To,

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Mumbai - 400 001
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National Stock Exchange of India Ltd.,
‘Exchange Plaza’,
Bandra-Kurla Complex, Bandra (East)
Mumbai - 400 051
Symbol: BHARATFORG
Series: EQ

August 16, 2017

Dear Sir,

Sub.: Transcript of Analysts Conference Call

We are enclosing herewith transcript of conference call with analysts, which took place on
August 10, 2017, after announcement of Unaudited Financial Results for quarter ended on
June 30, 2017. The said transcript is also uploaded on website of the company.

Please take note of the same.

Thanking you,

Yours faithfully,
For Bharat Forge Limited

[Signature]

Tejaswini Chaudhari
Deputy Company Secretary

Encl: As Above
“Bharat Forge Limited Q1 FY18 Earnings Conference Call”

August 10, 2017

MANAGEMENT: MR. AMIT KALYANI – BHARAT FORGE LIMITED
Moderator: Ladies and gentlemen good day and welcome to the Bharat Forge Q1 FY18 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Kalyani. Thank you and over to you sir.

Amit Kalyani: Thank you. Good afternoon ladies and gentlemen and thank you for joining us on our Q1 investor call. First quarter of this year has been satisfying for the company and our Management because we are firmly back on path of growth as we had mentioned during our last con call. I think on all fronts the company's business is seeing strong traction and strong demand and especially export revenues both across automotive and industrial sectors have been very good in the quarter. And despite the GST implementation, the huge drop in CV sales and production in the quarter we have managed to not de-grow our revenue as much. We have only de-grown that by about 6%, so that has been also very heartening because we have introduced new products into the market and we are seeing greater penetration and market share gains as well. Also during this quarter domestic industrial business was at its highest quarterly revenue because of new products that we have developed and launched based on technologies that we have developed in-house. And we expect that this trend will continue in the positive direction as we get more business in the oil and gas, railways, defense etc. through the domestic ‘Make in India’ and domestic preference procurement policy. As we look forward into the next quarter we see strong industrial activity growth across the board and we expect demand to be higher than the same period last year and we also expect export to be fairly robust next quarter as well.

If you look at the absolute numbers, we have seen a 31% growth in sales over last year. We have seen 36% growth in EBITDA margins; we have seen 46% growth in PBT to 275 crores and PAT growth of about 43% to 175 crores. In addition to our export business in the US has seen a very strong growth, I think it's almost grown by over 100% and this is led basically by both commercial vehicles, passenger cars, rail, aerospace and of course oil and gas. The oil and gas exports have increased very substantially and actually we expect this to grow going forward as well next year because we have now gotten on to some programs and new platforms where product development is well underway and we will shortly be in the product approval process.

Our balance sheet is also into a strong position, in fact I am very happy to report that our long-term debt today is on a net basis negative because we have more cash on the balance sheet then we have a long-term debt. We have achieved this one year ahead of what we had promised and that’s very heartening and the company's cash flow remains very strong and there is ample opportunity as and when there is need for CAPEX to easily fund this out of internal accruals. I think overall company is well-positioned, we have a good order pipeline, we've won lots of new business over the last 8 to 12 months which we will start ramping up by the end of this
year and next year and that will also help us grow our passenger car business globally. In Indian markets also we have won a lot of new programs from companies in the automotive sector, in the agri sector, in the commercial vehicle sector and in the railways and defense sector and we expect these also to start ramping up from end of this year to next year and will continue to help us broaden and deepen our customer engagement and overall size and shape of business in India.

And lastly I'm also happy to report that Bharat Forge has won its maiden capital contract on defense, although it's a small one at 200 crores. We will complete the entire 200 crores order in the year 18-19 and this is the beginning of opening up of this sector in a big way for Bharat Forge. We have now started working on many new programs and those will all start fructifying in the next year or two. So actually that's really all I wanted to say, I am very happy to take your questions now. Please go ahead.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question is from the line of Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: I have two questions, on the oil and gas revenue, can you give some more details what kind of products you are expected to get orders from and what is the outlook for the oil and gas industry in general because oil prices have been kind of a yoyo, so what is the Outlook in the market as a whole?

Amit Kalyani: We are currently present in the subsector of oil and gas that is shale fracking. And shale fracking is the only sector of oil and gas production which is growing right now and we have a very strong market share in that business and we continue to grow it, so we are now developing new products for this sector. And with oil at below $70 to $75 kind of price, this is the only business that will be able to feed the demand supply gap. So we expect that this will remain quite robust and in fact we expect Bharat Forge to get new business in this area with the new product that we are developing.

Amyn Pirani: Secondly just on the defense orders, while it's heartening that finally we have 200 crores order because on the defense side there also has been a delay as to indigenization the order for the FICV is also been there is dillydallying whether they will give it to private or they will keep it to public, so what is happening there if you could give us some understanding as to what you should expect over the next....

Amit Kalyani: All the facts that you’ve mentioned are absolutely correct, there are delays, procedural or otherwise. But there are three major factors you have to remember, one is ‘Make in India’, second is domestic preference and third is the fact that I think there is greater understanding about actual situation in the defense forces right now thanks to everything that is happening which will make sure that one way or the other these items are produced and procured, so either it will be directly done through the private sector or in the partnership between private sector and the ordinance factory is and whoever else the PSUs are. Either way as we are very well positioned and we believe that we are happy to work in either mode. Like we have done
with the ATAG Gun. We are happy to do that and for us the business will still be there. I would just like to mention that the order that we have got is not forging. This is a completely different product that we have developed along with the partner and have won the order for.

**Amyn Pirani:** But this is part of Bharat Forge or this is part of the….

**Amit Kalyani:** This order we had fielded long time ago in Bharat Forge because it was fielded in Bharat Forge it will be fulfilled through Bharat Forge.

**Moderator:** The next question is from the line of Satyam Thakur from Morgan Stanley. Please go ahead.

**Satyam Thakur:** Just to clarify that this quarter also the oil and gas number has been close to 150 crores or so and that's the run rate you think you can grow from here on also?

**Amit Kalyani:** I think it will be more or less at this level, yes. Sometimes when there is a demand spike we also have some inventory buildup but I think this kind of number is really what we're looking at for the year and hopefully next year we have to see what happens with oil prices. But also we should be on a growth mode from there.

**Satyam Thakur:** The US truck market also would have seen a pretty strong number this month in your auto exports, so how do you see that run rate tracking from here on because now the entire inventory resetting and all would have happened in US.

**Amit Kalyani:** On a YOY basis we are growing at about 18%-19% and there is expected to be fairly strong growth in the overall market. I will just get you that number what is it that we are seeing right now because one of my colleagues is in the US and he will just get me that data. But as we had seen last time, last time when we had come back to you it was supposed to be in the region of 8% to 12%. But right now currently we are tracking a number slightly above that. So I think it's fair to say that it should be at least that much.

**Satyam Thakur:** We have seen very strong better than industry performance in domestic auto business and you said that you’ve gained market share. This comment are you specifying more with the CVs or you’ve gained across segments and that is adding up because the CVs…..

**Amit Kalyani:** In PVs we have grown by about 30%, in CVs relative to the industry we have grown by about 30%.

**Satyam Thakur:** This is all new customer wins or expanding products within?

**Amit Kalyani:** Pass-cars we have new products and new programs, on the CV side its existing customers but some additional volumes and share of business.

**Moderator:** The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.
Sonal Gupta: Could you give us the number for what was exactly the oil and gas revenues and US truck revenue for this quarter?

Amit Kalyani: Our oil and gas is about 160 and commercial vehicle was about 285 crores.

Sonal Gupta: This is total exports or this is US trucks?

Amit Kalyani: This is total exports. US was about 150 for CV, oil and gas is all largely US.

Sonal Gupta: In terms of this order again the defense order like you said this is fulfilled through Bharat Forge but it's with a partner etc. so do we see substantial value coming from this?

Amit Kalyani: We will have a double-digit margin on this.

Sonal Gupta: In terms of what is your outlook on the CV side for India?

Amit Kalyani: CV side for India is worst case should be flat. This is based on what our customers are telling us.

Sonal Gupta: You are winning a lot of orders, you have been winning some orders from defense, PSUs as well, so what sort of growth do we see over the next 2-3 years in the India industrial sort of business?

Amit Kalyani: India industrial business you will see a strong growth probably in the mid to 15%-18% per annum because we have lots of new products and markets that we are getting into.

Sonal Gupta: The realization improvement this quarter on a per ton basis is more product mix or is there some element of raw material cost in them sort of pass through as well?

Amit Kalyani: Also revenue has gone up in some amount of optically because of the base price increase because of the pass through.

Moderator: The next question is from the line of Siddharth B from Nomura Securities. Please go ahead.

Siddharth B: First on the CAPEX outlook, what would be our CAPEX guidance for this year now given that we have also gained some defense orders so how will it…

Amit Kalyani: Our CAPEX outlook for this year is roughly 300 to 350 crores.

Siddharth B: And any increase because of the new defense orders?

Amit Kalyani: No,
Siddharth B: My second question is on these other expenses line item of the P&L, so basically if I see that your revenues have grown by close to 30%, your other expense also seems to have increased by a similar amount?

Amit Kalyani: Other expenses is because of some amount of exchange which is about 12-13 crores and the rest is for energy and also because of this increased machining etc. there has been some increased costs.

Siddharth B: But as a percentage of revenue shall we expect that this can come down from these levels.

Amit Kalyani: Obviously the exchange will depend on what happens in the market, so that is not something that is….

Siddharth B: Apart from that I have excluded that part.

Amit Kalyani: Then it should be definitely lower, slightly lower.

Siddharth B: But how much will be our machining mix for this quarter?

Amit Kalyani: Slightly higher than the last quarter.

Siddharth B: Any number you can ….

Amit Kalyani: May be about 47-48-49, somewhere in that ballpark.

Moderator: The next question is from the line of Basudev Banerjee from Antique Finance. Please go ahead.

Basudev Banerjee: Just to continue on that, this 12-13 crores Forex loss which you said was anyhow separately mentioned as one off, so just wanted to know that the other expense which moved up almost…

Amit Kalyani: It's not one-off, it's mark to market.

Basudev Banerjee: But that is not part of the above EBITDA 340 crores other expense, so it was up almost about from 300 crores to 340 crores. so largely it is assignable to the machining increased cost of any element of push or any one-off?

Amit Kalyani: There is also business development plus whatever new development we are doing of technology product involves having consultants, having travel, having technology licenses, all kinds of things. So all this is being charged off, we are not capitalizing any development, R&D or business to development and expenses, everything is being charged off.

Basudev Banerjee: Such expenses have recurring in nature?

Amit Kalyani: Some part of them are recruiting but also they are not linear.
Basudev Banerjee: Basically it's coming like superb set of volume, realization numbers but that did not trickle down to the percentage margin level.

Amit Kalyani: No also you have to remember there is an inflationary impact in our top line because of the pass through.

Basudev Banerjee: How much of these realizations jump of sequential was lead to inflationary pass through and through product mix?

Amit Kalyani: About 25 crores odd would be on account of the pass through.

Moderator: The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: My question pertains to one is the short-term in terms of tax rate this quarter was almost full tax rate of 33%, do we expect that to continue by FY18?

Amit Kalyani: It's mainly reduction of this investment allowance which is not there from this year onwards and also reduction on R&D benefits from 200% to 150%, so going forward it will be more or less in the same range, will be a full tax.

Jinesh Gandhi: Secondly with respect to the targets which we had given sometime back, are we continuing with those targets for revenue over 3-year period?

Amit Kalyani: On a 2020 basis yes.

Jinesh Gandhi: And that is about 7000 crores of revenue by 2020?

Amit Kalyani: Approximately yes.

Jinesh Gandhi: Lastly on defense while it's a good breakthrough of 200 crores, do the visibility of more such orders creeping in over next 12 to 18 months and then execution over 2 to 3-year period post that or how it will be?

Amit Kalyani: Like I said we have fielded a lot of products, some of our products are even in the user trial phase. So it's just a matter of the trials been completed and then the order placement to take place. Unfortunately, there is no defined timeframe I can give you.

Jinesh Gandhi: On aerospace, can you indicate what kind of revenues were from aerospace, have you seen ramp up there?

Amit Kalyani: Aerospace overall, I can tell you. I think it is more or less flat but we have visibility for strong growth because we have received as some new orders and our new aerospace machining plant
has been commissioned so this will now ramp up once the product approval process takes place. So we will move from just forging to fully machined products now.

Jinesh Gandhi: And we maintain $100 million by 2020 from aerospace?

Amit Kalyani: That is our target.

Moderator: The next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: Couple of questions on defense, one we have commissioned the Hyderabad plant with Rafael I think.

Amit Kalyani: Yes.

Ronak Sarda: What's the status there, how close are we winning that order? If I understand correct that the earlier manufacturing agreement or do we have some technical expertise there as well?

Amit Kalyani: No, there is a manufacturing plant for assembly and integration of certain systems and that again the order it is in a very let’s say the product has passed all the criteria now only a matter of product being awarded.

Ronak Sarda: So we have completed the negotiation phase as well?

Amit Kalyani: Negotiation is also complete.

Ronak Sarda: So that's pretty close then. Some news items a month back that Hindustan Aeronautics has finally formed a JV with a Russian company for helicopter manufacturing.

Amit Kalyani: I don't want to comment on anything to do with government companies and multi-governmental agencies right now.

Ronak Sarda: We were supposed to supply some new products to HAL.

Amit Kalyani: Yes, we are already in the product development program with HAL for large number of products and that will contribute to growing our aerospace business to the kind of figures that we have spoken.

Ronak Sarda: Just some clarification what would be our export non-auto revenue for this quarter?

Amit Kalyani: About 330 crores.

Ronak Sarda: And of this 160 crores is oil and gas?

Amit Kalyani: Yes.
Moderator: The next question is from the line of Rajesh Kothari from AlFAccurate Advisors. Please go ahead.

Rajesh Kothari: Can you tell us in terms of oil and gas particularly the Shale gas which you are mentioning, what is the total market size and who are the major players in this and what is your market share?

Amit Kalyani: Business is huge; I mean the business I don't know how big it is. Today we are only supplying components. So as we continue to develop this business we would like to move from components into subsystems, there is a market need for that and definitely this could grow our size of business quite substantially. I think you can understand one product that we currently make we have a very large position in the market; we are one of the largest suppliers worldwide. But that's only a small piece of the market, not the whole market.

Rajesh Kothari: What is the product is called I mean can you give little bit insight into this business because sure it is a huge…

Amit Kalyani: Very difficult to explain over the phone. I would recommend and invite you to come visit us and then you can see these products yourself and our technical experts can try and explain this. But these are components which are the main part of the fracking system called the frack pump that is what pumps the fluid for fracking at high pressure.

Rajesh Kothari: And you will be supplying to the largest player within that?

Amit Kalyani: It is spread to multiple players, yes including the largest and the second largest.

Rajesh Kothari: And their demand growth is of course driven by their more capital expenditure into that segment, am I right?

Amit Kalyani: Yes on the frack pumps.

Rajesh Kothari: And what drives that demand, just trying to understand a little bit?

Amit Kalyani: The supply demand gap that is there that today in the oil market is roughly about 0.8 to 1 million barrels a day. And as this gap increases because the reserves are going down in certain places, the incremental cost for opening a new site and the time required for opening a new site is the smallest, shortest and lowest in fracking. So it's very easy to bring in new frack sites on to the market. At this price of $53-$54-$55, they make money to it.

Rajesh Kothari: This industry itself the fracking one which you're talking about must be doing at a very high double-digit growth kind of thing in last…

Amit Kalyani: Absolutely, so the frack sites are gone from 150 to 1200 in the last one-year.
Rajesh Kothari: 150 to 1200?

Amit Kalyani: You can look at all this on the internet.

Rajesh Kothari: In terms of machining you mentioned that right now it is roughly about 47% to 49% of your revenue; can you just tell us two years back where was these numbers?

Amit Kalyani: I really don't know what two years back it was because of business mix and everything was very different. I would suggest this is a little too much detail for me to research right now and give you but we are happy to provide you this information if you would like to come and visit us on talk to some of our team on the phone separately.

Rajesh Kothari: Over next three years would like to give any target number that how much it should be?

Amit Kalyani: Definitely going to be in the positive direction because most of the new business we are winning is all machined.

Moderator: The next question is from the line of Nishit Jalan from Kotak Securities. Please go ahead.

Nishit Jalan: You performance have been really impressive is in the domestic MHCV segment despite with industry decline. You mentioned it was market share gain; you have also introduced new product which has also led to better…?

Amit Kalyani: It's a combination of both. It's market share gain, new product and more value addition.

Nishit Jalan: Can you talk a more detail about what kind of new products you have introduced and that has…

Amit Kalyani: We have developed product for the drive-line now which we have introduced, though small way but that is going to be a major driver of our growth going forward.

Nishit Jalan: On the defense side, you mentioned that this new order that you have received 200 crores that will be executed by Bharat Forge. Going ahead also will this be the same scenario or will it be executed by…?

Amit Kalyani: No, this is the only one. On the sale front I’d just like to say one more thing which my colleague just reminded me is that a product that we supply is a consumable. So as long as you are pumping oil through the well this thing needs to be used and it has only a certain life. This is for the gentleman who asked me the earlier question.

Nishit Jalan: You were talking about the defense order; incrementally it will be done by?
Amit Kalyani: All the defense orders will be through Kalyani Strategic Systems except for revenue items which Bharat Forge makes and supply. Capital procurement will all happen through Kalyani Strategic systems which is a majority owned subsidiary of Bharat Forge.

Nishit Jalan: And anyways we will be supplying the forge components to Kalyani?

Amit Kalyani: Forge components yes.

Moderator: The next we have a follow up question of the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: You indicated about new product wins on the drive-train on commercial vehicle, have you started supplying these in export markets as well?

Amit Kalyani: No, we have not yet started into the export market but we will very shortly, we are in the product development and product validation phase with our customers. But these are very critical products so they take some time for product validation.

Jinesh Gandhi: Would opportunity be as big as our engine components which you supply?

Amit Kalyani: Probably bigger.

Jinesh Gandhi: This is with the existing customers only, right?

Amit Kalyani: Yes largely existing customers.

Moderator: The next question is from the line of Nitish Mangal from CLSA. Please go ahead.

Nitish Mangal: What is your hedging policy and what kind of currency pass through you have in your contracts and how do you see the recent rupee appreciation impacting the business?

Amit Kalyani: The recent rupee appreciation has definitely had a detrimental influence in this quarter because obviously our realizations are lower. We have a simple hedging policy where we hedge forward, 18 months roughly on an average basis rolling and we have been a little cautious with hedging right now because of the volatility in the rupee and of course the volatility that the euro saw. And we don't really have I mean we have a pricing formula with the customer which is based rupee at the time of the contract and then there is a band within which we operate and it varies customer to customer.

Nitish Mangal: What would be your 1Q currency realization?

Amit Kalyani: About 69.

Moderator: The next question is from the line of Kaushik Poddar from KV Capital Markets. Please go ahead.
Kaushik Poddar: This is with regard to the defense contracts, all the defense contracts will be executed through Kalyani Forge in which Bharat Forge has what kind of stake?

Amit Kalyani: There is no Kalyani Forge.

Kaushik Poddar: Then?

Amit Kalyani: Kalyani Strategic Systems. I would like to also reiterate that we have nothing to do with Kalyani Forge.

Kaushik Poddar: And how much Bharat Forge owns in that company?

Amit Kalyani: 51%.

Kaushik Poddar: And the rest is owned by?

Amit Kalyani: Group companies.

Kaushik Poddar: And all the forging and machining will be done by Bharat Forge, is it?

Amit Kalyani: Wherever it is based on the existing assets, yes. Forging, yes, machining if it is not a very specialized and it is something that Bharat Forge can do obviously we would rather do it using existing assets. But if it is something super specialize which needs new investment that will probably done in either Kalyani Strategic Systems or the underlying JV in which the business maybe won, if it's not Kalyani Strategic Systems.

Kaushik Poddar: And Kalyani Strategic Systems that company has some hard assets?

Amit Kalyani: Yes, it was setting up a plant right now.

Moderator: The next question is from the line of Prayesh Jain from IIFL Wealth. Please go ahead.

Prayesh Jain: On the driveline products that you mentioned, so this would be currently supplied or met through imports?

Amit Kalyani: We made in house but because of the transition from Euro 3 to Euro 4 and going forward to Euro 6 I think there is a substantial difference in the technology of the products.

Prayesh Jain: So you will be basically replacing that and on the second point what will be the passenger car contribution to both domestic and exports in this quarter?

Amit Kalyani: Total Pass-car was close to 90 crores.

Prayesh Jain: Equally divided between domestic and exports?
Amit Kalyani: Yes.

Prayesh Jain: And how do you see this growing?

Amit Kalyani: We expect both domestic and global to grow. We have got large new global contracts which will ramp up from next year onwards and we have won new business in India as well. But I think initially the global contracts will grow faster than the Indian ones.

Moderator: Thank you very much. We will take that as a last question. I would like to hand the conference back to Mr. Amit Kalyani for any closing comments.

Participant: Ladies and gentlemen thank you very much for your interest in our company and attending our con call. I think it's been satisfactory quarter. We look forward to strong robust growth over the next three quarters as well as we continue to implement this technology and research driven strategy for getting into new products, new segments and new geographies and taking advantage of ‘Make in India’ and the whole government policies which is favoring Indian manufacturing. I think the worst period is behind us. As a company we are very strong, both technologically, financially and I think things are looking better than they were this time last year and even the last time we spoke. So we look forward to remaining engaged with you in trying to share with you what we do in our business and how we can continue to add value to in all our shareholders and stakeholders as well. Thank you very much. If anybody has any follow-up question or you want to visit our facilities or see anything in detail we will be happy to organize that for you. Thank you very much and have a great afternoon.

Moderator: Thank you very much. On behalf of Bharat Forge that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.