

May 09, 2017

Buy Around:	1114
SL:	1053
Target:	1251
Upside:	12%
Horizon:	1 Month

VALUE PARAMETERS

Price (Rs)	1100.40
52 W H/L(Rs)	1175.00/686.80
Mkt. Cap.(Rs Cr)	25617.31
Latest Equity(Subscribed)	46.56
Latest Reserve (cons.)	3529.19
Latest EPS (cons.) -Unit Curr.	26.67
Latest P/E Ratio -cons	41.26
Latest Bookvalue (cons.) -Unit Curr.	153.60
Latest P/BV - cons	7.16
Dividend Yield -%	0.68
Face Value	2.00

STOCK DATA

BSE Code	500493
NSE Symbol	BHARATFORG
Reuters	BFRG.BO
Bloomberg	BHFC IN

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2017
Foreign	15.60
Institutions	19.77
Govt Holding	0.00
Non Promoter Corp. Hold.	5.34
Promoters	45.75
Public & Others	13.54

According to the management, it would focus on product mix improvement with thrust on new technology application and light weight forgings to enhance the profitability of the subsidiaries and due to that orders from Industrials and consumers will ramp up in FY 2017-18. Moreover, also expects domestic CV segment to be very, very strong in FY 2018 and also give strong growth path for FY 2018. Within the next 6-8 months aerospace segment will be in production base. It is value added products moving up from forging to machining.

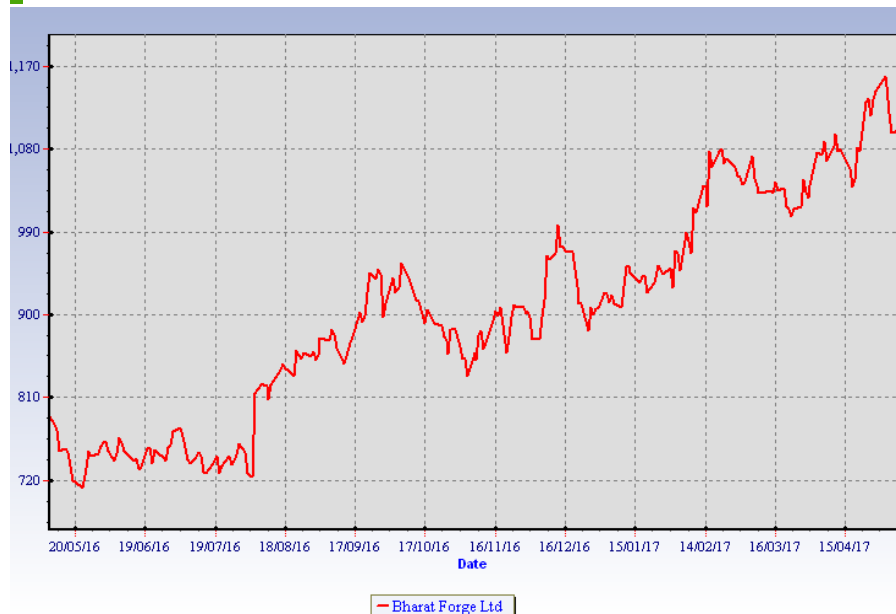
BUSINESS PROFILE

Bharat Forge is the flagship company of the Kalyani Group and a global provider of high performance, innovative, safety critical components and solutions to various industrial sectors including Automotive, Oil and Gas, Aerospace and Rail and Marine. It has the largest repository of metallurgical knowledge in the region and offers complete end-to-end capability from concept to testing and validation to marquee global OEM's. It is a technology-driven global leader in metal forming having trans-continental presence across a dozen manufacturing locations, serving several sectors including automobile, power, oil and gas, rail & marine, aerospace, construction & mining, etc.

INVESTMENT RATIONALE

- During Q3 FY17, It has posted sales growth despite weak demand in the domestic market and slow global recovery. Sales grew due to focus on diversification and increasing market share across segments.
- Profitability increased quarter on quarter despite rising input cost. Despite input cost pressures, a combination of favorable product mix and focus on cost control enabled EBITDA % margins to improve. Subsidiaries continue to register improved performance on back of strong focus on productivity improvement and cost control.
- During the December quarter, the company completed the acquisition of Walker Forge Tennessee LLC (Bharat Forge PMT Technologie LLC) for a transaction value of US\$ 14 million. This will help the company in the North America markets.
- According to management, it should be debt free one year before the target year.
- The Capex target for FY 2018 is Rs 300 crore. Similar capex will be in FY 2019.

TECHNICAL TRENDS



We recommend a buy in the stock of BHARAT FORGE ltd for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs. 686.80 and 52 week high of Rs 1175.00. Buy around at 1114 with a closing below stop loss of Rs.1053 levels for the target of Rs.1251.

Note:

- Follow Strict Stop Loss.

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