

January 24, 2024

RESULT REPORT Q3 FY24 | Sector: Automobile

Bajaj Auto Ltd

Exports recovery to be gradual

Valuation and View – EV ramp-up on track

BJAUT's 3QFY24 results were in-line where revenues grew 30% YoY (+12.4% QoQ) at Rs121.1b. ASP grew 6.5% YoY (-1.4% QoQ) at Rs100.9k/unit (in-line). EBITDA margins expanded ~30bp QoQ at 20.1% (+100bp YoY) was due to 1) favorable currency, 2) benign RM and 3) operating leverage. We believe, limited margins expansion scope ahead as we expect positive impact of favorable mix (ICE portfolio) and operating leverage to off-set by increasing EVs. Overall demand outlook yet remained mixed but improving as 1) domestic 2W industry volumes expected to improve 8-10%, 2) domestic 3W volumes to continue current volume momentum led by conversion from diesel to CNG, 3) exports – 2Ws to see gradual recovery while 3Ws to be under pressure. Going ahead, INR depreciation, Triumph contribution favoring overall mix, PLI benefits remain an upside risk to our margins.

Bajaj Auto is upping the game in domestic EV space now as it targets volume ramp-up for Chetak as well as EV 3W. The near-term focus is to 1) increase distribution for Chetak (to ~180 cities by FY24 end from 140 cities now) and 2) increase in EV 2W run-rate to 15k/month in 4Q (v/s 10k/month in 3Q), 3) New EV 2W launch in 1QFY25E and 4) network expansion for EV 3W. Overall commentaries around demand is improving with 8-10% volume growth for domestic 2W industry in near term and exports recovery (likely to be gradual QoQ). We raise FY25 EPS by ~5% to build in for higher 3W volumes. We build in revenue/EBITDA/Adj. PAT CAGR of 14.2%/18.3%/16% over FY24-26E. We maintain an ADD with TP of Rs7,921 (earlier Rs7,485) at 21x Mar'26 EPS (v/s 20x earlier), given improved EV narrative and diversified product portfolio to de-risk segmental slowdown, if any.

Result Highlights – In-line results

- Revenues grew ~30% YoY/+12.4% QoQ at Rs121.1b (in-line, cons Rs117.4b) led by 22% YoY/ 14% QoQ increase in volumes while ASP grew 6.5% YoY/ -1.4% QoQ at Rs100.9k/unit (in-line).
- Gross margins contracted ~50bp YoY (-10bp QoQ) at 28.9% (in-line). However, sustained cost control and operating leverage resulted in EBITDA growth of ~36.8% YoY/ +13.9% QoQ at Rs24.3b (in-line, cons Rs22.9b). Consequently, margins expanded 100bp YoY/ +30bp QoQ at 20.1% (in-line, cons 19.5%).
- Led by healthy op. performance, Adj. PAT came in line at ~Rs20.4b (+37% YoY/+11.2% QoQ) wherein other income came at Rs3.46b (+28.6% YoY/ -4.2% QoQ, est Rs3.7b). Cash and equivalents stood at Rs184.4b as of 3QFY24 (v/s Rs173.3b in 2QFY24, Rs195.8b in 1QFY24 and Rs174.4b as of FY23).

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	121,135	120,967	117,443	0.1	3.1	Benign RM and operating leverage drive earnings.
EBITDA	24,299	24,807	22,914	-2.0	6.0	
EBITDA %	20.1	20.5	19.5	-40bp	50bp	
Adjusted PAT	20,419	21,044	19,334	-3.0	5.6	

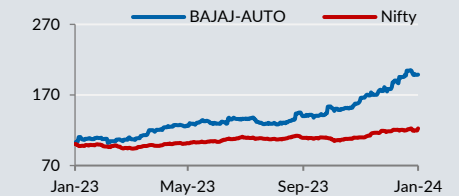
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 7,211
Target Price	: Rs 7,921
Potential Return	: +10%

Stock data (as on Jan 24, 2024)

Nifty	21,454
52 Week h/l (Rs)	7419 / 3551
Market cap (Rs/USD mn)	2009415 / 24188
Outstanding Shares (mn)	283
6m Avg t/o (Rs mn):	2,429
Div yield (%):	1.9
Bloomberg code:	BJAUT IN
NSE code:	BAJAJ-AUTO

Stock performance



	1M	3M	1Y
Absolute return	11.4%	31.3%	95.8%

Shareholding pattern (As of Dec'23 end)

Promoter	54.9%
FII+DII	23.4%
Others	21.7%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	7,921	7,485

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	277.5	316.4
EPS (Old)	283.2	325.8
% change	(2.0%)	(2.9%)

Financial Summary

Y/E MARCH	2024E	2025E	2026E
Sales	433.8	489.0	565.8
EBITDA	85.1	98.8	119.1
Adj. PAT	78.5	89.5	105.7
Adj. EPS (INR)	277.5	316.4	373.6
EPS Gr. (%)	27.5	14.0	18.1
BV/Sh. (INR)	991	1,065	1,153
RoE (%)	29.4	30.8	33.7
RoCE (%)	35.3	37.5	42.1
Payout (%)	59.5	69.9	70.6
P/E (x)	26.0	22.8	19.3
P/BV (x)	7.3	6.8	6.3
EV/EBITDA (x)	21.1	18.0	14.9
Div. Yield (%)	2.3	2.6	3.1

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs.mn)	Q3FY24	Q3FY23	YoY chg %	Q2FY24	9MFY24	9MFY23	YoY chg %
Net Revenues	121,135	93,151	30.0	107,773	332,006	275,229	20.6
Raw Materials	86,096	65,775	30.9	76,511	236,733	198,413	19.3
% of Net Sales	71.1%	70.6%		71.0%	71.3%	72.1%	
Personnel	3,846	3,511	9.5	3,816	11,503	10,829	6.2
% of Net Sales	3.2%	3.8%		3.5%	3.5%	3.9%	
Manufacturing & Other Exp	6,895	6,097	13.1	6,118	18,603	17,662	5.3
% of Net Sales	5.7%	6.5%		5.7%	5.6%	6.4%	
Total Expenditure	96,836	75,383	28.5	86,444	266,839	226,903	17.6
EBITDA	24,299	17,768	36.8	21,329	65,167	48,326	34.8
EBITDA Margin (%)	20.1%	19.1%		19.8%	19.6%	17.6%	
Depreciation	881	740	19.2	876	2,593	2,083	24.5
EBIT	23,418	17,029	37.5	20,452	62,574	46,243	35.3
Interest Expenses	121	85	42.7	65	307	237	29.4
Non-operating income	3,461	2,691	28.6	3,614	10,538	9,216	14.3
Extraordinary Expenses	-	-		-	-	-	
PBT	26,758	19,635	36.3	24,000	72,804	55,221	31.8
Tax-Total	6,339	4,721	34.3	5,639	17,377	13,274	30.9
Tax Rate (%) - Total	23.7%	24.0%		23.5%	23.9%	24.0%	
Reported PAT	20,419	14,914	36.9	18,361	55,428	41,947	32.1
Adj. PAT	20,419	14,914	36.9	20,198	57,264	43,929	30.4
PAT Margin	16.9%	16.0%		18.7%	17.2%	16.0%	
Key performance indicator							
Sales Volume (nos)	1,200,997	983,276	22.1	1,053,953	3,927,857	4,308,433	(8.8)
Net Realisation/Vehicle	100,862	94,736	6.5	102,256	84,526	63,881	32.3
Material cost / vehicle	71,687	66,894	7.2	72,594	60,270	46,052	30.9
Gross Profit / vehicle	29,175	27,842	4.8	29,662	24,256	17,829	36.0
Employee cost /vehicle	3,202	3,571	(10.3)	3,621	2,929	2,513	16.5
Other expenses / vehicle	5,741	6,200	(7.4)	5,804	4,736	4,099	15.5
EBITDA/vehicle	20,232	18,070	12.0	20,237	16,591	11,217	47.9
Net Profit/vehicle	17,002	15,168	12.1	19,164	14,579	10,196	43.0

Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Exports

- **Demand** - Tight condition for dollar availability leading to uncertain recovery. Africa and SE Asia driving overall recovery but LATAM/Middle East performing above peak with highest level retails done in Mexico (second largest 2W market). BJAUT's LATAM MS is currently at highest level.
- **Red sea impact** - Seeing delay of ~3 weeks (to 6 weeks from 3 weeks) to markets like LATAM and Africa. Seeing freight rates doubling off-late. Consequently, alternate routes are put in place to ride volatility.
- **Production at the Brazil plant to begin by end of 1QFY25.**
- **Share of Pulsar in exports** now at ~28% vs ~19% YoY.
- **Geography exports mix** - Africa at 45-48% (from 55-60%), LATAM 20-25% (v/s 16-18%), SE Asia 15-18%, MENA 9-10%. Nigeria current run-rate at 20-25k units per month (40-45% of peak volumes), led by currency availability issues.
- Exports revenues grew ~10% led by mix and pricing in 3QFY24.

Domestic

- **2W motorcycle industry retails grew 11% in 3QFY24 (BJAUT double the rate)....**expect industry to grow 8-10% in coming months. Expect to launch CNG 2W in FY25 itself. Would launch 2-3 upgrades per month over 3-4 months while expect to launch new Pulsar ahead.
- **3W ICE** - overall market share at ~77% and ~80% in pax segment, CNG penetration is ~60% where BJAUT market share is ~85%.
- **EV 3W** - network expanded to ~23 cities (v/s 10 cities in 2QFY24) with 1,800 units retailed. Have reached 50%+ of EV 3W market share within 3 months in cities of operation. Expect to reach ~50 cities in by 4QFY24 and ~200 cities in FY25.
- **EV 2W (Chetak)** - Capacity improved led to network expansion to ~140 cities (~160 exclusive stores). Retail market share improved from ~4% in FY23 to ~14% in Dec'23.
 - **Expect monthly business run rate of 15k per month in 4QFY24.**
 - **Expect to launch one new product in 1QFY25 to further help market share gains.**
 - **Chetak revenues of >Rs10b for 9MFY24.**
- **Triumph** - ~8k units retailed in ~41 cities (of which ~10 cities entered in Nov-Dec) with retail market share at 15-20% in key markets like Bangalore and Kerala. Expect it to be available in ~100 cities by end 4QFY24 (~50%+ of market in terms of coverage). Triumph is available readily with no waiting period.
- **Key focus areas** - 1) drive growth in 125CC+, 2) achieve overall 3W MS at 80%, 3) Exports recovery, 4) increase Chetak run-rate to 15k per month, 5) scale up Triumph sales in India and overseas markets.

Financials

- **RM basket** - saw softening QoQ. Steel and lead saw inflation while other RM declined. However, seeing some uptick in ABS, rubber and polypropylene which can see minor uptick in RM basket.
- No price increase taken during 3QFY23. However, have slashed pricing of Chetak to improve competitive positing both in domestic and exports markets.
- **Spares revenues at Rs13b** (domestic revenues were at Rs10.5b) v/s Rs12-12.5b for 2QFY24, ~Rs12b in 1QFY24.
- **Exports revenues at USD450m** in 3QFY24 v/s USD406m in 2QFY24.
- **USD/INR realization at ~Rs83.2 in 3QFY24** (v/s Rs82.8 in 2QFY24 and Rs81.7 3QFY23).
- **PLI** - application is made and underway to testing agency for EV 2W and EV 3W for certification.

FINANCIALS

Exhibit 3: Balance Sheet

Y/E March	2021	2022	2023	2024E	2025E	2026E
Share Capital	2,894	2,894	2,830	2,830	2,830	2,830
Reserves	249,129	263,794	251,429	277,596	298,464	323,336
Net Worth	252,023	266,688	254,259	280,425	301,294	326,165
Deferred Tax	5,221	4,033	3,452	3,452	(942)	(6,178)
Loans	1,606	1,591	1,578	1,578	1,578	1,578
Capital Employed	258,850	272,312	259,288	285,454	301,930	321,565
Gross Fixed Assets	42,746	45,616	57,271	67,090	77,090	87,090
Less: Depreciation	26,620	27,787	30,611	34,093	38,274	43,036
Net Fixed Assets	16,126	17,829	26,660	32,997	38,816	44,055
Capital WIP	160	768	819	1,000	1,000	1,000
Investments	226,833	238,699	229,733	231,733	231,733	231,733
Current Assets	72,183	61,923	54,061	96,496	116,929	144,916
Inventory	14,939	12,305	13,979	26,145	29,474	34,102
Sundry Debtors	27,169	15,164	17,761	29,710	33,493	38,753
Cash & Bank Balances	5,051	5,640	2,858	17,465	27,833	41,830
Loans & Advances	110	87	59	70	79	92
Others	24,915	28,727	19,405	23,106	26,049	30,139
Current Liab. & Prov.	56,452	46,907	51,986	76,772	86,548	100,139
Sundry Creditors	45,738	36,332	40,739	59,420	66,987	77,506
Other Liabilities	9,170	9,025	9,582	11,410	12,863	14,883
Provisions	1,544	1,551	1,665	5,942	6,699	7,751
Net Current Assets	15,732	15,016	2,075	19,724	30,381	44,777
Application of Funds	258,850	272,312	259,288	285,454	301,930	321,565

Source: Company, YES Sec

Exhibit 4: Income statement

Y/E March	2021	2022	2023	2024E	2025E	2026E
Volumes	3,972,914	4,308,433	3,927,857	4,293,394	4,752,822	5,331,755
Change (%)	-13.9	8.4	-8.8	9.3	10.7	12.2
Net Sales	277,411	331,447	364,276	433,764	489,003	565,791
Change (%)	(7.3)	19.5	9.9	19.1	12.7	15.7
Total Expenditure	228,126	278,861	298,785	348,619	390,230	446,716
EBITDA	49,285	52,586	65,491	85,145	98,772	119,074
Change (%)	(3.3)	6.7	24.5	30.0	16.0	20.6
EBITDA Margins (%)	17.8	15.9	18.0	19.6	20.2	21.0
Depreciation	2,593	2,692	2,824	3,482	4,181	4,761
EBIT	46,692	49,895	62,667	81,663	94,591	114,313
Int. & Fin. Charges	67	87	395	458	412	371
Other Income	12,765	12,092	11,814	14,406	15,656	16,960
Non-recurring Exp.	0	-3,153	0	0	0	0
PBT	59,390	65,053	74,086	95,610	109,836	130,902
Tax	13,844	14,865	17,810	22,755	26,361	31,417
Effective Rate (%)	23.3	22.8	24.0	23.8	24.0	24.0
PAT	45,546	50,189	56,276	72,855	83,475	99,486
Change (%)	(10.7)	10.2	12.1	29.5	14.6	19.2
Add: Share in profit of associates	3,063	5,795	5,293	5,663	6,060	6,242
Adj. PAT	48,609	53,552	61,569	78,518	89,535	105,727
Change (%)	(10.3)	10.2	15.0	27.5	14.0	18.1

Source: Company, YES Sec

Exhibit 5: Cash Flow Statement

Y/E March	2021	2022	2023	2024E	2025E	2026E
Profit before Tax	59,390	65,053	74,086	81,663	94,591	114,313
Interest/Div. Received	10,030	9,051	7,522	14,406	15,656	16,960
Depreciation & Amort.	2,593	2,692	2,824	3,482	4,181	4,761
Direct Taxes Paid	(13,397)	(17,015)	(19,184)	(22,755)	(30,754)	(36,653)
(Inc)/Dec in Working Capital	(5,105)	6,009	7,234	(3,042)	(288)	(400)
Other Items	(22,373)	(26,866)	(17,363)	(13,948)	(15,244)	(16,589)
CF from Oper. Activity	31,139	38,923	55,119	59,806	68,143	82,393
Extra-ordinary Items	-	3,153	-	-	-	-
CF after EO Items	31,139	42,076	55,119	59,806	68,143	82,393
(Inc)/Dec in FA+CWIP	(2,509)	(5,176)	(8,421)	(10,000)	(10,000)	(10,000)
Free Cash Flow	28,630	33,747	46,698	49,806	58,143	72,393
(Pur)/Sale of Invest.	(26,145)	4,217	21,760	(2,000)	-	-
CF from Inv. Activity	(28,654)	(960)	13,338	(12,000)	(10,000)	(10,000)
Inc. / Dec.in Networth	-	-	(30,939)	(0)	(0)	0
Inc/(Dec) in Debt	(53)	-	-	-	-	-

Y/E March	2021	2022	2023	2024E	2025E	2026E
Interest Paid	(55)	(74)	(380)	(458)	(412)	(371)
Dividends Paid	(87)	(40,490)	(40,470)	(46,688)	(62,606)	(74,614)
CF from Fin. Activity	(195)	(40,563)	(71,789)	(47,146)	(63,018)	(74,985)
Inc/(Dec) in Cash	2,290	553	(3,332)	659	(4,875)	(2,593)
Add: Beginning Bal.	2,761	5,087	5,526	2,858	17,465	27,833
Closing Balance	5,051	5,640	2,194	3,517	12,589	25,241

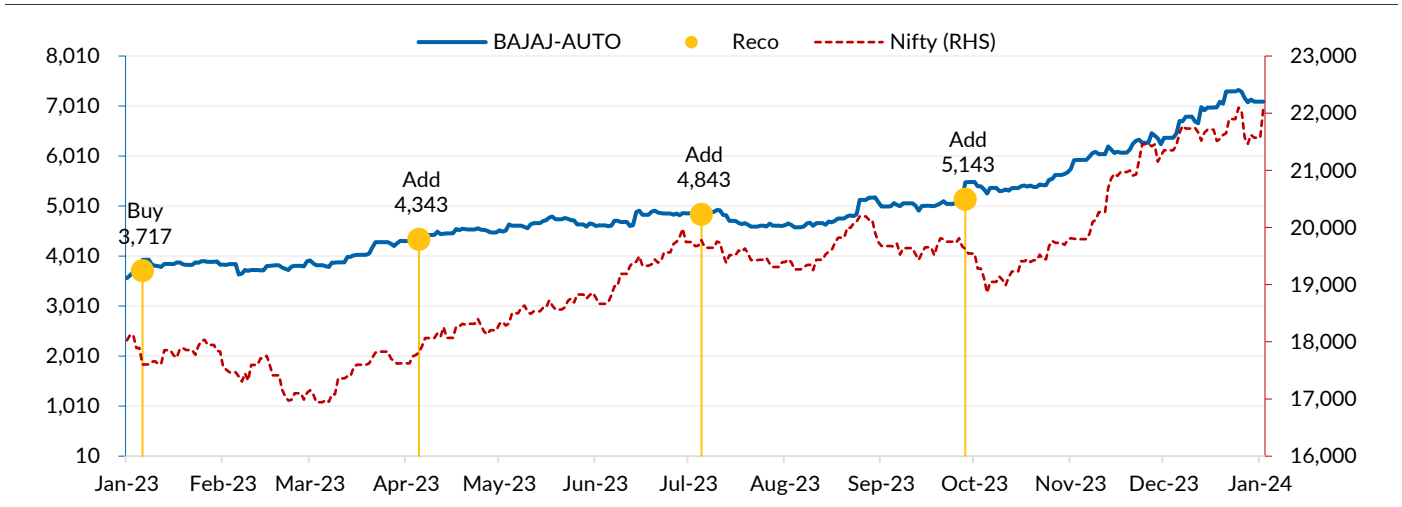
Source- Company, YES Sec

Exhibit 6: Growth and Ratio matrix

Y/E March	2021	2022	2023	2024E	2025E	2026E
Basic (INR)						
Consol EPS	168.0	185.1	217.6	277.5	316.4	373.6
EPS growth (%)	(10.3)	10.2	17.6	27.5	14.0	18.1
Consol Cash EPS	176.9	194.4	227.6	289.8	331.2	390.5
Book Value per Share	870.9	921.6	898.6	991.0	1,064.8	1,152.7
DPS	140.0	140.0	150.0	165.0	190.4	226.9
Payout (Incl. Div. Tax) %	83.3	75.7	68.9	59.5	69.9	70.6
Valuation (x)						
P/E	42.9	39.0	33.1	26.0	22.8	19.3
Cash P/E	40.8	37.1	31.7	24.9	21.8	18.5
EV/EBITDA	37.7	35.1	27.6	21.1	18.0	14.9
EV/Sales	6.7	5.6	5.0	4.1	3.6	3.1
Price to Book Value	8.3	7.8	8.0	7.3	6.8	6.3
Dividend Yield (%)	1.9	1.9	2.1	2.3	2.6	3.1
Profitability Ratios (%)						
RoE	21.5	20.6	23.6	29.4	30.8	33.7
RoCE	19.7	23.3	28.0	35.3	37.5	42.1
RoIC	156.1	110.9	123.7	136.9	135.8	147.3
Turnover Ratios						
Debtors (Days)	35.7	16.7	17.8	25.0	25.0	25.0
Inventory (Days)	19.7	13.6	14.0	22.0	22.0	22.0
Creditors (Days)	60.2	40.0	40.8	50.0	50.0	50.0
Working Capital (Days)	(4.8)	(9.8)	(9.0)	(3.0)	(3.0)	(3.0)
Asset Turnover (x)	1.1	1.2	1.4	1.5	1.6	1.8
Fixed Asset Turnover	6.6	7.5	7.1	7.0	6.8	6.9

Source- Company, YES Sec

Recommendation Tracker



Source – YES Sec

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NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 |
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DISCLOSURE OF INTEREST

Name of the Research Analyst : Deep Shah

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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