

12 November 2024

India | Equity research | Q2FY25 results review

Bosch

Auto Ancillaries

In-line performance; valuation appears inflated

Bosch India's (BOS) Q2FY25 EBITDAM of 12.8% (up ~70bps QoQ) was largely in line with consensus estimate of 13%, as other expenses fell ~130bps QoQ, although lower than past 8-quarter average. Despite localisation efforts, hiving off lower margin businesses, gross margin continued to surprise negatively, as has been for past couple of years (barring Q3FY24). Revenue grew merely 6% YoY to INR 44bn, led by continued demand in PV and rising content/unit, though revenue growth outlook for majority of segments looks relatively lower for FY25. With limited visibility of EBITDA margin moving up beyond 14% on sustainable basis, and BOS likely to face CV industry downcycle headwinds from FY25 itself, current valuation levels look inflated. Maintain **SELL** with DCF-based unchanged target price of INR 25,221, implying 32x FY26E EPS, with EPS CAGR of ~19% over FY24-26E.

Takeaways from Q2FY25 result conference call, and our views

- Revenue growth of 6% YoY was driven by 5% YoY growth in mobility business; power solutions business was up 6% YoY, aided by increased sales in PV segment, rising content/unit, genset applications and increase in exports of electronic control, throttle body, in line pump and nozzle holders. 2W business was up 13% 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. BOS' aftermarket segment increased 9% YoY led by increased demand for lubricants and diesel components. Its non-mobility business saw 14% YoY growth with building technologies revenue up 20% YoY driven by security systems demand and consumable goods segment up 10% 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; H1FY25 exports growth stood at ~10% YoY. Despite muted industry growth recently, BOS expects FY25 to mirror FY24 growth rates.
- EBITDA margin was up ~80bps QoQ at 12.8% due to lower other expenses (14.3%) vs those in Q1, although this was lower than last 8 quarter average levels of ~16%. BOS is expecting TREM V introduction by Q2CY26, where it has good level of localisation and would add to margin.

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)	72.5	62.7	51.6	44.0
EV/EBITDA (x)	56.1	48.1	40.5	34.3
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)	1,032bn
Market Cap (USD)	12,230mn
Bloomberg Code	BOS IN
Reuters Code	BOSH.BO
52-week Range (INR)	39,089 / 19,450
Free Float (%)	29.0
ADTV-3M (mn) (USD)	14.5

Price Performance (%)	3m	6m	12m
Absolute	9.3	15.0	78.8
Relative to Sensex	9.5	5.6	56.3

ESG Score	2022	2023	Change
ESG score	70.0	70.1	0.1
Environment	57.5	63.9	6.4
Social	72.7	73.9	1.2
Governance	76.3	73.2	(3.1)

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

07-08-2024: [Q1FY25 results review](#)

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

Exhibit 1: Q2FY25 result summary (standalone)

INR mn	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Total operating income	43,943	41,301	6	43,168	2
Raw material costs	28,616	27,584	4	27,867	3
As a % of sales	65.1%	66.8%	-167 bps	64.6%	57 bps
Gross Profit	15,327	13,717	12	15,301	0
Gross margin (%)	34.9%	33.2%	167 bps	35.4%	-57 bps
Employee costs	3,437	3,355	2	3,348	3
As a % of sales	7.8%	8.1%	-30 bps	7.8%	7 bps
Other expenditures	6,285	5,449	15	6,756	-7
As a % of sales	14.3%	13.2%	111 bps	15.7%	-135 bps
Total operating expenses	38,338	36,388	5	37,971	1
EBITDA	5,605	4,913	14	5,197	8
EBITDA margin (%)	12.8	11.9	86 bps	12.0	72 bps
Depreciation & Amortization	900	1,013	-11	856	5
Other income	2,089	1,542	35	1,793	17
Interest costs	22	122	-82	26	-15
PBT	6,772	5,320	27	6,108	11
Exceptional Items	-485	-7,850	-	-	-
Taxes	1,898	3,181	-40	1,453	31
Reported PAT	5,359	9,989	-46	4,655	15
Adjusted PAT	5,001	4,035	24	4,655	7

Source: Company data, I-Sec research

Exhibit 2: Q2FY25 segment mix (standalone)

Revenue (INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Automotive	37,594	35,708	5.3	37,418	0.5
Non-Automotive	6,420	5,634	14.0	5,814	10.4
Total	44,014	41,342	6.5	43,232	1.8
EBIT Margin					
Automotive	13.9%	12.5%	139 bps	13.8%	4 bps
Non-Automotive	11.1%	9.3%	179 bps	7.9%	318 bps
Total	13.5%	12.1%	143 bps	13.1%	44 bps

Source: Company data, I-Sec research

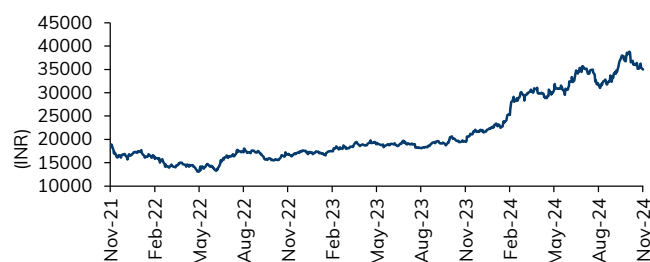
Upside risks

- 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

%	Mar'24	Jun'24	Sep'24
Promoters	70.5	70.5	70.5
Institutional investors	21.3	21.9	22.0
MFs and other	7.1	6.6	6.0
FIs/ Banks	0.1	0.1	0.6
Insurance Cos.	9.4	8.9	8.8
FII	4.8	6.3	6.6
Others	8.2	7.6	7.5

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)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	42,052	42,334	43,168	43,943
% growth (YoY)	14.9	4.2	3.8	6.4
EBITDA	5,784	5,572	5,197	5,605
Margin %	13.8	13.2	12.0	12.8
Other Income	1,548	2,261	1,793	2,089
Extraordinaries	-588	-	-	-485
Adjusted Net Profit	4,727	5,644	4,655	5,001

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	72.5	62.7	51.6	44.0
P/CEPS	57.0	49.7	41.6	36.0
P/BV	9.4	8.6	7.8	7.0
EV / EBITDA	56.1	48.1	40.5	34.3
EV / Sales	6.8	6.0	5.3	4.6
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 (%)	1.4	0.5	0.7	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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