BHARAT FORGE

May 22, 2018

To,

BSE Limited,

1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai - 400 001
BSE SCRIP CODE – 500493

National Stock Exchange of India Ltd.

'Exchange Plaza',
Bandra-Kurla Complex, Bandra (East)
Mumbai- 400 051
Symbol: **BHARATFORG**
Series: **EQ**

Dear Sirs,

Re: Earning Update for Q4 FY 2017-18

Please find enclosed herewith Earning Update issued by the Company for Q4 FY 2017-18.

Thanking you,

Yours faithfully,
For **Bharat Forge Limited**

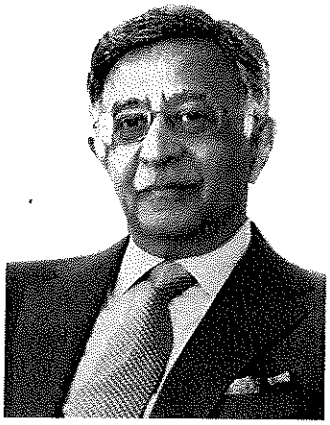
Tejaswini Chaudhari
Deputy Company Secretary

Encl.: As above

BHARAT FORGE LIMITED
Analyst Update - FY 2018 Results

BFL 12 MONTH REPORT

"FY18 has been a record year for the company with revenue growth surpassing underlying demand growth across sectors and geographies. In FY18, the company registered revenue growth of 38% and PBT growth of 56%. For the quarter, Exports grew by 36% and Domestic revenues grew by 23% compared to Q4 FY17. We continued to strengthen the balance sheet with all key financial ratios witnessing a sharp improvement compared to FY2017.



In FY18, the company has secured long term orders of Rs 700 crores across various segments & geographies.

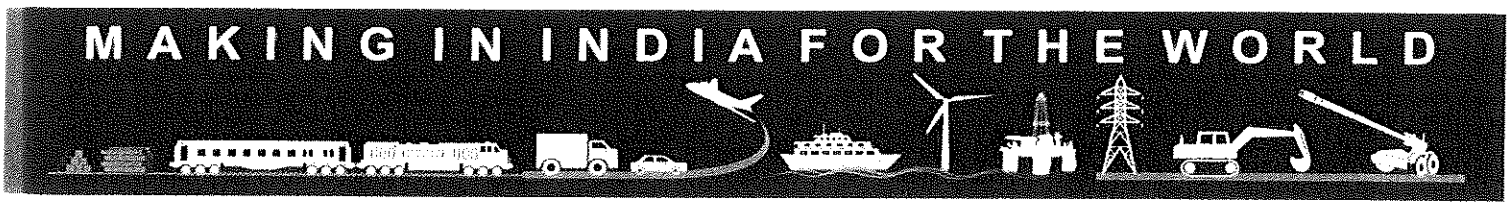
Over the past two years, new business wins of Rs 1,500 crores have been secured, 90% of the wins being from Passenger Vehicles and Industrial segment. This, coupled with the ongoing work on New Product Development, is creating a robust product pipeline and will enable further de-risking of revenue stream in the coming years.

The company is undertaking an expansion of its forging & machining capacity at the Baramati facility by investing Rs 400 crores. This will cater to the requirements of the Automotive & Industrial markets globally. This investment along with the Greenfield facility at Nellore puts us on a strong organic growth trajectory.

The ongoing investments coupled with success on new products and increasing traction on various "Make in India" initiatives puts the company on the cusp of another transformation. This phase will see the company addressing opportunities in Electric Vehicles and enhancing its product portfolio in Automotive & Industrials segment globally.

Looking ahead into FY19, we expect continued strong performance across sectors primarily driven by combination of continued growth in end market demand and new product ramp up."

B.N. Kalyani, Chairman & Managing Director.



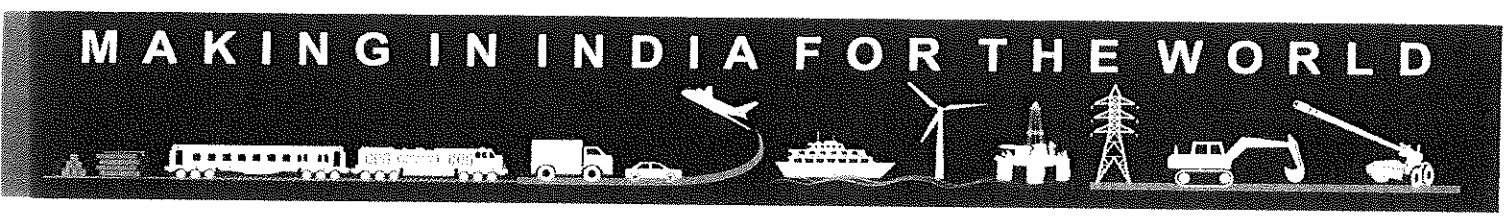
STANDALONE FINANCIAL HIGHLIGHTS FY 2018

TABLE 1 Rs. Million

Particulars	*Q4 FY18*	*Q3 FY18*	*Q4 FY17*	*FY 2018*	*FY 2017*
Shipment Tonnage	68,706	65,050	55,189	248,119	197,573
Domestic Revenue	6,186	5,769	5,042	22,272	18,401
Export Revenue	8,148	7,811	5,972	29,712	19,418
Other Operating Income	332	326	243	1,176	829
Total Revenue	**14,666**	**13,906**	**11,257**	**53,160**	**38,648**
EBIDTA	4,375	4,115	3,240	15,762	11,024
EBIDTA %	*29.8%*	*29.6%*	*28.8%*	*29.7%*	*28.5%*
Other Income	342	219	222	1,186	995
PBT	3,709	3,384	2,533	13,033	8,343
PBT %	*25.3%*	*24.3%*	*22.5%*	*24.5%*	*21.6%*
Exchange Gain/ (loss)	(198)	48	(41)	(394)	(297)
Exceptional Items	(1,332)	-	380	(1,332)	380
PBT after Ex Gain/ (loss) & Exceptional Item	2,179	3,432	2,872	11,307	8,426
Profit After Tax	1,004	2,281	2,075	7,073	5,851

- Total Revenues grew by 30.3% in Q4 FY18 to Rs. 14,666 million as compared to Rs. 11,257 million in Q4 FY17. For the full year FY 2018, with total revenues of Rs. 53,160 million, the company posted a strong Y-o-Y growth of 37.5% on back of 53% growth in export revenues and 22% growth in domestic revenues.

- For Q4 FY18, EBITDA at Rs. 4,375 million grew by 35% as compared to Q4 FY17, while margins expanded by 100 bps to 29.8%. For FY 2018, EBITDA grew by 43% and margins expanded by 120 bps to 29.7% as compared to FY 2017.



- PBT before Exchange gain/ (loss) for Q4 FY18 grew by 46.4% to Rs 3,709 million as compared to Q4 FY17, while for FY 2018 the same grew by 56.2% on a yearly basis.
- Exceptional item in Q4 FY18 of Rs 1,332 million is towards provision for certain non-core investments made in the past through a subsidiary. These comprise investments in oil exploration and EPC contracts in railways and are not related to its regular business.
- PAT stood at Rs. 1,004 million in Q4 FY18 and Rs. 7,073 million in FY 2018.

KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2 **Rs Million**

Particulars	March 31, 2018	March 31, 2017
Long Term Debt	13,462	15,228
Working capital & Bill Discounting	11,666	9,076
Equity	46,143	42,319
Cash	16,008	14,184
D/E	**0.54**	**0.57**
D/E (Net)	**0.20**	**0.24**
Long Term D/E (Net)	**(0.06)**	**0.02**
ROCE (Net of cash)	**22.5%**	**14.9%**
RONW	**17.7%**	**12.9%**

REVIEW OF INDIAN BUSINESS

➢ **Automotive**

FY 2018 was a robust year for the Indian automobile industry as both the Passenger and Commercial vehicle segments posted healthy growth in volumes as compared to FY 2017.

The implementation of GST and transition to the BS-IV emission norms that came into effect from 1st April 2017, proved to be an initial hiccup in the first quarter of FY 2018 for the M&HCV industry. The production volumes continued to increase in the remaining nine months and were also higher than similar months compared to the last year's production. However, in totality the production numbers for FY 2018 remained flat as compared to FY 2017.

BFL continued to outperform the industry due to a strong focus on new product development and by increasing content per vehicle. While the industry remained relatively flat, revenues for the company in FY 2018 from the Commercial Vehicle business increased by 29% as compared to FY 2017.

The gradual build up to the BS-VI emission norm changes to be effective from 1st April 2020, replacement demand, the government's push towards infrastructure development, restriction on overloading of trucks, increase in the rate of road construction and increased mining activities is expected to keep the M&HCV demand for FY 2019 on a positive track.

The company's new products are finding increased acceptance in the passenger vehicle market leading to increasing share with customers. Revenues from the passenger car segment in FY 2018 have shown strong growth of 38.5% as compared to FY 2017.

- **Industrials**

The government's focus on increasing investment in infrastructure is bound to create a positive impact on the sectors that the company works towards in the "Make in India" initiative. Additionally, we are committed to remain in the forefront of the import substitution initiative as we continue to identify and cater to new sectors with the help of our new products under development. Revenues from the Industrial sector in Q4 FY18 were impacted by delays from tender based businesses.

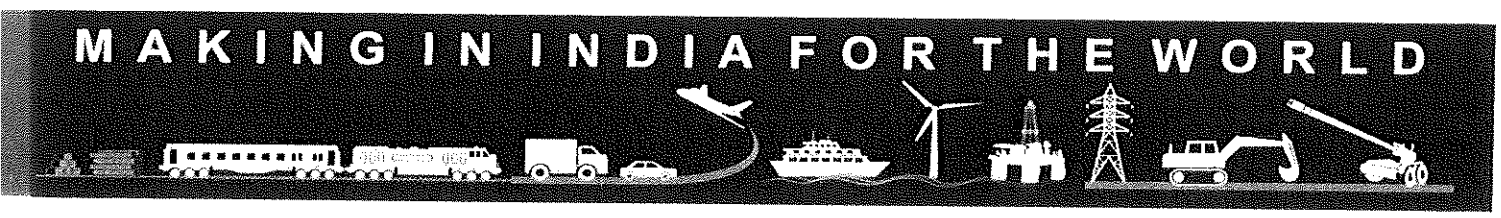
Revenues from the Industrial sector grew by 10.5% in FY 2018 as compared to FY 2017. We expect the improvement in the Industrial business to continue as the overall infrastructure activity pick-ups and new sectors are addressed.

INDIA REVENUES

Table 3 **Rs. Million**

Particulars	Q4 FY18	Q3 FY18	Q4 FY17
Commercial Vehicles	3,297	2,661	2,286
Industrial	1,815	2,041	1,894
Passenger Vehicles	520	559	403
Others*	886	834	702
Total	**6,518**	**6,095**	**5,285**

* Others include other operating income, sale of manufacturing scrap etc.



REVIEW OF INTERNATIONAL BUSINESS

- **Automotive**

With an improving industry fundamentals and increased freight demand, the US Class 8 market reported healthy growth in CY 2017 as compared to CY 2016. Also, CY 2018 has started on a firm footing as witnessed from the strong Class 8 orders for the first quarter. The market is expected to stay robust for the remaining part of the year as well, as fleets continue to add capacity in a dynamic economy where freight growth continues to climb at a rapid pace.

The truck market in Europe also remained strong in first quarter of 2018. Capacity utilization in truck fleets is high and customer profitability good, leading to continued renewal and expansion of fleets.

The company's focus on increasing content per vehicle and increasing share with customers is yielding good results. Revenues from the heavy commercial vehicle business in FY 2018 showed growth of 29.6% as compared to FY 2017, outperforming the underlying markets.

Passenger vehicle demand continues to be robust globally especially in Europe and US, our key markets. Revenues in this segment grew by 22.7% in FY 2018 as compared to FY 2017. We expect the passenger vehicle business to contribute more going forward as we continue to expand our presence in this segment by increasing our product portfolio, offering value added products and targeting new customers.

- **Industrial**

The Oil & Gas industry in North America continues to remain robust on the back of increased activity in the shale gas industry while improving global economic conditions and the stability in the global commodity markets continues to support the demand for construction and mining equipment's.

In FY 2018, the company has nearly doubled its revenues from the Industrial segment as compared to FY 2017. Growth was witnessed in all the segments of the business but was supported largely by the underlying growth in the Oil & Gas and HHP engine segments.

We have been successful in adding new customers in the Industrial sector as we continue to expand our product offerings using our R&D and innovation to manufacture high technology products. We expect to continue to grow this business on the back of firm end markets and as we continue to increase share with existing customers.

INTERNATIONAL REVENUES

Table 4

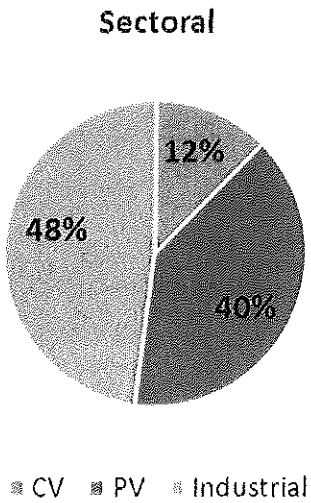
Particulars	Q4 FY18	Q3 FY18	Q4 FY17
Commercial Vehicles	3,458	3,287	2,517
Industrial	3,768	3,590	2,824
Passenger Vehicles	922	934	631
Total	**8,148**	**7,811**	**5,972**

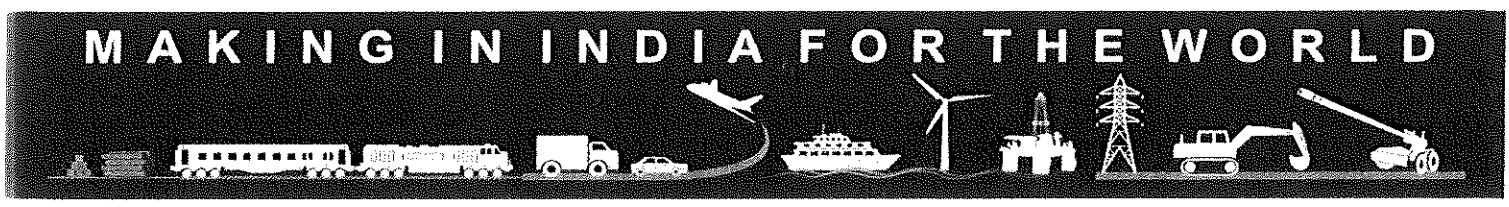
Table 5 Rs. Million

Particulars	Q4 FY18	Q3 FY18	Q4 FY17
Americas	5,596	5,468	3,576
Europe	2,368	1,923	2,071
Asia Pacific	184	420	325
Total	**8,148**	**7,811**	**5,972**

NEW BUSINESS WINS

Over the past two years, the company has secured new business wins of Rs 1,500 crores across sectors and geographies. Bulk of the wins have emanated from Industrial and Passenger Vehicle segment for new products. Below is an analysis of the new wins.





INDUSTRY 4.0

During the quarter, the company has selected the ThingWorx IoT platform from PTC to monitor its factory operations to improve operational efficiency and quality. We have kick- started initial deployment of Thingworx at our manufacturing plant at Pune, India. We expect to derive value by capturing real time operating efficiency, machine downtime and quality KPI's in the first phase followed with adoption of machine learning and artificial intelligence for achieving predictive maintenance capability in the near future.

CONSOLIDATED FINANCIALS - FY 2018

TABLE 6 **Rs. Million**

Particulars	FY 2018	FY 2017
Total Revenue	83,577	63,962
EBITDA	17,787	12,717
EBITDA %	**21.3%**	**19.9%**
PBT before Exceptional item	13,472	8,390
Exceptional Income/ (Expenditure)	(954)	1,284
Exchange Gain / (Loss)	(556)	(207)
PBT after Exceptional item	11,962	9,467
Profit after Tax	7,544	6,976

KEY FINANCIAL PARAMETERS: CONSOLIDATED

TABLE 7 — Rs Million

Particulars	*March 31, 2018*	*March 31, 2017*
Debt	32,569	31,241
Equity	46,811	41,264
Cash	17,113	14,672
D/E	**0.70**	**0.76**
D/E (Net)	**0.33**	**0.40**

OVERSEAS SUBSIDIARIES – CY 2017

TABLE 8 — Rs. Million

Particulars	CY 2017	CY 2016
Total Revenue	26,807	22,566
EBITDA	1,823	1,689
EBITDA %	**6.8%**	**7.5%**
PBT before Exchange Gain/(Loss)	291	148

TABLE 9 — Rs. Million

Particulars	Jan – Mar 2018	Oct – Dec 2017	Jan – Mar 2017
Total Revenue	8,336	7,177	5,894
EBITDA	691	647	452
EBITDA %	**8.3%**	**9.0%**	**7.7%**
PBT	239	205	88

The overseas operations continues to witness improvement in financial performance driven by product mix and focus on productivity and costs.