

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

CHAIRMAN'S SPEECH

TO THE MEMBERS OF THE COMPANY AT THE 60TH ANNUAL
GENERAL MEETING
ON AUGUST 13TH, 2021

Introduction:

Ladies and Gentlemen,

It gives me immense pleasure to extend a very warm welcome to all of you to your company's 60th Annual General Meeting. The year gone by has been amongst the most challenging to-date with the COVID-19 pandemic causing wide scale suffering globally. The swiftness and intensity of the second and third waves have overwhelmed health systems devastated lives and livelihoods.

Given the progress we have made on the vaccine front and the increased pace of vaccination of the countrymen, I am confident we will eventually get the pandemic under control. Until then I urge you to stay safe follow Covid appropriate behavior and get you & your family vaccinated.

For your Company too it was a year of challenges. The pandemic resulted in demand uncertainty and disruptions in production supply chain. The Company's key focus areas were:- securing the safety of our people; un interrupted supply to address customer commitments globally; and fortifying the health of the company through a laser sharp focus on costs & cash flows. I am happy to inform that we were able to tide over the situation pretty well. Gradually as we started witnessing demand recovery from the second quarter of last year, the company accelerated production to address rapidly increasing customer demand. This has translated into strong financial performance over the past few quarters and continues into FY22.

Financial Performance: Our overall performance for FY 2021 reflects the challenging backdrop amidst which we operated. On a standalone basis,

Revenues declined by 20% to Rs 36,515 Million in FY 2021. Low capacity utilization and the subsequent operating deleverage adversely impacted profitability parameters. EBITDA and PAT were Rs 7,348 Million and Rs 3,121 Million respectively.

Although the full year performance is subdued, it is noteworthy that we have made a strong sequential recovery from Q2 FY 2021 onwards and continue to sustain this encouraging trend. Yesterday, we declared our Q1 FY22 results which registered sequential topline growth of 4.9% and PBT growth of 12.3%.

Staying ahead of technological changes: In my previous communications, I had mentioned that technology will cause tectonic shifts in the automotive industry. This is already visible especially in the personal mobility space. A part of our business is exposed to this shift and may come under stress in the medium term. While the move towards electrification is gathering pace, OEMs are forced to revisit their business models thus providing some additional sourcing avenues in the existing product lines, especially in the short to medium term.

Meanwhile, I am confident that we will start witnessing meaningful revenue traction from the E-Mobility vertical in the next 12-18 months.

We looked at this transition as opportunity by investing strategically in startups with existing expertise in E-mobility solutions across 2/3/4 Wheelers as way back in 2015-16. The E-mobility business has been spun off into a separate 100% subsidiary – Kalyani Powertrain Limited (KPTL). This will ensure dedicated attention to growing the business with right leadership and right focus. KPTL has made tangible progress during the year having initiated discussion with OEM and other potential customers to provide solutions for the E-mobility platform.

Lightweight Materials: Another mega trend that is significantly disrupting the Global Automotive Industry is the transition to Aluminium and other lighter materials. Here also, we are well placed to take part in this shift. The Aluminum Die Casting facility, Centre for light-weighting in Nellore and the Aluminum Forging facilities are coming up in North Carolina, US and Brand-Erbisdorf, Germany. These centers will work closely with automobile companies to conceptualize new solutions,

including those for E-mobility. As these facilities ramp up, we expect significant jump in revenues for BFL.

Defence: Being on the right side of opportunity: The government's clarion call for AtmaNirbharta, through creating a positive list of items to be manufactured in India, holds in good stead for the defence manufacturing ecosystem which has received a major push.

We have been in this business for many years now and have established deep competencies. Many of our programs, armored vehicles, artillery, etc., are progressing well and we expect positive developments. During FY 2021, our armored vehicles vertical made a breakthrough by securing a prestigious order for supply of Kalyani M4 vehicle for use in high altitude terrain. Our ambitious ATAGS Artillery Gun being developed under the aegis of DRDO is currently in the ranges undergoing final trials.

Building future-ready capabilities: As we go deeper into defence, E-mobility, light-weight materials and industrial beyond the existing business, the challenges will be different from what we have faced so far. It will entail creating a talent pool with completely new skill sets and intensifying research and innovation. It is because of this, that we have put these businesses under separate companies. We are continually focusing on strengthening our HR practices to attract and retain talent.

Covid19 Pandemic Relief: We stood by the communities to provide relief measures including distribution of PPEs to the frontline warriors, masks, food packets, and medical kits. In a collaborative initiative with select NGOs, at the peak of the second wave, with the objective to support our healthcare professional and suitably equip their infrastructure, we distributed Covid-relief material such as ICU grade Ventilators, BiPaP devices and Oxygen Concentrators across several cities in India. In locations closer to our manufacturing plants, we worked together with local authorities to make provision for oxygen beds, creating isolation wards, providing COVID-19 medicines, medical apparatus and medical equipment among others. At the village levels, we are working with concerned authorities to support them to strengthen the Primary Health Centers (PHCs).

During the months of April and May 2021, a dedicated team at KCTI rose upto the challenge of the widespread stress caused by the second wave and expeditiously manufactured and supplied pre-ICU Ventilators to hospitals across the region.

The global pandemic has triggered a new purpose in our core expertise of passionate engineering. Looking at the plight of people searching for oxygen cylinders motivated our engineers to manufacture robust, safe, medical-grade, light-weight portable Aluminium cylinders. (Defence Bio-Engineering & Electro Medical Laboratory (DEBEL), DRDO approached us with a mandate to develop high-pressure oxygen cylinders in Aluminium suitable for emergency response and healthcare applications. This is funded by PM-CARES fund as a Covid-relief material to states.)

Despite the Covid-lockdowns, a highly motivated team of researchers (from KCTI) and engineers (from BFL) developed the product fully independently in-house with the Bharat Forge umbrella. This being a medical grade and safety critical product undergoes stringent regulatory and quality requirements. (With due support from various departments of the government of India; we are glad to report the board / analysts that we could manufacture, secure approvals and commence delivery of these systems within a record time of less than 100days.)

During the process, we converted a Automotive Forgings production line into producing in high-volume, light-weight portable Aluminium Oxygen Cylinders. More importantly, this demonstrates our ability to effectively work on a Mission Mode to develop New Products and New Capabilities. Aluminium extruded products have wider applications in our traditional sectors like Automotive and Industrials. Going forward, we would be keen on exploring new wins using this newly developed capability.

Sustainability at Bharat Forge: Your Company has been addressing the topic of sustainability through the solutions we provide to our customers. Our efforts in light-weighting of products are contributing to lighter vehicles which are more fuel-efficient and more importantly consume less resources in manufacturing process. We also have a circular ecosystem for manufacturing where the bulk of the raw material scrap is reused to manufacture clean steel. As a responsible corporate, we envisage doing more when it comes to either reduced usage of resource or increased utilization of renewable energy in our operations. In FY 2021, around 16%

of the power utilized was from renewable energy sources. We expect more initiatives on sustainability to be rolled out in the coming months.

We have successfully emerged stronger out of every down cycle, improving our margins by re-aligning our product mix, reducing our costs and innovating. We are confident that these will enable us to see through this down cycle as well. This time the difference is that we have a strong balance sheet with a significant amount of liquidity and a large pipeline of new products in emerging technologies including in Aluminium.

Acknowledgements:

I would like to take this opportunity to thank all our valued customers and business partners for their continued support and contribution. More importantly I would like to thank our employees for their hard work and valuable contributions.

I would also like to make a special mention of appreciation and express my earnest gratitude to all the officials of the various departments of the Government of India, the Government of Maharashtra, local municipal authorities, the frontline health-workers and all others who extended requisite support, guidance and coordination to ensure the well-being of citizens of India during the first and second wave of the pandemic. It is with this collective resolve that India demonstrated in fighting Covid pandemic that today we are beginning to see an economic turn-around sooner than imagined earlier.

I would also like to express my sincere thanks all the Financial Institutions and Banks. On behalf of the Board of Directors, I would like to extend my sincere appreciation to all our shareholders for their continued faith and confidence placed in us.

Thank you!