

"Bosch Limited Q1 FY 2016-2017 Post Results Conference Call"

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ANALYST: Mr. Annamalai Jayaraj - Research

ANALYST - BATLIVALA & KARANI SECURITIES

INDIA PRIVATE LIMITED

MANAGEMENT: Dr. Steffen Berns - Managing Director -

BOSCH LIMITED

MR. SOUMITRA BHATTACHARYA - JOINT MANAGING DIRECTOR & CFO - BOSCH

LIMITED

MR. S. KARTHIK - VICE PRESIDENT & COMPANY SECRETARY - BOSCH LIMITED



Moderator:

Ladies and gentlemen, good day and welcome to Bosch Limited Q1 FY2016-2017 Post Results 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 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 and Karani Securities. Thank you and over to you Sir!

Annamalai Jayaraj:

Good afternoon everyone. On behalf of B&K Securities, welcome to the 1Q FY 2016-2017 Post Result Conference Call of Bosch Limited. I also take this opportunity to welcome the senior management team from Bosch Limited. We have with us today Dr. Steffen Berns – Managing Director, Mr. Soumitra Bhattacharya – Joint Managing Director & CFO, Mr. S Karthik – Vice President & Company Secretary. I would now invite Dr. Steffen Berns for his opening remarks to be followed by Q&A session. Over to you Sir!

Steffen Berns:

Thank you, Mr. Jayaraj and good afternoon everybody. Before we look into the results of the April to June 2016 quarter of our Company, I would like to brief you about the overall domestic automotive market development in the last quarter looking at production volumes except the two wheelers.

During the quarter ended June 2016 the Indian automotive market production volume including commercial vehicles, passenger cars, tractors and three wheelers grew by 4.2% against the quarter ended June 2015. Heavy commercial vehicles grew by 22.8% continuing their positive momentum due to strong growth seen in replacement demand from large freight operators, low base and infrastructure growth. The light commercial vehicle segment grew by 16.5% due to low base effect. Tractor industries saw a turnaround growing by 7.8% in anticipation of a good monsoon. The passenger car segment grew by 4.3% due to the launch of several new models. The three-wheeler segment declined 11% mainly because of decrease in exports.

We now look at how the company has performed in the April to June quarter of 2016. The company adopted Indian Accounting Standards from April 1, 2016 and accordingly the current financial results have been prepared in accordance with the recognition and measurement principles laid down in these standards. The financial result of the previous periods has been restated accordingly. The second change is due to starter motors and generators business. In accordance with the approvals received from the board of directors on February 5, 2016 and from the shareholders on April 4, 2016, the company has executed the business transfer agreement on August 1 2016. The company sold the business of starter motors and generators division, which is part of the automotive product segment of the



company on a going concern basis by way of slump sale to Robert Bosch Starter Motors Generators India Private Limited, a 100% subsidiary of Robert Bosch Starter Motors Generators holding GMBH for lump sum consideration of Rs.486.2 Crores subject to working capital changes consequently the results for the current quarter and comparable periods has been presented without the results of SG division.

The company clocked net sales and income from operations of Rs.24,759 million, an increase of 8.6%, over the same period 2015, The mobility solution segment grew at 8.6% as well once again outperforming the Indian automotive market. The business beyond mobility solutions also grew by 8.6%. The domestic sales for this quarter grew by 11.4% thereof mobility solutions by a strong 13.1% and business the non-mobility solution by 2.6%.

Exports sales and income from operations overall declined by 12.2% due to the weakness of our mobility solutions export market. Mobility solutions exports declined by 22.2% whereas exports in business the non-mobility solutions have increased by 84.4%. This was mainly due to large exports orders in the packaging division and also on the back of strong exports in the power tools and security technology division. In mobility solutions, diesel system net domestic sales grew by double digit and also other divisions whereas gasoline system and Automotive Aftermarket grew strongly. As mentioned the starter motors and generators business was carved out of the Bosch Limited.

The business beyond mobility solutions saw a strong growth compared to the previous quarter. Power tools, security technology, packaging and thermos-technology divisions registered high double-digit growth mainly due to high export orders.

Other operating income has increased from Rs.213 million in April to June 2015 to Rs.436 million in April to June 2016 due to write back of excess provisions of earlier years no longer required. Material cost as a percentage of net sales and income from operations has increased marginally from 52.5% in the April to June quarter of 2015 to 52.7% in the current quarter of 2016. This is mainly due to adverse effect of exchange rate and sales price change, which was partly offset by a favorable mix impact and input price impact.

The employee cost has increased to Rs.3248 million the quarter ended June 2016 from Rs.2855 million in the corresponding quarter of 2015, increase of 13.8% due to regular increase in salary and wages and also a higher provision write-back in the corresponding quarter of last year.

Depreciation has increased by 22.1% in the quarter ended June 2016 as against the quarter ended June 2015 due to comparatively higher asset base and higher investment made in



R&D assets. We plan to invest approximately Rs.6800 million in the current year both for infrastructure and technology to be prepared for the market growth in mid-term.

We have planned for capacity increase in Nasik and Bidadi plants for operations in common rail pumps, injectors, nozzles and their parts.

Other expenses stood at Rs.4396 million in April to June quarter 2016 as against Rs.3368 million in the same quarter of 2015, an increase of 30.5%, which was mainly due to volume effects on account of higher production, higher tooling cost due to new business and also some one-time effect like exchange loss, bad debt provisions, front ended CSR expenses etc.

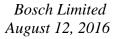
Operating profit has decreased by 11.4% in the current quarter compare to the corresponding quarter in the previous year. The reason for decline is increased personnel cost, higher depreciation and other expenses as explained earlier. The other income has increased from Rs.1408 million in the quarter ended June 2015 to Rs.1789 million in the current quarter of 2016 thus showing an increase of 27.1%. The increase is due to higher gain on fair market valuation of mutual funds in line with Indian Accounting Standards and higher rental income.

In the quarter ended June 2016 the company posted a profit before tax of Rs.5428 million as compare to Rs.5516 million in the same quarter of 2015, a decrease of 1.6%. As a percent of sales profit before tax stood at 21.9% in the current quarter as compare to 24.2% in the corresponding quarter of 2015. Consequentially profit after tax has decreased by 0.7% for the quarter ended June 2016 against the quarter ended June 2015.

The board of directors of the company in their meeting held on July 1 2016 have approved a proposal to buyback the equity shares of the company subject to approval of the shareholders under tender offer mechanism. The buyback price has been determined as Rs.23000/- and buyback of up to 878160 fully paid of equity shares of face value of Rs.10 each aggregating to an amount of Rs.8781600. This represents 2.79% of the paid up equity share capital of the company. The voting period is currently ongoing and will end on August 23.

The GST law has been passed by the Parliament on August 3, 2016. The company longtime ago formed a steering committee and working committees and defined work packages to drive the implementation of GST. The company has invested in updating its IT systems, which are now GST compatible.

Our forecast for this year remains cautiously optimistic. We see a continued recovery in the commercial vehicle segment due to replacement demand. Passenger vehicles are expected





to grow moderately. The LCV segment is stabilizing. However as liquidity in the market is limited pressure on the growth of the LCV segment will remain. As predicted by the Indian Metrological Department the monsoon has been good till now. Consequently the tractor segment and also two wheelers could have a good year. Our mid-to-long-term forecast for India remains positive. While the proposed emission legislation timelines are challenging we have the necessary products, competence and infrastructure to support our customers.

We have continued our investments in to the future in our people technology infrastructure and new locations. We continue to be optimistic on India and our growth potential in the country. Thank you for your attention and questions please.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question-and-

answer session. We will take the first question from the line of Pramod Amte from CIMB.

Please go ahead.

Pramod Amte: Two questions, one with regard to the BS-IV, which have started rolling out gradually.

What proportion of our MHCV supplies or the total steel supply is currently in this quarter BS-IV and how much you expect in FY2017 to be BS-IV standards? If you can

directionally help us?

Steffen Berns: It is difficult to give exact numbers so currently the volume is still under lower side and it is

going to ramp up.

Pramod Amte: Is it very low single digit in that Sir.

Steffen Berns: Not a low single digit but also not a very high double digit.

Pramod Amte: Secondly with regard to the buyback program which was started. Can you give us some

rational for this buyback and will be a mode of dividend distribution going forward also

how are you thinking and what is the parent thoughts on the same in terms of participation.

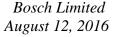
Soumitra Bhattacharya: This is Soumitra Bhattacharya I will give you that answer. A buyback is a very normal

wealth back to his stakeholders that means namely the shareholders. So everyone is permitted to come in to the buyback as explained earlier we have done this in extremely fair ethical manner with core eyes using some of the big four companies and based on this we

process done by companies would like to in an ethical fair transparent manner distribute its

feel that it is tax efficient and based on what the company has earned is giving it back to its rightful owners. So this is the background and we have done the necessary steps. The

process is on and we used also the right merchant bankers. So let us see.





Pramod Amte: Thanks a lot for this.

Steffen Berns: You wanted to know whether parent is participating everyone I mentioned to you everyone

including the parent is participating. They are allowed to participate.

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

Please go ahead.

Akshay Saxena: Thank you for taking my question. So my first question is on your results if I see other

expenditure has increased 30% YoY versus just a 9% growth in the topline. So what is the

reason for the same and will this trend continue ahead.

Steffen Berns: Yes.

Soumitra Bhattacharya: This is again Bhattacharya. As explained by Mr. Berns but I would like reiterating that.

Look there are quarter-to-quarter changes and we explain to you on this 30% increase on the other expenses big portion of it is one-time expense and he gave you some examples. We are moving into a new plant with we have some CSR expenses which is a flat across the year. So we have given you these reasons and they are broken up into both one-time as well as some relating to volume. So we cannot make a current statement whether this or any other movement will take place is a financial movement but yes this big amount of it is one-

time and we do not expected to recur on this case.

Akshay Saxena: So you cannot quantify how much cost is one-time.

Soumitra Bhattacharya: I told you more than half is one-time.

Akshay Saxena: Okay more than half is one-time and will it be right to say that domestic business will be

significantly more profitable than the export.

Soumitra Bhattacharya: No here we do not go into more detail. We already shared with you that we have a decline

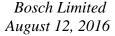
in the export market and this is of course based also on our policy as to when where our plants or other export market needed. So the other part we do not declare in terms of

profitability.

Akshay Saxena: In the last two years if we see we have had very strong growth in the gasoline division. So

your annual report mentions that it has been a nearly 50% growth in each of the last two years. So I wanted to know what is driving the same. Do we have some superior products or have we bid more aggressively in some of the recent projects and can we continue gaining

more shares ahead in gasoline in future?



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Steffen Berns:

The gasoline system markets we have typically more players than in the diesel market and the products are not differentiating that much but still especially the system competency and the overall know-how I think is a differentiating sector and the growth rates of course have been on a relatively low base where it is easier to grow fast and at some point in time this has to pay for down so cannot be repeated too often but we have been very successful in acquiring new projects. So it is mainly share increase in India in the Indian markets and one of the reasons was that we are able to do 20 projects here in India.

Akshay Saxena:

Also do you see any factor, which can drive the penetration of the direct injection technology in gasoline or the GDI in the medium-term given that it is not really mandated under the machine norms? One advantage of course is the fuel economy but with significant improvement already achieved on this front in existing gasoline vehicles. Do you see that it is sufficient to meet the future corporate fuel economy norms and we do not require added GDI or diesel vehicles?

Steffen Berns:

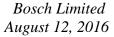
That is a good question which cannot be answered that easily because you have to look at an each manufacturers portfolio and then the question is what actually is going to be required there and you have all is basically three directions at least in the main propulsion systems you can play with one is diesel versus gasoline and there diesel is needed is our view to reach the tier II targets. Second is that you have within gasoline the gasoline direct injection versus gasoline power fuel injection and third is that you can at some kind of electrification from very small hybridization up to full electric vehicle and where you have at least three dimensions to play in and unlimited parameters how to optimize the cost in the system and it then depends on of course metals like cost and like mileage so how many kilometers do you drive a year on the total cost of ownership and you also have the external influencing factors if I may call this like for example current bend diesel vehicles and image of diesel and something similar and therefore each manufacturer tries to resolve the exaction together with the customer and asses what is the willingness to pay more for either diesel or for direct injection or for electrification and then revive an optimum out of it and there is no simple and there is not the optimum throughout the industry but it defers dramatically depending on which kind of vehicles you have and also the cost space defers which kind of production base you have because setting up new engine lines and developing new engines typically is very costly and this also is an important part of the exaction. So sorry I have to elaborate a little bit on this without giving you any key answers that it is not possible to answer it in very simple way.

Akshay Saxena:

Just one related question. So in past you have said that you will only disclose whether you are supplying to a model once the commercial production start. So are we supplying to the GDI variant of Maruti Baleno what they have already started exporting.

Steffen Berns:

Yes.





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

Moderator: Thank you. The next question is from Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir I had a question on regulatory requirements. So when BS-IV

norms comes in what kind of cost increases you foresee in your injection system and how is

the pass through arrangement that you are having with your customers.

Steffen Berns: Second question I cannot answer at all because the pricing arrangements with the customers

is confidential and we also from the enterprise perspective we cannot disclose this to anybody. The first question also I cannot give you a very specific answer because they are many ways to reach BS-IV initial legislation and it depends on the level of emissions of the base engine and then depending on this level of the engine ended strategy to reach BS-IV

and there are very different approaches.

Chirag Shah: Sir what could be the broad range if you can indicate without any specific but would it is

something like 2% to 5% or it could be far higher than that?

Steffen Berns: It would typically be some double digit presented as a rough indicator.

Chirag Shah: Second question was on the tractor side what are the technological changes that are

happening on the tractor business in India. If you can share your thoughts over that could be

helpful.

Steffen Berns: You talk about Bosch Limited business, which means the fuel injection system correct.

Chirag Shah: Yes.

Steffen Berns: So also on the tractors there will be an initial legislation coming into effect but later when in

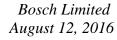
the on growth application and initially only for the large tractors this will have an impact so by and large the majority of tractors will not see changes in the next year. So there is nothing major happening only for higher cost tractors. There will be change, which is then following the technology roadmap, and the change we are seeing in the passenger cars. That is what with the substantial time delays. So tractor is going to remain with pumps as

majority for India.

Chirag Shah: Fair point and apart from that is the industry working aggressively on increasing the output

in terms of the current horsepower how is that ceases because few years back we use to look

at how the output per horsepower be increased in tractors.





Steffen Berns: You have to ask our tractor customers. I would say there are broadly two trends one is you

see a trend on higher horsepower range and second is you see a trend on lower horsepower range also for it is not the gardening as you have in United States that for small of farmers also they have some kind of application and the overall mix when depends on the strategy

of manufacturer.

Chirag Shah: Thank you and I will come for more questions. This was helpful and all the best Sir.

Moderator: The next question is from Ajit Motwani from Bharti Axa Life insurance. Please go ahead.

Ajit Motwani: Good afternoon Sir. Just wanted the tractor revenues grew how much this particular quarter.

Steffen Berns: As you know we do not disclose our segment specific revenues. The tractor market this

quarter has increased by 8% if I am not mistaken. So this on a low base I floated this is my statement on a low base tractors 7.8% sorry. With 8% increase on a lower base of last year

they have increased well.

Ajit Motwani: Since your market share in tractors high I guess very significant. Would this be fair to

assume that your operating margins in that product division is higher as compare to the

company level margin.

Steffen Berns: We are sorry. I will not comment on neither product or segment specific volumes nor on

segment specific margin.

Ajit Motwani: Lastly I wanted to know you said more than half of the increase in other expenditure on an

absolute basis is one-time.

Steffen Berns: Yes my colleague has said this.

Ajit Motwani: On an absolute basis.

Steffen Berns: Yes delta is absolute.

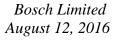
Ajit Motwani: Thanks a lot.

Moderator: Thank you. The next question is from the Jinesh Gandhi from Motilal Oswal Securities.

Please go ahead.

Jinesh Gandhi: Sir couple of questions. First is with respect to the diesel portfolio can you indicate what

kind of growth we saw there or decline we saw there.





Steffen Berns: Yes I have said that it was double-digit growth in the domestic diesel market. So it was of

course a low double digits but it was more than average.

Jinesh Gandhi: Low double-digit okay and gasoline also would have grown at double digit.

Steffen Berns: Gasoline also grew well I said yes.

Jinesh Gandhi: Secondly what could be the impact of Ind-AS in terms of some of the accounting especially

the depreciation policy and otherwise are we seeing any material change there.

Steffen Berns: No so far we are not seeing material change as material discussion happening if I may call

so but so far nothing effective from the ground.

Jinesh Gandhi: So no major impact of Ind-AS in our reporting.

S Karthik: Good afternoon gentlemen. As far as Ind-AS accounting is concerned the standards have

impacting Bosch is basically only limited to the financial instruments where we have to look at mark to market for some of our mutual fund and other fixed term securities other than this and from possibly for some government grant. Other than this impacting Bosch is I

would say almost insignificant.

Jinesh Gandhi: So the depreciation decline which we have seen vis-à-vis fourth quarter that would be

largely because of starters and generators business hive off.

S Karthik: Depreciation I do not know. I thought depreciation is increasing this quarter as compared to

the last.

Jinesh Gandhi: As compared to fourth quarter March quarter.

S Karthik: As compared to March quarter the depreciation is slightly lower. This is seasonal.

Jinesh Gandhi: Seasonal as well as hive off impact.

Steffen Berns: Hive off impact is minimal.

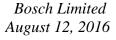
Jinesh Gandhi: Understood thanks and all the best.

Moderator: Thank you. The next question is from Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you and good afternoon. Just little clarification to start with the new initiatives that

Bosch is taking on connectivity electric vehicles. Would that also be a part of the listed

entity?





Steffen Berns: So there are several initiatives and final decision is not yet made. The activity most likely

will not be part of the listed entity.

Puneet Gulati: Electric vehicles?

Steffen Berns: Electric vehicles to be seen.

Puneet Gulati: Secondly the growth in the gasoline business is it driven more on the two-wheeler side or

more on account of GDI in the pass cars.

Steffen Berns: So currently it is higher on the pass cars and this is mainly power fuel injection so not a

strong impact of GDI yet.

Puneet Gulati: Lastly any update on your new product e-clutch, which was supposed to come any timings.

Steffen Berns: Developments has made good progress now and we are in advanced discussion now with

customers and are optimistic with we will introduce this in not too far due to I cannot

disclose any details at the moment because it depends also on the customer.

Puneet Gulati: Lastly some broad industry insight. How are the OEMs thinking about BS-VI strategy have

they finalized the strategy or you think they are still contemplating what is the best way to

go about it and you think 2020 is a realistic timeline?

Steffen Berns: So on broad level discussions have advanced substantially. So the broad directions are

clear. Details still have to be worked out and the timeframe 2020 is realistic for certain number of high volume types not for the entire portfolios so there needs to be some

privatization to be taken and this process is going on in the industry.

Puneet Gulati: That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from Joseph George from IIFL. Please go ahead.

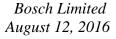
Joseph George: Thank you. Good afternoon everyone. I am little confused on the operating expenses part

because just to understand whether the one off in 1Q FY2017 which is the last concluded quarter or in 1Q FY2016 because if I remember correctly Mr. Berns mentioned in the opening remarks there were some write-back of excess provisions in 1Q FY2016. Is that

right?

Steffen Berns: There was write-back last year which if you compare then year-to-year leads to a

deterioration in this quarter.





Joseph George: So this quarter opex line is more normalized number whereas 1Q FY2016 was abnormally

low. Is that right.

Soumitra Bhattacharya: What we have both mentioned. This is Bhattacharya here that it is a combination of various

reasons. First is that more than half of this is due to one-time expenditure that has happened in this quarter. Second is there are impacts on write-back and if you have something on the previous quarter then naturally there is a delta vis-à-vis this quarter then as we mentioned to you with increase in approximately 8.6% you have a volume impact and other non-one-time expenditures like something on projects that we are doing or other areas. So there are various elements but a big element is one-time expenditure. So this is the background.

Joseph George: Thank you.

Moderator: Thank you. The next question is from Pulkit Singhal from Motilal Oswal AMC. Please go

ahead.

Pulkit Singhal: This is from the Asset Management Division. Just on the aftermarket what was the growth

that we witnessed this quarter and what are the kind of trends you are seeing in the

aftermarket?

Steffen Berns: We have seen some good growth, which was about previous year, but still limited speakers

liquidity in the market is still an issue. Overall we expect good growth that probably more

in the high single digit range.

Pulkit Singhal: Sorry to labour all other expense question but when you say more than half that 220 Crores

and when you mention its one-time usually there are certain expenses that would be onetime for the quarter but it happens every year since CSR would happen every year so that may be bunched up in 1Q. So are these expenses that you mentioning about are one-time

for the year or it is just shifting of expenses from some quarter to the other?

Soumitra Bhattacharya: When it is one time it is a mixture of many things but most of this one time that is I

mentioned really a one time and we have explained to you the background I think beyond

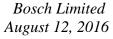
this levering the point.

Pulkit Singhal: Thank you.

Moderator: Thank you. The next question is from Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Last time on probably the other expenses is it possible to quantify what is the amount of

one-off.





Soumitra Bhattacharya: I told you more than half. You know the one time expenditure.

Puneet Gulati: So more than half of the total other expenses or the increase.

Soumitra Bhattacharya: Half the delta.

Puneet Gulati: More than half the delta okay.

Soumitra Bhattacharya: 30% more than half the delta is a one-time expenditure.

Puneet Gulati: Lastly on the Euro or the BS-IV side what are the popular strategies that commercial

vehicle OEMs are now adopting? Is everybody going through the CRS route?

Steffen Berns: SCR routes not everybody but that is the most popular yes.

Puneet Gulati: Everybody most popular everybody mostly people will have SCR but would they also have

common rail engines along with it.

Steffen Berns: That is how the injection pipes are and then there is an exhaust gas after treatment side then

it depends on the size of the vehicle etc. So I simplified a little bit on the injection side it is mostly common rail and on the emission side exhaust gas after treatment territory is mostly

SCR for commercial vehicles.

Puneet Gulati: Thank you so much.

Moderator: Thank you. The next question is from Sonal Gupta from UBS. Please go ahead.

Sonal Gupta: Just a couple of question from my side. Good afternoon everyone. Just on I mean could you

explain why there is seasonality in your depreciation expense because we do see it going up in Q3, Q4. So is this related to some production run rate is your depreciation dependent on

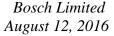
something like that or why do we see seasonality in depreciation?

Soumitra Bhattacharya: You must understand the depreciation is linked to our fixed assets but also the capex and we

have on one hand the base and the second hand is not that we do any seasonality against the capex but we do have a plant capex rate spend. So combination of both is an outcome. So it is not linked to a specific seasonality and you must have seen that Bosch Limited has systematically spend intelligent front ended capex keeping in mind the need for both emission regulations needs as well as product range that we bring in from time to time.

Sonal Gupta: No I understand that what I am interested is like even last year you had depreciation of 70

Crores and then 83.7 Crores in first and second quarter then jumped in the third and fourth quarter and now again to 110 plus Crores and now it is back to about 86. So I just want to





why ideally I would imagine that ideally you are doing depreciating yours assets on a constant run rate basis or there are some assets, which are very short-term in nature, and you depreciate them just over the quarter.

Soumitra Bhattacharya: You have to see that first of all we have depreciation on assets which have a normal run rate and sometimes we also have depreciations on assets which have a higher run rate including a mixture of depreciation if you look at machinery, buildings or R&D assets are three different rates. So to summarize as you yourself mentioned one part of the implication and depreciation is on an opening WDV. The second part is your additions and the additions have a linkage to what type of asset. So R&D assets have a different implications as compare to addition for the assets and all of us know that building and planting machinery also have different rates. So it is a combination of the higher asset base opening WTB and the mix of the asset and lastly it is nothing to do with the seasonality. It is to do with how we what sort have WDV we have and what is the mix and proportion that we do in relation to different types of assets.

Sonal Gupta:

But I mean ideally it should not vary this much across quarters if you are doing at a constant run rate right.

Soumitra Bhattacharya: Again I mentioned to you it is not about constant run rate. We have planned capex in relation to projects that need to be completed based on business needs. So that does not have a linkage to seasonality. We gave you examples earlier of what we are doing in a new plant. We gave you examples of how we are converting our headquarters at Adugodi, Bangalore into a tax center. So those are nothing to do with constant run rates only. Those are to do with project completions within stipulated and defined plant date.

Sonal Gupta:

But how does capex comes into depreciation I mean only a small portion of the capex would come in.

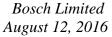
Soumitra Bhattacharya: WDV or opening WDV has an implication. Your type of assets that you have in your base has an implication and finally the spend that you do have an implication also have an implication.

Sonal Gupta:

Just Sir you mentioned that most people are going with CRDI and with SCR systems. So would you say that majority of a customers are also going for the SCR solution that is being offered by Bosch.

Steffen Berns:

There are many players on the markets and it is too early now to certainly looking at BS-IV to say what are going to be the marketer. So we offer attractive solutions but cannot talk about marketer here.





Sonal Gupta: So what you mentioned was in relation to BS-IV or BS-VI the SCR thing.

Steffen Berns: The earlier question was on BS-IV.

Sonal Gupta: Sorry just to repeat that are you seeing lot of adoption of SCR system for BS-IV as well on

the medium and heavy commercial vehicle side.

Steffen Berns: On the medium and heavy on the yes I see implementation on this.

Sonal Gupta: Thank you Sir.

Moderator: Thank you. The next question is from Sumit Jain from Goldman Sachs. Please go ahead.

Sumit Jain: Good afternoon, thanks for taking my question. Just continuing from the previous

participant like wanted to know we need both common rails for FI and SCR for the exhaust

side to meet Euro IV emission standards or is it that the FI will just work.

Steffen Berns: As I said all equipment approaches on how you can do this as I said earlier we do see SCR

systems also for BS-IV commercial vehicles.

Sumit Jain: Kind of vehicle where you see the need of SCR for meeting Euro IV once we move to Euro

VI what all additional technology will be required if you can throw some more light.

Steffen Berns: I missed this point on the particular system and is the main parts for passenger car. So we

have to differentiate all is between pass cars and commercial vehicles. So on the passenger car we only see for BS-IV particulars it go then towards BS-VI. This is also going to be solutions for nitrogen oxide reduction. If a nitrogen oxide reduction there you have probably NSC NOx Storage Catalyst for the smaller vehicles and then for the heavier vehicles you have a SCR in addition to these particular and for the large trucks you anyway have SCR which you also use to get benefits on the fuel consumption and that is also a

reason why this can be introduced early already.

Sumit Jain: Moving to the two-wheeler side can you show some highlight like once we move to Euro

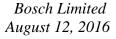
IV which category your bikes will be needing fuel injection system?

Steffen Berns: So this Euro IV is closest to BS-VI. So our assumption is that for BS-VI the two wheelers

with gasoline engines will be changed over completely from carburetor to fuel injection

system.

Sumit Jain: That is across the spectrum across all engine sizes.





Steffen Berns: That is across engine sizes. Currently we do not see an approach how this could be

managed with the carburetor.

Sumit Jain: Thanks a lot for taking my question.

Moderator: Thank you. The next question is from Rohit Joshi from Deon Global Solution. Please go

ahead.

Rohit Joshi: Good afternoon Sir as you have told earlier in the call that you have signed an agreement to

sell the starter and generator division. So you are not incorporated four month of like in this quarter you have not think of revenue from this division because in the earlier call you have

told that around 5 month sales would be there in FY2015.

S Karthik: As per the accounting standard starters and generators now are a discontinued business. So

if you look at reporting there is revenue and there is result, which we are separately reporting on the discontinued operation. So it will be reported but as discontinued operation but effective 2018 when the business has been transferred this will not appear at all in our

books. Now it is appearing as discontinued operations.

Steffen Berns: For comparison reasons all the numbers are without the starter motors and generators

including for previous year but you found these numbers on discontinued operations.

Rohit Joshi: Thank you Sir.

Moderator: Thank you. The next question is from Satyam Thakur from Morgan Stanley. Please go

ahead.

Binay Singh: This is Binay Singh. My question is that have we looked ahead to increasing

implementation on the emission side. How do you see A the import content going through because I assume you would not localize everything? Secondly the royalty rate moving for

you.

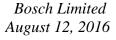
Steffen Berns: The second one I got it. The first one you will have to repeat. Second one on royalty we had

mentioned this before. So we in Bosch to a very clear arms length transaction including with our parent and Bosch Limited has perhaps one of the most optimal rates of royalty in

the industry. So that policy will continue. What was the first question please?

Rohit Joshi: The first is that in terms of will you be importing technology from your parent for BS-IV

and all or will you start localizing it or what kind of timeline do you see for that.





Steffen Berns: We will be what we have been doing systematically in the past. We do take technology

from our parent where it is needed because our parent is very well clipped worldwide and we have a very systematic approach to then starting production based on certain quantities which are meaningful and certainly we have a very clear and well defined time plan for localization just the way we did for common rail when we first introduced it many years ago. So all three will be applicable also for not only for BS-IV technologies as specifically

also for BS-VI.

Binay Singh: Lastly the point that you made on common rail to fuel injection for two-wheeler was that

for BS-IV or BS-VI.

Steffen Berns: It was for BS-VI and BS-VI for the two wheelers if I am not mistake fuel Euro IV sort of to

avoid this confusion we are talking about the 2020 timeframe.

Binay Singh: Thanks a lot.

Moderator: Thank you. The next question is from Kartik Gada from Val-Q Advisors. Please go ahead.

Kartik Gada: Thanks for the opportunity. Just wanted to cross check one number. In the opening remarks

did you mention that capex is 680 Crores?

Steffen Berns: Yes.

Kartik Gada: Thanks.

Moderator: Thank you. The next question is from Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity again Sir. On CRDI technology you indicated you have

localized over the period. Can you share some insights what kind of localization you would

have achieved today.

Soumitra Bhattacharya: We do not declare the percentage but for common rail as we mentioned and what we call as

the new generation. We have over the past years done intensive localization but we do not

declare percentages.

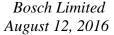
Chirag Shah: So would it be similar now to the average localization because if you look at their import

content and look at the total raw material it would be near to that ratio or still there is room

for localization.

Soumitra Bhattacharya: I think we are mixing up issues. The percentage of localization for different products is

different based on the year of introduction and also the volume. So we cannot make a





generic statement but the main question is are the new generation production which we introduced earlier what is our state of localization that is pretty high and it is a standard broad process that we follow.

Chirag Shah:

Also on in the listed Bosch entity would it right to assume that it would focus only on its core businesses and incremental businesses would generally be out of the listed entity because it appears to be the trend when starter motor business has been moved out from it is all part of the core business of this year entity.

Soumitra Bhattacharya: No I think we have both the examples. If you see in the last few years look at Bosch Limited 10 years ago and look at Bosch Limited today. There have been several divisions, products, services that have been added not necessarily only in mobility. So non-mobility areas since it is not significant it does come too much into play but we have added various types of businesses into our portfolio in the listed. We have taken out a few examples the starter motors which we have explained to you that it is a worldwide Bosch decision and therefore we have made it into 100% Bosch Company. So short point you have both example and the many examples of incorporation of new, smaller yes with the lesser market share but ability to grow.

Chirag Shah:

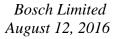
Sir if I can just to elaborate because if you look at Global Bosch they have a humongous product portfolio and we all receive at some point of time it would come into India. How is the decision taken on what should be part of listed and what should be a separate entity by Bosch. If you can share because the rest method approach in deciding what stay and what does not stay?

Soumitra Bhattacharya: Look, we take this test on what we feel is the best fit. There is no one fit all solution. So there has been as I mentioned certain divisions and certain products and services which have come into the listed and there have been some new companies which have been generated some of them private limited, some of them wholly owned, some of them joint venture so we have different mixtures but each cases taken and reviewed and what we see is best for business overall and then it is done. So I can give you an overall statement. It is done professionally, arms length and in a very fair way beyond this it would take us a longlong time to discuss.

Chirag Shah:

Would efficiency be a reason because certain business requires specific attentions and being a part of Bosch the focus and the efficiency angle would get affected. Would that be one of the primary reasons of this kind of decision?

Soumitra Bhattacharya: No you must understanding one thing that when we do in different legal entities we have something called the Bosch Group of Companies and though they are different legal entities we have Bosch in India. So one part is the public listed company called Bosch Limited but





the other part is we have totally nine legal entities and we have a strong connection amongst us because we all brother and sister companies. So there is not about this efficiency or non-efficiency. This is about what makes sense in which form and manner have we come, is it a 100% company, is it joint venture and so on and so forth.

Chirag Shah: This was really helpful Sir thank you very much.

Moderator: Thank you. We will take the last question from the line of Pulkit Singhal from Motilal

Oswal AMC. Please go ahead.

Pulkit Singhal: Thanks for taking my question again. Just to understand this opportunity on BS-IV and BS-

VI if I purely look at CVs and you mentioned that there is a largest option of SCR and CRDI say in BS-IV if I categorize this opportunity for industry and not just Bosch say 100 as a value so is BS-VI opportunity more than 100 or less than that because if CRDI and

SCR already adopted is BS-VI lesser of a market size than BS-IV for CVs.

Steffen Berns: There is always the question how would you do it and for BS-IV there are many ways, for

BS-VI everybody needs the particular and therefore you will need a number which is

definitely higher than 100.

Pulkit Singhal: Similarly for pass cars you saying particular filters are there for BS-IV out here but what I

do hear from the industry at least to BS-VI opportunity in pass cars is significantly high. Is

that understanding broadly right?

Steffen Berns: It always depends on the overall equation. If you have a diesel engine then the value of the

diesel engine or of the components within this diesel engines are going to be higher. The question is could it become too high, which means would the customers go for a gasoline system instead and this we have to consider therefore you cannot simply say because BS-VI system has considered high value under the passenger cars, the turnover is going to increase because it could also move into a different direction and this would then lead to my very first answer one of the first answers where I said you have the equation of diesel share which kind of gasoline injection and which kind of electrification and this total when

determines the outcome.

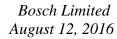
Pulkit Singhal: Broadly is pass car, I mean from the BS-VI perspective I understand there is a question on

diesel etc., but because just by the shear volumes of pass car itself in the country and for the

whole industry is pass car a bigger opportunity than the CV as a value for the industry?

Steffen Berns: Looking at the overall volumes if the diesel share remains high it would be a large volume

and the rest then depends on the overall market size.





Pulkit Singhal: How does the aftermarket I mean opportunity I mean does it become a very lucrative post

either BS-IV or BS-VI? I mean how do you see that shaping up because that is really impacts the next 8 to 10 years for Bosch with increasing electronic parts inside the system?

Steffen Berns: Typically the parts you have higher value but you have also less exchanges and less repair

for example because you can compensate certain parts by just adjusting electronics and therefore I would say by and large if I can say anything at all this is not a strong trend in

one or the other direction.

Pulkit Singhal: Thank you.

Moderator: Thank you very much. As there are no further questions from the participants I now hand

the conference over to Mr. Annamalai Jayaraj for closing comments.

Annamalai Jayaraj: We thank all the participants. We thank Bosch management for sparing time for the call and

also providing us the opportunity to host the call. Have a great weekend.

Steffen Berns: Thank you very much. Same to you.

Moderator: Thank you. Ladies and gentlemen on behalf of Batlivala and Karani Securities that

concludes this conference call for today. Thank you for joining us. You may now

disconnect your lines.

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