

Bharat Forge | BUY

Margins in line; Export prospects clouded by tariff uncertainty

In 4QFY25, Bharat Forge (BHFC) reported revenue was below our estimate owing to muted CV export demand and weakness in domestic industrial business, excluding defence. Standalone EBITDA margin came-in at 28.5% (+20bps YoY), in line with JMFe. Consol. EBITDA margin expanded 220bps YoY to 17.7% due to easing of losses in overseas operations and E-mobility. The order book for the defence segment remains strong and the management expects 15-20% revenue growth in the defence segment in FY26. Aerospace momentum also remains healthy. However, exports are expected to remain under pressure due to weakness in global CV demand and tariff related uncertainty. Therefore, we have cut our revenue estimates by 8% / 6% for FY26E / FY27E from our previous estimates. We have also reduced our EPS estimates by 13% / 10% for FY26E / FY27E from our previous estimates. We ascribe 32x PE to arrive at Mar'27 fair value of INR 1,250. Maintain BUY.

- 4QFY25 –Standalone margin in line with estimates:** BHFC's stand. net sales stood at INR c.22bn (-7% YoY, +3% QoQ), c.5% below JMFe owing to weakness in CV exports and domestic industrial segments. Total tonnage stood at c.67.3kt (+1% YoY, +9% QoQ). Realisation decreased by 8% YoY (-6% QoQ). Reported stand. EBITDA margin was 28.5% (+20bps YoY, -60bps QoQ), in line with JMFe. Consolidated revenue stood at INR 38.5bn (-7%YoY, +11%QoQ). EBITDA margin stood at 17.7% (+220bps YoY, -30bps QoQ) due to easing of losses in overseas ops. / E-mobility. Consol. EBITDA stood at INR 6.8bn (+6%YoY, +9% QoQ). Consol. PAT stood at INR 2.8bn (+25% YoY, +33% QoQ).
- Domestic business outlook:** Domestic revenue declined 14% YoY (-1% QoQ) to INR 9.3bn in 4Q. CV revenue grew 10% YoY (+17% QoQ) to INR 2.7bn, supported by market. Capex push by Govt. and increase in construction & mfg. activity remains medium-to-long term growth drivers. PV revenue stood at INR 901mn (+15% YoY, -9% QoQ). The management expects steady performance to continue as vehicle demand is likely to be flat to moderately positive in FY26. Industrial segment revenue declined 24% YoY (-7% QoQ) to INR c.5.7bn. During 4Q, BHFC secured new orders worth INR 43.4bn, including INR 34.2bn ATAGS order. Revenue from this ATAGS order will be spread over 2 years and is expected to commence from 4QFY26. BHFC's defence order book stands at ~INR 94bn (domestic + exports). Overall, BHFC expects 15-20% revenue growth in the defence segment in FY26, driven by a robust order book, healthy pipeline and growing opportunities both domestically and internationally.
- Export business outlook:** Export revenue declined 1% YoY (+7% QoQ) to INR 12.3bn in 4QFY25. CV segment revenue stood at INR 4.6bn (-12% YoY, -7% QoQ), as marginal recovery in EU CV sales was offset by continued weakness in NA CV market. PV segment revenue declined 2% YoY (+33% QoQ) to INR 2.4bn. Sequential growth was primarily led by strong demand in select regions of LATAM. Industrials revenue increased c.13% YoY (+9% QoQ) to INR 4.5bn, led by contributions from HHP engines and aerospace. Aerospace accounted for 24% of industrial exports in 4Q and the company expects the growth momentum to continue. The management withheld guidance on the exports business due to on-going tariff-related uncertainties.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,250
Upside/(Downside)	12.3%
Previous Price Target	1,350
Change	-7.4%

Key Data – BHFC IN

Current Market Price	INR1,113
Market cap (bn)	INR532.3/US\$6.2
Free Float	52%
Shares in issue (mn)	465.6
Diluted share (mn)	478.1
3-mon avg daily val (mn)	INR1,636.6/US\$19.1
52-week range	1,826/919
Sensex/Nifty	80,335/24,274
INR/US\$	85.7

Price Performance

%	1M	6M	12M
Absolute	14.7	-21.6	-20.8
Relative*	5.5	-22.4	-28.6

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	1,29,103	1,56,821	1,51,228	1,66,409	1,82,396
Sales Growth (%)	23.4	21.5	-3.6	10.0	9.6
EBITDA	17,675	25,579	26,939	31,523	34,746
EBITDA Margin (%)	13.7	16.3	17.8	18.9	19.0
Adjusted Net Profit	5,742	9,635	10,982	15,994	18,382
Diluted EPS (INR)	12.3	20.7	23.0	33.4	38.4
Diluted EPS Growth (%)	-42.0	67.8	11.0	45.6	14.9
ROIC (%)	6.7	9.8	10.0	13.0	14.1
ROE (%)	8.7	13.9	13.4	16.2	16.4
P/E (x)	90.2	53.8	48.5	33.3	28.9
P/B (x)	7.7	7.2	5.8	5.1	4.5
EV/EBITDA (x)	31.5	22.0	20.5	17.2	15.3
Dividend Yield (%)	0.6	0.8	0.5	0.7	0.7

Source: Company data, JM Financial. Note: Valuations as of 08/May/2025

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Overseas manufacturing operations:** During 4QFY25, overseas manufacturing subsidiaries revenue stood at ~INR 12bn (-11% YoY, +12% QoQ). EBITDA margin at EU operations declined 170bps YoY (flat QoQ) to 1.2%. BHFC has taken action to reduce its interest cost across its overseas subsidiaries and is reviewing its EU manufacturing footprint. The US manufacturing operations turned EBITDA positive in 4Q. Additionally, the US Aluminium forging plant is ramping-up steadily, operating at 60-65% utilisation level, with output capacity expected to double upon commissioning of phase 2.
- **Other highlights:** 1) BHFC's standalone gross LT debt remained flat QoQ at INR 12.9bn in 4QFY25. Consolidated gross debt marginally reduced by INR 174mn QoQ to INR 19.8bn. 2) Capex guidance for FY26 stood at INR 5bn and the company is setting up a new dedicated forging and machining facility for aerospace. 3) BHFC has received CCI approval for AAM acquisition and the transaction is expected to conclude by Jun'25 end. 4) Mfg. facility for server and electronics segment is expected to commence in 2HFY26. 5) The company expects E-mobility business to achieve EBITDA break-even by FY26 end.

Exhibit 1. BHFC (standalone) - financial performance

(INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	Q4FY25E	% A/E
Net Sales	21,630	23,286	-7.1	20,959	3.2	22,691	-4.7
RM	8,576	9,647	-11.1	8,401	2.1	9,167	-6.4
As a % of sales	39.6	41.4	-180bps	40.1	-40bps	40.4	-80bps
Employee Exp	1,539	1,504	2.3	1,583	-2.8	1,725	-10.7
As a % of sales	7.1	6.5	70bps	7.6	-40bps	7.6	-50bps
Other Costs	5,348	5,543	-3.5	4,877	9.7	5,332	0.3
As a % of sales	24.7	23.8	90bps	23.3	150bps	23.5	120bps
Expenditure	15,464	16,694	-7.4	14,861	4.1	16,224	-4.7
EBITDA	6,167	6,592	-6.4	6,098	1.1	6,467	-4.6
EBITDA Margin	28.5	28.3	20bps	29.1	-60bps	28.5	0bps
Other Income	481	382	25.9	314	53.2	375	28.2
Interest	588	634	-7.2	573	2.6	550	6.9
Depreciation	1,122	1,079	4.0	1,104	1.7	1,100	2.0
PBT	4,937	5,261	-6.1	4,735	4.3	5,192	-4.9
Tax	1,278	1,231	3.9	1,266	1.0	1,303	-1.9
Tax rate (%)	25.9	23.4	250bps	26.7	-80bps	25.1	80bps
PAT (Adjusted)	3,659	4,030	-9.2	3,470	5.5	3,889	-5.9
PAT Margin	16.9	17.3	-40bps	16.6	40bps	17.1	-20bps
EPS	7.7	8.7	-11.6	7.5	2.7	8.4	-8.4

Source: Company, JM Financial

Exhibit 2. Standalone - segmental performance

(INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	Q4FY25E	% A/E
Total revenue	21,630	23,286	(7)	20,939	3	22,691	(5)
Domestic	9,308	10,798	(14)	9,449	(1)	10,198	(9)
CV	2,659	2,421	10	2,279	17	2,780	(4)
Industrial	5,748	7,591	(24)	6,185	(7)	6,334	(9)
PV	901	786	15	985	(9)	1,084	(17)
Exports	12,322	12,488	(1)	11,490	7	12,493	(1)
CV	4,641	5,264	(12)	4,985	(7)	5,299	(12)
Industrial	4,464	3,958	13	4,081	9	4,285	4
PV	3,217	3,266	(2)	2,424	33	2,909	11

Source: Company, JM Financial

Exhibit 3. Consolidated performance

(INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ
Net Sales	38,526	41,642	-7.5	34,755	10.8
RM	17,234	19,566	-11.9	14,698	17.3
As a % of sales	44.7	47.0	-230bps	42.3	240bps
Employee Exp	4,678	4,749	-1.5	4,362	7.3
As a % of sales	12.1	11.4	70bps	12.5	-40bps
Other Costs	9,801	10,894	-10.0	9,452	3.7
As a % of sales	25.4	26.2	-70bps	27.2	-180bps
Expenditure	31,713	35,209	-9.9	28,512	11.2
EBITDA	6,813	6,433	5.9	6,244	9.1
EBITDA Margin	17.7	15.4	220bps	18.0	-30bps
PAT (Adjusted)	2,826	2,271	24.5	2,128	32.8
PAT Margin	7.3	5.5	190bps	6.1	120bps
EPS	5.9	4.9	21.2	4.6	29.4

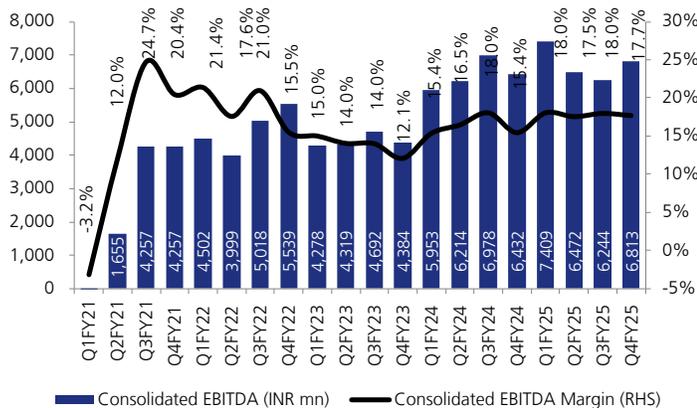
Source: Company, JM Financial

Exhibit 4. BHFC - overseas manufacturing subsidiaries' performance

(INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ
Net Sales	12,243	13,672	-10.5	10,980	11.5
EBITDA	153	-9	NA	38	302.6
EBITDA Margin	1.2	-0.1	130bps	0.3	90bps
PBT	(989)	(1,295)	NA	(1,344)	NA

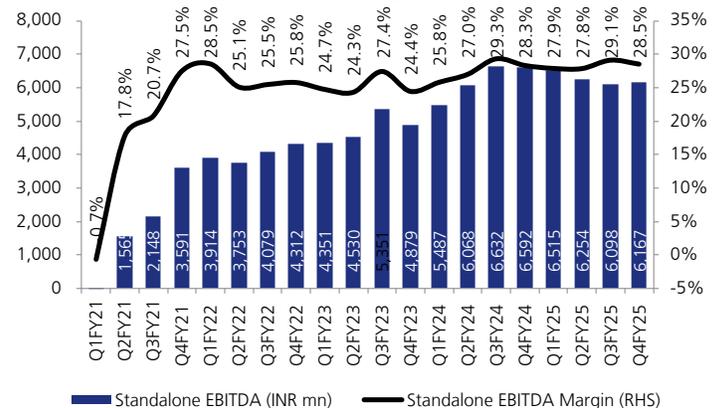
Source: Company, JM Financial

Exhibit 5. Consolidated EBITDA and margin trend



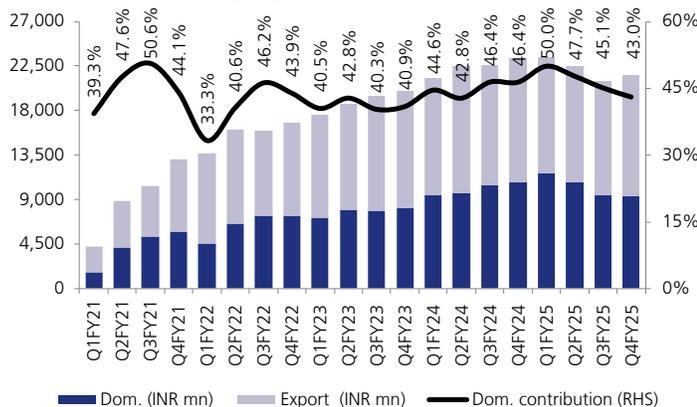
Source: Company, JM Financial

Exhibit 6. Standalone EBITDA and margin trend



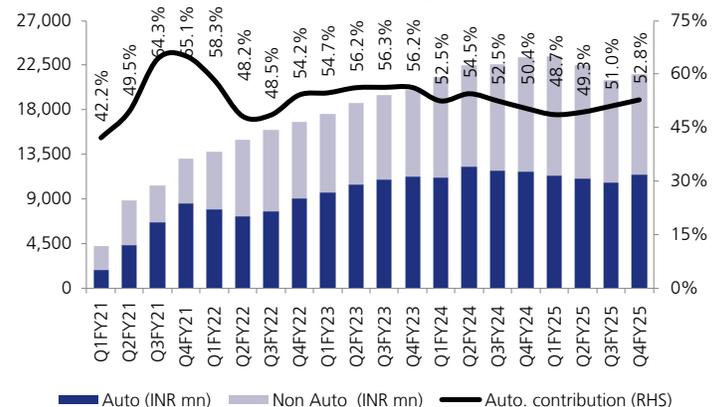
Source: Company, JM Financial

Exhibit 7. Standalone - geographic revenue split



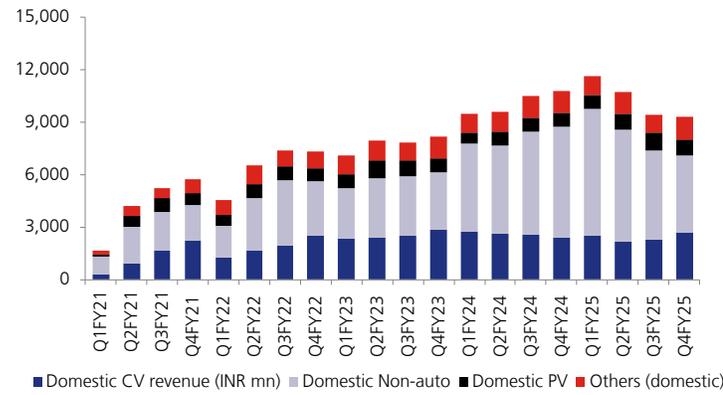
Source: Company, JM Financial

Exhibit 8. Standalone - product revenue split



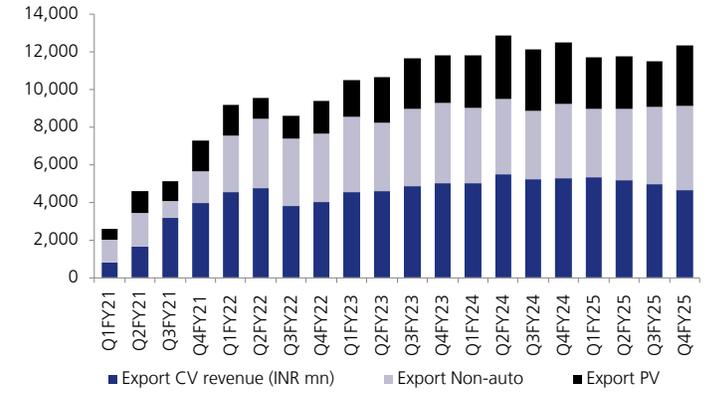
Source: Company, JM Financial

Exhibit 9. Standalone domestic – revenue split



Source: Company, JM Financial

Exhibit 10. Standalone exports – revenue split



Source: Company, JM Financial

Exhibit 11. BHFC - change in assumptions (consolidated)

BHFC	New assumption			Old assumption			% change		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	151,228	166,409	182,396	167,707	180,165	193,244	-9.8%	-7.6%	-5.6%
EBITDA (INR mn)	26,939	31,523	34,746	30,760	34,052	36,665	-12.4%	-7.4%	-5.2%
EBITDAM (%)	17.8%	18.9%	19.0%	18.3%	18.9%	19.0%	-60bps	0bps	0bps
PAT (INR mn)	10,982	15,994	18,382	14,187	17,864	19,978	-22.6%	-10.5%	-8.0%
EPS (INR)	23.0	33.4	38.4	30.5	38.4	42.9	-24.6%	-12.8%	-10.4%

Source: Company, JM Financial

Exhibit 12. 1-yr forward PE chart



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Net Sales	1,29,103	1,56,821	1,51,228	1,66,409	1,82,396	
Sales Growth	23.4%	21.5%	-3.6%	10.0%	9.6%	
Total Revenue	1,29,103	1,56,821	1,51,228	1,66,409	1,82,396	
Cost of Goods Sold/Op. Exp	59,614	73,792	65,943	71,056	77,336	
Personnel Cost	15,631	18,600	18,699	20,727	22,727	
Other Expenses	36,183	38,849	39,646	43,102	47,587	
EBITDA	17,675	25,579	26,939	31,523	34,746	
EBITDA Margin	13.7%	16.3%	17.8%	18.9%	19.0%	
EBITDA Growth	-12.3%	44.7%	5.3%	17.0%	10.2%	
Depn. & Amort.	7,356	8,482	8,736	9,415	10,045	
EBIT	10,319	17,097	18,203	22,108	24,701	
Other Income	1,729	2,274	2,138	2,705	3,044	
Finance Cost	2,986	4,912	4,175	3,547	3,272	
PBT before Excep. & Forex	9,062	14,460	16,166	21,267	24,473	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	9,062	14,460	16,166	21,267	24,473	
Taxes	3,186	5,288	5,426	5,423	6,241	
Extraordinary Inc./Loss(-)	-458	-123	-1,571	0	0	
Assoc. Profit/Min. Int.(-)	134	-463	-242	-150	-150	
Reported Net Profit	5,285	9,511	9,412	15,994	18,382	
Adjusted Net Profit	5,742	9,635	10,982	15,994	18,382	
Net Margin	4.4%	6.1%	7.3%	9.6%	10.1%	
Diluted Share Cap. (mn)	465.6	465.6	478.1	478.1	478.1	
Diluted EPS (INR)	12.3	20.7	23.0	33.4	38.4	
Diluted EPS Growth	-42.0%	67.8%	11.0%	45.6%	14.9%	
Total Dividend + Tax	3,259	4,191	2,869	3,825	3,825	
Dividend Per Share (INR)	7.0	9.0	6.0	8.0	8.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Profit before Tax	9,062	14,460	16,166	21,267	24,473	
Depn. & Amort.	7,356	8,482	8,736	9,415	10,045	
Net Interest Exp. / Inc. (-)	2,986	4,912	4,175	3,547	3,272	
Inc (-) / Dec in WCcap.	-815	-6,270	1,414	-1,892	-3,376	
Others	-792	-70	-1,608	150	150	
Taxes Paid	-3,186	-5,288	-5,426	-5,423	-6,241	
Operating Cash Flow	14,611	16,226	23,458	27,063	28,323	
Capex	-16,029	-12,867	-19,316	-10,588	-10,643	
Free Cash Flow	-1,418	3,358	4,141	16,475	17,679	
Inc (-) / Dec in Investments	349	7,198	-2,137	-2,500	-2,500	
Others	-2,986	-4,912	-4,175	-3,547	-3,272	
Investing Cash Flow	-18,666	-10,581	-25,628	-16,635	-16,415	
Inc / Dec (-) in Capital	0	0	25	0	0	
Dividend + Tax thereon	-3,259	-4,191	-2,869	-3,825	-3,825	
Inc / Dec (-) in Loans	13,416	6,343	-12,493	-5,000	-5,000	
Others	-1,737	-1,293	13,522	-111	-106	
Financing Cash Flow	8,420	859	-1,815	-8,936	-8,931	
Inc / Dec (-) in Cash	4,365	6,504	-3,985	1,492	2,977	
Opening Cash Balance	6,030	10,395	16,899	12,914	14,406	
Closing Cash Balance	10,395	16,899	12,914	14,406	17,383	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Shareholders' Fund	67,055	71,702	92,533	1,04,591	1,19,042	
Share Capital	931	931	956	956	956	
Reserves & Surplus	66,124	70,771	91,577	1,03,635	1,18,086	
Preference Share Capital	0	0	0	0	0	
Minority Interest	361	-49	-328	-328	-328	
Total Loans	73,132	79,475	66,983	61,983	56,983	
Def. Tax Liab. / Assets (-)	658	39	-703	-703	-703	
Total - Equity & Liab.	1,41,206	1,51,167	1,58,485	1,65,543	1,74,994	
Net Fixed Assets	68,621	73,006	83,586	84,760	85,358	
Gross Fixed Assets	1,33,409	1,43,479	1,56,018	1,74,335	1,84,423	
Intangible Assets	3,771	3,668	3,041	3,041	3,041	
Less: Depn. & Amort.	75,571	84,053	92,789	1,02,204	1,12,250	
Capital WIP	7,012	9,912	17,317	9,588	10,143	
Investments	25,688	18,490	20,627	23,127	25,627	
Current Assets	88,038	1,00,344	94,768	1,02,858	1,13,514	
Inventories	31,263	32,161	35,784	36,473	39,977	
Sundry Debtors	30,988	31,769	29,132	34,194	37,479	
Cash & Bank Balances	10,395	16,899	12,914	14,406	17,383	
Loans & Advances	3,066	2,653	2,151	2,258	2,371	
Other Current Assets	12,327	16,861	14,788	15,528	16,304	
Current Liab. & Prov.	41,140	40,672	40,497	45,202	49,504	
Current Liabilities	38,827	37,365	36,358	40,651	44,497	
Provisions & Others	2,313	3,307	4,138	4,552	5,007	
Net Current Assets	46,897	59,671	54,272	57,656	64,009	
Total - Assets	1,41,206	1,51,167	1,58,485	1,65,543	1,74,994	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Net Margin	4.4%	6.1%	7.3%	9.6%	10.1%	
Asset Turnover (x)	1.0	1.1	1.0	1.0	1.1	
Leverage Factor (x)	2.0	2.1	1.9	1.7	1.5	
RoE	8.7%	13.9%	13.4%	16.2%	16.4%	

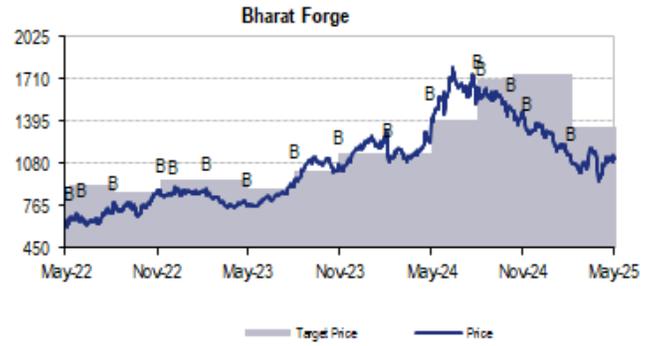
Key Ratios						
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
BV/Share (INR)	144.0	154.0	193.5	218.7	249.0	
ROIC	6.7%	9.8%	10.0%	13.0%	14.1%	
ROE	8.7%	13.9%	13.4%	16.2%	16.4%	
Net Debt/Equity (x)	0.6	0.6	0.4	0.2	0.1	
P/E (x)	90.2	53.8	48.5	33.3	28.9	
P/B (x)	7.7	7.2	5.8	5.1	4.5	
EV/EBITDA (x)	31.5	22.0	20.5	17.2	15.3	
EV/Sales (x)	4.3	3.6	3.6	3.3	2.9	
Debtor days	88	74	70	75	75	
Inventory days	88	75	86	80	80	
Creditor days	127	104	107	110	110	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
6-Jun-21	Buy	850	
12-Aug-21	Buy	875	2.9
14-Nov-21	Buy	875	0.0
10-Feb-22	Buy	875	0.0
16-May-22	Buy	925	5.7
9-Jun-22	Buy	925	0.0
11-Aug-22	Buy	870	-5.9
14-Nov-22	Buy	960	10.3
11-Dec-22	Buy	960	0.0
14-Feb-23	Buy	960	0.0
7-May-23	Buy	900	-6.3
9-Aug-23	Buy	1,025	13.9
6-Nov-23	Buy	1,150	12.2
12-Feb-24	Buy	1,150	0.0
8-May-24	Buy	1,400	21.7
9-Aug-24	Buy	1,700	21.4
18-Aug-24	Buy	1,700	0.0
17-Oct-24	Buy	1,750	2.9
17-Nov-24	Buy	1,750	0.0
12-Feb-25	Buy	1,350	-22.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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