

BAJAJ AUTO LIMITED

Execution Steady, But Demand and Supply Risks Cloud Near-Term Outlook

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Bajaj Auto (BAL) reported muted Q1FY26 results. Revenue came in at ₹120.8 bn, registering growth of 4.6% YoY and 3.3% QoQ. Domestic performance remained subdued, primarily due to (1) the early and intense onset of the monsoon, (2) elevated inflation in metro cities, (3) purchase deferments by customers, and (4) heightened competitive intensity. However, strong export performance helped offset the domestic weakness, with export volumes witnessing robust growth and premium bike sales reaching an all-time high in international markets. EBITDA margin stood at 19.7% in Q1FY26, down 53 bps YoY and 20 bps QoQ. The decline was driven by an unfavourable currency environment in key export geographies, rising commodity costs, and supply chain disruptions related to rare earth magnets. These challenges impacted production of the Chetak EV and EV 3Ws. The company reported PBT of ₹27.9 bn, with PBT margin improving by 37 bps YoY to 23%, supported by higher other income and lower finance costs. Looking ahead, we expect BAL to face near-term margin pressure due to intensifying competition in the +125cc segment and continued supply constraints stemming from the rare earth magnet shortage.

Premium Motorcycle Momentum Offsets Volume Weakness; Supply Issues Drag EV Output

The company's domestic performance was impacted by soft consumer sentiment, with overall volumes remaining largely flat YoY. Despite this, revenue growth remained strong, led by a richer product mix and robust momentum in premium motorcycles. While the entry-level 100cc segment continued to face demand headwinds—driven by early monsoons and urban cost pressures—the 125cc+ segment outperformed, aided by strategic product and pricing actions, resulting in sequential market share gains. The 3W segment remained resilient, supported by the successful launch of new variant that improved ASPs and profitability beyond ICE levels. In 2W EV, Chetak volumes more than doubled YoY, with the overall EV portfolio approaching double-digit margins and certain new-platform models turning profitable. However, rare earth magnet supply constraints significantly impacted production in June and July, with partial disruption expected to continue into Q2FY26E. While management expects normalization by September, we believe domestic headwinds are likely to persist in the near term, with recovery hinging on festive season demand. Even then, elevated competitive intensity and lingering supply chain issues particularly around rare earth materials may cap near-term upside.

Key Financials	FY 24	FY 25	FY 26E	FY 27E
Revenues (₹ bn)	447	500	542	599
EBITDA (%)	19.7	20.3	19.7	20.0
PAT (%)	17.2	17.0	16.4	16.5
EPS (₹)	267.9	293.1	308.2	342.4
EPS growth (%)	34.7%	9.4%	5.2%	11.1%
P/E (x)	30.5	27.9	26.5	23.9
P/B (x)	9.2	7.1	6.3	5.5
EV/EBITDA (x)	26.1	22.6	21.5	19.1
ROE (%)	30.1%	25.5%	23.6%	23.2%
Dividend yield (%)	1.7%	1.0%	1.9%	2.1%

NEUTRAL

Current Market Price (₹)	8,169
12M Price Target (₹)	8,561
Potential Return (%)	5

Stock Data

Sector	:	Auto Components
Face Value (₹)	:	10
Total MCap (₹ bn)	:	2,283
Free Float MCap (₹ bn)	:	903
52-Week High / Low (₹)	:	12,774 / 7,090
BSE Code / NSE Symbol	:	532977 / BAJAJ-AUTO
Bloomberg	:	BJAUT IN
Sensex / Nifty	:	80,544 / 24,574

Shareholding Pattern

(%)	Jun-25	Mar-25	Dec-24	Sep-24
Promoter	55.04	55.04	55.04	55.04
FPIs	10.30	11.61	12.45	14.31
MFs	7.08	6.54	6.19	5.34
Bodies Corporate	4.86	4.75	4.84	4.70
Insurance	4.27	3.64	2.91	2.51
Others	18.45	18.42	18.57	18.10

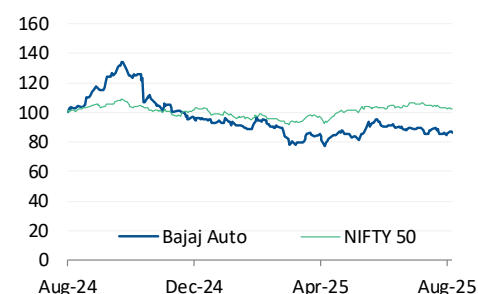
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
Bajaj Auto	-3.0	2.9	-8.4	-13.3
Nifty 50	-3.5	0.8	3.7	2.4

* To date / current date : August 6, 2025

Bajaj Auto vs Nifty 50



Strong Export Rebound Led by Premium Models; Nigeria Remains a Risk Watchpoint

BAL's export business commenced on a strong note, achieving its highest ever retail sales outside of Nigeria. This performance outpaced the industry growth in the top 30 overseas markets. The recovery was significantly aided by a richer product mix, with premium brands like Dominar and Pulsar enriching the mix of export sales. A key factor contributing to both export performance and margin delivery was the resumption of KTM motorcycle exports from India to KTM's overseas markets. These exports, which previously constituted 5-6% of total exports but had dropped to nil due to the pendency of a restructuring process, were able to resume after the resolution of KTM's insolvency process in May, confirmed by the Austrian court in June 2025. While the export environment continues to see growth in regions like Latam and Asia, We remain cautious in markets such as Nigeria, where the trading environment remains uncertain due to currency-led inflation. We are expecting , BAL aims to maintain its growth tempo in exports in the coming quarters.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q1 FY26	Q4 FY25	QoQ	Q1 FY25	YoY
Net Sales	1,20,817.0	1,16,951.8	3.3%	1,15,473.8	4.6%
Other Op. Income	5,027.5	4,527.9	11.0%	3,806.4	32.1%
Total Income	1,25,845	1,21,480	3.6%	1,19,280	5.5%
RM Cost	88,596	84,882	4.4%	83,527	6.1%
Employee Cost	4,138	3,645	13.5%	4,350	-4.9%
Other Expenses	8,293	8,446	-1.8%	7,251	14.4%
EBITDA	24,818	24,506	1.3%	24,153	2.8%
<i>EBITDA Margins %</i>	<i>19.7</i>	<i>20.2</i>	<i>(50 bps)</i>	<i>20.2</i>	<i>(50 bps)</i>
Other Income	4,308	3,808	13.1%	3,209	34.2%
Depreciation	1,109	1,111	-0.2%	937	18.3%
Interest	141	168	-15.9%	207	-31.6%
PBT	27,875	27,034	3.1%	26,218	6.3%
Tax	6,915	9,202	-24.8%	6,335	9.2%
Adj PAT	20,960	22,160	-5.4%	19,883	5.4%
<i>Adj PAT Margins%</i>	<i>16.7</i>	<i>16.9</i>	<i>(20 bps)</i>	<i>16.7</i>	<i>0 bps</i>
Reported PAT	20,960	20,493	2.3%	19,883	5.4%

Source: Company, LKP Research

Outlook & Valuation

We have pruned down the estimates slightly on domestic weakness and have reduced our rating from BUY to NEUTRAL, as near-term challenges are likely to offset the underlying strengths in its portfolio. The company continues to execute well, gaining traction in the premium 125cc+ segment, sustaining its leadership in the 3W category, and scaling up its EV portfolio. However, the domestic environment remains challenging, with subdued demand and elevated competitive intensity expected to persist in the near term. Supply chain constraints, particularly around rare earth magnets, are likely to impact EV production through Q2FY26E, though management is guiding for gradual normalization by September. On the export front, growth remains healthy, supported by a stronger product mix and the resumption of KTM exports, although macro uncertainties in markets like Nigeria warrant a cautious stance. With valuations already factoring in much of the recovery narrative, we prefer to await clearer visibility on domestic demand recovery and supply-side resolution. We estimate revenue/EBITDA/PBT to grow at a CAGR of 9%/9%/8% over FY25–27E and value the stock at 25x FY27E EPS, arriving at a target price of ₹8,561.

Per unit parameters (₹)	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24
Gross Realisation per Unit	1,08,723	1,06,037	1,00,587	1,03,872	1,04,780	1,04,610	98,857	1,00,088
Net Realisation per Unit	1,08,723	1,06,037	1,00,587	1,03,872	1,04,780	1,04,610	98,857	1,00,088
Total Cost per unit	90,914	87,923	83,515	85,757	86,318	85,894	80,901	82,251
Material Cost per unit	79,728	76,960	74,585	76,658	75,792	75,523	71,928	72,800
Staff Cost per unit	3,724	3,305	3,156	3,221	3,947	3,624	3,213	3,631
Other Expn per unit	7,647	7,876	5,848	5,959	6,640	6,884	5,825	5,873
EBITDA per unit	22,333	22,219	21,076	21,712	21,916	21,582	20,300	20,294
PAT per unit	18,862	18,581	17,222	18,142	18,042	18,118	17,059	17,471

Source: Company, LKP Research

Income Statement

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
Total Revenues	4,46,852	5,00,103	5,42,403	5,99,396
Raw Material Cost	3,17,434	3,53,374	3,82,814	4,20,787
Employee Cost	15,376	15,794	16,781	17,412
Other Exp	25,813	29,643	36,083	41,158
EBITDA	88,230	1,01,291	1,06,724	1,20,039
<i>EBITDA Margin(%)</i>	<i>19.7</i>	<i>20.3</i>	<i>19.7</i>	<i>20.0</i>
Other income	14025	14209	14600	14700
Depreciation	3,498	4,001	4,508	5,008
Interest	535	677	550	540
PBT	98,221	1,10,822	1,16,267	1,29,192
<i>PBT Margin(%)</i>	<i>22.5</i>	<i>23.0</i>	<i>22.2</i>	<i>22.3</i>
Exceptional items	0	0	0	0
Tax	23,432	29,005	30,229	33,590
APAT	74,789	81,818	86,037	95,602
<i>APAT Margins (%)</i>	<i>16.7</i>	<i>16.4</i>	<i>15.9</i>	<i>15.9</i>
PAT	74,789	81,818	86,037	95,602
<i>PAT Margin (%)</i>	<i>17.2</i>	<i>17.0</i>	<i>16.4</i>	<i>16.5</i>

Key Ratios

YE Mar	FY 24	FY 25	FY 26E	FY 27E
Per Share Data (₹)				
Adj. EPS	267.9	293.1	308.2	342.4
CEPS	208.9	280.4	307.4	324.3
BVPS	890.5	1151.5	1305.6	1476.8
DPS	141.9	80.1	154.1	171.2
Growth Ratios(%)				
Total revenues	22.7%	11.9%	8.5%	10.5%
EBITDA	34.7%	14.8%	5.4%	12.5%
PAT	32.9%	9.4%	5.2%	11.1%
EPS Growth	34.7%	9.4%	5.2%	11.1%
Valuation Ratios (x)				
PE	30.5	27.9	26.5	23.9
P/CEPS	29.1	26.6	25.2	22.7
P/BV	9.2	7.1	6.3	5.5
EV/Sales	6.5	5.3	4.8	4.4
EV/EBITDA	26.1	22.6	21.5	19.1
Operating Ratios (Days)				
Inventory days	14.2	14.8	17.0	19.0
Receivable Days	17.8	17.3	21.0	23.0
Payables day	47.0	47.4	52.0	52.0
Net Debt/Equity (x)	(0.01)	(0.02)	(0.01)	(0.02)
Profitability Ratios (%)				
ROE	30.1%	25.5%	23.6%	23.2%
Dividend yield	1.7%	1.0%	1.9%	2.1%

Balance Sheet

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
EQUITY AND LIABILITIES				
Shareholder's funds				
Share capital	2,792	2,793	2,793	2,793
Reserves and surplus	2,45,813	3,18,677	3,61,696	4,09,496
Total networth	2,48,605	3,21,469	3,64,488	4,12,289
Non current liabilities				
Long term borrowings & provisions	1,575	1,562	1,362	1,162
Deferred tax liabilities	5,069	11,230	11,230	11,230
Current liabilities				
Current liabilities & provisions	57,984	65,187	77,220	85,197
Other current liabilities	20,933	16,841	16,841	16,841
Total equity and liabilities	3,42,507	4,24,289	4,79,141	5,34,719
ASSETS				
Net block	31,379	35,002	42,494	47,487
Capital work in progress	243	260	560	860
Intangible assets	119	28	28	28
Non current investments	1,96,619	2,30,346	2,65,346	3,00,346
Long term loans and advances	297	11,115	11,115	11,115
Other non current assets	10,278	13,265	13,265	13,265
Total non current assets	2,38,935	2,90,016	3,32,808	3,73,101
Current assets				
Current investments	48,795	55,835	57,835	59,835
Inventories	16,956	19,579	24,424	30,212
Trade receivables	21,224	22,826	30,171	36,573
Cash & equivalents	4,486	8,134	6,004	7,099
Bank balance	880	5,151	5,151	5,151
Short term loans and advances	32	26	26	26
Other current assets	11,199	22,722	22,722	22,722
Total current assets	1,03,572	1,34,273	1,46,333	1,61,618
Total Assets	3,42,507	4,24,289	4,79,141	5,34,719

Cash Flow

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
PBT	98,220	1,10,519	1,16,267	1,29,192
Depreciation	3,498	4,001	4,508	5,008
Interest	16	18	0	0
Chng in working capital	10,171	(2,428)	(157)	(4,213)
Tax paid	(23,826)	(26,804)	(30,229)	(33,590)
Other operating activities	(13,297)	(12,639)	550	540
Cash flow from operations (a)	74,783	72,667	90,938	96,937
Capital expenditure	(8,077)	(7,253)	(12,300)	(10,300)
Other investing activities	6,685	(29,157)	(37,000)	(37,000)
Cash flow from investing (b)	(1,392)	(36,410)	(49,300)	(47,300)
Free cash flow (a+b)	73,391	36,258	41,638	49,637
Inc/dec in borrowings	8,327	(505)	(200)	(200)
Other financing activities	0	0	0	0
Cash flow from financing (c)	(71,101)	(32,542)	(43,769)	(48,541)
Net chng in cash (a+b+c)	2,290	3,715	(2,131)	1,096
Closing cash & cash equivalents	4,486	8,134	6,004	7,099

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