

# Bharat Forge

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
33,219	10,303
Bloomberg	BHFC IN
Equity Shares (m)	233
M.Cap.(INRb)/(USDb)	252.5 / 3.9
52-Week Range (INR)	738 / 383
1, 6, 12 Rel. Per (%)	8/19/51
Avg Val, INRm	932
Free float (%)	54.3

## Financials & Valuations (INR b)

Y/E Mar	2018E	2019E	2020E
Net Sales	79.7	91.3	105.1
EBITDA	17.1	21.0	25.3
PAT	8.9	12.1	15.7
EPS (INR)	19.1	26.0	33.7
Gr. (%)	46.3	35.9	29.7
BV/Sh (INR)	102.4	122.1	148.3
RoE (%)	20.1	23.2	25.0
RoCE (%)	12.7	15.7	18.2
P/E (x)	38.1	28.0	21.6
P/BV (x)	7.1	6.0	4.9

Estimate change

TP change

Rating change


**CMP: INR728**
**TP: INR844 (+16%)**
**Buy**

## Above est.; strong growth in non-autos drives EBITDA margin

- **Better mix, price hikes lead to operating performance beat:** Revenue increased 34% YoY to INR12.6b (est. of INR12.4b), led by tonnage growth of 27% YoY to 58.7MT (est. of 56.8kMT) and realizations growth of 5.9% YoY (-1.6% QoQ) to INR214.5k/ton (est. of INR219k). A strong recovery in the non-auto segment continued with growth of 78.5% YoY, while the auto segment revenue grew ~14% YoY. Domestic/exports revenue grew ~26% YoY/~56% YoY. EBITDA margin improved 160bp YoY/QoQ to 29.4% (est. of 28.6%), led by operating leverage. Adj. PAT grew 60.5% YoY (+16% QoQ) to INR2b (est. of INR1.9b), further supported by higher other income.
- **Key highlights from earnings call:** a) US class 8 truck build is expected to grow 10-12% (v/s current run-rate of 270-275k). b) BHFC is setting up a Light Weighting Technology (LWT) facility in AP, which will focus on aluminum/magnesium components catering to evolving emission norms and EVs. c) Continued improvement in underlying demand across geographies and segments to support both autos and non-autos. d) Have secured new orders of USD40m across segments. e) Ramp-up at recent acquisition Walker Forge Tennessee (US) with a revenue run-rate of ~USD35m (v/s ~USD27m at the time of acquisition). f) Appointed Mr Krishnakumar Srinivasan (ex-President-APAC, Eaton) to head new initiatives.
- **Valuation view:** A strong order book, coupled with a structural improvement in business quality driven by a shift toward technology intensive business, is expected to drive strong ~37% EPS CAGR over FY17-20E. Valuations stand at 28x/21.6x FY19E/20E EPS. Maintain **Buy** with a TP of ~INR844 (25x Mar20E consol. EPS).

## Quarterly Performance (Standalone)

	FY17				FY18				FY17	FY18E	FY18	Variance
(INR Million)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Tonnage</b>	<b>49,098</b>	<b>46,203</b>	<b>47,068</b>	<b>55,189</b>	<b>55,100</b>	<b>58,659</b>	<b>58,072</b>	<b>57,353</b>	<b>197,573</b>	<b>229,185</b>	<b>56,753</b>	<b>3.4</b>
Change (%)	-5.6	-15.3	-7.2	5.3	12.2	27.0	23.4	3.9	-5.8	16.0	22.8	
<b>Realization (INR '000/ton)</b>	<b>184.2</b>	<b>192.8</b>	<b>200.5</b>	<b>204.0</b>	<b>217.9</b>	<b>214.5</b>	<b>216.1</b>	<b>226.2</b>	<b>195.6</b>	<b>218.6</b>	<b>219.0</b>	<b>-2.1</b>
Change (%)	-15.9	-6.4	-4.0	5.7	18.3	5.9	7.8	10.9	-4.7	11.8	13.6	
<b>Net operating income</b>	<b>9,044</b>	<b>8,909</b>	<b>9,437</b>	<b>11,257</b>	<b>12,008</b>	<b>12,580</b>	<b>12,548</b>	<b>12,971</b>	<b>38,647</b>	<b>50,106</b>	<b>12,430</b>	<b>1.2</b>
Change (%)	-20.6	-20.7	-11.0	11.3	32.8	34.4	33.0	15.2	-10.2	29.7	39.5	
RM/Sales (%)	34.4	34.4	32.6	35.1	35.0	35.0	35.3	33.7	34.2	34.8	35.0	0bp
Staff Cost (% of Sales)	10.1	10.1	9.6	9.2	8.9	8.5	8.6	8.5	9.7	8.6	8.6	-10bp
Other Exp. (% of Sales)	28.5	27.6	30.2	27.3	28.3	27.1	27.3	26.6	28.3	27.3	27.8	-70bp
<b>EBITDA</b>	<b>2,444</b>	<b>2,477</b>	<b>2,606</b>	<b>3,200</b>	<b>3,333</b>	<b>3,694</b>	<b>3,625</b>	<b>4,041</b>	<b>10,726</b>	<b>14,694</b>	<b>3,560</b>	<b>3.8</b>
EBITDA Margins (%)	27.0	27.8	27.6	28.4	27.8	29.4	28.9	31.2	27.8	29.3	28.6	70bp
Non-Operating Income	256	309	208	222	259	366	340	322	995	1,288	260	40.8
Interest	170	189	183	185	185	217	200	162	728	764	165	31.3
Depreciation	740	726	739	744	774	781	800	813	2949	3,168	800	-2.4
EO Exp / (Inc)	0	0	0	-380	0	0	0	0	-380	0	0	
<b>PBT after EO items</b>	<b>1,791</b>	<b>2,321</b>	<b>1,892</b>	<b>2,872</b>	<b>2,633</b>	<b>3,063</b>	<b>2,965</b>	<b>3,388</b>	<b>8,425</b>	<b>12,049</b>	<b>2,855</b>	<b>7.3</b>
Eff. Tax Rate (%)	31.8	25.9	32.0	27.8	33.5	33.5	33.5	33.5	30.6	33.5	33.0	50bp
<b>Adj. PAT</b>	<b>1,221</b>	<b>1,719</b>	<b>1,286</b>	<b>1,801</b>	<b>1,751</b>	<b>2,037</b>	<b>1,972</b>	<b>2,253</b>	<b>5,587</b>	<b>8,013</b>	<b>1,913</b>	<b>6.5</b>
Change (%)	-37.7	-0.2	-22.8	8.7	43.4	18.5	53.3	25.1	-16.9	43.4	50.8	

E: MOSL Estimates

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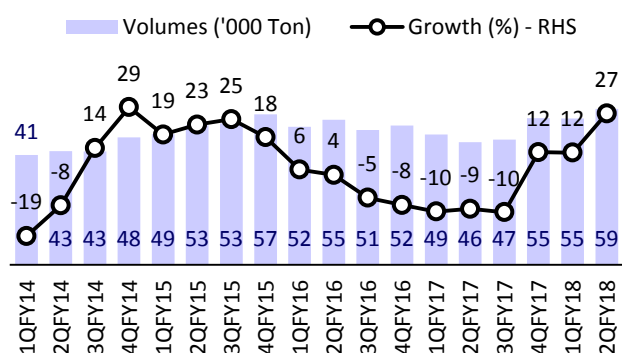
### Greenfield expansion – to set up Light Weighting Technology facility in AP

- The board has approved the setting up of a center for Light Weighting Technology (LWT) facility in Andhra Pradesh (AP), which will focus on aluminum and magnesium components and products.
- BHFC to build a mega complex spread across 100 acres, the land procurement for the same has been completed.
- According to management, this facility will enable BHFC to address the need for light weighting solutions driven by the shift from BS IV to BS VI in India and also the evolving Electric Vehicle segment.
- It will design, engineer and manufacture products for the automotive and non-automotive segments.
- In the first phase, BHFC will invest INR2b, which would be spread across 2-2.5 years. Management targets 18-20 months to begin initial production and guided asset turns of 1x in phase 1. The same is expected to inch up going forward.
- As indicated by management, BHFC has witnessed strong traction of enquires for LWT orders from existing and new customers across segments.

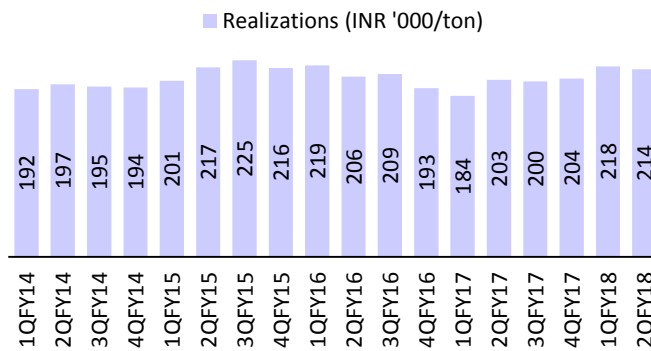
### Key earnings call highlights

- **The board has appointed Mr Krishnakumar Srinivasan (ex-President-APAC at Eaton – vehicle group) to drive new business initiatives.**
- Outlook remains robust in both automotive and non-automotive segments in the domestic and exports markets. Growth from foreign subsidiaries remains encouraging, given that BHFC's new aluminum forging capacity is running at optimum level and that it is witnessing healthy growth from US facility as well.
- **Outlook for Class 8 trucks:** The US class 8 truck build is expected to grow 10-12% (v/s current run-rate of 270-275k).
- **The US Oil and Gas exports** were flat QoQ; visibility of strong growth based on several new orders.
- **The outlook for Aerospace** remains positive, as BHFC has secured order for new platform of aircraft from Boeing.
- Its recently acquired US-based subsidiary Walker Forge Tennessee (US), now hitting a revenue run-rate of ~USD35m (v/s ~USD27m at the time of acquisition).
- **Capacity utilization:** Capacity utilization at an aggregate level at forging plant remains at ~70%, while utilization level of machining capacity remains at ~80%. Management indicated enough scope to sweat existing assets before committing fresh capex in existing capacities.
- **Capital expenditure** guidance of ~INR3-3.5b for FY18 and FY19 over and above capex at new AP facility.
- BHFC has under taken price increase of INR1,500 per ton in 2Q, and has indicated price hike in 3Q as well to pass on RM inflation. In exports markets too, BHFC is negotiating with customers and asking for a price hike of ~EUR100/ton in some cases.
- Gaining market share in domestic auto market, led by new products in CV segment.
- **Have secured new orders of USD40m** across segments over and above orders secured earlier, the same is currently under ramp-up phase.

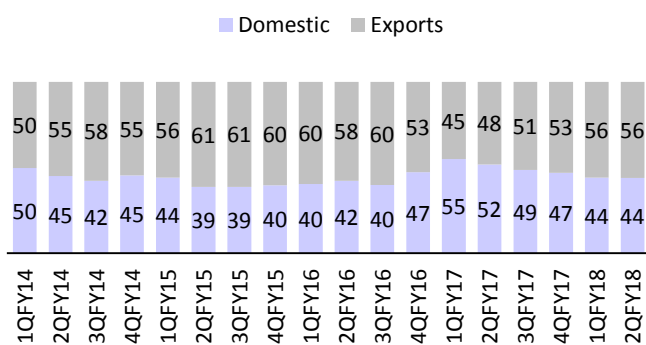
- **Currency realization:** USD realization for the quarter stood at 70 (v/s 69 in 1QFY18).

**Exhibit 1: Volume grew 27% YoY, 6.5% QoQ**

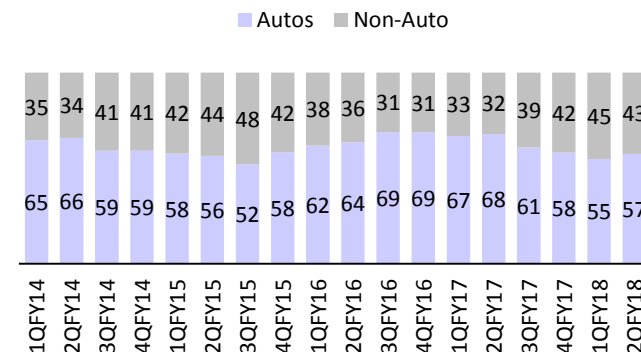
Source: Company, MOSL

**Exhibit 2: Price hikes, mix drive realization YoY**

Source: Company, MOSL

**Exhibit 3: Share of exports continues to improve**

Source: Company, MOSL

**Exhibit 4: Non-auto segment share improves YoY**

Source: Company, MOSL

**Exhibit 5: Revenue break-up**

INR m	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
<b>India</b>									
Growth (%)	4,860	4,218	4,818	4,965	4,844	4,585	5,285	5,865	5,541
Contribution (%)	10	-9	-1	8	0	9	10	18	14
<b>US</b>									
Growth (%)	43	40	48	55	52	49	47	47	44
Contribution (%)	-15	-17	-35	-52	-42	-32	23	101	97
<b>EU</b>									
Growth (%)	37	38	29	24	26	29	32	34	38
Growth (%)	1,916	2,043	2,247	1,769	1,781	1,682	2,071	1,952	1,922
Contribution (%)	-16	-4	5	-3	-7	-18	-8	10	8
<b>Others</b>									
Growth (%)	17	19	22	20	19	18	18	16	15
Growth (%)	292	272	180	161	322	404	325	443	356
Contribution (%)	-26	-5	-46	-68	10	49	81	175	11
<b>Total</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>3</b>
<b>Growth (%)</b>	<b>11,239</b>	<b>10,598</b>	<b>10,141</b>	<b>9,044</b>	<b>9,359</b>	<b>9,437</b>	<b>11,257</b>	<b>12,578</b>	<b>12,580</b>

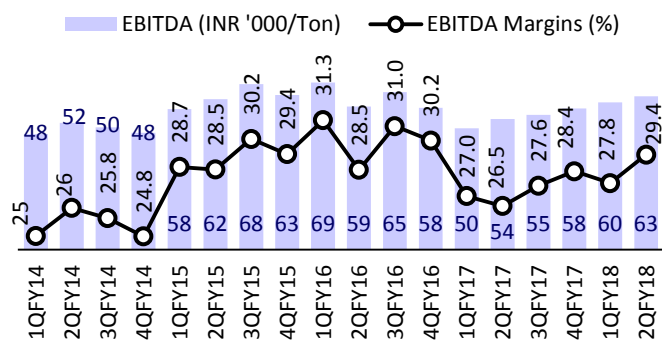
Source: Company, MOSL

Exhibit 6: Revenue break-up

INR Mn	2QFY18	2QFY17	YoY (%)	1QFY18	QoQ (%)
<b>Domestic</b>	<b>5,541</b>	<b>4,395</b>	<b>26.1</b>	<b>5,294</b>	<b>4.7</b>
% of total revenues	44.0	49.3		44.1	
<b>Autos</b>	<b>2,865</b>	<b>2,087</b>	<b>37.3</b>	<b>2,522</b>	<b>13.6</b>
% of total revenues	22.8	23.4		21.0	
CVs	2,341	1,715	36.5	2,081	12.5
% of total revenues	18.6	19.3		17.3	
PVs	524	372	40.9	441	18.8
% of total revenues	4.2	4.2		3.7	
Industrial	1,988	1,665	19.4	2,050	-3.0
% of total revenues	15.8	18.7		17.1	
Other Op Income	688	643	7.0	722	-4.7
% of total revenues	5.5	7.2		6.0	
<b>Exports</b>	<b>7,040</b>	<b>4,514</b>	<b>56.0</b>	<b>6,714</b>	<b>4.9</b>
% of total revenues	56.0	50.7		55.9	
<b>Autos</b>	<b>3,674</b>	<b>3,190</b>	<b>15.2</b>	<b>3,336</b>	<b>10.1</b>
% of total revenues	29.2	35.8		27.8	
CVs	3,154	2,534	24.5	2,909	8.4
% of total revenues	25.1	28.4		24.2	
PVs	520	656	-20.7	427	21.8
% of total revenues	4.1	7.4		3.6	
Industrial	3,366	1,324	154.2	3,378	-0.4
% of total revenues	26.8	14.9		28.1	
<b>Total Revenues</b>	<b>12,581</b>	<b>8,909</b>	<b>41.2</b>	<b>12,008</b>	<b>4.8</b>

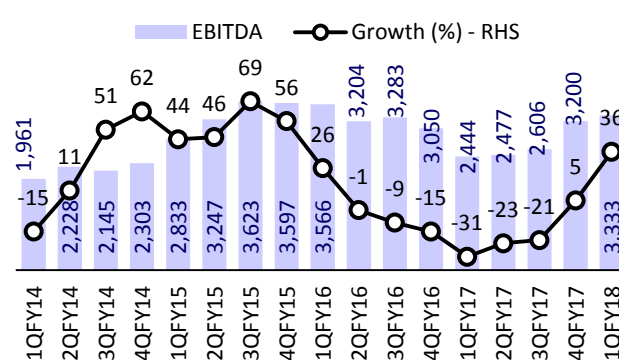
Source: Company, MOSL

Exhibit 7: EBITDA per ton gradually increasing led by positive impact of price hikes and product mix



Source: Company, MOSL

Exhibit 8: EBITDA picks up pace led by improvement in cost efficiencies and robust growth in exports



Source: Company, MOSL

### Valuation and view

#### Bharat Forge business is structurally stronger than the previous downcycle

BHFC has broadened its revenue stream by entering new segments (non-auto) and global markets. The share of auto business has declined from ~80% in FY07 to ~58% in FY17. 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 by FY18E.

#### Auto business: New customer/component addition to drive CV segment; PVs also to witness ramp-up

While outlook for US Class 8 trucks for CY17 is negative, BHFC is gaining market share in global CV forgings, as it has added new customers like PACCAR in US and DAF (subsidiary of PACCAR) in EU. 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 next 2-3 years. The PV segment is a focus area as this segment offers an opportunity size 4x that of CVs. It targets to improve its revenue contribution from PVs from ~5% to 15% of standalone revenues by FY19E, driven by new products and penetrating new customers.

#### Non-auto business; Ramp-up in Aerospace, PV, Rail to drive FY18

O&G segment reported revenue of INR1.6b in 1QFY18 as against FY17 revenue of INR3b. The company is positive that this momentum is likely to sustain in FY18. In Aerospace, BHFC currently has five contracts from marquee customers. This segment is on track for becoming USD100m over next 5 years. In Railways, approvals are in place for engine components with OEMs and ramp-up is expected from FY18 onwards. BHFC has become the main supplier to Indian Railways for all key components of diesel locomotive engines. It supplies components to GE in the US and is likely to supply to GE in India too, as it sets up a locomotive factory in India.

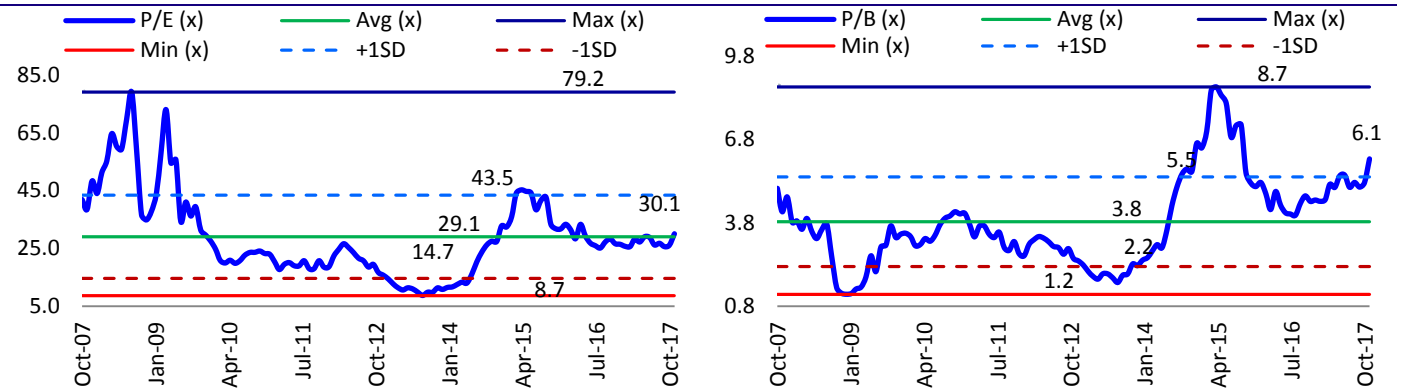
### Valuation & view

A strong order book, coupled with a structural improvement in business quality driven by a shift toward technology intensive business, is expected to drive strong ~37% EPS CAGR over FY17-20E. Valuations stand at 28x/21.6x FY19E/20E EPS. Maintain **Buy** with a TP of ~INR844 (25x Mar20E consol. EPS) .

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

(INR M)	FY18E			FY19E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	79,702	79,334	0.5	91,318	90,926	0.4
EBITDA (%)	21.5	20.8	60bp	23.0	22.5	40bp
Net Profit	8,911	8,520	4.6	12,112	11,856	2.2
EPS (INR)	19.1	18.3	4.6	26.0	25.5	2.2

Source: MOSL

**Exhibit 10: BHFC's P/E trading near historical average, though on P/B is at premium to LPA**

Source: MOSL

Source: MOSL

**Comparative valuation**

Auto OEM's	CMP (INR)*	Rating	TP (INR)	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yield (%)		EPS CAGR (%)
				FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
Bajaj Auto	3,190	Buy	3,753	22.0	18.2	16.5	13.1	23.3	25.3	2.0	2.5	15.0
Hero MotoCorp	3,632	Neutral	3,819	19.8	18.7	12.5	11.8	33.7	31.1	2.5	2.5	7.1
TVS Motor	694	Neutral	764	46.5	26.9	29.3	17.6	26.5	35.6	0.4	0.6	48.3
M&M	1,367	Buy	1,585	19.7	16.7	14.8	12.8	13.5	14.3	1.5	1.5	22.7
Maruti Suzuki	8,230	Buy	9,466	28.6	21.6	17.7	13.9	20.5	23.0	1.0	1.2	23.8
Tata Motors	439	Buy	562	21.9	7.2	5.0	2.9	11.0	27.4	0.1	0.1	75.9
Ashok Leyland	119	Buy	145	22.4	17.0	11.5	8.8	23.8	27.0	1.7	1.9	24.2
Eicher Motors	31,121	Buy	36,487	37.6	27.8	28.7	23.2	36.1	36.4	0.5	0.6	35.2
<b>Auto Ancillaries</b>												
<b>Bharat Forge</b>	<b>728</b>	<b>Buy</b>	<b>844</b>	<b>38.1</b>	<b>28.0</b>	<b>21.0</b>	<b>16.9</b>	<b>20.1</b>	<b>23.2</b>	<b>0.6</b>	<b>0.7</b>	<b>41.0</b>
Exide Industries	199	Buy	254	25.1	20.5	14.9	12.3	12.5	13.7	1.1	1.1	9.1
Amara Raja Batteries	683	Buy	854	26.7	20.7	14.4	11.0	15.8	17.7	0.6	0.7	8.4
BOSCH	20,782	Neutral	22,781	38.4	29.7	23.7	18.5	17.8	20.5	0.9	1.1	21.5
Endurance Tech	1,152	Buy	1,229	38.9	29.3	18.5	15.3	21.8	24.0	0.3	0.6	29.3

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

INR M	FY13	FY14	FY15E	FY16	FY17	FY18E	FY19E	FY20E
Autos	17,541	18,333	22,434	25,058	21,635	25,037	29,267	34,250
% of total revenues	60	59	54	63	60	54	52	51
CV	14,837	15,930	19,277	21,448	17,855	20,294	23,339	26,839
% of total revenues	51	51	46	54	50	43	42	40
PV	2,704	2,403	3,157	3,610	3,780	4,743	5,929	7,411
% of total revenues	9	8	8	9	10	10	11	11
Non-Autos	11,455	12,827	19,461	14,929	14,366	21,732	26,512	32,357
% of total revenues	40	41	46	37	40	46	48	49
<b>Total Net Op Revenues</b>	<b>31,512</b>	<b>33,993</b>	<b>45,481</b>	<b>43,054</b>	<b>38,647</b>	<b>50,106</b>	<b>59,816</b>	<b>71,384</b>
Growth (%)	-15	8	34	-5	-10	30	19	19
Subsidiary Revenues	20,153	33,166	30,742	25,037	25,315	29,595	31,502	33,674
Growth (%)	-22	65	-7	-19	1	17	6	7
<b>Net Consolidated Revenues</b>	<b>51,666</b>	<b>67,158</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>79,702</b>	<b>91,318</b>	<b>105,058</b>
Growth (%)	-18	30	13	-11	-6	25	15	15
S/A EBITDA margins (%)	22.7	25.4	29.2	29.9	27.8	29.3	30.4	31.0
Consol. EBITDA margins (%)	15.3	15.3	18.9	20.7	19.6	21.5	23.0	24.1
<b>Consol. EPS (INR)</b>	<b>6.0</b>	<b>9.6</b>	<b>15.8</b>	<b>14.1</b>	<b>13.1</b>	<b>19.1</b>	<b>26.0</b>	<b>33.7</b>
Growth (%)	-32.1	59.9	64.0	-10.8	-7.2	46.3	35.9	29.7

Source: MOSL

## Financials and Valuations

### Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Net Sales</b>	<b>51,666</b>	<b>67,158</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>79,702</b>	<b>91,318</b>	<b>105,058</b>
Change (%)	-17.7	30.0	13.5	-10.7	-6.1	24.6	14.6	15.0
<b>EBITDA</b>	<b>7,915</b>	<b>10,272</b>	<b>14,390</b>	<b>14,081</b>	<b>12,511</b>	<b>17,135</b>	<b>20,974</b>	<b>25,309</b>
Margin (%)	15.3	15.3	18.9	20.7	19.6	21.5	23.0	24.1
Depreciation	3,195	3,572	3,623	4,530	4,521	4,716	5,056	5,368
<b>EBIT</b>	<b>4,720</b>	<b>6,700</b>	<b>10,766</b>	<b>9,551</b>	<b>7,990</b>	<b>12,419</b>	<b>15,918</b>	<b>19,941</b>
Int. and Finance Charges	1,672	1,692	1,356	1,160	1,000	1,019	952	930
Other Income - Rec.	1,121	1,249	1,367	1,321	1,193	1,521	2,155	2,745
<b>PBT bef. EO Exp.</b>	<b>4,169</b>	<b>6,258</b>	<b>10,777</b>	<b>9,713</b>	<b>8,183</b>	<b>12,920</b>	<b>17,121</b>	<b>21,755</b>
EO Expense/(Income)	-366	-1,037	-428	55	-1,284	0	0	0
<b>PBT after EO Exp.</b>	<b>4,535</b>	<b>7,295</b>	<b>11,205</b>	<b>9,658</b>	<b>9,468</b>	<b>12,920</b>	<b>17,121</b>	<b>21,755</b>
Current Tax	1,529	2,100	3,587	3,165	2,492	4,009	5,009	6,041
Deferred Tax	0	0	0	0	0	0	0	0
Tax Rate (%)	33.7	28.8	32.0	32.8	26.3	31.0	29.3	27.8
<b>Reported PAT</b>	<b>3,006</b>	<b>5,195</b>	<b>7,618</b>	<b>6,493</b>	<b>6,976</b>	<b>8,911</b>	<b>12,112</b>	<b>15,714</b>
<b>PAT Adj for EO items</b>	<b>2,763</b>	<b>4,456</b>	<b>7,327</b>	<b>6,530</b>	<b>6,030</b>	<b>8,911</b>	<b>12,112</b>	<b>15,714</b>
Change (%)	-34.2	61.3	64.4	-10.9	-7.7	47.8	35.9	29.7
Margin (%)	5.3	6.6	9.6	9.6	9.4	11.2	13.3	15.0
Less: Minority Interest	-41	-28	-30	-31	-61	0	0	0
<b>Net Profit</b>	<b>2,804</b>	<b>4,485</b>	<b>7,357</b>	<b>6,561</b>	<b>6,091</b>	<b>8,911</b>	<b>12,112</b>	<b>15,714</b>

### Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	466	466	466	466	466	931	931	931
Total Reserves	22,098	26,367	32,039	33,667	40,698	46,764	55,938	68,153
<b>Net Worth</b>	<b>22,564</b>	<b>26,832</b>	<b>32,504</b>	<b>34,132</b>	<b>41,164</b>	<b>47,696</b>	<b>56,869</b>	<b>69,085</b>
Minority Interest	1,643	170	-35	-43	100	100	100	100
Deferred Liabilities	1,345	1,645	2,754	1,628	2,288	2,288	2,288	2,288
Total Loans	28,249	25,612	33,619	34,445	32,185	30,185	28,185	26,185
<b>Capital Employed</b>	<b>53,800</b>	<b>54,259</b>	<b>68,843</b>	<b>70,162</b>	<b>75,738</b>	<b>80,270</b>	<b>87,443</b>	<b>97,659</b>
Gross Block	56,452	53,945	57,108	66,569	72,535	80,566	85,566	90,566
Less: Accum. Deprn.	26,807	28,604	30,697	35,227	39,747	44,463	49,519	54,887
<b>Net Fixed Assets</b>	<b>29,645</b>	<b>25,340</b>	<b>26,411</b>	<b>31,343</b>	<b>32,788</b>	<b>36,103</b>	<b>36,048</b>	<b>35,680</b>
Capital WIP	6,324	5,827	4,008	4,088	4,532	1,000	1,000	1,000
<b>Total Investments</b>	<b>4,160</b>	<b>8,012</b>	<b>5,624</b>	<b>8,854</b>	<b>11,916</b>	<b>11,916</b>	<b>11,916</b>	<b>11,916</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>34,266</b>	<b>36,166</b>	<b>45,156</b>	<b>38,299</b>	<b>38,855</b>	<b>49,198</b>	<b>59,043</b>	<b>72,720</b>
Inventory	11,320	10,386	8,664	9,968	10,752	12,010	13,760	15,831
Account Receivables	6,114	8,660	15,967	14,038	13,419	9,826	11,258	12,952
Cash and Bank Balance	5,554	4,227	6,261	4,493	3,361	12,536	17,037	24,394
Loans and Advances	11,278	12,893	14,265	9,800	11,323	14,826	16,987	19,543
<b>Curr. Liability &amp; Prov.</b>	<b>20,594</b>	<b>21,086</b>	<b>12,356</b>	<b>12,422</b>	<b>12,352</b>	<b>17,947</b>	<b>20,563</b>	<b>23,657</b>
Creditors	9,511	10,554	9,026	8,372	8,463	13,102	15,011	17,270
Other Current Liabilities	8,950	7,526	1,759	2,394	2,035	2,536	2,906	3,343
Provisions	2,133	3,006	1,571	1,656	1,853	2,310	2,646	3,044
<b>Net Current Assets</b>	<b>13,672</b>	<b>15,080</b>	<b>32,800</b>	<b>25,877</b>	<b>26,503</b>	<b>31,251</b>	<b>38,480</b>	<b>49,064</b>
<b>Appl. of Funds</b>	<b>53,800</b>	<b>54,259</b>	<b>68,842</b>	<b>70,162</b>	<b>75,738</b>	<b>80,270</b>	<b>87,443</b>	<b>97,659</b>



## Financials and Valuations

### Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>6.0</b>	<b>9.6</b>	<b>15.8</b>	<b>14.1</b>	<b>13.1</b>	<b>19.1</b>	<b>26.0</b>	<b>33.7</b>
Cash EPS	12.8	17.2	23.5	23.7	22.7	29.3	36.9	45.3
BV/Share	48.5	57.6	69.8	73.3	88.4	102.4	122.1	148.3
DPS	1.7	2.2	3.7	3.7	3.8	4.3	5.3	6.3
Payout (%)	30.7	23.6	27.6	32.4	30.1	26.7	24.3	22.3
<b>Valuation (x)</b>								
P/E	120.9	75.6	46.1	51.7	55.7	38.1	28.0	21.6
P/BV	15.0	12.6	10.4	9.9	8.2	7.1	6.0	4.9
EV/Sales	7.0	5.4	4.8	5.4	5.8	4.5	3.8	3.2
EV/EBITDA	45.7	35.1	25.5	26.2	29.4	20.8	16.7	13.5
Dividend Yield (%)	0.2	0.3	0.5	0.5	0.5	0.6	0.7	0.9
<b>Return Ratios (%)</b>								
RoE	12.6	18.2	24.8	19.7	16.2	20.1	23.2	25.0
RoCE	7.7	11.0	13.9	10.9	9.5	12.7	15.7	18.2
RoIC	8.4	12.9	16.4	12.2	10.8	15.5	20.1	24.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.9	1.2	1.3	1.0	0.9	1.0	1.1	1.2
Inventory (Days)	80	56	41	53	61	55	55	55
Debtor (Days)	43	47	76	75	77	45	45	45
Creditor (Days)	67	57	43	45	48	60	60	60
Working Capital Turnover (Days)	57	59	127	115	132	86	86	86
<b>Leverage Ratio (x)</b>								
Debt/Equity	1.3	1.0	1.0	1.0	0.8	0.6	0.5	0.4

### Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Operating PBT	3,919	7,322	11,223	9,551	7,990	12,419	15,918	19,941
Depreciation	3,360	3,571	3,624	4,530	4,521	4,716	5,056	5,368
Other income	2,437	70	1,358	1,328	1,417	1,521	2,155	2,745
Direct Taxes Paid	-1,193	-2,113	-4,088	-4,291	-1,831	-4,009	-5,009	-6,041
(Inc)/Dec in WC	-385	-1,629	-1,240	5,156	-1,758	4,427	-2,728	-3,226
<b>CF from Operations</b>	<b>8,139</b>	<b>7,222</b>	<b>10,877</b>	<b>16,273</b>	<b>10,338</b>	<b>19,073</b>	<b>15,392</b>	<b>18,786</b>
<b>CF from Operating incl EO</b>	<b>8,139</b>	<b>7,222</b>	<b>10,877</b>	<b>16,219</b>	<b>11,622</b>	<b>19,073</b>	<b>15,392</b>	<b>18,786</b>
(inc)/dec in FA	-5,288	-5,843	-7,113	-9,526	-6,429	-4,500	-5,000	-5,000
<b>Free Cash Flow</b>	<b>2,851</b>	<b>1,379</b>	<b>3,764</b>	<b>6,693</b>	<b>5,194</b>	<b>14,573</b>	<b>10,392</b>	<b>13,786</b>
(Pur)/Sale of Investments	2,391	3,343	1,913	-3,231	-3,061	0	0	0
<b>CF from Investments</b>	<b>-2,896</b>	<b>-2,500</b>	<b>-5,201</b>	<b>-12,756</b>	<b>-9,490</b>	<b>-4,500</b>	<b>-5,000</b>	<b>-5,000</b>
Inc/(Dec) in Debt	-454	-3,477	-621	825	-2,259	-2,000	-2,000	-2,000
Interest Paid	-2,111	-1,701	-1,460	-1,160	-1,000	-1,019	-952	-930
Dividend Paid	-949	-1,221	-1,519	-2,101	-2,099	-2,379	-2,939	-3,499
<b>CF from Fin. Activity</b>	<b>-3,513</b>	<b>-6,399</b>	<b>-3,599</b>	<b>-5,230</b>	<b>-3,265</b>	<b>-5,398</b>	<b>-5,891</b>	<b>-6,429</b>
<b>Inc/Dec of Cash</b>	<b>1,729</b>	<b>-1,677</b>	<b>2,077</b>	<b>-1,768</b>	<b>-1,132</b>	<b>9,175</b>	<b>4,501</b>	<b>7,357</b>
Add: Beginning Balance	2,345	4,074	2,397	0	0	0	0	0
<b>Closing Balance</b>	<b>4,074</b>	<b>2,397</b>	<b>4,474</b>	<b>-1,768</b>	<b>-1,132</b>	<b>9,175</b>	<b>4,501</b>	<b>7,357</b>

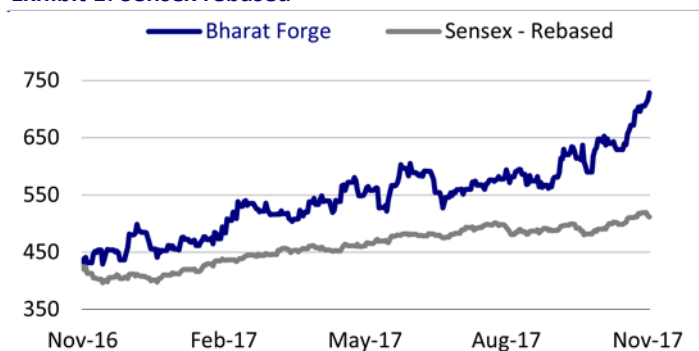


## Corporate profile

### 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: MOSL/Bloomberg

### Exhibit 2: Shareholding pattern (%)

	Sep-17	Jun-17	Sep-16
Promoter	45.7	45.7	46.7
DII	12.6	15.7	25.8
FII	20.6	19.8	7.8
Others	21.1	18.8	19.6

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	3.0
RELIANCE CAPITAL TRUSTEE CO. LTDA/C RELIANCE EQUITY OPPORTUNITIES FUND, RELIANCE TAX SAVER(ELSS)FUND	2.1
GOVERNMENT PENSION FUND GLOBAL	2.1
FRANKLIN TEMPLETON INVESTMENT FUNDS	1.2
AMANSA HOLDINGS PRIVATE LIMITED	1.1

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
B N Kalyani	Chairman & Managing Director
G K Agarwal	Deputy Managing Director
Amit B Kalyani	Executive Director
B P Kalyani	Executive Director
S E Tandale	Executive Director
Kishore Saletore	Executive Director & CFO
Tejaswini Chaudhari	Deputy Company Secretary

Source: Capitaline

### Exhibit 5: Directors

Name	Name
Lalita D Gupte	Naresh Narad
P C Bhalariao	P G Pawar
P H Ravikumar	S M Thakore
T Mukherjee	Vimal Bhandari

\*Independent

### 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: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	19.1	18.3	4.3
FY19	26	24.0	8.2
FY20	33.7	26.0	29.5

Source: Bloomberg

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