# BHARAT FORGE

October 29, 2015

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 Q2 FY 2015-16**

Please find enclosed the Earnings Update issued by the Company for Q2 FY 2015-16.

Thanking you,

Yours faithfully,
For Bharat Forge Limited

Anand Daga
Vice President (Legal)
& Company Secretary

BHARAT FORGE LTD PUNE 411 036 MUNDHWA

Encl: As above.

KALYANI
GROUP COMPANY

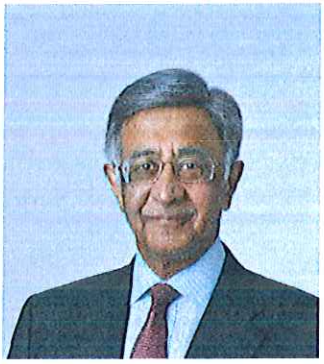
BHARAT FORGE LIMITED, MUNDHWA, PUNE 411 036, MAHARASHTRA, INDIA.
PHONE : +91 20 6704 2777 FAX : +91 20 2682 0699 (Export), 2682 2387 (Sales/Mktg) 2682 2163 (Materials)
Website : www.bharatforge.com
CIN No. L25209PN1961PLC012046

# BHARAT FORGE LIMITED

## Analyst Update - Q2 FY16 Results

**BFL 3 MONTH REPORT**

"The sales development during the quarter was lower than initially anticipated due to high volatility across multiple sectors and geographies, particularly all industrial sectors. As a result, sales during the quarter were marginally lower.



Our focus on following an asset light model coupled with fiscal prudence aimed at becoming a net debt free company and cost rationalization, has ensured that profitability has been maintained and cash flow generation has been strong.

The Passenger vehicle components business continues to progress well as evident from more than doubling of export sales in that segment.

Entering into H2 FY16, we anticipate demand trend to be similar to H1 FY16. Global macro uncertainty and its adverse impact on demand in the Industrial sector will be compensated to some extent by positive automotive demand and ramp up of passenger vehicle business.

We are putting enormous focus on new product development and intensifying the customer acquisition process both in India & globally.

We have identified new segments within the industrial sector both in India & globally and have started achieving initial breakthroughs, the results of which will be visible in the medium term. We are quite confident that these measures will ensure that the company returns to high growth trajectory with the recovery in global markets.

Our leadership team is well-experienced in managing the company through such volatile cycles. In addition, the company will leverage its rich repository of engineering, product development & innovation capabilities to enter new sectors and develop new products, enabling the company to become stronger and more profitable, and secure our leadership position in all of our key markets"

B.N. Kalyani, Chairman & Managing Director.

Key Figures (Rs Million)

| Particulars | Q2 FY16 | Q1 FY16 | % change | Q2 FY15 | % change |
|---|---|---|---|---|---|
| Total Revenues | 11,168 | 11,285 | (1.0) | 11,383 | (1.9) |
| EBITDA | 3,362 | 3,590 | (6.3) | 3,312 | 1.5 |
| EBITDA % | **30.1%** | **31.8%** | | **29.1%** | |
| PBT before exchange gain/(loss) | 2,742 | 3,023 | (9.3) | 2,634 | 4.1 |
| PAT | 1,751 | 1,954 | (10.4) | 1,745 | 0.3 |
| EPS | **7.52** | **8.39** | | **7.49** | |

## STANDALONE FINANCIAL HIGHLIGHTS Q2 FY16

TABLE 1 — Rs. Million

| *Particulars* | *Q2 FY16* | *Q1 FY16* | QoQ% | Q2 FY15 | YoY % |
|---|---|---|---|---|---|
| Shipment Tonnage | 54,559 | 51,984 | 5.0 | 52,560 | 3.8 |
| Domestic Revenue | 4,539 | 4,365 | 4.0 | 4,114 | 10.3 |
| Export Revenue | 6,379 | 6,670 | (4.4) | 6,975 | (8.5) |
| Other Operating Income | 250 | 250 | | 294 | |
| Total Revenue | 11,168 | 11,285 | (1.0) | 11,383 | (1.9) |
| EBIDTA | 3,362 | 3,590 | (6.3) | 3,312 | 1.5 |
| *EBIDTA %* | *30.1%* | *31.8%* | | *29.1%* | |
| Other Income | 255 | 289 | | 300 | |
| PBT | 2,742 | 3,023 | (9.3) | 2,634 | 4.1 |
| *PBT %* | *24.6%* | *26.8%* | | *23.1%* | |
| Exchange Gain/ (loss) | (148) | (129) | | (65) | |
| PBT after Ex Gain/ (loss) | 2,594 | 2,894 | (10.4) | 2,570 | 0.9 |
| Exceptional Items | - | - | | (41) | |
| PBT after Exceptional Item | 2,594 | 2,894 | (10.4) | 2,529 | 2.6 |
| Profit After Tax | 1,751 | 1,954 | (10.4) | 1,745 | 0.3 |

- Total Revenues decreased by 1.9% in Q2 FY16 to Rs 11,168 million as compared to Q2 FY15 mainly due to decline in revenues from the industrial segment on account of the downturn in commodity prices. Performance in the domestic markets remained fairly strong with revenues increasing by 10.3% as compared to Q2 FY15.
- EBITDA margins at 30.1% in Q2 FY16 have expanded by 100 bps over Q2 FY15.
- PBT before Exchange gain/ (loss) and Exceptional item increased by 4.1% in Q2 FY16 to Rs 2,742 million compared to Rs 2,635 million in Q2 FY15 due to reduced interest costs.
- PAT increased by 0.3% from Rs 1,745 million in Q2 FY15 to Rs 1,751 million in Q2 FY16.

**KEY FINANCIAL PARAMETERS: STANDALONE**

**TABLE 2** **Rs Million**

| Particulars | September 30, 2015 | March 31, 2015 |
|---|---|---|
| **Debt** | 19,358 | 17,974 |
| **Equity** | 35,755 | 34,957 |
| **Cash** | 11,039 | 10,130 |
| **D/E** | **0.54** | **0.51** |
| **D/E (Net)** | **0.23** | **0.22** |

## REVIEW OF INDIAN MARKET

**TABLE 3: DOMESTIC AUTO PRODUCTION (No's)**

| Particulars | Q2 FY16 | Q1 FY16 | QoQ% | Q2 FY15 | YOY % |
|---|---|---|---|---|---|
| LCV | 105,777 | 98,833 | **7%** | 110,845 | **(5)%** |
| Medium & Heavy CV | 88,751 | 75,053 | **18%** | 62,933 | **41%** |
| **Total CV Market** | **194,528** | **173,886** | **12%** | **173,778** | **12%** |
| Passenger Cars | 700,750 | 657,155 | **7%** | 659,266 | **6%** |
| Utility Vehicles | 181,115 | 158,014 | **15%** | 164,981 | **10%** |
| Total Auto Market | 1,076,393 | 989,055 | **9%** | 998,025 | **8%** |

Source: Society of Indian Automobile Manufacturers (SIAM)

**Automotive Business**

The domestic automotive market registered volume growth of 8% in this quarter as compared to the same quarter last year with positive volume growth across all segments except for the LCV segment which declined marginally. The M&HCV segment witnessed strong growth of 41% on the back of replacement demand, discount-led push by OEMs and a pre-buying effect due to mandatory adoption of safety norms such as ABS from October 2015.

Though the profitability of fleet operators is improving due to drop in diesel prices, reduction in finance cost and relatively stable freight rates, a consistent improvement in the industrial production and increased government spending on infrastructure is essential to spur fleet expansion demand.

The government is working towards creating an efficient transport infrastructure by building new roads and highways and upgrading the existing ones. It has laid down stricter emission norms for old vehicles and has also made safety devices like ABS mandatory on all new trucking platforms. This would encourage adoption of new efficient trucks and provide a strong impetus for fleet replacement.

**Industrial business**

The latest IIP numbers showed some encouraging signs on the Indian economy. The industrial output rose to nearly a 3-year high of 6.4% on improvement in manufacturing and capital goods thus indicating a recovery of sorts. The industrial sector has shown resilience despite below normal monsoon and a weak external demand scenario.

The efforts of the Government to revive manufacturing and accelerate industrial activity through the "Make in India" drive has started yielding modest results but the challenge remains to sustain this growth in the coming months as well. A 50 bps reduction in base rates by the central bank in its recent policy meeting and continuation of the reform measures initiated by the Government for ease of doing business in sectors such as roads, railways, mining and defence is expected to rejuvenate the investment cycle.

The company continues to focus on the "Make in India" programme to address market opportunities in various sectors such as Rail, Power, Mining, Defense and Aerospace.



# REVIEW OF INTERNATIONAL BUSINESS

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

| Particulars | Q2 FY16 | Q1 FY16 | QoQ% | Q2 FY15 | YoY % |
|---|---|---|---|---|---|
| Americas | 4,171 | 4,393 | *(5.0)* | 4,285 | *(2.7)* |
| Europe | 1,916 | 1,795 | *6.8* | 2,293 | *(16.4)* |
| Asia Pacific | 292 | 482 | *(39.5)* | 397 | *(26.5)* |
| **Total** | **6,379** | **6,670** | *(4.4)* | **6,975** | *(8.5)* |

**Automotive Business**

The revenues from the automotive segment in the export markets showed a growth of 15% on a YoY basis driven by strong off-take from the passenger vehicle segment and increase in demand in Commercial Vehicle segment.

The demand in North American Heavy truck market is expected to be flat to marginally lower in CY 2016 while the European Heavy truck demand is expected to grow in low single digits in CY 2016. BFL with recent market share gains and new customer additions in North America & Europe is expected to perform better than the underlying market growth.

One of the key focus areas for BFL in the export market has been to increase its presence in the Passenger Vehicle segment. The ramp up of the Passenger Vehicle component business is progressing smoothly as evident from the substantial growth in the Passenger vehicle export sales in this quarter. Several areas have been identified and good progress is evident.

**Industrial business**

The commodity markets which have witnessed a fall in prices in the last couple of quarters have resulted in activity declines and impacted the outlook of Oil & Gas and allied commodity sectors. The impact of the decline in these sectors has been evident with revenues from Oil & Gas vertical declining 50% YoY.

We remain focused on our strategy of de-risking across products and geographies and continue to invest in technology to create capabilities which will keep us well positioned to accelerate our growth when these industries recover. We have renewed our focus to identify new sectors within industrial sector despite the downturn.

The rail and aerospace sectors are expected to grow as the ramp up of existing orders take place. We continue to utilize our R&D and innovation to develop new world class products for this sector and increase our market share.

The export revenues from the industrial business declined by 32% on a YoY basis to Rs 2,344 million.



## OVERSEAS SUBSIDIARIES

Table 5 — Rs. Million

| Particulars | July – Sep 2015 | April – June 2015 | July – Sep 2014 |
|---|---|---|---|
| Total Income | 5,488 | 6,006 | 5,432 |
| EBITDA | 358 | 376 | 312 |
| **EBITDA %** | **6.5%** | **6.3%** | **5.7%** |
| PBT | (30) | 3 | 10 |

## OUTLOOK

**Indicative demand outlook for FY16 across various geographies**

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