

April 28, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,120		4,005	
Sales (Rs. m)	3,68,103	4,11,078	3,70,203	4,10,361
% Chng.	(0.6)	0.2		
EBITDA (Rs. m)	59,265	71,528	62,934	73,865
% Chng.	(5.8)	(3.2)		
EPS (Rs.)	204.1	242.3	207.5	250.3
% Chng.	(1.7)	(3.2)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,77,411	3,31,447	3,68,103	4,11,078
EBITDA (Rs. m)	49,285	52,587	59,265	71,528
Margin (%)	17.8	15.9	16.1	17.4
PAT (Rs. m)	48,609	53,552	59,050	70,126
EPS (Rs.)	168.0	185.1	204.1	242.3
Gr. (%)	(10.3)	10.2	10.3	18.8
DPS (Rs.)	140.0	140.0	128.1	153.9
Yield (%)	3.7	3.7	3.3	4.0
RoE (%)	21.5	20.6	21.8	25.0
RoCE (%)	20.5	19.1	20.7	24.3
EV/Sales (x)	4.0	3.3	2.9	2.6
EV/EBITDA (x)	22.4	21.0	18.3	15.1
PE (x)	22.8	20.7	18.8	15.8
P/BV (x)	4.4	4.2	4.0	3.9

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.4,348 / Rs.3,027
Sensex / Nifty	57,521 / 17,245
Market Cap	Rs.1,110bn / \$ 14,506m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.1436.25m

Shareholding Pattern (%)

Promoter's	53.77
Foreign	10.49
Domestic Institution	13.17
Public & Others	22.57
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.0	3.6	(1.4)
Relative	4.1	8.1	(14.8)

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Deferral of RM cost to impact margins in 1HFY23

Quick Pointers:

- RM cost deferred in 4Q; cost inflation of ~3.5-4% to impact margins in 1HFY23.
- 15-20% shortfall in semiconductor requirements to impact premium bikes volume.

Bajaj Auto's 4QFY22 EBITDA margin surprised positively at 17.1% (+190bps QoQ, PLe: 14.9%) driven by 1) deferral of raw material cost (RM cost at 71.9% of sales vs 74.7% QoQ), 2) positive impact of price increase, 3) improved USD realization in exports and 4) favorable sales mix. Deferred RM cost will cause an impact of 3.5-4% in 1QFY23, against which ~1.5% price hike taken in Apr22.

We remain positive on BJAUT's growth prospects as (1) domestic 2W volumes are expected to grow in near-term led by marriage season, opening up of colleges and offices (however genuine demand needs to be monitored post Jun-22), (2) exports demand will likely remain steady and (3) 3W volumes (+28% in FY22) to pick-up momentum post opening up of the economy and increasing CNG demand. Considering near-term risks like commodity cost inflation and chip shortage, we trim our margin estimates by 90/60bps for FY23/24. Maintain 'ACCUMULATE', with a revised TP of Rs 4,120 at 17x FY24E EPS (earlier 16x) on improving domestic outlook for 2Ws and 3Ws, along with increasing volumes of EVs.

- 3QFY22 performance:** Volumes at 976k units declined by 17% YoY & QoQ. Revenue at Rs 79.7bn (-7/-12% YoY/QoQ) came in above our estimates of Rs 75bn driven by higher ASPs at Rs 81.6k (11/7%). This growth was led by higher share of exports (60% of total volumes vs 56% QoQ), improved USD realization and multiple price hikes over the year. EBITDA margin at 17.1% surprised positively (+190bps QoQ, -60bps YoY, PLe: 14.9%) driven by deferral of material cost (RM costs at 71.9% of sales vs 74.7% QoQ). BJAUT reported PAT of Rs 14.5bn which included incentives of Rs 3.15bn towards state's package incentive scheme. Adj PAT came in at Rs 12bn vs PLe: Rs 10bn.
- Key takeaways: (1) Cost inflation pushed to 1HFY23:** With deferral of RM cost in 4Q, management highlighted cost inflation of 3.5-4% in 1QFY23. Against this, a price hike of ~1.5% has already been taken in Apr-22. **(2) Supply side challenges:** The company highlighted 15-20% shortfall in requirement of semiconductors which will impact volumes for higher-end models, in domestic and export markets. **(3) Domestic motorcycle segment:** Though 2W volumes have remained subdued, marriage season is expected to add to retail demand. However, post Jul-22 demand needs to be monitored. Pulsar 250 twin and NS 125 have received strong reception. Bajaj's wholesale market share has remained flat YoY at 18%. **(4) Exports:** Exports have remained steady with record volume of 2.5mn in FY22. Market share for the company has grown by 2% across all markets. **(5) 3W segment:** The company is a leader in all segments (passenger and cargo) with a 70% retail share. Rising fuel cost is aiding demand for CNG-3W (77% market share).

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e Mar (Rs.mn)	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22E	FY21	YoY gr. (%)
Net Revenues	79,748	85,961	(7.2)	90,217	(11.6)	3,31,447	2,77,411	19.5
Raw Materials	57,357	61,767	(7.1)	67,433	(14.9)	2,43,298	1,96,097	24.1
<i>% of Net Sales</i>	<i>71.9</i>	<i>71.9</i>		<i>74.7</i>		<i>73.4</i>	<i>70.7</i>	
Personnel	3,059	3,070	(0.4)	3,399	(10.0)	13,588	12,860	5.7
<i>% of Net Sales</i>	<i>3.8</i>	<i>3.6</i>		<i>3.8</i>		<i>4.1</i>	<i>4.6</i>	
Manufacturing & Other Exp	5,677	5,884	(3.5)	5,664	0.2	21,975	19,170	14.6
<i>% of Net Sales</i>	<i>7.1</i>	<i>6.8</i>		<i>6.3</i>		<i>6.6</i>	<i>6.9</i>	
Total Expenditure	66,092	70,720	(6.5)	76,495	(13.6)	2,78,861	2,28,126	22.2
EBITDA	13,656	15,241	(10.4)	13,721	(0.5)	52,586	49,285	6.7
<i>EBITDA Margin (%)</i>	<i>17.1</i>	<i>17.7</i>		<i>15.2</i>		<i>15.9</i>	<i>17.8</i>	
Depreciation	697	662	5.3	698	(0.2)	2,692	2,593	3.8
EBIT	12,959	14,579	(11.1)	13,023	(0.5)	49,895	46,692	6.9
Interest Expenses	29	20	41.2	18	60.9	87	67	30.0
Non-operating income	2,889	2,836	1.9	2,728	5.9	12,092	12,765	(5.3)
Extraordinary Expenses	(3,153)	-		-		(3,153)	-	
PBT	18,972	17,395	9.1	15,733	20.6	65,053	59,390	9.5
Tax-Total	4,282	4,074	5.1	3,591	19.3	14,865	13,844	7.4
<i>Tax Rate (%) - Total</i>	<i>22.6</i>	<i>23.4</i>	<i>(3.6)</i>	<i>22.8</i>		<i>22.8</i>	<i>23.3</i>	<i>(2.0)</i>
Reported PAT	14,690	13,321	10.3	12,142	21.0	50,189	45,546	10.2
Adj. PAT	12,248	13,321	(8.1)	12,142	0.9	47,756	45,546	4.9
<i>PAT Margin (%)</i>	<i>15.4</i>	<i>15.5</i>		<i>13.5</i>		<i>14.4</i>	<i>16.4</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e Mar (Rs.mn)	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22E	FY21	YoY gr. (%)
Sales Volume (nos)	9,76,651	11,69,664	(16.5)	11,81,361	(17.3)	43,08,433	39,72,914	8.4
Net Realisation/Vehicle	81,655	73,492	11.1	76,367	6.9	76,930	69,826	10.2
Material cost / vehicle	58,729	52,807	11.2	57,080	2.9	56,470	49,358	14.4
Gross Profit / vehicle	22,926	20,685	10.8	19,286	18.9	20,460	20,467	(0.0)
Employee cost /vehicle	3,132	2,624	19.3	2,877	8.9	3,154	3,237	(2.6)
Other expenses / vehicle	5,812	5,030	15.5	4,795	21.2	5,100	4,825	5.7
EBITDA/vehicle	13,982	13,030	7.3	11,615	20.4	12,205	12,405	(1.6)
Net Profit/vehicle	15,041	11,388	32.1	10,278	46.3	11,649	11,464	1.6

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	2,77,411	3,31,447	3,68,103	4,11,078
YoY gr. (%)	(7.3)	19.5	11.1	11.7
Cost of Goods Sold	1,96,097	2,43,298	2,68,715	2,95,976
Gross Profit	81,314	88,149	99,388	1,15,102
Margin (%)	29.3	26.6	27.0	28.0
Employee Cost	12,860	13,588	15,092	16,854
Other Expenses	19,170	21,974	25,031	26,720
EBITDA	49,285	52,587	59,265	71,528
YoY gr. (%)	(3.3)	6.7	12.7	20.7
Margin (%)	17.8	15.9	16.1	17.4
Depreciation and Amortization	2,593	2,692	2,837	3,102
EBIT	46,692	49,895	56,427	68,425
Margin (%)	16.8	15.1	15.3	16.6
Net Interest	67	87	78	60
Other Income	12,765	12,092	12,886	14,835
Profit Before Tax	59,390	65,054	69,235	83,200
Margin (%)	21.4	19.6	18.8	20.2
Total Tax	13,844	14,865	16,270	19,585
Effective tax rate (%)	23.3	22.8	23.5	23.5
Profit after tax	45,546	50,189	52,965	63,615
Minority interest	-	-	-	-
Share Profit from Associate	3,063	5,795	6,085	6,511
Adjusted PAT	48,609	53,552	59,050	70,126
YoY gr. (%)	(10.3)	10.2	10.3	18.8
Margin (%)	17.5	16.2	16.0	17.1
Extra Ord. Income / (Exp)	-	2,432	-	-
Reported PAT	48,609	55,985	59,050	70,126
YoY gr. (%)	(10.3)	15.2	5.5	18.8
Margin (%)	17.5	16.9	16.0	17.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	48,609	55,985	59,050	70,126
Equity Shares O/s (m)	289	289	289	289
EPS (Rs)	168.0	185.1	204.1	242.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	43,269	48,661	56,429	66,429
Tangibles	43,269	48,661	56,429	66,429
Intangibles	-	-	-	-
Acc: Dep / Amortization	26,620	29,312	32,149	35,251
Tangibles	26,620	29,312	32,149	35,251
Intangibles	-	-	-	-
Net fixed assets	16,649	19,349	24,280	31,178
Tangibles	16,649	19,349	24,280	31,178
Intangibles	-	-	-	-
Capital Work In Progress	160	768	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	2,26,310	2,38,188	2,43,188	2,43,188
Net Deferred tax assets	(5,221)	(4,033)	(4,033)	(4,033)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	14,939	12,305	20,170	22,525
Trade receivables	27,169	15,164	21,179	23,651
Cash & Bank Balance	5,274	5,488	26,866	31,773
Other Current Assets	24,431	27,870	21,179	23,651
Total Assets	3,15,302	3,19,219	3,58,354	3,77,517
Equity				
Equity Share Capital	2,894	2,894	2,894	2,894
Other Equity	2,49,129	2,63,794	2,72,195	2,82,284
Total Network	2,52,023	2,66,688	2,75,088	2,85,178
Non-Current Liabilities				
Long Term borrowings	1,606	1,591	1,511	1,511
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	45,738	36,332	60,510	67,574
Other current liabilities	10,714	10,576	17,211	19,220
Total Equity & Liabilities	3,15,302	3,19,219	3,58,354	3,77,517

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	59,390	65,054	69,235	83,200
Add. Depreciation	2,593	2,692	2,837	3,102
Add. Interest	67	87	78	60
Less Financial Other Income	12,765	12,092	12,886	14,835
Add. Other	(12,765)	(12,092)	(12,886)	(14,835)
Op. profit before WC changes	49,285	55,740	59,265	71,528
Net Changes-WC	(8,696)	1,939	23,219	1,716
Direct tax	(12,087)	(16,053)	(16,270)	(19,585)
Net cash from Op. activities	28,502	41,626	66,214	53,659
Capital expenditures	(1,810)	(6,000)	(8,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(71)	(167)	(80)	-
Net Cash from Invt. activities	(1,881)	(6,167)	(8,080)	(10,000)
Issue of share cap. / premium	55,917	13,171	-	-
Debt changes	-	-	-	-
Dividend paid	(48,695)	(48,695)	(44,565)	(53,525)
Interest paid	(67)	(87)	(78)	(60)
Others	-	-	-	-
Net cash from Fin. activities	7,155	(35,611)	(44,642)	(53,586)
Net change in cash	33,776	(151)	13,492	(9,927)
Free Cash Flow	26,692	35,626	58,214	43,659

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	73,860	87,622	90,217	79,748
YoY gr. (%)	139.9	22.4	1.3	(7.2)
Raw Material Expenses	53,944	64,565	67,433	57,357
Gross Profit	19,917	23,057	22,784	22,391
Margin (%)	27.0	26.3	25.3	28.1
EBITDA	11,198	14,011	13,721	13,656
YoY gr. (%)	174.1	10.7	(20.7)	(10.4)
Margin (%)	15.2	16.0	15.2	17.1
Depreciation / Depletion	641	656	698	697
EBIT	10,557	13,355	13,023	12,959
Margin (%)	14.3	15.2	14.4	16.3
Net Interest	23	17	18	29
Other Income	3,293	3,183	2,728	2,889
Profit before Tax	13,827	16,521	15,733	18,972
Margin (%)	18.7	18.9	17.4	23.8
Total Tax	3,215	3,776	3,591	4,282
Effective tax rate (%)	23.3	22.9	22.8	22.6
Profit after Tax	10,612	12,746	12,142	14,690
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,612	12,746	12,142	12,248
YoY gr. (%)	101.0	12.0	(22.0)	(8.1)
Margin (%)	14.4	14.5	13.5	15.4
Extra Ord. Income / (Exp)	-	-	-	2,441
Reported PAT	10,612	12,746	12,142	14,690
YoY gr. (%)	101.0	12.0	(22.0)	10.3
Margin (%)	14.4	14.5	13.5	18.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,612	12,746	12,142	14,690
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	36.7	44.0	42.0	42.3

Source: Company Data, PL Research

Key Financial Metrics

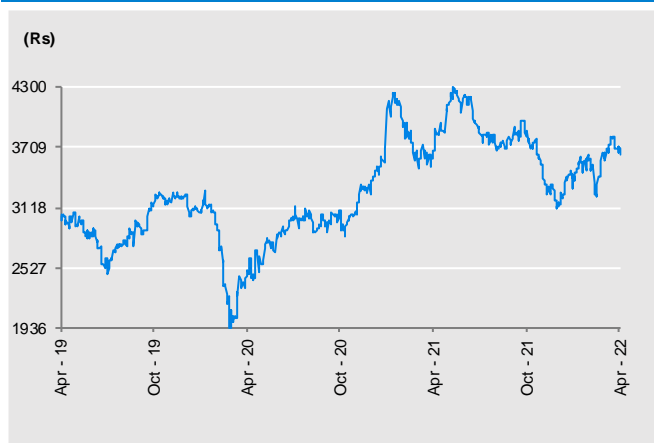
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	168.0	185.1	204.1	242.3
CEPS	176.9	194.4	213.9	253.1
BVPS	870.9	921.6	950.6	985.5
FCF	92.2	123.1	201.2	150.9
DPS	140.0	140.0	128.1	153.9
Return Ratio(%)				
RoCE	20.5	19.1	20.7	24.3
ROIC	16.1	15.1	17.6	20.9
RoE	21.5	20.6	21.8	25.0
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.1)
Net Working Capital (Days)	(5)	(10)	(19)	(19)
Valuation(x)				
PER	22.8	20.7	18.8	15.8
P/B	4.4	4.2	4.0	3.9
P/CEPS	21.7	19.7	17.9	15.2
EV/EBITDA	22.4	21.0	18.3	15.1
EV/Sales	4.0	3.3	2.9	2.6
Dividend Yield (%)	3.7	3.7	3.3	4.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Motorcycle volume (units)	36,05,893	38,36,856	42,64,227	46,53,233
Three-wheeler volume (units)	3,67,021	4,70,055	5,26,462	5,77,715
Net Realisation (Rs/unit)	69,826	76,957	76,837	78,586

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	Accumulate	4,005	3,780
2	20-Jan-22	BUY	3,911	3,309
3	12-Jan-22	BUY	4,057	3,176
4	28-Oct-21	Accumulate	4,223	3,701
5	07-Oct-21	Hold	3,923	3,829
6	22-Jul-21	Hold	3,919	3,853
7	07-Jul-21	Hold	3,927	4,195
8	29-Apr-21	Hold	3,795	3,836

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,005	3,780
3	Bharat Forge	BUY	942	740
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	3,071	2,541
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,200	2,335
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,565
11	Tata Motors	BUY	656	452
12	TVS Motors	BUY	786	651

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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