Bosch

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	775.7 / 9.3
52-Week Range (INR)	27300 / 16973
1, 6, 12 Rel. Per (%)	14/33/29
12M Avg Val (INR M)	536

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	149.3	170.3	188.0
EBITDA	18.1	21.7	26.8
Adj. PAT	14.2	17.8	21.8
EPS (INR)	483.0	602.4	740.4
EPS Gr. (%)	17.0	24.7	22.9
BV/Sh. (INR)	3,734	4,254	4,654
Ratios			
RoE (%)	13.1	15.1	16.6
RoCE (%)	17.5	20.3	22.2
Payout (%)	99.4	36.6	45.9
Valuations			
P/E (x)	55.1	44.2	35.9
P/BV (x)	7.1	6.3	5.7
Div. Yield (%)	1.8	1.1	1.3
FCF Yield (%)	0.7	0.7	1.6

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	70.5	70.5	70.5
DII	17.3	17.1	16.5
FII	3.7	3.6	3.7
Others	8.5	8.9	9.2

FII Includes depository receipts

CMP:INR26,601 TP: INR23,300 (-12%) Neutral

Healthy beat at profitability

Focus on localization to bear fruit in next 4-5 years

- Bosch's (BOS) 3QFY24 performance was healthy as EBITDA/adj. PAT beat our estimates at INR5.8b/INR4.7b (vs. est. INR4.9b/INR3.8b), aided by low RM costs and high other income. BOS remains committed to localization and it would yield results in the medium term in the form of margin improvement. However, we do not foresee margins recovering above 15% over the next 2-3 years due to structural changes in the business.
- We increase our FY24E/FY25E EPS by ~8%/4% to account for better gross margins and higher other income. **We reiterate our Neutral stance on the stock with a TP of INR23,300 (based on ~28x FY26E EPS).**

EBITDA margin at 11-quarter high of 13.8%

- Revenue/EBITDA/adj. PAT rose 15%/43%/49% YoY to INR42.1b/INR5.8b/INR4.7b in 3QFY24 (vs. est. INR42.1b/INR4.9b/INR3.8b). For 9MFY24, revenue/EBITDA/adj. PAT grew 15%/20%/25% YoY.
- Mobility business revenue grew 17% YoY, led by 20%/9% YoY growth in powertrain solutions and automotive aftermarket. Beyond mobility revenue grew ~33% YoY, led by ~31%/18% YoY growth in consumer goods and building technologies.
- Gross margins declined 230bp YoY to 37.7% (est. 33.7%).
- Better gross margins and low other expenses drove EBITDA margin beat at 13.8% (+280bp YoY). A better operating performance and higher other income resulted in a beat on adj. PAT.
- 3Q saw an exceptional gain of INR588m due to the reversal of provisions created in FY20/FY21.
- BOS has declared an interim dividend of INR205 per share for FY24.

Highlights from the management commentary

- **FY25 outlook:** IMF has predicted global growth of 3.1% in CY24, with India seeing a high growth rate of 6.5% on solid domestic demand. Considering the high base of last year and upcoming general elections, BOS expects auto segment growth to moderate. Most of the advanced economies are not doing well, in addition to the Red Sea crisis.
- BOS has taken one more step in localization as it assembled and set up its first fuel-cell power module (FCPM), which would aid in testing fuel cell requirements in the domestic market.

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 recovery to over 15% is low. More importantly, BOS is yet to establish leadership in EV components in the 2W and PV segments.

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- The stock trades at ~35.9x/32.3x FY25E/FY26E EPS (vs. 10-year LPA at ~37x). Valuations were de-rated due to the dilution in its competitive positioning and increasing risk of EVs. While these negative factors 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 INR23,300 (premised on 28x FY26E EPS).**

Quarterly performance (S/A) **(INR Million)**

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Net Sales	**35,444**	**36,616**	**36,599**	**40,634**	**41,584**	**41,301**	**42,052**	**45,325**	**1,49,293**	**1,70,262**	**42,089**
YoY Change (%)	45.1	25.5	17.7	22.7	17.3	12.8	14.9	11.5	26.7	14.0	15.0
RM Cost (% of sales)	64.6	64.9	60.0	64.0	64.5	66.8	62.3	62.5	63.4	64.0	66.3
Staff Cost (% of sales)	7.6	7.5	7.4	8.1	7.4	8.1	7.9	7.7	7.7	7.8	7.4
Other Expenses (% of sales)	15.6	16.4	23.3	15.9	17.9	13.2	16.0	15.8	16.8	15.5	14.7
EBITDA	**4,495**	**4,311**	**4,037**	**5,224**	**4,679**	**4,913**	**5,784**	**6,316**	**18,067**	**21,692**	**4,863**
Margins (%)	12.7	11.8	11.0	12.9	11.3	11.9	13.8	13.9	12.1	12.7	11.6
Depreciation	648	919	1,083	1,206	921	1,013	1,173	1,199	3,856	4,306	1,150
Interest	36	19	20	46	308	122	39	101	121	570	110
Other Income	566	1,497	1,312	1,359	1,875	1,542	1,548	1,593	4,734	6,558	1,450
PBT before EO expense	**4,377**	**4,870**	**4,246**	**5,331**	**5,325**	**5,320**	**6,120**	**6,608**	**18,824**	**23,373**	**5,053**
Extra-Ord expense	0	0	0	0	0	-7,850	-588	0	0	-8,438	0
PBT after EO Expense	**4,377**	**4,870**	**4,246**	**5,331**	**5,325**	**13,170**	**6,708**	**6,608**	**18,824**	**31,811**	**5,053**
Tax	1,035	1,146	1,057	1,341	1,235	3,181	1,527	1,692	4,579	7,635	1,223
Tax Rate (%)	23.6	23.5	24.9	25.2	23.2	24.2	22.8	25.6	24.3	24.0	24.2
Reported PAT	**3,342**	**3,724**	**3,189**	**3,990**	**4,090**	**9,989**	**5,181**	**4,917**	**14,245**	**24,177**	**3,830**
Adj PAT	**3,342**	**3,724**	**3,189**	**3,990**	**4,090**	**4,023**	**4,734**	**4,917**	**14,245**	**17,330**	**3,830**
YoY Change (%)	28.7	0.1	35.7	13.8	22.4	8.0	48.5	23.2	17.0	21.7	20.1

E: MOFSL Estimates

Segmental Mix (INR m)

	FY23				FY24E			FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Auto	31,092	31,505	32,399	34,165	36,232	35,708	36,522	1,29,161
Growth (%)	44.7	29.3	18.2	26.0	16.5	13.3	12.7	28.7
PBIT margin (%)	13.6	12.1	11.2	12.1	10.9	12.5	14.2	12.2
Contribution (%)	87.7	86.0	88.6	84.1	87.1	86.5	86.8	86.5
Non-Auto	4,388	5,237	4,464	6,684	5,424	5,634	5,764	20,787
Growth (%)	48.0	5.1	8.6	6.2	23.6	7.6	29.1	14.5
PBIT margin (%)	9.8	12.6	11.7	12.4	16.4	9.3	13.5	11.8
Contribution (%)	12.4	14.3	12.2	16.4	13.0	13.6	13.7	13.9
a) Consumer goods	3,188	3,528	2,547	4,757	3,754	3,897	3,336	14,034
Growth (%)	52.2	(0.3)	5.2	(1.1)	17.8	10.5	31.0	10.9
PBIT margin (%)	5.8	11.1	6.2	8.9	15.5	7.2	11.7	8.2
b) Others	1,200	1,709	1,917	1,927	1,670	1,737	2,428	6,753.0
Growth (%)	38.1	18.1	13.3	29.7	39.2	1.6	26.7	22.9
PBIT margin (%)	20.4	15.9	19.0	21.2	18.3	14.0	16.1	19.1
Total Revenue (post inter segment)	35,444	36,616	36,585	40,634	41,584	41,301	42,052	1,49,293
Growth (%)	45.1	25.5	16.9	22.7	17.3	12.8	14.9	26.8

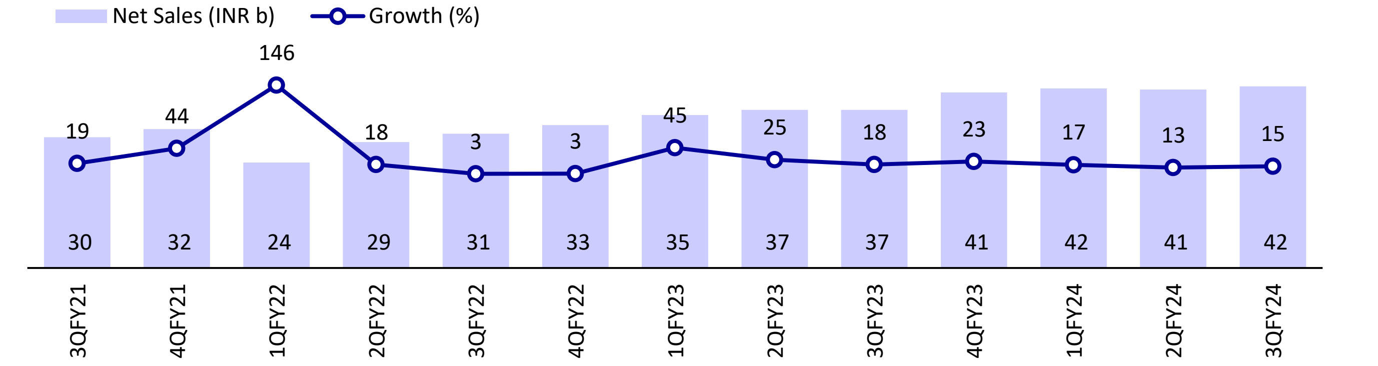
E:MOFSL Estimates

Key takeaways from the management commentary

- **Outlook for FY25:** IMF has predicted the global growth to be 3.1% in CY24, with India seeing a higher growth rate at 6.5% due to solid domestic demand. Considering the high base of last year and upcoming general elections, BOS believes auto segment growth to see some moderation. Most of the advanced economies are not doing well, in addition to the Red Sea crisis.
- **Segmental performance:** 3QFY24 witnessed stable demand across segments with 4% YoY growth (except 2Ws). There was 19% YoY growth in 2Ws due to a low base effect.
  - In autos, powertrain segment solutions grew 20% YoY. The segment outperformed the broader industry, driven by increased content per vehicle mainly of exhaust gas treatment (EGT) components, higher preference for UVs and MHCVs. 2Ws business grew 7% QoQ (vs. industry decline of 1%). Automotive aftermarket grew 8.6% YoY due to higher sales of spark plugs, filters, other BS6 requirements, and higher lubricant sales.
  - The non-auto segment grew ~32.5% YoY, led by 30% YoY growth in consumer products and building technologies growth of 18% YoY. Growth was driven by increased market demand for blue tools and accessories and execution of higher number of orders for installation of security systems.
- The company took another step in localization as it assembled and set up its first fuel cell power module (FCPM). It would aid in testing fuel cell requirement in domestic market. 3QFY24 saw a drop in traded goods on YoY basis to 51% from 55%, indicating the company's focus on localization.
- **Other expenses:** There has been a reduction of INR470m due to the sale of 'project house mobility solutions' business, which the company transferred in 2QFY24. There has also been a reduction of warranty expenses on a YoY basis. There is also a revaluation of payables, which may lead to an increase or decrease in other expenses. There are also expenses due to BOS's effort to service clients, hence an increased income from services may lead to a rise in these expenses. There are technical fees that BOS charges to its customers, which were higher on a QoQ basis, indicating BOS's focus on localization. The company has a target to maintain other expenses as % of sales at 14.5% in a normal business scenario.
- **TREM V guidelines for tractors:** The consensus view of the tractor OEMs is that the guidelines are due in CY26. BOS is ready to supply to OEMs without much delay.
- **Electrification:** BOS believes that the domestic commuter scooter segment will see significant electrification. It is already supplying hub motors to OEMs and has been localizing production lines of motors for OEMs so that customers receive PLI benefits. Globally, EV is a low margin business and so BOS is taking a calibrated approach toward profitability, moving in tandem with customers. As the tier-1 supplier in China, it has just broken-even despite China being the largest EV market. In India, it has qualified for the PLI scheme with Bosch Auto Automotive electronics (contract manufacturer for BOS), but disbursements have not started yet.
- **Hydrogen truck:** This is the easier platform for OEMs to adopt as there are modifications to the existing ICE platform. Hydrogen is highly corrosive gas, with high safety requirements needed for its smooth operation. BOS believes, despite

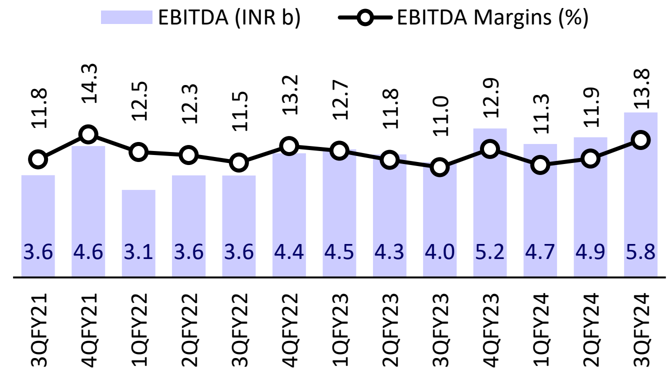
numerous challenges, pilot vehicles should be out in the next one year. There are challenges even on the distribution side of hydrogen.

Exhibit 1: Trend in revenue



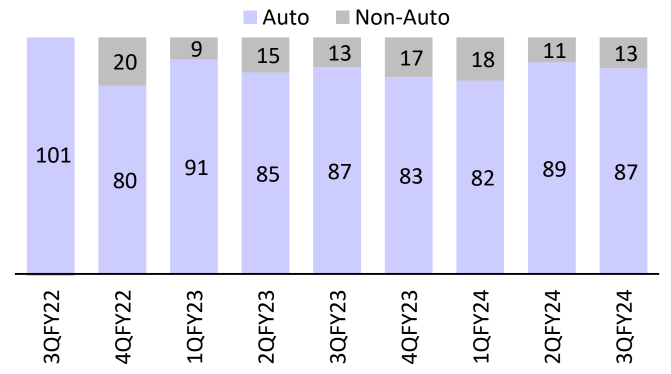
Source: Company, MOFSL

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

- 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. It has continued with critical investments in competence development and solutions designed/developed for India. In the non-Auto businesses, BOS has adopted a two-pronged approach: 1) It continues to introduce 'fit for the market' products and solutions; and 2) It 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 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 improving localization and operating leverage in FY25E, EBITDA margin will recover to over 14.3%, after falling to ~10.3%/12.4% in FY21/FY22 (vs. 12.1% in FY23). This would result in a 19% earnings CAGR over FY23-26E (on the back of

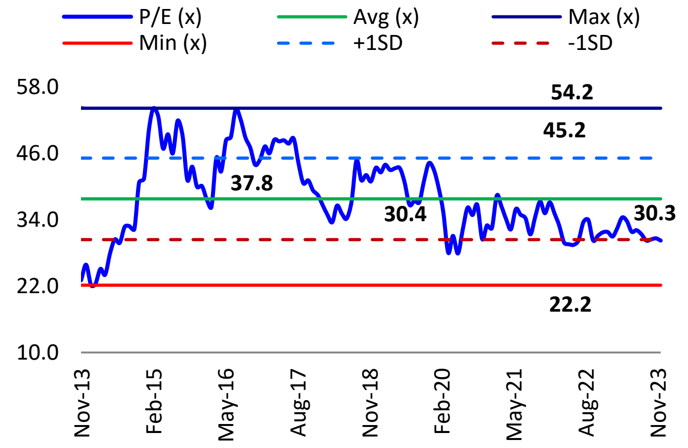
11% revenue CAGR). We estimate RoE to improve to ~16.8% (from 13.1% in FY23) and RoIC to touch ~26.6% by FY26E (from 20% in FY23).

- We increase our FY24E/25E EPS by ~8%/4% to account for better gross margins and higher other income.
- BOS is likely outperforming the underlying auto industry growth with new order wins, though visibility for margin recovery to 15-16% is low. Despite its recent run-up, valuations still trade at a discount, ~35.9x/32.3x FY25E/FY26E EPS (vs. 10-year LPA at ~37x). This is due to its muted earnings over the last four years, the dilution in its competitive positioning, and increasing risk of EVs. While these negative factors 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 INR23,300 (premised on ~28x FY26E EPS).**

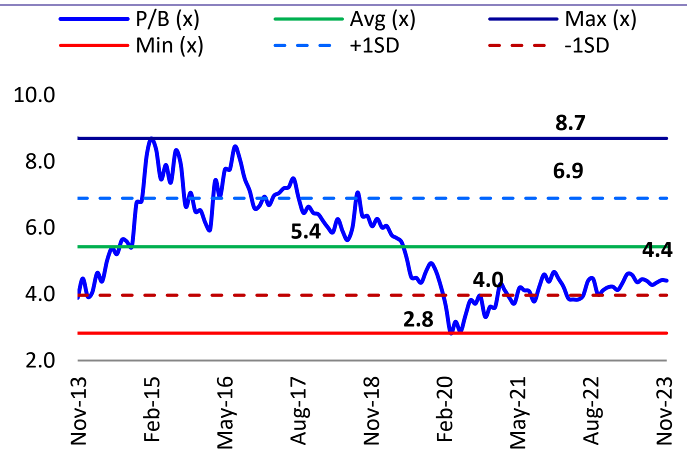
Exhibit 4: Revisions to our estimates

(INR b)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	170.3	171.0	-0.4	188.0	188.8	-0.4
EBITDA Margin (%)	**12.7**	**11.8**	**90bp**	**14.3**	**14.0**	**20bp**
PAT	17.8	16.4	8.0	21.8	21.1	3.6
EPS (Rs)	602.4	**557.7**	**8.0**	740.4	**714.9**	**3.6**

Exhibit 5: P/E and P/B bands



Source: MOFSL



Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

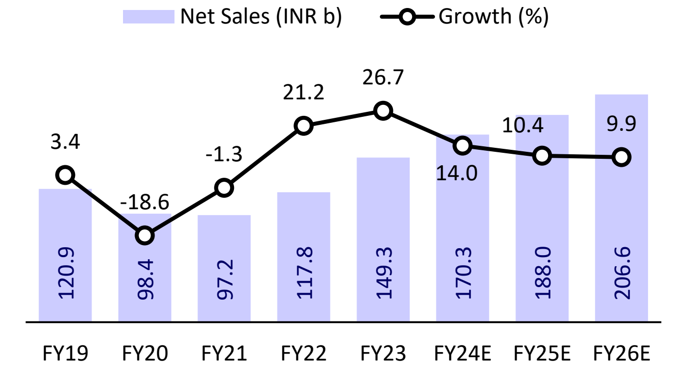


Exhibit 7: Segment mix

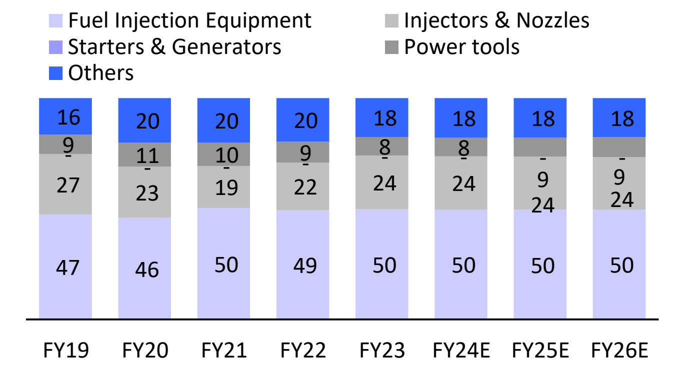


Exhibit 8: Gross margin vs. EBITDA margin

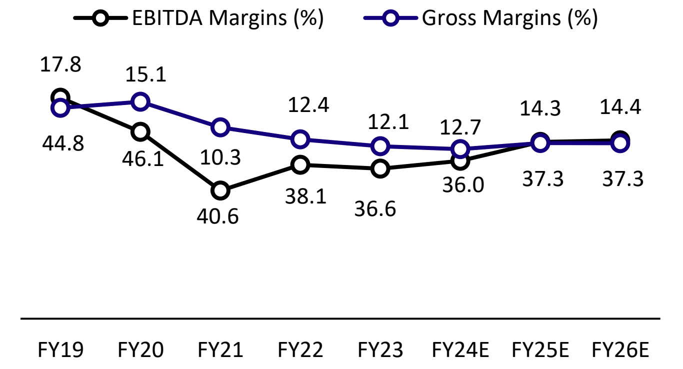


Exhibit 9: Trend in dividend payout

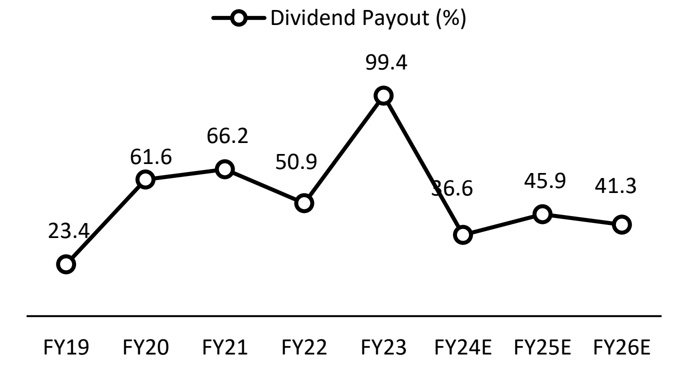


Exhibit 10: FCF and net cash

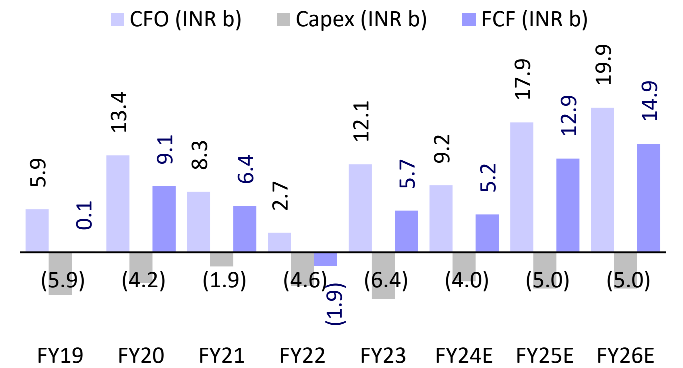


Exhibit 11: Cash, as a percentage of capital employed, stands at ~69%

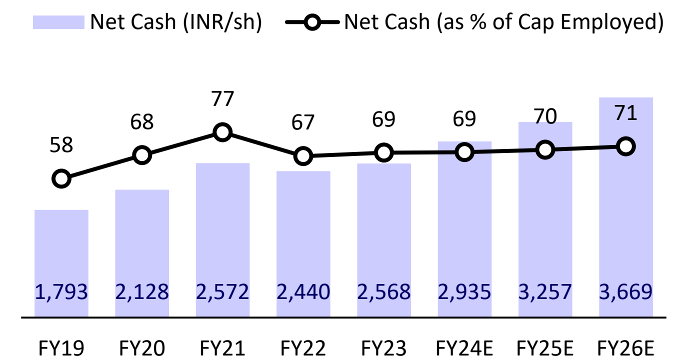
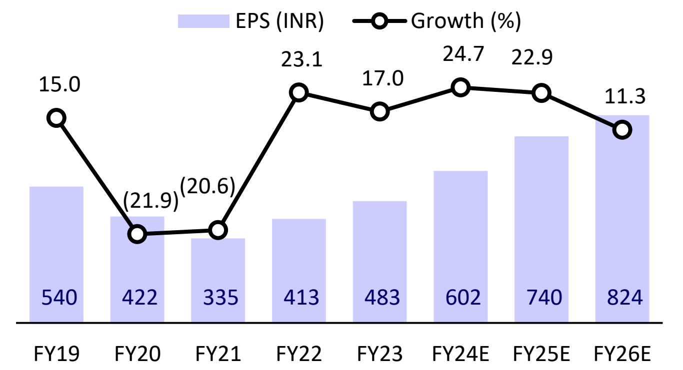
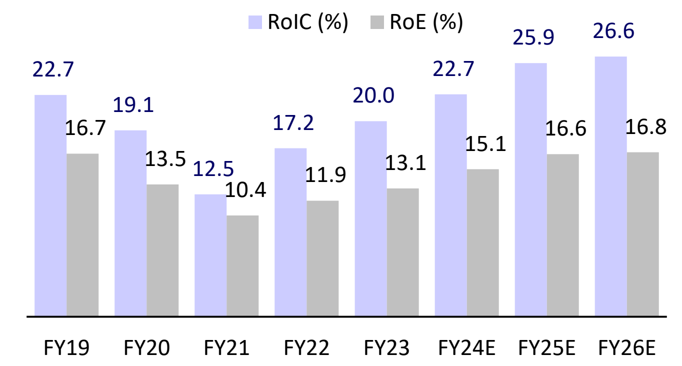


Exhibit 12: EPS and EPS growth trends



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	FY26E
Net Op. Revenues	**1,20,850**	**98,416**	**97,180**	**1,17,816**	**1,49,293**	**1,70,262**	**1,87,967**	**2,06,579**
Change (%)	3.4	-18.6	-1.3	21.2	26.7	14.0	10.4	9.9
EBITDA	**21,541**	**14,834**	**10,039**	**14,624**	**18,067**	**21,692**	**26,800**	**29,715**
Margin (%)	17.8	15.1	10.3	12.4	12.1	12.7	14.3	14.4
Depreciation	4,021	3,833	3,414	3,243	3,856	4,306	4,705	5,007
EBIT	**17,520**	**11,001**	**6,624**	**11,381**	**14,211**	**17,386**	**22,095**	**24,707**
Fin. charges	133	102	140	289	121	570	500	500
Other Income	5,953	5,466	5,040	3,909	4,734	6,558	7,112	7,743
PBT bef. EO Exp.	**23,340**	**16,365**	**11,524**	**15,001**	**18,824**	**23,373**	**28,708**	**31,950**
EO Income/(Exp)	0	-8,416	-5,555	0	0	8,438	0	0
PBT after EO Exp.	**23,340**	**7,948**	**5,969**	**15,001**	**18,824**	**31,811**	**28,708**	**31,950**
Current Tax	7,051	3,324	1,630	1,930	4,338	7,635	6,872	7,656
Deferred Tax	355	-1,424	-784	899	241	0	0	0
Tax Rate (%)	31.7	23.9	14.2	18.9	24.3	24.0	23.9	24.0
Reported PAT	**15,934**	**6,048**	**5,123**	**12,172**	**14,245**	**24,177**	**21,836**	**24,294**
Adjusted PAT	**15,934**	**12,452**	**9,890**	**12,172**	**14,245**	**17,764**	**21,836**	**24,294**
Change (%)	11.1	-21.9	-20.6	23.1	17.0	24.7	22.9	11.3

Standalone - Balance Sheet (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	295	295	295	295	295	295	295	295
Total Reserves	90,967	92,399	97,927	1,06,584	1,09,827	1,25,157	1,36,966	1,51,233
Net Worth	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,10,122**	**1,25,452**	**1,37,261**	**1,51,528**
Total Loans	0	0	0	0	0	0	0	0
Capital Employed	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,10,122**	**1,25,452**	**1,37,261**	**1,51,528**
Gross Block	28,991	34,629	36,339	38,738	42,482	49,137	53,137	58,137
Less: Accum. Deprn.	17,338	21,271	23,983	26,623	30,479	34,785	39,490	44,497
Net Fixed Assets	**11,653**	**13,358**	**12,356**	**12,115**	**12,003**	**14,352**	**13,647**	**13,640**
Capital WIP	6,546	4,932	4,928	6,054	3,655	1,000	2,000	2,000
Total Investments	**40,538**	**40,415**	**51,571**	**55,275**	**55,536**	**55,536**	**55,536**	**55,536**
Curr. Assets, Loans&Adv.	**63,764**	**69,928**	**73,821**	**76,499**	**87,619**	**1,08,345**	**1,25,845**	**1,46,412**
Inventory	14,443	11,159	12,985	17,293	19,029	20,991	23,174	25,469
Account Receivables	15,675	14,131	13,894	15,267	19,029	21,924	24,204	26,601
Cash and Bank Balance	12,527	22,560	24,505	17,054	20,569	31,377	40,873	53,027
Loans and Advances	21,118	22,079	22,438	26,885	28,992	34,052	37,593	41,316
Curr. Liability & Prov.	**35,834**	**40,506**	**49,514**	**47,225**	**52,472**	**57,563**	**63,548**	**69,841**
Account Payables	15,885	16,050	22,230	22,404	27,253	30,321	33,474	36,788
Other Current Liabilities	9,200	8,277	14,171	11,174	12,728	13,621	15,037	16,526
Provisions	10,749	16,180	13,113	13,647	12,491	13,621	15,037	16,526
Net Current Assets	**27,929**	**29,422**	**24,308**	**29,274**	**35,147**	**50,783**	**62,296**	**76,571**
Deferred Tax assets	4,596	4,567	5,059	4,161	3,781	3,781	3,781	3,781
Appl. of Funds	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,10,122**	**1,25,452**	**1,37,261**	**1,51,528**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	**540**	**422**	**335**	**413**	**483**	**602**	**740**	**824**
Cash EPS	677	552	451	523	614	748	900	994
BV/Share	3,095	3,143	3,331	3,624	3,734	4,254	4,654	5,138
DPS	105	105	115	210	480	300	340	340
Payout (%)	23.4	61.6	66.2	50.9	99.4	36.6	45.9	41.3
Valuation (x)								
P/E	49.2	63.0	79.3	64.4	55.1	44.2	35.9	32.3
Cash P/E	39.3	48.2	59.0	50.9	43.3	35.5	29.6	26.8
P/BV	8.6	8.5	8.0	7.3	7.1	6.3	5.7	5.2
EV/Sales	6.4	7.7	7.8	6.5	5.1	4.4	4.0	3.5
EV/EBITDA	35.8	51.4	75.7	52.5	42.3	34.7	27.7	24.6
Dividend Yield (%)	0.4	0.4	0.4	0.8	1.8	1.1	1.3	1.3
FCF per share	2.6	309.2	217.4	-64.8	194.7	177.3	437.8	506.5
Return Ratios (%)								
RoIC	22.7	19.1	12.5	17.2	20.0	22.7	25.9	26.6
RoE	16.7	13.5	10.4	11.9	13.1	15.1	16.6	16.8
RoCE (pre-tax)	24.6	17.9	12.2	14.9	17.5	20.3	22.2	22.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.2	2.8	2.7	3.0	3.5	3.5	3.5	3.6
Asset Turnover (x)	1.3	1.1	1.0	1.1	1.4	1.4	1.4	1.4
Inventory (Days)	44	41	49	54	47	45	45	45
Debtor (Days)	47	52	52	47	47	47	47	47
Creditor (Days)	48	60	83	69	67	65	65	65
Working Cap. Turnover (Days)	47	25	-1	38	36	42	42	42

Standalone - Cash Flow Statement (INR Million)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	23,410	10,069	5,671	15,001	18,824	23,373	28,708	31,950
Depreciation	4,045	4,445	3,414	3,243	3,856	4,306	4,705	5,007
Interest & Finance Charges	-2,769	-2,948	-2,377	-2,096	-2,670	-5,988	-6,612	-7,243
Direct Taxes Paid	-7,822	-4,612	-2,695	-2,664	-4,031	-7,635	-6,872	-7,656
(Inc)/Dec in WC	-6,888	10,206	6,320	-9,404	-2,091	-4,827	-2,018	-2,121
Others	-4,044	-3,799	-1,984	-1,374	-1,752	0	0	0
CF from Operating incl EO	**5,931**	**13,361**	**8,349**	**2,706**	**12,136**	**9,230**	**17,910**	**19,937**
(Inc)/Dec in FA	-5,854	-4,243	-1,938	-4,617	-6,395	-4,000	-5,000	-5,000
Free Cash Flow	**78**	**9,118**	**6,411**	**-1,911**	**5,741**	**5,230**	**12,910**	**14,937**
(Pur)/Sale of Investments	15,821	782	-5,087	-1,837	8,079	0	0	0
Others	7,691	-5,267	2,395	6,122	934	6,558	7,112	7,743
CF from Investments	**17,659**	**-8,729**	**-4,630**	**-332**	**2,618**	**2,558**	**2,112**	**2,743**
Issue of Shares	-21,569	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	0	0	0	0	0	0
Interest Paid	-60	0	-16	-150	-62	-570	-500	-500
Dividend Paid	-3,679	-3,731	-3,095	-3,394	-12,092	-8,847	-10,027	-10,027
Others	0	-259	-271	-287	-240	0	0	0
CF from Fin. Activity	**-25,308**	**-3,990**	**-3,382**	**-3,831**	**-12,394**	**-9,417**	**-10,527**	**-10,527**
Inc/Dec of Cash	**-1,717**	**642**	**337**	**-1,457**	**2,360**	**2,371**	**9,496**	**12,154**
Opening Balance	3,627	1,910	2,552	2,889	1,432	3,792	6,163	15,659
Closing Balance	**1,910**	**2,552**	**2,889**	**1,432**	**3,792**	**6,163**	**15,659**	**27,812**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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