Bharat Forge Limited

Q3 FY11 Earnings Update

22nd January 2011

Financial Highlights Q3

Bharat Forge Stand alone Financials

Table 1 **Rs. Million**

Particulars	Q3 FY11	Q3 FY10	YoY %	Q2 FY11	QoQ %
Shipment Tonnage	**48,116**	**35,410**	**35.9**	**46,140**	**4.3**
Domestic Revenue Export Revenue	4,176 3,593	3,087 1,989	35.3 80.6	4,447 2,739	(6.1) 31.2
Total Revenue	7,769	5,076	53.1	7,186	8.1
EBIDTA w/o other income & Exchange loss	1,885	1,203	56.7	1,741	8.3
EBIDTA %	***24.3***	***23.7***		***24.2***	
Other Income	126	80		86	
PBT w/o exchange gain /(loss)	1,214	606	100.3	1,017	19.4
PBT %	***15.6***	***11.9***		***14.2***	
Exchange Gain / (Loss)	-	(29)		-	
PBT after Exchange Gain / (Loss)	1,214	577	110.4	1,017	19.4
Profit After Tax	826	380	117.4	681	21.3

Key Highlights

- Export revenues recorded strong growth of 80.6% & 31.2% on a YoY and QoQ basis inspite of industry volumes well below their peak levels.
- Domestic revenues grew by 35.3% on a YoY basis but marginally declined by 6.1% sequentially, less than the underlying market.
- Sequential volume growth of 4.3% driven by strong growth in export revenues, continued ramp up of non automotive capacities.
- Non Auto segment continues to grow with strong traction across sectors. Non Auto contribution increased from 26% in Q3 FY10 to 37% in Q3 FY11
- Highest Exports of Rs 3,593 million recorded, driven by growth in new products & customers from both US & European markets.
- Historical high PBT of Rs 1,214 million for the quarter, a growth of 110.4% compared to corresponding period previous year.

Combined financial statement

The combined financial statement for Q3 FY 2011 for Bharat Forge & its Wholly Owned Global Subsidiaries is as follows:

Table 2 **Rs. Million**

Particulars	**Q3 FY 2011**	**Q3 FY 2010**
Total Revenue	12,353	8,225
EBITDA	2,232	1,362
EBITDA %	***18.1***	***16.6***
PBT before Exceptional Item	1,222	455
Exchange gain/(Loss)	-	(8)
Restructuring cost	(81)	(273)
Profit after Taxation	733	252

The company's international operations continue to post improved performance on back of recovery in European CV market. On an annual basis, the Wholly Owned subsidiaries have registered a 46% increase in sales and 175% increase in EBITDA. EBITDA margins have increased from 2.6% to 4.9%.

Restructuring cost of Rs 81 million includes one time cost incurred for Union negotiation settlement in Bharat Forge America to achieve concessions and expenses on transfer of business from Bharat Forge Scottish Stampings Ltd.

Outlook

In CY11, post the restructuring, the Wholly Owned Subsidiaries (WOS) are expected to witness improvement in performance across parameters and benefit from the improvement in macro conditions in Europe & USA. The international operations will gain from operating leverage on account of increase in capacity utilization, cost rationalization.

The Chinese venture which turned profitable in CY10 on account of strong automotive demand in china resulting in increased capacity utilization, and additionally due to significant cost control at the Joint venture. The Operation is expected to continue on the recovery path in CY11 and benefit from operating leverage going forward.

Geographical break up of Revenues

Following table will summarize the geographical distribution of the company's revenue streams in Q3 of FY11 against that in the corresponding previous period.

Table: 3 Break up of Revenues **Rs. Million**

Particulars	Q3 FY11	% of Total	Q3 FY10	% of Total	Y o Y %
India	4,176	53.8	3,087	60.8	35.3
USA	1,716	22.1	1,301	25.6	31.9
Europe	1,523	19.6	615	12.1	147.6
Others	354	4.5	73	1.5	384.9
Total	**7,769**		**5,076**		**53.1**

Review of Business

India

Table: 4 Indian Auto production ***No.***

Particulars	Q3 FY11	Q3 FY10	Q2 FY11	YoY %	QoQ%
LCV	105,205	74,571	97,848	41.1	7.5
Medium & Heavy CV	79,571	65,440	86,561	21.6	(8.1)
Total CV Market (M&HCV +LCV)	**184,776**	**140,011**	**184,409**	**32.0**	**0.2**
Passenger Cars	737,777	606,869	743,155	21.6	(0.7)
Total Auto Market	**922,553**	**746,880**	**927,564**	**23.5**	**(0.5)**

Source: SIAM

The quarter gone by, was relatively soft period for the Indian automotive industry. The sector encountered several headwinds on account of slowdown in Industrial activity, hardening of interest rates by the central bank to contain raising inflation and also increase in commodity prices.

The sector saw volumes remain flattish on a sequential basis but the M&HCV segment witnessed a volume drop of 8.1%. This was primarily due to substantial growth in previous quarter on account of pre-buying.

Exports

During the quarter BFL registered highest exports of Rs 3,593 million. The growth in exports has been an impressive 80.6% over the corresponding quarter previous year. Exports have grown and recorded new highs inspite of the fact that the North American class 8 market is more than 50% below its previous peak of CY2006 and the European Heavy Truck market is also well below its CY2008 peak volumes.

This clearly demonstrates the success of the company's de-risking and diversification strategy and efforts to constantly access newer markets, customers & segments.

USA

Table: 5 US Auto Production Data *No.*

Particulars	Oct - Dec 10	Oct - Dec 09	YoY %
Passenger Cars	638,184	705,343	(9.5)
LCV	1,247,109	1,069,340	16.6
Medium & Heavy CV	41,555	36,532	13.7
Total Auto Market	**1,926,848**	**1,811,215**	**6.4**

Base *source: Wards Auto*

The US Automotive industry saw volume growth after a gap of almost 4 years. In CY10, vehicle production grew by 35.5% on the back of strong growth in Passenger & Light commercial vehicles.

The Class 8 heavy truck market, BFL's biggest addressable market also witnessed volume growth for the first time since CY 2006. The segment despite a 20% yearly growth is still about 60% below the peak achieved in CY 2006.

BFL exports into USA have grown considerably by 32% on the back of recovery in the automotive markets and continued traction on the non automotive front.

Europe

Table:6 Europe Sales Data *No.*

Particulars	Oct - Nov 10	Oct - Nov 09	YoY %
Passenger Cars	2,171,649	2,448,764	(11.3)
LCV	267,669	243,977	9.7
MCV	56,173	39,482	42.3
HCV	35,310	21,643	63.1
Total Auto Market	**2,530,801**	**2,753,868**	**(8.1)**

Base *source: ACEA*

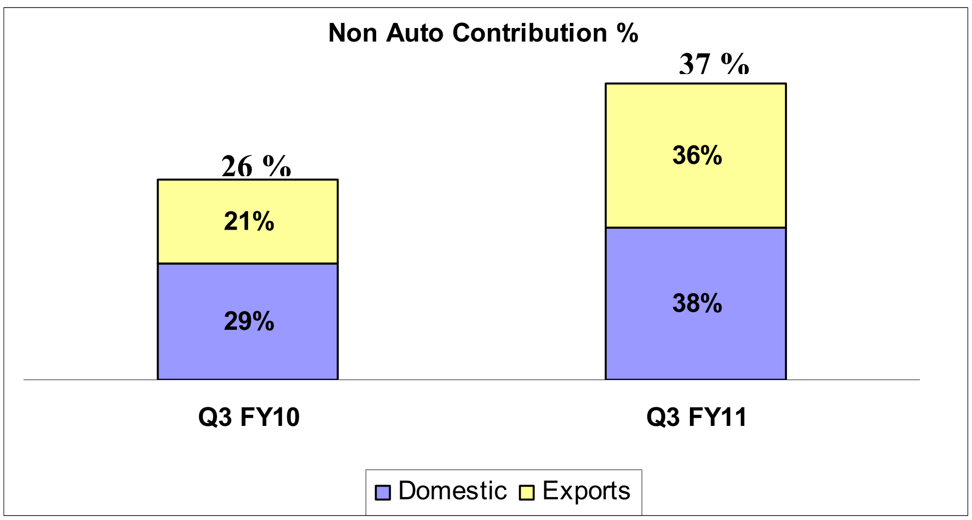
The European automotive market continues to witness improvement in traction primarily driven by Commercial Vehicle segments in line with improvement in economic environment in the major European economies. New vehicle registration for the 11 months ended Nov 2010 has marginally decreased by 2.7%.

Despite difficult market conditions, our exports into Europe have grown by 148% on a YoY basis driven primarily by new non auto businesses.

Non Automotive Business

The non automotive ramp up at the new facilities continues to witness steady progress with various programs in serial production stage. Non Automotive business is witnessing intense traction from the export markets across sectors such as Oil & Gas, Construction equipments, Rail & Marine.

The graph below shows the strong growth in Non Automotive business. This has been achieved on the back of successful ramping up of new programs at the new dedicated facilities as well as increase in market share with existing clients. On a YoY basis, Non Auto contribution to the overall business has grown multi-fold.



Non auto growth is being driven by new customer additions across all verticals, increasing value add of critical components and expansion of product portfolio with existing customers.

Outlook

India: The Indian automotive market after a brief lull in the previous quarter is expected to again get back on the growth track. However the momentum is expected to be a bit moderate on account of high base effect and other headwinds such as increasing interest rate environment, inflation, slowdown in infrastructure execution to name a few.

Export Markets: The US & European automotive markets are expected to see volume growth in CY11. The US Class 8 heavy truck segment supported by various factors such as recovery of US economy, age of present fleet, stability in prices of used vehicles etc is expected to witness volume growth in CY11.

Non Automotive: The strong foundation built in the non auto business is expected to benefit the company going forward. The inclination of existing clients to increase their business share with the company coupled with the demand for more value added products augurs well for the business going forward.