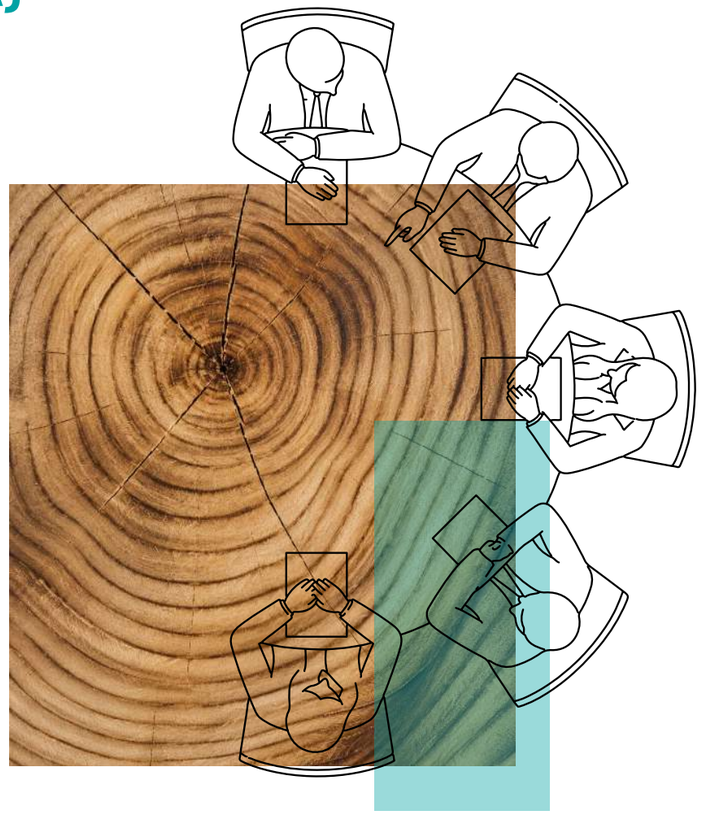
Management Discussion & Analysis (MD&A)



ECONOMIC REVIEW

Global Economy

The global economy faced a challenging environment through 2025 and early 2026, shaped by geopolitical tensions and trade policy uncertainties. Ongoing conflicts and instability in key regions, including the Middle East, disrupted global energy markets and supply chains. At the same time, rising protectionist measures, particularly tariff actions in the United States (US), reshaped global trade dynamics. Towards the latter half of 2025, the global environment showed signs of stabilization, with major economies initiating negotiations and policy measures to ease trade tensions. While these steps provided near-term relief, structural challenges and geoeconomic fragmentation continue to influence the global economic outlook.

Outlook

The IMF projects global growth to remain stable at 3.1% in CY 2026 and 3.2% in CY 2027, amidst persistent geopolitical tensions, shifting trade dynamics, and relatively softer demand conditions. While inflationary pressures are easing across several major economies, higher interest rates and tighter financial conditions continue to weigh on consumption and investment activity. As economies adapt to evolving trade policies and tariff structures, policy uncertainty is likely to remain elevated, potentially impacting investment and trade flows. Nevertheless, sustained investments in artificial intelligence, digitization, and advanced technologies are expected to support productivity and global economic growth.

The IMF projects global growth to remain stable at 3.1% in CY 2026 and 3.2% in CY 2027, amidst persistent geopolitical tensions, shifting trade dynamics, and relatively softer demand conditions.

The Middle East conflict has contributed to increased market volatility, currency pressures in emerging economies, and renewed concerns around inflation, raising the prospect of tighter monetary conditions and weaker growth.

(Source: IMF World Economic Outlook April 2026)

Indian Economy

Despite global macroeconomic instability, India continues to stand out as the world's fastest growing major economy. India's real GDP growth was at 7.7% in FY2026. Growth is being driven by robust domestic consumption, sustained infrastructure investments, digital transformation, easing inflation, and a continued push towards manufacturing-led expansion. Government initiatives, such as Make in India and Production Linked Incentive (PLI) schemes, have strengthened manufacturing capabilities and self-reliance.

Outlook

India's GDP growth is projected at 6.8%–7.2% for FY2027, continuing to outpace most major economies. Key drivers include resilient private consumption, recovery in private investment, and steady export momentum. The Union Budget 2026–27 reinforces this outlook with a strong focus on public investment, increasing capital expenditure to a record ₹12.2 lakh crore, a nearly 9% rise over the previous year. Strategic allocations towards infrastructure development are expected to accelerate economic activity and advance the government's 'Viksit Bharat' vision. However, external headwinds such as global trade protectionism, rising geopolitical tensions, inflationary conditions due to supply chain disruptions, financial market volatility and potential of slower growth in public capex may pose downside risks to the growth outlook.

(Source: Union Budget 2026-27)

BUSINESS ENVIRONMENT

Automobile Business

Global Automotive Industry

Overview

The global automotive industry maintained steady growth in CY2025. According to S&P Global Mobility estimates, global light vehicle sales increased to 91.7 million units in CY2025 from 88.2 million units in CY2024, reflecting a 4% growth. The European automotive market recorded modest growth, with new car registrations in the European Union rising by 1.8% in CY2025. Growth in the region was supported by continued electrification, with battery-electric vehicles (BEVs) accounting for 17% of total sales, driven by new launches and improving price dynamics. However, profitability remains under pressure due to a shift towards lower-margin mass-market vehicles, rising competition, and restructuring costs.

The United States automotive market demonstrated stable growth, with light vehicle sales reaching 16.36 million units in CY2025, up 2.3% from CY2024. However, demand is expected to soften to 15.9 million units in CY2026 due to affordability concerns, high vehicle prices, and policy uncertainties, including evolving trade and tariff measures.

Outlook

The global automotive industry is expected to witness stable demand in CY2026, with light vehicle sales projected at around 91.8 million units. This reflects a mix of market drivers, including ongoing tariff impacts, supply chain uncertainties, high interest rates, and uneven adoption of electric vehicles across regions. Geopolitical tensions and instability in West Asia may impact the industry by disrupting supply chains, increasing shipping costs, and reducing the availability of key inputs such as petrochemicals and aluminum scrap. Elevated energy prices, including oil and liquefied natural gas (LNG), could increase manufacturing costs, thereby affecting production and vehicle affordability. However, the transition to electrification remains strong, with electrified vehicles, including battery electric vehicles (BEVs), plug-in hybrids, and range-extended EVs, projected to account for nearly 30% of global vehicle sales by CY2026.

(Source: S&P Global)

COMPANY REVIEW OF THE EXPORTS AUTO MARKET

Commercial Vehicles (CV)

The Commercial vehicle export business was impacted by the de-stocking in the North American truck market. For the Full Year revenue at ₹1,324 crore was lower 34% YoY. This performance should be viewed in light of a 50% YoY drop in North American CV revenue. Traditionally CV exports segment has focused on Class 7 & 8 trucks in US and the HCV segment in Europe. Our CV exports story was always about increasing market share as OEMs prioritized reliable suppliers. Our portfolio prioritizes safety critical components across Engines, Driveline and Transmission systems. The ability to deliver the goods with desired quality at the first instance and focus on high value components has made us a critical supplier to most of our OEM customers.

These moats have ensured long-lasting engagements with all major players in the markets we operate in. As a result the current tariff regime in the US has resulted in no business disruptions as well as no impact on market share for Bharat Forge.

Passenger Vehicles (PV)

In a year where the US introduced tariffs on all forms of components in the automobile basket, our PV exports showed remarkable resilience. Despite looming inflationary pressures and some demand headwinds, our PV exports registered 3% YoY growth to reach ₹1,145 crore. The North American exports were squeezed by the trade tariffs, however, strong growth in Central and South America negated the headwinds from the US market. In addition to market diversification, this growth was driven by introduction of new parts, expanding market share and entry into new markets beyond the Americas. In the medium term, our focus is geared towards expanding market share, introducing new parts and prioritizing markets where the electrification trend is less relevant due to inadequate charging infrastructure or affordability challenges. We aim to be the last man standing for supply of ICE components to all our customers.

Indian Automotive Industry

Overview

The Indian automotive industry demonstrated strong volume growth of 11.8% in FY2026, reinforcing its position as the world's third-largest automobile market. Growth was driven by robust domestic demand, rising exports, policy-led electrification, and a well-established manufacturing ecosystem. Exports also recorded healthy growth, driven by buoyant demand for cars, two-wheelers and commercial vehicles across Africa, Latin America, the Middle-East and ASEAN regions.

The passenger vehicle (PV) segment maintained a positive trajectory, with 4.6 million units sold in FY2026 compared to 4.3 million units in FY2025. Utility vehicles continue to outperform other categories, aided by changing consumer preferences and new model launches. The share of alternative powertrains, including CNG, hybrids, and electric vehicles, is rising steadily due to regulatory push and evolving customer preferences.

Commercial vehicles (CVs) recorded steady growth, led by improved freight activity and favorable policy measures, including the reduction in GST rates. Demand remained strong for higher tonnage vehicles, driven by enhanced road infrastructure and logistics efficiency. Continued thrust on infrastructure development, easing inflationary pressures, and supportive fiscal measures are expected to sustain automotive demand. As global mobility shifts towards safer and sustainable solutions, India's automotive industry is investing in innovative, future-ready technologies, expanding its role in the nation's economic growth.

Outlook

The Indian automotive industry is expected to witness moderate growth of 3–6% in FY2027, reflecting a normalization in demand across segments. Growth will be supported by steady traction in passenger vehicles, recovery in two-wheelers, and stable demand in commercial vehicles, driven by overall economic activity, industrial expansion, and infrastructure-led development. However, a sharp rise in diesel price might adversely impact the CV growth outlook.

The shift towards alternative fuel vehicles, including CNG, hybrids, and electric vehicles, is expected to continue, supported by regulatory measures and evolving consumer preferences. Premiumization trends are likely to sustain momentum, while entry-level segments may remain subdued. Electrification will continue to gain traction, particularly in two- and three-wheelers, with gradual adoption in passenger vehicles.

The government's continued focus on infrastructure development, manufacturing, and policy support is expected to remain a key growth enabler. Increased allocation of ₹12.2 lakh crore in the Union Budget 2026–27, particularly towards roads, logistics, transportation, and improving rural conditions, is anticipated to support demand and strengthen the industry outlook.

Aligned with the 'Viksit Bharat' vision and building on ongoing reforms, the Union Budget 2026–27 outlines measures to propel India's automotive sector. The government has allocated ₹5,939.87 crore under the PLI scheme for automobiles and auto components, supporting localization and the development of advanced technologies. The budget also emphasizes decarbonization by promoting domestic manufacturing of EV components and expanding green mobility infrastructure.

(Source: ICRA, Union Budget 2026-27)

The Indian automotive industry is expected to witness moderate growth of 3–6% in FY2027, reflecting a normalization in demand across segments.

Company Review of the Domestic Auto Market

Commercial Vehicles

Our Domestic CV business had positive year driven by the GST rate rationalization. FY2026 revenue for the Domestic CV business was ₹1,036 crore up 8% YoY. With the Total cost of ownership (TCO) seeing a tangible reduction, the savings were ploughed back by the fleet operators into buying new trucks. General improvement in Indian road infrastructure, good growth in the manufacturing sector and demand side factors have positively impacted Commercial truck volumes. In addition to volumes, average truck sizes have increased with Tractor Trailers and Tippers gaining market driven by higher construction activity and goods transport needs. As a result, the total tonnage carried by the trucking industry has seen an exponential jump since FY2022. These trends are an encouraging sign for suppliers like us as OEMs invest in building more bigger and sophisticated platforms.

Passenger Vehicles

The Domestic Passenger vehicles business recorded another strong year registering revenue of ₹397 crore up 10% YoY. As vehicle ownership costs saw meaningful reduction post the GST cuts consumers flocked to purchase new vehicles. UVs continued to dominate the market, SUVs now constituted almost 2/3rd of the Passenger car market. Driven by higher disposable incomes and premium riding experience consumer preference has gravitated to bigger and more safer cars. This trend has benefited suppliers like us as consumers prioritize safety.

Industrial Business

The government's continued emphasis on strengthening physical and digital infrastructure presents significant opportunities for the industrial sector. With an increased capital outlay of ₹12.2 lakh crore in FY2027, infrastructure development is expected to sustain momentum, acting as a catalyst for economic activity. Growth in the construction sector is driven by accelerated project execution, urbanization, and investments across housing, transportation, and core industries. The sector is expected to grow at 8–10% in FY2027, supported by a robust order pipeline and favorable policy reforms. Continued progress in logistics, railways, and road infrastructure further enhances demand visibility for industrial segments, reinforcing the sector's contribution to India's economic growth.

(Source: ICRA)

Company Review of the Industrial Segment

Over the years, Bharat Forge's Industrial business has grown through diversification amongst end-user industries. FY2026 Industrial revenue at ₹4,064 crore was up 4% YoY across Domestic and exports. The export revenue at ₹1,541 crore was marginally lower despite the tariff-related headwinds in the US. The diversity of our customer base and geographic presence enables us to effectively offset sector- and country-specific volatilities.

FY2026 saw us take small steps towards supply of Forged and machined components for Semiconductor manufacturing equipment. We expect this segment to show positive momentum given the current boom in Semiconductor manufacturing.

Bharat Forge's Industrial business has been a major beneficiary of the Artificial Intelligence led data centre boom. The mushrooming of data centres has led to an exponential rise in demand for Backup/ Stand by power. Bharat Forge is a major engine components supplier to OEMs that build these back-up power plants. The tremendous tailwinds generated by the AI-led demand will translate into strong growth for this vertical. In addition to data centres, we supply engine, chassis and transmission components to a large subset of industries including oil & gas, sugar, cement, steel and construction & mining. As construction activity gains momentum and private capex grows, we expect the industrials segment (ex-Defense) to post strong performance.

FY2026 saw us take small steps towards supply of Forged and machined components for Semiconductor manufacturing equipment. We expect this segment to show positive momentum given the current boom in Semiconductor manufacturing.

JS Auto Cast

Amidst the gloom in the export market JS Autocast ("JSA")recorded positive revenue and EBITDA growth. FY2026 revenue was ₹757 crore while EBITDA was ₹106 crore resulting in EBITDA margin of 14%. JS Autocast has cemented its position in the export market as a reliable supplier for critical and complex castings. With continuous focus on New product development and increasing the addressable market, JSA has diversified beyond Wind Energy into Hydraulics, Construction & Mining and Automobiles.

In addition to its competitive strengths, JS AutoCast benefits from industry tailwinds as OEMs increasingly rely on India-based castings suppliers for sourcing critical components. With energy and manpower inflation driving up costs across Europe, OEMs are looking at strategically cultivating Casting suppliers from India.

₹757 crore
Revenue

14%
EBITDA margin

Overseas Business

The overseas manufacturing operations had a mixed year – operational performance improved slightly driven by internal efficiency measures and stable utilization rates. Europe recorded sales of ₹3,865 crore and EBITDA of ₹151 crore translating in EBITDA margin of 3.9%. US Operations had revenue of ₹1,533 crore and EBITDA of ₹54 crore, resulting in EBITDA margin of 3.5%. Our Aluminum operations continue to gradually improve in performance. Barring any adverse trade policy changes, operational performance and utilization rates will drive EBITDA profitability.

Amidst the difficult market conditions in Europe, we are in the process of finalizing the restructuring of Bharat Forge CDP. We aim to complete the entire process by the end of CY2027. In addition to their automotive work, the company is exploring the use of its remaining manufacturing assets in Europe for the Industrial business as well.

In ₹ crore

Particulars	FY2026	FY2025
Steel	3,041	2,704
Aluminum	2,357	2,083
Total	**5,398**	**4,787**

Defense Business

India's defense sector has made rapid advancements in recent years, driven by sustained focus on self-reliance and indigenization. The expansion of domestic manufacturing under the "Make in India" initiative, complemented by structural reforms and private sector participation, has strengthened the ecosystem. This shift towards indigenous production aligns with the government's Aatmanirbhar Bharat vision, positioning India as an emerging hub for advanced defense technologies and equipment. The Union Budget 2026-27 has continued to prioritize defense modernization and localization, allocating ₹7.85 lakh crore to the Ministry of Defense, marking a 15.19% increase over FY2026, with a major focus on military modernization.

India is steadily strengthening its global defense footprint, with defense exports surging from ₹23,622 crore in FY2025 to a record ₹38,424 crore in FY2026. As the nation progresses towards its targets of ₹3 lakh crore in defense production and ₹50,000 crore in exports by 2029, continued emphasis on innovation, strategic partnerships, and domestic capability building is expected to position the country as a preferred global defense manufacturing hub.

(Source: PIB)

Our Defense business recorded a strong year, among the major achievements was the signing of the prestigious CQB Carbine contract for supply of more than 255,000 units to the Indian Armed Forces. The CQB carbines along with the ATAGS contract secure a stable revenue pipeline for our business over the next 3-4 years.

In addition to our Land-based platforms and vehicles portfolio, we are in the process of significantly augmenting our Naval/Underwater solutions bouquet. Our subsidiary Kalyani Strategic Systems (KSSL) received its 1st major order for supply of Unmanned Underwater Vehicles to the Indian Navy. Being an Emergency procurement order these deliveries will happen within 12 months from the date of signing of the contract.

We are developing a range of products including Naval guns, Transmission, Steering systems for ships, Propulsion components for Ship engines and Underwater modules for crew training in Anti-Submarine warfare. The engine and Driveline systems are dual-use with potential for non-Military sales. During the year, we co-developed the Vikram VT21, an 8x8 armored platform with a 30mm turret capable of firing at 550 rounds per minute. Going ahead, we expect to build more platforms/products in Defense across Land/ Naval and Air.

With the scaling up of technology, unmanned platforms have become an indispensable domain in warfare. We aim to capture this shift through niche products. We are developing an Unmanned Vehicles portfolio for both Air and the Naval domain.

Our stepdown subsidiary Agneyastra Energetics, has acquired land for our Propellant and Explosive manufacturing facility in Andhra Pradesh. Through this initiative, we aim to capture significant value across the defense explosives supply chain.

Our 100% owned subsidiary – Kalyani Strategic Systems recorded FY2026 sales of ₹1,560 crore, this was flat YoY. The strategic priorities outlined above have the potential to expand the product portfolio. These initiatives will open up access to new programs and expand the export footprint helping build a robust and scalable revenue pipeline over the medium to long term.

Aerospace Business

FY2026 was a year of strong and sustained growth for the Aerospace business, marked by significant advancements in customer acquisition, product development, and technological innovation, further strengthening the division's market positioning and execution capabilities. The business maintained a clear strategic emphasis on aerostructures, landing gear systems, critical engine components, and unmanned aerial vehicles (UAVs), reinforcing its role as a key contributor to advanced aerospace and defense solutions globally.

The Company expanded its global footprint by securing new business from both existing and new customers like Pratt and Whitney Canada, Liebherr Aerospace, Rolls Royce reflecting increasing trust from leading OEMs in its integrated capabilities. We recently inaugurated our new Landing Gear machining facility in Pune, similarly our Ring mill at Baramati is expected to get commissioned by H1CY2027. Together these manufacturing assets should enable a shift up in the value chain towards sub-assemblies and systems.

We also progressed successfully by developing a Titanium grade Landing Gear for a UAV platform of a North American OEM. The UAV segment gained strong momentum with contract wins and the development of ISR and loitering munition platforms tailored to Indian conditions.

The Company continued to demonstrate excellence in quality and innovation, achieving multiple NADCAP reaccreditations with zero non-conformities, along with progress in AS9100D and Semilac certifications. Digital and Industry 4.0 initiatives, coupled with expanded MRO capabilities, are driving improved efficiency and lifecycle management.

Overall, FY2026 marked a pivotal phase in the Aerospace business's growth journey, with a robust pipeline, continued investments, and a strong innovation focus, the division is well-positioned to drive sustainable growth.

K Drive Mobility

The recent addition of K Drive Mobility in the business mix has opened up the Axle design and assembly segment for us. K Drive has been consolidated as a 100% subsidiary of Bharat Forge w.e.f July 1, 2025 with 9-month revenue of ₹958 crore and EBITDA at ₹42 crore. K Drive's proprietary technology and experienced human resource form the back bone of its axle design capability. Currently Medium & Heavy Commercial vehicles constitute bulk of the company's sales. However, recent order wins for E-LCV platforms, SUVs and Buses will diversify the business mix. The diversification across CVs and Passenger cars will translate into material improvements in financial metrics in the next 2-3 years. In the longer run we aim to supply fully assembled axles to all forms of mobility supported by in-house technology.

E-Mobility Business

The E-mobility vertical faced a tough year as lower EV adoption globally ex of China dramatically shaped the demand trajectory. OEMs ex of China took significant write-downs on their EV investments and scaled down their growth ambitions. Our business went through a similar adjustment. We are currently re-evaluating our EV positioning and aim to find a suitable sweet spot to prosper and thrive in the market place.

FINANCIAL REVIEW

STANDALONE

Analysis of Standalone Profit and Loss Statement

In ₹ million

Particulars	FY2026	FY2025	% Change
Total Revenue	83,956.78	88,437.30	-5.07%
Raw Material	32,456.49	35,921.66	
Manufacturing Expenses	13,055.90	12,140.78	
Manpower Cost	6,760.05	6,366.06	
Other Expenditure	8,562.89	8,771.90	
Total Expenditure	**60,835.33**	**63,200.40**	**-3.74%**
EBITDA	**23,121.45**	**25,236.90**	**-8.38%**
EBITDA (%)	**27.54%**	**28.54%**	
Depreciation	4,480.49	4,403.69	
Interest	1,821.74	2,498.14	
Other Income	1,444.57	1,588.53	
PBT	18,263.79	19,923.60	-8.33%
Exchange Gain/ (Loss)	-55.69	-202.82	
PBT	18,208.10	19,720.78	-7.67%
Exceptional Items Gain/ (Loss)	-5,495.85	-1,533.14	
PBT	12,712.25	18,187.64	
Taxation	4,524.84	4,965.13	
PAT	**8,187.41**	**13,222.51**	**-38.08%**

CONSOLIDATED

Analysis of Consolidated Profit and Loss Statement

In ₹ million

Particulars	FY2026	FY2025	% Change
Total Revenue	168,116.53	151,228.03	11.17%
Raw Material	75,895.81	65,943.40	
Manufacturing Expenses	22,084.58	20,924.59	
Manpower Cost	21,034.18	18,698.95	
Other Expenditure	19,993.59	18,529.90	
Total Expenditure	**139,008.16**	**124,096.84**	**12.02%**
EBITDA	**29,108.37**	**27,131.19**	**7.29%**
EBITDA (%)	**17.31%**	**17.94%**	
Depreciation	9,709.24	8,736.19	
Interest	3,233.46	4,174.93	
Other Income	1,986.83	2,137.64	
PBT	18,152.50	16,357.71	10.97%
Exchange Gain/ (Loss)	158.36	-191.74	
PBT	18,310.86	16,165.97	13.27%
Exceptional Items	-1,544.43	-1,570.65	
Share of (Loss)/Profit of Associates and Joint Ventures	-94.71	-37.07	
PBT	16,671.72	14,558.25	
Taxation	5,777.74	5,425.50	
PAT	**10,893.98**	**9,132.75**	**19.28%**

HUMAN RESOURCES

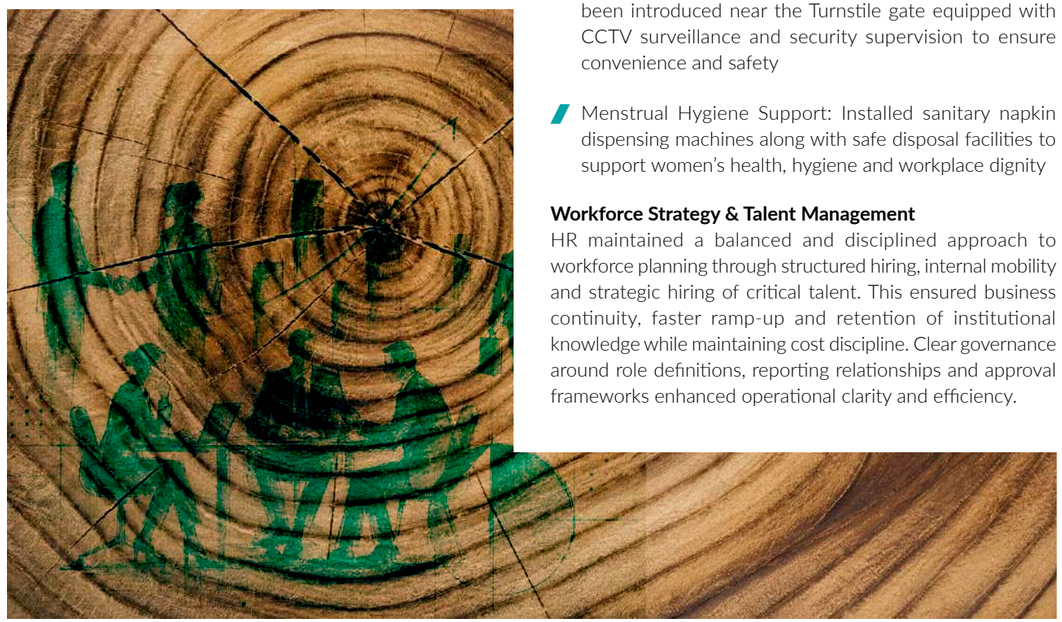
During FY2026, Human Resources function at Bharat Forge Limited played a strategic role in enabling business resilience, strengthening talent continuity and driving a high performance, compliant and engaged workplace aligned with organizational priorities. Major focus areas include:

Performance Management
Performance Management System (PMS) was strengthened through continuous feedback, structured calibration and data driven insights ensuring fairness and consistency across performance evaluations. Enhanced alignment between performance outcomes, rewards and development opportunities to drive accountability and merit-based growth.

Capability Building & Leadership Development
Significant progress was made in leadership and talent development:

- Leadership competency assessments conducted for 15 members of Operations Leadership Team
- 108 employees assessed through AI-enabled future Talent identification across eight leadership competencies
- Individual Development Plans (IDPs) were initiated for identified critical talent

These initiatives strengthened succession pipelines and leadership-readiness.



Employee Engagement
Employee engagement initiatives Cultural Festival, Family Day, Sports events (cycling, chess, cricket, carrom), medical checkups and blood donation drives - enhanced collaboration, well-being and morale

Industrial Relations
The organization maintained a stable and harmonious industrial relations environment with:

- Zero production loss due to IR issues
- Successful wage settlement at Baramati and Pune with Labour union for 2025-28 period

This reflects growing trust, collaboration and maturity in workforce relations.

Diversity, Equity & Inclusion (DEI)
Focused efforts were made to enhance inclusion and workplace safety:

- Doubled the female representation in our workforce from 1.53% in FY2023 to 3.03% in FY2026
- On site Healthcare Support: A female nurse has been appointed at the Mundhwa OHC to provide medical assistance to employees
- Enhanced Safety for Women Employees: A dedicated, well-secured two-wheeler parking area for women has been introduced near the Turnstile gate equipped with CCTV surveillance and security supervision to ensure convenience and safety
- Menstrual Hygiene Support: Installed sanitary napkin dispensing machines along with safe disposal facilities to support women's health, hygiene and workplace dignity

Workforce Strategy & Talent Management
HR maintained a balanced and disciplined approach to workforce planning through structured hiring, internal mobility and strategic hiring of critical talent. This ensured business continuity, faster ramp-up and retention of institutional knowledge while maintaining cost discipline. Clear governance around role definitions, reporting relationships and approval frameworks enhanced operational clarity and efficiency.

INFORMATION TECHNOLOGY

FY2026 in many ways brought a lot of challenges with it; not every challenge had a solution rooted in technology, however, technology offered deeper insights within the operations to highlight opportunities for optimization/simplification. During the year, we looked at critical areas where AI/Robotics could make a big impact – 4 themes emerged –

(a) product inspection

(b) material movement & material handling

(c) production planning

(d) near real-time insights from manufacturing process for better control

Pilots were successful in each of the above areas and we are gradually moving towards wider deployments with targeted gains in product quality, manufacturing cycle time, preventive actions to improve equipment availability among others.

Auto Components business – Key interventions included

(a) cost estimation tool for RFQ responses

(b) contribution analysis at line and shift level

(c) granular and real-time manufacturing cost breakdown

(d) planning for ERP modernization

(e) Product Lifecycle Management system deployment

(f) AI driven process design for new auto components

Defense business – Primary focus was on PLM adoption and effective utilization for new product/platform development. At the same time integration of the PLM solution with AR/VR platform for customer experience, maintenance training, assembly instructions and overall products visualization was implemented.

Overseas subsidiaries – BI/Reporting focus to replicate capabilities that are available in Indian plants. Continued deployment of IoT and associated preventive alerting and driving equipment availability.

AI adoption – Considerable effort was spent on training our employees on how to use AI with over 200 employees given basic training to use various LLMs. Microsoft Copilot was adopted by 125 people along with extensive training from Microsoft for effective utilization. Multiple LLM models were exposed via secure intranet portal for all employee consumptions, where we see several million tokens getting consumed daily.

Various initiatives such as vision models for product inspection, material pick & place, health and safety are being deployed. Autonomous forklifts are being experimented on the shopfloor with homegrown software, sensor integration with quadruped robots for machine to machine connectivity are being undertaken to further the theme of "Lights out" factory. This concept will demonstrate tangible results in FY2027.

Information Security – Full scale Disaster Recovery capability that also services business continuity during a potential ransomware attack has been established and tested. Effective data leakage preventions steps as well as the dark web monitoring has commenced for additional vigilance against any threats. Overall information security posture has been substantially strengthened across all the subsidiaries/entities with special focus on the Defense business.

Going forward AI and Robotics will continue to play a pivotal role in accomplishing "Lights Out" factory along with maintenance of robust security posture.

CORPORATE SOCIAL RESPONSIBILITY

Over the last 12 years, Bharat Forge has contributed to the development of villages with the philosophy of giving back to the society and inclusion of people from villages in the process of development of our nation.

Bharat Forge Limited being catalyst in the process of Village development and other areas like, Education, Health, Skill Development, Women empowerment and Sport could impact / reach out to more than 333,959 lives positively.

- While we are involved in the development of 130 villages on 5 key indicators, our long-term objective is to improve the income level of the rural population and transform these villages into Green villages by working on environment sustainability as well as social factors. For the year FY2026, we applied for certification for Green villages with IGBC (Indian Green Building Council) of CII. We received 1 platinum for Wagholi village from Ahilyanagar district and gold rating for 5 villages - Jaipur, Jaygoan, Ekambe, Shirdhone and Belewadi from Satara district in Maharashtra.

- To reduce the impact of greenhouse emissions and to make some of the villages green, various initiatives were undertaken by Bharat Forge. We planted more than 1.35 lakh trees, conserved 3,701 TCM of water through different water harvesting structures, installed 1,835 KW of renewable energy through solar in villages and also organized the 'Swachha Sundar Gaon Competition' to make the villages clean. Along with this, we are also striving to make few urban societies as Green Societies and have installed 2,280 composter planters to convert their kitchen and garden waste into manure.

- **Under Skill Development Initiatives**

a) We have initiated Skill development efforts in North Eastern region in the states of Nagaland and Mizoram. In Nagaland, at Dimapur we have set up the centre of excellence with the new-edge technologies like drone technology, 3D printing, smart factory, PLC programming, electrical and drone simulations etc. At Dimapur, we have set up the skills lab in two government schools, where students are getting the technical orientation from school days itself.

b) At Mizoram, one centre of excellence at ITI, Aizawl and Skills lab at government school is under process where new-age technology skills is going to be imparted to the students.

c) We strive towards imparting skills to the rural youth for building an entrepreneurial spirit. In this regard, we have setup a Centre of Excellence (CoE) and Incubation Centre at Vidya Pratishthan in Baramati, Maharashtra. 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 at the CoE. The Incubation Centre will support new initiatives to convert their ideas into reality. The focus of this program is women empowerment where more than 60 % of students are girl students.

d) We are also providing sponsorship & mentorship to 100 girl students from Vidyarthi Sahayak Samiti. They are from rural background, pursuing engineering/diploma. Our employees are taking lead in mentoring them.

e) We have trained 610 farmers through Agriculture Development Trust (ADT) Baramati, for improved technology in agriculture. We are also working with ADT as a technical partner for Tree Plantation project.

f) We are Industry partner with 4 Government Industrial Training Institutes (ITIs) for quality training and infrastructure developments.

- **Under Health Initiative**

i. For the betterment of health of the villagers, we have constructed underground gutters and made the villages clean and hygienic.

ii. We have also conducted the cancer screening camps for 7,122 women in rural areas.

iii. Set up 8 telemedicine centres, thereby ensuring medical services are available at doorstep to 15,000 people from remote areas.

- **Under Educational Initiative**

Educational program focuses on uplifting children from underprivileged background, with focus on infrastructure improvement in government schools

a) We are providing non-formal education to 500 children from slum communities in Pune through Jnana Prabodhini.

b) We have constructed school building and toilets at village Jaypur, Tekavadi, Veer, Ambale, Kodit and Khalad.

- **Under 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

- **Under Sports Initiative** – The sport's focus includes supporting 3 sports talents across the country where the sportsperson are now representing India at International level.

Bharat Forge won the CSR Times Award – 2025 in the Skills Development Category. The recognition was presented by Ms. Jacqueline Mukangira, High Commissioner of the Republic of Rwanda, in the presence of other commissioners from different countries and CSR professionals. The event was graced by Hon. Union Minister for Road & Transport, Shri Nitin Gadkari ji, along with other dignitaries and CSR professionals from across the country.

Read more
about our CSR initiatives on Pg. 62

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Bharat Forge's ESG journey commenced with the establishment of a Board-level ESG Committee in FY2022. Guided by clearly-defined material priorities, the Company has developed a structured ESG roadmap comprising seven strategic objectives and 25 focused action areas. This framework enables systematic identification, assessment and management of ESG-related risks and opportunities, with ongoing oversight from the management to ensure consistent progress.

The Company continues to strengthen its performance across key ESG pillars, including stakeholder engagement, resource efficiency, climate action, responsible supply chain practices, customer-centric sustainability initiatives, risk management and ethical governance. ESG considerations are integrated into strategic decision-making processes, including investments and mergers and acquisitions. Bharat Forge's sustainability disclosures align with globally accepted frameworks, such as the Global Reporting Initiative (GRI). Continuous improvement in ESG ratings underscores the Company's performance and progress towards a resilient and responsible organization.

Read more
about ESG on Pg. 52

RISK MANAGEMENT

The Company has established a structured risk management framework to identify, assess, prioritize, mitigate, and monitor risks. The key risks impacting operations include macroeconomic volatility, foreign exchange exposure, raw material availability, technological disruption, funding, talent availability, and cybersecurity. The risks and mitigation measures are listed below:

- **Trade Policy Risk –** Trade tariffs and non-Tariff barriers can escalate costs of doing business and also alter the competitive advantages for certain geographies or products. Company remains in constant dialogue with its customers to mitigate such policy risks

- **Logistics & Supply chain Risk –** Disruptions of Sea-routes and challenges to navigation in open seas possess Logistics & supply chain risk. While we take adequate Insurance coverage, maintain sufficient inventory at warehouses near customer locations such disruptions can have an impact on business.

- **Cyber Security Risk –** In an inter-connected environment, any breach of secure networks has the potential to impact competitive advantages. Our layered security architecture aims to prevent any compromise of our systems. Our Company has put in place adequate business continuity plans in case of any disruptions.

- **Foreign Exchange Risk –** Significant portion of our revenue is derived from export, we also import some items as part of ongoing operations. These transactions expose us to Foreign exchange risk. A portion of this is mitigated via hedging to ensure minimal Exchange loss.

- **Equipment Risk -** Disruptions in equipment performance affect the Company's ability to meet customer requirements. We engage in periodic trainings for employees, have technology based preventive maintenance checks to mitigate such risks

- **Human Capital Risk -** Shortage of skilled workforce impacts the company's growth plans. Adequate talent retention and capability building policies have been put in a place. We also lay special emphasis on improving employee engagement and provide them with adequate Job rotation opportunities to align employee skill and job requirements.

- **Technology Risk -** There is an increasing need to continuously adapt to evolving technologies to meet changing customer expectations and sustain competitiveness. We invest to stay ahead of time to remain relevant on the technology frontier.

  On the market side, the transition from IC engine to E-mobility on a large scale globally across PV and M&HCV has the potential to materially alter the company's growth ambitions. Our efforts to diversify our mix towards Aerospace, Defense and other Industrial sectors will help mitigate this risk.

- **Operational Safety -** Ensuring employee health and safety across manufacturing facilities remains a key priority.

Read more
on our risks and mitigations on Pg. 68

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established a strong internal control framework to ensure that all transactions are duly authorized, recorded, and reported. These systems are designed to safeguard assets, prevent unauthorized use or disposition, and ensure the integrity of financial and operational information. The effectiveness of internal controls is reinforced through a comprehensive internal audit mechanism, regular management oversight, and well-defined policies, processes, and standard operating procedures.