BHARAT FORGE | KALYANI

BHARAT FORGE LTD
Q2 FY24 ANALYST UPDATE

Management Commentary: Q2 FY24 Performance

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BFL 3 Month Report: “During the quarter, the company registered a strong performance across segments & geographies, with robust YoY growth of 20.7% in revenues and 29.3% in profitability. EBITDA margins at 27.4% expanded by 310 bps driven by operating leverage and a sharp focus on cost control. The strong financial performance and debt reduction of Rs 307 crores resulted in ROCE (net-of-cash) inching closer to the 20% mark.

Passenger Vehicles has been a standout sector for the company over the past few quarters and it continues to rise driven by market share gains, increasing value addition and order wins from newer geographies & customers. Today this sector account for almost 25% of our exports and will continue to be a key contributor to the growth of the group.

In H1 FY24, the standalone business secured new orders worth Rs 740 Crores across various segment including Rs 300 Crores for E-Mobility programs.

The defence business continues to move from strength to strength in terms of execution and order wins. During the quarter, the company’s defence vertical, KSSL secured new business worth Rs 1,100 Crores taking the executable order book to Rs 3,000 Cores, over the coming 24 months.

Excluding the impact of seasonally weak quarter in the European market, the overseas operations performance has shown improvement consistent with the increase in capacity utilization of the Aluminum business. A sustained path to profitability for the overseas business is going to be driven by a combination of achieving profitability in the aluminum business and product/manufacturing optimization in the steel business, all expected to materialize in the next 12 – 18 months.

Barring any untoward global disturbances which may impact demand sentiment, we expect the momentum in our businesses to continue in H2 FY24 performance along with strong cash flow generation.”

B.N. Kalyani,

Chairman & Managing Director

Standalone Financial Highlights Q2FY24

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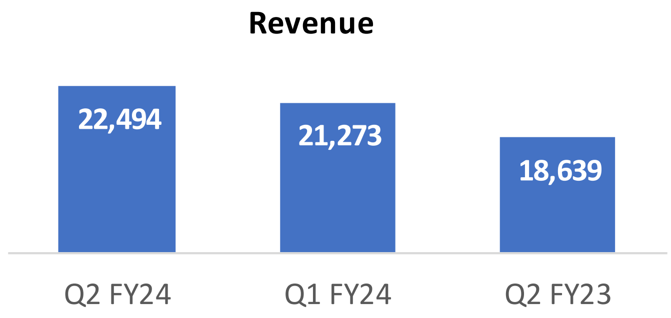
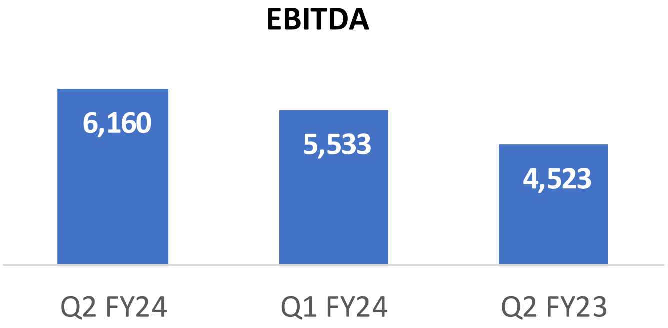
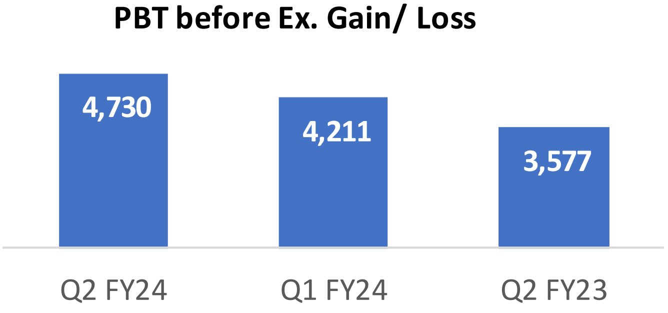


- Revenues at Rs 22,494 million in Q2FY24 grew by 21% YoY driven by 21% growth in export and 21% growth in domestic revenue. Q2FY24 saw stellar performance on the exports front with PV exports growing 39% YoY. Growth in domestic revenues was driven by 1.5X increase in Defence business.

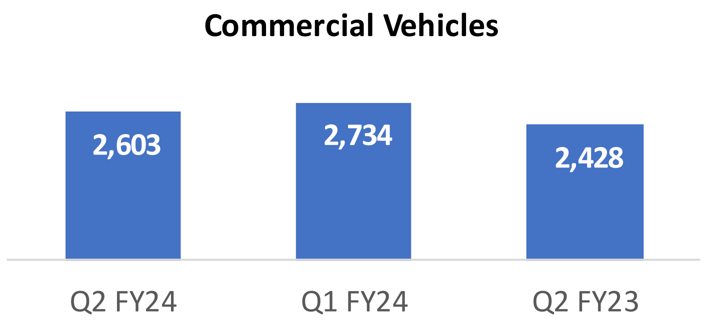


- EBITDA margin at 27.4% in Q2 FY24 was up 330 bps YoY. Improved product mix and higher capacity utilization contributed to the superior operational performance

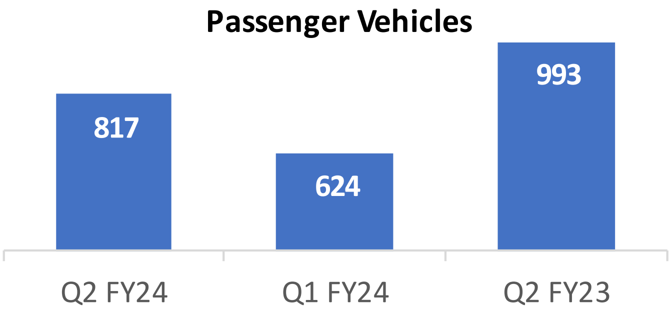


- PBT before Exchange gain/ (loss) was Rs 4,730 million in Q2 FY24 as against Rs 3,577 million in Q2 FY23 driven by higher volumes in core business and defence business.

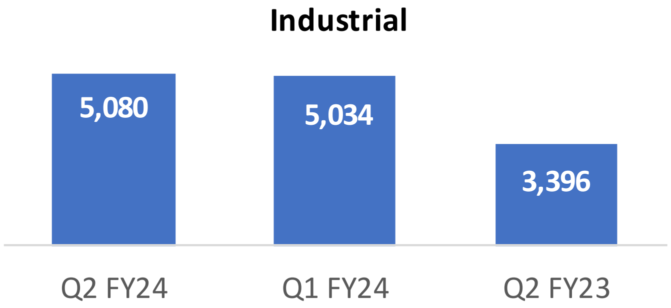
Review of India business



Automotive Business: The CV business registered a 12% YoY growth in H1FY24 outperforming the overall market. The sector's long term trajectory is very promising driven by the government's focus on Infrastructure spending and positive economic activity.



The India PV business remains well-placed for growth driven by premiumization and the shift towards Utility Vehicle within the PV space. We expect this trend to continue supported by burgeoning middle class & higher disposable income.

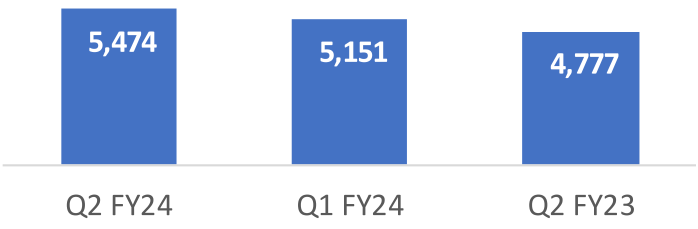


Industrials Business: The Industrial segment's performance continues to be sanguine. Supply of components to KSSL drove the stellar YoY performance. The revival in infrastructure and capital goods space is leading to a strong order pipeline.

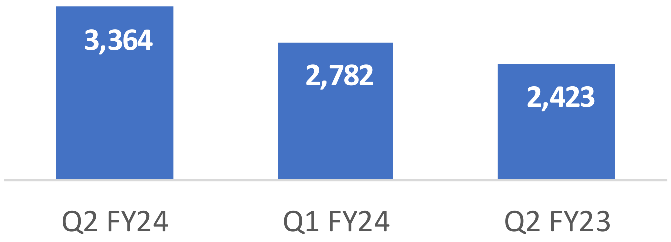
Note: Other Revenue stood at Rs 1,122 million in Q2FY24

Review of Export business

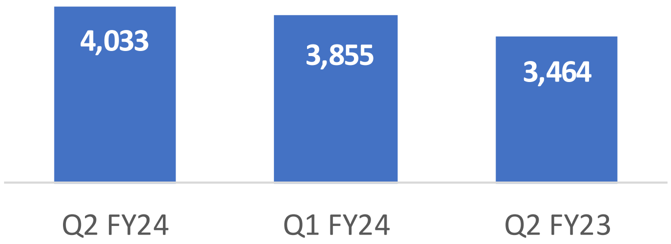
Commercial Vehicles



Passenger Vehicles



Industrial



Automotive Business: CV business continued to be marginally positive. North American Class 8 build rates, inventory levels and sales remain steady. European CV sales remained stable as economic activity continued to recover gradually. Our CV business continue to generate steady growth supported by market share gains and addition of new geographies.

The PV business continued with its strong growth driven by improvement in market share and enhancement of our geographical reach. We continue with our efforts to tap new customers and enhance engagement with the existing ones in multiple geographies.

Industrials Business: Industrial business continues to benefit from new products and expanded engagements with existing clients. Mining & Construction vertical continues to hold steady post a strong run. We continue to actively source newer markets to build on the industrial's success-story.

We remain focused on building new relationships within the Industrial space targeted at Construction & Mining, Railways, Agri equipment, Aerospace etc.

Review of Export Revenue by Geography

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Rs. Million

Particulars	Q2 FY24	Q1 FY24	Q2 FY23
Americas	8,151	7,645	7,186
Europe	3,327	3,404	2,860
Asia	1,393	740	618
Total	**12,871**	**11,789**	**10,664**

Consolidated Financial Highlights Q2 FY24

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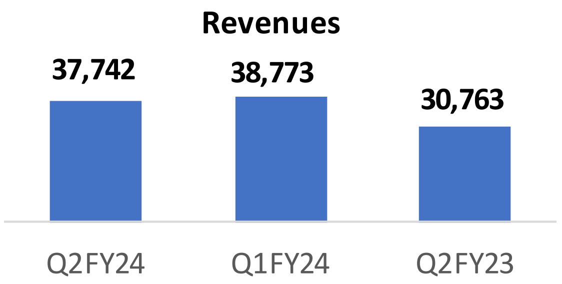
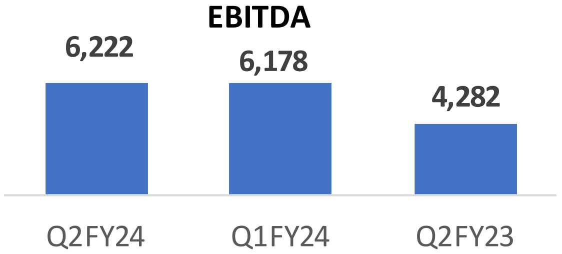
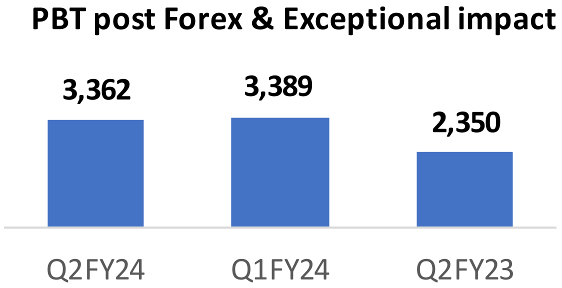


Revenues have increased by 23% on a YoY basis driven by contribution from all businesses.



EBITDA margins have improved by 260 bps driven by improvement in capacity utilization. EBITDA has increased by 45%



PBT has increased by 43% on a YoY basis driven by improvement in performance in European operations and KSSL.

Rs. Million

Particulars	September 30, 2023	March 31, 2023
Long Term Debt	21,750	24,436
WC & Bill Discounting	49,001	43,534
Equity	70,264	67,416
Cash	30,380	31,405
D/E	**1.01**	**1.01**
D/E (Net)	**0.57**	**0.54**

Financials Annexures

Standalone P&L Highlights Q2 FY24

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Rs. Million

Standalone Financials	Q2 FY24	Q1 FY24	QoQ	Q1 FY23	YoY
Shipment Tonnage	**70,316**	**67,780**	***3.7%***	**61,149**	**15.0%**
Domestic Revenue	9,310	9,210	*1.1%*	7,723	20.5%
Export Revenue	12,871	11,789	*9.2%*	10,664	20.7%
Other Operating Income	313	274		252	
Total Revenue	**22,494**	**21,273**	***5.7%***	**18,639**	**20.7%**
EBITDA	6,160	5,533	*11.3%*	4,523	36.2%
EBITDA%	27.4%	26.0%		24.3%	
Other Income	424	472		477	
Profit Before Tax	4,730	4,211	*12.3%*	3,577	32.2%
PBT %	21.0%	19.8%		19.2%	
Exchange Gain / (Loss)	(93)	(47)		8	
Exceptional Item	(21)	0		(6)	
Profit Before Tax	4,616	4,164		3,579	
Profit After Tax	3,460	3,114	*11.1%*	2,682	29.0%

Standalone Financial Highlights Q2 FY24

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Rs. Million

Particulars (Standalone)	September 30, 2023	March 31, 2023
Long Term Debt	14,611	17,661
Working Capital & Bill Discounting	27,776	26,386
Equity	81,577	77,000
Cash	22,132	22,067
ROCE (Net of Cash)	**19.9%**	**16.2%**
RONW	**17.0%**	**13.6%**
D/E (Net)	0.25	0.29
Net Debt/ EBITDA	0.87	1.14

Consolidated Financial Reconciliation

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Rs. Million

Q2 FY2024	BFL + BFIL	Overseas Subs	Indian Subs	Total
Total Revenue	21,112	12,053	4,577	**37,742**
EBITDA	6,090	90	43	**6,222**
EBITDA %	28.8%	0.7%	0.9%	**16.5%**
PBT	4,590	(1,156)	(45)	**3,389**
Exchange Gain/(loss)	(111)	76	29	**(6)**
Exceptional Items	(21)	-	-	**(21)**
PBT after Exchange Gain/ (Loss)	4,458	(1,080)	(16)	**3,362**

Q2 FY2023	BFL + BFIL	Overseas Subs	Indian Subs	Total
Total Revenue	19,607	9,470	1,686	**30,763**
EBITDA	4,666	(341)	(43)	**4,282**
EBITDA %	23.8%	(3.6)%	(2.6)%	**13.9%**
PBT	3,710	(1,157)	(219)	**2,334**
Exchange Gain/(loss)	95	(53)	(4)	**38**
Exceptional Items	(6)	(16)	-	**(22)**
PBT after Exchange Gain/ (Loss)	3,799	(1,226)	(223)	**2,350**

Overseas Subsidiary Financials – Q2 FY24

Rs. Million

Overseas Mfg. Ops	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Total Revenue	12,053	13,336	9,470
EBITDA	90	158	(341)
EBITDA %	0.7%	1.2%	(3.6)%
PBT Before Ex Gain/(Loss)	(1,156)	(930)	(1,157)
EBITDA - European Operations	353	507	(141)
EBITDA %	**3.5%**	**4.4%**	**(1.7)%**

Overseas Mfg. Ops	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Steel Forgings	7,160 (59%)	8,773 (66%)	6,946 (73%)
Al Forgings	4,893 (41%)	4,564 (34%)	2,524 (27%)
Total	**12,053**	**13,336**	**9,470**

Indian Subsidiary Financials

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KSSL	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Total Revenue	2,962	2,255	278
EBITDA	169	109	(21)
EBITDA%	5.7%	4.8%	-
PBT Before Exchange Gain/(Loss)	311	241	(32)

KPTL	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Total Revenue	99	261	66
EBITDA	(299)	(345)	(20)
EBITDA%	-	-	-
PBT Before Exchange Gain/(Loss)	(399)	(444)	(26)

BFISL	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Total Revenue	1,516	1,492	1,241
EBITDA	173	169	143
EBITDA%	11.4%	11.3%	11.5%
PBT Before Exchange Gain/(Loss)	43	65	63

BFL + BFIL (Trading subsidiary)	Jul – Sep 2023	Apr – Jun 2023	Jul – Sep 2022
Total Revenue	21,112	21,430	19,607
EBITDA	6,090	6,087	4,666
EBITDA%	28.8%	28.4%	23.8%
PBT Before Exchange Gain/(Loss)	4,590	4,682	3,710

Thank You

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