

# **Sixty-Eighth Annual General Meeting**

**Bosch Limited**

Bernhard Straub

Chairman, Bosch Limited

*Bengaluru, August 27, 2020*

Ladies and Gentlemen,

It is a great honour for me, and a matter of immense pride, to address you all as the newly appointed Chairman of Bosch Limited. As this is the first time I am addressing you in this capacity, I would like to take a moment to introduce myself. I have been associated with Bosch for over 30 years and have had a good amount of experience in India as well, having worked at the Naganathapura Plant for 4 years from 1996 to 1999 as Commercial Plant Manager. Currently, I am the President of Electrical Drives (ED) in Buehlertal, Germany.

Ladies and Gentlemen, we are going through extraordinary times with a once-in-a-generation crisis affecting the world. The COVID-19 pandemic has been disruptive in every conceivable socio-economic sphere. But in a crisis of this magnitude, your health and safety has been of paramount concern to us.

My fellow board members and I hope each of you and your families are safe and to further ensure your safety, we are conducting the 68th Annual General Meeting through a digital platform. We hope the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2019-20 reached you on time.

The Financial Year 2019-20 has been full of turmoil. It is a good thing that we have some clarity on Brexit but on the other hand, two of the world's largest economies – the US and China – are still locked in a bitter trade battle. The uncertainty and volatility does not end there. While China was celebrating 70 years of Communist Party rule, Hong Kong

experienced one of its most violent and chaotic days due to the protests. And earlier this year, the COVID-19 pandemic brought most of the world to a virtual standstill. Countries are even now experiencing a second wave of infections and this is likely to continue well into the new year according to experts. Thus, securing the future has become imperative and at Bosch we had embarked on this transformation journey much in advance. In this year's Annual Report we emphasize on this theme - 'The Future is Now'.

Let's take a look at a short video depicting our efforts towards ensuring a sustainable and brighter future.

**(Video by CGR Dept)**

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 contract sharply by a negative 4.5 percent in calendar year 2020. This economic shock, while falling well short of Great Depression, even with massive monetary and fiscal policy intervention, still results in increased unemployment, putting a major strain on national treasuries for some time to come.

Outside of China, GDP growth bottomed in Q1 2020 with further Q2 2020 doing the trench in the growth rate cycle for all economies. Activity should improve in the second half of 2020, with ease on the lockdowns leading to pent-up demand, but the pace of growth will likely differ among economies.

### **Indian Economic situation**

The Indian economy is expected to see the sharpest contraction in 40 years and as reports suggest India's GDP for financial year 2020-21 will be negative by 3.5 to 5 percent. This is primarily due to:

- ✓ Rising COVID infections - despite one of the world's strictest lockdowns - which has resulted in flattening industrial activity, and
- ✓ Weak fiscal stimulus (1 per cent of GDP) resulting in lower inclination to consume, especially as credit growth remains muted and banks are saddled by rising bad loans.

At the same time, the rural areas of the country are expected to lead the demand recovery, driven by better Minimum Support Price for the upcoming Kharif harvest and increased MNREGA spends in allied business activities. Also, the rural areas have seen lesser impact of COVID as compared to the urban areas.

[\(go to slide 2 Indian Automotive Market\)](#)

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

Ladies and Gentlemen, 2019-20 was a challenging year for the Indian Automotive Industry. Firstly, there was Legislation change from Bharat Stage 4 to Bharat Stage 6 and secondly high base was set by 2018-2019 volumes which was an exceptionally good year for the Indian Automotive Industry.

It is estimated for Automotive Industry to come back in 4 to 5 years to 2018-19 unless there are direct stimulus by Government of India like the Scrapage Policy or GST rationalisation etc.

Overall the Indian automotive market including two-wheelers, contracted by 15 percent.

Heavy commercial vehicles and light commercial vehicles contracted by 47 percent and 22 percent respectively. Demand 2019-20 was suppressed by increased Axle Norms introduced in July 2018 and high base in 2018-19. Due the new legislation, OEM's turned cautious towards obsolescence of vehicle and supplier parts inventory.

On passenger car production, which constitutes a significant portion of around 69 percent in terms of total volume of Indian automotive market (excluding two-wheeler segment), has seen contraction of 15 percent. At the same time, the market witnessed new entrants like MG and KIA launching Passenger cars in Utility Vehicle space.

The Tractor market contracted by 15 percent, demand subdued by excessive rains affecting the yield of crops and cautious lending due to rising Non Performing Assets in Non-Banking Finance Companies.

The Three-wheeler production contracted by 11 percent on higher base year.

The Two-wheeler market has contracted by 14 percent during the year, impacted by cost escalations due to mandatory 3 to 5 years insurance requirement and other safety standards. At the same time the two wheeler Export Market achieved double digit growth of 11 percent aided by strong demand from African and Latin American countries.

(go to slide 3: Total revenue from operations)

### **Performance of the Company in 2019-20**

Ladies and Gentlemen, I now turn to the performance of your Company in 2019-20.

Your Company has posted total revenue from operations of Rupees 98,416 million in 2019-20 thus registering a decline of 18.6 percent over 2018-19 on a comparable basis.

The domestic revenue from operations of your Company declined by 19.8 percent; whereas export revenues declined by 3.6 percent.

The Mobility Solutions business, which constituted 83 percent of net sales for 2019-20, posted a decline of 24.4 percent over the previous year. The Business beyond mobility, comprising of Industrial Technology, Consumer Goods and Energy & Building Technology, witnessed a decline of 14.4 percent in sales over the previous year.

The Company's exports, the bulk of which were to Germany, China, Brazil, Bangladesh and Malaysia decreased by approximately 21 percent as compared to previous year in Business beyond mobility. Also, the closure of the Thermo Technology business led to a decline of Rupees 174 million in export sales.

Total export sales (from mobility and non-mobility) amounted to Rupees 7,869 million accounting for 8.8 percent of your Company's total sales.

During the financial year, there has been a decline in revenue in all quarters which is in line with the automotive market performance.

Income from services during the year 2019-20 was Rupees 5,705 million as against Rupees 2,587 million in the previous year. Development projects with our customers were a major contributor to this increase.

[\(go to Slide No 4 – Business Division Performance – Mobility\)](#)

I'd like to now share some insights into the performance of the business divisions.

Powertrain Solutions business declined by 24.2 percent compared to the previous year.

Your Company's Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India. It declined by 11.5 percent in the current year.

[\(go to Slide No 5 – Business Division Performance – Business Beyond Mobility\)](#)

The Consumer Goods segment comprising Power Tools witnessed a decline of 3.8 percent.

Within the Energy and Building technology division, the Building technology (Security technology) business experienced a decline of 5.7 percent.

Bosch Energy & Building Solutions division posted a decline of 60 percent over the previous year.

In line with the overall global Bosch strategy and after obtaining the approval of shareholders for the sale of the Packaging Business (PA-IN), your company executed the Business Transfer Agreement on October 1, 2019 and transferred the business of Packaging by way of a slump sale to Robert Bosch Packaging Technology India Private Limited.

Consequently, profit before tax and profit after tax for the Packaging business have been disclosed separately as discontinued operations.

Let's now look at other key financial indicators.

Material cost as a percentage of revenue from operations has decreased by 1.3 percent. Various cost reduction measures undertaken across the value chain including with suppliers contributed to this reduction.

There has been a decrease in the personnel cost by 6.1 percent as compared to the previous year mainly as a result of various transformation and restructuring projects including short term measures.

During the year, other expenses have reduced by 6.5 percent. This is due to projects like Samridhi mainly driving zero based spending culture, as a part of our transformation projects.

#### (Slide No 6 – Capital Expenditure)

Capital investment of the company in 2019-20 was Rupees 3,959 million.

Depreciation charges have decreased by 4.7 percent during the year, due to reduction in new investments

Profit before Tax (without exceptional items) as a percentage of revenue from operations stood at 16.6 percent as compared to 19.3 percent in the previous financial year.

One time exceptional item of Rs. 7,167 million was towards transformational projects including asset impairment.

The Profit after Tax, after the above exceptional items is 6.6 percent as against 13.2 percent last year. The profit after tax on comparable basis is 13.0 percent, without the restructuring provision as mentioned above. We have adopted the benefit of lower tax rate of 25.2 percent including surcharge offered in the finance bill for the FY 2019-20. The impact of this on the deferred tax asset has been recognized in the P&L as a separate item.

The Company, in addition to the standalone financial statement, has also prepared a consolidated financial statement of your Company and its only subsidiary, MICO Trading Private Limited, its only Associate, Newtech Filter India Private Limited and its only Joint

Venture, PreBo Automotive Private Limited. There is no material impact of consolidation on the Financial Statement of your Company.

## **Subsidiary**

Robert Bosch India Manufacturing and Technology Private Limited, a wholly owned subsidiary of Bosch Limited, has been incorporated on May 31, 2020 for the purpose of carrying out business of manufacturing, assembly and services in the area of automotive, industrial, consumer goods, energy and building sectors.

[\(go to Slide No.7- Dividend pay-out\)](#)

## **Dividend**

Ladies and Gentlemen, now I come to the dividend proposal for the year 2019-20. The Board of Directors has recommended a dividend of Rupees 105 per share for the Financial Year 2019-20 compared to the Final Dividend of Rupees 105 per share for the previous year.

As you are aware, as per the Income Tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company after April 1, 2020 shall be taxable in the hands of the shareholders. The Company shall therefore be required to deduct tax at source at the time of making the payment of the said Dividend declared at prescribed rates (plus applicable surcharge and cess) as notified from time to time.

The total dividend pay-out ratio comes to 47.7 percent as against 19.4 percent in previous financial year.

[\(go to slide 8: Total Revenue from Operations April to June '20\)](#)

## **Performance April to June 2020**

I will now give a brief overview of how your Company has performed in the 1<sup>st</sup> quarter of the Financial Year 2020-21.

The Country-wide lockdown during April and May 2020 and scattered lockdowns in the states thereafter have had a major impact on the sales volume across the auto industry.

The Automotive market production declined by 78.4 percent as compared to the comparative quarter in the previous year.

Total revenue from operations was Rupees 9,915 million, a decline by 64 percent over the same period of the previous year. All the segments have recorded a decline except the two-wheeler business which posted a positive growth of 25.7 percent.

In the quarter ended June 2020, the Company posted a Loss before tax before exceptional item of Rupees 33 million as compared to Rupees 5,068 million Profit before tax in April-June 2019. As a percentage of total revenue from operations, Loss before tax without exceptional items stood at 0.3 percent in the current quarter as compared to Profit before tax of 18.4 percent in the corresponding quarter of 2019. Profit after tax before exceptional item stood at 2.7 percent.

During the quarter, the Company has made a provision of Rupees 1,972 million towards various restructuring and transformational projects and disclosed it as an exceptional item

The Loss before tax after exceptional item stands at Rupees 2,005 million which is 20.2 percent of total revenue from operations.

The Loss after tax stood at Rupees 1,205 million which is 12.1 percent of total revenue from operations.

### **Outlook for the future**

The downtrend in the automotive segment continues against the backdrop of cyclical and structural changes accompanied by the added pressure of the COVID-19 pandemic uncertainties. The nationwide lockdown followed by cluster wise lockdowns and uncertainties have led to the Q1'FY21 seeing the deepest decline ever.

The tractor market is witnessing a bounce back to normal levels followed by two wheeler and passenger Cars. Light commercial vehicles also are showing signs of revival while the HCV industry has not yet shown any signs of revival.

Against this backdrop, the automotive sector is expected to show de-growth for the financial year 2020-21.

In this context, it is important that the central government comes up soon with a special comprehensive stimulus package for the automotive sector. Investments in construction activities and infrastructure has to continue to boost the demand side.

Your company's transformation strategy to make it fit for the future includes the 3R Project - Restructure, Reskill & Redeploy - and devising new innovations and solutions that realize the vision of building a truly "Atma Nirbhar Bharat" (Self-Reliant India).

(go to Slide No.9-Industry 4.0)

## **Industry 4.0**

Manufacturing Excellence: (refer first quadrant)

Bosch India has always believed that Digitization and Digitalization is the way ahead for achieving Manufacturing Excellence and Connected Industry. We will continue our journey by connecting machines and services in real time for higher transparency and decision making from the top floor to the shop floor.

Execution and efficiency (refer 2nd quadrant)

Our Manufacturing Plants (with more than 200 projects) have already deployed standard connected solutions for sustainably improving plant efficiency and effectiveness.

Invented for life (refer 3rd quadrant)

Bosch always looks for opportunity to bring new products to market. With the introduction of "Phantom" (new Industrial IoT), old machines can be connected to an IoT platform for real time reports for improving plant efficiency. More than 100 numbers of this product has been deployed in SME's and our Business partners.

Upskilling : (refer 4th quadrant)

In December 2019, Bosch India partnered with external Institutional bodies like NTTF, MTMA, and CII, among others, for sharing customized training programs on Connected Industry for upskilling Industrial associates. Till date we have trained more than 400 delegates across India

Our Journey continues towards creating The Factory of the Future with

1. Introduction of Artificial intelligence based solutions
2. Developing Lighthouse projects for benchmarking
3. Continuous Digital upskilling programs for our associates

(go to slide 10: Key Results of Bosch Group)

### **Business development of the Bosch Group in 2019**

The Bosch Group sales were at around 77.7 billion Euros or approximately Rupees 630,000 crores. Innovation remains at the core of all Bosch initiatives and hence the group continues to invest in Research and Development. The annual research and development expenditure stood at around 6.0 billion Euros, approximately 7.8 per cent of the total sales revenue. The Mobility Solutions business sector again accounted for the largest share of research and development cost in 2019, at 72 per cent (compared to the previous year at 75 per cent).

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

We cannot overlook the slowdown brought in by the pandemic, but beyond that, the industry is at the threshold of a major technological transformation. Technologies affecting electrical and renewable fuel-based mobility solutions are all set to usher in sweeping changes across the industry. The Internet of Things, in the coming years, is going to transform the automotive experience like never before. This not only means new products and solutions, but new ways of partnerships and new ways of doing business.. India being

home to Bosch's largest R&D facility outside Germany, clearly expresses this outlook of the company.

With traveling and social contact restrictions set to continue for months to come, the relevance of digital platforms to connect – for business to business, business to customer, and customer to product – is now all the more important. During the last year, Bosch Limited has rolled out multiple solutions, to reach, to connect, and to integrate digitally. This radical shift from the traditional way of operating is one of the many signs to demonstrate the future-readiness of your company. In addition, we have to be responsible in combating adverse climate change. It is not too late to achieve the climate action targets – but only if major enterprises such as Bosch follow through on their commitments with on-the-ground implementation. This will cost money, but it will also create new business and we are determined to make our 400+ locations worldwide, carbon-neutral by end of 2020.

[\(go to slide 11: Bosch India Social Engagement\)](#)

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

It has been another deeply fulfilling year for Bosch Limited in giving back to society. The vocational training and skill development program BRIDGE celebrated its 7th anniversary. Through this program, underprivileged youth of the country who opt out of the higher education system, get trained in a short term job oriented course. We have trained and helped in employing 30,000 youth through this program over the last seven years, which is now offered through 466 centers. The program also won FICCI CSR best skill development award and also NHRDN best CSR program of the year among other accolades.

All our plants support local communities through Holistic Village Development programs and also run neighborhood community welfare projects in a sustainable and scalable mode. We responded to the COVID crisis very early and supported the government's efforts by supplying masks and sanitizers, in addition to a contribution of Rupees 5 crores in the Prime Minister's CARE fund. Our efforts to fight COVID'19 continue. Bosch has set

up a mask manufacturing automated line, taken up the task of repairing non-functional ventilators in the hospitals, training of paramedics and re-employment of migrant workers.

### **Concluding remarks and acknowledgement**

It is time for us to relook at the way we operate and reflect on it. The need of the hour is to overcome the huge challenges ahead of us by exhibiting our future-preparedness. The pandemic, and the lockdown that followed, disrupted established supply chains and showed the need for the industry as a whole to be more flexible and agile in its processes. The difficulties are not expected to abate anytime soon and it will take a few years for the industry to recover completely. It is inevitable that the current situation will have a less than favorable effect on our production and growth. We believe that it will take at least four to five years for the auto industry in India to get back to normal. We may have to shift our gears down to tackle rough roads, but our engines of growth and our clear vision of the future will take us steadily forward.

We are optimistic of our approach because we have an in-depth experience in a wide range of areas varying from advanced mobility solutions to IOT implementations in consumer business.

Even in these tough times, we have been able to see some wins in terms of business which should give us cause for optimism. With the BS-VI introduction in April, Bosch has so far managed more than 127 acquisitions across segments. Over 5 lakh man hours have been invested in the course of many months and I would like to congratulate all colleagues of the Bosch India family who made this possible.

Bosch Limited is partnering with AMP Solar Technology Private Limited and Hinduja Renewables Energy Private Limited to buy solar power for use in its facilities in the State of Karnataka and Maharashtra respectively. Bosch is taking a minority stake in the power projects in line with the requirements of captive power generation rules of the respective States. With these engagements, there would be a substantial increase in Bosch India's share in green energy. The global CO2 target for 2020 will be achieved; In India, we have already neutralized our carbon footprints in the majority of our plants.

These have been difficult months for the world. We have had to make drastic changes to the way we have been living, with very little advance warning. The new way of working has meant that we have had to juggle both personal and work commitments with greater effort. While the times are tough, your company believes that through collective efforts and dedication, we will come through more resilient and stronger than ever before.

I would like to personally express my sincere gratitude to the Shareholders, Bosch Board Members, the Government of India and the State Government of Karnataka, Tamil Nadu, Maharashtra, Rajasthan 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.

Bernhard Straub

Chairman

WELCOME

BOSCH LIMITED | 68<sup>th</sup> AGM

27 August 2020

# Bosch Limited | 68<sup>th</sup> AGM

## Indian Automotive Market 2019-20

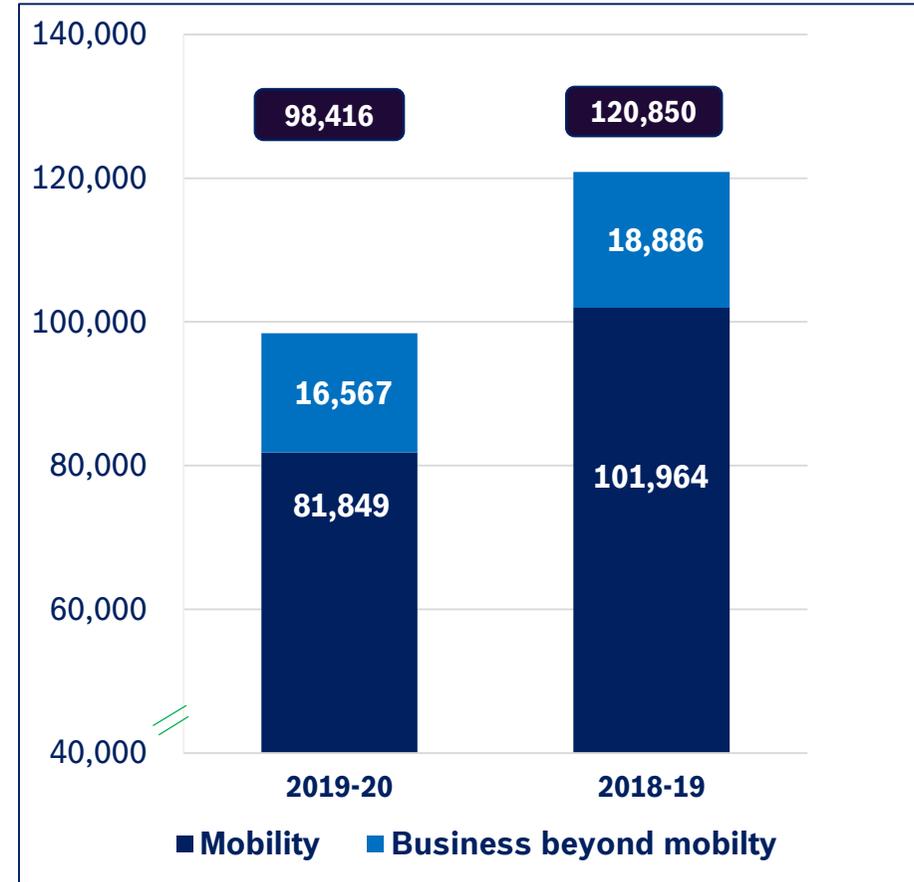
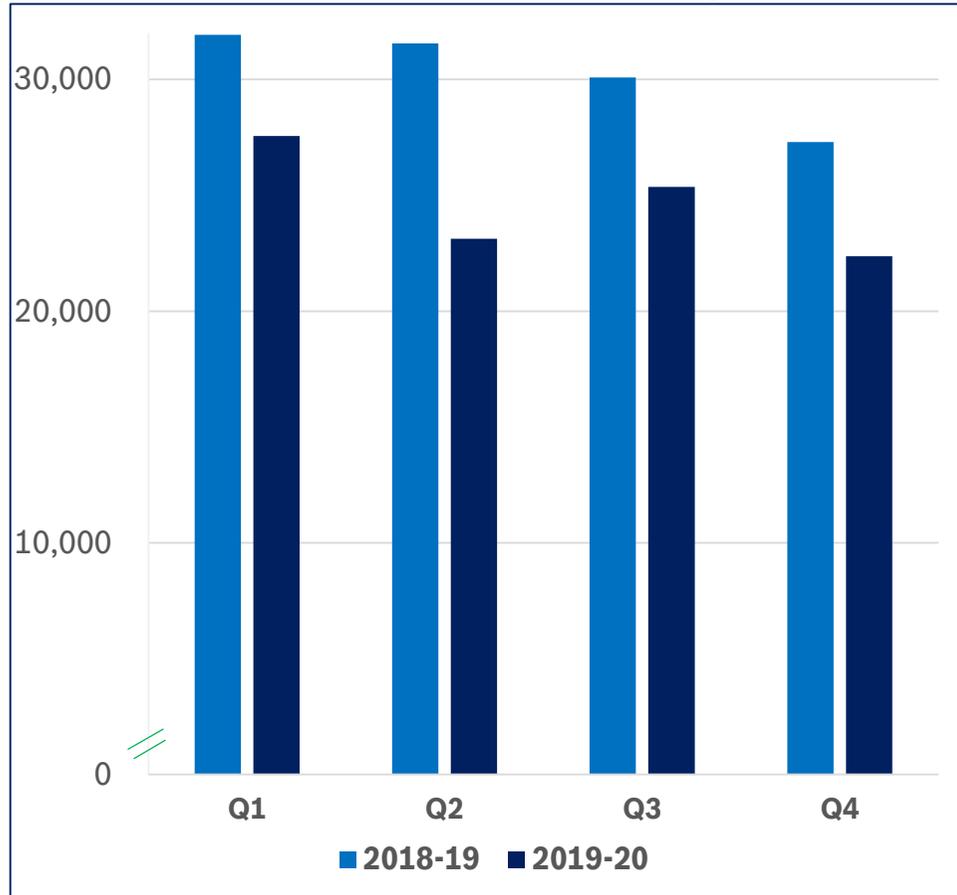


**Decline across all segments including two-wheeler**

# Bosch Limited | 68<sup>th</sup> AGM

## Total Revenue from Operations

(In mINR)



**Decline in revenues by 18.6%**

# Bosch Limited | 68<sup>th</sup> AGM

## Business Division Performance – Mobility

Sales Movement over previous year

Powertrain Solutions		-24.2%
- Thereof Diesel systems		-28.0%
- Thereof Gasoline System		1.6%
2 Wheeler		91.3%
Automotive Aftermarket		-11.5%

# Bosch Limited | 68<sup>th</sup> AGM

## Business Division Performance – Beyond Mobility

Sales Growth over previous year

Power Tools



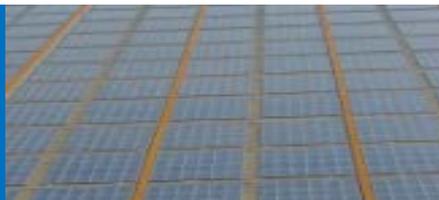
-3.8%

Building Technology  
(Security Technology)



-5.7%

Bosch Energy & Building  
Solutions



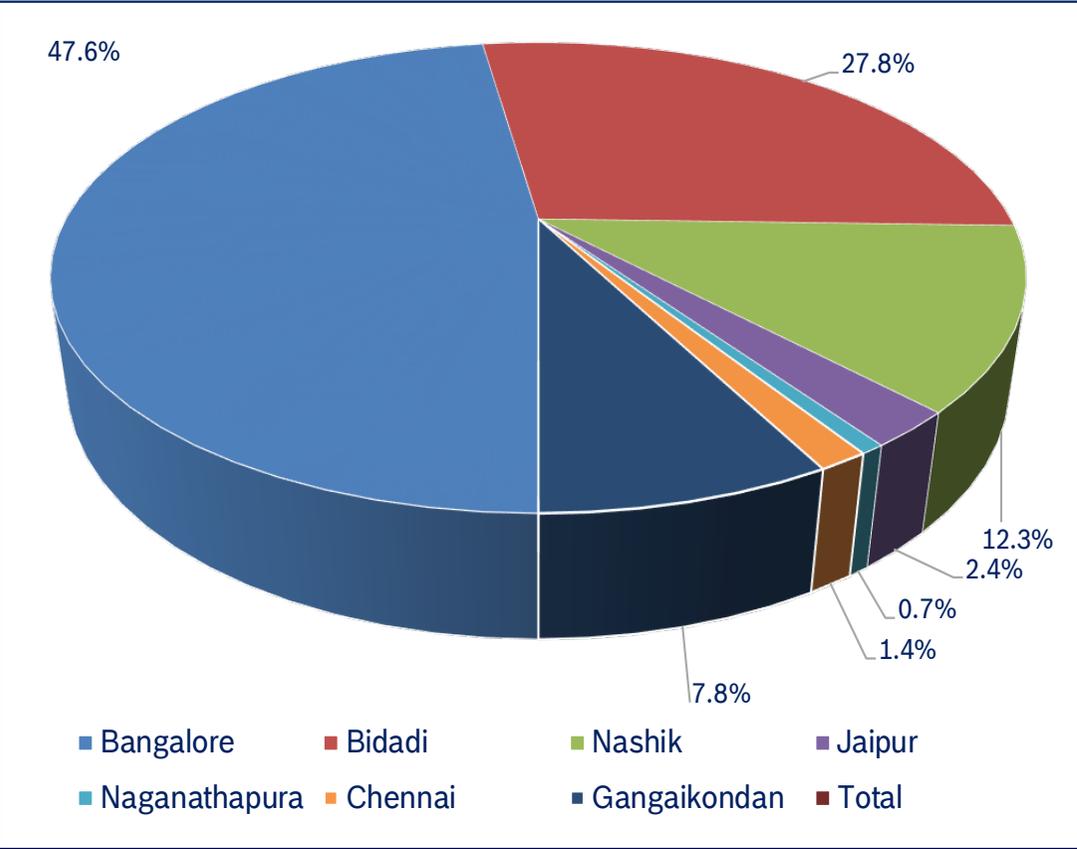
-60.0%

# Bosch Limited | 68<sup>th</sup> AGM

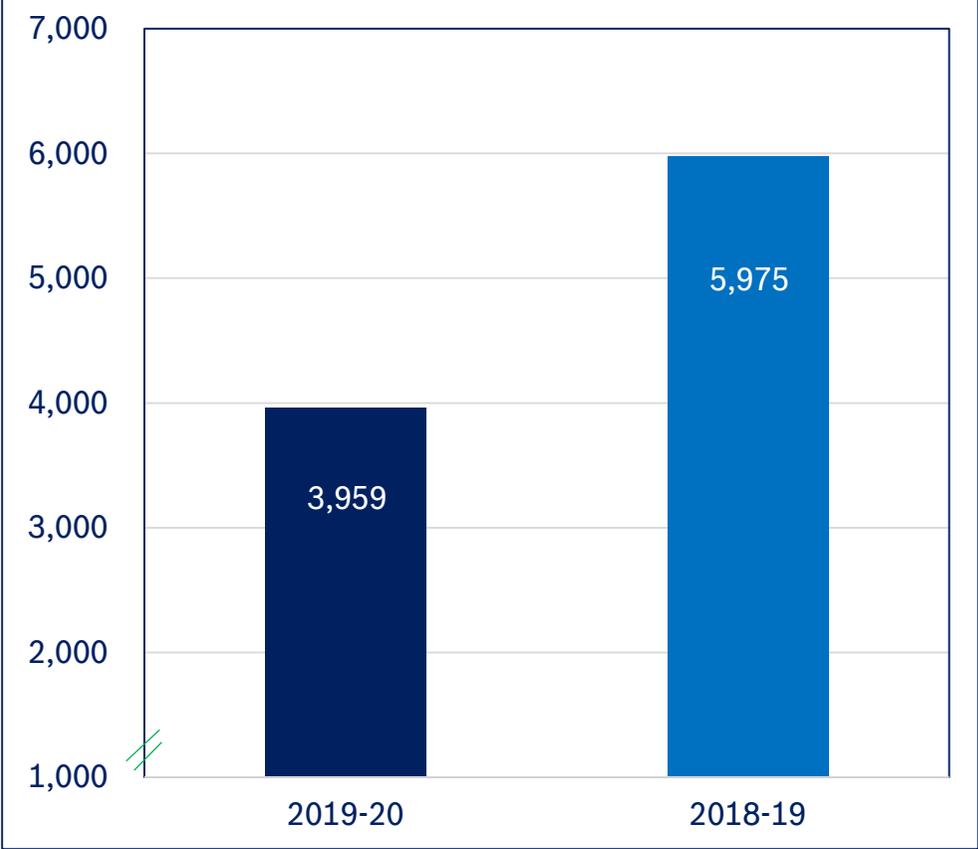
## Capital Expenditure

(In mINR)

Plant Wise | FY 2019-20



Year Wise



# Bosch Limited | 68<sup>th</sup> AGM

## Dividend Pay-out

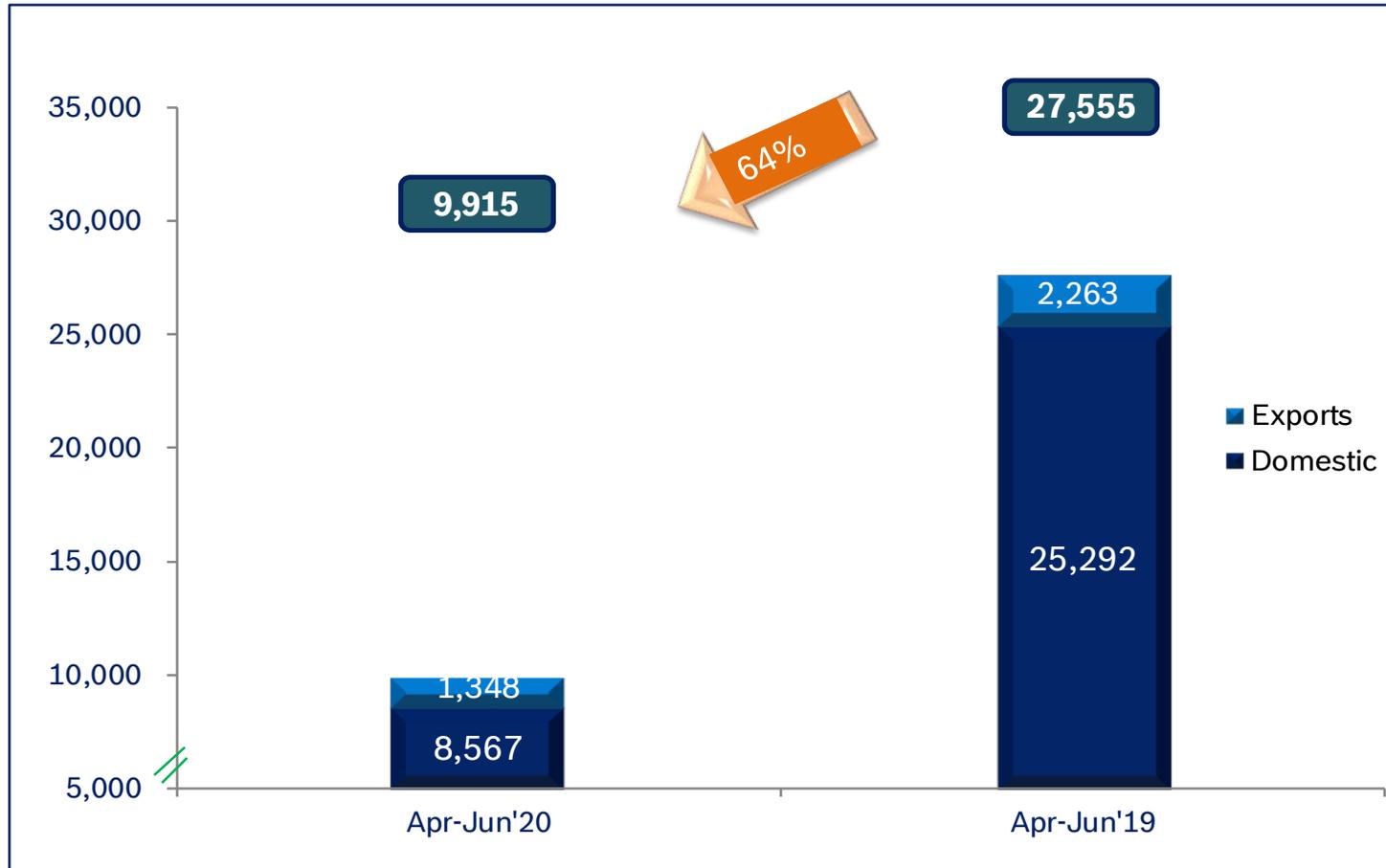
(In mINR)

Particulars	2019-20	2018-19
Profit after tax	6,498	15,980
Dividend proposed / paid (excluding applicable tax)	3,097	3,097
Dividend pay out ratio (%)	47.7%	19.4%

# Bosch Limited | 68<sup>th</sup> AGM

## Total Revenue from Operations

(In mINR)

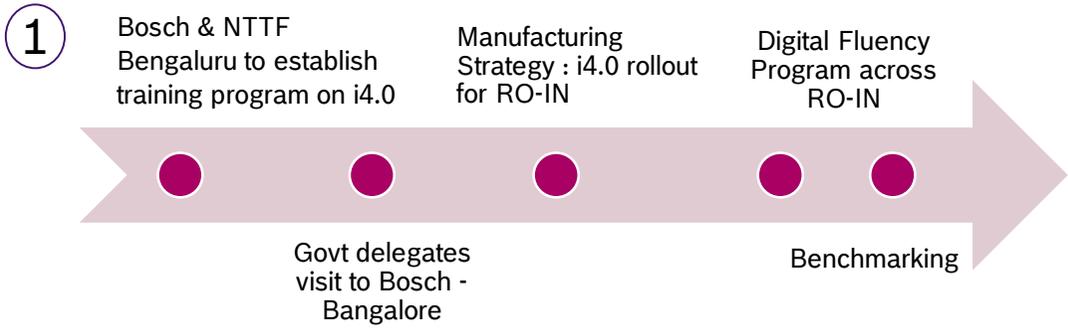


# Industry 4.0 at Bosch Limited

## Excellence towards digitalization in manufacturing

Status : 07'2020

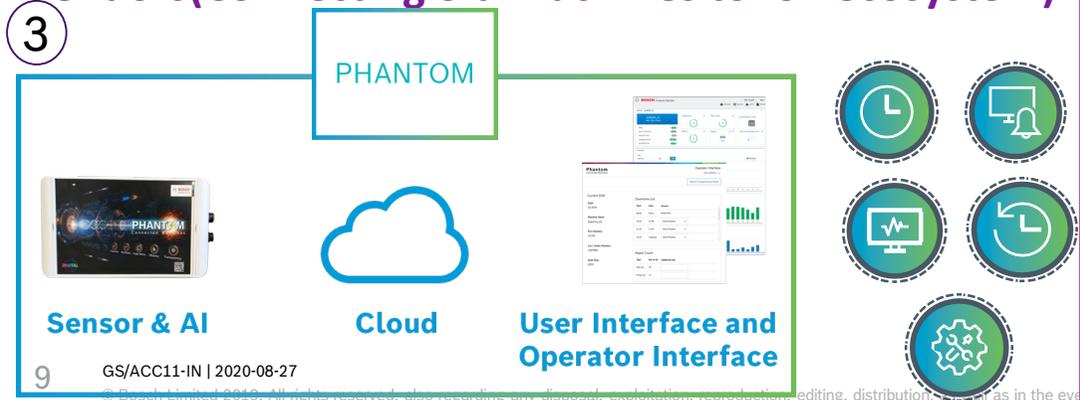
### Outlook



### Technology Overview



### Platform : IoT technology support to SME's and Vendors(Connecting old machines to IoT ecosystem)



### Upskilling : Partnership with Institution, Government,...

4

Bosch & NTTF Bengaluru to establish training program on i4.0

External Delegates visit to plant on i4.0 use case learning

**BOSCH**

# Bosch Limited | 68<sup>th</sup> AGM

## Key Results of Bosch Group

(In mEUR)

Particulars	2019	2018
Sales Revenue (Million Euros)	77,721	78,465
Associates (as on 31.12 of the year)	398,150	409,881
Capital Expenditure (Million Euros)	4,989	4,946
Research and Development cost (Million Euros)	6,079	5,963
- As a percentage of sales revenue	7.8	7.6
Profit after tax (Million Euros)	2,060	3,574

# Bosch India Social Engagement

**BRIDGE**

Bosch's Response to India's Development and Growth through Employability Enhancement

2013 - 2020



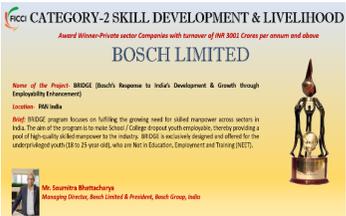
7th anniversary of BRIDGE held on Jan. 27, 2020



**30,000 youth trained & placed so far**

**466 BRIDGE centers across India**

- ▶ **FICCI CSR Award** for Skill Development
- ▶ **NHRDN award** for CSR Best Practice



## ▶ Holistic Village Development

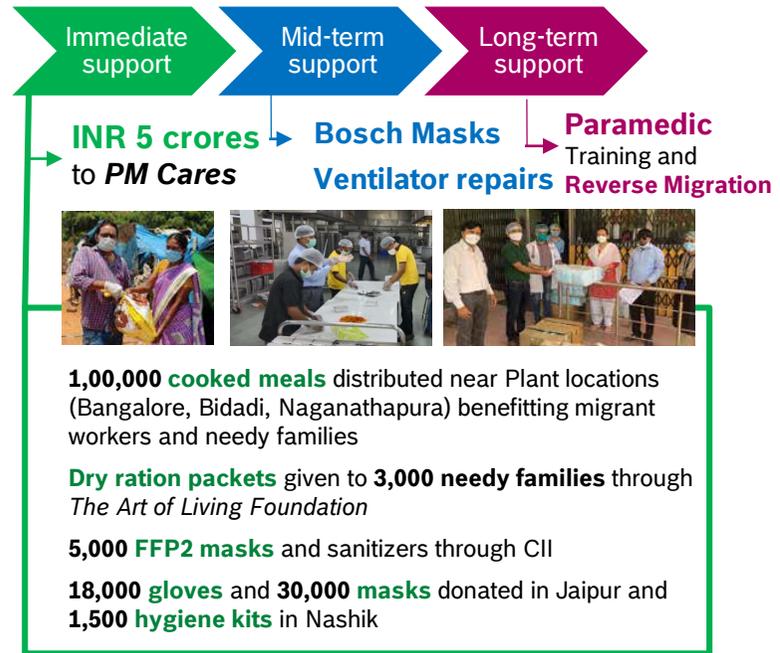
Jaipur	Nashik
29 RO Plants so far	17 Check Dams so far
Bengaluru	Bidadi
25,000 mid-day meals (Jigani & Anekal) for 2 years	Shanumangala Lake Rejuvenation



Shanumangala Lake Rejuvenation in Bidadi

- ▶ **70,000 children in 300 Govt. schools** continue to be benefitted from **Child Health Development Program (CHDP)** around Bosch Plants

## ▶ For combating COVID-19

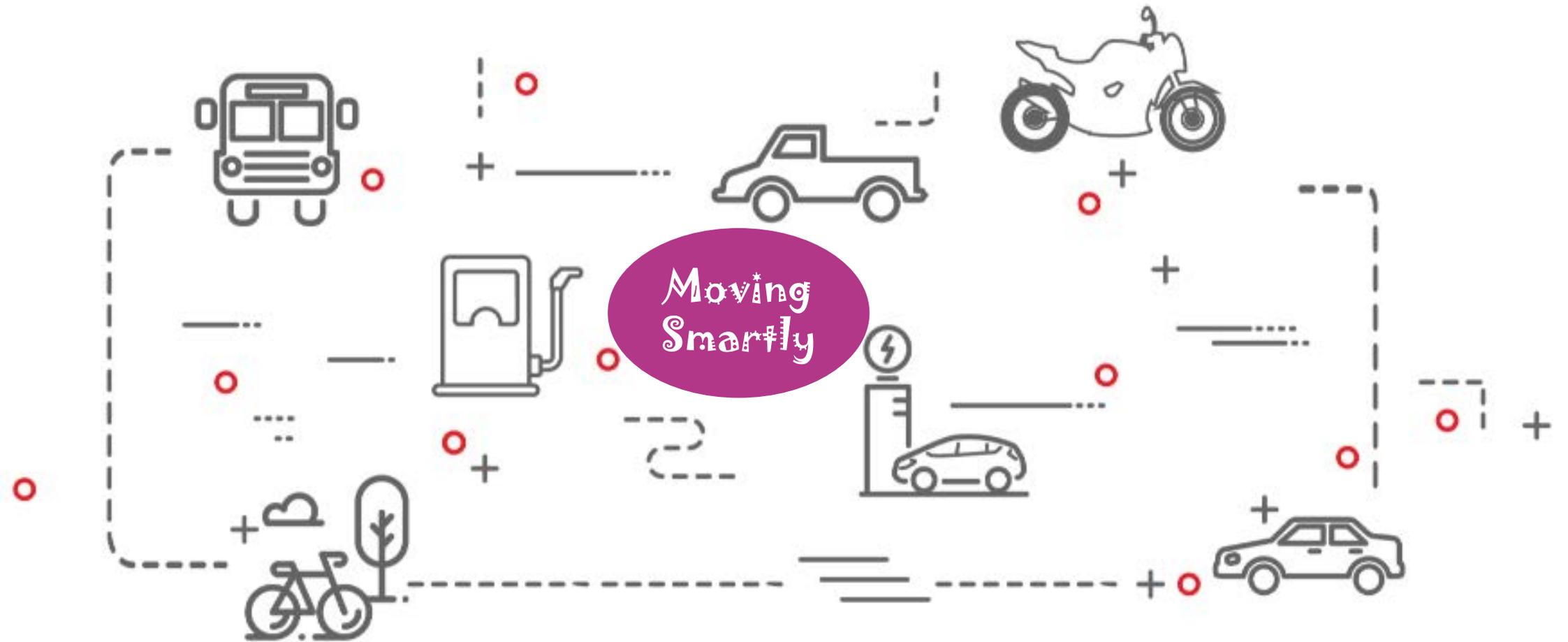


**4 million Bosch Masks** to be distributed to **2nd level COVID warriors**

**125 non-functional ventilators** in the hospitals being repaired

**Aiding Reverse Migration:** support match making between migrant workers (10,000 of them by Dec. 2020) and MSMEs

**1,000 needy youth** to be provided Paramedic training in association with Apollo MedSkills (e.g. Home Health Aide, Healthcare Operation Executive etc.)



THANK YOU