

April 19, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	7,267		6,300	
Sales (Rs. m)	5,22,305	5,78,219	5,09,184	5,58,522
% Chng.	2.6	3.5		
EBITDA (Rs. m)	1,12,191	1,23,623	1,02,244	1,14,665
% Chng.	9.7	7.8		
EPS (Rs.)	325.1	356.4	297.6	333.2
% Chng.	9.3	6.9		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	3,64,276	4,46,852	5,22,305	5,78,219
EBITDA (Rs. m)	65,491	88,229	1,12,191	1,23,623
Margin (%)	18.0	19.7	21.5	21.4
PAT (Rs. m)	56,276	74,788	90,775	99,491
EPS (Rs.)	198.9	267.9	325.1	356.4
Gr. (%)	19.6	34.7	21.4	9.6
DPS (Rs.)	140.0	160.0	175.0	190.0
Yield (%)	1.6	1.8	1.9	2.1
RoE (%)	21.6	29.7	33.7	31.7
RoCE (%)	23.9	32.9	38.8	36.9
EV/Sales (x)	6.4	5.1	4.4	3.9
EV/EBITDA (x)	35.7	26.1	20.4	18.3
PE (x)	45.4	33.7	27.7	25.3
P/BV (x)	10.0	10.1	8.7	7.5

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.9,358 / Rs.4,175
Sensex / Nifty	72,489 / 21,996
Market Cap	Rs.2,519bn/ \$ 30,147m
Shares Outstanding	279m
3M Avg. Daily Value	Rs.4484.91m

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	5.9	75.6	114.3
Relative	6.1	60.9	77.1

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Bajaj Auto (BJAUT IN)

Rating: SELL | CMP: Rs9,021 | TP: Rs7,267

Rich valuation outbids strong performance

Quick Pointers:

- New launches and network expansion in domestic & international market
- Mix of 125cc and above for FY24 stood at ~75%

Bajaj Auto's 4QFY24 revenue came in at Rs 114.8bn, which is 3.5%/2.2% higher vs PLe/BBGe. EBITDA grew by 34.4% surpassing PLe/BBGe by 5.2%/4.1% respectively while margin (20.1%) expanded by 80bps vs PLe/BBGe 48bps/37bps. Management foresees recovery in exports markets, however, emerging markets like Nigeria and Bangladesh continue to be subdued due to currency devaluation and inflationary pressure. The rise in EV volume suppressed margins, however, it has been able to mitigate some of it through cost cutting initiatives. Going forward, the management expects the domestic 2W market to grow by 7-8% in FY25 with faster growth anticipated in the premium range of motorcycles.

With the launch of new pulsar models along with new launches in EV Chetak and e3Ws coupled with aggressive network expansion, we estimate its 2W/3W volume to grow at a CAGR of 9.8%/7.1% over FY24-FY26E. Higher mix of 125+cc, recovery in exports and premiumization trend shall drive ASP and margin profile. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 13.8%/18.4%/15.3% over FY24-FY26E. We maintain 'Sell' and revise our target price upwards to Rs 7,267 valuing the company at 20x on its FY26E EPS.

Strong overall performance: Revenue grew by 29% YoY owing to strong volume growth of 24.3% YoY. Consequently, it resulted in better operating leverage along with benign commodity prices aided in EBITDA growth of 34.4% YoY while margin expanded by 80bps YoY to 20.1%. Other income grew by 34.2% YoY resulting in strong APAT growth of 35.1% YoY and a margin expansion of 77bps YoY.

Premium mix of products driving realizations: Consumer preference and strategic placement of its portfolio continue to attract higher volume in 125cc and above category as it accounted for 75% of the volume. Consequently, better mix coupled with premiumization triggered realization growth of 3.8% YoY/6.6% QoQ to Rs 107,476/unit.

Key takeaways: (1) Exports are at ~75% of the peak volume registered in FY22. It will continue with its cautious approach in the strained markets while it aims to be aggressive with new launches and channel expansion in recovering and newer markets. Export revenue growth was in double digit as compared to last year led by better mix and higher realizations. Going ahead, it intends to launch quadricycle Qube in Egypt in 1QFY25 and intends to develop the volume growth gradually. The company intends to support Triumph UK in successfully expanding its business in overseas markets, including exporting bikes to various countries and establishing retail operations. **(2) New launches:** It intends to launch 6 new models by 1HFY25 with 1/2 launches in Chetak, CNG/Petrol powered Motorcycle and premium range

of pulsar. Company remains optimistic about the growth prospect with robust demand and steady pace of product introduction. **(3) Chetak** reported strong performance as its market share grew by ~800bps YoY to 13%. It aims to increase the number of stores from 200 to 600 in 1HFY25. Rise in volume and PLI benefits reduce the impact of higher mix of EVs. **(4) 3W:** EV three-wheelers receiving strong response with availability in 60 cities, giving the company a market share of 30%. It intends to rapidly scale up the expansion through product offering and network expansion. **(5) Strategic outlook:** It aims to further strengthen its position in the premium segment by leveraging in collaboration with KTM and Triumph. In the international market, it will aim to explore the European market which aid in volume growth. The company is actively investing in and expanding its electric vehicle portfolio. This includes the introduction of new EV models and scaling up the presence of EVs across different markets.

Exhibit 1: Q4FY24 Result Overview (Rs mn)

Y/e Mar	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenues	1,14,847	89,047	29.0	1,21,135	(5.2)	4,46,852	3,64,276	22.7
Raw Materials	80,702	62,135	29.9	86,096	(6.3)	3,17,434	2,60,548	21.8
% of Net Sales	70.3	69.8		71.1		71.0	71.5	
Personnel	3,872	3,620	7.0	3,846	0.7	15,376	14,449	6.4
% of Net Sales	3.4	4.1		3.2		3.4	4.0	
Manufacturing & Other Exp	7,210	6,126	17.7	6,895	4.6	25,813	23,788	8.5
% of Net Sales	6.3	6.9		5.7		5.8	6.5	
Total Expenditure	91,784	71,882	27.7	96,836	(5.2)	3,58,623	2,98,784	20.0
EBITDA	23,063	17,166	34.4	24,299	(5.1)	88,229	65,492	34.7
EBITDA Margin (%)	20.1	19.3		20.1		19.7	18.0	
Depreciation	906	742	22.1	881	2.8	3,498	2,824	23.9
EBIT	22,157	16,424	34.9	23,418	(5.4)	84,731	62,667	35.2
Interest Expenses	228	157	44.7	121	88.3	535	395	35.5
Non-operating income	3,487	2,598	34.2	3,461	0.7	14,024	11,814	18.7
Extraordinary Expenses	-	-		-		-	-	
PBT	25,416	18,865	34.7	26,758	(5.0)	98,220	74,087	32.6
Tax-Total	6,056	4,536	33.5	6,339	(4.5)	23,432	17,810	31.6
Tax Rate (%) - Total	23.8	24.0	(0.9)	23.7		23.9	24.0	(0.8)
Reported PAT	19,360	14,329	35.1	20,419	(5.2)	74,788	56,276	32.9
Adj. PAT	19,360	14,329	35.1	20,419	(5.2)	74,788	56,276	32.9
PAT Margin (%)	16.9	16.1		16.9		16.7	15.4	

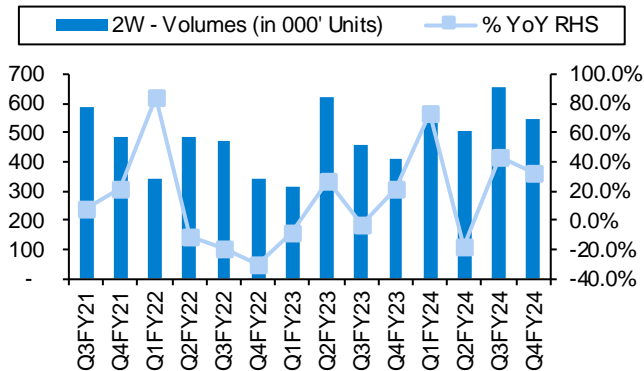
Source: Company, PL

Exhibit 2: Operating Metrics (Rs mn)

Y/e Mar	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Sales Volume (nos)	10,68,576	8,59,731	24.3	12,00,997	(11.0)	43,50,933	39,27,860	10.8
Net Realization/Vehicle	1,07,476	1,03,576	3.8	1,00,862	6.6	1,02,703	92,742	10.7
Material cost / vehicle	75,523	72,272	4.5	71,687	5.4	72,958	66,333	10.0
Gross Profit / vehicle	31,954	31,303	2.1	29,175	9.5	29,745	26,408	12.6
Employee cost /vehicle	3,624	4,211	(13.9)	3,202	13.2	3,534	3,679	(3.9)
Other expenses / vehicle	6,748	7,126	(5.3)	5,741	17.5	5,933	6,056	(2.0)
EBITDA/vehicle	21,582	19,966	8.1	20,232	6.7	20,278	16,674	21.6
Net Profit/vehicle	18,118	16,667	8.7	17,002	6.6	17,189	14,327	20.0

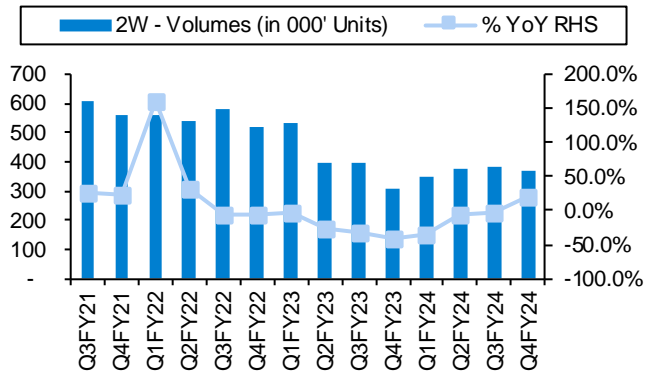
Source: Company, PL

Exhibit 3: Premium segment driving domestic volume



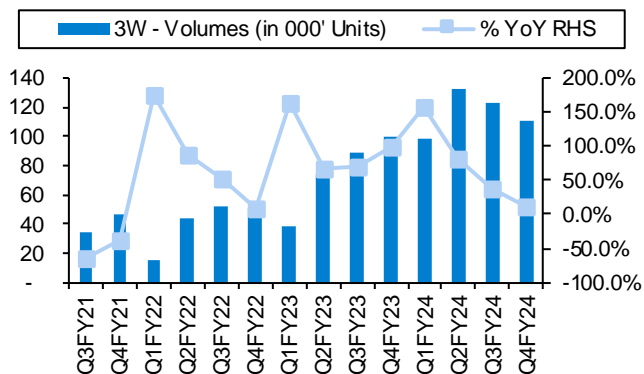
Source: Company, PL

Exhibit 4: Exports up by 19.2% YoY on soft base



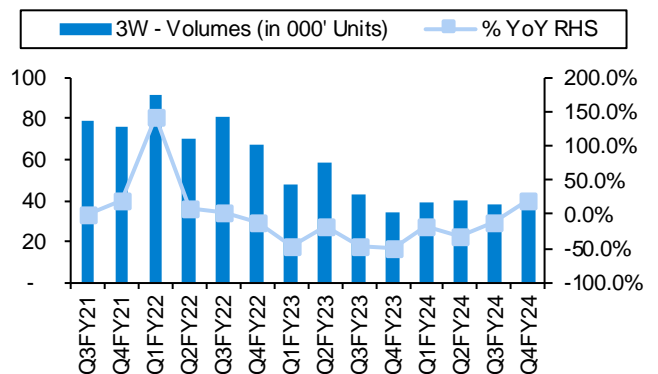
Source: Company, PL

Exhibit 5: Robust domestic volume expansion



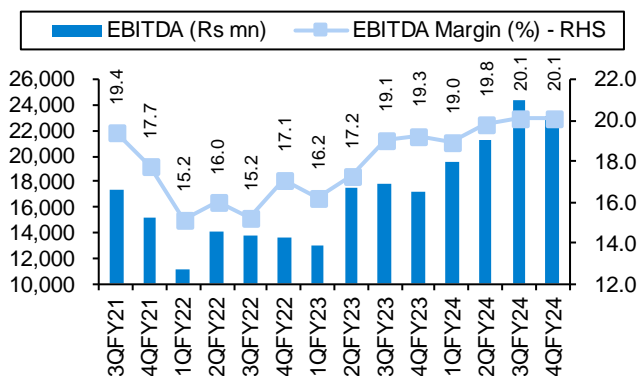
Source: Company, PL

Exhibit 6: Strong recovery in international market



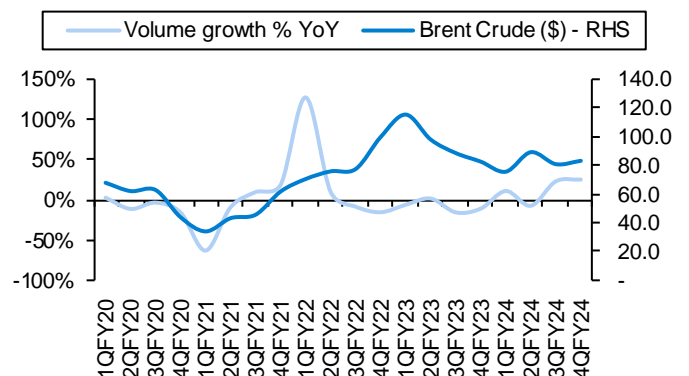
Source: Industry, PL

Exhibit 7: EBITDA margin expanded by 80bps YoY



Source: Company, Industry, PL

Exhibit 8: Correlation between BJAUT's volumes and crude



Source: SIAM, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	3,64,276	4,46,852	5,22,305	5,78,219
YoY gr. (%)	9.9	22.7	16.9	10.7
Cost of Goods Sold	2,60,548	3,17,434	3,63,524	4,03,307
Gross Profit	1,03,729	1,29,418	1,58,781	1,74,911
Margin (%)	28.5	29.0	30.4	30.3
Employee Cost	14,449	15,376	17,758	19,659
Other Expenses	23,788	25,813	28,831	31,629
EBITDA	65,491	88,229	1,12,191	1,23,623
YoY gr. (%)	24.5	34.7	27.2	10.2
Margin (%)	18.0	19.7	21.5	21.4
Depreciation and Amortization	2,824	3,498	3,772	4,317
EBIT	62,667	84,731	1,08,419	1,19,306
Margin (%)	17.2	19.0	20.8	20.6
Net Interest	395	535	2,477	2,477
Other Income	11,814	14,025	14,290	14,947
Profit Before Tax	74,086	98,220	1,20,232	1,31,776
Margin (%)	20.3	22.0	23.0	22.8
Total Tax	17,810	23,432	29,457	32,285
Effective tax rate (%)	24.0	23.9	24.5	24.5
Profit after tax	56,276	74,788	90,775	99,491
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	56,276	74,788	90,775	99,491
YoY gr. (%)	17.0	32.9	21.4	9.6
Margin (%)	15.4	16.7	17.4	17.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	56,276	74,788	90,775	99,491
YoY gr. (%)	11.3	32.9	21.4	9.6
Margin (%)	15.4	16.7	17.4	17.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	56,276	74,788	90,775	99,491
Equity Shares O/s (m)	283	279	279	279
EPS (Rs)	198.9	267.9	325.1	356.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	54,846	62,564	72,157	82,027
Tangibles	54,846	62,564	72,157	82,027
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,687	31,186	34,958	39,275
Tangibles	27,687	31,186	34,958	39,275
Intangibles	-	-	-	-
Net fixed assets	27,159	31,379	37,199	42,752
Tangibles	27,159	31,379	37,199	42,752
Intangibles	-	-	-	-
Capital Work In Progress	819	243	650	780
Goodwill	-	-	-	-
Non-Current Investments	17,864	20,884	21,200	21,450
Net Deferred tax assets	(3,452)	(5,069)	(4,609)	(4,190)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2,11,369	2,24,041	2,26,725	2,29,475
Inventories	13,979	16,959	28,619	31,683
Trade receivables	17,761	21,224	35,774	39,604
Cash & Bank Balance	2,858	6,003	7,508	38,842
Other Current Assets	19,072	21,444	25,065	27,748
Total Assets	3,11,276	3,42,507	3,84,458	4,34,236
Equity				
Equity Share Capital	2,830	2,792	2,792	2,792
Other Equity	2,51,429	2,45,813	2,87,732	3,34,179
Total Network	2,54,259	2,48,605	2,90,523	3,36,970
Non-Current Liabilities				
Long Term borrowings	1,578	9,907	9,907	9,907
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,739	56,102	55,808	60,198
Other current liabilities	11,250	22,823	23,611	22,970
Total Equity & Liabilities	3,11,277	3,42,507	3,84,458	4,34,236

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	74,086	98,220	1,20,232	1,31,776
Add. Depreciation	2,824	3,498	3,772	4,317
Add. Interest	395	535	2,477	2,477
Less Financial Other Income	11,814	14,025	14,290	14,947
Add. Other	(11,814)	(14,025)	(14,290)	(14,947)
Op. profit before WC changes	65,491	88,229	1,12,191	1,23,623
Net Changes-WC	9,915	18,186	(30,725)	(6,011)
Direct tax	(18,392)	(21,814)	(29,918)	(32,704)
Net cash from Op. activities	57,014	84,600	51,549	84,908
Capital expenditures	(11,694)	(7,142)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(5,393)	5,310	(316)	(250)
Net Cash from Invt. activities	(17,087)	(1,832)	(10,316)	(10,250)
Issue of share cap. / premium	(29,091)	(35,773)	-	-
Debt changes	-	-	-	-
Dividend paid	(39,614)	(44,669)	(48,857)	(53,044)
Interest paid	(395)	(535)	(2,477)	(2,477)
Others	-	-	-	-
Net cash from Fin. activities	(69,100)	(80,977)	(51,333)	(55,521)
Net change in cash	(29,173)	1,792	(10,101)	19,137
Free Cash Flow	45,320	77,459	41,549	74,908

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	198.9	267.9	325.1	356.4
CEPS	208.9	280.4	338.7	371.8
BVPS	898.6	890.5	1,040.6	1,207.0
FCF	160.2	277.5	148.8	268.3
DPS	140.0	160.0	175.0	190.0
Return Ratio(%)				
RoCE	23.9	32.9	38.8	36.9
ROIC	99.5	237.8	180.9	162.8
RoE	21.6	29.7	33.7	31.7
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.9)	(0.8)	(0.8)
Net Working Capital (Days)	(9)	(15)	6	7
Valuation(x)				
PER	45.4	33.7	27.7	25.3
P/B	10.0	10.1	8.7	7.5
P/CEPS	43.2	32.2	26.6	24.3
EV/EBITDA	35.7	26.1	20.4	18.3
EV/Sales	6.4	5.1	4.4	3.9
Dividend Yield (%)	1.6	1.8	1.9	2.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	1,03,098	1,07,773	1,21,135	1,14,847
YoY gr. (%)	28.8	5.6	30.0	29.0
Raw Material Expenses	74,127	76,511	86,096	80,702
Gross Profit	28,971	31,262	35,040	34,145
Margin (%)	28.1	29.0	28.9	29.7
EBITDA	19,539	21,329	24,299	23,063
YoY gr. (%)	50.6	21.3	36.8	34.4
Margin (%)	19.0	19.8	20.1	20.1
Depreciation / Depletion	835	876	881	906
EBIT	18,704	20,452	23,418	22,157
Margin (%)	18.1	19.0	19.3	19.3
Net Interest	121	65	121	228
Other Income	3,463	3,614	3,461	3,487
Profit before Tax	22,046	24,000	26,758	25,416
Margin (%)	21.4	22.3	22.1	22.1
Total Tax	5,399	5,639	6,339	6,056
Effective tax rate (%)	24.5	23.5	23.7	23.8
Profit after Tax	16,648	18,361	20,419	19,360
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	16,648	18,361	20,419	19,360
YoY gr. (%)	41.9	20.0	36.9	35.1
Margin (%)	16.1	17.0	16.9	16.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	16,648	18,361	20,419	19,360
YoY gr. (%)	41.9	20.0	36.9	35.1
Margin (%)	16.1	17.0	16.9	16.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,648	18,361	20,419	19,360
Avg. Shares O/s (m)	279	279	279	279
EPS (Rs)	59.6	65.8	73.1	69.3

Source: Company Data, PL Research

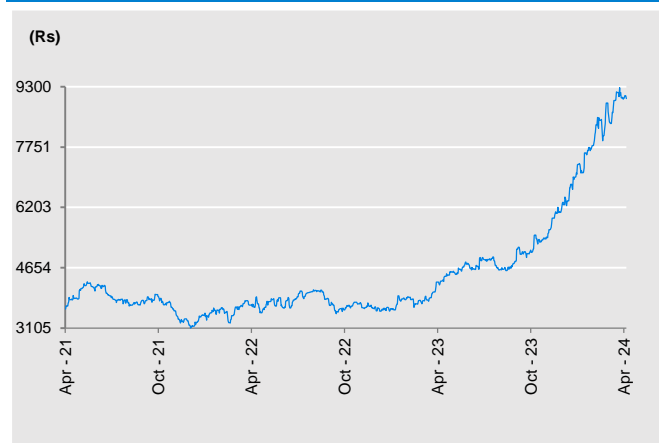
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Motorcycle volume (units)	34,42,842	37,27,923	41,01,407	44,92,749
Three-wheeler volume (units)	4,85,018	6,23,010	6,71,208	7,14,500
Net Realisation (Rs/unit)	92,742	1,02,703	1,06,885	1,08,540

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	Sell	6,300	9,010
2	25-Jan-24	Reduce	6,080	7,213
3	08-Jan-24	Reduce	6,000	6,996
4	18-Oct-23	Reduce	4,800	5,144
5	09-Oct-23	Reduce	4,750	5,015
6	26-Jul-23	Reduce	4,575	4,839
7	07-Jul-23	Reduce	4,450	4,918
8	26-Apr-23	Hold	4,130	4,342

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	705
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	6,300	9,010
4	Bharat Forge	Accumulate	1,270	1,146
5	Bharat Petroleum Corporation	Sell	504	592
6	Bharti Airtel	Accumulate	1,269	1,204
7	CEAT	Accumulate	2,980	2,686
8	Clean Science and Technology	Hold	1,386	1,335
9	Deepak Nitrite	Reduce	1,985	2,208
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	Accumulate	4,215	4,031
12	Endurance Technologies	Hold	1,980	1,900
13	Exide Industries	Accumulate	350	322
14	Fine Organic Industries	Hold	4,351	4,361
15	GAIL (India)	Sell	162	201
16	Gujarat Fluorochemicals	Hold	3,313	3,270
17	Gujarat Gas	Hold	548	565
18	Gujarat State Petronet	Accumulate	399	378
19	Hero Motocorp	Accumulate	5,070	4,525
20	Hindustan Petroleum Corporation	Reduce	400	462
21	Indian Oil Corporation	Sell	144	170
22	Indraprastha Gas	Sell	383	475
23	Jubilant Ingrevia	Hold	480	486
24	Laxmi Organic Industries	Sell	206	251
25	Mahanagar Gas	Sell	1,125	1,485
26	Mahindra & Mahindra	BUY	2,306	2,013
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,350	12,422
29	Navin Fluorine International	BUY	3,929	3,093

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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