



“Bosch Limited Q1 FY ’21 Earnings Conference Call
hosted by Batlivala & Karani Securities India Private
Limited”

August 11, 2020



MANAGEMENT: **MR. SOUMITRA BHATTACHARYA – MANAGING
DIRECTOR, BOSCH LIMITED**
**MR. JAN-OLIVER ROEHL – JOINT MANAGING
DIRECTOR AND CHIEF TECHNICAL OFFICER, BOSCH
LIMITED**
**MR. S. C. SRINIVASAN – CHIEF FINANCIAL OFFICER
AND EXECUTIVE DIRECTOR, BOSCH LIMITED**

MODERATOR: **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Bosch Limited Q1 FY '21 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Sir.

Annamalai Jayaraj: Thank you, Janis. Welcome to 1Q FY '21 Post-Results Conference Call of Bosch Limited. We have with us today Mr. Soumitra Bhattacharya, Managing Director; Mr. Jan-Oliver Roehrl, Joint Managing Director and Chief Technical Officer; and Mr. S. C. Srinivasan, Chief Financial Officer and Executive Director. I will now hand over the call to Mr. Soumitra Bhattacharya for the opening remarks to be followed by the question and answer session. Over to you, Sir.

Soumitra Bhattacharya: Thank you, Mr. Jayaraj. Ladies and Gentlemen, a very Good Afternoon and thank you for taking part in this call. I hope you are doing well in this current turbulent times that we have. I would like to start with a brief about the macro-economy and the policy highlights for the quarter affecting our business. The world economy in the second half of 2020 and with the COVID 2019 pandemic, the economic recovery for this year looks weak. I would only say that overall global GDP is expected to contract sharply for the fiscal year '20-21.

The macroeconomic environment has been challenging also for India and even before COVID 2019 hit us, it had impacted adversely in resulting in a slowing GDP growth rate and weakening in the consumer sentiment, sluggish demand. The Indian economy is expected to see the sharpest contraction in 40 years and the GDP decline is expected anywhere around 8% over last year and the GDP for the fiscal year '20-21 is expected to be anywhere in the region of minus 4% to minus 5%. The rural economy is expected to lead the demand on the recoveries driven by better MSPs for the upcoming Kharif harvest and increased MNREGA spends in allied business activities as most of the COVID impact till date has been largely in urban areas.

With this background, let us look into the automotive market development in the last quarter that means April to June. Most of the manufacturing facilities for Bosch Limited have opened in May 2020 and are operating at different levels of capacities after the relaxations in the lockdown. Overall, automotive market production decreased by 78% owing to COVID-19 lockdown, meanwhile in June 2020, tractors, two wheelers, and including to some extent pass-cars have shown positive trend as compared to the June 2019 production. We see further improvements in July both in tractors and two wheelers. Heavy commercial segments declined by 91%, a majority of this is on account of minimal demand and including in March if you remember there was a lot of push into the sales of the inventory, low economic activity, and finances are also cautious on the fleet operators. We expect heavy commercial vehicles to have a slow recovery. Passenger car segment declined by 84% due to fall in capacity utilization of OEMs as also the discretionary



BOSCH

Invented for life

*Bosch Limited
August 11, 2020*

purchase added to the lower recovery. We expect some movement in the upcoming festive season for compact pass-cars. Tractors however have shown a decline of minus 40% relatively far lower due to liquidity support from Government as well as increase MSP price and higher procurement of the Rabi crop and very important focus by the Government on the Agri sector. You will be happy to know that tractors in July had minus 18% only as compared to minus 40% for the quarter. Amongst the other market segments, three wheeler segment declined by a whopping 77%, LCV massive 84%, and demand in domestic market for three wheeler is still very low and we also find stringent financing norms and very importantly we also see due to social distancing challenges, this can remain low for some time.

Now that we have set you the context, let us have a look at how the company has performed during the April to June quarter amidst these turbulent times that we have had. Revenue from operations is Rs. 992 crores, which is a reduction of 64% as compared to the corresponding period of the previous year. Mobility business sector declined by 70% whereas the business beyond mobility reduced by 60%. The domestic sales for this quarter witnessed a decline of 70% wherein the mobility business sector declined by 72% and business beyond mobility sector declined by 59%. Exports declined by 46%. Other operating income declined by Rs. 38 crores which is mainly on account of asset related Government grant received at our Nasik plant in April-June 2019. Material cost as a percentage of total revenue from operations has increased to 57.7% from 54.4% partially disturbed by the increase in freight, unfavorable Forex variations, and change in production. Employee cost has declined to Rs. 243 crores in April to June 2020 from 352 crores in April-June 2019, a decline of 31% mainly driven by transformation restructuring projects, rated salary reductions that we have done due to COVID lockdown and other HR related measures.

Depreciation has marginal decline by 2.8% in April-June 2020 as against April-June 2019 on account of low additions during April-June 2020. Other expenses stood at 280 crores in April to June 2020 as compared to 418 crores in April-June 2019, a decline of 33% which is mainly attributable to reduction in turnover during the quarter compensated by additional cost incurred for COVID-related safeguards.

Our operating loss stood at 175 crores compared to the operating profit of 410 crores in April-June 2019, this has resulted mainly due to lower turnover on account of COVID-19 lockdown. As you know colleagues, April was a complete washout for the industry, but also for Bosch. Other income has increased from 99 crores in April-June 2019 to 173 crores in April-June 2020. The substantial increase is due to mark-to-market gain on marketable securities. In the quarter ended June 2020, the company posted a loss before tax, before exceptional items of 3.3 crores, now this is you can call it a loss, you can call it a breakeven as compared to 507 crores profit before tax in April-June 2019. As a percentage of total revenue from operations, loss before tax stood at 0.3% in the current quarter as compared to PBT of 18.4% in the corresponding quarter of 2019. Profit after tax before exceptional items stood at 2.7%.

During the quarter, the company has made a provision of 197 crores towards various restructuring and transformation projects and disclosed this as an exceptional item for the quarter ending June 2020. Loss before tax after exceptional items stands at 200 crores, which is 20% of total revenue from operations. Loss after tax stood at 121 crores which is 12.1% of total revenue from operations. The COVID-19 situation has caused severe impact to the Indian economy with a complete stop of almost all economic activity due to the world's most stringent nationwide lockdown in the months of April and May and gradual recovery and opening up in June. The Government has stressed on balancing life and livelihoods, Mr. Modi calls it *Jaan* and *Jahaan*, and opened the economy in a phased manner. However, State Governments have been implementing short lockdowns in red zones and hotspots leading to a ban on activity other than essential services. This has led to disruptions in the supply chain thus delaying the industrial recovery. At Bosch, we are aiming to strike a balance between health and well-being of our associate while ensuring business continuity. In this regard, Bosch inaugurated the automated mask line on June 22, 2020, at our Naganathapura plant. The line will manufacture up to one lakh masks per day and we will be giving two-third of these masks free of cost to COVID warriors across India and these are to Government COVID warriors, not only in the eight States that Bosch participates in, but also all the metros. Also, we are doing ventilator repair projects approximately 125 ventilators will be repaired and these are being scaled up now due to the increase in demand from hospitals. As a caring and concerned employer, Bosch has also set up a special COVID Care Centre with approximately 150 beds mix of internal and external facilities across locations for its employees, and you are aware that Bosch is a socially responsible and value-driven company, and we will continue to make our commitment to the nation for COVID-19 where we have already pledged 50 crores fund.

Automobile industry was already reeling under the pressure, 2019 has been deeply impacted by COVID-19. It is projected that the industry will be pushed back in certain sectors to 2009 to 2010 levels, however, we see some positive signs in industry and either gradual recovery or strong demand, example, we see a strong demand in tractors and good recovery in auto. Tractor segment both retail sales and production is expected to be steady, leading up to a good monsoon right up to the beginning or middle of November, and we see a clear pent-up demand including we see a clear Government focus in Agri. The demand for compact passenger cars will also start picking up for the festive season and recovery is expected to shift from the preference towards personal over shared mobility. Of course, as we have mentioned heavy commercial vehicles will remain sluggish and will have a slower improvement rate and trade demand due to the reasons indicated before. At Bosch Limited we have embarked on a transformation journey well before COVID started. The Government is clearly committed to bringing down the dependence on oil imports and hence there is a need for increased share of electro-mobility. We believe at Bosch that the ICE or the internal combustion engine will continue to dominate other segments. If you remember, we had already mentioned that up to 2030 we still see ICE to be 80% in India and 20% as EV at max.

Bosch is following the 10:3:1 approach where we have said that if 10 people are required to work on diesel, three on gasoline, and one on electro-mobility. We will continue with our programs of deploying, restructuring initiatives under our 3R program of reskill, redeploy, and restructure.

We have made provisions to the tune of approximately 800 crores till date for various restructuring initiatives. As we speak with you right now, around 1000 workmen are currently availing benefits under this program this year itself. Costs we had also done a few hundred last year. We believe the benefits are much better than the industry average that we have given to our colleagues keeping in mind the Bosch way of doing things of care and concern for our employees. These restructuring initiatives while they are cost intensive have a very clear plan in our transformation journey and have a payback period of just five to six years and these are very necessary for making Bosch Limited fit for the future. Under these challenging market environment, our short-term focus is our cost containment on conservation of our liquidity position and we have decision to reduce and keep CAPEX only for the essentials and we are reducing CAPEX approximately by 50% for FY '20-21. However, our long-term focus as I mentioned before for India remains positive while we will have a turbulent '20-21 for the industry and improvement looking forward for '21-22.

We are continuing to invest in Bosch Limited as a tech agnostic neutral technology provider and we are investing in our new age topics like electrification and mobility solutions and with more announcements to come in the future. Upgradation of infrastructure and ecommerce will also play an important role, and this brings opportunity to our company's beyond mobility division where we are dealing with building technology, consumer goods power tools, and including in our mobility area of aftermarket.

Thank you for your contribution and thank you for listening patiently through the call and we would now address your queries. Over to you, Mr. Jayaraj.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: Thanks for the opportunity Sir and I hope the extended Bosch families are keeping safe in this environment. My first question was on the gross margin movement this quarter, we had a 3.8 percentage point slippage on a sequential basis, just wanted to understand how much of this is because of the BS6 cost transition pass-through impact on the percentages and how much of this is because of the lower business activity which should kind ideally reverse out as we go forward, if you can just help us with that Sir?

Soumitra Bhattacharya: Pramod, first you have understand that our reduction in turnover is marginally better than the market reduction and if you see the market reduction in the first quarter, just if I take two



BOSCH

Invented for life

*Bosch Limited
August 11, 2020*

wheelers out it is 78% for the production which is what we try to focus on and our reduction in turnover is 64%, that is first point. The second point is this quarter for any industry including Bosch Limited you cannot compare sequentially or with previous quarter. This is an exceptional quarter in the history of India and also in the industry of automotive. April was a complete shutdown, May was a very slow start of a recovery, and June it was limping back and July has been decent, so if you look at just the production figures, Pramod, for all the sectors other than two wheelers, the quarter April-June had a minus 78% reduction and July had a minus 34 reduction, so if we try to analyze you will find it very difficult. I end by saying just two things, please look at our costs, they have had a steady reduction and though we could not keep it completely variable to our massive fall in the turnover which no company can do, the reductions in personnel, in other expenses have been pretty good. Second, please have a look at our bottom line without exceptional item where we broke even and going forward for the future quarters, we believe specially seeing certain segments like tractors, two wheelers, and hopefully with compact cars coming back strongly, we believe those quarters will be better.

Pramod Kumar:

Fair enough, Sir on the related bit on the cost side, now the fit for future charges now total of up to almost 10% of our last four quarter revenue where we have kind of provided for almost 800 crores or Rs. 8 million, just wanted to understand is there a timeline you can put to actual how many quarters more will be seen because this is basically employee and other expenditure moving from the above EBITDA line to the exceptional line item, so if you can just share because this has kind of become a norm now, last five quarters we are having these exceptional charges quarter after quarter, so if you can just help us understand is there a timeline you have wherein by after which you will not have this lumpy exceptional item?

Soumitra Bhattacharya:

Pramod, for the fiscal year I can only say there may be max a quarter or two most likely one more quarter, but most important that you must understand, Bosch as an ethical and conservative company we have created our provisions where we are both doing care and concern for our employees and our business, so when I say 1000 workmen you can imagine with a payback of five to six years and with this change in the restructuring, the future situation for Bosch Limited is going to be far, far stronger. Second, Pramod, you must remember we started our transformation journey well before COVID, so in summary we are doing a focused look at restructuring, reskilling, redeployment. We have done a few hundred last year, already this year we have done a 1000 and we will announce later as we come forward. In this 1000, half of them have already taken the package and half have applied for it, and lastly, with a payback of five or six years you can understand the company is going to be far fitter and far stronger, so this is where we are, it is a very clear game plan and we are biting the bullet in a planned way and we are steady and good in our cash reserves.

Pramod Kumar:

Fair enough Sir, and final question on the liquidity side, you did stress on focus on conserving liquidity in the current environment as the clear target, so given all that is it fair to assume that as investors one should not expect a buyback which we have done on past few occasions at least

for the foreseeable future should not we expect it given the state of the business and the state of the industry?

Soumitra Bhattacharya: Pramod, first of all I think I will twist the question to say are we ensuring liquidity and looking at cash conservation, the answer is yes. We are highly focused on free cash flow and we are ensuring while we have a decent cash reserve, we are ensuring that even this year we are cash positive. Second, regarding future guidance, I would not like to venture while there is no current plans, I would not like to venture.

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

Sonal Gupta: Good Afternoon Sir, just in terms of the demand outlook like you pointed out, but I mean could you give us a sense of we have talked about a lot of gains on the BS6 side in terms of, so could you give us a sense of how that is panning out and there was also some comments a couple of calls back on the construction equipment space and that was going to be a big opportunity where things have been pushed out by six months, so could you just talk about how we are looking at this BS6 and how the revenues could sort of held up during the course of the year?

Soumitra Bhattacharya: Sonal, we had given a number which you have already in the Auto Expo, we have talked about the BS6 acquisition for the period 2020 to 2025, which is the acquisition phase of around 24,000 crores plus, now that was a pre-COVID number, so while the acquisition projects all hold good and we have further acquisitions in 2020 happening, the post-COVID stage with the numbers in the market coming down, the 24,000 looks more like 18,000, but now the moment the market recovers, again the 18,000 will look differently and go up so I think you have to first appreciate and understand this was an all-time high on acquisition, it is a very holistic acquisition when the market depends very strongly on Bosch Limited to take us through the BS6. We are bullish since the pricing in BS6 has been very, very decent and just incremental as compared to BS4, and finally, we see certain shoots of recovery and if that continues in '21-22, the same numbers will look further positive and Mr. Jan Roehrl who is the Chief Technical Officer and responsible also for powertrain, his team is working on the remaining acquisition for this year also in 2020 which we will announce later.

Sonal Gupta: Just on that 24,000 crores versus 18,000 crores, what is the average lifetime of the contracts we are looking at typically?

Soumitra Bhattacharya: You normally look at acquisition period of five to six years, which are foreseeable and really calculable and sometimes it could be a little lesser, sometimes it could be a little more but in the region of five years or so.

Sonal Gupta: Okay Sir, I just was trying to get what is the CAPEX number for this year?

Soumitra Bhattacharya: CAPEX I have already told Sonal, Bosch does not look at quarterly results only, we are continuing our CAPEX on our must-have projects. We are investing steadily in electro-mobility, we are investing in data lake including on our cloud working, so you know we have the project house mobility solutions and services, and we also have CAPEX on select areas which we are investing in including our Adugodi project, so 50% down overall compared to our plan, but on essential areas continuing to do it.

Sonal Gupta: So it should be somewhere in the range of 2 to 2.5 billion I mean like that should be this number?

Soumitra Bhattacharya: You can back calculate on an average CAPEX that we do.

Sonal Gupta: Sir, just last question was on your 10:3:1 approach, could you sort of shed some more light here, I mean is this sort of like also closer to, EV is obviously starting right now, but 10:3 would be sort of diesel to gasoline revenue mix also?

Soumitra Bhattacharya: No, I did not mean 10:3:1, it was meant directly on direct workmen on the line and that is why I talked about the 1000 people, so Sonal it has to be understood that if you need 10 people to manufacture diesel, you need three people for gasoline and one for electro-mobility, and this is about people, this is not about margins or turnovers or values or anything and it is for this reason well before COVID while knowing that ICE will still remain dominant and while being catering for electro-mobility for the future, we are reducing our spans and controls both in white as well as in blue collar and in workmen we are this quarter announcing that we have done a restructuring but in a very, very humane, fair and caring manner including for our colleagues to have regular income flows and possibilities for future employment, and while ensuring that the company becomes far tighter and including getting the benefits within five to six years.

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

Pramod Amte: First one is since this is the first quarter where you had gasoline NIMs going through the revenue stream, so would you give some sense about what was the mix of gasoline, what is the growth and what is the customer response to your gasoline products?

Soumitra Bhattacharya: We do not give customer mix and product mix, but current state of gasoline I will hand over to our powertrain CEO as well as CTO, Mr. Jan-Oliver Roehrl.

Jan-Oliver Roehrl: Quick comments from my side, we have six portfolio at the acquisition, and this was given by our MD pre-COVID and post-COVID, of course not limited to diesel but this is including also the gasoline part of it there. By the way, this is not the only four wheeler, but is of course also two wheeler for which we have of course also holistic system solutions and management systems and the launches have started in time, all the customers we have a quite good response from the market with regard to the not the takeaway in this regard, but predominantly it is the quality of



BOSCH

Invented for life

*Bosch Limited
August 11, 2020*

our product and the system solutions that we provided, so from that perspective there will be a fixed acquisition materializing now in sales as the very low market demand, that market demand is of course by people who are buying these cars while what we see a little bit in the recent weeks that we have high plying **(Inaudible) 30.05** simply by the fact that the BS6 transition happened in the middle of the lockdown April 2020, where nothing moved within India and so the production came through a complete standstill hence there is may be a pent up demand in that regard but no link to the production pipelines and dealers network and this is going to **(Inaudible) 30.31**.

Pramod Amte:

Thank you. The second question is with regard to the manpower deployment you said for diesel versus gasoline and EV, is it also because the complexity of the system reduces and hence you need to deploy lesser and what will be the further repercussion in terms of value addition if you have to capture the way the manpower reduces for each of these segments?

Soumitra Bhattacharya:

Look Pramod you must understand this ratio that I have spoken is a ratio which is spoken worldwide not just in India including our parent of the 10:3:1. This is a simple equation based on in diesel how many parts do you need as compared to gasoline where the number of parts are far lower and then when you look at electro-mobility in a vehicle, so it is as simple as that, so it is not very complicated this 10:3:1. The diesel is relatively in terms of machining, in terms of parts production has the highest intensity relative to the other two, so keeping that in mind and keeping in mind the mix change for the future and keeping in mind that you need far higher productive work forces, you need leaner workforces, you need simplified automation, and most of our factories are industry 4.0, we are right sizing our factories. It is a part of our transformation story and yet we are doing it in the Bosch way, which is doing something, which is far better than the mean of the industry standards and taking care of our people also for their future livelihoods and of course their financial flows, so short point this 1000 people that we talked is not just an end point, it is part of our restructuring of our core of re-jigging our adjacencies and launching of new edge businesses including having brought electro-mobility and mobility solutions into the listed company and I mentioned that there are a few more announcements which will happen in the near future.

Moderator:

Thank you. The next question is from the line of Priya Ranjan from Antique Limited. Please go ahead.

Priya Ranjan:

Thanks for taking my question, first of all congratulations for industry beating number, so if I have to dissect that I mean as you pointed out that around 78% of the production decline was 78% and 64% is your decline, so if I have to dissect that how much do you attribute into the 14% outperformance to industry, is how much attributable to the new businesses which you have announced before during the pre-lockdown or post-lockdown and how much do you attribute is to the content gain because of BS6, that is question number one? Second question is on the particulate matter if that happens in gasoline, which is I mean there is lot of talk on that so if that

happens then what will be the kind of content gain or content requirement will happen in the gasoline side?

Soumitra Bhattacharya: Okay, particulate matter you are asking in relation if diesel has a certain norm, what is the gasoline, the second question will be answered by our CTO. The first question I will quickly answer, Priya Ranjan, our adjacencies like mobility solutions or our electro-mobility that you are aware we started a couple of years ago, so that is going on track. Now, you need to compare directly the industry, directly with our core in its original form or rigid form and you know in the core we also continuously change our core example we did a major mix change between BS4 to BS6 where we had very high levels or record acquisitions, so in that relation I had mentioned to you different segments of the markets will come back at different periods of time, some may take four to five years to come back to the peak of '18-19, some may take two years, example today tractors we are seeing, earlier we were seeing tractors in '20-21 we would be 4.5 lakhs, now we are seeing tractors is likely to be 6.5 to 7 lakhs and the peak was 9 lakhs, and you know Bosch Limited has a strong say in tractors, so different segments we will see different recovery levels depending on different intervention. In tractors, the intervention was monsoon, Agri focus, Government focus, MSP. In two wheeler the focus is on regulation change, but more importantly due to COVID, people want individual mobility rather than shared mobility and compact cars may also happen. Now, if the Government gives a scrappage policy then we will see a major change in HCV and LCV even perhaps pass-cars. If the Government gives a GST reduction from 28% to 18%, we will see a different change in the off-take and consumption, so we in Bosch want to come back a year or two before the market to the peaks of '18-19, so I think we should leave it with that and that is our focus and one part of the game is the transformation journey where we are putting the optimal money for the restructuring where we are also changing the face of the company as I gave an example.

Jan-Oliver Roehrl: I am not 100% sure the answer to the question so as far as it goes about to what extent the particulate matter emission norms are the one or the other power train is compared to gasoline, so first we have to acknowledge that on the diesel side we have two dominants initial criteria is NOx **(Inaudible) 37.48 are invest and (Inaudible) on emission criteria** but also I would say from a public reputation of the diesel completely will BS6 and that is by the simple fact that with regard to particle matters, we have diesel particle filter as standard for all passenger cars, commercial vehicles, customers who have lock in with Bosch, I cannot speak about competitors but for us I can 100% confirm that. Now on the gasoline side the emission criteria are looking a little different dependent on the **(Inaudible) 38.33** system that you find here, there we have a port fuel injection which is in India still the biggest for the market and we have gasoline direct injection which is related to a far higher pressure and direct executor. For the latter one, we are working dependent on the pressure of the system also with the gasoline particulate filter while for the port fuel injection which is in India again the mainstream of the market still, this is not the case because it is not quite as per the legislation, so as we have different approach and different strokes for different folks, so 100% diesel particulate filter, port fuel injection not

required as per the emission criteria and gasoline direct injection, we are working with gasoline particulate filter dependent on the pressure of the injection system.

Priya Ranjan: Related to that when I go back to say or when I look forward, I mean in RD do you feel that I mean even say smaller car might require GPF, gasoline particulate filter because if we assume that the conformity factor is probably 1.4?

Jan-Oliver Roehrl: My perspective is that independent of the technology that we use, we should have the same emission criteria and also similar to the same limits and then it is exactly what we are seeing from a BS6 perspective and also if you look into what is happening in Europe with discussions about Euro 7 then these criteria and the limits to these criteria they are converging so that the technological approach to resolve the emission criteria gets also more and more similar, again dependent on what you choose as a technology and again if you ask me about the compressed natural gas, it would look again different because the question at the end what kind of fuel you also burn, but yes in a sense of that if we are going forward in India moving also towards more and more gasoline direct injection, we will also see more and more gasoline particulate filters. Your assumption with regard to the conformity factor is still an assumption because we do not know yet how the IRDE regulation will be looking like whether this will be in 2023 a conformity factor of 2.1 or conformity factor maybe of even 1.43 as you are quoting it, but either way our customers are very well prepared together with us to meet these requirements with the least necessary effort.

Soumitra Bhattacharya: I just want to say one sentence, I think the main message which our CTO is saying is that Bosch is well prepared to meet the roadmap that India Government has laid down and we wanted to continue because that gives credibility to India and we have partnered with our customers earlier and we will continue to partner and we will continue to give affordable innovation.

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

Jinesh Gandhi: Sir, my question pertains to the supply-side issues, we believe there were some issues on the fuel injection system for tractors, has that been resolved?

Soumitra Bhattacharya: Yes, our CFO will answer the supply chain.

S. C. Srinivasan: Yes, due to the lockdown situation in the early part in April, of course everybody was having problems and shutdowns and subsequent to that our issues of migrant labor and we also had some slow start-up in our plants, I think by and large these are now resolved. In the month of July, we see a much better situation and of course there will be hiccups in certain elements of our supply chain, but all of these are being monitored very, very closely.

- Jinesh Gandhi:** Okay, because most of the tractor companies have indicated that in July there was breakdown in supply so now it is back to normal in August as we speak or there is still some niggling issues here or there?
- Soumitra Bhattacharya:** We are pretty much at normal.
- S. C. Srinivasan:** Yes, right from second half of July things have improved significantly, in August we are at normal.
- Jinesh Gandhi:** Secondly, because of the BS6, this quarter being the first of BS6 supplies in a big way, has RM cost is higher also because of the higher import content, would that be the right way to look at it, traded content?
- S. C. Srinivasan:** I think, yes, as we said in the last con call as well with BS6 some of the exhaust gas systems are currently being imported because and as the volume pickup, the localization program is already set in place and they will be manufactured in India as well in the coming years.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Sir, Good Afternoon and thanks for the opportunity, just the 24,000 crores of BS6 acquisition I believe this is a gross figure, so just wanted to understand what gives you a net figure of incremental revenues that we do because of BS4 to BS6 transition?
- Soumitra Bhattacharya:** Shashank, this is a standard way of expression in the market and based on the acquisition of a defined lifetime and I mentioned to you that defined lifetime is anywhere between five to six years though it may continue for longer and acquisitions are based on a certain volume and all of us know pre-COVID, the volumes for automotive market in India got very different post COVID, so I will just give you two numbers of 24,500 and 18,500 crores and I think beyond that we do not need to look as the volumes for the pickup then this 18,500 will go up. It just gives you an indication, Shashank, on a very high level of acquisition where Bosch has partnered with customers in a holistic end-to-end way and further acquisitions are continuing.
- Shashank Kanodia:** Sir, we must be present with the customer prior to BS6 as well right, the same line of business, so I was just trying to understand what incremental businesses does it give it to us, incremental business?
- Soumitra Bhattacharya:** Shashank, we do not dissect it that way, this is the BS6 additional business that we have got. We may not have got this also, it could have gone to other competitors, it just gives you a direction for the years to come of assured business based on pre-COVID or post-COVID that is all.

- Shashank Kanodia:** Secondly Sir, there is a going talk globally about hydrogen cells being the cheap alternative to electrification so any views on this, can it kind of we have big industry going forward and will it kind of overtake the entire thing?
- Soumitra Bhattacharya:** Overtake I doubt very much, but I give it over to our CTO.
- Jan-Oliver Roehrl:** Okay, so that would be may be more in full panel discussion, now the question, but I will try to keep it very short, hydrogen or the combustion engine or **47:38 (Inaudible)** these are the two options that you have. The advantage of hydrogen is of course that you do not have any carburetor inside hence you do not have any CO2 emission, but you only have kind of water at the end after the combustion process, but you have a lot of challenges along with that and these challenges have to be addressed. From an engine perspective but and this is then the point as well for any kind of future, the question is always how you produce the hydrogen, so do you do it **(Inaudible) 48.17** for example, are you using coal even for that, so either way would be post energetically but also from a perspective of CO2 target achievement, not a very smart way and as well, it is still quite expensive so for 1 KG of hydrogen you can easily rate €8 to €9, so hence for India I do not see this in the very near future.
- Shashank Kanodia:** Just one last, if you can share the breakup of revenues between CV, PV, and two wheelers, and between CV, MCV and LCVs?
- Soumitra Bhattacharya:** Shashank, we do not give breakup but I can tell you HCV is at a very low level having the pipeline filled last year at March and the year '20-21 HCV movement unless there is a scrappage policy is not going to be massive with hopefully demand coming back in '21-22.
- Shashank Kanodia:** Sir, I was referring to your share of revenues last probably FY '20 if you can give some?
- Soumitra Bhattacharya:** We do not break it up, Shashank, on revenues either customer wise or segment wise, we tell you on mobility and beyond mobility and this we have already mentioned I can repeat it if you want.
- Moderator:** Thank you. The next question is from the line of Priya Ranjan from Antique Limited. Please go ahead.
- Priya Ranjan:** Thanks for taking my question again and my last question is on the what do you see different States like say Delhi and earlier Telangana has launched this electro-mobility roadmap, so what is your thought on electro-mobility roadmap between different segment and with the freeway kind of structure coming up different segment, do you see that the cost of acquisition of **(Inaudible) 50.29** and vehicle is also going up, so that will automatically get switched to electro-mobility side, your thought on that like recently just Delhi Government has announced it and before that I think Telangana has also done?

Soumitra Bhattacharya: Priya Ranjan, whatever we mentioned before holds good. If you remember when we had the Global Summit on mobility called MOVE where our Bosch Global CEO had given a keynote address and also Mr. Kant quotes that because Bosch always talks agnostic neutral technology and not linked with our company. It was stated very clearly for a country like India, the electrification process would start with two wheelers and three wheelers because that is cost-effective and also effective from battery which is nearly 60%-65% of the cost of the vehicle and if later things improve, it can go into buses not intercity, intracity, example NCR, New Mumbai, Ahmedabad and so on and so forth and when pass-cars comes into play it is going to be fleet. Now, in fleets of course now shared mobility is having a question mark, so basically in India it is going to start slow, it has to be competitive and it is going to start with two wheelers and three wheelers. Now different States are positioning themselves in different ways, but we do not see a direct roadmap right now on EV for pass-cars at individual level making a very big dent as a percentage of the total market which had peaked at 4 million.

Priya Ranjan: Related to that, what kind of roadmap do you see for Bosch Limited to go forward in terms of I would say as you mentioned in terms of workmen 10:3:1, so what kind of revenue roadmap we can see in the next 10 years?

Soumitra Bhattacharya: You know that we announce only after the OEMs announce and we have already announced that for the two wheeler, we have already worked and launched with Bajaj the Bosch system and also TVS. In three wheelers we are good to go, but when the OEM announces, we will announce, and right now we already told you 80:20, up to 20:30 and keeping that in mind unless there are interventions, example direct incentives beyond FAME 2, it will take its normal course on being price competitive, currently there are challenges on affordability. However, final statement we are preparing ourselves to be far tighter in what we do and far more efficient and far more productive, and therefore, spans controls including headcount. We have evaluated and that is the part of the transformation story, one small part but an important part and since all of you had questions regarding exceptional items, I give you that example of the 1000 people.

Priya Ranjan: Last one, Bosch globally also does some with the battery, so any thought on putting or investing in batteries in India as well?

Soumitra Bhattacharya: We will make announcements at the right time on what we do. Already, I have told you we are doing different models within Bosch Limited and you know that we are bringing in various elements in Bosch Limited and there will be some announcements in the future, however, I can tell you worldwide we have decided not to do cell manufacturing, but Bosch is very strong relative to the battery including 48 volts and when and if we do we will let you know.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints we take the last question from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Sir, Good Evening, thanks for taking my question, thanks for your elaborate answers for the prior questions, my question is on the aftermarket, how has the aftermarket behaved in the first quarter and are you seeing a sharp improvement in the aftermarket given some reluctance to buy newer vehicles also there in different segments therein and post BS6 as the BS6 volumes improve, do you see more acceptance for Bosch products in the aftermarket?

Soumitra Bhattacharya: Of course aftermarket all India basis is not having a major positive growth nor are we. It is of course nowhere near this steep degrowth that you see in the market on automotive, so we feel in an acquired way positive that this year we should be improving on our aftermarket while we do not see that there will be any major massive growth in the industry in aftermarket, it will definitely not be the negative growths that you currently see in the automotive market. What we have improved in aftermarket is reach. We have looked at secondary and tertiary levels, we have looked at improving our supply chain and we are finally looking through our field representatives on the final sale including the garage mechanics of what we call *ustad-ki-ustad*, so our focus has also been to go digital and because of the pent-up demand we see in different sub-segments within aftermarket a very strong demand and Bosch has a good brand name, so overall we see with our strategy that we have put in aftermarket that we will relative to the past years have improved bounce back, but what you cannot beat is, you can be better relatively but you cannot beat the industry and say that you will have a major positive growth whether industry in 2021 is going to go through a massive degrowth.

Shyam Sundar Sriram: Understood Sir, thanks for that. Sir, on the two wheeler side, one OEM has launched with the electronic carburetor, so is there any rethink among the major two wheeler OEMs to either introduce e-carburetor variant and will that mean any reduction for our business per se, any thoughts on that?

Soumitra Bhattacharya: I will add one sentence and hand over to our CTO, you see this is a very controversial topic, so we are not going to name any names who are doing e-carburetor but we are clear that the route that we have taken and which is not the e-carburetor is meeting all emission norms under any condition and we also know that we are giving a superior product with a very affordable solution, over to our CTO.

Jan-Oliver Roehrl: As MD said already we do not see that e-carburetor is a robust solution to meet the emission criteria in a normal used case for two wheelers while there is no IRDE regulation for two wheelers, but we as an ethical company not only trying but achieving targets that are set for normal use cases in the power train domain, we will not follow that path and we also do not see that this is system solution that would sustain also in the Indian market.

Shyam Sundar Sriram: Understood Sir, so you think there is no major rethink among the other two wheeler OEMs, that is what you see in your trend?

Jan-Oliver Roehrl: The mainstream is EMS for BS6 and I do not see this change, while of course we all have this whole industry to work on the EIV measures to not only market and policy requirements, but also customer requirements to get best value product.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Annamalai Jayaraj for his closing comments. Over to you, Sir.

Annamalai Jayaraj: I thank all the participants, we thank Bosch Management for taking time out for the call and providing us the opportunity to host the call, have a good day.

Moderator: Thank you. On behalf of Batlivala & Karani Securities India Private Limited, we conclude today's conference. Thank you all for joining and you may now disconnect your lines.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies.

This transcript is provided "as is", without express or implied warranties of any kind