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

**Chairman's Speech**  
24.08.2018  
Bengaluru

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**BOSCH**  
Invented for life





## Ladies and Gentlemen,

I have great pleasure in welcoming you to the Sixty-Sixth Annual General Meeting of your Company. I trust the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2017-18 have reached you on time.

Changes across industries and services have been the global norm in recent times. The turbulent geopolitical situation and tariff barriers as witnessed last year are hindering proper implementation of trade policies and economic growth. Business establishments, governments and citizens are thus revisiting as to how they go about their daily lives.

In India, the regional elections scheduled towards the end of the year and national elections during 2019 will play an important role in shaping the economy and its outlook. The Government increasingly views higher level of digitalization such as Artificial Intelligence and Blockchain as a building block to succeed in the digital era. This change is an opportunity for us to shape the future.

In the same spirit, the cover story of this year's Annual Report is based on the theme **'Transforming Lives Meaningfully'**. This is in continuation of the transformation journey your Company has undertaken to meet its strategic objective of becoming a leading supplier of technology and services in its chosen field.

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 grew by 3.8 percent in 2017 and is projected to reach 3.9 percent in 2018 and 2019.

In the United States, near-term momentum is strengthening and the US Dollar has strengthened in the recent weeks. In emerging and developing economies, growth prospects are becoming more uneven due to rising oil prices, escalating trade tensions and market pressures on the currencies of some economies. Growth projections have been revised down for Argentina, Brazil and India. Avoiding protectionist measures and finding an amicable solution that promotes development is essential for a bright future.

## **Indian Economy**

In 2017-18, the GDP grew by 6.7 percent compared to 7.1 percent in 2016-17, due to the temporary slowdown induced by the roll-out of structural reforms like GST and demonetization.

Consumer inflation has been under control so far but recent movements in the fixed income market suggests that markets have concerns on this aspect. Looking ahead, monsoons this year and political risk in the run-up to the 2019 national elections would be key factors affecting the Indian Economy.

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

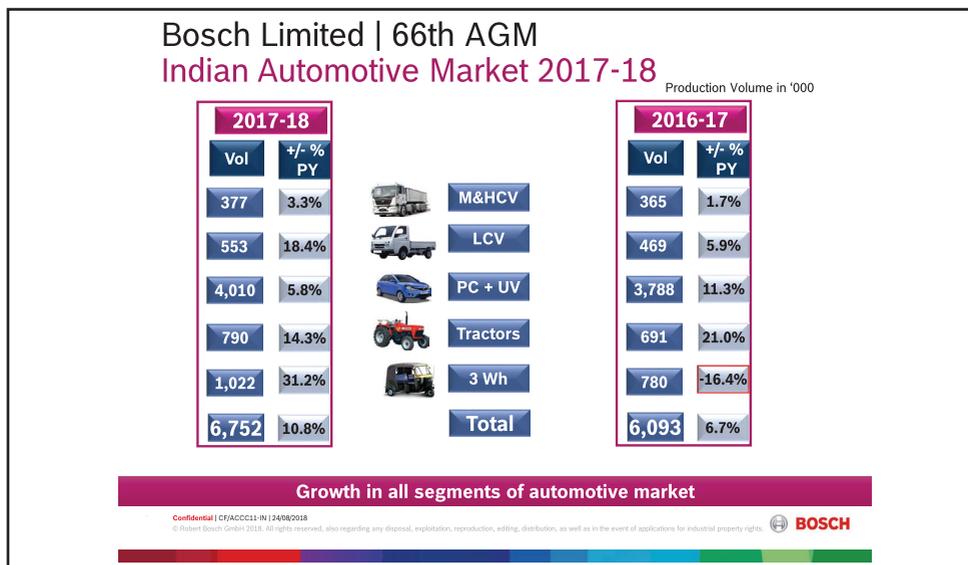
Ladies and Gentlemen, in 2017-18, the domestic Indian automotive market, excluding two-wheelers, grew by 11 percent. This growth can be ascribed to a combination of factors, *inter-alia*, including changeover in the emission norms, GST impact, new product launches, good monsoons and positive farmer sentiment.

Passenger car production grew by 6 percent on account of new

launches. The Light Commercial Vehicles and Heavy Commercial Vehicles production grew by 18 percent and 3 percent primarily due to changeover in the emission norms.

The tractor market grew by 14 percent driven by a good monsoon and positive farmer sentiments. Three-wheeler production increased by 31 percent on account of higher demand due to abolition of permit system in Maharashtra and Karnataka and granting of new permits in Delhi.

Performance of the Indian Automotive Market for the year 2017-18 is depicted on this slide.



## Performance of the Company in 2017-18.

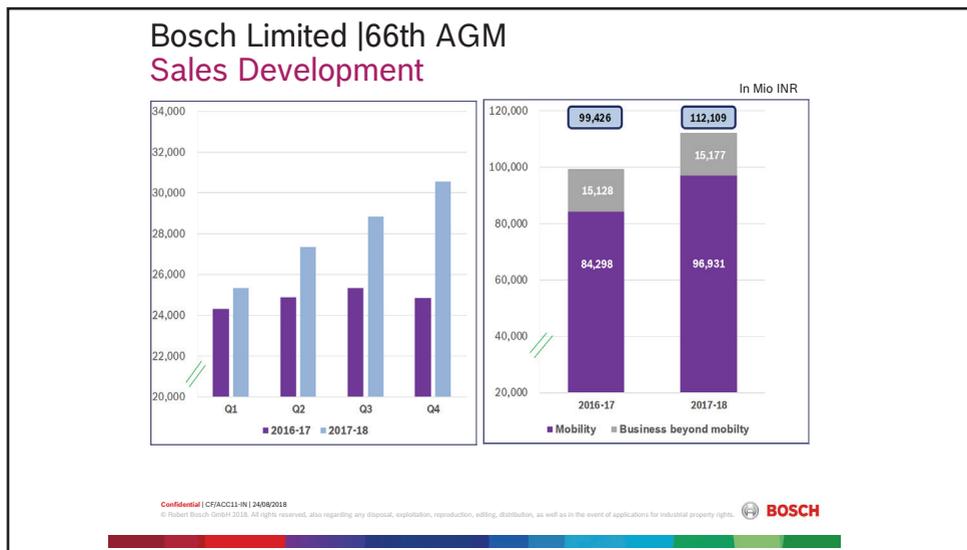
Ladies and Gentlemen, I now turn to the performance of your Company in 2017-18.

Your Company posted Gross Sale of Products (excluding excise duty) of Rs. 112,109 million in 2017-18 registering a growth of 12.8 percent over 2016-17. The export sales and domestic sales of your Company grew by 25.6 percent and 11.6 percent respectively.

The Mobility Solutions business, which constituted 86.4 percent of gross sales for 2017-18, posted a growth of 15 percent over the previous year. The domestic Mobility business grew by 14.8 percent, outperforming the Indian domestic automotive market, which grew at 11 percent.

The Business beyond mobility, comprising of Industrial Technology, Consumer Goods and Energy & Building Technology, witnessed a muted growth of 0.3 percent.

The Company’s exports, bulk of which were to Germany, China, Turkey, Bangladesh and Brazil increased by 39.9 percent majorly from Powertrain Solutions resulting in an increase in the share of exports in the total sales by 0.9 percentage points to 9.2 percent.



Before I share insights into the performance of the business divisions, I would like to inform you that effective January 01, 2018; the Diesel Systems and Gasoline Systems divisions of your Company have been merged to form a new division – “Powertrain Solutions”. This integration will enable your Company to develop comprehensive and flexible solutions in the powertrain technology regardless of the energy source.

Now, let me share some insights into the performance of the business divisions.

The erstwhile Diesel Systems business grew by 17.9 percent over the previous year. This growth was mainly due to the combined effect of higher sales volume of new generation Common Rail Systems (CRS) with higher price of the said system due to nationwide implementation of BS IV emission norms, with effect from April 01, 2017. The Diesel Systems business will continue to ride on new generation CRS in the majority of vehicles segments for future growth. The distributor pump injection system has seen a considerable reduction in post implementation of BS IV emission norms whereas in-line pump systems continues to be stable because of demand from Tractor and Genset segments.

The erstwhile Gasoline Systems grew by 40.8 percent over previous year, mainly due to growth in demand for 2-Wheeler products overall growth in the passengers car market as well as new launches having gasoline Products manufactured by your Company.

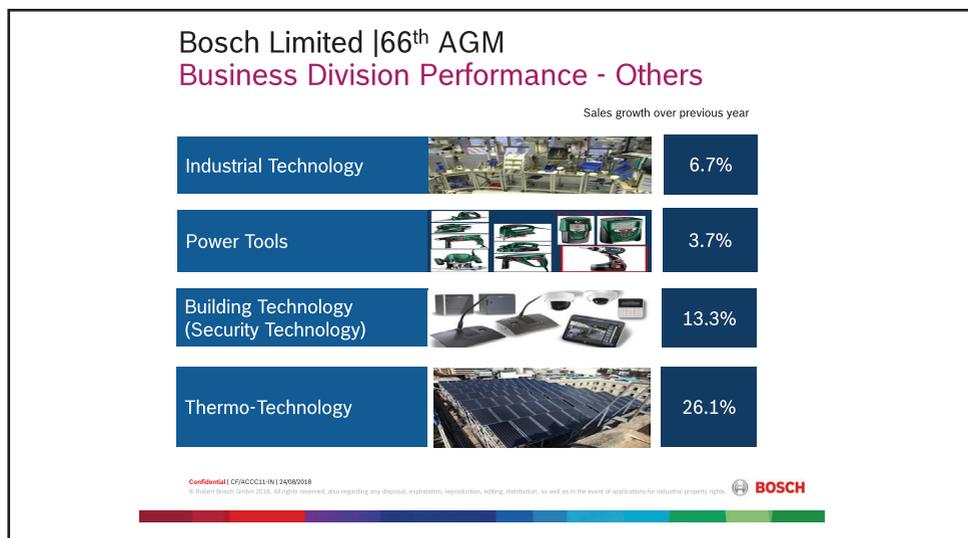
Your Company's Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India. It de-grew by 0.5 percent due to liquidity constraints in secondary market post-demonetization and apprehensions due to GST roll-out.



In the Business beyond mobility, the Industrial technology business grew by 6.7 percent.

The Consumer Goods segment comprising of Power Tools witnessed a growth of 3.7 percent on account of launch of more affordable products.

Within the Energy and Building technology division, the Building technology (Security technology) business grew by 13.3 percent driven by orders in the verticals of Transportation, Energy and Commercial Industry. Thermo-Technology business had a good growth of 26.1 percent due to demand for electric water heater.



Let's now look at other key financial indicators.

Material cost as a percentage of revenue has increased from 50.9 percent in 2016-17 to 53.9 percent in 2017-18, mainly due to change in the product mix from conventional to new-generation in the Powertrain Solutions division subsequent to the change in the emission norms.

There has been a decrease in the personnel cost from 12.9 percent

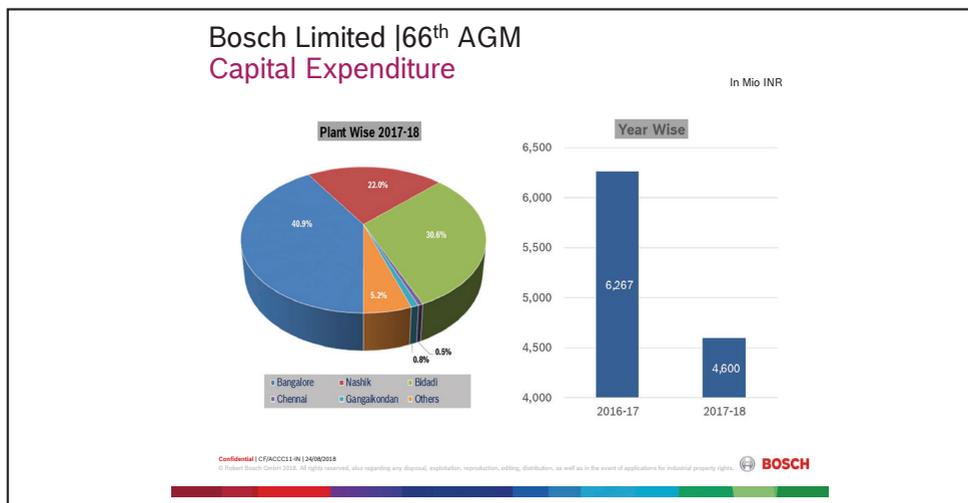
of revenue in the previous year to 11.6 percent of revenue during the year under review. This was a result of continuous productivity improvement measures and reduced depth of production of new generation products.

Other expenses decreased from 17.5 percent to 16.6 percent mainly due to one-time relocation expenses in previous financial year.

Capital investment of Rs. 4,600 million in 2017-18 were made towards development of new products and facilities in Bidadi (Karnataka) and Nashik (Maharashtra) as well as towards solar power project at Belagavi (Karnataka). Capital Investments led to an increase in the asset base resulting in a higher depreciation charge by 2.4 percent.

Profit Before Tax decreased by 2.6 percent whereas the Profit After Tax decreased by 5.1 percent compared to the previous year due to higher tax expenses on account of discontinuation of investment allowance exemption and additional depreciation.

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



## Dividend

Ladies and Gentlemen, now I come to the dividend proposal for the year 2017-18. The Board of Directors have recommended a dividend of Rs. 100 per share for the Financial Year 2017-18 compared to the Final Dividend of Rs. 90 per share (excluding special dividend) for the previous year.

The dividend is exempt from tax in the hands of the Shareholders, subject to limit of Rs. 10 lakhs per individual. However, the Company is required to pay effective tax of ~ 20.6 percent on distributed profit.

The total dividend pay-out ratio comes to 26.8 percent as against 22.9 percent in 2016-17 (excluding special dividend paid in February 2017).

Bosch Limited   66 <sup>th</sup> AGM		
Dividend Payout		
In Mio INR		
Particulars	2017-18	2016-17
Profit after tax (continuing operations)	13,708	14,441
Dividend proposed / paid (including dividend distribution tax)	3,679	3306 *
Dividend pay out ratio (%)	26.8%	22.9%

\* Excluding special dividend.

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## Performance April to June 2018

I will now give a brief overview of how your Company has performed in the 1<sup>st</sup> quarter of the Financial Year 2018-19.

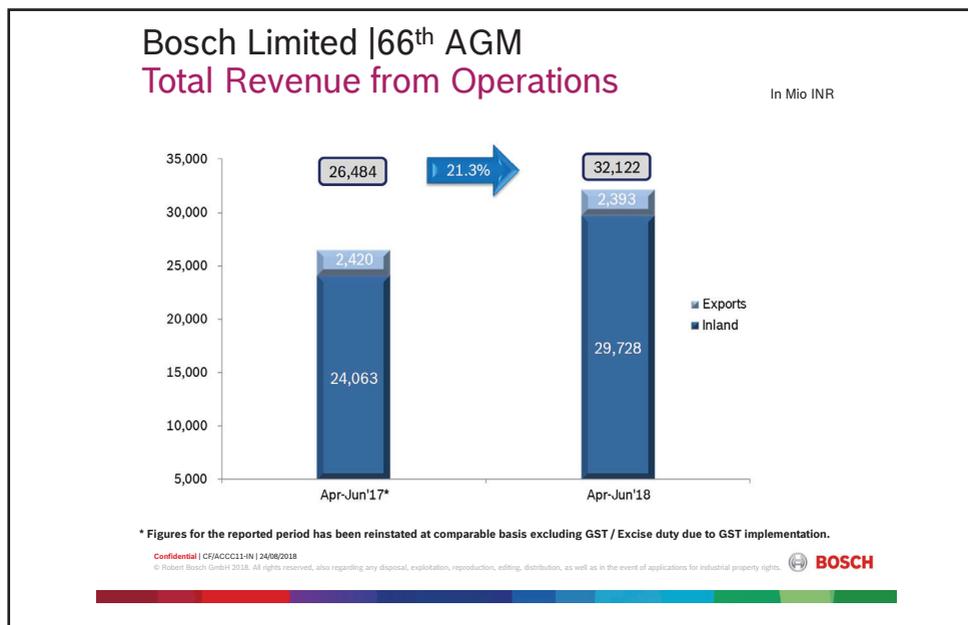
With the introduction of Goods & Services Tax (GST), revenue from operations needs to be reported net of GST with effect from July 2017. Accordingly, all the percentage of revenue have been adjusted

for excise duty for the previous year quarter to make it comparable.

Total revenue from operations have increased by 21.3 percent over the same period of previous year. In absolute terms, total revenue from operations for the period April to June 2018 stands at Rs. 32,122 million as against Rs. 26,484 million over the same period of 2017.

The Mobility solutions segment grew by 20.5 percent. The Business beyond mobility solutions witnessed a strong growth of 48.9 percent. The domestic sales for this quarter grew by 25.4 percent, that of Mobility Solutions by 21.7 percent, whereas Business beyond Mobility Solutions grew by 53.1 percent. Export Sales stood at 8.3 percent mainly from business beyond mobility solutions segment.

Your Company posted a Profit before Tax of Rs. 6,489 million as compared to Rs. 4,618 million in the same quarter of 2017, an increase of 40.5 percent.



## Outlook for the future

Our forecast for FY18-19 is optimistic with expected normal monsoon, reducing interest rates and the market sentiments looking positive. The budget demonstrates a very significant push on infrastructure, including rural infrastructure which opens up opportunities not only for your Company's mobility division but also for its beyond mobility divisions like Building Technology and Consumer Goods (power tools). We are optimistic about the growth meanwhile closely monitoring the upward trend in the fuel prices and the currency fluctuations.

With regard to BS VI, your Company has exceeded the acquisition targets it had set. This was possible due to the availability of the necessary technologies, system solutions, competence and infrastructure with support from our parent company, Robert Bosch GmbH.

The government's focus on electrification is also leading to several changes in Powertrain solutions including the need for hybrid systems that offer a mix of traditional Internal Combustion Engines (ICEs) and electrified mobility solutions. In view of the above, your Company has launched an agile project house on electro-mobility. This project house would work on local solutions for the Indian context.

In the beyond mobility sector too, your Company is making significant developments.

This year, the largest solar project by your Company was executed. This was the 14.4 MW, ground mounted solar project for Bangalore International Airport Limited, installed at Belagavi. Also worth mentioning is the project delivered by Security Solutions division of Kochi Metro, which was the integrated security and communication

package with analytics. With the focus of the Government of India on renewable energy and infrastructure, such projects will continue and more business opportunities are bound to arise for Bosch.



Bosch India focuses on Standard solutions to avoid reinventing of wheel but also developing cost innovative solutions for India.

Bosch India's efforts of using standard solution and further enhancing the solutions was well recognised with Smart Copy award at the second Industry 4.0 world conference.

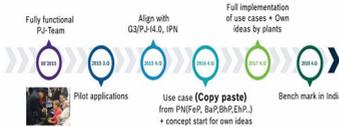
The connected Industry solutions deployed in Indian plants are fetching good results. To name few of them, we achieved improvement in Quality with Early warning system. We achieved improvement in Productivity and OEE through smart manpower planning and OpConMES. With standard solutions in Logistics like RFID we could support Inventory reduction. The Energy cost reduction could be achieved through real time data monitoring.

Your Company actively promoted the Digital Bosch Brand building through Industry 4.0 tours at our various plants, training for Internal Leaders as well as for Government officials, media and executives from external companies in collaboration with Confederation of Indian Industry. The plant visit was always an "Unique Selling Point" of these trainings.

# Industry 4.0 at Bosch Limited

## Excellence towards digitalization in manufacturing

Bosch India focus on standard solutions as well cost innovative solutions from India.



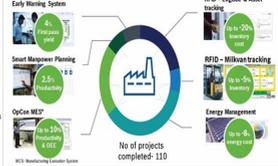
**“Smart Copy Award”  
At the second  
Industry 4.0  
world conference.**

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Region India plants benefitting from connected industry solutions.



“Digital Bosch Brand building” through solution implementation at plants.



## Business development of the Bosch Group in 2017 and outlook for 2018.

Bosch Group sales reached an all-time high of 78.1 billion euros or ~ Rs. 573,100 crores.

Innovation remains at the core of all Bosch initiatives and hence the group continued to invest in R&D. The annual research and development expenditure was retained at a high level of around 7.2 billion euros, roughly 9.3 percent of the total sales.

## Bosch Limited |66<sup>th</sup> AGM Key Results of the Bosch Group

Particulars	2017	2016
Sales Revenue (Million Euros)	78,066	73,129
Associates (as on 31.12 of the year)	402,166	389,281
Capital Expenditure (Million Euros)	4,345	4,252
Research and Development cost (Million Euros)	7,264	6,911
- As a percentage of sales revenue	9	10
Profit after tax (Million Euros)	3,274	2,374

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## **Bosch global strategy for the years ahead:**

Digital connectivity is the norm and the way forward. More and more products are becoming digitally connected. For Bosch, this offers both challenges and opportunities. Among these opportunities is the use of artificial intelligence to develop technologies. Technology starting from self-driving cars to solutions that make everything from factory work to household chores easier. As electrification gathers pace in automotive technology, Bosch is also working on solutions that will permanently change the way we get around.

Many areas of business are set to change radically over the coming years. To stay relevant, Bosch worldwide is undergoing a fundamental transformation. The more challenging the business environment, the more important collaboration will be. The values we share at Bosch will help us achieve precisely that. Also our recipe for technology “Invented for life” would help us stay relevant and future focused.

## **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 prime focus areas during the year were:

- BRIDGE, a short-term training for school dropouts, has enabled unemployed and underprivileged youth to enter the job market after having been trained at 148 operating BRIDGE centers in PU colleges, Government ITIs, MSW colleges, Universities and other vocational training institutes across India. So far, 16,000 youth have

been trained and placed in entry-level service sector jobs through the BRIDGE program.

- Health, Hygiene and Education of children studying in Government Schools. Health camps are conducted once every year in each of the 300 schools located around our Plants in Bengaluru, Bidadi, Jaipur and Nashik, benefitting 70,000 children.

During the year, your Company completed two milestone projects:

First, the launch of a mega Mid-day Meals Kitchen at Jigani in association with the Akshaya Patra Foundation benefitting 15,000 children in 141 neighbouring government schools in and around Jigani.

Second, upgradation of the Government Dispensary at Aduodi into a Model PHC in partnership with BBMP and Karuna Trust.

## Bosch India Social Engagement Approach, Key Programs & Outcomes



**BRIDGE**  
16,000 youth have been trained and placed in entry-level service sector jobs through 148 BRIDGE Centers across India

**Health, Hygiene & Education**  
70,000 underprivileged children studying in Government schools located around Bosch Plants in Bengaluru, Bidadi, Nashik & Jaipur benefitted through Bosch interventions

**Neighbourhood Projects**  
15,000 hot and nutritious mid-day meals prepared and served daily to children studying in Government schools around Anekal through the Bosch-Akshaya Patra Mid-day Meals Kitchen

**We believe in creating a better world**



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## Concluding remarks and acknowledgement

The socio-economic aspects for India look favourable and this coupled with a pro-reform Government, India is on a sustainable

growth path. This is resulting in a plethora of opportunities; opportunities for us to introduce more innovations. We continue to strive to bring in solutions that can help preserve our environment and improve the quality of life and thus champion Bosch's slogan of "Invented for life". We have always produced technologies that live up to this vision – 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 they have in the Company.

My special thanks and deep appreciation go to the employees of the 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.

Thank you for your kind attention.

V K Viswanathan  
Chairman  
Bengaluru  
August 24, 2018





**Bosch Limited, Dept: BCS**

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