

## MIDCAP RADAR

### Bharat Gears in small auto and auto part industries

Small auto and auto parts companies have been in the limelight recently. One such company is Bharat Gears. To tell us more we have with us Mr. S. P. Kanwar. Mr. Kanwar is the CMD at Bharat Gears Limited, The stock has in fact outperformed the mid-cap index & surged 175% as against the mid-cap index, which is 70% in the last one year.



Mr. Kanwar, Good Afternoon, Great to have you on mid-cap radar.

**Q: Sir, your company is going through turn around Phase, it clearly started in the first quarter going in to the third quarter. Let us start with the CDR restructuring plan that was under way. How much of your debt that has been off the books? How much was the saving in terms of interest cost?**

A: We had saved around Three and a half percent after CDR restructuring and we are re-looking in to them as to how to swap further.

**Q: So What is going to be the impact of that on the balance sheet Performance?**

A: We will be saving around 1.5 crores of the actual pay out.

**Q: Your net profit, you turned around from last two Quarters and is sustaining it into the third quarter. Now going ahead, your focus is mainly in the tractor segment?**

A: No, we are in tractor and the truck, medium LCVs. We are also in the utility vehicles so that is our main thrust in the business. We are not in the car or in the two wheelers at the moment.

**Q: You have the German co-promoter, has they shown interest to hike stake in the Company?**

A: Yes, ZF who is one of the leading company in transmission and axle. We are looking at some kind of capital restructuring, either through rights issue or preferential issue route. Both of us will keep the same stake. We will not be dropping at all rather we may be increasing in this.

**Q: How budget has impacted your company in anyway?**

A: Frankly, as such the budget do not have any thing related to auto ancillary. I have not read any minus side other than this. Minus to the extent of 0.5% say of the Fringe benefit taxes, which the FM has said. The impact on our sale may be on the scale of 0.5% to 0.6%. That's all.

**Q: So let us talk about new infusion of capital or to repay debt entirely or any new projects?**

A: Basically our first goal is to re-pay the debt. By reducing that we can create a better debt equity ratio.

**Q: Your margins are very high. Operating profit is very high and your margins are at 14% and little higher than other auto companies?**

A: Our margin or operating margin is around 15% but heavy cost of debt is affecting us. That's why we are looking into capital and debt restructuring so that we can correct that thing and we get a better picture.

**Q: You say the budget has not too much of impact but overall budget was beneficial to infrastructure, road construction?**

A: You see business wise it is very good for automotive as budget has given a big thrust to agriculture and infrastructure and I am expecting that as compared to the last year, there will be an increase of roughly 45 % of the

turnover in the next 3 to 5 years at least and we will be having roughly an approx. growth of 15 -18 % for the next (I am talking about lower end) 3 years at least. In this year, there has been an increase of at least 15 -16 % as compared to the last year.

**Q: Will the re-structuring will give fillip to your bottom-line or do you see volumes in realization is also picking up?**

A: Both

**Q: Give us an Idea, give us a sense because you have given us the profit of 1.17 crore in this quarter how do you see this improvement going on?**

A: I expect by volume without taking account into debt we will be maintaining a net profit of roughly around 5%.

Right 5 %

**Q: Give us an idea of how 2006 will plan out because till then re-structuring will be behind?**

A: 2006 looks to be very good on the profit side as well as turnover side. As I told you we will around 15-16 % higher in terms of turnover growth and accordingly our operating profit will be better than the last year ending and the net profit will also be higher than that.

Thanks!