



BHARAT FORGE

Bharat Forge Limited

Q2 FY12 Earnings Update

9th November 2011

Financial Highlights Q2

Bharat Forge Stand alone Financials

Table 1 Rs. Million

Particulars	Q2 FY12	Q2 FY11	YoY %	Q1 FY12	QoQ %
Shipment Tonnage	53,740	46,140	16.5	52,959	1.5
Domestic Revenue	4,784	4,447	7.6	4,766	0.4
Export Revenue	4,316	2,739	57.6	3,811	13.3
Total Revenue	9,100	7,186	26.6	8,577	6.1
EBIDTA	2,154	1,741	23.7	2,084	3.4
EBIDTA %	23.7	24.2		24.3	
Other Income	207	86		147	
PBT	1,512	1,017	48.7	1,414	6.9
PBT %	16.6%	14.2%		16.5%	
Profit After Tax	1,064	681	56.2	974	9.2

Revenue

- BFL volumes grew by 16.5% & 1.5% on a yearly & sequential basis respectively.
- Revenues grew by 26.6% on a YoY basis driven by strong exports growth of 57.6% and domestic revenue growth of 7.6%, better than the underlying market growth.
- PBT growth of 48.7% to Rs 1,512 in Q2 FY12.
- Non Auto segment continues to grow with strong traction across sectors. The segment grew by 24% with strong off take from export markets. Non Auto contribution to the standalone operations in Q2 FY12 is 40%.

Review of Business - Standalone operations - Components Business

Following table summarizes the geographical distribution of the company's revenue streams in Q2 FY12 against that in the corresponding previous periods.

Table 2 *Rs. Million*

Particulars	Q2 FY12	% of Total	Q2 FY11	% of Total	Growth %
India	4,784	52.6	4,447	61.9	7.6
USA	1,906	20.9	1,333	18.5	25.3
Europe	2,075	22.8	1,182	15.5	75.5
Asia Pacific	335	3.7	224	3.1	49.6
Total	9,100	100	7,186	100	26.6

Review of Indian Market

Table 3: Domestic Automotive Production Data

Particulars	Q2 FY 12	Q2 FY 11	YoY%	Q1 FY 12	QoQ %
LCV	135,808	99,050	37.1	117,244	15.8
Medium & Heavy CV	92,485	86,716	6.7	87,629	5.5
Total CV Market (M&HCV +LCV)	228,293	185,766	22.9	204,873	11.4
Passenger Cars	731,042	761,614	-4.0	759,406	-3.7
Total Auto Market	959,335	947,380	1.3	964,279	-0.5

Source: SIAM

The domestic M&HCV sector witnessed volume growth of 5.5% in the 2nd quarter of the financial year compared to the previous quarter despite increase in fuel prices. BFL domestic sales were flat during the quarter, primarily on account of slight drop in non automotive sales coinciding with the slowdown in capital investments in India.

Review of Export Markets

The European & North American & CV markets continued the growth momentum witnessed in the previous quarters. North American Class 8 truck volumes continued to grow at a brisk pace in the quarter gone by on back of need to replace aging fleet with fuel efficient models. European Heavy truck market registered a growth of 24.7% in the Jul - Sep period compared to the same period previous year.

BFL's exports in to these markets have benefitted from the strong recovery in the respective commercial vehicle markets. Overall Exports have grown by 57.6% with Exports in to US growing by 25.3% and Exports in to Europe growing by 75.5%.

Non Auto Update:

Components Business

Non Auto revenue in the quarter has increased by 24.1% to Rs 3,293 million as against 2,654 million over the corresponding quarter previous year. The non auto growth in the quarter was impacted to due to slowdown in capital investments in India. Non auto contribution to the standalone business is 40%.

Contribution to the top line from the new facilities has increased by 86.4% from Rs 969 million to Rs 1,807 million. This has been achieved on back of a strategy of product extension, customer penetration & increasing value addition in products through machining. This strategy has played out very well for BFL with strong traction across sectors and increasing pipeline of order flows from both domestic and export customers.

Financial highlights - Overseas Subsidiaries - Component Business

The financial statement for July - September 2011 for the Subsidiaries is as below.

Table 4

Rs Million

Particulars	Jul - Sep 2011			Jul - Sep 2010			YoY %
	WOS	China	Total	WOS	China	Total	
Total Income	5,061	1,432	6,493	3,840	1,422	5,262	23.4%
EBITDA	296	84	380	115	105	220	72.7%
EBITDA %	5.8%	5.9%	5.9%	3.0%	7.4%	4.2%	
PBT	26	14	40	(73)	56	(17)	335.3%
PBT %	0.5%	1.0%	0.6%	-1.9%	3.9%	-3.2	

Subsidiaries register stable performance in the quarter with topline growing by 23.4% to Rs 6,493 million. EBITDA margins for the overseas operations expanded by 170 bps from 4.2% in Q2 FY11 to 5.9% in Q2 FY12.

Conclusion

- Both the standalone & overseas operations continue to register strong performance on back of buoyant automotive demand.
- Domestic market especially the M&HCV segment has shown resilience and registered growth despite lot of headwinds.
- Export markets continue to perform well in the short term while the outlook in the medium to long term is uncertain
- Non Auto revenue continues to grow on back of new orders, ramp up of facilities & strong traction from existing clients.