

|                       |                |
|-----------------------|----------------|
| Estimate changes      | ↑              |
| TP change             | ↑              |
| Rating change         | ←              |
| <b>Bloomberg</b>      | <b>BHFC IN</b> |
| Equity Shares (m)     | 478            |
| M.Cap.(INRb)/(USDb)   | 825.5 / 9.1    |
| 52-Week Range (INR)   | 1757 / 919     |
| 1, 6, 12 Rel. Per (%) | 18/44/44       |
| 12M Avg Val (INR M)   | 1582           |

| <b>Consol. Financials &amp; Valuations (INR b)</b> |              |              |              |
|--|--------------|--------------|--------------|
| <b>Y/E Mar</b>                                     | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| Sales  | 171.7        | 202.3        | 228.0        |
| EBITDA (%)   | 17.8         | 18.7         | 19.1         |
| Adj. PAT   | 13.3         | 18.5         | 22.9         |
| EPS (INR)  | 27.8         | 38.8         | 47.9         |
| EPS Gr. (%)  | 30.0         | 39.4         | 23.6         |
| BV/Sh. (INR)                                       | 213          | 240          | 273          |
| <b>Ratios</b>                                      |              |              |              |
| Net D:E  | 0.5          | 0.4          | 0.3          |
| RoE (%)  | 13.7         | 17.1         | 18.7         |
| RoCE (%)   | 9.7          | 12.4         | 14.0         |
| Payout (%)   | 29.3         | 28.2         | 31.1         |
| <b>Valuations</b>                                  |              |              |              |
| P/E (x)  | 62.3         | 44.7         | 36.2         |
| P/BV (x)   | 8.2          | 7.2          | 6.3          |
| EV/EBITDA (x)                                      | 27.9         | 22.4         | 19.1         |
| Div. Yield (%)                                     | 0.5          | 0.6          | 0.9          |

| <b>Shareholding pattern (%)</b> |               |               |               |
|---------------------------------|---------------|---------------|---------------|
| <b>As On</b>                    | <b>Dec-25</b> | <b>Sep-25</b> | <b>Dec-24</b> |
| Promoter                        | 44.1          | 44.1          | 44.1          |
| DII                             | 34.2          | 32.3          | 28.5          |
| FII                             | 12.4          | 13.6          | 17.9          |
| Others                          | 9.3           | 10.1          | 9.6           |

FII Includes depository receipts

**CMP: INR1,727**

**TP: INR1,597 (-8%)**

**Neutral**

## US Class8 appears to have bottomed out

### GST rate cut helps drive domestic auto revival

- Bharat Forge's (BHFC) standalone adjusted earnings at INR3.2b came 14.7% below our estimate due to lower-than-expected margins. Margins were impacted by weak exports, adverse mix and increase in tariff costs in Q3.
- The GST rate cut has helped revive the domestic auto business, which augurs well for BHFC. Further, the US Class8 cycle appears to have bottomed out, with early signs of revival. Defense, aerospace, and JSA are likely to remain key growth drivers for BHFC over the coming years. Given its improved outlook, we have raised our FY26-27E EPS by 10%/8%. We now expect BHFC to post a 15%/17%/31% CAGR in revenue/EBITDA/PAT over FY25-28E. However, following the recent rally in the stock, most positives seem to be factored in (valuation now at 44.7x FY27E and 36.2x FY28E). Reiterate Neutral with a TP of INR1,597 per share (valued at 35x Dec-27 EPS).

### Earnings below estimates due to weak demand and adverse mix

- Standalone revenue was flat YoY at INR20.8b (largely in line with estimates). Volumes in 3Q declined 6% YoY to 57,859MT, while realizations grew 7% YoY to INR360/kg, driven by a higher non-auto mix.
- Auto revenue declined 18.5% YoY to INR8.7b (8.5% below est), and contribution fell to 41.7% vs 51% in 3QFY25 and 46% in 2QFY26. Meanwhile, non-auto revenue grew 18% YoY to INR12.1b (in line) and contribution touched 58.3%.
- Export revenues declined 20.8% YoY to INR9.1b on account of lower production and inventory de-stocking in the CV segment in North America, as North America CV revenue declined 51% YoY.
- On the other hand, domestic CV revenues were strong, driven by higher production volumes across OEMs in 3Q, as the benefits of GST rate cuts percolated into lower TCO for end-users. Overall, domestic revenues grew 24% YoY to INR11.7b
- Standalone EBITDA margin contracted 190bp YoY to 27.2% vs est of 29.6%, due to weak demand, adverse mix, and increase in tariff costs. As a result, EBITDA declined 7% YoY to INR5.7b (vs est of INR6.3b).
- Overall, adjusted PAT (adjusted for INR487m on account of labor code changes) declined 7% YoY to INR3.2b (15% below estimates).
- Consolidated revenue grew 25% YoY to INR43.4b, led by the integration of K-mobility. Consolidated EBITDA stood at INR7.5b, up 20% YoY.
- Consolidated margins contracted 70bp YoY at 17.3%.
- Overseas subsidiaries' margins expanded to 3.8% in 3Q from 0.3% YoY, led by improved utilization. Europe subsidiaries' margin expanded 320bp YoY to 4.3%, and US subsidiaries' margin surged to 2.7% (from a loss in 3QFY25).

### Highlights from the management interaction

- BHFC secured orders worth INR23.9b in 3Q, with INR18.7b coming from defense, INR3.8b coming from components, INR780m from castings, and INR550m from K mobility. The defense order book as of Dec'25 stood at INR111b.
- According to management, the worst seems to be behind in both the domestic and export markets across segments.
- The implementation of GST has boosted domestic auto demand, leading to a healthy uptick across segments.
- The US CV market seems to be bottoming out with early signs of recovery visible, given higher order intake in the last couple of months.
- Regarding the India-US deal, while the fine print is awaited, it removes uncertainty between the two trading partners, thereby facilitating the long-term resumption of trade.
- Standalone Net D/E at the end of 3QFY26 stood at 0.15x, and management aims to close the year with long-term debt of INR6b.

### Valuation and view

The GST rate cut has helped revive the domestic auto business, which augurs well for BHFC. Further, the US Class8 cycle appears to have bottomed out, with early signs of revival. Defense, aerospace, and JSA are likely to remain the key growth drivers for BHFC in the coming years. Given its improved outlook, we have raised our FY26-27E EPS by 10%/8%. We now expect BHFC to post a 15%/17%/31% CAGR in revenue/EBITDA/PAT over FY25-28E. However, following the recent rally in the stock, most positives seem to be factored in (valuation now at 44.7x FY27E and 36.2x FY28E). Reiterate Neutral with a TP of INR1,597 per share (valued at 35x Dec-27 EPS).

|                             | S/A Quarterly (INR M) |               |               |               |               |               |               |               |               |               |                  |
|-----------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
|                             | FY25                  |               |               |               | FY26E         |               |               |               | FY25          | FY26E         | 3QE Variance (%) |
|                             | 1Q                    | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3QE           | 4QE           |               |               |                  |
| <b>Net operating income</b> | <b>23,381</b>         | <b>22,467</b> | <b>20,960</b> | <b>21,630</b> | <b>21,047</b> | <b>19,469</b> | <b>20,837</b> | <b>24,047</b> | <b>88,437</b> | <b>85,401</b> | <b>21,565</b>    |
| Change (%)                  | 9.9                   | -0.1          | -7.4          | -7.1          | -10.0         | -13.3         | -0.6          | 11.2          | -1.4          | -3.4          | 2.9              |
| <b>EBITDA</b>               | <b>6,515</b>          | <b>6,255</b>  | <b>6,099</b>  | <b>6,167</b>  | <b>5,718</b>  | <b>5,511</b>  | <b>5,664</b>  | <b>6,859</b>  | <b>25,034</b> | <b>23,753</b> | <b>6,383</b>     |
| EBITDA Margins (%)          | 27.9                  | 27.8          | 29.1          | 28.5          | 27.2          | 28.3          | 27.2          | 28.5          | 28.3          | 27.8          | 29.6             |
| Change (%)                  | 17.7                  | 2.4           | -5.5          | -5.7          | -12.2         | -11.9         | -7.1          | 11.2          | -60.3         | -5.1          |                  |
| Non-Operating Income        | 446                   | 348           | 314           | 481           | 422           | 465           | 273           | 461           | 1,589         | 1,620         | 455              |
| Interest                    | 702                   | 635           | 573           | 588           | 522           | 483           | 414           | 405           | 2,498         | 1,825         | 450              |
| Depreciation                | 1094                  | 1083          | 1104          | 1122          | 1125          | 1112          | 1120          | 1134          | 4,404         | 4,490         | 1140             |
| EO Exp / (Inc)              | 1,457                 | -135          | 9             | 203           | 0             | 79            | 487           | 0             |               | 566           | 0                |
| <b>PBT after EO items</b>   | <b>3,708</b>          | <b>5,019</b>  | <b>4,727</b>  | <b>4,735</b>  | <b>4,493</b>  | <b>4,380</b>  | <b>4,403</b>  | <b>5,780</b>  | <b>19,721</b> | <b>18,492</b> | <b>5,248</b>     |
| Tax                         | 1014                  | 1407          | 1266          | 1278          | 1108          | 1202          | 1035          | 1801          | 4,965         | 5,146         | 1459             |
| Eff. Tax Rate (%)           | 27.3                  | 28.0          | 26.8          | 27.0          | 24.7          | 27.9          | 26.4          | 31.2          | 25.2          | 27.8          | 27.8             |
| <b>Rep. PAT</b>             | <b>2,694</b>          | <b>3,612</b>  | <b>3,461</b>  | <b>3,456</b>  | <b>3,385</b>  | <b>3,099</b>  | <b>2,880</b>  | <b>3,980</b>  | <b>14,756</b> | <b>13,346</b> | <b>3,789</b>     |
| Change (%)                  | -13.5                 | 4.4           | -8.4          | -11.3         | 25.6          | -14.2         | -16.8         | 15.1          | 2.4           | 0.9           | 9.5              |
| <b>Adj. PAT</b>             | <b>3,787</b>          | <b>3,510</b>  | <b>3,468</b>  | <b>3,608</b>  | <b>3,385</b>  | <b>3,156</b>  | <b>3,232</b>  | <b>3,980</b>  | <b>13,223</b> | <b>13,755</b> | <b>3,789</b>     |
| Change (%)                  | 20.2                  | 0.1           | -4.8          | -8.8          | -10.6         | -10.1         | -6.8          | 10.3          | -7.2          | -4.3          | 9.3              |

**Key Performance Indicators**

| Segment Mix                   | FY25          |               |               |               | FY26E         |               |               |               | FY25          | FY26E         | 3QE           | Var (%)     |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
|                               | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3QE           | 4QE           |               |               |               |             |
| Auto                          | 11,375        | 11,087        | 10,673        | 11,418        | 10,801        | 8,938         | 8,697         | 10,143        | 44,553        | 38,579        | 9,501         | -8.5        |
| Growth (%)                    | 1.9           | -9.5          | -10.2         | -2.7          | -5.0          | -19.4         | -18.5         | -11.2         | -5.3          | -13.4         | -11.0         |             |
| Contribution (%)              | 48.7          | 49.3          | 50.9          | 52.8          | 51.3          | 45.9          | 41.7          | 42.2          | 50.4          | 45.2          | 44.1          |             |
| Non-Auto                      | 12,006        | 11,380        | 10,287        | 10,212        | 10,246        | 10,531        | 12,140        | 13,904        | 43,885        | 46,820        | 12,064        | 0.6         |
| Growth (%)                    | 18.8          | 11.1          | -4.3          | -11.6         | -14.7         | -7.5          | 18.0          | 36.1          | 2.9           | 6.7           | 17.3          |             |
| Contribution (%)              | 51.3          | 50.7          | 49.1          | 47.2          | 48.7          | 54.1          | 58.3          | 57.8          | 49.6          | 54.8          | 55.9          |             |
| <b>Net operating revenues</b> | <b>23,381</b> | <b>22,467</b> | <b>20,960</b> | <b>21,630</b> | <b>21,047</b> | <b>19,469</b> | <b>20,837</b> | <b>24,047</b> | <b>88,437</b> | <b>85,401</b> | <b>21,565</b> | <b>-3.4</b> |
| Change (%)                    | 9.9           | -0.1          | -7.4          | -7.1          | -10.0         | -13.3         | -0.6          | 11.2          | -1.4          | -3.4          | 2.9           |             |
| RM/Sales %                    | 41.8          | 40.8          | 40.1          | 39.6          | 38.8          | 36.2          | 38.8          | 38.4          | 0.0           | 38.1          | 37.0          | 180bp       |
| Staff Cost (% of sales)       | 7.0           | 7.2           | 7.6           | 7.1           | 8.1           | 8.6           | 8.2           | 7.2           | 7.2           | 8.0           | 7.8           | 40bp        |
| Other Cost (% of sales)       | 23.4          | 24.2          | 23.3          | 24.7          | 8.2           | 8.0           | 7.8           | 8.2           | 23.9          | 8.1           | 7.8           | 0bp         |
| Gross Margin (%)              | 58.2          | 59.2          | 59.9          | 60.4          | 61.2          | 63.8          | 61.2          | 61.6          | 100.0         | 61.9          | 63.0          | -180bp      |
| EBITDA Margins (%)            | 27.9          | 27.8          | 29.1          | 28.5          | 27.2          | 28.3          | 27.2          | 28.5          | 28.3          | 27.8          | 29.6          | -240bp      |
| EBIT Margins (%)              | 23.2          | 23.0          | 23.8          | 23.3          | 21.8          | 22.6          | 21.8          | 23.8          | 23.3          | 22.6          | 24.3          | -250bp      |



## Highlights from the management interaction

### 3Q highlights

- Standalone revenue declined 1% YoY to INR20.8b and was largely in line with estimates.
- Revenue growth was impacted by continued destocking in the North American CV market.
- North America truck revenue declined 51% YoY in 3Q.
- While non-auto exports were also down 1% YoY, they have recovered 11% QoQ, led by a pick-up in the oil & gas and aerospace segments.
- Hence, overall exports revenue declined 21% YoY to INR9.1b.
- Domestic revenue grew 24% YoY to INR11.7b, led by a 15% YoY growth in the CV segment and 38% YoY growth in non-auto due to better execution of defense orders.
- The company also faced a tariff cost impact of INR310m during 3QFY26. With the recent removal of a 25% punitive tariff, the company is now in a better position to compete against other countries with higher tariffs and is set to accelerate new product development with customers.
- Despite patchy demand, EU operations remained stable with capacity utilization at 60-65%. On the back of its cost cutting initiatives, Europe EBITDA margin expanded 320bp YoY to 4.3%.
- The tariff on aluminum in the US has impacted both demand and profitability. Hence, US margins contracted 150bp QoQ to 2.7%. Utilization levels have now reached 65%.
- K-Drive mobility saw an EBITDA margin expansion from 3.1% to 5.1% QoQ. However, the topline growth remains muted. The company expects margins to continue improving steadily over the next three years.
- BHFC secured orders worth INR23.9b in 3Q, with INR18.7b coming from defense, INR3.8b coming from components, INR780m from castings, and INR550m from K mobility. The defense order book as of Dec'25 stood at INR111b.
- Standalone Net D/E at the end of 3QFY26 stood at 0.15x, and management aims to close the year with long-term debt of INR6b.

#### **Update on defense and aerospace**

- Management expects the defense segment to achieve a revenue growth of 30-40% in FY27. Incremental growth is expected to be driven by the execution of the ATAG order and the recent signing of the CQB Carbine contract with the Ministry of Defense, under which more than 250,000 units will be supplied to the Indian armed forces. This significant order opens up considerable growth opportunities for the Small Arms vertical within the defense business.
- In terms of order book execution of INR111b, all orders, except for the small arms contract (which has an execution timeline of five years), have an execution timeline of four years.
- The company plans to diversify its defense business, reducing dependence on a single vertical. New opportunities are emerging in unmanned systems and drones in both underwater and aerial domains. Moreover, increasing defense budgets in regions like India and the EU provide global growth opportunities in the segment.
- Over time, the defense business is expected to reach profitability levels similar to the auto business, with higher ROCE due to lower capex.
- The aerospace segment is expected to experience strong growth in FY27 and FY28, driven by new capabilities and programs in coming years.

#### **Update on JSA**

- JS Autocast reported revenue of INR2b in 3QFY26, reflecting a growth of 22% YoY. EBITDA stood at INR320m, up 39% YoY growth, representing an EBITDA margin of 15.7%. Premji Invest has invested INR3b in JSA for a 23% stake, at a valuation of around 3-4x of what BHFC had acquired it.

#### **Update on overseas subsidiaries**

- A review of EU steel manufacturing business is expected to be completed by the end of FY26. While efforts are being made to reduce costs, this remains challenging due to the high volatility in the EU market.

#### **Outlook**

- According to management, the worst seems to be behind in both the domestic and export markets across segments.
- The implementation of GST has boosted auto demand in the domestic market, which is driving a healthy demand uptick in the domestic auto segment.
- The US CV market appears to be bottoming out with early signs of recovery, given the higher order intake in the last couple of months.
- Beyond this, defense and aerospace would continue to remain the key growth drivers for the business, given the healthy order backlog.
- On the India-US deal, while fine print is awaited, it removes uncertainty between the two trading partners, thereby facilitating trade resumption for the long term.

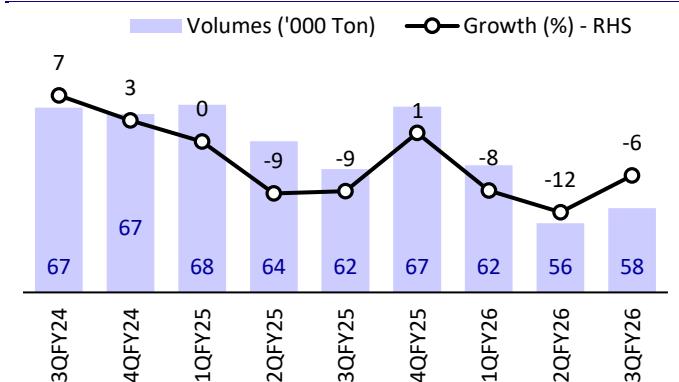
#### **Capex**

- The Kalyani Group has committed to invest INR170b in Odisha through its group entities. The investment will be divided into three key areas: 1) a specialty steel plant to be set up by Kalyani Steel, 2) a super alloy plant for aerospace and other super alloy products, and 3) forgings, castings, and machining capacity to be set up by BHFC. Of the INR170b, BHFC will be investing INR30b. This investment is likely to commence from FY28.

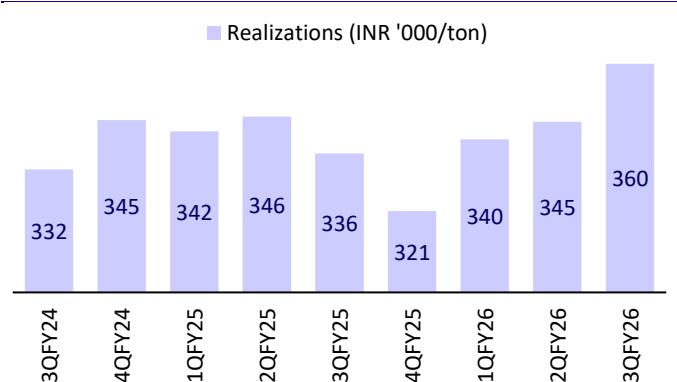
#### **Other highlights**

- Since its acquisition, American Axle has seen a 200bp expansion in margins. This is a high-growth sector, with new business wins from Indian OEMs further strengthening the outlook for the same.

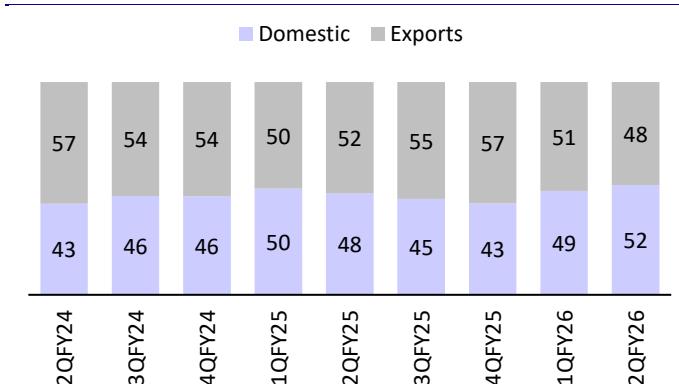
**Exhibit 1: Volume trend**



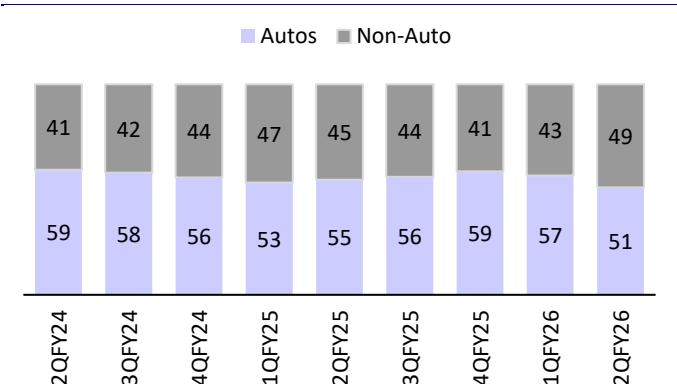
**Exhibit 2: Trend in realizations**



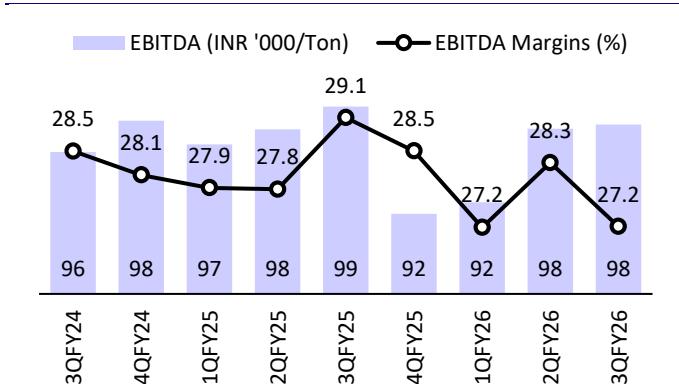
**Exhibit 3: Market mix trend**



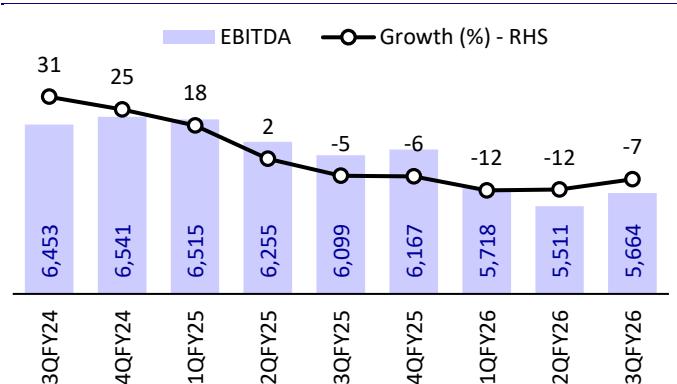
**Exhibit 4: Trend in product mix**



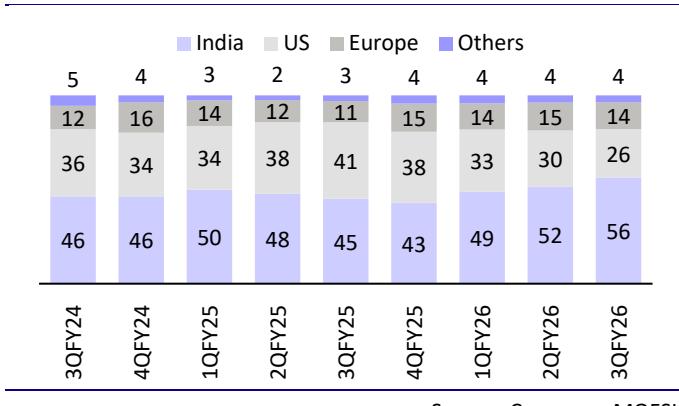
**Exhibit 5: Trend in EBITDA margin**



**Exhibit 6: EBITDA growth trend**

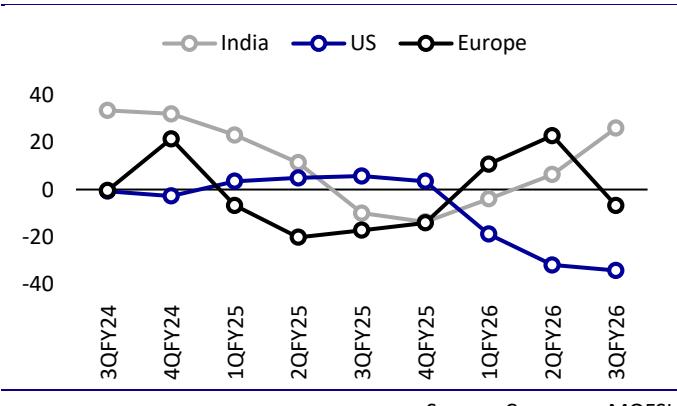


**Exhibit 7: Standalone revenue breakup %**



Source: Company, MOFSL

**Exhibit 8: Standalone revenue growth % across geography**



Source: Company, MOFSL

## Valuation and view

### Continued focus on de-risking the business and increasing value additions

Over the last decade, BHFC has broadened its revenue stream by entering new segments (non-Auto) and markets across the globe, resulting in a decline in the share of the Auto business to ~56% in FY25 from ~80% in FY07. It has increased value addition by focusing on machined components, whose contribution grew ~50%, boosting realizations and margin. After having invested for over 10 years, it is now seeing meaningful traction in the defense business. It is also ramping up the AI mix in its overseas subsidiaries. These diversification initiatives have helped reduce cyclical in BHFC revenue over the last few years.

### Domestic Auto business: Recovery expected in PVs and CVs

Post the GST rate cut, the entire auto segment has seen a pickup in demand, especially in the festive season. CV demand has picked up well in the festive season, and has sustained its momentum even post-festive. Same is the case with domestic PV demand. Needless to say, an overall auto segment revival bodes well for BHFC's domestic business. For BHFC, we expect the domestic CV / PV segments to post 8% / 9% revenue CAGR over FY25-28E.

### Defense to be the key growth driver for BHFC over FY25-28E

Over the last decade, BHFC has developed new frontiers for growing beyond its core business, with investments in capabilities and capacities in place. Some of these new businesses offer huge potential in the long term and the scope to drive the next phase of evolution for the company. BHFC is on track to ramp up its defense business to about INR18b in FY26 from INR14.2b in FY24. Over the years, its order book has now scaled up to ~INR111b to be executable over the next 4 to 5 years, which includes the domestic ATAG order worth about INR45b, which is likely to commence in FY27. Beyond this, BHFC has recently won a carbine order worth INR14b and an INR2.5b order from the Indian Navy for unmanned marine systems. Given the robust order backlog, we expect the defense business to be the key growth driver for BHFC in the coming years.

### Auto export outlook seems to be improving

The US Class8 industry was witnessing a cyclical downturn in CY25. However, improved order intake over the last couple of months is signaling signs of a recovery in the trend. Further, while fine print is awaited on the India-US trade deal, it clearly removes uncertainty between the two trading partners, facilitating trade resumption for the long term. Given these factors, we think the worst seems to be behind and expect a gradual pick-up in exports in the coming quarters.

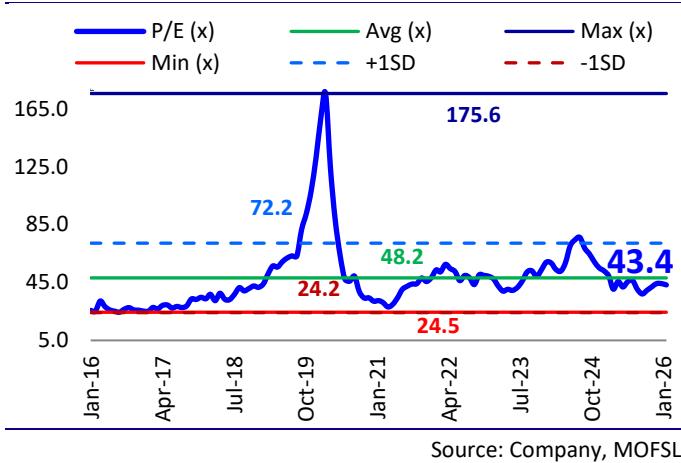
## Valuation and view

The GST rate cut has helped revive the domestic auto business, which augurs well for BHFC. Further, the US Class8 cycle appears to have bottomed out now, with early signs of revival. Defense, aerospace, and JSA are likely to remain the key growth drivers for BHFC in the coming years. Given its improved outlook, we have raised our FY26-27E EPS by 10%/8%. We now expect BHFC to post a 15%/17%/31% CAGR in revenue/EBITDA/PAT over FY25-28. However, post the recent rally in the stock, most positives seem to be factored in (valuation now at 44.7x FY27E and 36.2x FY28E). Reiterate Neutral with a TP of INR1,597 per share (valued at 35x Dec-27 EPS).

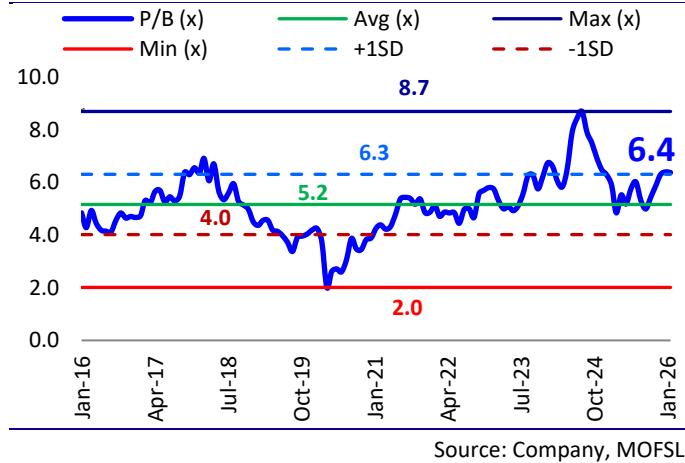
**Exhibit 9: Our revised estimates (Consolidated)**

| (INR m)    | FY26E    |          |         | FY27E    |          |         |
|------------|----------|----------|---------|----------|----------|---------|
|            | Rev      | Old      | Chg (%) | Rev      | Old      | Chg (%) |
| Net Sales  | 1,71,718 | 1,63,645 | 4.9     | 2,02,275 | 1,90,111 | 6.4     |
| EBITDA (%) | 17.8     | 17.6     | 20bp    | 18.7     | 18.4     | 30bp    |
| Net Profit | 13,293   | 12,105   | 9.8     | 18,543   | 17,168   | 8.0     |
| EPS (INR)  | 27.8     | 25.3     | 9.9     | 38.8     | 35.9     | 8.0     |

**Exhibit 10: BHFC's PE trend**

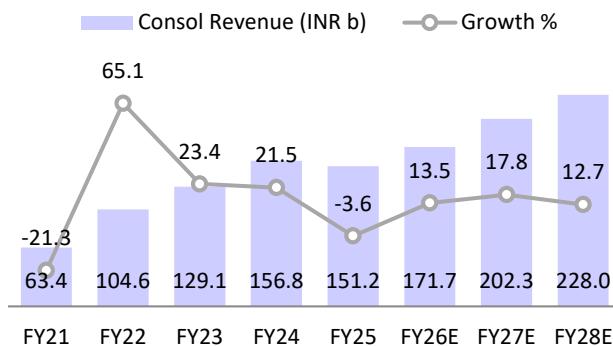


**Exhibit 11: BHFC's PB trend**

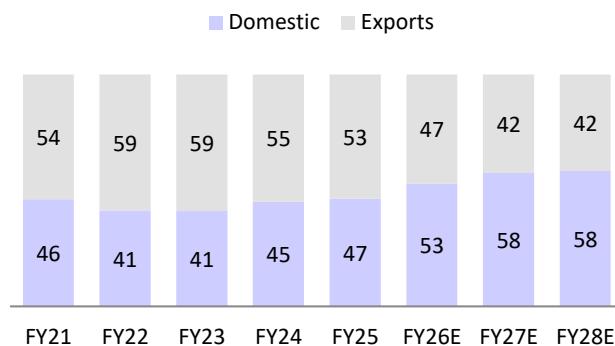


## Story in charts

**Exhibit 12: Consol revenue trend**

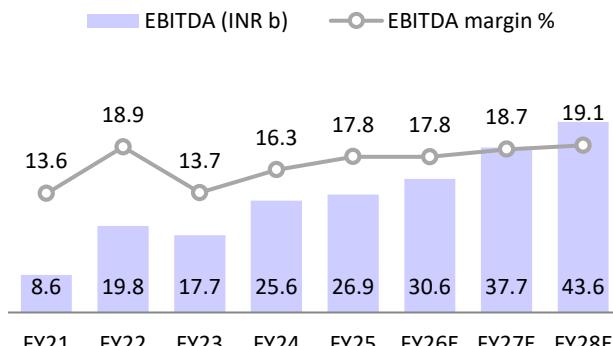


**Exhibit 13: Trend in geography mix %**



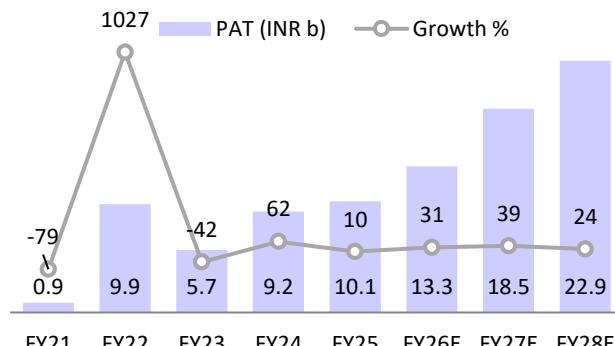
Source: Company, MOFSL

**Exhibit 14: Trend in EBITDA and EBITDA margin**



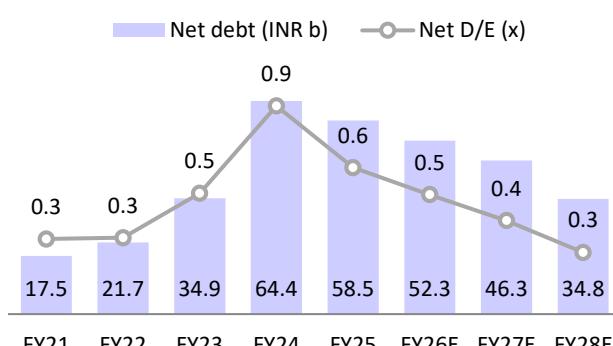
Source: Company, MOFSL

**Exhibit 15: PAT and growth over the years**



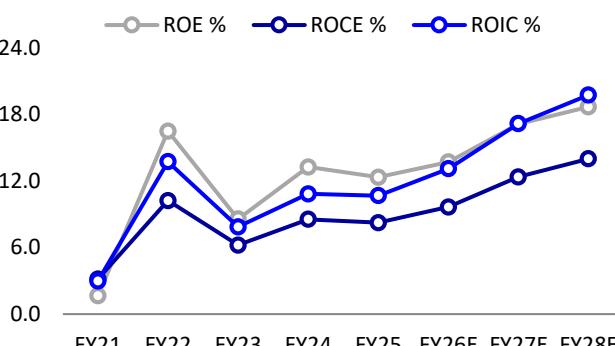
Source: Company, MOFSL

**Exhibit 16: Net debt and Net Debt to Equity trend**



Source: Company, MOFSL

**Exhibit 17: Return ratio trend over the years**



Source: Company, MOFSL

## Financials and valuations

| Consolidated - Income Statement |               |                 |                 |                 |                 |                 |                 |                 | (INR M) |
|---------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Y/E March                       | FY21          | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           | FY28E           |         |
| <b>Net Sales</b>                | <b>63,362</b> | <b>1,04,611</b> | <b>1,29,103</b> | <b>1,56,821</b> | <b>1,51,228</b> | <b>1,71,718</b> | <b>2,02,275</b> | <b>2,28,016</b> |         |
| Change (%)                      | -21.3         | 65.1            | 23.4            | 21.5            | -3.6            | 13.5            | 17.8            | 12.7            |         |
| <b>EBITDA</b>                   | <b>8,617</b>  | <b>19,803</b>   | <b>17,676</b>   | <b>25,580</b>   | <b>26,939</b>   | <b>30,566</b>   | <b>37,724</b>   | <b>43,597</b>   |         |
| Margin (%)                      | 13.6          | 18.9            | 13.7            | 16.3            | 17.8            | 17.8            | 18.7            | 19.1            |         |
| Depreciation                    | 6,122         | 7,303           | 7,356           | 8,482           | 8,736           | 9,653           | 10,522          | 11,469          |         |
| <b>EBIT</b>                     | <b>2,495</b>  | <b>12,500</b>   | <b>10,320</b>   | <b>17,098</b>   | <b>18,203</b>   | <b>20,912</b>   | <b>27,202</b>   | <b>32,127</b>   |         |
| Int. and Finance Charges        | 1,077         | 1,604           | 2,986           | 4,912           | 4,175           | 3,131           | 2,662           | 1,863           |         |
| Other Income - Rec.             | 1,689         | 1,959           | 1,729           | 2,274           | 2,138           | 1,945           | 2,140           | 2,675           |         |
| <b>PBT bef. EO Exp.</b>         | <b>3,107</b>  | <b>12,855</b>   | <b>9,062</b>    | <b>14,460</b>   | <b>16,166</b>   | <b>19,726</b>   | <b>26,680</b>   | <b>32,939</b>   |         |
| EO Expense/(Income)             | 3,062         | -1,280          | -458            | 123             | 1,571           | 557             | 0               | 0               |         |
| <b>PBT after EO Exp.</b>        | <b>45</b>     | <b>14,135</b>   | <b>9,520</b>    | <b>14,337</b>   | <b>14,595</b>   | <b>19,169</b>   | <b>26,680</b>   | <b>32,939</b>   |         |
| Current Tax                     | 1,015         | 3,035           | 3,186           | 5,288           | 5,426           | 6,134           | 8,004           | 9,882           |         |
| Tax Rate (%)                    | 2276.6        | 21.5            | 33.5            | 36.9            | 37.2            | 32.0            | 30.0            | 30.0            |         |
| <b>Reported PAT</b>             | <b>-971</b>   | <b>11,101</b>   | <b>6,334</b>    | <b>9,049</b>    | <b>9,170</b>    | <b>13,035</b>   | <b>18,676</b>   | <b>23,057</b>   |         |
| MI & Profit/Loss of Asso        | 297           | 330             | 334             | -53             | 37              | 121             | 133             | 146             |         |
| <b>Adj PAT</b>                  | <b>876</b>    | <b>9,875</b>    | <b>5,680</b>    | <b>9,188</b>    | <b>10,120</b>   | <b>13,293</b>   | <b>18,543</b>   | <b>22,911</b>   |         |

| Consolidated - Balance Sheet        |                 |                 |                 |                 |                 |                 |                 |                 | (INR M) |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Y/E March                           | FY21            | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           | FY28E           |         |
| Equity Share Capital                | 931             | 931             | 931             | 931             | 956             | 956             | 956             | 956             |         |
| Total Reserves                      | 53,219          | 64,775          | 66,124          | 70,771          | 91,577          | 1,00,666        | 1,13,950        | 1,29,689        |         |
| <b>Net Worth</b>                    | <b>54,150</b>   | <b>65,707</b>   | <b>67,055</b>   | <b>71,702</b>   | <b>92,533</b>   | <b>1,01,622</b> | <b>1,14,906</b> | <b>1,30,645</b> |         |
| Minority Interest                   | 317             | 561             | 361             | -49             | -328            | -328            | -328            | -328            |         |
| Deferred Liabilities                | 1,445           | 1,718           | 658             | 39              | -703            | -703            | -703            | -703            |         |
| Total Loans                         | 45,798          | 56,545          | 68,523          | 79,475          | 66,983          | 60,983          | 54,983          | 47,983          |         |
| <b>Capital Employed</b>             | <b>1,01,710</b> | <b>1,24,531</b> | <b>1,36,597</b> | <b>1,51,167</b> | <b>1,58,485</b> | <b>1,61,574</b> | <b>1,68,858</b> | <b>1,77,597</b> |         |
| Gross Block                         | 1,09,197        | 81,087          | 98,375          | 1,07,096        | 1,20,929        | 1,26,929        | 1,33,929        | 1,41,929        |         |
| Less: Accum. Deprn.                 | 62,024          | 32,896          | 39,723          | 46,965          | 56,383          | 66,037          | 76,559          | 88,028          |         |
| <b>Net Fixed Assets</b>             | <b>47,497</b>   | <b>48,697</b>   | <b>61,606</b>   | <b>63,091</b>   | <b>67,174</b>   | <b>63,521</b>   | <b>59,998</b>   | <b>56,529</b>   |         |
| Capital WIP                         | 9,001           | 11,248          | 7,012           | 9,912           | 17,317          | 17,317          | 17,317          | 17,317          |         |
| <b>Total Investments</b>            | <b>26,070</b>   | <b>26,040</b>   | <b>25,691</b>   | <b>22,239</b>   | <b>26,425</b>   | <b>29,425</b>   | <b>32,425</b>   | <b>35,425</b>   |         |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>48,309</b>   | <b>68,934</b>   | <b>88,038</b>   | <b>96,597</b>   | <b>88,065</b>   | <b>95,836</b>   | <b>1,09,274</b> | <b>1,23,413</b> |         |
| Inventory                           | 17,939          | 27,105          | 31,263          | 32,161          | 35,784          | 36,696          | 43,226          | 46,853          |         |
| Account Receivables                 | 14,096          | 21,736          | 30,988          | 31,672          | 29,132          | 35,285          | 41,563          | 46,853          |         |
| Cash and Bank Balance               | 4,729           | 6,030           | 10,395          | 13,153          | 6,210           | 6,070           | 5,810           | 10,111          |         |
| Loans and Advances                  | 11,545          | 14,063          | 15,392          | 19,612          | 16,939          | 17,786          | 18,675          | 19,596          |         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>29,167</b>   | <b>30,387</b>   | <b>45,749</b>   | <b>40,672</b>   | <b>40,497</b>   | <b>44,525</b>   | <b>50,157</b>   | <b>55,088</b>   |         |
| Creditors                           | 12,068          | 16,314          | 21,513          | 22,621          | 23,442          | 26,618          | 31,355          | 35,345          |         |
| Other Current Liabilities           | 14,093          | 11,396          | 21,923          | 14,744          | 12,916          | 13,562          | 14,240          | 14,952          |         |
| Provisions                          | 3,006           | 2,677           | 2,313           | 3,307           | 4,138           | 4,345           | 4,562           | 4,790           |         |
| <b>Net Current Assets</b>           | <b>19,142</b>   | <b>38,546</b>   | <b>42,288</b>   | <b>55,925</b>   | <b>47,568</b>   | <b>51,311</b>   | <b>59,117</b>   | <b>68,325</b>   |         |
| <b>Appl. of Funds</b>               | <b>1,01,710</b> | <b>1,24,531</b> | <b>1,36,597</b> | <b>1,51,167</b> | <b>1,58,485</b> | <b>1,61,574</b> | <b>1,68,858</b> | <b>1,77,597</b> |         |

E: MOFSL Estimates

## Financials and valuations

### Ratios

| Y/E March                     | FY21       | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       | FY28E       |
|-------------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |             |             |             |             |             |             |             |
| EPS                           | <b>1.9</b> | <b>21.2</b> | <b>12.2</b> | <b>19.7</b> | <b>21.4</b> | <b>27.8</b> | <b>38.8</b> | <b>47.9</b> |
| Cash EPS                      | 15.0       | 36.9        | 28.0        | 37.9        | 39.4        | 48.0        | 60.8        | 71.9        |
| BV/Share                      | 116.3      | 141.1       | 144.0       | 154.0       | 193.5       | 212.5       | 240.3       | 273.2       |
| DPS                           | 2.0        | 5.5         | 5.5         | 9.0         | 6.0         | 8.0         | 11.0        | 15.0        |
| Payout (%)                    | -96.0      | 23.1        | 40.4        | 46.3        | 31.3        | 29.3        | 28.2        | 31.1        |
| <b>Valuation (x)</b>          |            |             |             |             |             |             |             |             |
| P/E                           | 744.9      | 66.1        | 114.9       | 71.0        | 65.5        | 62.3        | 44.7        | 36.2        |
| Cash P/E                      | 93.3       | 38.0        | 50.1        | 36.9        | 35.5        | 36.1        | 28.5        | 24.1        |
| P/BV                          | 12.1       | 9.9         | 9.7         | 9.1         | 7.2         | 8.2         | 7.2         | 6.3         |
| EV/Sales                      | 10.5       | 6.5         | 5.3         | 4.4         | 4.7         | 5.0         | 4.2         | 3.6         |
| EV/EBITDA                     | 77.5       | 34.2        | 38.8        | 27.2        | 26.2        | 27.9        | 22.4        | 19.1        |
| Dividend Yield (%)            | 0.1        | 0.4         | 0.4         | 0.6         | 0.4         | 0.5         | 0.6         | 0.9         |
| <b>Return Ratios (%)</b>      |            |             |             |             |             |             |             |             |
| RoE                           | 1.6        | 16.5        | 8.6         | 13.2        | 12.3        | 13.7        | 17.1        | 18.7        |
| RoCE (Post-tax)               | 3.2        | 10.2        | 6.2         | 8.5         | 8.2         | 9.7         | 12.4        | 14.0        |
| RoIC                          | 3.0        | 13.7        | 7.9         | 10.8        | 10.7        | 13.1        | 17.1        | 19.7        |
| <b>Working Capital Ratios</b> |            |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 0.6        | 1.3         | 1.3         | 1.5         | 1.3         | 1.4         | 1.5         | 1.6         |
| Inventory (Days)              | 103        | 95          | 88          | 75          | 86          | 78          | 78          | 75          |
| Debtor (Days)                 | 81         | 76          | 88          | 74          | 70          | 75          | 75          | 75          |
| Creditor (Days)               | 70         | 57          | 61          | 53          | 57          | 57          | 57          | 57          |
| Working Capital (Days)        | 83         | 113         | 90          | 100         | 100         | 96          | 96          | 93          |
| <b>Leverage Ratio (x)</b>     |            |             |             |             |             |             |             |             |
| Net Debt/Equity               | 0.3        | 0.3         | 0.5         | 0.9         | 0.6         | 0.5         | 0.4         | 0.3         |

### Consolidated - Cash Flow Statement

(INR M)

| Y/E March                        | FY21           | FY22           | FY23           | FY24          | FY25           | FY26E          | FY27E          | FY28E          |
|----------------------------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| Operating PBT                    | 2,495          | 12,500         | 10,320         | 14,337        | 14,595         | 20,912         | 27,202         | 32,127         |
| Depreciation                     | 6,122          | 7,303          | 7,356          | 8,482         | 8,736          | 9,653          | 10,522         | 11,469         |
| Other income                     | 1,686          | 2,203          | 1,529          | 3,246         | 4,139          | 1,824          | 2,007          | 2,675          |
| Direct Taxes Paid                | -77            | -2,762         | -4,246         | -5,185        | -6,050         | -6,134         | -8,004         | -9,882         |
| (Inc)/Dec in WC                  | 4,016          | -18,103        | 623            | -4,236        | -3,457         | -3,883         | -8,066         | -4,907         |
| <b>CF from Operations</b>        | <b>14,243</b>  | <b>1,142</b>   | <b>15,581</b>  | <b>16,644</b> | <b>17,963</b>  | <b>22,373</b>  | <b>23,661</b>  | <b>31,482</b>  |
| EO Expense                       | -3,062         | 1,280          | 458            | 0             | 0              | -557           | 0              | 0              |
| <b>CF from Operating incl EO</b> | <b>11,180</b>  | <b>2,422</b>   | <b>16,039</b>  | <b>16,644</b> | <b>17,963</b>  | <b>21,816</b>  | <b>23,661</b>  | <b>31,482</b>  |
| (inc)/dec in FA                  | -11,173        | -10,750        | -16,029        | -15,003       | -14,439        | -6,000         | -7,000         | -8,000         |
| <b>Free Cash Flow</b>            | <b>8</b>       | <b>-8,328</b>  | <b>10</b>      | <b>1,641</b>  | <b>3,524</b>   | <b>15,816</b>  | <b>16,661</b>  | <b>23,482</b>  |
| (Pur)/Sale of Investments        | -9,890         | 30             | 349            | 8,336         | -5,204         | -3,000         | -3,000         | -3,000         |
| <b>CF from Investments</b>       | <b>-21,063</b> | <b>-10,720</b> | <b>-15,680</b> | <b>-6,667</b> | <b>-19,643</b> | <b>-9,000</b>  | <b>-10,000</b> | <b>-11,000</b> |
| Issue of Shares                  | 3,855          | 3,017          | -2,425         | 0             | 16,500         | 0              | 0              | -146           |
| Inc/(Dec) in Debt                | 7,014          | 10,748         | 11,978         | 7,183         | -12,428        | -6,000         | -6,000         | -7,000         |
| Interest Paid                    | -1,077         | -1,604         | -2,986         | -4,896        | -4,729         | -3,131         | -2,662         | -1,863         |
| Dividend Paid                    | -931           | -2,561         | -2,561         | -9,506        | -4,605         | -3,825         | -5,259         | -7,172         |
| <b>CF from Fin. Activity</b>     | <b>8,860</b>   | <b>9,599</b>   | <b>4,006</b>   | <b>-7,219</b> | <b>-5,263</b>  | <b>-12,956</b> | <b>-13,921</b> | <b>-16,181</b> |
| <b>Inc/Dec of Cash</b>           | <b>-1,023</b>  | <b>1,301</b>   | <b>4,365</b>   | <b>2,758</b>  | <b>-6,943</b>  | <b>-140</b>    | <b>-260</b>    | <b>4,301</b>   |
| Add: Beginning Balance           | 5,751          | 4,729          | 6,030          | 10,395        | 13,153         | 6,210          | 6,070          | 5,810          |
| <b>Closing Balance</b>           | <b>4,728</b>   | <b>6,030</b>   | <b>10,395</b>  | <b>13,153</b> | <b>6,210</b>   | <b>6,070</b>   | <b>5,810</b>   | <b>10,111</b>  |

E: MOFSL Estimates

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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