

## BHARAT FORGE LIMITED

### EARNINGS Update - Q1FY15 Results

#### BFL 3 MONTH REPORT

“Q1 FY15 witnessed sequential growth across major product segments and geographies in line with expectation with Industrial segment revenue contribution at 46% for the quarter. The sales improvement coupled with a favorable product mix resulted in improvement in EBITDA % and robust operating cash flow.

We continue to develop newer products at our R&D and innovation center for global markets focusing on improving endurance & product performance. We expect that these products will get introduced in the next two quarters.

Currently we are witnessing a strong order pipeline across all product segments especially with global customers. We are creating a strong foundation towards achieving our medium term target of doubling sales by FY18.

Looking ahead into Q2, we expect demand to improve across all segment with volumes increasing compared to Q1 FY15, except the domestic automotive market where improvement may take some more time.”



B.N. Kalyani, Chairman & Managing Director.

#### Key Figures (Rs Million)

Particulars	Q1 FY15	Q4 FY14	% Change	Q1 FY14	% change
Total Revenues	9,881	9,305	6.2%	7,915	24.8%
EBITDA	2,908	2,304	26.2%	1,960	48.4%
EBITDA %	<b>29.4%</b>	<b>24.8%</b>		<b>24.8%</b>	
PBT before exchange gain/(loss)	2,176	1,710	27.3%	1,175	85.2%
PAT	1,450	1,190	21.8%	906	60.0%
EPS	6.23	5.11		3.89	

## STANDALONE FINANCIAL HIGHLIGHTS Q1FY15

Table 2		Rs. Million			
Particulars	Q1 FY15	Q4 FY14	QoQ%	Q1 FY14	YoY %
<b>Shipment Tonnage</b>	<b>49,123</b>	<b>48,015</b>	<b>2.3%</b>	<b>41,279</b>	<b>19.0%</b>
Domestic Revenue	4,125	3,958	4.2%	3,744	10.2%
Export Revenue	5,518	5,079	8.6%	3,972	38.9%
Other Operating Income	238	268		199	
<b>Total Revenue</b>	<b>9,881</b>	<b>9,305</b>	<b>6.2%</b>	<b>7,915</b>	<b>24.8%</b>
EBIDTA	2,908	2,304	26.2%	1,960	48.4%
<b>EBIDTA %</b>	<b>29.4%</b>	<b>24.8%</b>		<b>24.8%</b>	
Other Income	242	353		180	
PBT	2,176	1,710	27.3%	1,175	85.2%
<b>PBT %</b>	<b>22.0%</b>	<b>18.4%</b>		<b>14.8%</b>	
Exchange Gain/ (loss)	(75)	(27)		175	
Exceptional Item	-	123		-	
PBT	2,101	1,806	16.3%	1,350	55.6%
Profit After Tax	1,450	1,190	21.8%	906	60.0%

- BFL Q1 shipment tonnage at 49,123 tons grew by 2.3% compared to the previous quarter.
- Revenues increased by 6.2% in Q1 FY15 to Rs 9,881 million as compared to Q4 FY14 driven by 8.6% improvement in export and 4.2% improvement in domestic revenues.
- EBITDA during the quarter grew by 26.2% to Rs 2,908 million on a sequential basis. EBITDA margins expanded by 460 bps on the back of favorable product mix & exchange realization and increased capacity utilization.
- PBT before Exchange gain/ (loss) increased by 27.3% in Q1 FY15 to Rs 2,176 million compared to the previous quarter.
- PAT for the quarter grew 21.8% to Rs 1,450 million sequentially while it rose sharply by 60.0% compared to the corresponding quarter previous year.

## KEY FINANCIAL PARAMETERS: STANDALONE

Particulars	Rs Million	
	June 30, 2014	March 31, 2014
<b>Debt</b>	19,691	19,943
<b>Equity</b>	28,302	26,933
<b>Cash</b>	11,463	9,967
<b>D/E</b>	<b>0.70</b>	<b>0.74</b>
<b>D/E (Net)</b>	<b>0.29</b>	<b>0.37</b>
<b>Net Debt /EBITDA</b>	<b>0.67</b>	<b>1.02</b>

## REVIEW OF INDIAN MARKET

Table 4: Domestic Automotive Production Data (No's)

Particulars	Q1 FY15	Q4 FY14	QoQ%	Q1 FY14	YoY %
LCV	102,824	116,000	-11.4%	129,513	-20.6%
Medium & Heavy CV	62,327	62,414	-0.1%	65,629	-5.0%
<b>Total CV Market (M&amp;HCV +LCV)</b>	<b>165,151</b>	<b>178,414</b>	<b>-7.4%</b>	<b>195,142</b>	<b>-15.4%</b>
Passenger Cars including Vans	612,491	651,018	-5.9%	613,458	-0.2%
Utility Vehicles	149,046	153,455	-2.9%	134,504	10.8%
<b>Total Auto Market</b>	<b>926,688</b>	<b>982,887</b>	<b>-5.7%</b>	<b>943,104</b>	<b>-1.7%</b>

Source: SIAM

The automotive industry continues to witness depressed demand across segments despite the reduction in the excise duty from 12% to 10% which was expected to act as a catalyst in reviving the sector outlook in the near to medium term.

The CV sector volumes declined 7.4% and 15.4% on a sequential and YoY basis respectively, clearly a sign of the weak freight movement and other headwinds. Hopefully with Industrial growth starting to show signs of revival as visible from the past few month data and GDP growth expected to head northbound in a steady manner, the sector outlook for the rest of the year is looking positive.

Despite the unfavorable demand environment, BFL performance continues to outshine the underlying market performance. Automotive revenue in Q1 FY15 grew by 5.3% on a sequential basis and 1.8% in compared to Q1 FY14.

## REVIEW OF EXPORT MARKETS

**Table 5** **Rs. Million**

<i>Particulars</i>	<i>Q1 FY15</i>	<i>Q4 FY14</i>	<i>Growth %</i>	<i>Q1 FY14</i>	<i>Growth %</i>
<b>Americas</b>	3,296	2,914	<b>13.1%</b>	1,869	<b>76.3%</b>
<b>Europe</b>	1,887	1,756	<b>7.5%</b>	1,827	<b>3.3%</b>
<b>Asia Pacific</b>	335	409	<b>-18.2%</b>	276	<b>21.0%</b>
<b>Total</b>	<b>5,518</b>	<b>5,079</b>	<b>8.6%</b>	<b>3,972</b>	<b>38.9%</b>

The CV market in North America continues to be robust on back of sustained levels of construction activity & improving economic activity. It is also being aided by the replacement of older fleets with more fuel efficient models. The EU markets has been soft in 6 months till June 2014 due to the pre buy effect however OEM's are indicating a revival in the 2<sup>nd</sup> half. Overall, we expect the NA truck market to register a strong double digit growth while EU is expected to witness volumes similar to CY 2013. BFL continues to focus on enhancing its presence outside of its traditional market and simultaneously focusing on increasing share of business with our existing marquee clients and new client additions.

As part of our strategy of focusing on the global passenger vehicle segment, we are starting to witness early signs of growth on that front. In Q1 FY15, Revenues from the passenger vehicle segment have grown by 27% on sequential and on an annual basis to Rs 747 million. As the past order wins start ramping up, we expect the share of passenger vehicle in the standalone business to grow further. We expect more traction in terms of order wins from both global & domestic OEM as we enhance our presence and product offering in this space.

### **Industrial Sector Update**

The industrial side of the business is starting to witness demand improvement from the domestic market, on back of improved sentiment and anticipated recovery in infrastructure spending while the export market continues to perform well driven by the company's de-risked business model ensuring that any sluggishness in a particular segment is compensated by the other sectors.

Industrial segment in Q1 FY15 has grown by around 10% on a sequential basis to Rs 4,176 million. Industrial sector now account for 46% of standalone revenues up from 39% in the corresponding period previous year.

All segments (construction & mining, General Engineering, Power, and Oil & Gas) are contributing to the improvement in off –take but clearly sectors which were impacted by depressed economic conditions over the past few quarters are seeing strong off-take.

## FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

Particulars	April – June 2014	April – June 2013
Total Revenue	6,250	6,173
EBITDA	456	541
<b>EBITDA %</b>	<b>7.3%</b>	<b>8.8%</b>
PBT before exceptional item	151	256

The performance of the overseas operations has been in-line with subdued demand development on the truck side in Q2 CY14.

## OUTLOOK

**Indicative demand outlook across various geographies on a sequential basis**

Particulars	India	North America	Europe
<b>AUTOMOTIVE</b>			
Commercial Vehicles	↔	↑	↔
Passenger Vehicles – High End	—	↑	↑
Passenger Vehicles – Mass Market	↓	↑	↓
Oil & Gas	—	↑	↑
Construction & Mining	↑	↑	↑