

# Bajaj Auto Ltd.



# Bajaj Auto Ltd.

**Exports see sequential improvement, will continue to improve gradually**

CMP <b>INR 4,860</b>	Target <b>INR 5,321</b>	Potential Upside <b>9.5%</b>	Market Cap (INR Mn) <b>13,75,159</b>	Recommendation <b>ACCUMULATE</b>	Sector <b>Automobile</b>
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## Result highlights

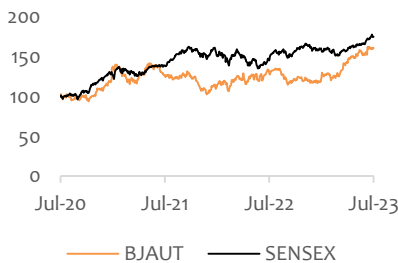
- BJAUT's operating revenue for Q1FY24 was at INR 1,03,119 mn, a growth of 28.8% YoY/ 15.5% QoQ. The underlying volume growth was 10.0% YoY/ 19.5% QoQ. Average Selling Price was higher by 17.6% YoY, but lower by 2.8% QoQ.
- Domestic revenues registered its biggest-ever quarter, maintaining its double-digit growth trajectory yet again.
- EBITDA for the quarter improved by 50.2% YoY/ 16.6% QoQ to INR 19,323 mn. EBITDA margin expanded by 267 bps YoY/ 18 bps QoQ to 18.7%.
- PBT before share of associates was INR 21,841 mn, a growth of 42.4% YoY/ 19.4% QoQ.
- PAT for the quarter was INR 16,441 mn, which grew by 41.3% YoY but declined by 3.6% QoQ. The QoQ decline was on account of the share of associates only being recorded in Q2 and Q4 and not in Q1 and Q3.

## MARKET DATA

Shares O/S (Mn)	283
Mkt Cap (INR Mn)	13,75,159
52 Wk H/L (INR)	4,995/ 3,461
Volume Avg (3m K)	415
Face Value (INR)	10
Bloomberg Code	BJAUT IN

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

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	66,707
NIFTY	19,778

## KEY FINANCIALS

INR Mn	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,77,411	3,31,447	3,64,554	4,32,079	4,74,158
EBITDA	49,247	52,499	64,505	81,706	91,013
PAT	48,570	61,659	60,602	73,665	81,391
EPS (INR)	167.8	213.1	214.2	260.3	287.6
EBITDA Margin	17.8%	15.8%	17.7%	18.9%	19.2%
NPM	17.5%	18.6%	16.6%	17.0%	17.2%

Source: Company, KRChoksey Research

**All-time high total revenue and domestic revenue:** BJAUT's operating revenue for Q1FY24 was at INR 1,03,119 mn, a growth of 28.8% YoY/ 15.5% QoQ. The underlying volume growth was 10.0% YoY/ 19.5% QoQ. Domestic 2-wheeler volumes grew by 72.7% YoY/ 30.8% QoQ, on the low base of last year which was impacted by supply shortages. Export 2-wheeler volumes remained lower YoY by 35.0% but saw a sequential improvement of 11.5% QoQ. Domestic 3-wheeler volumes were up 156.7% YoY but down by 1.4% QoQ. Exports of 3-wheelers declined 17.9% YoY but improved by 15.1% QoQ. Average Selling Price for BJAUT was higher by 17.6% YoY, but lower by 2.8% QoQ impacted by the poorer mix in the quarter. BJAUT took a price hike of about 1% in the quarter to account for material cost inflation at the start of the quarter, and due to the impact of OBD2 norms.

**EBITDA and PAT are also at an all-time high in the quarter:** Gross margin for the quarter expanded by 24 bps YoY but was lower by 175 bps QoQ. EBITDA for the quarter improved by 50.2% YoY/ 16.6% QoQ to INR 19,323 mn. Despite the sequential gross margin moderation, the EBITDA margin expanded by 267 bps YoY/ 18 bps QoQ to 18.7% aided by operating leverage. Q1FY24 saw some uptick at the beginning of the quarter in commodities like steel, aluminium, copper, nickel, and platinum but the trend reversed as the quarter passed on. Commodities are now stable and broadly at the levels seen in Q4FY23. The product mix deteriorated in the quarter due to the seasonal demand for commuter motorcycles, the export mix of premium motorcycles, and the growing scale of Chetak electric vehicles. This negated the benefit of operating leverage from higher volumes.

**Outlook:** The product mix has headwinds going ahead in the form of exports recovering and growth of Chetak EV. On the positive side, some amount of operating leverage will come in as the business starts to build back. The volume growth in Q2FY24E will be on a strong base as last year in Q4FY23, the pipeline level dropped to 25 days and were built back up in Q1FY23. Hence there is a skew in the growth rates in Q1FY24 and Q2FY24. Retail growth should see continued momentum. While there are improvements in the exports market, stability has not returned entirely and BJAUT remains cautiously optimistic of the performance in Q2FY24E. The improvement will be gradual and not abrupt.

## SHARE HOLDING PATTERN (%)

Particulars	Jun-23	Mar-23	Dec-22
Promoters	55.0	55.0	55.0
FIs	13.7	12.4	11.8
DIs	9.6	10.9	11.0
Others	21.7	21.8	22.2
Total	100	100	100.0

# 14.0%

Revenue CAGR between FY23 and FY25E

# 15.9%

PAT CAGR between FY23 and FY25E

## Bajaj Auto Ltd.

### Key Concall Highlights:

**Exports:** (1) For BJAUT's global markets, motorcycle industry retail sales grew by 2% QoQ, while for BJAUT, retail sales grew by 5% QoQ. In BJAUT's Top 15 markets, accounting for almost 80% of global motorcycle sales, industry retails grew by 4% QoQ while BJAUT retails grew by 7% QoQ. (2) Exports of the premium brands, Pulsar and Dominar, grew by over 40% QoQ. (3) The export CV market has almost bottomed, but retail sales in Q1FY24 were still marginally lower QoQ. (4) FX availability is gradually improving leading to the improvement in exports. (5) The QoQ volume recovery was driven by Africa as it was the most impacted market. Latam was steady while South Asia and the Middle East are improving. ASEAN was considerably lower QoQ impacted by new registration norms in the Philippines. (6) In Nigeria, which is the largest export market for BJAUT, the industry performance d by 34% QoQ with BJAUT retail sales improving by 41% QoQ. The situation in Nigeria is still not fully settled, but all the reforms are very good for longer-term stability and transparency. (7) BJAUT is also watching out for the impact of inflation on demand in Kenya, Colombia, and Argentina, where the retail sales have been sluggish. (8) Dominar 400 has got outstanding reception in Brazil and has captured a 15% retail share in its segment in the Sao Paulo City with a healthy order book. Removal of the supply constraint is key to a high level of performance in this important market. Accordingly, the Board has approved the setting up of manufacturing by Bajaj Brazil in Manaus Special Economic Zone, which is expected to come on stream within 12 months' time. (9) As retails in export markets have been higher than wholesales for 4 quarters, inventory levels have depleted by 30% to 35% vs. last year. BJAUT has a substantial headroom for growth to build back inventory as we come out of this situation.as it gradually builds up the inventory once the issues in export markets are resolved.

**Domestic 2W:** (1) Industry retail sales grew by 2% YoY in Q1FY24, while growth for BJAUT was 19% YoY. BJAUT growth was on a lower base due to the impact of the chip-led supply shortage faced by BJAUT in Q1FY23. However, BJAUT gained 2% market share in the 125cc+ segment. (2) BJAUT expects the industry growth to continue at 4% to 6% over the next few months. (3) The 125cc+ segment now accounts for almost 70% of BJAUT's volumes in Q1FY24 vs just 60% in FY23, impacting the revenue and profitability positively. (4) The performance in the 125cc+ segment has been driven by the Pulsar brand. The Pulsar NS upgrade has led to the series growing by 50% in Q1FY24, with a very positive impact on revenue and EBITDA. More products in the 125cc+ segment are lined up over the next few months. (5) In the Probiking Business unit, the KTM business has continued to grow, with the contribution to sales of higher-end adventure and RC range increasing. Triumph has over 17,000 bookings from the 15 dealership centers. In Q2FY24E, the number of dealerships is expected to expand to 50 stores. Triumph production is being ramped up in a phased manner and BJAUT hopes to hit a rate of 5,000 per month by September 2023 and commence exports in October 2023.

**Domestic 3W:** (1) BJAUT's CV sales in Q1FY24 were an average of 32,000 units per month, surpassing the pre-COVID level of 30,000 units per month seen in FY20 and were higher than the industry recovery. (2) BJAUT's performance continued to be driven by the CNG segment. INR3 lakh for the electric passenger and INR2 lakh for the CNG vehicle

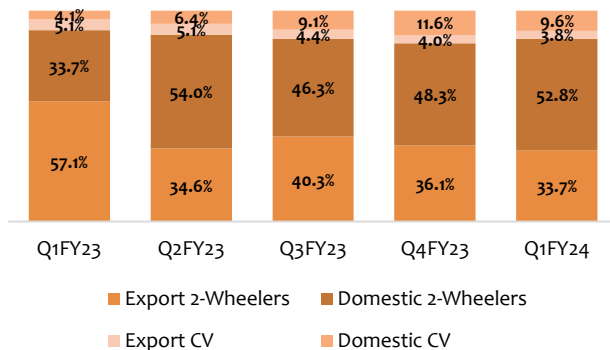
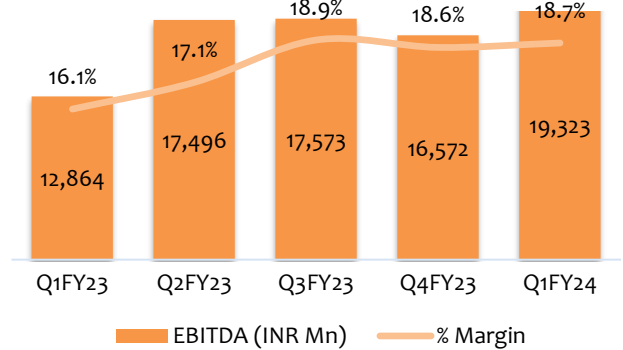
**EV:** (1) In Q1FY24, BJAUT introduced the electric 3-wheelers in both the passenger and cargo versions in one city each. These vehicles received positive response and healthy bookings in the last 2 months. (2) BJAUT expects to start the phased scale-up of the EV 3-wheelers from September. BJAUT will prioritize large markets where ICE 3-wheelers are not permitted. (3) Q1FY24 was challenging for electric 2-wheelers as the government announced a reduction in subsidies effective 1<sup>st</sup> June. This resulted in a surge in May retails and a drop in June. The average sales of the industry in Q1FY24 were at 72,000 units per month of high-speed vehicles, which was similar to Q4FY23 levels. The industry is now likely to grow at lower double-digit rates and not the triple-digit growth rates experienced earlier. (4) BJAUT will increase the Chetak portfolio starting Q3FY24E. Chetak's exclusive network is now present in the top 100 cities and will expand to 120 cities with 140 stores by end of Q2FY24E, covering almost 75% of the industry.

**Other highlights:** (1) BJAUT is building a new facility to manufacture electric 3-wheelers in Waluj in Aurangabad. This, along with the other investments that on the EV 2-wheeler side will lead to capex of INR 4,000 mn to INR 5,000 mn in FY24E.

### Valuation and view

In the domestic 2-wheeler market, BJAUT is growing strongly and gaining a share in the 125cc+ segment, which is enhancing profitability. The domestic 3-wheeler sales are now beyond covid levels and BJAUT is seeing share gains here as well. Exports have bottomed out and are expected to see better and better volumes sequentially. BJAUT will benefit from replenishing the depleted export channel inventory. The new products, namely Chetak, electric 3-wheelers and Triumph are seeing a build-up in momentum. We expect EBITDA margins to be largely range-bound as the benefit from lower commodity costs and operating leverage will be neutralized by an unfavourable mix on account of rising exports and sales of Chetak. We revise our FY24E/ FY25E EPS estimates by 0.8%/ 2.8%, respectively. We assign a higher P/E multiple as we have seen the timely bottoming put of exports and see tailwinds in the form of export channel filling, superior domestic product mix, and the momentum seen in new products such as Triumph, EV 3-wheelers. **We assign a P/E multiple of 18.5x (17.0x previously) on FY25E EPS of INR 287.6 ( INR 279.8 previously) to arrive at a target price of INR 5,321/share (INR 4,756/share previously); implying an upside potential of 9.5% from the CMP. Accordingly, we maintain our recommendation of "ACCUMULATE" on the shares of Bajaj Auto.**

# Bajaj Auto Ltd.

**Share of Volume**

**EBITDA margins up QoQ**


Source: Company, KRChoksey Research

## KEY FINANCIALS

Particulars (Mn)	Q1FY24	Q4FY23	Q1FY23	QoQ	YoY
No. Of. Vehicles Sold	10,27,407	8,59,728	9,33,646	19.5%	10.0%
Net Sales	1,00,555	86,610	77,689	16.1%	29.4%
Other operating income	2,564	2,682	2,360	-4.4%	8.6%
<b>Net Operating Income</b>	<b>1,03,119</b>	<b>89,292</b>	<b>80,049</b>	<b>15.5%</b>	<b>28.8%</b>
Other income	3,511	2,635	3,196	33.2%	9.8%
<b>Total revenue</b>	<b>1,06,630</b>	<b>91,927</b>	<b>83,246</b>	<b>16.0%</b>	<b>28.1%</b>
<b>Total Expenditure</b>	<b>83,796</b>	<b>72,720</b>	<b>67,185</b>	<b>15.2%</b>	<b>24.7%</b>
Cost of raw materials	66,868	58,676	54,354	14.0%	23.0%
Purchase of traded goods	6,147	6,229	4,684	-1.3%	31.2%
Change in inventory	1,167	-2,234	-1,261	152.3%	192.5%
COGS	74,182	62,671	57,777	18.4%	28.4%
Employee costs	4,014	3,795	3,836	5.8%	4.6%
Other expenses	5,798	6,378	5,623	-9.1%	3.1%
Capitalized expenses	-197	-125	-51	58.6%	290.9%
<b>EBITDA</b>	<b>19,323</b>	<b>16,572</b>	<b>12,864</b>	<b>16.6%</b>	<b>50.2%</b>
<b>EBITDA Margin (%)</b>	<b>18.7%</b>	<b>18.6%</b>	<b>16.1%</b>	<b>18bps</b>	<b>267bps</b>
Depreciation	872	760	676	14.8%	29.1%
<b>EBIT</b>	<b>18,450</b>	<b>15,812</b>	<b>12,188</b>	<b>16.7%</b>	<b>51.4%</b>
<b>EBIT Margin (%)</b>	<b>17.9%</b>	<b>17.7%</b>	<b>15.2%</b>	<b>18bps</b>	<b>267bps</b>
Interest	121	158	43	-23.3%	178.6%
<b>PBT before share of associates</b>	<b>21,841</b>	<b>18,290</b>	<b>15,341</b>	<b>19.4%</b>	<b>42.4%</b>
Exceptional items	0	0	0	NA	NA
Share of profit of associates	0	3,312	0	-100.0%	NA
Tax	5,399	4,554	3,708	18.6%	45.6%
<b>PAT</b>	<b>16,441</b>	<b>17,047</b>	<b>11,633</b>	<b>-3.6%</b>	<b>41.3%</b>
<b>PAT Margin (%)</b>	<b>15.9%</b>	<b>19.1%</b>	<b>14.5%</b>	<b>-315bps</b>	<b>141bps</b>
<b>EPS (INR)</b>	<b>58.1</b>	<b>60.3</b>	<b>40.2</b>	<b>-3.6%</b>	<b>44.5%</b>
<b>Adj. PAT</b>	<b>16,441</b>	<b>17,047</b>	<b>11,633</b>	<b>-3.6%</b>	<b>41.3%</b>
<b>Adj. PAT Margin (%)</b>	<b>15.9%</b>	<b>19.1%</b>	<b>14.5%</b>	<b>-315bps</b>	<b>141bps</b>
<b>Adj. EPS (INR)</b>	<b>58.1</b>	<b>60.3</b>	<b>40.2</b>	<b>-3.6%</b>	<b>44.5%</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>4,19,933</b>	<b>4,60,348</b>
Other operating revenue	6,082	10,087	10,639	12,145	13,810
<b>Revenue from operations</b>	<b>2,77,411</b>	<b>3,31,447</b>	<b>3,64,554</b>	<b>4,32,079</b>	<b>4,74,158</b>
Cost of sales	1,96,097	2,43,298	2,61,213	3,09,717	3,39,489
<b>Gross profit</b>	<b>81,314</b>	<b>88,149</b>	<b>1,03,341</b>	<b>1,22,362</b>	<b>1,34,669</b>
Employee benefit expense	12,881	13,628	14,845	16,288	17,663
Finance cost	67	87	395	390	256
Depreciation	2,594	2,698	2,859	3,454	3,765
Other expenses	19,309	22,155	24,270	24,865	26,553
Capitalized expenses	-123	-133	-278	-497	-560
<b>Total expenses</b>	<b>2,30,824</b>	<b>2,81,732</b>	<b>3,03,302</b>	<b>3,54,217</b>	<b>3,87,166</b>
<b>EBITDA</b>	<b>49,247</b>	<b>52,499</b>	<b>64,505</b>	<b>81,706</b>	<b>91,013</b>
EBIT	46,653	49,802	61,647	78,252	87,248
Share of profit by associates	3,063	5,795	5,293	6,218	6,965
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>95,204</b>	<b>1,05,331</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>95,204</b>	<b>1,05,331</b>
Income tax expense	13,844	14,858	17,818	21,539	23,940
<b>Net profit</b>	<b>48,570</b>	<b>61,659</b>	<b>60,602</b>	<b>73,665</b>	<b>81,391</b>
<b>EPS (INR)</b>	<b>167.8</b>	<b>213.1</b>	<b>214.2</b>	<b>260.3</b>	<b>288</b>
<b>Adj. Net Profit</b>	<b>48,570</b>	<b>53,494</b>	<b>60,602</b>	<b>73,665</b>	<b>81,391</b>
<b>Adj. EPS</b>	<b>167.8</b>	<b>184.9</b>	<b>214.2</b>	<b>260.3</b>	<b>287.6</b>

Source: Company, KRChoksey Research

INR Mn	FY21	FY22	FY23	FY24E	FY25E
Cash from operations activities	31,198	41,972	52,774	78,570	85,794
Cash from investing activities	-28,679	-809	11,995	-12,345	-13,061
Cash from financing activities	-195	-40,563	-71,807	-39,832	-48,461
<b>Net inc/dec in cash equivalents</b>	<b>2,324</b>	<b>600</b>	<b>-7,038</b>	<b>26,393</b>	<b>24,272</b>
Opening Balance cash	2,854	5,166	9,337	2,416	28,809
<b>End Cash</b>	<b>5,166</b>	<b>9,337</b>	<b>2,416</b>	<b>28,809</b>	<b>53,081</b>

Source: Company, KRChoksey Research

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	17.8%	15.8%	17.7%	18.9%	19.2%
Tax rate (%)	22.2%	19.4%	22.7%	22.6%	22.7%
Net Profit Margin (%)	17.5%	18.6%	16.6%	17.0%	17.2%
RoE (%)	19.9%	21.6%	20.5%	23.7%	23.6%
RoCE (%)	17.1%	16.7%	21.0%	23.9%	24.2%
Current Ratio (x)	2.5x	2.2x	1.8x	2.2x	2.5x
EPS (INR per share)	167.8	213.1	214.2	260.3	287.6
Adj. P/E	29.0x	26.3x	22.7x	18.7x	16.9x

Source: Company, KRChoksey Research

# Bajaj Auto Ltd.

## KEY FINANCIALS

INR Mn	FY21	FY22	FY23	FY24E	FY25E
PPE	15,680	17,596	27,615	31,507	35,803
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>2,59,673</b>	<b>2,64,982</b>
Inventories	14,937	12,305	15,636	18,539	20,321
Investments	80,281	49,691	45,814	50,814	55,814
Trade receivables	27,169	15,164	17,524	20,770	22,793
Cash and cash eq	5,166	9,337	2,416	28,809	53,081
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>1,34,046</b>	<b>1,67,123</b>
<b>Total Assets</b>	<b>3,36,015</b>	<b>3,51,112</b>	<b>3,51,365</b>	<b>3,93,719</b>	<b>4,32,105</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	3,24,837	3,57,842
<b>Total Equity</b>	<b>2,72,734</b>	<b>2,98,597</b>	<b>2,93,615</b>	<b>3,27,666</b>	<b>3,60,672</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	48,864	53,562
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>60,838</b>	<b>66,038</b>
<b>Total Equity &amp; liabilities</b>	<b>3,36,015</b>	<b>3,51,112</b>	<b>3,51,364</b>	<b>3,93,719</b>	<b>4,32,105</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
28-Jul-23	4,860	5,321	ACCUMULATE	<b>Buy</b>	More than 15%
27-Apr-23	4,396	4,756	ACCUMULATE		
27-Jan-23	3,941	4,564	BUY	<b>Accumulate</b>	5% – 15%
17-Oct-22	3,630	4,483	BUY	<b>Hold</b>	0 – 5%
04-Aug-22	4006	4,483	ACCUMULATE	<b>Reduce</b>	-5% – 0
29-Jul-22	3,858	4,168	ACCUMULATE	<b>Sell</b>	Less than – 5%

## ANALYST CERTIFICATION:

I, Abhishek Agarwal (CA, CFA L3 cleared), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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