BHARAT FORGE LIMITED

Analyst Update – Q1 FY18 Results

BFL 3 MONTH REPORT

“Q1 FY18 was a strong quarter for the company with robust export revenues on back of increasing demand across automotive & industrial sectors. Despite disruption in domestic automotive demand caused by GST transition, revenues were flat compared to previous year on back of market share gain and new product ramp up.

Total revenue at Rs 12,578 million in Q1 FY18 grew by 31.4% compared to Q1 FY17. Cash flow during the quarter remained robust and this coupled with loan repayment enabled the company to be debt free on long term loan basis.

Despite inflationary pressures, EBITDA margins at 27.5% expanded by 100 bps as compared to the same quarter previous year.

During the quarter, the Domestic industrial business has achieved highest quarterly revenues on back of new products and technologies developed by using our R&D centers. The new policy on preference to indigenous suppliers in sectors such as Oil & Gas, Railways, and Defence etc. will create new large opportunities for us to leverage our technical capabilities and new products in the Industrial sector in India.

As we look ahead in to the next quarter, we expect to see continued broad based industrial activity & growth. We expect demand to be higher than the same period previous year. Export demand is expected to remain robust across sectors while we see the domestic automotive sector recovering from the pain of GST transition.

B.N. Kalyani, Chairman & Managing Director.

Key Figures **(Rs Million except EPS)**

Particulars	Q1 FY18	Q4 FY17	% change	Q1 FY17	% change
Total Revenues	12,578	11,832	6.3	9,571	31.4
EBITDA	3,457	3,240	6.7	2,537	36.3
EBITDA %	**27.5%**	**27.4%**		**26.5%**	
PBT before exchange gain/(loss)	2,757	2,533	8.8	1,883	46.4
PAT	1,751	2,075	(15.6)	1,221	43.4
EPS (Rs.)	**7.52**	**8.91**		**5.24**	

STANDALONE FINANCIAL HIGHLIGHTS Q1 FY18

TABLE 1 **Rs. Million**

Particulars	*Q1 FY18*	*Q4 FY17*	*QoQ %*	*Q1 FY17*	*YoY %*
Shipment Tonnage	55,100	55,189	(0.2)	49,098	12.2
Domestic Revenue	5,602	5,617	(0.3)	5,335	5.0
Export Revenue	6,714	5,972	12.4	4,079	64.6
Other Operating Income	262	243		157	
Total Revenue	12,578	11,832	6.3	9,571	31.4
EBIDTA	3,457	3,240	6.7	2,537	36.3
EBIDTA %	***27.5%***	***27.4%***		***26.5%***	
Other Income	259	222		256	
PBT	2,757	2,533	8.8	1,883	46.4
PBT %	***21.9%***	***21.4%***		***19.7%***	
Exchange Gain/ (loss)	(124)	(41)		(92)	
Exceptional Items	-	380		-	
PBT after Exchange Gain/ (loss) & Exceptional Items	2,633	2,872	(8.3)	1,791	47.0
Profit After Tax	1,751	2,075	(15.6)	1,221	43.4

- Q1 FY18 reported strong numbers as total revenues grew by 31.4% as compared to the same period last year. Growth was witnessed in all the geographies and in both the Auto & Industrial business but it was accentuated largely by the Industrial business (80% Y-o-Y growth).
- EBITDA stood at Rs. 3,457 million, a Y-o-Y growth of 36.3% while EBITDA margins improved by 100 bps to 27.5% in this quarter from 26.5% in Q1 FY17.
- PBT before Exchange gain/ (loss) and Exceptional item grew by 46.4% to Rs 2,757 million in Q1 FY18
- PAT stood at Rs 1,751 million, a growth of 43.4% as compared to Rs 1,221 million in Q1 FY17.

KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2 **Rs Million**

Particulars	**June 30, 2017**	**March 31, 2017**
Long Term Debt	12,885	15,220
Working capital & Bill Discounting	9,714	9,085
Equity	43,823	42,319
Cash	14,316	14,184
D/E	**0.52**	**0.57**
D/E (Net)	**0.19**	**0.24**
Long Term D/E (Net)	**(0.03)**	**0.02**

REVIEW OF INDIAN MARKET

Automotive Business

The domestic automotive production in this quarter witnessed a noticeable de-growth as compared to the previous quarter. Both passenger vehicles and commercial vehicles showed decline in volumes.

But the M&HCV segment was the most affected segment and witnessed a sharp decline in Q1 FY18, both sequentially and compared to the same period last year. It was mainly due to a combination of pre-buying on account of the BS-4 roll-out, postponement of replacement demand and deferment of new purchases by fleet operators on account of the pricing uncertainty related to the GST roll-out on 1st July 2017. The company's M&HCV revenue were down by 9% sequentially and by 7% on a Y-o-Y basis.

However, an increased thrust on infrastructure, continuation of mining activities, anticipated implementation of regulatory and environmental norms coupled with the pent-up demand post GST is expected to stimulate the market in the remainder of the year and a slight increase in market volume is anticipated for the full year.

On the India industrial business, the Company is starting to witness significant traction from existing as well as new customers. The Company's strategy of supplying components & sub-systems to target import dependent sectors such as Defence, Mining, Power, Railways and Aerospace amongst others, is bearing fruit.

Revenue of Rs. 2,050 million in Q1 FY18 marks a new high in quarterly India industrial revenues. The new policies initiated by the Government on preference to indigenous suppliers make us confident and further enthused about the prospects of the industrial sector in India.

REVIEW OF INTERNATIONAL BUSINESS

TABLE 3: INTERNATIONAL MARKETS REVENUE **Rs. Million**

Particulars	Q1 FY18	Q4 FY17	Q1 FY17
Americas	4,318	3,576	2,149
Europe	1,952	2,071	1,769
Asia Pacific	443	325	161
Total	**6,714**	**5,972**	**4,079**

Automotive Business

The US Class 8 volumes have been growing from the start of CY 2017 and the pick-up in order numbers indicate a slightly positive demand than the previous year. The upward trend is not robust and volatile but at a gradual pace, implying that if this pace was to continue coupled with the positive freight environment, the second half of the year could also witness better demand.

The truck market demand in Europe continues to be robust. Freight growth and improved capacity utilization of fleets is helping fleet owner profitability and thus leading to a renewal and expansion of fleets.

BFL's revenues into the heavy truck market in Q1 FY18 have registered a growth of 16% and 19% on a Q-o-Q and Y-o-Y basis respectively on account of increased market share and new product development.

The passenger car market worldwide is already at a high level and demand going ahead is likely to be at similar levels.

Industrial business

The Industrial business in the export markets has shown good growth. Demand for construction equipment has been robust and the mining segment in many parts of the world is showing growth buoyed by increase in commodity consumption, albeit from low levels. The recovery in North America land rig count continues and the increased activity has benefited our revenues from this sector.

In totality, the improving macro-condition of our end markets has helped increase our industrial business revenues to Rs. 3,362 million which has more than doubled as compared to the same period previous year.

OVERSEAS SUBSIDIARIES

Table 4 **Rs. Million**

Particulars	Apr – Jun 2017	Jan – Mar 2017	Apr – Jun 2016*
Total Income	6,874	6,572	6,318
EBITDA	506	493	492
EBITDA %	**7.4%**	**7.5%**	**7.8%**
PBT	104	87	101

*** BF PMT Technologie was acquired in December 2016**