



“Bosch Limited Q1 FY2022  
Post Results Conference Call”

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**ANALYST: MR. ANNAMALAI JAYARAJ - BATLIVALA & KARANI  
SECURITIES INDIA PRIVATE LIMITED**

**MANAGEMENT: MR. SOUMITRA BHATTACHARYA - MANAGING  
DIRECTOR - BOSCH LIMITED  
MR. S C SRINIVASAN - JOINT MANAGING DIRECTOR &  
CHIEF FINANCIAL OFFICER - BOSCH LIMITED  
MR. GURUPRASAD MUDLAPUR - CHIEF TECHNICAL  
OFFICER - BOSCH LIMITED  
MR. RAJESH PARTE - COMPANY SECRETARY &  
COMPLIANCE OFFICER - BOSCH LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Bosch Limited Q1 FY2022 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you and over to you Sir!

**Annamalai Jayaraj:** Thank you Mallika. Welcome to Bosch Limited Q1 FY2021-2022 post results conference call. From the Bosch management we have with us today Mr. Soumitra Bhattacharya, Managing Director, Mr. S C Srinivasan, Joint Managing Director and Chief Financial officer, Mr. Guruprasad Mudlapur, Chief Technical Officer and Mr. Rajesh Parte, Company Secretary and Compliance Officer. I now hand over the call to Mr. Bhattacharya for the opening remarks to be followed by question and answer session. Over to you Sir.

**Soumitra Bhattacharya:** Thank you very much Mr. Annamalai Jayaraj and to your company for hosting us for so many years. I would like to thank each of you for attending this call and I hope you are doing well and are keeping safe along with your families. Let me start giving you a small brief on the macroeconomic and policy highlights for the quarter which affects our business. India’s second wave on COVID-19 has abated though of course there are high concerns about the risk of the future waves that is COVID wave three. Consequently mobility and activity have become to normalize from middle of June, RBI in its June policy has revised a growth forecast slightly lower for the FY2021/22 to 9.5%. Most recently the IMF or International Monetary Fund has also cut its economy growth forecast for India down to 9.5% for FY2021-2022.

Now of course you must remember this is against the previous fiscal year of -7%. Meanwhile inflation continues to rise largely attributed to the supply site inflation. RBI in turn is overlooking and for now is rightly focusing on growth revival. Fiscal risks continued to persist given the slowdown in growth after the second wave and the government’s disinvestment plan continues to be key for execution. Finally, India’s external account remains healthy with record forex reserves. With this background let us look in the automotive market development in the last quarter.

I am going to compare today the results and the results means April to June 2021 with January to March quarter of 2021. The reason is April to June 2020 we had this very deep COVID and the nationwide lockdown and therefore we believe that it is incomparable.

Overall automotive market production in the current quarter compared to January to March 2021 declined by 35% including two wheeler segment, production across segments were weak impacted by localized lockdowns and curfews. Heavy commercial segment declined by 50% largely due to COVID restrictions, high inventory, low fleet utilization and the recovery in the segment is expected to gradually improve from Q2 FY2022 as the lockdown has been taken out.

Passenger car segment declined by 24% however remains better as compared to other segments driven by the preference for personal mobility and we do see a lot of demand right now for passenger cars. Tractor segment also declined by 16%. Slowdown in demand is seen due to the impact of COVID-19 in rural India. In June 2021, tractor segment witnessed again a strong demand due to the timely and expected above average monsoon and increased minimum support price. LCV segment declined by 35%, LCV demand was also impacted due to restrictions in e-commerce in many regions which were under lockdown.

Two wheeler segment declined by 38% mainly on account of high inventory at dealer during COVID-19 wave two and two wheeler sales improved in June 2021 aided by recovery in rural and semi-urban areas when dealers opened up. Along with other market segments, three wheeler segment declined by 22% due to lower demand for shared mobility amid lockdown led restrictions. All of us know three-wheeler has been very badly affected because of the shared mobility concept.

On the beyond mobility segment, the second wave of COVID-19 impacted operations in the infrastructure segment. While gradually unlocking commenced in the month of June 2021, positive traction can be anticipated in the forthcoming quarter. Now that we have set the context let us look at how Bosch Limited has performed in April to June 2021 for this quarter compared to the quarter again I repeat January- March 2021. Revenue from operations for April-June 2021 was 24435 million that means Rs.2444 Crores which declined by 24% as compared to January-March 2021. Product sales of mobility business sector declined by approximately 23.6% and the business beyond mobility sector declined by 37.9% due to the reduced turnover on account of COVID-19 lockdowns.

The domestic sales for April-June 2021 as compared to January-March 2021 declined by 27.5% whereas the mobility business sector declined by 25.6% and the business beyond mobility sector declined by 38.7%. Let me talk about other operating income. Sequentially other operating income increased by 296 million which is due to the annual impact of reclassification of provision write back to other expenses in January-March 2021. Our material cost as a percentage to total revenue from operations has decreased to 58.9% in April-June 2021 from a figure of 61.4% in January-March 2021. This is mainly on account

of product mix, cost reduction measures, with our suppliers, partly offset with capex impact on trading goods. Our employee cost has increased from 1351 million to 2706 million in April-June 2021. This is mainly due to the one time impact of reversal of excess wage settlement provision and reversal of employee retirement liabilities in January 2021. So colleagues this is a very important point we cannot compare the employee cost of this quarter compared to the past because of this reversal. However by the way colleagues you must be happy to know that we in Bosch Limited has systematically reduced the employee cost.

Other expenses have declined by 12.5% sequential from 4892 million to 4281 million due to reduction in volume, reduction in administrative expenses and budgetary control measures. Sequentially operating profit has declined from 5270 million to 2395 million, this is on account of decline in revenue from operations due to partial lockdowns in many parts of the country during April-May 2021. Sequentially other income has also decreased to Rs.990 million in April-June 2021 from 1171 million in January-March mainly because of lower interest income.

Coming to now PBT and PAT. In the quarter ended June 2021, the company posted profit before tax of Rs.3353 million as compared to 6400 million profit before tax in January-March 2021. As a percentage of total revenue from operations, profit before tax stood at 13.7% in the current quarter as compared to profit before tax of 19.9% in January-March 2021. Profit after tax for the quarter ended June 2021 stood at 2598 million which is 10.6% of the total revenue from operations. At Bosch India we started our vaccination program across all our locations once the government gave us the go ahead to do it. I am happy to share with you that Bosch Limited around 90% of the employees as well as their family members have been vaccinated free of cost with more than 30000 inoculations which have been completed. You will be happy to know most Boschlers by end September will have been vaccinated with both jabs.

We have extended the vaccination drive also to our suppliers and partners on need and request basis. This has ensured that we will be able to continue with the production without any major disruptions as well as our care and concern for our associates and protecting the health and the well being. Many OEMs had to shutdown their manufacturing plants during this period and were affected due to the lack of oxygen availability for medical purposes as well as for the local communities. Bosch Limited reacted to this crisis in a swift manner by investing in multiple captive oxygen manufacturing unit to mitigate the risk of suspension of manufacturing operations on one end and using the excess capacities of these oxygen generator plant to support the local medical infrastructure and people including common citizens as we anticipate a third wave soon.

Digital enablement in the business in Bosch India received a big boost with successful completion of the digital rupee journey by our project house mobility solutions and services. The mobility store achieved the much awaited milestone of two non-Bosch entities transacting on the platform via API consumption thereby achieving the goal of a market place business model. How does the outlook look to us, as I speak to you, the supply chain issues across the world in a global scale continue to worsen. This coupled with the uncertainty linked to the third wave of COVID-19 pandemic, forces us to take a cautious approach for the rest of 2021 and FY2021/2022 with vaccination of the public at large being our primary hope. Restoration of normalcy in global supply situation is being closely assessed and addressed on top priority. Amidst the crisis Bosch India will continue to do its investments to develop solutions, design in India, for India, our long term strategy is to shape the market place in technologies with innovative products, affordable products and solutions in the area of pace - personalised, automated, connected and electrified.

Our project house mobility services and solutions has developed the mobility cloud platform to participate in the mobility life cycle business in India. In electrification, we are working on creating a fit for market portfolios, example low voltage, powertrain products for light, e-mobility as well as e-LCVs. The investments and partnerships, namely the Routematic and SUN mobility respectively are small, but important step forward to us future proofing Bosch in India with new age solutions and business models. We are upgrading our infrastructure and e-commerce and we will play a big role post COVID in the world. Infrastructure and workplaces need to become smarter. This will bring opportunities for the companies beyond mobility divisions, dealing in domains like building technology, example AI based cameras, energy efficiency and management, example energy efficiency solutions and power tools which are affordable, localized as well as connected. Overall the company is looking forward to securing its future, through focus on operation excellence and moving forward with strong technological advances and investments not only in capex, but also in people. Thank you for your contribution and for listening patiently throughout the call and I would along with our team, our CFO and our CTO would now like to address your queries. Your questions please.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

**Ravi Purohit:** Thanks for taking my question. Sir, I had two questions. One was in our press release today, we had mentioned about growth in two wheeler business, so this is one of the more promising businesses in our product and business basket India, so is the change in BS-VI has come about 150cc bikes, so if you could just share the kind of opportunity that we are

looking at in the two wheeler space for this 150cc plus bikes from the fuel injection system going from carburetor to fuel injection system and also if you could spend time on the opportunity that we are looking in two wheelers from electric vehicle point of view in the range of what is the addressable market that we have in this what kind of right to win do we enjoy in this, this is the first part on the two wheeler side and the second question is on the exports front. For the first I mean many years we have seen some change in our tone in the annual report and focusing on exports and creating India as a global manufacturing hub, so historically we have always maintained local for local philosophy, so is there some change in that philosophy and if you could just spare some more time for us long term investors to appreciate and understand what this means for the company and the prospects of the company going forward. Thank you. Those are my two questions.

**Soumitra Bhattacharya:** Thank you Ravi for both questions, the two wheeler and the exports. Ravi for you, but also for other colleagues I will be requesting my colleagues, CFO and our CTO to be answering the questions with me, so I will start off with our CTO on the two wheeler business and then followed by our CFO on the exports and aspects.

**Guruprasad Mudlapur:** On the two wheeler business I think we see a very good opportunity here and this is part of it. It has already materialized. On the two wheeler conventional products, the combustion engine products, we know that fuel injection control units becoming now the norm, so we have a very large market for that Bosch has the market leader today. In addition to that as you all know the ABS systems in two wheelers have become a norm and that also opened up a very big opportunity for us, so both fuel injection systems and ABS form huge amount of new opportunity in two wheeler system for us. On the electrification, the market is still new, but you asked about how do we size this market. We believe certainly 10% market share in the timeframe between 25 to 30 would be in appropriate one in the context of India and we are preparing for that, so you have seen a lot of action in the two wheeler electrification space lot of OEMs coming in, lot of new players coming in and this also presents us very good opportunity to showcase our complete portfolio. We are already supplying two wheeler electric motors and batteries to the biggest OEMs in India today and we will continue to support all OEMs and new players with our complete portfolio for two wheelers in electrification.

**S C Srinivasan:** On exports, as you know that over the last two to three years we are going through major transformation in our manufacturing units to make it more competitive. We have completed our restructuring program, we have also benchmarked in terms of our cost competitiveness, we are focusing on productivity as well and as we bring in more investments whether it is industry 4.0, digital and others, we believe that yes, India positioned itself well to be a global manufacturing hub for Bosch worldwide as well. Of course the changes that are

happening in the market place whether it is in ICE, electrification and other technologies with the good cost structure and of course technology and the talent we have we want to be playing in the global arena in terms of being a good manufacturing hub, of course the government is also bringing PLI scheme and others and we are just waiting and watching of course there are important aspects that we have to closely look into to see how we can position ourself for exports from India.

**Soumitra Bhattacharya:** Thank you Ravi.

**Moderator:** Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

**Sonal Gupta:** Good evening. Thanks for taking my question. I just wanted to check Sir one, could you sort of break out the total other operating income this quarter and compare with the last quarter, because I think I missed the number that you said there were some increase in the other operating income?

**Soumitra Bhattacharya:** Audio is very bad, could you slowdown when repeat.

**Sonal Gupta:** I just wanted to check could you sort of break out the other operating income for the quarter and compare it to versus what was the number for Q4?

**S C Srinivasan:** Other operating income if that is your question mainly consists of rental income and some export incentives and others, so this is a very steady income when you compare it with the same quarter of last year of course as MD clarified there is a one time write back impact that is seen but other than that mostly consists of rental income, some export incentives and some government grants.

**Soumitra Bhattacharya:** You have write back that is the one exception, so then it is not comparable. If you take that write back out then it is like to like.

**Sonal Gupta:** Yes Sir, so what was the amount of the write back, could you repeat that sorry?

**Soumitra Bhattacharya:** About 376, then it is like to like.

**Sonal Gupta:** Okay Sir, the other question I had was on the raw material cost to sales that has improved on a quarter on quarter basis versus in March quarter, but is this more a function of the product mix in this quarter or have we been able to pass the commodity price increase impact to the customers?

**Soumitra Bhattacharya:** Our CFO will answer that question.

**S C Srinivasan:** The commodity cost continue to be quite unabated and we do see pressure in commodity cost; however, yes you are right, overall material costs are positive because of the product mix changes. Having said that some of the product sort of commodity cost increases, we are also able to pass on to our customers.

**Sonal Gupta:** Okay Sir. Thanks. I will join back the queue.

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

**Jinesh Gandhi:** My question pertains to the semi conductor shortage which **audio break 22:57**. I will come back in queue.

**Soumitra Bhattacharya:** I could answer that because I think the last we heard, so thanks Jinesh. Your question was on semi conductor shortage. Today I talked to the press and I shared in a very detailed way Jinesh about this matter. You remember Bosch had been the first to share the unfolding crisis which was about to happen quite sometime back. When the COVID wave one hit the world what happened was because the COVID and because of the need for electronics and by the way electronics industry is the dominant requirement of semi conductors. There was a huge capacity requirement by electronics whether it is phones, tablets, pads, laptops, whatever and by the way also automotive industry by and large relies on the semi conductor suppliers and therefore the OEMs depend on the tier 1 who then depend on the semi conductor suppliers and the total requirement by the tier 1 on the semi conductor is a very low percentage. It is not even double digit. Keeping that in mind and with an explosion on electronics and with the capacity which was not there for this unprecedented demand followed further by the wave two and unfortunately Jinesh also with that whole matter regarding store norms, fire, COVID latest Malaysia has been very badly hit with COVID, there has been rapid fire across all industries for semi conductor. This is nothing to do with India across the world, so OEMs are suffering, but today electronics people are also suffering, so if I make a summary we as Bosch India had stated that this is about to unfold, we also made it very clear this is not Bosch related, this is industry related and we had stated it is not just automotive, but it is also electronics and today you can see for the fact that the chip shortage has gone across the whole world and across different industries. Does that answer your question?

**Moderator:** The next question is from the line of Viraj from Securities Investment Management. Please go ahead.



**Viraj C:** I just have three broader questions. If you look at BS-VI, communications has been done we are more of a system solution player versus a product or component or service company, now given this background compared to BS-IV how should we understand content per vehicle for us, so that is part one, first question and just following this the approach, how is the margin or returns typically defer for a system solution as against our product given companies which supplying say fuel injection components, so how does the model really work for, so that is one?

**Soumitra Bhattacharya:** What is the second?

**Viraj C:** I have a related different business segment on aftermarket, if you can...

**Soumitra Bhattacharya:** I will give a brief answer on BS-VI and hand over to our CTO. Look, I had made an announcement when the days were still good in the auto expo of February 2020 that our total BS-VI acquisition over a period of 2021 right up to 2025, 2026 was approximately Rs.22000 Crores to Rs.23000 Crores. Now when the COVID pandemic hit I also mentioned that due to the reduced volumes, the sale acquisition looked Rs.18000 Crores, so summary is Bosch Limited had a very good acquisition with most of our OEMs from conception to SOP where just fructification of BS-VI did not happen in the year mainly in the FY2021 and we are seeing it happening now in 2021-2022 and last part of 2021. So I have also mentioned to you that you will see a higher content per vehicle. We do not give guidance for the future, but I can only say with a higher content per vehicle both in Euro terms as well as in Indian rupees terms and with the good acquisition we are going to ride this crest for the period of BS-VI one and BS-VI stage 2 and of course we will as mentioned by both my colleagues also we are transforming for the transforming world, but over to our CTO. He says that I have finished everything.

**Viraj C:** What I meant Sir that when we say system solution player, would it means that we will be catering to any customer who uses fuel injection component from competing vendor, is that you are looking forward to or?

**Guruprasad Mudlapur:** In general, when we say system solution players, we basically mean that we are offering a complete end to end system for BS-VI vehicle so that is what we mean. So there have been cases where there has been a little bit of mix and match with other tier 1 offering components, but by and large it is a Bosch system end to end.

**Viraj C:** Second question is on the aftermarket business, if you look FY2021, the business degrew by 20% now, this is at a time where aftermarket sales have grown for most auto players, so if you look at a division performance over the last many years, it has been quite subdued, so what are the challenges we are facing because we took a lot of changes in terms of

simplified business development policy, leadership changes, we started rewards program, but the business still continues to under perform, so one is what is the challenges, how are we looking to address this bottleneck so, any roadmap you can share for the aftermarket business.

**Soumitra Bhattacharya:** Thank you for this question. You are right I had personally shared with you and very openly and transparently that we needed to do a complete recheck of our business. I am happy to announce based on the results which are coming not just on the bottomline which is healthy, but more importantly on the topline. Our aftermarket business for the past couple of quarters have been performing exceedingly well. Aftermarket constitutes approximately 20% and even on a growing business, we would like to take it slowly towards 25% of the turnover of Bosch Limited. We see a very good networking capital management, our program that our team launch called Zing plus is working very well. There is a push, not a push sales, but a pull sales, we are not just in parts business, we are currently expanding our Bosch car service as I speak with you more than 250 Bosch car services are already there and by the year end we will be at 400 and over time we will go towards 1000 mark. We are also doing major digital transformation and lot of our aftermarket in the years to come will focus on Annual Recurring Revenue, ARR. So in summary I would say we have cleared the basics, we have improved the whole market system, we have now “Har Shop Me Bosch” and more importantly we are focusing on further streams of revenue like the Bosch car service and later digital.

**Viraj C:** We did quite a some channel, on Bosch car service and one of the common feedback was yours lack of consistency of quality. There was issue in terms of affordability of our service versus other alternatives, so that is one and second is typically what happens with every emission change is that the demand for aftermarket especially in core power training product kind of remains subdued for sometime for few years after the emission regulation change. When we say aftermarket business, is it still quite heavy in terms of part sales of fuel injection products or any color you can give in terms of diesel or versus non-diesel, core power train versus other products how has done mix been for us?

**Soumitra Bhattacharya:** We do not give a) guidance and b) we do not breakup the details the way you are asking. Of course we are strong in the power frame in aftermarket, of course we have huge set of products, please do not forget Bosch also has the best diagnostic system for aftermarket and also you have to remember that we are rejigging our Bosch diesel service, we rejigging our Bosch car service and of course we have rejigged our entire dealer and customer network, so I would only say look at this part of our business with very good positive feeling because the numbers are asking speaking for themselves both on topline as also in bottomline, also finally I would say do not forget this is a very fragmented market and also a very strong

market where OEMs through the OES fight for every segment of the market, so Bosch presence I can only say as on today we are still the largest independent aftermarket while supporting also the OES sales in a big way and other areas.

**Viraj C:** I will come back in the queue. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Anish Jobalia from Banyan Capital. Please go ahead.

**Anish Jobalia:** Good evening and thank you for the opportunity. I hope my voice is audible to you. I just wanted to want the semi conductor supply shortage issue a bit more color on that, so what I was trying to understand being a tier 1 supplies we would be importing a lot of this semi conductor, now how is this likely to impact the production of our customers as the OEM going forward what we are hearing from the global OEMs in that right now at this point of time semi conductor is at its peak, so are we able to cater to the demand of our OEM customers and how can this have an impact on the festive season sales that is my first question I mean like overall how does this change the scenario? Thank you.

**Soumitra Bhattacharya:** I can only briefly repeat what I said before, because if you want to know more than this it is not possible. Number one, this is a global crisis, it is not an India crisis. Many countries, many OEMs including whether in China or in Europe, in Germany or in America have been deeply affected and many cases far worse than India. Many lines have been stopped, also please remember the capacities and what the semi conductor industry both backend and the front-end are unable to meet the requirement of industry where electronics play the highest volume requirement and automotive is less than 10% sometimes 5% of the total demand and thirdly this matter is not going to go away in the next one month or two, it will continue in 2021, in 2022 while it is likely to improve marginally there will still be under fulfillment if the current demand for electronics continues and if the current V shape recovery comes back for the automotive and if I quote one particular semi conductor manufacturer and I will not say the name but it is available in public domain. He has said very clearly that 2022, there will be a under fulfillment, but improvement compared to 2021 and he said in 2023, the world is likely to see the fulfillment that is not my words, we are not in this business, we just get the parts from them and it is not a Bosch issue, I was just want to make it clear. I hope this is clear.

**Anish Jobalia:** I just to understand this issue a bit better Sir if possible, I mean the domestic OEMs what we understand is that the requirement of the semi conductor is much lower than say the global OEMs because in terms of the electronic used, so are we like the industry is able to manage the shortage and do you think that this will impact the numbers because of the

supply side issue or you think that we will be able to cope up with this considering that the amount of demand in the domestic OEMs would be comparatively lower?

**Soumitra Bhattacharya:** Again I will give you a simple answer, because you are wanting to get an answer which you are hoping, I cannot give you that answer. This is not a India problem, this is a worldwide problem, it does not matter how much quantity for example, pas car is at 3.6 million this year against the peak of 4 million, it does not matter what India produces, globally people are getting disproportionately lower to the demand and the normal demand there, not even the higher demand and many OEMs worldwide had to shutdown their plants for either two weeks or even a month because of lack of parts, now this is affecting not only the ECU, now it is affecting multiple parts in a car, so the crisis has hit all countries in many parts and you must remember the OEM stake, the ECU and other parts from tier 1, then tier 1 takes these chips from the semi conduction manufacturers and this challenge is not going away immediately and there is nothing to do with India. It does not matter what volume. The countries who are having lesser volumes car manufactured than India, they are having the same crisis sometimes more.

**Anish Jobalia:** Okay Sir. Thank you for the opportunity.

**Moderator:** Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar Sriram:** Good evening. Thanks for taking my question Sir. Hope I am audible. My first question is on the traded goods per se this quarter again the traded goods are close to 49% of sales, just trying to understand here Sir, how does it align with our strategy of In India For India and is it a result of the UV mix going higher in this quarter within the overall passenger vehicle production per se, is that driving up the traded good within the overall raw material basket, if you can share your thoughts on that?

**Soumitra Bhattacharya:** Thank you so much. This particular question has also been addressed multiple times. We have told you that Bosch has systemic way of localization and that is dependent on volume and transition of new technologies and sometimes it is also valid and important for example, to do traded goods for a slightly longer period, so BS-VI ensures that all companies will have a relatively higher percentage on traded goods. We have the exhaust gas system there are very few or no companies who are doing the whole thing, they are outsourcing, they are importing and they are getting also from within domestically also from suppliers, so we will follow a policy of systematic localization, we have a very clear localization plan, not just for power train, but also for localization levels in aftermarket are very, very high, our power tools localization is going on very strongly and even for our

building technologies, we are looking at possibility on high quality products or possibility of localizations, so we will focus on localization, but we will by design allow for define periods on trading goods to happen, it does not make a meaning to immediately localize, so I think this is the mixture and this is our game plan. By the way we have 16 factories in India for Bosch India, so we are focused on manufacturing too.

**Shyam Sundar Sriram:** Sure Sir. I was just trying to understand is there a mix element here within may be for UV segment goes up quite strongly, does that impact, does that warrant higher traded goods that is another aspect I just wanted to understand of the RM basket?

**Soumitra Bhattacharya:** Sorry we could not understand you. Can you repeat please?

**Shyam Sundar Sriram:** I was asking is there any particular segment mix that pushes up the traded goods per se that was the question Sir? For example, this quarter we saw the utility vehicles doing much better within the overall passenger vehicle basket, so is there any particular segment that drives up which warrants more traded goods per se, that is what I was trying to understand from our operation perspective?

**Soumitra Bhattacharya:** It is not to do with utility vehicles. We are very pretty strong in utility vehicles, but I give you an example on EGT, Exhaust Gas Treatment and the various components. I also gave you an example saying when you bring newer technologies in, the various components will be new technologies and you will have to localize when you have a cutoff point when localization makes a meaning, so it is not only matter utility, it is partly true, but not necessarily only utility.

**Shyam Sundar Sriram:** Understood, just last question is on the capital expenditure for this year, so leaving aside FY2021 which was a highly disruptive year, we have usually been spending anywhere between Rs.535 to close to Rs.550 Crores odd a year, what is the broad capex strategy over the next two years, this year and the next year and where are we broadly trying to spend that is the last question?

**Soumitra Bhattacharya:** For Bosch Limited, our capex will be anywhere in the region of Rs.370 Crores to Rs.400 Crores for the FY2021-2022, however, if I look at Bosch India, we will cross Rs.1000 Crores. Adugodi campus has a big element of capex where Bosch Limited is spending certain amounts, our software company colleagues are going to come to the Adugodi campus which you heard from a CFO about ventures that we do on arms' length, the software company is going to put quite a lot of capex and our chief technical officer for Bosch Limited also has a hat in leading the Robert Bosch Automotive Electronics Company, we will have some good amount of capex, so in summary, you are right, we will be doing around Rs.370 Crores to Rs.400 Crores and however our other sister companies

this time normally they do not, we will be also spending equal and sometimes a little more and this year for FY2021-2022 we are looking at for Bosch India Rs.1000 Crores plus and for Bosch Limited around Rs.370 Crores to Rs.400 Crores.

**Shyam Sundar Sriram:** Thank you very much. I will fall back in the queue.

**Moderator:** Thank you. The next question is from the line of Priyaranjan from HDFC Mutual Fund. Please go ahead.

**Priyaranjan:** Thanks. If I look at your annual report last year your royalty rate including the technical fee has gone up substantially, and is this the new rate or the new overall number we have to look for or do you see that is going to come down that is question number one.

**Soumitra Bhattacharya:** Go ahead with your question number two.

**Priyaranjan:** Secondly on the question two is basically on the content per vehicle gain you have talked about the BS-VI acquisition and substantially you have also talked about BS-VI stage 2 as well and do you foresee those kind of acquisition also happening now the next phase is also just around a year away and what is your thought on that?

**S C Srinivasan:** On royalty may be I will answer that, I think if you look at the royalty rates that we are paying has been constant for very, very long time and it is one of the lowest among you can say group of multinational if you take, so there is no substantial change; however, if you look at new technologies that will come in the future, some of the localization plan of course there is a scope for a slight increase that could happen, but of course the business case for all of those localization including a slight increase will be quite positive, so I do not see any big impact coming on account of any royalty change and they have been constant for long time.

**Soumitra Bhattacharya:** I think you are looking on, something on quarter to quarter and may not give you the right idea, what I would request you to look at is the royalty payout for a year, now under those circumstances you will see a) we are in most cases at the lowest quartile and if not at the highest one times that we are paying, we are below median on a like to like base of set of 15, 20 companies number one. Number two, as a public listed company, we are always doing this as very clear arms' length and ensuring fairness towards not just our parent but more importantly for the minority shareholders and lastly the royalty and the technology payments that we do sometimes one time helps us to localize because we transfer technology freely from our parent to us, otherwise we will not be able to convert it and finally at Bosch Limited plus our software company we have the largest R&D headcount in the world outside Germany, so we try to do this in a holistic manner, localization, IRR,

payback, keep royalty at arms' length and our data has proven that we are never beyond the median many cases at lower quartile and finally if you do not make these payments also you cannot change with time and transform ahead of the curve. Your second question I think it was to our CTO.

**Priyaranjan:** Content per vehicle.

**Guruprasad Mudlapur:** You asked about how is the content per vehicle increasing or what is happening with regards to content per vehicle, of course it is increasing with every passing year, so we see that when emission standards move up content per vehicle increases, safety has a big contribution as well so just before the ABS mandate, the ABS penetration in vehicles and compared to now has been dramatic shift. Convenient features, I think they bring in huge amount of increase in content per vehicle, so I would say all elements of pace as we call it personalized automated, connected and electrified will certainly push up the content per vehicle dramatically. We may say whereas automated coming, but take the examples of driver assistance which have been coming in a very good way in all the new launches from several OEMs, the content per vehicle goes up quite significantly with driver assistance features coming in, some of the new launches which will come up soon will also have very unique features coming into the market for the first time, so content per vehicle has been substantially growing and will continue to grow and the countereffect of this is most of these require increased electronics content and currently as our CEO said the semi conductor shortage has been spoilsport in this, but we believe the trend cannot be reversed in anyway.

**Priyaranjan:** But my question was more related to say from capital perspective, so since the next stage will be next year so, do we see similar kind of business acquisition, what we have seen in case of BS-VI may not be the same quantum, but at least directionally in that way?

**Soumitra Bhattacharya:** We have mentioned before Priyaranjan that we always work as a neutral agnostic technology player, we also tell both organization like CIM and the government and CII that let us create long term reforms so that we reduce the gap of technology which we have done for example between BS-IV to BS-VI leap frogging and finally we say whatever long term reforms are there, let us stay with it and not change the goal post while the game is going or cricket pitch while the matches on, so we are ready from Bosch Limited for all or most parts ahead of current Indian technology adoption to future technology and we will play that role whatever we did for BS-III to BS-IV or BS-IV to BS-VI for CAFE, for Trem for BS-VI stage 2, but we are not able to give you a position if for example CAFÉ norms get changed by six months or Trem norms get changed or what happens to tractors those are government policies, but we are ready if you asking that and we will play the same role as we have done

including the example we get for BS-VI and for BS-VI stage 2 and CAFÉ and Trem and other.

**Priyaranjan:** Understood and Sir just lastly on I was not looking at say royalty rate quarterly having, because royalty rate or royalty payment is actually typically you say in your annual report and secondly on this royalty so, when we look at localization, so when if we have paid some kind of special fee to the parent or other group companies, so when is the benefit is going to happen, it will be visible more than say two, three years time period or it will be visible immediately in a one year time, any thought on that?

**Soumitra Bhattacharya:** Looking at our balance sheet and P&L we provide for things well before and we also do arms' length be fair to everyone. If we feel there is a need beyond the technology fee to give one time and in spite of that if you see that the IRR payback and the fairness and overall total costs which are far higher benefit due to localization and long term and payback and the IRR defers sometimes it will be in a couple of years, sometimes it will be three years in one or two cases, it can be even a year, so I cannot tell you that this is the formula, I can only tell you we create a win-win and definitely for Bosch Limited and as a executive management we are very careful towards minority shareholders needs and even what as increase you see where there is certain element of one time, we are doing what is right for the organization and the gains for the organization are far higher than the royalty payouts.

**Priyaranjan:** Understood. Thanks.

**Soumitra Bhattacharya:** I think time is over unless Mr. Annamalai Jayaraj wants to give for one and a half minutes.

**Annamalai Jayaraj:** We will have only one last question.

**Moderator:** Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

**Sonal Gupta:** Thanks for taking my question again. Sir, just wanted to a clarify couple of things on the EV two wheelers, so given that there have been a substantial bump up with the same two schemes also increasing by 50% as well as states also coming in with higher incentives over and above that. Are we seeing any sort of an acceleration in terms of your plans on the capacity for these components and secondly, also just wanted to understand give the same incentive requirements of localization, would you sort of be complying with most of those because some of the OEMs are saying that the larger two wheeler OEMs are saying they are facing issues in terms of the imported components for the EVs, so just your thoughts are on those topics?



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**Guruprasad Mudlapur:** Same to certainly is the big benefit towards faster adoption of electrification especially in the two wheeler category and we have indications that this will speed up growth of two wheelers. We have been supporting already OEMs with products and services for this category and we will continue to do that. You asked about localization I think our CEO already responded that we have enough plans and we always believe in localization, but sometimes early localization does not necessarily mean lower cost to the customer, so we may end up becoming more expensive, so we do it at the right time to the right levels and bring in localization as necessary, so overall we strongly believe in the two wheeler market we have been active and we have complete solutions already supporting several OEMs in India, we will continue to accelerate that we have been quite active also in next generation products based on the learning we have already had from our first generation deployments with OEM. We will speed that up and of course as days goes by with the projected volume growth, we will also localize substantially.

**Sonal Gupta:** My only question was I mean the same scheme requires a certain mandates at certain level of localization and also for most of the parts other than may be battery cells, so I am just trying to understand from that perspective that we will still continue to be the preferred partner as you have most of it localized or will that be in impediment to your growth?

**Guruprasad Mudlapur:** No, we will continue to localize as necessary to meet all same requirements.

**Sonal Gupta:** Okay, Sir, great. Thank you so much.

**Moderator:** Thank you. I would now like to hand the conference over to Mr. Annamalai Jayaraj for closing comments.

**Annamalai Jayaraj:** Thanks Bosch management for taking time out for the call. We thank all the participants. Have a good day.

**Soumitra Bhattacharya:** Thank you very much Annamalai and thank you to the colleagues who are joining us.

**Moderator:** Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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