

BHARAT FORGE LIMITED

Analyst Update - Q1FY14 Results

BFL 3 MONTH REPORT

“BFL has delivered a good performance in the quarter gone by. Demand was better than initially anticipated during the quarter and this coupled with improvement in operational efficiency over the past two quarters enabled us to deliver sequentially healthier financial parameters across the board.

While we are witnessing demand decline in India, profitability is improving due to strong execution and improving demand from export markets. Despite the weak environment, we continue to win new business in Passenger Vehicle, utility vehicles and industrial segments and simultaneously increase market share.

We currently continue to witness volatility across business verticals & geographies and expect demand to remain at similar levels in Q2 as compared to Q1.”

B.N. Kalyani, Chairman & Managing Director.



Key Figures (Rs Million)

Particulars	Q1 FY14	Q4 FY13	% Change	Q1 FY13	% change
Total Revenues	7,915	6,746	17.3%	9,364	-15.5%
EBITDA	1,960	1,525	28.5%	2,351	-16.6%
EBITDA %	24.8%	22.6%		25.1%	
PBT	1,350	744	81.5%	1,518	-11.1%
PAT	906	501	80.8%	1,052	-13.9%
EPS	3.89	2.15		4.52	

STANDALONE FINANCIAL HIGHLIGHTS Q1

Table 1

Rs. Million

Particulars	Q1 FY14	Q4 FY13	QoQ%	Q1 FY13	YoY %
Shipment Tonnage	41,279	37,119	11.2%	51,077	-19.2%
Domestic Revenue	3,744	3,490	7.3%	4,180	-10.4%
Export Revenue	3,972	3,112	27.6%	4,983	-20.3%
Other Operating Income	199	144		201	
Total Revenue	7,915	6,746	17.3%	9,364	-15.5%
EBIDTA	1,960	1,525	28.5%	2,351	-16.6%
EBIDTA %	24.8%	22.6%		25.1%	
Other Income	180	205		232	
PBT	1,175	851	38.1%	1,616	-27.3%
PBT %	14.8%	12.6%		17.3%	
Exchange Gain/ (loss)	175	(107)		(98)	
PBT	1,350	744	81.5%	1,518	-11.1%
Profit After Tax	906	501	80.8%	1,052	-13.9%

- BFL shipment tonnage improved by 11.2% on a sequential basis in Q1 FY14 on better demand from the export markets.
- Revenues increased by 17.3% in Q1 FY14 to Rs 7,915 million as compared to Q4 FY13 on back of a 27.6% improvement in export revenues.
- EBITDA for Q1 grew by 28.5% to Rs 1,960 million compared to Q4 FY13. EBITDA margins expanded by 220 bps on the back of strong cost reduction initiatives undertaken in the past 2 quarters and benefit from increased exports.
- PBT before Exchange gain/ (loss) increased by 38.1% in Q1 FY14 to Rs 1,175 million compared to Q4 FY13.
- PAT for the quarter grew 80.8% to Rs 906 million sequentially.

KEY FINANCIAL PARAMETERS: STANDALONE

<i>Particulars</i>	<i>June 30, 2013</i>	<i>March 31, 2013</i>
<i>Debt</i>	21,189	18,737
<i>Equity</i>	22,781	23,111
<i>Cash</i>	8,002	6,520
<i>D/E</i>	0.93	0.81
<i>D/E (Net)</i>	0.58	0.53

Note: Ignoring the impact of exchange gain/ (loss) entries which are notional in nature, D/E as of June 30 is 0.83

REVIEW OF INDIAN MARKET

Table 3: Domestic Automotive Production Data (No's)

Particulars	Q1 FY14	Q4 FY13	QoQ%	Q1 FY13	YoY %
LCV	129,472	154,470	-16.2	124,017	4.4
Medium & Heavy CV	65,629	67,030	-2.1	70,981	-7.5
Total CV Market (M&HCV +LCV)	195,101	221,500	-11.9	194,998	-
Passenger Cars including Vans	608,950	718,315	-15.2	699,082	-12.9
Utility Vehicles	130,196	153,160	-15.0	122,782	6.04
Total Auto Market	934,247	1,092,975	-14.5	1,016,862	-8.1

Source: SIAM

The Indian automotive industry continued to witness tough market conditions in Q1 FY14 with volumes declining across all segments. Overall demand declined by 14.5% compared to the previous quarter with the major brunt being felt by the passenger vehicle sector. The M&HCV sector which declined by 2.1% continues to struggle with lack of freight demand and slackening economic growth.

The near term outlook does not look promising for the sector with a slew of OEM's planning to undertake production cuts in order to align with the sluggish demand environment.

REVIEW OF EXPORT MARKETS

<i>Particulars</i>	Rs. Million				
	<i>Q1 FY14</i>	<i>Q4 FY13</i>	<i>Growth %</i>	<i>Q1 FY13</i>	<i>Growth %</i>
Americas	1,856	1,612	15.1%	2,512	-26.1%
Europe	1,842	1,316	40.0%	2,141	-13.9%
Asia Pacific	274	184	49.0%	330	-16.9%
Total	3,972	3,112	27.6%	4,983	-20.3%

The Export markets have shown moderate recovery post the demand meltdown witnessed in the end of 2012. New Builds of Heavy Trucks in North America have increased 22.8% to 66,683 units in Apr – Jun 2013 compared to the previous quarter while they are down 13.6% compared to the corresponding quarter previous year.

Europe continues to witness weak demand conditions with the H1 CY13 Heavy Truck sales down more than 10% compared to H1 CY12.

Non-Auto Update:

Demand from the non-automotive sector continues to be depressed on back of lack of increase in industrial activity across major economies. The Oil & Gas sector and the Construction & mining sector, BFL's two biggest addressed market, have not seen any major recovery in demand. Non-Automotive sector for the quarter has registered a growth of 26.6% to Rs 2,801 million, primarily driven by inventory impact getting over in the export market.

BFL has achieved a major breakthrough in the domestic non-automotive market by supplying finished machined crankshafts for locomotives produced by the Indian Railways, which previously were imported.

FINANCIAL HIGHLIGHTS – OVERSEAS SUBSIDIARIES

Table 5

<i>Particulars</i>	Rs Million					
	<i>April – June 2013</i>			<i>April – June 2012</i>		
	WOS	China	Total	WOS	China	Total
Total Income	6,181	1,738	7,919	5,571	1,492	7,063
EBITDA	549	17	566	399	1	400
EBITDA %	8.9%	1%	7.2%	7.2%	0.1%	5.7%
PBT	255	(89)	166	121	(118)	3
PAT after Minority Interest	174	(46)	128	79	(61)	18

The Wholly Owned Subsidiaries (WOS) continue to register strong performance despite weak environment on back of continued focus on productivity improvement and cost controls. The china JV continues its weak performance on back of sluggish automotive demand.

OUTLOOK

Indicative demand outlook across various geographies on a sequential basis

Particulars	India	North America	Europe
AUTOMOTIVE			
Commercial Vehicles	↓	↔	↔
Passenger Vehicles – High End	—	↑	↑
Passenger Vehicles – Mass Market	↓	↑	↓
INDUSTRIAL			
Oil & Gas	—	↔	↔
Construction & Mining	↓	↓	↓