

Bharat Forge buys US co

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THERE seems to be no let up in Bharat Forge's global shopping spree. The company, on Saturday, announced a \$ 9.1 m (about Rs 40 cr) all-cash acquisition of the assets of Federal Forge Inc, a Lansing, Michigan-based designer and manufacturer of forged steel components for the automotive industry.

This is BFL's third international acquisition, giving it a presence in the heart of North America's automotive industry, which is also its single largest market. The acquisition was concluded on June 24 following a renegotiation of the existing contract with the United Auto Workers (UAW). BF America Inc, the new company, will take over the 150 staff members of Federal Forge, which had revenues of \$60m.

A statement released here on Saturday quoted BN Kalyani, chairman and managing director, BFL, as saying "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 USA."

Kalyani further stated that BFL's strategy was to expand its dual shore manufacturing base through strategically located complementary facilities around the world. The first step was to establish in Europe while the next step was to pursue North America and China.

"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.

BFL's all-cash acquisition of Federal Forge's assets, which had filed for protection under Chapter 11 of the US Bankruptcy Code, will get the company all of Federal Forge's customers. These include ZF Lemforder (for General Motors) and

Goodyear, among others. "This acquisition has been done as cost effectively as possible. We have acquired the assets, just as we did with CDP, Germany. There is no baggage, no accumulated losses; it is a clean acquisition. The product line is similar to what we have in India and Germany but we needed a physical presence in the US and we get the customer relationships, too," Amit Kalyani, executive director, BFL, told ET.

He added, "We are working on China but it could take time. We are exploring all options," in a reference to the route likely to be taken, of an acquisition or a greenfield venture in China.

The US plant has an annual capacity to produce 50,000 tons of forgings while the Indian and European capacities will reach 350,000 tons annually, once BFL's

capacity expansion in Pune is completed. AB Kalyani added that a new board was still to be constituted for BF America Inc.

"We will constitute a new board of directors for Bharat Forge America Inc in the next week to 10 days. The management will be based in Lansing while the board will reflect the new ownership," he said.

BFL, which began its international acquisitions with the purchase of Dana Corporation's UK plant, shipping it to India, really put its global plans into action with the November '03 acquisition of Carl Dan Peddinghaus, Germany. This was followed, in December '04, with the acquisition of CDP's aluminium forgings business for 6.3m euro. This gave BFL an entry into the passenger car segment. The 29m euro (about Rs 150 crore) German acquisition gives BFL three locations in Germany in addition to its existing India location.

Mr AB Kalyani added that they have funded the acquisition through internal funding. He admitted that they have recourse to substantial funds, close to half a billion dollars, having raised \$ 220m through equity dilution. The balance is what banks are willing to lend.



BIG SHOPPER

Baba Kalyani & Sunita Kalyani

- ▶ Purchase of Dana Corp's UK plant which was shipped to India
- ▶ Nov 2003: Acquisition of Carl Dan Peddinghaus GmbH, Germany
- ▶ December 2004: Acquisition of CDP's aluminium forgings business for Euro 6.3 million