

Bajaj Auto

Demand outlook remains uncertain

Bajaj Auto's Q1 PAT at INR16.6bn (+16% QoQ and +42% YoY) was in line with our estimate, even as margins missed estimates. The margin miss was primarily due to an adverse mix of lower-end motorcycles and a lower 3W mix. Management indicated that although retail demand in key export markets is likely to have bottomed out, the lack of availability of USD for trade remains the major factor hampering export visibility. The domestic motorcycle industry continues to see weak demand and management is now guiding for 4-6% volume growth over the next few months, largely driven by the 125cc and above segments. Triumph has garnered orders for 17k units in a very short span and the ramp-up of the same would be one of the key monitorables in the coming quarters. However, at 18.5x FY25E, most of the positives seem priced in. Reiterate REDUCE with a revised TP of INR 4,438 (earlier INR 4,028), as we roll forward to June'25 EPS core business, valued at an unchanged 16x multiple.

- Q1 earnings in line:** Bajaj Auto's Q1 PAT at INR16.6bn (+16% QoQ and +42% YoY), was in line with our estimate, even as margins missed estimates. EBITDA margin declined 30bps QoQ to 19% and was below our estimate of 19.6%. Margin miss was led by higher commuter segment motorcycle contribution in total volume due to the marriage season demand in Q1 and adverse forex, which was partially offset by lower staff and other expenses.
- Call takeaways:** (1) **Exports update:** in Q1, exports are up 12% QoQ and are driven by the recovery in Africa (+14% QoQ) and pick-up in demand in South Asia and the Middle East. Industry retails in Nigeria grew by 34% QoQ vs BAL's growth of 41%. However, Nigeria is still not out of the woods yet as per management. Exports to LATAM are stable QoQ though. Bangladesh is still lower than in Q4. Also, demand in ASEAN is considerably weak. (2) Management expects the domestic motorcycle industry to post 4-6% volume growth over the next few months, driven by the 125cc and above segments. (3) Bajaj has gained 200bps market share in the >125cc segment which now accounts for over 70% of domestic volumes from 60% in FY23. (4) In ICE 3Ws, BAL's market share has improved to 80% in Q1 from 70% in FY23. (5) The company took a price hike of 100bps in Q1 to offset the higher input cost and OBD2 transition. (6) **Triumph update:** The current open booking stands at 17k units; by the end of Q2, Triumph would be present in 44 towns, from the current 17 towns; they target to ramp up to 5k per month production from Sept23 and then start exports from Oct onwards. (7) On Chetak EV, the company aims to expand its exclusive network from 100 cities to 120 cities with 140 stores by the end of Q2. In EVs, the company would do CAPEX of INR4-5bn in FY24, which will include setting up a new facility in Aurangabad. (8) Bajaj has launched the e3W passenger in Andhra and the e3W cargo in Pune. BAL expects to scale it up in a phased manner from Sep23.

Quarterly/annual financial summary

YE Mar (INR mn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	1,00,486	77,689	29.3	86,316	16.4	3,53,592	4,05,941	4,58,328	5,25,903
EBITDA	19,539	12,970	50.6	17,166	13.8	65,491	80,040	87,612	1,00,301
APAT	16,648	11,733	41.9	14,329	16.2	56,276	67,693	74,100	84,235
Diluted EPS (INR)	58.8	41.5	41.9	50.6	16.2	198.9	239.2	261.9	297.7
P/E (x)						24.6	20.4	18.5	16.3
EV / EBITDA (x)						17.4	14.1	12.7	11.0
RoCE (%)						28.9	32.6	33.6	35.5

Source: Company, HSIE Research

REDUCE

CMP (as on 25 July 2023) INR 4,849

Target Price INR 4,438

NIFTY 19,681

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 4,028	INR 4,438
	FY24E	FY25E
EPS %	5.8%	6.3%

KEY STOCK DATA

Bloomberg code	BJAUT IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	1,403/17,157
6m avg traded value (INR mn)	1,785
52 Week high / low	INR 4,995/3,461

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.7	30.4	20.6
Relative (%)	1.3	20.2	1.6

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	54.98	54.98
FIs & Local MFs	10.86	9.63
FPIs	12.35	13.67
Public & Others	21.81	21.72
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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