



“Bosch Limited Q1 FY 2016
Post Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Bosch Limited Q1 FY 2016 Earnings Conference Call hosted by Batliwala and Karani Securities. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. 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 Sir!

Annamalai Jayaraj: Thank you. Good evening everyone. On behalf of B&K Securities, I welcome you all for Q1 FY 2016 Post Result Conference Call of Bosch Limited. I also take this opportunity to welcome the management team of Bosch Limited. Today we have with us today Dr. Steffen Berns – Managing Director and Mr. Soumitra Bhattacharya – Joint Managing Director & CFO. I would now invite Dr. Steffen Berns for his initial comments remarks to be followed by Q&A session. Over to you Sir!

Dr. Steffen Berns: Thank you, Mr. Jayaraj and good afternoon to everybody. Before we look into the results of the April to June 2015 quarter of our company ended June 2015, 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 4.3% in the quarter ended June 2015 against the quarter ended June 2014. If you may know from recent call, we always take the production numbers and we add from three wheelers over passenger cars, trucks, up to tractors, so that is the basis for our markets understanding.

The passenger car segment grew by 7% on account of aggressive discounts by many OEMs. Heavy commercial vehicles grew by 21.4% since the decline in diesel prices has eased pressure on fleet operators. Three wheelers showed a positive growth of 9% due to an uptrend in exports. On the other hand, the tractor market showed a decline of 13.8% due to negative market sentiments, 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 3.9% due to continued constraints, credit availability. At the speed of decline is reducing we expect to reach the bottoming out of LCV numbers in the near future.

We now look at how Bosch has performed in the April to June quarter of 2015. The company clocked net sales and income from operations of Rs.2532 Crores, an increase of 7.5% over the same period 2014. The mobility solution segment registered a growth of 5.3%. The non-mobility solutions segment witnessed a growth of 24.3%. The domestic

sales for this quarter grew by 6.9% with mobility solution segment growing by 4.6% and non-mobility solution segment by 22.7%.

Exports grew by 11.7% with growth of exports in the mobility solution segment and non-mobility solutions segment by 9.8% and 60.7% respectively. In mobility solutions, we did especially well in gasoline systems and also well in the start of generator position. The automotive after market division suffered from still low liquidity in the market.

It is noteworthy that the diesel business developed in line with the automotive market in spite of weak tractor markets and reduced diesel share in passenger cars and utility vehicles. In non-mobility solutions, especially energy, security technology and packaging developed very strongly this quarter partly due to one-time project orders.

Other operating income has increased from Rs.229 million to Rs.258 million in April to June quarter of 2015 due to one-time receipts in the current quarter. Material cost as a percentage of net sales and income from operations has increased from 53% in the April to June quarter of 2014 to 54.6% in the current quarter of 2015.

This is mainly due to unfavorable mix impact whether it is higher sales from traded goods on account of strong sales growth in the non-mobility solutions business especially in photovoltaic projects. The employee cost has decreased to Rs.3091 million in the quarter ended June 2015 from Rs.3205 million in corresponding quarter of 2014, a decline of 3.6%. This is on account of restructuring cost and increase in retired benefit in quarter ended June 2014 as well as reduction in provisions on employee cost with improved productivity due to settling defects in December 2014.

Other expenses stood at Rs.3803 million the April to June quarter 2015 as compared to Rs.3606 million in the same quarter of 2014, an increase of 5.5% in line with inflation. As a percent of sales, other expenses have come down by 0.3% point.

Depreciation has declined in the quarter ended June 2015 as against the quarter ended June 2014 by 15.8% due to change of asset base on account of change in financial year and due to lower asset base. This has strong quarterly variations. There is no change in our overall investment plans. We plan to invest Rs.650 Crores in the current year 2015 both for infrastructure and technology to be prepared for the market growth in mid term.

We have planned for capacity increase in Bengaluru and Nasik plants for operations in common rail pumps, injectors and its parts and taking new production anchors in Chennai and Gangaikondan. The investment plan also includes the research and development center in our Aduodi campus.

Operating profit is higher by 14.8%. This reflects the company's efforts on improving operational efficiency and budget control as well as localization. The other income has increased from 827 million in the quarter ended June 2014 to Rs.1066 million in the similar quarter of 2015, an increase of 28.8%.

This is because of higher profit and sale of marketable securities, exchange gain and higher increased income from fixed deposits. In the quarter ended June 2015 compared to the same quarter of 2014 the company posted a profit before tax of Rs.5166 million, an increase of 17.8%. As a percent of sales it stood at 20.4% in the current quarter as compared to 18.6% in the corresponding quarter of 2014.

Profit after tax has increased by 12.1% for the quarter ended June 2015. The increased tax expenses are due to change in taxation of capital gains and reduction in weightage reduction on scientific research.

To summarize the quarter results, in a still muted overall marketing environment our topline increased by 7.5% driven by relatively good performance of our mobility solutions and strong growth in non-mobility solutions segment. Profit before tax increased by 17.8% because of reduced depreciation, change in asset base impact and personal costs.

Material cost has increased due to higher composition of traded goods in sales because of the stronger increase in non-mobility solution. It is worth noting that we could achieve this growth good overall performance in spite of a weak diesel markets both because of a very tractor sales as well as lower diesel share in passenger car segments.

Our forecast this year remains cautiously optimistic. We see a continued recovery in the commercial vehicle segment and some growth in passenger cars but do not expect big numbers from the agricultural areas. So far infrastructure projects have not taken off in spite of several announcements. Better than forecast of monsoon could have a positive effect on overall sentiments and agriculture.

Investments are on track while strong focus on costs and budgets continue. 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 very soon as well as for fuel economy regulations. We have continued our investments into the future in technology, in infrastructure and new locations as well as in people.

In addition, the settlements with our worker's representatives in our three other plants finally introducing productivity as per international industrial engineering standard has helped to improve our cost structure in the mid-to-long-term thus we continue to be optimistic on India and on our growth potential in the country.

If you are already aware the Bosch Group globally plans to seek a partner for a joint venture or buyer for its starter motors and generators division. Bosch Group is convinced that this can further improve the division's growth prospects in market characterized by tough competition and cost pressure. The division develops manufacturers' targets and alternatives passenger cars and commercial vehicles which help reduce fuel consumption for example as part of the start stop system.

The new business prospects may enable the division to step into additional growth opportunities in those regions in which it does not have yet have such a broad presence. The Board of Directors of the Company will review the opportunities for the division and take suitable decisions keeping in view the shareholder's interest.

I would also like to take this opportunity to invite all the shareholders to the 61st annual general meeting of your company on August 28, 2015, Friday at the Vivanta By Taj on MG Road, Bengaluru.

Thank you for your attention 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: Can you run us through exactly the timeline of the emission norm and this new fuel efficiency norm changes and what that does to you in terms of content per vehicle etc?

Dr. Steffen Berns: I am sorry because the emission legislation has not been finalized I cannot take you through the guidelines. The discussions are still going on. Probably in a very final stage, but not yet concluded so, our views currently that we will have Bharat stage IV in 2017 and with an introduction earlier already, so in the Northern part of India this is going to start significantly earlier and the nationwide by 2017 completed. The Bharat stage V that gets currently is April 2019 nationwide and Bharat Stage VI April probably 2023. This is still some time away. So discussions are going currently on between the different ministries involved and the secretaries involved and we assume that this will be finalized relatively soon. On the fuel efficiency this is even further away. So there we are going to have a star rating, which is under discussion, which you may know from refrigerators and other devices, saw similar levels of where you have a new benchmark than each year and will benchmark with the F-Systems. So the question what is the impact of course will depend on the specifics of the emission legislation, but I think more or less the levels and the test procedures are clear and mainly it is discussion about the exact timing which is going to happen, and this now gets quite complex because for different applications, you will need different technical solutions and on top of this there is not one solution but there are many

so, by and large, we see that passenger cars for Bharat Stage V will only need a particular stage when for Bharat Stage VI it depends on the weight of the vehicle whether this is going to be not storage capped or selective calorific reduction, theme of system plus in particular filter for the larger vehicles and also for heavy commercial vehicles, the thing of systems definitely are going to be beneficial and then there is a lot of different alternatives and possibilities available. I could tell you more, but I also would like to give others the chance to ask some questions. So I hope that this broad overview is sufficient.

Ashish Nigam:

Yes that is sufficient. Thanks a lot. I will come back in queue.

Moderator:

Thank you. Our next question is from the line of Pramod Amte from CIMB. Please go ahead.

Pramod Amte:

Congrats on a good set of numbers. With regard to the emission norm rollout for BS-IV it seems to be a more phased manner than the one time go what we have had in the past, what is Bosch excluding in terms of pros and cons of the same in terms of business opportunities and challenges for you?

Dr. Steffen Berns:

Well it is a phased manner of course enables the industry to end up in a more moderate way and shifts which has some advantages on the other side this also means uncertainty and it also means that you have small variants to cover in the market so from our perspective because we are prepared and we are flexible it does not make a major change, so if we are talking about Bharat Stage IV we would be prepared for either scenario and of course with some lead time, so if we now say that in September we are going to introduce 100% this is not possible, but if we have some lead time that of course is possible. One factor which cannot be forecast, it is accurately if that after the current discussion the Bharat Stage IV is going to be introduced in the northern states and this could be relatively simple, but when you also have the nationwide permits and it maybe cheaper for some customers to get a nationwide permit than to get Bharat Stage IV application and this is difficult to forecast at the moment. So the shift over into Bharat Stage IV equipments nobody knows exactly how this is going to happen.

Pramod Amte:

As a follow-up for the same, what type of capexes you will be deploying this year for meeting these emission norms for this year and for next over two years period if 2017 is where it will rollout full fledged on a per year basis?

Dr. Steffen Berns:

The capex for this year is all installed. I have shared the number 650 Crores which also include capex and further diesel expansion that is not for this year's capacity required for Bharat Stage IV. So we are fully prepared for this already.

Pramod Amte:

Sorry, if I got it right 650 Crores for full of financial year 2016?

- Dr. Steffen Berns:** Yes 2015-2016 correct.
- Pramod Amte:** And if I may ask you discussed about the wage settlement linked to a productivity, can you dwell more in terms of what will bring in from the shareholder's point of view, how will your employee cost transform over the next two to three years from a current double-digit of around 13% to 14% of sales and will it also mean substantial reduction in terms of disruptions of production for you?
- Dr. Steffen Berns:** Mr. Bhattacharya is going to answer this question.
- S Bhattacharya:** I think our main focus on the settlement has been has always in Bosch to be very fair, but also firm. We want our associates to earn well. What we have installed through the settlement is what you heard earlier installing internationally engineering work standards. This is something very important for India especially Make in India. So, we are not looking at this 13% or 14% only. Of course we look at what is optimum employment cost but our main focus is based on technology change; how do we equip our associates both the blue collar and the white collar on competency management with productivity, which is measured at international norms so it is a story line. So it is not just a percentage linked to what we want to achieve and this wage settlement is a part of the story line, which you heard already from my colleague Dr. Steffen Berns.
- Pramod Amte:** Thanks and all the best.
- Moderator:** Thank you. Our next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.
- Sonal Gupta:** Good afternoon. Thanks for taking my question. Just a couple of clarification; how big is non-mobility for you, would you be able to share a number for that?
- Dr. Steffen Berns:** That is a simple question. This quarter it was 13.6% up from 11.7% in the same quarter of the previous year.
- Sonal Gupta:** Basically, we see a strong growth both for non-mobility so could you just touch upon, like you mentioned that it is partly one-off related to some project work, so is this purely driven by that or are we seeing some underlying growth in various segments that you cater through the segment?
- Dr. Steffen Berns:** I think overall of course it is not only a one-off but in this projects related business the variations between the different quarters are much higher than we see it typically on the automotive business, but we for example, have started the energy efficiency business some two years ago in Bosch and have been building competencies and has been building

customer contracts and have been able to do good projects successfully. For example we are talking about solar energy projects where we are sourcing the modules and doing the projects planning and the installation of large or huge photovoltaic projects. For example, we have just commissioned a 12-MW solar photovoltaic project at Cochin Airport, which will be officially inaugurated next week and this is going to be the first international airport which will be fully powered by photovoltaic so that is quite good for the image to do such projects with also of course substantial trend over and such project help us and now have a good reference list and also to do more business in future. We have done a lot of external projects; we have also installed a large roof top application in Nasik and over latest hanger so we are also using these both from an economical side because it is highly economical as well as from environment perspective in our own facilities.

Sonal Gupta:

Just on another comment that you made diesel grew in line with the auto markets so you are saying in terms of despite the weakness in tractors and decline in diesel cars so you mean in terms of volume of units or value?

Dr. Steffen Berns:

For the weaker markets, we only have this figure of numbers. So count tractor equal to a truck and best car basically having one engine and of course these engines are different and therefore the value also is different but this is impossible for us to estimate and we look at industry figures they will be coming from SIAM so the Indian Automotive Manufacturers Association and this is the reference for us against which we measure and our figure in turn our turnover figures and I told you that overall the automotive markets would be reference which I explained to you grew at 4.3% and we have been in a very similar growth area with the diesel. So that was my statement and I made some statements we could do this in spite of headwinds we have got because tractors was very weak as I shared with you and the diesel share in passenger car market has also declined because the price differential between diesel and gasoline has been reduced to 18% earlier this calendar year and in the meantime, and I think that these from the diesel good news is price gap has increased against 25% that is always sometime lag but with this increasing price gap we expect that the diesel volumes are also going to increase again, because then going to improve the market situation for us, but in spite of this headwinds, which we have had because of good products, competitive products and because of also our products being placed in successful vehicles, we could do quite well in the market.

Sonal Gupta:

Right and just one last question, you mentioned that automotive after market sort of continues to be weak and even last year it grew only 3%, so I just want to understand because we are seeing clearly now the at least the truck segment sort of recovering for more than a year now and even passenger vehicles are sort of seeing growth overall so why are you seeing such a muted growth in the automotive aftermarket there are some cheaper substitutes for your products or I mean I would imagine that you would pretty much be very dominant in your areas?

- Dr. Steffen Berns:** I think we do have a good share and especially on the high technology products it is very well known that the Bosch products are the best and we are replacing Bosch by Bosch. One effect we have seen is that a lot of vehicles actually have been off the road and the replacement has not really started again and then we do have also some conscious effects or conscious measures taken looking at our portfolio we had some products, which did not earn money which we consciously reduced and therefore focused more on the bottomline than on the topline.
- Moderator:** Thank you. Our next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Thanks Sir. Just a couple of questions; one is as you said in the initial remarks that because of asset base shrinking your depreciation has come down. So will it be the right way to think that your capex in this quarter for the year was much on the lower side and bulk of that 650 Crores capex will be in the second half where we can expect asset base if we can go up and depreciation to move up?
- Soumitra Bhattacharya:** Yes the capex as we said has followed the seasonal pattern and yes this quarter the addition have been relatively lower. Normally we see higher peak towards end of the calendar year and of course we have changed now to the fiscal year of 2015-2016 so basically you can say yes capex follows a certain pattern and this quarter sees this pattern relatively lower but overall investments on plan, investments will not change including our time plan for both order as well as fulfillment.
- Basudeb Banerjee:** Just wanted to understand because I understand that seasonality aspect but on an absolute basis it is still down Y-o-Y basis?
- Soumitra Bhattacharya:** No this is as per our this year's plan so the quarterly execution or whatever we do both an order and fulfillment is based on a plan in the way we want to do it, so we look at the plan rather than how much it is going to hit the books in the bottom line and each year will naturally differ because this year we have a major focus on upgrading our facilities and our buildings in our main factory in Adugodi where we are building up a tech center so there is a mix effect and it differs a little bit but yes seasonal impact which we mentioned.
- Basudeb Banerjee:** Sir, what was the quantum of increase in your traded goods mix this quarter on a sequential basis?
- Soumitra Bhattacharya:** What we mentioned was that traded goods adds a relatively higher share thereby resulting in the increase of tax approximately 1% to give you a ballpark number in this quarter we would have about 3% higher on the traded goods as compared to the previous quarter.

Basudeb Banerjee: Have you yet seen the benefits of favorable Euro Rupee trickling down to your gross margin?

Soumitra Bhattacharya: Yes, I think part of our results have also come across through the forex gain but however on the forex gain we also for the contractual terms that we have with our customers we give those contractual benefits back to the customer also and of course our whole aspect is based on the Dollar basis.

Basudeb Banerjee: Sir as you were saying about the international standard of employee productivity across the factory and even in office so out of the same employee count a better revenue coming out can be the standard practice of productivity but whereas we can see the absolute staff cost level coming down so can you quantify what was the number of overall employees earlier and how much it is now so that one can gauge that revenue for employee kind of parameter?

Dr. Steffen Berns: Yes we have reduced the overall head count compared to previous year by some 2% to 3%.

Moderator: The next question is from the line of Chirag Shah from Edelweiss Securities. Please go ahead.

Chirag Shah: Sir my first question was on starter and motor business, just wanted to understand who is your biggest competitor over there and the thought process because generally Bosch is considered to be very competitive, very efficient and very well positioned in its set of businesses?

Dr. Steffen Berns: Yes, as far as I can speak the worldwide business because it is a worldwide global decision, I don't have all the background information on the global but the challenge of this business is that world-wide we are not a big player in this field and especially in the US and in China Bosch is relatively small player and because of this and it is basically a volume gain in the starter motors and generators business, Bosch said that on such worldwide relatively low overall number Bosch global as a whole cannot be sustainably successful, on the other hand last year have seen some good improvement so Bosch has done a lot of work to make this business successful but there was a look into the future to see what all can be changed and this is the current situation, will it be further improving or it can be more difficult and what could be the alternatives and then this decision was taken actually to look for a partner or for a buyer. So as I said the decision is globally driven and in starter motors and generators it is more difficult to technically differentiate when it is in the many of the other areas Bosch is in.

Chirag Shah: And in India I presume you would still be doing far better in terms of your positioning in India in this business?

Dr. Steffen Berns: Well, in India in line with the worldwide activities we have made good progress on the profitability but it is not a highly profitable product, so also India is no exception that restructuring has been on a successful path but not meeting the targets on the turnover side Indian products in the last year has been very successful but India alone is only a very small part and it depends on the global technology and also on the exports.

Chirag Shah: So would it also mean for you that your import content would also go down as and when this business operation was out of Bosch standalone entity in that sense?

Dr. Steffen Berns: Sorry I can't answer this at the moment.

Chirag Shah: Okay, or is it possible also to indicate what kind of contribution to revenue does starter motor business does as of now may be last year or in this quarter so we can have some flavor on the revenue side if possible, if you can share that information?

Dr. Steffen Berns: It is in the order of magnitude of 10% of the total turnover.

Chirag Shah: Sir, second question I had was on the MHCV side we have seen recovery but if you look at player wise some players for the first time we are seeing a big difference in terms of top two players in terms of their performances, how are you looking at the MHCV recovery cycle, is it the beginning or you need more underlying supporting data to gain strength and come to conclusion that we are entering into a strong recovery cycle phase?

Dr. Steffen Berns: I don't know whether I got your question correctly, of course I cannot comment on any specific customer. The overall cycle of heavy commercial vehicles typically comes first and then is followed by the light commercial vehicles and we have seen an upward trend in heavy commercial vehicles now for much more than a year which is also quite strong so in this 20% to 30% range however actually the downtrends also was substantial so we have earlier reduced by something like 50% and therefore even if you add 30% you are by far not back and even if you add 30% you are not back at where you were earlier. Heavy commercial vehicles as I told you we expect bottoming out. At the moment we are still negative compared to previous year but the percentage figure of the client reduces and therefore we are confident that the light commercial vehicles market is also going to recover.

Chirag Shah: But on heavy commercial vehicles as we enter the next year you believe that growth momentum can sustain because what we understand as of now it is more of replacement demand which is driving this volume, so fleet addition is not yet happening at the ground level so just wanted to understand your thoughts because how are you looking the demand cycle and when you are doing your production planning over the next three four quarters what kind of confidence you are gaining internally?

Dr. Steffen Berns: Well I think, on the macro economic reflectors there is a lot of tailwinds, many positive aspects, actually there are two factors, one is overall economic situation is going to improve and also freight volume is going to improve partly of course you have mentioned this yourself it is replacement driven, the second important part is infrastructure because in infrastructure we also need quite a lot of trucks and truck movement and many projects have been announced and it is a question now, when it is really going to take off, but I think looking at in absolute terms relatively low volumes, having compared to 2011 there is definitely scope for further growth.

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

Jinesh Gandhi: Hi Sir, I have couple of questions. First pertains to the E-clutch business which we are working on, can you throw some light on in terms of by when do we expect to commercialize and would it be purely OE business or you see potential in retrofit as well?

Dr. Steffen Berns: This is going to be mainly OE business and the status since last time when we discussed this has not changed, it is moving forward according to plan, so of course it is changing and it is making progress, but there is no milestone achieved which I could communicate and share with you, so development is making progress, we have resolved quite a few of the technical points which had to be resolved. We are in discussion with several customers who are quite interested but so far nothing more to be announced.

Jinesh Gandhi: My question on E-clutch was based on your global experience have you seen it has been adopted very rapidly in other markets or it has been more of a gradual progression there?

Dr. Steffen Berns: There are two approaches for E-clutch, one is going more via the comfort route where you say you have two-pedal system so you use it basically like in automatic transmission or as an alternative for AMT in Automatic Manual Transmission and the other route is coming from hybridization for basically additional fuel economy measure in developed market where you can have functions like start-stop coasting and coasting itself so you can turn off the engine when the vehicle is going downhill at 120 kmph, which is a standard feature in hybrid vehicle with an automatic transmission because this can be evenly controlled and where you had a problem so far with the manual transmission so that directions of these two approaches come from a different direction. In the end of course you have the possibility to merge this and once you introduce one path and also get the benefit of the other, so far both of these approaches have not been in production and therefore there are also no production volumes but both the approaches are very attractive.

Jinesh Gandhi: Okay. But in terms of cost would second approach be much more cost efficient than the first approach?

Dr. Steffen Berns: Yes, of course, that is the basic approach, why we think this is a good solution because it can be attractively priced. In the end the OEM doing the pricing in the market but the OEM is making a calculation and saying if a car buyer is going to pay more for a car with an E-clutch and how does it compare to AMT and is it then attractive or not and as we are still continuing the development work, the answer is yes.

Jinesh Gandhi: And Sir second question pertains to audio video navigation system which again is a very nascent business in India, can you throw some light on what kind of potential do you see for this market for Bosch?

Dr. Steffen Berns: Sorry I could not get the question, which market are you talking about?

Jinesh Gandhi: Car Multimedia.

Dr. Steffen Berns: Yes, the markets in India is of course developing, basic question everywhere is do you have dedicated systems for infotainment and navigation in the cars or do you generate an interface where people who all own smart phone when plug in their smart phone solutions and use the processor of the smart zone and the interface which they have used from smart phone and in the car we have with car multimedia with one of our big customers successfully launched an infotainment system in an high end vehicle and we are also in discussion with customers on connecting interfaces for smart phones, so development work is going on; at the moment the business is very small still in India.

Jinesh Gandhi: Okay. But globally how big this business would be for Bosch in terms of contribution?

Dr. Steffen Berns: Sorry I don't have the specific number now.

Moderator: The next question is from the line of Sudhir Kedia from ASK Investments. Please go ahead.

Sudhir Kedia: Sir I wanted to ask you that we have seen a huge commodity deflation so what part of commodity deflation is captured in the current results or what kind of benefit we can see in future, if you can quantify that part?

Soumitra Bhattacharya: Can you again repeat the question please, we couldn't hear you clearly?

Sudhir Kedia: Okay. Sir I am saying that we have seen a huge commodity deflation over the recent past so can you quantify what kind of price decrease has been captured in the current results or what kind of benefit we can see in future or what kind of contracts you have with your customer in terms of pass through of those price decrease?

Soumitra Bhattacharya: We have long term contract and in the contracts also we have both for local and for import we have this forex impact so we do have a fair system of passing the gains or the losses to each other based on the market prices, so if I summarize we have been able to ensure that the market prices have been availed by Bosch and benefits of commodity prices have also been incorporated. This has of course lag and lead effect but we have very systematic contractual terms with our Bosch.

Sudhir Kedia: So with the decrease in commodity prices Bosch is not going to benefit to a large extent, is that what you are saying?

Soumitra Bhattacharya: No I didn't say that. I said any commodity price or a forex impact has a two way effect, one, with the supplier and two with the customers and we have contracts with both our suppliers and customers to ensure a fair and ethical standard of dealing with each other, both at the forex level and at the commodity price level where material plays a major role, so it is a two way traffic.

Sudhir Kedia: So the kind of price deflation we have seen can we assume that a large part of it is already in the margins or do you think that some part of the benefit may come in the margins in the coming quarters?

Soumitra Bhattacharya: No I think this perhaps is not the best way of looking at it. We do not look at this quarter to quarter matter, we look more at a system and we look at the contract and just the way we do our hedging for our forex also. Bosch is not a company which tries to make short gains. We try to look at the whole process and in the long run. So whether its forex hedging whether it is contract specific we ensure that it is a win-win for both, so if there is a forex gain and its contractual that we have a contract with the customer then we pass on, if there is a loss we get, the same applies for suppliers, so it is two way traffic at the both elements for suppliers as well as with customers.

Moderator: The next question is from the line of Sumit Gulati from HSBC. Please go ahead.

Sumit Gulati: Sir just a little clarification on the revenue shares from the non mobility business, did you say 13.6% of sales now versus 11.7 last Sir?

Dr. Steffen Berns: Yes, that's correct, 13.6 on the other way around 86.4 is mobility and it used to be 88.3.

Sumit Gulati: Okay. Secondly on the BS IV emission norms for large commercial vehicle you have this product DeNOx do you think this is leading in addition to the common rail system or can you just get it implemented without the common rail system and yet achieve the BS IV emission standards for large commercial vehicles?

- Dr. Steffen Berns:** Sorry I did not understand.
- Sumit Gulati:** To achieve BS IV emission levels do you just need the DeNOx additional system or do you also need to add common rail system in the commercial vehicles to achieve the BS IV emission norms?
- Dr. Steffen Berns:** We do have mainstream and the mainstream is to go via common rail and there are some other approaches as well under discussion to say whichever combination of different components we can also reach BS IV and this is not finally decided, I think, I answered this question also last time, it is combination of different features and you have to optimize depending on where you come from, which kind of investment you have, which fuel economy target you want to achieve, the usage of certain add-on component and of course in the end the total cost of the package and also looking at the engineering resources so it is a highly complex optimization problem and there will probably be several solutions especially in the beginning because we are not starting here as a Greenfield and this ten is depending on the current set up of the different OEM and we support all of these different approaches.
- Sumit Gulati:** Second, can you also offer some comment on the gasoline system business how is it doing this quarter and what is driving it?
- Dr. Steffen Berns:** The gasoline systems business if you look at this quarter we had a strong double digit growth so it is doing quite well and main effect of having such a large growth does not come from the overall market but it comes from the increased petrol share versus diesel share in the market but it comes from success with projects we are having mainly with global OEMs in India who have launched systems with our product there we have increased our volumes on top of this in the mid term also two wheeler business is going to be very relevant as we see it today we are supplying two wheeler systems today but the volumes are still relatively low but the potential of this for the future is going to be large.
- Sumit Gulati:** In the passenger car business your gasoline system business essentially is driven by direct injection as of now or is it still port fuel injection which would have a higher market share?
- Dr. Steffen Berns:** In India it is mainly port fuel injection, there are few direct injection systems available in the markets by global OEMs and they are actually also having this back to back so one vehicle which is quite successful having port fuel injection gasoline direct injection and the diesel engine and then the end consumer can select what he wants to have, there is a strong worldwide trend to gasoline direct injection and with some delay and with increasing importance on fuel economy we also see this coming in India.

- Moderator:** Will take the next question which will be the last question from the line of Ajay Sethia from Centrum. Please go ahead.
- Ajay Sethia:** My question was again on starter motor and generator if you can help us the production capacity separately for starter motors and generators and second question was how has been the progress on new baseline generators, we understand that you have sold more than 5 million units so far but if you can just really help us understand how has been the progress and how satisfied are you on that front?
- Dr. Steffen Berns:** Your first question I did not fully understand.
- Ajay Sethia:** Sir I will repeat it. I just want to understand what is the annual production capacity both for starter motors and generators?
- Dr. Steffen Berns:** So this I understood now but we don't share the specific production number sorry, I told you the rough turnover we are doing in this business. The second question actually the product developed for emerging markets joint development products by several emerging markets specifically India, China and Brazil has been very successful and we continue to be successful in this market also after the announcement of the change by Bosch Global we have been able to acquire quite a few projects so the customers are very satisfied and convinced that we are offering good products and also certain that there will be good solution found overall and the business is going to continue and even going to be stronger afterwards than before and of course looking at the shareholders we at Bosch limited and the Board of Directors also will make sure that there is a good solution done for the shareholders.
- Ajay Sethia:** Sir, just a follow up on that, can you help us understand what is the kind of localization at your SG that is starter motor and generator?
- Dr. Steffen Berns:** We have relatively high amount of localization in this business otherwise you could not be successful and I told earlier if you want to classify this is more commodity and less high tech of course you still have a lot of technology in its and we also were able to make lots of improvement that's why we are so successful but it is less high tech than a high pressure injection pump, for example and therefore there are many more players in the market but localization needs to be high for this.
- Ajay Sethia:** Sir you did mention that you have got low market share in this division but just a ballpark in terms of overall market share in India at least in the starter motor and generator division?
- Dr. Steffen Berns:** No I don't know the global.

Ajay Sethia: What would be our market share in India?

Dr. Steffen Berns: In India we are dominant; we have a large market share in India.

Moderator: Ladies and gentlemen, due to time constraint that was the last question, I now hand the conference over to Mr. Jayaraj for closing comments.

Jayaraj: Thank you everyone. A special thanks to Bosch Limited for giving us the opportunity to host the call. Have a good day.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Batlivala and Karani Securities that concludes today's conference call, thank you all for joining us and you may now disconnect your line.