

October 18, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	REDUCE		REDUCE	
Target Price	4,800		4,750	
Sales (Rs. m)	4,34,264	4,98,573	4,26,812	4,89,816
% Chng.	1.7	1.8		
EBITDA (Rs. m)	81,642	95,128	80,881	94,437
% Chng.	0.9	0.7		
EPS (Rs.)	241.5	278.3	239.8	276.5
% Chng.	0.7	0.7		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	3,64,276	4,34,264	4,98,573	5,40,949
EBITDA (Rs. m)	65,491	81,642	95,128	1,05,377
Margin (%)	18.0	18.8	19.1	19.5
PAT (Rs. m)	55,804	68,348	78,761	87,047
EPS (Rs.)	197.2	241.5	278.3	307.6
Gr. (%)	18.6	22.5	15.2	10.5
DPS (Rs.)	140.0	160.0	175.0	190.0
Yield (%)	2.7	3.1	3.4	3.7
RoE (%)	21.4	25.7	27.0	26.9
RoCE (%)	23.9	29.2	31.1	31.1
EV/Sales (x)	3.4	2.8	2.4	2.2
EV/EBITDA (x)	19.0	15.1	12.7	11.2
PE (x)	26.1	21.3	18.5	16.7
P/BV (x)	5.7	5.2	4.7	4.3

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.5,275 / Rs.3,520
Sensex / Nifty	65,877 / 19,671
Market Cap	Rs.1,488bn/ \$ 17,875m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.1922.89m

Shareholding Pattern (%)

Promoter's	54.99
Foreign	13.67
Domestic Institution	9.56
Public & Others	21.72
Promoter Pledge (Rs bn)	0.06

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	22.2	42.4
Relative	2.0	10.8	27.5

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In line results; export realization under pressure

Quick Pointers:

- Export realization fell 7% QoQ; volume recovery to be gradual
- Inventorisation helps margins

We marginally increase our FY24-FY26E EPS estimates by ~1% to factor in higher domestic realization and continued 3W volume strength. Bajaj Auto's (BJAUT) 2Q revenue (Rs. 108bn) was largely in-line, while EBITDA margin (19.8%) was slightly higher than PLe (19.4%) and the street (19.5%). EBITDA margins benefitted from inventorisation and better mix QoQ, which was partially offset by lower export ASP. Export volumes recovered QoQ and BJAUT is expecting only gradual improvement, given macro challenges in those markets. BJAUT saw export realization falling ~7% QoQ given increase in mix from lower ASP markets like African regions which have low ASP and margin. Furthermore, increase in EV volumes will impact overall margins. We expect moderation in margin in 2H from current levels.

Until now, BJAUT had been witnessing a sharp increase in its 3W mix, which was aiding margins; we expect this trend to start moderating sequentially. We expect BJAUT's domestic premium segment volumes to grow (similar to the industry), market share gains in this and fast ramp-up of EVs could make us turn constructive on the stock. BJAUT is currently trading at 18.5x FY25, on the higher side versus history. Maintain 'REDUCE' with a TP of Rs 4,800 (Rs 4,750 earlier) at 16x Sep-25E EPS.

In line revenues; slight beat on margins: Revenue grew by ~6% YoY, despite volume decline of ~8.4% YoY helped by sharp increase in ASP, and came in line with PLe and slightly below Bloomberg consensus (BBGe). EBITDA margins at 19.8% beat PLe (19.4%) and BBGe (19.5%), helped by inventorisation and lower than expected other expenses. Higher other income led to higher beat on PAT.

Key takeaways: (1) Exports recovery to continue at gradual pace: Exports is at 66% of peak of FY22. Macroeconomic factors and geopolitical issues dampening recovery despite this, there has been improvement of 8-10% QoQ in both retail and shipment across segment. Africa and Nigeria recorded growth double digit growth while Asia, Middle East, North Africa and LATAM recorded single digit improvement. **(2) In domestic market,** retails increased by 22% QoQ due to strong performance in 125cc+ segment, which recorded a growth rate of 36%. BJAUT's market share in 125cc+ segment stands at 30% and accounts for 65% of its total volumes and BJAUT has a 40%+ market share in 150-250cc segment. **(3) 3W:** Recorded a growth of 34% QoQ with a market share of 80% in September. Growth in 3W is on back of shift from diesel to CNG. E-3W launched in Agra with a market grab of 70% in the quarter, BJAUT plans to reach 40 cities in coming 6 months and sold 600 EVs in 2Q. **(4) Chetak:** Reached 120 cities with 140 exclusive stores and aims to reach 180 cities and reach 10k volumes by FY24 end. **(5) Festive season outlook:** Consumer sentiment and retail data showing positive signs. Industry expected to grow by 12-15% YoY, BJAUT to outperform. **(6) New launches:** BJAUT aims to launch 6 products in coming 6 months. **(7) Premium:** Scrambler 400X launched in domestic market and will start export by month end. Speed 400 were more than >8K units in Q2, pending orders could be >10k units. BJAUT wants to expand channel to over 100 cities by the year end, with current reach of 26 cities. **(8) Margin headwinds:** Margin at 19.8%, up 260bps YoY due to dynamic price, cost management and softer commodity cost. BJAUT E-3W won't be diluting margins due to lower battery cost component and benefits from PLI scheme.

Exhibit 1: Q2FY24 Result Overview (Rs mn)

Y/e Mar	2QFY24	2QFY23	YoY gr. (%)	1QFY24	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Net Revenues	1,07,773	1,02,028	5.6	1,03,098	4.5	4,34,264	3,64,276	19.2
Raw Materials	76,511	74,861	2.2	74,127	3.2	3,10,499	2,60,548	19.2
<i>% of Net Sales</i>	<i>71.0</i>	<i>73.4</i>		<i>71.9</i>		<i>71.5</i>	<i>71.5</i>	
Personnel	3,816	3,522	8.4	3,842	(0.7)	15,633	14,449	8.2
<i>% of Net Sales</i>	<i>3.5</i>	<i>3.5</i>		<i>3.7</i>		<i>3.6</i>	<i>4.0</i>	
Manufacturing & Other Exp	6,118	6,057	1.0	5,590	9.4	26,490	23,788	11.4
<i>% of Net Sales</i>	<i>5.7</i>	<i>5.9</i>		<i>5.4</i>		<i>6.1</i>	<i>6.5</i>	
Total Expenditure	86,444	84,440	2.4	83,558	3.5	3,52,622	2,98,785	18.0
EBITDA	21,329	17,588	21.3	19,539	9.2	81,642	65,491	24.7
<i>EBITDA Margin (%)</i>	<i>19.8</i>	<i>17.2</i>		<i>19.0</i>		<i>18.8</i>	<i>18.0</i>	
Depreciation	876	670	30.8	835	4.9	3,466	2,824	22.7
EBIT	20,452	16,918	20.9	18,704	9.3	78,176	62,667	24.7
Interest Expenses	65	109	(40.2)	121	(46.0)	442	395	11.9
Non-operating income	3,614	3,332	8.5	3,463	4.3	12,793	11,342	12.8
Extraordinary Expenses	-	-		-		-	-	
PBT	24,000	20,140	19.2	22,046	8.9	90,527	73,614	23.0
Tax-Total	5,639	4,840	16.5	5,399	4.5	22,179	17,810	24.5
<i>Tax Rate (%) - Total</i>	<i>23.5</i>	<i>24.0</i>	<i>(2.2)</i>	<i>24.5</i>		<i>24.5</i>	<i>24.2</i>	<i>1.3</i>
Reported PAT	18,361	15,300	20.0	16,648	10.3	68,348	55,804	22.5
Adj. PAT	18,361	15,300	20.0	16,648	10.3	68,348	55,804	22.5
<i>PAT Margin (%)</i>	<i>17.0</i>	<i>15.0</i>		<i>16.1</i>		<i>15.7</i>	<i>15.3</i>	

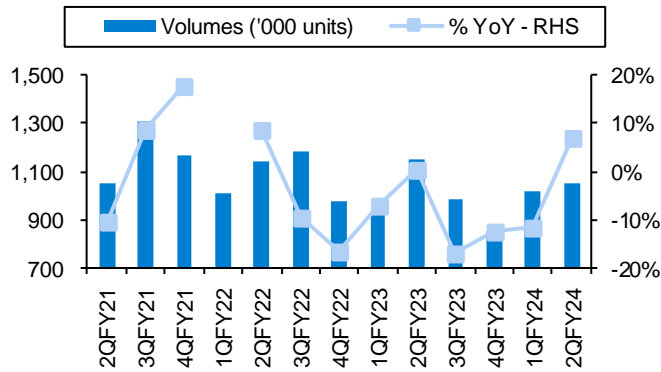
Source: Company, PL

Exhibit 2: Operating Metrics (Rs mn)

Y/e Mar	2QFY24	2QFY23	YoY gr. (%)	1QFY24	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Sales Volume (nos)	10,53,953	11,51,012	(8.4)	10,20,050	3.3	43,18,907	39,27,860	10.0
Net Realization/Vehicle	1,02,256	88,642	15.4	1,01,071	1.2	1,00,549	92,742	8.4
Material cost / vehicle	72,594	65,039	11.6	72,669	(0.1)	71,893	66,333	8.4
Gross Profit / vehicle	29,662	23,603	25.7	28,402	4.4	28,657	26,408	8.5
Employee cost /vehicle	3,621	3,060	18.3	3,766	(3.9)	3,620	3,679	(1.6)
Other expenses / vehicle	5,804	5,263	10.3	5,480	5.9	6,134	6,056	1.3
EBITDA/vehicle	20,237	15,280	32.4	19,155	5.6	18,903	16,674	13.4
Net Profit/vehicle	17,421	13,293	31.1	16,320	6.7	15,825	14,207	11.4

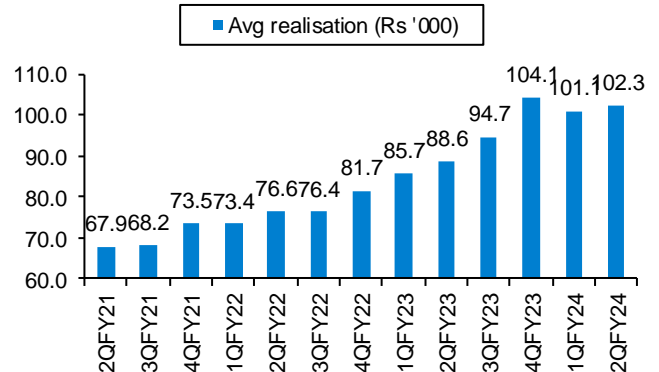
Source: Company, PL

Exhibit 3: Exports improving despite troubling macros



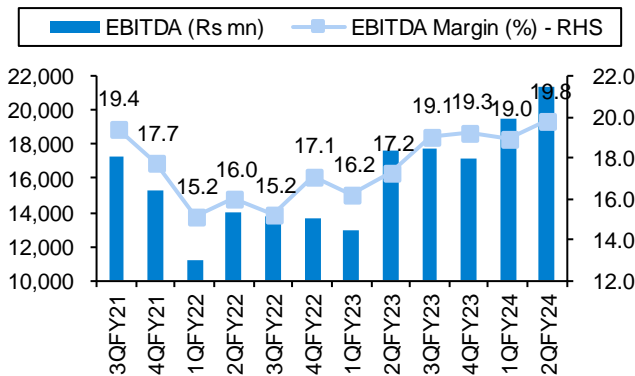
Source: Company, PL

Exhibit 4: ASPs is largely stagnant



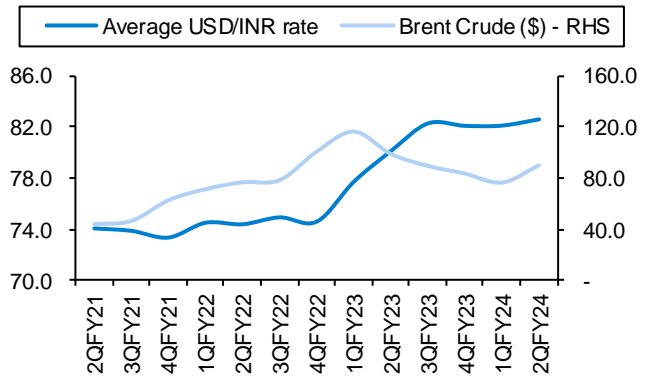
Source: Company, PL

Exhibit 5: EBITDA margin increased by 80bps QoQ



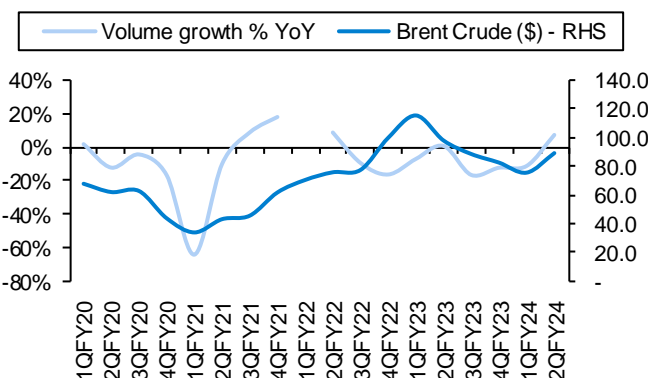
Source: Company, PL

Exhibit 6: USD/INR rate at ~Rs 83 in 2QFY24



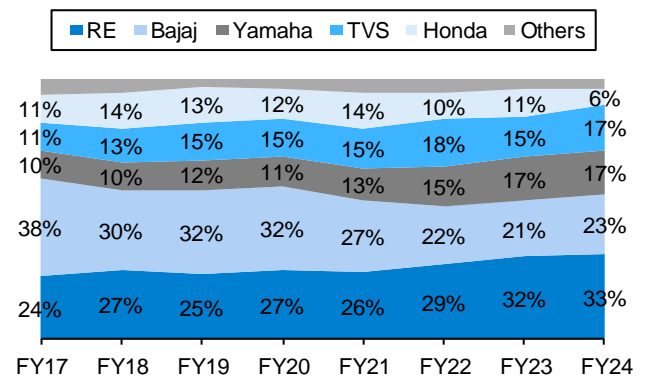
Source: Industry, PL

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	FY23	FY24E	FY25E	FY26E
Net Revenues	3,64,276	4,34,264	4,98,573	5,40,949
YoY gr. (%)	9.9	19.2	14.8	8.5
Cost of Goods Sold	2,60,548	3,10,499	3,54,984	3,82,992
Gross Profit	1,03,729	1,23,765	1,43,589	1,57,957
Margin (%)	28.5	28.5	28.8	29.2
Employee Cost	14,449	15,633	17,949	19,474
Other Expenses	23,788	26,490	30,513	33,106
EBITDA	65,491	81,642	95,128	1,05,377
YoY gr. (%)	24.5	24.7	16.5	10.8
Margin (%)	18.0	18.8	19.1	19.5
Depreciation and Amortization	2,824	3,466	3,901	4,461
EBIT	62,667	78,176	91,226	1,00,916
Margin (%)	17.2	18.0	18.3	18.7
Net Interest	395	442	394	394
Other Income	11,342	12,793	13,487	14,773
Profit Before Tax	73,614	90,527	1,04,319	1,15,294
Margin (%)	20.2	20.8	20.9	21.3
Total Tax	17,810	22,179	25,558	28,247
Effective tax rate (%)	24.2	24.5	24.5	24.5
Profit after tax	55,804	68,348	78,761	87,047
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	55,804	68,348	78,761	87,047
YoY gr. (%)	16.0	22.5	15.2	10.5
Margin (%)	15.3	15.7	15.8	16.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	55,804	68,348	78,761	87,047
YoY gr. (%)	10.4	22.5	15.2	10.5
Margin (%)	15.3	15.7	15.8	16.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55,804	68,348	78,761	87,047
Equity Shares O/s (m)	283	283	283	283
EPS (Rs)	197.2	241.5	278.3	307.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	54,846	64,665	74,665	84,665
Tangibles	54,846	64,665	74,665	84,665
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,687	31,153	35,054	39,516
Tangibles	27,687	31,153	35,054	39,516
Intangibles	-	-	-	-
Net fixed assets	27,159	33,512	39,611	45,150
Tangibles	27,159	33,512	39,611	45,150
Intangibles	-	-	-	-
Capital Work In Progress	819	1,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	17,864	17,864	17,864	17,864
Net Deferred tax assets	(3,452)	(3,138)	(2,852)	(2,593)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2,11,369	2,14,369	2,17,369	2,20,369
Inventories	13,979	24,985	27,319	29,641
Trade receivables	17,761	27,365	34,149	37,051
Cash & Bank Balance	2,858	12,318	30,370	54,449
Other Current Assets	19,072	22,736	26,103	28,322
Total Assets	3,11,276	3,55,577	3,95,424	4,35,625
Equity				
Equity Share Capital	2,830	2,830	2,830	2,830
Other Equity	2,51,429	2,74,503	3,03,747	3,37,032
Total Network	2,54,259	2,77,333	3,06,576	3,39,861
Non-Current Liabilities				
Long Term borrowings	1,578	1,578	1,578	1,578
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,739	59,488	68,298	74,103
Other current liabilities	11,250	14,041	16,120	17,490
Total Equity & Liabilities	3,11,277	3,55,577	3,95,424	4,35,625

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	73,614	90,527	1,04,319	1,15,294
Add. Depreciation	2,824	3,466	3,901	4,461
Add. Interest	395	442	394	394
Less Financial Other Income	11,342	12,793	13,487	14,773
Add. Other	(11,342)	(12,793)	(13,487)	(14,773)
Op. profit before WC changes	65,491	81,642	95,128	1,05,377
Net Changes-WC	9,915	(3,767)	(1,808)	(407)
Direct tax	(18,392)	(22,493)	(25,844)	(28,506)
Net cash from Op. activities	57,014	55,382	67,476	76,463
Capital expenditures	(11,694)	(10,000)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(5,393)	-	-	-
Net Cash from Inv. activities	(17,087)	(10,000)	(10,000)	(10,000)
Issue of share cap. / premium	(28,619)	-	-	-
Debt changes	-	-	-	-
Dividend paid	(39,614)	(45,274)	(49,518)	(53,762)
Interest paid	(395)	(442)	(394)	(394)
Others	-	-	-	-
Net cash from Fin. activities	(68,628)	(45,715)	(49,912)	(54,157)
Net change in cash	(28,701)	(334)	7,564	12,306
Free Cash Flow	45,320	45,382	57,476	66,463

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	93,151	89,047	1,03,098	1,07,773
YoY gr. (%)	3.3	11.7	28.8	5.6
Raw Material Expenses	65,775	62,135	74,127	76,511
Gross Profit	27,376	26,912	28,971	31,262
Margin (%)	29.4	30.2	28.1	29.0
EBITDA	17,768	17,166	19,539	21,329
YoY gr. (%)	29.5	25.7	50.6	21.3
Margin (%)	19.1	19.3	19.0	19.8
Depreciation / Depletion	740	742	835	876
EBIT	17,029	16,424	18,704	20,452
Margin (%)	18.3	18.4	18.1	19.0
Net Interest	85	157	121	65
Other Income	2,691	2,598	3,463	3,614
Profit before Tax	19,635	18,865	22,046	24,000
Margin (%)	21.1	21.2	21.4	22.3
Total Tax	4,721	4,536	5,399	5,639
Effective tax rate (%)	24.0	24.0	24.5	23.5
Profit after Tax	14,914	14,329	16,648	18,361
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14,914	14,329	16,648	18,361
YoY gr. (%)	22.8	17.0	41.9	20.0
Margin (%)	16.0	16.1	16.1	17.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,914	14,329	16,648	18,361
YoY gr. (%)	22.8	(2.5)	41.9	20.0
Margin (%)	16.0	16.1	16.1	17.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,914	14,329	16,648	18,361
Avg. Shares O/s (m)	283	283	283	283
EPS (Rs)	52.7	50.6	58.8	64.9

Source: Company Data, PL Research

Key Financial Metrics

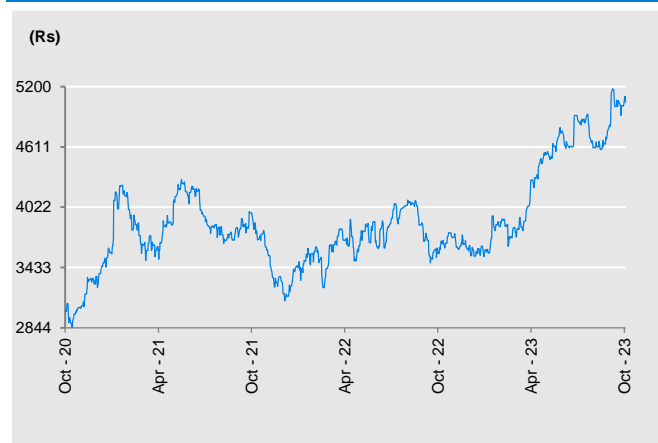
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	197.2	241.5	278.3	307.6
CEPS	207.2	253.8	292.1	323.4
BVPS	898.6	980.1	1,083.5	1,201.1
FCF	160.2	160.4	203.1	234.9
DPS	140.0	160.0	175.0	190.0
Return Ratio(%)				
RoCE	23.9	29.2	31.1	31.1
ROIC	99.3	145.1	150.4	152.4
RoE	21.4	25.7	27.0	26.9
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.8)	(0.8)
Net Working Capital (Days)	(9)	(6)	(5)	(5)
Valuation(x)				
PER	26.1	21.3	18.5	16.7
P/B	5.7	5.2	4.7	4.3
P/CEPS	24.8	20.3	17.6	15.9
EV/EBITDA	19.0	15.1	12.7	11.2
EV/Sales	3.4	2.8	2.4	2.2
Dividend Yield (%)	2.7	3.1	3.4	3.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Motorcycle volume (units)	34,42,842	36,31,877	40,31,285	43,31,359
Three-wheeler volume (units)	4,85,018	6,47,030	7,10,402	7,76,771
Net Realisation (Rs/unit)	92,869	1,00,549	1,02,551	1,03,469

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	Reduce	4,750	5,015
2	26-Jul-23	Reduce	4,575	4,839
3	07-Jul-23	Reduce	4,450	4,918
4	26-Apr-23	Hold	4,130	4,342
5	12-Apr-23	Hold	4,020	4,177
6	26-Jan-23	Hold	4,040	3,717
7	05-Jan-23	Hold	3,820	3,553

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	220	172
2	Bajaj Auto	Reduce	4,750	5,015
3	Bharat Forge	BUY	1,170	1,092
4	CEAT	Accumulate	2,515	2,195
5	Eicher Motors	Accumulate	3,730	3,450
6	Endurance Technologies	Accumulate	1,820	1,585
7	Exide Industries	Accumulate	295	259
8	Hero Motocorp	Accumulate	3,575	3,038
9	Mahindra & Mahindra	BUY	1,775	1,549
10	Maruti Suzuki	BUY	11,500	10,302
11	Tata Motors	BUY	760	622
12	TVS Motor Company	Accumulate	1,560	1,501

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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