



BHARAT FORGE

Bharat Forge Limited

Q1 FY12 Earnings Update

10th August 2011

Key Highlights: Continued Momentum on back of Derisked business

Q1 FY12 performance clearly reflects the benefit of a de-risked business model across markets, customers and segments. Key highlights of the quarter are

- Domestic revenues recorded YoY growth of 18.6% & sequential growth of 2.8%, better than the **underlying market growth**. **The sequential growth has been achieved despite auto volume de-growth of 10.2%**
- Export growth of 67.1% driven by strong growth in CV markets in US & Europe and continuation of increasing traction on the non auto front in both the geographies.
- Non Auto business grew by 51.3% in Q1 FY12 on a YoY basis driven by ramp up of new facilities.
- New facilities contributed Rs 1,615 million to the topline of as against Rs 816 million in the corresponding quarter previous year, a growth of 97.9%.
- PBT growth of 60.9% on a YoY basis.
- Continued improvement in performance of overseas operations with topline growth of 38.1% & PBT growth of 54.2% on a YoY basis.

Bharat Forge Stand alone Financials - Q1 FY 2012

Table 1 *Rs. Million*

Particulars	Q1 FY12	Q1 FY11	YoY %	Q4 FY11	QoQ %
Shipment Tonnage	52,959	42,643	24.2	51,267	3.3
Domestic Revenue	4,766	4,020	18.6	4,635	2.8
Export Revenue	3,811	2,281	67.1	3,582	6.4
Total Revenue	8,577	6,301	36.1	8,217	4.4
EBIDTA	2,084	1,545	34.9	1,989	4.8
EBIDTA %	24.3	24.5		24.2	
Other Income	147	101		149	
PBT	1,414	879	60.9	1,366	3.5
PBT %	16.5%	14.0%		16.6%	
Profit After Tax	974	594	64.0	1,004	(3.0)

- Volume growth of 24.2% on strong export demand.
- Domestic revenues grew by 18.6% on a YoY basis and 2.8% on a sequential basis. The sequential growth in revenues was achieved despite a 13.3% drop in M&HCV volumes.
- Export revenues grew by 67.1% on back of strong demand from US & European CV market.
- EBITDA in Q1 FY12 at Rs 2,084 million witnessed a growth of 34.9% compared to the corresponding period previous year.
- PBT for the quarter at Rs 1,414 million as against Rs 879 million in the corresponding quarter previous year, a growth of 60.9%.
- Contribution from the new facilities in FY11 was Rs 1,615 million.

Review of Business - Standalone operations - Components Business

Following table summarizes the geographical distribution of the company's revenue streams in Q1 FY12 against that in the corresponding previous periods.

Table 2 *Rs. Million*

Particulars	Q1 FY12	% of Total	Q1 FY11	% of Total	Growth %
India	4,766	55.6	4,020	63.8	18.6
USA	1,521	17.7	1,149	18.2	32.4
Europe	2,032	23.7	978	15.5	107.8
Asia Pacific	258	3.0	154	2.5	67.5
Total	8,577	100	6,301	100	36.1

Review of Indian Market

Table 3: Domestic Automotive Production Data

Particulars	Q1 FY 12	Q1 FY 11	YoY%	Q4 FY 11	QoQ %
LCV	117,244	86,857	35.0	119,390	-1.8
Medium & Heavy CV	87,629	76,652	14.3	101,099	-13.3
Total CV Market (M&HCV +LCV)	204,873	163,509	25.3	220,489	-7.1
Utility Vehicles	98,219	84,862	15.7	103,541	-5.1
Passenger Cars	661,187	570,707	15.9	749,547	-11.8
Total Auto Market	964,279	819,078	17.7	1,073,577	-10.2

Source: SIAM

After 2 strong years of growth in FY10 & FY11, the Indian automotive industry is facing several headwinds in the form of high fuel prices, persistently high inflation, and hard interest rate regime.

These factors coupled with slowing industrial activity have impacted underlying demand for commercial as well as passenger & utility vehicles.

During the April - June period, volumes across all segments registered a de-growth varying from 1.8% to 13.3%. The fortunes of the M&HCV segment which is closely linked with Industrial activity witnessed volume de-growth of 13.3% on a sequential basis.

BFL domestic revenue grew by 18.6% and 2.8% on a YoY & sequential basis respectively, better than the underlying market demand.

Review of Export Markets

The European & North American & CV markets continued to witness strong demand in the 1st half of CY 2011. M&HCV segment which account for close to 50% of exports saw volume growth of 43.6% & 56.1% in European & North American markets respectively. The growth in Europe is being driven by latent demand especially from countries like Germany & Sweden while in North America the driver is replacement of old fleet and new emission norms.

BFL's exports in to Europe have grown by 107.8% to Rs 2,032 million while exports in to North America have grown 32.4% to Rs 1,521 million. The impressive growth has been achieved on back of strong traction across automotive & non automotive applications.

Non Auto Update:

Components Business

Non Auto revenue in the quarter has increased by 51.3% over the corresponding quarter previous year to Rs 2,840 million. The growth has been driven by demand from both domestic & export clients across sectors.

Contribution to the top line from the new facilities has increased by 97.9% from Rs 816 million to Rs 1,615 million. This has been achieved on back of a strategy of product extension & customer penetration. This strategy has played out very well for BFL with strong traction across sectors and increasing pipeline of order flows from both domestic and export customers.

Financial highlights - Overseas Subsidiaries - Component Business

The financial statement for April - June 2011 for the Subsidiaries is as below.

Table 4

Rs Million

Particulars	Apr - Jun 2011			Apr- Jun 2010			YoY %
	WOS	China	Total	WOS	China	Total	
Total Income	5,471	1,637	7,108	3,724	1,422	5,146	38.1
EBITDA	310	89	399	216	78	294	35.7
EBITDA %	5.67%	5.44%	5.61%	5.80%	5.49%	5.71%	
PBT	76	35	111	42	30	72	54.2
PBT %	1.39%	2.14%	1.56%	1.13%	2.11%	1.40%	

China Market

Table 5

China Production Data	Jan - Jun11	Jan - Jun10	YoY %
Passenger Cars	7,070,240	6,682,316	5.8
Commercial Vehicles	2,103,221	2,243,711	-6.3
Total Auto Market	9,173,461	8,926,027	2.8

Source: CAAM

After 5 years of strong growth, the Chinese automotive industry is witnessing a slowdown akin to the one witnessed in India. Interest rate hikes aimed at cooling the economy has had an impact on the sector and has grown by only 2.8% in the 1st half of CY2011 while the Commercial vehicle sector has seen a volume drop of 6.3% in the same period.

The overseas operations consisting of our joint venture in china and our Wholly Owned Subsidiaries in Europe & USA have continued to record steady performance in the Apr-Jun period.

Wholly owned subsidiaries performance continued to improve in line with the improvement in auto market demand.

- Total income grew by 46.9% on a YoY basis.
- EBITDA grew by 43.4% & PBT grew by 80.9% on a YoY basis.

Conclusion

- Q1 FY12 results highlights the benefits of BFL’s derisked business model which ensured continuation of growth momentum despite de-growth in Indian automotive industry.
- Exports continue to witness strong performance on back of demand from European & North American commercial vehicle market and strong traction from non automotive segment.
- Continuation of improvement in EBITDA margins of overseas subsidiaries with increase in capacity utilization.