

May 9, 2025

Broadening horizons, defence to led the growth charge...

About stock: Bharat Forge (BFL) is India's leading auto component player with strong engineering, technological competencies in forging and metallurgy. Its products find application in domestic, exports markets across PV, CV, oil & gas, construction & mining, power, defence, etc.

- FY25 standalone segment mix – ~26% CV, ~64% Industrial, ~10% PV
- FY25 standalone export mix – ~70% America, ~24% Europe, ~6% other

Q4FY25 Result: Standalone revenues for the quarter came in at ₹ 2,163 crore down 7.1% YoY, despite a 9% growth in tonnage at 67,309 tonnes. Standalone EBITDA in Q4FY25 stood at ₹ 617 crore, with consequent margins placed at 28.5%, down 59 bps QoQ. Reported standalone PAT stood at ₹ 345 crore, down 11.3% YoY.

Investment Rationale

- Base auto business to consolidate amidst macro uncertainty:** Bharat Forge is a leading forging player domestically manufacturing components with application in Automotive sector (Steel and aluminium forgings for CV and PV space) and Industrial sectors such as Oil & Gas, Renewables, Aerospace and Defence among others. Its traditional business of supplying forging components to automotive space is witnessing growth challenges on the export as well as domestic front amidst global macro uncertainty (US tariff led) and tapering of OEM volume growth domestically. With major economies working towards ironing out of these economic issues, we expect its traditional auto exposure business to consolidate in the near term and even bake in a decline in exports from India in FY26E. The company however could benefit from these inward-looking policies from western countries given its manufacturing presence in these countries, however structural call is difficult to take on this given the negotiations underway. We expect this business to return to its normalise run-rate starting FY27E.
- Defence and aerospace emerging as high-growth, strategic pillars:** Bharat Forge is rapidly transforming into a key defence manufacturing player, with the segment contributing ~₹1,700 crore in FY25 revenue (~11% of consolidated sales). The company has a robust ~₹9,400 crore order book, including the prestigious ₹3,417 crore ATAGS order with execution starting Q4FY26. Export-driven momentum in Kalyani Strategic Systems, along with a growing pipeline of domestic and international orders, positions defence as a multi-year growth engine for Bharat forge. Simultaneously, aerospace exports have scaled 4x in five years and now account for ~15% of industrial exports. Both segments offer long-gestation, high-margin visibility backed by structural policy support and rising localization.

Rating and Target Price

- With stock correcting ~40% from its peak and with a robust order book and expanding presence in defence, aerospace, and electronics, Bharat Forge remains well-positioned for long-term value creation. We assign **BUY** rating on the stock and value it at ₹ 1,385 i.e. 33x P/E on FY27E EPS.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	6,336	10,461	12,910	15,682	15,123	14.3%	16,804	20,073	15.2%
EBITDA	862	2,016	1,768	2,558	2,694	18.1%	2,974	3,870	19.9%
EBITDA Margins (%)	13.6	19.3	13.7	16.3	17.8		17.7	19.3	
Net Profit	(127)	1,077	508	910	913	21.2%	1,306	2,004	48.1%
EPS (₹)	(2.7)	23.1	10.9	19.6	19.1		27.3	41.9	
P/E	(421.4)	49.7	105.3	58.8	60.2		42.1	27.4	
RoNW (%)	(125.9)	15.2	8.0	12.8	11.0		13.0	17.7	
RoCE (%)	2.2	9.6	6.8	10.9	11.1		12.1	16.4	

Source: Company, ICICI Direct Research



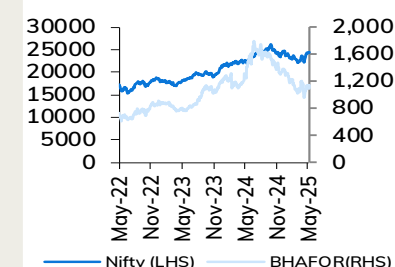
Particulars

Particular	Amount
Market Capitalization	54,986
Total Debt (FY25P)	6,288
Cash and Inv. (FY25P)	2,644
EV	58,630
52 week H/L (₹)	1826 / 919
Equity capital	95.6
Face value	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	45.3	45.3	44.1	44.1
FII	17.0	18.7	17.9	16.1
DII	28.0	26.3	28.4	30.2
Other	9.7	9.7	9.7	9.7

Price Chart



Recent Event & Key risks

- Reports standalone margins at 28.5%. Topline decline by 7% YoY
- Key Risk:** (i) slower than anticipated growth in new business verticals (ii) adverse metal prices impacting margins

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Bhavish Doshi
bhavish.doshi@icicisecurities.com

Key Takeaways of Recent Quarter

Q3FY25 Earnings Conference Call Highlights:

- Order Book and Business Wins:** In FY25, Bharat Forge secured new business wins worth ₹6,959 crore. Of this, approximately ₹5,000 crore came from the Defence sector, ₹1,685 crore from standalone domestic operations, and ₹245 crore from JS Auto (JSA). The management emphasized that these wins span multiple customers, products, and geographies, furthering business diversification. Notably, aerospace now comprises 15% of industrial exports and has grown 4x in five years.
- Capex and Investments:** Capex for Indian operations stood at ₹750 crore in FY25. For FY26, total capex (standalone and consolidated) is estimated to be around ₹500 crore. Overseas capex requirements are expected to be minimal, with greenfield projects in North America now completed. The U.S. aluminium plant is nearing completion of Phase 2, which will double output capacity. Phase 1 currently operates at 60–65% utilization. Steel capacity in the U.S. is also ramping up in parallel.
- Overseas Operations and Restructuring:** U.S. operations turned profitable this quarter with a positive EBITDA of ₹4 crore, a significant milestone. For FY25, U.S. EBITDA loss narrowed to ₹47 crore. European aluminium operations, though stable, were impacted by weak economic conditions and ran at 60–65% utilization. European operations generated ₹96 crore EBITDA for the year. Management noted that raw material costs in the U.S. are locally sourced and largely immune to global tariffs, with pass-through mechanisms built into customer contracts.
- Defence and Aerospace Outlook:** Defence remains a key growth engine. FY25 consolidated defence revenue was approximately ₹1,700 crore, with Kalyani Strategic Systems contributing ₹1,567 crore, largely from exports. Management guided for 15–20% growth in defence revenue in FY26. A new dedicated aerospace forging & machining facility is under construction, backed by long-term customer commitments. Management expects consistent annual growth, though quarter-to-quarter performance may be lumpy in nature.
- E-Mobility and Electronics Ventures:** Bharat Forge's e-mobility business is showing signs of maturity. The company expects meaningful revenue ramp-up starting in FY26, with a move toward breakeven or profitability in the second half of the year. Separately, Bharat Forge is entering the electronics and server manufacturing space, leveraging its investment in KPTL's SMT line. The government's thrust on developing indigenous electronics capacity presents a strategic opportunity. Commercial rollout is expected in H2 FY26.
- U.S. Tariffs:** The U.S. tariffs currently apply only to passenger vehicles and products related to them, with uncertainty persisting around detailed implementation. Bharat Forge is engaged in discussions with customers, who have largely indicated willingness to absorb any incremental tariff burden. Management mentioned a recently announced U.S. offset mechanism for tariffs: a 25% tariff is in place, but OEMs are eligible for partial refunds (15% in year 1 and 10% in year 2), mitigating near-term impact.
- Class 8 Truck Cycle:** On the Class 8 truck cycle, the company highlighted that if there is no cost increase associated with upcoming EPA emissions changes, the typical "pre-buy" and "post-buy" cycle distortion might be avoided. Instead, the company anticipates two normal years in terms of volume, though visibility is low due to prevailing tariff-related uncertainty.

Strategic Outlook and M&A: Bharat Forge has received CCI approval for its acquisition of American Axle's India assets and expects to conclude the transaction by June 2025. This move is expected to strengthen the company's domestic automotive presence and increase content per vehicle. Management reiterated that the business is becoming more diversified and resilient across sectors and geographies.

JS Auto and Kalyani Strategic Systems Performance: JS Auto (JSA) performed well in Q4, with revenue of ₹200 crore and EBITDA margins exceeding 15%. Kalyani Strategic Systems remained export-heavy, with most of its ₹1,567 crore revenue coming from international contracts.

Quarterly Result Analysis and Key Charts from PPT

Exhibit 1: Quarterly Variance Analysis

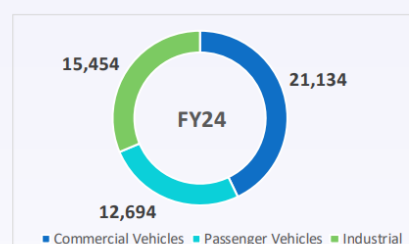
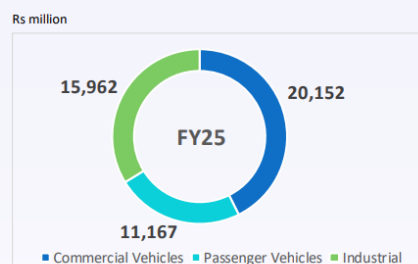
	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
Total Operating Income	2,163	2,329	-7.1	2,096	3.2	Topline came in muted tracking subdued demand in export markets
Raw Material Expenses	858	965	-11.1	840	2.1	
Employee Expenses	154	150	2.3	158	-2.8	Employee Expense was on expected lines for the quarter
Other Expenses	535	554	-3.5	488	9.7	
EBITDA	617	659	-6.5	610	1.1	
EBITDA Margin (%)	28.5	28.3	20 bps	29.1	-59 bps	EBITDA margins were down by ~60bps QoQ amid increase in other expenses
Depreciation	112.2	107.9	4.0	110.4	1.7	
Interest	58.8	63.4	-7.2	57.3	2.6	
Other Income	48	38	25.9	31	53.2	Other income was on the higher side
PBT	473.4	512.7	-7.7	472.7	0.2	
Tax	127.8	123.1	3.9	126.6	1.0	
Reported PAT	345.6	389.7	-11.3	346.1	-0.1	Reported PAT was down by 11% YoY majorly due to lower topline
Key Metrics						
Domestic revenues	931	1,051	-11.5	945	-1.5	Domestic revenues were down by 1.5% QoQ tracking subdued demand in industrial segment
Export revenues	1,232	1,249	-1.3	1,151	7.0	Export revenues grew by 7%, supported by Aerospace business

Source: Company, ICICI Direct Research, (Standalone figures)

Exhibit 2: Bharat Forge – Export Business segmentation

Review of Export Business – FY25

Bharat Forge

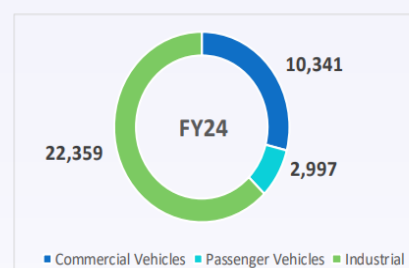
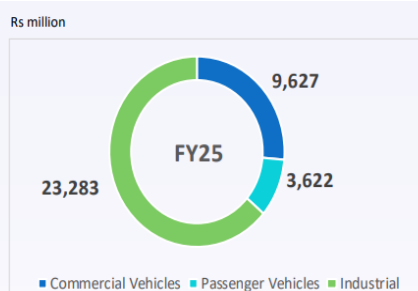


Source: Company, ICICI Direct Research

Exhibit 3: Bharat Forge – Domestic Business segmentation

Review of Domestic Business – FY25

Bharat Forge



Source: Company, ICICI Direct Research

Financial Summary (Consolidated)

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Total operating Income	15,682	15,123	16,804	20,073
Growth (%)	21.5	-3.6	11.1	19.5
Raw Material Expenses	7,379	6,594	7,478	8,832
Employee Expenses	1,860	1,870	2,058	2,308
Other expenses	3,885	3,965	4,293	5,062
Total Operating Expenditure	13,124	12,429	13,830	16,203
EBITDA	2,558	2,694	2,974	3,870
Growth (%)	44.7	5.3	10.4	30.1
Depreciation	848	874	958	1,004
Interest	491	417	362	317
Other Income	227	214	162	165
PBT	1,446	1,617	1,817	2,714
Others	5	-4	0	0
Total Tax	529	543	509	713
PAT	910	913	1,306	2,004
Growth (%)	79.0	0.3	43.0	53.4
EPS (₹)	19.6	19.1	27.3	41.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	910	913	1,306	2,004
Add: Depreciation & Interest	1,339	1,291	1,320	1,321
(Inc)/dec in Current Assets	-388	-288	-781	-1628
Inc/(dec) in CL and Provisions	441	117	336	792
CF from operating activities	2,303	2,034	2,181	2,488
(Inc)/dec in Investments	25	-327	350	200
(Inc)/dec in Fixed Assets	-1286	-1937	-1050	-750
Others	-83	342	-96	-159
CF from investing activities	-1345	-1923	-796	-709
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	670	-1234	-500	-500
Dividend paid & dividend tax	-372	-406	-502	-717
Inc/(dec) in Sec. premium	0	0	0	0
Others	-605	1131	-362	-317
CF from financing activities	(308)	(509)	(1,364)	(1,535)
Net Cash flow	650	-398	21	245
Opening Cash	1,040	1,690	1,291	1,312
Closing Cash	1,690	1,291	1,312	1,557

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	93	96	96	96
Reserve and Surplus	7,072	9,125	9,929	11,216
Total Shareholders funds	7,165	9,221	10,025	11,311
Total Debt	7,522	6,288	5,788	5,288
Deferred Tax Liability	169	120	120	120
Minority Interest / Others	876	726	746	766
Total Liabilities	15,732	16,354	16,678	17,485
Assets				
Gross Block	14,549	15,737	17,037	18,037
Less: Acc Depreciation	8,521	9,395	10,353	11,356
Net Block	6,028	6,342	6,685	6,681
Capital WIP	977	1,725	1,475	1,225
Total Fixed Assets	7,004	8,068	8,160	7,906
Investments	2,145	2,354	2,054	1,904
Inventory	3,216	3,578	3,683	4,400
Debtors	3,167	2,900	3,453	4,125
Loans and Advances	20	17	18	22
Other Current Assets	897	1,093	1,215	1,451
Cash	1,690	1,291	1,312	1,557
Total Current Assets	8,990	8,879	9,681	11,554
Creditors	2,262	2,344	2,532	3,025
Provisions	150	195	210	251
Other Current Liabilities	1,205	1,195	1,328	1,586
Total Current Liabilities	3,617	3,734	4,070	4,862
Net Current Assets	5,373	5,145	5,611	6,692
Other non-current assets	1,210	788	854	983
Application of Funds	15,732	16,354	16,678	17,485

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	19.6	19.1	27.3	41.9
Cash EPS	37.8	37.4	47.4	62.9
BV	153.9	192.8	209.7	236.6
DPS	8.0	8.5	10.5	15.0
Cash Per Share	58.3	55.3	48.4	49.3
Operating Ratios				
EBITDA Margin (%)	16.3	17.8	17.7	19.3
PBT / Net sales (%)	10.9	12.0	12.0	14.3
PAT Margin (%)	5.8	6.0	7.8	10.0
Inventory days	74.9	86.4	80.0	80.0
Debtor days	73.7	70.0	75.0	75.0
Creditor days	52.7	56.6	55.0	55.0
Return Ratios (%)				
RoCE	10.9	11.1	12.1	16.4
RoE	12.8	11.0	13.0	17.7
RoIC	14.2	15.2	15.6	20.6
Valuation Ratios (x)				
P/E	58.3	54.3	42.1	27.4
EV / EBITDA	23.4	21.8	19.7	15.0
EV / Net Sales	3.8	3.9	3.5	2.9
Market Cap / Sales	3.5	3.6	3.3	2.7
Price to Book Value	7.5	6.0	5.5	4.9
Solvency Ratios				
Debt/EBITDA	2.9	2.3	1.9	1.4
Debt / Equity	1.0	0.7	0.6	0.5
Current Ratio	2.0	2.0	2.1	2.1
Quick Ratio	1.1	1.1	1.2	1.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Bhavish Doshi, MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.