

April 26, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	4,130		4,020	
Sales (Rs. m)	4,02,638	4,53,738	4,02,418	4,43,955
% Chng.	0.1	2.2		
EBITDA (Rs. m)	74,287	84,622	73,441	81,910
% Chng.	1.2	3.3		
EPS (Rs.)	221.7	250.1	220.5	243.2
% Chng.	0.6	2.8		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	3,31,447	3,64,276	4,02,638	4,53,738
EBITDA (Rs. m)	52,587	65,491	74,287	84,622
Margin (%)	15.9	18.0	18.5	18.7
PAT (Rs. m)	47,757	56,276	62,733	70,763
EPS (Rs.)	165.0	198.9	221.7	250.1
Gr. (%)	4.9	20.5	11.5	12.8
DPS (Rs.)	140.0	140.0	150.0	160.0
Yield (%)	3.2	3.2	3.5	3.7
RoE (%)	18.4	21.6	23.7	24.6
RoCE (%)	19.1	23.9	26.7	28.0
EV/Sales (x)	3.1	2.8	2.5	2.2
EV/EBITDA (x)	19.5	15.5	13.5	11.7
PE (x)	26.3	21.8	19.6	17.4
P/BV (x)	4.7	4.8	4.5	4.1

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.4,375 / Rs.3,460	
Sensex / Nifty	60,131 / 17,769	
Market Cap	Rs.1,256bn/ \$ 15,338m	
Shares Outstanding	289m	
3M Avg. Daily Value	Rs.1578.34m	

Shareholding Pattern (%)

Promoter's	54.98
Foreign	12.35
Domestic Institution	10.86
Public & Others	21.80
Promoter Pledge (Rs bn)	0.06

Stock Performance (%)

	1M	6M	12M
Absolute	13.4	18.8	17.9
Relative	8.5	17.7	10.9

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Bajaj Auto (BJAUT IN)

Rating: HOLD | CMP: Rs4,342 | TP: Rs4,130

EVs to ramp-up; exports visibility hazy

Quick Pointers:

- Concerns on the exports continue; BJAUT delays recovery timelines
- Ramp-up of EVs planned in FY24

We marginally increase our FY24/25 EPS estimates by 1-3% to factor in higher ASPs from increase in EV volumes, partially offset by cut in volumes for exports. BJAUT reported better than expected 4Q revenue, while EBITDA margin was largely in line with our above street estimates. Margins expanded helped by significant inventorisation benefit, higher spare mix and better vehicle mix, offset by lower operating leverage. Concerns on the export volumes continue (~50% of sales) with BJAUT delaying the recovery timelines led by uncertainty on unavailability of USD and lower affordability. Also, lack of market share gains in the domestic motorcycles market over the last few years, and increase in competition could lead to further pricing actions. However, we expect BJAUT's domestic premium segment volumes to grow (similar to the industry) helped by premiumisation trends and fast ramp-up of EVs could make us turn constructive on the stock. Maintain 'HOLD' with a target price of Rs 4,130 (Rs 4,020 earlier) at 16x Mar-25E EPS.

- Revenue beat led by QoQ increase in realization and higher spares sales:** Though volumes declined 12/13% YoY/QoQ to 855k units, revenue at Rs 89bn (+12/-4%), came in 7% ahead of our estimates led by better 2W mix, higher contribution from 3W segment and higher spare parts sales. Spare sales as percentage of revenue was higher QoQ at 12.9% vs 11.8% in Q3FY23.
- EBITDA margin beat on inventorisation and higher spares mix:** BJAUT reported 20bps QoQ expansion in EBITDA margin (19.3%), the margins improved marginally helped by significant inventorisation benefit, better mix, higher spares mix, which was partially offset by lower operating leverage. PAT came in at Rs 14.3bn (-4% QoQ), similar to the EBITDA decline.
- Key takeaways: (1) Exports to remain under pressure for 2 more quarters:** Nigeria market saw the most turmoil due to multiple headwinds bunching up (political rift and demonetization) aggravated by the lack of USD availability. Management is cautiously optimistic about a potential bottoming out of the exports market, however, it could take another a couple of quarters before reaching normal volumes in Nigeria. Other markets apart from Nigeria saw QoQ improvement in retails and have low channel inventory which needs to be filled. **(2) Domestic motorcycles to grow 6-8% with higher cc outperforming:** BAJUT guided for 6-8% growth in the motorcycle industry over next few quarters in FY24, with >125cc segment outperforming. **(3) Focus on Chetak increasing; volume ramp-up planned:** BJAUT aims to increase Chetak EV's volumes to 10k unit per month from June-23 onwards and is working on the supply side issues for ramping it up. BJAUT plans to expand Chetak's reach to 120 towns by 1HFY24 from 85 currently. **(4) EV 3W launch in 1QFY24; slow ramp-up in 1st phase:** BJAUT is awaiting FAME certification and is ready for EV 3W launch and will be targeting the north and east market which has already seen significant electrification of 3Ws. **(5) Margin headwinds:** BJAUT has acknowledged potential margin headwinds from rising commodity costs and an inferior product mix in FY24.

Exhibit 1: Q4FY23 Result Overview (Rs mn)

Y/e Mar	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr.(%)
Net Revenues	89,047	79,748	11.7	93,151	(4.4)	3,64,276	3,31,447	9.9
Raw Materials	62,135	57,357	8.3	65,775	(5.5)	2,60,548	2,43,298	7.1
<i>% of Net Sales</i>	<i>69.8</i>	<i>71.9</i>		<i>70.6</i>		<i>71.5</i>	<i>73.4</i>	
Personnel	3,620	3,059	18.4	3,511	3.1	14,449	13,588	6.3
<i>% of Net Sales</i>	<i>4.1</i>	<i>3.8</i>		<i>3.8</i>		<i>4.0</i>	<i>4.1</i>	
Manufacturing & Other Exp	6,126	5,677	7.9	6,097	0.5	23,788	21,975	8.3
<i>% of Net Sales</i>	<i>6.9</i>	<i>7.1</i>		<i>6.5</i>		<i>6.5</i>	<i>6.6</i>	
Total Expenditure	71,882	66,092	8.8	75,383	(4.6)	2,98,784	2,78,861	7.1
EBITDA	17,166	13,656	25.7	17,768	(3.4)	65,492	52,586	24.5
<i>EBITDA Margin (%)</i>	<i>19.3</i>	<i>17.1</i>		<i>19.1</i>		<i>18.0</i>	<i>15.9</i>	
Depreciation	742	697	6.4	740	0.3	2,824	2,692	4.9
EBIT	16,424	12,959	26.7	17,029	(3.5)	62,667	49,895	25.6
Interest Expenses	157	29	446.5	85	85.6	395	87	355.9
Non-operating income	2,598	2,889	(10.0)	2,691	(3.5)	11,814	15,245	(22.5)
Extraordinary Expenses	-	(3,153)		-		-	-	
PBT	18,865	18,972	(0.6)	19,635	(3.9)	74,087	65,053	13.9
Tax-Total	4,536	4,282	5.9	4,721	(3.9)	17,810	14,865	19.8
<i>Tax Rate (%) - Total</i>	<i>24.0</i>	<i>22.6</i>	<i>6.5</i>	<i>24.0</i>		<i>24.0</i>	<i>22.8</i>	<i>5.2</i>
Reported PAT	14,329	14,690	(2.5)	14,914	(3.9)	56,276	50,189	12.1
Adj. PAT	14,329	12,248	17.0	14,914	(3.9)	56,276	50,189	12.1
<i>PAT Margin (%)</i>	<i>16.1</i>	<i>15.4</i>		<i>16.0</i>		<i>15.4</i>	<i>15.1</i>	

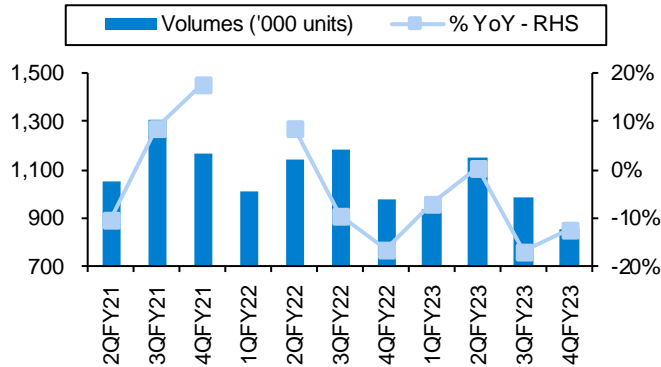
Source: Company, PL

Exhibit 2: Operating Metrics (Rs mn) – ASPs improved sequentially on the back of better superior mix and higher spares

Y/e Mar	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr.(%)
Sales Volume (nos)	8,55,050	9,76,651	(12.5)	9,83,276	(13.0)	39,22,984	43,08,433	(8.9)
Net Realization/Vehicle	1,04,143	81,655	27.5	94,736	9.9	92,857	76,930	20.7
Material cost / vehicle	72,668	58,729	23.7	66,894	8.6	66,416	56,470	17.6
Gross Profit / vehicle	31,475	22,926	37.3	27,842	13.0	26,441	20,460	29.2
Employee cost /vehicle	4,234	3,132	35.2	3,571	18.6	3,683	3,154	16.8
Other expenses / vehicle	7,165	5,812	23.3	6,200	15.6	6,064	5,100	18.9
EBITDA/vehicle	20,076	13,982	43.6	18,070	11.1	16,694	12,205	36.8
Net Profit/vehicle	16,758	15,041	11.4	15,168	10.5	14,345	11,649	23.1

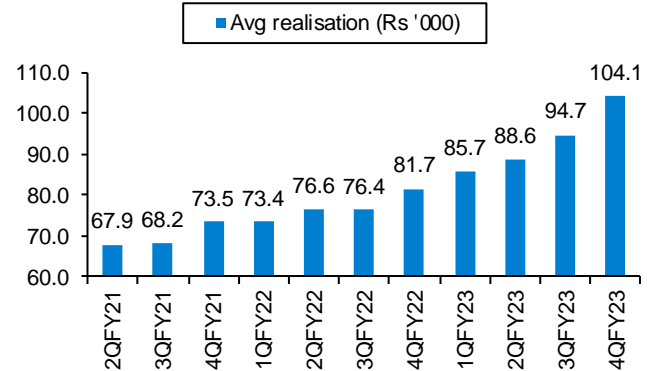
Source: Company, PL

Exhibit 3: Volumes declined 13% QoQ



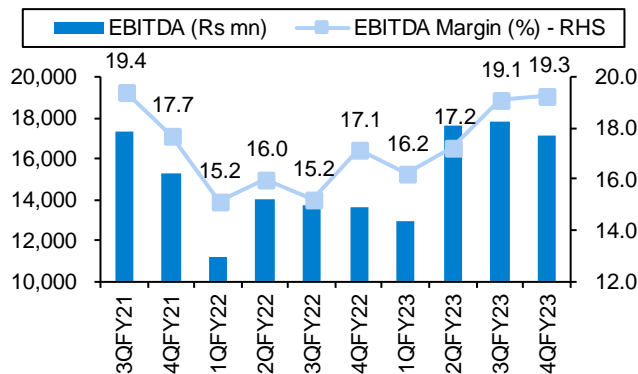
Source: Company, PL

Exhibit 4: ASPs improved led superior mix, spare sales



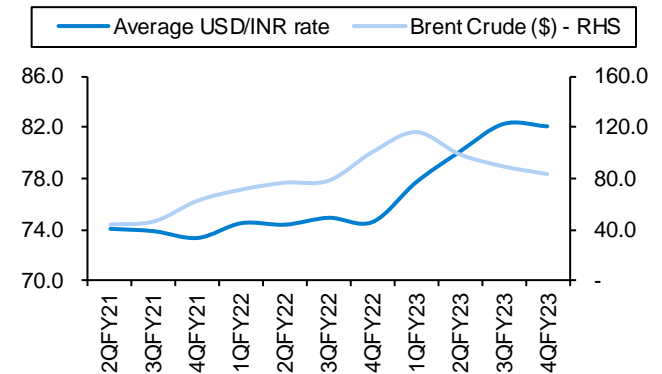
Source: Company, PL

Exhibit 5: EBITDA margin increased by 20bps QoQ



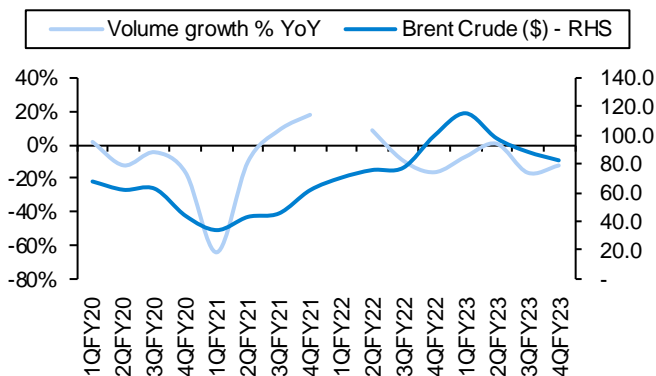
Source: Company, PL

Exhibit 6: USD/INR rate at ~Rs 82 in 4QFY23



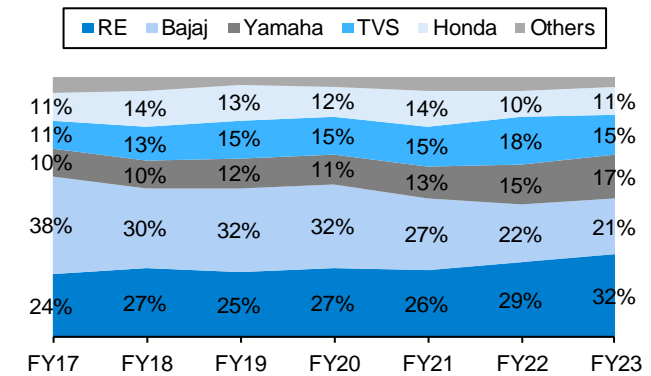
Source: Industry, PL

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	FY23	FY24E	FY25E
Net Revenues	3,31,447	3,64,276	4,02,638	4,53,738
YoY gr. (%)	19.5	9.9	10.5	12.7
Cost of Goods Sold	2,43,298	2,60,548	2,85,470	3,21,700
Gross Profit	88,149	1,03,729	1,17,168	1,32,038
Margin (%)	26.6	28.5	29.1	29.1
Employee Cost	13,588	14,449	16,106	18,150
Other Expenses	21,974	23,788	26,775	29,266
EBITDA	52,587	65,491	74,287	84,622
YoY gr. (%)	6.7	24.5	13.4	13.9
Margin (%)	15.9	18.0	18.5	18.7
Depreciation and Amortization	2,692	2,824	3,303	3,789
EBIT	49,895	62,667	70,983	80,833
Margin (%)	15.1	17.2	17.6	17.8
Net Interest	87	395	394	394
Other Income	12,092	11,814	11,954	12,671
Profit Before Tax	65,054	74,086	82,543	93,109
Margin (%)	19.6	20.3	20.5	20.5
Total Tax	14,865	17,810	19,810	22,346
Effective tax rate (%)	22.8	24.0	24.0	24.0
Profit after tax	50,189	56,276	62,733	70,763
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	47,757	56,276	62,733	70,763
YoY gr. (%)	4.9	17.8	11.5	12.8
Margin (%)	14.4	15.4	15.6	15.6
Extra Ord. Income / (Exp)	2,432	-	-	-
Reported PAT	50,189	56,276	62,733	70,763
YoY gr. (%)	10.2	12.1	11.5	12.8
Margin (%)	15.1	15.4	15.6	15.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	50,189	56,276	62,733	70,763
Equity Shares O/s (m)	289	283	283	283
EPS (Rs)	165.0	198.9	221.7	250.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	46,127	54,076	63,895	73,895
Tangibles	46,127	54,076	63,895	73,895
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,787	26,916	30,219	34,008
Tangibles	27,787	26,916	30,219	34,008
Intangibles	-	-	-	-
Net fixed assets	18,340	27,160	33,676	39,887
Tangibles	18,340	27,160	33,676	39,887
Intangibles	-	-	-	-
Capital Work In Progress	768	819	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	12,484	17,864	17,864	17,864
Net Deferred tax assets	(4,033)	(3,452)	(3,138)	(2,852)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2,25,703	2,11,369	2,14,369	2,17,369
Inventories	12,305	13,979	23,165	24,862
Trade receivables	15,164	17,761	25,372	31,078
Cash & Bank Balance	5,883	2,858	9,586	23,985
Other Current Assets	27,870	19,072	21,080	23,756
Total Assets	3,19,219	3,11,277	3,47,437	3,81,293
Equity				
Equity Share Capital	2,894	2,830	2,830	2,830
Other Equity	2,63,794	2,51,429	2,71,718	2,97,207
Total Network	2,66,688	2,54,259	2,74,548	3,00,037
Non-Current Liabilities				
Long Term borrowings	1,591	1,578	1,578	1,578
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	36,332	40,739	55,156	62,156
Other current liabilities	10,576	11,250	13,018	14,670
Total Equity & Liabilities	3,19,219	3,11,277	3,47,437	3,81,293

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	65,054	74,086	82,543	93,109
Add. Depreciation	2,692	2,824	3,303	3,789
Add. Interest	87	395	394	394
Less Financial Other Income	12,092	11,814	11,954	12,671
Add. Other	(12,092)	(11,814)	(11,954)	(12,671)
Op. profit before WC changes	55,740	65,491	74,287	84,622
Net Changes-WC	1,325	9,915	(3,550)	(1,594)
Direct tax	(16,053)	(18,392)	(20,124)	(22,631)
Net cash from Op. activities	41,012	57,014	50,613	60,396
Capital expenditures	(4,991)	(11,695)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(167)	(5,393)	-	-
Net Cash from Invt. activities	(5,158)	(17,088)	(10,000)	(10,000)
Issue of share cap. / premium	4,988	(29,091)	-	-
Debt changes	-	-	-	-
Dividend paid	(40,512)	(39,614)	(42,444)	(45,274)
Interest paid	(87)	(395)	(394)	(394)
Others	-	-	-	-
Net cash from Fin. activities	(35,611)	(69,100)	(42,838)	(45,668)
Net change in cash	244	(29,174)	(2,225)	4,728
Free Cash Flow	36,021	45,319	40,613	50,396

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	80,050	1,02,028	93,151	89,047
YoY gr. (%)	8.4	16.4	3.3	11.7
Raw Material Expenses	57,776	74,861	65,775	62,135
Gross Profit	22,273	27,167	27,376	26,912
Margin (%)	27.8	26.6	29.4	30.2
EBITDA	12,970	17,588	17,768	17,166
YoY gr. (%)	15.8	25.5	29.5	25.7
Margin (%)	16.2	17.2	19.1	19.3
Depreciation / Depletion	673	670	740	742
EBIT	12,297	16,918	17,029	16,424
Margin (%)	15.4	16.6	18.3	18.4
Net Interest	43	109	85	157
Other Income	3,193	3,332	2,691	2,598
Profit before Tax	15,447	20,140	19,635	18,865
Margin (%)	19.3	19.7	21.1	21.2
Total Tax	3,714	4,840	4,721	4,536
Effective tax rate (%)	24.0	24.0	24.0	24.0
Profit after Tax	11,733	15,300	14,914	14,329
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,733	15,300	14,914	14,329
YoY gr. (%)	10.6	20.0	22.8	17.0
Margin (%)	14.7	15.0	16.0	16.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,733	15,300	14,914	14,329
YoY gr. (%)	10.6	20.0	22.8	(2.5)
Margin (%)	14.7	15.0	16.0	16.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,733	15,300	14,914	14,329
Avg. Shares O/s (m)	283	283	283	283
EPS (Rs)	41.5	54.1	52.7	50.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	165.0	198.9	221.7	250.1
CEPS	174.3	208.9	233.4	263.5
BVPS	921.6	898.6	970.3	1,060.4
FCF	124.5	160.2	143.5	178.1
DPS	140.0	140.0	150.0	160.0
Return Ratio(%)				
RoCE	19.1	23.9	26.7	28.0
ROIC	131.1	99.5	128.4	129.3
RoE	18.4	21.6	23.7	24.6
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.8)	(0.8)
Net Working Capital (Days)	(10)	(9)	(6)	(5)
Valuation(x)				
PER	26.3	21.8	19.6	17.4
P/B	4.7	4.8	4.5	4.1
P/CEPS	24.9	20.8	18.6	16.5
EV/EBITDA	19.5	15.5	13.5	11.7
EV/Sales	3.1	2.8	2.5	2.2
Dividend Yield (%)	3.2	3.2	3.5	3.7

Source: Company Data, PL Research

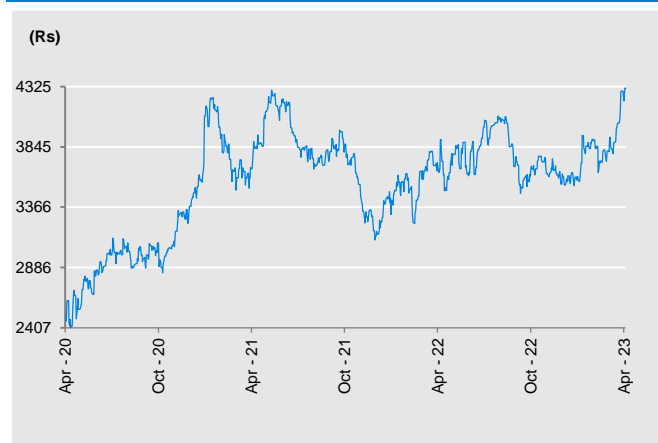
Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Motorcycle volume (units)	38,36,856	34,42,842	37,23,337	41,81,611
Three-wheeler volume (units)	4,70,055	4,85,018	5,39,342	6,05,998
Net Realisation (Rs/unit)	76,957	92,742	94,457	94,773

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	Hold	4,020	4,177
2	26-Jan-23	Hold	4,040	3,717
3	05-Jan-23	Hold	3,820	3,553
4	16-Oct-22	Hold	3,865	3,571
5	06-Oct-22	Hold	3,765	3,582
6	27-Jul-22	Hold	4,120	3,884
7	08-Jul-22	Accumulate	4,120	3,796
8	28-Apr-22	Accumulate	4,120	3,834

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,020	4,177
3	Bharat Forge	BUY	960	764
4	CEAT	Accumulate	1,635	1,432
5	Eicher Motors	BUY	4,050	3,054
6	Endurance Technologies	BUY	1,570	1,254
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,470
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,600	8,660
11	Tata Motors	BUY	590	459
12	TVS Motors	BUY	1,300	1,129

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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