

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USD\$)	574.9 / 7
52-Week Range (INR)	19854 / 12861
1, 6, 12 Rel. Per (%)	2/17/33
12M Avg Val (INR M)	526

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	149.3	169.9	186.2
EBITDA	18.1	23.9	27.4
Adj. PAT	14.2	18.6	21.0
EPS (INR)	483.0	632.3	713.0
EPS Gr. (%)	17.0	30.9	12.8
BV/Sh. (INR)	3,734	4,067	4,439

Ratios

RoE (%)	13.1	16.2	16.8
RoCE (%)	17.5	21.5	22.2
Payout (%)	99.4	47.4	47.7

Valuations

P/E (x)	40.4	30.8	27.3
P/BV (x)	5.2	4.8	4.4
Div. Yield (%)	2.5	1.5	1.7
FCF Yield (%)	1.0	1.3	2.2

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	70.5	70.5	70.5
DII	16.8	16.5	16.4
FII	3.7	3.7	3.5
Others	9.0	9.2	9.6

FII Includes depository receipts

CMP:INR19,492 TP: INR17,850 (-8%) Neutral

Result – a mixed bag; higher revenue offset by low margin

FY24 revenue growth guidance at 15% YoY

- Bosch (BOS) 4QFY23 revenue at INR40.7b was above our est. of INR38.1b. However, higher trading content in the mix and RM pressure resulted in lower-than-estimated EBITDA of INR5.2b (v/s est. INR5.5b). We expect BOS to continue to outperform the underlying industry led by content enhancement but doesn't see scope of margins recovering over 15% over next 2-3 years.
 - We largely retain our EPS for FY24E/25E as we believe growth in auto demand and content increase should be offset by lower margin.
- Reiterate Neutral with a TP of INR17,850 (based on ~25x Mar'25E EPS).**

Lower margin due to higher trading content in the mix

- Revenue/EBITDA/adj. PAT rose 23%/20%/14% YoY to INR40.6b/INR5.2b/INR4b in 4QFY23. The same grew 27%/24%/17% YoY in FY23.
- During the quarter, revenue from Auto segment jumped 26% YoY, whereas non-Auto segment revenue rose 6% YoY.
- Gross margin improved 60bp YoY (-400bp QoQ) to 36.0% (v/s est. 36.5%). Sequential decline in gross margin was due to higher trading content for OBD2 norms. This was further hit by higher operating expenses (impacted adversely by FX, new business expenditures, etc.).
- EBITDA margin contracted ~30bp YoY (+190bp QoQ) to 12.9% (v/s est. 14.5%) with EBITDA at INR5.2b (v/s est. INR 5.5b).
- Higher other income boosted adj. PAT to INR4.0b (v/s est. INR4.2b).
- FCFF for FY23 was at INR5.7b (from negative INR1.9b in FY22) despite higher capex of INR6.4b (v/s INR4.6b in FY22), fueled by improved operating cash flow of INR13.9b (v/s INR4.1b in FY22).

Highlights from the management commentary

- **Outlook: Management indicated revenue growth of ~15% YoY** in FY24E. This would be driven by stable growth in MHCVs and PVs along with increasing content per vehicle.
- **The company has seen record acquisition of projects in FY23** catering to TREM5 and OBD2 regulations. This should result in strong order book for the next 3-5 years. BOS won new orders for different categories such as fuel injection systems, brakes, connectivity, etc.
- **BOS continues to see an increase in content per vehicle** due to components supplied for exhaust gas treatment (EGT) and implementation of BS6 stage 2. Implementation of TREM5 across the category will further drive the content. Electronics is another example wherein there has been a huge content enhancement.
- **GDI is an important technology** and it has become standard in advance markets. With dominance of diesel coming down in India, growth will be seen for GDI especially in segments such as PVs.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- We believe BOS would be outperforming the underlying auto industry growth with new order wins and content increase, though visibility for margin recovering to 16-17% is very low.
- The stock trades at ~30.8x/27.3x FY24E/FY25E EPS (v/s 10-year LPA at ~37x). The valuations have got de-rated due to dilution in its competitive positioning as well as increasing risk of EVs. While these negatives are priced in, there are no material catalysts visible for a re-rating of the stock. **Hence, we reiterate our Neutral rating with a TP of INR17,850 (premised on ~25x Mar'25E EPS).**

Quarterly performance (S/A)

(INR m)

Y/E March	FY22				FY23				FY22	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	24,435	29,180	31,091	33,110	35,444	36,616	36,599	40,634	1,17,816	1,49,293
YoY Change (%)	146.4	17.7	2.6	2.9	45.1	25.5	17.7	22.7	21.2	26.7
RM Cost (% of sales)	58.9	62.8	60.8	64.6	64.6	64.9	60.0	64.0	61.9	63.4
Staff Cost (% of sales)	11.1	8.7	9.4	7.7	7.6	7.5	7.4	8.1	9.1	7.7
Other Expenses (% of sales)	17.5	16.3	18.3	14.5	15.0	15.8	21.5	15.1	16.6	16.8
EBITDA	3,066	3,575	3,575	4,354	4,495	4,311	4,037	5,224	14,624	18,067
Margins (%)	12.5	12.3	11.5	13.2	12.7	11.8	11.0	12.9	12.4	12.1
Depreciation	671	829	851	892	648	919	1,083	1,206	3,243	3,856
Interest	32	15	169	73	36	19	20	46	289	121
Other Income	990	1,244	803	926	566	1,497	1,312	1,359	3,909	4,734
PBT before EO expense	3,353	3,975	3,359	4,315	4,377	4,870	4,246	5,331	15,001	18,824
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT after EO Expense	3,353	3,975	3,359	4,315	4,377	4,870	4,246	5,331	15,001	18,824
Tax	756	255	1,009	809	1,035	1,146	1,057	1,341	2,829	4,579
Tax Rate (%)	22.5	6.4	30.0	18.7	23.6	23.5	24.9	25.2	18.9	24.3
Reported PAT	2,598	3,720	2,350	3,506	3,342	3,724	3,189	3,990	12,172	14,245
Adj PAT	2,598	3,720	2,350	3,506	3,342	3,724	3,189	3,990	12,172	14,245
YoY Change (%)	390.4	33.5	-24.6	1.4	28.7	0.1	35.7	13.8	23.1	17.0

E: MOFSL Estimates

Segmental Mix (INR m)

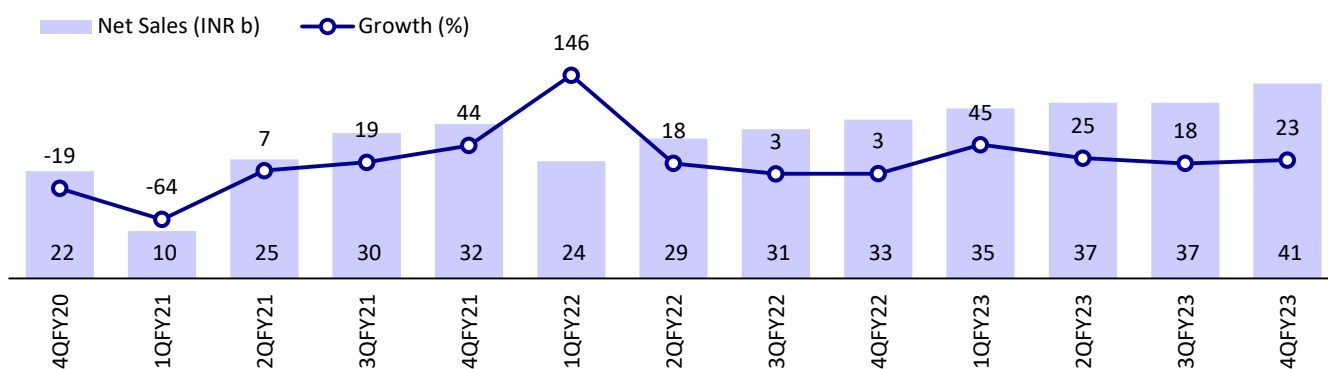
	FY22				FY23				FY22	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Auto	21,484	24,364	27,406	27,119	31,092	31,505	32,399	34,165	1,00,373	1,29,161
Growth (%)	164.4	14.5	2.6	(2.0)	44.7	29.3	18.2	26.0	19.8	28.7
PBIT margin (%)	12.7	11.8	14.1	11.8	13.6	12.1	11.2	12.1	12.6	12.2
Contribution (%)	87.9	83.5	87.6	81.9	87.7	86.0	88.6	84.1	85.2	86.5
Non-Auto	2,964	4,984	4,112	6,295	4,388	5,237	4,464	6,684	18,148	20,787
Growth (%)	60.5	41.0	12.7	39.5	48.0	5.1	8.6	6.2	34.0	14.5
PBIT margin (%)	14.1	16.8	(1.0)	13.0	9.8	12.6	11.7	12.4	11.0	11.8
Contribution (%)	12.1	17.1	13.1	19.0	12.4	14.3	12.2	16.4	15.4	13.9
a) Consumer goods	2,095	3,537	2,420	4,809	3,188	3,528	2,547	4,757	12,654	14,034
Growth (%)	122.6	38.4	(0.4)	32.2	52.2	(0.3)	5.2	(1.1)	33.2	10.9
PBIT margin (%)	(1.7)	13.1	(11.5)	11.0	5.8	11.1	6.2	8.9	5.4	8.2
b) Others	869	1,447	1,692	1,486	1,200	1,709	1,917	1,927	5,494	6,753.0
Growth (%)	(4.1)	47.7	38.7	70.0	38.1	18.1	13.3	29.7	35.9	22.9
PBIT margin (%)	52.2	25.8	14.0	19.5	20.4	15.9	19.0	21.2	24.0	19.1
Total Revenue (post inter segment)	24,435	29,180	31,298	33,110	35,444	36,616	36,585	40,634	1,17,771	1,49,293
Growth (%)	146.4	17.7	3.3	2.9	45.1	25.5	16.9	22.7	21.2	26.8



Highlights from the management commentary

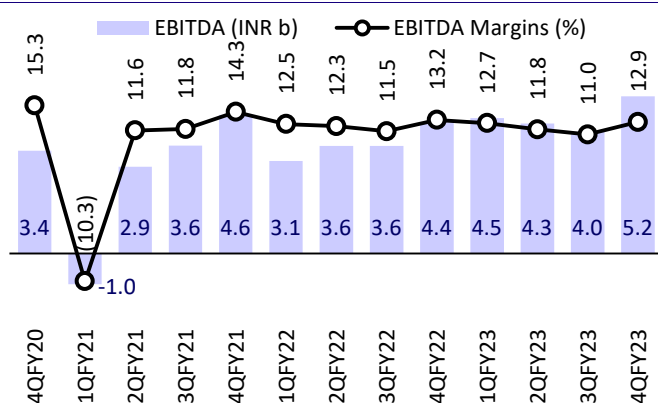
- **Mobility business grew 23.7% YoY in 4QFY23** largely led by growth in market demand and low base v/s 4QFY22. Within the business, revenue for Powertrain solutions jumped 27.5% YoY, Aftermarket rose 14.5%, and 2Ws increased 17.6%.
- **Beyond mobility business grew 7.8% YoY** in 4QFY23 driven by healthy demand and execution of high number of orders. Within the business, revenue for consumer goods segment grew marginally by 1.8% YoY while the Building technologies (BT) grew 44% YoY.
- **Outlook: Management indicated revenue growth of ~15% YoY** in FY24E. This would be driven by stable growth in MHCVs and PVs along with increasing content per vehicle. The company has seen record acquisition of projects in FY23 catering to TREM5 and OBD2 regulations. This should result in strong order book for the next 3-5 years. BOS won new orders for different categories such as fuel injection systems, brakes, connectivity, etc.
- **Content per vehicle is expected to grow consistently: BOS continues to see an increase in content per vehicle** due to components supplied for exhaust gas treatment (EGT) and implementation of BS6 stage 2. Implementation of TREM5 across the category will further drive the content. Electronics is another example wherein there has been a huge content enhancement. Earlier there used to be just one ECU per car which has now risen to multiple ECUs for different functions.
- **Trade cost for RM has gone up sequentially in 4QFY23** led by higher trading content in OBD2 norms and mix. However, the focus on localization will continue.
- **GDI is an important technology** and it has become standard in advance markets. With dominance of diesel coming down in India, growth will be seen for GDI especially in segments such as PVs.
- EBITDA margin of recent years are not directly comparable with historical EBITDA margins. Diesel mix has been going down for domestic PV industry (20% now vs 48% few years ago) which is affecting margins for BOS adversely. However, despite reduction in SUV mix, the company has grown by double digits.
- **The Board has recommended a final dividend of INR280/share.** With this, the total dividend payout for FY23 would be INR480/share (including interim dividend of INR200/share) vs INR210/share for FY22. FY23 dividend was exceptional (on completion of 100 years) and hence is not sustainable at the same rate.
- While the supply situation now is relatively stable than FY22, challenges are still sustaining.

Exhibit 1: Trend in revenue



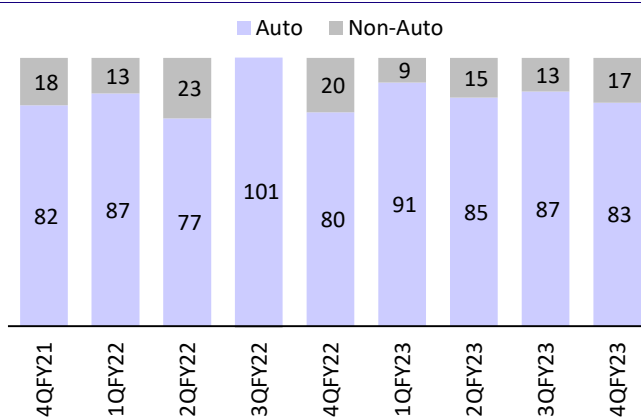
Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin trends



Source: Company, MOFSL

Exhibit 3: Share of Auto and non-Auto in PBIT



Source: Company, MOFSL

Valuation and view

Strong industry positioning; technology focus enables higher growth visibility

- BOS has a long-term strategy to shape the market in key technologies, with innovative products and solutions. Its stance of being a technology agnostic partner with customers, governments, and stakeholders continues.
- Since CY17, BOS has executed 79 BS-VI projects in PVs/CVs with major OEMs. Post the Covid-19 crisis as well, it plans to continue with critical investments in competence development and solutions designed/developed for India.
- In the non-Auto businesses, BOS has adopted a two-pronged approach. It continues to introduce 'fit for the market' products and solutions and plans to increase its 'go to the market' footprint, using both offline and digital platforms.
- The electrification of 2Ws/3Ws opens up new growth avenues as BOS will be relatively better positioned in these segments for EVs. BOS plans to invest INR20b over five years for the localization of advanced automotive technologies (INR10b) and expansion into digital platforms (~INR10b in the mobility marketplace, mobility Cloud platform, etc.). Our estimates do not factor in any material contributions from e-2W/3Ws as the competitive landscape is yet to stabilize.
- With the return of operating leverage in FY25E, EBITDA margin will recover to ~14.7%, after falling to ~10.3%/12.4% in FY21/FY22 (vs 12.1% in FY23). This would result in 21% EPS CAGR over FY23-25E (on the back of 12% revenue CAGR). We

estimate RoE to improve to ~16.8% (from 13.1% in FY23) and RoIC to touch ~28% by FY25E (from 20% in FY23).

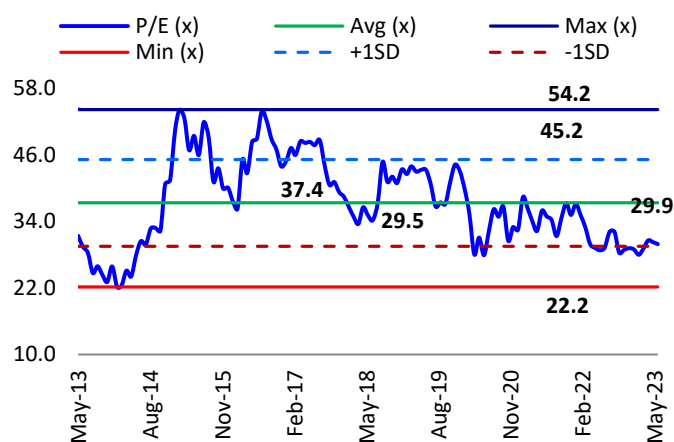
- We largely retain our EPS for FY24E/25E as we believe growth in auto demand and content increase should be offset by lower gross margin.
- Valuations have corrected in line with its muted earnings over the last four years and dilution in its competitive positioning. It would be outperforming the underlying auto industry growth with new order wins, though visibility for margin recovering to 16-17% is very low. The stock trades at ~30.8x/27.3x FY24E/FY25E EPS (v/s 10-year LPA at ~37x). The valuations have got de-rated due to dilution in its competitive positioning as well as increasing risk of EVs. While these negatives are priced in, there are no material catalysts visible for a re-rating of the stock.

Hence, we reiterate our Neutral rating with a TP of INR17,850 (premised on ~25x Mar'25E EPS).

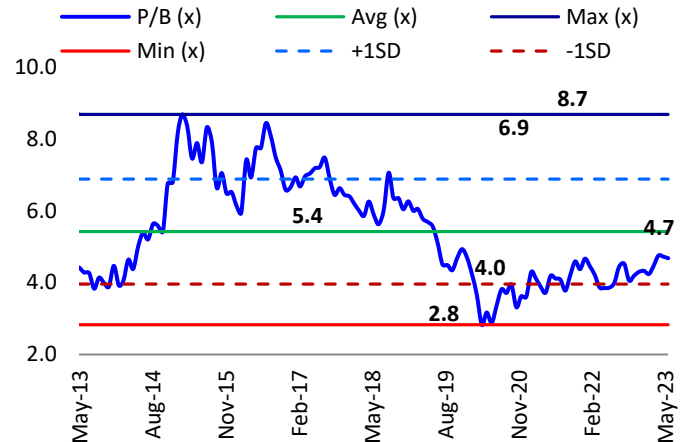
Exhibit 4: Revisions to our estimates

(INR b)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	169.9	165.9	2.5	186.2	181.7	2.5
EBITDA Margin (%)	14.1	14.8	-70bp	14.7	15.4	-70bp
PAT	18.6	18.9	-1.3	21.0	21.4	-1.9
EPS (INR)	632.3	640.8	-1.3	713.0	726.6	-1.9

Exhibit 5: P/E and P/B bands



Source: MOFSL



Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

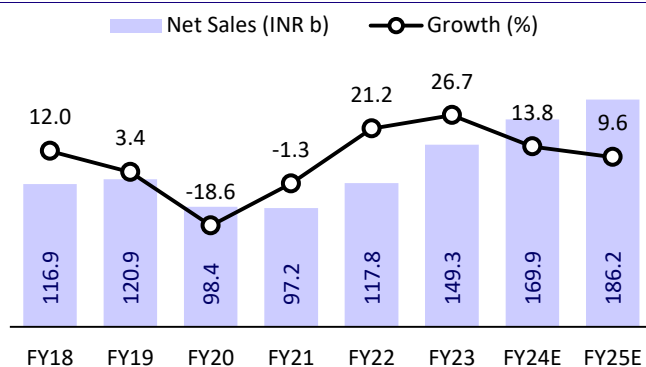


Exhibit 7: Segment mix

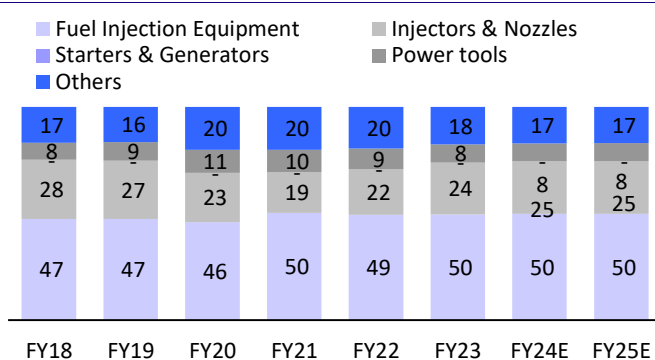


Exhibit 8: Gross margin v/s EBITDA margin

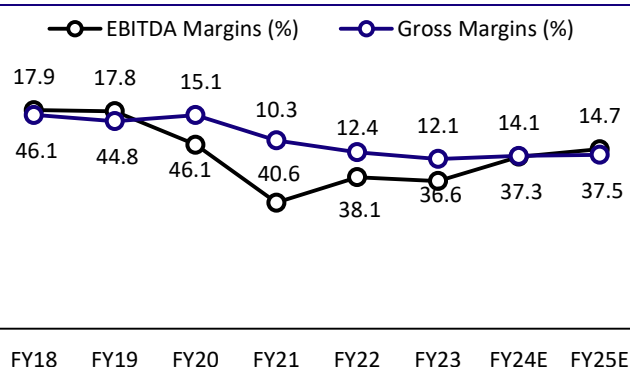


Exhibit 9: Trend in dividend payout

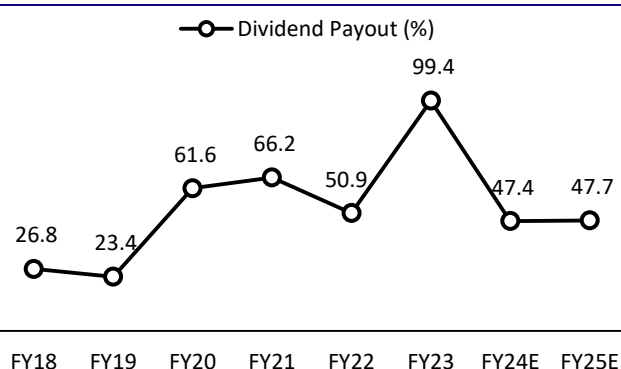


Exhibit 10: FCF and net cash

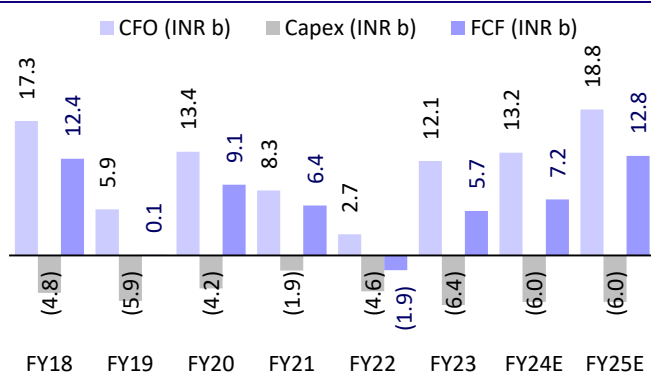


Exhibit 11: Cash, as a percentage of capital employed, stands at ~67%

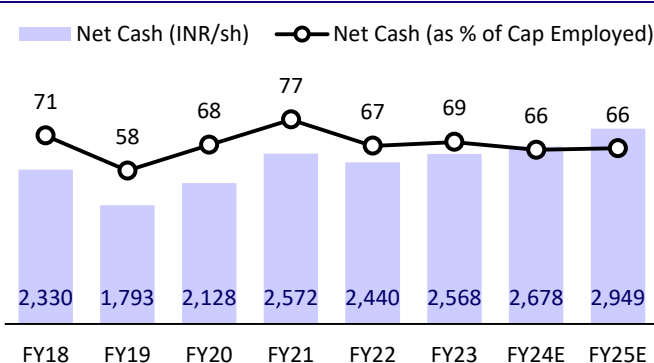
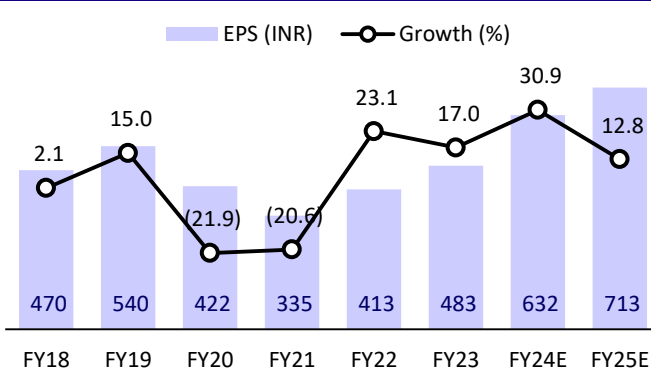
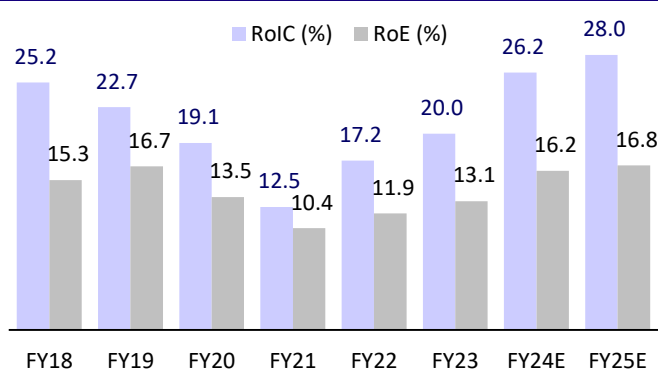


Exhibit 12: EPS and EPS growth trends



Source: Company, MOFSL

Exhibit 13: Trend in BOS' return profile



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Op. Revenues	1,20,850	98,416	97,180	1,17,816	1,49,293	1,69,945	1,86,199
Change (%)	3.4	-18.6	-1.3	21.2	26.7	13.8	9.6
EBITDA	21,541	14,834	10,039	14,624	18,067	23,939	27,379
Margin (%)	17.8	15.1	10.3	12.4	12.1	14.1	14.7
Depreciation	4,021	3,833	3,414	3,243	3,856	4,237	4,846
EBIT	17,520	11,001	6,624	11,381	14,211	19,702	22,533
Fin. charges	133	102	140	289	121	100	100
Other Income	5,953	5,466	5,040	3,909	4,734	4,987	5,315
PBT bef. EO Exp.	23,340	16,365	11,524	15,001	18,824	24,589	27,748
EO Income/(Exp)	0	-8,416	-5,555	0	0	0	0
PBT after EO Exp.	23,340	7,948	5,969	15,001	18,824	24,589	27,748
Current Tax	7,051	3,324	1,630	1,930	4,338	5,943	6,722
Deferred Tax	355	-1,424	-784	899	241	0	0
Tax Rate (%)	31.7	23.9	14.2	18.9	24.3	24.2	24.2
Reported PAT	15,934	6,048	5,123	12,172	14,245	18,646	21,026
Adjusted PAT	15,934	12,452	9,890	12,172	14,245	18,646	21,026
Change (%)	11.1	-21.9	-20.6	23.1	17.0	30.9	12.8

Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	295	295	295	295	295	295	295
Total Reserves	90,967	92,399	97,927	1,06,584	1,09,827	1,19,626	1,30,626
Net Worth	91,262	92,694	98,222	1,06,879	1,10,122	1,19,921	1,30,920
Total Loans	0	0	0	0	0	0	0
Capital Employed	91,262	92,694	98,222	1,06,879	1,10,122	1,19,921	1,30,920
Gross Block	28,991	34,629	36,339	38,738	42,482	49,137	55,637
Less: Accum. Deprn.	17,338	21,271	23,983	26,623	30,479	34,716	39,562
Net Fixed Assets	11,653	13,358	12,356	12,115	12,003	14,421	16,075
Capital WIP	6,546	4,932	4,928	6,054	3,655	3,000	2,500
Total Investments	40,538	40,415	51,571	55,275	55,536	55,536	55,536
Curr. Assets, Loans&Adv.	63,764	69,928	73,821	76,499	87,619	1,00,639	1,15,979
Inventory	14,443	11,159	12,985	17,293	19,029	20,952	22,956
Account Receivables	15,675	14,131	13,894	15,267	19,029	21,883	23,976
Cash and Bank Balance	12,527	22,560	24,505	17,054	20,569	23,815	31,807
Loans and Advances	21,118	22,079	22,438	26,885	28,992	33,989	37,240
Curr. Liability & Prov.	35,834	40,506	49,514	47,225	52,472	57,455	62,950
Account Payables	15,885	16,050	22,230	22,404	27,253	30,264	33,159
Other Current Liabilities	9,200	8,277	14,171	11,174	12,728	13,596	14,896
Provisions	10,749	16,180	13,113	13,647	12,491	13,596	14,896
Net Current Assets	27,929	29,422	24,308	29,274	35,147	43,184	53,029
Deferred Tax assets	4,596	4,567	5,059	4,161	3,781	3,781	3,781
Appl. of Funds	91,262	92,694	98,222	1,06,879	1,10,122	1,19,921	1,30,920

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	540	422	335	413	483	632	713
Cash EPS	677	552	451	523	614	776	877
BV/Share	3,095	3,143	3,331	3,624	3,734	4,067	4,439
DPS	105	105	115	210	480	300	340
Payout (%)	23.4	61.6	66.2	50.9	99.4	47.4	47.7
Valuation (x)							
P/E	36.1	46.2	58.1	47.2	40.4	30.8	27.3
Cash P/E	28.8	35.3	43.2	37.3	31.8	25.1	22.2
P/BV	6.3	6.2	5.9	5.4	5.2	4.8	4.4
EV/Sales	4.7	5.6	5.7	4.7	3.7	3.2	2.9
EV/EBITDA	26.1	37.2	54.8	38.1	30.7	23.0	19.8
Dividend Yield (%)	0.5	0.5	0.6	1.1	2.5	1.5	1.7
FCF per share	2.6	309.2	217.4	-64.8	194.7	244.3	434.2
Return Ratios (%)							
RoIC	22.7	19.1	12.5	17.2	20.0	26.2	28.0
RoE	16.7	13.5	10.4	11.9	13.1	16.2	16.8
RoCE (pre-tax)	24.6	17.9	12.2	14.9	17.5	21.5	22.2
Working Capital Ratios							
Fixed Asset Turnover (x)	4.2	2.8	2.7	3.0	3.5	3.5	3.3
Asset Turnover (x)	1.3	1.1	1.0	1.1	1.4	1.5	1.5
Inventory (Days)	44	41	49	54	47	45	45
Debtor (Days)	47	52	52	47	47	47	47
Creditor (Days)	48	60	83	69	67	65	65
Working Cap. Turnover (Days)	47	25	-1	38	36	42	42

Standalone - Cash Flow Statement (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	23,410	10,069	5,671	15,001	18,824	24,589	27,748
Depreciation	4,045	4,445	3,414	3,243	3,856	4,237	4,846
Interest & Finance Charges	-2,769	-2,948	-2,377	-2,096	-2,670	-4,887	-5,215
Direct Taxes Paid	-7,822	-4,612	-2,695	-2,664	-4,031	-5,943	-6,722
(Inc)/Dec in WC	-6,888	10,206	6,320	-9,404	-2,091	-4,791	-1,853
CF from Operations	9,976	17,160	10,334	4,080	13,888	13,205	18,804
Others	-4,044	-3,799	-1,984	-1,374	-1,752	0	0
CF from Operating incl EO	5,931	13,361	8,349	2,706	12,136	13,205	18,804
(Inc)/Dec in FA	-5,854	-4,243	-1,938	-4,617	-6,395	-6,000	-6,000
Free Cash Flow	78	9,118	6,411	-1,911	5,741	7,205	12,804
(Pur)/Sale of Investments	15,821	782	-5,087	-1,837	8,079	0	0
Others	7,691	-5,267	2,395	6,122	934	4,987	5,315
CF from Investments	17,659	-8,729	-4,630	-332	2,618	-1,013	-685
Issue of Shares	-21,569	0	0	0	0	0	0
Interest Paid	-60	0	-16	-150	-62	-100	-100
Dividend Paid	-3,679	-3,731	-3,095	-3,394	-12,092	-8,847	-10,027
Others	0	-259	-271	-287	-240	0	0
CF from Fin. Activity	-25,308	-3,990	-3,382	-3,831	-12,394	-8,947	-10,127
Inc/Dec of Cash	-1,717	642	337	-1,457	2,360	3,246	7,992
Opening Balance	3,627	1,910	2,552	2,889	1,432	3,792	7,038
Closing Balance	1,910	2,552	2,889	1,432	3,792	7,038	15,030

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