

# THE ECONOMIC TIMES

## Bharat Forge buys its 2nd German co Co Enters High-End And Fast-Growing Aluminium Auto-Components Business

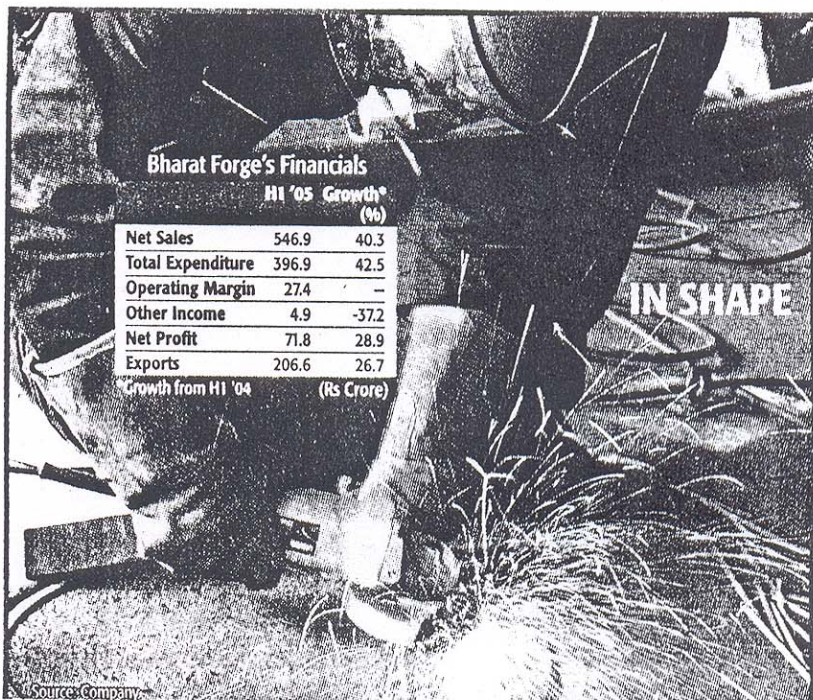
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**B**HARAT FORGE (BFL) has acquired 100% ownership interest in CDP AT of Germany in an all-cash deal. The acquisition marks its entry into the high-end and fast-growing aluminium auto-components business. CDP AT's customers are major automobile manufacturers such as BMW, Audi, Volkswagen and Ford. This is BFL's second acquisition in Germany after CDP Bharat Forge was taken over earlier this year.

CDP AT's sales and profitability have already risen significantly since the takeover. In first nine months of CDP Bharat Forge's operations, sales and PBT improved significantly to Rs 561 crore and Rs 40 crore respectively. CDP Bharat Forge now has an annual turnover of Rs 680 crore and about 770 employees with plants in Ennepetal and Daun. The company has further invested about Rs 30 crore (€5m) in its German plants and has generated additional employment for 40 employees after its acquisition by Bharat Forge.

For the half year ended September '04, Bharat Forge's operations in India, too, saw impressive results. Net sales went up 40.3% to Rs 546.9 crore and net profit rose 28.9% to Rs 71.8 crore. At the same time, total expenditure increased 42.5% to Rs 396.9 crore which strained operating margins. OPM fell to 27.4% from 28.5% during the same period of last year. One of the main reasons for this is rising cost of raw materials, especially that of steel. That might justify BFL's decision of taking up the aluminium forgings business of CDP AT as a viable de-risking opportunity.

CDP AT belongs to the renowned CDP group and is a significant player in Europe in the area of aluminium forged components used in passenger cars and other au-



tomotive applications. It is a profitable company with an annual turnover of over Rs 200 crore (€35m) and a staff of 130. CDP AT has developed and patented its technology of aluminium forgings in Germany.

The transaction with BFL has been concluded at an enterprise value of €6.3m. This is funded by equity of €3.8m and non-recourse debt of €2.5m. Of the total equity, €2m is being contributed by BFL in a phased manner over six months, and the balance €1.8m comes from internal cash accruals of CDP Bharat Forge and CDP AT.

While announcing the acquisition, B N Kalyani, Chairman & Managing Director,

Bharat Forge, said, "The CDP AT acquisition is an important part of Bharat Forge's long-term business strategy. It marks the company's entry into the aluminium auto components business."

Aluminium is progressively becoming the preferred material for specialised high-end automotive applications due to its significantly lighter weight and consequent advantages of fuel efficiency. Bharat Forge along with its subsidiary CDP Bharat Forge is a leader in steel forgings for the commercial vehicle and passenger car segment and the acquisition of CDP AT will widen its product offering.