

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USD\$)	485.5 / 5.9
52-Week Range (INR)	19126 / 12861
1, 6, 12 Rel. Per (%)	-1/7/-9
12M Avg Val (INR M)	607

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	117.8	146.2	163.0
EBITDA	14.6	18.2	23.7
Adj. PAT	12.2	13.9	17.9
EPS (INR)	412.8	471.2	607.9
EPS Gr. (%)	23.1	14.2	29.0
BV/Sh. (INR)	3,624	3,965	4,423

Ratios

RoE (%)	11.9	12.4	14.5
RoCE (%)	14.9	16.5	19.1
Payout (%)	50.9	27.6	24.7

Valuations

P/E (x)	39.9	34.9	27.1
P/BV (x)	4.5	4.2	3.7
Div. Yield (%)	1.3	0.8	0.9
FCF Yield (%)	-0.4	2.3	1.6

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	70.5	70.5	70.5
DII	16.3	16.5	16.1
FII	3.6	3.6	4.0
Others	9.5	9.4	9.3

FII Includes depository receipts

CMP: INR16,461 TP: INR16,250 (-1%) Neutral

Margins hurt due to high RM and other costs

Won pilot project on hydrogen engine for CVs

- BOS's performance divergence continued in 2QFY23 with good revenue evolution but it continued to disappoint on profitability. We expect continued revenue outperformance on account of a CV cycle revival, higher content, and increase in exports; however, we are waiting for margins to recover to 14-15%. With CMP reflecting all the negatives, we expecting no major re-rating catalysts on the anvil.
- We raise our FY23 estimates by 5% to factor in for higher 'other income' while broadly maintaining our FY24 estimates. We reiterate our **Neutral** rating on the stock with a TP of INR16,250 (~25x Sep'24E EPS).

Auto business growth supported by easing chip supplies

- Revenue/EBITDA/Adj.PAT grew 25.5%/21%/flat YoY to INR36.6b/INR4.3b/INR3.7b in 2QFY23, respectively. The same grew 34%/33%/12% YoY, respectively, for 1HFY23.
- Revenue from the Auto segment revenue grew 29% YoY to INR31.5b, whereas the same from the non-Auto segment grew ~5% YoY to INR5.24b. Growth in revenue could also be attributed to the easing of supply chain bottlenecks at the end of 2QFY23.
- Gross margins eroded 210bp YoY (30bp QoQ) to 35.1%, primarily due to a weaker mix and higher RM cost. Further, higher-than-estimated 'other expenses' diluted the benefit of operating leverage, leading to EBITDA margins to decline 50bp YoY to 11.8% (v/s est 13.4%) in the quarter.
- However, higher 'other income' led to flat PAT on YoY basis (in-line) in 2QFY23.
- 1HFY23 cash flow improved to INR9.95b (v/s negative operating cash flow in 1HFY22 at INR2b). FCFE improved to INR6.8b (v/s negative FCFE of INR3b in 1HFY22) due to strong operating performance despite higher capex of INR3.1b (v/s INR1b in 1HFY22)

Highlights from the management commentary

- It has localized a new common rail injector for commercial vehicles, benefit of which is expected to reflect gradually from 3QFY23 onwards.
- It has received a pilot project from an Indian OEM for converting ICE CV to Hydrogen engine CV.
- For imports, it has a hedging policy as well as provision in contracts with customers to pass through volatility in Foreign exchange.
- Capex for FY23 is expected to be at INR5.2-5.6b (1HFY23 at INR3.1b).

Valuation and view

- Valuations at ~34.9x/27.1x FY23E/FY24E EPS largely factor 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 commanding a re-rating of the stock.
- Hence, we reiterate our **Neutral** rating with a TP of INR16,250 (~25x Sep'24E EPS).

Jinesh Gandhi – Research Analyst (Jinesh@MotilalOswal.com)

Aniket Desai – Research Analyst (Aniket.Desai@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance (S/A)

(INR m)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E 2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Net Sales	24,435	29,180	31,091	33,110	35,444	36,616	35,754	38,435	1,17,816	1,46,249	36,475
YoY Change (%)	146.4	17.7	2.6	2.9	45.1	25.5	15.0	16.1	21.2	24.1	25.0
RM Cost (% of sales)	58.9	62.8	60.8	64.6	64.6	64.9	63.5	63.0	61.9	64.0	64.0
Staff Cost (% of sales)	11.1	8.7	9.4	7.7	7.6	7.5	7.8	7.3	9.1	7.5	7.6
Other Expenses (% of sales)	17.5	16.3	18.3	14.5	15.0	15.8	18.0	15.3	16.6	16.0	15.0
EBITDA	3,066	3,575	3,575	4,354	4,495	4,311	3,826	5,530	14,570	18,162	4,888
Margins (%)	12.5	12.3	11.5	13.2	12.7	11.8	10.7	14.4	12.4	12.4	13.4
Depreciation	671	829	851	892	648	919	950	1,041	3,243	3,558	900
Interest	32	15	169	73	36	19	30	45	289	130	35
Other Income	990	1,244	803	926	566	1,497	850	897	3,963	3,810	900
PBT before EO expense	3,353	3,975	3,359	4,315	4,377	4,870	3,696	5,342	15,001	18,284	4,853
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	4,870	3,696	5,342	15,001	18,284	4,853
Tax	756	255	1,009	809	1,035	1,146	887	1,320	2,829	4,388	1,158
Tax Rate (%)	22.5	6.4	30.0	18.7	23.6	23.5	24.0	24.7	18.9	24.0	23.9
Reported PAT	2,598	3,720	2,350	3,506	3,342	3,724	2,809	4,021	12,172	13,896	3,694
Adj PAT	2,598	3,720	2,350	3,506	3,342	3,724	2,809	4,021	12,172	13,896	3,694
YoY Change (%)	390.4	33.5	-24.6	1.4	28.7	0.1	19.5	14.7	23.1	14.2	-0.7

E: MOFSL Estimates

Segmental Mix (INR m)

	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Auto	21,484	24,364	27,406	27,119	31,092	31,505			1,00,373	-
Growth (%)	164.4	14.5	2.6	(2.0)	44.7	29.3			19.8	(100.0)
PBIT margin (%)	12.7	11.8	14.1	11.8	13.6	12.1			12.6	-
Contribution (%)	87.9	83.5	88.1	81.9	87.7	86.0			85.2	-
Non-Auto	2,964	4,984	3,905	6,295	4,388	5,237			18,148	-
Growth (%)	60.5	41.0	7.0	39.5	48.0	5.1			34.0	(100.0)
PBIT margin (%)	14.1	16.8	(1.0)	13.0	9.8	12.6			11.2	-
Contribution (%)	12.1	17.1	12.6	19.0	12.4	14.3			15.4	-
a) Consumer goods	2,095	3,537	2,213	4,809	3,188	3,528			12,654	-
Growth (%)	122.6	38.4	(8.9)	32.2	52.2	(0.3)			33.2	-
PBIT margin (%)	(1.7)	13.1	(12.5)	11.0	5.8	11.1			5.4	-
b) Others	869	1,447	1,692	1,486	1,200	1,709			5,494	-
Growth (%)	(4.1)	47.7	38.7	70.0	38.1	18.1			35.9	-
PBIT margin (%)	52.2	25.8	14.0	19.5	20.4	15.9			24.7	-
Total Revenue (post inter segment)	24,435	29,180	31,091	33,110	35,444	36,616			1,17,771	97,180
Growth (%)	146.4	17.7	2.6	2.9	45.1	25.5			21.2	(17.5)

E: MOFSL Estimates

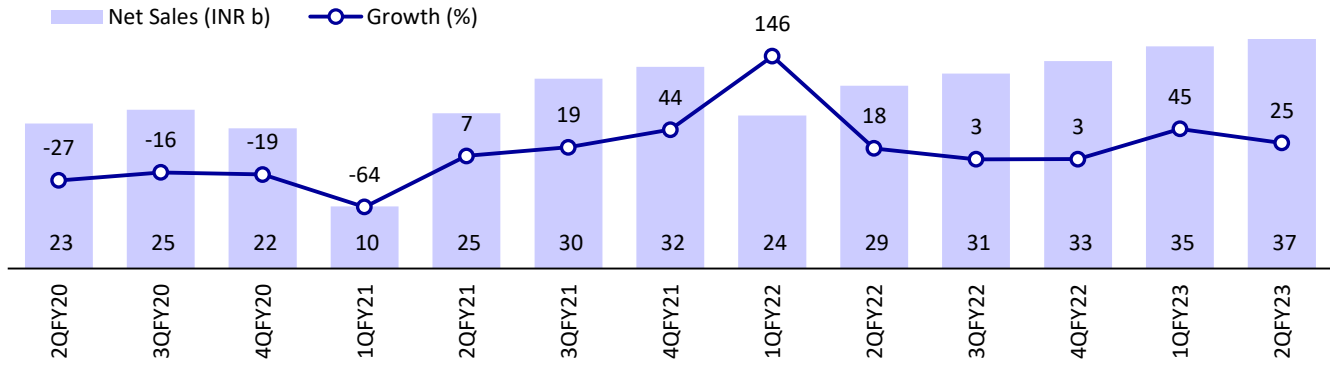


Highlights from the management commentary

- Revenues were influenced by the easing of chip shortage, aiding the broad-based growth in auto supply. Auto product sales grew 31% YoY, driven by 40% growth in the Powertrain Solutions business (over 60% of revenues), 21% growth in the 2W segment, and 5% in the aftermarket.
- Non-auto business grew 7.5% YoY, driven by ~28% growth in Energy & Building Tech, and 3% growth in Power tools.
- It has localized new common rail injector for commercial vehicles, benefit of which is expected to start reflect gradually from 3QFY23 onwards.
- It has received a pilot project from an Indian OEM for converting ICE CV to Hydrogen engine CV.

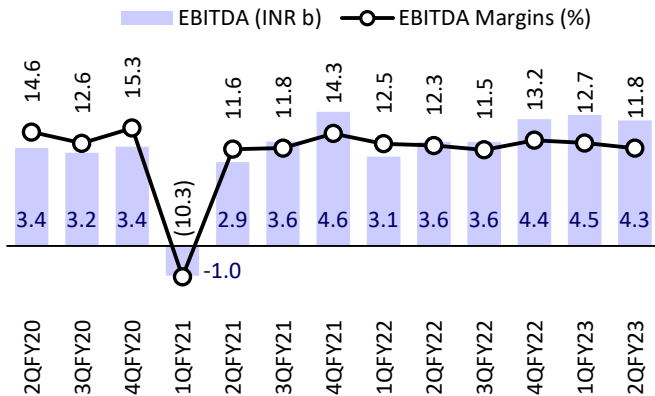
- ‘Other expenses’ were higher by INR350m due to one-time technical access fees for localization of few new products.
- For imports, it has a hedging policy as well as provision in contracts with customers to pass through volatility in Foreign exchange.
- Capex for FY23 is expected to be at INR5.2-5.6b (1HFY23 at INR3.1b).

Exhibit 1: Trend in revenues



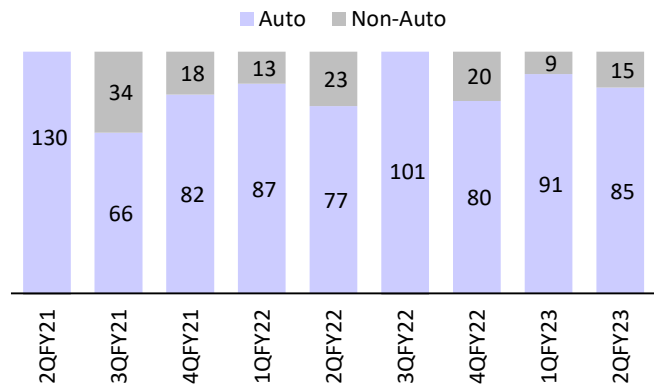
Source: Company, MOFSL

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. Even amid the COVID-19 crisis, it continued 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 better positioned in these segments for EVs. It plans to invest INR20b over the next five years for the localization of advanced automotive technologies (INR10b) and expansion into digital platforms (~INR10b in the mobility marketplace,

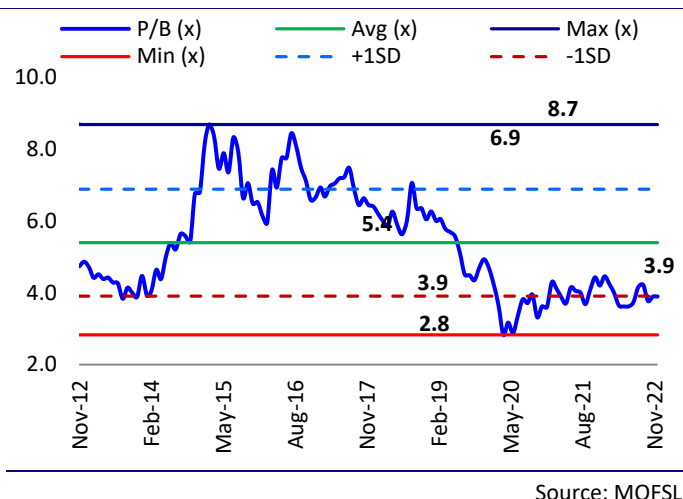
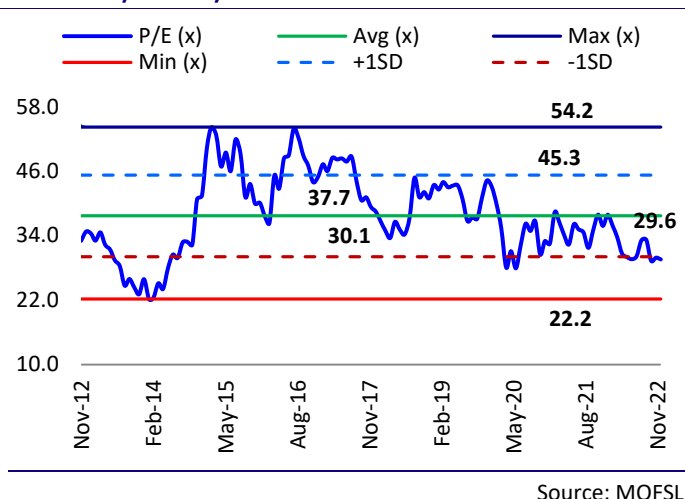
mobility Cloud platform, etc.). Our estimates do not factor in any material contribution from e-2W/3Ws as the competitive landscape is yet to stabilize.

- With the return of operating leverage, EBITDA margin is expected to ~15.2% in FY25, 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 15% 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 raise our FY23E estimates by 5% to factor in for higher ‘other income’ while broadly maintaining our FY24 estimates. 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 ~34.9x/27.1x FY23E/FY24E EPS. While the negatives are priced in, there are no material catalysts visible commanding a re-rating of the stock. We reiterate our Neutral rating with a TP of ~INR16,250 (~25x Sep’24E EPS, which is at a 33% discount to its 10-year LPA of 37.7x).

Exhibit 4: Revisions to our estimates

(INR b)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	146.2	143.6	1.8	163.0	159.9	1.9
EBITDA Margin (%)	12.4	12.8	-30bp	14.5	14.6	0bp
PAT	13.9	13.2	5.4	17.9	17.6	1.8
EPS (INR)	471.2	446.9	5.4	607.9	597.2	1.8

Exhibit 5: P/E and P/B band



Key operating indicators

Exhibit 6: Trend in sales

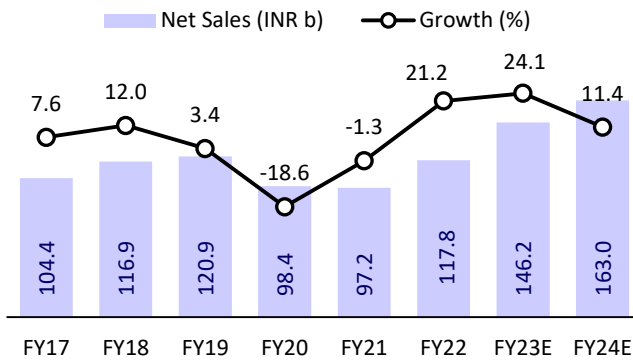


Exhibit 7: Segment mix

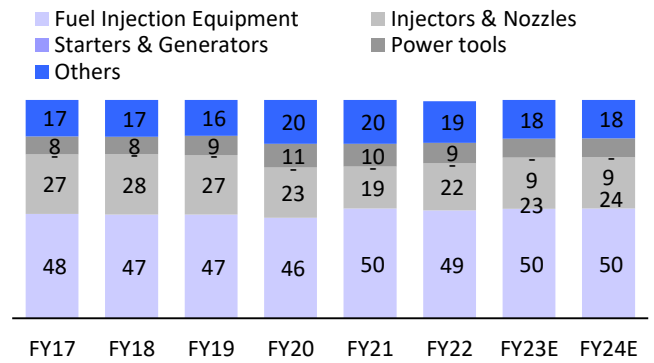


Exhibit 8: Gross margin v/s EBITDA margin

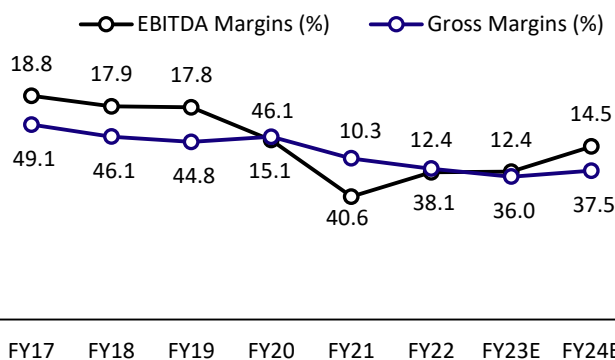


Exhibit 9: Trend in dividend payout

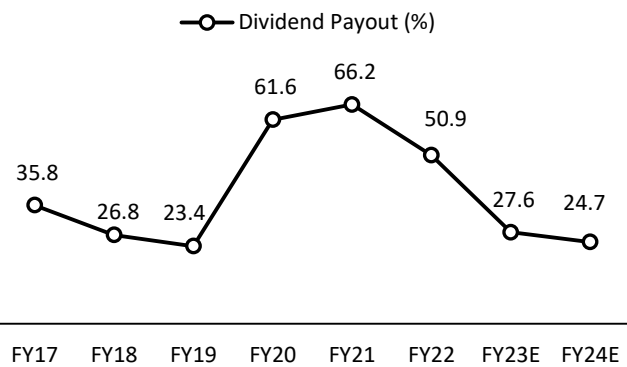


Exhibit 10: FCF and net cash

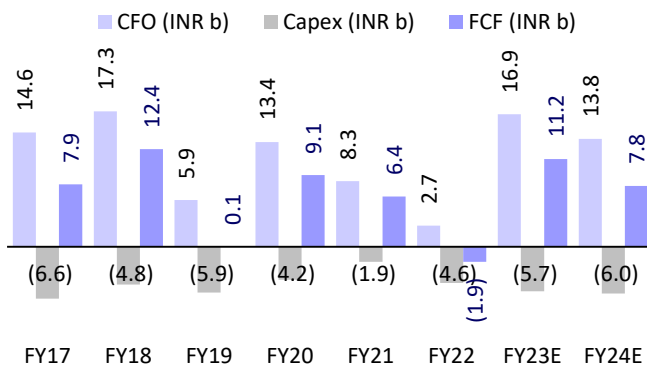


Exhibit 11: Cash, as a percentage of capital employed, stands at ~67%

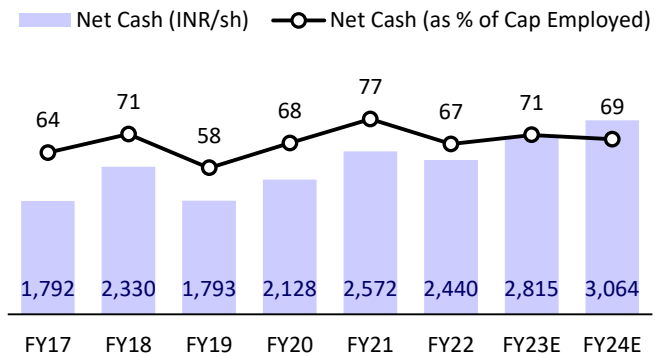


Exhibit 12: EPS and EPS growth trend

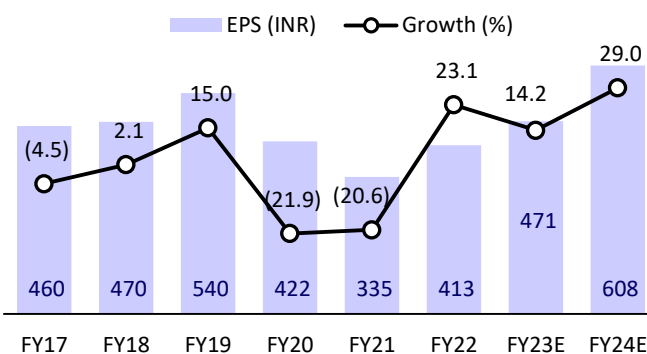
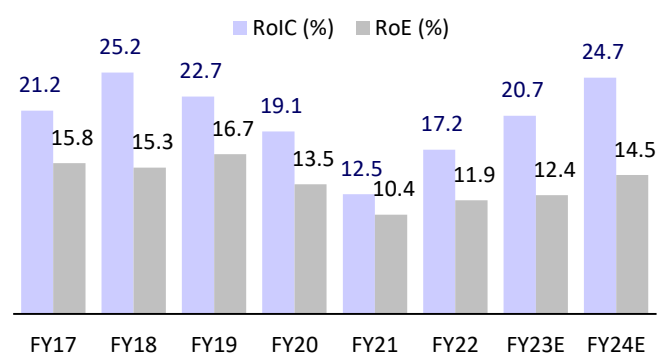


Exhibit 13: Trend in BOS' return profile



Source: Company, MOFSL

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	1,46,249	1,62,958	1,76,875
Change (%)	12.0	3.4	-18.6	-1.3	21.2	24.1	11.4	8.5
EBITDA	20,933	21,541	14,834	10,039	14,570	18,162	23,672	26,968
Margin (%)	17.9	17.8	15.1	10.3	12.4	12.4	14.5	15.2
Depreciation	4,672	4,021	3,833	3,414	3,243	3,558	4,149	4,647
EBIT	16,261	17,520	11,001	6,624	11,327	14,604	19,522	22,321
Fin. charges	33	133	102	140	289	130	100	100
Other Income	5,118	5,953	5,466	5,040	3,963	3,810	4,112	4,615
PBT bef. EO Exp.	21,346	23,340	16,365	11,524	15,001	18,284	23,535	26,836
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	18,284	23,535	26,836
Current Tax	7,016	7,051	3,324	1,630	1,930	4,388	5,607	6,395
Deferred Tax	-318	355	-1,424	-784	899	0	0	0
Tax Rate (%)	32.8	31.7	23.9	14.2	18.9	24.0	23.8	23.8
Reported PAT	13,708	15,934	6,048	5,123	12,172	13,896	17,927	20,440
Adjusted PAT	14,339	15,934	12,452	9,890	12,172	13,896	17,927	20,440
Change (%)	-0.7	11.1	-21.9	-20.6	23.1	14.2	29.0	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	1,16,646	1,30,150	1,45,430
Net Worth	99,813	91,262	92,694	98,222	1,06,879	1,16,941	1,30,445	1,45,725
Total Loans	0	0	0	0	0	0	0	0
Capital Employed	99,813	91,262	92,694	98,222	1,06,879	1,16,941	1,30,445	1,45,725
Gross Block	26,261	28,991	34,629	36,339	38,738	46,992	52,992	58,992
Less: Accum. Deprn.	13,086	17,338	21,271	23,983	26,623	30,181	34,330	38,977
Net Fixed Assets	13,175	11,653	13,358	12,356	12,115	16,811	18,662	20,015
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	97,417	1,10,459	1,29,647
Inventory	12,258	14,443	11,159	12,985	17,293	20,034	20,091	21,806
Account Receivables	16,156	15,675	14,131	13,894	15,267	20,034	22,323	24,229
Cash and Bank Balance	18,878	12,527	22,560	24,505	17,054	28,099	35,453	48,236
Loans and Advances	18,366	21,118	22,079	22,438	26,885	29,250	32,592	35,375
Curr. Liability & Prov.	39,461	35,834	40,506	49,514	47,225	60,223	61,612	66,873
Account Payables	20,231	15,885	16,050	22,230	22,404	28,048	29,020	31,498
Other Current Liabilities	6,670	9,200	8,277	14,171	11,174	14,625	13,037	14,150
Provisions	12,560	10,749	16,180	13,113	13,647	17,550	19,555	21,225
Net Current Assets	26,197	27,929	29,422	24,308	29,274	37,194	48,847	62,774
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	1,16,941	1,30,445	1,45,725

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	471	608	693
Cash EPS	623	677	552	451	523	592	749	851
BV/Share	3,270	3,095	3,143	3,331	3,624	3,965	4,423	4,941
DPS	100	105	105	115	210	130	150	175
Payout (%)	26.8	23.4	61.6	66.2	50.9	27.6	24.7	25.2
Valuation (x)								
P/E	35.0	30.5	39.0	49.1	39.9	34.9	27.1	23.7
Cash P/E	26.4	24.3	29.8	36.5	31.5	27.8	22.0	19.3
P/BV	5.0	5.3	5.2	4.9	4.5	4.2	3.7	3.3
EV/Sales	4.1	3.9	4.7	4.7	4.0	3.1	2.8	2.5
EV/EBITDA	23.1	22.0	31.2	45.9	32.1	25.2	19.0	16.2
Dividend Yield (%)	0.6	0.6	0.6	0.7	1.3	0.8	0.9	1.1
FCF per share	407.6	2.6	309.2	217.4	-65.2	379.7	263.3	455.4
Return Ratios (%)								
RoIC	25.2	22.7	19.1	12.5	17.2	20.7	24.7	25.7
RoE	15.3	16.7	13.5	10.4	11.9	12.4	14.5	14.8
RoCE (pre-tax)	22.8	24.6	17.9	12.2	14.9	16.5	19.1	19.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.5	4.2	2.8	2.7	3.0	3.1	3.1	3.0
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

(INR Million)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	20,406	23,410	10,069	5,671	15,001	18,284	23,535	26,836
Depreciation	4,672	4,045	4,445	3,414	3,243	3,558	4,149	4,647
Interest & Finance Charges	-2,720	-2,769	-2,948	-2,377	-2,150	-3,680	-4,012	-4,515
Direct Taxes Paid	-6,761	-7,822	-4,612	-2,695	-2,664	-4,388	-5,607	-6,395
(Inc)/Dec in WC	4,588	-6,888	10,206	6,320	-9,372	3,125	-4,298	-1,144
CF from Operations	20,185	9,976	17,160	10,334	4,058	16,898	13,766	19,429
CF from Operating incl EO	17,287	5,931	13,361	8,349	2,693	16,898	13,766	19,429
(Inc)/Dec in FA	-4,846	-5,854	-4,243	-1,938	-4,617	-5,700	-6,000	-6,000
Free Cash Flow	12,441	78	9,118	6,411	-1,924	11,198	7,766	13,429
(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	3,810	4,112	4,615
CF from Investments	-11,703	17,659	-8,729	-4,630	-318	-1,890	-1,888	-1,385
Issue of Shares	0	-21,569	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	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	11,045	7,355	12,783
Opening Balance	1,289	3,627	1,910	2,552	2,889	1,433	12,478	19,833
Closing Balance	3,627	1,910	2,552	2,889	1,433	12,478	19,833	32,616

NOTES

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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