

Bharat Forge Ltd.

SELL

Sector: Auto Ancillaries

12th May 2026

Key Changes	Target	Rating	Earnings	Target	Rs. 1,732		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 1,918
Mid Cap	BHFC:IN	74,559	BHARATFORG	500493	12 Months	Return	-10%

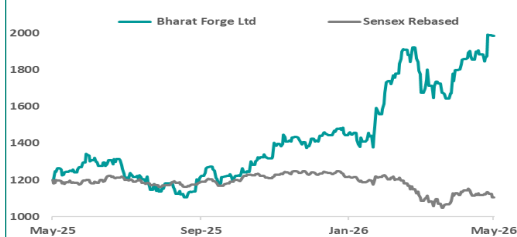
Data as of: 12-05-2026 16:00 hrs

Company Data			
Market Cap (Rs.cr)	91,659		
52 Week High - Low (Rs.)	2,044-1,101		
Enterprise Value (Rs.cr)	97,777		
Outstanding Shares (cr)	47.8		
Free Float (%)	55.5		
Dividend Yield	0.4%		
6m average volume (cr)	0.14		
Beta	1.5		
Face value Rs.	2		

Shareholding (%)	Q2FY26	Q3FY26	Q4FY26
Promoters	44.1	44.1	44.1
FII's	13.6	12.4	14.1
MFs/Insti	32.1	34.1	32.6
Public	10.2	9.4	9.2
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	24.5%	46.7%	61.4%
Absolute Sensex	-2.3%	1.7%	8.8%
Relative Return*	26.8%	45.1%	52.6%

*over or under performance to benchmark index



Consolidated (Rs.cr)	FY26A	FY27E	FY28E
Sales	16,812	19,560	22,331
Growth (%)	11.2	16.3	14.2
EBITDA	2,927	3,616	4,351
EBITDA Margin (%)	17.4	18.5	19.5
Adj. PAT	1,234	1,774	2,353
Growth (%)	12.4	43.7	32.6
Adj. EPS	25.8	37.1	49.2
Growth (%)	12.4	43.7	32.6
P/E	50.8	35.3	26.6
P/B	6.4	5.7	4.9
EV/EBITDA	22.3	17.6	14.2
ROE (%)	13.0	17.1	19.8
D/E	0.7	0.5	0.4

Execution Strength Offset by Rich Valuation

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 for Q4FY26 grew 18% YoY to ₹4,528cr, while Adjusted PAT increased 16% YoY to ₹332cr, driven by strong domestic performance and a recovery in exports.
- Total revenue for FY26 increased 11% YoY to ₹16,812cr, while Adjusted PAT grew 14% YoY to ₹1,234cr amidst weak H1FY26 performance.
- EBITDA rose 17% YoY to ₹778cr in Q4FY26, though margins remained flat at 17.2%. For FY26, EBITDA grew 9% YoY to ₹2,927cr, impacted by tariff-related pressures and input cost inflation during the year.
- The defence vertical (KSSL) has an executable order book of ₹10,961cr, including new orders worth ₹2,816cr received during the quarter.
- The aerospace business accounted for ~26% of industrial exports in the last quarter, making it the second largest contributor, supported by multiple new order wins across jet engines, structures, and landing systems from global OEMs.
- Data centers remain a small, emerging opportunity for Bharat Forge, with participation largely through manufactured inputs and auxiliaries, Order inflows are expected from H2FY27 with a meaningful ramp-up expected in FY28E.

Outlook & Valuation

Bharat Forge faces near-term headwinds from regulatory challenges in North America and weak U.S. CV demand. Nevertheless, its long-term outlook remains supported by growing opportunities in aerospace, defence, and components. Aerospace has become an increasingly important export segment, aided by rising global OEM wins, while a strong order book and ongoing capex provide healthy growth visibility. Margins remain under pressure in the near term, though a higher mix of value-added programs and efficient execution should offer support over time. **Considering the current risk-reward balance and elevated valuations, we assign a Sell rating at CMP, with a revised target price of ₹1,732, based on 35x FY28E EPS.**

Quarterly Financials (Consolidated)

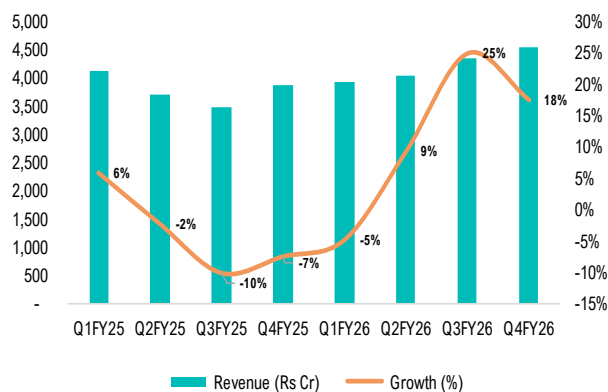
Rs.cr	Q4FY26	Q4FY25	YoY Growth (%)	Q3FY26	QoQ Growth (%)	FY26	FY25	YoY Growth (%)
Sales	4,528	3,853	17.5	4,343	4.3	16,812	15,123	11.2
EBITDA	778	681	14.2	750	3.8	2,927	2,694	8.6
Margin (%)	17.2	17.7	-50bps	17.3	-8bps	17.4	17.8	-41bps
EBIT	523	458	14.3	501	4.4	1,956	1,820	7.4
PBT	393	426	-7.8	411	-4.4	1,677	1,460	14.9
Rep. PAT	233	282	-17.2	273	-14.4	1,080	941	14.7
Adj PAT	332	287	15.6	329	1.1	1,234	1,098	12.4
EPS (Rs)	6.9	6.0	15.6	6.9	1.1	25.8	23.0	12.4



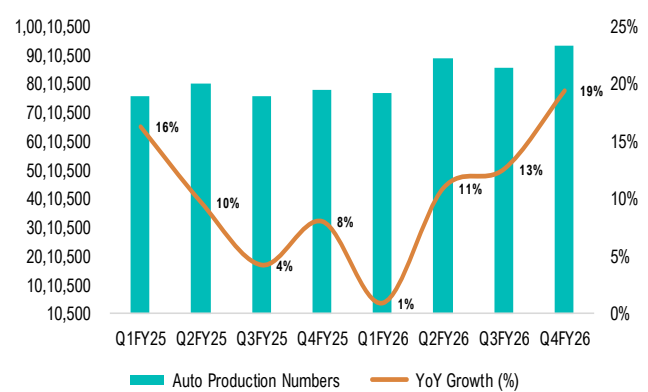
Key Concall Highlights

- The company secured new businesses worth ₹4,814cr across all key businesses, which includes the traditional business of ₹1,210cr, Defense orders of ₹2,816cr, JSA (casting unit) ₹292cr and K-Drive (recent acquisition) about ₹500cr.
- The company has initiated restructuring of its German steel business (DCP Bharat Forge) and is simultaneously pursuing business opportunities to leverage the scaled-up manufacturing footprint for other businesses.
- European operations recorded an EBITDA of ₹48cr in Q4, while U.S. aluminium operations posted an EBITDA of ₹0.4cr, reflecting modest performance amid weak demand.
- The company's ongoing capex program across forging casting and product platforms is expected to translate into ₹800–850cr over a 15–18 month period while it continues to evaluate potential M&A opportunities in India to address high-growth sectors complementary to its existing businesses.
- The company is focused on expanding its product portfolio and participating in new programs to build a robust and scalable medium to long-term revenue pipeline with particular emphasis on new defence opportunities in Europe.

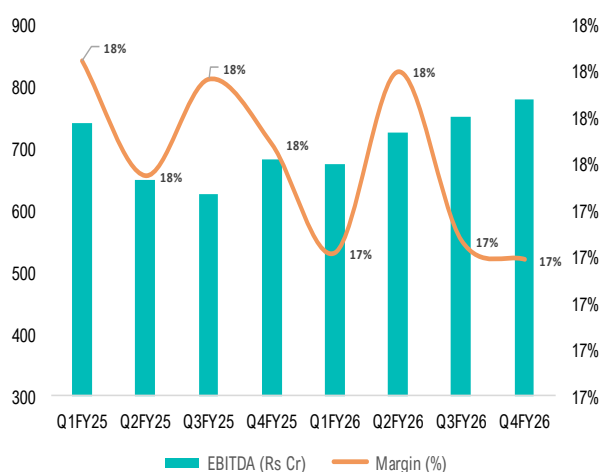
Revenue



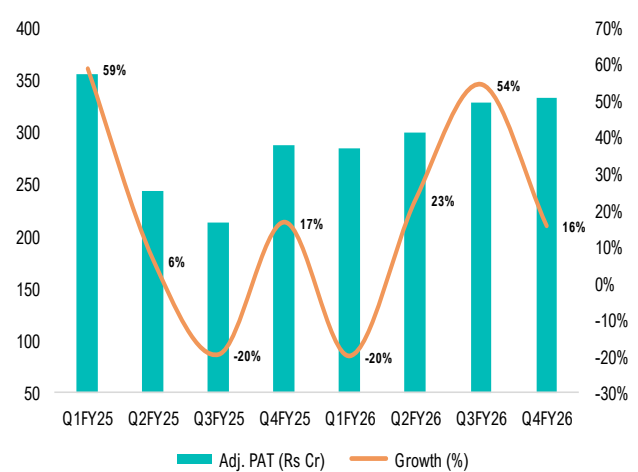
Auto Production Numbers



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	19,283	21,853	19,560	22,331	1.4	2.2
EBITDA	3,564	4,149	3,616	4,351	1.4	4.9
Margins (%)	18.5	19.0	18.5	19.5	0bps	50bps
Adj. PAT	1,820	2,270	1,774	2,353	-2.5	3.7
EPS	38.1	47.5	37.1	49.2	-2.5	3.7



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
Revenue	12,910	15,682	15,123	16,812	19,560	22,331
% change	23%	21%	-4%	11%	16%	14%
EBITDA	1,768	2,558	2,694	2,927	3,616	4,351
% change	-12%	45%	5%	9%	24%	20%
Depreciation	736	848	874	971	1037	1067
EBIT	1,032	1,710	1,820	1,956	2,579	3,284
Interest	299	491	417	323	379	313
Other Income	173	227	214	199	313	357
PBT	860	1,434	1,460	1,677	2,512	3,328
% change	-39%	67%	2%	15%	50%	32%
Tax	319	529	543	578	729	965
Tax Rate (%)	37%	37%	37%	34%	29%	29%
Reported PAT	528	951	941	1,080	1,774	2,353
Adj*	-46	-12	-157	-154	0	0
Adj PAT	574	963	1,098	1,234	1,774	2,353
% change	-42%	68%	14%	12%	44%	33%
No. of shares (cr)	46.6	46.6	47.8	47.8	47.8	47.8
Adj EPS (Rs.)	12.3	20.7	23.0	25.8	37.1	49.2
% change	-42%	68%	11%	12%	44%	33%
DPS (Rs.)	8.5	8.5	8.5	8.5	8.5	8.5
CEPS (Rs.)	28.1	38.9	41.2	46.1	58.8	71.5

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
Net inc. + Depn.	1,596	2,282	2,333	2,648	3,549	4,395
Non-cash adj.	-106	-59	-171	-385	-379	-681
Changes in W.C	62	-662	126	-313	83	-578
C.F. Operation	1,552	1,561	2,288	1,950	3,254	3,135
Capital exp.	-1353	-1277	-1979	-867	-1010	-552
Change in inv.	430	445	-966	789	-368	70
Other invest.CF	0	0	0	0	0	0
C.F – Investment	-1,352	-551	-2,197	-552	-891	-432
Issue of equity	0	0	3	0	0	0
Issue/repay debt	1,198	670	-1,234	586	-1,100	-1,100
Dividends paid	-566	-566	-566	-566	-566	-566
Other finance.CF	-146	-465	1,273	-314	-351	-313
C.F – Finance	486	-362	-524	-294	-2,018	-1,980
Chg. in cash	686	648	-433	1,104	345	723
Closing cash	1,340	1,987	1,554	2,658	3,003	3,726

BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
Cash	1,340	1,987	1,554	2,658	3,003	3,726
Accounts Receivable	3,087	3,167	2,900	3,910	3,751	4,283
Inventories	3,126	3,216	3,578	4,053	3,877	4,377
Other Cur. Assets	1,532	1,935	1,685	1,822	2,144	2,447
Investments	2,587	1,875	2,085	1,760	1,646	1,529
Gross Fixed Assets	13,300	14,307	15,567	16,889	17,389	17,889
Net Fixed Assets	5,784	5,943	6,329	6,680	6,143	5,576
CWIP	696	977	1,725	1,251	1,739	1,789
Intangible Assets	82	71	41	61	83	86
Def. Tax (Net)	-66	-4	70	191	211	231
Other Assets	0	0	0	0	0	0
Total Assets	18,169	19,167	19,969	22,385	22,597	24,044
Current Liabilities	2,192	1,900	1,702	2,310	2,278	2,572
Provisions	231	331	414	461	536	612
Debt Funds	6,852	7,522	6,288	6,875	5,775	4,675
Other Liabilities	36	-5	-33	-23	5	5
Equity Capital	93	93	96	96	96	96
Reserves & Surplus	6,612	7,064	9,158	9,671	10,879	12,666
Shareholder's Fund	6,706	7,157	9,253	9,767	10,975	12,762
Total Liabilities	18,169	19,167	19,969	22,385	22,597	24,044
BVPS (Rs.)	142	152	198	208	234	272

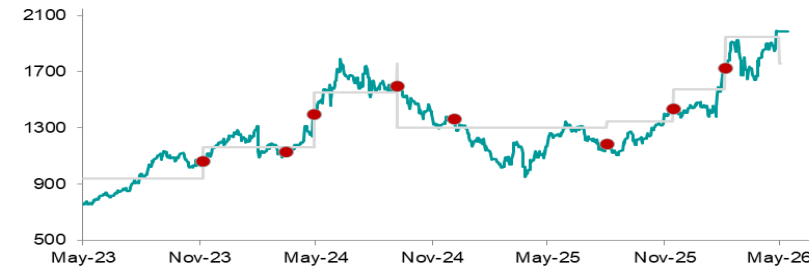
RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
Profitab. & Return						
EBITDA margin (%)	13.7	16.3	17.8	17.4	18.5	19.5
EBIT margin (%)	8.0	10.9	12.0	11.6	13.2	14.7
Net profit mgn.(%)	4.4	6.1	7.3	7.3	9.1	10.5
ROE (%)	8.6	13.9	13.4	13.0	17.1	19.8
ROCE (%)	5.6	8.6	8.6	8.7	11.7	15.0
W.C & Liquidity						
Receivables (days)	74.2	72.8	73.2	73.9	71.5	65.7
Inventory (days)	82.5	73.8	82.0	82.8	74.0	67.5
Payables (days)	53.5	51.4	55.6	58.0	56.2	52.7
Current ratio (x)	3.8	4.6	4.6	4.5	4.6	4.7
Quick ratio (x)	2.0	3.1	1.9	1.9	2.0	1.7
Turnover & Leverage						
Gross asset T.O (x)	1.0	1.1	1.0	1.0	1.1	1.3
Total asset T.O (x)	0.8	0.8	0.8	0.8	0.9	1.0
Int. coverage ratio (x)	3.5	3.5	4.4	6.0	6.8	10.5
Adj. debt/equity (x)	1.0	1.0	0.6	0.7	0.5	0.4
Valuation						
EV/Sales (x)	5.2	4.2	4.3	3.9	3.3	2.8
EV/EBITDA (x)	37.6	26.0	24.4	22.3	17.6	14.2
P/E (x)	106.2	63.3	57.0	50.8	35.3	26.6
P/BV (x)	9.1	8.5	6.8	6.4	5.7	4.9






Recommendation Summary (Last 3 years)

Dates	Rating	Target
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
17.Feb.26	Accumulate	1,946
12.May.26	Sell	1,732



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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