

## BHARAT FORGE LIMITED

### Analyst Update - Q1 FY21 Results

#### BFL 3 MONTH REPORT

“The quarter gone by was impacted by the Covid19 pandemic and the stringent measures adopted by countries to control the spread. The government imposed economic lockdown coupled with lower underlying demand had an adverse impact on Sales. This has resulted in the company posting a loss of Rs 563 million for the quarter.

Despite being operational for only one month in the quarter and running at ~ 20% capacity utilization, we were able to reduce breakeven levels through continued focus on cost reduction and improve productivity.

In these uncertain times and working within guidelines set by local authorities, we continue our steadfast focus on 4C’s: meeting customer demand, ensuring the safety & wellbeing of our colleagues, control on costs and working on the cost reduction initiatives already mapped out.

“Looking ahead in to demand for the coming quarter, we are witnessing marginal improvement in demand across both domestic & export markets. We expect our domestic revenues to be flat as compared to Q2 FY20 while the exports will be lower than levels witnessed in Q2 FY20. The sustainability in the recovery in underlying demand is a key factor to track in the coming months”



B.N. Kalyani, Chairman & Managing Director.

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## STANDALONE FINANCIAL HIGHLIGHTS Q1 FY21

Particulars	Rs. Million				
	Q1 FY21	Q4 FY20	QoQ %	Q1 FY20	YoY %
Shipment Tonnage	17,840	40,173	-55.6%	60,874	-70.7%
Domestic Revenue	1,541	3,703	-58.4%	5,556	-72.3%
Export Revenue	2,592	4,896	-47.1%	7,528	-65.6%
Other Operating Income	137	213		381	
<b>Total Revenue</b>	<b>4,270</b>	<b>8,812</b>	<b>-51.5%</b>	<b>13,465</b>	<b>-68.3%</b>
EBIDTA	17	1,482	-98.9%	3,517	-99.5%
<b>EBIDTA %</b>	<b>0.4%</b>	<b>16.8%</b>		<b>26.1%</b>	
Other Income	420	315		401	
PBT	(670)	535	-	2,645	-
<b>PBT %</b>	<b>-</b>	<b>6.1%</b>		<b>19.6%</b>	
Exchange Gain/ (loss)	(46)	(379)		(24)	
PBT after Exchange Gain/ (loss)	(716)	156	-	2,621	-
Exceptional Item	-	(939)		-	
Profit After Tax	(563)	(732)	-	1,740	-

- Total revenues in Q1 FY21 at Rs 4,270 million declined by 51.5% as compared to the previous quarter due to the shutdown of manufacturing operations in the month of April and May on account of the lockdown imposed by the government to control the spread of the pandemic.
- Operating deleverage played out with EBITDA for the quarter at Rs. 17 million. The company posted a loss at the PBT & PAT level of Rs 716 million and Rs 563 million respectively.

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<b>Particulars</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
Long Term Debt	18,550	18,351
Working capital & Bill Discounting	13,286	14,084
Equity	53,477	53,551
D/E	<b>0.60</b>	<b>0.61</b>

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## REVIEW OF INDIA BUSINESS

### Automotive Business

The domestic automotive industry was severely impacted by the outbreak of COVID-19 pandemic and the resultant nationwide lockdown imposed by the Government. As a result, there was no production of vehicles for a major part of the quarter. Most of the OEM's restarted operations from mid-May onwards and are gradually scaling up capacity in a phased manner but activity is still at sub-optimal levels on account of supply chain disruptions and intermittent local lockdowns.

With economic activities coming to a complete standstill, the M&HCV segment was the worst affected with production down 92.5% as compared to the same quarter last year while passenger car production was down 84% for the same period.

The pandemic outbreak, coupled with weakening financial profile of fleet operators and significant price hikes because of transition to BS-VI emission norms, the overall CV demand is expected to decline by 30-35% in FY 2021 with a more severe hit in the M&HCV segment than the LCV segment. Volumes are however expected to recover gradually from H2FY21 onwards from the current lows with any meaningful demand recovery expected in FY 2022 only.

Sustained and meaningful macroeconomic revival, pick-up in infrastructure projects, implementation of scrappage policy and reduction in GST rates, remain critical factors for the revival of the industry.

### Industrials Business

All sectors in the Industrial business were affected by the complete shutdown of economy.

### INDIA REVENUES

Particulars	Rs. Million		
	Q1 FY21	Q4 FY20	Q1 FY20
Commercial Vehicles	330	983	2,159
Industrial	1,020	1,773	2,090
Passenger Vehicles	76	542	535
Others*	252	618	1,153
<b>Total</b>	<b>1,678</b>	<b>3,916</b>	<b>5,937</b>

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

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## REVIEW OF INTERNATIONAL BUSINESS

### Automotive Business

After strong growth in the North American Class 8 and European heavy truck production from CY 2016 to CY 2019, demand in CY 2020 was expected to decline as part of a normal cyclical slowdown, but it was further accelerated by the onset of COVID-19 pandemic. Lockdown measures adopted by countries globally to control the spread had a significant impact on OEM production and fleet utilization.

Though production and economic activity has re-started, demand is expected to continue to remain tepid in the near term on account of the lower economic activity and a relatively newer fleet. The freight markets will continue to improve as concern about the pandemic wanes and more sectors of the economy reopen.

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 were also affected due to COVID-19 related shutdowns and weak economic activity. Our key sectors such as O&G and Construction & Mining, witnessed considerable decline in activity and low demand.

While customer demand is slowly improving, there is significant uncertainty around the pace of global recovery in the key markets that we cater to.

We have in place a successful execution strategy and are well positioned to respond to any changes in our customers demand in these challenging times.

### INTERNATIONAL REVENUES

TABLE 4

Particulars	Q1 FY21	Q4 FY20	Q1 FY20
Commercial Vehicles	822	2,388	3,893
Industrial	1,198	1,403	2,429
Passenger Vehicles	572	1,105	1,206
<b>Total</b>	<b>2,592</b>	<b>4,896</b>	<b>7,528</b>

TABLE 5

Rs. Million

Particulars	Q1 FY21	Q4 FY20	Q1 FY20
Americas	1,393	3,396	5,302
Europe	1,089	1,426	1,854
Asia Pacific	110	74	372
<b>Total</b>	<b>2,592</b>	<b>4,896</b>	<b>7,528</b>

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## CONSOLIDATED FINANCIAL HIGHLIGHTS Q1 FY21

TABLE 6

Rs. Million

<i>Particulars</i>	<i>Q1 FY21</i>	<i>Q4 FY20</i>	<i>QoQ %</i>	<i>Q1 FY20</i>	<i>YoY %</i>
Total Revenue	11,542	17,370	-	23,279	-
EBIDTA	112	1,703	-	4,148	-
<b>EBIDTA %</b>	<b>1%</b>	<b>9.8%</b>		<b>17.8%</b>	
PBT	(1,191)	369	-	2,761	-
Exchange Gain/ (loss)	(224)	(272)		(44)	
Exceptional Items	(27)	(513)		-	
PBT after Exchange Gain/ (loss)	(1,442)	(416)	-	2,717	-
Profit After Tax	(1,254)	(471)	-	1,776	-
Associate/ JV (Profit /Loss) share	(19)	(214)		(56)	
Minority Interest	15	(35)		12	
Profit After Tax	(1,258)	(720)	-	1,732	-

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## CONSOLIDATED FINANCIALS

**TABLE 7 OVERSEAS MANUFACTURING OPERATIONS**

Particulars	Rs. Million		
	Jan-Mar 2020	Oct-Dec 2019	Jan-Mar 2019
Total Revenue	6,374	5,937	8,107
EBITDA	204	(206)	426
<b>EBITDA %</b>	<b>3.2%</b>	-	<b>5.3%</b>
PBT before Exchange Gain/(Loss)	(357)	(532)	(80)

**TABLE 8 Indian Subsidiaries**

Particulars	Rs. Million		
	Apr- Jun 2020	Jan –Mar 2020	Apr- Jun 2019
Total Revenue	133	320	214
EBITDA	(27)	18	(6)
<b>EBITDA %</b>	-	<b>5.6%</b>	-
PBT before Exchange Gain/(Loss)	(45)	7	(14)

**TABLE 9 BFL + BFIL (Trading Subsidiary)**

Particulars	Rs. Million		
	Apr- Jun 2020	Jan –Mar 2020	Apr- Jun 2019
Total Revenue	5,035	11,113	14,958
EBITDA	(65)	1,891	3,728
<b>EBITDA %</b>	-	<b>17.0%</b>	<b>24.9%</b>
PBT before Exchange Gain/(Loss)	(809)	894	2,855

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