

# Directors' Report including Management Discussion and Analysis

The Directors have pleasure in presenting the SIXTY EIGHTH Annual Report together with the Audited Financial Statements for the Financial Year ended March 31, 2020.

## 1. Financial Results

The following are the financial highlights for the Financial Year 2019-20:

Particulars	[Mio INR]	
	2019-20	2018-19
Sale of Products	89,441	116,150
<i>Of which Export Sales</i>	7,869	8,999
Profit before exceptional item and tax	16,364	23,340
Exceptional items	7,167	-
Profit Before Tax	9,197	23,340
Provision for tax	3,349	7,406
Profit After Tax from continuing operations	5,848	15,934
From discontinued operations	650	46
Profit for the year	6,498	15,980
Other Comprehensive income (Net of tax)	(1,333)	997
<b>Total Comprehensive income</b>	<b>5,165</b>	<b>16,977</b>

The Company does not propose to transfer any amount to its Reserves for the year under review.

## 2. Dividend

Pursuant to the requirements of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has adopted a Dividend Distribution Policy (DDT Policy). In order to have flexibility in declaring dividend, the DDT Policy was amended by the Board of Directors at their meeting held on February 05, 2020 to eliminate the maximum cap on payment of dividend. This Policy is uploaded on the website of the Company and can be accessed at [https://www.bosch.in/media/our-company/shareholder-information/2017\\_2/dividend-distribution-policy-2017.pdf](https://www.bosch.in/media/our-company/shareholder-information/2017_2/dividend-distribution-policy-2017.pdf). This policy is enclosed as Annexure 'A' to this Report.

In line with the DDT Policy, the Board has recommended a Dividend of INR 105 per share for the Financial Year 2019-20, aggregating to Mio INR 3,097. The dividend payout ratio is approximately 47.6 percent. The Dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## 3. Management Discussion and Analysis

In order to avoid duplication between the Directors' Report and Management Discussion and Analysis, a

composite summary of the Company's performance and its various business segments is given below:

### 3.1 Economic Scenario

#### 3.1.1 Global Economy

The year 2019 ended on a positive tone with improving data and promise of easing of political risks with an apparent "Phase 1" agreement between China and the US and a Conservative Party victory in the UK elections setting the stage for Brexit. At the beginning of the year 2020, Global GDP was expected to grow by 3.3%.

The COVID-19 pandemic is inflicting high and rising human costs worldwide and the necessary protection measures are severely impacting economic activity. The global GDP forecasts are evolving with most economist developing scenarios (Bull, Bear and Base case) primarily because of the greater depths to which the activity has plummeted early in Q2 and partly because rising risks of setbacks from further spread of the virus in some regions of the world. The base and bear case scenarios project the global GDP to contract sharply between 5.9-8.7% in CY 2020 and to recover sharply by 5.3-2% in CY 2021.

When the world economy last faced a crisis of this magnitude, it was in the 1930s. Amongst the advanced economies, Euro area is expected to have a substantial decline in GDP (greater than global average) followed by US (larger fiscal support and possibly weaker social distancing), Canada, Japan and Australia (success in acting relatively swiftly and effectively to contain the virus).

Emerging Markets are hit smaller. Especially the Asian economies primarily driven by China and Korea, reflecting relative success in managing the virus, are expected to bounce back relatively stronger.

#### 3.1.2 Indian Economy

Indian economy continued to decelerate through 2019-20. Quarterly GDP growth which was above 5.7% for Q1 2019-20 dipped to 4.1% for Q4 2019-20. Growth was largely held up higher with government spending and a positive contribution from net exports (reflecting weak imports) while private consumption, fixed investment contracted at a faster pace and the slump in imports worsened – suggesting weak quality of growth.

On March 24, 2020, Prime Minister Narendra Modi announced a nationwide lockdown to contain the COVID-19 outbreak. Initial estimates suggest that ~75% of the economy has been shut down resulting in a severe loss of output and the reopening is expected to happen in phases (to avoid relapse). GDP is expected to contract materially for the Q1 and Q2

of 2020-21 and is expected to recover only in Q2 of 2020-21.

Government in-turn has announced stimulus package of INR 20.9 T (10.5% of GDP) focused on the most vulnerable sections in the informal sector (MSMEs, daily wage laborers, farmers) and to elevate the liquidity pinch of borrowers considered high risk (MSMEs, Shadow banks) while the support for the formal sector has been limited (to employee provident fund contribution). Government has also announced certain key reforms for agriculture and industrial sectors. Most of the measures have been to address the cash flow shock and growth measures are expected once economy returns to the new normal.

Overall, RBI's liquidity measures (like reducing Cash Reserve Ratio for banks, increase in Marginal Standing Facility, Targeted Long Term Repo Operations and Moratorium on Term /Working Capital Loans, etc.) account to 4% of GDP while fiscal, financial and support measures account to 6.5% of GDP. Since bulk of the fiscal support emanates from higher financial support, impact to Central fiscal deficit is expected to be ~0.8%. Despite this, cumulative fiscal deficit (central and state combined) is expected to rise sharply to 10.5-11% of GDP primarily driven by revenue slippages.

USD has appreciated against INR by ~7% (mid-April 2020) from late February 2020. INR has fared well compared to 2008 GFC crisis and 2013 taper tantrum primarily driven by lower crude prices resulting in balancing of current account deficit.

### 3.2 Industry Structure and Development Automotive:

The auto industry faced a severe demand slowdown coupled with stagnant wages and liquidity constraints. Vehicle sales and production plunged leading to job losses, dealership closures and reduction in production capacity utilization across automobile and auto ancillary manufacturers. Sagging vehicle sales showed signs of revival during third quarter of 2019-20 for the auspicious festive season. New model introductions were instrumental for the slight recovery in passenger car & two-wheeler sales through this period. Auto industry continued to struggle with high inventory levels. Fourth quarter of 2019-20 witnessed timely start of production transition from BSIV to BSVI for On-Road vehicles.

Freight capacity was freed-up with implementation of axle norms in the commercial vehicle segment. Transportation efficiency improved with implementation of Goods & Service Tax and E-Way bill creating an excess freight capacity of approximately 20%. Subdued freight rates and low freight movement due to slow-down exerted pressure on the fleet operators holding them from making new vehicle purchases. Reduced resale value of trucks affected replacement demand. Electric Three wheelers cargo

applications grew, but fast depreciation of electric Three Wheelers curtailed finance options. Overall, the segment's high dependency on Non-Banking Financial Companies further led to production decline of 47% in Heavy Commercial Vehicle, 21% in Light Commercial Vehicle and 10% in three wheeler segments.

Legislative norms paved way for superior vehicle technology with introduction of frontal airbag, parking sensors. Infotainment in cars are increasingly becoming an extension of the smartphone with new-age connectivity features and cloud based services. Retail sales were higher, led mostly by Utility Vehicle segment that jumped more than 20% during the festive period. With a weak consumer sentiment and high vehicle price, Passenger Cars and Utility Vehicle production declined by 15%.

Tractor segment continued on TREM III norms, although, with high inventory levels and muted demand in rural and construction segments. Uneven spread of rainfall damaged crop output, hampering cash flow in the rural market. High discounts and attractive finance schemes improved retail sales during the festive season. Tractor segment production declined by 15%.

Subdued consumer sentiment, higher inventory of motorcycles compared to scooters and postponement of buying decisions led to decline in Two Wheeler segment. Retail sales was better off during the festive season influenced by cash discounts, loyalty and exchange programs. Electric Two Wheeler sales grew with FAME II impetus enabling battery technology transition from lead acid to lithium ion. Overall Two Wheeler production declined by 14%.

#### Vehicle Production Growth Rates:

Vehicle production growth over previous Fiscal Year (+ / -)							
Segment	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
HCV	-20%	26%	24%	2%	3%	28%	-47%
LCV	-14%	-10%	3%	6%	18%	22%	-21%
Car + UV	-4%	6%	6%	11%	6%	0%	-15%
3 Wheeler	-1%	14%	-2%	-16%	31%	24%	-10%
Tractor	22%	-13%	-7%	21%	14%	14%	-15%
2 Wheeler	7%	10%	2%	6%	16%	6%	-14%
<b>TOTAL</b>	<b>-2%</b>	<b>5%</b>	<b>2%</b>	<b>6%</b>	<b>15%</b>	<b>7%</b>	<b>-14%</b>

#### Non-Automotive:

The Indian Professional Tools market is estimated to be around INR 18 billion by value in year 2019 (without factoring COVID-19 impact) and is expected to grow at a CAGR of 6%. This is in line with the estimated rise of the infrastructural projects and expansion of the manufacturing industry to drive the



The Bosch Cross India Mobility Tour that was conducted to show our commitment towards improving the quality of life of the people of India.

market. The market trend clearly points to increasing sales of professional power tools, the move from corded tools to cordless tools and shift from nickel cadmium to lithium ion powered tools within cordless tools.

The Building technology (Security technology) market in India is growing at 5% driven by the need to secure Critical Infrastructure, Government Buildings, Public and Private Spaces. The technology trends in this space are the evolution and maturity of IP Convergence, analytics and seamless integration. The market is also preparing itself to deal with the challenging threats and changes driven by fast changing hardware and software. The industry is also maturing driven by the renewed scope in Regulation and Bottoms-up desire to feel safe and secure.

The overall slowdown in the economy has resulted in slowing demand for Solar PV EPC projects and Energy Efficiency solutions from commercial and industrial segment customers. Solar PV projects has seen an upward trend mainly in the Opex model during this period. Energy Efficiency solutions demand is supported by pollution control and energy savings measures adopted by the government agencies and many corporations.

### 3.3. Business and segment wise performance

The overall performance of the Company witnessed a decline of 18.6%. Mobility business (Automotive) revenue declined by 19.7%, while the Business beyond mobility (Others) reduced by 12.3%. Domestic mobility business witnessed decline of 25.9% mainly driven by Powertrain Solutions due to various structural and cyclical factors driving the auto industry.

As the Company predominantly operates in manufacturing and trading of mobility solutions, this constituted 82.9% of total sales for the Financial Year 2019-20. The Business beyond mobility, comprising of Industrial Technology, Consumer Goods and Energy and Building Technology, had a share of 17.1%. Thus, the operating segment is broadly classified into "Mobility Business" (Automotive Products) and "Business beyond mobility" (Others).

#### 3.3.1 Operating Segment

##### Mobility Business:

##### Powertrain Solutions

The division Powertrain Solutions (PS) combines the strengths of the smart, diversified and sustainable

powertrain under the vision PASSION TO MOVE. PS offers integrated solutions in the market segments - Electric Vehicles (EL), Passenger Cars (PC) and Commercial Vehicles / Off-Road (CV/OR) and aims at becoming the No. 1 provider of products and solutions in the diversified powertrain sector ranging from gasoline and diesel injection to electrified drives with battery and fuel cell technologies. PS is pushing ahead with further development of innovative, eco-friendly technologies and systems based on diesel and gasoline. They include engine management systems, fuel supply modules, fuel injectors, pumps, and ignition systems. For diesel systems, the division is developing even more fuel-efficient and eco-friendly injection systems for applications ranging from passenger cars and commercial vehicles of all kinds to industrial power-generation units.

During the year, successful migration to BSVI projects in record development time in collaboration with OEMs to meet stringent BSVI emission norms is a significant milestone.

Overall, Automotive Market during 2019-20 was subdued, mainly due to unfavorable economic conditions. Powertrain Solutions witnessed a 30.2% decline in sales compared to the preceding Financial Year. Within PS division, the Diesel segment witnessed 33.1% decline in sales as compared to last year. Further, the full potential of the BSVI ramp up which was expected from April 2020 is expected to be delayed due to the ongoing COVID-19 pandemic which has affected supply chains, created liquidity problems across customers and also led to manpower constraints.

The exhaust gas sensors are in demand across customers, owing to the stricter emission norms laid down by the government.

The Gasoline Systems division registered a moderate growth of 1.8% over the previous Financial Year. This growth is mainly due to growth in demand in the two-wheeler segment, which is expected to continue over the next couple of years. Further, good demand was also seen for ECUs, sensors, connectors and battery products.

In future, the growing working population and expanding middle class will remain the key drivers of growth for the automobile industry as we look to recover from the slump in the economy created by the COVID-19 pandemic.

##### Automotive Aftermarket

The Automotive Aftermarket division provides the



Ensuring a smooth transition to BSVI with our latest products and solutions

aftermarket and repair shops across India with a complete range of technology and solutions related to auto diagnosis and repairs, as well as a wide range of spare parts for vehicles and repair solutions, especially for passenger cars and two wheelers. The product portfolio consists of Bosch manufactured products like Fuel Injection Equipment & Spares, Spark Plug, Braking Parts and Filter, as well as products & services like Battery, Starter Generators, Lubricants, Comfort Electronics, Wiper Blades and Lubricant developed and manufactured by other manufacturers. The Automotive Aftermarket division is the largest Independent Aftermarket (IAM) network in India.

During the year under review, the division witnessed a decline in revenue by of 5.4%, amidst of economic slowdown and weak performance of automotive market. However, there were many positive developments in the areas critical for its long-term growth. The division grew in two-wheeler segment of independent aftermarket as it registered the highest ever double-digit growth in exports and saw a steep increase in revenue and volume of cars serviced at our COCO (Company owned Company operated) workshop. As a technology leader in this space, the division acquired multiple BSVI OE projects. The division also implemented significant cost reduction projects at its manufacturing locations, which helped the division to retain its margin during these challenging times. During the year, the division developed an aftermarket sales strategy of demand generation through increased focus on workshops and pull for Bosch products & services in the market. The division also played an important role in the industry's transition to BSVI emission norms by facilitating the vehicle manufacturers in smooth execution of all the new emission projects.

#### **Business beyond Mobility:**

The Business beyond mobility sales have declined by 12.3% which was driven predominantly by Power Tool and Bosch Energy & Building Solution Division in domestic market; which contributed to 81.7% of total business beyond mobility during the year under review as compared to 91.3% during the previous Financial Year. However, exports sales of total business beyond mobility decreased by 21.8% as compared to the previous Financial Year.

#### **Consumer Goods - Power Tools**

The Power Tools division supplies power tools,

power-tool accessories, and measuring technology. The division has an extensive product range aimed at professional users in trade and industry, the DIY market and amateur crafters. One of the division's focal points is convenient, high-performance cordless tools, and great engineering progress.

During the year under review, the division's revenue had a decline of 3.9% which is mainly driven by slowdown in economic activities and also onetime order executed in the previous year for Government of Andhra Pradesh for Aadhar Project. The Division aims at reducing the distance to its users and will continue to focus on improving their lives by providing affordable solutions. Its focus on the loyalty program and e-commerce channels for business would also continue to be essential contributors to the overall business growth.

#### **Energy and Building Technology (Building Technology & Bosch Energy & Building Solutions)**

##### *Building Technology and (Security Technology)*

The Building Technology division manufactures innovative products and solutions in the field of security, safety and communications primarily for infrastructure and commercial applications. The product portfolio includes video surveillance, intrusion detection, fire detection and voice evacuation systems as well as access control and management systems. Critical Communication Systems, Professional audio and conference systems for communication of voice, sound and music complete the range. Bosch security division offers wide range of security solutions for every application to minimize risks and maximize security irrespective of the nature of security risk.

The business saw a decline in revenue over the previous year by 7.1%, with the slowdown in the economic activities. However, verticals of Transportation, Government, Energy and Commercial sector contributed for the business growth. Futuristic products like the new Mega-Pixel 4K Cameras with user Interface, IP based Public Audio system, Professional Audio speakers and Amplifiers which were introduced during this period were well received.

##### *Bosch Energy & Building Solutions*

During this year, overall demand for solar PV



Cameras equipped with Bosch's Intelligent Video Analytics have the added capacity compared to Essential Video Analytics

EPC and Energy Efficiency solutions were muted. This has resulted in overall Energy Division's de-growth compared to last financial year. Division will concentrate on the business of energy efficiency projects, with the end objective of enabling its customers in achieving energy cost saving and CO2 footprint reduction. The division continues to focus on sectors like Pharma, FMCG and Healthcare as a strategic measure.

In accordance with the approvals received from the Board of Directors on May 21, 2019 and from the shareholders on August 23, 2019, the Company has executed the Business Transfer Agreement on October 1, 2019 and transferred the business of Packaging under the non-automotive products segment of the Company on a going concern basis by way of slump sale to Robert Bosch Packaging Technology India Private Limited (subsidiary of Robert Bosch Packaging Technology GmbH, Germany). Consequently, profit before tax and profit after tax for the Packaging business have been disclosed separately as discontinued operation under the above results.

### 3.3.2 Revenue by geographical area

Contribution of export sales to the total sales increased to 9.1% for the year under review as compared to 7.7% during the previous Financial Year. The Company's exports, bulk of which were to Germany, China, Turkey, Brazil, Bangladesh and UAE decreased by 3.6% as compared to previous year majorly in Powertrain Solutions, Power Tools and Building Technology.

### 3.4 Financial Performance and Condition

#### Sale of products

Sale of products declined by 23% over previous year on a comparable basis and stood at Mio INR 89,441. The decrease is influenced by the turbulent automotive market, with various structural and cyclical factors driving the industry.

#### Sale of services

Sale of services doubled with 120.6% increase over previous year mainly due to the Recognition of income on R&D contracts relating to BSVI projects completed during the year.

#### Other operating revenue

Other operating revenue stood at 3,270 Mio INR, increased by 54.7% over the previous year. This increase is mainly contributed by Government Grant on the investments in Company's Nashik Plant under Package Scheme of Incentives.

#### Other income

Other income, which mainly comprises of mark-to-market gains, profit on sale of marketable securities and dividend income declined by 31.2% over the previous year. Income from net gain on financial assets measured at Fair Value through Profit and Loss (FVTPL) was Mio INR. 2,054 for the year under review as against Mio INR 3,093 in previous year.

Income from interest on bank and inter-company deposits increased by 18.1% due to incremental investments and shift of investments from low return funds to fixed deposits.

#### Cost of materials consumed

The cost of materials consumed as a percentage of total revenue declined from 55.2% to 53.9% during the year under review. The reduction is contributed through continuing cost reduction measures across the value chain, including with suppliers, freight cost optimization and higher service income.

#### Personnel cost

Personnel cost for the year under review was Mio INR 12,685 as against Mio INR 13,507 of the previous year. The reduction is mainly due to transformation projects and EVR schemes.

The Company continues to focus on restructuring, redeploying and re-skilling its workforce based on its business needs in a fair manner, while sustaining productivity and competence.

#### Depreciation and amortization

The depreciation charge for the year under review was Mio INR 3,833 as against Mio INR 4,022 during the previous year ended on March 31, 2019. This is mainly contributed by reduction in new investments, including R&D assets, partly offset by the depreciation on leased assets, with the change in accounting standard on Leases (Ind AS 116).

**Exceptional item**

During the year, the Company has made a provision of Mio INR. 7,167 towards various restructuring, reskilling, redeployment initiatives and asset impairments. These provisions are in line with the Company's transformation initiatives and to capitalize on opportunities emerging in electro mobility and other mobility solution businesses.

**Provision for Tax**

Tax Expense represents a net charge of Mio INR 1,901 in the year under review, as compared to Mio INR 7,406 in the previous year. The effective tax rate for the year under review was 20.7% as compared to 31.7% in previous year. The Company has adopted the benefit of lower tax rate of 25.2% including surcharge offered in the finance bill for the Financial Year 2019-20. The impact of this on the deferred tax asset is recognized in the P&L as a separate item.

**Profit After Tax (PAT)**

Profit after tax declined by 59.3% to Mio INR 6,498.2 (excluding discontinued operation, the PAT is Mio INR 5,848) in the period under review from Mio INR 15,980 in previous financial year.

**Other Comprehensive Income**

The investment in equity securities is classified as financial assets through other comprehensive income as per the requirements of Ind AS 109. The changes in fair value of equity securities is recognized under other comprehensive income. Accordingly, the impact of Mio INR 1,333 (net of taxes) during the year under review is mainly due to decrease in the fair value of those Investments.

**Earnings per Share (EPS)**

EPS (basic and diluted) of the Company for Financial Year 2019-20 was INR 220 per share as against INR 525 in FY 2018-19.

**Share capital**

As on March 31, 2020, the Authorized Share Capital comprises of 38,051,460 Equity Shares of INR 10 each. The issued, subscribed and paid-up capital is Mio INR 294.94 divided into 29,493,640 equity shares of INR 10 each.

**Reserves & Surplus**

Reserves & Surplus as on March 31, 2020 stood at Mio INR 85,763, which includes retained profits of Mio INR 85,337.

**Other Reserve**

Other Reserve reduced from Mio INR 8,050 to Mio

INR 6,636 mainly due to change in the fair value of equity investments valued in line with Ind AS.

**Shareholders' fund**

The total Shareholders' fund increased to Mio INR 92,694 as on March 31, 2020 from Mio INR 91,262 as on March 31, 2019, contributed from the retained earnings for the year.

**Fixed assets – capital expenditure**

The gross fixed asset value (including Capital Work-In-Progress) as on March 31, 2020 was Mio INR 35,100 compared to Mio INR 33,269 as on March 31, 2019.

The Company made capital investments of Mio INR 3,994 during the year under review in addition to Mio INR 5,975 invested during previous year. Major investments were made towards development of Bidadi Phase II and Adugodi Phase II, Bengaluru in Karnataka.

**Investments**

The total investments (excluding investment in property) as on March 31, 2020 was Mio INR 40,207 as against Mio INR 40,361 as on March 31, 2019.

**Working capital****Inventories**

Inventory as on March 31, 2020 decreased by 22.7% to Mio INR 11,159 from Mio INR 14,443 as on March 31, 2019. This is mainly contributed by the continuous effort by the Company to reduce the slow moving inventory in the value chain and also through practice of lean production systems in its manufacturing locations and supply chain, considering the current slowdown in the market.

**Trade receivables**

Trade receivables as on March 31, 2020 decreased to Mio INR 14,130 as against Mio INR 15,675 as on March 31, 2019 mainly due to reduction in turnover during the last quarter of the year under review. This is supported by improved collections against overdue receivables in retail market customers of other divisions.

**Cash and Bank balances**

The total cash and bank balances as on March 31, 2020 was Mio INR 22,560 (including cash and cash equivalent of Mio INR 2,552), compared to Mio INR 12,527 (including cash and cash equivalent of Mio INR 1,910) as on March 31, 2019.

**Key Ratios:**

Ratio	2019-20	2018-19
Debtor Turnover Ratio (in days)	61	49
Inventory to Sales Turnover Ratio (in days)	52	41
Interest Coverage Ratio (percent) <sup>1</sup>	NA	NA
Current Ratio <sup>2</sup>	1.5	1.6
Debt Equity Ratio (percent) <sup>1</sup>	NA	NA
Operating Profit Margin (percent)	11.2%	14.3%
Net Profit Margin (percent)	6.6%	13.0%
Return On Capital Employed (ROCE) (percent)	11.4%	18.2%
Return On Net Worth (RONW) (percent)	7.7%	15.6%
Working Capital (No. of days)	81	72
No. of Employees (average)	8,986	9,410

<sup>1</sup> The Company does not have any interest bearing debts, borrowings or long term liabilities.

<sup>2</sup> Without current investments

### 3.5 Human Resource Development and Industrial Relations

#### Human Resource Development

During the year under review, Human Resources (HR) continued its transformation initiatives, in a volatile and uncertain business environment, to cater to the organizational requirements. Initiatives like PARINATI & 3R (Restructure, Reskill, Redeploy), in a SCRUMM approach has supported us in having a continuous focus on the transformation journey at Bosch Limited.

In collaboration, we are working on enhancing the employee experience through our EX initiative, which is aimed at retaining and harnessing talent while we are on the journey of transformation.

The Company continued its efforts to foster and drive younger generation towards future leadership, through participations at the National Competition for Young Managers 2019 conducted by the All India Management Association. The Company, through its Integrated Talent Management initiatives, continued to enable learning, networking and collaboration by emphasizing on cross entity movement between different Bosch legal entities enabling holistic development and encouraging integration across different entities/locations.

#### Industrial Relations (Employee Relations)

Industrial Relations in all plants generally remained cordial during the year under review. Transition journey from 'Industrial Relations' to 'Employee Relations' continued with a more focused approach on increased Employee Engagement and increased collaboration between various plants, corporate departments and amongst all level of employees.

The Long Term Wage Settlement for the manufacturing facility at Bengaluru (Bidadi) was concluded with a bipartite settlement on June 17, 2019. The long pending settlement was closed after long-drawn negotiations of 29 months with many positive changes in productivity and cost ensuring that the facility remains "Fit for Future".

It is also noteworthy to mention that 2018-19, approximately 2000 unionized associates and 500 Management Staff were shifted from 60+ year old manufacturing facility in the heart of Bengaluru to a new one at Bidadi peacefully in a benchmark time. The workmen showed great maturity and collaboration in relocating to the new location. The shifting of plant personnel and assets was carried out without any problem in customer order fulfillment.

As on the date of this report, negotiations over the long-term settlements at the manufacturing facilities situated at Nashik and Naganathapura are ongoing. The Company continues to deal with the said matters in a fair and firm manner in a journey towards "Fit for Future".

A number of restructuring initiatives have been announced company-wide in 2019. As the automotive market slowdown continues, the Company will have to make correct decisions to ensure the business is sustainable in the long-term. One of those is rightsizing the Company which is the absolute need of the hour. A total of around 350 blue-collar associates have availed the attractive early voluntary retirement scheme in FY 2019-20.

The year saw increased connect with Government and statutory bodies, structured engagement calendar, stringent compliance monitoring through self-audits and cross audits, etc. to strengthen Employee Relations.

The Company received appreciations from various stakeholders for its excellent practices and approach in the domain of Employee relations focusing on engagement and trust building.

#### 3.6 Internal Audit and Internal Financial Controls

The Company has an Internal Audit function. The Internal Audit department provides an appropriate level of assurance on the design and effectiveness of internal controls, its compliance with operating systems and policies of the Company at all locations. Based on the internal audit report, process owners undertake corrective actions in their respective areas and thereby strengthen the controls. Significant audit observations and corrective measures thereon are presented to the Audit Committee.

The Company has an effective and reliable internal financial control system commensurate with the nature of its business, size and complexity of its operations. The internal financial control system provides for well-documented policies and procedures that are aligned with Bosch global standards and processes, adhere to local statutory requirements for orderly and

efficient conduct of business, safeguarding of assets, detection and prevention of frauds and errors, adequacy and completeness of accounting records and timely preparation of reliable financial information. This also identifies opportunities for improvement and ensures that good practices are imbibed in the processes that develop and strengthen the internal financial control system and enhances the reliability of the Company's financial statements.

The Audit Committee reviews the internal audit plan, adequacy and effectiveness of the internal control system, significant audit observations and monitors the sustainability of remedial measures. It also reviews functioning of the Whistle Blower mechanism and reviews the action taken on the cases reported.

The efficacy of the internal checks and control systems is validated by self-audits and verified by internal as well as statutory auditors.

### 3.7 Opportunities and Threats

The world remains in the grip of COVID-19, but this will not last forever. At some point in the not too distant future, the fear of this pandemic will most probably dissipate through some combination of effective treatments, vaccines and herd immunity. But like past infectious diseases that remain present today, the ingenuity of humankind has successfully contained them and learned how to live with them. On one hand, COVID-19 has been an extraordinary economic shock. It has been so abrupt, many economies shrank by an annualized 25-40% in a single quarter. It has caused the deepest global recession in peacetime since the Great Depression, even with unprecedented macroeconomic policy support, and it has had profound reach: the World Bank forecasts that GDP per capita will fall in over 90% of countries in the world, the highest share in 150 years. COVID-19 is sure to leave long-lasting scars through multiple channels, including through unemployment, bankruptcies and debt. On the other hand, COVID-19 presents a once-in-a-lifetime opportunity for change. The Indian automotive market was already in a slowdown since last quarter of 2018. This resultant high inventory at the OEMs and dealers was liquidated over almost 1.5 years.

After this long slowdown, it is an opportunity for the Company to transform itself in its ways of working and diversify itself in areas of growth. Digital technologies will play an important part and adoption will be fast tracked in every sphere of work. Government too will push for the fast adoption of technology in India to capitalize of opportunities emerging in the new world order. Company's mobility division will gain in this aspect from bringing newer technologies including electrification and digital services.

Upgradation of infrastructure and e-commerce will play a big role too post COVID-19. Building and workplaces need to become smarter. Security and analytics on top

of existing products will play an important role. This will bring opportunity for the Company's Beyond Mobility divisions dealing in domains like Building Technology and Consumer Goods (Power Tools).

From the various pronouncements of the government and its agencies, it is clear that reducing the oil bill is of paramount importance and thus electrification in mobility is the way forward. While we have worked closely with OEMs in various concurrent projects to deliver the BSVI mandate, electrification also opens up new opportunities and challenges in the mobility space. FAME II (Faster Adoption for Manufacturing of Electric and Hybrid Vehicles) has been announced providing incentives for all EVs and promoting EV infrastructure. These steps clearly show the impetus given to create a demand for EVs in the country.

Two and three-wheelers, will be the early adopters of electrification. This will gradually move towards fleet passenger cars, but the Internal Combustion Engine (ICE) will continue to be the dominant technology in the remaining segments. Bosch with its focus on environment, continues research and improvements in conventional ICE technology and applications and has been able to achieve even lower emissions than what is mandated. Other key areas of focus emerging is around Asset Utilization and use of Analytics in Mobility. To cater to these new age businesses we have created agile project houses, both on Electrification and Mobility Services to understand the local requirements and use the global expertise to provide localized solutions for the Indian market. These project houses being a step towards future-proofing of the Company will need time to translate to mature businesses.

### 3.8 Risks and Concerns

The Company follows a specific, well-defined risk management process which is integrated with its operations, for identification, categorization and prioritization of operational, financial and strategic business risks. Across the organization, there are teams responsible for the previously mentioned processes who report to the Senior Management.

The Risk Management Committee headed by Mr. Soumitra Bhattacharya, Managing Director, reviews the effectiveness of the process at regular intervals.

Following are the major risks and mitigation measures:

- 1. Economy/Industry:** The automotive industry is going through turbulent times, not seen in the recent past. To add to the worries of general economic slowdown, lower demand, tight liquidity crunch, the impact of COVID-19 pandemic, completely took everyone off-guard. Even though most of these are likely to be temporary, considering the widespread impact of the nation-wide lockdown, economic revival is expected to be prolonged and coming back to normalcy will take time. It may be even longer in automotive sector. This will have a deep impact on

the financial performance of the Company.

## 2. Disruptive norms:

Automotive industry is in the midst of changes like BSVI and Electrification. These are considered by the Company as one of the major risks.

(a) Shift to BSVI: The jump from BSIV to BSVI in a short span of about 3 years, the pace of change and the short duration for preparedness are challenging. Shift to BSVI products, which are largely based on imports, in the initial years, and have low replacement requirements in the Aftermarket, may have an adverse financial impact on the Company. The Company has rolled out products in line with major OEM's requirement. Even though the products are successfully launched, the picking up of demand is a major concern.

(b) Electrification: There has been a lot of discussion on electrification by various stakeholders including the Government, OEMs and auto component manufacturers. The technological dominance, which the Company currently has in the auto component industry, might not be available once electrification has its way into the industry. However, the Company, being a global end-to-end solution provider, has its own advantage and is working closely with some of the top customers in the industry.

3. **Competition:** The Company operates in a highly competitive environment due to which there are risks of pressure on pricing, loss of market share due to de-risking from some customers, judicial changes and increased import content. Spurious parts and cheap imitations continue to put pressure on existing market share, primarily for Automotive Aftermarket and Power Tools divisions.

The Company, as a strategy, localizes products over a period resulting in reduction of price of the products and consequent increase in the market share. Respective business unit teams undertake a comprehensive competitor analysis periodically to evaluate competitors' strategies vis-à-vis, our own products and services and define our counter strategic and marketing plans.

4. **Industrial Relations (IR):** IR-related risks continue on account of surplus capacity at the Company's Powertrain systems plants and high lead time for wage settlement. These include possible risks arising from stoppage of production and/or leading to unpredictable cost structure and/or possible lay-off.

The Company adopts more focused continuous action plan for wage settlement, offers attractive voluntary retirement schemes, Firm and Fair approach for settlement with contract labour and implement "selected" industry best practices. As continued process in building capability initiative, special trainings were conducted on Employee

Relations and adding value to Front line leadership development in the plant.

5. **Heavily auto sector dependent:** About 85 percent of the business is dependent on the auto sector. Performance of the Company, therefore, is dependent on this sector's growth.

## 3.9 Outlook

Automobile industry which was reeling under pressure in 2019 has been deeply impacted by COVID-19. Vehicle production was down by 17% in FY 2019-20 and COVID-19 impact is projected to push back the auto industry to 2008 - 2010 levels. Rural is expected to lead the demand recovery driven by better MSPs for the upcoming kharif harvest, increased MNREGA spends in allied business activities and as most of the COVID-19 impact till date has been largely in urban areas. Hence tractors and two wheelers are expected lead the demand recovery. PV segment is deeply impacted considering the discretionary nature of consumption and recovery will largely be expected to benefit from shift in preference towards personal over public mobility. CV segment which experienced the maximum contraction in 2019 is expected to be under significant pressure driven by fall in industrial activity. This segment will benefit if government introduces the scrappage policy. Thus FY 2020-21 is expected to be one of most challenging years for the industry.

## 4. Manufacturing Facilities

### 4.1 Bidadi (Karnataka)

It was the biggest relocation of manufacturing facility in the Bosch world which created this youngest manufacturing Plant in India. Inaugurated by Dr. Volkmar Denner, Chairman, Robert Bosch GmbH in 2019, Bidadi is a strategic Plant for Powertrain Solutions business with a heady mix of BSIV and BSVI diesel products. Products manufactured at Bidadi Plant include Multi-Cylinder pump, Single Cylinder pump, Common rail pumps of various varieties, Common rail and the latest addition to our product family, CBx pumps.

The Plant is continuously improving its operational excellence through structured implementation of Bosch Production System (BPS) productivity improvement measures and focus on low cost automations. In order to improve efficiency of indirect areas, the Plant implemented LEAN in several areas and focused on fixed costs. Through such measures, we are able to restructure our machinery and equipment and improve our cost competitiveness.

In order to give a higher fillip to transformation, the Plant has rolled a new Vision-2021 "We LEAD". Enabled by this vision, the Plant is aggressively pursuing new products and Digital Transformation. Due to a strong penchant for operational excellence and customer focus, the Plant is working on attracting new business even beyond the diesel products.

Digital Transformation is a strategic focus area and

the Plant is moving towards becoming a Centre of Competence for Industry 4.0 amongst all the Plants in India. Bidadi has partnered with Robert Bosch Engineering & Business Solutions Private Limited to drive Industry 4.0 projects.

The Plant is extensively using Collaborative Robots (Cobots) in several of our products towards improving its operational excellence. Owing to such efforts, Bidadi conducted the prestigious "World Industry 4.0 Conference" which attracted participants from across Bosch worldwide and India.

As a socially responsible citizen, the Plant will be Carbon Neutral in 2020 as a result of energy conservation measures and effectively using the energy from the own Solar Park. As a special gesture during the recent COVID-19 pandemic, we distributed more than 75,000 meals to the needy.

We have continuously worked on customer issues through our focus on Shainin Projects and customer response. Such efforts have led to good appreciation from our customers in the form of various awards including those from Ashok Leyland and ISUZU.

Looking into the future, the Plant is growing steadily by attracting new products even as we are steadfastly working on creating a great place to work for all our present and future employees.

#### **4.2 Nashik (Maharashtra)**

Nashik Plant manufactures Common Rail Injectors (CRI) and components including nozzles for both common rail and conventional diesel injectors. During the year under review, the Plant diversified its product lineup from passenger cars until off high way applications. A new generation CR1-18 was launched successfully, equipping the Plant with BSVI compliant products. In addition, the Plant is also certified IATF: 16949.

The Plant continued its endeavor to use renewable source of energy and green initiatives. The Plant has an overall capacity of 13.6 MWp of solar energy generation. The plant is the first Bosch Plant in India and fifth worldwide to receive ISO 50001:2001 certification for Energy Management. Globally in the Bosch Group, Nashik Plant was awarded the best in "Energy Efficiency & Environment Category".

The Plant has been focusing on behavior-based safety, reduction of first aid cases and capturing & working on near miss incidents digitally. It was awarded by "Energy and Environment Foundation Global Safety Awards 2019". The Plant was also awarded by many OEMs for the quality standards like AL, VECV etc.

#### **4.3 Jaipur (Rajasthan)**

The Jaipur Plant produces Distributor (VE) Mechanical and Electronic Diesel Control Pumps and Conventional Injectors (NHA) used in Light and Heavy Commercial Vehicles, Sports and Multi-Utility Vehicles, tractors and off-highway applications. Jaipur Plant celebrated the

production of 10th million NHA in 2019 after successful relocation of NHA production from Nashik Plant in 2017.

The Plant took various initiatives in the field of Water Conservation which were appreciated by IGBC (Indian Green Building Council), which is an integral part of Confederation of India Industry (CII) and hence the Plant was presented 1st Water Conservation award 2019. The Plant has also secured 3rd position in "Bosch EHS award 2019" announced by Bosch Corporate Safety under the category of "Resource Efficiency" for taking water conservation initiatives.

Jaipur Plant is always known for employee involvement in improvement activities and has secured 1st position in "Suggestion per Employee" and "Employee Involvement" across all Bosch Powertrain Solutions plants worldwide. Jaipur Plant was also rated highest across all Bosch Plants in India for the Trust Index survey which is one of the key indicators of "Great Place to Work" initiative.

Jaipur Plant is always committed towards "Zero Accident" approach and has won the "Rajasthan State factory Safety award-2019" under the category of Best Industry of Rajasthan in Engineering.

#### **4.4 Naganathapura (Karnataka)**

The Naganathapura Plant produces Spark Plugs, a product produced by the Bosch group for over a century. The Plant won the CII EHS Excellence award in 2019 for the Southern region. The Plant became a zero liquid discharge plant with installation of an evaporator along with a boiler in 2019 and thereby exceeds the requirements specified the Karnataka State Pollution Control Board and has become a benchmark for the same. Focusing on improving cost competitiveness, productivity improvement projects were implemented in addition to safety and quality improvement programs.

#### **4.5 Gangaikondan (Tamil Nadu)**

Gangaikondan Plant in Tamil Nadu is a proven strategic low cost location in Asia and has made its presence felt with the competitive labor cost and quality levels, that meet IPN standards. The Plant continues to have product portfolio which comprises of mainly gasoline power train sensors, Fuel Supply modules and air management products. Business Units like Sensor Division (SD) and Air Management (AM) are further trying to enhance in-house manufacturing by way of relocation of lines from other overseas locations to support the "Local for Local" strategy.

The Plant has been recognized for its Manufacturing Excellence, by Frost & Sullivan India Manufacturing Excellence Award (IMEA) under "Gold Category" during 2018. Also, the Plant has won the "Best New Comer" award in 2019 for its Lean Manufacturing Practices among Bosch India Locations.

#### **4.6 Chennai (Tamil Nadu)**

The Power Tools facility admeasuring approximately

8,500 sq. meters is located at Indospace Industrial Park, Orgadam, Tamil Nadu. At present, the facility caters mainly to the Indian and SAARC markets. It primarily manufactures Small Angle grinders, Large Angle grinders, Marble cutters, Blowers, Drills and two-kg Hammers, along with their motors. The Plant produces Blowers for the entire global market.

The main highlight of the Plant is that 100% of associates on the Assembly lines at the shop floor are women. The Plant celebrated production of 5 Millionth Power Tool in December 2019.

The Plant is certified for ISO14001:2015 and OHSAS 18001:2007. Fifty percent of consumption in 2019 was green energy.

The Plant was accredited with Power Tools Plant excellence award for three consecutive year since 2016 and awarded 2nd Best Plant during 2019 within Power Tools international network. Also, the Plant has been accredited with the best improving Plant twice within the Power Tools world.

## 5. Information Technology (IT)

Lean IT Organization is implemented for quick response to address business IT needs towards improvement of efficiency and productivity of the Company. The Company drives implementation of IT solutions and cost control to enhance the competitive edge of the plants.

The Company is moving towards digitalized solutions in manufacturing by connecting machines and implementing innovative I4.0 solutions to enhance visualization, transparency, quick response for process deviation and course correction. These solutions, in the long run, ensure automation and improvement of productivity.

In line with worldwide movement of Digitalization of supply chains, the Company has started various initiatives like digital tracking of consignments from the time it leaves the source to the time it reaches the customer destination.

Pilot Initiatives on decision-support tools like Digital Control Tower to bring in visibility of live data of various logistics stages of material and information movement to ensure shift from function-driven KPIs to business-driven KPIs.

The overall IT cost is optimized with various initiatives like leased assets for laptops & desktops, effective printer management, elimination of local reporting system by aligning to central system, user license reduction, etc.

Process harmonization is performed on the ERP systems by identifying gaps and standardizing as per Bosch Mobility benchmark to enhance process maturity and reduce support costs.

Video conferencing facility is established at 21 key locations in the Company thus reducing travel related expenses and saving time. It will cover all major locations and help our business for all face-to-face communications via video conferencing.

Strengthening of IT Security by deploying firewalls, redundancy, upgradation of networks, operating systems, effective access management and awareness building by conducting campaigns across locations are also some of the measures taken by the Company.

## 6. Change Initiatives

### 6.1 Continuous Improvement Process (CIP)

Continued guidance from Senior Leadership in 2019 to strengthen CIP culture has significantly improved CIP events (up ~8%) and number of suggestions per employee (up ~30%). Higher focus on improvements has made it possible to successfully launch a special drive to realize cost saving improvements with ambitious target. Digitization of CIP related practices like Suggestions/Ideas Management Scheme, 5S practices started gaining importance.

For 2020, emphasis is being given to strengthen CIP Network through info sharing sessions and intranet communication for further strengthening CIP culture in the organization. Idea Management is being promoted to encourage more number of ideas from employees not only to bring down cost but also to improve business opportunities.

### 6.2 Bosch Production System (BPS)

To increase speed in execution of business projects through System CIP approach, Speed Week has been rolled out in Bidadi Plant in March 2019. The feature of this initiative is that the project deliverables are to be achieved within five days. To reduce inventories and lead time, projects are taken with a focus to improve OEE of machines, quick change over time between variants and shorten material flow. Similarly, many plants have rolled out these initiatives in addition to swift approach and speed jishuken. This has been a key enabler in achieving our business targets.

Qualification with future focus - BPS Boot camp for Assessors: This was conducted with BPS Coach from Germany in May 2019 to qualify the assessors in India. More than 15 participants from Bosch Plants in India got benefitted from this session. The highlight is that simple HandsOn Lean games, Lean riddles and also assessment at the shop floor enabled the participants to get more insights on BPS topics. These participants can lead BPS initiatives in their Plants and also assess the Plants by asking the right questions, thereby bringing in the "Culture of Continuous improvement" among associates.

Collaborative working: To negate the myth that BPS is for manufacturing only, a two day HandsOn workshop

was organized for sales and logistics colleagues to bring in collaboration and synergy in entire value stream. This has helped to understand each other on the business challenges and work more swiftly on information flow and providing need based inputs at the right time.

**BPS Day 2019:** This event was organized across Bosch Plants where they can exhibit their BPS approach to achieve business objectives. In this competition, all Bosch Plants participated in different categories of BPS elements and the best Plant was awarded. This was arranged through video conference to keep travel costs down to zero. The main theme was to “Learn from each other the best practice” and execute these best practices in their Plants within a short time.

**National Recognition:** Lean competition organized by CII was held at National level. Two of our teams from Bidadi Plant showcased our Lean initiatives journey and achieving results in two different categories. One team won first position and the other second position in their respective categories.

**International Recognition - BPS Day at Germany:** This was a worldwide event organized in Germany. For the first time, 7 Plants from India were selected and moved to the final league.

### 6.3 Carbon neutrality

Bosch adopted an ambitious CO2 strategy to become climate neutral worldwide as of beginning of 2020. To align with this strategy, Bosch India is working through four levers of carbon neutrality - energy efficiency, new clean power, green electricity and carbon offsets. Through energy efficiency projects year on year, there is a reduction of 2% of energy requirement. Bosch India has installed cumulative capacity of 27 MW Solar photo voltaic power plants across different locations.

Bosch India is carbon neutral from the beginning of 2020 with 41% contributed through green electricity and new clean power. The rest 59% is compensated through measures like carbon credits and international renewable energy certificates. Further, the share of new clean power would go up by 25% in the year 2021 through signing of long term power purchase agreements under “Group Captive” model.

### 6.4 Safety

At Bosch India, health and safety of associates have the highest priority. Bosch takes responsibility of its associates to promote and safeguard their health and working environment. The target is to realize “Zero Accidents”. Bosch India is one among the best regions in terms of safety performance. During the current year, the focus will be on deploying “Safety Basics” phase II and campaign on “Safe Hands”.

Near miss capturing will continue to be the focus

across all locations. During the year 2019, more than 12,200 near misses were captured. More than 6,300 improvement measures were taken up across locations to realize next level of maturity in terms of work safety. Accident rate of 0.14 during the year 2019 is an outcome of systematic approach at all locations.

### 6.5 Quality Management

Keeping in mind the increasing customer expectations year on year, “Zero defect” drive was launched in Bosch India.

Structured quality campaign and active participation by senior leadership brought in a very good focus for quality in Bosch India locations. To strengthen competency and skill, quality academy has been established across various locations at Bosch India.

In 2019, 14Q basics was taken as a drive across Bosch India locations. Majority of the workstations were reviewed and improved. There was a 20% reduction in ‘0’ km customer incidences in 2019. Logistics incidences were reduced to the tune of 45%. Internal defect cost was reduced by 16%.

Bosch India received five customer awards, one Bosch Quality Award for best product launch and one Golden peacock national quality award in 2019.

### 7. Business Excellence

Striving for excellence has been the Company’s strategic focal point. With changing times and increased volatility, the need for Agility, empowerment and a winning spirit is a must. With efficient processes, lean structures, and high productivity we intend to secure and increase the value of the Company. Through business excellence, we are aiming at increasing our overall organizational efficiency to fuel our future growth.

### 8. Awards and Recognition

During the year under review, the Company won several awards for excellence. Few such awards are:

1. CII Industrial Innovation Awards 2019 – Top 25 Innovative Companies
2. Ashok Leyland Supplier SAMRAT Competition at National Level - Nashik Plant
3. Gold Award in “11th Kirloskar Oil Engine Limited SQIC 2019” - Jaipur Plant
4. ‘Outstanding Contribution to Overall Quality Excellence’ from Volvo Eicher Commercial Vehicles Ltd for the year 2018-2019
5. Mahindra – Business Partner of the Year – Farm Division
6. Best Delivery Performance award from Isuzu

India

7. Ashok Leyland – South Zone Supplier Samrat Award, Quality Gold Award for 2-Wheelers and Quality Silver Award for Glow Plugs
8. BML Munjal Award
9. CII - Prize for Leadership in HR Excellence
10. CSR Project of the Year - BRIDGE
11. Quality Award – Best product launch – Motorcycle ABS
12. Golden Peacock National Quality Award

## 9. Directors and Key Managerial Personnel

### 9.1 Directors Retiring by Rotation

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Peter Tyroller (DIN: 06600928) retires by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election at the said Meeting.

Brief profile of Mr. Peter Tyroller forms part of the Notice convening the 68th Annual General Meeting of the Company.

### 9.2 Changes in the Board and Key Managerial Personnel

#### 9.2.1 Board of Directors

Mr. V.K. Viswanathan resigned as Chairman & Non-Executive Director of the Company with effect from August 23, 2019 due to succession planning. The Board places on record its sincere appreciation for the valuable guidance provided by Mr. Viswanathan during his tenure as Chairman & Non-Executive Director of the Company.

The Board of Directors, on recommendation of the Nomination & Remuneration Committee and subject to the approval of the shareholders, appointed Dr. Bernhard Straub as an Additional Director designated as Non-Executive Director & Chairman of the Company with effect from August 24, 2019.

The existing tenure of Mr. Soumitra Bhattacharya as a Managing Director of the Company expires on June 30, 2020. On recommendation of the Nomination & Remuneration Committee, the Board of Directors, at their meeting held on February 05, 2020, re-appointed Mr. Soumitra Bhattacharya as Managing Director for a period of two years with effect from July 01, 2020 till June 30, 2022, subject to the approval of the shareholders.

At their meeting held on November 06, 2019, the Board of Directors re-designated Mr. Jan-Oliver Roehrl as a Joint Managing Director with effect from January 01, 2020 till December 31, 2020.

Mr. S.C. Srinivasan ceased to be an Alternate Director to

Mr. Peter Tyroller with effect from December 31, 2019. On recommendation of the Nomination & Remuneration Committee, the Board of Directors, at their meeting held on November 06, 2019, appointed Mr. Srinivasan as an Additional Director designated as an Executive Director with effect from January 01, 2020 till June 30, 2021 subject to the approval of the shareholders.

The Board of Directors, on recommendation of the Nomination & Remuneration Committee and subject to the approval of the shareholders, appointed Mr. Sandeep Nelamangala as an Alternate Director to Mr. Peter Tyroller designated as a Whole-time Director with effect from January 01, 2020 till December 31, 2022.

The Company has received notices from Members under section 160 of the Companies Act, 2013, proposing candidatures of Dr. Bernhard Straub, Mr. S.C. Srinivasan and Mr. Sandeep Nelamangala for the office of Director(s) of the Company at the forthcoming Annual General Meeting.

In addition to re-appointment of Mr. Peter Tyroller, who retires by rotation, the following resolutions will form part of the Notice convening the 68th Annual General Meeting of the Company:

- i. Appointment of Dr. Bernhard Straub as a Non-Executive Director of the Company with effect from August 24, 2019;
- ii. Re-appointment of Mr. Soumitra Bhattacharya as Managing Director with effect from July 01, 2020;
- iii. Re-designation of Mr. Jan-Oliver Roehrl as a Joint Managing Director with effect from January 01, 2020;
- iv. Appointment of Mr. S.C. Srinivasan as an Executive Director with effect from January 01, 2020; and
- v. Appointment of Mr. Sandeep Nelamangala as an Alternate Director designated as a Whole-time Director with effect from January 01, 2020

Brief profiles of Dr. Bernhard Straub, Mr. Soumitra Bhattacharya, Mr. Jan-Oliver Roehrl, Mr. S.C. Srinivasan and Mr. Sandeep Nelamangala form part of the Notice convening the 68th Annual General Meeting of the Company.

#### 9.2.2 Key Managerial Personnel

As on the date of this report, the following persons have been designated as the Key Managerial Personnel of the Company pursuant to Section 2 (51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- Mr. Soumitra Bhattacharya - Managing Director
- Mr. Jan-Oliver Roehrl - Joint Managing Director

- Mr. S.C. Srinivasan - Executive Director & Chief Financial Officer
- Mr. Sandeep Nelamangala - Alternate Director designated as a Whole-time Director
- Mr. Rajesh Parte - Company Secretary & Compliance Officer

### 9.3 Independent Directors

All the Independent Directors have given a declaration to the Company that they meet the criteria of independence prescribed under section 149 (6) of the Companies Act, 2013 (the Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

The Board is of the opinion that all the Independent Directors meet the criteria regarding integrity, expertise, experience and proficiency.

#### 9.3.1. Familiarization Programme for Independent Directors

For details of programmes of familiarization of the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company and number of hours please refer to the Corporate Governance Report.

### 9.4 Performance Evaluation of Directors

In line with the provisions of the Act and the Listing Regulations, the Nomination & Remuneration Committee and the Board have carried out an annual performance evaluation of its own performance, Committees and individual Directors.

For details of the performance evaluation including evaluation criteria for Independent Directors, please refer to the Corporate Governance Report.

## 10. Board Meetings

During the year under review, six meetings of the Board of Directors were held. The particulars of the meetings and attendance thereat are mentioned in the Corporate Governance Report.

## 11. Corporate Social Responsibility (CSR) Committee and Initiatives

Consequent to changes in the Board of Directors during the year under review, the CSR Committee was re-constituted by inducting Mr. Jan-Oliver Roehrl as a member. As on the date of this report, the CSR Committee comprises of Mr. Bhaskar Bhat (Independent Director) as its Chairman and Ms. Hema Ravichandar (Independent Director), Mr. S.V. Ranganath (Independent Director), Dr. Gopichand Katragadda (Independent Director), Mr. Soumitra Bhattacharya (Managing

Director) & Mr. Jan-Oliver Roehrl (Joint Managing Director) as its members.

The CSR Committee oversees the Company's CSR initiatives.

The Board of Directors have adopted a CSR policy in line with the provisions of the Companies Act, 2013. The CSR policy, *inter-alia*, deals with the objectives of the Company's CSR initiatives, its guiding principles, thrust areas, responsibilities of the CSR Committee, implementation plan and reporting framework.

Some of the key CSR initiatives during the year under review include the following:

New projects:

- ▶ Bosch has developed a model ITI in Public-Private Partnership (PPP) with Government of Karnataka and Government of India. This is operational and other industry partners are being supported to replicate the model.
- ▶ A Model Plumbing Training center has been developed in Pune and has completed its first batch of training high-quality plumbers.
- ▶ Inauguration of the rejuvenated Shanumangala Lake in Bidadi.
- ▶ NGO Capacity Building Workshops were held in Bengaluru and Nashik.
- ▶ Contribution to PM CARES Fund.
- ▶ COVID-19 combating activities and support, especially to migrant workers.

Sustainability and scalability of existing projects:

- ▶ BRIDGE: 30,000 less-educated youth trained and placed through 466 BRIDGE Centers across India (since 2013)
- ▶ 29 RO Plants in Jaipur (since 2009)
- ▶ 17 Check Dams in Nashik (since 2014)
- ▶ Bosch-Akshaya Patra Kitchen now reaches out to more than 25,000 children and serves hot and nutritious meals in and around Jigani and Anekal, Bengaluru
- ▶ Child Health Development Program intervention: supports more than 70,000 children in 300 Government schools around Bosch plants every year

Collaboration and Partnerships:

- ▶ Industry-Academia Collaboration model for Skill Development has been developed by Bosch and is being pilot-tested with few Universities
- ▶ In 2019, Bosch scaled up BRIDGE through

the Government funded schemes/centres, providing value-added support on Training the Trainers and Job Placement Assistance to the skilled youth

During the year, Bosch conducted 1 Batch of 'Train the Trainer' / 'Training of Master Trainer' with Management & Entrepreneurship and Professional Skills Council (MEPSC), under a joint certification agreement. 13 Master Trainers were trained through this program. Besides, 4 batches for 'Office Assistant' were completed with MEPSC joint certification for 57 BRIDGE students at Vishakhapatnam.

Details of the CSR Committee meetings and attendance thereat forms a part of the Corporate Governance Report.

Annual Report on Corporate Social Responsibility Activities of the Company is enclosed as Annexure 'B' to this Report.

## 12. Audit Committee

Consequent to changes in the Board of Directors during the year under review, the Audit Committee was re-constituted by appointing Dr. Bernhard Straub (Non-Executive Director & Chairman of the Board) as a member. As on the date of this report, the Audit Committee comprises of Mr. S.V. Ranganath (Independent Director) as its Chairman and Dr. Bernhard Straub, Mr. Bernhard Steinruecke (Independent Director), Mr. Bhaskar Bhat (Independent Director) & Ms. Hema Ravichandar (Independent Director) as its members.

The Members of the Committee possess Accounting and Financial Management knowledge. The Company Secretary of the Company is the Secretary of the Committee.

During the year under review, the Board accepted all the recommendations of the Audit Committee.

Details of the roles and responsibilities, particulars of meetings and attendance thereat are mentioned in the Corporate Governance Report.

## 13. Subsidiary, Associate and Joint Venture Companies

### 13.1 Subsidiary Company

#### MICO Trading Private Limited (MTPL)

The Company has a subsidiary viz., MICO Trading Private Limited. The financial performance of MTPL is as under:-

[TINR]

Particulars	FY 2019-20	FY 2018-19
Total Revenue	69	67
Profit/(Loss) before tax	(26)	6

Particulars	FY 2019-20	FY 2018-19
Profit/(Loss) after tax	(26)	6

The Directors' Report along with the Audited Statement of Accounts of MTPL have been uploaded on the website of the Company at [www.bosch.in](http://www.bosch.in) under the "Shareholder Information" section.

### 13.2 Associate Company

#### Newtech Filter India Private Limited (NTFI)

The Company has one Associate Company viz., Newtech Filter India Private Limited. The Company holds 25 percent and Robert Bosch Investment Nederland B.V. holds 75 percent of the paid-up share capital of NTFI.

NTFI is the manufacturer of automotive filters, selling their products to the Company, which further sells the same to end customers.

The financial performance of NTFI is as under:

[Mio INR]

Particulars	2019-20	2018-19	% Growth
Turnover	568	673	-19%
Profit/(Loss) before tax	15	16	0%
PBT % on Turnover	3	4	0%

### 13.3 Joint Venture Company

#### PreBo Automotive Private Limited

PreBo Automotive Private Limited (PreBo) was incorporated on May 08, 2019 with its registered office at Bengaluru for the purpose of carrying out the business of manufacturing/assembly and supply of mechanical and electromechanical components and assemblies for automobile and non-automobile industry.

The financial performance of PreBo is as under:

[TINR]

Particulars	FY 2019-20
Total Revenue	51,011
Profit/(Loss) before tax	(19,908)
Profit/(Loss) after tax	(19,908)

A separate statement containing the salient features of the financial statement of the aforementioned Subsidiary, Associate and Joint Venture is enclosed as Annexure 'C' to this Report.

## 14. Remuneration Policy

The Nomination and Remuneration Policy, *inter-alia*, provides for criteria and qualifications for appointment of Director, Key Managerial Personnel and Senior Management, Board diversity, remuneration to Directors, Key Managerial Personnel, etc. The policy can be

accessed at the following link: [https://www.bosch.in/media/our\\_company/shareholder\\_information/2015/nomination\\_and\\_remuneration\\_policy.pdf](https://www.bosch.in/media/our_company/shareholder_information/2015/nomination_and_remuneration_policy.pdf)

### 15. Particulars of Employees

Disclosures pertaining to remuneration of employees and other details, as required under Section 197(12) of the Act and rules framed thereunder is enclosed as Annexure 'D' to this Report.

The information in respect of employees of the Company required pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended will be provided on request. In terms of Section 136 of the Act, the Reports and Accounts are being sent to the Members and others entitled thereto excluding the aforementioned particulars of employees, which is available for inspection by the Members at the Registered Office of the Company during business hours on any working day. Any member desirous of obtaining a copy of the same may write to the Company at [investor@in.bosch.com](mailto:investor@in.bosch.com).

### 16. Corporate Governance

A report on Corporate Governance in terms of the requirements of the Listing Regulations and a certificate from the Practicing Company Secretary, forms part of this Annual Report.

### 17. Risk Management

The Company has a well-defined Risk Management Policy. The Policy has been developed after taking cognizance of the relevant statutory guidelines, Bosch Guidelines on risk management, empirical evidences, stakeholders' feedback, forecast and expert judgment.

The Policy, *inter-alia*, provides for the following:

Risk Management framework;

- (i) In-built pro-active processes within the Risk Management Manual for reporting, evaluating and resolving risks;
- (ii) Identifying and assessing risks associated with various business decisions before they materialize. Take informed decisions at all levels of the organization in line with the Company's risk appetite;
- (iii) Ensuring protection of shareholders' stake by establishing an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting all risks;
- (iv) Strengthening Risk Management through constant learning and improvement;
- (v) Adoption and implementation of risk mitigation measures at every level in order to achieve long-term goals effectively and sustainably;
- (vi) Regularly review Risk Tolerance levels of the

Company as they may vary with change in the Company's strategy; and

- (vii) Ensuring sustainable business growth with stability.

In the opinion of the Board, there are no risks that may threaten the existence of the Company.

### 18. Whistle Blower Policy/Vigil Mechanism

The Company has a Whistle Blower Policy, which includes vigil mechanism for dealing with instances of fraud and mismanagement.

Details of the Whistle Blower Policy have been mentioned in the Corporate Governance Report. The Whistle Blower Policy has also been uploaded on the website of the Company and can be accessed at the following link: [https://www.bosch.in/media/our\\_company/shareholder\\_information/2018/whistle\\_blower\\_policy-3.pdf](https://www.bosch.in/media/our_company/shareholder_information/2018/whistle_blower_policy-3.pdf)

### 19. Business Responsibility Report

In terms of the requirements of Regulation 34 (2) (f) of the Listing Regulations, a report on Business Responsibility in the prescribed format forms a part of this Annual Report.

### 20. Related Party Transactions

The Audit Committee accords omnibus approval for Related Party Transactions which are in ordinary course of business, foreseen, repetitive in nature and satisfy the arm's length principles. The Audit Committee reviews, on a quarterly basis, the details of the Related Party Transactions entered pursuant to the aforementioned omnibus approval. Additionally, the Company obtains a half yearly certificate from a Chartered Accountant in Practice confirming that the related party transactions during the said period were in ordinary course of business, repetitive in nature and satisfy the arm's length principles.

The details of Related Party Transactions under Section 188(1) of the Act required to be disclosed under Form AOC - 2 pursuant to Section 134(3) of the Act is enclosed as Annexure 'E' to this Report.

The Company has framed a Policy for determining materiality of Related Party Transactions and dealing with Related Party Transactions. The said Policy is hosted on the website of the Company and can be accessed at the following link: [https://www.bosch.in/media/our\\_company/shareholder\\_information/2020/related\\_party\\_transaction\\_policy.pdf](https://www.bosch.in/media/our_company/shareholder_information/2020/related_party_transaction_policy.pdf)

### 21. Energy Conservation, Technology Absorption, Foreign Exchange Earnings & Outgo

The report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134 of the Act read with Rule 8 of Companies (Accounts) Rules, 2014, is enclosed as Annexure 'F' to this Report.

## 22. Auditors

### 22.1 Statutory Auditor

The shareholders at the 65th Annual General Meeting of the Company held on September 01, 2017 appointed M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018) as Statutory Auditors of the Company for a period of 5 years until the conclusion of the 70th Annual General Meeting.

The Auditors' Report on the Standalone as well as Consolidated Financial Statements for the Financial Year 2019-20 is unmodified i.e. it does not contain any qualification, reservation or adverse remark.

### 22.2 Cost Audit & Cost Auditors

The Board of Directors, on recommendation of the Audit Committee, appointed M/s. Rao, Murthy & Associates, Cost Accountants, Bengaluru (Registration No.000065) as Cost Auditors to audit the cost accounts of the Company for the Financial Year 2020-21 in terms of the provisions of Section 148 of the Companies Act, 2013.

The Audit Committee has also received a Certificate from the Cost Auditors certifying their independence and arm's length relationship with the Company.

In terms of the requirements of the said section, the members are required to ratify remuneration payable to the Cost Auditors. Accordingly, resolution ratifying the remuneration payable to M/s. Rao, Murthy & Associates will form a part of the Notice convening the 68th Annual General Meeting.

As per Section 148 (1) of the Companies Act, 2013, the Company is required to maintain Cost Records. Accordingly, Cost Records and Cost Accounts are duly maintained by the Company.

### 22.3 Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Sachin Bhagwat, Practising Company Secretary (Certificate of Practice No. 6029) to undertake Secretarial Audit of the Company for the Financial Year 2019-20. The Report of the Secretarial Auditor is enclosed as Annexure 'G' to this Report.

The Secretarial Auditor was informed that during the FY 2019-20 trading in 2 (two) equity shares of the Company by a designated person during the window closure period from April 03, 2019 to May 23, 2019, is yet to be reported to the Securities and Exchange Board of India as mandated by the Company's Code of Conduct to regulate, monitor and report trading by insiders.

The aforesaid violation was informed to the Audit Committee and the Board at their meetings held on May 21 and 22, 2020 respectively and shall also be informed

to Securities and Exchange Board of India.

### 22.4 Reporting of Fraud

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditor have not reported any instances of fraud committed in the Company by its Officers or Employees to the Audit Committee under Section 143 (12) of the Act, details of which needs to be mentioned in this Report.

## 23. Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors report that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected and consistently applied accounting policies and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit of the Company for that period;
- (iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a 'going concern' basis;
- (v) proper internal financial controls are in place and that such controls are adequate and are operating effectively; and
- (vi) proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

## 24. Details of Loans, Guarantees or Investments

Particulars of loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security are provided in Note Nos. 6 & 7 to the Financial Statements.

The particulars of loans/advances, etc., required to be disclosed in the Annual Accounts of the Company pursuant to Para A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are furnished separately.

## 25. Deposits

During the year under review, there were no deposits

accepted by the Company as per the provisions of Companies Act, 2013.

### 26. Material Changes and Commitments

There were no material changes and commitments between the end of the year under review and the date of this report affecting the financial position of the Company.

### 27. Extract of Annual Return

The Extract of Annual Return as provided under Section 92(3) of the Act and as prescribed in Form MGT-9 under the Companies (Management and Administration) Rules, 2014 is enclosed as Annexure 'H' to this Report. In terms of the requirements of Section 134(3)(a) of the Act, the complete Annual Return is available on the Company's website: [www.bosch.in](http://www.bosch.in)

### 28. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The information as regards the number of cases filed and their disposal under this Act is given in the Business Responsibility Report.

### 29. Secretarial Standards

The applicable Secretarial Standards i.e. SS – 1 and SS – 2, relating to "Meeting of the Board of Directors" and "General Meetings", respectively, have been duly complied by the Company.

### 30. Cautionary Statement

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objective, expectations or forecasts may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement.

### 32. General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- i. Issue of Equity Shares with differential rights as to Dividend, voting or otherwise.
- ii. Issue of Shares (including Sweat Equity Shares) to employees of the Company under any scheme.
- iii. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- iv. Voting rights which are not directly exercised by the employees in respect of Shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67 (3) (c) of the Act).

### 33. Acknowledgements

The Directors express their gratitude to the various Central and State Government Departments for their continued cooperation extended to the Company. The Directors also thank all customers, dealers, suppliers, banks, members, and business partners for the excellent support received from them. The Directors would also like to acknowledge the exceptional contribution and commitment of the employees of the Company during the year under review.

For and on behalf of the Board of Directors

Soumitra Bhattacharya  
DIN: 02783243  
Managing Director

Jan-Oliver Röhrli  
DIN: 07706011  
Joint Managing Director

Date: May 22, 2020  
Place: Bengaluru