

BHARAT FORGE LIMITED

Analyst Update - Q1 FY22 Results

BFL 3 MONTH REPORT

“The company during the quarter managed to deliver a solid across the board performance despite challenges posed the Covid lockdown and subsequent impact on economic activity in India.

On a sequential basis, Total Revenues grew by 4.9% to Rs 13,718 million on back of exports growth of 25.3% to Rs 9,156 million while the domestic revenues declined by 21.8% to Rs 4,418 million. Despite significant across the board input cost pressures, EBITDA margins have expanded 300 bps on back of favorable product mix.

During the quarter, we completed the acquisition of Sanghvi Forgings at a cost of Rs 77.06 Crores. This facility, although currently small in scale, will play a very meaningful role in expanding our product portfolio to address significant opportunities in the Indian Industrial space over the medium term.

As part of our growth strategy, we continue to look at enhancing our presence in the Indian manufacturing ecosystem through organic and more importantly inorganic avenues in our core business and newer verticals.

The international operations in Q1 CY21 have registered EBITDA% of 11.7% which is supported by focus on cost optimization & product mix improvement. The improvement in performance continues to be a Work In Progress with many more milestones to be achieved in the journey.

Looking ahead into Q2 FY22, we expect the overall growth to continue supported by recovery in the domestic MHCV market and sustained improvement in demand levels in the export market. Potential impact on end demand because of supply issues pertaining to semiconductors & the sustained increase of input costs are factors to keep track of in the coming months”



B.N. Kalyani, Chairman & Managing Director.

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STANDALONE FINANCIAL HIGHLIGHTS Q1 FY22

Particulars	Rs. Million				
	Q1 FY22	Q4 FY21	QoQ %	Q1 FY21	YoY %
Shipment Tonnage	53,512	55,837	-4.2%	17,840	199.9%
Domestic Revenue	4,418	5,653	-21.8%	1,541	186.7%
Export Revenue	9,156	7,310	25.3%	2,592	253.2%
Other Operating Income	144	111		137	
Total Revenue	13,718	13,074	4.9%	4,270	221.3%
EBIDTA	3,910	3,332	17.3%	17	
EBIDTA %	28.5%	25.5%		0.4%	
Other Income	333	320		420	
Profit Before Tax	2,818	2,509	12.3%	(670)	-
PBT %	20.5%	19.2%		-	
Exchange Gain/ (loss)	4	259		(46)	
Exceptional Item	(616)	(8)		-	-
Profit Before Tax	2,206	2,760		(716)	
Profit After Tax	1,668	2,055	(18.8)%	(563)	

- Total revenues in Q1 FY22 at Rs 13,718 million grew by 4.9% as compared to the previous quarter supported by 25.3% jump in export revenues to Rs 9,156 million.
- EBITDA margins at 28.5% in Q1 FY22 witnessed an expansion of 300 bps as compared to Q4 FY21 benefiting from a favorable product mix and benefits accruing from previously implemented cost reduction measures.
- Exceptional item of Rs 616 million in Q1 FY22 is cost of VRS scheme implemented in Chakan Plant.

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Particulars	Rs Million	
	June 30, 2021	March 31, 2021
Long Term Debt	20,992	20,636
Working capital & Bill Discounting	16,998	15,567
Equity	61,032	59,486
Cash	27,148	26,809
ROCE (Net of Cash)	16.2%	5.3%
RONW	10.6%	5.2%
D/E	0.62	0.61

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REVIEW OF INDIA BUSINESS

Automotive Business

The domestic automotive industry across segments is being impacted by a plethora of issues ranging from sharp increase in input costs impacting the industry profitability, semiconductor shortage issues impacting production and economic revival interruption caused by Covid19 lockdown impacting freight movement coupled with high fuel costs which has a strong bearing on CV fleet operators profitability.

Q1 FY22 industry performance should be seen in the light of the above mentioned factors. The MHCV segment production was down 52% as compared to the Jan – Mar 21 period while the PV production decline was around 24%. Our revenues to the sector in Q1 FY22 were impacted to the same extent.

Despite the Covid related uncertainty and near term challenges, the outlook for FY22 continues to remain strong, albeit on a low base of FY21.

Industrials Business

All sectors barring the Defence space were affected in Q1 FY22 because of the Covid19 lockdown. The Agri equipment segment, which had done well over the past 2 years, was also impacted in Q1. We expect the industrial business to grow meaningfully in the medium to long term driven by the revival of the capex cycle in India, potential opportunities arising out of various PLI schemes and Defence manufacturing in India.

INDIA REVENUES

Particulars	Rs. Million		
	Q1 FY22	Q4 FY21	Q1 FY21
Commercial Vehicles	1,271	2,222	330
Industrial	1,836	2,049	1,020
Passenger Vehicles	592	691	76
Others*	863	802	252
Total	4,562	5,764	1,678

* Others include other operating income, sale of manufacturing scrap etc.

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REVIEW OF INTERNATIONAL BUSINESS

Automotive Business

The global trucking Industry is witnessing synchronized recovery in demand levels driven by improving economic growth prospects and strong trucking fundamentals. NA class 8 truck production in Q2 CY2021 at 69,488 units was flat as compared to the previous quarter and was up 13.7% as compared to Q2 CY2020. While the outlook for the industry continues to remain robust in the medium term, supply chain constraints are impeding higher production in the near term.

The PV segments continues to witness strong momentum across geographies and quarterly revenues hitting all time high. This is an interesting space where the company continues to increase its market share in the traditional powertrain and is simultaneously engaging with customers on solutions for BEV and other technologies.

Industrial business

The Industrial business revenues have started to recover meaningfully primarily driven by the Oil& Gas space. With crude prices hovering around the US\$ 70 mark, the viability of the shale drilling industry has improved and prospects over the coming few quarters looks positive.

While our endeavor to de-risk this business has not yet materialized, we continue to work on addressing newer opportunities and new growth markets which will negate the volatility witnessed in this business historically.

INTERNATIONAL REVENUES

TABLE 4

Particulars	Q1 FY22	Q4 FY21	Q1 FY21
Commercial Vehicles	4,538	3,958	822
Industrial	3,019	1,715	1,198
Passenger Vehicles	1,599	1,637	572
Total	9,156	7,310	2,592

TABLE 5

Rs. Million

Particulars	Q1 FY22	Q4 FY21	Q1 FY21
Americas	6,247	4,771	1,393
Europe	2,645	2,280	1,089
Asia Pacific	265	259	110
Total	9,156	7,310	2,592

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CONSOLIDATED FINANCIAL HIGHLIGHTS Q1 FY22

TABLE 6	Particulars	Rs. Million				
		Q1 FY22	Q4 FY21	QoQ %	Q1 FY21	YoY %
	Total Revenue	21,077	20,829	1.2%	11,542	-
	EBIDTA	4,546	3,767	20.7%	112	-
	EBIDTA %	21.6%	18.1%		1%	
	PBT	2,785	2,452	13.5%	(1,191)	-
	Exchange Gain/ (loss)	(44)	495		(224)	
	Exceptional Items	(616)	(8)		(27)	
	PBT after Exchange Gain/ (loss)	2,125	2,939	(27.7)%	(1,442)	-
	Profit After Tax	1,619	2,368	(31.7)%	(1,254)	-
	Associate/ JV (Profit /Loss) share	(91)	(246)		(19)	
	Minority Interest	9	(35)		15	
	Profit After Tax	1,537	2,087	(26.4)%	(1,258)	-

TABLE 7	Particulars	Rs Million	
		June 30, 2021	March 31, 2021
	Long Term Debt	26,531	26,328
	Working capital & Bill Discounting	26,227	23,626
	Equity	55,701	54,468
	Cash	29,707	28,755
	D/E	0.95	0.92
	D/e (Net)	0.41	0.39

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CONSOLIDATED FINANCIALS

TABLE 8 OVERSEAS MANUFACTURING OPERATIONS Rs. Million

Particulars	Jan-Mar 2021	Oct-Dec 2020	Jan-Mar 2020
Total Revenue	8,099	7,303	6,374
EBITDA	951	789	204
EBITDA %	11.7%	10.8%	3.2%
PBT before Exchange Gain/(Loss)	309	347	(357)

The improvement in performance of the overseas operations continues in to CY21 driven by increase in capacity utilization & cost focus. The below is the break-up of sales between Steel forgings and Aluminum forgings

TABLE 9 Overseas Operations Sales classification Rs Million

Particulars	Jan – Mar 2021	Oct – Dec 2020	Jan – Mar 2020
Steel Forgings	6,283 (78%)	5,687 (78%)	5,156 (81%)
Al Forgings	1,816 (22%)	1,616 (22%)	1,218 (19%)
Total	8,099 (100%)	7,303 (100%)	6,374 (100%)

TABLE 10 Indian Subsidiaries Rs. Million

Particulars	Apr- Jun 2021	Jan –Mar 2021	Apr- Jun 2020
Total Revenue	127	491	133
EBITDA	(24)	68	(27)
EBITDA %			-
PBT before Exchange Gain/(Loss)	(46)	45	(45)

TABLE 11 BFL + BFIL (Trading Subsidiary) Rs. Million

Particulars	Apr- Jun 2021	Jan –Mar 2021	Apr- Jun 2020
Total Revenue	12,851	13,035	5,035
EBITDA	3,619	2,910	(65)
EBITDA %	28.2%	22.3%	-
PBT before Exchange Gain/(Loss)	2,522	2,060	(809)

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