



“Bosch Limited
4Q FY2019 Post Results Conference Call”

May 21, 2019



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Moderator: Ladies and gentlemen, good day and welcome to Bosch Limited 4Q FY2019 post results conference call hosted by Batlivala and 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 the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from B&K Securities. Thank you and over to you Sir!

Annamalai Jayaraj: Thanks Aman. Good afternoon everyone. On behalf of B&K Securities we welcome to 4Q FY2018-2019 post result conference call of Bosch Limited. We are delighted to have with us today Mr. Soumitra Bhattacharya, Managing Director, Mr. Jan-Oliver Röhrli, Executive Director and Chief Technical Officer, and Mr. S. C. Srinivasan, CFO and Alternate Director. I would now hand over the call to Mr. Soumitra Bhattacharya for the opening remarks to be followed by question and answer session. Over to you Sir!

Soumitra Bhattacharya: Thank you Mr. Annamalai Jayaraj.

First let me talk briefly about the macroeconomic situation. While Indian economy has started on a positive note with the GDP growth of 8.2% during the Q1 of the financial year, it has slowed down to 6.6% in December quarter and estimated to end at 6.3% in March quarter. The overall manufacturing growth has slowed down with IPP growth declining to -0.1% manufacturing growth in March 2019. Automotive sector has also been affected possibly more than other sectors. The market is severely affected by liquidity crisis, high crude oil prices and poor market sentiments with weak job market in urban India and farm distress in rural economy. With this background let us look at the automotive market development in the last quarter. Overall automotive market production decreased by 0.7%. HCV segment declined by 2.6% with all major OEMs making a production cut ranging between 11% to 17% to make inventory corrections with dealers.

The passenger car segment declined by 3.6% thereof diesel segment declined much higher by 16.7%, major OEMs cutting their production ranging from 6% up to 35%. Among the other market segments three wheeler segment grew by 7.1%, LCV by 3.4% and tractors registering a marginal growth of 0.4%. Underlying growth potential of automotive market remains strong though there may be temporary and structural corrections due to the above factors including results of the recently concluding elections and regulatory changes. We are monitoring the market situation carefully including positive in fact of prebuy.



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Now we look at how the company has performed in the quarter of January to March 2019 amidst the above mentioned factors. Revenue from operations: on comparable basis revenue from operations have reduced by 12.9% and reported at Rs.27,492 million.

Mobility business sector declined by 15.7% whereas business beyond mobility sector showed a flat growth. The domestic sales for this quarter witnessed a decline of 14.2% wherein mobility business sector declined by 16.4% and business beyond mobility sector had a muted growth. We see good growth in gasoline segment in line with the market.

Exports decreased by 5.8% with exports of mobility business sector decreasing by 6.3% mainly attributed to the two wheeler division. Exports of business beyond mobility sector declined by 0.8% due to lower exports in security division.

Other operating income: Other operating income has increased by Rs.162 million from Rs.411 million in January – March 2018 to Rs.573 million in January – March quarter of 2019 mainly due to higher shared service income and rental income from Bosch Group entity.

Material cost: Material cost as a percentage of total revenue from operations has increased by 0.8% mainly influenced from the increase in input prices, impact from forex and commodity price increase compensated by negotiation and cost reduction.

Employee cost: The employee cost has increased to Rs.3,418 million in January – March quarter of 2019 from Rs.3,297 million in January – March quarter of 2018, an increase of 3.7% mainly driven by annual salary revision partly compensated by reduction in headcount.

Depreciation: Depreciation has decreased by 9.1% in January – March 2019 as against January – March 2018 on account of higher addition in previous year's quarter.

Other expenses: Other expenses stood at Rs.3,975 million in January – March quarter of 2019 as compared to Rs.4,486 million in January – March quarter of 2018 a decline of 11.4%, which is attributable to the reduction in turnover by 12.9%.

Operating profit, operating profit is lower by 28.9% in January – March 2019 as compared to January – March 2018. This has resulted mainly due to lower turnover accompanied by negative foreign exchange impact.

Other income: the other income has increased marginally from Rs.1,581 million in January – March quarter of 2018 to Rs.1,595 million in January to March quarter of 2019. The



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increase is because of higher interest income on fixed deposits and mark to market gain on marketable securities.

PBT and PAT: in the quarter ended March 2019 the company posted a profit before tax of Rs.5,615 million as compared to Rs.6,297 million in the same quarter of 2018 a decrease of 10.8%. As a percentage of total revenue from operations PBT stood at 20.4% in the current quarter as compared to 19.9% in the corresponding quarter of 2018. Consequently profit after tax has only decreased by 5.1% with reduction in effective tax rate due to tax refund relating to previous years.

Now let me give you a synopsis of the key results of April 2018 to March 2019 as compared to April 2017 to March 2018. The company clocked total revenue from operations of Rs.122 billion an increase of 4.9% in FY2018-2019. The mobility business sector registered a growth of 3.3% while the business beyond mobility sector registered a double digit growth of 16.4%.

Domestic sales grew by 6.9% with growth from both the segments. Export declined by 13% contributed mainly by business beyond mobility sector. The material cost as a percentage of total revenue from operations increased from 53.9% in 2017-2018 to 55.3% in 2018-2019 mainly due to adverse forex impact and commodity price increase offset by favorable negotiation and cost reduction projects.

The employee cost has increased marginally by 1%. The company posted a profit before tax of Rs.23,410 million in comparison to Rs.20,406 million in 2017-2018. As a percentage of total revenue from operations it stood at 19.1% in the current year as compared to 17.5% in the corresponding period of 2017-2018.

The net profit after tax PAT is Rs.15,979 million as against Rs.13,707 million in 2017-2018 showing an increase of 16.6%. The increase can mainly be attributed to higher turnover, cost efficiency measures and one time elements in the previous year. While the automotive industry is facing a significant market technological and regulatory changes we remain focused on ensuring sustainable and profitable growth by making targeted investments, implementing structural and significant transformation across the organization and adopting technology that will secure our business in the future. The company is investing heavily on these transformation projects and the initial outcomes are encouraging.

The company has also prepared the consolidated financial statements for the group, which has one subsidiary company for example Micro Trading Private Limited and an associated company for example New Tech Filter India Private Limited. The subsidiary company has



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not commenced its operations hence there is no material impact on the group's financial statement.

In June 2018, the Bosch Group informed that it intends to sell its packaging machinery business seeking a buyer to leverage Bosch Synergy Effects and further improve the growth prospects of the business. The Board of Directors has in principle approved the transfer by the way of a sale of the packaging division to a standalone subsidiary of the Bosch Group. The proposed sale is subject to approval of the shareholders. The proposed transaction is part of the ongoing global realignment of the packaging division.

Other highlights: picking up from the last investor conference call where we stressed upon our commitment to partner India in its transformation journey in a technologically agnostic approach, we recently conducted the spirit of the ride conference in Delhi, which showcased Bosch focus in the big two wheeler markets of India and Bosch's vision for mobility of the future accident free, stress free and almost emission free. Also the spirit of the ride conference in Delhi was a culmination of the Polar Odyssey - a journey of three Indian riders on three Indian bikes empowered with Bosch technology, which is both the Bosch EMS as well as the ABS. From Artic to Antarctic covering 51000 kilometers in 99 days and 15 countries with zero breakdown and by the way one of the three Indian riders was our own Boschler too. Bosch is to be also fully climate neutral as early as next year. It is over 400 locations worldwide and our engineering and manufacturing and administration facilities will no longer leave a carbon footprint. This will make Bosch the first major industrial enterprise to achieve this ambitious goal in a little over a year.

In this line Bosch India is also pursuing carbon neutrality by tapping locally available natural sources of energy. Our Nashik plant has over 50000 solar panels, close to 20% of the power required. The plant is also covering around 30% of its energy needs with photovoltaic. Rainwater is also being harvested at this location, which runs into a small lake to replenish the water supply for the local population. In this direction, the company will gradually increase the share of renewable energy and will invest to boost the energy efficiency. So colleagues on the telecom just let you know Bosch is one of the few companies globally who is going to be carbon neutral worldwide, but also in India by end 2020.

Outlook, considering the weakening economic outlook, consumer sentiments and liquidity issues in the market the automotive demand is likely to be muted with a possibility of improvement in the second half the FY2019-2020. Consequently, we have a conservative outlook for this financial year 2019-2020. As you are aware, we are incubating two new portfolios on the electro-mobility and mobility solutions. We remain very positive about the



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growth potential of the Indian mobility market and position ourselves as an integrated solutions provider for the mobility of the future.

Thank you very much for your patient listening and your questions please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Good evening and thank you for the opportunity. Can you give some more color on what is happening on your aftermarket division?

Soumitra Bhattacharya: Thank you Puneet for this question. We had in the CY2018 a high single digit growth tending towards double digit, the Q1 and aftermarket has been muted.

Puneet Gulati: So Q1 of this calendar year you mean?

Soumitra Bhattacharya: Of this calendar year or the last quarter of FY2019-2020.

Puneet Gulati: So that has been muted and also if you can give more color on what is happening in the mix between your both powertrain business between diesel and gasoline how is that moving?

Soumitra Bhattacharya: It is in line with industry, Puneet. You must understand that while two things have happened first of all there has been a major downturn in the industry since the time of the Diwali sales, which did not pickup. Inventory went up subsequently and peaked in February and therefore the quarter for the industry in January and March was a degrowth and heavy degrowth in the month of April for Pass cars specifically with muted growth in other fronts, so in line with the industry and we in Bosch Limited 85% of our turnover is linked to mobility. We have also had sort of similar degrowth. Also diesel as a percentage fell in case of Pass cars and utility vehicles from 32% to 28% so that impact also had impact on Bosch Limited.

Puneet Gulati: Is it possible to give exact numbers for the aftermarket growth for 4Q and for full year?

Soumitra Bhattacharya: I told you it is a muted growth, so you can take it as slack to slightly negative.

Puneet Gulati: Lastly your export over the last two to three quarters has not been doing well. Any insight into what is happening there?



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Soumitra Bhattacharya: Our export is dependent on a global policy of local for local, so we will see these fluctuations when there is a need from our sister plants, we will fill in, but primarily we have always been in that range of anywhere between 7% and 10% on exports so this particular quarter there has been a further down because overall worldwide also automotive market is muted and there was no demand from our sister plants or other areas and therefore we have had, but we will see these slight ups and downs in exports also in the future.

Puneet Gulati: That is great. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Good afternoon Sir. Thanks for taking my question. Sir just in terms of the diesel versus petrol on the passenger vehicle side like last call also you mentioned that small diesel of below 1.5 will not be there and I guess you have material exposure to that market, so could you tell us that given that we will see a shift in industry towards petrol significantly from the small diesel at Bosch Limited level would you be able to sort of make up for that with increased market share on the petrol side and increase the revenues from gasoline direction injection shift to the industry or do you think that shift away from diesel is a net negative for you?

Soumitra Bhattacharya: Look Sonal it is a double edge sword. If you look what is happening in the market, the market is shifting from mini to compact and compact to UV1 and UV2, so let me give you a couple of data points on that because you have to understand that earlier even in the compact there was quite a lot of diesel, so if you basically look the percentage shifts, which have taken place even for the mini to compact things have moved from approximately 21% it was there earlier and that has come down to 14% and you will see that examples from the compact from 34% it has gone to about 40% so there is a shift upward and realization per car is moving up. The second point Maruti Suzuki as you know well has already announced that they do not see diesel in 1.3 and they said at 1.5 they will see how the market reacts and that is a statement done by the Chairman of MSL. So we do see number one the share of diesel decline, which we gave that example saying that the share of diesel has declined from 32% to 28%. We do see that this will have impact on Pass cars in utility vehicles, but we do also see that as the market increases therefore in sheer numbers it will not be a completely off. To give you a small example Maruti Suzuki estimates they did about last financial year 1.8 million and the total pass cars plus utility vehicles was 4 million, so they estimate by 2030 India market will be 10 million, so on an increasing volume you will have higher numbers, but lower percentage. Does that answer your question?

Sonal Gupta: Partly it does, but just in the sense that what I was trying to understand yes 2030 of course probably if you have that magnitude of growth of course overall you will see growth, but my question was more with BSVI transition over the next couple of years how do you see yourself placed in terms of diesel versus petrol industry shift so in that context how do you see Bosch really being able to offset the headwinds on the small diesel side or do you think that there still be a small net negative?

Soumitra Bhattacharya: Let me give a segmented question. For the Pass cars yes there will be a hit because of the small cars going out, but if you see increased HCV for example right now is 5 lakhs. We play a very important role in that. LCV is 7 lakhs. We play an important role there also is diesel. Tractors is 9 lakhs and we play also an important role there, from pass car angle yes, we also see an increased shift in as I mentioned from mini to compact, compact to a premium and also from UV we have a segregation between UV1 and UV2 so products like Bolero, Scorpio etc., etc., they are being produced in big numbers, so the answer is yes on the overall and the answer is that the overall market is in increasing and there is a shift to bigger size vehicles and more market realization in products. Also the answer was that HCV and LCV tractors and three wheelers we play a big role in diesel. Our gasoline business is growing pretty good and would say we are at about one third in the market.

Sonal Gupta: One third market share?

Soumitra Bhattacharya: Around 30%.

Sonal Gupta: This is related to that could you indicate how much gasoline be as a percentage of your overall topline rough ballpark range? Earlier I think couple of years back you indicated around 10%, so has that number moved up materially?

Soumitra Bhattacharya: Yes that number has definitely moved up and further in the future also it will further move up. It will be in that range and increasing further because our overall turnover is also increasing.

Sonal Gupta: Sir great. Thank you so much for answering.

Moderator: Thank you. The next question is from the line of Pramod Amthe from CGS-CIMB Securities. Please go ahead.

Pramod Amthe: A couple of questions - one with regard to the BSVI opportunity how do you couple of estimates are it is as big as or bigger than your current turnover? What is your assessment one in terms of opportunity for BSVI upgrade and where do you see bigger role for you to play where you are standing now?



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Soumitra Bhattacharya: Before I hand over to our Chief Technical Officer who is also heading the powertrain systems division, he along with his team is working in more than 150 projects. We have had the highest ever acquisitions on BSVI and the industry is also dependent on Bosch for us to walk together to meet these very tight timelines, so over to you Mr. Jan-Oliver Röhl.

Jan-Oliver Röhl: Good afternoon ladies and gentlemen. As MD and CEO Soumitra Bhattacharya pointed out we are having the highest workload ever so far with regards to BSVI and diesel related projects and that workload comes from two sectors. The first sector is the overall position success and the second one is that of course the BSIV vehicle we have our efforts to put into the engineering part of it and that is translating then also into a higher system. With regards to the market outlooks this is of course dependent on multiple factors. Finally the question of OEMs what is their approach here towards the market, how they price the vehicle, what are they giving on to the final buyers of the vehicle, what is their powertrain portfolio to not only meet upcoming emission criteria with BSVI, but also the more and more stringent carbon norms plus we can expect more stringent carbon norms 2022. There powertrain solutions like diesel despite the higher efforts on the after treatment systems like which is translated into higher system cause has a natural advantage of around 15% and that is to be continued with the BSVI, so the more stringent carbon norms are coming the higher the opportunity is for vehicles like diesel, but also CNG to play a role here and if you then take into consideration that we have a market leading upwards from small or compact cars to bigger vehicles this has also led for the diesel vehicles, but having said that our customers decision how to place it in the market, how to make the power trains mix happen for his customers yet it is difficult to say that this system value is translated into topline of the balance sheet.

Pramod Amthe: The second question related to the same is if you look at the two wheeler opportunity on BSVI, it seems great, but at the same time it seems to be like five to six player market as compared to the other space where you relatively enjoy much lesser competition, so how do you like position in the two wheeler fuel injection market? Would you be playing more a premium bikes or would you be based on the acquisition would you be open to even the entry level bikes how are you trying to play there?

Jan-Oliver Röhl: No we do not have customer A and customer B class, so new customers and old players in the market hence we are not afraid of competition, but yes to acknowledge the partnerships that are very strong and existing and we are coming into the market in the gasoline market here in India little later than compared to the diesel vehicles we have the far longer say in the market plus the customers they are urging our system competence and the fact that we source for example locally here or produce locally our is a dominant part of that so we are part of this growing market and part of the fact that the policy around BSVI is firm in the

criteria and we can expect also here firmness not only the criteria, but also in the way of our business being applied and for that we have to provide solutions, so where we are in a competitive landscape that is correct.

Pramod Amthe: Last question with regard to this, what was the capex in FY2019 and how do you see for preparing for this opportunity the capex for FY2020 and FY2021?

Soumitra Bhattacharya: Our Company has been regularly spending optimal amount of capex. Last year we put in about Rs.500 Crores and nearly Rs.600 Crores and we will have this sort of capex in the range of Rs.500 to Rs.600 Crores also for the coming years, so we are putting in for engineering. We are putting in for our plant and machinery. We have shifted to a big plant in Bidadi and this we will continue and we are also improving on our tech centre.

Pramod Amthe: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: Thanks a lot for the opportunity Sir. My question pertains to the two wheeler BSVI ecosystem? We have seen few manufacturers already launching fuel injection on their vehicles, but I just wanted to understand not getting into the specific numbers, but in terms of the value split between the engine related investments for BSVI like fuel injection, pump and sensor and the after exhaust, so if you can just say if the entire solution is worth \$100 how much is the split in terms of between the fuel injection, the engine related and the after exhaust side Sir?

Soumitra Bhattacharya: Pramod we do not give these splits. We are as my colleague who is the CTO mentioned a little while ago we have come later than diesel into gasoline, but we have become a strong player in the ENS, so we are giving the ECU. We are giving the sensors. We are giving the entire engine management system and also our sister company is giving the ABS, so we are participating quite heavily in the two wheeler, but we do not give splits.

Pramod Kumar: E-carb I did raise this question on the last call as well and the CTO was kind enough to explain that it is not kind of proven, but it is kind of still work-in-progress for many and after that couple of OEMs have come out in open and said that they are indeed working on ecarbs for the smaller engines so just want to understand because the market has been expecting FI opportunity, but if the lower end of the market move towards e-carb just wanted to understand Bosch's preparedness there because some of them already advances stages and already worked I think will that be kind of a missed opportunity for Bosch?



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Soumitra Bhattacharya: No we believe that the systems that are providing are valid not just at the lab, but also at the road, so at the R&D level and we would not like to comment on the e-carb because it has to be proven on both lab as well as at R&D and you cannot say that the system is proven for smaller, but not for larger. When a system is proven it has to be proven and it has to be proven on the road so we would not like the comment on that part, but our system that we offer is proven and we will ensure that we give what we call as innovation, which is localized and for the right price to meet Indian price points.

Pramod Kumar: This is from a FY perspective is it right?

Soumitra Bhattacharya: Of course that is where we are and we mention that. We are not getting into e-carb.

Pramod Kumar: You are not getting into e-carb?

Soumitra Bhattacharya: At least not now.

Pramod Kumar: Fair enough because the real world fuel economy testing or the emission testing is going to kick in mandatorily from 2022 to 2023 onwards or something like that? Is my understanding right?

Soumitra Bhattacharya: Pramod, the answer is right on 2022, but the fact is all OEMs including suppliers have to supply now itself to meet the requirements. We cannot say that we will supply now not meeting requirements in 2022. It will not work that way.

Pramod Kumar: I understand and Sir related to that as on EV side you have mentioned on the last call that one of your key OEM customer will be launching the first product with a complete Bosch IP, so is there any particular development there as to it is going to happen this calendar year and if you can just provide some more color on that in terms post the frame to policy and the localization bit as to how are we are on our localization of the EV ecosystem if you can just shed some light there Sir?

Soumitra Bhattacharya: First is customer launch is dependent on customer launch. I think that we have respect, so I have only said that we have been successful in working with our customers on the two-wheeler and the three-wheeler side and hopefully in 2019 we will see some movement and now as you rightly said that it is with Rs.10,000 Crores over three years. Localization part I can tell you that we are on a pretty good way and we want to ensure that we meet those localization norms. As you know right now they are talking about 50%, etc., so we are in close touch with our customers, with NITI Aayog and we see that we are doing the right things including working towards frame requirements.



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Pramod Kumar: Final question Sir on the localization of these especially the fuel injection related technologies, we understand that currently lot of these the import content will be fairly high and probably in excess of 50% to begin with, but it will not come down dramatically till we do not have a local manufacturing ecosystem for chips and wafers so if you can just throw some light there as in how long do you expect as an industry for these kind of critical components to get localized because that is when the meaningful cost kick down will happen right?

Soumitra Bhattacharya: If you are talking of EV Pramod?

Pramod Kumar: On the fuel injection auto injection side basically?

Soumitra Bhattacharya: On the fuel injection side Bosch has a pretty high level of localization. We will always continue to buy what we need to, which makes sense and especially if you take lambda sensors here we are doing pretty well. The point is that if you take same let us say 50% localization or if you take now just two-wheelers with the EMS every organization does what is best for the market. Localization for localization does not have a meaning unless you can ensure that localization is more frugal and with the optimal volumes and this also we talked before so worldwide yes we have the entire portfolio. Many of these things we have brought into India. Right now it does not make sense in India to bring wafer, etc., etc. We have a sister company doing ECUs and that is localized and some parts of the ECU naturally will get imported so summary Bosch India has the ecosystem, which is equal to Bosch worldwide and a lot of it is resident in Bosch Limited and other things sometimes we source out of our sister plants and deliver through Bosch Limited like I mentioned.

Pramod Kumar: Just laboring a bit on this, on the wafer side any longer term horizon say five years? When do you expect we will have a critical volumes and the adoption when it can justifies the local manufacturing?

Soumitra Bhattacharya: Pramod, you have to spend Rs.8000 Crores to Rs.10000 Crores to put a wafer plant so it is not valid in an Indian context. Bosch has just put its second wafer plant. This is public domain knowledge and it is the single largest investment by our parent company and this is a 300 mm wafer fab plant against our 200 mm, so this is the second plant and it is a worldwide delivery mechanism because it does not make sense to put such investments Pramod.

Pramod Kumar: Fair enough Sir excellent. Thanks a lot. Best of luck.

Moderator: Thank you. The next question is from the line of Shree Agarwal from First State Investments. Please go ahead.



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Shree Agarwal: Thanks for taking my question. Can I ask specifically on gasoline direct injection GDI and what is the take up has been on that or the indications from your customers have been on that regarding the take up going forward?

Jan-Oliver Röhr: GDI is a good solution also for the Indian market for two reasons. It is beneficial for fuel consumption. Of course, it is meeting the required condition norms and we are well positioned globally and that global position puts us also in to a good position here locally with offerings where again we have lot of strengths, which is not supplying only component but in that case again a complete system and you must be aware that the GDI compared to a PSI is of course also some features that are far more beneficial for the driving experience itself, so you have normally higher torque at lower speed, which gives you far more pleasure in riding. Still the GDI has similarly to what we speak in earlier about the system cost the disadvantage of the system cost are in the nature higher compared to PFI solution and hence we see that the market while growing will be far lower than on the PFIs of the core fuel injection.

Shree Agarwal: Sure Sir can I just understand this better as you see some of the customers move away from diesel in utility vehicles or the smaller utility vehicles do you see some of them gravitate towards GDI or not yet?

Jan-Oliver Röhr: I would not say move away because this is binary question so yes or no, but the customers are similar to the rest of the world realizing that there is variety in the powertrain that they have to offer for multiple reasons. The first one is of course and this is a hygiene sector while the emission criteria. The second one is CO2 and the third is that finally the customers they are depending on the used case requiring or requesting these different offers so yes the customers they are moving towards a variety, but not to exclusivity of powertrain solutions and GDI is playing the role in the global OEMs here in India customer portfolio, but also in the Indian OEMs powertrain portfolio.

Shree Agarwal: Can I also ask separately about ABS and how the treatment of that would be to the listed company because I believe there is a sister company that is involved with that as well?

Soumitra Bhattacharya: We have a total of 11 sister companies across India. The parent being Bosch Limited and we have worked very closely with these sister companies. One of the sister companies is manufacturing the ABS, but we have the two wheeler organization inside the present company, so we have mechanisms amongst ourselves in terms of the business portfolio for example of two-wheeler being handled from Bosch Limited whereas the ABS gets manufactured by our sister company, so these linkages are always there for many of our products services and solutions.

- Jan Oliver Röhl:** And for many years.
- Shree Agarwal:** Does that basically mean that it will be sold by the list company the ABS products?
- Soumitra Bhattacharya:** Not necessarily. In some cases we do and in some cases we do not, but we have in this case we have the product sold from the company, which is the company located in Pune, but in some other cases we also have for example when you take the ECU that gets manufactured by a sister company, but gets sold by us as a part of this system, so there are different circumstances and also these circumstances changes, so depending on the business model.
- Shree Agarwal:** And just finally kind on a more boarder level in the last few quarters you had been quite optimistic about the growth opportunity from BSVI and you had said that customer acquisition was at the highest ever and things are improving and all of that? Is that still the case or has there been a slight shift?
- Soumitra Bhattacharya:** That is maintained and our CTO will give a detailed answer. I want to say that what we mentioned that remains valid, but this is going to be coming in and kicking in with Q4 of FY2019-2020 and then onwards so 150 projects I mentioned and yes the highest ever acquisitions and Jan Röhl would like to make a couple of comments.
- Jan-Oliver Röhl:** The mix realization of the acquisition success for BSVI be it now diesel or gasoline, that will all materialize in the FY2020-2021 of course because that is when the ratios will be kicking in, what we are seeing now with regards to BSVI, first the customers, we are supporting far beyond lets say the line working packages. They all need not only to meet April 1, 2019, but have the intention to be market ready by January 1, 2020 and there might be opportunities out of this, but to really give you a number, that is completely premature because this is of course depending also on the overall market situation, not only on the fact of the preparedness for BSVI.
- Soumitra Bhattacharya:** So in summary last quarter 2019-2020 to kick in, with real sales happening through 2020-2021.
- Shree Agarwal:** I was not looking for a specific number, I was looking more in terms of general direction, are you still as optimistic as you have been in the past?
- Soumitra Bhattacharya:** Yes.
- Shree Agarwal:** Thank you.



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Moderator: Thank you. The next question is from the line of Sandeep Menon from Franklin Templeton. Please go ahead.

Sandeep Menon: Thanks for taking my question. This is again related to BS6, in the past you had mentioned that the April 2020 transition could be a big jump while BS3 to 4 you did not seem to have a big jump in content when the transition to SCR happened at least for most of the players except for one. I wanted to understand I mean why are not the players continuing to use the same systems which they were using with some additional components, what would be the main reasons you would have benefited which has made the customers shift to different system that is the first question. Second question is I believe you will be making certain components in house and you will be system integrator for other components, so how will the accounting work, will you book the entire revenue through your P&L? That is it. Thanks.

Soumitra Bhattacharya: Sandeep, you have to understand in year 2019-2020 we are going to all see two different things happening. One, there is going to be a sharp cut to the production of BS4 because and we estimate therefore that the FY2019-2020 Q3, people have to stop the BS4, because you cannot carry inventory and the latest you have to start in January 1, 2020, may be earlier for BS6 and be prepared with SOB launches. So, we will see spikes on prebuy, honestly speaking the industry does not know what spike and how much and we will also see a sale of BS6 in calendar year 2019-2020, again as our CTO mentioned, no one can predict what volume. What we can predict is from 2020-2021 there will be full fledge scale of BS6. The accounting part Sandeep is very simple. Whatever we do as system indicator we will sell and take responsibility for the whole system because we give a solution and that will be in our books.

Sandeep Menon: Just one clarification, so when this shift from BS3 to BS4 happened, many of the players have already started using SCR systems and when the BS3 to BS4 shift happened, that time you did not seem to gain much market share, but now you are gaining more and now you are much more positive, just wanted to understand what would be the main reason players have shifted from their existing SCR system to a new Bosch integrated system, the qualitative reasons, I am not looking for numbers?

Jan-Oliver Röhl: First the SCR system is only relevant in BS4 therefore commercially applications but at all for light duty or passenger cars, since we do not require that and finally also we have to now order that. Now the commercial vehicle, you have the technological choice, you can either go via exhaust gas circulation which has benefits and disadvantages or you go via the SCR route and the SCR route lets say choice of some customers and also for some not the



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choice, but for BS6, there will be no longer the question for commercial vehicles, you will have to apply an SCR no matter what your EGR circulation is looking like.

Sandeep Menon: Okay, thanks.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: Couple of questions. First on two wheelers, just to clarify, will two wheelers also have to comply with CO2 norms by 2022 or before passenger vehicles?

Jan-Oliver Röhl: No, two wheeler they are currently excluded from these carbon norms, but I would not bet on that because two wheeler if you just look on the fleet size, that might change as well because finally they are contributing a lot to CO2 emission and finally also to the oil mill which has to be still imported, so I would not bet on that, also for two wheeler we will see carbon regulations kicking in.

Jinesh Gandhi: Secondly with respect to passenger vehicle and this transition away from diesel under BS6, are you indicated CNG will play an important part, few of OEMs are also talking about strong hybrids where cost difference between diesel and petrol hybrid will be more or less similar under BS6, so what are your thoughts on that?

Jan-Oliver Röhl: First there is a puree of technology because the puree is that we are the technology provider in the mobility space, we really have the full fledged, let us say modular kit for all what you have just mentioned. So, we can and we are offering having talks with all OEMs about all the possible solutions. Now the final point is at the end what is the use case of the OEM and what is the offering that you want to make to his specific customer portfolio and also what is the bandwidth that finally he can cover with this technology that he is making available and what is his marketing strategy at the end. So, all these questions, they have to be answered by the OEM and we are in talk with all what you just mentioned, be it CNG, be it motor fuel, be it B fuel, be it mild hybrid, be it a strong hybrid, I would honestly say plug in hybrid specifically I would make a bracket around it for the moment, because for plug in hybrid you have to provide the infrastructure as well and that is lacking not only in India but also across the globe, so I would make a bracket around the plug in hybrid, but the mild hybrid and the strong hybrid that is also a solution we are discussing with all OEMs.

Jinesh Gandhi: CNG we have seen in the past it has been used at huge back level, do you see increasing use case for CNG in relatively more premium products as well?

Jan-Oliver Röhl: Honestly no, I would not look into premium products.



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Jinesh Gandhi: You would say for example UV1 or UV2 or say a Sedan like City, do you see in such segment?

Jan-Oliver Röhl: Why not, it is more for fleet, it is interesting fleet and if you look into what is the scenario that the government has put into play for infrastructure then it is happening in the cities, it is happening in the center of big cities which make it very interesting for these sort of vehicles for light duty vehicles that are predominantly running in the deep city space.

Soumitra Bhattacharya: Only in select cities we see this and there is an intention of the government to put, right now it is not in this year. If you take only NCR, we see this in a big way.

Jinesh Gandhi: One last clarification on the packing division slump sale, so this would be with effect from which date?

S.C. Srinivasan: The valuation that has been done is of December 31, 2018 and then we have the approval process, the board has approved, it will go to the AGM and then subsequently it will get transferred.

Soumitra Bhattacharya: It is a very small part of our business as you know.

Jinesh Gandhi: Sure, but the current numbers which you reported includes P&L of packing division as well?

Soumitra Bhattacharya: Yes, it is there, as I said very, very insignificant, less than 1% of our turnover.

Jinesh Gandhi: Understood, great Sir, thanks and all the best.

Moderator: Thank you. The next question is from the line of Pratik Poddar from Reliance Nippon. Please go ahead.

Pratik Poddar: Sir you talked about in BS6, I just wanted to ask versus BS4 and BS6 era, is it fair to assume that your market share would be higher in BS6 era on the back of these execution or the new orders that you have won?

Soumitra Bhattacharya: We have a good acquisition, Pratik. We mentioned that and we stay with that and once you see the 2020-2021 numbers coming in, you will get to see that.

Pratik Poddar: No, the question was is there bump up in the market share or is something which you will be uncomfortable talking about as of now?

Soumitra Bhattacharya: Right now we cannot talk about the market. It is a regulatory thing which has happened. There is a conversion from BS4 to BS6, everyone has to fall in place, the market will settle down after a prebuy of the BS4, and then BS6 vehicles will get sold and we have got a good acquisition and the numbers will speak for themselves as we go along.

Pratik Poddar: Also could you just talk about the localization journey in BS6 as in terms of our components and localization journey, how would that localization journey happen?

Soumitra Bhattacharya: Pratik, we have mentioned this many times that we have a method in the way we do our localization and we will follow that method.

Pratik Poddar: So it is same as what had been in the previous era, is it a fair understanding Sir?

Soumitra Bhattacharya: Pratik, you have to breakup BS6 unlike the others where we for certain areas, specially on the exhaust gas treatment, we will outsource certain things by design and for the other parts of BS6, which we have anyway our Bosch products, components and solutions, that we will use and for that we have a process already for certain areas where we are BS6 compliant and others where we will localized, so it is a method that we do follow which we have explained multiple times.

Pratik Poddar: Thank you so much Sir and all the best.

Moderator: Ladies and gentlemen, due to paucity of time we will take our last question that is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Thank you for the opportunity. When we met last time in the analyst meet, you said that we are setting up a factory IV at Bidadi once that it is commissioned, it will be showcased could be in the future we can also venture into other commercial venture in this factory IV, so any colour and any thoughts on how it is playing out?

Soumitra Bhattacharya: I do not know specifically what you are referring. Our plant at Bidadi had phase 1 and a phase 2. The phase 2 is just getting completed. We have now shifted from our Bengaluru Adugodi premise the plant into Bidadi and it is already there and our same products and solutions which we getting done here are getting done in Bidadi including new generation products will come.

Bharat Sheth: Our parent company offers a whole solution so do we see that solution in future will be offered from Bosch India?

Soumitra Bhattacharya: Which solution are you talking about?

Bharat Sheth: Factory IV?

Soumitra Bhattacharya: Factory IV? Industry 4.0. So here industry 4.0, we have very, very good solutions and Bosch India is a very major player and Bidadi is a very good example for industry 4.0 like many of our other factories.

Bharat Sheth: So in future we will offer from listed entities solutions.

Soumitra Bhattacharya: We will be doing industry 4.0 from Bosch Limited.

Bharat Sheth: Thank you that is all from my side.

Moderator: Thank you. Ladies and gentlemen, that would be the last question. I now hand the conference over to Mr. Annamalai Jayaraj for closing comments. Thank you and over to you Sir!

Annamalai Jayaraj: Thank you everyone. On behalf of B&K Securities, we thank Bosch management for taking time out to discuss Q4 results. We thank Bosch Limited for providing us the opportunity for hosting this call. Have a good day.

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

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