BHARAT FORGE

Date: November 8, 2016

To,

The General Manager,
Corporate Relationship Department,
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai - 400 001.
Ref: **BSE SCRIP CODE – 500493**

The Secretary,
National Stock Exchange of India Ltd.,
'Exchange Plaza',
Bandra Kurla Complex, Bandra (East)
Mumbai- 400 051
Symbol: **BHARATFORG**
Series: **EQ**

Ref: Meeting of Board of Directors of Bharat Forge Limited held on November 8, 2016.

Subject: Earning Update for Q2 FY 2016-17

Dear Sir/Madam,

Please find enclosed herewith Earning update issued by Bharat Forge Limited for Q2- FY 2016-17.

Thanking you,

Yours faithfully,
For Bharat Forge Limited,

Tejaswini Chaudhari
Dy. Company Secretary

Enclosures: As above

BHARAT FORGE LIMITED

Analyst Update - Q2 FY17 Results

BFL 3 MONTH REPORT

"We are starting to witness demand in global markets slowly turn positive once again. This has allowed BFL to offset the sudden decline in domestic CV market and improve profitability on a sequential basis.



During the quarter, the company has further strengthened its market share in the North American CV market with addition of a customer, while in India the company has added 2 new customers in the PV segment.

Looking ahead in to Q3, we anticipate improved demand condition in India across automotive & industrial segments. We expect export markets to remain sluggish, although we see some green shoots in Oil & Gas and allied sectors. The business has clearly bottomed out and we look forward to the growth journey ahead of us.

The company continues to intensify its market & product development activities in all geographies driven by advanced technology offerings to our customers. We are also focusing on consolidating our leading market position on core components in the triad markets.

We have now commenced series production for hybrid applications used in passenger cars from our European operations and expect this segment to grow in future. We are developing similar components and products in India for global customers.

The company proposes to divest its 49% stake in the Power Equipment JV with Alstom for a consideration of US$ 35 million.

B.N. Kalyani, Chairman & Managing Director.

Key Figures (Rs Million except EPS)

Particulars	Q2 FY17	Q1 FY17	% change	Q2 FY16	% change
Total Revenues	9,359	9,571	(2.2)	11,710	(20.1)
EBITDA	2,531	2,537	(0.2)	3,353	(24.5)
EBITDA %	**27.0%**	**26.5%**		**28.6%**	
PBT before exchange gain/(loss)	1,921	1,886	1.9	2,698	(28.8)
PAT	1,268	1,221	3.8	1,723	(26.4)
EPS (Rs.)	**5.45**	**5.24**		**7.40**	

STANDALONE FINANCIAL HIGHLIGHTS Q2 FY17

TABLE 1 — Rs. Million

Particulars	*Q2 FY17*	*Q1 FY17*	*QoQ %*	*Q2 FY16*	*YoY %*
Shipment Tonnage	46,203	49,098	(5.9)	54,559	(15.3)
Domestic Revenue	4,658	5,335	(12.7)	4,980	(6.5)
Export Revenue	4,515	4,079	10.7	6,480	(30.3)
Other Operating Income	186	157		250	
Total Revenue	9,359	9,571	(2.2)	11,710	(20.1)
EBIDTA	2,531	2,537	(0.2)	3,353	(24.5)
EBIDTA %	***27.0%***	***26.5%***		***28.6%***	
Other Income	309	256		282	
PBT	1,921	1,886	1.9	2,698	(28.8)
PBT %	***20.5%***	***19.7%***		***23.0%***	
Exchange Gain/ (loss)	(51)	(95)		(148)	
PBT after Ex Gain/ (loss)	1,870	1,791	4.4	2,550	(26.7)
Profit After Tax	1,268	1,221	3.8	1,723	(26.4)

- Total Revenues declined by 2.2% in Q2 FY17 to Rs 9,359 million as compared to Q1 FY17 impacted by 20% sequential decline in domestic MHCV demand. Export revenues grew by 10.7% driven by continued ramp up in PV business and initial signs of recovery in industrial segment.
- The company's focus on cost control has resulted in EBITDA margins improving by 50 bps from 26.5% in Q1 FY17 to 27.0% in this quarter.
- PBT before Exchange gain/ (loss) and Exceptional item grew by 1.9% to Rs 1,921 million in Q2 FY17.
- PAT stood at Rs 1,268 million in Q2 FY17, a growth of 3.8% as compared to Rs 1,221 million in Q1 FY17.



KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2

Rs Million

Particulars	September 30, 2016	March 31, 2016
Short Term & Long Term Debt	19,657	18,406
Sales Bill Discounting Liability	6,692	9,367
Equity	38,607	35,872
Cash	15,205	11,465
D/E	**0.68**	**0.78**
D/E (Net)	**0.29**	**0.46**

REVIEW OF INDIAN MARKET

TABLE 3: DOMESTIC AUTO PRODUCTION (No's)

Particulars	Q2 FY17	Q1 FY17	QoQ%	Q2 FY16	YOY %
LCV	114,897	114,327	**0.5**	106,380	**8.0**
Medium & Heavy CV	73,959	91,240	**(18.9)**	88,764	**(16.7)**
Total CV Market	188,856	205,567	**(8.1)**	195,144	**(3.2)**
Passenger Cars	996,575	850,177	**17.2**	895,097	**11.3**
Total Auto Market	1,185,431	1,055,744	**12.3**	1,090,241	**8.7**

Source: Society of Indian Automobile Manufacturers (SIAM)

Automotive Business

Domestic automotive production volumes in this quarter witnessed a strong growth of 8.7% as compared to the same period previous quarter, on back of buoyant demand for passenger and Light Commercial vehicles. However, the M&HCV segments witnessed a sharp decline of 17% in Q2 FY17 compared to Q2 FY16. The company's M&HCV revenue remained flat at Rs 1,715 million in Q2 FY17 as against Rs 1,725 million in Q2 FY16.

The expectation of pre-buy in the coming months on account of new emission standards from 1st April, 2017 coupled with improvement in industrial activity and the government's focus on infrastructure project execution could bring commercial vehicle growth back on track in the near future.

The government's commitment to climate change and its decision to implement stricter emission norms in a phased manner from April 2017 is commendable. BFL has been supplying EURO VI compatible products for several years and as such is well positioned to support the domestic OEM's in this transition. Additionally, the company is focused on developing new suite of products to address this emerging opportunity by leveraging its global expertise and R&D capabilities.

REVIEW OF INTERNATIONAL BUSINESS

TABLE 4: INTERNATIONAL MARKETS REVENUE BREAK-UP Rs. Million

Particulars	Q2 FY17	Q1 FY17	Q2 FY16
Americas	2,412	2,149	4,231
Europe	1,781	1,769	1,950
Asia Pacific	322	161	299
Total	**4,515**	**4,079**	**6,480**

Automotive Business

In the US, the sluggish economic environment particularly in the manufacturing segment has led to a softer than normal freight market resulting in low utilization rates amongst the existing fleet. Added to this is the traditional uncertainty caused in election years.

The European truck market continues to be stable. A good steady state demand for transport has helped in high capacity utilization of the truck fleets and the resultant increased profitability has spurred demand for renewal of truck fleets

BFL's sales into the heavy truck market in Q2 FY17 at Rs 2,534 million have registered a growth of 3.3% compared to Q1 FY17 while it is down 28% compared to Q2 FY16 on account of decline in US truck market demand.

New automotive technologies

Over the last 3 years, the Company has worked intensively with OEMS to develop complex forged and precision machined components for hybrid applications used in passenger cars. We have now commenced series production shipments from our European operations and expect this segment to grow in future. We are developing similar components and products in India. We also have ongoing engagements to help us further develop penetration in the growing hybrid/electric segment.

Industrial business

The challenging demand environment in global industrial continues unabated with global political uncertainty adding to the existing headwinds of weak commodity prices and sluggish global growth. BFL's industrial business continues to be impacted with revenues declining 44% in Q2 FY17 compared to same period previous year. On a sequential basis, revenues have increased 14% driven by market share gains in HHP business.

OVERSEAS SUBSIDIARIES

Table 5 **Rs. Million**

Particulars	Jul – Sep 2016	Apr – Jun 2016	Jul – Sep 2015
Total Income	4,995	6,318	5,488
EBITDA	418	492	358
EBITDA %	**8.4%**	**7.8%**	**6.5%**
PBT	29	101	(30)

The July- September period, traditionally a weak quarter due to summer holidays is reflected in de-growth on the topline. The continued focus on cost control and productivity improvement has resulted in EBITDA margins improving both on a Q-o-Q and Y-o-Y basis.

Divestment of 49% stake in Power Equipment JV

The Board of Directors of Bharat Forge Limited has approved divestment of its 49% stake in the power equipment JV with Alstom, Alstom Bharat Forge Power Private Limited (ABFPL) for US$ 35 million.

The JV incorporated in Delhi with its manufacturing facility at Sanand was formed in 2009 to address opportunities arising from expansion in the Indian power sector. This transaction is subject to approvals from relevant regulatory authorities.