Result Update

Q1 FY26

Bharat Forge Ltd.

Institutional Research

Bharat Forge Ltd.

BP WEALTH

Auto Ancillary | Q1FY26 Result Update **07th August 2025**

Tariff-induced environment soften sales; Estimates beat on margin front

Bharat Forge reported a 10.0% YoY and 2.7% QoQ decline in revenue, coming in at Rs. 21,047 million. The decline was driven by weakness in export revenues, particularly from North America, due to regulatory uncertainty, tariff disruptions, and the rollback of emission norm changes for heavy trucks. Additionally, seasonal weakness in the aerospace and domestic CV business further weighed on topline performance. Gross profit declined 5.2% YoY and 1.3% QoQ, yet gross margins expanded by 307 bps YoY and 90 bps QoQ to 61.2%, on account of stable RM prices (lower annually) and higher inventory stock. EBITDA stood at Rs. 5,718 million, down 12.2% YoY and 7.3% QoQ. The margin contraction (down 70 bps YoY and 134 bps QoQ) to 27.2% was primarily due to higher tariff-related costs and an unfavourable product mix in the export portfolio. Despite softer operating performance, reported PAT grew 25.6% YoY, aided by a lower base and absence of exceptional losses seen in Q1FY25. On a sequential basis, PAT was marginally lower by 2.1%, in line with the decline in operating profit. PAT margins improved sharply by 456 bps YoY and 11 bps QoQ to 16.1%. During the quarter, the company secured new orders worth Rs. 847 crores, including Rs. 269 crores in Defence and Rs. 429 crores in Bharat Forge.

Valuation and Outlook

Bharat Forge delivered a resilient operating performance in Q1FY26 despite a challenging external environment. The topline decline was largely anticipated, reflecting macro headwinds across export markets. However, the company's ability to sustain margins amid this topline pressure underscores the benefit of diversified end-markets and cost discipline. While export-linked segments remained under pressure, the domestic industrial and defence verticals performed well, highlighting the growing contribution from non-auto and high-value strategic businesses. Looking ahead, the near-term outlook remains cautious, particularly for the export-focused portfolio, as tariff-related uncertainty in the US and subdued sentiment in Europe persist. However, H2FY26 is expected to see a recovery, aided by the execution of the Rs. 9,400 crores defence order book (with another Rs. 1,400 crores expected to be converted), continued growth in aerospace (20%+ full year growth expected), and the full-quarter consolidation of American Axle Q2FY26 onwards, which is estimated to add ~Rs. 1,000 crores to FY26 topline. Additionally, infrastructure-led demand should support the domestic industrial and construction verticals. On margins, Q2FY26 is likely to remain under pressure due to lower volumes and the absorption of tariff costs (~Rs. 14 crores in Q1FY26). Still, improvement is expected in H2FY26 as volume recovery, favourable mix, and cost optimisation kick in. The turnaround in the US aluminium operations (second EBITDA-positive quarter) further reinforces medium-term margin visibility.

Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	21,047	23,381	-10.0%	21,630	-2.7%
Gross profit	12,891	13,604	-5.2%	13,054	-1.3%
Gross margin (%)	61.2%	58.2%	307 bps	60.4%	90 bps
EBITDA	5,718	6,515	-12.2%	6,167	-7.3%
OPM (%)	27.2%	27.9%	-70 bps	28.5%	-134 bps
Adj. PAT	3,385	2,694	25.6%	3,456	-2.1%
PAT Margin	16.1%	11.5%	456 bps	16.0%	11 bps

Source: Company, BP Equities Research

Sector Outlook	Neutral

Stock

CMP (Rs.)	1,158
BSE code	500493
NSE Symbol	BHARATFORG
Bloomberg	BHFC IN
Reuters	BFRG.NS

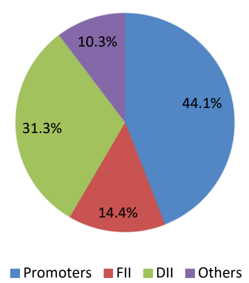
Key Data

Nifty	25,091
52 Week H/L (Rs,)	1,695/919
O/s Shares (Mn)	478
Market Cap (Rs. bn)	553
Face Value (Rs.)	2

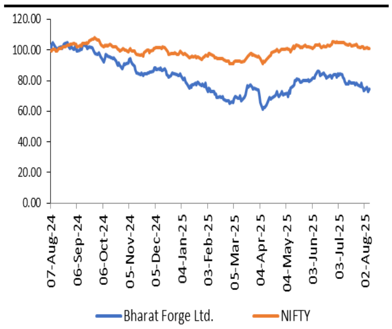
Average Volume

3 months	13,21,640
6 months	14,21,680
1 year	12,57,120

Share Holding Pattern (%)



Relative Price Chart



Research Analyst
Sagar Shetty
Sagar.shetty@bpwealth.com
022-61596158

Key Concall Highlights

Consolidated Financial Performance

Revenue in Q1FY26 stood at Rs. 39,088 million, representing a decline of 4.8% YoY. EBITDA was reported at Rs. 6,817 million, translating to a margin of 17.4% (down 110 bps YoY).

Tariff Impact

The imposition of 25% import tariffs in the US has disrupted cost structures and added uncertainty to the export flow. The full impact of tariffs is likely to be felt in Q2FY26, as shipments made after early August will be fully subject to new duties.

Management is actively working with customers to share the tariff burden through pricing adjustments, given the extraordinary circumstances.

"The company has also set up SMT and electronics capacity to support growth in the EV and defence verticals and is pursuing PLI benefits for this investment."

American Axle Acquisition Update

The American Axle acquisition will be consolidated from Q2FY26 and is expected to contribute approximately Rs. 1,000 crore to FY26 revenue.

This acquisition enhances Bharat Forge's access to the LCV and SUV segments and brings in critical axle design capabilities.

"A second forging line is under installation in the US, with part of the capacity intentionally left unbooked to retain flexibility."

Other Business Highlights

The US aluminium forging business reported its second consecutive quarter of profitability, driven by improved utilisation and operating efficiency. Current capacity utilisation in the US aluminium facility stands at around 70%, reflecting a steady ramp-up from earlier quarters. A second forging line is under installation in the US, with part of the capacity intentionally left unbooked to retain flexibility.

The aerospace business is projected to grow over 20% year-over-year, with limited US market exposure.

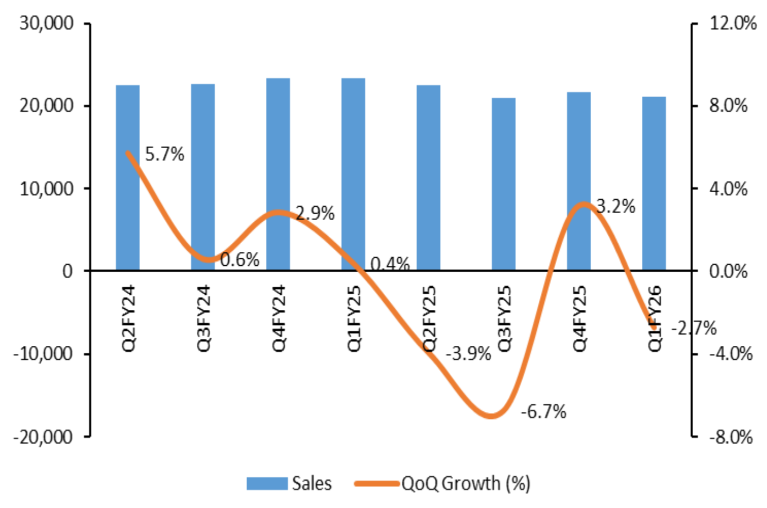
"Only about one-third of their exports from Indian manufacturing were to the US in Q1FY26."

The company has a defence RFQ pipeline with Rs. 9,000 crores of orders, plus a pending tender worth Rs. 1,400 crores that needs to be converted into a signed order.

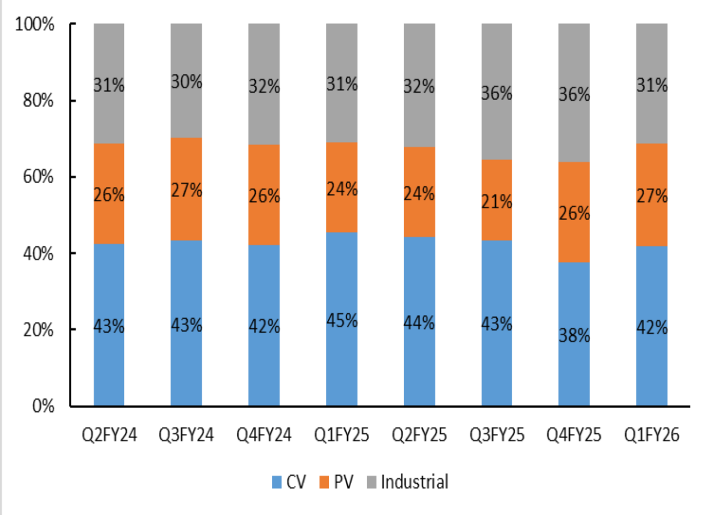
Bharat Forge has set up SMT and electronics capacity to support growth in the EV and defence verticals and is pursuing PLI benefits for this investment.

Quarterly Snapshot

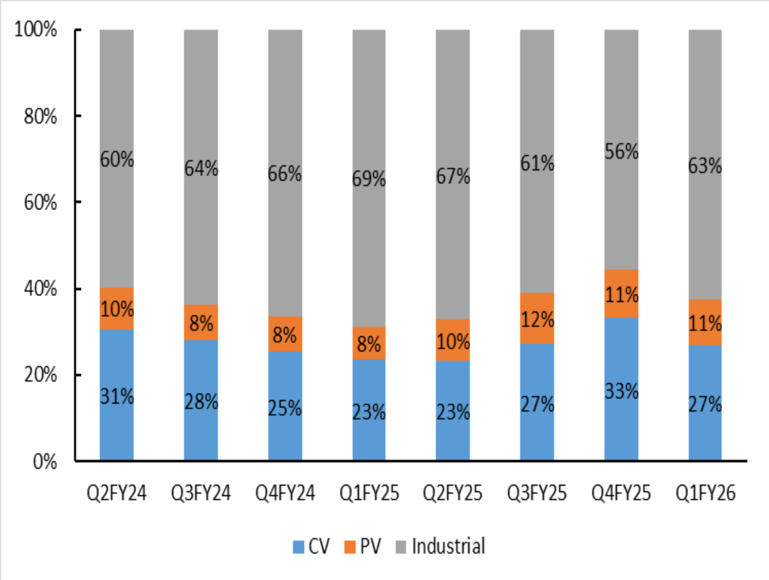
Revenue Trend



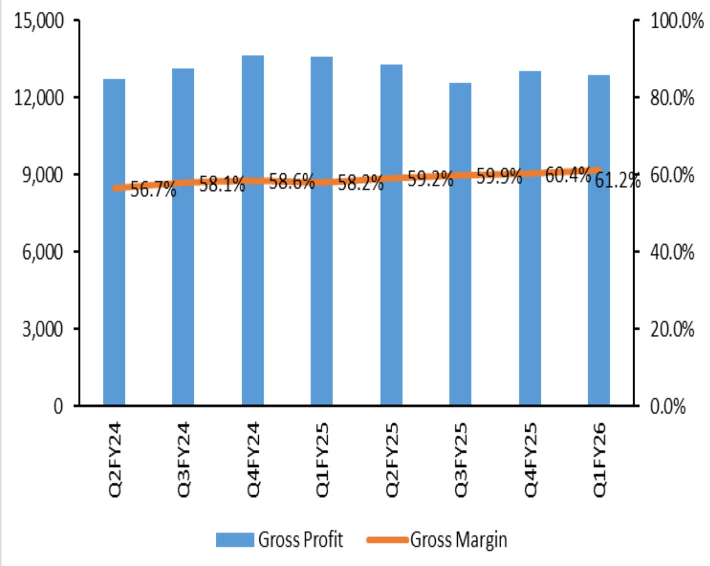
Revenue Mix (Exports)



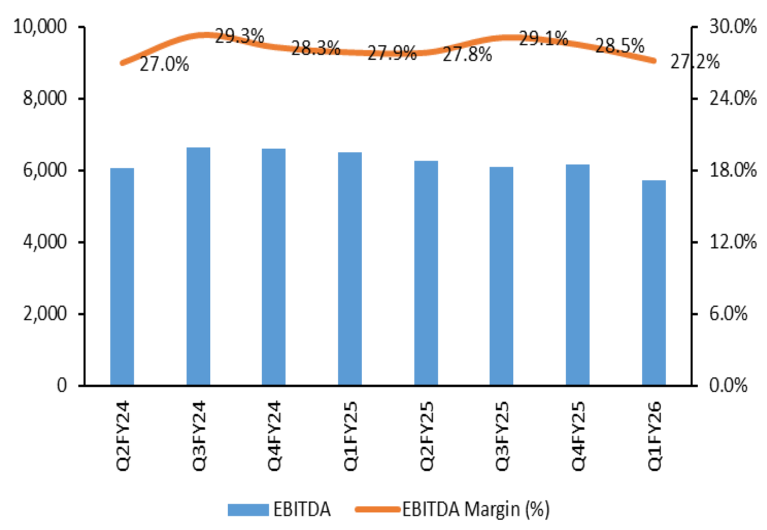
Revenue Mix (Domestic)



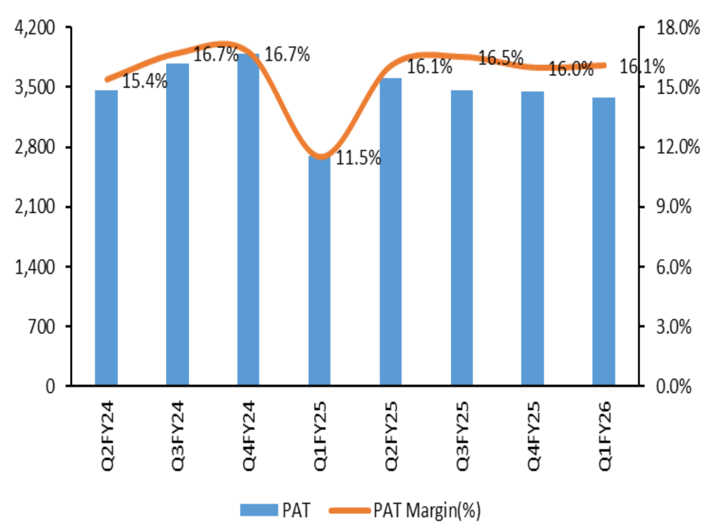
Gross Profit & Gross Margin



EBITDA and EBITDA Margin



PAT and PAT Margin



Source: Company, BP Equities

Key Financials						
YE March (Rs. mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	**62,546**	**75,727**	**89,686**	**88,437**	**91,090**	**99,289**
Revenue Growth (Y-o-Y)	*71.3%*	*21.1%*	*18.4%*	*-1.4%*	*3.0%*	*9.0%*
EBITDA	**17,157**	**19,111**	**24,778**	**25,034**	**26,416**	**29,588**
EBITDA Growth (Y-o-Y)	*135.8%*	*11.4%*	*29.7%*	*1.0%*	*5.5%*	*12.0%*
Net Profit	**10,778**	**10,455**	**14,250**	**13,223**	**14,119**	**16,085**
Net Profit Growth (Y-o-Y)	*245.3%*	*-3.0%*	*36.3%*	*-7.2%*	*6.8%*	*13.9%*
Diluted EPS	**23.2**	**22.5**	**30.6**	**28.2**	**29.5**	**33.7**
Profitability Ratios						
EBIDTA (%)	**27.4%**	**25.2%**	**27.6%**	**28.3%**	**29.0%**	**29.8%**
NPM (%)	17.2%	13.8%	15.9%	15.0%	15.5%	16.2%
ROE (%)	**15.2%**	**13.6%**	**16.6%**	**12.1%**	**11.8%**	**12.4%**
ROCE (%)	11.6%	11.9%	15.3%	13.5%	14.1%	15.5%
Valuation Ratios						
P/E (x)	**50.0x**	**51.6x**	**37.8x**	**41.1x**	**39.2x**	**34.4x**
EV/EBITDA (x)	34.4x	31.3x	23.8x	23.5x	21.9x	19.4x
Market Cap/Sales (x)	8.8x	7.3x	6.2x	6.3x	6.1x	5.6x

Source: Company, BP Equities

Research Desk Tel: +91 22 61596138

Institutional Sales Desk Tel: +91 22 61596403/04/05

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of 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. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:
4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6138
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:
24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392