

# Bajaj Auto Ltd.

Automobiles | Company Update

**BUY**

**CMP: Rs8,966 | Target Price (TP): Rs10,613 | Upside: 18%**

**January 6, 2025**

## Broad based growth; Valuation Attractive

### Key Points

- **Volumes to bottom out in FY25:** We expect overall volumes to recover from FY26 owing to all round recovery in the domestic market for 2Ws including E2Ws, CNG, premium motorcycles and also 3Ws. We build in volume growth of 9%/6% CAGR for domestic 2Ws/3Ws over FY24-27. We expect CNG volumes to clock ~600k units in FY27.
- **Pole position in EVs:** With 25% market share, Bajaj Chetak secured poll position in the month of December'24. We believe the company will consolidate its pole position on the back of the recently launched Chetak 35 series which has better features and a new platform. Going ahead, the company plans to launch a host of new products in both 2W and 3W categories. The company also plans to launch E-3Ws under a separate new brand. Furthermore, the new platform which lowers the cost of EVs and growing scale of operations will support margins.
- **Demand shifting to 125cc+ segment:** The 2W industry, largely the 125cc segment, is growing faster, from 42% contribution to 55% over the past 3 years signalling a shift in consumer behaviour. The company has 25% market share in the category.
- **Exports showing steady recovery:** Bajaj Auto continues to see a strong trajectory in export markets like Mexico and LATAM where it is developing a new base. The company has also started a CKD unit in Brazil. Though Africa continues to decline albeit at a slower pace than before, we believe it's just a matter of a few quarters before it starts showing recovery. For 3Ws also exports have started recovering. Moreover, Quadricycle Qute has replaced 3Ws in markets like Egypt which banned 3W imports a few years back.
- **Valuation:** Currently the stock is trading at a core PE of 23x at FY27 numbers which we believe is providing a good entry point given the favourable risk reward. We thus upgrade the stock to BUY from SELL valuing it at SOTP with core business valued at 28x core EPS and cash of Rs827/share to arrive at a TP of Rs 10,613. We build in the Revenue/EBITDA growth of 14%/16% CAGR over FY24-27.

**Triumph growing strength to strength in the export market:** Bajaj Auto continues to see a strong response to Triumph particularly in export market with YTD sales till Nov of 24k units. It has been received well in the markets like EU US and North America. In domestic market too Triumph has been able to maintain market share. With new model launches and expanding footprint we believe volumes will further pick up going ahead. Currently in the domestic market, it is available across ~170 touchpoints which is set to further increase to ~200 touchpoints.

Est Change	UNCHANGED
TP Change	UPWARD
Rating Change	UPGRADE

### Company Data and Valuation Summary

Reuters	BAJA.BO
Bloomberg	BJAUT IN Equity
Market Cap (Rsbn / US\$bn)	2,503.7 / 29.3
52 Wk H / L (Rs)	12,774 / 6,604
ADTV-3M (mn) (Rs / US\$)	6,181.1 / 73.2
Stock performance (%) 1M/3M/6M	(2.1) / (4.8) / 28.3
Nifty 50 performance (%) 1M/6M/1yr	(1.1) / (3.2) / 10.8

Shareholding	4QFY25	1QFY26	2QFY26
Promoters	54.9	55.1	55.1
DII's	8.7	8.5	8.8
FII's	14.6	14.5	14.2
Others	21.7	21.9	21.9
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsm)	FY24	FY25E	FY26E	FY27E
Volumes	43,56,933	47,29,563	52,09,782	57,22,568
Growth YoY%	10.8	8.6	10.2	9.8
Net Sales	4,46,852	5,06,604	5,80,356	6,64,159
Growth YoY%	23	13.4	14.6	14.4
Gross margin %	29.0	30.3	30.5	30.5
EBITDA	88,229	1,03,957	1,20,164	1,38,746
EBITDA margin %	19.7	20.5	20.7	20.9
Adj PAT	74,788	82,370	94,500	1,08,127
Growth YoY%	32.9	10.1	14.7	14.4
Adj EPS	268.1	295.0	338.5	387.3
RoCE	24.6	26.1	27.7	28.3
RoE	30.1	30.2	31.5	31.7
RoIC	25.1	26.9	29.8	33.0
P/E	33.4	30.4	26.5	23.1
EV/EBITDA	28.4	24.1	20.7	17.7
P/BV	10.1	9.2	8.3	7.3

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

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**Green portfolio underscores transformation:** Electric & CNG across 2W & 3W comprise ~40% of domestic sales. Mileage conscious customers have received the Freedom 125 well as the running cost of CNG is 50% lower than Petrol. The company is increasing capacity to 30k units/month in 3Q and subsequently to 40k units in 4Q of this fiscal. The transformation has been supported by the gas distribution companies as well because the customer base for this drivetrain/multi-fuel technology is vast.

**Exports coming back but still below peak:** Africa continues to be under pressure, especially Nigeria where Bajaj Auto used to sell an average of 50k units/month; this has reduced to the current run-rate of ~20k/month. The company, however is compensating the slowdown in Africa by increasing its footprint in markets like the middle east where it saw ~20% growth YoY and LatAm which grew by ~24% YoY. The company has also started a CKD plant in Brazil with a capacity of 20k units per annum which can be scaled up to 50k units per annum. The company has also commenced exports of Qute to Egypt. Going ahead, exports are expected to improve gradually. Going ahead we believe the recovery in Africa market along with the traction in new markets will lead to significant volume growth in exports.

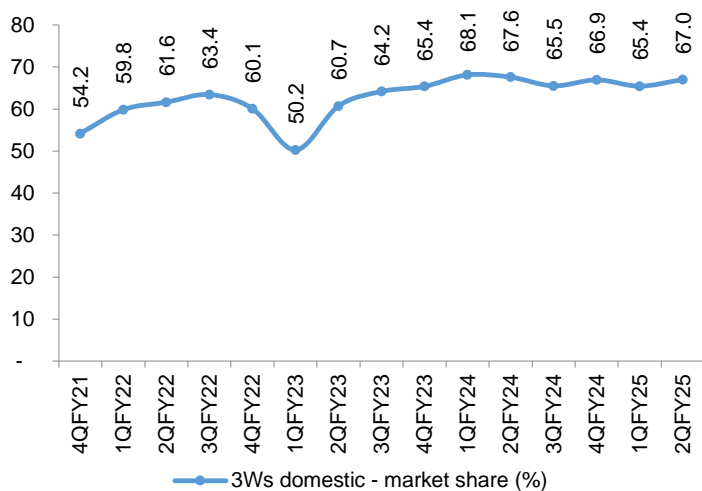
## Exhibit 1: Changes in annual estimates:

(in Rsmn)	New estimates				Old estimates				% Change			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Revenue	4,46,852	5,06,604	5,80,356	6,64,159	4,46,852	5,05,353	5,67,752	6,32,887	0.0	0.2	2.2	4.9
EBITDA	88,229	1,03,957	1,20,164	1,38,746	88,229	1,05,723	1,19,839	1,35,406	0.0	(1.7)	0.3	2.5
EBITDA (%)	19.7	20.5	20.7	20.9	19.7	20.9	21.1	21.4	-	-	-	-
PAT	74,788	82,370	94,500	1,08,127	74,788	83,523	94,194	1,05,554	0.0	(1.4)	0.3	2.4
EPS (Rs)	268	295	338	387	268	299	337	378	0.0	(1.4)	0.3	2.4

Source: Company, Nirmal Bang Institutional Equities Research

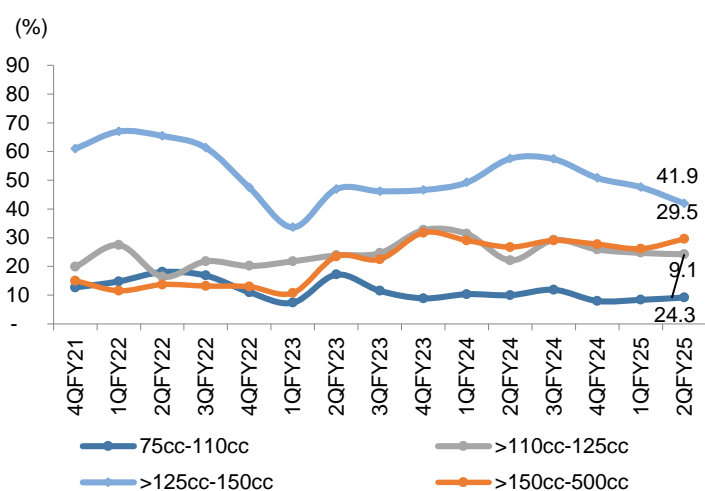
## Story in Charts

**Exhibit 2: 3Ws – Domestic market share (%)**



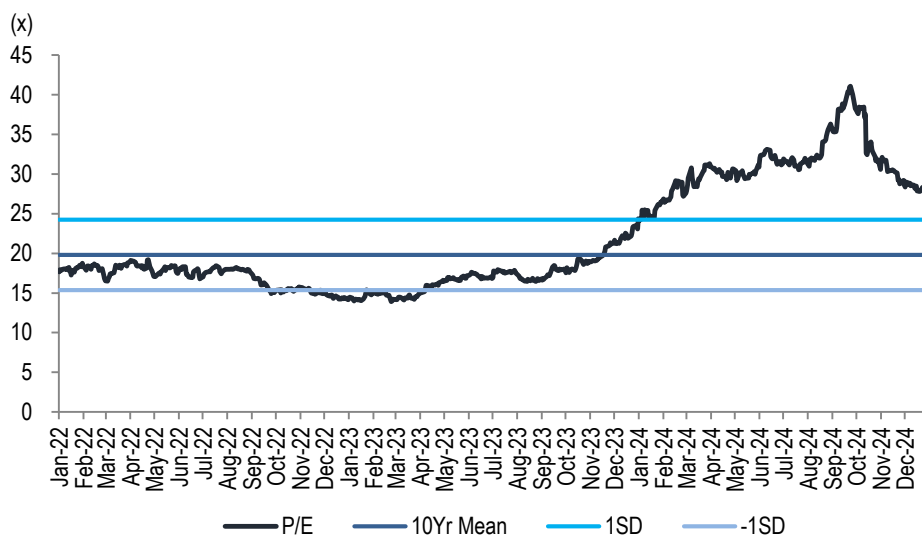
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Segment-wise market share**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: 1-year forward P/E chart**



Source: Company, Nirmal Bang Institutional Equities Research

## Financials

**Exhibit 5: Income statement**

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>3,64,276</b>	<b>4,46,852</b>	<b>5,06,604</b>	<b>5,80,356</b>	<b>6,64,159</b>
Growth YoY%	9.9	22.7	13.4	14.6	14.4
<b>Gross profit</b>	<b>1,03,729</b>	<b>1,29,418</b>	<b>1,53,501</b>	<b>1,77,009</b>	<b>2,02,569</b>
<b>Gross margin %</b>	<b>28.5</b>	<b>29.0</b>	<b>30.3</b>	<b>30.5</b>	<b>30.5</b>
Staff costs	14,449	15,376	20,264	23,214	26,566
% of sales	4	3	4	4	4
Other expenses	23,788	25,813	29,280	33,630	37,256
% of sales	7	6	6	6	6
<b>EBITDA</b>	<b>65,491</b>	<b>88,229</b>	<b>1,03,957</b>	<b>1,20,164</b>	<b>1,38,746</b>
Growth YoY%	24.5	34.7	17.8	15.6	15.5
<b>EBITDA margin %</b>	<b>18.0</b>	<b>19.7</b>	<b>20.5</b>	<b>20.7</b>	<b>20.9</b>
Depreciation	2,824	3,498	4,102	4,429	4,842
EBIT	62,667	84,731	99,855	1,15,735	1,33,904
Interest	395	535	535	535	535
Other income	11,814	14,025	10,800	10,800	10,800
PBT (bei)	74,086	98,220	1,10,120	1,26,000	1,44,169
PBT	74,086	98,220	1,10,120	1,26,000	1,44,169
ETR	24.0	23.9	25.2	25.0	25.0
PAT	56,276	74,788	82,370	94,500	1,08,127
<b>Adj PAT</b>	<b>56,276</b>	<b>74,788</b>	<b>82,370</b>	<b>94,500</b>	<b>1,08,127</b>
<b>Growth YoY%</b>	<b>19.6</b>	<b>32.9</b>	<b>10.1</b>	<b>14.7</b>	<b>14.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Balance sheet**

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,830	2,792	2,792	2,792	2,792
Reserves	2,51,429	2,45,813	2,69,555	2,97,052	3,38,175
<b>Net worth</b>	<b>2,54,259</b>	<b>2,48,605</b>	<b>2,72,347</b>	<b>2,99,843</b>	<b>3,40,967</b>
Long term debt	-	-	-	-	-
Short term debt	-	8,341	8,341	8,341	8,341
<b>Total debt</b>	<b>-</b>	<b>8,341</b>	<b>8,341</b>	<b>8,341</b>	<b>8,341</b>
<b>Net debt</b>	<b>-2,858</b>	<b>2,974</b>	<b>408</b>	<b>-13,309</b>	<b>-41,410</b>
Other non-current liabilities	3,452	5,069	5,069	5,069	5,069
<b>Total Equity &amp; Liabilities</b>	<b>3,11,277</b>	<b>3,42,507</b>	<b>3,64,723</b>	<b>4,00,614</b>	<b>4,51,282</b>
Gross block	58,970	67,338	74,581	82,024	89,667
Accumulated depreciation	32,310	35,808	39,910	44,339	49,181
<b>Net Block</b>	<b>26,660</b>	<b>31,530</b>	<b>34,671</b>	<b>37,684</b>	<b>40,485</b>
CWIP	819	243	443	643	843
Intangible and others	-	-	-	-	-
Other non-current assets	19,467	21,774	21,774	21,774	21,774
Investments	2,29,734	2,45,414	2,55,414	2,67,414	2,79,414
Trade receivables	17,761	21,224	24,129	28,064	32,191
Inventories	13,979	16,956	20,360	23,386	26,826
Cash & Cash Equivalents	2,858	5,366	7,933	21,649	49,750
Other current assets	-	-	-	-	-
<b>Total current assets</b>	<b>54,064</b>	<b>65,320</b>	<b>74,195</b>	<b>94,873</b>	<b>1,30,540</b>
Trade payables	40,739	56,102	54,294	62,364	71,535
Other current liabilities	12,828	24,390	24,672	24,997	25,370
<b>Total current liabilities</b>	<b>53,567</b>	<b>80,492</b>	<b>78,966</b>	<b>87,361</b>	<b>96,906</b>
<b>Total Assets</b>	<b>3,11,277</b>	<b>3,42,507</b>	<b>3,64,723</b>	<b>4,00,614</b>	<b>4,51,282</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Cash flow**

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
<b>PBT</b>	<b>74,086</b>	<b>98,220</b>	<b>1,10,120</b>	<b>1,26,000</b>	<b>1,44,169</b>
Depreciation	2,824	3,498	4,102	4,429	4,842
Interest	395	535	535	535	535
Other adjustments	-	-	-	-	-
Change in Working capital	12,928	15,669	-10,401	-12,283	-26,123
Tax paid	-18,392	-21,814	-27,750	-31,500	-36,042
<b>Operating cash flow</b>	<b>71,841</b>	<b>96,108</b>	<b>76,606</b>	<b>87,181</b>	<b>87,381</b>
Capex	-11,195	-9,000	-7,000	-7,000	-7,000
<b>Free cash flow</b>	<b>60,646</b>	<b>87,108</b>	<b>69,606</b>	<b>80,181</b>	<b>80,381</b>
Other investing activities	20,268	-1,656	800	-1,200	-1,200
<b>Investing cash flow</b>	<b>80,914</b>	<b>85,452</b>	<b>70,406</b>	<b>78,981</b>	<b>79,181</b>
Issuance of share capital	-64	-38	-	-	-
Movement of Debt	-	8,341	-	-	-
Dividend paid	-39,613	-22,316	-58,628	-67,003	-67,003
Other financing activities	-395	-535	-535	-535	-535
<b>Financing cash flow</b>	<b>40,842</b>	<b>70,904</b>	<b>11,243</b>	<b>11,443</b>	<b>11,643</b>
<b>Net change in cash flow</b>	<b>-3,026</b>	<b>2,509</b>	<b>2,566</b>	<b>13,717</b>	<b>28,101</b>
Opening C&CE	5,883	2,858	5,366	7,933	21,649
Closing C&CE	2,858	5,366	7,933	21,649	49,750

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: Key ratios**

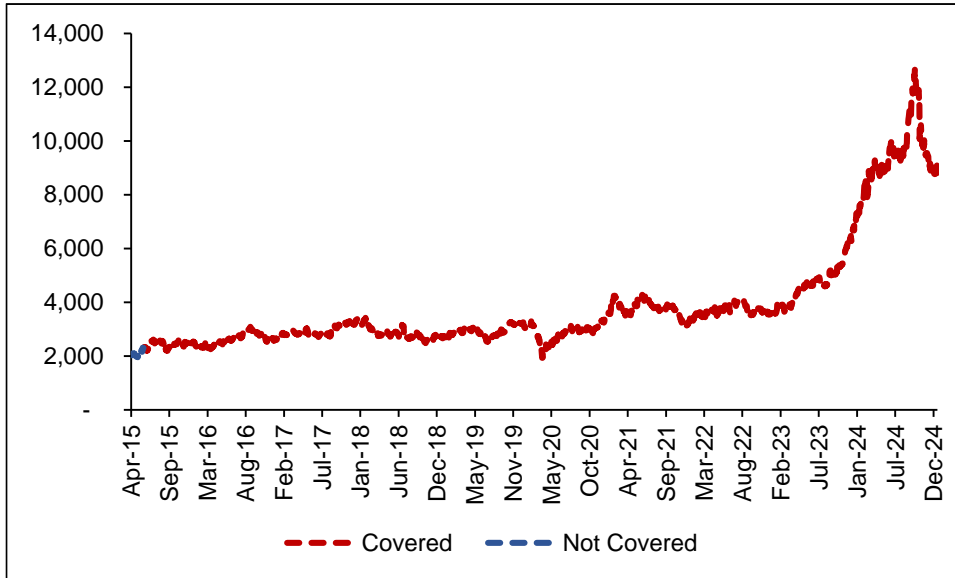
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share (Rs)</b>					
Adj EPS	198.9	268.1	295.0	338.5	387.3
Book value	910.7	890.5	975.5	1,074.0	1,221.3
DPS	140.0	80.0	210.0	240.0	240.0
<b>Valuation (x)</b>					
P/Sales	7.1	5.7	5.1	4.4	3.8
EV/EBITDA	38.2	28.4	24.1	20.7	17.7
P/E	45.1	33.4	30.4	26.5	23.1
P/BV	9.8	10.1	9.2	8.3	7.3
<b>Return ratios (%)</b>					
RoCE	18.5	24.6	26.1	27.7	28.3
RoCE (pre-tax)	24.3	32.3	34.9	36.9	37.8
RoE	22.1	30.1	30.2	31.5	31.7
RoIC	18.7	25.1	26.9	29.8	33.0
<b>Profitability ratios (%)</b>					
Gross margin	28.5	29.0	30.3	30.5	30.5
EBITDA margin	18.0	19.7	20.5	20.7	20.9
PAT margin	15.4	16.7	16.3	16.3	16.3
<b>Liquidity ratios (%)</b>					
Current ratio	1.0	0.8	0.9	1.1	1.3
Quick ratio	0.7	0.6	0.7	0.8	1.1
<b>Solvency ratio (%)</b>					
Net Debt to Equity ratio	(0.0)	0.0	0.0	(0.0)	(0.1)
<b>Turnover ratios</b>					
Fixed asset turnover ratio (x)	6.2	6.6	6.8	7.1	7.4
Debtor days	17.8	17.3	17.4	17.6	17.7
Inventory days	14.0	13.9	14.7	14.7	14.7
Creditor days	40.8	45.8	39.1	39.2	39.3
Net Working capital days	(9.0)	(14.6)	(7.1)	(6.9)	(6.9)

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 May 2015	Hold	2,302	2,401
27 July 2015	Hold	2,497	2,451
9 October 2015	Hold	2,431	2,451
26 October 2015	Hold	2,516	2,472
27 May 2016	Hold	2,505	2,594
29 July 2016	Hold	2,655	2,702
1 November 2016	Hold	2,884	3,042
1 February 2017	Hold	2,833	2,950
14 February 2017	Hold	2,801	3,117
19 May 2017	Hold	2,973	3,035
21 July 2017	Hold	2,815	3,022
23 October 2017	Hold	3,218	3,298
6 February 2018	Hold	3,186	3,376
22 May 2018	Hold	2,720	3,097
24 July 2018	Hold	2,684	2,820
26 October 2018	Buy	2,480	3,024
31 January 2019	Buy	2,500	3,024
29 July 2019	Hold	2,624	2,751
24 October 2019	Hold	3,159	3,107
28 January 2020	Hold	3,079	3,195
31 January 2020	Hold	3,142	3,195
30 March 2020	Buy	2,059	2,635
21 May 2020	Buy	2,556	2,982
23 July 2020	Buy	2,931	3,429
22 September 2020	Buy	2,982	3,671
23 October 2020	Buy	2,996	3,671
6 January 2021	Buy	3,490	4,141
22 January 2021	Buy	3,727	4,290
21 March 2021	Buy	3,650	4,250
30 April 2021	Buy	3,836	4,413
22 July 2021	Buy	3,853	4,413
7 October 2021	Buy	3,828	4,536
28 October 2021	Buy	3,700	4,308
6 January 2022	Buy	3,418	4,308
21 January 2022	Buy	3,308	4,200
29 April 2022	Hold	3,829	4,131
27 July 2022	Hold	3,883	4,216
16 October 2022	Buy	3,564	4,102
26 January 2023	Hold	3,717	4,136
26 April 2023	Hold	4,342	4,509
26 July 2023	Hold	4,840	5,036
19 Oct 2023	Hold	5,137	5,257
25 January 2024	Hold	7,213	6,871
18 July 2024	Sell	9,696	8,933
17 October 2024	Sell	11,617	9,983
6 January 2025	BUY	8,966	10,613

## Rating track graph



## DISCLOSURES

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### Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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