19 May 2022

4QFY22 Results Update | Sector: Automobile

Bosch

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	395 / 5.1
52-Week Range (INR)	19245 / 12940
1, 6, 12 Rel. Per (%)	1/-13/-15
12M Avg Val (INR M)	755

Financials & Valuations (INR b)

INR b	FY22	FY23E	FY24E
Sales	117.8	137.9	153.5
EBITDA	14.6	18.8	22.8
Adj. PAT	12.2	14.4	17.1
EPS (INR)	412.8	486.8	581.0
EPS Gr. (%)	23.1	17.9	19.3
BV/Sh. (INR)	3,624	3,981	4,412
Ratios			
RoE (%)	11.9	12.8	13.8
RoCE (%)	14.9	17.1	18.5
Payout (%)	50.9	26.7	25.8
Valuations			
P/E (x)	32.4	27.5	23.1
P/BV (x)	3.7	3.4	3.0
Div. Yield (%)	1.6	1.0	1.1
FCF Yield (%)	-0.5	3.0	1.8

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	70.5	70.5	70.5
DII	16.4	16.1	16.2
FII	3.5	4.0	4.3
Others	9.6	9.3	8.9

FII Includes depository receipts

CMP:INR13,392 TP: INR14,500 (+8%) Neutral

In line operating performance with non-Autos outperforming

Targets exports at 12-15% of revenue | Expects 15% growth in FY23

- Revenue growth continued to outperform underlying industry volume trends, with revenue and EBITDA in line. We expect this outperformance to continue, led by a CV cycle revival, higher content, and increase in exports. However, a recovery in margin is still awaited. Since the CMP reflects all negatives, we see no major re-rating catalysts on the anvil.
- We maintain our FY23E/FY24E EPS estimate and our **Neutral** rating.

Strong growth in non-Auto revenue diluted by a muted Auto business

- Revenue grew 3% YoY to INR33.1b, EBITDA declined by 5.5% to INR4.35b, and adjusted PAT was flat YoY at INR3.5b in 4QFY22. Revenue/EBITDA/adjusted PAT grew 21%/45%/23% YoY in FY22.
- Auto revenue declined by 2% YoY as against a 3% production decline in the underlying Auto industry (excluding 2Ws), which was partly offset by 13% growth in the Aftermarket. Non-Auto revenue grew 39.5% YoY, led by a 41% growth in the Building Technologies business and a 28% growth in Consumer Goods.
- Gross margin contracted by 320bp YoY to ~35.4% (est. 39.6%) due to a weaker mix (decline in Tractors), forex impact, and transfer pricing adjustments. EBITDA declined by 5.5% YoY to INR4.35b (est. INR4.4b). EBITDA margin contracted by ~110bp YoY to 13.2% (in line).
- Lower tax boosted adjusted PAT to ~INR3.5b (est. INR3.2b, up 13% YoY).
- The board has announced a normal divided of ~INR110/share (v/s INR115/share in FY21) and ~INR100/share of special dividend for commemorating the centenary year of BOS.
- FCFF stood at a negative INR1.9b (v/s a positive INR6.4b in FY21) on a weak CFO, which stood at INR2.7b (v/s INR8.3b) on account of INR15.6b flip in working capital.

Highlights from the management commentary

- **Outlook:** BOS has guided at a minimum 15% revenue growth in FY23, with healthy EBIT. It will incur INR5.5-6b on capex in FY23.
- It is investing in hydrogen-based technologies, both for mobility and stationary applications. It is in discussion with customers on introducing advanced hydrogen-based powertrain and fuel-cell technologies in India.
- **Localization:** The management has presented a systematic and clear roadmap for localization. There is a clear plan for what not to localize. For instance, it will continue to outsource EGT for BS-VI vehicles.
- **PLI incentives:** Three BOS companies (BOS, Bosch Automotive Electronics, and Bosch Chassis Systems) have received PLI incentives. BOS will see some revenue inflow from the other two companies. However, it sees the 50% value addition requirement in electronic components as a big challenge and is in discussion with the government with regard to the same.
- It expects exports to constitute 12-15% of revenue in the medium term (v/s 9%/10% of sales in FY22/FY21). Apart from exports to the parent, it has ambitious plans for exports to SAARC countries.

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Valuation and view

- Valuations (~27.5x/23.1x FY23E/FY24E EPS) largely factor in changes in its competitive positioning since its shift to BS-IV emission norms. As the negatives are priced in, there are no material catalysts visible for a re-rating of the stock.
- We are lowering our target multiple to 25x (from 27x earlier) to factor in: a) relatively weaker position in CNG CVs, b) increasing competition in electrical components, and c) increase in the risk-free rate. We maintain our **Neutral** rating with a TP of INR14,500 per share (~25x Mar'24E EPS).

Standalone quarterly performance (INR b)

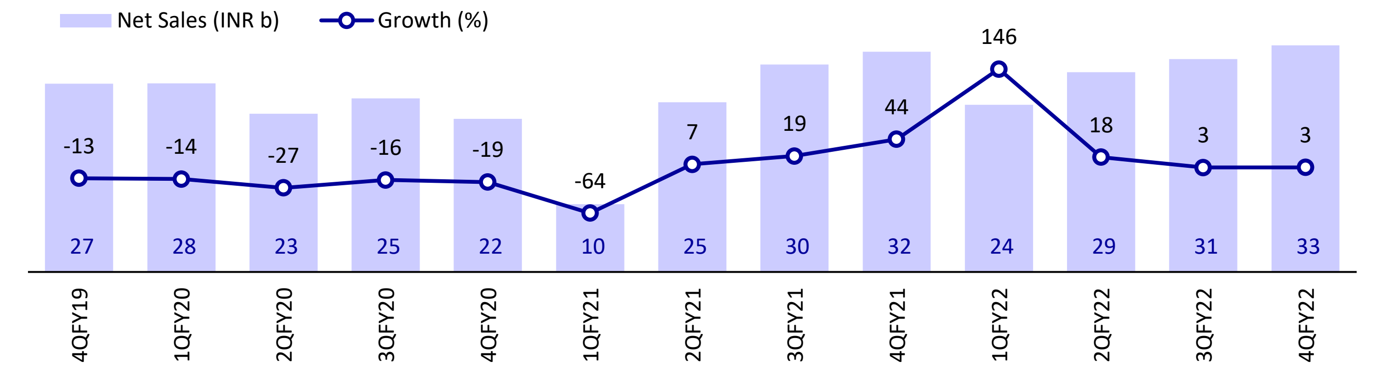
Y/E March	FY21				FY22				FY21	FY22	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Sales	**9.9**	**24.8**	**30.3**	**32.2**	**24.4**	**29.2**	**31.1**	**33.1**	**97.2**	**117.8**	**33.5**
YoY Change (%)	-64.0	7.2	19.4	43.8	146.4	17.7	2.6	2.9	-1.3	21.2	4.1
RM Cost (as a percentage of sales)	57.7	59.4	57.9	61.4	58.9	62.8	60.8	64.6	59.4	61.9	60.4
Staff Cost (as a percentage of sales)	24.5	12.4	8.1	9.1	11.1	8.7	9.4	7.7	11.2	9.1	8.2
Other Expenses (as a percentage of sales)	28.1	16.6	22.2	15.2	17.5	16.3	18.3	14.5	19.1	16.6	18.3
EBITDA	**-1.0**	**2.9**	**3.6**	**4.6**	**3.1**	**3.6**	**3.6**	**4.4**	**10.0**	**14.6**	**4.4**
Margin (%)	-10.3	11.6	11.8	14.3	12.5	12.3	11.5	13.2	10.3	12.4	13.2
Depreciation	0.7	0.8	1.0	0.9	0.7	0.8	0.9	0.9	3.4	3.2	1.0
Interest	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.1	0.1	0.3	0.0
Other Income	1.7	1.0	1.1	1.2	1.0	1.2	0.8	0.9	5.0	4.0	1.1
PBT before EO expense	**0.0**	**3.1**	**3.7**	**4.8**	**3.4**	**4.0**	**3.4**	**4.3**	**11.5**	**15.0**	**4.5**
Extra-Ord. expense	1.7	4.0	1.5	-1.6	0.0	0.0	0.0	0.0	5.6	0.0	0.0
PBT after EO Expense	**-1.7**	**-0.9**	**2.2**	**6.4**	**3.4**	**4.0**	**3.4**	**4.3**	**6.0**	**15.0**	**4.5**
Tax Rate (%)	46.9	29.1	15.2	24.7	22.5	6.4	30.0	18.7	14.2	18.9	28.2
Adj. PAT	**0.5**	**2.8**	**3.1**	**3.5**	**2.6**	**3.7**	**2.3**	**3.5**	**9.9**	**12.2**	**3.2**
YoY Change (%)	-84.6	-11.1	10.6	13.1	390.4	33.5	-24.6	1.4	-20.6	23.1	-6.9

Key performance indicators

Segmental mix (INR b)	FY21				FY22				FY21	FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Auto	8.1	21.3	26.7	27.7	21.5	24.4	27.4	27.1	83.8	100.4
Growth (%)	(65.6)	8.9	24.7	47.3	164.4	14.5	2.6	(2.0)	0.5	19.8
PBIT margin (%)	(38.0)	(6.8)	5.4	18.6	12.7	11.8	14.1	11.8	2.5	12.6
Contribution (%)	82.0	85.9	88.2	86.0	87.9	83.5	88.1	81.9	86.2	85.2
Non-Auto	1.8	3.5	3.6	4.5	3.0	5.0	3.9	6.3	13.5	18.1
Growth (%)	(53.9)	(3.0)	(10.6)	25.1	60.5	41.0	7.0	39.5	(11.7)	34.0
PBIT margin (%)	2.5	9.4	20.0	24.6	14.1	16.8	(1.0)	13.0	16.4	11.2
Contribution (%)	18.6	14.3	12.0	14.0	12.1	17.1	12.6	19.0	13.9	15.4
a) Consumer Goods	0.9	2.6	2.4	3.6	2.1	3.5	2.2	4.8	9.5	12.7
Growth (%)	-	-	-	-	122.6	38.4	(8.9)	32.2	-	33.2
PBIT margin (%)	(5.7)	6.8	14.2	17.5	(1.7)	13.1	(12.5)	11.0	11.6	5.4
b) Others	0.9	1.0	1.2	0.9	0.9	1.4	1.7	1.5	4.0	5.5
Growth (%)	-	-	-	-	(4.1)	47.7	38.7	70.0	-	35.9
PBIT margin (%)	11.1	16.4	31.4	54.4	52.2	25.8	14.0	19.5	27.7	24.7
Total Revenue (post inter-segment)	9.9	24.8	30.3	32.2	24.4	29.2	31.1	33.1	97.2	117.8
Growth (%)	(64.0)	7.2	19.4	43.8	146.4	17.7	2.6	2.9	(1.3)	21.2

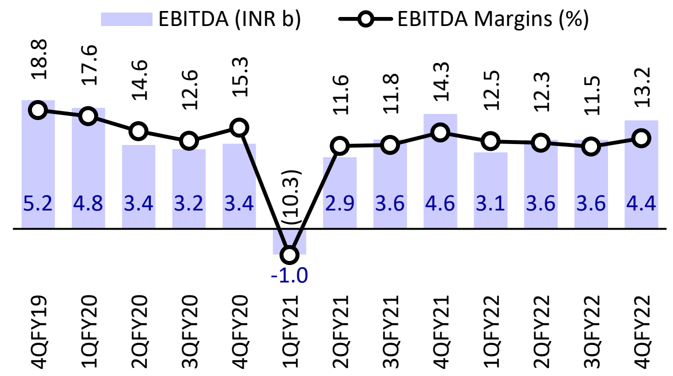
E: MOFSL estimates

Exhibit 1: Trend in revenue



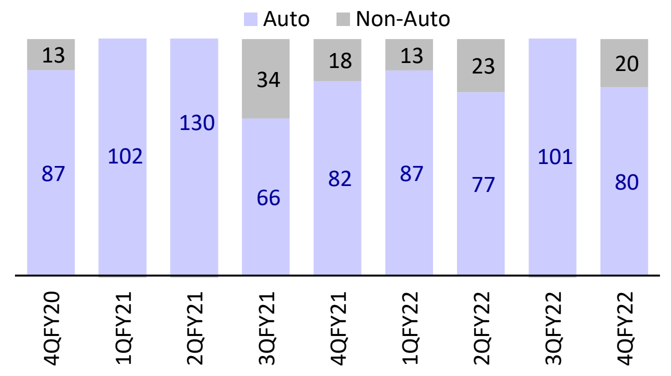
Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin trend



Source: Company, MOFSL

Exhibit 3: Share of Auto and non-Auto in PBIT



Source: Company, MOFSL

Valuation and view

Strong industry positioning; technology focus enables higher growth visibility

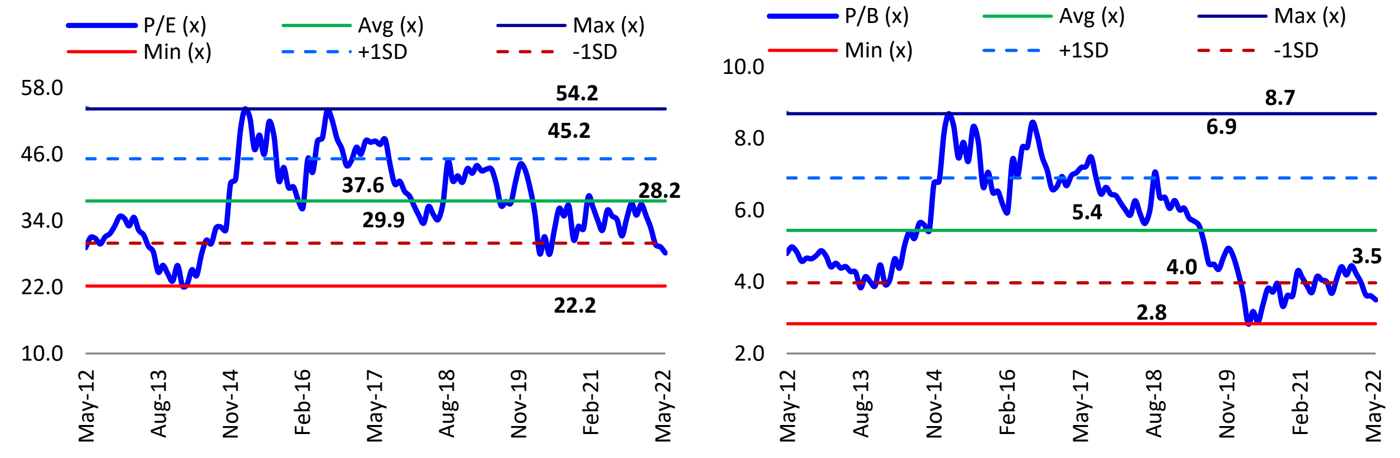
- BOS has a long-term strategy to shape the market in key technologies, with innovative products and solutions. Its stance of being a technology agnostic partner with customers, governments, and stakeholders continues.
- Since CY17, BOS has executed 79 BS-VI projects in PVs/CVs with major OEMs. Amid the COVID-19 crisis, it plans to continue with critical investments in competence development and solutions designed and developed for India.
- In the non-Auto businesses, it has adopted a two-pronged approach. It continues to introduce 'fit for the market' products and solutions and plans to increase its 'go to the market' footprint, using both offline and digital platforms.
- The electrification of 2Ws/3Ws opens up new growth avenues as BOS will be relatively better positioned in these segments for EVs. It plans to invest INR20b over five years for the localization of advanced Automotive technologies (INR10b) and expansion into digital platforms (~INR10b in the mobility marketplace, mobility Cloud platform, etc.). Our estimates do not factor in any material contribution from e-2W/3Ws as the competitive landscape is yet to stabilize.
- With the return of operating leverage in FY24E, EBITDA margin will recover to ~15%, after falling to ~10.3%/12.4% in FY21/FY22 (15.1% in FY20). This would result in 19% EPS CAGR over FY22-24E (on the back of 14% revenue CAGR. We estimate RoE to improve to ~13.8% (from 10.4%/13.5% in FY21/FY20) and RoIC to touch ~23% by FY24E (from 12.5%/19.1% in FY21/FY20).

- We maintain our FY23E/FY24E EPS. We are lowering our target multiple to 25x (from 27x earlier) to factor in for a) relatively weaker position in CNG CVs, b) increasing competition in electrical components and c) increase in risk-free rate. Despite losing market share in CVs during the transition to BS-IV/BS-VI emission norms as well as the continuous decline in its stronghold PV diesel, higher content and opportunities in the 2W segment will more than make up for the loss.
- Valuations have corrected in line with its muted earnings over the last four years and dilution in its competitive positioning. We expect BOS to outperform underlying industry volumes, barring the substantial divergence in segmental trends, driven by a CV cycle recovery, higher content, and focus on growing exports. The stock trades ~27.5x/23.1x FY23E/FY24E EPS. While the negatives are priced in there are no material catalysts visible for re-rating of the stock. We are lowering our target multiple to 25x (from 27x earlier) to factor in for a) relatively weaker position in CNG CVs, b) increasing competition in electrical components and c) increase in risk-free rate. We maintain our Neutral rating with a TP of ~INR14,500 per share (~25x Mar'24E EPS, which is at a 33% discount to its 10-year LPA of 37x).

Exhibit 4: Revisions to our estimates

(INR b)	FY23E			FY24E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net Sales	137.9	137.9	0.0	153.5	153.5	0.0
EBITDA Margin (%)	**13.6**	**13.7**	**-10bp**	**14.8**	**14.8**	**10bp**
PAT	14.4	14.7	-2.0	17.1	17.2	-0.2
EPS (INR)	486.8	**496.8**	**-2.0**	581.0	**582.1**	**-0.2**

Exhibit 5: P/E and P/B band



Source: MOFSL

Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

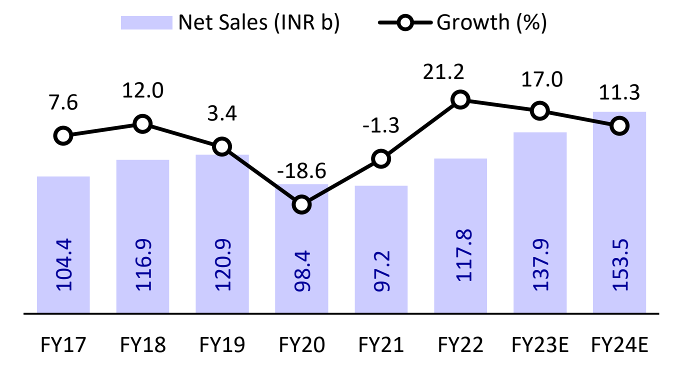


Exhibit 7: Segment mix

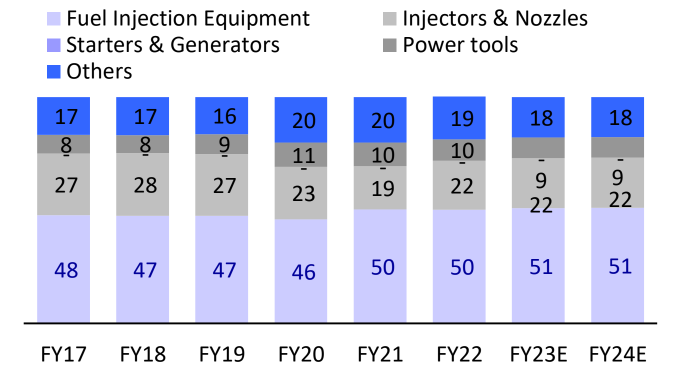


Exhibit 8: Gross margin v/s EBITDA margin

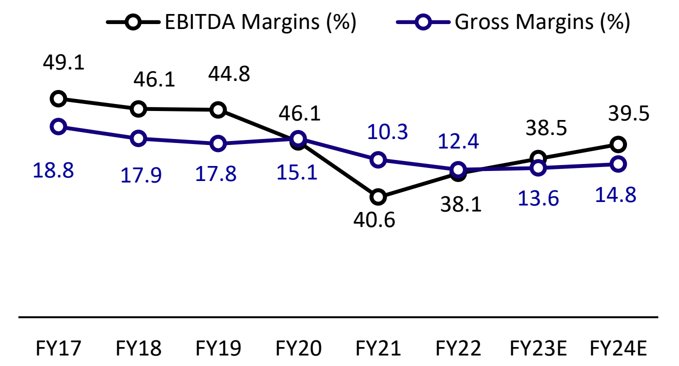


Exhibit 9: Trend in dividend payout

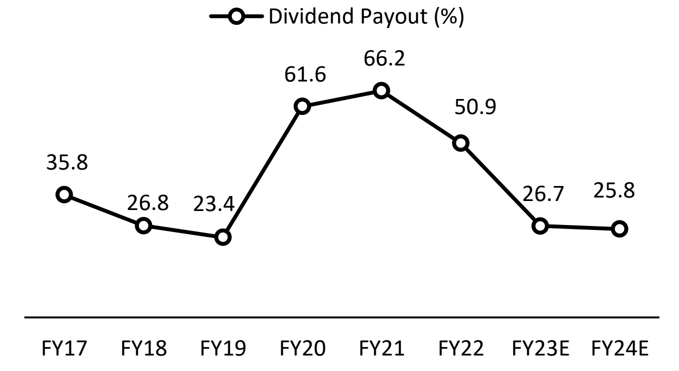


Exhibit 10: FCF and net cash

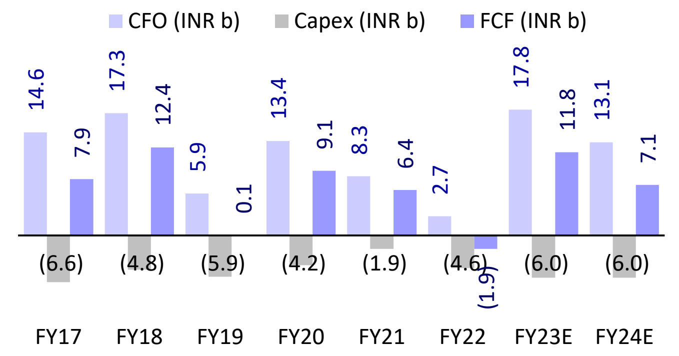


Exhibit 11: Cash, as a percentage of capital employed, stands ~77%

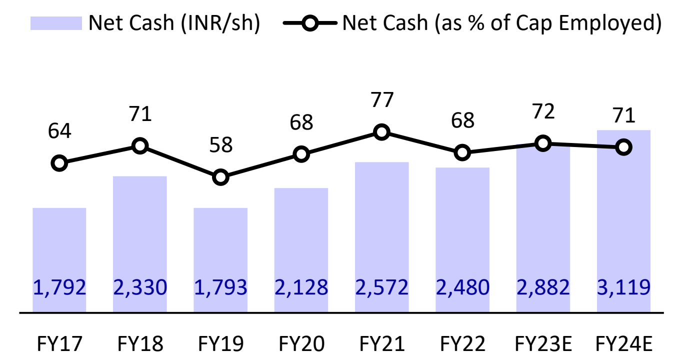
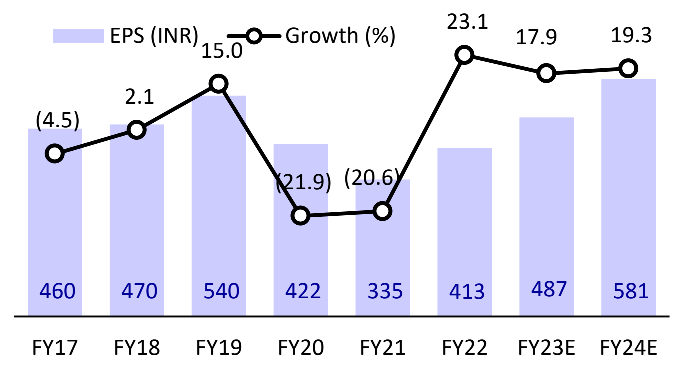
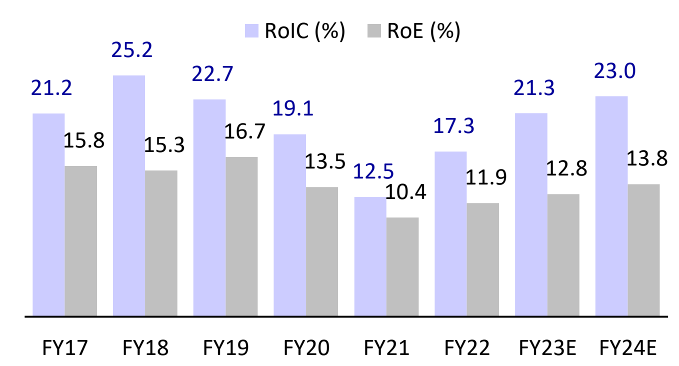


Exhibit 12: EPS and EPS growth trend



Source: Company, MOFSL

Exhibit 13: Trend in BOS' return profile



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement							(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Net Op. Revenue	**1,16,902**	**1,20,850**	**98,416**	**97,180**	**1,17,816**	**1,37,894**	**1,53,489**
Change (%)	12.0	3.4	-18.6	-1.3	21.2	17.0	11.3
EBITDA	**20,933**	**21,541**	**14,834**	**10,039**	**14,570**	**18,788**	**22,784**
Margin (%)	17.9	17.8	15.1	10.3	12.4	13.6	14.8
Depreciation	4,672	4,021	3,833	3,414	3,243	3,693	4,326
EBIT	**16,261**	**17,520**	**11,001**	**6,624**	**11,327**	**15,095**	**18,458**
Fin. charges	33	133	102	140	289	130	100
Other Income	5,118	5,953	5,466	5,040	3,963	4,067	4,375
PBT bef. EO Exp.	**21,346**	**23,340**	**16,365**	**11,524**	**15,001**	**19,033**	**22,733**
EO Income/(Exp.)	-939	0	-8,416	-5,555	0	0	0
PBT after EO Exp.	**20,407**	**23,340**	**7,948**	**5,969**	**15,001**	**19,033**	**22,733**
Current Tax	7,016	7,051	3,324	1,630	1,930	4,678	5,601
Deferred Tax	-318	355	-1,424	-784	899	0	0
Tax Rate (%)	32.8	31.7	23.9	14.2	18.9	24.6	24.6
Reported PAT	**13,708**	**15,934**	**6,048**	**5,123**	**12,172**	**14,355**	**17,132**
Adjusted PAT	**14,339**	**15,934**	**12,452**	**9,890**	**12,172**	**14,355**	**17,132**
Change (%)	-0.7	11.1	-21.9	-20.6	23.1	17.9	19.3

Standalone Balance Sheet							(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Equity Share Capital	305	295	295	295	295	295	295
Total Reserves	99,508	90,967	92,399	97,927	1,06,584	1,17,105	1,29,814
Net Worth	**99,813**	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,17,400**	**1,30,109**
Total Loans	0	0	0	0	0	0	0
Capital Employed	**99,813**	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,17,400**	**1,30,109**
Gross Block	26,261	28,991	34,629	36,339	38,169	46,723	52,723
Less: Accum. Deprn.	13,086	17,338	21,271	23,983	27,226	30,919	35,245
Net Fixed Assets	**13,175**	**11,653**	**13,358**	**12,356**	**10,943**	**15,804**	**17,478**
Capital WIP	3,132	6,546	4,932	4,928	6,054	3,500	3,500
Total Investments	**52,404**	**40,538**	**40,415**	**51,571**	**56,447**	**56,447**	**56,447**
Curr. Assets, Loans, and Adv.	**65,658**	**63,764**	**69,928**	**73,821**	**76,499**	**94,270**	**1,06,554**
Inventory	12,258	14,443	11,159	12,985	17,293	18,890	18,923
Account Receivables	16,156	15,675	14,131	13,894	15,267	18,890	21,026
Cash and Bank Balance	18,878	12,527	22,560	24,505	17,054	28,912	35,907
Loans and Advances	18,366	21,118	22,079	22,438	26,885	27,579	30,698
Curr. Liability and Prov.	**39,461**	**35,834**	**40,506**	**49,514**	**47,225**	**56,782**	**58,031**
Account Payables	20,231	15,885	16,050	22,230	22,404	26,445	27,334
Other Current Liabilities	6,670	9,200	8,277	14,171	11,174	13,789	12,279
Provisions	12,560	10,749	16,180	13,113	13,647	16,547	18,419
Net Current Assets	**26,197**	**27,929**	**29,422**	**24,308**	**29,274**	**37,488**	**48,523**
Deferred Tax assets	4,905	4,596	4,567	5,059	4,161	4,161	4,161
Appl. of Funds	**99,813**	**91,262**	**92,694**	**98,222**	**1,06,879**	**1,17,400**	**1,30,109**

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	**470**	**540**	**422**	**335**	**413**	**487**	**581**
Cash EPS	623	677	552	451	523	612	728
BV/Share	3,270	3,095	3,143	3,331	3,624	3,981	4,412
DPS	100	105	105	115	210	130	150
Payout (%)	26.8	23.4	61.6	66.2	50.9	26.7	25.8
Valuation (x)							
P/E	28.5	24.8	31.7	39.9	32.4	27.5	23.1
Cash P/E	21.5	19.8	24.3	29.7	25.6	21.9	18.4
P/BV	4.1	4.3	4.3	4.0	3.7	3.4	3.0
EV/Sales	3.3	3.2	3.8	3.8	3.2	2.7	2.3
EV/EBITDA	18.6	17.8	25.1	36.9	25.9	19.5	15.8
Dividend Yield (%)	0.7	0.8	0.8	0.9	1.6	1.0	1.1
FCF per share	407.6	2.6	309.2	217.4	-65.2	398.6	242.2
Return Ratios (%)							
RoIC	25.2	22.7	19.1	12.5	17.3	21.3	23.0
RoE	15.3	16.7	13.5	10.4	11.9	12.8	13.8
RoCE (pre-tax)	22.8	24.6	17.9	12.2	14.9	17.1	18.5
Working Capital Ratios							
Fixed Asset Turnover (x)	4.5	4.2	2.8	2.7	3.1	3.0	2.9
Asset Turnover (x)	1.2	1.3	1.1	1.0	1.1	1.2	1.2
Inventory (Days)	38	44	41	49	54	50	45
Debtor (Days)	50	47	52	52	47	50	50
Creditor (Days)	63	48	60	83	69	70	65
Working Cap. Turnover (Days)	23	47	25	-1	38	23	30

Standalone Cash Flow Statement **(INR m)**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	20,406	23,410	10,069	5,671	15,001	19,033	22,733
Depreciation	4,672	4,045	4,445	3,414	3,243	3,693	4,326
Interest and Finance Charges	-2,720	-2,769	-2,948	-2,377	-2,150	-3,937	-4,275
Direct Taxes Paid	-6,761	-7,822	-4,612	-2,695	-2,664	-4,678	-5,601
(Inc.)/Dec. in WC	4,588	-6,888	10,206	6,320	-9,372	3,644	-4,040
CF from Operations	**20,185**	**9,976**	**17,160**	**10,334**	**4,058**	**17,754**	**13,144**
CF from Operations incl. EO	**17,287**	**5,931**	**13,361**	**8,349**	**2,693**	**17,754**	**13,144**
(Inc.)/Dec. in FA	-4,846	-5,854	-4,243	-1,938	-4,617	-6,000	-6,000
Free Cash Flow	**12,441**	**78**	**9,118**	**6,411**	**-1,924**	**11,754**	**7,144**
(Pur.)/Sale of Investments	-10,620	15,821	782	-5,087	-1,837	0	0
Others	3,763	7,691	-5,267	2,395	6,136	4,067	4,375
CF from Investments	**-11,703**	**17,659**	**-8,729**	**-4,630**	**-318**	**-1,933**	**-1,625**
Issue of Shares	0	-21,569	0	0	0	0	0
Inc./(Dec.) in Debt	0	0	0	0	0	0	0
Interest Paid	-6	-60	0	-16	-150	-130	-100
Dividend Paid	-3,295	-3,679	-3,731	-3,095	-3,394	-3,834	-4,424
Others	55	0	-259	-271	-287	0	0
CF from Fin. Activity	**-3,246**	**-25,308**	**-3,990**	**-3,382**	**-3,831**	**-3,964**	**-4,524**
Inc./Dec. in Cash	**2,338**	**-1,717**	**642**	**337**	**-1,456**	**11,858**	**6,995**
Opening Balance	1,289	3,627	1,910	2,552	2,889	1,433	13,291
Closing Balance	**3,627**	**1,910**	**2,552**	**2,889**	**1,433**	**13,291**	**20,286**

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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