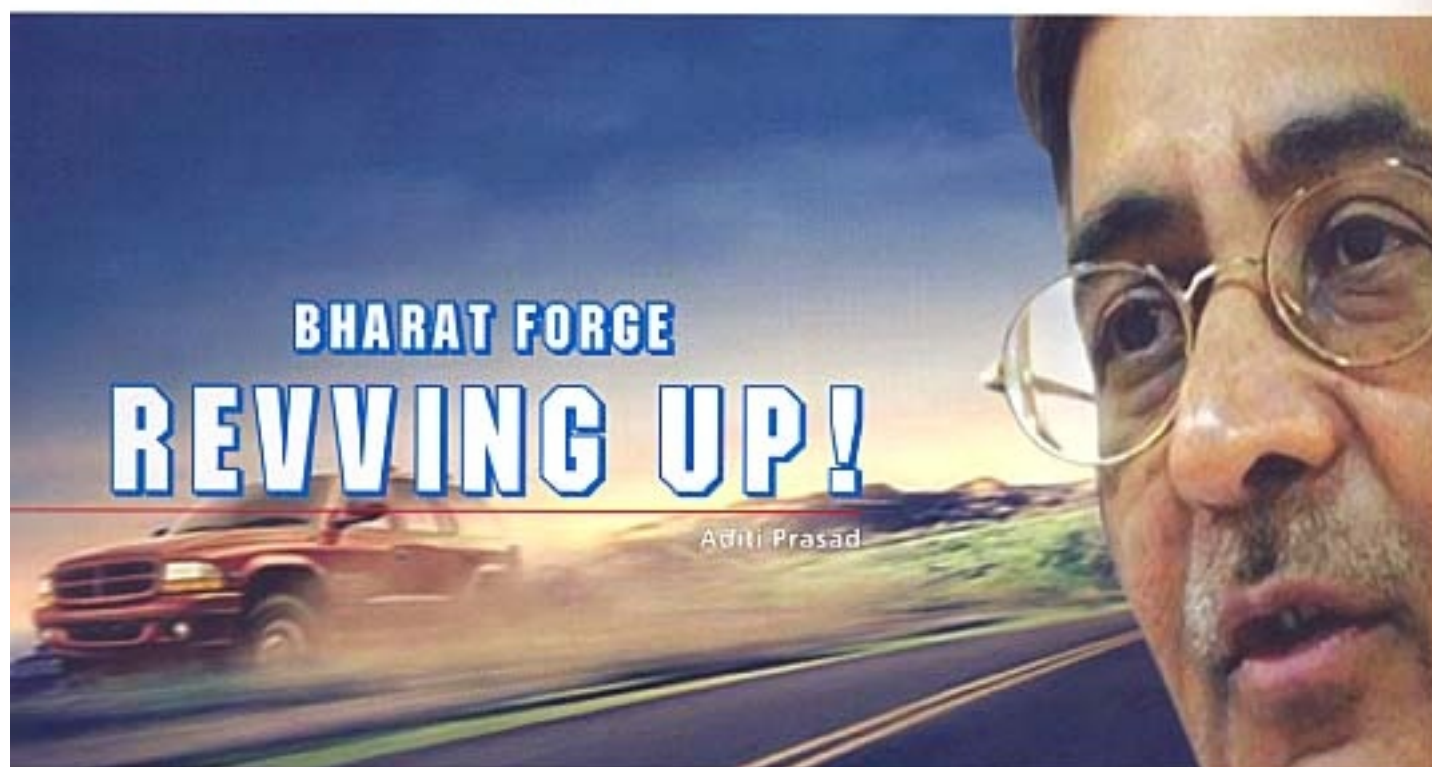


Here is what the Mumbai based newspaper Daily News and Analysis has to say: "They are puny when compared to global peers like the Toyotas, Accentures, Delphis, ABBs and Pfizers of the world. But a recent study reveals that among emerging global companies, 21 Indian companies have the potential to emerge as serious challengers." **Apart from the usual suspects like companies from the Tata group, Reliance and ONGC, the second largest forging company in the world, Bharat Forge finds a proud place in this carefully vetted list of Indian companies with the**

company in the world. For a manufacturing company - from the auto components stable - that was uniformly rated as one of the most uncompetitive and poor quality sectors of India in the world, that speaks volumes. Thanks in part to the vision and tenacity of the top management of Bharat Forge, led by Chairman Baba Kalyani,

Just a few recent news items related to the company reveal how steadily it is emerging as one of the leading auto components companies in the world. On April 18, 2006, Bharat Forge



brightest future in fiercely competitive global markets. The list has been prepared after a detailed research and study undertaken jointly by the Boston Consulting Group and Confederation of Indian Industries.

Definitely not as high profile as groups and companies like Tata, Birla, Reliance and Bharti, Bharat Forge has nevertheless emerged as one of the hottest kids on the block, scouring the global financial markets to raise cheap cash to finance an ambitious global acquisitions spree that promises to catapult Bharat Forge as the largest forging

successfully raised \$ 80 million through a two tranche convertible bond issue that was managed by CitiGroup. The first tranche of \$ 40 million has been issued at a premium of 40% of the current share price of Bharat Forge in the National Stock Exchange (India) while the second tranche of \$ 40 million has fetched a fabulous 60% premium. How could Bharat Forge manage such a feat? According to equity research outfits, the company is very well managed, has a clear vision and is clearly on a roll. Says a report prepared by B&K Research on Bharat Forge prior to this bond issue: "With the company setting up a base in China (through a 52%-owned



joint venture), we expect this venture to emerge as a big contributor to the company's revenue over the next two- to three years. Focus on non-automotive business will help the company in getting incremental growth (and) with strong visibility for the utilization of existing capacity and a healthy balance sheet with impressive cash flow generation, we feel that Bharat Forge is moving toward the self-sustaining growth phase."

The B&K report mentions the second bit of recent news that is clearly a feather in the company's cap. The company recently launched operations of a Chinese subsidiary called FAW Bharat Forge (Changchun) Co. Ltd where it holds a 52% stake. This will be a major boost for the company because FAW will be supplying components to one of the fastest growing automobile markets in the world. According to latest data, the Chinese automobile industry is growing in excess of 25% with annual sales of automobiles already having crossed 5 million - the third largest after the United States and Japan. In comparison, the Indian automobile industry has just about managed to cross the one million mark in sales in 2005-06.

Since 1997, the company has been relentlessly following a global strategy though it had virtually no presence in global markets till then. By 2005,

total revenue of the company. Bharat Forge has also been successful in making significant headway in supplying engine and suspension components to prestigious European OEM's. Bharat Forge now has 50 international customers. These include major customers such as Daimler Chrysler, Caterpillar-Perkins, Renault Vehicle Industries, Volvo, Honda, Cummins, Dana, Arvin Meritor and Toyota. No wonder Bharat Forge proudly boasts of being India's largest exporter of auto components. It greets visitors on its website with: "Bharat Forge Ltd., the flagship company of the US \$1.5 billion Kalyani Group, is a 'Full Service Supplier' of engine & chassis components. It is the largest exporter of auto components from India and leading chassis component manufacturer in the world. With manufacturing facilities spread over 9 locations and 6 countries - two in India, three in Germany, one in Sweden, one in Scotland, one in North America and one in China, the company manufactures a wide range of safety and critical components for passenger cars, commercial vehicles and diesel engines. The company also manufactures specialized components for the railway, construction equipment, oil & gas and many other industries. The group is even capable of producing large volume parts in both steel and aluminum.



Way back in 1961, when Bharat Forge was born as a company, few could have imagined that the company will go so far in the future. India was a sheltered and protected economy in those days and becoming world class was not even a gleam in the eye. India had only a tiny automobile sector and the

mantra of import substitution meant that Indian companies - both in the automobiles and the auto components sectors - constantly lagged behind international standards. Yet, Bharat Forge, like so many other Indian companies whose true entrepreneurial energies were hidden till the 1990s, managed to survive the socialist era of the Indian economy by focusing on quality in its own way. It is only when liberal economic policies were launched beginning 1991 that a company like Bharat Forge started to find its true calling.

In fact, it has traveled so far during its corporate journey toward global excellence and competitiveness that it routinely features in media reports about Indian companies that are adopting the most effective IT solutions to improve quality and competitiveness. On April 16, 2006, global heavyweight HP had a major announcement to make: Bharat Forge had bought HP's Integrity servers with SAP to run its production, planning, sales and manufacturing operations. Though the exact amount of money that changed hands was not specified, there was little doubt that HP was excited about the deal and the future possibilities that extends up to almost 30 years. The Integrity range of servers being sold by HP run on the free



open source software Linux, thereby considerably reducing costs for companies like Bharat Forge. Says Rich Marcello, senior vice-president of HP ; "Many of these IT organizations are implementing the latest technologies to create their data centers of the future with infrastructure that lasts 20 to 30



years...and because governments play a role in all these countries, they are embracing Linux and open source. This maps well to how we have positioned Integrity in terms of investment protection and for creating open systems"

HP may be tomming its achievements; but it is companies like Bharat Forge that are going to reap a harvest of benefits. And to be able to leverage this Bharat Forge has gone on a global acquisition spree that could be the envy of any forging or auto component company in the world. Here is a checklist of the companies and facilities that Bharat Forge has acquired over the last few years:



Acquired Carl Dan Peddinghaus GmbH & Co. KG (CDP), one of the largest German Forging Companies with plants in Ennepetal and Daun.



Acquired CDP Aluminiumtechnik now known as Bharat Forge Aluminiumtechnik. Provided an entry into the hi-end & fast growing aluminium component business.



Acquired Federal Forge now known as Bharat Forge America Inc. Provided BFL with a manufacturing presence in USA one of its largest markets.



Acquired Imatra Kilsta, AB, Sweden along with its wholly owned subsidiary Scottish Stampings, Scotland (together called as Imatra Forging Group).





Signed a JV with FAW Corporation, the largest automotive group in China. JV was named FAW Bharat Forge.

That kind of an aggressive global strategy has been backed up not just by successful efforts at raising cheap money in overseas markets, but also through excellent performances. In the financial year 2004-05, Bharat Forge posted profits in excess of Rs 160 crores (Rs 1.6 Billion); Domestic Sales increased by 42 % to 7.1 billion; exports grew by 53.3% to 5.1 billion; profit Before Tax grew by 36.93% to Rs. 2.5 billion and earnings per share grew from 32.02 in 2003-04 to 39.64.



The vision of the company is quite clear in the speech given by Chairman Baba Kalyani to investors during the Annual General Meeting in 2005: "Your company is at the forefront in contributing to make "Made in India" a global brand in the automotive industry. We have been the country's largest exporter of automotive components for the past four consecutive years. We are suppliers to virtually every global automotive OEM and to most Tier 1 suppliers to the industry. Almost every vehicle that is manufactured in the world carries a "Made by Bharat Forge" component. We are now the second largest forging company in the world that is aspiring for global leadership in the next 1-2 years. When that happens we will be the first company in India Inc. to have scaled such a high pinnacle. For my colleagues and me, the journey of the past few



years has been exhilarating and I would like to affirm to Members our determination and commitment to achieve our goal."

You really don't need words of your own when an entrepreneur can go beyond his own company and look at the big picture of India emerging as the new powerhouse. In Baba Kalyani's words: "India is fast gaining eminence as a "knowledge capital" of the world. We are being perceived as an emerging global R & D hub for a range of industries. 100 of the Fortune 500 companies besides other global corporations have set up engineering, design and R&D centers in India. On the consumer front, India ranks as the most optimistic market in Asia. 50% of our population was born after 1982 and this constitutes a large, young, English speaking, highly skilled and active workforce - an advantage that no other country, including China, can match. Add to that the amazing innovative spirit of Indian entrepreneurs and you have a country that is ready to take on the world!"

India Unleashed has always believed in not being stingy when it comes to celebrating success both in the corporate and the policy arena. And without any doubt, Bharat Forge ranks as one of the better emerging stars in the horizon-as mentioned right at the beginning of this article because of the BCG study. Yet, the operative word is emerging because while Bharat Forge is not even \$1 billion in sales, the ailing and largest auto components company in the world is worth \$27 billion! BFL, the company with the world's largest single-site forging facility still has miles to go!