



“Bosch Investor Meet”

June 5, 2015



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00:35

Dr. Steffen Berns:

Good Morning to all of you Ladies and Gentlemen. We are glad to be here. This morning we have been in the country for long as we know and we are connected through the quarterly tele con calls quite regularly and because Bosch has grown and also the share prices increased and we are listed now in quite a few ECs and I think it is time that we personally connect and give you this opportunity also with some more background information and some more time about the Q&A and that is why my colleagues and me are here today. We have prepared a presentation but I would like to start with an image film which gives you some of the background of Bosch Global, because I think that is also quite important to understand and please allow me to start with this image film and then after the presentation, finally the Q&A.

1:45 to 10:45 (Video)

I think this is giving some insights to the young force. Can we return to the slides? So you made a note of this, was talking about 129 years by now number of employees turnover, the number of patents has increased slightly but the message still remains, and in today's presentation, I will now focus more on the India aspect of the journey of MICO with Bosch but also very close with the relationship and the interdependence between MICO Bosch and Bosch GmbH, our parent company, then the technologies and key success factors for growth and the way ahead. So the journey, just run through it, Very past year in India we started our first liaison office in Calcutta in 1922 then, in 1951 MICO was established and the factory was started which was inaugurated in 1953, in 1954 MICO was listed in the formal engagement and partnership of Bosch started, so earlier it was licensed and trading agreements, and then Bosch officially came in and then subsequently in faster sequence actually the different plants were started in Nasik and Naganathapura next to Bangalore and Jaipur and recently also Bidadi, Gangaikondan for diesel systems and Chennai for power tools. In between we extended our product spec while we started in the 50s mainly with diesel fuel injection equipment and spark plugs which then went along to gasoline and after market, we added power tools some 20 years ago and also energy and building technology, security systems and a few others and the journey continues. This was already indicated in the film, there is a very special ownership structure in Robert Bosch GmbH, that is our parent company and the shareholding of this company, 92% belongs to the Robert Bosch Foundation GmbH, that is a charitable trust, which was started some 51-years ago, 7% belongs to the Bosch



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family and 1% to Bosch GmbH, so that is a unique structure that actually quite a few decades after Robert Bosch, the founder passed away, the family gave 93% of the company to this trust and the trust is just looking how to spend the money, the question how the government is run, this is done by governing council and also independent of the ownership which is by the foundation, this is done by special governing council which looks into how the company is run, also here the family has 7% of those. Bosch GmbH owns 71.2% and the other 29.8% is split by the stock market and partly represented by you.

So the different businesses and divisions, Bosch is split into four business sectors, roughly two-thirds is Automotive. Today, Cars, Mobility Solutions and the other three are Industrial Equipment, Consumer Goods and Energy, and Building Technology and these again are split into different divisions, and a large part of the business portfolio is represented in Bosch Limited, and within Bosch Limited the largest part again is on the Automotive and the Aftermarket products that is the Power Training Systems as we call it, Diesel and Gasoline Systems, some of those Generators, Automotive Aftermarket Training business of Bosch Spare Parts but also third-party spare parts and then we have the long Mobility Solutions, the other business which is comparatively small, 87% Automotive, so on the Power Tools, Energy and Building Solutions and Thermal technology where we do Photovoltaic projects... not manufactured ourselves, but engineered and project management done by us, thermal technology is commercial industrial boilers and hot water solar thermal systems, so hot water generated by thermal power, security technology with a number of different business areas of video surveillance, public announcement systems, and others, and packaging technology from our industrial equipment. So, there are quite a few divisions also outside the total Bosch in India has nine major legal entities, Bosch Limited being the flagship company and a large part of the turnover, but the others also of relevance, drive and control from the industrial technology segments, then in the Automotive business we have the Automotive Electronics which also supplies to Bosch Limited on the Chassis and Braking sides, one division, there electrical drives including, that is a picture here of a Windshield Wiper, Automotive Steering is a recent addition where we acquired the 50% from ZFLS, ETAS Diagnostic Tools and then the other recent acquisition of 50:50 earlier Bosch Siemens Joint venture now taken over by Bosch. So that is the overview of the many different business fields we are in and here in this red box what is actually within Bosch Limited.

Focusing on Bosch Limited, sustainable profitable growth, I think these numbers you know, the turnover of Bosch Limited, the sales in billion rupees and here make it a



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little bit simpler, you know that we have changed our financial year now from January-December to April-March, and the last year was 15-months and here to make it comparable, we showed the April 2014 to March 2015 only, so one quarter is missing, but I think this makes sense to avoid any major jump. So a CAGR of 40.2% over 15-years and profit after tax plus 19%, I think that is quite a positive development, and what you may not know that are the transactions with Bosch over the years, and these transactions include transactions in all directions, so you cannot just divide it by turnover, but if you divide it by turnover summed up these are quite remarkable figures going up to 50% in 2006-07, at the moment we are at 35%, so this is in addition of sales, purchases of goods and capital services, royalty and technical fees. So a lot of it is changed and this being closely coupled to our parent company has been one of the success factors for the good growth we have shown over the years. So to show one more level of detail with you just looking at the last five years, what are these transactions, a major of the biggest parts, more than 50% of the transactions actually are purchases of goods, you see our overall purchase volumes and one-third of this came down from 40% in 2010, apparently about one-third of this are purchases of goods from Bosch GmbH, you may find it logical and ask why not more, you will find a big amount, you know that over time we are increasing our products spectrum and especially in the beginning when we start the manufacturing, the localization of products here because volumes are small, it does not make sense to localize everything ourselves here, and then we import from other Bosch plants which are doing large volume production and then over time we localize and then over time new products are being added and therefore it goes slightly up and down, so we have this level of 34% of our purchasing which comes from Bosch GmbH. The fixed assets also with some fluctuations over time, last year was relatively low on an average, some Rs.2 billion, on the sales there also because we are part of the global manufacturing network, when we have a chance to provide components or complete systems to other countries to Bosch units we also do this so you see it is the seven biggest overall demand in absolute terms, of course, percentage wise, it is much lower, and the royalty and technical fee which has been more or less constant, we own the 10% Bosch because we are Bosch in India, and therefore can license only to Bosch, this is the amount of below 2% of our turnover, I will come to this in the next slide so that is I think a relatively low amount, you consider what all technology we are getting.

Key Success Factors for Growth: Our slogan is “Invented for Life.” Bosch spends 10% of its turnover on research and development. In the film you heard 4 billion, now it has reached 5 billion in 2014 and you can see this rapid development here

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over the last five years, so still increasing because we are driven by technology and by innovation, and this is what differentiates us from our competitors and where we derive our USPs from. And compared to this the R&D spend in Bosch Limited is relatively low because we do not have to reinvent everything that we can take quite a large part of what Bosch is doing so that is the overall new spend and you can add about the same amount in license fee which overall that is still so less than half of what Bosch overall actually is spending in percentage terms. So, we are to a large extent benefiting from leveraging from the technology provided by Bosch GmbH.

As I told you, a large part of Bosch Limited is Power Train-related to Diesel and Gasoline and therefore I want to talk a little bit on the Power Train and what are the key developments on the Power Trains derived from market expectations. On the market we have two main drivers — Fuel Economy and CO2 — also legislated so there are some boundary conditions or limits and are going to be more on fuel consumption standards and the second is 26.43 emissions and diagnosis on the emission side, now the introduction of Euro-IV, countrywide Euro-V, and then eventually also Euro-VI, or as we say here in India Bharat Stage IV, V, VI.

Looking at Different Driving Cycles and Specific India Boundary Conditions. Of course, in India, the total cost of ownership, so the affordable mobility is extremely important and with our local development strength, we are designing specific systems suited for the Indian market, I mentioned during the driving cycles, there are also different vehicle segments, for example, the Light Commercial Vehicles, one tonne payload is a very India-specific, and also with small engines we have in this fields these are 27:43 specific developments for India, and then finally we have the driving comfort means of driving, shifting and launch quality and the overall noise vibration harshness. So these are the dominant factors in India.

City restrictions we have so far seen in London other cities but not in India and there is no specific discussions saying also image and emotions does not really play a major role apart from the very top segment which is not relevant for the overall numbers.

Engine Related Innovation: A lot is going to happen and is actually happening worldwide on the Power Train and Bosch worldwide being the market leader both on the Diesel as well as on the Gasoline side and especially on the Gasoline Direct Injection which is a strong trend, this we are living in the future of the conventional Power Train while at the same time also spending a lot of money in the electric power training, but when we are talking about 2020 worldwide, still about 10% only

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electric mobility and within this still a major part, hybrid vehicles and all these hybrid vehicles still have combustion engines. You can see that it is very important to also invest in the future of the Combustion Engines and the strong worldwide requirement of CO₂ reductions. So improvement of fuel economy is of course the most important driving factor and you have to further improve the conventional Power Train to meet the various stringent CO₂ limits, and therefore we are working on a large number of different systems and I am not going to explain you the technical details of all of them, but it ranges from a large number of license and wall injections, optimize turbo charges, gasoline direct injection at increased pressures so far with being around 150 to 200-parts and now growing into 300-parts and many more. You can see one component here on the left; the E-Clutch also will be relevant for India. And it is actually driven in this space of fuel economy and emissions on the one side and on performance and comfort on the other side and the E-Clutch is one example where in Europe this goes more in the direction of fuel economy where you can have some coasting functions, for example, with many transmissions of turning the engine north way while you are still driving, which is an extended start-stop functionality if you like, and in India it is starting to go more on the comfort function, especially if the drivers are not that experienced make driving much easier for stop and go driving, you do not have to press the clutch pedal all the time, etc. So these are all developments which we are going to see in the next decades and some already heard.

Way Ahead: What are the mega trends which will change the mobility of the future? Three of them are also very relevant in India; demographic change which whether you look at Europe, Japan, or China, means population is getting older, and they need more assistance and comfort that is not that relevant because India is an extremely young country. So talking about the first three organization — Energy, and Climate and Connectivity — and this is big roles, potential on the urbanization we are talking about Mobility Solutions now, and not just about assistance and products but complete solutions and one of the aspects is multimodal traffic management, which means how can you connect passenger car traffic, for example, to public transport to meet, how can you have common ticketing systems 32:45 , how can you connect it to taxis, and how can you connect it to find the airports.

Energy and Climate, CO₂, legislation in India star rating will be introduced and I mentioned already on the Bharat Stage IV, V, VI, now very soon the legislation is going to be finalized as we see it, and third part, connectivity, the car will become an active part of the internet with many different applications where we use data, for example, to design our components, because we know the driving preference, we can

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have surveillance and early detect failures and if a failure occurs, guide the car to the next workshop and have the spare parts readily available when the car comes there and a lot of improvement, potential, which is also going to detect our after mark. Bosch is committed, you have seen this also in the video to work on solutions for a better life and for the cleaner and safer environment, therefore, we are also supporting the introduction of stricter emission legislation in India, but it has to be done in a doable timeframe and therefore, we are trying to also involve in the discussions with the authorities which are going on and the different confederations to say what is doable to make Indian cities cleaner as fast as possible.

I think this you know best because that is your profession, the share price development of Bosch has been quite positive in the last 15-years and even longer term as well. This was shown in the video as well, of course, it is all about profit, but there is more to Bosch and what is driving us are the values which have been defined long ago and there are very many clause by the late Robert Bosch, where he very early focused on doing business in an honest and fair way, looking at long-term development, long-term sustainability, growing the business, being a responsible part of society, looking at environment, looking at employees, Bosch was the first actually who some 100-years ago said, we have to limit the working hours of our people to make them more productive and enjoy life and at the same time so, quite an interesting personality, and we are groomed by these values and we are convinced that long-term development and doing business in a fair and transparent method in the long-term, it is the best for the company, and, of course, also for the shareholders.

With this I would like to end my presentation and open for discussions. Mr. Karthik, you wanted to make a few disclaimers.

Karthik:

I think after this presentation, we all would be very eager to start conversation, which is the reason we are here, we want to make it as interactive as possible. But one broad thing I would like to give that we prefer mainly these three aspects of -- market shares in the segments be not asked and the margins especially in the segments also not be asked, and you can think that directional guidance also not asked. Because generally if you had seen in our con calls also, we would like to keep away from this, but we are very eager to answer all your questions. This is a further broad introduction. So with this I think we can start.

Dr. Steffen Berns:

So thanks very much for coming. Now the floor is open for discussions.

Participant: One question is regarding the group structure, wherein you have the other entities. So could you talk a bit about what exactly how it is decided that which business goes to which particular entity, and what is the long-term outlook of each of these entities?

Dr. Steffen Berns: So there are many different reasons and many of them are historical reasons why business is where it is, for example, if you look into the independent legal entities, a large part of them were acquired or they are joint ventures, there are minority shareholders or they were acquired from other companies. Bosch Limited, as I mentioned, started with Diesel and Automotive Aftermarket, and these are still the strong pillars and then Gasoline Systems was added, and actually it was first it was not part and then it became part because we said we are facing the same customers and the same buyers and as well as these are pretty close together and interacting and therefore this was moved in. As you can also see that it is now clear logic what is in and what you is out if look at it from outside. Bosch Rexroth for example, was earlier Rexroth then it was acquired by Bosch and it still is not 100% entity, so therefore it is outside of Bosch Limited and similar also with other divisions. So, at the moment, I can show you how the situation is, and then when new products come in, it is a question mainly by the parent divisions and the parent company to say, "Is this benefiting to put it under the Bosch Limited umbrella or do we want to run our business independently." There are different ways of thoughts and there are pros and cons of putting the business in a larger entity or in a smaller entity being leaner, moving faster, moving more independent and this is then decided on a case-by-case basis.

Participant: When you look at Bosch India, what is the Size and capability.

Moderator: Just one thing, can you tell your name and institution from which you are coming.

Dr. Steffen Berns: So there are two parts to the question, one is size and the other the capability. If we just look at the external sales of Bosch Group in India, it is around 3%, and if you look at the market potential in India, this overall would give much higher respect, so 3% if you compare to the overall.

Participant: Global company, but if you look at the parts which are there, and those which are here in India, then it would be a larger part of the global entity, because there are certain parts of Robert Bosch, which we do not have in India?

Dr. Steffen Berns: And actually we have nearly everything of Bosch in India as well, plus we do have some Engineering business, I am talking about the group now, and the markets in

India are still relatively small, if you take one example on Power Tools world over is mainly a ‘do-it-yourself’ market, in India, it is professional, and professional people still use a hammer more than a drilling machine. So because the markets are not developed, the overall turnover tends to be on the lower side. If you say what is the potential, and if there is fast development, then the markets are going to develop and then also the turnover could develop. If you look into automotive, for example, if we say on the Power Train compared to the market size, we are having in India; we have a good share which is in line what we have worldwide as we speak.

Participant: The capability side of the ...?

Dr. Steffen Berns: On the capability side, we have developed over the last 60-plus years and MICO, now Bosch Limited, and for example, if you look into our engineering capabilities in the Power Train side, we are centers of competence for certain products which are only manufactured in India or have the largest volume in India, so there we are fully self-sufficient and have all the competencies available on all the new products, we have the full understanding of doing applications and calibrations, so adjusting the products and making the software adjustments of these products to the Indian market, of course at the moment in India we are talking about Euro or Bharat Stage IV, mainly which is equivalent to Euro-IV and so we do not have the specialists for Euro-VI and beyond because that is not needed, but we have the people trained in order to get to Bharat Stage-V, and therefore, we may say we are slightly behind, but whatever is needed in India, we have the full competency, and on top of this we do have the competency to understand the market in India and say what is really needed and from this then we derive also innovations for the Indian market, and in the last year Bosch Group has filed some 150 patents in India, so we do global innovations, and there we have full capabilities and also the full trust of our colleagues in Germany, so we are nicely placed.

Management: Your question was whether Bosch has in India, the entire palette of what Bosch has, Dr. Berns said it is there plus more, because our Engineering services in addition to over and above all the divisions which are there.

Raj Nair: I am Raj Nair from JP Morgan. My question is that you talked about the newer technologies and the newer developments that are happening in various areas. To the extent that you can define new products the way you would define it, what do you reckon that new products as a percentage of revenues now versus a few years back, the way you would define new products in your portfolio?

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Dr. Steffen Berns: It is very difficult because in most cases it is not black and white but it is gray, and if you look for example on diesel systems, common rail systems for India, for low price vehicle, pretty high percentage by now and they are the success factor also while we are quite strong in the market, they had derived from the basic technology of Bosch and then **looked** how can you optimize or downscale the products specifically to India, how can you replace certain components and sensors by software functionality, so to give you percentages is very difficult, but with some impact of Engineering I would say the percentage is very high. Completely new products, percentage is very low.

Participant: I am Achala from Birla at what point of time would you take a call on this, where you are importing it or localising that, and what kind of numbers that we would need to actually localize it?

Dr. Steffen Berns: Now, that is of course highly dependent on the kind of product and also on the required investments for such products. If you have an electronic control unit, the basic manufacturing technology for large and small ones is the same, and of course there also different technologies but a lot of this is based on **some deserted** parts and placing your electronic components and then putting it into different sizes of all these, I am simplifying little bit here, so this you can localize much faster and to say we need a new common rail pump where you have huge investments because you have a lot of very dedicated specific manufacturing operations, so I cannot give you the one number, if you have simple assembly lines, this you can localize much faster than if you have an in-depth localization. So, we are always looking into this and then we start decide case by case.

Participant: Do we also do a lot of exporting because some of the products that we manufacture would be much higher numbers compared to the other plants of ours, so it would be manufacturing, do we have certain systems?

Dr. Steffen Berns: The general approach of Bosch is manufacture in the region of the region. Thus also our exports although we always try to increase this is not really reaching very high numbers because then you always have logistics costs in addition and the flexibility also because the time for logistics side and then you have your customs duties and you have your exchange rate fluctuations and all this you would like to avoid and therefore our main intention is the same region for the region, and then on top of this because if you talk about one line which produced large numbers, then it is the question, “do you utilize this in the country” for example, if you only have half a line utilized, you are in a ramp up pace. Is there a need of the other 50% somewhere else

in the world, which would make economic sense, instead of investing for another half line in another part of the world, we can then use this, but it is always once you are full, and we start investing in India in another line for exports most likely somewhere else in the world. Was that clear enough on this?

Participant: When we look at the technology innovations in India, that involves a lot of incremental cost, for your consumer and being Bosch, you have already a good products being present with your parent, so are we working on these type of solutions, where today the incremental cost for manufacture would if increment comes in two years, three years, Bosch is ready is much lower than what government also becomes easier, similarly the case with 2-wheelers, on those lines, the next two years, three years, Bosch is ready with the product at the right price. That is a big question in any new development in India, we need to have the right price.

Dr. Steffen Berns: So, on the emission legislation of course, this is hopefully soon, defined by the government, one of the problems I see is that the decisions take too long and then it is very difficult for the industry, I am not talking about Bosch, but overall industry to prepare and plan and then there are some decisions say from tomorrow something is going to change, and everybody is excited and so this should be included by, typically we stay three, four, five years ahead of time, this is going to happen and then you can plan accordingly, and Bosch typically is investing early and we are preparing early, we have been investing in new **competitive** technology a lot, which constitutes the basis and the basic enabler for Euro IV, V, VI emission legislation, we are preparing also to invest in exhaust engine after Treatment Solutions and then there is always the question what is the optimum, when to really start investing so you always have to make certain assumptions and say this is the volume of the overall market and this is what we consider as market share and plus this is our volume, and then you take a call, for example, on the introduction of monorail systems, we took a call and said, we will go ahead with this, and we were the first, which gave us a big advantage then also in the market in subsequent years on Bosch Limited by Bosch Group, and the operating system is the same, which then always depends on the pricing, because our customers if it is not mandated by legislation they have to take a call and say what is the end customer willing to pay for this and then it is an overall balancing, to say we have to offer an effective price because otherwise it is not going to take off, becomes a stringent question there and we try to optimize, we think about the long-term, and we are investing relatively proactively in the market.

Management: Just to give you an example, all of you know the rotary pump. 15 years ago, our plants in Germany were giving 8,000 per day, where we were doing a few hundreds, and at that time already people were going well ahead, 18 years ago, 15 years ago, to understand the bandwidth part of it besides tariff, so right now people are ahead of time simulation to not BS4, but BS5, are already working there, so it is also a mixture of CAPEX, localization, and people knowledge because at the end of the day, you transfer knowledge.

Participant: 2% of R&D work on which product particularly? Is it India focus?

Dr. Steffen Berns: No, it is mainly India-specific.

Participant: Could you give some example on this, what are all the products we have launched our R&D effort?

Dr. Steffen Berns: It sounds like, the major part of this is in Bosch Chennai and I mentioned in the beginning that if you look at opportunities, of course there are many divisions that a large part of this is Diesel and Gasoline. So, if I take these first divisions, we have on the Diesel side, develop specific common rail systems for low-priced vehicles for the Diesel systems where now we are going to launch actually the third generation, so it was not one big bang, we have been learning and trying to further optimizing and this is a very attractive value proposition, so we have taken costs down or price down from the customer because we could make components simpler and smaller and lower price, at the same time we are meeting emission legislation of course, but we have improved fuel economy of up to 8%, which is huge. I hope it is not getting too technical, the demand controls, algorithm where the feed pump is only delivering the quantity which is really injected and which is needed by the engine whereas earlier we were pumping a lot and then saw what we needed and the rest of the pressure was not supporting the fuel, pressurizing itself is basically what meets the energy in the fuel injection system. So huge benefits for the end customer, and as I had earlier very successful systems in the market. So that is one example on the Diesel side and at the same time also improving R&D in specific exhaust gas treatment systems. We will need particular filters and we will need so called eNOS systems to get the NIX bound, from the diesel engine, hence we cannot just copy, paste international systems because the driving cycle is different, and the fuel different, the temperatures are different, so you need to do a lot of specific adjustments, you also have some advantages, for example, in Europe you need a heater so that your fuel won't freeze, which you have to inject, in India at least 95% of the applications is not getting freezing points, so you do not need this and therefore you have to do specific changes

to the system, and one important part is then also on the calibration, you have to define algorithms of these system frameworks because particular filters can clog, you have to burn them free in between and the generation cycles in stop and go in urban Indian traffic is very challenging. This is one of the reasons why it takes long, so you cannot simply take a German car and put it in India and it is going to stall after some time because the filters drop because you do not reach the temperatures, we generate the filter 60:27 On this we do quite a lot on the Gasoline system side, we mentioned earlier that we have been doing a lot of developments on the fuel injection for 2-Wheelers which again is India-specific subject, we are working on e-Clutch systems which I mentioned here, with an India-specific application or flavor, because although it is done in parallel in Europe, in Europe with a different purpose than this. On the Starter Motors and Generators, we had developed together with other emerging countries by the way, it was a joint development for China, India, and Brazil. By China, India and Brazil, you generate. So quite a lot of activities there.

Participant: Karan Sikka from JP Morgan. The parent has obviously has a fewer products, which in history been far ahead of what Indian requirements have been. And over a period of time they are absorbed by India and are required by India. With the changing times and the changing regulations overall, has that time for absorption into India been coming down and as a result going forward the number of products which might be required by the Indian entity, are they likely to come, like the number going to increase drastically because India is at a much faster pace absorbing whatever is happening in the world in terms of technology, in terms of requirements.

Dr. Steffen Berns: I think gradually, yes, but not significantly, so again I am talking about Power Trains, so engine mainly because this is Bosch Limited part and there this is governed by emission legislation and only recently now that we will push to get stricter emission legislation much faster, and if this is coming through, then clearly the distance is going to decrease. If you look at other business deals this has come down or there has never been such a big gap, for example, Power Tools, this is more or less worldwide standard, and if you use a lawnmower in India or in Germany, you get the same lawnmower so there is no difference, this is then more everything which is more going into consumer goods as clearly no differentiation. But because fortunately, there is so much Power Train and Power Train is mainly ruled by emission legislation there is still this relatively large gap.

Dr. Steffen Berns: Yes, there are some parts, Bosch Group in India has a large engineering facility & facility **also** will have research centers there, we are doing certain things and certain things which are not done anywhere else. This is more what I said earlier on the

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value chain in the product development where we have matured from extended workbench which we had earlier to be an equal partner.

Richard:

Richard from SBM. Just wanted to ask you sir, when you talk about this e-Clutch, how definite is this e-Clutch in the Indian context from the other products which have been introduced already, and when do you plan to introduce your product into the market?

Dr. Steffen Berns:

So you want to know different from other systems in the India market? So it is very different because it is basically the starting point on the nation some logic that is based on a manual transmission, and the interesting thing about this is that it is the lowest cost automation which you can think of and at the same time very comfortable and giving a lot of scope for future extension then into what we call coasting, so turning the engine off, for example, when the vehicle is still moving things like this. The second question, we are in discussion with several customers who in general are quite interested, but there is no specific SOP we find so far, and some homework needs to be done on all the fronts, so cannot share any more details on this.

Participant:

Is it primarily for 2-Wheelers or?

Dr. Steffen Berns:

No, no, it is passenger car and of course you can also use it in light commercial vehicles.

Participant:

On the 2-Wheelers front, can you share any new product developments or new product introductions which you are planning over the next few years?

Dr. Steffen Berns:

We are developing a wide range of different systems for power ranges and truck ranges, certain basic idea is to introduce electronic fuel injection instead of the carburetor systems which are still widely used in India where we have benefits on drivability on emissions from fuel consumption and where we have additional features, for example, easy start-stop or once you have electronics on the bike, you can use your smartphone integration and you can use your smartphone immobilizer or you can more kinds of traffic management systems where you can play around and say how much fuel I consume on which trip and you can do certain amount of tuning where you say whether I want to do it and I need a different characteristic so there you have a lot of condition of features, and as I said we have range of such different features which we are offering to the market, we see a good potential there, we are in the market and already public domain with Bajaj, KTM 68:01 and of course in

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Germany or in other countries by and by it is value add already in and we are going to bring this down smaller size and more economical bikes in the next year as well.

Participant: Do you think the price difference between EFI and carburetor base something which will be acceptable in the Indian markets for certain range of bikes?

Dr. Steffen Berns: We think so, yes. And then it is a question on the volumes gaining force also, so there will be a price differential that you gain a lot for this, therefore, we are not waiting for emission legislation here, we think this can be introduced even without legislation because it has tangible benefits.

Participant: If you look at the group and you look at the trend globally, there is more value being added in the normal digital side and electronic side 69:01 that part of the parent and what is the company in India is more traditional Gasoline, so today you see the value of the system if it is assembled 69:17 you might be still more towards parts buy from the but if you want to take a view on 5,7,10 years, could you tell us how that will shape and how the company could be able to keep its share of the system

Dr. Steffen Berns: That is a difficult question, I cannot tell you the share.

Participant: No, especially down to the trend, how do you see that, partial shareholders are not going to feel that also make more money by doing your own manufacturing, you do not buy those goods from outside, you do not get the same margins as you were manufacturing it yourself.

Dr. Steffen Berns: I cannot tell you and I do not know the specific numbers and trends, how this is going to develop it, you have basically two developments in parallel, one is I call this hydraulic systems how to make it simpler, etc., all produced in Bosch Limited as well. This is getting more complex and high value, so there will be increase and in parallel on the Diesel side you have your emission systems which have to be added which could also be part of Bosch Limited and then you have a certain part on the electronic side and the logic for a top player and in the extended part and then how do you connect this to other systems which will be outside. Looking at today's value and at the trend I cannot commit that the largest part of the growth has been in Bosch Limited major significant part is going to be within Bosch Limited, because of what I said first.

Participant: And this is a price-sensitive question, because you recruited foundation in terms of your peers, so in terms of the PRA that you would have for yourself and we are all capitalists, we all want only profitability. So could you tell us how does this work for

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the group as such when you come into India, it will be focusing in terms of capital employed, profitability being focused on status quo or what are the kind of parameters because the structure is little different compared to a normal company where everyone is due by the same value.

Dr. Steffen Berns: So also for Bosch, the basic economical principles are valid and we are not a charitable organization, we are only a charitable trust, but we have to earn our money, and therefore largest part of our charges is profitable growth, and which is top line and bottom line and that is the same as in any other company. The only thing is that we look at it from a longer-term perspective and we have a very strong value base, so we do not compromise on our values and if there is a question whether we can gain some quick part by doing some crazy business, we are not going to do it. This is not part of my evaluation system and the thing is if I do something wrong I will not stay in the company for long. That is an indirect way of incentivizing **or** better I would ask my colleague to support this.

Management: I would like to answer this in a holistic manner over and above what Dr. Berns mentioned. If you look at Bosch Limited and if you look at the chart, first of all you are not looking at the market. Because we look at what is right to be done, for example, the company regularly invests between Rs.500 to Rs.650 crores a year on CAPEX on building, land, including machinery, bringing in technologies, we invest in people, trends of development, both competencies, soft and hard, again for development onsite offsite and we create menu cards ourselves well before in many cases where the industry departs. So it is a forward-looking company not looking at quarterly results though we declare quarterly results. Second, extremely ethical, if it is one day that someone goes out including us in precise performance; third, profits that this company has been making is based on looking at long-term and not on short-term profits; fourth, we are a debt shy, we see no debt, we prefer to use internal accruals in an intelligent manner and we start raising funds again in an intelligent and careful manner, for example when we do our hedging we do risk management, we do not do profit, we never looked at profit as a matter of managing funds. So basically it is an organization which is dealt with KPI, KPRs on clear financial but also not on financial, because of the Bosch background, but clear financials to optimize profits but this is the background, we would never step outside of this boundary conditions of the seven values which drive us, but does not make us shy in being calmly aggressive to offer services and perhaps well ahead of time people need it, and thereby develop the enablers, whether it is localization, whether it is CAPEX, whether it is people to ensure that the returns which come in are of a sustainable nature. So that is the whole background.

Participant: One more area of concern is that if you look at the labor part of the company, your own expenses are very high, they are much higher than almost any other automobile company suffers from a periodic labor issues, your workers are probably the best paid in the industry, but they seem to be always demanding more and it seems to be some kind of a concern in the sense that quite regular when compared to other players who pay much less.

Management: To be very specific on some cases because we need to clear the air on this; we had a strike in Bangalore, now our associates are part of the family we always say that we have three parts of the Bangalore management — the offices, the associates, and the union. What we did in Bangalore, this has been implemented in Nashik as well as in Naganathapura and we will have a settlement also in Jaipur is to ensure that we have international productivity norms being institutional. In India one of the very big issues for most companies is having very poor productivity standards. Most companies do not talk about it, we were quite open to say we want to address this issue and we have addressed this issue now when you address a long pending issue, it takes time for mindsets to be changed, and, second you have to do it in the way you believe which is fair, ethical, transparent, and yet get people to understand that while being very fair and keeping our colleagues at the top quartile and we are not happy about that, we want to get the best productivity standards with quality not being compromised. Now that is the backdrop. A very few companies are believed to change these standards in India or willing to talk about it. So we have done it in a very quiet way; 85 days our customers did not suffer for a single day, our trainees, our maintenance staff, and others, ensured that manufacturing was on, we had some inventory while we discussed in a very calm and professional way with our associates, there was no violence. So, yes, Bosch has had labor issues but we would rather tackle it to ensure that the roots are tackled rather than the branches are trimmed and this requires courage of conviction for a professional organization.

Participant: Which was the impression that during the past you much softer towards your associate groups which you have compromised more in the past than what was done in the last?

Management: Look, if an organization is as old as us, there are many practices which creep in very slowly which are even un persistent un seeable which needs house cleaning and which needs a reset button but needs to be done which I do not want to talk about our company, but our company follows in a transparent and ethical manner. In India, we all know there is huge disparity between organized and unorganized labor. Unorganized labor is extremely suppressed with even basic rights not being there,

and organized labor is a single-digit percentage in India... less than 10% and within organized labor, the levels of transparency or open discussion on India's extremely difficult and challenging situation and delta gap between emerged countries and emerging countries is huge, we are trying to tackle it.

Moderator: I think it is very interesting possibly if we have one hour our questions will not be enough.

Management: Today, we are making lots of efforts to come closer and closer to our investors, con call is one such event, we will continue it, so there will be a lot more opportunities where we can exchange that, but nevertheless to say, everything has to come to an end, so sorry for this, but I think we can see what we can do.