

## Healthy performance, valuations to limit the upside

**About the stock:** Bajaj Auto (BAL) is the second largest motorcycle manufacturer and largest 3-W OEM domestically. It also has a presence in export markets.

- Exports comprised ~38% of FY24 volumes; 2-W:3-W mix at ~86:14 (overall)
- Domestic market share: Motorcycle: 18.2% and 3-W: 67% (up 560 bps YoY)

**Q1FY25 Results:** Bajaj Auto reported healthy performance in Q1FY25 with EBITDA margins coming in ahead of street estimates. Total operating income for the quarter came in at ₹11,928 crore, up 16% YoY amidst 7% YoY growth in volumes at 11 lakh units. EBITDA for the quarter came in at ₹2,415 crore with EBITDA margins at 20.2% (flat QoQ). PAT in Q1FY25 stood at ₹1,988 crore (up 19% YoY). Notably company shared that spares now constitute ~11% of its quarterly sales and E-mobility constituted ~14% of sales (which includes both E-2W and E-3W)

### Investment Rationale:

- 2-W space to outperform industry in FY25, BAL a key beneficiary**  
Domestic auto industry has witnessed a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs and CV space in close proximity of its earlier peak. Volume recovery in 2-W space however has been lacklustre and is still below its pre-Covid highs. The recent prints however in 2W space are encouraging with Q1FY25 volumes up ~20% on YoY basis. On high base, industry commentary is cautious on the growth prospects in PV & CV space for FY25E, with 2-W emerging as a sole shining star and expected to outperform the industry, driven by both revival in domestic demand & bottoming out of export volumes. Bajaj Auto with prominent market share in this space is expected to be key beneficiary
- Stepping up play in alternate fuels including E-mobility:** Bajaj Auto was a late entrant to domestic e-mobility space. It however now has sizeable presence in this segment with Chetak brand gaining prominence in E-2W domain with a market share of ~12% in Q1FY25 & E-3W steadily moving up the volume ladder with market share of ~26% in the same timeframe. The company in the recent past has also launched world's first CNG motorcycle offering a range of ~330 km. Bajaj Auto has executed these plans in the most capital efficient way and continues to step up play in this alternate fuel ecosystem through series of product launches, opening of new stores and extension to new markets, which is structurally positive in nature thereby providing comfort on growth longevity.

### Rating and Target Price

- Bajaj Auto has successfully navigated the premiumisation drive in the domestic motorcycle segment. It has also made sizeable & calibrated entry in the EV space. However, it now trades at >25x PE to its core earnings which shall limit the stock price appreciation in our view. We assign HOLD rating on the stock and value Bajaj Auto at ₹ 9,875 on SoTP basis (FY26E)



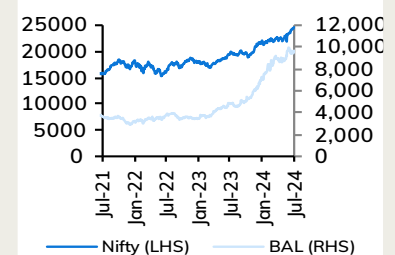
### Particulars

Particular	₹ crore
Market Capitalization	2,71,103
Total Debt (FY24)	834
Cash & Invsts (FY24)	19,788
EV	2,52,149
52 week H/L (₹)	10,039 / 4,541
Equity capital (₹)	279.2
Face value (₹)	₹ 10

### Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	55.0	55.0	55.0	55.1
FII	13.7	14.4	14.6	14.5
DII	9.6	9.0	8.7	8.5
Other	21.8	21.6	21.8	21.9

### Price Chart



### Recent event & key risks

- BAL reports healthy Q1FY25
- Key Risk: (i) lower than anticipated recovery in sales volume- export markets, (ii) any value unlocking event at its EV segment resulting in valuation pegging of its EV business

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### Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	29,919	27,741	33,145	36,428	44,685	8.1%	52,755	60,702	16.6%
EBITDA	5,096	4,928	5,259	6,549	8,823	12.1%	10,791	12,723	20.1%
EBITDA Margins (%)	17.0	17.8	15.9	18.0	19.7		20.5	21.0	
Net Profit	5,100	4,555	5,019	5,628	7,479	9.9%	8,810	10,274	17.2%
EPS (₹)	176.2	157.4	173.4	198.9	264.3		315.6	368.0	
P/E	55.1	61.7	56.0	48.8	36.7		30.8	26.4	
RoNW (%)	25.6	18.1	17.6	22.1	30.1		32.0	33.7	
RoCE (%)	23.9	18.2	18.4	24.3	32.3		36.7	39.5	

## Key takeaways of recent quarter

### Q1FY25 Results: Reports healthy performance

- Total operating income for the quarter came in at ₹11,928 crore, up 16% YoY amidst 7% YoY growth in volumes at 11 lakh units (2-W volumes at 9.5 lakh units while 3-W volumes at 1.5 lakh units).
- EBITDA for the quarter came in at ₹2,415 crore with corresponding EBITDA margins at 20.2% (flat QoQ). Margin performance at the company came in healthy amid selective commodity price increase (Aluminium, Copper, etc.) through calibrated cost optimization initiatives.
- PAT in Q1FY25 stood at ₹1,988 crore (up 19% YoY).

### Q1FY25 Earnings Conference Call highlights

- **Domestic 2-Wheeler:** BAL has ~25% of market share in the 125cc+ motorcycle segment, which is only 2% short of being the leader in this space. The major contribution comes from 150 cc+ segment, where the market share has reached to ~40%, driven by Pulsar portfolio. It currently has ~15% market share in the 100cc to 125cc segment.
- **Chetak and Triumph:** Chetak is currently in the number three position in June'24, driven by Chetak 2901, which was launched at the price range of ₹ 96,000 to ₹ 1 lakh. It plans to expand its distribution from 250 stores in June'24 to 500 stores by July'24 and then 1000 stores by Sept'24. Its overall market share in E-2 Wheeler was 12% in Q1FY25, while it has more than 20% market share in the above ₹ 1 lakh category. BAL has sold over 60,000 units of triumph bikes, generating revenue of ₹ 1,200 crore in 1 year period.
- **Export Segment:** Export segment reported a revenue of \$460 million, 16% YoY growth in Q1FY25. LATAM grew by 26% YoY, reporting the highest sales for the quarter driven by market share gains. The Africa market was down by 40% YoY, whereas the Middle East and Latin American markets were up 20% and 70% YoY in this quarter. Exports of Qute to Egypt commenced in Q1FY25. The first oversea assembling facility in Brazil, with an annual capacity of 20,000 units, was commissioned in Q1FY25 and is scalable to 50,000 units per annum.
- **Domestic 3-Wheeler:** The overall market share of domestic 3-wheeler has reached 78% in Q1FY25. Growth is expected to be driven by e-auto, which has expanded its market share to 26%, up by 9% YoY. E-3 Wheeler currently constitute 9%-10% of the overall 3-wheeler portfolio.
- **Raw Material:** BAL witnessed an uptick in raw material prices such as aluminium, copper, rubber, rhodium, and platinum, whereas other raw material such as steel, nickel, lead, and palladium witnessed a relief in the quarter. The currency remained stable, with realization coming at USD: INR 83.4 in Q1FY25 as compared to 83 in Q4FY24 and 82 in Q1FY24. It expects a 50 to 70 bps rise in cost, particularly in aluminium and copper and, has made a slight price adjustment to mitigate the impact.
- **Guidance:** BAL expects the domestic 2-W industry to grow by 6% to 8% in FY25 and expects 125cc segment to grow higher than the industry. It expects the export business in Q2FY25 to be better than Q1FY25.
- **Others:** BAL's surplus cash stood at ₹ 16,700 crore by the end of June'24, thereby adding ₹1,750 crore in Q1FY25. Capex for FY25 will be ₹700 to 800 crore and largely allocated towards a new electric three-wheeler facility in Waluj. Financial penetration in the motorcycles and 3-wheeler segments has reached ~75% and ~90%, respectively.

**EV portfolio, which comprises of E-2W and E-3W, currently contribute 14% of the overall BAL's revenue.**

**BAL has recently launched the Freedom 125, which is the world first CNG bike, targeting an addressable market size of 4.5-5 lakh units per month. It will have a phased launch, starting with commencement of Maharashtra and Gujarat, followed by Delhi and Kolkata by Q2FY25. It will have an initial capacity of 10,000 units per month in Q2FY25 and plans to scale up to 40,000 units per month by Q4FY25.**

## Key tables and charts

### Exhibit 1: Quarterly Analysis

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Total Operating Income	11,928	10,310	15.7	11,485	3.9	Topline at Bajaj Auto grew 16% YoY led by 7% growth in volumes at ~11 lakh units
Raw Material Expenses	8,353	7,413	12.7	8,070	3.5	RM costs were contained and was flat QoQ
Employee Expenses	435	384	13.2	387	12.3	
Other Expenses	732	579	26.4	736	-0.5	Other expenses came in marginally higher
EBITDA	2,415	1,954	23.6	2,306	4.7	
EBITDA Margin (%)	20.2	19.0	130 bps	20.1	17 bps	EBITDA margins for the quarter stood at 20.2%
Other Income	321	346	-7.3	349	-8.0	
Depreciation	94	84	12.2	91	3.5	
Interest	21	12	70.8	23	-9.3	
PBT	2622	2205	18.9	2542	3.2	PBT grew 19% YoY to ₹ 2,622 crore
Total Tax	634	540	17.3	606	4.6	
Reported PAT	1988	1665	19.4	1936	2.7	PAT grew 19% YoY to ₹ 1,988 crore
EPS (₹)	71.2	58.8	21.0	68.4	4.1	
<b>Key Metrics</b>						
Blended ASP (₹/ unit)	1,04,780	97,805	7.1	1,04,610	0.2	ASP's were broadly flat QoQ at ₹ 1.05 lakh/unit

Source: Company, ICICI Direct Research

### Exhibit 2: Assumptions

Units (lakh)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	37.3	41.3	46.2
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	6.2	6.8	7.4
<b>Total volumes</b>	<b>50.2</b>	<b>46.2</b>	<b>39.7</b>	<b>43.1</b>	<b>39.3</b>	<b>43.5</b>	<b>48.0</b>	<b>53.6</b>
Export volumes	20.8	21.7	20.5	25.1	18.2	16.4	18.0	20.7
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	29,377	34,246	38,754
Export revenues (\$ mn)	1,642	1,677	1,694	2,298	1,847	1,716	2,024	2,374
US\$INR Realisation rate	70	71	74	75	80	83	84	85
Export ASP (\$/unit)	790	772	822	917	1012	1049	1124	1146
<b>Blended ASP (₹/unit)</b>	<b>58,905</b>	<b>63,077</b>	<b>68,295</b>	<b>74,589</b>	<b>90,070</b>	<b>1,00,160</b>	<b>1,06,638</b>	<b>1,09,878</b>

Source: ICICI Direct Research

### Exhibit 3: Change in Estimates

Change in estimates	FY25E			FY26E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	54,083	52,755	-2.5	61,918	60,702	-2.0	Our estimates get downward revised due to slower than anticipated export recovery. We expect topline at Bajaj Auto to grow at 16.6% CAGR over FY24-26E
EBITDA	11,184	10,791	-3.5	13,023	12,723	-2.3	
EBITDA Margin (%)	20.7	20.5	-22 bps	21.0	21.0	-7 bps	Broadly retained margin estimates
PAT	9,239	8,810	-4.6	10,597	10,274	-3.0	
EPS (₹)	331	316	-4.6	380	368	-3.0	PAT estimates stage a marginal downgrade in the range of 3-5% due to decline in sales

Source: ICICI Direct Research

### Exhibit 4: SOTP valuation

SOTP Valuation	Estimated value	Per share (₹)	Remark
<b>Core Business</b>			
FY26E EPS (₹)	368.0		
PE Multiple (x)	26.5		Ahead of long period averages
<b>Value per share (₹, A)</b>		<b>9,750</b>	
<b>Market Capitalisation of PMAG (₹ crore)</b>	<b>9,544</b>		PMAG houses KTM AG
BAL's effective stake (%)	36.7		
BAL's stake value (₹ crore)	3,503		
<b>Value per share (₹, B)</b>		<b>125</b>	
<b>Total Value per Share (₹, A+B)</b>		<b>9,875</b>	

Source: ICICI Direct Research

## Financial Summary

Exhibit 5: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
Total operating Income	36,428	44,685	52,755	60,702	
Growth (%)	9.9	22.7	18.1	15.1	
Raw Material Expenses	26,055	31,743	37,113	42,626	
Employee Expenses	1,445	1,538	1,714	1,881	
Other expenses	2,407	2,629	3,163	3,504	
Total Operating Expenditure	29,878	35,862	41,964	47,979	
<b>EBITDA</b>	<b>6,549</b>	<b>8,823</b>	<b>10,791</b>	<b>12,723</b>	
Growth (%)	24.5	34.7	22.3	17.9	
Depreciation	282	350	396	440	
Interest	39	54	58	52	
Other Income	1,181	1,402	1,320	1,377	
PBT	7,409	9,822	11,657	13,608	
Total Tax	1,781	2,343	2,847	3,334	
<b>PAT</b>	<b>5,628</b>	<b>7,479</b>	<b>8,810</b>	<b>10,274</b>	
Growth (%)	12.1	32.9	17.8	16.6	
<b>EPS (₹)</b>	<b>199</b>	<b>264</b>	<b>316</b>	<b>368</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
Profit after Tax	5,628	7,479	8,810	10,274	
Add: Depreciation	282	350	396	440	
Sub: Other Income	1,181	1,402	1,320	1,377	
(Inc)/dec in Current Assets	272	-776	-1,443	-962	
Inc/(dec) in CL and Provisions	453	1,559	924	1,013	
<b>CF from operating activities</b>	<b>5,548</b>	<b>8,397</b>	<b>7,723</b>	<b>9,734</b>	
(Inc)/dec in Investments	1,810	-390	-100	-1,200	
(Inc)/dec in Fixed Assets	-1,169	-778	-765	-765	
Others	-763	-1,118	-1,045	-1,045	
Add: Other Income	1,181	1,402	1,320	1,377	
<b>CF from investing activities</b>	<b>1,059</b>	<b>-883</b>	<b>-590</b>	<b>-1,633</b>	
Inc/(dec) in loan funds	0	834	-500	-250	
Dividend paid & dividend tax	-3,961	-2,264	-6,142	-7,259	
Inc/(dec) in Sec. premium	0	0	0	0	
Others	-2,949	-5,834	-72	-66	
<b>CF from financing activities</b>	<b>-6,910</b>	<b>-7,264</b>	<b>-6,714</b>	<b>-7,575</b>	
Net Cash flow	-302	251	418	526	
Opening Cash	588	286	537	955	
<b>Closing Cash</b>	<b>286</b>	<b>537</b>	<b>955</b>	<b>1,481</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	283	279	279	279	
Reserve and Surplus	25,143	24,581	27,235	30,236	
<b>Total Shareholders funds</b>	<b>25,426</b>	<b>24,860</b>	<b>27,514</b>	<b>30,515</b>	
Total Debt	0	834	334	84	
Deferred Tax Liability	345	507	507	507	
Other non-current liabilities	0	0	0	0	
<b>Total Liabilities</b>	<b>25,930</b>	<b>26,359</b>	<b>28,523</b>	<b>31,283</b>	
<b>Assets</b>					
Gross Block	5,695	6,546	7,273	8,023	
Less: Acc Depreciation	3,009	3,359	3,755	4,195	
Net Block	2,685	3,187	3,519	3,829	
Capital WIP	82	28	50	50	
<b>Total Fixed Assets</b>	<b>2,767</b>	<b>3,214</b>	<b>3,569</b>	<b>3,879</b>	
Investments	22,923	24,493	25,593	27,793	
Inventory	1,398	1,696	2,168	2,495	
Debtors	1,776	2,122	2,891	3,326	
Loans and Advances	4	3	4	4	
Other current assets	988	1,120	1,322	1,521	
<b>Cash</b>	<b>286</b>	<b>537</b>	<b>955</b>	<b>1,481</b>	
Total Current Assets	4,451	5,478	7,339	8,827	
Creditors	4,074	5,610	6,504	7,484	
Provisions	166	188	218	251	
Other current liabilities	511	1,542	1,820	2,095	
Total Current Liabilities	5,198	7,892	9,114	10,421	
<b>Net Current Assets</b>	<b>-747</b>	<b>-2,414</b>	<b>-1,775</b>	<b>-1,594</b>	
Deferred Tax asset	0	0	0	0	
<b>Application of Funds</b>	<b>25,930</b>	<b>26,359</b>	<b>28,523</b>	<b>31,283</b>	

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios					
(Year-end March)	FY23	FY24	FY25E	FY26E	
<b>Per share data (₹)</b>					
EPS	199	264	316	368	
Cash EPS	209	277	330	384	
BV	899	879	985	1,093	
DPS	140	80	220	260	
Cash Per Share	10	19	34	53	
<b>Operating Ratios (%)</b>					
EBITDA Margin	18.0	19.7	20.5	21.0	
PBT / Net sales	17.2	19.0	19.7	20.2	
PAT Margin	14.7	15.0	16.0	16.1	
Inventory days	14.0	13.9	15.0	15.0	
Debtor days	17.8	17.3	20.0	20.0	
Creditor days	40.8	45.8	45.0	45.0	
<b>Return Ratios (%)</b>					
RoE	24.3	32.3	36.7	39.5	
RoCE	22.1	30.1	32.0	33.7	
RoIC	95.8	132.7	130.0	136.1	
<b>Valuation Ratios (x)</b>					
P/E	48.8	36.7	30.8	26.4	
EV / EBITDA	38.5	28.6	23.3	19.6	
EV / Net Sales	6.9	5.6	4.8	4.1	
Market Cap / Sales	7.4	6.1	5.1	4.5	
Price to Book Value	10.8	11.1	9.9	8.9	
<b>Solvency Ratios</b>					
Current Ratio	0.9	0.7	0.7	0.7	
<b>Quick Ratio</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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