

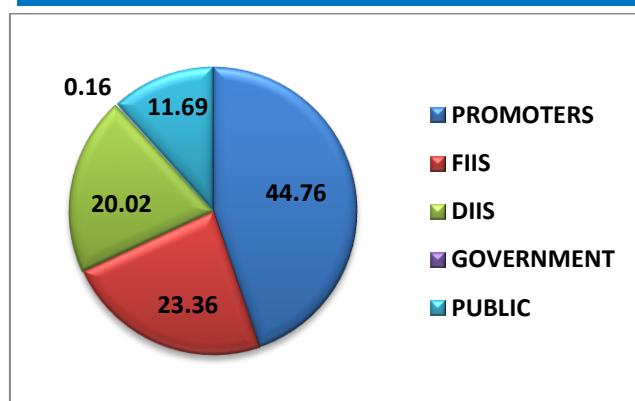


March 2022

VALUE PARAMETERS

Face Value (Rs.)	2.00
EPS (TTM)	22.65
52-Week High/Low	848/555
M.Cap (Rs. in Cr.)	31,699.60
P/E Ratio (TTM)	30.07
Sector P/E	41.29
P/B Ratio (calc at CMP)	5.04
Dividend Yield (%)	0.29
Enterprise value	36,525.42

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. Cr)	6336.3	9426	10745
EBITDA (Rs. Cr)	863.4	1852	2390
EBITDA margin	13.6	19.6	22.2
PAT (Rs. Cr)	88	950.2	1338.5
EPS (Rs)	15.9	20.5	28.5
ROE	11.3	16.5	20
ROCE	16.4	10	13
DPS	5.0	5.5	6.3
P/E	63.11	35.7	25.4

Our Recommendation: Infrastructure sector has been given a budgetary boost by the government; this may aid order growth. Recent acquisitions of Sanghvi Forgings/JS Autocast would expand revenue base. Domestic demand looks attractive and we estimate margin expansion due to growth from defence sector and recovery in auto sector. Thus, we recommend BUY in price range 670-690 with target price 850 (upside 23%).

Investment Rationale:

- About Company:** Bharat Forge Limited is an Indian multinational company with market cap of 31,700 Cr. The company is a global leader in metal forming segment. The company serves several sectors including Automotive, Railways, Aerospace, Marine, Oil & Gas, Power, Construction and Mining. The company is the world's largest forging company and is one of the best aerospace forging companies and automotive forging company. BFL has transcontinental presence across ten manufacturing locations spreading across India, Germany, Sweden, France and North America.
- Production Capacity:** BFL has total capacity of 6.83 lakh MT per annum. Its products are used in domestic and exports markets across PV, CV, oil & gas, construction and mining, power, defence, etc.
- Strategic Acquisition & Expansion:** Bharat Forge recently acquired JS Autocast, which is a supplier of critical machined ductile iron castings for the wind, hydraulic, off-highway and automotive applications. By the acquisition of JS Autocast, Bharat Forge can expand its product portfolio in the industrial sector, customer base and manufacturing presence felt in southern part of country.
- Q3FY22 Results:** Bharat Forge reported a consolidated profit of Rs 422 crore for the December 2021 quarter compared to a loss in the corresponding period last year. Consolidated revenues during the quarter grew by 39% year-on-year to Rs 2,394 crore. EBITDA grew by 77% to Rs 502 crore. EBITDA margin improved by 448 basis points to 21%.
- Key Highlights:**
 - Positive sales development in domestic and export in 4QFY22, but not in India Agri.
 - Company's Indian operation secured domestic and export orders worth 100 million US dollars.
 - Capital expenditures for AI forgings facility in North Carolina has been completed and production is going to start soon.
 - Company has started to receive orders for power and control electronics.
 - Armoured vehicle order supplies would start from 4QFY22.
 - For international operations demand remains strong, but inflationary cost pressures are expected to persist across all variable cost elements (RM, logistics and energy). This will impact profitability for its EU operations in coming quarters.
- Risks:**
 - Semiconductor shortages are expected to impact the export business in 4QFY22.
 - Lower than estimated sales growth in the export market over FY21-24E.
 - Higher commodity prices impacting margins.

Financials and Valuations

Consolidated Income Statement (Rs Cr)

Year-End March	FY17	FY18	FY19	FY20	FY21
Revenue	6396.2	8357.7	10145.7	8055.8	6336.3
Change (%)	-6.1	30.7	21.4	-20.6	-21.3
EBITDA	1251.1	1723.0	2055.6	1138.9	863.4
Margin (%)	19.6	20.6	20.3	14.1	13.6
Depreciation	452.1	466.9	520.8	547.7	612.2
EBIT	799	1256.1	1534.8	591.2	251.2
Int. and Finance Charges	100	106.5	127.2	171.3	107.7
Other Income - Rec.	119.3	142	202.8	163.7	167.3
PBT before EO Exp.	818.3	1291.6	1610.4	583.5	310.7
EO Expense/(Income)	-128.4	95.5	0	78.9	306.2
PBT after EO Exp.	946.8	1196.1	1610.4	504.6	4.5
Tax Rate (%)	26.3	36.9	35.2	22.3	2245.8
Reported PAT	697.6	754.4	1044.0	392.1	-97.0
PAT Adjusted for EO items	603	814.5	1044.0	451.8	117.4
Change (%)	-7.7	35.1	28.2	-56.7	-74.0
Margin (%)	9.4	9.7	10.3	5.6	1.9
Less: Minority Interest	-7.0	-81	11.8	42.3	29.4
Adjusted PAT	610	822.6	1032.2	409.5	88.0

Consolidated Balance Sheet (Rs Cr)

Year-End March	FY17	FY18	FY19	FY20	FY21
Equity Share Capital	46.6	93.1	93.1	93.1	93.1
Total Reserves	4069.8	4558.6	5282.9	5126.6	5322
Net Worth	4116.4	4651.7	5376.1	5219.7	5415.1
Minority Interest	10	29.4	29.8	32	31.7
Deferred Liabilities	260.6	214.7	206.2	50.7	144.5
Total Loans	3124.1	3257	3772.8	3878.4	4579.8
Capital Employed	7511.1	8152.8	9385	9180.7	10,171.1
Gross Block	7232.8	8021.1	5498.5	6423.6	7783.7
Less: Accum. Deprn.	3956	4521.7	1873.9	2421.6	3033.7
Net Fixed Assets	3276.8	3499.4	3624.6	4002	4750
Capital WIP	453.2	343.8	830.7	1142.7	900.1
Total Investments	1191.6	1501.1	1523.7	1618	2606.8
Current Assets, Loans, and Advances	3919.2	4632.4	5599.3	4719.7	4830.9
Inventory	1075.2	1359.9	1844.7	1734.7	1793.9
Account Receivables	1341.9	1960.5	2147.8	1493.8	1409.6
Cash and Bank Balance	336.1	304.1	475.5	575.1	472.9
Loans and Advances	1166.1	1008	1131.4	916.1	1154.6
Current Liability and Provisions	1329.6	1824	2193.3	2301.7	2916.7
Creditors	846.3	1326.8	1366.4	1030.9	1206.8
Other Current Liabilities	298	301.9	620	1000	1409.3
Provisions	185.3	195.3	206.9	270.7	300.6
Net Current Assets	2589.6	2808.5	3406	2418.1	1914.2
Appl. of Funds	7511.1	8152.8	9385	9180.7	10,171.1

Financials and Valuations

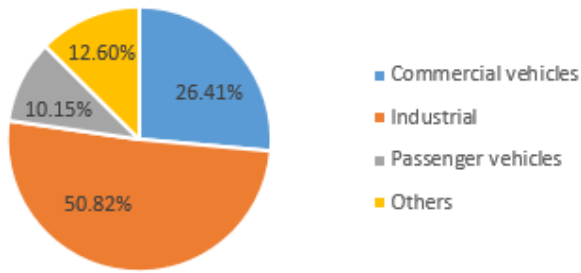
Ratios

Basic (INR)	FY17	FY18	FY19	FY20	FY21
Efficiency Ratios					
EPS	13.1	17.7	22.2	8.8	1.9
BV/Share	88.41	99.9	115.47	112.11	116.31
DPS	3.8	4.5	5.0	2.0	2.0
Payout (%)	30.1	33.4	26.8	28.5	-96.0
EBITDA margin (%)	20.77	22.09	22.18	16.11	16.13
Valuation (x)					
P/E	55.7	41.3	32.9	82.9	386.0
P/BV	8.3	7.3	6.3	6.5	6.3
EV/EBITDA	29.4	21.4	18.1	32.7	44.1
Dividend Yield (%)	0.5	0.6	0.7	0.3	0.3
Return Ratios (%)					
RoE	16.2	18.8	20.6	7.7	1.7
RoCE	9.6	11.6	13.2	6.4	3.2
Working Capital Ratios					
Fixed Asset Turnover (x)	0.9	1.0	1.8	1.3	0.8
Inventory (Days)	61	59	66	79	103
Debtor (Days)	77	86	77	68	81
Working Capital Turnover (Days)	129	109	105	84	83
Leverage Ratio (x)					
Debt/Equity ratio (x)	0.76	0.7	0.75	0.83	0.92
Interest Coverage Ratio	10.47	12.23	13.66	3.95	1.04
Current Ratio	1.32	1.22	1.35	1.33	1.38
Quick Ratio	0.98	0.86	0.90	.089	0.98

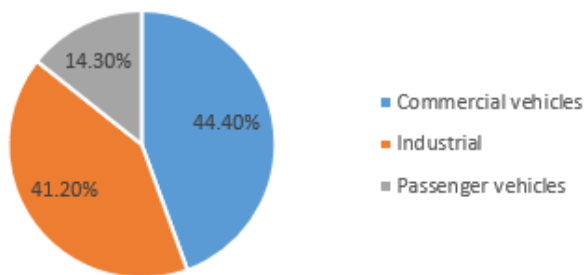
Consolidated Cash Flow Statement (Rs Cr)

Year-End March	FY17	FY18	FY19	FY20	FY21
Operating PBT	946.8	1196.1	1610.4	504.6	4.5
Depreciation	452.0	466.9	520.8	547.7	612.2
Other income	-53.6	190.2	5.2	320.8	410.1
Direct Taxes Paid	-272.9	-392.5	-550.2	-233.1	-93.4
(Inc.)/Dec. in WC	-21.4	-397.9	-674.7	460.7	383.7
Cash Flow from Operations	1051.0	1062.8	911.5	1600.8	1317.1
Cash Flow from Operations incl. EO	1051.7	967.4	911.5	1521.9	1020
(inc.)/dec. in FA	-643.9	-568.4	-1131.8	-961.8	-914.3
Free Cash Flow	407.8	399.0	-220.3	560.1	105.8
(Purchase)/Sale of Investments	-40.5	-245.8	-43.3	-170.5	-596.8
Cash Flow from Investments	-684.4	-814.2	-1175.1	-1132.2	-1511.1
Inc./(Dec.) in Debt	-264.1	88.1	731.3	108.2	659.1
Interest Paid	-104.8	-87.5	-103.8	-138	-80.8
Dividend Paid	-84.1	-252.2	-280.6	-333.5	0
Cash Flow from Fin. Activity	-452.9	-222.5	346.8	-363.3	578.3
Inc./Dec. in Cash	-85.6	-69.3	83.2	26.3	87.3
Add: Beginning Balance	357.9	272.3	203	286.2	312.6
Closing Balance	272.3	203.0	286.2	312.6	399.8

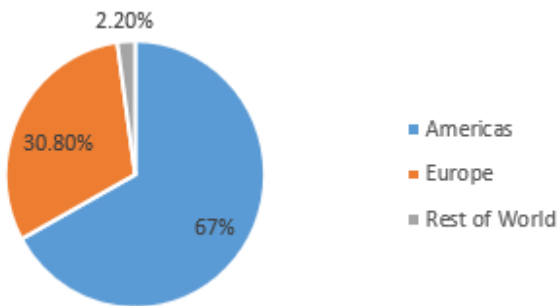
Financial Story in Charts



Industrial segment contributed more than 50% in net sales followed by commercial vehicles.



Commercial vehicles are the biggest contributor in revenue in international market.



America has been the biggest revenue contributor followed by Europe.

Q3FY22 Revenue Segment

Particulars	% Share	Q3FY22	Q3FY21	YoY%
Commercial vehicles	26.41%	195.5	165.7	18
Industrial	50.82%	376.2	224.3	67.7
Passenger vehicles	10.15%	75.2	77.8	-3.3
Others	12.60%	93.3	56.1	66.3
Total	100%	740.2	515.8	37.17%

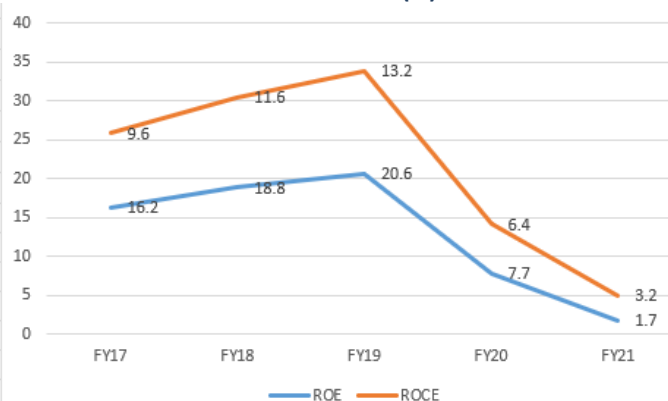
Q3FY22 International Revenue

Particulars	% Share	Q3FY22	Q3FY21	YoY%
Commercial vehicles	44.40%	383	316.7	20.9
Industrial	41.20%	355.2	89.8	295.5
Passenger vehicles	14.30%	123.6	105.3	17.4
Total	100%	861.8	511.8	68.4

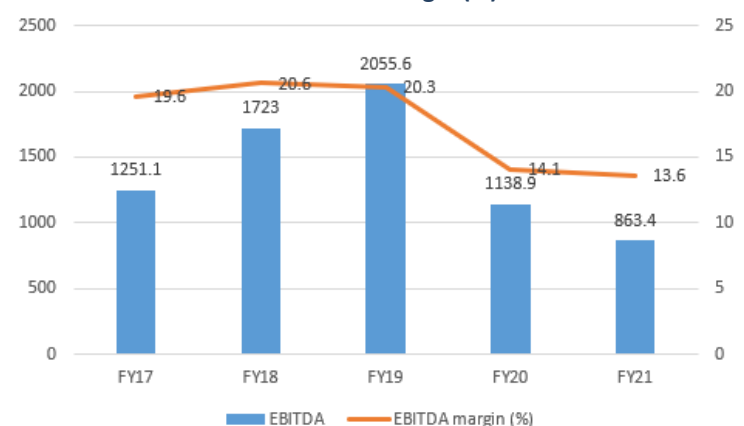
Q3FY22 Revenue by Geography

Particulars	% Share	Q3FY22	Q3FY21	YoY%
Americas	67%	577.5	351.3	64.4
Europe	30.80%	265.6	134.3	97.8
Rest of World	2.20%	18.7	26.1	-28.4
Total	100%	861.8	511.7	68.4

ROE & ROCE (%)



EBITDA & EBITDA margin (%)



Email ID: research@shareindia.co.in

Disclosure:

We, research team at Share India Securities Ltd. (SISL), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SISL has no material adverse disciplinary history as on the date of publication of this report. 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.

We state that Research Analyst or his/her relative or SISL may have any financial interest in the subject company. Also Research Analyst or his relative or SISL or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.

Further, Research Analyst or his relative or SISL or its associate a) does not have any material conflict of interest at the time of publication of the research report; b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; c) has not received any compensation for investment banking or merchant banking or brokerage services or for any other product/s or service/s or for any other reason whatsoever from the subject company in the past twelve months; d) has not received any compensation or other benefits from the subject company or third party in connection with the research report; e) has not served as an officer, director or employee of the subject company; and f) has not been engaged in market making activity for the subject company.

SISL is a SEBI Registered Research Analyst having registration no. INH100005011.

Disclaimer:

This report has been prepared by SISL and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable.

Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject SISL or its affiliate to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of SISL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. SISL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

SISL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SISL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SISL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange Limited (ICEX) and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.: INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN - L67120GJ1994PLC115132].