

## India

**REDUCE** (no change)

Consensus ratings\*: Buy 1 Hold 1 Sell 3

Current price: Rs31,630  
 Target price: ▲ Rs27,910  
 Previous target: Rs26,379  
 Up/downside: -11.8%  
 InCred Research / Consensus: 7.7%

Reuters: BOSH.NS  
 Bloomberg: BOS IN  
 Market cap: US\$10,928m  
 Rs932,884m  
 Average daily turnover: US\$8.1m  
 Rs693.2m  
 Current shares o/s: 29.5m  
 Free float: 29.5%

\*Source: Bloomberg

**Key changes in this note**

► FY26F-27F PAT raised by ~8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.7	19.2	1.8
Relative (%)	10.3	7.3	(6.7)

Major shareholders	% held
Bosch Global	70.5
GIC	2.8
LIC	2.1

**Research Analyst(s)****Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

**Ravi GUPTA**

T (91) 22 4161 1552

E ravi.gupta@incredresearch.com

**Bosch Ltd****Sales growth recovery is difficult to sustain**

- 4Q EPS grew by 24% yoy and 10% qoq to Rs188, which was aided by low base sales growth benefit, lower depreciation and higher other income.
- We retain FY26F-27F EBITDA but raise EPS estimates by 8% for lower capex-led depreciation & higher other income from the sale of video solutions division.
- The recent stock price bounce-back lifted P/BV valuation to a rich +1SD above the mean. Maintain REDUCE rating on the stock with a higher TP of Rs27,910.

**Low base boosts 4QFY25 sales growth**

Bosch's 4QFY25 EBITDA rose by 16% yoy and 11% qoq to Rs6.5bn, which was 9% below our estimate but 5% above the Bloomberg consensus estimate. 4Q sales growth yoy looks impressive at 16% on a low base vs. 9MFY25 growth of 5.5%. The 10% qoq sales growth was aided by a 50% seasonal rise in the consumer division, while the automotive division rose by just 7% qoq. The EBITDA margin was flat at 13.2% due to a 43% yoy rise in other expenses. However, higher other income (116% yoy) and lower depreciation (-17% yoy) led to a 24% yoy rise in PAT to Rs5.5bn, a beat of 22% vs. our estimate.

**Management conference-call highlights**

Management highlighted the strong two-wheeler or 2W parts supply growth of 21% in 4QFY25 and 19% in FY25, aided by new emission norms or OBD-II benefits. The quick installation of the NOx sensor plant, with a planned capacity ramp-up of 2.1m units by FY27F, should help sustain the strong growth in 2W parts business. However, the global economic slowdown to impact exports. As per management, the one-time emission calibration project in 4Q aided sales growth and led to higher other expenses. Purchased goods are expected to ease with the help of new localization benefits (Fig. 3).

**We maintain EBITDA estimates; lower depreciation aids EPS growth**

We maintain our near double-digit sales growth outlook for FY26F-27F as the delay in tractor emission benefits will be neutralized by the momentum in 2W parts. We also maintain the EBITDA margin at around 13.2% for FY26F-27F. However, the accelerating yoy dip in depreciation in all quarters of FY25 due to low capex incurred in recent years came as a surprise, leading to a fall in depreciation costs and, in turn, leading to our EPS upgrade by around 8% for FY26F-27F.

**Valuation bounce-back makes the risk-reward ratio unfavourable**

The 20% spike in the stock price in the last three months has pushed forward the P/BV valuation to +1SD and the P/E to above the 10-year mean level. This makes the risk-reward ratio unfavourable as the company's order wins in the fast emerging Indian electric vehicle or EV space is very low. We maintain our REDUCE rating on the stock, valuing it at 33x one-year forward P/E, leading to a higher target price of Rs27,910 (Rs26,379 earlier) to reflect the EPS increase. Upside risk: The EBITDA margin recovery driven by a reduction in purchased goods.

**Financial Summary**

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	167,271	180,874	200,825	221,963	243,443
Operating EBITDA (Rsm)	20,948	23,097	27,235	29,244	31,824
Net Profit (Rsm)	15,303	20,119	22,912	24,584	26,846
Core EPS (Rs)	518.8	682.0	776.7	833.3	910.0
Core EPS Growth	6.5%	31.5%	13.9%	7.3%	9.2%
FD Core P/E (x)	60.97	46.38	40.72	37.96	34.76
DPS (Rs)	375.0	450.0	520.0	550.0	550.0
Dividend Yield	1.19%	1.42%	1.64%	1.74%	1.74%
EV/EBITDA (x)	40.86	35.78	30.47	28.20	25.58
P/FCFE (x)	56.82	41.61	111.14	64.50	55.13
Net Gearing	(64.0%)	(77.2%)	(70.9%)	(70.3%)	(72.2%)
P/BV (x)	7.73	6.75	6.40	6.05	5.66
ROE	13.3%	15.5%	16.1%	16.4%	16.8%
% Change In Core EPS Estimates			7.55%	7.83%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Sales growth recovery is difficult to sustain

### Management conference-call highlights ►

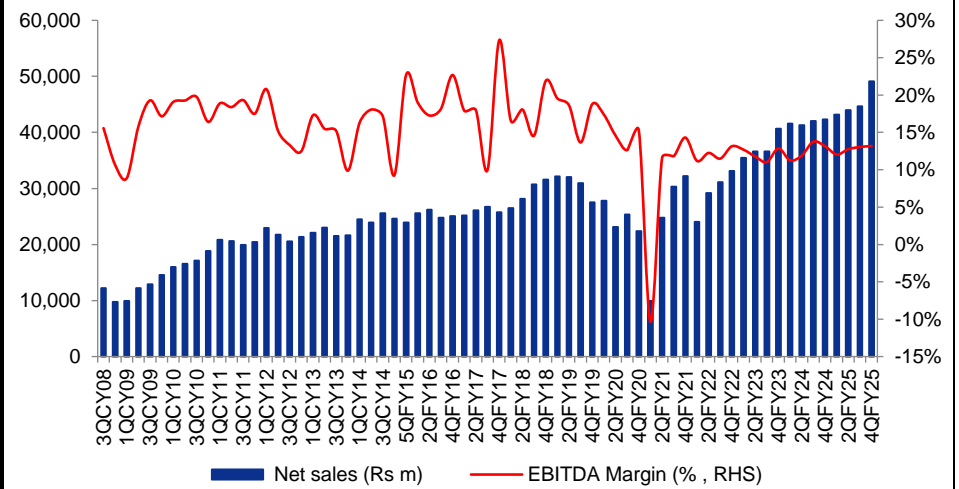
- **Outlook:** Growth drivers for the next two-to-three years include premiumization, advanced technology adoption, regulatory compliance (e.g., OBD-II norms), and electrification. Closely monitoring global trade dynamics, including tariffs and potential free trade agreements.
- **Mobility business:** The segment reported 14.9% qoq growth in 4QFY25 and 7% in FY25.
- **Power solutions business:** Grew by 16.9% yoy in 4QFY25 and by 6% in FY25 due to demand for diesel components in the off-highway segment, electronic controls, vehicle control units, electronic throttle body injectors, and high-pressure pumps.
- **Mobility aftermarket business:** Grew by 8% yoy in 4QFY25 and FY25, driven by high demand for diesel systems from OEMs, filter, and spark plug makers.
- **Two-wheeler business:** Witnessed 21.4% growth in 4QFY25 and 19% in FY25, driven by increased sales of exhaust gas sensors in anticipation of OBD-II norms effective 1 Apr 2025.
- **Consumer goods business:** Grew by 2.9% in 4QFY25 and 6.3% in FY25 on yoy basis, driven by demand for power tools like grinders, drillers, cutters, pairs, and accessories.
- **Energy & building technologies:** Declined by yoy 9% in 4QFY25 but grew by 8.2% in FY25, aided by increased orders for public address and communication systems.
- **Financial performance:** 4QFY25 EBITDA grew by 16.1% yoy, driven by revenue growth and reduced material costs. PAT margin stood at 11.3% in 4Q FY25 vs. 13.3% in 4QFY24, primarily due to the removal of indexation benefits on long-term capital gains. FY25 PAT margin was at 11.1% vs. 14.9% in FY24, impacted by an exceptional item in FY24 (profit from the sale of Project House mobility solutions business).
- **Traded goods:** Localization efforts reduced traded goods costs, with purchased goods now accounting for around 40% of sales, which was achieved through localization of components and finished goods to maintain quality.
- **Export business:** The company is actively pursuing export opportunities, particularly in spark plugs, injectors, and the new NOx sensor line, expecting a slight increase in export business in FY26F despite global market volatility.
- **Hydrogen engine project:** Working with major Indian OEMs on hydrogen engine development, electrolyzer development, cost optimization, and hydrogen distribution.
- **Bidadi plant:** The company inaugurated its NOx Sensor Gen 3 production line at its Bidadi plant, targeting a capacity of 2.1m sensors per year by 2027F. Supported by Bosch's global value chain, it will cater to cleaner emissions for Indian and global OEMs.
- **E-axle:** The company is in advanced negotiations with OEMs for e-axle orders but has not yet secured new orders from electric two-wheeler or three-wheeler makers.

Figure 1: Quarterly results comparison

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY25	qoq % chg	FY25	FY24	yoy % chg	Comments for the quarter
Revenue	49,106	42,334	16.0	44,657	10.0	1,80,874	1,67,271	8.1	4% below our estimate.
Raw material costs	30,645	27,710	10.6	27,507	11.4	1,14,635	1,08,340	5.8	
RM costs as a % of revenue	62.4	65.5	(305)	61.6	81	63	65	(139)	369bp below our estimate.
EBITDA	6,469	5,572	16.1	5,826	11.0	23,097	20,948	10.3	9% below our estimate.
<b>EBITDA margin (%)</b>	<b>13.2</b>	<b>13.2</b>	<b>1.2</b>	<b>13.0</b>	<b>12.7</b>	<b>12.8</b>	<b>12.5</b>	<b>24.6</b>	68bp below our estimate.
Depreciation & amortization	992	1,188	(16.5)	1,008	(1.6)	3,756	4,295	(12.5)	32% below our estimate.
EBIT	5,477	4,384	24.9	4,818	13.7	19,341	16,653	16.1	
Interest expenses	61	39.0	56	62	(2)	171	508	(66)	32% above our estimate.
Other income	2,369	1,098	115.8	1,891	25.3	8,142	6,063	34.3	206% above our estimate.
Pre-tax profit	7,785	5,443	43.0	6,647	17.1	27,312	22,208	23.0	
Tax	2,248	962	133.7	1,594	41.0	7,193	6,905	4.2	
Tax rate (%)	28.9	17.7	1,120	24.0	490	26.3	31.1	(476)	
<b>Normalized net profit</b>	<b>5,537</b>	<b>4,481</b>	<b>23.6</b>	<b>5,053</b>	<b>9.6</b>	<b>20,119</b>	<b>15,303</b>	<b>31.5</b>	22% above our estimate.
Exceptional items	-	1,164	nm	(471)	nm	14	9,602	nm	
Reported net profit	5,537	5,645	(1.9)	4,582	20.8	20,133	24,905	(19.2)	
<b>Normalized EPS (Rs)</b>	<b>187.8</b>	<b>151.9</b>	<b>23.6</b>	<b>171.3</b>	<b>9.6</b>	<b>682</b>	<b>519</b>	<b>31.5</b>	

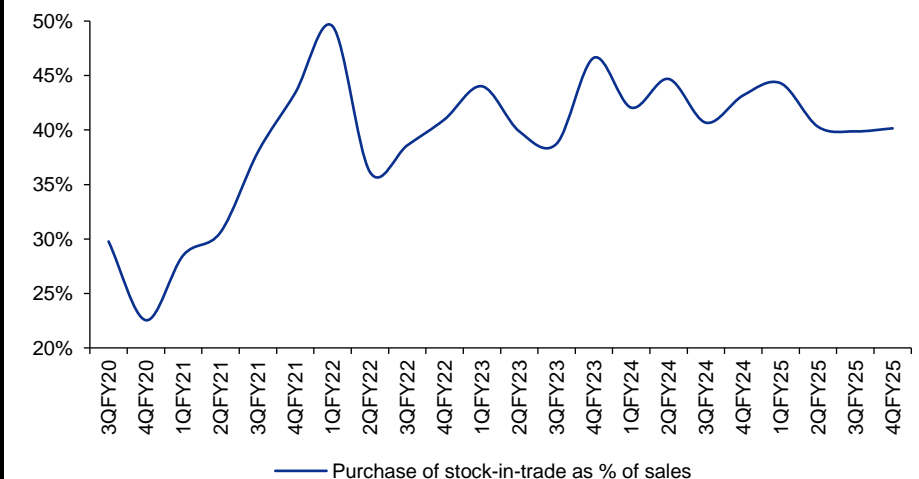
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Sales growth trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Key assumptions (Rs m)**

Revenue Mix	FY23	FY24A	FY25A	FY26F	FY27F	FY28F
Fuel Injection Equipment	63,551	71,289	77,762	86,803	96,735	1,06,313
Injectors, Nozzles and Nozzle holders	38,599	44,130	47,947	52,330	57,646	62,915
Auto Electricals	5,447	5,888	6,307	6,754	7,300	7,890
Portable Electric Power tools	15,641	17,402	19,493	22,735	25,318	28,709
Others	17,983	19,666	21,871	24,029	26,050	27,893
Revenue Growth						
Fuel Injection Equipment	31.2%	12.2%	9.1%	11.6%	11.4%	9.9%
Injectors, Nozzles and Nozzle holders	34.4%	14.3%	8.7%	9.1%	10.2%	9.1%
Auto Electricals	25.1%	8.1%	7.1%	7.1%	8.1%	8.1%
Portable Electric Power tools	16.3%	11.3%	12.0%	16.6%	11.4%	13.4%
Others	14.6%	9.4%	11.2%	9.9%	8.4%	7.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Our revised earnings estimates**

In Rs m	FY26F		FY27F	
	Old	New	Old	New
Net Sales	2,01,871	2,00,825	2,23,090	2,21,963
Change (%)		-0.5%		-0.5%
EBITDA	27,351	27,235	29,142	29,244
Change (%)		-0.4%		0.4%
EBITDA Margin	13.5%	13.6%	13.1%	13.2%
Change (%)		1.3		11.2
Normalized PAT	21,304	22,912	22,800	24,584
Change (%)		7.5%		7.8%
EPS	722.2	776.7	772.9	833.3
Change (%)		7.5%		7.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Bosch's P/E-based target price**

One-year forward EPS (Rs)	845.7
P/E(x)	33.0
Target price (Rs)	27,910

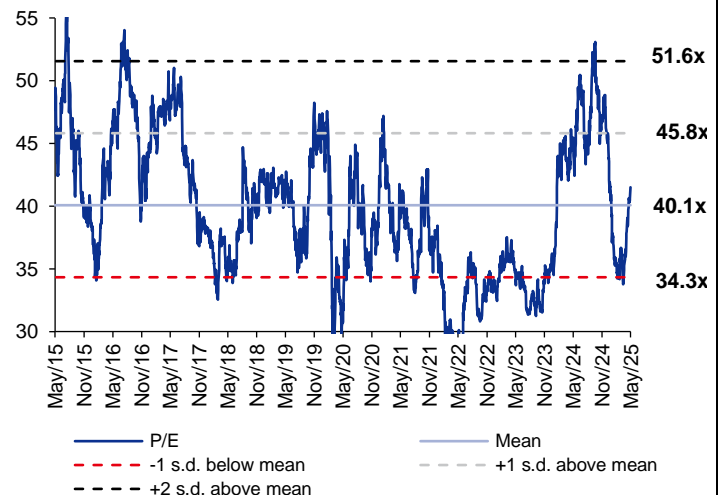
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Forward P/BV valuation is rich above the +1SD level**



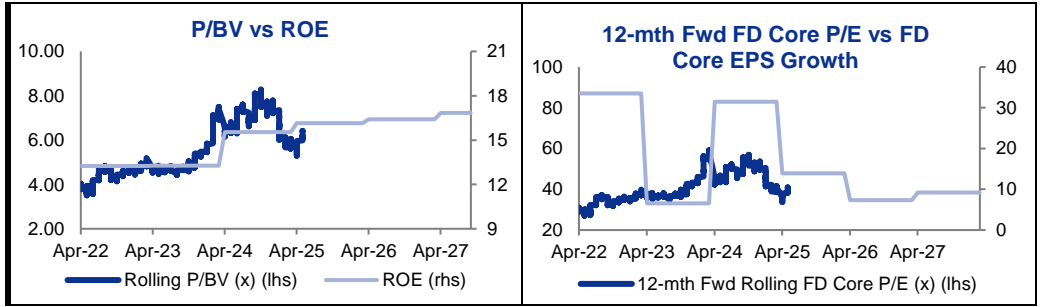
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Forward P/E valuation remains above the 10-year mean level**



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Net Revenues</b>	<b>167,271</b>	<b>180,874</b>	<b>200,825</b>	<b>221,963</b>	<b>243,443</b>
<b>Gross Profit</b>	<b>58,931</b>	<b>66,239</b>	<b>74,506</b>	<b>82,126</b>	<b>89,344</b>
<b>Operating EBITDA</b>	<b>20,948</b>	<b>23,097</b>	<b>27,235</b>	<b>29,244</b>	<b>31,824</b>
Depreciation And Amortisation	(4,295)	(3,756)	(4,730)	(5,565)	(6,181)
<b>Operating EBIT</b>	<b>16,653</b>	<b>19,341</b>	<b>22,506</b>	<b>23,680</b>	<b>25,644</b>
Financial Income/(Expense)	(508)	(171)	(500)	(400)	(400)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	6,063	8,142	8,956	9,941	11,035
<b>Profit Before Tax (pre-EI)</b>	<b>22,208</b>	<b>27,312</b>	<b>30,962</b>	<b>33,221</b>	<b>36,279</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>22,208</b>	<b>27,312</b>	<b>30,962</b>	<b>33,221</b>	<b>36,279</b>
Taxation	(6,905)	(7,193)	(8,050)	(8,638)	(9,432)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>15,303</b>	<b>20,119</b>	<b>22,912</b>	<b>24,584</b>	<b>26,846</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>15,303</b>	<b>20,119</b>	<b>22,912</b>	<b>24,584</b>	<b>26,846</b>
Recurring Net Profit	15,303	20,119	22,912	24,584	26,846
<b>Fully Diluted Recurring Net Profit</b>	<b>15,303</b>	<b>20,119</b>	<b>22,912</b>	<b>24,584</b>	<b>26,846</b>

### Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	<b>20,948</b>	<b>23,097</b>	<b>27,235</b>	<b>29,244</b>	<b>31,824</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,271)	1,585	(7,417)	(3,417)	(1,020)
(Incr)/Decr in Total Provisions	(1,790)	9,028	(1,429)	1,504	1,754
Other Non-Cash (Income)/Expense	904	1,606			
Other Operating Cashflow	9,602	14			
Net Interest (Paid)/Received	5,555	7,971	8,456	9,541	10,635
Tax Paid	(6,905)	(7,193)	(8,050)	(8,638)	(9,432)
<b>Cashflow From Operations</b>	<b>24,043</b>	<b>36,108</b>	<b>18,796</b>	<b>28,235</b>	<b>33,761</b>
Capex	(3,268)	(3,999)	(6,819)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4,355)	(9,684)	(3,581)	(6,768)	(9,836)
<b>Cash Flow From Investing</b>	<b>(7,623)</b>	<b>(13,683)</b>	<b>(10,400)</b>	<b>(13,768)</b>	<b>(16,836)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(11,063)	(13,275)	(15,340)	(16,225)	(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>	<b>(16,225)</b>
Total Cash Generated	5,358	9,150	(6,945)	(1,758)	699
<b>Free Cashflow To Equity</b>	<b>16,421</b>	<b>22,425</b>	<b>8,395</b>	<b>14,467</b>	<b>16,924</b>
<b>Free Cashflow To Firm</b>	<b>16,929</b>	<b>22,596</b>	<b>8,895</b>	<b>14,867</b>	<b>17,324</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	77,175	106,696	103,332	108,342	118,878
Total Debtors	44,289	42,945	50,510	54,406	57,681
Inventories	18,934	19,423	25,309	28,582	30,014
Total Other Current Assets	10,332	11,934	13,127	14,440	15,884
<b>Total Current Assets</b>	<b>150,730</b>	<b>180,998</b>	<b>192,279</b>	<b>205,770</b>	<b>222,457</b>
Fixed Assets	17,915	19,405	22,274	23,709	24,529
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	2,877	1,271	1,271	1,271	1,271
<b>Total Non-current Assets</b>	<b>20,792</b>	<b>20,676</b>	<b>23,545</b>	<b>24,980</b>	<b>25,800</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	38,297	47,112	51,195	55,874	60,683
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>38,297</b>	<b>47,112</b>	<b>51,195</b>	<b>55,874</b>	<b>60,683</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	14,619	17,164	18,880	20,768	22,845
<b>Total Liabilities</b>	<b>52,916</b>	<b>64,276</b>	<b>70,075</b>	<b>76,642</b>	<b>83,528</b>
Shareholders Equity	120,632	138,177	145,749	154,108	164,729
Minority Interests					
<b>Total Equity</b>	<b>120,632</b>	<b>138,177</b>	<b>145,749</b>	<b>154,108</b>	<b>164,729</b>

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	12.0%	8.1%	11.0%	10.5%	9.7%
Operating EBITDA Growth	15.9%	10.3%	17.9%	7.4%	8.8%
Operating EBITDA Margin	12.5%	12.8%	13.6%	13.2%	13.1%
Net Cash Per Share (Rs)	2,616.10	3,616.81	3,502.79	3,672.62	4,029.76
BVPS (Rs)	4,089.22	4,683.97	4,940.64	5,223.99	5,584.03
Gross Interest Cover	32.78	113.11	45.01	59.20	64.11
Effective Tax Rate	31.1%	26.3%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	72.3%	66.0%	67.0%	66.0%	60.4%
Accounts Receivables Days	44.57	45.88	46.49	47.62	47.29
Inventory Days	63.95	61.06	64.63	70.33	69.39
Accounts Payables Days	89.16	87.97	88.84	86.89	85.28
ROIC (%)	32.1%	34.5%	47.0%	38.6%	38.5%
ROCE (%)	14.4%	14.9%	15.9%	15.8%	16.1%
Return On Average Assets	9.5%	10.9%	11.2%	11.2%	11.4%

### Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	3.0%	1.0%	2.0%	2.5%	2.5%
Unit sales grth (% , main prod./serv.)	12.2%	9.1%	11.6%	11.4%	9.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535



## Recommendation Framework

### Stock Ratings

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.*

### Sector Ratings

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.

### Country Ratings

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.