NO CHANGE

AXIS SECURITIES

Bajaj Auto Ltd

Q2 EBITDA Inline; Positives Largely Factored in Rich Valuations

Recommendation: HOLD | Reco Price: 11617 | TP: 11950 | Upside: 3% HOLD

Est. Vs. Actual for Q2FY25: Revenue – INLINE; EBITDA Margin – INLINE; PAT – MISS

Change in Estimates post Q2FY25:

FY25E/FY26E: Revenue -0.1%/0.0%; **EBITDA 0.**1%/0.5%; **PAT** -2.1%/0.4%

Recommendation Rationale

- **Domestic Growth Drivers:** The domestic 2W industry is expected to grow in the high single digits in FY25, with stronger growth in 125 cc motorcycles. Bajaj, with its presence in multiple power trains – petrol, CNG, and EVs – is projected to achieve a higher growth rate of 11-12% YoY. The company has lined up new launches from Nov'24 onwards which includes new e2W and e3W variants.
- **Steady revival in Exports Market**: Q2FY25 reported 7%/8% YoY/QoQ volume growth in the exports market. While exports to Latin America grew by upto 20% YoY; Asia was flat and Africa (mainly Nigeria) saw a 9% YoY decline in volumes. The company seeks to invest $10 Mn (Rs 84 Cr) in the Brazil plant thereby scaling production upto 35,000 units from existing 20,000 units annually. The export revenue was Rs 4,200 Cr in Q2.
- **EBITDA Margins:** Going forward, we expect EBITDA margins of around 20% over FY25-26E, as higher commodity prices are likely to be offset by potential economies of scale in the EV business. In Q2FY25, the overall EV business was EBITDA neutral, with the drag in the e2W segment being offset by profits in the e3W segment.

Sector Outlook: Positive

Company Outlook & Guidance: After a ~13.4% YoY growth in FY24, the 2W domestic industry is expected to grow by 7-8% YoY in FY25. RM inflation, particularly in commodities like Copper, Aluminium, and precious metals, has been rising in Q2FY25 and requires close monitoring as it may hinder further improvements in EBITDA margins.

Current Valuation: 28x P/E on core Mar'27E EPS plus PMAG stake and cash reserves at 1x book value (earlier 24x PE on Mar'26 EPS)

Current TP: **Rs 11,950/share** (Earlier TP: Rs 9,790/share)

Recommendation: We maintain our **HOLD** rating on the stock.

HCL Technologies Ltd

Strong Results; Better Execution Est. Vs. Actual for Q2FY25

Recommendation: BUY | Reco Price: 1856 | TP: 2045 | Upside: 10%

Est. Vs. Actual for Q2FY25: Revenue – BEAT; EBITDA Margin – BEAT; PAT – INLINE; Deal Wins – BEAT

Changes in Estimates post Q2FY25

FY25E/FY26E: Revenue 1%/1%; **EBITDA Margins** 1%/1%; **PAT** 2%/2%

Recommendation Rationale

- **Long-term demand remains resilient:** The long-term demand scenario for the IT sector remains strong, and it is expected to regain momentum in H2FY25 and beyond. However, near-term demand remains uncertain, leading to ambiguity around growth momentum in the immediate future.
- **Secured deals to support medium-term demand momentum:** The management remains confident of gaining medium-term demand momentum, supported by the deals it secured in previous quarters.
- **Margins to remain stable:** The management foresees stability in the company's margins going forward.
- **Robust deal wins:** Deal wins remain in line with expectations at $2.2 Bn, with 24 large deals, including 11 deals involving Generative AI.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Revenue growth is expected to be in the range of 3.5%– 5% YoY in CC. The management has retained its EBIT margin guidance of 18.0%–19.0%

Current Valuation: 25x FY26E P/E; Earlier Valuation: 21x FY26E P/E

Current TP: **2,045/share** (**Earlier TP: Rs 1,730/share**)

Recommendation: We believe there are early signs of improvement in the demand environment and expect demand to pick up. Additionally, supply-side constraints are likely to ease in the medium term. **Therefore, we maintain our BUY recommendation on the stock.**