KALYANI

BHARAT FORGE

Bharat Forge Limited

Q2 FY13 Earnings Update

31st October 2012

Financial Highlights Q2

Bharat Forge Stand alone Financials

Table 1 **Rs. Million**

Particulars	**Q2 FY13**	**Q2 FY12**	**YoY %**	**Q1 FY13**	**QoQ %**
Shipment Tonnage	**46,350**	**53,740**	**-13.8%**	**51,077**	**-9.3%**
Domestic Revenue	3,855	4,499	-14.3	4,180	-7.8
Export Revenue	4,667	4,316	8.1	4,983	-6.3
Other Operating Income	154	285	-46.0	201	-23.4
Total Revenue	8,676	9,100	-4.7	9,364	-7.3
EBIDTA	2,074	2,186	-5.1	2,351	-11.8
EBIDTA %	***23.9%***	***24.0%***		***25.1%***	
Other Income	285	134		232	
PBT	1,369	1,471	-6.9	1,616	-15.3
PBT %	***15.8%***	***16.2%***		***17.3%***	
Exchange Gain/ (loss)	(13)	41		(98)	
Exceptional Items	106	-		-	
PBT	1,462	1,512	-3.3	1,518	-3.7
Profit After Tax	1,028	1,064	-3.4	1,052	-2.3

Performance Highlights

- BFL volumes declined by 13.8% & 9.2% on a yearly & sequential basis respectively.
- Revenues declined by 4.7% in Q2 FY13 to Rs 8,676 million as compared to Q2 FY12 and 7.3% compared to the previous quarter mainly driven by slowing export market and sluggish domestic non-auto.
- Despite the 13.8% volume drop on a YoY basis, EBITDA margins have been sustained at 24% in Q2 FY13 compared to Q2 FY12, partially benefitting from better realization on Exports on account of rupee depreciation.
- PBT before Exchange gain/ (loss) and Exceptional item reduced by 6.9% in Q2 FY13 to Rs 1,369 million compared to Q2 FY12.
- PAT for the quarter witnessed a marginal decline of 3.4% to Rs 1,028 million compared to Rs 1,064 million in Q2 FY12.

Review of Business

Following table summarizes the geographical distribution of the company's revenue streams in Q2 FY13 against that in the corresponding previous periods.

Table 2 *Rs. Million*

Particulars	Q2 FY13	% of Total	Q2 FY12	% of Total	Growth %
India	4,009	46.2	4,784	52.6	*-16.2%*
Americas	3,083	35.5	1,906	20.9	*61.8%*
Europe	1,283	14.8	2,075	22.8	*-38.1%*
Asia Pacific	301	3.5	335	3.7	*-10.6%*
Total	**8,676**	**100**	**9,100**	**100**	***-4.7%***

Review of Indian Market

Table 3: Domestic Automotive Production Data

Particulars	Q2 FY 13	Q2 FY 12	YoY%	Q1 FY 13	QoQ %
LCV	137,770	135,481	1.7%	124,866	10.3%
Medium & Heavy CV	78,522	92,778	-15.4%	69,920	12.3%
Total CV Market (M&HCV +LCV)	**216,292**	**228,259**	**-5.2%**	**194,786**	**11.0%**
Passenger Cars	598,485	643,732	-7.0%	673,651	-14.6%
Utility Vehicles	141,031	87,719	60.8%	122,293	15.3%
Total Auto Market	**955,808**	**959,710**	**-0.4%**	**1,018,186**	**-6.1%**

Source: SIAM

The momentum in the domestic automotive industry continued to be sluggish with overall volumes declining by 6.1% in Q2 FY13 compared to the previous quarter while industry volumes were stagnant on a YoY basis.

The CV segment continues to witness a challenging environment as MHCV demand has fallen sharply on account of slowdown in transportation demand from key sectors such as infrastructure, mining and construction.

BFL sales to the automotive sector (Commercial & Passenger Vehicle including Utility vehicles) grew 7.3% in Q2 FY13 compared to the previous quarter while it declined 4.2% compared to Q2 FY12.

Review of Export Markets

Like in CY2009, almost all markets except passenger cars have gone south almost in unison thus, defying for a second time the general practice of de-risking that applied for past several decades.

Order bookings for trucks during the third quarter of 2012 decreased, compared to the third quarter of 2011 as well as the second quarter of this year. Order bookings in Europe & North America were affected by lower economic activity and hesitancy among customers to invest in new vehicles. This is despite a growing replacement need, given the low truck deliveries in recent years.

This weak demand sentiment impacted BFL exports which declined 6.3% compared to the previous quarter to Rs 4,667 million. **The decline in the sales reflects global economic conditions that are weaker than we had previously expected.**

Non-Auto Update:

Components Business

The non-automotive business recorded a marginal growth of 2.6% to Rs 3,381 million driven by increase in off take from Oil & Gas sectors. Off take from the export market increased by 30% while the domestic market declined by an almost similar amount due to lack of new investments from capital intensive sectors.

Financial highlights – Overseas Subsidiaries – Component Business

The financial statement for July - September 2012 for the Subsidiaries is as below.

Table 4 ***Rs Million***

Particulars	Jul - Sep 2012			Jul - Sep 2011			
	WOS	**China**	**Total**	**WOS**	**China**	**Total**	**YoY %**
Total Income	4,548	1,079	**5,627**	5,061	1,432	**6,493**	-13.3%
EBITDA	171	(130)	**41**	296	84	**380**	-89.2%
EBITDA %	**3.8**	**-12.0%**	**0.7%**	**5.8%**	**5.9%**	**5.9%**	
PBT	(109)	(239)	**(348)**	26	14	**40**	
PAT after Minority Interest	(92)	(124)	**(216)**	79	(61)	**18**	

Subsidiaries performance suffered during the quarter on back of continued severe downturn in the Heavy Truck market in China and decline in demand in Europe.

Update on Bharat Forge America

BFL had taken a decision to restructure its North American operations, Bharat Forge America and as a measure of prudent accounting practice, created a provision of Rs. 704 million towards diminution in the carrying cost of its investment and the charge for the same is included under 'exceptional items' in the above financial results for the period ended March 31st 2012.

The company continues to work on restructuring the operations and is looking at all viable options for Bharat Forge America. The company has created a further provision of Rs. 260 million towards diminution in the carrying cost of its investment.

Conclusion

- In an already weak global economic environment, further weakening of demand has become increasingly evident around the globe across both automotive & industrial sectors. All global OEM's are adjusting their production level to correct inventory levels leading to destocking of inventory across the pipeline.

- BFL's export business in the coming 2 -3 quarters would be impacted by the remedial measures being undertaken by customers globally.

- The company expects to witness downward pressure on its business due to decline in demand across auto & non-auto globally coupled with a sluggish domestic market in the coming 2 -3 quarters.