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

**Chairman's Speech**

01.09.2016  
Bengaluru

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**BOSCH**  
Invented for life



Ladies and Gentlemen,

I have great pleasure in welcoming you to this Sixty-fourth Annual General Meeting of Bosch Limited. I trust the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2015-16 have reached you on time.

Recently India celebrated its 70th Independence Day. It was an opportunity to look back proudly, at the progress the country has made over the years. It was also an occasion to look forward with a new determination, new energy and new enthusiasm to fulfill our responsibilities to this great country.

In a similar vein, the cover story of this year's Annual Report is based on the theme '**Making a difference today, for a better tomorrow – Bosch Ltd.'s journey of excellence**'. This is a reflection of the transition that your company has made, over the last 6 decades and its preparedness to meet the challenges of the future.

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

In my speech today, I will take you through the key financial performance, highlights of your Company, a brief update on the economic and market situation and the outlook for the current year.

The accounts for the year under review are for a period of 12 months from April 2015 to March 2016. You may recall that the Company has migrated from January-December to April-March as its financial year. Accordingly, as a transitional arrangement, the previous financial year was for a period of 15 months from January 2014 to March 2015. Hence, the financial results for the year under review are not comparable with the previous year. However, to facilitate a like to like comparison of the financial results, I will refer to the annualized growth percentages in my speech today.

## **Global Economic situation**

First let us talk about the Global economy. The global Gross Domestic Product (GDP) growth slowed down to 3.1 percent in 2015 as compared to 3.4 percent in 2014. [Source: IMF]

The US Economy remained a bright spot in a weak global economy. Growth in Emerging markets was slow in 2015 on account of a reduced growth in China, Russia and Brazil. Oil prices declined by approximately 32 percent between August 2015 and February 2016 on account of expectations of higher supply and concerns about the resilience of global demand.

## **Indian Economy**

Compared to the global economy, India did better. The GDP growth for FY 2015-16 was 7.6 percent compared to 7.3 percent in FY 2014-15. At the ground level, the overall economic revival was below expectations. While consumption improved which reflected in a modest increase in auto sales, the rural economy still remained under stress on the back of 2 consecutive below-average monsoons in 2014 and 2015. The positives for the Indian economy were a fall in interest rates, a moderate revival in the manufacturing sector and increased Foreign Direct Investment flows into the economy. However, on account of provisioning for non-performing assets in the banking sector and a delay in capital expenditure cycle, the desired growth momentum was not achieved.

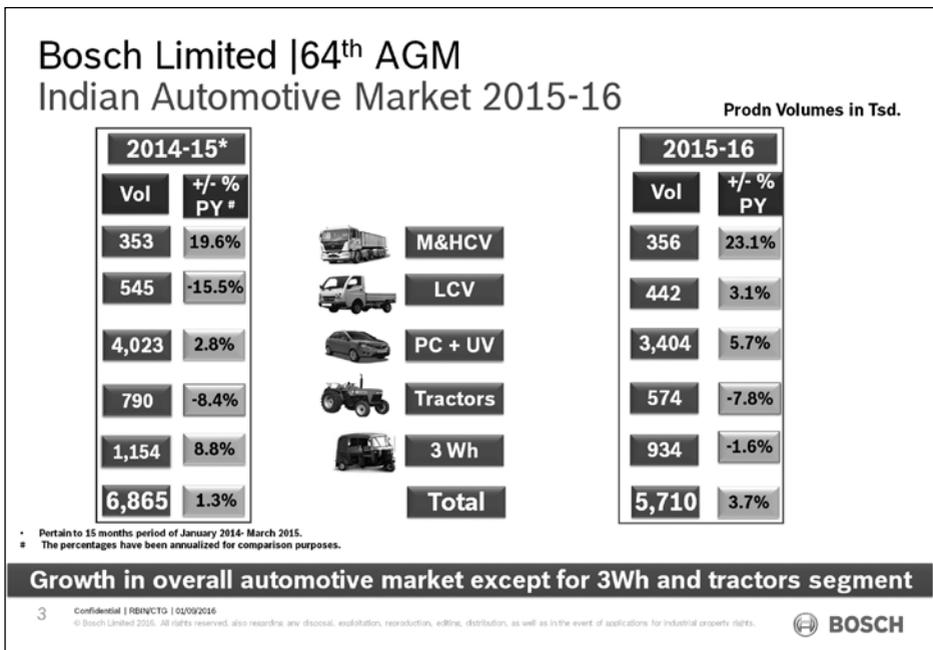
## **Indian automotive industry and market scenario**

Ladies and Gentlemen, in 2015-16, the domestic Indian automotive market, excluding two-wheelers, got a modest boost from improved market sentiments and gradual economic recovery. A combination of factors like low inflation

levels, favourable fuel prices, reduced interest rates and new launches led to a 4 percent growth.

Passenger Vehicle production grew by 6 percent. Heavy Commercial Vehicles (HCVs) production continued to develop strongly and grew by 23 percent albeit on a low base. The Light Commercial Vehicles (LCVs) market which suffered during first half of 2015-16 due to constrained liquidity showed signs of revival in the second half leading to an overall growth of 3 percent. The Tractors market declined by 8 percent on a high base of previous year on the back of deficient monsoon for two consecutive years, lower increase in minimum support prices and negative farmer sentiments. The Three-wheeler production declined by 2 percent due to muted domestic off-take and weakening export demand.

Performance of the Indian Automotive Market for the year 2015-16 is depicted in this slide.



## Performance of the Company in 2015-16.

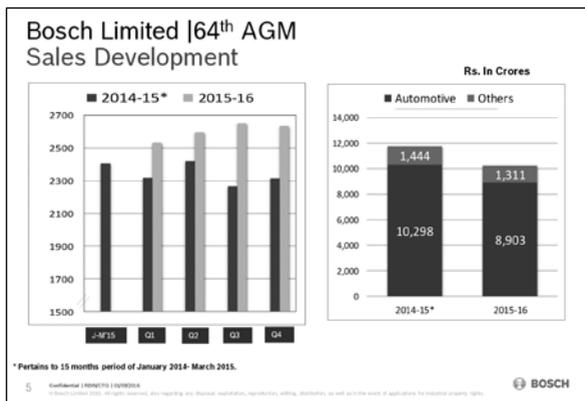
Ladies and Gentlemen, I now present the performance of your Company in 2015-16.

During the year under review, your company achieved a new sales milestone crossing Rs. 10,000 crores for the first time.

Your Company was able to outperform the market through prudent measures to sustain profitable growth. Compared to the automotive market, the overall performance of your Company was good with a growth of 8.7 percent, as compared to the automotive market growth of 4 percent. The automotive business posted a growth of 8.1 percent, while the non-automotive business grew by 13.1 percent.

Your Company predominantly operates in the manufacturing and trading of automotive products, which constituted 87.2 percent of total sales for 2015-16.

The Company's exports, bulk of which were to Germany, China and Brazil, fell by 6.4 percent. The share of exports in the total sales declined by 1.7 percentage points to 10.7 percent over previous year. This is mainly due to reduction in the volumes of Starter Motors & Generators as well as Diesel products.



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

In the automotive segment, the Diesel Systems business grew by 3.9 percent over the previous year. Higher sales volume of new generation Common Rail Systems (CRS) and distributor pumps led to this increase. The Diesel Systems business will continue to ride on new generation CRS in the majority of vehicle segments for future growth. The conventional products such as in-line pumps, distributor pumps and conventional injectors are likely to continue growth with steady demand, but eventually will witness a slowdown with the country-wide implementation of BS VI. The Company is geared up for the implementation of the BS VI norms as announced by the Indian Government.

The Company's Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India. It achieved 8.6 percent growth over the previous year despite tough liquidity conditions. The division launched the K4000 campaign aimed at improving the division's market connect with the sales and service network team across India. It covered over 4000km, 270 major towns and was also able to reach out to over 10,000 customers.

Starter Motors and Generators business has posted muted growth. Decent growth in domestic market was offset by fall in exports.

The Gasoline business grew strongly. New components such as ECU for two-wheelers and fuel supply modules for two-wheelers and fourwheelers went into series production last year.

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## Business Division Performance - Mobility

Sales growth over previous year\*

Diesel systems		4%
Automotive Aftermarket		9%
Starter motors and Generators		0.2%
Gasoline System		47%

\*The percentages have been annualized for comparison purposes.

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In the non-automotive sector, the Industrial Technology segment expanded by 8.3 percent over the previous year.

The Consumer Goods segment comprising of Power tools and accessories witnessed a marginal growth in a muted market amidst severe liquidity constraints and under-performance of the construction sector.

The Energy and Building Technology segment grew strongly driven by growth in Security Technology and Thermo Technology divisions.

The growth of the energy division was aided by the commissioning of a 12MW solar power plant at the Cochin International Airport, incidentally also the world's first airport to run entirely on solar energy.

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## Business Division Performance - Others

Sales growth over previous year\*

Power Tools		0.3%
Security Technology		27%
Machine Building		4%
Packaging Machines		37%
BEBS & Thermotechnology		119%

\*The percentages have been annualized for comparison purposes.

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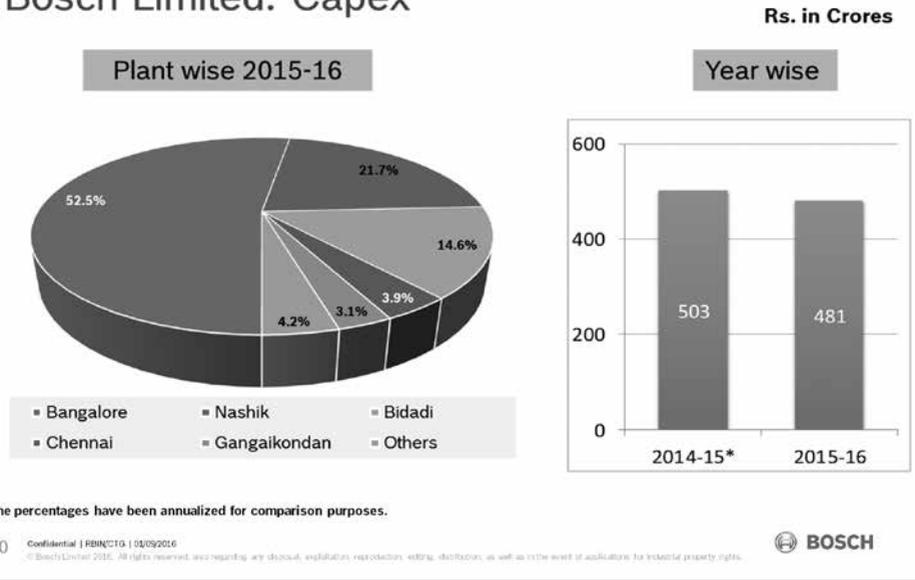
## Let's now look at other key financial indicators

Material cost as a percentage of sales was constant at 55.0 percent due to reduction in input price, offset by unfavourable exchange rate. There has been an decrease in the personnel cost at 13.6% as against 14.2% during the previous year, due to onetime restructuring cost included in the previous year arising out of wage settlement in various plants. Other expenses went up by 6.8% due to one-time tooling cost, relocation to Bidadi and 2 Wheeler development expenditure in Gasoline Systems division. Depreciation decreased by 14.2%. Profit Before Tax increased by 18.8% whereas the Profit After Tax by 16.4% compared to the previous year.

Capital investment of Rs. 481 Crores in 2015-16 focused on investments towards development of facilities in Bidadi, development center in Adugoddi and capacity expansion of products at other locations.

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## Bosch Limited: Capex



## Dividend

Ladies and Gentlemen, now I come to the dividend proposal for the year 2015-16. The Board of Directors has recommended a dividend of Rs. 85 per share of Rs.10/- each, for the year ended March 31, 2016 as against the dividend of Rs.85 per share for the previous 15 months period ended March 31,2015.

When we look at last 5 years, we can see clearly that the dividend payout ratio has increased from 17% in 2010 to 24% in 2014-15 and now 26%.

The dividend is exempt from tax in the hands of the Shareholders. However, the Company is required to pay effective tax of 20.34% on distributed profit on grossing up basis, against 20.34% in previous year.

With a view to return surplus funds to the shareholders, which are over and above the mid-term capital requirements of the Company, the Board of Directors at their meeting held on July 1, 2016 had approved buy-back of equity shares of the Company for an aggregate amount upto Rs.2,020 crores constituting approx. 24.9% of paid-up share capital and free reserves.

In terms of the requirements of applicable regulations, the Company has sought the approval of shareholders through a postal ballot. I am pleased to inform that the resolution has been approved by an overwhelming majority. The other regulatory process for executing the buy-back under the Tender Offer method through Stock Exchange Mechanism is underway and shareholders would be notified at appropriate time of the opening of the offer.

## Bosch Limited | 64<sup>th</sup> AGM Dividend Payout

Particulars	Rs. in Crores					
	2015-16	2014-15*	2013	2012	2011*	2010
Profit after tax	1,245.9	1,337.7	884.7	958.3	1,122.7	858.9
Dividend proposed /paid (including dividend distribution tax)	321.2	321.2	203.5	219.0	182.9	146.9
Dividend payout ratio (%)	25.8%	24.0%	23.0%	22.9%	16.3%	17.1%

\* Pertains to 15 months period of January 2014- March 2015.

# Excluding Special Dividend paid during the year (Payout including special dividend is 43.9%)

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## **Performance April to June 2016**

I will now give a brief overview of how your company has performed in the 1st quarter of the Financial Year 2016-17. The Company adopted Indian Accounting Standards (“Ind AS”) from April 1, 2016 and accordingly these financial results have been prepared in accordance with the recognition and measurement principles laid down in the standards. The financial results of the previous periods have been restated accordingly.

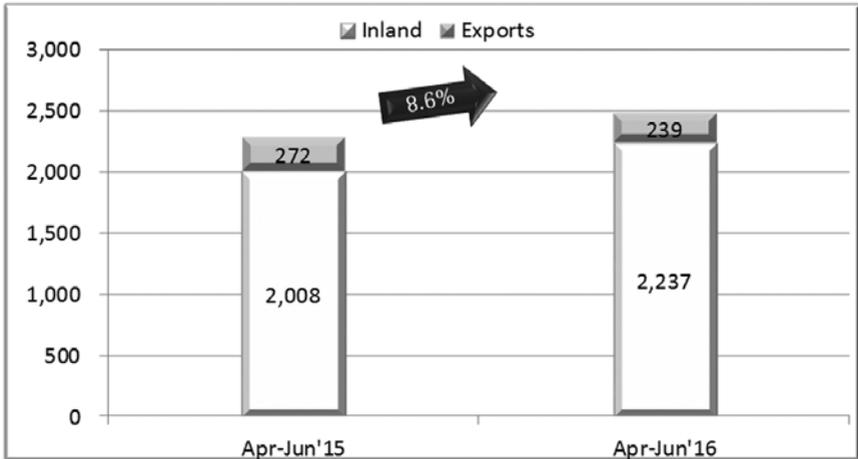
In accordance with the approvals received from the Board of Directors on February 5, 2016 and from the shareholders on April 4, 2016, the Company has executed the Business Transfer Agreement on August 1, 2016 and has sold / transferred the business of Starter Motors and Generators division under the automotive products segment of the Company on a going concern basis by way of Slump sale to Robert Bosch Starter Motors Generators India Private Limited (a fellow subsidiary) for a lumpsum consideration of Rs. 486.2 crores (subject to working capital changes). Consequently the results for the current quarter and the comparable periods have been presented without the results of the SG division.

The company has clocked net sales and income from operations of Rs. 2,476 crores in the first quarter of the financial year 2016-17, an increase of 8.6% over the same period in 2015-16. The Mobility Solutions segment registered a growth of 8.6% while the businesses beyond Mobility Solutions also grew by 8.6% with significant contributions from our Thermo Technology and Packaging divisions.

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## Net Sales & Income from Operations

Rs. in Crores



\* Above numbers are without SG and with IND-AS related adjustments.

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## Outlook for the future

Our forecast for this year remains cautiously optimistic. We see a continued recovery in the commercial vehicle segment. Passenger Vehicles are expected to grow moderately. LCV segment has started showing signs of recovery. The tractors segment could have a good year if there is normal rainfall during the monsoon season as predicted by the Indian Meteorological Department.

Our mid- to long-term forecast for India remains positive. While the proposed emission legislation timelines are challenging, we have the necessary products, competence and infrastructure to support our customers. We have continued our investments into the future, in our people, technology, infrastructure and new locations. We continue to be optimistic on India and on our growth potential in the country.

In the automotive space, especially with the Diesel and Gasoline Systems, we have initiated measures with the future automotive landscape in focus, to enable us to be 'fit for our future'. Currently, we are gearing towards bringing the right products and services to meet BS-VI requirements, both in terms of fuel injection systems and after treatment devices. We are building up capacity and competence to meet the future demands of the Indian market. By being well-equipped we can ensure the smooth transition to BS-VI as was done for BS-IV projects.

Two wheelers are an important segment in India. In partnership with our promoter company, we are developing innovative and cost effective solutions for cleaner and fuel efficient 2 wheelers, with our Electronic Fuel Injection systems and Engine Management Systems. This innovation has won the Bosch global innovation award last year.

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Bosch Innovation award winner  
Category: Products and technologies

### **2 wheeler solutions:**

- *Innovative and cost effective solutions for cleaner and fuel efficient 2 wheelers*
- *Electronic Fuel Injection systems and Engine Management Systems*

**Innovative and cost effective solutions for the emerging market requirements**

In the non-automotive sectors too, we are making significant developments.

Security Technology and Packaging Technology businesses are geared up to meet the increasing market demands coming from diverse customer segments, by expanding the product portfolio for the Indian market. An important achievement related to the 'Make in India' campaign has been the Security division's entry into the SAARC region last year including products that have been made in India.

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. We call this as Industry 4.0. Over the past few years, Bosch has prepared itself to seize the potential of Industry 4.0 with strategical foresight. We had the opportunity to showcase some of our industry 4.0 solutions to the Prime Minister Shri. Narendra Modi and the Chancellor of Germany, Dr. Angela Merkel when they visited Bosch facilities in Bangalore in October last year.



## **Business development of the Bosch Group in 2015 and outlook for 2016**

In 2015, Bosch Group sales reached an all-time high of 70.6 billion euros or INR 530,000 crores. The full acquisition of two former 50:50 joint ventures, BSH Hausgeräte GmbH and Robert Bosch Automotive Steering GmbH, pushed sales up by almost 22 billion euros, or 44 percent.

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 6.4 billion euros, roughly 9% of the total sales.

<b>Bosch Limited  64<sup>th</sup> AGM</b>		
<b>Key Results of the Bosch Group</b>		
<b>Particulars</b>	<b>2014</b>	<b>2015</b>
Sales Revenue (Million Euros)	48,951	70,607
Associates (as on 31.12 of the year)	290,183	374,778
Capital Expenditure (Million Euros)	2,585	4,058
Research and Development cost (Million Euros)	4,959	6,378
- As a percentage of sales revenue	10.1	9.1
Profit after tax (Million Euros)	2,637	3,537

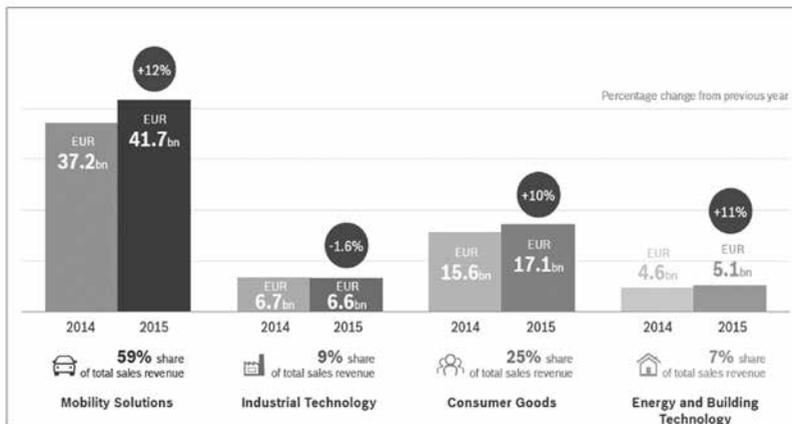
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Mobility Solutions which accounts for 59% of overall sales grew to 41.7 billion euros. The Consumer Goods sector registered sales of 17.1 billion euros. This sector now contributes 25% of the overall sales of the Bosch Group. The Industrial Technology business sector was impacted by the difficult environment in the mechanical engineering industry

and remained flat contributing 6.6 billion euros. The Energy and Building technology business sector achieved sales of 5.1 billion euros, a 11% increase compared to last year.

## Bosch Limited | 64<sup>th</sup> AGM Key Results of the Bosch Group



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Following a record year in 2015, the global Bosch Group aims to continue its growth path this year. It expects worldwide sales to grow within an exchange rate-adjusted range of 3 to 5 percent in 2016.

The company plans to grow not only with innovative products, but also with innovative services. In the connectivity business, Bosch focuses on the “3S’s”: sensors, software, and services. The company is increasingly using connected services to build on its broad base in the hardware business. As it does so, Bosch benefits not just from its technological diversification, but also from its wide-ranging industry and domain expertise. The newly created Bosch Global Service Solutions division, the recently established Bosch IoT Cloud, as well as the Bosch Smart Home System launched at the start of 2016 contribute to this strategy.

## Corporate Social Responsibility - CSR

Since its inception, the Bosch Group remains committed to the principles of social entrepreneurship envisioned by the founder Robert Bosch.

True to this global approach and philosophy, here in India, your Company has been taking several social initiatives for a long time.

Our CSR focus is in the execution of long-term societal engagement programs thus creating self-sustaining, scalable programs having multiplier effect. For example, we offer two models of vocational training: In addition to the long term career oriented courses, we have started short term job oriented courses in Karnataka, Maharashtra and Rajasthan as part of our CSR activities. We have also started an artisan's training center in Bengaluru. The company currently offers this program for the carpentry trade. Over the next decade Bosch Limited aims to have similar centers in other locations and is also considering the possibility of increasing the number of trades offered, to include plumbing and electrical.

### Bosch Limited |64<sup>th</sup> AGM Responsible Corporate Citizenship



*Bosch Vocational Center*

51<sup>st</sup> Best establishment award  
by the President of India

231 gold medals won by  
apprentices till date



*The "BRIDGE" Program*

Short-term Job-oriented Training  
(for underprivileged youths)

3800 youths trained and  
employed in 2 years



*Artisan Training Center*

To produce high-quality skilled  
Artisans in India

## **Concluding remarks and acknowledgement**

The stable macro-economic scenario coupled with implementation of reform measures will give a fillip 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 their trust and confidence reposed 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  
01.09.2016

**BOSCH Limited, Dept: BCS**

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