

BHARAT FORGE LIMITED

Registered Office

Mundhwa, Pune Cantonment, Pune 411 036

CHAIRMAN'S SPEECH

TO THE MEMBERS OF THE COMPANY AT THE 61ST ANNUAL GENERAL MEETING ON FRIDAY, AUGUST 12TH, 2022

Dear Shareholders,

It is my privilege to address you today to present the performance of the company in FY22. The past two years have been fairly challenging, to say the least. The pandemic and its impact in various part of the world, the global supply chain disruption and the Russia-Ukraine war; all have triggered unprecedented volatility and uncertainties. The year gone by: Reflecting back through the events of FY 2021-22.

Firstly, I take this moment to express gratitude to our team who have done a commendable job to ensure that the Company delivers on the commitment, made to our customers globally. The first quarter of FY22 coincided with the devastating second wave of the covid pandemic in India resulting in shortage of hospital beds, oxygen cylinders and other medical supplies across the country.

Despite the best efforts made to support our employees and their families, the covid-19 virus prevailed over a few of our employees. However, the challenges thrown up by covid also strengthened the resolve and our collective will to stand with the government and society to combat the pandemic. Inspired by the Hon'ble Prime Minister's call, in collaboration with bodies such as DRDO, CSIR and local municipal authorities we supplied BFL made Aluminium Cylinders, commissioned 500lpm Oxygen Generation Plants and supplied medical aid including Ventilators across length and breadth of the country.

I would also like to take this opportunity to make a special mention of the extraordinary commitment and will exhibited by our employees in ensuring that despite the challenges, the plant operations continued to remain functional enabling us to meet our customer commitments. In the subsequent months, we ran vaccination drives to ensure 100% employees were inoculated before end of calendar year 2021.

The financial performance has been impressive: 70% growth in top line, a trebling of bottom line, two acquisitions in India focussed on Industrial sector; all this while,

maintaining a robust balance sheet. This is despite the fact, that our commercial vehicles and the Oil & Gas business, the backbone of our business traditionally, is still significantly below the previous peaks achieved in 2019. This gives an indication of how much your Company has evolved and diversified.

A revitalised International Operations: FY 2021-22 turned out to be an important year for our overseas subsidiaries. For the past many years, we were working towards improving their financial performance and the same is now bearing results. A combination of product and cost rationalization, focus on productivity and investment towards a more favourable product mix will hopefully result in sustainable 10%+ margins going forward. Historically, this stood at an average of 5%. In CY2021, we achieved over 10% margin and expect this to improve in the medium to long term.

We also commercialised a new greenfield facility in North Carolina, US. With this, we now have two facilities to cater the aluminium forgings requirements for global marquee OEMs. These facilities will play a key role in enhancing the group's presence in the EV transition globally. Interestingly, we are witnessing higher enquiries than originally planned, which while signalling healthy growth, will necessitate more investment in capacity. We are cognisant that the new facility will report EBITDA level loss because of low utilization levels in the 1st year of operation.

Diversification from position of strength: At Bharat Forge, diversification to adjacent sectors/process has been an important focus area. We have always done so from a position of strength and see it as adding new layers to offer more solutions to our customers and create value for our stakeholders.

Continuing with this, we have now diversified into the industrial castings space through the acquisition of JS Autocast. This company gives us a platform to address a huge untapped market across wind energy, hydraulics, construction mining among others, both in India and globally. We are confident that this business will help in taking our industrial business to the next orbit. As a company philosophy, we want to be number 1 or 2 in any segment we enter or focus on.

Defence—Journey towards self-reliance: India under the leadership of the Honourable Prime Minister Narendra Modi, has made significant strides towards self-reliance in Defence manufacturing. With the concept of positive indigenisation list, there is a time bound limit to import of products/ equipment's. The government's policies are in the right direction and the journey towards self-reliance is getting stronger.

The entire Russia-Ukraine conflict has only made this determination even greater; underlining the fact that India cannot depend on imports. We have to produce ourselves. Dear Shareholders - Few days from now, India will be celebrating the 75th year of our Independence - Azaadi ka Amritmahotsav. I take pride in informing you that the Advanced Towed Artillery Gun System which we developed and manufactured in collaboration with DRDO will be in use for the 21-gun salute during the Independence Day celebrations at Red Fort on Monday, the 15th of August 2022. The initiative to use this indigenously developed gun will stand as a testament to India's growing capacity of developing arms and ammunition indigenously. We at

Bharat Forge take pride in contributing to India's pursuit for Self Reliance in Defence and reinstate our fullest commitment to realize an AatmaNirbhar and Sashakt Bharat!

Growing the ESG way: ESG is an important focus area and we are we have embedded it into every aspect of our business for a sustainable development. We have been doing many things over the years. 100 villages have been adopted across Maharashtra where we are driving holistic long term developments to focus interventions in education, health, livelihood and infrastructure development and the success stories there have been inspiring.

Several investments have been made towards responsible operation including minimizing resource consumption, reducing emissions, entering green business area of light weighting and e-mobility. The intent now is to step up as I write a decarbonization road map is being prepared. Which involves enhancing the share of renewable energy, use of more natural gas, planting trees, and modernizing plants wherever required. We also target to achieve Zero water discharge and zero solid discharge and 100% recycling to create a circular economy.

E-mobility—a silent revolution underway: E-mobility is an area that we have kept under the radar so far, not wanting to make much noise, just like the EVs themselves. I am confident that the tremendous progress made in the last year as well as our products will speak for themselves. What pleases me the most over the past year has been the organic work we have done in our R&D centre and the build-up of the organization structure. The coming years will see these bear fruit, starting as early as FY2023 itself. Tork Motors has successfully launched their e-motorbike KRATOS with a 2,000 strong order book. Before effecting deliveries, TORK is taking added precautions in terms of safety testing.

All our e-mobility related investments are now consolidated under our 100% subsidiary, Kalyani Powertrain. In another significant development, we have been declared as a successful applicant under the component production linked incentive (PLI) scheme of the government. So, the intent from here is to make necessary investments towards becoming the key manufacturers of e-mobility components for both domestic and global customers. The shift to e-mobility is slowly becoming a reality. I am confident that FY2023 should mark the maiden year of revenue contribution from our E-Mobility vertical.

Balancing growth and financial position: One thing that we are essentially proud of is our ability to fund growth without disturbing the strength of the balance sheet. In the last few years, we have made significant investments in organic and inorganic opportunities. We have invested in international operations, new businesses, new technologies, strategic stake acquisitions and even acquisitions. In spite of these, our balance sheet remains strong.

At a low net debt equity of 0.20 and strong cash position of 24,818 million as on March 31, 2022, we have significant headroom to keep our engines running at full steam. This is an under-appreciated strength, especially in the present times when uncertainty is at an all-time high.

50 & counting...

This year I complete 50 years at Bharat Forge. It has been a very exciting journey which has seen your company grow from less than US\$1 million sales in 1972 to US\$1.4 billion today. I would like to thank all my colleagues & ex-colleagues who have been part of this journey, and our customers for their belief & constant support, our Investors & financial institutions for their unwavering trust and finally to the authorities at the State & Centre for enabling our dream of 'Making in India for the World' a reality.

Every decade had an inflection point which made us stronger. The 90's was about setting up 16,000T automatic press line, 00's was about organic growth & global M&A to speed up customer access, 2010's was about Industrial business. The 20's are about EV, Defence, AI forgings, Industrial business. This journey of **small steps to bigger strides** has not been without its fair share of challenges, but this journey has been made possible because of a strong foundation of technology, manufacturing and innovation along with talent creation and the strong commitment & performance of Team BFL.

Closing comments, I think we are positioned well because we have capacity, we have invested in people for the sunrise sectors, developed products, and because we believe India manufacturing is going to see significant tailwinds arising out of the crisis globally. I see no reason why the country will not be able to reach the 5 trillion GDP mark in next few years.

We are confident of a stronger and sustainable performance over the medium- to long-term. I thank all stakeholders for believing in us through the journey. We seek you continued support as we look to maximise value creation for all.

Thank you!

August 12, 2022