









# BHARAT FORGE



#### **ANALYST MEET**

**December 2015 | Bharat Forge Ltd. | Mumbai** 

#### MAKING IN INDIA FOR THE WORLD











### **Global Truck Industry Outlook**

608

Heavy Trucks				<b>'000</b>
Particulars	2014	2015	2016	2017
NA	290	320	270	245
EU	225	251	264	268
Brazil	93	45	45	50

579

(6.0)%

Trucks > 6T **'000** 

616

1.3%

Particulars	2014	2015	2016	2017
NA	502	535	497	484
EU	271	306	322	327
Brazil	127	62	62	68
<b>Major Markets</b>	901	903	881	879
% change		-	(2.4)%	-

Source: DB Report, Dec 2015

**Major Markets** 

% change





563

(2.8)%

## State of Markets

Particulars	INDIA	NORTH AMERICA	EUROPE
Commercial Vehicles	16	71	16
Passenger Vehicles – High End			16
Passenger Vehicles – Mass Market	1	4	$\Leftrightarrow$
Oil & Gas		•	7
Construction			71
Mining	16	71	71
Aerospace		16	16
Power (Renewable & Thermal)	16		16





#### Outlook for FY2016

#### **Macro Environment**

- Increased volatility and uncertainty over the past 3 months.
- Sharp volume drop in commodity and allied business (O& G, Construction & mining, HHP).
- Temporary increase in inventory of class 8 trucks from 2 months to 3.5 months. Production at OEM's to be adjusted as a consequence of lower demand and high inventory in the distribution channel.

#### **BFL Performance**

- Despite above headwinds, **expect to maintain revenues compared to FY15** driven by ramp up of Passenger Vehicle business, market share growth in NA trucks and pick up in Indian business also driven by market share gains.
- Exhibits the benefit of de-risking and the fungibility of assets to divert capacity to sectors/geography where growth is visible.





#### Coping with the new environment

Despite uncertainty in some of our business segments, BFL continues to create and implement opportunities for growing business. New products/sectors & customers are being added. We continue to invest in R & D and Talent pool creation

- Technology development Strategy
- New Product development strategy across applications
  - Passenger Vehicles
  - Commercial Vehicles
  - Industrial sectors
- Make in India





#### Revenue enhancement strategy

**TRUCKS** 

- •Quick response for NPD and execution in serial production
- ■Increase market share with existing customers—India & Global (known products)
- Broaden product offering.

**CARS** 

- Add new customers in India and Global
- Develop new products.
- ■Value Addition : Forging → Machining

CONSTRUCT /
MINING

 Pursue closely with customers for any immediate opportunity within known basket of parts.





### Revenue enhancement strategy

**LOCO** 

- Complete approvals for engine components with OEM's.
- Other forgings under development
- Trial order for new product/ assembly expected
- Grow export business on existing products. Road-map in place and Actions initiated.
- Targeting components services business. Actions initiated.





#### Revenue enhancement strategy

- Preparing for the next upturn
- Strong customer alignment being developed.
- Penetrate sub-sea- no current share. Customer activity initiated.

OIL & GAS

- Identified new areas of business where exotic material is used, will provide good value addition potential.
- Add value to current products by providing more processing activities. Will enhance stickiness quotient and potentially add volume and revenue. First-time ever for an OEM to outsource!

Renewable

- Renewed focus on renewable sector
- Focus on new product development & value added products

#### **Key Internal Initiatives**

- High organizational focus on execution including velocity in responding to opportunities and engagement with customers
- Strengthen CRM across all levels.
- High focus on Short Medium Long term revenue enhancements
- High focus on increasing Share of Business with Domestic and Exports customers
- Strong focus on cost compression & rationalization and productivity improvement to mitigate impact of profitability.





#### Make In India focus

- Derivative of the "Make In India" initiative is the focus on import substitution.
- BFL has identified 4 sectors (Mining, Power, Railways, Marine & Defense)
- These sectors are today catered to by huge imports of consumables. These are
  also the sectors where growth is expected to accelerate.
- Created a dedicated cross functional team to identify and address opportunities.
- Focus on delivering differentiated solutions vis-a-vis existing vendors.
- Have made significant progress in the past 6 months to get accredited with the government agencies, develop samples for validation and receive initial orders.

#### **BFL Defense Opportunity**

- BFL has been supplying components and sub systems for the Indian Defense establishments.
- Opportunities BFL is pursuing are as below
  - Components
  - Artillery programs
  - DRDO Programs
  - Offset programs
  - Service business

ALL CAPEX AND CAPABILITIES IN PLACE TO CAPTURE THE ABOVE GROWTH OPPORTUNITIES



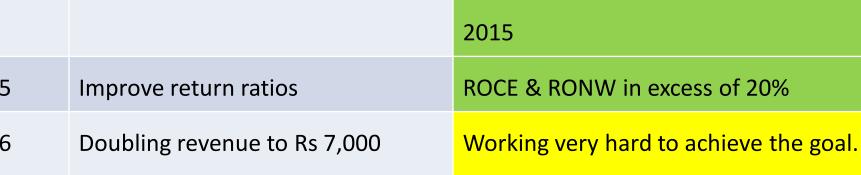


## **Update on Strategic Goals - 2018**

S.No	Goals	Status
1	Increase Passenger Vehicle revenues from 5% to 15% of sales	Progressing smoothly with ramp of orders received from Export market. Witnessing traction from Domestic markets also.
2	Entry into Aerospace sector	Signed contracts with 4 marquee customers.
3	EBITDA margins	Expect long term margins to remain in the

stated range.

Very low Net Debt/ Equity as of September





Net Debt free by 2018

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# Thank You

