Asit C. Mehta
INVESTMENT INTERRMEDIATES LTD.

PANTOMATH
Financial Services Group

BAJAJ AUTO LTD

(BJAUT)

Initiating Coverage

Rating: BUY (Target Price: ₹ 11,156)

Growth expected from domestic premiumisation and export recovery

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We initiate coverage on Bajaj Auto Ltd. (BJAUT) with a "BUY" recommendation and a target price of Rs 11,160 based on SOTP valuation. We value the standalone business at 30x FY26E EPS of Rs 367.6 and add Rs 127 for the stake held in Pierer Mobility AG. We are positive on the company as we expect volume growth across all its business units, along with continuity in healthy margin delivery and FCF generation. We like 1) Its resilient business model with segmental and geographic diversification. 2) Better than industry growth in domestic 2Ws, aided by mix improvement in favour of 125cc+ segments. 3) Gradual growth in exports, which are significantly below their pre-COVID19 peak levels. 4) Beneficiary of transition from ICE 3Ws to CNG 3Ws and e-autos. 5) Margins to strengthen further owing to premiumisation in domestic 2Ws and 3Ws, operating leverage and cost rationalisation. 6) Healthy FCF generation and dividend payout/ buybacks to benefit shareholders. We expect Revenue/EBITDA/PAT to expand at CAGR of 15.0%/18.7%/17.1%, respectively, over FY24–FY26E.

Healthy sales potential in domestic 2W segment: This segment contributed 51.7% of overall volumes (in FY24) and we expect double-digit growth going ahead. This will be driven by demand recovery for the 2w industry and premiumisation. To gain market share in the 125cc+ segment, Bajaj Auto has several products in the pipeline, including bikes under the Pulsar, Dominar and Triumph brands. Another key launch will be that of the world's first CNG motorcycle in the commuter segment.

Gradual recovery in exports: Bajaj Auto's export volumes in FY24 were at 65.0% of the peak seen in FY22. As export markets recover from the macroeconomic issues they faced in the last two years and with focus on new markets and segments, sales will improve. With volume growth, the company's blended margins will benefit from operating leverage as the capacity utilisation improves from the current level of ~64.0%.

Ramp up of new businesses: With network expansion in the Triumph business, the probiking unit volumes will scale up every quarter. Within 3W, as the company expands it footprint in CNG 3W and e-autos, it will see the benefit of the transition away from 3W-ICE. The e-2W business under Chetak brand is gaining market share, which will accelerate further with new launches and network expansion.

Valuation & Outlook: At CMP Rs 9,726, Bajaj Auto is trading at 31.1x/26.5x FY25E/26E P/E. In the last few years, the valuation multiples that the company enjoys has inched up consistently. The historical average forward P/E over 5/3/2/1 years was 16.8x/17.1x/19.0x/26.8x, respectively. We believe the company will continue to see these kind of multiples on account of higher return ratios among its peers, strong growth headroom across its business units, benefit of premiumisation, operating leverage, healthy profitability and FCF generation. We follow a SOTP approach, valuing the standalone business at 30.0x FY26E EPS of Rs 367.6. We add Rs 127 as value per share for the stake in Pierer Mobility AG (15% discount to market cap) to arrive at a target price of Rs 11,160 (an upside of 15%) and initiate coverage with a "BUY" rating.

BAJAJ AUTO LTD

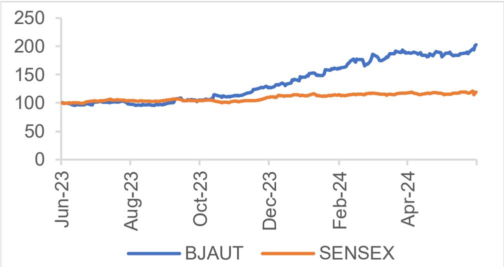
Key Data	
Bloomberg code:	BJAUT IN
Target price (₹)	**11,160**
CMP (₹) as on 07-JUN-2024	9,726
Upside/ (Downside)	**15%**
Rating:	BUY
Shares outstanding (mn):	279
Mcap :	Rs.2,719bn
52-week H/L (Rs):	9,740/ 4,541

Price Performance (%)	
1 month	12.1%
3 months	9.5%
12 months	103.4%

Shareholding Pattern (%)	Sep'23	Dec'23	Mar'24
Promoter	55.0	54.9	55.1
FIIs	14.3	14.7	14.5
DIIs	9.1	8.7	8.5
Public/other	21.6	21.7	21.9
Pledge	0.0	0.0	0.0

Source: BSE

BJAUT performance vs. Sensex



Source: BSE

Analyst

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YE March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	3,31,447	3,64,276	4,46,852	5,14,416	5,91,055
Growth (%)	*19.5%*	*9.9%*	*22.7%*	*15.1%*	*14.9%*
EBITDA	52,586	65,491	88,229	1,04,785	1,24,230
EBITDA (%)	*15.9%*	*18.0%*	*19.7%*	*20.4%*	*21.0%*
Adj. PAT	47,036	56,276	74,788	87,386	1,02,636
Adj. EPS	162.7	197.3	267.9	313.0	367.6
Adj. EPS Growth (%)	3.3%	21.3%	35.8%	16.8%	17.5%
ROE (%)	*19.4%*	*21.6%*	*29.7%*	*32.9%*	*34.1%*
ROCE (%)	18.8%	23.6%	32.9%	36.9%	38.8%
P/E (x)	56.0x	49.3x	36.8x	31.1x	26.5x
P/B (x)	10.6x	10.8x	10.9x	9.6x	8.5x
EV/EBITDA (x)	51.7x	41.5x	30.8x	25.9x	21.9x
Dividend Yield (%)	1.4%	1.4%	0.8%	2.3%	2.6%

Source: Company, ACMIIL research

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Company Overview

- Bajaj Auto Limited (BJAUT) is the flagship company of the Bajaj Group, manufacturing two-wheelers (2W), three-wheelers (3W) and quadricycles. The company started operations in India as early as 1948 and commenced large-scale exports in 2002. Today, it has a presence in 70 countries around the world.
- Within the domestic 2W industry, it caters to multiple motorcycle segments ranging from 100cc to 400cc, through different brands, such as CT, Platina, Pulsar, Avenger, Dominar, KTM and Husqvarna. In 2019, it entered the e-mobility space with the relaunch of its Chetak brand in an electric format.
- It is the market leader in 3W segment in India, with a lion's share of 67.0% in FY24.
- The Company ranks No. 1 in motorcycle exports from India and is also the worlds's No. 1 manufacturer of 3W.
- The auto major has long standing partnerships with global premium motorcycle makers- KTM and Triumph. It is associated with KTM since 2007 to bring its racing bikes to India. In 2020, it partnered with Triumph Motorcycles Ltd. to bring their bikes to India and build a new engine and vehicle platform for 200-750cc motorcycles.

Investment Rationale

Resilient business model as a result of diversification

- Bajaj Auto operates in 2W and 3W segments, spread in domestic and export markets. Owing to its exposure to domestic as well as overseas markets, the company is able to shield itself from any adverse impact in one particular segment/ geography, by focussing on the other segments/ geographies.
- Further, the company also has a well diversified product portfolio in each segment. Within 2W, it offers motorcycles with engine displacements ranging from 100cc to 400cc, spread across seven distinct brands in the domestic market and other brands in the export markets. The company also caters to the e-scooters segment, with its brand 'Chetak.' Within 3W, it offers variants across multiple fuel options – petrol, diesel, CNG, LPG and most recently EVs.

Exhibit 1: Diversified product mix across segments and geographies

Product mix (%)	FY19	FY20	FY21	FY22	FY23	FY24
2W Domestic	50.6	45.0	45.5	38.1	46.0	51.7
2W Exports	33.8	40.5	45.2	51.0	41.7	34.0
CV Domestic	8.0	7.9	2.8	3.7	7.6	10.7
CV Export	7.6	6.6	6.5	7.2	4.7	3.6

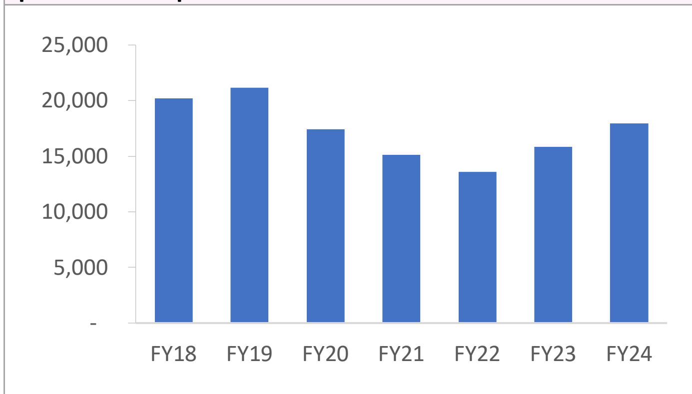
Source: Company, ACMIIL research

- This diversification at the levels of products, segments and geographies helps mitigate risks.

Growth potential in 2W Domestic segment: Benefit from industry tailwinds and premiumisation

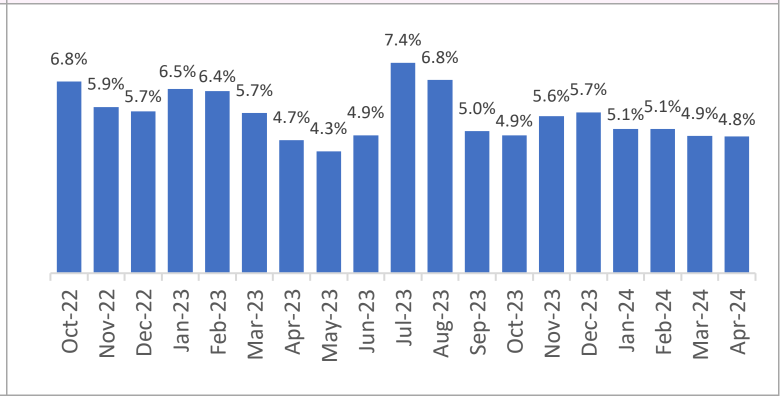
- The 2W industry in India has seen double-digit YoY growth in the last two years (FY23 & FY24), but has remained below the pre-COVID-19 peak annual sales. The volumes inched up despite inflationary pressure and increase in interest rates, driven by a low base of FY22 and resumption of economic activity after the pandemic.
- Compared to 21.2mn 2W units sold in FY19, the industry sales volumes in FY24 were 15.1% lower at 18.0mn.
- We expect the 2W industry to continue its positive momentum. Growth is likely to be aided by moderating inflation, anticipated lowering of interest rates from H2FY25E, expectation of a normal monsoon leading to resurgence in rural demand and continued premiumisation.
- Being the fourth-largest player in the domestic 2W industry, the company will also benefit from the industry tailwinds.

Exhibit 2: 2W industry wholesales ('000 units) still below pre-COVID-19 peak annual sales



Source: SIAM, ACMIIL research

Exhibit 3: India CPI inflation has moderated in the last year



Source: Bloomberg, ACMIIL research

Exhibit 4: Bajaj Auto is the fourth largest 2W OEM by volume in India

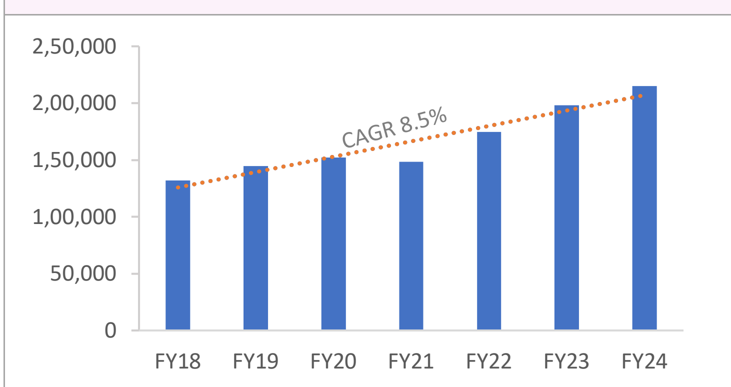
Domestic 2W volumes ('000 units)	FY19	FY20	FY21	FY22	FY23	FY24
Industry 2W volumes	21,180	17,416	15,121	13,570	15,862	17,974
YoY (%)		(17.8)	(13.2)	(10.3)	16.9	13.3
BJAUT 2W volumes	2,541	2,078	1,809	1,641	1,806	2,251
YoY (%)		(18.2)	(12.9)	(9.3)	10.0	24.6
BJAUT's market share	12.0	11.9	12.0	12.1	11.4	12.5

Source: Company,SIAM, ACMIIL research

Premiumisation: Domestic 2W industry moving towards 125cc+ segment

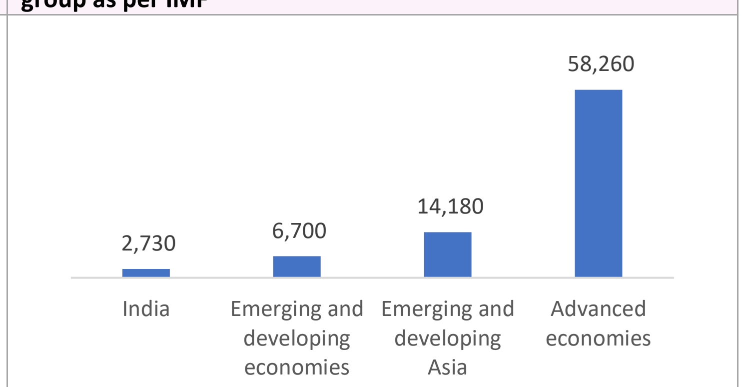
- The auto industry, like several other industries in India, has witnessed a surge in demand for premium products in recent years. This broadbased trend is a result of rise in disposable incomes due to an expanding middle class, growing aspirations, and changing lifestyles.
- India's per capita Gross National Disposable Income (GNDI) has expanded by CAGR of 8.5% over FY18-FY24. The headroom for growth is large as India's per capita GDP at USD 2,730 is significantly lower than USD 6,700 for emerging and developing economies (as per IMF grouping).

Exhibit 5: India's Per capita Gross National Disposable Income (in Rs)



Source: MOSPI, ACMIIL research

Exhibit 6: GDP per capita, current prices (in USD): India is significantly lower than 'Emerging and developing economies' group as per IMF



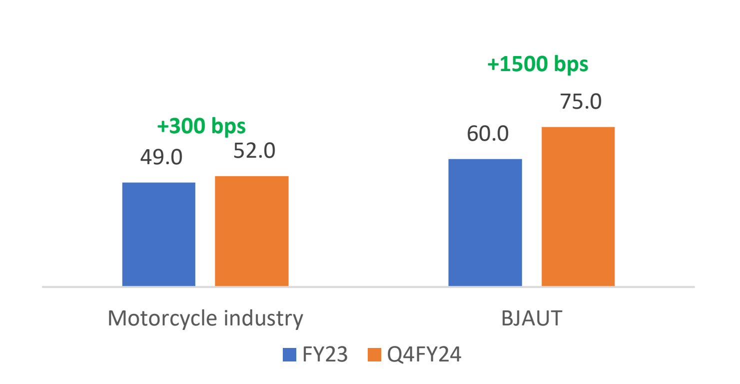
Source: IMF, ACMIIL research

Exhibit 7: Bajaj Auto launched a slew of products in the 125cc+ segment since FY23, more in pipeline

Year	Launches in 125cc+
FY23	Pulsar N250 upgrade with Twin Channel ABS
	Pulsar F250 upgrade with Twin Channel ABS
	Pulsar N160
	Pulsar NS200 upgrade
	Pulsar NS160 upgrade
	Pulsar P150
FY24	Triumph Speed 400
	Pulsar N150
	Triumph Scrambler 400X
	Gen 3 KTM Duke 390
	Gen 3 KTM Duke 250
	New Husqvarna range
FY25-YTD	Pulsar N250 upgrade
	Pulsar NS400Z- Biggest Pulsar ever
H1FY25E (planned)	Dominar variant
	At least 1 more Triumph variant

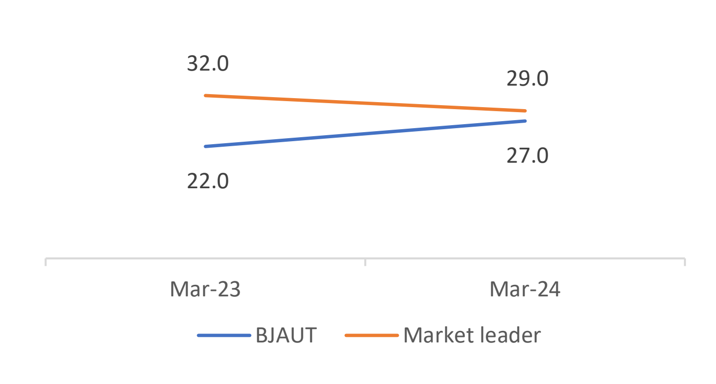
Source: Company, ACMIIL research

Exhibit 8: BJAUT has seen a higher-than-industry improvement in the domestic volume share of 125cc+ segment



Source: Company, ACMIIL research

Exhibit 9: BJAUT's market share in the 125cc segment has increased; gap vs. the market leader has narrowed



Source: Company, ACMIIL research

- For the 2W industry, the motorcycle segment has seen higher growth in the 125cc+ segment than the mass/commuter segment of up to 110cc.
- The 2W industry has faced an increase in the cost of ownership multiple times since FY20. Regulations such as mandatory third-party insurance, compulsory SBS (Synchronised Braking System) for up to 125cc and ABS (Anti-Lock Braking System) for 125cc+ 2Ws, transition to BS6 in April 2020 led to increase in on-road price of 2Ws. Unprecedented rise in commodity costs in FY22 & FY23 and supply chain disruptions in FY23 resulted in further increase in prices. Inflationary pressure led to RBI increasing interest rates, making credit expensive.
- The cost pressure was felt more severely by the mass/ commuter segments, impacting demand in the entry level 2Ws.
- On the other hand, there has been a shift in demand towards more premium offering due to demographic factors, such as rise in disposable incomes and aspirations, urbanisation and demand for better technology & features.

- Bajaj Auto made a slew of launches in the Pulsar portfolio as well as in the super-sports segment. As a result, the company has seen a strong improvement in its market share in the upper half of the 2W industry, i.e. 125cc+ segment.
- The company has a robust product pipeline for the premium segment, going ahead. It launched two products in FY25 so far – a product refresh in the Pulsar range and the new biggest Pulsar-ever – NS400Z). Four more launches in the segment under the Pulsar brand are likely in H1FY25E. The auto major plans to launch 1 offering each in Dominar and Triumph in the coming months.
- After the launch of Pulsar NS400Z in May 2024, the company hopes to reach a market share of ~35.0% in the 400cc motorcycles market. It has a portfolio of five motorcycles in the segment – 2 Triumphs; a Dominar, a KTM and a Pulsar each. The company expects to sell around 35,000 units per month in the next six months. At present, it sells 25,000–30,000 units per month and has a capacity to build 40,000 units per month.

Gradual export recovery is underway after decline in FY23 and FY24

- After seeing a strong growth of 22.0% YoY in exports in FY22, Bajaj Auto faced issues in several export markets for two successive years -FY23 and FY24. Exports in FY23/FY24 declined by 27.3%/10.2% YoY, respectively. Both segments - 2W and 3W - suffered during the period. 2W exports declined by 25.4%/9.8% YoY for FY23/FY24, respectively, while 3W exports declined by 40.7%/13.8% YoY for those two years.
- The company's largest export market - Nigeria (~20.0% contribution to exports in FY20) - suffered from economic uncertainty, hyperinflation, devaluation of Nigerian Naira (NGN) and unavailability of USD for trading.
- Political and economic uncertainty also impacted exports to Egypt, Sri Lanka and Bangladesh.
- While the entire industry suffered, Bajaj Auto saw higher-than-industry decline in exports in FY23, due to significant exposure to Nigeria.

Exhibit 10: Decline in exports across industry in FY23 and FY24; decline was higher than the industry for Bajaj Auto

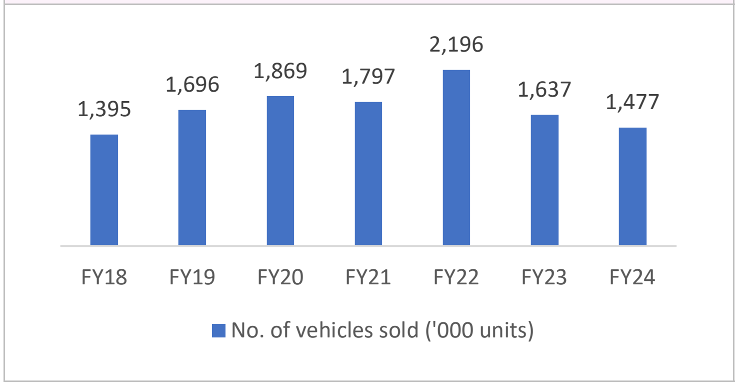
2W exports ('000 units)	FY19	FY20	FY21	FY22	FY23	FY24
Industry – 2W exports	3,281	3,519	3,283	4,443	3,652	3,458
YoY (%)		7.3	(6.7)	35.3	(17.8)	(5.3)
BJAUT – 2W exports	1,696	1,869	1,797	2,196	1,637	1,477
YoY (%)		10.2	(3.9)	22.2	(25.4)	(9.8)
BJAUT's share in 2W exports	51.7	53.1	54.7	49.4	44.8	42.7

Source: Company, SIAM, ACMIIL research

Slow sequential improvement seen in exports; the trend is expected to continue

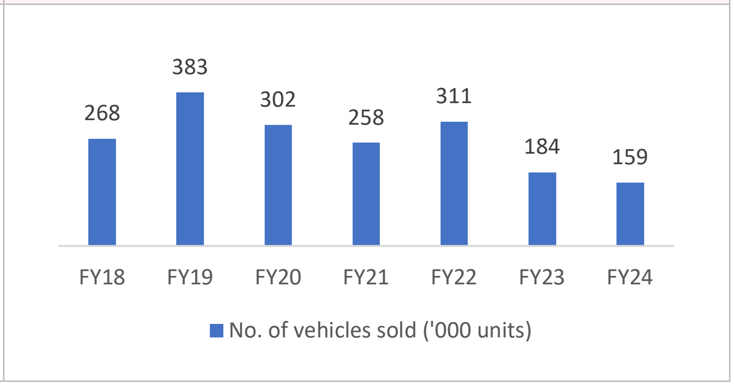
- In FY24, 2W and 3W exports declined YoY, however there was a sequential improvement on a quarterly basis as consumers gradually started adjusting to the prevalent economic conditions.
- 2W exports improved by 11.6%/8.6%/2.3%, respectively, in Q1 through Q3 of FY24. The last quarter of the year saw moderation of 3.8% QoQ.
- Similarly, 3W exports saw a sequential movement of 15.1%/1.7%/-5.4%/8.8% for the four consecutive quarters of FY24.
- The improvement in volumes has been gradual and the overall exports are yet to recover to previous highs. 2W sales in FY24 were 32.7% lower compared to the FY22 high, while 3W sales were 58.5% lower than the FY19 high.
- Only about 35.0% (LATAM + MENA) of the company's export markets have seen sales at fresh high.
- The remaining 65.0% volumes coming from Africa and South Asia are at ~50.0% and 70.0% levels, yet to recover completely.
- As the economic situation in these markets improve, it will contribute to overall growth.

Exhibit 11: In FY24, 2W export volumes for BJAUT were 32.7% lower than FY22



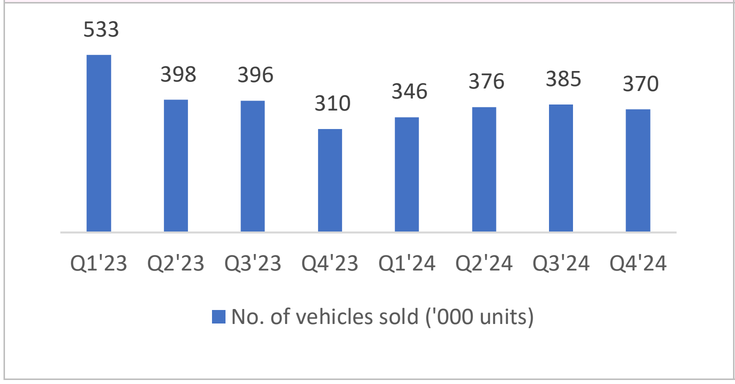
Source: Company, ACMIIL research

Exhibit 12: In FY24, 3W export volumes for BJAUT were 58.5% lower than FY19



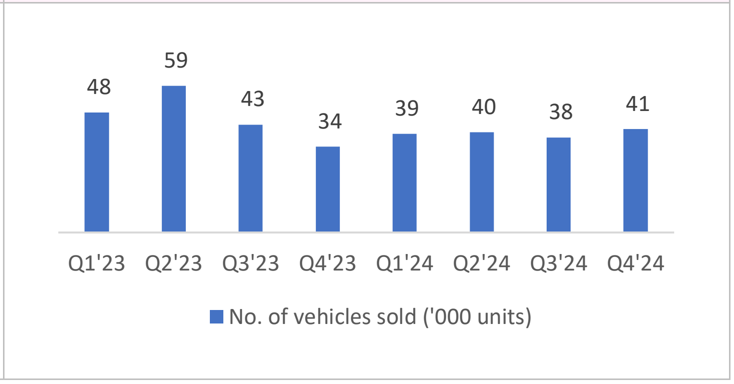
Source: Company, ACMIIL research

Exhibit 13: Gradual QoQ recovery in 2W exports in FY24



Source: Company, ACMIIL research

Exhibit 14: Gradual QoQ recovery in 3W exports in FY24



Source: Company, ACMIIL research

Exhibit 15: Geography-wise export mix; ~65.0% of export markets below FY22 volume

Export geographies	Mix within exports as of Q3FY24 (%)	Volume in FY24 vs. FY22 (%)
Africa	45 – 48	50
LATAM	~25	107
South Asia	15 – 16	70
MENA	9 – 10	>100

Focus on new export markets and new segments in existing markets

- In order to mitigate stress from the impacted markets, Bajaj Auto is also focussing on new markets and new segments in the existing markets.
- The company is focussing on Brazil, where its new manufacturing facility will start production in June 2024. It also plans to enter new markets like Venezuela and Europe.
- In Egypt, Bajaj Auto once sold ~6,000 units of 3W per month before 3Ws were banned in the country. The government has now approved quadricycles for public transportation, paving the way for Qute to be shipped to the market. The company has shipped the first batch of 250 Qute units to Egypt in early FY25. The acceptance of this product remains to be seen, but it could potentially reopen a large market.

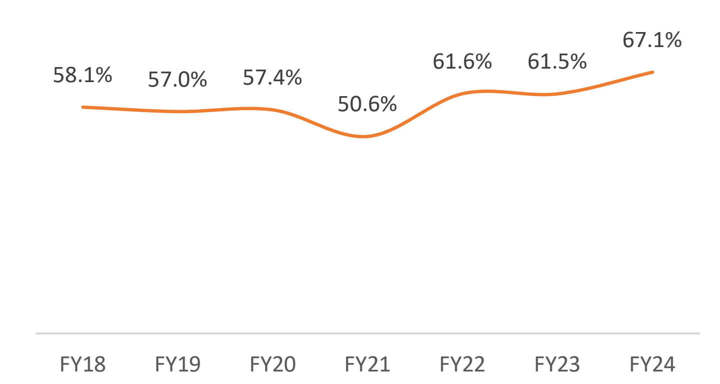
Strong runway for growth in domestic 3W, aided by transition to CNG and EVs

- Bajaj Auto has been the single-largest player in the domestic 3W industry, with its market share increasing from 58.1% in FY18 to 67.1% in FY24.
- The company has improved its market share (Exhibit 16), even on a high base, despite several changes in the industry, including shift away from diesel, uptick in CNG variants and the rise of e-rickshaws.
- On analyzing the VAHAN retail sales data for the past 7 years, it is clear that there is a decisive shift away from diesel and toward CNG and e-3W (Exhibit 18). The trend is likely to continue due to deepening environmental concerns.

CNG

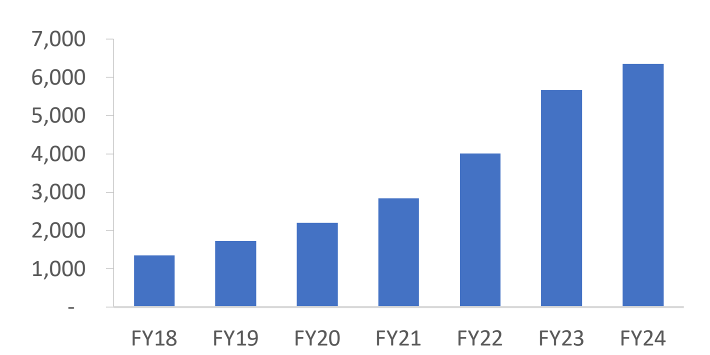
- The share of CNG in 3Ws expanded from negligible level of 0.8% in FY18 to 30.3% in FY24. This change can be attributed to focus on alternative fuels, lower cost-per-km of CNG compared to petrol/ diesel and improving coverage of CNG distribution network.
- The no. of CNG filling stations in India has grown at CAGR of 29.5% over FY18-FY24. The government has a target to expand the coverage of CNG filling stations in the country from 6,348 at the end of Feb-24 to ~17,500 by 2030E. This will enable improving penetration of CNG vehicles further. Additionally, environmental concerns, favourable total cost of ownership (TCO) of a CNG vehicle vs. petrol/diesel will support the growth of CNG 3Ws.
- Bajaj Auto, with the lion's share of the 3W market will be a key beneficiary of this shift. Currently, the company holds 85.0% of the market share in CNG powered 3W.

Exhibit 16: Bajaj Auto's wholesale market share in domestic 3W



Source: SIAM, Company, ACMIIL research

Exhibit 17: CNG network expanding rapidly in India



Source: Government of India, ACMIIL research

Exhibit 18: Share of CNG and electric in retail sales improving

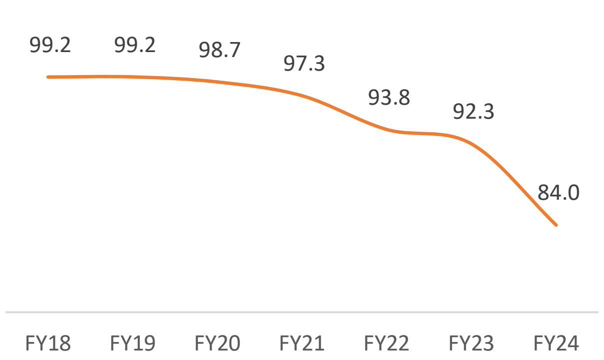
3W retail sales, by fuel type (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
CNG ONLY	0.8	0.3	0.6	12.5	25.8	29.0	30.3
DIESEL	43.0	41.4	45.3	39.8	19.7	13.0	11.3
ELECTRIC (BOV)	14.3	15.3	17.7	32.1	44.0	51.6	54.3
LPG ONLY	0.6	0.6	0.5	3.8	3.4	2.1	2.5
PETROL	3.4	3.1	2.3	3.2	2.0	1.4	1.2
PETROL/CNG	26.8	26.0	22.3	5.0	4.0	2.4	0.2
PETROL/LPG	10.4	13.1	11.2	3.6	1.1	0.5	0.0
OTHERS	0.7	0.2	0.1	0.0	0.0	0.0	0.0

Source: VAHAN, ACMIIL research

E-3W

- Broadly, the e-3W segment can be sub-divided into two- e-rickshaws and e-autos. E-rickshaws have been prevalent in India for a few years now are generally cheap and unorganised. E-autos are generally pricier than e-rickshaws with better technology, power, average range per charge and higher top speed.
- Bajaj Auto entered the market with its e-auto offering, in both, passenger and goods carrier, segments, in Q1FY24. It expanded its presence to 60 cities during the course of FY24 and plans to double the presence in Q1FY25E. The company has reached a market share of 30.0% in such markets.
- Of the e-3Ws, almost all were e-ricks in FY18. However, the share of e-ricks reduced significantly in FY24, reflecting the ramp-up of e-autos.
- In India, around 45.0% of the industry has restrictions on ICE-3W and is being served by e-ricks. Bajaj Auto plans to tap the demand coming from such markets and end-of-life e-ricks.
- With the purpose of competing with the low-cost products in the market which do not necessarily meet safety norms, the company plans to launch its own e-rickshaw. This product by Bajaj will be superior in quality compared to e-rick products available in the market currently.
- The company has received the PLI certificates for all 5 models of its e-3W. With the PLI incentives of 13% of sales value, the margins of these e-3W are at par with that of ICE-3W. As a result, by growing its e-auto business, it will not see any margin dilution.

Exhibit 19: Share of e-ricks in e-3W (%)



Source: VAHAN, ACMIIL research

Gaining ground in e-2W space

- The e-2W penetration in the industry improved from 5.3% in FY23 to 6.8% in FY24. Bajaj Auto was a beneficiary of this as its ‘Chetak’ sales grew 3x YoY in FY24. This was also aided by new launches and network expansion.
- The company is developing an exclusive store network for ‘Chetak’. At the end of FY24, it had about 200 stores, which it plans to expand to 600 in the next 3–4 months.
- The company has three products in the portfolio –Chetak Urbane, Chetak Premium and the recently launched Chetak 2901. This newly variant is positioned at a lower price, to be more accessible to the mass market.
- Since its launch, 'Chetak' has seen consistent market share gains and contributed 14.0% of the e-2w retail sales in FY24, compared to 5.0% in FY23. Strengthening of market share in a segment which is growing fast shows the consumer’s acceptability for 'Chetak'.
- Margins of this business are significantly lower than the company’s blended margins, due to lower scale and competitive pricing. Cost reduction efforts are underway, however ‘Chetak’ margins are likely to remain dilutive in the next few years. Q4FY24 saw strong sales of ‘Chetak’ due to expected reduction in subsidy from April 24. However, Bajaj auto managed to deliver a strong margin performance at a blended level aided by better product

mix and efficiencies. We expect this trend to continue, where the shortfall in 'Chetak' margins will be absorbed by improvement in other areas.

- While the near term uncertainty pertaining to the subsidy regime may impact the overall e-2w industry, medium-term growth is likely to continue. With accelerated network expansion plans, healthy product pipeline with eight 'Chetak' products under planning and increasing penetration of e-2w, this business will continue to see strong growth. With focus on technologies, efficiencies, scaling up and declining prices of lithium-ion batteries, the profitability will see an improving trend in the medium term.

Several products in the pipeline across segments

- A significant upcoming launch will be the world's first CNG motorcycle. The product will cater to the mileage-conscious consumer in the commuter segment of 100cc to 125cc. The company claims it will reduce the cost of commuting by half as compared with a petrol-powered bike. It is slated to be launched in June 2024.
- It has at least six product launches planned in the domestic 2W segment, with a focus on 125cc+ segment. Bajaj Auto will launch products under Pulsar, Triumph and Dominar brands.
- New product launches across segments will help the company to tap demand across sections of consumers.

Levers for further margin improvement

- Bajaj Auto had seen a dip in its EBITDA margins in FY21 and FY22 due to lower volumes and increase in commodity costs. Since then, it has seen good recovery in margins in FY23 and FY24 led by input costs softening, improving realisations, improving product mix and operating leverage.
- We expect to see moderate margin expansion going ahead, driven by premiumisation, operating leverage and cost rationalisation. Some of these gains will be offset by growth in the margin dilutive business of 'Chetak' and recovery in exports of entry-level 2W to Nigeria.

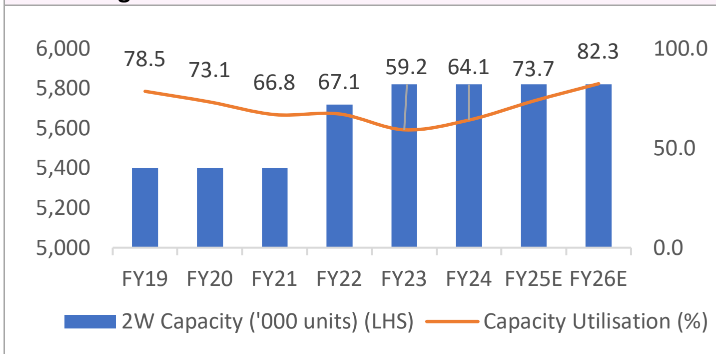
Premiumisation leading to favourable product mix

- As the demand shift to bikes with higher displacements (125cc+) continues, the product mix will keep improving.
- Uptick in share of CNG in 3W sales will lead to increase in ASPs and margins.

Operating leverage from improving capacity utilisation

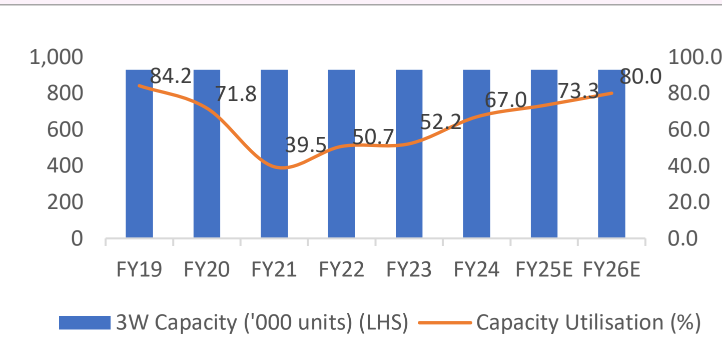
- As volumes in 2W domestic, 2W exports and 3W exports are below their pre-COVID peak levels, the capacity utilisation levels at present are lower than the past. For 2W, utilisation was 64.1% in FY24 vs. 78.5% in FY19. For 3W, capacity utilisation was 67.0% in FY24 vs. 84.2% in FY19.
- As a result, Bajaj Auto has enough capacity headroom to support growth for the next 2–3 years. Additionally, with higher utilisation, it will benefit from operating leverage, which will aid margins.

Exhibit 20: Adequate 2W capacity with headroom for increasing utilisation



Source: Company, ACMIIL research

Exhibit 21: Headroom for increasing 3W capacity utilisation

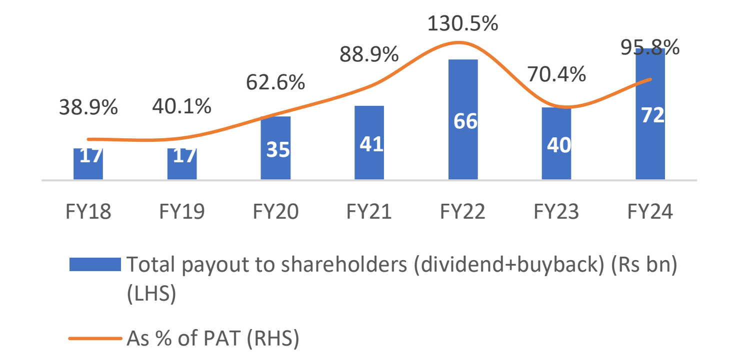


Source: Company, ACMIIL research

Healthy shareholder wealth creation expected to continue

- The company has a strong dividend distribution policy in place and has consistently increased the payout ratio over a period of time.
- With strong FCF generation on account of growing profits and limited capex requirements, the payouts will continue in some combination of dividends and buybacks.
- We expect the payout ratio to remain at 70.0%+ due to the company's policy and its surplus cash and current investments on book.

Exhibit 22: Payout to shareholders



Source: Company, ACMIIL research

Exhibit 23: Dividend distribution policy

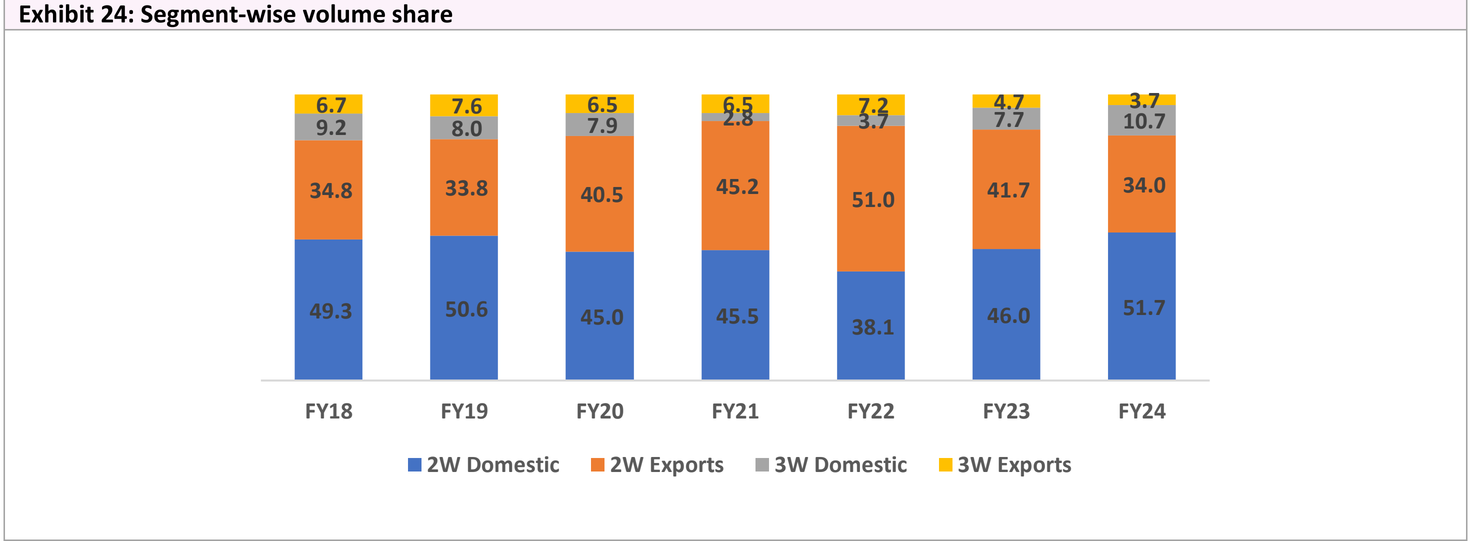
Surplus funds at the start of FY	Overall payout to shareholders (% of standalone PAT)
Over Rs 150 bn	>70.0%
Rs 75 bn to Rs 150 bn	Up to 70.0%
Less than Rs 75 bn	Up to 50.0%

Source: Company, ACMIIL research

Segmental Analysis

- Bajaj Auto's volumes can be divided into four segments – 2W domestic (51.7% volume share in FY24), 2W exports (34.0% in FY24), 3W domestic (10.7% in FY24) and 3W exports (3.7% in FY24).
- Overall domestic business has higher realisations than the exports business.
- Margins are superior for the domestic 3W business, while export margins are weaker due to higher share of entry-level bikes.

Exhibit 24: Segment-wise volume share



Source: Company, ACMIIL research

Exhibit 25: Segment-wise volume growth

YoY growth (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
2W Domestic	(1.3)	28.7	(18.2)	(12.9)	(9.3)	10.0	24.6
2W Exports	14.5	21.6	10.2	(3.9)	22.2	(25.4)	(9.8)
3W Domestic	46.0	8.1	(8.4)	(70.1)	47.1	87.1	54.3
3W Exports	38.9	43.1	(21.2)	(14.6)	20.6	(40.7)	(13.8)

Source: Company, ACMIIL research

Exhibit 26: Domestic vs export realisation

Average Realisation (Rs)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Domestic	65,675	60,264	82,585	75,291	84,371	99,217	1,08,222
vs. total	*104.8%*	*102.3%*	*117.6%*	*110.2%*	*113.1%*	*110.2%*	*108.0%*
Exports	58,361	56,982	56,266	61,760	67,557	79,385	86,783
vs. total	*93.2%*	*96.7%*	*80.1%*	*90.4%*	*90.6%*	*88.2%*	*86.6%*
Total	62,640	58,905	70,204	68,295	74,589	90,021	1,00,160

Source: Company, ACMIIL research

Partnerships & Joint Ventures

The Company has long-standing partnerships with two global brands, which has helped the company to get into the premium motorcycles market in India.

KTM

- Bajaj Auto's partnership with KTM commenced in 2007 with the former's wholly-owned subsidiary Bajaj Auto International Holdings BV (BAIHBV) buying a 14.5% stake in KTM AG.
- Over the years, the partnership led to joint development of products for global launch and establishment of KTM India as a leading sports motorcycle brand.
- Bajaj Auto progressively increased its stake in KTM AG. After the simplification of shareholding in 2021, Bajaj Auto now holds 49.9% stake in Pierer Bajaj AG (PBAG - the holding company of Pierer Mobility AG). The Pierer Mobility Group is Europe's leading 'Powered Two-Wheeler' manufacturer and includes brands, such as KTM, Husqvarna Motorcycles and GASGAS Motorcycles.
- Bajaj Auto co-develops and manufactures a range of motorcycles spanning KTM (125cc to 390cc) and Husqvarna (125cc to 401cc) brands at its Chakan plant in Maharashtra, which are exported globally.
- KTM has a network of 450 showrooms in nearly 350 cities in India.
- In 2023, Bajaj and PBAJ announced plans to develop a common 48-volt electric two-wheeler platform for serial production in India and are working on taking the Chetak EV platform to Europe.

Pierer Bajaj AG – Global brands

KTM	Husqvarna	GASGAS	MV AGUSTA

Exhibit 27: KTM- Products in India

Brand	Variants	Price Range* (ex-Showroom price Delhi)
KTM		
	KTM 390 Duke	Starting from Rs 3,12,461/-
	KTM 250 Duke	Starting from Rs 2,40,704 /-
	KTM 200 Duke	Starting from Rs 1,98,317 /-
	KTM 125 Duke	Starting from Rs 1,80,364/-
	KTM RC 390	Starting from Rs 3,20,393 /-
	KTM RC 200	Starting from Rs 2,19,501 /-
	KTM RC 125	Starting from Rs 1,91,085 /-
	2023 KTM 390 Adventure	Starting from Rs 3,63,297/-
	KTM 390 Adventure	Starting from Rs 3,41,032/-
	KTM 390 Adventure X	Starting from Rs 2,82,951/-
	KTM 250 Adventure	Starting from Rs 2,48,424 /-
Husqvarna		
	Svartpilen 401	Starting from Rs 2,92,000/-
	Vitpilen 250	Starting from Rs 2,19,000/-

Source: Company, ACMIIL research

Triumph

- Bajaj Auto entered into a global partnership with Triumph Motorcycles in 2017. It is a non-equity, strategic alliance to co-develop a range of mid-capacity motorcycles to be sold under the Triumph badge.
- In 2023, the two companies jointly developed two mid-sized Triumph motorcycles to cater to the Indian and export markets - Speed 400 and Scrambler 400.
- These are manufactured in the manufacturing facility at Chakan. The company is involved in R&D, manufacturing as well as marketing and sales in India and a few overseas markets while most other global markets will be managed by Triumph directly.

Brand	Variants	Price Range* (ex-showroom price)
Triumph – jointly developed with Bajaj Auto	Speed 400	Rs 2,34,497
	Scrambler 400 X	Rs 2,64,496

Source: Company, ACMIIL research

Product Portfolio

Exhibit 28: 2W models - Domestic

Brand	Variants	Price Range* (ex-Showroom price Mumbai)
CT	CT110X	Starting from Rs 69,882/-
	CT125X	Starting from Rs 77,069/-
Platina	Platina 100	Starting from Rs 69,299/-
	Platina 110 Drum	Starting from Rs 71,238/-
	Platina 110 ABS	Starting from Rs 80,211/-
Pulsar	Pulsar 125	Starting from Rs 91,251/-
	Pulsar NS125	Starting from Rs 1,02,490/-
	Pulsar 150	Starting from Rs 1,10,246/-
	Pulsar N150	Starting from Rs 1,24,947/-
	Pulsar N160	Starting from Rs 1,33,510/-
	Pulsar 220F	Starting from Rs 1,37,536/-
	Pulsar NS160	Starting from Rs 1,46,701/-
	Pulsar N250	Starting from Rs 1,49,811/-
	Pulsar NS200	Starting from Rs 1,55,430/-
	Pulsar RS200	Starting from Rs 1,71,974/-
Avenger	Avenger 160 Street	Starting from Rs 116,486/-
	Avenger 220 Street	Starting from Rs 142,029/-
	Avenger 220 Cruise	Starting from Rs 143,002/-
Dominar	Dominar 250	Starting from Rs 184,672/-
	Dominar 400	Starting from Rs 230,815/-
Chetak (EV)	Chetak 2901	Starting from Rs 95,998/-
	Chetak Urbane	Starting from Rs 123,219/-
	Chetak Premium	Starting from Rs 147,243/-

Source: Company, ACMIIL research

Exhibit 29: 3W models - Domestic

Brand	Variants	Price Range* (ex-Showroom price Mumbai)
Passenger Carrier		
RE	Available in- Diesel,Petrol, CNG, LPG	Starting from Rs 2,34,000/-
Maxima Z	Available in- Diesel, CNG, LPG	Starting from Rs 1,96,000/-
Maxima X Wide	Available in- Diesel, CNG, LPG	Starting from Rs 2,38,000/-
RE E-TEC 9.0	Electric	Starting from Rs 3,65,000/-
Goods Carrier		
Maxima C (Goods Carrier)	Available in- Diesel, CNG	Starting from Rs 2,83,000/-
Maxima XL Cargo E-TEC 12.0	Electric	Starting from Rs 3,77,000/-
Maxima XL Cargo ETEC 9.0	Electric	NA
Qute	Available in- LPG, CNG	Starting from Rs 2,64,000/-

Source: Company, ACMIIL research

Exhibit 30: Products sold in key international markets (together comprise 50.0%+ of export volumes)

Key International Markets	Category	Models
Nigeria	**2W**	Dominar 400
		Boxer 100 Spoke, Boxer100ES, BoxerX125
	3W	Maxima Cargo
		RE4S
		Qute
Philippines	**2W**	CT 100, CT 100B, CT 125
		Rouser NS125 FI, Rouser NS160, Rouser NS200, Rouser RS200
	3W	Maxima Z, Maxima Cargo
		RE4S
Colombia		Pulsar NS125, Pulsar 150 NEON, Pulsar NS160 FI ABS, Pulsar NS160 FI, Pulsar 180 FI NEON, Pulsar NS 200 FI, Pulsar NS 200 FI ABS
		Discover 125 STR, Discover 125 STR PRO
		Platinum 125
		Boxer CT 100 ES, Boxer CT 100 KS, Cargo Boxer, Boxer CT 125, Boxer CT100 ES Titannium, Boxer S
		Master 250, Master D400
	3W	Maximum Charge
		Little Bull
Uganda	**2W**	CT 125 Alloy
		Boxer 100 Spoke, Boxer 100ES, Boxer BM150
	3W	RE4S
		Qute

Sources: Company, ACMIIL research

Peer Comparision

Peer Comparision	Market Cap	5 Years CAGR (FY19-FY24)			Fwd P/E	ROE (FY24)	ROCE (FY24)
	(Rs Bn)	Sales Volume	Revenue	EBITDA	(x)	(%)	(%)
Bajaj Auto (Standalone)	**2,701**	**(2.8)**	**8.0**	**11.2**	**30.5**	**29.7**	**32.9**
Eicher motors	1,290	2.0	11.0	8.3	28.9	24.2	24.0
Hero Motocorp	1,114	(6.4)	2.2	1.3	24.2	21.8	21.2
TVS motors	1,152	1.4	14.2	20.7	43.3	27.5	**9.9**

Source: Company, Bloomberg, ACMIIL Research

Corporate Governance

Promotors' shareholding:

The promoter and promoter group hold 55.1% stake in Bajaj Auto as of 31st March 2024 compared to 49.3% as of 31st December 2015. A minor portion of the promoter's holding (0.01%) is pledged. Bajaj Holdings and Investment Limited (34.22%) holds the most number of shares within the promoter group, followed by Jamnalal Sons Pvt Ltd (9.3%) and Maharashtra Scooters Ltd (2.46%).

Board of Directors

As of 10th June 2024, Bajaj Auto's website stated the strength of the Board of Directors at 10, out of which 3 are Executive Directors and more than 50% are Non-Executive Directors. Out of total Non-Executive Directors 5 are Independent Directors (incl. one women director). The chairman of the Board is a Non-Executive Non-Independent Director. The detailed designations, qualification and experience of the directors are as follows:

Niraj R. Bajaj, Chairman: His career spans more than 35 years. In 2007-08, Niraj R. Bajaj was the President of the Indian Merchants' Chamber when it was celebrating its centenary. He was also the President of the Alloy Steel Producers' Association and the Indian Stainless Steel Development Association. Niraj R. Bajaj is on the Board of Directors of Bajaj Allianz Life Insurance Co. Ltd. and Bajaj Allianz General Insurance Co. Ltd. Also, he is the Chairman of Bachhraj & Company, Jamnalal Sons and various other Bajaj Group companies.

Rajiv Bajaj, Managing Director: He has worked at Bajaj Auto in the areas of manufacturing & supply chain (1990–95), R&D and Engineering (1995–2000) and Marketing and Sales (2000–2005). Rajiv Bajaj has served on the board of Bajaj Auto Ltd since March 2002 and has been its Managing Director since April 2005. His current focus is building a brand-centred strategy at Bajaj Auto with the objective of achieving its vision of being one of the world's leading motorcycle and electric vehicle manufacturers.

Pradeep Shrivastava, Executive Director: He joined Bajaj Auto in April 1986. Pradeep Shrivastava held the position of the President – Engineering and subsequently, became the Chief Operating Officer in April 2010. He was appointed to the Board as an Executive Director in April 2016. Pradeep Shrivastava has a degree in Mechanical Engineering from IIT Delhi and a graduate diploma in Production and Finance from IIM Bangalore

Rakesh Sharma, Executive Director: He joined Bajaj Auto in October 2007 as the President (International Business) and is now an Executive Director on its board. Rakesh Sharma led Bajaj Auto's International Business for over 10 years during which it grew in scale. He is the Chairman of the Exports Council of the Society of Indian Automobile Manufacturers (SIAM) and the President of the International Motorcycle Manufacturers' Association.

Sanjiv Bajaj, Non-Executive Director: He is the Chairman and Managing Director of Bajaj Finserv Limited, the holding group company for all the financial service businesses of the Bajaj Group. Sanjiv Bajaj was the President of the Confederation of Indian Industry (CII) for 2022-23. He is an alumnus of the Harvard Business School. Since 2012, he is the Managing Director of Bajaj Holdings & Investment Ltd. He is the former Executive Director of Bajaj Auto Ltd., and presently its non-executive director.

Abhinav Bindra, Independent Director: He is India's first individual olympic gold medallist at the Beijing Olympics 2008 for the 10-m air rifle shooting event. With over 150 medals in his 22-year career, Abhinav Bindra is the recipient of the Padma Bhushan and one of the top influencers of sports policy in the country. He is the founder of Abhinav Bindra Foundation and Vice-Chairman of Abhinav Futuristic Private Limited.

Anami Roy, Independent Director: A N Roy is a distinguished former civil servant, having served in the Indian Police Service in Maharashtra and Government of India for over 38 years. He retired as the Director-General of Police, Maharashtra. He is on the Board of Directors of GSK India, Bajaj Finserv, Bajaj Allianz General Insurance, Bajaj Allianz Life Insurance, Bajaj Housing Finance and Finolex Industries. He is on the India advisory boards of Encore Capital Group of USA and TrueNorth Private Equity Fund.

Dr. Naushad Forbes, Independent Director: He is the Co-Chairman of Forbes Marshall, India's leading steam engineering and control instrumentation firm. Dr. Naushad Forbes chairs the steam engineering companies within the group. Dr Forbes was an occasional lecturer and consulting professor at the Stanford University from 1987 to 2004, where he developed courses on technology in newly-industrialising countries. He has long been an active member of the Confederation of Indian Industry (CII) and has chaired the national committees on higher education, innovation, technology and international business.

Pradip Shah, Independent Director: He is a gold-medallist chartered accountant, management accountant and MBA from Harvard University. Pradip Shah helped in establishing the Housing Development Finance Corporation (HDFC), CRISIL, the Indocean Fund, the AMP-IndAsia India Fund, Universal Trustees and Grow-Trees.com. He has served on several expert committees and is the Chairman of Pfizer India, Kansai Nerolac Paints, Sonata Software, BASF India and sits on the governing boards of some non-profit organisations and chambers of commerce.

Vinita Bali: She is a business leader with extensive experience in successfully leading large companies both, in India and overseas. Through her career, Vinita Bali has held positions, such as the General Manager of Cadbury India, Worldwide Marketing Director for Coca- Cola, Vice-President and Head of Global Business Strategy at Coca-Cola Company, Managing Principal and Head of the Business Strategy at the Zyman Group and MD & CEO of Britannia Industries Ltd.

Other Key Management Personnel:

Dinesh Thapar, Chief Financial Officer: He is a Fellow Chartered Accountant, a gold-medalist cost and management accountant and has a Diploma from ACCA. He was the Group CFO of Reliance Retail for the past three years. Prior to that, he spent two decades with Hindustan Unilever Limited (HUL), where he held a range of leadership roles across corporate finance, business finance, investor relations, supply chain and managing JVs.

Rajiv Gandhi, Company Secretary: He was the company secretary & compliance officer of Ambuja Cements Limited for 15 years, while simultaneously heading the corporate secretarial for ACC Limited. Over a career spanning three decades, he has held the role of company secretary in organisations, such as Zenith Birla Ltd and Ford Credit Kotak Mahindra Ltd.

Directors shareholdings in the company:

- As of 31st March 2023, Niraj Bajaj held 42,622 shares (0.01%), Rajiv Bajaj held 754,200 shares (0.26%), and Sanjiv Bajaj held 327,224 shares (0.11%).

Details of remuneration

The median remuneration of employees (other than whole-time directors) increased by 5.38% YoY in FY23 vs. a growth of 18.87% in FY22. The remuneration of whole-time directors/managerial personnel in FY23 increased by 9.76% YoY, while it grew by 14.56% in FY22. There were 6,831 permanent employees (6.6% YoY decline) as on 31st Mar'23. The remuneration of the Managing Director grew by 10.11% YoY while that of the two executive directors increased by 13.48% YoY and 4.89% YoY, respectively.

YE March	FY19	FY20	FY21	FY22	FY23
Directors & KMPs Remuneration (Rs mn)	629.4	741.3	733.9	811.9	791.0
% of PBT	*0.94%*	*1.13%*	*1.24%*	*1.25%*	*1.07%*
Auditors' Remuneration (Rs mn)	17.3	19.1	18.5	20.1	18.7
% of PBT	*0.03%*	*0.03%*	*0.03%*	*0.03%*	*0.03%*

Source: Company, ACMIIL Research

Contingent Liabilities

YE March (Rs mn)	FY19	FY20	FY21	FY22	FY23
Claims against the company not acknowledged as debts	4,533	2,231	2,053	2,015	2,050
Excise, Service tax and Customs matters under dispute	3,756	3,637	3,634	3,407	3,418
Income tax matters	8,294	9,150	8,723	8,992	9,418
Value-Added Tax (VAT)/Sales Tax matters under dispute	1,267	1,254	1,233	1,420	1,266
Claims made by temporary workmen Pending before various judicial/appellate authorities in respect of similar matters adjudicated by the upreme Court. The matter is contingent on the facts and evidence presented before the courts/adjudicating authorities and not necessarily likely to be influenced by the Supreme Court's order	Liability unascertained	Liability unascertained	Liability unascertained	Liability unascertained	Liability unascertained
Total	17,851	16,272	15,643	15,834	16,153
% of net-worth	8.20%	8.17%	6.21%	5.94%	6.35%

Source: Company, ACMIIL Research

Related-Party Transactions (RTP)

- As per the company, all related-party transactions executed during FY23 were on an arm's length basis and in the ordinary course of business of the company under the Act and not material under the Listing Regulations, 2015.
- However, during the year, prior approval of shareholders was obtained for the material transactions with KTM Sportmotorcycle GmbH (Associate of Bajaj Auto Ltd.'s 100% subsidiary, Bajaj Auto International Holdings BV, based in the Netherlands) vide ordinary resolution through postal ballot on 21 November, 2022. It was estimated that the transaction value would cross the applicable materiality thresholds under the amended Listing Regulations, 2015 (i.e., Rs 10,000 mn or 10% of the annual consolidated turnover as per the last audited financial statements of the listed entity, whichever is lower).

YE March (Rs mn)	FY22	FY23
Subsidiaries	304	7,733
Associates, joint ventures and investing parties	14,444	14,420
Key management personnel and their relatives	722	765
Other entities/persons	26,666	29,449
Subsidiaries	304	7,733

Source: Company, ACMIIL Research

CSR Expenses

YE March (Rs mn)	FY21	FY22	FY23
Prescribed Expenditure (2% of Avg. Net Profit)	955	978	1,013
Total Spends	1,283	1,280	1,250
% of prescribed limit	134%	131%	123%
Avg. Net Profit of preceding 3 years	47,766	48,911	50,670

Source: Company, ACMIIL Research

ACMIIL vs. Consensus

- Our revenue and EBITDA estimates are largely in line with Bloomberg consensus for FY25E/FY26E. We expect volumes/revenue to expand at CAGR of 12.8%/15.0%, respectively, over FY24–FY26E, aided by volume growth across business units and some realisation growth in FY26E due to premiumisation. We expect EBITDA margin to expand by 127 bps over the FY23–FY26E period aided by premiumisation, operating leverage and cost rationalisation.

Exhibit 31: Bloomberg vs. our estimates (Standalone financials)

YE March	FY25E	FY26E
Revenues (Rs bn)		
Consensus	523	602
ACMIIL. Est	514	591
% Difference	*(1.7)*	*(1.8)*
EBITDA (Rs bn)		
Consensus	106	123
ACMIIL. Est	105	124
% Difference	*(1.0)*	*0.7*
EBITDA Margin (%)		
Consensus	20.2	20.5
ACMIIL. Est	20.4	21.0
Difference (bps)	*14bps*	*52bps*
PAT		
Consensus	88	102
ACMIIL. Est	87	103
% Difference	*(0.5)*	*0.7*

Source: Bloomberg, ACMIIL research

Exhibt 32: Key forecast drivers

YE March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Volume (units)	50,19,503	46,15,212	39,72,914	43,08,433	39,27,857	43,50,933	49,68,160	55,33,230
YoY (%)	*25.3*	*(8.1)*	*(13.9)*	*8.4*	*(8.8)*	*10.8*	*14.2*	*11.4*
Realisation per unit	58,905	63,077	68,295	74,589	90,021	1,00,160	1,01,017	1,04,214
YoY (%)	-6.0%	7.1%	8.3%	9.2%	20.7%	11.3%	0.9%	3.2%

Source: Company, ACMIIL Research

Key Risk Analysis

- **Stagnation in domestic demand:** We expect the domestic 2W industry to see high single-digit to low double-digit YoY growth in FY25E and expect Bajaj Auto's growth to surpass these levels. This assumption is backed by expectation of normal monsoon, resurgence in rural demand and continued demand in the urban markets. Any miss on these fronts can lead to lower volume growth for the industry as well as the company.
- **Delay in export recovery:** Delay in exports recovery to certain key markets, such as Nigeria, other parts of Africa and South Asia can lead to lower topline growth. This will also delay unclocking of opeating efficiencies and can stagnate EBITDA margins.
- **Change in product mix away from premium products:** Resurgence in the commuter 2W segment in either domestic or export market can have a bearing on margins.
- **Delay in ramp-up of new businesses:** The company is ramping up several businesses including Chetak EV, e-3W and Triumph. It is also coming up with a first-ever CNG motorcycle. Bajaj Auto's failure to ramp up these businesses can impact the company's ROI.
- **Regulatory changes:** Any regulatory changes, such as emission norms, registration/permit rules, reduction of EV subsidies, taxation, etc. can impact Bajaj Auto's volume trajectory. Further reduction or end to EV subsidies may affect the sale of 'Chetaks' significantly.
- **Increase in metal prices can impact margins:** Bajaj Auto's key raw material included steel, aluminium, synthetic rubber and noble metals. Any significant movement in the prices of these commodities can impact the company's margins.

Quarterly Performance:

Y/E March (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Q4FY24
Net Sales	**80,050**	**1,02,028**	**93,151**	**89,047**	**1,03,098**	**1,07,773**	**1,21,135**	**1,14,847**
Raw Material Cost	57,776	74,861	65,775	62,135	74,127	76,511	86,096	80,702
Employee Cost	3,796	3,522	3,511	3,620	3,842	3,816	3,846	3,872
Other Expenses	5,507	6,058	6,097	6,126	5,590	6,118	6,895	7,210
Total Expenses	**67,080**	**84,440**	**75,383**	**71,882**	**83,558**	**86,444**	**96,836**	**91,784**
EBITDA	**12,970**	**17,587**	**17,768**	**17,166**	**19,539**	**21,329**	**24,299**	**23,063**
EBITDA (%)	*16.2%*	*17.2%*	*19.1%*	*19.3%*	*19.0%*	*19.8%*	*20.1%*	*20.1%*
Depreciation	673	670	740	742	835	876	881	906
Other Income	3,193	3,332	2,691	2,598	3,463	3,614	3,461	3,487
Interest	43	109	85	157	121	65	121	228
PBT	**15,447**	**20,140**	**19,635**	**18,865**	**22,046**	**24,000**	**26,758**	**25,416**
Tax	3,714	4,840	4,721	4,536	5,399	5,639	6,339	6,056
Tax rate (%)	*24.0%*	*24.0%*	*24.0%*	*24.0%*	*24.5%*	*23.5%*	*23.7%*	*23.8%*
Rep. PAT	**11,733**	**15,300**	**14,914**	**14,329**	**16,648**	**18,361**	**20,419**	**19,360**
No. of shares	289	284	283	283	283	283	283	279
Reported EPS (Rs)	40.6	53.5	52.7	50.7	58.9	64.9	72.2	68.5
Adj. PAT	11,733	15,300	14,914	14,329	16,648	18,361	20,419	19,360
Adj. EPS (Rs)	40.6	53.5	52.7	50.7	58.9	64.9	72.2	68.5

Source: Company, ACMIIL Research

Per Unit Analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Q4FY24
Volume (units)	9,33,646	11,51,012	9,83,471	8,59,728	10,27,407	10,53,953	12,00,997	10,68,576
Blended Realization (Rs)	85,739	88,642	94,717	1,03,576	1,00,347	1,02,256	1,00,862	1,07,476
Blended EBITDA (Rs)	13,892	15,280	18,067	19,966	19,018	20,237	20,232	21,582

Source: Company, ACMIIL Research

YoY Growth (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Q4FY24
Revenue	8.4	16.4	3.3	11.7	28.8	5.6	30.0	29.0
EBITDA	15.8	25.5	29.5	25.7	50.6	21.3	36.8	34.4
Adj. PAT	10.6	20.0	22.8	24.2	41.9	20.0	36.9	35.1
Adj. EPS	10.6	21.3	25.5	27.1	45.1	21.3	37.0	35.1

Source: Company, ACMIIL Research

QoQ Growth (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Q4FY24
Revenue	0.4	27.5	(8.7)	(4.4)	15.8	4.5	12.4	(5.2)
EBITDA	(5.0)	35.6	1.0	(3.4)	13.8	9.2	13.9	(5.1)
Adj. PAT	1.7	30.4	(2.5)	(3.9)	16.2	10.3	11.2	(5.2)
Adj. EPS	1.8	31.8	(1.5)	(3.8)	16.2	10.2	11.2	(5.1)

Source: Company, ACMIIL Research

Valuation and View:

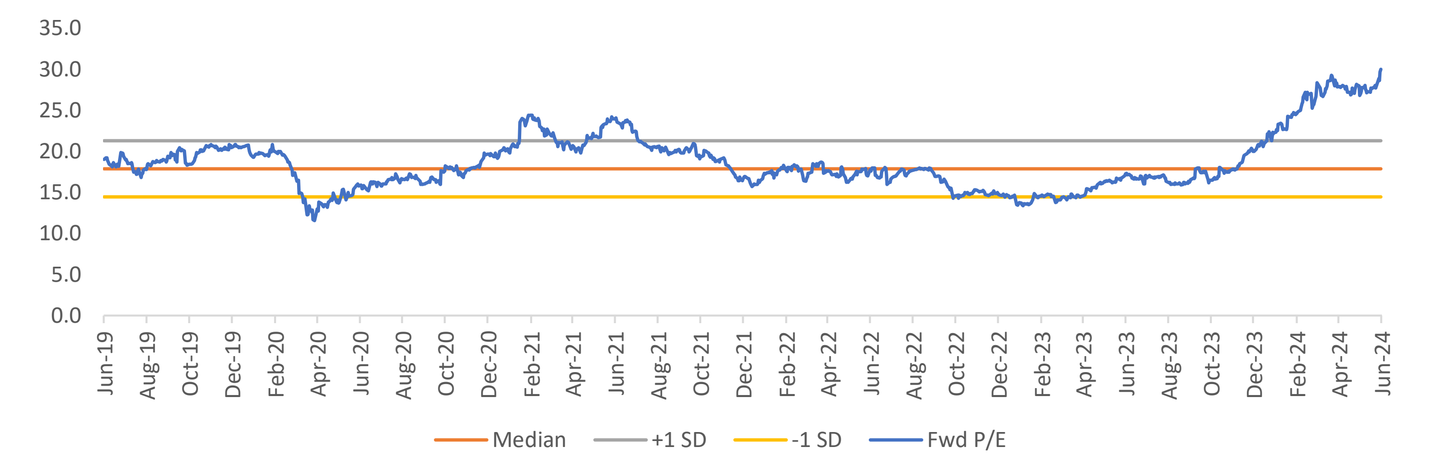
At CMP Rs 9,726, Bajaj Auto is trading at 31.1x/ 26.5x FY25E/26E P/E. In the last few years, the valuation multiples of the company have inched up consistently. The historical average forward P/E over 5/3/2/1 years was 16.8x/17.1x/19.0x/26.8x, respectively. We believe the company will continue to see these kind of multiples on account of higher return ratios among its peers, headroom for growth or across its business units, benefit of premiumisation, operating leverage, healthy profitability and FCF generation. We follow a SOTP approach, valuing the standalone business at 30.0x FY26E EPS of Rs 367.6. We add Rs 127 as value per share for the stake held in Pierer Mobility AG (15% discount to market cap) to arrive at a target price of Rs 11,160 (an upside of 15%) and initiate coverage with a **BUY** rating.

Exhibit 43: Valuation Summary

Valuation	Rs
FY26E EPS	367.6
Target P/E Multiple (x)	30.0x
Standalone equity value per share	***11,029***
Add: Value per share of stake in Pierer Bajaj AG	131
Target Price	**11,160**
CMP	*9,726*
Upside / (downside) %	15%

Source: Company, ACMIIL research

Exhibit 34: 1-year forward P/E(x)



Source: Company, ACMIIL research

Financial Tables (Consolidated)

Income Statement

YE March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Volumes	**43,08,433**	**39,27,857**	**43,50,933**	**49,68,160**	**55,33,230**
Sales	**3,21,360**	**3,53,592**	**4,35,789**	**5,01,870**	**5,76,639**
Other operating revenue	10,087	10,685	11,064	12,547	14,416
Net Sales	**3,31,447**	**3,64,276**	**4,46,852**	**5,14,416**	**5,91,055**
Growth (%)	19.5	9.9	22.7	15.1	14.9
RM cost	2,43,298	2,60,548	3,17,434	3,63,926	4,15,462
Employee cost	13,588	14,449	15,376	17,546	20,152
Other expenses	22,108	24,066	26,289	28,682	31,786
Capitalised expenses	(133)	(278)	(475)	(523)	(575)
Total expenses	**2,78,861**	**2,98,785**	**3,58,623**	**4,09,631**	**4,66,825**
EBITDA	**52,586**	**65,491**	**88,229**	**1,04,785**	**1,24,230**
Growth (%)	6.7	24.5	34.7	18.8	18.6
EBITDA margin (%)	15.9	18.0	19.7	20.4	21.0
Depreciation	2,692	2,824	3,498	4,061	4,720
EBIT	**49,895**	**62,667**	**84,731**	**1,00,725**	**1,19,510**
EBIT margin (%)	15.1	17.2	19.0	19.6	20.2
Other income	12,092	11,814	14,025	14,607	15,861
Interest expense	87	395	535	565	577
PBT before exceptional items	61,901	74,086	98,220	1,14,766	1,34,794
Exceptional items	(3,153)	-	-	-	-
PBT	**65,053**	**74,086**	**98,220**	**1,14,766**	**1,34,794**
Tax	14,865	17,810	23,432	27,379	32,158
Effective tax rate	22.8	24.0	23.9	23.9	23.9
Rep. PAT	**50,189**	**56,276**	**74,788**	**87,386**	**1,02,636**
Rep. PAT Growth (%)	**10.2**	**12.1**	**32.9**	**16.8**	**17.5**
Rep. PAT (%)	**15.1**	**15.4**	**16.7**	**17.0**	**17.4**
Adj. PAT	**47,036**	**56,276**	**74,788**	**87,386**	**1,02,636**
Adj. PAT Growth (%)	**3.3**	**19.6**	**32.9**	**16.8**	**17.5**
Adj. PAT (%)	**14.2**	**15.4**	**16.7**	**17.0**	**17.4**

Source: Company, ACMIIL Research

Cash Flow

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	*65,053*	*74,086*	*98,220*	*1,14,766*	*1,34,794*
Add: Depreciation	*2,692*	*2,824*	*3,498*	*4,061*	*4,720*
Add: Interest	*87*	*395*	*535*	*565*	*577*
Other adjustments	*(14,749)*	*(10,236)*	*(13,816)*	*(13,570)*	*(14,773)*
Chg in working cap	*6,009*	*7,234*	*10,171*	*619*	*173*
Tax	*(17,015)*	*(19,184)*	*(23,826)*	*(27,379)*	*(32,158)*
Operating Cash flow	***42,076***	***55,119***	***74,783***	***79,061***	***93,334***
Capex	*(5,176)*	*(8,064)*	*(7,957)*	*(10,000)*	*(11,490)*
Free Cash Flow	*36,900*	*47,055*	*66,826*	*69,061*	*81,844*
Investments	*1,787*	*17,173*	*2,191*	*(18,521)*	*(20,911)*
Interest/ dividend income	*2,430*	*4,229*	*4,374*	*14,607*	*15,861*
Investing Cash flow	***(959)***	***13,338***	***(1,392)***	***(13,915)***	***(16,540)***
Equity Capital	-	*(30,939)*	*(39,307)*	-	-
Debt	-	-	*8,327*	-	-
Dividend paid	*(40,490)*	*(40,470)*	*(39,602)*	*(52,920)*	*(66,508)*
Interest Paid	*(74)*	*(380)*	*(519)*	*(565)*	*(577)*
Others	-	-	-	*253*	*266*
Financing Cash flow	***(40,563)***	***(71,789)***	***(71,101)***	***(53,231)***	***(66,819)***
Net chg in cash	*553*	*(3,332)*	*2,290*	*11,915*	*9,975*
Opening cash position	*5,051*	*5,640*	*2,194*	*4,486*	*16,401*
Exchange rate/ other adjustments	*36*	*(114)*	*2*	-	-
Closing cash position	*5,640*	*2,194*	*4,486*	*16,401*	*26,377*

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	2,894	2,830	2,792	2,792	2,792
Reserves & surplus	2,63,794	2,51,429	2,45,813	2,80,280	3,16,408
Net Worth	**2,66,688**	**2,54,259**	**2,48,605**	**2,83,072**	**3,19,200**
Sales tax deferral	1,228	1,242	1,258	1,258	1,258
Deferred tax liabilities	4,033	3,452	5,069	5,323	5,589
Other non current liabilities	376	344	317	317	317
Non current liabilities	**5,637**	**5,038**	**6,645**	**6,898**	**7,164**
Short term borrowings	0	0	8,341	8,341	8,341
Trade payables	36,332	40,739	56,102	61,818	68,295
Other financial liabilities	3,970	4,469	5,514	5,790	6,079
Other current liabilities	6,593	6,772	17,301	18,061	18,860
Current liabilities	**46,894**	**51,980**	**87,257**	**94,009**	**1,01,575**
Equity & liabilities	**3,19,219**	**3,11,277**	**3,42,507**	**3,83,979**	**4,27,939**
Net PPE	17,576	26,353	31,379	37,318	44,087
CWIP	768	819	243	243	243
Investment property	511	500	489	489	489
Intangible assets	253	307	151	151	151
Investments in associate of subsidiary	12,484	17,864	20,884	20,884	20,884
Financial assets	1,76,672	1,67,534	1,75,543	1,84,306	1,93,506
Income tax assets	7,492	8,124	9,057	9,057	9,057
Other non current assets	3,518	1,071	1,188	1,188	1,188
Non current assets	**2,19,275**	**2,22,573**	**2,38,935**	**2,53,636**	**2,69,606**
Inventories	12,305	13,979	16,956	19,440	22,192
Investments	49,691	44,194	48,795	58,554	70,265
Trade receivables	15,164	17,761	21,224	23,837	27,388
Cash	5,640	2,194	4,486	16,401	26,377
Bank balances	244	663	880	880	880
Other current assets	16,901	9,913	11,231	11,231	11,231
Current assets	**99,945**	**88,704**	**1,03,572**	**1,30,342**	**1,58,333**
Total Assets	**3,19,219**	**3,11,277**	**3,42,507**	**3,83,979**	**4,27,939**

Source: Company, ACMIIL Research

Key Ratios

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EPS	*173.6*	*197.3*	*264.6*	*313.0*	*367.6*
CEPS	*145.4*	*194.8*	*267.9*	*283.2*	*334.3*
BVPS	*921.6*	*898.6*	*890.5*	*1,013.9*	*1,143.3*
DPS	*140.0*	*140.0*	*80.0*	*219.1*	*257.3*
Valuations (x)					
P/E	*56.0*	*49.3*	*36.8*	*31.1*	*26.5*
P/BV	*10.6*	*10.8*	*10.9*	*9.6*	*8.5*
EV / Sales	*8.2*	*7.5*	*6.1*	*5.3*	*4.6*
EV / EBITDA	*51.7*	*41.5*	*30.8*	*25.9*	*21.9*
Dividend Yield (%)	*1.4*	*1.4*	*0.8*	*2.3*	*2.6*
Return Ratio(%)					
RoCE	*18.8*	*23.6*	*32.9*	*36.9*	*38.8*
RoE	*19.4*	*21.6*	*29.7*	*32.9*	*34.1*
RoIC	*17.8*	*22.4*	*32.1*	*35.8*	*39.8*
Gearing Ratio (x)					
Net Debt/ Equity	-	-	*0.0*	*0.0*	*0.0*
Net Debt/EBITDA	*(1.1)*	*(0.7)*	*(0.5)*	*(0.6)*	*(0.7)*
Working Cap Cycle (days)	*(19.3)*	*(19.7)*	*(27.7)*	*(25.2)*	*(23.2)*
Profitability (%)					
EBITDA Margin	*15.9*	*18.0*	*19.7*	*20.4*	*21.0*
EBIT Margin	*15.1*	*17.2*	*19.0*	*19.6*	*20.2*
Adj. PAT Margin	*14.2*	*15.4*	*16.7*	*17.0*	*17.4*

Source: Company, ACMIIL Research

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	<-10%
HOLD	>-10% to 15%

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