

# Result Update

Q2 FY24

**Bosch Ltd.**

Institutional  
Research

## Muted margins; Topline growth intact

Bosch Ltd. reported net sales of Rs. 4,130 crores in Q2FY24, a growth of 12.8% YoY/ down 0.7% QoQ and below market estimates. The company's revenue from the auto segment rose 13% YoY while the non-auto segment grew 8% YoY. The mobility solutions business (78% of overall revenue) increased 11.7% YoY to Rs. 3,431 crores, mainly due to the higher market demand for HCVs & PVs and increased content per vehicle. The company's non-mobility business also posted a healthy growth of 9.9% YoY to Rs. 1,007 crores on account of increased market demand for blue tools and execution of a higher number of orders for installation of security systems. Gross margin eroded 190bps YoY / down 230bps QoQ to 33.2%, due to a weaker mix (decline in tractors), higher traded goods, and forex impact. EBITDA for the quarter stood at Rs. 491.3 crores, a growth of 14% YoY / up 5% QoQ. Lower gross margins combined with higher employee costs (+60bps YoY to 8.1% of revenue) were offset by lower other expenses (-320bps YoY to 13.2% of revenue). Hence, EBITDA margin improved 10bps YoY/ 60bps QoQ to 11.9% (missing market estimates of 13%). Lower other expenses were on account of reduced spending on new business (due to the sale of business), and a reduction in technical fees for localization in ECUs and common rail injectors. Adj. PAT for Q2FY24 was Rs. 403.3 crores (up 8.3% YoY / down 1.4% QoQ), but PAT margin shrunk 40bps YoY to 9.8%. There was an exceptional gain of Rs. 785 crores due to the business transfer agreement with Auto-mobility Services for the transfer of its 'Project House Mobility Solutions' business.

## Sector Outlook

Positive

## Stock

CMP (Rs.)	19,691
BSE code	500530
NSE Symbol	BOSCHLTD
Bloomberg	BOS IN
Reuters	BOSH.BO

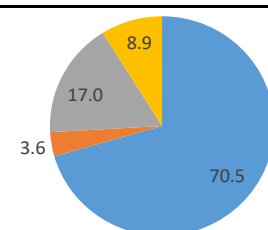
## Key Data

Nifty	19,675
52 Week H/L (Rs.)	20,932 / 16,309
O/s Shares (Mn)	29.5
Market Cap (Rs.)	580.7
Face Value (Rs.)	10

## Average Volume

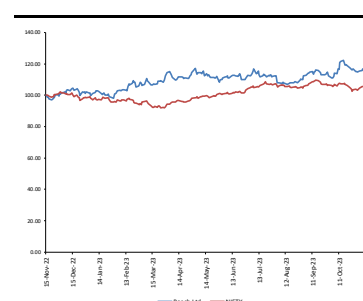
3 months	23,130
6 months	25,080
1 year	25,100

## Share Holding (%)



■ Promoters ■ FII ■ DII ■ Others

## Relative Price Chart



## Key Highlights

Particulars (Rs. mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	36,616	41,584	41,301	12.8%	-0.7%
Gross profit	12,843	14,762	13,717	6.8%	-7.1%
Gross margin (%)	35.1%	35.5%	33.2%	190bps	230bps
EBITDA	4,311	4,679	4,913	14.0%	5.0%
OPM (%)	11.8%	11.3%	11.9%	10bps	60bps
Adj. PAT	3,724	4,090	4,033	8.3%	-1.4%
EPS (Rs.)	126.4	138.8	136.9	8.3%	-1.4%

Source: Company, BP Equities Research

## Research Analyst

Dhruv K. Mudaraddi

dhruv.m@bpwealth.com

+022-61596139

## Valuation and Outlook

Bosch's commitment to shaping the market through innovative products and solutions underscores its long-term strategy. The company's agility and technology-agnostic approach, aligning with customers, governments, and stakeholders, have been evident in its execution of 79 BS-VI projects in PVs/CVs since CY17. Despite the challenges posed by the Covid-19 crisis, Bosch remains steadfast in its plans for strategic investments in competence development and tailored solutions for the Indian market. The two-pronged approach in non-auto businesses, focusing on 'fit for the market' products and expanding its market footprint through offline and digital platforms, reflects a resilient strategy. Bosch's investment of Rs. 2,000 crores over the next five years in the localization of advanced automotive technologies and expansion into digital platforms positions it well in the evolving landscape of electric 2Ws/3Ws. We believe Bosch would be outperforming the underlying auto industry growth with new order wins and rise in content per vehicle, though visibility for margin recovery to 15-16% is very low. More importantly, the company has yet to establish leadership in EV components in the 2W and PV segments.

*"Gross margin remained hit by increased trading content. Currently, EGTs (Exhaust gas temperature sensor) are imported and the company is focusing on localizing its child parts."*

## Key Concall Highlights

- Q2FY24 remained a mixed bag as PV/CV production grew YoY but tractors/2Ws declined.
- In the automotive segment, powertrain segment solutions grew 12.3% YoY which was an outperformance when compared to the broader industry, driven by increased content per vehicle, mainly of exhaust gas treatment (EGT) components.
- The 2Ws business segment grew 18% YoY (v/s industry decline of 1% YoY) mainly on account of Bosch's greater presence in premium motorcycles (v/s commuter motorcycles) which grew due to the easing of chip shortages and shifting consumer preference.
- The non-auto segment grew ~8% YoY, led by 10% YoY growth in consumer products and building technologies growth of 4% YoY. Going forward, Bosch expects the remaining festival season to see healthy volume growth across categories along with exports recovery.
- Gross margin remained hit by increased trading content. Currently, EGTs (Exhaust gas temperature sensor) are imported and the company is focusing on localizing its child parts.
- It has achieved 68% localization (v/s 50% a few years ago) in the CRDI component. However, it does not expect this to go 100% (its legacy product mechanical pump has 95% localization). It is targeting a mid-term time horizon of 4-5 years for this localization.
- Trials of hydrogen truck have commenced in Bengaluru. It is fitted with a new turbocharger with an increase in low-end performance. Engine calibration activities to meet BS6 stage 2 are underway.
- There has been a YoY decline for injectors used in PVs which Bosch exports to EU markets. Europe, USA, and China markets continue to remain slow.
- Capex for FY24 would be Rs. 350 crores, mainly for localization of common rail/EGT child parts. Further, it would be utilized for new machinery.

*"Trials of hydrogen truck have commenced in Bengaluru. It is fitted with a new turbocharger with an increase in low-end performance. Engine calibration activities to meet BS6 stage 2 are underway."*

## Key Financials

YE March (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	94,852	1,15,534	1,46,118	1,70,288	1,90,449
Growth %	-0.3%	21.8%	26.5%	16.5%	11.8%
EBIDTA	11,717	14,570	18,067	20,142	23,818
Growth%	-25.6%	24.3%	24.0%	11.5%	18.3%
Net Profit	8,421	11,009	12,974	16,581	19,471
Growth %	-93.0%	30.7%	17.8%	27.8%	17.4%
Diluted EPS	285.5	373.3	439.9	564.1	657.7

## Profitability &amp; Valuation

EBIDTA (%)	12.4%	12.6%	12.4%	11.8%	12.5%
NPM (%)	8.9%	9.5%	8.9%	9.7%	10.2%
ROE (%)	5.1%	11.9%	13.1%	15.2%	16.1%
ROA (%)	3.4%	8.1%	9.0%	13.2%	14.5%
P/E (x)	69.0	52.8	44.8	34.9	29.9
EV/EBITDA (x)	32.0	27.3	30.1	27.4	23.2
Net Debt/EBITDA (x)	-3.5	-1.9	-1.5	-2.1	-2.1

Source: Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392