BHARAT FORGE LIMITED

Registered Office

Mundhwa, Pune Cantonment, Pune 411 036

CHAIRMAN'S SPEECH

TO THE MEMBERS OF THE COMPANY AT THE

63rd ANNUAL GENERAL MEETING

ON FRIDAY, AUGUST 9th, 2024

Dear Shareholders,

Ladies & Gentlemen:

It gives me immense pleasure to extend a very warm welcome to all of you at the 63rd Annual General Meeting of your company, Bharat Forge Limited.

FY24 saw the geo-political turmoil spread across the globe with multiple fronts opening up and sea-lanes getting impacted. Amidst these uncertain times, India was an island of calm. The Indian economy's growth in the previous fiscal got a major leg-up with manufacturing recording a robust performance. The year gone by was a spectacular one for India with GDP growth touching 8.2%.

In the backdrop of a strong demand environment in our end-markets, all our key verticals recorded meaningful growth. Our standalone revenue increased by 18% to Rs 89,686 million. Higher capacity utilization and increased value-add boosted our EBITDA to Rs 24,687 million implying a 28% YoY growth. On a consolidated basis, our revenue stood at Rs 156,821 million recording a 21% YoY growth.

Reaping the benefits of Diversification –

In pursuit of a superior performance across cycles, we took a strategic decision to diversify beyond Commercial Vehicles in Automotive and grow beyond Oil & Gas in the Industrials space. Our Passenger vehicles business incubated in the middle of the last decade has performed remarkably over the last 2-3 years. Passenger car exports have surpassed $150 million in FY24 with room for more growth in the times to come. As OEMs scout for reliable partners, we aim to be the Last-man standing in this segment.

Our industrial business too remains on a solid footing thanks to the wide-range of customers and sectors we cater to. Over the years, our strategy to diversify across segments has helped us balance the volatility of individual sectors and generate strong returns via positive operating leverage. We aim to add more offerings to our bouquet in the next 2-3 years as themes like China+1 and Europe+1 gain traction and India becomes a preferred destination.

The recent Budget while spelling out the vision for Viksit Bharat laid special emphasis on Nuclear energy by encouraging the building of Small Modular Reactors. These innovative policy changes can act as strong catalysts for building a manufacturing ecosystem of Nuclear reactors opening up new avenues of growth for your company.

Defence: Our contribution to Atmanirbhar Bharat

Under the leadership of our Prime Minister, the Defence indigenization process has made significant progress. With progressive steps taken to increase the share of procurement from Indian companies and expanding the private sector participation in design and R&D our Defence production policy has come a long way. The government continues to play a constructive role vis-à-vis promoting Made-in-India products in the overseas market. These pro-active steps taken by the government provide strong tail winds to our company.

Bharat Forge's Defence vertical focuses on four areas currently – Artillery Guns for Deterrence, Vehicles for Battle-field protection, Naval and consumables. Today, I am pleased to inform you that our Defence business under our wholly owned subsidiary Kalyani Strategic Systems (KSSL) is beginning to show its potential.

For the year gone by, the group's defence business had a revenue of Rs 1,561 crore, recording a 4X growth YoY. The recent supply-side issues and capacity constraints at various defence manufacturers provide a springboard for the defence vertical to scale up massively. The principle of Atmanirbhar or self-Reliance is embedded in all the products we design and develop. With an in-house ownership of all the intellectual property, we can commit to deliverables like easier software upgrades, lower turn-around times and many others intangible benefits which very few OEMs can offer. This has opened up lucrative export opportunities for your company. As of June 30th our unexecuted order book stands at Rs 5,400 Crore with bulk of it destined for export.

At Bharat Forge, we are conscious of our Defence ESG commitments, accordingly we remain committed to stay away from weapons of mass destruction or any other platform that is banned by various UN conventions. We shall not engage in Manufacturing or be a part of the supply chain for controversial weapons.

Industrial Casting – The Sun is about to rise on the Horizon!!

Given our capability in metallurgy, we entered the Castings industry with the acquisition of JS Auto Cast. Over the last 24 months, the sectoral and client profile of JS Auto Cast has undergone a major change, with segment and OEM concentration reducing significantly. The company's ability to supply complex castings and offer differentiated products helps it stand apart in a highly fragmented industry environment. JSA reported a revenue of Rs 567 Crore with an EBITDA margin of 13.4% in FY24. This performance will improve significantly as a range of initiatives focused on value addition; operational efficiency, capacity expansion, and new product development are underway to strengthen the Company's future.

Overseas Operations – A play on powertrain agnostic components:

The overseas subsidiaries recovered some bit from the losses seen in FY23. Aluminum forging accounted for 38% of the total overseas turnover. Going ahead the aluminum business will only increase as the 2nd line in US come on stream. A combination of price support from our European customers and improving productivity in US aluminum will lead to further improvement in performance. The

aluminum forgings business being agnostic to powertrain preferences of consumers offers a good opportunity to participate in the PV growth story in North America and Europe.

Electric Mobility – Building competency Organically!!

The E-mobility landscape has changed dramatically over the last 12 months in India. The reduced allocations to FAME subsidies and general policy uncertainty have negatively affected our overall business. We have also taken certain provisions in our Q1 results to reflect the same. While the demand environment continues to be sluggish, we will continue to grow organically in this sector. The investments and efforts put into this space will be a very significant pivot for the company but will play out slowly over next 24 months.

Environment, Social and Governance (ESG):

At Bharat Forge, we take our commitments to environment, social and governance very seriously. A testament to this is the continuous upward trajectory seen in our ESG rankings conducted by external auditors. Our initiatives include becoming water positive by 2030, zero waste to landfill by 2030 and becoming carbon neutral in operations by 2040 to name a few. All these initiatives are milestones-based with their progress tracked by the Board of Directors.

On the social front, we serve the communities in and around our plants and help alleviate their livelihoods through a combination of education, skill development and village development with emphasis on women empowerment.

Update on our Transformation Journey:

As outlined last year we have embarked on a multi-faceted transformation of our organisation. We aim to reshape ourselves into a technology led company with manufacturing supported by Industry 4.0 capabilities. Aligned with this I am pleased to inform that we have inaugurated a state of the art Digital AI/ IoT lab. Through this, we aim to make our entire manufacturing process more competitive and create a platform to incubate future technology inside Bharat Forge.

On the human resources front, we have increased our investment in Human capital to help build a tech-savvy workforce with training & re-skilling accorded top-priority. Numerous initiatives are underway to improve diversity on the shop floor and increase employee engagement. Through this journey, we aim to create an agile organization, which can embrace and adapt quickly to the dynamic industry landscape.

I am confident with the transformation roadmap we have laid out the revenue and ROCE targets outlined in FY23 are within reach. The coming 5-6 years hold great promise for us. The shape & size of your company will be very different.

Conclusion with Acknowledgements:

We are well-positioned in terms of capacity, technology and talent. We continue to invest in capacity and technology to improve productivity and meet demand. We have invested significant resources in multiple sectors, some of which have already entered production. We believe global developments like China+1 and Europe+1 offer us immense opportunities for growth. Your company's strong Balance sheet allows it the head start to capitalize on these mega themes.

I would like to take this opportunity to thank all our valued customers, supply chain partners, employees for their unstinted support. They are a source of great encouragement and motivation for us. I would like to express my sincere thanks to the Government of India, the various State Governments, Financial Institutions and Banks for their sustained encouragement and support to your company.

I would like to thank our Independent Directors - Mr PG Pawar, Mrs Lalita Gupte, Mr Vimal Bhandari and Mr PH Ravikumar who will be demitting office in September. All four of them have acted as trustees of the shareholders in the best possible way and guided the Board and the Company through thick and thin over the past two decades. On behalf of Bharat Forge, we wish them all the success in their future endeavours.

Finally, I convey my personal gratitude for the confidence that you have reposed in your company's Board of Directors and sincerely hope that all of you will continue to extend your whole-hearted support to us so that we, along with the management team, and all our employees further push the accelerator of growth and progress of your company.

We seek your continued support as we create value for our stakeholders.

Thank you!

B. N Kalyani