

19 April 2024

India | Equity Research | Q4FY24 results review

## Bajaj Auto

Automotives

### Managing portfolio and profitability well; good things priced in

Bajaj Auto's (BJAUT) Q4FY24 EBITDA margin at 20.1% was flat QoQ (vs consensus estimate of 19.7%. Margin was flat QoQ mainly due to mix improvement (higher share of 3Ws), offsetting the impact of lower volumes. BJAUT is confident of retaining ~20%+ EBITDAM amidst rising scale of e2Ws in coming quarters, purely driven by rising scale of e3Ws and efficient cost management initiatives. We are factoring in 10%/8% growth in domestic volumes and 20%/25% growth in exports in FY25/26E, respectively, resulting in a revenue CAGR of 27% over FY24-26E (10% ASP CAGR). We maintain **HOLD** rating on BJAUT with a revised DCF-based target price of INR 8,660 (core business at INR 7,692, implying ~20x FY26E core EPS and cash/other investments of INR 969) vs INR 7,274 earlier. Change in target price is driven by rollover in valuation, higher earnings in FY25/26E and building in re-rating driven by the possibility of BJAUT delivering 20%+ EBITDAM despite rising e2W volumes.

### Takeaways from conference call and our views

- BJAUT managed cost of EV portfolio efficiently with Chetak 2W scaling up from sub-10k units a quarter a year back to ~40k units this quarter, as EBITDAM moved up ~400bps during this period despite rise in e2W volume. With PLI coming in, changes in design may reduce weight and costs, vendor management, reduction in cost of Li-Ion etc., BJAUT is confident of retaining ~20%+ EBITDAM amidst rising scale of e2Ws in coming quarters. It will treble its store count selling e2Ws by H1FY25E to 600. CNG models would be launched in coming months and would target entry/mid-level cost conscious market, by giving them the features at optimised capital cost and lower fuel cost, thus, reducing overall TCO. e3Ws outlet count would double in next 3 months and is currently present across 60 cities with 30% market share in e3Ws in those cities on an average. BJAUT is confident of witnessing CNG and EV 3Ws co-exist ahead with the culmination of petrol/diesel segments; TCO/km of CNG 3Ws is ~10% higher vs e3Ws as against that of petrol/diesel being much in excess of 25%.
- Export recovery is happening slowly with currency availability issues still existing in key markets like Nigeria and Argentina. It is trying to go aggressive in markets with steady demand and is targeting new market opportunities to drive exports, both 2Ws & 3Ws. It may start exporting quadricycle model Qute to Egypt from next month itself as the market is transitioning from 3Ws to quadricycles ahead.

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#### Market Data

Market Cap (INR)	2,519bn
Market Cap (USD)	30,154mn
Bloomberg Code	BJAUT IN
Reuters Code	BAJA.BO
52-week Range (INR)	9,358 /4,175
Free Float (%)	36.0
ADTV-3M (mn) (USD)	53.7

Price Performance (%)	3m	6m	12m
Absolute	27.4	75.6	114.3
Relative to Sensex	26.2	65.1	92.6

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	3,64,276	4,46,852	5,68,067	7,23,276
EBITDA	65,491	88,229	1,15,107	1,46,147
EBITDA %	18.0	19.7	20.3	20.2
Net Profit	56,276	74,788	95,153	1,18,719
EPS (INR)	202	268	341	425
EPS % Chg YoY	12.1	32.9	27.2	24.8
P/E (x)	44.8	33.8	26.6	21.3
EV/EBITDA (x)	35.2	27.1	20.8	16.4
RoCE (%)	22.6	31.1	37.3	42.3
RoE (%)	21.6	29.7	36.9	42.5

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.5)	(0.7)
EBITDA	2.5	8.0
EPS	3.6	8.8

#### Previous Reports

25-01-2024: [Q3FY24 results review](#)27-07-2023: [Q2FY24 results review](#)

- Domestic 2W market may grow by high single digit in FY25E with 125cc plus segments continuing to do far better than overall motorcycle market. BJAUT would launch Pulsar 400 in H1FY25 post launching 2500cc model this month and is also planning Pulsar 125cc refresh going ahead. Financing mix in 2Ws is at 75% with Bajaj Finance taking 70% of the share. Captive finance arm is currently across ~30% of target markets and post INR 6bn equity infusion, it will get INR 22.5bn further spread across FY25, in order to expand its reach across India and take care of financing the entire portfolio offerings of BJAUTS.
- Raw material cost is largely steady with aluminium and copper prices moving up vs rare earth metal prices going down and steel prices remaining steady. BJAUT did not take any price hike in Q4 and has taken marginal hike in Apr'24 itself to mitigate any risk of cost inflation. The company is confident of delivering ~20%+ EBITDAM in the foreseeable future, unless external risks may impact the cost dynamics severely.

### Exhibit 1: Q4FY24 result summary (standalone)

Standalone (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
<b>Total Operating Income</b>	<b>1,14,847</b>	<b>89,047</b>	<b>29%</b>	<b>1,21,135</b>	<b>-5%</b>
Cost of Materials	80,702	62,135	30%	86,096	-6%
As % of sales	70.3%	69.8%	49 bps	71.1%	-81 bps
<b>Gross profit</b>	<b>34,145</b>	<b>26,912</b>	<b>27%</b>	<b>35,040</b>	<b>-3%</b>
<b>Gross margin</b>	<b>29.7%</b>	<b>30.2%</b>	<b>-49 bps</b>	<b>28.9%</b>	<b>81 bps</b>
Employee Expenses	3,872	3,620	7%	3,846	1%
As % of sales	3.4%	4.1%	-69 bps	3.2%	20 bps
Other Expenses	7,210	6,126	18%	6,895	5%
As % of sales	6.3%	6.9%	-60 bps	5.7%	59 bps
<b>EBITDA</b>	<b>23,063</b>	<b>17,166</b>	<b>34%</b>	<b>24,299</b>	<b>-5%</b>
<b>EBITDA margin</b>	<b>20.1%</b>	<b>19.3%</b>	<b>80 bps</b>	<b>20.1%</b>	<b>2 bps</b>
Depreciation	906	742	22%	881	3%
<b>EBIT</b>	<b>22,157</b>	<b>16,424</b>	<b>35%</b>	<b>23,418</b>	<b>-5%</b>
<b>EBIT Margin</b>	<b>19.3%</b>	<b>18.4%</b>	<b>85 bps</b>	<b>19.3%</b>	<b>-4 bps</b>
Interest	228	157	45%	121	88%
Other Income	3,487	2,598	34%	3,461	1%
<b>PBT</b>	<b>25,416</b>	<b>18,865</b>	<b>35%</b>	<b>26,758</b>	<b>-5%</b>
<b>PBT Margin</b>	<b>22.1%</b>	<b>21.2%</b>	<b>94 bps</b>	<b>22.1%</b>	<b>4 bps</b>
Tax expenses	6,056	4,536	33%	6,339	-4%
<b>Adjusted PAT</b>	<b>19,360</b>	<b>14,329</b>	<b>35%</b>	<b>20,419</b>	<b>-5%</b>
<b>Reported PAT</b>	<b>19,360</b>	<b>14,329</b>	<b>35%</b>	<b>20,419</b>	<b>-5%</b>

Source: I-Sec research, Company data

### Exhibit 2: Per vehicle metrics

Per vehicle matrix	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
Two wheelers (Domestic + Exports)	9,16,817	7,23,485	27%	10,40,193	-12%
Three Wheelers (Domestic + Exports)	1,51,759	1,34,323	13%	1,60,804	-6%
Total (Domestic + Exports)	10,68,576	8,57,808	25%	12,00,997	-11%
Blended net realisation (INR)	1,07,476	1,03,808	4%	1,00,862	7%
Raw Material per vehicle (INR)	75,523	72,435	4%	71,687	5%
EBITDA per vehicle (INR)	21,582	20,011	8%	20,232	7%
PAT per vehicle (INR)	18,118	16,704	8%	17,002	7%

Source: Company data, I-Sec research

**Exhibit 3: Volume mix**

Volume break-up	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
2W Domestic	5,46,881	4,13,050	32%	6,55,453	-17%
2W Exports	3,69,936	3,10,435	19%	3,84,740	-4%
3W domestic	1,10,449	1,00,033	10%	1,22,828	-10%
3W Exports	41,310	34,290	20%	37,976	9%
<b>Total volume</b>	<b>10,68,576</b>	<b>8,57,808</b>	<b>25%</b>	<b>12,00,997</b>	<b>-11%</b>
<b>Volume mix</b>					
2W Domestic	51%	48%	303 bps	55%	-340 bps
2W Exports	35%	36%	-157 bps	32%	258 bps
3W domestic	10%	12%	-133 bps	10%	11 bps
3W Exports	4%	4%	-13 bps	3%	70 bps

Source: I-Sec research, Company data

**Exhibit 4: Growth assumptions**

Year to March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Domestic 2W ('000 units)	2,078	1,808	1,641	1,804	2,251	2,530	2,838
Domestic 3W ('000 units)	365	109	161	301	464	554	609
<b>Domestic volumes ('000 units)</b>	<b>2,443</b>	<b>1,917</b>	<b>1,802</b>	<b>2,104</b>	<b>2,715</b>	<b>3,084</b>	<b>3,446</b>
Exports 2W ('000 units)	1,869	1,797	2,196	1,637	1,477	1,773	2,216
Exports 3W ('000 units)	297	254	311	184	159	182	209
<b>Exports volumes ('000 units)</b>	<b>2,166</b>	<b>2,051</b>	<b>2,507</b>	<b>1,821</b>	<b>1,636</b>	<b>1,955</b>	<b>2,425</b>
Blended ASP (INR)	64,914	69,902	75,864	92,802	1,02,958	1,13,015	1,23,538
EBITDA Margin (%)	17.0%	17.8%	15.9%	18.0%	19.7%	20.3%	20.2%
EBITDA / unit (INR)	11,057	12,421	12,206	14,207	17,887	21,809	25,879
Capex (INR mn)	1,937	1,810	4,991	11,695	7,781	11,929	15,189
Dividend per share (INR)	120	140	140	140	80	273	340

Source: I-Sec research, Company data

**Exhibit 5: Valuation and SoTP breakdown**

Particulars	Value (INR mn)
<b>Total Enterprise value</b>	<b>21,56,923</b>
Less: Net debt	(2,31,215)
Value to Equity	23,88,138
Fully Diluted equity shares	279.2
<b>Fair value per fully dil. equity share</b>	<b>8,554</b>
Other equity investments	106
<b>Fair value per fully dil. equity share</b>	<b>8,660</b>

Source: Company data, I-Sec research

**Exhibit 6: Estimates revision**

	FY25E			FY26E		
	Old	Revised	% change	Old	Revised	% change
Volume (mn)	5.1	5.0	-2.1%	5.9	5.9	0.2%
Revenue (INR bn)	582	568	-2.5%	728	723	-0.7%
EBITDA (INR bn)	112	115	2.5%	135	146	8.0%
EBITDA margin (%)	19.3%	20.3%	97	18.6%	20.2%	162
EPS (INR)	329	341	3.6%	391	425	8.8%

Source: I-Sec research, Company data

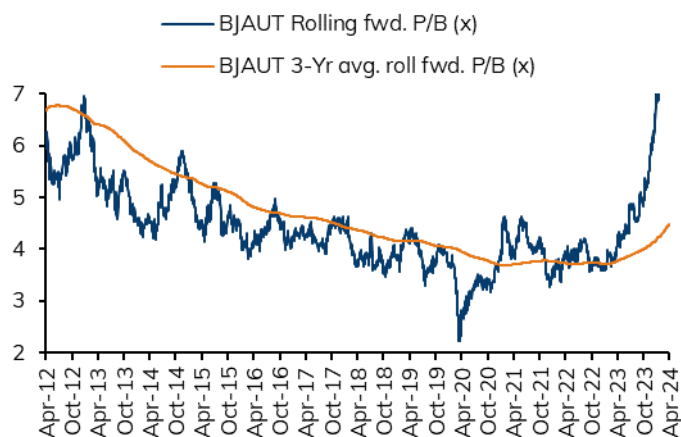
### Downside risks

- Rise in competitive intensity in Pulsar segment.
- Continued delay in recovery of demand from domestic rural markets could pose a risk to our demand estimates.
- Continuation of weak demand from target export markets could pose a risk to our FY25E demand estimates.
- Further reversal in FAME subsidies in EVs to impact EBITDAM with rising scale of e-2Ws.

### Upside risks

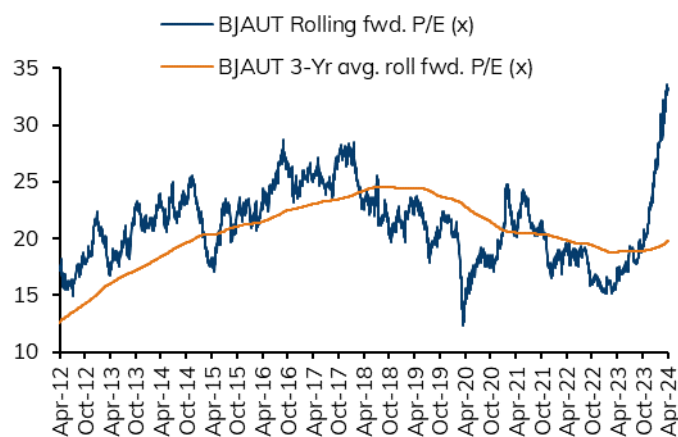
- Faster than anticipated scaling up of e2W/e3W portfolio
- Faster than anticipated exports recovery
- Triumph diversifying into cruise bike segment, thus, posing as a risk to brand Royal Enfield but helping BJAUT to grow profitably faster.

**Exhibit 7: Three-year moving P/B**



Source: I-Sec research, Bloomberg

**Exhibit 8: Three-year moving P/E**



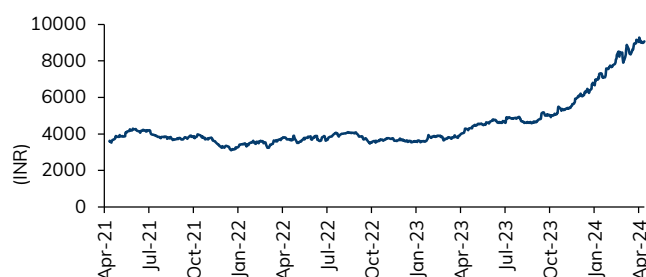
Source: I-Sec research, Bloomberg

**Exhibit 9: Shareholding pattern**

%	Jun'23	Sep'23	Dec'23
Promoters	55.0	55.0	54.9
Institutional investors	23.3	23.5	23.4
MFs and others	3.8	4.7	5.3
Insurance Cos	4.8	3.2	2.3
FIIIs	14.7	15.5	15.7
Others	21.7	21.5	21.7

Source: Bloomberg, I-Sec research

**Exhibit 10: Price chart**



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>3,64,276</b>	<b>4,46,852</b>	<b>5,68,067</b>	<b>7,23,276</b>
Operating Expenses	2,98,785	3,58,623	4,52,960	5,77,128
<b>EBITDA</b>	<b>65,491</b>	<b>88,229</b>	<b>1,15,107</b>	<b>1,46,147</b>
<b>EBITDA Margin (%)</b>	<b>18.0%</b>	<b>19.7%</b>	<b>20.3%</b>	<b>20.2%</b>
Depreciation & Amortization	2,824	3,498	3,957	4,571
EBIT	62,667	84,731	1,11,150	1,41,576
Interest expenditure	395	535	535	535
Other Non-operating Income	11,814	14,025	14,585	15,169
<b>Recurring PBT</b>	<b>74,086</b>	<b>98,220</b>	<b>1,25,201</b>	<b>1,56,210</b>
Profit / Loss from Associates	-	-	-	-
Less: Taxes	17,810	23,432	30,048	37,490
PAT	56,276	74,788	95,153	1,18,719
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	56,276	74,788	95,153	1,18,719
<b>Net Income (Adjusted)</b>	<b>56,276</b>	<b>74,788</b>	<b>95,153</b>	<b>1,18,719</b>

Source Company data, I-Sec research

### Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Total Current Assets</b>	<b>2,65,434</b>	<b>2,89,362</b>	<b>3,30,464</b>	<b>3,71,112</b>
of which cash & cash eqv.	2,858	5,366	16,773	34,464
<b>Total Current Liabilities &amp; Provisions</b>	<b>52,326</b>	<b>79,233</b>	<b>1,00,726</b>	<b>1,28,247</b>
<b>Net Current Assets</b>	<b>2,13,109</b>	<b>2,10,129</b>	<b>2,29,738</b>	<b>2,42,865</b>
Investments	17,864	20,884	12,333	12,333
Net Fixed Assets	27,160	31,987	39,959	50,576
ROU Assets	-	-	-	-
Capital Work-in-Progress	819	275	275	275
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>2,58,952</b>	<b>2,63,274</b>	<b>2,82,304</b>	<b>3,06,048</b>
<b>Liabilities</b>				
Borrowings	1,242	9,599	9,599	9,599
Deferred Tax Liability	3,452	5,069	5,069	5,069
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	2,830	2,792	2,792	2,792
Reserves & Surplus	2,51,429	2,45,813	2,64,844	2,88,588
<b>Total Net Worth</b>	<b>2,54,259</b>	<b>2,48,605</b>	<b>2,67,636</b>	<b>2,91,379</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>2,58,952</b>	<b>2,63,273</b>	<b>2,82,304</b>	<b>3,06,048</b>

Source Company data, I-Sec research

### Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
<b>Net Sales</b>	<b>1,00,486</b>	<b>1,05,190</b>	<b>1,18,829</b>	<b>1,14,847</b>
% growth (YOY)	29	6	31	29
EBITDA	19,539	21,329	24,299	23,063
Margin %	19.0	19.8	20.1	20.1
Other Income	3,463	3,614	3,461	3,487
Adjusted Net Profit	16,648	18,361	20,419	19,360

Source Company data, I-Sec research

### Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>56,734</b>	<b>84,982</b>	<b>91,442</b>	<b>1,28,390</b>
Working Capital Changes	(2,762)	6,161	(8,202)	4,564
Capital Commitments	(11,695)	(7,781)	(11,929)	(15,189)
<b>Free Cashflow</b>	<b>45,038</b>	<b>77,201</b>	<b>79,513</b>	<b>1,13,201</b>
Other investing cashflow	(5,380)	(2,740)	8,551	-
<b>Cashflow from Investing Activities</b>	<b>(17,075)</b>	<b>(10,521)</b>	<b>(3,378)</b>	<b>(15,189)</b>
Issue of Share Capital	-	-	-	-
Interest Cost	(395)	(535)	(535)	(535)
Inc (Dec) in Borrowings	15	8,357	-	-
Dividend paid	(39,614)	(39,602)	(76,122)	(94,976)
Others	(2,690)	(40,172)	-	-
<b>Cash flow from Financing Activities</b>	<b>(42,685)</b>	<b>(71,952)</b>	<b>(76,657)</b>	<b>(95,511)</b>
Chg. in Cash & Bank balance	(3,026)	2,509	11,407	17,690
Closing cash & balance	2,857	5,367	16,773	34,464

Source Company data, I-Sec research

### Exhibit 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	201.6	267.9	340.8	425.2
Adjusted EPS (Diluted)	201.6	267.9	340.8	425.2
Cash EPS	211.7	280.4	355.0	441.6
Dividend per share (DPS)	141.9	80.0	272.7	340.2
Book Value per share (BV)	910.7	890.5	958.6	1,043.7
Dividend Payout (%)	70.4	29.9	80.0	80.0
<b>Growth (%)</b>				
Net Sales	9.9	23.7	27.0	27.3
EBITDA	24.5	34.7	30.5	27.0
EPS (INR)	12.1	32.9	27.2	24.8
<b>Valuation Ratios (x)</b>				
P/E	44.8	33.7	26.5	21.2
P/CEPS	42.6	32.2	25.4	20.4
P/BV	9.9	10.1	9.4	8.6
EV / EBITDA	35.2	25.0	19.2	17.0
EV / Sales	6.3	5.1	4.0	3.2
<b>Profitability Ratios</b>				
Gross Profit Margins (%)	28.5	28.9	30.0	30.0
EBITDA Margins (%)	18.0	19.7	20.3	20.2
EBIT Margins (%)	17.2	19.0	19.6	19.6
Net Profit Margins (%)	15.4	16.7	16.8	16.4
RoCE (%)	22.6	31.1	37.3	42.3
RoE (%)	21.6	29.7	36.9	42.5
Dividend Yield (%)	1.6	0.9	3.0	3.8
<b>Operating Ratios</b>				
Fixed Asset Turnover (x)	13.0	14.0	14.2	14.0
Inventory Turnover Days	20	21	21	21
Receivables Days	16	16	19	22
Payables Days	48	52	56	56
Effective Tax Rate (%)	24.0	23.0	23.2	26.1
Net Debt / Equity (x)	(0.8)	(0.9)	(0.9)	(0.9)
Net Debt / EBITDA (x)	(3.3)	(2.4)	(1.9)	(1.9)

Source Company data, I-Sec research

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