

January 25, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		REDUCE	
Target Price	6,080		6,000	
Sales (Rs. m)	5,06,682	5,50,678	5,03,742	5,47,486
% Chng.	0.6	0.6		
EBITDA (Rs. m)	99,715	1,09,750	97,625	1,08,293
% Chng.	2.1	1.3		
EPS (Rs.)	290.9	320.0	285.5	316.2
% Chng.	1.9	1.2		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	3,64,276	4,42,867	5,06,682	5,50,678
EBITDA (Rs. m)	65,491	86,625	99,715	1,09,750
Margin (%)	18.0	19.6	19.7	19.9
PAT (Rs. m)	55,804	72,434	82,321	90,547
EPS (Rs.)	197.2	256.0	290.9	320.0
Gr. (%)	18.6	29.8	13.6	10.0
DPS (Rs.)	140.0	160.0	175.0	190.0
Yield (%)	1.9	2.2	2.4	2.6
RoE (%)	21.4	27.0	27.6	27.2
RoCE (%)	23.9	30.9	32.0	31.5
EV/Sales (x)	5.0	4.1	3.5	3.2
EV/EBITDA (x)	27.9	20.9	17.9	16.0
PE (x)	36.6	28.2	24.8	22.5
P/BV (x)	8.0	7.3	6.5	5.8

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.7,420 / Rs.3,611
Sensex / Nifty	71,060 / 21,454
Market Cap	Rs.2,043bn/ \$ 24,570m
Shares Outstanding	283m
3M Avg. Daily Value	Rs.3312.86m

Shareholding Pattern (%)

Promoter's	54.94
Foreign	14.65
Domestic Institution	8.73
Public & Others	21.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	13.2	47.7	95.7
Relative	13.3	38.0	67.9

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Beat on margin; export recovery to be gradual

Quick Pointers:

- Export realization increased 10% QoQ; volume recovery to be gradual
- Chetak EV scale-up in volumes to continue

Bajaj Auto's (BJAUT) 3Q revenue (Rs. 121bn) was largely in-line vs PLe, while EBITDA margin (20.1%) was higher than PLe (18.6%) and the street (19.4%). EBITDA margins benefitted from better mix QoQ in the exports, and operating leverage. Export volumes recovered QoQ, but slower than expected given macro challenges in those markets, additionally, Red sea issue will impact in the near term. BJAUT saw export realization increasing ~10% QoQ given increase in mix from higher ASP markets and better model mix. Few of the commodities have started inching-up, this along with substantially higher freight charges, and increase in EV volumes should impact overall margins in 4QFY24E.

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). We increase our FY24-FY26E EPS estimates by 1-4% to factor in higher realization and continued 3W volume growth. BJAUT is currently trading at 22.5x FY26, on the higher side versus history. Maintain 'REDUCE' with a TP of Rs 6,080 (Rs 6,000 earlier) at 19x Dec-25E EPS.

In line revenues; strong margin performance: Revenue grew by ~30% YoY due to volume growth of ~22% YoY helped by ~6.5% YoY increase in ASP, and came in line with PLe and above Bloomberg consensus (BBGe). EBITDA margins at 20.1% beat PLe (18.6%) and BBGe (19.4%), helped by higher export realization and lower than expected raw material costs.

Key takeaways: (1) **Exports** is at 70% of peak of FY22 as macroeconomic factors and geopolitical issues are dampening recovery, but the segment is seeing sequential improvement. Red sea issue can have some impact in near term. Africa and South Asia are dragging recovery as they are still at 30-50% below peak level while LATAM, Philippines and Middle East are above peaks of FY22. Export revenue from Pulsar has improved from 19% to 28% YoY. (2) **Domestic motorcycle** retails increased by 11% QoQ due to strong performance in 125cc+, accounting for 70% of BAUT's retails and 50% for the industry. BJAUT's market share in 125cc+ segment is 31% and ~40% in 150-250cc segment. BJAUT sees 8-10% growth in the coming months for the industry. (3) **3W:** BJAUT has a market share of 77% in Q3 and 85%+ in the CNG 3W space. E-3W footprint expanded to 23 cities with 1800 volume in Q3 with aims to scale up to 50 cities in Q4 and 200 by CY24. (4) **Chetak:** Reached 140 cities with 160 exclusive stores covering 80% of the high speed market. Market share has improved from 4% in FY23 to 14% in December and aims to reach 15k per month volumes in Q4. (5) **Premium:** Scrambler 400X and Speed 400 retailed about 2800 units in 40 cities and captured 20% of market share in some of these cities. Company aims to grow footprint to 100 cities and has commenced export with 6k units. (6) **Focus Area:** To drive 125cc+ segment and build pulsar franchise through new launches, drive 80%+ market share in 3W, ensure steady export recovery, expand chetak business to 15k units/month, scale up Triumph sales in India and overseas. (7) **Margin** benefitted due to better exports realization, dynamic cost management and operating leverage. BJAUT noted seeing some input cost inflation for 4Q.

Exhibit 1: Q3FY24 Result Overview (Rs mn)

Y/e Mar	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Revenues	1,21,135	93,151	30.0	1,07,773	12.4	3,32,006	2,75,229	20.6
Raw Materials	86,096	65,775	30.9	76,511	12.5	2,36,733	1,98,413	19.3
<i>% of Net Sales</i>	<i>71.1</i>	<i>70.6</i>		<i>71.0</i>		<i>71.3</i>	<i>72.1</i>	
Personnel	3,846	3,511	9.5	3,816	0.8	11,503	10,829	6.2
<i>% of Net Sales</i>	<i>3.2</i>	<i>3.8</i>		<i>3.5</i>		<i>3.5</i>	<i>3.9</i>	
Manufacturing & Other Exp	6,895	6,097	13.1	6,118	12.7	18,603	17,661	5.3
<i>% of Net Sales</i>	<i>5.7</i>	<i>6.5</i>		<i>5.7</i>		<i>5.6</i>	<i>6.4</i>	
Total Expenditure	96,836	75,383	28.5	86,444	12.0	2,66,839	2,26,903	17.6
EBITDA	24,299	17,768	36.8	21,329	13.9	65,167	48,326	34.8
<i>EBITDA Margin (%)</i>	<i>20.1</i>	<i>19.1</i>		<i>19.8</i>		<i>19.6</i>	<i>17.6</i>	
Depreciation	881	740	19.2	876	0.6	2,593	2,083	24.5
EBIT	23,418	17,029	37.5	20,452	14.5	62,574	46,243	35.3
Interest Expenses	121	85	42.7	65	85.3	307	237	29.4
Non-operating income	3,461	2,691	28.6	3,614	(4.2)	10,538	9,216	14.3
Extraordinary Expenses	-	-		-		-	-	
PBT	26,758	19,635	36.3	24,000	11.5	72,804	55,222	31.8
Tax-Total	6,339	4,721	34.3	5,639	12.4	17,377	13,274	30.9
<i>Tax Rate (%) - Total</i>	<i>23.7</i>	<i>24.0</i>	<i>(1.5)</i>	<i>23.5</i>		<i>23.9</i>	<i>24.0</i>	<i>(0.7)</i>
Reported PAT	20,419	14,914	36.9	18,361	11.2	55,428	41,948	32.1
Adj. PAT	20,419	14,914	36.9	18,361	11.2	55,428	41,948	32.1
<i>PAT Margin (%)</i>	<i>16.9</i>	<i>16.0</i>		<i>17.0</i>		<i>16.7</i>	<i>15.2</i>	

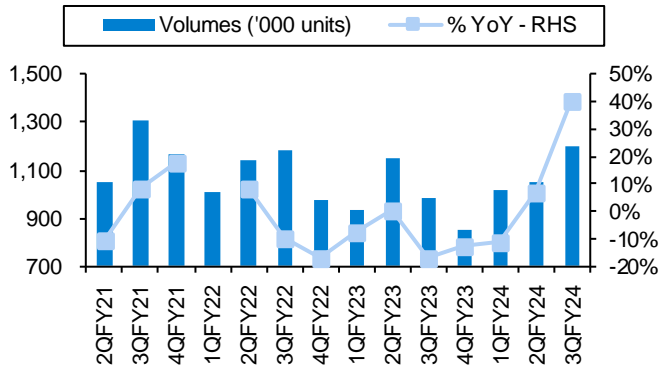
Source: Company, PL

Exhibit 2: Operating Metrics (Rs mn)

Y/e Mar	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Sales Volume (nos)	12,00,997	9,83,276	22.1	10,53,953	14.0	32,75,000	30,67,934	6.7
Net Realization/Vehicle	1,00,862	94,736	6.5	1,02,256	(1.4)	1,01,376	89,711	13.0
Material cost / vehicle	71,687	66,894	7.2	72,594	(1.2)	72,285	64,673	11.8
Gross Profit / vehicle	29,175	27,842	4.8	29,662	(1.6)	29,091	25,038	16.2
Employee cost / vehicle	3,202	3,571	(10.3)	3,621	(11.6)	3,512	3,530	(0.5)
Other expenses / vehicle	5,741	6,200	(7.4)	5,804	(1.1)	5,680	5,757	(1.3)
EBITDA/vehicle	20,232	18,070	12.0	20,237	(0.0)	19,898	15,752	26.3
Net Profit/vehicle	17,002	15,168	12.1	17,421	(2.4)	16,925	13,673	23.8

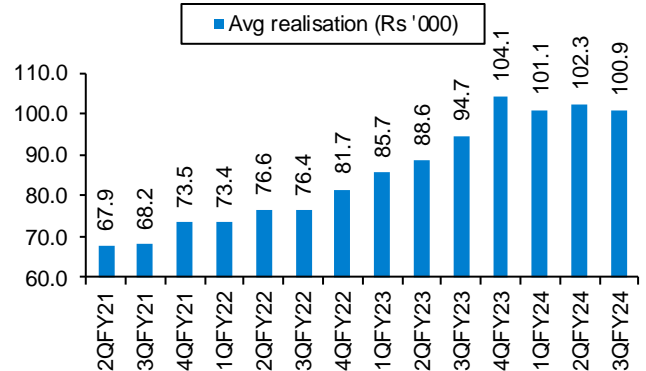
Source: Company, PL

Exhibit 3: Exports improving despite troubling macros



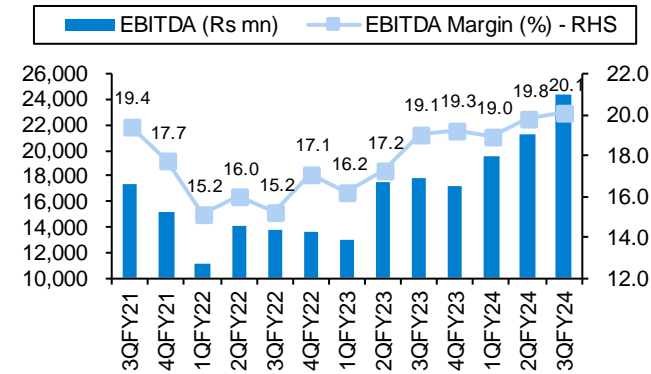
Source: Company, PL

Exhibit 4: ASPs is slightly lower



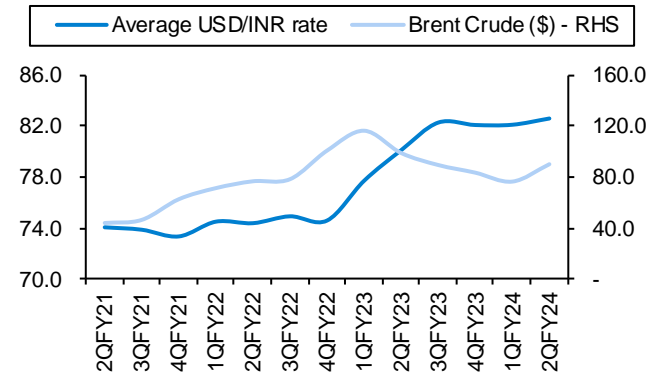
Source: Company, PL

Exhibit 5: EBITDA margin increased by 30bps QoQ



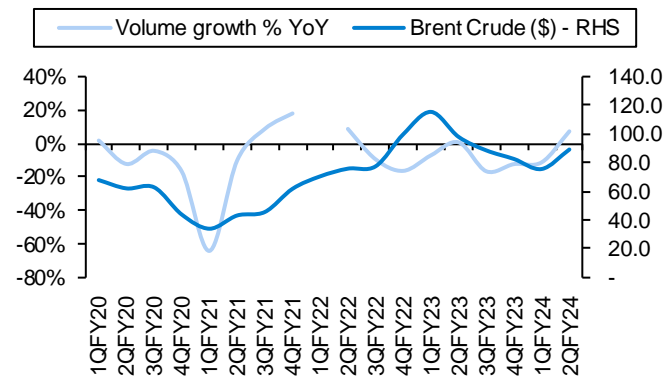
Source: Company, PL

Exhibit 6: USD/INR rate at ~Rs 83.2 in 3QFY24



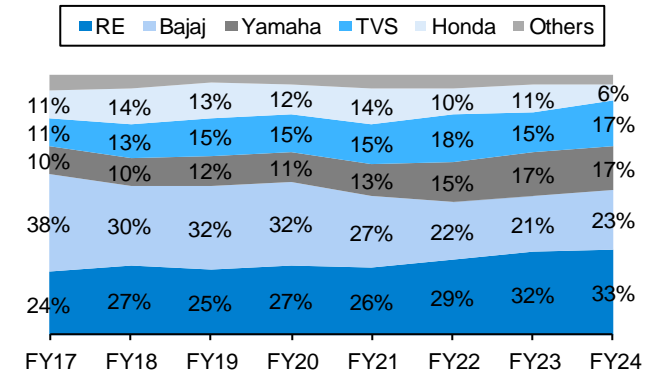
Source: Industry, PL

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	4,42,867	5,06,682	5,50,678
YoY gr. (%)	9.9	21.6	14.4	8.7
Cost of Goods Sold	2,60,548	3,15,986	3,60,758	3,90,981
Gross Profit	1,03,729	1,26,881	1,45,924	1,59,696
Margin (%)	28.5	28.7	28.8	29.0
Employee Cost	14,449	15,367	17,734	19,274
Other Expenses	23,788	24,889	28,476	30,673
EBITDA	65,491	86,625	99,715	1,09,750
YoY gr. (%)	24.5	32.3	15.1	10.1
Margin (%)	18.0	19.6	19.7	19.9
Depreciation and Amortization	2,824	3,466	3,901	4,461
EBIT	62,667	83,159	95,814	1,05,289
Margin (%)	17.2	18.6	18.9	19.1
Net Interest	395	442	394	394
Other Income	11,342	13,222	13,615	15,035
Profit Before Tax	73,614	95,939	1,09,034	1,19,929
Margin (%)	20.2	21.7	21.5	21.6
Total Tax	17,810	23,505	26,713	29,383
Effective tax rate (%)	24.2	24.5	24.5	24.5
Profit after tax	55,804	72,434	82,321	90,547
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	55,804	72,434	82,321	90,547
YoY gr. (%)	16.0	29.8	13.6	10.0
Margin (%)	15.3	16.4	16.2	16.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	55,804	72,434	82,321	90,547
YoY gr. (%)	10.4	29.8	13.6	10.0
Margin (%)	15.3	16.4	16.2	16.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55,804	72,434	82,321	90,547
Equity Shares O/s (m)	283	283	283	283
EPS (Rs)	197.2	256.0	290.9	320.0

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	25,480	27,763	30,174
Trade receivables	17,761	27,907	34,704	37,718
Cash & Bank Balance	2,858	16,345	37,937	65,500
Other Current Assets	19,072	23,187	26,528	28,831
Total Assets	3,11,276	3,61,120	4,04,442	4,48,416
Equity				
Equity Share Capital	2,830	2,830	2,830	2,830
Other Equity	2,51,429	2,78,589	3,11,392	3,48,176
Total Network	2,54,259	2,81,419	3,14,222	3,51,006
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	60,667	69,408	75,435
Other current liabilities	11,250	14,319	16,382	17,804
Total Equity & Liabilities	3,11,277	3,61,120	4,04,442	4,48,416

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	73,614	95,939	1,09,034	1,19,929
Add. Depreciation	2,824	3,466	3,901	4,461
Add. Interest	395	442	394	394
Less Financial Other Income	11,342	13,222	13,615	15,035
Add. Other	(11,342)	(13,222)	(13,615)	(15,035)
Op. profit before WC changes	65,491	86,625	99,715	1,09,750
Net Changes-WC	9,915	(3,826)	(1,827)	(423)
Direct tax	(18,392)	(23,819)	(26,999)	(29,642)
Net cash from Op. activities	57,014	58,980	70,890	79,685
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)	3,265	10,977	15,528
Free Cash Flow	45,320	48,980	60,890	69,685

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	197.2	256.0	290.9	320.0
CEPS	207.2	268.2	304.7	335.8
BVPS	898.6	994.6	1,110.5	1,240.5
FCF	160.2	173.1	215.2	246.3
DPS	140.0	160.0	175.0	190.0
Return Ratio(%)				
RoCE	23.9	30.9	32.0	31.5
ROIC	99.3	162.2	164.1	164.5
RoE	21.4	27.0	27.6	27.2
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	36.6	28.2	24.8	22.5
P/B	8.0	7.3	6.5	5.8
P/CEPS	34.8	26.9	23.7	21.5
EV/EBITDA	27.9	20.9	17.9	16.0
EV/Sales	5.0	4.1	3.5	3.2
Dividend Yield (%)	1.9	2.2	2.4	2.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

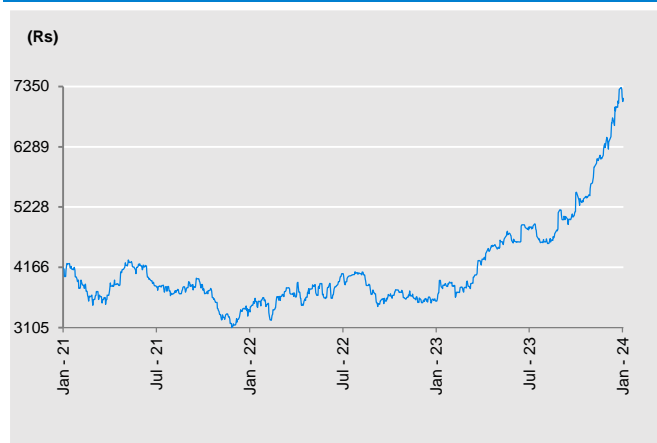
Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	89,047	1,03,098	1,07,773	1,21,135
YoY gr. (%)	11.7	28.8	5.6	30.0
Raw Material Expenses	62,135	74,127	76,511	86,096
Gross Profit	26,912	28,971	31,262	35,040
Margin (%)	30.2	28.1	29.0	28.9
EBITDA	17,166	19,539	21,329	24,299
YoY gr. (%)	25.7	50.6	21.3	36.8
Margin (%)	19.3	19.0	19.8	20.1
Depreciation / Depletion	742	835	876	881
EBIT	16,424	18,704	20,452	23,418
Margin (%)	18.4	18.1	19.0	19.3
Net Interest	157	121	65	121
Other Income	2,598	3,463	3,614	3,461
Profit before Tax	18,865	22,046	24,000	26,758
Margin (%)	21.2	21.4	22.3	22.1
Total Tax	4,536	5,399	5,639	6,339
Effective tax rate (%)	24.0	24.5	23.5	23.7
Profit after Tax	14,329	16,648	18,361	20,419
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14,329	16,648	18,361	20,419
YoY gr. (%)	17.0	41.9	20.0	36.9
Margin (%)	16.1	16.1	17.0	16.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,329	16,648	18,361	20,419
YoY gr. (%)	(2.5)	41.9	20.0	36.9
Margin (%)	16.1	16.1	17.0	16.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,329	16,648	18,361	20,419
Av g. Shares O/s (m)	283	283	283	283
EPS (Rs)	50.6	58.8	64.9	72.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Motorcycle volume (units)	34,42,842	36,94,500	40,71,203	43,72,688
Three-wheeler volume (units)	4,85,018	6,37,816	6,80,559	7,23,994
Net Realisation (Rs/unit)	92,869	1,01,289	1,04,004	1,05,561

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Reduce	6,000	6,996
2	18-Oct-23	Reduce	4,800	5,144
3	09-Oct-23	Reduce	4,750	5,015
4	26-Jul-23	Reduce	4,575	4,839
5	07-Jul-23	Reduce	4,450	4,918
6	26-Apr-23	Hold	4,130	4,342
7	12-Apr-23	Hold	4,020	4,177
8	26-Jan-23	Hold	4,040	3,717

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	210	179
2	Bajaj Auto	Reduce	6,000	6,996
3	Bharat Forge	Accumulate	1,320	1,266
4	CEAT	Accumulate	2,640	2,443
5	Divgi Torqtransfer Systems	BUY	1,300	994
6	Eicher Motors	Hold	3,870	3,877
7	Endurance Technologies	Hold	1,975	2,095
8	Exide Industries	Accumulate	345	329
9	Hero Motocorp	Accumulate	4,800	4,444
10	Mahindra & Mahindra	BUY	1,830	1,642
11	Maruti Suzuki	BUY	12,100	10,000
12	Tata Motors	BUY	900	791
13	TVS Motor Company	Hold	1,950	1,978

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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