<u>Press Release-MFL Q3 F2010 Results</u>

Mumbai, 21st January 2010: The Board of Directors of Mahindra Forgings Limited today announced the unaudited financial results for the quarter and nine months ended 31st December 2009 for the company and for the consolidated Mahindra Forgings Group.

Given the improvement in performance in India and the prospects in Europe the Board approved of a QIP issue of not exceeding 1,75,00,000 equity shares of face value Rs. 10/- each at a premium. The Board also approved preferential issue of warrants to the promoters not exceeding 72,99,270 warrants at a price of Rs. 137 per warrant.

MFL Standalone results

The improved financial results of the company for the quarter come on the back of improved sales, value addition through greater machining and a sustained effort in improving the Raw Material to yield ratios, a reduction in rejection and in tooling cost and improvements in productivity. These results reinforce the trend for the last nine months and reflect a volume growth of 118.9% for the quarter and 42.6% for the 9 months ending December 31st, 2009.

Mahindra Forgings operations in India and Europe are part of Mahindra Systech and the latter consists of other related verticals like Musco Steel, Musco Stampings, Mahindra Castings and Mahindra Gears. Synergies and cross selling between these verticals to common customers will continue to help Mahindra Forgings harness the full potential of the operating initiatives.

Q3 F10 –

The Total Operating Income for the quarter ended 31st December 09 is Rs 73 **Crores** as against Rs 40 Crores during the corresponding period last year. In volume terms the company registered a growth of 118.9% compared to corresponding period last year. Profit before depreciation, interest, exceptional items and tax is **Rs 12 Crores** as against loss of Rs 3 crores in Q3 last year. The Net loss after tax for the quarter is **Rs 91 Crores** as against a loss of 4 crores in Q3 last year. In current quarter the company has as a prudent measure, provided for diminution in the value of investment in its subsidiary Stokes Group Limited amounting to Rs 90 crores even as the performance at Stokes is being improved by a series of rationalizing and cost cutting measures.

Nine months ended 31st December, 2009 -

The Total Operating Income for the nine months ended 31st December 2009 is **Rs 217 Crores** as against Rs 178 crores during the corresponding period last year – **a growth of 21.9 %**. In volume terms the company registered a growth of 42.6% compared to the corresponding period last year. Profit before depreciation, interest, exceptional items and tax is **Rs 34 Crores** as against Rs 8 crores in the corresponding period last year – **a growth of 325 %**. The loss after tax for the nine months is **Rs 94 Crores** as against 21 crores in the corresponding period last year.

MFL Consolidated Results

Q3 F10 -

The Total Income for the third quarter ended 31st December 2009 of the Consolidated Mahindra Forgings Group is Rs 325 Crores as against Rs 452 Crores for Q3 last year. Earnings before depreciation, Interest, exceptional items and taxation (EBITDA) for the current quarter is loss Rs 12 Crores as compared to loss of Rs 4 Crores in Q3 last year. The consolidated group Loss for the current quarter after considering exceptional items and taxation is Rs 79 Crores as against Loss of Rs 41 Crores in Q3 last year. In current quarter the company in stand alone accounts has provided for diminution in the value of investment in its subsidiary Stokes Group Limited, its effect on consolidated accounts is impairment in the value of Goodwill Rs 18 Crores.

Nine months ended 31st December, 2009 –

The Total Operating Income for the nine months ended 31st December 2009 of the Consolidated Mahindra Forgings Group is Rs 943 Crores as against Rs.1881 Crores in the corresponding period last year. Earnings before depreciation, Interest, exceptional items and taxation (EBITDA) for the current nine months is loss Rs 9 Crores as compared to profit of Rs. 149 Crores in the corresponding period last year. The consolidated group loss for the current nine months after exceptional items, taxation and after deducting minority interests is Rs 184 Crores as against loss of Rs.11 Crores in the corresponding period last year.

The European business which had been significantly affected by the economic downturn in Europe is starting to revive and will also benefit from several restructuring initiatives including right-sizing of manpower and operations have been undertaken in the last 12 months and only part of the benefits of which are reflected in its current financials.

Outlook:

The auto industry in India has rebounded from the slowdown. All segments i.e. LCVs, MHCVs & cars, have grown every quarter in FY10. Compared to Q2 10, Q3 10 production figures of LCVs were higher by 4%, MHCVs by 14% and cars by 4%. This rebound means that Q3 10 production figures in each segment were higher than the pre slowdown figures of Q1 09 and Q2 09. We expect this recovery to sustain in Q4 10.

During the slowdown, our Indian operations had focused on cash conservation and operational improvements by utilizing expertise of our European counterparts. These improvements coupled with increasing volumes will help us sustain the growth and margins that the Indian operations have achieved in Q3 10.

The situation in Europe is stabilizing. In Q1 F10 the CV segment which Mahindra Forging Europe serves recorded a fall of 60% in volume - the lowest quarterly production figures in the CV segment since Apr'07. Since then, Q3 F10 has seen a revival in demand which should translate into an increased in order input by 20 – 25 % and we are therefore cautiously optimistic. The European operations continue to focus on restructuring fixed costs, reducing inventory and minimizing capital expenditure."