

57TH ANNUAL REPORT 2017-18

JOURNEY TO DIGITAL



BHARAT FORGE



KALYANI

FY 2018 Highlights

Revenue

₹53,160 MN

⬆ 37.5%

y-o-y growth

Profit After Tax (PAT)

₹7,073 MN

⬆ 20.9%

y-o-y growth

ROCE (Net of Cash)

22.5%

Contents

02 Bharat Forge at a Glance

04 Board of Directors

05 Corporate Information

06 Chairman & Managing Director's Message

10 Financial Highlights (Standalone)

12 Journey to Digital

16 Management Discussion and Analysis

33 Board's Report

65 Report on Corporate Governance

81 Business Responsibility Report

91 Standalone Financial Statements

182 Consolidated Financial Statements

295 Form AOC-I

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

The new digital age presents tremendous opportunities for innovative manufacturers like Bharat Forge Limited (BFL), and we are preparing to take advantage of this opportunity to create an ecosystem of a digital organization. The aim of digitizing is to create smart factories with integrated IT systems that lead to less down time, create an efficient supply chain, improve processing workflow, and predict preventive maintenance, resulting in increased production capacity, lower cost of production and efficiently meeting customer demand with optimal accuracy.

The focus of the Company is to apply this initiative across the entire value chain and create a cohesive manufacturing ecosystem. This initiative provides substantial potential in helping us further enhance our manufacturing capabilities, efficiency and productivity that will provide us a competitive edge in the global manufacturing environment.

Please refer to Page 3 and Page 25.

Follow the instructions for an interactive Augmented Reality Experience.



Bharat Forge at a Glance

Bharat Forge Limited (BFL), the Pune-based Indian multinational is a technology driven global leader in metal forming, having a transcontinental presence serving several sectors, including automotive, power, oil and gas, construction & mining, rail, marine, aerospace and defence. It is a part of Kalyani Group - a US\$ 2.5 billion conglomerate.

We are backed by 50 years of experience in manufacturing a wide range of high-performance, critical and safety components. We are proud to have every global OEM in our customer base and their faith is reposed in our strong capabilities of metallurgical knowledge, design & engineering capability and manufacturing prowess. BFL has transformed itself from being a supplier of components to a preferred development partner through a concentrated focus on innovation, technology and value addition.

Operational highlights

Strong growth across all geographies on the back of improved end markets and increased customer traction

New order wins of ₹700 crores in FY 2018

Increasing contribution from Passenger Vehicles by new customer additions and value-added products

Strategic investment in Electric Vehicle (EV) start-up Tork Motorcycles to gain technical expertise in EV powertrain development

Opened R&D facility in the UK, in MIRA Technology Park, to develop components and sub-systems focused on EVs

Forging Capacity

6,25,000 MTPA

Employees

6,110

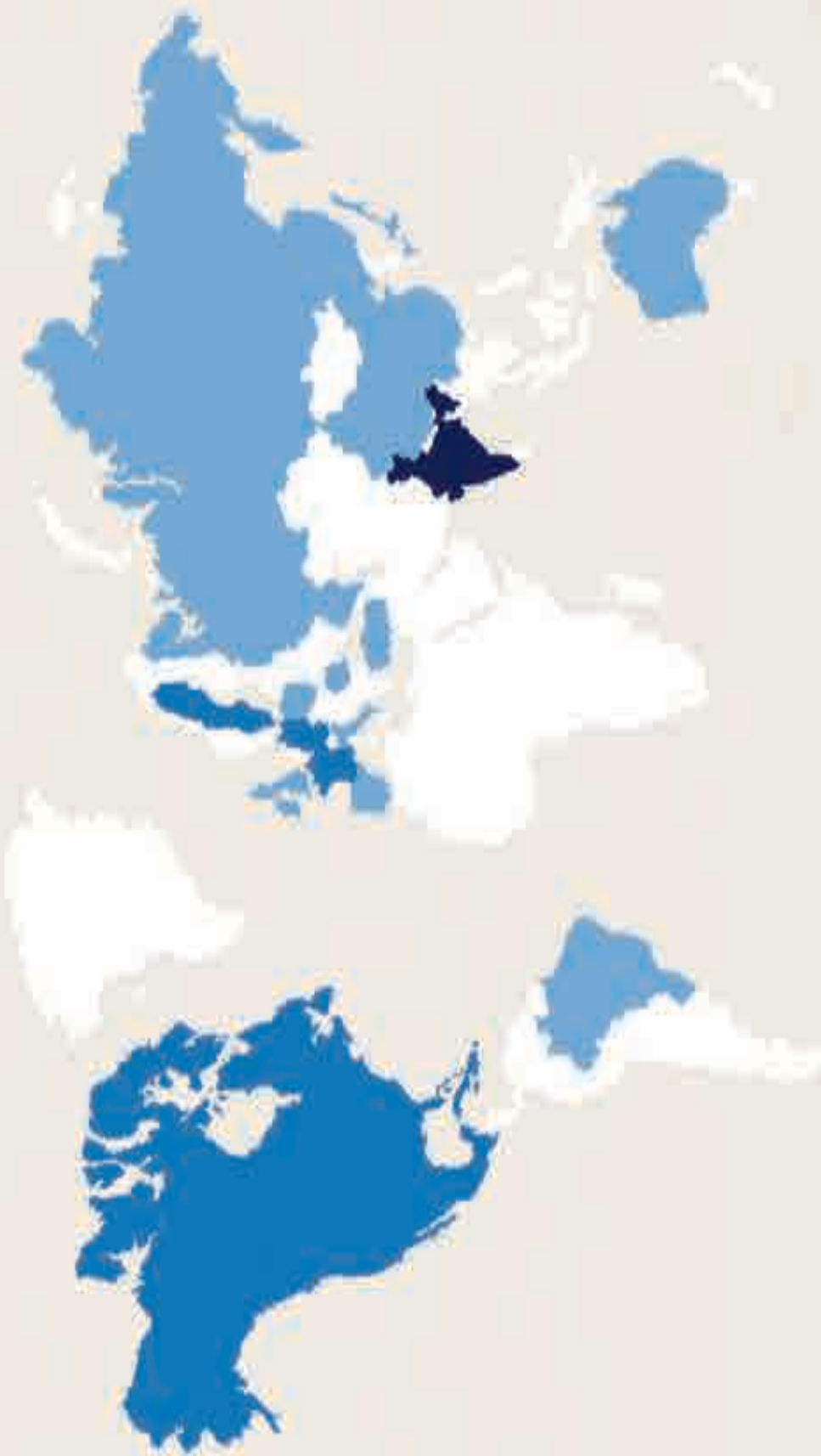
Manufacturing Locations

10

Geographical Presence

5 countries

OUR FACILITIES ARE STRATEGICALLY LOCATED. ACROSS THE WORLD. CLOSE TO YOU.



CUSTOMERS **MANUFACTURING & CUSTOMERS** **GLOBAL HEADQUARTERS**

INTERACTIVE PRINT

Download the App

Scan this page

Discover Interactive Content

1 Download the free 'Ebnat Forge Ltd. 2018 AR' augmented reality app from the App Store (iOS) or Google Play (Android).

2 Open the app and point your device at this page to launch an augmented reality experience.

Download on the App Store

GET IT ON Google Play

Board of Directors



Standing (left to right): Mr. B P Kalyani, Mr. G K Agarwal, Mr. Amit B Kalyani, Mr. S M Thakore, Mr. S E Tandale, Mr. P C Bhalerao, Mr. Kishore Saletore

Sitting (left to right): Mr. P H Ravikumar, Dr. T Mukherjee, Mrs. Lalita D Gupte, Mr. B N Kalyani, Mr. Pratap G Pawar, Mr. Naresh Narad, Mr. Vimal Bhandari

Mr. B N Kalyani
Chairman & Managing Director

Mr. G K Agarwal
Deputy Managing Director

Mr. Pratap G Pawar
Independent Director

Mr. S M Thakore
Independent Director

Mrs. Lalita D Gupte
Independent Director

Mr. P H Ravikumar
Independent Director

Mr. Naresh Narad
Independent Director

Dr. T Mukherjee
Independent Director

Mr. Vimal Bhandari
Independent Director

Mr. P C Bhalerao
Non-Executive Director

Mr. Amit B Kalyani
Executive Director

Mr. B P Kalyani
Executive Director

Mr. S E Tandale
Executive Director

Mr. Kishore Saletore
Executive Director

Corporate Information

Industry 4.0 Lab @ Pune



Bankers

Bank of India
Bank of Baroda
Bank of Maharashtra
Canara Bank
State Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.
Axis Bank Ltd.
Citibank N.A.
Standard Chartered Bank
Credit Agricole CIB
HSBC

Auditors

S R B C & CO LLP
Chartered Accountants

Dy. Company Secretary

Ms. Tejaswini Chaudhari

Registered Office

CIN: L25209PN1961PLC012046

Bharat Forge Limited
Mundhwa, Pune Cantonment,
Pune 411 036, Maharashtra, India.

Phone: +91 20 6704 2777 / 2476

Fax: +91 20 2682 2163

Email: secretarial@bharatforge.com

Web: www.bharatforge.com

Chairman & Managing Director's Message



Dear Shareholders,
“The pursuit of excellence”
is a corporate strategy
that we have always
followed diligently.

Our challenge has been
to adapt to the changing
landscape as swiftly as
possible, while continuing
to accelerate the growth
engine. It is deeply
encouraging for me to
see every member of
our global family rising
to the challenge and
making BFL stronger
and more sustainable.
Continuous learning and
innovation has enabled us
to think faster than the
industry, evolve smarter
solutions for discerning
customers and seek newer
growth markets across
geographies.

We continue our determined transformation

Economy performance

If we look at the external landscape, we find global economies have returned to the path of recovery. However, an escalating cycle of trade restrictions and retaliations by major economies may adversely impact growth. Economic activity across the world expanded close to 3% in 2017, making it the best year since the post-crash rebound of 2010, with markets stimulated by low inflation and accommodative monetary policies. Global financial conditions are likely to remain positive, while strong sentiment will help meet the robust demand, especially in investment and consumption.

Emerging markets in Asia continue to be the primary growth driver globally. However, uncertainties surrounding the business environment preclude optimism, as monetary easing in some countries, protective policies in developed nations and sluggish growth of the Chinese economy require close monitoring.

Despite challenges, India has demonstrated a resolve to achieve fiscal consolidation, complemented by wide-ranging and aggressive policies. The economy grew by 6.7% in the current fiscal, according to official estimates, compared to 7.1% in 2016-17. The year 2017 was marked by several key structural initiatives to ensure sustainable growth.

Setting a new benchmark

For BFL, the year gone by has been the best year on record, with the highest ever revenue and profitability. The consolidated income for 2017-18 stood at ₹8,358 crore, compared to ₹6,396 crore in 2016-17, a growth of 30.7%. PBT before exceptional item and exchange gain/(loss) stood at ₹1,347 crore vis-à-vis ₹839 crore in 2016-17, up 60.5%. On a standalone basis, total income surged from ₹3,865 crore in 2016-17 to ₹5,316 crore, a 37.5% increase. The performance has been driven by growth in all our segments across domestic and international markets.

On the balance sheet side, we have achieved the target of becoming a net debt free company. We have come a long way, from a relatively high-debt company to a cash-surplus company. As of March 31, 2018, our long-term debt/ equity (net of cash) stood at (0.06).

The performance of our overseas subsidiaries continues to improve, driven primarily by a shift towards light weighting, coupled with a focus on productivity and cost rationalization. I believe, our subsidiaries are on the right track; and will benefit from a global trend from steel to aluminium usage, driven by a need for light weighting.

Consolidated Income

₹8,358 CR

⬆ 30.7%

y-o-y growth

Chairman & Managing Director's Message

We have been proactively investing in machines and in enhancing people skills to realize Industry 4.0 standards.

Strategic initiatives

The automotive industry is changing rapidly, and we can take advantage of opportunities in emerging areas like light weighting, electrification and new mobility concepts. Instead of being disrupted, we choose to be a part of this transformation. As a carefully crafted strategy, during the year, we fostered new partnerships that enables us to be a part of the change.

- Set up center for Light Weighting Technology (LWT), a fully-automated manufacturing facility in Andhra Pradesh. It will design and manufacture components for automotive and industrial applications, with commercial production expected to start in CY 2019
- Made a strategic investment of 45% stake in an Electric Vehicle (EV) start-up, Tork Motorcycles
- Opened a new research and development facility at MIRA Technology Park, UK, a leading automotive technology park and enterprise zone. The center will focus on the development of components and sub-systems for EVs

As we embark upon another transformation, I would like to take this opportunity to look back at what we accomplished so far; and address the key changes we are envisaging over the coming years. The preceding business transformations focused on technology up gradation, foraying into new sectors, widening of customer base, and more importantly, it resulted in building a sound knowledge base about metallurgy and

metal forming. The transformations also created many 'first-time-India' milestones.

- 1990s: First Company to set up a 16,000T press in India
- Early 2000s: First Company to take the inorganic route in the manufacturing industry. The deal also provided us access to global oil and gas markets
- 2008: First Company to set up state-of-the-art capacity to address critical industrial sectors for forgings requirements across Oil & Gas, Construction & Mining, Railways, Aerospace and Defence
- 2012: First Company to address the global commodities/energy sector
- 2015: First Company to be part of aerospace global supply chain for critical components.

Over the next few years, I expect the Company's profile to undergo a steady change, driven by the following:

- **Expanding product portfolio:** Our new product pipeline, focused on transmission and driveline components, coupled with the investment in Nellore for setting up the Center for Light Weighting Technology, is expected to be a significant growth driver for the Company. More importantly, these initiatives will enable further diversification of the revenue stream, creating resilience during downturns
- **Opportunities in aerospace:** This sector continues to be of importance, despite its slower than

anticipated pace of progress. We are confident of growing this business through new product development and customer acquisitions. This business has a long gestation period and does take time before seeing any major momentum.

- **Defence components:** The business primarily focuses on supplying critical components to various defence agencies. With the Government's enhanced focus on indigenization, we expect this business to grow at a healthy pace, driven by new products and systems development. We are making steady progress in the business, and we are encouraged by the response of the defence establishment.
- **Defence equipment:** As you may be already aware, our ambition is to become a full supplier of indigenously developed system for defence sector, leveraging the metallurgical and metal forming skillsets. Your Company has identified areas, key being artillery and land systems, where we believe an opportunity exists for new players. The 155mm/52-calibre Advanced Towed Artillery Gun System (ATAGS), jointly designed and developed by Bharat Forge along with Defence Research and Development Organisation (DRDO), set a world record during firing at Pokhran. Over the past few years, we have developed a host of products with a significant level of indigenization, with the capability to scale up very fast as soon as a major maiden order comes our way.

Advancing technology prowess

We continue our endeavour to diversify and manufacture high-quality products that drive change and sustainability. Our R&D team develops technologies to minimize the carbon footprint and