

Retail Equity Research

Bosch Limited

Auto Components

BSE CODE: 500530 NSE CODE: BOSCHLTD
Bloomberg CODE: BOS:IN SENSEX: 36,701

HOLD

12M Investment period Rating as per Large Cap
CMP Rs. 13,837 TARGET Rs. 14,243 RETURN 3%
(Closing: 23-08-19) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Slowdown challenges

Bosch Limited manufactures a wide range of automotive parts. The Company products includes fuel injection pumps, spark plugs, etc. Bosch also manufactures hydraulic and pneumatic equipment and electric power tools and fixtures.

- Revenue declined 16.5% YoY to Rs. 2,779cr in Q1FY20. Automotive products, which contributed 84.9% to total revenue, decreased by 13.5% YoY in Q1FY20.
- EBITDA margin declined 140bps YoY to 20.9% due to lower turnover, commodity price increase and unfavorable forex.
- PAT fell 35.0% YoY to Rs. 280cr in Q1FY20.
- Provision of Rs. 82cr towards restructuring.
- We give HOLD rating on the stock with a target price of Rs. 14,243 based on 24x FY21E adj. EPS.

Revenue under pressure

Revenue decreased to Rs. 2,779cr in Q1FY20 (-16.5% YoY). Revenue from automotive products was down 13.5% YoY to Rs. 2,360cr (contributing ~85.0% to total segment revenue) and others division reported revenue of Rs. 424cr, a decline of 13.1% YoY (contributing ~15.0% to total segment revenue) in Q1FY20. Domestic sales declined 18.2% YoY, while exports declined by 8.6%. Drop in revenue is primarily because of weak condition in the Indian auto market, which was further affected by the liquidity crunch in India's banking sector. Bosch Limited reported 21.7% YoY decrease in EBITDA in Q1FY20 to reach Rs. 582cr. EBITDA margin declined 140bps YoY to 20.9% due to weaker mix and higher costs. Profit before tax has decreased by 34.9% YoY to Rs. 422cr in Q1FY20 (vs. Rs. 649cr in Q1FY19).

Key highlights

- Chairman V K Viswanathan has resigned after two decades effective from 23rd August, 2019
- Company to suspend production at Gangaikondan and Nashik plant for 13 days in August to adjust production to meet demand for its products and avoid unnecessary buildup of inventory.
- Company has setup a provision of Rs. 82cr in 1QFY20, towards restructuring, reskilling and redeployment to cope up with the structural changes happening in the automotive industry. It plans to further invest into mobility and non-mobility segments to tap future opportunities coming out of new technology and innovation solutions.

Lack of demand

Transition of Indian automotive industry from BS-IV to BS-VI, lack of demand and liquidity crunch at NBFCs from where most of the commercial and passenger vehicles get financed will make the future challenging. In the current market situation, sales of HCV, LCV, tractors, 3-wheelers and cars are down by 23%, 8%, 16%, 10% and 15% respectively forcing Bosch to cut down its production and adjust to the market demand.

Valuation

Due to the slowdown in the Automobile industry and expected negative impact of transition to BS-VI new emission laws, we expect earnings to grow at 4.7% CAGR over FY19-21E. We give HOLD rating on the stock with a target price of Rs. 14,243 based on 24x FY21E adj. EPS.

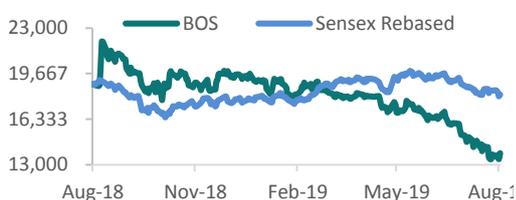
Company Data

Market Cap (cr)	Rs. 40,818
Enterprise Value (cr)	Rs. 39,216
Outstanding Shares (cr)	2.9
Free Float	30.0%
Dividend Yield	0.8%
52 week high	Rs. 22,400
52 week low	Rs. 12,699
6m average volume	1,148
Beta	0.7
Face value	Rs.10

Shareholding %	Q3FY19	Q4FY19	Q1FY20
Promoters	70.5	70.5	70.5
FII's	7.3	7.5	7.4
MFs/Insti	13.0	13.0	13.2
Public	7.8	7.6	7.6
Others	1.5	1.3	1.3
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-17.5%	-23.7%	-26.6%
Absolute Sensex	-5.4%	2.3%	-4.3%
Relative Return*	-12.1%	-26.0%	-22.4%

*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Sales	12,258	12,503	14,754
Growth (%)	-1.0	2.0	18.0
EBITDA	2,759	2,841	3,121
EBITDA Margin (%)	22.5	22.7	21.2
Adj. PAT	1,598	1,646	1,751
Growth (%)	9.1	3.0	6.3
Adj. EPS	525.2	558.0	593.5
Growth (%)	9.4	6.3	6.3
P/E	33.8	24.8	23.3
P/B	5.9	3.8	3.3
EV/EBITDA	19.5	13.8	12.2
ROE (%)	17.5	14.6	14.1
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Revenue	2,779	3,327	(16.5)	2,749	1.1
EBITDA	582	743	(21.7)	679	(14.3)
EBITDA margins	20.9	22.3	(140bps)	24.7	(380bps)
Depreciation	76	94	(19.6)	114	(33.9)
EBIT	506	649	(22.0)	565	(10.4)
Interest	2	0	n.m.	3	(43.3)
Other Income	(0)	0	n.m.	0	n.m.
Exceptional Items	(82)	-	n.m.	-	n.m.
PBT	422	649	(34.9)	562	(24.8)
Tax	142	218	(34.7)	150	(5.0)
Share of profit from Associate	-	-	-	-	-
Minority Interest	-	-	-	-	-
Reported PAT	280	431	(35.0)	412	(32.0)
Adjustments	82	-	n.m.	-	n.m.
Adjusted PAT	362	431	(16.0)	412	(12.1)
No. of shares	2.9	3.1	(3.4)	3.0	(3.1)
EPS (Rs.)	122.7	141.2	(13.1)	135.3	(9.3)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	-	-	12,503	14,754	-	-
EBITDA	-	-	2,841	3,121	-	-
Margins (%)	-	-	22.7	21.2	-	-
Adj. PAT	-	-	1,646	1,751	-	-
EPS	-	-	558.0	593.5	-	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Revenue	11,243	12,384	12,258	12,503	14,754
% change	5.9	10.2	(1.0)	2.0	18.0
EBITDA	2,582	2,605	2,759	2,841	3,121
% change	14.3	0.9	5.9	3.0	9.9
Depreciation	460	467	405	460	498
EBIT	2,122	2,138	2,354	2,381	2,623
Interest	27	3	13	7	59
Other Income	(0)	(94)	0	(82)	0
PBT	2,094	2,041	2,341	2,291	2,565
% change	12.7	(2.6)	14.7	(2.1)	11.9
Tax	650	670	743	727	814
Tax Rate (%)	31.0	32.8	31.7	31.7	31.7
Reported PAT	1,741	1,371	1,598	1,564	1,751
Adj*	(297)	94	-	82	-
Adj PAT	1,444	1,465	1,598	1,646	1,751
% change	15.9	1.4	9.1	3.0	6.3
No. of shares (cr)	3.1	3.1	3.0	2.9	2.9
Adj EPS (Rs.)	465.2	479.9	525.2	558.0	593.5
% change	17.2	3.2	9.4	6.3	6.3
DPS (Rs.)	90.0	100.0	105.0	105.0	105.0
CEPS (Rs.)	613.5	632.9	658.1	714.1	762.3

CASH FLOW

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	2,202	1,838	2,003	2,024	2,249
Non-cash adj.	(846)	(247)	(785)	(0)	(146)
Changes in W.C	101	138	(613)	(28)	(251)
C.F. Operation	1,457	1,729	605	1,996	1,852
Capital exp.	(632)	(484)	(580)	(596)	(704)
Change in inv.	1,117	(908)	2,052	-	-
Other invest.CF	760	222	294	-	-
C.F - Investment	1,246	(1,170)	1,766	(596)	(704)
Issue of equity	(2,020)	-	(2,157)	-	-
Issue/repay debt	(50)	-	-	-	-
Dividends paid	(597)	(330)	(368)	-	-
Other finance.CF	(3)	5	(6)	-	-
C.F - Finance	(2,670)	(325)	(2,531)	-	-
Chg. in cash	33	234	(160)	1,399	1,148
Closing cash	131	363	203	1,602	2,750

BALANCE SHEET

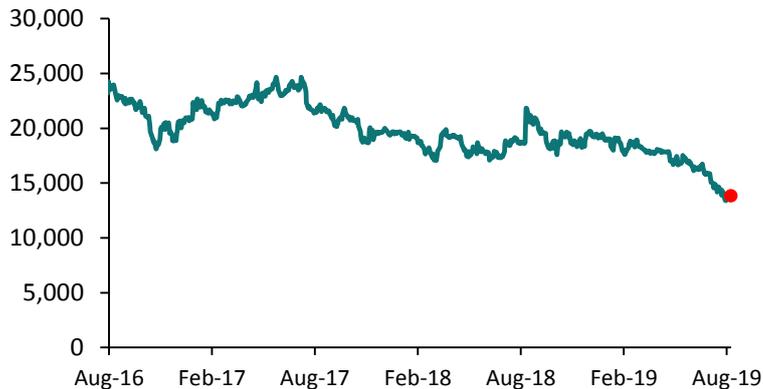
Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	131	363	203	1,602	2,750
Accounts Receivable	1,185	1,616	1,568	1,599	1,887
Inventories	1,180	1,226	1,444	1,473	1,840
Other Cur. Assets	3,402	4,130	3,228	3,246	3,413
Investments	3,853	4,488	3,982	3,982	3,982
Gross Fixed Assets	2,197	2,450	2,683	3,279	3,983
Net Fixed Assets	1,319	1,141	1,011	1,147	1,353
CWIP	129	313	644	644	644
Intangible Assets	-	-	-	-	-
Def. Tax (Net)	468	490	460	450	504
Other Assets	132	160	170	170	170
Total Assets	11,800	13,927	12,710	14,314	16,542
Current Liabilities	2,630	3,519	3,231	3,271	3,749
Provisions	364	420	342	342	342
Debt Funds	-	-	-	-	-
Other Liabilities	6	7	11	11	11
Equity Capital	31	31	29	29	29
Reserves & Surplus	8,769	9,951	9,097	10,661	12,411
Shareholder's Fund	8,800	9,981	9,126	10,690	12,441
Minority Interest	-	-	-	-	-
Total Liabilities	11,800	13,927	12,710	14,314	16,542
BVPS (Rs.)	2,835.7	3,270.3	2,999.3	3,623.9	4,217.3

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab. & Return					
EBITDA margin (%)	23.0	21.0	22.5	22.7	21.2
EBIT margin (%)	18.9	17.3	19.2	19.0	17.8
Net profit mgn.(%)	15.5	11.1	13.0	12.5	11.9
ROE (%)	19.8	13.7	17.5	14.6	14.1
ROCE (%)	24.1	21.4	25.8	22.3	21.1
W.C & Liquidity					
Receivables (days)	38.0	47.0	46.0	46.0	46.0
Inventory (days)	69.5	68.1	76.7	76.7	76.7
Payables (days)	78.9	112.3	84.4	84.4	84.4
Current ratio (x)	2.2	2.1	2.0	2.4	2.6
Quick ratio (x)	0.6	0.8	0.6	1.1	1.3
Turnover & Leverage					
Gross asset T.O (x)	10.2	5.3	4.8	4.2	4.1
Total asset T.O (x)	1.0	1.0	0.9	0.9	1.0
Int. covge. ratio (x)	78.1	647.8	177.0	320.0	44.7
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	6.2	4.4	4.4	3.1	2.6
EV/EBITDA (x)	26.8	20.7	19.5	13.8	12.2
P/E (x)	48.1	37.1	33.8	24.8	23.3
P/BV (x)	7.9	5.4	5.9	3.8	3.3

Recommendation Summary

Dates	Rating	Target
23-Aug-19	Hold	14,243



Investment Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0% - 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as 'Buy' and 'Reduce' as Sell.

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