

Bharat Forge picks up US firm for \$9.1 mn

■ Third acquisition in as many years, Pune forging company hopes to get foothold in passenger car, light truck market

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PUNE-based world's second largest forging company Bharat Forge Ltd has made another acquisition — the third buy-out in as many years. This time it is a Michigan-based bankrupt company, Federal Forge Inc, which was engaged in the design and manufacture of complex forged steel components for the automotive industry.

In the all-cash deal, Bharat Forge acquired the assets of Federal Forge for \$9.1 million. The acquisition, which came into effect from Friday, has been done by its wholly-owned subsidiary Bharat Forge America Inc. "The Federal Forge acquisition is a significant step towards implementing Bharat Forge's strategy of

expanding our global footprint and establishing a manufacturing presence in one of our largest markets, the US," Bharat Forge Chairman and Managing Director B N Kalyani said.

He said the strategy was to expand the company's 'dual shore' manufacturing base through strategically located complementary facilities around the world. "The first step was to establish ourselves in Europe, while the next step was to pursue North America and China," he said.

In November 2003, Bharat Forge had acquired one of the largest German forging company, Carl Dan Peddinghaus GmbH (CDP), making it the world's second largest forging



B N Kalyani

company.

In December 2004, the company acquired CDP Aluminiumtechnik GmbH & Co KG (CDP AT), which belonged to CDP, in an all-cash deal valued at Euro 6.30 million.

The acquisition of Federal Forge is the third buy for the company. In fact, Federal Forge had filed for protection under Chapter 11 of the US Bankruptcy code. With rising steel prices, Federal Forge's customers were not willing to absorb the higher prices, driving it to Chapter 11. General Motors, one of its customers, had in fact refused to absorb the higher steel prices.

Besides GM, which is through ZF Lemforder, Federal Forge has

Goodyear as also one of its customers.

Established in 1962, Federal Forge is located in Lansing, Michigan. It manufactures a variety of forged automotive components such as control arms, links, steering knuckles and connecting rods among others. Its annual turnover is about \$60 million and has 150 employees on its rolls.

"The Federal Forge acquisition will enhance our market presence in the US, give us a strong foothold in the passenger car and light truck market and most importantly a manufacturing base close to some of our largest customers," Kalyani added.

Bharat Forge has manufacturing facilities spread over five locations — two in India and three in Ger-

many. It is the largest exporter of auto components from India and a leading chassis component manufacturer in the world and has the world's largest and technologically-advance single location forging facility.

For the year-ended March 31, 2005, the consolidated revenue stood at Rs 2,001 crore with a net profit of Rs 201 crore. Bharat Forge had raised \$220 million (Rs 957 crore) through global depository receipt (GDR) and foreign currency convertible bonds (FCCB). "These funds will be used for organic and global inorganic growth initiatives and setting up the global technology and development centre. These initiatives will go a long way in accelerating our growth and revenue," Kalyani had said.