

Estimate change



TP change



Rating change

CMP:INR32,431

TP: INR29,540 (-9%)

Neutral

Weak results; higher imports continue to hurt margins

Power Tools business: India now a regional hub for SAARC

- Bosch's (BOS) 1QFY25 performance was weak as EBITDA/PAT came in lower than expected at INR5.2b/INR4.7b (est. INR5.99b/INR5.4b), due to a higher import mix and other expenses (warranty provision). While the management focuses on boosting localization in the long term, it expects a rise in imports in the interim due to the transition to common rail systems.
- We cut our FY25E/26E EPS by ~8%/7% to reflect moderate demand in underlying industries and higher operating expenses. At ~44x/37.2x FY25E/FY26E EPS, the stock appears fairly valued. **We reiterate our Neutral stance on the stock with a TP of INR29,540 (based on ~32x Jun'26E EPS).**

Weak operating performance

- Revenue/EBITDA/adj. PAT rose 4%/11%/14% YoY to INR43.2b/INR5.2b/INR4.7b in 1QFY25 (est. INR44.1b/INR5.99b/INR5.4b).
- Mobility business grew 4% YoY, driven by growth in mobility aftermarket (8% YoY), power solutions (2% YoY) and 2W segment (14.6% YoY).
- Consumer goods segment grew ~5% YoY, while the building technologies business grew 19% YoY.
- Gross margins largely remained flat YoY (+90bp QoQ) at 35.4% (est. 35.8%), led by a higher import mix.
- However, higher other expenses sequentially (+290bp as % of sales) restricted EBITDA margin to 12% (+70bp YoY/-120bp QoQ; est.13.6%).
- Other expenses include one-offs related to forex loss and a provision for warranty.

Highlights from the management commentary

- **Domestic demand outlook:** BOS expects overall positive growth across segments in FY25. The anticipated slowdown in 1QFY25, primarily caused by the elections, aligns with its forecast for this period.
- In Apr'24, Bosch inaugurated a second production line for lambda sensors to support BS6 OBD Stage 2 regulation, effective Apr'25 for 2Ws. BOS started production of lambda sensors with an initial capacity of 1.2m pieces p.a. in Apr'22, which will now ramp up to over 8m pieces by 2025.
- In power tools, India is now one of five independent regional bases of Bosch Power Tools (globally), covering India, Sri Lanka, Bangladesh, Nepal, Bhutan, and the Maldives (SARC). BOS will focus on cordless tools, handling sales and exports from the Chennai plant to these regions. The rationale for setting up a regional base in India is the similarities in market demand and proximity to these regions from India.
- As it moves from conventional products to common rail systems, BOS anticipates increased imports in the interim until it scales up to justify the localization of these systems.

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USD\$)	956.5 / 11.4
52-Week Range (INR)	36678 / 17925
1, 6, 12 Rel. Per (%)	-7/18/54
12M Avg Val (INR M)	1054

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	167.3	178.4	203.4
EBITDA	20.9	23.4	28.0
Adj. PAT	18.3	21.7	25.7
EPS (INR)	620.5	736.5	872.0
EPS Gr. (%)	28.5	18.7	18.4
BV/Sh. (INR)	4,091	4,467	4,919

Ratios

RoE (%)	15.9	17.2	18.6
RoCE (%)	20.6	21.8	23.6
Payout (%)	44.4	48.9	48.2

Valuations

P/E (x)	52.2	44.0	37.2
P/BV (x)	7.9	7.3	6.6
Div. Yield (%)	1.2	1.1	1.3
FCF Yield (%)	1.0	1.1	1.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	70.5	70.5	70.5
DII	15.8	17.2	16.7
FII	6.0	4.1	3.9
Others	7.7	8.2	8.9

FII Includes depository receipts

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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.

Valuation and view

- While the management focuses on boosting localization in the long term, BOS anticipates a rise in imports over the next four years due to the transition to common rail systems. This will restrict any significant recovery in EBITDA margin.
- Given the weak 1Q, we lower our earnings estimates by 8%/7% for FY25/FY26. While BOS is outperforming the underlying auto industry growth with new order wins, visibility for margin recovering to 15-16% is low. At ~44x/37.2x FY25E/FY26E EPS, the stock appears fairly valued. **Hence, we reiterate our Neutral rating with a TP of INR29,540 (premised on 32x June26E EPS).**

Quarterly performance (S/A)

(INR Million)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	41,584	41,301	42,052	42,334	43,168	43,779	45,416	46,019	1,67,271	1,78,382	44,079
YoY Change (%)	17.3	12.8	14.9	4.2	3.8	6.0	8.0	8.7	12.0	6.6	6.0
RM Cost (% of sales)	64.5	66.8	62.3	65.5	64.6	63.0	63.5	64.1	64.8	63.8	64.2
Staff Cost (% of sales)	7.4	8.1	7.9	8.5	7.8	8.0	8.1	8.2	8.0	8.0	7.7
Other Expenses (% of sales)	17.9	13.2	16.0	12.8	15.7	15.5	14.8	14.3	14.7	15.0	14.5
EBITDA	4,679	4,913	5,784	5,572	5,197	5,890	6,178	6,147	20,948	23,412	5,985
Margins (%)	11.3	11.9	13.8	13.2	12.0	13.5	13.6	13.4	12.5	13.1	13.6
Depreciation	921	1,013	1,173	1,188	856	1,050	1,190	1,109	4,295	4,205	1,000
Interest	308	122	39	39	26	35	30	29	508	120	80
Other Income	1,875	1,542	1,548	2,262	1,793	2,050	2,200	2,362	7,227	8,405	1,950
PBT before EO expense	5,325	5,320	6,120	6,607	6,108	6,855	7,158	7,371	23,372	27,492	6,855
Extra-Ord expense	0	-7,850	-588	0	0	0	0	0	-8,438	0	0
PBT after EO Expense	5,325	13,170	6,708	6,607	6,108	6,855	7,158	7,371	31,810	27,492	6,855
Tax	1,235	3,181	1,527	962	1,453	1,439	1,503	1,378	6,905	5,773	1,440
Tax Rate (%)	23.2	24.2	22.8	14.6	23.8	21.0	21.0	18.7	21.7	21.0	21.0
Reported PAT	4,090	9,989	5,181	5,645	4,655	5,415	5,655	5,994	24,905	21,719	5,416
Adj PAT	4,090	3,843	4,721	5,645	4,655	5,415	5,655	5,994	18,058	21,719	5,416
YoY Change (%)	22.4	3.2	48.0	41.5	13.8	40.9	19.8	6.2	26.8	20.3	32.4

E: MOFSL Estimates

Segmental Mix (INR m)

	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q		
Auto	36,232	35,708	36,522	35,114	37,418		1,43,576
Growth (%)	16.5	13.3	12.7	2.8	3.3		11.2
PBIT margin (%)	10.9	12.5	14.2	13.9	13.8		12.9
Contribution (%)	87.1	86.5	86.8	82.9	86.7		85.8
Non-Auto	5,424	5,634	5,764	7,256	5,814		24,078
Growth (%)	23.6	7.6	29.1	8.6	7.2		15.8
PBIT margin (%)	16.4	9.3	13.5	11.4	7.9		12.5
Contribution (%)	13.0	13.6	13.7	17.1	13.5		14.4
a) Consumer goods	3,754	3,897	3,336	5,237	3,939		16,224
Growth (%)	17.8	10.5	31.0	10.1	4.9		15.6
PBIT margin (%)	15.5	7.2	11.7	11.5	3.1		11.4
b) Others	1,670	1,737	2,428	2,019	1,875		7,854.0
Growth (%)	39.2	1.6	26.7	4.8	12.3		16.3
PBIT margin (%)	18.3	14.0	16.1	11.2	18.0		14.8
Total Revenue (post inter segment)	41,584	41,301	42,052	42,334	43,168		1,67,271
Growth (%)	17.3	12.8	14.9	4.2	3.8		12.0

E: MOFSL Estimates

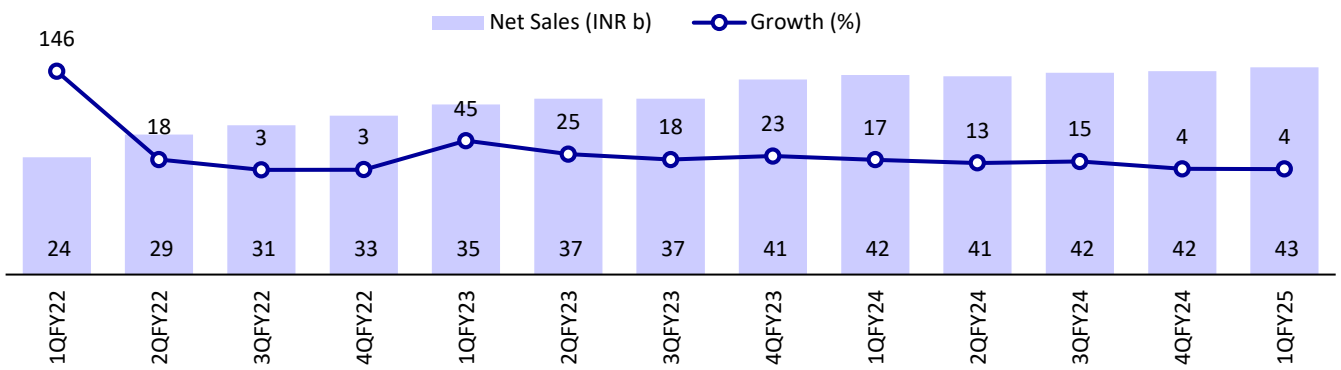


Key takeaways from the management commentary

- **Domestic demand outlook:** The overall growth expectation for the year remains positive across segments. The anticipated slowdown of 1QFY25, primarily influenced by the elections, aligns with its forecast for this period.
- **Quarterly performance.**
 - Mobility business grew ~4% YoY, driven by- i) aftermarket growth of 8.1% on account of higher demand for new generation diesel components, ii) 2% YoY growth in power solutions led by higher SUV growth, and iii) ~15% YoY growth in 2W segment led by higher sales of fuel injectors and supply modules owing to additional demand from TVS and Bajaj.
 - Consumer goods grew by 5.1% due to higher demand for grinders, drills, and cutters driven by market growth.
 - The building technologies business grew by ~19% YoY due to a higher volume of security system installation orders.
- Bosch is seeing global recognition of hydrogen-based engines in different geographies such as EU, North America, China, etc. Hydrogen prices below INR4 per kg and the development of adequate infrastructure are prerequisites for this technology to take off in India. Bosch continues to work with many OEMs for hydrogen-based solutions in India.
- **Mobility aftermarket:** BOS introduced a new tyre pressure monitoring system for all vehicles and the Adicare extended warranty for diesel and rotating machines, benefiting both aftermarket and OEM customers.
- **2Ws:**
 - In Apr'24, it inaugurated a second production line for lambda sensors to support the BS6 OBD Stage 2 regulation, effective Apr'25. BOS started the production of lambda sensors with an initial capacity of 1.2m pieces p.a. in Apr'22, which is likely to now ramp up to over 8m pieces annually by 2025.
 - The launch of Bajaj Pulsar N 250cc and Pulsar 400cc confirms BOS as the preferred partner for premium powertrain components, introducing value-added functions to enhance performance and features.
- **Power tools:**
 - India is now one of the five independent regional bases of Bosch Power Tools (globally), covering India, Sri Lanka, Bangladesh, Nepal, Bhutan, and the Maldives (SARC). The focus will be on the cordless tools business, handling sales and exports from the Chennai plant to these regions. The rationale to set up regional base in India is the similarities in market demand and proximity to these regions from India.
 - Recent efforts to improve cost competitiveness and scale have made India increasingly attractive for certain volumes like injectors and VE pumps. While India and SAARC remain in focus, opportunities for exports through parent or affiliated companies help with local volume and fixed cost coverage.
- **Imports:**
 - As BOS moves from conventional products to common rail systems, it expects a reduction in conventional products, where it has high localization. As it advances to supply common rail systems, the company anticipates increased imports in the interim until it scales up enough to justify the localization of these systems.

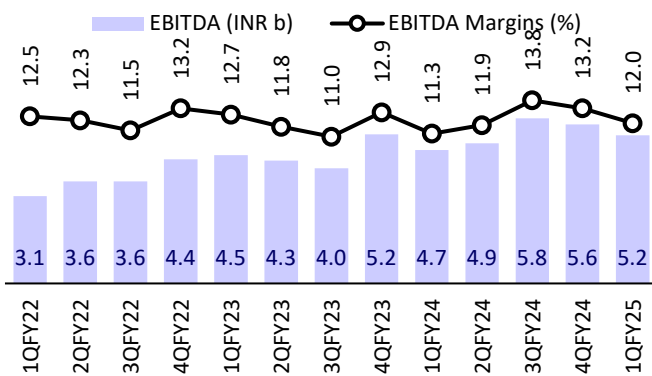
- Common rail systems will feature exhaust gas treatment components. BOS will begin importing these components, starting with the NOx sensor, set to start production in Apr'25. It is also working on localizing this sensor.
- Others
- **Trem-V norms** have been postponed to 2QFY26.
- **Future margins are uncertain** due to changing technologies, but it aims to balance between higher imports and localization. Too early localization is counter-productive, as per the management; hence, it has a well-planned phased localization program for all components.
- **One-offs in other expenses:** 4Q expenses were low due to a forex gain, which reversed in 1Q. Also, it made a provision for a special warranty, which led to higher expenses. The management has refrained from quantifying the impact of one-offs.
- **PLI- Capex planning and investments** are not tied to DVA approvals. It continues to invest in capex based on localization needs, with PLI benefits as additional bonus. While BOS is an applicant for the PLI scheme, it has not yet received official confirmation on the same.
- **Bosch's production in India mainly serves local OEMs.** Globally, Bosch follows a local-for-local supply principle. However, due to ongoing geopolitical issues and shifts in emission norms and electrification, exporting from India is becoming more appealing. It aims to increase exports over time, though no major changes are expected in the mix in the near term.

Exhibit 1: Trend in revenue



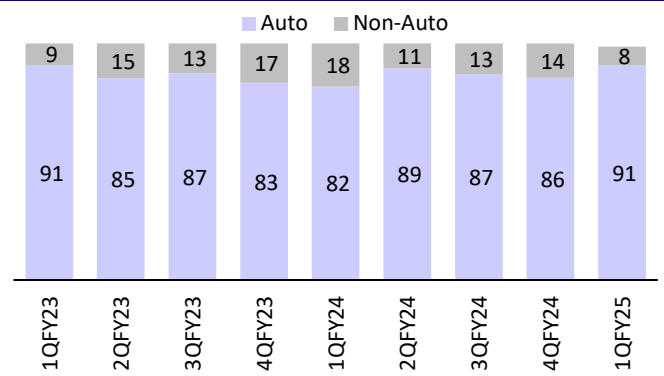
Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin trends



Source: Company, MOFSL

Exhibit 3: Share of Auto and non-Auto in PBIT



Source: Company, MOFSL

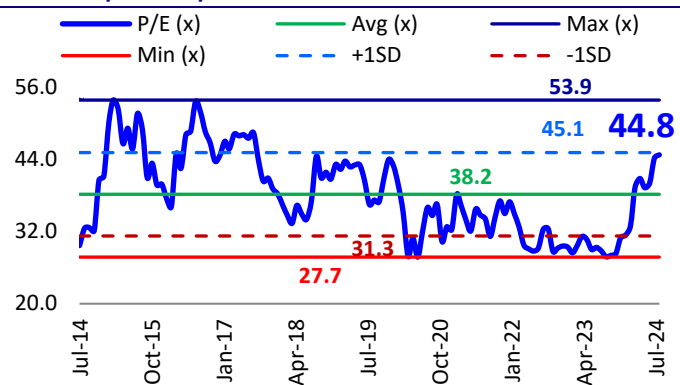
Valuation and view

- BOS has a long-term strategy to shape the market in key technologies, with innovative products and solutions. The company maintains its stance of being a technology-agnostic partner with customers, governments, and stakeholders. It has continued with critical investments in competence development and solutions designed/developed for India. In the non-Auto businesses, BOS 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. BOS 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 contributions from e-2W/3Ws as the competitive landscape is yet to stabilize.
- Given its transition to common rail systems from conventional systems, the share of imports for BOS is likely to be relatively high until these projects gain enough scale for BOS to justify their localization. However, margins are likely to remain under pressure in the interim.
- Given the weak 1Q, we lower our earnings estimates by 8%/7% for FY25/FY26. While BOS is outperforming the underlying auto industry growth with new order wins, visibility for margin recovering to 15-16% is low. At ~44x/37.2x FY25E/FY26E EPS, the stock appears fairly valued. **Hence, we reiterate our Neutral rating with a TP of INR29,540 (premised on 32x June26E EPS).**

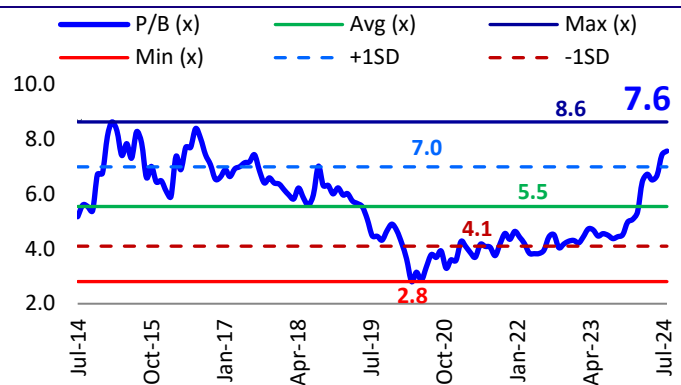
Exhibit 4: Revisions to our estimates

(INR b)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	178.4	188.5	-5.4	203.4	213.0	-4.5
EBITDA Margin (%)	13.1	14.0	-90bp	13.8	14.8	-100bp
PAT	21.7	23.7	-8.2	25.7	27.7	-7.1
EPS (Rs)	736.5	802.2	-8.2	872.0	938.9	-7.1

Exhibit 5: P/E and P/B bands



Source: MOFSL



Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

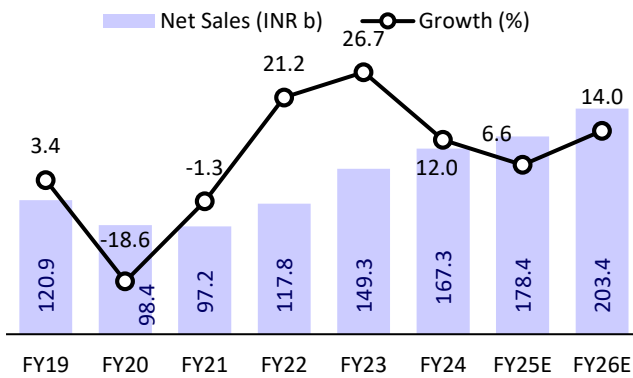


Exhibit 7: Segment mix

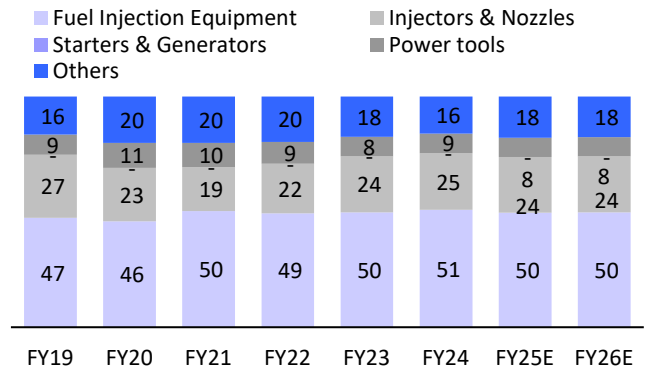


Exhibit 8: Gross margin vs. EBITDA margin

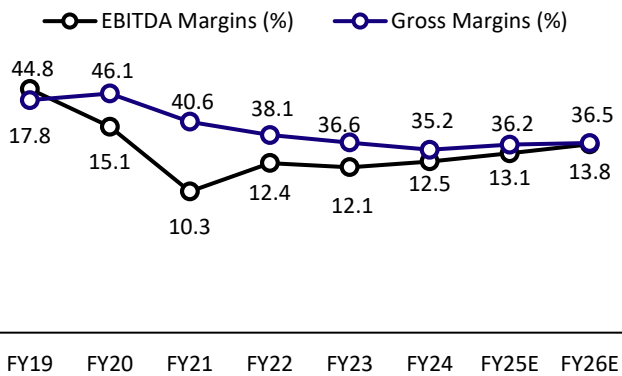


Exhibit 9: Trend in dividend payout

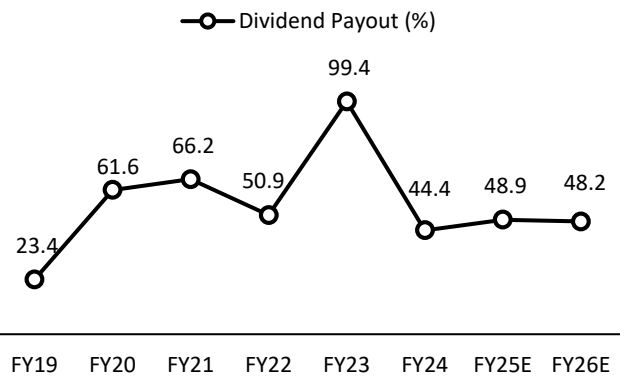


Exhibit 10: FCF and net cash

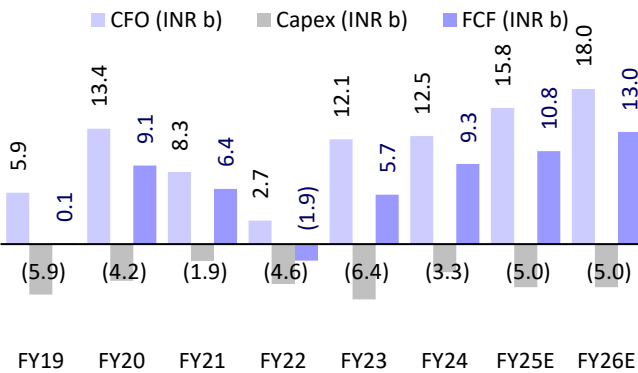


Exhibit 11: Cash, as a percentage of capital employed, stands at ~69%

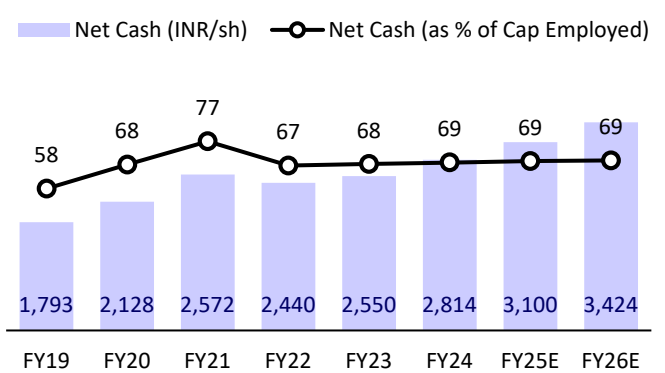


Exhibit 12: EPS and EPS growth trends

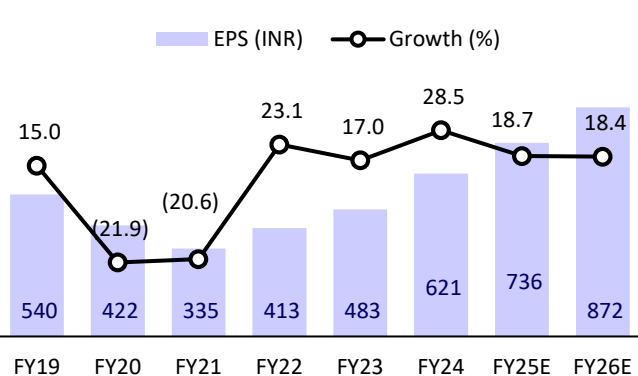
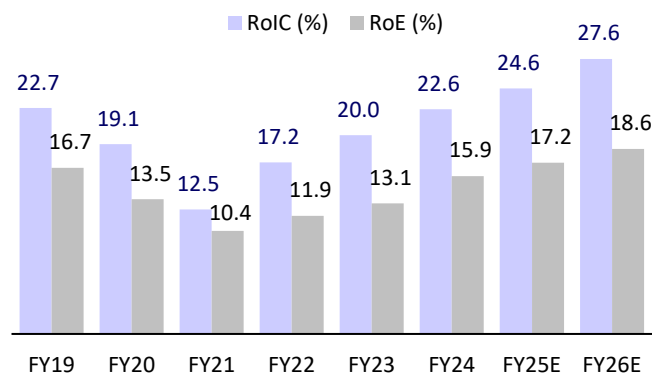


Exhibit 13: Trend in BOS' return profile



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR Million)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Op. Revenues	1,20,850	98,416	97,180	1,17,816	1,49,293	1,67,271	1,78,382	2,03,399
Change (%)	3.4	-18.6	-1.3	21.2	26.7	12.0	6.6	14.0
EBITDA	21,541	14,834	10,039	14,624	18,067	20,948	23,412	28,026
Margin (%)	17.8	15.1	10.3	12.4	12.1	12.5	13.1	13.8
Depreciation	4,021	3,833	3,414	3,243	3,856	4,295	4,205	4,445
EBIT	17,520	11,001	6,624	11,381	14,211	16,653	19,207	23,581
Fin. charges	133	102	140	289	121	508	120	150
Other Income	5,953	5,466	5,040	3,909	4,734	7,227	8,405	9,119
PBT bef. EO Exp.	23,340	16,365	11,524	15,001	18,824	23,372	27,492	32,551
EO Income/(Exp)	0	-8,416	-5,555	0	0	8,438	0	0
PBT after EO Exp.	23,340	7,948	5,969	15,001	18,824	31,810	27,492	32,551
Current Tax	7,051	3,324	1,630	1,930	4,338	5,978	5,773	6,836
Deferred Tax	355	-1,424	-784	899	241	927	0	0
Tax Rate (%)	31.7	23.9	14.2	18.9	24.3	21.7	21.0	21.0
Reported PAT	15,934	6,048	5,123	12,172	14,245	24,905	21,719	25,715
Adjusted PAT	15,934	12,452	9,890	12,172	14,245	18,299	21,719	25,715
Change (%)	11.1	-21.9	-20.6	23.1	17.0	28.5	18.7	18.4

Standalone - Balance Sheet

(INR Million)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	295	295	295	295	295	295	295	295
Total Reserves	90,967	92,399	97,927	1,06,584	1,09,827	1,20,337	1,31,439	1,44,769
Net Worth	91,262	92,694	98,222	1,06,879	1,10,122	1,20,632	1,31,734	1,45,063
Total Loans	0	0	0	0	532	393	393	393
Capital Employed	91,262	92,694	98,222	1,06,879	1,10,654	1,21,025	1,32,127	1,45,456
Gross Block	28,991	34,629	36,339	38,738	40,080	41,646	46,886	51,886
Less: Accum. Deprn.	17,338	21,271	23,983	26,623	28,077	30,517	34,722	39,167
Net Fixed Assets	11,653	13,358	12,356	12,115	12,003	11,129	12,164	12,719
Capital WIP	6,546	4,932	4,928	6,054	3,655	2,240	2,000	2,000
Total Investments	40,538	40,415	51,571	55,275	55,536	57,820	67,820	79,820
Curr. Assets, Loans&Adv.	63,764	69,928	73,821	76,499	87,619	99,482	1,03,189	1,11,806
Inventory	14,443	11,159	12,985	17,293	19,029	18,934	20,192	23,023
Account Receivables	15,675	14,131	13,894	15,267	19,029	21,818	22,970	26,191
Cash and Bank Balance	12,527	22,560	24,505	17,054	20,569	25,927	24,351	21,912
Loans and Advances	21,118	22,079	22,438	26,885	28,992	32,803	35,676	40,680
Curr. Liability & Prov.	35,834	40,506	49,514	47,225	51,940	52,523	55,923	63,765
Account Payables	15,885	16,050	22,230	22,404	27,253	25,676	27,382	31,222
Other Current Liabilities	9,200	8,277	14,171	11,174	12,196	12,228	14,271	16,272
Provisions	10,749	16,180	13,113	13,647	12,491	14,619	14,271	16,272
Net Current Assets	27,929	29,422	24,308	29,274	35,679	46,959	47,267	48,040
Deferred Tax assets	4,596	4,567	5,059	4,161	3,781	2,877	2,877	2,877
Appl. of Funds	91,262	92,694	98,222	1,06,879	1,10,654	1,21,025	1,32,127	1,45,456

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	540	422	335	413	483	621	736	872
Cash EPS	677	552	451	523	614	766	879	1,023
BV/Share	3,095	3,143	3,331	3,624	3,734	4,091	4,467	4,919
DPS	105	105	115	210	480	375	360	420
Payout (%)	23.4	61.6	66.2	50.9	99.4	44.4	48.9	48.2
Valuation (x)								
P/E	60.0	76.7	96.6	78.5	67.1	52.2	44.0	37.2
Cash P/E	47.9	58.7	71.8	62.0	52.8	42.3	36.9	31.7
P/BV	10.5	10.3	9.7	8.9	8.7	7.9	7.3	6.6
EV/Sales	7.8	9.5	9.6	8.0	6.3	5.6	5.2	4.6
EV/EBITDA	43.8	62.9	92.8	64.2	51.8	44.4	39.8	33.3
Dividend Yield (%)	0.3	0.3	0.4	0.6	1.5	1.2	1.1	1.3
FCF per share	2.6	309.2	217.4	-64.8	194.7	314.2	364.7	440.0
Return Ratios (%)								
RoIC	22.7	19.1	12.5	17.2	20.0	22.6	24.6	27.6
RoE	16.7	13.5	10.4	11.9	13.1	15.9	17.2	18.6
RoCE (pre-tax)	24.6	17.9	12.2	14.9	17.4	20.6	21.8	23.6
Working Capital Ratios								
Fixed Asset Turnover (x)	4.2	2.8	2.7	3.0	3.7	4.0	3.8	3.9
Asset Turnover (x)	1.3	1.1	1.0	1.1	1.4	1.4	1.4	1.5
Inventory (Days)	44	41	49	54	47	41	41	41
Debtor (Days)	47	52	52	47	47	48	47	47
Creditor (Days)	48	60	83	69	67	56	56	56
Working Cap. Turnover (Days)	47	25	-1	38	37	46	47	47

Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	23,410	10,069	5,671	15,001	18,824	23,372	27,492	32,551
Depreciation	4,045	4,445	3,414	3,243	3,856	4,295	4,205	4,445
Interest & Finance Charges	-2,769	-2,948	-2,377	-2,096	-2,670	-4,018	-8,285	-8,969
Direct Taxes Paid	-7,822	-4,612	-2,695	-2,664	-4,031	-6,958	-5,773	-6,836
(Inc)/Dec in WC	-6,888	10,206	6,320	-9,404	-2,501	-2,061	-1,883	-3,214
Others	-4,044	-3,799	-1,984	-1,374	-1,342	-2,102	0	0
CF from Operating incl EO	5,931	13,361	8,349	2,706	12,136	12,528	15,755	17,977
(Inc)/Dec in FA	-5,854	-4,243	-1,938	-4,617	-6,395	-3,261	-5,000	-5,000
Free Cash Flow	78	9,118	6,411	-1,911	5,741	9,267	10,755	12,977
(Pur)/Sale of Investments	15,821	782	-5,087	-1,837	8,079	1,537	-10,000	-12,000
Others	7,691	-5,267	2,395	6,122	934	4,552	8,405	9,119
CF from Investments	17,659	-8,729	-4,630	-332	2,618	2,828	-6,595	-7,881
Issue of Shares	-21,569	0	0	0	0	0	0	0
Interest Paid	-60	0	-16	-150	-62	-22	-120	-150
Dividend Paid	-3,679	-3,731	-3,095	-3,394	-12,092	-14,312	-10,616	-12,386
Others	0	-259	-271	-287	-240	-182	0	0
CF from Fin. Activity	-25,308	-3,990	-3,382	-3,831	-12,394	-14,516	-10,736	-12,536
Inc/Dec of Cash	-1,717	642	337	-1,457	2,360	840	-1,576	-2,440
Opening Balance	3,627	1,910	2,552	2,889	1,432	3,792	4,632	3,057
Closing Balance	1,910	2,552	2,889	1,432	3,792	4,632	3,057	617

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