
Bosch Limited
67th Annual General
Meeting

Chairman's Speech
23.08.2019
Bengaluru



BOSCH
Invented for life



Ladies and Gentlemen,

I have great pleasure in welcoming you to the Sixty-Seventh Annual General Meeting of your Company. I hope the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2018-19 reached you on time.

The global economy is facing many uncertainties and headwinds. Escalating trade tensions, increasing nationalistic approaches and Brexit related issues have necessitated reshaping of global business models. Additionally, we notice a rapid growth of digital economy, increasing usage of automation, artificial intelligence and internet of things and services, clubbed with emergence of disruptive technologies and business models pose new challenges, offering at the same time unprecedented growth opportunities.

The recent general elections in India have ensured political stability, continuity of economic reforms and predictable policy environment, but there are headwinds as well. Challenges such as slowing economy leading to lower consumption, agrarian and rural distress, growing under and unemployment, stagnant exports and acute credit shortage call for innovative policy reforms in agricultural and labour sectors and greater emphasis on private investment in infrastructure and manufacturing.

Your company has been playing an active role in the development of the nation by focusing and strengthening the core business while venturing into adjacencies and new growth opportunities. To showcase our success, the cover story of this year's Annual Report is based on the theme '**Smart Moves**'. This is in continuation of the transformational journey your Company has undertaken to meet its strategic objective of becoming a leading supplier of technology and services in its chosen fields.

Let's take a look at a short video depicting our smart moves.

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

Global Economic situation

The global economy is expected to slow down to 3.2 percent in 2019 from 3.6 percent in 2018 as per IMF estimates. The downward revision is primarily on account of the negative effects of tariff increases enacted in the United States and China.

Risks to the global GDP tilt towards the downside due to global trade tension and risks in the Eurozone. The effect of the same has been that central banks across the world have adopted an easing policy. The recent phenomena of 'inverse yield curve', where in short-term interest rates are higher than longer term interest rates, invariably signal a possible onset of mild recession necessitating stimulus measures in the effected economies.

Indian Economic situation

Though 2018-19 started out on a promising note with first quarter GDP registering a growth of 8 percent, by the time as fiscal year ended, the GDP declined to 5.8 percent in the last quarter. This was primarily attributed to the severe liquidity crisis in the second half of the financial year and the pre-election spending cuts.

The key event in India was the victory of the Modi-led NDA with a higher majority than 2014. This assures political stability for next 5 years and reinforces the hope for reforms to continue. In order to address the cost and availability of finance, the Reserve Bank of

India has cut the benchmarked interest rates 2 times in financial year 2019-20 and introduced measures to ease availability of credit.

As per RBI estimates, The GDP growth for 2019-20 will be around 6.9 percent on account of the drag in the first half of the year. With crude oil prices hovering favourably at 60 dollar per barrel, normal monsoon and seasonally strong expected consumption, there are brighter chances of recovery in the second half of the year.

Indian automotive industry and market scenario

Ladies and Gentlemen, in 2018-19, the domestic Indian automotive market, including two-wheelers, grew by 7 percent driven predominantly by Heavy Commercial Vehicle, Light Commercial Vehicle and Three-wheeler segments.

This growth can be ascribed to a combination of factors, including strong acceptance of SCR (Selective Catalytic Reduction) technology, increased thrust on efficient logistics, e-commerce sales and higher agriculture output.

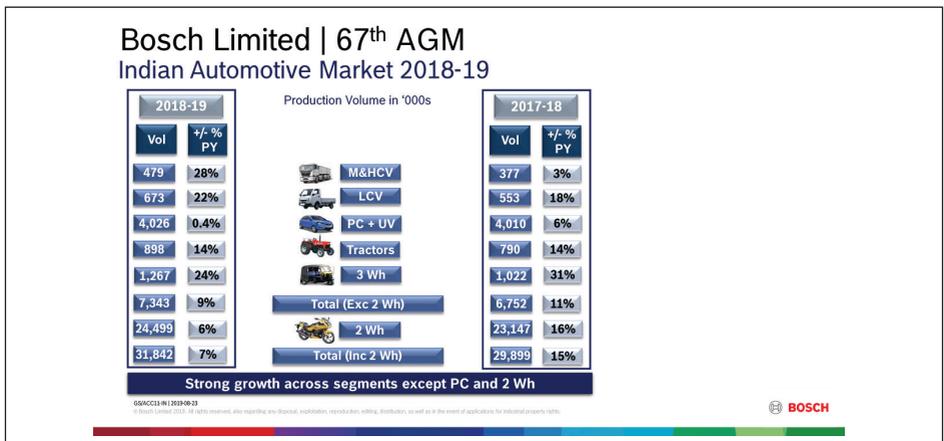
Heavy Commercial Vehicles and The Light Commercial Vehicles production grew by 28 percent and 22 percent respectively, mainly due to tenders and contracts on road and infrastructure projects.

Overall Passenger car production, which constitutes a significant portion of around 55 percent in terms of total volume of automotive market (excluding two-wheeler segment) has seen a muted growth of 0.4 percent; despite the domestic market witnessing new launches in the compact utility vehicles and premium hatchback segments.

The Tractor market grew by 14 percent driven by a good monsoon, farm loan waiver and good MSP (Minimum Selling Price) for crops.

Three-wheeler production increased by 24 percent due to higher demand driven by grant of additional permits in Delhi, Maharashtra, Kerala and Karnataka, aided by strong export demand from African and SAARC countries (except Sri Lanka) for last mile connectivity.

Two-wheeler market has grown by 6 percent during the year under review mainly driven by growing export sales demands.



Performance of the Company in 2018-19

Ladies and Gentlemen, I now turn to the performance of your Company in 2018-19.

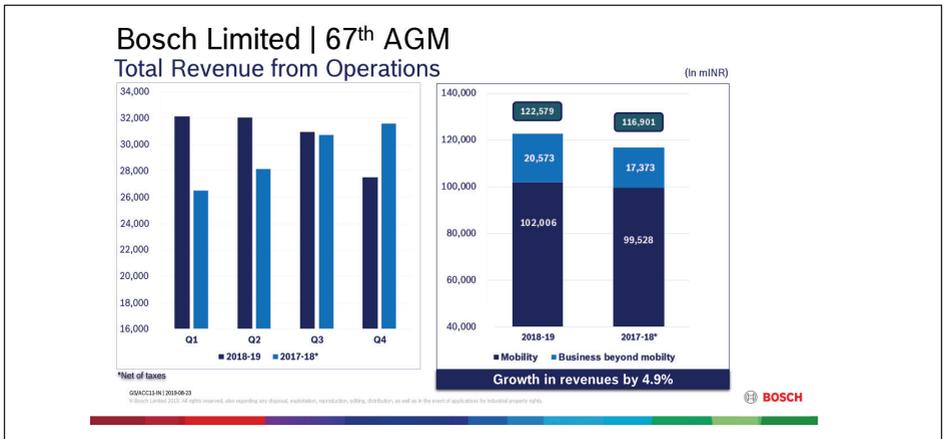
Your Company has posted total revenue from operations of Rupees 122,579 million in 2018-19 registering a growth of 4.9 percent over 2017-18 on a comparable basis. The domestic revenue from operations of your Company grew by 6.7 percent; whereas export revenues declined by 12.4 percent.

The Mobility Solutions business, which constituted 84 percent of net sales for 2018-19, posted a growth of 3.3 percent over the previous year. Within this, the domestic sales grew by 4.0 percent, mainly driven by Powertrain Solutions in the Commercial Vehicle segment and improved demand in 3-Wheeler segment. This is partly offset by muted growth in the Passenger Car segment.

The Business beyond mobility, comprising of Industrial Technology, Consumer Goods and Energy & Building Technology, witnessed a double digit growth of 16.4 percent in sales over previous year.

The Company’s exports, bulk of which were to Germany, China, Turkey, Brazil, Bangladesh and UAE decreased by ~12 percent as compared to previous year mainly in Powertrain Solutions and Building Technology Divisions. Total exports amounted to Rupees 8,999 million accounting for 7.6 percent of your Company’s total sales.

You will notice that the first two quarters of the financial year showed a significant growth in total revenues followed by a flat performance in third quarter and a decline in the last quarter in line with automotive market performance.



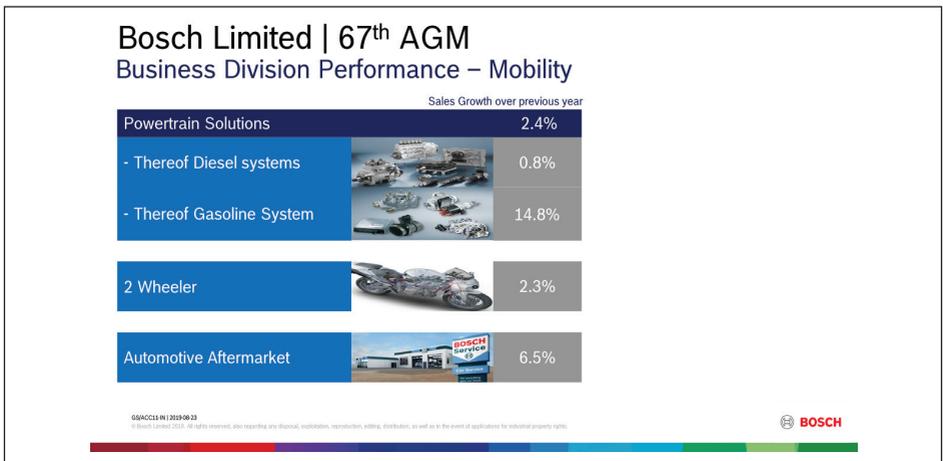
You will recall that we had merged our two divisions namely Diesels System and Gasoline System into one consolidated Powertrain Systems (PS) in early 2018. This integration helped to bring synergy among the two divisions and enabled to standardize the processes and deployment of resources in a more productive manner.

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

Powertrain Systems business grew by 2.4 percent primarily due to good growth in the CV and tractor segments partly offset by lower realisation in the PC segment.

The Distributor pump injection system has seen a considerable reduction post implementation of BS IV emission norms. The In-line pump system continues to be stable on account of demand from Tractor and Genset segments.

Your Company's Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India. It grew by 6.5 percent as a result of introduction of simplified business development policy and various customer centric initiatives.

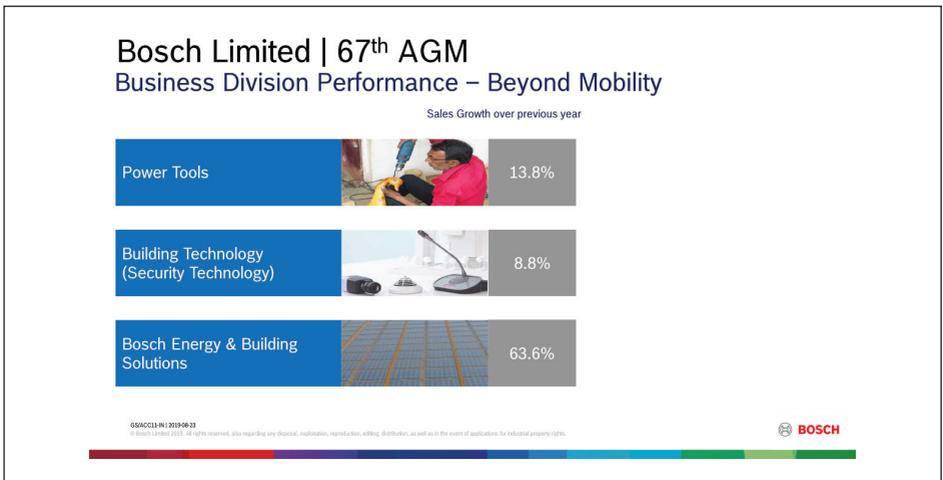


In line with the overall global Bosch strategy, your Board of Directors, at their meeting held on May 21, 2019, have recommended the sale of Packaging Business (PA-IN) along-with all its' employees and assets and liabilities as a going concern by way of slump sale, subject to the approval of the shareholders.

The PA Business in India constitutes approximately 1.4 percent (amounting to rupees 1,659 million) of the total revenues of your Company. This will enable the Company to sharpen its focus on the core businesses.

The Consumer Goods segment comprising of Power Tools witnessed a double-digit growth of 13.8 percent majorly driven by continuous focus on the loyalty program, E-commerce channels for business, further aided by customer network expansion in rural and semi-urban markets.

Within the Energy and Building technology division, the Building technology (Security technology) business grew by 8.8 percent driven by orders in the verticals of Transportation, Government Projects and Oil & Gas customer segments.



Bosch Energy & Building Solution division achieved substantial growth of 63.6 percent over the previous year due to successful execution of solar project orders.

Business Beyond Mobility

Bosch Solar @ Honda Motorcycle & Scooter India, Vithalapur Plant



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 BOSCH

Let's now look at other key financial indicators.

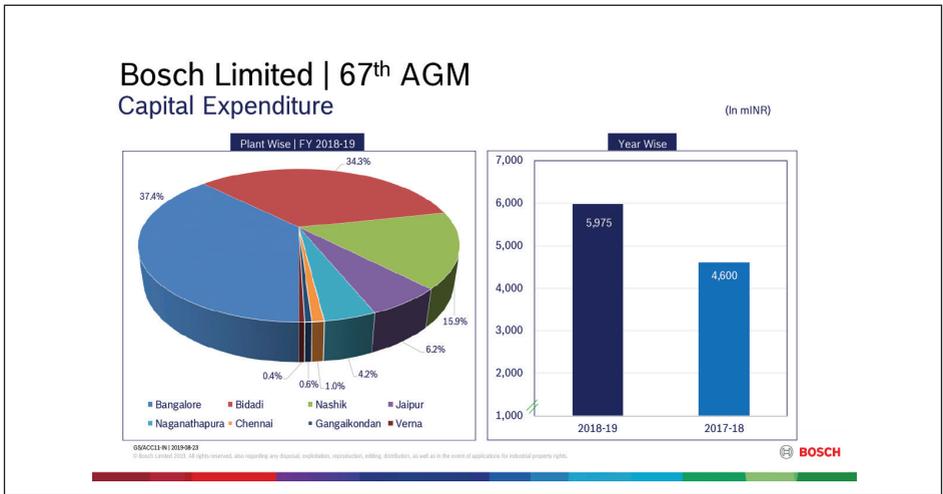
The cost of materials consumed as a percentage of revenue increased from 53.9 percent to 55.3 percent during the year under review. The increase is mainly driven by commodity price and foreign exchange impact, offset by various cost reductions measures undertaken across the value chain including with suppliers.

There has been a decrease in the personnel cost from 11.6 percent of revenue in the previous year to 11.2 percent of revenue during the year under review, due to continuous productivity improvement measures and reduced depth of production of new generation products.

Other expenses declined from 16.6 percent to 15.9 percent mainly due to one-time relocation expenses in previous financial year.

Capital investment of Rupees 5,975 million in 2018-19 were made towards development of new products and facilities in Bidadi Phase II and Adegodi Phase II in Karnataka, which are still under capital work-in-progress. This has resulted in a decline in

depreciation charge by 13.4 percent in current year as compared to previous financial year.



Profit before Tax as a percentage of revenue from operations increased to 19.1 percent as compared to 17.5 percent in previous financial year; whereas the Profit After Tax increased by 16.6 percent as compared to the previous year due to lower effective tax rate for the year under review; which was 31.7 percent as compared to 32.8 percent in the previous year due to tax refund relating to earlier years.

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 Statement of your Company.

Joint Venture

The Company has executed a Joint Venture Agreement dated March 20, 2019 with Prettl India Private Limited, its Joint Venture

partner, for incorporation of the new joint venture company PreBo Automotive India Private Limited for the purpose of carrying out the business of manufacturing/assembly and supply of mechanical and electromechanical components and assemblies for automobile and non-automobile industry.

Buyback of Shares

During the year under review, the Company bought back approximately 1 million (1,027,100) Equity Shares of face value Rupees 10 each representing 3.365 percent of the pre-buyback paid up share capital of the Company for an aggregate of approximately Rupees 21,569 million (representing 24.999 percent of the paid up share capital and free reserves of the Company on a consolidated basis). Robert Bosch GmbH, the holding company, also participated in the Buyback.

The Post capital of the Company is Rupees 294.94 million consisting of approximately 29.5 million (29,493,640) Equity Shares of Rupees 10 each.

Overall shareholding percentage between promoter and non-promoter shareholders has not significantly changed.

Dividend

Ladies and Gentlemen, now I come to the dividend proposal for the year 2018-19. The Board of Directors have recommended a dividend of Rupees 105 per share for the Financial Year 2018-19 compared to the Final Dividend of Rupees 100 per share for the previous year.

The dividend is exempt from tax in the hands of the Shareholders, subject to limit of Rupees 10 lakhs for an individual assessee.

However, the Company is required to pay effective tax of ~ 20.6 percent on distributed profit.

The total dividend pay-out ratio comes to 23.4 percent as against 26.8 percent in previous financial year.

Bosch Limited | 67th AGM
Dividend Pay-out (In mINR)

Particulars	2018-19	2017-18
Profit after tax	15,980	13,708
Dividend proposed / paid (including dividend distribution tax)	3,733	3,679
Dividend pay out ratio (%)	23.4%	26.8%

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Performance April to June 2019

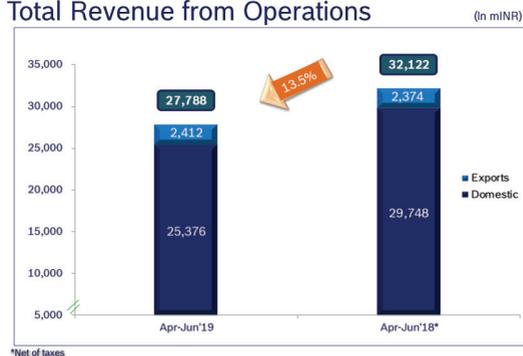
I will now give a brief overview of how your Company has performed in the 1st quarter of the Financial Year 2019-20.

Total revenue from operations at 27,788 million, declined by 13.5 percent over the same period of previous year. This decline is due to sharp slow-down in the Indian automotive market across all the segments.

In business beyond mobility, the Power Tools and Building Technology divisions posted positive growth.

Your Company posted a Profit before Tax of Rupees 5,043 million, before exceptional item as compared to Rupees 6,489 million in the same quarter of 2018, a decrease of 22.3 percent.

Bosch Limited | 67th AGM Total Revenue from Operations



*Net of taxes

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Outlook for the future

In the near term, the downtrend in the automotive market with high inventory build-up in the pipeline is a definitive threat. Though empirical evidence in the past suggests a pre-buy in the market, due to the existence of inventory in the pipeline, the pre-buy effect likely to be insignificant. Furthermore, the total cost of ownership (TCO) will see a significant jump due to safety and emission norm changes, rise in third party insurance charges and registration charges. Against this backdrop, the automotive sector is expected to show muted growth at best, if not negative for the financial year 2019-20.

In this context, it is important that government comes up soon with a special comprehensive stimulus package for the automotive sector.

Your company's mission is to digitize processes, upskill employees, and devise new innovations and solutions that adhere to the underlined needs of building a truly digital India.

Industry 4.0

Bosch India always focuses on manufacturing excellence with integration of digitization in manufacturing. Your Company continues this excellence journey by connecting machines and services to real time reporting for more transparency and decision making from top floor to shop floor.

Bosch manufacturing plants have already deployed connected solutions for improving plant efficiency and delivering better results on cost, quality and delivery.

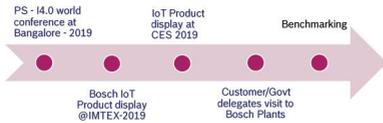
Your Company always looks for opportunities to bring new products to the market, with introduction of new industrial IoT product “Phantom”. With this, old machines can be connected to IoT platform for real time reporting to improve operational efficiency. This product was presented in CES-2019 at Las Vegas and also won an award in Bangalore Tech Summit, 2019.

In January 2019, Bosch India hosted first Connected Industry – Bosch World Conference in Bangalore, where more than 100 delegates participated from different parts of Bosch World. Bosch India’s Customer Centricity was also seen in the external event “IMTEX” in Bangalore to showcase Bosch Connected solutions and products.

Your Company will continue to build its’ future factory by introducing technologies like Artificial Intelligence, Machine Learning etc. and up-skilling the associates in these technologies to achieve manufacturing operational excellence.

Industry 4.0 at Bosch Limited

Excellence towards digitalization in manufacturing



New IoT product : Phantom (Connecting old machines to IoT ecosystem - SME)



Bosch branding



Business development of the Bosch Group in 2018 and outlook for 2019

Bosch Group sales reached an all-time high of ~78.5 billion Euros or ~Rupees 633,504 crores.

Innovation remains at the core of all Bosch initiatives and hence the group continued to invest in Research and Development. The annual research and development expenditure stood at around 6.0 billion Euros, approximately 7.6 percent of the total sales revenue. This decrease is only an impact of change in accounting policies on account of IFRS-15 in Year 2018.

Without IFRS-15 impact, total research and development expenditure stood at 7.3 billion Euros, i.e. which is approximately 9.3 percent as a percentage of the total sales revenue on comparable basis.

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Key Results of Bosch Group

(In mEUR)

Particulars	2018	2017 ¹
Sales Revenue (Million Euros)	78,465	78,066
Associates (as on 31.12 of the year)	409,881	402,166
Capital Expenditure (Million Euros)	4,946	4,345
Research and Development cost (Million Euros)	5,963	7,045
- As a percentage of sales revenue ²	7.6	9.0
Profit after tax (Million Euros)	3,574	3,294

¹Adjusted for changes in accounting policies

²Research and Development cost for Year 2018 @ 9.3 percent of sales revenue (without IFRS 15 impact)

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Bosch global strategy for the years ahead

At a global level, Bosch, has set an ambitious goal: we want to shape change. To achieve this, we are driving forward the transformation in our traditional markets, entering new areas of growth, and encouraging our company's strong and meaningful development. Especially in a year like 2018, in which the political and economic mood became gloomier as the year progressed, this was a challenging task. Nonetheless, we were able to escape most of the negative effects of this, and once again to achieve a high level of earnings. In pursuit of our objectives, we are showing persistence and determination, boosting our innovativeness, and forging new paths in leadership and collaboration. Such future focus has always been a distinctive characteristic of our company. It has allowed us to make a success of many innovations, despite considerable obstacles. And it is what enables us to look ahead with optimism, despite the subdued forecast for the global economy and the contributing geopolitical tensions.

Corporate Social Responsibility - CSR

Bosch is committed to improve the lives of those in need. The Bosch India Social Engagement program under its four thematic pillars: “*We Skill, We Care, We Share and We Empower*” focuses on giving back to the society meaningfully.

One clear example of our social commitment is our intervention in the Lal Bagh Botanical Garden of Bangalore, where Bosch has installed smart parking facility for the visitors, aerators for its lake purification, solar panels to power these facilities, and waste bins for dry and wet segregation at source. This intervention has received a warm welcome from the Lal Bagh management and visitors alike.

Our other ongoing CSR projects to upskill unemployed youth through BRIDGE has resulted in 10,000 youth getting trained and placed in this year and the total no. has crossed 25,000 ; setting up of 9 Artisan Centers so far, 25,000 mid-day meals served to underprivileged Government school children in Bangalore in collaboration with the Akshaya Patra Foundation, building of 14 Check Dams in Nashik conserving water through which around 160 hectares of land have been irrigated, thereby improving the economic status of 300 families so far, 25 RO Plants in Jaipur supplying clean drinking water to 1,500 households, rejuvenation of the Shanumangala Lake in Bidadi and holistic development of 307 villages around Bosch Plants.

Bosch employees take part in all these endeavours through CSR volunteering opportunities and feel proud of their own support towards creating a better society.

Bosch India Social Engagement Progress and Impact



Lalbagh Botanical Garden interventions by Bosch:

- ▶ Smart Parking
- ▶ 8 Aerators
- ▶ 2 Solar Plants
- ▶ 200 Waste Bins

▶ Better Visitor Experience ▶ Improved lake water quality & clarity ▶ Towards Zero-litter Garden



- 20,000 youth trained and placed through 250 BRIDGE Centers across India
- 9 Artisan Centers focused on Carpentry and Electrician training
- 14 Check Dams in Nashik and 25 RO Plants in Jaipur
- Holistic Village Development initiatives in 307 villages

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Concluding remarks and acknowledgement

Our innovations and initiatives in the mobility and beyond mobility sectors will continue and accelerate. Our deep knowledge of local markets and customer insights, availability and access to cutting edge and relevant technology, engineering and executional excellence backed by high quality human resources will enable your company to continue to play its meaningful role in nation building and skill development.

My dear shareholders, as we end another financial year, we reflect on all that your Company has achieved so far. As we continue to work with bigger innovations and a stronger commitment towards a better India, I thank you for your continued support and trust in us.

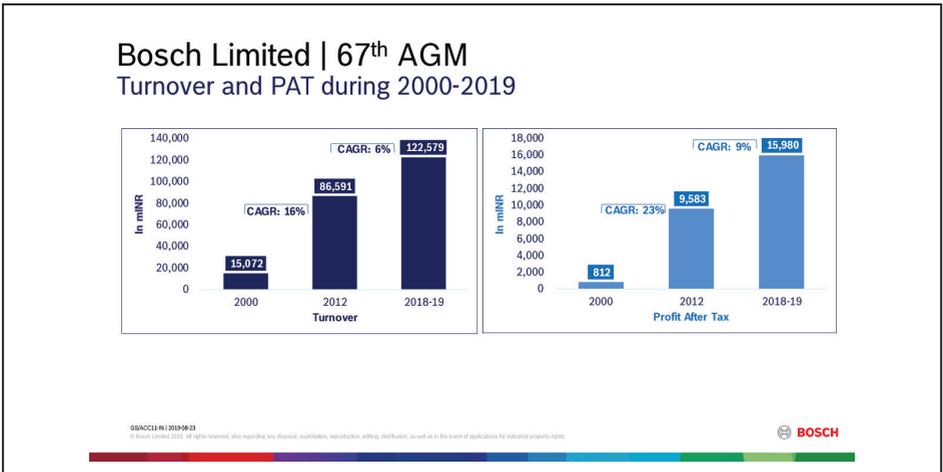
As an important announcement, I personally would like to share with all of you, that I would be stepping down as Chairman and Member of the Bosch limited Board with effect from 23rd August 2019. I joined your Company's Board on 01st January 2001 as Joint Managing Director and became CEO and Managing Director on 01st February 2008. Subsequently, I became Chairman of your Company with effect from 01st Jul 2013. During these years, the Company had many successes and faced many challenges. In this

period of nearly two decades, the automotive industry transitioned from Bharat Stage I to Bharat Stage IV and witnessed three sharp slow-downs in the Year 2000-02, 2008-09 and 2013-14.

Despite these slow-downs, your Company’s revenues went up from Rupees 15,072 million in the Year 2000 to Rupees 122,579 million in the Year ended on 31st March 2019, at a CAGR of 12.3 percent. Profit after tax grew from Rupees 812 million to Rupees 15,980 million during the same period, at a CAGR of 18.0 percent.

During this period, your Company has paid a cumulative dividend of Rupees 35,461 million at a CAGR of 21.3 percent and also executed 6 buybacks amounting to Rupees 45,869 million as a return to your investments, apart from significant increase in the market value of your investments over these years.

This past performance amply reflects the inherent strengths and resilient nature of your Company and gives me tremendous confidence that your Company will be more successful and brighter in future as well.



As I lay down the office of Chairman of your Company at the end of this AGM, I want to personally thank each one of my dear shareholders for the enormous trust and total confidence you have

reposed in the Board of Directors of your Company, leadership team and in me.

I also want to take this opportunity to introduce my successor, Dr. Bernhard Straub as the new Chairman of your Company with effect from 24th August 2019. Dr. Straub has been with Bosch for 30 years and he is not new to India. He has worked at Naganathapura Plant for 4 years during Year 1996 to 1999. He is qualified in Industrial Engineering from the University of Karlsruhe (Germany), Informatics from the University of London with Diploma in Master of Science and Sociology from the University of London, with Diploma Doctorate of Philosophy. Currently he is President of Electrical Drives (ED), Stuttgart, Germany. I would like to extend a warm welcome to Dr. Straub and wish him the very best. May I request to Dr. Straub to please come on the dais and to greet all of you.

I express my sincere gratitude to the Shareholders, Bosch Board of Members, Government of India and the State Government 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, contributions and support to me as Chairman.

Thank you for your kind attention.

V K Viswanathan
Chairman

Place: Bengaluru
Date: August 23, 2019

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