

June 21, 2024

Management Meet Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		SELL	
Target Price	9,984		7,267	
Sales (Rs. m)	5,22,050	5,78,294	5,22,305	5,78,219
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,07,699	1,23,639	1,12,191	1,23,623
% Chng.	(4.0)	-	-	-
EPS (Rs.)	320.0	364.6	325.1	356.4
% Chng.	(1.6)	2.3	-	-

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	3,64,276	4,46,852	5,22,050	5,78,294
EBITDA (Rs. m)	65,491	88,229	1,07,699	1,23,639
Margin (%)	18.0	19.7	20.6	21.4
PAT (Rs. m)	56,276	74,788	89,331	1,01,790
EPS (Rs.)	198.9	267.9	320.0	364.6
Gr. (%)	19.6	34.7	19.4	13.9
DPS (Rs.)	140.0	80.0	140.0	180.0
Yield (%)	1.5	0.8	1.5	1.9
RoE (%)	21.6	29.7	32.6	31.4
RoCE (%)	23.9	32.9	36.7	35.9
EV/Sales (x)	6.9	5.5	4.7	4.2
EV/EBITDA (x)	38.4	28.0	22.8	19.6
PE (x)	48.4	36.0	30.1	26.4
P/BV (x)	10.7	10.8	9.0	7.7

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.10,039 / Rs.4,541
Sensex / Nifty	77,479 / 23,567
Market Cap	Rs.2,689bn/ \$ 32,147m
Shares Outstanding	279m
3M Avg. Daily Value	Rs.4443.53m

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	9.3	51.3	106.6
Relative	4.4	37.7	68.9

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Richer mix to drive overall growth

Quick Pointers:

- Mix of 125cc+ motorcycles to improve further in FY25
- Expect slower recovery in key international market due to currency devaluation

We met with the management of Bajaj Auto wherein the management gave a detailed overview of its 2W/3W/EV businesses. The management expects African volume to continue to be under pressure due to currency devaluation; however, the absence of African volume has been offset by a better mix in its international volume. Its Triumph launch has been well received in the US and UK, its key markets. The management aims to gradually scale up the production of Triumph to ~10k units/month (currently at ~6k units/month). The company launched E-3W in Q3FY24 in certain markets, where it has become one of the leading players aided by its strong brand value. Additionally, E-3W profitability is on par with ICE powertrain, while the path towards profitability for E-scooters will be gradual. BJAUT remains optimistic on its growth prospects, which will be led by a robust product portfolio for domestic and international markets.

We foresee healthy demand from rural and urban markets driven by new launches across categories and strong presence in the 125+cc space. Positive demand momentum coupled with network expansion in E-3W/2W shall further aid in volume expansion. Factoring this, we estimate its revenue/EBITDA/APAT to grow at a CAGR of 13.8%/18.4%/16.7% over FY24-FY26E. Given the high growth rate in E-scooters/3W, market share expansion and consistent mix improvement, we change our rating from 'Sell' to 'Hold' and revise our target price upwards to Rs9,984 valuing the company at 27x (20x earlier), factoring in the high growth rate in the EV and premium segments.

Strong domestic 2W performance: BJAUT's mix of 110-125+cc motorcycles improved from ~53% in FY22 to ~73% in FY24 led by a strong product portfolio as well as a shift in consumer preference towards premium motorcycles. The change in mix coupled with price hike has led to its blended ASP growing at a CAGR of 15.2%. Going ahead, the management expects the mix to improve further, which will be driven by new launches like Triumph and Pulsar NS400Z.

Potential for growth in Triumph portfolio: In FY24, the company sold 41,573 units, of which 46% were sold in the international market with the US and UK being the key markets. It has received positive response from customers due to the affordable price point along with robust product quality of the Triumph brand. The company indicated that it is facing supply constraints with respect to certain components for Triumph, which is hampering the production; however, it foresees gradual improvement in supply and aims to increase the production to ~10k units/month (currently at ~6k units/month). The ramp-up in production shall aid in volume expansion in the domestic as well as international market, which in turn would support overall mix improvement.

Resilient performance in 3W: The 3W business delivered robust volume growth of 19.7% over FY21-FY24, led by the domestic business as its volume grew by 62%, while international volume declined by 14.5%. The growth in domestic business was fueled by rising penetration of CNG stations (increased from ~3.5k in FY21 to ~6.5K in FY24), healthy demand from operators and increased financing options. Additionally, the initial off-take in its E-3W volume has been encouraging in the markets it entered aided by strong brand value across the country. Going ahead, we expect the growth momentum to remain positive with ICE powertrain growing at a moderate pace, while E-3W showing significant growth on a low base and network expansion.

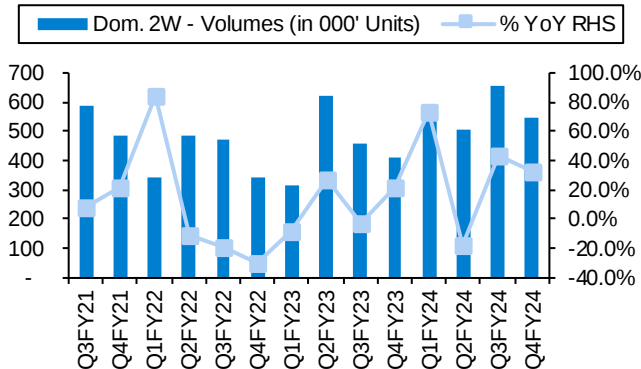
Decline in international volume offset by richer 2W mix: Its international 2W volume declined by 18% over FY22-FY24, dragged down by currency devaluation in key markets like Nigeria. The issue continues to persist, which could impact the pace of volume recovery. Despite the decline in volume, the mix of 110-125cc+ motorcycles improved from ~44% in FY22 to ~59% in FY24, aiding in blended ASP growth of 13% (partially aided by favorable currency movement). The company aims to expand its presence in the premium segment in the international market, which will continue to propel ASP growth and margin expansion.

Entry into the Brazilian market: In FY24, the company set up a new plant in Brazil with an initial capacity of 20k units/ month, which it anticipates to be operational by Q2FY25. The company sees Brazil as one of the high potential markets, where the top 2 players account for ~90% of the market. The company believes the right placement of products shall aid in incremental volume growth.

Delivering strong volume in E-scooters: The company has been consistently improving its market share, which increased from ~3% in FY22 to ~11% in FY24 and 14% in YTD25. The growth was led by strategic pricing and increased offerings, which aided volume expansion. Profitability of the E-scooters business is expected to improve gradually, through operating leverage and better sourcing of components.

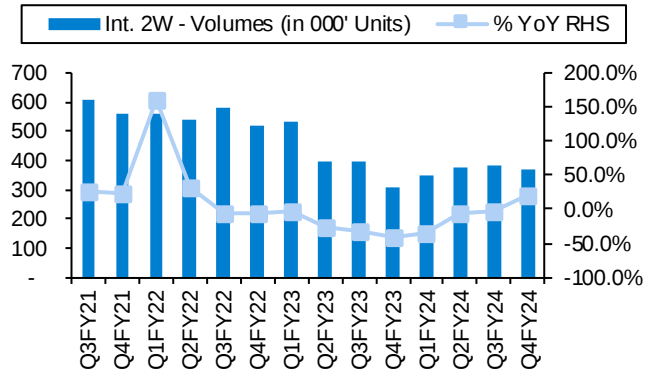
Trend of raw materials prices: The prices of key input commodities like steel, copper and aluminum were volatile in Q1FY25. However, the management indicated the overall basket of raw materials remains stable, which could aid in sustaining margins in the upcoming quarters.

Exhibit 1: Premium segment driving domestic volume



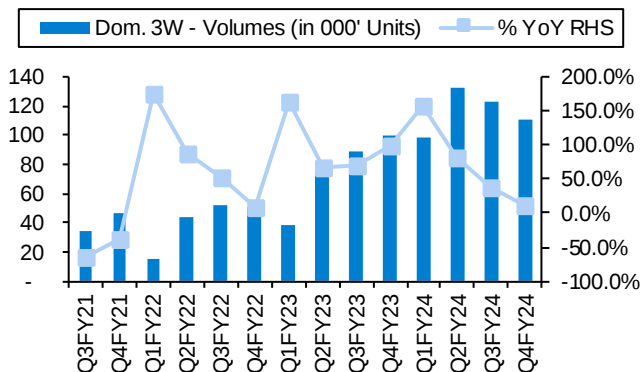
Source: Company, PL

Exhibit 2: Decline in volume offset by mix improvement



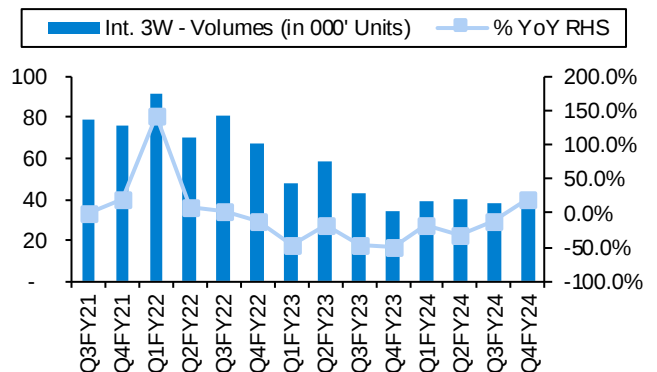
Source: Company, PL

Exhibit 3: Robust volume expansion



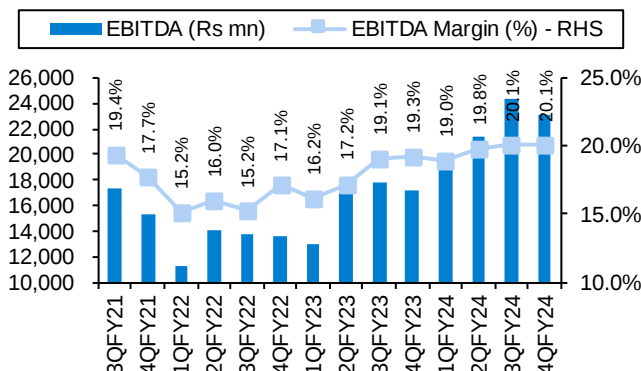
Source: Company, PL

Exhibit 4: Macroeconomic situation continue to impact vol.



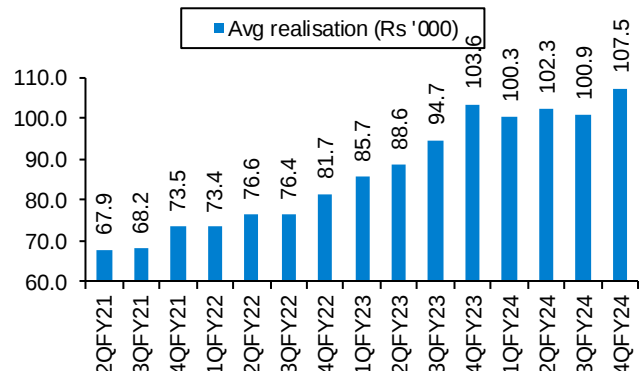
Source: Company, PL

Exhibit 5: Trend of EBITDA/EBITDA margin



Source: Company, Industry, PL

Exhibit 6: Richer mix in 2W leading to blended ASP growth



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	3,64,276	4,46,852	5,22,050	5,78,294
YoY gr. (%)	9.9	22.7	16.8	10.8
Cost of Goods Sold	2,60,548	3,17,434	3,67,785	4,04,806
Gross Profit	1,03,729	1,29,418	1,54,266	1,73,488
Margin (%)	28.5	29.0	29.6	30.0
Employee Cost	14,449	15,376	17,750	19,662
Other Expenses	23,788	25,813	28,817	30,187
EBITDA	65,491	88,229	1,07,699	1,23,639
YoY gr. (%)	24.5	34.7	22.1	14.8
Margin (%)	18.0	19.7	20.6	21.4
Depreciation and Amortization	2,824	3,498	3,772	3,980
EBIT	62,667	84,731	1,03,927	1,19,660
Margin (%)	17.2	19.0	19.9	20.7
Net Interest	395	535	2,364	2,149
Other Income	11,814	14,025	15,210	16,424
Profit Before Tax	74,086	98,220	1,16,772	1,33,934
Margin (%)	20.3	22.0	22.4	23.2
Total Tax	17,810	23,432	27,442	32,144
Effective tax rate (%)	24.0	23.9	23.5	24.0
Profit after tax	56,276	74,788	89,331	1,01,790
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	56,276	74,788	89,331	1,01,790
YoY gr. (%)	17.0	32.9	19.4	13.9
Margin (%)	15.4	16.7	17.1	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	56,276	74,788	89,331	1,01,790
YoY gr. (%)	11.3	32.9	19.4	13.9
Margin (%)	15.4	16.7	17.1	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	56,276	74,788	89,331	1,01,790
Equity Shares O/s (m)	283	279	279	279
EPS (Rs)	198.9	267.9	320.0	364.6

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	87,027
Tangibles	54,846	62,564	72,157	87,027
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,687	31,186	34,958	38,938
Tangibles	27,687	31,186	34,958	38,938
Intangibles	-	-	-	-
Net fixed assets	27,159	31,379	37,199	48,090
Tangibles	27,159	31,379	37,199	48,090
Intangibles	-	-	-	-
Capital Work In Progress	819	243	650	780
Goodwill	-	-	-	-
Non-Current Investments	17,864	20,884	22,970	24,288
Net Deferred tax assets	(3,452)	(5,069)	(4,526)	(4,115)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2,11,369	2,24,041	2,33,955	2,47,637
Inventories	13,979	16,959	22,884	28,519
Trade receivables	17,761	21,224	28,606	34,856
Cash & Bank Balance	2,858	6,003	12,274	24,931
Other Current Assets	19,072	21,444	28,606	31,687
Total Assets	3,11,276	3,42,507	3,87,473	4,41,117
Equity				
Equity Share Capital	2,830	2,792	2,792	2,792
Other Equity	2,51,429	2,45,813	2,96,059	3,47,597
Total Network	2,54,259	2,48,605	2,98,851	3,50,388
Non-Current Liabilities				
Long Term borrowings	1,578	9,907	9,007	8,188
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,739	56,102	58,641	61,790
Other current liabilities	11,250	22,823	16,448	16,636
Total Equity & Liabilities	3,11,277	3,42,507	3,87,473	4,41,117

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	74,086	98,220	1,16,772	1,33,934
Add. Depreciation	2,824	3,498	3,772	3,980
Add. Interest	395	535	2,364	2,149
Less Financial Other Income	11,814	14,025	15,210	16,424
Add. Other	(11,814)	(14,025)	(15,210)	(16,424)
Op. profit before WC changes	65,491	88,229	1,07,699	1,23,639
Net Changes-WC	9,915	18,186	(24,303)	(11,630)
Direct tax	(18,392)	(21,814)	(27,985)	(32,556)
Net cash from Op. activities	57,014	84,600	55,411	79,454
Capital expenditures	(11,694)	(7,142)	(10,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	(5,393)	5,310	(2,987)	(2,137)
Net Cash from Invt. activities	(17,087)	(1,832)	(12,987)	(17,137)
Issue of share cap. / premium	(29,091)	(58,107)	-	-
Debt changes	-	-	-	-
Dividend paid	(39,614)	(22,334)	(39,085)	(50,252)
Interest paid	(395)	(535)	(2,364)	(2,149)
Others	-	-	-	-
Net cash from Fin. activities	(69,100)	(80,977)	(41,449)	(52,402)
Net change in cash	(29,173)	1,792	975	9,915
Free Cash Flow	45,320	77,459	45,411	64,454

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 Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	198.9	267.9	320.0	364.6
CEPS	208.9	280.4	333.5	378.9
BVPS	898.6	890.5	1,070.5	1,255.1
FCF	160.2	277.5	162.7	230.9
DPS	140.0	80.0	140.0	180.0
Return Ratio(%)				
RoCE	23.9	32.9	36.7	35.9
ROIC	99.5	237.8	215.1	149.9
RoE	21.6	29.7	32.6	31.4
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.9)	(0.8)	(0.8)
Net Working Capital (Days)	(9)	(15)	(5)	1
Valuation(x)				
PER	48.4	36.0	30.1	26.4
P/B	10.7	10.8	9.0	7.7
P/CEPS	46.1	34.3	28.9	25.4
EV/EBITDA	38.4	28.0	22.8	19.6
EV/Sales	6.9	5.5	4.7	4.2
Dividend Yield (%)	1.5	0.8	1.5	1.9

Source: Company Data, PL Research

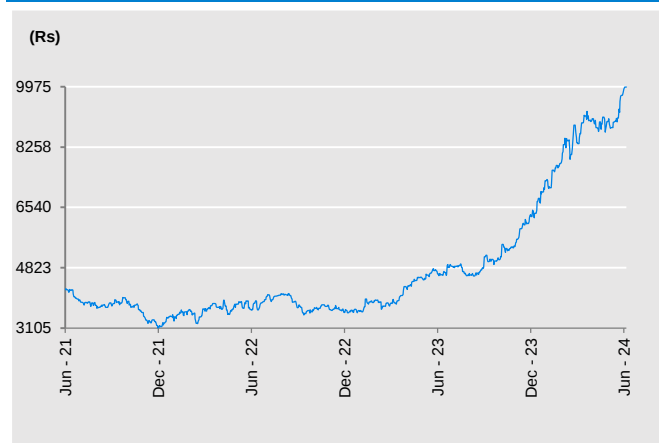
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Motorcycle volume (units)	34,42,842	37,27,923	40,86,633	44,26,167
Three-wheeler volume (units)	4,85,018	6,23,010	6,59,596	6,95,144
Net Realisation (Rs/unit)	92,742	1,02,703	1,07,413	1,10,334

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	19-Apr-24	Sell	7,267	9,021
2	08-Apr-24	Sell	6,300	9,010
3	25-Jan-24	Reduce	6,080	7,213
4	08-Jan-24	Reduce	6,000	6,996
5	18-Oct-23	Reduce	4,800	5,144
6	09-Oct-23	Reduce	4,750	5,015
7	26-Jul-23	Reduce	4,575	4,839
8	07-Jul-23	Reduce	4,450	4,918

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	239	211
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	Accumulate	831	765
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	170	213
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	3,250	2,929
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

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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