

# Bharat Forge

BSE SENSEX	S&P CNX
40,324	11,908
Bloomberg	BHFC IN
Equity Shares (m)	466
M.Cap.(INRb)/(USDb)	199.1 / 2.8
52-Week Range (INR)	603 / 378
1, 6, 12 Rel. Per (%)	-7/-14/-42
12M Avg Val (INR M)	724
Free float (%)	54.2

Consol. Financials & Valuations (INR b)			
Y/E Mar	2019	2020E	2021E
Net Sales	101.5	90.3	97.8
EBITDA	20.6	16.0	18.2
PAT	10.3	8.2	10.3
EPS (INR)	22.2	17.7	22.1
Gr. (%)	20.3	-20.2	24.9
BV/Sh (INR)	115.5	125.6	140.2
RoE (%)	20.6	14.7	16.6
RoCE (%)	13.2	10.1	11.8
P/E (x)	19.3	24.2	19.4
P/BV (x)	3.7	3.4	3.0

Estimate change

TP change

Rating change



**CMP: INR428**

**TP: INR540 (+26%)**

**Buy**

## Below est.; Sharp decline across businesses hurts performance

- 2QFY20 standalone (S/A) revenues declined 25% YoY to INR12.6b (v/s est. INR13.5b) due to lower tonnage (-23% YoY). Realizations declined 2.4% YoY to INR235.2k/t (v/s est. ~INR217.1k). EBITDA declined ~37% YoY to INR3b (v/s est. ~INR3.5b). EBITDA margins declined 450bp YoY (-230bp QoQ) to ~24% (v/s est. 26.2%) due to operating deleverage. PBT declined ~27% YoY. Lower tax boosted PAT to INR2.4b (v/s est. INR2.3b), a growth of ~8% YoY.
- 1HFY20 CFO grew ~151% to ~INR7.8b, benefiting from the reduction in working capital. Further, lower capex boosted FCFF to ~INR3.9b (v/s - INR4.5b in 1HFY19). 1HFY20 revenue/EBITDA/PAT declined ~17.5%/28%/9%.
- **Key highlights from earnings call:** (a) Expect 2HFY20 to be weaker than 1HFY20 due to weakness in India, US and EU; (b) US Class 8 trucks should decline 20-25% in CY20; EU trucks are expected to decline 8-10%; (c) Focus is on cutting costs, improving productivity and new product development. Also, company will concentrate on strengthening its balance sheet, FCF generation and inorganic opportunities; (d) Current utilization is at ~50%; and (e) Company has transferred Nellore plant (CLWT) to wholly-owned subsidiary to avail ~17% tax rate for new manufacturing units.
- **Valuation view:** We cut our FY20/21 consol. EPS estimate by 8-9% to factor in the headwinds seen in all key businesses. Over the last two years, BHFC has witnessed strong performance in all core businesses and ramp-up in nascent businesses. However, the cycle has turned negative for its core businesses of CVs and Oil & Gas. While the near-term outlook is challenging, we believe that BHFC is much better placed now than in the previous cycles and would emerge stronger with more diversified revenue streams. Valuations are attractive at 24.2x/19.4x on downcycle FY20/21E consol. EPS. Maintain **Buy**.

## S/A Quarterly

(INR Million)

	FY19				FY20				FY19	FY20E	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2Q
<b>Tonnage</b>	66,815	69,683	66,764	62,690	60,874	53,541	52,470	51,195	265,952	218,081	62,091
Change (%)	21.3	18.8	2.6	-3.6	-8.9	-23.2	-21.4	-18.3	9.9	-18.0	-10.9
<b>Realization (INR '000/ton)</b>	221.5	241.0	253.5	266.2	221.2	235.2	245.3	255.9	245.2	238.6	217.1
Change (%)	1.6	12.4	18.6	18.1	-0.1	-2.4	-3.2	-3.9	11.7	-2.7	-9.9
<b>Net operating income</b>	14,797	16,792	16,925	16,686	13,466	12,595	12,870	13,101	65,200	52,030	13,477
Change (%)	23.2	33.5	21.7	13.8	-9.0	-25.0	-24.0	-21.5	22.6	-20.2	-19.7
RM/Sales (%)	36.1	39.1	36.8	37.3	37.0	40.1	37.5	37.4	37.4	38.0	36.5
Staff Cost (% of Sales)	8.3	7.3	7.2	7.1	9.2	9.7	9.4	9.5	7.5	9.4	9.3
Other Exp. (% of Sales)	26.6	25.4	27.2	26.5	27.7	26.3	28.5	28.3	26.4	27.7	28.0
<b>EBITDA</b>	4,288	4,754	4,869	4,849	3,519	3,004	3,166	3,244	18,761	12,934	3,534
EBITDA Margins (%)	29.0	28.3	28.8	29.1	26.1	23.9	24.6	24.8	28.8	24.9	26.2
Non-Op. Income	343	338	478	501	401	495	450	424	1,660	1,770	425
Interest	253	321	136	315	388	291	280	284	1,024	1,244	325
Depreciation	824	914	907	821	886	893	900	975	3,466	3,655	890
Fx loss/(gain)	2	410	-389	-323	24	-197	0	0	-300	-173	0
<b>PBT after EO items</b>	3,552	3,447	4,694	4,538	2,622	2,512	2,436	2,408	16,231	9,978	2,744
Eff. Tax Rate (%)	34.0	34.0	34.0	34.0	33.6	2.5	24.5	24.4	34.0	21.3	17.0
<b>Rep. PAT</b>	2,345	2,275	3,098	2,995	1,741	2,449	1,839	1,821	10,713	7,850	2,278
<b>Adj. PAT</b>	2,345	2,275	3,098	2,995	1,741	2,449	1,839	1,821	10,713	7,850	2,278
Change (%)	33.9	11.7	35.8	59.6	-25.7	7.6	-40.6	-39.2	19.7	-26.7	0.1

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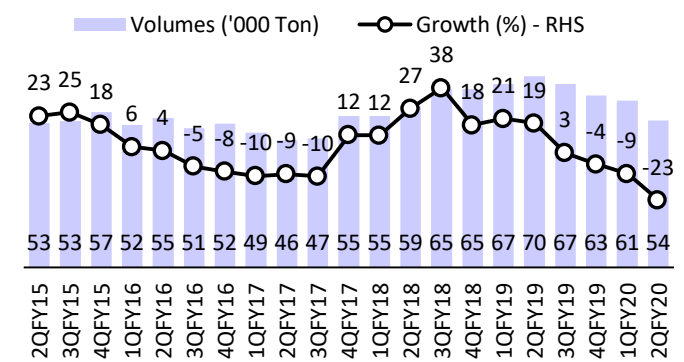
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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

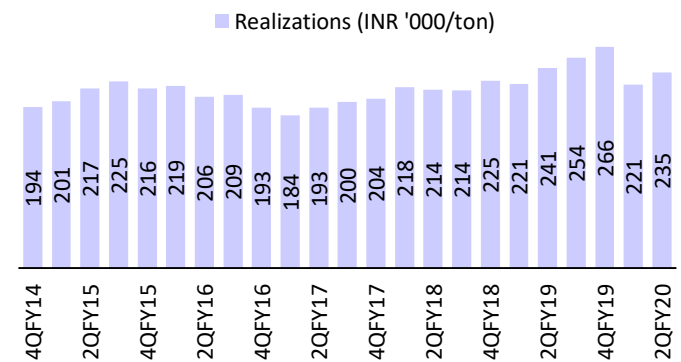
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**Key earnings call highlights**

- Domestic revenues declined ~36% YoY and exports declined ~18% YoY due to weakness in the Oil & Gas segment.
- PV business grew ~21% YoY (+25% QoQ).
- Company expects 2HFY20 to be weaker than 1HFY20 based on the prevailing environment in India and the slowdown in North America and Europe.
- Focus is to cut costs more than anticipated earlier, which should bear results once the demand environment stabilizes. It is looking to improve productivity intensely across facilities with more thrust on new product development and R&D.
- Over the next 2-3 quarters, it would also focus on strengthening the balance sheet, FCF generation and opportunistic inorganic growth avenues.
- Company expects US Class 8 truck volumes to decline 20-25% in CY20 (over ~345k in FY19), whereas EU truck volumes are expected to decline 8-10%. As a result, OEMs started cutting production schedules to reduce inventory from current elevated levels.
- 40k M&HCV stock of BS4 vehicles needs to be liquidated.
- In PVs, company has procured significant orders from North America. BHFC is putting up an Aluminum forging capacity, which is expected to start in Jun'21 to cater to these orders. The full capacity of 1st phase is already sold out and on full ramp-up, there is potential for revenues of USD75m. Company is currently working with five OEMs (and multiple platforms); it would make fully machined parts and enjoy much better margins.
- It is currently operating at ~50% utilization.
- Capex: FY20 S/A is at ~INR6b for ongoing CLWT plant. There is no new capex commitment since 1QFY20. Overseas subs FY20 capex is at ~INR2b. For FY21, India would see significant reduction in capex to INR1.5-2b.
- New Light Weighting Tech plant has been transferred to wholly-owned subsidiary for availing corporate tax benefit of 15%. This plant will start operations by Dec'19. Company expects revenues of ~INR2b in the first phase and expects capacity to get fully booked in the next one year.

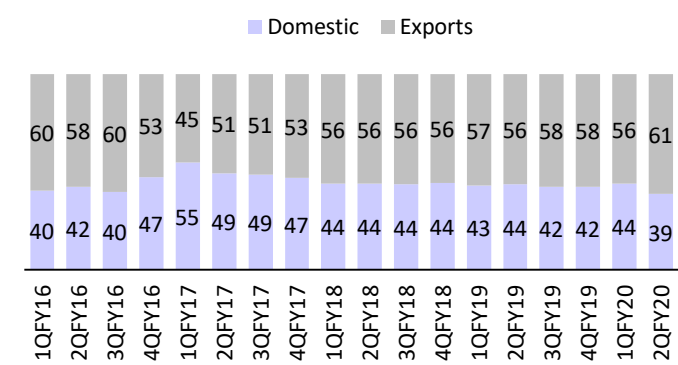
**Exhibit 1: Volume trend**

Source: Company, MOFSL

**Exhibit 2: Trend in realizations**

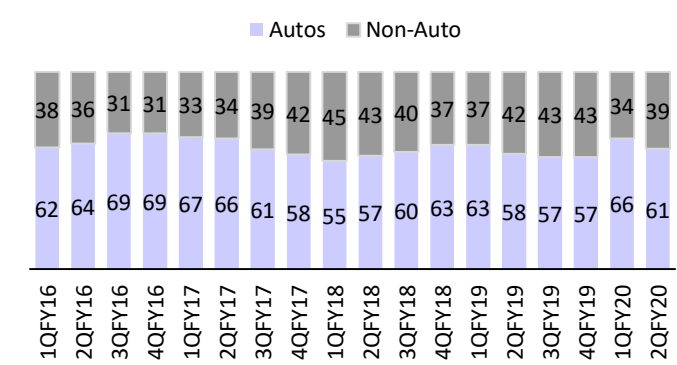
Source: Company, MOFSL

Exhibit 3: Market mix trend



Source: Company, MOFSL

Exhibit 4: Trend in product mix



Source: Company, MOFSL

Exhibit 5: Revenue break-up

INR m	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
India	5,541	6,095	6,518	6,354	7,358	7,170	7,060	5,939	4,870
Growth (%)	26	33	23	20	33	18	8	-7	-34
Contribution (%)	44	44	44	43	44	42	42	44	39
US	4,761	5,468	5,614	5,739	6,618	6,590	7,075	5,302	5,475
Growth (%)	97	98	57	31	39	21	26	-8	-17
Contribution (%)	38	39	38	39	39	39	42	39	43
EU	1,922	1,923	2,334	2,503	2,537	2,654	2,233	1,853	1,896
Growth (%)	8	14	13	34	32	38	-4	-26	-25
Contribution (%)	15	14	16	17	15	16	13	14	15
Others	356	420	200	201	280	511	318	372	354
Growth (%)	11	4	-38	-56	-21	22	59	85	26
Contribution (%)	3	3	1	1	2	3	2	3	3
<b>Total</b>	<b>12,580</b>	<b>13,906</b>	<b>14,666</b>	<b>14,797</b>	<b>16,793</b>	<b>16,925</b>	<b>16,686</b>	<b>13,466</b>	<b>12,595</b>
Growth (%)	41	47	30	23	33	22	14	-9	-25

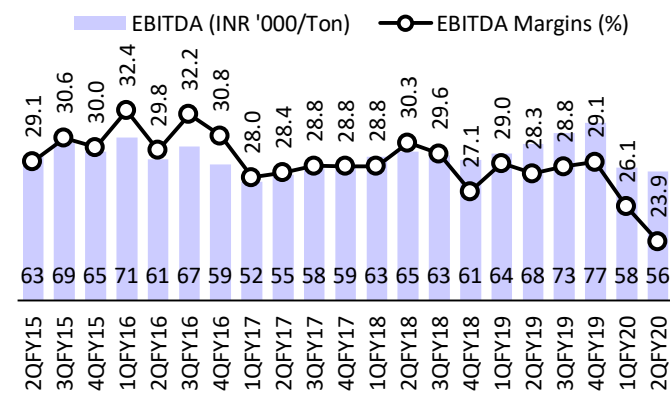
Source: Company, MOFSL

Exhibit 6: Revenue break-up

INR Mn	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
<b>Domestic</b>	<b>4,871</b>	<b>7,358</b>	<b>-33.8</b>	<b>5,939</b>	<b>-18.0</b>
% of total revenues	38.7	43.8		44.1	
<b>Autos</b>	<b>1,511</b>	<b>3,501</b>	<b>-56.8</b>	<b>2,695</b>	<b>-43.9</b>
% of total revenues	12.0	20.8		20.0	
CVs	935	2,894	-67.7	2,159	-56.7
% of total revenues	7.4	17.2		16.0	
PVs	576	607	-5.1	536	7.5
% of total revenues	4.6	3.6		4.0	
Industrial	2,249	2,748	-18.2	2,090	7.6
% of total revenues	17.9	16.4		15.5	
Others	1,111	1,109	0.1	1,154	-3.8
% of total revenues	8.8	6.6		8.6	
<b>Exports</b>	<b>7,724</b>	<b>9,434</b>	<b>-18.1</b>	<b>7,527</b>	<b>2.6</b>
% of total revenues	61.3	56.2		55.9	
<b>Autos</b>	<b>5,052</b>	<b>5,212</b>	<b>-3.1</b>	<b>5,098</b>	<b>-0.9</b>
% of total revenues	40.1	31.0		37.9	
CVs	3,450	4,017	-14.1	3,893	-11.4
% of total revenues	27.4	23.9		28.9	
PVs	1,602	1,195	34.1	1,205	32.9
% of total revenues	12.7	7.1		8.9	
Industrial	2,672	4,222	-36.7	2,429	10.0
% of total revenues	21.2	25.1		18.0	
<b>Total Revenues</b>	<b>12,595</b>	<b>16,792</b>	<b>-25.0</b>	<b>13,466</b>	<b>-6.5</b>

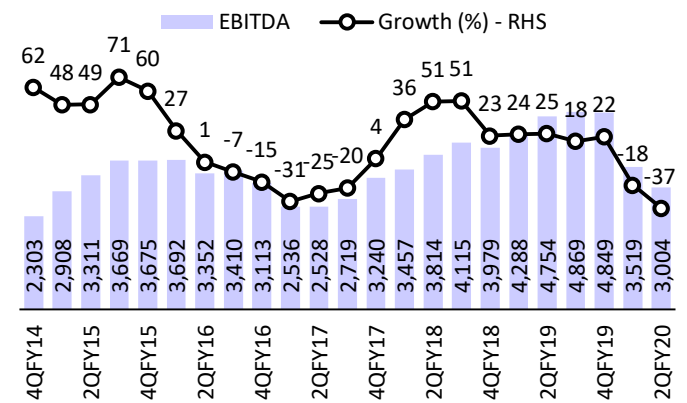
Source: Company, MOFSL

Exhibit 7: Trend in EBITDA margins



Source: Company, MOFSL

Exhibit 8: EBITDA growth trend



Source: Company, MOFSL

### Valuation and view

#### Business is getting structurally stronger, less vulnerable to deep cycles

BHFC has broadened its revenue stream by entering new segments (non-auto) and global markets. The share of the auto business has declined from ~80% in FY07 to ~56% in FY19. Further, it has increased value-addition by focusing on machined components, the contribution of which has increased to ~50%, boosting realizations and margins. It has improved its balance sheet by focusing on controlling debt through lower capex.

#### Auto business: Near term challenges in CVs; PVs to witness ramp-up

While worst of cyclical pressures in domestic CV seems to be behind us, outlook for US & EU CV is weak for CY20. In the last 1.5 years, BHFC has developed capabilities in truck transmission parts, which should improve its content per truck considerably and drive growth in the CV segment over the next 3-5 years. The PV segment is a focus area, as this segment offers an opportunity size 4x that of CVs. To tap this opportunity, BHFC is focusing on increasing customer penetration and moving up the value chain, and is already making in-roads. BHFC expects current contribution from the PV segment of 11-12% to double over the next 2-3 years.

#### Non-auto: Rail, Aerospace, Defense ramp-up to offset weakness in Oil & Gas

O&G segment is expected to remain under pressure due to inventory destocking with their key customers. Managements' initiatives to tap new products, customers and geographies for Oil & Gas would take time to contribute. In Aerospace, BHFC has five contracts from marquee customers. This segment is on track for becoming USD100m over the next five years. In Railways, approvals are in place for engine components with OEMs and ramp-up is expected from FY19. BHFC has become the main supplier to Indian Railways for all key components of diesel locomotive engines and sees tremendous opportunity in this segment, which would play out over the next two years. Defense is another large opportunity where BHFC is very well prepared, but visibility on ramp-up is poor due to elongated timelines. Over next 3-5 years, Defense has potential to drive strong growth for BHFC.

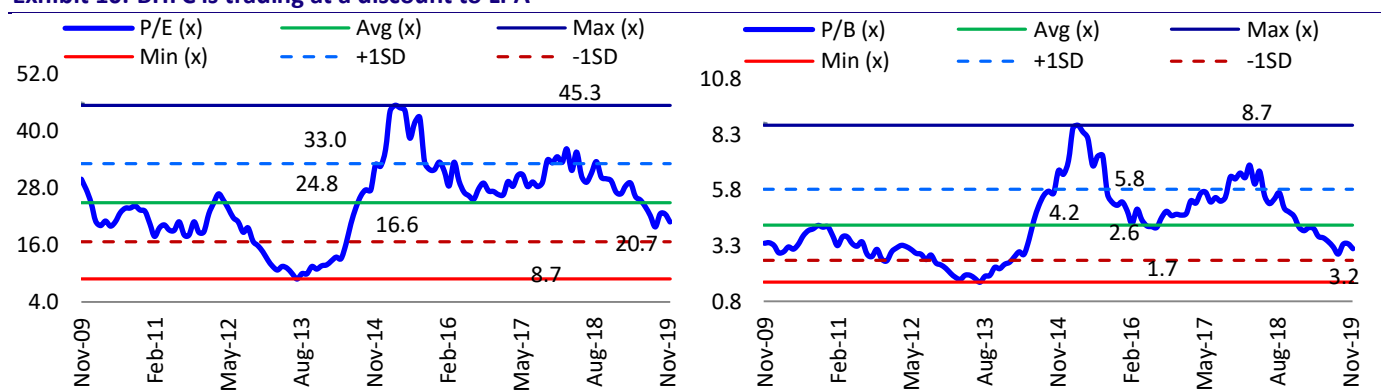
**Valuation and view**

We cut our FY20/21 consol. EPS estimate by 8-9% to factor in headwinds in all the key businesses. After last two years of strong performance in all its core businesses and the ramp-up in the nascent businesses, the cycle has turned negative for its core business of CVs and Oil & Gas. While near term outlook is challenging, we believe BHFC is much better placed than previous cycles and would emerge stronger with more diversified revenue streams. Valuations are attractive at 24.2x/19.4x on downcycle FY20/21E consol. EPS. We are increasing our valuation target multiple to ~22x (from 20x earlier) as we value on Sep-21 consol. EPS, which would be early part of the recovery phase. Maintain **Buy** with TP of ~INR540.

**Exhibit 9: Revised Forecast (Consol.)**

(INR M)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	90,336	94,105	-4.0	97,846	1,01,807	-3.9
EBITDA (%)	17.7	18.7	-100bp	18.6	19.4	-80bp
Net Profit	8,243	9,082	-9.2	10,292	11,193	-8.0
EPS (INR)	17.7	19.5	-9.2	22.1	24.0	-8.0

Source: MOFSL

**Exhibit 10: BHFC is trading at a discount to LPA**

Source: MOFSL, Company

**Key Operating Metrics****Exhibit 11: Revenue model**

INR M	FY14	FY15E	FY16	FY17	FY18	FY19	FY20E	FY21E
Autos	18,333	22,434	25,058	21,796	28,525	34,148	28,168	27,901
% of total revenues	59	54	63	60	57	56	59	55
CV	15,930	19,277	21,448	18,016	23,419	26,900	19,826	18,308
% of total revenues	51	46	54	50	47	44	41	36
PV	2,403	3,157	3,610	3,780	5,106	7,248	8,342	9,593
% of total revenues	8	8	9	10	10	12	17	19
Non-Autos	12,827	19,461	14,929	14,366	21,505	26,565	19,663	22,558
% of total revenues	41	46	37	40	43	44	41	45
<b>Total Net Op Revenues</b>	<b>33,993</b>	<b>45,481</b>	<b>43,054</b>	<b>38,647</b>	<b>53,160</b>	<b>65,200</b>	<b>52,030</b>	<b>54,636</b>
Growth (%)	8	34	-5	-10	38	23	-20	5
Subsidiary Revenues	33,166	30,742	25,037	25,315	30,417	36,257	38,306	43,209
Growth (%)	65	-7	-19	1	20	19	6	13
<b>Net Consolidated Revenues</b>	<b>67,158</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>83,577</b>	<b>1,01,457</b>	<b>90,336</b>	<b>97,846</b>
Growth (%)	30	13	-11	-6	31	21	-11	8
S/A EBITDA margins (%)	25.4	29.8	31.0	28.5	31.5	28.8	24.9	25.8
Consol EBITDA margins (%)	15.3	18.9	20.7	19.6	20.6	20.3	17.7	18.6
<b>Consol EPS (INR)</b>	<b>9.6</b>	<b>15.8</b>	<b>14.1</b>	<b>13.1</b>	<b>18.4</b>	<b>22.2</b>	<b>17.7</b>	<b>22.1</b>
Growth (%)	59.9	64.0	-10.8	-7.0	40.7	20.3	-20.2	24.9

## Financials and Valuations

### Consolidated - Income Statement

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Net Sales</b>	<b>67,158</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>83,577</b>	<b>1,01,457</b>	<b>90,336</b>	<b>97,846</b>
Change (%)	30.0	13.5	-10.7	-6.1	30.7	21.4	-11.0	8.3
<b>EBITDA</b>	<b>10,272</b>	<b>14,390</b>	<b>14,081</b>	<b>12,511</b>	<b>17,230</b>	<b>20,556</b>	<b>15,968</b>	<b>18,190</b>
Margin (%)	15.3	18.9	20.7	19.6	20.6	20.3	17.7	18.6
Depreciation	3,572	3,623	4,530	4,521	4,669	5,208	5,566	5,770
<b>EBIT</b>	<b>6,700</b>	<b>10,766</b>	<b>9,551</b>	<b>7,990</b>	<b>12,561</b>	<b>15,348</b>	<b>10,403</b>	<b>12,420</b>
Int. and Finance Charges	1,692	1,356	1,160	1,000	1,065	1,272	1,494	1,443
Other Income - Rec.	1,249	1,367	1,321	1,193	1,420	2,028	2,084	2,968
<b>PBT bef. EO Exp.</b>	<b>6,258</b>	<b>10,777</b>	<b>9,713</b>	<b>8,183</b>	<b>12,916</b>	<b>16,104</b>	<b>10,992</b>	<b>13,946</b>
EO Expense/(Income)	-1,037	-428	55	-1,284	955	0	0	0
<b>PBT after EO Exp.</b>	<b>7,295</b>	<b>11,205</b>	<b>9,658</b>	<b>9,468</b>	<b>11,961</b>	<b>16,104</b>	<b>10,992</b>	<b>13,946</b>
Current Tax	2,100	3,587	3,165	2,492	4,418	5,664	2,749	3,653
Tax Rate (%)	28.8	32.0	32.8	26.3	36.9	35.2	25.0	26.2
<b>Reported PAT</b>	<b>5,195</b>	<b>7,618</b>	<b>6,493</b>	<b>6,976</b>	<b>7,544</b>	<b>10,440</b>	<b>8,243</b>	<b>10,292</b>
<b>PAT Adj for EO items</b>	<b>4,456</b>	<b>7,327</b>	<b>6,530</b>	<b>6,030</b>	<b>8,498</b>	<b>10,440</b>	<b>8,243</b>	<b>10,292</b>
Change (%)	61.3	64.4	-10.9	-7.7	40.9	22.8	-21.0	24.9
Margin (%)	6.6	9.6	9.6	9.4	10.2	10.3	9.1	10.5
Less: Minority Interest	-28	-30	-31	-70	-81	118	4	4
<b>Net Profit</b>	<b>4,485</b>	<b>7,357</b>	<b>6,561</b>	<b>6,100</b>	<b>8,579</b>	<b>10,322</b>	<b>8,239</b>	<b>10,288</b>

### Balance Sheet

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	26,367	32,039	33,667	40,698	45,586	52,829	57,570	64,360
Total Reserves	<b>26,832</b>	<b>32,504</b>	<b>34,132</b>	<b>41,164</b>	<b>46,517</b>	<b>53,761</b>	<b>58,501</b>	<b>65,291</b>
<b>Net Worth</b>	170	-35	-43	100	294	298	298	298
Minority Interest	1,645	2,754	1,628	2,606	2,147	2,062	2,062	2,062
Deferred Liabilities	25,612	33,619	34,445	31,241	32,570	37,728	35,728	33,728
Total Loans	<b>54,259</b>	<b>68,843</b>	<b>70,162</b>	<b>75,111</b>	<b>81,528</b>	<b>93,850</b>	<b>96,591</b>	<b>1,01,381</b>
<b>Capital Employed</b>	53,945	57,108	66,569	72,328	80,211	1,03,598	1,18,405	1,23,905
Gross Block	28,604	30,697	35,227	39,560	45,217	67,896	73,462	79,232
Less: Accum. Deprn.	<b>25,340</b>	<b>26,411</b>	<b>31,343</b>	<b>32,768</b>	<b>34,994</b>	<b>35,702</b>	<b>44,943</b>	<b>44,673</b>
<b>Net Fixed Assets</b>	5,827	4,008	4,088	4,532	3,438	8,307	1,000	1,000
Capital WIP	<b>8,012</b>	<b>5,624</b>	<b>8,854</b>	<b>11,916</b>	<b>15,011</b>	<b>15,237</b>	<b>17,237</b>	<b>19,237</b>
<b>Total Investments</b>	<b>36,166</b>	<b>45,156</b>	<b>38,299</b>	<b>39,192</b>	<b>46,324</b>	<b>55,993</b>	<b>55,890</b>	<b>60,819</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	10,386	8,664	9,968	10,752	13,599	18,447	14,850	16,084
Inventory	8,660	15,967	14,038	13,419	19,605	21,478	20,295	21,982
Account Receivables	4,227	6,261	4,493	3,361	3,041	4,755	9,113	10,153
Cash and Bank Balance	12,893	14,265	9,800	11,661	10,080	11,314	11,632	12,599
Loans and Advances	<b>21,086</b>	<b>12,356</b>	<b>12,422</b>	<b>13,296</b>	<b>18,240</b>	<b>22,233</b>	<b>22,479</b>	<b>24,348</b>
<b>Curr. Liability &amp; Prov.</b>	10,554	9,026	8,372	8,463	13,268	13,664	14,850	16,084
Creditors	7,526	1,759	2,394	2,980	3,019	6,500	5,787	6,269
Other Current Liabilities	3,006	1,571	1,656	1,853	1,953	2,069	1,842	1,995
Provisions	<b>15,080</b>	<b>32,800</b>	<b>25,877</b>	<b>25,896</b>	<b>28,085</b>	<b>33,760</b>	<b>33,411</b>	<b>36,471</b>
<b>Net Current Assets</b>	<b>54,259</b>	<b>68,842</b>	<b>70,162</b>	<b>75,111</b>	<b>81,528</b>	<b>93,006</b>	<b>96,591</b>	<b>1,01,381</b>
<b>Appl. of Funds</b>	26,367	32,039	33,667	40,698	45,586	52,829	57,570	64,360



## Financials and Valuations

<b>Ratios</b>								
<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
<b>Basic (INR) *</b>								
<b>EPS</b>	<b>9.6</b>	<b>15.8</b>	<b>14.1</b>	<b>13.1</b>	<b>18.4</b>	<b>22.2</b>	<b>17.7</b>	<b>22.1</b>
Cash EPS	17.2	23.5	23.7	22.7	28.3	33.6	29.7	34.5
BV/Share	57.6	69.8	73.3	88.4	99.9	115.5	125.6	140.2
DPS	2.2	3.7	3.7	3.8	4.5	5.0	6.2	6.2
Payout (%)	23.6	27.6	32.4	30.1	33.4	26.8	42.4	34.0
<b>Valuation (x) *</b>								
P/E	44.4	27.1	30.4	32.6	23.2	19.3	24.2	19.4
P/BV	7.4	6.1	5.8	4.8	4.3	3.7	3.4	3.0
EV/Sales	3.3	3.0	3.4	3.5	2.7	2.3	2.5	2.3
EV/EBITDA	21.5	15.7	16.3	18.1	13.3	11.3	14.1	12.2
Dividend Yield (%)	0.5	0.9	0.9	0.9	1.1	1.2	1.5	1.5
<b>Return Ratios (%)</b>								
RoE	18.2	24.8	19.7	16.2	19.6	20.6	14.7	16.6
RoCE	11.0	13.9	10.9	9.6	11.6	13.2	10.1	11.8
RoIC	12.9	16.4	12.2	10.9	13.7	15.8	11.6	13.1
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.2	1.3	1.0	0.9	1.0	1.0	0.8	0.8
Inventory (Days)	56	41	53	61	59	66	60	60
Debtor (Days)	47	76	75	77	86	77	82	82
Creditor (Days)	57	43	45	48	58	49	60	60
Working Capital Turnover (Days)	59	127	115	129	109	104	98	98
<b>Leverage Ratio (x)</b>								
Debt/Equity	1.0	1.0	1.0	0.8	0.7	0.7	0.6	0.5

\* Adjusted for treasury stocks

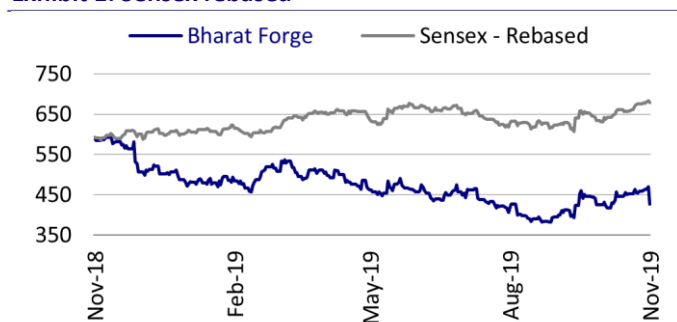
<b>Cash Flow Statement</b>							<b>(INR Million)</b>	
<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
Operating PBT	7,322	11,223	9,551	9,468	11,961	16,104	10,403	12,420
Depreciation	3,571	3,624	4,530	4,520	4,669	5,208	5,566	5,770
Other income	70	1,358	1,328	-536	1,902	52	2,079	2,964
Direct Taxes Paid	-2,113	-4,088	-4,291	-2,729	-3,925	-5,502	-2,749	-3,653
(Inc)/Dec in WC	-1,629	-1,240	5,156	-214	-3,979	-6,747	4,708	-2,020
<b>CF from Operations</b>	<b>7,222</b>	<b>10,877</b>	<b>16,273</b>	<b>10,510</b>	<b>10,628</b>	<b>9,115</b>	<b>20,007</b>	<b>15,481</b>
<b>CF from Operating incl EO</b>	<b>7,222</b>	<b>10,877</b>	<b>16,219</b>	<b>10,517</b>	<b>9,674</b>	<b>9,115</b>	<b>20,007</b>	<b>15,481</b>
(inc)/dec in FA	-5,843	-7,113	-9,526	-6,439	-5,684	-11,318	-7,500	-5,500
<b>Free Cash Flow</b>	<b>1,379</b>	<b>3,764</b>	<b>6,693</b>	<b>4,078</b>	<b>3,990</b>	<b>-2,203</b>	<b>12,507</b>	<b>9,981</b>
(Pur)/Sale of Investments	3,343	1,913	-3,231	-405	-2,458	-433	-2,000	-2,000
<b>CF from Investments</b>	<b>-2,500</b>	<b>-5,201</b>	<b>-12,756</b>	<b>-6,844</b>	<b>-8,142</b>	<b>-11,751</b>	<b>-9,500</b>	<b>-7,500</b>
Inc/(Dec) in Debt	-3,477	-621	825	-2,118	-38	7,521	-2,000	-2,000
Interest Paid	-1,701	-1,460	-1,160	-1,048	-875	-1,038	-1,494	-1,443
Dividend Paid	-1,221	-1,519	-2,101	-841	-2,522	-2,806	-3,498	-3,498
<b>CF from Fin. Activity</b>	<b>-6,399</b>	<b>-3,599</b>	<b>-5,230</b>	<b>-4,007</b>	<b>-3,144</b>	<b>3,676</b>	<b>-6,992</b>	<b>-6,941</b>
<b>Inc/Dec of Cash</b>	<b>-1,677</b>	<b>2,077</b>	<b>-1,768</b>	<b>-334</b>	<b>-1,612</b>	<b>1,040</b>	<b>3,514</b>	<b>1,040</b>
Add: Beginning Balance	4,074	2,397	0	3,579	2,723	2,030	4,755	9,113
<b>Closing Balance</b>	<b>2,397</b>	<b>4,474</b>	<b>-1,768</b>	<b>3,245</b>	<b>1,111</b>	<b>3,070</b>	<b>8,269</b>	<b>10,153</b>

## Corporate profile

### Company description

BHFC, part of USD2.5b Kalyani group, is global leader in forging business having transcontinental presence across India, Germany and Sweden, serving several sectors including automotive, power, oil and gas, construction & mining, locomotive, marine and aerospace.

### Exhibit 1: Sensex rebased



Source: MOFSL/Bloomberg

### Exhibit 2: Shareholding pattern (%)

	Sep-19	Jun-19	Sep-18
Promoter	45.8	45.8	45.8
DII	14.0	13.5	12.3
FII	19.2	19.0	20.2
Others	21.0	21.7	21.7

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

Holder Name	% Holding
Reliance Capital Trustee Co. Ltd. - A/C	4.4
Reliance Large Cap Fund	
Life Insurance Corporation Of India	3.9
Amansa Holdings Private Limited	2.8
Gagandeep Credit Capital Pvt Ltd	1.6
Hermes Investment Funds Plc On Behalf Of	1.4
Hermes Global Emerging Markets Fund	

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
B N Kalyani	Chairman & Managing Director
Amit B Kalyani	Deputy Managing Director
G K Agarwal	Deputy Managing Director
P C Bhalerao	Director
S E Tandale	Director
Tejaswini Chaudhari	Company Secretary

Source: Capitaline

### Exhibit 5: Directors

Name	Name
B P Kalyani	Murali Sivaraman
Kishore Saletore	P G Pawar
Dipak Mane	P H Ravikumar
Lalita D Gupte	S M Thakore
	Vimal Bhandari

### Exhibit 6: Auditors

Name	Type
Dhananjay V Joshi & Associates	Cost Auditor
S R B C & Co LLP	Statutory
SVD & Associates	Secretarial Audit

Source: Capitaline

### Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	17.7	20.8	-15.0
FY21	22.1	23.0	-3.8

Source: Bloomberg



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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