

Company Assigned – Bosch Limited

Assignment – Day 4

1. Interlinking Balance sheet with Profit & Loss statement.

Bosch Ltd			All figures in Rs Crores		
Balance Sheet					
Asset side	Fy 18	Fy 17	Income Statement	FY 18	FY 17
Cash & Bank balances	1,888	1,718	Total Sales	11,872	11,243
Receivables	1,616	1,186	Other Income & exceptional items	418	617
Loans	365	321	Cost of Goods sold	8,373	7,997
Investments	929	268	Gross profit	3,499	3,246
Other Financial assets	918	796	Operating/Other expenses	1,406	1,286
Inventories	1,226	1,180	PBDIT	2,093	1,960
Other current assets	394	431	Depreciation & Amortization	467	456
Non current Tangible assets (1,631	1,643	Interest (Finance cost)	3	27
Financial assets - Investments & Loans	4,413	3,767	Tax	670	650
Deferred tax Assets (Net)	491	468	Profit after tax	1,371	1,444
Other Non current assets	50	14			
Total Assets	13,919	11,791			

- Linking Cash & Bank balances**

Bosch is maintaining a 14% of their asset as cash and bank balances which are considerably highly comparing the peers. It is linked to P&L statements has other income due to interest from bank & inter corporate deposits, loans to related parties.

- Linking Account receivable**

From balance sheet, we could infer that average collection period is 49 days. Major sales are to automobile OEM's & they determine the credit terms which is normally b/w 30 to 90 days which is maintained.

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- Linking Loans**

Loans issued to fellow subsidiaries, directors & employees are maintained at 3% of total assets. Higher cash reserves reflect in less interest cost.

- Linking Inventories**

Inventory turnover is 9.69 ending FY 18. Inventories in Balance sheet will impact the Sales, COGS & interest cost for holding the stocks in P&L. Maintaining at same level for 2 years, need to compare with peers to benchmark the inventory management.

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- **Linking Non-current tangibles**

There is no major increase in Non-current tangible assets compare to previous year, this is reflected in no significant increase in depreciation & amortization.

- **Linking Long term Investment & loans**

Company invested in mutual fund & disbursed loans to subsidiaries and employees. There is increase in investment compared to last financial year in balance sheet which is not reflected in P&L due to expense in exceptional items.

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- **Linking deferred tax assets**

Difference between books and Income tax written down value (WDV) of depreciable property, plant and equipment and intangible assets resulted in credit of tax which will reflect in other income, operating expenses & tax.

Bosch Ltd	All figures in Rs Crores	
Balance Sheet		
Liabilities & equity side	Fy 18	Fy 17
Payables	2,023	1,340
Other current liabilities & provisions	1,496	1,290
Non current liabilities & provisions	427	370
Net worth (Share holder funds)	9,973	8,791
Total Liabilities	13,919	11,791

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- **Linking Payables**

Average payable period for suppliers is 88 days which is higher than the average credit (49 days) given to customers. Positives – increase in cashflow, control of suppliers.

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- **Linking other current liabilities and provisions**

Essentially payables to employees, capital creditors etc. Provision for employee benefits, trade demand & warranty & current tax liabilities according to Bosch Ltd Annual report. Liabilities increased from previous year which is reflected in P&L.

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- **Linking non-current liabilities and provisions**

Essentially payables to employees & Provision for employee benefits & trade demand.

2. Common size numbers for selected company & one of its peers.

Balance Sheet	Common sized statement		
	Bosch Ltd		Motherson Sumi systems Ltd
Asset side	Fy 18	Fy 17	Fy 18
Cash & Bank balances	14%	15%	1%
Receivables	12%	10%	10%
Loans	3%	3%	0%
Investments	7%	2%	0%
Other Financial assets	7%	7%	2%
Inventories	9%	10%	10%
Other current assets	3%	4%	2%
Non current Tangible assets	12%	14%	19%
Financial assets - Investments & Loans	32%	32%	0%
Investment in subsidiaries, JV & associate	0%	0%	53%
Deferred tax Assets (Net)	4%	4%	1%
Other Non current assets	0%	0%	1%
Total Assets	100%	100%	100%
Liabilities & equity side	Fy 18	Fy 17	Fy 18
Payables	15%	11%	10%
Other current liabilities & provisions	11%	11%	6%
Non current liabilities & provisions	3%	3%	13%
Net worth (Share holder funds)	72%	75%	70%
Total Equity & Liabilities	100%	100%	100%

Income statement	FY 18	FY 17	FY 18
Total Sales	100%	100%	100%
Other Income & exceptional items	4%	5%	2%
Cost of Goods sold	71%	71%	75%
Gross profit	29%	29%	25%
Operating/Other expenses	12%	11%	7%
PBDIT	18%	17%	17%
Depreciation & Amortization	4%	4%	3%
Interest (Finance cost)	0%	0%	1%
Tax	6%	6%	4%
Profit after tax	12%	13%	11%

- **Comments on Balance sheet**

Bosch is having a cash & bank balance close to 15% of total assets whereas MSSL is having only 1% of total assets in Cash & bank balances. MSSL is investing heavily on non-current tangible assets, subsidiaries, JV & associate companies.

MSSL has invested 0% in financial assets whereas Bosch invested 32% of assets in equity instruments, government bonds, mutual funds etc. Bosch is playing safe by investing money in different baskets on the income generated from operations.

Non-current liabilities of MSSL are 13% compared to Bosch 3% - MSSL has bought long term debt for investments.

Both Bosch & MSSL are maintaining very high equity.

- **Comments on Profit & Loss statement**

Bosch – slightly higher gross profit than MSSL. Operating expenses are slightly higher for Bosch.

PBDIT & PAT percentage are similar level for both companies. Since both companies are in top 5 of auto component manufacturer's list of India, they set the benchmark for the industry.

3. Computing the Index based numbers for Bosch Ltd for FY16, FY17 & FY18.

	Index based analysis		
Balance Sheet	Bosch Ltd		
Asset side	Fy 18	Fy 17	Fy 16
Cash & Bank balances	103%	94%	100%
Receivables	122%	90%	100%
Loans	129%	113%	100%
Investments	#DIV/0!	#DIV/0!	#DIV/0!
Other Financial assets	120%	104%	100%
Inventories	103%	99%	100%
Other current assets	88%	96%	100%
Non current Tangible assets	110%	111%	100%
Financial assets - Investments & Loans	96%	82%	100%
Investment in subsidiaries, JV & associate	0%	0%	100%
Deferred tax Assets (Net)	99%	94%	100%
Other Non current assets	172%	49%	100%
Total Assets	112%	95%	100%
Liabilities & equity side	Fy 18	Fy 17	Fy 16
Payables	155%	102%	100%
Other current liabilities & provisions	126%	108%	100%
Non current liabilities & provisions	107%	93%	100%
Net worth (Share holder funds)	105%	92%	100%
Total Equity & Liabilities	112%	95%	100%

Income statement	Fy 18	Fy 17	Fy 16
Total Sales	114%	108%	100%
Other Income & exceptional items	69%	102%	100%
Cost of Goods sold	111%	106%	100%
Gross profit	120%	111%	100%
Operating/Other expenses	134%	123%	100%
PBDIT	111%	104%	100%
Depreciation & Amortization	121%	118%	100%
Interest (Finance cost)	26%	211%	100%
Tax	117%	114%	100%
Profit after tax	91%	95%	100%

- **Comments on Balance sheet**

- Cash & bank balance was maintained for last 3 years and no significant changes.
- Receivables has increased by 22%, this is reflected in increase in payables by 55%. Company manages the credit policy of supplier based on customer credit given.
- Current financial investments are increasing every year, company has a policy to invest certain percent of profit in financial instruments like stocks, mutual fund etc.

- **Comments on Profit & Loss statement**

- Sales growth for last 2 years is 14% which is in line with industry growth.
- Cost of goods sold is not increasing in line with sales growth which reflected in increase in gross profit. This should mainly driven by cost reduction activities with suppliers/vendors.
- Operating expenses increased by 34%,depreciation & tax expenses are also increased significantly in comparison with sales revenue growth. This has eroded the profit after tax by 9% in FY 18 with the base of Fy16.
- Some of the concerns for the Indian economy & Auto industry are increase in prices of crude oil and other commodities putting pressure on the pricing. This is major cause of erosion in profitability.Going forward, monsoons in 2018 and political risk in the run-up to the general elections in 2019 will be the key factors affecting the Auto industry.

Submitted by,

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