

# Bajaj Auto | BUY

## Healthy operating performance; multiple levers to drive growth

Bajaj Auto EBITDA margin at 20.2% was in-line with JMFe. 130bps YoY improvement was driven by favorable mix, cost reduction efforts and PLI incentive (c.50bps benefit). Domestic 2W demand is being led by premium segment (125cc+). And, overall 2W industry is expected to grow by c.6-8%. Recently launched CNG-bike, Freedom125, is being received well and the company indicated of gradual ramp-up in volumes. Near-term focus for Triumph is on brand building and expanding dealer network. Outlook for domestic 3W volume remains healthy led by rising EV penetration. Share of EVs is gradually expanding (14% of domestic revenue now) led by portfolio expansion, ramp-up of production and distribution network for both E2Ws and E3Ws. While domestic demand remains healthy, exports sales are witnessing gradual recovery. Margins in the medium-term are likely to draw support from a) favorable mix and b) higher operating leverage. Backed by successful track record of product intervention by BJAUT in the last few years, we remain positive on the stock. We estimate revenue / EPS CAGR of 15% / 17% over FY24-27E. Maintain BUY with Jun'25 TP of INR 11,000 (28x PE). Delayed recovery in exports remains key risk to our estimates.

- 1QFY25 – In-line quarter:** BJAUT reported adjusted net sales of INR 119.3bn (+16% YoY, +4%QoQ), 1% below JMFe. Blended realisation increased 8% YoY (+0.7% QoQ). EBITDA margin stood at 20.2% (+130bps YoY, +20bps QoQ), in-line with JMFe. YoY improvement in margin was led by better realisation (price hike + forex) and higher operating leverage partially offset by EV ramp-up impact. EBITDA stood at INR 24.2bn (+24% YoY, +5% QoQ). Adj. PAT for 1QFY25 stood at INR 19.9bn (+19% YoY, +3%QoQ), 2% below JMFe.
- Domestic market & outlook:** 2W industry volumes grew in double-digits YoY during 1Q. The company indicated that domestic 2W industry growth is being led by premium segments (125cc+). BJAUT has maintained strong position in 125+cc motorcycles (stands at 25%) and share of 125cc+ motorcycles increased to c.75% of its domestic sales (c.60% during FY23). Recently launched CNG bike "Freedom 125" is being received well and the company plans multiple product launches on this platform. Overall, the company expects domestic 2W industry to grow by c.6-8% in FY25 led by premium (125cc+) segments. In case of domestic 3Ws, growth going forward will be driven by E3Ws (new products + geography), expansion in CNG network and healthy retail finance penetration.
- Export market & outlook:** Demand in the international market continued to improve gradually. While markets like Nigeria continue to remain under stress (-40%), markets like Middle-East (+20), North Africa (+20%) ASEAN (+70%) and LATAM (+26%) are witnessing healthy growth momentum. New plant in Brazil commenced production in Jun'24 with capacity of 20k units p.a. (expandable to 50k units). BJAUT expects Brazil to be among top-3 international markets in the medium-term. Overall, the company indicated of continued growth momentum and expects FY25 to be better than FY24.
- Margin outlook:** EBITDA margin expanded by 130bps YoY led by higher realisation (better mix + price hike + forex) and cost reduction efforts. PLI incentive accrual had a favourable impact of c.50bps on margins. Stable supply chain and cost reduction efforts led by R&D helped BJAUT bring down the cost of EVs, thereby supporting QoQ margin performance.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	11,000
Upside/(Downside)	13.2%
Previous Price Target	10,850
Change	1.4%

### Key Data – BJAUT IN

Current Market Price	INR9,718
Market cap (bn)	INR2,713.2/US\$32.5
Free Float	38%
Shares in issue (mn)	289.4
Diluted share (mn)	279.2
3-mon avg daily val (mn)	INR3,845.9/US\$46.0
52-week range	10,039/4,541
Sensex/Nifty	80,717/24,613
INR/US\$	83.6

### Price Performance

%	1M	6M	12M
Absolute	-2.4	33.2	100.0
Relative*	-6.9	18.0	65.0

\* To the BSE Sensex

### Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	3,53,592	4,35,789	5,14,082	5,97,806	6,65,944
Sales Growth (%)	10.0	23.2	18.0	16.3	11.4
EBITDA	65,491	88,229	1,06,739	1,27,313	1,42,158
EBITDA Margin (%)	18.0	19.7	20.3	20.8	20.8
Adjusted Net Profit	56,276	74,788	89,837	1,07,164	1,18,767
Diluted EPS (INR)	198.9	267.9	321.8	383.9	425.4
Diluted EPS Growth (%)	22.4	34.7	20.1	19.3	10.8
ROIC (%)	212.9	448.4	475.7	330.5	319.2
ROE (%)	21.6	29.7	33.0	32.6	29.7
P/E (x)	48.9	36.3	30.2	25.3	22.8
P/B (x)	10.8	10.9	9.1	7.5	6.2
EV/EBITDA (x)	39.6	29.3	24.0	19.6	17.1
Dividend Yield (%)	1.4	0.8	1.5	1.5	1.5

Source: Company data, JM Financial. Note: Valuations as of 16/Jul/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

The Company indicated that prices of raw materials like Aluminium and Copper have started inching-up and will likely have an impact of 50-70bps on margins in 2Q. BJAUT has taken a price hike at the start of 2Q which will help partly mitigate this impact.

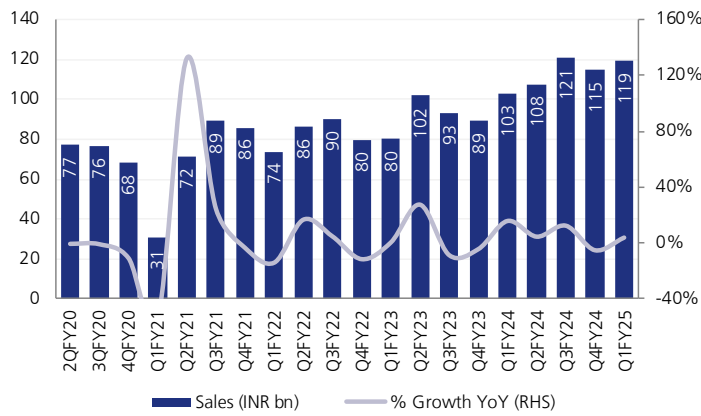
- **Update on CNG bike:** Recently launched CNG bike "Freedom 125" is being received well owing to its value proposition. The company is targeting mileage conscious customers and believe CNG is a good value proposition for longer commute (>30kms/day). Current pending bookings stand at 4,200 units (mostly for premium variant). Deliveries have commenced in Maharashtra and Gujarat and the company plans to expand to Delhi and Kerela during Q2. Current capacity stands at 10k units / month and the company plans to ramp-up the capacity to 40k units / month by year end.
- **Update on Triumph:** BJAUT retailed c.19k units of Triumph Speed during 1Q (flat QoQ). Management indicated that Triumph has been received well in Metro/Urban region. However, in other market (for instance Semi-Urban), customer awareness / brand building efforts are required. Triumph is currently present in c.100 cities (vs. 60 cities QoQ). Focus is on brand development + network expansion (150+ cities) + new launches (in 2HFY25).
- **Update on EVs:** Share of EV revenue for BJAUT stood at 14% of domestic revenue (i.e. INR 11.3bn) during 1QFY25 (vs. 6% in 1QFY24). Of this, 60% is from E2Ws and the rest from E3W business. **E2Ws:** BJAUT's E2W retail market share expanded to ~14% (no. 3 position now) vs. 11% in FY24. This was led by recent launch of affordable variant ('Chetak 2901') and network expansion. Chetak currently has 250 outlets and the company plans to expand its touch points to 500/1,000 stores by Jul'24 / Sept'24 end. PLI certification on Chetak 2901 is underway. BJAUT indicated that E2W business is still sometime away from being profitable. **E3Ws:** BJAUT's E3W has been received well. It is available in 140 cities (vs. 70 cities QoQ) and has already garnered c.26% market share. Near-term focus is on expanding presence in North, Central and North-east markets where sale of ICE 3W is restricted and E-ricks have a sizable presence. BJAUT also indicated that margins on E3Ws (with PLI benefit) are similar to ICE 3Ws and so cannibalization, if at all, will not have an adverse impact.

#### Exhibit 1. Quarterly financial results (standalone)

	(INR mn)						
	Q1FY25	Q1FY24	%YoY	Q4FY24	% QoQ	Q1FY25E	% A/E
2W (Units)	950,917	889,330	6.9	916,817	3.7	950,917	0.0
3W (Units)	151,139	138,077	9.5	151,759	-0.4	151,139	0.0
<b>Total Volumes (Units)</b>	<b>1,102,056</b>	<b>1,027,407</b>	<b>7.3</b>	<b>1,068,576</b>	<b>3</b>	<b>1,102,056</b>	<b>0.0</b>
Domestic (Units)	690,621	641,556	7.6	657,330	5.1	690,621	0.0
Exports (Units)	411,435	385,851	6.6	411,246	0.0	411,435	0.0
Average Realisation (Net, INR)	108,234	100,347	7.9	107,476	0.7	109,626	-1.3
<b>Sales</b>	<b>119,280</b>	<b>103,098</b>	<b>15.7</b>	<b>114,847</b>	<b>3.9</b>	<b>120,814</b>	<b>-1.3</b>
RM	83,527	74,127	12.7	80,702	3.5	85,295	-2.1
As a % of sales	70.0	71.9	-190bps	70.3	-20bps	70.6	-60bps
Employee Exp	4,350	3,842	13.2	3,872	12.3	4,168	4.4
As a % of sales	3.6	3.7	-10bps	3.4	30bps	3.5	20bps
Other Costs	7,251	5,590	29.7	7,210	0.6	7,049	2.9
As a % of sales	6.1	5.4	70bps	6.3	-20bps	5.8	20bps
Expenditure	95,128	83,558	13.8	91,784	3.6	96,512	-1.4
<b>EBITDA</b>	<b>24,153</b>	<b>19,539</b>	<b>23.6</b>	<b>23,063</b>	<b>4.7</b>	<b>24,302</b>	<b>-0.6</b>
<b>EBITDA Margin (%)</b>	<b>20.2</b>	<b>19.0</b>	<b>130bps</b>	<b>20.1</b>	<b>20bps</b>	<b>20.1</b>	<b>10bps</b>
Other Income	3,209	3,463	-7.3	3,487	-8.0	3,525	-9.0
Interest	207	121	71.0	228	-9.3	250	-17.3
Depreciation	937	835	12.2	906	3.5	925	1.3
PBT	26,218	22,046	18.9	25,416	3.2	26,652	-1.6
Tax	6,335	5,399	17.3	6,056	4.6	6,397	-1.0
Tax rate (%)	24.2	24.5	-1.3	23.8	0.3	24.0	0.2
<b>PAT (Adjusted)</b>	<b>19,883</b>	<b>16,648</b>	<b>19.4</b>	<b>19,360</b>	<b>2.7</b>	<b>20,256</b>	<b>-1.8</b>
<b>PAT Margin (%)</b>	<b>16.7</b>	<b>16.1</b>	<b>50bps</b>	<b>16.9</b>	<b>-20bps</b>	<b>16.8</b>	<b>-10bps</b>
<b>EPS (INR)</b>	<b>70.3</b>	<b>58.8</b>	<b>19.4</b>	<b>68.4</b>	<b>2.7</b>	<b>71.6</b>	<b>-1.8</b>

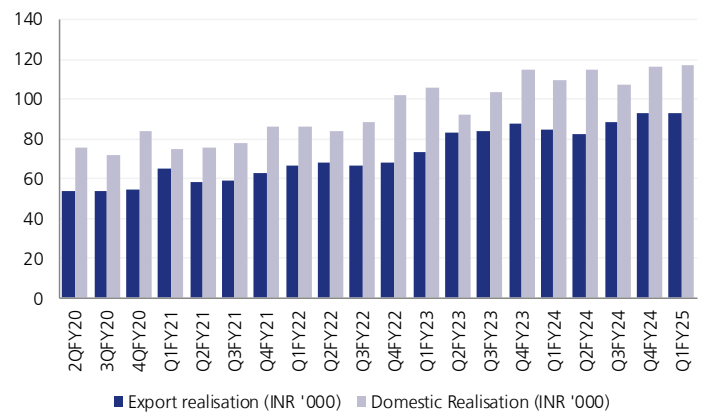
Source: Company, JM Financial

**Exhibit 2. Revenue and growth trend**



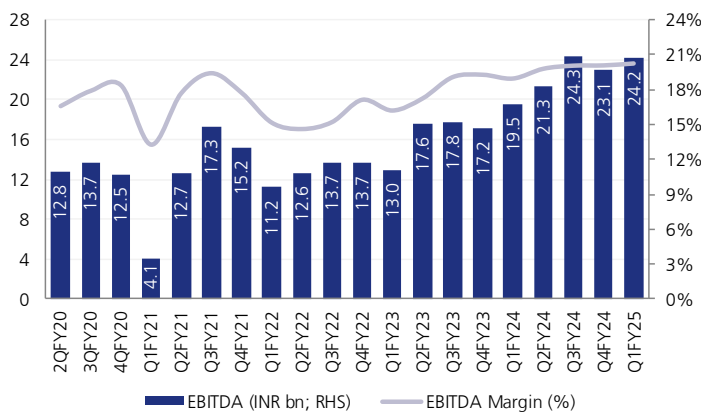
Source: Company, JM Financial

**Exhibit 3. Domestic and exports realisation trend**



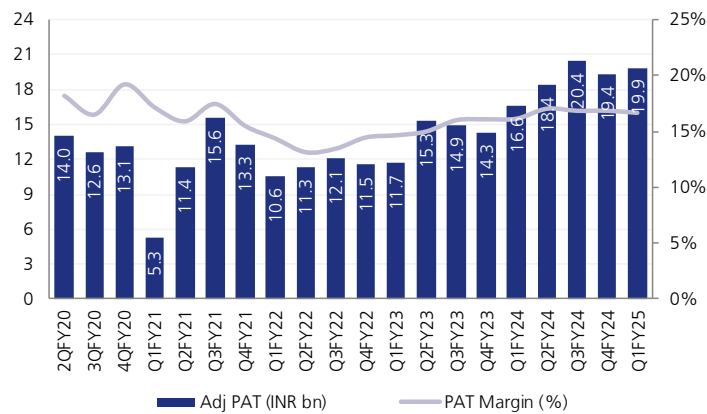
Source: Company, JM Financial

**Exhibit 4. EBITDA and margin trend**



Source: Company, JM Financial

**Exhibit 5. Adj. PAT and margin trend**



Source: Company, JM Financial

**Exhibit 6. Change in estimates**

Particulars	New assumption			Old assumption			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	526,805	612,437	682,039	533,889	617,641	NA	-1.3%	-0.8%	NA
Volume (mn units)	4.848	5.442	5.876	4.944	5.513	NA	-1.9%	-1.3%	NA
Growth (%)	11.4%	12.3%	8.0%	13.6%	11.5%	NA			
EBITDA (INR mn)	106,739	127,313	142,158	108,314	128,505	NA	-1.5%	-0.9%	NA
EBITDAM (%)	20.3%	20.8%	20.8%	20.3%	20.8%	NA	-	-	-
PAT (INR mn)	89,837	107,164	118,767	91,035	108,069	NA	-1.3%	-0.8%	NA
EPS (INR)	322	384	425	326	387	NA	-1.3%	-0.8%	NA

Source: Company, JM Financial

## Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	3,53,592	4,35,789	5,14,082	5,97,806	6,65,944	
Sales Growth	10.0%	23.2%	18.0%	16.3%	11.4%	
Other Operating Income	10,685	11,064	12,723	14,632	16,095	
<b>Total Revenue</b>	<b>3,64,276</b>	<b>4,46,852</b>	<b>5,26,805</b>	<b>6,12,437</b>	<b>6,82,039</b>	
Cost of Goods Sold/Op. Exp	2,60,548	3,17,434	3,72,874	4,32,291	4,81,303	
Personnel Cost	14,449	15,376	17,136	18,734	20,561	
Other Expenses	23,788	25,813	30,056	34,099	38,017	
<b>EBITDA</b>	<b>65,491</b>	<b>88,229</b>	<b>1,06,739</b>	<b>1,27,313</b>	<b>1,42,158</b>	
EBITDA Margin	18.0%	19.7%	20.3%	20.8%	20.8%	
EBITDA Growth	24.5%	34.7%	21.0%	19.3%	11.7%	
Depn. & Amort.	2,824	3,498	3,660	3,856	4,374	
EBIT	62,667	84,731	1,03,079	1,23,457	1,37,785	
Other Income	11,814	14,025	16,128	18,547	20,773	
Finance Cost	395	535	1,000	1,000	1,250	
PBT before Excep. & Forex	74,086	98,220	1,18,207	1,41,005	1,57,308	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	74,086	98,220	1,18,207	1,41,005	1,57,308	
Taxes	17,810	23,432	28,370	33,841	38,540	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	56,276	74,788	89,837	1,07,164	1,18,767	
<b>Adjusted Net Profit</b>	<b>56,276</b>	<b>74,788</b>	<b>89,837</b>	<b>1,07,164</b>	<b>1,18,767</b>	
Net Margin	15.4%	16.7%	17.1%	17.5%	17.4%	
Diluted Share Cap. (mn)	283.0	279.2	279.2	279.2	279.2	
<b>Diluted EPS (INR)</b>	<b>198.9</b>	<b>267.9</b>	<b>321.8</b>	<b>383.9</b>	<b>425.4</b>	
Diluted EPS Growth	22.4%	34.7%	20.1%	19.3%	10.8%	
Total Dividend + Tax	39,614	22,334	41,877	41,877	41,877	
Dividend Per Share (INR)	140.0	80.0	150.0	150.0	150.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	2,54,259	2,48,605	2,96,565	3,61,852	4,38,743	
Share Capital	2,830	2,792	2,792	2,792	2,792	
Reserves & Surplus	2,51,429	2,45,813	2,93,774	3,59,060	4,35,951	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	8,341	8,341	8,341	8,341	
Def. Tax Liab. / Assets (-)	-3,193	-2,549	-2,549	-2,549	-2,549	
<b>Total - Equity &amp; Liab.</b>	<b>2,51,066</b>	<b>2,54,396</b>	<b>3,02,357</b>	<b>3,67,643</b>	<b>4,44,534</b>	
Net Fixed Assets	27,979	32,262	37,475	42,593	47,298	
Gross Fixed Assets	59,296	67,621	75,896	84,769	93,744	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	32,136	35,635	39,294	43,150	47,524	
Capital WIP	819	275	873	975	1,078	
Investments	2,29,256	2,44,946	2,71,946	2,98,946	3,25,946	
Current Assets	45,917	56,242	71,855	1,17,279	1,72,761	
Inventories	13,979	16,956	19,718	22,930	25,543	
Sundry Debtors	17,761	21,224	28,169	32,756	36,490	
Cash & Bank Balances	2,858	5,366	6,655	40,773	86,431	
Loans & Advances	6,151	6,136	9,253	10,760	11,987	
Other Current Assets	5,168	6,560	8,060	10,060	12,310	
Current Liab. & Prov.	52,087	79,053	78,919	91,174	1,01,471	
Current Liabilities	50,419	77,162	74,806	86,392	96,143	
Provisions & Others	1,668	1,891	4,113	4,782	5,328	
Net Current Assets	-6,170	-22,811	-7,063	26,104	71,290	
<b>Total - Assets</b>	<b>2,51,066</b>	<b>2,54,396</b>	<b>3,02,357</b>	<b>3,67,643</b>	<b>4,44,534</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	74,086	98,220	1,18,207	1,41,005	1,57,308	
Depn. & Amort.	2,824	3,498	3,660	3,856	4,374	
Net Interest Exp. / Inc. (-)	395	535	1,000	1,000	1,250	
Inc (-) / Dec in WCap.	10,500	19,150	-14,458	949	473	
Others	0	0	0	0	0	
Taxes Paid	-17,810	-23,432	-28,370	-33,841	-38,540	
<b>Operating Cash Flow</b>	<b>69,995</b>	<b>97,971</b>	<b>80,039</b>	<b>1,12,969</b>	<b>1,24,864</b>	
Capex	-11,695	-7,781	-8,873	-8,975	-9,078	
Free Cash Flow	58,300	90,190	71,166	1,03,994	1,15,786	
Inc (-) / Dec in Investments	8,977	-15,690	-27,000	-27,000	-27,000	
Others	-395	-535	-1,000	-1,000	-1,250	
<b>Investing Cash Flow</b>	<b>-3,113</b>	<b>-24,005</b>	<b>-36,873</b>	<b>-36,975</b>	<b>-37,328</b>	
Inc / Dec (-) in Capital	-64	-38	0	0	0	
Dividend + Tax thereon	-39,614	-22,334	-41,877	-41,877	-41,877	
Inc / Dec (-) in Loans	0	8,341	0	0	0	
Others	-30,230	-57,426	0	0	0	
<b>Financing Cash Flow</b>	<b>-69,909</b>	<b>-71,457</b>	<b>-41,877</b>	<b>-41,877</b>	<b>-41,877</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-3,026</b>	<b>2,509</b>	<b>1,289</b>	<b>34,117</b>	<b>45,659</b>	
Opening Cash Balance	5,883	2,858	5,366	6,655	40,773	
Closing Cash Balance	2,858	5,366	6,655	40,773	86,431	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		15.4%	16.7%	17.1%	17.5%	17.4%
Asset Turnover (x)		1.4	1.7	1.9	1.8	1.7
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		21.6%	29.7%	33.0%	32.6%	29.7%

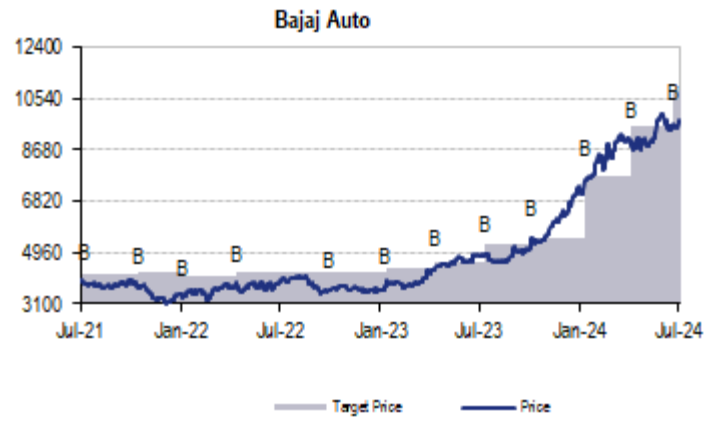
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		898.6	890.5	1,062.3	1,296.1	1,571.5
ROIC		212.9%	448.4%	475.7%	330.5%	319.2%
ROE		21.6%	29.7%	33.0%	32.6%	29.7%
Net Debt/Equity (x)		-0.8	-0.9	-0.8	-0.9	-0.9
P/E (x)		48.9	36.3	30.2	25.3	22.8
P/B (x)		10.8	10.9	9.1	7.5	6.2
EV/EBITDA (x)		39.6	29.3	24.0	19.6	17.1
EV/Sales (x)		7.1	5.8	4.9	4.1	3.6
Debtor days		18	17	20	20	20
Inventory days		14	14	14	14	14
Creditor days		62	79	65	65	65

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jan-20	Buy	3,550	
13-Apr-20	Buy	2,850	-19.7
20-May-20	Buy	2,850	0.0
22-Jul-20	Buy	2,975	4.4
22-Oct-20	Buy	3,350	12.6
21-Jan-21	Buy	4,200	25.4
30-Apr-21	Buy	4,200	0.0
23-Jul-21	Buy	4,200	0.0
28-Oct-21	Buy	4,250	1.2
20-Jan-22	Buy	4,100	-3.5
28-Apr-22	Buy	4,250	3.7
15-Oct-22	Buy	4,250	0.0
26-Jan-23	Buy	4,400	3.5
25-Apr-23	Buy	4,600	4.5
25-Jul-23	Buy	5,250	14.1
19-Oct-23	Buy	5,450	3.8
25-Jan-24	Buy	7,700	41.3
18-Apr-24	Buy	9,500	23.4
7-Jul-24	Buy	10,850	14.2

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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