

Bharat Forge | BUY

Strong domestic, defence, and recovery in exports to drive growth

In 3QFY26, Bharat Forge (BHFC) reported a consolidated EBITDA margin of 17.3% (-70bps YoY/QoQ). Tariff impacts stood at INR 310mn. BHFC's defence order book expanded to ~INR 111bn (vs. INR 95bn in 2QFY26), supported by the CQB Carbine contract for 250,000 units, which strengthens the Small Arms vertical with a five-year execution runway. The company expects defence revenues of INR 17-18bn in FY26, with ~30-40% growth in FY27 as ATAGS execution begins in 2HFY27. Further, management highlighted that the defence business is expected to achieve EBITDA profitability comparable to the auto segment, with higher ROCE given its lower capital investment. The domestic business is seeing an upcycle in CVs driven by GST 2.0 and the government's capex push, while the PV segment continues to sustain strong demand momentum. On exports, management indicated that the worst is behind (expects the NA CV cycle to normalize by 1QFY27, compared to operating at roughly half its typical level during the same period last year) and that the company should benefit from the improved outlook following the India-US trade deal. Overall, the ramp-up in defence orders, strong momentum across domestic segments, and improving export trends are expected to drive growth, with management guiding for strong, high-20% revenue growth in FY27. We upgrade our rating from ADD to BUY, with a TP of INR 2,040 at 37x (35x earlier) on FY28E EPS.

- 3QFY26 performance:** Consol. revenue stood at INR 43.4bn (+25% YoY, +7.7% QoQ), 3.6% above JMFe. EBITDA margin stood at 17.3% (-70bps YoY/QoQ), 60bps below JMFe. EBITDA stood at INR 7.5bn (+20%YoY, +3.3% QoQ). QoQ Revenue saw growth driven by Defence whereas YoY revenue and EBITDA was impacted by consolidation of K Drive Mobility (revenue/EBITDA impact of INR 2.9bn/147mn). PAT stood at INR c. 3.3bn (+54.4% YoY, +9.8% QoQ).
- Positive domestic business:** Domestic revenue grew significantly 24% YoY (+17% QoQ) to ~INR 11.7bn in 3Q. CV revenue grew 15% YoY (+17% QoQ) to INR 2.6bn due to significant production volumes increase post GST rate changes. The government's capex push and an increase in construction and manufacturing activity remain medium-to-long-term growth drivers. PV revenue stood at INR 1bn (+4% YoY, +12% QoQ), pickup in demand post GST rationalisation. The management expects momentum to continue in medium-term. Industrial segment revenue grew 38% YoY (+20% QoQ) to approximately INR 7.1bn. driven by strong execution in Defence and good traction for Heavy Horse-power engines.
- Defence business:** BHFC's defence order book stands at ~INR 111bn, supported by the CQB Carbine deal for 250,000 units, which boosts the Small Arms vertical with a five-year execution window. Defence revenues are guided at INR 17-18bn for FY26 with ~30-40% growth in FY27, alongside ATAGS order execution beginning in 2HFY27.
- Export business outlook – worst is behind:** Export revenue declined 21% YoY (-3% QoQ) to INR 9.1bn in 3QFY26. CV segment revenue stood at INR 2.5bn (-51% YoY, -13% QoQ), due to de-stocking and tariff uncertainty weighed on CV demand in NA. PV segment revenue, however, grew 7% YoY (-12% QoQ) to INR 2.6bn. Despite the challenges in the US, the YoY growth was primarily led by diversification efforts across geographies and products. Further, the management anticipates a recovery in consumer confidence as trade disputes subside. Industrial revenue declined approximately 1% YoY (+11% QoQ) to INR 4bn, led by mixed performance across segments (HHP engines/aerospace improved execution, however, oil & gas was weak due to weak crude prices). Overall, the management indicated that the worst is behind and things are started to look up with the trade deal between India and the USA.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	1,56,821	1,51,228	1,64,639	1,94,504	2,28,974
Sales Growth (%)	21.5	-3.6	8.9	18.1	17.7
EBITDA	25,579	26,939	28,966	37,580	46,065
EBITDA Margin (%)	16.3	17.8	17.6	19.3	20.1
Adjusted Net Profit	9,225	10,703	13,680	19,870	26,369
Diluted EPS (INR)	19.8	22.4	28.6	41.6	55.1
Diluted EPS Growth (%)	66.4	13.0	27.8	45.3	32.7
ROE (%)	8.4	8.7	9.3	11.6	13.9
ROE (%)	13.3	13.0	14.0	18.0	20.4
P/E (x)	87.2	77.1	60.4	41.6	31.3
P/B (x)	11.2	8.9	8.1	7.0	5.9
EV/EBITDA (x)	33.2	31.1	28.7	21.9	17.5
Dividend Yield (%)	0.5	0.3	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	ADD
Current Price Target (12M)	2,040
Upside/(Downside)	18.1%
Previous Price Target	1,480
Change	37.8%

Key Data – BHFC IN

Current Market Price	INR1,727
Market cap (bn)	INR825.5/US\$9.1
Free Float	54%
Shares in issue (mn)	465.6
Diluted share (mn)	478.1
3-mon avg daily val (mn)	INR1,634.4/US\$18.0
52-week range	1,757/919
Sensex/Nifty	83,675/25,807
INR/US\$	90.6

Price Performance

%	1M	6M	12M
Absolute	18.5	49.8	56.3
Relative*	18.8	43.7	42.3

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

- Overseas manufacturing operations:** During 3QFY26, overseas manufacturing subsidiaries revenue stood at ~INR 12.9bn (+18% YoY, +2% QoQ). EBITDA margin at EU operations expanded 320bps YoY (+70bps QoQ) to 4.3%. BHFC's review of its EU manufacturing footprint is on track (expected to be completed by Mar'26). The US manufacturing operations reported an EBITDA margin contraction of 150bps QoQ to 2.7%. Additionally, the US Aluminium forging plant is ramping-up steadily, operating at 65% utilisation level.
- Capex plans:** BHFC is embarking on a significant capex-led expansion, highlighted by the establishment of three new high-profit plants focused on aerospace, data centers, and large aerospace forgings. In addition, the company plans to invest INR 30bn in Odisha over the next two to three years to build advanced facilities dedicated to forging, aerospace components, and other high-technology manufacturing.
- Other highlights:** BHFC's standalone gross LT debt reduced QoQ to INR 6.5bn in 3QFY26 from INR 8bn in 2QFY26.

Exhibit 1. BHFC (consolidated) - financial performance

Consolidated (INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ	Q3FY26E	% A/E
Net Sales	43,429	34,755	25.0	40,319	7.7	41,932	3.6
RM	19,742	14,698	34.3	17,674	11.7	18,450	7.0
As a % of sales	45.5	42.3	320bps	43.8	160bps	44.0	150bps
Employee Exp	5,346	4,362	22.6	5,206	2.7	5,409	-1.2
As a % of sales	12.3	12.5	-20bps	12.9	-60bps	12.9	-60bps
Other Costs	10,843	9,452	14.7	10,183	6.5	10,590	2.4
As a % of sales	25.0	27.2	-220bps	25.3	-30bps	25.3	-30bps
Expenditure	35,930	28,512	26.0	33,063	8.7	34,449	4.3
EBITDA	7,499	6,244	20.1	7,257	3.3	7,483	0.2
EBITDA Margin	17.3	18.0	-70bps	18.0	-70bps	17.8	-60bps
Other Income	425	384	10.7	535	-20.6	550	-22.8
Interest	766	960	-20.1	801	-4.3	785	-2.4
Depreciation	2,488	2,182	14.0	2,409	3.3	2,500	-0.5
PBT	4,669	3,485	34.0	4,582	1.9	4,748	-1.7
Tax	1,344	1,342	0.1	1,576	-14.7	1,514	-11.2
Tax rate (%)	28.8	38.5	-970bps	34.4	-560bps	31.9	
Minority interest/associate	39.7	15.4		13.6		15.0	164.5
PAT Reported	2,728	2,128	28.2	2,993	-8.8	3,218	-15.2
Exceptional gain/(loss)	-557	0		0	NA	0	NA
PAT (Adjusted)	3,285	2,128	54.4	2,993	9.8	3,218	2.1
PAT Margin	7.6	6.1	140bps	7.4	10bps	7.7	-10bps
EPS	6.9	4.6	50.4	6.3	9.8	6.7	2.1

Source: Company, JM Financial

Exhibit 2. BHFC - overseas manufacturing subsidiaries' performance

(INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
Net Sales	12,912	10,980	17.6	12,677	1.9
EBITDA	491	38	1192.1	481	2.1
EBITDA Margin	3.8	0.3	350bps	3.8	0bps
PBT	(815)	(1,344)	NA	(815)	NA

Source: Company, JM Financial

Exhibit 3. Standalone performance

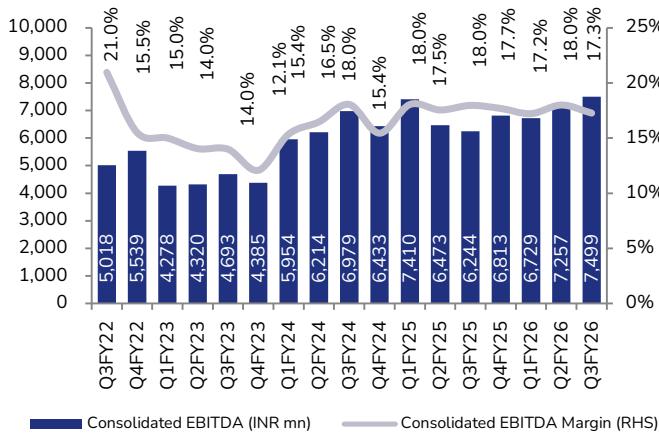
Standalone (INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
Net Sales	20,837	20,959	-0.6	19,469	7.0
RM	8,086	8,401	-3.8	7,053	14.6
As a % of sales	38.8	40.1	-130bps	36.2	0bps
Employee Exp	1,708	1,583	7.8	1,674	2.0
As a % of sales	8.2	7.6	60bps	8.6	-40bps
Other Costs	5,379	4,877	10.3	5,232	2.8
As a % of sales	25.8	23.3	250bps	26.9	-110bps
Expenditure	15,172	14,861	2.1	13,958	8.7
EBITDA	5,664	6,098	-7.1	5,511	2.8
EBITDA Margin	27.2	29.1	-190bps	28.3	-110bps
Other Income	273	314	-13.0	465	-41.2
Interest	414	573	-27.7	483	-14.2
Depreciation	1,120	1,104	1.5	1,112	0.7
PBT	4,403	4,735	-7.0	4,380	0.5
Tax	1,035	1,266	-18.2	1,202	-13.9
Tax rate (%)	23.5	26.7	-320bps	27.4	-390bps
PAT (Adjusted)	3,368	3,470	-2.9	3,178	6.0
PAT Margin	16.2	16.6	-40bps	16.3	-20bps

Source: Company, JM Financial

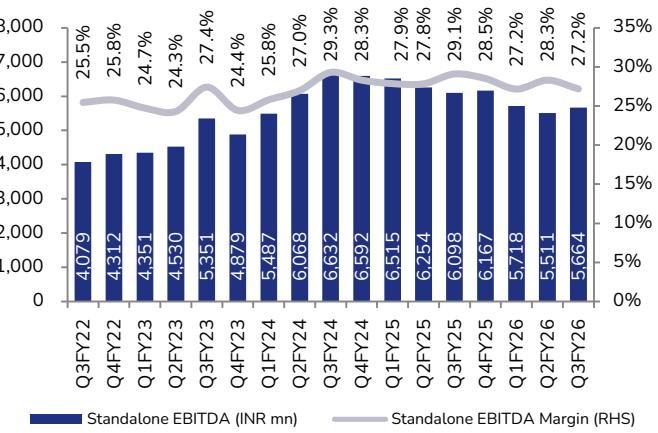
Exhibit 4. Standalone performance – segment wise

Standalone (INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
Total revenue	20,837	20,959	-1	19,469	7
Domestic	11,740	9,449	24	10,049	17
CV	2,615	2,279	15	2,231	17
Industrial/ Others	8,103	6,185	31	6,906	17
PV	1,022	985	4	912	12
Exports	9,097	11,510	-21	9,420	-3
CV	2,463	4,995	-51	2,844	-13
Industrial	4,036	4,087	-1	3,625	11
PV	2,598	2,428	7	2,951	-12

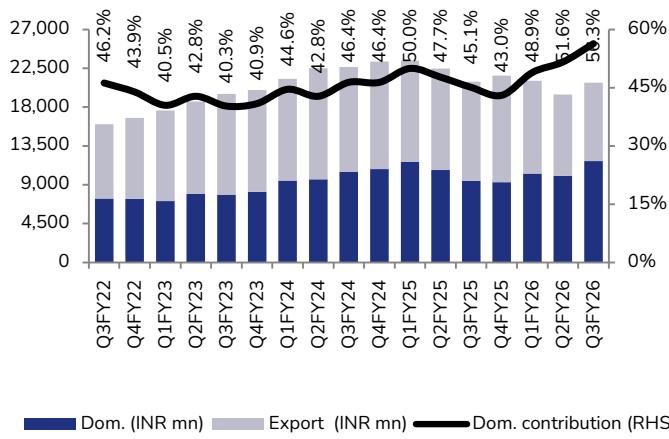
Source: Company, JM Financial

Exhibit 5. Consolidated EBITDA and margin trend

Source: Company, JM Financial

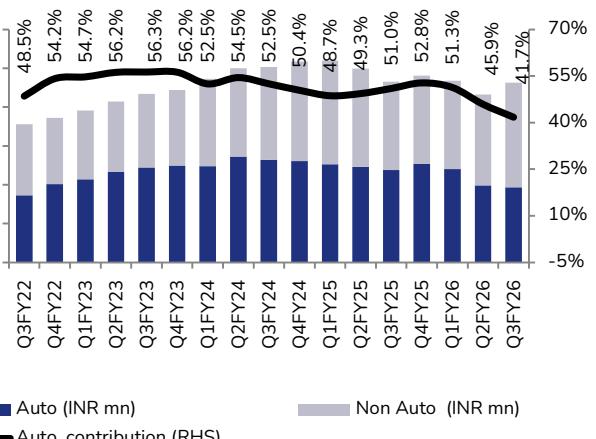
Exhibit 6. Standalone EBITDA and margin trend

Source: Company, JM Financial

Exhibit 7. Standalone – geographic revenue split

Dom. (INR mn) Export (INR mn) Dom. contribution (RHS)

Source: Company, JM Financial

Exhibit 8. Product revenue split

Auto (INR mn) Non Auto (INR mn) Auto. contribution (RHS)

Source: Company, JM Financial

Exhibit 9. BHFC - Change in estimates (consolidated)

BHFC	New assumption				Old assumption				% Change			
	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
Revenue (INR mn)	151,228	164,639	194,504	228,974	151,228	168,867	189,739	211,735	0.0%	-2.5%	2.5%	8.1%
EBITDA (INR mn)	26,939	28,966	37,580	46,065	26,939	30,523	35,405	41,275	0.0%	-5.1%	6.1%	11.6%
EBITDA margin (%)	17.8%	17.6%	19.3%	20.1%	17.8%	18.1%	18.7%	19.5%	(0.0)	-48bps	66bps	62bps
PAT (INR mn)	10,703	13,680	19,870	26,369	10,703	14,792	18,073	22,408	0.0%	-7.5%	9.9%	17.7%
EPS (INR)	22.4	28.6	41.6	55.1	22.4	30.9	37.8	46.9	0.0%	-7.5%	9.9%	17.7%

Source: Company, JM Financial

Exhibit 10. 1-year forward PE chart

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,56,821	1,51,228	1,64,639	1,94,504	2,28,974	Shareholders' Fund	71,702	92,533	1,02,277	1,18,216	1,40,658
Sales Growth	21.5%	-3.6%	8.9%	18.1%	17.7%	Share Capital	931	956	956	956	956
Other Operating Income	0	0	0	0	0	Reserves & Surplus	70,771	91,577	1,01,320	1,17,259	1,39,702
Total Revenue	1,56,821	1,51,228	1,64,639	1,94,504	2,28,974	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	73,792	65,943	72,771	85,629	99,343	Minority Interest	-49	-328	-328	-328	-328
Personnel Cost	18,600	18,699	20,977	23,641	27,077	Total Loans	79,475	66,983	81,983	76,983	71,983
Other Expenses	38,849	39,646	41,925	47,653	56,489	Def. Tax Liab. / Assets (-)	39	-703	-703	-703	-703
EBITDA	25,579	26,939	28,966	37,580	46,065	Total - Equity & Liab.	1,51,167	1,58,485	1,83,229	1,94,168	2,11,610
EBITDA Margin	16.3%	17.8%	17.6%	19.3%	20.1%	Net Fixed Assets	73,006	83,586	84,843	85,604	86,449
EBITDA Growth	44.7%	5.3%	7.5%	29.7%	22.6%	Gross Fixed Assets	1,43,479	1,56,018	1,74,335	1,84,423	1,95,067
Depn. & Amort.	8,482	8,736	9,332	9,882	10,384	Intangible Assets	3,668	3,041	3,041	3,041	3,041
EBIT	17,097	18,203	19,635	27,698	35,681	Less: Depn. & Amort.	84,053	92,789	1,02,121	1,12,004	1,22,387
Other Income	2,274	2,138	2,039	2,388	2,756	Capital WIP	9,912	17,317	9,588	10,143	10,729
Finance Cost	4,912	4,175	2,988	2,817	2,646	Investments	18,490	20,627	23,127	25,627	28,127
PBT before Excep. & Forex	14,460	16,166	18,686	27,270	35,791	Current Assets	1,00,344	94,768	1,20,698	1,35,236	1,57,666
Excep. & Forex Inc/Loss(-)	0	0	0	0	0	Inventories	32,161	35,784	36,085	42,631	50,186
PBT	14,460	16,166	18,686	27,270	35,791	Sundry Debtors	31,769	29,132	33,830	39,967	47,049
Taxes	5,288	5,426	4,920	7,350	9,372	Cash & Bank Balances	16,899	12,914	32,997	33,963	40,821
Extraordinary Inc./Loss(-)	-123	-1,571	-557	0	0	Loans & Advances	2,653	2,151	2,258	2,371	2,490
Assoc. Profit/Min. Int.(-)	-53	37	86	50	50	Other Current Assets	16,861	14,788	15,528	16,304	17,119
Reported Net Profit	9,102	9,133	13,123	19,870	26,369	Current Liab. & Prov.	40,672	40,497	45,440	52,299	60,631
Adjusted Net Profit	9,225	10,703	13,680	19,870	26,369	Current Liabilities	37,365	36,358	40,888	47,292	55,123
Net Margin	5.9%	7.1%	8.3%	10.2%	11.5%	Provisions & Others	3,307	4,138	4,552	5,007	5,508
Diluted Share Cap. (mn)	465.6	478.1	478.1	478.1	478.1	Net Current Assets	59,671	54,272	75,259	82,937	97,035
Diluted EPS (INR)	19.8	22.4	28.6	41.6	55.1	Total - Assets	1,51,167	1,58,485	1,83,229	1,94,168	2,11,610
Diluted EPS Growth	66.4%	13.0%	27.8%	45.3%	32.7%						
Total Dividend + Tax	4,191	2,869	3,825	3,825	3,825						
Dividend Per Share (INR)	9.0	6.0	8.0	8.0	8.0						

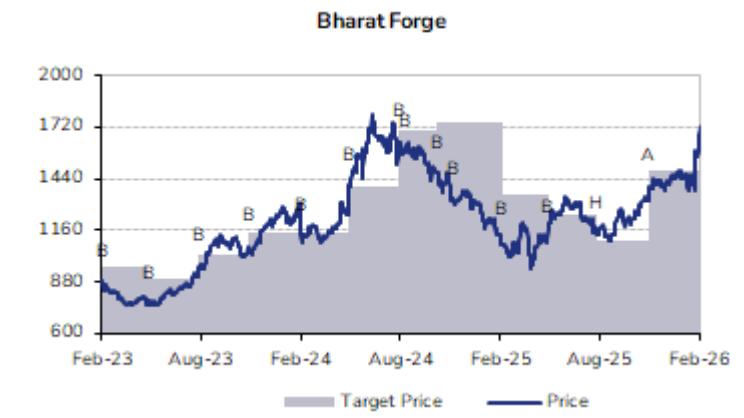
Cash Flow Statement (INR mn)						Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	14,460	16,166	18,686	27,270	35,791	Net Margin	5.9%	7.1%	8.3%	10.2%	11.5%
Depn. & Amort.	8,482	8,736	9,332	9,882	10,384	Asset Turnover (x)	1.1	1.0	1.0	1.0	1.1
Net Interest Exp. / Inc. (-)	4,912	4,175	2,988	2,817	2,646	Leverage Factor (x)	2.1	1.9	1.8	1.7	1.6
Inc (-) / Dec in WCap.	-6,270	1,414	-903	-6,712	-7,240	RoE	13.3%	13.0%	14.0%	18.0%	20.4%
Others	-480	-1,887	-643	-50	-50						
Taxes Paid	-5,288	-5,426	-4,920	-7,350	-9,372						
Operating Cash Flow	15,816	23,179	24,539	25,857	32,159						
Capex	-12,867	-19,316	-10,588	-10,643	-11,229						
Free Cash Flow	2,949	3,863	13,951	15,214	20,931						
Inc (-) / Dec in Investments	7,198	-2,137	-2,500	-2,500	-2,500						
Others	-4,912	-4,175	-2,988	-2,817	-2,646						
Investing Cash Flow	-10,581	-25,628	-16,077	-15,960	-16,375						
Inc / Dec (-) in Capital	0	25	0	0	0						
Dividend + Tax thereon	-4,191	-2,869	-3,825	-3,825	-3,825						
Inc / Dec (-) in Loans	6,343	-12,493	15,000	-5,000	-5,000						
Others	-883	13,801	446	-106	-101						
Financing Cash Flow	1,269	-1,536	11,621	-8,931	-8,926						
Inc / Dec (-) in Cash	6,504	-3,985	20,083	966	6,858						
Opening Cash Balance	10,395	16,899	12,914	32,997	33,963						
Closing Cash Balance	16,899	12,914	32,997	33,963	40,821						

Source: Company, JM Financial

History of Recommendation and Target Price

Recommendation History

Date	Recommendation	Target Price	% Chg.
10-Feb-22	Buy	875	
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
8-May-25	Buy	1,250	-7.4
6-Aug-25	Hold	1,100	-12.0
11-Nov-25	Add	1,480	34.5



APPENDIX I

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

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq 15\%$ over the next twelve months.
ADD	Expected return $\geq 5\%$ and $< 15\%$ over the next twelve months.
REDUCE	Expected return $\geq -10\%$ and $< 5\%$ over the next twelve months.
SELL	Expected return $< -10\%$ over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Important Disclosures

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