# BHARAT FORGE

SECT/ February 4, 2014

The General Manager,
Corporate Relationship Deptt., **(BSE SCRIP CODE – 500493)**
Bombay Stock Exchange Ltd.,
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai 400 001.

The Manager,
Listing Department,
National Stock Exchange of India Ltd.,
'Exchange Plaza', C-1, Block-G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai 400 051.

| | |
|---|---|
| Symbol | BHARATFORG |
| Series | EQ |

The Secretary,
Pune Stock Exchange Ltd.,
Shivleela Chambers,
752, Sadashiv Peth,
R. B. Kumthekar Marg,
Pune 411 030.

Dear Sir,

**Re: Earnings Update for Q3 FY 2013-14**

We attach the Earnings Update issued by the Company for Q3 FY 2013-14.

Thanking you,

Yours faithfully,
For Bharat Forge Limited

P.S. Vaishampayan
Vice President (Legal) &
Company Secretary

Encl: As above.

BHARAT FORGE | KALYANI

# BHARAT FORGE LIMITED
## Management Report- Q3FY14

**BFL 9 MONTH REPORT**



"BFL continues to do well despite the domestic slowdown because of a diversified product mix and strategic entry in to the non-automotive sectors in 2008. We continue to win new orders across auto & non-auto segments.

In the quarter gone by, sales developed in line with expectations while it witnessed a strong improvement over the weak 3rd quarter previous year.

The International operations have also registered strong performance driven by cost controls, productivity improvements and innovative new products.

Looking ahead, we expect to see demand levels across geographies stabilizing with an upward bias. Overall demand is expected to be moderately better in Q4 FY14 driven by exports & early signs of recovery in India."

B.N. Kalyani, Chairman & Managing Director.

**Key Figures (Rs Million)**

| Particulars | Q3 FY14 | Q2 FY14 | % Change | Q3 FY13 | % change |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **EBITDA** | 2,145 | 2,228 | -3.7% | 1,387 | 54.7% |
| EBITDA % | **25.8%** | **26.4%** | | **20.6%** | |
| **PBT before exchange gain/ (loss)** | 1,413 | 1,426 | -0.9% | 645 | 119.1% |
| **PBT** | 1,383 | 1,419 | -2.5% | 681 | 103.1% |
| **PAT** | 940 | 964 | -2.5% | 475 | 97.9% |
| **EPS** | 4.04 | 4.14 | | 2.05 | |

BHARAT FORGE

KALYANI

# STANDALONE FINANCIAL HIGHLIGHTS Q3FY14

Table 2 Rs. Million

| Particulars | Q3 FY14 | Q2 FY14 | QoQ% | Q3 FY13 | YoY % |
|---|---|---|---|---|---|
| **Shipment Tonnage** | **42,702** | **42,812** | **-0.3%** | **37,483** | **13.9%** |
| Domestic Revenue | 3,289 | 3,580 | -8.1% | 3,500 | -6.0% |
| Export Revenue | 4,797 | 4,634 | 3.5% | 3,105 | 54.5% |
| Other Operating Income | 235 | 237 | | 121 | |
| **Total Revenue** | **8,321** | **8,451** | **-1.5%** | **6,726** | **23.7%** |
| EBIDTA | 2,145 | 2,228 | -3.7% | 1,387 | 54.7% |
| ***EBIDTA %*** | ***25.8%*** | ***26.4%*** | | ***20.6%*** | |
| Other Income | 284 | 220 | | 195 | |
| PBT | 1,413 | 1,426 | -0.9% | 645 | 119.1% |
| ***PBT %*** | ***17.0%*** | ***16.9%*** | | ***9.6%*** | |
| Exchange Gain/ (loss) | (30) | (7) | | 36 | |
| PBT | 1,383 | 1,419 | -2.5% | 681 | 103.1% |
| Profit After Tax | 940 | 964 | -2.5% | 475 | 97.9% |

- BFL Q3 shipment tonnage at 42,702 tons was flat compared to the previous quarter while it increased by about 14% compared to Q3 FY13 despite the domestic CV market witnessing the worst quarter in the last 2 years.
- Revenues increased by 23.7% in Q3 FY14 to Rs. 8,321 million as compared to Q3 FY13 on back of 54.5% increase in export revenues.
- EBITDA for Q3 grew by 54.7% to Rs. 2,145 million compared to Q3 FY13. EBITDA margins expanded by 520 bps on back of improvement in turnover.
- PBT before Exchange gain/ (loss) increased by 119.1% in Q3 FY14 to Rs 1,413 million compared to Q3 FY13.
- PAT for the quarter at Rs. 940 million, [illegible]

## KEY FINANCIAL PARAMETERS: STANDALONE

Table 3 Rs Million

| *Particulars* | *December 31, 2013* | *September 30, 2013* | *March 31, 2013* |
|---|---|---|---|
| ***Debt*** | *21,117* | *23,223* | *18,737* |
| ***Equity*** | *25,120* | *23,350* | *23,111* |
| ***Cash*** | *8,589* | *9,789* | *6,520* |
| ***D/E*** | ***0.84*** | ***0.99*** | ***0.81*** |
| ***D/E (Net)*** | ***0.50*** | ***0.58*** | ***0.53*** |

BFL has received the proceeds from the divestment of its stake in China JV after close of the quarter

## REVIEW OF INDIAN MARKET

**Table 4: Domestic Automotive Production Data (No's)**

| Particulars | Q3 FY14 | Q2 FY14 | QoQ% | Q3 FY13 | YoY % |
|---|---|---|---|---|---|
| LCV | 115,578 | 116,188 | -0.5 | 136,019 | -15.0 |
| Medium & Heavy CV | 41,158 | 52,425 | -21.5 | 63,154 | -34.8 |
| **Total CV Market (M&HCV +LCV)** | **156,736** | **168,613** | **-7.0** | **199,173** | **-21.3** |
| Passenger Cars including Vans | 596,850 | 651,849 | -8.4 | 648,453 | -8.0 |
| Utility Vehicles | 147,674 | 132,661 | 11.3 | 148,866 | -0.8 |
| **Total Auto Market** | **901,260** | **953,123** | **-5.4** | **996,492** | **-9.6** |

Source: SIAM

The Commercial vehicle sector continues to register frail performance in the backdrop of strong headwinds and pessimistic sentiments. Stalled infrastructure projects and lack of industrial activity have led to low M&HCV production volumes at all major OEM's. M&HCV segment declined 21.5% and 34.8% on a QoQ and YoY basis respectively registering volume previously witnessed during the 20009 Global Financial Crisis.

Passenger cars saw a decline of 8% both on YoY and QoQ basis due to a slowing economy and higher fuel prices which resulted in poor consumer sentiment in urban areas.

## REVIEW OF EXPORT MARKETS

**Table 5** **Rs. Million**

| *Particulars* | *Q3 FY14* | *Q2 FY14* | *Growth %* | *Q3 FY13* | *Growth %* |
|---|---|---|---|---|---|
| **Americas** | 2,216 | 2,094 | ***5.8%*** | 1,758 | ***26.1%*** |
| **Europe** | 2,118 | 2,161 | ***-2.0%*** | 1,117 | ***89.6%*** |
| **Asia Pacific** | 463 | 379 | ***22.3%*** | 230 | ***101.5%*** |
| Total | **4,797** | **4,634** | ***3.5%*** | **3,105** | ***54.5%*** |

The CV segment in both North America & Europe ended the year on a good note with demand conditions improving driven by economic recovery in North America & Pre buy in Europe. Going into CY 2014 replacement of aging trucks continues to be the primary driver of new purchases In North America while demand in Europe is expected to be slightly better than CY2013 although Q1 CY14 may witness softness on account of pre-buy in CY13.

BFL continues to win new orders with emphasis on moving up the value chain while focus on enhancing its presence outside of its traditional market and increasing share of business with our existing marquee clients and new client additions.

## FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

**Table 6** **Rs Million**

| *Particulars* | *Oct - Dec 2013* | | | *Oct - Dec 2012* | | |
|---|---|---|---|---|---|---|
| | **WOS** | **China*** | **Total** | **WOS** | **China** | **Total** |
| Total Income | 6,781 | 906 | **7,687** | 5,041 | 1,691 | **6,732** |
| EBITDA | **581** | 10 | **591** | 262 | (94) | **168** |
| **EBITDA %** | **8.6%** | **1.1%** | **7.7%** | **5.2%** | **-5.6%** | **2.5%** |
| PBT | 215 | (25) | **190** | (59) | (218) | **(277)** |
| PAT after Minority Interest | 133 | (13) | **120** | (56) | (115) | **(171)** |

* China numbers for Oct – Dec 2013 reflects only performance till October 31, 2013.

The Wholly Owned Subsidiaries have recorded another strong performance driven by concentrated focus on productivity & cost control. Total Income grew by 34.5% while EBITDA grew by an impressive 121.8%. EBITDA margins at 8.6% during the quarter expanded by 340 bps. The operations registered PAT of Rs 133 million as against a loss of Rs 56 million in the corresponding period previous year.

**Divestment of stake in China Joint Venture**

Bharat Forge Ltd., through its indirect subsidiary in Hong Kong has divested its 51.85% stake in its Chinese JV operations (FAW Bharat Forge (Changchun) Company Limited) to its Joint Venture partner, China FAW Corporation Limited, for US$ 28.20 million (~ Rs 175 Crores) ending its 8 year old Joint Venture in China.

BFL, since inception of joint venture in 2006, had over a period of time invested Rs 178 Crores in 4 tranches. The divestment will have a positive impact on BFL cash flows and profitability on a consolidated basis.

## OUTLOOK

**Indicative demand outlook for Q4 FY14 across various geographies**

| Particulars | India | North America | Europe |
|---|---|---|---|
| **AUTOMOTIVE** | | | |
| Commercial Vehicles | ↑ | ↑ | ↓ |
| Passenger Vehicles – High End | — | | ↑ |
| Passenger Vehicles – Mass Market | ↓ | ↑ | ↓ |
| Oil & Gas | — | ↑ | ↔ |
| Construction & Mining | ↑ | ↓ | ↓ |