

BHARAT FORGE LIMITED

Analyst Update - Q3 FY18 Results

BFL 3 MONTH REPORT

“The company’s performance in Q3 FY18 has been excellent with growth across domestic and export business. Total revenue at Rs 13,906 million grew by 47%, driven by 33% growth in domestic revenues and 61% growth in export revenues.

Despite sharp increase in commodity prices, manufacturing costs and appreciation of the rupee, EBITDA margins at 29.6% expanded by 80 bps as compared to the same quarter previous year driven by better product mix, and enhanced productivity.

BFL’s strategy of leveraging technology & its in-house R&D capabilities to drive new product development, enhancing diversification and increasing wallet share with customers is gaining traction and increasing future revenue visibility. The company has secured new orders worth US\$ 60 million in Nov 17 – Jan 18 period and US\$ 100 million YTD FY18, bulk of the order wins in Passenger Vehicles and Industrial application.

To address the opportunity arising from E-Mobility, Bharat Forge is making a strategic investment of upto Rs 30 Crores for eventual stake of 45% in an EV Startup, Tork Motorcycles as a part of its overall E-Mobility powertrain development. Tork’s knowledge in the overall EV powertrain development will help Bharat Forge gain access to technologies in personal E-mobility space.

Digital initiatives in the company are progressing well with focus on improving efficiency, reducing costs and enhancing product development capabilities.

As we look ahead in to Q4 FY18, we expect to see continuation of strong underlying macros supporting demand improvement across geographies and businesses. Demand in Q4 is expected to be stronger compared to Q3 driven by continued growth in domestic CV cycle.



B.N. Kalyani, Chairman & Managing Director.

MAKING IN INDIA FOR THE WORLD



STANDALONE FINANCIAL HIGHLIGHTS Q3 FY18

Particulars	Rs. Million				
	Q3 FY18	Q2 FY18	QoQ %	Q3 FY17	YoY %
Shipment Tonnage	65,050	58,659	10.9	47,083	38.2
Domestic Revenue	5,769	5,285	9.2	4,342	32.9
Export Revenue	7,811	7,039	11.0	4,852	61.0
Other Operating Income	326	256		243	
Total Revenue*	13,906	12,580	10.5	9,437	47.4
EBIDTA	4,115	3,815	7.9	2,719	51.3
EBIDTA %	29.6%	30.3%		28.8%	
Other Income	219	366		208	
PBT	3,384	3,183	6.3	2,005	68.8
PBT %	24.3%	25.3%		21.2%	
Exchange Gain/ (loss)	48	(120)		(113)	
PBT after Exchange Gain/ (loss)	3,432	3,063	12.0	1,892	81.4
Profit After Tax	2,281	2,037	12.0	1,286	77.4

*Revenue numbers for all quarters indicated above are net of excise

- Q3 FY18 reported strong numbers as total revenues grew by 47.4% as compared to the same period last year. Strong Y-o-Y growth witnessed across all geographies and business segments.
- EBITDA of Rs. 4,115 million in Q3 FY18 registered a Y-o-Y growth of 51.3% and EBITDA margins expanded by 80 bps compared to the same period on account of favorable product mix.
- PBT before Exchange gain/ (loss) and Exceptional item at Rs 3,384 million in Q3 FY18 is the highest PBT recorded for a quarter till date.
- PAT at Rs 2,281 million registered a growth of 77.4% as compared to Q3 FY17.

MAKING IN INDIA FOR THE WORLD



Particulars	Rs Million	
	December 31, 2017	March 31, 2017
Long Term Debt	13,133	15,220
Working capital & Bill Discounting	11,057	9,085
Equity	45,467	42,319
Cash	15,189	14,184
D/E	0.53	0.57
D/E (Net)	0.20	0.24
Long Term D/E (Net)	(0.05)	0.02
ROCE (Net of cash)	21.7%	14.9%
RONW	17.8%	12.9%

REVIEW OF INDIA BUSINESS

➤ Automotive

Domestic automotive production volumes in this quarter witnessed a strong growth, albeit on low base of the same period last year, driven by buoyant demand from both the Passenger and Commercial vehicles industry.

The M&HCV volumes grew by 21% in Q3 FY18 as compared to Q3 FY17. A strong focus on new product development coupled with increasing content per vehicle has helped grow the company's revenue from the commercial vehicle segment to Rs. 2,661 million, a growth of 46.7% over the same period. The commercial vehicle industry is expected to see further momentum as the run-in into the BS-6 emission norms change in 2020 takes place. Additionally, an increased thrust on infrastructure, resumption of mining activities in selected states, strict implementation of overloading ban and the government's proposed vehicle modernization programme will further support the sector.

The company has witnessed good growth in the Passenger Vehicle market as well. An increased market share and ramp up of new products is supporting growth. The company is witnessing strong traction from new customer additions.

MAKING IN INDIA FOR THE WORLD



INDIA REVENUES

Particulars	Rs. Million		
	Q3 FY18	Q2 FY18	Q3 FY17
Commercial Vehicles	2,661	2,341	1,814
Industrial	2,041	1,988	1,753
Passenger Vehicles	559	524	356
Others*	834	688	662
Total	6,095	5,541	4,585

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

REVIEW OF INTERNATIONAL BUSINESS

➤ **Automotive**

The heavy truck market in all the major geographies was in an upward trend in CY 2017.

The North American Class 8 truck market showed a good rebound in CY 2017 on the back of strong freight market and improved infrastructure activities. And with an increasing replacement demand, improving freight fundamentals and the cash flow benefit to fleets and other truck buyers of lower corporate tax rates, the market is expected to continue to grow in CY 2018 as well. Europe also showed stable growth in CY 2017. A good freight environment and low interest rates are supporting profitability of fleet owners and in turn a stable demand for trucks.

The company's revenues from the heavy truck market in Q3 FY18 grew by 38% as compared to Q3 FY17.

In the passenger vehicle market, the company's focus on increasing customer penetration and moving up the value chain is reaping good dividends. Revenues from the passenger car segment in Q3 FY18 have shown good growth both on a Q-o-Q and Y-o-Y basis.

➤ **Industrials**

Many key end markets serviced by the Industrial engines segment such as infrastructure, construction, mining and power generation have shown favorable growth and it continues to benefit us.

CY 2017 kept the Oil & Gas industry on the recovery path. Increasing commodity prices are supportive of increased activity and with a steady rise in rig counts in North America; a more stable growth in this sector is anticipated.

MAKING IN INDIA FOR THE WORLD



INTERNATIONAL REVENUES

Table 4				Table 5			
Particulars	Q3 FY18	Q2 FY18	Q3 FY17	Rs. Million			
Particulars	Q3 FY18	Q2 FY18	Q3 FY17	Particulars	Q3 FY18	Q2 FY18	Q3 FY17
Commercial Vehicles	3,287	3,154	2,378	Americas	5,468	4,761	2,766
Industrial	3,590	3,366	1,935	Europe	1,923	1,922	1,682
Passenger Vehicles	934	519	539	Asia Pacific	420	356	404
Total	7,811	7,039	4,852	Total	7,811	7,039	4,852

New Order Wins

Over the past few years, BFL has focused on de-risking and diversifying its revenue stream by expanding its product offering and increasing content per vehicle through utilization of in-house R&D facilities. Recent success of this includes increasing traction in passenger vehicles across engine & transmission components, new product launches in the commercial vehicle space and value added products for Aerospace & Defense application.

YTD FY 2018, BFL has secured new business wins worth US\$ 100 million across export and domestic business. The bulk of the wins have been garnered from Passenger Vehicles & Industrial sector (Aerospace and Oil & Gas). The order win in the Oil & Gas space from a new customer in the North American market is a testament to our innovation capabilities and value add we bring to the relationship.

OVERSEAS SUBSIDIARIES

Table 6		Rs. Million		
Particulars	Oct – Dec 2017	Jul – Sep 2017	Oct – Dec 2016	
Total Income	7,177	6,263	5,051	
EBITDA	647	483	474	
EBITDA %	9.0%	7.7%	9.4%	
PBT	205	51	89	

MAKING IN INDIA FOR THE WORLD

