BHARAT FORGE

November 8, 2019

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 Q2 of FY 2019-20

Please find enclosed herewith Earning Update issued by the Company for Q2 of FY 2019-20.

Thanking you,

Yours faithfully,
For **Bharat Forge Limited**

BHARAT FORGE LTD. PUNE 411 036 MUNDHWA

Tejaswini Chaudhari
Company Secretary

Encl.: As above

KALYANI
GROUP COMPANY

BHARAT FORGE LIMITED, MUNDHWA, PUNE 411 036, MAHARASHTRA, INDIA.
PHONE : +91 20 6704 2777 FAX : +91 20 2682 0699 (Export), 2682 2387 (Sales/Mktg) 2682 2163 (Materials)
Website : www.bharatforge.com
CIN No. L25209PN1961PLC012046

BHARAT FORGE LIMITED

Analyst Update - Q2 FY20 Results

BFL 3 MONTH REPORT

"The quarter gone by has been the toughest period witnessed by the company in this decade. The sluggish macroeconomic environment in India resulting in weak end demand across sectors coupled with automotive OEM's need to destock ahead of introduction of BS VI emission standards led to demand declining continuously through the quarter. This underlying weakness has resulted in 35.6% de-growth in Domestic revenues while the export revenues have declined by 18.1% mainly on account of decline in O&G revenues. PBT declined by 27.1% to Rs 2,512 million.

Amidst this weak environment, the Passenger Vehicle business stands out across both domestic and export markets with strong outperformance against underlying demand. The PV business has grown by 25.0% on sequential basis and 20.9% compared to same quarter last year.

We are using the current environment to cut costs more than earlier anticipated which will bear results once the demand environment stabilizes. We are looking intensively at improving productivity across all facilities and putting more thrust on New Product Development and R&D to add value to our relationship with all our customers.

Despite the tough external environment, we continue to maintain a healthy balance sheet with cash of ~Rs 1,700 crores on books as of September 2019, Long Term Debt/ Equity (Net) of (0.01) and Cash Flow from Operation in H1 FY20 of Rs 4,712 million.

Looking ahead, given the prevailing environment in India and the slowdown in North America & Europe, We expect H2 FY20 to be lower than H1 FY20. Over the next 2-3 quarters, our focus will continue on strengthening the balance sheet, Free Cash generation, new product development and opportunistic inorganic growth avenues"

B.N. Kalyani, Chairman & Managing Director.

STANDALONE FINANCIAL HIGHLIGHTS Q2 FY19

TABLE 1 Rs. Million

Particulars	*Q2 FY20*	*Q1 FY20*	*QoQ %*	*Q2 FY19*	*YoY %*
Shipment Tonnage	**53,541**	**60,874**	**(12.0)**	**69,683**	**(23.2)**
Domestic Revenue	4,480	5,557	(19.4)	6,951	(35.6)
Export Revenue	7,725	7,527	2.6	9,434	(18.1)
Other Operating Income	390	382		407	
Total Revenue	**12,595**	**13,466**	**(6.5)**	**16,792**	**(25.0)**
EBIDTA	3,005	3,519	(14.6)	4,753	(36.8)
EBIDTA %	***23.9%***	***26.1%***		***28.3%***	
Other Income	495	401		338	
PBT	2,315	2,646	(12.5)	3,856	(40.0)
PBT %	***18.4%***	***19.7%***		***23.0%***	
Notional Exchange Gain/ (loss)	197	(24)		(410)	
PBT after Exchange Gain/ (loss)	2,512	2,622	(4.2)	3,446	(27.1)
Profit After Tax	2,449	1,741	40.7	2,274	7.7

- Total revenue in Q2 FY20 at Rs. 12,595 million declined by 25% as compared to the same period last year. Sharp decline growth witnessed in both the Auto & Industrial business across geographies.
- EBITDA at Rs. 3,005 million declined by 36.8% as compared to Q2 FY19.
- PBT before Exchange gain/ (loss) declined by 40.0% on a Y-o-Y basis to Rs 2,315 million in Q2 FY20.
- PAT stood at Rs 2,449 million, a growth of 7.7% as compared to Rs 2,274 million in Q2 FY19.

TABLE 2 — Rs Million

Particulars	September 30, 2019	March 31, 2019
Long Term Debt	15,887	15,722
Working capital & Bill Discounting	14,774	16,220
Equity	56,696	53,982
Cash	16,735	17,252
D/E	0.54	0.59
D/E (Net)	0.25	0.27
Long Term D/E (Net)	(0.01)	(0.03)
ROCE	13.1%	21.2%
RONW	14.8%	19.9%

COMPANY REVIEW

TABLE 3 — Rs. Million

Particulars	Q2 FY20			Q1 FY20			Q2 FY19			Y-o-Y
	Total	India	Export	Total	India	Export	Total	India	Export	% Change
Commercial Vehicles	**4,385**	935	3,450	**6,052**	2,159	3,893	**6,912**	2,894	4,017	**-36.6%**
Industrial	**4,921**	2,249	2,672	**4,519**	2,090	2,429	**6,971**	2,748	4,222	**-29.4%**
Passenger Vehicles	**2,178**	576	1,602	**1,742**	536	1,206	**1,801**	607	1,195	**20.9%**
Total	**11,484**	**3,760**	**7,724**	**12,313**	**4,786**	**7,527**	**15,684**	**6,249**	**9,434**	**-26.8%**

TABLE 4 — Rs. Million

Particulars	Q2 FY20	Q1 FY20	Q2 FY19
India	4,870	5,939	7,358
Americas	5,475	5,302	6,618
Europe	1,896	1,853	2,537
Rest of World	354	372	280
Total	**12,595**	**13,466**	**16,792**

INDIA BUSINESS

Particulars	Q2 FY20	Q1 FY20	% Change	Q2 FY19	% Change
M&HCV	48,689	89,142	-45.3	114,882	-57.6
LCV	127,705	143,617	-11.1	172,507	-26.0
Passenger Cars	605,337	629,000	-3.8	801,514	-24.5
Utility Vehicles	261,993	274,027	-4.4	278,759	-6.0

The downward spiral in the Indian automotive sector across segments continues unabated. While most of the segments have witnessed moderate decline in production, the M&HCV segment has borne the maximum impact with production in Q2 FY20 down 45% compared to Q1 FY20 and down 58% compared to Q2 FY19. The slowdown in economic activity coupled with the impact of increased axle load norms and transition to BS VI emission norm from April 1, 2020 had led to OEM's focusing on clearing across the value chain. Auto components supplier have been more impacted because of the inventory of components with OEM's. For the quarter, CV business revenues have declined by 67.6% to Rs 935 million compared to Q2 FY19.

In the PV space, we continue to make progress with the addition of more OEM's to our client base. We have also commenced serial production and ramp up of Al components for an Indian PV OEM. The PV business has outperformed the underlying market demand in Q2 FY20.

The Industrial business has seen some rebound against the backdrop of weak industrial activity. Growth has been driven by completion of serial supplies of products catering to the defense sector and continued growth in the Agri segment (diversifying from tractors to farm equipment's with new customer additions).

INTERNATIONAL BUSINESS

Over the past two years, the North American Class 8 truck market and the European Heavy Truck market have performed extremely well with BFL outperforming the underlying market recovery. However, CY2019 is expected to be the peak for Class 8 market with production at around 345,000 units, growth of 3-4% over CY 2018. Given that there is an expectation of 20-25% decline in production in CY2020 in North America and about 8-10% decline in Europe, OEM's have started cutting production schedules and ensure that inventory levels come off from current elevated levels.

While the Export industrial business has seen a marginal improvement on expected lines, the vertical continues to struggle from subdued industrial activity and lack of momentum from new verticals which the company is trying to grow. We continue to focus on diversifying the business by adding new customers and products to the portfolio.

CONSOLIDATED FINANCIAL HIGHLIGHTS Q2 FY20

TABLE 6 **Rs. Million**

Particulars	*Q2 FY20*	*Q1 FY20*	*QoQ %*	*Q2 FY19*	*YoY %*
Total Revenue	**21,581**	**23,279**	**-7.3%**	**25,973**	**-16.9%**
EBIDTA	3,176	4,148	-23.4%	5,614	-43.4%
EBIDTA %	***14.7%***	***17.8%***		***21.6%***	
PBT	1,966	2,761	-28.8%	4,277	-54.0%
Exchange Gain/ (loss)	192	(44)		(432)	
PBT after Exchange Gain/ (loss)	2,158	2,717	-20.6%	3,845	-43.9%
Profit After Tax	2,127	1,776	19.8%	2,541	-16.3%
Associate/ JV (Profit /Loss) share	(73)	(56)		(13)	
Minority Interest	15	12		12	
Profit After Tax	2,069	1,732	19.5%	2,540	-18.5%

TABLE 7 **Rs Million**

Particulars	**September 30, 2019**	**March 31, 2019**
Long Term Debt	21,611	19,350
Equity	56,147	54,059
Cash	18,533	18,352
Long Term D/E	0.38	0.36
Long Term D/E (Net)	0.05	0.02

TABLE 8 OVERSEAS MANUFACTURING OPERATIONS Rs. Million

Particulars	Apr – Jun 19	Jan – Mar 19	Apr – Jun 18
Total Revenue	7,493	8,107	8,771
EBITDA	367	426	736
EBITDA %	**4.9%**	**5.3%**	**8.4%**
PBT before Exchange Gain/(Loss)	(64)	(80)	292

The above results are for the quarter ended June 2019. While the weakness in the auto sector in Europe has impacted the performance, the company continues to focus on restructuring the current business across product portfolio and fixed cost to transform the international operations predominantly address opportunities in Al forgings and generating sustainable EBITDA% in excess of 10%.

TABLE 9 Indian Subsidiaries Rs. Million

Particulars	Q2 FY20	Q1 FY20	Q2 FY19
Total Revenue	217	160	126
EBITDA	8	(6)	24
EBITDA %	**3.7%**	-	**19.0%**
PBT before Exchange Gain/(Loss)	(2)	(14)	15

TABLE 10 BFL + BFIL (Trading Subsidiary) Rs. Million

Particulars	Q2 FY20	Q1 FY20	Q2 FY19
Total Revenue	13,871	15,012	17,076
EBITDA	2,798	3,728	4,854
EBITDA %	**20.2%**	**24.8%**	**28.4%**
PBT before Exchange Gain/(Loss)	2,032	2,855	3,970