



BHARAT FORGE

Bharat Forge Limited

Q3 FY10 Earnings Update

23rd January 2010

Financial Highlights Q3

Bharat Forge Stand alone Financials

Table 1 Rs. Million

Particulars	Q3 FY10	Q3 FY09	YoY %	Q2 FY10	QoQ %
Shipment Tonnage	35,283	26,048	35.5	30,428	16.0
Domestic Revenue	3,080	2,087	47.6	2,788	10.5
Export Revenue	1,998	2,444	(18.2)	1,488	34.3
Total Revenue	5,078	4,531	12.1	4,276	18.8
EBIDTA w/o other income & Exchange loss	1,191	886	34.4	1,024	16.7
EBIDTA %	23.5	19.6		23.9	
Other Income	92	112		60	
PBT w/o exchange gain / (loss)	606	301	101.3	430	40.9
PBT %	11.9	6.6		10.1	
Exchange Gain / (Loss)	(29)	(282)		(30)	
PBT after Exchange Gain / (Loss)	577	19		400	44.3
Profit After Tax	380	44		268	41.8

Revenue

- Standalone Revenues grew by 18.8% on a QoQ basis on sustained growth in Indian M&HCV segment and resurgence witnessed in the US M&HCV segment.
- Domestic revenues have grown by 47.6% and 10.5% on a YoY and sequential basis respectively on the back of continued improvement in the Indian automotive market.
- Export revenues have grown by 34.3% on a QoQ basis primarily due to some resurgence in demand in the US M&HCV segment.

Combined financial statement

The combined financial statement for the Q3 FY 2010 for Bharat Forge & its Wholly Owned Global Subsidiaries is as follows:

Table 2 Rs. Million

Particulars	Q3 FY 2010	Q3 FY 2009	Q2 FY 2010
Revenue Within India	3,080	2,087	2,788
Global Revenue	5,044	7,512	4,230
Total Revenue	8,124	9,599	7,108
EBITDA	1,261	975	857
EBITDA %	15.5%	10.2%	12.2%
Other Income	102	143	89
PBT before Exceptional Item	454	104	90
Exchange gain/(Loss)	(8)	(400)	(73)
Restructuring & Redundancy cost	(273)	(67)	(291)
Profit after Taxation	252	(365)	(408)

The combined performance in the quarter has been influenced by the following factors:

1. The combined revenue has grown by 14.3% on a QoQ basis with revenues at the Wholly Owned Subsidiaries (WOS) growing by about 11% on a QoQ basis on the back of marginal demand improvement in the CV sector.
2. Combined EBITDA % has improved from 12.2% in Q2 FY10 to 15.5% in Q3 FY10.
3. The Company has completed the restructuring process at its wholly owned global subsidiaries. The net cost of such restructuring and redundancies charged over the full financial year of the subsidiaries was about Rs 72 crores.
4. As a part of such restructuring program, operations and assets of one of the wholly owned indirect subsidiaries of the Company namely Bharat Forge Scottish Stampings Limited are being transferred to the other companies in Bharat Forge Group.

Geographical break up of Revenues

Following table will summarize the geographical distribution of the company's revenue streams in Q3 of FY10 against that in the corresponding previous periods.

Table:3 Break up of Revenues Rs. Million

Particulars	Q3 FY10	% of Total	Q3 FY09	% of Total	Y o Y %
India	3,080	61	2,087	46	48
USA	1,308	26	913	20	43
Europe	615	12	1,364	30	(55)
Others	75	1	167	4	(55)
Total	5,078	100	4,531	100	12

Review of Business

India

Table:4 Indian Auto production No.

Particulars	Q3 FY10	Q3 FY09	Q2 FY10	YoY %	QoQ%
LCV	74,547	42,870	76,730	73.9	(2.8)
Medium & Heavy CV	65,455	28,759	56,180	127.6	16.5
Total CV Market (M&HCV +LCV)	140,002	71,629	132,910	95.5	5.3
Passenger Cars	600,253	394,660	566,223	52.1	6.0
Total Auto Market	740,255	466,289	699,133	58.8	5.9

Source: SIAM

The Indian automotive market continues to post strong numbers with the overall market growing by 58.8% and 5.9% on a YoY & sequential basis. The M&HCV segment has posted a moderate growth of 16.5% on a QoQ basis in the Oct - Dec quarter while BFL's domestic revenues for the same period have grown more or less in line with the industry growing by 10.5%.

USA

Table: 5 US Auto Production Data No.

Particulars	Jan - Dec 09	Jan - Dec 08	YoY %
Passenger Cars	2,249,061	3,776,641	(40.4)
LCV	3,313,500	4,670,852	(29.1)
Medium & Heavy CV	136,962	224,648	(39.0)
Total Auto Market	5,699,523	8,672,141	(34.3)

Base source: Wards Auto

Europe

Table:6 Europe Sales Data

Particulars	Jan - Nov 09	Jan - Nov 08	No. YoY %
Passenger Cars	13,406,382	13,791,357	(2.8)
MCV	265,361	456,561	(41.9)
LCV	1,295,169	1,905,852	(32.0)
HCV	156,057	298,977	(47.8)
Total Auto Market	16,683,499	18,8115,160	(11.3)

Base source: ACEA

The US automotive market witnessed some demand revival in the Oct - Dec period which grew by 11.8% on a QoQ basis. However for the year, the segment was down 39% compared to CY 2008. The segment from its peak volumes of 476K in 2006 closed the year with volumes of 137K, a drop of 71%.

BFL's exports into USA have grown by 43% and 53% on a YoY & sequential basis driven by the resurgence in the M&HCV demand and increased traction with customers in the passenger vehicle segment.

Europe continues to be weak with all the major segments recording a drop in volumes for the Jan - Nov period. The Commercial vehicle segment in the Oct - Nov period has shown some signs of demand revival on account of increase in industrial activity. Exports into Europe continue to be sluggish although they have grown marginally on a sequential basis by 8%.

Outlook

The US & European M&HCV segments are going through different cycles. The US M&HCV segment has been in a downturn from CY 2007 and volumes have shrunk from 476K to 137K. The fleet on the ground today is the oldest in the last 40 years and industry expects a revival in fortunes from CY2010. Our customers forecast a very strong revival in demand from the middle of 2010. This will drive up both our auto and non-auto volumes substantially.

The European Heavy commercial vehicle segment after witnessing 4 strong years of growth has seen a drastic drop of over of 50% in volumes in Jan - Nov CY09. We expect the markets to register single digit growth in CY10. In Europe our customers forecast demand revival at the beginning of CY 2011 for which we expect inventory build up to begin in the middle of 2010.

On the Auto side we have won new customers in geographies where we were not present hitherto like Japan and Brazil. Overall we expect to see positive growth in 2010 in these geographies driven by resurgence in economic activity.

Non Automotive Business

The first phase of our non auto foray has been completed with the commercialization of the ring rolling facility. The facilities at present are operating at low utilization levels but we have taken steps to improve this by targeting new customers and product lines. As a result we are witnessing significant traction globally and especially within India and have won several new orders in thermal power, nuclear power, oil & gas and rail sector.

BFL is looking at tapping infrastructure led demand (Replacement & OEM) in the domestic non auto market in sectors such as Power, Railways, Metals & Mining and General infrastructure.

Power Sector Foray

BFL had announced its intent of foray into the power equipment sector through a series of Joint Ventures with Alstom, NTPC & Areva. The JV will focus on tapping the domestic power sector through the following ventures.

- **Alstom:** Joint Venture with Alstom is for supply of Turbines & Generators and the auxiliaries for sub & super critical power plants. The ventures have been approved by the Government of India and the facility will be located in Mundra SEZ. We recently concluded the ground-breaking ceremony of the facility and construction is expected to begin soon. The JV will have an installed capacity of 5000 MW and is expected to begin production in 2012.
- **NTPC:** The JV will focus on supply of critical elements of Balance of plants (BOP) such as high pressure pipings, valves, pumps etc. The JV will essentially focus on integrating the supply chain for BOP.
- **Areva:** The venture with Areva will focus on supply of ultra heavy forgings for Nuclear & thermal power plants.

Conclusion

- BFL domestic business is nearing previous peak levels on the back of smart growth in the M&HCV sector. The recovery in domestic CV market is expected to be maintained in the coming quarters.
- Export markets have bottomed out and starting to see some signs of recovery in USA while Europe continues to be around 50% of CY 2007 levels. The markets are expected to revive in 2010 and will help drive up our auto and non-auto volumes.
- BFL is actively pursuing resourcing opportunities from other customers at a global level given our technology & manufacturing capabilities.
- The Non Auto facilities should see significant improvement in utilization levels in FY11 given the new orders that we have finalized and overall improvement in market conditions.
- The restructuring at the subsidiaries have been completed and we are optimistic of them turning around in CY10.