

Bajaj Auto | BUY



Healthy operating performance; exports to witness gradual recovery

Bajaj Auto EBITDA margin at 20.1% was broadly in-line. 30bps sequential improvement was driven by higher operating leverage and cost reduction initiatives partially offset by unfavorable mix. Domestic 2W demand is being led by premium segment (125cc+). And, overall 2W industry is expected to grow by c.8-10%. Recently launched Triumph 400 has been received well and the near-term focus is on expanding capacity and dealer network. Outlook for domestic 3W volume remains strong led by higher CNG demand. In EV segment, the company is gradually ramping up production and distribution network for both E2Ws and E3Ws. While domestic demand remains healthy, exports sales are expected to witness gradual recovery owing to macro headwinds. Margins in the medium-term are likely to draw support from a) favorable mix and b) higher operating leverage. Given the 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 c.16%/c.21% over FY23-26E. Maintain BUY with Mar'25 TP of INR 7,700 (22x PE vs. 18x earlier). Delayed recovery in exports remains key risk to our estimates.

- 3QFY24 - In-line quarter:** BJAUT reported adjusted net sales of INR 121.1bn (+30% YoY, +12%QoQ), broadly in-line with JMFe. Blended realisation increased 6.5% YoY (-1.4% QoQ). EBITDA margin stood at 20.1% (+100bps YoY, +30bps QoQ), broadly in-line with JMFe. Sequential improvement in margin was led by higher operating leverage and cost control initiatives partially offset by unfavourable mix. EBITDA stood at INR 24.3bn (+37% YoY, +14% QoQ). Adj. PAT for 3QFY24 stood at INR 20.4bn (+37% YoY, +11%QoQ), broadly in-line with JMFe.
- Domestic market & outlook:** 2W industry volumes grew in double-digits YoY during 3Q. The company indicated that domestic 2W industry growth is being led by premium segments (125cc+) and the company continued to outpace the industry. BJAUT has gained market share in 125+cc motorcycles (stands at 31%) and share of 125cc+ motorcycles increased to c.70% of its domestic sales (c.60% during FY23). The company plans multiple product launches (incl. higher cc Pulsar) and product refreshes (with added features) going ahead. Overall, the company expects domestic 2W industry to grow by c.8-10% in FY24 led by premium (125cc+) segments. In case of domestic 3Ws, rising CNG penetration and improving retail finance penetration is driving the growth. CNG 3Ws market share currently stands at c.85%.
- Export market & outlook:** The company indicated that recovery in exports (+2% QoQ) has been slower than earlier anticipated (+10% QoQ) owing to continued challenges in the international markets (high inflation, currency depreciation and forex unavailability). While volumes in Africa and South Asia has reached 50% of its peak, in market like LATAM and South East Asia, it has already crossed its previous peak. Overall, exports sales have recovered upto c.70% of the previous peak. Nonetheless, the company expects gradual recovery in exports going ahead. So far, Red Sea crisis has not impacted operations and the company remains watchful of the situation.
- Margin outlook:** The Company indicated that most of the commodities have remained stable barring prices of few raw materials like steel and copper which have started inching-up. This may impact RM cost during 4QFY24.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	7,700
Upside/(Downside)	6.8%
Previous Price Target	5,450
Change	41.3%

Key Data – BJAUT IN

Current Market Price	INR7,213
Market cap (bn)	INR2,042.5/US\$24.6
Free Float	39%
Shares in issue (mn)	289.4
Diluted share (mn)	283.0
3-mon avg daily val (mn)	INR3,312.9/US\$39.9
52-week range	7,420/3,611
Sensex/Nifty	71,060/21,454
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	13.2	47.7	95.7
Relative*	13.3	38.0	67.9

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	3,21,360	3,53,592	4,28,736	4,91,733	5,56,547
Sales Growth (%)	18.4	10.0	21.3	14.7	13.2
EBITDA	52,586	65,491	86,338	1,01,141	1,16,888
EBITDA Margin (%)	15.9	18.0	19.6	20.1	20.5
Adjusted Net Profit	47,036	56,276	73,458	85,869	98,999
Diluted EPS (INR)	162.5	198.9	259.6	303.5	349.9
Diluted EPS Growth (%)	3.3	22.4	30.5	16.9	15.3
ROIC (%)	179.2	212.9	268.6	271.2	269.3
ROE (%)	18.1	21.6	27.1	27.6	27.2
P/E (x)	44.4	36.3	27.8	23.8	20.6
P/B (x)	7.8	8.0	7.1	6.1	5.2
EV/EBITDA (x)	35.2	28.6	21.3	17.8	14.9
Dividend Yield (%)	1.9	1.9	1.9	1.9	1.9

Source: Company data, JM Financial. Note: Valuations as of 24/Jan/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
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- **Update on Triumph:** Triumph Speed 400 has been received well by customers and the company retailed >15k units during 3Q (c.8k units in domestic market & rest in exports). Overall, the company plans to ramp-up Triumph's production capacity to c. 30k units/month by 1HFY25 (10k units/month currently). Triumph is currently present in 41 cities and the company plans to increase its presence to 100+ cities (covers 50% of the market) going ahead. The company also highlighted that Triumph has already reached 15-20% market share in cities like Bangalore, Kochi, etc. which are large market for classic motorcycles.
- **Update on EVs: E2Ws:** Chetak's E2W market share increased from 4% in Dec'22 to 14% in Dec'23 led by network expansion, price correction (to make it competitive) and plugging gaps on features. Chetak is currently present in 140 cities through 160 outlets and the company plans to expand its touch points going ahead. Near-term objective is to ramp-up Chetak's volumes to c.15k units / month by FY24 end (10k units currently). The company also plans to expand Chetak's product portfolio by launching multiple products going ahead. The company indicated that it is also working on a CNG motorcycle and plans to launch it during FY25. **E3Ws:** BJAUT's E3W has been received well and the company has already garnered c.50% market share in few cities. The company indicated that while E3W offers better TCO, CNG 3Ws offers better value proposition owing to rising CNG penetration and thus it expects CNG 3Ws to continue to grow. Near-term focus is on ramping-up E3W volumes and expand E3W's presence to c.50 cities by FY24 end and to 200 cities thereafter.

Exhibit 1: Quarterly financial results (standalone)							(INR mn)	
	Q3FY24	Q3FY23	%YoY	Q2FY24	% QoQ	Q3FY24	% A/E	
2W (Units)	1,040,193	851,047	22.2	881,583	18.0	1,040,193	0.0	
3W (Units)	160,804	132,229	21.6	172,370	-6.7	160,804	0.0	
Total Volumes (Units)	1,200,997	983,276	22.1	1,053,953	14	1,200,997	0.0	
Domestic (Units)	778,281	544,188	43.0	637,556	22.1	778,281	0.0	
Exports (Units)	422,716	439,088	-3.7	416,397	1.5	422,716	0.0	
Average Realisation (Net, INR)	100,862	94,736	6.5	102,256	-1.4	101,233	-0.4	
Sales	121,135	93,151	30.0	107,773	12.4	121,581	-0.4	
RM	86,096	65,775	30.9	76,511	12.5	86,687	-0.7	
As a % of sales	71.1	70.6	50bps	71.0	10bps	71.3	-20bps	
Employee Exp	3,846	3,511	9.5	3,816	0.8	4,012	-4.2	
As a % of sales	3.2	3.8	-60bps	3.5	-40bps	3.3	-10bps	
Other Costs	6,895	6,097	13.1	6,118	12.7	6,365	8.3	
As a % of sales	5.7	6.5	-90bps	5.7	0bps	5.2	50bps	
Expenditure	96,836	75,383	28.5	86,444	12.0	97,065	-0.2	
EBITDA	24,299	17,768	36.8	21,329	13.9	24,516	-0.9	
EBITDA Margin (%)	20.1	19.1	100bps	19.8	30bps	20.2	-10bps	
Other Income	3,461	2,691	28.6	3,614	-4.2	3,725	-7.1	
Interest	121	85	42.7	65	85.3	150	-19.3	
Depreciation	881	740	19.2	876	0.6	925	-4.7	
PBT	26,758	19,635	36.3	24,000	11.5	27,166	-1.5	
Tax	6,339	4,721	34.3	5,639	12.4	6,520	-2.8	
Tax rate (%)	23.7	24.0	-1.5	23.5	0.2	24.0	-0.3	
PAT (Adjusted)	20,419	14,914	36.9	18,361	11.2	20,646	-1.1	
PAT Margin (%)	16.9	16.0	80bps	17.0	-20bps	17.0	-10bps	
EPS (INR)	72.1	52.7	36.8	64.9	11.1	73.0	-1.2	

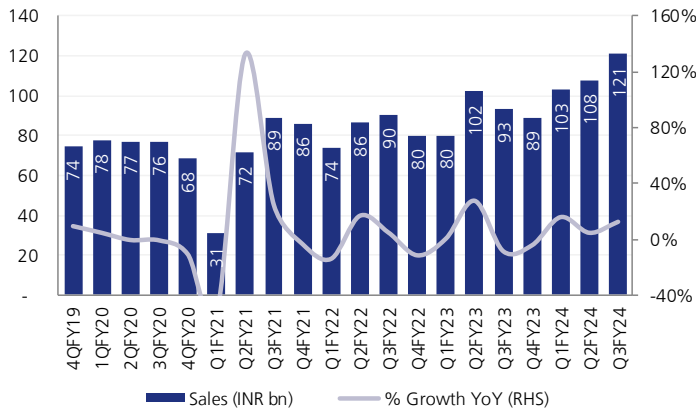
Source: Company, JM Financial

Exhibit 2. Change in estimates

Particulars	New assumption			Old assumption			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue (INR mn)	440,276	504,426	570,509	419,007	479,479	541,680	5.1%	5.2%	5.3%
Volume (mn units)	4,329,865	4,809,657	5,264,794	4,203,603	4,673,294	5,118,886	3.0%	2.9%	2.9%
Growth (%)	10.3%	11.1%	9.5%	7%	11%	9.5%			
EBITDA (INR mn)	86,338	101,141	116,888	80,993	93,565	108,150	6.6%	8.1%	8.1%
EBITDAM (%)	19.6%	20.1%	20.5%	19.3%	19.5%	20.0%	30bps	60bps	50bps
PAT (INR mn)	73,458	85,869	98,999	69,188	79,561	91,517	6.2%	7.9%	8.2%
EPS (INR)	260	303	350	245	281	323	6.2%	7.9%	8.2%

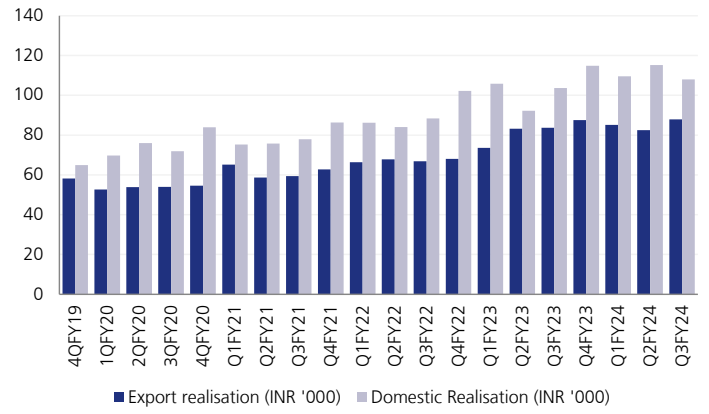
Source: Company, JM Financial

Exhibit 3. Revenue and growth trend



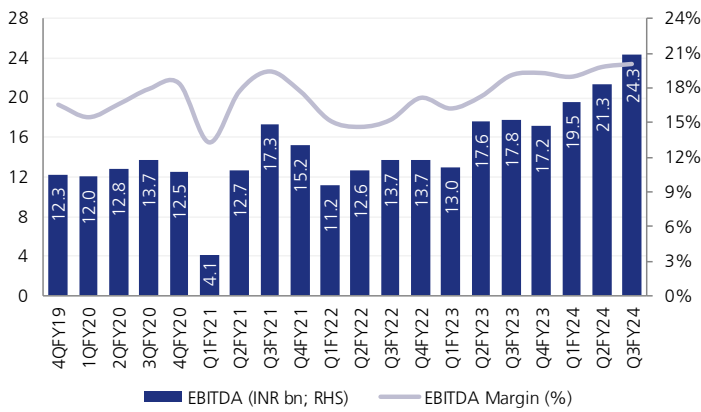
Source: Company, JM Financial

Exhibit 4. Domestic and exports realisation trend



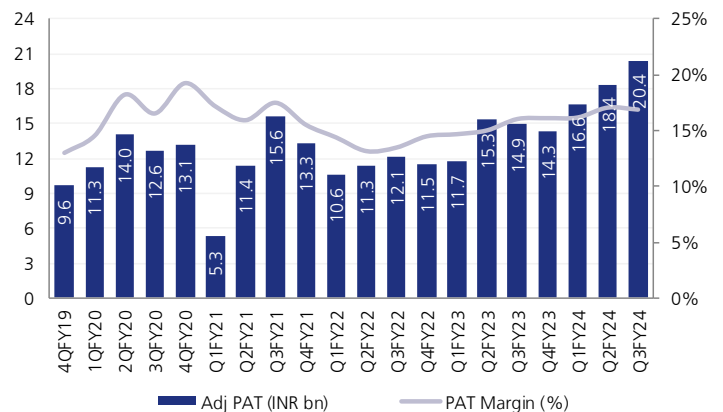
Source: Company, JM Financial

Exhibit 5. EBITDA and margin trend



Source: Company, JM Financial

Exhibit 6. Adj. PAT and margin trend



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	3,21,360	3,53,592	4,28,736	4,91,733	5,56,547	
Sales Growth	18.4%	10.0%	21.3%	14.7%	13.2%	
Other Operating Income	10,087	10,685	11,539	12,693	13,963	
Total Revenue	3,31,447	3,64,276	4,40,276	5,04,426	5,70,509	
Cost of Goods Sold/Op. Exp	2,43,298	2,60,548	3,13,427	3,58,520	4,04,052	
Personnel Cost	13,588	14,449	15,490	17,012	18,678	
Other Expenses	21,975	23,788	25,020	27,754	30,892	
EBITDA	52,586	65,491	86,338	1,01,141	1,16,888	
EBITDA Margin	15.9%	18.0%	19.6%	20.1%	20.5%	
EBITDA Growth	6.7%	24.5%	31.8%	17.1%	15.6%	
Depn. & Amort.	2,692	2,824	3,122	3,409	3,745	
EBIT	49,895	62,667	83,216	97,731	1,13,143	
Other Income	12,092	11,814	13,232	14,820	16,598	
Finance Cost	87	395	425	450	500	
PBT before Excep. & Forex	61,901	74,086	96,023	1,12,101	1,29,241	
Excep. & Forex Inc./Loss(-)	3,153	0	0	0	0	
PBT	65,053	74,086	96,023	1,12,101	1,29,241	
Taxes	14,865	17,810	22,565	26,232	30,242	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	50,189	56,276	73,458	85,869	98,999	
Adjusted Net Profit	47,036	56,276	73,458	85,869	98,999	
Net Margin	14.2%	15.4%	16.7%	17.0%	17.4%	
Diluted Share Cap. (mn)	289.4	283.0	283.0	283.0	283.0	
Diluted EPS (INR)	162.5	198.9	259.6	303.5	349.9	
Diluted EPS Growth	3.3%	22.4%	30.5%	16.9%	15.3%	
Total Dividend + Tax	48,776	39,614	39,614	39,614	39,614	
Dividend Per Share (INR)	140.0	140.0	140.0	140.0	140.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	61,901	74,086	96,023	1,12,101	1,29,241	
Depn. & Amort.	2,692	2,824	3,122	3,409	3,745	
Net Interest Exp. / Inc. (-)	87	395	425	450	500	
Inc (-) / Dec in WCap.	1,635	10,500	2,610	790	778	
Others	3,153	0	0	0	0	
Taxes Paid	-14,865	-17,810	-22,565	-26,232	-30,242	
Operating Cash Flow	54,602	69,995	79,614	90,519	1,04,022	
Capex	-4,991	-11,695	-8,851	-8,885	-8,987	
Free Cash Flow	49,611	58,300	70,763	81,633	95,035	
Inc (-) / Dec in Investments	-11,872	8,977	-20,000	-27,000	-27,000	
Others	-87	-395	-425	-450	-500	
Investing Cash Flow	-16,949	-3,113	-29,276	-36,335	-36,487	
Inc / Dec (-) in Capital	0	-64	0	0	0	
Dividend + Tax thereon	-48,776	-39,614	-39,614	-39,614	-39,614	
Inc / Dec (-) in Loans	0	0	0	0	0	
Others	11,734	-30,230	0	0	0	
Financing Cash Flow	-37,043	-69,909	-39,614	-39,614	-39,614	
Inc / Dec (-) in Cash	610	-3,026	10,723	14,569	27,920	
Opening Cash Balance	5,274	5,883	2,858	13,581	28,150	
Closing Cash Balance	5,883	2,858	13,581	28,150	56,070	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	2,66,688	2,54,259	2,88,102	3,34,357	3,93,741	
Share Capital	2,894	2,830	2,830	2,830	2,830	
Reserves & Surplus	2,63,794	2,51,429	2,85,272	3,31,527	3,90,911	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	-1,990	-3,193	-3,193	-3,193	-3,193	
Total - Equity & Liab.	2,64,698	2,51,066	2,84,909	3,31,164	3,90,548	
Net Fixed Assets	19,108	27,979	33,709	39,185	44,427	
Gross Fixed Assets	47,652	59,296	68,115	76,967	85,852	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	29,312	32,136	35,258	38,667	42,412	
Capital WIP	768	819	851	885	987	
Investments	2,38,233	2,29,256	2,49,256	2,76,256	3,03,256	
Current Assets	54,385	45,917	68,404	91,475	1,28,099	
Inventories	12,305	13,979	16,445	18,861	21,347	
Sundry Debtors	15,164	17,761	23,492	26,944	30,496	
Cash & Bank Balances	5,883	2,858	13,581	28,150	56,070	
Loans & Advances	10,136	6,151	7,717	8,851	10,018	
Other Current Assets	10,897	5,168	7,168	8,668	10,168	
Current Liab. & Prov.	47,029	52,087	66,460	75,752	85,234	
Current Liabilities	45,478	50,419	63,030	71,818	80,782	
Provisions & Others	1,551	1,668	3,430	3,934	4,452	
Net Current Assets	7,356	-6,170	1,944	15,723	42,865	
Total - Assets	2,64,698	2,51,066	2,84,909	3,31,164	3,90,548	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	14.2%	15.4%	16.7%	17.0%	17.4%	
Asset Turnover (x)	1.3	1.4	1.6	1.6	1.6	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	18.1%	21.6%	27.1%	27.6%	27.2%	

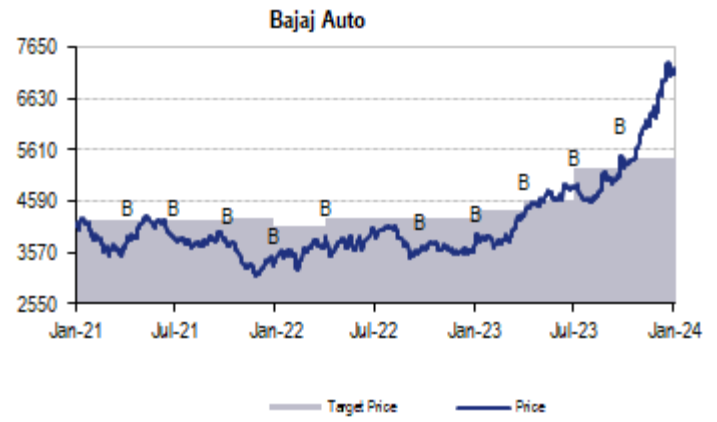
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	921.6	898.6	1,018.2	1,181.6	1,391.5	
ROIC	179.2%	212.9%	268.6%	271.2%	269.3%	
ROE	18.1%	21.6%	27.1%	27.6%	27.2%	
Net Debt/Equity (x)	-0.9	-0.8	-0.9	-0.9	-0.9	
P/E (x)	44.4	36.3	27.8	23.8	20.6	
P/B (x)	7.8	8.0	7.1	6.1	5.2	
EV/EBITDA (x)	35.2	28.6	21.3	17.8	14.9	
EV/Sales (x)	5.6	5.1	4.2	3.6	3.1	
Debtor days	17	18	19	19	20	
Inventory days	14	14	14	14	14	
Creditor days	60	62	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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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