



Bharat Forge

Relative to sector: **Neutral**

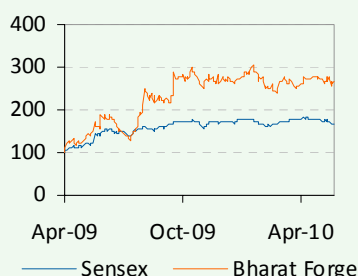
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 233 mn
Market cap	: Rs 60.2 bn
52 week high/low	: Rs.307/ Rs.127
Avg. daily vol. (6mth)	: 753,700 shares
Bloomberg code	: BHFC IB
Reuters code	: BFRG.BO

Shareholding (%) Mar-10 QoQ chg

Promoters	: 44.0	0.1
FII's	: 12.1	0.1
MFs / UTI	: 6.4	0.5
Banks / FIs	: 10.9	(0.3)
Others	: 26.7	(0.4)

Banking on non-auto ramp up

Bharat Forge Limited's (BFL) Q4FY10 performance continued to improve sequentially driven by robust CV production and recovery in exports. BFL reported standalone revenue of Rs 5.6 bn (↑ 92 % YoY & 11% QoQ), EBITDA of Rs 1.4 bn (↑ 221% YoY & 18% QoQ) and adj. profit of Rs 619 mn (↑ 51% QoQ and vs. loss of Rs 377 mn in Q4FY09).

Conso revenue stood at Rs 9 bn (↑ 53 % YoY & 12% QoQ), while adj. profit fell by 2% QoQ to Rs 524 mn (vs. loss of Rs 806 mn in Q4FY09).

Key Highlights:

- ❑ **Volumes for Q4FY10 increased by 11% QoQ and 114% YoY to 39,022 tonnes.** EBITDA margin rose 150 bps QoQ to 25% in Q4 (vs. 15% in Q4FY09). EBITDA /kg steadily improved to Rs 36 (vs. Rs 33.7 in Q3) on increased ramp up in the new non-auto facilities.
- ❑ **BFL recorded its highest ever dom. revenues of Rs 3.4 bn** in Q4 (↑ 99% YoY & 11% QoQ) due to higher CV production (↑ 36% QoQ). We expect CV sales to remain healthy in FY11E as well.
- ❑ **BFL is witnessing increased traction in the non-auto space** and has won new orders in nuclear (Rs 500 mn), oil & gas and rail sectors for dom. & export markets. **Also, the co. has won an EPC contract for 450 MW power plant worth Rs 20 bn.** This is likely to result in higher capacity utilization and operating profitability for BFL going ahead. **The co. maintains its target contribution from non-auto at 40% by FY12E.**

(contd on pg 2)

Non-auto ramp up holds the key; Maintain Neutral

We believe that a buoyant CV sales trend, faster ramp up in the non-auto facility and a breakeven in subs would result in healthy conso earnings going ahead. Post the recent fund raising of Rs 6.3 bn (7.4% dilution), BFL now has a well capitalized balance sheet to pursue its investments in the power JVs.

Our conso EPS estimates remain broadly unchanged and we maintain sector **Neutral** rating with a target price of Rs 299 (6.5x FY12E EV/EBITDA + Rs 17/share as value of investments at 1x BV).

Financial summary (Consolidated)

Y/E Mar	Sales (Rs mn)	EBITDA (Rs mn)	Adj. PAT (Rs mn)	FDEPS (Rs)	YoY (%)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
2009	46,730	5,565	1,919	8.0	(36)	11.1	10.2	-	-
2010E	32,452	3,385	153	0.6	(92)	0.9	3.7	-	-
2011E*	45,303	7,532	3,112	12.7	1,899	16.3	13.5	19.0	9.5
2012E	55,158	10,759	5,729	23.4	84	23.5	20.2	10.3	6.1

Source: Company, ENAM estimates . Note: * The no. of shares are adjusted for the recent QIP issue of Rs 4.5 bn.

Results update (Standalone)

(Rs mn)	Quarter ended					12 months ended		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-11E	Mar-10	% Chg
Net revenue	5,624	2,926	92.2	5,078	10.7	29,040	17,932	61.9
EBITDA	1,406	438	220.8	1,191	18.1	7,028	4,370	60.8
Other income	120	141	(14.8)	92	31.6	372	323	15.0
PBIDT	1,526	580	163.3	1,282	19.0	7,400	4,693	57.7
Depreciation	443	309	43.2	409	8.2	1,857	1,644	12.9
Interest	261	295	(11.4)	268	(2.4)	1,228	1,028	19.5
PBT	822	(24)	-	606	35.8	4,315	2,021	113.5
Tax	203	352	(42.3)	197	3.5	1,338	537	149.3
Adjusted PAT	619	(377)	-	409	51.3	2,978	1,484	100.6
Extra ordinary income/ (exp)	-	-	-	-	-	-	(214)	-
Forex Gain/ (loss)	(7)	988	-	(29)	-	-	-	-
Reported PAT	613	611	0.2	380	61.3	2,978	1,270	134.4
Fully diluted no. of shares (mn)	241	241	-	241	-	245 *	241	-
EBITDA margin (%)	25.0	15.0	-	23.4	-	24.2	24.4	-
PBIDT margin (%)	27.1	19.8	-	25.3	-	25.5	26.2	-
EPS - annualized (Rs)	10.3	(6.3)	-	6.8	51.3	12.2	6.2	97.2

Source: Company, ENAM Research; Note: * The no. of shares are adjusted for the recent QIP issue of Rs 4.5 bn.

Results update (Consolidated)

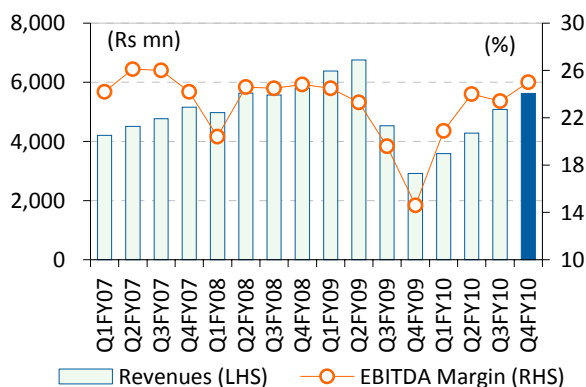
(Rs mn)	Quarter ended					12 months ended		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-11E	Mar-10	% Chg
Net sales	9,119	5,955	53	8,134	12	45,303	32,452	40
Reported PAT	560	203	176	252	122	3,112	(635)	-
Fully diluted no. of shares (mn)	241	241	-	241	-	245	241	-
Reported EPS - annualized (Rs)	9.3	3.4	176	4.2	122	12.7	(2.6)	-

Source: Company, ENAM Research; Note: * The no. of shares are adjusted for the recent QIP issue of Rs 4.5 bn.

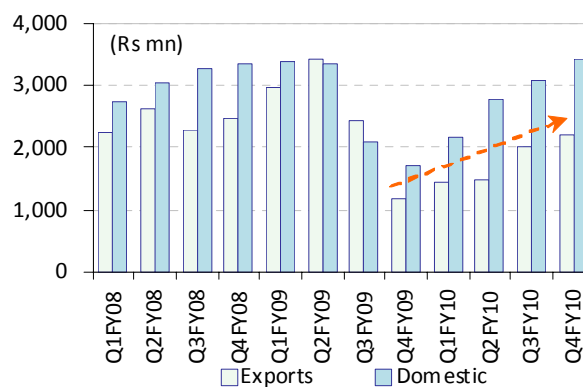
Highlights contd...

- BFL's export sales of Rs 2.2 bn grew by 10% QoQ & 83% YoY, though still down ~35% from peak levels (of Q2FY09). **BFL expects US exports to increase in FY11E on account of the replacement of ageing existing fleet (>7 years).**
- **Declining losses of subs:** Losses of subs (excl China) have been consistently declining with Q4 PBT of Rs 90 mn (vs. Rs 151 mn in Q3FY10 & Rs 522 mn in Q4FY09). With benefits of restructuring (shut down of Scottish Stampings & transfer of biz to the Swedish facility) likely to kick in going ahead, the co expects to achieve break even at the overseas ops in FY11E.
- **FCCB repayment and fund raising:** BFL has repaid FCCBs worth USD 131 mn (incl. premium) in Apr'10, and has outstanding FCCBs of USD 80 mn (convertible in FY12-13). The co. has recently raised Rs 6.26 bn by way of equity, warrants and debt, resulting in a dilution of 7.4%. BFL now has a well capitalized B/S with standalone net D/E of 0.57 (0.76 on a conso basis).

BFL (Standalone): Revenue & margin trends



Highest ever dom. sales, exports picking up



Source: Company, ENAM Research

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