BOSCH

Bosch Limited
Post Box No:3000
Hosur Road, Adugodi
Bangalore-560030
Karnataka, India
Tel +91 80 67523878
www.bosch.in
L85110KA1951PLC000761
Secretarial.corp@in.bosch.com

Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001
Code:500530

The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra-Kurla Complex
Bandra (E)
Mumbai – 400 051
Symbol: BOSCHLTD

August 12, 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 August 8, 2024.

This is for your Information and records.

Thanking you,

Yours faithfully,
for Bosch Limited,

V. Srinivasan

Bosch Limited * Hosur Road, Adugodi, Bangalore-30 * PB No. 3000

V. Srinivasan
Company Secretary & Compliance Officer

"Bosch Limited

Q1 FY '24/'25 Post Results Conference Call"

August 08, 2024

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

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

Annamalai Jayaraj: Ladies and gentlemen, good day, and welcome to Bosch Limited 1Q FY '24/'25 Post Results Conference Call, hosted by B&K Securities. From Bosch management, we have with us today Mr. Guruprasad Mudlapur, Managing Director and Chief Technology Officer; and Ms. Karin Gilges, Chief Financial Officer. At this point, all participants will be in the listen-only mode, and there will be an opportunity for you to ask questions after the management presentation and opening remarks. Over to you, sir.

Guruprasad Mudlapur: Thank you, Annamalai. And good evening, everyone. Thank you for joining us today. I'll start with a brief overview of the global and Indian macroeconomic landscape, followed by the financial and business highlights. The global theme is one of slowing growth as central banks navigate the delicate balance between inflation and recession. The exception is U.S., which continues to show strong performance right now. Our developed markets are bracing for lacklustre growth in 2024 with a forecast of 3.3% for global growth in 2025.

Emerging markets present a mixed picture, while India, Indonesia and the Philippines are experiencing expansion. This is counterbalanced by tepid growth in China. With the election dust settling on the budget finalized, the government will shift its focus to infrastructure projects and job creation in the manufacturing sector. Auto sector aforementioned in the government budget for '24/'25. Though, exemption of customs duty on minerals, which can aid in reducing electric vehicle prices. While alterations in person tax and the announcement of employment support are expected to help the sales of passenger vehicles and 2-wheelers in the country. Additionally, the emphasis on skill development and infrastructure will benefit the automotive sector.

The budget aims to encourage companies to set up battery manufacturing plants in India and invest in battery technology, research and development. Despite challenges, the overall sentiment in the automotive sector remains positive. Now getting into Q1 FY '25 versus Q1 FY 2024. The financial year commenced with healthy growth in the automotive market despite high base of last year, election-related slowdown and seasonal likely rates. The passenger vehicles market in Q1 FY '25 grew by 6% compared to FY '24 due to high demand for utility vehicles and a positive consumer sentiment despite high inventory levels caused by low footfall at the showrooms due to heat waves and general elections.

Heavy commercial vehicles experienced modest growth of 3% on a high base in Q1 FY '24, and a slowdown in infrastructure and construction activities due to the transitional period for the newly elected government. The government's ongoing emphasis on infrastructure development, anticipated policy stability and a robust monitoring forecast are expected to boost future HCV sales, alongside continued bus orders from state transport utilities or STUs.

Light commercial vehicle segment experienced a correction of 3% compared to Q1 FY '24, owing to financing challenges faced by first-time users and expected loss of market in less than 1-ton vehicles to 3-wheelers. Last mile connectivity is expected to grow with continued expansion of the economy and demand for consumer goods.

Tractor production grew marginally by 1% compared to Q1 FY '24, driven by an above normal monsoon forecast and timely arrival of the southwest monsoon, improving the farmer sentiment.

Growth is expected to accelerate in the coming months due to increased minimum support prices, or MSPs, for current crops and inventory build-up ahead of the season.

The 2-wheeler segment, started from a slow base, exceeded expectations with 20% growth in Q1 FY '25 driven by the revival of rural consumer sentiment and strong motorcycle demand. Positive sentiment is expected to continue throughout the year, fuelled by a trend towards premiumization, with consumers seeking larger and more feature-rich bikes.

The 3-wheeler segment grew by 11% in Q1 FY '25 due to sustained demand for passenger transportation and last mile operators for e-commerce, food deliveries and other applications. The wallet-friendly, long-term total cost of ownership of electric 3-wheelers has driven the fastest transition to e-mobility among all vehicle segments. The electric 3-wheeler segment is poised for substantial growth driven by government support and cost advantages.

Now sequential Q1 FY '25 versus Q4 FY '24. When compared to Q4 FY '24, the market has seen a degrowth. This is in line with the seasonal cyclicality. In this slide, we will illustrate the market trajectory from the peaks of FY 2019 through the challenges posed by COVID through to subsequent recovery. The automotive market ended FY '24 on a positive note, reaching all-time highs in the car and LCV segments and maintaining momentum in other segments.

Looking ahead to FY '25, moderate growth is expected due to the election year factor, high base effects, historical trends, and recent pipeline inventory buildup in the car segment causing a bit of concern. However, robust economic conditions and an anticipated above normal monsoons suggest a modest -- moderate growth trajectory, influenced by election year dynamics and high base set in the previous year.

Looking into the sector-wise sales performance. The Mobility business has grown by 4.1% in April to June '24 as compared to April to June '23, driven mainly due to the Mobility aftermarket business, which grew by 8.1% on account of higher demand for new generation diesel components. Power Solutions business, which grew by 2.3%, mainly due to growth in passenger car segment driven by high demand for utility vehicles.

The 2-wheeler business grew by 14.6%, mainly due to higher sales for fuel injectors and fuel supply modules owing to additional demand from TVS and [inaudible 0:07:20] Bajaj. The Consumer Goods business grew by 5.1%, driven by higher demand for grinders, drillers, cutters on account of the market growth. The Building Technologies business grew by 19.4% on account of execution of higher number of orders for installation of security systems.

Getting into key financial highlights. The revenue from operations quarter-on-quarter, revenue from operations in April-June '24, stood at INR43,168 million, which is a growth of 3.8% over April-June 2023. The growth is driven by Mobility Aftermarket, Power Solutions business and Consumer Goods business, as seen in the previous slide.

EBITDA. Quarter-on-quarter EBITDA in April-June '24 was INR5,197 million, which grew by 11.1% over the same quarter of previous year. EBITDA as a percentage of total revenue improved from 11.3% in April-June '23 to 12% in April-June '24. The improvement in EBITDA margin is mainly attributable to the growth in revenue and reduction in other expenses during the current quarter.

The profit after tax in absolute terms grew by 13.8% in April-June '24 over the same quarter of previous year on account of growth in EBITDA. PAT as a percentage of total revenue for the quarter is 10.8%, as compared to 9.8% in April-June 2023.

Now getting into the Mobility business. Powertrain Solutions. We start to see global recognition of hydrogen engines. Hydrogen engine technology is gaining recognition globally as a viable zero-emission vehicle powertrain. In the European Union, it is classified alongside battery electric vehicles or BEVs and fuel cell electric vehicles or FCEVs, as is ZEV powertrain.

North America's Environmental Protection Agency, EPA, the greenhouse gas emission regulations -- Phase III regulations also acknowledged hydrogen engines. China is considering incorporating hydrogen engines into their new energy vehicle framework, or NEV farework. These global endorsements highlight the potential of hydrogen engines to revolutionize the transportation industry.

In India, the hydrogen engines present a promising alternative to diesel for a long-haul truck segment. Achieving hydrogen prices below $4 per kilogram is essential, but equally critical in the development of a robust refuelling infrastructure to ensure widespread adoption. Bosch is at the forefront of this revolution, working on multiple projects with commercial vehicle manufacturers globally and in India.

Furthermore, Bosch continues to support other alternate fuel technologies, including CNG and [Flex-Fuel 10:40].

Coming to the 2-wheeler and Power Sports segment. In April 2024, we inaugurated our second production line for Lambda Sensors or LFSmh at our Bidadi plant to address the rising demand. The new line was inaugurated by representatives from HMCL or Hero Moto Corporation Limited, along with the Bosch management. This partnership with HMCL, the world's largest 2-wheeler OEM, marks a major milestone for the growth of LSFmh sensors.

The new production line supports the upcoming BS-VI OBDII stage B regulation effective from April 2025. The journey of the lambda sensor at Bosch's Bidadi plant began in December 2020 in anticipation of the BS-VI emission norms, starting with a production volume of 1.2 million pieces in 2021, we have significantly ramped up our capabilities. By 2025, we are set to achieve over 8 million pieces annually.

The new Bajaj Pulsar N250cc and the Pulsar 400 cc models launch confirms Bosch's preferred role -- Bosch's role as a preferred technology partner for premium powertrain components. This launch introduces value-added functions or VAF for the first time in Bajaj motorcycles, showcasing Bosch's commitment to enhancing performance and features to the premium mass market.

Moving on to the mobility aftermarket segment. Bosch has introduced a new Tyre Pressure Monitoring System for both 2-wheelers and 4-wheelers, providing enhanced diagnostic capabilities as an aftermarket solution. We have also gone live with the Adicare extended warranty offer for diesel and rotating machines, benefiting from both independent aftermarket and OEM customers.

Now moving on to power tools. It is with immense pride that I share this momentous news of power tool India transformation from a country sales organization to a region effective from first of April 2024. India now has become 1 of the 5 independent regions within the Bosch Power Tools global organization. India as a region is now responsible for consolidated figures for India, Sri Lanka, Bangladesh, Nepal, Bhutan and Maldives, or the entire SAARC.

The focus will be on the cordless tools business, Cordless 2.0, industrial tools, dealer appointment, aggressive marketing campaigns across business units, global tools, actors, measuring tools and outdoor and garden tools, and innovative and new product launches tailored to all market segments. Concurrently, medium-priced products will be pivotal, serving as essential drivers for overall business growth.

The newly formed region has added various capabilities as new business development director, marketing head and a new cross business unit marketing structure in place to drive the business towards exponential growth journey. With detailed plans to scale up our dedicated engineering team setup, Bosch Power Tools in India is set to achieve its ambitious goals and targets.

In the Building Technologies segment, we launched the AVENAR, made in India detectors, marking the first product from our business unit fire systems to be manufactured locally. Additionally, we introduced the ZLX G2 portable speakers under the Electro-Voice brand, further expanding our innovative product lineup.

With these slides, I conclude my speech. Thank you for listening patiently. We will now address your queries. Feel free to ask your questions. Thank you.

Annamalai Jayaraj: Thank you, sir. We will now begin the question-answer session. Our first question is from Pramod. Please unmute and ask your question.

Pramod: So thanks for the detailed presentation and giving more granularity for the client-wise wins. That's useful to understand. So first question is with regard to the Power Tools. You did allude to the region -- you coming as a region. So what does it mean for -- is it in the sense the manufacturing operations will be set up by Bosch India in those locations? Or you will be exporting from either of those regions?

Guruprasad Mudlapur: Okay. Currently, there is -- okay, let me explain now what the regional concept means. Until now, India was a sales organization for Power Tools reporting into our Chinese Power Tools headquarters. And that has been disconnected now.

And India is a region, like I mentioned earlier, together with the rest of SAARC minus Pakistan. So basically, Bangladesh, Nepal, Sri Lanka, Bhutan and Maldives, all come under the management of the Regional President for Power Tools located in India. Of course, he also manages the entire portfolio of business from India.

Now coming to your specific question on manufacturing and export, or local manufacturing. There are no current plans for setting up any plants in any of these countries. All of them benefit from our current manufacturing plant, which is already in Chennai in India. And we will continue to export from Chennai to these regions.

The reason for aggregating these regions is because the markets are very similar around the Power Tools demand, and the nature of tools are also very, very similar. So we are logically using the same tools across the entire region, and hence, it makes a lot of sense. And geographically, they're also located very close so traveling is easy and management is easy.

So the Indian team manages the whole thing, and they will export from here, and ensure that the business growth happens for the entire region. So within our -- Bosch Limited will significantly benefit from this.

Pramod: Sure. Understood, sir. Sir, second question is with regard to your annual report where you asked for, in today's AGM, the shareholder approval for interparty relations or the transaction to be done.

So there, you talked about exports to the parent literally tripling in next 4 years as a resolution and imports to the -- from the parent doubling up -- more than doubling up. What is the thought process there? And is it a serious number to look at? Because on the financials, it looks like big implications. What has changed in the thought process in the last 2, 3 years?

Karin Gilges: Yes. Thank you very much for the question. Yes, there is not a change in the thought process. We were all the time seen as we -- our main core market is India. But we have worked in the last couple of years massively on our cost competitiveness. We are now scaling with our quantities, which helps us also to become cost competitive. And therefore, for certain volumes like injectors, VE pumps, et cetera, India will also become very attractive.

And therefore, we see an increase, and it's a serious number, also in the automotive. But again, still, we are -- our main market is India and SAARC. And wherever possible, of course, we also stepped into the export business with our parent or our affiliated companies, which helps us also in the local volumes because we have a better fixed cost coverage.

Pramod: Sure. And any explanation for imports, literally doubling up, which you're talking about? At one side, you are localizing, and you're also importing plan to import next 4 years.

Karin Gilges: Yes. So what we plan to import for the next 4 years, we are -- you know we have 2 technology changes. One is from the conventional to the common rail product. And therefore, we see a decline in the conventional product where we have a very good and high localization rate set up after the last 4 decades, let's say.

In the common rail system, we are heavily working to come to a very good localization rate. We are working on this. We have already -- we're already successful. But this transfer is that we see a higher import for the common rail systems until we have finished the main localizations.

Second thing is that, in these systems, in the content of the car, there is mainly exhaust gas treatment components. And we will start with the first component of the exhaust gas treatment in April 2025. We have the SOP. And this is the NOC sensor, and we are currently looking and discussing the next localization of the NOC sensor as well.

In addition, for the next 4 years, we also considered, we have now to see the market to which technology, the market is going into the electrification or hybrid or whatever. But we have also considered partially the first import, for this new technology, this is also part of our related party transactions.

Perhaps this was automotive part, the sales, of course, we have a new approval for the related party transaction for the power tools. And there is also we see a very good growth. Guru already mentioned our plant in Chennai. We are a region now. We see a good growth. And there is partially things also imported. And therefore, we are above the INR1,000 crores.

Pramod: Thanks, Pramod. Next in the line will be Gokul.

Gokul: Curious on your gross margins. So your gross margins remain at around the mid-30s mark where we are currently facing very softer commodity prices. So in that context, can you just give an update on localization plans? And how does this impact our gross margins more from a 12 to 18-month perspective?

Karin Gilges: So regarding the gross margin and the localization, it is very clear for us strategically, we have to localize, also to increase and to improve our gross margins. This is very clear. On the other hand, you also have to see we have a shift from the conventional products to the common rail system where overall we have a higher share of material in the common rail system. Therefore, localization will be even more crucial.

So localization is what we have to work on in the common rail systems. And perhaps also you should know that we have started with a project team in our purchasing here in India also with the early, let's say, screening of the supplier market for the future for all components in the electrified powertrain system.

Gokul: So just a follow-up on that. So your long-term margins have been in the mid-40s or early 40s at the gross margin level. Given the change in the composition of the products where you're moving from convention to CRDI, as well as more to electronics, should we assume that it would be -- these margins perhaps might improve a bit on localization, but this is more like the new normal?

Karin Gilges: So this is a little bit of a guiding question for the future. Let me say it in this way. We did now the first step coming back to a double digit, which was very important for us, and we do everything to keep this double digit. For the future, we have to see how the market is growing, what is the product mix, and how fast coming technologies in.

We, at our job, to be as flexible as possible, and therefore, going ahead with the localization in the common rail system in this -- in the new generations of the combustion engine, and be prepared also in India for a fast change to the electrified powertrain.

Gokul: Great. Just my second question, in the Q4 call, you had indicated that the Q1 could be soft because of the sales with respect to sort of automotive impacted by elections or macros. But for the full year, you were expecting a similar performance as FY '24. Does that broad expectation of growth still hold or you're changing on that stance?

Guruprasad Mudlapur: Yes. The broad expectation of growth for the year holds. There is a change. We had already sort of indicated Q1 would be sort of a moderate or very weak growth, knowing that there would be an upcoming election, and we would also come into the summer months with not knowing how intense that summer was, but we had expected some slowdown. Primarily due to elections, but I think it's largely in line with our forecast for this call.

Gokul: Just lastly on capex. Would you be required to do a step-up in your capex spend, maybe INR500 crores plus, given you would want to accelerate your localization?

Karin Gilges: Whatever we have to spend to have a feasible and profitable localization, we will spend.

Annamalai Jayaraj: Now I'll go to the chat box, there are some questions in the chat box. And the first question is, what are the estimated content increase for 2-wheelers due to the upcoming state B with effective from April 25?

Guruprasad Mudlapur: Are you referring specifically to the OBD Stage 2?

Annamalai Jayaraj: Yes, OBD Stage 2. Actually, it's a person who chatted on the chat box, but I presume that is for OBD 2 what will the content increase for Bosch?

Guruprasad Mudlapur: Okay. We have to get back to you on that. I can't give you an exact number right now. But there is an increase, and we will get back.

Annamalai Jayaraj: And the second question is, is there clarity on timelines for TREM V norms what could be the guiding, the same question? What would be the content increase in tractors for Bosch Limited due to TREM V, how much of this content increase would be value added by Bosch and how much will be bought to components?

Guruprasad Mudlapur: So I would again say TREM V has been postponed so far. I'm not aware of any recent discussions towards changing the date or if there's any further change in the date, but mostly by second quarter of '26. TREM V should be rolling out and in place. So that's what we expect today. There is, again, a change in the content per vehicle, and there is going to be a change towards the common rail systems there. But we will get back if necessary on the exact change in the contract.

Annamalai Jayaraj: Okay, sir. Next in the question is Viraj.

Viraj: Sir, just 3 questions. First is on the margin piece. So what do you kind of gave a colour on a roughly increase in related party, because of the change in technology, which is taking place, both in tractors and components. So while localization may take some time to play out, would it be right to think that margins may remain around current levels what we have been reporting, given the kind of technology change the business or the portfolio will be undergoing?

Karin Gilges: Again, regarding margins in the future, we do not want the guidance. We would not like -- want to give. But it is all the time if you have a change in technology and if you have a strong parent, or like us, then there is, of course, possibilities, there are chances, there are opportunities. And you have the flip side of the coin where you have for the one-off, for the other product, perhaps a negative impact. It's our task to balance it and to prepare for all the scenarios. There will be definitely a change in the technologies, the question is when?

Guruprasad Mudlapur: Too early localization also is totally counterproductive in terms of our margin. So we will have to balance it against when is localization most appropriate, what volumes justify localization with reduced costs and improved performance in terms of margins. Only then we go, or maybe a little bit earlier to that phase we go in. But if you start to localize too early, and either the standard chips or the rollout their chips like in case of TREM V or the volumes don't happen and we are sitting with high capex, which may not be very effective.

So we take a very conscious call not to drop our margins in everything we do, and ensure that we will be successful also with increasing localization in the coming years.

Karin Gilges: And perhaps to add -- to give you a concrete example. The NOx sensor, which we will have the SOP in April 2025, we nearly worked 2 years in the front loading of this project. If you look at this product, it looks very simple, but there is laser welding, new competencies in. And for us, it is very important, as soon as we have the lines, and our lines are usually expensive, we have to set up a very fast ramp-up, because otherwise, we have to keep the imports, and we have the fixed costs.

Therefore, we are, as Guru explained, we are really thinking through when does it make sense. And we invest a lot in the front-loading of the project. If the lines are coming to India, if they are capitalized, we need to come to an OEE of 85% and 90% as fast as possible, not to sit on the fixed cost in the P&L.

Viraj: Just another question. When you're kind of adding capex towards localization say after treatment or NOx, is the thought process largely towards localization or meet the requirement for the local market, or now there's a change in thinking in terms of looking at export also, at least in the interim, to drive better utilization? That's one.

And second is, given now you're looking at new technologies and localization of that, is there a change in capex spend range versus the past? So we talked about INR300 crores to INR600 crores annually, but expense in the last few years has been at the lower end of the range. So is there a change in thought process on that?

Karin Gilges: Okay. Coming perhaps first to your first question, and here we can also say the NOx sensor line, if we only look at the Indian volumes, we would have a 2-shift model. And we would have then an impact in the costs. Here we get a certain export volume as well because we need in the overall production network, there were volumes which we could bring to India. And therefore, we will get a line where we have India plus export volumes, which is also favourable then for RBI. And of course, because we have a good utilization, there we have a very good example.

We have other examples as well. Nevertheless, of course, if the Indian volumes require us to 2 shifts, 3 shifts already, then for us, we first deliver into the Indian market. So this as a general. Sorry to ask, can you repeat the second part of your question?

Viraj: The range of capex of -- used to be 300 and 600. So with this, does that drive up the real shift or we will be in that line only?

Karin Gilges: So again, you know our balance sheet, and whenever a localization, MAE, investment or capex is feasible and we see, let's say, a contribution to the top line to the bottom line or to both, then we will make this capex, we will make this investment.

Viraj: Just last question. On the portfolio for the Bosch listed entity, I think last quarter or the quarter before, you gave a colour that CY '24 we may see a similar announcement as what the parent announced in the portfolio realignment in the Mobility. So we did get some colour that we would be announcing or coming up with a decision sometime in the year. So any thought process in terms of with any further businesses we'll be exiting from the listed entity or any businesses you think will be merged in the Mobility segment into the listed entity? Any colour you can give on that?

Guruprasad Mudlapur: Yes, I do not want to speculate on things which are very sensitive information. So I would not want to comment on these things right now. All I can say is that we are continuously relooking at portfolio and how we can do it better, not just for ourselves internally but also for our customers in India, and potentially also for the export markets, which are opening up for us. So as and when decisions in the Board, we will keep you updated.

Annamalai Jayaraj: I will read some questions from the chat box. In the quarterly numbers, sir, the other expenses has gone up sequentially as a percentage to sales. Any one-off expenses in the other expenses this quarter?

Karin Gilges: Yes, exactly. So we had a one-off in the last quarter where the other expenses of sales were very low because we had the forex impact. And this is, of course, this quarter, we have the reversal impact, or you see the reverse impact, and we have 1 warranty case where we have a special warranty where we made a provision in this quarter. So this is actually the reason.

Annamalai Jayaraj: Can you quantify it broadly?

Guruprasad Mudlapur: Can you quantify is the question.

Karin Gilges: No. We -- it is -- we would -- yes. No. We will not quantify the different lines, please. But we have the reversal effect from the last quarter in this quarter with forex and 1 very special warranty case.

Annamalai Jayaraj: Okay. Then the next question from the chat box is, can you talk about what percentage of our revenue comes from electric 2-wheelers and 4-wheelers now? Are there any worthwhile order wins in EV components to call out for?

Guruprasad Mudlapur: No. Right now, we would not like to do that. We don't get into such very specific segment and product line revenue numbers. But we can look at it in the future.

Annamalai Jayaraj: Okay. And then the next 2 questions in the chat box is, in the presentation, you talked about value-added function provided for Bajaj Pulsar. What are these components? And are they manufactured by the listed entity? Hello?

Guruprasad Mudlapur: I'm just referring to what...

Annamalai Jayaraj: Yes.

Guruprasad Mudlapur: [inaudible 39:13] on this, Annamalai.

Annamalai Jayaraj: The 2-wheeler you indicated, sir. Bajaj Pulsar.

Guruprasad Mudlapur: I know, I get it. But exactly what those value-added functions are, we will get back to you.

Annamalai Jayaraj: Next, I am unmuting Jay. You can unmute your line and ask your question.

Analyst: To understand on the recent news article, if there is more light that you can throw, in terms of Bosch potentially getting the DVA certificate under the PLI scheme. So 2 questions related to these are, if there's any details that can be shared on the kind of products that we are looking to localize and what's the kind of incremental capex that the domestic listed company will commit to post this event going through? And is that being the reason for lower capex versus what we could have put on the ground? And should this accelerate more investments?

Guruprasad Mudlapur: No. Actually, our capex planning and investments are not necessarily connected to DVA approvals. And we have been a manufacturing company all along and we've invested significantly on capex. As and when we feel localizations make sense, DVA and PLI benefits come on top of it, which, of course, will be an added bonus. So that's one part of the take.

On the aspect of the new item on DVA approvals and so on, all I can say is that we are an applicant in the PLI scheme. We have not officially got any confirmation from the ministry on DVA approval, although there are market speculations or social media or media speculations or news items on this. We do not want to comment on that. We hope to -- we have fulfilled more or less all the requirements to meet the DVA. So as and when we have the formal approvals, we will indicate that with you.

Annamalai Jayaraj: Mr. Jay, are you through with your questions? Okay. We'll go to the next, Pramod.

Analyst: We have always been asking you in terms of when are you localizing. But if I had to look at tractor industry as an example where the implementation timeline itself has changed. So how as -- when such policy delays happen, how do you accommodate in your decision making and capital allocation? And do they go for a slow utilization initial period? Just wanted to get your thoughts on that.

Guruprasad Mudlapur: See, I'll give you our general philosophy on how we get into manufacturing and localization. Whenever a new technology is introduced, it takes -- unless there is a digital switch like, for example, BS-IV to BS-VI with a clear cutoff date and a transition from one place to another, the ramp-up on new technology areas is quite slow. And then we prepare for that and invest in line with the ramp-up volumes that we forecast, or we have acquired. And then we go in line with that with gradual upgradation of capex, to ensure that our manufacturing OEs are at the optimum level. That would be the general philosophy.

So we are not constrained by cash or budgets to ensure localization. The bigger worry generally is are we investing too early and then starting to depreciate, starting to waste our line capacities and add on fixed costs, and thereby impact our bottom line? Or are we doing the right things with regard to a good mixture of imports plus local ramp-ups, and then subsequently making the local ramp-ups very significant and totally cutting off imports?

So that's how we operate in general. And this has been our philosophy for a long, long time. And this is something we have very good alignment with our OEM partners, and we work very closely with them on how we do it. And that's how we've operated all.

Analyst: And the second question is with regard to the 2-wheeler exposure. With the lambda sensors, do you see 2-wheelers becoming a prominent portfolio of your -- part of your portfolio into high double digit might be in '26 or so? Any direction you want to give?

Guruprasad Mudlapur: 2-wheelers are already a very significant part of our portfolio. So we have engine management systems, a lot of sensor components that go in. Of course, outside of the listed company, we also have braking, ABS components going in. So 2-wheelers are a significant part of our overall turnover. We expect this trend to continue with increasing premiumization and movement towards higher cc motorbikes, we expect this trend to continue.

Annamalai Jayaraj: I'll read some questions from the chat box. Many questions have come. One minute, sir. Yes. First question is, I'm not looking for a specific number, but directionally, can export in next 3 years growth rates higher than the domestic growth given the best difference?

Guruprasad Mudlapur: See, by and large, we are set up with an intent of being local for local. So within the Bosch world, we have production capacities installed in several regions. And India is one of those regions where we ensure that we do largely what is required for the Indian OEMs.

Of late, thanks to several geopolitical issues and changes in the fuel emission norms and electrification and so on, export is becoming a very attractive proposition for either enhanced utilization of our line capacities or also to reduce capacity somewhere or change our production dynamics and export from India. We do not currently foresee a major change in our export portfolio right now. But the intent is that we continuously increase this.

Annamalai Jayaraj: Mr. Jay who had a question on PLI got -- line got disconnected. Typed in his question -- follow-up question. One follow-up, are the benefits of PLI and other incentives captured in the margins largely are passed through as they have limited lines?

Karin Gilges: Can you please rephrase your question?

Annamalai Jayaraj: No, no. I think his question is whether the PLI benefits, when you get it, we can retain it or we need to pass on to the customer? That's what his question is.

Guruprasad Mudlapur: I mean this largely depends on product categories and our agreements. I would say the eventual benefit should be seen by the consumer. And so there is an overall value chain passing on the benefits, and we will do the same.

Annamalai Jayaraj: Okay. Again the next question is I'm reading from the chat box. Can you suggest on our plans for hybrids in PVs considering EV penetration is not taking off in the near term and more OEMs are announcing hybrids?

Guruprasad Mudlapur: Yes. I mean we've talked about EV penetration several times and many of you have countered us saying very high EV penetration likely and so on. But we believe our numbers are pretty fair and correct. And we have anticipated what is likely the EV penetration rates in India, or we get our signals from the global OEMs.

So this is an anticipated trajectory right now. And we see that when the subsidies reduce or when the very premium EVs are sort of saturated, and now the more common market class EVs have to come in, there is likely a slowdown for a while. And slowdown still means a pretty good growth rate compared to traditional combustion vehicles. And this is something that is known and well understood. So that's the EV part of the story.

Now for hybrids, we have a portfolio which caters specifically to the engine management systems. Basically a lot of things we already do towards the combustion vehicles will still continue. There are some extra components which come on hybrids like the battery systems, which we don't make currently, and that's how it will stay.

Annamalai Jayaraj: Okay. And can you please give an outlook for our key different key segments for us, CV, tractor, PV, 2-wheeler and consumer goods.

Guruprasad Mudlapur: What does outlook mean?

Annamalai Jayaraj: Basically, I mean all these sectors, sir, how we look at making the shorter to medium term.

Guruprasad Mudlapur: Short term is really -- we had covered most of this in the presentation already. So I would not want to enlarge anything more than that.

Annamalai Jayaraj: Okay. Again, this next question you may not answer, but anyhow I'll just read out the question. Share your market share and content value for EVs currently.

Guruprasad Mudlapur: I would avoid that. We don't go into product class.

Karin Gilges: Yes. And we also have to say we are with all the important OEMs in discussions, but it is a very, very early stage in the market of electrification. And to discuss today of market shares, when I see the market, then this would be really we are talking about, I don't know, a couple of thousands, 100,000 -- so this is not -- the important thing for us is not on the classical KPIs. The important thing for us is we are in discussions with our customers.

We are -- we stand together, co-creating, and we are the strong partner for them technology-wise. And when it's coming up, we are ready to work with them together. And this is the current status. But now to say what is the KPI, the market share, this is really too early.

For us important is that we have a strong backbone with our parent company, where we have certain technologies, which we can offer to the Indian OEMs that we are -- have the competencies to work with them together on adjustments and give them a good consulting. And as I mentioned before, that we are in a very early stage have already the supplier base on the radar here in India that we start this as well.

Guruprasad Mudlapur: And more importantly, we have a profitable portfolio.

Annamalai Jayaraj: Okay, sir. We can take the last question from the chat box, sir. Tata Motors today has launched their Pure EV at a price which is very close to a midsized diesel SUV. How do you think about this as a major diesel player, and the take on it if the customer switched to Pure EV?

Guruprasad Mudlapur: So I mean if -- we wish lots of success for this. We have our components going into many of the EV launches coming up. So we are happy to get in that portfolio. But yes, it's maybe too early to speculate what will happen, our diesel go down. We have already forecast that the diesel share will go down over a period of time, quite long. And we will stay with that. And in parallel, we will do everything to have a very successful, profitable EV portfolio, which we can carry for the OEMs in India.

Annamalai Jayaraj: Okay, sir. Do you want to make any closing comments, sir?

Guruprasad Mudlapur: No, thank you. I just want to say thank you for this opportunity, and some good questions. Also some good thoughts to introspect within ourselves. And thank you, everyone.

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

Karin Gilges: Thank you. Bye-bye.

NOTE: This transcript may not be 100 percent accurate and may contain misspelling and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind.