

Healthy performance; favourable growth environment...

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

Q1FY23 Results: Bosch posted healthy Q1FY23 results.

- Total operating income grew 7% QoQ to ₹ 3,544 crore
- Automotive products segment grew 15% QoQ to ₹ 3,109 crore while consumer goods & others segment de-grew 30% QoQ to ₹ 439 crore
- EBITDA margins were down ~50 bps QoQ at 12.7%
- Consequent PAT was at ₹ 334 crore in Q1FY23 vs. ₹ 351 crore in Q4FY22

What should investors do? Bosch's stock price has de-grown ~6% CAGR over five years from ₹ 24,560 levels in August 2017, thereby underperforming Nifty Auto index.

- We retain our **BUY** rating on the stock amid industry tailwinds in the form of healthy volume growth, diesel powertrain gaining traction domestically and incremental role to play amidst more stringent emission control norms

Target Price and Valuation: We value Bosch at 32x P/E on FY24E EPS of ₹ 625 for a revised target price of ₹ 20,000 per share (earlier ₹ 16,100).

Key triggers for future price performance:

- Leadership positioning in powertrain technology with parent supported ready solutions for Flex Fuel, BS VI phase II transition, EVs and hybrids
- Amid strong focus on increasing domestic sales with underlying focus on exports (~9-12% of sales), we build in 18.2% sales CAGR over FY22-24E
- Resolution of semiconductor shortage to aid topline growth. Operating leverage gains seen aiding margin improvement to 14.5% by FY24E. The company aims at double digit EBIT margins amid localisation push

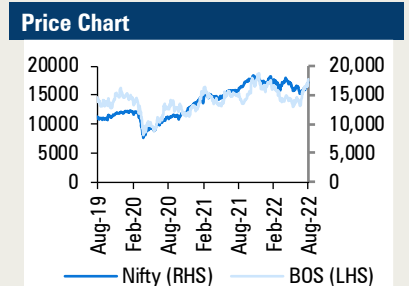
Alternate Stock Idea: In the auto coverage, we also like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with a target price of ₹ 1,500



Particulars	
Particular	₹ crore
Market Capitalization	51,018
Total Debt (FY22)	0.0
Cash and Invsts (FY22)	7,196
EV	43,822
52 week H/L (₹)	19,250/ 12,932
Equity capital (₹ crore)	29.5
Face value (₹)	10.0

Shareholding pattern				
	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	70.5	70.5	70.5	70.5
FII	4.0	4.0	3.5	3.6
DII	16.1	16.1	16.4	16.5
Other	9.3	9.3	9.6	9.4



Recent event & key risks

- Posted healthy Q1FY23 results.
- **Key Risk:** (i) Slower than anticipated expansion in margin profile amid o/p leverage gains, (ii) slower build-in uptick in sales growth prospects at Bosch

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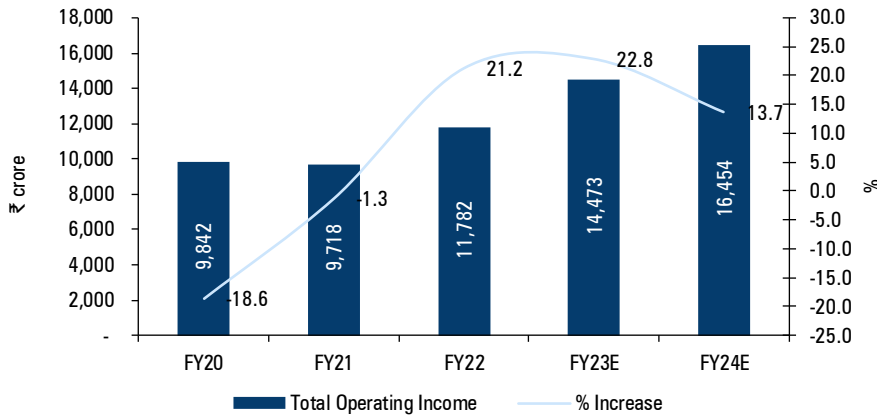
Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	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%	14,473.2	16,454.0	18.2%
EBITDA	2,154.1	1,483.3	1,162.4	1,456.9	-5.8%	1,777.6	2,381.2	27.8%
EBITDA Margins (%)	17.8	15.1	12.0	12.4		12.3	14.5	
Net Profit (adjusted)	1,598.0	1,300.0	1,115.4	1,217.1	-3.4%	1,349.3	1,843.1	23.1%
EPS (₹) (adjusted)	541.9	440.8	378.2	412.7		457.6	625.0	
P/E (adjusted)	31.9	39.2	45.7	41.9		37.8	27.7	
RoNW (%)	17.5	14.0	11.4	11.4		11.6	14.3	
RoCE (%)	19.2	11.9	8.4	10.6		12.3	15.7	

Source: Company, ICICI Direct Research

Financial story in charts

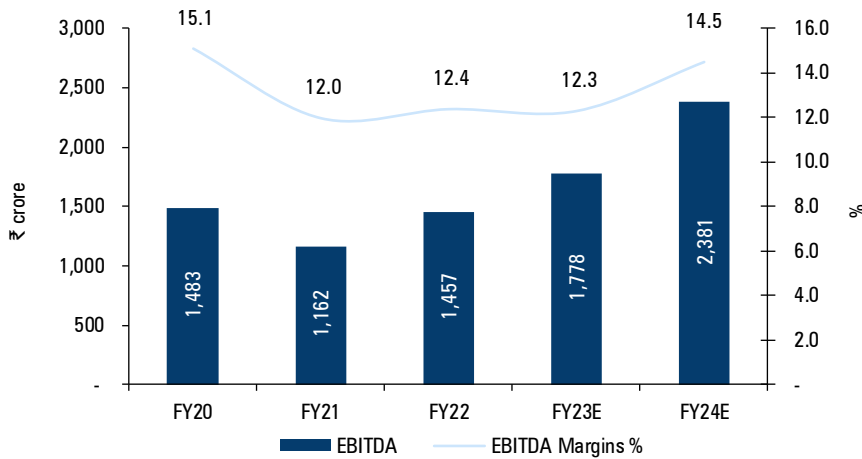
Exhibit 1: Trend in topline



Bosch is seen posting 18.5% revenue CAGR over FY22-24E

Source: Company, ICICI Direct Research

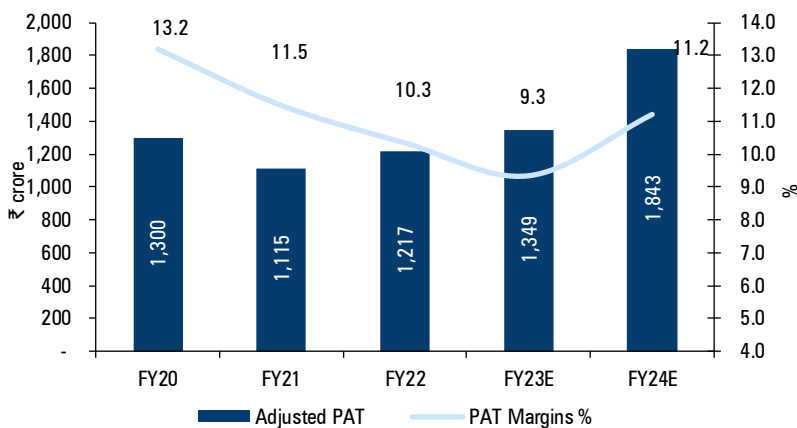
Exhibit 2: Trend in margins



Margins seen rising to 14.5% by FY24E on the back of higher utilisation, operating leverage benefits

Source: Company, ICICI Direct Research

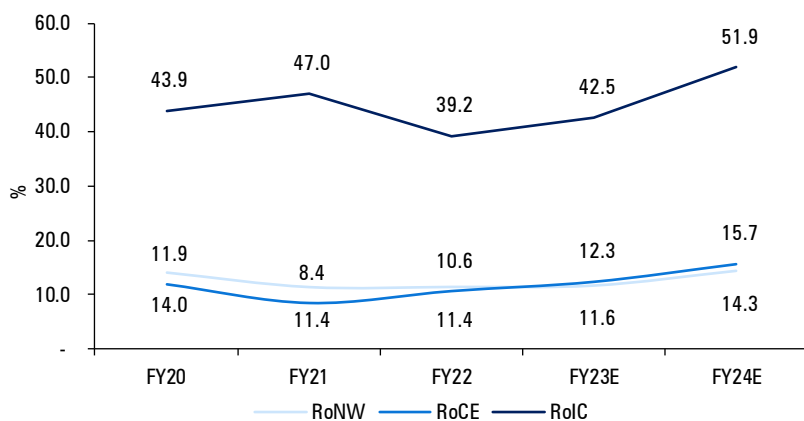
Exhibit 3: Trend in profitability



We expect PAT to grow at 23.1% CAGR to ₹ 1,843 crore by FY24E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in return ratios



Return ratios are seen touching ~15% by FY24E.
RoIC for the company is likely to cross 50% mark

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)	36.8	21.0	14.4	16.3
FY19	12,085.0	3.4	541.9	15.3	31.9	21.2	17.5	19.2
FY20	9,841.6	(18.6)	440.8	(18.7)	39.2	30.2	14.0	11.9
FY21	9,718.0	(1.3)	378.2	(14.2)	45.7	37.4	11.4	8.4
FY22	11,781.6	21.2	412.7	9.1	41.9	30.1	11.4	10.6
FY23E	14,473.2	22.8	457.6	10.9	37.8	24.4	11.6	12.3
FY24E	16,454.0	13.7	625.0	36.6	27.7	17.8	14.3	15.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Total operating Income	9,718.0	11,781.6	14,473.2	16,454.0	
Growth (%)	-1.3	21.2	22.8	13.7	
Raw Material Expenses	5,772.6	7,298.7	9,294.2	10,366.0	
Employee Expenses	931.6	1,072.0	1,116.1	1,192.9	
Other Expenses	1,851.4	1,954.1	2,285.3	2,513.9	
Total Operating Expenditure	8,555.6	10,324.7	12,695.7	14,072.9	
EBITDA	1162.4	1456.9	1777.6	2381.2	
Growth (%)	-21.6	25.3	22.0	34.0	
Depreciation	341.4	324.3	347.4	370.2	
Interest	14.0	28.9	21.7	16.2	
Other Income	504.0	396.2	386.3	469.4	
PBT	1,311.0	1,500.0	1,794.8	2,464.1	
Less Exceptional items	743.9	0.0	0.0	0.0	
Total Tax	84.6	282.9	445.5	620.9	
PAT	482.5	1217.1	1349.3	1843.1	
Adjusted PAT	1115.4	1217.1	1349.3	1843.1	
Growth (%)	-25.7	152.2	10.9	36.6	
EPS (₹)	163.6	412.7	457.6	625.0	
Adjusted EPS	378.2	412.7	457.6	625.0	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit after Tax	482.5	1,217.1	1,349.3	1,843.1	
Add: Depreciation & Interest	355.4	353.2	369.0	386.5	
Sub: Other Income	-504.0	-396.2	-386.3	-469.4	
(Inc)/dec in Current Assets	-117.8	-954.6	-1,086.1	-906.7	
Inc/(dec) in CL and Provisions	822.9	-186.2	1,018.9	728.7	
CF from operating activities	1039.1	33.3	1264.9	1582.3	
(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	-48.4	-11.3	-107.6	-55.7	
Add: Other Income	504.0	396.2	386.3	469.4	
CF from investing activities	-900.9	-398.1	-921.4	-886.3	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0	
Dividend paid & dividend tax	-339.1	-619.3	-442.4	-589.8	
Others	395.4	239.1	-21.7	-16.2	
CF from financing activities	56.3	-380.2	-464.0	-606.0	
Net Cash flow	194.4	-745.1	-120.5	89.9	
Opening Cash	2,256.0	2,450.4	1,705.3	1,584.8	
Closing Cash	2450.4	1705.3	1584.8	1674.8	

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Liabilities					
Equity Capital	29.5	29.5	29.5	29.5	
Reserve and Surplus	9,792.7	10,658.4	11,565.4	12,818.7	
Total Shareholders funds	9822.1	10687.9	11594.9	12848.2	
Total Debt	0.0	0.0	0.0	0.0	
Other non-current Liabilities	459.5	416.8	456.1	485.0	
Total Liabilities	10281.6	11104.6	12050.8	13333.1	
Assets					
Gross Block	3,734.0	4,044.6	4,694.6	5,344.6	
Less: Acc Depreciation	2,471.5	2,795.8	3,143.1	3,513.3	
Net Block	1262.5	1248.8	1551.4	1831.2	
Capital WIP	487.8	605.4	505.4	405.4	
Total Fixed Assets	1,750.3	1,854.2	2,056.8	2,236.6	
Investments	5,135.3	5,490.2	6,140.2	6,890.2	
Inventory	1,298.5	1,729.3	1,982.6	2,254.0	
Debtors	1,389.4	1,526.7	1,982.6	2,254.0	
Loans and Advances	1,461.8	1,630.2	1,857.9	2,112.2	
Other current assets	434.4	652.5	801.6	911.3	
Cash	2450.4	1705.3	1584.8	1674.8	
Total Current Assets	7,034.5	7,244.0	8,209.6	9,206.2	
Creditors	2,223.0	2,240.4	2,775.7	3,155.6	
Provisions	1,073.1	1,119.8	1,387.4	1,577.2	
Other Current Liabilities	1,195.8	945.5	1,161.5	1,320.5	
Total Current Liabilities	4,491.9	4,305.7	5,324.6	6,053.3	
Net Current Assets	2542.7	2938.3	2885.0	3152.9	
Deferred Tax Asset	505.9	416.1	550.5	625.8	
Other non-current Assets	56.2	54.9	67.4	76.7	
Application of Funds	10281.6	11104.6	12050.8	13333.1	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	163.6	412.7	457.6	625.0
Cash EPS	279.4	522.7	575.3	750.5
BV	3,330.7	3,624.2	3,931.8	4,356.8
DPS	115.0	210.0	150.0	200.0
Cash Per Share	2,572.3	2,440.0	2,619.5	2,904.4
Operating Ratios (%)				
EBITDA Margin	12.0	12.4	12.3	14.5
PBT / Net sales	13.5	12.7	12.4	15.0
PAT Margin	11.5	10.3	9.3	11.2
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	11.6	14.3
RoCE	8.4	10.6	12.3	15.7
RoIC	47.0	39.2	42.5	51.9
Valuation Ratios (x)				
P/E	105.7	41.9	37.8	27.7
P/E Adjusted	45.7	41.9	37.8	27.7
EV / EBITDA	37.4	30.1	24.4	17.8
EV / Net Sales	4.5	3.7	3.0	2.6
Market Cap / Sales	5.2	4.3	3.5	3.1
Price to Book Value	5.2	4.8	4.4	4.0
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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