
Bosch Limited
63rd Annual General
Meeting

Chairman's Speech
Bengaluru, Aug 28, 2015



BOSCH
Invented for life

Ladies and Gentlemen,

I have great pleasure in welcoming you to this Sixty-third Annual General Meeting of Bosch Limited. I trust the notice convening the meeting, the Directors' Report and the Audited Accounts for the year 2014-15 have reached you on time.

Before proceeding further, I would like to inform you about changes in the Board of Directors of your Company.

Mr. Franz Hauber, stepped down as the alternate director to Mr. Peter Tyroller in February 2015 and has returned to Germany to take up an assignment in the Diesel System Division of our promoter Company. I wish to place on record, sincere appreciation for the contribution of Mr. Hauber during his tenure as Director.

Now, I have the pleasure of introducing to you Dr. Andreas Wolf who joined the Board as an alternate Director to Mr. Peter Tyroller with effect from March 01, 2015. He is responsible for the Manufacturing and Quality functions of your Company. Prior to this, Dr. Wolf was the Technical Plant Manager, Diesel systems in Feuerbach, Germany. On behalf of the shareholders, I extend a warm welcome to Dr. Wolf.

As you are aware, your company has changed its accounting year to commence from 1st April of every year and to end on 31st March of the following year to comply with the requirement of the Companies Act, 2013. Consequently, the current reporting period is for fifteen months from January 01, 2014 to March 31, 2015. Hence, the current period's figures are not comparable to those of the previous period.

In my speech today, I will take you through the key financial performance, highlights of your Company, a brief update on the economic and market situation and the outlook for the current year.

Global Economic situation

First let us talk about the Global economy.

Global GDP growth for 2014 was 3.3% which was similar to the growth of 2013. Growth in Emerging Market economies moderated from 4.7% in 2013 to 4.3% in 2014.

Two of the key developments in the last year are firstly the appreciation of the US Dollar against other currencies like the Euro and the Japanese Yen and secondly the decline in crude oil prices by 55% in US Dollar value. While global growth remains around the same levels, there is increasing divergence between economies. The US economic growth was better than expectation while Japan went into a technical recession in the third quarter of 2014 and growth was lower than expected in the Euro zone.

Indian Economy

The Indian economy returned to a somewhat hesitant recovery path in 2014 with most of the key macro indicators like inflation, fiscal deficit, Current Account deficit and GDP showing an improvement over the corresponding figures in 2013. The sharp fall in crude oil prices has helped the Indian economy in reducing the import bill significantly.

With a new government in place, there was a rise in expectations for implementing reforms and reviving growth.

The Government initiatives like “Make in India”, “Digital India”, and “Skill India” etc... have started off well but are yet to gather momentum. Growth picked up in the latter half of 2014 compared to the 1st half of 2014. However within the overall GDP growth, the growth in the automotive sector remained subdued.

We strongly believe that acceleration of reform process notably, passage of key reform bills such as GST, recapitalization of public sector banks, changes in labour and bankruptcy laws etc will further improve the overall business prospects.






Indian automotive industry and market scenario

Ladies and Gentlemen, for the 15 months period ended March 2015, the domestic automotive market had an annualized growth of 1.3%. Tractors declined by 8.4% due to high base in 2013 and delayed monsoon. PV segment grew by 2.8% due to improved consumer sentiments. 3-Wheelers grew by 8.8% due to higher exports whereas LCVs declined by 15.5% due to lack of push from financiers to end-users. HCVs registered good double digit growth on a low base, due to improved economy and decline in diesel prices.

Performance of the Indian Automotive Market for the year 2014-15 is depicted in this slide.

Indian Automotive Market 2014-15*

Prodn Volumes in Tsd.

Total 2013			2014-15*	
Vol	+/- % PY		Vol	+/- % PY #
236	-28.9%	 M&HCV	353	19.6%
516	-3.8%	 LCV	545	-15.5%
3,132	-4.8%	 PC + UV	4,023	2.8%
690	+15.5%	 Tractors	790	-8.4%
848	+1.8%	 3 Wh	1,154	8.8%
5,422	-3.0%	Total	6,865	1.3%

* Pertain to 15 months period of January 2014- March 2015.
 # The percentages have been annualized for comparison purposes.

Growth in overall automotive market except for LCV and tractors segment

Performance of the Company in 2014-15.

Ladies and Gentlemen, I now present the performance of the Company in 2014-15.

Your Company registered an annualized growth of 10.3 % on net sales over the previous year. The Mobility Solutions Business grew by 11.1% while the businesses beyond Mobility Solutions posted a marginal growth of 4.8 % due to continued tight liquidity and weakness in the construction sector. Your Company was able to outperform the market through prudent measures to sustain profitable growth, while remaining competitive in the Indian market.

Despite difficult overseas market conditions your company’s exports grew by annualised 10.6% on account of exports of New generation Diesel products mainly to China, Brazil. In businesses beyond Mobility segment, Power tools and

security technology have expanded by selling to SAARC nations.

Within Mobility Solutions, the Diesel Systems division registered an annualized growth of 13.8% through a segment specific “local for local” approach and higher exports, while the Gasoline Systems division achieved a high double-digit growth. Automotive Aftermarket and Starter Motors & Generators divisions had a moderate growth of Approximately 3.0% and 5.0% respectively.

In the Businesses beyond Mobility Solutions, Power Tools was the major growth driver registering an annualized growth of 9.0%.

Moving on from the business divisions’ performance, let’s now look at other key financial indicators Material cost as a percentage of sales and income from operations has declined by 100 basis points mainly due to localization and optimization of freight. There has been an increase in the personnel cost by 14.7% due to onetime restructuring and settlement impact. Other expenses went up by 4.4% in line with sales growth and inflation, offset by an aggressive cost effectiveness program. Depreciation surged by 14.2% because of high asset base and continuing capex additions during the year with an eye on the future. For the 15 months ending March 31, 2015, Profit Before Tax increased by 24.5% on an annualized basis whereas the Profit After Tax by 21.0% compared to the 12 preceding months.

The capital investment of ₹ 503 Crores in 2014-15, over and above the ₹ 511 crores spent in 2013 reflects our optimism in the medium term economic prospects of India and our commitment to growth. The Bidadi unit accounted for 39% of the total investments while the Bangalore, Nashik and

Gangaikondan plants accounted for 28.4%, 13.6% and 10.4% respectively.

Dividend

Ladies and Gentlemen, now I come to the dividend proposal, The Board of Directors has recommended a dividend of ₹ 85 per share of ₹ 10/- each, for the fifteen months period ended March 31, 2015 as against the dividend of ₹ 55 per share for the twelve months period ended December 31, 2013.

When we look at last 5 years, we can see clearly that the dividend payout ratio has increased from 17% in 2010 to 23% in 2013 and now 24% in the last year.

The dividend is exempt from tax in the hands of the Shareholders. However, the Company is required to pay effective tax of 20.35% on distributed profit on grossing up basis.

Performance April to June 2015

I will now give a brief overview of how your Company has performed in the 1st quarter of the Financial Year 2016.

The Company has clocked net sales and income from operations of ₹2,532 crores in the first quarter of the financial year 2015-16, an increase of 7.5% over the same period in 2014. The Mobility Solutions segment registered a growth of 5.3% while the businesses beyond Mobility Solutions grew by 24.3%. Energy solutions was a significant contributor to this growth on account of commissioning of solar energy solutions at Cochin airport, world's first completely solar powered airport.

Exports increased by 11.7% with contributions coming across the board from all the business sectors.

Outlook for the future

After the muted start to the year, our forecast remains cautiously optimistic. Though we see signs of recovery in commercial vehicle and passenger vehicle segments, the prospects for the tractor segment have not been very encouraging. So far, infrastructure & mining projects have not yet taken-off despite several policy announcements. The deficit monsoon which is currently about 10% below normal will continue to exert pressure on the tractors segment.

Our mid-to long-term forecast for India remains positive. We are well prepared for the new emission legislation which is expected to be announced soon, as well as for the fuel economy regulations. Our investments will increase further to ₹ 650 crores in the current fiscal. We have continued our investments into the future, in technology, infrastructure and new locations, the latest being Bidadi Plant which was formally inaugurated yesterday in presence of the Hon'ble Chief Minister of Karnataka, Shri Siddaramaiah. In addition, with the wage settlements in 3 of our plants and introduction of productivity norms as per international industrial engineering standards we are confident that our cost structure will remain competitive in the mid- to long-term.

Your Company continues to be strongly committed to India and is looking forward to further growth, especially with products designed for the domestic market. The projects of Bidadi relocation and Aduodi development center are on track as part of our expansion plans. Alongside, we will

continue to invest in skill building, competency & leadership development of our associates, to retain and attract talent for our further expansion plans.

As you can see, the cover story of this year's Annual Report is based on the theme 'Ready for tomorrow. Today'. This is a reflection of our meticulous preparedness for the future.

I would like to share a short video that showcases our future ready approach.

Let us view the video.

I hope you found the video engaging.

In the mobility space, especially with the Diesel and Gasoline Systems, we have initiated engineering & application concepts with the future automotive landscape in focus, to enable us to be 'fit for our future'. The Automotive Aftermarket division is also expanding its reach to newer places in India to be able to add to the profitable growth of the Company.

The Power Tools division is continuing to promote innovative business concepts such as the "Do-It-Yourself – DIY" concept, eCommerce and the Bosch Brand Shop. Security Technology and Packaging Technology businesses are geared up to meet the increasing market demands coming from diverse customer segments, by expanding the product portfolio for the Indian market.

The Energy division which grew steadily in 2014 is geared up to utilize the potential that India offers. It is now a full-line solution provider offering a complete range of solutions and services in the energy space.

On SG realignment

The Bosch Group globally plans to seek a partner for a JV or a buyer for its Starter Motors and Generators division. The Bosch Group is convinced that this can further improve the division's growth prospects in a market characterized by tough competition and cost pressure. The division develops and manufactures starters and alternators for passenger cars and commercial vehicles which help reduce fuel consumption, for example, the start-stop system. The business prospects under a new owner / partner may enable the division to tap into additional growth opportunities in those regions in which it does not yet have such a broad presence.

The Board of Directors of your Company will review the opportunities for the division and take a suitable decision, keeping in view the best interest of all the stakeholders.

Business development of the Bosch Group in 2014 and outlook for 2015

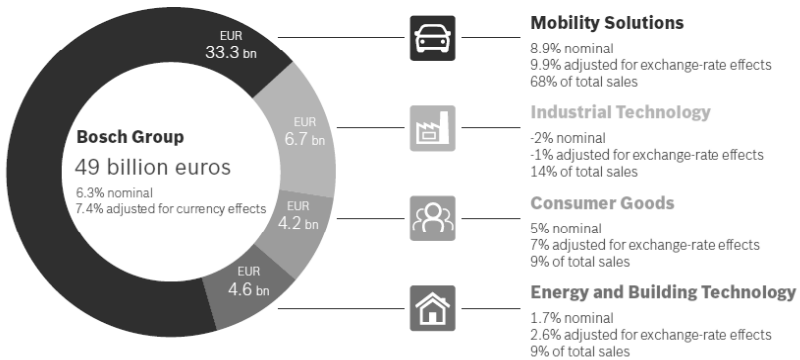
In 2014, the Bosch Group improved its sales and overall financial results, despite the weak economic environment. This accomplishment was partly due to innovative product offerings from all business sectors, and partly due to a rigorous focus on optimizing costs. The sales revenue grew by 6.3% to 49 billion euros or ₹ 350,000 crores.

Innovation remains at the core of all Bosch initiatives and hence the group continued to invest in R&D. As a result, the annual research and development expenditure was retained at a high level of around 4.9 billion euros, roughly 10.1% of the total sales.

In terms of figures, Mobility Solutions which accounts for 68% of overall sales grew by 8.9% to 33.3 billion euros. Industrial Technology business sector was impacted by the difficult environment in the mechanical engineering industry and posted a 2% decline in sales to 6.7 billion euros. In the Consumer Goods sector, sales increased by 5% to 4.2 billion euros. The Energy and Building technology business sector achieved an increase in sales of 1.7% to 4.6 billion euros.

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Bosch Group Worldwide 2014



Robert Bosch GmbH - A strong performance in 2014

In 2015, the Bosch Group expects global sales to grow within an exchange rate-adjusted range of 3 to 5%. The Company’s economic and technological strength in established business fields is enabling it to tap into new market segments. Web-enabled products and internet-based services are one of the focal points of the Group’s future business. Bosch is driving connectivity forward in all business sectors and playing an active role in shaping it. In

2014, Bosch launched many new products and connected solutions, including software solutions for smart heating systems and buildings as well as for connected industry and connected mobility. With the complete acquisitions of BSH Hausgeräte GmbH and Robert Bosch Automotive Steering GmbH, Bosch has strengthened its position in the fields of smart homes and automated driving.

Corporate Social Responsibility - CSR

Since its inception, the Bosch Group remains committed to the principles of social entrepreneurship envisioned by the founder Robert Bosch.

True to this global approach and philosophy, here in India, your Company has been taking several social initiatives for a long time.

Last year, we consolidated our social engagement programs under one roof and redefined our CSR approach. Our CSR focus is in the execution of long-term societal engagement programs thus creating self-sustaining, scalable programs having multiplier effect. For example, we offer two models of vocational training: In addition to the long term career oriented courses, we have now started short term job oriented courses as part of our CSR activities. After the successful roll out of this program in Karnataka, we are also in discussion with the Governments of Maharashtra and Rajasthan for similar programs.

Concluding remarks and acknowledgement

The stable macro-economic scenario coupled with radical reform measures will give a fillip to the economic development of the country.

Our eyes are clearly set on the future. India's growth prospects present your Company with opportunities to introduce more innovations in the market. The urge to grow gives us the motivation to explore business opportunities that resonate with the Bosch slogan - Invented for life.

To conclude, I express my sincere gratitude to the Government of India and the State Governments of Karnataka, Tamil Nadu, Maharashtra, Rajasthan and Goa for their continued support.

My sincere thanks to our valued customers, suppliers, bankers, financial institutions and our shareholders, for their trust and confidence reposed in the Company.

My special thanks and deep appreciation go to the employees of the Company at all levels for their hard work, dedication and continued commitment. Last but not the least, I also would like to place on record many thanks to my colleagues on the Board for their valuable guidance and contributions.

Thank you for your kind attention.

V K Viswanathan
Chairman
Bengaluru
Aug 28, 2015

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