

BHARAT FORGE LIMITED

ANALYST / INVESTOR UPDATE

JULY 15, 2003

ANALYST UPDATE

Quarter ended – 30th June, 2003

Analysis over corresponding Quarter last year

- Total Sales up by 40 % to Rs 2007 million
- Exports up by 79 % to Rs 797 million
- Exports at 39 % of Sales v/s 31 %
- Domestic Sales up by 22.3 %
- EBIDTA Margin up by 104 BP to 28.41 %
- PBT up by 109% to Rs 382 million
- PAT up by 114 % to Rs 263 million
- EPS at Rs 6.79 v/s Rs 3.13

Key Highlights of the quarter

- Growth continues at a higher pace
- Domestic market appears robust
- Strong growth in exports
- Operating margin enhances further
- De-risking model successful
- Making headway into new markets and customers
- Business plans for FY04 on target

Quarter Review – 30th June, 2003

In Q1FY04, BFL has maintained its robust growth by demonstrating a 40% growth over Q1FY03. PBT & PAT have both shown growth of well over 100%. EBITDA margin of the company is similarly strong at 28.41%. The company has shown an export growth of close to 79.1% and domestic market has grown by over 22.3%. The company is happy to announce that DaimlerChrysler, one of its marquee customers, has awarded BFL new business that doubles the volume of chassis components to be supplied. This accelerated ramp up is a result of Bharat Forge's high levels of quality, and customer satisfaction.

The company is continuing to work to secure new markets for itself in the area of engine components for commercial vehicles and passenger cars segment. The company has been working with several prospective customers and is quite confident of making a breakthrough in this fiscal year.

The company's export markets is going according to plan. Exports to the 2nd Chinese customer will begin ramping up in the latter part of the 2nd quarter. Similarly exports to Renault will also see similar ramp up in the 2nd quarter. The company is quite optimistic about being able to grow its business in the global markets quite substantially and is therefore installing its 2nd 6000 tonne press line at this time. This 2nd 6000 tonne press line will expand capacity in the medium size-forging segment, which essentially covers the forged passenger car crankshaft market. This will enable BFL to have advanced capacity to cater to demand from this segment.

The company has been able to maintain a tight control on cost, which is seen from the improvement in EBITDA margin to 28.4% against 27.39% of last year. Interest costs have come down from 108 million in Q1 last year to 87 million this year. Interest cost as a percentage of sales has hit an all time low of 4.26%. Manpower cost is down to 6.24% of sales as against 7.87% last year. The company has taken the price rise in raw materials and energy costs within its stride and has shown improvement at the operating level.

BUSINESS REVIEW

Domestic Market

The domestic economy has shown buoyancy with the commercial vehicles segment registering close to 15% growth during the April-June quarter. Reflecting the buoyancy, Bharat Forge domestic sales clocked Rs 1210 million during the quarter thus registering a growth of 22.3% over the previous year.

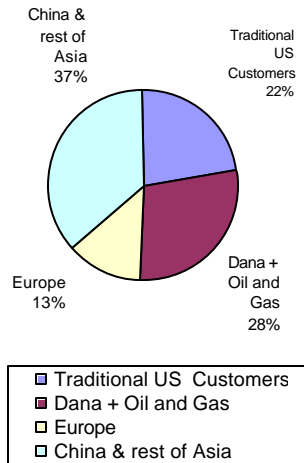
With the onset of good monsoons, the demand should continue to look up in the coming months. The monsoon has set the overall economy in a good momentum, hence we view the domestic market growth rates to be healthy. Also looking forward, foreign manufacturers, particularly car and utility vehicles explore the possibility of greater localization in India. The company is gearing to capitalize on these opportunities.

Exports Market :Derisking Model at Work

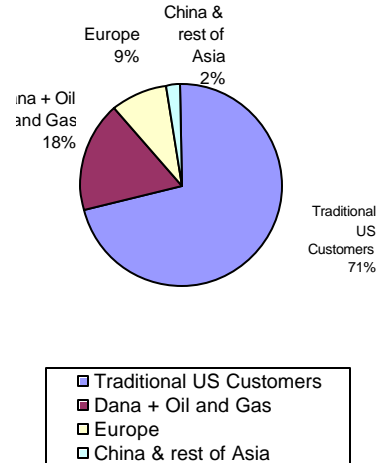
The surge in Exports business continued during the first quarter recording a healthy jump of 79% over the previous corresponding period. Exports stood at Rs 797 million representing 39% of total sales for Q1FY04 against 31% the earlier year.

Of the total exports of Rs 797 million for the quarter, traditional US customers accounted for 22 %, Dana & Oil & Gas for 28 %, Europe at 13 % and China contributed 37 %. Fruits of de-risking is clearly visible. Heavy dependence on US markets from 71 % in Q1 FY03 is significantly reduced with increased contribution from China and Europe during the first quarter being the revenue drivers. The company's success at derisking its business has been reinforced BFL maintaining high profitability and overall growth in spite of the sluggish conditions in the traditional US markets.

Q1FY04



Q1FY03



Our efforts to further broaden the de-risking model continues, as we broadbase our product profile with the entry into the passenger car segment. The other focus area will be enhancing the client base thus further insulating the model from adversities.

Focus : Global passenger car market

Towards the end of last year the company accelerated its strategy of entering the passenger car component segment. Our thrust on passenger cars segments calls for a different business dynamics altogether. Bharat Forge has primarily been a leader in the commercial vehicle segment, to achieve a similar positioning in the passenger cars market we are re-orienting our capabilities considering the following factors :

- Large volumes in the car segment
- Product development capabilities and
- Logistics and supply chain management

The increasing shift towards diesel cars and thanks to the new engine technologies like CDI which are throwing up huge opportunities for forged crankshafts in the passenger cars segment. The building blocks for targeting the car segment are being put in place and more than a decade of our expertise in catering to international marquee customers has come handy. Our internal focus is being sharpened to move and grab a sizeable chunk in this segment. We are quite confident of making a major breakthrough in this area in the near future.

R&D Initiatives

In order to build a strong and globally competitive company, investment in R&D is a requirement. In the past we had done some work in the development side of R&D by upgrading our design capability using CAD and 3-dimensional simulation software. For FY04, we are laying further emphasis on enhancing BFL's product development capability to achieve our vision of being a full service supplier to our customers.

Market Expansion program

Our strategy to target prospective customers and penetrate deeper into existing customers is in full swing. In line with our strategy, we are in talks with a couple of large customers in the areas of Engine components, and passenger car components. Our optimism of securing business from these customers is reflected in our setting up additional capacity to cater to this demand. Bharat Forge is once again proving its commitment to its customers and confidence in achieving its growth targets by setting up a large capacity to rapid scale up to the anticipated demand.

Ramping-up of Operations

The order backlog of FY03 needs a significant scaling up as :

- Exports to Renaults is being ramped up to full volume in 2nd quarter
- Exports to Second Auto Works, China should commence in the next quarter
- First Auto Works shipments is progressing under the schedule
- Supplies to Toyota by the end of this financial year

To reiterate our commitment to our Marquee customers, the company's ramping-up of operations is as per the schedule. Our focus on Technology, speed-to-market, product development time will continue to enhance the efficiency parameters with a blend of value addition and strict control on costs.

Rupee appreciation

Rupee appreciation has been a cause of concern on the exports front. But during fiscal FY03, Bharat Forge has replaced Rupee loans with dollar denominated exposure. From this perspective, we have gained a natural hedge against Rupee appreciation, Therefore any significant impact of rupee appreciation on our bottomline can be taken of to a large extent.

Business Outlook

The business outlook for Bharat Forge Limited remains strong in both exports as well as domestic segments. Export business will be bolstered by the steady ramp up of order backlog coupled with increased volume from existing customers. Domestic business is expected to be buoyant due to the increase in sales of commercial vehicles and utility vehicles in the country.

Our initiatives with large customers in both domestic and export markets will fructify in the near term adding to a robust performance.

For further details, please contact :

Mr Amit Kalyani
Bharat Forge Ltd
Mundhwa, Pune.
Tel # 95-20-6818702
Fax # 95-20-6876961
Email : abkalyani@bharatforge.com

Mr Rajiv Naidu
Adfactors PR
2, Nagin Mahal
Mumbai – 20
Tel # 95-22-56349848
Fax # 95-22-22855887
Email : rajiv@adfactorspr.com