

**Riding Multiple Growth Engines with Long-Term Strategic Clarity**
**Est. Vs. Actual for Q1FY26:** Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**
**Change in Estimates post Q1FY26:**
**FY26E/FY27E:** Revenue -1.5%/-1.4%; EBITDA -1.7%/-1.1%; PAT -0.5%/-0.6%

**Recommendation Rationale**

- **International Market:** Q1FY26 exports touched an all-time high (~\$500 Mn) in revenue terms despite volume still being ~20-25% below FY22 levels, highlighting pricing power and premium mix benefits. As per management, LATAM and Southeast Asia (apart from Nigeria, Africa) are in an upward cycle, and Brazil—a structurally tough market—is now showing clear traction (7,000 units). Dominar, Pulsar 400Z, and KTM export momentum is expected to sustain. Capacity expansion in Brazil is expected to unlock the next leg of volume growth (50,000 units per annum). Management guides for 15–20% QoQ export growth in FY26, supported by strong demand, market recovery, and product mix improvement.
- **EVs Gaining Momentum:** Bajaj's EV portfolio (Chetak and E-3Ws) is now at high single-digit EBITDA margins, a sharp reversal from red territory in FY24. Despite near-term HRE magnet-based supply chain headwinds, Bajaj is pursuing multiple mitigation strategies. The company has thus cemented the pole position at 31% in e-2W vehicles. Short-term supply bottlenecks are likely priced in, but structural cost leadership and product acceptance offer a high-ROI EV optionality.
- **Bajaj Auto Credit Limited; A Silent Value Compounder:** BACL delivered Rs 102 Cr PAT in Q1FY26, doubling FY25 annual PAT. AUM now stands at Rs 12,000 Cr and penetration at 40%. Bajaj has infused Rs 300 Cr this quarter to support aggressive but profitable growth. This captive NBFC flywheel is increasingly accretive to core RoE and valuations.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** In FY26, the management's focus is on gaining leadership in the 125cc+ motorcycle segment, expanding exports—especially in Latin America—and scaling key platforms like Chetak, GoGo, and Freedom. Expanding operations in Brazil, reviving KTM, boosting spares performance, and growing Triumph in India remain key priorities. The company also aims to balance growth with profitability amid ongoing market volatility.

**Current Valuation:** 22x its Mar'28E core EPS (previously 24x Mar'27), plus PMAG stake and cash reserves at 1x book value.

**Current TP:** Rs 9,360/share (Earlier TP: Rs 9,890/share)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** Bajaj's Q1FY26 beat our estimates on all fronts. Total revenue grew ~5.5% YoY (down 3.6% QoQ), driven primarily by ~1% YoY/QoQ growth each in volumes and better ASP (up 4% YoY) due to higher exports and an improved CV mix. EBITDA increased by ~2.8% YoY (up 1% QoQ) and EBITDA margins declined by 50 bps to 19.7%, due to lower dollar realisations, commodity inflation being offset by improved mix and operating leverage. PAT rose 5.5%/2.3% YoY/QoQ.

**Outlook:** We recommend a **BUY** on Bajaj Auto Ltd, supported by strong multi-cylinder growth triggers across domestic premium motorcycles, export rebound, a disciplined 3W and EV scale-up, and a sharply improving financial services business through BACL. Despite near-term noise around EV supply chain constraints and FX headwinds, Bajaj's capital-efficient model, leadership in key segments, and countercyclical balance sheet strength support rerating potential.

**Key Financials (Standalone)**

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	12,584	3.6%	5.5%	12,276	2.5%
EBITDA	2,482	1.3%	2.8%	2,362	5.1%
EBITDA Margin	19.72%	-45	-53	19.24%	48
Adj Net Profit	2,096	2.3%	5.4%	1,969	6.5%
Adj EPS (Rs)	75.1	2.3%	5.5%	70.5	6.5%

Source: Company, Axis Securities Research

 (CMP as of 6<sup>th</sup> August, 2025)

CMP (Rs)	8,177
Upside /Downside (%)	14%
High/Low (Rs)	12,772/7,088
Market cap (Cr)	2,28,350
Avg. daily vol. (6m) Shrs.	4,03,517
No. of shares (Cr)	27.93

**Shareholding (%)**

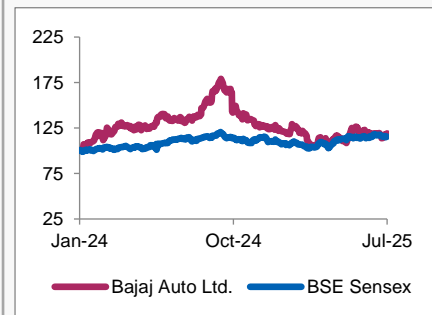
	Dec-24	Mar-25	Jun-25
Promoter	55.0	55.0	55.0
FII	12.5	11.6	10.3
Mutual Funds	6.2	6.5	7.1
Fin Institutions	0.0	0.1	0.0
Others	26.3	26.8	27.6

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	55,547	60,212	65,283
EBITDA	11,195	12,134	13,079
Adj. Net Profit	9,322	9,980	10,654
EPS (Rs.)	329.7	353.0	376.8
PER (x)	24.8	23.2	21.7
EV/EBITDA (x)	20.4	18.5	16.9
P/BV (x)	6.5	5.8	5.2
ROE (%)	25.3	24.6	23.7

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
Sales	-1.5%	-1.4%
EBITDA	-1.7%	-1.1%
PAT	-0.5%	-0.6%

**Relative Performance**


Source: Ace Equity, Axis Securities Research

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## Valuation & Recommendation

We value the stock at a sustainable PE multiple of 22x its Mar'28E core EPS (previously 24x Mar'27E), adding the company's stake in PMAG and surplus cash reserves at 1x book value to arrive at a **TP of Rs 9,360/share** (previously Rs 9,890/share), implying a 14% upside from the CMP. We maintain a **BUY** on the stock from a long-term perspective.

## Key Concall Highlights

### Bajaj Auto – Q1FY26

- **Business Outlook:** Bajaj Auto revenue was up 6% YoY as exports, premium motorcycles, CVs and Chetak led the way to double-digit growth. The balanced business model is at play, as resurgent exports and scaling up of the emerging electric portfolio more than made up for the domestic motorcycle performance, which, although improving over the previous quarter, had a subduing effect on the overall growth. Geographically, demand from southern markets was subdued, whereas northern states like Uttar Pradesh, Delhi, and Haryana were relatively resilient. While management remains cautious about short-term demand trends, it expects the overall two-wheeler industry to grow by 5–6% YoY in FY26.
- **Premium Segment (KTM and Triumph):** KTM and Triumph billed over 25,000 bikes in domestic markets, up 20% YoY, driven by market share gains from a wider/upgraded portfolio. The premium retail footprint expanded to 136 outlets across 100 cities. Currently, KTM's offerings are limited to sub-400cc motorcycles; however, the company aims to enter higher displacement categories (up to 990cc).
- **Commodity & Currency Dynamics:** Q1FY26 forex realisation dipped by Rs 1 QoQ to Rs 85.5/\$; and is expected to stay volatile. Management expects a flat cost-price delta— Aluminium, platinum, copper, and rubber costs rose while steel cost settlement and pricing actions helped in Q1; sequential EBITDA margin growth could flatten or reverse in Q2. (The implementation of OBD 2 norms will add to input costs.)
- **Strong Balance Sheet:** In Q1FY26, free cash flow generation sustained at Rs 1,200 Cr, which was added in the quarter. The Surplus funds stood at Rs 16,726 Cr, after infusing Rs 300 Cr into Bajaj Auto Credit to finance the continued scale-up/ growth of its book and Rs 1,525 Cr into Bajaj Auto International Holdings BV, Netherlands, to partly fund the KTM Austria transaction.
- **Spares Revenue:** Spares contributed to the quarterly sales at ~Rs 1,600 Cr, reflecting the strength of the aftermarket and replacement business.

## Key Risks to Our Estimates and TP

- Disruption in the supply of rare earth magnets from China.
- An increase in commodity prices from the current level would impact the company's gross margins negatively.
- Market Share in Domestic 2Ws Still Under Threat: Hero's aggressive entry pricing, TVS's strong hold in premium 2Ws, and Honda's recovery in urban markets together limit Bajaj's ability to defend share without margin compromises.

## Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	55,547	60,212	65,283	56,364	61,080	-	-1.5%	-1.4%	-
EBITDA	11,195	12,134	13,079	11,389	12,273	-	-1.7%	-1.1%	-
PAT	9,322	9,980	10,654	9,369	10,041	-	-0.5%	-0.6%	-
EPS	329.7	353.0	376.8	331.4	355.1	-	-0.5%	-0.6%	-
Sales Volume (Mn units)	5.08	5.39	5.40	5.19	5.51	-	-2.2%	-2.1%	-

Source: Company, Axis Securities Research

**Q1FY26 Results Review**

YE Mar (Rs Cr)	Q1FY26	Axis Sec Estimates	Var (%)	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Domestic							
2W (Units)	5,29,344	5,29,344	0.0%	5,01,096	5.6%	5,82,497	-9.1%
CV :3W + Quadricycle	1,05,464	1,05,464	0.0%	1,12,152	-6.0%	1,08,124	-2.5%
Total Domestic	<b>6,34,808</b>	<b>6,34,808</b>	<b>0.0%</b>	<b>6,13,248</b>	<b>3.5%</b>	<b>6,90,621</b>	<b>-8.1%</b>
Exports							
2W (Units)	4,19,447	4,19,447	0.0%	4,42,467	-5.2%	3,68,420	13.9%
CV :3W + Quadricycle	56,982	56,982	0.0%	47,219	20.7%	43,015	32.5%
Total Exports	<b>4,76,429</b>	<b>4,76,429</b>	<b>0.0%</b>	<b>4,89,686</b>	<b>-2.7%</b>	<b>4,11,435</b>	<b>15.8%</b>
Total							
2W (Units)	9,48,791	9,48,791	0.0%	9,43,563	0.6%	9,50,917	-0.2%
CV: 3W + Quadricycle	1,62,446	1,62,446	0.0%	1,59,371	1.9%	1,51,139	7.5%
<b>Total Volume (Domestic + Exports) (Units)</b>	<b>11,11,237</b>	<b>11,11,237</b>	<b>0.0%</b>	<b>11,02,934</b>	<b>0.8%</b>	<b>11,02,056</b>	<b>0.8%</b>
<b>Financials</b>							
Net Sales	12,082	11,818	2.2%	11,695	3.3%	11,547	4.6%
Other Operating Income	503	458	9.9%	453	11.0%	381	32.1%
Total Revenue	<b>12,584</b>	<b>12,276</b>	<b>2.5%</b>	<b>12,148</b>	<b>3.6%</b>	<b>11,928</b>	<b>5.5%</b>
ASP (Rs/unit)	1,08,723	1,06,352	2.2%	1,06,037	2.5%	1,04,780	3.8%
Less:							
Net Raw Material consumed	8,860	8,654	2.4%	8,488	4.4%	8,353	6.1%
Other Manufacturing & Sales Exp.	829	859	-3.5%	845	-1.8%	725	14.4%
Personnel Cost	414	400	3.4%	365	13.5%	435	-4.9%
Total Expenditure	<b>10,103</b>	<b>9,914</b>	<b>1.9%</b>	<b>9,697</b>	<b>4.2%</b>	<b>9,513</b>	<b>6.2%</b>
<b>EBIDTA</b>	<b>2,482</b>	<b>2,362</b>	<b>5.1%</b>	<b>2,451</b>	<b>1.3%</b>	<b>2,415</b>	<b>2.8%</b>
Less: Depreciation	111	104	6.9%	111	-0.2%	94	18.3%
EBIT	<b>2,371</b>	<b>2,258</b>	<b>5.0%</b>	<b>2,339</b>	<b>1.3%</b>	<b>2,322</b>	<b>2.1%</b>
Less: Interest	14	16	-10.2%	17	-15.9%	21	-31.6%
Add: Other income	431	348	23.8%	381	13.1%	321	34.2%
Profit Before Extraordinary and Tax	<b>2,788</b>	<b>2,590</b>	<b>7.6%</b>	<b>2,703</b>	<b>3.1%</b>	<b>2,622</b>	<b>6.3%</b>
Less: Extraordinary Expense (net)	0	0	NA	0	NA	0	NA
Profit Before Tax	<b>2,788</b>	<b>2,590</b>	<b>7.6%</b>	<b>2,703</b>	<b>3.1%</b>	<b>2,622</b>	<b>6.3%</b>
Less: Total Tax	692	622	11.2%	654	5.7%	634	9.2%
<b>Profit After Tax</b>	<b>2,096</b>	<b>1,969</b>	<b>6.5%</b>	<b>2,049</b>	<b>2.3%</b>	<b>1,988</b>	<b>5.4%</b>
Adj. Profit After Tax	<b>2,096</b>	<b>1,969</b>	<b>6.5%</b>	<b>2,049</b>	<b>2.3%</b>	<b>1,988</b>	<b>5.4%</b>
Diluted Shares Outstanding (Cr)	28	28	-0.1%	28	0.0%	28	-0.1%
Reported EPS (Rs.)	<b>75.1</b>	<b>70.5</b>	<b>6.5%</b>	<b>73.4</b>	<b>2.3%</b>	<b>71.2</b>	<b>5.5%</b>
Adj. EPS (Rs.)	<b>75.1</b>	<b>70.5</b>	<b>6.5%</b>	<b>73.4</b>	<b>2.3%</b>	<b>71.2</b>	<b>5.5%</b>

Margin Analysis	Q1FY26	Axis Sec Estimates	Change in bps	Q4FY25	Change in bps	Q1FY25	Change in bps
EBIDTA Margin	19.7%	19.2%	48	20.2%	-45	20.2%	-53
Adj. NPM	16.7%	16.0%	62	16.9%	-21	16.7%	-1
Effective Tax Rate	24.8%	24.0%	81	24.2%	61	24.2%	65
Cost Analysis							
Gross Margin	29.6%	29.5%	10	30.1%	-53	30.0%	-38
Other Expenses/Net Sales	6.6%	7.0%	-41	7.0%	-36	6.1%	51
Personnel/Net Sales	3.3%	3.3%	3	3.0%	29	3.6%	-36

Source: Company, Axis Securities Research.

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March (Rs. Cr)	FY25	FY26E	FY27E	FY28E
<b>Net revenues</b>	<b>50,010</b>	<b>55,547</b>	<b>60,212</b>	<b>65,283</b>
Operating expenses	39,727	44,352	48,078	52,204
<b>EBIDTA</b>	<b>10,283</b>	<b>11,195</b>	<b>12,134</b>	<b>13,079</b>
EBITDA margin (%)	<b>20.6</b>	<b>20.2</b>	<b>20.2</b>	<b>20.0</b>
Other income	1,421	1,566	1,514	1,514
Interest	68	42	38	38
Depreciation	400	424	478	535
Profit Before Tax	11,052	12,295	13,132	14,019
Tax	2,900	2,973	3,152	3,364
<b>Reported Net Profit</b>	<b>8,151</b>	<b>9,322</b>	<b>9,980</b>	<b>10,654</b>
Net Margin (%)	16.3	16.8	16.6	16.3
<b>Adjusted Net Profit</b>	<b>8,288</b>	<b>9,322</b>	<b>9,980</b>	<b>10,654</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March (Rs. Cr)	FY25	FY26E	FY27E	FY28E
Equity capital	279.3	279.3	279.3	279.3
Reserves & surplus	31,868	35,326	39,442	44,232
<b>Shareholders' funds</b>	<b>32,147</b>	<b>35,605</b>	<b>39,721</b>	<b>44,511</b>
Total Loans	128	128	128	128
Deferred tax liability	1,123	1,123	1,123	1,123
<b>Total Liabilities and Equity</b>	<b>33,398</b>	<b>36,856</b>	<b>40,972</b>	<b>45,762</b>
Gross block	6,884	8,015	9,060	10,060
Depreciation	3,379	3,803	4,281	4,816
Net block	3,505	4,212	4,779	5,244
Capital WIP	26	195	150	150
Investments	28,618	28,618	28,618	28,618
Inventory	1,958	1,736	1,882	2,044
Debtors	2,283	2,535	2,748	2,980
Cash & Bank Bal	1,329	2,825	6,466	10,838
Loans & Advances	4,711	3,163	3,257	3,358
<b>Current Assets</b>	<b>10,280</b>	<b>10,260</b>	<b>14,353</b>	<b>19,219</b>
Sundry Creditors	6,661	4,850	5,259	5,701
Other Current Liability	2,371	1,580	1,670	1,768
Current Liability & Provisions	9,031	6,430	6,929	7,469
Net current assets	1,248	3,830	7,424	11,750
<b>Total Assets</b>	<b>33,398</b>	<b>36,856</b>	<b>40,972</b>	<b>45,762</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
EBIT	9,883	10,771	11,656	12,543
Other Income	1,421	1,566	1,514	1,514
Depreciation & Amortization	400	424	478	535
Interest paid (-)	(68)	(42)	(38)	(38)
Tax paid (-)	(2,900)	(2,973)	(3,152)	(3,364)
Extra Ord Income	(185)	-	-	-
Operating Cash Flow	<b>8,552</b>	<b>9,746</b>	<b>10,458</b>	<b>11,190</b>
Change in Working Capital	(2,682)	(1,085)	47	46
Cash flow from Operations	<b>5,870</b>	<b>8,661</b>	<b>10,505</b>	<b>11,236</b>
Capex	(754)	(1,300)	(1,000)	(1,000)
Strategic Investment	(2,114)	-	-	-
Non-Strategic Investment	(1,963)	-	-	-
Cash flow from Investing	<b>(4,831)</b>	<b>(1,300)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Change in borrowing	2	-	-	-
Other	5,615	-	0	-
Dividends paid (-)	(5,864)	(5,864)	(5,864)	(5,864)
Cash Flow from Financial Activities	<b>(247)</b>	<b>(5,864)</b>	<b>(5,864)</b>	<b>(5,864)</b>
Change in Cash	792	1,497	3,641	4,372
Opening cash	537	1,329	2,825	6,466
Closing cash	1,329	2,825	6,466	10,838

Source: Company, Axis Securities research

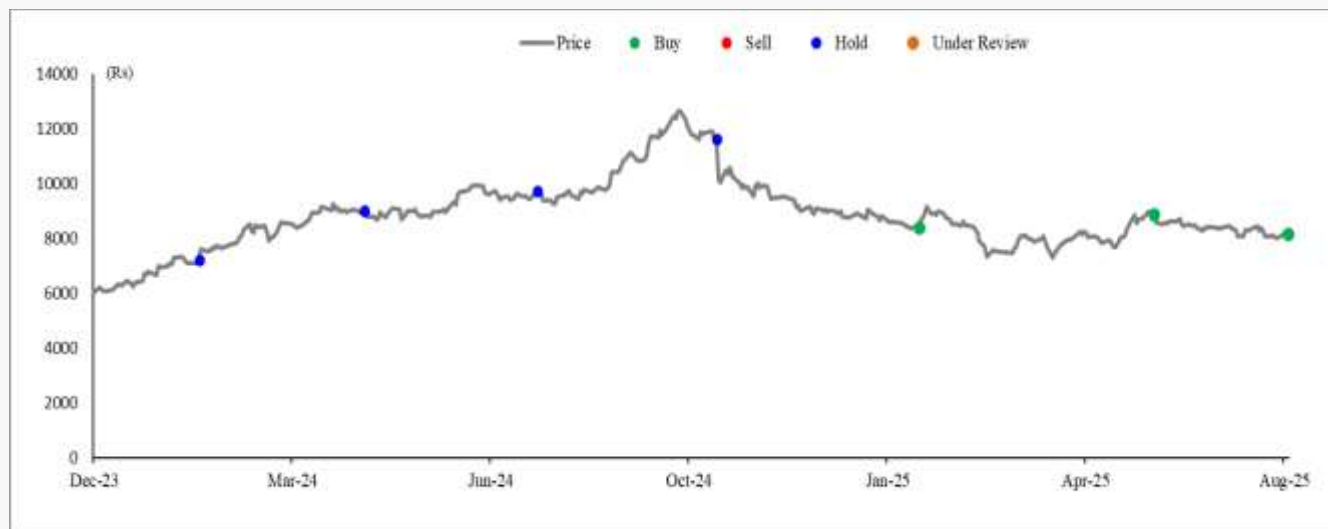
**Ratio Analysis**

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Revenue Growth	11.9	11.1	8.4	8.4
EBITDA Margin	20.6	20.2	20.2	20.0
Net Profit Margin	16.6	16.8	16.6	16.3
ROCE (%)	25.8	24.6	23.9	23.1
ROE (%)	26.4	25.3	24.6	23.7
EPS (Rs)	296.9	329.7	353.0	376.8
P/E (x)	26.5	24.8	23.2	21.7
P/ BV (x)	6.8	6.5	5.8	5.2
EV/ EBITDA (x)	21.3	20.4	18.5	16.9
Fixed Assets Turnover Ratio (x)	13.7	12.1	11.8	11.7
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	4.4	4.1	3.7	3.4

Source: Company, Axis Securities Research

## Bajaj Auto Price Chart and Recommendation History



Source: Axis Securities Research

(Rs)			
Date	Reco	TP	Research
25-Jan-24	HOLD	7,050	Result Update
19-Apr-24	HOLD	8,675	Result Update
18-Jul-24	HOLD	9,790	Result Update
17-Oct-24	HOLD	11,950	Result Update
29-Jan-25	BUY	9,380	Result Update
30-May-25	BUY	9,890	Result Update
07-Aug-25	BUY	9,360	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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