

## BHARAT FORGE LIMITED

### EARNINGS Update - Q2FY14 Results

#### BFL 6 MONTH REPORT

“In the quarter gone by, we have witnessed sequential improvement in performance across all parameters despite flattish volumes, an indicator of the efforts on cost controls and productivity focus bearing fruits.

While we are witnessing demand decline in India, profitability is improving due to combination of cost control, robust execution and currency tailwinds.

Despite continued sluggishness, we have won several new businesses in Commercial vehicles, Passenger Vehicles and new industrial segments.

Looking ahead, we continue to witness volatility across business verticals & geographies with demand deterioration more pronounced in India. We expect overall demand to remain at similar levels in Q3 FY14 subject to market volatility.”



B.N. Kalvani, Chairman & Managing Director.

#### Key Figures (Rs Million)

Particulars	Q2 FY14	Q1 FY14	% Change	Q2 FY13	% change
<b>Total Revenues</b>	8,451	7,915	6.8%	8,676	<b>-2.6%</b>
<b>EBITDA</b>	2,228	1,960	13.7%	2,074	<b>7.4%</b>
EBITDA %	<b>26.4%</b>	<b>24.8%</b>		<b>23.9%</b>	
<b>PBT</b>	1,419	1,350	5.1%	1,462	<b>-2.9%</b>
<b>PAT</b>	964	906	6.3%	1,028	<b>-6.3%</b>
<b>EPS</b>	4.14	3.89		4.41	

## STANDALONE FINANCIAL HIGHLIGHTS Q2FY14

Table 2		Rs. Million			
Particulars	Q2 FY14	Q1 FY14	QoQ%	Q2 FY13	YoY %
<b>Shipment Tonnage</b>	<b>42,812</b>	<b>41,279</b>	<b>3.7%</b>	<b>46,350</b>	<b>-7.6%</b>
Domestic Revenue	3,580	3,744	-4.4%	3,855	-7.2%
Export Revenue	4,634	3,972	16.7%	4,667	-0.4%
Other Operating Income	237	199		154	
<b>Total Revenue</b>	<b>8,451</b>	<b>7,915</b>	<b>6.8%</b>	<b>8,676</b>	<b>-2.6%</b>
EBIDTA	2,228	1,960	13.7%	2,074	7.4%
<b>EBIDTA %</b>	<b>26.4%</b>	<b>24.8%</b>		<b>23.9%</b>	
Other Income	220	180		285	
PBT	1,426	1,175	21.4%	1,369	4.2%
<b>PBT %</b>	<b>16.9%</b>	<b>14.9%</b>		<b>15.8%</b>	
Exchange Gain/ (loss)	(7)	175		(13)	
Exceptional Item	-	-		106	
PBT	1,419	1,350	5.1%	1,462	-2.9%
Profit After Tax	964	906	6.3%	1,028	-6.3%

- BFL Q2 shipment tonnage at 42,812 tons grew by 3.7% compared to the previous quarter while it was down about 8% to Q2 FY13.
- Revenues increased by 6.8% in Q2 FY14 to Rs 8,451 million as compared to Q1 FY12 driven by 16.7% improvement in export revenues.
- EBITDA for Q2 grew by 13.7% to Rs 2,228 million compared to Q1 FY14. EBITDA margins expanded by 160 bps on the back of continued focus on cost controls and benefit from increased exports.
- PBT before Exchange gain/ (loss) increased by 21.4% in Q2 FY14 to Rs 1,426 million compared to Q1 FY14.
- PAT for the quarter grew 6.3% to Rs 964 million sequentially.

## KEY FINANCIAL PARAMETERS: STANDALONE

Particulars	September 30, 2013	March 31, 2013
<i>Debt</i>	23,223	18,737
<i>Equity</i>	23,350	23,111
<i>Cash</i>	9,789	6,520
<i>D/E</i>	<b>0.99</b>	<b>0.81</b>
<i>D/E (Net)</i>	<b>0.58</b>	<b>0.53</b>

Ignoring the impact of exchange gain/ (loss) entries which are notional in nature, as of September 30<sup>th</sup>, D/E is 0.86 and D/E (Net) is 0.46

## REVIEW OF INDIAN MARKET

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

Particulars	Q2 FY14	Q1 FY14	QoQ%	Q2 FY13	YoY %
LCV	116,188	129,472	-10.3	137,479	-15.5
Medium & Heavy CV	52,425	65,629	-20.1	78,889	-33.5
<b>Total CV Market (M&amp;HCV +LCV)</b>	<b>168,613</b>	<b>195,101</b>	<b>-13.6</b>	<b>216,368</b>	<b>-22.1</b>
Passenger Cars including Vans	651,849	608,950	7.0	595,911	9.4
Utility Vehicles	132,661	130,196	1.9	141,817	-6.5
<b>Total Auto Market</b>	<b>953,123</b>	<b>934,247</b>	<b>2.0</b>	<b>954,096</b>	<b>-0.1</b>

Source: SIAM

The Commercial vehicle sector continues to register frail performance in the backdrop of strong headwinds and pessimistic sentiments, leading to M&HCV industry volumes to levels witnessed during the 2008 Global Financial crisis.

M&HCV volumes declined 20.1% and 33.5% on a QoQ and YoY basis respectively. Passenger & utility vehicles saw slight improvement in production volumes in anticipation of better demand during the festive seasons around the corner.

## REVIEW OF EXPORT MARKETS

<i>Particulars</i>	Rs. Million				
	<i>Q2 FY14</i>	<i>Q1 FY14</i>	<i>Growth %</i>	<i>Q2 FY13</i>	<i>Growth %</i>
<b>Americas</b>	2,094	1,856	<b>12.8%</b>	3,085	<b>-32.1%</b>
<b>Europe</b>	2,161	1,842	<b>17.3%</b>	1,281	<b>68.7%</b>
<b>Asia Pacific</b>	379	274	<b>38.3%</b>	301	<b>25.9%</b>
<b>Total</b>	<b>4,634</b>	<b>3,972</b>	<b>16.7%</b>	<b>4,667</b>	<b>-0.7%</b>

The Commercial Vehicle market in North America continues to witness stability in demand without any significant upward trend for the rest of the calendar year. The Scenario in European Heavy truck is also positive, assisted by the pre-buy to mitigate the increase in truck prices due to Euro 6 emission norms in 2014. 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.

### **Non-Auto Update:**

The industrial side of our business continues to remain sluggish bereft of any major demand driver in the near term. All major industrial segments in India still are in a downturn because of lack of pick up while there is a slight remnant of inventory in the export market in the Oil & Gas sector. The Construction and Mining industry in North America has witnessed a negative growth in CY 2013.

The company has achieved a major breakthrough with the Indian Railways for supply of fully machined crankshaft (4.5m in length & 2.5T in weight), previously imported and is confident of growing the business in the years to come by enhancing its market share and widening the products offering to the railways. BFL will leverage this experience and knowledge to break in to the global Railway sector.

## FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

Table 6

Rs Million

Particulars	Jan – Sep 2013			Jan – Sep 2012		
	WOS	China	Total	WOS	China	Total
Total Income	17,544	4,835	<b>22,379</b>	15,575	4,223	<b>19,798</b>
EBITDA	1,521	77	<b>1,598</b>	958	(96)	<b>862</b>
EBITDA %	<b>8.7</b>	<b>1.6</b>	<b>7.1</b>	<b>6.2</b>	<b>(2.3)</b>	<b>4.4</b>
PBT	591	(251)	<b>340</b>	141	(419)	<b>(278)</b>
PAT after Minority Interest	402	(130)	<b>272</b>	72	(217)	<b>(145)</b>

The 9M CY13 performance of the overseas subsidiaries has witnessed improvement compared to 9M CY12. This has been on back of cost rationalization and productivity improvement leading to lower break-even levels at the European operations. The improvement in performance is much higher in the European operations than in China. The better performance has been achieved in a significantly challenging environment and now the focus is on improving growth through innovation and profitability. The 3<sup>rd</sup> quarter performance has been weak as expected due to lesser number of working days on account of summer holidays in Europe.

## 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	↓	↓	↓