

Management Discussion & Analysis

ECONOMIC REVIEW

Global Economy

The global fight against inflation, Russia’s war in Ukraine, and a resurgence of COVID-19 cases in China weighed on global economic activity in CY 2022. According to the International Monetary Fund (IMF), the global economy is estimated to have grown by 3.4% in CY 2022 as compared to 6.2% in CY 2021. Growth is projected to fall to 2.9% in CY 2023 before rising to 3.1% in CY 2024.

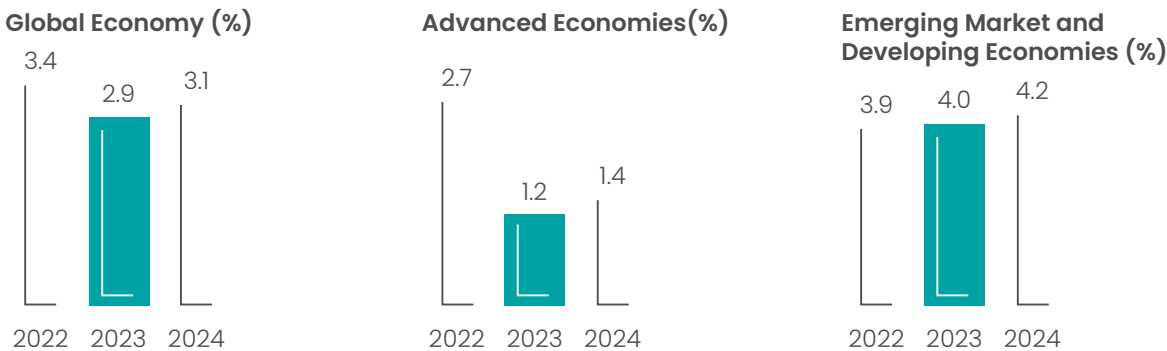
Despite the headwinds, the real Gross Domestic Product (GDP) has been surprisingly strong in the third and fourth quarters of 2022 in numerous economies, including the United States, the euro area, and major emerging market and developing economies. Strong private consumption and investment, greater fiscal support, improved pent-up demand and consumer spending, among others, contributed to the favorable growth.

On the supply side, easing bottlenecks and lower transportation costs reduced pressures on input prices and allowed for a rebound in previously constrained sectors. Energy markets have adjusted faster than expected to the shock from Russia’s invasion of Ukraine.

Outlook

Global economy is expected to pick up modestly in CY 2023 and 2024 with subsiding inflation and gradual recovery from the effects of Russia-Ukraine crisis. The emerging economies will dominate global economic activity in CY 2023 with their growth estimated to rise modestly from 3.9% in CY 2022 to 4% in CY 2023 and 4.2% in CY 2024. Growth in China is expected to pick up with the reopening of economic activities and rapidly improving mobility in CY 2023. For advanced economies; however, growth is projected to decline sharply from 2.7% in CY 2022 to 1.2% in CY 2023 before rising to 1.4% in CY 2024.

Growth Projection



(Source: IMF World Economic Outlook, January 2023)

Indian Economy

The Indian economy has been scripting a recovery after the bruising impact of the COVID-19 pandemic. However, the global slowdown, geopolitical tensions, stubbornly high inflation, and rising interest rates have posed challenges to faster expansion. As per provisional estimates, India recorded a GDP growth of 7.2% in FY 2022-23 as against 9.1% in FY 2021-22. Growth is estimated to decline to 6.1% in FY 2023-24

before picking up to 6.8% in FY 2024-25 with resilient domestic demand despite external headwinds.

India has shown remarkable resilience to global headwinds in FY 2022-23 and remains in a sweet spot owing to its strong macroeconomic fundamentals. Government initiatives such as Make in India, production-linked incentive (PLI) scheme are expected to boost manufacturing

and accelerate economic growth. Along with this, efforts by the Reserve Bank of India (RBI) have led to an improvement in the health of the financial sector and sharply accelerated credit growth driving higher tax collections in a moderate inflation environment. High-frequency indicators such as Goods & Services Tax (GST) collections, manufacturing Purchasing Managers’ Index (PMI), pick-up in government spending and private capital expenditure – all indicate healthy economic momentum.

Outlook

The outlook of the Indian economy remains robust. Measures announced in the Union Budget for the next fiscal such as increased capex, focus on infrastructure development, boost to green economy and initiatives for strengthening financial markets are expected to promote job creation and spur economic growth. However, there remains considerable uncertainty due to the challenging global economic conditions.

(Source: IMF World Economic Outlook January 2023, Union Budget 2023-24)

BUSINESS ENVIRONMENT

Automobile Business

Global Automotive Industry

Overview

CY 2022 was a challenging year for the global automotive industry. Total car sales during the year were up marginally by 0.7% to 67.2 million units. Supply chain disruptions, energy crisis, inflationary pressures, higher interest rates, fears of recession and shortage of magnesium and semiconductors were the major constraints. The semiconductors or chips shortage is likely to continue throughout CY 2023 due to disruption in the global semiconductor industry, huge demand-supply gap, Russia-Ukraine war and supply chain bottlenecks. However, the semiconductor supply is expected to gradually stabilize by the second half of CY 2023. The automakers are exploring diverse strategies for semiconductor procurement and will likely benefit from new sourcing models and stronger bonds between OEMs (original equipment manufacturers), Tier 1 suppliers and semiconductor suppliers.

The passenger car registrations in the European region declined by 10.4% to 12.8 million units in CY 2022. In China, despite the re-emergence of COVID-19 pandemic, 21.7 million cars were sold in CY

Despite the macroeconomic headwinds, the outlook for the global automotive industry is positive with some vulnerability in near-term.

2022. Car production in North America grew by 10.3% to 10.4 million units in 2022, primarily driven by strong demand in the US. Globally, the automotive industry is witnessing increased adoption of electric vehicles (EVs). This has resulted in higher investments towards development of EV infrastructure to support the growing EV demand. With rising concerns over fuel prices, sustainability and stringent regulations to reduce transport emissions, there can be seen a significant reduction in sales of fossil-fuel cars which has led to wide-scale adoption of EVs and hybrid models.

Outlook

Despite the macroeconomic headwinds, the outlook for the global automotive industry is positive with some vulnerability in near-term. This is likely to be backed by consistent production volumes, delayed order backlogs and low cancellation rates. Moreover, the industry is expected to benefit from gradual economic recovery, easing of semiconductor crisis and supply chain pressures, moderation in inflation, improved consumer demand and development of new technologies in CY 2023.

New car sales are projected to grow by 0.9% and commercial vehicle (CV) sales are likely to decline by 1.3% in CY 2023. However, European automotive market is expected to witness softening in demand due to continued geopolitical uncertainty and energy crisis. The EV segment is expected to remain a bright spot, and fuel the growth of the global automotive industry. Increasing demand for vehicles in the transportation, commercial, and

tourism sectors are likely to contribute to the growth of the automotive industry in CY 2023.

Company Review of the Exports Auto Market

FY 2022-23 was a strong year for the Company's automotive export business. It registered a broad-based growth with revenues growing across geographies and business segments (Passenger Vehicles and Commercial Vehicles).

Commercial Vehicles (CV)

During the year, the Company's CV exports grew by 11% from ₹17,161 million in FY 2021-22 to ₹19,121 million in FY 2022-23 driven by strong ordering from the US Class 8 CVs and recovery in global automotive market. The export CV business is a major success story for the Company with significant market share improvements over two decades. Bharat Forge has emerged as a reliable supplier for chassis and engine components with a combination of product innovation and a customer first attitude. The Company remains ready for any new changes necessitated both from regulatory as well as from an end-user standpoint.

Passenger Vehicles (PV)

The PV exports registered robust growth of 71% to close FY 2022-23 with a turnover of ₹9,553 million. The Company has been seeing significant traction in this segment from both current and new customers for existing as well as new products. The Company's diversification strategy set out in the middle of the previous decade has yielded the desired results this year. As demand for personal mobility remains strong, especially around premium SUVs/CUVs, the Passenger Vehicle segment is set to be a strong pillar of growth in the years to come. The PV industry is witnessing a notable development in terms of growing willingness of OEMs to partner with reliable suppliers to shock-proof their supply chain. Bharat Forge with its engineering capabilities aims to climb up on the dependability ladder with the OEMs and expand its market share. Also, as electrification gathers pace, BFL aims to position itself as a resilient player in the ICE space. The Company expects the ICE segment to continue delivering good profits over the next few years as negligible capacity addition is likely to make OEMs prioritize time-tested suppliers.

71%

growth in PV exports

Indian Automotive Industry

Overview

The Indian automobile industry has shown continued resilience in FY 2022-23, aided by global supply chain rebalancing and government's strong push for domestic manufacturing. According to the Society of Indian Automobile Manufacturers (SIAM), the total automobile production increased to 25.9 million units in FY 2022-23 from 23 million units in FY 2021-22. Passenger vehicle production showed improvement through the year as semi-conductor supplies eased.

Automotive sales remained strong across segment. The PV segment achieved record sales of 3,890,114 units in FY 2022-23 backed by sustained consumer demand, improved supplies from automakers, new launches and product upgrades from OEMs. The CV segment grew by 34% YoY to reach 962,468 units in FY 2022-23. The medium and heavy commercial vehicles (MHCV) segment grew at 49% in FY 2022-23.

Outlook

CY 2022 gone by saw India becoming the 3rd largest automobile market after China and US. The Indian automotive industry is expected to sustain its growth momentum in 2023 despite the challenges such as escalating input costs, increased cost of ownership due to regulatory issues and higher inflation which can result in price hike of vehicles. However, factors such as improved consumer demand, wide availability of credit and financing options, population growth, and integration of wireless technology in cars and popularity of EVs are likely to fuel the growth of the automotive industry. Increased capital outlay of ₹10 lakh crore on infrastructure development are also expected to create opportunities for the automotive industry. Government policies such as Make in India, Production Linked Incentive (PLI) scheme, Foreign Trade Policy (FTP) and schemes such as Advance Authorization, and Export Promotion Capital Goods Scheme are expected to boost manufacturing and export of automobiles.

Company Review of the Domestic Auto Market Commercial Vehicles

The Company registered a strong growth in the domestic CV market with revenue increasing by 37% to ₹10,140 million in FY 2022-23. Given the strong outlook for MHCV in India led by the infrastructure boom and broad-based capex growth, the outlook for the sector remains positive. The Company remains a trustworthy partner for most OEMs. As multinational CV manufacturers set up production facilities in India with an export focus, Bharat Forge continues to leverage its reputation as a preferred supplier with them to garner more share of business from such OEMs.

Passenger Vehicles

The Company's PV business has recorded robust performance with a revenue growth of 20% to ₹3,513 million in FY 2022-23. The Company has significantly strengthened its presence in the PV/UV segment with both new product and customer additions. We remain well-positioned to capture the burgeoning opportunities, as the Indian market leans more towards UVs and SUVs. The Company expects to benefit from the premiumization trend in the times ahead.

Industrial Business

The Company engages in the manufacture of components for Renewables, Construction, Mining, Engineering and Agriculture sectors in the industrials vertical. The Industrial segment is expected to witness mega opportunities, in the renewable energy space driven by the global urgency to combat climate change. In the recent COP26 declarations, countries across the world have set a more stringent target to contain temperature rise to 1.5°C. Globally, and especially in India, there is a strong impetus to enhance the share of renewables in the overall energy mix. Additionally, the roll out of 5G across most markets is likely to re-invigorate demand for power-Gensets. This augurs well for the Company as it is a major supplier of crucial components in this sub-sector.

India is also expected to benefit from the China Plus 1 strategy and Europe Plus 1 strategy with a trend of major international players shifting their production bases to produce components and subsystems in India. This is expected to make India a preferred and reliable manufacturing

13%

growth in industrial business revenue

destination. The infrastructure segment is also estimated to witness immense opportunity with the Government envisaging to spend ₹10 lakh crore in FY 2023-24 on infrastructure creation. As the Private sector capex push accelerates, the Company expects to accrue significant benefits from the supply of components to feed this demand.

Company Review of the Industrial Segment

During FY 2022-23, the Company's revenue from industrial business grew by 13% to ₹28,910 million. The domestic industrial business grew 11% to ₹12,978 million. The Company's focus on building self-sufficiency in 100% import dependent products is likely to drive its growth given the massive opportunity expected from the AtmaNirbhar Bharat Abhiyan.

The international industrial business grew 14% to ₹15,932 million primarily led by the Heavy horse-power engines which benefited from the recovery in industrial activity in North America. The strong growth exhibited, is a combination of expanding market share and a spin off from increased investments. Specifically, construction and mining activity picked up pace and our revenues mirrored this growth. Going ahead we expect the momentum to sustain.

JS Autocast

Given the immense opportunities in the industrial business, Bharat Forge made strategic inorganic investments to strengthen its competitiveness and market share. In FY 2022-23, the Company completed the acquisition of Coimbatore-based JS Autocast (JSA). This marks the Company's foray into industrial ferrous castings space and enables it to tap the huge opportunities in wind energy, hydraulics, construction, and mining, among others with enhanced capabilities and competencies. With a broader portfolio in renewable energy, the Company aims to become a critical and preferred supplier to existing customers and move up the value chain. Additionally, from a pure play forgings business, the Company has added castings as an offering in its bouquet.

The plants of both JSA and ISML are good quality assets, powered by the latest technology and complemented with a large captive land bank.

The Company sees tremendous potential in the form of cross-sell opportunities through an expanded product line-up. JSA is uniquely positioned in the renewables, hydraulics and off-highway space with niche offerings, allowing it a superior performance on all financial metrics like margins, asset turnover etc. The Company expects the ferrous casting space to transition from a fragmented landscape to a market with organized players, which are likely to open up substantial opportunities from hitherto unserved areas. JSA's 100,000 ton of liquid metal capacity is complemented with strong machining capabilities. JSA sells all its products in a machined condition. In addition to the JSA portfolio, the recently concluded asset-purchase from Indo Shell Mould Ltd. (ISML) is likely to make considerable capacity available for growth. The plants of both JSA and ISML are good quality assets, powered by the latest technology and complemented with a large captive land bank. The human resource pool too has the necessary bandwidth to chart a sustainable growth path driven by product differentiation. With all the building blocks of our castings foray in place, the Company expects a multiyear high growth opportunity as the vertical scales up its operations.

Overseas Business

The Company's international business involves the operations of its subsidiaries in the US and Europe. In FY 2022-23, the overseas business registered an EBITDA loss of ₹961 million. The weak

performance was driven by sub-par utilization, supply chain disruptions and high input prices in Europe, and a slower ramp-up of the aluminum forgings business in US. Despite this, the Company has been focusing on successfully turning around overseas businesses through investments towards optimizing costs and product mix.

Subsidiary revenue

	(₹ Million)	
Overseas manufacturing operations	FY 2022-23	FY 2021-22 (15 months)
Steel Forgings	30,389 (71%)	30,605 (80%)
Al Forgings	12,396 (29%)	10,036 (20%)
Total	42,785	40,641

In FY 2022-23, the Company successfully commenced commercial production at its aluminum forging facility in North Carolina, US. The facility currently operates at low utilization rates, and is expected to stabilize and witness higher utilization rates gradually. With this, the Company now has two operational aluminum forging plants, one in the US and the other in Germany. Aluminum forgings currently account for 29% of the revenues of international operations, and the Company intends to increase the same in the future. The aluminum business specializes in manufacturing chassis and driveline components for passenger vehicles. It remains an essential part of capturing the electrification-led growth and light-weighting endeavors of our global PV customers.

The turnaround of our overseas operations in FY 2023-24 is expected to be driven by aluminum. These investments have the potential to yield good returns in the medium term as capacities remain fully booked with orders.

The Company strongly focuses on securing orders from new and existing customers and drive growth of the international operations.

Defence Business

Defence sector is witnessing significant surge in India, led by Government of India's efforts over the last decade to put in place policies to reduce imports and drive self-reliance, focus on developing indigenous world-class products and encourage exports.

In FY 2022-23, the Defence sector in India achieved a significant milestone, with defence production crossing ₹1 lakh crore mark on the back of consistent effort by the Ministry of Defence (MoD). This is a rise of more than 12% as compared to FY 2021-22. The Government is continuously working with defence OEMs and their suppliers to remove the challenges faced by them and promote defence production in the country. These proactive initiatives along with a conducive environment for promoting Indian made platforms globally have resulted in India's Defence exports surging 23-fold to nearly ₹16,000 crore over the last nine years.

Additionally, in the Def Expo 2022, the Government released the fourth positive indigenization list with 101 defence items such as highly complex systems, sensors, weapons, and ammunitions to be procured from indigenous sources. The MoD estimates projects worth over ₹175,000 crore in the next five to ten years will be reserved exclusively for domestic procurement.

The various initiatives of the Government aided by a strong impetus on self-reliance and policy support for exports have turned Defence into a sunshine sector for Bharat Forge. To better cater to its unique needs, the Company has consolidated its Defence businesses under its 100% subsidiary – Kalyani Strategic Systems Limited (KSSL). The combined competencies of BFL and KSSL will enable the Company to better target opportunities in domestic market and exports.

Bharat Forge's defence activities are primarily focused on Protective Vehicles, Defensive/ Deterrence Systems and Components. It has made significant breakthroughs in its Advanced Towed Artillery Gun System (ATAGS) program and has completed the final revalidation trial post five years of rigorous testing. It has successfully demonstrated seamless firing of the gun and its compliance against one of the most stringent specifications globally. DRDO designed and Indian industry made, ATAGS has proved to be amongst the World's Best Artillery Gun in the 155mm/52cal category. The Government of India has recently issued an Acceptance of Necessity (AoN) for 307 ATAGS guns.

In FY 2022-23, KSSL received new defence orders worth ₹2,000 crore across artillery platforms and consumables. The execution of these orders is expected to start in FY 2023-24. This includes a prestigious export order worth USD 155.5 million for an artillery gun system to a non-conflict zone. The artillery system is an indigenously designed, developed and manufactured product with 100% IP owned by the Company. Further, KSSL has secured multiple orders for export of components and consumables, both for maintenance, repair and overhaul across segments. The Company's platforms are mainly focused on deterrence (Guns), battlefield protection (KM4) and consumables.

Bharat Forge will continue to adhere to the highest standards of ESG and will steadfastly stay away from weapons of mass destruction or any other platform which is banned by various multilateral organizations. Further, Bharat Forge or its subsidiaries will not engage in research, manufacture or be a part of the supply chain for controversial weapons like Anti-Personnel mines, Biological and Chemical weapons, cluster munitions, incendiary weapons, white phosphorus ammunition, or blinding laser weapons.

Aerospace Business

FY 2022-23 saw the Aerospace business scale new milestones and simultaneously lay the foundation for the next wave of growth. To better align with the operating environment, the business unit was re-organized with an acute focus on people, processes and technology. Bharat Forge with its world-class metallurgical skills, has been successful in building critical super alloys for making engine parts and gears for the aerospace industry. These developments have put the Company on a strong pedestal to absorb emerging technologies through the course of the product development. Apart from military aviation, the Company has also qualified for various aero-frame and engine parts in the commercial aviation space.

To fully capture the life-cycle benefits accruing from new product development, Bharat Forge has taken significant strides in developing MRO facilities

925
orders booked for
EV motorcycles

for turbo machinery. The turbomachinery division has been certified under the AS 9100 standard thereby opening up large market opportunities in the years to come.

The Company considers upgrade in internal competencies, forging the right kind of partnerships and building technological prowess critical for its long-term success. Accordingly, it has signed MoUs with Hindustan Aeronautics for developing various aircraft components and with Paramount Systems for developing helicopter rotor blades. Further, in the year gone by, the Company has started using IoT extensively in its products for predictive maintenance.

These developments will go a long way in ensuring higher up-times, thereby improving productivity for its OEM clients. With the underlying business structure crystallizing in FY 2022-23, the Company's Aerospace business stands on the cusp of a solid growth trajectory.

E-Mobility Business

The Company has established significant competencies in the E-mobility business since its incubation through strategic investments in portfolio expansion, technology partnerships, and a dedicated R&D team with vast expertise.

Last year, the Company consolidated its electric mobility business into a dedicated entity Kalyani Powertrain Limited (KPTL) to ensure focused approach and propel growth. Over the years, the Company has strengthened and built a solid portfolio across power electronics, control electronics components, commercial vehicle re-powering and systems and subsystems for EVs. It is now focused on exploiting opportunities arising from EV disruption in multiple ways viz. EV components, e-2Ws and 3Ws, retro-fitment for CVs, and light-weighting components.

FY 2022-23 witnessed many positive outcomes of the efforts put into this domain. The Company entered into a strategic partnership with

ElectroForge (Harbinger Motors, US) to plug the gap in its portfolio by bringing a high-power traction motor controller. Tork Motors, a subsidiary focused on electric motorcycles, launched its flagship product line of electric motorbike, KRATOS and KRATOS-R and is steadily scaling up with the inauguration of first experience center in Pune and appointment of three dealers in Hyderabad, Bengaluru and Chennai. FAME-II certification for its vehicles was received in October 2022.

Tork Motors has made an impressive progress and is witnessing healthy demand for its EV motorcycles. In FY 2022-23, it booked 925 orders. Its product is focused on 150-200cc segment motorcycles with lower competition and high growth potential.

Bharat Forge has also been declared as a successful applicant under the PLI scheme of the Government for its EV components. This will provide incentive benefits and will help in growing the business.

During the year, KPTL laid the foundation stone of its first micro-factory at Chakan, Pune for the manufacturing of e-motors, battery packs, and bike assemblies for e-2Ws and 3Ws. This facility will run at a production capacity of 60,000 to 1 lakh units per year and is expected to commence production in the first quarter of the current fiscal.

In another significant achievement, KPTL is also targeting opportunities in converting existing ICE ICVs into EVs and is the first to get AIS 123 (EV retro-fitment) certification for N3 category in India. In line with this, it has completed the capex for setting up a CV Re-Powering plant at Chakan, Pune with a capacity of retrofitting 1,000 units per annum.

Building team competency and skill development, introduction of new, pioneering technologies and ensuring deep localization with dedicated plants for E-mobility products is under progress. KPTL believes that its customers will be benefited with high performance, reliable and robust products at affordable prices. Bharat Forge together with KPTL aims to build the right solutions to cater the varied market needs and enhance revenue and profitability of the e-mobility business. This would be important in light of the Ministry of Heavy Industries' (MHI) announcement to reduce subsidies under FAME-II norms with effect from June 1, 2023.

FINANCIAL REVIEW

STANDALONE

Analysis of Standalone Profit and Loss Statement

(₹ in Million)			
Particulars	FY 2022-23	FY 2021-22	% Change
Total Revenue	75,727.12	62,546.12	21.07%
Raw Material	32,833.46	25,525.97	28.63%
Manufacturing Expenses	11,199.38	9,267.02	20.85%
Manpower Cost	5,430.06	5,057.85	7.36%
Other Expenditure	6,975.99	5,897.15	18.29%
Total Expenditure	56,438.89	45,747.99	23.37%
EBITDA	19,288.23	16,798.13	14.82%
EBITDA (%)	25.47%	26.86%	-
Depreciation	4,259.57	4,117.91	3.44%
Interest	2,126.89	1,073.01	98.22%
Other Income	1,504.96	1,675.02	(10.15)%
PBT	14,406.73	13,282.23	8.47%
Exchange Gain/ (Loss)	(177.13)	359.17	-
PBT	14,229.60	13,641.40	4.31%
Exceptional Items Gain/ (Loss)	(402.13)	318.03	-
PBT	13,827.47	13,959.43	(0.95)%
Taxation	3,372.73	3,181.40	-
PAT	10,454.74	10,778.03	(3.00)%

Analysis of Standalone Profit and Loss Statement

(₹ in Million)		
Particulars	March 31, 2023	March 31, 2022
Long-Term Debt	17,622.84	17,776.41
Working Capital Loan and Bill Discounting	26,733.41	21,215.48
Equity	76,999.99	71,097.75
Cash	22,066.85	24,817.92
D/E	0.58	0.55
D/E (Net)	0.29	0.20
RoCE (Net of Surplus Funds)	16.2%	16.7%
RoNW	13.6%	15.2%

(D/E – Debt Equity, RoCE – Return on Capital Employed, RoNW – Return on Net Worth)

The Company delivered a strong performance in FY 2022-23 with 21% growth in revenues from ₹62,546.12 million in FY 2021-22 to ₹75,727.11 million. The growth was driven by robust exports of automotive and industrial segments and broad-based performance across all business segments and geographies. The EBITDA increased 15% from ₹16,804.16 million in FY 2021-22 to ₹19,279.55 million in FY 2022-23. The EBITDA margins declined by 140 bps to 25.5% driven by higher raw material, energy costs and changes to product mix.

The Company won new orders worth ₹3,900 crore across automotive and industrial segments providing good earnings visibility in the short-medium term.

Key Financial Ratios

Key financial ratios along with the details of significant changes (25% or more) in FY 2023 compared to FY 2022 is as follows:

Particulars	FY 2022-23	FY 2021-22	% Change	Reasons for Change
Debtors Turnover Ratio (in times)	2.64	3.06	-13.7%	Increase in exports
Inventory Turnover Ratio (in times)	2.77	2.57	7.8%	Increase in COGS as RM prices rose
Interest Service Coverage Ratio (in times)	9.17	16.40	-44.1%	Increase in interest rates
Current Ratio (in times)	1.36	1.67	-18.6%	Increase in working capital borrowing
Debt Equity Ratio (in times)	0.58	0.55	5.5%	
Operating Margin (%)	25.24	27.43	-	Changes to product mix
Net Profit Margin (%)	13.81	17.23	-	Higher interest expense and foreign exchange loss

CONSOLIDATED

Analysis of Consolidated Profit and Loss Statement

(₹ in Million)			
Particulars	FY 2022-23	FY 2021-22	% Change
Total Revenue	129,102.59	104,610.78	23.41%
Raw Material	59,613.53	42,159.62	41.40%
Manufacturing Expenses	19,877.33	16,352.68	21.55%
Manpower Cost	15,631.00	14,646.83	6.72%
Other Expenditure	16,216.33	11,641.63	39.30%
Total Expenditure	111,338.19	84,800.76	31.29%
EBITDA	17,764.40	19,810.02	(10.33)%
EBITDA (%)	13.76%	18.94%	-
Depreciation	7,355.86	7,303.01	0.72%
Interest	2,986.20	1,604.05	86.17%
Other Income	1,728.57	1,959.00	(11.76)%
PBT	9,150.91	12,861.96	(28.85)%
Exchange Gain/ (Loss)	(89.17)	349.33	-
PBT	9,061.74	13,211.29	(31.41)%
Exceptional Items Gain/ (Loss)	(457.91)	924.05	-
Share of (Loss)/Profit of Associates and Joint Ventures	(334.38)	(330.2)	-
PBT	8,269.45	13,805.14	(40.10)%
Taxation	3,185.58	3,034.53	-
PAT	5,083.87	10,770.61	(52.80)%

Analysis of Consolidated Balance Sheet Statement

(₹ in Million)		
Particulars	March 31, 2023	March 31, 2022
Long-Term Debt	24,436.19	23,150.94
Working Capital Loan and Bill Discounting	44,087.14	33,394.44
Equity	67,415.98	66,267.51
Cash	31,405	27,334
Long-Term D/E	1.02	0.86
Long-Term D/E (Net)	0.54	0.44

On a consolidated basis, the Company's revenues increased 23% from ₹104,610.78 million in FY 2021-22 to ₹129,103 million in FY 2022-23. Profitability growth was weaker with EBITDA margin dropping to 13.8% in FY 2022-23. The weakness was driven by the challenges faced in ramp-up of aluminum operations, pending cost recoveries. We believe that most of these challenges are behind us and an improvement is in order for FY 2024.

HUMAN RESOURCES

Bharat Forge introduced BFL 2.0 organizational framework in FY 2022-23. Aligned to this, the Company has re-organized itself into Business Unit (BU) and Corporate Function structure. The BU structure was created to provide desired focus, build the necessary resources for the businesses to fully realize the growth potential. Independent leadership teams were built for these units by dedicated business leaders. At the Company level, enterprise functions namely Finance, Human Resources, Information Technology, Legal, and Technology were strengthened to support the BUs, while ensuring world-class governance. OLR (Organization and Leadership Review) process was implemented to build organization and leadership capability to support the business strategy. This process also identified critical roles, helped assess talent, and build succession plans for short and medium term. The entire OLR process was led and driven by the Business/Function Heads and facilitated by the HR team.

As part of BFL 2.0, every business head along with his leadership team, defined the BU growth strategy. This got translated into Annual Operating Plan (AOP) and Balanced Score Card (BSC) for every business, facilitated by Strategy and Business Excellence team. The Company also implemented a new Performance Management System (PMS 2.0) wherein individual goals were cascaded from the BU scorecard in lead-lag indicators all the way down to team leaders. As part of the new PMS system, new measures of performance and descriptors for performance were defined. To drive performance-oriented culture, the Company has also re-defined its new variable pay program for its

manager grade employees basis achievements of BU and individual targets. A major communication campaign was conducted to launch and explain the new PMS process and its nuances (like performance dialog), facilitated by the HR Team.

To support these transformational changes, the HR Organization is also undergoing change. There are three sub-organization getting created within the HR Organization, namely, Human Resource Business Partner (HRBP), Specialized COEs and HR Shared Services. While HRBP organization directly works with Business Units in Organization Design & Development; COEs that are subject matter experts (in the area of Talent Management, Compensation & Benefits) define related framework and policies. The HR Shared Services team standardize, centralize and automate all the HR Transaction thereby enhancing employee experience.

During the year, the Company has concluded a long-term wage agreement with its union at the Mundhwa Plant for 3 years from 2022 to 2025. The Company also continued with Industry 4.0 training for its workers to build a digital workplace and improve their understanding of products and processes. It continues to partner with unions to ensure cordial and proactive industrial relations across all the plants.

INFORMATION TECHNOLOGY

Bharat Forge made substantial investments in IT in the last few years. To fully leverage its benefits, the Company has started the journey towards harvesting data from various line of business systems into an enterprise grade data-lake and is building advanced Artificial Intelligence and

Machine Learning algorithms to pinpoint focus areas for enhanced efficiency from business processes.

FY 2022-23 was a key turning point when it comes to Industry 4.0 implementation. The Company shifted its focus to preventive/predictive approach as well as remote operations monitoring of its global footprint. As a first step, the Company has equipped its newest plant with real-time operations monitoring center through Industry 4.0 from India command center. This will be progressively rolled-out across other factories.

Infrastructure modernization started with creation of BFLs own internal hosted cloud and overhaul of its network technology providing state-of-the-art, scalable and secure footprint.

Information security remains a priority amidst the global onslaught of malware and ransomware threats that have impacted many organizations. Bharat Forge further strengthened its posture with establishment of Security Operations Center for proactive identification and mitigation of cyber threats. Considering business expansion and diversification, data leakage protection has been implemented. The Company further intends to strengthen cyber security by going beyond just preventing the cyber-attacks, to being able to withstand and recover from them.

Generative AI, hyper automation and other emerging technologies will play a key role in current as well as future business models of Bharat Forge. As such incubation and rapid adoption of next technologies in day-to-day business will be an area of emphasis. Towards that end, partnerships with startups and educational institutions will be established to create a culture of technology innovation, re-engineering the current processes and delivery models.

CORPORATE SOCIAL RESPONSIBILITY

Over the last eight years, Bharat Forge is contributing in the development of villages with the philosophy of giving back to the society through social inclusion, aimed at development of the nation. Corporates along with monetary resources can transfer their management skills, speed and technology for social development processes, with the result the changes that take place are rapid and significant.

Bharat Forge Limited being catalyst in the process of village development and other areas like education, health, skill development, women empowerment and sport could positively impact / reach out to more than 213,000 lives.

The Company is developing 100 villages on five key indicators with the long-term objective of improving the income level of the farmers and transforming the villages into Green villages by working on environment sustainability as well as social factors. For the year FY 2022-23, the Company applied for certification of these Green villages with IGBC (Indian Green Building Council) of CII. After the 1st round of assessment by their team, feedback was shared on the Company's progress. Three of the villages including Dhamner, Saygaon and Nagzari were rated as Platinum and other three villages of Takale, Rui and Targaon were rated under Gold category.

To expand the green cover in the villages, BFL is undertaking various initiatives driven by participation from the village population. The Company planted more than 1 lakh trees, conserved 2,207 trillion m³ of water through different water harvesting structures, established 155.97 KW of solar system in villages and also organized the 'Swachha Sundar Gaon Competition' to make the villages clean. Along with this, the Company is also striving to make few urban societies as Green Societies and has installed 500 composter planters to convert their kitchen and garden waste into manure.

The key initiatives undertaken by the Company during FY 2022-23 across its five focus areas are as follows:

Under Skill Development

- The Company strives for imparting skills to the rural youth for making them entrepreneur. Towards this, Centre of Excellence (CoE) and an Incubation Centre at Vidya Pratishthan in Baramati has been set up. New edge technology skills like Robotics, IoT (Internet of Things), AIML (Artificial intelligence and machine learning), Data Analytics etc. will be imparted to the students. This Incubation Centre will support new incubatees to convert their ideas into reality. The focus of this program is women empowerment with more than 60% of students being girls.

- The Company provided sponsorship and mentorship to 20 rural female students from Student Welfare Association for pursuing engineering/diploma courses. The Company's employees are taking lead in mentoring them.
- The Company trained 338 farmers through Agriculture Development Trust (ADT) Baramati, for improved technology in agriculture. Recently, ADT has collaborated with Microsoft and Oxford for improved technology in agriculture.
- The Company is industry partner with four Government Industrial Training institutes (ITIs) for quality training and infrastructure developments.

Health Initiative

For the betterment of health of the villagers, Bharat Forge has constructed underground sewerage to make the villages clean and hygienic. The Company also conducted 11 cancer screening camps for 908 rural women folk to drive awareness on the same. Further, the Company set up seven telemedicine centers and made Doctor available to 11,000 people from remote places with the help of technology.

Educational Initiative

The educational program focuses on uplifting children from underprivileged background as well as infrastructure improvement of Government schools.

The Company is providing non-formal education to 14,000 children from 130 slum communities through Pratham Pune Education Foundation and Jnana Prabodhini. The Company has also constructed schools and toilets at village Salve and Sonari. Further, it organized different activities and campaigns this year including 'Har Ghar Tiranga Campaign' for 15,500 children and people from communities and 'Balchetna Shibir' for 5,400 children from communities.

Women Empowerment

The community development program aims at empowering 350 women of underprivileged sections by providing vocational training, business enterprise support, and other resources to promote entrepreneurship ecosystem.

Sports Initiative

The sport's focus included supporting five sports talents across the country where the sportsperson are now representing India at International level.

We have received following awards for our CSR Initiatives and efforts



Amity CSR Award 2022

Bharat Forge was declared the winner of the prestigious "Amity CSR Award 2022" in the Manufacturing Sector category on October 29, 2022. We were declared winners among 54 companies that participated. This Award was given at Amity Global Business School, Pune.



Best CSR Project Award 2023

Bharat Forge Limited received the "Best CSR Project of the Year Award 2023" by UBS Forum in the 7th Edition of Corporate Social Responsibility Awards, held on March 14, 2023 at ITC Grand Maratha, Mumbai. We're grateful for this recognition and thank our team and partners for their dedicated efforts.

RISK MANAGEMENT

The Company has a well-devised risk management process aimed at identifying, prioritizing, mitigating and monitoring risks. The key risks impacting its business include economic, foreign exchange, raw material, technology, funding, talent and cyber security risks. The Company has undertaken measures to mitigate these risks.

Risks

- Challenges on inflation and supply chain persists globally. These macroeconomic conditions remain critical to business growth of the Company
- Central bank globally are increasing rates to cool down inflation. This may have an adverse impact on the Company's end customers demand and subsequently impact growth
- Ensuring proper working of all our equipment is a key operational risk. Any shortfall on that front may impact the Company's ability to meet customer requirements on time
- With rising shortage of skilled labor, retaining workers remains a risk for the Company to mitigate
- Ensuring worker safety remains a critical operational risk across the Company's plants
- Changing technology paradigm and dynamic customer needs are important to remain relevant and sustain business growth
- Given the global nature of the Company's business, any disruption of movement of goods to its customers is a key operational risk

Opportunities

- The government has developed numerous programs to help manufacturers, such as the Production Linked Incentive (PLI) Scheme, which is a cornerstone of the government's endeavor to achieve an Atmanirbhar Bharat

- The scheme's goal is to stimulate domestic manufacturing in strategic and emerging areas, improve the cost competitiveness of domestically-made goods, and increase local capacity and economies of scale
- The technology transition from ICE to New mobility technology is opening up new opportunities as the Company works with its customers in their transition journey
- The geopolitical tension and the high cost of various inputs needed for manufacturing including labor especially in Europe is making global companies to shift some of their supply chain into India
- Increase in defence spending by all major countries and the focus on infrastructure globally is acting as a tailwind for the Company's industrial business
- Domestic producers are given a preference in the defence sector which will provide new opportunities to the industry

Threats

- A faster shift to new mobility transport will have a meaningful impact on our business
- Several new companies are entering the market, and existing rivals in adjacent product categories are also increasing their offerings



Internal Control Systems and their Adequacy

The Company has a robust internal control system that authorizes, records, and reports transactions to safeguard assets and protect against loss from unauthorized use or disposition. The internal controls ensure the reliability of data and financial information to maintain accountability of assets. These internal controls are supplemented by extensive internal audits, management review, and documented policies, guidelines, and procedures.