

India

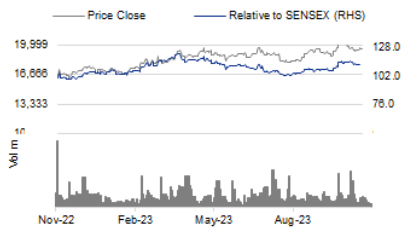
November 09, 2023 - 11:46 PM

REDUCE (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 3	
Current price:	Rs19,535
Target price: ▶	Rs16,401
Previous target:	Rs16,401
Up/downside:	-16.0%
InCred Research / Consensus:	-5.7%
Reuters:	BOSH.NS
Bloomberg:	BOS IN
Market cap:	US\$6,918m Rs576,158m
Average daily turnover:	US\$5.8m Rs482.2m
Current shares o/s:	29.5m
Free float:	29.5%
*Source: Bloomberg	

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	14,984	16,950	19,459
Core EPS (Rs)	507.93	574.57	659.63
Core EPS Growth	4.3%	13.1%	14.8%
FD Core P/E	38.46	34.00	29.61
Recurring ROE	13.2%	14.1%	15.2%
P/BV (x)	4.96	4.66	4.34
DPS (Rs)	300.00	320.00	350.00
Dividend Yield	1.54%	1.64%	1.79%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	1.4	6.7	13.4
Relative (%)	3.4	8.1	6.0

Major shareholders	% held
Bosch Global	70.5
GIC	3.0
New India Assurance	2.2

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Bosch Ltd

Purchased goods continue to haunt in 2Q

- 2QFY24 EBITDA growth of 5% qoq and 14% yoy to Rs4.9bn missed our estimate by 9% because of the elevated cost of purchased goods.
- We maintain our FY24F estimates, which build in a 2HFY24F EBITDA of Rs9.7bn, flattish over 1H due to a seasonally weak 3Q.
- Guidance of improving CRDi engine localization from 68% to 90+% in next 3 years doesn't excite us as last 2.5 years' EBITDA margins were flat at 11.5%.

2QFY24 financial highlights

- Net sales stood at Rs.41bn, +13% yoy and flat qoq, 4% below InCred estimate of Rs42.8bn and 5% below Bloomberg consensus estimate of Rs42.9bn.
- EBITDA was at Rs4.9bn, +14% yoy and +5% qoq, 9% below InCred estimate of Rs.5.4bn and Bloomberg consensus estimate of Rs5.6bn.
- The EBITDA margin stood at 11.9%, +12bp yoy and +64bp qoq, 65bp below InCred estimate of 12.5%.
- Depreciation was at Rs1bn, +10% yoy and qoq, 3.5% below InCred estimate of Rs1.05bn. Interest cost was at Rs122m, +542% yoy and -60% qoq, 144% above InCred estimate.
- Other income stood at Rs.1.5bn, +9% yoy and flat qoq, 4% below InCred estimate.
- PBT was flat qoq at Rs5.3bn, 9.4% below InCred estimate.
- One-off gain from the sale of project house mobility solution amounting to Rs7.9bn boosted reported PAT to Rs9.99bn.

Management conference-call highlights

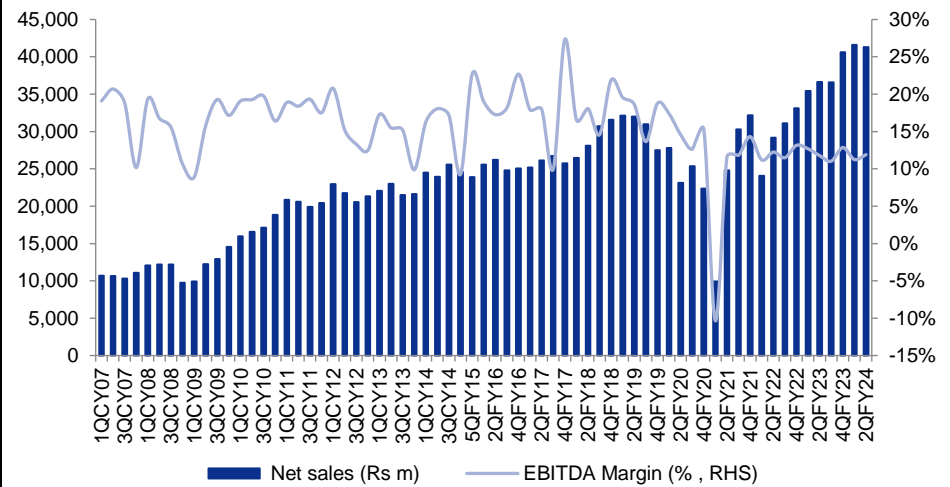
- The powertrain solutions division's growth stood at 12% yoy, driven by the two-wheeler segment's growth of 18.6% and the aftermarket segment's mere 10% growth.
- Management indicated that gross margin shrinkage qoq was due to an adverse product mix and the forex loss impact.
- Management also indicated that child parts localization of injectors has been taken up now to increase the localization from 68% currently in the case of CRDi engines.
- Management stated that it has planned a capex of Rs3.5bn for FY24F.
- We build in our estimates an EBITDA margin of around 12% for FY24F-26F, which is in line with the 1H performance. The challenges that would be faced in tractor CRDi engine upgrade from FY25F is a cause of concern.

Figure 1: Quarterly results comparison

Y/E Mar (Rs m)	2QFY24	2QFY23	yoy % chg	1QFY24	qoq % chg	yoy % chg quarter	Comments for the
Revenue	41,301	36,616	12.8	41,584	(0.7)	26.6	4% below our estimate.
Raw material (RM) costs	27,584	23,773	16.0	26,834	2.8	29.7	
RM costs as a % of revenue	66.8	64.9	186	64.5	226	150	279bp above our estimate.
EBITDA	4,913	4,311	14.0	4,679	5.0	24.6	9% below our estimate.
EBITDA margin (%)	11.9	11.8	12.2	11.3	64.4	(19.3)	65bp below our estimate.
Depreciation & amortization	1,013	919	10.2	921	10.0	18.9	
EBIT	3,900	3,392	15.0	3,758	3.8	26.3	
Interest expenses	122	19.0	542	308	(60)	(58)	144% above our estimate.
Other income	1,542	1,497	3.0	1,875	(17.8)	19.5	4% below our estimate.
Pre-tax profit	5,320	4,870	9.2	5,325	(0.1)	26.1	9% below our estimate
Tax	3,181	1,146	177.6	1,235	157.6	21.0	
Tax rate (%)	59.8	23.5	3,626	23.2	3,660	(103)	
Normalized net profit	2,139	3,724	(42.6)	4,090	(47.7)	27.8	52% below our estimate.
Exceptional items	7,850	-	nm	-	nm	nm	
Reported net profit	9,989	3,724	168.2	4,090	144.2	13.7	
Normalized EPS (Rs)	72.5	126.3	(42.6)	138.7	(47.7)	27.8	

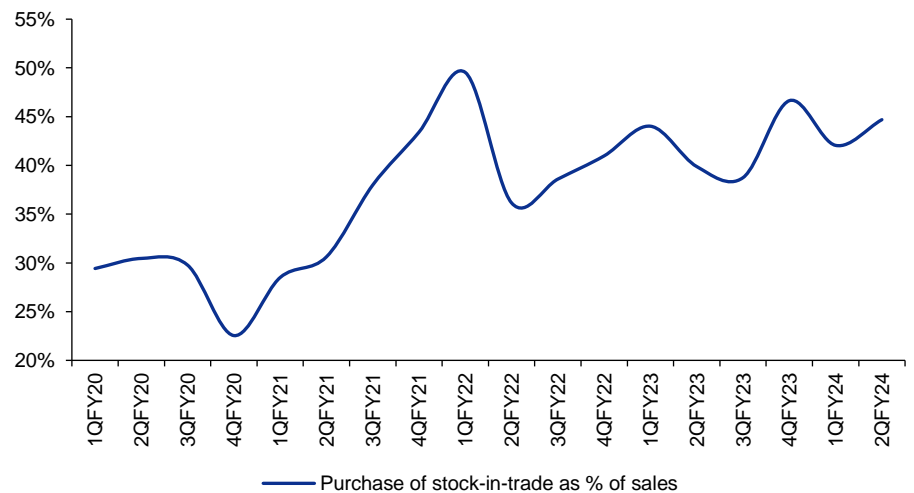
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Sales growth fails to impress when it comes to EBITDA margin



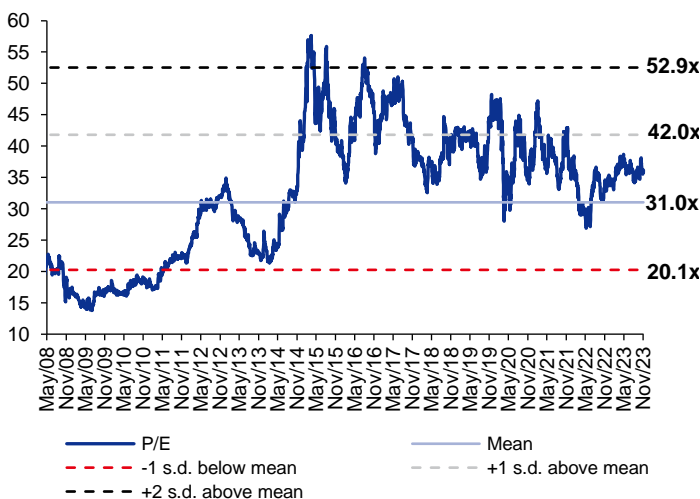
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Purchased stock-in-trade rises sharply qoq



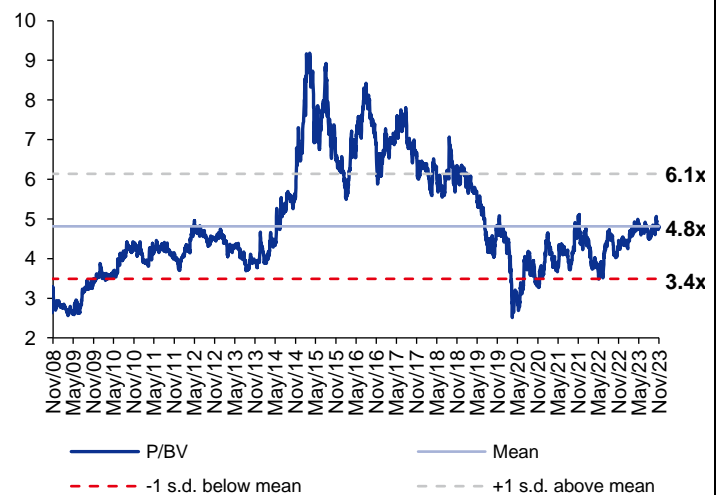
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Forward P/E valuation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Forward P/BV valuation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	149,293	168,418	188,387	205,998
Gross Profit	54,665	62,315	71,587	79,103
Operating EBITDA	18,067	19,334	22,369	25,944
Depreciation And Amortisation	(3,856)	(4,457)	(5,286)	(6,096)
Operating EBIT	14,211	14,877	17,084	19,848
Financial Income/(Expense)	(121)	(225)	(200)	(150)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	4,733	5,064	5,419	5,907
Profit Before Tax (pre-EI)	18,823	19,716	22,302	25,604
Exceptional Items				
Pre-tax Profit	18,823	19,716	22,302	25,604
Taxation	(4,456)	(4,732)	(5,353)	(6,145)
Exceptional Income - post-tax				
Profit After Tax	14,367	14,984	16,950	19,459
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	14,367	14,984	16,950	19,459
Recurring Net Profit	14,367	14,984	16,950	19,459
Fully Diluted Recurring Net Profit	14,367	14,984	16,950	19,459

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	70,795	70,973	73,022	74,897
Total Debtors	38,622	43,148	46,258	51,219
Inventories	19,029	20,764	23,226	25,397
Total Other Current Assets	9,399	10,339	11,373	12,510
Total Current Assets	137,845	145,224	153,878	164,023
Fixed Assets	20,968	25,907	28,621	32,525
Total Investments				
Intangible Assets				
Total Other Non-Current Assets	3,781	3,781	3,781	3,781
Total Non-current Assets	24,749	29,688	32,402	36,306
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	39,981	44,916	47,401	50,804
Other Current Liabilities				
Total Current Liabilities	39,981	44,916	47,401	50,804
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities				
Total Provisions	12,491	13,740	15,114	16,626
Total Liabilities	52,472	58,656	62,515	67,429
Shareholders Equity	110,122	116,256	123,766	132,900
Minority Interests				
Total Equity	110,122	116,256	123,766	132,900

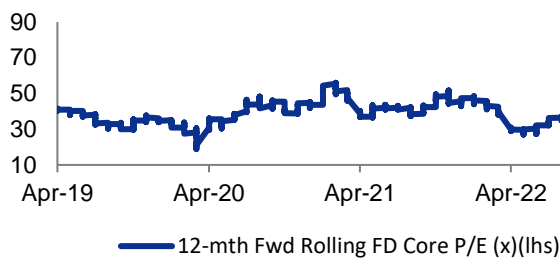
Cash Flow

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	18,067	19,334	22,369	25,944
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(649)	(1,192)	(3,487)	(4,269)
(Incr)/Decr in Total Provisions	(1,709)	175	740	914
Other Non-Cash (Income)/Expense	380			
Other Operating Cashflow	(123)			
Net Interest (Paid)/Received	4,612	4,839	5,219	5,757
Tax Paid	(4,456)	(4,732)	(5,353)	(6,145)
Cashflow From Operations	16,122	18,424	19,489	22,200
Capex	(6,655)	(9,396)	(8,000)	(10,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	8,208	(2,511)	(2,637)	(2,769)
Cash Flow From Investing	1,553	(11,908)	(10,637)	(12,769)
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(14,160)	(8,850)	(9,440)	(10,325)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(14,160)	(8,850)	(9,440)	(10,325)
Total Cash Generated	3,515	(2,333)	(588)	(894)
Free Cashflow To Equity	17,675	6,517	8,852	9,431
Free Cashflow To Firm	17,796	6,742	9,052	9,581

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	27.1%	12.8%	11.9%	9.3%
Operating EBITDA Growth	28.9%	7.0%	15.7%	16.0%
Operating EBITDA Margin	12.1%	11.5%	11.9%	12.6%
Net Cash Per Share (Rs)	2,399.83	2,405.86	2,475.32	2,538.88
BVPS (Rs)	3,732.95	3,940.88	4,195.45	4,505.09
Gross Interest Cover	117.45	66.12	85.42	132.32
Effective Tax Rate	23.7%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	98.6%	59.1%	55.7%	53.1%
Accounts Receivables Days	41.92	44.62	44.96	46.49
Inventory Days	70.05	68.44	68.73	69.93
Accounts Payables Days	95.77	100.05	98.30	94.72
ROIC (%)	29.5%	28.7%	28.9%	30.1%
ROCE (%)	13.1%	13.1%	14.2%	15.5%
Return On Average Assets	9.1%	9.0%	9.5%	10.1%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
ASP (% chg, main prod./serv.)	5.0%	3.0%	3.0%	2.0%
Unit sales grth (% , main prod./serv.)	31.2%	15.2%	12.7%	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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