

Steady performance, cyclical upswing in CVs to benefit

About the stock: Bosch Ltd (Bosch) is a technology leader providing solutions in automotive, industrial technology, consumer goods, energy & building technology.

- Mobility solutions (automotive products) comprised ~85% of FY22 sales with share of Business Beyond Mobility at ~15%
- Within mobility, it has large presence in diesel-dependent vehicles, tractors

Q4FY22 Results: Bosch posted healthy Q4FY22 results.

- Total operating income grew 6.5% QoQ to ₹ 3,311 crore. Automotive products segment de-grew 1% QoQ to ₹ 2,712 crore while consumer goods & others grew healthy 61.2% QoQ to ₹ 630 crore
- EBITDA margins were up ~170 bps QoQ to 13.2%
- Consequent PAT was at ₹ 351 crore in Q4FY22 vs. ₹ 235 crore in Q3FY22

What should investors do? The stock price has de-grown ~9.2% CAGR over five years from ₹ 23,000 levels in May 2017, thereby underperforming Nifty Auto index.

- We upgrade Bosch from HOLD to **BUY** tracking industry tailwinds as well as government's focus on stringent emission controls with company's value addition focus in this domain (including e-mobility and new technologies)

Target Price and Valuation: Introducing FY24, we now value Bosch at 28x P/E on FY24E EPS of ₹ 575 for a revised target price of ₹ 16,100 per share (earlier ₹ 20,100).

Key triggers for future price performance:

- Bosch's role in developing technology leading auto components, EV solutions to some of the domestic OEMs & CV cyclical recovery under way to act as growth drivers; we build in 16.5% sales CAGR over FY22-24E
- Bosch has incremental role to play in e-mobility space along with new age technologies like flex fuels, fuel cells, etc, with apt support from the parent
- Bosch also intends to increase the share of aftermarket sales from present levels of ~20% to ~25% in due course of time; to be margin accretive
- O/p leverage gains seen aiding margin improvement to 13.5% by FY24E

Alternate Stock Idea: In the auto ancillary coverage, we also like Minda Corporation

- Capital efficient business model with penchant to grow ahead of industry
- BUY with a target price of ₹ 315



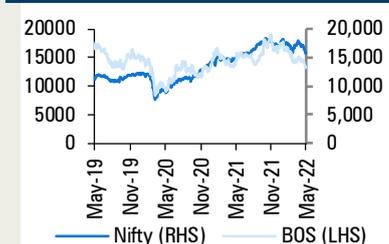
Particulars

Particular	₹ crore
Market Capitalization	40,991
Total Debt (FY22P)	53.1
Cash and Invsts (FY22P)	7,196
EV	33,849
52 week H/L (₹)	19,250/ 12,932
Equity capital (₹ crore)	29.5
Face value (₹)	10.0

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	70.5	70.5	70.5	70.5
FII	4.3	4.0	4.0	3.5
DII	16.1	16.1	16.1	16.4
Other	9.0	9.3	9.3	9.6

Price Chart



Recent event & key risks

- Posted healthy Q4FY22 results.
- **Key Risk:** (i) Delay in margin improvement amid elevated commodity prices, (ii) slower than anticipated growth in sales volume for the domestic industry

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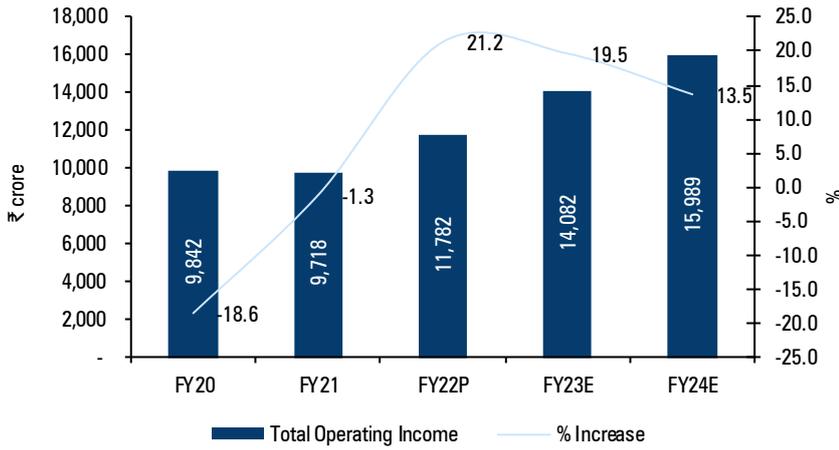
Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22E	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	12,085.0	9,841.6	9,718.0	11,781.6	2.5%	14,082.1	15,989.2	16.5%
EBITDA	2,154.1	1,483.3	1,162.4	1,456.9	-5.8%	1,828.8	2,162.2	21.8%
EBITDA Margins (%)	17.8	15.1	12.0	12.4		13.0	13.5	
Net Profit (adjusted)	1,598.0	1,300.0	1,115.4	1,217.1	-3.4%	1,431.3	1,695.4	18.0%
EPS (₹) (adjusted)	541.9	440.8	378.2	412.7		485.4	574.9	
P/E (adjusted)	25.7	31.5	36.7	33.7		28.6	24.2	
RoNW (%)	17.5	14.0	11.4	11.4		12.2	13.2	
RoCE (%)	19.2	11.8	8.3	10.5		12.5	13.6	

Source: Company, ICICI Direct Research

Financial story in charts

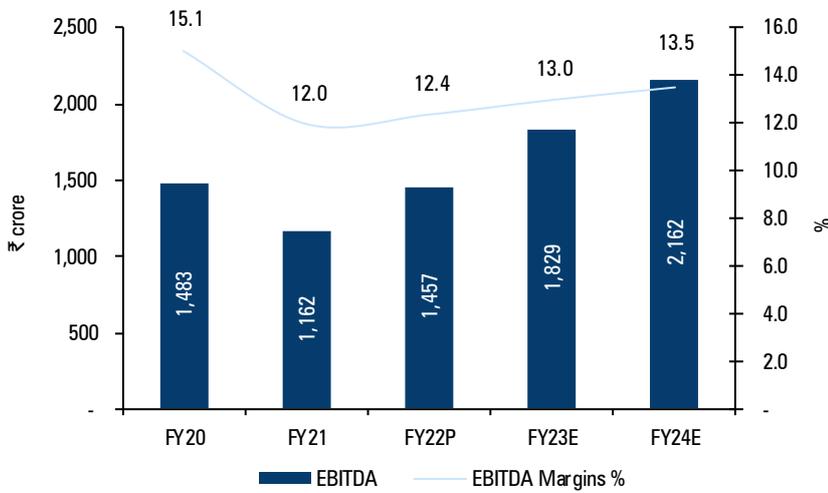
Exhibit 1: Trend in topline



Bosch is seen posting 16.5% revenue CAGR over FY22-24E

Source: Company, ICICI Direct Research

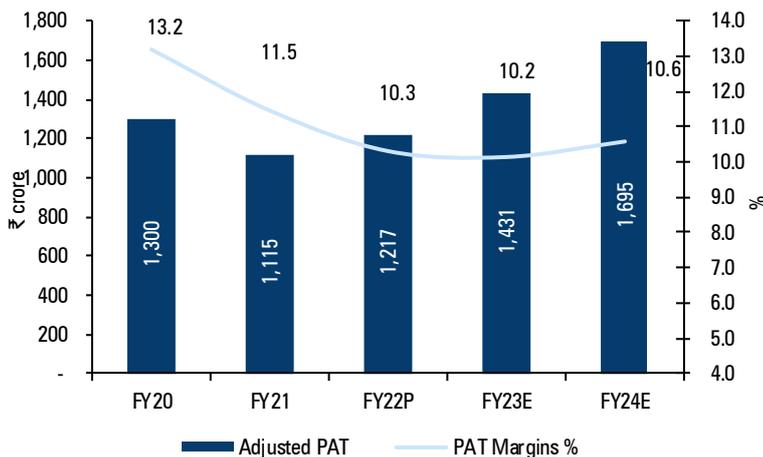
Exhibit 2: Trend in margins



Margins are seen rising to 13.5% by FY24E on the back of higher utilisation, operating leverage benefits

Source: Company, ICICI Direct Research

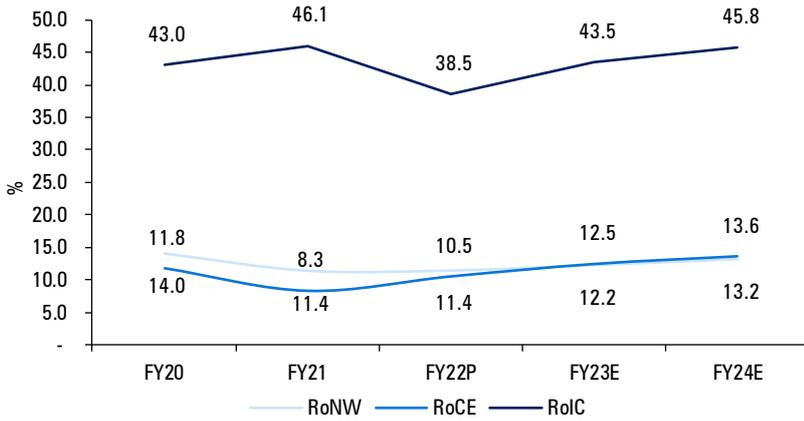
Exhibit 3: Trend in profitability



We expect PAT to grow at 18% CAGR to ₹ 1,695 crore by FY24E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in return ratios



Return ratios (RoE, ROCE) are seen touching ~13% mark by FY24E. RoIc for the company is in the range of ~40-50%

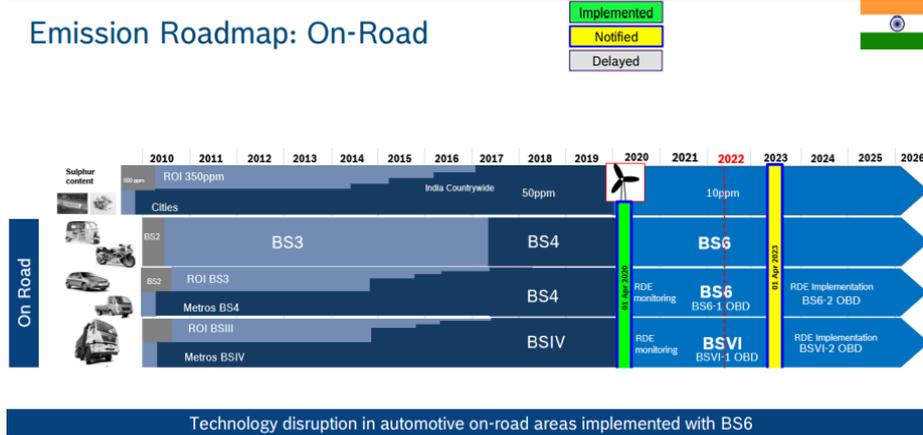
Source: Company, ICICI Direct Research

Exhibit 5: Valuation Summary

	Revenues (₹ cr)	Growth (%)	Adj. EPS (₹)	Growth (%)	Adj. PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	11,690.2	12.0	469.8	(0.7)	29.6	16.2	14.4	16.3
FY19	12,085.0	3.4	541.9	15.3	25.7	16.6	17.5	19.2
FY20	9,841.6	(18.6)	440.8	(18.7)	31.5	23.4	14.0	11.8
FY21	9,718.0	(1.3)	378.2	(14.2)	36.7	28.8	11.4	8.3
FY22P	11,781.6	21.2	412.7	9.1	33.7	23.2	11.4	10.5
FY23E	14,082.1	19.5	485.4	17.6	28.6	18.1	12.2	12.5
FY24E	15,989.2	13.5	574.9	18.4	24.2	15.0	13.2	13.6

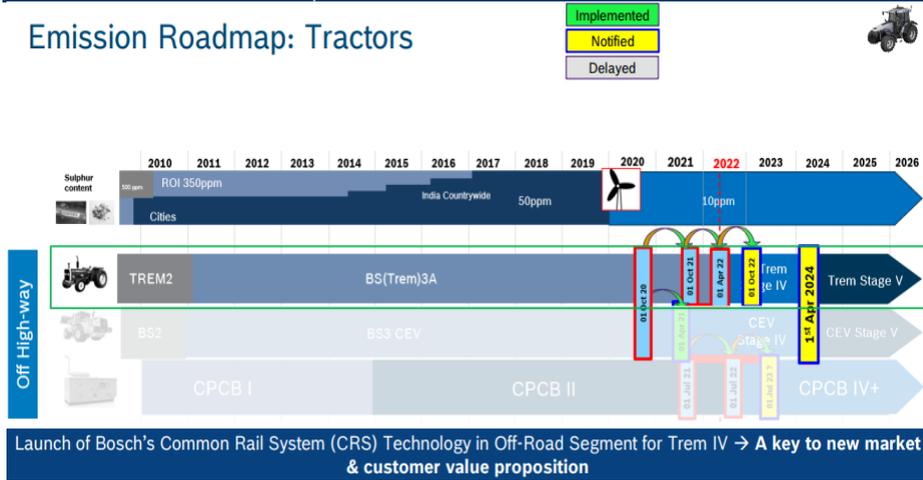
Source: Company, ICICI Direct Research

Exhibit 6: Emission roadmap – automobile space



Source: Company, ICICI Direct Research

Exhibit 7: Emission roadmap - tractors



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22P	FY23E	FY24E	
Total operating Income	9,718.0	11,781.6	14,082.1	15,989.2	
Growth (%)	-1.3	21.2	19.5	13.5	
Raw Material Expenses	5,772.6	7,298.7	8,871.7	10,073.2	
Employee Expenses	931.6	1,072.0	1,166.3	1,271.0	
Other Expenses	1,851.4	1,954.1	2,215.3	2,482.8	
Total Operating Expenditure	8,555.6	10,324.7	12,253.3	13,827.0	
EBITDA	1162.4	1456.9	1828.8	2162.2	
Growth (%)	-21.6	25.3	25.5	18.2	
Depreciation	341.4	324.3	366.1	399.7	
Interest	14.0	28.9	21.7	16.2	
Other Income	504.0	396.2	472.6	520.3	
PBT	1,311.0	1,500.0	1,913.5	2,266.5	
Less Exceptional items	743.9	0.0	0.0	0.0	
Total Tax	84.6	282.9	482.2	571.2	
PAT	482.5	1217.1	1431.3	1695.4	
Adjusted PAT	1115.4	1217.1	1431.3	1695.4	
Growth (%)	-25.7	152.2	17.6	18.4	
EPS (₹)	163.6	412.7	485.4	574.9	
Adjusted EPS	378.2	412.7	485.4	574.9	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22P	FY23E	FY24E	
Profit after Tax	482.5	1,217.1	1,431.3	1,695.4	
Add: Depreciation & Interest	355.4	353.2	387.8	416.0	
Sub: Other Income	-504.0	-396.2	-472.6	-520.3	
(Inc)/dec in Current Assets	-117.8	-954.6	-907.0	-872.9	
Inc/(dec) in CL and Provisions	822.9	-186.2	875.0	701.6	
CF from operating activities	1039.1	33.3	1314.5	1419.7	
(Inc)/dec in Investments	-1,114.6	-354.9	-650.0	-750.0	
(Inc)/dec in Fixed Assets	-241.9	-428.2	-550.0	-550.0	
Others	-30.3	-30.4	-107.0	-62.2	
Add: Other Income	504.0	396.2	472.6	520.3	
CF from investing activities	-882.8	-417.2	-834.4	-841.9	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-18.1	19.1	0.0	0.0	
Dividend paid & dividend tax	-339.1	-619.3	-427.6	-516.1	
Others	395.4	239.1	-21.7	-16.2	
CF from financing activities	38.2	-361.1	-449.3	-532.3	
Net Cash flow	194.5	-745.1	30.8	45.5	
Opening Cash	2,256.0	2,450.4	1,705.3	1,736.1	
Closing Cash	2450.4	1705.3	1736.1	1781.6	

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22P	FY23E	FY24E	
Liabilities					
Equity Capital	29.5	29.5	29.5	29.5	
Reserve and Surplus	9,792.7	10,658.4	11,662.1	12,841.4	
Total Shareholders funds	9822.1	10687.9	11691.6	12870.9	
Total Debt	34.0	53.1	53.1	53.1	
Other non-current Liabilities	425.5	363.7	386.9	406.1	
Total Liabilities	10281.6	11104.6	12131.5	13330.0	
Assets					
Gross Block	3,734.0	4,044.6	4,694.6	5,344.6	
Less: Acc Depreciation	2,471.5	2,795.8	3,161.9	3,561.6	
Net Block	1262.5	1248.8	1532.7	1782.9	
Capital WIP	487.8	605.4	505.4	405.4	
Total Fixed Assets	1,750.3	1,854.2	2,038.1	2,188.3	
Investments	5,135.3	5,490.2	6,140.2	6,890.2	
Inventory	1,298.5	1,729.3	1,929.1	2,190.3	
Debtors	1,389.4	1,526.7	1,929.1	2,190.3	
Loans and Advances	1,461.8	1,630.2	1,807.7	2,052.5	
Other current assets	434.4	652.5	779.9	885.5	
Cash	2450.4	1705.3	1736.1	1781.6	
Total Current Assets	7,034.5	7,244.0	8,181.8	9,100.3	
Creditors	2,223.0	2,240.4	2,700.7	3,066.4	
Provisions	1,073.1	1,119.8	1,349.9	1,532.7	
Other Current Liabilities	1,195.8	945.5	1,130.1	1,283.2	
Total Current Liabilities	4,491.9	4,305.7	5,180.7	5,882.2	
Net Current Assets	2542.7	2938.3	3001.2	3218.0	
Deferred Tax Asset	505.9	416.1	535.6	608.1	
Other non-current Assets	56.2	54.9	65.6	74.5	
Application of Funds	10281.6	11104.6	12131.5	13330.0	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY21	FY22P	FY23E	FY24E
Per share data (₹)				
EPS	163.6	412.7	485.4	574.9
Cash EPS	279.4	522.7	609.5	710.4
BV	3,330.7	3,624.2	3,964.6	4,364.5
DPS	115.0	210.0	145.0	175.0
Cash Per Share	2,572.3	2,440.0	2,670.8	2,940.6
Operating Ratios (%)				
EBITDA Margin	12.0	12.4	13.0	13.5
PBT / Net sales	13.5	12.7	13.6	14.2
PAT Margin	11.5	10.3	10.2	10.6
Inventory days	48.8	53.6	50.0	50.0
Debtor days	52.2	47.3	50.0	50.0
Creditor days	83.5	69.4	70.0	70.0
Return Ratios (%)				
RoE	11.4	11.4	12.2	13.2
RoCE	8.3	10.5	12.5	13.6
RoIC	46.1	38.5	43.5	45.8
Valuation Ratios (x)				
P/E	85.0	33.7	28.6	24.2
P/E Adjusted	36.7	33.7	28.6	24.2
EV / EBITDA	28.8	23.2	18.1	15.0
EV / Net Sales	3.4	2.9	2.4	2.0
Market Cap / Sales	4.2	3.5	2.9	2.6
Price to Book Value	4.2	3.8	3.5	3.2
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	1.3	1.2	1.2
Quick Ratio	0.7	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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