



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Q4 FY23 consolidated revenues came in at ₹8,929 Cr, up 11.965% YoY and down 4.18% QoQ.
- Op Profit for Q4FY23 stood at ₹1,657 Cr, up 21.74% YoY and down 5.69% QoQ.
- Op margins for Q4FY23 came at 19.3%, +220 bps YoY and 20 bps QoQ.
- PAT for Q4FY23 stood at ₹1,705 Cr, up 11.73% YoY and up 15.75% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management guided industry growth of 6-8% YoY over the next few quarters driven by growth in 125CC+ segment.
- The management informed about the launch of its first premium offering with Triumph to be launched on June 27, 2023 (jointly developed product), with deliveries to commence in Q2FY24.

### 3. CONCALL SUMMARY

- Company launched 6 new segments in 125CC segments.
- The company will continue to introduce new variants in the Pulsar brand
- has formed a strategic alliance with Triumph UK to co-develop new products to be sold under the Triumph badge, with production at a new facility in Chakan and sales managed by Bajaj Auto and Triumph directly.
- The premium motorcycle business achieved its highest-ever sales and will launch jointly developed Triumph products in the higher displacement classic bike segment.
- Company is launching electric 3-wheelers for passenger and cargo versions by the end of the month.
- The management expects E-2W industry to consolidate in favor of large players post FAME-II subsidy withdrawal.
- Management informed about the subdued demand from its key market i.e. Nigeria because of elections in February 2023 and demonetization. Company witnessed increase in retail sales in march 2023.
- Dollar availability is a bigger concern than demand for exports, and the company is hopeful for equilibrium in the next 3 months.
- Inventory pipeline for exports is low, but the company expects to build stock once the US dollar availability opens up.
- Company to incur CAPEX of ₹1,000 crore in EV business and to add new capacity.
- Inventory pipeline for exports is low, but the company expects to build stock once the US dollar availability opens up.

### 4. VALUATION AND OUTLOOK:

Company posted good results in past few quarters despite of semi-conductor issue and slowdown in volume growth. Increase in average realization will help company to post better margins and management is also trying to launch new variants in markets to improve topline. We initiate a "BUY" rating on the stock and value the stock at 25x FY24E earnings to arrive at the target of ₹5,980

## RECOMMENDATION - BUY

CMP – 4,898

TARGET – 5,980 (22%)

Industry	Automobile Two & Three Wheelers
NSE CODE	BAJAJ-AUTO
BSE CODE	532977
Market Cap (₹ Cr)	1,38,795
Shares Outstanding (in Cr)	28.30
52 wk High/Low (₹)	4669.8 / 3461.25
P/E	21.67
P/BV	4.47
Face Value (₹)	10.00
Book Value (₹)	1037.67
EPS (FY23) (₹)	213.08
Dividend Yield (%)	3.83
Debt / Equity	0.00
Interest Coverage	884.57

## SHAREHOLDING PATTERN

	Mar 23	Dec 22	Sep 22
Promoters	54.98	54.98	54.84
MF/ DII	3.55	3.86	3.60
FII/FPI	12.35	11.82	11.63
Retail & Others	21.80	22.21	21.99
Promoter Pledging	0.01	0.01	0.01

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E	2023A	2024E	2025E
March			
<b>Crore</b>			
Sales	36,455.38	40,830.02	46,546.22
Sales Gr. (%)	9.99	12	14
EBITDA	6,448.53	7,751.70	8,843.78
EBITDA %	20.78	19	19
PAT	6,060.21	6,766.65	7,529.16
EPS (₹)	214.17	239.10	266.04
EPS Gr. (%)	0.51	11.64	11.26
<b>Ratios</b>			
RoE (%)	20.50	19.26	17.65
RoCE (%)	26.51	25.81	28.27
<b>Valuation</b>			
P/E (x)	18.13	25	24

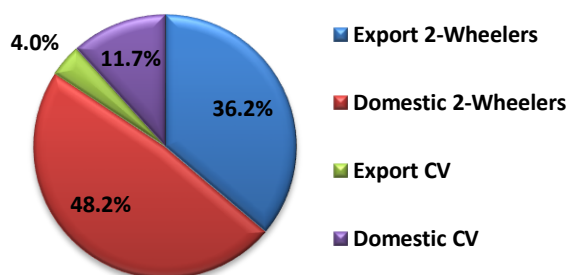
## Historical & Industrial Val Ratios

Historical P/E	21.67
Industry P/E	27.77
Historical P/B	4.47
Industry P/B	5.72

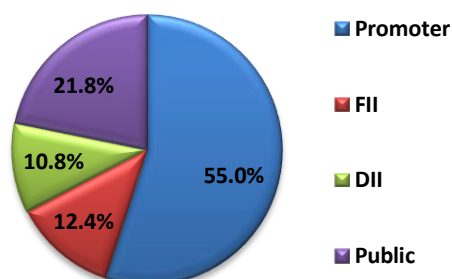


## Company Overview (Q4 FY23)

Segmental Mix (Q4FY23)



Shareholding Pattern (Q4FY23)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22			FY23				FY24	FY23	FY24E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
<b>Net sales</b>	<b>8,762</b>	<b>9,022</b>	<b>7,975</b>	<b>8,005</b>	<b>10,203</b>	<b>9,319</b>	<b>8,929</b>	<b>8,982</b>	<b>36,455</b>	<b>40,830.02</b>
YoY change (%)	22.45%	1.25%	-7.23%	8.38%	16.44%	3.29%	11.97%	12.2%	9.99%	12
<b>Total Expenditures</b>	<b>7,362</b>	<b>7,650</b>	<b>6,614</b>	<b>6,719</b>	<b>8,453</b>	<b>7,561</b>	<b>7,272</b>	<b>7,375</b>	<b>30,005</b>	<b>33,072.32</b>
<b>EBITDA</b>	<b>1,400</b>	<b>1,371</b>	<b>1,361</b>	<b>1,286</b>	<b>1,750</b>	<b>1,757</b>	<b>1,657</b>	<b>1,607</b>	<b>6,451</b>	<b>7,751.70</b>
Margins (%)	16%	15%	17%	16%	17%	19%	19%	18%	18%	19
Other income	1085	489	666	320	532	271	595	584	1717	1,742
Interest	2	2	3	4	11	8	16	15	40	41.5
Depreciation	66	70	70	68	67	75	76	77	286	430
<b>PBT</b>	<b>2,417</b>	<b>1,788</b>	<b>1,954</b>	<b>1,534</b>	<b>2,203</b>	<b>1,945</b>	<b>2,160</b>	<b>1,999</b>	<b>7,842</b>	<b>9,022.2</b>
Rate (%)	16%	20%	22%	24%	22%	24%	21%	25%	23%	25%
<b>Adjusted PAT</b>	<b>2,040</b>	<b>1,430</b>	<b>1,526</b>	<b>1,163</b>	<b>1,719</b>	<b>1,473</b>	<b>1,705</b>	<b>1,500</b>	<b>6,060</b>	<b>6,766.55</b>
<b>EPS in Rs</b>	<b>70.49</b>	<b>49.41</b>	<b>52.74</b>	<b>40.20</b>	<b>59.42</b>	<b>52.05</b>	<b>60.25</b>	<b>53.00</b>	<b>214.17</b>	<b>239.10</b>

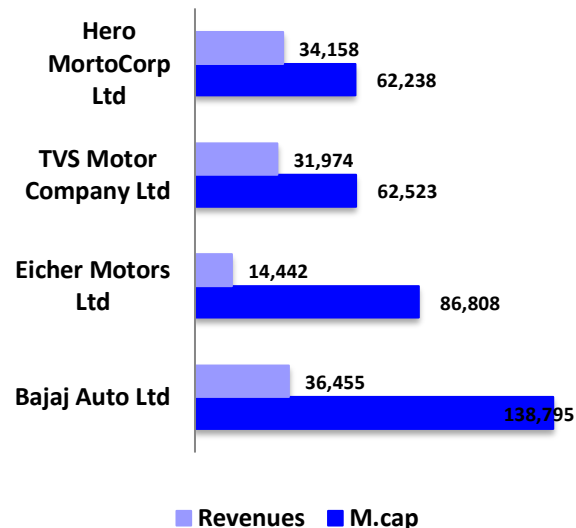
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- In FY23 the 2W segment experienced a growth of 17.8% as compared to the same period in FY22. The scooter sub-segment grew by 27%, and the motorcycle sub-segment grew by 15% y-o-y, owing to improved urban consumer sentiments and wedding season demand. However, demand in the rural market remained muted.
- The domestic automotive industry is expected to grow at a high single digit levels across segments.
- Category wise passenger and commercial vehicle volume could see a growth of 6%-9% and 7%-10% respectively. Two wheeler and tractor are estimated to grow at 6%-9% and 4%-6% respectively in FY24.
- The demand sentiments for a majority of the automotive segments such as passenger vehicles, commercial vehicles and tractors have remained healthy, aiding in the improved off-take for the industry participants.
- The two-wheeler industry continues to struggle with industry volumes still below the pre-Covid peak levels; even as improved off-take in the recent festive and marriage season has provided optimism, a sustained recovery in demand sentiments is yet to be seen.
- Electric two-wheelers have accounted for approximately 85-90 per cent of the total EV sales (excluding the e-rickshaw segment) aided by subsidies offered by the government, electric vehicle penetration across segments is increasing at an exponential rate.

## KEY PLAYERS in Mid IT Space



## PEER PERFORMANCE

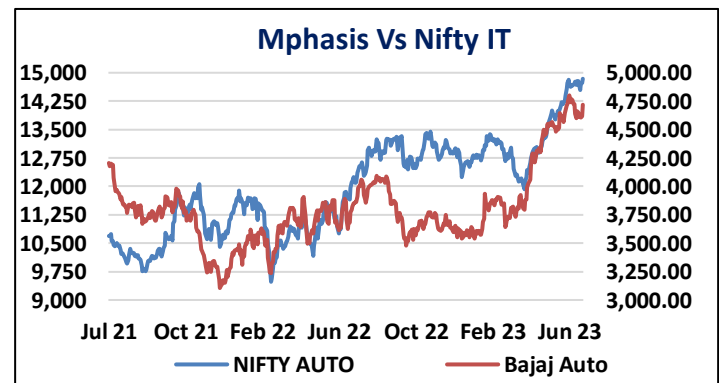
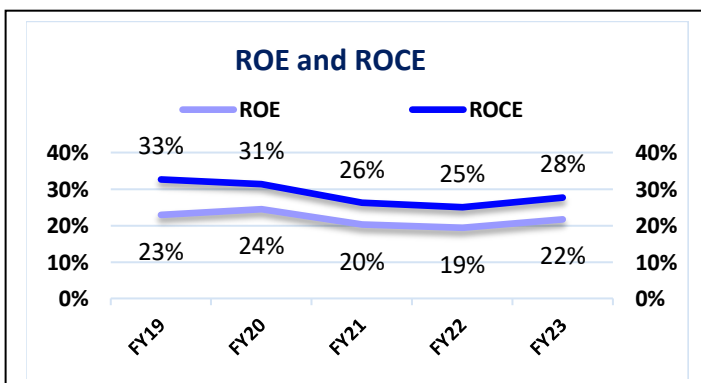
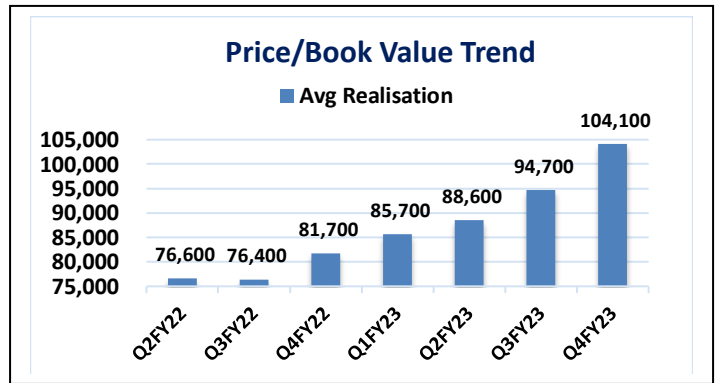
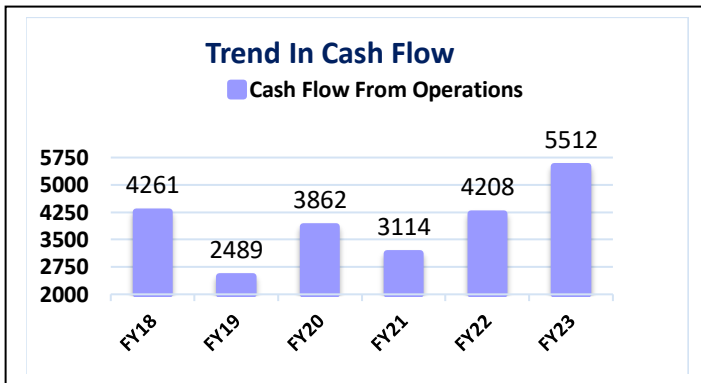
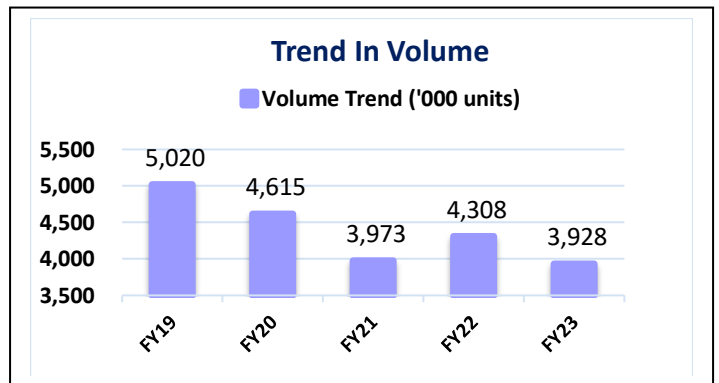
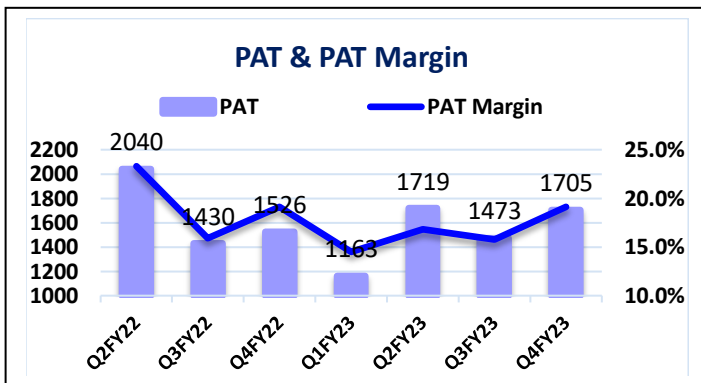
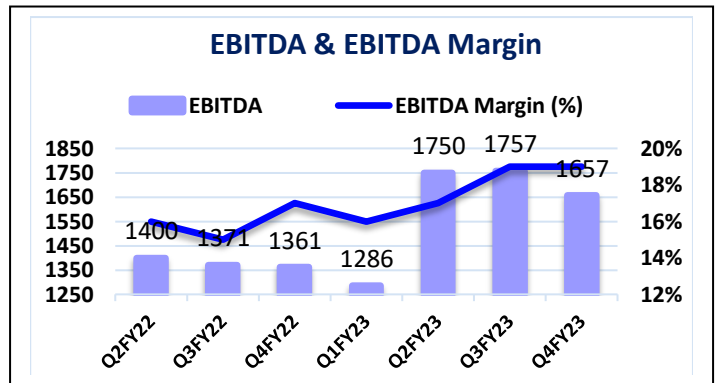
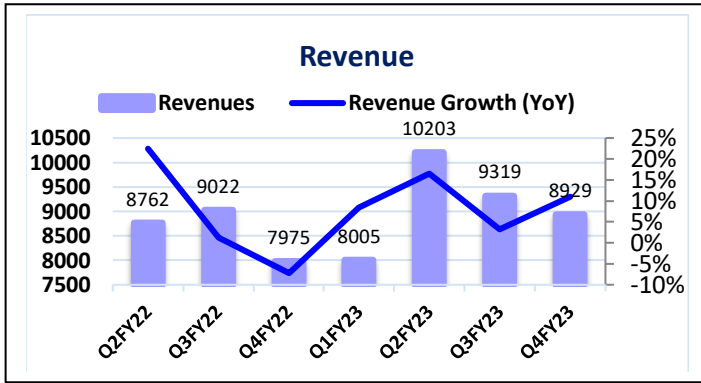
(₹ Cr)

Particulars	Bajaj Auto Ltd	Eicher Motors Ltd	Hero MotoCorp Ltd	TVS Motor Company Ltd
Market Cap	1,38,795	86,808	62,523	62,238
Net Sales	36,455	14,442	34,158	31,974
EBITDA	6,451	3,444	4,094	4,027
PAT	6,060	2,914	2,800	1,309
EPS(₹)	214.17	106.55	140.61	27.97
EBITDA MARGIN %	17.69	23.84	11.98	12.59
PAT MARGIN %	16.62	20.17	8.19	4.09
ROCE %	26.5	27.4	23.6	16.9
ROE %	20.5	21.1	17.2	26.5
P/E TTM	21.8	34.7	20.6	46.7
P/B TTM	4.5	6.8	3.5	11.3
EV/EBITDA	16.1	23.1	12.4	17.6
Dividend Yield %	3.0	1.0	3.5	0.4

Source: Company, Hem Securities Research.



## STORY IN CHARTS





## INVESTMENT RATIONALE:

- Bajaj auto is expected to remain the leader in this segment, consolidating its position and adding strength to its overall product portfolio. EV introduction in the segment will further augment its position and is likely to hit the unorganised segment hard.
- EV introduction in the 3W segment will further enhance BJAUT's position and erode the unorganised segment.
- Regulatory norm-driven price hikes will be possible without any challenges to the growth.
- Company has shifted its focus to the higher end segment in 2Ws which we believe is a step in the right direction

## RISK / NEGATIVE FACTORS:

- Excessive competitive pressure restricting price hikes can impact earnings.
- New additional restrictive norms by the government that may increase cost and impact earnings.
- Change in raw material prices may impact margins and overall profitability of the company.
- Chip shortage impacts the supply of premium bikes and EV models and lower the demand scenario which may hamper the off-take of vehicles in the domestic market.

## COMPANY RECAP

- Bajaj Auto Ltd is the world's sixth largest and India's second-largest manufacturer of motorcycles.
- It is also the world's largest three-wheeler (3W) manufacturer.
- The company is based in Pune with plants in Chakan (Pune), Waluj (near Aurangabad), and Pantnagar (Uttarakhand).
- It is India's largest exporter of motorcycles and 3Ws.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)	
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	
<b>Revenue from operations</b>	<b>30,357.63</b>	<b>29,918.65</b>	<b>27,741.08</b>	<b>33,144.71</b>	<b>36,455.38</b>	<b>40,830.02</b>	<b>46,546.22</b>	
Growth YoY (%)	20.38	-1.45	-7.28	19.48	9.99	12	14	
<b>Total Expenditure</b>	<b>25,168.12</b>	<b>24,823.01</b>	<b>22,821.97</b>	<b>27,916.90</b>	<b>30,006.85</b>	<b>33,072.32</b>	<b>37,702.43</b>	
(%) of sales	82.91	82.97	82.27	84.23	82.31	81.00	80.99	
<b>EBITDA</b>	<b>5,189.51</b>	<b>5,095.64</b>	<b>4,919.11</b>	<b>5,227.81</b>	<b>6,448.53</b>	<b>7,751.70</b>	<b>8,843.78</b>	
EBITDA Growth (%)	9.01	1.32	-6.33	5.37	16.90	20.20	14.08	
EBITDA Margin (%)	21.52	22.13	22.35	19.71	20.78	19	19	
Depreciation	265.69	246.43	259.37	269.76	285.85	430	540	
<b>EBIT</b>	<b>4,924</b>	<b>4,849.21</b>	<b>4,659.74</b>	<b>4,958.05</b>	<b>6,162.68</b>	<b>7,321.7</b>	<b>8,303.78</b>	
EBIT Growth (%)	17.28	-3.80	-6.68	22.60	2.89	18.80	13.41	
Net Interest Expenses	4.48	3.16	6.66	8.66	39.51	41.5	37.9	
Other Income	1,344.49	1,524.57	1,282.03	1,306.25	1,189.52	1742	1773	
<b>Earnings before Taxes</b>	<b>6,264.01</b>	<b>6,370.12</b>	<b>5,935.11</b>	<b>6,255.64</b>	<b>7,312.69</b>	<b>9,022.2</b>	<b>10,038.88</b>	
EBT Margin (%)	22.91	22.37	22.50	23.09	21.33	22.09	21.56	
Tax-Total	2,027.98	1,480.22	1,384.41	1,485.81	1,781.77	2255.55	2509.72	
Rate of tax (%)	29.16	22.12	22.18	19.42	22.72	25	25	
<b>Net Profit</b>	<b>4,927.60</b>	<b>5,211.91</b>	<b>4,857.02</b>	<b>6,165.87</b>	<b>6,060.21</b>	<b>6766.65</b>	<b>7529.16</b>	
PAT Growth (%)	16.80	5.77	-6.81	26.95	-1.71	11.65	11.26	
PAT Margin (%)	16.23	17.42	17.51	18.60	16.48	16.57	16.17	
Minority Interest	0.01	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Adjusted PAT</b>	<b>4,927.61</b>	<b>5,211.91</b>	<b>4,857.02</b>	<b>6,165.87</b>	<b>6,060.21</b>	<b>6766.55</b>	<b>7529.16</b>	
<b>EPS</b>	<b>170.29</b>	<b>180.11</b>	<b>167.85</b>	<b>213.08</b>	<b>214.17</b>	<b>239.10</b>	<b>266.04</b>	
EPS Growth (%)	16.80	5.77	-6.81	26.95	0.51	11.64	11.26	

### Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	289	289	289	289	283
Reserves	22,944	21,373	26,984	29,570	29,079
<b>Net Worth</b>	<b>23,233</b>	<b>21,662</b>	<b>27,273</b>	<b>29,859</b>	<b>29,362</b>
Borrowings	125	126	121	123	124
Other Liabilities	5476	4722	6207	5129	5651
<b>Total Liabilities &amp; Equity</b>	<b>28,834</b>	<b>26,510</b>	<b>33,602</b>	<b>35,111</b>	<b>35,136</b>
Fixed Assets	1764	1699	1668	1836	2842
CWIP	48	60	16	77	85
Investments	20,603	19,914	24,687	26,634	26,183
Other Assets	6,420	4,837	7,232	6,564	6,026
<b>Total Assets</b>	<b>28,834</b>	<b>26,510</b>	<b>33,602</b>	<b>35,111</b>	<b>35,136</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	16.23	17.42	17.51	18.60	16.48
EBITDA margin (%)	21.52	22.13	22.35	19.71	20.78
EBIT margin (%)	22.93	22.38	22.52	23.11	21.44
ROE (%)	22.57	23.22	19.86	21.60	20.50
ROCE (%)	31.71	29.66	25.41	26.70	26.51
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	58.87	60.69	72.35	61.56	54.17
Inventory (Days)	10.24	12.35	16.82	15.00	13.87
Receivables (Days)	24.36	26.14	29.22	23.31	16.23
Current Ratio (x)	1.45	1.56	2.51	2.21	1.83
<b>Valuations Ratios</b>					
EV/sales (x)	2.75	1.95	3.81	3.16	3.00
EV/EBITDA (x)	12.79	8.82	17.07	16.05	14.31
P/E (x)	17.12	11.24	21.88	17.14	18.13
P/BV (x)	3.63	2.71	3.90	3.54	3.75
Dividend Yield (%)	2.06	5.93	3.81	3.83	3.60
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.01	0.01	0.00	0.00	0.00

<b>Cash Flow Statement</b>				
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>3,850</b>	<b>3,120</b>	<b>4,197</b>	<b>5,277</b>
<b>CF from Investing Activities (B)</b>	<b>1,556</b>	<b>-2,868</b>	<b>-80.86</b>	<b>1199.52</b>
<b>CF from Financing Activities (C)</b>	<b>-6,247</b>	<b>-20</b>	<b>-4,056</b>	<b>-7,181</b>
Net Cash Flow	-839.98	232	60	-704
Add: Opening Bal.	916	285	517	934
<b>Closing Balance</b>	<b>285</b>	<b>517</b>	<b>934</b>	<b>242</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
10 July 2023	Buy	5,980

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Name of the Research Analyst: CHINMAY BHANDARI

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
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6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.