SELL Bajaj Auto

Downgrade to SELL; Valuations high amid normalizing growth

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Auto & Auto Ancillaries ▸ Result Update ▸ **October 17, 2024**

TARGET PRICE (Rs): 9,500

BJAUT's Q2 results were marginally weak on lower ASPs. BJAUT's 2W retail growth has been muted (FY25YTD: 6.7%; Sep-Oct: 5.7%), with market share loss in the fast-growing 125cc category; management expects FY25 industry growth to be closer to 5% than 8% if the ongoing below-par festive performance persists. Exports are recovering, albeit with the key Nigeria market still 50% below its earlier peak; further, with the 3W industry also now crossing previous highs, an elevated base effect may kick-in. Our estimates are unchanged (FY24-27E EPS CAGR: 13%); we downgrade BJAUT to SELL from Reduce, with new TP of Rs9,500 (26x core Sep-26E vs 23x Jun-26E earlier; revision basis sustained profitability, better EV positioning). We prefer HMCL (better risk-reward), and TVSL (improved growth prospects).

Bajaj Auto: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	364,276	446,852	516,358	587,662	647,826
EBITDA	65,491	88,229	104,632	119,294	133,308
Adj. PAT	56,276	74,788	86,821	97,547	108,057
Adj. EPS (Rs)	198.9	271.8	311.0	349.4	387.1
EBITDA margin (%)	18.0	19.7	20.3	20.3	20.6
EBITDA growth (%)	24.5	34.7	18.6	14.0	11.7
Adj. EPS growth (%)	14.7	36.7	14.4	12.4	10.8
RoE (%)	21.6	29.7	34.9	38.6	41.0
RoIC (%)	241.1	436.9	879.5	1,079.3	1,094.0
P/E (x)	58.4	42.7	37.4	33.2	30.0
EV/EBITDA (x)	47.2	33.9	29.0	25.4	22.6
P/B (x)	12.9	12.9	13.0	12.6	12.0
FCFF yield (%)	1.1	1.8	0.4	2.7	2.9

Source: Company, Emkay Research

Largely in-line quarter

Revenue grew 21% YoY to Rs131.3bn (largely in line with consensus'); volumes were higher 16% YoY, with ASPs marginally lower QoQ (~2% below our estimate). EBITDA margin was stable QoQ at 20.2%, with gross profit lower on account of commodity increase (net impact of ~25bps after price increase) and partial accounting of the PLI incentive for the lower-priced E-2W *Chetak* variant. Adj PAT rose 10% YoY; BJAUT recorded an exceptional provision of Rs2.1bn for deferred tax on investment income. Surplus cash as of Sep-24 stands at Rs164bn vs Rs167bn in Q1.

Earnings Call KTAs:

1) As per management, the festive season thus far has been below expectations (eg ~1-2% YoY industry growth during *Dussehra* vs earlier expectations of ~5-6%), though some states like UP are faring well. With another couple of weeks to go, growth may yet improve; mgmt expects ~3-5% growth for the industry in the festive season; for full year, the company expects industry growth to be closer to the lower band of 5-8% YoY. 2) Exports continue to recover, though key African markets incl Nigeria remain well below previous highs (monthly volume from Nigeria has recovered from a low of 5k units/month to 15k/25k in Q1/Sep vs peak of 50k); company expects 10% volume growth QoQ in Q3, with revenue growing faster on improving mix (rising share of Latin America, beneficial forex rate). 3) E-3Ws are now available at 700 key touchpoints covering ~95% of the addressable market; BJAUT's exit market share is 35% (vs 78% in CNG); it would be undertaking new launches Nov-24 onward. 4) CNG motorcycle *Freedom 125* capacity to be expanded to 30k/40k from Q3/Q4 (18k retails expected in Oct-24); the product now has presence across 350 cities, thus covering 95% of all locations with CNG availability. 5) BJAUT to introduce new E-2W variant under the *Chetak* brand in mid-Nov; *Chetak* touchpoints to expand to 4k stores by Jan-25 vs 3k now. 6) Commodity outlook is largely benign; absolute EBITDA of the overall EV portfolio is flattish (drag from E-2Ws being offset by rising scale, better profitability in E-3Ws); cost-competitiveness in E-2Ws to be aided by new *Chetak* variant; *Freedom* to be a margin drag in the near term amid heavy investments. 7) Q2 export revenue at USD450mn; spares sales at Rs15bn.

Target Price – 12M	Sep-25
Change in TP (%)	**14.5**
Current Reco.	SELL
Previous Reco.	REDUCE
Upside/(Downside) (%)	(18.2)
CMP (16-Oct-24) (Rs)	11,617.0

Stock Data	Ticker
52-week High (Rs)	12,774
52-week Low (Rs)	5,032
Shares outstanding (mn)	279.3
Market-cap (Rs bn)	3,244
Market-cap (USD mn)	38,622
Net-debt, FY25E (Rs mn)	-208,921
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	4,807.3
ADTV-3M (USD mn)	57.2
Free float (%)	45.0
Nifty-50	24,971
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	55.1
FPIs/MFs (%)	14.2/8.8

Price Performance

(%)	1M	3M	12M
Absolute	(0.6)	19.5	128.8
Rel. to Nifty	1.0	17.8	80.8

1-Year share price trend (Rs)

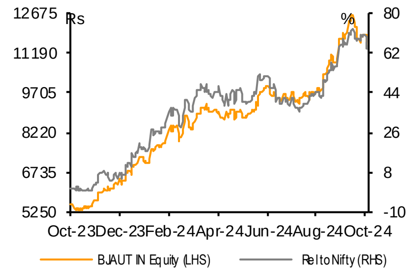

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Exhibit 1: Q2FY25 – Quarterly Result Snapshot: Revenue up 21% YoY amid flattish ASPs QoQ and better forex realization

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	**103,098**	**107,773**	**121,135**	**114,847**	**119,280**	**131,275**	**21.8**	**10.1**
Expenditure	83,558	86,444	96,836	91,784	95,128	104,753	21.2	10.1
as % of sales	81.0	80.2	79.9	79.9	79.8	79.8		
Consumption of RM	74,127	76,511	86,096	80,702	83,527	93,639	22.4	12.1
as % of sales	71.9	71.0	71.1	70.3	70.0	71.3		
Employee Cost	3,842	3,816	3,846	3,872	4,350	3,935	3.1	(9.5)
as % of sales	3.7	3.5	3.2	3.4	3.6	3.0		
Other expenditure	5,590	6,118	6,895	7,210	7,251	7,180	17.4	(1.0)
as % of sales	5.4	5.7	5.7	6.3	6.1	5.5		
EBITDA	19,539	21,329	24,299	23,063	24,153	26,522	24.3	9.8
EBITDA margin (%)	**19.0**	**19.8**	**20.1**	**20.1**	**20.2**	**20.2**		
Depreciation	835	876	881	906	937	956	9.1	2.0
EBIT	18,704	20,452	23,418	22,157	23,216	25,566	25.0	10.1
Other Income	3,463	3,614	3,461	3,487	3,209	3,845	6.4	19.8
Interest	121	65	121	228	207	159	143.8	(23.0)
PBT	22,046	24,000	26,758	25,416	26,218	29,252	21.9	11.6
Total Tax	5,399	5,639	6,339	6,056	6,335	9,202	63.2	45.3
Adjusted PAT	**16,648**	**18,361**	**20,419**	**19,360**	**19,883**	**20,050**	**9.2**	**0.8**
Exceptional Loss/(Gain)	0	0	0	0	0	0		
Reported PAT	16,648	18,361	20,419	19,360	19,883	20,050	9.2	0.8
Adjusted EPS (Rs)	58.8	64.9	72.2	68.4	71.2	71.8	10.7	0.8
(%)	**Q1FY24**	**Q2FY24**	**Q3FY24**	**Q4FY24**	**Q1FY25**	**Q2FY25**	**YoY (bps)**	**QoQ(bps)**
EBITDAM	19.0	19.8	20.1	20.1	20.2	20.2	41	(5)
EBITM	18.1	19.0	19.3	19.3	19.5	19.5	50	1
EBTM	21.4	22.3	22.1	22.1	22.0	22.3	1	30
PATM	16.1	17.0	16.9	16.9	16.7	15.3	(176)	(140)
Effective Tax rate	24.5	23.5	23.7	23.8	24.2	31.5	796	729

Source: Company, Emkay Research

Exhibit 2: Q2FY25 – Actual vs estimates

(Rs mn)	Actual	Emkay Est.	% variance	Consensus	% variance
Net sales	131,275	133,076	(1.4)	132,567	(1.0)
EBITDA	26,522	27,281	(2.8)	26,791	(1.0)
EBITDA margin (%)	20.2	20.5	-30bps	20.2	-1bps
Adjusted net income	20,050	22,553	(11.1)	21,982	(8.8)
FDEPS (Rs)	71.8	80.8	(11.1)	77.7	(7.6)

Source: Company, Emkay Research

Exhibit 3: Margin analysis – Higher RM costs QoQ off-set by lower staff costs/other expenses

Year to March (%)	Q2FY25	Q2FY24	Change (bps)	Q1FY25	Change (bps)
Raw material costs	71.3	71.0	34	70.0	130
Staff costs	3.0	3.5	(54)	3.6	(65)
Other expenses (incl expenses capitalized)	5.5	5.7	(21)	6.1	(61)
EBITDA	20.2	19.8	41	20.2	(5)
Adjusted net profit	15.3	17.0	(176)	15.4	(10)
Tax rate	31.5	23.5	796	24.2	729

Source: Company, Emkay Research

Exhibit 4: Industry mix – The 125cc motorcycle segment is now 18%/30% of domestic 2Ws/domestic motorcycles, respectively

Industry mix (%)	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Domestic Motorcycles	55.6	53.6	54.5	50.2	52.4	55.5	53.0	55.3	53.7	54.1	51.6
Up to 110cc	38.5	35.3	35.1	36.2	32.0	31.3	29.5	31.0	29.4	29.2	27.9
110-125cc	8.9	13.1	15.8	16.0	16.4	17.8	16.8	16.8	17.1	17.7	17.9
125-150cc	5.8	5.1	3.5	2.7	2.5	2.5	2.2	3.1	3.6	3.4	3.4
Over 150cc	9.0	8.6	11.0	10.5	11.6	12.2	12.3	12.0	12.2	11.8	10.4
Domestic Scooters	27.4	26.6	24.4	22.4	26.6	26.3	28.5	26.9	27.1	28.2	29.5
Domestic Mopeds	3.6	3.0	3.4	2.6	2.3	2.1	2.1	2.4	2.3	2.1	2.2
Domestic 2Ws	96.8	96.5	98.6	98.1	97.0	96.6	95.9	96.2	96.5	96.8	96.1
Domestic 3Ws	3.2	3.5	1.4	1.9	3.0	3.4	4.1	3.8	3.5	3.2	3.9
Domestic Quadricycles	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total - Domestic	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: SIAM, Emkay Research

Exhibit 5: BJAUT mix – Decline in contribution from the 125cc and above motorcycles

BJAUT mix (%)	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Domestic Motorcycles	86.4	85.0	94.2	90.6	84.0	81.3	75.4	79.4	76.2	78.0	71.2
Up to 110cc	49.1	44.2	38.3	42.6	28.5	21.6	22.1	23.2	16.6	18.2	17.7
110-125cc	1.8	8.0	24.6	25.5	32.1	37.4	27.9	31.0	31.6	32.7	30.1
125-150cc	24.2	20.6	17.7	12.4	10.0	8.2	9.5	11.3	13.0	12.1	9.9
Over 150cc	11.4	12.3	13.7	10.2	13.4	14.2	15.8	13.9	15.0	15.0	13.5
Domestic Scooters	-	0.0	0.1	0.5	1.7	3.3	3.8	4.8	7.0	6.3	10.8
Domestic 2Ws	**86.4**	**85.0**	**94.3**	**91.1**	**85.7**	**84.6**	**79.3**	**84.2**	**83.2**	**84.3**	**82.0**
Domestic 3Ws	13.6	14.9	5.7	8.9	14.2	15.4	20.7	15.8	16.8	15.6	18.0
Total - Domestic	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: SIAM, Emkay Research

Exhibit 6: BJAUT market share – The 125cc market share continues to decline; scooters and 3Ws have driven overall 2W share upward

BJAUT market share (%)	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Domestic Motorcycles	18.7	18.5	18.0	18.2	17.3	19.1	16.5	20.0	17.2	16.8	17.2
Up to 110cc	17.1	16.9	13.6	15.5	11.5	10.3	10.0	11.9	7.9	8.3	9.1
110-125cc	2.7	8.2	19.5	20.8	25.2	31.4	22.1	29.2	25.9	24.7	24.3
125-150cc	56.3	55.0	64.1	59.8	51.8	49.2	57.6	57.4	50.8	47.6	41.9
Over 150cc	17.0	19.3	15.6	12.7	14.8	17.4	17.1	18.3	17.4	17.2	18.7
Domestic Scooters	-	0.0	0.0	0.2	0.7	1.6	1.6	2.5	3.1	2.6	4.6
Domestic 2Ws	**12.0**	**11.9**	**12.0**	**12.2**	**11.4**	**13.1**	**11.0**	**13.9**	**12.1**	**11.7**	**12.3**
Domestic 3Ws	56.9	57.3	49.8	61.5	61.4	68.2	67.6	65.5	66.9	65.4	67.0
Domestic Quadricycles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total - Domestic	**13.4**	**13.5**	**12.5**	**13.1**	**12.9**	**15.0**	**13.3**	**15.8**	**14.1**	**13.4**	**14.4**

Source: SIAM, Emkay Research

Exhibit 7: BJAUT's retail growth has been muted at 6.7% on YTD basis and at 5.7% during Sep-Oct

Growth YoY	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	FY25YTD
BJAUT	**29%**	**4%**	**30%**	**44%**	**28%**	**23%**	**12%**	**34%**	**-6%**	**-6%**	**10%**	**7%**	**-10%**	**7%**
HMCL	31%	-26%	26%	39%	5%	0%	-8%	16%	-20%	-11%	5%	3%	-29%	-1%
TVSL	28%	-5%	34%	32%	22%	17%	6%	35%	4%	4%	18%	5%	-8%	13%
HMSI	17%	-10%	11%	16%	7%	12%	7%	50%	39%	22%	19%	14%	-9%	24%
RE	9%	-7%	16%	-3%	-3%	-4%	-10%	9%	-13%	-12%	-2%	-6%	-15%	-3%
Industry	**22%**	**-12%**	**22%**	**28%**	**15%**	**14%**	**6%**	**34%**	**3%**	**5%**	**18%**	**7%**	**-9%**	**10%**

Source: Vahan, Emkay Research; Note: YTD is till 15-Oct-2024

Exhibit 8: BJAUT's positioning in the 125cc motorcycle category has weakened, with market share loss in FY25YTD vs FY24

Commuter motorcycles – market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
HMCL	65.9	69.1	71.6	72.4	73.6	72.1	72.4	76.3	74.6	78.9	77.5	77.5	78.0
HMSI	8.7	9.1	7.4	7.0	7.4	5.0	5.0	4.5	3.9	2.9	6.1	5.7	7.4
BJAUT	17.2	13.6	14.3	15.5	13.7	17.3	16.9	13.6	15.5	12.2	10.4	10.6	8.7
TVSL	5.0	6.1	5.7	4.8	5.1	5.4	5.6	5.5	6.1	6.0	6.1	6.2	5.9
EIM	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	3.2	2.2	1.0	0.3	0.3	0.2	0.1	-	-	-	-	-	-

125cc motorcycles – market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
HMCL	39.5	41.3	39.4	40.0	40.3	39.0	49.5	39.8	25.7	21.3	17.1	22.7	21.0
HMSI	38.4	47.7	44.8	41.2	45.3	51.1	40.0	40.8	50.0	45.8	41.1	43.3	47.9
BJAUT	13.9	6.8	8.3	6.9	5.4	2.7	8.2	19.5	20.8	23.9	26.7	17.7	19.7
TVSL	4.5	2.0	3.7	8.0	6.1	4.5	1.4	-	3.5	9.1	15.1	16.3	11.4
EIM	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	3.6	2.2	3.8	3.9	2.8	2.6	0.9	-	-	-	-	-	-

Up to 125cc motorcycles - market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
HMCL	60.1	63.4	64.8	65.2	66.1	65.9	66.2	65.0	59.6	59.7	55.8	59.1	57.3
HMSI	15.3	16.9	15.2	14.5	15.9	13.6	14.5	15.8	18.1	17.2	18.7	18.3	22.1
BJAUT	16.5	12.2	13.0	13.6	11.8	14.6	14.6	15.4	17.1	16.1	16.2	13.0	12.7
TVSL	4.9	5.3	5.3	5.5	5.3	5.2	4.4	3.8	5.3	7.0	9.3	9.6	7.9
EIM	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	3.3	2.2	1.6	1.1	0.8	0.6	0.3	-	-	-	-	-	-

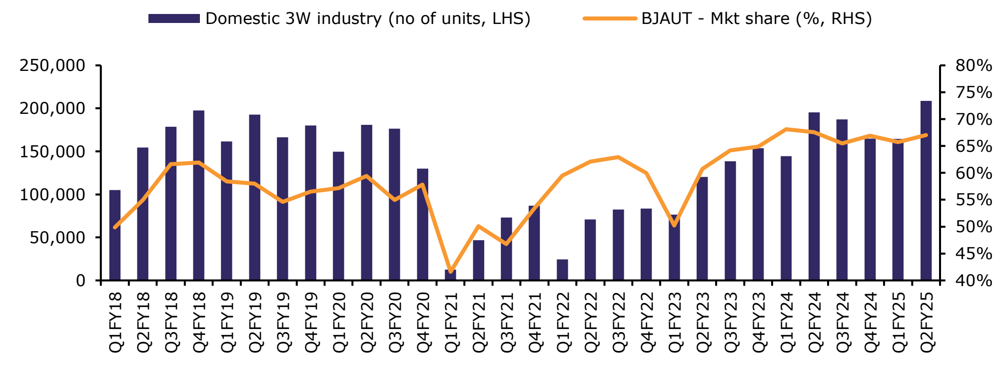
Source: Company, Emkay Research

Exhibit 9: CNG motorcycle *Freedom* retails are lagging dispatches; company expects 18k retail stores/touchpoints in Oct-24

Touchpoints	Jul-24	Aug-24	Sep-24
Freedom 125 - Retail	272	4,111	4,933
Freedom 125 - Wholesale	1,933	9,215	19,639

Source: SIAM, Vahan, Emkay Research

Exhibit 10: Domestic 3W industry volume crossed its earlier peak in Q2FY25



Source: SIAM, Emkay Research

Exhibit 11: Revenue model – We build in 13% EPS CAGR over FY24-27E

Revenue Model	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Domestic 2Ws (no of units)	2,541,320	2,078,348	1,809,375	1,641,084	1,802,092	2,250,589	2,418,927	2,582,453	2,804,515
Growth (%)	28.7	(18.2)	(12.9)	(9.3)	9.8	24.9	7.5	6.8	8.6
Domestic 3Ws (no of units)	398,826	364,817	109,304	160,599	300,009	463,443	495,884	515,719	531,191
Growth (%)	7.9	(8.5)	(70.0)	46.9	86.8	54.5	7.0	4.0	3.0
Domestic Total (no of units)	2,940,146	2,443,165	1,918,679	1,801,683	2,102,101	2,714,032	2,914,811	3,098,173	3,335,706
Growth (%)	25.4	(16.9)	(21.5)	(6.1)	16.7	29.1	7.4	6.3	7.7
Export 2Ws (no of units)	1,695,553	1,869,220	1,796,518	2,195,772	1,636,956	1,477,338	1,684,165	1,987,315	2,186,047
Growth (%)	21.6	10.2	(3.9)	22.2	(25.4)	(9.8)	14.0	18.0	10.0
Export 3Ws (no of units)	383,177	301,885	257,729	310,854	184,284	158,872	182,912	201,203	221,323
Growth (%)	43.1	(21.2)	(14.6)	20.6	(40.7)	(13.8)	15.1	10.0	10.0
Exports - Total (no of units)	2,078,730	2,171,105	2,054,247	2,506,626	1,821,240	1,636,210	1,867,077	2,188,518	2,407,370
Growth (%)	25.0	4.4	(5.4)	22.0	(27.3)	(10.2)	14.1	17.2	10.0
Total volume (no of units)	**5,018,876**	**4,614,270**	**3,972,926**	**4,308,309**	**3,923,341**	**4,350,242**	**4,781,888**	**5,286,690**	**5,743,075**
Growth (%)	25.3	(8.1)	(13.9)	8.4	(8.9)	10.9	9.9	10.6	8.6
ASP (Rs/unit)	60,479	64,826	69,826	76,930	92,831	102,702	107,966	111,143	112,787
Growth (%)	(3.9)	7.2	7.7	10.2	20.7	10.6	5.1	2.9	1.5
Revenue	**303,576**	**299,187**	**277,411**	**331,447**	**364,276**	**446,852**	**516,358**	**587,662**	**647,826**
Growth (%)	20.4	(1.4)	(7.3)	19.5	9.9	22.7	15.6	13.8	10.2
EBITDA	51,925	50,962	49,285	52,586	65,491	88,229	104,632	119,294	133,308
EBITDA margin (%)	**17.1**	**17.0**	**17.8**	**15.9**	**18.0**	**19.7**	**20.3**	**20.3**	**20.6**
EBITDA growth (%)	7.3	(1.9)	(3.3)	6.7	24.5	34.7	18.6	14.0	11.7
EBIT	63,656	65,834	59,457	61,987	74,481	98,755	114,816	128,976	142,854
EBIT margin (%)	21.0	22.0	21.4	18.7	20.4	22.1	22.2	21.9	22.1
EPS (Rs)	**153**	**176**	**157**	**165**	**199**	**268**	**311**	**349**	**387**

Source: Company, Emkay Research

Exhibit 12: Change in estimates – Our estimates are broadly unchanged

(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Domestic 2W	2,388,750	2,418,927	1.3	7.5	2,537,873	2,582,453	1.8	6.8	2,691,944	2,804,515	4.2	8.6
Domestic 3W	496,577	496,609	0.0	7.0	516,411	516,444	0.0	4.0	531,903	531,938	0.0	3.0
Total Domestic	2,885,327	2,915,536	1.0	7.4	3,054,284	3,098,898	1.5	6.3	3,223,847	3,336,452	3.5	7.7
Export 2W	1,684,165	1,684,165	0.0	14.0	1,987,315	1,987,315	0.0	18.0	2,245,666	2,186,047	(2.7)	10.0
Export 3W	175,177	182,912	4.4	15.1	192,695	201,203	4.4	10.0	211,964	221,323	4.4	10.0
Total Export	1,859,342	1,867,077	0.4	14.1	2,180,010	2,188,518	0.4	17.2	2,457,630	2,407,370	(2.0)	10.0
Volume (No of units)	4,744,669	4,782,613	0.8	9.9	5,234,293	5,287,415	1.0	10.6	5,681,477	5,743,822	1.1	8.6
Revenue	520,441	516,358	(0.8)	15.6	582,927	587,662	0.8	13.8	642,341	647,826	0.9	10.2
EBITDA	105,775	104,632	(1.1)	18.6	118,374	119,294	0.8	14.0	132,184	133,308	0.9	11.7
Margin (%)	20.3	20.3	-6bps	52bps	20.3	20.3	-1bps	4bps	20.6	20.6	0bps	28bps
Net Profit	87,674	86,821	(1.0)	16.1	96,862	97,547	0.7	12.4	107,222	108,057	0.8	10.8
EPS (Rs)	314.0	311.0	(1.0)	16.1	347.0	349.4	0.7	12.4	384.1	387.1	0.8	10.8

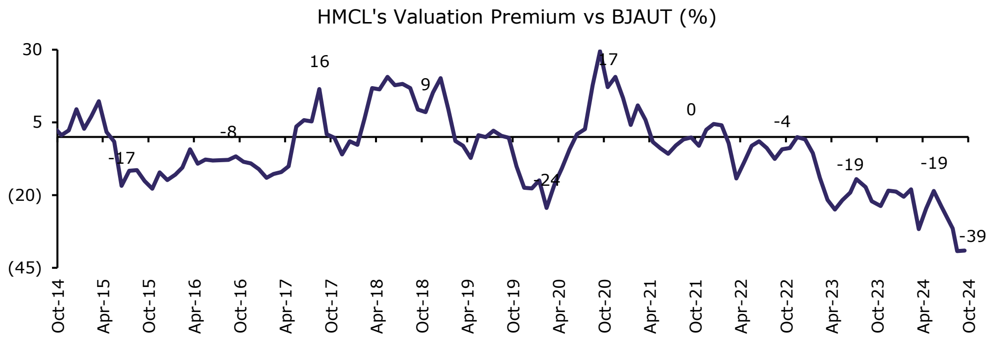
Source: Emkay Research

Exhibit 13: Emkay vs Consensus estimates

Bajaj Auto	Emkay Estimates			Bloomberg estimates			Difference		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	516,358	587,662	647,826	524,284	606,900	687,534	-1.5%	-3.2%	-5.8%
EBITDA	104,632	119,294	133,308	107,291	125,746	142,466	-2.5%	-5.1%	-6.4%
EBITDA margin (%)	20.3	20.3	20.6	20.5	20.7	20.7			
EPS (Rs)	311	349	387	317.7	372.2	421.7	-2.1%	-6.1%	-8.2%

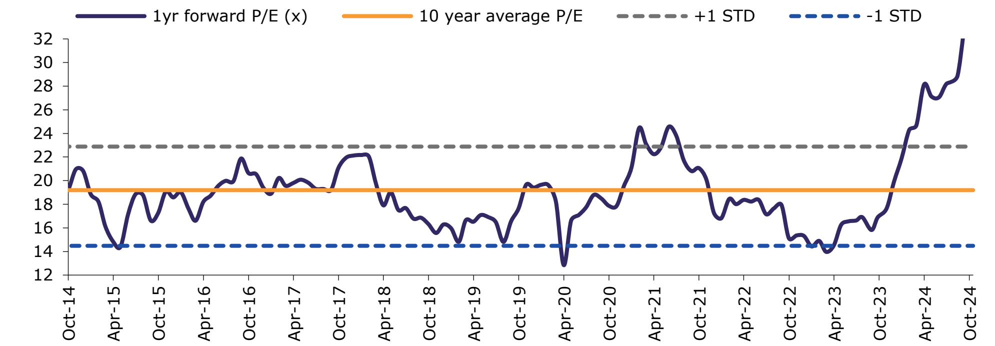
Source: Bloomberg, Emkay Research

Exhibit 14: BJAUT's valuation premium vs HMCL is at an all-time high



Source: Bloomberg, Emkay Research

Exhibit 15: BJAUT trades well above 1SD from its LTA, on PER basis



Source: Bloomberg, Emkay Research

Bajaj Auto: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	**364,276**	**446,852**	**516,358**	**587,662**	**647,826**
Revenue growth (%)	9.9	22.7	15.6	13.8	10.2
EBITDA	**65,491**	**88,229**	**104,632**	**119,294**	**133,308**
EBITDA growth (%)	24.5	34.7	18.6	14.0	11.7
Depreciation & Amortization	2,824	3,498	3,890	4,498	4,741
EBIT	**62,667**	**84,731**	**100,743**	**114,796**	**128,567**
EBIT growth (%)	25.6	35.2	18.9	13.9	12.0
Other operating income	0	0	0	0	0
Other income	11,814	14,025	14,074	14,180	14,287
Financial expense	395	535	578	624	674
PBT	**74,086**	**98,220**	**114,238**	**128,352**	**142,180**
Extraordinary items	0	0	0	0	0
Taxes	17,810	23,432	27,417	30,804	34,123
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**56,276**	**74,788**	**86,821**	**97,547**	**108,057**
PAT growth (%)	12.1	32.9	16.1	12.4	10.8
Adjusted PAT	**56,276**	**74,788**	**86,821**	**97,547**	**108,057**
Diluted EPS (Rs)	**198.9**	**271.8**	**311.0**	**349.4**	**387.1**
Diluted EPS growth (%)	14.7	36.7	14.4	12.4	10.8
DPS (Rs)	**140.0**	**80.0**	**310.0**	**320.0**	**340.0**
Dividend payout (%)	**70.4**	**29.4**	**99.7**	**91.6**	**87.8**
EBITDA margin (%)	18.0	19.7	20.3	20.3	20.6
EBIT margin (%)	17.2	19.0	19.5	19.5	19.8
Effective tax rate (%)	24.0	23.9	24.0	24.0	24.0
NOPLAT (pre-IndAS)	**47,602**	**64,517**	**76,564**	**87,245**	**97,711**
Shares outstanding (mn)	283.0	275.2	279.2	279.2	279.2

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,830	2,792	2,792	2,792	2,792
Reserves & Surplus	251,429	245,813	246,089	254,298	267,434
Net worth	**254,259**	**248,605**	**248,880**	**257,090**	**270,226**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	3,452	5,069	4,955	4,827	6,106
Total debt	**1,242**	**9,599**	**9,599**	**9,599**	**9,599**
Total liabilities & equity	**258,952**	**263,273**	**263,434**	**271,516**	**285,931**
Net tangible fixed assets	26,353	31,379	35,437	38,939	42,198
Net intangible assets	307	119	119	119	119
Net ROU assets	0	0	0	0	0
Capital WIP	819	275	326	326	326
Goodwill	0	0	0	0	0
Investments [JV/Associates]	34,465	34,465	34,465	34,465	37,465
Cash & equivalents	**198,126**	**216,315**	**218,520**	**226,202**	**235,787**
Current assets (ex-cash)	51,207	59,954	66,118	72,437	77,797
Current Liab. & Prov.	52,325	79,233	91,551	100,973	107,761
NWC (ex-cash)	**(1,118)**	**(19,279)**	**(25,434)**	**(28,536)**	**(29,964)**
Total assets	**258,952**	**263,273**	**263,434**	**271,516**	**285,931**
Net debt	(196,884)	(206,716)	(208,921)	(216,603)	(226,188)
Capital employed	258,952	263,273	263,434	271,516	285,931
Invested capital	**25,542**	**12,218**	**10,123**	**10,522**	**12,353**
BVPS (Rs)	898.6	903.4	891.5	920.9	967.9
Net Debt/Equity (x)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Net Debt/EBITDA (x)	(3.0)	(2.3)	(2.0)	(1.8)	(1.7)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	**24.4**	**32.5**	**38.3**	**43.0**	**46.2**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	74,086	98,220	114,238	128,352	142,180
Others (non-cash items)	0	0	0	0	0
Taxes paid	(19,184)	(23,826)	(27,531)	(30,933)	(32,844)
Change in NWC	7,234	10,171	6,154	3,103	1,428
Operating cash flow	**43,305**	**60,758**	**18,724**	**88,672**	**96,309**
Capital expenditure	(8,064)	(7,957)	(8,000)	(8,000)	(8,000)
Acquisition of business	(3,000)	0	0	0	(3,000)
Interest & dividend income	4,153	3,805	3,805	3,805	3,805
Investing cash flow	**25,152**	**12,632**	**4,074**	**4,180**	**(713)**
Equity raised/(repaid)	(30,939)	(39,307)	0	0	0
Debt raised/(repaid)	0	8,327	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(380)	(519)	(578)	(624)	(674)
Dividend paid (incl tax)	(40,470)	(39,602)	(22,014)	(86,546)	(89,338)
Others	306	219	0	0	0
Financing cash flow	**(71,483)**	**(70,882)**	**(22,592)**	**(87,170)**	**(90,012)**
Net chg in Cash	(3,026)	2,509	205	5,682	5,584
OCF	43,305	60,758	18,724	88,672	96,309
Adj. OCF (w/o NWC chg.)	36,071	50,587	12,570	85,570	94,881
FCFF	35,241	52,801	10,724	80,672	88,309
FCFE	38,999	56,071	13,950	83,853	91,439
OCF/EBITDA (%)	66.1	68.9	17.9	74.3	72.2
FCFE/PAT (%)	69.3	75.0	16.1	86.0	84.6
FCFF/NOPLAT (%)	**74.0**	**81.8**	**14.0**	**92.5**	**90.4**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	58.4	42.7	37.4	33.2	30.0
P/CE(x)	55.6	40.8	35.8	31.8	28.8
P/B (x)	12.9	12.9	13.0	12.6	12.0
EV/Sales (x)	8.5	6.7	5.9	5.2	4.7
EV/EBITDA (x)	47.2	33.9	29.0	25.4	22.6
EV/EBIT(x)	49.3	35.3	30.1	26.4	23.5
EV/IC (x)	121.0	244.7	299.8	287.6	244.2
FCFF yield (%)	1.1	1.8	0.4	2.7	2.9
FCFE yield (%)	1.2	1.8	0.4	2.6	2.8
Dividend yield (%)	1.2	0.7	2.7	2.8	2.9
DuPont-RoE split					
Net profit margin (%)	15.4	16.7	16.8	16.6	16.7
Total asset turnover (x)	1.4	1.7	2.0	2.2	2.3
Assets/Equity (x)	1.0	1.0	1.1	1.1	1.1
RoE (%)	**21.6**	**29.7**	**34.9**	**38.6**	**41.0**
DuPont-RoIC					
NOPLAT margin (%)	13.1	14.4	14.8	14.8	15.1
IC turnover (x)	14.0	23.7	46.2	56.9	56.6
RoIC (%)	**241.1**	**436.9**	**879.5**	**1,079.3**	**1,094.0**
Operating metrics					
Core NWC days	(1.1)	(15.7)	(18.0)	(17.7)	(16.9)
Total NWC days	**(1.1)**	**(15.7)**	**(18.0)**	**(17.7)**	**(16.9)**
Fixed asset turnover	7.3	7.7	7.9	8.0	7.9
Opex-to-revenue (%)	10.5	9.2	9.3	9.3	9.0

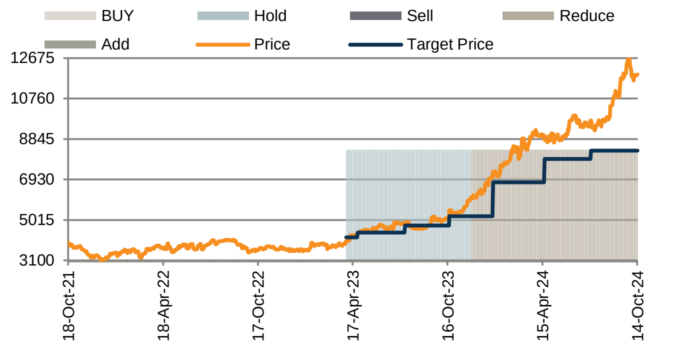
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
17-Jul-24	9,718	8,300	Reduce	Chirag Jain
19-Apr-24	8,805	7,900	Reduce	Chirag Jain
25-Jan-24	7,598	6,800	Reduce	Chirag Jain
11-Jan-24	7,299	6,800	Reduce	Chirag Jain
30-Nov-23	6,091	5,190	Reduce	Chirag Jain
19-Oct-23	5,483	5,190	Hold	Chirag Jain
26-Jul-23	4,870	4,760	Hold	Chirag Jain
26-Apr-23	4,299	4,420	Hold	Chirag Jain
04-Apr-23	3,994	4,190	Hold	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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