BHARAT FORGE

SECT/ November 10, 2014

The General Manager,
Corporate Relationship Deptt.,
Bombay Stock Exchange Ltd.,
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai 400 001.

(BSE SCRIP CODE – 500493)

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 Q2 FY 2014-15

Please find enclosed the Earnings Update issued by the Company for Q2 FY 2014-15.

Thanking you,

Yours faithfully,
For Bharat Forge Limited

Anand Daga
Vice President (Legal)
& Company Secretary

Encl: As above.

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BHARAT FORGE LIMITED
EARNINGS Update - Q2 FY15 Results

BFL 3 MONTH REPORT



"Q2 FY15 performance has been better than expected on the back of continued robust export growth, in particular from North American Industrial & Commercial Vehicle market.

Leveraging our in-house R&D and Innovation capabilities, we developed new products and technologies enabling us to win our maiden order from SAFRAN and two other global OEM's in the Aerospace sector for supply of mission critical forgings. We expect to achieve more significant order wins in the coming quarters.

We have generated strong operating cash flows in H1 FY15 which has been used to repay high cost debts further strengthening our balance sheet.

Looking ahead into Q3, we expect demand to improve across all segment with volumes increasing compared to Q2 FY15. We expect North America demand to increase while Europe is expected to soften a bit.

We expect the domestic industrial sector to increase in the next two quarters largely driven by "**MAKE IN INDIA**" initiatives of the government of India. The domestic automotive market is showing signs of stability but the CV segment could take some more time depending on the overall economic conditions"

Table 1: Key Figures (Rs Million)

Particulars	Q2 FY15	Q1 FY15	% Change	Q2 FY14	% change
Total Revenues	11,383	9,881	15.2%	8,451	34.7%
EBITDA	3,313	2,908	13.9%	2,228	48.7%
EBITDA %	**29.1%**	**29.4%**		**26.4%**	
PBT before exchange gain/(loss)	2,635	2,176	21.1%	1,426	84.8%
PAT	1,745	1,450	20.3%	964	81.0%
EPS	7.49	6.23		4.14	



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STANDALONE FINANCIAL HIGHLIGHTS Q2FY15

Table 2 Rs. Million

Particulars	Q2 FY15	Q1 FY15	QoQ%	Q2 FY14	YoY %
Shipment Tonnage	**52,560**	**49,123**	**7.0%**	**42,812**	**22.8%**
Domestic Revenue	4,114	4,125	-0.3%	3,580	14.9%
Export Revenue	6,975	5,518	26.4%	4,634	50.5%
Other Operating Income	294	238		237	
Total Revenue	**11,383**	**9,881**	**15.2%**	**8,451**	**34.7%**
EBIDTA	3,313	2,908	13.9%	2,228	48.7%
EBIDTA %	***29.1%***	***29.4%***		***26.4%***	
Other Income	300	242		220	
PBT	2,635	2,176	21.1%	1,426	84.8%
PBT %	***23.1%***	***22.0%***		***16.9%***	
Exchange Gain/ (loss)	(65)	(75)		(7)	
Exceptional Item	(41)	-		-	
PBT	2,529	2,101	20.4%	1,419	78.2%
Profit After Tax	1,745	1,450	20.3%	964	81.0%

- BFL Q2 shipment tonnage at 52,560 tons grew by 7.0% compared to the previous quarter.
- Total revenue increased by 15.2% in Q2 FY15 to Rs 11,383 million as compared to Q1 FY15 driven by 26.4% increase in export on account of industrial sector growth and robust North American Truck market.
- EBITDA during the quarter grew by 13.9% to Rs 3,313 million on a sequential basis.
- PBT before Exchange gain/ (loss) increased by 21.1% in Q2 FY15 to Rs 2,635 million compared to the previous quarter while PAT for the quarter witnessed sequential growth of 20.3% to Rs 1,745 million.



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KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 3 Rs Million

Particulars	*September 30, 2014*	*March 31, 2014*
Debt	*17,742*	*19,943*
Equity	*30,850*	*26,933*
Cash	*9,615*	*9,967*
D/E	***0.58***	***0.74***
D/E (Net)	***0.26***	***0.37***
Net Debt /EBITDA	***0.61***	***1.02***
ROCE	***21.5%***	***16.0%***
RONW	***21.0%***	***15.0%***

We have had strong operating cash flows during H1 FY15 which have been used to repay Rs 236 crores of high cost term loans. The debt portion will further reduce in H2 FY15 by Rs 290 crores due for repayment.

REVIEW OF INDIAN MARKET

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

Particulars	Q2 FY15	Q1 FY15	QoQ%	Q2 FY14	YoY %
LCV	110,825	102,824	7.7%	116,248	-4.6%
Medium & Heavy CV	62,933	62,327	0.9%	52,355	20.2%
Total CV Market (M&HCV +LCV)	**173,758**	**165,151**	**5.2%**	**168,603**	**3.0%**
Passenger Cars including Vans	656,161	612,491	7.1%	651,794	0.6%
Utility Vehicles	165,214	149,046	10.8%	131,809	25.3%
Total Auto Market	**995,133**	**926,688**	**7.3%**	**952,206**	**4.5%**

Source: SIAM

With the overall business confidence improving in the country, Automobile industry is showing signs of some recovery with overall demand increasing. However, demand across segments continue to be volatile and yet to stabilize.



The auto sector volumes improved by 7.3% and 4.5% on a sequential and YoY basis respectively primarily driven by strong growth in the Passenger Vehicle segment, a sign of improved consumer sentiment.

The medium and heavy commercial vehicle (M&HCV) industry which witnessed negative growth for the last 30 months has started showing improvement in market performance with volumes increasing, albeit off a low base.

Government policy initiatives in terms of project implementation, infrastructure development, revival in mining activity as well as continuation of the excise duty concessions and softening crude prices will hopefully provide a positive trigger for volume growth in the coming months.

BFL performance continues to outperform the underlying market. Revenues in the Commercial Vehicle sector in Q2 FY15 grew by 29% compared to Q2 FY14 as against the volume growth of 20%.

REVIEW OF EXPORT MARKETS

Table 5 : Export Revenue **Rs. Million**

Particulars	*Q2 FY15*	*Q1 FY15*	*Growth %*	*Q2 FY14*	*Growth %*
Americas	4,285	3,296	*30.0%*	2,096	*104.4%*
Europe	2,293	1,887	*21.5%*	2,159	*6.2%*
Asia Pacific	397	335	*18.6%*	379	*4.8%*
Total	**6,975**	**5,518**	*26.4%*	**4,634**	*50.5%*

The CV market in North America continues to be healthy on the back of sustained levels of improving economic indicators. Customer confidence in the U.S. economy continues to grow along with freight demand and construction activity. The gradual demand recovery in the European M&HCV sector that was visible during the first half of the year has leveled off due to increasing concerns about the Eurozone economy.

However, BFL's exports into Europe continue to remain robust and have grown by 21.5% in Q2 FY15 compared to Q1 FY15 due to our constant emphasis on a de-risked business model.

We will continue to focus on our de-risking strategy and enhance our presence outside of traditional geographies and sectors while simultaneously focusing on adding new customers and increasing share of business with our existing marquee clients.

In the coming quarter, we expect continuation of growth in the North American truck market while demand in Eurozone is expected to remain sluggish with some downward risk.



Industrial Sector Update

Revenue contribution from the industrial side of the business has been increasing consistently, primarily from the export market. Industrial sector now contributes around 47% of the total standalone revenues up from 37% in the corresponding period previous year. Industrial segment in Q2 FY15 has grown by around 19% on a sequential basis and by 72% on an annual basis.

BFL has made successful foray into the aerospace segment with the commencement of a long-term partnership to supply critical high integrity forged and machined components to SAFRAN global affiliates for commercial aircraft applications. This initial order will be addressed by utilizing the existing facilities at Baramati and Pune, emphasizing our stated intent of sweating our existing assets and constant improvement of the product mix.

We have signed on two more customers in addition to SAFRAN, a reflection of our technical capabilities to address the stringent requirement of global aerospace majors.

Although all segments (Construction & Mining, General Engineering, Power, and Oil & Gas) are contributing to the improvement in off –take, clearly sectors which were impacted by depressed economic conditions over the past few quarters are seeing stronger off-take.

FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

Table 6 **Rs Million**

Particulars	July-September 2014	July-September 2013	% change
Total Revenue	5,432	6,122	(11.2)%
EBITDA	312	493	(36.7)%
EBITDA %	**5.7%**	**8.1%**	
PBT before exceptional item	10	141	

The performance of the overseas operations has declined in the quarter, in line with the demand decline witnessed in Europe across Medium & heavy Commercial Vehicles and Passenger Vehicles. Passenger vehicles sales for the July – September period declined by 13% while Medium & Heavy Commercial vehicles witnessed 8% decline in sales.



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OUTLOOK

Indicative demand outlook across various geographies on a sequential basis

Particulars	India	North America	Europe
Commercial Vehicles	↓	↑	↓
Passenger Vehicles – High End	—	↑	↑
Passenger Vehicles – Mass Market	↑	↑	↓
Oil & Gas	—	↑	—
Construction & Mining	↑	⟷	↓

The North American market across automotive & industrial segment is expected to remain strong in the coming quarter on back of strong underlying macro- economic factors while we are a bit cautious on the European CV market which is showing signs of weakness due to various economic & political factors. The Indian CV market is starting to see some stability in demand but the lack of improvement in economic data suggests that a sustainable and robust CV recovery will take a few more quarters.

The industrial segment in India has been impacted by economic de-growth, lack of investment in core infrastructure sector for the past few years. The best thing that has happened for the industrial sector is the "**Make in India**" initiative of the honorable Prime Minister which is being implemented extremely well by the government. BFL with its manufacturing & metallurgical expertise and R&D capabilities will play a major role in "**Make in India**" across multiple sectors (Rail, Power (Thermal, wind & hydro), construction & mining and general engineering) including Defense.

BFL is focused on achieving its target of doubling sales from India by FY 2018 primarily driven by market share gain in the passenger vehicle & industrial sector, new product development across businesses and by leveraging our strengths in R&D and innovation capabilities to provide pioneering solutions to our clients across the globe.

