	355	-479
C.F. Operation	1,552	1,561	2,288	2,848	2,367
Capital exp.	-1353	-1277	-1979	-417	-552
Change in inv.	430	445	-966	9	70
Other invest.CF	0	0	0	0	0
C.F – Investment	-1,352	-551	-2,197	-527	-432
Issue of equity	0	0	3	0	0
Issue/repay debt	1,198	670	-1,234	-1,100	-1,100
Dividends paid	-566	-566	-566	-566	-566
Other finance.CF	-146	-465	1,273	-307	-278
C.F – Finance	486	-362	-524	-1,973	-1,944
Chg. in cash	686	648	-433	348	-10
Closing cash	1,340	1,987	1,554	1,902	1,892

BALANCE SHEET

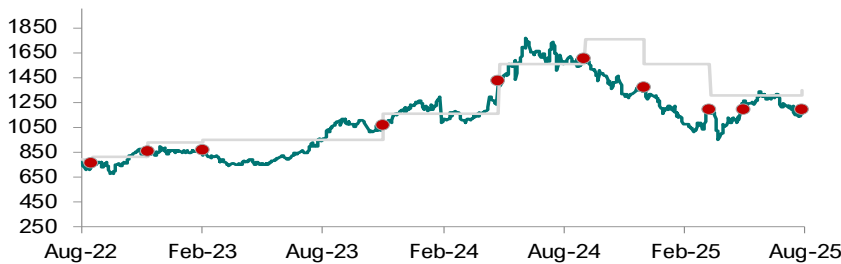
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	1,340	1,987	1,554	1,902	1,892
Accounts Receivable	3,087	3,167	2,900	3,143	3,581
Inventories	3,126	3,216	3,578	3,096	3,504
Other Cur. Assets	1,532	1,935	1,685	1,796	2,046
Investments	2,587	1,875	2,085	2,195	2,078
Gross Fixed Assets	13,300	14,307	15,567	16,067	16,567
Net Fixed Assets	5,784	5,943	6,329	5,904	5,425
CWIP	696	977	1,725	1,607	1,657
Intangible Assets	82	71	41	77	80
Def. Tax (Net)	-66	-4	70	90	110
Other Assets	0	0	0	0	0
Total Assets	18,169	19,167	19,969	19,811	20,373
Current Liabilities	2,192	1,900	1,702	1,819	2,058
Provisions	231	331	414	449	512
Debt Funds	6,852	7,522	6,288	5,188	4,088
Other Liabilities	36	-5	-33	5	5
Equity Capital	93	93	96	96	96
Reserves & Surplus	6,612	7,064	9,158	9,834	10,877
Shareholder's Fund	6,706	7,157	9,253	9,930	10,973
Total Liabilities	18,169	19,167	19,969	19,811	20,373
BVPS (Rs.)	142	152	198	212	234

RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.7	16.3	17.8	17.6	18.1
EBIT margin (%)	8.0	10.9	12.0	12.0	12.9
Net profit mgn.(%)	4.4	6.1	7.3	7.6	8.6
ROE (%)	8.6	13.9	13.4	13.0	15.4
ROCE (%)	5.4	8.3	8.3	9.2	11.9
W.C & Liquidity					
Receivables (days)	74.2	72.8	73.2	67.3	65.7
Inventory (days)	82.5	73.8	82.0	74.3	64.5
Payables (days)	53.5	51.4	55.6	53.0	50.4
Current ratio (x)	3.8	4.6	4.6	4.4	4.3
Quick ratio (x)	2.0	2.7	1.9	2.0	2.1
Turnover & Leverage					
Gross asset T.O (x)	1.0	1.1	1.0	1.0	1.1
Total asset T.O (x)	0.8	0.8	0.8	0.8	0.9
Int. coverage ratio (x)	3.5	3.5	4.4	5.7	8.6
Adj. debt/equity (x)	1.0	1.0	0.6	0.5	0.4
Valuation					
EV/Sales (x)	5.2	4.2	4.3	3.9	3.4
EV/EBITDA (x)	37.6	26.0	24.4	22.3	18.7
P/E (x)	106.2	63.3	57.0	50.4	38.9
P/BV (x)	9.1	8.5	6.8	6.3	5.7



Recommendation Summary (Last 3 years)



Dates	Rating	Target
31.May.22	Buy	785
01.Sep.22	Accumulate	810
25.Nov.22	Hold	928
17.Feb.23	Accumulate	942
17.Nov.23	Hold	1,160
10.May.24	Hold	1,552
17.Sep.24	Hold	1,758
16.Dec.24	Buy	1,558
26.Mar.24	Hold	1,302
13.Aug.25	Accumulate	1,345

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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