"Bosch Limited Q5 FY15 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to Bosch Limited Q5 FY15 Results Conference Call hosted by Batlivala & Karani Securities. 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you and over to you, sir.

Annamalai Jayaraj: Good afternoon everyone. Effective today, Bosch has been included in the NSE Benchmark Index NIFTY. On behalf of B&K Securities, we welcome the participants 5QFY15 Post Results Conference Call of Bosch Limited. We have with us today Dr. Steffen Berns – Managing Director, Mr. Soumitra Bhattacharya – Joint Managing Director and CFO and Mr. S. Karthik – Vice President and Company Secretary. I would now hand over the call to Dr. Steffen Berns for his opening remarks and to be followed by question-answer session. Over to you Sir!

Steffen Berns: Thank you very much, Mr. Jayaraj and good afternoon to all of you. Before we look into the quarterly results January 2015 to March 2015, let me reiterate that the company has changed the financial year from January-December to April-March from financial year 2016 onwards. Hence, the last financial year was extended by three months covering January 2014 to March 2015. Today we are not discussing year end results in detail, but a summarized comparison of the 12 months of April 2014 to March 2015 to the corresponding 12 months will be covered.

I would like to brief you about the overall domestic automotive market development, looking at production volumes except the two wheelers. The automotive market grew by 2.9% in the quarter ended March 2015, against the quarter ended March 2014. The passenger car segment grew by 8% on account of improving market sentiment, political stability and improved economic environment backed by new model launches and good retail deals offered by OEMs.

Heavy commercial vehicles grew by 38% since the decline in diesel price has eased pressure on fleet operators, continuing the positive trends we have seen in the last quarter was still on a low base. Three wheelers show the positive growth of 5% mainly due to an uptrend in exports.

On the other hand, the tractor market showed a decline of 32% due to negative market sentiments caused by factors such as unseasonal rains, reduced Kharif crop production, and lower minimum support price for crops, reducing the disposable income of farmers.

The light commercial vehicle segment has declined by 4% due to a lack of push from CD finances to first time users and small fleet operators who are mostly independent owners with medium to low credit profile. As the speed of decline is reducing, we expect to reach the bottoming out of LCV numbers in the near future.

For the 12 months period ended March 2015, the domestic automotive market has grown by 3.5%. Tractor sales declined by 13.2% due to high base and 2013-2014 and the negative effects mentioned above which has been effective in the last six months. Passenger car segment grew by 5% due to improved consumer sentiment. Three wheelers have grown by 14.3% due to higher exports whereas LCVs have declined by 10.2% due to lack of push from financers to end users. Heavy commercial vehicles registered good double-digit growth. Different segments had very diverse patterns. While for example HCV, heavy commercial vehicles have recovered strongly on a low base, tractors declined substantially on a strong base.

Now we will move on to the results and performance of the company. I will start with the quarterly comparison. In the quarter ended March 2015, the company clocked a net sales and the income from operations at Rs.23,489 million or 2,349 crores, a decline of 3.4% over the same period 2014. The Automotive Segment registered a decline of 2.9% compared to the growth in automotive market by 2.9%, and non-Automotive Segment declined by 10%.

The domestic sales for this quarter decreased by 4.2% in total with Automotive Segment declining by 2.6% and non-Automotive Segment by 13.5%. Exports declined by 1.2% with exports in the Automotive Segment declining by 4.5%.

Our sales performance has been below automotive market growth mainly due to the following points. As we have the highest market shares in the tractor market, the strong decline by 32% in this segment affected us especially strong. Second, in addition with diesel passenger share, sorry, the diesel share in passenger cars and utility vehicles, dropped from 44% to 37% in this quarter which lead to reduced numbers in spite of us being present in many successful car models. Resource trends could not be fully compensated within the automotive business segments, neither by strong growth in heavy commercial vehicles, nor by exceptionally good performance in Gasoline Systems division and good sales for starter motors and generators. And third point on top, because of tight liquidity in the market and limited activities in the construction segment, our non-Automotive business was unable to grow.

Looking at the 12 months from April 2014 to March 2015, the picture is much more positive. The company's income from sales and operations grew by 7.1%over the preceding 12 months. Our Automotive Segment grew by 7.4% in the same period and outperformed the other market which grew by 3.5% only.

Within automotive, major growth was contributed by diesel and Gasoline Systems division. Diesels systems registered a growth of 10% through a segment specific local for local approach. Gasoline systems division grew by high double-digit.

The other operating income has increased from Rs.126 million to Rs.399 million in the quarter ended March 2015, mainly on account of increase in export, incentives, and write-back of excess provisions of earlier years.

Material cost as a percentage of net sales and income from operations has declined from 55.4% in the first quarter of 2014 to 53.2% in the current quarter of 2050. This is mainly due to favorable exchange rate and mixed intake.

The employee cost has decreased to Rs.3193 million in the quarter ended March 2015 from Rs.3271 million in the first quarter 2014, a decline of 2.4%. The cost of restructuring taking in earlier quarters is showing a positive result on employee cost.

Other expenses stood at Rs.3513 million in the March quarter 2015 as compared to Rs.3709 million in March quarter 2014, a decline of 5.3% due to controlled budgetary expenditure. Depreciation has increased in the quarter ended March 2015 as against the quarter ended March 2014 by 62% due to higher additions and asset base.

We continue with our investment plan and our proactive spends on CAPEX both for infrastructure and technology in line with our plan of being prepared for the market growth in mid-term. We have additional due to capacity increase in Bangalore and Nasik plant for common air pumps, injectors and it's parts and a new production hanger in Nasik and in Gangaikondan.

Operating profit is higher by 4.6%, this reflects the company's efforts on improving operational efficiency, and budget controls as well as localization. The other income has decreased from Rs.1424 million in the first quarter of 2014 to Rs.1328 million in the similar quarter of 2015, the decrease of 6.7%. This is because of lower profit on sale of marketable securities which is partially compensated by increase of interest on fixed deposit.

In the first quarter of 2015 compared to 2014, the company posted a profit before tax of Rs.4432 million or 18.9% of sales, a decline of 2.0%. Profit after tax decreased by 11.9% for the quarter ended March 2015. The high provision for income tax is due to change in the taxation of capital gains realized on sale of marketable securities.

To summarize the quarter results. Our top line decreased by 3.4% due to especially weak diesel market and non-Automotive business. Profit before tax decreased by 2.0% because of reduced turnover and conscious investments into the future whereas increasing depreciation. The negative effect could be limited because of strict budgetary control and improvement in the material cost due to positive FOREX effects and localization.

The 12 months from April 2014 to March 2015 are significantly better than the last three months, else on the top as well as bottom line. These positive numbers are benefitting from good diesel volumes in calendar year 2014. These 12 months net sales in the income from operations has increased by 7.1% due to growth in the Automotive Segment. Material cost as a percent of sales and income from operations has declined by 170 basis points mainly due to favorable exchange rate and localization.

There has been an increase in the personnel costs and other expense by 9.7% and 5.5% respectively in line with growth and inflation offset by productivity and budgetary control. Depreciation has also increased by 18.6% because of high asset base and additions during the year. Profit before tax for the 12 months ended March 2015 has increased by 13.7%, profit after tax by 6.3% to the 12 preceding months.

In spite of good automotive sales figures in April 2015, after a muted start into the calendar year our forecast remained cautious. We see a continued recovery in all commercial vehicle segments and some growth in passenger cars but don’t expect big numbers from the agricultural area.

Our mid to long-term forecast for India however remains positive. We are well prepared for the new emission legislation which is expected to be announced officially very soon as well as fuel economy regulation. We have continued our investments into the future both on and technology as well as infrastructure and new locations even during the years of slowdown in the automotive market in India. In addition, the settlements with our workers representative in our in our three other plant finally introducing productivity as per international industrial engineering standard have helped improve our cost structure in the midst to long-term, thus we continue to be optimistic on India and on our growth potential in the country.

Thank you for your attention and questions please

Moderator: Thank you very much. We will now begin with question-and-answer session. The first question is from the line of Pramod Amte from CIMB. Please go ahead.

Pramod Amte: This is with regard to your preparation for new emission norms, can you give some color in terms of on a similar truck if somebody implements a new emission norm what type of ASP, hike Bosch can expect?

Steffen Berns: Yes. Thanks for the question Pramod. We cannot tell you because it is a very complex question because we have a mix of different vehicle segments and of course gasoline and diseal and whatever else. But our different steps now for introduction of Bharat Stage IV which will be introduced in different steps starting in October of this year, northern India most likely and then in the April 16th in the south and finally April 17 in overall India and as it looks now we will then have April 2020 Bharat Stage V country wide in different steps. And I think specially on the heavy commercial vehicles it is quite clear that it will not get up treatments, solutions SCR or Denox systems will be used and needed and we are offering this and are also having the first projects with customer already so that that is very clear. On the light commercial vehicles, very good question, what exactly can be reached and whether BS IV needs exhaust gas after treatment or whether some EGR systems will be sufficient, so that is still not finally decided. So definitely turnover is going to increase, that is clear and at least we want to be a major part in this but what the exact numbers will be I cannot tell you.

Pramod Amte: And adjoining to the same question is, do you expect to gain any significant market share because of these emission changes?

Steffen Berns: Well, on the diesel side our market shares are already quite high and we of course we always try to further extend and expand market share. I think we have pretty good offerings, if you use our common rail system with our engine control unit then when you add Denox system from Bosch, you do not need an additional controller for example so you save substantial amount of money because you can integrate both this into our control unit. The second argument which I think is quite strong is that we have a very good engineering base in India and we have a lot of experience worldwide and we have translated this worldwide experience also in solutions specifically for the Indian market and this is one of the aspects which is highly underestimated in general because of different driving cycles. In India the average speed is very low and it is quite challenging to do a proper degeneration of the diesel particular filter so you need some pretty good strategies, you need a good engine management system and you need experience and good calibration engineers to make this happen and all these are definitely strong points, we will try to make use of this whether we will be able to further increase market shares very difficult to tell at the moment.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS. Please go ahead.

Sonal Gupta: Just coming back to the emission norms things, could you just, so do you think I mean SCR do you think its going to be mandated by the government, do you think this is going to be an option for the OEMs to whether they want to take up SCR or EGR?

Steffen Berns: While the final announcements have not been made but there has been a lot of discussion recently with the government and I think it is 90% clear and what we as a supplier always like very much is that emission levels are being put into the legislation and not solutions how to reach it and therefore as per my understanding with 90% or 99% likelihood is not that a system is going to be mandated but the results is going to be mandated, for the emission level. And then the question is, do you find more intelligent ways then others to reach these systems and that's a multi-dimensional optimization problem or challenge where you start, what is your current investment and do you have to change the engine, how much do you have to change the engine, can you use some add-on components, are you able to reach total costs, are you compromising on fuel economy and all of this. Also, availability of engineering resources, all this then the individual manufacturer so the truck manufacturer in this case has to evaluate and determine and together with a supplier for example with Bosch then has to come up and say what is the most beneficial solution to reach these emission levels and that is what is going on. Currently, we have our opinion of course but there are different-different manufacturers also with different ideas which I think is very good because only if we throw such competitive approaches in the end you will find the best technology which use the best results to cost of ownership and it is meeting the due date targets as well. So sorry for the long answer, but it is slightly complex matter and there is no simple solution, but as per my understanding now technology has to be mandated and most likely will be mandated at emission level.

Sonal Gupta: Right. And just related to that, could you just sort of tell us if, I mean my understanding is SCR is sort of more fuel efficient, is that a correct assumption and roughly how much is the difference between SCR and EDR systems, would you have any sort of ball park numbers for that?

Steffen Berns: It all depends on the calibration and in SCR also you need some urea which we have to attend and provide for. We are developing or we have developed solutions with NOx conversion rates of up to 95% with which you can save up to 5% on the fuel economy. So that is a ballpark number, you asked for a rough number because you have to really go into diesel and say what your starting point is, what do you actually compare with what. But that is an order of magnitude, so it is substantial and that is the reason why worldwide heavy commercial vehicles have gone to SCR systems.

Sonal Gupta: Right. And sir just my last question, on the raw material cost side you mentioned that you have benefitted from the FX as well, so I just want to understand, do you have any sort of FX pass through with your customers or now that the Euro has strengthened a bit will that effect sort of come in. So just to understand, what is the sort of FX path through you have with your customers really speaking?

Steffen Berns: Depends on customer to customer. We try to mitigate the risks and to have foreign exchange rates clauses with our customers is one of the essential part which will never reach 100%, therefore you will always see some additional effect therefore we are also doing some hedging and then in the end there is also something left.

Moderator: Thank you. Our next question is from the line of Aditya Sundaram from Edelweiss Financial. Please go ahead.

Aditya Sundaram: Sir, I just missed your opening remarks, I just wanted to know why the sales declined happened? Is it because of lower tractor segment growth and if so, what would be our tractor mix in the overall sales?

Steffen Berns: I explained in my speech, to put it in short, three factors. One, definitely the very weak tractor markets decline by more than 30%. Factor two, the diesel share in the passenger cars which reduced by roughly 5 points, so a significant because of overall reduced fuel prices and lower difference between diesel and gasoline prices. And the third was that…

Aditya Sundaram: Non-auto I think.

Steffen Berns: Non-auto, exactly. And then the second question, we do not provide the breakup of the individual segments but as I mentioned earlier we have a very high share in the tractor segment and therefore it is quite relevant also, overall numbers are quite relevant.

Aditya Sundaram: Okay. Sir just the second question is basically on your margins, if I look at your employee cost in absolute and compare it on a Q-on-Q basis and I also look at the other expenses on a Q-on-Q basis, it seems to be much lower. Though I understand last quarter was an aberration, but even if you compare it to the quarter before that, it seems to be much lower. Could you just explain the reasons for that, the employee cost and other expenses being low on absolute basis?

Soumitra Bhattacharya: I think you need to look at employee cost over a period of time and good bet would be to look at further year, example from April to March. And if you look at April to March in terms of personnel cost, the figures are approximately in case of April 2014 to March 2015 at 14.2% as against if you take from the 2013-2014 is about 13.7%. So basically, the first point, you do not see too much of a change. Second, with the increase in the change, we have the following reasons, one, we did take by design a EVR so there are some one time hits by design in terms of restructuring to ensure that our mid and long-term is protected. You know that we had a settlement and the normal employee cost increases also get factored. I would summarize by saying, the focus on high productive levels as explained before are settlement this has been pretty unique in terms of getting international productivity levels as a standard incorporated in the three settlements that we have done. Second, we look at indirect productivity. And third, we have taken restructuring cost hit by design.

Aditya Sundaram: Okay. And sir my last question is basically on our tax rate, it seems to be slightly higher on a quarter-on-quarter basis at about 35%. Could we see this run rate sustaining going forward?

Soumitra Bhattacharya: It is not a run rate, it is a one off effect mainly due to a fact that there has been a change by the Government of India where you were allowed FMPs to have the benefit of capital gains after one year, and this has been shifted to three years. So it is not something which affects Bosch, this affects the whole industry including the whole of India. If existing system into which you are locked in has changed, so if you take that and also that relative to the past are R&D, incomes, net has not been as high. So this is the big change, but the major factor is the tax. So it is not a run rate that we will change.

Aditya Sundaram: Understood. And sir just if I may squeeze one last question, what is our localization level at this point in percentage terms?

Soumitra Bhattacharya: We have mentioned this many times before, localization is an impact on different products. For example, in conventional products localization levels are very-very high. Our new generation products, we have a very planned localization way where a) we move from traded goods to new generation based on our SPO, b) our manufacturing line concept and c) What is the cut off, where it is better to in for localization rather than have traded imported goods. Then we move into a new generation, we have a systemic way of localization as per plan and then this goes again into the same levels as we have been able to do for our conventional products.

Moderator: Thank you. The next question is from the line of Ashish Nigam from Axis Capital. Please go ahead.

Ashish Nigam: My question was on the CV industry, what percentage of CVs use CRDI currently and how do you see that trending over the next couple of emission norm changes?

Steffen Berns: Sorry, I don't have these numbers available, so we can find out and answer.

Ashish Nigam: Is it a very low number CRDI as a percent of the industry or is it, just a ballpark also would help.

Steffen Berns: The number in commercial vehicles is pretty low numbers and this is going to increase significantly.

Ashish Nigam: So does this next emission norm change going into BS-IV, does that trigger this increase? What do you see triggering the increase in CRDI?

Steffen Berns: That is the next level of BS-IV we will see a lot of distributed pump systems go into common rail systems or actually on the commercial vehicle side where we supplied distributive pump today, this will all change to common rail systems.

Ashish Nigam: Okay. Also, could you talk about our plans in the two wheeler space and gasoline engine space, what proportion of revenues as a firm currently and how do you see that increasing?

Steffen Berns: Currently we are supplying low numbers of gasoline systems to two wheelers there are few Indian customers both for India and for export, but it is not that relevant how much we have today but it is very relevant that it is huge market and we see substantial benefits of engine management systems and we have developed specific engine management systems also for our low CC motor bikes. So there we see a very good opportunity for growth because of fuel economy, because of better emissions, and because of additional features we can provide for example start-stop for motor bikes or smartphone integrations and other things. So that is a mass market, and once this market shifts and this of course can be determined by a few who set the tone and who start such a trends then it can turn relatively fast. So that is currently on the two wheeler side where we have very good discussions and some good projects with quite a few two wheeler manufacturers. On the four wheeler side, of course Bosch is market leader in the advance gasoline systems and overall gasoline systems so in gasoline direct injection last year worldwide we celebrated 25 million pumps and 100 million injectors accumulated production, so that is big volumes and that is mainstream now and many countries, not just in Europe, there is also high shares in United States and in China. And on top of the conventional fuel injection systems, we are offering advance fuel injection systems and are also in discussion on gasoline direct injection with some of our customers in India. On top of this there are carryover projects where lower original equipment manufacturers are bringing their global engines into India, and I think I mentioned this in one of the recent con-calls for example, that there are several global OEMs already with gasoline direct injection systems in the Indian market.

Ashish Nigam: Thanks, that was helpful. Just one more thing, on the gasoline engine side, could you share what proportion of revenues would that be? Is it less than 10% now?

Steffen Berns: At the moment the percentage is not significant, so it is less than 10%.

Ashish Nigam: Okay. Just one more housekeeping question, what proportion of our cash levels are parked in FMPs?

Soumitra Bhattacharya: We have an asset allocation model and we do it in a meaningful manner in different rates. So we do not give a breakup in a public way but we have a very systematic asset allocation model.

Ashish Nigam: Okay. Just lastly on your revenues this quarter, could you just break it up between different segments?

Steffen Berns: Yes. In the quarter the automotive business has been 87%, 88% and the exports have been 13%.

Ashish Nigam: I am sorry, 88% is what exactly, auto as a percent or total?

Steffen Berns: 88% is of the total is the automotive, and 12% is non-automotive. And then we have 87% domestic and 13% export.

Ashish Nigam: Okay. Could you share roughly how each segment has done, how auto has done and exports have done or how non-auto has done?

Steffen Berns: Well, we have told in the con-call itself how they have done. So automotive (-2.9%), non-automotive is (-10%), so they have reused more and this spend is overall (-3.8%).

Moderator: Thank you. Our next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: First of all, can you give some more color on why the other expenses were down on a Q-on-Q basis, roughly 31% down?

Soumitra Bhattacharya: Sequential or Q-on-Q?

Puneet Gulati: Sequential, yes. So last quarter you had some 5.1 billion, this quarter 3.5 billion.

Soumitra Bhattacharya: You are talking about January-March 2015 to October-December 2014?

Puneet Gulati: Yes.

Soumitra Bhattacharya: We had a low figure, but I will just broadly tell, I am not going to go into minor details. We have done some very major budgetary control in the quarter January-March, so it had reduced expenses and repairs. Of course we do front-ended planning for maintenance and repairs, we have also had efficiency factors on our packaging, and we have also controlled our travelling expenses, etc. Short point, we have done systematic look at granular level on our budget and we have tightened it.

Puneet Gulati: So would it be fair to assume the current quarter's number as a run rate for future as well?

Soumitra Bhattacharya: No, no these are seasonal and number one on one effect partly, there are some seasonal expenses, and then there is the budgetary control that we do. So it is a combination of both this to have a continued (-30%) every time.

Puneet Gulati: Okay. Secondly, is it possible to quantify what would have been the currency benefit during the quarter?

Soumitra Bhattacharya: Yes. Everyone has got a currency gain ,but we do not look at the currency gain as profit planning, the simple reason is we have a very fair and professional understanding with our customers which was mentioned before that depends from different customer to different customer and our exchange rate policy in Bosch is extremely professional, we do not try to make money on the exchange rate, we try to do risk mitigation on a win-win in a fair transparent way, both with our suppliers as well as with our customers. And what we try to do is also we have a very solid positioning of hedging, again, as a risk mitigation, not as a profit planning.

Puneet Gulati: Okay. Lastly, if you can throw some more color on where are you in terms of e-clutch, when do you think it is likely to be commercialized and where is it currently?

Steffen Berns: We are in development project with quite a few customer on the function development, this is a rather complex subject that it is working without jerking. So on the function development, software development we are quite advanced and we are now looking into the component development and in to custom applications projects. It is going to take some more time to actually launch the first serious project and this also depends on our customers. So therefore we cannot share specific part of product with you yet.

Puneet Gulati: Okay. Lastly, CAPEX for this year and expectation for the current year?

Steffen Berns: Well, the CAPEX for the last year was 500 crores, that is Rs.5 billion and for the next year is 650 crores, that is 6.5 billion.

Moderator: Thank you. Our next question is from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: For some of the incumbents in the CV space, currently serviceability of distributor is a key USP, when the emission norm change happened last time you had improvised the distributor pumps to cater to the emission norm change. When emission norm change happens this time, wanted to understand would we not be able to improvise the existing system or would we have to move to common rail completely?

Steffen Berns: As I said there are always different technological approaches and different ways how to optimize the system and also to compromise on certain features. So when I said it is going to change completely, I assume 80% or more, there may always be some approaches and I know that some customers are working on solutions to keep the current systems alive because this has many advantages. The question always is, which compromise is it especially on the fuel economy, are you going to use and also if you then need electronics systems for your emission control, for your exhaust gas after treatment then of course this put additional burden on the overall system because compared to common rail system which has already an electronic control unit, this is additional add-on cost which further makes the costing less favorable to put it across. So yes, there will be some approaches in the end in many vehicles, we will see with distributor pumps, we will have to see but I think the number is going to be limited.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from Catamaran.

Lakshmi Narayanan: I have couple of questions. What are your top three strategic priorities for the next three years? And second question is, you mentioned that gasoline engines we are low in terms of persons in India and what is your plan to win in that particular market, is it a cost issue or a capability issue? And the third, in terms of tractor industry, what is your outlook? And the last question is on the aftermarket sales, where are we, what is the overall percentage in terms of our revenues and what have we done to kind of do well in that segment? These are my four questions.

Steffen Berns: Okay. So these are more than two, but I will try to answer then anyway and keep it brief. I think strategically focus on the powertrain and in the powertrain on the diesel to manage large number of government projects and the shifts then into the new emission levels, so I think that is a major part for Bharat Stage-IV, V, and eventually VI with the approaches and the systems we do have in place.

On the gasoline side, continue with the success which we are having on the four wheelers where we are growing very strong double-digit currently and of course continue in this growth and if the market wants it also introduce modern gasoline direct injection technology into the Indian market. And the third point from me would be on the gasoline type two wheeler, approach which offers you potential as I explained earlier.

Tractor outlook, difficult to say because currently there are many unfavorable trends, the only positive is that some meteorologists now said the monsoon is not going to be as bad as it was feared to be earlier, but we have had lots of extreme weather condition, unseasonal rains, lot of heat, etc. So that is going to impact the rural industry and area and consumption overall. So I hope that we have seen the worst decline and the April numbers also look not as bad as the first quarter numbers, but this is the start of a recovery, difficult to tell.

And on the aftermarket question, we are continuing our growth in line with the market and the market growth in the last year has been muted because there were so many vehicles off the road and actually many vehicles also were used for spare part. We have increased our market reach so have extended our dealer network further and this is going to grow and we are doing a lot of marketing initiatives so we have had one very successful marketing rallying where we covered 40,000 customer across 680 locations within three weeks and got a lot of markets attention and whatever was possible to sell, I think we have sold. So there our activity level is quite high, but the markets acceptance is lower and also liquidity in the market still is an issue and we do not want to compromise on our receivables but do the sales properly and don't want to oversell to the dealers more than we can. So that is currently the phase, the share of our automotive aftermarket is strong double-digit but second largest of the Bosch divisions in India, so it is even been the largest and then automotive aftermarket coming third.

Lakshmi Narayanan: Sir, is it safe to assume that almost one-fourth of your sales is aftermarket, I mean that was the ratio in 2006 to 2010?

Steffen Berns: Yes, it slightly decreased but ballpark one-fourth, one-fifth, yes.

Lakshmi Narayanan: Got it. Sir just one last thing on the CAPEX, you mentioned that around 650 crores is being spent, can you please broadly let me know which locations and which area it is being spent on?

Steffen Berns: We have had three major projects coming from 75% of our investment, one is Bidadi plant which is our new diesel plant, the second or actually the biggest is Adugodi where we are having the tech center and so we are building office buildings and we are going to rent this out to Bosch Engineering and software business, we are currently on rental space and they are also supporting us so there is a close cooperation and they are for example doing not just the projects on the powertrain with diesel and gasoline site on the ECUs also for RBIN . And the third block is the expansion in machinery, basically in the large part coming from Nasik with the nozzles and especially with common rail injectors. So these are the main growth areas?

Moderator: Thank you. Our next question is a follow-up from the line of Sonal Gupta from UBS. Please go ahead.

Sonal Gupta: Just wanted to understand, on the Denox system, I mean in specific could you just talk about localization of the CRDI systems for diesel commercial vehicles and for the after treatment at Denox system, I mean what sort of localization levels have you reached here and the plan going forward?

Steffen Berns: Yes. On the common rails system, there is not one system but there are many different systems and sizes for different levels, different market segments of passenger cars and for light duty trucks and for heavy commercial vehicles. So quite a number of different pumps and injectors and for the mainstream we are using, in India we have a very high localization rate and we are going to increase this by taking over more products and localizing more products depending on volumes, whenever it makes economic sense we are going to invest more. And the same also applies for the Denox systems where we start with low volumes now and once the volumes pick up then we will decide on localization.

Sonal Gupta: Right. So what I just wanted to understand is like you mentioned that the of course phase of emission norms is really coming in from 1st of October and probably somewhere around Q2 you will start supplying for the solutions to your customers as well. So from that angle I just wanted to understand, for the BS-IV mainstream solutions are you largely localized or would you have, or you still see that over the next couple of years you will gradually increase your localization levels?

Steffen Berns: No, so BS-IV we are largely localized. Of course it always depends on the size of the vehicle, but large part of it is, so as I said not the Denox system but on the fuel injection system, yes, we are ready.

Sonal Gupta: And just again on the EGR side, because I understand that different OEMs are taking different approaches, so on the EGR side do we have a material role to play, I mean if an OEM other than of course the fuel injection part which I guess you would probably be one of the main suppliers. But is there any other role to play and therefore other than the fuel injection system does your value go up from that side if somebody is not adopting a Denox SCR?

Steffen Berns: So on the SCR I think you mentioned it yourself, yes, on the EGR there are some small components and some functionality reuse but there is no material impact on this for us.

Sonal Gupta: Okay. And just lastly, I just want to clarify, you mentioned that gasoline systems is less than 10% or gasoline direct injection systems is less than 10%?

Steffen Berns: Gasoline systems division within Bosch Limited is less than 10%.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I would now like to hand the floor over to Mr. Annamalai Jayaraj for closing comments.

Annamalai Jayaraj: Yes. I thank Bosch Management for providing us the opportunity to host the call. We thank the management for taking time out and answering the question. We thank all the participants. Have a great weekend.

Steffen Berns: Thank you very much for your support and your interest. Thank you. Good bye.

Moderator: Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.