

## Technology leader, steady growth prospects...

**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 FY21 sales with share of Business Beyond Mobility at ~15%
- Within mobility, it has large presence in diesel-dependent vehicles & tractors

**Q2FY22 Results:** Bosch posted muted Q2FY22 results.

- Total operating income grew 17.7% YoY to ₹ 2,918 crore. Automotive products segment grew 14.5% YoY to ₹ 2,436 crore while consumer goods & others grew a healthy 41% YoY to ₹ 498 crore (led by power tools)
- EBITDA margins were lower by ~20 bps QoQ to 12.3%
- Consequent PAT was at ₹ 372 crore in Q2FY22 vs. ₹ 260 crore in Q1FY22

**What should investors do?** The stock price has underperformed Nifty Auto index over past five years and has largely been flat in that timeframe at ~₹ 19,000 levels.

- We retain our **HOLD** rating on the stock amid a gradual improvement in domestic automobile sector and the company's value addition focus

**Target Price and Valuation:** We value Bosch at 35x P/E on FY23E EPS of ₹ 574 for a revised target price of ₹ 20,100 per share (earlier ₹ 15,730).

### Key triggers for future price performance:

- Bosch's role in developing technology leading auto components, EV solutions to some of the domestic OEMs & CV cyclical recovery under way to act as growth drivers; we build in 20.5% sales CAGR over FY21-23E
- Bosch also intends to increase the share of aftermarket sales from present levels of ~20% to ~25% in due course of time; to be margin accretive
- Resolution of semiconductor shortage to aid topline and margins. Operating leverage gains seen aiding margin improvement to 15% by FY23E

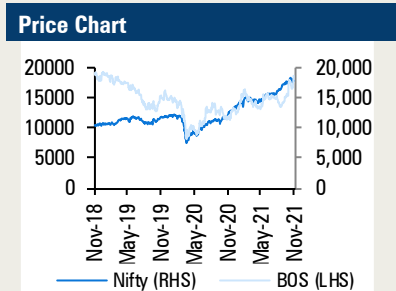
**Alternate Stock Idea:** In the auto ancillary coverage, we also like JK Tyre.

- Walking the talk on b/s deleveraging, sweating of assets & capital efficiency
- BUY with a target price of ₹ 185



Particulars	
Particular	₹ crore
Market Capitalization	54,262
Total Debt (FY21)	34.0
Cash and Investments (FY21)	7,586
EV	46,710
52 week H/L (₹)	19,245 / 11,322
Equity capital (₹ crore)	29.5
Face value (₹)	10.0

Shareholding pattern				
	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	70.5	70.5	70.5	70.5
FII	4.6	4.3	4.3	4.0
DII	15.7	16.2	16.1	16.1
Other	9.1	8.9	9.0	9.3



### Recent event & key risks

- Posted muted Q2FY22 results.
- **Key Risk:** (i) Slower than anticipated improvement in margins profile, (ii) Higher than expected sales growth with greater role to play in EV space

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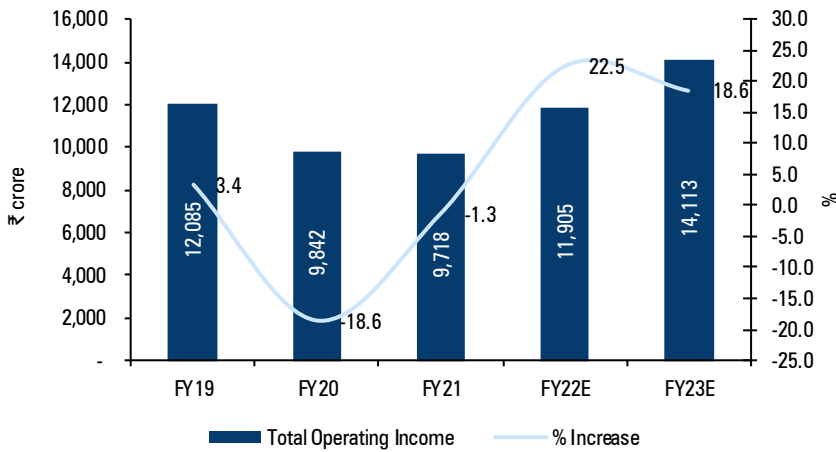
### Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	12,085.0	9,841.6	9,718.0	0.0%	11,904.9	14,113.2	20.5%
EBITDA	2,154.1	1,483.3	1,162.4	-9.1%	1,526.2	2,111.3	34.8%
EBITDA Margins (%)	17.8	15.1	12.0		12.8	15.0	
Net Profit (adjusted)	1,598.0	1,300.0	1,115.4	-6.0%	1,335.3	1,693.7	23.2%
EPS (₹) (adjusted)	541.9	440.8	378.2		452.8	574.3	
P/E (adjusted)	34.0	41.7	48.6		40.6	32.0	
RoNW (%)	17.5	14.0	11.4		12.4	14.1	
RoCE (%)	19.2	11.8	8.3		11.1	14.3	

Source: Company, ICICI Direct Research

## Financial story in charts

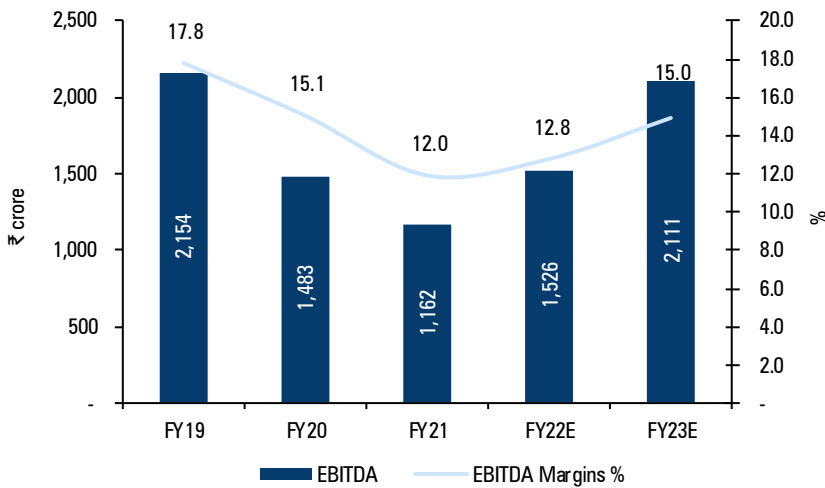
Exhibit 1: Trend in topline



Bosch is seen posting 20.5% revenue CAGR over FY21-23E

Source: Company, ICICI Direct Research

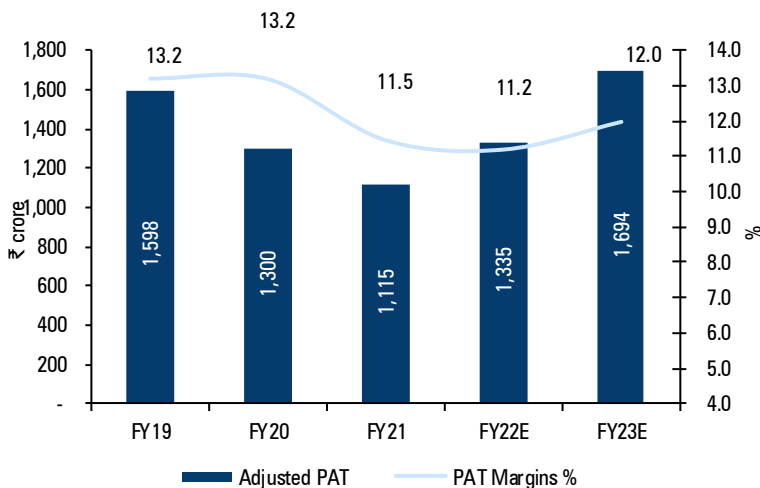
Exhibit 2: Trend in margins



Margins are seen rising to 15% by FY23E on the back of higher utilisation, operating leverage benefits

Source: Company, ICICI Direct Research

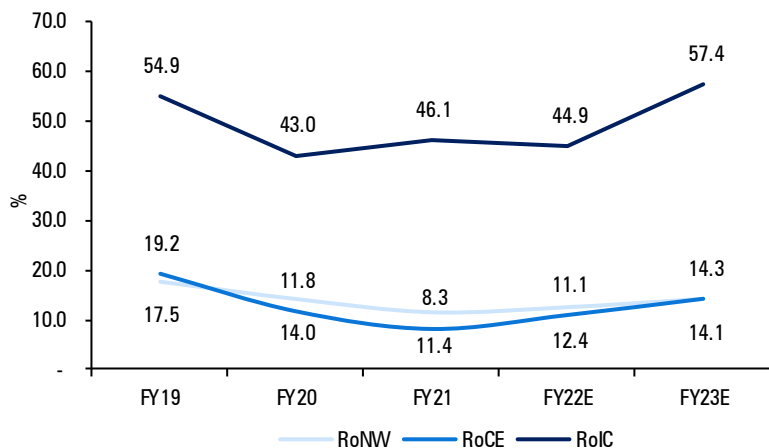
Exhibit 3: Trend in profitability



We expect PAT to grow at 23.2% CAGR to ₹ 1,694 crore by FY23E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in return ratios



Return ratios are seen touching ~14% by FY23E. These are suppressed due to surplus cash on b/s (~75% of networth). RoIC for the company is in the range of ~40-60%

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)	39.2	22.5	14.4	16.3
FY19	12,085.0	3.4	541.9	15.3	34.0	22.7	17.5	19.2
FY20	9,841.6	(18.6)	440.8	(18.7)	41.7	32.4	14.0	11.8
FY21	9,718.0	(1.3)	378.2	(14.2)	48.6	40.2	11.4	8.3
FY22E	11,904.9	22.5	452.8	19.7	40.6	30.5	12.4	11.1
FY23E	14,113.2	18.6	574.3	26.8	32.0	21.6	14.1	14.3

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	9,841.6	9,718.0	11,904.9	14,113.2
Growth (%)	-18.6	-1.3	22.5	18.6
Raw Material Expenses	5,309.4	5,772.6	7,229.0	8,326.8
Employee Expenses	1,268.5	931.6	1,071.2	1,186.0
Other Expenses	1,780.4	1,851.4	2,078.5	2,489.1
Total Operating Expenditure	8,358.3	8,555.6	10,378.7	12,001.9
<b>EBITDA</b>	<b>1483.3</b>	<b>1162.4</b>	<b>1526.2</b>	<b>2111.3</b>
Growth (%)	-31.1	-21.6	31.3	38.3
Depreciation	383.3	341.4	327.4	388.1
Interest	10.2	14.0	10.5	7.9
Other Income	546.6	504.0	485.2	548.9
PBT	1,636.4	1,311.0	1,673.5	2,264.3
Less Exceptional items	861.5	743.9	0.0	0.0
Total Tax	190.1	84.6	338.1	570.6
<b>PAT</b>	<b>649.8</b>	<b>482.5</b>	<b>1335.3</b>	<b>1693.7</b>
<b>Adjusted PAT</b>	<b>1300.0</b>	<b>1115.4</b>	<b>1335.3</b>	<b>1693.7</b>
Growth (%)	-59.3	-25.7	176.7	26.8
<b>EPS (₹)</b>	<b>220.3</b>	<b>163.6</b>	<b>452.8</b>	<b>574.3</b>
<b>Adjusted EPS</b>	<b>440.8</b>	<b>378.2</b>	<b>452.8</b>	<b>574.3</b>

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	649.8	482.5	1,335.3	1,693.7
Add: Depreciation & Interest	393.5	355.4	337.9	396.0
Sub: Other Income	-546.6	-504.0	-485.2	-548.9
(Inc)/dec in Current Assets	487.0	-117.8	-674.3	-975.4
Inc/(dec) in CL and Provisions	437.9	822.9	-125.3	810.0
<b>CF from operating activities</b>	<b>1421.6</b>	<b>1039.1</b>	<b>388.5</b>	<b>1375.3</b>
(Inc)/dec in Investments	15.4	-1,114.6	-200.0	-850.0
(Inc)/dec in Fixed Assets	-395.6	-241.9	-400.0	-400.0
Others	-119.9	-30.3	82.6	-54.2
Add: Other Income	546.6	504.0	485.2	548.9
<b>CF from investing activities</b>	<b>46.5</b>	<b>-882.8</b>	<b>-32.2</b>	<b>-755.3</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	52.1	-18.1	0.0	0.0
Dividend paid & dividend tax	-371.6	-339.1	-368.6	-442.4
Others	-145.3	395.4	-10.5	-7.9
<b>CF from financing activities</b>	<b>-464.8</b>	<b>38.2</b>	<b>-379.1</b>	<b>-450.2</b>
Net Cash flow	1,003.3	194.5	-22.8	169.8
Opening Cash	1,252.6	2,256.0	2,450.4	2,427.6
<b>Closing Cash</b>	<b>2256.0</b>	<b>2450.4</b>	<b>2427.6</b>	<b>2597.4</b>

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	29.5	29.5	29.5	29.5
Reserve and Surplus	9,239.9	9,792.7	10,759.4	12,010.7
<b>Total Shareholders funds</b>	<b>9269.4</b>	<b>9822.1</b>	<b>10788.9</b>	<b>12040.2</b>
Total Debt	52.1	34.0	34.0	34.0
Other non-current Liabilities	329.5	425.5	467.6	510.2
<b>Total Liabilities</b>	<b>9651.0</b>	<b>10281.6</b>	<b>11290.4</b>	<b>12584.3</b>
Assets				
Gross Block	3,492.9	3,734.0	4,234.0	4,734.0
Less: Acc Depreciation	2,130.1	2,471.5	2,798.9	3,187.0
<b>Net Block</b>	<b>1362.8</b>	<b>1262.5</b>	<b>1435.1</b>	<b>1547.0</b>
Capital WIP	487.0	487.8	387.8	287.8
Total Fixed Assets	1,849.8	1,750.3	1,822.9	1,834.8
Investments	4,020.7	5,135.3	5,335.3	6,185.3
Inventory	1,115.9	1,298.5	1,467.7	1,740.0
Debtors	1,413.0	1,389.4	1,467.7	1,740.0
Loans and Advances	1,516.9	1,461.8	1,790.8	2,122.9
Other current assets	420.6	434.4	532.2	630.9
<b>Cash</b>	<b>2256.0</b>	<b>2450.4</b>	<b>2427.6</b>	<b>2597.4</b>
Total Current Assets	6,722.3	7,034.5	7,686.0	8,831.2
Creditors	1,605.0	2,223.0	1,957.0	2,320.0
Provisions	1,291.1	1,073.1	944.7	1,119.9
Other Current Liabilities	772.9	1,195.8	1,464.9	1,736.6
Total Current Liabilities	3,669.0	4,491.9	4,366.6	5,176.6
<b>Net Current Assets</b>	<b>3053.3</b>	<b>2542.7</b>	<b>3319.4</b>	<b>3654.7</b>
Deferred Tax Asset	456.6	505.9	452.8	536.8
Other non-current Assets	109.6	56.2	68.8	81.6
<b>Application of Funds</b>	<b>9651.0</b>	<b>10281.6</b>	<b>11290.4</b>	<b>12584.3</b>

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	220.3	163.6	452.8	574.3
Cash EPS	350.3	279.4	563.8	705.9
BV	3,143.2	3,330.7	3,658.5	4,082.8
DPS	105.0	115.0	125.0	150.0
Cash Per Share	2,128.4	2,572.3	2,632.4	2,978.2
Operating Ratios (%)				
EBITDA Margin	15.1	12.0	12.8	15.0
PBT / Net sales	16.6	13.5	14.1	16.0
PAT Margin	13.2	11.5	11.2	12.0
Inventory days	41.4	48.8	45.0	45.0
Debtor days	52.4	52.2	45.0	45.0
Creditor days	59.5	83.5	60.0	60.0
Return Ratios (%)				
RoE	14.0	11.4	12.4	14.1
RoCE	11.8	8.3	11.1	14.3
RoIC	43.0	46.1	44.9	57.4
Valuation Ratios (x)				
P/E	83.5	112.5	40.6	32.0
P/E Adjusted	41.7	48.6	40.6	32.0
EV / EBITDA	32.4	40.2	30.5	21.6
EV / Net Sales	4.9	4.8	3.9	3.2
Market Cap / Sales	5.5	5.6	4.6	3.8
Price to Book Value	5.9	5.5	5.0	4.5
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	1.0	1.2	1.2
<b>Quick Ratio</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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