

Bharat Forge

12 February 2026

Operator: Ladies and gentlemen, good day and welcome to Bharat Forge Limited Q3 and nine months FY26 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now turn the conference over to Mr. Amit Kalyani, Vice Chairman and Joint Managing Director, Bharat Forge Limited. Thank you and over to you, Mr. Kalyani.

Management: Thank you. Good afternoon, ladies and gentlemen, and thank you for your time and interest in joining our earnings call for the third quarter FY26. I trust that you have seen the numbers and gone through what we have put out. Before that, I will introduce you to the team that I have with us. I have my colleagues from the board, Subodh; our group CFO; our CFO, Kedar; our head of investor relations, Raj, and his colleague Chinmay. We are happy to take you through our quarter and answer whatever questions you have. Over to Kedar, and he will take you through a synopsis.

Management: Good afternoon, everyone. I will take you through the standalone business highlights for quarter three and nine months ended FY26. The standalone revenues were up 7% sequentially to about 2,084 crores, and EBITDA at 569 crores, which shows growth of 4.6% quarter-over-quarter with an EBITDA margin of 27.3%. This includes a tariff cost impact of 31 crores. The performance was aided by strong growth in the domestic automotive business and the execution of the defense order book.

Continued destocking in the North American truck market had an adverse impact on export revenues in quarter three. While the auto sector was down 13%, the industrial segment witnessed a sharp 11% growth. This was mainly on account of improved business in the oil, gas, and aerospace industries. To put things in perspective, North American truck market revenues are down 51% as compared to quarter three of last year. We had a one-time impact of 487 million on account of changes in the labor code. This is mainly to do with the gratuity provision for past services.

Standalone revenues for nine months were 6,135 crores with EBITDA margin at 27.7%. The balance sheet continues to remain strong with debt-to-equity net of cash of only 0.15. At the end of this year, we will have long-term debt of only 600 crores on our balance sheet. Quarter three consolidated revenues came in at 4,343 crores with an EBITDA margin at 17.3%. Stable performance in overseas subsidiaries and improving execution in defense helped the overall performance. For nine months, consolidated revenue was 12,284 crores with an EBITDA margin of 17.5%.

Indian subsidiaries continued to perform well. JSA, which is our casting business, saw their topline and EBITDA grow by strong 22% and 39% respectively. K-Drive, which is our recent acquisition, saw muted topline but a good jump in EBITDA from 3% to about 5% in this quarter. In the last quarter, the company secured new business worth 2,388 crores across all key businesses, which includes the component business of 378 crores, defense of 1,878 crores, casting 78 crores, and K-Drive 55 crores.

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Talking about the overseas subsidiaries, the European operations were stable amidst patchy demand due to the holiday season. Utilization levels in quarter three were about 60–65%. During the quarter, EU operations recorded an EBITDA of 39 crores. US aluminum had a stable quarter given the sentiment in the North American passenger car market. The US operations recorded an EBITDA of 10 crores for quarter three. The tariff on aluminum into the US is impacting profitability and demand in this business. The current utilization level of the aluminum business in the US is about 65%.

For the nine-month performance, we continued to work on improvements in our overseas business. For nine months, US losses were down almost 50%, and we are seeing lower losses at the EU level. While we continue to improve our operations, we also continue to evaluate restructuring operations for our European steel business. We will update the progress by the end of this fiscal year. Now, I will hand over to Amit sir for his comments.

Management: Yes. So, ladies and gentlemen, thank you. I just want to tell you that we entered into all this uncertainty very suddenly and by God's grace and everyone doing their job, we have also come out of this mess in a very sudden manner. I hope that the positivity translates into real action and I see early signs of that. We have a good amount of confidence that the worst is behind us and I think we have strengthened our position and further developed new products. You will see that evidence in the next few years as we build new segments for our company which have growth potential and are the kind of products and technologies that will give us a very good future.

On the domestic front, the GST reforms have given a boost to the automotive industry and also took the industry players by surprise. In fact, the growth was almost unmanageable for them. The recent announcement with the trade deal has also been positive and, coupled with the CV market in the US bottoming out and beginning to show higher order intake, will also give us a lot of momentum. It is a *deja vu* of 2019 where every period was witnessing strong growth.

I am also very happy to report that our acquisition of JS Auto Cast, a little over 2 years ago, has worked out very well for us. We have now brought in a very high-quality investor in the form of Premji Invest, which has invested to take a meaningful stake in the company of 23% at a valuation of 300 crores. That values our investment at a multiple of 3.5 to 4 times what we had bought it for. Our team has done a good job and the overall collaboration between our automotive business, the casting business, and our customers has worked very well and will give us plenty of growth going forward.

The CV sector for Q4 ended up very strong and may continue into the first half of next year. Exports seem to have bottomed out and we should see a gradual improvement from here. On defense, we see a strong uptick driven by the commencement of the ATAGS order and the beginning of CKB production. We should look at 30–40%+ growth in our defense business next year.

In the aerospace segment, we also see very strong growth next year and the year after because next year we have some new programs and some new capacities coming online, but significantly larger capacity is coming online the year after next. We believe that we are on track to meaningfully grow this business in the next 3 years and make it a business that is sizable, adding tidy returns to our top and bottom line.

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On the M&A; side, we are looking at some very interesting opportunities and we will take it as it comes. In terms of capacity addition, we have new orders that we have won which are very long-term in strategic sectors, and we are setting up new facilities to take care of that. On the whole, that is the picture where it stands. We are now ready to take your questions. Thank you very much.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star then one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Kunjan with Bank of America. Please go ahead.

Kunjan – Bank of America: Hi, thanks for taking my question. My first question is on the defense business. There have been quite wide-ranging wins in the last quarter—small guns, submachine guns, unmanned systems, drones, and even the marine one came through in the last couple of months. It is clear the product capability is far wider than just guns and the portfolio is expanding. I am looking to get some sense from you as to how we should think about the scale-up of this business in the next 2 to 3 years. There is the order book execution, but it does seem like some of these newer opportunities are adding in. How do we think about this business from a 2 to 3-year perspective?

Management: Kunjan, I think you have to look at our defense business the way you look at our overall company. We will de-risk defense from any one vertical. We will have multiple verticals; some will have continuous business and some will have lumpy business. We will look at global opportunities for all the products that we make.

It is very clear that unmanned systems and drones are a very big opportunity. These are both complementary and supplementary to manned systems. We have to have a play there, and we are present in both the underwater and aerial domains. We are building the capability not just for the product but also for the payload. These are products ranging from a few crore rupees to many million dollars. So, there is a wide range of products within that as well. Once you become a defense player, especially in a network-centric environment, you need to have all the network products that become a force multiplier for any of your products.

Kunjan – Bank of America: Okay. Defense is currently roughly about 10–12% or even less of your revenues. With these new opportunities and order book conversion, how significant can this be? I am trying to get the scale of this business, maybe 3 to 5 years down the line. What is the way you internally look at the evolution of this?

Management: Realistically, defense has the opportunity to become as big as our overall business is today if we look at global opportunities. Europe's defense budget is going from 350 billion to 800 billion. India's defense budget is growing 21% this year. Overall, there is huge growth in these sectors. It depends on what we play in and what we win, but clearly, 10–11% will definitely move closer to 18–20%. If things go right, it could be even more than that.

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Kunjan – Bank of America: Got it. 18–20% in 2 to 3 years. Is that how I should see it?

Management: If we look toward 2030.

Kunjan – Bank of America: Got it. My second question is on the tariff. You have navigated it really well with pretty modest hits. I am trying to get a sense of what the deal does beyond the easing of margin pressures. Has something shifted fundamentally that puts us in a better place for the supplier ecosystem from India?

Management: It puts us in a better position than certain other countries which have higher tariffs. The tariff deal being done and the punitive 25% being removed means we are in a differentiated position. Plus, new product development will start again with all our customers. Some had stopped, but there is more confidence now to go full steam ahead.

Kunjan – Bank of America: Got it. Last question on Europe restructuring. You mentioned you will give an update by the end of the year, but what are we looking to do? Are we looking to wind down the business or shift it to India?

Management: I cannot say anything more than what we have already said. We either have to make a profit or we have to take some decisions. We have to see what to do.

Kunjan – Bank of America: Okay, all right. I will join back the queue. Thank you.

Operator: Thank you. Next question comes from the line of Amin Pirani from JM Financial. Please go ahead.

Amin Pirani – JM Financial: Hi, thanks for the opportunity. My first question was on the announcement of the investment in JS Auto Cast. Given that you are experts in the manufacturing business and balance sheet is not a constraint, what is the value this investor is bringing in? How does this change the scale of operations that you could not have done on your own?

Management: There is nothing that we could not have done on our own. Having a slightly different perspective is always good. They also have a lot of global connections and we want this business to grow fast, both organically and inorganically. Now we do not have to worry about putting any more money in there.

Amin Pirani – JM Financial: Okay, understood. Secondly, regarding Europe, in the last 2 to 3 quarters, it looks like the numbers have started to move up. Are there things you are already doing in the business, or should we still think about big restructuring like importing plants back?

Management: We are trying to do a lot of things and reduce significant costs, but it is not easy. Every day there is something new happening in Europe. We are putting in a lot of improvement measures, but we have to see how effective they are. One aspect is internal, the second is external. We need to see if the external landscape and market are large enough to take advantage of. Europe is in a sector-wide problem and we do not know where it is heading. We have to see.

Amin Pirani – JM Financial: Fair enough. Thank you, sir. I will come back in the queue.

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Operator: Thank you. Next question comes from the line of Kapil Singh with Nomura. Please go ahead.

Kapil Singh – Nomura: Good afternoon, sir. I wanted to check your thoughts on the defense business profitability. How would it be comparable to the auto business over time?

Management: I would expect it to be profitable equivalent on an EBITDA basis. The ROC should be better because we do not have the same amount of capital employed. It will also have a long tail because there will be constant MRO and support income coming from everything you sell.

Kapil Singh – Nomura: Okay. And for this order book, how should we look at the execution? We also had a small arms contract order.

Management: The small arms order is 5 years, and the rest would be mostly between 4 years.

Kapil Singh – Nomura: Okay. Also, on the global truck business, you mentioned it has bottomed out, but when do we start to see the upcycle? Are there any signs visible for the next year?

Management: I will ask my colleague Subodh to answer that.

Management: You have seen the incoming orders in the US for Class 7 and 8 in the last 2 months; they have been on the upside. Generally, there is a sense of confidence given that the uncertainties of the last year are behind us. We are hoping that things will be better than last year, stabilized, and growing. That is what we are planning for.

Kapil Singh – Nomura: How is it looking in the long term?

Management: It is going to be steady, but on the positive side from what we are seeing.

Kapil Singh – Nomura: Thanks. Can you comment on passenger vehicle exports as well?

Management: We continue growing our passenger vehicle exports since we are engaged with all the major players in the world. We have a lot of opportunities on the table.

Kapil Singh – Nomura: Thank you. Thanks a lot.

Operator: Thank you. Next question comes from the line of Abhishek Shah with Valcore Capital. Please go ahead.

Abhishek Shah – Valcore Capital: Hi sir. Thank you.

Operator: Mr. Shah, sorry for interrupting, your voice is breaking. Can you come into range?

Abhishek Shah – Valcore Capital: Hi, is it better now?

Operator: Yes, please go ahead.

Abhishek Shah – Valcore Capital: Sir, regarding a news article online, it said the Kalyani Group has been granted a project of 17,000 crores by the Odisha government. Our understanding was it would be implemented by three companies: Bharat Forge, Kalyani Steel, and Saarloha. Can you give some

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clarity on the split? Who is spending how much, what is the project about, and what are the tentative timelines?

Management: The first part of the project will be a specialty steel plant set up by Kalyani Steels. That will be about 700,000 tons of specialty steel. The second part will be a super alloy plant set up by Saarloha to make aerospace and other super alloy grades, including tool and die steel. The third will be a forging, machining, and potentially a casting facility by the relevant companies, including JS Auto Cast as needed. This will allow for the expansion of existing products and new products using the raw material advantage in that location.

Abhishek Shah – Valcore Capital: What will be the tentative capex split?

Management: Each company will do its own capex. Bharat Forge cannot talk for the other companies.

Abhishek Shah – Valcore Capital: Out of the 17,000 crores, how much is Bharat Forge going to spend?

Management: Bharat Forge has said up to 3,000 crores.

Abhishek Shah – Valcore Capital: Okay. Got it. Tentative timelines for when Bharat Forge starts its capex? How does it link to the group?

Management: This will be the next growth phase after our existing expansions in Baramati.

Abhishek Shah – Valcore Capital: So nothing in the immediate 1 or 2 years?

Management: Not in the next year.

Abhishek Shah – Valcore Capital: Okay, got it. That is all from my side. Thank you.

Operator: Thank you. Next question comes from the line of Nitin Jain with Fairvalue Equity Advisers. Please go ahead.

Nitin Jain – Fairvalue Equity Advisers: Congratulations on the excellent quarter. Can you talk about your defense order pipeline? Quarter-over-quarter, our order book has grown by more than 500 crores. When do we expect to end this year and what is the bid pipeline for FY27?

Management: We have increased our order book through the CKB car and some emergency procurement orders we received. We have many other things in the pipeline. There are many new programs we are working on and new products we are developing. I do not want to talk about them until we have made the bids.

Nitin Jain – Fairvalue Equity Advisers: Do we expect any of these to be realized by FY27?

Management: The whole defense procurement process is being sped up. The new DAP focuses more on Indian design and development and Make in India. We are quite bullish on this sector. There is also a global opportunity to be a supplier of systems and components into Europe and other parts of the world. This market is going to have a long-term, strong future for us.

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Nitin Jain – Fairvalue Equity Advisers: Recently, an Indian forging company was inducted into the NATO supply chain for high-precision defense components. Are we also vying for the same?

Management: First of all, please validate what you are saying. Second, we are already exporting large quantities into this area.

Nitin Jain – Fairvalue Equity Advisers: Great. Lastly, any development on the server business? We heard the company tied up with a few global leaders.

Management: That is in the development phase.

Nitin Jain – Fairvalue Equity Advisers: Thank you.

Operator: Thank you. Next question comes from the line of Akash with Time and Tide Advisors. Please go ahead.

Akash – Time and Tide Advisors: Good afternoon, sir. How is the acquisition of American Axle performing and what is your view on the segment?

Management: The acquisition has performed well. Our margins have grown by almost 200 basis points. I expect this high-growth sector to do well. We are already winning significant new business from Indian OEMs. This is a good acquisition for us.

Akash – Time and Tide Advisors: The group also has Automotive Axles. How are you looking at these two companies in similar segments?

Management: I am not personally involved with Automotive Axles individually. Automotive Axles is a long-term group investment. It has its own position in the heavy axle sector. This is another player in the segment. Each will find its own niche and they will also compete where needed.

Akash – Time and Tide Advisors: Is the manufacturing team gaining market share?

Management: Yes, they have been getting a lot of new business.

Akash – Time and Tide Advisors: Any way to quantify that?

Management: We will talk about that next quarter.

Akash – Time and Tide Advisors: Thank you.

Operator: Ladies and gentlemen, as there are no further questions, we have reached the end of the question and answer session. I would now like to hand the conference over to Mr. Amit Kalyani for closing comments.

Management: Ladies and gentlemen, thank you very much for your time, interest, and your questions. As always, it is a pleasure interacting with you. Thank you for your positive comments and feedback. We look forward to remaining engaged as we continue the growth journey of our company over the next many years. Thank you, goodbye.

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Operator: Thank you. On behalf of Bharat Forge Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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