Investorstack Research Report

Bharat Forge Limited

What Bharat Forge Limited does

Bharat Forge Limited is an engineering conglomerate that manufactures high-performance, safety-critical components and systems. It started in 1961 as a single forging plant in Pune and has since transformed into a multi-product, multi-industry enterprise serving automotive, defence, aerospace, energy, railways, marine, and industrial equipment customers.

The company's core capability is metallurgical know-how - the ability to shape steel, aluminum, titanium, and exotic superalloys into complex, load-bearing parts that must not fail. This is not a skill that can be acquired quickly. It took decades of development across 18 manufacturing facilities in five countries to build the process knowledge, die design expertise, and quality certifications that underpin everything Bharat Forge does.

Bharat Forge operates through a set of distinct but connected business lines. The largest portion of revenue comes from forged and machined components for commercial vehicles (35% of revenue mix) and passenger vehicles (18%). The industrial segment (47%) covers everything else: oil & gas, construction & mining, power generation, railways, marine, and importantly, defence and aerospace, which are the two fastest-growing parts of the business. Of the industrial segment, aerospace now accounts for about 26% of the company's non-auto exports.

The company has also built a portfolio of subsidiaries that extend its reach into new products and processes. JS Auto Cast adds ferrous casting capability. K-Drive (the former American Axle India business) brings axle design and manufacturing. Kalyani Strategic Systems houses the defence platform business - artillery, vehicles, drones, and naval systems. Kalyani Powertrain handles e-mobility and electronics.

Bharat Forge's strategy has been to move from being a component supplier to a product and system provider, especially in defence and aerospace. The company now owns intellectual property for artillery guns, carbines, and unmanned platforms. This is a significant shift from its original business of making powertrain parts to customer specifications.

Business segments

Commercial vehicles (35% of revenue mix)

This is the historic core of Bharat Forge. The company makes forged and machined powertrain and chassis components for heavy-duty and medium-duty trucks, buses, and off-highway vehicles. Products include crankshafts, front axles, connecting rods, and steering knuckles. Customers are the world's largest truck OEMs - Daimler Trucks, Volvo, Paccar, and Cummins - as well as Tier I suppliers. Bharat Forge is among the world's largest manufacturers of these components.

The business is cyclical and export-heavy. North America and Europe are the primary end markets, with India increasingly important for domestic truck production. The segment faced significant headwinds in FY2026 due to destocking in the North American truck market and the impact of US tariffs. CV exports to North America fell 51% year-on-year in Q3 FY2026. However, the company sees a strong recovery ahead, driven by an aging US fleet, an emission regulation change in 2027 that will trigger pre-buying, and a rebound in India's MHCV market.

Passenger vehicles (18% of revenue mix)

Bharat Forge supplies engine and chassis components to global passenger car and SUV OEMs, primarily in Europe, North America, and India. This includes fully machined parts, not just raw forgings. Key customers include BMW, Volkswagen, and Ford.

The company has followed a "last man standing" strategy for internal combustion engine components, meaning it aims to supply all ICE OEMs until the last such vehicle is built. This has proven prescient as the global EV transition has slowed and recalibrated. In Q4 FY26, management noted that "globally, the electric vehicle adoption has taken a different trajectory as compared to what was originally envisaged," which validates the company's willingness to invest in ICE technology while also building e-mobility options.

Passenger vehicle exports grew from 12% of total exports in FY2017 to 24% in FY2025, reflecting deeper product penetration and new customer wins. The business is more stable than CV but still exposed to European economic weakness and US tariff risks.

Industrial (47% of revenue mix)

The industrial segment is the most diverse part of Bharat Forge. It is a catch-all for non-automotive markets: oil & gas, construction & mining, power generation (thermal, wind, nuclear), steel, cement, sugar, railways, marine, aerospace, and defence. This diversification is intentional - it insulates the company from downturns in any single end-market.

Within industrial, two sub-segments have outsized strategic importance:

Defence. Bharat Forge, through its wholly-owned subsidiary Kalyani Strategic Systems (KSSL), designs and manufactures artillery systems, protected vehicles, small arms, naval systems, and unmanned platforms. The defence order book stood at approximately ₹11,000 crore as of May 2026. The biggest single order is for 184 ATAGS (Advanced Towed Artillery Gun System) howitzers worth approximately ₹4,000 crore. Another large order is for 200,000 CQB carbines worth approximately ₹1,400 crore. Defence revenue for FY2026 was ₹1,562 crore. Management has guided for 30-40% growth in defence for FY2027, with the possibility that "defense has the opportunity to become as big as our business today is."

Aerospace. Bharat Forge makes critical jet engine components (rotating parts in superalloys), structural components, landing gear, and rings for global aero engine and airframe OEMs like GE Aerospace, Rolls-Royce, and Safran. Aerospace revenue was approximately ₹400 crore in FY2026, representing 26% of non-auto exports in Q4. That is up from about 3% of industrial exports in FY2019. The company is investing in a new ring mill and landing gear machining facility that will double its aerospace capacity, and it sees a clear path to a ₹1,000 crore+ business in the coming years.

Castings - JS Auto Cast (JSA)

Bharat Forge acquired JS Auto Cast in FY2023 to enter the ferrous casting business. JSA makes ductile iron and ADI (Austempered Ductile Iron) castings for wind energy, hydraulics, construction & mining, and increasingly for automotive customers. The business has grown rapidly. In FY2025, JSA recorded revenue of approximately ₹697 crore with a 14.9% EBITDA margin, up from a smaller base and lower margins at acquisition. Management sees JSA becoming a "multi-thousand crore business" as manufacturing of castings shifts from Europe to India due to energy and raw material cost advantages. Premji Invest took a 23% stake in JSA at a valuation that "values our investment at a multiple, you know, three and a half to four times of what we had bought it for."

Axles - K-Drive (AAM India)

In FY2026, Bharat Forge acquired the Indian commercial vehicle axle operations of American Axle Manufacturing Corporation. The business, now called K-Drive, manufactures axles for light commercial vehicles, SUVs, and specialty off-highway applications. It serves Indian OEMs and provides the company with a new product platform. K-Drive won ₹500 crore of new business in FY2026 and the target is to double revenue in 3-4 years. The acquisition also includes an engineering design center, giving Bharat Forge in-house axle design capability.

E-Mobility - Kalyani Powertrain (KPTL)

KPTL develops electric powertrain systems, including battery-electric repower kits for trucks and buses, automotive electronics, and server manufacturing for telecom data centers. The business has been a drag on earnings, and in FY2026 the company took a ₹1,533 crore exceptional write-off on e-mobility investments where it "doesn't see any immediate revenue and business ramp up." Management is realistic: "the electric vehicle adoption has taken a different trajectory as compared to what was originally envisaged." KPTL will focus only on select opportunities - repowering of State Transport Undertaking buses and "Make in India" servers for niche clients.

> *"defense has the opportunity to become as big as our business today is"*
>
> AMIT KALYANI, Q3 FY26 CONCALL (FEB 2026)

Products and business detail

Forged and machined powertrain components

This is the foundational product line. Bharat Forge produces crankshafts, connecting rods, front axles, steering knuckles, and other engine and chassis components. These are safety-critical parts - if a crankshaft fails at highway speed, the result is catastrophic. That is why the certification and qualification process is long (2-4 years) and switching costs for customers are high.

The company has dual-shore manufacturing capability, meaning it can produce the same component in India and overseas, giving customers supply chain resilience. The parts are shipped in fully machined condition for most export customers, representing high value-add. The manufacturing process involves closed-die forging, heat treatment, machining, and rigorous non-destructive testing. Bharat Forge has IATF 16949 (auto), AS 9100 (aerospace), and NADCAP (special processes) certifications.

ATAGS artillery system

The Advanced Towed Artillery Gun System is a 155mm/52 calibre howitzer designed and developed indigenously by Bharat Forge in partnership with DRDO. This is a product where Bharat Forge owns the intellectual property, not just a manufacturing contract. The Indian Army ordered 184 guns for approximately ₹4,000 crore. The order will be executed over approximately four years, with first deliveries expected in H2 FY27. Production will ramp up to about 5 guns per month. ATAGS represents the company's transition from component supplier to defence platform provider.

CQB carbine

Bharat Forge won an order for 200,000 Close Quarter Battle carbines worth approximately ₹1,400 crore for the Indian Armed Forces. Like ATAGS, this is an indigenous design. The order was won after a competitive tendering process where Bharat Forge was L1. Production will start 9-12 months after the order is signed (First Off Production

Meeting) and then run for about four years. Management sees "huge" potential beyond this order, including state police forces.

Unmanned systems

Bharat Forge has developed micro jet engines (40-150 kg thrust) for drones, autonomous underwater vehicles, and aerial unmanned platforms. The company already supplies these to the Indian Navy and Indian Army. The underwater domain is a particular focus - "with India's huge coastline and interesting neighborhood that we operate in, we have to protect and secure our Navy and coastal facilities." Bharat Forge won a ₹250 crore+ order for underwater systems from the Navy in November 2025, to be delivered within one year.

Aerospace components

Bharat Forge manufactures rotating components for jet engines using superalloys like Inconel 718, Haynes 282, and Waspaloy. These parts operate at high temperatures and stress levels, requiring extreme precision. The company also makes structural airframe components, landing gear parts, and high-precision rings. The business grew from about ₹250 crore in FY2025 to approximately ₹400 crore in FY2026, a rate "significantly higher" than the company average. Customers include GE Aerospace, Rolls-Royce, and Safran. In Q4 FY26, the company was "selected by an aerospace OEM as their first supplier from India for any critical components."

Ferrous castings (JSA)

JSA produces ductile iron and ADI castings. Products include wind turbine hubs, hydraulic valve bodies, construction equipment parts, and automotive components. The foundry has 130,000 MTPA of liquid metal capacity. The company is cross-selling into Bharat Forge's existing automotive customer base. The business has grown from acquisition to higher revenue and margin trajectory, and the Premji Invest partnership provides capital for further expansion.

Axles (K-Drive)

K-Drive manufactures light- and medium-duty axles for LCVs, SUVs, and off-highway applications. The business was acquired at a small EBITDA margin (3%) but has already improved to 5% in Q3 FY26. New business wins total ₹500 crore. The target is 2X growth in 3-4 years. Axles are a natural adjacency to Bharat Forge's forging business - the company already makes axle components, and now it makes the complete assembly.

> *"we should see a close to 25% growth in our India business"*
>
> AMIT KALYANI, Q4 FY26 CONCALL (MAY 2026)

Customers

Automotive OEMs and Tier I suppliers

Bharat Forge's automotive customers are the world's largest truck and car manufacturers. For commercial vehicles: Daimler Trucks, Volvo, Paccar, and Cummins. For passenger vehicles: BMW, Volkswagen, and Ford. The company also supplies Tier I suppliers who serve these OEMs.

The buying decision at these customers is driven by engineering and supply chain teams, not procurement alone. For a safety-critical forged component, the qualification process takes 2-4 years. The customer must validate the design, the process, the material, and the production capability. Once qualified, switching is difficult - a new supplier would

need to go through the same multi-year cycle. This gives Bharat Forge significant pricing power and long-term contracts, though the relationship is more about ongoing supply agreements than fixed-period contracts.

One-third of Bharat Forge's Indian manufacturing exports go to the United States. This creates concentration risk, but the company mitigates it by being a critical supplier. Customers work with Bharat Forge to absorb tariff impacts - the company absorbed ₹14-31 crore per quarter in FY2026 through price sharing.

Indian Armed Forces

The company's defence customers are the Indian Army, Navy, and Air Force. The buying process is through tenders, with Bharat Forge competing against other private and public sector companies. Winning requires both technical capability (indigenous design, IP ownership) and price competitiveness. The ATAGS order was India's largest-ever private sector defence order. The relationship goes beyond individual contracts - the company participates in new programs through RFIs and prototypes, building a pipeline of future orders.

Global aerospace OEMs

Bharat Forge supplies GE Aerospace, Rolls-Royce, and Safran. These relationships are even stickier than automotive - aerospace certification is a multi-year process involving AS9100, NADCAP, and customer-specific approvals. Once qualified, the parts are typically supplied under long-term agreements with committed volumes. The company's recent selection as the first Indian supplier of critical components to a major aero engine OEM demonstrates the progress made.

Indian OEMs for axles and castings

K-Drive serves Indian LCV and SUV OEMs. JS Auto Cast serves wind energy OEMs (for wind turbine castings) and hydraulic equipment manufacturers. These customers are less concentrated than the global automotive OEMs, and the company is actively cross-selling casting products to its existing automotive customer base.

State Transport Undertakings and logistics firms for e-mobility

The e-mobility repower business targets State Transport Undertakings for bus retrofitting and logistics companies for truck repowering. This is still nascent - the company has signed MoUs with two states and completed proof-of-concept trials.

Competitive landscape

Global automotive forging

Bharat Forge competes with other large forging companies like ThyssenKrupp (Germany), Ellwood Group (US), and Scot Forge (US). The industry is global but concentrated - few companies have the scale and capability to produce high-volume, safety-critical components across multiple geographies.

Bharat Forge wins because of its cost position (manufacturing in India), its dual-shore capability (plants in India, Europe, and US), its deep metallurgical expertise, and its long-standing relationships with the largest OEMs. The company's PMI (Purchasing Managers Index) position is reinforced by being a critical supplier - when customers need capacity, Bharat Forge can deliver.

Where competition is intense: on simpler, lower-value forgings where the qualification barrier is lower and Chinese competitors can compete on price. However, the tariff structure helps - India has the same or lower tariffs than China into the US, and the recent trade deal removed the punitive 25% tariffs that had been threatened. As management

noted: "All the countries that produce these parts have the same tariffs. Either we are the lowest or we are equal to what anybody else is. Nobody is lower than India."

Indian forging peers

In India, the company competes with MM Forgings and Ramkrishna Forgings, among others. These companies are smaller and more focused on the domestic market. Bharat Forge's export scale and global presence give it a different competitive position - it is not competing on price for Indian OEM business but rather on technology and quality. The Indian forging industry is fragmented, and Bharat Forge is the largest player.

Defence primes

In defence, Bharat Forge competes with Tata Advanced Systems, Larsen & Toubro, Mahindra Defence, and public sector units like Ordnance Factory Board (now corporatised). The competitive dynamic is different from automotive - it is about IP ownership, system integration capability, and the ability to design and develop complete platforms, not just manufacture components.

Bharat Forge's advantage is that it owns the IP for its artillery systems, carbines, and drones. This gives it the right to export and to participate in global programs. The company has "developed nine artillery platforms and a diverse product range across mobility systems and MRO." Not all Indian defence companies have this capability. However, competition for new programs is intense, and order wins are lumpy - the conversion of a ₹9,000 crore pipeline to an ₹11,000 crore order book took several quarters.

Aerospace component suppliers

In aerospace, Bharat Forge competes with global suppliers like Senior Aerospace, VSMPO-AVISMA (Russia), and Precision Castparts (PCC, now part of Berkshire Hathaway). The company's position is unique - it is one of the few Indian suppliers of critical rotating jet engine components. The high growth rate (60%+ in FY26) reflects a low base but also genuine share gains as global aero engine OEMs diversify their supply chains away from China and traditional European suppliers.

Ferrous casting competitors

JSA competes with other Indian and Chinese foundries for wind energy and hydraulic castings. The competitive advantage is JSA's size (130,000 MTPA capacity), its quality systems, and the cross-selling opportunity through Bharat Forge's customer relationships. The shift of casting manufacturing from Europe to India, driven by energy costs, is a structural tailwind.

Axle manufacturers

K-Drive competes with Automotive Axles (part of the Kalyani Group, listed separately) and Cummins-Meritor. The business is early in its turnaround. The competitive position will depend on K-Drive's ability to win new business through Bharat Forge's relationships and its own engineering capability.

Industry

Demand drivers

The global auto components industry is driven by vehicle production volumes, which are in turn driven by economic growth, consumer confidence, and regulatory changes. CV demand is more volatile than PV because it is tied to freight movement, infrastructure spending, and industrial activity. In North America, the Class 8 truck market is

expected to see a pre-buy into 2027 ahead of new emission regulations. In India, CV demand is driven by infrastructure spending and economic growth. The Indian auto industry grew 7.3% in FY2025, and the budget allocation for infrastructure (₹11.2 lakh crore) supports continued growth.

Defence spending is a separate demand driver. India's defence budget increased 9.5% to ₹6.81 lakh crore in the 2025-26 budget, with a focus on indigenous procurement. Globally, European defence budgets are expanding from approximately €350 billion to €800 billion, creating export opportunities for Indian defence companies. The Make-in-India policy and the new Defence Acquisition Procedure favor companies like Bharat Forge that own IP.

Aerospace demand is tied to aircraft production rates. Boeing and Airbus have large backlogs, and the supply chain is working to ramp up. Engine production is particularly tight. The China Plus One strategy is driving global aero engine OEMs to qualify suppliers in India.

India's place in the global supply chain

India is a net exporter of auto components. Bharat Forge exports approximately 47% of its standalone revenue. India's competitive position vs China on tariffs is favorable - the US imposes 25% tariffs on Chinese steel and aluminum, and the recent trade deal with India removed punitive tariffs that had been threatened. India has a large, skilled engineering workforce, a stable policy environment, and improving infrastructure.

The shift of manufacturing from Europe to India is visible in castings (JSA's opportunity) and increasingly in aerospace and defence. Management has said: "As global MNCs increase their sourcing from India, our Indian manufacturing business is geared to tap into this demand."

Regulation

The regulatory environment is a major factor. US tariff policy is the most immediate risk - 25% tariffs on steel and aluminum, plus reciprocal tariffs on auto components, directly impact Bharat Forge's exports. The company absorbed ₹12-31 crore per quarter in FY26 through price sharing with customers. The situation is dynamic: management described it as "definitely something that nobody has ever experienced before."

In India, the GST reforms (including rate cuts for certain auto segments) have been supportive. The defence procurement process is being overhauled to speed up orders and favor indigenous suppliers.

Cyclicality

CV and industrial markets are cyclical. The North American CV market went through a destocking cycle in H1 FY2026 that saw Bharat Forge's exports drop 67% YoY at the trough. The company is used to these cycles and uses them to strengthen its position - as customers look for reliable suppliers during downturns, Bharat Forge's balance sheet strength and long-term relationships become advantages.

Defence and aerospace provide a non-cyclical offset. These businesses have multi-year order books and are less exposed to economic cycles. The defence order book (₹11,000 crore) provides visible revenue for 3-4 years. The aerospace business is growing at 20%+ annually with long-term customer commitments. The combination of cyclical and non-cyclical businesses is intentional - it provides earnings stability that the forging business alone would not achieve.

Growth triggers

- ATAGS artillery gun production ramp-up. Revenues from the 184-gun order start in H2 FY27, with the FOPM (First Off Production Model) milestone preceding it. Full production will span about four years. (Q4 FY26 concall, May

2026)

- CQB carbine production. The ~₹1,400 crore order for 200,000 weapons is signed; FOPM takes 9-12 months, then a 4-year execution period. Revenues likely from H2 FY27. (Q4 FY26 concall, May 2026)
- Aerospace capacity doubling. A new ring mill and landing gear machining facility comes online in CY2027, backed by long-term customer contracts. The aerospace business hit ~₹400 crore in FY26, up from ~₹250 crore in FY25, and now accounts for 26% of non-auto exports in Q4 FY26. (Q3 FY26 concall, Feb 2026; Q4 FY26 concall, May 2026)
- K-Drive (American Axle India) new business wins. ₹500 crore of new orders won in FY26, targeting 2X growth in 3-4 years. The business is gaining share in Indian LCV, ICV, and SUV axle segments. (Q4 FY26 concall, May 2026)
- Fortuna Engineering integration. A 30% stake acquisition in a Nashik-based machining company with ₹380 crore revenue, complementary connecting rod machining. Cross-sell opportunities with Bharat Forge's forged inputs. (Q4 FY26 concall, May 2026)
- Odisha project – specialty steel, superalloys, new forging/casting capacity. Bharat Forge's share is up to ₹3,000 crore capex, but not in the next 1-2 years. This is the next growth phase after Baramati expansions. (Q3 FY26 concall, Feb 2026)
- Defence opportunities in Europe. European defence budgets expanding from €350 billion to €800 billion. New programs being pursued for systems and component supply. (Q4 FY26 concall, May 2026)
- Explosives facility in Andhra Pradesh for integrated 155mm ammunition. Ground-breaking planned for May 2026; pilot production in roughly 24 months. (Q4 FY26 concall, May 2026)
- 25% growth guidance for India business in FY27. Driven by aerospace, defense, and components (automotive and industrial) across domestic manufacturing. (Q4 FY26 concall, May 2026)

Key risks

- US tariff policy uncertainty. The 25% tariffs on steel and aluminum, plus reciprocal tariffs on Indian auto components, increase landed costs for US customers. Bharat Forge absorbed ₹12-31 crore per quarter via price sharing in FY26. If prolonged, it could erode competitiveness and demand in the North American market. (Q4 FY26 concall, May 2026; Q3 FY26 concall, Feb 2026)
- Geopolitical disruptions. Conflicts in the Middle East and Europe-Russia tensions create uncertainty in trade routes, energy prices, and customer ordering patterns. This could delay the recovery in European CV demand and disrupt supply chains. (Q4 FY26 concall, May 2026)
- Energy cost inflation. Significant increases in natural gas and electricity costs compress margins in energy-intensive forging and casting operations. The company is negotiating pass-throughs with customers, but sustained high energy prices could hurt profitability. (Q4 FY26 concall, May 2026)
- Europe steel forging restructuring (CDP Bharat Forge). The German subsidiary has been a drag, with losses of ~₹300 crore in FY26. A solvent liquidation process has started, expected to take 15-18 months. Losses will reduce as operations wind down, but the process carries execution risk. (Q4 FY26 concall, May 2026)
- Global EV adoption trajectory different from expectations. Bharat Forge took a ₹1,533 crore exceptional write-off in FY26 on e-mobility investments where no immediate revenue ramp-up is visible. This reduces future losses but

impacts current earnings and signals a strategic pivot. (Q4 FY26 concall, May 2026)

- North American CV demand cyclicality. Exports to NA CV market were down 51% YoY in Q3 FY26 due to destocking and emission policy pauses. Recovery is expected but timing remains uncertain, and any fresh downturn would hurt the 35% revenue-mix segment. (Q3 FY26 concall, Feb 2026)

Walk the talk

Management's guidance across FY26 proved largely accurate, though some timelines slipped.

In August 2025, with US tariff uncertainty at its peak, Amit Kalyani said:

> *"Q2 looks a little weaker driven by U.S. exports and hopefully marks a low for this cycle."*
>
> **Q1 FY26 CONCALL (AUG 2025)**

By February 2026, he confirmed "the worst is behind us" and that Q4 India looked strong. The Q4 FY26 standalone revenue grew 8.5% sequentially, supporting the recovery call. The "low" was indeed Q2.

The same concall promised positive momentum in H2:

> *"We should see positive momentum in news flows and performance, especially in the second half."*
>
> **Q1 FY26 CONCALL (AUG 2025)**

Defence order wins (ATAGS, carbine, underwater systems), aerospace growth, and domestic auto recovery materialized in H2. Standalone EBITDA improved sequentially through the year.

On the restructuring of the European steel business, management committed in November 2025 to a roadmap by year-end:

> *"We will have a roadmap in place outlining the shape and form of the proposed restructuring of the steel business by the end of this fiscal."*
>
> **Q2 FY26 CONCALL (NOV 2025)**

In May 2026, the restructuring had started: "the restructuring of CDP has started. This is a 15 to 18-month process" – exactly as outlined, with the process now under way as a solvent liquidation.

On the American Axles acquisition (K-Drive), the initial promise in August 2025 was:

> *"American Axles should add Rs. 1,000 crores to the consolidated topline for the year."*
>
> **Q1 FY26 CONCALL (AUG 2025)**

By May 2026, K-Drive had won ₹500 crore in new business, but the ₹1,000 crore topline contribution was not separately confirmed. Instead, management highlighted the business is gaining share and targeting 2X growth in 3-4 years.

Aerospace guidance held up well. In August 2025, the company said:

> *"Aerospace should continue its 20% plus growth annually YOY."*
>
> **Q1 FY26 CONCALL (AUG 2025)**

In May 2026, aerospace revenue for FY26 was reported at ~₹400 crore versus ~₹250 crore in FY25, implying over 60% YoY growth – well above the 20% target. The business now accounts for 26% of non-auto exports.

On CV exports, the November 2025 view was cautious but hopeful:

> *"CV exports do look weak as we sit in November but they should show signs of recovery."*
>
> **Q2 FY26 CONCALL (NOV 2025)**

By February 2026, the company confirmed "exports seem to have bottomed out" and Q4 FY26 saw a strong outlook for US CV. The recovery is underway.

The "double down on India" theme, articulated in November 2025:

> *"we are going to double down on India"*
>
> **Q2 FY26 CONCALL (NOV 2025)**

This was followed through with the Fortuna Engineering acquisition, the Odisha project capex of up to ₹3,000 crore, and a 25% growth guidance for India business in FY27.

Finally, the defence growth promise from February 2026:

> *"We should look at a, you know, 30%-40% plus growth in our defense business next year."*
>
> **Q3 FY26 CONCALL (FEB 2026)**

In May 2026, the defence order book stood at ~₹11,000 crore, with ATAGS and carbine orders set to ramp up from H2 FY27. The growth trajectory appears intact, though FY27 execution will be the proof point.

Scenarios

Bull case

The tariff deal sticks, removing the 25% punitive rate on Indian auto components. North American CV demand rebounds with the 2027 emission pre-buy. ATAGS and carbine production hit their stride by H2 FY27, driving defence revenue toward 20% of group sales. Aerospace doubles again as the new ring mill and landing gear facility come online in CY2027, winning additional global OEM contracts. K-Drive secures multiple new axle programs, pushing revenue toward ₹1,500 crore in 3 years. CDP restructuring completes on schedule, eliminating the European loss drag. JSA scales into a ₹1,000 crore+ casting business with Premji Invest's backing. India business grows 25% in FY27, and the company emerges as a diversified engineering conglomerate with defence, aerospace, castings, and axles each contributing meaningfully. Free cash flow improves as overseas capex concludes, and the balance sheet stays net cash.

Base case

US tariffs remain at 25% but are partially absorbed through customer negotiations and efficiency gains, keeping margins stable. North American CV demand recovers gradually through FY27, with pre-buy building slowly. ATAGS and carbine start contributing to revenue from H2 FY27 as planned, but at a measured pace. Aerospace continues 20-25% growth annually, reaching ₹500 crore+ in FY27. K-Drive wins steady new orders, growing at 15-20% annually. CDP restructuring progresses but takes the full 18 months, with losses reducing incrementally. JSA grows in

line with wind and hydraulics demand, supplemented by new automotive customers. India business grows in the high teens, slightly below the 25% target due to macro uncertainty. The Odisha project remains on the drawing board for FY28. The company delivers steady EBITDA growth, with defence and aerospace providing the upside.

Bear case

Tariff uncertainty escalates further, with the US imposing even broader reciprocal tariffs. North American CV demand stays depressed through FY27 as customers delay orders. A recession in Europe deepens, hurting the already weak CDP business and delaying restructuring. ATAGS and carbine production face technical delays in FOPM, pushing revenue recognition into FY28. Aerospace growth slows as global OEMs cut production schedules. K-Drive struggles to gain traction against entrenched competitors. Energy costs spike further, compressing forging margins. The India business growth misses guidance as domestic CV demand falters on higher fuel prices. The CDP restructuring becomes more complex, extending losses beyond 18 months. The company is forced to take additional write-offs on legacy investments. Debt rises as cash flow disappoints, and the equity valuation multiples contract as cyclical fears dominate.