

**BHARAT FORGE**



**Innovate.  
Differentiate.  
Accelerate.**

58<sup>TH</sup> ANNUAL REPORT 2018-19



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#### Forward-looking Statements

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 and 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. Certain numbers have been rounded off to the nearest digit for convenience of representation. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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We are in pursuit to build a sustainable business model and drive value creation. With our passionate focus on innovation, we continue to generate differentiating ideas, develop cutting-edge solutions and identify right opportunities that help us stand out in an otherwise crowded industry. Complementing this is our ability to take bold decisions.

We are now scaling higher grounds to accelerate value creation and our business growth.

We have leveraged our inherent strengths in engineering to deepen presence in existing business areas while exploring newer ones across geographies. We have made strategic investments that enhance our competencies and prospects, while retaining our balance sheet strength. We have taken a leap by enabling artificial intelligence and machine

learning and creating an ecosystem in readiness for the new digital age.

Our capability to innovate is an asset that has helped us grow and accentuate our position as a technology-driven engineering Company. Innovation is the core of the Company which has supported our business over the past 50 years and will accelerate our transformation in the future as well.

We are innovating, differentiating and accelerating ahead with optimism.

# Bharat Forge at a Glance

## Harnessing technology. Anticipating needs. Innovative solutions.

This is Bharat Forge, where we relentlessly seek new opportunities, develop cutting-edge solutions and drive meaningful partnerships for a mutually better future.

We are a globally leading, technology-driven, full-service supplier of forged and machined powertrain and chassis components. We manufacture a wide range of high-performance, highly-engineered critical and safety components for diverse automotive and industrial applications. We are amongst the select handful of global companies with front-line design and engineering, dual shore manufacturing, and full-service supply capabilities.

## Not just a manufacturer, we develop solutions

Having started as a component supplier for commercial vehicles, we expanded our frontiers into diverse sectors. Today, we leverage our multi-sectoral engineering expertise, integration advantage and innovation capabilities to bridge gaps for our customers with customized technology solutions.

## Consistently expanding frontiers

We are working to deepen our presence in existing markets and business segments whilst exploring opportunities in newer ones. We nurture our capabilities and develop innovative solutions through extensive R&D and collaboration with global partners.

## What makes Bharat Forge interesting

### 50+ years

of manufacturing experience

### Global leadership

In powertrain and chassis components

### Global manufacturing

10 facilities across US, Sweden, Germany, France and India

### Marquee customers

Leading automotive OEMs & Tier I suppliers, and industrial companies

### Industry 4.0

Manufacturing excellence

### Vertically integrated

With end-to-end capabilities

## Our business segments

### Automotive



Passenger vehicles



Commercial vehicles

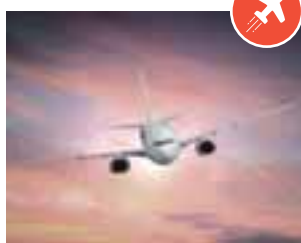
### Industrial



Power



Oil & Gas



Aerospace



Construction & mining



Rail & Marine



General engineering

Consolidated revenues crossed the  
**₹ 10,000 Crore-mark** this year

Exports crossed the **USD 0.5 Billion-mark**  
this year

New business wins of **USD 50 Million**  
during the year

Inauguration of **Industry 4.0**  
**Center of Excellence**

ROCE (Net of cash) at **24.7%** post strategic  
investment and capacity addition for organic growth

## Corporate Information

### 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 Ltd.

JP Morgan Chase Bank N.A.  
Deutsche Bank AG  
Kotak Mahindra Bank Ltd.

### Auditors

S R B C & Co LLP  
Chartered Accountants

### Company Secretary

Ms. Tejaswini Chaudhari

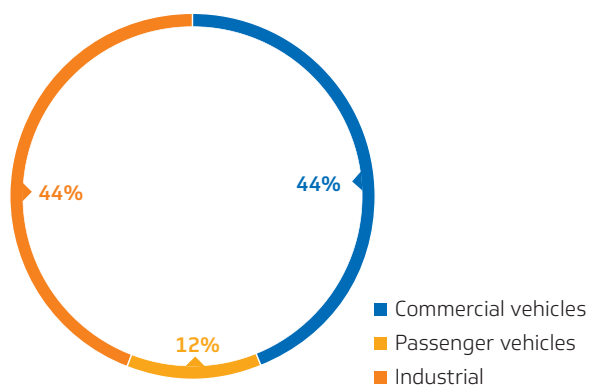
### Registered Office

**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

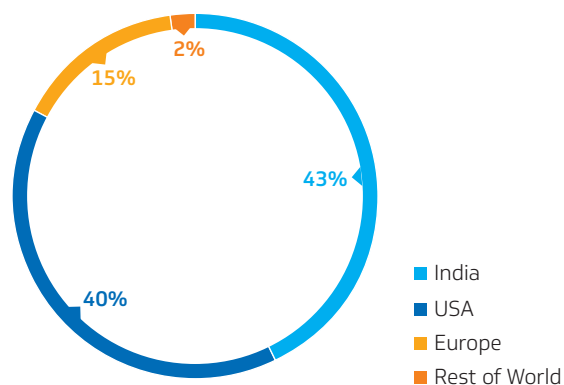
# Bharat Forge at a Glance

## Our diversified and de-risked business model

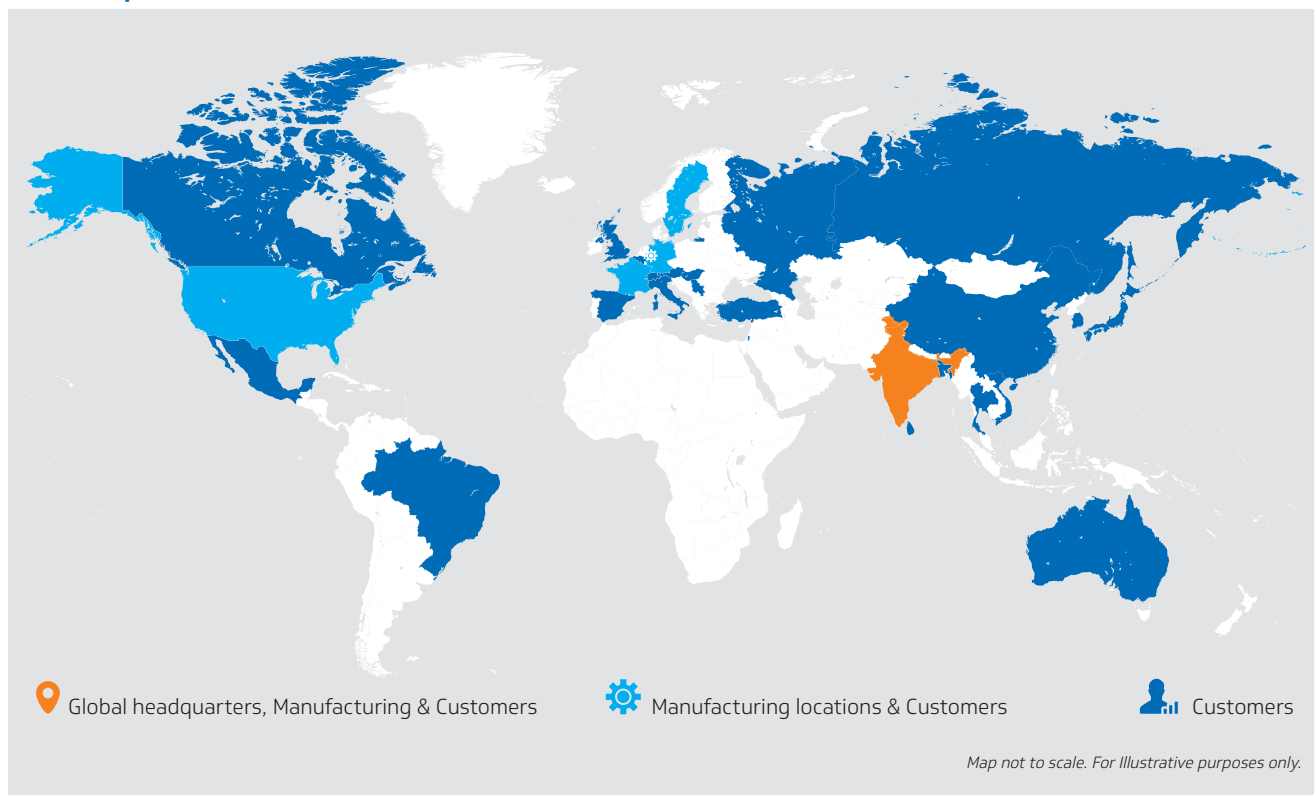
Segmental revenue distribution in FY 2019  
(Standalone)



Geographical revenue distribution in FY 2019  
(Standalone)



## Our footprint



# Board of Directors



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

**Sitting (left to right):** Mr. S M Thakore, Mrs. Lalita D Gupte, Mr. B N Kalyani, Mr. Pratap G Pawar, Mr. Vimal Bhandari, Mr. P H Ravikumar

**Mr. B N Kalyani**

Chairman and 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. Vimal Bhandari**

Independent Director

**Mr. P C Bhalerao**

Non-Executive Director

**Mr. Naresh Narad\***

Independent Director

**Dr. T Mukherjee\***

Independent Director

**Mr. Amit B Kalyani**

Executive Director

**Mr. B P Kalyani**

Executive Director

**Mr. S E Tandale**

Executive Director

**Mr. Kishore Saletore**

Executive Director

\* Retired on March 31, 2019

# Strategic Communiqué from the Chairman and Managing Director



## Dear Shareholders,

It is my privilege as the Chairman and Managing Director, to report the Company's performance and share the key highlights of FY 2019 and the strategic roadmap going forward. As a Company, we have always strived to better our past by continually deepening our domain expertise, adding value and expanding our product portfolio. Also, our steadfast focus on innovation and R&D has helped us evolve into a trusted engineering and technology solution partner to leading global companies.

Despite facing some macro challenges in the latter part of the year, we recorded the highest-ever turnover and profitability, even as we strengthened our balance sheet and improved our market position

## Macro-economic scenario

In global macro-economic terms, CY 2018 was an eventful year. Despite a growth of 3.7% in GDP terms, VUCA (Volatility, Uncertainty, Complexity and Ambiguity) prevailed. Factors including concern over trade wars, weak financial market sentiments and disruption in Germany's auto sector over the new vehicle fuel emission standards have weighed down the outlook. Having said that, CY 2018 was a strong year for the Company's main segments; global automotive and industrial sectors.

In India, the economic scenario improved, on the back of strong household spending and corporate fundamentals. Sustained spending on infrastructure and defence supported by the 'Make in India' movement kept the economy buoyant, besides unlocking a virtuous cycle of investment opportunities. The automotive demand after 5 years of strong volume growth across all segments started to face

headwinds in the form of increased costs on account of regulatory and safety upgrades towards the latter part of FY 2019.

### Performance review for the year

FY 2019 proved to be another positive year for the Company, thanks to robust demand from the domestic and export markets across several sectors. Despite facing some macro challenges in the latter part of the year, we recorded the highest-ever turnover and profitability, even as we strengthened our balance sheet and improved our market position. The good progress we witnessed in each of our businesses was gratifying.

During the year, we recorded a 23% growth in revenues to ₹ 65,200 Million. A significant achievement has been balanced revenue generation from multiple streams. We witnessed some pressure on the bottom line, which was driven by surging input costs, as commodity prices of steel and energy rose during the year. EBITDA and PAT increased by 19% to ₹ 18,761 Million and 52% to ₹ 10,713 Million, respectively.

Our consolidated revenues also witnessed a strong performance, with a top line growth of 21% to ₹ 101,457 Million and PAT growth of 37% to ₹ 10,326 Million.

Some of the salient highlights of the year on the domestic side included growth in commercial vehicle volumes driven by a pick-up in construction & infrastructure activity; healthy demand from agri equipment and execution of defence orders. On the exports business front, demand growth in the global truck and industrial sector, and ramp-up of the passenger vehicle program emerged as the key drivers.

### Establishing new engines of growth

As a constantly-evolving organization, we leverage our existing competencies in technology and engineering to explore new growth opportunities. This is an essential process to create additional revenue streams, amplify growth, and de-risk the business. In line with this strategy, we forayed into newer sectors such as Light-weighting technology (LWT) and e-mobility, while also deepening our presence in the defence and aerospace segments.

### Defence and Aerospace

It has been an encouraging year for the defence business with revenues more than doubling compared to FY 2018. We commenced execution of a ₹ 2,000 Million-order received in CY 2017 from the defence establishment and we are steadfastly working to create a steady revenue stream across domestic and export markets in the defence components business.

Moving ahead, our strategic priority shall entail graduating from the manufacturing of critical components to making sub-systems and systems. Being a technical field with high entry restrictions and long gestation, defence has significant entry barriers in terms of capability and capacity. We have achieved reasonable success in defence exports, with the support of the Government, which resulted in several global enquiries. We envisage increased opportunities on the back of higher defence budgetary allocation to strengthen India's security.

Aerospace is another technical field where we have established a commendable position, maintaining good relationships with three prestigious clients in a short span of time.

Revenue

₹65,200 Mn

for FY 2019

23% ↑

PAT

₹10,713 Mn

for FY 2019

52% ↑

# Strategic Communiqué from the Chairman and Managing Director

With the Government's focus on indigenizing manufacturing, we expect to create a robust ecosystem with significant offset opportunities that we can leverage.

**Light-weighting:** The auto industry is witnessing large scale disruption because of new technologies including Hybrid Vehicles, E-Vehicles, Ride Sharing etc. These disruptions will continue and BFL as a Company has to take steps to provide solutions to these changes. Light-weighting is currently a key focus area for automotive companies because of its potential to reduce weight resulting in improved fuel efficiency and better range for E-Vehicles. To capitalize on the opportunity, we have committed a capital investment of ₹ 2,000 Million in the 1st phase for establishing a Center for Light-weighting Technology (CLWT), which we expect to commercialize in the second half of CY 2019. The Center will focus on manufacturing aluminum components and undertake research on Light-weighting through composites and hydro-forming processes. This will help us attract new business opportunities and grow our portfolio. We have already bagged orders from domestic and export OEMs and received expressions of interest from several potential customers.

Aluminum forgings will be another focus area for Light-weighting. We currently supply aluminum forgings to our customers in India and we are addressing global opportunities through our European manufacturing operations. We are expanding our capacity in Europe by investing around Euro 50 Million and are also contemplating setting up of a greenfield facility in the US. These investments will increase the revenue contribution from the Aluminium forging business in the European operations from the current levels of 20% to around 40% in the next 5-7 years.

**E-Mobility:** This represents a large and growing global opportunity. We have started making inroads in this segment through stake acquisition in Tork Motors and Tevva Motors to scale our capabilities and gain access to their extensive R&D knowledge base. We have also set up an R&D center in MIRA Technology Park. Over the last couple of years, we have worked on this segment by putting together building blocks at the component, system and technology levels. We expect activity in this segment to gather pace in the coming years.

The vehicle electrification segment is at a nascent stage with concerns about capital allocation and strategies. Extensive R&D will be required to arrive at the right technology solution. This will involve large investment in people, capital and supply chain enhancement. This makes India an attractive destination given its low-cost advantage; and Bharat Forge, a prospective partner given our proven capabilities and quality focus. The Government strongly supports this segment through incentivization and subsidies which will benefit the industry and consumers. This is a huge opportunity that requires the right strategies to move ahead and succeed.

## Pursuing growth through innovation

Innovation is central to everything we do. We are motivated by the need to stay ahead of technological advancements and market changes to emerge as the preferred global partner. R&D is our means to sustain this edge.

Our world-class R&D centers – KCTI (Kalyani Center for Technical Innovation) and KCMI (Kalyani Center for Manufacturing Innovation) are the two significant enablers for our innovation charter. These Centers work to augment knowledge and skills in advanced materials and technologies, identify new opportunities in process improvement, besides undertaking new products and materials development.

During the year, we commissioned Industry 4.0 Center of Excellence in partnership with PTC. The Center aims to incubate ideas related to digital transformation, machine learning and artificial intelligence. These will contribute towards preventive maintenance, cost reduction, productivity improvement, product quality enhancement and faster time-to-market.

## Countering business cyclicity

We operate in a cyclical business where demand varies according to the economic environment. Although we witnessed troughs and peaks, it is pertinent to note that the trend line of our business has always been on the rise. Capital investments in the right areas, focus on adding new customers and becoming preferred suppliers for existing ones, in addition to initiatives for lower operating costs have placed us on the right trajectory to counter the down cycles.