

BHARAT FORGE

June 04, 2021

To,

BSE Limited,

1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai - 400 001
BSE SCRIP CODE – 500493

National Stock Exchange of India Ltd.

'Exchange Plaza',
Bandra-Kurla Complex, Bandra (East)
Mumbai- 400 051
Symbol: **BHARATFORG**
Series: **EQ**

Dear Sirs,

Re: Earning Update for Q4 of FY 2020-21

Please find enclosed herewith Earning Update issued by the Company for Q4 of FY 2020-21.

Thanking you,

Yours faithfully,

For **Bharat Forge Limited**

Tejaswini Chaudhari
Company Secretary

Encl.: As above



KALYANI
GROUP COMPANY

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

| Particulars | Rs. Million | | | | |
|------------------------|---------------|---------------|--------------|---------------|---------------|
| | Q4 FY21 | Q3 FY21 | Q4 FY20 | FY 2021 | FY 2020 |
| 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 |
| Total Revenue | 13,074 | 10,357 | 8,812 | 36,516 | 45,639 |
| EBIDTA | 3,332 | 2,322 | 1,482 | 7,331 | 10,398 |
| EBIDTA % | 25.5% | 22.4% | 16.8% | 20.1% | 22.8% |
| Other Income | 320 | 353 | 315 | 1,406 | 1,609 |
| PBT | 2,509 | 1,443 | 535 | 4,297 | 7,108 |
| PBT % | 19.2% | 13.9% | 6.1% | 11.8% | 15.6% |
| 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

| TABLE 2 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 2nd 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 | Q4 FY21 | Q3 FY21 | Q4 FY20 | Rs. Million | | |
|---------------------|----------------|----------------|----------------|--------------------|----------------|------------------|
| | | | | 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 | |
| Total | 5,764 | 5,420 | 3,916 | 16,874 | 19,137 | -11.8% |

* 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 **Rs. Million**

| Particulars | Q4 FY21 | Q3 FY21 | Q4 FY20 | 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% |
| Total | 7,310 | 5,117 | 4,896 | 19,642 | 26,502 | -25.9% |

TABLE 5 **Rs. Million**

| Particulars | Q4 FY21 | Q3 FY21 | Q4 FY20 | 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% |
| Total | 7,310 | 5,117 | 4,896 | 19,642 | 26,502 | -25.9% |

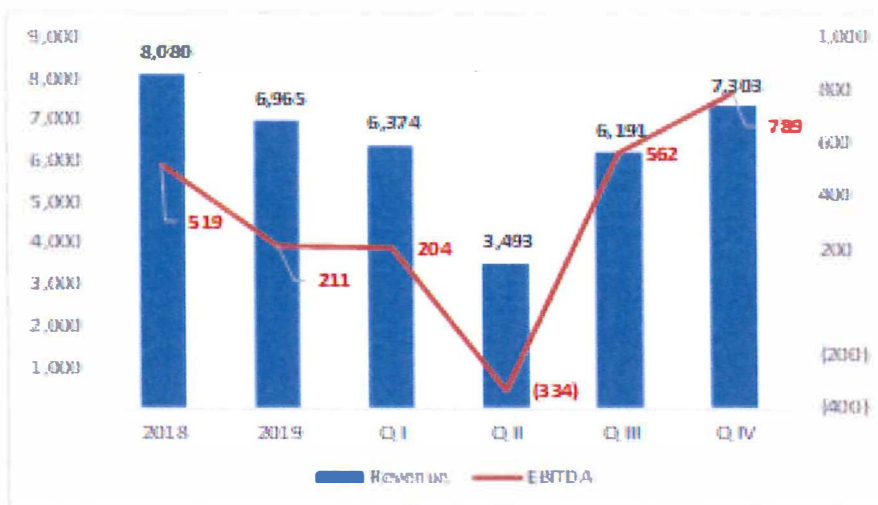
Investment in Infrastructure for future growth

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

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

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

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

| Particulars | Rs. Million | |
|------------------------------------|----------------|----------------|
| | 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 |