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India | Equity research | Q1FY25 results review

Bosch

Auto Ancillaries

Subdued margin execution persists; valuation appears inflated

Bosch India's (BOS) Q1FY25 EBITDAM of 12% (down ~110bps QoQ) was a miss against consensus estimate of 13.7%, as other expenses increased by 280bps QoQ, although in line with past 8-quarter average. Despite localisation efforts, hiving off lower margin businesses, GM continued to surprise negatively as has been for past couple of years (barring Q3FY24). Revenue grew merely 4% YoY to INR 43bn, led by continued demand in PV along with rising content/unit, though revenue growth outlook for majority of segments looks relatively lower for FY25. We believe with limited visibility of EBITDAM moving up beyond 14% levels on a sustainable basis, and BOS likely to face CV industry downcycle headwinds from mid-FY25 itself, current valuation levels look inflated. Maintain **SELL** with DCF-based revised TP of INR 25,221 (earlier: INR 24,067), implying 32x FY26E earnings, with earnings CAGR of ~19% over FY24-26E. Change in TP is driven by earnings rollover.

Takeaways from Q1FY25 result conference call, and our views

- Revenue growth of 4% YoY was driven by 4% YoY growth in mobility business, driven mainly by aftermarket growth of 8% YoY led by higher demand for new generation diesel components. Power solutions business was up 2% YoY, aided by continued demand in PV segment along with rising content/unit. 2W business was up 15% YoY on higher sales of fuel injectors and fuel supply modules 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 6% YoY growth with building technologies revenue up 19% YoY driven by security systems demand and consumable goods segment up 5% YoY. 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.
- EBITDA margin was down 110bps QoQ at 12% due to higher other expenses vs those in Q4, which were lower due to one-off items. It is expecting TREM V introduction by Q2CY26, where it has a good level of localisation and would add to margin.

Basudeb Banerjee

basudeb.banerjee@icicisecurities.com
+91 22 6807 7260

Vishakha Maliwal

vishakha.maliwal@icicisecurities.com

Market Data

Market Cap (INR)	963bn
Market Cap (USD)	11,476mn
Bloomberg Code	BOS IN
Reuters Code	BOSH.BO
52-week Range (INR)	36,678 /17,925
Free Float (%)	29.0
ADTV-3M (mn) (USD)	21.7

Price Performance (%)	3m	6m	12m
Absolute	8.7	31.2	78.8
Relative to Sensex	2.4	22.3	59.3

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)	67.6	58.5	48.2	41.0
EV/EBITDA (x)	52.2	44.8	37.6	31.9
RoCE (%)	9.7	9.7	11.1	11.8
RoE (%)	12.9	13.7	15.0	15.9

Previous Reports

27-05-2024: [Q4FY24 results review](#)

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

Exhibit 1: Q1FY25 result summary (standalone)

INR mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Total operating income	43,168	41,584	3.8	42,334	2
Raw material costs	27,867	26,834	4	27,710	1
As a % of sales	64.6%	64.5%	3 bps	65.5%	-90 bps
Gross Profit	15,301	14,750	4	14,624	5
Gross margin (%)	35.4%	35.5%	-3 bps	34.5%	90 bps
Employee costs	3,348	3,094	8	3,615	-7
As a % of sales	7.8%	7.4%	32 bps	8.5%	-78 bps
Other expenditures	6,756	6,977	-3	5,437	24
As a % of sales	15.7%	16.8%	-113 bps	12.8%	281 bps
Total operating expenses	37,971	36,905	3	36,762	3
EBITDA	5,197	4,679	11	5,572	-7
EBITDA margin (%)	12.0	11.3	79 bps	13.2	-112 bps
Depreciation & Amortization	856	921	-7	1,188	-28
Other income	1,793	1,875	-4	2,261	-21
Interest costs	26	308	-92	39	-33
PBT	6,108	5,325	15	6,606	-8
Taxes	1,453	1,235	18	962	51
Reported PAT	4,655	4,090	14	5,644	-18
Adjusted PAT	4,655	4,090	14	5,644	-18

Source: Company data, I-Sec research

Exhibit 2: Q1FY25 segment mix (standalone)

Revenue (INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Automotive	37,418	36,232	3.3	35,114	6.6
Non-Automotive	5,814	5,424	7.2	7,256	-19.9
Total	43,232	41,656	3.8	42,370	2.0
EBIT Margin					
Automotive	13.8%	10.9%	290 bps	13.9%	-8 bps
Non-Automotive	7.9%	16.4%	-841 bps	11.4%	-345 bps
Total	13.1%	11.7%	140 bps	13.5%	-43 bps

Source: Company data, I-Sec research

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 3: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	70.5	70.5	70.5
Institutional investors	21.0	21.3	21.9
MFs and other	6.7	7.1	6.6
FIs/ Banks	0.1	0.1	0.1
Insurance Cos.	9.8	9.4	8.9
FIIIs	4.4	4.8	6.3
Others	8.5	8.2	7.6

Source: Bloomberg

Exhibit 4: Price chart



Source: Bloomberg

Financial summary

Exhibit 5: 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
Operating Expenses	36,598	37,983	42,152	47,211
EBITDA	18,067	20,948	24,355	28,326
EBITDA Margin (%)	12.1	12.5	13.0	13.5
Depreciation & Amortization	3,856	4,295	4,800	5,200
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
Profit / Loss from Associates	-	-	-	-
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 6: 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
Net Current Assets	31,200	40,306	53,618	67,934
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
Total Assets	1,12,288	1,22,553	1,35,170	1,49,786
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
Total Net Worth	1,10,051	1,20,569	1,33,186	1,47,802
Minority Interest	-	-	-	-
Total Liabilities	1,12,288	1,22,553	1,35,170	1,49,786

Source Company data, I-Sec research

Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	41,301	42,052	42,334	43,168
% growth (YoY)	13.4	14.9	4.2	3.8
EBITDA	4,913	5,784	5,572	5,197
Margin %	11.9	13.8	13.2	12.0
Other Income	1,542	1,548	2,261	1,793
Extraordinaries	-7,850	-588	-	-
Adjusted Net Profit	4,035	4,727	5,644	4,655

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	17,149	17,519	33,352	27,984
Working Capital Changes	(1,071)	(3,748)	8,310	(932)
Capital Commitments	(6,586)	(3,279)	(5,500)	(5,500)
Free Cashflow	10,563	14,240	27,852	22,484
Other investing cashflow	1,970	(2,086)	1,396	-
Cashflow from Investing Activities	(4,616)	(5,365)	(4,104)	(5,500)
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)	-	-
Cash flow from Financing Activities	(9,016)	(10,282)	(7,625)	(9,100)
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 9: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
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
Growth (%)				
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
Valuation Ratios (x)				
P/E	67.6	58.5	48.2	41.0
P/CEPS	53.2	46.4	38.9	33.6
P/BV	8.8	8.0	7.2	6.5
EV / EBITDA	52.2	44.8	37.6	31.9
EV / Sales	6.3	5.6	4.9	4.3
Profitability Ratios				
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	0.9
Operating Ratios				
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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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
