BHARAT FORGE

May 17, 2016

The General Manager,
Corporate Relationship Deptt., **(BSE SCRIP CODE – 500493)**
Bombay Stock Exchange Ltd.,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai 400 001.

The Secretary,
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 the FY 2015-16

Please find enclosed herewith Earning Update for Financial Year 2015-16.

Thanking you,

Yours faithfully,
For Bharat Forge Limited,

Anand Daga
Vice President (Legal) &
Company Secretary

BHARAT FORGE LIMITED
Analyst Update - FY16 Results

BFL 12 MONTH REPORT

"Sales demand developed during the quarter as expected, apart from North America, which witnessed sharper decline than anticipated reflecting continued weakness in the Oil & Gas and allied commodity sectors and reduction in class 8 truck market demand towards the end of CY2015 resulting in destocking across the supply chain.

Despite the challenges, EBITDA margins improved compared to previous year and with Debt Equity (Net) at 0.19, the company will achieve one of its objectives of becoming a Net cash company by FY 2018, if not earlier. Other Key highlights include near doubling of passenger vehicle exports business, new customer addition in the automotive business and continued de-risking of commodity focused industrial business through increased product portfolio in the transportation sector.

"As we enter into FY17, we continue to witness growth in passenger vehicle segment, Commercial Vehicle segment across India & Europe while the US truck markets are reverting to normal replacement levels. The Industrial sector across segments continues to witness a slew of capex cuts by OEMs and depressed commodity prices are impacting underlying demand. **Overall, we expect topline to be in line with last year**"

"Looking ahead into Q1 FY17 we anticipate demand to be lower than Q4 FY16 due to inventory destocking in US truck market & continued weakness of export industrial business."

"Over the past 2 years we have been working on many initiatives, foremost being the Make in India initiative, increasing focus on passenger vehicles and expanding penetration in the transportation (Aerospace & Railways) sector. We have made good progress as evident from the new contracts in the Aerospace sector. However, sales from these initiatives are not adequate enough to compensate for the impact of the downturn. These initiatives will gradually ramp up and will have substantial positive impact on topline and profitability over the next 6-8 months."

B.N. Kalyani, Chairman & Managing Director.

STANDALONE FINANCIAL HIGHLIGHTS FY16

TABLE 1 Rs. Million

Particulars	*Q4 FY16*	*Q3 FY16*	*Q4 FY15*	*FY16*	*FY15*
Shipment Tonnage	**52,413**	**50,741**	**56,679**	**209,697**	**211,668**
Domestic Revenue	4,608	4,004	4,574	17,516	16,900
Export Revenue	5,263	6,290	7,380	24,602	27,207
Other Operating Income	210	226	285	936	1,374
Total Revenue	**10,081**	**10,520**	**12,239**	**43,054**	**45,481**
EBIDTA	3,045	3,301	3,675	13,298	13,563
EBIDTA %	***30.2%***	***31.4%***	***30.0%***	***30.9%***	***29.8%***
Other Income	225	231	200	1,000	933
PBT	2,424	2,632	3,154	10,821	10,872
PBT %	***24.0%***	***25.0%***	***25.8%***	***25.1%***	***23.9%***
Exchange Gain/ (loss)	(63)	(129)	(78)	(469)	(263)
PBT after Ex Gain/ (loss)	2,361	2,503	3,076	10,352	10,609
Exceptional Items	-	(42)	5	(42)	(36)
PBT after Excp Item	2,361	2,461	3,081	10,310	10,573
Profit After Tax	1,645	1,661	2,032	7,011	7,190

- BFL shipment tonnage declined by 7.5% compared to Q4 FY15 on back of volume decline in the export industrial and North America CV market.
- Total Revenues de-grew by 17.6% in Q4 FY16 to Rs 10,081 million as compared to Q4 FY15 impacted by 28.7% decline in export revenues.
- Despite the decline in topline, EBITDA margin have held steady at around 30% due to focus on productivity improvement and benefit of benign input cost.

- PBT before Exchange gain/ (loss) and Exceptional item decreased 23.1% in Q4 FY16 to Rs 2,424 million compared to Rs 3,154 million in Q4 FY15.
- PAT declined by 19.0% from Rs 2,032 million in Q4 FY15 to Rs 1,645 million in Q4 FY16.

KEY FINANCIAL PARAMETERS: STANDALONE

TABLE 2 **Rs Million**

Particulars	March 31, 2016	March 31, 2015
Debt	18,406	17,974
Equity	36,405	34,957
Cash	11,462	10,130
D/E	**0.51**	**0.51**
D/E (Net)	**0.19**	**0.22**

GEOGRAPHICAL REVENUE BREAK-UP

TABLE 3 **Rs. Million**

Particulars	Q4 FY16	Q4 FY15	Growth %	FY 2016	FY 2015	Growth %
India	4,818	4,859	***-0.9%***	18,452	18,274	***1.0%***
Americas	2,853	4,904	***-41.8%***	15,443	17,413	***-11.3%***
Europe	2,230	2,145	***4.0%***	7,938	8,447	***-6.0%***
Asia Pacific	180	331	***-45.6%***	1,221	1,347	***-9.4%***
Total	**10,081**	**12,239**	**-17.6%**	**43,054**	**45,481**	**-5.3%**

REVIEW OF INDIAN MARKET

TABLE 4: Domestic Automotive Production Data (No's)

Particulars	Q4 FY16	Q4 FY15	YOY%	FY 2016	FY 2015	YOY %
LCV	125,619	110,657	**13.5%**	441,633	428,502	**3.1%**
Medium & Heavy CV	103,066	80,745	**27.6%**	341,181	266,971	**27.8%**
Total CV Market	228,685	191,402	**19.5%**	782,814	695,473	**12.6%**
Passenger Cars	902,226	869,313	**3.8%**	3,403,992	3,225,259	**5.5%**
Total Auto Market	1,130,911	1,060,715	**6.6%**	4,186,806	3,920,732	**6.8%**

Source: Society of Indian Automobile Manufacturers (SIAM)

After witnessing sharp drop in sales in FY 2013-14, the M&HCV segment has registered strong volume growth of 21% and 28% respectively in FY 2015 and FY 2016. This growth was driven by fleet replacement and improving profitability for operators on declining diesel prices, lower interest cost and firm freight rates. The Passenger vehicle segment driven by slew of new model launches witnessed growth of 5.5% as compared to FY15.

Looking ahead, the M&HCV segment is expected to register another year of growth in FY 2017 with robust sales on back of pre-buying ahead of the complete roll-out of BS-IV norms (by April 2017) coupled with fundamental improvement in industrial activity and increased investment in infrastructure projects.

While there are some concerns in the Passenger Vehicle industry related to levy of additional tax in the form of infrastructure cess, luxury cess and other actions focused on curbing pollution; the expected pickup in the economy, favorable monsoon, reduced interest rates as well as benefits of the 7th Pay Commission and OROP are expected to support overall growth in the domestic PV sector.

Over the long term, the Indian automobile industry appears to be buoyant, with sales from all segments expected to grow at a healthy pace.

BFL sales in to the MHCV segment grew 14% to Rs 211.3 crores in Q4FY16 on a sequential basis while the Passenger Vehicle revenues were flat at Rs 36.6 crores compared to Q3 FY16.

BFL's presence in the industrial segment in India is spread across Diesel engines, tractors, government entities, Power (renewable & non-renewable) and other capex related sectors. These have been adversely impacted in the past few years because of lack of capex related investments, poor monsoon, global economic slowdown, collapse of commodity prices etc.

The present government's focus on reviving manufacturing, increasing investment in infrastructure & its positive impact on capex related sectors and Make in India initiative is expected to result in growth coming back in the above mentioned sectors.

The recent steps taken by the government such as awarding of contract to GE & Alstom for building locomotives for railways and increasing allocation towards road construction augurs well for the resurgence of the capital goods sectors.

As a part of the "Make in India" program, focused efforts and activities have been undertaken to address the programs of the Govt. of India in the Rail, Power, Defense and Aerospace sector. Our focus on technology and innovation along with a strong R & D approach should assist in positioning the company at the front to address these new opportunities.

For FY16, BFL sales into the sector were stagnant compared to FY15 at Rs 627 crores but grew by 25% in Q4FY16 to Rs 161 crores compared to Q3 FY16. We expect the improvement in the industrial business to continue in FY17 on back of orders from "Make in India" sectors and overall uptick in economic activity.

REVIEW OF INTERNATIONAL BUSINESS

Automotive Business

The North American market for heavy-duty trucks increased by 8% in 2015 from 297K units to 321K units (Source: ACT Research) as a result of fleet renewal and fleet expansion combined with good freight environment, low fuel prices and low interest rates. But demand started weakening from Q4 CY15 with a correction mainly in the long-haul segment as freight activity weakened.

The OEM's have undertaken remedial measures, adjusting production in line with the lower demand environment and allowing for inventory reduction at dealers. With stagnant freight volumes, increased availability of competitively priced used trucks and less need for fleet renewal, the market is expected to settle at a more normalized level during 2016, down by around 30% from CY 2015 levels.

During CY2015, heavy truck registrations in Europe showed a good growth of 18% driven mainly by increased freight activity, resulting in good freight utilization and good operator profitability, as well as a need for fleet renewal.

The European heavy truck market is expected to grow moderately in 2016 as the fleet replacement demand is expected to continue, freight activity is high and the countries in the EU region are expected to continue their economic recovery.

However, BFL's export revenue in to the truck market declined 17% on a sequential basis and 10% on a YoY basis impacted by de-stocking of inventory at OEM end. We expect the OEM inventory levels to taper down in another quarter.

Industrial Business

The global industrial space has been under severe stress over the past 2 years coinciding with depressed prices & declining global GDP especially in China, MENA and Emerging markets.

CY2015 proved to be a challenging year for the commodity related sectors including Oil & Gas and Construction & mining. Sharp & rapid decline in crude oil prices and other commodities led to substantial reduction in global capex spend and simultaneous reduction in offtake from component suppliers.

BFL's thriving business into the commodity related sectors has seen a severe decline with sales down 37% in FY16 from Rs 1,208 crores to Rs 762 crores. We expect the demand environment to be challenging with depressed prices, declining activity levels and distress across the supply chain.

While a majority of the commodity sectors which we serve in the industrial sector remain challenged, we continue to be focused on the factors that we can control and are investing in the future. We, as a company are looking beyond the cycle and have developed a portfolio of new products over a range of applications in the O&G (shale, surface, sub-sea and deep sea industries), Power generation, rail and aerospace sectors. We believe that when this market recovers, we will respond most quickly and our technologically advanced & efficient products and strong customer relationship will help us take advantage of the upside.

BFL's foray into other industrial sectors such as Wind, Railways and Aerospace is picking up significant traction not only from the "Make in India" initiative but also from winning customers globally. This concerted effort will provide lot of benefit in terms of diversifying the commodity oriented industrial business.

OUTLOOK

TABLE 5: Indicative demand outlook for FY17 across various geographies

Particulars	India	North America	Europe
Commercial Vehicles	↑	↓	↑
Passenger Vehicles – High End	—	↑	↑
Passenger Vehicles – Mass Market	↑	↑	↔
Oil & Gas	—	↓	↓
Construction	↔	↓	↓
Mining	↓	↓	↓
Aerospace	—	↑	↑

CONSOLIDATED FINANCIALS – FY 2016

TABLE 6 — Rs. Million

Particulars	FY 2016	FY 2015	YOY %
Total Revenue	76,465	76,221	0.3%
EBITDA	14,745	14,800	-0.4%
EBITDA %	**19.3%**	**19.4%**	
PBT before exceptional item	10,491	11,157	-6.0%
Exceptional Income/ (Expenditure)	(55)	378	
Exchange Gain / (Loss)	(532)	(312)	
PBT after Exceptional item	**9,904**	**11,223**	**-11.8%**
PAT after Minority Interest	6,525	7,666	-14.9%
Loss from Discontinued Operations	(25)	(40)	
Profit After Tax	6,500	7,626	-14.8%
Cash Profit	10,888	11,237	-3.1%

KEY FINANCIAL PARAMETERS: CONSOLIDATED

TABLE 7 — Rs Million

Particulars	*March 31, 2016*	*March 31, 2015*
Debt	29,596	25,464
Equity	35,758	34,441
Cash	11,975	11,386
D/E	**0.83**	**0.74**
D/E (Net)	**0.49**	**0.41**

OVERSEAS SUBSIDIARIES FINANCIALS – CY 2015

The financial statement for CY 2015 for the overseas subsidiaries is as follows. These incorporate the financial results of its wholly owned overseas subsidiaries in Europe.

TABLE 8 Rs. Million

Particulars	CY 2015	CY 2014
Total Revenue	33,287	34,408
EBITDA	1,058	1,108
EBITDA %	**3.2%**	**3.2%**
PBT before Exceptional Item	(268)	211
PBT after exceptional item	(198)	81
PAT after Minority Interest	(290)	(13)
Loss from Discontinued Operations	(24)	(31)
Profit After Tax	(314)	(44)

FINANCIALS - INDIAN SUBSIDIARIES – FY 2016

The financial statement for FY 2016 for the Indian subsidiaries is as follows. These incorporate the financial results of its wholly owned subsidiaries and BFL's Joint Venture operations with Alstom.

TABLE 9 Rs Million

Particulars	FY 2016	FY 2015
Total Income	8,951	5,910
EBITDA	629	129
PBT	32	238
Net Profit	43	149

The profitability (PBT) has been impacted in FY 2016 on account on increase in Depreciation & interest cost due to start of commercial production of Alstom JV at Sanand.

FINANCIALS – OVERSEAS SUBSIDIARIES: JAN-MAR 2016

TABLE 10 **Rs. Million**

Particulars	**Jan – March 2016**	**Oct – Dec 2015**	**Jan – March 2015**
Total Income	5,744	5,684	5,857
EBITDA	442	243	351
EBITDA %	**7.7%**	**4.3%**	**6.0%**
PBT*	52	(105)	5

*** PBT before Exchange Gain / (Loss) and Exceptional Item.**

The wholly owned subsidiaries performance in the Jan – Mar 2016 quarter has witnessed sharp improvement in performance compared to the corresponding period last year. EBITDA margin increased from 6.0% in Jan – Mar 15 to 7.7% in Jan – Mar 2016 on back of ramp up new aluminum forging facility. PBT jumped from Rs 5 million to Rs 52 million.

We expect the subsidiary to show improved performance through the course of the year.