



**BOSCH**

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1 September 2017

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Dear Sirs,

**Sub: Copy of the Chairman's Speech at the 65<sup>th</sup> Annual General Meeting held on September 01, 2017**

Please find attached herewith the copy of the Chairman's Speech as circulated to the members at the 65<sup>th</sup> Annual General Meeting of the Company held on September 01, 2017.

This is for your information and record.

Thanking you,

Yours sincerely,  
For Bosch Limited

  
R. Vijay  
Company Secretary

*Encl: Copy of the Chairman's Speech circulated at the 65<sup>th</sup> AGM*

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**Bosch Limited**  
65<sup>th</sup> Annual General  
Meeting

**Chairman's Speech**  
01.09.2017  
Bengaluru

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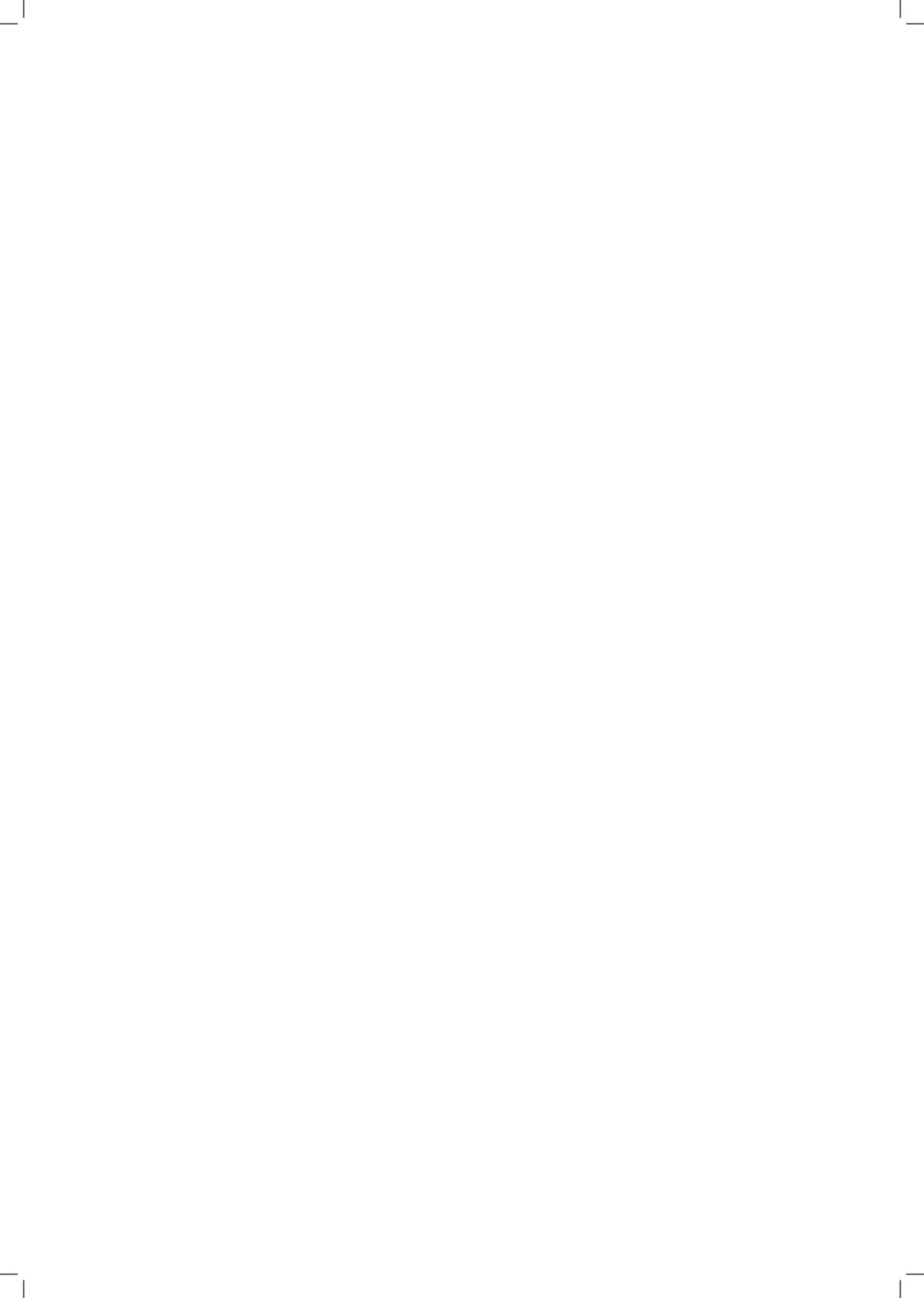
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**BOSCH**

Invented for life





## **Ladies and Gentlemen,**

I have great pleasure in welcoming you to the Sixty-fifth Annual General Meeting of your company. I trust the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2016-17 have reached you on time.

The Financial Year 2016-17 has been an eventful one. We have witnessed several geo-political, economic and social developments, both internationally and in our country. The US Presidential elections' verdict and BREXIT were amongst the two major global developments.

Recently India witnessed major reforms like Demonetisation, rollout of GST, Countrywide implementation of BSIV and announcement of direct transition to BSVI norms from BSIV. It is an indicator of the Government's intention to implement major reforms. Bosch has always been one of the first amongst its peers to transform itself as business needs evolve.

In a similar vein, the cover story of this year's Annual Report is based on the theme '**Agility and customer orientation**'. This is a continuation of the transformation journey your Company is currently undergoing with the view to meet the dynamic changes in the future business environment.

Let's take a look at a short video depicting this transformation.

Ladies and Gentlemen, in my speech today, I will take you through economic and market situation, the performance of your Company during the year under review and the outlook for the current year.

## **Global Economic situation**

To start with, the global GDP growth for 2016 was in line with expectations at 3.1% and is projected to accelerate to 3.4% in 2017. (Source: IMF)

Among advanced economies, activity rebounded strongly in the USA in the second half of 2016 and witnessed an increase in employment numbers. In 2016, Japan witnessed a higher than expected growth rate. On the back of economic recovery in some emerging markets, especially an infrastructure-spending led recovery in China, crude oil and commodity prices recovered.

## **Indian Economy**

GDP growth in India in 2016-17 was 7.1 percent as compared to 8.0 percent in 2015-16.(source : CSO). It was an eventful year with the passage of important legislations like the GST, Insolvency and Bankruptcy Code and demonetization. Political stability provided a sound background for the Indian economy and a platform to launch the major reforms as stated earlier. Interest rates gradually declined through the year due to higher liquidity. Growth was supported by the Government's capex and infrastructure spending. The long term effects of demonetization are expected to be positive and the initial short term hiccups have been largely corrected. The macro indicators for the Indian economy like fiscal deficit, current account deficit and inflation look to be under control. However, the expected pickup in growth momentum and private investment is yet to be witnessed on ground.

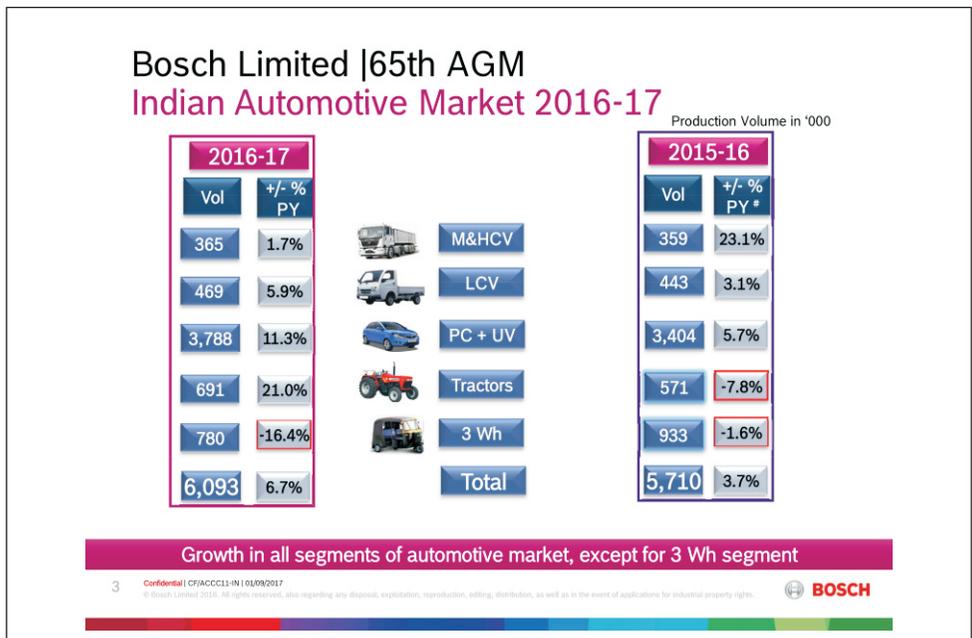
## **Indian automotive industry and market scenario**

Ladies and Gentlemen, in 2016-17, the domestic Indian automotive market, excluding two-wheelers, got a good boost from improved market sentiments. A combination of factors like low interest rate, change over in emission norms from BSIII to BSIV, good monsoon and new launches led to 6.7 percent growth.

Passenger Vehicle production grew by 11.3 percent. The Heavy Commercial Vehicles (HCVs) and Light Commercial Vehicles (LCVs) production continued to grow based on the market demand at 1.7 percent & 5.9 percent respectively.

This growth was also supported due to pre-buy effect on account of emission norms change. Domestic sales in the tractor market grew by 21.0 percent on the back of a good monsoon and the resultant bumper crop. Three-wheeler production declined by 16.4 percent due to muted domestic off-take and weakening export demand.

Performance of the Indian Automotive Market for the year 2016-17 is depicted on this slide.



## Performance of your Company in 2016-17

Ladies and Gentlemen, I now turn to the performance of your Company in 2016-17.

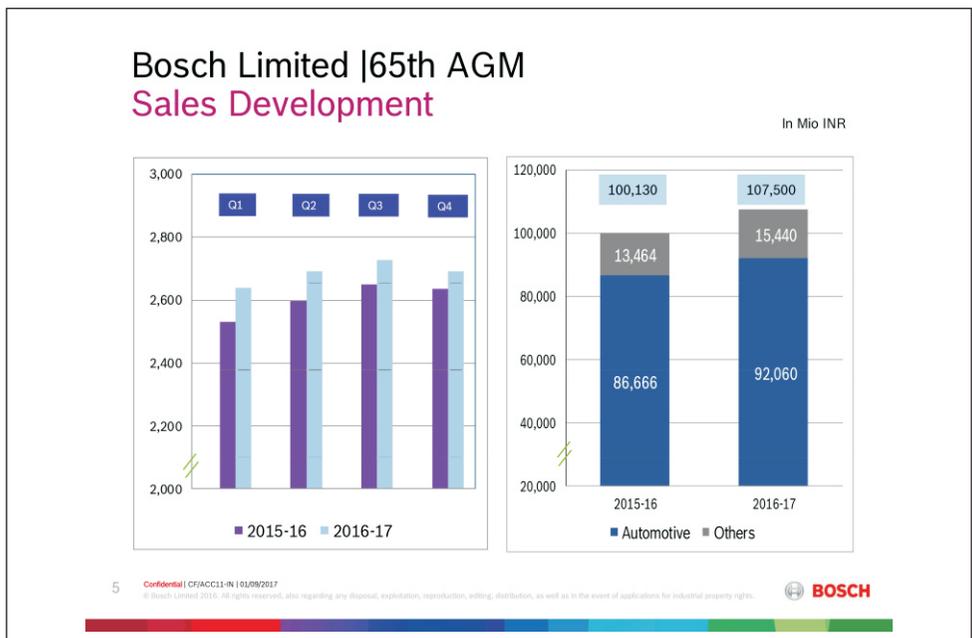
As per statutory requirements your company adopted Ind-AS for the first time and adhered to Schedule III requirements applicable to Ind-AS companies. I am sure you have seen the major structural changes in the Balance sheet and Statement of profit and loss.

Your company posted gross sales of Rs. 107,500 million (including excise duty) from products in 2016-17, a growth of 7.4 percent over 2015-16, despite a fall in exports by 5.4 percent. The domestic sales of your Company grew by 8.6 percent.

The Mobility Solutions business, which constituted 85.5 percent of gross sales for 2016-17, posted a growth of 5.9 percent. The domestic sales of Mobility solutions grew by 7.3 percent, once again outperforming the Indian domestic automotive market, which grew at 6.7 percent.

The Business beyond mobility solutions grew by 16.8 percent, mainly coming from domestic sales.

Your Company's exports, bulk of which were to Germany, China and Brazil, fell by 5.4 percent due to lower demand from export market. Consequently, the share of exports in the total sales declined by 1 percentage points to 7.7 percent.



Let me give you some insights into the performance of the business divisions.

In the Mobility Solutions segment, The Diesel Systems business grew by 1.9 percent over the previous year. Higher sales volume of new generation Common Rail Systems (CRS) led to this increase. The Diesel Systems business will continue to ride on new generation CRS with implementation of BSIV. The decline which was witnessed in conventional products such as in-line and distributor pumps and injectors is likely to continue.

Your Company's Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India. It witnessed a muted growth of 0.3 percent due to tough liquidity conditions and the negative, initial impact of "Demonetization".

During the year under review, Gasoline Systems grew by 21.0 percent over previous year, mainly on account of new launches resulting in increased share in the passenger car market. New technological acquisitions made during the year will accelerate the division's growth in the coming years.

You are aware that your Company had sold its Starter Motors and Generators Business during the year. The turnover mentioned above does not include the same whereas profit from the division is shown as Profit from the discontinued operation.



In the Business beyond mobility, the Consumer Goods segment comprising of Power Tools witnessed a growth of 11.6 percent despite severe liquidity constraints and under-performance of the construction sector through strategic expansion of dealer network and innovative marketing.

The Energy and Building technology division grew by 36.2 percent on a low base. Within the segment, the Solar PV Project business has continued to leverage on the high market growth rates, acquiring projects in new and diverse customer segments ranging from educational institutions to seaports, including an additional 14MW capacity at the Cochin International Airport. The security technology business also had a healthy growth of 23.0 percent driven by orders in Transportation, Energy and Commercial Industry.

The Industrial Technology business grew by 8.7 percent over the previous year.

## Bosch Limited | 65<sup>th</sup> AGM Business Division Performance - Others

Sales growth over previous year

Power Tools		11.6%
Solar Business		92.3%
Security Technology		23.0%
Industrial Technology		8.7%

Let's now look at other key financial indicators.

Material cost as a percentage of sales has reduced from 48.7 percent in 2015-16 to 48.3 percent in 2016-17, mainly due to cost reduction measures undertaken during the year under review.

There has been a decrease in the personnel cost from 12.8 percent of sales in the previous year to 12.2 percent of sales during the year under review. This was a result of continuous productivity improvement measures and realization of restructuring measures undertaken in previous years.

Other expenses increased by 17.6 percent due to one-time expenditure including relocation from Bangalore to Bidadi and tooling costs for new-generation products.

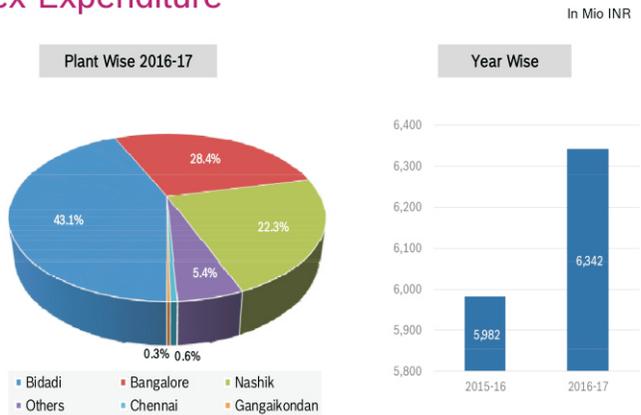
Capital investment of Rs. 6,342 million in 2016-17 focused on investments towards development of facilities in Bidadi and Nashik. Hence, depreciation increased by 18.1 percent during the year under review.

Profit Before Tax increased by 0.6% whereas the Profit After Tax decreased by 4.5% compared to the previous year due to one-time benefit of deferred tax income on account of recognition of long term capital loss in previous year.

Your Company, in addition to the standalone financial statement, has also prepared consolidated financial statement of its subsidiary MICO Trading Private Limited and its Associate company - New tech Filter India Private Limited. There is no material impact of consolidation on the Financial Statements of your Company.

# Bosch Limited | 65<sup>th</sup> AGM

## Capex Expenditure



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## Dividend

Ladies and Gentlemen, now I come to the dividend proposal for the year 2016-17. The Board of Directors have recommended a final dividend of Rs. 90 per share for the Financial Year 2016-17 compared to the Final Dividend of Rs. 85 per share for the previous year ended March 31, 2016. The above final dividend is in addition to the special dividend of Rs. 75 per share paid in February 2017.

The dividend is exempt from tax in the hands of the Shareholders. However, in case of individual shareholders, receipt of dividend in excess of Rs. 10 lakhs is subject to tax at the applicable rates. Your Company is required to pay Dividend Distribution Tax of ~ 20.3% on its distributed profit.

Considering the special and final dividend for 2016-17, the total dividend pay-out ratio comes to 34.8% as against 21.0% in 2015-16.

## Bosch Limited | 65<sup>th</sup> AGM Dividend Payout

In Mio INR

Particulars	2016-17	2015-16
Profit after tax (continuing operations)	14,441	15,314 #
Dividend proposed / paid (including dividend distribution tax)	3,306	3,212
Dividend pay out ratio (%)	22.9%	21.0%
Profit after tax (discontinuing operations)	2,970	
Special Dividend (including dividend distribution tax)	2,755	
Total Dividend pay out ratio (%)	34.8%	

# Profit after tax restated for Ind AS including discontinuing operations.

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### Performance -April to June 2017

I will now give a brief overview of how your Company has performed in the 1st quarter of the Financial Year 2017-18.

Your Company registered gross sales and income from operations of Rs. 27,703 million, an increase of 3.3% over the same period of 2016.

The Mobility solutions segment witnessed a modest growth of 5.1%. The business Beyond Mobility Solutions declined by 8%. The domestic sales and Income from operations for this quarter grew by 3.6%, that of Mobility solutions by 5.5%. Export Sales remained flat.

Your Company posted a Profit before Tax of Rs. 4,618 million as compared to Rs. 5,428 million in the corresponding quarter of 2016, a decrease of 14.9%, due to higher material cost owing to change in product mix on implementation of BSIV emission norms, higher depreciation and lower financial income.

## Bosch Limited |65<sup>th</sup> AGM Net Sales & Income from Operations



# Apr-Jun'16 figures are restated for Ind AS and discontinued operation relating to Starters and Generators business.

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## Outlook for the future

Our forecast for this year remains cautiously optimistic. Passenger Vehicles are expected to continue its growth from previous year. HCV and LCV segments have started showing signs of recovery post the slump in production due to change of emission norms but due to the GST impact we expect to see a muted growth. The tractors segment is expected to have a good year due to the prediction of normal rainfall during the monsoon season by the Indian Meteorological Department.

Our mid to long-term forecast for India remains positive. While the proposed emission legislation time lines for BSVI are challenging, we have the necessary technologies, system solutions, competence and infrastructure and with the support from our parent company, we are prepared to meet our customers' requirements. We continue to invest into the future, in our people, technology, infrastructure and new locations.

In the Mobility Solutions space, especially with the Diesel and Gasoline Systems, we have initiated measures such as agile sales which gets Bosch much closer to the customer and presents one face of Bosch to the customer. The BSVI changeover requires massive development efforts in the short term. Current BSVI acquisitions are on track for both Diesel systems and Gasoline systems. Focus on productivity continues to yield fruitful results in our core business.

In the business beyond mobility sector too, we are making significant developments. After Cochin airport our solar team successfully executed project in Kempe Gowda International airport, Bengaluru with both floor mounted and roof mounted solutions. Business models in solar are also changing from Capex to Opex. With the vision from the Government of India to honour the Paris climate agreement, the push for renewable energy will continue and more business opportunities are bound to arise for Bosch.

## Beyond mobility business

### Bosch solar @ Kempegowda International Airport



The Smart manufacturing concept complements the vision of 'Make in India,' which aims to increase domestic value addition and technological depth in manufacturing. Bosch is a trendsetter in this fourth industrial revolution, which will transform the entire value chain. Bosch is not only a leader in developing solutions, it's also the first user of these solutions in our manufacturing locations.

## Industry 4.0 at Bosch Limited

### Excellence towards digitalization in manufacturing

**Leading Provider** (Left side of the circular diagram):

- ATM06
- REXROTH
- CI & ICO
- Big Data
- Sensors
- Internal enabler
- Research
- Logistics

**Leading User** (Right side of the circular diagram):

- RBEI SW-India
- 18 Bosch plants in India

**Key Achievements:**

- RFID in Logistics:** 10% efficiency increase in processes
- Machine to machine connectivity in Nasik plant:** 30% reduction of stock in processes
- Early warning system in Bidadi plant:** 4% improvement in first-pass yield
- Smart Manpower planning in Jaipur plant:** Improved productivity
- CII Award**

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## Business development of the Bosch Group in 2016 and outlook for 2017

Bosch Group sales reached an all-time high of 73.1 billion euros or ~ Rs.548,000 crores.

Innovation remains at the core of all Bosch initiatives and hence the group continued to invest in R&D. As a result, the annual research and development expenditure was retained at a high level of around 7 billion euros, roughly 10% of the total sales.

## Bosch Limited | 65<sup>th</sup> AGM Key Results of the Bosch Group

Particulars	2016	2015
Sales Revenue (Million Euros)	73,129	70,607
Associates (as on 31.12 of the year)	389,281	374,778
Capital Expenditure (Million Euros)	4,252	4,058
Research and Development cost (Million Euros)	6,954	6,378
- As a percentage of sales revenue	9.5	9.0
Profit after tax (Million Euros)	2,374	3,537

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### Bosch global strategy for the years ahead:

Change and transformation are nothing new for Bosch. Bosch has always evolved and adapted.

The process starts with Robert Bosch himself, and his move into diesel injection in the mid-1920s. Power tools, heating systems and household appliances followed, and later, with the acquisition of Rexroth, industrial technology. In the 1960s and 1970s, we played a crucial role in transforming automotive electronics.

But transformation has also meant an exit from businesses, such as the sale of the Blaupunkt radio business and, this year, the sale of our long-established starter motors and generators business.

So change is nothing new for Bosch.

Some things are new, however. First, the speed and extent of transformation and second, the high level of uncertainty and the unpredictability of change.

The biggest challenge, as well as our biggest opportunity, is increasing connectivity. This affects every part of Bosch.

The second main focus of transformation is mobility, which is becoming increasingly electric, automated, connected and multimodal.

Bosch's goal is to become a leading IoT company globally. Our IoT strategy aims to offer end-customers additional attractive services and applications related to our products.

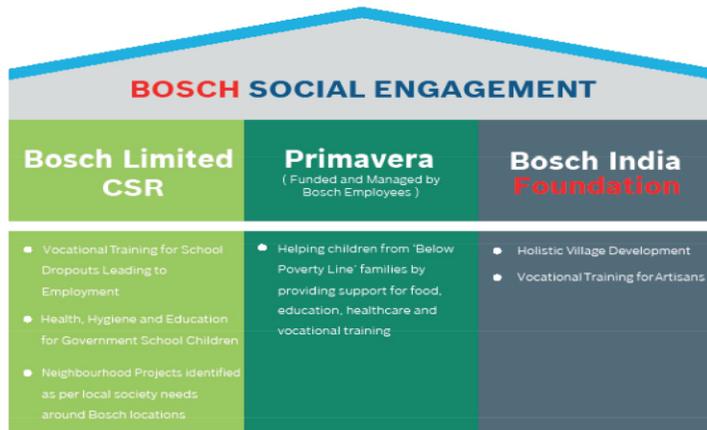
### **Corporate Social Responsibility - CSR**

Bosch has a long tradition of giving back to society. We in Bosch India are actively engaged in creating and delivering programs to solve the most pressing issues faced by the communities in which they operate. This needs a concrete understanding of the social issues, in-depth interaction with stakeholders and sustained efforts with the touch of Bosch innovation. All these constitute our CSR endeavours collectively known as 'Bosch India Social Engagement'.

Our three focus areas comprise of solutions that are the need of the hour in India.

1. The BRIDGE program, a short-term training for school dropouts, has enabled more than 7,500 unemployed and underprivileged youth to enter the job market after having been trained at 125 BRIDGE Centres across India on industry-relevant job skills. This also helps fill the skill gaps faced by services industry.
2. Bosch's intervention in government schools around our Plants result in better education and health outcomes among less privileged children studying in these schools.
3. Our Neighbourhood projects, such as construction of Check Dams helping local farmers through water conservation, reinforce Bosch as a positive contributor to social development.

## Bosch India Social Engagement CSR Overview



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## Concluding remarks and acknowledgement

The stable macro-economic scenario coupled with stable Government and implementation of reform measures will give a push to the economic development of the country.

Our eyes are clearly set on the future. The changing business landscape in India presents us with opportunities to introduce more innovations in the market. We continue working on products and systems that can help preserve our environment and improve the quality of life. Bosch's slogan is "Invented for life". We have always produced technologies that live up to this – and we will continue to do so.

To conclude, I express my sincere gratitude to the Government of India and the State Governments of Karnataka, Tamil Nadu, Maharashtra, Rajasthan and Goa for their continued support.

My sincere thanks to our valued customers, suppliers, bankers, financial institutions and our shareholders, for the trust and confidence reposed in the Company.

My special thanks and deep appreciation go to the employees of your Company at all levels for their hard work, dedication and continued commitment. Last but not the least, I also would like to place on record many thanks to my colleagues on the Board for their valuable guidance and contributions.

Before concluding my speech, I would like to inform you that Mr. Prasad Chandran has expressed his intention to step down as Director of your Company effective close of business hours today. Mr. Chandran has been on the Board since 2009. It has been a pleasure and privilege to have him as our Board member. On behalf of the Board, I would like to place on record our sincere gratitude for his commitment, independent perspective and deep insights during the Board deliberations and his immense contribution towards your Company's performance. I wish him all the best in the years to come.

Thank you for your kind attention.

VK Viswanathan,  
Chairman  
Bengaluru  
September 1, 2017



**Bosch Limited, Dept: BCS**

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