

## BHARAT FORGE LIMITED

### Analyst Update - FY 2021 Results

#### BFL 12 MONTH REPORT

“The year has ended on a strong note with sharp recovery visible in all our end markets. Q4 FY21 has witnessed a 26.2% growth in sales on back of 43% growth in exports, which is now witnessing growth in all key segments. Despite cost inflationary pressures, EBITDA% has increased by 310 bps.

The balance sheet at end of FY21, continues to be robust with significant level of liquidity. Operating cash flows were strong in FY21 and will improve further in FY22. Return ratio will normalize towards the 20% range with improvement in asset utilization in the coming years.

During the quarter, we have been declared as the successful bidder for Sanghvi Forgings based in Vadodara. This enhances our footprint in India and builds upon our industrial product manufacturing capabilities.

We recently secured an order from the Government of India for development & supply of components/products and the same shall be executed by end of September 2021.

As we enter FY22, we are seeing robust demand continue in major segment in the export business. The lockdown in India to curtail the spread of Covid has clearly had an impact on demand & production in the automotive sector. We are optimistic that this weakness is temporary in nature and we will witness growth in India as business activities normalize.



B.N. Kalyani, Chairman & Managing Director.

## STANDALONE FINANCIAL HIGHLIGHTS FY 2021

TABLE 1	Rs. Million				
<i>Particulars</i>	<b>Q4 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY20</b>	<b>FY 2021</b>	<b>FY 2020</b>
Shipment Tonnage	55,837	50,943	40,173	165,396	201,586
Domestic Revenue	5,653	5,158	3,703	16,388	17,818
Export Revenue	7,310	5,117	4,896	19,642	26,502
Other Operating Income	111	82	213	486	1,319
<b>Total Revenue</b>	<b>13,074</b>	<b>10,357</b>	<b>8,812</b>	<b>36,516</b>	<b>45,639</b>
EBIDTA	3,332	2,322	1,482	7,331	10,398
<b>EBIDTA %</b>	<b>25.5%</b>	<b>22.4%</b>	<b>16.8%</b>	<b>20.1%</b>	<b>22.8%</b>
Other Income	320	353	315	1,406	1,609
PBT	2,509	1,443	535	4,297	7,108
<b>PBT %</b>	<b>19.2%</b>	<b>13.9%</b>	<b>6.1%</b>	<b>11.8%</b>	<b>15.6%</b>
Exchange Gain/ (loss)	259	(175)	(379)	(56)	(244)
PBT	2,768	1,268	156	4,241	6,864
Profit After Tax	2,063	981	207	3,213	5,674
Exceptional Items	(8)	(55)	(939)	(92)	(939)
Profit After Tax	2,055	926	(732)	3,121	4,735

- In Q4 FY21, Total Revenues grew by 26.2% on back a strong 42.9% growth in export revenues and 9.6% growth in domestic revenues. For the full year FY 2021, the company recorded total revenues of Rs. 36,516 million, a decline of 20% as compared to FY 2020.
- EBITDA in Q4 FY21 has grown by 43.5% to Rs 3,332 million. EBITDA margins at 25.5% have expanded by 310 bps as compared to Q3 FY21.
- PBT before Exchange gain/ (loss) for Q4 FY21 at Rs 2,509 million has registered a growth of 73.9% as compared to Q3 FY21.

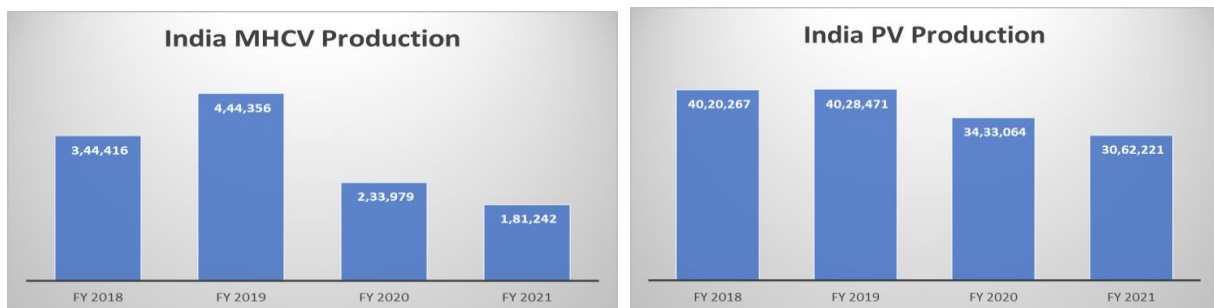
## KEY FINANCIAL PARAMETERS: STANDALONE

Particulars	Rs Million	
	March 31, 2021	March 31, 2020
Long Term Debt	20,643	18,351
Working capital & Bill Discounting	15,560	14,084
Equity	59,486	53,551
Cash	26,809	18,821
D/E	0.61	0.61
D/E (Net)	0.16	0.25
Long Term D/E (Net)	(.10)	-
ROCE	5.3%	9.9%
RONW	5.2%	8.8%

## REVIEW OF INDIA BUSINESS

### ➤ Automotive

The spate of changes in regulations coupled with deteriorating fundamentals of the underlying economy led to torrid times for the industry as seen from the graphs below. Enhancement of safety norms, increase of axle load norms, GST, emission norms change from BS III to BS VI within a short span of time resulting in increased Total Cost of Ownership were some of the headwinds the industry has had to encounter. The declining trend in underlying demand was underway even before the Covid 19 pandemic. Over the period FY18 to FY21, production volumes for MHCV & PV segment has declined by 47% and 24% respectively.



Although the near term outlook is negative due to the lockdown to curb the 2<sup>nd</sup> Covid 19, the medium to long term outlook is very encouraging especially for the MHCV sector. The focus on infrastructure spending, government's focus on increasing manufacturing as % of GDP from 16% to 25%, PLI schemes, AtmaNirbharta policy and the scrappage policy coupled with investment in road infrastructure points to a long runway for the MHCV sector.

While we continue to identify and address new opportunity in the domestic automotive industry, the commencement of operations at CLWT enables BFL to open up newer avenues for the company to address in traditional and new technology mobility solution going ahead.

### ➤ Industrials

The industrial sectors we address (Construction & Mining, PSU including Defense & Power, engineering sector) have a significant linkage to government spending on infrastructure and defence. While these sectors will continue to grow as investment in infrastructure increases, one focus area for the company is renewable energy space. We are present in a small way in this supply chain but the acquisition of Sanghvi Forgings provides a relatively new & bigger capacity to address this sector requirement. Today, most of the component requirement is being address by way of imports. Our endeavor will be to grow this business in the medium to long term.

## INDIA REVENUES

Particulars				Rs. Million		
	Q4 FY21	Q3 FY21	Q4 FY20	FY 2021	FY 2020	Y-o-Y (%)
Commercial Vehicles	2,222	1,652	980	5,111	5,167	-1.1%
Industrial	2,049	2,249	1,782	7,446	8,078	-7.8%
Passenger Vehicles	691	778	542	2,161	2,263	-4.5%
Others*	802	561	612	2,156	3,629	
<b>Total</b>	<b>5,764</b>	<b>5,420</b>	<b>3,916</b>	<b>16,874</b>	<b>19,137</b>	<b>-11.8%</b>

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

## REVIEW OF INTERNATIONAL BUSINESS

### ➤ **Automotive**

The global automotive industry has picked up smartly post the covid19 lockdown and all segment have witnessed sharp rebound across geographies. The company's main addressable segment, Class 8 Heavy trucks in North America and 16T & above Heavy Duty Trucks in Europe have seen sharp increases in demand. Demand outlook provided by the OEM's is quite robust going ahead. There are certain uncertainties which could hamper the progress of the industry including the shortage of ships, container shortage and sharp increase in commodity prices.

### ➤ **Industrial**

Globally, all major countries are focusing on infrastructure development to revive economies stalled/ hampered by the pandemic. The Biden administration has announced a US\$ 1 Trillion package with a big chunk of the resources focused on fixing/ building infrastructure. This bodes well for our construction & mining business which is start to comeback in a meaningful way.

The export industrial business over the past year was significantly impacted by the decline in crude oil prices and its subsequent impact on shale related activity. We derive a significant portion of our industrial revenues from Shale sector in North America. With recovery in global business activity and crude prices, we are also witnessing revival in demand and expect a good pickup in ordering from our customers. The Aviation sector continues to be impacted by the Covid 19 pandemic and the restriction on aviation travel. We continue to work on engaging with customers in this space and grow the business in the long term.

Additionally, we remain focused on developing and winning new products & pipeline including new customers in the Industrial segment – both in India and globally.

### INTERNATIONAL REVENUES

**TABLE 4**

Particulars	Q4 FY21	Q3 FY21	Q4 FY20	Rs. Million		
				FY 2021	FY 2020	Y-o-Y (%)
Commercial Vehicles	3,958	3,167	2,389	9,591	12,702	-24.5%
Industrial	1,715	897	1,402	5,555	8,753	-36.5%
Passenger Vehicles	1,637	1,053	1,105	4,496	5,047	-10.9%
<b>Total</b>	<b>7,310</b>	<b>5,117</b>	<b>4,896</b>	<b>19,642</b>	<b>26,502</b>	<b>-25.9%</b>

**TABLE 5**

Particulars	Q4 FY21	Q3 FY21	Q4 FY20	Rs. Million		
				FY 2021	FY 2020	Y-o-Y (%)
Americas	4,380	3,513	3,396	11,174	18,673	-40.2%
Europe	2,671	1,393	1,426	7,423	6,842	8.5%
Rest of World	259	211	74	1,045	987	5.9%
<b>Total</b>	<b>7,310</b>	<b>5,117</b>	<b>4,896</b>	<b>19,642</b>	<b>26,502</b>	<b>-25.9%</b>

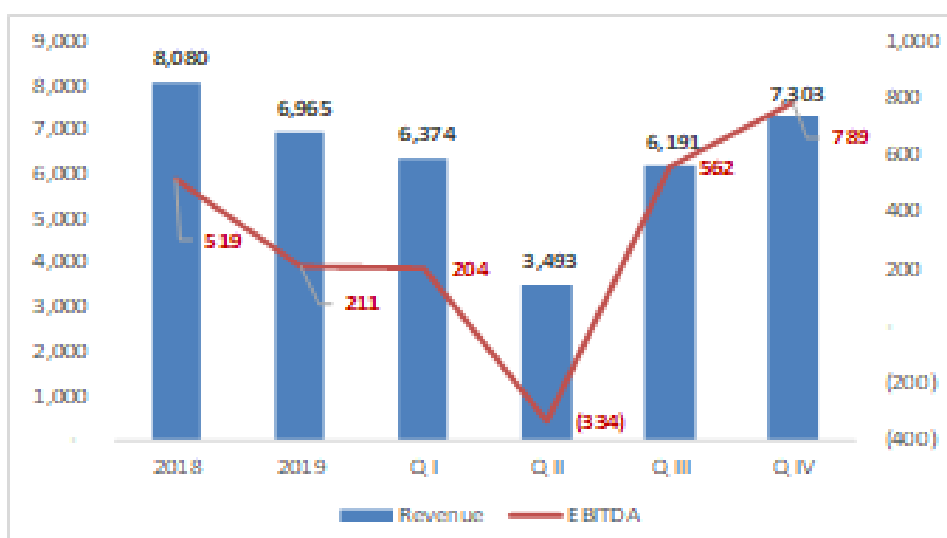
## Investment in Infrastructure for future growth

BFL today has 4 manufacturing locations in Maharashtra, Mundhwa & 3 other facilities in defined Industrial zones. With the current manufacturing locations fully utilized, we have recently acquired parcel of land in Khed to address for all future growth requirements. The parcel(s) of land admeasuring about 70 hectares in Khed (about 45 kms from Pune) will become the next mega manufacturing facility for BFL. MIDC, the nodal agency is closely involved in helping us develop this. The total land acquisition cost is estimated at around Rs 240 crores spread over few years.

This facility will provide the flexibility to house all new initiatives including Defence & E-mobility. Given the sensitive & varied nature of the Defence business, this vertical had to be outside the city limits in a more secure & open surroundings. Equally important, the location had to be close to the city to attract talent and proximity to the existing BFL manufacturing/ R&D infrastructure.

➤ **Overseas Operations: Moving in the right direction**

One of the few unaccomplished tasks over the past decade has been to improve the performance of the international operations. This was to be achieved by a combination of three activities; thrust of lightweight materials, pruning of the product portfolio and reducing fixed costs. The graph below shows the improvement we have been able to achieve despite lower sales in H2 CY20. From an average quarterly EBITDA% of around 5% in CY18/CY19, the overseas operations have achieved ~10% EBITDA in H2 CY20.



We are seeing the continuation of this financial performance improvement in CY21. This will get a big boost with the AI forging facility in North Carolina coming online towards the end of CY21. With a big chunk of Capex investment towards AI forgings completed, the focus over the coming years will turn towards sustaining the current level of performance and generating FCF.

## CONSOLIDATED FINANCIALS

<b>TABLE 6 OVERSEAS MANUFACTURING OPERATIONS</b>		<b>Rs. Million</b>	
Particulars	CY 2020	CY 2019	
Total Revenue	23,361	27,861	
EBITDA	1,221	845	
<b>EBITDA %</b>	<b>5.2%</b>	<b>3.0%</b>	
PBT before Exchange Gain/(Loss)	(1,104)	(912)	
Exceptional Item	(2,970)	(264)	
PBT	(3,928)	(1,230)	
PAT	(3,944)	(1,138)	

<b>TABLE 7 INDIAN SUBSIDIARIES</b>		<b>Rs Million</b>	
	FY 2021	FY 2020	
Total Income	1,005	840	
EBITDA	10	(5)	
Profit Before Tax	(71)	(40)	
PAT after minority Interest	(72)	(33)	

<b>TABLE 8 BFL + BFIL</b>		<b>Rs. Million</b>	
	FY 2021	FY 2020	
Total Income	38,997	51,857	
EBITDA	7,415	10,548	
Profit Before Tax	4,311	7,028	
PAT	3,046	5,093	



CONSOLIDATED (Rs. Million)	FY 2021				FY 2020			
	BFL + BFIL	WOS	Indian Subs	Total	BFL + BFIL	WOS	Indian Subs	Total
Total Revenue	38,997	23,361	1,005	<b>63,363</b>	51,857	27,861	840	<b>80,558</b>
EBITDA	7,415	1,221	10	<b>8,646</b>	10,548	845	(5)	<b>11,388</b>
EBITDA %	19.0%	5.2%		<b>13.6%</b>	20.3%	3.0%	-	<b>14.1%</b>
PBT	4,311	(1,104)	(71)	<b>3,136</b>	7,028	(912)	(40)	<b>6,076</b>
Exchange Gain/(Loss)	(143)	146	(5)	<b>(2)</b>	(202)	(54)	14	<b>(242)</b>
Exceptional Items	(119)	(2,970)	-	<b>(3,089)</b>	(525)	(264)	-	<b>(789)</b>
Associate/JV Profit/(Loss)	-	-	-	<b>(294)</b>	-	-	-	<b>(423)</b>
PAT	3,046	(3,994)	(72)	<b>(1,264)</b>	5,093	(1,138)	(33)	<b>3,499</b>

**TABLE 10** Rs. Million

Particulars	March 31, 2021	March 31, 2020
Long Term Debt	26,328	23,445
Working Capital + Bill Discounting	23,626	20,037
Equity	54,468	52,517
Cash	28,755	20,070
Long Term D/E	0.48	0.45
Long Term D/E (Net)	(.04)	0.06