

MESSAGE FROM THE CHAIRMAN



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Dear Shareholders,

I am pleased to present BFIL's FY23 performance. On the face of it, the year 2022-23 marked a watershed in our existence. Commencing our voyage in 1989, we have nurtured consistent growth throughout the years, culminating in an accomplished presence spanning over three decades within the precision engineering industry. However, an epiphany has dawned upon us, signalling that the moment is ripe for an accelerated expansion, thereby creating an enhanced value for our esteemed stakeholders.

What made this journey incredible is that we have successfully embarked on our strategic vision and have achieved a majority of the milestones set by the management over the course of our journey. Over the period, we have sincerely worked on our commitments, ensured we kept our promises and thus, today BFIL has emerged as one of the leading players in the Indian precision engineering, crankshaft sand forging components industry space.

That being said, the big message that I wish to communicate today is that we are working very hard to sustain such crests and will continue to work tirelessly to create a sustainable future growth strategy for the Company, and our time starts now.

There were a number of reasons behind this optimism

In the face of widespread global uncertainty, the Indian economy demonstrated remarkable determination and strength. It not only managed to recover to levels seen before the pandemic but also showcased its robustness on the international platform. Retaining its position as the second-fastest growing economy within the G20 nations, this achievement was propelled by a combination of heightened consumer expenditures, supported by favorable governmental policies, and substantial investments in infrastructure. These factors collectively fostered a promising environment for conducting business operations within India.

As a domino effect, the Indian automobile industry also showcased consistent growth over the last few years and aims to double the size of the automobile industry to ₹15 lakh crore by 2024. According to the industry experts, the demand for passenger vehicles (PV) and medium to heavy commercial vehicles (MHCV) within the country remained robust in 2023. This was due to strong interest from consumers and increased

activity in industries. As a result, India has now emerged as the third largest automotive market, surpassing Japan. Additionally, the electric mobility sector is experiencing significant growth, particularly with electric two and three-wheelers. This growth can be attributed to the support of FAME II subsidies and tax incentives provided by various state governments.

The India metal forging market is projected to grow from \$4.32 billion in 2022 to \$8.80 billion by 2029, growing at a CAGR of 10.69%.

I am pleased to state that at BFIL we had foreseen this industry optimism a few years back and thus accordingly realigned our business strategy and capabilities to tap on these opportunities. We believe that this prudent approach has led to one best performing year in the history of BFIL, thereby enhancing stakeholder value.

A reflection on our performance in FY23

FY23 was a record year with the Company achieving historical high revenues, EBIDTA and PAT in the history of BFIL. In FY23, BFIL clocked total revenue of ₹33,928.48 lakhs, representing a 15.2% increase over the previous year, on the back of an increase in the orders executed. Our EBITDA margins grew to 18.4% from 15.5% in FY22 on the back of lower material cost and continued focus on efficient cost management. Net income for the year stood at ₹3,891.29 lakhs, a 30.4% increase over the prior year and PAT margin stood at 11.5%, an increase of 140 bps compared to the previous year. Our EBIDTA for the year stood at ₹6,242.37 lakhs, an increase of 37% compared to the previous year.

The next growth phase

In a competitive and regulated sector like ours, the luxury of standing still does not exist.

Companies that need to enhance their competitiveness need to keep growing all the time, either by enhancing

their manufacturing capacity, or by investing in cutting-edge technologies, or by undertaking strategic alliances or acquisitions that enhance our capability, bolster our product and service offering.

With a strong commitment to maintaining our leadership in the industry, we undertook one of the most significant expansion plans in the history of BFIL. Our primary objective was to boost our machining capabilities. As a result, we successfully acquired the precision machining unit located at the Mercedes Benz Truck Plant in Mannheim, Germany. This strategic acquisition was finalized in FY22, and in FY23, we are currently in the process of seamlessly integrating these newly acquired machines into our existing manufacturing facility situated in Belgaum, Karnataka. We anticipate completing this integration by the second quarter of FY24. Once fully operational, this venture is projected to elevate our capacity to approximately 30,000 tonnes, contributing to our continued growth and success.

On the organic front, we have set our eyes on setting up a new 52,000 sq.mt manufacturing facility in Belgaum, Karnataka. Equipped with state-of-the-art facilities, this precision engineering center would not only enhance our production capability but would also enable us to extend our portfolio in both the ICE & the new energy sphere. We've already taken the first steps towards making this plan a reality during FY23. Our goal is to have the plant up over the next few years. This move not only reflects our commitment to advancement but also our dedication to meeting the evolving needs of our stakeholders.

Additionally, during the year, we are focused on developing solutions across the entire spectrum of New Energy Components. This strategic effort not only enhances our operational efficiency but also bolsters our capabilities, positioning

us to effectively fulfil the rising demand for superior and cutting-edge products. Expanding the new energy components unit will enable BFIL to broaden its presence in the emerging new energy sector. Additionally, we also concentrated on developing essential expertise in fuel-agnostic systems and components, aiming to both diversify and harmonize the overall product range.

We also put our attention on making our internal processes smoother, aiming to boost how well we operate, cut down on unnecessary steps, and make things faster. These changes have not only brought down costs

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but also made our customers even happier with our services. We also focused on developing a robust supply chain strategy that predicts potential disruptions and guarantees a smooth and consistent supply of materials. We aimed to diversify our suppliers and establish a contingency plan to enhance our preparedness.

We believe that there is considerable relationship head room available for us to deploy additional manufacturing and technological capacities in servicing the growing needs of our esteemed clients and acquire a larger wallet share.

Growing opportunities

At BFIL, we foresee India emerging as the shining star of the global economy, poised to sustain an annual GDP growth surpassing 7% well into the foreseeable future. Against this backdrop, the realization of the government's vision for India as a military superpower, a global manufacturing hub, and an 'Atmanirbhar' India is within reach. As these aspirations come to fruition, we expect a substantial surge in demand for the products manufactured by us, thereby presenting a captivating opportunity for a forward-looking company like ours.

BFIL's preparedness

At BFIL, we will not only increase our manufacturing and technical capacities to address the markets of the future, but also reinforce our industry position by aggressively engaging in acquisition and collaboration activities. Further, by investing regularly on R&D, we intend to enhance our operating efficiency and build on our capabilities to introduce pioneering products and to assess new material compositions.

As we continue to grow our presence, we intend to focus on understanding and meeting customer needs through personalized products, efficient customer service, and

strong relationships. Proactively collect customer feedback to identify weaknesses and opportunities for improvement. We use this feedback to drive product innovation and improvement.

Adopting a responsible approach

Ensuring responsible business practices remains a top priority for us. Throughout the year, BFIL's senior management dedicated their efforts to setting clear goals and creating a comprehensive roadmap to address environmental, social, and governance (ESG) considerations across all our operations. In our day-to-day activities, we place a strong emphasis on responsible management of resources and continuously explore methods to decrease waste, save energy, and limit our impact on the environment. Through the adoption of streamlined production methods and the use of environmentally friendly materials, our aim is to play a role in shaping a more environmentally sustainable future.

Road ahead

BFIL has reached an exciting turning point, and we are eager to see where it takes us. Thanks to our corporate strategy, we have been able to maintain an EBITDA margin of 15% or higher, regardless of market fluctuations.

Therefore, we believe that our planned capacity expansion and acquisition strategy, combined with positive macroeconomic developments, will allow us to achieve sustainable revenue growth, increased surpluses, and enhanced shareholder value at a faster rate in the near future.

With best wishes

Jaspal Singh Chandock
Chairman & Managing Director