



“Bosch Limited Q1 FY23 Post Results Conference Call”

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

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Post-Results Conference Call of Bosch Limited 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: Thanks, Faizan. On behalf of B&K Securities, welcome to Bosch Limited 1Q FY22-23 Post-Results Conference Call. From Bosch Limited management, we have with us today, Mr. Soumitra Bhattacharya - Managing Director; Mr. Guruprasad Mudlapur - Joint Managing Director and Chief Technology Officer and Ms. Karin Gilges - Chief Financial Officer. Mr. Soumitra Bhattacharya will make a power point presentation and will be followed by a question-and-answer session.

To view the power point presentation by Mr. Bhattacharya, please click the 'see meeting' link which we have provided in the conference call invite. Over to you, sir.

Soumitra Bhattacharya: Thank you, Mr. Annamalai Jayaraj for your continued support and friends and colleagues, good afternoon and welcome to this part of the call. I sincerely hope that all of you are healthy and keeping safe. Today, we had our Annual General Meeting and it was very positive meeting and we would like to first share with you the macroeconomic policies followed by later in aftermarket automotive market update and then walk you through the financials. Finally, I will end with the highlights for the quarter which is affecting our business.

The global economy is facing a downward risk on growth and we all know that because there is very high inflation happening, some of the large economies including the US already started contracting while the central banks continue to hike key policy rates in the last few weeks, one has noticed the narrative is slowly shifting from inflation to growth. Coming to the Indian economy, a host of indicators suggested that the economic recovery is ongoing, the PMIs continue to be in expansion, GST collections you have already seen are at all-time high and continue to be robust. Capacity utilization levels are also itching upwards and investments for new projects are also showing a positive movement. Employee conditions and supply chain pressures, there are of course tight situations, but relatively they are easing a little bit. We see a good progress of the monsoon, of course, colleagues the monsoon is still not totally even, though of course reservoirs are getting filled up. Also, the Kharif sowing has been progressive, we see a positive year-on-year change thus far. That said, like the rest of the world, India too is facing a high inflation which has resulted in the RBI reviving the GDP forecast for FY23, now down to 7.2% and also hiking the policy rate by 90 bps and this year at by 50 bps. I also have to say the colleagues that the RBI governor is doing a very splendid job in trying his best to ensure India stays in a relatively sweeter spot.

Overall, the automotive market production has increased by 31% in the current quarter with an exclusion of two-wheeler, the bulk of the increase can be contributed to the lower base of April-

June 2021 which was as all of us know affected by the COVID second wave. Hence, we have done a comparison with the January-March 22 quarter or which is the quarter 4 of FY21-22 and here we see it greatly flat. Now, this is driven by seasonality, historically the first quarter of our financial year is lower than the last quarter of the fiscal year. The chip shortages in the industry which affected during April and May production of pass cars and LCV, from June, I have to also say that there has been in the industry an improvement in the chip supply and while we are aware that in June, there was one-week shutdown at Suzuki for maintenance, within the segments of PC and LCV, which were generally flat or minor degrowth, this has been driven by a slightly higher backlog order and waiting period. Then I have to say, you can't take it generically, you have to remember that these order backlogs are defined on models and mixes, for example, in pass cars, we see that for the automatic and the higher end the backlog is still relatively high.

The tractor market grew by double digit in April-June 2022, this has been driven by a lower base of January-March 2022. The Kharif sowing reported on year-on-year decline of 5.3% as on July 1st, 2022. Now, two-wheeler consumption sentiments are still low, this is partly due to the price hike witnessed at the entry level bikes. BS6 variance of these bikes are in the range of Rs. 70,000 up to Rs. 90,000 against Rs. 50,000 to Rs. 60,000 for BS4 bikes. Chip shortages in premium segment also led the lower inventory and larger waiting periods.

Now, let us look at the automotive market outlook for 2022:

Now, on this slide, each row represents a particular segment, for instance the first row represents pass car followed by HCV, then LCV, tractors, two wheelers and three wheeler segments respectively. The first column represents the 2018 and here I have referred to the calendar year production volume which is considered as one of the best years in the Indian automotive industry and the industry was at its peak; the second column represents the 2020 production volume; third column represents the 21 production volume; the fourth represents the first half of 22; the fifth and sixth represents the quarter 3 and quarter 4 forecast; the last column represents the expected calendar year 2022 volumes. Basis of these numbers, we are expecting a better year for PC and LCV segments and we are likely to reach the 2018 peak. Heavy commercial vehicles, two-wheeler and three-wheeler recovery will take quite some time as we all know to reach the peak of 2018. Tractors, of course, was the frontrunner which peaked already last year and we are expecting on a high base a minor degrowth this year.

Coming to profitability:

The overall revenue from operations for April to June 2022 stood at Rs. 35,444 million or Rs. 3,544 crores which is an increase of approximately 45% as compared to the corresponding period of the previous year. Please remember the previous year quarter was badly hit by COVID. Now, here the automotive sales grew by about 48%, largely driven by powertrain, while the non-automotive sales increased by about 54% largely led by power tools. Overall, product sales have increased by about 49% primarily on account of a low base of April-June 2021 as I mentioned earlier owing to the second wave of COVID-19 pandemic. Income from services mainly comprises of R&D services provided to OEMs and Bosch Germany while the billing of our

R&D services was at the healthy 1.1 billion for the quarter, the income recognized in the books based on customer SOP dates was about Rs. 628 million INR. The balance income would get recognized in the subsequent quarter based on project completion dates of customers. So, this is very important to understand colleagues that what is it that we build and what is it that we have recognized. The other operating income includes some income from lease rentals, miscellaneous income and export incentives. In April-June 2022, we have received an installment of claim for refund of taxes under the mega project scheme of the government of Maharashtra pertaining to our Nasik plant and also increase in miscellaneous income, hence other operating income for the current quarter was relatively higher.

Our material cost as the percentage of total revenue from operations has increased from about 59% in April-June 21 to about 64.6% in April-June 22. This is mainly due to 3 reasons; A, change in product mix over the same quarter of the previous year; B, impact of transfer pricing adjustments as respect to imported traded goods and C, most importantly raw material price increase. Sequentially, the material cost as a percentage of total revenue from operations has remained at 64.56%. Our employee cost for April-June 2022 is Rs. 270 crores or Rs. 2,702 million as compared to Rs. 271 crores in April-June 21. Hence, as a percentage of revenue from operations, the employee cost improved from 11.1% in April-June 2021 to 7.6% in April-June 2022, mainly due to higher revenue from operations compared to the same quarter of the previous year. Our other expenses stood at Rs. 533 crores approximately 15% of total revenue in April-June 2022 as compared to Rs. 428 crores which is 17.5% of total revenue in April-June 2021. Increase is in line with increase in sales, increased spending on new businesses that we are doing from Bosch Limited as well as increased advertisement expenditure that we have done specifically for our power tools business. Our depreciation for the current quarter is at Rs. 65 crores, 1.8% of the total revenue as compared to the Rs. 67 crores or 2.7% of total revenue in April-June 2021.

Our operating profit stood at Rs. 385 crores in April-June 2022 as compared to Rs. 240 crores in April-June 2021 which is an increase of 61%. Our other income primarily which consists of the interest on fixed deposits, change in market value of mutual funds which are debt based. The other income has reduced from Rs. 99 crores in April-June 21 to Rs. 57 crores in April-June 2022, mainly on account of reduction in market value of mutual funds in the current quarter. This is driven by the selloff in the bond yields. During April-June 2022, RBI has increased the repo rate by 90 basis points. That said, the sovereign bond market has sold off between 90 to 150 basis points across the 1-to-5-year segment. Our average portfolio duration has been hence reduced from 1.5 years to 1.1 year. For the quarter ended April-June 22, your company posted a profit before tax or PBT of Rs. 438 crores as compared to Rs. 335 crores in April-June 2021 as the percentage of total revenue from operations, PBT or profit before tax stood at 12.3% of total revenue in the current quarter. Profit after tax or PAT for the quarter ended June 2022 stood at Rs. 334 crores which is 9.4% of the total revenue from operations. Profit after tax in April-June 2021 was Rs. 260 crores.

Bosch has set foot in India as early as 1922 with a sales office in Calcutta, now Kolkata. The history of our company is invaluable part of its existence for over 60 years, Bosch India has

traversed a remarkable journey in the Indian automotive industry and for 69 years, Make in India. For the last 5 years, Bosch has invested around 100 million Euros or Rs. 800 crores developing our smart campus which we call the Spark.NXT campus which has a capacity to potentially house 10,000 Bosch associates and was officially opened at a ceremony inaugurated virtually by the Prime Minister on 30th June this year. The 76 acres site is Bosch's first smart campus in India and features multiple smart solutions based on sustainability, security, user experience for our associates, customers and business. Not only did the Prime Minister inaugurate our campus, but it was done in the presence of our Honorable Chief Minister of Karnataka, Mr. Basavaraj Bommai and our Bosch Global Board of Management member, Ms. Filiz Albrecht. The campus will meet up to 85% of its total energy needs with in-house solar panels and the purchase of Green Group Captive power. Almost two-thirds of the annual domestic water demand at Bosch in India is set to meet through rain water harvesting projects. The campus is a testimony to Bosch's existence as AIoT company aligned with India's program for carbon neutrality and sustainable targets.

By the way, I would like to remind all colleagues that Bosch worldwide and Bosch India attained carbon neutrality under Scope 1 and 2 already in 2020. Bosch India will continue to invest in technologies which are economical, sustainable, safe and secure.

I would like to thank you on behalf of our leadership team for your contribution, your support, and for your patient listening throughout the call. Together, as a leadership team, we will now address your queries and thank you very much and 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 Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: My first question is on the electrification bike, if you can share your thoughts on the two-wheeler electrification, now it is happening quite rapidly, is there anything which you would like to highlight in terms of new order wins or how the content for Bosch is kind of keeping pace with the rapid electrification in the pace, if you can throw some color on that?

Soumitra Bhattacharya: I will hand over to our Chief Technical Officer who also heads our electrification project, over to you, Guru.

Guruprasad Mudlapur: Thank you Soumitra. So, specifically on the two-wheeler electrification topics you asked, we have a full portfolio from the motors, all the power electronics and of course battery systems. We have been in first generation products with several OEMs, we continue to have further designing with new OEMs right now, we are also discussing on getting our batteries which are by the way designed to very high levels of safety and performance, get designed into new OEMs as we speak today. So, you will of course hear more about where they are, in which OEM, as and when the OEMs announce their products.

Pramod Kumar: And second question is on the hybrid side, given the expectation of electrification and in the car industry as well, the new launches what Toyota Suzuki are talking about strong hybrid

technology in India, what are your thoughts on that broadly as a technology and its relevance in India and also if you can kindly confirm whether you are participating in this technology rollout with Toyota Suzuki?

Guruprasad Mudlapur: We cannot comment on specific engagement with an OEM on hybrid topics right now, at least not during this call, but in general we have a very good portfolio of solutions for the hybrid applications. In fact, we have been one of the global leaders in hybrid batteries for a long time now. We have offered solutions also to the Indian OEMs. In terms of its applicability and usefulness, I think it is a very debatable point in terms of what efficiencies it brings in and as an intermediate technology towards full electrification, probably it has a value, but the ultimate choice is with the OEMs and in terms of how they can show economics to the consumer. We will of course provide technologies as they ask. We have the full portfolio here.

Pramod Kumar: Sir, just the reason I am asking this is to confirm in a way Bosch has a presence in India on this risks, because the idea of this technology is to grab market share both from petrol and diesel categories and diesel is quite relevant to the segment as mid SUVs and it is a technology, it is a fuel where we are reasonably stronger, relatively stronger, so just wanted to confirm whether in India, we will have the presence to understand the implications on the content share and if there is a meaningful shift towards strong hybrid and I understand the sensitivity around not disclosing specific details, but I just wanted to understand if OEM were to come to you today, requesting for a strong hybrid solution, what will be the timeline for you to kind of meet that requirement and the OEM to commercially launch the product? I am just saying that hybrid as a technology takes more and more OEMs would do that, so if you can just help us understand from a project timeline perspective, what could be the premium to maximum duration by when an OEM can follow this particular fact?

Guruprasad Mudlapur: As I said, the hybrid technology is available and we have offered it several OEMs globally and also in India, so you are now referring to from the start of offer till an OEM gets into production, what would be the sort of timeline to introduce technology, I would say, it is typically and this is a very generic statement, again it is typically between 12 months to 18 months.

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

Sonal Gupta: Sir, just a related thing, given that we are seeing SUV sort of gaining share in the passenger vehicle market and while the diesel is also stronger, what we are seeing is that across OEMs there is a clearly a gasoline direct injection has also gained considerable share, so just wanted to understand in terms of, are you participating in that market, at least with a few OEMs, that was my first question?

Guruprasad Mudlapur: Very important and good question, we have a strong presence both in diesel and in gasoline, GDI is segmentalized as you all aware and in India the utility vehicle market has also broken up into different kinds of SUVs, so while we started with diesel long time ago, we came in with gasoline relatively later than diesel, but we have progressed significantly. So, answer is yes, we

do participate and I would like to also mention that while electrification is a buzz word, I see in India is going to be there for a long time. Today, electrification is at a very nascent stage and by 2030 while we expect electrification to increase and improve and the most optimal in India could be e-mobility case of 2030 to the extent of 30%, 70% will still continue to remain IC.

Soumitra Bhattacharya: Also, I think GDI you can observe in the market has started to come into performance passenger car segment as well, so typically OEMs launch 1-liter GDI, 1.5 liter GDI and also 1 liter normal car, so these kind of variance are already available in the market, so it is not just the SUV segment, but also the passenger car segment.

Sonal Gupta: And sir, just when you talked about the BS6 transition, I think year or few years back actually, you talked about the fact that the OHT segment in the construction equipment space will also be a meaningful part of your BS6 transition order book, so given the changes timelines have been pushed in that space, etc., so just wanted to understand like would you say that now substantial portion of that has got into production or there is still a lot of immediate chunk of that transition is still left?

Soumitra Bhattacharya: So, you have to segregate on the emission norms between vehicles on BS6 versus example, tractors, or off-highway market, so yes, Bosch is playing in every area of the emission legislation and like BS4 to BS6 also for the emission change norms, either for CPCB or for TREM4 to TREM5 we are fully in and I am happy to say that we have a pretty solid order book. Now, of course we don't give you the acquisitions customer wise, but I can confirm like we did for BS4 to BS6 transition that we have done well, we are continuing to acquire and we are also happy that the government of India is laying down the timelines and are generally following it, some small shifts has happened, but generally following it.

Sonal Gupta: And just my last question if I may please is that we have seen a step up in the RM cost to sales over the last couple of quarters where it has gone closer to almost like 65%, I understand this might be due to the commodity price was spiking up, so to that extent as we are now seeing some moderation in commodity prices, should we expect that this number should moderate and you should see some benefit of commodity price moderation?

Soumitra Bhattacharya: Good question again, Sonal, I already in my talk I gave you that there were three elements of the reason for this, material cost increase, you referred to one, very important one, which is raw material price increase. We are working very closely with win-win situation with our OEMs and our other customers on raw material price increases, logistic price increases and electronics price increases because you know, every organization and every segment, whether it is OEM, tier 1, tier 2, we can absorb some amount and we can also not absorb some amount and I call this the win-win situation where even finally the OEM can pass on certain amount into the customers, so if I summarize the complex topic, you will see that generally the OEMs have the mix and model changes have increased led to the price bands being relatively higher compared to the past and if you see this also then has to slow down into tier 1 like us and tier 2 and we are conscious of this and we are working on this and however as I mentioned in a fair and win-win situation.

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

Jinesh Gandhi: First question pertains to clarification on the RM cost side, so clearly there is some impact of adverse Forex movement on the RM side, so for us Forex cost passed through or better on negotiation basis?

Soumitra Bhattacharya: So, we have a very robust system of contracting, Jinesh and of course it is customer to customer and I am sure you followed our company for quite a while and our contracting process with our OEMs and also with others is robust, very clear and again it depends on case to case, but we do ensure that risks are mitigated including Forex as well as very importantly we also have a very strong treasury and we do a very strong risk management through hedging, so on both fronts, whether it is a customer front where we have very transparent, but solid contracting as also in our own internal processes because Bosch is a very process oriented company, we have strong processes on risk management in our Forex including very systematic hedging.

Jinesh Gandhi: Second question pertains to the BS6 phase 2 which will be applicable from April 23, so how do we see that transition influencing our product offerings?

Soumitra Bhattacharya: So, Jinesh, this part of it what you are referring to, we call it in Bosch core and then reviving the core and Bosch is very strong both in core and in reviving the core in Bosch India that is Bosch Limited in the automotive area and therefore the powertrain area. So, I mention to you, you have to look at the emission and legislation roadmap for all elements of mobility and I can assure you and your colleagues that Bosch plays on these areas front-ended just like BS4 to BS6, so I don't have to go through every element where we are very strongly front-ended, where we can support our customers from inception right up to SOP and I think that is the USP on our strength and I also mentioned to you, Jinesh that we have the largest R&D center in India, this is not just for powertrain, but the largest R&D center across all our sectors outside Germany. So, these things we tackled and my final point which you have not asked, but for this to be answered for some of you all who may ask this question, as my colleague mentioned, our parent is very strong on the transitioning to the transformation which will happen in India, for example, the last 12 years, our parent has spent between 450 to 500 million Euro for the last 12 years on electrification, hydrogen, hydrogen ICE, hydrogen SUV, stationary fuel cell and so on so forth and we have very strong connections with our parents and then we do localization here and finally we give innovative and affordable solutions through India. So, core and revive and then the transformation and I end by saying our Spark.NXT when you go to the lower Bosch in India 100 years is exactly this, what is our next Spark to work with the customers and consumers across different segments to provide technical and innovative solutions for the future.

Jinesh Gandhi: And any thoughts on how diesel on the passenger vehicle side will get impacted under the BS6 phase 2 or RDE norms?

Soumitra Bhattacharya: Jinesh, we have come to a settling point, diesel, this question which you are asking is a very valid question, for example, 2 years ago. If you remember a few years ago, 5 years ago, India

had touched the peak at 48% of diesel, maybe half-half and it lined from 15%, so today at 18% to 20% of diesel share, example on pass cars and utility vehicle is something that is settling down. Of course, content per vehicle is going up where Bosch has a play, of course, there are many segments, like for example, SUVs where people still prefer the higher top and therefore diesel, so we believe this is going to stay there. We believe ICE will still play a dominant role and we believe that the transitioning and the transformation will also happen, all of which we are doing and of course Bosch Limited also works with our sister companies, for example, we work very closely with our sister company which makes the ECUs which go through Bosch Limited finally, so quite a few things also then from our sister companies go through Bosch Limited.

Moderator: Thank you. The next question is from the line of Rajesh Ranganathan from Doric Capital. Please go ahead.

Rajesh Ranganathan: While diesel has settled down to a certain level, when CNG has been increasing in India both in pas cars and in LCVs, can you please comment about our strength in CNG and how that compares to say our strength in diesel?

Soumitra Bhattacharya: CNG is a part of our portfolio also, Bosch has CNG solutions, Bosch has solutions for flex fuel, so we see that in certain segments, you are right, we see in certain cities, again you are right, right now if you look at the overall percentage is relatively still pretty low. If you look at segment wise and if you look at cities, it is happening, so Bosch has a play on CNG and we also have solutions for it.

Rajesh Ranganathan: And would you be able to comment on our relative strength between say our strength in diesel versus CNG?

Soumitra Bhattacharya: Look Rajesh, I will give you a small example, Bosch came to India in 1953 with inline pumps, diesel. Relatively, we came later into gasoline, but look at our presence in gasoline today, in a market which is relatively more fragmented, it is pretty strong, so in CNG also we have the technology, you have to yourself understand and accept that CNG in relation to rollout in India is very much dependent likely beyond infrastructure, so while certain cities like Delhi has had after improved infrastructure, CNG has not been a rollout across India; so A, it will take time for that to happen; B, it will be city specific based on infrastructure and acceptance and C, it will be segment specific. So, we have to strength Bosch, our parent and Bosch India is a full portfolio organization and we will use our strength whenever required based on timing to get deeper into the market, so your question is valid, the total weightage is still relatively low and we have our entire portfolio.

Rajesh Ranganathan: And with respect to, in the previous calls, we have discussed this, you mentioned that you have a roadmap for localization and you also participated in the government scheme for localization and also you had a plan for discussing with the global Bosch organization for potentially making India hub for export, especially for diesel related technologies, if you could comment on these

three in terms of what has been the progress over the last few months in terms of what decisions have been made or how much progress has been made in these three areas?

Soumitra Bhattacharya: First question is on PLI, yes the Bosch Group has applied including Bosch Limited and we have been approved. So, we are embedded on and we will work and we are working on that. The second part is in relation to diesel, we retain our strengths in diesel and gasoline and allied areas and we have brought in for our various plants, different elements from our various sister companies or even countries and done certain amount of strong consolidation and we will continue to look and focus wherever it make sense for our company Bosch Group as a whole. We will continue to remain strongly local for local. In relation to export, we look while I have mentioned that we have strong focus on growth in the domestic market which you will continue to see this year and the years to come. This year when I mean, I mean fiscal year 22-23 over the previous fiscal. We will be in a bandwidth depending on what we need to do as a policy and strategy between 9% and 12% on export. Perhaps the max we could go over the year would be 15, but our domestic and local play will have the highest weightage as before. So, there is a clear strategy on what we will do and what we will not do and finally on diesel, yes, I endorse in your direction what you mentioned, we will use our strength to do further consolidations.

Rajesh Ranganathan: And on localization, if you could comment on the progress?

Soumitra Bhattacharya: On localization we have a very systematic localization plan, partly driven by PLI, but greatly driven by business. So, we have all ways focused and met localization targets right from the time of nozzle holder assemblies, common rail injectors, pumps and we have multiple plants in India and we will continue doing that, but again I make one point very clear, we will not do localization for localization, we will do when it make sense. So, sometimes, this question is a little counterproductive because if you localize for localization and it is not meaningful, then you actually don't aid business, so we have a robust process, we have done it in the past, we are continuing to do it and we will do it in the future, but at the right time.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Ampersand. Please go ahead.

Sanjay Satpathy: Congrats for the decent set of results, you have already discussed about localization plans, etc., but if you can just help us in understanding that current profitability the profit margin of you is really far from the 18-19% kind of margin that you used to enjoy pre-COVID and BS6, so is there a possibility that you can go back to those kind of margin in the near future?

Soumitra Bhattacharya: Sanjay, that is a very leading question and it is also a guidance question, so very politely, but as always I have to tell you; A, we do not give guidance and B, we don't take leading questions, however, I will go you an answer in a generic way for you to get a direction. If you look at Bosch Limited, we have also been investing a certain percentage of our profits for new business areas, very actively and this is what is called as preparing the soil for the future. So, we will spend good amount of money in our electrification process, in our hydrogen roadmap, in different elements for the future and this is something which you get payback for the future. The request

I have to you and your community is, please look at the mid and long-term and not quarter to quarter because we should not get into euphoria on a quarterly results which goes up or in a bit of a depression when it goes down, so this company is prepared to invest for the future which will bring in future sustainable benefits with optimal profit; second, we have very strict cost control processes and third, very importantly Sanjay, we have right size the company if many of the analysts will know that this company had a headcount, some 7-8 years ago of 11,000-12,000 people. Today, if you look at the permanent headcounts, we are nearly half and therefore our productivity levels are very high. If you remember many of you have mentioned when you asked why the EBITDA down to 7%, it is 19-20 and 20-21, we did a 3R program and one of the sub-elements was we spend Rs. 750 crores each year for the 3R, redeployment, reskill, and restructure and today you are just seeing the financial results on personal cost, but what you are not seeing is the huge competency building that we are doing whether it is digital fluency, you are not seeing that Bosch Limited has climbed to the top quartile of the GPTW and it is now amongst the best work places in automotive component and auto companies and the good news is three days ago, when we did our dipstick we have further improved. So, you must understand that we are tackling business in a holistic way. People who are the greatest asset will make will take this company forward. Infrastructure, we gave you an example of the 76 acre campus which is one of the smartest than the best. Our average age of this company, Bosch Limited is now down to 37 and most importantly, looking at future mix of talent linked to technology. So, in summary, I would say and this you also see in our growth in powertrain and then you see our growth in aftermarket and all this profitable growth and finally you will see that we will continue to invest significant sums and optimal sums for new technologies and still give a decent return which I call a double digit EBITDA.

Sanjay Satpathy:

And when you were saying that you were currently investing for electric mobility and all those new technology, so it seems like your business development related expenses are on the higher side, but when I am looking at the cost mix, as you correctly said, your staff cost has fallen compared to what used to be at the present days of sales, your other expenses and more so other things have fallen, though only thing where the increase has happened is in the material cost as the percentage of sales which used to be 55% of sales has gone up to upwards of 60% and can you clarify if that is where all your development costs are sitting and over that the bought out component is so much higher nowadays that the raw material cost has gone up and you will have to do lot of import substitution as well as localization and those will be very critical and really long run out process that is at least 3-4 years away before you kind of settle into your historical margin level?

Soumitra Bhattacharya:

So, Sanjay, that is again a leading question. You know it and I know it, but I will answer a part of it. Basically, in terms of material cost, you have to understand a product mix change has changed the material cost for not just us, the entire industry. So, that correction I think I would request from you and the community. BS4 to BS6 change the material content for everyone. You added exhaust gas treatment, yes and you added a few other things, so your material content will go up if your product mix change.

Sanjay Satpathy:

Yes.

Soumitra Bhattacharya: I am going to keep my answer short. The material content if it goes up, there are different elements to it and one part is the mix and I give you an example of BS4 to BS6 and that can be applied elsewhere. This is not for Bosch only, this is for the industry, please understand that. Second is, you can cover the mix with the right optimal pricing which we do. Third is raw material price increases across the world has happened. I suppose you would agree to that on RMI, ECI and LCI and that we had tackled. So, in summary, we have a clear localization plan for product wise and also systems wise. Second, we do by design, a mix change which requires for different norms and emissions and legislations which are bringing us closer to Europe and reducing the gap in number of years in terms of technology and third, we are very clear of, because some of your colleagues asked on Forex and X, Y, Z which have been doing for decades and we will do. In summary, when you have EBIT, you have to manage your EBIT to also invest for the future which in the last few years, we have started aggressively also doing and after all this, we will still deliver a double-digit EBIT.

Sanjay Satpathy: And wish you all the best and we sincerely wish that you will bounce back to sector-leading margins sometime soon.

Soumitra Bhattacharya: Thank you Sanjay.

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

Ravi Purohit: Sir, from whatever you mentioned so far in the call about localization, is it fair to assume that all our future localization programs are going to be driven through the PLI lead CAPEX and if yes, then does it require us to set up new Greenfield manufacturing units to participate in this PLI or whether the existing plants will suffice for us to kind of do this PLI lead CAPEX and second is, can you please provide update on the 100% subsidiary which we had created 2 years back to take the benefit of the new income tax dispensation at 15% and because the manufacturing will need to start on March 24, so how are we and where are we for that company?

Soumitra Bhattacharya: Ravi, very briefly, our localization again, I had mentioned to you before, but I will say it, of course we have applied for the PLI and of course we have to work on the PLI, but we have been doing localization also without the PLI, so the answer is, and, not or and even during PLI, we will use PLI and we will still continue to do localization. In relation to the 15% company, we have something in it, we are looking for other things which are meaningful and we are not doing it further tax benefit. In relation to our plants, we have the adequate capacity both for existing as well as future expansions as also the people. Finally, are we willing to invest money into all this, either through P&L or for CAPEX, you have seen we have done it year wise and even during COVID, we do not stop either on the revenue or on the CAPEX we did not go shy, so we will continue this. I want to make one point Ravi to you, but also to all colleagues, Bosch Limited and Bosch India is a company which is a longstanding player which looks at putting its actions for the mid and long run, not on a quarter-to-quarter basis. This you have to appreciate, understand and also please accept.

Guruprasad Mudlapur: Also, to clarify, PLI does not require that it needs to be Greenfield, so PLI has certain definition of how it qualifies, for example, the products need to be advanced automotive technologies or the value add needs to be at a certain level and so on. There is no requirement that it needs to be Greenfield.

Ravi Purohit: And just to clarify to Mr. Bhattacharya also, we are not really seeking answers for quarter-on-quarter basis, all our questions we could go back and check on all the calls that you have been there, our questions are always over the next 3 to 5 years what is our horizon, what is the plan and what is the strategy? So, please be rest assured, our focus is not on quarter to quarter basis. Thank you.

Soumitra Bhattacharya: I am delighted, Ravi. So, with that I think that is the last question and look forward to again contacting you all either in our future meetings. Thank you very much.

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

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