

## **BHARAT FORGE LIMITED**

Registered Office

Mundhwa, Pune Cantonment, Pune 411 036

### **CHAIRMAN'S SPEECH**

TO THE MEMBERS OF THE COMPANY AT THE  
62<sup>nd</sup> ANNUAL GENERAL MEETING  
ON THURSDAY, AUGUST 10<sup>th</sup>, 2023

Dear Shareholders,

Ladies & Gentlemen:

It gives me immense pleasure to extend a very warm welcome to all of you at the 62<sup>nd</sup> Annual General Meeting of your company, Bharat Forge Limited.

The year 2022-23 was a glorious year as India celebrated 75<sup>th</sup> year of Independence. What made this even special is that India's momentum towards becoming a growth driven economy and emerging out as one of the fastest growing large economies in the world. While India's accelerated growth journey has just begun, I can also claim with confidence that the year 2022-23 is an inflexion point that marks the beginning of your company - Bharat Forge's transformative and accelerated growth phase, led by technology-enabled products and platforms.

The year starting April 2022 to March 2023 witnessed intense geo-political and macro-economic volatility. The crisis in Europe and

resultant geo-political developments disrupted the global supply-chains and sparked high inflation. Amidst such high tides of uncertainty, the Indian economy stood out and grew by 7.2% in FY23, supported by prudent Fiscal policies and a positive investment environment.

**Reflecting on a year of Progress and Achievements:** In the backdrop of a resilient global environment all segments and geographies of our company recorded meaningful growth. Our standalone revenue increased by 21% to Rs 75,727 million. Buoyed by higher capacity utilization, EBITDA increased to Rs 19,280 million recording a 15% YoY growth. On a consolidated basis our revenues increased to Rs 129,103 million registering a 23% YoY growth.

**Harvesting the benefits of diversification:** We have always endeavored to diversify beyond the core business to hedge our risk as well as broad base our growth. In this regard, FY23 was a turning point for Bharat Forge as some of these initiatives incubated over the past decade started their journey towards fruition.

Evolved at the middle of the previous decade, our Passenger vehicle strategy focused on chassis and engine components. Our persistent efforts on the engineering side as well as our brand reputation in the market helped us grow the PV exports business. Another segment we saw traction in was Aerospace where our revenue touched the USD 20 million mark last year. Our metallurgical expertise, ability to absorb newer technologies and defect-proof delivery helped us gain entry into the coveted league of Tier-I Aerospace suppliers.

The Industrial forging unit too has grown beyond Oil & Gas to cater to Mining, Agri and construction equipment. Despite a relatively flat year for Oil & Gas business, our Industrial business recorded a 13% YoY growth underscoring the impact of our diversification initiatives.

**Overseas Operations: Expanding Aluminium Forging capabilities:** Our overseas operations faced a challenging year driven by issues around cost recovery, lower utilization rates and ramp up related issues. I can assure you that the worst is behind us. Being power-train agnostic these products are a play on the light-weighting and electrification endeavors of our global customers. Our facilities remain fully booked with orders. I am confident that our Aluminium portfolio will start contributing positively from the 2nd half of this year and yield industry leading returns going ahead.

**Industrial Castings: Opening a new frontier :** As the operating environment for Indian manufacturing improves with themes like China+1, one sector that stands to benefit is the Industrial castings. A fragmented landscape in India currently, we believe the casting industry is ripe for consolidation. To fully exploit this opportunity and enhance our capabilities we have purchased Indo shell Mould's casting unit at Coimbatore. This asset will complement the existing JSA setup. This investment significantly enhances our capacity available for future growth.

**Our contribution to AatmaNirbhar and Sashakt Bharat! :** Under the leadership of our Hon Prime Minister, India's journey to self-

reliance in defence production has made significant strides. Right from earmarking a portion of defence capital spending for Indian companies to listing out the items through positive indigenization lists and encouraging start-ups to build niche technology led solutions, defence policy has come a long way. The favourable policy support has allowed Indian companies to build world-class products for domestic requirements as well as tap other markets for exports. A major testament to this is the 1st artillery export order bagged by our company. I am pleased to inform you that we have begun deliveries for the artillery systems with the first batch dispatched in Q1FY24.

In another positive development for us, the government has granted Acceptance of necessity for an initial batch of 307 ATAGS guns. As activity levels in the artillery space rise, we have commenced work on a new green-field defence facility near Pune. We expect this unit to be ready in-time to cater for the increase in order intake anticipated over the next 12-24 months. True to the belief of AatmaNirbharta or Self-reliance, at Bharat Forge, we strongly emphasize on developing and resting complete Intellectual Property within India; all our products are designed and developed in-house with 100% IP ownership resting with us. While this does ensure a stable supply-chain and uninterrupted output, more importantly, this enables us to remain competitive in the world markets.

At Bharat Forge we are conscious of our Defence ESG commitments, accordingly we remain committed to stay away from weapons of mass destruction or any other platform that is banned by various UN conventions. We shall not engage in

manufacture or be a part of the supply chain for controversial weapons.

### **Electric Mobility: Need for Speed and Agility!**

The year 2022-23 has witnessed accelerated adoption of Electric Vehicles across all categories from electric-2Ws and e3Ws to passenger cars and electric buses. Most of our customers are also committed to the transition to Electric Mobility. We at Bharat Forge along with its subsidiary, Kalyani Powertrain Limited, aspire to create Indigenous capabilities, capacities to provide innovative new products and solutions to our customers and accelerate their transition to Electric Vehicles.

Closer home, while we acknowledge the Government of India's endeavor to push faster adoption of EVs, the sudden reduction in FAME subsidies has negatively impacted demand for the sunrise sector. While we support introduction of stringent regulatory guidelines to encourage localization and safety parameters, the government should remain committed to provide a continued and stable policy outlook.

Recognizing the Strategic Imperative to position the company as a Full-suite provider of E-Mobility solutions, the company is committed to make necessary investments in India and outside India; ensuring meaningful contribution to the Topline and Bottomline by 2025-26.

**Environment, Social and Governance (ESG):** At Bharat Forge we take our commitments to environment, social and governance very seriously. As outlined in our annual report we aim to reduce the carbon intensity of our operations and become water positive by 2030. I am pleased to share that we have been recognized as the Asia Pacific Climate Leader for 2023 by Financial Times and

Statista. On the social front, we serve the communities in and around our plants and help alleviate their livelihoods through a combination of education, skill development and village development initiatives. Through these projects we support agriculture, improve rural connectivity and build health infrastructure in the remote areas. Recently two of our long standing customers have recognized our endeavours towards sustainability and awarded us for it.

### **Bharat Forge 2.0: Talent and Technology led Transformation! :**

We truly believe that technology and talent are the differentiators between the better and the best organizations; companies that invest heavily in technology and digital capabilities will have 3X growth. Accordingly, we have built competencies around AI, Industry 4.0 to enhance the capabilities of the products we make. To improve our human capital we have undertaken various initiatives around employee engagement and re-aligned our organization structure to make our company future ready. Through this journey we aim to remain agile and quickly adapt to the changing environment.

**Vision 2030:** Translating our technology-led initiatives into business and financial targets we have laid out a Vision 2030 for our organization. We intend to achieve a revenue CAGR of 12-15% over FY23 to FY30 and improve our RoCE by 500 bps from current levels. Considering the longer time-frame we will review these targets by FY26-27 to reflect back and take corrective action as deemed fit.

**Conclusion with Acknowledgements:** we are well-positioned in terms of capacity, technology and talent. We have invested significant resources in the sunrise sectors and brought some of those into production already. We believe Indian manufacturing is at very crucial juncture and the global developments presents us a great opportunity. We remain confident that Bharat Forge will play its part and remain ahead of competition.

I would like to take this opportunity to thank all our valued customers, domestic and international, for their unstinted support. They are a source of great encouragement and motivation for us and I am confident that we will benefit from their continued support. I would like to express my sincere thanks to the Government of India, the various State Governments, Financial Institutions and Banks for their sustained encouragement and support to your company.

Finally, I convey my personal gratitude for the confidence that you have reposed in your company's Board of Directors. I sincerely hope that you will continue to extend your whole-hearted support to us so that we, along with the management team, and all employees will further accelerate the growth and progress of your company.

The next decade holds great promise for us. We seek your continued support as we create value for our stakeholders.

Thank you!

August, 10<sup>th</sup>, 2023