

# Bajaj Auto

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## Q3 EBITDA beats our estimates; volume growth ahead to lag peers'

- Q3 EBITDA grew by 29% YoY to Rs17.8bn, clocking 10% above our estimate due to higher revenues and gross-margin beat. Revenue increased by 3% to Rs93.2bn, coming in 3% above our estimates on better realizations and spare-part sales. Going forward, we build in 8% volume CAGR over FY23-25E (which is lower than the 11-12% CAGR for peers such as TVSL and EIM), mainly due to higher exposure to overseas markets. Exports is likely to be under pressure in the near term, owing to weak macros, adverse currency movements and USD availability issues in the Africa, South Asia and Latin America regions. In contrast, we expect domestic volumes to grow in double-digits, driven by strong urban demand, better finance availability and favorable base effect. We maintain HOLD on the stock, with TP of Rs4,250/share (Rs4,050 earlier), based on 17x FY25E Core EPS (Dec-24E earlier), value of investments at Rs246/share and cash reserves of Rs607/share.**
- Q3 EBITDA beats estimates:** Revenue grew by 3% YoY at Rs93.2bn (Emkay est.: Rs90.5bn), slightly above estimates owing to better-than-expected realizations and spare-part sales. Volume declined by 17% to 0.98mn units and Realization grew by 24% to Rs94,736/unit, beating our estimates due to better variant mix within models and favorable currency movement. EBITDA grew by 29% to Rs17.8bn (Emkay est.: Rs16.1bn), above our estimates, owing to higher revenues and gross-margin beat. Gross margin expanded by 410bps, driven by price hikes, favorable commodity/currency movement and better product mix. Overall, PAT grew by 23% to Rs14.9bn (Emkay est.: Rs14.2bn), ahead of our expectations on higher operating profit. **What we liked:** 1) Strong margin performance. 2) Q3 domestic 2W product mix improved, with higher share of +125cc category. Within Pulsar 125cc, share of the recently-launched carbon-fiber variant has risen to 85%. The Pulsar 150cc & above category is seeing strong growth owing to recently-launched P150 and N160 versions. **What we did not like:** 1) Q3 exports witnessed a steep decline, and weakness is expected continue in Q4 as well.
- Earnings-call KTAs:** 1) **Exports** are weak in Africa, South Asia and Latin America due to weak macros, adverse currency movement and USD availability issues. In comparison, exports are growing in ASEAN due to pent-up demand. Exports are expected to remain weak in the near term, and Management expects normalcy by end-Q1FY24. 2) In Q4, commodity cost is expected to be flat or slightly increase. 3) Q3 INR-USD realization stood at Rs81.7, an improvement of ~2% QoQ. 4) **In E-2Ws**, Company has plans to launch multiple products across various use-cases in 18 months. E-2Ws are available in 50 cities, and further expansion to 100 cities is expected by Apr-23. 5) **In E-3Ws**, the first model launch is expected by Mar-23. 6) Cash reserves stand at Rs149bn as of Dec-22 vs. Rs155bn in Sep-22.

### Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	277,411	331,447	359,395	393,909	435,487
EBITDA	49,285	52,586	63,528	71,076	78,755
EBITDA Margin (%)	17.8	15.9	17.7	18.0	18.1
APAT	45,546	47,761	55,124	60,013	65,606
EPS (Rs)	157.4	165.1	194.8	212.1	231.9
EPS (% chg)	(10.7)	4.9	18.0	8.9	9.3
ROE (%)	20.2	18.4	21.7	24.6	26.2
P/E (x)	23.6	22.5	19.1	17.5	16.0
EV/EBITDA (x)	17.7	16.4	13.8	12.4	11.2
P/BV (x)	4.3	4.0	4.4	4.3	4.1

Source: Company, Emkay Research

CMP	Target Price
Rs 3,717 as of (January 25, 2023)	Rs 4,250 (▲) 12 months
Rating	Upside
HOLD (■)	14.3 %

#### Change in Estimates

EPS Chg FY23E/FY24E (%)	2.2/(0.5)
Target Price change (%)	4.9
Target Period (Months)	12
Previous Reco	HOLD

#### Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	194.8	212.1
Consensus	197.1	224.3
Mean Consensus TP (12M)	Rs 4,045	

#### Stock Details

Bloomberg Code	BJAUT IN
Face Value (Rs)	10
Shares outstanding (mn)	289
52 Week H/L	4,132 / 3,125
M Cap (Rs bn/USD bn)	1,076 / 13.18
Daily Avg Volume (nos.)	281,526
Daily Avg Turnover (USD mn)	12.6

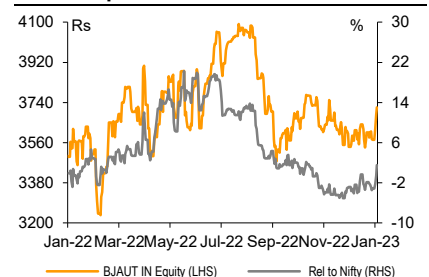
#### Shareholding Pattern Dec '22

Promoters	55.0%
FIIs	11.8%
DIIIs	11.0%
Public and Others	22.2%

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	5	2	(8)	7
Rel. to Nifty	4	-	(14)	3

#### Relative price trend



Source: Bloomberg

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**Exhibit 1: Key revenue assumptions; expect volume CAGR of 8% over FY23-25E**

Volumes (no. of units)	FY21	FY22	FY23E	FY24E	FY25E	FY23-25E CAGR
Domestic 2Ws	1,809,375	1,641,084	1,769,525	1,996,706	2,135,620	10%
- Growth (%)	(12.9)	(9.3)	7.8	12.8	7.0	
Export 2Ws	1,796,518	2,195,772	1,726,487	1,812,811	1,957,836	6%
- Growth (%)	(3.9)	22.2	(21.4)	5.0	8.0	
Domestic 3Ws/Quadricycles	109,292	160,723	276,146	309,284	340,212	11%
- Growth (%)	(70.1)	47.1	71.8	12.0	10.0	
Export 3Ws/Quadricycles	257,729	310,854	188,509	197,934	213,769	6%
- Growth (%)	(14.6)	20.6	(39.4)	5.0	8.0	
<b>Total volumes</b>	<b>3,972,914</b>	<b>4,308,433</b>	<b>3,960,667</b>	<b>4,316,736</b>	<b>4,647,438</b>	<b>8%</b>
- Growth (%)	(13.9)	8.4	(8.1)	9.0	7.7	

Source: Company, Emkay Research

**Exhibit 2: Changes in estimates**

(Rs mn)	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes (Units)	3,998,414	3,960,667	(0.9)	(8.1)	4,455,383	4,316,736	(3.1)	9.0	4,796,483	4,647,438	(3.1)	7.7
Revenue	358,457	359,395	0.3	8.4	400,300	393,909	(1.6)	9.6	442,572	435,487	(1.6)	10.6
EBITDA	60,666	63,528	4.7	20.8	70,161	71,076	1.3	11.9	77,728	78,755	1.3	10.8
EBITDA margin (%)	16.9	17.7	75 bps	181 bps	17.5	18.0	52 bps	37 bps	17.6	18.1	52 bps	4 bps
Net Profit	53,918	55,124	2.2	15.4	60,310	60,013	(0.5)	8.9	65,859	65,606	(0.4)	9.3
EPS (Rs)	190.5	194.8	2.2	18.0	213.1	212.1	(0.5)	8.9	232.7	231.9	(0.4)	9.3

Source: Company, Emkay Research

**Exhibit 3: Actual vs. Estimates (Q3FY23)**

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	93,151	90,501	89,983	2.9	3.5	Slightly above estimates owing to better-than-expected realizations and spare-part sales
EBITDA	17,768	16,134	15,609	10.1	13.8	Above estimates owing to higher revenues and gross margin beat
EBITDA margin (%)	19.1	17.8	17.3	125 bps	173 bps	
Adjusted net profit	14,914	14,224	13,774	4.9	8.3	Above estimates due to higher operating profit.

Source: Bloomberg, Company, Emkay Research

**Exhibit 4: Quarterly performance**

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
<b>Revenue</b>	<b>90,217</b>	<b>79,748</b>	<b>80,050</b>	<b>102,028</b>	<b>93,151</b>	<b>3.3</b>	<b>(8.7)</b>	<b>275,229</b>	<b>251,699</b>	<b>9.3</b>
<b>Expenditure</b>	<b>76,495</b>	<b>66,092</b>	<b>67,080</b>	<b>84,440</b>	<b>75,383</b>	<b>(1.5)</b>	<b>(10.7)</b>	<b>226,903</b>	<b>212,768</b>	<b>6.6</b>
as % of sales	84.8	82.9	83.8	82.8	80.9			82.4	84.5	
Consumption of RM	67,433	57,357	57,776	74,861	65,775	(2.5)	(12.1)	198,413	185,941	6.7
as % of sales	74.7	71.9	72.2	73.4	70.6			72.1	73.9	
Employee Cost	3,399	3,059	3,796	3,522	3,511	3.3	(0.3)	10,829	10,530	2.8
as % of sales	3.8	3.8	4.7	3.5	3.8			3.9	4.2	
Other expenditure	5,664	5,677	5,507	6,058	6,097	7.6	0.6	17,662	16,298	8.4
as % of sales	6.3	7.1	6.9	5.9	6.5			6.4	6.5	
<b>EBITDA</b>	<b>13,721</b>	<b>13,656</b>	<b>12,970</b>	<b>17,587</b>	<b>17,768</b>	<b>29.5</b>	<b>1.0</b>	<b>48,326</b>	<b>38,930</b>	<b>24.1</b>
<b>EBITDA margin (%)</b>	<b>15.2</b>	<b>17.1</b>	<b>16.2</b>	<b>17.2</b>	<b>19.1</b>			<b>17.6</b>	<b>15.5</b>	
Depreciation	698	697	673	670	740	5.9	10.4	2,083	1,995	4.4
<b>EBIT</b>	<b>13,023</b>	<b>12,959</b>	<b>12,297</b>	<b>16,917</b>	<b>17,029</b>	<b>30.8</b>	<b>0.7</b>	<b>46,243</b>	<b>36,935</b>	<b>25.2</b>
Other Income	2,728	2,889	3,193	3,332	2,691	(1.3)	(19.2)	9,216	9,204	0.1
Interest	18	29	43	109	85	373.7	(22.3)	237	58	310.7
<b>PBT</b>	<b>15,733</b>	<b>15,819</b>	<b>15,447</b>	<b>20,140</b>	<b>19,635</b>	<b>24.8</b>	<b>(2.5)</b>	<b>55,221</b>	<b>46,081</b>	<b>19.8</b>
Total Tax	3,591	3,557	3,714	4,840	4,721	31.5	(2.5)	13,274	10,582	25.4
<b>Adjusted PAT</b>	<b>12,142</b>	<b>12,262</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>22.8</b>	<b>(2.5)</b>	<b>41,947</b>	<b>35,499</b>	<b>18.2</b>
Extra ordinary items Loss/(Gain)	0	(2,428)	0	0	0			0	0	
<b>Reported PAT</b>	<b>12,142</b>	<b>14,690</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>22.8</b>	<b>(2.5)</b>	<b>41,947</b>	<b>35,499</b>	<b>18.2</b>
<b>Adjusted EPS (Rs)</b>	<b>42.0</b>	<b>42.4</b>	<b>40.5</b>	<b>53.9</b>	<b>52.7</b>	<b>25.6</b>	<b>(2.3)</b>	<b>147</b>	<b>123</b>	<b>20.0</b>

Source: Company, Emkay Research

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**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>277,411</b>	<b>331,447</b>	<b>359,395</b>	<b>393,909</b>	<b>435,487</b>
<b>Expenditure</b>	<b>228,126</b>	<b>278,861</b>	<b>295,866</b>	<b>322,833</b>	<b>356,732</b>
<b>EBITDA</b>	<b>49,285</b>	<b>52,586</b>	<b>63,528</b>	<b>71,076</b>	<b>78,755</b>
Depreciation	2,593	2,692	2,844	3,149	3,491
<b>EBIT</b>	<b>46,692</b>	<b>49,895</b>	<b>60,684</b>	<b>67,927</b>	<b>75,265</b>
Other Income	12,765	12,092	12,151	11,371	11,425
Interest expenses	67	87	303	333	367
<b>PBT</b>	<b>59,390</b>	<b>61,901</b>	<b>72,532</b>	<b>78,965</b>	<b>86,323</b>
Tax	13,844	14,139	17,408	18,952	20,718
Extraordinary Items	0	2,428	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>45,546</b>	<b>50,189</b>	<b>55,124</b>	<b>60,013</b>	<b>65,606</b>
<b>Adjusted PAT</b>	<b>45,546</b>	<b>47,761</b>	<b>55,124</b>	<b>60,013</b>	<b>65,606</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	2,894	2,894	2,830	2,830	2,830
Reserves & surplus	249,129	263,794	238,346	244,347	250,908
<b>Net worth</b>	<b>252,023</b>	<b>266,688</b>	<b>241,176</b>	<b>247,177</b>	<b>253,738</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>1,215</b>	<b>1,228</b>	<b>1,228</b>	<b>1,228</b>	<b>1,228</b>
Net deferred tax liability	5,221	4,033	3,961	3,882	3,795
<b>Total Liabilities</b>	<b>258,459</b>	<b>271,949</b>	<b>246,364</b>	<b>252,287</b>	<b>258,761</b>
<b>Net block</b>	<b>16,126</b>	<b>17,829</b>	<b>21,596</b>	<b>27,895</b>	<b>34,405</b>
<b>Investment</b>	<b>226,833</b>	<b>238,699</b>	<b>206,699</b>	<b>208,699</b>	<b>208,799</b>
<b>Current Assets</b>	<b>72,183</b>	<b>61,923</b>	<b>67,981</b>	<b>67,846</b>	<b>71,361</b>
Cash & bank balance	5,274	5,883	5,671	1,636	723
Other Current Assets	14,032	16,859	14,599	14,740	14,748
<b>Current liabilities &amp; Provision</b>	<b>56,843</b>	<b>47,270</b>	<b>51,569</b>	<b>54,363</b>	<b>58,013</b>
<b>Net current assets</b>	<b>15,340</b>	<b>14,653</b>	<b>16,412</b>	<b>13,483</b>	<b>13,348</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>258,459</b>	<b>271,949</b>	<b>246,364</b>	<b>252,287</b>	<b>258,761</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>46,625</b>	<b>52,961</b>	<b>60,381</b>	<b>67,594</b>	<b>74,898</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(5,105)	6,009	(1,972)	(1,106)	(778)
<b>Operating Cashflow</b>	<b>18,374</b>	<b>29,983</b>	<b>34,976</b>	<b>46,540</b>	<b>52,140</b>
Capital expenditure	(2,509)	(5,176)	(7,500)	(10,000)	(10,000)
<b>Free Cash Flow</b>	<b>15,865</b>	<b>24,807</b>	<b>27,476</b>	<b>36,540</b>	<b>42,140</b>
Investments	(26,808)	1,787	32,000	(2,000)	(100)
Other Investing Cash Flow	663	2,430	0	0	0
<b>Investing Cashflow</b>	<b>(15,889)</b>	<b>11,133</b>	<b>36,651</b>	<b>(629)</b>	<b>1,325</b>
Equity Capital Raised	0	0	(31,025)	0	0
Loans Taken / (Repaid)	(53)	0	0	0	0
Dividend paid (incl tax)	(87)	(40,490)	(40,512)	(49,612)	(54,012)
Other Financing Cash Flow	(99)	57	0	0	0
<b>Financing Cashflow</b>	<b>(294)</b>	<b>(40,506)</b>	<b>(71,840)</b>	<b>(49,945)</b>	<b>(54,379)</b>
<b>Net chg in cash</b>	<b>2,191</b>	<b>610</b>	<b>(213)</b>	<b>(4,034)</b>	<b>(913)</b>
Opening cash position	3,083	5,274	5,883	5,671	1,636
<b>Closing cash position</b>	<b>5,274</b>	<b>5,883</b>	<b>5,671</b>	<b>1,636</b>	<b>723</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EBITDA Margin	17.8	15.9	17.7	18.0	18.1
EBIT Margin	16.8	15.1	16.9	17.2	17.3
Effective Tax Rate	23.3	22.8	24.0	24.0	24.0
Net Margin	16.4	14.4	15.3	15.2	15.1
ROCE	15.2	14.3	17.7	20.6	22.3
ROE	20.2	18.4	21.7	24.6	26.2
RoIC	162.8	145.8	156.5	143.2	131.8

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	157.4	165.1	194.8	212.1	231.9
CEPS	166.4	174.4	204.9	223.2	244.2
BVPS	870.9	921.6	852.3	873.5	896.7
DPS	140.0	140.0	175.3	190.9	208.7

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	23.6	22.5	19.1	17.5	16.0
P/CEPS	22.3	21.3	18.1	16.7	15.2
P/BV	4.3	4.0	4.4	4.3	4.1
EV / Sales	3.1	2.6	2.4	2.2	2.0
EV / EBITDA	17.7	16.4	13.8	12.4	11.2
Dividend Yield (%)	3.8	3.8	4.7	5.1	5.6

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)
Net Debt/EBIDTA	(4.2)	(4.0)	(2.8)	(2.4)	(2.1)
Working Cap Cycle (days)	13.2	9.7	10.9	11.0	10.6

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	(7.3)	19.5	8.4	9.6	10.6
EBITDA	(3.3)	6.7	20.8	11.9	10.8
EBIT	(3.7)	6.9	21.6	11.9	10.8
PAT	(10.7)	10.2	9.8	8.9	9.3

<b>Quarterly (Rs mn)</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>Q1FY23</b>	<b>Q2FY23</b>	<b>Q3FY23</b>
Revenue	90,217	79,748	80,050	102,028	93,151
EBITDA	13,721	13,656	12,970	17,587	17,768
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>17.1</b>	<b>16.2</b>	<b>17.2</b>	<b>19.1</b>
PAT	12,142	12,262	11,733	15,300	14,914
<b>EPS (Rs)</b>	<b>42.0</b>	<b>42.4</b>	<b>40.5</b>	<b>53.9</b>	<b>52.7</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-21</b>	<b>Mar-22</b>	<b>Jun-22</b>	<b>Sep-22</b>	<b>Dec-22</b>
Promoters	53.7	53.8	53.8	54.8	55.0
FIs	10.2	10.5	11.2	11.6	11.8
DIs	13.2	13.2	12.4	11.6	11.0
Public and Others	22.8	22.6	22.7	22.0	22.2

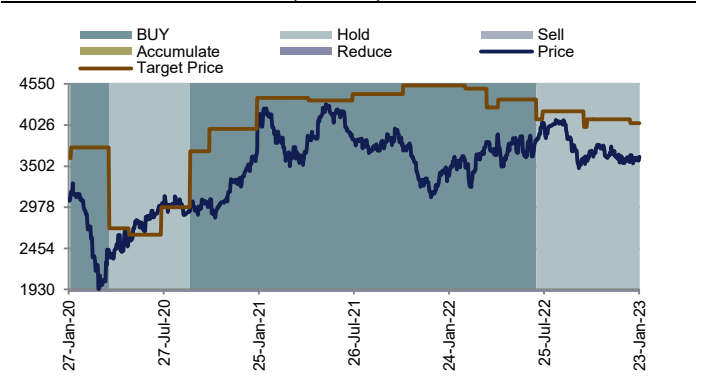
Source: Capitaline

## RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
13-Jan-23	3,605	4,050	12m	Hold	Raghunandhan NL
6-Jan-23	3,642	4,050	12m	Hold	Raghunandhan NL
15-Oct-22	3,571	4,100	12m	Hold	Raghunandhan NL
9-Oct-22	3,604	4,000	12m	Hold	Raghunandhan NL
22-Jul-22	4,055	4,200	12m	Hold	Raghunandhan NL
10-Jul-22	3,825	4,100	12m	Hold	Raghunandhan NL
10-May-22	3,593	4,350	12m	Buy	Raghunandhan NL
28-Apr-22	3,834	4,350	12m	Buy	Raghunandhan NL
6-Apr-22	3,802	4,250	12m	Buy	Raghunandhan NL
24-Feb-22	3,479	4,490	12m	Buy	Raghunandhan NL
28-Oct-21	3,701	4,530	12m	Buy	Raghunandhan NL
23-Jul-21	3,842	4,420	12m	Buy	Raghunandhan NL
2-Jul-21	4,175	4,340	12m	Buy	Raghunandhan NL
18-Jun-21	4,167	4,340	12m	Buy	Raghunandhan NL
1-Jun-21	4,239	4,340	12m	Buy	Raghunandhan NL
30-May-21	4,200	4,340	12m	Buy	Raghunandhan NL
30-Apr-21	3,834	4,340	12m	Buy	Raghunandhan NL
21-Jan-21	3,703	4,370	12m	Buy	Raghunandhan NL
22-Oct-20	3,006	3,976	12m	Buy	Raghunandhan NL
11-Oct-20	3,060	3,691	12m	Buy	Raghunandhan NL
29-Sep-20	2,898	3,691	12m	Buy	Raghunandhan NL
15-Sep-20	2,937	3,691	12m	Buy	Raghunandhan NL
28-Aug-20	3,014	2,978	12m	Hold	Raghunandhan NL
22-Jul-20	2,985	2,978	12m	Hold	Raghunandhan NL
29-Jun-20	2,860	2,629	12m	Hold	Raghunandhan NL
21-May-20	2,640	2,629	12m	Hold	Raghunandhan NL
4-May-20	2,442	2,708	12m	Hold	Raghunandhan NL
13-Apr-20	2,398	2,708	12m	Hold	Raghunandhan NL
27-Feb-20	2,937	3,740	12m	Buy	Raghunandhan NL
31-Jan-20	3,180	3,740	12m	Buy	Raghunandhan NL
30-Jan-20	3,146	3,600	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

## RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 26 Jan 2023 01:35:12 (SGT)

Dissemination Date: 26 Jan 2023 01:36:12 (SGT)

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