BHARAT FORGE

February 9, 2016

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

Dear Sir,

Re: Earnings Update for Q3 FY 2015-16

Please find enclosed the Earnings Update issued by the Company for Q3 FY 2015-16.

Thanking you,

Yours faithfully,
For Bharat Forge Limited

BHARAT FORGE LTD. MUNDHWA PUNE 411 036

Anand Daga
Vice President (Legal)
& Company Secretary

Encl: As above.

BHARAT FORGE LIMITED

Analyst Update - Q3 FY16 Results

BFL 3 MONTH REPORT

"During the Quarter, despite higher automotive sales, continued weakness in the industrial sector across both, domestic and international markets adversely impacted the overall topline. Favorable product mix coupled with cost control measures & low commodity prices resulted in EBITDA margin expansion of 130 bps.



Our focus on developing new processes, expanding the product portfolio by sweating our existing assets and leveraging our innovation capabilities is opening up new growth avenues. The company is starting to garner order wins from existing as well as new customers both in India & globally. This strategy will be the cornerstone of our next phase of growth in the coming 12-18 months.

The company's "Make in India" strategy to focus on import dependent sectors such as Oil & Gas, Mining, power and Transportation amongst others is progressing well with slew of initial sample orders for new products & systems. The traction in the "Make in India" vertical is poised to further accelerate with the Indian economy picking up.

We continue to witness success in all our new initiatives, including growing business in Passenger vehicle segment, expanding product portfolio across automotive & industrial segments and improving traction in the "Make in India" vertical which creates a strong platform for future growth. However the commodity allied sectors continues to witness lower demand on back of weak prices while the North American truck market is expected to stabilize around 270,000 units in CY 2016. We have initiated actions to rationalize cost across all activities to realign with the prevailing demand environment and put more thrust on operational efficiency, accelerating New Product Development and New Customer acquisition.

B.N. Kalyani, Chairman & Managing Director.

Key Figures (Rs Million)

Particulars	Q3 FY16	Q2 FY16	% change	Q3 FY15	% change
Total Revenues	10,520	11,168	(5.8)	11,978	(12.2)
EBITDA	3,301	3,362	(1.8)	3,668	(10.0)
EBITDA %	**31.4%**	**30.1%**		**30.6%**	
PBT before exchange gain/(loss)	2,632	2,742	(4.0)	2,908	(9.5)
PAT	1,661	1,751	(5.1)	1,963	(15.4)
EPS	**7.13**	**7.52**		**8.43**	



STANDALONE FINANCIAL HIGHLIGHTS Q3 FY16

TABLE 1 — Rs. Million

Particulars	*Q3 FY16*	*Q2 FY16*	QoQ%	Q3 FY15	YoY %
Shipment Tonnage	50,741	54,559	(7.0)	53,306	(4.8)
Domestic Revenue	4,004	4,539	(11.8)	4,086	(2.0)
Export Revenue	6,290	6,379	(1.4)	7,335	(14.2)
Other Operating Income	226	250		557	
Total Revenue	10,520	11,168	(5.8)	11,978	(12.2)
EBIDTA	3,301	3,362	(1.8)	3,668	(10.0)
EBIDTA %	*31.4%*	*30.1%*		*30.6%*	
Other Income	231	255		191	
PBT	2,632	2,742	(4.0)	2,908	(9.5)
PBT %	*25.0%*	*24.6%*		*24.3%*	
Exchange Gain/ (loss)	(129)	(148)		(46)	
PBT after Ex Gain/ (loss)	2,503	2,594	(3.5)	2,862	(12.5)
Exceptional Items	(42)	-		-	
PBT after Exceptional Item	2,461	2,594	(5.1)	2,862	(14.0)
Profit After Tax	1,661	1,751	(5.1)	1,963	(15.4)

- BFL shipment tonnage in Q3 FY16 decreased by 7% compared to Q2 FY16.
- Total Revenues in Q3 FY16 are at Rs 10,520 million as compared to Rs. 11,168 million in Q2 FY16.
- EBITDA margins at 31.4% in Q3 FY16 have expanded by 130 bps over Q2 FY16
- PBT before Exchange gain/ (loss) and Exceptional item stands at Rs 2,632 million, a marginal decline of 4% as compared to Rs. 2,742 million in the previous quarter.
- PAT for the quarter is at Rs 1,661 million, 5% lower as compared to Rs 1,751 million in Q2 FY16.



KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2 Rs Million

Particulars	December 31, 2015	March 31, 2015
Debt	19,230	17,974
Equity	37,465	34,957
Cash	11,355	10,130
D/E	**0.51**	**0.51**
D/E (Net)	**0.21**	**0.22**

REVIEW OF INDIAN MARKET

TABLE 3: DOMESTIC AUTO PRODUCTION (No's)

Particulars	Q3 FY16	Q2 FY16	QoQ%	Q3 FY15	YOY %
LCV	111,404	105,777	**5.3**	104,159	**7.0**
Medium & Heavy CV	74,311	88,751	**(16.3)**	60,966	**21.9**
Total CV Market	185,715	194,528	**(4.5)**	165,125	**12.5**
Passenger Cars	637,221	700,750	**(9.1)**	623,603	**2.2**
Utility Vehicles	167,511	181,115	**(7.5)**	145,924	**14.8**
Total Auto Market	990,447	1,076,393	**(8.0)**	934,652	**6.0**

Source: Society of Indian Automobile Manufacturers (SIAM)

Automotive Business

The domestic automotive market this quarter has witnessed growth in volumes across all segments as compared to the same period last year. The M&HCV segment witnessed a strong growth of 21.9% as the trend for replacement demand continues while the passenger and utility vehicle segment grew by 4.6% driven by new product launches & lower fuel prices.

For the similar period, BFL's sales in to the M&HCV sector has grown by 28.0% vis-a-vis market growth of 21.9% driven by product specific market share increase.

A proposal to implement scrappage policy across all vehicle class, stricter emission norms and increased profitability of fleet operators is expected to support the replacement demand in the future. A pick-up in demand from infrastructure and industrial sectors in view of reforms being initiated by the Government as well as the initiative to expand the network of roads and highways is expected to keep the commercial vehicle segment on a growth trajectory.

Industrial business

The industrial sector continues to be on a steady but slow growth path with a few aberrations in some months. Although the Government's measures to revive the infrastructure sector is starting to show progress with order momentum picking up pace in road sector, mining output increasing and the no of stalled projects coming down gradually, trickle down of demand down the supply chain will take some time.

A big derivative of the "Make in India" programme is the import substitution opportunity. The company has identified four sectors namely mining, power, railways/marine and defence to tap this opportunity for growth. The company has made significant progress in developing new and technologically differentiated products across these sectors and is hopeful of securing new orders in the near future.

REVIEW OF INTERNATIONAL BUSINESS

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

Particulars	Q3 FY16	Q2 FY16	QoQ%	Q3 FY15	YoY %
Americas	4,026	4,171	*-3.5%*	4,928	*-18.3%*
Europe	1,997	1,916	*4.2%*	2,122	*-5.9%*
Asia Pacific	267	292	*-8.3%*	285	*-6.2%*
Total	**6,290**	**6,379**	-1.4%	**7,335**	-14.2%



Automotive Business

2015 was a strong year for both the North American & European truck market on the back of a strong replacement activity, benign fuel prices and fleet expansion. The NA truck market witnessed volume growth of 10% while the European Heavy truck volumes increased by 19%.

While the outlook for the European heavy truck demand is expected to be flat to slightly positive in CY 2016. However, after 4 continuous year of growth, truck demand in North America is expected to decline going forward due to elevated inventory and a weakness in the global commodity markets.

BFL's performance in the CV segment is expected to outperform the underlying market driven by ramp of new order firmed up in the past 2 years. The company continues to work on increasing in product offering to the customers in the various regions.

The US passenger vehicle industry is witnessing a period of relatively strong growth and profitability, with annual sales reaching prerecession levels. Shifts in consumer preferences and expanded regulatory requirements related to safety and emission standards are expected to create a positive demand environment.

BFL continues to expand its market share, enhance value addition and increase product offering for the passenger vehicle sector. For 9M FY2016, the segment has witnessed growth of 112% driven by ramp up of new orders.

Industrial business

The industrial sector globally is undergoing a painful & a challenging transition to realign their cost structure to the low demand environment coupled with severely low prices. This has led to curtailing of capex, mothballing of projects and focus on increasing competitiveness. BFL's industrial business, once the engine of growth driven by shale gas & mining boom has declined by 36% in 9M FY16.

While the above factors have adversely impacted our industrial business, they are also opening up new opportunities in terms of collaborating with customers to identify & address pain points, capture market share from beleaguered suppliers and develop products catering to Surface & sub-sea segments.

Indian Defense & Aerospace Opportunity

BFL has been a key supplier of components to the Indian defense establishment for over 3 decades. Defense is at the core of the Government's "Make in India" initiative. The focus is not only on creating capabilities within India to develop, engineer & manufacture end use systems, but also to achieve localization of the components & consumables required over the life span of the systems.

BFL's will focus on capturing the opportunity through supply of critical components for the Defense & Aerospace sector.

OVERSEAS SUBSIDIARIES

Table 5 — Rs. Million

Particulars	Oct - Dec 2015	July – Sep 2015	Oct - Dec 2014
Total Income	5,684	5,488	5,826
EBITDA	243	358	343
EBITDA %	**4.3%**	**6.5%**	**5.9%**
PBT*	(105)	(30)	53

*** PBT before exceptional item & exchange gain/ (loss)**

The decline in profitability of the international subsidiaries in Oct - Dec quarter is a result of one off operational related issues which have now been fixed. We expect the performance of the subsidiaries to improve driven by market growth & ramp up of the new aluminum forging business.

OUTLOOK

Indicative market demand outlook for various geographies

Particulars	India	North America	Europe
Commercial Vehicles	↑	↓	↑
Passenger Vehicles – High End	—	↑	↑
Passenger Vehicles – Mass Market	↑	↑	↔
Oil & Gas	—	↓	↓
Construction	↑	↓	↓
Mining	↑	↓	↓
Aerospace	—	↑	↑
Power (Renewable & Thermal)	↑	—	↑

