

BHARAT FORGE LIMITED
Registered Office
Mundhwa, Pune Cantonment, Pune 411 036

CHAIRMAN'S SPEECH

TO THE MEMBERS OF THE COMPANY AT THE 54TH
ANNUAL GENERAL MEETING
ON AUGUST 03, 2015

Ladies and Gentlemen,

Introduction:

It is my pleasure to extend a very warm welcome to all of you to your company's 54th Annual General Meeting.

Key Highlights FY 2014-15

Consolidated Revenues of Rs 76,248 million, up 13.5%

EBITDA of Rs 14,751 million, up 43.2%

Net profit of Rs 7,625 million, up 53%

Entry into Aerospace segment with 4 marquee customer contracts

BFL expanded its manufacturing footprint in Europe with the acquisition of MGL, France.

Financial Performance:

On a Standalone basis, your company saw a significant revenue growth of 33.8% assisted by a healthy 47.2% growth in exports and 16.0% growth in the domestic revenues. EBITDA margins expanded 440 bps from 25.4% in FY 2014 to 29.8% in FY

2015. Profit after tax (PAT) grew by 79.8% to Rs 7,190 million in FY 2014-15 from Rs 3,999 million in FY 2013-14.

We have been able to strengthen our financial position this year by retiring debt of around Rs 5,300 million (majority of high interest cost rupee debt). As a result, not only the Debt/Equity ratio has dropped but the interest costs as a % of sales have also dropped sharply.

Strong growth in profitability and an efficient balance sheet management is reflecting in the Return Ratios moving beyond the 20% mark.

Keeping in view the performance of your company, your Directors have recommended a final dividend of 225% on equity shares i.e. Rs. 4.50/- per equity share, in addition to Interim dividend of 150% i.e. Re. 3/- per equity share declared and paid during February 2015, thus, making the total Dividend to 375% i.e. Rs. 7.50 per share for the year as compared to Rs. 4.50 Per share last year.

Markets Segments:

Your Company's traditional market, the Medium & Heavy Commercial vehicle segment witnessed resurgence in demand in North America & India while the demand in Europe was sluggish.

In the medium term, the North American truck market is expected to remain robust and the outlook for the European Commercial Vehicle segment is also likely to be positive. The Indian M&HCV market has reversed the volume decline witnessed in the past two years and with the government

focusing on reviving stalled infrastructure projects, the M&HCV market is seeing encouraging signs in the coming year.

The global passenger vehicle industry registered volumes of approximately 67 million vehicles. This segment is witnessing unprecedented technology changes & breakthrough innovation. We have set our focus on increasing presence & penetration in the passenger vehicle segment through supply of engine & chassis components. We have won long term contracts with Global OEM's and are in ramp up phase.

On the industrial side of the business, sharp decline in commodity prices has impacted sectors like Oil & Gas, Mining and allied sector. These sectors will likely witness soft demand outlook going forward. But the transportation sector (Railways & Aerospace) is growing globally. The diversified business activity spread across different sectors would enable continuity of growth despite challenges in certain industries. The industrial sector contribution to total revenues has grown from 41% in FY 2014 to 46% in FY 2015.

New markets, new customers:

I am happy to inform you that in FY 2014-15, we were successful in entering new markets of the industrial sector and added new customers globally across different industries.

Last year, I had mentioned as to how using our state of the art Research & Innovation center and our talented resource pool, we had created the capabilities and the readiness to cater to the Aerospace industry. I am happy to inform that in FY 2014-15, your Company has completed the requisite quality homologation process to supply forgings. Our progress has been rewarded- your Company has successfully entered into

relationships with four global OEM's. We are working on developing a roadmap to transform this relationship from single product to a portfolio of products over the next few years.

This year we added 2 new customers in the North American truck market. I am proud to inform you that BFL now supplies to all OEM's in the North American heavy truck market.

Portfolio expansion

Your company has been able to grow and thrive in the industry because of its capabilities and its constant pursuit of diversifying its business across customers, sectors, geographies & products. Your company is currently developing a new niche portfolio of components which will find application in both passenger & commercial vehicles. This will support our plan for sustained growth in medium to long term

Goal 2018

Your Company has charted out an ambitious plan to reach revenues of Rs.7,000 crores by FY 2017-18. Your Company plans to achieve the growth in revenues through several new initiatives such as focusing on improving our market share and creating a broader base of product offerings in all the industries we currently serve in. Your Company's in-house Innovation & Technology Centre will be a key catalyst in almost all the growth initiatives. I am happy to inform you that your Company is on track to achieve the targets set out.

Advanced Manufacturing: Transforming Manufacturing sector

The manufacturing industry landscape is undergoing paradigm shift with labor intensive manufacturing giving way to information technology based manufacturing known as advanced manufacturing.

Advanced manufacturing encapsulates a wide spectrum of activities and processes. Your Company's focus with regards to advanced manufacturing centers on four key activities namely 3D printing, Electron Beam Welding, laser welding and nanotechnology. All these activities will be carried out at our world class Technology Centre, KCTI. I am happy to share with you that we have already started making prototypes using both plastic & metal while the other activities are at an early stage and will ramp up over the next few months and quarters

Innovation/ Research & Development

We are steadily increasing our R&D spending and have already started seeing returns on our investments. A total of 7 patent applications were filed in FY 2014-15 bringing the number of patents filed till date to 13. Two patents have already been granted while the remaining are awaiting examinations.

Make in India:

The Government's "Make in India" initiative is aimed at providing an impetus to the manufacturing sector and increasing its percentage share of GDP from 15% to 25%. The initiative is also about enhancing the ease of doing business and making India a world class manufacturing hub. There is also a major thrust to bring about indigenization of components/products

which were previously imported. Sectors such as power, mining, railways are expected to be the key beneficiaries of the initiative.

Your Company has embraced this initiative whole-heartedly and we have developed a strategy and action plan to address most of such core sector initiatives.

As you are aware, Your Company has been supplying locomotive/ railway products globally, including the US, Europe and Russia. We are immensely proud to be the first Indian supplier of locomotive crankshafts to the Indian Railways.

We are working towards increasing our component and product offering to Indian Railways to create new growth avenues for the Company and also contribute to India's infrastructure development

Corporate Social Responsibility:

Your Company is proud of being a socially responsible corporate and believes that the success of a corporation cannot be measured only in profits.

While your Company continues to actively support the efforts of 'Pratham Pune Education Foundation' (PPEF), which imparts informal education to the children of economically weaker sections of society and LAKSHYA, a non-profit sports organization, which identifies and nurtures talented sports-persons; we have identified some new areas as well.

Your Company has pledged to support the Prime Minister's Swachh Bharat Abhiyan by adopting government schools in Maharashtra and facilitating an effective and clean functioning

of sanitation. The 'Swachh Sundar Shala' (under Swachh Vidhyalaya) is a concept developed to make the children realize the importance of cleanliness and develop habits aimed at maintaining a clean and green premises, environment and classrooms.

Your Company is also actively involved in the Jalyukta Shivar Abhiyaan project in coordination with Chief Ministers Office, Maharashtra for Drought Free Maharashtra. Under this initiative works like Repairs, Renovation and Restoration (RRR) of percolation tanks/minor irrigation tanks is undertaken.

Promotion of Education: BFL is supporting the Kalyani School with the vision to provide a harmonious, stimulating environment which inspires all to strive for excellence and emerge as responsible citizens.

Looking ahead:

The Government of India's Make in India initiative focus on indigenization of components & products which are imported and enhancing manufacturing sector participation in GDP from 15% to 25% is anticipated to act as a big fillip to the sector participants.

This initiative coupled with improving macroeconomic factors and focus on infrastructure investments is expected to boost the overall economy and aid in continued growth of the CV sector in India.

The North American automotive market across Commercial & Passenger Vehicles is expected to register good growth while the scenario for the European automotive market continues to remain positive.

Acknowledgements:

I would like to take this opportunity to thank our valued customers for their continued support and more importantly our employees for their valuable contribution in making Bharat Forge what it is today and I look forward to their continued support going forward.

I would like to express my sincere thanks to the Government of India, the Government of Maharashtra, Financial Institutions and Banks for their sustained encouragement and support to your company.

Conclusion:

Finally, I convey my personal gratitude for the confidence that you have reposed in your company's Board of Directors. We enter into the 50th year of operations, a great landmark for us. It has been a remarkable journey so far and I truly believe that the future is more exciting. We continue to work relentlessly on fulfilling the ambitious goals we have set and I sincerely hope that you will continue to extend your whole-hearted support to accelerate the growth and progress of your company.

Thank you!

August 03, 2015