Bharat Forge Limited

December 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2,900.00	CARE AA+; Stable	Reaffirmed
Short Term Bank Facilities	700.00	CARE A1+	Reaffirmed
Non Convertible Debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Bharat Forge Limited (BFL) continue to factor its established market position as India's largest manufacturer and exporter of auto components, consistently healthy profitability in the Indian manufacturing operations and long-standing relationship with global automotive original equipment manufacturers (OEMs) and Tier-I suppliers, particularly in the commercial vehicle (CV) segment. While there has been tariff-related headwinds in exports to the U.S. market from India (which contributed ~18% of consolidated revenues in FY25), CARE Ratings Limited (CareEdge Ratings) draws comfort from the fact that the auto parts including passenger vehicles (PV) and most of the commercial vehicle (CV) parts supplied by BFL have uniform tariff rate across all countries excluding UK, Mexico and Canada (having certain conditional exemptions). Although the company has negotiated major pass-through mechanism, with its key customers, mitigating the risk to an extent, CareEdge Ratings expects some margin compression on direct exports to US.

The ratings also positively factor the strong order inflows in the defence segment, which provide medium-term revenue visibility, the capex monetisation of the greenfield aluminium forging facility in North America, and the completion of the acquisition of American Axles Manufacturing India Corporation Private Limited (AAM India) in July 2025. These developments are expected to support healthy cash flow generation going forward.

On a consolidated basis, CV remains the largest revenue contributor; however, BFL has progressively diversified across PV and industrial applications (defence, oil & gas, aerospace, rail). In FY25, the company reported total operating income (TOI) of ₹14,999 crore and ₹7,941 crore in H1FY26. The moderation in FY25 in CV (-5.4% YoY) and PV (-5.7% YoY) was partially offset by growth in industrial segment (+3.8% YoY). The pressure intensified in H1FY26, with CV declining 20.9% YoY (particularly in the U.S. Class-8 truck export market where BFL has strong exposure). On the other hand, the investments and development costs incurred over past few fiscals in the defence segment have started fructifying, with revenues from the defence segment rising from ₹410 crores in FY23 to ₹1561 crores in FY24 and further to ₹1,772 crores just during FY25. While H1FY26 there was a slowdown to ₹659 crore, the same is expected to pick over the upcoming quarters with initiation of the order execution for one of the major orders. The overall executable order book of ₹9,467 crore as on September 30, 2025, provides revenue visibility over next 3 years for the segment.

Despite significant market headwinds and fluctuation in commodity prices, during the past few fiscals (FY21-25), on a consolidated basis, the company's profit before interest, lease, rentals, depreciation, and taxation (PBILDT) margins have averaged around 15%. While the Indian manufacturing operations have posted healthy PBILDT margins in the range of 20-25% over the past 3 fiscals, overseas operations (especially Europe) have resulted in margin contraction at the consolidated levels. The European manufacturing operations though have shown improvement, the PBILDT margins remained inherently low at 2-4% during the past few fiscals. The overseas USA manufacturing operations have turned from operating loss to being profitable in H1FY26. Given that the company has started commercialisation of its greenfield capex in USA for the manufacture of aluminium forgings to address opportunities in lightweighting, the commercial benefit for the same are expected to gradually flow in.

The debt protection metrics including net debt/PBILDT, and interest coverage has been 1.55x and 6.16x as on Mar 31, 2025 (vs 2.14x and 4.97x as on Mar 31, 2024). The total debt primarily has risen over the past few fiscals due to increase in working capital borrowings (CAGR 13% over FY21 to FY25), alongside the increase in net sales (CAGR 19%) for the same period. QIP of Rs. 1650 crores raised in December 2024, Rs. 1030 crores of which has been utilized towards debt repayments/prepayments while Rs. 549 crores are spent for the acquisition of AAM India (in July 2025). The operating cash flows from this entity to be visible from H2FY26 onwards. Average free cash balance and liquid investments for the past 5 fiscals (FY21 to FY25) has been

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

healthy around Rs. 2500 crores, while the same stood at Rs. 2,680 crore as on March 31, 2025 and Rs. 1,938 crores as September 30, 2025.

The rating strengths are constrained due to working capital intensive operations with 3-4 months of operating cycle and exposure to the volatility in end-user sectors. Despite diversification, even today, a large proportion of its revenue is derived from the automotive segment, thereby exposing the company to inherent cyclicality of the automobiles industry. The ratings are further constrained on account of the susceptibility of the operating margins to commodity price risk and forex risk. Any large-sized unanticipated debt-funded capex or acquisitions leading to deterioration in the capital structure and debt coverage metrics from the existing levels would continue to remain the key rating monitorable.

CareEdge Ratings has withdrawn the rating assigned to the Non-Convertible Debentures (NCD) with ISIN INE465A08012 and ISIN INE465A08020 amounting to aggregate Rs. 700 crores basis certificate of redemption.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors- Factors likely to lead to positive rating action

- Significant growth in the revenue along with operating margins above 20% on a sustained basis.
- Improvement in net debt/PBILDT to below 0.50x on a sustained basis.

Negative factors- Factors likely to lead to negative rating action

- Worsening of the debt coverage indicators including net debt/PBILDT and/or Total outside liabilities (TOL) by Tangible Networth (TNW) above 2.0x on a sustained basis.

Analytical approach: Consolidated

CareEdge Ratings has adopted a consolidated approach to arriving at the ratings of BFL as the subsidiaries are in related businesses. The list of entities consolidated have been tabulated in annexure-6.

Outlook: Stable

Stable outlook reflects, CareEdge Ratings expectations, that the impact of slowdown in CV market (both domestic and global) and tariff impact, is likely to be partially compensated by strong growth expectations from the defence and industrial segment. As of September 30, 2025, executable order book was around ₹9,467 crores for defence segment providing revenue visibility over the short to medium term period. Additionally, the recent acquisitions, past investments in defence (product development) and overseas greenfield investments (in USA for aluminium forging) done over past few fiscals are expected to result in higher cash flow generation for the entity and shall support the increase in leverage levels consequent to any further small to medium-sized debt funded capex/acquisitions if any.

Detailed description of key rating drivers:

Key strengths

Part of the Kalyani Group

BFL is the flagship entity of the Kalyani Group, with its promoters holding 44.07% stake in the company (as on September 30, 2025). The company is managed by a professional management team, with Mr. B. N. Kalyani as the Chairman and Managing Director. Along with a strong competent management team with a long track record in the industry, the company has ensured maintenance of strong corporate governance practices and a prudent approach to management.

India's largest auto component exporter with established OEMs clientele

BFL is India's largest forging company, supplying directly to Auto OEM's and Tier I suppliers, with manufacturing capacity of around 6 Lakh metric tonne for steel forging, 38,000 metric tonnes for aluminium forging and 77,700 metric tonnes for iron casting (on consolidated basis). The company is supplier of choice for critical engine, chassis, and drive-line components for heavy CVs. The company has built strong client relations over the years resulting in healthy market position, particularly for the export market. The revenues in the Indian operations for FY25 towards the export market have been particularly to North America and to some extent to Europe. The company has a large, reputed customer base even outside automotive sector and the non-automotive segment revenues has also been almost 47% of the total standalone revenues. Under the industrial segment, the company caters to power, oil & gas, defence & aerospace, construction & mining, rail & marine and general engineering applications.

Diversification of revenue streams in industrial segments

BFL continues to benefit from its diversified product profile and dual shore capabilities developed over the years to de-risk its business model from the cyclicality of the automobile industry. The company has presence in the auto as well as industrial segment, although large proportion of the revenue is derived from the auto segment (PV and CV). For Indian operations including domestic and exports, around 36% of the revenue is derived from the CV segment, 18% from PV and 47% revenue is derived from industrial segment for FY25. On a consolidated basis, the revenues were well diversified across exports from India operations, domestic sales, and overseas manufacturing operations. In August 2023, BFL exported its first indigenously designed, developed and manufactured artillery system from India. Revenues in defence has increased from ₹410 crores in FY23 to ₹1561 crores in FY24 and further to ₹1,772 crores in FY25. The significant investments and development costs incurred over past few fiscals in the defence segment have started fructifying. As on September 30, 2025, BFL had executable order book of ₹9,467 crores for the defence business, providing revenue visibility over medium-term.

Stable performance with healthy profitability in Indian operations

In FY25, the company posted TOI of ₹14,999 crore and ₹7,941 crore in H1FY26. While FY25 saw moderation in CV (-5.4% YoY) and PV (-5.7% YoY), partially offset by industrial growth (+3.8% YoY), pressure deepened in H1FY26 with CV declining 20.9% YoY, led by weakness in U.S. Class-8 truck exports. Conversely, the defence segment has scaled up sharply, with revenues rising from ₹410 crore in FY23 to ₹1,561 crore in FY24 and ₹1,772 crore in FY25. Though H1FY26 was lower at ₹659 crore, execution of large orders is expected to revive momentum; the executable order book of ₹9,467 crore as on September 30, 2025 provides visibility over the next three years. Profitability remains robust in domestic operations (PBILDT margin: 26.9% in FY25; 25.3% in H1FY26), while consolidated margins improved to 17.15% in FY25 despite structurally weak overseas performance. European operations continue to post low margins (2-4%), but U.S. operations turned profitable at PBILDT level in H1FY26, aided by ramp-up of the aluminium forging facility. Monetisation of this capex and the July 2025 acquisition of AAM India are expected to support healthy cash generation going forward.

Moderate debt coverage indicators, improved due to QIP

The debt protection metrics including net debt/PBILDT and interest coverage has been 1.55x and 6.16x as on Mar 31, 2025 (vs 2.14x and 4.97x as on Mar 31, 2024). The total debt primarily has risen over the past few fiscals due to increase in working capital borrowings (CAGR 13% over FY21 to FY25), alongside the increase in net sales (CAGR 19%) for the same period. QIP of Rs. 1650 crores raised in December 2024, Rs. 1030 crores of which has been used towards debt repayments/prepayments while Rs. 549 crores has been used towards the acquisition of AAM India (in July 2025).

Key weaknesses

Exposed to the risk of revenue loss due to shift to electric vehicles; challenges in the EV acquisitions

The government has been pushing hard for implementation of electric vehicles (EVs) owing to its multiple advantages, such as eco-friendliness, cheaper operational cost, including running and maintenance, both in India as well as globally. This is likely to have a negative impact on auto ancillary as a whole. According to the company management, there would be an impact of approximately 10%-15% on its business in the medium- to long-term. Additionally, the company had ventured into E-mobility in 2018-19 by acquiring stake across EV companies including investments in 2-wheeler -EV (Tork Motors), EV-CV (Tevva Motors) and controllers (Refu Drive). However, most of these investments have not yet turned out well with Tevva Motors having filed application for insolvency in 2024. Additionally, the company has taken impairment of ₹152 crores in FY25 for the value of investments in Tork Motors. The rating draws comfort from the fact that some of the latest acquisitions including JS Auto (casting business) and recent acquisition of AAM India (which is one among the leading manufacturer of axles manufacturer) would augur the revenue profile of the company in the domestic business.

Large share of revenue derived from auto industry, which is cyclical in nature

The company derives nearly 53% of the revenue from the automotive segment on a standalone basis. As a large proportion of the company's revenue is derived from the auto segment, it exposes the company to the cyclicality of the auto industry in India as well as globally. Additionally, the company has strong presence in the cyclical CV segment with major presence in US Class 8 truck components and European medium and heavy truck market.

Working capital-intensive nature of operations as evinced by high operating cycle

Owing to its high exports, BFL's receivable cycle is lengthy, resulting in a high working capital intensity. The operating cycle stood at 110 days for FY25 (and 103 days for FY24). To manage its cash flows, the company discounts invoices of its overseas customers, as the discount rate is substantially lower than the domestic funding rate. Accordingly, most of BFL's debt is low-cost foreign currency debt, which is a self-liquidating liability. Fund-based utilisation remained moderate at 67% for the 12 months ended September 2025.

Liquidity: Strong
The company had cash balance and liquid investments of ₹2,680 crore as on March 31, 2025, and ₹1,938 crores as September 30, 2025. While the fund-based working capital utilization remained in comfortable range at an average of 67% for trailing 12 months ended September 2025. The company has repaid the maturing NCD's due in FY26. Against the term loan repayments of more than ₹400 crores from FY27 onwards, the company had gross cash accruals (GCA) of ₹1,896 crores in FY25 and expected to be improving going ahead. Additionally, the entire proceeds of qualified institutional placement (QIP), of ₹1030 crores has been used towards debt repayments and prepayments, and for the acquisition of AAM India amounting to ₹549 crores.

Assumptions/Covenants Not applicable

Environment, social, and governance (ESG) risks

	Risk factors
Environmental	**Power consumption: Moderate** 37% of the energy consumed has been from renewable sources during FY25, against 39% in FY24. **Environmental emissions: Moderate** GHG emission for scope 1 and scope 2 has been 259 thousand tons Co2e cumulatively, while the emission intensity (tCO2 e/MT production) has been 0.998 for FY25. **Wastage & recycling: Moderate** Of the total water consumption, 41% of the same has been recycled water. Hazardous Waste (kg/MT of production) has increased by 28% in FY25.
Social	**Gender diversity- Low** Given the manufacturing operations, the gender diversity has been quite low. Around 2.4% of employees were female, while 10% of key management personnel were female. **Safety standards: Followed** Lost-time injury frequency rate has been nil and 0.66 for the employees and workers respectively during FY25. Company is certified for ISO 14001 (Environmental Management) and ISO 45001 (Occupational health and safety). **Employee Attrition & Trainings: Adequate.** Attrition rate stood at 9.2% for FY25, increasing from 6.03% in FY24. 21.92 hours of training hours per employee.
Governance	**Board independency- Adequate representation** 55% of the board consists of independent directors (6 out of 11). **Participation of board members: Active** For the meetings done during the fiscal, attendance rate was strong given that majority of the independent directors had attended most of the meetings. **Internal financial controls:** Adequate

Note: Data on standalone basis for FY25.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Incorporated in 1961, Bharat Forge Limited (BFL) is the flagship company of the Kalyani Group providing engineering solutions for diverse automotive and industrial applications. It is India's one of the largest forging company with forging-based engine and chassis components with focus on crankshafts and front-axle beams, largest exporter of auto components and amongst the leading manufacturers of industrial components. It has a diversified global customer base including the top five CV and PV manufacturers in the world. BFL's customer base includes virtually all major global automotive OEM and tier-I supplier. It also manufactures critical components for wind, hydro and nuclear applications; provides critical components for defence and aerospace. It is also engaged in manufacturing critical, high-end construction and mining components and railway engine manufacturing. The company derived revenue in the Indian business from both domestic and export markets. On consolidated basis, the company derived 70% of the revenues in FY25 from outside India. BFL has 18 manufacturing plants spread across India, Germany, Sweden, France and North America. The company's business broadly comprises two segments – (i) auto components (~53% of standalone revenue) and (ii) nonautomotive components (~47% of standalone revenue).

Consolidated Financials	FY2024 (A)	FY2025 (A)	H1FY2026 (UA)
Total operating income	15,562	14,999	7,941
PBILDT	2,442	2,572	1,399
PAT	910	913	583
Overall gearing (times)	1.17	0.75	n.a.
Interest coverage (times)	4.97	6.16	8.62

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available', n.a.- not available
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE465A08012	11-Aug-2020	5.97	06-Aug-2025	0.00	Withdrawn
Debentures-Non Convertible Debentures	INE465A08020	20-Apr-2022	5.80	18-Apr-2025	0.00	Withdrawn
Fund-based - LT-Working Capital Limits		-	-	-	2700.00	CARE AA+; Stable
Non-fund-based - ST-BG/LC		-	-	-	700.00	CARE A1+
Term Loan-Long Term		-	-	01-04-2028	200.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Working Capital Limits	LT	2700.00	CARE AA+; Stable	-	1)CARE AA+; Stable (20-Dec-24)	1)CARE AA+; Stable (22-Dec-23)	1)CARE AA+; Stable (23-Dec-22)
2	Non-fund-based - ST-BG/LC	ST	700.00	CARE A1+	-	1)CARE A1+ (20-Dec-24)	1)CARE A1+ (22-Dec-23)	1)CARE A1+ (23-Dec-22)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (20-Dec-24)	1)CARE AA+; Stable (22-Dec-23)	1)CARE AA+; Stable (23-Dec-22)
4	Term Loan-Long Term	LT	200.00	CARE AA+; Stable	-	1)CARE AA+; Stable (20-Dec-24)	1)CARE AA+; Stable (22-Dec-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
A	**Direct & indirect Subsidiaries**		
1	Bharat Forge Global Holding GmbH and its wholly owned subsidiaries	Full	Direct or step-down subsidiary
1.1	Bharat Forge CDP GmbH and its wholly owned subsidiaries		
	Bharat Forge Daun GmbH		
1.2	Bharat Forge Holding GmbH and its wholly owned subsidiaries		
	Bharat Forge Aluminiumtechnik GmbH		
1.3	Mecanique Generale Langroise		
1.4	Bharat Forge Kilsta AB		
2	Bharat Forge International Limited		
3	Bharat Forge America Inc. and its wholly owned subsidiaries		
3.1	Bharat Forge PMT Technologies LLC		
3.2	Bharat Forge Tennessee Inc		
3.3	Bharat Forge Aluminium USA, Inc		
4	Indigenous IL Limited @@		
5	BF Infrastructure Limited and its subsidiaries		
5.1	BFIL CEC-JV		
5.2	Ferrovia Transrail Solutions Private Limited		
6	Kalyani Strategic Systems Limited and its wholly owned subsidiaries		
6.1	Kalyani Rafael Advanced Systems Pvt Ltd		
6.2	Kalyani Strategic Systems Australia Pty Limited#		
6.3	Sagar Manas Technologies Ltd		
6.4	Zorya Mashproekt India Private Limited (w.e.f. January 24, 2024)		
6.5	Agneyastra Energetics Limited (w.e.f. July 02, 2025)		
6.6	Aegis Advanced Systems SL (w.e.f. July 17, 2025)		
7	BF Elbit Advanced Systems Private Limited		
8	Eternus Performane Materials Private Limited		
9	Kalyani Center for Precision Technology Limited		
10	Kalyani Powertrain Limited and its subsidiaries		
10.1	Kalyani Mobility INC		
10.2	Tork Motors Private Limited and its wholly owned subsidiary		
	Lycan Electric Pvit Ltd		
10.3	Electroforge Limited		
11	BF Industrial Solutions Limited and its wholly owned subsidiaries		
11.1	BF Industrial Technology & Solutions Ltd		
	Sanghvi Europe B.V		
11.2	JS Auto Cast Foundry India Pvt Ltd		
12	Kalyani Lightweighting Technology Solutions Ltd		
13	K Drive Mobility Solutions Private Limited (formerly AAM India) w.e.f. July 01, 2025		
B	**Associates**		
14	Talbahn GmbH (not material for consolidation)	Moderate	Associate
15	Aeron Systems Private Limited		

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
16	Avaada MHVidarbha Pvt Ltd		
17	Edgelab S.p.A (w.e.f. Dec 18, 2024)		
C	**Joint Ventures**		
18	BF-NTPC Energy Systems Limited	Moderate	Joint venture
19	Refu Drive GmbH		
19.1	Refu Drive India Pvt Ltd		

Note: Most of the above entities held through subsidiary, associate or JV.
@@ Deregistered on May 06, 2025
BF NTPC Energy Systems Ltd (not consolidated) as under liquidation
Deregistered with effect from May 26, 2024.
Talbahn GmbH (not material for consolidation)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in Pulkit Agarwal Director **CARE Ratings Limited** Phone: 912267543505 E-mail: pulkit.agarwal@careedge.in Hitesh Avachat Associate Director **CARE Ratings Limited** Phone: 912267543510 E-mail: hitesh.avachat@careedge.in

About us:

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