

India

January 29, 2025 - 12:06 AM

**REDUCE** (no change)

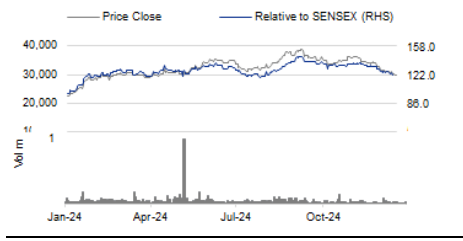
Consensus ratings\*: Buy 1 Hold 1 Sell 3

Current price:	Rs29,797
Target price:	Rs26,379
Previous target:	Rs26,379
Up/downside:	-11.5%
InCred Research / Consensus:	-14.7%
Reuters:	BOSH.NS
Bloomberg:	BOS IN
Market cap:	US\$10,156m Rs878,823m
Average daily turnover:	US\$11.9m Rs1030.5m
Current shares o/s:	29.5m
Free float:	29.5%

\*Source: Bloomberg

**Key financial forecast**

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	19,132	21,304	22,800
Core EPS (Rs)	648.53	722.15	772.87
Core EPS Growth	25.0%	11.4%	7.0%
FD Core P/E	45.95	41.26	38.55
Recurring ROE	15.5%	16.4%	16.7%
P/BV (x)	6.92	6.61	6.30
DPS (Rs)	450.00	520.00	550.00
Dividend Yield	1.51%	1.75%	1.85%



Price performance	1M	3M	12M
Absolute (%)	(12.6)	(18.2)	28.2
Relative (%)	(9.4)	(13.4)	21.5

Major shareholders	% held
Bosch Global	70.5
GIC	2.8
LIC	2.1

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# Bosch Ltd

## Weak performance continues

- 3Q EBITDA was flattish yoy, below our estimate (7%) and Bloomberg consensus (5%), due to dismal sales growth and EBITDA margin pressure.
- Despite strong growth in the aftermarket segment's sales, the weak EBITDA margin performance disappoints.
- The correction in the stock price to continue as the valuation is rich for single-digit EBITDA growth. Maintain our REDUCE rating on the stock.

### Weak performance in powertrain solution biz hits EBITDA margin

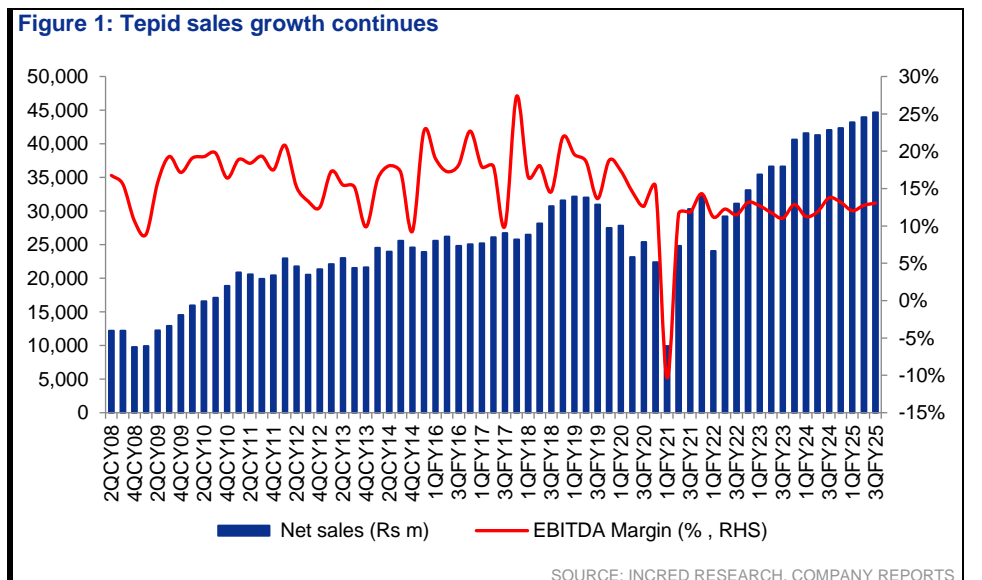
- Bosch's sales growth continued to be tepid at 6% yoy in 3QFY25, a 3% miss to our/ Bloomberg consensus estimates.
- EBITDA at Rs5.8bn was flat yoy while up 4% qoq, missing our estimate by 7% and Bloomberg consensus estimate by 5%.
- The EBITDA margin decline of 71bp yoy to 13% was due to high other expenses and employee costs, which were 9% above our estimate.
- Lower-than expected depreciation (-4% yoy) and interest costs limited the PAT miss to 1%, against our expectation, at Rs5bn.
- EPS stood at Rs171 in 3QFY25 and at Rs494 in 9MFY25.

### Management conference-call highlights

- 3Q sales growth was driven by superior growth in the aftermarket segment (8.8%), two-wheeler segment (24%) and consumer goods segment (8.8%).
- However, slow growth in OEM sales dragged corporate sales growth to a mere 5%.
- Seasonality led to easing raw material costs and a rise in other expenses qoq.
- The consumer goods division's EBIT collapsed 60% qoq due to weak demand situation at the end of the calendar year.
- The sale of building technologies business, having Rs4bn sales per annum and 6% profit margin, for a consideration of Rs5.95bn has been approved.

### Rich valuation for single-digit EBITDA growth

- The sustained business restructuring by selling loss-making new businesses has improved the profit margin but has limited the sales momentum.
- Recent stock price correction was much warranted. We maintain our REDUCE rating as Bosch's valuation is rich at +1SD above the 10-year mean P/BV. Upside risks: Export revival benefits on sales and localization benefits on profits.



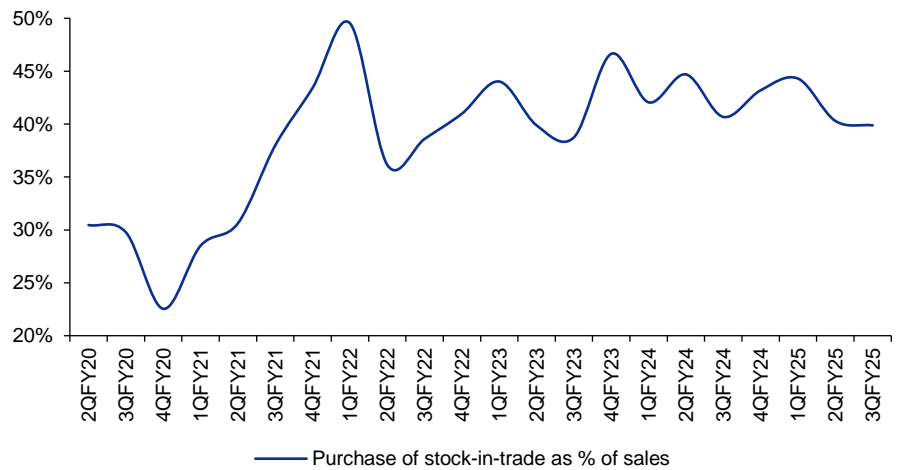
## Weak performance continues

Figure 2: Quarterly results comparison

YE Mar (Rs m)	3QFY25	3QFY24	yoy % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoy % chg	Comments for the quarter
Revenue	44,657	42,052	6.2	43,943	1.6	1,31,768	1,24,937	5.5	3% below our estimate.
Raw material costs	27,507	26,212	4.9	28,616	(3.9)	83,990	80,630	4.2	
RM costs as a % of revenue	61.6	62.3	(74)	65.1	(352)	64	65	(80)	90bp below our estimate.
EBITDA	5,826	5,784	0.7	5,605	3.9	16,628	15,376	8.1	7% below our estimate.
<b>EBITDA margin (%)</b>	<b>13.0</b>	<b>13.8</b>	<b>(70.8)</b>	<b>12.8</b>	<b>29.1</b>	<b>12.6</b>	<b>12.3</b>	<b>31.2</b>	61bp below our estimate.
Depreciation & amortization	1,008	1,173	(14.1)	900	12.0	2,764	3,107	(11.0)	4% below our estimate.
EBIT	4,818	4,611	4.5	4,705	2.4	13,864	12,269	13.0	
Interest expenses	62	39.0	59	22	182	110	469	(77)	24% above our estimate.
Other income	1,891	1,548	22.2	2,089	(9.5)	5,773	4,965	16.3	18% above our estimate.
Pre-tax profit	6,647	6,120	8.6	6,772	(1.8)	19,527	16,765	16.5	
Tax	1,594	1,527	4.4	1,898	(16.0)	4,945	5,943	(16.8)	
Tax rate (%)	24.0	25.0	(97)	28.0	(405)	25.3	35.4	(1,012)	
<b>Normalized net profit</b>	<b>5,053</b>	<b>4,593</b>	<b>10.0</b>	<b>4,874</b>	<b>3.7</b>	<b>14,582</b>	<b>10,822</b>	<b>34.7</b>	1% below our estimate.
Exceptional items	(471)	588	nm	485	nm	14	8,438	nm	
Reported net profit	4,582	5,181	(11.6)	5,359	(14.5)	14,596	19,260	(24.2)	
<b>Normalized EPS (Rs)</b>	<b>171.3</b>	<b>155.7</b>	<b>10.0</b>	<b>165.3</b>	<b>3.7</b>	<b>494</b>	<b>367</b>	<b>34.7</b>	

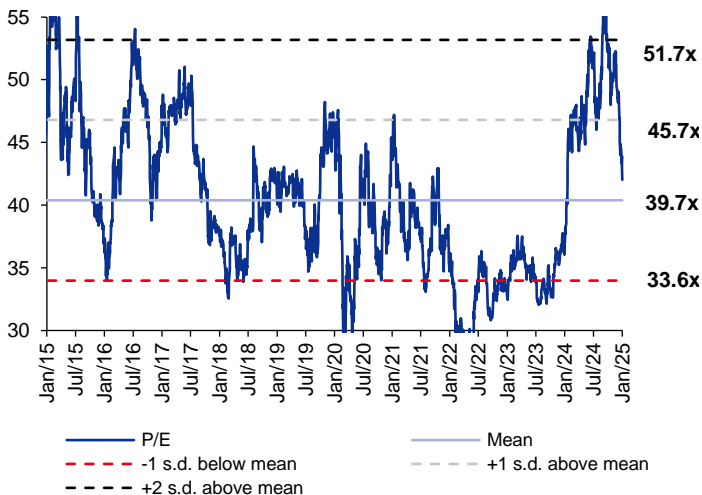
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Sustainability of stock-in-trade purchased at a lower price is a key thing to watch out for



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Forward P/E valuation is near the mean level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Forward P/BV valuation is rich above the +1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Profit & Loss**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>167,271</b>	<b>183,086</b>	<b>201,871</b>	<b>223,090</b>
<b>Gross Profit</b>	<b>58,931</b>	<b>65,179</b>	<b>74,087</b>	<b>81,428</b>
<b>Operating EBITDA</b>	<b>20,948</b>	<b>23,736</b>	<b>27,351</b>	<b>29,142</b>
Depreciation And Amortisation	(4,295)	(4,231)	(5,265)	(5,927)
<b>Operating EBIT</b>	<b>16,653</b>	<b>19,506</b>	<b>22,086</b>	<b>23,215</b>
Financial Income/(Expense)	(508)	(200)	(500)	(400)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	6,063	6,548	7,203	7,995
<b>Profit Before Tax (pre-EI)</b>	<b>22,208</b>	<b>25,854</b>	<b>28,789</b>	<b>30,810</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>22,208</b>	<b>25,854</b>	<b>28,789</b>	<b>30,810</b>
Taxation	(6,905)	(6,722)	(7,485)	(8,011)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>15,303</b>	<b>19,132</b>	<b>21,304</b>	<b>22,800</b>
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>15,303</b>	<b>19,132</b>	<b>21,304</b>	<b>22,800</b>
Recurring Net Profit	15,303	19,132	21,304	22,800
<b>Fully Diluted Recurring Net Profit</b>	<b>15,303</b>	<b>19,132</b>	<b>21,304</b>	<b>22,800</b>

**Balance Sheet**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	77,175	82,137	84,264	88,380
Total Debtors	44,289	45,575	50,654	53,560
Inventories	18,934	22,572	25,441	28,727
Total Other Current Assets	10,332	11,365	12,502	13,752
<b>Total Current Assets</b>	<b>150,730</b>	<b>161,650</b>	<b>172,861</b>	<b>184,419</b>
Fixed Assets	17,915	21,503	22,238	23,311
Total Investments				
Intangible Assets				
Total Other Non-Current Assets	2,877	2,877	2,877	2,877
<b>Total Non-current Assets</b>	<b>20,792</b>	<b>24,380</b>	<b>25,115</b>	<b>26,188</b>
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	38,297	42,976	47,349	51,637
Other Current Liabilities				
<b>Total Current Liabilities</b>	<b>38,297</b>	<b>42,976</b>	<b>47,349</b>	<b>51,637</b>
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
<b>Total Non-current Liabilities</b>				
Total Provisions	14,619	16,081	17,689	19,458
<b>Total Liabilities</b>	<b>52,916</b>	<b>59,057</b>	<b>65,038</b>	<b>71,095</b>
Shareholders Equity	120,632	126,974	132,937	139,512
Minority Interests				
<b>Total Equity</b>	<b>120,632</b>	<b>126,974</b>	<b>132,937</b>	<b>139,512</b>

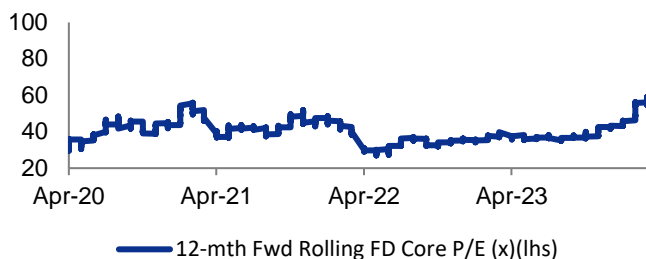
**Cash Flow**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	20,948	23,736	27,351	29,142
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(4,271)	(1,979)	(3,962)	(3,432)
(Incr)/Decr in Total Provisions	(1,790)	2,162	860	2,046
Other Non-Cash (Income)/Expense	904			
Other Operating Cashflow	9,602	485		
Net Interest (Paid)/Received	5,555	6,348	6,703	7,595
Tax Paid	(6,905)	(6,722)	(7,485)	(8,011)
<b>Cashflow From Operations</b>	<b>24,043</b>	<b>24,031</b>	<b>23,467</b>	<b>27,341</b>
Capex	(3,268)	(5,793)	(6,000)	(7,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(4,355)	(2,562)	(2,691)	(2,825)
<b>Cash Flow From Investing</b>	<b>(7,623)</b>	<b>(8,356)</b>	<b>(8,691)</b>	<b>(9,825)</b>
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(11,063)	(13,275)	(15,340)	(16,225)
Preferred Dividends				
Other Financing Cashflow				
<b>Cash Flow From Financing</b>	<b>(11,063)</b>	<b>(13,275)</b>	<b>(15,340)</b>	<b>(16,225)</b>
Total Cash Generated	5,358	2,400	(564)	1,291
<b>Free Cashflow To Equity</b>	<b>16,421</b>	<b>15,675</b>	<b>14,776</b>	<b>17,516</b>
<b>Free Cashflow To Firm</b>	<b>16,929</b>	<b>15,875</b>	<b>15,276</b>	<b>17,916</b>

**Key Ratios**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	12.0%	9.5%	10.3%	10.5%
Operating EBITDA Growth	15.9%	13.3%	15.2%	6.5%
Operating EBITDA Margin	12.5%	13.0%	13.5%	13.1%
Net Cash Per Share (Rs)	2,616.10	2,784.32	2,856.41	2,995.94
BVPS (Rs)	4,089.22	4,304.19	4,506.34	4,729.21
Gross Interest Cover	32.78	97.53	44.17	58.04
Effective Tax Rate	31.1%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	72.3%	69.4%	72.0%	71.2%
Accounts Receivables Days	44.57	45.25	46.31	47.62
Inventory Days	63.95	64.24	68.57	69.78
Accounts Payables Days	89.16	84.77	87.36	86.21
ROIC (%)	32.1%	34.8%	36.3%	35.0%
ROCE (%)	14.4%	15.8%	17.0%	17.0%
Return On Average Assets	9.5%	10.8%	11.4%	11.4%

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



**Key Drivers**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	3.0%	1.0%	2.0%	2.5%
Unit sales grth (% , main prod./serv.)	12.2%	9.1%	10.1%	11.4%

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.