

October 28, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		HOLD	
Target Price	4,223		3,923	
Sales (Rs. m)	3,58,492	3,96,717	3,47,261	3,83,510
% Chng.	3.2	3.4		
EBITDA (Rs. m)	60,688	70,891	58,899	69,265
% Chng.	3.0	2.3		
EPS (Rs.)	211.9	257.4	207.2	250.1
% Chng.	2.2	2.9		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	2,77,411	3,28,903	3,58,492	3,96,717
EBITDA (Rs. m)	49,285	53,067	60,688	70,891
Margin (%)	17.8	16.1	16.9	17.9
PAT (Rs. m)	48,609	54,836	61,307	74,470
EPS (Rs.)	168.0	189.5	211.9	257.4
Gr. (%)	(10.3)	12.8	11.8	21.5
DPS (Rs.)	140.0	155.0	175.0	151.6
Yield (%)	3.8	4.2	4.7	4.1
RoE (%)	21.5	21.6	23.7	27.6
RoCE (%)	20.5	19.7	22.1	24.7
EV/Sales (x)	3.8	3.2	2.9	2.6
EV/EBITDA (x)	21.7	20.0	17.4	14.7
PE (x)	22.0	19.5	17.5	14.4
P/BV (x)	4.2	4.2	4.1	3.9

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.4,361 / Rs.2,822
Sensex / Nifty	59,985 / 17,857
Market Cap	Rs.1,071bn / \$ 14,293m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.3435.57m

Shareholding Pattern (%)

Promoter's	53.70
Foreign	11.21
Domestic Institution	12.85
Public & Others	22.24
Promoter Pledge (Rs bn)	0.05

Stock Performance (%)

	1M	6M	12M
Absolute	(5.3)	(4.9)	25.7
Relative	(5.8)	(21.1)	(16.3)

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Exports outlook remains promising

Quick Pointers:

- Demand remains weak; festive season expected to see a YoY decline.
- 2QFY22 domestic MC market share stands at 20% vs 17% in FY21 led by gains in 125cc segment.
- Exports remain robust despite restrictions in key ASEAN and South Asia market.

We upgrade BJAUT to 'ACCUMULATE' at a revised TP of Rs 4,223 (earlier Rs 3,923) and slightly tweak our estimates to roll over to Sep-23. The company's 2QFY22 revenue came ahead of expectation driven by growth in realization (13% YoY) given 1) better product mix led by higher share of exports and 2) higher share of three wheelers. Company gained market share (~300bps) in domestic 2W segment driven by pick up in Pulsar 125cc. Management remained cautious on margin outlook amid RM inflation & weak demand environment. On the other hand, factors such as healthy exports momentum both for 2W/3W and likely beneficiary of RoDTEP scheme, are favoring factors, in our view.

- **Revenue at Rs 87.bn (PL: Rs 85bn) grew 22% YoY:** The volumes for the quarter grew 9%/14% YoY/QoQ. Realization growth of 13/4% on the back of higher exports (88.5% of sales vs 86.4/85.8% YoY/QoQ) and price hikes (~3% in the quarter), led to in revenue growth of 22%/19%.
- **EBITDA margin at 16% expanded 80bps QoQ:** Gross margins contracted 300/70bps YoY/QoQ to 26.3%. The impact of higher commodity costs (350-400bps impact) was offset by better product mix, higher exports and price hikes. EBITDA margin came in at 16% (-170bps YoY, + 80bps QoQ). The company had a benefit of Rs 820mn and Rs 600mn towards Rodtep and MEIS scheme benefit, in the quarter; excluding this underlying EBITDA was 14.4%.
- **Key takeaways: (1) Weak festive season sales:** The 35 days' festive period is likely to deliver a negative growth. **(2) Margin pressure:** The RM inflation impacted margins by 3.5-4%. Expect ~2% of input cost increase in 3QFY22. **(4) Price hikes** Company has taken price hike of ~3% in the quarter and <1% increase in Oct-21. Difficult to pass on the prices as demand is weak. **(5) Exports to drive the show:** Bajaj Auto has been consistently able to export +200k units/months, despite shipping issues and lower level of operations in south Asian countries. **(6) Demand revival in 3W segment:** 3W volumes are expected to witness sequential growth in 3QFY22, given demand revival. **(7) Captive financing unit:** A new subsidiary has been set up to support captive auto financing. With this, Bajaj is developing synergies between sales, servicing and financing to service their customers better. **(8) EV:** Chetak currently has bookings of 4-5 months and is present in 8 cities. Bajaj intends to reach 30 cities by Mar-22. It currently has capacity of 5k units from existing plant and plans to set up a new plant in upcoming quarters.

Exhibit 1: Q2FY22 Result Overview (Rs mn)

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	QoQ gr. (%)	1HFY22	1HFY21	YoY gr. (%)
Net Revenues	87,622	71,559	22.4	73,860	18.6	1,61,482	1,02,351	57.8
Raw Materials	64,565	50,581	27.6	53,944	19.7	1,18,508	71,247	66.3
<i>% of Net Sales</i>	<i>73.7</i>	<i>70.7</i>		<i>73.0</i>		<i>73.4</i>	<i>69.6</i>	
Personnel	3,516	3,246	8.3	3,615	(2.8)	7,131	6,618	7.7
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.5</i>		<i>4.9</i>		<i>4.4</i>	<i>6.5</i>	
Manufacturing & Other Exp	5,530	5,069	9.1	5,103	8.4	10,634	7,738	37.4
<i>% of Net Sales</i>	<i>6.3</i>	<i>7.1</i>		<i>6.9</i>		<i>6.6</i>	<i>7.6</i>	
Total Expenditure	73,611	58,896	25.0	62,663	17.5	1,36,273	85,603	59.2
EBITDA	14,011	12,662	10.7	11,198	25.1	25,209	16,748	50.5
<i>EBITDA Margin (%)</i>	<i>16.0</i>	<i>17.7</i>		<i>15.2</i>		<i>15.6</i>	<i>16.4</i>	
Depreciation	656	643	2.0	641	2.4	1,297	1,281	1.2
EBIT	13,355	12,019	11.1	10,557	26.5	23,912	15,467	54.6
Interest Expenses	17	27	(35.8)	23	(25.8)	40	36	10.8
Non-operating income	3,183	2,858	11.4	3,293	(3.3)	6,476	6,237	3.8
Extraordinary Expenses	0	0		0		0	0	
PBT	16,521	14,851	11.3	13,827	19.5	30,349	21,667	40.1
Tax-Total	3,776	3,469	8.9	3,215	17.4	6,991	5,005	39.7
Tax Rate (%) - Total	23.4	23.4	0.2	23.3		23.0	23.1	(0.3)
Reported PAT	12,746	11,382	12.0	10,612	20.1	23,357	16,662	40.2
Adj. PAT	12,746	11,382	12.0	10,612	20.1	23,357	16,662	40.2
<i>PAT Margin</i>	<i>14.5</i>	<i>15.9</i>		<i>14.4</i>		<i>14.5</i>	<i>16.3</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	QoQ gr. (%)	1HFY22	1HFY21	YoY gr. (%)
Sales Volume (nos)	11,44,407	10,53,337	8.6	10,06,014	13.8	21,50,421	14,96,440	43.7
Net Realisation/Vehicle	76,565	67,935	12.7	73,419	4.3	75,093	68,396	9.8
Material cost / vehicle	56,418	48,020	17.5	53,621	5.2	55,109	47,611	15.7
Gross Profit / vehicle	20,148	19,915	1.2	19,798	1.8	19,984	20,785	(3.9)
Employee cost /vehicle	3,072	3,081	(0.3)	3,594	(14.5)	3,316	4,423	(25.0)
Other expenses / vehicle	4,833	4,813	0.4	5,073	(4.7)	4,945	5,171	(4.4)
EBITDA/vehicle	12,243	12,021	1.8	11,131	10.0	11,723	11,192	4.7
Net Profit/vehicle	11,137	10,806	3.1	10,548	5.6	10,862	11,135	(2.5)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	2,77,411	3,28,903	3,58,492	3,96,717
YoY gr. (%)	(7.3)	18.6	9.0	10.7
Cost of Goods Sold	1,96,097	2,38,455	2,57,397	2,81,669
Gross Profit	81,314	90,448	1,01,095	1,15,048
Margin (%)	29.3	27.5	28.2	29.0
Employee Cost	12,860	14,146	14,994	15,894
Other Expenses	19,170	23,236	25,413	28,263
EBITDA	49,285	53,067	60,688	70,891
YoY gr. (%)	(3.3)	7.7	14.4	16.8
Margin (%)	17.8	16.1	16.9	17.9
Depreciation and Amortization	2,593	2,751	3,041	3,993
EBIT	46,692	50,316	57,647	66,898
Margin (%)	16.8	15.3	16.1	16.9
Net Interest	67	70	77	10
Other Income	12,765	14,652	15,116	23,152
Profit Before Tax	59,390	64,898	72,686	90,040
Margin (%)	21.4	19.7	20.3	22.7
Total Tax	13,844	15,576	17,445	22,060
Effective tax rate (%)	23.3	24.0	24.0	24.5
Profit after tax	45,546	49,323	55,241	67,981
Minority interest	-	-	-	-
Share Profit from Associate	3,063	5,514	6,065	6,490
Adjusted PAT	48,609	54,836	61,307	74,470
YoY gr. (%)	(10.3)	12.8	11.8	21.5
Margin (%)	17.5	16.7	17.1	18.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	48,609	54,836	61,307	74,470
YoY gr. (%)	(10.3)	12.8	11.8	21.5
Margin (%)	17.5	16.7	17.1	18.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	48,609	54,836	61,307	74,470
Equity Shares O/s (m)	289	289	289	289
EPS (Rs)	168.0	189.5	211.9	257.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	43,269	48,429	56,429	66,429
Tangibles	43,269	48,429	56,429	66,429
Intangibles	-	-	-	-
Acc: Dep / Amortization	26,620	29,371	32,412	36,405
Tangibles	26,620	29,371	32,412	36,405
Intangibles	-	-	-	-
Net fixed assets	16,649	19,058	24,017	30,024
Tangibles	16,649	19,058	24,017	30,024
Intangibles	-	-	-	-
Capital Work In Progress	160	1,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	2,26,310	2,31,310	2,36,310	2,36,310
Net Deferred tax assets	(5,221)	(6,195)	(3,287)	(136)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	14,939	19,824	20,068	22,183
Trade receivables	27,169	27,033	21,071	23,293
Cash & Bank Balance	5,051	11,563	19,131	28,509
Other Current Assets	24,653	18,923	21,071	23,293
Total Assets	3,15,302	3,29,152	3,43,159	3,65,154
Equity				
Equity Share Capital	2,894	2,894	2,894	2,894
Other Equity	2,49,129	2,53,599	2,58,201	2,75,196
Total Network	2,52,023	2,56,493	2,61,095	2,78,090
Non-Current Liabilities				
Long Term borrowings	1,606	1,526	1,450	1,450
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	45,738	49,561	60,204	66,550
Other current liabilities	10,714	15,378	17,124	18,929
Total Equity & Liabilities	3,15,302	3,29,152	3,43,159	3,65,154

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	59,390	50,316	57,647	66,898
Add. Depreciation	2,593	2,751	3,041	3,993
Add. Interest	10,030	14,652	15,116	23,152
Less Financial Other Income	12,765	14,652	15,116	23,152
Add. Other	(22,373)	(14,582)	(15,039)	-
Op. profit before WC changes	49,640	53,137	60,765	94,043
Net Changes-WC	(5,105)	9,398	15,909	1,542
Direct tax	(13,397)	(14,602)	(20,352)	(25,211)
Net cash from Op. activities	31,139	47,933	56,322	70,374
Capital expenditures	(2,509)	(6,000)	(8,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	(26,145)	(5,000)	(5,000)	-
Net Cash from Inv. activities	(28,654)	(11,000)	(13,000)	(10,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(53)	(80)	(76)	-
Dividend paid	(87)	(44,852)	(50,640)	(50,985)
Interest paid	(55)	(70)	(77)	(10)
Others	-	-	-	-
Net cash from Fin. activities	(195)	(45,003)	(50,793)	(50,995)
Net change in cash	2,290	(8,070)	(7,471)	9,378
Free Cash Flow	28,630	41,933	48,322	60,374

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	89,099	85,961	73,860	87,622
YoY gr. (%)	16.6	26.1	139.9	22.4
Raw Material Expenses	63,082	61,767	53,944	64,565
Gross Profit	26,016	24,194	19,917	23,057
Margin (%)	29.2	28.1	27.0	26.3
EBITDA	17,296	15,241	11,198	14,011
YoY gr. (%)	26.5	21.7	174.1	10.7
Margin (%)	19.4	17.7	15.2	16.0
Depreciation / Depletion	650	662	641	656
EBIT	16,646	14,579	10,557	13,355
Margin (%)	18.7	17.0	14.3	15.2
Net Interest	10	20	23	17
Other Income	3,692	2,836	3,293	3,183
Profit before Tax	20,328	17,395	13,827	16,521
Margin (%)	22.8	20.2	18.7	18.9
Total Tax	4,765	4,074	3,215	3,776
Effective tax rate (%)	23.4	23.4	23.3	22.9
Profit after Tax	15,563	13,321	10,612	12,746
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	15,563	13,321	10,612	12,746
YoY gr. (%)	23.4	1.7	101.0	12.0
Margin (%)	17.5	15.5	14.4	14.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	15,563	13,321	10,612	12,746
YoY gr. (%)	23.4	1.7	101.0	12.0
Margin (%)	17.5	15.5	14.4	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,563	13,321	10,612	12,746
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	53.8	46.0	36.7	44.0

Source: Company Data, PL Research

Key Financial Metrics

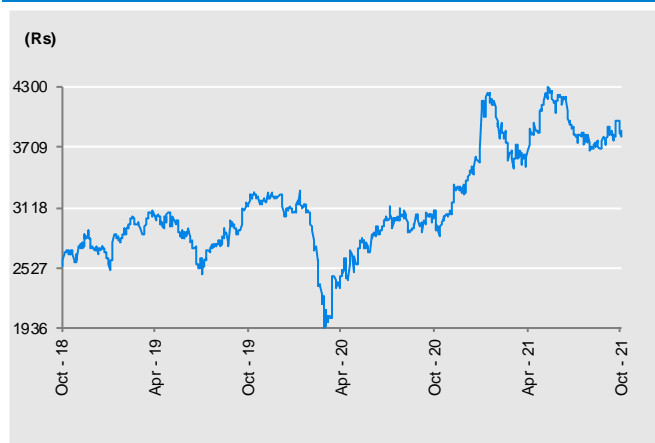
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	168.0	189.5	211.9	257.4
CEPS	176.9	199.0	222.4	271.2
BVPS	870.9	886.4	902.3	961.0
FCF	98.9	144.9	167.0	208.6
DPS	140.0	155.0	175.0	151.6
Return Ratio(%)				
RoCE	20.5	19.7	22.1	24.7
ROIC	16.1	15.7	18.2	20.8
RoE	21.5	21.6	23.7	27.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.1)
Net Working Capital (Days)	(5)	(3)	(19)	(19)
Valuation(x)				
PER	22.0	19.5	17.5	14.4
P/B	4.2	4.2	4.1	3.9
P/CEPS	20.9	18.6	16.6	13.6
EV/EBITDA	21.7	20.0	17.4	14.7
EV/Sales	3.8	3.2	2.9	2.6
Dividend Yield (%)	3.8	4.2	4.7	4.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Motorcycle volume (units)	36,05,893	40,64,712	44,33,006	48,14,458
Three-wheeler volume (units)	3,67,021	4,72,593	5,28,897	5,69,531
Net Realisation (Rs/unit)	65,354	69,788	70,513	71,911

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-21	Hold	3,923	3,829
2	22-Jul-21	Hold	3,919	3,853
3	07-Jul-21	Hold	3,927	4,195
4	29-Apr-21	Hold	3,795	3,836
5	07-Apr-21	Hold	3,710	3,613
6	21-Jan-21	Hold	3,489	3,727
7	11-Jan-21	Hold	3,215	3,529

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	156	136
2	Bajaj Auto	Hold	3,923	3,829
3	Bharat Forge	Accumulate	897	742
4	CEAT	Hold	1,344	1,296
5	Eicher Motors	Accumulate	2,758	2,821
6	Endurance Technologies	BUY	1,844	1,605
7	Exide Industries	UR	-	184
8	Hero Motocorp	Accumulate	3,057	2,842
9	Mahindra & Mahindra	BUY	978	878
10	Maruti Suzuki	Accumulate	8,097	7,356
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	BUY	592	421
13	TVS Motors	BUY	682	577

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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