

Valuations to keep Bosch under stress

Most brokerages cautious on firm's outlook and have a 'sell' rating

RAM PRASAD SAHU

Mumbai, 14 August

Auto components major Bosch reported a lower-than-expected performance in the June quarter (Q1FY25). While revenue growth was weak at 4 per cent over the year-ago quarter, margin performance was subpar.

Most brokerages are cautious on the outlook and have a 'sell' rating. Some have also cut their FY25 and FY26 earnings estimates to factor in the Q1 performance, cost pressures, and near-term headwinds.

Given the multiple concerns on the operating front as well as valuations, the stock has slipped 11 per cent since the beginning of this month. The sales growth of 4 per cent for the second-largest listed auto parts player by market capitalisation came from the mobility segment.

Within this, the replacement market grew 8 per cent led by demand for new-generation diesel components while the power solutions and two-wheeler segments registered gains of 2 per cent and 14 per cent respectively.

While higher sports utility vehicle growth powered gains for power solutions, the uptick in two-wheeler was on account of an increase in the sales of fuel injectors and supply modules. Mobility solutions account for 81 per cent of revenues.

Among other segments, consumer goods grew by 5.1 per cent on higher demand for grinders, drills, and cutters while the build-



HEADWINDS

- Stock has slipped 11 per cent since beginning of this month
- Company to increase export share by being more competitive

ing technologies business gained by 19 per cent on the volume upturn in security system installation orders. In the domestic market, the company expects the overall growth to be in positive territory in the current year.

The two-wheeler segment is expected to get a boost from transition to BSVI onboard diagnostic systems or OBD 2 norms leading to a jump in the demand for advanced sensor solutions.

The company is eyeing an increase in the share of exports

from 8.1 per cent in FY24 by being more competitive and increasing localisation efforts.

Given the expectations of rising localisation, increased content per vehicle, and emerging opportunities in the alternative powertrain segment, Sharekhan continues to maintain a positive stance on the company.

It has a 'buy' rating on the stock with an unchanged target price of ₹35,968 a share.

Gross margins were lower than expected at 35.4 per cent given the higher import mix. Say Basudeb Banerjee and Vishakha Malwal of ICICI Securities: "Despite localisation efforts, hiving off lower margin businesses, gross margins continued to surprise negatively as has been for the past couple of years (barring Q3FY24)." The operating profit margin fell 110 basis points on a sequential basis to 12 per cent due to higher other expenses.

While the management focuses on boosting localisation in the long term, it anticipates a rise in imports over the next four years due to the transition to common rail systems.

Analysts led by Aniket Mhatre of Motilal Oswal Research say that this will restrict any significant recovery in operating profit margin.

The brokerage has cut its FY25-26 earnings by 7-8 per cent to reflect moderate demand in underlying industries and higher operating expenses. It has a neutral stance given that the stock is fairly valued with a target price of ₹29,540.

ICICI Securities has a 'reduce' rating. With limited visibility of operating profit margins moving up beyond 14 per cent levels on a sustainable basis, and the company likely to face CV industry downcycle headwinds from mid-FY25, current valuation levels look inflated, says analysts at the brokerage.

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Want liquidity in gold holdings? Gold ETFs the answer

SANJAY KUMAR SINGH

Investments in gold exchange-traded funds (ETFs) rose to ₹1,337 crore in July 2024, the highest since February 2020.

After experiencing an outflow of ₹395.7 crore in April, gold ETFs saw inflows of ₹2,890.9 crore between May and July.

Diversifying portfolios

With equity markets trading at high valuations, many investors have turned to gold to diversify their portfolios. "The reduced availability of sovereign gold bonds (SGBs) has made gold

ETFs an attractive option," says Chirag Mehta, chief investment officer, Quantum Asset Management Company (AMC).

SGBs are trading at a considerable premium to the price of gold. "This 10-15 per cent premium in several tranches is pushing investors towards gold ETFs," says Deepesh Raghaw, a Sebi-registered investment advisor.

The July Budget introduced a customs duty cut, reducing gold prices in India by about 9 per cent. "This led many investors to buy gold at cheaper prices," says Arnav Pandya.

GOLD ETF VERSUS SGB: HOW THEY SQUARE UP

Criteria	Gold ETFs	Sovereign Gold Bonds
Interest income	None	2.5% per annum
GST	Paid by fund on purchase; set off on sale (hence, paid only on net holdings)	No GST
Expense ratio	10-79 basis points	None
Liquidity	Good liquidity, especially in larger ones	Low liquidity in several issuances
Taxation	LTCG of 12.5% applies after one year; STCG at slab rate	No tax if held till maturity or redeemed with RBI after 5 years

Mauritius no 'tax haven': FSC on Hindenburg row

The Financial Services Commission (FSC) of Mauritius on Tuesday said the offshore fund at the heart of the conflict of interest allegation Hindenburg Research levelled against Sebi chief is not domiciled in the Island nation, and that it does not permit the creation of shell companies.

In a statement, FSC said it has

taken cognisance of the contents of the report published by Hindenburg Research on August 10, 2024, wherein mention has been made of 'Mauritius-based shell entities' and Mauritius as a 'tax haven'. Hindenburg on Saturday alleged that Sebi chairman Madhab Puri Buch and her husband opened an account in 2015 with a wealth management

firm in Singapore to invest an undisclosed sum of money in a Mauritius-registered offshoot of a Bermuda-based fund. FSC stated that Mauritius strictly complies with international best practices and has been rated as compliant with the standards of the Organisation for Economic Co-operation and Development (OECD).

"As per the peer review conducted by the OECD Forum on Harmful Tax Practices, the OECD is satisfied that Mauritius does not have any harmful features in its tax regimes, thus recognising Mauritius as a well-regulated, transparent and compliant jurisdiction. Therefore, Mauritius cannot be termed as a tax haven," it added.

W.S. INDUSTRIES (INDIA) LIMITED

CIN: L29142TN1961PLC004568

Registered Office : 108, Mount Poonaallee Road, Porur, Chennai 600 116

STATEMENT OF STANDALONE AND CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2024

(under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015)

Rs in Lakhs

S. No.	PARTICULARS	STANDALONE				CONSOLIDATED			
		QUARTER ENDED	QUARTER ENDED	QUARTER ENDED	12 MONTHS ENDED	QUARTER ENDED	QUARTER ENDED	QUARTER ENDED	12 MONTHS ENDED
		30th Jun 2024	31st Mar 2024	30th Jun 2023	31st Mar 2024	30th Jun 2024	31st Mar 2024	30th Jun 2023	31st Mar 2024
1	Total income from operations (net of Net Profit / Loss) for the period (before Tax, after Exceptional / Extraordinary items)	7185.19	9102.98	4586.50	32870.10	7238.41	9106.47	4595.50	32876.01
2	Net Profit / Loss for the period (before Tax, after Exceptional / Extraordinary items)	826.23	914.13	361.22	3865.89	594.86	793.25	361.16	3668.34
3	Net Profit / Loss for the period (before Tax, after Exceptional / Extraordinary items)	826.23	12242.00	496.90	15773.43	594.86	802.98	496.84	3633.75
4	Net Profit / Loss for the period (after Tax, after Exceptional / Extraordinary items)	601.43	13301.15	496.90	16354.58	370.07	1664.13	496.84	4694.95
5	Total Comprehensive income for the period (Profit / Loss) for the period (after Tax) and other Comprehensive income (after Tax)	606.67	13256.85	457.71	16329.40	375.31	1657.83	457.65	4689.73
6	Equity Share Capital	8064.98	5032.82	4490.16	5032.82	6084.98	5032.82	4490.16	5032.82
7	Reserves including Revaluation reserves:	23586.70	18087.93	1538.94	18087.93	9185.12	6442.44	1533.07	6442.44
8	Earnings Per Share Weighted Average (excluding continuing and discontinued operations) (of T-10- cash)	1.11	28.83	1.05	35.58	0.67	3.45	1.05	10.00
9	EPS Basic	1.09	26.62	0.96	32.71	0.64	3.16	0.96	9.24

1. The above is an extract of the detailed format of Quarter ended 30th June 2024 unaudited financial results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the unaudited Financial Results for the quarter ended 30th June 2024 are available on the Stock Exchange Websites: (www.mseindia.com and www.bseindia.com) and on the Company's website (www.wsindustries.in).

2. The above unaudited results were reviewed by the Audit Committee on 13th August 2024, approved and taken on record by the respective Board at its meeting held on 14th August 2024, in terms of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

3. The Group financial results for the Quarter ended 30th June 2024 are prepared in accordance with the recognition and measurement principles laid down in Ind AS prescribed under Section 133 of the Companies Act, 2013 read with relevant Rules issued thereunder.

4. The group continues to prepare its accounts and the Statement of unaudited financial results on a 'going concern' basis of accounting.

5. The figures for the quarter ended 31st March 2024 are the balancing figures between the audited figures in respect of full financial year and the published year to date figures upto the third quarter of the financial year.

6. Figures have been regrouped/reclassified wherever necessary, to conform to this period's classifications.

STANDALONE:

7. During the quarter under review:

i. The company has converted 2552000 warrants to fully paid equity shares on 21st May 2024.

ii. The company has converted 7969584 warrants to fully paid equity shares on 20th June 2024.

9. Land at Porur to the extent of 6.53 Acres has been transferred during the previous year to 100% wholly owned subsidiary M/s WSI Falcon Infra Projects Private Limited (formerly WS Insulators Private Limited) as part of joint venture agreement entered for development of IT park.

10. The company operates primarily in Infra segment and accordingly the company is not required to present segment information.

11. The Company had participated in an e-auction on 09.03.2023 pursuant to which the Company stood as the successful bidder and purchased the land. Being an auction under SARFAESI, a Sale Certificate was issued confirming the ownership and possession on 27.03.2023. Accordingly, the Company had remitted the sale consideration of Rs. 107.35 Crores which was recognised as capital advance during the financial year 2022-23 pending registration of the Sale Certificate with Sub Registrar Office of Sangamvaram. During the current year pursuant to the order of High Court of Madras directing the Registrar to register the land in the name of the company, said land has been Capitalised during the previous year.

12. Income tax exemption (Long term capital gains) claimed under section 47 of Income tax act 1961 in regard to sale of land during the previous year to wholly owned subsidiary, tax obligations if any will be considered in the year in which the transaction is effected by the provisions of section 47(A) i.e. when the wholly owned subsidiary ceases to be so.

13. Exceptional item for the financial year 2023-24 includes:

(i) Receipt of compensation from NHAI amounting to Rs. 53.67 Lakhs with regards to Bangalore land

(ii) Non refundable deposit net of Rs. 82.00 Lakhs received on account of leasing of Bangalore land to give easement right giving access through the property. Entire amount has been recognised as revenue during the previous year.

(iii) Profit on Sale of the Land at Porur to the extent of 6.53 Acres transferred during the previous year to 100% wholly owned subsidiary M/s WSI Falcon Infra Projects Private Limited (formerly WS Insulators Private Limited) as part of joint venture agreement entered for development of IT park, is amounting to Rs. 115.18.14 Lakhs.

(iv) Provision for contract losses Rs. 148.00 Lakhs pertains to erstwhile Turnkey Project Business.

(v) Interest cost on Gujarat VAT Rs.42.26 Lakhs pertains to erstwhile Turnkey Project Business.

14. The company has incorporated on 30th December 2023 a wholly owned subsidiary in the name of WSI P&C Verticals Private Limited.

