

# BHARAT FORGE

June 29, 2020

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 FY 2019-20**

Please find enclosed herewith Earning Update issued by the Company for Q4 FY 2019-20.

Thanking you,

Yours faithfully,

**For Bharat Forge Limited**

Tejaswini Chaudhari

Company Secretary & Compliance Officer

Encl.: As above



**KALYANI**  
GROUP COMPANY

## BHARAT FORGE LIMITED

### Analyst Update - FY 2020 Results

#### BFL 12 MONTH REPORT

“The unprecedented events over the past few months and the subsequent lockdown has completely reversed the positive momentum we had started witnessing across some of our key verticals especially in India. On the heels of robust growth over past 3 years, a routine cyclical correction in CV markets in US and Europe was forecasted for CY 2020. This was further accentuated with the Covid lockdowns from early March 2020.

The full year performance, especially H2 was impacted by the severe slump across sectors in India & globally as well. Despite the weak operating performance, we have continued to maintain a strong balance sheet which will further strengthen going forward.

All our facilities in India and globally have resumed operations in a phased manner since early May 2020, however, with utilization at sub-optimal levels. We continue to support our customers demand globally while also ensuring the safety and well-being of our employees.

FY21 has started on a difficult note with the lockdown impacting demand. Automotive production across Commercial & Passenger Vehicles Globally have been severely impacted. However, we expect the PV business to outperform underlying markets. We expect to see good demand traction in several industrial segments barring Oil & Gas sector. We are hopeful that sequentially things will start to improve from H2 FY21, as economies open up & stabilize. Although the current scenario is very different from what we have ever seen before, we are very confident that the company will come out from these difficult times stronger than before.

Throughout FY21, the company will concentrate efforts on being nimble yet addressing dynamic demands of our customers, but, with a razor sharp focus on **Cash, Cash flow, winning new business and structural cost optimization across, both - fixed and variable costs**. The cost optimization initiatives are over and above the steps taken in FY20, benefit of which will be visible from Q2 FY21 onwards. We have used the lockdown to accelerate the process of digitalization across the plant which will result in sharp productivity improvement as we get back to normal production levels.

Over the past few years, the company invested over Rs 1,300 Crores in setting up new capacities across forging and machining. Our focus will be on filling up these capacities and generate Free Cash Flow which will be utilized for bringing down gross debt levels over the next 3 – 5 years.

B.N. Kalyani, Chairman & Managing Director.



## KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2 Particulars	Rs Million	
	March 31, 2020	March 31, 2019
Long Term Debt	18,351	15,722
Working capital & Bill Discounting	14,084	16,220
Equity	53,551	53,982
Cash	18,821	17,252
D/E	0.61	0.59
D/E (Net)	0.25	0.27
Long Term D/E (Net)	-	(0.03)
ROCE	9.5%	21.2%
RONW	8.8%	19.8%

### ➤ 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. Clearly, the past 12 months have seen some slowdown in activity levels and the same is visible in our industrial business performance. Recent Government initiatives like the Sagarmala project, National Infrastructure Pipeline (NIP), opening up of coal mining, the space sector to private entities do provide a big fillip to the activity levels and also provide long term visibility. We expect the industrial space to remain subdued in the near term.

### INDIA REVENUES

**TABLE 3**

Particulars	Q4 FY20	Q3 FY20	Q4 FY19	Rs. Million		
				FY 2020	FY 2019	Y-o-Y (%)
Commercial Vehicles	983	1,109	2,273	5,182	10,948	-52.7%
Industrial	1,773	1,934	2,877	8,058	10,133	-20.5%
Passenger Vehicles	542	610	672	2,263	2,373	-4.6%
Others*	618	761	1,238	3,634	4,488	
<b>Total</b>	<b>3,916</b>	<b>4,414</b>	<b>7,060</b>	<b>19,137</b>	<b>27,942</b>	<b>-31.5%</b>

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

## REVIEW OF INTERNATIONAL BUSINESS

### ➤ Automotive

The Class 8 truck market from CY 2016 to CY 2019 has grown from 228,347 units to 344,558 units, a CAGR of 14.7% on back of a strong economy and solid freight demand. As per ACT research, CY2020 was expected to be the start of a down cycle with volumes declining by 30% to around 240,000 units. However, post Covid19, the expectation now for CY2020 is a sharper decline of >50% to around 160,000.

The passenger vehicle segment continues its positive growth trajectory with the segmental revenues growing by 4% despite the lockdown towards the later part of the quarter. We expect the passenger vehicle business to contribute more going forward as we continue to expand our presence in this segment by increasing our product portfolio, moving up the value chain and adding new customers.

### ➤ Overseas Operations

Performance of international subsidiaries have been sub-optimal and course correction measures were being implemented. These included major fixed cost reduction and re-aligning the product portfolio towards Aluminium forgings etc. There were signs that things were improving with losses reducing sequentially.

While most of the plants were closed in April 2020, subdued level of operations have resumed in May / Jun. However, Covid19 pandemic has caused a significant impact on demand across the European market. As per ACEA, PV & CV sales are down >40% till May 2020 as compared to the same period previous year. **In light of such severe demand drop, despite cost reduction initiatives and aid from various government to take care of partial wage cost, the overseas operations are expected to post a Cash loss of about EUR 5 million in Jan – Jun 2020.**

We are committed to our investments and growth plan for Aluminum business. However, in the current scenario, we are reevaluating the demand from our customers for the Aluminium forging business in North America and are planning our capacity expansion accordingly. We are also looking at possibility of utilizing the existing capacity in Europe to address the immediate demand requirements.

CONSOLIDATED (Rs. Million)	FY 2020				FY 2019			
	BFL + BFIL	WOS	Indian Subs	Total	BFL + BFIL	WOS	Indian Subs	Total
Total Revenue	51,857	27,861	840	<b>80,558</b>	67,818	32,321	1,318	<b>1,01,457</b>
EBITDA	10,548	845	(5)	<b>11,388</b>	18,115	2,075	94	<b>20,284</b>
EBITDA %	20.3%	3.0%	-	<b>14.1%</b>	26.7%	6.4%	7.1%	<b>20.0%</b>
PBT	7,028	(912)	(40)	<b>6,076</b>	15,193	559	79	<b>15,831</b>
Exchange Gain/(Loss)	(202)	(54)	14	<b>(242)</b>	342	(69)	-	<b>273</b>
Exceptional Items	(525)	(264)	-	<b>(789)</b>	-	-	-	<b>-</b>
Associate/JV Profit/(Loss)	(423)	-	-	<b>(423)</b>	(118)	-	-	<b>(118)</b>
PAT	4,670	(1,138)	(33)	<b>3,499</b>	9,995	267	60	<b>10,322</b>

TABLE 10

Rs. Million

Particulars	March 31, 2020	March 31, 2019
Long Term Debt	23,445	19,350
Working Capital + Bill Discounting	20,037	20,943
Equity	52,517	54,059
Cash	20,070	18,352
Long Term D/E	0.45	0.36
Long Term D/E (Net)	0.06	0.02