

Bajaj Auto | ADD

In-line set, exports to continue momentum

Bajaj Auto's EBITDA margin expanded by 20bps YoY to 20.5%, in line with JMFe. The positive impact of operating leverage and currency tailwinds (USD/INR realisation stood at 87.1 versus 83.8 in Q2 FY25) was partially offset by higher raw material costs (40bps adverse impact net of a marginal price hike). Post-GST rationalisation and the festive season led to significant growth in the two-wheeler segment. Overall, management expects the 2W industry to grow by 6–8% in the medium term, and the company anticipates outperforming the industry in the 125cc+ category. However, the company continues to have relatively limited growth in the entry and commuter-level segments, which have been witnessing high growth post-GST rationalisation. Export momentum is expected to remain consistent with Q2 levels. EV revenue share contracted (18%+ of domestic revenue versus 20% in Q1) due to rare earth magnet supply issues, which led to production disruptions. After securing alternative sources from new geographies, the company regained its leadership position in the e2W segment (~22% market share in October 2025, per Vahan). In our view, lower domestic volumes for the company due to limited growth in entry/commuter segments are expected to be offset by higher export volumes. Additionally, higher export realisations will support margins despite elevated raw material costs. Consequently, we have marginally raised our EBITDA margin estimates by 30bps for FY26E from previous estimates. We revise our rating from HOLD under the previous system to ADD under the new rating framework, with a TP of INR 9,300 (22x average FY27E/FY28E EPS).

- **2QFY26 – Margins in line with estimate:** BJAUT reported net sales of INR 149.2bn (+13.7% YoY, +18.6% QoQ), in line with JMFe. Blended realisation increased 7.3% YoY (+1.8% QoQ). EBITDA margin stood at 20.5% (+20bps YoY, +70bps QoQ), in line with JMFe. EBITDA stood at INR 30.5bn (+15.1% YoY, +23% QoQ). PAT for 2QFY26 stood at INR 24.8bn (+11.9% YoY, +18.3% QoQ), 2.2% below JMFe.
- **Domestic 2W market & outlook:** GST rationalisation and the festive season led to a significant pickup in demand for two-wheelers during the second half of Q2. The historic 40-day festive period delivered all-time high retail performance in both revenue and volume. Pulsar achieved its peak performance, and the market share erosion previously witnessed by the company has come to a halt. From October 2025, the company began gaining market share, driven by strong growth in the 125cc+ sports segment, as management indicated that customers are increasingly upgrading following GST rationalisation. Three new Pulsar variants are expected to be launched over the next few months, starting December 2025. These launches are expected to further strengthen the company's presence in the premium segment and support continued momentum. Overall, the company expects 6–8% growth in the domestic two-wheeler industry in the medium term and anticipates outperforming industry growth in the 125cc+ segment.
- **Domestic 3W demand outlook:** In the domestic 3W segment, demand for ICE autos, which had been declining at a rate of 5%, has now stabilised following the GST cut. E-auto growth, previously at 75%, has moderated to around 50% due to a shift in preference towards CNG, driven by a better payback period. In Q3, the company expects to regain its leadership position in the e-auto segment, supported by two existing models and the planned launch of two additional models. The management remains highly optimistic about the three-wheeler market in India, driven by strong and sustained demand for last-mile connectivity.



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	HOLD
Current Price Target (12M)	9,300
Upside/(Downside)	6.6%
Previous Price Target	8,700
Change	6.9%

Key Data – BJAUT IN

Current Market Price	INR8,722
Market cap (bn)	INR2,435.6/US\$27.5
Free Float	37%
Shares in issue (mn)	289.4
Diluted share (mn)	279.3
3-mon avg daily val (mn)	INR3,669.5/US\$41.4
52-week range	10,033/7,088
Sensex/Nifty	83,216/25,492
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	-0.8	12.9	-12.0
Relative*	-1.7	7.8	-15.9

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Sales Growth (%)	22.7	11.9	13.4	13.5	13.1
EBITDA	88,229	1,00,988	1,13,495	1,33,533	1,53,342
EBITDA Margin (%)	19.7	20.2	20.0	20.7	21.1
Adjusted Net Profit	74,788	81,514	95,023	1,11,170	1,27,559
Diluted EPS (INR)	267.9	291.9	340.3	398.1	456.8
Diluted EPS Growth (%)	34.7	9.0	16.6	17.0	14.7
ROIC (%)	448.4	544.1	379.3	366.8	363.4
ROE (%)	29.7	28.6	27.3	27.2	26.2
P/E (x)	32.6	29.9	25.6	21.9	19.1
P/B (x)	9.8	7.6	6.5	5.5	4.6
EV/EBITDA (x)	26.1	22.5	19.6	16.2	13.5
Dividend Yield (%)	0.9	2.4	1.7	1.7	1.7

Source: Company data, JM Financial. Note: Valuations as of 07/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

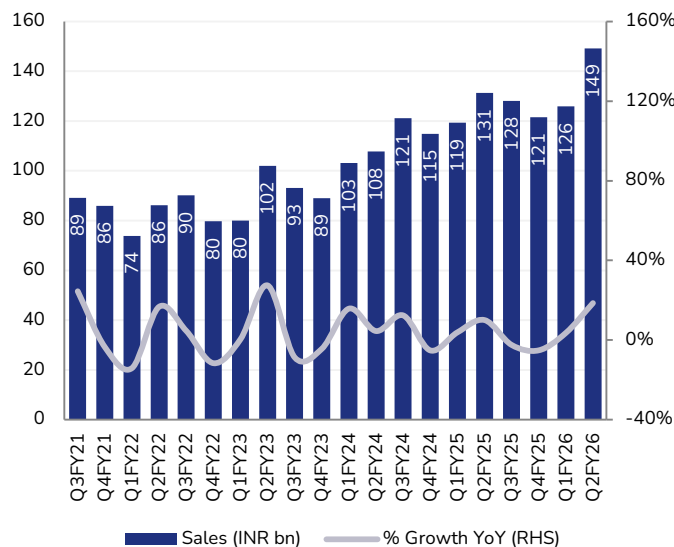
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Export market & outlook:** Demand in international markets remains strong, with export volumes rising 24.4% year-on-year and revenue growing 33% YoY in Q2. The top 30 overseas markets grew by 14% YoY during the quarter and now account for approximately 70% of the industry in emerging markets. Bajaj Auto's sales in these markets grew at 1.5x the industry rate, indicating market share gains. Africa and Asia registered strong double-digit growth, while LATAM continued its upward trajectory, setting new records. Encouraging demand for three-wheelers in export markets has prompted the company to plan capacity expansion in the coming months, particularly for electric three-wheelers (e3W), to meet rising demand. Regarding KTM, the company noted that exports have picked up. In Nigeria, retail demand remains steady and is showing signs of equilibrium ahead of the festive season in November and December 2025. Sales in Brazil reached 8,000 units in Q2, supported by expanded production capacities. The company also commenced KTM production in Austria, registering 10% QoQ growth. Overall, it expects export momentum to remain consistent with Q2 levels.
- **Margin outlook:** EBITDA margin expanded by 20bps YoY. The positive impact of operating leverage and currency tailwinds (USD/INR realisation stood at 87.1 versus 83.8 in YoY) was partially offset by higher RM prices (40bps adverse impact net of a marginal price hike). We expect higher export realisations to support margins, despite elevated RM costs.
- **Update on EVs:** Bajaj Auto's EV growth trajectory was impacted by supply constraints in rare earth magnets. However, after securing alternative sources from new geographies, the company has regained its leadership position in the electric two-wheeler (e2W) segment, achieving approximately 22% market share in October 2025, as per Vahan data. In the electric three-wheeler (e3W) segment, revenue grew 1.5x year-on-year. Furthermore, in Q2 FY26, Bajaj Auto made a strategic entry into the large and growing e-rickshaw market with the launch of 'Riki,' initially rolled out in four cities and positioned for rapid nationwide expansion. The entire EV portfolio (e2W + e3W) is now operating at close to double-digit EBITDA margins, with some models of Chetak already achieving EBITDA-positive status.
- **Other highlights:** 1) With respect to KTM, regulatory approvals are expected to come soon. 2) Bajaj Auto Credit's (BACL) AUM as on Sep'25 stands at INR 140bn and has generated ~INR 1.32bn profit in 2QFY26 (penetration at 40%). 3) In the premium motorcycle segment, KTM and triumph together clocked >60k units in 2Q (+70% YoY). 4) Cost escalation is expected with the implementation of ABS norms (INR2-3K price escalation).

Exhibit 1. Quarterly financial results (standalone)							(INR mn)
	2QFY26	2QFY25	%YoY	1QFY26	% QoQ	2QFY26E	% A/E
2W (Units)	1,068,987	1,033,208	3.5	948,791	12.7	1,068,987	0.0
3W (Units)	225,133	188,296	19.6	162,446	38.6	225,133	0.0
Total Volumes (Units)	1,294,120	1,221,504	5.9	1,111,237	16	1,294,120	0.0
Domestic (Units)	740,793	776,711	-4.6	634,808	16.7	740,793	0.0
Exports (Units)	553,327	444,793	24.4	476,429	16.1	553,327	0.0
Average Realisation (Net, INR)	115,307	107,470	7.3	113,247	1.8	115,512	-0.2
Sales	149,221	131,275	13.7	125,845	18.6	149,487	-0.2
RM	104,556	93,639	11.7	88,596	18.0	104,987	-0.4
As a % of sales	70.1	71.3	-130bps	70.4	-30bps	70.2	-20bps
Employee Exp	4,097	3,935	4.1	4,138	-1.0	4,758	-13.9
As a % of sales	2.7	3.0	-30bps	3.3	-50bps	3.2	-40bps
Other Costs	10,051	7,180	40.0	8,293	21.2	9,137	10.0
As a % of sales	6.7	5.5	130bps	6.6	10bps	6.1	60bps
Expenditure	118,704	104,753	13.3	101,027	17.5	118,882	-0.1
EBITDA	30,517	26,522	15.1	24,818	23.0	30,605	-0.3
EBITDA Margin (%)	20.5	20.2	20bps	19.7	70bps	20.5	0bps
Other Income	3,692	3,845	-4.0	4,308	-14.3	4,437	-16.8
Interest	144	159	-9.7	141	1.6	134	7.0
Depreciation	1,117	956	16.9	1,109	0.8	1,100	1.6
PBT	32,948	29,252	12.6	27,875	18.2	33,807	-2.5
Tax	8,150	7,089	15.0	6,915	17.9	8,452	-3.6
Tax rate (%)	24.7	24.2	2.1	24.8	-0.1	25.0	-0.3
PAT (Adjusted)	24,797	22,163	11.9	20,960	18.3	25,355	-2.2
PAT Margin (%)	16.6	16.9	-30bps	16.7	0bps	17.0	-30bps
EPS (INR)	88.8	79.4	11.9	75.1	18.3	90.8	-2.2

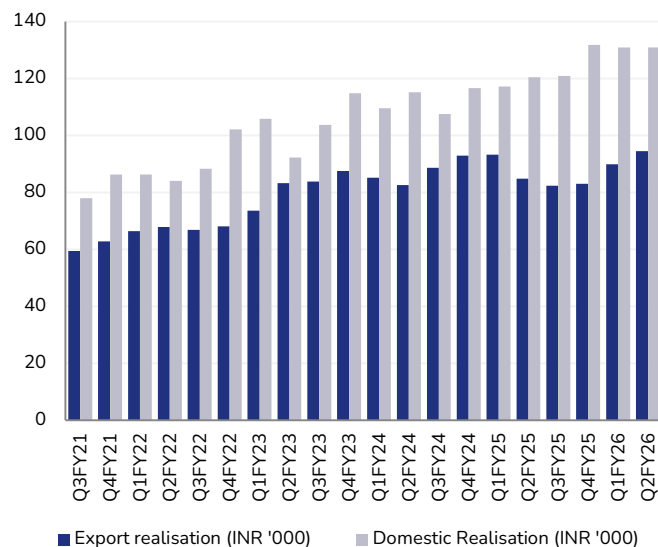
Source: Company, JM Financial

Exhibit 2. Revenue and growth trend



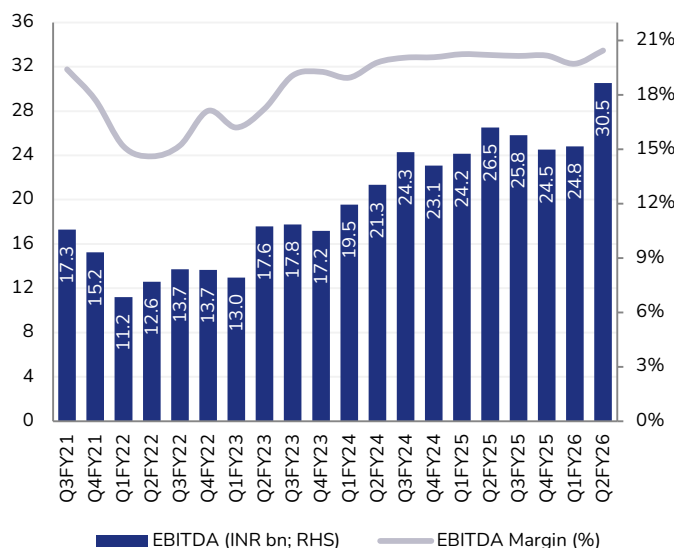
Source: Company, JM Financial

Exhibit 3. Domestic and exports realisation trend



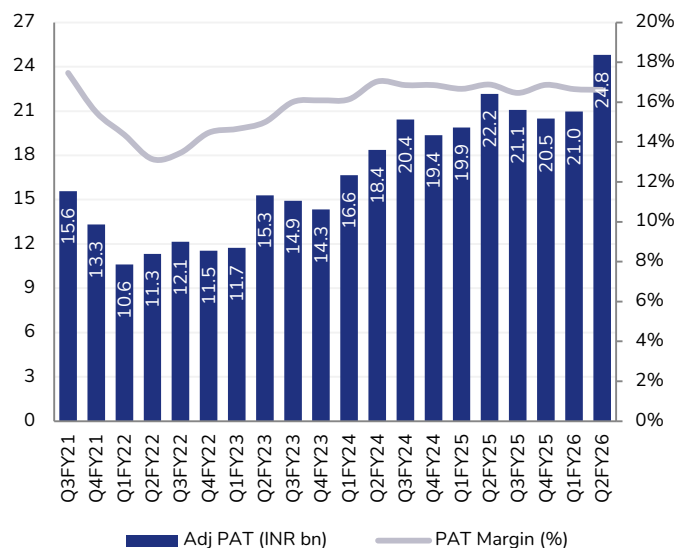
Source: Company, JM Financial

Exhibit 4. EBITDA and margin trend



Source: Company, JM Financial

Exhibit 5. Adj. PAT and margin trend



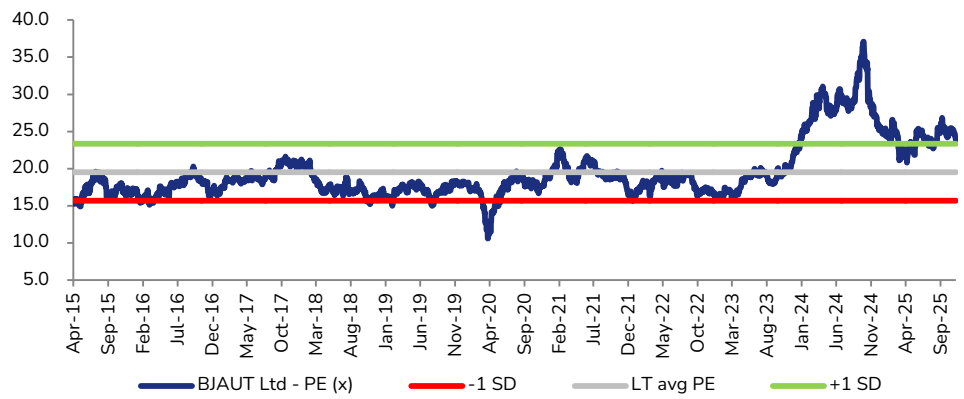
Source: Company, JM Financial

Exhibit 6. Change in estimates

Particulars	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	500,103	567,064	643,809	500,103	567,064	643,809	0.0%	0.0%	0.0%
Vol. (mn units)	4,650,966	5,071,061	5,578,141	4,650,966	5,071,061	5,578,141	0.0%	0.0%	0.0%
Growth (%)	6.9%	9.0%	10.0%	6.9%	9.0%	10.0%			
EBITDA (INR mn)	100,988	113,495	133,533	100,988	111,666	133,538	0.0%	1.6%	0.0%
EBITDAM (%)	20.2%	20.0%	20.7%	20.2%	19.7%	20.7%	0bps	32bps	0bps
PAT (INR mn)	81,514	95,023	111,170	81,514	93,633	111,175	0.0%	1.5%	0.0%
EPS (INR)	292	340	398	292	335	398	0.0%	1.5%	0.0%

Source: Company, JM Financial

Exhibit 7. 1-yr forward PE chart



Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Sales Growth	22.7%	11.9%	13.4%	13.5%	13.1%
Other Operating Income	0	0	0	0	0
Total Revenue	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Cost of Goods Sold/Op. Exp	3,17,434	3,53,374	4,00,373	4,51,221	5,09,879
Personnel Cost	15,376	15,794	17,548	19,025	20,621
Other Expenses	25,813	29,947	35,648	40,031	44,464
EBITDA	88,229	1,00,988	1,13,495	1,33,533	1,53,342
EBITDA Margin	19.7%	20.2%	20.0%	20.7%	21.1%
EBITDA Growth	34.7%	14.5%	12.4%	17.7%	14.8%
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
EBIT	84,731	96,987	1,09,689	1,29,225	1,48,593
Other Income	14,025	14,209	16,341	18,302	20,498
Finance Cost	535	677	1,000	1,250	1,250
PBT before Excep. & Forex	98,220	1,10,519	1,25,030	1,46,277	1,67,841
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	98,220	1,10,519	1,25,030	1,46,277	1,67,841
Taxes	23,432	29,005	30,007	35,106	40,282
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	74,788	81,514	95,023	1,11,170	1,27,559
Adjusted Net Profit	74,788	81,514	95,023	1,11,170	1,27,559
Net Margin	16.7%	16.3%	16.8%	17.3%	17.5%
Diluted Share Cap. (mn)	279.2	279.3	279.3	279.3	279.3
Diluted EPS (INR)	267.9	291.9	340.3	398.1	456.8
Diluted EPS Growth	34.7%	9.0%	16.6%	17.0%	14.7%
Total Dividend + Tax	22,334	58,645	41,889	41,889	41,889
Dividend Per Share (INR)	80.0	210.0	150.0	150.0	150.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	98,220	1,10,519	1,25,030	1,46,277	1,67,841
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
Net Interest Exp. / Inc. (-)	535	677	1,000	1,250	1,250
Inc (-) / Dec in WCap.	19,150	-14,464	523	-214	778
Others	0	0	0	0	0
Taxes Paid	-23,432	-29,005	-30,007	-35,106	-40,282
Operating Cash Flow	97,971	71,729	1,00,352	1,16,514	1,34,336
Capex	-7,781	-7,530	-8,959	-9,062	-9,167
Free Cash Flow	90,190	64,199	91,392	1,07,452	1,25,169
Inc (-) / Dec in Investments	-15,690	-51,578	-27,000	-27,000	-27,000
Others	-535	-677	-1,000	-1,250	-1,250
Investing Cash Flow	-24,005	-59,785	-36,959	-37,312	-37,417
Inc / Dec (-) in Capital	-38	1	0	0	0
Dividend + Tax thereon	-22,334	-58,645	-41,889	-41,889	-41,889
Inc / Dec (-) in Loans	8,341	-341	0	0	0
Others	-57,426	54,960	0	0	0
Financing Cash Flow	-71,457	-4,025	-41,889	-41,889	-41,889
Inc / Dec (-) in Cash	2,509	7,919	21,503	37,313	55,030
Opening Cash Balance	2,858	5,366	13,286	34,789	72,101
Closing Cash Balance	5,366	13,286	34,789	72,101	1,27,131

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,48,605	3,21,469	3,74,603	4,43,885	5,29,555
Share Capital	2,792	2,793	2,793	2,793	2,793
Reserves & Surplus	2,45,813	3,18,677	3,71,811	4,41,092	5,26,762
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	8,341	8,000	8,000	8,000	8,000
Def. Tax Liab. / Assets (-)	-2,549	2,417	2,417	2,417	2,417
Total - Equity & Liab.	2,54,396	3,31,886	3,85,020	4,54,301	5,39,971
Net Fixed Assets	32,262	35,790	40,944	45,699	50,117
Gross Fixed Assets	67,621	75,143	83,426	92,385	1,01,448
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	35,635	39,636	43,441	47,749	52,497
Capital WIP	275	283	959	1,062	1,167
Investments	2,44,946	2,96,524	3,23,524	3,50,524	3,77,524
Current Assets	56,242	79,599	1,05,803	1,53,671	2,20,068
Inventories	16,956	19,579	20,981	23,832	26,960
Sundry Debtors	21,224	22,826	29,973	34,046	38,514
Cash & Bank Balances	5,366	13,286	34,789	72,101	1,27,131
Loans & Advances	6,136	16,055	10,207	11,589	13,110
Other Current Assets	6,560	7,853	9,853	12,103	14,353
Current Liab. & Prov.	79,053	80,027	85,250	95,592	1,07,737
Current Liabilities	77,162	77,512	80,714	90,442	1,01,911
Provisions & Others	1,891	2,515	4,537	5,150	5,826
Net Current Assets	-22,811	-428	20,552	58,079	1,12,331
Total - Assets	2,54,396	3,31,886	3,85,020	4,54,301	5,39,971

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.7%	16.3%	16.8%	17.3%	17.5%
Asset Turnover (x)	1.7	1.7	1.6	1.5	1.5
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	29.7%	28.6%	27.3%	27.2%	26.2%

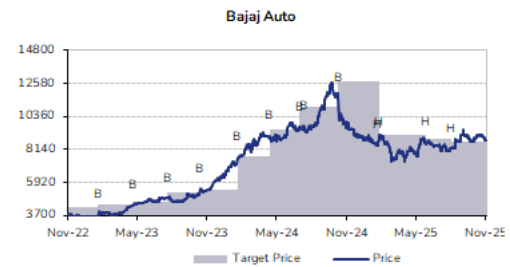
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	890.5	1,151.1	1,341.4	1,589.5	1,896.3
ROIC	448.4%	544.1%	379.3%	366.8%	363.4%
ROE	29.7%	28.6%	27.3%	27.2%	26.2%
Net Debt/Equity (x)	-0.9	-0.8	-0.8	-0.8	-0.8
P/E (x)	32.6	29.9	25.6	21.9	19.1
P/B (x)	9.8	7.6	6.5	5.5	4.6
EV/EBITDA (x)	26.1	22.5	19.6	16.2	13.5
EV/Sales (x)	5.1	4.5	3.9	3.4	2.9
Debtor days	17	17	19	19	19
Inventory days	14	14	14	14	14
Creditor days	79	71	65	65	65

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jan-21	Buy	4,200	
30-Apr-21	Buy	4,200	0.0
23-Jul-21	Buy	4,200	0.0
28-Oct-21	Buy	4,250	1.2
20-Jan-22	Buy	4,100	-3.5
28-Apr-22	Buy	4,250	3.7
15-Oct-22	Buy	4,250	0.0
26-Jan-23	Buy	4,400	3.5
25-Apr-23	Buy	4,600	4.5
25-Jul-23	Buy	5,250	14.1
19-Oct-23	Buy	5,450	3.8
25-Jan-24	Buy	7,700	41.3
18-Apr-24	Buy	9,500	23.4
7-Jul-24	Buy	10,850	14.2
17-Jul-24	Buy	11,000	1.4
16-Oct-24	Buy	12,750	15.9
27-Jan-25	Hold	9,150	-28.2
29-Jan-25	Hold	9,150	0.0
30-May-25	Hold	8,800	-3.8
6-Aug-25	Hold	8,700	-1.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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