

CMP: INR 3,836

Rating: Neutral

Target Price: INR 3,823

Stock Info

BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
Sector	Auto-2&3 wheelers
Face Value (Rs)	10
Equity Capital (Rs mn)	2894
Mkt Cap (Rs Mn)	11,83,366
52w H/L (Rs)	4,130/ 1,789
Avg Yearly Vol (in 000')	934

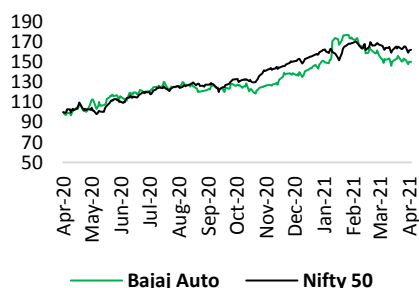
Shareholding Pattern %

(As on March, 2021)

Promoters	53.7
Public & Others	46.3

Stock Performance (%)	3m	6m	12m
Bajaj Auto	36.0	32.3	54.9
Nifty	9.19	27.4	55.7

Bajaj Auto Vs Nifty



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Bajaj Auto has reported a mixed set of numbers in Q4FY21. Standalone revenue and EBITDA stood above our estimates while EBITDA margin & PAT are slightly below our estimates. Standalone revenue stood at INR 85,961 Mn, above our estimates of INR 79,825 Mn registering +26.1% YoY/-3.5% QoQ. EBITDA stood at INR 15,241 Mn, above our estimate of INR 14,193 Mn, Registering +21.7%YoY/-11.9%QoQ due to sharp increase in input costs and it continues to increase in Q1 / FY22 also. On the margins front, EBITDA margin was down by -65bps YoY/-168bps QoQ to 17.7%, against our estimates -60bps YoY to 17.8%. The Company has been delivering improved EBITDA sequentially from Q2 onwards. Standalone PAT saw an increase of 1.7%YoY/-14.4% QoQ to INR 13,321 Mn vs below our estimate of INR 13,707 Mn. Total Volume was up by 17.9%YoY/89.5% QoQ to 11,69,664 units.

Bajaj Auto Q4FY21 Concall highlights

- **Opening remark:** Dividend INR 140/share. 3.6% dividend yield. Payout 90%. Dividend decided policy last month. 1)Core performance—capture recovery and demand in overseas market through strong supply management and engagement with the market. 2) Continue premiumization across segment to ensure uncertain demand environment.
- **Domestic motorcycle** – top 125cc+ portfolio total business continues to rise from 46% In Fy20 to 60% in Q4. Driven by outstanding success by 125cc. market share from 7% FY20 to 19% in Q4. 125cc is up by 4% for the whole industry.
- **Domestic commercial vehicle business:** 3w return to make normalcy. Traffic is gone to 85% levels in mid of march. April saw a halt on that so took longer but is making return on lower volumes across the year but very significant leadership changes. 3 segments in this market: 1) Small passenger 85% mkt share, 2) large pass (large leadership- 48% market share (12% ahead vs peer), 3) Cargo gained 6% market share and strong no. 2. When market comes back, things will look brighter.
- **Exports:** INR 3991cr in Q4. Volume outlook for FY22 expect to be one of best years in FY22. Should reach highest ever during the year.

Valuation

At CMP of INR 3836, Bajaj Auto is currently trading at FY23 P/E of 27.7x, to its EPS of INR 138.5. Bajaj auto would benefit from 1) the premiumization trend and 2) good growth opportunity in exports. While the Q1FY22 volumes may be impacted due to Covid-19 situation, the company expects volumes to stabilize from Q2FY22 onwards. Domestic 3W recovery may be delayed.

We value Bajaj Auto at PE of 27x to its FY23E EPS of INR 138.5 for a fair value of INR 3,823 and INR 82 for KTM stock valuation to arrive at a final target price of INR 3,823 using SOTP method for Bajaj's stake in KTM. **We assign Neutral rating on the stock.**

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	P/E (x)
FY19	3,03,575	51,924	46,751	161.6	17.1	23.7
FY20	2,99,187	50,962	51,000	176.2	17.0	21.8
FY21E	2,77,411	49,285	45,546	157.4	17.8	24.4
FY22E	3,01,684	52,873	47,954	123.3	17.5	31.1
FY23E	3,35,171	60,936	53,891	138.5	18.2	27.7

Quarterly result summary

Standalone (INR mn)	Q4FY21	Q3FY21	Q4FY20	YoY (%)	QoQ (%)
Net sales	85,961	89,099	68,159	26.1	(3.5)
- Raw material	61767	63082	46653	32.4	(2.1)
(% of net sales)	71.9	70.8	68.4	341bps	105bps
- Staff expenditure	3070	3172	3421	(10.3)	(3.2)
(% of net sales)	3.6	3.6	5.0	-145bps	1bps
- Other expenditure	5883.7	5548.4	5557.4	5.9	6.0
(% of net sales)	6.8	6.2	8.2	-131bps	62bps
Total expenditure	70,720	71,803	55,631	27.1	(1.5)
EBITDA	15,241	17,296	12,528	21.7	(11.9)
EBITDA Margin (%)	17.7	19.4	18.4	-65bps	-168bps
Depreciation	661.7	650	632.7	4.6	1.8
EBIT	14,579	16,646	11,895	22.6	(12.4)
Interest	20.4	10.2	9.1	124.2	100.0
Other Income	2836	3691.8	5326.5	(46.8)	(23.2)
PBT	17,395	20,328	17,212	1.1	(14.4)
Tax	4074.2	4765	4109.4	(0.9)	(14.5)
Adjusted PAT	13,321	15,563	13,103	1.7	(14.4)
Reported PAT	13321	15563	13103	1.7	(14.4)
Adjusted EPS (INR)	46.10	53.80	45.30	-	-
Total Volumes (Nos)	11,69,664	13,06,810	9,91,961	17.9	89.5
Net Realisation (INR)	73,492	68,180	68,711	7.0	7.8
EBITDA / Vehicle (INR)	13,030	13,235	12,629	3.2	(1.6)

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Other Concall highlights

- **New products. /upgrades outlook:** White spaces will continue with strategy of putting products.
- **Exports robust** – 2w 200k/month. Q4 was finest ever. Back of very high Q3. Q4 highest ever sales month in Jan. able to breach 2mn export milestone. Market share in motor cycle is up and is up significantly in 3w. export share from pulsar/dominar 13% to 16% in FY21. No.1/2 – 77% revenue comes from no.1 regions. Ability to manage competitive threat. KTM exports powered by surge in Europe, Australia,
- Price hike mostly ahead of competition. Shows resilience. Frequency of shipping causing 10-15% spill over of order book.
- **Electric scooter chetak** – international vendor partners – should be able to give clear visibility on components in May/June and thus maximize opposite for chetak. Capacity is determined by the ability of vendor. Outside the country/system they are facing issues. On the demand side – closed bookings in 48hrs. target monthly 1000 units. Rs 15k price hike and Rs 28k price hike vs attractive price of Rs 1 lakh.
- **Other expenses** – has come off as percentage of sales due to cost control measures. Costs will come back to previous levels as costs are deferred. Giving scheme should be netted off from income. Q4 would not be the right base to make. Where cos is not able to recover cost increase, they will go low on promotion activities.
- **Immediate outlook** – Demand situation could be drastically impacted if covid progresses. Will try and evaluation covid impact on domestic market. Supply chain are managed much better. Local level dialogue with administration has been much better. Supply chain should not be impaired. Remain optimistic that demand should recover as vax progresses and covid situation improves. Will continue to drive premium portfolio. Bottom half of pyramid will continue to upgrade products. New fresh launch and colours of pulsar 125c ct110 and top end platina is dispatched to market. these should hold up as demand recovers. Positioned for marriage season in north. Strong proposition to customer.

Financials (Standalone)

Profit & Loss Statement					
Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	3,03,575	2,99,187	2,77,411	3,01,684	3,35,171
Growth, %	21	-1	-7	9	11
RM expenses	2,17,977	2,10,083	1,96,097	2,11,782	2,32,609
Employee expenses	12,554	13,892	12,860	14,403	15,483
Other expenses	21,120	24,249	19,170	22,626	26,143
EBITDA (Core)	51,924	50,962	49,285	52,873	60,936
Growth, %	11	-2	-3	7	15
Margin, %	17.1	17.0	17.8	17.5	18.2
Depreciation	2,657	2,464	2,593	2,577	2,659
EBIT	49,268	48,498	46,692	50,295	58,278
Growth, %	13	-2	-4	8	16
Margin, %	16.2	16.2	16.8	16.7	17.4
Other income	14,389	17,336	12,765	13,020	13,150
Interest paid	45	32	67	51	49
Non-recurring Items	3,420	0	0	0	0
Pre-tax profit	67,031	65,802	59,390	63,264	71,379
Tax provided	20,280	14,802	13,844	15,310	17,488
Profit after tax	46,751	51,000	45,546	47,954	53,891
Others (Minorities, Associates)	-	-	-	-	-
Net Profit	46,751	51,000	45,546	47,954	53,891
Growth, %	26	9	-11	5	12
Net Profit (adjusted)	46,751.4	51,000	45,546	47,954	53,891

Balance Sheet					
Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Cash & bank	9,228	3,083	5,274	13,501	17,651
Investments	1,91,594	1,81,960	2,26,310	2,24,046	2,35,249
Debtors	25,597	17,251	27,169	29,755	33,058
Inventory	9,615	10,635	14,939	16,531	18,366
Loans & advances	380	386	372	409	450
Other current assets	19,271	16,827	24,431	25,652	26,935
Total current assets	64,091	48,181	72,183	85,847	96,460
Gross fixed assets	51,790	53,763	55,875	58,913	59,413
Less: Depreciation	33,786	36,250	38,843	41,421	44,079
Add: Capital WIP	115	465	160	160	160
Net fixed assets	18,120	17,978	17,191	17,652	15,493
Total assets	2,24,471	2,04,360	2,58,841	2,66,283	2,79,663
Current liabilities	47,781	41,374	55,300	59,564	65,807
Provisions	1,552	2,385	1,544	1,698	1,732
Total current liabilities	49,333	43,758	56,843	61,262	67,539
Non-current liabilities	1,75,138	1,60,602	2,01,997	2,05,021	2,12,124
Total liabilities	6,672	5,105	6,818	6,818	6,818
Paid-up capital	2,894	2,894	2,894	2,894	2,894
Reserves & surplus	2,14,905	1,96,361	2,49,129	2,56,572	2,69,951
Shareholders' equity	2,17,799	1,99,255	2,52,023	2,59,465	2,72,845
Total equity & liabilities	2,24,471	2,04,361	2,58,841	2,66,283	2,79,663

Cash Flow					
Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Pre-tax profit	63,611	65,802	59,390	63,264	71,379
Depreciation	2,657	2,464	2,593	2,577	2,659
Chg in working capital	-13,060	4,189	-8,726	-1,018	-185
Total tax paid	-18,186	-15,473	-13,481	-15,310	-17,488
CFO	21,967	11,966	63,826	9,845	-5,273
Capital expenditure	-1,429	-2,322	-1,806	-3,038	-500
Chg in marketable securities	0	0	0	0	0
Chg in investments	-15,711	9,634	-44,350	2,263	-11,202
CFI	9,528	24,429	-33,392	30,976	27,438
Free cash flow	20,538	9,643	62,020	6,807	-5,773
Debt raised/(repaid)	-181	-641	-4	0	0
Dividend (incl. tax)	-20,314	-51,951	-87	-40,512	-40,512
CFF	-20,540	-52,623	-158	-40,562	-40,560
Net chg in cash	10,955	-16,228	30,277	258	-18,395
Opening cash balance	7,780	9,228	3,083	5,274	13,501
Closing cash balance	9,228	3,083	5,274	13,501	17,651

Ratios					
Particulars	FY19	FY20	FY21	FY22E	FY23E
EPS (INR)	161.6	176.2	157.4	123.3	138.5
PER (x)	23.7	21.8	24.4	31.1	27.7
Price/Book (x)	3.5	3.8	3.0	4.0	3.8
EV/EBITDA (x)	8.8	8.8	5.6	18.5	17.9
EV/Net sales (x)	2.0	2.1	1.7	2.7	2.7
RoE (%)	28.2	32.4	36.6	10.7	11.8
RoCE (%)	37	39	47	24	32
Fixed Asset turnover (x)	5.9	5.6	5.0	5.1	5.6
Dividend Yield (%)	2.3	4.5	5.3	3.9	3.9
Receivable (days)	32	22	32	37	37
Inventory (days)	14	16	24	22	23
Payable (days)	55	47	73	66	67
Net D/E ratio (x)	(0.9)	(0.8)	(0.8)	(0.7)	(0.4)

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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