

**CMP: INR 7,213**

**Rating: Accumulate**

**Target Price: INR 8,096**

**Stock Info**

BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
Sector	Auto-2&3 wheelers
Face Value (INR)	10
Equity Capital (INR mn)	2,830
Mkt Cap (INR Mn)	20,42,123
52w H/L (INR)	7,237/7033
Avg Yearly Vol (in 000')	426

**Shareholding Pattern %**

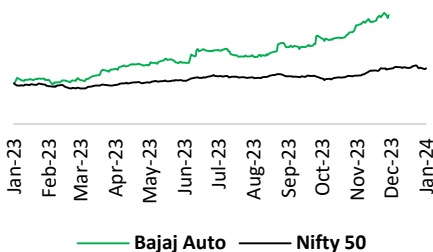
(As on December, 2023)

Promoters	54.95
Public & Others	45.06

**Stock Performance (%)**

	1m	6m	12m
Bajaj Auto	11.5	48.9	93.9
Nifty 50	0.06	9.01	19.9

**Bajaj Auto Vs Nifty**



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**Bajaj Auto reported revenue, and PAT in line with our estimates while the EBITDA margin was slightly above estimates.** Standalone revenue stood at INR 121,135 Mn, above our estimate of INR 120,060 Mn registering a growth of 30% YoY/12.4% QoQ led by growth in domestic volume which was the good execution during the festive session. EBITDA stood at INR 24,299 Mn, above our estimate of INR 23,770 Mn, registering a growth of 36.8%YoY/ 13.9%QoQ. On the margins front, EBITDA margin expansion by 98 bps YoY/ 27bps QoQ to 20.1%, above our estimate of 19.8%, led by driven by the better realization and a richer product mix, which more than covered the drag arising from investments on growing electric scooters. Standalone PAT grew 36.9%YoY/11.2%QoQ to INR 20,418.8 Mn above our estimate of INR 20,210 Mn. EPS stood at INR 72.2 in Q3FY24 against INR 64.9 in Q2FY24 (INR 52.7 in Q3FY23). Total Volume increased by 44.2%YoY/+68.1% QoQ to 1200,997 units. Bajaj Auto EBITDA per Vehicle was increased by 12% YoY/ flat QoQ of INR 20,232 Mn.

**Key rationale**

**Export Performance:** Exports reached 70% of the FY22 peak, and exhibited a 2% sequential improvement in Q3FY24 over Q2FY24, indicating a slow recovery. Mexico achieved record retail sales, enhancing its overall market share in LATAM.

**Pulsar Contribution:** Pulsar's share in the export portfolio has risen from 19-28% in Q3, boosting export revenue by 10%. Despite a 4% decline in volumes, the focus on Pulsar, coupled with favorable forex realization, led to significant growth in exports.

**3W dominance:** Bajaj Auto maintains a robust performance in the three-wheeler segment, securing a 77% overall market share in Q3. In the advancing CNG segment, the company commands an 85% market share. Electric 3W shows promising growth, with expansion plans to 50 cities in Q4 and reaching 200 cities by FY24.

**Outlook and valuation**

The company aims to boost capacity to 20,000-30,000 units in Triumph, including exports, targeting 15,000 units in EVs. They plan 2-3 product upgrades monthly, leading to significant launches in Q1FY25. Year-end surplus cash is expected to surpass INR 200,000 mn, supported by strong cash generation. Profitability trends are likely to continue with rebounding export volumes, increased EV 2W segment share, and substantial growth in the margin-accretive 3W segment. We value Bajaj Auto at a P/E of 25x to its FY 26E EPS of INR for a fair value of INR 7,830 and INR 266 for KTM stock valuation to arrive at a final target price of INR 8,096 using the SOTP method for Bajaj's stake in KTM. We downgrade our rating to Accumulate rating due to the recent rally in the stock as we have been recommending from the level of INR 3,176.

Link to previous report: <https://bit.ly/42al63i>

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY23	364,276	65,491	56,276	197.3	17.98	36.6
FY24E	445,991	87,130	73,453	259.6	19.54	27.8
FY25E	482,755	95,155	79,346	280.4	19.71	25.7
FY26E	528,147	105,116	88,626	313.2	19.90	23.0

Source: Arihant Research, Company Filings

### **Q3FY24 Conference call**

#### **Financial Highlights**

- Revenue from operations surpassed the INR 1,20,000 mn milestone, registering 30% YoY growth.
- EBITDA touched INR 24,300 mn, a 37% YoY increase, with a margin profile of over 20%.
- PAT crossed the INR 20,000 mn mark for the first time in Q3FY24.
- Strong cash position at almost INR 1,85,000 mn as of December 2023.

#### **Exports:**

- Exports stands at 70% of peak levels in FY22, but there was 2% improvement in Q3FY24 over Q2FY24 shipments.
- Geographical mix for exports: Africa at 48%, Latin America at 25%, South Asia at 16%, and the Middle East/North Africa at 19%. Africa and South Asia still at 50% of peak levels, while LATAM, Philippines and the Middle East performing above peak levels in FY22.
- Pulsar's contribution in the exports portfolio increased from 19% to 28% in Q3FY24.
- Red Sea disruptions may impact shipping lines and container availability, leading to increased shipping times and costs.

#### **Domestic Motorcycle Market:**

- Motorcycle industry retails grew by about 11% in Q3FY24. Market share in this segment at almost 31%.
- Focus on the 125 cc plus segment, with a 36% growth compared to the industry's 13%.
- The Company sees significant gains in the 150 to 250 cc sports segment, with Pulsar commanding a 40% market share.
- Pulsar recorded an all-time high sale of 4,00,000 units in the Q3FY24.

#### **3W Performance:**

- 3W segment maintains a strong performance with an overall market share of 77% in Q3.
- In the advancing CNG-based segment, market share is 85%. Electric 3Ws are progressing well, expanding footprint to 23 cities and volumes in December were over 1,800 Units.

#### **Chetak Business:**

- Chetak sales breached the 10,000 mark and retail market share increased from 4% in FY23 to 14% as of Q3FY24.
- The company introduced new premium variant with expanded range and tech features.
- The company is aiming to breach the 15,000 mark in Q4FY24.
- Chetak's export strategy involves a three-horizon approach for market entry, with launches expected in the H1FY25.

#### **Triumph Business:**

- Triumph Scrambler 400X received a good response. There are plans to grow footprint to over 100 cities which is expected to cover 50% or more of the market for Triumph motorcycles.
- There are plans to increase capacity from 10,000 to 30,000 units in the next year.

#### **Upcoming Product Launches:**

- The company is planning to expand the product line with a new offering in early Q1FY25.
- Focus on identifying nascent segments for strategic product launches instead of flooding the market with variants.
- A larger Pulsar model is expected in the H1FY25.

#### **PLI Certification and Electric Portfolio:**

- PLI certification applications for electric 2Ws and 3Ws are in advanced stages with the testing agency.
- The certification is expected to be obtained in Q4, focussing on electric passenger and cargo 3Ws and the Chetak model.

## Quarterly result summary

Standalone (INR mn)	Q3FY24	Q2FY24	Q3FY23	YoY (%)	QoQ (%)
Net sales	121,135	107,773	93,151	30.0	12.4
- Raw material	86096	76511	65775	30.9	12.5
(% of net sales)	71	71	70.6	46bps	8bps
- Staff expenditure	3845.6	3816.1	3511	9.5	(0.7)
(% of net sales)	3.2	3.5	3.8	-59bps	-37bps
- Other expenditure	6895.2	6117.5	6096.7	1.0	9.4
(% of net sales)	5.7	5.7	6.5	-85bps	2bps
Total expenditure	96,836	86,444	75,383	28.5	12.0
EBITDA	24,299	21,329	17,768	36.8	13.9
EBITDA Margin (%)	20.1	19.8	19.1	98bps	27bps
Depreciation	881.2	876.3	739.5	19.2	0.6
EBIT	23,418	20,452	17,029	37.5	14.5
Interest	121	65.3	84.8	42.7	85.3
Other Income	3461.1	3613.5	2691.2	28.6	(4.2)
PBT	26,758	24,000	19,635	36.3	11.5
Tax	6338.8	5639	4720.8	34.3	12.4
Adjusted PAT	20418.8	18361.4	14,914	36.9	11.2
Reported PAT	20418.8	18361.4	14914	36.9	11.2
Adjusted EPS (INR)	72.20	64.90	52.70	37.0	11.2
Total Volumes (Nos)	1,200,997	1,053,953	983,276	22.1	14.0
Net Realisation (INR)	100,862	102,256	94,736	6.5	(1.4)
EBITDA / Vehicle (INR)	20,232	20,237	18,070	12.0	(0.02)
<b>Geographical mix</b>					
	Q3FY24	Q2FY24	Q3FY23	YoY(%)	QoQ (%)
Revenues (INRm):					
Domestic	94581	56250	65,569	44.2	68.1
Exports	26554	32797	27,582	(3.7)	(19.0)
Total	121135	89047	93,151	30.0	36.0
Volumes (In nos):					
Domestic	778,281	637,556	544,188	43.0	22.1
Exports	422,716	416,397	439,088	(3.7)	1.5
Total	1,200,997	1,053,953	983,276	22.1	14.0
Realisations (INR):					
Domestic	121,526	88,228	120,490	0.9	37.7
Exports	62,817	78,764	62,817	(0.0)	(20.2)
Total	100,862	84,489	94,736	6.5	19.4

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

## Financials (Standalone):

Profit & Loss Statement (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>364,276</b>	<b>445,991</b>	<b>482,755</b>	<b>528,147</b>
Growth, %	10	22.43	8.2	9.4
RM expenses	260,548	308,626	333,101	363,365
Employee expenses	14,449	15,894	17,134	18,470
Other expenses	23,788	34,341	37,365	41,195
<b>EBITDA (Core)</b>	<b>65,491</b>	<b>87,130</b>	<b>95,155</b>	<b>105,116</b>
Growth, %	25	33	9	10
Margin, %	18.0	19.5	19.7	19.9
Depreciation	2,824	3,015	3,351	3,423
<b>EBIT</b>	<b>62,667</b>	<b>84,115</b>	<b>91,804</b>	<b>101,693</b>
Growth, %	26	34	9	11
Margin, %	17.2	18.9	19.0	19.3
<b>Other income</b>	<b>11,814</b>	<b>13,586</b>	<b>13,722</b>	<b>13,859</b>
Interest paid	395	413	433	454
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>74,086.4</b>	<b>97,289</b>	<b>105,094</b>	<b>115,098</b>
Tax provided	17,810	23,836	25,748	26,473
<b>Profit after tax</b>	<b>56,276</b>	<b>73,453</b>	<b>79,346</b>	<b>88,626</b>
Exceptional Items	-	-	-	-
<b>Net Profit</b>	<b>56,276</b>	<b>73,453</b>	<b>79,346</b>	<b>88,626</b>
Growth, %	12	31	8	12
<b>Net Profit (adjusted)</b>	<b>56,276</b>	<b>73,453</b>	<b>79,346</b>	<b>88,626</b>

Balance Sheet (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
Cash & bank	2,858	27,071	61,592	104,915
Investments	229,233	231,526	233,841	236,179
Debtors	17,761	20,404	22,086	24,163
Inventory	13,979	16,558	17,922	19,608
Loans & advances	59	59	59	59
Other current assets	19,408	19,796	20,192	20,596
<b>Total current assets</b>	<b>54,064</b>	<b>83,887</b>	<b>121,852</b>	<b>169,340</b>
Gross fixed assets	69,113	77,113	85,113	93,113
Less: Depreciation	44,360	47,374	50,725	54,148
Add: Capital WIP	819	819	819	819
<b>Net fixed assets</b>	<b>25,572</b>	<b>30,557</b>	<b>35,207</b>	<b>39,783</b>
<b>Total assets</b>	<b>259,011</b>	<b>292,850</b>	<b>332,582</b>	<b>381,657</b>
Current liabilities	49,154	52,402	57,585	62,899
Provisions	704	718	732	747
<b>Total current liabilities</b>	<b>49,858</b>	<b>53,120</b>	<b>58,318</b>	<b>63,646</b>
Non-current liabilities	209,153	239,730	274,264	318,011
<b>Total liabilities</b>	<b>4,753</b>	<b>4,753</b>	<b>4,753</b>	<b>4,753</b>
Paid-up capital	2,830	2,830	2,830	2,894
Reserves & surplus	251,429	285,268	324,999	374,010
Shareholders' equity	254,259	288,097	327,829	376,904
<b>Total equity &amp; liabilities</b>	<b>259,011</b>	<b>292,850</b>	<b>332,582</b>	<b>381,657</b>

Cash Flow (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
<b>Pre-tax profit</b>	<b>74,086</b>	<b>97,289</b>	<b>105,094</b>	<b>63,612</b>
Depreciation	2,824	3,015	3,351	3,423
Chg in working capital	7,424	-2,348	1,755	468
Total tax paid	-19,184	-23,836	-25,748	-26,473
<b>CFO</b>	<b>41,917</b>	<b>48,119</b>	<b>57,440</b>	<b>51,530</b>
Capital expenditure	-9,204	-8,000	-8,000	-8,000
Chg in marketable securities	-	-	-	-
Chg in investments	8,954	-2,292	-2,315	-2,338
<b>CFI</b>	<b>11,565</b>	<b>3,294</b>	<b>3,407</b>	<b>3,521</b>
Free cash flow	32,713	40,119	49,440	43,530
Debt raised/(repaid)	(28.40)	-	-	-
Dividend (incl. tax)	-39,614	-39,614	-39,614	-39,614
<b>CFF</b>	<b>-40,102</b>	<b>-40,027</b>	<b>-40,047</b>	<b>-40,068</b>
<b>Net chg in cash</b>	<b>13,380</b>	<b>11,385</b>	<b>20,800</b>	<b>14,983</b>
Opening cash balance	5,883	2,858	27,071	61,592
<b>Closing cash balance</b>	<b>2,858</b>	<b>27,071</b>	<b>61,592</b>	<b>104,915</b>

Ratios (Standalone)				
Particulars	FY23	FY24E	FY25E	FY26E
EPS (INR)	197.3	259.6	280.4	313.2
PER (x)	36.6	27.8	25.7	23.0
Price/Book (x)	8.0	7.1	6.2	5.4
EV/EBITDA (x)	15.8	18.4	16.6	14.8
EV/Net sales (x)	4.4	3.9	3.6	3.2
RoE (%)	21.6	27.1	25.8	25.2
RoCE (%)	28	36	34	32
Fixed Asset turnover (x)	5.3	5.8	5.7	5.7
Dividend Yield (%)	1.9	1.9	1.9	1.9
Receivable (days)	17	17	17	17
Inventory (days)	17	17	16	17
Payable (days)	50	44	44	44
Net D/E ratio (x)	(0.8)	(0.8)	(0.8)	(0.8)

Source: Arihant Research, Company Filings,

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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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