

July 26, 2023

## Q1FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	REDUCE		REDUCE	
Target Price	4,575		4,450	
Sales (Rs. m)	4,21,942	4,88,757	4,21,942	4,88,757
% Chng.	-	-	-	-
EBITDA (Rs. m)	79,958	94,721	77,848	92,131
% Chng.	2.7	2.8	-	-
EPS (Rs.)	235.5	277.9	230.9	270.1
% Chng.	2.0	2.9	-	-

### Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	3,31,447	3,64,276	4,21,942	4,88,757
EBITDA (Rs. m)	52,587	65,491	79,958	94,721
Margin (%)	15.9	18.0	19.0	19.4
PAT (Rs. m)	47,757	56,276	66,625	78,633
EPS (Rs.)	165.0	198.9	235.5	277.9
Gr. (%)	4.9	20.5	18.4	18.0
DPS (Rs.)	140.0	140.0	150.0	160.0
Yield (%)	2.9	2.9	3.1	3.3
RoE (%)	18.4	21.6	25.0	26.6
RoCE (%)	19.1	23.9	28.6	30.6
EV/Sales (x)	3.5	3.2	2.7	2.3
EV/EBITDA (x)	22.3	17.7	14.3	11.8
PE (x)	29.3	24.3	20.6	17.4
P/BV (x)	5.3	5.4	4.9	4.4

### Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.4,995 / Rs.3,461
Sensex / Nifty	66,342 / 19,672
Market Cap	Rs.1,401bn/ \$ 17,116m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.1968.08m

### 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	4.8	30.3	20.4
Relative	(0.6)	18.2	1.2

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## Inferior mix to curtail margin expansion

### Quick Pointers:

- Potential impact on margins from inferior mix.
- Exports recovery to be gradual.

**We marginally increase our FY24/25 EPS estimates by 2-3% to factor beat in margins and management commentary. Bajaj Auto (BJAUT) 1Q revenue (Rs. 103bn) was largely in-line, while EBITDA margin (19.0%) was higher than PLe (18%) but in-line with street estimates (19%). EBITDA margins saw slight decline QoQ on de-inventorisation, inferior mix and better vehicle mix, offset by higher operating leverage. However, strong cost control of employee expenses and other operating expense, shielded from a steeper decline. Export volumes recovered QoQ and BJAUT is expecting gradual improvement, given macro challenges in those markets. The company will also face increasing pressure from inferior mix as the export portfolio from African regions begins to increase (higher mix of low margin products) plus increase in EV volumes and margins are likely to remain at current levels. 2Q volumes in domestic market could be soft due to high base.**

**We expect BJAUT's domestic premium segment volumes to grow (similar to the industry) helped by premiumisation trends besides fast ramp-up of EVs could make us turn constructive on the stock. BJAUT is currently trading at 17.4x FY25, on the higher side versus history. Maintain 'REDUCE' with a TP of Rs 4,575 (Rs 4,450 earlier) at 16x Mar-25E EPS.**

**In line revenues; beat on margins:** Revenue grew by 28.8% YoY, on volume growth of 9.3% and came in-line with our and slightly below Bloomberg consensus estimates (BBGe). EBITDA margins at c19.0% were above PLe (18.0%) and in-line with BBGe (19.0%). Raw material costs were higher than expected, but BJAUT managed to report strong control on employee costs and opex which grew much lower than sales. Higher other income aided PAT beat.

**Key takeaways: (1) Exports to see gradual recovery:** BJAUT highlighted that in its top 15 markets which account 80% of their sales, motorcycles industry grew by 4% while Bajaj retail grew by 7%. Exports of premium bikes (Pulsar & Dominars) grew by c40% sequentially. Forex availability is also improving globally. Africa grew faster while ASEAN market were slow to recover due to macro conditions; LATAM held a steady pace. High inflation, lack of fuel subsidy have impacted Nigeria volumes and could take another a couple of quarters before reaching normal volumes. Bajaj's Brazil plant in Manaus SEZ, which will be functional within 12 months. **(2) 125cc+ segment to outperform industry:** BAJUT guided 4-6% growth in the motorcycle industry over next few months, with >125cc segment outperforming. **(3) 3W:** CNG 3Ws are driving volumes thriving on CNG network expansion. Q1 saw new launches in EV 3W in both passenger and cargo version **(4) Chetak ramp up:** Network to reach 120 cities with 140 stores by end of Q2FY24, giving better service and superior experience. **(5) Triumph 400:** 17K bookings from 15 dealerships and by end of Q2 the touchpoints should increase to 44 towns with over 50 stores. Production to hit a rate of 5k per month by Sep-23 and exports should start from Oct-23. **(6) Margin headwinds:** BJAUT noted potential margin headwinds from negative mix impacts, which it plans to overcome from higher operating leverage in FY24.

**Exhibit 1: Q1FY24 Result Overview (Rs mn)**

Y/e Mar	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
<b>Net Revenues</b>	<b>1,03,098</b>	<b>80,050</b>	<b>28.8</b>	<b>89,047</b>	<b>15.8</b>	<b>4,21,942</b>	<b>3,64,276</b>	<b>15.8</b>
Raw Materials	74,127	57,776	28.3	62,135	19.3	3,00,000	2,60,548	15.1
<i>% of Net Sales</i>	<i>71.9%</i>	<i>72.2%</i>		<i>69.8%</i>		<i>71.1%</i>	<i>71.5%</i>	
Personnel	3,842	3,796	1.2	3,620	6.1	16,034	14,449	11.0
<i>% of Net Sales</i>	<i>3.7%</i>	<i>4.7%</i>		<i>4.1%</i>		<i>3.8%</i>	<i>4.0%</i>	
Manufacturing & Other Exp	5,590	5,507	1.5	6,126	(8.8)	25,949	23,788	9.1
<i>% of Net Sales</i>	<i>5.4%</i>	<i>6.9%</i>		<i>6.9%</i>		<i>6.2%</i>	<i>6.5%</i>	
Total Expenditure	83,558	67,080	24.6	71,882	16.2	3,41,984	2,98,785	14.5
<b>EBITDA</b>	<b>19,539</b>	<b>12,970</b>	<b>50.6</b>	<b>17,166</b>	<b>13.8</b>	<b>79,958</b>	<b>65,491</b>	<b>22.1</b>
<i>EBITDA Margin (%)</i>	<i>19.0%</i>	<i>16.2%</i>		<i>19.3%</i>		<i>19.0%</i>	<i>18.0%</i>	
Depreciation	835	673	24.1	742	12.6	3,346	2,824	18.5
<b>EBIT</b>	<b>18,704</b>	<b>12,297</b>	<b>52.1</b>	<b>16,424</b>	<b>13.9</b>	<b>76,612</b>	<b>62,667</b>	<b>22.3</b>
Interest Expenses	121	43	178.6	157	(23.2)	458	395	15.9
Non-operating income	3,463	3,193	8.5	2,598	33.3	12,091	11,814	2.3
Extraordinary Expenses	-	-		-		-	-	
<b>PBT</b>	<b>22,046</b>	<b>15,447</b>	<b>42.7</b>	<b>18,865</b>	<b>16.9</b>	<b>88,245</b>	<b>74,086</b>	<b>19.1</b>
Tax-Total	5,399	3,714	45.4	4,536	19.0	21,620	17,810	21.4
<i>Tax Rate (%) - Total</i>	<i>24.5%</i>	<i>24.0%</i>	<i>1.9</i>	<i>24.0%</i>		<i>24.5%</i>	<i>24.0%</i>	<i>1.9</i>
<b>Reported PAT</b>	<b>16,648</b>	<b>11,733</b>	<b>41.9</b>	<b>14,329</b>	<b>16.2</b>	<b>66,625</b>	<b>56,276</b>	<b>18.4</b>
<b>Adj. PAT</b>	<b>16,648</b>	<b>11,733</b>	<b>41.9</b>	<b>14,329</b>	<b>16.2</b>	<b>66,625</b>	<b>56,276</b>	<b>18.4</b>
<i>PAT Margin (%)</i>	<i>16.1%</i>	<i>14.7%</i>		<i>16.1%</i>		<i>15.8%</i>	<i>15.4%</i>	

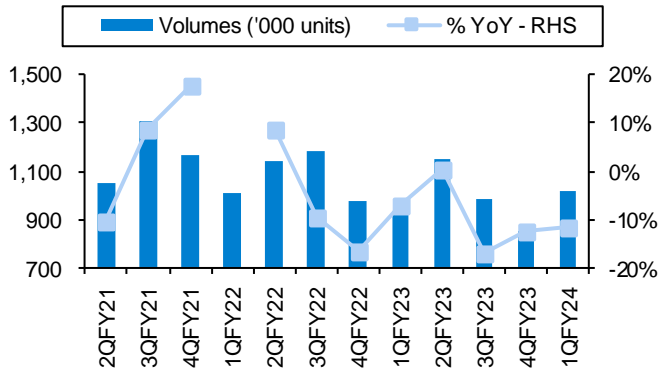
Source: Company, PL

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

Y/e Mar	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
<b>Sales Volume (nos)</b>	<b>10,20,050</b>	<b>9,33,646</b>	<b>9.3</b>	<b>8,55,050</b>	<b>19.3</b>	<b>42,70,506</b>	<b>39,27,860</b>	<b>8.7</b>
Net Realization/Vehicle	1,01,071	85,739	17.9	1,04,143	(2.9)	98,804	92,742	6.5
Material cost / vehicle	72,669	61,883	17.4	72,668	0.0	70,249	66,333	5.9
Gross Profit / vehicle	28,402	23,856	19.1	31,475	(9.8)	28,554	26,408	8.1
Employee cost /vehicle	3,766	4,066	(7.4)	4,234	(11.0)	3,755	3,679	2.1
Other expenses / vehicle	5,480	5,899	(7.1)	7,165	(23.5)	6,076	6,056	0.3
EBITDA/vehicle	19,155	13,892	37.9	20,076	(4.6)	18,723	16,674	12.3
Net Profit/vehicle	16,320	12,567	29.9	16,758	(2.6)	15,601	14,327	8.9

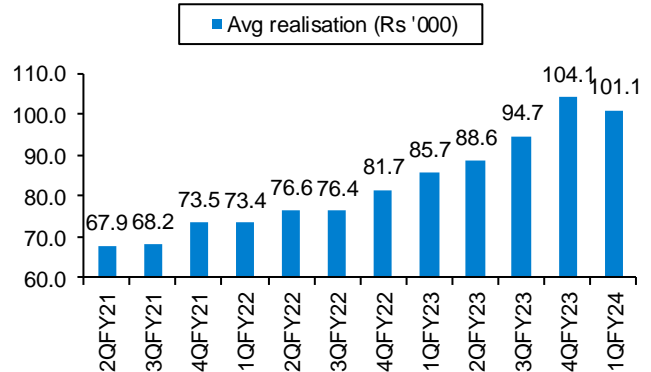
Source: Company, PL

**Exhibit 3: Steady recovery of exports market**



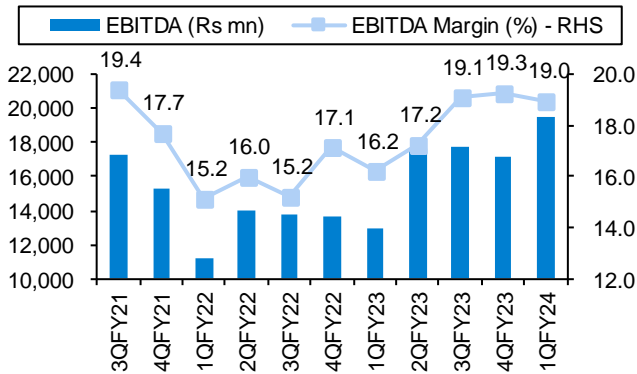
Source: Company, PL

**Exhibit 4: ASPs impacted due to led inferior mix**



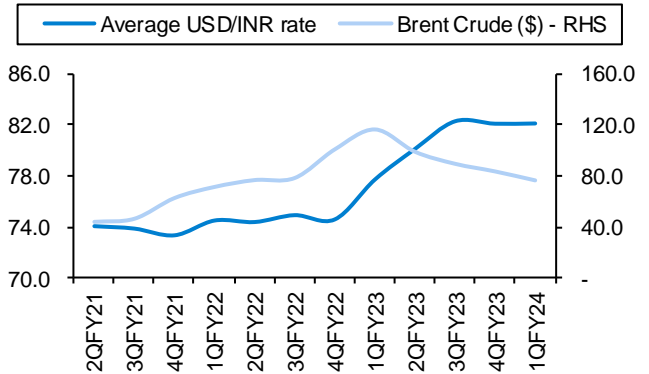
Source: Company, PL

**Exhibit 5: EBITDA margin decreased by 30bps QoQ**



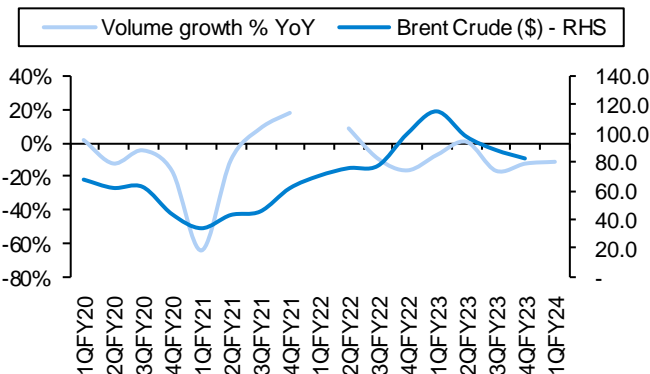
Source: Company, PL

**Exhibit 6: USD/INR rate at ~Rs 82 in 1QFY24**



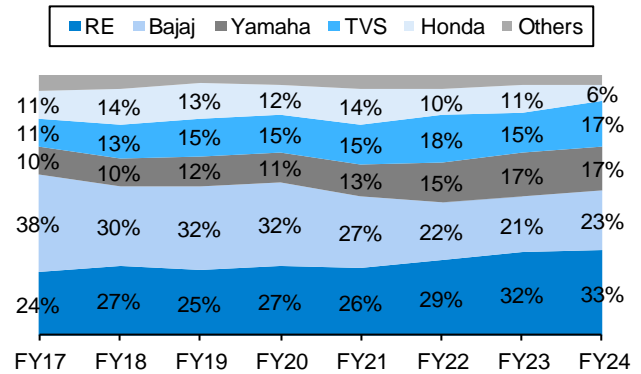
Source: Industry, PL

**Exhibit 7: Correlation between BJAUT's volumes and crude**



Source: Company, Industry, PL

**Exhibit 8: BJAUT gaining market share in 125cc+ segment**



Source: SIAM, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>3,31,447</b>	<b>3,64,276</b>	<b>4,21,942</b>	<b>4,88,757</b>
YoY gr. (%)	19.5	9.9	15.8	15.8
Cost of Goods Sold	2,43,298	2,60,548	3,00,000	3,45,551
Gross Profit	88,149	1,03,729	1,21,941	1,43,206
Margin (%)	26.6	28.5	28.9	29.3
Employee Cost	13,588	14,449	16,034	18,084
Other Expenses	21,974	23,788	25,949	30,401
<b>EBITDA</b>	<b>52,587</b>	<b>65,491</b>	<b>79,958</b>	<b>94,721</b>
YoY gr. (%)	6.7	24.5	22.1	18.5
Margin (%)	15.9	18.0	19.0	19.4
Depreciation and Amortization	2,692	2,824	3,346	3,832
<b>EBIT</b>	<b>49,895</b>	<b>62,667</b>	<b>76,612</b>	<b>90,889</b>
Margin (%)	15.1	17.2	18.2	18.6
Net Interest	87	395	458	394
Other Income	12,092	11,814	12,091	12,969
<b>Profit Before Tax</b>	<b>65,054</b>	<b>74,086</b>	<b>88,245</b>	<b>1,03,464</b>
Margin (%)	19.6	20.3	20.9	21.2
Total Tax	14,865	17,810	21,620	24,831
Effective tax rate (%)	22.8	24.0	24.5	24.0
<b>Profit after tax</b>	<b>50,189</b>	<b>56,276</b>	<b>66,625</b>	<b>78,633</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>47,757</b>	<b>56,276</b>	<b>66,625</b>	<b>78,633</b>
YoY gr. (%)	4.9	17.8	18.4	18.0
Margin (%)	14.4	15.4	15.8	16.1
Extra Ord. Income / (Exp)	2,432	-	-	-
<b>Reported PAT</b>	<b>50,189</b>	<b>56,276</b>	<b>66,625</b>	<b>78,633</b>
YoY gr. (%)	10.2	12.1	18.4	18.0
Margin (%)	15.1	15.4	15.8	16.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	50,189	56,276	66,625	78,633
<b>Equity Shares O/s (m)</b>	<b>289</b>	<b>283</b>	<b>283</b>	<b>283</b>
<b>EPS (Rs)</b>	<b>165.0</b>	<b>198.9</b>	<b>235.5</b>	<b>277.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>46,127</b>	<b>54,846</b>	<b>64,665</b>	<b>74,665</b>
Tangibles	46,127	54,846	64,665	74,665
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>27,787</b>	<b>27,687</b>	<b>31,034</b>	<b>34,865</b>
Tangibles	27,787	27,687	31,034	34,865
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>18,340</b>	<b>27,159</b>	<b>33,632</b>	<b>39,800</b>
Tangibles	18,340	27,159	33,632	39,800
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	-	-	-	-
<b>Current Assets</b>				
Investments	2,25,703	2,11,369	2,14,369	2,17,369
Inventories	12,305	13,979	24,276	26,781
Trade receivables	15,164	17,761	26,588	33,476
Cash & Bank Balance	5,883	2,858	13,390	35,497
Other Current Assets	27,870	19,072	22,091	25,589
<b>Total Assets</b>	<b>3,19,219</b>	<b>3,11,276</b>	<b>3,54,597</b>	<b>3,98,984</b>
<b>Equity</b>				
Equity Share Capital	2,894	2,830	2,830	2,830
Other Equity	2,63,794	2,51,429	2,75,610	3,08,969
<b>Total Network</b>	<b>2,66,688</b>	<b>2,54,259</b>	<b>2,78,440</b>	<b>3,11,799</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,591	1,578	1,578	1,578
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	36,332	40,739	57,800	66,953
Other current liabilities	10,576	11,250	13,642	15,802
<b>Total Equity &amp; Liabilities</b>	<b>3,19,219</b>	<b>3,11,277</b>	<b>3,54,597</b>	<b>3,98,984</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	65,054	74,086	88,245	1,03,464
Add. Depreciation	2,692	2,824	3,346	3,832
Add. Interest	87	395	458	394
Less Financial Other Income	12,092	11,814	12,091	12,969
Add. Other	(12,092)	(11,814)	(12,091)	(12,969)
Op. profit before WC changes	55,740	65,491	79,958	94,721
Net Changes-WC	1,325	9,915	(3,682)	(1,798)
Direct tax	(16,053)	(18,392)	(21,934)	(25,117)
<b>Net cash from Op. activities</b>	<b>41,012</b>	<b>57,014</b>	<b>54,342</b>	<b>67,806</b>
Capital expenditures	(4,991)	(11,694)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(167)	(5,393)	-	-
<b>Net Cash from Inv. activities</b>	<b>(5,158)</b>	<b>(17,087)</b>	<b>(10,000)</b>	<b>(10,000)</b>
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)	(458)	(394)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(35,611)</b>	<b>(69,100)</b>	<b>(42,902)</b>	<b>(45,668)</b>
<b>Net change in cash</b>	<b>244</b>	<b>(29,173)</b>	<b>1,440</b>	<b>12,138</b>
Free Cash Flow	36,021	45,320	44,342	57,806

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>80,050</b>	<b>1,02,028</b>	<b>93,151</b>	<b>89,047</b>
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
<b>EBITDA</b>	<b>12,970</b>	<b>17,588</b>	<b>17,768</b>	<b>17,166</b>
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
<b>EBIT</b>	<b>12,297</b>	<b>16,918</b>	<b>17,029</b>	<b>16,424</b>
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
<b>Profit before Tax</b>	<b>15,447</b>	<b>20,140</b>	<b>19,635</b>	<b>18,865</b>
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
<b>Profit after Tax</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>14,329</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>14,329</b>
YoY gr. (%)	10.6	20.0	22.8	17.0
Margin (%)	14.7	15.0	16.0	16.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>14,329</b>
YoY gr. (%)	10.6	20.0	22.8	(2.5)
Margin (%)	14.7	15.0	16.0	16.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>11,733</b>	<b>15,300</b>	<b>14,914</b>	<b>14,329</b>
Avg. Shares O/s (m)	283	283	283	283
<b>EPS (Rs)</b>	<b>41.5</b>	<b>54.1</b>	<b>52.7</b>	<b>50.6</b>

Source: Company Data, PL Research

**Key Financial Metrics**

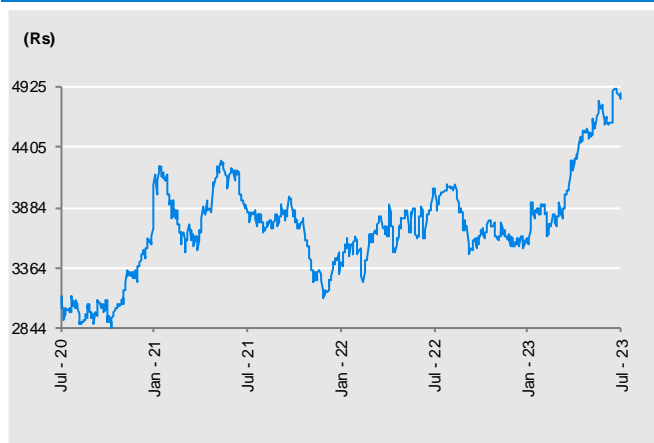
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	165.0	198.9	235.5	277.9
CEPS	174.3	208.9	247.3	291.4
BVPS	921.6	898.6	984.0	1,101.9
FCF	124.5	160.2	156.7	204.3
DPS	140.0	140.0	150.0	160.0
<b>Return Ratio(%)</b>				
RoCE	19.1	23.9	28.6	30.6
ROIC	131.1	99.5	144.0	157.6
RoE	18.4	21.6	25.0	26.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.8)	(0.8)
Net Working Capital (Days)	(10)	(9)	(6)	(5)
<b>Valuation(x)</b>				
PER	29.3	24.3	20.6	17.4
P/B	5.3	5.4	4.9	4.4
P/CEPS	27.8	23.2	19.6	16.6
EV/EBITDA	22.3	17.7	14.3	11.8
EV/Sales	3.5	3.2	2.7	2.3
Dividend Yield (%)	2.9	2.9	3.1	3.3

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY22	FY23	FY24E	FY25E
Motorcycle volume (units)	38,36,856	34,42,842	36,86,054	41,32,414
Three-wheeler volume (units)	4,70,055	4,85,018	5,84,452	6,56,522
Net Realisation (Rs/unit)	76,957	92,884	98,804	1,02,060

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-23	Reduce	4,450	4,918
2	26-Apr-23	Hold	4,130	4,342
3	12-Apr-23	Hold	4,020	4,177
4	26-Jan-23	Hold	4,040	3,717
5	05-Jan-23	Hold	3,820	3,553
6	16-Oct-22	Hold	3,865	3,571
7	06-Oct-22	Hold	3,765	3,582
8	27-Jul-22	Hold	4,120	3,884

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	215	165
2	Bajaj Auto	Reduce	4,450	4,918
3	Bharat Forge	BUY	955	855
4	CEAT	Hold	2,330	2,485
5	Eicher Motors	Accumulate	3,460	3,222
6	Endurance Technologies	Accumulate	1,745	1,654
7	Exide Industries	UR	-	185
8	Hero Motocorp	Accumulate	3,460	3,172
9	Mahindra & Mahindra	BUY	1,685	1,549
10	Maruti Suzuki	BUY	11,100	9,859
11	Tata Motors	BUY	675	601
12	TVS Motor Company	Accumulate	1,380	1,314

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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