

Bajaj Auto

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BJAUT IN
Equity Shares (m)	279
M.Cap.(INRb)/(USD\$)	2283.9 / 26
52-Week Range (INR)	12774 / 7088
1, 6, 12 Rel. Per (%)	0/-12/-16
12M Avg Val (INR M)	4362

Financials & Valuations (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	500	550	614
EBITDA	101.0	108.6	123.0
EBITDA (%)	20.2	19.7	20.0
Adj. PAT	83.6	90.0	100.7
EPS (INR)	299	322	361
EPS Gr. (%)	11.8	7.6	11.9
BV/Sh. (INR)	1,151	1,244	1,334

Ratios

RoE (%)	29.3	26.9	28.0
RoCE (%)	27.6	25.4	26.3
Payout (%)	66.8	71.3	74.8

Valuation

P/E (x)	27.3	25.4	22.7
P/BV (x)	7.1	6.6	6.1
Div. Yield (%)	2.4	2.8	3.3
FCF Yield (%)	2.9	2.7	3.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	55.0	55.0	55.1
DII	12.1	11.0	8.8
FII	10.3	11.7	14.2
Others	22.5	22.3	21.9

FII Includes depository receipts

CMP: INR8,179 **TP: INR8,618 (+5%)** **Neutral**

Margins below 20% for first time in seven quarters

Export outlook positive, domestic remains uncertain

- BJAUT's 1QFY26 earnings at INR20.6b beat our estimate of INR19.8b, aided by higher-than-expected other income even as margins were in line with our estimate at 19.7%. Margin has fallen below 20% for the first time in seven quarters.
- While a recovery in exports and a healthy ramp-up of Chetak and 3Ws are key positives, its market share loss in domestic motorcycles remains the key concern. Further, the ramp-up of its CNG bike, Freedom, has been slower than expected. BJAUT has acquired a controlling stake in KTM under a lucrative deal, though its effectiveness depends on how quickly it is able to turn around its operations, which will remain the key monitorable from hereon. At ~25.4x/22.7x FY26E/FY27E EPS, BJAUT appears fairly valued. We maintain a Neutral rating with a TP of **INR8,618, based on 22x Jun'27E core EPS.**

Margins below 20% mark on adverse currency impact

- 1Q earnings at INR20.6b beat our estimate of INR19.8b.
- Revenue grew 5.5% YoY to INR126b and was in line with our estimate. Growth was largely driven by 5% YoY growth in ASP despite largely flat volumes YoY.
- Gross margin fell 40bp YoY to 29.6%, largely due to rising input costs and currency impact.
- Overall, EBITDA margin dropped 50bp YoY and QoQ to 19.7% (in line with our estimate) due to weak volumes and an adverse product mix (impact of currency appreciation and lower exports). Margin has fallen below 20% for the first time in seven quarters.
- Other income came in at INR4.3b, ahead of our estimate of INR3.4b. As a result, PAT at INR20.6b was ahead of our estimate, up 5% YoY.
- BJAUT generated FCF of INR1.2b in 1Q, with surplus funds of INR167.3b despite an infusion of INR3b into Bajaj Auto Credit (BACL) and INR15.25b into Bajaj Auto International Holdings BV for the KTM Austria acquisition.

Highlights from the management commentary

- Given the positive on-ground fundamentals, management believes that 5-6% growth in the 2W industry is possible in the coming months.
- Management expects the impact of net material costs (cost less price hike) to largely be flat QoQ in Q2.
- Further, given that INR is again depreciating vs. USD, management expects some currency benefits in 2Q. However, BJAUT intends to use these benefits to target and recover some market share in the domestic market.
- Given the impact of rare earth metal shortage, BJAUT is likely to produce 50-60% of planned capacity for 2W EVs and 75% of planned capacity for 3W EVs in Aug'25, with a similar shortage seen in Jul'25 as well.
- BACL delivered over 2x growth in PAT to INR1.1b in Q1. AUM has increased to INR120b and BJAUT expects to end FY26 with AUM of INR190b.

Valuation and view

- While a recovery in exports and a healthy ramp-up of Chetak and 3Ws are key positives, its market share loss in domestic motorcycles, that too in its bread-and-butter 125cc+ segment, remains the key concern. Further, the ramp-up of its CNG bike, Freedom, has been slower than expected. While BJAUT has acquired a controlling stake in KTM under a lucrative deal, its effectiveness depends on how quickly it is able to turn around its operations, which will remain the key monitorable from hereon. At ~25.4x/22.7x FY26E/27E EPS, BJAUT appears fairly valued. We maintain a Neutral rating with a target price of **INR8,618, based on 22x June-27E core EPS.**

Quarterly Performance

	FY25				FY26E				FY25	FY26E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Volumes ('000 units)	1,102	1,222	1,224	1,103	1,111	1,251	1,244	1,223	4,651	4,830	1,111
Growth YoY (%)	7.3	15.9	2.0	3.2	0.8	2.4	1.6	10.9	6.9	3.8	0.8
Realization (INR/unit)	108,234	107,470	104,591	110,142	113,247	113,381	114,004	114,868	107,527	113,887	110,399
Growth YoY (%)	7.9	5.1	3.7	2.5	4.6	5.5	9.0	4.3	4.7	5.9	2.0
Net Sales	119,280	131,275	128,069	121,480	125,845	141,819	141,828	140,534	500,103	550,025	122,679
Change (%)	15.7	21.8	5.7	5.8	5.5	8.0	10.7	15.7	11.9	10.0	2.8
EBITDA	24,154	26,522	25,807	24,505	24,818	28,021	27,740	28,003	100,988	108,581	24,164
EBITDA Margins (%)	20.2	20.2	20.2	20.2	19.7	19.8	19.6	19.9	20.2	19.7	19.7
Other Income	3,209	3,845	3,347	3,808	4,308	4,000	3,800	4,012	14,209	16,120	3,400
Interest	207	159	143	168	141	130	140	139	677	550	120
Depreciation	937	956	997	1,111	1,109	1,120	1,130	1,146	4,001	4,505	1,050
PBT after EO	26,219	27,139	28,015	27,033	27,875	30,771	30,270	30,731	108,406	119,646	26,394
Effective Tax Rate (%)	24.2	26.1	24.7	24.2	24.8	24.8	24.8	24.7	24.8	10.2	3.4
Adj. PAT	19,884	22,160	21,087	20,492	20,960	23,152	22,775	23,136	83,103	90,023	19,843
Change (%)	19.4	20.7	3.3	5.8	5.4	4.5	8.0	12.9	11.1	8.3	(0.2)

E: MOFSL Estimates