

27 May 2024

India | Equity research | Q4FY24 results review

## Bosch

Auto Ancillaries

### Miss at operational level; maintain SELL on rich valuations

Bosch India's (BOS) Q4FY24 EBITDAM of 13.2% (down ~60bps QoQ) was a miss against Consensus estimate of 13.5%, as gross margin declined sharply by 320bps QoQ and was ~150bps higher than the past 8-quarter average. Despite localisation efforts, hiving off lower margin businesses, GM continued to surprise negatively, post Q3FY24 being an outlier. Revenue grew merely 4% YoY to INR 42bn, with strong demand in PV and 2Ws along with rising content/unit, though revenue growth outlook for majority of segments looks relatively lower for FY25E. We believe with limited visibility of EBITDAM moving up beyond 14% levels on a sustainable basis, and BOS being set to face the CV industry down-cycle headwinds from mid-FY25E itself, current valuation levels look inflated. Maintain **SELL** with a revised DCF-based TP of INR 24,067 (earlier: INR 22,864), implying 30x FY26E earnings, with earnings CAGR of ~19% over FY24-26E. Change in TP is driven by 4% higher FY26E EPS.

### Takeaways from Q4FY24 result conference call and our views

- Revenue growth of 4% YoY was driven by 11% YoY growth in mobility business, with 11% YoY growth in powertrain solutions, aided by stronger demand in PV/HCV categories along with rising content/unit. Aftermarket growth was 9% YoY; 2W business was up 19% YoY on higher sales of fuel injectors and exhaust sensors to TVS and Bajaj. BOS expects 2W segment to continue to do well in FY25 led by transition to BS VI OBD 2 norms where it expects a surge in demand for advanced sensor solutions. Its non-mobility business saw 14% YoY growth with consumable goods segment up 16% YoY led by marketing campaigns and new products; building technologies revenue was up 17% YoY driven by security systems demand. BOS share of exports stood at 8.1% in FY24 and it aims to increase this in coming years, by increasing its competitiveness via localisation. BOS expects Q1FY25 to see slower growth due to general elections, followed by better growth in H2, with better margin in FY25.
- EBITDA margin was down 60bps QoQ at 13.2%, due to GM worsening (every year GM improves QoQ in Dec quarter and then normalises). Other expenses were lower QoQ due to i) lower expenses related to hived-off businesses and ii) cost efficiencies. It is expecting TREM V introduction by Apr'26, where it has a good level of localisation and would add to margin from FY27E. As part of its overall portfolio realignment, BOS hived off its diagnosis business from mobility aftermarket segment for INR 456mn. It might have more portfolio adjustments over the next one year. Capex outlook remains in the range of INR 5-6bn per annum.

### Financial summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	1,49,293	1,67,271	1,87,344	2,09,825
EBITDA	18,067	20,948	24,355	28,326
EBITDA %	12.1	12.5	13.0	13.5
Net Profit	14,243	16,464	19,992	23,466
EPS (INR)	482.8	558.1	677.7	795.5
EPS % Chg YoY	17.0	15.6	21.4	17.4
P/E (x)	65.4	56.6	46.6	39.7
EV/EBITDA (x)	50.5	43.3	36.3	30.8
RoCE (%)	9.7	9.7	11.1	11.8
RoE (%)	12.9	13.7	15.0	15.9

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#### Market Data

Market Cap (INR)	931bn
Market Cap (USD)	11,206mn
Bloomberg Code	BOS IN
Reuters Code	BOSH.BO
52-week Range (INR)	32,230 /17,925
Free Float (%)	29.0
ADTV-3M (mn) (USD)	16.1

Price Performance (%)	3m	6m	12m
Absolute	9.4	50.1	66.7
Relative to Sensex	6.2	35.8	46.0

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.4)	(1.7)
EBITDA	(3.4)	4.5
EPS	(3.2)	4.1

#### Previous Reports

14-02-2024: [Q3FY24 results review](#)

10-11-2023: [Q2FY24 results review](#)

**Exhibit 1: Q4FY24 result summary (standalone)**

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
<b>Total operating income</b>	<b>42,334</b>	<b>40,634</b>	<b>4</b>	<b>42,052</b>	<b>1</b>
Raw material costs	27,710	25,995	7	26,212	6
As a % of sales	65.5%	64.0%	148 bps	62.3%	312 bps
<b>Gross Profit</b>	<b>14,624</b>	<b>14,639</b>	<b>-0</b>	<b>15,840</b>	<b>-8</b>
<b>Gross margin (%)</b>	<b>34.5%</b>	<b>36.0%</b>	<b>-148 bps</b>	<b>37.7%</b>	<b>-312 bps</b>
Employee costs	3,615	3,281	10	3,343	8
As a % of sales	8.5%	8.1%	46 bps	7.9%	59 bps
Other expenditures	5,437	6,134	-11	6,713	-19
As a % of sales	12.8%	15.1%	-225 bps	16.0%	-312 bps
Total operating expenses	36,762	35,410	4	36,268	1
<b>EBITDA</b>	<b>5,572</b>	<b>5,224</b>	<b>7</b>	<b>5,784</b>	<b>-4</b>
<b>EBITDA margin (%)</b>	<b>13.2</b>	<b>12.9</b>	<b>31 bps</b>	<b>13.8</b>	<b>-59 bps</b>
Depreciation & Amortization	1,188	1,206	-1	1,173	1
Other income	2,261	1,358	66	1,548	46
Interest costs	39	46	-15	39	0
<b>PBT</b>	<b>6,606</b>	<b>5,330</b>	<b>24</b>	<b>6,120</b>	<b>8</b>
Exceptional Items	-	-	-	-588	
Taxes	962	1,341	-28	1,527	-37
<b>Reported PAT</b>	<b>5,644</b>	<b>3,989</b>	<b>41</b>	<b>5,181</b>	<b>9</b>
<b>Adjusted PAT</b>	<b>5,644</b>	<b>3,989</b>	<b>41</b>	<b>4,727</b>	<b>19</b>

Source: Company data, I-Sec research

**Exhibit 2: Q4FY24 segment mix (standalone)**

Revenue (INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Automotive	35,114	34,165	2.8	36,522	-3.9
Non-Automotive	7,256	6,684	8.6	5,764	25.9
<b>Total</b>	<b>42,370</b>	<b>40,849</b>	<b>3.7</b>	<b>42,286</b>	<b>0.2</b>
<b>EBIT Margin</b>					
Automotive	13.9%	12.1%	179 bps	14.2%	-26 bps
Non-Automotive	11.4%	12.4%	-102 bps	13.5%	-212 bps
<b>Total</b>	<b>13.5%</b>	<b>12.2%</b>	<b>126 bps</b>	<b>14.2%</b>	<b>-67 bps</b>

Source: Company data, I-Sec research

**Exhibit 3: Earnings revision (standalone)**

	FY25E			FY26E		
	Old	Revised	% change	Old	Revised	% change
Revenue (INR mn)	1,93,961	1,87,344	-3.4%	2,13,358	2,09,825	-1.7%
EBITDA (INR mn)	25,215	24,355	-3.4%	27,096	28,326	4.5%
EBITDA margin (%)	13.0%	13.0%	0 bps	12.7%	13.5%	80 bps
PAT (INR mn)	20,645	19,992	-3.2%	22,531	23,466	4.1%
EPS (INR)	6,998	6,777	-3.2%	7,638	7,955	4.1%

Source: I-Sec research, Company data

**Upside risks**

- Better than expected OEM industry growth in FY24-25.
- Faster than expected ramp-up in localisation, resulting in drastic reduction in traded goods mix.
- Using cash on books for earnings accretive inorganic growth.

**Exhibit 4: Shareholding pattern**

%	Sep'23	Dec'23	Mar'24
Promoters	70.5	70.5	70.5
Institutional investors	20.6	21.0	21.3
MFs and other	5.9	6.7	7.1
FIs/ Banks	0.1	0.1	0.1
Insurance Cos.	10.4	9.8	9.4
FIIIs	4.2	4.4	4.8
Others	8.9	8.5	8.2

Source: Bloomberg

**Exhibit 5: Price chart**

Source: Bloomberg

## Financial summary

### Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	1,49,293	1,67,271	1,87,344	2,09,825
<b>Operating Expenses</b>	<b>36,598</b>	<b>37,983</b>	<b>42,152</b>	<b>47,211</b>
EBITDA	18,067	20,948	24,355	28,326
<b>EBITDA Margin (%)</b>	<b>12.1</b>	<b>12.5</b>	<b>13.0</b>	<b>13.5</b>
<b>Depreciation &amp; Amortization</b>	<b>3,856</b>	<b>4,295</b>	<b>4,800</b>	<b>5,200</b>
EBIT	14,211	16,653	19,555	23,126
Interest expenditure	121	508	250	250
Other Non-operating Income	4,732	7,224	7,000	8,000
Recurring PBT	18,822	23,369	26,305	30,876
<b>Profit / Loss from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	4,579	6,905	6,313	7,410
PAT	14,243	16,464	19,992	23,466
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	14,243	16,464	19,992	23,466
Net Income (Adjusted)	14,243	16,464	19,992	23,466

Source Company data, I-Sec research

### Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	81,435	91,238	1,18,259	1,40,673
of which cash & cash eqv.	20,571	25,929	47,551	60,936
Total Current Liabilities & Provisions	50,235	50,932	64,641	72,739
<b>Net Current Assets</b>	<b>31,200</b>	<b>40,306</b>	<b>53,618</b>	<b>67,934</b>
Investments	50,096	52,099	52,099	52,099
Net Fixed Assets	17,636	18,035	18,735	19,035
ROU Assets	-	-	-	-
Capital Work-in-Progress	3,655	2,240	2,240	2,240
Total Intangible Assets	-	-	-	-
Other assets	3,408	4,048	1,000	1,000
Deferred Tax assets	6,114	5,676	5,676	5,676
<b>Total Assets</b>	<b>1,12,288</b>	<b>1,22,553</b>	<b>1,35,170</b>	<b>1,49,786</b>
Liabilities				
Borrowings	1,142	800	800	800
Deferred Tax Liability	-	-	-	-
Provisions	1,095	1,184	1,184	1,184
Other Liabilities	-	-	-	-
Equity Share Capital	295	295	295	295
Reserves & Surplus	1,09,756	1,20,274	1,32,891	1,47,507
<b>Total Net Worth</b>	<b>1,10,051</b>	<b>1,20,569</b>	<b>1,33,186</b>	<b>1,47,802</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>1,12,288</b>	<b>1,22,553</b>	<b>1,35,170</b>	<b>1,49,786</b>

Source Company data, I-Sec research

### Exhibit 8: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	41,584	41,301	42,052	42,334
% growth (YoY)	17.3	13.4	14.9	4.2
EBITDA	4,679	4,913	5,784	5,572
Margin %	11.3	11.9	13.8	13.2
Other Income	1,875	1,542	1,548	2,261
Extraordinaries	-	-7,850	-588	-
Adjusted Net Profit	4,090	4,035	4,727	5,644

Source Company data, I-Sec research

### Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>17,149</b>	<b>17,519</b>	<b>33,352</b>	<b>27,984</b>
Working Capital Changes	(1,071)	(3,748)	8,310	(932)
Capital Commitments	(6,586)	(3,279)	(5,500)	(5,500)
<b>Free Cashflow</b>	<b>10,563</b>	<b>14,240</b>	<b>27,852</b>	<b>22,484</b>
Other investing cashflow	1,970	(2,086)	1,396	-
<b>Cashflow from Investing Activities</b>	<b>(4,616)</b>	<b>(5,365)</b>	<b>(4,104)</b>	<b>(5,500)</b>
Issue of Share Capital	-	-	-	-
Interest Cost	(121)	(508)	(250)	(250)
Inc (Dec) in Borrowings	(577)	(342)	-	-
Dividend paid	(14,160)	(5,015)	(7,375)	(8,850)
Others	5,842	(4,417)	-	-
<b>Cash flow from Financing Activities</b>	<b>(9,016)</b>	<b>(10,282)</b>	<b>(7,625)</b>	<b>(9,100)</b>
Chg. in Cash & Bank balance	3,517	1,872	21,622	13,384
Closing cash & balance	20,571	25,929	47,551	60,936

Source Company data, I-Sec research

### Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	482.8	558.1	677.7	795.5
Adjusted EPS (Diluted)	482.8	558.1	677.7	795.5
Cash EPS	613.5	703.7	840.4	971.7
Dividend per share (DPS)	480.0	170.0	250.0	300.0
Book Value per share (BV)	3,730.5	4,087.1	4,514.8	5,010.2
Dividend Payout (%)	99.4	30.5	36.9	37.7
<b>Growth (%)</b>				
Net Sales	26.7	12.0	12.0	12.0
EBITDA	24.0	15.9	16.3	16.3
EPS (INR)	17.0	15.6	21.4	17.4
<b>Valuation Ratios (x)</b>				
P/E	65.4	56.6	46.6	39.7
P/CEPS	51.5	44.9	37.6	32.5
P/BV	8.5	7.7	7.0	6.3
EV / EBITDA	50.5	43.3	36.3	30.8
EV / Sales	6.1	5.4	4.7	4.2
<b>Profitability Ratios</b>				
Gross Profit Margins (%)	36.6	35.2	35.5	36.0
EBITDA Margins (%)	12.1	12.5	13.0	13.5
EBIT Margins (%)	9.5	10.0	10.4	11.0
Net Profit Margins (%)	9.5	9.8	10.7	11.2
RoCE (%)	9.7	9.7	11.1	11.8
RoE (%)	12.9	13.7	15.0	15.9
Dividend Yield (%)	1.5	0.5	0.8	1.0
<b>Operating Ratios</b>				
Fixed Asset Turnover (x)	7.0	8.3	8.9	9.9
Inventory Turnover Days	47	41	44	44
Receivables Days	47	48	47	46
Payables Days	67	56	65	65
Effective Tax Rate (%)	24.3	29.5	24.0	24.0
Net Debt / Equity (x)	(0.2)	(0.2)	(0.4)	(0.4)
Net Debt / EBITDA (x)	(1.1)	(1.2)	(1.9)	(2.1)

Source Company data, I-Sec research

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