

## Despite 81% profit drop in Q3, the worst may not be behind Bharat Forge

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**T**he worst is behind us," is an oft-repeated phrase from the management of Bharat Forge Ltd. Looking at the 81% year-on-year (y-o-y) drop in consolidated profit in the December quarter (Q3), it's tempting to think that things could not possibly get worse.

But uncertainty over demand for international and domestic commercial and passenger vehicles (CVs and PVs) is taking a toll on the forgings manufacturer with a global footprint. Besides, a weak world economy is impacting demand in non-auto businesses as well, and posing risks to

the company's near-term earnings growth outlook. The stock has fallen more than 5% since Bharat Forge announced its results on Monday.

Stand-alone Ebitda (earnings before interest, tax, depreciation and amortization) in Q3 plunged around 700 basis points y-o-y to 22%. Profit margins fell short of *Bloomberg's* consensus estimates by about 300 basis points.

Even at the consolidated level, which includes international operations, the Ebitda margin narrowed by 400 basis points y-o-y to 13%. The Street's margin estimate was way higher at 18%.

The problems are no different from those seen in the last few quarters. Sales drop across mar-

### Weighed down

With macroeconomic conditions worsening, Bharat Forge's December quarter performance was hit on all counts, resulting in dismal profits.

	Q3 FY20	
	STAND-ALONE (in ₹ crore)	CONSOLIDATED (in ₹ crore)
Net revenue	1,077	1,833
Earnings before interest, tax, depreciation and amortization	239	236
Net profit	128	42

Source: Company  
SANTOSH SHARMA/MINT

kets and business segments led to severe revenue contraction of about 36% at the stand-alone level and 26% at the consolidated level. Both volumes and price

realizations fell.

In the analysts' call held on Monday, the management listed numerous challenges that hit the company's Q3 performance. On

the domestic turf, medium and heavy CV inventory is high. So, destocking will continue till the BS-VI transition is through. In overseas markets, falling sales of North American Class-8 trucks continue to hurt Bharat Forge. Besides, there is subdued demand from the oil and gas, and other industrial segments.

Revenue fell across businesses—a 40% y-o-y drop in CV revenue, 44% in industrials and 9% growth in PVs.

That said, efforts of the company to trim costs, optimize efficiency and look at new horizons be it defence or industrial should bear fruit, provided sales recover.

A report by JM Financial Services Ltd says, "Domestic CV is

expected to witness a revival during second half of FY21 and PV export is likely to sustain its momentum. International subsidiaries will benefit as product mix shifts towards aluminium and cost reduction measures are implemented by FY21-end."

JM Financial, however, has a subdued revenue and earnings compound annual growth rate estimate of 2% and 6%, respectively, over FY19-22. Meanwhile, most brokerage firms have even cut earlier forecasts by 10-12% for FY21.

Undoubtedly, it is a rough terrain ahead for Bharat Forge. If a weak global economy continues to weigh on earnings, investor pessimism may well increase.

# Worst is Over... We Should Start Seeing Recovery FY21 Onwards



We are already beginning to see the end of the trough and step by step, demand will start going up, Bharat Forge CMD **Baba Kalyani** told **ETNOW**. Edited excerpts:

**When we spoke last after Q2 numbers, you were confident of recovery. Has your confidence translated into reality or would you say the recovery is getting delayed?**

I had said the next six months would be difficult and I think that is what is showing up. The Indian market has been in a difficult situation. The demand side is extremely weak right now and we are a demand-led business. As demand picks up, we should see a strong recovery. We foresee the next quarter also as a weak quarter as we had said last time. But starting FY21, we should start seeing recovery taking place. We are already beginning to see the end of the trough and step by step, demand will start going up.

**Is it safe to say that the worst is over?**

Yes, the worst is behind us in terms of demand. But the problem is that the demand is at a low level and picking up from a low level, it is not like going back



to 2018 numbers that we saw in the CV business. That was probably a peak year for us as well as the world over in this business. We are now beginning to see a small incremental growth in demand. We believe FY21 should be a better year compared to FY20.

**There has been a big contraction in domestic as well as export revenues. Have you reached a cyclical trough? Would tonnage volumes start recovering from FY21?**

I believe FY21 will be better than FY20 but I do not think it will come back to FY19 levels, which was probably the peak level in all the markets. The Indian CV market was at 461,000-470,000. It is currently running at 250,000. So, in order to get back to 470,000, it will take a little time. We certainly see uptick in

the market. FY21 should be a better year. Even internationally, we expect FY21 to be a slightly better year than FY20. FY20 is the end of the trough.

**What's your definition of slightly better – double digit or still single digit?**

I would say 10-12-15%, something like that. It is very difficult to gauge this number because we still have not seen the impact of the Euro-VI introduction.

**You started as an auto component firm. Now you have become a true blue engineering company. In next five years, how much of your business will not be connected to auto?**

In 2008, we decided to diversify into non-automotive components. Today, almost 40-45% of our business is in that segment. We have opened up three or four new segments, defence being one and the EV sector being another. Aluminium light-weighting components make for a third sector. So, five years from now, a very large portion of our business will be non-automotive.

The only area of automotive business where we will continue to grow and we are creating very good traction is going to be in highly specialised components in the passenger car business.

## Bharat Forge Q3 Net Profit Plummets 81%



**Mumbai:** Bharat Forge reported an 81% drop in December quarter profit, as production in the domestic automotive industry slowed down on account of an impending change in emission norms, reports Our Bureau. The company reported a consolidated profit of ₹40.4 crore for the quarter, down from ₹217 crore a year ago. Revenue declined 25.8% to ₹1,868 crore from ₹2,516.7 crore.

## THE COMPASS

# Weak outlook to weigh on Bharat Forge stock

Falling crude oil prices and lower CV demand have dented company financials

RAM PRASAD SAHU

A muted outlook and weak December quarter results led to a 3.7 per cent fall in the stock of Bharat Forge. Sluggish demand across segments saw volume in terms of tonnage fall 30 per cent year-on-year (YoY). While weakness was evident in exports, the overall decline in revenues of 36 per cent was led by the domestic segment, which reported a 39.5 per cent fall.

The company indicated that the demand scenario over the next couple of quarters will be soft. While the transition to BS-VI emission standards, which come into force on April 1, is responsible for the uncertainty in the

domestic market, it is the weak consumer demand in North America and Europe which is pegging back sales outside India.

For the quarter, the decline was led by the domestic commercial vehicle (CV) segment. The sharp decline in orders by CV makers and the need to maintain lower inventory ahead of the transition affected the company.

The industrial segment, too, witnessed a sharp correction with reported revenues, especially in the exports business, down over 52 per cent. The correction in crude oil prices dented the demand both in the shale gas segment, as well as related orders from the

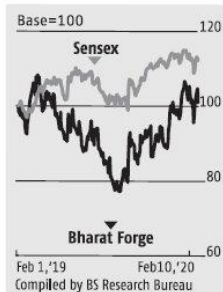
mining and construction segment. Given the price trends, demand from this segment is expected to remain soft in the near term.

The only bright spot was the passenger vehicle segment, which is the smallest of the three segments and accounts for less than a fifth of the overall revenue. The company posted 9 per cent growth in its revenue. Growth in the segment is expected to pick up from the current quarter.

Weak demand and sub-par utilisation of its facilities meant negative operating leverage, which impacted its operating profit margins. The metric was down over 600 basis points as compared to the year-ago

quarter and 170 basis points on a sequential basis. The company believes that cost-cutting efforts and tailwinds on the commodities front should help it improve margins by the second half of FY21.

While the recovery is expected to take a couple of quarters, the company highlighted that the situation is close to bottoming out, with growth expected from FY21. Key triggers for Bharat Forge include the uptick in the aluminium forging, which fetches higher margins, better growth from the passenger vehicle business, and e-mobility solutions, as well as a recovery in its subsidiary financials.



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## **Bharat Forge Q3 net dips 81% to ₹40 crore**

**AUTO COMPONENTS MAJOR** Bharat Forge on Monday reported a 81.37% decline in its consolidated net profit to ₹40.44 crore for the December quarter, against ₹216.96 crore in the same period last fiscal. Total income during the period under review was ₹1,868.05 crore, against ₹2,516.7 crore in the year-ago quarter, it added.

## Bharat Forge Q3 net profit dips 81% to ₹40.44 crore

NEW DELHI, 10 FEBRUARY

Auto components major Bharat Forge today reported a 81.37 per cent decline in its consolidated net profit at Rs 40.44 crore for the third quarter ended 31 December 2019.

The company had posted a consolidated net profit of Rs 216.96 crore in the corresponding period last fiscal, Bharat Forge said in a regulatory filing.

Total income during the period under review stood at Rs 1,868.05 crore, as against Rs 2,516.7 crore in the year-ago quarter, it added.

"The quarter gone by was a repeat of the previous quarter in terms of weak market demand and financial performance," Bharat Forge chairman and managing director B N Kalyani said.

Domestic and export revenues were down more than 30 per cent in the third quarter as compared to the year-ago period, he added.

Mr Kalyani, however, said passenger vehicle business continued to stand out across both domestic and export markets with strong performance against underlying demand and grew by 8.7 per cent.

He said the company's international operations in Europe have also been badly impacted by the decline in end-market.

"We have initiated restructuring and cost optimisation actions. These actions coupled with investing in creating capacity towards a favourable product mix will eventually result in a sustainable and stronger business overseas," he added.

On the outlook, he said: "Over the next three to six months we expect demand to remain soft given the uncertainty in India due to the transition to BS-VI and continuation of weakness in North America and Europe. PTI

## Bharat Forge Q3 net declines 81% to 40 cr

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# भारत फोर्ज का तिमाही लाभ 81 प्रतिशत घटा

नई दिल्ली। वाहनों के कल-पुर्जे बनाने वाली प्रमुख कंपनी भारत फोर्ज का एकीकृत शुद्ध लाभ चालू वित्त वर्ष की तीसरी तिमाही में 81.37 प्रतिशत घटकर 40.44 करोड़ रुपये रहा।

वित्त वर्ष 2018-19 की अक्टूबर-दिसंबर अवधि में यह लाभ 216.96 करोड़ रुपये था। शेयर बाजारों को दी गयी जानकारी में कंपनी ने बताया कि समीक्षावधि में उसकी कुल आय 1,868.05 करोड़ रुपये रही जो इससे पिछले वित्त वर्ष की इसी अवधि में 2,516.7 करोड़ रुपये के मुकाबले कम है। कंपनी के चेयरमैन और प्रबंध निदेशक बी. एन. कल्याणी ने कहा, “बाजार में मांग और वित्तीय प्रदर्शन के कमजोर रहने से इस तिमाही में कंपनी का



प्रदर्शन पिछली तिमाही की पुनरावृत्ति है।” उन्होंने कहा कि पिछले वित्त वर्ष की तुलना में चालू वित्त वर्ष की तीसरी तिमाही में कंपनी की घरेलू और निर्यात से आय 30 प्रतिशत से अधिक गिरी है। कल्याणी ने कहा कि कंपनी का यूरोप स्थित अंतरराष्ट्रीय परिचालन ग्राहक मांग में गिरावट से बुरी तरह प्रभावित हुआ है। लेकिन उन्होंने यह भी कहा कि उसका यात्री वाहनों से जुड़ा घरेलू और वैश्विक बाजार दूसरे वाहनों से अलग मजबूत बना हुआ है।

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नई दिल्ली, भाषा। वाहनों के कल-पुर्जे बनाने वाली प्रमुख कंपनी भारत फोर्ज का एकीकृत शुद्ध लाभ चालू वित्त वर्ष की तीसरी तिमाही में 81.37 प्रतिशत घटकर 40.44 करोड़ रुपये रहा। वित्त वर्ष 2018-19 की अक्टूबर-दिसंबर अवधि में यह लाभ 216.96 करोड़ रुपये था। शेयर बाजारों को सोमवार को दी गयी जानकारी में कंपनी ने बताया कि समीक्षावधि में उसकी कुल आय 1,868.05 करोड़ रुपये रही जो इससे पिछले वित्त वर्ष की इसी अवधि में 2,516.7 करोड़ रुपये के मुकाबले कम है।

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एजेंसी ■ नई दिल्ली

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शेयर बाजारों को सोमवार को दी गई जानकारी में कंपनी ने बताया कि समीक्षावधि में उसकी कुल आय 1,868.05 करोड़ रुपए रही जो इससे पिछले वित्त वर्ष की इसी अवधि में 2,516.7 करोड़ रुपए के मुकाबले कम है। कंपनी के चेयरमैन और प्रबंध निदेशक बी. एन. कल्याणी ने कहा, 'बाजार में मांग और वित्तीय प्रदर्शन

के कमजोर रहने से इस तिमाही में कंपनी का प्रदर्शन पिछली तिमाही की पुनरावृत्ति है।' उन्होंने कहा कि पिछले वित्त वर्ष की तुलना में चालू वित्त वर्ष की तीसरी तिमाही में कंपनी की घरेलू और निर्यात से आय 30 प्रतिशत से अधिक गिरी है। कल्याणी ने कहा कि कंपनी का यूरोप स्थित अंतरराष्ट्रीय परिचालन ग्राहक मांग में गिरावट से बुरी तरह प्रभावित हुआ है। लेकिन उन्होंने यह भी कहा कि उसका यात्री वाहनों से जुड़ा घरेलू और वैश्विक बाजार दूसरे वाहनों से अलग मजबूत बना हुआ है। आलोच्य अवधि में इस बाजार में मांग 8.7 प्रतिशत ऊंची रही। उन्होंने कहा कि कंपनी ने ढांचे के पुनर्गठन और लागत को युक्ति संगत बनाने के लिए कार्रवाई शुरू कर दी है।

## Online Coverage – Q3 Results

Headline: <a href="#">Baba Kalyani on how Bharat Forge stays relevant in disruptive times</a>	Domain: ET Auto
Date: February 10, 2020	Journalist: Bureau

*Starting FY21, we should start seeing recovery taking place. Five years from now, a very large portion of our business will be non automotive, says Baba Kalyani, CMD, Bharat Forge.*



**When we spoke last after Q2 numbers, you were not optimistic but were confident of recovery. Has your confidence translated into reality or would you say that the recovery is getting delayed?**

The last time we met, I had said the next six months would be difficult and I think that is what is showing up. The Indian market has been in a difficult situation. The demand side is extremely weak right now and we are a demand-led business. As demand picks up, we should see a strong recovery. We foresee the next quarter also as a weak quarter as we had said last time. But starting FY21, we should start seeing recovery taking place. We are already beginning to see the end of the trough and step by step demand will start going up.

**Is it safe to say that the worst is over in Q2 as well as Q3?**

Yes, the worst is behind us in terms of demand. But the problem is that the demand is at a low level and picking up from a low level, it is not like going back to 2018 numbers that we saw in the CV business. That was probably a peak year for us as well as the world over in this business. We are seeing a slowdown in demand. In India, it has slowed down by almost 50-60% but the worst is behind us. We are now beginning to see a small incremental growth in demand. We believe FY21 should be a better year compared to FY20.

**Just looking at how domestic as well as export revenues have been, there has been a big contraction there -- higher than 30%. Have you reached a cyclical trough? Would tonnage volumes start recovering from FY21 or is the end market demand likely to remain weak?**

I believe FY21 will be better than FY20 but I do not think it will come back to FY19 levels which was probably the peak level in all the markets. The Indian CV market was at 461,000-470,000. It is currently running at 250,000. So, in order to get back to 470,000, it will take a little time. We certainly see uptick in the market. FY21 should be a better year. Even internationally, we expect FY21 to be a slightly better year than FY20. FY20 is the end of the trough.

**What is your definition of slightly better – double digit or still single digit?**

I would say 10-12-15%, something like that. It is very difficult to gauge this number because we still have not seen the impact of the Euro-VI introduction in the market and what it is going to do in the market place, what is the cost increases that people are going to face, whether there are any technical issues that people are going to face, if any disruption is happening in the supply chain because of what is happening in China etc. These are all the questions that we do not know as of now, but we expect FY21 to be better than FY20.

**Auto companies are claiming that sales have bottomed out. At wholesale level, their belief is that inventory levels are low and that is a sense which we are getting from CV companies as well. How come that has not translated into early ordering for you?**

Well that will start translating into demand only after April because right now everybody is cleaning up BS-IV inventories and building up small volumes of BS-VI because nobody knows what is the impact in terms of customer acceptance of BS-VI vehicles at higher price. That just has to play out in the next quarter.

*We are not just a forging company, we are a technology company. The relevance of this business is extremely high. Nowhere in the world can you make products without somebody like us being present. - Baba Kalyani*

Unless that plays out and we would not know what is going on, that will allow for some time but my overall feel is that once next quarter is over, we should start seeing a normal situation in the market. Slowly, demand will pick up. The inventories are down and the OEMs have done a good job in reducing inventories in the last two quarters and that should help after April 1 when Euro-VI introduction starts 100%.

**When do you see the Tesla share price zoom sky high and when do you see the kind of electric vehicles that are being displayed at Auto Expo? It has given us a taste of what is to come. Do some of these events give you a cause for concern when it comes to core business?**

We have been readying ourselves for the EV business for the last two years. We have invested into EV technology in the component and subsystems level. We have invested in lightweighting technology and all this will happen. In the next six months, people will want to reduce weights of their vehicles. There will be a move towards aluminium. This is what we are doing in Europe, we are restructuring our business to increase our production of aluminium components for which we have amazingly strong demand.

This business with the technology that we have in Europe, produced double digit EBITDA margins and we are very confident of the transition happening.

**How would you dismiss the criticism of people who are questioning the relevance of Bharat Forge in today's disruptive world?**

Well, we are an engineering company. We are not just a forging company, we are a technology company. The relevance of this business is extremely high. Nowhere in the world can you make products without somebody like us being present. So you have to start looking at it in a different manner. You cannot remove materials and metallurgy from the world irrespective of whether you go into EV or AI. It is always going to be there.

**I have been tracking your company for about 20 years now. Markets have always marvelled about your company's engineering capabilities. You started as an auto component company, Now, you have become a true blue engineering company. In the next five years, how much of your business will not be connected to auto?**

Let me just give you an example. In 2008, we decided to diversify into non automotive components. Today almost 40-45% of our business is in that segment. We have opened up three or four new segments, defence being one and the EV sector being another. Aluminium lightweighting components make for a third sector. So, five years from now, a very large portion of our business will be non automotive.

The only area of automotive business where we will continue to grow and we are creating very good traction is going to be in highly specialised components in the passenger car business and irrespective of whether these become electric or remain with IC engine, components will be required and it is largely chassis based components.

Headline: <a href="#">Bharat Forge December quarter net plummets 81% to Rs 40 crore</a>	Domain: The Economic Times
Date: February 10, 2020	Journalist: PTI

Auto components maker Bharat Forge on Monday posted a 81.3 per cent decline in consolidated profit at Rs 40.4 crore for the quarter ended December 31, 2019. The company had posted consolidated profit of Rs 216.9 crore in the year-ago period, Bharat Forge said in a filing to BSE.

The consolidated income of the company during October-December quarter dropped to Rs 1,868 crore, from Rs 2,516.6 crore in the year-ago period, the filing said.

Shares of Bharat Forge closed at Rs 499.55 on the BSE, down 3.59 per cent.

Headline: [Bharat Forge shares drop nearly 4% after Q3 results](#)

Domain: The Economic Times

Date: February 10, 2020

Journalist: PTI

Shares of auto components major Bharat Forge on Monday fell nearly 4 per cent after the firm reported a 81.37 per cent decline in consolidated net profit for the third quarter ended December 31, 2019. Bharat Forge's scrip went lower 3.59 per cent to close at Rs 499.55 on the BSE. During the day, it dropped 6.69 per cent to Rs 483.45.

On the NSE, it dipped 3.65 per cent to close at Rs 499.05.

Bharat Forge on Monday reported a 81.37 per cent decline in its consolidated net profit at Rs 40.44 crore for the third quarter ended December 31, 2019.

The company had posted a consolidated net profit of Rs 216.96 crore in the same period last fiscal, Bharat Forge said in a regulatory filing.

Headline: <a href="#">Bharat Forge Q3 profit slumps 81% at Rs40.44 crore</a>	Domain: Mint
Date: February 10, 2020	Journalist: PTI

- Total income during the period stands at Rs1,868.05 crore, as against Rs2,516.7 crore a year ago
- Domestic and export revenues drop more than 30% in the third quarter

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Total income during the period under review stood at Rs1,868.05 crore, as against ₹2,516.7 crore in the year-ago quarter, it added.

"The quarter gone by was a repeat of the previous quarter in terms of weak market demand and financial performance," Bharat Forge Chairman and Managing Director BN Kalyani said.

Domestic and export revenues were down more than 30% in the third quarter as compared to the year-ago period, he added.

Kalyani, however, said passenger vehicle business continued to stand out across both domestic and export markets with strong performance against underlying demand and grew by 8.7%.

He said the company's international operations in Europe have also been badly impacted by the decline in end market.

"We have initiated restructuring and cost optimisation actions. These actions coupled with investing in creating capacity towards a favourable product mix will eventually result in a sustainable and stronger business overseas," he added.

On the outlook, he said, "over the next three to six months we expect demand to remain soft given the uncertainty in India due to the transition to BS-VI and continuation of weakness in North America and Europe." He, however, added that the "phase of sequential decline in the financial performance for the company is nearing an end and the new phase of growth will commence in FY21".

The convergence of cost reduction initiatives and business development will enable the company to come out stronger from this current downturn, he said.

Headline: <a href="#">Bharat Forge tumbles after Q3 PAT slumps 81% YoY</a>	Domain: Business Standard
Date: February 10, 2020	Journalist: Bureau

Bharat Forge tumbled 4.27% to Rs 496.05 after the company announced dismal Q3 2019 numbers during market hours today, 10 February 2020.

Bharat Forge's consolidated net profit tanked 81% to Rs 41.8 crore in Q3 December 2019 as against Rs 218.3 crore reported in Q3 December 2018. Total revenue declined 25.6% year-on-year (YoY) to Rs 1832.8 crore in Q3 December 2019 over Q3 December 2018.

Profit before tax (PBT) for Q3 December 2019 stood at Rs 98 crore, down by 69.2% from Rs 318 crore in Q3 December 2018.

EBITDA slumped 43.4% to Rs 236.1 crore in Q3 December 2019 as against Rs 416.9 crore reported in Q3 December 2018. EBITDA margin stood at 12.9% in Q3 December 2019 declining from 16.9% posted in Q3 December 2018.

Commenting on company's Q3 performance, B.N Kalyani, Chairman & MD said, The quarter gone by was a repeat of the previous quarter in terms of weak end market demand and financial performance. Domestic and export revenues were down more than 30% in Q3 FY20 compared to the same quarter previous year. The Passenger Vehicle business continues to stand out across both domestic and export markets with strong outperformance against underlying demand. The PV business grew by 8.7% compared to same quarter last year. BFL's international operations in Europe have also been badly impacted by the decline in end market demand. We have initiated restructuring & cost optimization actions. These actions coupled with investing in creating capacity towards a favorable product mix will eventually result in a sustainable & stronger business overseas. Looking ahead, over the next 3-6 months, we expect demand to remain soft given the uncertainty in India due to the transition to BS VI and continuation of weakness in North America & Europe. However, we believe that the phase of sequential decline in the financial performance for the company is nearing an end and the new phase of growth will commence in FY21.

Bharat Forge is a multinational company involved in automotives, power, oil & gas, construction and mining, locomotive, marine and aerospace industries.

Headline: <a href="#">Bharat Forge shares drop nearly 4 pc after Q3 results</a>	Domain: Business Insider
Date: February 10, 2020	Journalist: PTI

Shares of auto components major Bharat Forge on Monday fell nearly 4 per cent after the firm reported a 81.37 per cent decline in consolidated net profit for the third quarter ended December 2019.

Bharat Forge's scrip went lower 3.59 per cent to close at 499.55 on the BSE. During the day, it dropped 6.69 per cent to Rs 483.45.

On the NSE, it dipped 3.65 per cent to close at Rs 499.05.

Bharat Forge on Monday reported a 81.37 per cent decline in its consolidated net profit at Rs 40.44 crore for the third quarter ended December 31, 2019.

The company had posted a consolidated net profit of Rs 216.9 crore in the same period last fiscal, Bharat Forge said in a regulatory filing.

Total income during the period under review stood at Rs 1,868.05 crore as against Rs 2,516.7 crore in the year -ago quarter, it added.

Headline: [Bharat Forge Q3 profit plunges 59% on weak demand](#)

Domain: Moneycontrol.com

Date: February 10, 2020

Journalist: Bureau

*Consolidated revenue was down 36.4 percent YoY to Rs 1,076.7 crore for the quarter ended December 31, 2019.*

Auto ancillary and defence company Bharat Forge on February 10 registered a massive 58.7 percent YoY decline in profit due to weak demand both in domestic and international markets. One-time expenses on manpower optimisation also proved to be a drag but the fall was limited due to lower tax rate.

Profit during the quarter declined to Rs 127.8 crore against Rs 310 crore in the same period last year, company said in its BSE filing.

Consolidated revenue was down 36.4 percent YoY to Rs 1,076.7 crore for the quarter ended December 31, 2019, with domestic revenue falling 39.5 percent and exports declining 34.9 percent YoY.

"The quarter gone by was a repeat of the previous quarter in terms of weak end market demand and financial performance. Domestic and export revenues were down more than 30 percent in Q3FY20 compared to same quarter previous year," said Baba Kalyani, CMD.

He said the company has initiated restructuring and cost optimisation policies. "These actions coupled with investing in creating capacity towards a favourable product mix will eventually result in a sustainable and stronger business overseas."

One-time expense stood at Rs 27.6 crore on manpower optimisation, while the forex loss for the quarter came in at Rs 3.8 crore against gain of Rs 38.9 crore YoY.

The operating performance was also weak with earnings before interest, tax, depreciation and amortisation (EBITDA) falling 55.2 percent YoY to Rs 235.6 crore and margin contracting 920bps YoY to 21.9 percent in Q3FY20.

Tax expenses dropped sharply by 81.4 percent YoY to Rs 29.7 crore after adoption of new corporate tax rate.

Numbers were far below analyst expectations. Profit was estimated at Rs 168.7 crore on revenue of Rs 1,250 crore and EBITDA was expected at Rs 308.4 crore with margin at 24.6 percent for the quarter, according to the average of estimates of analysts polled by CNBC-TV18.

Baba Kalyani said looking ahead, over the next 3-6 months, the company expects demand to remain soft given the uncertainty in India due to the transition to BS VI and continuation of weakness in North America and Europe.

However, Bharat Forge believes that the phase of sequential decline in the financial performance for the company is nearing at end and the new phase of growth will commence in FY21, he added.

The stock fell more than 6 percent immediately after earnings, but managed to recover some losses to trade at Rs 501.25, down 3.26 percent on the BSE at 13:08 hours IST.

Headline: [Bharat Forge Q3 net profit falls 29% YoY to Rs 127.8 crore, misses estimates](#)

Domain: CNBC TV 18 (Online)

Date: February 10, 2020

Journalist: Ankit Gohel

- Bharat Forge reported a one-time loss of Rs 27.5 crore on account of manpower optimisation in overseas subsidiary.
- Bharat Forge's total tax expense of the company declined significantly in Q3FY20 to Rs 29.7 crore as compared to Rs 159.6 crore, YoY.
- Bharat Forge said that it is fully prepared for the transition to BS-VI and will maintain its leadership position in the domestic market.

Pune-based Bharat Forge Ltd on Monday reported a 29.7 percent fall in net profit for the third quarter of financial year 2019-20 at Rs 127.8 crore as against Rs 310 crore in the same period last year. CNBC-TV18 poll had estimated a net profit of Rs 168.7 crore.

A total revenue from operations in Q3FY20 declined 36.4 percent to Rs 1,077 crore as compared to Rs 1,692.5 crore in Q3FY19. Analyst poll had estimated topline of Rs 1,250 crore.

"The quarter gone by was a repeat of the previous quarter in terms of weak end market demand and financial performance. Domestic and export revenues were down more than 30 percent in Q3FY20 compared to the same quarter previous year," said Baba Kalyani, CMD, Bharat Forge.

The company reported a one-time loss of Rs 27.5 crore on account of manpower optimisation in the overseas subsidiary.

"We expect demand to remain soft on uncertainty in India due to transition to BS-VI," Kalyani added saying that the phase of sequential decline in financial performance is nearing an end and a new phase of growth will commence in FY21.

BHARAT FORGE Q3 EARNINGS			
BHARAT FORGE KALYANI	Q3FY20	Q3FY19	% Change (YoY)
PROFIT (₹ Cr)	127.8	310	▼ 29.7%
REVENUE (₹ Cr)	1,077	1,692.5	▼ 36.4%
EBITDA (₹ Cr)	235.6	526	▼ 55.2%
MARGIN (%)	21.9%	31.1%	▼ 920 bps

EBITDA during the quarter fell 55.2 percent to Rs 235.6 crore versus Rs 526 crore while EBITDA margin contracted by 920 bps YoY to 21.9 percent.

"BFL's international business operations in Europe have also been badly impacted by the decline in end market demand. We have initiated restructuring and cost optimisation actions. These actions coupled with investing in creating capacity towards a favorable product mix will eventually result in a sustainable and stronger business overseas," Kalyani added.

Total tax expense of the company declined significantly in Q3FY20 to Rs 29.7 crore as compared to Rs 159.6 crore, YoY.

The company said that it is fully prepared for the transaction to BS-VI and will maintain its leadership position in the domestic market.

At 2 pm, shares of Bharat Forge declined 3.66 percent to Rs 499.20 on the BSE.