

HSIE Results Daily

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Bajaj Auto

Good show but headwinds ahead

Bajaj Auto's Q4 PAT at INR19.4bn was ahead of our estimate of INR 17.7bn, driven by soft commodity prices and a better mix in the export markets. While BAL has posted a healthy performance in FY24, it is unlikely to sustain it, as (1) exports will take longer to revive in key markets of Africa and Latin America since they remain stressed due to inflation and fears linger due to current Red Sea crisis; (2) we expect growth rates in domestic motorcycles (and in 3Ws) to normalise in coming quarters on a high base and due to lack of adequate rainfall in FY24; (3) in 2W EVs, BAL is facing intense competitive pressure and uncertainty exists due to the upcoming general elections; (4) higher ad spending is expected due to the upcoming launches under the Pulsar brand. Given its outperformance in FY24, we raise estimates for FY25-26E marginally by 2% each. Maintain SELL with a revised TP of INR 5,732 (earlier INR 5,606), based on SOTP valuation on FY26 earnings.

- Q4 earnings ahead of estimates:** Bajaj Auto's Q4 PAT at INR19.4bn (+35% YoY) beats our estimate of INR 17.7bn due to better-than-expected margin, which came in at 20.1% (+80bps YoY, flat QoQ) vs our estimate of 19.4%. The margin was driven by soft commodity prices and a better mix and realisation in the export markets. The USD-INR was at 83 vs 83.2 QoQ.
- Call takeaways:** (1) In the domestic motorcycle market, BAL grew 4x of industry retail in Q4 in its focus area of the 125cc+ segment. It has lined up six launches under the Pulsar brand in 1HFY25. The biggest-ever Pulsar by engine capacity is to be launched in May and the CNG bike may follow soon after. With the CNG bike launch, BAL aims to capture the mileage-conscious customer with the dual fuel capability. (2) The geopolitical challenges and high inflation continue to impact the key export markets of Nigeria and Bangladesh. (3) BAL has classified the export markets into 3 categories: stress markets (Nigeria, Bangladesh), recovering markets (other export markets), and new markets such as Brazil, where it will commence production in June. (4) Chetak now ranks third by volume in the domestic market (FY23: 6th rank), aided by the ramp-up of the network (currently in 160 cities). BAL aims to launch one new model in Q1FY25 and ramp up its presence to 200 cities by H1. (5) BAL expects the domestic 2W industry to grow 7-8% by volume in FY25 and it will continue to keep outperforming the industry. (6) BAL expects EV development to be impacted by government policy changes. (7) The recovery-led growth witnessed in the 3W segment is unlikely to be sustained in FY25. BAL expects organic growth led by the expansion of the CNG segment. The rapid scale-up of e-autos is expected to drive significant topline growth for 3Ws.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	111,783	86,316	29.5	118,329	-5.5	353,592	435,789	496,846	592,142
EBITDA	23,063	17,166	34.4	24,299	-5.1	65,491	88,229	99,991	119,422
APAT	19,360	14,329	35.1	20,419	-5.2	56,276	74,788	83,317	98,500
Diluted EPS (INR)	69.3	51.3	35.1	73.1	-5.2	198.9	267.9	298.4	352.8
P/E (x)						45.6	33.8	30.4	25.7
EV / EBITDA (x)						39.1	28.7	25.3	21.1
RoCE (%)						28.6	38.6	41.4	45.1

Source: Company, HSIE Research

SELL

CMP (as on 18 Apr 2024) INR 9,021

Target Price INR 5,732

NIFTY 21,996

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 5,606	INR 5,732
EPS %	FY25E	FY26E
	1.7%	2.2%

KEY STOCK DATA

Bloomberg code	BJAUT IN
No. of Shares (mn)	279
MCap (INR bn) / (\$ mn)	2,519/30,166
6m avg traded value (INR mn)	3,952
52 Week high / low	INR 9,358/4,175

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.4	75.6	114.3
Relative (%)	26.0	66.5	93.3

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	54.98	54.94
FIs & Local MFs	9.10	8.73
FPIs	14.38	14.65
Public & Others	21.54	21.68
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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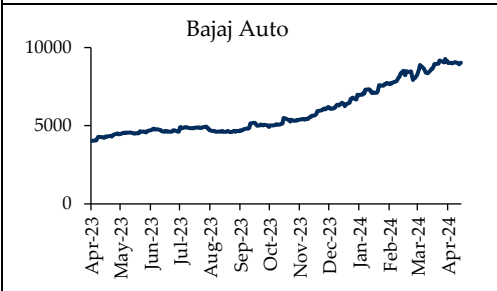
Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Maitreyee Vaishampayan	Bajaj Auto	MSc	NO

1 Yr Price movement



Disclosure:

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