

January 26, 2023

Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	4,040		3,820	
Sales (Rs. m)	4,04,721	4,33,230	3,93,249	4,25,724
% Chng.	2.9	1.8		
EBITDA (Rs. m)	73,052	79,065	68,622	75,140
% Chng.	6.5	5.2		
EPS (Rs.)	240.1	256.6	229.9	247.6
% Chng.	4.4	3.7		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	3,31,447	3,67,483	4,04,721	4,33,230
EBITDA (Rs. m)	52,587	65,228	73,052	79,065
Margin (%)	15.9	17.8	18.1	18.3
PAT (Rs. m)	53,552	61,771	68,118	72,798
EPS (Rs.)	185.1	217.8	240.1	256.6
Gr. (%)	10.2	17.7	10.3	6.9
DPS (Rs.)	140.0	140.0	150.0	160.0
Yield (%)	3.8	3.8	4.0	4.3
RoE (%)	20.6	22.5	23.3	23.3
RoCE (%)	19.1	22.6	23.8	24.1
EV/Sales (x)	2.6	2.2	2.0	1.8
EV/EBITDA (x)	16.1	12.5	11.1	10.1
PE (x)	20.1	17.1	15.5	14.5
P/BV (x)	4.0	3.7	3.5	3.3

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.4,132 / Rs.3,125
Sensex / Nifty	60,205 / 17,892
Market Cap	Rs.1,076bn/ \$ 13,184m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.1028.86m

Shareholding Pattern (%)

Promoter's	53.77
Foreign	11.16
Domestic Institution	12.40
Public & Others	22.68
Promoter Pledge (Rs bn)	0.05

Stock Performance (%)

	1M	6M	12M
Absolute	5.0	(7.6)	7.2
Relative	4.3	(14.4)	3.0

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Bajaj Auto (BJAUT IN)

Rating: HOLD | CMP: Rs3,717 | TP: Rs4,040

Sailing rough seas

Quick Pointers:

- Exports majorly a concern, due to rising inflation and currency devaluation.
- EBITDA margin improvement of 180bps QoQ led by RM cost softening, better USD realisations and superior mix.

We increase our FY24/25 EPS estimates by 4% each to factor in higher ASPs and better mix. In 3QFY23, BJAUT's EBITDA margin +180bps QoQ surprised positively driven by better USD realizations (Rs 81.7 vs Rs 75.1/79.8), superior product mix (premium segment 65% of mix vs 55% in Q2FY23) and higher mix of higher margin spares business. We remain concerned on the export side (~50% of sales) of the business given (1) currency devaluation and unavailability of USD, (2) lower affordability due to price hikes and (3) higher interest rates. Also, lack of market share gains in domestic motorcycles market over last few years, despite aggressive pricing in some segments (motorcycle market share contracted 150bps since FY19), could lead to further pricing actions and pressures on margins. However, we expect BJAUT's domestic premium segment volumes to grow (similar to the industry), given stabilization in semiconductor supply. Maintain 'HOLD' with a target price of Rs 4,040 (Rs 3,820 earlier) at 16x Dec-24E EPS.

- Better USD realization & superior mix led to better-than-expected revenue:** Though volumes declined 17/15% YoY/QoQ to 983k units, revenue at Rs 93bn (+3/-9%), came in 4% ahead of our estimates led by higher USD/INR rate (Rs 81.7 vs Rs 75.1/79.8) and increased contribution from premium portfolio (65% of the mix vs 55% sequentially).
- ~70% of EBITDA margin improvement came from RM cost softening:** BJAUT reported 180bps QoQ expansion in EBITDA margin (19.1%), majorly led by QoQ softening of commodity prices. Rest from price hikes (5% increase YoY), healthy product mix, higher mix of spare segment and better forex realization. PAT came in at Rs 14.9bn (-3% QoQ).
- Key takeaways: (1) Exports to remain under pressure for 2 more quarters:** Industry retails in South Asia, Africa and LATAM were down ~30% in QoQ. Price increases and impact on purchasing power of consumers have hampered demand in emerging markets. Nigeria, biggest market for BJAUT will continue to be depressed till elections in Feb-23. Management stated, overall exports should start returning to normalcy by May/Jun-23. **(2) Domestic market sales inching up:** Majority of 2W industry growth is led by 125cc+ segment in 3Q. This segment accounts for ~66% of BJAUT's sales. In 3W, the company has 76% share (86% in CNG). 72% of Bajaj's portfolio is CNG – 17% higher ASPs and better for margins. **(3) Focus on R&D, portfolio expansion and Chetak:** The company has planned multiple launches in FY24. It has decided to set up an independent network of Chetak stores and is preparing for the near-future, considering a scenario of lower subsidiaries on EVs.

Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e Mar	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Net Revenues	93,151	90,217	3.3	102,028	(8.7)	275,229	251,699	9.3
Raw Materials	65,775	67,433	(2.5)	74,861	(12.1)	198,413	185,941	6.7
<i>% of Net Sales</i>	<i>70.6</i>	<i>74.7</i>		<i>73.4</i>		<i>72.1</i>	<i>73.9</i>	
Personnel	3,511	3,399	3.3	3,522	(0.3)	10,829	10,530	2.8
<i>% of Net Sales</i>	<i>3.8</i>	<i>3.8</i>		<i>3.5</i>		<i>3.9</i>	<i>4.2</i>	
Manufacturing & Other Exp	6,097	5,664	7.6	6,057	0.6	17,661	16,298	8.4
<i>% of Net Sales</i>	<i>6.5</i>	<i>6.3</i>		<i>5.9</i>		<i>6.4</i>	<i>6.5</i>	
Total Expenditure	75,383	76,495	(1.5)	84,440	(10.7)	226,903	212,768	6.6
EBITDA	17,768	13,721	29.5	17,588	1.0	48,326	38,930	24.1
<i>EBITDA Margin (%)</i>	<i>19.1</i>	<i>15.2</i>		<i>17.2</i>		<i>17.6</i>	<i>15.5</i>	
Depreciation	740	698	5.9	670	10.4	2,083	1,995	4.4
EBIT	17,029	13,023	30.8	16,918	0.7	46,243	36,935	25.2
Interest Expenses	85	18	373.7	109	(22.3)	237	58	310.7
Non-operating income	2,691	2,728	(1.3)	3,332	(19.2)	9,216	9,204	0.1
Extraordinary Expenses	-	-		-		-	-	
PBT	19,635	15,733	24.8	20,140	(2.5)	55,222	46,081	19.8
Tax-Total	4,721	3,591	31.5	4,840	(2.5)	13,274	10,582	25.4
<i>Tax Rate (%) - Total</i>	<i>24.0</i>	<i>22.8</i>	<i>5.3</i>	<i>24.0</i>		<i>24.0</i>	<i>23.0</i>	<i>4.7</i>
Reported PAT	14,914	12,142	22.8	15,300	(2.5)	41,948	35,499	18.2
Adj. PAT	14,914	12,142	22.8	15,300	(2.5)	41,948	35,499	18.2
<i>PAT Margin (%)</i>	<i>16.0</i>	<i>13.5</i>		<i>15.0</i>		<i>15.2</i>	<i>14.1</i>	

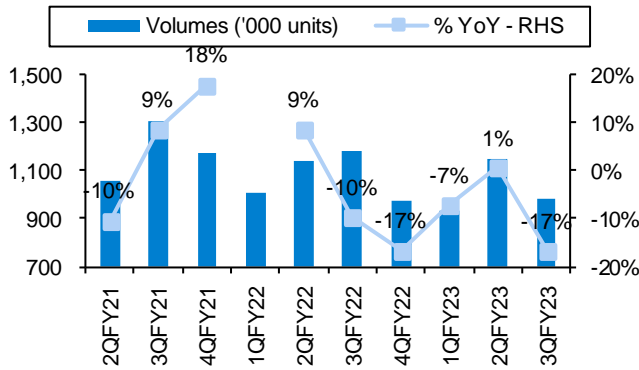
Source: Company, PL

Exhibit 2: Operating Metrics (Rs mn) – ASPs improved sequentially on the back of better USD/INR rate and superior mix

Y/e Mar	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Sales Volume (nos)	983,276	1,181,361	(16.8)	1,151,012	(14.6)	3,067,934	3,331,782	(7.9)
Net Realization/Vehicle	94,736	76,367	24.1	88,642	6.9	89,711	75,545	18.8
Material cost / vehicle	66,894	57,080	17.2	65,039	2.9	64,673	55,808	15.9
Gross Profit / vehicle	27,842	19,286	44.4	23,603	18.0	25,038	19,737	26.9
Employee cost /vehicle	3,571	2,877	24.1	3,060	16.7	3,530	3,160	11.7
Other expenses / vehicle	6,200	4,795	29.3	5,263	17.8	5,757	4,892	17.7
EBITDA/vehicle	18,070	11,615	55.6	15,280	18.3	15,752	11,685	34.8
Net Profit/vehicle	15,168	10,278	47.6	13,293	14.1	13,673	10,655	28.3

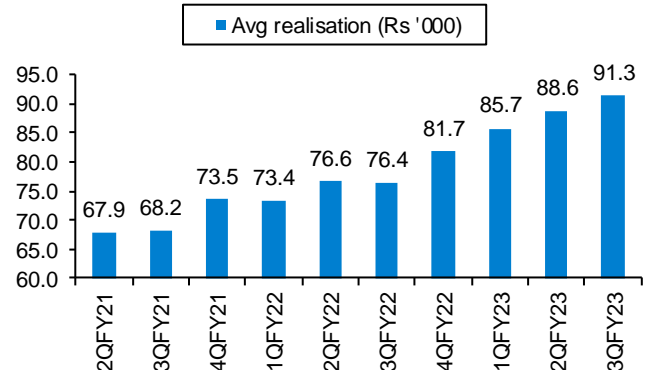
Source: Company, PL

Exhibit 3: Volumes declined 15% QoQ



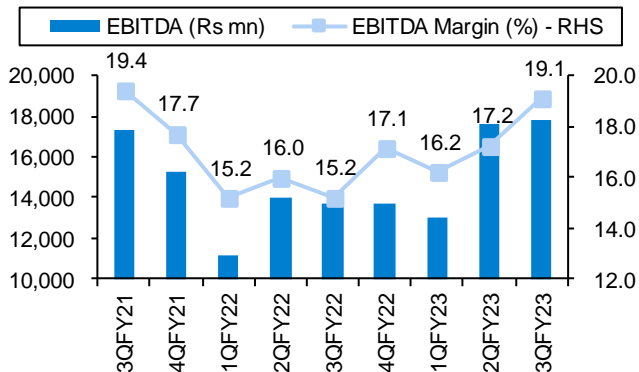
Source: Company, PL

Exhibit 4: ASPs improved led favorable currency rates



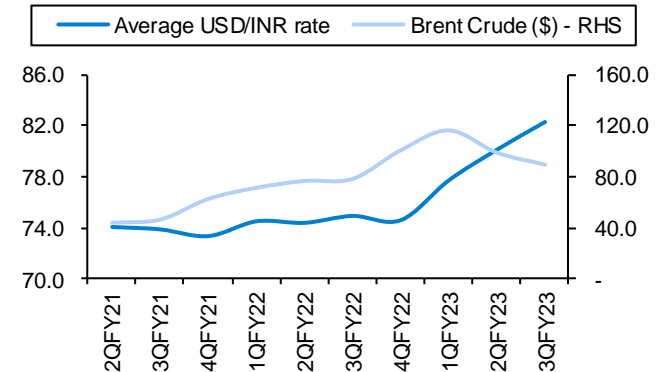
Source: Company, PL

Exhibit 5: EBITDA margin expanded 180bps QoQ



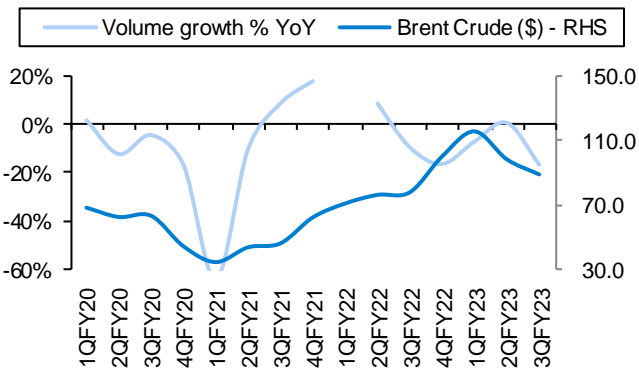
Source: Company, PL

Exhibit 6: USD/INR rate at ~Rs 82 in 3QFY23



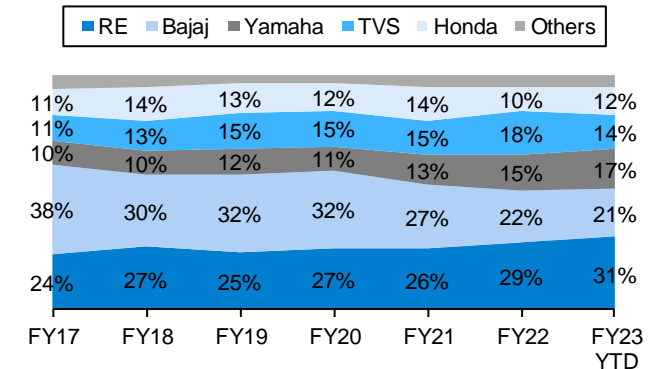
Source: Industry, PL

Exhibit 7: Correlation between BJAUT's volumes and crude



Source: Company, Industry, PL

Exhibit 8: BJAUT has lost market share in 125cc+ segment



Source: SIAM, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	3,31,447	3,67,483	4,04,721	4,33,230
YoY gr. (%)	19.5	10.9	10.1	7.0
Cost of Goods Sold	2,43,298	2,64,220	2,89,375	3,09,760
Gross Profit	88,149	1,03,263	1,15,345	1,23,471
Margin (%)	26.6	28.1	28.5	28.5
Employee Cost	13,588	14,332	15,784	16,896
Other Expenses	21,974	23,703	26,509	27,510
EBITDA	52,587	65,228	73,052	79,065
YoY gr. (%)	6.7	24.0	12.0	8.2
Margin (%)	15.9	17.8	18.1	18.3
Depreciation and Amortization	2,692	2,851	3,239	3,651
EBIT	49,895	62,378	69,813	75,413
Margin (%)	15.1	17.0	17.2	17.4
Net Interest	87	326	227	151
Other Income	12,092	12,196	12,557	12,513
Profit Before Tax	65,054	74,248	82,143	87,775
Margin (%)	19.6	20.2	20.3	20.3
Total Tax	14,865	18,562	20,536	21,944
Effective tax rate (%)	22.8	25.0	25.0	25.0
Profit after tax	50,189	55,686	61,607	65,832
Minority interest	-	-	-	-
Share Profit from Associate	5,795	6,085	6,511	6,967
Adjusted PAT	53,552	61,771	68,118	72,798
YoY gr. (%)	10.2	15.3	10.3	6.9
Margin (%)	16.2	16.8	16.8	16.8
Extra Ord. Income / (Exp)	2,432	-	-	-
Reported PAT	55,985	61,771	68,118	72,798
YoY gr. (%)	15.2	10.3	10.3	6.9
Margin (%)	16.9	16.8	16.8	16.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55,985	61,771	68,118	72,798
Equity Shares O/s (m)	289	284	284	284
EPS (Rs)	185.1	217.8	240.1	256.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	46,127	53,895	63,895	73,895
Tangibles	46,127	53,895	63,895	73,895
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,787	30,637	33,877	37,528
Tangibles	27,787	30,637	33,877	37,528
Intangibles	-	-	-	-
Net fixed assets	18,340	23,258	30,019	36,367
Tangibles	18,340	23,258	30,019	36,367
Intangibles	-	-	-	-
Capital Work In Progress	768	1,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	12,484	12,484	12,484	12,484
Net Deferred tax assets	(4,033)	(3,667)	(3,333)	(3,030)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2,25,703	2,28,703	2,31,703	2,34,703
Inventories	12,305	22,150	23,285	23,739
Trade receivables	15,164	21,143	25,503	29,673
Cash & Bank Balance	5,883	9,618	15,712	24,223
Other Current Assets	27,870	31,211	34,374	36,795
Total Assets	3,19,219	3,50,345	3,75,411	4,00,409
Equity				
Equity Share Capital	2,894	2,837	2,837	2,837
Other Equity	2,63,794	2,79,769	2,98,829	3,19,276
Total Network	2,66,688	2,82,605	3,01,665	3,22,113
Non-Current Liabilities				
Long Term borrowings	1,591	1,511	1,511	1,511
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	36,332	50,340	55,441	59,347
Other current liabilities	10,576	12,221	13,460	14,408
Total Equity & Liabilities	3,19,219	3,50,345	3,75,411	4,00,409

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	65,054	74,248	82,143	87,775
Add. Depreciation	2,692	2,851	3,239	3,651
Add. Interest	87	326	227	151
Less Financial Other Income	12,092	12,196	12,557	12,513
Add. Other	(12,092)	(12,196)	(12,557)	(12,513)
Op. profit before WC changes	55,740	65,228	73,052	79,065
Net Changes-WC	1,325	(3,587)	(2,872)	(2,285)
Direct tax	(16,053)	(18,929)	(20,869)	(22,247)
Net cash from Op. activities	41,012	42,713	49,311	54,532
Capital expenditures	(4,991)	(8,000)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(167)	(80)	-	-
Net Cash from Invt. activities	(5,158)	(8,080)	(10,000)	(10,000)
Issue of share cap. / premium	4,988	(57)	-	-
Debt changes	-	-	-	-
Dividend paid	(40,512)	(39,711)	(42,548)	(45,384)
Interest paid	(87)	(326)	(227)	(151)
Others	-	-	-	-
Net cash from Fin. activities	(35,611)	(40,094)	(42,774)	(45,535)
Net change in cash	244	(5,461)	(3,463)	(1,003)
Free Cash Flow	36,021	34,713	39,311	44,532

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	79,748	80,050	1,02,028	93,151
YoY gr. (%)	(7.2)	8.4	16.4	3.3
Raw Material Expenses	57,357	57,776	74,861	65,775
Gross Profit	22,391	22,273	27,167	27,376
Margin (%)	28.1	27.8	26.6	29.4
EBITDA	13,656	12,970	17,588	17,768
YoY gr. (%)	(10.4)	15.8	25.5	29.5
Margin (%)	17.1	16.2	17.2	19.1
Depreciation / Depletion	697	673	670	740
EBIT	12,959	12,297	16,918	17,029
Margin (%)	16.3	15.4	16.6	18.3
Net Interest	29	43	109	85
Other Income	2,889	3,193	3,332	2,691
Profit before Tax	18,972	15,447	20,140	19,635
Margin (%)	23.8	19.3	19.7	21.1
Total Tax	4,282	3,714	4,840	4,721
Effective tax rate (%)	22.6	24.0	24.0	24.0
Profit after Tax	14,690	11,733	15,300	14,914
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12,248	11,733	15,300	14,914
YoY gr. (%)	(8.1)	10.6	20.0	22.8
Margin (%)	15.4	14.7	15.0	16.0
Extra Ord. Income / (Exp)	2,441	-	-	-
Reported PAT	14,690	11,733	15,300	14,914
YoY gr. (%)	10.3	10.6	20.0	22.8
Margin (%)	18.4	14.7	15.0	16.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,690	11,733	15,300	14,914
Avg. Shares O/s (m)	284	284	284	284
EPS (Rs)	43.2	41.4	53.9	52.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	185.1	217.8	240.1	256.6
CEPS	194.4	227.8	251.6	269.5
BVPS	921.6	996.3	1,063.5	1,135.6
FCF	124.5	122.4	138.6	157.0
DPS	140.0	140.0	150.0	160.0
Return Ratio(%)				
RoCE	19.1	22.6	23.8	24.1
ROIC	131.1	123.5	113.3	103.8
RoE	20.6	22.5	23.3	23.3
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.8)	(0.8)
Net Working Capital (Days)	(10)	(7)	(6)	(5)
Valuation(x)				
PER	20.1	17.1	15.5	14.5
P/B	4.0	3.7	3.5	3.3
P/CEPS	19.1	16.3	14.8	13.8
EV/EBITDA	16.1	12.5	11.1	10.1
EV/Sales	2.6	2.2	2.0	1.8
Dividend Yield (%)	3.8	3.8	4.0	4.3

Source: Company Data, PL Research

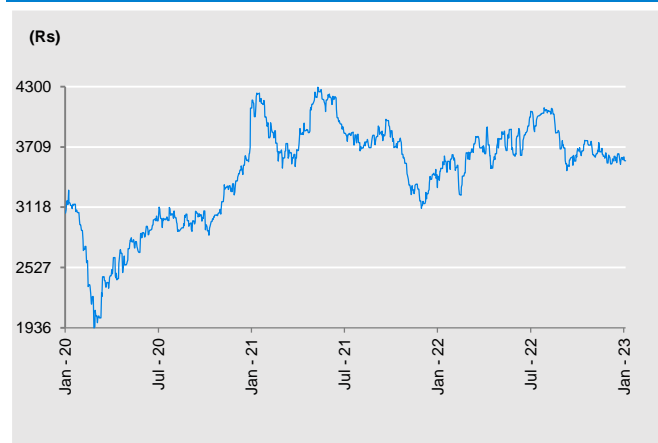
Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Motorcycle volume (units)	38,36,856	35,56,263	38,40,764	40,32,802
Three-wheeler volume (units)	4,70,055	4,74,416	5,29,741	5,75,301
Net Realisation (Rs/unit)	76,957	91,171	92,603	94,015

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	Hold	3,820	3,553
2	16-Oct-22	Hold	3,865	3,571
3	06-Oct-22	Hold	3,765	3,582
4	27-Jul-22	Hold	4,120	3,884
5	08-Jul-22	Accumulate	4,120	3,796
6	28-Apr-22	Accumulate	4,120	3,834
7	11-Apr-22	Accumulate	4,005	3,780

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Maruti Suzuki	BUY	10,600	8,699
2	TVS Motors	BUY	1,240	984

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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