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Bandra-Kurla Complex
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Symbol: BOSCHLTD

May 31, 2024

Dear Sir/Madam,

Sub: Compliance under Regulation 30 and 46(2)(oa) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) regulations, 2015- Disclosure of Transcript of the Investors' Concall

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find attached herewith the transcript of the investors' call with Investors/Analysts held on May 27, 2024.

This is for your Information and records.

Thanking you,

Yours faithfully,
for Bosch Limited,

VENKATARAMAN SRINIVASAN
Digitally signed by VENKATARAMAN SRINIVASAN
Date: 2024.05.31 14:50:38 +05'30'

V. Srinivasan
Company Secretary & Compliance Officer

"Bosch Limited

Q4 FY'23-24 Post-Results Conference Call"

May 27, 2024

MANAGEMENT: **MR. GURUPRASAD MUDLAPUR – MANAGING DIRECTOR – BOSCH LIMITED**
MS. KARIN GILGES – CHIEF FINANCIAL OFFICER – BOSCH LIMITED

MODERATOR: **MR. ANNAMALAI JAYARAJ – B&K SECURITIES**

Guruprasad Mudlapur: Good morning. Again, thank you for joining us today. I hope it's better for all of you right now, for us.

Annamalai Jayaraj: Now it's better, sir.

Guruprasad Mudlapur: Okay, we don't have any echo on our side as well.

So today, I'll begin with a brief overview of the global and Indian macroeconomics, followed by that, I'll give an update on the automotive market before getting into our financial results. Lastly, I conclude with the business and other key highlights for the fiscal year ending 31st March '24. The global economy is projected to see a flat growth at 3.1% in 2024, same as 2023 before edging up slowly to 3.2% in 2025. Despite the challenging global macroeconomic environment, the Indian economic growth remains positive and very optimistic.

The IMF forecasts a 6.5% growth rate for the Indian economy in 2024, with expectations of continued growth into 2025. Robust domestic demand and investments in infrastructure are the primary drivers for this growth. Despite global headwinds, the Indian automotive industry exhibited resilience. Overall, the vehicle production, excluding two-wheelers surged by 5% during FY '23-'24, compared to FY '22-'23, solidifying India's position as the third largest automotive market worldwide.

However, Q4 FY '24 showcased a mixed performance. While the passenger car, two-wheeler and three-wheeler segments witnessed growth, commercial vehicles remained stagnant, and the tractor market experienced a correction. In Q4 of FY '24, heavy commercial vehicle production experienced a correction of minus 7%, primarily due to the high base established by pre-buying in Q4 FY '23 to circumvent price increases ahead of emission norm changes.

However, growth in the medium and heavy commercial vehicle sector is being propelled by the bus segment, a trend anticipated to persist. In Q4 FY '24, LCV segment grew by 5%, fueled by increased private consumption, e-commerce expansion to Tire 2 and 3 cities and hub and spoke network adoption. However, the risk of three-wheelers encroaching on the sub-1 ton segment remains a concern here.

Tractor sales declined by 15% in Q4 FY '24 attributed to an erratic monsoon pattern and low reservoir levels impacting rural sentiments, particularly in Central and Southern regions of India. The tractor segment is notably sensitive to rural sentiments, rainfall and reservoir levels.

The passenger car production achieved a double-digit growth of 11% in Q4 FY '24, buoyed by robust demand for SUVs. However, sedans and compact cars experienced a decline as consumers displayed a preference for premium goods. This trend is mirrored in car purchases with buyers gravitating towards the Utility Vehicle segment, enticed by enhanced features, superior ride quality, and premium aesthetics.

Furthermore, there is a growing inclination towards alternate fuels evidenced by increased demand for strong hybrids and electric vehicles. Two-wheeler production staged a remarkable recovery, surging 27% in Q4 FY '24. This growth is primarily propelled by strong demand from rural customers and replacement demand from urban areas for premium vehicles.

However, export volumes continue to face pressure due to local currency depreciation and forex availability issues. Additionally, there is a notable increase in the share of higher-priced 125 cc scooters, reflecting evolving consumer preferences. The three-wheeler segment witnessed a growth of 12% in Q4 FY '24, indicating sustained demand for passenger transportation.

Additionally, this segment has seen growth in last mile operators, catering to e-commerce and food delivery services, among other applications. While three-wheelers are steadily recovering in domestic markets, export remain weak. In this slide, we depicted the market's journey from its peak in 2018, navigating the challenges posed by COVID to the subsequent recovery.

The automotive market concluded on a positive note in '23 reaching an all-time high in LCVs and maintaining momentum in other segments. Looking ahead to '24, factors such as election year and historical trends indicate restrained growth in the automotive industry. Additionally, the erratic monsoon of '23 may impact rural sentiment potentially affecting tractor volumes.

Nonetheless, the underlying economic conditions remain robust, and the overarching growth narrative of India remains unchanged. We anticipate a moderate growth trajectory for the upcoming year, influenced by election year dynamics, the high baseline set in the current year and the impact of erratic rainfall patterns.

Sector-wise sales performance quarter-on-quarter. Our mobility business has grown by 2.7% in Jan to March '24 as compared to Jan to March '23, driven mainly due to growth in mobility aftermarket business by 9.4% on account of increased market demand for spark plugs and diesel products, growth in two-wheeler business by 17.6% due to higher demand and new product launches.

However, Power Solutions business remained relatively flat due to weak tractor market. Consumer Goods business grew by 10.5%, driven by higher demand for blue tools and accessories. The Building Technologies business grew by 13.9% on account of execution of high number of orders for installation of security systems.

On a year-on-year basis, the mobility business grew by 11.1% in FY '23-'24 as compared to FY '22-'23, mainly due to the growth in Power Solutions business by 10.9% aided by growth in sales in bus, car and heavy commercial vehicle segments and higher content per vehicle, mainly exhaust gas treatment components.

Growth in mobility aftermarket business by 10.2%, mainly due to higher sales of spark plugs, lubricants, filters owing to higher demand. Growth in two-wheeler business by 19.2%, mainly due to higher sales of fuel injectors and exhaust sensors to TVS and Bajaj. Consumer Goods business grew by 15.8% due to higher sales in tools and accessories due to market campaign and new product launches for grinders and cutters.

The Building Technologies business has increased by 17.0%, mainly on account of execution of higher number of orders for installation of security cameras. The key financial highlights. Revenue from operations quarter-on-quarter. Revenue from operations in Jan to March '24 stood at INR42,334 million, which is a growth of 4.2% over Jan to March '23. The growth is mainly driven by mobility aftermarket business, two-wheeler business and consumer goods business, as seen in the previous slide.

Year-on-year, likewise, overall revenue for FY '23-'24 was INR1,67,271 million, which grew by 12% over previous year. The growth is mainly contributed by increased sales in mobility business and consumer business -- consumer goods business. EBITDA. Quarter-on-quarter EBITDA in Jan to March '24 was INR5,572 million, which grew by 6.7% over the same quarter of previous year. EBITDA as a percentage of total revenue improved from 12.9% in Jan to March '23 to 13.2% in Jan to March '24.

The improvement in EBITDA margin is mainly attributable to increased revenue and lower spending in other expenses. Year-on-year, similarly, EBITDA in absolute terms for FY '23-'24 increased by 15.9% as compared to FY '22-'23. EBITDA as a percentage of total revenue improved from 12.1% to 12.5%. The EBITDA margin improvement is again on account of revenue growth and lower spending in other expenses.

PAT. The profit after tax in absolute terms, grew by 41.4% in Jan to March '24 over the same quarter of previous year. This includes a onetime credit of income tax received pertaining to assessment year 2013-2014 as the assessment was completed during the quarter. PAT as a percentage of total revenue for the quarter is 13.3% as compared to 9.8% in Jan to March '23. Year-on-year, likewise, profit after tax, including exceptional items, increased from INR14,245 million to INR24,905 million. The exceptional item mainly pertains to the profit of -- on sale of Project House Mobility Solutions business, which was hived off in July of '23. Profit after tax as a percentage of total revenue for FY '23-'24 was 14.9%, including exceptional items compared to 9.5% in the previous year.

In the Mobility business, the Power Solutions division experienced a 10.9% surge in sales during the financial year '23-'24. This growth can be attributed to the rising year-on-year sales of both passenger car and commercial vehicle segments, driven by the adoption of BS-VI technologies across diesel, gasoline, natural gas and electric vehicles.

Additionally, TREM IV projects within the tractor segment and the development of electric vehicle systems contributed to some extent, despite the limited volume in India. We pioneered the development of the first hydrogen engine demo truck in India, demonstrating our unwavering commitment to innovation in the automotive industry.

Our company introduced this technology to a diverse array of stakeholders, including OEM representatives, nodal agency experts, ministry secretaries, and legislators at prestigious events such as Symposium on International Automotive Technology and the Bharat Mobility Global Expo. Through these efforts, we are making significant strides towards securing projects with our valued customers further cementing our position as leaders in technology advancement.

Bosch's Power Solutions division plays a pivotal role as a partner for vehicle manufacturers in transitioning from reliance on conventional liquid fuels to alternate low to zero carbon fuels. Our system solutions and products for CNG and flex fuels are poised to support OEMs during this transition period. However, it's worth noting that conventional fuels, like diesel and gasoline, will remain relevant until alternate energy infrastructure becomes more widespread.

Two-wheeler and Powersports division achieved a record sales growth of 19.2% over the previous year. This success was supported by stabilized semiconductor supplies, new customer acquisitions, new projects and growth in the two-wheeler market. The division continues its journey of profitable, sustainable growth, focused primarily on cultivating talent, fostering a culture of excellence and driving strategic innovations.

The net sales of the two-wheeler division are anticipated to rise in FY '24-'25 due to the transition to BS-VI OBD II norms and the projected growth in two-wheeler sales following the general elections. The two-wheeler division has proactively prepared for OBD 2.2 regulation upgrade by making appropriate investments in Lamda sensor technology, foreseeing a substantial surge in demand in -- by 2025.

We are fully equipped to assist our customers with advanced sensor solutions. Bosch is dedicated to supporting Make in India and electrification initiatives by offering comprehensive two-wheeler solutions, encompassing engineering, software and testing facilities. Our solutions crafted by riders for riders are engineered to elevate safety, efficiency and overall riding experience. We are proud to have received accolades such as the gold consistent category award from Bajaj Auto Limited and a prestigious performance award from Suzuki Motorcycle India Private Limited. These recognitions underscore our commitment to excellence and our value partnerships with esteemed industry leaders.

The Mobility aftermarket division achieved highest ever total net sales in FY '23-'24, with a growth of 10.2% compared to previous year. The independent aftermarket segment, the largest segment within the Mobility aftermarket division accounted for approximately 63% of the total business witnessed a notable growth of plus 9.1% in FY '23-'24 compared to the previous year. This growth can be primarily attributed to increased sales of lubricants, spark plugs and filters. The mobility aftermarket segment now proudly boasts of over 50,000 retail touch points, spanning across 650 districts, offering a comprehensive range of over 15,000 part numbers. This expansive network ensures widespread availability of both products and aftersales services.

Additionally, the division operates over 1,500 authorized workshops and service centers, including Bosch Car service, Bosch Diesel Service centers, electric modules and bike service centers throughout India. Furthermore, the mobility aftermarket has ventured into the home segment with the introduction of Bosch I6 inverter battery for power backup solutions. The independent aftermarket segment's growth was driven by the zinc plus strategy, focusing on demand generation and market penetration.

We increased the visibility with "Har Shop Mein Bosch" improved branding in dealer networks and achieved top retail branding in key towns. The Mobility aftermarket division was also honored with 2 awards from Mahindra for outstanding performance in the spare parts division recognized in both construction equipment and farm division categories.

The beyond mobility sector saw a 17.7% increase in sales, driven by growth in both power tools and Building Technology segments. During FY '23-'24, Power Tools achieved significant double-digit growth of 15.8% over the previous year. The manufacturing accounted for 30% of the total power tools sales in India and the company gained market share across various categories. The power tools business in the coming years is expected to continue its growth trajectory.

The focus will also be on cordless tools, industrial tools, dealer engagement and innovative new product launches tailored to the medium and entry-level segments. Concurrently, medium-priced products will be pivotal, serving as essential drivers of overall business growth. The cordless tool segment reached approximately 11% of total sales, marking its first double-digit contribution.

The launch of "Cordless Means Paisa Vasool" campaign was awarded the Marketing Campaign of the Year by the Global Marketing Excellence Awards and recognized for best use of out-of-home media by e4m Indian marketing awards during 2023. Dedicated engineering setup -- engineering center has been set up at the Bosch Chennai power tools plant. The Chennai plant became the first plant in -- at Bosch in India to sign an MOU with the Tamil Nadu government for skill development program. The company also launched a new B2C online repair service to better serve customers. The service network has been expanded to 21 new towns during the year. With the celebration of 30 years of Bosch power tools in India, the company has also launched its purpose statement, Bosch tools in every artisan's hand.

The Building Technologies business achieved a double-digit revenue growth of 17% compared to the previous year, securing significant wins across various verticals. The division secured pivotal projects across transportation, including metros and airports, government, energy and consumer sectors, which remain significant contributors to business growth. Additionally, support from the education and health sectors verticals further bolstered our performance. We anticipate a positive outlook for Building Technologies business in '24-'25.

In addition to the building -- in addition to the business unit communication, our local for local program has been extended to include business units, video systems and our fire systems. Sustainalytics, a global leader in ESG ratings has reassessed Bosch Limited. I'm pleased to announce that the company's scores have improved, dropping from 8.5 in 2022 to 6.5 in 2024. Bosch's sustainability commitment is driven by our "Invented for Life" ambition.

Over the past decade, Bosch's corporate social responsibility has positively impacted millions of lives across various locations. During the year, we trained youth, including persons with disability and LGBTQs with 68% to 70% placement rate. Our trainers and teachers through the train the teacher modules.

Our efforts in environmental sustainability include conserving water through rejuvenation, planting and maintaining trees. In education, we supported government schools, benefiting numerous students and teachers through provision of mid-day meal schemes, need for basic infra support towards Anganwadis, training students in IT skills. We provided basic health care, including eye care for children and cataract surgeries for the elderly to many beneficiaries across villages in 4 states.

Our Outreach Connected program in over 100 villages connects the rural community members with over 50 government schemes and has trained several women through sustained self-help groups. Additionally, we supported more than 1,000 families through disaster relief and engaged employee and participants of future leadership program at Bosch, who contributed over 10,500 volunteering hours through their time, expertise and knowledge for social causes. These achievements were made possible by the unwavering commitment of our CSR team, invaluable partnerships, stakeholders and Bosch employees.

Bosch continues to develop and refine CSR interventions, which are nationally engaging and locally relevant, empowering individuals and uplifting communities. Thank you all for your contribution and for listening patiently through the call. We will now address your queries. Thank you for your attention, and we are open for questions.

Annamalai Jayaraj: Thanks for the detailed presentation, sir. We will now begin the question-and-answer session. I'll now take the questions from the chat box, sir. Why did you hive off the OE/OES diagnostic business from the mobility aftermarket? What products you used to manufacture in this segment that accounted for INR36 crores revenue?

Guruprasad Mudlapur: Yes. So thank you for the question. And yes, I'll give you a quick input on this business, and then our CFO will also add more. So this is a business we carried within our mobility aftermarket division, which was largely doing documentation and wiring and other work for OEMs specifically preparing such material for the aftermarket and service applications, our diagnostic applications. This business, we see that there is very little growth in the upcoming years because of the nature of the business, which is going largely online and changing the nature of the business moving into the future. And the business itself was relatively small part of the mobility aftermarket division.

Globally, what is also happening is that Bosch through its sister company, ETAS has consolidated this business and will provide this diagnostic business directly to third-party companies. And we felt the integration of this business into ETAS in India was the right thing to do, and that's mainly the reason. This is not a business that we foresee to grow over the next years and the nature of the business and the kind of diagnostic applications that will come in the future of cars and vehicles will be more software heavy, which are handled more by the OEMs and the kind of things we did would not be the ones which would lead to further growth in this area. And that was primarily the reason for having it off. And if you want to add anything, Karin?

Karin Gilges: Yes. Thank you very much. Yes. And based, of course, on the -- looking on it from the perspective of what is our core business, that we then followed our process of valuation from the buyer and the seller side. We also made a fairness opinion on it so that we have very good and stable proven process for this hive off. And as already mentioned, this was then the basis when we start to effective of 1st of July, we go ahead with the transfer of the business.

Annamalai Jayaraj: So the first question is from Gokul Maheshwari.

Gokul Maheshwari: Sir, this first question. I have three questions. And with your permission, I would like to take them one by one. So one of the emerging technologies, which is fast gaining acceptance is hybrids. Can you please elaborate what role and what products does Bosch play in this technology globally and in India? And are you working with any of the existing OEMs which are offering this product in India? And what are these products?

Guruprasad Mudlapur: Okay. Do you want to finish all your questions, so we can take it all together.

Gokul Maheshwari: I would prefer it with one by one, if that's okay with you.

Guruprasad Mudlapur: Yes. Okay. I'm fine with it. So we have a full range of -- see, okay, let me restart this way. Hybrids have seen recent emergence not just in India, but all over the world. And you know the new energy vehicles in China for example, constitute quite a significant amount of hybrids. It's not at least clear how long this phase will last before full battery electric vehicles will come in and -- or will become more prevalent, having already come in.

But in the meanwhile, I think there is a limited time window in our view for hybrids. And we've always believed in that thing. And as a technology company, we have a full range of products for the hybrid market. So we offer the hybrid energy batteries. We have systems which are for different classes of hybrids. We have from P1 to P4, all classes of hybrids cater to within our product technology. And this, we are offering also to the Indian OEMs.

Currently, we are talking to several OEMs. Of course, the big ones who have introduced are using the Toyota hybrid system. And the other OEMs are very open to consider us, and we will -- we are already in discussion with several OEMs on the full range of our hybrid solutions to be offered.

Gokul Maheshwari: Great. Secondly, in the past few quarters, you've been highlighting the urgency to improve margins. And one of the key levers for that was localization, but are you finding it difficult to justify investment in localizations given the volumes could be still low and there may not be an economic sense to invest. Because when I see the gross margins for the company, this is a second consecutive year where we are at a 15, 20 year low gross margins. And this is despite the fact that the commodity prices have been fairly soft in the last 12 months. So my question is that where are we in terms of localizations? Or should we consider these gross margins as a new normal for the company?

Guruprasad Mudlapur: Okay. So I'll give you my take on the localization and I'll also let my CFO add on the margins part. See, we've always believed in localization for the Indian market. And with or without a subsidy regime, which seems to be prevalent today, we've done substantial amount of localization for the Indian OEMs.

In some product classes, we are nearly 90% to 95% localized; in some others, maybe we start at 30% and go all the way up to 65%, 70% going up to 90% towards steady state of that product class. So we've always believed in localization and we've invested in localization in line with that. And we know that our OEMs also fully support this time that localization should benefit economically. Otherwise, It doesn't make sense all the time. But of course, there are certain areas where there are government mandates on localization. And in that case, even if the technology costs end up to be higher than what it is when imported, we will go ahead and localize. And of course, our OEMs are supportive of that goal.

So to answer your question, localization, we've never worried about localizing in India, and we've also not bothered about doing it only when there is a subsidy or incentive towards localization. We have always done it together with our OEMs as and when it is fully justified. Karin, do you want to add on the margins?

Karin Gilges: Yes. Perhaps, on the margins. And of course, what you currently see in our profit and loss is, yes, a sort of mix because on the one side, we have what we see to come from the conventional products to the common rail products. And as my colleague already said in the conventional product, which we are doing for decades already, here in India. We have, of course, a very, very high localization rate already. In the common rail, we are working on it. We are coming up in the localization rates.

So therefore, of course, you see this in the gross margin and in addition, besides the finished goods, it's also a component. We are working on the supplier development, even for very complex parts. Meanwhile, in India, we have the plans or the -- we have decisions made already in the direction of the exhaust gas treatment for the future, which we will start in the SOP in the upcoming years.

And I would like also to give you a very good example where we were successful in localization also for export volumes, and this was your question regarding the need. Of course, the volumes of the Indian market, but we also have chances in the export business. And here, we have a very good example, for example, spark plugs where we not only produce for the Indian market, but we also have also export business, and we were very successful here in the localization. So to summarize, we are going at with a localization because we deeply believe that this is one of the success factors for our company for the future.

Gokul Maheshwari: Just a follow-up on that. In that case, and our localization as it plays out over the next 2, 3 years, should we be expecting the benefits of that to convert into slightly higher gross margin over the 2- to 3-year period that they should be trending up?

Karin Gilges: Well, without giving you a guidance, let's say, of course, whenever you have a localization, we are not doing localization because of localization, but in the end, of course, we would also like to see the result in our figures.

Gokul Maheshwari: Okay. Lastly, this is not a question, but more of a feedback/observation. There's one more related party transaction done. And I know you have followed all the procedures with respect to appointing a Big4 firm and following the valuation norms. I'm not doubting that intent, but unfortunately, it just creates a wrong perception where we end up incubating certain emerging businesses, and then we sell it to the unlisted firms of the parent terming this is noncore. So just as a feedback, whenever you're making future capital allocation decisions, you may just want to be investing in business which accord to your strategy, and we would want to prevent situations like this because this is sort of ending up taking up negatively by the capital markets. This is just my feedback. So these were my questions.

Guruprasad Mudlapur: Maybe just a quick response on that. See, yes, you perceive it that way. But we are, as already indicated a couple of quarters earlier, we are looking at an overall portfolio restructuring internally. And what -- and this is done not just in India, but also at Bosch globally in terms of how to set up things for success for the OEMs and for us.

And in that context, there are some parts which don't belong within Bosch Limited, which are small, which occupy a lot of effort, but they don't really add future revenues or growth and it's better in terms of management focus to cut down on such and bring in topics which are much more relevant for the future. So keep tuned and we will let you know how this develops as we move forward in terms of what happens for Bosch Limited.

Gokul Maheshwari: Sorry, in that context, any more realignments to be done at the portfolio level or you're largely done with them?

Guruprasad Mudlapur: No, I won't say it's all done. So we will give you as and when the information is public, we will let you know. We are working on this and together with the Board, we'll let you know.

Annamalai Jayaraj: The next question will be from Jinesh Gandhi.

Jinesh Gandhi: Hello.

Annamalai Jayaraj: Yes. We could hear you.

Jinesh Gandhi: So continuing on the localization question. So would you update us on the new facility, which started about 2, 3 quarters back, to what level it has ramped up and by when it is expected to be fully ramped up?

Guruprasad Mudlapur: Sorry, could you clarify a bit the new facility you're referring to something?

Jinesh Gandhi: Primarily, the localization of CV-related components, which started, I think, about 3 quarters back to what level it has been ramped up?

Karin Gilges: Yes. And I assume you refer to the localization of the commercial vehicles, so-called injector for the commercial vehicles, which were we have ramped up a line in Nashik.

Jinesh Gandhi: Right. I'm referring to that.

Karin Gilges: Yes, exactly. So we have a very good ramp-up of the line of the assembly interesting. Meanwhile, we had last year or in this financial -- in the last financial year, we had a ramp-up of the component business. We are going ahead with the localization of third-party suppliers also for the raw materials, et cetera. So overall, localization is ongoing, we have done the main steps already. And for us, of course, now it's crucial that the commercial vehicle market will grow and that we can use all our facilities and all our localized products in India.

Jinesh Gandhi: Okay. And you also referred Karin, regarding EGT also being localized. So when is the SOP expected for EGT localization and this would be at Bosch Limited level? Or at the vendor level, we are doing this?

Karin Gilges: Yes. Okay. So let's say the line is on the way, and we expect SOP, the start of production in April '25 because you have to understand that these are quite complex lines. And -- but it's on the way. It's decided. It's ordered SOP April '25.

Jinesh Gandhi: Okay. And this is at our end, and not at the vendor's end.

Guruprasad Mudlapur: No, this is at our end.

Karin Gilges: Yes.

Jinesh Gandhi: Got it. And second question pertains to the TREM V norm. So are we getting any clarity on by when it will be implemented? And in that context, would we need to invest in new capacities for localization or there is existing capacity, which is available?

Guruprasad Mudlapur: I would say, in general, capacity is available. The current indication is April '26 for TREM V introduction. We hope that standard does not get pushed. It's possible that it's plus minus one quarter earlier even. So we are hoping that by '26 first quarter, second quarter, we should be in with TREM V.

Jinesh Gandhi: And we'll be starting with a very high level of localization over here, considering we have already localized the CV part. So would there be any commonalities or we would like to start from next on localization for TREM V?

Guruprasad Mudlapur: We will start with a fairly good level of localization here.

Jinesh Gandhi: Yes. That's great to know. And lastly, if I look at our EBITDA margins, improvement on Y-o-Y basis has been quite small, especially considering that we have seen -- we would have seen some benefit of localization. And also there was benefit of divestment of digital mobility business. So are there any one-offs or am I missing anything over here?

Karin Gilges: So you referred to the EBITDA margin, yes.

Jinesh Gandhi: Right.

Karin Gilges: Okay. So financial year to financial year, we see an improvement, of course, coming from the EBIT improvement, and we see a translation of our EBIT improvement translated into the EBITDA, of course, with a little bit more depreciations mainly coming out of the auto body campus here. You see an increase in the operation profit by 4.6%.

Jinesh Gandhi: Considering that we had savings on other expenses on divestment of digital mobility business. Would not improvement should have been higher than that?

Karin Gilges: So you have to see that the investment and you are referring to the project mobility house, it is after the EBIT. It is below the EBIT and the EBITDA. It is between the EBIT and the profit before tax. So what you see in the EBITDA is really the operational development in the profit.

Annamalai Jayaraj: Next in the question queue will be Lakshmi Narayan.

Lakshmi Narayan: Two questions. First is in terms of our exports, I just want to understand what has been the mix of exports for this year? And I think in one of the conference calls, you mentioned that you are pushing exports as a lever for a slightly longer term. I just want to understand that particular part. What's the mix of exports this year across various product lines? And second, any new initiatives that have come up recently?

Guruprasad Mudlapur: Okay. So exports currently for FY '23-'24 stood at 8.1% overall of our total net sales. And we are working on increasing this over the coming years, but currently, it stands at 8.1%. So our approach is that we continuously look at opportunities to increase exports over the coming years.

Karin Gilges: And of course, if we link this also to our approach of localization, because it is also important for us, if we want to go ahead with the exports that we are competitive and therefore localization in India and the value at India is a very crucial point for us.

Annamalai Jayaraj: Lakshmi, your questions are over?

Guruprasad Mudlapur: I think he's dropped off.

Annamalai Jayaraj: Sir, I'll read some questions from the chat box. When do we expect implementation of OBD 2.2 per two-wheelers as per government notification? Will there be a significant technology upgrade for the OEMs?

Guruprasad Mudlapur: Okay. Give me a second, it will be an upgrade for the OEMs for sure. But the OBD 2.2 norms should be applicable in 2025.

Annamalai Jayaraj: Okay, sir. And another question from the chat box is by when do we expect hydrogen ICE to see inflection point?

Guruprasad Mudlapur: Okay. So hydrogen ICE is currently undergoing design maturity phase with most OEMs. We are working with them quite closely. Almost all our OEM partners have now trucks running within their premises or on the streets. We also ourselves have a truck ready and that's undergoing our test. The component maturity will take a while, but that's not a bottleneck at all. We expect between 10% to 15% of all trucks sold by 2030 to be with hydrogen ICE technology.

Annamalai Jayaraj: There is another question on EV. Any updates on EV order. What percentage of our FY '24 revenue will be from electric vehicles?

Guruprasad Mudlapur: We don't divide it that way, but yes, do we have a...

Karin Gilges: No, we don't have a number.

Guruprasad Mudlapur: We don't have a number on that segmentation, but -- we are continuing -- all I can say is we are continuously increasing our EV share. We are already quite good with our EV percentage in two-wheelers. We are now in serious conversations with several OEMs on eAxles and electronics for the electrification in our business, and that trend is continuing. So we are on a good path. And in the coming quarters, you will also see them clearly announced.

Annamalai Jayaraj: Yes, there is a person on Building Technologies, sir. Karin was looking to diverse Building Technology business as per October '23 release. By when do we expect this to go through?

Guruprasad Mudlapur: We expect this to go through by Q1, Q2 of 2025.

Annamalai Jayaraj: Okay. Next in the line will be Viraj.

Viraj: Questions, first on the realignment of portfolio in line with what Karin has been communicating. Will the realignment will largely be of some of the businesses growing after the listed entity or it also would include -- some of the other adjacent products or businesses of other group companies in India coming into listed entity.

Guruprasad Mudlapur: I would not speculate at this point of time on anything. These are portfolio discussions that are currently ongoing, and we will keep you updated as things develop.

Viraj: But is there a time line to it? Because I think the Karin was talking about by CY '24, most of the alignments to be done. But so in terms of the listed entity, do we have internally any time line?

Guruprasad Mudlapur: No, I wouldn't put a time line on it. I would say this is an ongoing portfolio realignment overall. And yes, if I were to give you a broad time line, then maybe it's the next 1 year. We will see some amounts of portfolio readjustments continuing to happen.

Viraj: Okay. Second question is, in the past few years, we've been talking -- we've been giving some guidance in terms of what we expect the growth. And similarly, in terms of capex and the R&D. So for 2025, what would that be for us?

Guruprasad Mudlapur: So on an average, we've had a capex of between INR400 crores to INR600 crores -- INR300 crores to INR600 crores, if I can be broader year-on-year. And this is a trend that we will continue. We believe this is something that is needed year-on-year for us both to include localization and other capex. So this is something that will continue.

Viraj: And in terms of the R&D and the expectation for growth this year?

Guruprasad Mudlapur: Yes. Again, bordering on guidance, but I would say the growth of FY '23-'24 is something that we are looking forward to also in the upcoming year. The first quarter could be a little slow because of the election effects. We have seen that already in the market right now. And there is also a little bit of a liquidity crunch for some of our businesses in the market. And these things should be resolved by June. And after that, we expect a very good year for the rest of the year. So overall, we see continued improvement in our margins and performance as we move forward.

Viraj: Just two more questions. One is on the opex part. I think one of the earlier participant was also trying to understand. In last few quarters, we had this investment in P&L from the project House Mobility. And I think on an annual basis, we had around INR120 crores, INR130 crores of losses, which we are investing in the business, which is not bad. So what -- if that is not reflected in other expenses, then what explains the drop in other expenses on a year-on-year basis?

Karin Gilges: Well, I think we have -- in the other expenses we have, as you rightly said see-through topics. One topic is that we do have a lower spending related to the new business, which we hived off. On the other side, we also put in place cost measures, which are sustainable. And of course, what we also have to see in the other expenses besides the variable costs, which we are in line with the growth that we have in the other expenses, also some fixed costs, which we would like to grow under proportional compared to the revenues. So overall, let's say, we are working further on the other expenses because we see this also as a very important topic to the -- to our competitiveness and, of course, to profitability.

Nevertheless, I think we are already on a good way. We were in April, March 2024 on a 14.7%, comparable in '23, 16.8%. So besides the lower spending and, of course, some more costs variable due to the growth, we also see that our cost measures are well fit in the base now.

Viraj: Okay. Just last part. It's again on the localization piece. I'm just trying to get more perspective in terms of how we had Bosch look at it. So when you say localization, is there a change in terms of approach versus the past, say, where we used to kind of localize a lot more internally vis-a-vis outsourcing or local vendor development in India.

And why I'm asking this is, in the past, we communicated that we will be looking to spend somewhere between INR300 crores, INR400 crores to INR500 crores, INR600 crores. And that figure also included the PLI, which we were looking to participate. So roughly around INR200 crores per annum. But when I look at, say, FY '24 also, our spend is very meagre INR300 crores, INR350 crores odd and that is below the depreciation which we have on annual basis.

So somewhere the optimism of the localization, which we always talk about, that doesn't get reflected in the numbers per se. And when we look at the product level margins, which we own at Bosch for a proprietary product, it's much below than what other auto ancillaries in the commoditized products on. So it seems a big disconnect. So I'm just trying to understand, is there a marked shift in terms of how we look at localization. And if that is the case, then how one really perceive the use of cash. So these are two parts of the question.

Karin Gilges: Yes. There's actually no new view on the investment. If I look at the capex 2023 or for the financial year, then we see -- I informed you already we got the new product, the NOx sensor, which is very important in the exhaust gas treatment. What we are looking at, of course, is how can we prepare ourselves or how can we adjust our existing machines? And how can we upgrade to new generations?

What we are doing is that we are using already invested lines and machines and via upgrade to make them a fit to the new generations. So there is no change in the investment policy. Localization is a key also in -- as you rightly said, third-party supplier development as well as in our own plant. And therefore, there is no change. Localization and investment, what we have to invest, we invest.

Viraj: Just to put it differently, say I'm not talking about very near term, I am talking at more next 3, 4, 5 years. For you to achieve the level of localization, which you already aspire, like you talked about 85%, 90% in the past. What is the level of capex, one would require in the business? And if the capex intensity is not much because of refitting, upgrading, which you're talking about, then what is the use of cash we are looking for?

Guruprasad Mudlapur: So the -- we've estimated that our capex requirements will be in the region of INR400 crores to INR600 crores.

Viraj: Okay. And in terms of the use of cash, sir?

Guruprasad Mudlapur: In terms of usage of cash, you mean our reserves?

Viraj: Yes, we have a sizable surplus cash on the balance sheet and even post the capex, it will just keep on building up.

Guruprasad Mudlapur: Yes. So there is certainly a plan that's being worked on. And as soon as we are clear with it, we will let you know.

Annamalai Jayaraj: Can we take only one more caller, sir?

Guruprasad Mudlapur: Yes, sure.

Annamalai Jayaraj: Yes, due to lack of time. And the last person will be from Mr. Sonal Gupta. I think he's not able to ask the question.

Guruprasad Mudlapur: Probably dropped out.

Annamalai Jayaraj: Can we close or I'll go for one more question, sir?

Guruprasad Mudlapur: We can close for today.

Annamalai Jayaraj: Okay, sir. Do you have any closing comments, sir?

Guruprasad Mudlapur: No, I think we are on a good path in my view. Overall, there has been a continuous improvement in our performance, and we will continue to keep this momentum going for the future.

Annamalai Jayaraj: Thanks, sir. On behalf of B&K Securities, we thank all the participants for joining the call. And special thanks to Bosch management for taking time out for the call and giving us the opportunity to host the call. Have a good day.

Guruprasad Mudlapur: Thank you. Thank you everyone.

Karin Gilges: Thank you. Bye-bye.

Guruprasad Mudlapur: Bye.

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