

BJAUT's Q3 margin performance was healthy (up 27bps QoQ to 20.1%, on better mix, operating leverage). Domestic 2W recovery continues, and is broadening (refer to '[2Ws to re-rate further – 'TINA' factor at play'](#)); however, exports revival is yet to pick up meaningfully – with commentary staying muted. Further, the best of the 3W rebound from the Covid-affected base is now behind (with E-3W emergence a structural threat to BJAUT's most lucrative business division). Amid the sharp run-up in valuations (now over 1SD above LTA), we retain **REDUCE with unchanged TP of Rs6,800 (20x its core FY26E multiple + Rs800 cash/investment per share), building-in ~13%/~12% volume/EPS CAGR over FY24E-26E (our estimates are largely unchanged). We prefer TVSL in 2Ws (similar business model with bottom-up share gains, margin triggers).**

Bajaj Auto: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,31,447	3,64,276	4,48,582	5,33,363	5,80,938
EBITDA	52,586	65,491	87,939	1,04,429	1,13,819
Adj. PAT	47,761	56,276	73,831	86,046	92,769
Adj. EPS (Rs)	165.1	198.9	268.5	312.9	337.4
EBITDA margin (%)	15.9	18.0	19.6	19.6	19.6
EBITDA growth (%)	6.7	24.5	34.3	18.8	9.0
Adj. EPS growth (%)	10.2	14.7	35.0	16.5	7.8
RoE (%)	18.4	21.6	29.9	35.9	38.6
RoIC (%)	145.8	182.6	234.8	257.0	261.1
P/E (x)	43.7	36.3	26.9	23.0	21.4
EV/EBITDA (x)	35.7	28.2	20.5	17.3	15.9
P/B (x)	7.8	8.0	8.3	8.2	8.3
FCFF yield (%)	1.3	1.9	3.2	1.4	3.8

Source: Company, Emkay Research

Healthy beat on margins

Revenue grew 30% YoY to ~Rs121.1bn (~3% above Consensus). Volumes during Q3 grew 22% YoY (+14% QoQ), with ASPs rising ~6% YoY (-1% QoQ). EBITDA grew ~37% YoY to Rs24.3bn, coming in at 6% above Consensus estimates, with EBITDA margin rising by 98bps YoY (+27bps QoQ) to 20.1% (Consensus estimate: 19.4%), driven by operating leverage. Consequently, adjusted PAT grew ~37% YoY to ~Rs20.4bn (a ~6% beat). Exports/Spares revenue stood at USD450mn/Rs13bn, respectively.

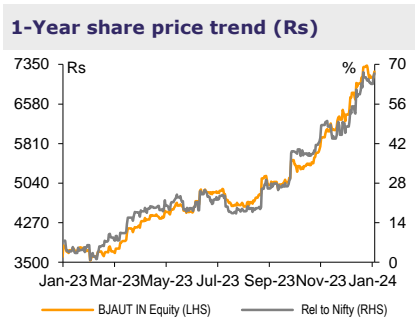
KTAs from Earnings Call

i) Domestic 2W segment has continued to recover post-festive; Company expects 8-10% growth for the industry going ahead. ii) Targets new variant launches in domestic motorcycles each month, with the larger cc *Pulsar* to be launched next year; aims to pull entry-level customers into the 125cc fold; CNG motorcycle to be launched in FY25. iii) Exports volumes are at ~70% of the FY22 peak (Africa/South East Asia/Latin America at ~50%/103%/107% of the peak); recovery has been slower than anticipated, amid continuing currency availability/devaluation issues in the Africa market in particular – with the recent developments at the Red Sea to be watched (could impact container availability, shipping time & costs); revival to be gradual (expects ~2-5% QoQ growth in Q4). iv) BJAUT's 3W market share is 77% (80% in CNG); aims to take it to 80% in coming times; has over 50% share in several markets, where E-3Ws have been introduced; would cover 50 cities by Q4 and 200 by CY-end. v) Electric scooter *Chetak* now covers ~80% of the market (160 cities); BJAUT targets 15K units/mth in Q4 on the back of a newly-launched premium variant, network expansion, and better pricing (now priced closer to competition). vi) *Triumph* supplies to expand to 30K units/qtr by H1FY25 (incl. for exports) vs. 10K now; has 15-20% share in markets like Bangalore. vii) Expects some RM pressure in Q4; EV margin could benefit from operating leverage, lower lithium prices; but it would be watchful of competitive pricing dynamics; PLI certification could be close. viii) Expects ending FY24 with over Rs200bn surplus cash (~Rs180bn now)

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(5.7)
CMP (24-Jan-24) (Rs)	7,212.9

Stock Data	Ticker
52-week High (Rs)	7,420
52-week Low (Rs)	3,611
Shares outstanding (mn)	283.2
Market-cap (Rs bn)	2,043
Market-cap (USD mn)	24,570
Net-debt, FY24E (Rs mn)	-1,77,158
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	3,312.9
ADTV-3M (USD mn)	39.9
Free float (%)	45.0
Nifty-50	21,454
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	54.9
FPIs/MFs (%)	14.7/8.7

Price Performance			
(%)	1M	3M	12M
Absolute	13.2	33.4	95.7
Rel. to Nifty	12.6	19.9	65.2



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Exhibit 1: Revenue up 30% YoY; healthy margin expansion of ~27bps QoQ to 20.1%

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)	
Revenue	80,050	102,028	93,151	89,047	103,098	107,773	121,135	30.0	12.4	
Expenditure	67,080	84,440	75,383	71,882	83,558	86,444	96,836	28.5	12.0	
<i>as % of sales</i>	83.8	82.8	80.9	80.7	81.0	80.2	79.9			
Consumption of RM	57,776	74,861	65,775	62,135	74,127	76,511	86,096	30.9	12.5	
<i>as % of sales</i>	72.2	73.4	70.6	69.8	71.9	71.0	71.1			
Employee Cost	3,796	3,522	3,511	3,620	3,842	3,816	3,846	9.5	0.8	
<i>as % of sales</i>	4.7	3.5	3.8	4.1	3.7	3.5	3.2			
Other expenditure	5,507	6,058	6,097	6,126	5,590	6,118	6,895	13.1	12.7	
<i>as % of sales</i>	6.9	5.9	6.5	6.9	5.4	5.7	5.7			
EBITDA	12,970	17,587	17,768	17,166	19,539	21,329	24,299	36.8	13.9	
EBITDA margin (%)	16.2	17.2	19.1	19.3	19.0	19.8	20.1			
Depreciation	673	670	740	742	835	876	881	19.2	0.6	
EBIT	12,297	16,917	17,029	16,424	18,704	20,452	23,418	37.5	14.5	
Other Income	3,193	3,332	2,691	2,598	3,463	3,614	3,461	28.6	(4.2)	
Interest	43	109	85	157	121	65	121	42.7	85.3	
PBT	15,447	20,140	19,635	18,865	22,046	24,000	26,758	36.3	11.5	
Total Tax	3,714	4,840	4,721	4,536	5,399	5,639	6,339	34.3	12.4	
Adjusted PAT	11,733	15,300	14,914	14,329	16,648	18,361	20,419	36.9	11.2	
Extra ordinary items Loss/(Gain)	0	0	0	0	0	0	0			
Reported PAT	11,733	15,300	14,914	14,329	16,648	18,361	20,419	36.9	11.2	
Adjusted EPS (Rs)	40.5	53.9	52.7	50.6	58.8	64.9	72.2	36.9	11.2	
Margins (%)									(bps)	(bps)
- EBITDA	16.2	17.2	19.1	19.3	19.0	19.8	20.1	98	27	
- EBIT	15.4	16.6	18.3	18.4	18.1	19.0	19.3	105	35	
- EBT	19.3	19.7	21.1	21.2	21.4	22.3	22.1	101	(18)	
- PAT	14.7	15.0	16.0	16.1	16.1	17.0	16.9	85	(18)	
Effective Tax rate (%)	24.0	24.0	24.0	24.0	24.5	23.5	23.7	(35)	19	

Source: Company, Emkay Research

Exhibit 2: Q3FY24: Actual vs estimates

(Rs mn)	Actual	Emkay Est	% variance	Consensus	% variance
Net sales	121,135	120,353	0.7	117,830	2.8
EBITDA	24,299	23,348	4.1	22,847	6.4
EBITDA margin (%)	20.1	19.4	66 bps	19.4	67 bps
Adj net income	20,419	19,344	5.6	19,307	5.8
FDEPS (Rs)	72.2	68.4	5.6	68.2	5.8

Source: Company, Emkay Research

Exhibit 3: Product mix – Lower exports share on sequential basis; domestic motorcycle share up by ~580bps QoQ

BJAUT mix (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Dom. Motorcycles	33.0	53.1	45.2	47.1	50.8	45.6	51.4
Up to 110cc	10.0	22.3	14.5	12.6	13.5	13.4	15.0
110-125cc	16.1	16.9	16.9	19.2	23.3	16.9	20.1
125-150cc	2.8	7.3	5.7	5.1	5.1	5.8	7.3
Over 150cc	4.1	6.6	8.2	10.2	8.9	9.6	9.0
Dom. Scooters	0.7	0.9	1.1	1.1	2.1	2.3	3.1
Dom. 2W	33.7	54.0	46.3	48.3	52.8	47.9	54.6
Export 2W	57.1	34.6	40.3	36.1	33.7	35.7	32.0
Total 2W	90.7	88.5	86.6	84.4	86.6	83.6	86.6
Dom. 3W	4.1	6.3	9.0	11.6	9.6	12.5	10.2
Export 3W	5.1	5.1	4.3	3.9	3.7	3.7	3.1
Total 3W	9.2	11.4	13.4	15.5	13.3	16.3	13.3
Total Quadricycles	0.1	0.0	0.1	0.2	0.1	0.1	0.1
Total domestic	37.8	60.3	55.4	59.9	62.4	60.5	64.8
Total exports	62.2	39.7	44.6	40.1	37.6	39.5	35.2
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Emkay Research

Exhibit 4: Market share – BJAUT gained ~350bps market share QoQ, led by the 125cc category

BJAUT market share (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Dom. Motorcycles	12.8	20.4	17.6	17.7	19.1	16.5	20.0
Up to 110cc	7.3	17.2	11.5	8.9	10.3	10.0	11.9
110-125cc	21.8	23.9	24.6	32.6	31.4	22.1	29.2
125-150cc	33.6	58.8	61.7	46.6	49.2	57.6	57.4
Over 150cc	10.6	13.9	15.3	18.7	17.4	17.1	18.3
Dom. Scooters	0.5	0.6	0.9	0.8	1.6	1.6	2.5
Dom. 2W	8.4	13.3	11.8	11.5	13.1	11.0	13.9
Export 2W	46.4	41.6	46.8	44.3	43.8	42.1	44.9
Total 2W	17.4	18.1	18.1	16.9	18.0	16.0	18.6
Dom. 3W	50.2	60.7	64.2	64.9	68.2	67.6	65.5
Export 3W	49.0	50.8	46.8	53.5	52.4	48.1	49.6
Total 3W	49.6	55.9	57.3	61.6	62.9	61.8	61.0

Source: SIAM, Emkay Research

Exhibit 5: Margin analysis – Around 27bps improvement in EBITDA margins QoQ led by lower staff costs

Year to March (%)	3QFY24	3QFY23	Change (bps)	2QFY24	Change (bps)
Raw material costs	71.1	70.6	46	71.0	8
Staff costs	3.2	3.8	(59)	3.5	(37)
Other expenses	5.7	6.5	(85)	5.7	2
EBITDA	20.1	19.1	98	19.8	27
Adjusted net profit	16.9	16.0	85	15.4	148
Tax rate	23.7	24.0	(35)	23.5	19

Source: Company, Emkay Research

Exhibit 6: We build-in ~13%/~12% CAGR in total volumes/EPS over FY24E-26E

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Domestic 2Ws (units)	2,541,320	2,078,348	1,809,375	1,641,084	1,803,748	2,291,702	2,554,147	2,781,170
Growth (%)	28.7	(18.2)	(12.9)	(9.3)	9.9	27.1	11.5	8.9
Domestic 3Ws (units)	398,826	364,817	109,304	160,599	300,009	471,014	471,014	471,014
Growth (%)	7.9	(8.5)	(70.0)	46.9	86.8	57.0	-	-
Domestic Total (units)	2,940,146	2,443,165	1,918,679	1,801,683	2,103,757	2,762,716	3,025,161	3,252,184
Growth (%)	25.4	(16.9)	(21.5)	(6.1)	16.8	31.3	9.5	7.5
Export 2Ws (units)	1,695,553	1,869,220	1,796,518	2,195,772	1,636,956	1,522,369	2,024,751	2,146,236
Growth (%)	21.6	10.2	(3.9)	22.2	(25.4)	(7.0)	33.0	6.0
Export 3Ws (units)	383,177	301,885	257,729	310,854	184,284	157,029	214,734	227,618
Growth (%)	43.1	(21.2)	(14.6)	20.6	(40.7)	(14.8)	36.7	6.0
Export Total (units)	2,078,730	2,171,105	2,054,247	2,506,626	1,821,240	1,679,398	2,239,485	2,373,854
Growth (%)	25.0	4.4	(5.4)	22.0	(27.3)	(7.8)	33.4	6.0
Total volumes (units)	5,018,876	4,614,270	3,972,926	4,308,309	3,924,997	4,442,114	5,264,647	5,626,038
Growth (%)	25.3	(8.1)	(13.9)	8.4	(8.9)	13.2	18.5	6.9
ASP (Rs/unit)	60,479	64,826	69,826	76,930	92,792	100,963	101,293	103,242
Growth (%)	(3.9)	7.2	7.7	10.2	20.6	8.8	0.3	1.9
Revenues	303,576	299,187	277,411	331,447	364,276	448,582	533,363	580,938
Growth (%)	20.4	(1.4)	(7.3)	19.5	9.9	23.1	18.9	8.9
EBITDA	51,925	50,962	49,285	52,586	65,491	87,939	104,429	113,819
EBITDA margin (%)	17.1	17.0	17.8	15.9	18.0	19.6	19.6	19.6
EBITDA growth (%)	7.3	(1.9)	(3.3)	6.7	24.5	34.3	18.8	9.0
EBIT	63,656	65,834	59,457	61,987	74,481	97,588	113,709	122,605
EBIT margin (%)	21.0	22.0	21.4	18.7	20.4	21.8	21.3	21.1
EPS (Rs)	153	176	157	165	199	265	308	333

Source: Company, Emkay Research

Exhibit 7: Our estimates are largely unchanged

(Rs mn)	FY24E				FY25E				FY26E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Domestic 2Ws	2,291,702	2,291,702	-	27.1	2,554,147	2,554,147	-	11.5	2,781,170	2,781,170	-	8.9
Domestic 3Ws	471,920	471,920	-	56.9	471,920	471,920	-	-	471,920	471,920	-	-
Total Domestic	2,763,622	2,763,622	-	31.3	3,026,068	3,026,068	-	9.5	3,253,090	3,253,090	-	7.5
Export 2Ws	1,522,369	1,522,369	-	(7.0)	2,024,751	2,024,751	-	33.0	2,146,236	2,146,236	-	6.0
Export 3Ws	157,029	157,029	-	(14.8)	214,734	214,734	-	36.7	227,618	227,618	-	6.0
Total Export	1,679,398	1,679,398	-	(7.8)	2,239,485	2,239,485	-	33.4	2,373,854	2,373,854	-	6.0
Volumes (Units)	4,443,021	4,443,021	-	13.2	5,265,553	5,265,553	-	18.5	5,626,945	5,626,945	-	6.9
Revenue	448,582	448,582	-	23.1	533,363	533,363	-	18.9	580,938	580,938	-	8.9
EBITDA	86,895	87,939	1.2	34.3	104,079	104,429	0.3	18.8	113,447	113,819	0.3	9.0
Margin (%)	19.4	19.6	23 bps	163 bps	19.5	19.6	7 bps	-2 bps	19.5	19.6	6 bps	1 bps
Net Profit	73,004	73,831	1.1	31.2	85,779	86,046	0.3	16.5	92,486	92,769	0.3	7.8
EPS (Rs)	261.7	264.7	1.1	33.1	307.5	308.5	0.3	16.5	331.5	332.6	0.3	7.8

Source: Emkay Research

Exhibit 8: Emkay vs Consensus estimates

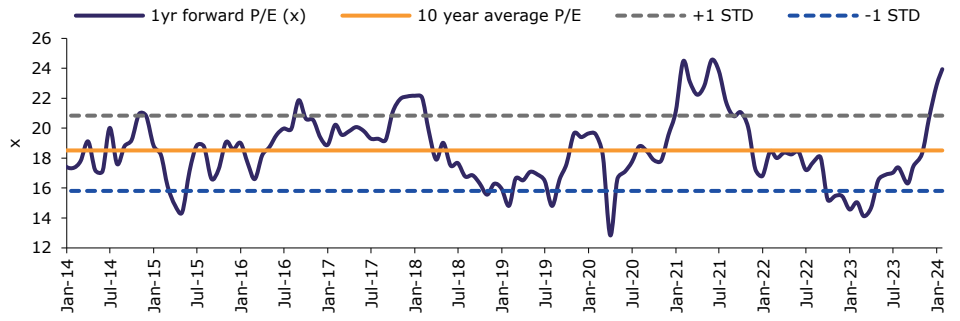
Bajaj Auto (Rs mn)	Emkay Estimates			Bloomberg estimates			Difference		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net revenue	448,582	533,363	580,938	436,097	500,388	562,409	2.9%	6.6%	3.3%
EBITDA	87,939	104,429	113,819	84,419	97,751	110,627	4.2%	6.8%	2.9%
EBITDA margin (%)	19.6	19.6	19.6	19.4	19.5	19.7	1.3%	0.2%	-0.4%
EPS (Rs)	265	308	333	254	291	328	4.3%	6.1%	1.5%

Source: Bloomberg, Emkay Research

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Exhibit 9: BJAUT trades well above its average historical 1-year forward PER



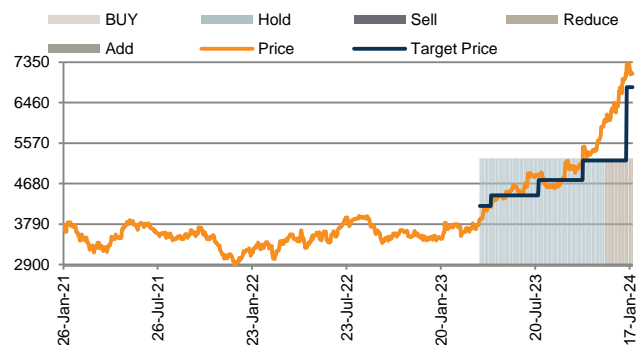
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
11-Jan-24	7,299	6,800	Reduce	Chirag Jain
30-Nov-23	6,091	5,190	Reduce	Chirag Jain
19-Oct-23	5,483	5,190	Hold	Chirag Jain
26-Jul-23	4,870	4,760	Hold	Chirag Jain
26-Apr-23	4,171	4,420	Hold	Chirag Jain
04-Apr-23	3,875	4,190	Hold	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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