




Bharat Forge Ltd.

Sector: Auto Ancillaries

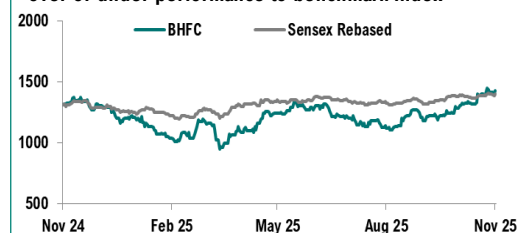
HOLD26th November 2025

| Key Changes | Target  | Rating  | Earnings  | Target | Rs. 1,572 | | |
|-------------|--|--|--|----------|------------|---------------|------------------|
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame | CMP | Rs. 1,433 |
| Mid Cap | BHFC:IN | 85,610 | BHARATFORG | 500493 | 12 Months | Return | +10% |

Data as of: 26-11-2025 16:00 hrs

| Company Data | | | |
|--------------------------|-----------|---------|--------|
| Market Cap (Rs.cr) | 68,503 | | |
| 52 Week High - Low (Rs.) | 1,461-919 | | |
| Enterprise Value (Rs.cr) | 72,906 | | |
| Outstanding Shares (cr) | 47.8 | | |
| Free Float (%) | 55.6 | | |
| Dividend Yield | 0.6% | | |
| 6m average volume (cr) | 0.12 | | |
| Beta | 1.3 | | |
| Face value Rs. | 2 | | |
| Shareholding (%) | Q4FY25 | Q1FY26 | Q2FY26 |
| Promoters | 44.1 | 44.1 | 44.1 |
| FII's | 16.1 | 14.4 | 13.6 |
| MFs/Insti | 30.2 | 31.2 | 32.1 |
| Public | 9.6 | 10.3 | 10.2 |
| Total | 100.0 | 100.0 | 100.0 |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | 26.7% | 15.4% | 8.5% |
| Absolute Sensex | 6.3% | 4.5% | 6.4% |
| Relative Return* | 20.4% | 10.8% | 2.1% |

*over or under performance to benchmark index



| Consolidated (Rs.cr) | FY25A | FY26E | FY27E |
|----------------------|--------|--------|--------|
| Sales | 15,123 | 16,236 | 18,752 |
| Growth (%) | -3.6 | 7.4 | 15.5 |
| EBITDA | 2,694 | 2,888 | 3,466 |
| EBITDA Margin (%) | 17.8 | 17.8 | 18.5 |
| Adj. PAT | 1,098 | 1,264 | 1,748 |
| Growth (%) | 14.0 | 15.1 | 38.2 |
| Adj. EPS | 23.0 | 26.4 | 36.5 |
| Growth (%) | 11.0 | 15.1 | 38.2 |
| P/E | 57.0 | 49.5 | 35.8 |
| P/B | 6.8 | 6.3 | 5.7 |
| EV/EBITDA | 24.4 | 22.2 | 18.2 |
| ROE (%) | 13.4 | 13.2 | 16.7 |
| D/E | 0.6 | 0.5 | 0.4 |

Author: Arun Kailasan, Research Analyst

Resilient Margins Amid Global Headwinds...

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.

- Consolidated revenue increased 9% YoY to Rs.4032 cr on strong PV, industrial and defence performance with stable overseas operations, whereas standalone revenue fell 12% YoY in Q2FY26 due to weak CV exports amid a North American downturn and inventory destocking.
- PAT rose 23% YoY, with gross margins remaining resilient despite tariff uncertainties, supported by cost-reduction initiatives, block shutdowns, and higher in-house value addition that strengthened the product mix.
- KSSL's executable order book currently stands at Rs.9,467cr, including fresh orders of about Rs.560cr received during the quarter.
- Exports remained pressured by weak North American CV demand driven by soft freight trends and tariff uncertainty, while PV exports stayed broadly flat due to diversification efforts. Industrial exports were mixed, with Construction Mining and Aerospace partially offsetting segmental weakness.
- We improve our FY26E EPS by 170bps and FY27E by 880bps due to better product mix expectations and margin resilience (FY27 EBITDA margin revised to 18.5% vs 18.1% earlier), factoring better H2FY26 expectation.

Outlook & Valuation

With capacity expansion and inorganic opportunities in India, alongside diversified growth engines across defence, aerospace, and auto, the company is well positioned for improved profitability in H2. Margin resilience has been aided by strong performance in defence, aerospace, and overseas subsidiaries, and any favourable tariff outcome will further support growth. Hence, **we value the stock at 43x FY27E EPS and downgrade our rating to HOLD at CMP, with a revised target price of Rs.1,572.**

Quarterly Financials (Consolidated)

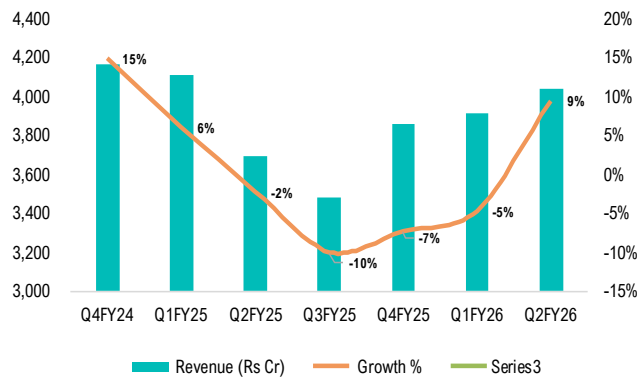
| Rs.cr | Q2FY26 | Q2FY25 | YoY Growth (%) | Q1FY26 | QoQ Growth (%) | H1FY26 | H1FY25 | YoY Growth (%) |
|------------|--------|--------|----------------|--------|----------------|--------|--------|----------------|
| Sales | 4,032 | 3,689 | 9.3 | 3,909 | 3.2 | 7,941 | 7,795 | 1.9 |
| EBITDA | 726 | 647 | 12.1 | 673 | 7.8 | 1,399 | 1,388 | 0.7 |
| Margin (%) | 18.0 | 17.5 | 45bps | 17.2 | 78bps | 17.6 | 17.8 | -20bps |
| EBIT | 485 | 434 | 11.7 | 447 | 8.5 | 932 | 957 | -2.6 |
| PBT | 458 | 386 | 18.8 | 414 | 10.6 | 872 | 685 | 27.4 |
| Rep. PAT | 299 | 244 | 22.9 | 284 | 5.5 | 583 | 446 | 30.6 |
| Adj PAT | 299 | 244 | 22.9 | 284 | 5.5 | 583 | 598 | -2.5 |
| EPS (Rs) | 6.3 | 5.2 | 19.6 | 5.9 | 5.5 | 12.2 | 12.8 | -5.1 |



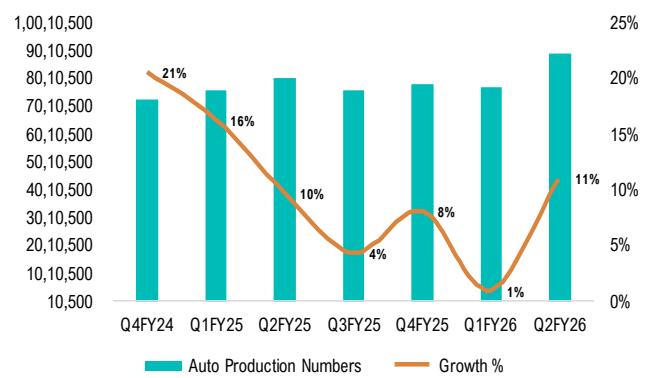
Key Concall Highlights

- The company secured ₹1,582cr in new orders across key verticals, comprising ₹823cr in components and industrial, ₹559cr in defence, and ₹200cr in the casting business.
- Overseas operations were resilient, with U.S. Aluminium revenue doubling YoY and delivering a third straight positive-EBITDA quarter despite ₹24cr in tariff costs. Domestic performance was mixed—CV volumes softened due to pre-GST OEM production cuts, while passenger cars posted steady growth and the industrial segment remained stable on strong defence execution and heavy-horsepower engine demand.
- Defence remains a key growth driver, supported by a strong RFQ pipeline and pending tenders, with momentum expected to accelerate in H2FY26. Execution of ATAGs, carbine orders and the recent ₹2500cr Navy unmanned systems order is set to commence shortly, enhancing the product mix and driving revenue from CY26.
- Despite tariff pressures, consolidated EBITDA margin improved 50bps QoQ to 17.7% in Q2, with H2 expected to benefit from a stronger product mix. FY26 remains mixed, as near-term demand uncertainty in North America—driven by trade policy shifts and weak CV exports—persists, though a recovery is anticipated as destocking normalizes.
- Bharat Forge is planning to raise ₹2,000cr via debt and NCDs to fund growth, while evaluating server manufacturing, data centers, and UAV partnerships. The company plans to expand Indian capacity for aerospace and engineering with focus remaining on India and its growth.

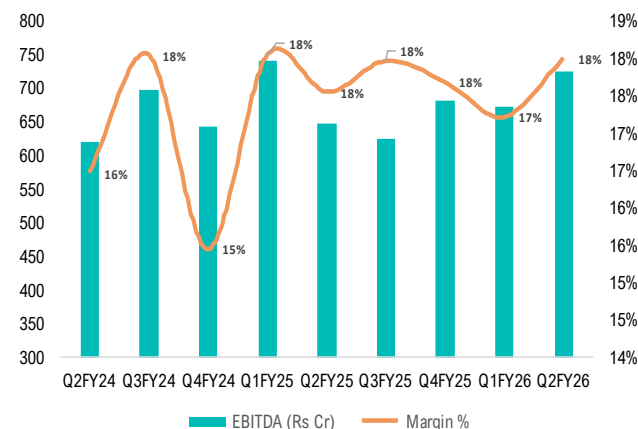
Revenue



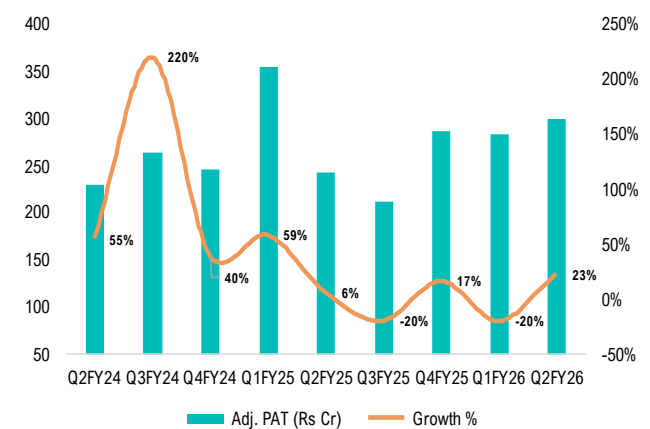
Auto Production Numbers



EBITDA



PAT



Change in Estimates

| Rs.cr | Q2FY26 | Q2FY25 | YoY Growth (%) | Q1FY26 | QoQ Growth (%) | H1FY26 | H1FY25 | YoY Growth (%) |
|------------|--------|--------|----------------|--------|----------------|--------|--------|----------------|
| Sales | 4,032 | 3,689 | 9.3 | 3,909 | 3.2 | 7,941 | 7,795 | 1.9 |
| EBITDA | 726 | 647 | 12.1 | 673 | 7.8 | 1,399 | 1,388 | 0.7 |
| Margin (%) | 18.0 | 17.5 | 45bps | 17.2 | 78bps | 17.6 | 17.8 | -20bps |
| EBIT | 485 | 434 | 11.7 | 447 | 8.5 | 932 | 957 | -2.6 |
| PBT | 458 | 386 | 18.8 | 414 | 10.6 | 872 | 685 | 27.4 |
| Rep. PAT | 299 | 244 | 22.9 | 284 | 5.5 | 583 | 446 | 30.6 |
| Adj PAT | 299 | 244 | 22.9 | 284 | 5.5 | 583 | 598 | -2.5 |
| EPS (Rs) | 6.3 | 5.2 | 19.6 | 5.9 | 5.5 | 12.2 | 12.8 | -5.1 |



Consolidated Financials

PROFIT & LOSS

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 12,910 | 15,682 | 15,123 | 16,236 | 18,752 |
| % change | 23% | 21% | -4% | 7% | 15% |
| EBITDA | 1,768 | 2,558 | 2,694 | 2,888 | 3,466 |
| % change | -12% | 45% | 5% | 7% | 20% |
| Depreciation | 736 | 848 | 874 | 933 | 987 |
| EBIT | 1,032 | 1,710 | 1,820 | 1,954 | 2,479 |
| Interest | 299 | 491 | 417 | 344 | 278 |
| Other Income | 173 | 227 | 214 | 260 | 300 |
| PBT | 860 | 1,434 | 1,460 | 1,810 | 2,441 |
| % change | -39% | 67% | 2% | 24% | 35% |
| Tax | 319 | 529 | 543 | 633 | 781 |
| Tax Rate (%) | 37% | 37% | 37% | 35% | 32% |
| Reported PAT | 528 | 951 | 941 | 1,204 | 1,688 |
| Adj* | -46 | -12 | -157 | -60 | -60 |
| Adj PAT | 574 | 963 | 1,098 | 1,264 | 1,748 |
| % change | -42% | 68% | 14% | 15% | 38% |
| No. of shares (cr) | 46.6 | 46.6 | 47.8 | 47.8 | 47.8 |
| Adj EPS (Rs.) | 12.3 | 20.7 | 23.0 | 26.4 | 36.5 |
| % change | -42% | 68% | 11% | 15% | 38% |
| DPS (Rs.) | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| CEPS (Rs.) | 28.1 | 38.9 | 41.2 | 46.0 | 57.2 |

CASH FLOW

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|-------------------------|---------------|--------------|---------------|---------------|---------------|
| Net inc. + Deprn. | 1,596 | 2,282 | 2,333 | 2,743 | 3,428 |
| Non-cash adj. | -106 | -59 | -171 | -281 | -495 |
| Changes in W.C | 62 | -662 | 126 | 455 | -522 |
| C.F. Operation | 1,552 | 1,561 | 2,288 | 2,917 | 2,411 |
| 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 | 417 | 34 |
| Closing cash | 1,340 | 1,987 | 1,554 | 1,971 | 2,006 |

BALANCE SHEET

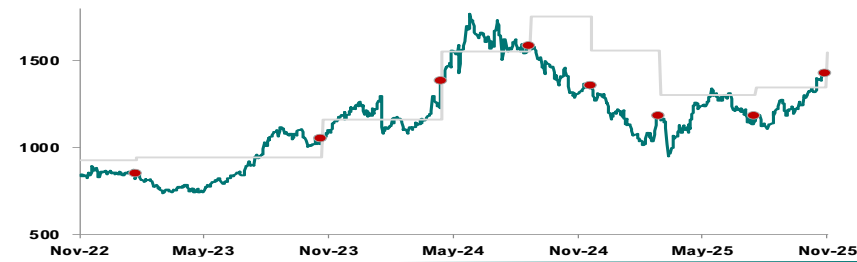
| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 1,340 | 1,987 | 1,554 | 1,971 | 2,006 |
| Accounts Receivable | 3,087 | 3,167 | 2,900 | 3,114 | 3,596 |
| Inventories | 3,126 | 3,216 | 3,578 | 3,254 | 3,717 |
| Other Cur. Assets | 1,532 | 1,935 | 1,685 | 1,779 | 2,055 |
| 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 | 5,896 | 5,409 |
| 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 | 19,983 | 20,707 |
| Current Liabilities | 2,192 | 1,900 | 1,702 | 1,911 | 2,184 |
| Provisions | 231 | 331 | 414 | 445 | 514 |
| 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 | 9,796 | 10,917 |
| Shareholder's Fund | 6,706 | 7,157 | 9,253 | 9,891 | 11,013 |
| Total Liabilities | 18,169 | 19,167 | 19,969 | 19,983 | 20,707 |
| BVPS (Rs.) | 142 | 152 | 198 | 211 | 235 |

RATIOS

| Y.E March | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 13.7 | 16.3 | 17.8 | 17.8 | 18.5 |
| EBIT margin (%) | 8.0 | 10.9 | 12.0 | 12.0 | 13.2 |
| Net profit mgn. (%) | 4.4 | 6.1 | 7.3 | 7.8 | 9.3 |
| ROE (%) | 8.6 | 13.9 | 13.4 | 13.2 | 16.7 |
| ROCE (%) | 5.6 | 8.6 | 8.6 | 9.3 | 12.8 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 74.2 | 72.8 | 73.2 | 67.6 | 65.3 |
| Inventory (days) | 82.5 | 73.8 | 82.0 | 76.8 | 67.8 |
| Payables (days) | 53.5 | 51.4 | 55.6 | 54.9 | 53.0 |
| Current ratio (x) | 3.8 | 4.6 | 4.6 | 4.3 | 4.2 |
| Quick ratio (x) | 2.0 | 2.7 | 1.9 | 1.9 | 2.0 |
| 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 | 8.9 |
| Adj. debt/equity (x) | 1.0 | 1.0 | 0.6 | 0.5 | 0.4 |
| Valuation | | | | | |
| EV/Sales (x) | 5.2 | 4.2 | 4.3 | 4.0 | 3.4 |
| EV/EBITDA (x) | 37.6 | 26.0 | 24.4 | 22.2 | 18.2 |
| P/E (x) | 106.2 | 63.3 | 57.0 | 49.5 | 35.8 |
| 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 |
| 26.Nov.25 | Hold | 1,572 |

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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GRIEVANCES

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