

Bosch india



**ASSIGN  
BUSTER**

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Bosch is a leading supplier of technology and services in the areas of automotive and industrial technology, consumer goods and building technology in India. The Bosch Group operates in India through six companies, viz, Bosch Limited, Bosch Chassis Systems India Limited, Bosch Rexroth India Limited, Robert Bosch Engineering and Business Solutions Limited, Bosch Automotive Electronics India Pvt Ltd, Bosch Electrical Drives India Pvt Ltd.

In India, Bosch set up its manufacturing operation in 1953, which has grown over the years to include 13 manufacturing sites and seven development and application centres. The Bosch Group in India employs over 25, 000 associates. In India, it generated consolidated revenue of over Rs. 11, 300 crores in 2011. Bosch Limited is the flagship company of the Bosch Group in India. It earned revenue of over Rs. 8000 crores in 2011. The business sectors of Bosch include Automotive technology, Industrial technology, Consumer Goods and Building Technology, and Engineering and IT services.

Vision: Creating Value, Sharing Values. Mission: To improve the quality of life with Bosch products and enabling customers by maximizing value as an offshore partner in technology and business solutions.

ENVIRONMENT SCANNING Competitive structure of industry The Auto Components sector in India registered a strong growth rate of 36. 3% as compared to 30. 6% growth rate in FY'2010. The revenue growth in the domestic automotive component market can be attributed to the reduction in excise duties on certain vehicles and the grant of 100% foreign investment in the component sector.

However, poor market sentiments, increased food & fuel prices and interest rates took their toll, what with the sale of passenger cars in October 2011 falling to the lowest in two years forcing the industry to slash forward looking forecasts. The widening price differential between petrol and diesel has further favoured the demand for diesel cars. This notwithstanding, OEMs continued to launch new models in all market segments especially passenger cars.

Overall, the automotive sector was able to sustain double digit growth aided by a solid performance in the first half of the year 2011 and partially aided by stable rural demand. Factors affecting the Industry: Economic: \* The auto ancillary industry has been one of the fastest growing sectors in the Indian economy. It has a CAGR of 24% over the last 5 years. It had a sale of Rs 1600 billion in the year 2010-11. \* Capacity utilisation rates of the auto ancillary sector as a whole decreased significantly in light of reduced exports and slowdown in the domestic markets. The industry players had to grapple with the issues of extreme volatility in rupee and input cost and as a consequence, tremendous pressure was witnessed on margins. \* In terms of international trade, the auto components industry grew rapidly in both exports and imports over last 5 years. Political: \* The government has taken many initiatives to promote foreign direct investment (FDI) in the industry. \* Automatic approval for foreign equity investment upto 100% of manufacture of automobiles and components is permitted. \* The automobile industry has been de-licensed. There are no restraints on import of components. \* To identify the necessary activities, the DHI (Development of Heavy Industries) has setup the Development Council for Automotive and Allied Industries

(DCAAI) \* The Governments infrastructure initiatives such as the Golden Quadrilateral project and NHDP (National Highway Development Program) also have an indirect favorable effect on the industry. Technological: The auto components industry is a very technology-intensive industry. Historically, India's strength in exports has lied in forgings, castings and plastics.

But this is changing with more component manufactures investing in up gradation of technology in recent years. The organised sector has increased focus on quality and has been recommended setting up of an auto design centre at National Institute of Design (NID), Ahmadabad. The DHI has recommended the creation of a Rs 1000 crore modernization/automotive development. ACMA has also spoken about a similar fund. Social: Social environment is intrinsically linked with automobile sector and has changed the demand to the tune of preferences of customers in major way. 1.

Business is booming as the Indian middle class is increasing its consumption. 2. The increased focus on environment sector has also resulted in companies researching in developing parts to use energy efficiently and reduce carbon emissions. 3. Also more and more companies are getting ISO 14001 certification (Environment Management System). 4. Entry of global players has also necessitated a change in the organisationculture. Competitive position of Bosch India Core Competencies: Bosch core competency revolves around developing high class innovative products and achieving costleadership.

For that it invests heavily in R& D and focus on a lean efficient system in highly competitive environment of auto component sector. With investments

in R& D, Bosch is able to focus more on cleaner and economical product. Also with economies of scale and skilled, educated workforce of India, it is able to reduce cost.

1. High Market Share: With a market share of almost 95%, it has a virtual monopoly in the Diesel Fuel Injection Equipment.
2. Technological competencies:
  - a. Manufactures modern gasoline and diesel engine systems of high quality, cleaner and economical. . Diesel Fuel Injection Equipment (FIE) has been the core business of Bosch Ltd. , right from its inception in 1951.
  - c. Today MICO (Motor Industries Co. Ltd. , a Bosch company) continues to be a supplier of FIE to a majority of Original Equipment Manufacturers (OEMs) with a market share of over 81%.
  - d. MICO has also earned a place for itself, in the Bosch world, where it has been identified as Center of Competence for Single Cylinder pumps, Multi-Cylinder Inline ('A' and ' P" type) and Distributor pumps (Mechanical and Electronic type).
- 3.

Alternative Energy: MICO Bosch is moving towards energies such as electricity while also improving existing power train technologies, including diesel systems, gasoline direct injection and hybrids to reduce the energy from conventional resources. It has also taken up bio diesel and CNG technologies to address energy challenges.

4. Service: In India 50 per cent of Bosch's current business is accounted for by the diesel segment. Bosch positions itself as a one-stop shop for sales and service and to make available the entire range of products to those who come for service.

Bosch is expanding the product range in this business by bringing some of its global technology products into India. It is also planning to manufacture some of these products in India. A CORE COMPETENCY CENTRE has been

created in the country to manufacture these equipments in the MICO production complex. 5. Quality: MICO Bosch has ISO Certified Quality Management System. Certified Locations are MICO, Incorporated; MICO Europe Ltd. and MICO Mexico. Sources of Competitive Advantage: 1. The company is highly centralised by the headquarters in Germany. The headquarters keeps things firmly under control.

Strategic departments such as Research and Development, Corporate Identity, Production, Purchase and External affairs are based in Stuttgart and dictated to the worldwide subsidiaries. Decentralised are only operational departments like Personnel, Sales or Accounting. Furthermore, decisions given to responsibility of subsidiaries are mostly of operative quality only. 2. Based on the business strategy that complies with the value chain and support activities, the company holds the competitive advantage of selling products at a price radically less than the offer of its competitors. . Global R& D hub: Over the years, focus on producing innovative products with continued R& D has led to many firsts like ABS, EPS, PAS , FIE etc and thus has provided competitive edge in industry. 4. Large Contact Base: MICO has a large supplier and customer base and maintains a long term relationship with them. VRIN Analysis of Strategic capabilities: Bosch capabilities satisfy the following 4 conditions - 1. Valuable - Bosch's capability to manufacture high quality diesel and gasoline systems provide cleaner and economical alternatives, thus adding value for the customer. . Rare - Bosch has pioneered the R& D in these technologies, and remains highly innovative to differentiate its products. Most component manufacturers fall into Tier III and Tier IV. Bosch is one of the rare Tier I manufacturers. 3. Costly to Imitate -

Bosch also has been building these capabilities over many years. Huge R& D investments prohibit others to imitate Bosch's Technology. 4. Non-substitutable - In this technology-intensive industry, having high quality and efficient products is the only way to gain competitive advantage.

#### Opportunities and Threats

Based on the above analysis of the external and competitive environment, we can identify the opportunities and threats as follows. Opportunities 1. Domestic Investments and Growth a. The size of the Indian automotive industry is expected to grow at 13 per cent per annum to reach around US\$ 130 billion to US\$ 150 billion by 2016. b. The demand growth at 14% CAGR makes India one of the fastest growing markets. c. Though India's auto component industry has conventionally relied on exports for its profits, the domestic market itself is ripe with rapidly growing opportunities. . Industry experts are hopeful that the country will be able to offset China and other Southeast Asian countries' traditional manufacturing advantage in the coming years, facilitating the industry's achievement of its targeted market value of US\$ 40 billion by 2014. e. During the quarter ended June 2009, all costs as a percentage of sales have seen a decline except for power, oil and fuel costs. Raw material costs have contributed the maximum to improvement in margins as these costs have come down from 63.3 per cent in March 2008 to 57 per cent in June 2009. . The relaxation of FDI norms for the small-scale sector could emerge as one of the key growth drivers in the long run. g. With investments around US\$ 15 billion slated for the sector over the next few years, the prospects for India's auto market look very bright indeed. 2. Huge Labour Force a. With 400,000 engineering graduates every

year, out of which 7 million enter the workforce, there is a huge supply of labour force. b. Skilled labour costs in India are also among the lowest in the world. 3. Linked to Automobile Sector

The opportunities for the industry are also tied to the fortunes of the automobile industry. As the Porter's Five Forces Analysis showed above, auto manufacturers hold the greatest influence. a. The automobile sector is cyclical and dependent on the growth of the economy and improvement in infrastructure. Factors like increased public spending, favorable interest rates and general improvement in per capita income point towards higher demand for automobiles in the future. b. There has been a conscious effort by auto manufacturers to improve productivity of their suppliers (i. e. component providers) in the past few years. Though the number of active vendors has declined significantly for auto manufacturers, technology transfer and fresh fund infusions have resulted in improved productivity in the remaining ones. c. The growing Chinese automotive market also presents attractive business opportunities for automotive component manufacturers for exports. Threats 1. Lower Margins a. Highly competitive: Margins are likely to come under pressure in the long term because as competition increases, auto manufacturers will find it difficult to increase prices and will try to cut costs.

The burden will eventually fall on auto ancillary players. b. Consolidation: As manufacturers sourcing components are keen to get components from fewer sources in future, this will lead to consolidation in the sector. Companies will have to focus on quality and abide by delivery schedules if they want to survive. 2. Trade Agreements The growing number of Free and Preferential



trade agreements being signed by India with countries like Thailand, Singapore and other ASEAN countries will hurt the cost competitiveness of Indian companies as Indian players pay significantly higher duties than their Asian counterparts.

Therefore, Indian companies might lose out on big orders if the duty structure is not rationalised. **Competitiveness & Position of Major Rivals** The Company is operating in a highly competitive market which may exert pressure both on the top line as well as the bottom line of the company. The market structure is fragmented for a large number of ancillary products. The net profit fell 11.5% year-on-year to Rs 247 crore in the quarter ended June 2012 on rising depreciation cost. Its competitor Motherson Sumi has recently acquired Peguform and Visiocorp and Vivek Chand Sehgal and the acquisitions have reaped good returns so far.

Its current turnover stands at Rs 15,000 crore. WABCO India has reported a sales turnover of Rs 249.29 crore and a net profit of Rs 41.84 crore for the quarter ended Jun '12. The slowdown in auto sales is having a cascading effect on ancillary units forcing them to cut production as inventories have started piling up due to demand slump. Bosch is not the only auto component supplier to curtail production. Other companies such as Motherson Sumi Systems, which supplies parts to Maruti Suzuki, have also seen a drop in demand.

According to Automotive Component Manufacturers' Association of India, growth of auto component industry is expected to slow down to 6-7% this year compared to 14% in 2011-12. As the growth is likely to be less, this might result in companies getting more competitive to get deals in their

hand. Following are the few competitors of Bosch Ltd

Name	Last Price	Market Cap. (Rs. cr. )	Sales Turnover	Net Profit	Total Assets
Bosch	8, 734. 75	27, 426. 15	8, 162. 06	1, 122. 56	5, 035. 57
Exide Industrie	151. 85	12, 907. 25	5, 111. 02	461. 17	3, 057. 32
Motherson Sumi	160. 95	9, 462. 9	3, 587. 46	317. 17	2, 152. 70
Amara Raja Batt	224. 30	3, 831. 32	2, 371. 03	215. 06	907. 54
WABCO India	1, 629. 25	3, 090. 29	1, 045. 64	153. 40	529. 97
Amtek India	100. 15	2, 771. 91	1, 886. 62	151. 25	3, 758. 02
Amtek Auto	88. 40	1, 949. 64	2, 368. 56	288. 13	7, 533. 64
Federal-Mogul	204. 85	1, 139. 62	1, 151. 48	37. 46	569. 03
Wheels	745. 80	736. 06	2, 077. 54	34. 35	555. 58
Sundaram-Clayton	185. 45	703. 51	1, 033. 94	61. 17	620. 78
Automotive Axle	381. 90	577. 13	1, 012. 49	57. 56	305. 65
Banco Products	65. 95	471. 67	559. 63	72. 43	417. 1
Jamna Auto	117. 20	462. 78	955. 58	42. 84	272. 62

PORTER'S FIVE FORCES ANALYSIS Porter's 5 forces and analysis of the competitive environment in this sector: Threat of new entrants (Moderate) 1. De-licensing has opened the market new entrants. 2. However, there are still many barriers to entry for the auto components market. Initial capital is very huge in the organised market restricting smaller players. 3. Technology and quality demands are very stringent. 4. As OEMs constitute the largest customer segment, component manufacturers get into strategic long term relationships, esp. or high value items. 5. Other advantages to existing players include customer service and distribution network. We can conclude that threat of new entrants is moderate. Bargaining power of suppliers 1. Raw material cost comes to 50-60% of the total production cost. 2. Suppliers to the auto component sector include companies from the electronics, fabrication, plastic and rubber, casting/forging, machine tools industries. 3.

Bargaining power is low for high technology products. 4. Unorganized sector dominates the domestic component market due to excise benefits. Generally, excess supply persists.

Bargaining power of customers (High) Bargaining power of customers is very high. The demand for auto ancillary products is linked to automobile demand. Demand is derived from - OEMs| Low Margin| Largest Demand, Stringent Requirements| Replacement Market| High Margin| Presence of Small competitors with cheaper prices| Exports| High Margin| Increasing Demand, Focus on Quality| This means: 1. The OEM market is very competitive and component manufacturers have to compromise on margins to bag bulk orders. 2. Moreover, delivery schedules and quality standards have to be adhered to very strictly.

Companies operating in the export market face competition at a global level. Export demand is linked to the increasing acceptance towards outsourcing. In light of increased competition in the global market and oversupply situation, large auto manufacturers faced significant pressure on margins. Moreover, the imperative to invest in new product development increased. This resulted in global majors increasing budget for outsourcing of components in order to save cost. Threat of Substitutes (Low) The only substitutes to auto component manufacturers are organised component players working closely with R; & D teams of OEMs.

However, this threat is very low. The unorganised components market faces a greater threat as replacement market consumers are shifting to genuine components. Rivalry among Competitors (Moderate) Competition is moderate. At the domestic level, market structure is fragmented for a large

number of ancillary products. Most companies adopt low cost and differentiation strategies. In some products (like batteries), only two or three companies control over 80% of the market. Competition in coming period is expected to intensify, as global players enter the market leading to consolidation.

The dereservation of Small Scale Industries will result in access to capital

and technology. EXTERNAL FACTOR EVALUATION MATRIX

Key External Factors	Weight	Rating	Wtd Score	Opportunities	Threats
Human Capital	0.10	3	0.30		
Labour Cost	0.10	1	0.10		
Domestic investment and growth	0.05	2	0.10		
Continuous Improvement of Products	0.10	3	0.30		
New Product Opportunities	0.05	3	0.15		
Festive season	0.05	4	0.20		
Regulatory risks	0.10	2	0.20		
Input cost and inflation	0.10	1	0.10		
Currency risk	0.05	1	0.05		
Lack of demand	0.0	1	0.10		
Growth of Auto component sector to drop to 6-7%	0.05	2	0.10		
Labour Strikes	0.15	1	0.15		
<b>Total</b>	<b>1.00</b>		<b>1.85</b>		