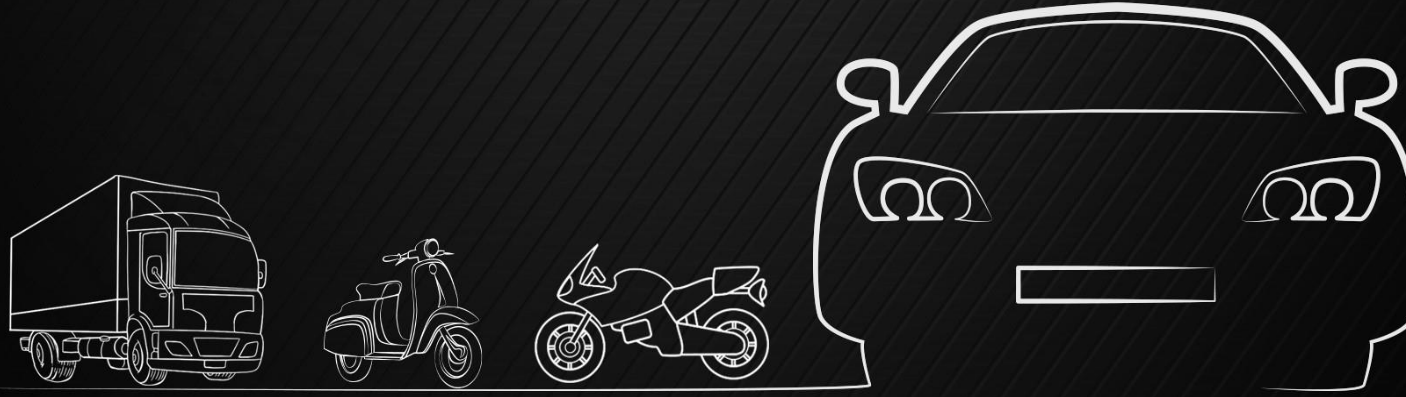
Q1FY25
Bajaj Auto Ltd.



Result Update

18th July, 2024

Bajaj Auto Ltd.

Robust topline and margin performance; CNG bike introduction, a key catalyst

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 9,718*	INR 10,948	12.7%	27,06,089	ACCUMULATE	Automobile

Highlights

- For Q1FY25, BJAUT's total volumes continued a strong growth trajectory at +7.3% YoY/ +3.1% QoQ.
- Revenue for Q1FY25 grew by 14.9% YoY (+2.7% QoQ), which was in line with our estimates. EBITDA at INR 23,704 Mn grew by 22.7% YoY (+3.8% QoQ), which was in line with our estimates. The EBITDA margin of 19.7% grew by 113 bps YoY (+10 bps QoQ), driven by better realization and cost reduction, which more than offset the drag from the growing e2W business.
- Reported PAT stood at INR 19,418 Mn, up +18.1% YoY due to the cascading effects of operating performance but declined by 3.5% QoQ. The reported PAT was 3.8% lower than our estimate primarily due to higher-than-expected tax rates.
- **We increase our FY25E/FY26E estimates on expectations that the EBITDA margins can inch up due to newly launched products and PLI benefits. Due to the continued strong performance and multiple growth levers in place, we assign a P/E multiple of 29.1x (Previously: 27.8x) on FY26E EPS of INR 376.2 to arrive at a target price of INR 10,948/share (Previously: 10,263). Given the 12.7% upside potential, we are downgrading our rating on the shares of Bajaj Auto from "BUY" to "ACCUMULATE."**

MARKET DATA

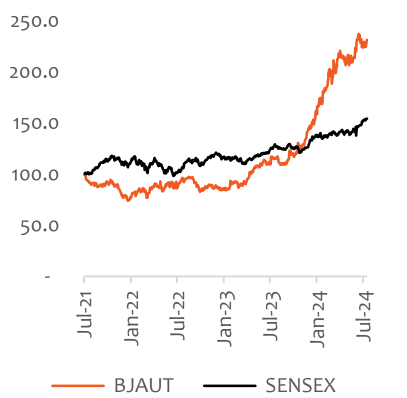
Shares O/S (Mn)	279
Equity Cap (INR Mn)	2,89,624
Mkt Cap (INR Mn)	27,06,089
52 Wk H/L (INR)	10,038/ 4,541
Volume Avg (3m K)	425
Face Value (INR)	10
Bloomberg Code	BJAUT IN

KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	277,411	331,447	364,554	448,704	521,664	599,712
EBITDA	49,247	52,499	64,505	87,616	107,304	125,303
PAT	48,570	61,659	60,602	77,082	90,111	105,035
Adj. PAT	48,570	53,494	60,602	77,082	90,111	105,035
EPS (INR)	167.9	213.2	212.5	272.7	322.8	376.2
Adj. EPS (INR)	167.8	184.9	212.5	272.7	322.8	376.2
EBITDA Margin	17.8%	15.8%	17.7%	19.5%	20.6%	20.9%
Adj. NPM	17.5%	16.1%	16.6%	17.2%	17.3%	17.5%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,717
NIFTY	24,613

BJAUT continues to see top-line growth

- For Q1FY25, BJAUT reported revenue of INR 119,321 Mn (+15.7% YoY/ +3.3% QoQ). The growth was backed by volume growth of +7.6% YoY in domestic and +6.6% YoY in exports.
- The growth in revenue was driven by robust vehicle sales and record spares revenue, supported by favorable sales mix.
- The average realization increased by +7.2% YoY/(-0.4% QoQ). This was supported by selling more premium motorcycles, increasing sales of three-wheelers in both local and international markets, and higher sales of the Chetak models.

Maintaining strong margins and fostering opportunities for new growth

- BJAUT's EBITDA for the quarter was INR 23,704 Mn (+22.7% YoY/+3.8% QoQ), and the EBITDA margin was at 19.9% (+113 bps YoY/+10 bps QoQ).
- The margin improvement was achieved through better price realization, ongoing cost reduction initiatives, and offsetting challenges from growing EV segment costs.
- Commodities saw increases in aluminum, copper, rubber, rhodium, and platinum, while steel, nickel, lead, and palladium witnessed some relief. The management has stated that a continued focus on cost reduction helped to neutralize the overall material cost impact.
- The Company's focus remains on driving top-line growth while maintaining best-in-class profitability, by creating new access growth opportunities such as: a) Development of e-auto (electric three-wheeler) to address restricted three-wheeler markets and b) Introduction of CNG bikes, sub-INR 1 lakh electric Chetak, and a new plant in Manaus, Brazil.

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	55.1	55.1	55.0
FIIs	14.2	14.5	14.6
DIIs	8.8	8.5	8.7
Others	21.9	21.9	21.7
Total	100	100	100

*Based on Price as on 16th July, 2024.

15.6%

Revenue CAGR between FY24 and FY26E

16.7%

PAT CAGR between FY24 and FY26E

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Bajaj Auto Ltd.

Conference call highlights

Exports

- There is a small but steady revival in overseas markets, with the number of countries facing stress conditions slowly reducing.
- Africa, led by Nigeria, continues to underperform, with benchmark motorcycle sales **dropping from 50,000 per month to under 5,000 in April, now recovering to 15,000 levels.**
- Compared to Q1FY24, the Company's exports are **down by about 40.0% in Africa** but up by:
  - 20.0% in the Middle East and North Africa.
  - 70.0% in Asia, led by the Philippines and Nepal.
  - 26.0% in Latin America, reaching or crossing the benchmark of FY23 levels.
- The new plant in Brazil commenced production in June, with a single-shift **capacity of 20,000 units per annum, scalable to 50,000 units.** This will enhance the Company's ability to introduce new models and expand distribution in Brazil.
- Traction for the Dominar brand has been excellent, and the Company expects Brazil to be among its top three international markets in the medium term.
- Exports of Quadricycle **to Egypt commenced in Q1FY25, with shipments of 500 vehicles,** opening a new segment for the Company.
- The Company **expects Q2FY25E to be better than Q1FY25 and continues to be on a growth path in the exports business unit.**

Domestic 2W

- The Company maintained its strong **position in the 125cc+ segment, which in the quarter became 51.0% of the overall industry.**
- The Company's market share in **the 125cc+ segment is just about 2.0% short of leadership, at 25.0%.**
- With 75% of sales coming from the top half (125cc+), the impact on both top line and bottom line has been significant.
- The major contribution in the 125cc+ segment comes from the 150cc+ sub-segment, **where market shares advanced to a solid 40.0%.**
- In the 100cc segment, the **Company's market share has declined from 16.0% to 13.0%,** mainly due to aggressive pricing and promotions by competitors.
- However, the Company **believes the 100cc segment will continue to contract as consumers upgrade to higher-cc motorcycles.**

Electric Vehicles (EV) Business Unit

- The EV portfolio now stands at **14.0% of overall revenues, up from 10.0% in the previous quarter.**
- The electric Chetak continues to perform well, with bookings at a steady pace.
- The Company has now launched **the sub-INR 1 lakh Chetak, which is expected to drive further growth in the EV segment.**
- The Company is also making progress on the electric three-wheeler (e-auto) project, with the first prototypes ready and pilot runs commenced in select markets.
- The e-auto is expected to address the restricted three-wheeler markets and provide a new growth avenue for the Company.

New Launches

- In recent months, Bajaj Auto has introduced three new platforms to drive future growth: (a) CNG bikes (b) Sub-INR1 lakh electric Chetak (c) New manufacturing plant in Manaus, Brazil

Outlook and Strategic Priorities

- **The Company expects Q2FY25E to be better than Q1FY25 and continues to be on a growth path in both the domestic and export markets.**
- **The Company expects the domestic 2-W industry to grow by 6.0% to 8.0% in FY25E and expects 125cc segment to grow higher than the industry.**
- **Strategic priorities include:**
  - Driving top-line growth while maintaining best-in-class profitability.
  - Strengthening the leadership position in the 125cc+ and 150cc+ segments.
  - Expanding the EV portfolio and addressing the restricted three-wheeler markets with the e-auto.
  - Continuing the focus on exports, particularly in recovering and growing markets.

Other highlights

- Spare parts sales now **constitute 11.0% of Bajaj Auto's total revenues, a record-setting performance.**
- Pricing adjustments, including higher ICE vehicle prices and lower electric vehicle costs, supported competitive growth strategies.
- The Company has accrued PLI in Q1FY25.

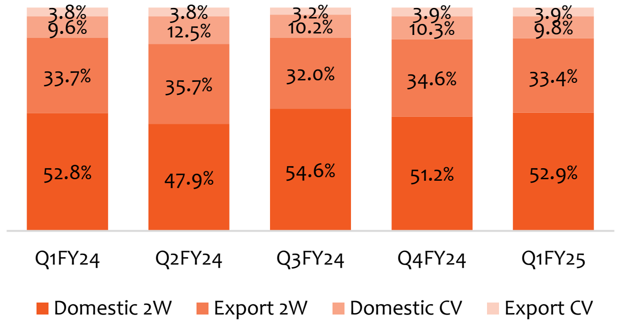
Valuation and view

In Q1FY25, Bajaj Auto showed resilience amid global challenges with expansions in Brazil and strong performance in the 125cc+ segment. Despite market volatility, its EV portfolio growth and international traction bolstered its position. Effective cost management and pricing strategies mitigated commodity fluctuations, reflecting operational efficiency and fostering optimism for sustained growth in domestic and export markets. One of the potential growth drivers for Bajaj Auto is the introduction of the world's first CNG-powered motorcycle, the Bajaj Freedom 125. The first Freedom 125 bike has already been delivered to a customer in Pune, and the Company has received over 30,000 inquiries nationwide for the bike so far.

We revise our FY25E/FY26E EPS estimates by +2.0%/+1.9%, respectively as we believe we expect margins to improve on favourable operating leverage, newly launched products, PLI benefits, and an eventual improvement in e-2W margins. We expect Revenue/ EBITDA/ Adj. PAT to grow at CAGR 15.6%/19.6%/16.7%, respectively, over FY24–FY26E. The stock is currently trading at 30.1x/ 25.8x our Adj. EPS estimate for FY25E/ FY26E, respectively. Due to the continued strong performance and multiple growth levers, we assign a raised P/E multiple of 29.1x (Previously: 27.8x) on FY26E EPS of INR 376.2 (INR 369.2 earlier) to arrive at a target price of INR 10,948/share (INR 10,263/share previously). Given the 12.7% upside potential, we are downgrading our rating on the shares of Bajaj Auto from "BUY" to "ACCUMULATE."

Bajaj Auto Ltd.

Sequential growth in 2-w contribution



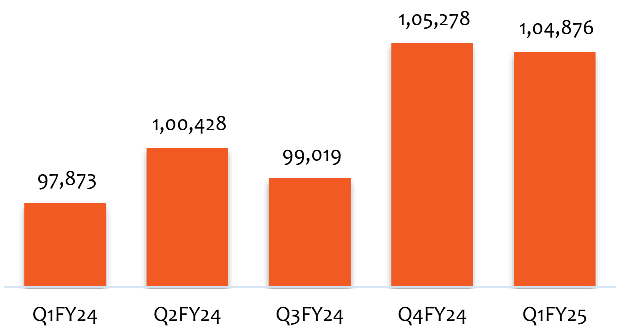
Source: Company, KRChoksey Research

Strong volume growth in the domestic 2-w segment

Segmental Volumes (Mn units) & Growth	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
2-w Domestic	0.58	0.55	0.54	6.51%	7.29%
2-w Exports	0.37	0.37	0.35	-0.41%	6.36%
CV (3-W) Domestic	0.11	0.11	0.10	-2.11%	9.63%
CV (3-W) Exports	0.04	0.04	0.04	4.13%	9.03%

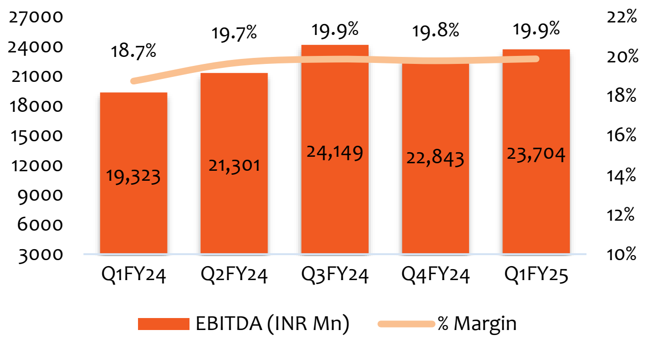
Source: Company, KRChoksey Research

Slight decline (QoQ) in Average Realization (INR)



Source: Company, KRChoksey Research

EBITDA margin remains strong (QoQ)



Source: Company, KRChoksey Research

KEY FINANCIALS

Particulars (Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
No. Of. Vehicles Sold (units)	1,102,056	1,068,576	1,027,407	3.1%	7.3%
Net Sales	115,580	112,498	100,555	2.7%	14.9%
Other operating income	3,741	3,052	2,564	22.6%	45.9%
Net Operating Income	**119,321**	**115,550**	**103,119**	**3.3%**	**15.7%**
Other income	3,353	3,600	3,511	-6.9%	-4.5%
Total revenue	**122,674**	**119,149**	**106,630**	**3.0%**	**15.0%**
Total Expenditure	**95,616**	**92,707**	**83,796**	**3.1%**	**14.1%**
Cost of raw materials	74,174	74,584	66,868	-0.5%	10.9%
Purchase of traded goods	7,021	7,280	6,147	-3.6%	14.2%
Change in inventory	1,753	-693	1,167	-353.1%	50.2%
COGS	82,949	81,171	74,182	2.2%	11.8%
Employee costs	4,918	4,206	4,014	16.9%	22.5%
Other expenses	7,815	7,476	5,798	4.5%	34.8%
Capitalized expenses	-66	-146	-197	54.9%	66.7%
EBITDA	**23,704**	**22,843**	**19,323**	**3.8%**	**22.7%**
EBITDA Margin (%)	*19.9%*	*19.8%*	*18.7%*	*10 bps*	*113 bps*
Depreciation	950	928	872	2.4%	8.9%
EBIT	**22,754**	**21,915**	**18,450**	**3.8%**	**23.3%**
EBIT Margin (%)	*19.1%*	*19.0%*	*17.9%*	*10 bps*	*118 bps*
Interest	470	296	121	58.5%	288.5%
PBT before share of associates	**25,638**	**25,218**	**21,841**	**1.7%**	**17.4%**
Share of associates	0	839	0	NA	NA
Tax	**6,220**	**5,943**	**5,399**	**4.7%**	**15.2%**
PAT	**19,418**	**20,114**	**16,441**	**-3.5%**	**18.1%**
PAT Margin (%)	*16.3%*	*17.4%*	*15.9%*	*-113 bps*	*33 bps*
EPS (INR)	**69.6**	**71.2**	**58.1**	**-2.3%**	**19.7%**

Source: Company, KRChoksey Research

Bajaj Auto Ltd.

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	**321,360**	**353,915**	**437,821**	**507,509**	**585,085**
Other operating revenue	10,087	10,639	10,884	14,155	14,627
Revenue from operations	**331,447**	**364,554**	**448,704**	**521,664**	**599,712**
Cost of sales	243,298	261,213	318,932	363,890	423,394
Gross profit	**88,149**	**103,341**	**129,772**	**157,774**	**176,318**
Employee benefit expense	13,628	14,845	16,270	19,000	20,390
Finance cost	87	395	604	1,917	1,833
Depreciation	2,698	2,859	3,648	3,733	4,063
Other expenses	22,155	24,270	26,362	31,956	31,185
Capitalized expenses	-133	-278	-475	-486	-560
Total expenses	**281,732**	**303,302**	**365,340**	**420,011**	**480,306**
EBITDA	**52,499**	**64,505**	**87,616**	**107,304**	**125,303**
EBIT	49,802	61,647	83,968	103,570	121,239
Share of profit by associates	5,795	5,293	2,676	2,997	3,357
Other income	12,841	11,875	14,360	14,497	16,030
PBT before exp	**68,352**	**78,420**	**100,400**	**119,147**	**138,793**
Exceptional items	-8,165	0	0	0	0
PBT	**76,517**	**78,420**	**100,400**	**119,147**	**138,793**
Income tax expense	14,858	17,818	23,318	29,036	33,757
Net profit	**61,659**	**60,602**	**77,082**	**90,111**	**105,035**
Basic and Diluted EPS (INR)	**213.2**	**212.5**	**272.7**	**323**	**376**
Adj. Net Profit	**53,494**	**60,602**	**77,082**	**90,111**	**105,035**
Adj. EPS (INR)	**184.9**	**212.5**	**272.7**	**322.8**	**376.2**

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Cash from operations activities	41,972	52,774	65,582	88,015	112,988
Cash from investing activities	-809	11,995	-3,437	-13,213	-14,442
Cash from financing activities	-40,563	-71,807	-61,674	-49,411	-64,652
Net inc/dec in cash equivalents	**600**	**-7,038**	**471**	**25,391**	**33,894**
Opening Balance cash	5,166	9,337	2,416	5,605	30,973
Change in foreign currency translation arising on consolidation	3,571	117	2,718	-22	0
End Cash	**9,337**	**2,416**	**5,605**	**30,973**	**64,867**

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	15.8%	17.7%	19.5%	20.6%	20.9%
Tax rate (%)	19.4%	22.7%	23.2%	24.4%	24.3%
Net Profit Margin (%)	16.1%	16.6%	17.2%	17.3%	17.5%
RoE (%)	21.6%	20.5%	26.4%	29.0%	29.8%
RoCE (%)	16.7%	21.0%	29.0%	31.2%	32.4%
Basic and Diluted EPS (INR per share)	213.2	212.5	272.7	322.8	376.2
Adj. EPS (INR per share)	184.9	212.5	272.7	322.8	376.2
Adj. P/E	52.6x	45.7x	35.6x	30.1x	25.8x

Source: Company, KRChoksey Research

Bajaj Auto Ltd.

Balance Sheet (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
PPE	17,596	27,615	31,475	35,977	41,356
Capital WIP	772	853	282	282	282
Investment property	511	500	489	489	489
Intangible assets	253	307	210	210	210
Investments in associate of subsidiary	40,638	48,840	48,204	48,204	48,204
Financial assets	176,672	167,535	184,400	184,400	184,400
Income tax assets	7,492	8,125	9,100	10,010	11,011
Other non-current assets	3,522	1,085	1,224	1,347	1,481
Total non-current assets	**247,456**	**254,861**	**275,453**	**280,988**	**287,502**
Inventories	12,305	15,636	16,888	21,782	25,343
Investments	49,691	45,814	54,316	59,316	64,316
Trade receivables	15,164	17,524	20,755	25,077	28,828
Cash and cash eq	9,337	2,416	5,605	30,973	64,867
Other bank balances	244	4,489	3,949	3,949	3,949
Loans	42	36	2,079	2,079	2,079
Other financial assets	5,963	4,752	7,473	7,473	7,473
Other current assets	10,911	5,837	6,920	6,920	6,920
Total current assets	**103,656**	**96,504**	**117,984**	**157,568**	**203,775**
Total Assets	**351,112**	**351,365**	**393,437**	**438,556**	**491,278**
Equity share capital	2,894	2,830	2,792	2,792	2,792
Other equity	295,703	290,786	286,832	329,203	371,161
Total Equity	**298,597**	**293,616**	**289,624**	**331,995**	**373,953**
Borrowings	0	0	6,333	6,333	6,333
Sales tax deferral	1,228	1,242	1,258	1,258	1,258
Provisions	13	12	68	68	68
DTL	4,027	3,452	4,931	5,178	5,437
Govt grant	360	334	307	307	307
Other non-current liabilities	3	2	2	2	2
Total non-current liabilities	**5,631**	**5,042**	**12,900**	**13,147**	**13,406**
Short term borrowings	0	0	11,526	11,526	11,526
Trade payables	36,322	41,212	55,974	57,411	66,799
Other financial liabilities	3,970	4,641	5,970	6,269	6,582
Other current liabilities	4,788	4,926	15,309	16,074	16,878
Provisions	1,538	1,665	1,906	1,906	1,906
Govt grant	27	27	27	27	27
Current tax liabilities	242	237	201	201	201
Total current liabilities	**46,885**	**52,707**	**90,912**	**93,414**	**103,919**
Total Equity & liabilities	**351,112**	**351,365**	**393,437**	**438,556**	**491,278**

Source: Company, KRChoksey Research

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Bajaj Auto Ltd.

Bajaj Auto Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
18-Jul-24	9,718	10,948	ACCUMULATE
19-Apr-24	8,805	10,263	BUY
06-Mar-24	8,352	8,818	BUY
25-Jan-24	7,598	8,818	BUY
05-Dec-23	6,137	7,093	BUY
19-Oct-23	5,474	5,830	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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