

# BHARAT FORGE : SOARING SALES, BULGING BOTTOMLINE

Bharat Forge : soaring sales, bulging bottomline Bharat Forge Limited (BFL) has fared well on the back of its concentrated efforts in exploring overseas market. As a result, improved operational efficiency catapulted net profit by 257.3 per cent at Rs 30 crore on a net sale (net of excise) of Rs 194.2 crore, up 68 per cent during the fourth quarter to March 2003. The company also benefited from economies of scale, high value added products and leveraging technology. During the year to March 2003, its net sales grew 50 per cent to Rs 637.6 crore while net profit zoomed 281 per cent to Rs 81.1 crore. This was well above its earning guidance for FY-03 when it had projected a 25 per cent growth in net sales and net profit doubling. Improved operational efficiencies resulted into the share of raw material (net of stock) in sales falling to 32 per cent (33 per cent). This was despite the fact that raw material cost, in actual terms, grew by 62.6 per cent to Rs 253.2 crore owing to higher steel prices. BFL's increased penetration in the overseas market resulted in 146 per cent increase in export income to Rs 271 crore. A 15 per cent increase in domestic sales to Rs 417.8 crore, despite rather sluggish demand, played its part in the topline growth. The share of domestic sales in net sales was 61 per cent (77 per cent) while that of exports 39 per cent (23 per cent). It has 24 international clients that include such top auto majors as DaimlerChrysler, Volvo, Renault, Honda, Cummins, Dana, Arvin Meritor and Toyota. During the year, it commenced exporting 11 parts to Renault, the second largest truck manufacturer in the world. Exports to the US grew by 75 per cent, however, they account for 64 per cent (90 per cent) of total export. BFL management is quite optimistic about future growth. It expects around 50 per cent growth (on a CAGR basis) in the next two years. The optimism stems from the encouraging trend in automobile sales. According to the latest data of the Society of Indian Automobile Manufacturers (SIAM), the production of heavy, medium and light commercial vehicles and utility vehicles in India has witnessed a growth of around 17 per cent in 2002-03.