

BUY

CMP (Rs)	5,329
Target Price (Rs)	5,944
Potential Upside	11.5%
Sensex	65,591
Nifty	19,584

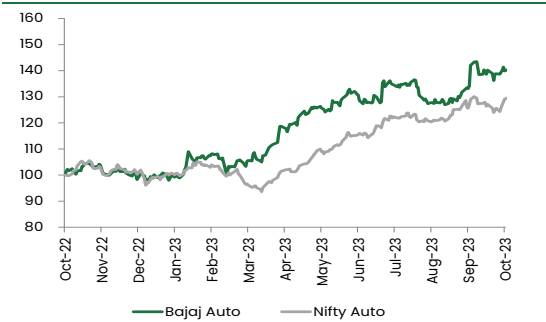
Key Stock data

BSE Code	532977
NSE Code	BAJAJ-AUTO
Bloomberg	BJAUT:IN
Shares o/s, Cr (FV 10)	28.3
Market Cap (Rs Cr)	150,788
3M Avg Volume	380,494
52 week H/L	5,395/3,520

Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
Promoter	55.0	55.0	55.0
FII	12.4	13.7	13.7
DII	10.9	9.6	9.6
Others	21.8	21.7	21.7

1 Year relative price performance



1 year PE Forward (x)



Research Analyst

Akshay Tiwari

akshay.tiwari@religare.com

Better product mix and softer commodity prices aid in strong overall performance

Q2FY24 Result Update | Sector: Auto | October 19, 2023

Consistent quarter of record performance: Bajaj Auto posted strong overall performance as its Q2FY24 revenue grew by 5.6% YoY/4.6% QoQ to Rs 10,777 Cr. The growth was mainly driven by domestic business of motorcycles and 3-wheelers segment. Albeit a decline of 8.8% YoY in exports volumes, it showed sequential recovery of 7.9% and as a result it accounted for ~30% of the overall revenue while the domestic business accounted for ~70%. Consequently, PAT was reported at Rs 1,836 Cr, higher by 20% YoY/10.3% QoQ.

Better operating leverage: Its gross profit came in at Rs 3,126 Cr, up by 15.1% YoY/7.9% QoQ with a margin of 29% which expanded by 238bps YoY/91bps QoQ. Consequently, EBITDA increased by 21.3% YoY/9.2% QoQ at Rs 2,133 Cr and a margin of 19.8% which expanded by 255bps YoY/84bps QoQ. The strong operational growth was supported by better product mix and softer prices of commodities like metals, steel and aluminum which resulted in strong operating leverage.

Structural shift towards premium products: Consumer preference towards premium and better products has been one of the key catalysts for the shift towards the 125+cc category in the overall industry. As a result, the volumes contribution from 125+cc category was at ~65% vis-a-vis ~55% in the same period last year. Consequently, the higher participation from premium segment triggered the realizations growth of 15.4% YoY/1.9% QoQ to Rs 102,256/unit.

Strong domestic 3-wheeler volumes: It was a landmark quarter for 3-wheeler segment as it reported highest quarterly volume of 132,236 units in the domestic market, registering a growth of 80.5% YoY/34.1% QoQ. The shift from diesel powered to CNG powered vehicles is aiding the growth for the company where it has a strong moat. Additionally, the company will benefit from government's initiative to increase the number of pumps across India by adding another ~4,000 pumps, shall support the demand resulting from the shift towards CNG vehicles.

Outlook & Valuations: Bajaj Auto is amongst leading players in the motorcycle space while it is a top exporter of 2/3 wheelers in the country. Its exports have remained under pressure; however on sequential basis it is witnessing a recovery in its key markets which will aid in volumes and revenue growth. Going ahead, the 2-wheeler industry will witness premiumization in 125cc+ category, consequently Bajaj Auto has been focusing on increasing its product portfolio and attracting higher volumes for 125cc+ segment which would result in market share gains and higher realizations. The strong domestic business outlook coupled with gradual recovery in exports, we remain bullish on growth prospects of the company and estimate its revenue/EBITDA/PAT to grow at 19.3%/23.6%/22.2% CAGR over FY23-25E. We have assigned a PE of 20x on FY25E EPS and maintain a **Buy** rating with a revised target price upwards to **Rs. 5,944**.

Financial Summary - standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	33,145	36,428	43,730	51,804
EBITDA	5,259	6,549	8,309	9,998
EBITDAM (%)	15.9	18.0	19.0	19.3
PAT	4,704	5,628	7,062	8,410
PATM (%)	14.2	15.4	16.1	16.2
EPS (Rs)	162.5	198.9	249.6	297.2
PE (x)	32.8	26.8	21.4	17.9
RoE (%)	18.1	21.6	26.7	29.1

Source : RBL Research

Concall & other key highlights: 1) The company will be launching 6 new and upgraded motorcycles in H2FY24. 2) Posted double digit growth in the African market led by Nigeria while other markets like LATAM and SAME reported single digit growth. 3) Company has engaged in the business development activities in 11 new markets for its 3-wheelers. 4) Delivered a total of 8,000 units of triumph motorcycles, while exports to start by November 2023. 5) The company plans to expand its capacity stands from 5,000 units/month to 10,000 units/month by the end of FY24 for triumphs and also increase its presence from 20 cities to 100 cities by FY24. 6) Aims to sustain 80% market share in the 3-wheeler segment. 7) Spare revenue for the quarter was ~Rs 1,200 Cr 8) Free Cash Flow at Rs ~3,600 Cr with Surplus funds at Rs ~17,326 Cr as of Q2FY24.

Despite low export volumes, buoyancy in domestic market and better realization drove the growth

Better product mix and softer commodity prices aided strong operational performance

Healthy overall business results in highest quarter PAT

P&L Account Quarterly - standalone

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y %	Q1FY24	Q-o-Q %
Sales Volumes (units)	1,053,953	1,151,012	(8.4)	1,027,407	2.6
Realisation (Rs/unit)	102,256	88,642	15.4	100,347	1.9
Net sales	10,777	10,203	5.6	10,310	4.5
Total material cost	7,651	7,486	2.2	7,413	3.2
Gross Profit	3,126	2,717	15.1	2,897	7.9
Gross Margin (%)	29.0	26.6	238 bps	28.1	91 bps
Employee cost	382	352	8.4	384	(0.7)
Other overheads	612	606	1.0	559	9.4
EBITDA	2,133	1,759	21.3	1,954	9.2
EBITDA Margin (%)	19.8	17.2	255 bps	19.0	84 bps
EBITDA / Unit (Rs.)	20,237	15,280	32.4	19,018	6.4
Depreciation	88	67	30.8	84	4.9
Interest	7	11	(40.2)	12	(46.0)
Other income	361	333	8.5	346	4.3
PBT	2,400	2,014	19.2	2,205	8.9
Tax	564	484	16.5	540	4.5
Effective tax rate (%)	23.5	24.0	-54 bps	24.5	-99 bps
PAT	1,836	1,530	20.0	1,665	10.3
PAT margin (%)	17.0	15.0	204 bps	16.1	89 bps

Source : RBL Research

Cost analysis

As a % of net sales	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	Q-o-Q (bps)
Material costs	71.0	73.4	-238 bps	71.9	-91 bps
Personnel Costs	3.5	3.5	9 bps	3.7	-19 bps
Other overheads	5.7	5.9	-26 bps	5.4	25 bps
Total costs	80.2	82.8	-255 bps	81.0	-84 bps

Source : RBL Research

Volumes Breakup

Particulars (in Units)	Q2FY24	Q2FY23	YoY %	Q1FY24	Q-o-Q %
Motorcycles					
Domestic	505,320	621,134	-18.6%	542,931	-6.9%
Exports	376,263	397,900	-5.4%	346,399	8.6%
Total	881,583	1,019,034	-13.5%	889,330	-0.9%
CV					
Domestic	132,236	73,241	80.5%	98,625	34.1%
Exports	40,134	58,737	-31.7%	39,452	1.7%
Total	172,370	131,978	30.6%	138,077	24.8%
Overall Volumes	1,053,953	1,151,012	-8.4%	1,027,407	2.6%

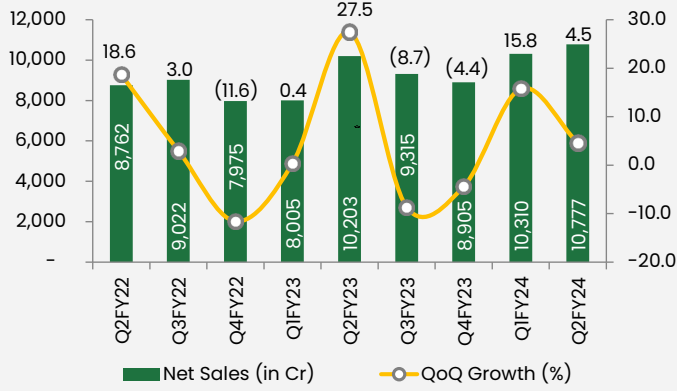
Source : RBL Research

Higher participation of 125+cc motorcycles, while exports recovering well sequentially

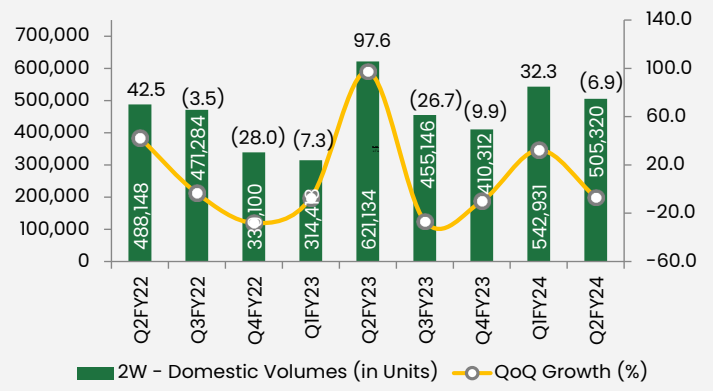
Record 3-wheelers volumes benefitting from shift towards CNG powered vehicles

Story in charts

Record quarterly revenue with a growth of 4.5% QoQ

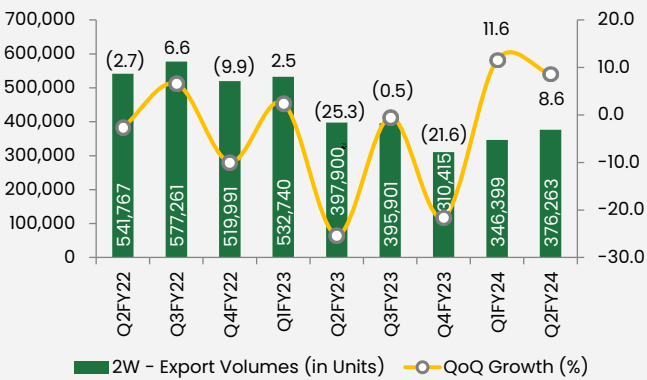


Strong demand for 125+cc category resulted in 65% of volumes

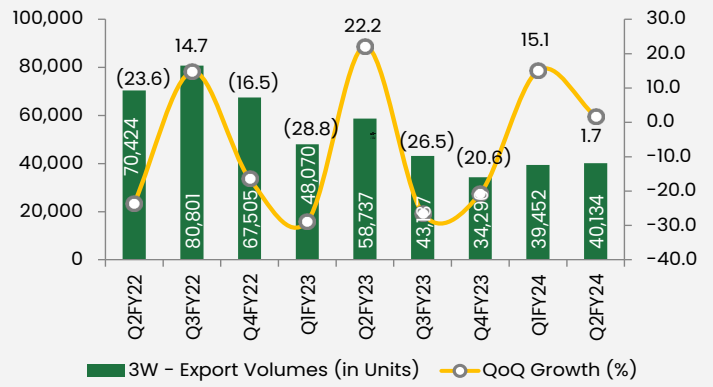


Source : RBL Research

Gradual sequential recovery in exports

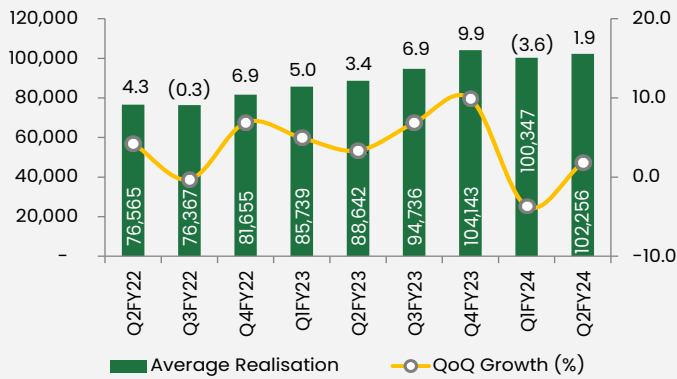


Marginal growth, focusing on different markets to increase the volumes

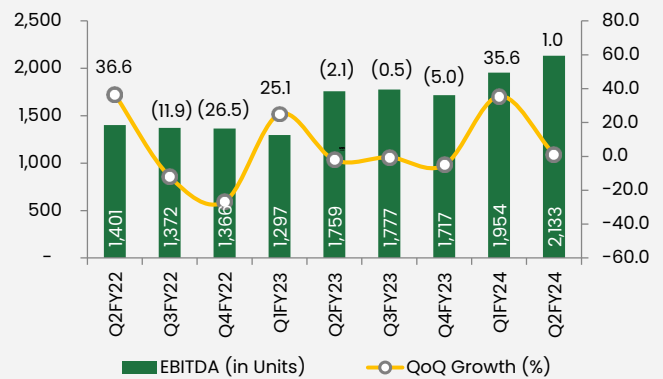


Source : RBL Research

Better product mix aided in realizations expansion

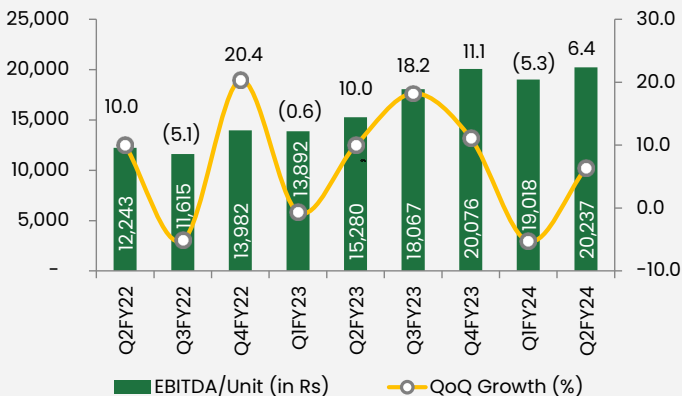


Softer commodity prices aided EBITDA growth

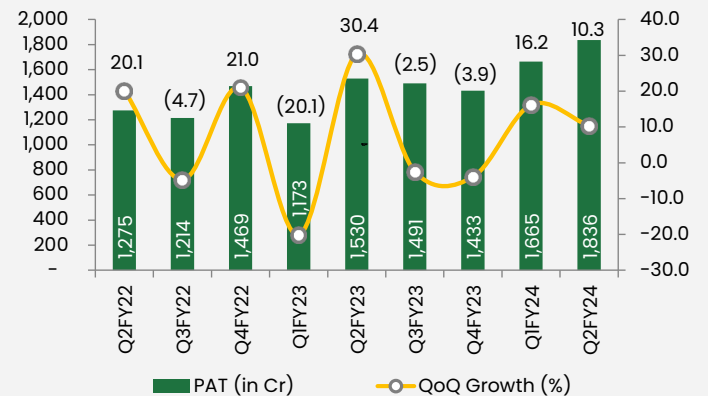


Source : RBL Research

Trend of EBITDA/unit



Strong overall performance results in record PAT



Source : RBL Research

P&L Account – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	33,145	36,428	43,730	51,804
Expenditure				
Total raw material cost	24,330	26,055	31,158	36,832
Employee cost	1,359	1,445	1,793	1,994
Other expenses	2,197	2,379	2,471	2,979
Total expenditure	27,886	29,878	35,421	41,806
EBITDA	5,259	6,549	8,309	9,998
EBITDAM (%)	15.9	18.0	19.0	19.3
Other income	1,209	1,181	1,323	1,456
Depreciation	269	282	301	349
PBIT	6,199	7,448	9,331	11,105
Interest expenses	9	39	39	39
PBT	6,190	7,409	9,291	11,065
Tax	1,486	1,781	2,230	2,656
PAT	4,704	5,628	7,062	8,410
PATM (%)	14.2	15.4	16.1	16.2

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	289.4	283.0	283.0	283.0
Reserves & Surplus	26,379	25,143	27,253	30,003
Total Shareholder's Fund	26,669	25,426	27,536	30,286
Non-Current Liabilities				
Total borrowings	123	124	124	124
Other long term liabilities	36	33	33	33
Deferred tax liabilities	403	345	345	345
Long term provision	1	1	1	1
Current Liabilities				
Trade payables	3,633	4,074	4,920	4,921
Other current liabilities	1,029	1,124	1,259	1,172
Total Liabilities	31,895	31,127	34,218	36,883
Fixed Assets	1,758	2,635	3,084	3,485
Current work in process	77	82	80	82
Intangible assets	25	31	31	31
Non current investment	18,850	18,504	18,854	19,354
Other non-current assets	1,788	1,476	1,476	1,476
Current Assets				
Inventories	1,231	1,398	2,187	2,461
Trade receivables	1,516	1,776	2,471	2,979
Cash & Cash equivalents	588	286	491	606
Short term loans and advances	4	4	4	5
Other current assets	1,090	517	620	735
Total Assets	31,895	31,127	34,218	36,883

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Reported PBT	6,190	7,409	9,291	11,065
Depreciation	269	282	301	349
Tax paid	(1,486)	(1,781)	(2,230)	(2,656)
Working capital Change	3,635	1,232	(1,107)	(1,733)
Operating Cash Flow (a)	8,608	7,142	6,255	7,025
Capex	(500)	(1,171)	(748)	(752)
Free Cash Flow	8,107	5,971	5,507	6,273
Investments	(4,694)	657	(350)	(500)
Investing Cash Flow (b)	(5,195)	(514)	(1,098)	(1,252)
Debt Issuance/ (Repaid)	1	1	-	-
Dividend Paid	(4,196)	(3,961)	(4,952)	(5,659)
Others	837	(2,964)	-	-
Financing Cash Flow (c)	(3,358)	(6,930)	(4,952)	(5,659)
Net Cash Flow (a + b + c)	55	(302)	206	114
Closing Cash	588	286	491	606

Source : RBL Research

Key ratios – standalone

Particulars	FY22	FY23	FY24E	FY25E
Per Share Ratios (Rs)				
Dividend per share	145.0	140.0	175.0	200.0
EPS	162.5	198.9	249.6	297.2
CEPS	171.8	208.9	260.2	309.5
Book value per share	921.6	898.6	973.1	1,070.3
Profitability Ratios (%)				
EBITDA Margin	15.9	18.0	19.0	19.3
PBT Margin	18.7	20.3	21.2	21.4
Net Profit Margin	14.2	15.4	16.1	16.2
RoCE	23.4	28.1	34.6	37.8
RoE	18.1	21.6	26.7	29.1
Dividend Payout	89.2	70.4	70.1	67.3
Efficiency				
Fixed Asset Turnover (x)	1.0	1.2	1.3	1.5
Debtors Velocity (Days)	17	18	21	21
Inventory (Days)	14	14	18	17
Creditor (Days)	40	41	41	35
Current ratio (x)	1.9	1.6	1.7	1.9
Valuation Ratios				
P/E (x)	32.8	26.8	21.4	17.9
P/B (x)	5.8	5.9	5.5	5.0
EV/EBIDTA (x)	29.2	23.0	18.1	15.0
Dividend Yield (%)	4.6	4.4	5.5	6.3

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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