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Trade View Report-

Published Date	April 28th, 2026
Rating	BUY
Trade Type	Long Term
Stock Name	RKFORGE
Entry Price	588
Target	700
Stop Loss Price	535
Target%	19%
SL%	9%

Rationale-

Ramkrishna Forgings Limited (RKFL) has evolved from a commercial vehicle (CV) centric forging player into a diversified engineering powerhouse. As of April 2026, the company is at a pivotal junction of capacity expansion and debt deleveraging.

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Below is the investment rationale for RK Forge, structured by financials, growth drivers, and strategic expansion.

1. Financial Performance & Health

- **Revenue Resilience:** For Q3 FY26, the company reported consolidated net revenue of **₹1,098 crores**, representing a **21% sequential growth (QoQ)**, driven by a strong rebound in the domestic market.

- **Margin Recovery:** EBITDA margins stood at **14.9%** in late FY26. Management has guided for a return to historical levels of **18–20%** as the product mix shifts toward high-value components.

- **Deleveraging Roadmap:** A primary pillar of the current rationale is debt reduction. RKFL successfully reduced debt by **₹350 crore** in Q3 FY26 and targets a total debt level **below ₹1,900 crore** by the end of FY26.

- **Return Ratios:** While FY25 saw a dip in RoCE (to ~7%) due to inventory adjustments and heavy Capex, the stabilization of new plants is expected to push RoCE back toward the **15–17%** range seen in previous cycles.

2. Capacity Expansion (The Growth Engine)

RKFL has aggressively expanded its manufacturing footprint to cater to the next decade of demand:

- **Total Capacity:** As of March 6, 2026, the commissioning of a new 8,000-ton press line (₹80 Cr investment) has pushed total forging capacity to **3,11,400 TPA**.

- **Casting Diversification:** The company is setting up a **45,000 MT castings plant**, which allows for vertical integration and the supply of fully machined components.

- **Aluminium Forging:** A new **3,000 TPA aluminium forging facility** commenced commercial production in January 2026. This is a strategic move to capture the **Electric Vehicle (EV)** market, where lightweighting is critical.

3. Strategic Growth Rationale

Diversification (De-risking the CV Cycle)

- **Non-Auto Revenue:** RKFL is aggressively moving toward a **30% non-auto revenue share**. This includes segments like Oil & Gas, Earthmoving, and Farm Equipment.

- **Railway Segment:** Emerged as a massive growth vertical. RKFL is no longer just a component supplier; it is moving into value-added **bogie assemblies** and expects the railway sector to contribute double-digit percentages to the topline within 24 months.

Global Footprint & Order Book

- **Geographic Mix:** While domestic demand has been the recent savior (67% mix), the company expects exports to recover to **35% of revenue by FY27**, particularly with new customer wins in Europe and North America.

- **Strong Order Book:** The company recently secured new orders worth over **₹1,100 crores**, providing high revenue visibility for the next 2–3 years.

4. Future Catalysts & Risks

Points	**Details**
EV Transition	Through the acquisition of **TSUYO Manufacturing**, RKFL is entering EV powertrain solutions (motors, e-axles).
Asset Utilization	Current utilization is ~66%. Management expects this to hit **80–85%** by late FY27, which will provide significant operating leverage.
Promoter Confidence	Recent warrant allotments (approx. ₹200 Cr) to promoters indicate strong internal conviction in the company's turnaround.
Key Risk	Dependence on the global Commercial Vehicle cycle and fluctuations in raw material (steel) prices.

5. High-Value Order Wins (April 2026)

The company continues to win "safety-critical" contracts, particularly in the infrastructure and transport sectors:

- **Railway Dominance:** In April 2026, RKFL secured multiple contracts from various Indian Railway zones (Hubli, Secunderabad, Asansol) for **Anti-Roll Bars**, **Bogie Bolsters**, and **Air Reservoir Assemblies**.

- **Export Recovery:** While the domestic mix is currently ~67%, the company has integrated a **Mexico-based acquisition** (August 2024) to strengthen its North American supply chain for long-term export growth.

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Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

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