

Exports-led growth drives margin in Q2

Bajaj Auto (BJAUT IN) reported revenue growth of 14% YoY and 18% QoQ to INR 149.2bn, in line with our expectations. Blended average selling price (ASP) rose 7% YoY and 2% QoQ, led by a richer mix (higher 3W mix and better exports realization YoY and QoQ). EBITDA margin expanded 25bp YoY at 20.5%, slightly hurt by commodity inflation, offset by price increases and strong exports realization. While domestic market share needs monitoring, exports continue to post robust growth with outperformance in most markets. We retain **Accumulate** with a TP of INR 10,345 on 25x December 2027E P/E as we roll forward by a quarter.

Optimistic outlook on domestic market; exports momentum to continue: Management expects the MC industry to grow at 6-8% YoY in 2HFY26 with uptrading seen within models and variants. On the exports front, performance was robust, with volume up 24% YoY in Q2 (revenue up 39% YoY), with 3W exports volume up 67% YoY and exports 2W up 19% YoY. Growth was broad-based across LatAm, the Africa and Asia. Notably, Brazil volume crossed 8,000 units in Q2, supported by localized production. October exports hit the 200,000-unit mark, with minimal dependence on Nigeria, underscoring diversification gains. Three new Pulsar variants are set to be launched in December 2025, March 2026, and May 2026, followed by an entirely new non-Pulsar brand slated for FY27. The company expects a couple of new model launches in the E-Auto portfolio, with gradual ramp-up in E-rick volume. The company has received most approvals for KTM takeover, with final approval likely in EGM likely on 19th Nov, it will then be line by line consolidated in Bajaj Auto results.

EV business scaling up with improving profitability despite supply chain headwinds: The two-wheeler EV segment continues to gain traction, with the *Chetak* commanding a 19% market share in FY26 YTD (Source: Vahan), dragged by supply disruptions caused by a sharp shortfall in rare earth magnet availability. However, the situation is normalized, which was reflected in October sales, where *Chetak* regained the leadership with a 22% market share. Importantly, the EV portfolio (2W+3W) contributed ~18% of domestic revenue, with double-digit EBITDA margin. Separately, *Chetak's* unit economics has turned EBITDA-neutral, supported by PLI and improved product mix, with strong growth outlook. Impact of ABS norms, whenever implemented will be a cost increase of INR 2000-3000.

Retain Accumulate with a TP of INR 10,345: While improving EV profitability is a positive, in our view, market share loss in domestic MC remains cause for concern (ICE 2W *Vahan* market share loss at 113bp YoY in FY26 YTD, 9.9% market share), although management expects the decline to be capped. Owing to strong double-digit volume growth in exports and healthy ramp-up in EV-2W, we expect a volume CAGR of 8% during FY25-28E despite pressures in the domestic MC segment. We monitor market share loss in domestic MC, and any bottoming of the loss hereafter, which would be a key trigger, in our view. We largely retain our FY26-28 estimates. We retain **Accumulate** with a TP to INR 10,345 on 25x December 2027E P/E as we roll forward by a quarter.

Key financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	446,852	500,103	568,013	641,660	701,473
YoY (%)	22.7	11.9	13.6	13.0	9.3
EBITDA (INR mn)	88,229	100,988	114,667	131,395	145,000
EBITDA margin (%)	19.7	20.2	20.2	20.5	20.7
Adj PAT (INR mn)	74,788	81,514	94,835	107,490	118,263
YoY (%)	32.9	9.0	16.3	13.3	10.0
Fully DEPS (INR)	267.9	291.9	339.6	384.9	423.5
RoE (%)	29.7	28.6	28.3	29.4	29.6
RoCE (%)	33.0	32.9	32.0	33.9	34.4
P/E (x)	32.6	29.9	25.7	22.7	20.6
EV/EBITDA (x)	29.1	25.4	22.4	19.5	17.7

Note: Pricing as on 07 November 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 10,345**

Upside: **19%**

CMP: **INR 8,722**

As on 07 November 2025

Key data

Bloomberg	BJAUT IN
Reuters Code	BAJA.NS
Shares outstanding (mn)	279
Market cap (INR bn/USD mn)	2,436/27,469
EV (INR bn/USD mn)	2,566/28,946
ADTV 3M (INR mn/USD mn)	3,670/41
52 week high/low	10,033/7,088
Free float (%)	40

Note: as on 07 November 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Promoter	55.0	55.0	55.0	55.0
% Pledge	0.0	0.0	0.0	0.0
FII	12.5	11.6	10.3	9.7
DII	10.0	11.0	12.1	12.8
Others	22.5	22.4	22.6	22.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	4.6	6.2	5.6
Bajaj Auto	6.0	12.9	(12.0)
NSE Mid-cap	5.3	9.7	5.1
NSE Small-cap	2.9	12.9	(3.5)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	446,852	500,103	568,013	641,660	701,473
Gross Profit	129,418	146,729	164,724	188,006	206,935
EBITDA	88,229	100,988	114,667	131,395	145,000
EBIT	84,731	96,987	110,364	127,306	140,713
Interest expense	535	677	580	480	380
Other income	14,025	14,209	15,000	15,450	16,068
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	98,220	110,519	124,784	142,276	156,401
Tax	23,432	29,005	29,948	34,787	38,138
Minority interest/Associates income	-	-	-	-	-
Reported PAT	74,788	81,514	94,835	107,490	118,263
Adjusted PAT	74,788	81,514	94,835	107,490	118,263

Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	248,605	321,469	349,920	382,167	417,646
Minority Interest	-	-	-	-	-
Trade Payables	55,936	62,676	62,979	70,845	77,229
Provisions & Other Current Liabilities	23,379	19,637	17,005	18,930	20,525
Total Borrowings	9,599	9,276	9,276	9,276	9,276
Other long term liabilities	5,069	11,230	11,230	11,230	11,230
Total liabilities & equity	342,588	424,289	450,411	492,449	535,907
Net Fixed Assets	32,262	35,790	37,167	40,777	46,311
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	234,510	285,702	302,432	329,020	357,974
Cash, Bank Balances & treasury investments	15,781	13,286	15,195	19,724	23,126
Inventories	16,956	19,579	22,098	23,615	25,743
Sundry Debtors	21,224	22,826	31,124	36,917	40,359
Other Current Assets	21,855	47,106	42,395	42,395	42,395
Total Assets	342,588	424,289	450,411	492,449	535,907

Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	74,783	72,667	90,704	114,060	124,960
Capital expenditure	(4,282)	(3,529)	(5,680)	(7,700)	(9,821)
Acquisitions / divestitures	3,855	(24,424)	(16,729)	(26,588)	(28,954)
Other Business cashflow	(965)	(8,457)	-	-	-
Free Cash Flow	70,500	69,139	85,024	106,360	115,139
Cashflow from Financing	(60,467)	(38,753)	(66,385)	(75,243)	(82,784)
Net Change in Cash / treasury investments	12,924	(2,496)	1,910	4,529	3,401

Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	80.0	210.0	237.7	269.4	296.4
Book value per share (INR)	890.5	1,151.1	1,253.0	1,368.5	1,495.5
RoCE (Pre-tax) (%)	33.0	32.9	32.0	33.9	34.4
ROIC (Pre-tax) (%)	34.2	34.6	33.4	35.6	36.3
ROE (%)	29.7	28.6	28.3	29.4	29.6
Asset Turnover (x)	14.8	14.7	15.6	16.5	16.1
Net Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt to EBITDA (x)	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Interest cover (x) (EBITDA/ int exp)	164.9	149.1	197.7	273.7	381.6
Total Working capital days (WC/rev)	(3.1)	15.8	21.1	19.8	18.4

Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	32.6	29.9	25.7	22.7	20.6
P/Sales (x)	5.5	4.9	4.3	3.8	3.5
EV/ EBITDA (x)	29.1	25.4	22.4	19.5	17.7
EV/ OCF (x)	34.3	35.3	28.3	22.5	20.5
FCF Yield	2.7	2.7	3.3	4.1	4.5
Price to BV (x)	9.8	7.6	7.0	6.4	5.8
Dividend yield (%)	0.9	2.4	2.7	3.1	3.4

Note: Pricing as on 07 November 2025; Source: Company, Elara Securities Estimate

Exhibit 1: Q2FY26 financial performance

(INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Variance (%)
Revenue	149,221	131,275	13.7	125,845	18.6	149,473	(0.2)
Operating costs	118,704	104,753	13.3	101,027	17.5	118,780	(0.1)
EBITDA	30,517	26,522	15.1	24,818	23.0	30,692	(0.6)
EBITDA margin (%)	20.5	20.2	25	19.7	73	20.5	(0.4)
Depn & amort.	1,117	956	16.9	1,109	0.8	1,100	1.6
EBIT	29,400	25,566	15.0	23,709	24.0	29,592	(0.7)
Interest expense	144	159	(9.7)	141	1.6	140	2.6
Other Income	3,692	3,845	(4.0)	4,308	(14.3)	4,000	(7.7)
Pretax profit	32,948	29,252	12.6	27,875	18.2	33,452	(1.5)
Tax	8,150	9,202	(11.4)	6,915	17.9	8,363	(2.5)
Tax rate (%)	24.7	31.5		24.8	(7.1)	25.0	(1.1)
Adjusted Net profit	24,797	20,050	23.7	20,960	18.3	25,089	(1.2)
Exceptional	0	0		0		0	
Reported Net Profit	24,797	20,050	23.7	20,960	18.3	25,089	(1.2)
Adj EPS (INR)	88.8	71.8	23.7	75.1	18.3	89.8	(1.2)

Source: Company, Elara Securities Estimate

Q2FY26 conference call highlights

- ▶ **Record financial performance:** BJAUT reported an all-time high quarterly revenue of ~INR 150bn, up 14% YoY, driven by strong growth across business units. EBITDA crossed INR 30bn, with EBITDA margin at 20.5%, and a PAT at INR 25bn – historical peak. The company attributed the performance to combined tailwinds from GST rate cuts, robust festival demand, and balanced growth across domestic & exports segments.
- ▶ **Broad-based recovery in exports:** Exports volume rose 24% YoY to ~550,000 units, marking the highest-ever quarterly exports revenue. Growth was broad-based across LatAm (Colombia, Mexico), Africa (East Africa, Ghana & Nigeria steady), and Asia (Sri Lanka, the Philippines & Myanmar). Notably, Brazil volume crossed 8,000 units in Q2, supported by localized production (welding & painting). October exports hit the 200,000-unit mark, with minimal dependence on Nigeria, underscoring diversification gains
- ▶ **Tariff benefits in Mexico:** Management confirmed Mexico's import tariffs on 2Ws increased to 35%, but BJAUT going forward will pay a mere 5%, due to its local investment and prior regulatory approvals. This gives it a unique competitive advantage in a key Latin American market, where Mexico accounts for 10–12% of India's total 2W exports.
- ▶ **Demand revival and share gains in domestic motorcycles:** The domestic 2W industry rebounded sharply post-GST cut, with festival retail volume hitting record highs. BJAUT achieved market share gains in the 125cc+ and premium 150cc+ segments, led by strong performance in *Pulsar N* and *NS Series*. The *Duniya Dekhti Hai, Tu Dikha* campaign enhanced brand connect. Management expects the industry to grow 6–8% in the medium term and aims to outpace industry growth in the 125cc+ segment.
- ▶ **Robust Momentum in commercial vehicles (3W):** The CV business delivered a record of 145,000 units in Q2. ICE 3W retained ~75–80% market share, while E-auto growth of ~50% was temporarily constrained by component shortages. BJAUT plans capacity expansion in ICE, E-auto, and wide-body models to address demand. The newly launched E-rickshaw has entered eight cities with encouraging customer response.
- ▶ **Scale and profitability in the EV business:** EV revenue contributed INR 17bn (~18% of domestic revenues). The EV portfolio (2W+3W) achieved double-digit EBITDA margin for the first time. Management noted *Chetak's* unit economics have turned EBITDA-neutral, supported by PLI incentives and better product mix. EV margin is structurally positive, and it is set to expand further once scale improves.

- ▶ **PLI incentive & margin sustainability:** PLI benefits will continue until March 2028, providing margin stability. BJAUT aims to replace PLI benefits with organic cost savings through R&D-led efficiency gains. Management expects cost rationalization to offset PLI withdrawal by FY28, particularly in EV 3W.
- ▶ **ABS norms & cost impact:** Government discussions on mandatory ABS for 2W are ongoing (meeting scheduled with MoRTH). Management says the cost impact per vehicle would be INR 2,000–3,000, and current supplier capacity is inadequate for immediate full-scale implementation. It expects phased rollout across engine segments.
- ▶ **Product pipeline:** Three new *Pulsar* variants are set to be launched in December 2025, March 2026, and May 2026, followed by an entirely new non-*Pulsar* brand slated for FY27. Work is ongoing on smaller-displacement *Triumph* and *KTM* models to leverage GST benefits and drive affordability.
- ▶ **3W electrification strategy:** BJAUT continues to dominate ICE 3W (75–80% share), while targeting leadership in E-autos and E-ricks with a fit-for-purpose product portfolio across use cases. The company plans four E-auto models, catering to distinct payload and range requirements. E-rick volume are gradually formalizing with state-level registration mandate.
- ▶ **Bajaj Auto Credit (BACL):** Cumulative investment in BACL stands at INR 29bn, with INR 5bn infused in FY26. Only INR 2–3bn is expected to make it self-sustaining. Financing penetrations stands at 2W – 70% (BACL share ~40%), 3W – 90–95% (BACL share ~50%). BACL operates with low leverage (D/E ~0.05x) and is turning profitable.
- ▶ **KTM & Austria turnaround:** It is awaiting final regulatory clearance for KTM Austria stake consolidation under Bajaj Mobility AG. Post approval, BJAUT will execute a comprehensive turnaround plan covering cost rationalization and product pipeline optimization. Given KTM Austria's listed status, commentary remains limited until closure.
- ▶ **Slow adoption curve of the CNG motorcycle:** Initial excitement has moderated due to refuelling pressure issues and limited CNG density in several regions. BJAUT is refining its go-to-market strategy by focusing on States with higher pump density (for eg, West Bengal). Management expects gradual adoption, driven by high-mileage users once refuelling infrastructure strengthens.

Exhibit 2: Valuation

	December 2027E
EPS (INR)	413.8
Multiple (x)	25.0
Target Price (INR)	10,345

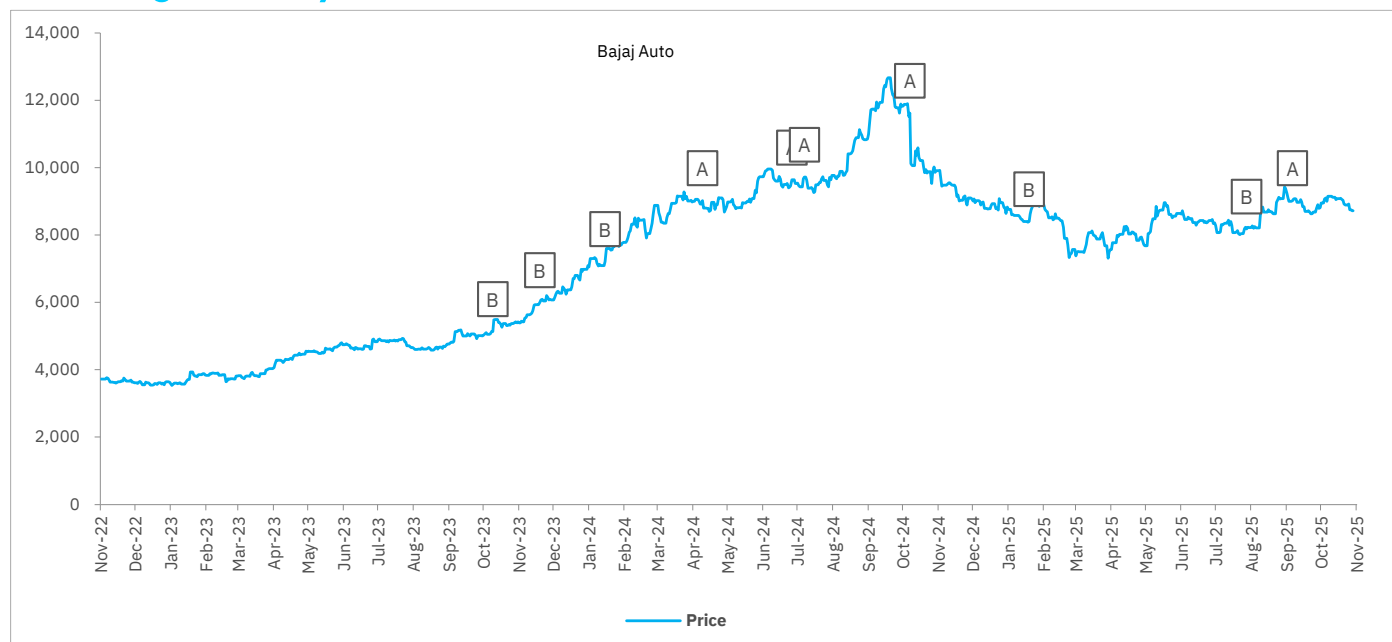
Source: Elara Securities Estimate

Exhibit 3: Change in estimates

Revision	Earlier			Current			Variation (%)		
(INR mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	568,230	651,742	714,856	568,013	641,660	701,473	0.0	(1.5)	(1.9)
EBITDA	114,711	133,452	147,757	114,667	131,395	145,000	0.0	(1.5)	(1.9)
EBITDA margin (%)	20.2	20.5	20.7	20.2	20.5	20.7	0.0	0.0	0.0
PAT	94,220	109,556	121,558	94,835	107,490	118,262	0.7	(1.9)	(2.7)
EPS (INR)	337.4	392.3	435.3	339.6	384.9	423.5	0.7	(1.9)	(2.7)
Total volume	5,009,256	5,613,944	6,032,618	5,011,771	5,538,323	5,931,855	0.1	(1.3)	(1.7)

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
18-Oct-2023	Buy	6,150	5,137
28-Nov-2023	Buy	7,054	5,998
24-Jan-2024	Buy	8,600	7,213
18-Apr-2024	Accumulate	10,050	9,021
05-Jul-2024	Accumulate	10,717	9,636
16-Jul-2024	Accumulate	11,590	9,718
16-Oct-2024	Accumulate	13,013	11,617
28-Jan-2025	Buy	10,432	8,398
06-Aug-2025	Buy	9,892	8,179
15-Sep-2025	Accumulate	10,345	9,000

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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