

BHARAT FORGE LIMITED

Analyst Update - Q1 FY20 Results

BFL 3 MONTH REPORT

“Q1 FY20 was a challenging quarter with negative demand development in the domestic market across segments, with OEM’s focussed on correcting inventory levels across the value chain. This coupled with the inventory de-stocking in the export Oil & Gas business, had an adverse impact on our performance. Total sales for the quarter at Rs 13,466 million declined by 9.0% compared to Q1 FY19. PAT was down 25.8% at Rs 1,741 million compared to Q1 FY19.

During the quarter, the company secured new business worth US\$ 30 million for automotive application across domestic & export markets. We look forward to the commencement of operations at CLWT Nellore in the coming quarter.

Given the prevailing weak & uncertain demand environment, and especially the situation across the automotive value chain, the government has taken the issue seriously and is putting in place measures to improve demand and sentiments. We expect these measures to result in better off-take from H2 FY20.

While the sales development through the course of FY20 is dependent on end markets, our focus will be on aggressively cutting cost, accelerating new product development through our own R&D, free cash generation and strengthening the balance sheet. We have previously seen such cycles and are confident of coming out stronger and faster than before.”



B.N. Kalyani, Chairman & Managing Director.

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STANDALONE FINANCIAL HIGHLIGHTS Q1 FY20

Particulars	Rs. Million				
	Q1 FY20	Q4 FY19	QoQ %	Q1 FY19	YoY %
Shipment Tonnage	60,874	62,690	-2.9%	66,815	-8.9%
Domestic Revenue	5,557	6,577	-15.5%	6,001	-7.4%
Export Revenue	7,527	9,626	-21.8%	8,443	-10.8%
Other Operating Income	382	483		353	
Total Revenue	13,466	16,686	-19.3%	14,797	-9.0%
EBIDTA	3,519	4,849	-27.4%	4,288	-17.9%
EBIDTA %	26.1%	29.1%		29.0%	
Other Income	401	501		343	
PBT	2,646	4,214	-37.2%	3,554	-25.5%
PBT %	19.6%	25.3%		24.0%	
Exchange Gain/ (loss)	(24)	323		(2)	
PBT after Exchange Gain/ (loss)	2,622	4,537	-42.2%	3,552	-26.2%
Profit After Tax	1,741	2,995	-41.9%	2,345	-25.8%

- Total revenues in Q1 FY20 at Rs 13,466 million declined by 9.0% as compared to the same period last year caused by weak demand environment in domestic market and inventory de-stocking in Oil & Gas.
- EBITDA at Rs. 3,519 million de-grew by 17.9% as compared to Q1 FY19.
- PBT before Exchange gain/ (loss) de-grew by 25.5% on a Y-o-Y basis to Rs 2,646 million in Q1 FY20.
- PAT stood at Rs 1,741 million, a decline of 25.8% as compared to Rs 2,345 million in Q1 FY19.

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Particulars	Rs Million	
	June 30, 2019	March 31, 2019
Long Term Debt	15,796	15,722
Working capital & Bill Discounting	15,682	16,220
Equity	55,612	53,982
Cash	18,266	17,252
D/E	0.57	0.59
D/E (Net)	0.24	0.27
Long Term D/E (Net)	(0.05)	(0.03)
ROCE (Net of cash)	15.4%	24.7%
RONW	12.5%	19.8%

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REVIEW OF INDIA BUSINESS

Automotive Business

The domestic automotive industry in this quarter witnessed significant de-growth across all sectors as compared to last year due to continued liquidity tightness, rising cost of ownership and weak consumer sentiment. M&HCV industry production was down 23% sequentially and 18% compared to last year same quarter. Similar double digit decline in Passenger Vehicle production was witnessed during this quarter.

The M&HCV segment in particular has been impacted by multiple headwinds in recent months. A strong production growth in FY 2019 coupled with revision in axle load norms amidst weak freight demand has led to an oversupply of freight-carrying capacity. Tightening of lending norms on account of the ongoing NBFC crisis and falling freight rates have dampened fleet operator sentiments.

The government is cognizant of the prevailing economic environment and is expected to implement certain set of measures such as boosting infrastructure investments, sectoral incentives, GST relief to specific sectors like auto and other confidence building steps for the private sector to stimulate economic growth. These measures will benefit the auto industry and help revive demand in H2 FY2020.

The company's M&HCV revenue stood at Rs. 2,159 million in Q1 FY20, a decline of 30.8% on a Y-o-Y basis.

Industrials Business

The India industrials business at Rs. 2,090 million in Q1 FY20 witnessed a steady growth of 16% as compared to Q1 FY19. All sectors in the Industrial business contributed to growth with the exception of agri sector which saw some decline due to lower tractor sales. Going forward, we expect the Industrials business to remain fairly stable at these levels. We are working on various new initiatives across all sectors to increase this business.

INDIA REVENUES

Particulars	Rs. Million		
	Q1 FY20	Q4 FY19	Q1 FY19
Commercial Vehicles	2,159	2,278	3,121
Industrial	2,090	2,873	1,796
Passenger Vehicles	536	672	474
Others*	1,154	1,237	963
Total	5,939	7,060	6,354

* Others include other operating income, sale of manufacturing scrap etc.

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REVIEW OF INTERNATIONAL BUSINESS

Automotive Business

North American Class 8 production has been very robust for the first six months of CY 2019 and current build rates with strong backlogs will continue the momentum for the remaining part of the year. Though freight market has remained stable, trucking capacity has caught up with demand making fleet operators cautious of future investments. It is expected that the markets will return to normal ordering cycles as fleets now start evaluating their next year requirements and start placing those orders around October.

Our trajectory on the passenger vehicle side remains on track as we continue to add new value added products and increase share with existing customers.

Industrial business

The Industrial business revenues in Q1 FY20 stood at Rs. 2,429 million largely impacted by de-stocking of inventory at our O&G customer and production constraints in North America O&G markets. We expect O&G revenues to improve sequentially going forward. We continue to focus on de-risking the O&G business through addition of new products, new customers and inorganic growth opportunities.

INTERNATIONAL REVENUES

Table 4

Particulars	Q1 FY20	Q4 FY19	Q1 FY19
Commercial Vehicles	3,893	3,925	3,505
Industrial	2,429	4,346	3,696
Passenger Vehicles	1,205	1,355	1,242
Total	7,527	9,626	8,443

Table 5

Rs. Million

Particulars	Q1 FY20	Q4 FY19	Q1 FY19
Americas	5,302	7,075	5,739
Europe	1,853	2,233	2,503
Asia Pacific	372	318	201
Total	7,527	9,626	8,443

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CONSOLIDATED FINANCIAL HIGHLIGHTS Q1 FY20

TABLE 6 Rs. Million

<i>Particulars</i>	Q1 FY20	Q4 FY19	QoQ %	Q1 FY19	YoY %
Total Revenue	23,279	26,708	-12.8%	24,137	-3.6%
EBIDTA	4,148	5,600	-25.9%	4,901	-15.4%
EBIDTA %	17.8%	21.0%		20.3%	
PBT	2,761	4,648	-40.6%	3,726	-25.9%
Exchange Gain/ (loss)	(44)	352		(73)	
PBT after Exchange Gain/ (loss)	2,717	5,000	-45.7%	3,653	-25.6%
Profit After Tax	1,776	3,311	-46.4%	2,391	-25.7%
Associate/ JV (Profit /Loss) share	(56)	(69)		(3)	
Minority Interest	12	(37)		8	
Profit After Tax	1,732	3,205		2,396	

TABLE 7 Rs Million

Particulars	June 30, 2019	March 31, 2019
Long Term Debt	19,755	19,350
Equity	55,504	54,059
Cash	19,213	18,352
Long Term D/E	0.36	0.36
Long Term D/E (Net)	0.01	0.02

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CONSOLIDATED FINANCIALS

TABLE 8 OVERSEAS MANUFACTURING OPERATIONS
Rs. Million

Particulars	Q1 FY20	Q4 FY19	Q1 FY19
Total Revenue	8,107	7,863	8,308
EBITDA	426	316	704
EBITDA %	5.3%	4.0%	8.5%
PBT before Exchange Gain/(Loss)	(80)	3	266

TABLE 9 Indian Subsidiaries
Rs. Million

Particulars	Q1 FY20	Q4 FY19	Q1 FY19
Total Revenue	160	962	8
EBITDA	(6)	52	(6)
EBITDA %	-	5.4%	-
PBT before Exchange Gain/(Loss)	(14)	63	(16)

TABLE 10 BFL + BFIL (Trading Subsidiary)
Rs. Million

Particulars	Q1 FY20	Q4 FY19	Q1 FY19
Total Revenue	15,012	17,883	15,821
EBITDA	3,728	5,232	4,203
EBITDA %	24.8%	29.3%	26.6%
PBT before Exchange Gain/(Loss)	2,855	4,582	3,476

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