

MFL Q1 F2010 Consolidated Results

Mumbai, 29th July 2009: The un-audited consolidated results for the Mahindra Forgings Group for the three months ended 30th June 2009 is as given below. These results have not been subjected to a limited review by the statutory auditors of the company.

Three months ended 30th June, 2009 –

The Total Income for the first quarter ended 30th June 2009 of the Consolidated Mahindra Forgings Group is Rs. 302 crores reduced by 57.5% over Rs. 711 crores for Q1 last year. Loss before depreciation, Interest, exceptional items and taxation (EBITDA) for the current quarter is Rs 29 crores as compared to Profit of Rs 89 crores in Q1 last year. The consolidated group Loss for the current quarter after considering exceptional items and taxation is Rs 78 crores as against Profit of Rs 30 crores in Q1 last year.

Outlook:

In Q3 and Q4 F09, the automotive sector faced significant decline in demand in India and Europe. The decline was most marked in the commercial vehicle segment. The situation in India improved in Q1 F 10 with passenger cars and light commercial vehicles showing an upturn. This upturn is expected to sustain in the next quarter. Heavy commercial vehicles though continue to remain depressed in India.

The situation in Europe has not shown any improvement in Q4 F 09 and Q1 F 10. If at all, there has been some improvement in the passenger car market but the commercial vehicle market (main customers of Mahindra Forgings Europe) continues to remain at 30% of the monthly volume of April 2008. The market scenario is expected to improve slightly from Sept'09.

Mahindra Forgings has readjusted its strategy to face the new reality. The focus of F 10 is on:

1. cash conservation through inventory & capex control, and
2. cost reduction through operational improvements and control of overheads.

A structured program has been launched to focus on the twin objectives. The objective is to maximize cash even under the scenario of drastic dips in volume. As part of this program, the performance of the forgings business in India has improved over last year while the team in Europe has reduced its personnel by ~30%. To mitigate the business risks in future, non-auto focus has been accelerated to widen the customer base & new parts for new customers are being developed.