

Date: October 21, 2024

To,
Department of Corporate Services,
BSE Limited,
P J Towers, Dalal Street,
Mumbai- 400 001.
BSE: Scrip Code: 531112

To,
Listing Department,
National Stock Exchange of India Limited,
“Exchange Plaza”, C-1, Block-G,
Bandra Kurla Complex, Bandra (E),
Mumbai- 400 051.
NSE Trading Symbol: BALUFORGE

Sub: - Earnings Release for the Quarter and Half year ended September 30, 2024.

Dear Sir/Madam,

Please find enclosed herewith the Earnings Release for the Quarter and Half year ended September 30, 2024.

Kindly take the same on your record and acknowledge.

Thanking You,
Yours Truly,

For Balu Forge Industries Limited

JASPALSINGH
PREHLADSINGH
CHANDOCK

Digitally signed by
JASPALSINGH
PREHLADSINGH CHANDOCK
Date: 2024.10.21 20:19:03
+05'30'

Jaspalsingh Chandock
Managing Director
DIN: - 00813218

Enclosure: A/A



BALU FORGE INDUSTRIES LTD

CIN: L29100MH1989PLC255933

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SHAREHOLDER'S LETTER & RESULTS

Q2 & H1 FY25 Earnings Release

In This Report, We Cover

1. About BFIL
2. Our Core Strengths & Capabilities
3. Key Performance Indicators & Revenue Split
4. Key takeaways, Key Focus and Favorable Conditions by Overall Industry
5. Consolidated Financial Statements
6. Management Commentary
7. Disclaimer and Contact details

Expanding Horizons Getting Future Ready



Balu Forge Industries Ltd (BFIL)

About Balu Forge Industries Ltd (“BFIL” or the “Company”)



Balu Forge Industries Ltd (BFIL) was Incorporated in 1989 and is engaged in the manufacturing of fully finished and semi-finished crankshafts and Forged Components. It has the capacity to manufacture components conforming to both New Emission Regulations & the New Energy Vehicles.



BFIL, a company with 35 years of experience, is renowned for its specialized engineering solutions and precision machined components. Currently, BFIL operates three advanced plants across 8 acres. The company is now expanding with a state-of-the-art integrated forging and machining complex in Belgaum, Karnataka, covering 46 acres.



With a machining capacity of 32,000 TPA for machined components, BFIL has enhanced its capabilities by acquiring specialized assets with an additional 72,000 TPA of forging capacity.



The expansion comprises of a 16-ton, 10-ton closed-die forging hydraulic hammer line and an 8,000-ton capacity mechanical forging press, which enables the production of 72,000 tons of forged components. This facility will be fully automated, incorporating advanced technology such as an Anti-vibration System and robotic handling, aligning with Industry 4.0 standards for superior manufacturing practices.

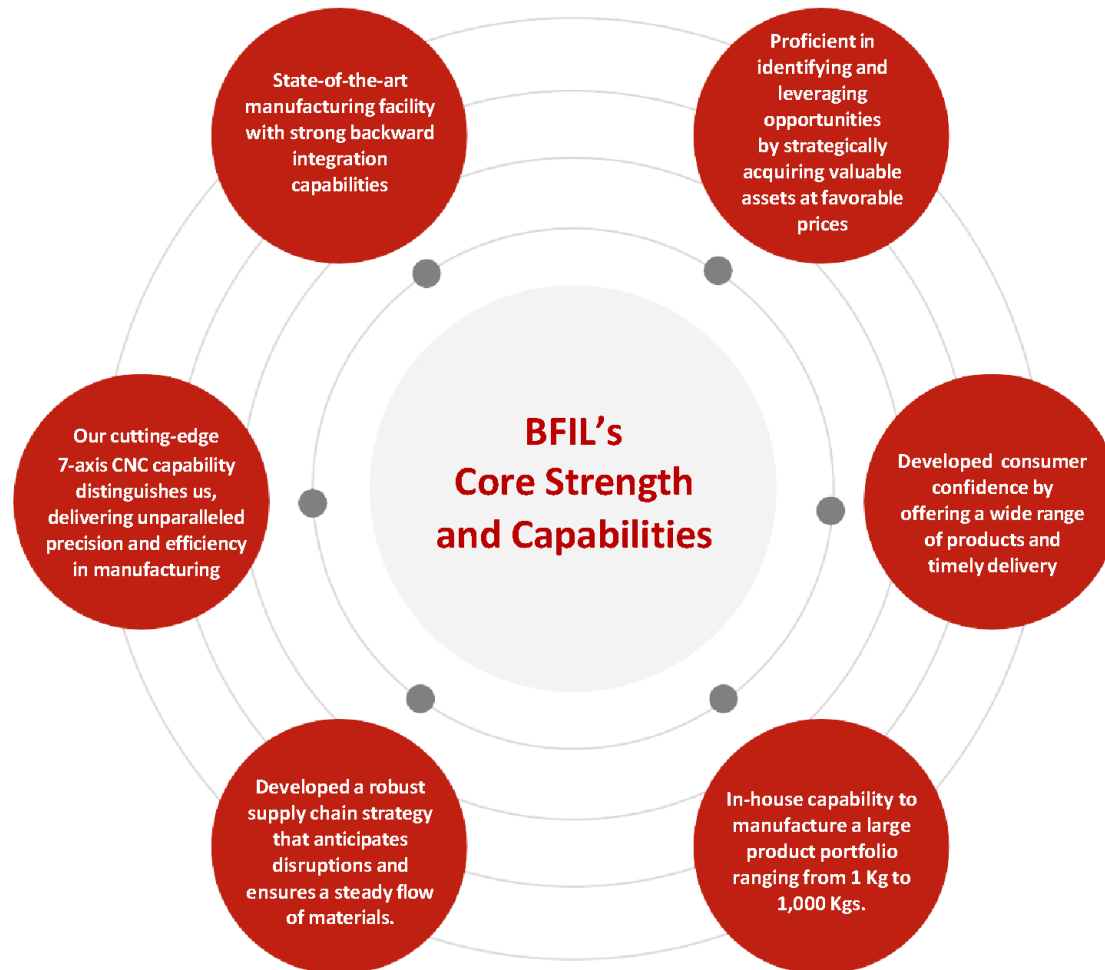


BFIL’s diverse product range serves various industries, including automobiles, industrial vehicles, earthmoving machinery, wind energy, aerospace, defense, oil and gas, locomotives and railway applications, marine, agriculture, and more. The company is capable of producing closed-die forging products up to 1-ton in weight



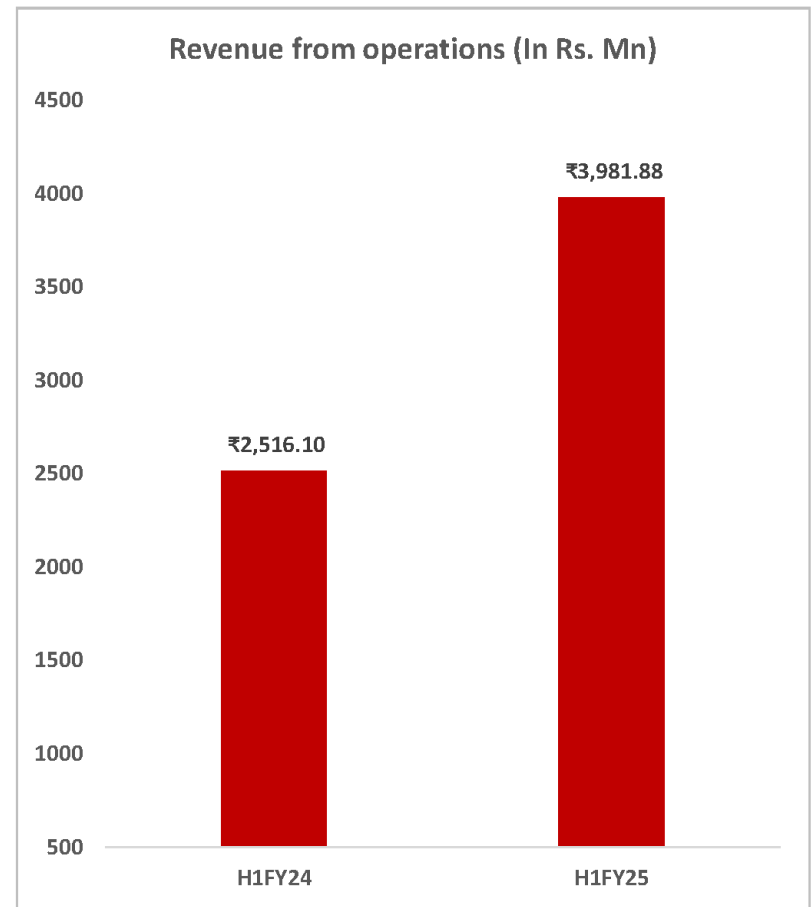
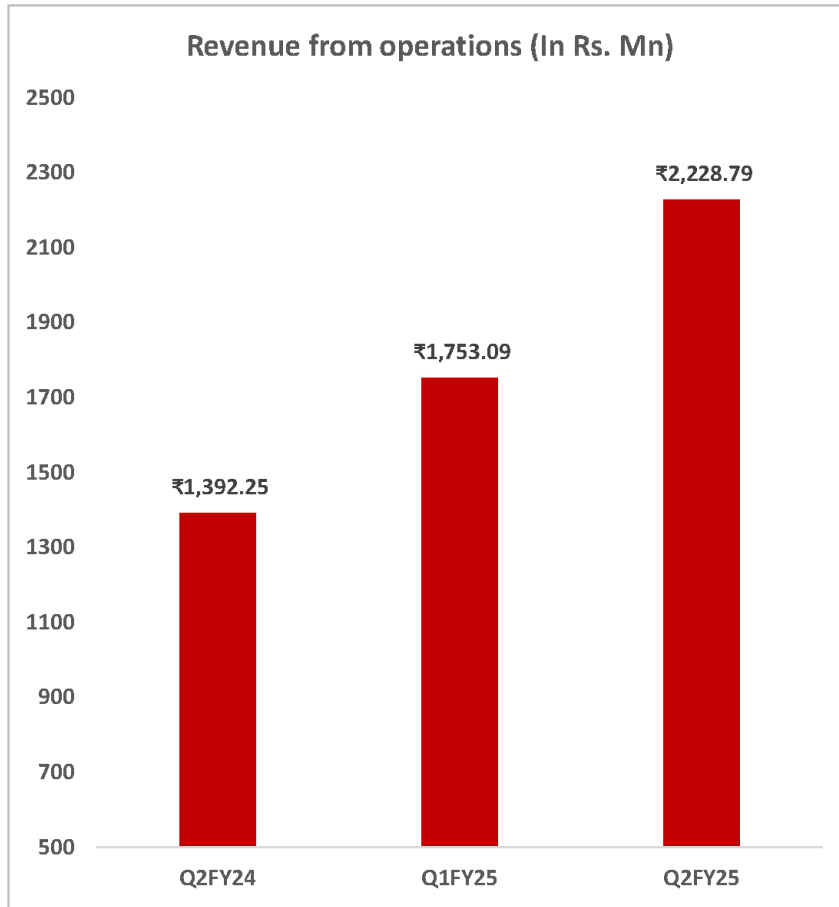
The company boasts a broad export and distribution network covering over 80 countries and serving more than 25 OEMs globally. With a dedicated R&D team of around 45 professionals, BFIL is focused on new product development and the application of advanced alloys and material chemistries in specialized segments.

BFIL's Core Strength and Capabilities



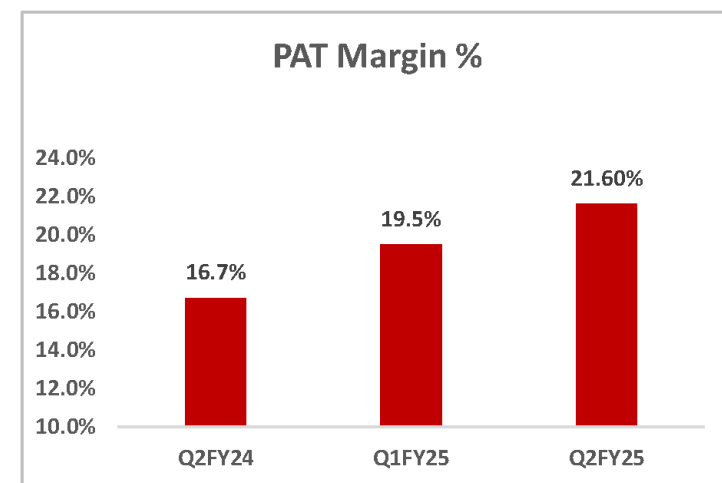
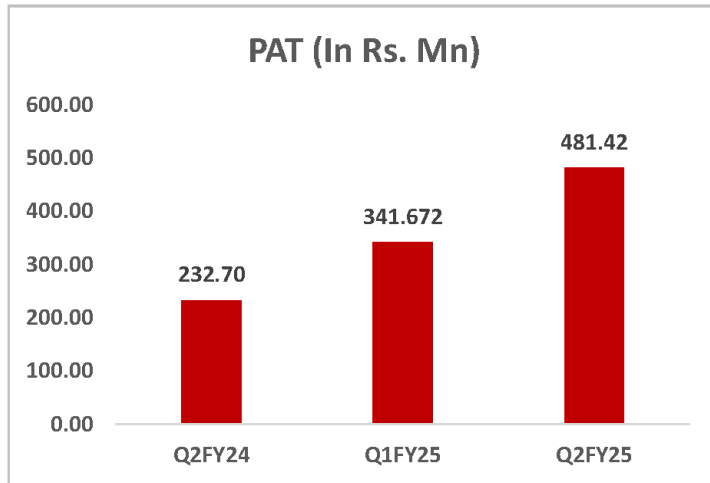
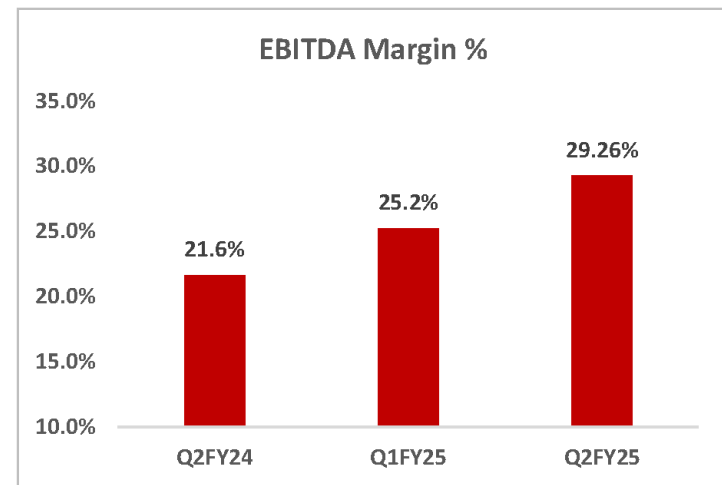
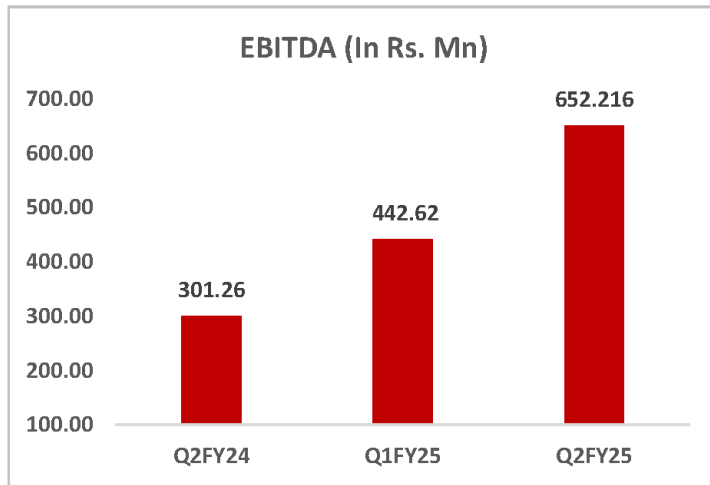
Balu Forge Industries Ltd (BFIL)

Key Performance Indicators (Rs. In Mn)



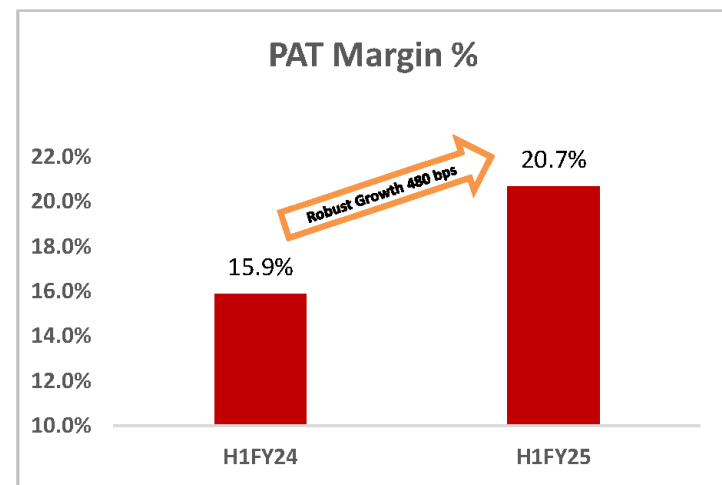
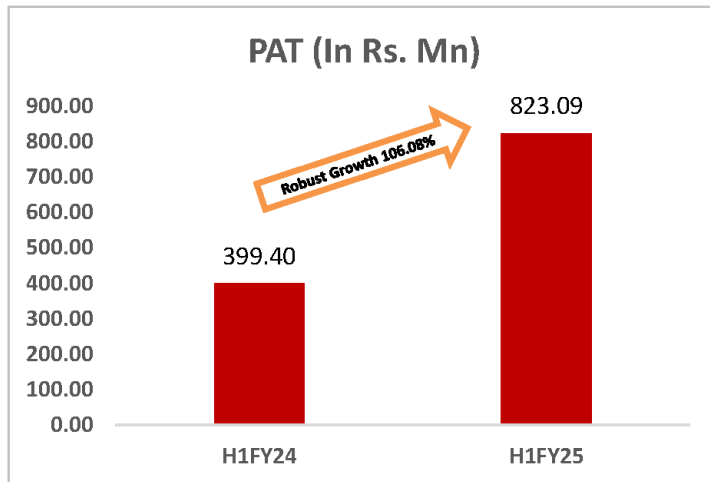
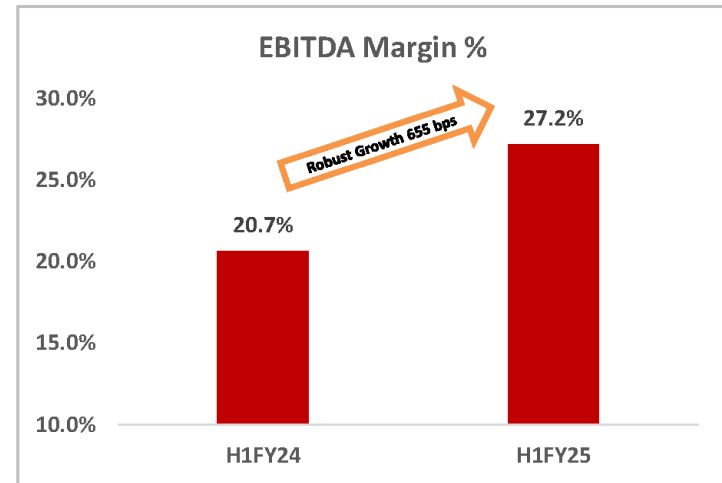
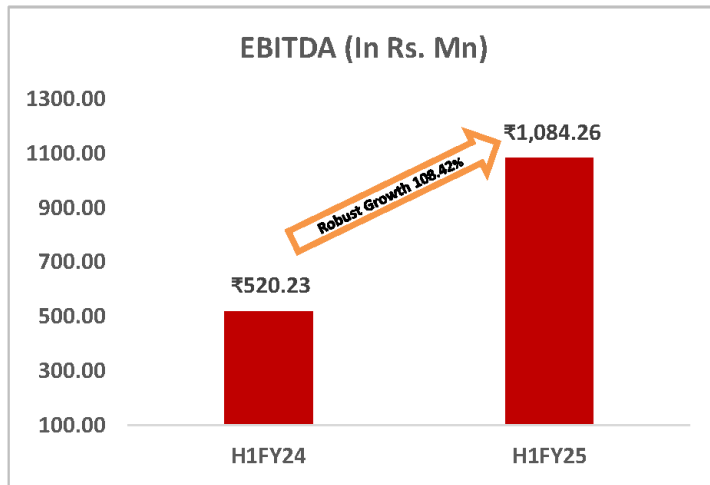
Balu Forge Industries Ltd (BFIL)

Key Performance Indicators (Rs. In Mn)



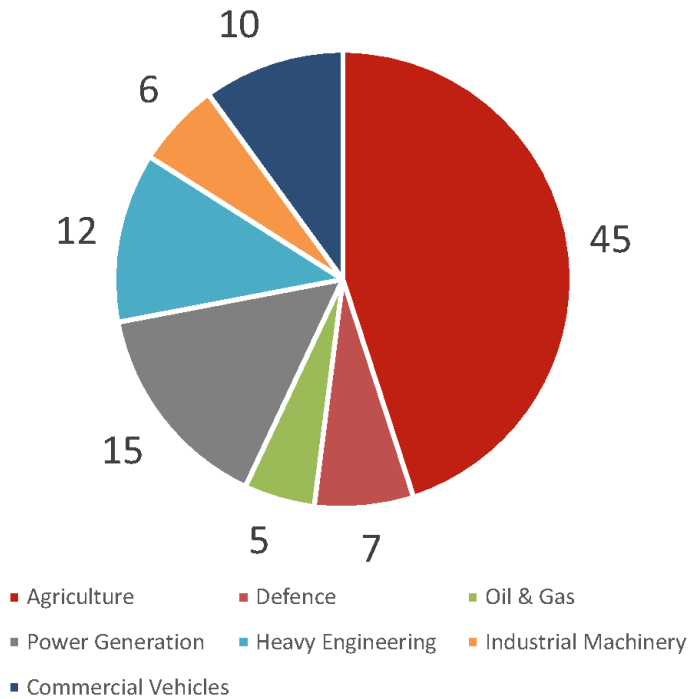
Balu Forge Industries Ltd (BFIL)

Key Performance Indicators (Rs. In Mn)

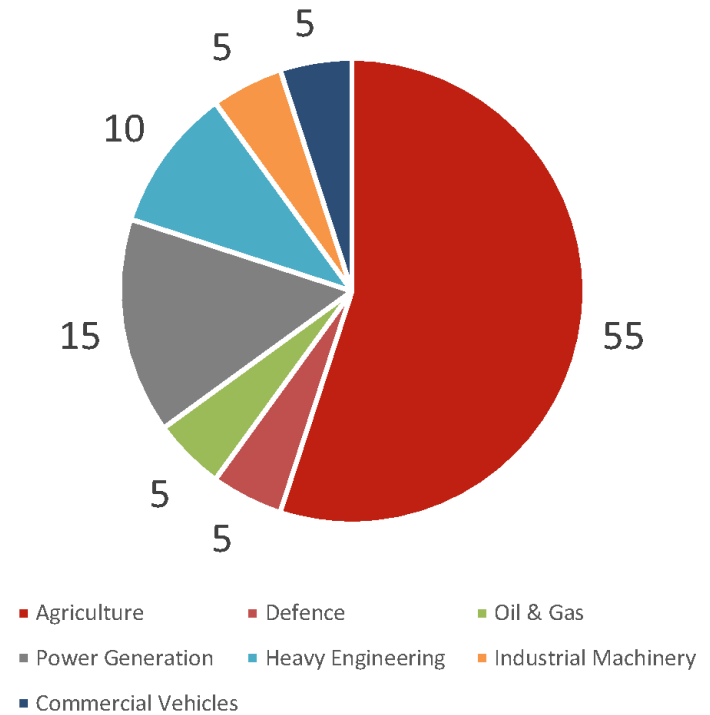


Revenue Split (%)

Segment Wise Revenue Split H1FY25



Segment Wise Revenue Split H1FY24



Key Takeaways

Order Book & Capacity Addition

The company has a **strong order book** for its existing infrastructure and the infrastructure that is expected to be commercialized soon. The **32,000 tons of machining capacity is fully booked**, and the forging output from the initial commercialisation will be able to meet the capacity of the Mercedes Benz production line and the machining capacity expansion. The company also has agreements in place for **72,000 tons of forging capacity** in the **railways, defence, and aerospace sectors**. The company plans to expand machining capacity to align with the 72,000 tons of forging capacity. There are also plans for further capacity additions in certain specialised areas of railways and defence where the company has indicated strong demand.

Progress on New Unit in Belgaum, India

The new unit is progressing well and the **first phase** is on track for commercialization. The Mercedes-Benz plant has already achieved commercialization in previous quarters and will also be in full swing. The initial commercialization in respect to the forging capacity will feature **three advanced forging lines: the 16 Ton Hydraulic Hammer, 10 Ton Hydraulic Hammer, and 8000T Press Line**. The last quarter is expected to have a significant impact due to the commercialization of the forge shop, and the **first 7-axis machine** has also arrived at the new plant and is currently under commercialization.

Key Takeaways

Expansion in Balu Family

*In the recent quarters the recruitment drive has been very expansive & will continue on the same trend for the coming quarters & years to come. The company has added **key personnel to new & expanding roles in the company** throughout all the major departments, especially **in the R&D segment to facilitate expansion and grasping new opportunities**. These industry experts come from a strong pedigree of many decades in major conglomerates from the Industry's foremost companies.*

*This is a strong enabler for your company to catapult its growth curve as the new additions will be strongly beneficial to build on the company's momentum in the times to come. The company aims to not only expand the team in major & key roles but also there is an **expected workforce increase of over 1000 personnel in the coming financial year**. We are pleased to inform you that the Balu Family is increasing & growing from strength to strength and this trend will continue in the near future as the company continues to embark on its rapid expansion drive in the precision engineering space.*

Positive Cash flow

***Cash flow from Operations has significantly improved**, turning positive this year for H1FY25 with a surplus of ₹500 mn compared to deficit of ₹1,654 mn last year, H1FY24 driven by revenue growth and enhanced accounts receivable management.*

Key Takeaways

Working Capital Cycle

The company has **significantly reduced its working capital cycle from 137 days to 106 days on Y-o-Y basis**, enhancing financial health and operational efficiency. By optimizing inventory management, improving receivables processes, and streamlining payables, it has achieved a **more balanced working capital structure**. This has **improved liquidity, reduced debtor days, and minimized the need for external financing**. Overall, these enhancements have stabilized the company's financial position and strengthened its competitive edge. As it continues to refine working capital practices, the company is well-prepared to adapt to industry challenges, seize new opportunities, and ensure sustainable growth, laying a solid foundation for ongoing success in a competitive marketplace.

Reduction in Debtor Days

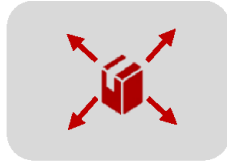
The company has successfully reduced debtor days **from 177 days to 119 days on Y-o-Y basis**, **significantly enhancing cash flow and financial health**. Through improved credit management and proactive strategies, along with stronger customer relationships, liquidity has markedly increased. As the product portfolio transitions to niche segments, the company is positioned to negotiate **more favorable payment terms**. This trend is expected to continue with ongoing expansion in specialized sectors, further strengthening financial stability and competitive advantage in the industry.

Balu Forge Industries Ltd (BFIL)

Key Focus Areas



Capacity Expansion



Product Expansion



Higher Market Share



Customer Addition



Geographic Expansion

Key outline of the strategy

Forging & Machining expansion is in full swing where Forging Capacity is under commercialization & machining capacity is both under commercialization & further expansion.

Diversifying our product portfolio with a focus on Aerospace, Railways & Defence related offerings which yields better margins owing to complexity

Aiming to expand market presence in the commercial vehicle (CV), Railways & the Defense sector.

Focused on adding new OEM partnerships annually across the globe & new customers in the sunrise sectors of Railway & Defence

Expanding our reach with a concentrated effort on key engineering hubs like Far East Asia, the USA, and Germany.

Our progress thus far

Forging Capacity of 72,000 Tons annually is under commercialization in the new manufacturing campus.

Completion of the Acquisition for the first 7 Axis machine. The machine is presently under commercialization.

There is a further machining capacity expansion underway to align with the Forging capacity available

BFIL is actively engaging with a number of companies globally for ToT and contract manufacturing agreements. Some are in the advanced stages at this moment

Forging capacity is under commercialization & products with varied material chemistries from Aluminium to Titanium is under testing/prototyping with key customers.

A large product portfolio from Defence & the Railway industry is under prototyping & some of also reached commercialization

Achievement of higher wallet share from existing customers in the CV sector. There has also been a customer expansion in the higher weight class of the CV industry owing to the C+1 shift.

Building new market share & customers within the Railway & Defence industry in key niche product categories

Progressing positively in the area of customer addition through ToT and contract manufacturing opportunities & key customer additions have already been achieved in the Railway & Defence industries

Increased focus on further expanding the global reach of the company.

New market opportunities have been explored on the global front especially where the company had historically very low market share. This has been enabled by the global team expansion in key low market share regions.

A clear strategy to derisk from rampant war zones is also in place to safeguard the financial position of the company

Favorable Conditions by Overall Industry

Global Forging Industry Growth

*The global forging market is experiencing strong growth and is expected to increase from **\$81.13 billion in 2023 to \$157.94 billion by 2032**, growing at a **CAGR of 7.6%**. This growth is fueled by high demand from the automotive and aerospace sectors. The Asia-Pacific region, **including India, holds the largest market share (52.09%)**.*

Indian Industry Growth

Strong Domestic Demand: *The forging and machining market in India is projected to experience significant growth. The forging market, valued at **US\$ 7.3 billion in Fiscal Year 2024**, is **predicted to reach US\$ 10.2 billion by Fiscal Year 2029**, growing at a **CAGR of 7.1%**. Similarly, the machining market is estimated to expand at a CAGR of 8.4%, from US\$ 5.4 billion to US\$ 8.0 billion during the same period. This growth is driven by strong domestic demand from both automotive and non-automotive industries.*

Potential to Become a Global Manufacturing Hub: *India is well-positioned to become a global manufacturing center due to several factors, including:*

- *The "China plus one" strategy, where companies are seeking to diversify their manufacturing bases beyond China*
- *The Ukraine-Russia crisis, which has disrupted global supply chains*
- *High production costs in Europe and India's status as a cost-effective producer and a robust manufacturing ecosystem with the availability of skilled labor and essential raw materials.*

Favorable Conditions by Overall Industry

Indian Government Support for the Forging Industry

The Indian government is actively promoting the growth of the forging industry through various initiatives:

- **Make in India:** *This flagship initiative encourages domestic manufacturing and attracts foreign investment, boosting the industry's global competitiveness.*
- **Infrastructure Development:** *Investments in improving logistics and connectivity will lead to better supply chain management driven by our Honorable PM Narendra Modi's "Viksit Bharat 2047" initiative*
- **Defense and Aerospace Focus:** *The government's promotion of local production in these sectors encourages forging companies to diversify beyond automotive applications.*

These government initiatives, coupled with the industry's efforts to adapt to technological advancements and explore new materials, are expected to further strengthen India's forging sector. The goal is to increase production capacity from 2.2 million metric tons to 3.5–4 million metric tons by 2026 while expanding export opportunities, which currently constitute 35% of output.

In conclusion, the combination of global market growth, strong domestic demand, and supportive government policies creates a highly conducive environment for the expansion of forging companies in India, especially Balu forging.

Balu Forge Industries Ltd (BFIL)

Consolidated Income Statement

Particulars (Rs. Mn)	Q2 FY25	Q2 FY24	YoY%	H1 FY25	H1 FY24	YoY%
Revenue from Operations	2228.79	1392.25	60.09%	3981.88	2516.10	58.26%
Other Income	25.00	40.61		35.59	41.68	
Total Income	2253.79	1432.86		4017.47	2557.78	
Total Expenses excl. D&A & Finance Cost	1576.58	1090.99		2897.63	1995.87	
EBITDA (Excluding Other Income)	652.22	301.26	116.50%	1084.26	520.23	108.42%
EBITDA Margin (%)	29.3%	21.6%		27.2%	20.7%	
Depreciation & Amortization	8.31	4.59		16.30	9.18	
Finance Cost	29.41	37.65		44.90	62.44	
PBT before Exceptional Item	614.49	299.62		1058.64	489.21	116.40%
Exceptional Items	-	-		-	0.00	
PBT	639.50	299.62	113.44%	1058.64	490.27	
Tax	158.08	66.92		235.55	90.87	
PAT	481.42	232.70	106.88%	823.09	399.40	
PAT Margin %	21.6%	16.7%		20.7%	15.9%	
Other comprehensive (profit)/ loss	0.20	0.57		-0.25	0.94	
Net PAT	481.62	233.27	106.46%	822.84	400.34	105.54%
Diluted EPS (In Rs.)	4.26	2.47		7.39	4.47	

Balu Forge Industries Ltd (BFIL)

Balance Sheet:

Particulars (Rs. Mn)	As of 30th Sep' 24	As of 31st Mar' 24	Particulars (Rs. Mn)	As of 30th Sep' 24	As of 31st Mar' 24
Assets			Equity and Liabilities		
PP&E	266.41	241.71	Equity Share Capital	1,094.42	1,025.92
Right to Use of Assets	41.34	0.129	Other Equity	8,037.21	4,503.71
Capital WIP	3,034.79	1,302.73	Shareholders Fund	9,131.63	5,529.63
Intangible Assets	0.49	0.247			
Goodwill	325.45	325.45	Long Term Borrowings	203.73	248.40
Other Financial Assets	5.52	6.231	Lease Liability	41.96	0.055
Deferred Tax Assets (Net)	27.16	37.762	Provisions	10.73	9.266
Other Non-Current Assets	845.78	280.40	Deferred Tax Liability	0.00	0.00
Non-Current Assets	4546.923	2194.652	Non-Current Liabilities	256.42	257.72
Inventories	933.05	894.67	Borrowings	345.57	239.36
Trade Receivables	2,600.90	2,184.97	Lease Liability	0.00	0.106
Cash & Cash Equivalents	757.65	879.40	Trade Payables	1,123.08	805.793
Other Bank Balances	1,585.50	29.344	Other Financial Liabilities	49.50	118.96
Loans	3.09	2.992	Other Current Liability	17.08	5.233
Other Financial Assets	60.10	63.977	Provisions	1.60	1.622
Other Current Assets	614.47	874.60	Current Tax Liability (Net)	176.81	166.19
Current Assets	6,554.76	4,929.95	Current Liabilities	1,713.64	1,337.26
Total Assets	11,101.68	7,124.61	Total Equity and Liabilities	11,101.68	7,124.61

Cash Flow Statement

Particulars (Rs. Mn)	H1FY25	H1FY24
Cash from Operating activities	499.9	-1654.6
Cash from Investing activities	-3429.1	-6.0
Cash from Financing activities	2807.4	2056.6
Net change in cash & cash equivalents	757.6	447.5

Management Commentary

Commenting on the performance of Q2FY25, Mr. Trimaan Chandock, Executive Director of BFIL stated:

“The Indian precision engineering industry is on the verge of its next significant growth phase, driven by a rapid transformation as companies globally embrace the China+1 strategy to mitigate supply chain risks.”

This strategic shift, alongside broader industry changes, unlocks a wealth of opportunities and paves the way for long-term growth. To fully leverage this momentum, we are making substantial investments in strengthening our capabilities, positioning ourselves for strong, positive outcomes in the near future. Apart from the financial achievement, the current quarter witnessed a number of developments focused on strengthening our capabilities to navigate industry challenges and capitalize on new opportunities, ensuring its competitive edge in a rapidly evolving market:

The new unit progress at Belgaum continues in full swing. The company is on the verge of commercialising the first phase of the new manufacturing campus and it will drive the next leg of growth.

The company has a strong order book for the existing infrastructure and the planned infrastructure is expected to commercialise in the coming quarters. The 32,000 tons of machining capacity will be fully utilised in terms of the order book and the forging output from the initial commercialisation also has clear visibility to fulfil the capacity of the Mercedes Benz production line as well as the machining capacity expansion which is underway. The company also has clear visibility for 72,000 tons of forging capacity with agreements in place in highly specialised domains of Railways, Defence & Aerospace. We have acquired and introduced the first 7 Axis CNC machine in our facilities in H1FY25.

We have significantly reduced the working capital cycle from 137 Days in H1FY24 to 106 Days in H1FY25. *This had a transformative impact on the company’s financial health and operational efficiency. By optimizing the inventory management, enhancing receivables processes, and streamlining payables, the company has achieved a more balanced and efficient working capital structure. Enhancing receivables management has directly improved liquidity, allowing the company to maintain a robust cash position. The reduction in debtor days means that funds are available for reinvestment, reducing the need for external financing and associated costs.*

Balu Forge Industries Ltd (BFIL)

Management Commentary

Overall, these enhancements have not only stabilized the company's financial position but also enhanced its competitive edge in the sector.

The successful reduction in debtor days from 177 Days in H1FY24 to 119 Days in H1FY25 has had a transformative impact on the company's financial health and operational efficiency.

The company has significantly improved its cash flow and is a positive cash flow company as H1FY25.

The comprehensive improvements in inventory management have positioned the company for sustained success. The combination of reduced costs, improved production timelines, enhanced customer satisfaction, and a more agile supply chain has created a solid foundation for future growth.

*The company aims to not only expand the team in major and key roles but also has plans to expand its workforce **to over 1000 personnel** in the coming financial year. The special focus will also be on Research & Development teams for new product development, new material chemistries and expansion into the sunrise sectors under the infrastructure push of **our Prime Minister Shri Narendra Modi Ji under Viksit Bharat 2047.***

In conclusion, the combination of reduced costs, improved production timelines, enhanced customer satisfaction, and a more agile supply chain has created a solid foundation for future growth."

For more information on the company please visit : www.baluindustries.com

Disclaimer:

Certain statements in this document may be forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Balu Forge Industries Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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TOGETHER WE WILL WIN

