

## Bajaj Auto

BUY

Choice

- In Q4FY24, Bajaj Auto delivered a decent set of performance supported by better dollar realization and superior product mix in domestic market. Revenue during the quarter was up by 29% to Rs.114bn (vs est of Rs.109bn) backed by 24.3% growth in volume and 3.2% increase in ASP on YoY basis. Operating leverage and cost reduction efforts helped to expand the margin by 80bps on YoY basis to 20.1% (est of 19.4%). EBITDA grew by 34.4% to Rs.23.1bn (est Rs21.22bn). EBITDA/Vehicle continues to improve to Rs. 21,582/ vehicle by 8% YoY attributed to better domestic sales mix. PAT for the quarter jumped by 35% YoY to Rs. 19.4bn vs est of Rs.18.1bn
- In export market company categorizes its key export markets in three broad categories to improve the export like focusing more on stress market, launching new models in growing markets and expanding network. However, dollar availability is still a major concern in key export market.
- In EV segment, company is looking launch new chetak model and aiming to increase geographical presence along with augmenting supply chain capability and product interventions all in the pipeline to further scale up business and bolster competitive play.
- CNG launch will enable Bajaj to gain market share in commuter segment which is the largest market of 2W on volume basis. Company already received a certification of 2W CNG/Petrol mix bikes. Given the increasing fuel prices and vehicle prices which impacted the TCO of entry level bikes, the segment has underscore the industry growth post Covid. With the launch of CNG based fuel vehicle we expect Bajaj to up lift the entry level in medium term. Further increasing CNG station will also help adoption of CNG based 2W for mass transportation. We believe this will help Bajaj to further improve its market share in 2W segment.
- On long term basis company will focus on five key areas such as Growth in the 125cc segment, maintaining 80% market share in 3-wheelers (3W), Recovery and steady growth in the export market, Increased sales of the Chetak with network expansion, scaling up Triumph production and focusing on exporting the new middleweight bike starting from December-January will open the new growth phase for the company.
- View & Valuation:** We remain positive on the growth story of Bajaj auto supported by 1) increasing emphasis on export market to improve sales; 2) increasing mix of 125+ CC portfolio; 3) successful launch of Triumph in new product category; 4) aggressive launch plan in CNG based 2W, launches in CNG and electric variant and 5) expanding network for CNG and E-auto. Given the increasing share of premium product portfolio like Triumph, healthy growth in EV portfolio (2W+3W) and improving profitability of chetak, we continue to maintain our **BUY** rating on the stock. We value the stock using SOTP-based methodology with a TP of Rs. 9,612 (26x FY26E core EPS + KTM stake + Cash).

## Quarterly performance

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Volumes (in units)	10,68,576	8,59,731	24.3	12,00,997	(11.0)
Net Sales	1,14,847	89,047	29.0	1,21,135	(5.2)
Material Expenses	80,702	62,135	29.9	86,096	(6.3)
Gross Profit/vehicle	31,954	31,303	2.1	29,175	9.5
Employee Expenses	3,872	3,620	7.0	3,846	0.7
Other Operating Expenses	7,210	6,126	17.7	6,895	4.6
EBITDA	23,063	17,166	34.4	24,299	(5.1)
Depreciation	906	742	22.1	881	2.8
EBIT	22,157	16,424	34.9	23,418	(5.4)
Interest Cost	228	157	44.7	121	88.3
PBT	25,416	18,865	34.7	26,758	(5.0)
RPAT	19,360	14,329	35.1	20,419	(5.2)
APAT	19,360	14,329	35.1	20,419	(5.2)
Adj EPS (Rs)	68.4	50.6	35.2	72.1	(5.1)

Margin Analysis	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
EBITDA/Vehicle	21,582	19,966	8.1%	20,232	6.7%
Material Exp % of Sales	70.3	69.8	49.2	71.1	(80.5)
Employee Exp. % of Sales	3.4	4.1	(69.4)	3.2	19.7
Other Op. Exp % of Sales	6.3	6.9	(60.2)	5.7	58.6
EBITDA Margin (%)	20.1	19.3	80.4	20.1	2.2
Tax Rate (%)	23.8	24.0	(21.9)	23.7	13.7
APAT Margin (%)	16.9	16.1	76.6	16.9	0.1

Source: Company, CEBPL

April 19, 2024	
CMP (Rs)	9,018
Target Price (Rs)	9,612
Potential Upside (%)	6.6

## Company Info

BB Code	BJAUT IN EQUITY
ISIN	INE917I01010
Face Value (Rs.)	10
52 Week High (Rs.)	9,356
52 Week Low (Rs.)	4,177
Mkt Cap (Rs bn.)	2,517.6
Mkt Cap (\$ bn.)	30.2
Shares o/s (Mn.)/Free Float	283.2/36
Adj. TTM EPS (Rs)	258
FY26E EPS (Rs)	354.2

## Shareholding Pattern (%)

	Dec-23	Sep-23	June-23
Promoters	54.95	54.99	54.99
FII's	14.64	14.37	13.67
DII's	8.66	9.03	9.56
Public	21.75	21.61	21.78

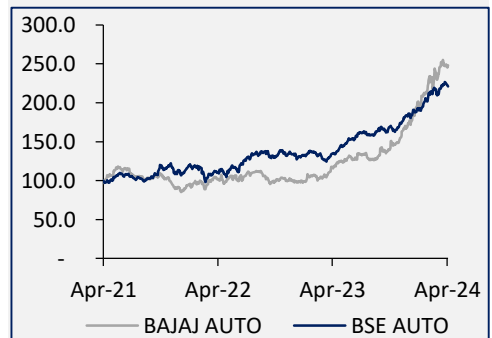
## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE AUTO	121.17	100.10	63.97
BAJAJ	148.03	143.09	114.20

## Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	446.9	513.1	575.1
Gross Profit	129.4	153.3	171.1
EBITDA	88.2	108.3	121.9
EBITDA (%)	19.7	21.1	21.2
EPS (INR)	264.1	314.3	354.2

## Rebased Price Performance



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## Changes in Estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	5,13,054	5,06,799	1.2	5,75,101	5,67,750	1.3
EBITDA	1,08,344	1,03,976	4.2	1,21,924	1,17,734	3.6
EBITDA margin(%)	21.1	20.5	61.7bps	21.2	20.7	50.1bps
APAT	89,004	85,286	4.4	1,00,303	96,927	3.5
EPS	314.3	301.40	4.3	354.2	342.50	3.4

Source: Company, CEBPL

## SoTP Based Valuation

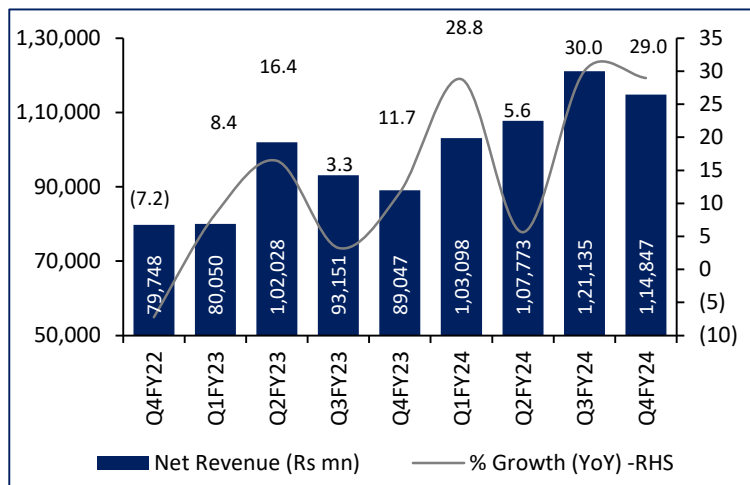
Particular	Value
FY26E Core EPS (Rs/share)	308
Target P/E (x)	26
Base business (Rs) (a)	8,009
Per share value of KTM (b)	364
FY26E Cash/share (Rs) (c)	1,239
<b>Target price (a+b+c) (Rs/share)</b>	<b>9,612</b>

Source: Company, CEBPL

## Management Call - Highlights

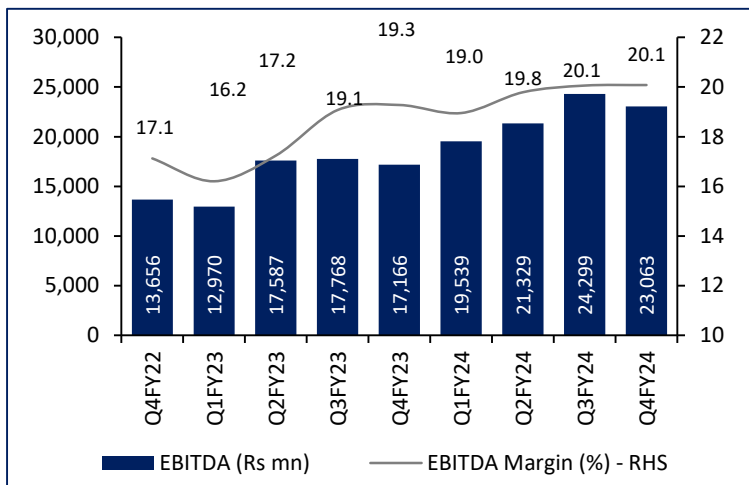
- Management anticipates a robust 7-8% growth in the domestic industry, but the company aims to outpace industry growth. However, currency challenges persist in emerging markets.
- Despite subdued export market conditions, Q4 performance exceeded expectations.
- Stress markets like Nigeria, Bangladesh, Kenya, and Argentina continue to pose challenges in the export sector.
- Recovery market: Initiatives are focused on aggressive marketing efforts in Latin America and Asia.
- New market: The company eyes Brazil as a promising market with potential pent-up demand for its products and eyeing to foray into the European market and expanding sales in Egypt market as well.
- New product launches are on the horizon, including the introduction of the Big Pulsar and the company's inaugural CNG bike for commuters.
- With a commanding 74% market share in 3Ws, the company plans to expand into e-3Ws and premium segments with innovative models.
- PLI certificates have been secured for all five electric models, making them eligible for incentives.
- Efforts to clear safety standards for CNG transition signify the company's commitment to diversifying its product offerings.
- Expansion into the premium segment with new versions of existing models demonstrates a commitment to meeting evolving customer preferences.
- Continuous expansion of the e-3W market presence underscores the company's dedication to sustainable mobility solutions.
- Despite investments in the EV segment, margin realization and operating leverage have improved, signaling prudent cost management strategies.
- Spare revenue amounted to Rs. 1300 crore in Q4FY24, reflecting robust financial performance.
- The company maintains a healthy cash balance of around Rs. 16,000 crore in FY24, providing a strong foundation for future investments.
- Going forward, the company plans to invest Rs. 2200 crore in a new financial subsidiary in a phased manner. This new entity will specifically fund 2Ws and 3Ws, indicating strategic expansion initiatives in the financial domain to support product growth.
- Plans are in place to ramp up international expansion for Triumph bikes.
- CNG transition in terms of safety is already cleared by Bajaj auto. Company is targeting the commuter segment by launching CNG based 2W which can run on dual fuel mix.
- Anticipated peaks in new product launches from the Pulsar family and other products in First half of FY25.
- Margin expansion over last year was led by operating leverage, favorable mix and dollar realization.

Revenue grew by 29% YoY



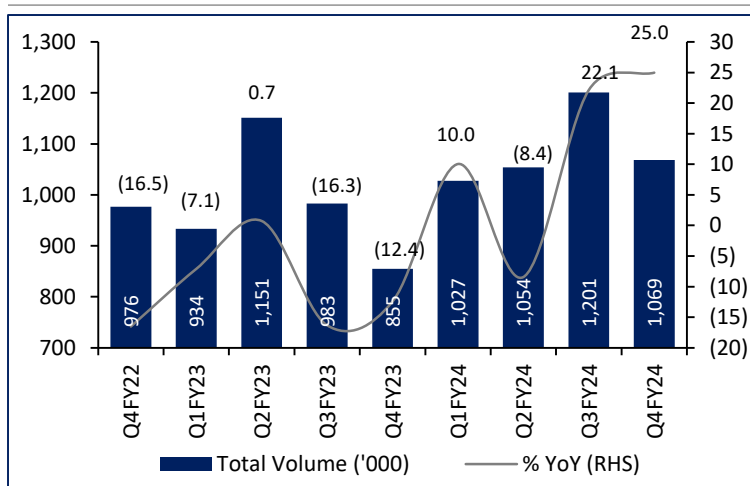
Source: Company, CEBPL

Margin improved 80bps YoY



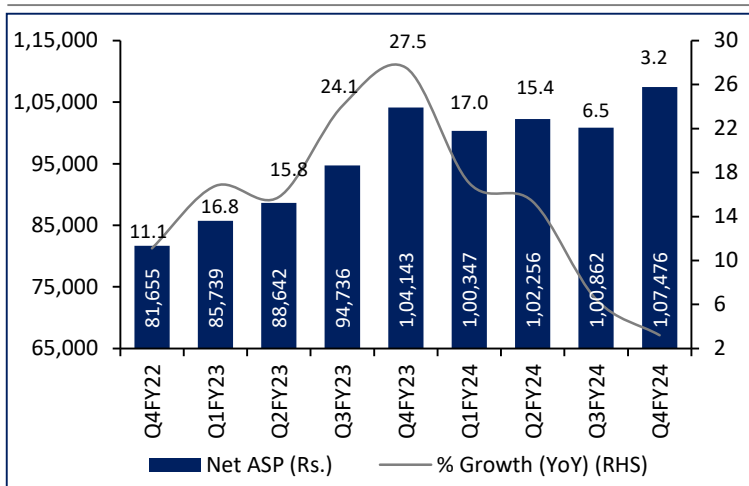
Source: Company, CEBPL

Volume grew 24% on YoY basis



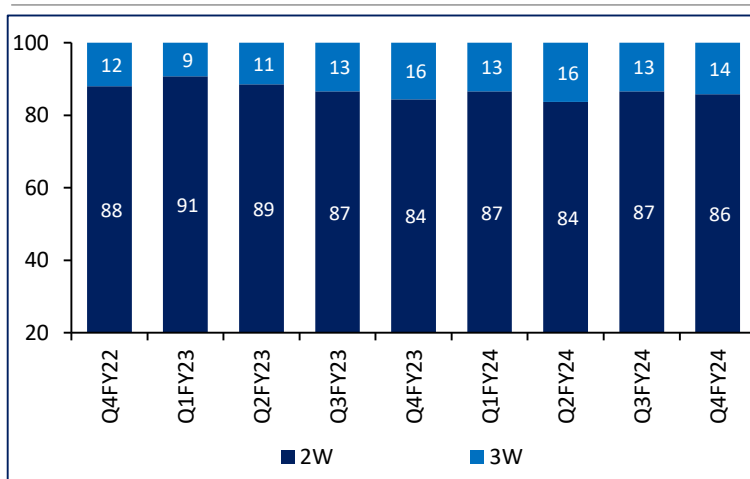
Source: Company, CEBPL

ASP grew 3.2% YoY



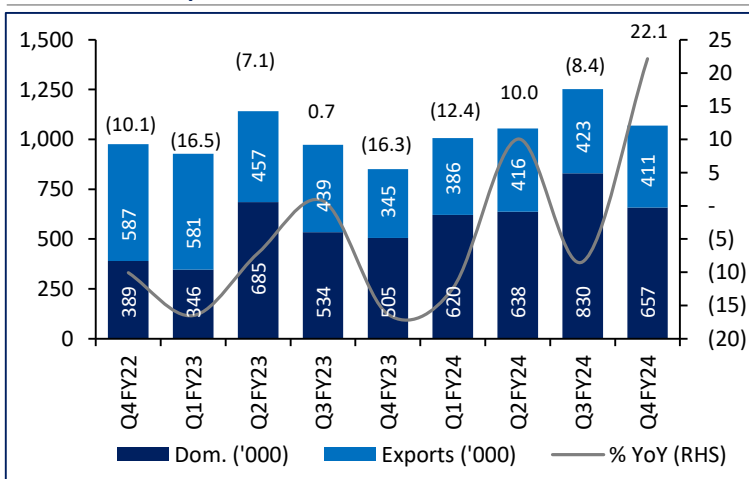
Source: Company, CEBPL

2/3W sales mix (%)



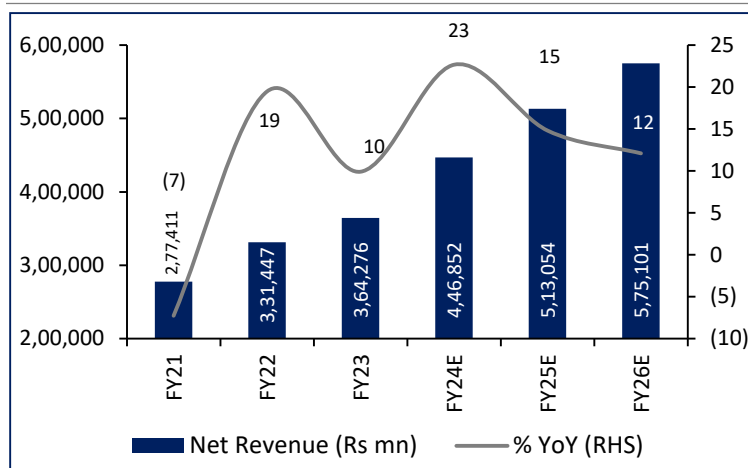
Source: Company, CMIE, CEBPL

Domestic and Export volume trend



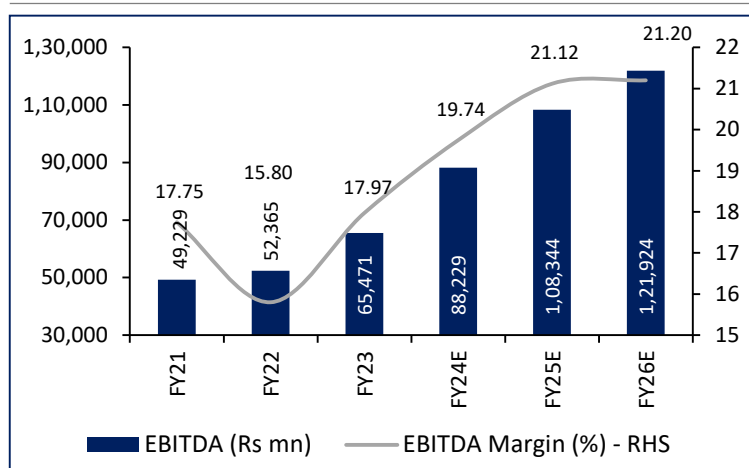
Source: Company, CEBPL

Revenue to grow at 16.4% CAGR over FY23-26E



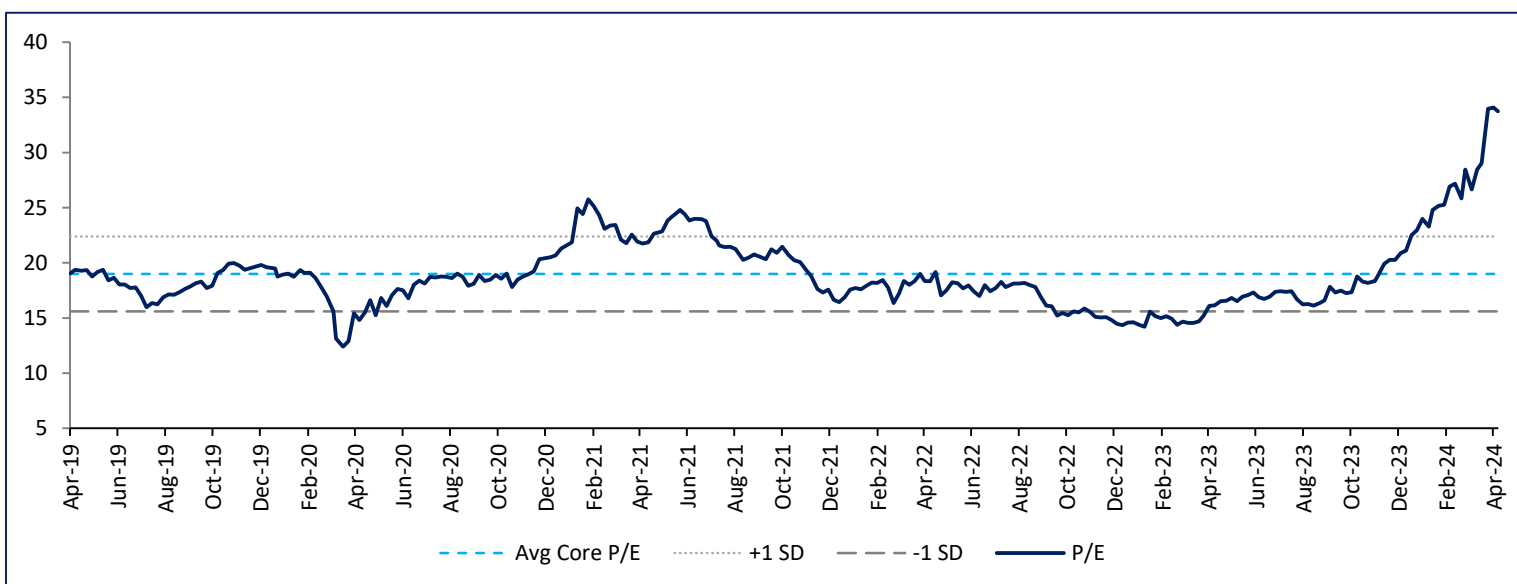
Source: Company, CEBPL

EBITDA margin to improve led by better mix



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

## Income statement (Standalone in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	3,31,447	3,64,276	4,46,852	5,13,054	5,75,101
Gross profit	88,149	1,03,729	1,29,418	1,53,344	1,71,093
EBITDA	52,365	65,471	88,229	1,08,344	1,21,924
Depreciation	2,692	2,824	3,498	3,726	3,985
EBIT	49,674	62,647	84,731	1,04,618	1,17,940
Interest expense	87	395	535	535	535
Other Income (Including EO Items)	12,314	11,814	14,025	15,707	17,592
Reported PAT	50,189	56,256	74,788	89,004	1,00,303
Minority Interest	-	-	-	-	-
Adjusted PAT	50,189	56,256	74,788	89,004	1,00,303
EPS (Rs)	173	199	264	314	354
NOPAT	38,323	47,583	64,517	77,731	87,629

## Balance sheet (Standalone in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	2,66,688	2,54,259	2,48,605	2,88,902	3,40,215
Minority Interest	-	-	-	-	-
Deferred tax	4,033	3,452	5,069	5,069	5,069
Total debt	-	-	8,341	-	-
Other liabilities & provisions	1,604	1,586	1,575	1,582	1,589
<b>Total Net Worth &amp; liabilities</b>	<b>2,72,325</b>	<b>2,59,297</b>	<b>2,63,590</b>	<b>2,95,554</b>	<b>3,46,873</b>
Net Fixed Assets	18,340	27,160	31,987	33,080	33,845
Capital Work in progress	768	819	243	750	800
Investments	2,38,188	2,29,233	2,44,925	2,76,632	3,39,128
Cash & bank balance	5,883	2,858	5,366	(9,253)	(20,761)
Loans & Advances & other assets	11,670	9,554	10,575	10,863	11,150
Net Current Assets	3,359	(7,470)	(24,140)	(25,771)	(38,050)
<b>Total Assets</b>	<b>2,72,325</b>	<b>2,59,297</b>	<b>2,63,590</b>	<b>2,95,554</b>	<b>3,46,873</b>
Capital Employed	2,66,688	2,54,259	2,56,946	2,88,902	3,40,215
Invested Capital	2,54,921	2,48,544	2,46,213	3,07,408	3,81,738
Net Debt	(5,883)	(2,858)	2,974	9,253	20,761
FCFF	36,900	47,055	67,034	90,030	1,17,895

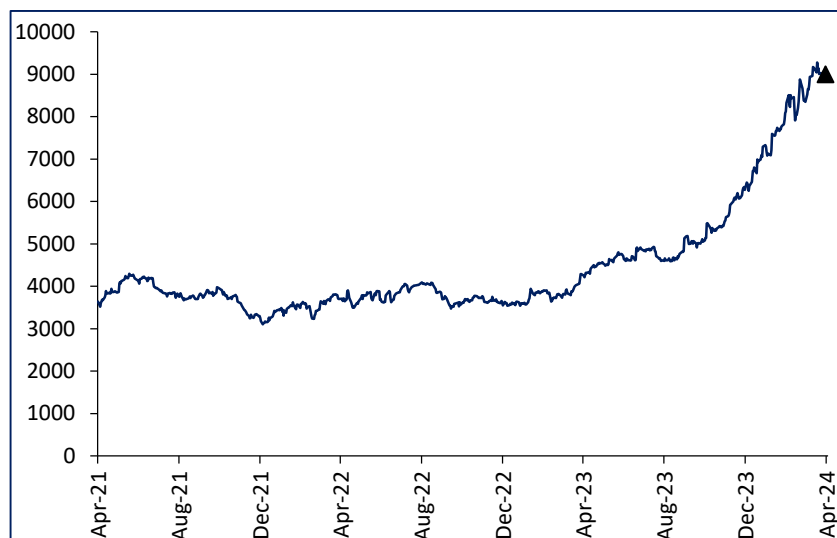
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	42,076	55,119	74,783	95,356	1,22,695
Capex	(5,176)	(8,064)	(7,749)	(5,326)	(4,800)
FCF	36,900	47,055	67,034	90,030	1,17,895
CFI	(959)	13,338	(5,233)	(37,034)	(67,295)
CFF	(40,563)	(71,789)	(63,180)	(57,582)	(49,525)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Ratios (%)</b>					
Revenue	19.5	9.9	22.7	14.8	12.1
EBITDA	6.4	25.0	34.8	22.8	12.5
PAT	10.2	12.1	32.9	19.0	12.7
<b>Margin ratios (%)</b>					
EBITDA	15.8	18.0	19.7	21.1	21.2
PAT	15.1	15.4	16.7	17.3	17.4
<b>Performance Ratios (%)</b>					
OCF/EBITDA (X)	0.8	0.8	0.8	0.9	1.0
OCF/IC	16.5	22.2	30.4	31.0	32.1
RoE	18.8	22.1	30.1	30.8	29.5
ROCE	18.6	24.6	33.0	36.2	34.7
RoIC (Post tax)	15.0	19.1	26.2	25.3	23.0
ROIC (Pre tax)	19.5	25.2	34.4	34.0	30.9
Fixed asset Turnover (x)	9.5	8.0	7.6	7.9	8.6
<b>Turnover Ratios (Days)</b>					
Inventory	14	14	14	11	11
Debtor	17	18	17	18	18
Payables	40	41	46	41	41
Cash Conversion Cycle	(3)	(10)	(24)	(20)	(20)
<b>Financial Stability ratios (x)</b>					
Net debt to Equity	(0.0)	(0.0)	0.0	0.0	0.1
Net debt to EBITDA	(0.1)	(0.0)	0.0	0.1	0.2
Interest Cover	573.6	158.7	158.4	195.5	220.4
<b>Valuation metrics</b>					
Fully diluted shares (mn)	289.4	283.0	283.2	283.2	283.2
Price (Rs)	9018	9018	9018	9018	9018
Market Cap(Rs. Mn)	26,09,539	25,51,733	25,53,717	25,53,717	25,53,717
PE(x)	52	45	34.1	28.7	25.5
EV (Rs.mn)	26,03,655	25,48,876	25,56,692	25,62,970	25,74,479
EV/EBITDA (x)	50	39	29	24	21
Book value (Rs/share)	922	899	878	1,020	1,201
Price to BV (x)	9.8	10.0	10.3	8.8	7.5
EV/OCF (x)	62	46	34	27	21

Source: Company, CEBPL

## Historical recommendations and target price: Bajaj Auto



### Bajaj Auto

1.	31-03-2022	OUTPERFORM,	Target Price 4,239
2.	28-04-2022	ADD,	Target Price 4,230
3.	28-07-2022	ADD,	Target Price 4,325
4.	17-10-2022	ADD,	Target Price 4,078
5.	26-01-2023	ADD,	Target Price 4,115
6.	26-04-2023	ADD,	Target Price 4,519
7.	25-07-2023	ADD,	Target Price 5,241
8.	19-10-2023	ADD,	Target Price 5,733
9.	25-01-2024	ADD,	Target Price 7,860
10.	19-04-2024	BUY,	Target Price 9,612

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<b>BUY</b>	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
<b>REDUCE</b>	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
<b>SELL</b>	The security expected to show Below 0% next 12 months

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