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Corporate - Bharat Forge To Infuse Rs 350Cr For Expansion

SUBHADIP SIRCAR

Bharat Forge Ltd (BFL), one of the leading auto ancillary exporters, is enhancing its small forging capacity by setting up two additional press lines, including one fully automated transfer press line. This is being funded through a combination of equity and debt. Of the recently announced rights issue, BFL plans to raise between Rs 103-124 crore through equity and another Rs 113 crore through conversion of warrants into equity shares. The balance will be funded through the combination of buyers/suppliers credit, internal accruals and debt.

BFL has a total planned outlay of Rs 350 crore for expansion, according to a company presentation to analysts.

The addition will more than double BFL's passenger car crankshaft forging capacity to approximately three million crankshafts per year. This is in addition to one 6,000 tonne and one 2,500 tonne press line presently under installation, company officials said.

BFL has targeted the machined heavy duty crankshaft market as important for its future growth. In order to meet this demand, the company is going to increase both its forging and machining capacity. A third forging press line to increase forging capacity is planned to meet this demand. BFL has also planned to set up three machining lines having a total capacity of two lakh machined crankshafts per annum.

Company officials added that BFL is moving towards becoming a full service supplier by setting up a state of test and validation facility for its customers. BFL, which ended the last fiscal with a Rs 125 crore net profit, was benefitted by the buoyancy in the domestic auto industry. Passenger cars saw a 35 per cent growth in FY04 over the previous fiscal while medium and heavy commercial vehicles witnessed a 46 per cent growth.

BFL witnessed a 35 per cent rise in steel prices during the last year which is a key raw material for the company. The company passed on the increase to the customers and also managed some cost reduction. BFL was also affected during the last fiscal by about 9 per cent appreciation in Indian rupee against US dollar and its consequent impact on US dollar denominated export. However, as BFL has converted significant proportion of its debt into US dollar, the same acted as a hedge for the rupee appreciation. Similarly, exports in euro also partially mitigated the effect by counterbalancing the depreciation of US dollar, company officials added.