

# Bajaj Auto Ltd.



# Bajaj Auto Ltd.

**Domestic performance resilient, recovery timeline of exports remains uncertain**

CMP <b>INR 4,396</b>	Target <b>INR 4,756</b>	Potential Upside <b>8.2%</b>	Market Cap (INR Mn) <b>12,43,088</b>	Recommendation <b>ACCUMULATE</b>	Sector <b>Automobile</b>
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## Result highlights

- For Q4FY23, Bajaj Auto reported Operating revenue of INR 89,292 mn (+12.0% YoY/ -4.2% QoQ). The underlying volumes for Q4FY23 were lower by 12.0% YoY/ 12.6% QoQ. ASP increased by 27.3% YoY/ 9.5% QoQ. Despite the YoY drop in volumes, revenue growth was supported by favourable FX realization, judicious price hikes, and a better product mix.
- Consolidated EBITDA was INR 16,572 mn (+21.8% YoY/ -5.7% QoQ). EBITDA margin improved by 150 bps YoY but declined by 30 bps QoQ to 18.6%.
- Bajaj Auto has started reporting Share of associates only on a half-yearly basis, leading to non-comparability of Net Profit on a QoQ and YoY basis. Reported PAT for Q4FY23 was INR 17,047 mn (+11.7% YoY/ +15.8% QoQ). Adjusting for exceptional items, Adj. PAT growth was 40.8% YoY/ 15.8% QoQ, which is still influenced by the difference in reporting of share of associates. For FY23, Adj. PAT was INR 60,602 mn, which is a growth of 13.3% YoY.

## MARKET DATA

Shares O/S (Mn)	283
Mkt Cap (INR Mn)	12,43,088
52 Wk H/L (INR)	4,724/ 3,865
Volume Avg (3m K)	406
Face Value (INR)	10
Bloomberg Code	BJAUT IN

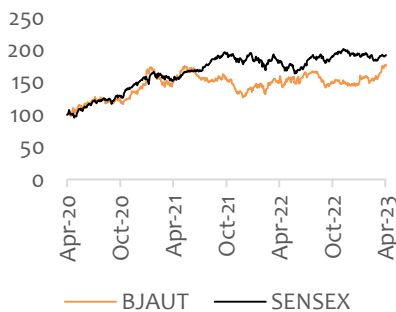
Market data as of 27th April 2023, 2:55 pm

## KEY FINANCIALS

INR Mn	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,77,411	3,31,447	3,64,554	4,38,049	4,77,597
EBITDA	49,247	52,499	64,505	81,073	88,399
PAT	48,570	61,659	60,602	73,102	79,169
EPS (INR)	167.8	213.1	214.2	258.3	279.8
EBITDA Margin	17.8%	15.8%	17.7%	18.5%	18.5%
NPM	17.5%	18.6%	16.6%	16.7%	16.6%

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



**Strong domestic growth partly mitigates volume pressure coming from exports:** For Q4FY23, Bajaj Auto reported Operating revenue of INR 89,292 mn (+12.0% YoY/ -4.2% QoQ). The underlying volumes for Q4FY23 were lower by 12.0% YoY/ 12.6% QoQ. Total domestic volumes (2W+3W) grew by 32.3% YoY/ -5.4% QoQ. Total export volumes (2W+3W) declined by 41.3% YoY/ 21.5% QoQ). Despite the YoY drop in volumes, revenue growth was supported by favourable FX realization, judicious price hikes, and a better product mix. Portfolio ASP increased by 27.3% YoY/ 9.5% QoQ. For FY23, Operating revenue grew by 10.0% YoY to INR 3,64,554 mn with a volume decline of 8.8% YoY and ASP growth of 20.8% YoY. In a year (FY23) impacted by supply chain disruptions and a sharp decline in exports, BJAUT had a record-breaking performance in terms of highest-ever Revenue, EBITDA, and PAT.

**Product mix improved QoQ, while pricing and input costs were flattish:** For Q4FY23, absolute EBITDA was INR 16,572 mn (+21.8% YoY/ -5.7% QoQ). Consolidated EBITDA margin improved by 150 bps YoY but declined by 30 bps QoQ to 18.6%. Gross margin for the quarter improved by 174 bps YoY/ 54 bps QoQ. In Q4FY23, BJAUT has seen an increase in prices for commodities like aluminium, copper, nickel and some noble metals, offset by softening in electrical, rubber, polypropylene, and foam, petroleum-linked products. Pricing and material costs were flattish QoQ on a standalone basis, while the product mix improved. For FY23, EBITDA improved by 22.9% YoY to INR 64,505 mn while EBITDA margin improved by 185 bps YoY to 17.7%.

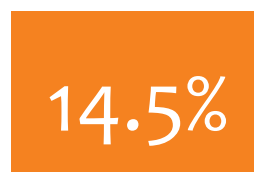
**Outlook on commodities, pricing, and margins:** Going ahead, the commodity cycle seems to be turning now and inflation could increase, especially in steel. BJAUT has taken a price hike from 1<sup>st</sup> April to mitigate the commodity inflation and costs from regulatory changes (OBD2). The price hike mitigated about 2/3<sup>rd</sup> of the inflation impact of 1.5%. Going forward, margins could remain stable as inflation and some deterioration in the product mix could be offset by operating leverage from higher volumes as exports improve.

## MARKET INFO

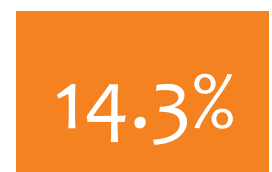
SENSEX	60,551
NIFTY	17,887

## SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	55.0	55.0	54.8
FIIs	12.4	11.8	11.6
DIIIs	10.9	11.0	11.6
Others	21.8	22.2	22.0
Total	100	100.0	100.0



Revenue CAGR between FY23 and FY25E



PAT CAGR between FY23 and FY25E

# Bajaj Auto Ltd.

## Key Concall Highlights:

**Exports:** (1) For Q4FY23, exports further deteriorated sequentially due to a near standstill in Nigeria because of election-related unrest and demonetization. (2) The situation in Nigeria worsened in February but has seen MoM improvement in March and April 2023. Retail sales have seen some bounced back. (3) Other export markets ex. Nigeria had slightly better retail QoQ. (4) Over the last 15 months, BJAUT’s exports have trailed retail sales to minimize inventory exposure of channel partners. As retail demand improves, BJAUT will have to eventually build back the inventory levels. (5) BJAUT has maintained market shares in key countries. (6) Despite devaluation in some local currencies of export markets, BJAUT did not take price cuts, but maintained its EBITDA profile by passing on cost increases. (7) The availability of USD remains the biggest concern and deciding factor for exports going ahead.

**Domestic 2W:** (1) The industry has shown true growth in the last 2 quarters, driven by the 125 cc+ segment while the sub-100 cc segment was only marginally positive. BJAUT expects the trend to continue and the industry to grow by 6.0% to 8.0% YoY over the next few quarters. (2) BJAUT has a strong proposition in the growing 125cc+ segment, with a portfolio of 20 models with a few more in the pipeline. The segment now forms 60.0% of BJAUT’s total domestic sales, an increase from 50.0% 3 years ago. (3) Pulsar market share in 150 cc to 250 cc category has increased back up to 50.0%+. (4) KTM achieved the highest-ever sales in FY23, with a higher share of higher cc bikes (250cc+). (5) The new lineup of bikes in partnership with Triumph will be launched globally on 27<sup>th</sup> June 2023. (6) In FY23, Pulsar, Dominar, and KTM all recorded lifetime high revenue.

**Domestic 3W:** (1) BJAUT’s 3W sales have recovered to 109.0% of pre-covid levels vs. 45% for the industry. (2) BJAUT reached an all-time high market share of 78.0% in March 2023.

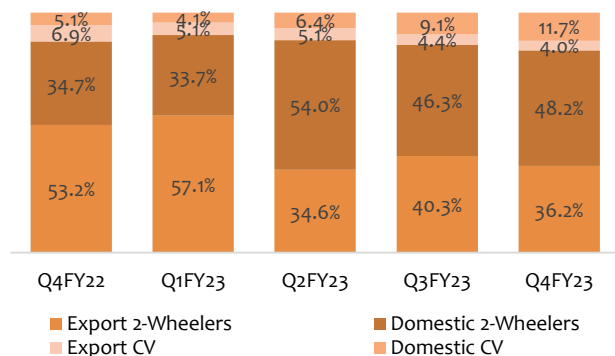
**EV:** (1) BJAUT’s EV supply chain has been restructured, which ensures the availability of 10,000 units of Chetak per month from June 2023 along with lower costs. (2) The price cuts undertaken in Chetak have led to retail increasing from ~3,000 to ~5,500 levels with bookings increasing to 8,000 units. (3) BJAUT will launch an upgrade to Chetak in the next few weeks. (4) By H1FY24, BJAUT plans to increase the footprint of Chetak stores to 120 cities from 88 cities currently. (5) BJAUT has completed testing of E-3W and plans to do a limited launch of passenger and cargo vehicles by the end of this month. BJAUT will do a limited launch for the first 3-4 months in order to observe the market, and then scale up city by city. BJAUT will specifically focus on markets in the North and Northeast where there are no ICE 3W permits. (6) BJAUT commenced supplies of bikes for Yulu with the launch of 3 products targeting the personal, commercial, and delivery segments.

**Other highlights:** (1) The Board recommended a final dividend of INR 140 per share. (2) If the FAME subsidy is removed, the industry will consolidate in favour of the stronger players and the market may shrink initially as customers will have to pay a higher upfront payment.

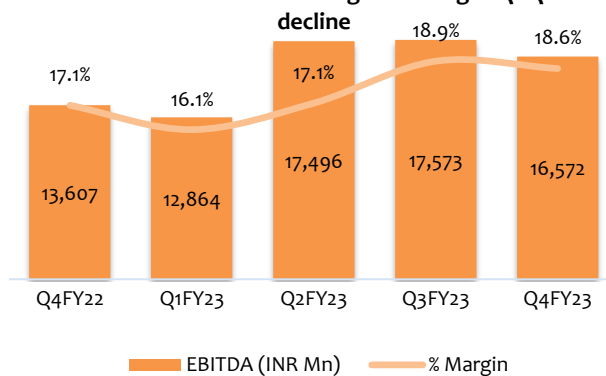
## Valuation and view

BJAUT is seeing strong performance in domestic 2W and 3W segments. The strong growth bias towards 125cc+ 2W is helping the margin profile along with the higher sales of domestic 3W. The strength of domestic business has cushioned the numbers from the severe reduction in export volumes. We continue to like the diversification benefits that come with BJAUT. The scale-up in EV 2W and the foray in EV 3W, in addition to the commencement of Triumph sales, are some of the things to look out for in FY24E. However, we think uncertainties in the form of export volumes will take longer to resolve as they are linked to the macro environment in BJAUT’s target export markets and the availability of USD for trade. While eventual volume increase will lead to operating leverage, the gains could possibly be offset by adverse product mix and material inflation coming back. Since the Q3FY23 results, the stock price of BJAUT has rallied by ~11%. We have made minor changes to our Revenue/ PAT estimates for FY24E-25E. **We assign a P/E multiple of 17.0x on FY25E EPS of INR 279.8 to arrive at a target price of INR 4,756/share (INR 4,564/share previously); implying an upside potential of 8.2% from the CMP. Considering the uncertainty of the timing of exports recovery, possible stagnancy of margins, and the run-up in share price, we reduce our recommendation to “ACCUMULATE” from the “BUY” rating on the shares of Bajaj Auto.**

Share of Volume



Consolidated EBITDA margins see slight QoQ decline



Source: Company, KRChoksey Research

# Bajaj Auto Ltd.

## KEY FINANCIALS

Particulars (Mn)	Q4FY23	Q3FY23	Q4FY22	QoQ	YoY	FY23	FY22	YoY
No. Of. Vehicles Sold	8,59,728	9,83,471	9,76,651	-12.6%	-12.0%	39,27,857	43,08,433	-8.8%
Net Sales	86,610	90,506	77,281	-4.3%	12.1%	3,53,915	3,21,360	10.1%
Other operating income	2,682	2,680	2,467	0.1%	8.7%	10,639	10,087	5.5%
<b>Net Operating Income</b>	<b>89,292</b>	<b>93,185</b>	<b>79,748</b>	<b>-4.2%</b>	<b>12.0%</b>	<b>3,64,554</b>	<b>3,31,447</b>	<b>10.0%</b>
Other income	2,635	2,705	2,888	-2.6%	-8.8%	11,875	12,841	-7.5%
<b>Total revenue</b>	<b>91,927</b>	<b>95,891</b>	<b>82,637</b>	<b>-4.1%</b>	<b>11.2%</b>	<b>3,76,429</b>	<b>3,44,289</b>	<b>9.3%</b>
<b>Total Expenditure</b>	<b>72,720</b>	<b>75,613</b>	<b>66,142</b>	<b>-3.8%</b>	<b>9.9%</b>	<b>3,00,049</b>	<b>2,78,948</b>	<b>7.6%</b>
Cost of raw materials	58,676	58,295	53,267	0.7%	10.2%	2,40,731	2,21,699	8.6%
Purchase of traded goods	6,229	5,676	5,583	9.7%	11.6%	21,485	19,720	8.9%
Change in inventory	-2,234	1,931	-1,493	-215.7%	49.6%	-1,003	1,880	-153.4%
COGS	62,671	65,903	57,357	-4.9%	9.3%	2,61,213	2,43,298	7.4%
Employee costs	3,795	3,616	3,068	5.0%	23.7%	14,845	13,628	8.9%
Other expenses	6,378	6,160	5,739	3.5%	11.1%	24,270	22,155	9.5%
Capitalized expenses	-125	-66	-23	88.9%	436.6%	-278	-133	109.0%
<b>EBITDA</b>	<b>16,572</b>	<b>17,573</b>	<b>13,607</b>	<b>-5.7%</b>	<b>21.8%</b>	<b>64,505</b>	<b>52,499</b>	<b>22.9%</b>
<b>EBITDA Margin (%)</b>	<b>18.6%</b>	<b>18.9%</b>	<b>17.1%</b>	<b>-30 bps</b>	<b>150 bps</b>	<b>17.7%</b>	<b>15.8%</b>	<b>185 bps</b>
Depreciation	760	748	698	1.6%	8.8%	2,859	2,698	6.0%
<b>EBIT</b>	<b>15,812</b>	<b>16,825</b>	<b>12,909</b>	<b>-6.0%</b>	<b>22.5%</b>	<b>61,647</b>	<b>49,802</b>	<b>23.8%</b>
<b>EBIT Margin (%)</b>	<b>17.7%</b>	<b>18.1%</b>	<b>16.2%</b>	<b>-35 bps</b>	<b>152 bps</b>	<b>16.9%</b>	<b>15.0%</b>	<b>188 bps</b>
Interest	158	85	29	86.0%	447.6%	395	87	356.2%
<b>PBT before share of associates</b>	<b>18,290</b>	<b>19,445</b>	<b>15,768</b>	<b>-5.9%</b>	<b>16.0%</b>	<b>73,127</b>	<b>62,556</b>	<b>16.9%</b>
Exceptional items	0	0	-3,153	NA	NA	0	-8,165	NA
Share of profit of associates	3,312	0	621	NA	433.7%	5,293	5,795	-8.7%
Tax	4,554	4,718	4,280	-3.5%	6.4%	17,818	14,858	19.9%
<b>PAT</b>	<b>17,047</b>	<b>14,727</b>	<b>15,261</b>	<b>15.8%</b>	<b>11.7%</b>	<b>60,602</b>	<b>61,659</b>	<b>-1.7%</b>
<b>PAT Margin (%)</b>	<b>19.1%</b>	<b>15.8%</b>	<b>19.1%</b>	<b>329 bps</b>	<b>-5 bps</b>	<b>16.6%</b>	<b>18.6%</b>	<b>-198 bps</b>
<b>EPS (INR)</b>	<b>60.3</b>	<b>52.1</b>	<b>52.8</b>	<b>15.7%</b>	<b>14.2%</b>	<b>212.5</b>	<b>213.2</b>	<b>-0.3%</b>
<b>Adj. PAT</b>	<b>17,047</b>	<b>14,727</b>	<b>12,109</b>	<b>15.8%</b>	<b>40.8%</b>	<b>60,602</b>	<b>53,494</b>	<b>13.3%</b>
<b>Adj. PAT Margin (%)</b>	<b>19.1%</b>	<b>15.8%</b>	<b>15.2%</b>	<b>329 bps</b>	<b>391 bps</b>	<b>16.6%</b>	<b>16.1%</b>	<b>48 bps</b>
<b>Adj. EPS (INR)</b>	<b>60.3</b>	<b>52.1</b>	<b>41.9</b>	<b>15.7%</b>	<b>43.9%</b>	<b>212.5</b>	<b>185.0</b>	<b>14.9%</b>

Source: Company, KRChoksey Research

Note: Share of profit of associates is accounted for on a half-yearly basis in Q2 and Q4.



# Bajaj Auto Ltd.

## KEY FINANCIALS

INR Mn	FY21	FY22	FY23	FY24E	FY25E
<b>Sales</b>	<b>2,71,329</b>	<b>3,21,360</b>	<b>3,53,915</b>	<b>4,25,290</b>	<b>4,63,687</b>
Other operating revenue	6,082	10,087	10,639	12,759	13,911
<b>Revenue from operations</b>	<b>2,77,411</b>	<b>3,31,447</b>	<b>3,64,554</b>	<b>4,38,049</b>	<b>4,77,597</b>
Cost of sales	1,96,097	2,43,298	2,61,213	3,10,719	3,40,049
<b>Gross profit</b>	<b>81,314</b>	<b>88,149</b>	<b>1,03,341</b>	<b>1,27,330</b>	<b>1,37,548</b>
Employee benefit expense	12,881	13,628	14,845	16,156	17,793
Finance cost	67	87	395	244	256
Depreciation	2,594	2,698	2,859	3,339	3,771
Other expenses	19,309	22,155	24,270	30,261	31,515
Capitalized expenses	-123	-133	-278	-160	-160
<b>Total expenses</b>	<b>2,30,824</b>	<b>2,81,732</b>	<b>3,03,302</b>	<b>3,60,558</b>	<b>3,93,224</b>
<b>EBITDA</b>	<b>49,247</b>	<b>52,499</b>	<b>64,505</b>	<b>81,073</b>	<b>88,399</b>
EBIT	46,653	49,802	61,647	77,734	84,629
Share of profit by associates	3,063	5,795	5,293	5,981	6,698
Other income	12,765	12,841	11,875	11,124	11,374
<b>PBT before exp</b>	<b>62,414</b>	<b>68,352</b>	<b>78,420</b>	<b>94,595</b>	<b>1,02,445</b>
Exceptional items	0	-8,165	0	0	0
<b>PBT</b>	<b>62,414</b>	<b>76,517</b>	<b>78,420</b>	<b>94,595</b>	<b>1,02,445</b>
Income tax expense	13,844	14,858	17,818	21,493	23,276
<b>Net profit</b>	<b>48,570</b>	<b>61,659</b>	<b>60,602</b>	<b>73,102</b>	<b>79,169</b>
<b>EPS (INR)</b>	<b>167.8</b>	<b>213.1</b>	<b>214.2</b>	<b>258.3</b>	<b>280</b>
<b>Adj. Net Profit</b>	<b>48,570</b>	<b>53,494</b>	<b>60,602</b>	<b>73,102</b>	<b>79,169</b>
<b>Adj. EPS</b>	<b>167.8</b>	<b>184.9</b>	<b>214.2</b>	<b>258.3</b>	<b>279.8</b>

Source: Company, KRChoksey Research

INR Mn	FY21	FY22	FY23	FY24E	FY25E
Cash from operations activities	31,198	41,972	52,774	77,556	83,655
Cash from investing activities	-28,679	-809	11,995	-12,447	-13,119
Cash from financing activities	-195	-40,563	-71,807	-39,685	-48,461
<b>Net inc/dec in cash equivalents</b>	<b>2,324</b>	<b>600</b>	<b>-7,038</b>	<b>25,424</b>	<b>22,075</b>
Opening Balance cash	2,854	5,166	9,337	2,416	27,840
<b>End Cash</b>	<b>5,166</b>	<b>9,337</b>	<b>2,416</b>	<b>27,840</b>	<b>49,915</b>

Source: Company, KRChoksey Research

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	17.8%	15.8%	17.7%	18.5%	18.5%
Tax rate (%)	22.2%	19.4%	22.7%	22.7%	22.7%
Net Profit Margin (%)	17.5%	18.6%	16.6%	16.7%	16.6%
RoE (%)	19.9%	21.6%	20.5%	23.6%	23.1%
RoCE (%)	17.1%	16.7%	21.0%	23.8%	23.6%
Current Ratio (x)	2.5x	2.2x	1.8x	2.2x	2.5x
EPS (INR per share)	167.8	213.1	214.2	258.3	279.8
Adj. P/E	26.2x	23.8x	20.5x	17.0x	15.7x

Source: Company, KRChoksey Research

# Bajaj Auto Ltd.

## KEY FINANCIALS

INR Mn	FY21	FY22	FY23	FY24E	FY25E
PPE	15,680	17,596	27,615	31,723	36,072
Capital WIP	160	772	853	853	853
Investment property	523	511	500	500	500
Intangible assets	473	253	307	307	307
Investments in associate of subsidiary	32,890	40,638	48,840	48,840	48,840
Financial assets	1,34,014	1,76,672	1,67,535	1,67,535	1,67,535
Income tax assets	7,148	7,492	8,125	8,937	9,831
Other non-current assets	3,254	3,522	1,085	1,194	1,313
<b>Total non-current assets</b>	<b>1,94,141</b>	<b>2,47,456</b>	<b>2,54,861</b>	<b>2,59,890</b>	<b>2,65,251</b>
Inventories	14,937	12,305	15,636	18,599	20,354
Investments	80,281	49,691	45,814	50,814	55,814
Trade receivables	27,169	15,164	17,524	21,057	22,958
Cash and cash eq	5,166	9,337	2,416	27,840	49,915
Other bank balances	222	244	4,489	4,489	4,489
Loans	57	42	36	36	36
Other financial assets	2,235	5,963	4,734	4,734	4,734
Other current assets	11,807	10,911	5,856	5,856	5,856
<b>Total current assets</b>	<b>1,41,875</b>	<b>1,03,656</b>	<b>96,504</b>	<b>1,33,424</b>	<b>1,64,156</b>
<b>Total Assets</b>	<b>3,36,015</b>	<b>3,51,112</b>	<b>3,51,365</b>	<b>3,93,314</b>	<b>4,29,407</b>
Equity share capital	2,894	2,894	2,830	2,830	2,830
Other equity	2,69,841	2,95,703	2,90,786	3,24,274	3,55,056
<b>Total Equity</b>	<b>2,72,734</b>	<b>2,98,597</b>	<b>2,93,615</b>	<b>3,27,103</b>	<b>3,57,886</b>
Sales tax deferral	1,215	1,228	1,242	1,242	1,242
Provisions	20	13	12	12	12
DTL	5,221	4,027	3,452	3,624	3,805
Govt grant	387	360	334	334	334
Other non current liabilities	5	3	2	2	2
<b>Total non current liabilities</b>	<b>6,847</b>	<b>5,631</b>	<b>5,042</b>	<b>5,214</b>	<b>5,395</b>
Trade payables	45,741	36,322	41,212	49,022	53,650
Other financial liabilities	4,074	3,970	4,641	4,873	5,117
Other current liabilities	4,828	4,788	4,926	5,172	5,431
Provisions	1,524	1,538	1,665	1,665	1,665
Govt grant	25	27	27	27	27
Current tax liabilities	242	242	237	237	237
<b>Total current liabilities</b>	<b>56,433</b>	<b>46,885</b>	<b>52,707</b>	<b>60,996</b>	<b>66,126</b>
<b>Total Equity &amp; liabilities</b>	<b>3,36,015</b>	<b>3,51,112</b>	<b>3,51,364</b>	<b>3,93,314</b>	<b>4,29,407</b>

Source: Company, KRChoksey Research

# Bajaj Auto Ltd.

Bajaj Auto Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
27-Apr-23	4,396	4,756	ACCUMULATE	Buy	More than 15%
27-Jan-23	3,941	4,564	BUY		
17-Oct-22	3,630	4,483	BUY	Accumulate	5% – 15%
04-Aug-22	4006	4,483	ACCUMULATE	Hold	0 – 5%
29-Jul-22	3,858	4,168	ACCUMULATE	Reduce	-5% – 0
07-Jun 22	3,818	4,168	ACCUMULATE	Sell	Less than – 5%

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**KR Choksey Shares and Securities Pvt. Ltd**

**Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.