

BHARAT FORGE LIMITED

Management Report- Q3FY14

BFL 9 MONTH REPORT

“BFL continues to do well despite the domestic slowdown because of a diversified product mix and strategic entry in to the non-automotive sectors in 2008. We continue to win new orders across auto & non-auto segments.

In the quarter gone by, sales developed in line with expectations while it witnessed a strong improvement over the weak 3rd quarter previous year.

The International operations have also registered strong performance driven by cost controls, productivity improvements and innovative new products.

Looking ahead, we expect to see demand levels across geographies stabilizing with an upward bias. Overall demand is expected to be moderately better in Q4 FY14 driven by exports & early signs of recovery in India.”



B.N. Kalyani, Chairman & Managing Director.

Key Figures (Rs Million)

Particulars	Q3 FY14	Q2 FY14	% Change	Q3 FY13	% change
Total Revenues	8,321	8,451	-1.5%	6,726	23.7%
EBITDA	2,145	2,228	-3.7%	1,387	54.7%
EBITDA %	25.8%	26.4%		20.6%	
PBT before exchange gain/ (loss)	1,413	1,426	-0.9%	645	119.1%
PBT	1,383	1,419	-2.5%	681	103.1%
PAT	940	964	-2.5%	475	97.9%
EPS	4.04	4.14		2.05	

STANDALONE FINANCIAL HIGHLIGHTS Q3FY14

Particulars	Rs. Million				
	Q3 FY14	Q2 FY14	QoQ%	Q3 FY13	YoY %
Shipment Tonnage	42,702	42,812	-0.3%	37,483	13.9%
Domestic Revenue	3,289	3,580	-8.1%	3,500	-6.0%
Export Revenue	4,797	4,634	3.5%	3,105	54.5%
Other Operating Income	235	237		121	
Total Revenue	8,321	8,451	-1.5%	6,726	23.7%
EBIDTA	2,145	2,228	-3.7%	1,387	54.7%
EBIDTA %	25.8%	26.4%		20.6%	
Other Income	284	220		195	
PBT	1,413	1,426	-0.9%	645	119.1%
PBT %	17.0%	16.9%		9.6%	
Exchange Gain/ (loss)	(30)	(7)		36	
PBT	1,383	1,419	-2.5%	681	103.1%
Profit After Tax	940	964	-2.5%	475	97.9%

- BFL Q3 shipment tonnage at 42,702 tons was flat compared to the previous quarter while it increased by about 14% compared to Q3 FY13 despite the domestic CV market witnessing the worst quarter in the last 2 years.
- Revenues increased by 23.7% in Q3 FY14 to Rs. 8,321 million as compared to Q3 FY13 on back of 54.5% increase in export revenues.
- EBITDA for Q3 grew by 54.7% to Rs. 2,145 million compared to Q3 FY13. EBITDA margins expanded by 520 bps on back of improvement in turnover.
- PBT before Exchange gain/ (loss) increased by 119.1% in Q3 FY14 to Rs 1,413 million compared to Q3 FY13.
- PAT for the quarter at Rs. 940 million grew by 97.9% compared to Q3 FY13.

KEY FINANCIAL PARAMETERS: STANDALONE

Particulars	December 31, 2013	September 30, 2013	March 31, 2013
Debt	21,117	23,223	18,737
Equity	25,120	23,350	23,111
Cash	8,589	9,789	6,520
D/E	0.84	0.99	0.81
D/E (Net)	0.50	0.58	0.53

BFL has received the proceeds from the divestment of its stake in China JV after close of the quarter

REVIEW OF INDIAN MARKET

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

Particulars	Q3 FY14	Q2 FY14	QoQ%	Q3 FY13	YoY %
LCV	115,578	116,188	-0.5	136,019	-15.0
Medium & Heavy CV	41,158	52,425	-21.5	63,154	-34.8
Total CV Market (M&HCV +LCV)	156,736	168,613	-7.0	199,173	-21.3
Passenger Cars including Vans	596,850	651,849	-8.4	648,453	-8.0
Utility Vehicles	147,674	132,661	11.3	148,866	-0.8
Total Auto Market	901,260	953,123	-5.4	996,492	-9.6

Source: SIAM

The Commercial vehicle sector continues to register frail performance in the backdrop of strong headwinds and pessimistic sentiments. Stalled infrastructure projects and lack of industrial activity have led to low M&HCV production volumes at all major OEM's. M&HCV segment declined 21.5% and 34.8% on a QoQ and YoY basis respectively registering volume previously witnessed during the 2009 Global Financial Crisis.

Passenger cars saw a decline of 8% both on YoY and QoQ basis due to a slowing economy and higher fuel prices which resulted in poor consumer sentiment in urban areas.

REVIEW OF EXPORT MARKETS

Table 5 **Rs. Million**

<i>Particulars</i>	<i>Q3 FY14</i>	<i>Q2 FY14</i>	<i>Growth %</i>	<i>Q3 FY13</i>	<i>Growth %</i>
Americas	2,216	2,094	5.8%	1,758	26.1%
Europe	2,118	2,161	-2.0%	1,117	89.6%
Asia Pacific	463	379	22.3%	230	101.5%
Total	4,797	4,634	3.5%	3,105	54.5%

The CV segment in both North America & Europe ended the year on a good note with demand conditions improving driven by economic recovery in North America & Pre buy in Europe. Going into CY 2014 replacement of aging trucks continues to be the primary driver of new purchases In North America while demand in Europe is expected to be slightly better than CY2013 although Q1 CY14 may witness softness on account of pre-buy in CY13.

BFL continues to win new orders with emphasis on moving up the value chain while focus on enhancing its presence outside of its traditional market and increasing share of business with our existing marquee clients and new client additions.

FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

Table 6 **Rs Million**

<i>Particulars</i>	<i>Oct - Dec 2013</i>			<i>Oct - Dec 2012</i>		
	WOS	China*	Total	WOS	China	Total
Total Income	6,781	906	7,687	5,041	1,691	6,732
EBITDA	581	10	591	262	(94)	168
EBITDA %	8.6%	1.1%	7.7%	5.2%	-5.6%	2.5%
PBT	215	(25)	190	(59)	(218)	(277)
PAT after Minority Interest	133	(13)	120	(56)	(115)	(171)

* China numbers for Oct – Dec 2013 reflects only performance till October 31, 2013.

The Wholly Owned Subsidiaries have recorded another strong performance driven by concentrated focus on productivity & cost control. Total Income grew by 34.5% while EBITDA grew by an impressive 121.8%. EBITDA margins at 8.6% during the quarter expanded by 340 bps. The operations registered PAT of Rs 133 million as against a loss of Rs 56 million in the corresponding period previous year.

Divestment of stake in China Joint Venture

Bharat Forge Ltd., through its indirect subsidiary in Hong Kong has divested its 51.85% stake in its Chinese JV operations (FAW Bharat Forge (Changchun) Company Limited) to its Joint Venture partner, China FAW Corporation Limited, for US\$ 28.20 million (~ Rs 175 Crores) ending its 8 year old Joint Venture in China.

BFL, since inception of joint venture in 2006, had over a period of time invested Rs 178 Crores in 4 tranches. The divestment will have a positive impact on BFL cash flows and profitability on a consolidated basis.

OUTLOOK

Indicative demand outlook for Q4 FY14 across various geographies

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