



“Bosch Limited Q2 FY-18 Post Results Conference Call”

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

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

Moderator: Ladies and gentlemen, good day and welcome to Bosch Limited Q2 FY18 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Annamalai Jayaraj: Good afternoon everyone. On behalf of B&K Securities, welcome to 2Q FY18 Post Result conference call of Bosch Limited. I also take this opportunity to welcome the senior management team from Bosch Limited. We have with us today Mr. Soumitra Bhattacharya – Managing Director & CFO; Mr. Jan Oliver Roehrl – EVP-Engineering & Regional President-Diesel Systems; and Mr. S. Karthik – Joint CFO. I would now invite Mr. Soumitra Bhattacharya for his opening remarks to be followed by question-and-answer session. Over to you, sir.

Soumitra Bhattacharya: Thank you, Mr. Jayaraj. Before we look into the results of July to September 2017 quarter for our company, I would like to brief you about the overall domestic automotive market development in the last quarter looking at the production volumes except the two-wheelers. During the quarter ended September 2017 the Indian automotive market grew by 6.6% against the quarter ended September 2016.

The highlight of the quarter was the tractor segment which increased by 17.4% supported by normal monsoon as well as expectation of a bumper sowing of the target crop compared to last year. The light commercial vehicle grew by 12.2% contributed by the benefits of GST as also the festive season. Heavy commercial vehicle segment increased by 13.6% owing to stricter regulatory norms demanding for high tonnage vehicles.

The passenger car segment increased by 3.7% supported by price reduction due to GST, festive season, new model launches and easy availability of finance. The three-wheeler segment grew by 5% backed by exports compared to the previous quarter. We now look how the company has performed in July to September 2017 quarter.

With the introduction of GST or Goods and Services Tax; revenue from operations needs to be reported net of GST from July 2017. Accordingly all the percentage of revenue has been adjusted for excise duty for the previous quarter to make it comparable. On comparable basis, revenue from operations has increased by 6.8%. In absolute terms the revenue from operations for the period July to September 2017 stands at Rs. 28,118 million as against Rs. 26,332 million over the same period of 2016.

The mobility solutions segment grew by 8.8%, the business beyond mobility solutions also increased by 6.7%. The domestic sales for this quarter grew by 6.5% thereof mobility solutions by 6.6% which is line with the domestic automotive market and business beyond mobility solutions increased by 5.9%. Export sales show a double digit growth of 30% mainly coming from mobility solutions segment showing an increase of 34.5% and the business beyond mobility solutions has increased to the extent of 11.9%.

In mobility solutions, diesel systems and gasoline systems had an impressive double digit growth aided by volume ramp up by our customers and product mix change consequent to the introduction of BSIV emission norms effective from 1 April 2017. Aftermarket witnessed a negative growth due to issues related to GST in the market being driven low availability of working capital also with our network partners.

The business beyond mobility solutions had a strong growth compared to the previous quarter coming from security technologies which grew at a strong double digit as also solar energy which grew also with a strong double digit. Thermal technology division executed higher export sales order. For the six months period ended September 2017 revenue from operations increased by 5.5%. The mobility solutions grew by 7.9% with all divisions except the aftermarket having a positive growth whereas the business beyond mobility solutions decreased by 2%.

Material cost as a percentage of revenue from operations has increased from 50.1% in July-September quarter of 2016 to 55.1% in the current quarter 2017. This is mainly due to the change in product mix consequent to the introduction of BSIV emission norms Pan India with effect from 1st April 2017. A similar trend is seen for the six months period ended September 2017 which witnessed an increase from 50.7% to 54.8%.

The employee cost has decreased from Rs. 3,444 million in the quarter ended September 2017 from Rs. 3,478 million in the corresponding quarter of 2016, a decline of 1%. For six months period ended September 2017 the employee cost stood at Rs. 6,856 million as compared to Rs. 6,727 million for the same period in 2016 showing a slight increase of 1.9% and this is mainly due to the annual salary increment of course reduced by the productivity gains that we have got.

Depreciation has increased by 24.6% on the quarter ended September as against the quarter ended September 2016 due to additions in the last one year especially for our new generation products where we are spending CAPEX in a systematic manner. For six months period ended September 2017 there has been an increase of 24.1% with investments on new generation products including for R&D assets.

Other expenses for the quarter July-September 2017 is Rs. 4,091 million as against Rs. 4,759 million in the same quarter for 2016, a decrease of 14% mainly due to onetime provisions and

relocation cost in the previous quarter. For the six month's period ending September 2017 other expenses have decreased by 8.5% due to non repetitive onetime expenses of the previous year as explained earlier.

Operating profit has decreased slightly by 1.2% in the current quarter of 2017 as compared to July-September 2016 mainly due to mix change in material cost. For the six months period ended September 2017 operating profit has declined by 7.6% with change of product mix, higher depreciation due to investments in new generation products.

The other income has decreased from Rs. 1,890 million in the quarter ended September 2016 to Rs. 1,290 million in the current quarter of 2017 thus showing a decline of 31.7% on account of reduction in the M-to-M, mark-to-market gain from sale of marketable securities. For the six months period ended September 2017 other income has decreased by 25.2% that is from Rs. 3,456 million to Rs. 2,586 million for the period April to September 2017. The reduction is mainly due to lower MTM gain from sale of marketable securities.

Profit before tax and profit after tax. For the quarter ended September 2017 the company posted a profit before tax of Rs. 5,261 million as compared to Rs. 5,902 million in the same quarter of 2016, a decrease of 10.9%. As a percentage of revenue from operations PBT stood at 18.7% in the current quarter of 2017 as compared to 22.4% in the corresponding quarter of 2016. Consequentially profit after tax decreased by 16.5% for the current quarter of 2017 as against the quarter ended September 2016.

For the six months period ended September 2017 profit before tax has declined by 12.8% and stood at 18.1% of revenue from operations against 21.9% during the previous year. Profit after tax also reduced by 17.8%. We made an announcement at the press conference in September 2017 that electrification and this is the entire topic of electrification would be placed within the listed entity that is Bosch Limited.

Bosch Limited has always pioneer technologies in the automotive domain and driven technology transformations such as introduction of the electronic fuel injection equipment. Electrification is a future of power frame and Bosch Limited's focus would be developing technologies suited for the Indian requirements. We would start with two-wheeler as well as three-wheeler components and as the market picks up we would foray into other segments.

Bosch Limited is strongly committed to the government's electrification vision in India. Our forecast for this year still remains consciously optimistic. We have had a normal monsoon as has been expected. We also see a bit of improved liquidity post the demonetization and market sentiments looks to be picking up. Additionally the role out of GST has visible short term impact especially in 2017 but we believe this will have long term benefits after the stabilization period is over for all the industries.

We are also optimistic that growth though we are cautious about it will come during the necessary course in the time to come.

With this, I end and would like to thank you for your patience and would request your questions to us.

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

We take the first question from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Just to begin with couple of numbers. So could you just repeat how much of the domestic business growth this quarter?

Soumitra Bhattacharya: For mobility or?

Sonal Gupta: Overall and mobility, non-mobilities?

Soumitra Bhattacharya: For July-September 2016 for the same quarter for the total we are looking at a change of 7.4%.

Sonal Gupta: Is this domestic?

Soumitra Bhattacharya: This is for the total. And if you look at mobility it is 7.6%. On non-mobility it is 6.2%. This is quarter-on-quarter.

Sonal Gupta: And sir, could you give us the export number for this quarter?

Soumitra Bhattacharya: The export revenue if I take the total is pretty high in this particular quarter. This is 40% approximately. We have had a growth mainly from diesel and this is exports to both Europe as well as Brazil and for the non-automotive segment also it has been double digit. And that has been mainly our growth also in our company in Bangladesh. So basically export segment in automotive grew by about 46% and non-automotive by about 19%. The weighted average total is about 40%. And the reasons I told you.

Sonal Gupta: Because I think from the opening remarks what I got was like exports to 30% and auto exports were up 34.5% and non-auto was 11.9% and now you are saying it is 40% so is there a disconnect between the two numbers?

Soumitra Bhattacharya: I was giving the breakup but yeah, I think it reads at 40%, sorry.

Sonal Gupta: Sir, could I get the absolute number?

Soumitra Bhattacharya: It is about Rs. 2,800 million.

Sonal Gupta: And sir, I am just trying to understand in terms of your revenue growth is only around 7% in this quarter even though we have had a good growth in most of the categories except for aftermarket. So what is, I mean is there a very substantial decline in aftermarket because diesel would have clearly because all your high value categories like heavy commercial vehicles, the light commercial vehicles, tractors have grown in double digits plus due to the transition year-on-year we should have higher value growth as well.

So despite that we are seeing like a single digit growth in revenues and so unless there is like a very, very substantial decline aftermarket, could you just explain what is going on?

Soumitra Bhattacharya: Yeah, I think I told you in the beginning that we are showing you the numbers which we have published and we have to remember that it is not really like-to-like. So we have had an area which is called car multimedia and that was a business which was stopped in Bosch Limited. So this like-to-like numbers would naturally look quite different. So in summary, (a) the numbers which I repeated are the published numbers (b) there is the car multimedia number which has to be taken out (c) diesel grew pretty high at strong double digits and when I say strong, it is pretty, pretty strong double digits.

But partly due to both real growth as also product mix growth and gasoline also grew at strong double digits. There has been marginal degrowth in aftermarket and the overall growth as I mentioned to you. So this is the overall picture. And if you look at what I mentioned in the 10% growth which took place these are numbers which are the published numbers. So you have to see where it is like-to-like and where it is not like-to-like. So the 10% is not relevant when you make it like-to-like. The growth is higher than 10%.

Moderator: Thank you. We take the next question from the line of Basudeb Banerjee from Antique Finance. Please go ahead.

Basudeb Banerjee: Yeah, on the similar line sir, can you give us some idea that how much was the overall volume growth and how much was led by pricing because there has been lot of raw material inflation you must have passed on and how much was the quantum of the car multimedia business which got stopped?

Soumitra Bhattacharya: Look you know very well that we do not give you the break up on the numbers or the segment wise.

Basudeb Banerjee: No, not segment sir, just overall volume and value?

Soumitra Bhattacharya: The segment of the car multimedia so I told you it is a number which is not significantly high but it is not that low. So this part of the business was stopped and therefore the numbers are not like-to-like. I have also said that diesel and gasoline grew at very strong double digits and in the case of aftermarket we have had marginal degrowth which I mentioned in my speech. And

the like-to-like numbers I mentioned to you, the published number is at 10% but the like-to-like numbers will be far high on growth. So I think that is a good enough indication for you.

Basudeb Banerjee: And sir, because of commodity inflation what kind of price increase has happened?

Soumitra Bhattacharya: Yeah, I have mentioned to you that the material cost has gone up from 50% to 55% and I also mentioned that this has happened because there is a product mix change. When you go more from conventional to new generation, the new generation product mix has a higher material cost and I have always mentioned that Bosch believes in a phased localization plan and therefore initially we do a higher level of rating as we setup our CAPEX and our facilities for greater localization. So this is something which we have done in a price. And secondly, we must understand that the mix change which has taken place in the market will result in material cost around this area also for the future.

Basudeb Banerjee: And when do you see the aftermarket revenue picking up from these levels as you said post GST working capital trends has been there in the system?

Soumitra Bhattacharya: Yeah, we are looking into the aftermarket pretty carefully and what we want to do is of course improve and tighten the processes in the aftermarket not just in our company more importantly the market practices. So we would see may be a couple of quarters but we do see that being the leader in aftermarket that we will come back. We have the largest independent aftermarket in whole of India the network and we are doing work at the basics of dealership, primary sales and so on and so forth.

So we do see it will come back but we are also putting the market in order and especially when you have had in India two very important changes both in the form of November last year on demonetization, 1st of July in GST, and then in the aftermarket area we did see some liquidity issues. So it is a combination of those. We do see it coming back but give or take one or two quarters.

Basudeb Banerjee: And sir, your reported revenue where you have grown around 8% year-on-year so both are restated as per the GST I suppose, changes?

Soumitra Bhattacharya: There has been some impact on GST, I must say in relation to where it is a B2C business.

Basudeb Banerjee: No, I mean that both the year-on-year numbers are apple-to-apple comparison post GST accounting changes so under that if you are saying that there has been super strong growth in your diesel portfolio how much was the gasoline portfolio growth, sir?

Soumitra Bhattacharya: Yeah, we also have an accounting change and we would like to share what is the accounting change that happened on the top line.

- S. Karthik:** See Karthik here. Earlier our sales used to be gross sales which included excise duty. But whereas currently the GST part of it as per the accounting standards are not to be recognized as sales. So this is where you see a difference between last year's quarter sales and this year's quarter sales. This year quarter sales does not include the excise duty element which was there in the last quarter.
- Basudeb Banerjee:** In aftermarket especially?
- S. Karthik:** Yeah, in the aftermarket and generally. Yeah, mainly this will affect the aftermarket.
- Basudeb Banerjee:** And sir, how much was the gasoline portfolio growth?
- Soumitra Bhattacharya:** Gasoline has grown with a strong double digit. But the base naturally is lower than diesel but it is growing very strongly, gasoline.
- Moderator:** Thank you. We take the next question from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.
- Jinesh Gandhi:** My question pertains to staff cost which has declined on YoY basis. Is this also due to reduction in headcount or so is it largely because of productivity gains?
- Soumitra Bhattacharya:** We have done both. We looked at wherever we have had surplus on blue collar or other areas we rolled out EVRs and we have also looked at linking to productivity gains plus doing the EVR the Bosch way which is we take into account both aspects on efficiency but also for our employees. So we have done both and if you noticed the last two, three years we have systematically priced to improve and we also had a onetime element where we had made a provision for some of our trainees but we had been able to, again in the Bosch way, take out these trainees they were not further required.
- So that provision also we did a write back and it is relating to the previous quarter. So it is a combination of productivity, slight amount of reduction in headcount and a provision in the previous year quarter which is not applicable therefore implications. But overall yeah, our attempt would be to stay around in that 12.5% to 13% in that area. Does that answer your question?
- Moderator:** As there is no response we will move to the next question. We take the question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** If you can also comment a bit on the other expenses. If I look at quarter-to-quarter your revenue is up but the other expenses have actually come down, what has really moved there?
- Soumitra Bhattacharya:** Yeah, we will tell you basically I shared with you that other expenses have reduced by approximately 14% and some of the big ticket items where we have had reductions is the level

of tooling required in the new generation was not as much so we have had a marginal reduction in the tooling. But also we have had reduction in our repairs and maintenance. And we had a provision for our contract employees which we also not have at this time. So partly I would say it is a combination of control on expenses and partly it is we as Bosch do a prudent provisioning and where we see it is no longer required then we take it back. So in the last quarter it was there but now not there.

Puneet Gulati: Lastly, you did talk about electrification, right?

Soumitra Bhattacharya: Yeah.

Puneet Gulati: Will that now be rolled under the listed entity?

Soumitra Bhattacharya: Yeah, I mentioned to you that just after our AGM we had a press conference and we had our board member who is also our Bosch global board member who is also in charge of Asiapacific Mr. Peter Tyroller and works with us and he met the press in Bangalore and we announced that the entire electrification program will stay with the listed company which is Bosch Limited. As you know Bosch Group in India has 13 legal entities and we have 18 factories all over India and we have nearly 31,000-32,000 employees for the whole of Bosch Group in India.

But this has been a strategic decision also to ensure that the public listed company is enhanced and the focus is kept and therefore we have the entire electrification program which is the future of partnering in the listed company Bosch Limited.

Puneet Gulati: So what products are you planning to bring in the first phase of development here?

Soumitra Bhattacharya: If you remember some of you may have attended our conference in Delhi where we do the annual meet many of you must have been there. If you noticed we made our detailed presentation on the portfolio of Bosch our parent and that is quite a detailed presentation comprehensive but I would only say that right now based on a strong portfolio that our parent has we are carefully looking into the entire menu card and seeing what are the things which will be applicable in India.

As I mentioned we would start with the rollout of the program for two-wheeler and three-wheeler by the way this also was mentioned last time that we are already in dialogue with many customers, we cannot talk about names on the two-wheeler and three-wheeler front what we call as light electro mobility. And in the February board meeting in the press conference where we firmed up all our plans we can share with you further from the Bosch menu card what are our roll out plans. So right now we are working on it while we have made progress in the two-wheeler and three-wheeler already.

- Puneet Gulati:** So what products are you talking about in two-wheeler and three-wheeler?
- Soumitra Bhattacharya:** Yeah, I had mentioned that we right now Bosch our parent is more or less mainly into all areas of electrification other than the battery but has a very strong foot on the electric drives. So details we will share with you after the board meeting at the Autoexpo period where we have put in firm plan at that time.
- Moderator:** Thank you. We take the next question from the line of Lakshminarayanan from Catamaran. Please go ahead.
- Lakshminarayanan:** I have couple of questions. First, if I go through your segmental reporting I see that the unallocable income actually there have been change. Now can you please explain is it more to do with some accounting things or what led to that? The second question which I have is in terms of the purchases of stock in trade. There have been a steep change or rise in that particular number. If you can just help me understand how do you see that?
- Soumitra Bhattacharya:** The second part, please? One was unallocable income, what was the second one?
- Lakshminarayanan:** Other expenses there is purchases of stock in trade which has gone up from almost Rs. 550 crores last year to Rs. 985 crores this year. So what led to that if you can or is it a one off, if you can just explain these two things?
- Soumitra Bhattacharya:** Okay the unallocable income which you referred to is refer to treasury income. So that is why this is the method of the disclosure and I had not mentioned but I would like to tell you that look Bosch did a buyback last year and this buyback amounts to nearly Rs. 2,000 crores. And we also gave a special dividend after the carve out of the SG. That came to approximately Rs. 210 crores. So it is a substantial amount that Bosch Limited gave back to the stakeholders. So when you see the other income which has come down that is the reason while we still generate a decent level of cash we also gave out a substantial amount.
- Now regarding the purchase of stock in trade my colleague Karthik will explain.
- S. Karthik:** Yeah, see the stock in trade what you said has gone up from Rs. 68,077 million to Rs. 98,500 million it is basically because of the import what we do consequent to change in emission norms. So obviously the value of the inputs will be higher and that is also the reason why the metal cost has gone up. So that is the reason for the increase in purchase cost.
- Lakshminarayanan:** And what is your means is it directionally is going to be at this level? How does one take it for the entire year?
- Soumitra Bhattacharya:** We do not give guidance but I mentioned to you that we follow a well oiled procedure of initial trading and then a systemic level of localization, which we also did for our conventional products, which we did for when we launched common rail I remember for Scorpio in the year

2000 that time also we had traded. And then by 2005 and 2007 we had greatly look like. So whenever you go through an emission norm change or new gen set of products which happened in this particular case, initially we do the trading again at an arms' length pricing and then slowly we have defined localization plan which is meaningful for business.

So when the numbers pick up and all the acquisitions done and the demand start flowing and which in our case we have a decent acquisition not only for BSIV but also for BSVI.

Lakshminarayanan: And any plans of any direction in terms of whether it is going to be six months or a two year thing to kind of gradually bring it down or would you be in a position to share that?

Soumitra Bhattacharya: Again I request you to understand the spirit of what I am saying. There are some areas where we have localized faster and in some areas we have done it slower. But it has been very conscious calls. So I cannot give you now a number on x months because that will be misleading.

Moderator: Thank you. We take the next question from the line of Pramod Amte from CIMB India. Please go ahead.

Pramod Amte: This is with regard to exports. You are seeing a substantial surge in this quarter. Can you give what has led to it? Have you found new markets, new product lines which can drive this for some time and is it a sustainable momentum?

Soumitra Bhattacharya: Look we have mentioned on this exports matter before. First of all we have always said that there are certain things on quarter-to-quarter that will be deviations and you should understand the biggest story and therefore when you refer to the sequential numbers you will get a much better feel, number one. Number two, we also said that Bosch as a philosophy not just for India but worldwide has a local-for-local strategy and that is the reason why Bosch Limited has approximately 92% to 93% domestic and about 7% to 8% export.

So on that lower base we have had in a quarter pretty sharp increases. This may happen for a few quarters and few quarters it may not happen. So in summary, we do not get elated with the high export on a quarter or nor do we get depressed if the exports are lower. We just see whether we are maintaining our export base in between the 7% to 10% because our focus is local for local and that is how we have worked.

Having said that we have had this particular quarter a pretty impressive growth on exports into Germany as well as Brazil and you know the V pumps or rotary pumps got phased out in a big way for the automotive area for the tractors and for off highway fiscal required. But we had this and it could continue for a couple of quarters but our overall parameter which I mentioned is more important. So also for non-automotive area we have had we see for example

Bangladesh and Sri Lanka which are companies which we run out of India are doing well and we see in the future that our billing to these two countries will also increase.

Pramod Amte: And you said Germany and Brazil you are addressing some phased out products there or these are new technology products which you are supplying? If you can give some color?

Soumitra Bhattacharya: No, these are products which sometimes even on either old or I would say old conventional products they require where we have India has got very strong strength or sometimes based on demand and volume if they need components even for new generation, then we also supply. So it is a support system in what we call as the IPN, the International Production Network. And it could be full products for example like I gave you for rotary pumps or it could also be components for new generation products.

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

Pulkit Singhal: Sir, on the electrification part, I have one of the news articles which talks about Bosch's 48 volt battery for hybrids which will start of production in late 2018 and the company estimate some 15 million 48 volt hybrid vehicles by 2025. So can you just let us know if this part of the battery business will also be part of Bosch Limited for the Indian demands?

Soumitra Bhattacharya: Before I handover to my colleague Mr. Jan Roehrl who is also the Chief Technical Officer and a board member, I just like to say that Bosch has not yet decided on the battery business. I mentioned that before and I just like to say this is Bosch not at the India level but at the global level. So on the battery we have indicated this in previous conference calls also. A call will be taken in 2018 and it will be informed worldwide. And Bosch would go into the battery business if Bosch sees significant USPs in some form and manner because that is a significant decision and a significant investment. Having said that now on the 48 volt hybrid Mr. Roehrl could give you a few comments both on our parent but more importantly a little bit on India.

Jan Oliver Roehrl: Thank you for that technical question. I had not read that article that you are quoting so I cannot exactly comment on that. But in general a 48 volt system for electric propulsion is of course meaningful in two regards. First one is supplying it to full electric vehicle in the case of two-wheeler or three-wheeler or SM Assistant Technology in the form of a hybrid system and you might be aware that here we are talking about different architectures so called T0 which is an enhanced starter generator system that is used for boost or for kind of accosting drive or a different architectures where for a short time in a creeping mode the vehicle can also be supported.

Having said that if you look on to the agenda for the Indian Government so far the hybrids do not play a major role. In the passenger car segment we are having here slightly different view

and seeing the hybrid systems base on a 48 volt also as a good contributor to the reduction of CO2 or climate gases.

Pulkit Singhal: I am just trying to understand Bosch's presence in batteries. I am not sure whether you manufacture your own batteries or is this something you need to get into, I am slightly confused on that aspect?

Jan Oliver Roehrl: Yeah, so you see that exactly that is what our parent is exploring whether it is with all the uncertainties that are going along on the technology side with the battery and its start just to mention energy density and the technology necessary for that whether it a promising and sustainable technology that can be paired with an outstanding manufacturing technology as well because that is how Bosch in the past was creating its USPs on the one side it is having the right technologies. I just quote you the common rail technology but having as well the differentiator on the manufacturing side and that is exactly what is currently being explored from side of the parent company.

Pulkit Singhal: Thank you for that. Just on the same electrification thing. Since you have 13 legal entities and I presume some of them also have components that would be used in electric vehicles for instance the sensors if I understand correctly. So would this mean that those specific parts of businesses would be transferred to the listed entity?

Soumitra Bhattacharya: We will be working out that plan but we also work very closely with our sister companies. So whatever makes business sense because we have many of our companies already doing some work and so this will be checked out what makes business sense and some may get in, some may not. But we look at what finally makes business sense. And by the way I think the main focus is on improved efficiency and delivery mechanisms. And already there exists a very, very close working both within sister companies in the Bosch Group in India but with our divisions worldwide too. So it is a purely a business decision.

Pulkit Singhal: Lastly on revenues on a quarter-on-quarter basis we were fairly negatively surprised because I am not talking about YoY because the BSIV impact would have come in 1Q itself so see a 6% growth QoQ in revenue whereas the volumes across segments have been double digits PV 10% I mean HGV 65%, three-wheelers 32%, tractors is the probably the only part 5%. So I am just trying to understand firstly why is the revenue growth slow on a QoQ basis and also margins in 1Q you suggested there were some one offs because of higher imported path and therefore we were expecting that sequentially gross margin should go up as that one off goes away but now it seems just suggesting this would be the level. So can you help us clarify?

Soumitra Bhattacharya: So our first point I told you that we grew above the market, number one. Number two, we had last time the car multimedia part which this time we do not have. So the numbers are not like-to-like.

- Pulkit Singhal:** Even in the previous quarter you had the car multimedia part in 1Q?
- Soumitra Bhattacharya:** Yes, so we have this situation and then I told you that we have had a degrowth in the aftermarket. So a combination was a high growth on diesel and gasoline; degrowth on aftermarket and also that the car multimedia part is not there in this quarter as against the previous quarter. So if you look at these three then it may give some meaning.
- Pulkit Singhal:** So aftermarket is de-growing quarter-on-quarter as well even now?
- Soumitra Bhattacharya:** No, it is the quarter of the previous quarter.
- Pulkit Singhal:** No, I am referring to 2Q versus 1Q, sir?
- Soumitra Bhattacharya:** 2Q versus 1Q I right now do not have the ready numbers with me. But yes, in the GST period we did see a decline.
- Pulkit Singhal:** And so on gross margins I mean you mentioned there was a one off in the previous quarter call so in terms of?
- Soumitra Bhattacharya:** Margins are pretty decent. As I told you if you look at the overall numbers the margins at the operating level are pretty much okay. The margins for the quarter-to-quarter has been just it is not too bad if you look at the margins. The differential that has happened on the margins I mean I read our operating profits decreased by 1.2%. So that is practically no differential. The cap which happened in the delta which is there on the PBT and the PAT is due to the reduction in the other income.
- And the other income I already told you this reduction is on account of the mark-to-market gain from the sale of marketable securities and we must remember that we have given sizeable dividend special over and above the normal dividend as also a buyback. So the base of our treasury also has reduced by design not by accident.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited for closing comments.
- Annamalai Jayaraj:** We thank all the participants. We thank Bosch management for sharing time for the call and also providing us the opportunity to host the call. Have a good day.
- Moderator:** Thank you very much, sir.
- Soumitra Bhattacharya:** Thank you very much. Thank you to all the participants. Thank you, Mr. Jayaraj.

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

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