

February 13, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		ACCUMULATE	
Target Price	1,050		1,435	
Sales (Rs. m)	1,70,101	1,91,249	1,92,843	2,15,795
% Chng.	(11.8)	(11.4)		
EBITDA (Rs. m)	34,199	39,207	38,161	43,844
% Chng.	(10.4)	(10.6)		
EPS (Rs.)	36.5	43.8	43.3	52.3
% Chng.	(15.7)	(16.3)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,56,821	1,56,935	1,70,101	1,91,249
EBITDA (Rs. m)	25,579	27,860	34,199	39,207
Margin (%)	16.3	17.8	20.1	20.5
PAT (Rs. m)	8,814	11,670	16,996	20,405
EPS (Rs.)	18.9	25.1	36.5	43.8
Gr. (%)	65.0	32.4	45.6	20.1
DPS (Rs.)	6.5	7.0	8.0	9.0
Yield (%)	0.6	0.6	0.7	0.8
RoE (%)	12.7	15.1	18.9	19.3
RoCE (%)	11.7	13.0	16.3	17.6
EV/Sales (x)	3.6	3.5	3.2	2.8
EV/EBITDA (x)	22.0	19.9	16.0	13.9
PE (x)	57.8	43.7	30.0	25.0
P/BV (x)	7.1	6.2	5.2	4.5

Key Data

BFRG.BO | BHFC IN

52-W High / Low	Rs.1,826 / Rs.1,063
Sensex / Nifty	76,171 / 23,045
Market Cap	Rs.523bn/ \$ 6,021m
Shares Outstanding	478m
3M Avg. Daily Value	Rs.1355.34m

Shareholding Pattern (%)

Promoter's	45.25
Foreign	17.04
Domestic Institution	28.14
Public & Others	9.57
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.6)	(31.3)	(3.2)
Relative	(8.1)	(28.2)	(9.7)

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Weak quarter due to challenges in Europe

Quick Pointers:

- The demand environment in Europe continues to face challenges
- Executable defence orderbook now stands at Rs 57bn

Bharat Forge Q3FY25 consolidated revenue declined for 2nd consecutive quarter as revenue was down by 10.1% YoY, 21%/8% lower than PLe/consensus estimates. The de-growth in revenue was due to persistent challenges in European business as well as a slowdown in defence business. Consequently, this led its gross profit to decline by 3.9% YoY, however, margin improved by 376bps YoY to 57.7%. EBITDA declined by 10.5% YoY while margin remained flat at 18%. Subdued overall performance led its PAT to decline by 12.3% YoY.

BHFC delivered weak Q3FY25 performance with the outlook for European business and looming tariff hike from US remain a key challenge for the growth of its core business in the medium term. The company has been focusing on increasing the non-auto businesses like Aerospace, Defence and other Industrial verticals, however, the varying pace of order execution could impact its growth on consistent basis. Factoring this, we cut our estimates 7-16% for the forecasted period and downgrade our rating from "Accumulate" to "Hold" with a TP of Rs 1,050 (previous Rs1,435), valuing it at P/E of 25x on its Dec'26 EPS.

- **Weak demand conditions in EU led to miss on estimates:** Consolidated revenue for Q3FY25 came in at Rs34.8bn (PLe: 43.8bn; BBGe: Rs37.7bn). Gross profit was Rs20.1bn (PLe: Rs25bn) with a margin of 57.7% (PLe: 57.2%). EBITDA was at Rs 6.2bn (PLe: 7.6bn; BBGe: Rs6.9bn) with a margin of 18% (PLe: 17.5%; BBGe: 18.2%). Forgings revenue declined by 8.9% YoY to Rs30.6bn and Defence revenue declined by 22.5% YoY to Rs3.4bn leading the company to report lower performance than expectations. PAT came in Rs2.1bn against PLe: Rs3.1bn; BBGe: Rs3bn.
- **Weak performance across key verticals: In terms of key verticals:** CV revenue declined by 7.2% YoY to Rs7.3bn, impacted by tepid demand in Indian and weakness in European markets. PV India business reported strong growth of 27.9% YoY to Rs0.9bn. However, weak exports to Europe impacted on the overall PV revenue declined by 15.9% YoY to Rs3.4bn. Industrial business exports reported healthy growth, however, overall Industrial business revenue declined by 3% YoY to Rs9.2bn.
- **Key concall highlights:** 1) BHFC aims to improve the margin by ~250-300bps over next 2-3 years through better product mix. 2) The Indian CV outlook was tepid during 9MFY25, however, expects in improvement in Q4FY25. 3) The company expects FY26 out for its Indian CV business to be flattish while international CV business is expected to challenging. 4) Defence business order wins were at Rs 970mn in Q3FY25, with overall orderbook at Rs 57bn. 5) The company expects ATAGs order from the domestic market to further strengthen in Defence orderbook. 6) JS Auto revenue increased by 20% YoY to Rs 1.7bn with an EBITDA of Rs 0.2bn. 7) Order wins for JS Auto business during 9MFY25 stood at Rs 1.8bn, the company expects this business to deliver Rs 10bn revenue in the next 2-3 years.

Exhibit 1: Consolidated Q3FY25 Result Overview (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Revenues	34,755	38,664	(10.1)	43,768	(20.6)	36,885	(5.8)	1,12,702	1,15,179	(2.2)
Raw Materials	14,698	17,803	(17.4)	18,733	(21.5)	15,643	(6.0)	48,709	54,226	(10.2)
% of Net Sales	42.3	46.0		42.8		42.4		43.2	47.1	
Personnel	4,362	4,498	(3.0)	5,471	(20.3)	4,672	(6.7)	14,021	13,851	1.2
% of Net Sales	12.5	11.6		12.5		12.7		12.4	12.0	
Manufacturing & Other Exp	9,452	9,384	0.7	11,905	(20.6)	10,097	(6.4)	29,845	27,955	6.8
% of Net Sales	27.2	24.3		27.2		27.4		26.5	24.3	
Total Expenditure	28,512	31,686	(10.0)	36,108	(21.0)	30,412	(6.2)	92,576	96,032	(3.6)
EBITDA	6,244	6,979	(10.5)	7,659	(18.5)	6,473	(3.5)	20,126	19,147	5.1
EBITDA Margin (%)	18.0	18.0		17.5		17.5		17.9	16.6	
Depreciation	2,182	2,237	(2.4)	2,281	(4.3)	2,133	2.3	6,499	6,411	1.4
EBIT	4,061	4,742	(14.4)	5,378	(24.5)	4,339	(6.4)	13,628	12,736	7.0
Interest Expenses	960	1,368	(29.9)	1,341	(28.4)	1,098	(12.6)	3,295	3,756	(12.3)
Non-operating income	384	560	(31.4)	596	(35.6)	616	(37.8)	1,516	1,726	(12.2)
Extraordinary Expenses	-	-	-	-	-	-		(1,518)	(21)	
PBT	3,485	3,933	(11.4)	4,633	(24.8)	3,858	(9.6)	10,331	10,684	(3.3)
Tax-Total	1,342	1,406	(4.5)	1,483	(9.5)	1,419	(5.4)	4,011	3,901	2.8
Tax Rate (%) - Total	38.5	35.7		32.0		36.8		38.8	36.5	
Reported PAT	2,143	2,527	(15.2)	3,150	(32.0)	2,439	(12.1)	6,320	6,783	(6.8)
Minority Interest	0	101		(3)		(3)		207	321	(35.6)
Share of JV	(15)	17		(6)		(6)		(14)	48	
Adj. PAT	2,128	2,443	(12.9)	3,148	(32.4)	2,436	(12.7)	7,613	6,919	10.0
PAT Margin (%)	6.2	6.5		7.2		6.6		6.8	6.0	

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,56,821	1,56,935	1,70,101	1,91,249
YoY gr. (%)	21.5	0.1	8.4	12.4
Cost of Goods Sold	73,792	67,768	77,466	87,066
Gross Profit	83,029	89,167	92,635	1,04,184
Margin (%)	52.9	56.8	54.5	54.5
Employee Cost	18,600	19,543	18,883	20,816
Other Expenses	38,849	41,764	39,553	44,160
EBITDA	25,579	27,860	34,199	39,207
YoY gr. (%)	44.7	8.9	22.8	14.6
Margin (%)	16.3	17.8	20.1	20.5
Depreciation and Amortization	8,482	8,306	8,993	9,792
EBIT	17,097	19,555	25,206	29,415
Margin (%)	10.9	12.5	14.8	15.4
Net Interest	4,912	4,545	4,048	4,023
Other Income	2,274	2,203	3,122	3,759
Profit Before Tax	14,337	15,696	24,279	29,151
Margin (%)	9.1	10.0	14.3	15.2
Total Tax	5,288	5,337	7,284	8,745
Effective tax rate (%)	36.9	34.0	30.0	30.0
Profit after tax	9,048	10,359	16,996	20,405
Minority interest	411	207	-	-
Share Profit from Associate	53	-	-	-
Adjusted PAT	8,814	11,670	16,996	20,405
YoY gr. (%)	-	-	-	-
Margin (%)	5.6	7.4	10.0	10.7
Extra Ord. Income / (Exp)	(123)	(1,518)	-	-
Reported PAT	8,691	10,153	16,996	20,405
YoY gr. (%)	75.9	16.8	67.4	20.1
Margin (%)	5.5	6.5	10.0	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	466	466	466	466
EPS (Rs)	18.9	25.1	36.5	43.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,02,427	1,11,427	1,20,427	1,30,427
Tangibles	1,02,427	1,11,427	1,20,427	1,30,427
Intangibles	-	-	-	-
Acc: Dep / Amortization	42,296	46,947	52,043	57,483
Tangibles	42,296	46,947	52,043	57,483
Intangibles	-	-	-	-
Net fixed assets	60,131	64,480	68,384	72,943
Tangibles	60,131	64,480	68,384	72,943
Intangibles	-	-	-	-
Capital Work In Progress	9,912	10,401	10,914	11,452
Goodwill	2,960	2,684	2,684	2,684
Non-Current Investments	8,237	8,649	9,514	10,465
Net Deferred tax assets	(1,690)	(1,690)	(1,690)	(1,690)
Other Non-Current Assets	11,997	12,245	12,864	13,898
Current Assets				
Investments	10,255	11,280	12,972	14,918
Inventories	32,161	32,247	35,418	39,822
Trade receivables	31,769	32,247	34,952	40,346
Cash & Bank Balance	16,899	11,004	12,916	11,604
Other Current Assets	8,967	9,147	9,604	10,084
Total Assets	1,93,490	1,94,616	2,10,489	2,28,524
Equity				
Equity Share Capital	931	931	931	931
Other Equity	70,770	81,642	96,189	1,13,199
Total Networkth	71,702	82,574	97,120	1,14,130
Non-Current Liabilities				
Long Term borrowings	22,390	18,658	17,769	16,923
Provisions	1,500	1,650	1,733	1,819
Other non current liabilities	3,150	3,464	3,672	3,893
Current Liabilities				
ST Debt / Current of LT Debt	57,093	47,577	45,312	43,154
Trade payables	22,621	23,648	25,632	28,818
Other current liabilities	13,394	15,403	17,609	18,144
Total Equity & Liabilities	1,93,490	1,94,616	2,10,489	2,28,524

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	14,337	15,696	24,279	29,151
Add. Depreciation	8,482	8,306	8,993	9,792
Add. Interest	4,912	4,545	4,048	4,023
Less Financial Other Income	2,274	2,203	3,122	3,759
Add. Other	(2,274)	(2,203)	(3,122)	(3,759)
Op. profit before WC changes	25,456	26,343	34,199	39,207
Net Changes-WC	332	2,262	(2,178)	(6,595)
Direct tax	(5,751)	(5,337)	(7,284)	(8,745)
Net cash from Op. activities	20,037	23,268	24,737	23,867
Capital expenditures	(12,867)	(12,868)	(13,410)	(14,891)
Interest / Dividend Income	-	-	-	-
Others	2,607	2,009	1,928	2,080
Net Cash from Invst. activities	(10,260)	(10,859)	(11,482)	(12,811)
Issue of share cap. / premium	-	-	-	-
Debt changes	6,204	(13,247)	(3,154)	(3,004)
Dividend paid	(3,027)	(3,260)	(3,725)	(4,191)
Interest paid	(4,912)	(4,545)	(4,048)	(4,023)
Others	(1,785)	3,772	1,276	796
Net cash from Fin. activities	(3,519)	(17,279)	(9,651)	(10,423)
Net change in cash	6,258	(4,869)	3,604	633
Free Cash Flow	7,170	10,401	11,327	8,976

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	41,642	41,061	36,885	34,755
YoY gr. (%)	14.7	5.9	(2.3)	(10.1)
Raw Material Expenses	19,566	18,369	15,643	14,698
Gross Profit	22,076	22,693	21,243	20,057
Margin (%)	53.0	55.3	57.6	57.7
EBITDA	6,433	7,410	6,473	6,244
YoY gr. (%)	34.5	24.5	4.2	(10.5)
Margin (%)	15.4	18.0	17.5	18.0
Depreciation / Depletion	2,071	2,183	2,133	2,182
EBIT	4,362	5,227	4,339	4,061
Margin (%)	10.5	12.7	11.8	11.7
Net Interest	1,155	1,237	1,098	960
Other Income	548	516	616	384
Profit before Tax	3,653	2,988	3,858	3,485
Margin (%)	8.8	7.3	10.5	10.0
Total Tax	1,387	1,250	1,419	1,342
Effective tax rate (%)	38.0	41.8	36.8	38.5
Profit after Tax	2,266	1,738	2,439	2,143
Minority interest	90	210	(3)	-
Share Profit from Associates	6	7	(6)	(15)
Adjusted PAT	2,284	3,053	2,436	2,128
YoY gr. (%)	17.9	49.6	19.1	(12.9)
Margin (%)	5.5	7.4	6.6	6.1
Extra Ord. Income / (Exp)	(102)	(1,518)	-	-
Reported PAT	2,182	1,536	2,436	2,128
YoY gr. (%)	60.9	(24.7)	20.3	(12.9)
Margin (%)	5.2	3.7	6.6	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	466	466	466	466
EPS (Rs)	4.9	6.6	5.2	4.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	18.9	25.1	36.5	43.8
CEPS	37.1	42.9	55.8	64.9
BVPS	154.0	177.3	208.6	245.1
FCF	15.4	22.3	24.3	19.3
DPS	6.5	7.0	8.0	9.0
Return Ratio(%)				
RoCE	11.7	13.0	16.3	17.6
ROIC	9.1	10.1	13.7	14.6
RoE	12.7	15.1	18.9	19.3
Balance Sheet				
Net Debt : Equity (x)	0.7	0.5	0.4	0.3
Net Working Capital (Days)	69	64	63	68
Valuation(x)				
PER	57.8	43.7	30.0	25.0
P/B	7.1	6.2	5.2	4.5
P/CEPS	29.5	25.5	19.6	16.9
EV/EBITDA	22.0	19.9	16.0	13.9
EV/Sales	3.6	3.5	3.2	2.8
Dividend Yield (%)	0.6	0.6	0.7	0.8

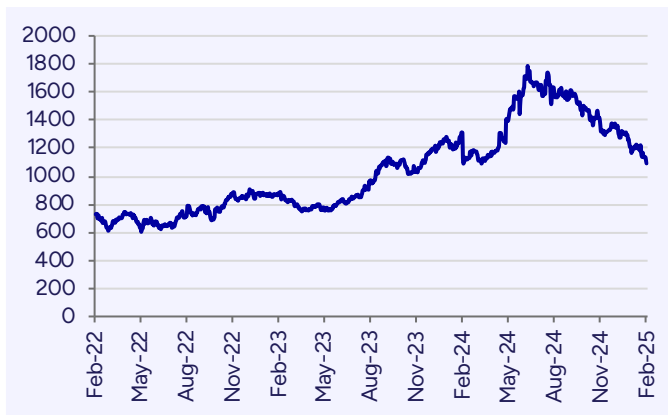
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Shipment tonnage (MT)	2,72,583	2,64,406	2,90,846	3,08,297
Net realisation (Rs/ton)	3,29,024	3,47,250	3,49,754	3,71,940

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	1,435	1,249
2	18-Nov-24	Accumulate	1,501	1,329
3	07-Oct-24	Accumulate	1,369	1,437
4	09-Aug-24	Accumulate	1,701	1,605
5	08-Jul-24	Hold	1,615	1,672
6	09-May-24	BUY	1,615	1,405
7	08-Apr-24	Accumulate	1,270	1,146

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	243	223
2	Bajaj Auto	BUY	9,853	8,398
3	Bharat Forge	Accumulate	1,435	1,249
4	CEAT	Hold	3,030	3,044
5	Divgi Torqtransfer Systems	Hold	637	585
6	Eicher Motors	Accumulate	5,764	5,328
7	Endurance Technologies	BUY	2,698	2,100
8	Exide Industries	Hold	350	343
9	Hero Motocorp	Accumulate	4,736	4,275
10	Mahindra & Mahindra	BUY	3,664	3,198
11	Maruti Suzuki	BUY	14,154	11,978
12	Tata Motors	Hold	733	753
13	TVS Motor Company	Hold	2,461	2,336

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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