



“Bosch Limited Q3 FY 2016 Earnings
Conference Call”

February 05, 2016



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Moderator: Ladies and gentlemen, good day and welcome to the Bosch Limited Q3 FY 2016 Earnings Conference Call hosted by Batlivala and Karani Securities India Private Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 Batliwala and Karani Securities. Thank you and over to you Sir!

Annamalai Jayaraj: Thank you. Good afternoon everyone. On behalf of B&K Securities, welcome to the Q3 FY 2016 Post Result Conference Call of Bosch Limited. I also take this opportunity to welcome the senior management team of Bosch Limited. We have with us today Dr. Steffen Berns, Managing Director, Mr. Soumitra Bhattacharya, Joint Managing Director & CFO and Mr. S. Karthik, Vice President and Company Secretary. I would now invite Dr. Steffen Berns for his opening remarks to be followed by a question and answer session. Over to you Sir!

Steffen Berns: Thank you, Mr. Jayaraj. Good afternoon ladies and gentlemen. Before we look into the results of the October to December 2015 quarter of our company, I would like to brief you about the overall domestic automotive market development, looking at production volumes except the two wheelers. For the quarter ended December 2015 the Indian automotive market grew by 1% against the quarter ended December 2014. Against these production figures sales increased by about 5%, but we always look at the automotive production numbers which is relevant for our sales and within 1% increase in these overall automotive production heavy commercial vehicles grew by 15% due to an uptick in the replacement demand for large freight operators as well due to low base effect.

The passenger car segment grew by 4.6% due to launch of new models and moderate fuel prices. The light commercial vehicle segment showed a growth of 7.5% due to low base effect as well as the interest rate cut. We had anticipated this uptrend in LCV after long stretch of reducing sales.

On the other hand, the tractor market again showed a decline of 12.6% due to weak rural sentiment, reduced Kharif crop production and flat minimum support prices for crops. Three wheelers saw a decline of 8.6% mainly on the back of decline in exports. Due to change in financial year from January to December to now April to March, the numbers provided for in the year-to-date are not comparable; therefore, I do not make this comparison afterwards in the end I talk

about the nine-month comparison April to December 2014 to April to December 2015.

After this market's overview in summary flat and mix bag between the different segments we now come to the sales development of our company. The company clocked net sales and income from operations of Rs.26507 million an increase of 12.8% over the same period of 2014. The mobility solution segment grew at 11.2%. Business beyond mobility solutions, which we earlier called, nonautomotive segment grew by 23.5%.

The domestic sales for this quarter grew by 12.9% thereof mobility solution by a strong 12.5% and this beyond mobility solutions by 15.5%. Net sales from exports declined by 3.2% with exports in the mobility solution segment declining to the extend of 15% mainly due to decline in market like China, Brazil and Thailand and exports in the segment beyond mobility solutions strongly growing because of good exports in our thermotechnology business.

In mobility solution automotive after market division and gasoline systems achieved a strong double-digit growth substantially outgrowing the overall automotive market despite decline in export sales. Diesel systems grew by 5%. Starter motors and generators remained flat because of reduced exports. In business beyond mobility solutions security systems and power tools both saw a strong double-digit growth due to execution of projects and strong online sales in the quarter respectively.

Thermotechnology division also developed strongly this quarter mainly due to large export orders. Other operating income has increased from Rs.319 million in October to December 2014 to Rs.472 million in October to December quarter of 2015 due to increase in export incentive and one-time receipts in the quarter.

Material cost as a percentage of net sales and income from operations has declined from 54.9% in the October to December quarter of 2014 to 54.4% in the current quarter of 2015. This is mainly due to favorable sales mix and favorable commodity price. The employee cost has decreased to Rs.3477 million in the quarter ended December 2015 from Rs.3562 million in the corresponding quarter of 2014, a decrease of 2.4% which is mainly due to reduction in employee benefit cost and realization of benefits from organizational restructuring undertaken in the previous year.

Depreciation has declined by 11.3% in the quarter ended December 2015 as against the quarter ended December 2014. This is due to lower depreciation on account of lower asset base in the quarter. Other expenses stood at Rs.5617

million in October to December quarter 2015 as compared to Rs.5063 million in the same quarter of 2014 an increase of 10.9% mainly contributed by the one-time relocation costs to Bidadi plant. As a percentage of sales other expenses have remained in line with previous year.

Operating profit is higher by 131% in the current quarter compared to the corresponding quarter in the previous year. Higher sales, favorable product mix and commodity prices, reduction in employee benefit cost, realization of benefit from organization restructuring undertaken in the previous year and low base in 2014 have all contributed to this result.

The other income has decreased from Rs.903 million in the quarter ended December 2014 to Rs.882 million in the corresponding quarter of 2015, a reduction of 2.3%. The reduction is due to decrease in profit on sales of marketable securities as compared to quarter 2014 because of change in the rural governing indexation benefits on mutual fund has announced in the Union Budget 2014.

In the quarter ended December 2015, the company posted a profit before tax of Rs.3213 million as compared to same quarter of 2014, a substantial increase by 95.3%. As a percentage of sales PBT stood at 12.1% in the current quarter as compared to 7% in the corresponding quarter of 2014. Consequentially profit after tax has increased by 99.1% for the quarter ended December 2015 against the quarter ended December 2014 on account of higher expenditure on scientific research, which is available as tax reduction.

To summarize the quarter results, our topline increased by 12.8% driven by commendable performance of both our mobility solutions and beyond mobility solution segment. Our continued growth in the domestic market substantially above the growth rate of automotive production is noteworthy. Profit before tax increased substantially due to the improvement in the operating profit as explained earlier.

Now moving onto short synopsis of the year-to-date results on a comparable basis that is nine months April to December 2015 against April to December 2014. The company clocked net sales and income from operations of Rs.77803 million, an increase of 8.6% of this year same period 2014.

The mobility solution segment registered a growth of 7.1% and business beyond mobility solutions, a growth of 20.2%. Material cost as a percentage of net sales and income from operations has increased marginally from 53.9% in April to December 2014 to 54.1% in the current period of 2015.

The company posted a profit before tax of Rs.12977 million which increased by 22.3% in comparison to Rs.10606 million in 2014. As a percent of sales, it stood at 16.7% in the current year as compared to 14.8% in the corresponding period of 2014. Profit after tax has increased by 20.1% during April to December 2015.

Some other highlights the last quarter saw the inauguration of the new power tools plant in Chennai, this is in line with our local for local strategy and cater mainly to requirements in India, but with a small share of exports to Asia, Middle East and Africa. This new location also provides us with more options to ramp up capacity in the medium term based on the needs of the power tool business. I just want to recap that totally we have inaugurated three new plants in 2015, so a strong proof of our belief in India and our upfront investment.

There has been intense discussion in the past weeks about the advancement of BS-VI legislation in the country. Bosch's ambition is to develop diesel engines into air cleaning machines with cleaner air at exhaust and at the inlet according to our slogan Invented for Life. We have the right product, right experience and the testing infrastructure for the same.

Bosch supports the early introduction of BS-VI emission norms. We assess that conversion to BS-VI could be possible for new variant and a share of existing fleets within four years. The timeline for the change over of the complete fleet to BS-VI by 2020 needs to be assessed along with our customer the OE manufacturers.

India will be the first country worldwide to skip one level of emission legislation and to take two steps in four years, the time typically taken for one step; however, to do this important boundary conditions have to be met for example the availability of India BS-VI fuel coming from Indian New Refineries two years prior to effective dates for validation, availability of BS-VI fuel and Adblue, pan India for a phase-in vehicles etc. at least few months in advance.

Quality and safety are very important and require design, application and validation procedures are adhered. Today is the first official day of the auto expo in Greater Noida. Bosch has been conducting a tech expo for its customers which started two days ago and will be opened till Saturday directly opposite the OEM expo. As two years ago we are having excellent attention and feedback from our customers. BS-VI is an important subject but by far not the only one.

Moving onto other matters, I will now provide an update on the global realignment of our starters motors and generators business. In June 2015 the Bosch group announced that it intends to realign its starter motors and generator division

seeking a joint venture partner or a buyer to further improve the growth prospects of the business. The board of directors of Bosch Limited has in principle approved that transfer by way of sale of our starter motors and generators business to standalone Indian subsidiary of Robert Bosch Starter Motor, Generators Holding GmbH. The proposed sale is subject to approval of the shareholders. The proposed transaction is part of the ongoing global realignment of the Starter Motors and Generators division. Of course the shareholders will be informed in greater detail prior to the voting process.

Our forecast this year remains cautiously optimistic. We see a continued recovery in the commercial vehicle segment and some growth in passenger cars. As predicted the growth of light commercial vehicles has stopped. However, as there is still surplus fleet in the market and liquidity is still limited and overall pressure on growth were remained. Tractors too remain under pressure.

Our mid-to-long-term forecast for India however remains positive. While the proposed emission legislation timelines are challenging and for some segments technical and commercially attractive solution still need to be developed, we have the necessary products, competence and infrastructure to support our customers.

We have continued our investments into the future in our people, technology, infrastructure and new locations also in the last years when the automotive market did not grow. We continue to be optimistic on India and on our growth potential in the country.

Thank you and questions please.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Lakshmi Narayanan from Catamaran.

Lakshmi Narayanan: Thanks for taking my question. I just wanted to understand couple of things from you. When you look back a year and look at 2015 and how it has actually panned out what are the important strategic initiatives, which you have taken, which has actually done very well for Bosch and second which are the areas where we charted out something and it did not actually pan out from a company strategy point of view, not the macro that is the first question and the second in terms of the Gangaikondan facility, what is the kind of utilization, I am talking not about the company utilization, but more on the asset utilization mix you are looking at because I think you have invested close to around I would say, close to around Rs.500 million has been invested in Gangaikondan that is the second question.

The third question on the two wheeler fuel injection system when, what has happened in the last one year as there been some preparedness from the two-wheelers OEMs moving towards better fuel injection system, three questions, first is on the strategic things what went right, what went wrong and second on the Gangaikondan facility the third is on the two-wheeler fuel emission system?

Steffen Berns:

Thanks, Lakshmi Narayanan. It is three questions I could spend quite sometime and I try to make it short and also give others the chance to ask some questions and if it is not long enough you or somebody else may ask afterwards, so strategic initiatives I think strategically we have looked what will be the growth path of the future and we have completed quite a few projects. I just mentioned that we have inaugurated three plants that is quite important because as I said we have prepared for further growth, so we have a Gangaikondan plant which you put as your second question for gasoline the Bidadi expansion or new plant moving out of Bangalore, Bidadi and thirdly also the power tools plants which we inaugurated in the third quarter, so the preparedness for the future I would say are important and all these projects has been by and large on track and the ramp up has been very successful and very smooth. The second part is that we looked into competitiveness and we concluded our settlement and you may remember that we had some longer process already in the previous years and some of our plant which we concluded and we increased our competitiveness because we were able to agree productivity measures with the union representatives, so in the plants we had concluded in 2015 we have implemented the measures which we discussed and agreed upon in 2015 and you see this actually on a very positive development and personal cost, which I have explained earlier and in this context also the last plants, lasts of four big plants in Jaipur we achieved a settlement in November 2015 so all the settlements now are through and in all the plants we have increased our competitiveness and we have agreed on productivity measures which are very important for the long-term sustainability of our business.

Third point I want to mention is the innovation and on the innovation front we have actually done quite a lot some of which we also showcasing in the technology expo which is currently going on and I cannot mention everything but on the diesel we have continued to work on local innovations for fuel injection equipment for different engine sizes as well as also for a exhaust gas after treatment, on the gasoline side we have been very successful in our customer acquisition with standard Bosch product but also with further development on the two-wheeler side, I mention this afterwards and then in the after market we have actually revived our business, which was a little slow in the previous year in spite of low and tight liquidity in the market, we have grown, we made a lot of different marketing campaigns, different names and I think repositioned ourselves and have grown stronger.

In the non-automotive business, which I think is the fourth point we have strengthened the energy business, we had a number of high profile solar photovoltaic project for example we did a 12-megawatt project in Cochin International Airport, which is the first with neutral international airport worldwide equipped by Bosch. We also expanded our footprint in the security technology markets working on quite a few projects for city surveillance and others which are very well received and also we see for the future for the growth and I have also showed this or explained this in the, for example thermotechnology business, which I mentioned earlier, so overall I think there is more but I would like to leave it at these four points, I have to give you some overview.

On the Gangaikondan utilization we ramped up Gangaikondan fast and we also got a lot of success from the market and some tailwind for gasoline at the moment, which is quite important and we are adding new lines and new products continuously and therefore utilization is pretty good and not all the space has used, of course we have some buffer to add more lines, but overall we are very satisfied with the progress of our Gangaikondan plant and last question the two-wheeler FIEs by now we have four Indian customers KTM, Bajaj, Royal Enfield and recently also launched TVS. Bosch fuel injection equipment and this I think is pretty good proof that we are not only talking about this but that we are also successful with these systems. The systems are going to percolate down so they are as it amounts to mainly in the larger bikes but we foresee that this is going to spread relatively fast and currently the discussion on BS-VI is going on as you may know, so Bharat Stage VI emission legislations and this as it looks now is going to cover all the different segments and although it not yet defined, it looks as if also two-wheelers will be included and that engine management system will be required and this of course would boost our business potential.

Lakshmi Narayanan: Great. Thank you so much for explaining in detail. I will get back in queue.

Moderator: Thank you. We will take the next question from the line of Sonal Gupta from UBS Securities.

Sonal Gupta: Good afternoon Sir. Thanks for taking my question. Just a couple of questions, first on this realignment that you talked about of the strategy rate, of course you have talked about it earlier also, so it is part of the planned strategy, but could you give us some sense in terms of the valuation of this business because it is easy to say if I just look at the price to sales it looks quite low valuation so does this division have significantly lower margins as compared to the ongoing overall company margins or I mean could you give some sense on the valuation for this business and how much of this like you mentioned is going to be a contingent payment depending

and at what value this business get sold, so could you give some more information on that?

Steffen Berns:

As I said we will provide you more detailed information, but just a snapshot perhaps today and also on the process we have looked at, the business of Starter Motors and Generators is a commodity business, so highly competitive markets with a lot of cost pressure and worldwide relatively low margins and this also in India is the fact we had been loss making for long time. We had made some efforts and successfully broken even, but not earned a lot of money and the process we have taken is that we have done evaluation by one of the big four and we got an additional fairness evaluation by another one of big four which actually is when confirmed that the initial evaluation was fair and because the business is under lot of cost pressure the sales multiples, which you see for Bosch overall do not apply at all for the Starter Motors and Generators business and you can assume that because it is being done by independent and neutral valuers this is considered as fair to make sure that it is really fair because any evaluation is kind of subjective, there is contingent consideration offered and this contingent consideration says that should the global sales of the business by the Bosch Group or the implicit price or value of the India business within this global sales be higher than the currently defined value of Rs.486 Crores, when BOSCH GmbH would pay to our company the differential, so this may be also an additional indication that we drive and push price to be fair here on all share holders not only no the majority but equally also on the minority shareholders and further details we will explain in next weeks.

Sonal Gupta:

The other question that I had was on the royalty side, we have seen your royalty is roughly been about 1.6%, but as we go towards BS-IV and to CRDI systems primarily the truck category do we see this number changing in terms of because technology input, the soft component, electronic component etc., will increase, so will this number really change going forward as well, any thoughts that you can share on this?

Soumitra Bhattacharya:

On the royalty, the first thing is when we look at the Bosch royalty payments vis-à-vis what happen in the market both nationally and internationally we are very competitive and optimally positioned. We do this from two angles one look at the Bosch global policy, but we give inputs as well as have course corrections for local and regional requirements, so the numbers per se and the percentages per se would give you this level of comfort about a) an arm length transaction, professionalism and inclusion of local requirement. The second part of your question, which asks would the percentage have changed? This cannot be answered because anything can happen, but again we will take into account not only global policies but regional needs, so to summarize first extremely optimal and

reviewed systematically looking into both the global policies, but more importantly incorporating the regional needs, we as I mentioned very, very competitively priced vis-à-vis the rest the industry including some other companies and thirdly in the future we will take a call and if we do not change anything the current numbers remained valid.

Sonal Gupta: But I would understand that given that this is sort of like FY2018, so a year from now we are looking at the implementation of the BS-VI norms and probably you are already supplying some of these products in some areas where BS-VI is already applicable in like 50 cities or more, so I am just saying from a product standpoint does that jump, is there a meaningful difference in or do we as of now?

Soumitra Bhattacharya: We as a company for any number we do not give any guidance, so this is a sort of a guidance question, so for the future I cannot comment, but if you ask me historically for the past three years we have had constancy on the numbers, so future no one can comment whether it will change upwardly or downwardly, but currently extremely competitive price and historically constant for the last three years.

Sonal Gupta: Thank you. I will join back in the queue.

Moderator: Thank you. We will take the next question from the line of Ajit Motwani from Bharti AXA Life Insurance.

Ajit Motwani: In terms of preparedness for BS-VI I had read one of the transcripts where you had said as of now the operations in India not ready for, let us say adopting or let us say providing BS-VI system, so if you can comment on this by a way of manufacturing capabilities and people capabilities?

Steffen Berns: We are having the technology and we are having the people and the infrastructure in place, which will be needed to fulfill BS-VI, so that is a positive news and I think we are definitely best prepared within the India industry to do so, but you always have to be aware that an engine does not only consists of fuel injection and exhaust gas treatment system, but there are many other components. Since there is the fuel element, which I think is grossly underestimated at the moment, because BS-VI fuel has to be available as per our estimation two years prior to introduction of BS-VI because you need the validation. BS-VI fuel is mainly characterized by very low sulphur content, so 10 PPM sulphur is not good for the environment and for the exhaust gas treatment, but sulphur is very important for lubrication, so if you take out the sulphur you have to do something different and the additives then have a very different behavior and if the lubrication of the moving parts in the engine is

not working increase the failure, defects and all kinds of other problem, so this is a technical matter, which has to be resolved. Apart from the fuel two specifics, the one is that Indian driving cycles are very different and therefore we cannot simply give BS-VI engines, but you need to do a revalidation which as we see it today for existing engines should be technically possible, so there is only a question that you need time and capacity to do so, so this could be one way which then of course in the overall industry may change, the ratio of imported or localized engines, then this is mainly commercial. The second point is that there are certain market segments, which are unique to India, for example the light commercial vehicles with one tonne payloads, the small light commercial vehicles and for this currently a reasonable approach, also a formidable approach for diesel engine BS-VI is not known and this has to be developed as corporation or incorporation between the vehicle or engine manufacturers and all the different suppliers including the fuel injection equipment, so this is one of the matters which currently is not known how to do it and where some development work is required. From the people competency I already said we have in India big and competent team and of course we are also embedded in the worldwide team of Bosch where we can get a lot of support. What we have to assess is how many projects actually have to be converted in such relatively short time where the discussions are currently going on and we are thinking about and planning what to do to increase the capacity because advancement of BS-VI once 2020 definitely was not planned.

Ajit Motwani: In terms of the gross margin number for the numbers I look at they are down about 300, 400 BPS year on year and QOQ as well, so I just wanted to understand what has changed, for the gross margin numbers and also you alluded to certain one of in the other expenditure if you can highlight that as well.

Steffen Berns: The operating profit is 130% up, so not down and I mentioned that nearly in all the different fields, material, personal, so this is all moved in a positive direction. There were some one-time effect last year, but if you compare Q3 of September to December quarter 2015 to 2014 this is considerably up.

Ajit Motwani: No I am referring to gross margins, which is basically sales minus the raw material expenditure, so the gross margins are lower?

Steffen Berns: I do not think so.

Ajit Motwani: What about the one off that you said that is sitting in the other expenditure?

Soumitra Bhattacharya: The question that you are asking we are not able to understand because if you look at the sales, which are gone up by 12.1%, the

material costs which has actually gone down. Gross margins are actually moved up, so there are different ways of calculating margin, so if you are asking sales minus material cost.

Ajit Motwani: I am also adding the purchase of traded goods?

Soumitra Bhattacharya: Yes if you take gross profit it has gone up, if you look at PBT it has gone up, if you look at PAT it has gone up, so there are none of the margins including we mentioned to you that material costs has gone down, personal cost has gone down substantially, now we are talking of quarter to quarter, so October, December 2015 versus October, December 2014 which is the right way to compare.

Ajit Motwani: Referring to sequential?

Soumitra Bhattacharya: No, I think we are all talking about the quarter because that is what you ask all of you.

Ajit Motwani: Thanks.

Moderator: Thank you. We will take the next question from the line of Akshay Saxena from Credit Suisse.

Akshay Saxena: Thanks for taking my question. So firstly I just missed it, what was the growth in diesel systems this quarter?

Steffen Berns: Growth in diesel systems this quarter was 5%.

Akshay Saxena: So your Starter Motors also growth was flat then overall growth is 12% then did the after market grow at a very high growth?

Steffen Berns: Yes I told you a strong double-digit growth both after market and in gasoline systems.

Akshay Saxena: Sir you also alluded to those other expenses had a one time relocation can you quantify how much was that amount?

Steffen Berns: We do not disclose such details.

Akshay Saxena: Approximately how much would other expenses, as a percent of sales had been lower if that did not happen?

- Soumitra Bhattacharya:** It is lesser than the growth of the sales in terms of other expenses and we control the other expenses very carefully at a budgetary level, at the element wise and it is lower than the relative growth of the sales, so our budget controls have been pretty successful in a granular way.
- Akshay Saxena:** Okay and also for the BS-IV trucks solutions which have been developed till now are they all exclusively common rail systems only for the BS-IV trucks which given that it is compulsory from FY2018 I suppose now many trucks would be in the final stages of development?
- Steffen Berns:** But you know that this is customer confidential information and we cannot tell you anything how the truck are going to look so we have all different systems available and we were not be able to disclose this, but if we tell you then you know who is doing what and therefore, unfortunately we cannot share.
- Akshay Saxena:** In the auto expo we had some leading OEMs who had showcased the gasoline direct injection system technology are we supplying to them?
- Steffen Berns:** We are supplying to many leading OEMs in gasoline direct injection also some of the systems which have been exhibited in India and we are also in further development project for the gasoline direct injection projects, so you may know that Bosch is by far the world market leader in gasoline direct injection offering all different systems and this of course is helping us in India as well.
- Akshay Saxena:** So in India for what all OEMs are we expected to introduce these products in next one or two years can you say?
- Steffen Berns:** No that is the same question as before, I cannot disclose the OEM strategy.
- Akshay Saxena:** And for the two wheelers you mentioned that you are supplying you have started for the fuel injection system for four OEMs, so have these models already been launched or will they be launched over the course of next one or two years?
- Steffen Berns:** No, I always leave the announcement to my customers, so the names, which I said, is all public domain; you can see them on the road.
- Akshay Saxena:** Also for the Starter Motors and Generator business from when will the sale be effective, will it be effective from this quarter itself?
- Steffen Berns:** The Starter Motors and Generator business first we need to get the shareholder approval and then certain formalities need to be done in the information which we

gave to the stock exchange we said by September to be concluded, so may be few months earlier, but definitely not before end of June.

Akshay Saxena: You mentioned that even in India that business was loss making right?

Steffen Berns: Earlier right.

Akshay Saxena: Thank you. That is from my side.

Moderator: Thank you. We will take the next question from the line of Jinesh Gandhi from Motilal Oswal Securities.

Jinesh Gandhi: Sir three questions one is with respect to other expenses, we see the seasonality and December quarter where other expenses go up materially so is it related to year end related provisioning which is to happen earlier or there is some seasonality any which ways?

Soumitra Bhattacharya: Just to clarify I do not know whether it was a question or a statement that latter part where you mentioned then I have to answer it. There is no year end provisioning and there are different aspects to it and it is not a matter of seasonality, you could have a lower base on a previous year, you could have a slightly higher amount because of project, to give you an example as I mentioned the other expenses are in and actually slightly lesser than the growth rate that we have had first, so it is more or less okay. Second is we look at the granularity at every level both at the level of expenses being incurred in the production and manufacturing areas, expenses being incurred in the sales area, expenses being incurred in the developmental area and on the granularity and on budgets we are pretty much okay and that is why you can see the bottomline what Bosch Limited has achieved, so a) no definition of provision as earlier as mentioned by you, b) granularity is looked at every levels and c) it depends on the base of the previous year, we look very importantly on what we are spending and whether the spends are appropriate and needed for the business.

Jinesh Gandhi: Sure, actually what I meant was between September and December quarter there is always this increase, which happens considering with the knowledge I thought I will check with you about any particular reasons for that?

Soumitra Bhattacharya: No we do not have specific reasons.

Jinesh Gandhi: Second question pertains to the bonus provisioning in this quarter due to amendment and accounting thing, any impact, which would have been provided for previous years in this quarter?

Soumitra Bhattacharya: No major impact in relation to the bonus on the act change that you are mentioning because we have our own process and our rules for giving that and in our case there is no major impact.

Jinesh Gandhi: Sir last questions pertains to the BS-VI implementation earlier one would have expected a certain opportunity between shift from BS-IV to BS-V and then BS-V and BS-VI does that opportunity remain same in terms of absolute value, if we skip BS-V or how should one look at that?

Steffen Berns: BS-VI system are not changing on whether you do BS-V in between or not the complexity of the development, the time pressure, etc., they are increasing and therefore, perhaps some of the systems are not going to as cost optimized and as much localized as they could be, but these are details we have to work out and especially the point which I mentioned that for certain segments still solutions have to be developed, so because of non-availability of time and it is more than leaving out BS-V that it is just not having enough time to develop such solutions, but this needs a thorough discussion, actually this has started, workshops with all the regional equipment manufacturers to now define technology, roadmaps, product roadmaps and then defining measures how to achieve this, which is going to take a few months.

Jinesh Gandhi: Thanks and all the best.

Moderator: Thank you. We will take the next question from the line of Suraj Chedda from UBS Securities.

Sonal Gupta: This is Sonal here again. Just coming again I am trying to understand Q2 versus Q3 basis we see a big jump in depreciation, I know year on year it has come down because of the asset base coming down, but from Q2 to Q3 it has gone from Rs.84 Crores to Rs.111.5 Crores, so is this jump going to stay here or is there is some one off in this number?

Soumitra Bhattacharya: The depreciation base on quarter is based on the value of assets that we are putting in and it is also a mix in relation to what we have put in for plant and machinery and for buildings, so as you have heard from us before that we have been very focused on future, the building of the future, example you heard from Mr. Berns about our opening of the three plants naturally each of these plants

have buildings, but also plant and machinery, you have heard of our huge project that we are doing in a headquarters for the research and development and we are also the tech center and you have also heard about the very big project of Big D which we are doing, so the asset quarter on quarter depends as I said again on how much is put in, the mix between plant and machinery and the building and finally of course the asset addition that we do, so you will see some differences quarter to quarter, but ballpark in the past we have been putting in for Bosch Limited anywhere between Rs.650 Crores to nearly Rs.1000 Crores of capex into a company on annual basis.

Sonal Gupta: Just final question, I am not very clear on this, if you just clarify, on the software and the soft tech center, the center is run by the parent just leasing out the space to them right, are we, is Bosch Limited in India also involved on the software side?

Steffen Berns: This is leasing out of space in this case to the software and engineering entity and what we are doing is we do have for the specific division for example, for diesel and for gasoline specific calibration engineers who are doing overall developments and they are working closely together with the software engineers, but the main software parts and the engineering services we are doing for third parties, this is not done from Bosch Limited.

Sonal Gupta: We do have a stream of R&D income coming in, so I guess that is more related to what you are saying in terms of engineers providing R&D related services or calibration etc.?

Steffen Berns: Yes exactly that is the car business for example in the power train division diesel, gasoline and where we do the engine optimization or as we call it the engine calibration for our customers and there we have different business models and where the income comes from.

Sonal Gupta: Just lastly from a technology standpoint if we go to, for gasoline direct injections on BS-VI or Euro-VI I mean just taking Euro-VI for example I mean do we need gasoline particulate filters or can our European gasoline direct injection operating without a gasoline particulate?

Steffen Berns: European gasoline direct injection can operate without a gasoline particulate filter. The BS-VI targets in India are not yet defined and so we assume that is all guess work and assumption currently that this in India can be done without a particulate filter as well.

Sonal Gupta: Great. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Lakshmi Narayanan from Catamaran.

Lakshmi Narayanan: Thanks for accommodating me again. Sir you mentioned couple of players on the two-wheeler segment right, so at least there is only two other players prominent players in the Indian market, are you working with them or not?

Steffen Berns: Mr. Lakshmi Narayanan I already mentioned earlier we do not disclose development partnerships, so we always retrospectively tell you that we have come into production, you can be sure that we speak to everybody and you can also be sure that we have met everybody in Delhi and had interesting discussions beyond this, I am sorry I cannot disclose anything.

Lakshmi Narayanan: Fair point. Thank you.

Moderator: Thank you. We will take the next question from the line of Romil Jain from Quantum Advisors.

Romil Jain: Just wanted to clarify this is Quantum Advisors. Sir I have two, three questions, one is as we go on implementing BS-IV, BS-VI and technology like gasoline injection, CRDI, can you just explain in terms of import content how would that really go up or remain in this range?

Steffen Berns: At the moment, I can only define the mechanisms by and large because first of all you have to define a product roadmap and then you have to make assumptions or you have to acquire the volumes, so you have to get some agreement with your customers, and from this you get a volume assumption and then you look into, if you do not have it produced locally or are not yet producing it locally which steps can you do this because engine automotive market is big for the mainstream projects our targets will always be to localize, the reality if the time is very short and initially the volumes are low there is not going to be the big bang and everything is going to be localized initially, but this is going to be phases and if you end up with a large variety of different technical solutions then your volume base per solution is going to reduce, which will make localization more difficult and there also it is a question on overall optimization. So, always when you have such technology change, the imports or the localization may decrease and the import volume may increase and then overtime, this will be leveled out again. So that is how it works and in our general in the region, for the region strategy and whenever localized production is competitive compared to imports we would do so, also applies now for this technology change as far as we need the technology change, which is not needed for everything.

- Romil Jain:** Sir, just one more question on how competitive pressures are there right now in our category of fuel injection systems from others and hence if you can just broadly give us a market share maybe in the diesel and the gasoline system?
- Steffen Berns:** We do not talk about market shares specifically, and especially for the future it is very difficult to say what is going to happen because at the moment everything has to be defined newly. I think what I said, said it earlier, it is still true that because we do have all the technologies which are known today hence which could be or will be required to meet BS-VI and because we have a very competent team locally available here we are well positioned and there is no reason currently to assume that our shares are going to decrease, but the future has a say and then competition as such I think is very healthy and you have to prove with every new customer order that you are better than your competitors.
- Romil Jain:** Sir, in terms of your segment, sales segment which vehicular segment would be contributing in the top levels? You may not give the specific percentages, but in terms of which segment would be there?
- Steffen Berns:** You are right, same answer also asked in earlier calls, we do not disclose the segment wise figures, but if you say that it is about 60% of the vehicles if you start counting from three-wheelers up to trucks to passenger cars, you can assume that the passenger car volume share is considerable.
- Romil Jain:** Just one last question is that any idea on how much gasoline would be contributing right now very roughly can you give some idea on that?
- Steffen Berns:** We do not disclose the division wise absolute sales, but what I told you is very strong double-digit growth, quite a few projects also both with Indian as well as with international or global OEMs so there we are on a good track.
- Romil Jain:** Thank you so much Sir. Thank you.
- Steffen Berns:** We have to close this now. I think one last question, but we all have some other appointments and therefore cannot extend too much please.
- Moderator:** Thank you. We will take the last question and it is from the line of Pritesh Cheddha from Lucky Investment Managers.
- Pritesh Cheddha:** Thank you for the opportunity. Sir, on the Starter Motor side did you comment that the product does not make much profits at least in the Bosch listed operations as of now? That is how it works?

- Steffen Berns:** It does not make much profit. I said it is a highly competitive market with substantial cost pressure and therefore it definitely is not a high margin business and this also leads to the variation. We will tell you more details to all the shareholders, more details before the voting.
- Pritesh Cheddha:** Secondly on the BS VI side, we understood that the indigenization level would be much lower considering the paucity of time, if implemented can you comment whether the current facilities can support BS VI or there is a need for an incremental capex and second BS VI systems directionally will be more value addition over BS IV?
- Steffen Berns:** Incremental capex there will be different or adjusted facilities for fuel injection equipment, but basically it is going to be very similar so we have to check the details. The new feature coming in is exhaust gas treatment, which currently is not produced in India so that is additional potential we are seeing and then there of course also is going to be some additional investment.
- Pritesh Cheddha:** I did not get the first part of the comment you made is that the injection fuel will require a different facility?
- Steffen Berns:** No, different facilities, modified production lines so partly modified, perhaps partly new but this is not from the injection system, this is rather modification than a complete changeover.
- Pritesh Cheddha:** Exhaust gas system will be the new, which would get added?
- Steffen Berns:** Yes.
- Pritesh Cheddha:** Capex would be needed for that?
- Steffen Berns:** Yes depending on what we produce in-house and locally.
- Pritesh Cheddha:** Value addition part of BS VI over BS IV directionally, will it be up?
- Steffen Berns:** Directionally and clearly will be up, yes.
- Pritesh Cheddha:** The competition level.
- Steffen Berns:** Excuse me this is the fourth last question. I am sorry, we have to stop this.

Pritesh Cheddha: It is just within the same chain, the competition wise globally also BS VI more competitive because of more players in the system or it is the similar as what it was in the past setup?

Steffen Berns: I cannot talk about local competition compared to past India, because typically wherever you go you have competition and this is going to continue.

Pritesh Cheddha: Thanks.

Moderator: Thank you.

Soumitra Bhattacharya: Thank you very much. Would you take over to close the meeting?

Annamalai Jayaraj: Operator, we can close the meeting.

Moderator: On behalf of B&K Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines now.