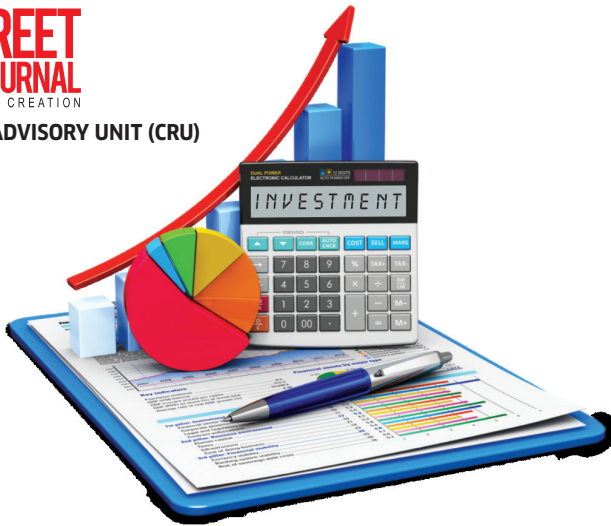


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DSIJ INVESTMENT ADVISORY UNIT (CRU)



VALUE PICK
CHASING VALUE, NOT PRICES

March 2016

Company Name : **Bosch**
BSE Code : **500530**
Time Duration : **1 year**
CMP : **₹17920 (as on 11 Mar., 2016)**
Target Price : **₹25100**

The pick of the month from our research desk is "Bosch", a diversified conglomerate with enviable market position in wide range of its portfolio and particularly engine systems, consistent margin performance and strong investment in R&D. We believe that Bosch will provide an upside of 40 per cent over the period of a year due to the following reasons:

Automobile Industry: Bosch offers its products and services as a package to the commercial vehicles and light vehicles. We believe the company will be able to grow its topline by about 10 per cent gaining impetus from the 7th pay commission and one pension schemes. In commercial vehicles, we believe the company will see growth in topline and margins, during the second half of the year with infrastructure spending hitting the ground. The demand for tractors is poised to pick up and will see some pent up demand in the second half of the year owing to expectations of a better monsoon, and eventually there will be rise in demand of spare parts.

Emission Norms: Bosch is set to exploit the opportunity of 13 cities moving to Bharat V stage in terms of emission norms in the latter half of the year. As per the company it has the latest technology to help OEMs (Original Equipment Manufacturers) to ride on this concept smoothly, and Bosch being a major player in the diesel commercial vehicle segment will reap the benefits.

Indian government has plans to introduce BS-VI (Bharat Stage-VI) norms by year 2020. Bosch too has initiated the process of providing affordable automotive parts to the Indian market. Bosch group has plans to invest ₹1170 crore in India during 2016, mainly on factories; capacities; infrastructure; and Research and Development (R&D). The company will focus on developing solutions to meet future regulations.

Financials: Bosch's revenue increased by 9.23 per cent to ₹7802

crore in 9MFY16 on a yearly basis. The company's operating profit too rose by 11.81 per cent to ₹1574 crore in 9MFY16 on a yearly basis. Its bottom line was also boosted by 20.16 per cent to ₹870 crore in 9MFY16 as compared to same period in previous financial year. Meanwhile, Bosch's after market division registered an annualised growth of 3 per cent.

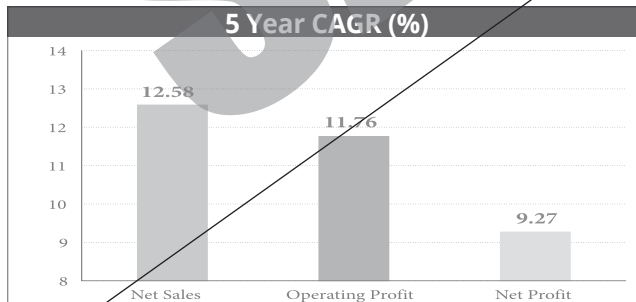
Divestment: Bosch is going to carve out its Starter Motors and Generators division in India. The company would get amount of ₹486 crore after divestment. It is expecting shareholders' approval through e-voting in March 2016. Meanwhile, Bosch's divesting subsidiary contributes 10 per cent to the total revenue and 1 per cent to EBIT of FY16. The divestment will able to provide company to streamline its business portfolio and focus on margins.

Diversified Portfolio: The diversification of the company reaffirms its ability to perform in cross cycle. Its exposure to healthcare acts as a steady cash flow stream for the company. Bosch packaging technology is one of the leading providers of process technology and packaging solutions for the pharmaceutical industry.

Nearly Debt Free: We have more faith in the company as it has been funding its capex growth plans from its own reserves. The company has very low leverage compared to its competitors. Bosch has debt to equity ratio of 0.02 as of FY16.

Commitment To innovation: Bosch is very focused on providing localised research that caters to Indian market. The packaging and needs are recognised as per the conditions of market in India. Also, its competitive positioning is very compelling, looking at the features of the products vs the pricing.

Bosch, a leader in automobile industry, has growth potential in future terms, as the company has delivered better financials consistently.



Last Five Quarters (` /Cr)

	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Total Income	2697.89	2619.38	2557.93	2388.86	2381.64
Other Income	88.19	93.20	106.59	132.79	90.28
Operating Profit	435.54	545.43	592.60	600.24	318.24
Interest	2.81	1.81	0.02	14.26	0.00
Net Profit	220.77	305.38	343.74	287.45	110.87
Equity	31.40	31.40	31.40	31.40	31.40

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