

**BUY**

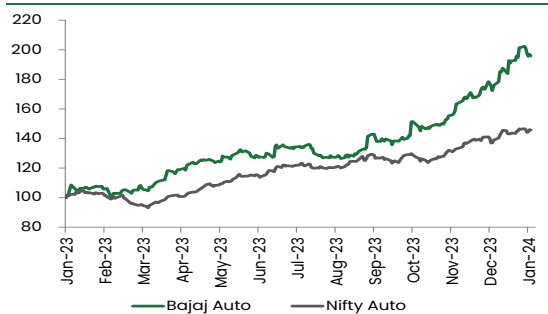
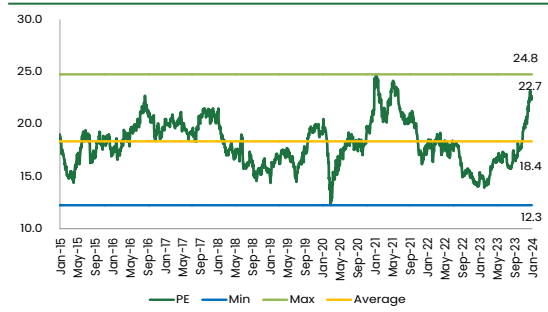
<b>CMP (Rs)</b>	<b>7,220</b>
<b>Target Price (Rs)</b>	<b>8,398</b>
<b>Potential Upside</b>	<b>16.3%</b>
<b>Sensex</b>	71,060
<b>Nifty</b>	21,454

**Key Stock data**

<b>BSE Code</b>	532977
<b>NSE Code</b>	Bajaj-Auto
<b>Bloomberg</b>	BJAUT:IN
<b>Shares o/s, Cr (FV 10)</b>	28.3
<b>Market Cap (Rs Cr)</b>	204,449
<b>3M Avg Volume</b>	499,679
<b>52 week H/L</b>	7419/3626

**Shareholding Pattern**

(%)	Jun-23	Sep-23	Dec-23
<b>Promoter</b>	55.0	55.0	54.9
<b>FII</b>	13.7	14.4	14.6
<b>DII</b>	9.6	9.1	8.7
<b>Others</b>	21.7	21.6	21.7

**1 year relative price performance**

**1 year P/E Forward (x)**

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**Strong volume growth and favourable commodity prices led to robust performance**

Q3FY24 Result Update | Sector: Auto | January 25, 2024

**Robust overall performance:** Bajaj Auto's Q3FY24 operational revenue came in at Rs 12,114 Cr, increasing by 30% YoY/12.4% QoQ, driven by healthy volumes across segments in domestic market while exports volume remained stable on sequential basis. Consequently, the blended realizations were up by 6.5% YoY to Rs 100,347/units aided by premiumization of portfolio towards 125+cc motorcycles which stood at ~67% of overall volumes. Strong overall performance led to PAT expansion of 36.9% YoY/11.2% QoQ to Rs 2,042 Cr.

**Strong volume leads to higher operating leverage:** Gross profit came in at Rs 3,504 Cr, up by 28% YoY/12.1% QoQ benefitting from stable commodity prices. The superior product mix was partly offset by presence of EV in its overall volume which had a slight impact on gross margin as it contracted by 46bps YoY/8bps QoQ to 28.9%. EBITDA increased by 36.8% YoY/13.9% QoQ to Rs 2,430 Cr while margin expanded by 99bps YoY/27bps QoQ to 20.1%, aided by effective cost controlling measures.

**Resilient 3-Wheeler business:** The 3-wheeler business continues to be quite resilient for the company as it delivered a volume growth of 21.6% YoY to 1.6 Lakh Units, mainly led by domestic business as it was up by 37.9% YoY with rising penetration of CNG pumps driving the growth. International volume continued to remain under pressure as it was down by 12.1% YoY to 37,976 units. Its E-3 Wheeler volume for the quarter was ~18,000 units with presence in ~23 cities, going ahead the management plans to increase its presence to ~50 cities in Q4FY24 and ~200 cities by Q1FY25 which shall aid in volume as well as revenue expansion.

**Healthy offtake in Bajaj-Triumph business:** The company delivered ~15,000 units during the quarter with ~8,000 units in the domestic market and the remaining ~7,000 units in the international market. It aims to increase its presence across Indian as well as international markets with an aim to deliver ~20,000 units in Q4FY24 and increase gradually.

**Outlook & Valuations:** Bajaj Auto continues to deliver strong performance which is mainly led by healthy demand in the domestic market across segments. The recovery in the international market as well as sustained demand momentum and new launches across its portfolio will continue to drive the volume while premiumization towards 125+cc motorcycles would transcribe in healthy revenue expansion. Additionally, the increased penetration of CNG pumps as well as improved mobility would also drive the overall 3-wheeler sales. Factoring this, we estimate its revenue/EBITDA/PAT to grow at 17.4%/22.4%/23.7% CAGR over FY23-25E. We have assigned a PE of 22x on FY26E EPS and recommend a **Buy** rating with a revised target price upwards to **Rs. 8,398**.

**Financial Summary – standalone**

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	36,428	44,512	52,181	58,979
EBITDA	6,549	8,805	10,362	12,016
EBITDAM (%)	18.0	19.8	19.9	20.4
APAT	5,628	7,452	8,861	10,651
APATM (%)	15.4	16.7	17.0	18.1
EPS (Rs)	198.9	267.1	317.6	381.7
PE (x)	36.3	27.0	22.7	18.9
RoE (%)	21.6	27.9	29.9	31.8

Source : RBL Research

Buoyancy in domestic market across segments drove the growth

Favorable commodity prices aided strong operational performance

Healthy overall business results in highest quarterly PAT

Strong motorcycles volume leads to market share growth across segments

Resilient 3-wheeler volumes driven by rise in penetration of CNG pumps

**Concall & Other key highlights:** 1) Export revenue up by 10% YoY to USD 415 Mn while realizations were at Rs 83,200/unit 2) The company aims to launch new Pulsar and Electric Chetak scooter in Q1FY25 as well as expand its 125+cc portfolio gradually. 3) The company has a surplus cash of Rs 18,439 Cr as of 9MFY24. 4) African market remains at 45-50% of peak volumes while LATAM volume surpassed previous peak levels. 5) The Red Sea issue had a slight impact on supply to the international market, however, it is evaluating alternative routes. 6) Spares revenue was Rs 1,300 Cr. 7) Aims to sustain market share of ~80% in the 3-wheeler segment. 8) Company plans to launch CNG powered motorcycles in FY25.

#### P&L Account Quarterly – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
<b>Sales Volumes (units)</b>	<b>1,200,997</b>	<b>983,276</b>	<b>22.1</b>	<b>1,053,753</b>	<b>14.0</b>
<b>Realisation (Rs/unit)</b>	<b>100,865</b>	<b>94,736</b>	<b>6.5</b>	<b>102,275</b>	<b>(1.4)</b>
<b>Net sales</b>	<b>12,114</b>	<b>9,315</b>	<b>30.0</b>	<b>10,777</b>	<b>12.4</b>
Total material cost	8,610	6,578	30.9	7,651	12.5
<b>Gross Profit</b>	<b>3,504</b>	<b>2,738</b>	<b>28.0</b>	<b>3,126</b>	<b>12.1</b>
<b>Gross Margin (%)</b>	<b>28.9</b>	<b>29.4</b>	<b>-46 bps</b>	<b>29.0</b>	<b>-8 bps</b>
Employee cost	385	351	9.5	382	0.8
Other overheads	690	610	13.0	612	12.7
<b>EBITDA</b>	<b>2,430</b>	<b>1,777</b>	<b>36.8</b>	<b>2,133</b>	<b>13.9</b>
<b>EBITDA Margin (%)</b>	<b>20.1</b>	<b>19.1</b>	<b>99 bps</b>	<b>19.8</b>	<b>27 bps</b>
<b>EBITDA / Unit (Rs.)</b>	<b>20,232</b>	<b>18,067</b>	<b>12.0</b>	<b>20,241</b>	<b>-</b>
Depreciation	88	74	19.2	88	0.6
Interest	12	8	42.7	7	85.3
Other income	346	269	28.6	361	(4.2)
<b>PBT</b>	<b>2,676</b>	<b>1,963</b>	<b>36.3</b>	<b>2,400</b>	<b>11.5</b>
Tax	634	472	34.3	564	12.4
<b>Effective tax rate (%)</b>	<b>23.7</b>	<b>24.0</b>	<b>-35 bps</b>	<b>23.5</b>	<b>19 bps</b>
<b>Adjusted PAT</b>	<b>2,042</b>	<b>1,491</b>	<b>36.9</b>	<b>1,836</b>	<b>11.2</b>
<b>Adj. PAT margin (%)</b>	<b>16.9</b>	<b>16.0</b>	<b>85 bps</b>	<b>17.0</b>	<b>-18 bps</b>

Source : RBL Research

#### Cost analysis

As a % of net sales	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Material costs	71.1	70.6	46 bps	71.0	8 bps
Personnel Costs	3.2	3.8	-59 bps	3.5	-37 bps
Other overheads	5.7	6.5	-86 bps	5.7	2 bps
<b>Total costs</b>	<b>79.9</b>	<b>80.9</b>	<b>-99 bps</b>	<b>80.2</b>	<b>-27 bps</b>

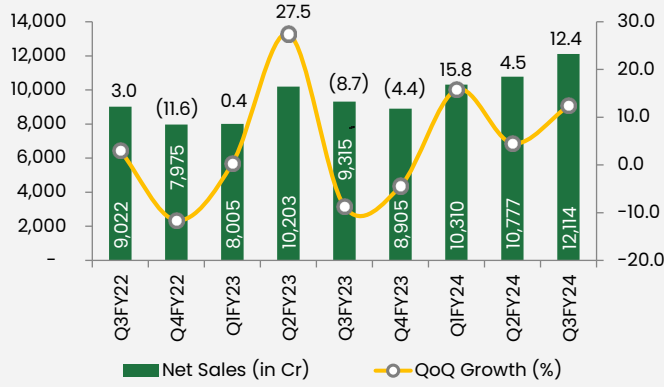
Source : RBL Research

Volumes Breakup (in Units)	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
<b>Motorcycles</b>					
Domestic	655,453	455,146	44.0	505,320	29.7
Exports	384,740	395,901	-2.8	376,063	2.3
<b>Total</b>	<b>1,040,193</b>	<b>851,047</b>	<b>22.2</b>	<b>881,383</b>	<b>18.0</b>
<b>CV</b>					
Domestic	122,828	89,042	37.9	132,236	-7.1
Exports	37,976	43,187	-12.1	40,134	-5.4
<b>Total</b>	<b>160,804</b>	<b>132,229</b>	<b>21.6</b>	<b>172,370</b>	<b>-6.7</b>
<b>Overall Volumes</b>	<b>1,200,997</b>	<b>983,276</b>	<b>22.1</b>	<b>1,053,753</b>	<b>14.0</b>

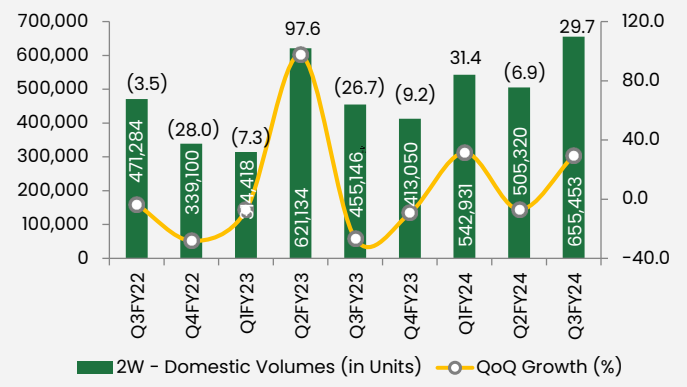
Source : RBL Research

Story in charts

Healthy domestic business leads to record revenue

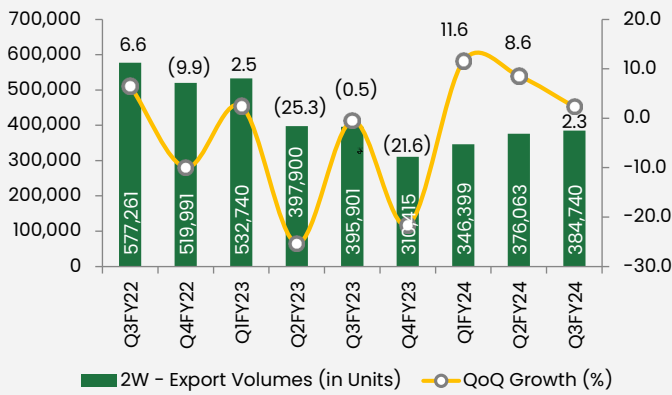


Strong festive sales results in healthy volumes

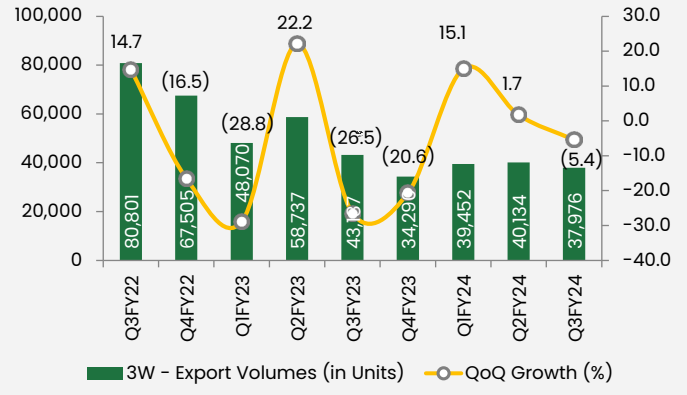


Source : RBL Research

Export volume at 65-70% of peak levels

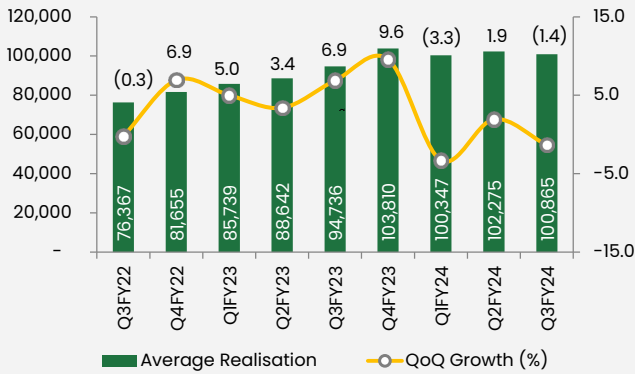


Demand impacted by inflation and devaluation of African currency

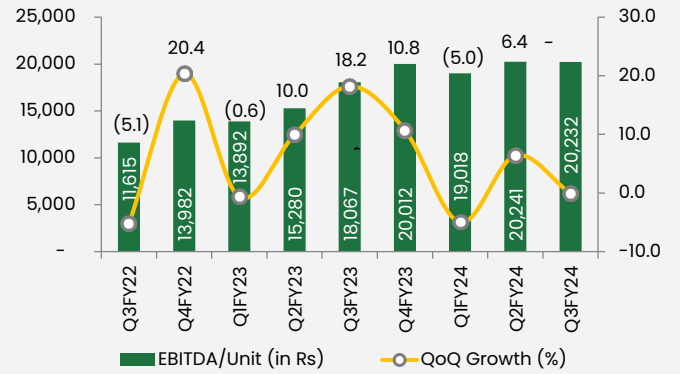


Source : RBL Research

Trend of avg realizations (in Rs)

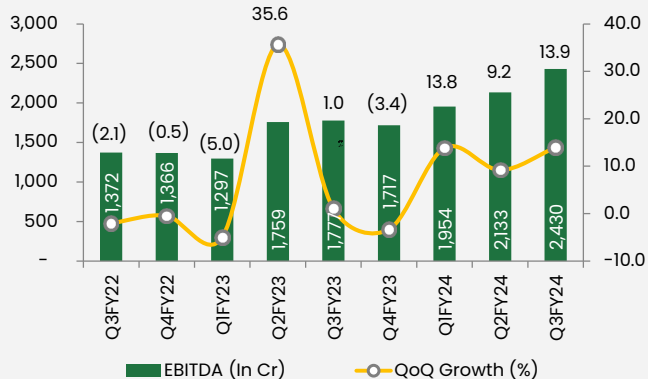


Trend of EBITDA/Unit

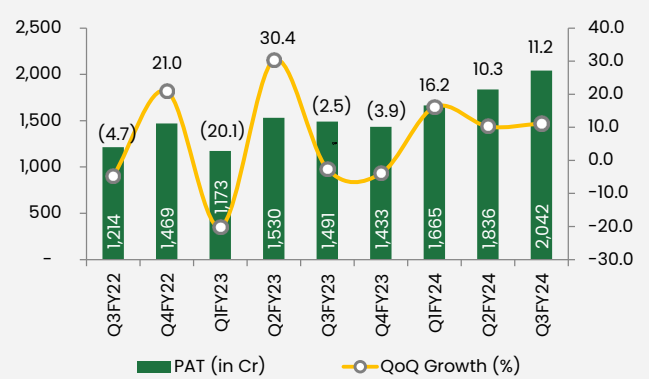


Source : RBL Research

Favorable commodity prices led to healthy growth



Strong overall performance leads to robust profitability



Source : RBL Research

## P&amp;L Account – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>36,428</b>	<b>44,512</b>	<b>52,181</b>	<b>58,979</b>
Expenditure				
Total raw material cost	26,055	31,603	36,918	41,501
Employee cost	1,445	1,685	2,012	2,221
Other expenses	2,379	2,418	2,888	3,241
Total expenditure	29,878	35,707	41,818	46,964
<b>EBITDA</b>	<b>6,549</b>	<b>8,805</b>	<b>10,362</b>	<b>12,016</b>
<b>EBITDAM (%)</b>	<b>18.0</b>	<b>19.8</b>	<b>19.9</b>	<b>20.4</b>
Other income	1,181	1,359	1,698	2,208
Depreciation	282	329	376	371
<b>PBIT</b>	<b>7,448</b>	<b>9,834</b>	<b>11,684</b>	<b>13,852</b>
Interest expenses	39	30	25	20
<b>PBT</b>	<b>7,409</b>	<b>9,805</b>	<b>11,659</b>	<b>13,832</b>
Tax	1,781	2,353	2,798	3,181
<b>PAT</b>	<b>5,628</b>	<b>7,452</b>	<b>8,861</b>	<b>10,651</b>
<b>PATM (%)</b>	<b>15.4</b>	<b>16.7</b>	<b>17.0</b>	<b>18.1</b>

Source : RBL Research

## Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	283.0	279.0	279.0	279.0
Reserves & Surplus	25,143	27,712	30,993	35,366
<b>Total Shareholder's Fund</b>	<b>25,426</b>	<b>27,991</b>	<b>31,272</b>	<b>35,645</b>
<b>Non-Current Liabilities</b>				
Total borrowings	124	124	124	124
Other long term liabilities	33	33	33	33
Deferred tax liabilities	345	345	345	345
Long term provision	1	1	1	1
<b>Current Liabilities</b>				
Trade payables	4,074	4,006	6,026	6,637
Other current liabilities	1,124	1,501	1,607	2,385
<b>Total Liabilities</b>	<b>31,127</b>	<b>34,002</b>	<b>39,408</b>	<b>45,170</b>
Fixed Assets	2,635	3,011	3,074	3,668
Current work in process	82	80	82	84
Intangible assets	31	31	31	31
Non current investment	18,504	19,140	23,825	27,322
Other non-current assets	1,476	1,600	2,056	1,989
<b>Current Assets</b>				
Current investments	4,419	4,451	4,174	5,308
Inventories	1,398	1,543	1,909	1,985
Trade receivables	1,776	2,924	3,026	3,421
Cash & Cash equivalents	286	586	484	519
Short term loans and	4	4	5	6
Other current assets	517	632	740	837
<b>Total Assets</b>	<b>31,127</b>	<b>34,002</b>	<b>39,408</b>	<b>45,170</b>

Source : RBL Research

## Cashflow – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	7,409	9,805	11,659	13,832
Depreciation	282	329	376	371
Tax paid	(1,781)	(2,353)	(2,798)	(3,181)
Working capital Change	1,232	(1,131)	1,823	(312)
<b>Operating Cash Flow (a)</b>	<b>7,142</b>	<b>6,650</b>	<b>11,061</b>	<b>10,710</b>
Capex	(1,171)	(704)	(441)	(967)
Free Cash Flow	5,971	5,946	10,620	9,743
Investments	657	(760)	(5,141)	(3,430)
<b>Investing Cash Flow (b)</b>	<b>(514)</b>	<b>(1,464)</b>	<b>(5,582)</b>	<b>(4,397)</b>
Debt Issuance/ (Repaid)	1	-	-	-
Dividend Paid	(3,961)	(4,883)	(5,580)	(6,278)
Others	(2,964)	-	-	-
<b>Financing Cash Flow (c)</b>	<b>(6,930)</b>	<b>(4,886)</b>	<b>(5,580)</b>	<b>(6,278)</b>
<b>Net Cash Flow (a + b + c)</b>	<b>(302)</b>	<b>300</b>	<b>(101)</b>	<b>35</b>
Closing Cash	286	586	484	519

Source : RBL Research

## Key ratios – standalone

Particulars	FY23	FY24E	FY25E	FY26E
<b>Per Share Ratios (Rs)</b>				
Dividend per share	140.0	175.0	200.0	225.0
EPS	198.9	267.1	317.6	381.7
CEPS	208.9	278.9	331.1	395.0
Book value per share	898.6	1,003.3	1,120.9	1,277.6
<b>Profitability Ratios (%)</b>				
EBITDA Margin	18.0	19.8	19.9	20.4
PBT Margin	20.3	22.0	22.3	23.5
Net Profit Margin	15.4	16.7	17.0	18.1
RoCE	28.1	36.2	38.8	40.8
RoE	21.6	27.9	29.9	31.8
Dividend Payout	70.4	65.5	63.0	58.9
<b>Efficiency</b>				
Fixed Asset Turnover (x)	1.2	1.4	1.4	1.4
Debtors Velocity (Days)	18	24	21	21
Inventory (Days)	14	13	13	12
Creditor (Days)	41	33	42	41
Current ratio (x)	1.6	1.7	1.3	1.3
<b>Valuation Ratios</b>				
P/E (x)	36.3	27.0	22.7	18.9
P/B (x)	8.0	7.2	6.4	5.7
EV/EBIDTA (x)	31.2	22.8	19.4	16.7
Dividend Yield (%)	4.4	5.5	6.3	7.1

Source : RBL Research

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**Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:**

**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

**[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]**

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

**[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]**

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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