

Estimate change	↔
TP change	↑
Rating change	↔

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Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USD\$)	510.1 / 6.4
52-Week Range (INR)	19126 / 12861
1, 6, 12 Rel. Per (%)	0/5/5
12M Avg Val (INR M)	678

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	117.8	144.3	160.7
EBITDA	14.6	18.5	23.5
Adj. PAT	12.2	13.3	17.8
EPS (INR)	412.8	452.3	603.1
EPS Gr. (%)	23.1	9.6	33.3
BV/Sh. (INR)	3,624	3,947	4,400

Ratios

RoE (%)	11.9	11.9	14.5
RoCE (%)	14.9	15.8	19.1
Payout (%)	50.9	28.7	24.9

Valuations

P/E (x)	41.9	38.2	28.7
P/BV (x)	4.8	4.4	3.9
Div. Yield (%)	1.2	0.8	0.9
FCF Yield (%)	-0.4	2.3	1.5

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	70.5	70.5	70.5
DII	16.5	16.4	16.1
FII	3.6	3.5	4.3
Others	9.4	9.6	9.0

FII Includes depository receipts

CMP:INR17,297 TP: INR16,150 (-7%) Neutral

Strong revenue growth across businesses

Plans to deliver double-digit EBIT margin

- BOS' 1QFY23 performance was a beat on all fronts, led by strong revenue growth. With the easing of supply-chain constraints, it expects PV/LCV volumes to surpass FY18 levels. We expect this outperformance to continue on account of a revival in the CV cycle and an increase in exports, diluted by a weakness in the Tractor cycle. With a margin recovery still awaited, we see no major re-rating catalysts on the anvil.
- We maintain our FY23 EPS estimate, but increase our FY24 EPS estimate to factor in a better outlook for the Auto and Aftermarket segment. We maintain our **Neutral** rating with a TP of ~INR16,150 (25x Sep'24E EPS).

Auto business displays impressive growth

- Revenue/EBITDA/adjusted PAT grew 45%/47%/29% YoY to INR35.4b/INR4.5b/INR3.3b.
- Revenue from the Auto segment grew 45% YoY and 15% QoQ to INR31.1b, whereas the same from the non-Auto segment grew by ~48% YoY (down 30% QoQ) to INR4.4b. Growth in revenue can be attributed to the easing of supply-chain bottlenecks at the end of 1QFY23.
- Gross margin eroded by 5.7pp YoY (flat QoQ) to 35.4%. Stable gross margin QoQ was due to a better mix (higher Tractor volumes), offset by cost pressure and an adverse forex rate on imports. However, EBITDA margin improved by 20bp YoY (down 50bp QoQ) to 12.7% (est. 12.1%) due to operating leverage.
- The lower depreciation was offset by a lesser other income, leading to a PBT before EO at INR4.4b (est. INR3.8b).
- Adjusted PAT stood at INR3.3b (est. INR 2.9b), up 29% YoY, but down 5% QoQ.

Highlights from the management commentary

- **Outlook:** With a steady order book (with OEMs) and easing supply chain issues from Jun'22, the management expects to maintain robust growth across revenue and free cash flows in 9M FY23. It aims to maintain margin steady through a strategic cost recovery across supply chains. It plans to deliver double-digit EBIT (v/s 9.6%/14.5% in FY22/FY19).
- In e-2Ws, it has a full portfolio of motors, power electronics, battery system, etc. It has been a supplier of several first generation products to OEMs and is also working with new OEMs.
- For a hybrid PV, it has full product array, and is catering to several domestic and global OEMs.
- In Tractors, it has a strong order book, given the migration to TREM Stage IV/V emission norms.

Valuation and view

- Valuations of ~38.2x/28.7x FY23E/FY24E EPS largely factors in changes in its competitive positioning since its shift to BS-IV emission norms. While the negatives are priced in, there are no material catalysts visible for a re-rating of the stock.
- We maintain our **Neutral** rating with a TP of INR16,150 (~25x Sep'24E EPS).

Quarterly performance (S/A)

(INR m)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	24,435	29,180	31,091	33,110	35,444	36,475	34,822	37,592	1,17,816	1,44,332	32,988
YoY Change (%)	146.4	17.7	2.6	2.9	45.1	25.0	12.0	13.5	21.2	22.5	35.0
RM Cost (% of sales)	58.9	62.8	60.8	64.6	64.6	64.0	63.5	63.9	61.9	64.0	63.0
Staff Cost (% of sales)	11.1	8.7	9.4	7.7	7.6	7.6	7.6	7.5	9.1	7.6	8.4
Other Expenses (% of sales)	17.5	16.3	18.3	14.5	15.0	15.0	18.0	14.4	16.6	15.6	16.5
EBITDA	3,066	3,575	3,575	4,354	4,495	4,888	3,796	5,344	14,570	18,522	3,992
Margins (%)	12.5	12.3	11.5	13.2	12.7	13.4	10.9	14.2	12.4	12.8	12.1
Depreciation	671	829	851	892	648	900	950	1,072	3,243	3,570	850
Interest	32	15	169	73	36	35	30	29	289	130	30
Other Income	990	1,244	803	926	566	900	100	1,134	3,963	2,700	700
PBT before EO expense	3,353	3,975	3,359	4,315	4,377	4,853	2,916	5,377	15,001	17,522	3,812
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT after EO Expense	3,353	3,975	3,359	4,315	4,377	4,853	2,916	5,377	15,001	17,522	3,812
Tax	756	255	1,009	809	1,035	1,159	696	1,294	2,829	4,183	936
Tax Rate (%)	22.5	6.4	30.0	18.7	23.6	23.9	23.9	24.1	18.9	23.9	24.6
Reported PAT	2,598	3,720	2,350	3,506	3,342	3,694	2,219	4,083	12,172	13,339	2,876
Adj PAT	2,598	3,720	2,350	3,506	3,342	3,694	2,219	4,083	12,172	13,339	2,876
YoY Change (%)	390.4	33.5	-24.6	1.4	28.7	-0.7	-5.5	16.5	23.1	9.6	10.7

E: MOFSL Estimates

Segmental Mix (INR m)

Deferred Tax Liabilities	FY22				FY23E				FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Auto	21,484	24,364	27,406	27,119	31,092	-	-	-	1,00,373
Growth (%)	164.4	14.5	2.6	(2.0)	44.7	-	-	-	19.8
PBIT margin (%)	12.7	11.8	14.1	11.8	13.6	-	-	-	12.6
Contribution (%)	87.9	83.5	88.1	81.9	87.7	-	-	-	85.2
Non-Auto	2,964	4,984	3,905	6,295	4,388	-	-	-	18,148
Growth (%)	60.5	41.0	7.0	39.5	48.0	-	-	-	34.0
PBIT margin (%)	14.1	16.8	(1.0)	13.0	9.8	-	-	-	11.2
Contribution (%)	12.1	17.1	12.6	19.0	12.4	-	-	-	15.4
a) Consumer goods	2,095	3,537	2,213	4,809	3,188	-	-	-	12,654
Growth (%)	122.6	38.4	(8.9)	32.2	52.2	-	-	-	33.2
PBIT margin (%)	(1.7)	13.1	(12.5)	11.0	5.8	-	-	-	5.4
b) Others	869	1,447	1,692	1,486	1,200	-	-	-	5,494
Growth (%)	(4.1)	47.7	38.7	70.0	38.1	-	-	-	35.9
PBIT margin (%)	52.2	25.8	14.0	19.5	20.4	-	-	-	24.7
Total Revenue (post inter segment)	24,435	29,180	31,091	33,110	35,444	-	-	-	1,17,771
Growth (%)	146.4	17.7	2.6	2.9	45.1	-	-	-	21.2

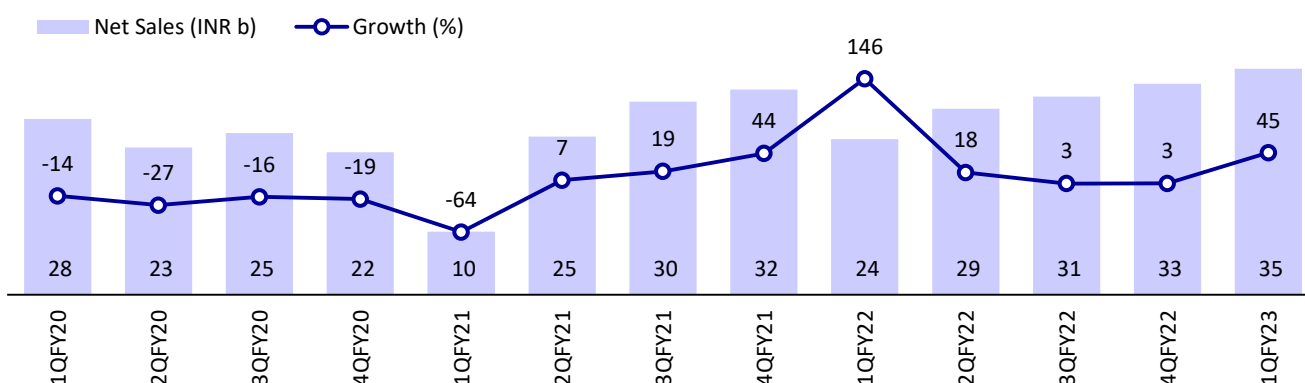
E: MOFSL Estimates



Highlights from the management commentary

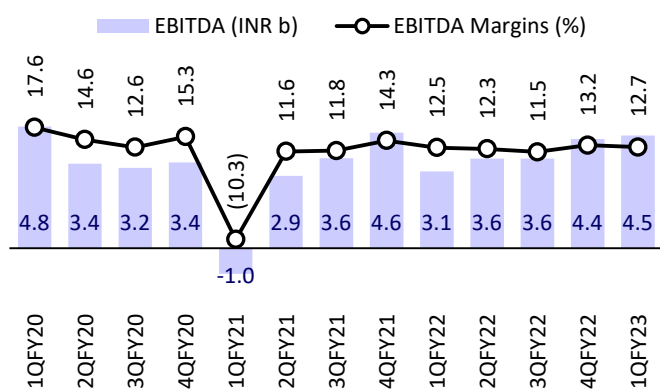
- **Outlook:** With a steady order book (with OEMs) and easing supply chain issues from Jun-22, it expects to maintain robust growth across revenue and free cash flows for the remainder of FY2022-23. Its focus is to maintain steady margins through strategic cost recovery across our supply chains. It plans to deliver double digit EBIT (v/s 9.6% in FY22 v/s 14.5% in FY19).
- Revenues in the powertrain solutions division grew 47%, driven by PV segment growth of 56%, LCVs by 71% and HCV by 66%.
- Automotive Aftermarket division also surpassed its peak revenues, with a growth of 61% due to a low base as well as increase in sales of diesel components, spark plugs and filters.
- 2W business declined by 13% as sales were impacted by semi-conductor shortages.
- The Beyond Mobility businesses grew 54% due to growth of 49% in Consumer Goods division (led by increase in sales of blue emerging tools and low base) as well as strong revival in Energy & Building Technologies on a very low base.
- Income from services comprises of R&D services provided to the parent and OEMs. While billing of the R&D services was healthy at INR1.1b for 1QFY23, but based on customer program SOP dates only INR628m was accounted in 1Q and balance will come based on completion of the project.
- Other income lower due to MTM loss on account on increased in bond yields. Average portfolio duration is now 1.1 year vs 1.5 years earlier.
- For e-2Ws, it has full portfolio from motors, power electronics, battery system etc. It has been in the first generation products of several OEMs and also working with new OEMs.
- For strong hybrid for PVs, it has full array of product range for this technology, and is offering it to several OEMs in India and globally.
- GDI system has started to seen increase in penetration in SUV and cars.
- For Tractors, it has solid order book for the migration to TREM 4/5 emission norms

Exhibit 1: Trend in revenues



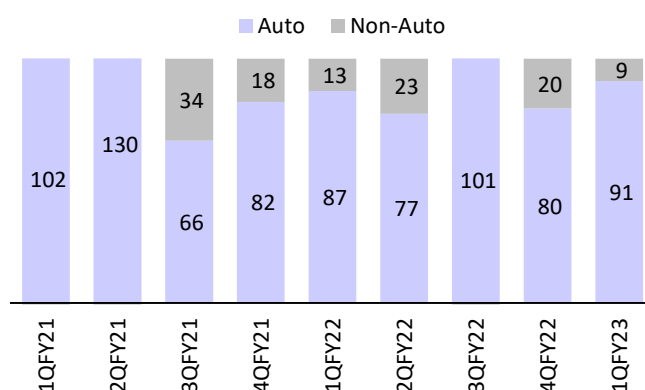
Source: Company, MOFSL

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

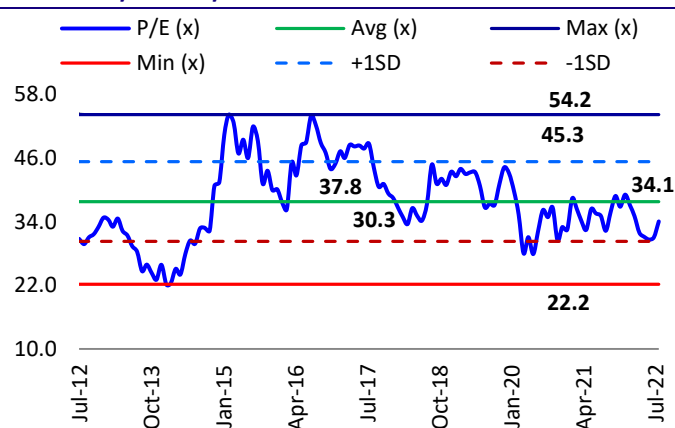
- BOS has a long-term strategy to shape the market in key technologies, with innovative products and solutions. Its stance of being a technology agnostic partner with customers, governments, and stakeholders continues.
- Since CY17, BOS has executed 79 BS-VI projects in PVs/CVs with major OEMs. Amid the COVID-19 crisis, it plans to continue with critical investments in competence development and solutions designed/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 FY25E, EBITDA margin will recover to ~15.3%, after falling to ~10.3%/12.4% in FY21/FY22 (15.1% in FY20). This would result in 19% EPS CAGR over FY22-25E (on the back of 14% revenue CAGR. We estimate RoE to improve to ~14.8% (from 10.4%/11.9% in FY21/FY22) and RoIC to touch ~26% by FY25E (from 12.5%/17.2% in FY21/FY22).
- We maintain our FY23E estimates but increase out FY24E EPS estimates to factor in better outlook for the autos segment and aftermarket segment 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 ~38.2x/28.7x FY23E/FY24E EPS. While the negatives are priced in, there are no material catalysts visible for re-rating of the stock. We

maintain our Neutral rating with a TP of ~INR16,150 per share (~25x Sep'24E EPS, which is at a 33% discount to its 10-year LPA of 37x).

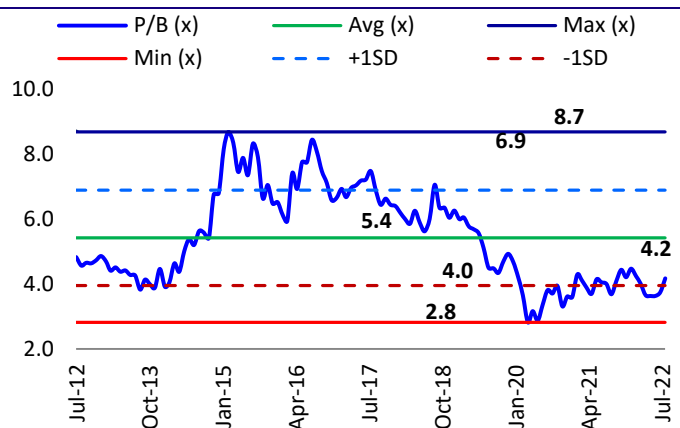
Exhibit 4: Revisions to our estimates

(INR b)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	144.3	137.9	4.7	160.7	153.5	4.7
EBITDA Margin (%)	12.8	12.8	0bp	14.6	14.3	30bp
PAT	13.3	13.2	1.0	17.8	16.9	5.1
EPS (INR)	452.3	447.9	1.0	603.1	574.0	5.1

Exhibit 5: P/E and P/B band



Source: MOFSL



Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

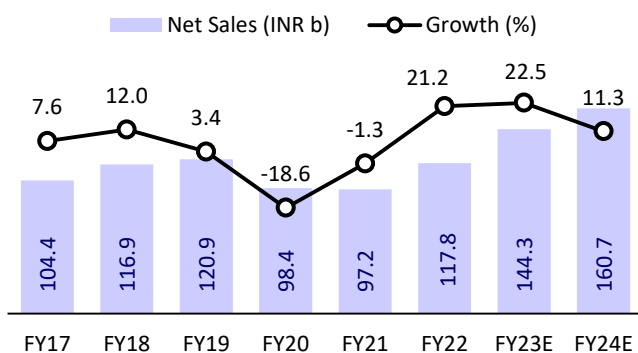


Exhibit 7: Segment mix

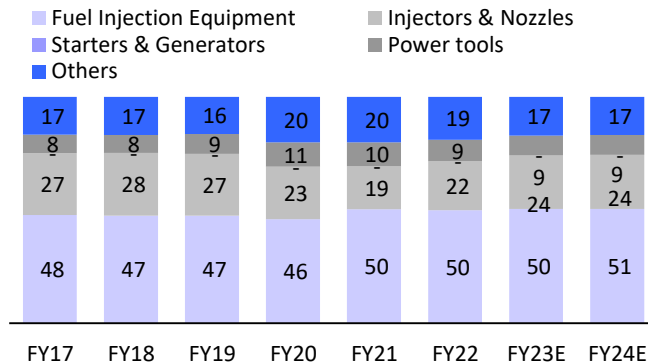


Exhibit 8: Gross margin v/s EBITDA margin

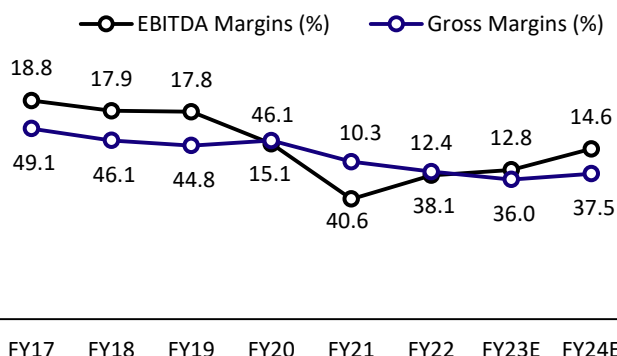


Exhibit 9: Trend in dividend payout

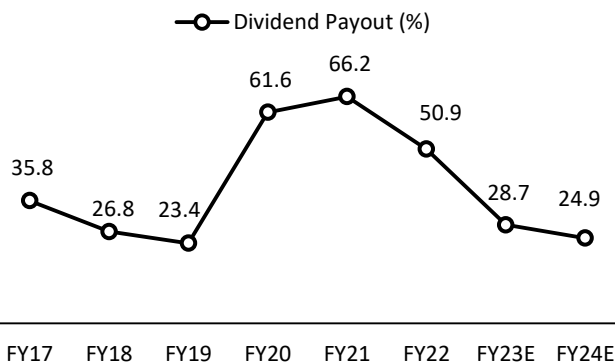


Exhibit 10: FCF and net cash

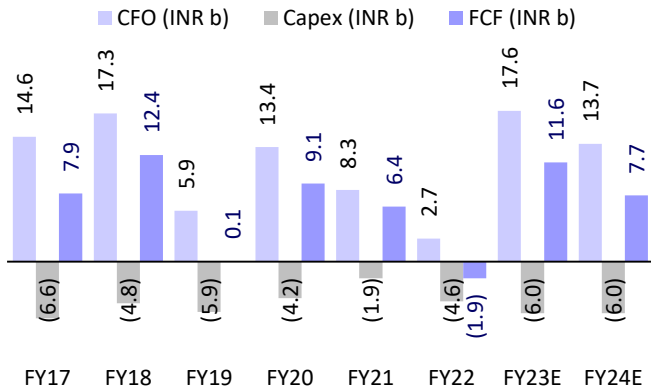


Exhibit 11: Cash, as a percentage of capital employed, stands ~77%

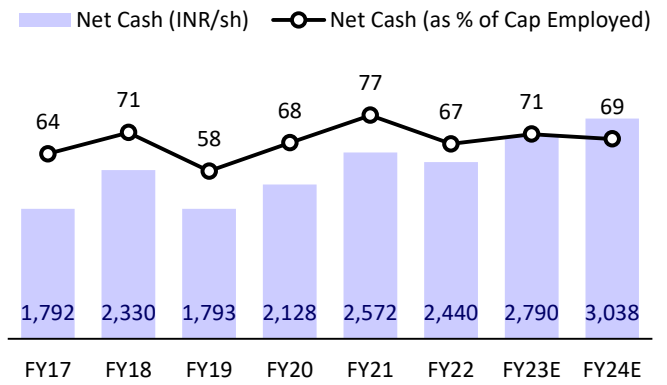
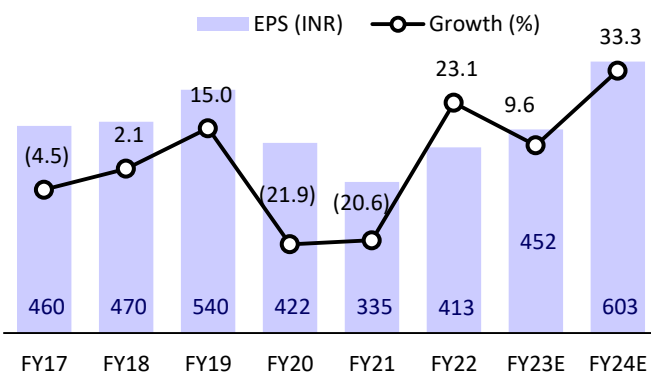
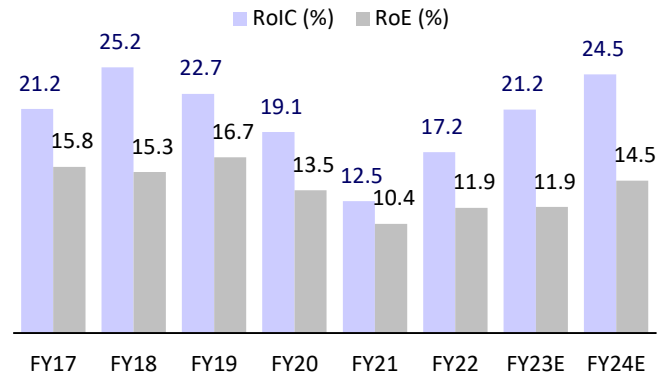


Exhibit 12: EPS and EPS growth trend



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	FY25E
Net Op. Revenues	1,16,902	1,20,850	98,416	97,180	1,17,816	1,44,332	1,60,700	1,74,404
Change (%)	12.0	3.4	-18.6	-1.3	21.2	22.5	11.3	8.5
EBITDA	20,933	21,541	14,834	10,039	14,570	18,522	23,510	26,769
Margin (%)	17.9	17.8	15.1	10.3	12.4	12.8	14.6	15.3
Depreciation	4,672	4,021	3,833	3,414	3,243	3,570	4,174	4,672
EBIT	16,261	17,520	11,001	6,624	11,327	14,952	19,335	22,096
Fin. charges	33	133	102	140	289	130	100	100
Other Income	5,118	5,953	5,466	5,040	3,963	2,700	4,112	4,615
PBT bef. EO Exp.	21,346	23,340	16,365	11,524	15,001	17,522	23,348	26,611
EO Income/(Exp)	-939	0	-8,416	-5,555	0	0	0	0
PBT after EO Exp.	20,407	23,340	7,948	5,969	15,001	17,522	23,348	26,611
Current Tax	7,016	7,051	3,324	1,630	1,930	4,183	5,562	6,341
Deferred Tax	-318	355	-1,424	-784	899	0	0	0
Tax Rate (%)	32.8	31.7	23.9	14.2	18.9	23.9	23.8	23.8
Reported PAT	13,708	15,934	6,048	5,123	12,172	13,339	17,786	20,270
Adjusted PAT	14,339	15,934	12,452	9,890	12,172	13,339	17,786	20,270
Change (%)	-0.7	11.1	-21.9	-20.6	23.1	9.6	33.3	14.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	305	295	295	295	295	295	295	295
Total Reserves	99,508	90,967	92,399	97,927	1,06,584	1,16,089	1,29,451	1,44,561
Net Worth	99,813	91,262	92,694	98,222	1,06,879	1,16,384	1,29,746	1,44,856
Total Loans	0	0	0	0	0	0	0	0
Capital Employed	99,813	91,262	92,694	98,222	1,06,879	1,16,384	1,29,746	1,44,856
Gross Block	26,261	28,991	34,629	36,339	38,738	47,292	53,292	59,292
Less: Accum. Deprn.	13,086	17,338	21,271	23,983	26,623	30,193	34,367	39,040
Net Fixed Assets	13,175	11,653	13,358	12,356	12,115	17,099	18,925	20,252
Capital WIP	3,132	6,546	4,932	4,928	6,054	3,500	3,500	3,500
Total Investments	52,404	40,538	40,415	51,571	55,275	55,275	55,275	55,275
Curr. Assets, Loans&Adv.	65,658	63,764	69,928	73,821	76,499	95,783	1,08,644	1,27,607
Inventory	12,258	14,443	11,159	12,985	17,293	19,772	19,812	21,502
Account Receivables	16,156	15,675	14,131	13,894	15,267	19,772	22,014	23,891
Cash and Bank Balance	18,878	12,527	22,560	24,505	17,054	27,373	34,677	47,333
Loans and Advances	18,366	21,118	22,079	22,438	26,885	28,866	32,140	34,881
Curr. Liability & Prov.	39,461	35,834	40,506	49,514	47,225	59,433	60,758	65,939
Account Payables	20,231	15,885	16,050	22,230	22,404	27,680	28,618	31,058
Other Current Liabilities	6,670	9,200	8,277	14,171	11,174	14,433	12,856	13,952
Provisions	12,560	10,749	16,180	13,113	13,647	17,320	19,284	20,929
Net Current Assets	26,197	27,929	29,422	24,308	29,274	36,349	47,886	61,667
Deferred Tax assets	4,905	4,596	4,567	5,059	4,161	4,161	4,161	4,161
Appl. of Funds	99,813	91,262	92,694	98,222	1,06,879	1,16,384	1,29,746	1,44,856

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	470	540	422	335	413	452	603	687
Cash EPS	623	677	552	451	523	573	745	846
BV/Share	3,270	3,095	3,143	3,331	3,624	3,947	4,400	4,912
DPS	100	105	105	115	210	130	150	175
Payout (%)	26.8	23.4	61.6	66.2	50.9	28.7	24.9	25.5
Valuation (x)								
P/E	36.8	32.0	41.0	51.6	41.9	38.2	28.7	25.2
Cash P/E	27.8	25.6	31.3	38.3	33.1	30.2	23.2	20.5
P/BV	5.3	5.6	5.5	5.2	4.8	4.4	3.9	3.5
EV/Sales	4.4	4.1	5.0	5.0	4.2	3.3	3.0	2.7
EV/EBITDA	24.3	23.1	32.9	48.4	33.8	26.1	20.2	17.3
Dividend Yield (%)	0.6	0.6	0.6	0.7	1.2	0.8	0.9	1.0
FCF per share	407.6	2.6	309.2	217.4	-65.2	392.8	261.6	451.1
Return Ratios (%)								
RoIC	25.2	22.7	19.1	12.5	17.2	21.2	24.5	25.6
RoE	15.3	16.7	13.5	10.4	11.9	11.9	14.5	14.8
RoCE (pre-tax)	22.8	24.6	17.9	12.2	14.9	15.8	19.1	19.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.5	4.2	2.8	2.7	3.0	3.1	3.0	2.9
Asset Turnover (x)	1.2	1.3	1.1	1.0	1.1	1.3	1.3	1.3
Inventory (Days)	38	44	41	49	54	50	45	45
Debtor (Days)	50	47	52	52	47	50	50	50
Creditor (Days)	63	48	60	83	69	70	65	65
Working Cap. Turnover (Days)	23	47	25	-1	38	23	30	30

Standalone - Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
(INR m)								
OP/(Loss) before Tax	20,406	23,410	10,069	5,671	15,001	17,522	23,348	26,611
Depreciation	4,672	4,045	4,445	3,414	3,243	3,570	4,174	4,672
Interest & Finance Charges	-2,720	-2,769	-2,948	-2,377	-2,150	-2,570	-4,012	-4,515
Direct Taxes Paid	-6,761	-7,822	-4,612	-2,695	-2,664	-4,183	-5,562	-6,341
(Inc)/Dec in WC	4,588	-6,888	10,206	6,320	-9,372	3,244	-4,232	-1,126
CF from Operations	20,185	9,976	17,160	10,334	4,058	17,583	13,715	19,301
CF from Operating incl EO	17,287	5,931	13,361	8,349	2,693	17,583	13,715	19,301
(Inc)/Dec in FA	-4,846	-5,854	-4,243	-1,938	-4,617	-6,000	-6,000	-6,000
Free Cash Flow	12,441	78	9,118	6,411	-1,924	11,583	7,715	13,301
(Pur)/Sale of Investments	-10,620	15,821	782	-5,087	-1,837	0	0	0
Others	3,763	7,691	-5,267	2,395	6,136	2,700	4,112	4,615
CF from Investments	-11,703	17,659	-8,729	-4,630	-318	-3,300	-1,888	-1,385
Issue of Shares	0	-21,569	0	0	0	0	0	0
Interest Paid	-6	-60	0	-16	-150	-130	-100	-100
Dividend Paid	-3,295	-3,679	-3,731	-3,095	-3,394	-3,834	-4,424	-5,161
Others	55	0	-259	-271	-287	0	0	0
CF from Fin. Activity	-3,246	-25,308	-3,990	-3,382	-3,831	-3,964	-4,524	-5,261
Inc/Dec of Cash	2,338	-1,717	642	337	-1,456	10,319	7,304	12,655
Opening Balance	1,289	3,627	1,910	2,552	2,889	1,433	11,752	19,057
Closing Balance	3,627	1,910	2,552	2,889	1,433	11,752	19,057	31,712

Explanation of Investment Rating	
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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