

# BHARAT FORGE

May 24, 2016

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Symbol	BHARATFORG
Series	EQ

Dear Sir,

## Sub.: Transcript of Analysts Conference Call

We are enclosing herewith transcript of conference call with analysts, which took place on May 17, 2016, after announcement of Audited Financial Results for quarter and year ended on March 31, 2016. The said transcript is also uploaded on website of the company.

Please take note of the same.

Thanking you,

Yours faithfully,  
For Bharat Forge Limited



Anand Daga  
Vice President (Legal)  
& Company Secretary

Encl: As Above



KALYANI  
GROUP COMPANY



# “Bharat Forge Limited Q4 FY-16 Analyst Conference Call”

**May 17, 2016**



**MANAGEMENT: MR. AMIT KALYANI – EXECUTIVE DIRECTOR, BHARAT FORGE LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to Bharat Forge Limited Q4 FY16 Analyst Conference Call. As a reminder all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Amit Kalyani of Bharat Forge Limited. Thank you and over to you sir.

**Amit Kalyani:** Good afternoon ladies and gentlemen and thank you for joining us on our post results conference call for FY16. I will just take you through a few highlights for the year and the quarter and then open up for Q&A. I think the quarter and the year were very challenging because of the headwinds from the global commodity price collapse and a slowdown in the North American truck market over the last 2-3 quarters which have affected export demand.

Our exports as you remember over the last few years have grown very strongly on the backs of the oil and gas industry and the construction and mining industry that we have been associated with and also driven by the growth in the North American truck market over the last 1.5 years. Despite the challenges the company has maintained its EBITDA margins and achieved most of its strategic goals including that of doubling its passenger car exports, adding new customers in the automotive business, in the aerospace business and in the expanding our portfolio in rail and allied areas, also we are now getting closer towards becoming a net debt free company with a debt equity of 0.19.

Over the last two years we have also been making a lot of initiatives in the Make in India program and expanding our penetration into the PSU markets in India especially those which are right for our kind of products which include mining, railways, power etc. and we are happy to report that just this quarter we have achieved 25% quarter-on-quarter growth there. So I think directionally and strategically we are heading in the right direction. There are certain macro issues that are definitely out of our control. But we are working very hard in business development, product development, R&D in order to expand our product portfolio, deepen our relationships with our customers and keep growing our business in spite of these times.

Over the next 1.5 to 2 years we will see our business growing quite exponentially in the passenger car sector especially in the new product that we are developing. We will see our business grow exponentially in the aerospace sector, in the railway sector and in other Make in India sectors where we are focusing very heavily. Additionally, we will start seeing growth in a number of sectors where we have entered into for the first time such as driveline components for trucks and hybrid components for passenger cars as well. So I think these are the areas that will help us overcome the entire impact of this oil and gas and commodity related slowdown and get back to a strong growth path by 18-19.

I don't want to go into too many numbers for you. I think you have all the numbers rather I'd like to get into the Q&A itself. I have with me our entire finance and investor relations team and I'd be happy to answer your questions along with my colleagues. Thank you.

- Moderator:** Thank you sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Binay Singh from Morgan Stanley. Please go ahead.
- Binay Singh:** My question mainly on the non-auto side of the business, both on India as well as in exports. Am I correct in understanding that you basically saying you've seen 25% jump in non-auto domestic?
- Amit Kalyani:** Yes, quarter on quarter.
- Binay Singh:** Could you give us a little bit more breakup as to what drove that because now you're doing almost like 160 crores or so? Similarly, on the international side in your press release you have given a number that there has been a 40% decline in non-auto export, is that overall non-auto exports or just oil and gas?
- Amit Kalyani:** Overall non-auto exports and largely oil and gas and then it was construction and mining.
- Binay Singh:** Because from around 1200 crores you have gone down to 760 crores so what is oil and gas now for you?
- Amit Kalyani:** Oil and gas is 9% right now of sales.
- Binay Singh:** Of overall sales?
- Amit Kalyani:** Yes.
- Binay Singh:** What are the other key segments in that?
- Amit Kalyani:** Engines which are used in mining and construction equipment and components that go into mining and construction equipment and power generation equipment. Again it's largely associated with those industries; customers would be companies like Caterpillar etc.
- Binay Singh:** Could you take us through for example you can start with the domestic bit, what really drew this 25% jump? In FY17 more so like all these new projects that you are talking about railways and Make in India and aviation, what contribution could they do?
- Amit Kalyani:** We have mentioned that each vertical we want to take to 100 million and I'm very confident that we have visibility of getting to 100 million by 2020. That's basically going into launching products, getting them validated and then growing the value and the value add.
- Binay Singh:** What really drove your 25% jump this quarter? Was it seasonality or you started delivering on some new...
- Amit Kalyani:** It was the combination of factors, this Make in India there, mining related sectors where we have started supplying components and then diesel engines which market also has improved

suddenly because of the heat wave etc., so combination of factors. We have started getting orders from the PSUs where we have been working on the Make in India front.

**Binay Singh:** How do you see the domestic and export non-auto in the coming year?

**Amit Kalyani:** I see our domestic non-auto growing quite strong while export non-auto will witness de-growth but will see new sectors growing.

**Binay Singh:** Which is the aviation mainly over there?

**Amit Kalyani:** No, is going to be aerospace, rail, lot of new renewable energy components that we are now getting into. So we are seeing a lot of traction in those areas.

**Binay Singh:** Would you relook at your guidance for FY18, any change on that?

**Amit Kalyani:** Let a few quarters ago by then we will see. Our endeavor is still to try and achieve the most that we can do but it's definitely a challenging environment.

**Moderator:** Thank you Mr. Singh. We have a next question from the line of Kapil Singh from Nomura Securities. Please go ahead.

**Kapil Singh:** We saw very strong cost management during the quarter, manufacturing expenses which saw declined quarter-on-quarter with revenues around same level. So if you can just throw some light and help us understand that.

**Amit Kalyani:** We have been focusing on cost management but there is also some amount of inventory effect in this.

**Kapil Singh:** How much is that?

**Amit Kalyani:** We have also reduced our subcontract expenses. When our exports are above certain amount we need to do some subcontracting. We have stopped doing that and we are doing all our work in-house now. We have got a reduction in energy as well. We've basically worked on all areas.

**Kapil Singh:** How much is the inventory effect in this?

**Amit Kalyani:** Maybe in 0.5% at best.

**Kapil Singh:** So this is largely sustainable kind of cost reduction.

**Amit Kalyani:** Based on the product mix, yes, also depends on product mix.

**Kapil Singh:** Some color on how much was the CAPEX that we had for FY 16 and what kind of numbers should we expect for FY17, both for standalone as well as consolidated basis?

- Amit Kalyani:** Standalone was 550 crores and next year we expect the CAPEX of somewhere in the region of between 200 to 250 crores.
- Kapil Singh:** And on consol?
- Amit Kalyani:** Consol including our Alstom/GE Joint Venture, it was 1000 crores.
- Kapil Singh:** What is the outlook there?
- Amit Kalyani:** No there is no more CAPEX.
- Kapil Singh:** But any maintenance CAPEX we expect in European subsidiary?
- Amit Kalyani:** Hardly anything, maybe 3-4 million that's all.
- Kapil Singh:** This year this 550 crores in the standalone was spent on which segment?
- Amit Kalyani:** Machining, passenger car and R&D and few others.
- Kapil Singh:** Where is the utilization standing today in Q4?
- Amit Kalyani:** About 72%.
- Kapil Singh:** What is the peak utilization we can achieve, can it cross 90%?
- Amit Kalyani:** Easily, in last year Q4 we were at 85%, everything that we have done now we can substantially increase our CAPEX.
- Kapil Singh:** Just wanted to check on we have talked about segments like aerospace and railway touching \$100 million, where do they stand currently in terms of contribution?
- Amit Kalyani:** Aerospace is very small; it's in few million dollars right now. Railways would be somewhere in the region of 5 to 10 million but these are all poised for a very strong growth because we have now got approvals on various programs.
- Kapil Singh:** When does the ramp up really happen based on the order book that you may have?
- Amit Kalyani:** The ramp up starts from this year and will accelerate next year and in aerospace also it will be next year and year after next.
- Moderator:** Thank you Mr. Singh. We have a next question from the line of Basudeb Banerjee from Antique stock Broking. Please go ahead.
- Basudeb Banerjee:** If we see broadly despite all these adversities, you have broadly maintained your quarterly tonnage around 51,000-52,000 ton per quarter. But this quarter we again saw a further sharp

decline of around 7% in realizable value on a sequential basis and a subsequent impact on the gross profit per ton which is almost at a two-year low. So this because of any major shift in mix or any increase in discounts in US market?

**Amit Kalyani:** No, it is because of product mix change. Because of the reduction in high-value machine components and increase of more non-machine components and reduction of steel prices which have pass through.

**Basudeb Banerjee:** Broadly looking at the steel price movement over last couple of months one can expect that the metal deflation is broadly over for the time being?

**Management:** Yes, it's basically tracking the metal index.

**Basudeb Banerjee:** If I see your consolidated balance sheet, your inventory, receivable days both have increased substantially around here, so any thought on that?

**Amit Kalyani:** Because of destocking. We maintain inventories near our customers based on the certain off-take rate when an off-take rate reduces substantially then the number of days go up.

**Basudeb Banerjee:** And the corresponding impact on the receivable days?

**Amit Kalyani:** On receivables, same thing.

**Basudeb Banerjee:** As you are highlighting you are entering to pass-car forging and transmission system forging and as per the press release, pass-car forging revenue is still broadly flattish on a sequential basis. So how to look at that down the line, whether these two segments will be good enough to balance your volume impact because of...

**Amit Kalyani:** We will start seeing impact of that more from next year.

**Basudeb Banerjee:** So pass one should not expect much in FY17 there is a broader outlook?

**Amit Kalyani:** Passenger car you will see growth in '17 and further acceleration from '18.

**Basudeb Banerjee:** But will that be substantial enough to mitigate the impact of this continued US Class-8 and shell gas?

**Amit Kalyani:** No, obviously not.

**Moderator:** Thank you Mr. Banerjee. We have a next question from the line of Aryn Pirani from Deutsche Bank. Please go ahead.

**Amyr Pirani:** My question was on the US truck market. Are you seeing any stabilization in the market or in the destocking or do you think that this would continue for 2 to 3 more quarters based on whatever you are hearing?

**Amit Kalyani:** The destocking will continue for maybe a quarter or a little more than that. But the reduction in orders has stopped.

**Amyr Pirani:** So the orders are now stabilizing more or less?

**Amit Kalyani:** Orders are stabilizing and the production will now I mean our shipments will get align to the production numbers when the destocking is over which we expect will take maybe 1 to 2 more quarters, little more than one more quarter.

**Amyr Pirani:** And the oil prices have also risen from the lows and stabilized now, are you seeing any initial signs of any recovery in an order is there or still remains weak?

**Amit Kalyani:** It's been like 3-4 days. I don't think 3-4 days is going to move the world in that area. But obviously anything positive is a positive sign but right now that hasn't had...that's not moved to the needle yet.

**Moderator:** Thank you Mr. Pirani. We have a next question from the line of Sonal Gupta from UBS Securities. Please go ahead.

**Sonal Gupta:** Continuing on this oil and gas side, how much of your portfolio is really related to—I guess it's primarily on the shell gas side as of now—is related to production versus exploration and any sense you could give on that....

**Amit Kalyani:** On shell gas, it's largely exploration and then the same thing we had used in production so it's very difficult to differentiate that because a rig what is used for exploration is also used for production. It's not like a deep sea rig or like a land rig we are one rig does production I mean does exploration and then you cap a well and it moves into a transitory phase.

**Sonal Gupta:** To that extent the given that the rig count has continued to come off and clearly the oil prices, they have rebounded may not be enough for the shell gas guys to start further exploration. Do we see continue to anticipate a further decline in terms of run rate on the oil and gas side?

**Amit Kalyani:** I don't think we anticipated decline anymore, I think we leveled off and now we are starting to develop new product and hopefully it should start gaining a little bit of business back.

**Sonal Gupta:** My understanding is this 9% number has been there for last few quarters, so basically not really seeing any further deterioration on the oil and gas, on a sequential basis?



- Amit Kalyani:** There is again some amount of destocking here also taking place. It will come down a little bit because that 9% number was for a whole year. It wasn't the quarterly number but on a quarterly basis it will be lower and on a yearly basis it will be maybe in the 5% or 6% range.
- Sonal Gupta:** You think for the Q4?
- Amit Kalyani:** For the whole year.
- Sonal Gupta:** For next year, is it?
- Amit Kalyani:** Yes.
- Sonal Gupta:** I'm just trying to understand do we see some improvement or do you think that given where and how things are happening on the shell side and a lot of companies are filing for bankruptcies, this number actually goes down further is what I understand.
- Amit Kalyani:** I really don't know because we are not getting any kind of longer-term picture. All we are getting is a monthly picture.
- Sonal Gupta:** In terms of again on the run rate side where you seeing the destocking will continue in the US trucks, at a quarterly level do you think that you're already in line with the numbers or do you think still further decline which is going to happen on a sequential basis?
- Amit Kalyani:** Little more decline in this quarter that we are currently in but hopefully in the next month or two we should start stabilizing and hence starting to improve again. I have to caveat that because while there is a decline in North America there is an increase in India and increase in Europe.
- Sonal Gupta:** On India as well what is the sense that we have for FY17 in terms of both industrial as well as auto side growth?
- Amit Kalyani:** The truck side, we anticipate a number of somewhere in the region of 460,000 heavy trucks. That is the number that industry volume we expect and on the industrial side we also anticipate a growth about (+) 20%.
- Sonal Gupta:** Because industrial has been a bit of a disappointment, so are you seeing now the orders coming through?
- Amit Kalyani:** Yes absolutely.
- Sonal Gupta:** Because I think for this year it would have been flat in India on the industrial side.
- Amit Kalyani:** It was flat, you are right.

- Sonal Gupta:** Do you see now in terms of order visibility is there and that's why you are expecting a 20% growth?
- Amit Kalyani:** Yes, we have got lot of new business in certain new sectors which will give us more than that kind of growth.
- Moderator:** Thank you Mr. Gupta. We have a next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** First of all, on the passenger car business, you've pretty much doubled last year and this year itself. Do you expect a similar growth for FY17 as well? Is there a room to double again?
- Amit Kalyani:** No I don't think we will double but we will have a strong double-digit growth.
- Puneet Gulati:** On the non-auto export side, you have guided that there is a potential for a double digit growth. Aerospace and railways you gave some sense of numbers opening with few million, what really is driving this double-digit growth on the non-auto export side?
- Amit Kalyani:** There are certain sectors where there are common suppliers between oil and gas and other sectors where the supply base has also got very badly affected. In fact, probably gone into bankruptcy or shut down, so there are some areas where we are getting business in new areas where their existing supply bases are being affected.
- Puneet Gulati:** So it again relates to oil and gas?
- Amit Kalyani:** Variety of industries, it could be oil and gas, it could be Marine, people who do shipbuilding and supply to that sector for example which has been very badly affected by oil and gas. I have seen some lay-offs and closures, so we are trying to fill up the space of any area where as we have opportunity.
- Puneet Gulati:** So ship building, marine is one, any other...
- Amit Kalyani:** No, I'm talking about shipbuilding and marine companies that are suppliers to that and also supplies to other industries. There is no demand in shipbuilding and marine so those companies which are predominantly dependent on those industries have gone bankrupt or failure, like capacity is been taking out.
- Puneet Gulati:** Any sector that you would like to identify there?
- Amit Kalyani:** Energy sector is one, rail is the other.
- Puneet Gulati:** But rail you said just about 5 million odd right now, so will it grow high double-digit?
- Amit Kalyani:** Yes, tractor market and the agri market is growing.

**Moderator:** Thank you Mr. Gulati. We have a next question from the line of Ambrish Mishra from JM Financial. Please go ahead.

**Ambrish Mishra:** Can you please update us on the aluminum forging as to what's happening there with respect to the large order that we talked about couple of quarters back? Second question was related to CAPEX because if I go back to our third quarter conference call, we talked about something like standalone CAPEX of 6 billion over two years. I don't know if I'm correct we talked about standalone CAPEX of 5-5.5 billion this year?

**Management:** Yes, some of the CAPEX that is spent this year is also spend from previous year's carry forward. Our original plan was 1000 crores over three years which we then reduced to 600 crores.

**Ambrish Mishra:** The first question regarding to aluminum forging order that we had, if I'm not wrong about \$250 million over a couple of years. If you can just update us on what's happening and what's the kind of number we can expect in FY17-18.

**Amit Kalyani:** The 250 million was over a period of the platform life which was about 8 to 10 years. The ramp-up is on schedule and we are expecting a full ramp-up by CY18 which will be about €30-35 million at peak level. So that is progressing as per plan.

**Ambrish Mishra:** So we can expect about €30-€35 million revenue over the next 2 to 3 years?

**Amit Kalyani:** Not incremental because there is already some ramp-up happening in current year.

**Moderator:** Thank you Mr. Mishra. We have a next question from the line of Pramod Amte from CIMB. Please go ahead.

**Pramod Amte:** The CAPEX of 540 crores is a very lumpy one. The last time you have done such a big amount was in 2009 which was almost like 450-460 crores. So what has changed, is it because the rundown on the other programs was much sharper so you are trying to beef up some other new programs or new orders wins? What has suddenly changed in the last six months to go for such large CAPEX?

**Amit Kalyani:** One is that we have paid off some other CAPEX from previous year. Second is we have some specific CAPEX which we are doing for R&D and pass-car related areas and some which we are doing for future programs which we are now targeting and some corporate assets.

**Pramod Amte:** Because it has a substantial bearing on your cash flows and also in terms of the debt projection that's the reason why that question to be put across.

**Amit Kalyani:** Let me also answer that we have also done major maintenance because of our kind of machinery if we get an opportunity where you can do major maintenance, we have also taken

that opportunity to do that on our large presses. We are also building a R&D facility and a new admin facility.

**Pramod Amte:** With regard to the Class 8, do you think the worst of the rundown is through at least for CY17 per se, you see flattening to a growth trend to come back for the North American markets or it will sustain 2-3 years of a down cycle?

**Amit Kalyani:** In the Class 8?

**Pramod Amte:** Yes.

**Amit Kalyani:** Class 8 the 240,000 numbers that prediction is, is a pretty healthy number. I don't want to say what next year is going to look like because no one knows.

**Pramod Amte:** But is the structurally 2-3 years down trend or it's a one big lumpy down?

**Amit Kalyani:** I really don't have a comment on that.

**Pramod Amte:** With regard to the other wholly-owned subsidiary CDP and Imatra, what is the status in terms of profitability turnaround or reduction of fixed cost what to look forward going forward?

**Management:** Kilsta was profitable for last year, in CDP we were having some one-off operational issues because of which it has incurred some losses but in current year again all the subsidiaries are now back on track and they are performing quite well. That is also evident from first quarter numbers.

**Moderator:** Thank you Mr. Amte. We have a next question from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

**Jinesh Gandhi:** Couple of bookkeeping questions, one is with respect to your non-auto exports for the full-year revenues were 1200 crores or 1322 crores as reported at the end of last year?

**Amit Kalyani:** Non-auto exports for this year?

**Jinesh Gandhi:** Yes, for this year and the quarter.

**Amit Kalyani:** This year it was 870 crores.

**Jinesh Gandhi:** And for the quarter?

**Amit Kalyani:** 155.

**Jinesh Gandhi:** And non-auto domestic for the full year you would be having that number as well.

**Amit Kalyani:** It is about 650 crores.

- Jinesh Gandhi:** Secondly you mentioned there has been impact of commodity price deflation in our ASP decline. So of roughly 7% decline how much can be attributed to commodity price deflation?
- Management:** I don't have that calculation. It will be roughly about Rs.6000 a ton.
- Jinesh Gandhi:** Effectively when we look at our domestic M&HCV revenue growth which we have indicated in the quarter, Q-o-Q of about 14% odd when we compare it with industry production growth of about 20% to 23%, is there any element of market share loss as well or its totally commodity price deflation?
- Amit Kalyani:** I think it's largely commodity.
- Jinesh Gandhi:** Last question pertains to machining mix; you indicated that there is also impact of...
- Amit Kalyani:** That's because our oil and gas business is all machine. We have 100% machine business which is now come down and value very substantially.
- Jinesh Gandhi:** What could be machining mix now FY16 and fourth quarter, any indication on that?
- Amit Kalyani:** About 50%-51%.
- Jinesh Gandhi:** So that is not materially lower than what it was in previous quarters.
- Amit Kalyani:** 2% lower that's about it.
- Jinesh Gandhi:** Can you throw some light on how ALSTOM JV has performed? If I look at our project business revenue of 86 crores on consol basis, would that be largely pertaining to ALSTOM JV or there is something?
- Amit Kalyani:** Yes that's all ALSTOM JV, it's nothing else.
- Jinesh Gandhi:** So ALSTOM JV would have earned about.
- Amit Kalyani:** Is doing okay, we have an order book. Plant is operational, producing a quality product and they started erection and commissioning of their first turbine oil.
- Jinesh Gandhi:** Next year FY 17 we should be targeting what 2 to 3 dispatches of turbines?
- Amit Kalyani:** Minimum two next year. We are ready but the state governments and the sites are not always ready.
- Moderator:** Thank you Mr. Gandhi. We have a next question from the line of Kapil Singh from Nomura Securities. Please go ahead.
- Kapil Singh:** What was the currency realization in fourth quarter and how does it compare to third quarter?

- Amit Kalyani:** It is almost the same as last quarter, 68.50.
- Kapil Singh:** This number that we have reported for overseas subsidiaries 33.2 billion, this includes Bharat Forge International as well?
- Amit Kalyani:** Yes.
- Kapil Singh:** How much is the contribution from that?
- Management:** In terms of sales it's about 900 crores.
- Kapil Singh:** And in terms of EBITDA?
- Management:** EBITDA since it's a trading company the EBITDA margins are absolutely on a very low level.
- Kapil Singh:** Now that we are moving to IndAS what kind of changes should we expect for next year, anything in particular that we should watch out for?
- Amit Kalyani:** It's only a **small one**, the liability which we show as a contingent liability that will come on balance sheet as short-term debt but which is self-liquidating. Apart from that we don't expect any major change due to IndAS.
- Moderator:** Thank you Mr. Singh. We have a next question from the line of Nitij Mangal from CLSA. Please go ahead.
- Nitij Mangal:** Are you seeing any pricing pressures from your overseas non-auto customers or North American truck customers?
- Amit Kalyani:** No, not particularly. More than pricing pressure we are not seeing any demand.
- Nitij Mangal:** There isn't necessarily a case that these end customers are trying to squeeze suppliers to maintain the profitability given that they are also going through a severe downturn.
- Amit Kalyani:** There is always a case that is there but it is not any different than what is normally there.
- Nitij Mangal:** In the notes to the accounts there was some reference to an auditor comment on the ALSTOM JV, can you please elaborate on that?
- Amit Kalyani:** That is about our Mundra land, is that what you are talking about?
- Nitij Mangal:** Where you have already decided to move away from that...
- Amit Kalyani:** We have started building our plant in Mundra and then that environmental action group; they put a stop on all the construction and activities there. So we have to abandon that and set up

our plant in Sanand. But we have now got all the clearances for Mundra but obviously we don't need to build two plants.

**Moderator:** Thank you Mr. Mangal. We have a next question from the line of Hitesh Goel from Kotak Securities. Please go ahead.

**Hitesh Goel:** Just want to get a sense what is the quarterly run rate for export passenger vehicles right now for this quarter?

**Amit Kalyani:** I am sorry I can't share that right now.

**Hitesh Goel:** Are we on track to achieve that 100 million revenue target from export passenger vehicle by FY18?

**Amit Kalyani:** Yes absolutely.

**Hitesh Goel:** On aviation you said maximum ramp-up will happen only from next year, so do you mean that...

**Amit Kalyani:** FY18.

**Hitesh Goel:** So in FY17 we should not budget any major increase from aviation?

**Amit Kalyani:** Increase but few million going to high single-digit million or low double-digit million, not 50 60 million.

**Hitesh Goel:** So how should we see that \$100 million revenue from aviation in FY20, 18-19-20 will be like 20-40, you gave these figures actually?

**Amit Kalyani:** I am not going to get into that. All I will say is that it is like a hockey stick once you get into the business to develop 5-6 products, they get tested and validated then it starts ramping up very aggressively because there is a phase in and phase out.

**Hitesh Goel:** Can you give me the number for export passenger vehicle for FY16, whole year revenue?

**Amit Kalyani:** About 200 crores, double of previous year.

**Hitesh Goel:** And we are not expecting this to double in FY17?

**Amit Kalyani:** Not double but we expect it to grow reasonably.

**Moderator:** Thank you Mr. Goel. We have a next question from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi:** I just would like to have R&D number of patents filed and what's the status currently?

- Amit Kalyani:** We filed over a dozen patents this year.
- Nitin Gandhi:** They were 16 as per last con call.
- Amit Kalyani:** That's what I'm saying, it's over a dozen, I don't have any exact number with me right now.
- Nitin Gandhi:** There were some other sectors which were thrown open that digital manufacturing, 3D.
- Amit Kalyani:** Yes so we are doing 3D printing already, we are making both prototypes as well as serial production parts in 3D.
- Nitin Gandhi:** Can you guide some volume like you were saying for other three major sectors...
- Amit Kalyani:** Our 3D manufacturing is right now only for doing development. We are doing prototypes and development for both ourselves for learning and for our customers.
- Nitin Gandhi:** Can you share something on artillery and transmission?
- Amit Kalyani:** We are doing a lot of work on transmission, we have developed four new products and those products are already being offered to customers. We should get order for that this year itself.
- Nitin Gandhi:** And artillery?
- Amit Kalyani:** Our gun program which is in Kalyani Strategic Systems Limited has been fielded, it's being tested and we are hopeful that this year we should get an order of for that.
- Nitin Gandhi:** Something on the HAL import substitution.
- Amit Kalyani:** We are doing a lot of work on HAL import substitution. In fact, we expect almost half of our revenue come from indigenous aerospace business and about half from export.
- Nitin Gandhi:** Any color or any comment which you'd like standalone 7000 crores.
- Amit Kalyani:** I don't want to comment on that today.
- Moderator:** Thank you Mr. Gandhi. We have a next question from the line of Bharat Ginani from Sharekhan. Please go ahead.
- Bharat Ginani:** I was just reading your press release, the FY17 comment given out there is kind of expect the top line to be in line, so are we seeing that FY17 as a whole standalone revenues would-be flattish kind of a thing?
- Amit Kalyani:** Based on what we are seeing right now is going to be flattish. But hopefully we should have some amount of tail winds and some amount of success with some new things we should still do a little better. But based on external environment right now that is what we are saying.



- Bharat Ginani:** But FY17 probably could see some kind of growth in realization given the rebound in the steel prices and hopefully it should be better than FY16?
- Amit Kalyani:** The steel prices are a pass through so that won't make any difference.
- Moderator:** Thank you Mr. Ginani. We have a next question from the line of Sandeep Baid from Quest Investment Advisors. Please go ahead.
- Sandeep Baid:** We just discussed FY17 and it's mentioned in your press release as well. In your initial comments you mentioned that a robust growth should come back in FY18-19. So does that mean that '17-18 will also be a slow year in terms of growth?
- Amit Kalyani:** In '17-18 we will start to grow again definitely. Hopefully we should have good growth in '17-18 because a lot of the new initiatives will start taking off in '17-18 and then '18-19 should be even better growth.
- Sandeep Baid:** With regard to your overseas subsidiaries where you did 7.7% EBITDA margin in the January to March quarter, if you can guide us for the full-year performance?
- Management:** It should be on the similar lines.
- Sandeep Baid:** You have mentioned that you have not lost in the market share as far as domestic M&HCV goes?
- Amit Kalyani:** I don't think anything significant. In fact we have got new orders which over the next new quarters will increase our market share that is actually where we will get some of the increase in revenue.
- Moderator:** Thank you Mr. Baid. We have a next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** You mentioned our export revenues in terms of passenger was 200 crores, how much was it for the trucks?
- Amit Kalyani:** About 1400 crores.
- Kunal Bhatia:** Vis-à-vis the last year figure was how much if you can give?
- Amit Kalyani:** About 1300.
- Moderator:** Thank you Mr. Bhatia. We have a next question from the line of Chinmay Gandre from Future Generally. Please go ahead.

- Chinmay Gandre:** Can you just provide us the breakup for the quarter in terms of domestic and exports and also for the figure on the same with respect to industrial and auto for domestic as well as for exports.
- Amit Kalyani:** You can take that off-line.
- Moderator:** Thank you sir. We have a next question a follow-on question from the line of Nitij Mangal from CLSA. Please go ahead.
- Nitij Mangal:** Could you tell me if the imposition of minimum import price on steel if that has impacted?
- Amit Kalyani:** MIP has no impact on alloy steel.
- Nitij Mangal:** So MIP is just not applicable on the alloy steel category?
- Amit Kalyani:** MIP is only on flat products.
- Moderator:** Thank you Mr. Mangal. Ladies and gentlemen due to time constraint that was the last question. I now like to hand the floor back to Mr. Amit Kalyani for closing comments. Over to you Sir.
- Amit Kalyani:** Thank you very much and ladies and gentlemen thank you for all your questions and your interest in our business and our company. We welcome you to come and visit us and see what we are doing new. We are actually developing a lot of new interesting products for our global customers in the passenger car sector, in the hybrid car sector, in the commercial vehicle sector, railway sector, aviation and aerospace sector and renewable energy sector and of course the Make in India sector. So we believe that these are all sectors which should enable us to grow our revenues and business quite substantially in the next few years going ahead. While there are headwinds, Bharat Forge is always used adversity to come out stronger, develop a wider base and deeper customer relationships and I believe that this time will be the same. We look forward to your continued support and interest in our business. Thank you very much and if anybody has any questions please e-mail us or call us and we will be happy to answer you. If you want to come visit us, please let us know and we will be happy to show you around. Thank you very much.
- Moderator:** Thank you sir. Ladies and gentleman, on behalf of Bharat Forge Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines.