

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Automobile

# Bajaj Auto Ltd

## Valuation comfort set in; catalyst yet to emerge

### View – Margins expected to remain range bound

BJAUT's 3QFY25 reported EBITDA was a marginal miss at Rs25.8b (est Rs27.3b) led by lower-than-expected ASPs at Rs104.6k/unit (est Rs109.4k/unit). EBITDA margins were flat YoY/QoQ at 20.2% led by; 1) stable gross margins at 28.7% (est 29%, flat YoY) led by benign RM. We continue to believe, margins likely to be range bound given positive impact of favorable mix (increasing share of premium ICE 2W and 3W), operating leverage to off-set by increased marketing spends coupled with higher share of EVs (even though PLI benefits have started to accrue). Further, co's intended entry into largely unorganized E-rick segment (new launch in 4QFY25) to likely have near term margins dilution given fragmented and price sensitive customer segment.

BJAUT continue to up the game in domestic EV as it targets volume ramp-up for Chetak as well as EV 3W, led by new launches and network expansion. This will further be supported by captive financing arm (BACL), with ~100% of BJAUT network covered already. The near-term focus is to 1) increase distribution for Chetak and EV 3W, 2) New EV 3W launch with large body variant in 4QFY25 for smaller/suburban towns as it targets to be full range player in EV 3W. BJAUT's recent sharp derating in the recent past is on the back of dwindling market share in the domestic motorcycles segment. After the recent correction, however, the stock is trading at ~22.1x/19.6x FY26E/27E EPS to reflect on challenges but lacks re-rating catalyst. Therefore we maintain Neutral with TP of Rs9,479 (vs Rs10,201) at 22x Mar'27 EPS plus Rs76/share value of NBFC BACL. We cut FY26/27 EPS by 4-5% to factor in for lower volumes.

### Result Highlights – Marginal miss on EBITDA, led by lower ASP

- Revenues grew ~5.7% YoY/-2.4% QoQ at ~Rs128.1b (est ~Rs134b) led by 2% YoY (flat QoQ) increase in volumes while ASP grew 3.7% YoY/-2.7% QoQ at ~Rs104.6k/unit (est Rs109.4k/unit). Spares revenues grew ~21% YoY at >Rs15b (highest ever). USD/INR at Rs84.3 in 3QFY25 (vs Rs83.8 QoQ and Rs83.2 YoY).
- Gross margins contracted ~20bp YoY (flat QoQ) at 28.7% (est 28.8%). Weak revenues restricted EBITDA growth of ~6.2% YoY/-2.7% QoQ at ~Rs25.8b (est Rs27.3b). Consequently, margins were flat YoY/QoQ at 20.2% (est 20.4%).
- Steady op. performance led to Adj. for this, PAT came in at ~Rs21.1b (+3.3% YoY/-5.1% QoQ, est Rs22.6b, cons ~Rs21.7b). 9MFY25 S/A revenue/EBITDA/PAT grew 14%/17.4%/14% at Rs378.6b/Rs76.5b/Rs63.2b.
- Bajaj Auto Credit (BACL) performance** - achieved profit in 3QFY25 at Rs520m. AUM is slightly above ~Rs70b. BACL rolled out across BJAUT's network ahead of schedule serving entire 2W and 3W range with ~70% share of financing.

### Exhibit 1: Actual vs estimates

Rs m	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	128,069	133,962	130,806	-4.4	-2.1	Steady quarter, In-line margins
EBITDA	25,807	27,328	26,415	-5.6	-2.3	
EBITDA %	20.2	20.4	20.2	-20bp	0bp	
Adjusted PAT	21,087	22,640	21,671	-6.9	-2.7	

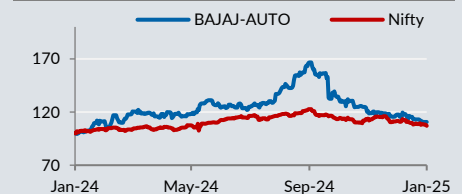
Source: Company, YES Sec

Reco	: <b>NEUTRAL</b>
CMP	: Rs 8,392
Target Price	: Rs 9,479
Potential Return	: +13%

### Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	12,774 / 7,480
Market cap (Rs/USD mn)	23,41,463 / 27,064
Outstanding Shares (mn)	279
6m Avg t/o (Rs mn):	4,702
Div yield (%):	0.9
Bloomberg code:	BJAUT IN
NSE code:	BAJAJ-AUTO

### Stock performance



	1M	3M	1Y
Absolute return	(5.9%)	(16.1%)	+10.5%

### Shareholding pattern (As of Dec'24 end)

Promoter	55.1%
FII+DII	23.0%
Others	21.9%

### Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	9,479	10,201

### Δ in earnings estimates

	FY26E	FY27E
EPS (New)	380.1	427.4
EPS (Old)	398.5	446.0
% change	(4.6%)	(4.2%)

### Financial Summary

Y/E MARCH	2025E	2026E	2027E
Sales	505.2	592.7	676.2
EBITDA	101.9	123.7	140.7
Adj. PAT	87.1	106.1	119.3
Adj. EPS (INR)	312.1	380.1	427.4
EPS Gr. (%)	12.5	21.8	12.4
BV/Sh. (INR)	1,068	1,286	1,531
RoE (%)	31.9	32.3	30.3
RoCE (%)	38.8	39.5	37.4
Payout (%)	39.6	39.7	39.8
P/E (x)	26.9	22.1	19.6
P/BV (x)	7.9	6.5	5.5
EV/EBITDA (x)	20.2	16.2	13.8
Div. Yield (%)	1.3	1.5	1.7

### DEEP SHAH

Lead Analyst

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MEGHNA GUNDU, Associate

## Exhibit 2: Quarterly snapshot

Y/e Mar (Rs.mn)	Q3FY25	Q3FY24	YoY chg %	Q2FY25	9MFY25	9MFY24	YoY chg %
<b>Net Revenues</b>	<b>128,069</b>	<b>121,135</b>	<b>5.7</b>	<b>131,275</b>	<b>378,623</b>	<b>332,006</b>	<b>14.0</b>
Raw Materials	91,327	86,096	6.1	93,639	268,492	236,733	13.4
% of Net Sales	71.3%	71.1%		71.3%	70.9%	71.3%	
Personnel	3,865	3,846	0.5	3,935	12,149	11,503	5.6
% of Net Sales	3.0%	3.2%		3.0%	3.2%	3.5%	
Manufacturing & Other Exp	7,070	6,895	2.5	7,180	21,501	18,603	15.6
% of Net Sales	5.5%	5.7%		5.5%	5.7%	5.6%	
Total Expenditure	102,261	96,836	5.6	104,753	302,142	266,839	13.2
<b>EBITDA</b>	<b>25,807</b>	<b>24,299</b>	<b>6.2</b>	<b>26,522</b>	<b>76,482</b>	<b>65,167</b>	<b>17.4</b>
<b>EBITDA Margin (%)</b>	<b>20.2%</b>	<b>20.1%</b>		<b>20.2%</b>	<b>20.2%</b>	<b>19.6%</b>	
Depreciation	997	881	13.1	956	2,890	2,593	11.4
<b>EBIT</b>	<b>24,811</b>	<b>23,418</b>	<b>5.9</b>	<b>25,566</b>	<b>73,592</b>	<b>62,574</b>	<b>17.6</b>
Interest Expenses	143	121	18.3	159	509	307	65.7
Non-operating income	3,347	3,461	(3.3)	3,845	10,402	10,538	(1.3)
Extraordinary Expenses	-	-		-	-	-	
<b>PBT</b>	<b>28,015</b>	<b>26,758</b>	<b>4.7</b>	<b>29,252</b>	<b>83,485</b>	<b>72,804</b>	<b>14.7</b>
Tax-Total	6,927	6,339	9.3	7,024	20,286	17,377	16.7
Tax Rate (%) - Total	24.7%	23.7%		24.0%	24.3%	23.9%	
<b>Reported PAT</b>	<b>21,087</b>	<b>20,419</b>	<b>3.3</b>	<b>22,228</b>	<b>63,199</b>	<b>55,428</b>	<b>14.0</b>
<b>Adj. PAT</b>	<b>21,087</b>	<b>20,419</b>	<b>3.3</b>	<b>16,425</b>	<b>57,396</b>	<b>57,264</b>	<b>0.2</b>
<b>PAT Margin</b>	<b>16.5%</b>	<b>16.9%</b>		<b>12.5%</b>	<b>15.2%</b>	<b>17.2%</b>	
<b>Key operating metrics</b>							
Sales Volume (nos)	1,224,472	1,200,997	2.0	1,221,504	3,548,032	3,282,357	8.1
Net Realisation/Vehicle	104,591	100,862	3.7	107,470	106,714	101,149	5.5
Material cost / vehicle	74,585	71,687	4.0	76,658	75,674	72,123	4.9
Gross Profit / vehicle	30,006	29,175	2.8	30,811	31,040	29,026	6.9
Employee cost /vehicle	3,156	3,202	(1.4)	3,221	3,424	3,505	(2.3)
Other expenses / vehicle	5,774	5,741	0.6	5,878	6,060	5,668	6.9
EBITDA/vehicle	21,076	20,232	4.2	21,712	21,556	19,854	8.6
Net Profit/vehicle	17,222	17,002	1.3	13,447	16,177	17,446	(7.3)

Source- Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

### Exports

- **Outlook - Expects exports to grow +20% YoY in near term** however Africa and Asia volumes remained to be watchful.
- **Exports revenues grew double digit** with Africa contributed to growth with volumes in Nigeria recovering to >100K units. Favorable currency and mix too helped.
- LATAM is now the largest market for motorcycles (2x in vols and 3x in value vs Africa).
  - BJAUT's volume in LATAM grew ~40% with premium segment account for ~60%.
  - ASEAN, ASIA and Africa grew in 3QFY25 with BJAUT outperformed.
  - Nigeria remained steady at ~35k units with BJAUT's market share of >55%.
  - Market share in SL at ~80% albeit very low base of the market.
- **KTM exports declined ~50%** led by macro issues with contribution of the same in exports declined to ~2% vs ~5% in FY24. There was destocking in Nigeria in early part of the year.
- Dominar raced ahead of several European brand with further capacity increase to ~50k units/year with new capacity SOP by 1QFY26.

### Domestic

- **Outlook - Expect domestic industry to grow by 6-8% with +125cc expected to grow faster.**
  - Co introduced 9+ variants in +125cc offering multiple price points.
  - Expect to start roll out of OBD2 products from Feb'25 (price hike expected at ~1% at portfolio level and ~2% for entry level).
- **Freedom 125 continued steady growth** with ~50k units retailed so-far. Customer adoption is good.
  - Expanded range with 1 more variant to 3 which covers all sub segments such.
  - Seeing penetration rate increasing in Delhi and Kerala where CNG pump density is high.
  - In 4Q focus will be to drive awareness.
- **Green energy (EV+CNG) portfolio contributed ~45% of domestic revenues** (vs 40% in QoQ and 30% YoY). EV business EBITDA were marginal positive vs loss.
  - **EV accounted for 22% of domestic revenues.**
- **Pro biking**
  - **Triumph** - Network expansion for Triumph underway as ~126 dealerships now cover nearly ~55% of addressable market.
  - **KTM** - Expect to launch new product in the adventure segment.
  - Focus still on top towns to drive market share overall.
- **EV 3W** volumes grew 5x YoY, with market share expanding to 3x YoY,
  - **EV 3W network** increased from ~600 to over ~850 touchpoints.
  - **EV 3W volumes were at ~17k** with market share improved from ~13% to 35% YoY in 3QFY25. Currently E Auto is available in ~850 locations (the widest distribution by any OEM).
  - **Market share - ~37% market share in Pax and mid 20's in cargo segment.**

- Will launch a larger body EV 3W variant in 4QFY25 for smaller/suburban towns.
- L5 segment to grow healthy while co will outpace the growth.
- ICE market share at ~75%.
- Expect to launch E rick by end of FY25 as the opportunity from the segment is as large as Auto segment. ~50% of mobility in North and East in North and East happens through E rick with monthly size of ~45k units.
- **Chetak – Expect to gain further market share with new launch of 35 series.**
  - Have introduce 2 variants with focus on higher market share in upper half of the segment.
  - Expect to achieve major swing in profitability in 4Q led by new platform for 35 series.
  - Chetak network expanded to ~250 cities and 3k touch points.
  - Customers are largely an existing scooter customer or prospect buyers.

## Financials

- **RM basket was flat** net basis with sharp inflation seen on NR, moderation in ABS and decline in steel, nickel and lead. Going ahead, seeing slight RM inflation led by alloys while steel look balanced and watchful of noble metals which showing signs of increase.
- **Pricing** – have taken price decline in EV 3W following the competition in markets like UP.
  - Net price impact was minimal.
- **USD/INR realization at Rs84.3 in 3QFY25** (vs Rs83.8 QoQ and Rs83.2 YoY).
- **Exports** revenues at USD505m (~USD450m in 2QFY25).
- **Spares** revenues grew ~21% YoY at >Rs15b (highest ever for the quarter).
- **Bajaj Auto Credit (BACL) rolled out across BJAUT's network ahead of schedule serving entire 2W and 3W range with ~70% share of financing.**
  - BACL achieved profit in 3QFY25 at Rs520m. AUM is slightly above ~Rs70b.
  - It financed ~520k vehicles of BJAUT.
  - ~98.5% collection efficiency with marginal delinquency in balance portfolio.
- **Bajaj Auto technology (BATL)** – the co will focus on technology and will develop electronics, EV powertrains, hybrid & fuel cell etc. Co have ~500 team size and will have revenue streams related to IP (project specific or royalty based) and charged services rendered to BJAUT.
- **Investments** - During 9MFY25 BJAUT invested ~Rs16b in financing subs such as BACL.
- **Capex spends of ~Rs4.5b in 9MFY25.**
- **Cash and equivalents stood at ~Rs150b** in 3QFY25 (vs Rs163.9b in 1HFY25, ~Rs163.9b in FY24 and Rs174.4b in FY23).
- **PLI principals** – Capex of Rs10b over 5 years, domestic value addition at +50%, vehicle approved by domestic testing agency.
- The difference in SA and consol in some of expense line items are manpower cost for BATL and BACL.

## FINANCIALS

### Exhibit 3: Balance Sheet

Y/E March	2022	2023	2024	2025E	2026E	2027E
Share Capital	2,894	2,830	2,792	2,792	2,792	2,792
Reserves	263,794	251,429	245,813	295,502	356,350	424,712
Net Worth	266,688	254,259	248,605	298,294	359,142	427,504
Deferred Tax	4,033	3,452	5,069	5,515	5,515	5,515
Loans	1,591	1,578	9,907	9,907	9,907	9,907
<b>Capital Employed</b>	<b>272,312</b>	<b>259,288</b>	<b>263,582</b>	<b>313,716</b>	<b>374,564</b>	<b>442,926</b>
Gross Fixed Assets	45,616	54,348	61,661	70,904	80,904	90,904
Less: Depreciation	27,787	27,688	30,131	34,042	38,217	42,941
<b>Net Fixed Assets</b>	<b>17,829</b>	<b>26,660</b>	<b>31,530</b>	<b>36,862</b>	<b>42,687</b>	<b>47,962</b>
Capital WIP	768	819	243	1,000	1,000	1,000
Investments	238,699	229,733	245,414	255,231	265,440	276,057
<b>Current Assets</b>	<b>61,923</b>	<b>54,061</b>	<b>65,320</b>	<b>110,735</b>	<b>171,138</b>	<b>238,513</b>
Inventory	12,305	13,979	16,956	24,916	29,227	33,349
Sundry Debtors	15,164	17,761	21,224	24,916	29,227	33,349
Cash & Bank Balances	5,640	2,858	5,366	36,283	83,807	138,866
Loans & Advances	87	59	53	60	70	80
Others	28,727	19,405	21,721	24,559	28,808	32,871
<b>Current Liab. &amp; Prov.</b>	<b>46,907</b>	<b>51,986</b>	<b>78,925</b>	<b>90,112</b>	<b>105,700</b>	<b>120,608</b>
Sundry Creditors	36,332	40,739	56,102	59,522	69,819	79,666
Other Liabilities	9,025	9,582	20,933	23,668	27,762	31,678
Provisions	1,551	1,665	1,891	6,921	8,119	9,263
<b>Net Current Assets</b>	<b>15,016</b>	<b>2,075</b>	<b>-13,605</b>	<b>20,623</b>	<b>65,438</b>	<b>117,906</b>
<b>Application of Funds</b>	<b>272,312</b>	<b>259,288</b>	<b>263,582</b>	<b>313,716</b>	<b>374,564</b>	<b>442,926</b>

Source: Company, YES Sec

## Exhibit 4: Income statement

Y/E March	2022	2023	2024	2025E	2026E	2027E
Volumes	4,308,433	3,927,857	4,350,933	4,687,992	5,343,859	5,962,254
Change (%)	8.4	-8.8	10.8	7.7	14.0	11.6
Net Sales	331,447	364,276	446,852	505,249	592,651	676,235
Change (%)	19.5	9.9	22.7	13.1	17.3	14.1
Total Expenditure	278,861	298,785	358,623	403,335	468,913	535,542
EBITDA	52,586	65,491	88,229	101,914	123,738	140,694
Change (%)	6.7	24.5	34.7	15.5	21.4	13.7
EBITDA Margins (%)	15.9	18.0	19.7	20.2	20.9	20.8
Depreciation	2,692	2,824	3,498	3,911	4,175	4,725
EBIT	49,895	62,667	84,731	98,003	119,563	135,969
Int. & Fin. Charges	87	395	535	589	530	477
Other Income	12,092	11,814	14,025	13,984	16,416	16,964
Non-recurring Exp.	-3,153	0	0	0	0	0
PBT	65,053	74,086	98,220	111,399	135,449	152,456
Tax	14,865	17,810	23,432	27,181	32,508	36,589
Effective Rate (%)	22.8	24.0	23.9	24.4	24.0	24.0
PAT	50,189	56,276	74,788	84,218	102,941	115,867
Change (%)	10.2	12.1	32.9	12.6	22.2	12.6
Add: Share in profit of associates	5,795	5,293	2,676	2,917	3,179	3,465
Adj. PAT	53,552	61,569	77,464	87,135	106,121	119,332
Change (%)	10.2	15.0	25.8	12.5	21.8	12.4

Source: Company, YES Sec

## Exhibit 5: Cash Flow Statement

Y/E March	2022	2023	2024	2025E	2026E	2027E
Profit before Tax	65,053	74,086	98,220	98,003	119,563	135,969
Interest/Div. Received	9,051	7,522	8,275	13,984	16,416	16,964
Depreciation & Amort.	2,692	2,824	3,498	3,911	4,175	4,725
Direct Taxes Paid	(17,015)	(19,184)	(23,826)	(26,736)	(32,508)	(36,589)
(Inc)/Dec in Working Capital	6,009	7,234	10,171	(3,311)	2,709	2,591
Other Items	(26,866)	(17,363)	(21,556)	(13,396)	(15,886)	(16,487)
CF from Oper. Activity	38,923	55,119	74,783	72,456	94,469	107,171
Extra-ordinary Items	3,153	-	-	-	-	-
CF after EO Items	42,076	55,119	74,783	72,456	94,469	107,171
(Inc)/Dec in FA+CWIP	(5,176)	(8,421)	(7,989)	(10,000)	(10,000)	(10,000)
Free Cash Flow	33,747	46,698	66,794	62,456	84,469	97,171
(Pur)/Sale of Invest.	4,217	21,760	6,597	(9,817)	(10,209)	(10,618)
CF from Inv. Activity	(960)	13,338	(1,392)	(19,817)	(20,209)	(20,618)
Inc. / Dec.in Networth	-	(30,939)	(40,172)	(0)	(0)	(0)
Inc/(Dec) in Debt	-	-	9,192	-	-	-
Interest Paid	(74)	(380)	(519)	(589)	(530)	(477)

Y/E March	2022	2023	2024	2025E	2026E	2027E
Dividends Paid	(40,490)	(40,470)	(39,602)	(34,529)	(42,093)	(47,505)
CF from Fin. Activity	(40,563)	(71,789)	(71,101)	(35,118)	(42,622)	(47,982)
Inc/(Dec) in Cash	553	(3,332)	2,290	17,521	31,637	38,572
Add: Beginning Bal.	5,087	5,526	2,196	5,366	36,283	83,807
Closing Balance	5,640	2,194	4,486	22,887	67,920	122,378

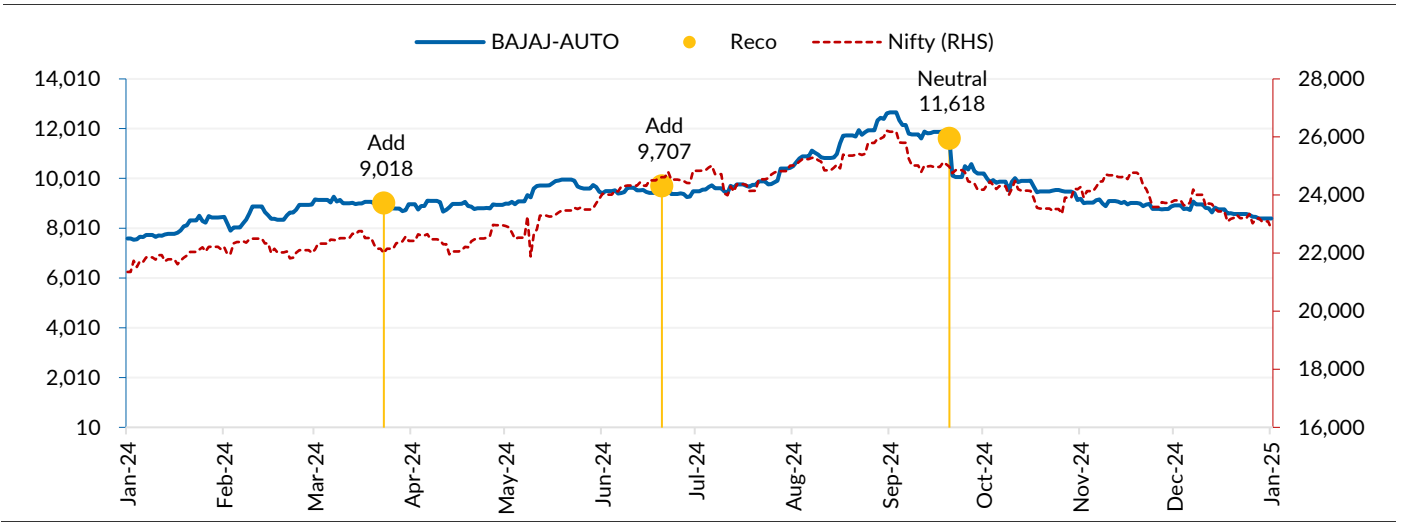
Source- Company, YES Sec

## Exhibit 6: Growth and Ratio matrix

Y/E March	2022	2023	2024	2025E	2026E	2027E
<b>Basic (INR)</b>						
Consol EPS	185.1	217.6	277.5	312.1	380.1	427.4
EPS growth (%)	10.2	17.6	27.5	12.5	21.8	12.4
Consol Cash EPS	194.4	227.6	290.0	326.1	395.1	444.4
Book Value per Share	921.6	898.6	890.5	1,068.5	1,286.4	1,531.3
DPS	140.0	140.0	80.0	106.4	129.7	146.4
Payout (Incl. Div. Tax) %	75.7	64.3	28.8	39.6	39.7	39.8
<b>Valuation (x)</b>						
P/E	45.3	38.6	30.2	26.9	22.1	19.6
Cash P/E	43.2	36.9	28.9	25.7	21.2	18.9
EV/EBITDA	41.6	32.7	23.8	20.2	16.2	13.8
EV/Sales	6.6	5.9	4.7	4.1	3.4	2.9
Price to Book Value	9.1	9.3	9.4	7.9	6.5	5.5
Dividend Yield (%)	1.7	1.7	1.0	1.3	1.5	1.7
<b>Profitability Ratios (%)</b>						
RoE	20.6	23.6	30.8	31.9	32.3	30.3
RoCE	23.3	28.0	37.8	38.8	39.5	37.4
RoIC	110.9	123.7	170.7	189.2	182.4	178.2
<b>Turnover Ratios</b>						
Debtors (Days)	16.7	17.8	17.3	18.0	18.0	18.0
Inventory (Days)	13.6	14.0	13.9	18.0	18.0	18.0
Creditors (Days)	40.0	40.8	45.8	43.0	43.0	43.0
Working Capital (Days)	(9.8)	(9.0)	(14.6)	(7.0)	(7.0)	(7.0)
Asset Turnover (x)	1.2	1.4	1.7	1.6	1.6	1.5
Fixed Asset Turnover	7.5	7.3	7.7	7.6	7.8	7.9

Source- Company, YES Sec

## Recommendation Tracker



Source – YES Sec



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Analyst signature

Analyst signature

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