



## “Bosch Limited Q1 FY-18 Post-Results Conference Call”

**August 11, 2017**



**MANAGEMENT:** **MR. SOUMITRA BHATTACHARYA – MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER, BOSCH LIMITED**  
**MR. JAN OLIVER ROEHRL – EXECUTIVE VICE PRESIDENT-ENGINEERING & REGIONAL PRESIDENT-DIESEL SYSTEMS, BOSCH LIMITED**  
**MR. S. KARTHIK – JOINT CHIEF FINANCIAL OFFICER, BOSCH LIMITED**

**MODERATOR:** **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Bosch Limited Q1 FY18 Post-Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Annamalai Jayaraj from B&K Securities India Private Limited. Thank you and over to you, sir.

**Annamalai Jayaraj:** Thank you, Karuna. Good afternoon everyone. On behalf of B&K Securities welcome to IQ FY18 Post-Results conference call of Bosch Limited. I also take this opportunity to welcome the management team from Bosch Limited. We have with us today Mr. Soumitra Bhattacharya – Managing Director and CFO; Mr. Jan Oliver Roehrl - Executive Vice President-Engineering & Regional President-Diesel Systems and Mr. S. Karthik - Joint CFO.

I would now invite Mr. Soumitra Bhattacharya for his opening remarks to be followed by question-and-answer session. Over to you, sir.

**Soumitra Bhattacharya:** Thank you very much, Annamalai. And before we look in to the results of April to June 2017 quarter of our company I would like to brief you about the overall domestic automotive production volume development in the quarter April to June. During the quarter ended June 2017 the Indian automotive market grew by 2.7% against the quarter ended June 2016. Main contribution to the growth were from tractors and passenger cars segments.

The highlight of the quarter was the double-digit growth of 15% on the tractor segment driven mainly from continued government support to agriculture and the expectation of high rabi crops. Passenger car market grew by 9% due to the positive market growth in domestic as well as export. Heavy commercial vehicle segment declined by 44% due to change in emission norms.

The light commercial vehicle market saw a negative growth of 2% on account of roll out of GST and change in the emission norms. Three-wheeler markets reduced by 7% mainly due to lower domestic and export demand. We now look at how the Company has performed in April to June quarter of 2017. The Company has implemented Goods and Services Tax, that is GST with effect from 1st July 2017. During this implementation phase the business worked very closely with all key stakeholders including industry association, the government and our trade partners to prepare the ground and ensure a smooth transition.

Coming to sales. The Company registered gross sales and income from operations of Rs. 27,703 million, an increase of 3.3% over the same period of 2016. The mobility solution segment witnessed a modest growth 5.1%. The business beyond mobility solutions declined by 8%. The domestic sales and income from operations for this quarter grew by 3.6% thereof mobility solutions by 5.5% only.



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Export sales remained flat. In mobility solutions diesel system sales showed a positive growth of 8.1% mainly due to the switchover of BS3 to BS4. Gasoline systems achieved a high double-digit growth of approximately 53% aided by volume ramp up by our customers and export sales.

The sales of business beyond mobility solutions showed the decline of 11.4% due to the decline in sale and onetime export orders received in last year in our packaging division as well as in our solar energy division.

Coming to other operating income. Other operating income has declined from Rs. 659 million in April-June 2016 to Rs. 601 million in April-June 2017. This is mainly due to onetime write back of provisions in the previous quarter.

Next, material cost. Material cost as a percentage of gross sales and income from operations has increased from 48.6% in April-June quarter of 2016 to 52% in the current quarter of 2017. This is mainly due to the change in product mix consequent to the introduction of BS4 emission norms PAN India with effect from 1st April 2017.

Employee cost. Employee cost has increased to Rs. 3,412 million in the quarter ended June 2017 from Rs. 3,248 million in the corresponding quarter of 2016, an increase of 5% mainly due to annual salary increment.

Depreciation. Depreciation has increased by 23.6% in the quarter ended June 2017 as against the quarter ended June 2016 due to higher asset base as a part of our investment strategy.

Other expenses. The other expenses stood at Rs. 4,283 million in April to June 2017 quarter as against Rs. 4,396 million in the same quarter of 2016, a decline of 2.6% due to low operating cost on account of reduced manufacturing volumes and onetime relocation cost incurred in the previous period.

Operating profit as a percentage of gross sales and income from operations has decreased to 12% in the current quarter compared to 14.4% in the corresponding quarter of the previous year. The reason for decrease is the change in product mix and higher depreciation as I have explained earlier.

Other income. The other income has reduced from Rs. 1,566 million in the quarter ended June 2016 to Rs. 1,295 million in the quarter of 2017 thus showing a decline of 17.3%. The decline is on account of lower income from mutual funds reduction in the interest rates coupled with reduced investment base consequent to buyback and payment of special dividend in the last six months.

PBT and PAT. For the quarter ended June 2017 the Company posted a profit before tax or PBT of Rs. 4,618 million as compared to Rs. 5,428 million in the same quarter of 2016, a decrease of

14.9%. As a percentage of sales PBT stood at 16.7% in the current quarter as compared to 20.2% in the corresponding quarter of 2016. Consequently, profit after tax has decreased by 19.3% for the quarter ended June 2017 as against the quarter ended June 2016.

Outlook. Our forecast for this year remains cautiously optimistic as I have also explained in the previous telecon. Expected normal monsoon further reducing interest rates improved liquidity post the demonetization market settlement look positive. Additionally, the roll out of the GST has visible short-term impact for all industries but will have long term benefits after the stabilization for the industries. We are optimistic about the growth while we are cautious and we are taking in Bosch Limited the necessary course corrections wherever it is essential to keep our operations in line and continue in a cost effective and efficient manner.

Thank you very much. And we look forward to your questions, please.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Pramod Amte from CIMB. Please go ahead.

**Pramod Amte:** Did you notice any GST related distortion in your aftermarket supplies and did you compensate any of your dealers for the same?

**Soumitra Bhattacharya:** Thank you for the question, Pramod. I do agree that across India traders have been looking at what happens to the inventory and especially with the aspect of this 40% which the government has announced. We did have blips in our trading area especially in July this is of course after the period that we are talking of especially April and June. And we have not been in discussions in relation to matter of compensation. Regarding smooth supplies, Bosch Limited has been able to ensure smooth supplies across all sectors because we had a very strong GST implementation team. So I hope I have answered your question.

**Pramod Amte:** And second what are your thoughts on since you have entered in to BS4 and you are priced your products, how would it be considering the shortened timeline for BS4 to BS6. What will the BS4 products supplied will have a substantially inferior return profile compared to any of your earlier emission upgrade products? What is your thought and how do you look at the same to compensate in terms of your approach to the market?

**Soumitra Bhattacharya:** If you are referring to BS4 in relation to return, ROC and ROE I think you have to look at first the technology and then you have to de-link it from price. The BS4 products which has been released is a technologically upgraded system which is being given at market accessible prices. Many of these products are locally manufactured by us. Some of these products get faded which is a normal thing. Cost management in any company is delinked from the market pricing and we

of course the main thing of Bosch Limited but also our eleven legal entities that we try to do is we give a holistic package to our customer.

We are one of the few companies who are in a position to walk with the customer in a holistic way. We do not just give products or components or just services. We give a business solution and we even give developmental support and engineering support. So I would say we have to view the question in this holistic manner therefore we become a system supporter and what we call as from womb-to-tomb completely for our esteemed OEM customers.

**Pramod Amte:** And how does this squeezed timeline in this context were because you have only two and a half years to get the payback?

**Soumitra Bhattacharya:** No Pramod, it is not about payback of two and a half years, I mentioned to you that when we transition from BS3 to BS4 like any parts of the industry there are some products which had to be phased out, some products which have got phased out in part of the market s. So many of the products if you look at our inline pumps we are making a record inline pumps and they not necessarily meet the BS4 standards for all vehicles, but you have demand elsewhere.

You have demand in tractors, you have demand in off highways so I think you have to view a product in terms of its range, its possibility and you have to view that many of these products have had continuity from the past or are bringing a new continuity where BS4 product will go into BS6 also.

So I think we should not look at the question in a digital way, that it is just for two and a half years. You have to look it was there before, some are being introduced now which will continue, and from that angle then you see how Bosch does it in terms of a planned localized manner and gives it as a system. So I think this is how we need to look at it.

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

**Sonal Gupta:** Just some questions around the numbers itself. I mean you said mobility solutions grew 5.1% and within that diesel grew 8.1% and gasoline grew 53%. So I just want to understand because both 8.1% and 53% are higher than 5.1% so are we seeing and then later on you said exports are flat. So I just want to understand why mobility grew 5.1% it should be faster, right?

**Soumitra Bhattacharya:** Not necessarily you see we have had in the non-automotive area a negative growth this time. So we have what we call mobility as well as non-mobility. And in this particular quarter that we looked at because we are also in quarter dependent based on in our non-automotive yes, many of them are project based approach if you look at things.

**Sonal Gupta:** Sir, my question was only on specifically on the mobility side the 5.1% but if we are growing faster in both diesel and petrol and exports are also I think later on you mentioned exports on the auto side are flat. So then what is the big negative which is sort of pulling it down?

**Soumitra Bhattacharya:** Now in the trading areas including aftermarket we did have a GST impact on aftermarket. So we see both in mobility and non-mobility area and the trading areas a hit and yes and you must always look at the base, the percentage is not important, you have to look at the base. So gasoline you have to look at a lower base far lower base as compared to diesel. So based on that we have the situations. So first of all, to summarize we had a decent growth in diesel, our gasoline growth has been pretty high, our aftermarket growth has not been good, GST impact and our non-mobility has been lower.

**Sonal Gupta:** Right. And sir, just to clarify you said domestic grew by 3.8% which is domestic autos so I do not know?

**Soumitra Bhattacharya:** No, I said about 3.3% was the total increase of the gross sale and income from operations which was 3.3%. That is the topline.

**Sonal Gupta:** Okay and could you just tell us what is the absolute export number was for the quarter?

**Soumitra Bhattacharya:** Exports continue to be around 10% to 11% I will give you the exact figure. We had total exports of about Rs. 2,150 million and this is a growth of about 3% over the previous quarter. And it is about around 8% of the total.

**Sonal Gupta:** Okay great sir and just on I mean we have seen 8% growth in diesel, this is despite the big decline on the truck side. So does this sort of indicate that clearly there has been a significant improvement in the ASPs as well which is sort of driving it, right?

**Soumitra Bhattacharya:** No, I think you should delink it a growth in diesel from the component industry where we are or you can say the systems industry that we provide to the OEMs, is not directly linked to the HCV production because you must understand that the quarter of April to June had a very peculiar situation where the entire industry was starved of components to make the vehicle because it had to suddenly move in digitally from 1<sup>st</sup> of April to BS4.

So there was a huge demand partly which led to also our mix having a higher traded component which I mentioned that metal cost is higher by 4% points and this led to (a) on one side our volume increase but has no linkage to the sales of vehicles for the same period.

**Moderator:** Thank you. Next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

**Jinesh Gandhi:** A couple of questions from my side. One is, would royalty on BS4 products be similar to BS3 or would it be different?

**Soumitra Bhattacharya:** Yes it is similar and as we have mentioned before Bosch has a very competitive royalty rates.

**Jinesh Gandhi:** Secondly, would content per truck differ for Bosch in trucks with EGR or SCR depending on which technology is used?

**Soumitra Bhattacharya:** I will hand over to my colleague Mr. Jan Roehrl, who is also the Chief Technical Officer.

**Jan Oliver Roehrl:** Good afternoon, thank you for the question. EGR or/and SCR for the commercial vehicles it is always for BS6 now a combined solution. You cannot say you take the one and leaving the other so EGR is of course with regards to the NOx reduction the number one technical weapon bringing down the engine emissions by let us say depending on the range you are using it of 80% to 90%. SCR so is necessary as you will know that from BS4 coming to BS6 we have around 70% reduction in the NOx at the exhaust pipe.

So it is a combination and as Mr. Bhattacharya already stated we are here a solution provider to our customers which means at the end that together with them we will make a complete technical layout from the engine means combustible chamber we are able to provide a technical solution. Of course ESIE management air pass and finally all the after-treatment system and within the air pass the EGI is beyond the turbocharge of course one of the primary things to look at.

**Jinesh Gandhi:** Actually, my question was for BS4 where some of the truck makers are using EGR whereas rest of the industry is largely using SCR. So would content per truck differ under BS4 for Bosch under EGR or SCR?

**Jan Oliver Roehrl:** So as I said so EGR is a technical solution on the engine where we do not provide components for but only make a technical layout together with the customer as a solution provider whereas for SCR of course we are able to supply our components.

**Moderator:** Thank you. Next question is from the line of Punit Gulati from HSBC. Please go ahead.

**Punit Gulati:** Just wanted to understand a bit more on BS4. Do you still have products which meet the BS4 requirements while they are still in line pumps or has everything moved to CRDI?

**Jan Oliver Roehrl:** So thank you for that technical question again, Jan Roehrl speaking here. The A pump is mainly used for off highway applications and these off-highway applications they did not see the let us say sharp increase now with regards to the emissions compared to the commercial vehicle so even passenger cars. So the air pump will remain a real driver for the off-highway business also in the future.

**Punit Gulati:** Okay so for heavy commercial vehicles and light commercial everything is CDRI but off highway remains in line pump, is that fair to assume?

**Jan Oliver Roehrl:** In a nutshell, you can summarize it like this, yes.

**Punit Gulati:** Okay and second you also alluded to the fact that there were some traded components. Can you expand a bit more on what components were traded and what were manufactured within the BS4 solution?

**Soumitra Bhattacharya:** No, we do not give a break up what I mentioned was that in this quarter because of the high demand of BS4 requirements which came all of a sudden, because of the Supreme Court ruling on 29<sup>th</sup> of March which did not allow with effect from 1<sup>st</sup> of April BS3 vehicles to be sold. A huge demand for BS4 systems and the very high linkage that we have with the automotive industry and the OEMs, necessitated a certain higher trading mix which means our importing of either components or finished goods to service our customers. That is what I mentioned. Now your question regarding the breakup, we do not give the breakups.

**Punit Gulati:** So is it at least fair to assume that this proportion of traded components would come down in future?

**Soumitra Bhattacharya:** (a) It is a one off, (b) a trading mix and manufacturing mix is always linked to when you go into different technologies. For example, right now it is not just a transition of BS3 to BS4, but it is also as my colleague Mr. Roehrl mentioned just now, it is also the transition between BS4 to BS6. So we have always maintained what Bosch does is we start with trading, we look at what is optimal volumes required for localization and local manufacturing and we could put CAPEX in place and then we both do in house/our vendor based management including outsourcing. So that is practice will continue.

**Punit Gulati:** Okay and if you can give more color on whether when you moved from BS3 to BS4 did you lose any customer or volume or has that remain unchanged?

**Soumitra Bhattacharya:** We do not give any customer wise details but our acquisition program is on track.

**Punit Gulati:** No, but BS4 has already happened right I mean?

**Soumitra Bhattacharya:** That has already happened.

**Punit Gulati:** So did you lose anything in this transition?

**Soumitra Bhattacharya:** We do not give details on this. But as I said Bosch is pretty well positioned in BS4 as we were in BS3 and also our work with our customers for BS6 is also in a very systematic way going on, many or most have closed and some which are being discussed and closed are also going on. These details as you well know including guidance details we do not share.

**Punit Gulati:** So broadly can we say that market share would have remained unchanged?

**Soumitra Bhattacharya:** I think you are giving a leading question. I have already mentioned that we do not give specific numbers. Market shares change, sometimes they go upward, sometimes marginally they go



downward we are not too particularly looking at that. We look at whether we continue to be a player which is a meaningful player for the OEMs where we walk with the OEMs to deliver full solutions and we are as well positioned as we were before.

**Punit Gulati:** Okay last question from my side. If you can give more color on how the pricing has evolved for BS4 products versus BS3, and if it is possible to get a breakup of the diesel systems growth which is 8.1% between volume and pricing, some broad numbers will be okay?

**Soumitra Bhattacharya:** Thank you very much for the question but again you have gone back to guidance.

**Punit Gulati:** No historical?

**Soumitra Bhattacharya:** No, even pricing for example I mean do not get me wrong, but I have to be very open and I am sure all of you have attended many of our con calls. We do not disclose details on pricing. Pricing is a market driven phenomena, so we respect the market. Second, what we do and I would like to mention this because this is a very important point. We at Bosch walk with our customer right from the conception right up to SOP.

And we deliver a holistic solution from engineering services to application to ensuring that SOP goes smoothly to localization and to meet quality as a given which Bosch worldwide is known for and also we look at regional and local needs. So pricing is something which is a completely market driven process both for the OEMs as well as for us and costs which are under our control Bosch has a very vigorous process on looking holistically to be fit for the future continuously.

**Punit Gulati:** Okay sir any comment on your CAPEX plans in line with BS6?

**Soumitra Bhattacharya:** We have given that indication before that if you look at the entire legal entities because I want to ensure that we do not mix these two numbers up. We have eleven legal entities and eleven legal entities we spend around between Rs. 800 crores and Rs. 1,000 crores annually and for Bosch Limited the parent organization in India which is the only public listed company we spend anywhere between Rs. 550 crores to Rs. 750 crores, Rs. 800 crores anywhere in that range.

This range will continue for the next couple of years primarily coming out because we are developing our Adugodi headquarters in Bengaluru into a tech center and we are about to kick off our Phase II phase and also in Bidadi which is 35 kilometers away from Bengaluru on the way to Mysore where we have our brand-new plant and where we are shifting our Bengaluru plant too. The Phase II has just started work and we expect our Phase II to be completed by 2019. So yes, answer is that in that same region we will continue to spend wisely CAPEX for ensuring future growth and opportunities and this number which I said about Rs. 550 crores to Rs. 750 crores, Rs. 800 crores in that bandwidth for Bosch Limited.

**Moderator:** Thank you. Next question is from the line of Laxminarayan from Catamaran. Please go ahead. As there is no response we move to the next question.

We take the next question from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

**Pulkit Singhal:** Just wanted to try to understand the mobility solutions bit once again you mentioned it grew 5.1% YoY. So if I were to look at the different pieces that make up mobility solutions, would it be diesel, gasoline, aftermarket and exports, would that cumulatively make 100% of mobility?

**Soumitra Bhattacharya:** Can you repeat that question, please again?

**Pulkit Singhal:** So if I was to look at the mobility solutions revenues, would that be made up of these four parts that are diesel systems, gasoline systems, aftermarket and exports; would that cumulatively make up 100%?

**Soumitra Bhattacharya:** You are right, in mobility we are mainly driven by diesel and gasoline, but mobility also includes all the divisions which has anything to do with automotive which means including aftermarket. You must remember that we also had one of our divisions which was car multimedia last year and this year it is not there in the limited company and that naturally is not a like-to-like comparison. So while diesel and gasoline had a pretty positive growth, (a) we had not such a good growth in the automotive aftermarket area. I mentioned here also GST linked but we also had a situation where our car multimedia which is not currently a part of the listed company does not have a like-to-like number. So that is where I think your question is coming from.

**Pulkit Singhal:** Absolutely. So this aftermarket decline would be more of a one off because of GST, would that be the right assumption?

**Soumitra Bhattacharya:** Yeah in aftermarket I think across India we have seen including also for some of our non-automotive areas where we are in the B2C segment that had a hit. So I would assume that we have the situation not just for Bosch but across the industry.

**Pulkit Singhal:** Sure and without going in to numbers, if I just look at the CV contribution to Bosch, the CV segment would that have gone up or remain unchanged or gone down?

**Soumitra Bhattacharya:** We are not going to give details but I have only mentioned one thing and I said this earlier to one of the other colleagues who had asked this question Pulkit, which is the CV sales which showed a decline in this quarter cannot be linked to Bosch's supply on CV or any other area. So we have to delink the two. What OEMs in worth for what they require and which I mentioned that BS3 to BS4 transition which happened all of a sudden and because of the Supreme Court ruling required the OEMs to fill up their pipelines. So the demand for parts, products, services

and solutions were high. This is delinked from the sales of any segment including CV. So I think indirectly I have answered your question.

**Pulkit Singhal:** So and lastly what we did here from one of your customers is that during the last quarter Bosch was unable to supply the CRDI systems and therefore they had to go to some other place now. I just wanted to understand if that is correct, I mean did you face a supply was there a production constraint corresponding to the demand in the market?

**Soumitra Bhattacharya:** Pulkit, Bosch reacts pretty fast to customer need but you must understand that this which happened in India was a real one off in the history of automotive industry. 29th March there was a Supreme Court ruling that BS3 products could not be sold with effect from 1st of April. So the entire automotive industry (a) had a huge inventory, (b) they needed new products part services and solutions with effect from 1st of April. So Bosch has done its best. Part of the impact has come in the material cost and we have aided our esteemed OEMs in every possible way and that is the state and that is that.

**Pulkit Singhal:** Sorry just to kind of labor on that point because what we hear is that there was a huge demand from China and to that extent there were more of exports of CRDI systems to China. And therefore the requirement for India was not met. Is there any element of truth in that statement or maybe it is just it was mentioned by a customer, that is why I needed to ask you?

**Soumitra Bhattacharya:** Pulkit, I am not going to go into details, we source from different parts of the world and we source from China, we source from Germany, we source from our sister plants in different parts and different situations happen in different countries in terms of demand based on their emission change or customer demand. So Bosch Limited ensured that we did our best both in localization as well as in our imports and we delivered to our customers and I think that is where it should remain.

I had made a statement when this question had come up because someone asked is Bosch halting or stopping the automotive market or automotive industry, the answer is, no. I think we have aided and customer demand and customer supply is if they digitally go up sometimes the supplier and this happens also with our suppliers cannot digitally meet that, and that is a part of life. But if you ask a general question did we do our very best and have we ensured that the market moves forward, answer is, yes.

**Moderator:** Thank you. Next question is from the line of Laxminarayan from Catamaran. Please go ahead. There seems to be an issue with his line, we move to the next question. That is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

**Jinesh Gandhi:** Just a couple of data points. One is on the gasoline. We have indicated about 3%, 4% growth. Any indication of how big is gasoline division now as a percentage of our total revenues or auto revenues?

**Soumitra Bhattacharya:** Jinesh, I think we have mentioned in many of our meetings before we do not give percentages but we can give you an indication. Diesel naturally which we have been present for the last 65 years is a dominant division, gasoline all of you know that we came in much later but we have been growing in leaps and bounds on a lower base. And one of you had asked the question so I can give an indicator. It is a strong single digit of our total percentage but beyond that we cannot give you.

**Moderator:** Thank you. We have Laxminarayan from Catamaran. Please go ahead.

**Laxminarayan:** So I have two questions for you, sir. First is we hear a lot about the electric vehicles so I wanted to understand what is the point of view of Bosch globally on this front and also what is the point of view with respect to India in particular? That is my first question. Second question is that you mentioned in the earlier part of your call, in terms of if you look at profitability etc. as a holistic manner.

So it would be helpful to know if you are taking profitability when you get measured do you actually look at Bosch India Limited profitability, if so do you have a benchmark of operating profit margin or is it an ROIC how do you look at internally in terms of profitability?

**Soumitra Bhattacharya:** Okay we will break up your question into two parts I will first take the profitability part and make a couple of sentence on the implication and I will hand over to my colleague Mr. Roehrl. Profitability, I think it is a very, very detailed answer if I have to give you which I therefore cannot give. But I will give a general indication. Bosch first ensures that we are meeting market pricing because everything that our OEMs do is driven by what happens in the market and all good partners must understand the market price the pricing.

So second, we then look at how what our relationship is with the OEM in terms of sustainable systems provider and I again come back to what we mentioned. We are not selling a part just for its part sake, we sell a whole system and we sell something called a business solution. So when you look at these two things that (a) we are not into this selling of components but we are selling a systems (b) we give holistic business solution support and right from start to end then your whole value proposition changes.

So I would rephrase the question in that way. And based on that we look at what is the win for our OEM and what is the profitability retention that we can do. Having done that, we finally look at continuous improvement in our processes, right from engineering to sales to production to people to competency to improve on the value chain and improve the efficiency. Profits are an outcome of that. Having said that now I come to electrification.

Before I hand over to my colleague I would only say one thing that electrification right now the positive news in India is there is a lot of talk and buzz happening. We in Bosch globally are pretty well prepared, as I mentioned we have not yet decided at Bosch Global to whether we will

manufacture the battery or not. And since we are a part of our parent, for us it is pretty relatively easier what our parent is doing to work closely and look at regional solutions. Having said that I would request our Chief Technical officer and my colleague Mr. Roehrl to now take over.

**Jan Oliver Roehrl:** Yeah, I will try to give a view on electric vehicles with your let us say split question on the global perspective and then give a glimpse of our views on the Indian perspective for that. So first electric vehicles are of course a viable solution for now reducing the emission specifically in urban areas and also let us say depending on the energy sources that are used to provide the electricity also reduce the Tier 2 footprint of the automotive industry. But again this last one is specifically depending on what is the energy mix in a specific country.

So having said that let us say global perspective is coming more from a let us say top down approach and I think you are well aware that for example Tesla announced now its Tesla model 3 and we have actually bowled out in the market on comparably still higher pricing which we see as a not let us say solution for the Indian market. Having said that Bosch like the OEMs we see a global market share in let us say 2025 to 2030 of around 10% to 20% depending upon the degree of electrification whether it is a strong hybrid or purely battery electrified vehicle.

For India so we assume and I think here we are with our views completely in line with Niti Aayog as a strategic planning organization for the government that the approach will be driven by the fleet management shared vehicles and coming hence more from the bottom of the value of automotive mobility solutions. So we are looking at that very, very precisely in order to identify some suite spots where with our solution approach as a technology provider we might support the market and support India in going also and electrified way in mobility solutions.

**Soumitra Bhattacharya:** So the last question?

**Moderator:** Sure sir.

**Soumitra Bhattacharya:** Just the last question.

**Moderator:** Okay that is from the line of Hardik Doshi from First Voyager. Please go ahead.

**Hardik Doshi:** You mentioned earlier that a part of the reason for the increase in the material cost was related to a higher import and that was a one off. Can you maybe quantify I mean how much of this increase in raw material as a percentage of sales is related to this one off which should then not be there may be in the future quarters?

**Soumitra Bhattacharya:** I would like to say first of all we do not break it up but yes, you are right that this 48.6% which went up to 52% so that is about 3.4% points difference is greatly due to product mix. Along with product mix naturally when you get in these parts you bring it by air freight, because this was required urgently by our customers. So that also comes in at a little bit and finally we also see a



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little bit of firming up of our commodity market which is the RMI a little bit. We have a very systematic way in the way we control RMI. So these are the combinations.

So I would end by saying that, yes, primarily it has been driven by trading and I would say that trading mix depends on what the market sometimes demands. So suppose there is a change again and the market demands and we meet our customers' requirement there could be other one offs also. So summary, we did have very different situations for the entire automotive market BS3 to BS4. Can come such changes and other things be there also for the future for the whole industry the answer is, yes, maybe sometimes.

**Hardik Doshi:**

Got it. And just one more follow-up on that. When you had these kind of technology changes and then relying on maybe traded products for a while, or important products for a while, I mean how long will it specifically take for you to then a shift towards manufacturing as the volume will be really picking up significantly in some of these systems?

**Soumitra Bhattacharya:**

Look Hardik, I think you yourself and all the colleagues know the answer because Bosch has been regularly answering this. When Scorpio was launched way back in the early 2000 the same question was asked whether how fast will we go into common rail 2.16 injectors. And today we make millions of those parts. So whether the new pumps which are there for BS4 we will also in the future make millions of those parts. But you have to go through a very, very systematic process from feeding to localization and it is not an emotional discussion.

It is a clear localization plan which says how long is it financially viable to freight, when do you start localization, when do you put in early CAPEX in place, your capacities in place, how do you train your people and how do you then do insourcing and outsourcing and use also your vendors in a trained manner and also use your inhouse plans which we have many. So it is a combined story line which Bosch has been repeatedly doing. So it is nothing new for us and we will continue doing this for BS4 and for BS6.

**Hardik Doshi:**

Got it but I mean you know obviously BS4 we knew it was coming several months ago so I guess some of this localization plans would have started a while ago, right?

**Soumitra Bhattacharya:**

Yes, for BS4 we did work well before and only the volumes which were asked for were huge. And those volumes were not contracted are not asked by our customers, and there were huge delivery requirements. And BS6 for example we are pretty well prepared and we are one of the few companies in the market who give holistic solutions and are walking with our customers to meet this very tight unique deadline of India which is three years' time.

**Hardik Doshi:**

Okay so, just let me ask it in a different manner you know the volumes that were asked for suddenly were a lot higher than what we expected because the Supreme Court ruling but eventually maybe a few months down you would have expected that these volumes would have

come. So is it fair to say that I mean now going forward you would get back to business as normal and not have to rely on as much of import content in the overall mix of the BS4 products?

**Soumitra Bhattacharya:** Business is very much normal, Hardik. We brought about this normality pretty fast under the very peculiar situation that whole of India went through and trading versus localization I think I will not repeat it, I have already told. It is a very clear storyline of how we go. So we will continue trading selectively in certain parts components even products and we will also do some major localization where we believe localization plays a bigger role. Bosch follows a local to local policy across the world and India has been doing it and we will continue doing it.

**Soumitra Bhattacharya:** So I would request the moderator that I think that was the last question.

**Moderator:** Sure sir, yeah. You may add your closing comments before we conclude, sir. Mr. Annamalai Jayaraj?

**Annamalai Jayaraj:** Yeah, we thank all the participants. We thank Bosch management for sharing time for the call and also providing us with the opportunity to host the call. Have a good weekend.

**Soumitra Bhattacharya:** Thank you very much.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Batlivala & Karani Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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