



BHARAT FORGE

Bharat Forge Limited

Q2 FY11 Earnings Update

23rd October 2010

Financial Highlights Q1

Bharat Forge Stand alone Financials

Table 1 Rs. Million

Particulars	Q2 FY11	Q2 FY10	YoY %	Q1 FY11	QoQ %
Shipment Tonnage	46,140	30,269	52.4	42,643	8.2
Domestic Revenue	4,447	2,797	59.0	4,021	10.6
Export Revenue	2,740	1,469	86.5	2,280	20.2
Total Revenue	7,187	4,266	68.5	6,301	14.1
EBIDTA w/o other income & Exchange loss	1,743	1,014	71.9	1,587	9.8
EBIDTA %	24.3	23.8		25.2	
Other Income	86	70		101	
PBT w/o exchange gain / (loss)	1,019	430		921	
PBT %	14.2	10.1		14.6	
Exchange Gain / (Loss)	(1)	(30)		(42)	
PBT after Exchange Gain / (Loss)	1,018	400	154.5	879	15.8
Profit After Tax	682	268	154.5	594	14.8

Revenue

- The quarter has witnessed a volume growth of 8.2% on a sequential basis driven by increase in off take from export customers, ramp up of non automotive capacities & continued growth in domestic auto market.
- Domestic revenues grew by 59.0% & 10.6% on a YoY and QoQ basis on back of continued traction with domestic OEM's.
- Exports continued to grow driven by recovery in off take from both US & European markets. Export revenues grew by 86.5% & 20.2% on a YoY and QoQ basis.
- EBITDA % compression is a result of base effect on account of higher raw material prices during the quarter.
- Non Auto segment continues to grow with strong traction across sectors from both domestic & Export customers.

Combined financial statement

The combined financial statement for the Q1 FY 2011 for Bharat Forge & its Wholly Owned Global Subsidiaries is as follows:

Particulars	Rs. Million	
	Q2 FY 2011	Q2 FY 2010
Total Revenue	11,113	7,108
EBITDA	1,943	946
EBITDA %	17.5	13.3
PBT before Exceptional Item	945	90
Exchange gain/ (Loss)	-	(73)
Redundancy Cost	-	(291)
Profit after Taxation	607	(408)

The subsidiaries' performance in the quarter is significantly influenced by the following factors:

1. Due to annual holidays & annual maintenance expenses in Europe, Jul - Sep performance is always on the lower side as compared to other quarters.
2. EBITDA margin for the quarter was affected at the overseas operations due to base effect of higher raw material prices.
3. China JV performance during the quarter continued to be positive with significant YoY growth.

We are quite optimistic that the international operations will continue to show improvement in performance and will try to achieve break even this year and further gain momentum with recovery in automotive markets in Europe in CY 2011.

Geographical break up of Revenues

Following table will summarize the geographical distribution of the company's revenue streams in Q2 of FY11 against that in the corresponding previous periods.

Table: 3 Break up of Revenues Rs. Million

Particulars	Q2 FY11	% of Total	Q2 FY10	% of Total	Y o Y %
India	4,447	61.9	2,797	65.6	59.0
USA	1,332	18.5	848	19.9	57.1
Europe	1,182	16.4	568	13.3	108.1
Others	226	3.1	53	1.2	362.4
Total	7,187		4,266		68.5

Review of Business

India

Table: 4 Indian Auto production No.

Particulars	Q2 FY11	Q2 FY10	Q1 FY11	YoY %	QoQ%
LCV	97,848	76,720	85,750	27.5	14.1
Medium & Heavy CV	86,561	56,174	77,311	54.1	12.0
Total CV Market (M&HCV +LCV)	184,409	132,894	163,061	38.8	13.1
Passenger Cars	743,155	568,587	653,276	30.7	13.8
Total Auto Market	927,564	701,481	816,337	32.2	13.6

Source: SIAM

The Indian automotive market continues to record steady volume growth across segments.

Volume growth at the passenger vehicle segment is being driven by higher disposable income while strong economic growth and record infrastructure investments resulting in movement of freight is keeping up demand on the Commercial Vehicle front.

BFL domestic sales cater to OEMs across Passenger & commercial vehicles and has benefitted from the volume growth. The company's domestic sales have grown by 59% on a YoY basis, better than the underlying market growth

USA

Table: 5 US Auto Production Data **No.**

Particulars	Jul - Sep 10	Jul - Sep 09	YoY %
Passenger Cars	651,626	620,642	5.0
LCV	1,241,240	932,433	33.1
Medium & Heavy CV	33,818	29,244	15.6
Total Auto Market	1,926,684	1,582,319	21.8

Base source: Wards Auto

The US Automotive industry continued on the recovery path during the quarter gone by with all segments of the markets witnessing moderate to strong growth. The M&HCV segment has seen a steady recovery from the beginning of CY10 and has registered a YoY growth of 15.6%.

BFL's exports into USA have performed far better than the market, growing by 57.1% on a YoY basis driven by off-take from Commercial vehicle OEMs & Engine manufacturers. The growth is also on the back of ramp up of new programs on the non automotive front.

Europe

Table:6 Europe Sales Data **No.**

Particulars	Jul - Aug 10	Jul - Aug 09	YoY %
Passenger Cars	1,804,786	2,133,940	(15.4)
LCV	206,900	193,147	7.1
MCV	44,605	40,798	9.3
HCV	25,370	21,097	20.3
Total Auto Market	2,081,661	2,388,982	(12.9)

Base source: ACEA

The demand environment for automotive products in Europe in CY10 was expected to be challenging on account of the overall economic condition and the removal of scrappage incentives for passenger vehicles by the federal governments.

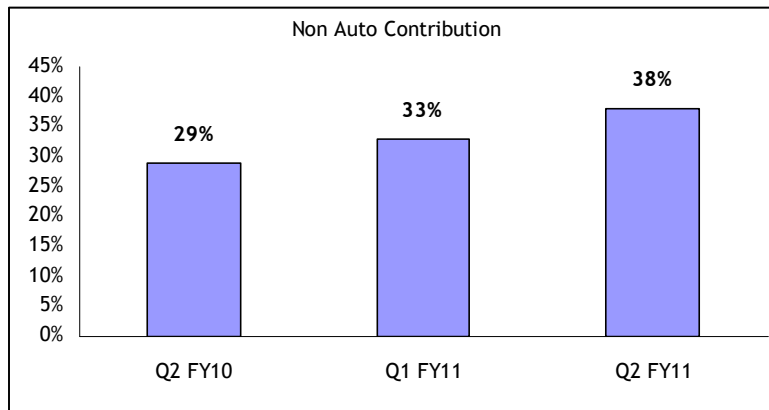
During the quarter, the sector has moved more or less in tandem with expectation set out by experts at the beginning of the year. Passenger vehicle registrations are down 15.4% on a YoY basis while Light & Medium commercial vehicle registrations are moderately up 7.1% & 9.3% respectively. The Heavy Commercial Vehicle segment (HCV) has recorded a YoY growth of 20.3% due to improvement in economic conditions in major markets and pick up in freight demand.

BFL's exports into Europe has grown by 108.1%, far better than the underlying market growth, driven primarily by the restocking of inventory pipeline, ramp up of new programmes in both commercial vehicle and non-auto segments.

Non Automotive Business

In the quarter gone by, BFL’s non auto business has witnessed ramp up of production from the new facilities for customers across applications and geographies. Capacity utilization has also seen a moderate improvement during the quarter.

Non auto contribution to BFL’s standalone business has seen a gradual and a constant increase over the past year or so.



Non Auto contribution has increased from 29% in Q2 FY10 prior to commencement of production from new non auto facilities to 38% in Q2 FY11 driven by ramp up of new programs.

Outlook

The CV sector is on strong growth trajectory and the entry of global OEMs into the Indian markets bode well for both the industry and BFL. The company is putting focus on the passenger vehicle segment and is working with existing & new customers on new product development in increasing its presence & market share

Infrastructure investment and asset creation is expected to pick up in India across sectors such as power, transportation, metals & mining etc and will further drive the growth of non auto domestically and will help in creating a strong foundation for the capital goods business.

The recovery in the US automotive markets, visible from the half-yearly numbers is an encouraging sign. The strong performance of the US Class 8 heavy truck segment in the first three quarters of CY10 on the back of economic revival in the US & improved freight demand is expected to continue into CY11 in what could turn out to be a long and much awaited recovery cycle.

Non auto business is expected to continue to gain traction on account of growing order pipeline & successful product development for programs already won.