Press Release-MFL Q2 F2010 Results

Mumbai, 27th October 2009: The Board of Directors of Mahindra Forgings Limited today announced the unaudited financial results for the quarter and half year ended 30th September 2009 for the company and for the consolidated Mahindra Forgings Group.

MFL Standalone results

The improved financial results of the company for the quarter and half year are due to volume growth of 16.9% recorded for the quarter and 21.4% for the half year. Increase in sales of machined components, a strategic direction initiated by the company in previous years has also contributed to the improved financial results.

Further, the company had initiated several initiatives for cost reduction and cash conservation in the second half of last year including the following:

- Improvement in Raw Material yield ratio.
- Reduction of rejections.
- Productivity improvements and tooling cost.
- Reduction in working capital levels.

All the above initiatives have contributed to the improvement in financial results although the full potential of these measures is yet to be realized.

Q2 F10 –

The Total Operating Income for the quarter ended 30th September 2009 is Rs **74.23 crores** as against Rs 76.75 crores during the corresponding period last year. In volume terms the company registered a growth of 16.9% compared to corresponding period last year. Profit before depreciation, interest, exceptional items and tax is **Rs 12.78 crores** as against Rs 6.83 crores in Q2 last year – **a growth of 87.1%**. The Net profit after tax for the quarter is **Rs 0.32 crores** as against a loss of 7.59 crores in Q2 last year..

H1 F10 -
The Total Operating Income for the half year ended 30th September 2009 is **Rs 143.82 crores** as against Rs 138.47 crores during the corresponding period last year – **a growth of 3.9%**. In volume terms the company registered a growth of 21.4% compared to corresponding period last year. Profit before depreciation, interest, exceptional items and tax is **Rs 22.12 crores** as against Rs 10.71 crores in H1 last year – **a growth of 106.5%**. The loss after tax for the quarter is **Rs 3.15 crores** as against 17.14 crores in H1 last year.

MFL Consolidated Results

Q2 F10 -
The Total Income for the Second quarter ended 30th September 2009 of the Consolidated Mahindra Forgings Group is Rs 316 crores as against Rs.718 crores for Q2 last year. Profit before depreciation, Interest, exceptional items and taxation (EBITDA) for the current quarter is Rs 28 crores as compared to Rs.64 crores in Q2 last year. The consolidated group Loss for the current quarter after considering exceptional items and taxation is Rs 27 crores as against Loss of Rs.4 lacs in Q2 last year.

H1 F10 –
The Total Operating Income for the half-year ended 30th September 2009 of the Consolidated Mahindra Forgings Group is Rs 618 crores as against Rs.1429 crores in H1 last year. Loss before depreciation, Interest, exceptional items and taxation (EBITDA) for the current half-year is Rs 1 crores as compared to profit of Rs.153 crores in the same period last year. The consolidated group loss for the current half-year after exceptional items, taxation and after deducting minority interests is Rs 105 crores as against profit of Rs.30 crores in the same period last year.

The European business has been significantly affected by the economic downturn in Europe. Several restructuring initiatives including right-sizing of manpower and operations have been undertaken. Only part of the benefits of such restructuring is reflected in the financials.

Outlook:

The situation in India improved significantly and showed improvements in Q1 F10 and these have been sustained in Q2 F10. Passenger cars and light commercial vehicles are showing an upturn while heavy commercial vehicles continue to remain depressed in India. This upturn is expected to sustain in the next quarter.

Mahindra Forgings has readjusted its strategy to face the new reality. The focus of FY10 is on:

1. Cash conservation through inventory & capex control and
2. Cost reduction through operational improvements (yield improvement, rejections etc.) in India and rightsizing of manpower and operations in Europe.
3. Greater co-operation and effective utilization of synergies between the Indian and European operations.

The situation in Europe seems to have stabilized at the end of H1 F10. The forecasts especially in the commercial vehicle segment suggest that the bottom may have been reached. We remain cautiously optimistic

The team in Europe is focused on restructuring fixed costs and has reduced its personnel and fixed costs by ~40%. Inventories have been reduced by 40% over last 12 months and Capital Expenditure has been curbed as part of a structured program to conserve cash in the eventuality that the recovery takes longer than expected.