

BHARAT FORGE LIMITED

Analyst Update - FY 2017 Results

BFL 12 MONTH REPORT

“In Q4 FY17, the company continued to witness sales growth, strong profitability and reduction of debt. The increase in sales was broad-based across segments and geographies. Exports grew by 23% and domestic revenues grew by 17% sequentially while Industrial business witnessed a growth of 28% and the automotive business grew by 15% sequentially.

During the quarter, the company was the recipient of Daimler Supplier Award 2016 – Global Procurement Trucks and Buses for the International supply of best quality crankshafts and front axle beams which we received in Stuttgart, Germany on February 24, 2017. The company was also the recipient of General Motors supplier of the year award which we received in Orlando, Florida on March 31, 2017.

During the year, the company has secured long term exports orders of US\$ 80 million and Rs 270 crores from the domestic market across various segments & geographies for existing as well as new products.

The company’s future growth driven by new products & new businesses is another step in further diversifying our business and making it more resilient to cyclical downturn. We expect that new business/products which form around 5% of sales today should grow to about 15% in the next couple of years.

Looking ahead into FY18, we expect our performance to be better than the underlying market demand, driven by improvement in North American market across sectors, ramp up of passenger vehicle business and increasing share of business from new sectors.

We are extremely happy with the new policy of the Government’s making local sourcing mandatory for Government projects under “Make in India” across Railways, Power, Oil & Gas, Defense and Steel. The company already caters to the government agencies and is one of the few companies with the readiness and capability to respond through to address this opportunity.”

B.N. Kalyani, Chairman & Managing Director.



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STANDALONE FINANCIAL HIGHLIGHTS FY 2017

Particulars	Rs. Million				
	Q4 FY17	Q3 FY17	Q4 FY16	FY 2017	FY 2016
Shipment Tonnage	55,189	47,083	52,413	197,573	209,697
Domestic Revenue	5,617	4,805	5,060	20,415	19,335
Export Revenue	5,972	4,852	5,330	19,418	24,985
Other Operating Income	243	243	210	829	936
Total Revenue	11,832	9,900	10,600	40,662	45,256
EBIDTA	3,240	2,719	3,124	11,024	13,645
EBIDTA %	27.4%	27.5%	29.5%	27.1%	30.2%
Other Income	222	208	277	995	1,109
PBT	2,533	2,005	2,412	8,343	10,764
PBT %	21.4%	20.3%	22.8%	20.5%	23.8%
Exchange Gain/ (loss)	(41)	(113)	(60)	(297)	(462)
Exceptional Items	380	-	-	380	(42)
PBT after Ex Gain/ (loss) & Exceptional Item	2,872	1,892	2,352	8,426	10,260
Profit After Tax	2,075	1,286	1,655	5,851	6,976

- Total Revenues grew by 19.5% in Q4 FY17 to Rs 11,832 million as compared to Rs 9,900 million in Q3 FY17. The growth was driven by a sequential increase of 23% in export revenues & 17% increase in domestic revenues. All segments across domestic & export market contributed to the increase in topline.
- Despite a one-time impact on wages on account of union wage settlement and increase in raw material prices (pass thru); EBITDA margins remained stable at 27.4%.
- PBT before Exchange gain/ (loss) grew by 26.3% sequentially to Rs 2,533 million in Q4 FY17.

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- Exceptional item in Q4 FY17 consists of Rs 540 million gains on sale of stake in Power Equipment JV and Rs 160 million loss of impairment of investments in Indian subsidiaries.
- PAT stood at Rs 2,075 million in Q4 FY17, a growth of 61.4% as compared to Rs 1,286 million in Q3 FY17.

KEY FINANCIAL PARAMETERS: STANDALONE

Particulars	Rs Million	
	March 31, 2017	March 31, 2016
Short Term & Long Term Debt	16,330	18,406
Sales Bill Discounting Liability	7,975	8,487
Equity	42,319	35,815
Cash	14,184	11,463
D/E	0.57	0.75
D/E (Net)	0.24	0.43

The company continues to maintain a healthy balance sheet and good cash flow. As of March 31 2017, Net Long Term Loan position was Rs 1,036 million

REVIEW OF INDIAN BUSINESS

Automotive Business

The M&HCV industry had been largely volatile in FY 2017. While demand remained robust initially, it tapered off later on account of deferment of purchase on uncertainty related to the impact of GST on vehicle prices and demonetization, but picked up again towards the end of the year led by pre-buying due to the implementation of BS-IV emission norms from 1st April 2017. In totality, the M&HCV volumes for FY 2017 remained flat as compared to FY 2016. BFL continued to outperform the industry and gain market share, revenues for FY 2017 from the CV business increased by 8% as compared to FY 2016 mainly due to ramp up of orders from new customers.

Looking ahead into FY18, we expect the M&HCV demand to remain muted on back of increase in prices of BS IV vehicles and the impending implementation of GST. An increasing thrust towards infrastructure projects, improving macro-economic scenario and favorable regulatory developments such as emission and fuel efficiency norms and vehicle modernization programs could be the growth drivers.

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Industrial business

As a part of the “Make in India” program, focused efforts and activities had been undertaken by the company to address the programs of the Govt. of India and support the import substitution initiative. The company had identified a few sectors namely mining, power, railways and defence to tap this opportunity for growth.

Over the few years, BFL has developed new products across these sectors, leveraging its innovation and in-house R&D expertise which helped the company make significant progress in adding new customers and securing new orders. As a result, revenue contribution from the industrial side of the business has been increasing consistently. The company achieved its highest quarterly revenue of Rs 189 crores in Q4 FY17 and revenues from industrial business for FY 2017 grew by 13.4% as compared to FY 2016.

A continuation of the reform measures initiated by the Government coupled with favorable regulatory developments, importance to indigenization and an increasing thrust towards infrastructure development projects, the company is well placed to cater to the various industrial segments. Additionally, the company is further enhancing its R&D initiative to help develop newer products and target new sectors.

REVIEW OF INTERNATIONAL BUSINESS

TABLE 3: INTERNATIONAL MARKETS REVENUE BREAK-UP

Particulars	Rs. Million		
	Q4 FY17	Q3 FY17	Q4 FY16
Americas	3,576	2,766	2,896
Europe	2,071	1,682	2,247
Asia Pacific	325	404	187
Total	5,972	4,852	5,330

Automotive Business

After a challenging CY 2016, the US Class 8 truck market has started witnessing some favorable demand as the new CY 2017 started and these initial months orders suggest that the replacement cycles may be getting back into a more traditional pattern. However, the growth in the US economy and a resultant improvement in the freight markets will determine the sustainability of this increased order activity in the remaining months of the year.

Passenger vehicle demand continues to be robust especially in China, Europe and US. This bodes well for BFL as we continue to expand our presence in this segment and key geographies of US and Europe. A dual pronged approach of increasing our product offerings and moving up the value on our existing products has helped grow our revenues in FY 2017 by 14.1% as compared to FY 2016.

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Industrial business

The revival in the North America Oil & Gas industry continues and there was a strong growth in US rig count during the first quarter of CY 2017 leading to an accelerated deployment of idle capacity. This increased activity gives BFL an opportunity to increase market share with its high technology products that it supplies into the Oil & Gas industry. The recovery in the global commodity prices and North American construction activity is continuing but at a slow pace due to which the mining and construction industry demand has remained fairly muted.

Despite the softness and continued sustainability about the recovery in the underlying markets, the company continues in its effort in terms of further diversifying the industrial business.

New Business Wins

During the year, the company secured US\$ 120 million of new business wins spread across geographies and business verticals. Significant contribution to the new business wins originated from New Products/ Technologies developed over the past 2 years, in line with our long term strategic goal.

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CONSOLIDATED FINANCIALS – FY 2017

TABLE 4	Rs. Million		
Particulars	FY 2017	FY 2016	
Total Revenue	65,982	70,016	
EBITDA	12,717	14,471	
EBITDA %	19.3%	20.7%	
PBT before Exceptional item	8,390	10,103	
Exceptional Income/ (Expenditure)	1,284	(55)	
Exchange Gain / (Loss)	(207)	(390)	
PBT after Exceptional item	9,467	9,658	
Profit after Tax	6,976	6,493	

KEY FINANCIAL PARAMETERS: CONSOLIDATED

TABLE 5	Rs Million		
Particulars	March 31, 2017	March 31, 2016	
Debt	31,241	33,751	
Equity	41,264	34,090	
Cash	14,614	12,196	
D/E	0.76	0.99	
D/E (Net)	0.40	0.63	

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OVERSEAS SUBSIDIARIES – CY 2016

TABLE 6	Particulars	Rs. Million	
		CY 2016	CY 2015
	Total Revenue	32,796	33,287
	EBITDA	1,876	1,034
	EBITDA %	5.7%	3.1%
	PBT before Exceptional Item	294	(292)
	PBT after Exceptional item	384	(222)
	Profit After Tax	469	(117)

The improvement in EBITDA margins despite slight reduction in revenues is a result of the focus on improving productivity, improving product mix towards new material technology and cost containment.

TABLE 7	Particulars	Rs. Million		
		Jan – Mar 2017	Oct – Dec 2016	Jan – Mar 2016
	Total Income	5,894	5,051	5,744
	EBITDA	452	474	442
	EBITDA %	7.7%	9.4%	7.7%
	PBT	88	89	52

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