"Bosch Limited Q2 FY 2017 Earnings Conference Call"

November 10, 2016

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Moderator: Ladies and gentlemen, good day and welcome to Bosch Limited Q2 FY17 Post Results Conference Call hosted by Batlivala and Karani Securities India Private Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala and Karani Securities. Thank you and over to you Sir!

Annamalai Jayaraj: Thank you Ali. Good afternoon everyone and good morning for Bosch Management. On behalf of B&K Securities, welcome to the Q2 FY17 Post Result Conference Call of Bosch Limited. I also take this opportunity to welcome the top management team from Bosch Limited. We have with us today Dr. Steffen Berns - Managing Director, Mr. Soumitra Bhattacharya - Joint Managing Director & CFO and Mr. S Karthik - Vice President & Company Secretary. I would now invite Dr. Steffen Berns for his opening remarks to be followed by Q&A session. Over to you Sir!

Steffen Berns: Good afternoon, everybody and Thank you Mr. Jayaraj for the introduction. Before we look into the results of the July to Sep 2016 quarter of our company, I would like to brief you about the overall domestic automotive development in the last quarter looking at production volumes except the two wheelers.

During the quarter ended September 2016, the Indian automotive market grew by 7% against the quarter ended September 2015. The highlight of the quarter was the double-digit growth of the passenger car segment, which grew by 13.2% driven mainly by festive season and easy availability of finance. The tractor segment increased by 9% supported by normal monsoon at a Pan-India level and also due to festive season. The light commercial vehicle market recovery continues with 8.5% growth albeit on a low base. Heavy commercial vehicle segment declined by 7.6% owing to slow-down in replacement demand and postponement of seat expansion with BS IV norms and GST effective from April 2017. Three-wheeler segment declined by 10.5% mainly due to decrease in exports of some key market players.

We now look at how the company has performed in the July to September quarter of 2016. The Company adopted Indian Accounting Standards from April 1, 2016 and accordingly these financial results had been prepared in accordance with recognition and measurement principles laid down in the Standards. The financial results of the previous period have been restated accordingly. As you are aware, due to change in regulatory requirements, as how to disclose the sales, the sales number disclosed in our results and discussed are gross sales and income from operations. A separate line item of excise duty is shown as expenses. The

Company clocked gross sales and income from operations of Rs. 27,375 million, an increase of 7.7 % over the same period of 2015 on a comparable basis. The mobility solution segment grew by 6.7%. The business beyond mobility solutions grew at a higher rate of 15.9%. Domestic sales for this quarter grew by 8.8%, whereas mobility solutions by 7.8%, again slightly better than the domestic automotive market. Export sales and income from operations declined by 5.4% in the mobility solution segment, whereas export in business beyond mobility solutions has increased to the extent of 9% on a low base of previous year. In mobility solutions, the diesel systems and after market division remained flat due to weak commercial vehicle and three-wheeler markets compensated by demand for passenger cars. Gasoline systems achieved a high double-digit growth aided by volume ramp-up by our customers. The business beyond mobility solutions saw a strong growth compared to the previous quarter coming from power tools which grew at a double digit and security technology, which grew, by high double digit. Thermotechnology division executed higher export-based orders. For the six months ended September 2016, gross sales and income from operations increased by 8.4%. The mobility solutions grew by 7.9%, with all divisions having a positive growth, and business beyond mobility solutions increased by 10.4% with growth coming from power tools, security systems, and packaging technology.

Our operating income has increased from Rs.195 million in July to September 2015 to Rs.628 million in July-September 2016, due to higher provisions write-back of earlier years no longer required at the exporting centres. Our operating income has increased from Rs.402 million in April to September 2015 to Rs.1064 million in April to September 2016. Material cost as a percentage of gross sales and income from operations has increased marginally from 47.4% in the July to September quarter of 2015 to 47.9% in the current quarter of 2016. This is mainly due to adverse effect of exchange rate, which was partly offset by favorable mix index and input pricing index. On a year-to-date basis, material cost has increased from 48% in financial year 2016 to 48.3% in financial year 2016-17, adverse exchange rate impact being the main reason.

The employee cost has increased to Rs.3478 million in the quarter ended September 2016 from Rs.3373 million in corresponding quarter of 2015, an increase of 3.1%. The employee cost stood at Rs.6727 million for the half-year ended April to September 2016, as compared to Rs.6229 million for the same period in 2015, showing an increase of 8% almost in line with average inflation rate. Depreciation has increased by 13.7% in the quarter ended September 2016, as against the quarter ended September 2015 due to higher asset base as a part of our investment strategy. There has been an increase of 17.7% on a Y-o-Y basis.

Other expenses stood at Rs.4759 million in the July to September quarter 2016 as against Rs.3995 million in the same quarter 2015, an increase of 19% due to volume effect on account of higher production, higher tooling cost for new business, and one-time effect like Bidadi plant shifting expenses. For the six months ended September 2016, other expenses have increased by 25.5% due to increase in driver expenses on higher production, one-time expenses like tooling cost, shifting expenses to Bidadi upfront and the CSR expenses.

Operating profit has increased by 7.3% in the current quarter, compared to the corresponding quarter of the previous year. The reason for increase is higher gross sales and other operating income. For the half year ended September 2016, operating profit has declined by 3.6%, due to higher depreciation and other expenses. The other income has increased from Rs.1872 million in the quarter ended September 2015 to Rs.2107 million in the current quarter of 2016, thus showing an increase of 12.6%. The increase is due to higher gain on fair market valuation of mutual funds in line with the Indian Accounting Standards and higher rental income, which is offset by reduction in the interest income from fixed deposit due to dropping interest rates. Other income has increased by 21.3% from Rs.3213 million for April to September 2015 to Rs.3896 million for April to September 2016. Fair valuation of mutual funds and rental income has contributed to this increase. For the quarter ended September 2016, the company posted a profit before tax of Rs.5902 million as compared to Rs.5384 million in the same quarter of 2015, an increase of 9.6%.

As a percentage of sales, profit before tax stood at 21.4% in the current quarter, as compared to 21.1% in the corresponding quarter of 2015. Consequentially, profit after tax has increased by 10.8% for the quarter ended September 2016, as against the quarter ended September 2015. For the half year ended September 2016, profit before tax has increased by 3.2% and stood at 20.7% of sales, as against 21.7% during previous year, whereas profit after tax increased by 3.9%. In accordance with the improvements we received from the Board of Directors on February 5, 2016 and from the shareholders on April 4, 2016, the Company has executed the business transfer agreement on August 1, 2016 and has transferred the business of Starter Motors and Generators on a going concern basis, by way of slump sale to Robert Bosch Starter Motors Generators India Pvt. Ltd., a 100% subsidiary of Robert Bosch Starter Motors Generators Holding GmbH. Consequently, the gain on sale of assets has been disclosed under profits for the period from discontinued operations after tax, under the above results.

The Board of Directors of the Company at their meeting held at July 1, 2016 subject to approval of shareholders, has approved the proposal to buy-back the equity shares of the company for an aggregate amount not exceeding Rs.2019.768 Crores under tender offer through the stock exchange at a determined price of Rs. 23,000 per share and approved buy-back of up to 8,78,160 fully paid up equity share of face value of Rs.10 each. The buy-back was approved by the shareholders by way of the special resolution passed through post ballot on August 24, 2016. The offer to buy-back was kept open for a period of 10 working days from October 6, 2016 to Oct 21, 2016. As on date, the Company has bought back 8,78,160 shares. With this, the shareholding of our parent company Robert Bosch GmbH is at 70.49%, the balance being held by public investors.

Changes in Bosch Management: I would like to inform that the Board of Directors has approved the following changes to the Board at the board meeting held yesterday:

On completion of my four-year term as Managing Director of the Company on December 31, 2016, I will return to Germany to take up a new assignment within the Bosch Group as President of the Bosch Car Multimedia Division.

Mr. Soumitra Bhattacharya, currently the Joint Managing Director of Bosch Ltd. whom all of you know very from the con-calls has been appointed as Managing Director with effect from January 1, 2017. Mr. Bhattacharya has worked in various capacities at Bosch Ltd. and abroad for the Bosch Group over the past 22 years.

Dr. Andreas Wolf, currently Executive Vice-President responsible for Manufacturing and Quality has been appointed as new Joint Managing Director of Bosch Ltd.

The Leadership Team of the Company is well prepared for this transition to ensure continuity, management direction and strategy in the rapidly evolving business environment. I believe the new leadership with their rich experience and understanding of the business will effectively guide the Company as we face the future that is full of opportunities and challenges.

Our forecast for this year remains cautiously optimistic. Passenger vehicles are expected to grow moderately. Light commercial vehicle segment has continued to recover. However, as liquidity in the market is limited, pressure on the growth of the LCV segment will remain. The tractor segment has also started the recovery due to the normal rainfall during the monsoon. Our mid to long-term focus for India remains positive. While the proposed legislation timelines are challenging, we have the necessary product, competence and infrastructure to support our customers. We have continued our investments into the future, in our people, technology, infrastructure and new locations. We continue to be optimistic on India and our growth potential in the country. Thank you and questions please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to only use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hello team, thanks for the opportunity. My question is slightly looking forward. Like you mentioned that you remain positive on India, which we agree. But do you look at EURO 6 norm as an opportunity or somewhat of a threat. Bosch is the market leader currently in the market with high localization and high margins. What we gather from customers is that some of your competitors are also now getting aggressive and trying to grab market share. So overall when you look at EURO 6 transition, assuming it happens on time, do you look at it as a big opportunity or do you think there is a threat to market share and the margins that are there currently?

Steffen Berns: Thanks Mr. Singh for this question. Of course, if there are changes, these changes always offer opportunities and threats. As I mentioned, we are well prepared and especially because the timeline is quite critical, I think Bosch with all experience, available manpower and infrastructure, local understanding of the market and world-wide backing on how to achieve the emission legislation has pretty good pre-conditions, but of course never underestimate your competition which we have to take very serious and it is really a window of opportunity for competition because such changes require new decisions and customers are thinking about who should be their suppliers. Overall, I think we can be optimistic. They are not only impact on market shares, but they are also question marks on what is going to be the split between the diesel and gasoline specifically in the small cars, which typically because the cost per vehicle and diesel engine for Bosch is higher than on a gasoline vehicle also would have some top line impact. On the other side, we also have two-wheelers, changing over from carburetors to engine management systems at the same time and volume base of two-wheelers is huge, so this is an additional opportunity so that on the top line we are positive looking at what is going to happen. On the bottom line, I cannot tell you because the difference acquisitions have not been completed and we are in discussion with the customers and of course I cannot disclose any pricing details on the new system.

Binay Singh: Continuing on that, if emissions change in 2020, what kind of localization rates will you see, because that will be a big driver to what kind of return Bosch will make in the initial years?

Steffen Berns: As stated in the earlier con-calls, we always try to localize based on sufficient volumes and then the question is being we going to have mainstream products or how far are the different products would be diversified between different customers who may look at different solutions which then leads to low volume for different solutions and will make it more difficult to localize. So localization is going to happen over time, it is not going to be 100% definitely as a big-bang, but we are going to ramp up pretty fast depending on the volumes for different solutions we are going to see.

Binay Singh: This is the follow-on. By when do you think the customer contract for EURO 6 will get finalized, we understand that the leading CD player in the country is talking about something in the middle of next year. Is that a realistic timeline that the customer, whatever solutions they are looking for EURO 6, they need to finalize vendors by the middle of next year?

Steffen Berns: We think the mainstream is going to be in 2017, some in 2018. Does not going to happen immediately.

Binay Singh: Right, great. I will come back in the queue.

Moderator: Thank you. The next question is from Pramod Amte from CIMB Securities. Please go ahead.

Pramod Amte: I wanted to check on this BS IV. How are you prepared from the customers' point of view to meet the April 2017 deadline or still the customer is thinking of postponing the same?

Steffen Berns: About the customers' thinking, I cannot tell you but we are fully ready and fully prepared. So the project is in final stages and we do not see this as critical from our perspective as a supplier.

Pramod Amte: And any update on the inline engines complying with BS IV?

Steffen Berns: Well, you will see in April what all we are going to have in the markets; I would not assume it is completely closed. So there are always different options as I told you in the past and this we will also have in the future.

Pramod Amte: Reading from the earlier question, directionally can you indicate us how will your market share change positively or negatively in LCV and HCV with the new order wins or losses which you have, might be for a period of two to three years point of view?

Steffen Berns: I cannot give you a specific answer on the market share size and especially if you look at BS VI now, as I said earlier, the project decisions for the customers are going to be made mainly in 2017 and some cases later. This is completely open, there is good competition and we will have to see what is going to happen. But as I also said, we are well prepared and we are not paranoid about this, so I think we have to catch on.

Moderator: Thank you. The next question is from Lakshmi Narayanan from Catamaran. Please go ahead.

Lakshmi Narayanan: Thanks and congratulations to Mr. Berns for your new role in Europe. I have two questions. One is if you look at the two-wheeler opportunity, which you are talking of, two-wheeler engine management has four components, and one is engine management, second is fuel injection, third is air management, fourth is ignition and then exhausts gas treatment. Is it right to say that the second part which is the fuel supply and injection is the one which will be hosted in the listed company?

Steffen Berns: We are mainly focusing on the fuel injection equipment, of course, that is what is call the engine management system and the listed company is going to take care of this, which does not mean that we manufacture all the components, so the electronic control units we will source from sister companies, Bosch in India the same as we are doing for rail systems, for example. So the main focus is on the system engineering and on the fuel injection or the engine management system including fuel injection equipment, but not all components being manufactured in the listed company.

Lakshmi Narayanan: But when you work for the client, it will be composing of all these different things, but you go as one phase of Bosch, but only the electric fuel pump and pressure regulator is something which will be in the listed company, right?

Steffen Berns: For different classes of bikes, there will be different solutions, so I will not comment which component effectively will be part of this, but the overall engine management system including everything turnover wise, which is part of it, which will be the part of Bosch Group.

Lakshmi Narayanan: As a followup, if I look at the two-wheeler segment, you have the grace of vehicle size from executive to sports bike or performance bike. So the system which you are developing, is it something all the two-wheelers will have to move to this, if so what is the timeframe by which, regulation wise is going to go and by what timeframe will the Indian manufacturers you think will actually adapt to this?

Steffen Berns: First question, yes, all the bikes will undergo this transition. As we see today, there will be a complete changeover from carburetor to engine management system, at least we do not see a solution to keep the carburetor in the market. Second question, it is going to be a complete shift in 2020-2021, that is the period where we are expecting a complete changeover and the ramp-up is already happening, so you see some of the customers offering engine management systems today.

Lakshmi Narayanan: If I go through your statement of Assets and Liabilities, under Current Assets within that if I go through the Financial Assets and Investments, there is a line item, which is called Investments, which is almost 2037.97 is the number. Is that one of the specific investment you have done, or is it a re-classification of FMPs or whatever?

Soumitra Bhattacharya: Actually what has happened is we have sold a lot of these investments in October for the buyback programme, so as per the Accounting Standards we need to reclassify this. So that is why this part of adjustment is classified that way, what we have sold, 2100 or something was the buyback amount and necessarily all our investments have to be resumed by then to keep it ready, hence this classification comes that way, which you will not find last year. Classification change is because of that current what we have done.

Moderator: Thank you. The next question is from Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Is there any update on when is your E-clutch getting commercialized?

Steffen Berns: No specific date which we can announce today, but it is making good progress, we had some delay as I mentioned earlier because of one component, but this has overcome now and we are in very specific discussion with customers and are also going to provide samples to the customers shortly.

Puneet Gulati: Okay, is it fair to say that it is still at least three years away from commercial production?

Steffen Berns: No, I hope we can do it faster.

Puneet Gulati: Okay. Secondly, is there any decision already where would the electronic vehicle-related components be manufactured? Will it be a part of the listed entity or outside the listed entity?

Steffen Berns: No decision yet, and there is no need for discussion currently because the volumes are so small and this matter on where it is product does not arise.

Puneet Gulati: Okay, and is there a scope to manufacture in India and export outside or that is completely beyond discussion right now?

Steffen Berns: As I said, as of now it is beyond discussion. It of course depends on the size and weight of the components and if you look into full electric vehicles for heavier vehicles, this is a lot of weight and volume for these components, so it is not that easy to shipping around the world. Therefore, I think this would not be the first component we consider for export.

Puneet Gulati: Okay, and lastly if you can give more color on what kind of content increase you are likely to see when the CVs and LCVs transition from BS III to BS IV, what kind of value increase are you likely to see?

Steffen Berns: As in the past also today I am not specifying the value increase, there are different changes, one on the fuel injection equipment which typically would go from a distributor pump to come rear, so that is a mainstream change which we are going to see with some higher value on a common rail system. Then they may be depending on the application also some exhaust gas treatment, the main part of exhaust gas treatment is going to happen with BS VI introduction.

Puneet Gulati: Okay, some sense on how much value add, some broad range?

Steffen Berns: The only thing I can tell you that it is moving up, I cannot tell you any specific numbers, sorry.

Puneet Gulati: Two times or three times, any sense, high double digit?

Steffen Berns: Yes, I have answered your question as far as I can, sorry.

Moderator: Thank you. The next question is from Mahesh Bendre from Way2Wealth Securities. Please go ahead.

Mahesh Bendre: Thank you for the opportunity. There is a lot of debate and discussion going on about the electric vehicles and battery-operated vehicles. Since the technology is in the evolving stage, if it becomes practically feasible, how this will influence or impact our core business related to the diesel engine?

Steffen Berns: It is known that it is for India still niche and therefore hypothetical, there are lots of discussions on hybrid vehicles with a low-end booster carburetion system, which are not very effective. Actually, when we started it quite a few years ago on start/stop, it had a pretty positive effect on fuel economy, but I would not call this hybrid or electric vehicle and in India there are many aspects on the electrification and this is not only on the subsidies, but it is also on the cost of the system and it is on the charging infrastructure and many other components and therefore, so far especially if you look into the car and truck segment, we do not see a fast introduction in India, but I think the combustion engine is going to remain mainstream for sometime. Of course, if there is a disruptive technological change or breakthrough knowledge especially on the battery technology this may change, but this is not foreseen or foreseeable at the moment.

Moderator: Thank you. The next question is from Jitendra Khatri from ICICI Securities. Please go ahead.

Jitendra Khatri: Thank you letting me ask. I wanted to know the reason for jump in other expenses? You had mentioned tooling cost, etc., etc., shifting expenses, but I just wanted to know how much of it is one-off.

Soumitra Bhattacharya: We have kept a one-off figure here for contract labor that is a provision because you know we are shifting from Bengaluru to Bidadi, and we have certain amount of contract labor with us and Bosch is a very fair and ethical company, so we have provided certain amount for contract labor as a prudent accounting practice. Other than that, the other expenses are in line with our total expenditures.

Moderator: Thank you. The next question is from Prateek Poddar from ICICI Prudential AMC. Please go ahead.

Prateek Poddar: Thank you, apologies, I am joining a bit late. I just wanted to understand in H1 how much you would be your one-off other expenses, could you just talk a bit about that, because I remember in Q1 also you had some other expenses which were one-off in nature as well as in Q2?

Soumitra Bhattacharya: We mentioned this also during Mr. Berns' speech, which is that there are one-of expenses also in the form of Bidadi relocation. You know this is a very big relocation that we are doing from the Bengaluru plant, which is in the heart of the city to Bidadi, so this Bidadi location is about 35 km away and therefore this one-off expenses will continue for some time, until our complete relocation is completed.

Prateek Poddar: Any timelines?

Soumitra Bhattacharya: By end 2018, most of our shifting would be over, there will be some spillover, but you can say 80% will be over by 2018.

Prateek Poddar: Okay, and this amount, which you are charging is it one fixed, amount every quarter or this would keep on reducing as we move to FY18?

Soumitra Bhattacharya: Like all things in life, it is not fixed. It is variable depending on the intensity of our move and our plant ship. It will not be any fixed amount, but we do the right thing by ensuring that the right amounts are both provided as well as spent dependent on how we plan our move, so it is not going to be a sort of quarter fixed.

Prateek Poddar: So it would not be smooth, it would be more of volatile in nature as in you would see spikes in one quarter then it could again come down.

Soumitra Bhattacharya: I did not say it is volatile, I said it is planned, but in the planning also sometimes there are front-ended planning, back-ended planning, medium-ended planning. There are blips, but we blips our plan, so the numbers will not be smooth, but the numbers are an outcome of our planning that we do in terms of material moment, people movement, equipment movement, and therefore the cost related to it and the expenditure that we are expending in between.

Prateek Poddar: I do not know would it be possible for you to share this amount or quantify this amount?

Soumitra Bhattacharya: No, we do not give directional numbers, but I want to assure that we plan these shifts in a very organized way.

Prateek Poddar: If I may just squeeze in one last question, adjusting for these one-offs the margins would have been what they were as we have seen earlier?

Soumitra Bhattacharya: No, I think the numbers that you see are including the cost, so I would keep the one-off also included. Basically the point is Bosch does very prudent accounting and we do the right thing at the right time, so the comparison to take the one-offs may not be the right comparison. It is the part of the cost as it gets expended and you also saw Mr. Bens in his speech mentioned that we had a big ticket write-back on our excess provision, that we had some excess provision on wages for earlier settlement, we did write-back that. You will see these blips both positive and negative. We do the right things at the right time. We also have a reasonable spend on CSR and those also will not be on our exact similar figures on quarter to quarter. There also could be blips going up and down, but again what we plan to execute, so we focus more on planning and when we bring the outcome is the numbers.

Moderator: Thank you. The next question is from Ajit Motwani from Bharti Axa Life. Please go ahead.

Ajit Motwani: Just a small bit of query on employee expenses; we are seeing the write-backs are included in the employee cost, right?

Soumitra Bhattacharya: Yes, right.

Ajit Motwani: And the provisions for contractual labors are included in the other expenditure?

Soumitra Bhattacharya: This will be included in other expenditure, it is not in employee cost, as they are not employees as of now.

Ajit Motwani: Okay, got it. In terms of the tooling cost that you are saying, those were tooling cost write-off or tooling cost, which are basically normal in nature?

Soumitra Bhattacharya: We incurred the tooling costs, which are normal in nature. These also could go blips based on the projects that we launch both for the ongoing new generation projects as well as for the new, new generation projects. Both the set of projects have quite a heavy and intensive set of tooling, so again that depends on SOP, how our lines start, so those would also go through blips, but very calculated blips in terms of expenditure control.

Ajit Motwani: Okay, as far as the depreciation is concerned, does the Bidadi plant depreciation is include in the September numbers or they will go up as the new plant starts up?

Soumitra Bhattacharya: No. We are doing the Bidadi in different phases. Our phase one is over, the plant is operational. As and when whichever machines we either shift or we get new machines and start SOP after getting custom clearances, if it is ongoing machinery then the depreciation continues. If it is a new machinery, the depreciation kicks in.

Ajit Motwani: So only to the extent of new machinery that the plant requires the depreciation works?

Soumitra Bhattacharya: Absolutely, but for a new facility, utilities come in for deprecation, also building comes in and finally the new projects come in, so all three elements, not just the machinery on one part.

Ajit Motwani: So to that extent the infrastructure has been capitalized till now?

Soumitra Bhattacharya: We have capitalized and we have started depreciation also. As I said, whichever as per the accounting norms, we just follow the accounting norms and now we have got into the Ind-AS, so it is uniform and the earlier numbers have also been done. We have mentioned that in the beginning on the tele-con also.

Moderator: Thank you. The next question is from Mumukshu Malicha from Quant Capital. Please go ahead.

Mumukshu Malicha: Thank you Sir for taking the question. The promoter shareholding has reduced from 71.2 to 70.5, in the last 10 years the holding has gone up from 60% to 70% plus, any thoughts on the reason for the sale of shares by the promoter and the buyback and any future such stake reduction or sale expected from the promoter side, thank you Sir.

Steffen Berns: We cannot comment on what the promoter is planning to do of course, and the reason why the share has gone down was not the promoter but was the independent shareholders did not participate in the buyback, so you have to ask the minority shareholders why they have not participated. This has been differential, it was a possibility, which the promoter apparently took into consideration, but beyond this I cannot comment on this.

Soumitra Bhattacharya: In addition, one more point we had mentioned to you earlier, since you raised this question now again. We believe this is a very ethical and professional way of distributing wealth and this is also extremely tax elegant because it is legal, and at the same time it is not being taxed at the hand of receiver or giver. Under these circumstances, we have also mentioned last time and I would like to reiterate, we have kept aside adequate and more than adequate amount for our future expansion, normal as well as abnormal Capex, and then only distributed as per the Company's Act. So we find this is a very elegant fair and decent way to do things of rewarding all shareholders, not just the promoter, and giving everyone a fair chance.

Moderator: Thank you. The next question is from Pulkit Singhal from MOSL AMC. Please go ahead.

Pulkit Singhal: Thanks for taking my question. I just wanted your view on the impact of the demonization of currencies of 500 and 1000 rupees on particularly the aftermarket sales, because I understand there are a lot of spurious parts and differences, do you think the spurious part sales could decline because of this?

Steffen Berns: It is very difficult to predict, because this is completely new. I think overall in aftermarket we have a lot of cash payments and the impact is not foreseeable, so you are right, I think the major impact we are going to see in the aftermarket because of new car sales typically, the demands are too high and people are not paying in cash, but what is going to happen there I cannot predict currently.

Soumitra Bhattacharya: I would just like to add something to what Dr. Berns mentioned. The second element on what you mentioned about the spurious parts, having been the Chairman for Consumer Affairs for ACMA for many years, I can tell you we have a bigger problem and a challenge not of Bosch but of the automotive industry and the Government of India, where spurious in India is as high as 35% and maybe up to 40%. I do not want to go into details. The task needs to be tackled and lastly, demonetization will have several impacts in mobility but also across India on consumer goods-related issues, not just for the aspect of automotives, but that is a very far bigger challenge.

Steffen Berns: Just one clarification, my understanding is first it will impact aftermarket broadly because there are a lot of cash payments, but once being stabilized does the spurious parts become costlier, because those guys are coming in the tax bracket and therefore you get more competitive in that segment?

Soumitra Bhattacharya: I do not want to comment in this con- call because we will stay with the Bosch thing. It is a very deep topic and it is a very gray zone. My only comment is there is very strong point that the Government will need to bite the bullet and industry will need to bite the bullet along with the Government. It is a big menace in the Indian market.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Annamalai Jayaraj for closing comments.

Annamalai Jayaraj: We thank all the participants. We thank Bosch management for providing time for the call and also providing us the opportunity to host the call. Have a great day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala and Karani Securities that concludes this conference call for today. Thank you for joining us and you may disconnect your lines.