

Bharat Forge may shape new firm for China entry

Plans acquisition/beachhead in US, eyes east Europe

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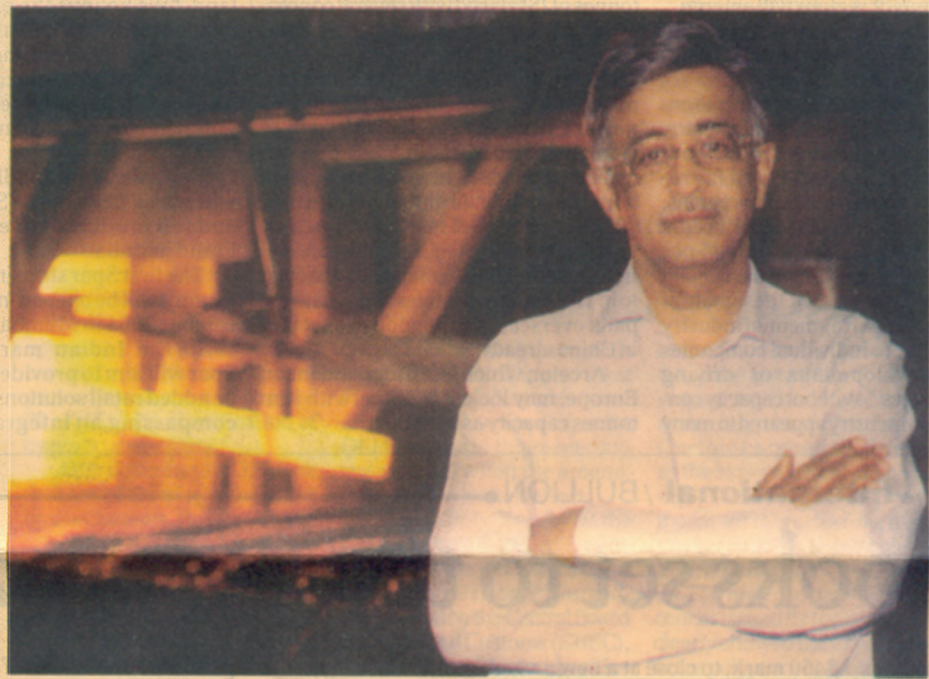
Bharat Forge Ltd (BFL), the flagship of the Rs 4000 crore Kalyani Group, may create a new entity to enter China by April, 2005. The Pune-based auto parts major, as part of an international thrust, also plans to set up or acquire a unit in the US.

Baba N Kalyani, chairman and managing director of BFL, told Business Standard said when the company decided to enter China, consultants E J Makay was asked to prepare a feasibility report.

"We are weighing the option of creating a new entity through an equity-based structure for China. But we are also considering other options including acquisition. The decision would be finalised by April, 2005."

Kalyani said Bharat Forge has already earned a solid experience of working with Chinese companies as it has been catering to three prominent customers there. "If we go for an acquisition in China, we just need to carry out a process of cultural integration - as was done for Carl Dan in Germany," Kalyani feels despite the recent slowdown in Chinese economy, it would be a worthwhile investment.

But he's not just focussing on China alone. "While the focus is on the Chinese and North American markets, we are also eyeing eastern European, specifically markets such as Poland, Bulgaria



Bharat Forge chairman Baba N Kalyani said the company is considering buyouts in China

and the Czech Republic. A long-term strategy is being worked out." "In North America, we have already seen plenty of opportunities in acquisition, but we may also go for a greenfield operation there," he added.

BFL is already a preferred supplier for 36 automobile giants and the list includes heavyweights such as Daimler Chrysler, Toyota, BMW, Volvo, Audi, Ford and General Motors.

The moves follow some suc-

cesses of Bharat Forge overseas - it has been able to turn around the loss-making German firm Carl Dan Peddinghaus GmbH, which it had acquired this January. Carl Dan reported a profit for the nine months ended September. In 2002, it acquired US parts major Dana Corporation's Kirkstall Forge Division in Leeds, UK. The acquisition gave it access to 11 important automobile manufacturers and good understanding of international acqui-

sitions. Meantime, on the Pune unit, Kalyani said the Rs 350 crore capacity expansion will be over by June 2005. "By then the forging capacity will touch 3.2 lakh tonne per annum (TPA) from 2.2 lakh TPA, while machining capacity will reach 650,000 crankshafts from 400,000," he said. "We will also start producing 300,000 front axle beams and 600,000 steering knuckles with the implementation of the investment plan," Kalyani added.