



# “Bosch Limited Q3 FY-22 Post Results Conference Call”

**February 9, 2022**



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**MODERATOR:** **MR. ANNAMALAI JAYARAJ – DIRECTOR, BATLIVALA  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Bosch Limited Q3 FY22 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 India Private Limited. Thank you and over to you, sir.

**Annamalai Jayaraj:** Thank you. Welcome to Bosch Limited 3Q FY21-22 Post Results Conference Call. From Bosch management we have with us today Mr. Soumitra Bhattacharya - Managing Director and Mr. Guruprasad Mudlapur - Chief Technical Officer.

Mr. Soumitra Bhattacharya will be making a presentation to be followed by a question-and-answer session. To view the presentation, request you to click the team meeting link given by Invite. The presentation will also be loaded in the company's website. Over to you, Mr. Bhattacharya.

**Soumitra Bhattacharya:** Thank you very much Mr. Annamalai Jayaraj. A very good afternoon to all the colleagues and thank you for being a part of this call. I do sincerely hope that all of you attending this call are keeping safe and healthy in these turbulent times. So, I will start with a brief on the macroeconomic policy followed by an automotive market update, and then I would walk you through our financials and finally I will end with the highlights for the quarter affecting our business.

Next slide, please. The GDP growth for FY22 is expected at 9% and the economic survey pegs the FY23 growth at 8.5%. Thrust by the central government towards enhancing capital expenditure in the recent budget really boards well for the medium term growth rate, but in a dark inflationary manner.

Finally, the budget numbers are credible and our recent experience shows that the government has not had a problem in achieving budgeted revenues. I would on a personal side like to state that you know that this government has actually made a very good budget, including the revenues we believe are pretty conservative as you can see with the taxes, especially the indirect tax collections, which are very good.

The announcement of battery swapping policy with interoperability amongst players is also a positive move and it helps to minimize the time required to refill, which can be overcome by the swapping framework. Additional thrust towards energy efficiency on large commercial buildings is also welcome move for transition to a carbon neutral economy.



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I would like to remind all the colleagues that Bosch Limited and Bosch Group in India became carbon neutral on scope one and two already in 2020. Overall the automotive market production in the current quarter declined by 12% with the exception of two-wheeler, mainly due to semiconductor and chip shortage globally. Also, the festive season was not very strong and of course there is a high base impact. Going forward with the elevated fuel prices that we have higher commodity prices, which are continuing. These are the major concerns for the automotive industry.

Heavy commercial segment on a low base, which increased by 28% on account of government's push for infrastructure especially on road infrastructure better freight rates, price hike announcements and also a low base has helped the overall segment in a positive double digit growth. The recovery is expected to be continuing in the coming months as well, while all of us know heavy commercial vehicles will take many years to reach its peak of 2018-19.

Passenger car segment declined by 12% with semiconductor shortage continuing to play in the fall sport. Passenger car production despite its huge bookings, the lower production levels have led to high unusual high waiting periods for many best selling models with waiting periods being as high as anywhere between 6 to 9 months.

Tractor productions, which of course had reached a very, very high volume and across the peak of 2018-19, already in 21, remained weak by about 20% year-on-year, on the basis of high impact, high base, erratic monsoons and weak rural sentiments.

LCD segment de-grew by 12% year-on-year due to the base impact. However, the segment has been reporting healthy recovery trends supported by healthy demand from agriculture allied areas increasing last mile transport requirements especially on e-commerce as well as gradual recovery in the macroeconomic environment.

Two-wheeler segment de-grew by 23% year-on-year due to multiple factors like poor rural sentiments, sluggish festival season, high inventory levels at dealership, work from home in urban areas coupled with latest threat of Omicron virus while the domestic demand remains volatile, the steady two-wheeler exports continue to support the industry volumes. Among the other markets three-wheeler segment increased by 1%, of course we know on a very low base.

Let us have a look at how the company performed in the October-December 21 quarter compared to the October-December 2020 in all these mentioned factors. Revenue from operations for October-December 21 stood at Rs. 31,091 million, which is an increase of 2.6% as compared to the corresponding period of previous year due to the gradual improvement in the business environment from pandemic hit period.



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Product sales of mobility business sector increased by 2.6% while the business beyond mobility, which is the consumer goods and building and energy technology increased by 11.2% led by strong growth in building technologies and machine building business.

Within the Bosch business of mobility, major increase was seen in automotive aftermarket business due to increased demand of diesel products, sparkplug, rotating machines and higher fulfillment of export orders resulting from removal of supply bottlenecks.

Next slide please. The material cost as a percentage of total revenue from operations has increased from around 58% in October-December 2020 to around 61% approximately in October-December 21, Increase is on account of spike in raw material prices, mainly steel and aluminium, which have has a steep increase of 38% and 46% respectively over the previous year as also transfer price adjustments done on imported trade goods during the quarter.

And this in order to meet the overall benchmark profitability on traded goods. As you may be aware that the company has carried out a restructuring program in 2020-21 to restructure its workforce, which is resulted in reduction in the accruals for retiree benefits, which has been written back in the previous financial year.

On a like basis, personal cost for the current quarter compared to the previous quarter has improved from 10.4% of total revenue to 9.4% of the current quarter. This improvement is mainly on account of the reduction in salaries and wages of employees who have been separated during the restructuring program.

Other expenses stood at Rs. 5,700 million. Approximately 18.3% of total revenue in October-December 21 as compared to Rs. 6,712 million, 22.2% of total revenue in October-December 2020. This decrease is mainly on account of base effect driven by increased spend in October-December 2020 due to gradually opening up of the economy post lockdown in the previous year.

Additionally, October-December 2021 has had one time impacts of provision for warranty and additional spending on new growth areas, which is our Project House Mobility Solutions and Project House Mobility Electrification.

Depreciation for the quarter is at 2.7% of total revenue as compared to 3.2% revenue in October-December 2020, mainly on account of lower additions in the current quarter as compared to October-December 2020. Operating profit stood at Rs. 2,722 million in October-December 21, as compared to Rs. 2,612 million in October-December 2020, an increase of 4.2%.

The company has a policy of investing its surplus funds after providing funds for investment in business growth opportunities in risk free financial instruments like bank FDs and liquid and short term mutual funds. The increase in the market value of the short term and liquid mutual funds is recognized in the P&L statement as other income.



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The increase in the market value of mutual funds in October-December 21 was less compared to the increase in the market value in the corresponding quarter of the previous year. This has resulted in other income being less by Rs. 310 million in October-December 21 versus October-December 2020. PBT and PAT for the quarter ended December 21; your company posted a profit before tax of Rs. 3,358 million as compared to Rs. 3,657 million in October-December 2020.

These were before exceptional items. As a percentage of total revenue from operations, profit before tax stood at 10.8% of total revenue in the current quarter. Profit after tax for the quarter ended December 21 stood at Rs. 2,349 million, which is 7.6% of the total revenue from operations. Profit after tax in October-December 2020 was Rs. 1,858 million after considering exceptional items.

Bosch Limited has acquired a minority stake of nearly 26% in Autozilla Solutions Private Limited to participate in the digital B2B marketplace for the independent aftermarket in India. This is a part of the initiative to establish digital ecosystem around vehicle workshops. Major delays in India leading to supply chain and quality issues comprise part identification workshop availability and lead times. The databases of local distributors are experienced based and not very accurate due to non-availability of OEM data and missing standard catalogues.

This can be addressed to Autozilla's core capabilities such as data execution standardization and value stream automation. Autozilla will primarily support Bosch's distributors and retailers to address the workshop requirements faster, with Bosch products being listed on the platform, it improves the awareness of each of the Bosch products.

Autozilla will develop application programming interfaces or API for connections to Bosch's applications like workshop management software, distributors' ERP, loyalty programs which will ensure a seamless ordering process between our primary and secondary customers. The total investment by Bosch Limited is around \$1.8 million or €1.5 billion. The investment is subject to all statutory approvals. Next slide please.

We at Bosch has expect that 2030 practically every third new vehicle will be an EV. It is expected to be that light electro-mobility will lead the change followed by the four-wheeler business. CV business electrification expected to be like development of fuel cells. Bosch is a global leader in electrification system with more than 1 million systems already on the road. Bosch offers a wide range of electrification solutions, and we will continue to support OE across all segments, two-wheeler, three-wheeler, pas car CV and off Highway applications.

Bosch has more than a decade of experience in the field and is well positioned in the major markets of growth. Bosch offers diversified and innovative solutions in the area of electro-mobility. Whether it is pre-integrated solutions, individual components, smart software or



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innovative servicing solutions Bosch offers manufacturers all the need that they need to succeed in E-mobility.

Bosch draws on the wealth of experience and expertise from all areas of the company to ensure that it is the best partner for electrification. Major growth drivers could come from the business areas of E-Axles or electric axles, E-motors or electric motors, power electronics businesses and 48 Volt hybrid batteries. In the hydrogen fuel cell for the mobility area Bosch globally as a comprehensive fuel cell stack and the other component portfolio.

Bosch has also developed the local competency in electric powertrain solutions to offer seamless integration and application support for our customer for their electric vehicle program. Next slide please. The market in India is supposed to ramp up in electrification for mobility business. If we look at passenger car segment including low commercial vehicles by 2030, we estimate that around 18% of the share of battery electric vehicles, mainly driven by the cost of ownership and availability of charging infrastructure. The percent adoption will also be driven by deep focus on new technologies user experience by the Indian policy.

Next slide please. As Bosch has stepped already into the 100 year in India, all the colleagues in the phone call must realize we as Bosch came to India in 1922 in Kolkata and therefore 2022 marks 100 years of Bosch in India. We realized that it is our ardent curiosity that sparked our thinking.

That is what made every invention possible and innovation possible from making electric devices to heavy tools to security solutions to mobility ideas, it all started with the spark of the human minds coming together be it the Green Revolution, the software revolution, liberalization of the (Inaudible 14:21) revolution.

It has been an honor for us to partner India in its progress. For instance, in 2020 we enabled our OEM's to seamlessly migrate from BS4 to BS6. Further in 2020, Bosch India achieved carbon neutrality in scope one and two which I mentioned earlier at all its 37 locations across Bosch India.

In 2021 Bosch received the Great Place to Work certification. Colleagues in the con call, I am happy to announce that Bosch Limited has been re-certified as a great place to work and I am even happier to announce that with the current recertification in this core, we go into the top quadrant of the best cultures within great place to work. Today we have set our eyes for tomorrow while we build technology that transforms lives we believe sustainable ideas are the way forward.

As we take the next step in our extraordinary journey, we look forward to the next spark, the little spark that can make the next 100 years brighter for all of us. On behalf of the whole Bosch Limited team, I would like to thank you for your contribution and for listening patiently through

our call and as we meet next in the Bosch India century year this year. And I look forward to meeting you also, and we will now address your queries and thank you for your question and answers, please. Over to you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pramod Kumar from UBS. Please go ahead.

**Pramod Kumar:** I have two questions. One related to the financial for this quarter. I just wanted to understand what resulted in a sharp decline in the consumer goods segment sequentially because there is a kind of (Inaudible) 16:46. If you can provide some color on that?

**Soumitra Bhattacharya:** Pramod, I have always been mentioning to all of you that we look at our overall results, and not only from quarter-to-quarter. So, let us have a look on both. So, first let me answer to you, the consumer goods.

The consumer goods is represented in Bosch Limited by power tools. In power tools, Bosch Limited is a market leader with greater than 30% market share and also the power tools business has had a phenomenal growth so far with a more than plus 30% growth.

In the last quarter, which was October to December the power tools division very clearly focused on optimizing inventory, ensuring that the dealers were filled with the right inventory, including the whole supply chain. And if you look at the full calendar year, you see a plus 30% growth and therefore seeing a small blip on a quarter to the previous quarter may not give you the right representation. I would also like to say our power tools business not only has done very well, but our manufacturing unit and power tools continues to produce huge quantity. If I am not wrong calendar year itself we produced 1.8 million units from our factory.

So, in summary I would say they are on a good track and more importantly on a very good strategy that they are implementing.

**Pramod Kumar:** On the probability of the category, there is a low while YoY there is a small dip in the revenues but the profitability has gone from Rs. 350 crores or Rs. 3.4 billion to negative Rs. 2.7 billion. Any particular reason for that? Is there a significant pressure on input cost or traded goods been higher there or can you help us understand on that?

**Soumitra Bhattacharya:** Pramod, which loss are you referring to? I could not get you? Your voice is breaking a little bit.

**Pramod Kumar:** Sorry, the segment results for consumer goods. We have a negative Rs. 2.7 billion for this quarter. YoY it was positive Rs. 3.4 billion and the revenues have just slipped a YoY basis. So, what is causing this sharp swing in the profitability to losses?

**Soumitra Bhattacharya:** Pramod, in power tools the business both on top line and bottom line, are doing reasonably well. I do not see that as a concern honestly and I am not able to give you anything specific on that. I

can tell you the overall profitability, both for the worldwide chain as well as for India are good and the market share and the turnover is pretty good. So, I do not see that as a major concern.

**Pramod Kumar:** Okay, so second question on the five year investment plan by Bosch India as a group and within that there is a mention of Rs. 1,000 crores for localization of advanced automotive technologies. If you can just help us understand what kind of components here we are talking about, does it include traditional components or it is largely towards EVs and those kinds of technologies? And how this Rs. 2,000 crores as an investment Bosch Limited is expected to make?

**Soumitra Bhattacharya:** So, what we have announced already, Pramod, you are aware, and I can only stay with that because you know our global chairman has entrusted as well as our global chairman for Mobility Solutions. So, Bosch Group in India, which includes naturally the flagship, has invested around Rs. 9,000 crores over the last decade and for the next five years we will invest Rs. 2,000 crores and that is not the end of our CAPEX, but it is a subset and this Rs. 2,000 crores is broken out on Rs. 1,000 crores for localization of advanced automotive technologies, which are also linked to PLI.

And therefore it is not current technology. And of course also under the Rs. 1,000 crores that we are also expanding our digital platforms like the marketplace and the mobility cloud platform which was also announced, Pramod by Dr. Markus. I am not giving the break up here, Pramod.

**Moderator:** Thank you. The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.

**Pramod Amthe:** Continuing the same question on these investments, I wanted to know what will be your localization after this program five years down the line or the purchase goods, how that will shrink compared to now? One, second, PLI was also inclined towards promoting exports. So, hence are there any medium term targets you are taking up for exports as the proportion of sales mix by doing investments?

**Soumitra Bhattacharya:** I have said this answer before and I will repeat that same thing. You see, our target is primarily towards the domestic market and yet we want to go towards a healthy double digit export over the years and we have a very clear export strategy which will be unfolded starting with 22. But it is never going to be 25%, 30%. So, it is going to be for Bosch Limited, a healthy and not high single digit, but a healthy double digit. Number one.

We will continue to export to different parts of the world because Bosch globally believes in local for local and we have a huge Indian market. The second part is our localization plans are completely linked to both on one side acquisition and we have pretty good activations in our powertrain as well as on future business possibilities of localization, whether in power tools, whether in aftermarket, whether in Powertrain.



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So, there is a very detailed localization plan for every quarter for every year, and this we will pursue based on not only our current technologies which need localization, but also on future technologies, but you know we do not give guidance and I am not going to break that up now into either quarters or years.

**Pramod Amthe:**

And second one is with regard to the quarter so even though the aftermarket seems to have come back to limelight with a 30% growth quarter-on-quarter. What is the nine month growth there? One. Second, do you see structurally now the aftermarket is back to a double digit growth path? Any thoughts on that?

**Soumitra Bhattacharya:**

So, aftermarket has done pretty well just like power tools. And I told you that aftermarket the critical part of aftermarket is that it is actually completely revamped its strategy. So, it is not a quarter-to-quarter that you need to look at. Aftermarket is a plus 30% growth on a low base. Yes, it is crossed its pre-pandemic levels and its peak levels. It has gained market share.

And most importantly, aftermarket has a very clear strategy to digitalize I give you that example on Autozilla. Therefore to have very high levels of transparency in the whole supply chain, including getting Bosch parts. It has also developed a very high securitization of receivables. And most importantly, aftermarket, as I have mentioned in my press release from the current Bosch car service of 400 within the next few years, we wants to go to 1,000 Bosch Car Services. So, it is a very holistic strategy. It is not only on parts, it is on service and it is also on digital.

**Moderator:**

Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

**Ravi Purohit:**

Sir, I was not clear about when we mentioned this Rs. 2,000 crores CAPEX, are we talking from Bosch Limited, the listed company doing this Rs. 2,000 crores CAPEX because, you know, in the call there is always confusion when we are never clear on the management's answers whether the management is answering on behalf of Bosch Limited or it is representing Bosch Group as a whole.

So, it will help us as investors because we are investors of Bosch Limited, we are not really investors in the other Bosch group companies, right? So, it will just kind of become very, very clear for us to understand whether all of these investments are going through a listed company, or some of them are going through the other associate companies?

**Soumitra Bhattacharya:**

Thank you, Ravi for the question. So, I have to tell you from your question what you stated is partly correct and partly perhaps needs a little bit of a revision. So, you are absolutely right that as members in the con call you are absolutely focused towards the flagship company called Bosch Limited.

However, please remember when we talk about Bosch Group in India, many of the other companies outside the listed companies what we call as sister companies. Yes, whether it is Robert Bosch, Boss Chassis or Robert Bosch Automotive Electronics, they feed their services and products many times through this company.

For example, all the ECUs from Bosch Electronics come in through Bosch Limited Yes, when we provide the Powertrain solutions as a system. So, you must understand when we invest in those companies also, Bosch Limited has both a direct as well as indirect benefit.

Having said that, ballpark of the number that we talked on total investments over a period of 10 years you can say around 50% goes to the CAPEX of Bosch Limited, ballpark and sometimes even more. And so the Rs. 9,000 crores that we talked every year we are investing in Bosch India Rs. 900 crores approximately to Rs. 1,000 crores and then about 50%, sometimes 60% goes through Bosch Limited. Secondly, we have now announced not a comprehensive CAPEX policy. We have given two buckets of CAPEX. So, this may exclude some other CAPEX that we will bring in.

We just focus saying in our Bosch's 100 years we want to tell you that we are investing in advanced technologies and that amounts to Rs. 1,000 crores, greatly driven by Bosch Limited but also by Bosch Automotive Electronics and Bosch Chassis. Because we made it very clear it is Bosch Group in India and another Rs. 1,000 crores, which is driven for the digital mobility platform and we also made an announcement on the mobility cloud platform in the marketplace launch on 3rd of this month by Bosch global member. And this mobility cloud platform I told you is located inside Bosch Limited. So, I hope I am clear enough?

**Ravi Purohit:**

Yes, that was very useful. Thank you so much. My second and last question is regarding the subsidiary that we had created after the Government of India had announced lower tax regime and we have formed 100% subsidiary of Bosch Limited. So, any progress there or is that the company is going to apply for the PLI or have we applied for PLI or what are the areas that you are looking at in the PLI?

So, if you could just share a little deeper insight into how you look at PLI as an opportunity for us both from domestic market point of view, export point of view, localization or global sourcing or manufacturing of BS6 in India for the global markets now that diesel is kind of reducing in global market?

So, if you could just share some deeper insight you know for us as long term shareholder. It would be really appreciated?

**Soumitra Bhattacharya:**

So, I want to tell you first on the PLI part. Independently from Bosch side, we would like to really congratulate the Government of India and specifically Ministry of Heavy Industries and the Secretary, Mr. Arun Goel and his team for an excellent initiative.



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Yes, just the way Government of India has done the overall PLI Scheme, but also for both OEMs but also automotive component. We also want to state that the Government of India through the PLI is talking of advanced automotive technology. And honestly this is a leap frog just like BS4 to BS6.

So, these are all positive things. Bosch India has always played a very close jugalbandi in a completely tech agnostic manner to work with the Government of India on what is right for India and what is good for India.

We have also therefore independently applied for the PLI and we are setting aside for the next five to six years around Rs. 1,000 crores on advanced technologies. A majority of this will come from the public listed company, but also quite a bit will come from the other two companies that are referred. In summary, we believe that the PLI scheme is good. In the five years, we also believe that it is going to be a challenge not just for Bosch, but for everyone in the industry because the 50% value addition meeting from year one itself is going to be a challenge.

And I think you know you have to tell me at what point you could not hear me, Ravi?

**Ravi Purohit:** I think you were kind of concluding your you know remarks on PLI and that you have kept aside on advanced technologies Rs. 1,000 crores and that this Bosch will also be kind of participating actively?

**Soumitra Bhattacharya:** You heard everything then Ravi. Thank you.

**Ravi Purohit:** So, just one part I think on the subsidiary which was formed I think last year. So, any update on that subsidiary? Are we kind of doing some CAPEX through that subsidiary? Is it going to be used for localization or for exports or sourcing or, you know, if you could just share some idea?

**Soumitra Bhattacharya:** The Robert Bosch India Manufacturing Private Limited is 100% subsidiary of Bosch Limited will clearly get used also for advanced technologies.

**Moderator:** Thank you. The next question is from the line of Anand. Please go ahead.

**Anand:** Sir, with the CAFE norms on the corner, do you see OEMs considering GDI as an option now it is the rising focus on EVs and hybrids? And what is our take on the GDI outlook over the medium term?

**Soumitra Bhattacharya:** Look this point has been discussed enough. There is an industry view and there is a government view and of course influences like COVID or supply chain issues can also have an impact. I think we should really look at the 2030 time frame and I stated up front that with the e-mobility plus case, which is a positive case for India, we can look at approximately one-third of new pass-cars getting into the EV space.



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**Anand:** I am sorry any comments on the GDI part? Because from April 22 we have CAFE norms coming in. Is it being actively considered as an option by any of the OEMs?

**Soumitra Bhattacharya:** We will look at GDI in relation to if it makes sense for us because you have asked us this question including localization. We are in the GDI space very strongly worldwide. Right now, we have not put up any lines here. But this will also require a very clear situation of it being financially viable. So, Yes, it does occupy a space very strongly. Bosch has a very strong space in that. But right now, I have mentioned that before also we have not considered anything right now because any single line on GDI you need very, very high volumes.

**Anand:** And just on your outlook?

**Soumitra Bhattacharya:** I think I have answered your question. Sorry.

**Anand:** Yes, just the second question, last question. I just want to know what is the outlook on the energy and building solution segment? What is the space looking like and what are the opportunities we have in that segment? And probably over the long term can you see the non-auto mix improving significantly or what is our target on that side of the business?

**Soumitra Bhattacharya:** Yes, I think again you hinted at it. We are looking at first of all retaining good continued position in the mobility area both for Bosch Limited as well as for Bosch Group in India. To give you an example, this quarter the India part of it in terms of mobility other than two-wheelers de-grew by about 11% or 12%, around 12%, and for us we do de-grew by 6%. So, we want to be ahead of the curve on that area, so either grow faster or de-grow lesser either on a quarter to quarter or year.

I already told you on power tools we had of course albeit on low base plus 30%. And we want in the next, you know, five to six years also to double our turn over there. Power tools is a very good example where we are further localizing where we are bringing any engineering into India.

And where the whole supply chain we are looking at. Now in energy solutions and services, it is a niche market. It is a very fragmented market. We have made a very good place for ourselves, but it is early days. So, we are making a long term plan. We want to remain embedded in this area to bring the Bosch global technology and our Indian expertise.

So, you will see as I cannot see quarters as the years go by how we grow in it. We believe that we can play in this niche segment a good role. Lastly, across Bosch India on non-mobility we want to grow faster than the market. Yes, whether it is in power tools, whether it is in Bosch Siemens Home Appliances BSH, which sells under the Bosch or Siemens home brand.

So, everywhere, many of the places we play our niche game. Yes, including BSH, but they are doing well, including our drives and controls. So, yes, we are giving a lot of focus on beyond



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mobility and we are also looking constantly at either startup connections like we have shared with you time to time, including investment in startup and we are open to also investing with partners.

**Moderator:** Thank you. The next question is from the line of Lakshmi Narayan from ICICI Prudential AMC. Please go ahead.

**Lakshmi Narayan:** Couple of questions. What is the business mix between mobility and beyond mobility?

**Soumitra Bhattacharya:** So, mobility is around 80%.

**Lakshmi Narayan:** And how much of mobility is actually auto?

**Soumitra Bhattacharya:** Mobility is primarily broken up into all the five segments that you know, is not it? I mean, it is pass-cars, it is two-wheeler, it is three-wheelers, it is tractors, it is heavy commercial vehicles, it is light commercial vehicles.

All these constitute mobility and also now that our mobility cloud platform has been launched officially. Of course we were doing work behind the scenes. We will continue to start also our revenue process there. That is inside Bosch Limited.

**Lakshmi Narayan:** If you just look at your gross margin, we were operating at a higher level and over the last one year because of higher mix of exports and Made in India material, right? The gross margins have come down and you also hinted sometime back that there is a pass trough via localization. So, what is the gradient of gross margin expansion? Over how many years you think we can catch up to the earlier one? Or should we actually take this as the current normal?

**Soumitra Bhattacharya:** Look our operating margin has couple of elements. You must remember that in the last couple of years, including this year we are investing a lot also into our mobility solutions and services and also our electrification house.

So, you see that as a net at the end of the day, Yes? So, whether you see it in the operating EBIT or you see it in the EBIT margin. So, we are investing in the future where sometimes you have to put in money in the P&L, which will create a high impact and value for the future.

So, let me give you an example of the launch of the mobility cloud platform and the mobility marketplace. Now this business we started four years ago. And we brought it to a good shape where today it is up and running for transactions to happen.

And both with medium sized business, large business, startups and it is cloud agnostic and people can enter we have our own solutions and also we allow others to enter and work. So, any of these things require a little time and Bosch Limited has never looked at valuation, but it creates value inside the company.



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**Lakshmi Narayan:** Other question is that if you look at three years or five years out, can we catch up with earlier margins? So, these are all in the early stages investments will show later. But what is the band of margins you like at a gross margin or an operating margin? And maybe in three years or five years?

**Soumitra Bhattacharya:** I mean do not get me wrong, you are asking me a clear guidance question. And I think I have mentioned before that we do not give guidance. So, if you ask me what are you doing to future proof the company, I can give you an answer.

But I will not convert that into a guidance question. So, I shared with you that at the right time we have announced now the mobility cloud platform and also the mobility marketplace. And you will see revenues from that. Same way we will share at the appropriate time on electrification or on hydrogen, but I will not convert that now into a guidance question.

**Lakshmi Narayan:** Sir, my question is essentially on localization right? Because of the faster progress to BS-6, we started instead of localization, we started securing material from outside that is also seen in the balance sheet?

**Soumitra Bhattacharya:** Yes BS6, we have a very strong localization plan and we have a very strong acquisition which has already happened and more coming in. And for the advanced technologies, we also plan the localization through the PLI scheme, etcetera.

And these are all, these components or systems are under the Make In India program. Whether it is related to improved versions of the common rail or our pumps or the components related to it, and off or on exhaust gas treatment.

But we do not give you guidance on the bandwidth of the profitability that you are asking specifically.

**Lakshmi Narayan:** Sorry, just one last question from my side is that if I look at the incentives which we are getting from government in terms of exports or any other incentives, it is around Rs. 100 crores or something in FY20, which came down to like Rs. 9 crores, Rs. 10 crores. Are we still getting some incentives? (Inaudible 45:43)?

**Soumitra Bhattacharya:** I have got the question. The answer is, yes, we do get incentives from the government. We do not rely on incentives to run our business model, but we do get. Answer is also yes that we also focus on our operating EBIT, which we will continue to besides having other income. Answer is yes, we will continue to get also services income for the services for R&D and application that we deliver to our clients.

So, on all these answers, answer is yes. Unfortunately due to the reduction in rates, you know we had a pretty strong cash balance and due to the interest rate drop that and we keep pass them



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in very secure and safe and AA and AAA instruments. That rate has dropped. We believe overtime again the same interest rates will also firm up. And finally I would say we use a healthy CAPEX mix we have. So, I hope I give the answer. I mean I do not want to repeat it again.

**Moderator:** Thank you. Ladies and gentlemen, we will take one last question. Ladies and gentlemen, due to time constraint, we will take one last question from the line of Krishnakumar from Lion Hill Capital. Please go ahead.

**Krishnakumar:** Thanks for the insights on the electrification and mobility. So, when you talk about the changing environment in the electric vehicle space, there seems to be at least a couple of dozens of players and also many vendors who want to be in that space on motors and controllers and other DCBC charges etcetera.

We at Bosch have been as the automotive industry used to a scenario where you had probably 3, 4 kind of OEMs in every segment and also suppliers who were probably more you know or lesser in number. So, how are you kind of organizing yourself within the company to handle this kind of varied clientele and also a competition that is coming from startups and other players basically? It seems to be very different ball game on the electric vehicle space in India. Your thoughts will be highly appreciated?

**Soumitra Bhattacharya:** So, I will request our CTO and by the way, he has also been appointed JMD today by the board. You can congratulate him, our CTO and JMD, Mr. Guruprasad Mudlapur to answer that and he also heads the electrification project.

**Guruprasad Mudlapur:** Yes, thank you. So, I think your question was how are we going to make a mark in electrification in the context of what you described. Yes, I think that context is very well understood by us. We are already the global leader in electrification acquisitions. Our order book today is over €20 billion, and it is not because we have done something yesterday. It is because since 2010 we saw this coming and we have invested very, very steadily in electrification, virtually over €500 million year-on-year as product development, R&D research, advanced technologies, including semiconductors which are very relevant for electrification, like silicon carbide and so on.

We have a very, very wide portfolio. We have a very wide portfolio which covers from two-wheelers, extends all the way up to commercial vehicles. We have a complete portfolio on fuel cell electric vehicles. We have a portfolio on hydrogen conversion of combustion engines.

So, in terms of portfolio and in terms of IP technology, I believe we are global number one as a Tier 1. That does not mean that we are not going to be competing against a lot of players and we have a lot of competition, and we recognize that. So, trying our best to stay ahead of the curve through sustained investments and technology advancements in all areas, including working pretty closely with multiple OEMs, with whom we have good relationship.



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But of course, like you alluded electrification is also stretching beyond OEMs into new mobility solutions providers. For example, in Ola in India or other companies worldwide which are not traditional OEMs, but they now start to do different things in electrification.

So, we are also in relationship with many of them. We work very closely with them to define what could be the car of the future. What could be the vehicle of the future? How can we participate in providing technology to them?

We work with them very closely on EE architectures. We give them system engineering guidance. And we help them design the overall solution. So, we are working very closely in partnership with every single player that is out there in the market, be it an OEM, be it an MSP, be it a startup, we have very good relationships with startups. Our CEO talked about investments in startups we have been doing also in the Indian context. These are all done with the name of progressing or enabling electro mobility to come strongly in India.

**Krishnakumar:**

Just adding to the point you made, sir, when we look at a lot of the players in India while it is too early to say, but the profitability seems to be a lot under pressure even at this point in time with less competition.

So, does it mean that the solution providers and suppliers also would probably have to look or be okay with lower profit margins in the long run as EVs takeover? Is that the right direction to look at in terms of profitability of the industry on the supplier side?

**Guruprasad Mudlapur:**

I would say this is a really very early days. You should not assess this because electro mobility in that context is really at an infancy in India. OEMs are finding their feet. They have their first few thousand cars sold. Two-wheeler makers are selling their first a few 100, or maybe 100,000 vehicles or 50,000 vehicles in the market. Everybody is coming to grips on how things should pan out.

The input costs are still very high and hence you see pressures on margins, but this need not necessarily be the steady state as we move forward and this is something we are also watching. We have gone through these cycles globally. In fact many advanced countries have come out of these cycles. China for example, is out of the cycle and they are in a steady state with 2 million vehicles or so already on the market. So, these are things which will play out over a couple of years and I think we should hold our guns for a year or more before we start to assess what would be the real margin impact here.

**Moderator:**

Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to the management for closing comments.

**Annamalai Jayaraj:**

We thank all the participants. We thank Bosch management for taking time out for the call. Thanks.

**Soumitra Bhattacharya:** Thank you very much.

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

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