

RESULT UPDATE

LARGE CAP

Share Data

Reuters code	BOSH.BO
Bloomberg code	BOS IN
Market cap. (US\$ mn)	2,888
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	32.1
Target price (Rs)	4,346

Performance (%) 1M 3M 12M

Absolute	4	18	41
Relative	2	7	(28)

Valuation Ratios

Yr to 31 Dec	CY09E	CY10E
EPS (Rs)	196.2	217.3
+/- (%)	(0.8)	10.7
PER (x)	21.5	19.4
PBV (x)	3.7	3.2
Dividend/Yield (%)	0.7	0.7
EV/Sales (x)	2.2	1.9
EV/EBITDA (x)	13.0	10.9

Major shareholders (%)

Promoters	70
FII's	5
MF's	3
BFSI's	13
Public & Others	9

Financial highlights

(Rs mn)	3QCY08	3QCY09	YoY (%)	9MCY08	9MCY09	YoY (%)	CY08	CY09E	YoY (%)	CY10E	YoY (%)
Net sales	12,685	12,968	2.2	37,097	35,506	(4.3)	46,202	49,076	6.2	54,307	10.7
EBITDA	2,391	2,552	6.8	6,778	5,768	(14.9)	7,584	8,256	8.9	9,385	13.7
EBITDA margins (%)	18.8	19.7	-	18.3	16.2	-	16.3	16.7	-	17.2	-
Other income	220	444	102.2	1,642	1,152	(29.9)	4,057	4,675	15.2	4,699	0.5
Interest	(491)	(360)	(26.7)	(927)	(1,037)	11.9	50	55	10.0	40	(27.3)
Depreciation	840	676	(19.6)	1,971	2,080	5.5	3,025	3,199	5.7	3,327	4.0
PBT	2,261	2,681	18.6	7,376	5,876	(20.3)	8,565	9,677	13.0	10,717	10.7
Tax	679	733	7.9	1,979	1,551	(21.6)	2,227	3,387	52.1	3,751	10.8
Tax (%)	30.0	27.3	-	26.8	26.4	-	26.0	35.0	-	35.0	-
Reported PAT	1,582	1,948	23.1	5,396	4,325	(19.9)	6,338	6,290	(0.8)	6,966	10.7
Adjusted PAT	1,582	1,948	23.1	5,396	4,325	(19.9)	6,338	6,290	(0.8)	6,966	10.7
NPM (%)	12.5	15.0	-	14.5	12.2	-	13.7	12.8	-	12.8	-
EPS (Rs)	49.4	60.8	23.1	168.4	134.9	(19.9)	197.8	196.3	(0.8)	217.3	10.7

BOSCH

Maintain Outperformer

Price: Rs 4,211

BSE Index: 16,741

27 October 2009

3QCY09 Result – Sensible growth

Bosch's results for the quarter were ahead of our estimates in the bottom line but below our expectation in the top line. Net revenue grew marginally by 2.2% YoY, with increase in sales from domestic commercial vehicle segment, diesel passenger car and after-market segment. The export and non- auto segment remained sluggish. Common Rail Systems (CRS) will continue to be a major focus area for the company in diesel segment. Lower commodity prices have helped to stabilise raw material costs.

The ongoing dieselisation in the passenger car segment will not only enable Bosch to reduce exposure to the CV business but also gain exposure to the fast growing passenger car segment. Given the technological intensity and market share, we believe the company will be able to maintain premium valuation. We have marginally increased our revenue and earnings estimate for FY09E and FY10E due to, demand pick up in the CV segment. At the current market price of Rs 4,211, the stock is trading at 21.5x CY09E and 19.4x CY10E. We maintain Outperformer rating with a revised target price of Rs 4,346 (based on 20.0x CY10E).

Highlights

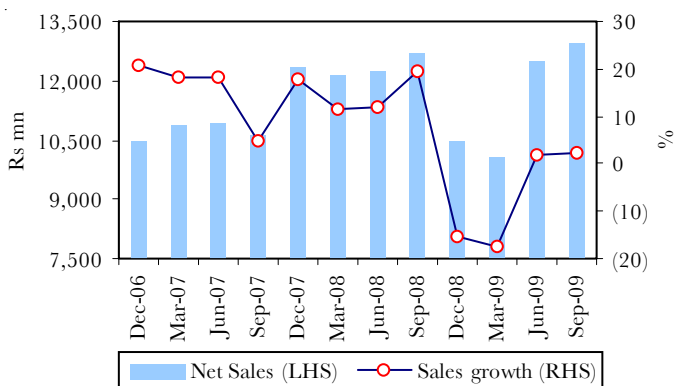
- Total revenue for the quarter was marginally higher by 2.2% YoY at Rs 12.9 bn. Supply of CRS products, good after-market demand and growth in the CV segment supported this growth. The automotive product business grew by 6.5% YoY, while the non-automotive business (primarily power tools and packaging) remained flat.
- EBITDA margin improved by 90 bps YoY, to 19.7% due to reduced raw material and other costs. Stabilising steel prices, localisation of CRS components and product mix, has carried up the margin.

- PAT margin improved by 250 bps and reported a net profit of Rs 1.9 bn, due to a sharp increase in other income and lower depreciation costs. The company's other income grew by 102% YoY, to Rs 444 mn as against Rs 220 mn.

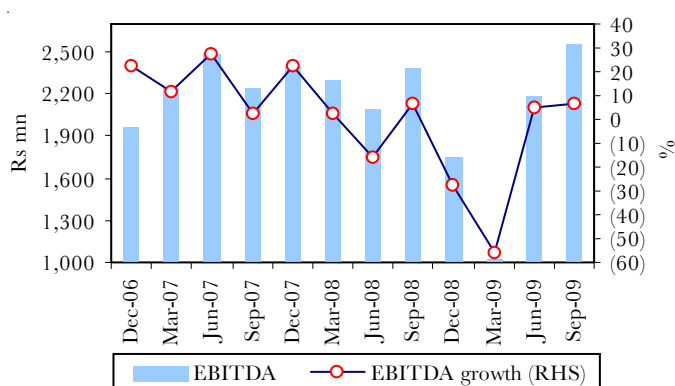
Outlook

Bosch, subsidiary of Robert Bosch GmbH, Germany is the dominant player in the diesel fuel injection system in the country. Over the last three years, the company has started supplies to the diesel passenger vehicle segment. Non-automotive business which contributed 9% of revenue showed flat numbers. In the domestic market, we expect the commercial vehicle market to witness sequential improvement. Passenger vehicle business of the company will grow due to increasing dieselisation of cars and introduction of new range of diesel cars by Maruti, Fiat, etc. Considering increasing volumes of CRS, Bosch has taken up localisation of CRS components (60-65%). This coupled with lower commodity prices will help the company to improve its operating margin.

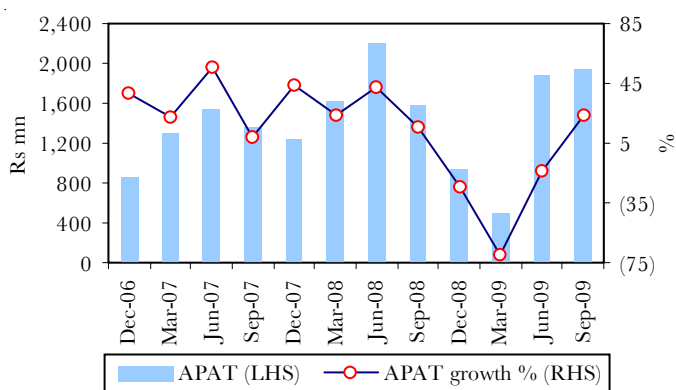
Sales trend



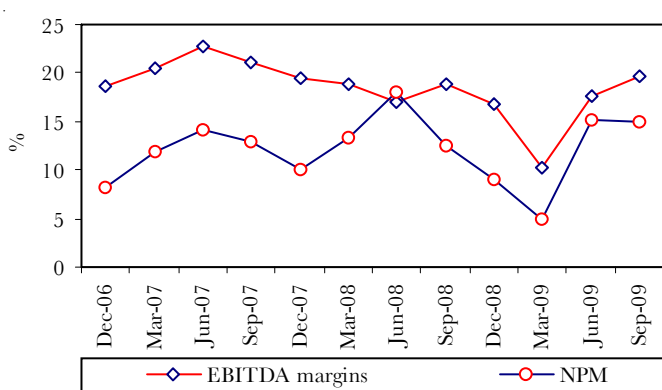
EBITDA trend



PAT trend



Margins trend



Source: Company

Income Statement

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Net sales	42,796	46,202	49,076	54,307
<i>Growth (%)</i>	<i>13.1</i>	<i>8.0</i>	<i>6.2</i>	<i>10.7</i>
Operating expenses	(35,461)	(38,888)	(41,098)	(45,233)
Operating profit	7,335	7,314	7,978	9,074
Other operating income	259	270	278	311
EBITDA	7,594	7,584	8,256	9,385
<i>Growth (%)</i>	<i>7.1</i>	<i>(0.1)</i>	<i>8.9</i>	<i>13.7</i>
Depreciation	(2,556)	(3,025)	(3,199)	(3,327)
Other income	3,559	4,057	4,675	4,699
EBIT	8,597	8,615	9,732	10,757
Interest paid	(38)	(50)	(55)	(40)
Pre-tax profit (before non-recurring items)	8,560	8,565	9,677	10,717
Pre-tax profit (after non-recurring items)	8,560	8,565	9,677	10,717
Tax (current + deferred)	(2,468)	(2,227)	(3,387)	(3,751)
Net profit	6,092	6,338	6,290	6,966
Adjusted net profit	6,092	6,338	6,290	6,966
<i>Growth (%)</i>	<i>43.9</i>	<i>4.0</i>	<i>(0.8)</i>	<i>10.7</i>
Net income	6,092	6,338	6,290	6,966

Balance Sheet

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Current assets	31,002	39,836	47,239	53,997
Investments	87	87	87	88
Net fixed assets	6,454	5,746	4,747	4,422
Other non-current assets	1,415	1,215	1,015	815
Total assets	38,957	46,883	53,087	59,321
Current liabilities	10,872	12,744	13,278	13,951
Total debt	2,451	3,100	3,600	3,350
Total liabilities	13,323	15,844	16,878	17,301
Share capital	321	321	321	321
Reserves & surplus	25,314	30,718	35,888	41,698
Shareholders' funds	25,634	31,039	36,209	42,020
Total equity & liabilities	38,957	46,883	53,087	59,321

Cash Flow Statement

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Pre-tax profit	8,560	8,565	9,677	10,717
Depreciation	2,050	3,025	3,199	3,326
Chg in working capital	(1,214)	127	(904)	(885)
Total tax paid	(2,709)	(1,714)	(3,186)	(3,550)
Other operating activities	60	0	0	0
Cash flow from oper. (a)	6,746	10,004	8,786	9,608
Capital expenditure	(3,088)	(2,317)	(2,200)	(3,001)
Chg in investments	(3,370)	(4,949)	(2,000)	(1)
Cash flow from inv. (b)	(6,458)	(7,266)	(4,200)	(3,002)
Free cash flow (a+b)	289	2,738	4,586	6,606
Debt raised/(repaid)	403	649	500	(250)
Dividend (incl. tax)	(150)	(937)	(933)	(1,120)
Other financing activities	0	0	0	2
Cash flow from fin. (c)	253	(288)	(433)	(1,367)
Net chg in cash (a+b+c)	542	2,450	4,153	5,238

Key Ratios

Yr end 31 Dec (%)	CY07	CY08	CY09E	CY10E
EPS (Rs)	190.1	197.8	196.2	217.3
EPS growth	43.9	4.0	(0.8)	10.7
EBITDA margin	17.6	16.3	16.7	17.2
EBIT margin	20.1	18.6	19.8	19.8
RoCE	34.0	27.7	26.3	25.3
Net debt/Equity	(58.1)	(69.7)	(75.4)	(78.0)

Valuations

Yr end 31 Dec (x)	CY07	CY08	CY09E	CY10E
PER	22.2	21.3	21.5	19.4
PCE	15.6	14.4	14.2	13.1
Price/Book	5.3	4.3	3.7	3.2
Yield (%)	0.6	0.6	0.7	0.7
EV/Net sales	2.8	2.5	2.2	1.9
EV/EBITDA	15.8	14.9	13.0	10.9

Du Pont Analysis – ROE

Yr end 31 Dec (x)	CY07	CY08	CY09E	CY10E
Net margin (%)	14.2	13.7	12.8	12.8
Asset turnover	1.2	1.1	1.0	1.0
Leverage factor	1.6	1.5	1.5	1.4
Return on equity (%)	26.5	22.4	18.7	17.8

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 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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