Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Stock Update

Result Update

Bosch Ltd

In-line operating performance

Automobiles	Sharekhan code: BOSCHLTD
Reco/View: Buy ↔	CMP: Rs. 32,403	Price Target: Rs. 35,968 ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

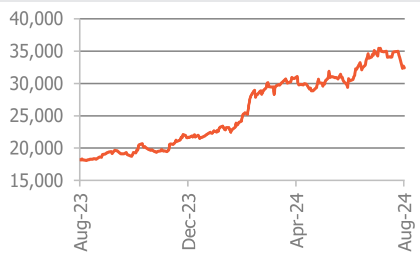
Company details

Market cap:	Rs. 95,568 cr
52-week high/low:	Rs. 36,577/ 17,925
NSE volume: (No of shares)	37,510 lakh
BSE code:	500530
NSE code:	BOSCHLTD
Free float: (No of shares)	0.9 cr

Shareholding (%)

Promoters	70.5
FII	6.0
DII	15.8
Others	7.7

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.2	9.4	42.2	71.0
Relative to Sensex	-6.5	1.3	29.8	50.9

Sharekhan Research, Bloomberg

Summary

- AEBITDA was in line at Rs 520 crore, though PAT at Rs. 465 crore came below estimates on lower-than-expected other income.
- Bosch has been in discussions with multiple OEMs for their EV projects.
- We maintain a Buy on the stock with an unchanged price target of Rs. 35,968 in expectations of rising localisation, increased content per vehicle, and emerging opportunities in alternative power-trains segment.
- Stock trades at P/E multiple of 36.9x and EV/EBITDA multiple of 27.2x its FY26 estimates.

Bosch has reported inline operating performance, while bottomline missed the estimates on account of lower-than-expected other income. Revenues increased by 3.8% y-o-y to Rs 4317 crore (against the estimate of Rs 4200 crore) on the back of 3.3% y-o-y growth in the automotive product segment and 4.9% y-o-y growth in consumer product segment. AEBITDA increased by 5.4% y-o-y to Rs 520 crore (against estimate of Rs 508 crore). AEBITDA margin expanded by 20 bps y-o-y to 12% (against an estimate of 12.1%) as gross margins are flat y-o-y. Other expenses as a percentage of sales surged by 280 bps on q-o-q basis due to reversal of one off gains from the previous quarter and a special warranty cost. Other income fell by 4.4% y-o-y to Rs 179 crore (against estimate of Rs 250 crore) APAT increased by 13.6% y-o-y to Rs 465 crore (against estimate of 527.8 crore).

Key positives

- Gross margins rose by 90 bps q-o-q and remained flat on y-o-y.
- The automotive product segment grew by 3.3% y-o-y and 6.6% q-o-q.
- EBIT margin in automotive segment has expanded by 290 bps y-o-y to 13.8%.

Key negatives

- Consumer product segment registered 24.8% q-o-q decline in revenue, while EBIT margin from 11.5% in Q4FY24 to 3.1% in Q1FY25.
- Other income declined by 4.4% y-o-y and 20.7% q-o-q.
- Other expenses as a percentage of sales surged by 280 bps on q-o-q basis due to reversal of one off gains from the previous quarter and a special warranty cost.

Management Commentary

- Bosch would continue to focus on localisation subjected to visibility of volume growth along with profitability.
- The company has been in discussion with multiple OEMs for their EV projects.
- For the power tools business, Bosch India has been changed from sales organization to an independent region.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 35,968: After reporting an in-line operating performance the management has indicated for a continued focus on localization subjected to a visibility of profitable volume growth. Strategically it is opting for localization where it can utilize the assets speedily in place of localising the products upfront and then wait for capacity utilization. While it would continue to focus on domestic markets, but it has been getting opportunities to expand its export business due to geopolitical issues and its cost competitiveness. Export mix stood at 8.1% in FY24, and we believe that an increase in localization would help the company in expanding its export revenues over the period. While Bosch has a dominant position in traditional fuelled powertrain segment it has been well prepared to cater to emerging fuel segments. With a strong presence in the traditional fuel segment, Bosch has been aggressively working towards hydrogen technology in India. With its global parentage, the company is assuming that Bosch has an adequate portfolio of products and technology access to cater to the hydrogen segment in India. Bosch strategically aims to expand its presence in the EV business with visibility on profitability. Given its technological expertise and support from its parent, we continue to believe Bosch would be a key beneficiary of the implementation of stringent emission norms in the domestic automotive market as the increase in complexity offers it an opportunity to enhance its content per vehicle. Gradually, Bosch has been emerging as the preferred complete power train solutions provider for OEMs. This enables a regular order inflow and visibility of business. We maintain a Buy rating on the stock with an unchanged price target (PT) of Rs. 35,968 on expectations of rising localisation, increased content per vehicle, and emerging opportunities in the alternative power-train segment.

Key Risks

Performance may be affected if commodity prices increase. In addition, a slowdown in CV and PV segment can materially affect our revenue and margin projections.

Valuation (Consolidated) Rs cr

Particulars	FY22	FY23	FY24	FY25E	FY26E
Revenues	11,782	14,929	16,727	18,734	21,357
Growth (%)	21.3	26.7	12.0	12.0	14.0
AEBIDTA	1,457	1,807	2,095	2,735	3,225
OPM (%)	12.4	12.1	12.5	14.6	15.1
Adj Profit	1,217	1,424	1,648	2,210	2,587
Growth (%)	-0.6	17.0	15.7	34.2	17.1
A EPS	412.7	483.0	558.7	749.5	877.3
P/E	78.5	67.1	58.0	43.2	36.9
P/BV	8.7	8.9	7.9	6.9	6.0
EV/EBIDTA	60.2	49.0	42.2	32.2	27.2
ROE (%)	11.1	13.3	13.7	16.0	16.3
ROCE (%)	10.9	12.8	13.3	15.7	16.0

Source: Company; Sharekhan estimates

Restructuring: Diagnosis business

- Bosch has completed the transaction of OE/OES diagnosis business from Mobility Aftermarket for a cash consideration of Rs 45.6 crore. The diagnosis business was engaged in doing documentation work for OEMs. The management do foresee a limited growth potential and hence decided to hive it off.
- Though it has not shared the detailed plan for future restructuring but has been looking to focus on productive parts of the business.

EVs

- Broadly, Bosch believes that the share of diesel power train will come down over the period and hence it is prepared to upgrade itself to get command on the alternative technologies.
- Backed by its parent Bosch is competitive to offer multiple products and solutions to its customers in EV segment.
- It has been in discussion with multiple OEMs for their EV projects.
- The investment for the EV projects would be dependent on the available business opportunities in terms of volumes, given currently EVs are at nascent stage in Indian market.
- The company has fulfilled the eligibility criterion for PLI schemes and hoping to get PLI certification for few of its product line.

Power tool business

- For the power tool business, Bosch India has been changed from sales organization to an independent region. With this India become a one of the five independent regions within global Bosch's power tool set up.
- Bosch's power tool division would cater to nearby countries like Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives along with the Indian market as the demand patterns are similar in all these adjoined markets.
- Production would happen at its Chennai plant and will export the products to adjoined markets.

Export-imports

- While Bosch generally follows a local for local theme but due to geopolitical situations and cost-competitive manufacturing the Indian entity is getting an increased opportunity to expand in overseas markets.
- It is possible that exports can get trebled in the next 4 years along with doubling imports.
- The company would continue to import the content where volumes are not justifying for a localisation. Further, it would also import the content related with new technologies including EVs initially.
- Exports are not expected to grow sharply but gradually, exports would increase from current levels.
- Company is shifting from conventional products to common rail system and hence it requires a decent level of localisations.

Rise in content per vehicle

- Content per vehicles changes on implementation of new emission norms. In FY24, the company has witnessed the rise in content per vehicle on introduction of BSVI phase 2 norms.
- Bosch has been working on pilot project with multiple OEMs for Hydrogen ICs project.
- Hydrogen technology can be adopted in MHCV segment.

Two-wheeler segment

- Two-wheeler segment constitute significant portion of its revenue and would continue to form significant portion of its revenue in future also.
- Bosch has been associated with premium products like Pulsar N250 and Pulsar 400cc.
- It has also inaugurated production line for Lambda Sensors, which would support the OBDII stage B regulations from April 2025.

Change in earning estimates

Particulars	Earlier		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	18734	21357	18734	21357	0.0	0.0
EBITDA	2735	3225	2735	3225	0.0	0.0
EBITDA%	14.6	15.1	14.6	15.1		
APAT	2210	2587	2210	2587	0.0	0.0
AEPS (Rs)	749	877	749	877	0.0	0.0

Source: Company; Sharekhan Research

Results (Consolidated) Rs cr

Particulars	Q1FY25	Q1FY24	YoY %	Q4FY24	QoQ %
Revenues	4,317	4,158	3.8	4,233	2.0
Total Expenses	3,797	3,666	3.6	3,676	3.3
AEBIDTA	520	493	5.4	557	(6.7)
Depreciation	86	92	(7.1)	119	(27.9)
Interest	3	31	(91.6)	4	(33.3)
Other Income	179	187	(4.4)	226	(20.7)
PBT	611	557	9.6	661	(7.6)
Tax	145	124	17.7	96	51.0
Adjusted PAT	465	428	8.5	564	(17.6)
Exceptional charges	-	25	-	-	-
Reported PAT	465	409.3	13.6	564.0	(17.6)
Adjusted EPS	157.7	145.3	8.5	191.3	(17.6)

Source: Company; Sharekhan Research

Key Ratios

Particulars	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Gross margin (%)	35.4	35.5	-	34.5	90
AEBIDTA margin (%)	12.0	11.9	20	13.2	(110)
Net profit margin (%)	10.8	9.8	90	13.3	(260)

Source: Company; Sharekhan Research

Segmental Results (Consolidated) Rs cr

Particulars	Q1FY25	Q1FY24	YoY %	Q4FY24	QoQ %
Revenue					
Automotive products	3,741.8	3,623.2	3.3	3,511.4	6.6
Consumer products	393.9	375.4	4.9	523.7	(24.8)
Others	187.5	167.0	12.3	201.9	(7.1)
Less intersegment	6.4	7.2		3.6	
Net Sales	4,316.8	4,158.4	3.8	4,233.4	2.0
EBIT	**Q1FY25**	**Q1FY24**	**YoY %**	**Q4FY24**	**QoQ %**
Automotive products	517.9	396.5	30.6	488.8	6.0
Consumer products	12.4	58.1	(78.7)	60.1	(79.4)
Others	33.8	30.6	10	22.6	49.6
Total	564.1	485.2	16.3	571.5	(1.3)
Segmental EBIT Margin (%)	**Q1FY25**	**Q1FY24**	**YoY (bps)**	**Q4FY24**	**QoQ (bps)**
Automotive products	13.8	10.9	290	13.9	(10)
Consumer products	3.1	15.5	(1,230)	11.5	(830)
Others	18.0	18.3	(30)	11.2	680
Total	13.1	11.7	140	13.5	(40)

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural demand in place

We remain optimistic on the automobile sector driven by pent-up demand across the segment. While PV and CV segment are performing the two-wheeler sector is relatively laggard. We expect sequential improvement in M&HCV sales to continue, driven by rising e-Commerce, agriculture, infrastructure, and mining activities. We expect M&HCVs to outpace other automobile segments over the next few years, followed by growth in the passenger vehicle (PV), two-wheeler and tractor segments. Moreover, exports provide a considerable growth potential, given India's cost-effective manufacturing, being geographically closer to key markets of the Middle East and Europe, and being the second-largest producer of crucial raw material, steel.

■ Company Outlook – Beneficiary of rise in automotive demand

Bosch's content per vehicle would increase with the change from BS-IV to BS-VI emission norms, commencing supplies in the fast-growing EV segment and emerging technologies such as connected vehicles. Bosch is witnessing increased offtake for engine and exhaust gas treatment systems as automotive OEM customers have started rolling BS-VI-compliant vehicles. Moreover, supplies of fuel-injection systems to two-wheeler players provide an incremental opportunity. Bosch has tied up with leading original equipment manufacturers (OEM) players for the collection of BS-VI products. Current order book remains buoyant to be executed over 5-6 years. Moreover, Bosch has commenced supplies to the EV segment, with the supply of the entire drive systems for the Bajaj Chetak scooter, in-house hub systems for the TVS iQube scooter, and components for the Tata Nexon Electric SUV. Bosch is making itself ready to provide solutions for emerging trends of connected vehicles (various cars with voice commands) and increasing digitisation in the Indian automotive industry. We maintain our positive stance on the company.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 35,968

After reporting an in-line operating performance the management has indicated for a continued focus on localization subjected to a visibility of profitable volume growth. Strategically it is opting for localization where it can utilize the assets speedily in place of localising the products upfront and then wait for capacity utilization. While it would continue to focus on domestic markets, but it has been getting opportunities to expand its export business due to geopolitical issues and its cost competitiveness. Export mix stood at 8.1% in FY24, and we believe that an increase in localization would help the company in expanding its export revenues over the period. While Bosch has a dominant position in traditional fuelled powertrain segment it has been well prepared to cater to emerging fuel segments. With a strong presence in the traditional fuel segment, Bosch has been aggressively working towards hydrogen technology in India. With its global parentage, the company is assuming that Bosch has an adequate portfolio of products and technology access to cater to the hydrogen segment in India. Bosch strategically aims to expand its presence in the EV business with visibility on profitability. Given its technological expertise and support from its parent, we continue to believe Bosch would be a key beneficiary of the implementation of stringent emission norms in the domestic automotive market as the increase in complexity offers it an opportunity to enhance its content per vehicle. Gradually, Bosch has been emerging as the preferred complete power train solutions provider for OEMs. This enables a regular order inflow and visibility of business. We maintain a Buy rating on the stock with an unchanged price target (PT) of Rs. 35,968 on expectations of rising localisation, increased content per vehicle, and emerging opportunities in the alternative power-train.

About the company

The Bosch Group is a leading global automotive supplier of technology and services. In India, Bosch is a leading supplier of technology and services in mobility solutions, industrial technology, consumer goods, and energy and building technology. Additionally, in India, Bosch has the most significant development centre outside Germany for end-to-end engineering and technology solutions. In India, Bosch had set up its manufacturing operations in 1951, which have grown to include 18 manufacturing sites and seven development and application centres.

Investment theme

Bosch is one of the leading automotive suppliers in India, with strong technology in its mobility businesses. We expect Bosch to witness a significant increase in content per vehicle with the advent of BS-VI emission norms as vehicles require substantial changes in combustion, powertrain systems, and exhaust gas treatment. Supply of fuel injection to two-wheeler players would be an incremental growth opportunity for the company. Expansion of power tool business' distribution networks in tier 3 and 4 cities, export of BS-VI automotive components to neighbouring countries, and increased adoption of connected EVs would be key growth drivers for the company. Bosch has a solid technological parentage and operates in a high entry-barrier industry with a strong balance sheet, zero debt, and healthy returns ratios. Increasing localisation of BS-VI components benefits from investments in transformation, and restructuring projects coupled with operating leverage (due to strong recovery in volumes) are expected to result in margin improvement.

Key Risks

The company's performance can be impacted adversely if commodity prices continue to rise at the current pace.

Additional Data

Key management personnel

Guruprasad Mudlapur	MD
Ms. Karin Gilges	Chief Financial Officer
Mr. V. Srinivasan	Company Secretary & Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ROBERT BOSCH INTERNATIONALE AG	67.76
2	General Insurance Corp of India	2.78
3	Bosch Global Software Technologies	2.78
4	Life Insurance Corp of India	1.88
5	HDFC Asset Management Co Ltd	1.85
6	New India Assurance Co Ltd/The	1.75
7	Vanguard Group Inc/The	1.19
8	Nippon Life India Asset Management	1.05
9	Kotak Mahindra Asset Management Co	1.04
10	BlackRock Inc	0.85

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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