

**CMP: INR 8,805**

**Rating: Accumulate**

**Target Price: INR 9,901**

**Stock Info**

BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.NS
Sector	Auto-2&3 wheelers
Face Value (INR)	10
Equity Capital (INR mn)	2,792
Mkt Cap (INR Mn)	25,30,248
52w H/L (INR)	9,356/4,177
Avg Yearly Vol (in 000')	485

**Shareholding Pattern %**

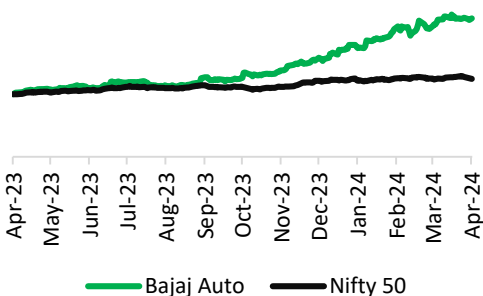
(As on December, 2023)

Promoters	54.95
Public & Others	45.06

**Stock Performance (%) 1M 6M 12M**

Bajaj Auto	5.8	27.3	120.8
Nifty 50	-0.2	2.4	24.5

**Bajaj Auto Vs Nifty**



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Bajaj Auto reported standalone revenue stood at INR 114,847 Mn, above our estimate of INR 110,955 Mn registering a growth of 29% YoY/-5.2% QoQ led by growth in domestic performance more than made up for muted exports which continued to be impacted by the challenging context in overseas markets. EBITDA stood at INR 23,063 Mn, above our estimate of INR 21,915 Mn, registering a growth of 34.4%YoY/ -5.1%QoQ. On the margins front, EBITDA margin expansion by 235 bps YoY/ 2bps QoQ to 20.1%, above our estimate of 19.8%, led by driven by the better realization and a richer product mix. Standalone PAT grew 35.1%YoY/-5.2%QoQ to INR 19,360 Mn above our estimate of INR 17,350 Mn. EPS stood at INR 68.5 in Q4FY24 against INR 72.2 in Q3FY24 (INR 50.7 in Q4FY23). Commercial vehicles surge ahead, having grown >50% YoY, well ahead of the industry.

**Key rationale**

**Navigating Industry Transitions: Impact on Company Performance:** Industry volumes crossed 100k units due to advanced buying following subsidy reductions. The transition from the FAME subsidy to the EMPS scheme in April 2024 coincided with company starting April with an inventory of 7,500 units of Chetak and e-3Ws, resulting in a company impact of ~INR 200Mn. Despite receiving PLI certificates for both Chetak models, profitability at the unit level remains challenging, prompting cost-control efforts through localization.

**Collaborative Growth Initiatives ;Triumph:** Company plans to increase its store count to 150 by the H1FY25, while Triumph has gained up to 20% MS in select southern markets but faces slower expansion in northern markets. Company supports Triumph UK, having exported 19k units to 57 countries, with plans to ramp up capacity to 10k units per month by the H1FY25.

**Export Performance:** Company observes a partial rebound in regions like LATAM and ASEAN, demand remains subdued in several critical markets such as Nigeria, Bangladesh, Kenya, Egypt, and Argentina. These markets still grapple with challenges related to forex availability and significant inflation, casting uncertainty over company's export prospects, even into FY25.

**Outlook and valuation**

In FY25, Bajaj Motor is poised to expand its share in domestic motorcycles, driven by demand shifting towards the 125cc+ segment and a strong launch pipeline. However, export demand remains uncertain due to geopolitical factors, while 3W ICE demand is expected to stabilize.

Additionally, domestic 2W industry volumes are projected to grow by 7-8%, with domestic 3W volumes maintaining momentum due to the shift to CNG and e-autos. Export recovery for 2Ws is anticipated, and the opening of the Egypt market will provide some relief for subdued 3W volumes. We value Bajaj Auto at a P/E of 25x to its FY 27E EPS of INR for a fair value of INR 9,635 and INR 266 for KTM stock valuation to arrive at a final target price of INR 9,901 using the SOTP method for Bajaj's stake in KTM. We maintain our Accumulate our rating on the stock.

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY23	3,64,276	65,491	56,276	197.3	17.98	44.6
FY24	4,46,852	88,229	74,788	264.6	19.74	33.3
FY25E	5,11,054	1,02,296	86,594	306.0	20.02	28.8
FY26E	5,83,335	1,18,633	1,00,111	353.8	20.34	24.9
FY27E	6,40,326	1,31,855	1,11,526	385.4	20.59	22.8

Source: Arihant Research, Company Filings

**Q4FY24 Conference call**

2W sales led by strong growth in 125cc+ segment, particularly Pulsar brand. Six new Pulsar models to be launched in H1FY25, including the biggest Pulsar ever. Plans to launch the world's first CNG motorcycle targeting mileage-conscious commuter segment (100-125cc). 3W business maintained 78% MS, driven by CNG and e-autos.

**EV business**

Chetak scooter sales reached record highs, achieved no. 3 position in the market. Expansion of Chetak dealership network to 600 stores in H1FY25. Launch of a new Chetak model in Q1FY25. Cost rationalization efforts underway to improve EV profitability.

**Export business**

Challenges persist in key export markets due to macroeconomic factors. Exports volume up 20% YoY, driven by higher realization and richer product mix. Commencing exports of Qute quadricycle to Egypt after regulatory approval from April.

**Triumph motorcycles**

Focused on scaling up domestic network to 150 stores in H1FY25. Supporting Triumph UK in expanding business in overseas markets (exported over 19,000 units to 57 countries).

**Product pipeline**

Significant focus on new product launches, with 9 new models launched in FY24 across 125-250cc range. Plans to introduce big bikes (KTM) in select cities and invest in developing the sports category. Investing behind the Qute (quadricycle) platform, including developing CNG and electric variants.

**3W EVs**

E-autos (L5 category) now contribute over 10% to the overall 3W industry volumes. Plan to rapidly scale up EV 3W presence, targeting markets where ICE 3Ws are restricted (45% of industry). In Q1FY25, Bajaj aims to more than double their EV 3W network, adding 1 store every two days.

**Capex**

Gross capex of around INR 7,000-8,000 Mn in FY24, primarily towards capacity and capability enhancement in EVs, 3Ws, and premium motorcycles. Investing in fundamental development of the sports motorcycle category in partnership with KTM Austria.

**Other highlights**

- Captive financing arm (Bajaj Auto Credit Limited) commenced operations, plans to cover 100% territory by FY25-end.
- Approved capital infusion of INR 22,500 Mn in a phased manner for Bajaj Auto Credit Limited.
- Expansion of Triumph motorcycle business in domestic and export markets.
- New plant in Brazil to start production by June 2024 to cater to pent-up demand.
- Pricing actions taken from Q1FY25 to offset increases in aluminum and copper prices.
- Chaser Technology Ltd to become the fountainhead for creating cutting-edge technologies for Bajaj, not just EVs but also non-EV products.
- KTM brand had its highest ever sales year, and the company expects that the new generation KTM and Husqvarna models should help build on this in FY25.

## Quarterly result summary

Standalone (INR mn)	Q4FY24	Q3FY24	Q4FY23	YoY (%)	QoQ (%)
Net sales	1,14,847	1,21,135	89047.2	29.0	(5.2)
- Raw material	80702	86096	62134.9	29.9	(6.3)
(% of net sales)	70	71	69.8	49bps	-81bps
- Staff expenditure	3872.3	3845.6	3620.2	7.0	0.7
(% of net sales)	3.4	3.2	4.1	-69bps	20bps
- Other expenditure	7210.3	6895.2	6126.4	17.7	4.6
(% of net sales)	6.3	5.7	6.9	-60bps	59bps
Total expenditure	91,784	96,836	71,882	27.7	(5.2)
EBITDA	23,063	24,299	17,166	34.4	(5.1)
EBITDA Margin (%)	20.1	20.1	19.3	80bps	2bps
Depreciation	905.6	881.2	741.6	22.1	2.8
EBIT	22,157	23,418	16,424	34.9	(5.4)
Interest	227.8	121	157.4	44.7	88.3
Other Income	3486.6	3461.1	2598.3	34.2	0.7
PBT	25,416	26,758	18,865	34.7	(5.0)
Tax	6055.7	6338.8	4536.2	33.5	(4.5)
Adjusted PAT	19360	20418.8	14328.8	35.1	(5.2)
Reported PAT	19360	20418.8	14328.8	35.1	(5.2)
Adjusted EPS (INR)	72.20	72.20	50.7	42.4	0.0
Total Volumes (Nos)	10,68,576	12,00,997	8,57,788	24.6	(11.0)
Net Realisation (INR)	1,07,476	1,00,862	1,03,810	3.5	6.6
EBITDA / Vehicle (INR)	21,582	20,232	20,012	7.8	6.7

Geographical mix	Q4FY24	Q3FY24	Q4FY23	YoY(%)	QoQ (%)
Revenues (INRm):					
Domestic	81616	94581	56250	45.1	(13.7)
Exports	26157	26554	32797	(20.2)	(1.5)
Total	107773	121135	89047	21.0	(11.0)
Volumes (In nos):					
Domestic	6,57,330	7,78,281	3,35,683	95.8	(15.5)
Exports	4,11,246	4,22,716	5,22,105	(21.2)	(2.7)
Total	10,68,576	12,00,997	8,57,788	24.6	(11.0)
Realisations (INR):					
Domestic	1,24,163	1,21,526	1,67,569	(25.9)	2.2
Exports	63,604	62,817	62,817	1.3	1.3
Total	1,00,856	1,00,862	1,03,810	(2.8)	(0.0)

## Snapshot of Annual Volume

Category: Sub-segment	FY18	FY19	FY20	FY20	FY22	FY23	FY24
<b>2-WHEELERS</b>							
DOMESTIC	1974577	2541320	2078348	2078348	1641084	1803776	2250585
EXPORTS	1394757	1695553	1869220	1869220	2195772	1636956	1477338
SUB-TOTAL	3369334	4236873	3947568	3947568	3836856	3440732	3727923
YoY		26%	-7%	0%	-3%	-10%	8%
<b>COMMERCIAL VEHICLES</b>							
DOMESTIC	369637	399453	365759	365759	160723	300734	464138
EXPORTS	267820	383177	301885	301885	310854	184284	158872
SUB-TOTAL	637457	782630	667644	667644	471577	485018	623010
YoY		23%	-15%	0%	-29%	3%	28%
<b>TOTAL (2-WH + CV)</b>							
DOMESTIC	2344214	2940773	2444107	2444107	1801807	2104510	2714723
YoY		25%	-17%	0%	-26%	17%	29%
% of total volumes			53%	53%	42%	54%	62%
EXPORTS	1662577	2078730	2171105	2171105	2506626	1821240	1636210
YoY		25%	4%	0%	15%	-27%	-10%
% of total volumes			47%	47%	58%	46%	38%
TOTAL	4006791	5019503	4615212	4615212	4308433	3925750	4350933
YoY		25%	-8%	0%	-7%	-9%	11%

Source: Arianth Research, Company Filings

## Financials (Standalone):

Profit & Loss Statement (Standalone)					
Particulars (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>3,64,276</b>	<b>4,46,852</b>	<b>5,11,054</b>	<b>5,83,335</b>	<b>6,40,326</b>
Growth, %	10	22.67	14.4	14.1	9.8
RM expenses	2,60,548	3,17,434	3,52,628	4,01,334	4,39,264
Employee expenses	14,449	15,376	16,575	17,868	19,261
Other expenses	23,788	25,813	39,556	45,500	49,945
<b>EBITDA (Core)</b>	<b>65,491</b>	<b>88,229</b>	<b>1,02,296</b>	<b>1,18,633</b>	<b>1,31,855</b>
Growth, %	25	35	16	16	11
Margin, %	18.0	19.7	20.0	20.3	20.6
Depreciation	2,824	3,498	3,351	3,423	3,640
<b>EBIT</b>	<b>62,667</b>	<b>84,731</b>	<b>98,946</b>	<b>1,15,209</b>	<b>1,28,216</b>
Growth, %	26	35	17	16	11
Margin, %	17.2	19.0	19.4	19.8	20.0
<b>Other income</b>	<b>11,814</b>	<b>14,025</b>	<b>15,427</b>	<b>16,970</b>	<b>19,006</b>
Interest paid	395	535	433	454	477
Non-recurring Items	-	-	-	-	-
<b>Pre-tax profit</b>	<b>74,086.4</b>	<b>98,220</b>	<b>1,13,940</b>	<b>1,31,725</b>	<b>1,46,744</b>
Tax provided	17,810	23,432	27,346	31,614	35,219
<b>Profit after tax</b>	<b>56,276</b>	<b>74,788</b>	<b>86,594</b>	<b>1,00,111</b>	<b>1,11,526</b>
Exceptional Items	-	-	-	-	-
<b>Net Profit</b>	<b>56,276</b>	<b>74,788</b>	<b>86,594</b>	<b>1,00,111</b>	<b>1,11,526</b>
Growth, %	12	33	16	16	11
<b>Net Profit (adjusted)</b>	<b>56,276</b>	<b>74,788</b>	<b>86,594</b>	<b>1,00,111</b>	<b>1,11,526</b>

Balance Sheet (Standalone)					
Particulars (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash & bank	2,858	5,366	35,438	50,699	79,422
Investments	2,29,233	2,41,905	2,41,905	2,70,934	2,98,027
Debtors	17,761	21,224	24,273	27,706	30,413
Inventory	13,979	16,956	19,392	22,135	24,298
Loans & advances	59	68	68	68	68
Other current assets	19,408	18,300	18,666	19,040	19,420
<b>Total current assets</b>	<b>54,064</b>	<b>61,915</b>	<b>97,838</b>	<b>1,19,649</b>	<b>1,53,621</b>
Gross fixed assets	69,113	77,113	85,113	93,113	1,01,113
Less: Depreciation	44,360	47,858	51,209	54,632	58,056
Add: Capital WIP	819	249	249	249	249
<b>Net fixed assets</b>	<b>25,572</b>	<b>29,504</b>	<b>34,153</b>	<b>38,730</b>	<b>43,306</b>
<b>Total assets</b>	<b>2,59,011</b>	<b>2,55,001</b>	<b>2,85,759</b>	<b>3,30,136</b>	<b>3,86,183</b>
Current liabilities	49,154	77,341	86,208	97,209	1,06,765
Provisions	704	1,891	1,928	1,967	2,006
<b>Total current liabilities</b>	<b>49,858</b>	<b>79,232</b>	<b>88,136</b>	<b>99,176</b>	<b>1,08,771</b>
Non-current liabilities	2,09,153	1,75,769	1,97,623	2,30,961	2,77,412
<b>Total liabilities</b>	<b>4,753</b>	<b>6,396</b>	<b>6,396</b>	<b>6,396</b>	<b>6,753</b>
Paid-up capital	2,830	2,792	2,792	2,894	2,894
Reserves & surplus	2,51,429	2,45,813	2,76,572	3,20,846	3,76,536
Shareholders' equity	2,54,259	2,48,605	2,79,363	3,23,740	3,79,430
<b>Total equity &amp; liabilities</b>	<b>2,59,011</b>	<b>2,55,001</b>	<b>2,85,759</b>	<b>3,30,136</b>	<b>3,86,183</b>

Source: Arihant Research, Company Filings,

## Financials (Standalone):

Cash Flow (Standalone)					
Particulars (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	74,086	98,220	1,13,940	63,612	1,46,744
Depreciation	2,824	3,498	3,351	3,423	3,640
Chg in working capital	7,424	24,032	3,053	4,490	4,345
Total tax paid	-19,184	-23,826	-27,346	-31,614	-35,219
<b>CFO</b>	<b>41,917</b>	<b>74,512</b>	<b>6,545</b>	<b>59,112</b>	<b>68,380</b>
Capital expenditure	-9,204	-7,430	-8,000	-8,000	-8,000
Chg in marketable securities	-	-	-	-	-
Chg in investments	8,954	-12,672	0	-29,029	-27,093
<b>CFI</b>	<b>11,565</b>	<b>-5,168</b>	<b>6,518</b>	<b>-20,059</b>	<b>-16,087</b>
Free cash flow	32,713	67,082	-1,455	51,112	60,380
Debt raised/(repaid)	(28.40)	-	-	-	-
Dividend (incl. tax)	-39,614	-22,334	-55,836	-55,836	-55,836
<b>CFF</b>	<b>-40,102</b>	<b>-22,907</b>	<b>-56,269</b>	<b>-56,290</b>	<b>-56,313</b>
<b>Net chg in cash</b>	<b>13,380</b>	<b>46,436</b>	<b>-43,206</b>	<b>-17,237</b>	<b>-4,021</b>
Opening cash balance	5,883	2,858	5,366	35,438	50,699
<b>Closing cash balance</b>	<b>2,858</b>	<b>5,366</b>	<b>35,438</b>	<b>50,699</b>	<b>79,422</b>

Ratios (Standalone)					
Particulars	FY23	FY24	FY25E	FY26E	FY27E
EPS (INR)	197.3	264.6	306.0	353.8	385.4
PER (x)	44.6	33.3	28.8	24.9	22.8
Price/Book (x)	9.8	10.0	8.9	7.7	6.7
EV/EBITDA (x)	19.7	22.7	19.4	16.5	14.8
EV/Net sales (x)	5.5	5.0	4.3	3.7	3.3
RoE (%)	21.6	29.7	32.8	33.2	31.7
RoCE (%)	28	39	42	43	41
Fixed Asset turnover (x)	5.3	5.8	6.0	6.3	6.3
Dividend Yield (%)	1.6	0.9	2.2	2.2	2.2
Receivable (days)	17	18	18	18	18
Inventory (days)	17	17	16	17	18
Payable (days)	50	57	56	56	56
Net D/E ratio (x)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)

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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