

### About the Company

Bharat Forge Limited is a leading Indian manufacturer of forged automotive components, engaged in the design and production of powertrain and chassis parts. The company serves both domestic and export markets, with a strong presence in the MHCV segment, supported by global capabilities and long-standing OEM relationships. It has also diversified into defense, aerospace, and industrial segments, reducing dependence on the automotive cycle.

### Investment Rationale

- De-risking and Domestic Recovery Outlook:** Bharat Forge Limited (BHFC) has steadily de-risked its business over the past decade by diversifying across non-auto segments and global markets, materially reducing its dependence on the automotive segment. The company has also enhanced value addition through a higher share of machined components, supporting improved realisations and margins. Its long-term investments are now gaining traction in the defence segment, along with an increasing aluminium mix in overseas subsidiaries, helping moderate revenue cyclicality. On the domestic front, recovery across PV and CV segments, supported by improving demand trends, is expected to drive steady growth over the medium term.
- Defence Order Book Driving Growth Visibility:** BHFC's defence business is emerging as a key growth driver, supported by a strong order book of ~Rs 11,130 Cr, providing strong revenue visibility over the next 4-5 years. This includes the CQB Carbine order for ~250,000 units, strengthening its Small Arms vertical with a five-year execution timeline, along with the domestic ATAGS order (~Rs 4,500 Cr), where execution is expected to commence in FY27. The company is on track to scale defence revenues to ~Rs 1,800 Cr in FY26 (vs. Rs 1,420 Cr in FY24), with an expected growth of ~30-40% in FY27 as execution ramps up. Additionally, recent wins such as the carbine contract (~Rs 1,400 Cr) and an Rs 250 Cr order from the Indian Navy for unmanned marine systems further enhance growth visibility.
- Capex Expansion and Export Recovery Strengthen Outlook:** BHFC is advancing a capex-led expansion strategy focused on high-margin segments such as aerospace, data centres, and advanced forgings, along with planned investments to build next-generation manufacturing capabilities. This strategic push comes at a time when export markets are showing early signs of recovery. While recent performance was impacted by weakness in the CV segment and global uncertainties, PV and industrial segments have demonstrated relative resilience, supported by diversification and improved execution in aerospace and allied areas. With management indicating that the export cycle has bottomed out and recovery is gaining traction amid improving trade dynamics, the combined impact of capacity expansion and demand revival is expected to strengthen BHFC's growth trajectory.

### Valuation & Recommendation:

The recovery in the domestic auto segment, along with early signs of improvement in global CV markets, is expected to support overall demand momentum. In addition, BHFC's continued focus on high-growth non-auto segments such as defence, aerospace, and industrials is likely to underpin long-term earnings visibility, supported by a strong order backlog and improving execution. Given the improved business outlook, we expect BHFC to deliver a 14%/17%/31% CAGR in Revenue/EBITDA/PAT over FY25-28E. We recommend a **BUY** with a target price of Rs 2,095/share, implying ~10% upside.

### Financial Summary (Consolidated)

Y/E	Net Sales	EBITDA	PAT	EPS	PER	ROCE	ROE	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(Rs)	(%)	(%)	(x)
FY25	15,123	2,694	913	23.1	59.4	13.0	11.2	22.8
FY26E	17,009	2,954	1,296	27.1	70.4	13.4	13.4	32.6
FY27E	19,567	3,572	1,592	33.3	57.3	16.0	14.9	26.8
FY28E	22,466	4,352	2,053	42.9	44.4	19.5	16.9	21.7

Source: Axis Securities; CMP as of 22<sup>nd</sup> April, 2026

Duration: 3-6 Months

CMP (Rs)	1,903
Target Price (Rs)	2,095
Upside (%)	10%

### | Why Bharat Forge Ltd

- ✓ **Diversified Business Model Reducing Cyclicity**
- ✓ **Increasing Non-Auto Revenue Contribution**
- ✓ **Strategic Capex in High-Growth Segments**
- ✓ **Export Recovery Supporting Volume Growth**

### | Key Risks

- ✓ **Raw Material Price Volatility**
- ✓ **Export Market Slowdown**
- ✓ **Cyclicality in Global CV Demand**

### MARKET DATA

No. of Shares	47.8 Cr
Market Cap	91,172 Cr
52-week High / Low	1,936/1,067
BSE Code	500493
NSE Code	BHARATFORG

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## | OBJECTIVE



Axis Punch is designed to generate solid returns in the short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets a return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

## | Axis PUNCH is a strong, research-based idea based on



**Events-Based:** Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

**Strategic Insights:** Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

**Informed Decisions:** Make well-informed investment decisions backed by the expertise of our dedicated research team.

**Medium-term Horizon:** Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

## | Why to choose Axis PUNCH



These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

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