BHARAT FORGE

February 14, 2024

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**

Sub: Transcript of the Analyst / Investor Conference Call on financial results for the quarter ended December 31, 2023

Ref: Regulations 30 and 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

We are enclosing herewith transcript of the conference call with analysts, which took place on February 12, 2024, after announcement of the Unaudited Standalone and Consolidated Financial Results for the quarter ended on December 31, 2023.

The same is also available on the website of the Company at: https://www.bharatforge.com/investors/reports/analyst-conference-calls

We request you to kindly take the same on record.

Thanking you,

Yours faithfully, For Bharat Forge Limited,

Tejaswini Chaudhari Company Secretary & Compliance Officer

Encl.: As above





"Bharat Forge Limited Q3 FY-24 Earnings Conference Call"

February 12, 2024



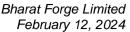


MANAGEMENT: MR. AMIT KALYANI – JOINT MANAGING DIRECTOR –

BHARAT FORGE LIMITED

MR. KEDAR DIXIT - CHIEF FINANCIAL OFFICER -

BHARAT FORGE LIMITED.





Moderator:

Ladies and gentlemen, good day and welcome to the Bharat Forge Limited Q3 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Kalyani. Thank you and over to you sir.

Amit Kalyani:

Good afternoon, ladies and gentlemen and thank you for attending our Q3 Analysts Call. I am going to hand over to our CFO – Kedar Dixit and I'll be here to answer your questions.

Kedar Dixit:

Good afternoon everyone. I'll just take you through the "Highlights" for the Quarter on the standalone as well as on the consolidated performance.

So, we had another quarter of strong performance registered in Quarter 3:

Standalone revenues grew by 16% to Rs.2263 crores and EBITDA grew by almost 31% to 645 crores. EBITDA margins are at 28.5% which is the expansion of almost 330 basis points on a Y-o-Y basis driven primarily on account of favorable product mix, and cost optimization. PBT and PAT grew by 31% to Rs.504 crore and Rs.378 crore respectively.

The balance sheet continues to remain strong with surplus cash net of long-term loans now stands at almost Rs.1000 crores.

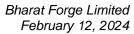
At a consolidated level also, the revenue grew by almost 15% to Rs.3867 crores and EBITDA grew by 66% to Rs.673 crores.

For the nine months ended on 31st December 2023. Sales have grown by 19% to Rs.6640 crores, EBITDA grew by 29% to 1.15 crores and PBT grew by 30% to Rs.1385 crores, which is more or less equal to what we have achieved in this entire year of FY23.

During the quarter, the company has secured new business worth Rs.550 crore on an annualized basis across various segments including automotive, industry, defense, aerospace and casting. And out of which 90% are export driven.

In terms of the total exports out of India's manufacturing operations now stands at \$200 million for the quarter, which is 36% up from on a Y-o-Y basis.

In terms of overseas subsidiaries:





European operations have posted EBITDA of Rs.22 crore. While the US operations have achieved breakeven at EBITDA level in the last quarter. The Phase-2 CAPEX of about \$100 million in the US is on track. Current capacity utilization on aluminum business is about 50% for US and about 70% in Europe.

As far as the aluminum operations are concerned in Europe, the operations have been stabilized and now we are working on getting price increases from the customers which is underway.

US operations are yet to be fully stabilized while there is a continuous improvement in operations quarter-over-quarter.

Now, I will hand over to Mr. Amit Kalyani for the comments on the outlook.

Amit Kalyani:

So, I would say that the near-term outlook remains positive. Its mix bag we have a stronger outlook in the passenger car sector and in our industrial and defense sector. On the truck side in Europe, we expect to see small tapering and in the US it should be flat. Medium term, we will continue to accelerate our growth going forward. We have many new growth drivers for our business especially our industrial business, our casting business, also moving from components into systems and subsystems and new export opportunities that we are getting across our verticals such as aerospace, etc., will provide adequate growth momentum for our company to sustain a strong double-digit growth going forward.

There will be years when the growth is slightly less there are years when growth will be slightly more, but I expect that on an overall basis, profitable growth and profitability will be maintained. And we should continue growing in a healthy manner going forward as well.

We also should see in the next 18 months also, e-mobility and aluminum casting business should start growing and generate solid contributions to our bottom line and our top line.

Additionally, one European and US operations, especially our European operations which is now on operational bases performing well, get their price increases under control, we will have a very good performance and a very good contribution to bottom line coming from there. Similarly, as we get fully stabilize and ramp up our US operations that we should provide a favorable contribution to our top and bottom line.

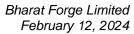
So, that's really all I have to say. I'm happy to take your questions now.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kapil from Nomura. Please go ahead.

Kapil:

Sir there were a couple of segments during this quarter which had stopped performance numbers. So, I was saying that, there are a couple of segments here which had a decline with one was the





non-auto exports and the second was domestic PV business. So, could you just share what was the reason for that and what is the outlook for these segments and also domestic CV business?

Amit Kalyani:

Okay. So, the non-automotive export which was down was oil and gas. On the PV side, we had a couple of programs that got over. And we will have strong growth on the PV side overall, because we have a lot of new programs that are starting and ramping up over the next two to three quarters. On the domestic CV, there has been a quarter-on-quarter slowdown or flattish nature of business, it's actually flat next quarter which is typically the strongest quarter of the year should see a better performance. And Indian CV on a secular basis should be positive because there is a good demand coming from the overall infrastructure build and the CAPEX build taking place in India.

Kapil:

Okay. And sir what is the traction you are seeing on the defense business. We have, are there more programs, both in the domestic and export, where we can win orders? How is the progress there, if you could just talk about that?

Amit Kalyani:

We have a lot of new programs that we are working on, on defense as you know there are programs which are both on the artillery side, programs on the vehicle side and programs both in Naval Air Force, as well as the components and MRO, which we are working on. All of which are starting to yield results, we have good healthy export order books, and we will continue to build this and continue to execute against the orders that we already have. We are participating in new development programs which have very, very large business potential, both within India and globally. And as these reach some amount of finality. We will talk about them more publicly.

Kapil:

Sir any update on the ATAGS guns order, are you expecting it?

Amit Kalyani:

It's expected to be coming out anytime soon. So, let's see.

Kapil:

Okay. And just one question on the margins. We had a very good improvement in gross margins. So, if you could just talk about what exactly in the mix was there that drove it or were there any other factors?

Amit Kalyani:

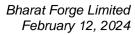
So, if you have seen our product mix, we now have a higher share of contribution coming from both subsystems and systems, both in industrial and in defense. And this is really what helps our margins. Additionally cost control and efficiency improvement is also working well.

Moderator:

Thank you. Next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani:

My first question is on the follow up on the defense business itself. Can you talk about the order book, because last quarter you all had mentioned somewhere around 3000 crores. And what I picked up in the media was 2000 crore. So, just trying to understand what is the difference between the two numbers and also broadly, if you can talk given the visibility that you are seeing





from the new programs you are engaging in, how should we think about this business scaling up in terms of revenues over the next two, three years?

Amit Kalyani:

So, we expect our defense business to grow to a very meaningful size of our overall business in the next two to three years. In fact, already we expect this business to be over Rs.1000 crores this year, when we had talked about this Rs.3000 crore order book, we are already executing a Rs.1000 crores out of that. So, what is remaining will be about 2000 crores. So, the number of Rs.3000 cores was correct. We are in the bid for some very large new business. And, as this comes through that will add significantly to our overall order book as well as our revenue per year annually. To look at us getting to a Rs.2000 crores, 2500 crores annual business in defense as the first milestone and then grow from there is a realistic target in the next two, I would say two, two and half years.

Gunjan Prithyani:

Okay, got it. And I'm just trying to understand the margin that you typically say around +20% on the defense, how do I read it, because the subsidiary business does have like a mid-high single digit margin. So, part of that margin of entire defense vertical is captured in standalone is that the way to think about defense revenues?

Amit Kalyani:

Yes, you have to think of defense revenue and margins on an aggregate basis.

Gunjan Prithyani:

Okay, got it. Which I assume, even now would be close to, would be in the double digit?

Amit Kalyani:

Yes, strong double digit.

Gunjan Prithyani:

Got it. My second question is on the classic truck outlook. Now, what you mentioned in the initial comments where you are looking at US class eight being still flat. And some of the third party industry estimates talk about a meaningful decline this year, given the order book is running down or general weakness in macro. Is that something, to really huge, is that something that you are picking up in your engagement with the customers is it going to be a decline year at all the way you are engaging with the customers?

Amit Kalyani:

So, the US order book will be strong, as in US will continue to remain strong. Europe is where there's a bit of a question mark.

Gunjan Prithyani:

Okay, Europe. So, US, you are still looking at flattish for the year given that there is some backlog still to execute. And there was this mention of emission that you spoke about.

Amit Kalyani:

Emission norm changes happen next year in 27. So, there will be a pre-buy in '25 and '26. I don't think the next two years we will see a slowdown in the US.

Gunjan Prithyani:

Okay, got it. And my last question is, anything to call out on the EU sub, European subsidiaries margin trajectory you mentioned 12 to 18 months, how should we see it progressing from current



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low single digit like do we see them getting significantly better in F25 or it's going to be a few more quarters?

Kedar Dixit: It will get significantly better is '25. But the US will probably take a little more time. That is

where I talked about the 12 to 18 months. But in 12 months there will be also a significant

improvement there but will be a higher improvement in Europe.

Gunjan Prithyani: So, overseas subs would still be in the range of mid to high single digit in FY25 is that a fair

way to look at it overall, not just Europe the entire overseas?

Kedar Dixit: I would take it may be higher inventory.

Moderator: Thank you. Next question is from the line Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: Can you talk about what was the defense revenue in this quarter and how much of that would be

from the gun order on the exports side?

Kedar Dixit: We are not giving you any breakup but, overall, our defense business for the quarter was about

350 crores.

Jinesh Gandhi: Got it. And secondly, you talked about US classic to be strong for CY24 as well, but if I look at

the commentary of some of your customers which is indicating towards 10% to 15% decline

from high base of CY23. So, is that an indication of what you are also getting or that's something

different?

Amit Kalyani: What is happening is, that is because of the '27 emission norms. Earlier, as long as the engine

were made before '27, you got the emission bypass. Now the vehicle has to be rolled out in '27. So, the pre-buy is going to be preponed so more like '24 and '25, rather than '25 and '26. So,

that is why we expect a little bit of that volume to move back into '24 and moderate in '26. So, '24, '25 and '26, cumulatively should be somewhere in the region of, the three years put together

should be about a million vehicles.

Jinesh Gandhi: Okay, that's fairly a strong number in that case. And you talked about oil and gas revenues

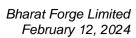
declining. So, what is the level now for oil and gas because it seems there is a reasonable decline

given nine-month extra oil and gas growth was about 35%.

Amit Kalyani: I can say that it's down 2/3rd over what it was at our peak.

Jinesh Gandhi: So, currently down 2/3rd.

Amit Kalyani: Down 2/3rd yes.





Jinesh Gandhi: Right. And lastly, so the JS Auto Cast revenue growth still seems to be impacted by the Russian

odd business going away. Is that still impacting our business?

Amit Kalyani: We don't have any Russian business. Okay, Vestas you mean. Vestas was a big customer. So,

that has reduced, but we are getting a lot of new business, we've already got more than 200 crores of new business, across sectors, across customers, and largely exports from our global customers. And after having acquired Indo Shell, we will also have a lot of capacity addition for

high volume business.

Jinesh Gandhi: Got it. And there's a good temperamental margins for JS Auto Cast. So, now we are back to

what it was earlier. So, if you expect that to sustain at current 14% level?

Amit Kalyani: No, we expect these margins to go up.

Moderator: Thank you. The next question is from the line of Amyn Pirani from JPMorgan. Please go ahead.

Amyn Pirani: I just wanted to stay with the oil and gas segment, is the slowdown because of a general weakness

in the category and can that change if oil prices go up or is there something else which is

happening are you getting out of some product?

Amit Kalyani: No, it's a combination of destocking and inventory correction at the customer end basically. So,

significant increase in interest cost.

Amyn Pirani: Okay, understood. So, would you be able to share if the destocking is largely done and we could

see an improvement, or this is a new level where we could be stuck in the oil and gas specifically

for now?

Amit Kalyani: Right now the volumes we are projecting are at this level, but hopefully in the next two quarters

it should start improving.

Amyn Pirani: Okay. And you mentioned about that India CV 4Q should be a seasonally stronger quarter. But

as we are looking into say the next financial year, do you think that India CV could show growth or do you think that the cycle is peaking out, there are some customers who are also talking about

1Q at least being weaker because of election. So, how are you thinking about that?

Amit Kalyani: 1Q being weaker is not a big thing, that is something that one has to get to, if you look at, if our

industry, if the country is going to grow 7%, 8% the commercial vehicle market has to grow at

one and a half to two times that. So, overall, we are in a good position.

Amyn Pirani: Okay. And lastly, you also mentioned that the ATAGS order from the domestic side, you said

that it should be coming anytime soon. Was that correct?



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Amit Kalyani: Yes, the whole bidding process is at its final stages. So, we should see something sooner rather

than later.

Moderator: Thank you. The next question is from the line of Pramod Amte from InCred Capital. Please go

ahead.

Pramod Amte: Amit first question is with regard to the, so basically one of your customers has launched the EV

truck, wanted to know how is your content in the EV truck, SUV which is launched, and the same customer is also trying with the tractor trailer on the EV, what is the content there versus

your?

Amit Kalyani: So, currently our content on the domestic EV trucks is largely power electronics control

electronics. But going forward, we will have the entire suite of products which we are already in, let's say not in development but in testing with a couple of customers, which includes the motor, the inverter, converter, and the castings, chassis components, etc. So, the content per

vehicle is significantly higher than the content per vehicle that we have today.

Pramod Amte: And the current prototypes which are running by the clients, do they have these components, or

it will take you one to two years to reach there?

Amit Kalyani: No, some of them already have the mature components, some of them have still components at

a prototype level.

Pramod Amte: And also, the government seems to be pushing for revising the policy or even hydrogen policy.

How does the content change versus your ICE vehicle in trucks?

Amit Kalyani: See in hydrogen there are two possibilities one is the Cummins model where hydrogen is used

engine, so you have a crankshaft, you have connecting rod, you have pistons, camshaft and so on and so forth. Camshaft may be something that goes away if you have electronic timing, or electronic valve lift. But the crankshaft, the pistons, lot of those components still remain. The other source of using hydrogen is through fuel cell. But today the fuel cell doesn't have the

as a fuel in the combustion engine by injecting hydrogen into the engine, there an engine is an

power density that one needs. So, we are still a little far away from that. But immediately, hydrogen, commercial engines definitely something that will have adequate opportunity for us

to supply components into.

Pramod Amte: And any thoughts on LNG or it will remain the same?

Amit Kalyani: LNG is same as CNG or any combustion engine. The only difference is the tank that is used for

storage.

Pramod Amte: And any update on the retrofit kit which you have made for trucks any timeline for that to come

to commercial?



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Amit Kalyani: We have now completed testing of more than 250,000 kilometers. We have got a homologation

certificate. And we are now starting to build vehicles for sale to customers and I expect that in the next quarter we should be selling vehicles to customers, starting with a small volume of beta

testing, but then after that, we will be in serious production.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Omkara Capital. Please go

ahead.

Rakesh Roy: My first question regarding your defense business. Recently Indian Army have clear for Made

in India 155 mm Towed Gun System. So, where does Bharat Forge stand apart from the

ATAGS?

Amit Kalyani: That is for ATAGS only, that program is for 307 ATAGS.

Rakesh Roy: This is only for 155 mm Towed Gun System apart from ATAGS?

Amit Kalyani: Yes, so we have three other platforms besides the ATAGS, we have Bharat 52, then we have

Ultra-Light Gun. Both in titanium and in steel and we have Bharat 45.

Rakesh Roy: Okay. Sir both the guns have the weight below 55 tonnes.

Amit Kalyani: Yes.

Rakesh Roy: Sir, next question regarding your aerospace business side, here you are seeing the growth from

the landing gear helicopter part or jet engine can you light on this for landing gear or helicopter

part jet engine?

Amit Kalyani: So, in aerospace also, we are growing at a very high pace, we will continue to grow at very

significant double-digit growth. We are almost every two years we will be doubling our business here. So, I expect that this business will be growing at a very high pace for at least the next three

to four years.

Rakesh Roy: So, this business we are looking from the domestic market or export market?

Amit Kalyani: This is a global but more than 80% of it is export.

Moderator: Thank you. The next question is from the line of Kapil from Nomura. Please go ahead.

Kapil: Sir just one follow up, on these new products that you are building for electric vehicles, power

electronics and also inverter, et cetera, what kind of margin profile will be there for these

businesses?



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Amit Kalyani: So, initially the margin will not be as high as it potentially can but, overall, the margin and return

on investment will be very good. And there is value for vehicles that will be significantly higher

than what we have today. So, the profit for vehicle will be very good.

Kapil: Sure, sir. And when we look at your current margins, how much is the investment going into

some of these new areas of development, which potentially may not be generating revenue

currently?

Amit Kalyani: So, our US plant is not generating any adequate return right now, then our aerospace business

also is not generating the kind of return, our acquisition in the casting space that is JSA is not generating as much as because it has much higher capacity than what we have acquired, than

what we are generating today. It can easily double its revenue with the capacities that we have.

Kapil: Actually, sir my question was more on the standalone margins, because it could be having some

investment related costs for these new power electronics and other EV parts. So, trying to get a sense, like how much investment is going into the standalone margins right now, which may be

affecting your standalone margins?

Amit Kalyani: To build any business you have an overhead. So, we have an upfront cost, which is our revenue

expenses to take care of the operations of this business, which is negative rather than it's not positive so as that switches it will go from negative to zero and then zero on the positive, but you are right, any business when you build in the beginning it has negative margin, because you

are only investing. And we don't capitalize any of these, we charge it off P&L.

Moderator: Thank you. Next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go

ahead.

Mahesh Bendre: Sir, last 12 quarters we have been growing in double digit, very strong growth for the last three,

four years. Now, in the press release that we have released, mentioned that the Q4 and FY25 growth is expected to be moderated. So, does it mean that instead of growing 20%, now growth

could be moderate, maybe 10%, 12% kind of growth next year, is it mean?

Amit Kalyani: It's not that we are going to become negative growth, growth will probably reduce for a few

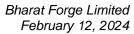
quarter from 20%, but again after a few quarters we will again accelerate.

Mahesh Bendre: Okay. So, only growth number will moderate?

Amit Kalyani: Yes, exactly it's not going to de-grow.

Mahesh Bendre: Okay. And sir any capital expenditure plan for next two years?

Amit Kalyani: Next two years is cumulatively between India, Northern India, all put together 1000 crores.





Moderator: Thank you.

Amit Kalyani: There is no one else, so maybe I will just give a closing.

Moderator: Sure sir, there are no further questions.

Amit Kalyani: Ladies and gentlemen, thank you for attending our call. I don't want to alarm anyone, but I hope

that we didn't alarm you with our guidance which was softer than what you may have expected. But, as a company we will have robust performance, we will have strong double digit, or we will have strong growth stronger than the industry and stronger than the market. But there are changes taking place in the underlying market. So, I just wanted to highlight there, it's a great opportunity for us because a lot of weak suppliers will fall by the wayside and give us a lot of opportunity to move business to ourselves. So, we expect growth to continue. We have plans of how to accelerate our growth going forward as well. And, that the future looks very bright, driven by our existing businesses, some of our emerging businesses, and some of our new businesses. So, that's all I wanted to say. And I would like to invite you to come and visit us to get a sense of

what we are doing. Thank you very much.

Moderator: Thank you very much. On behalf of Bharat Forge that concludes the conference. Thank you for

joining us, ladies and gentlemen you may now disconnect your lines.