



KALYANI FORGE



**TOGETHER, WE GROW
TOWARD EXCELLENCE**

Annual Report
2022-2023

Corporate Information

BANKERS:

State Bank of India

HDFC Bank

AUDITORS:

M/S K S Aiyar & Co.

Chartered Accountants, Mumbai.

COMPANY SECRETARY

Mr. Aniruddha Hublikar

REGISTERED OFFICE:

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WORKS:

Hot Forging Division (HFD)

Koregaon Bhima,

Tal. – Shirur,

Pune – 412 216.

Metal Forms Division (MFD)

Koregaon Bhima,

Tal. – Shirur,

Pune – 412 216.

Precision Autocomp Division (PAD)

Gat No. 914/1 & 2,

Sanaswadi Tal. – Shirur,

Pune – 412 208.

INDEX

Corporate Overview

1. Corporate Overview	5
2. Strengthening Customer Relationship	6
3. Message from the Executive Chairperson	8
4. Kalyani Operating System 3.0	10
5. Business Performance Highlights	11
6. Financial Performance	13
7. Summary of Financial Performance	14
8. Board Of Directors	15

Statutory Report

9. Management Discussion and Analysis	17
10. Board's Report	20
11. Report On Corporate Governance	46

Financial Statements

12. Independent Auditor's Report	63
13. Balance Sheet	73
14. Profit and Loss Statement	75
15. Cash Flow Statement	77
16. Notes on Financial Statements	79





Corporate Overview

Strengthening Customer Relationships

Kalyani Forge has had a very special relationship with its customers from its early days. At a foundational level, the company has pushed the envelope of the industry to provide additional benefit and value to customers. One example is the Fracture Split Connecting Rod, a project envisioned by Mrs. Rohini Kalyani, when she was the Executive Director, way back in 2004. This project changed the automotive supply chain landscape in India as many OEMs could offload connecting rod machining to tier-1 suppliers among which Kalyani Forge was a pioneer.

In FY2023, we have taken special efforts to revive that spirit of the company, going back to all our customers, especially the ones who were part of our early growth and support them with new offerings, and a deeper partnership.



Streamlining our customer-facing Organization Structure

Understanding customers' road-map and priorities

Enabling VAVE projects for customers

Strengthening Top Management connect with customers

Message from the Executive Chairperson



Dear Shareholders,

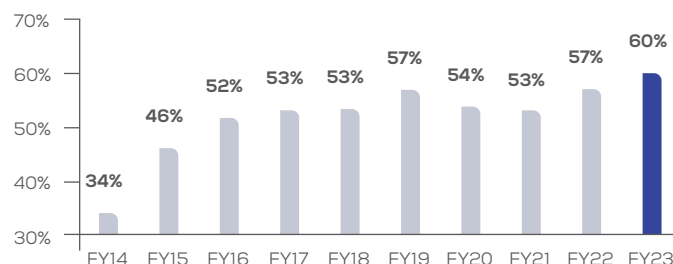
With immense pleasure I would like to present you Annual Report of Kalyani Forge Limited for the FY 2022-23.

As things are normalizing from the challenges of 2020-21, it has opened doors for new business opportunities. Of course some challenges like high interest rates, inflation, supply chain shocks like the Russia-Ukraine war, volatility in steel prices remain. Despite all these challenges, we are dedicated and more than ready to provide the best-in-class products to our customers.

Performance

The year 2022-23 was good for reviving our growth and increasing business volumes across all market segments. We achieved a total revenue of Rs. 267 crores, a YOY growth of more than 8.5%. We have achieved Profit After Tax of Rs. 3.61 crores. This growth is strategically in the right direction, as it is largely due to increase in our Machined Product Sales. This is heartening, as it is in line with our Long Range Plan for 2027, which I will highlight below.

Machined Components Business
Total Sales



Another growth level is the Industrial Segment business which provides a good hedge against the cyclicity of automotive segments. Continuing the momentum of the last 5 years, this segment has clocked an all-time-high revenue of Rs. 23 cr in FY23.

Industrial Segment Sales Rs. Cr.



Our Company has always strived to increase value towards its shareholders and to reward them whenever possible. For FY 2022-23, your board has recommended a dividend of Rs. 3.00 (30%) on face value of Rs. 10 each.

Growth Strategy Updates – Vridhhi 2027

This year we got team members from various divisions and functions together to brainstorm on our future plans. We came up with a mission called Vridhhi 2027, with a focused strategy for growth to double our revenues with an EBITDA of 15% over the next five years. Some of the core elements of this growth include increasing the proportion of Machined Components to 90% and increase our Exports to 50% (currently around 15-20%) of total revenue.

I remember the time I joined Kalyani Forge in 1999, the company was present in highly commoditized product segments. I had decided then, that the only way to grow and sustain is by continuously upgrading our technology and product portfolio. So we set up a Warm Forging Division in 2000 which made us among the first in India to do so. In FY23,

our Warm Forging Division has been the biggest growth driver of new business and we have ramped up supplies of driveline products for passenger cars. We also won a multi-year multi-million dollar contract for passenger car driveline forgings from a leading Global Tier-1 company.

Also in 1999, almost all sales were of rough forgings, without any machining value addition. Then we set up the Precision Autocomp Divison (PAD) in 2003 and graduated from suppliers of raw forgings to fully finished ready to assembly connecting rods, the most critical component to forge and machine. It was a major step up in our capabilities and we became a supplier of premium connecting rods to marquee global customers. Soon thereafter, we became the first company in India to develop Fracture-Split Connecting rods in-house, which make engines more efficient.

Today most engine platforms have either converted to fracture-split technology or have made plans to do so with our support. It is a matter of pride that Kalyani Forge has pioneered and enabled that transformation in India. In Q4 of FY23, our machined conrod sales clocked all time high monthly sales and are projected to grow substantially in FY24.

Facility Upgrades and Capex

In the period of 2019 to FY22, we had shelved our capex plans and took a conservative path. In FY23, we have revived our Capex plans with a focus on investing in machinery for expanding our business operations, improving operational capabilities and quality enhancement. Some of these include new Induction Billet Heaters, Shot Blasting Machines, and 4-axis VMCs for the tool room.

For cost optimization, we are focusing on reducing Material Cost through yield improvement and reducing machining allowances. This involves a lot of cross functional activities for which we have set up a focused Manufacturing Engineering (ME) Department.

Focused Leadership

A new phase of growth requires scaling up the foundations that were laid over the last two decades. I am happy to see our leadership team getting focused on growth initiatives. They are led by our Executive Director, Mr. Viraj Kalyani, who is focused on deepening customer relationships, expansion projects and organization development, along with day-to-day management of the company.

At the senior team level, we have enhanced leadership structures and processes to scale up the execution. We have simplified communications, standardized decisions. A lot of ownership is being

passed on to lower levels of the hierarchy so that they can work with speed. This is reflected in our updated Kalyani Operating System (v3.0) so that we shift from an individual based approach to a system based approach of working.

I am confident that the Company is moving towards a long-term sustainable growth by adopting new strategies, expansion of its product segments, cost optimization efforts and by winning new customers with all our dedicated staff.

I would like to thank all of our Directors for their contribution and guidance, employees for putting in their best foot forward in changing gears for our growth mission. Further I would like to thank all of our customers, suppliers, bankers, financial institutions and all other stakeholders for your continuous support and trust that you have bestowed in us for many years.

I look forward towards your continued partnership as we pursue our journey of growth and excellence.

Warm regards,



Rohini G. Kalyani

Executive Chairperson



Kalyani Operating System 3.0

Every company that has survived the early days, gone through a few waves of growth and been through ups and downs of the market, eventually needs strong systems to move up to the next level. Kalyani Operating System, or KOS, was launched in 2013 (version 1.0) by Executive Director, Viraj Kalyani, in an effort to institutionalize the company's decades of experience, know-how and best practices and provide a stable platform to scale the business. The key success factor of this organization system is that it should sustain over the long run and get a life of its own such that the system begins to provide direction for day to day execution which otherwise would have to be done by increasing manual management efforts.

In 2015, KOS was upgraded to version 2.0 went through another phase of rapid updates to comply with several global requirements like VDA 6.3 in the direct production process.

In FY 2023, the leadership team worked on upgrading to version 3.0 of KOS which included major overhaul by standardizing processes of in-direct areas like Leadership, Marketing, Maintenance, Quality, People and Finance. These are crucial areas which enable the core production, delivery and growth cycles of the business. Some examples include:

- Standard Defect Master for Quality Data Management
- Management Review formats for all levels
- System Audit Calendar and Trackers
- Strengthening the KOSPO Team (KOS Promotion Office) which drives Kaizen, 5S and System improvements
- Simplified Organization Structures of all major departments
- Defining upstream Marketing Activities like Prospecting & Lead Generation
- Implementing a CRM tool to digitize the order winning process

Business Performance Highlights

- The commercial vehicles segment observed a 35% increase in sales as compared to previous years.
- Overall, the KFL business experienced a 15% growth as compared to the previous year.
- Four segments, i.e. the commercial vehicle, industrial, passenger vehicle and power + turbochargers, witnessed a growth curve.
- The company saw a net ton production of 7738 tons, as compared to the previous year 8564 tons.