

BHARAT FORGE LIMITED

Analyst Update - Q2 FY21 Results

BFL 3 MONTH REPORT

“The standalone performance during the quarter was on expected lines with traction visible in domestic revenues while the exports revenues continue to witness YoY decline.

The consolidated quarterly weak financials reflect the full impact of Covid-19 lockdown on our overseas manufacturing operations in Europe & NA during Apr-Jun period. Despite governmental assistance, they recorded an EBITDA loss of Rs 334 million.

Our restructuring of both the Indian & International operations to enhance sustainability continues. We are focusing on incorporating more digital solutions in manufacturing and we also are making steady progress on further optimization of our fixed cost.

“Looking ahead to demand for the coming quarter, the outlook for domestic market is positive but is subject to continued momentum on the investment in infrastructure.

On the export front, there are clear signs of demand improvement, especially in the commercial vehicle segment, but the second wave of Covid cases in Europe & North America and its potential impact on demand is something to keep track of.”



B.N. Kalyani, Chairman & Managing Director.

MAKING IN INDIA FOR THE WORLD



STANDALONE FINANCIAL HIGHLIGHTS Q2 FY21

Particulars	Rs. Million				
	Q2 FY21	Q1 FY21	QoQ %	Q2 FY20	YoY %
Shipment Tonnage	40,775	17,840	128.6%	53,541	(23.8)%
Domestic Revenue	4,036	1,541	161.9%	4,480	(9.9)%
Export Revenue	4,623	2,592	78.4%	7,725	(40.2)%
Other Operating Income	156	137		390	
Total Revenue	8,815	4,270	106.4%	12,595	(30.0)%
EBIDTA	1,660	17		3,005	(44.8)%
EBIDTA %	18.8%	0.4%		23.9%	
Other Income	313	420		495	
PBT	1,015	(670)		2,315	(56.2)%
PBT %	11.5%	-		18.4%	
Exchange Gain/ (loss)	(94)	(46)		197	
PBT after Exchange Gain/ (loss)	921	(716)		2,512	(63.3)%
Exceptional Item	(29)	-		-	
Profit After Tax	703	(563)		2,449	(71.3)%

- Total revenues in Q2 FY21 at Rs 8,815 million declined by 30% as compared to Q2 FY20. The sharp decline is on account on continued weakness in the export Industrial business and the start of cyclical downturn in the Commercial Vehicle sector.
- EBITDA at Rs. 1,660 million declined by 44.8 % as compared to Q2 FY20.
- PBT before Exchange gain/ (loss) declined by 56.2 % on a YoY basis to Rs 1,015 million in Q2 FY21.
- PAT stood at Rs 703 million, a decline of 71.3% as compared to Rs 2,449 million in Q2 FY20.

MAKING IN INDIA FOR THE WORLD



Particulars	Rs Million	
	September 30, 2020	March 31, 2020
Long Term Debt	22,949	18,351
Working capital & Bill Discounting	13,734	14,084
Equity	55,380	53,551
Cash	24,717	18,821
D/E	0.66	0.61
D/E (Net)	0.22	0.25

MAKING IN INDIA FOR THE WORLD



REVIEW OF INDIA BUSINESS

Automotive Business

The domestic automotive industry that was severely impacted by the nationwide lockdown imposed in the first quarter of FY 2021, started showing some signs of recovery from the months of July and August. As the economy started opening up again in a phased manner and infrastructure projects got on track, fleet utilization improved sequentially resulting in firming up of freight rates. As a result, every segment of the CV industry witnessed a rise in demand, but demand was more robust on LCV and ICV as compared to the M&HCV segment. The M&HCV production was down ~41% in Q2 FY21 compared to the same period last year.

Revenues from the commercial vehicle segment for the company in Q2 FY21 stood at Rs. 916 million.

With the gradual re-opening of the economy, the upcoming festive season, revival of CV financing and improvement in the supply chain, the industry is expected to show some improvement in sales in the second half of the financial year. A sustained recovery over the medium-term however, hinges on macroeconomic revival as well as pick up in infrastructure projects, construction and mining activity. A full-fledged recovery in M&HCV sales is unlikely in the near term and any meaningful recovery is expected FY 2022 onwards.

Industrials Business

In Q2 FY21, all sectors in the Industrial business showed sequential growth in line with the uptick in industrial and agricultural activities in the country as the economy opened up.

INDIA REVENUES

Particulars	Rs. Million		
	Q2 FY21	Q1 FY21	Q2 FY20
Commercial Vehicles	916	330	935
Industrial	2,119	1,020	2,249
Passenger Vehicles	616	76	576
Others*	541	252	1,110
Total	4,192	1,678	4,870

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

MAKING IN INDIA FOR THE WORLD



REVIEW OF INTERNATIONAL BUSINESS

Automotive Business

North American and European heavy truck production recovered quicker than expected from the lows of April and May as lockdowns were eased and economies worldwide started opening up. Freight activity has increased and fleet operators are returning to previously planned replacement cycles. Demand in both the markets improved gradually over the course of the quarter on the back of increased freight volumes, higher freight rates and some pent-up replacement cycle demand.

Demand is expected to remain stable at the present range in the near term with buyer confidence increasing as the economy recovers and generates ample freight.

Industrial business

Business activity across most sectors (ex Oil & Gas) in the Industrial segment has improved sequentially, resulting in increased customer demand. However, there is still significant uncertainty around the pace of global recovery in the key markets as an increase in the spread of COVID-19 can lead to new restrictions on societies and businesses.

The biggest driver of our industrial business over the past many years has been the Oil & Gas sector. This sector has been severely crippled by the Covid19 pandemic without any semblance of recovery in the near term. The Aerospace sector is also another element of our industrial business, which is facing severe headwinds.

While we wait for the fundamentals of the sectors to stabilize, the company is already working to fill up the revenue pipeline from other sectors. We expect the results of these efforts to bear fruits in the next 12 months.

INTERNATIONAL REVENUES

TABLE 4

Particulars	Q2 FY21	Q1 FY21	Q2 FY20
Commercial Vehicles	1,648	822	3,450
Industrial	1,787	1,198	2,673
Passenger Vehicles	1,188	572	1,602
Total	4,623	2,592	7,725

TABLE 5

Rs. Million

Particulars	Q2 FY21	Q1 FY21	Q2 FY20
Americas	2,791	1,393	5,475
Europe	1,502	1,089	1,896
Asia Pacific	330	110	354
Total	4,623	2,592	7,725

MAKING IN INDIA FOR THE WORLD



CONSOLIDATED FINANCIAL HIGHLIGHTS Q2 FY21

TABLE 6		Rs. Million				
	Particulars	Q2 FY21	Q1 FY21	QoQ %	Q2 FY20	YoY %
	Total Revenue	13,761	11,542	19.2%	21,581	(36.2)%
	EBIDTA	1,655	112		3,176	(47.9)%
	EBIDTA %	12.0%	1%		14.7%	
	PBT	325	(1,191)		1,966	(83.5)%
	Exchange Gain/ (loss)	7	(224)		192	
	Exceptional Items	(60)	(27)		-	
	PBT after Exchange Gain/ (loss)	272	(1,442)		2,158	(87.4)%
	Profit After Tax	(15)	(1,254)		2,127	
	Associate/ JV (Profit /Loss) share	2	(19)		(73)	
	Minority Interest	14	15		15	
	Profit After Tax	1	(1,258)		2,069	

MAKING IN INDIA FOR THE WORLD



CONSOLIDATED FINANCIALS

TABLE 7 OVERSEAS MANUFACTURING OPERATIONS			Rs. Million
Particulars	Apr - Jun 2020	Jan – Mar 2020	Apr – Jun 2019
Total Revenue	3,493	6,374	7,493
EBITDA	(334)	204	367
EBITDA %	-	3.2%	4.9%
PBT before Exchange Gain/(Loss)	(952)	(357)	(64)

TABLE 8 Indian Subsidiaries			Rs. Million
Particulars	Jul – Sep 2020	Apr- Jun 2020	Jul – Sep 2019
Total Revenue	178	133	217
EBITDA	(15)	(27)	8
PBT before Exchange Gain/(Loss)	(33)	(45)	(2)

TABLE 9 BFL + BFIL (Trading Subsidiary)			Rs. Million
Particulars	Jul – Sep 2020	Apr- Jun 2020	Jul – Sep 2019
Total Revenue	10,090	5,035	13,871
EBITDA	2,004	(65)	2,798
EBITDA %	19.9%	-	20.2%
PBT before Exchange Gain/(Loss)	1,310	(809)	2,032

MAKING IN INDIA FOR THE WORLD

