



“Bosch India Limited Q4 Post Results
Conference Call”

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Moderator: Ladies and Gentlemen, good day and welcome to the Bosch Limited 4Q Post Results Conference Call hosted by Batlivala and Karani Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batliwala and Karani Securities. Thank you and over to you Mr. Jayaraj!

Annamalai Jayaraj: Thank you. Good afternoon everyone. On behalf of B&K Securities, we welcome the participants for Bosch 4Q Post Result Conference Call. We have with us today Dr. Steffen Berns – Managing Director; Mr. Soumitra Bhattacharya – Joint Managing Director & 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!

Dr. Steffen Berns: Thank you very much, Mr. Jayaraj and good afternoon or good morning to everybody on the line.

Before we look into the results of the fourth quarter and year-to-date results of company ended December 2014, I would like to brief you about the overall domestic automotive market development , looking at production volumes except the two wheelers.

The domestic automotive market in India grew by 3.0% in the fourth quarter of 2014. The passenger car segment grew by 3.7% in anticipation on rollback of excess duty incentives and discounts announced by car makers. Heavy commercial vehicles grew by 54.5% owing to improving macroeconomic situation, better freight rate and low base. Three wheeler productions grew by 19.9%. Tractors however, declined by 23.7% due the high base, below normal monsoon and low increase in minimum support price for agricultural products.

The light commercial vehicle segment has declined by 10.3% due to lack of push from CV financiers . The domestic automotive market has grown by 1% in calendar year 2014 against the 3% I mentioned in the last quarter. This is mainly due to revival of heavy commercial vehicle segment in second half of the year.

Tractors has declined by 2% overall due to high base and delayed monsoon. Passenger car segment has remained flat during the year. Three wheelers have grown by 10.7% due to higher exports whereas light commercial vehicles have declined by 16% due to lack of push from financiers to end-users.

When we compare with different quarters and the half years to previous year we see a clear upward trend. The overall plus 1% is made up of minus 3% in the first half and plus 6% in the second half. As I pointed out different segments; however, at a very diverse pattern, while for example HCV, heavy commercial vehicles have recovered strongly on a low base. Tractors declined substantially on a strong base. Before we now look at how Bosch has performed in fourth quarter of 2014 let me iterate one information regarding our financial year.

As your company will change the financial year from January - December to April - March from financial year 2016 onwards the current financial year is extended by three months from January 2014 to March 2015 therefore we are not discussing year end result today, although we compared the 12 months of 2014 to the corresponding 12 months of 2013.

In the fourth quarter 2014, your company clocked a net sales and income from operations of Rs.23.315 billion or Rs.2332 Crores an increase of 13.1% over fourth quarter of 2013. In the fourth quarter of 2014, the automotive segment grew by 12.4% and nonautomotive segment grew by 15.4% driven by good sales from consumer goods segment and our new business divisions.

The domestic sales for this quarter increased by 16.4% ,with automotive segment growing by 17.1%, which is much higher than the domestic automotive market growth of 3%. The domestic nonautomotive segment grew by 12.4%. Exports declined by 9.5% due to onetime effect witnessed in automotive segment in the current quarters. Exports in the automotive segment have declined by 14.4%.

For the year-to-date 2014 our net sales and income from operations have increased by 10.8% from Rs.86411 million in 2013 to Rs.95742 million in 2014. Growth driver was the automotive segment which posted a growth of 11.4%, nonautomotive grew by 5.3%.

Our domestic sales overall has increased by 10.7% and exports by 10.1% due to higher sales of diesel products.

The other operating income has increased from Rs.1001 million to Rs.1267 million in the fourth quarter of 2014 due to higher write-back of provisions no longer required which is made on a conservative basis in earlier years. For the year ended 2014, other operating income has increased by Rs.1056 million.

Material cost as a percentage of net sales and income from operations has increased marginally from 55.9% in the fourth quarter of 2013 to 56.1% in the fourth quarter of 2014 the increase is due to adverse mix impact.

For year-to-date material cost has a percentage of net sales and income from operations has decreased from 55.4% in 2013 to 54.5% in 2014 due to localization impact and cost reduction on freight charges.

The employee cost has increased to Rs.4094 million in Q4 of 2014 from Rs.3131 million in Q4 of 2013 the increase of 30.8%. The main contributors for increase in personal cost are an increase in employee retired benefit cost due to sharp decline in discounting rates in the reported quarter and cost for organizational restructuring to be “fit for the future” consequent to the recently concluded wage settlement in Bangalore plant.

For the year employee cost has increased to Rs.14135 million from Rs.11912 million in 2013, an increase of 18.7%. Other expenses stood at Rs.5133 million in December quarter 2014 as compared to Rs.4824 million in December quarter 2013, an increase of only 6.4% on a low base of previous year due to controlled budgetary expenditure.

For the year 2014 other expenses has increased by 10.2% over last year which is in line with inflation and the exchange rate impact on import of services. The company has identified and implemented various cost reduction project and was able to keep budgets under control which has yielded positive results and they minimized the impact of adverse effect of employee cost. Depreciation has increased marginally in the fourth quarter of 2014 as against fourth quarter of 2013.

For the year-to-date 2014, depreciation has increased by around 5.5% over 2013 due to higher asset base during the current reporting period. We continue with our investment plan and our proactive spends on capex both for infrastructure and technology which is in line with our mid-term plan of being prepared for the market growth.

Operating profit excluding exceptional item is higher by 22.2%. This reflects your company's efforts on improving operational efficiency and budget control as well as localization. The other income has decreased from Rs.931 million in the fourth quarter of 2013 to Rs.903 million in the similar quarter of 2014, a decrease of 3.1%. This is because of lower profit on sale of marketable securities, which is partially compensated by increase of interest on fixed deposit.

For the year 2014 other income has increased by 23.3% due to higher profit on sale of marketable securities and increase in income on fixed deposit due to higher investment base as compared to last year.

In the fourth quarter of 2014 compared to 2013, the Company posted the profit before tax of Rs.1645 million or 7.1% of sales a decline of 8.6%. However this includes an exceptional item of Rs.280 million which represents one time changes in retirement benefit consequent to wage settlement during the period.

Without this exceptional item, the profit before tax would be Rs.1925 million, an increase of 7%. For the year ended 2014 profit before tax grew by 20.4% to Rs.15128 million or 15.8% of sales. Again without the exceptional item, the profit before tax would be Rs.15409 million, an increase of 22.6%. This is on a sales growth of 10.8% during the year and our efforts improve operational efficiency which have yielded positive results and are being continued. Profit after tax has decreased by 20.2% for the quarter ended December 2014 whereas it has increased by 18.7% for the year ended 2014.

To summarize, net sales and income from operations in fourth quarter increased by 13.1%. Within this automotive business division grew by 12.4% owing to good performances from diesel and gasoline divisions.

The nonautomotive business grew by 15.4%. Our sales have declined sequentially due to weak market and advance inwarding by customers in the third quarter. On

the result side, profit after tax stood at Rs.110.9 Crores with a decrease of 20.2% as compared to corresponding quarter in 2013 due to reduced interest rates for calculation of employee retire benefit and one-time restructuring cost.

For the four quarters of 2014 topline has increased by 10.8% and profit after tax by 18.7%. We were able to terminate the 85 days strike in our Bangalore plant without major customer impact and with a settlement which is supporting significant productivity increase. In this context we have offered a early voluntary retirement scheme to sustain our growth and improve our competitiveness in the mid-term.

Thank you and questions please.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Ashish Nigam from Axis Capital. Please go ahead.

Ashish Nigam: There is a talk that we will skip two emission norms this time and jump straight to BS5 and BS6 what have you heard on this and what is the estimated timeline for the next emission norm change according to you?

Dr. Steffen Berns: We heard this from the newspaper same as you. Discussion is going on quite intently and we done what is the outcome of these discussions is. Our experience also from other countries is that it is next to impossible to jump certain emission levels because typically there is an evolution of timeline and specifically if there is a market where you have domestic manufactures without this technology available and on the other side you have international players which have all the technology available from other markets, this would mean that the domestic manufacturers, so I am talking about the vehicle manufactures had no chance and because of this to give everybody a chance typically this is done in steps and I do not know any other markets where certain steps has been jumped in future, but I cannot answer on the specific timeline. This is a political question which has to be decided by the politicians and it is a question also where certain boundary conditions are required for example you need to improve fuel quality if you want to achieve tighter emission controls and this requires major infrastructure investments within the refineries which also cannot be done overnight.

Ashish Nigam: That was helpful. Also could you talk about your plans in the two-wheeler and gasoline engine space what percentage of revenues does it form now and how do you see that increasing going ahead?

Dr. Steffen Berns: The gasoline systems division has the highest growth rate currently this year very strong double digit growth but it still has a medium single digit percentage of our turnover, because traditionally we have been a diesel companies in India, but we are growing market shares very strongly hence we have the different future technologies onboard. As I pointed out in some of the previous concalls also at the movement the gasoline markets is still a port fuel injection gasoline market has a mainstream. I am talking now about the four wheelers and this is going to slowly change over to gasoline direct injection so we have the first vehicles with low volumes on the Indian markets and we have to see and how far is it becomes a stronger trends. On your question towards the two wheelers we are developing serials of different systems for different segments. We have been successful in acquisitions with several two wheeler manufactures and we are in discussion with many others and we think that the concession from the carburetor which is mainstream or nearly complete market at the moment in India to be ended management system is going to happen in the next year and we will play major role in this with systems for different situations comes for different segments of the market.

Ashish Nigam: On how is the diesel car industry doing what proportion of the diesel car, the car industry is now diesel and how they have grown over the last year, would you have the data?

Dr. Steffen Berns: Yes we have data. It has actually grown to close to 50% if you take passenger cars and utility vehicles together and after which has come down to something like 44% and it is in the region of 40% plus currently.

Ashish Nigam: Also just lastly the Euro forms besides with portion of your net imports I believe almost 25% is this exposure hedged and have you seen any benefit from it already in your margin?

S. Karthik: See we have hedging policy, which is active and we look at situations and accordingly hedge and within a broad guideline. So off hand I cannot say have you been hedged to some extent we have been hedge, to some extent we also see some

positive development in the market which might kind of help us. So that is the way it is now and looking at how the market develops our hedging strategy it is also correspondingly will change.

Ashish Nigam: So this Euro depreciating now has not helped margins at all that is yet to come?

S. Karthik: See the precision has started only now it takes some time and that is Euro what we are talking about dollar still has appreciated there is a certain mix what we have been putting in dollars and Euro. So the whole thing depends up on how the mix is changing so it is too early in the year to say what will be the outcome of it of course in Euro we do have some inputs and that could give us some benefit, which could partially be compensated by the dollar instantly.

Ashish Nigam: Your net cash levels at the moment and what proportion of these are parked in SMPs?

S. Karthik: I cannot say exactly what proportion. Roughly what balance sheet last time what we saw, we would have seen another 500 Crores increase in our cash position more. It could be around December 31, this is not our year ended so possibly I am not saying that it could be of the order of 500 Crores and what extent our SMPs it is covered by I mean to say we have asset allocation model which has been approved this so if you look at the balance sheet roughly about 40% - 45% of our investments portfolio goes into the mutual fund.

Ashish Nigam: That is it from my side. Thanks so much, all the best.

Moderator: Thank you. Our next question is from the line of Vaishali Jajoo from Aegon Religare Life Insurance. Please go ahead.

Vaishali Jajoo: Good afternoon everyone. Just a follow up on the emission norms that it is slightly on a longer-term basis, but if you take that it happens 2017 onwards; how do you see the average price realization for Bosch component going in percentage terms?

Dr. Steffen Berns: For the next level of emission legislation, we see in certain market segments a shift from our distributor pump to common rail systems and this is going to have positive impact on the price. I cannot tell you the exact figure and I think if we look on the overall positive markets development this is not going to have a very major impact and also it is not going to happen overnight but it is a smooth ramp

up some of the weaker manufactures have already changed their systems and all geared up for this so this is rather a smooth transition. You can expect some positive effect but nothing major on this.

Vaishali Jajoo: It is not going to be a higher double digit or may be in double digits if we look at the range?

Dr. Steffen Berns: I cannot tell you the exact figure and also I am not going to, so you have total Bosch Limited out of this year diesel out of this you have certain market segments where it is going to make a difference which is on the commercial vehicles which is a smaller total volume as you know and out of this you have a changeover so in the end looking at our topline definitely no double digit impact.

Vaishali Jajoo: Just a few questions on how have the sales perform in OE terms and replacement market this quarter?

Dr. Steffen Berns: Sales in this quarter for the replacement, so the automotive aftermarket has been a quite strong. It is only a double digit growth and the automotive original equipment as I told you slightly stronger.

Vaishali Jajoo: Can you just brief on your capex plans for next couple of years and which segment we are broadly going to spend major capex?

Dr. Steffen Berns: The capex in 2015 will be slightly on the higher side so we have some Rs.5.4 billion in 2014 and would have something like close to 20% increase in the next year.

Vaishali Jajoo: The segment wise if you could broader segments where we are going to spend the capex?

Dr. Steffen Berns: We have just made an announcement that we opened a sixth manufacturing location for our gasoline business in Tamil Nadu, there investments are going in. Then we have our dual systems which are going to continue invest first of all we are currently building new plant in Bidadi and the shifts so that is close to Bangalore location and the shift has actually started and it is going to continue so there will be more investment in this and also including in the new technology and when we are also building quite a few big office buildings here and our Bangalore location because we are transforming the current Bangalore, it is a combined

location where we do have administration development and production and this will be transferred in an administration and technology hub. So these are the three main points we are having.

Vaishali Jajoo: This last on the gasoline which is not a significant portion of revenue right now we are spending heavily is there any internal target where we want to take the gasoline system revenue to total contribution in next couple of years for Bosch?

Dr. Steffen Berns: Yes we want to grow the business substantially. I cannot share the specific number but the combination of growing market shares substantially in the passenger car markets and to some extent also introducing new systems like gasoline direct injection hence entering into the new market segment of two-wheeler engine management system is going to contribute some significant growth.

Vaishali Jajoo: Just what is the utilization level right now in gasoline if you can just point out?

Dr. Steffen Berns: Utilization, so we are ramping up the gasoline systems and adding manufacturing lines whenever the previous or full so our utilization is quite good.

Vaishali Jajoo: Thanks that is all from my side.

Moderator: Thank you. Our next question is from the line of Basudeb Banerjee from Antique. Please go ahead.

Basudeb Banerjee: Thanks for taking my questions. Couple of questions; one, your revenue year-on-year is up close to 14%. How much was the export growth or contraction and how much was the subsequent domestic figure?

Dr. Steffen Berns: The export growth was 10.1% and the turnover is 10.8% and the domestic was largely higher, but sorry I will get it in a second.

Basudeb Banerjee: Within the domestics what was the growth for the autos and non-autos?

Dr. Steffen Berns: The domestic for the year yes, we are talking about the year.

Basudeb Banerjee: No, these figures I am asking for the quarter only Sir.

Dr. Steffen Berns: Sorry then I gave you the number for the year I understood for the year. For the quarter the domestic grew by 17% in automotive and 12.4% in non-automotive, overall 16.4%.

Basudeb Banerjee: For the quarter year-on-year on exports?

Dr. Steffen Berns: The quarter exports declined by 9.5%.

Basudeb Banerjee: I missed that initially you were commenting on that and whatever the specific reasons for this decline?

Dr. Steffen Berns: There were a number of reasons; one is that we had done exports to an export customer and he decided then to source from us in India instead so we did the sales domestically. That is one part the other part is that especially on our capital goods we have a lot of project business, which is not happening every month and therefore there are deviations if you compare year-on-year on the exports so that is, it is not cyclical but it is not a continuous business and therefore you have some deviations if you compared quarter-on-quarter.

Basudeb Banerjee: What are the updated plans for ramping up the export portfolio per se as we were in the longer and you are planning to reduce your net import content?

Dr. Steffen Berns: Yes we to follow this target clearly to balance our imports and exports, which we do on the one-side by increasing localization whenever it makes economical sense and on the other side to increase our exports and this as well somehow cyclical because Bosch as you know is following in the region for the region policies which means that if the volumes in another region reach a certain threshold volume then also another regions there will be local production provided this economical so of course we look at opportunities by producing competitive products, and offering competitive products to the world market to export these from India overall we have been quite successful so we have kept our share within overall growth but we have not been able to increase our export share in the last year.

Basudeb Banerjee: Sir last question if I see your quarter-on-quarter staff expense it is up close to 30% and in your initial comments you said that the retiral benefit one-off is a below EBITDA line item of Rs.290 million which have mentioned separately so out of

this 30% quarter-on-quarter staff expense how much is the normalized annual wage hike and what is the rest wage settlement or one-off in SEBI?

Soumitra B: Before I give the quarter-to-quarter answer if you really look at the personal cost the personal cost increase is approximately 14.8% for the four quarters ending December 2014 over the four quarters ending 2013. So the quarter four as we explained had a few one-offs but the YTD figure are for the year-to-date up to December from January was 14.8%. If you take exceptional items out from this 14.8% then it is 13.8% and it is more or less a similar percentage as compared to the previous year. So short point we explained to you that there were some one-offs in the fourth quarter and specifically they were in relation to the increase in employee retiral benefits and this was caused by a sharp decline in the discounting rates which was not anticipated and the second of course which is a planned organizational restructuring which we call as a fit for the future and this has been done again in a planned manner consequent to the conclusion of the wage settlement especially in the Bangalore plant. So you have to look at the quarter figures but in relation to the 12 months in the way we explained.

Basudeb Banerjee: Then what is the 28 Crores exceptional loss?

Soumitra B: That is a separate exceptional item which is as one-off and this is due to conversion in our retiral benefits that we have for our blue collar workmen and it is a component which went from the variable to the fixed so since it is of an absolutely exceptional nature, which we have not that before and it is a onetime affect due to the wage settlement we have kept it separately.

Basudeb Banerjee: So broadly you are saying that 14.8% one should look at from an overall year angle rather than one-off?

Soumitra B: I am saying 14.8% is a right way to look at it and not 38.8% and the second I am saying if you take out the exceptional items like EVR, which we are doing by design to have a proper restructuring for our fit for future program then it is even 13.8%.

Basudeb Banerjee: Thanks Sir. That is all.

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

Srinath Krishnan: Thank you Sir. Thanks a lot for the opportunity. You know for a technology driven company like us understanding the products are changes becomes difficult for us. One basic question you have a near monopoly in mechanical fuel injection or rather a strong presence in this segment in commercial vehicles. As we move towards the common rail, did you think your profitability will get affected since you will have lower localization compared to the mechanical one and the competitors will be able to have suggestions as and as they have gain share in prima or the pro-series causing some pressure on your margins for this segment?

Dr. Steffen Berns: We do have planned location plan for all our products for common rail. We have started localization. We have localized the injectors in Nasik, we have localized the pumps in Bangalore hence we get the electronic control units from our sister company over Bosch Automotive Electronics also in India locally and of course there is not one type of pump and there is not one type of injector so there are different types and especially for small volumes initially we have to import and also we have to import certain subassemblies but as this localization plan is in place and making good progress and because of our experience we are having in India we assume that we can also produce new systems and a very competitive level here and of course we are working on keeping the profitability in acceptable region.

Srinath Krishnan: When you say there is a critical level of volume above which you increase your localization now currently we are at around 1.6 to 1.8 in commercial vehicles at what volume do you think is critical for that the localization levels to increase substantially here?

Soumitra B: We have answered this before to you but I will repeat the same thing. We look at critical volumes for localization when we see that we can have one of our lines running fully. So we first define how we bring a product in, we start from trading and then we go into bringing up a line well before as you have seen Bosch always puts in capex before in a planned manner and once we ramp up the line before that we parallely also look at a very clear localization plan and this has been a standard practice in Bosch and we have mentioned this quite often to all the concalls that we have had.

Srinath Krishnan: Lastly one of the OEMs the commercial vehicles OEMs in the conference call mentioned that they will be able to provide inline pumps when the next emission

norm changes happen. I wanted to understand is it possible where or it will they have to move to the common rail?

Dr. Steffen Berns: I cannot comment on this strategy of all customers you please understand this.

Srinath Krishnan: Thank you.

Moderator: Thank you. Our next question is from the line of Achala Kanitkar from Birla SunLife Mutual Fund. Please go ahead.

Achala Kanitkar: Good afternoon Sir. I just wanted to get a sense on one our employees overall our strategy with respect to that because we have been seeing a lot of strikes from various one or the other plants. So just wanted to get a sense if there is any structural that because there is something wrong which we are correcting now and going ahead we would not have these kind of complaints and overall on the sustainable basis is it CV growth coming back just wanted to get a sense as to where can our margins be, overall margins be?

Soumitra B: I will answer the question that you touched regarding this strike and the employee part of it. You must understand first that no company wants strikes because it is not win-win situation. It is a win loose, which means a loose-loose. Second Bosch is a very fair company and we treat all our employees both white and blue collar in a very fair ethical manner including our blue collar associates as we call them are in the top quartile in industry both in wages and in benefits. Third if the demands by the unions or the blue collars are too high then besides being fair we were also by design firm. So though the associates are part of the family so the Bangalore strike was an example of saying that while we want our blue collar workmen as well as the union to be at the top quartile, we are wanting to ensure that we bring in international levels of productivity, we want to ensure our mid and long-term competitiveness and this is exactly what we achieved in a very quiet way on one hand by ensuring that a customer's requirements were met, on the other hand, on the conclusion of the settlement to go back to norms of productivity, which are happening internationally for the eight hours that people are paid. So in summary sometimes you need a healthy strike to ensure long-term competitiveness and for a commonality understanding about fairness but also firmness. So we have also been pretty quiet in the press and we have released only three press statements and our

press statements are there in the public domain for you to see if you want further details.

Achala Kanitkar: On the margin front Sir?

Soumitra B: The other part I think I would not like to give it a part I do not think it requires right now an answer. So the main question was the strike I think I hope you have got clarification.

Achala Kanitkar: Thank you so much.

Moderator: Thank you. The next question is from the line of Hemang Kapasi from Canara Robeco Asset Management. Please go ahead.

Hemang Kapasi: Good afternoon. Can you tell us who would be your competition in gasoline product and which we deal for the passenger car and what market share you would be having?

Dr. Steffen Berns: Well competition there is different components and different competitors. One of the main competitors in India is DENSO Japanese supplier and then there are worldwide a few other suppliers which actually other worldwide suppliers which are also active in India, the market shares we do not disclose in detail. As I told you Bosch is on a strong growth path but on a low base which is mainly due to fact but when Maruti Suzuki is started, Maruti Suzuki being the market leader by far started with engine management systems initially we were not part of this and now we are but only we close to be low shares with Maruti Suzuki and because of this we are catching up from behind, but there is specific numbers, I cannot share with you.

Hemang Kapasi: But by far you can say DENSO is the largest?

Dr. Steffen Berns: DENSO is the largest in India at the moment, yes.

Hemang Kapasi: Do you share the turnover in terms of OEM and replacement the percentage share overall total turnover, automotive turnover?

Dr. Steffen Berns: In the automotive it is about 75% is OEM.

- Hemang Kapasi:** Thank you.
- Moderator:** Thank you. Next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.
- Ajit Motwani:** Thanks for giving the opportunity. Just wanted to know if I look at the imports are about 2200 odd Crores how much of them would be Euro denominated?
- Soumitra B:** Repeat your question please?
- Ajit Motwani:** If I look at your value of import from the annual report it is about 2200 Crores. I just want to know how much of this would be Euro denominated and if you give the last year's annual report.
- S. Karthik:** At the moment we cannot give this distribution. We are looking at overall import not so much currency wise, but of course we do have some imports in Euro.
- Ajit Motwani:** The two-wheeler fuel injection system as and when they come would they be a part of the list is not it in terms of revenues and opportunities?
- Dr. Steffen Berns:** Gasoline Systems is a part of Bosch Limited and Two-Wheeler Engine Management System is belongs to gasoline system so it would be part of the listed entity.
- Ajit Motwani:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Lakshmi Narayanan from Catamaran. Please go ahead.
- Lakshmi Narayanan:** Thanks for taking my question. I understand that we have developed an SCR system that goes with the name Denox 6.5 and it has been developed and it is Euro-IV ready. Now my question is that Denox 6.5 is needed both for common rail system as well as inline pump and/or is it that a particular OEM can still buy a fuel injection system from a particular player and have the Denox 6.5 similar set up with someone else or it was an integrated system and second does if you have a Denox 6.5 when it comes to two wheelers also is it mandatory and sort of Euro norms that this get fitted?

Dr. Steffen Berns: The Denox system I do not know whether I understood the question fully but if we are selective catalytic reduction or Denox system is used on heavy commercial vehicles for diesel engines only. So your second part of the question was two-wheeler which is typically gasoline business not applicable. On the commercial vehicles, there are different approaches from the system layout possible and actually studies are still going on what is the optimum configuration so it could be possible to achieve the initial legislation with a certain combination but from the fuel economy side it may not be feasible and therefore you have to do the overall optimization. I cannot disclose now what all the difference we hence are doing and the different systems which will be on the market. We do have a very good SCR or Denox system developed specifically for the Indian market. There are other systems also and it is also possible to combine different exhaust gas after treatment systems with different fuel injection systems; however, there are advantages to combine it with one manufacture. One advantage is that for example you only need one electronic control unit which you can then drive both the fuel injection system and also the exhaust gas after treatments system and as far as we it see today our system clearly has benefits from the performance and durability compared to other systems in the market so I think we are in a good position.

Lakshmi Narayanan: If I just understand right, whether it is common rail or inline pump some kind of an evolved inline pump that you can here making for the upcoming Euro now SCR this Denox system does get fitted in irrespective of whether you use inline or common rail am I right?

Dr. Steffen Berns: Yes, theoretically you combine it and the other part I answered in the beginning.

Lakshmi Narayanan: The other question is in terms of kind of research that have actually gone in, in the last one year if you can just tell about what kind of patents we have actually received because it is last we has around 200 patents sorry if is missed the number off the mark, just wanted to understand what kind of research oriented investments have gone into the listed company and what kind of talent management program you actually had in the last one year?

Dr. Steffen Berns: On the patents in the last year we continued our journey the year 220 odds which were quoted earlier actually has been for the different Bosch legal entities together so a part of this is from Bosch Limited and we are mainly working on developments of the diesel engines and gasoline engines that the main part of the

patterns we are having a few process related once as well but in these areas and then basically we have already covered all the different aspects here. It is based on diesel fuel injection where we have been very successful to improve the performance of our systems and also further develop them towards the specific Indian requirements. The second is on the specific needs for exhaust gas after treatment you mentioned the selective catalytic reductions of Denox or SCR and on the other side main part has gone into gasoline systems and here specifically into two-wheeler business.

On the talents management which is a very important subject for us where we do competency management in a systematic way where we assess on the one side the requirements what we do need for current and also for future developments, if I am now talking about the technical area and on the other side assess the potential or the competencies and the potential of the people and if you compare this and you can derive that the matrix what is needed and start the competitive development programs. Part of this also is that we continue to send our colleagues to foreign assignments which does not have to be Germany only but many of them and especially those being in the managerial path to takeover higher management position, go to other countries for three to five years and there of course develop themselves or are being developed both in the managerial aspects as well as in technical competencies.

Lakshmi Narayanan: Just one last question, we have seen that there are futuristic cars that is Tesla that is actually getting a lot of attention these days and one critical thing is if we can actually reduce the cost of battery now keeping that in mind in your overall scenario analysis when you actually look at like 20 – 25 years down the line how does Bosch look at these kind of disruptive innovations?

Dr. Steffen Berns: Bosch overall sees very clearly actually we in Bosch talk about three trends. One is connected, the second is automated and the third is electric and worldwide this is the strong trend and Bosch is participating in all of these areas including also battery development and as you said battery price is decisive and 25 years from now is a very long period but I assume that by then a very significant part of the vehicles are at least hybrid electric vehicles, it is not electric vehicles and this you will see worldwide starting in California earlier or in Japan where today already a significant part is hybrid electric and in other countries for example in India slightly later because you always need infrastructure and you need for example for

charging and you also need willingness to pay for these vehicles which at the moment are still quite expensive but overall this is going to come. Bosch is prepared but overall develops all the required technologies and by the way Bosch has just changed the name of the automotive divisions into mobility solutions which also is an indication that we are not just looking at the technological part but also as the business around this and Bosch for example also has software companies looking into Internet of Things and services and helping you to find charging stations and many other useful things so there is a lot of development going on in Bosch worldwide, which will also be used in India as soon as this required in India. At the moment India is on a different level still hence although there are few electric vehicles on the market, we do not think that this is going to become the mainstream soon in spite of some announcement by the government but I think this will take some longer time.

Lakshmi Narayanan: Thank you so much. I will get to the queue.

Moderator: Thank you. Next question is from the line of Siddhartha Bera from Edelweiss. Please go ahead.

Siddhartha Bera: Sir I had one basic query. I wanted to understand with the new emission norms coming in or expected to come in and it is expected to have a significant impact on your realizations can you just help us understand how big is the jump in your realizations and what is the relevant included in the cost because already we have shifted from Euro-III to Euro-IV in some cities that means in those cases where you are supplying emission norm products how big is the realization jump for you?

Dr. Steffen Berns: I have already mentioned actually two questions on this earlier. One that is not a sudden big chunk as you also said in some cities it is already introduced so I mentioned earlier we have already started production in some areas and gradually increasing the localization impact and second because it is not in all the markets at the same time and at the same impact you will not see a major change suddenly neither in our topline or in our bottomline.

Siddhartha Bera: What I was trying to imply is that versus the old system how much is the jump for the new systems under the new emission norms on a like-to-like basis how big is the jump that is what we are trying to understand actually?

Dr. Steffen Berns: We cannot give you specific features because there is so many or specific numbers, there are so many parameters and it depends on which system you are using and the size of the engine and so many parameters so as I mentioned earlier it is going to have some impact if you look at the innovated component overall you would not see a major jump or impact.

Siddhartha Bera: The related query would be in the current scenario of the total commercial vehicles according to you how much would be the population on an annual basis where Euro-IV products are being sold actually of say of the 100 commercial vehicles sold how much or how many of them would be having Euro-IV products?

Dr. Steffen Berns: Sorry I do not have this data available at the moment it is clearly a low percentage.

Siddhartha Bera: It would be low single digit or mid single digit percentage it would be 5% to 10% range?

Dr. Steffen Berns: No I do not know exactly but I would say it is well below 50.

Siddhartha Bera: Thank you.

Moderator: Thank you. Next question is from the line of Apurva Kumar from Jefferies. Please go ahead.

Apurva Kumar: Would it be possible for you to share the split of your domestic auto sales in terms of CVs, cars, two-wheelers etc.?

Dr. Steffen Berns: This, we do not share in detail ask for your understanding but this question comes every time so we still do not share this.

Apurva Kumar: Would you be able to share it in terms of diesel systems and gasoline systems?

Dr. Steffen Berns: The number of systems also we do not share it roughly I told you in gasoline we are still at the single digit percentage in diesel we are roughly ten times to five, of course the diesel the price for system of diesel system is substantially higher therefore in vehicles equipped the difference is not quite as high but in more detail I cannot share this with you.

Apurva Kumar: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen due to time constraint we will be now taking the last question. It is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Good afternoon Sir. Thanks for taking my question. I just wanted to understand again coming back to the emission norm, the SCR solution probably do you think that is a viable solution on the BS-4 because again with SCR you require urea etc., which is in India is the availability is an issue given the subsidies etc., and so that is a problem so do you think solutions like EDR plus other DOC all other stuff can sort of circumvent the requirement for SCR at BS-4 level and secondly at BS-5 do you necessarily need to go for an SCR if you could just clarify on those things?

Dr. Steffen Berns: From the infrastructure point of view, I think worldwide we have seen that it is possible and I have no doubt. You need a certain lead time but that is also possible in India to refill because the amount of fuel required also is relatively small compared to the diesel fuel you need. On the question whether there are other ways to achieve BS-5 theoretically yes practically because this SCR you can optimize your common rail system in a way that the fuel consumption goes down from the overall cost benefit prospective above a certain weight of the vehicle the mainstream is very clearly to go into SCR. So you can also do it whether and NOx storage catalyst, NAC but the mainstream is going to be SCR which is because of the optimization potential if you look at dowels, emissions and fuel economy.

Sonal Gupta: At BS-5 but at BS-4 can you do without SCR or you think it is still the optimal solution?

Dr. Steffen Berns: As I pointed out earlier there are lot of different potential development parts and it is I cannot disclose any details who is thinking about what so also here I think that SCR is going to play a significant role but there will also be other solutions so it is a combination of optimizing or combining different fuel injection and different after treatment systems and output getting different levels of emission and fuel consumption and that is a pretty complex optimization problem with different solutions so where you will see most likely more different solutions.

Sonal Gupta: Just lastly clarifying again, all the after treatment systems will also would be part of Bosch Limited so this all within Bosch Limited is it, EGR, SCR and all these solutions will be part of Bosch Limited?

Dr. Steffen Berns: EGR we do not provide as a system. We only provide a different component but for the SCR systems this is provided by us yes.

Sonal Gupta: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Jayaraj. Thank you and over to you Sir!

Annamalai Jayaraj: We thank Bosch Management for taking time out and answering the questions patiently. We thank all the participants. Have a great weekend.

Dr. Steffen Berns: Thanks to you and same from our side. Have a nice week end. Bye-bye.

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