

Bajaj Auto | REDUCE

Valuations stretched amid weak market share trends

In 3QFY26, Bajaj Auto reported an EBITDA margin of 20.8% (+60bps YoY), in line with JMFe, led by operating leverage, PLI benefits, and currency tailwinds (USD/INR realisation at 88.3 vs. 84.3 YoY), which were partially offset by higher RM prices (PGM group and aluminium; 50-60bps impact), price holds in E3W/350cc+, and a higher mix of Chetak in the portfolio. Management highlighted that the pickup in demand post GST rationalisation is sustaining beyond the festive season and expects the motorcycle industry to grow 12-15% YoY over the next few months, with the 125cc/150cc+ segments growing faster and the company anticipating outperformance in the 125cc+ category. Although the company continues to benefit from export markets due to currency tailwinds, it is facing challenges in the domestic market. While the company has gained some market share (MS) in the domestic 2W segment following recent upgrades and refreshers, the current MS of 10.5% remains significantly lower than 12.1% in Jan'24, and the response to models other than Pulsar has been underwhelming; hence, we do not expect meaningful MS gains despite eight more refreshes over the next four months. Similarly, the company has been losing MS in the domestic 3W segment (as per Vahan, MS declined from ~37% in Jan'24 to ~35% in Jan'26). Moreover, Bajaj Auto is trading at 21x our FY28 EPS, which is above its long-term average multiple of 16x. Consequent to these factors, we downgrade the stock to REDUCE from ADD and roll forward our valuation to FY28E from the average of FY27/28E to arrive at a target price of INR 9,600 (target multiple revised from 22x to 21x).

- **3QFY26 – Margins in line with estimate:** BJAUT reported net sales of INR 152.2bn (+18.8% YoY, +2.0% QoQ), 3% below JMFe. Blended realisation increased 8.5% YoY (-1.6% QoQ). EBITDA margin stood at 20.8% (+60bps YoY, +30bps QoQ), in line with JMFe. EBITDA stood at INR 31.6bn (+22.5% YoY, +3.6% QoQ). Adj. PAT for 3QFY26 stood at INR 25.5bn (+20.9% YoY, +2.8% QoQ), 3.6% below JMFe (adjusted for net exceptional items ~INR 459mn related to new labour code and corresponding deferred tax).
- **Domestic 2W market & outlook:** The management highlighted that the pickup in demand post GST rationalisation is sustaining momentum beyond the festive season as well. They expect the motorcycle industry to grow 12-15% YoY over the next few months, with the 125cc / 150cc+ segments growing at a faster pace. Bajaj Auto is expected to outperform the industry in the 125cc/150cc+ segments, led by its strong product portfolio. The recently launched seven upgrades and refreshers have helped the company regain some of its lost market share, and the upcoming eight more interventions over the next four months are expected to help the company maintain or gain additional market share (as per Vahan data, the company's 2W market share contracted to 10.5% in Jan'26 vs. 12.1% in Jan'24).
- **Domestic 3W demand outlook:** In the domestic 3W segment, demand for ICE autos, which declined 4% over Apr'25-Aug'25 witnessed a sharp recovery and witnessed 4-5% growth post GST 2.0. Bajaj Auto has launched two passenger models in the last quarter. As per vahan, the company's market share contracted from ~37% in Jan'24 to ~35% in Jan'26.
- **Export market & outlook:** Demand in international markets remains strong, with export volumes rising 17.9% year-on-year and USD revenue growing 18.8% YoY in Q3. The top 30 overseas markets grew by 10% YoY during the quarter and now account for approximately 70% of the industry in emerging markets. Bajaj Auto's sales in these markets grew by 15% YoY. Overall, it expects export momentum to continue with 200k+ units per month run rate in 4Q.



Saksham Kaushal

saksham.kaushal@jmfl.com | Tel: (91 22) 66303019

Nitin Agrawal

nitin.agrawal@jmfl.com | Tel: (91 22) 66303687

Sahil Malik

sahil.malik@jmfl.com | Tel: (91 22) 66301652

Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	ADD
Current Price Target (12M)	9,600
Upside/(Downside)	0.0%
Previous Price Target	9,300
Change	3.2%

Key Data – BJAUT IN

Current Market Price	INR9,598
Market cap (bn)	INR2,682.5/US\$29.2
Free Float	36%
Shares in issue (mn)	289.4
Diluted share (mn)	279.3
3-mon avg daily val (mn)	INR3,388.1/US\$36.8
52-week range	9,888/7,088
Sensex/Nifty	82,270/25,321
INR/US\$	92.0

Price Performance

%	1M	6M	12M
Absolute	3.4	19.3	9.7
Relative*	6.4	18.2	2.4

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	4,46,852	5,00,103	5,81,423	6,53,205	7,39,062
Sales Growth (%)	22.7	11.9	16.3	12.3	13.1
EBITDA	88,229	1,00,988	1,18,657	1,34,296	1,53,062
EBITDA Margin (%)	19.7	20.2	20.4	20.6	20.7
Adjusted Net Profit	74,788	85,739	99,515	1,11,751	1,27,346
Diluted EPS (INR)	267.9	307.0	356.4	400.2	456.0
Diluted EPS Growth (%)	34.7	14.6	16.1	12.3	14.0
ROCE (%)	29.2	28.4	28.7	28.9	28.5
ROE (%)	29.7	30.1	29.1	28.8	28.3
P/E (x)	35.8	31.3	26.9	24.0	21.0
P/B (x)	10.8	8.3	7.4	6.5	5.5
EV/EBITDA (x)	30.9	26.9	22.7	19.7	16.9
Dividend Yield (%)	0.8	2.2	2.2	2.2	2.2

Source: Company data, JM Financial. Note: Valuations as of 30/Jan/2026

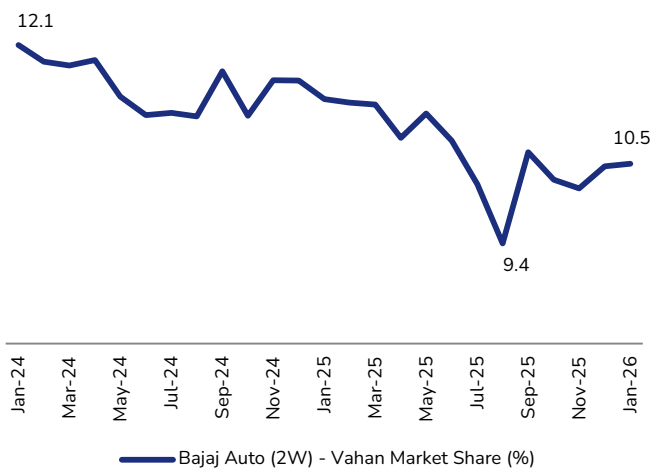
JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

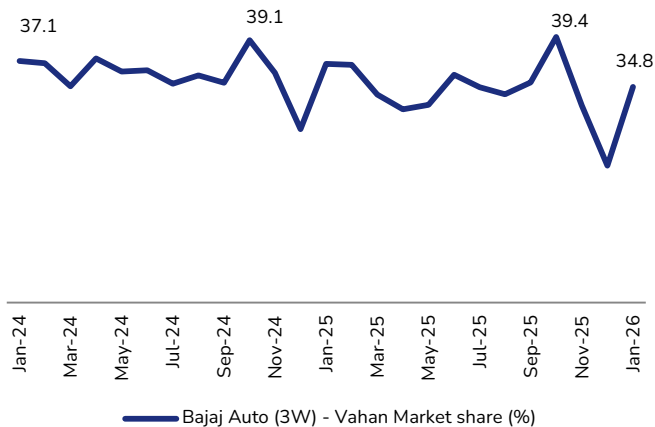
- **Margin outlook:** EBITDA margin expanded by 60bps YoY. The positive impact of operating leverage, PLI, and currency tailwinds (USD/INR realisation stood at 88.3 versus 84.3 YoY) was partially offset by higher RM prices (PGM group and aluminium; 50-60bps impact), price hold in E3W/350cc+, and higher mix of Chetak in the portfolio. The company has taken a price hike in Jan'26 to offset half of the impact of RM inflation.
- **Update on EVs:** Bajaj Auto's E2W market share grew 500bps YoY to ~21% in 3Q, as per Vahan data. In the electric three-wheeler (e3W) segment, revenue grew 50% YoY. Furthermore, the company has received good initial feedback for 'Riki'. The entire EV portfolio (e2W + e3W) now contributes 25% of the domestic revenue with double-digit EBITDA margins.
- **Other highlights:** 1) With respect to KTM, the consolidation will happen next year. 2) Bajaj Auto Credit's (BACL) AUM as on Dec'25 stands at INR 160bn and has generated ~INR 2bn profit in 3QFY26 (penetration at 45%). 3) In the premium motorcycle segment, KTM and triumph together grew by 50% YoY on domestic volumes and revenue.

Exhibit 1. Quarterly financial results (standalone)							(INR mn)
	3QFY26	3QFY25	%YoY	2QFY26	% QoQ	3QFY26E	% A/E
2W (Units)	1,132,383	1,054,621	7.4	1,068,987	5.9	1,132,383	0.0
3W (Units)	208,869	169,851	23.0	225,133	-7.2	208,869	0.0
Total Volumes (Units)	1,341,252	1,224,472	9.5	1,294,120	4	1,341,252	0.0
Average Realisation (Net, INR)	113,479	104,591	8.5	115,307	-1.6	116,690	-2.8
Sales	152,203	128,069	18.8	149,221	2.0	156,511	-2.8
RM	106,755	91,327	16.9	104,556	2.1	109,261	-2.3
As a % of sales	70.1	71.3	-120bps	70.1	10bps	69.8	30bps
Employee Exp	4,194	3,865	8.5	4,097	2.4	4,170	0.6
As a % of sales	2.8	3.0	-30bps	2.7	0bps	2.7	10bps
Other Costs	9,649	7,070	36.5	10,051	-4.0	10,355	-6.8
As a % of sales	6.3	5.5	80bps	6.7	-40bps	6.6	-30bps
Expenditure	120,598	102,261	17.9	118,704	1.6	123,786	-2.6
EBITDA	31,605	25,807	22.5	30,517	3.6	32,725	-3.4
EBITDA Margin (%)	20.8	20.2	60bps	20.5	30bps	20.9	-10bps
Depreciation	1,119	997	12.3	1,117	0.2	1,125	-0.5
EBIT	30,486	24,811	22.9	29,400	3.7	31,600	-3.5
EBIT Margin (%)	20.0	19.4	70bps	19.7	30bps	20.2	-20bps
Other Income	3,420	3,347	2.2	3,692	-7.4	3,803	-10.1
Interest	26	143	-82.1	144	-82.2	148	-82.7
PBT	33,880	28,015	20.9	32,948	2.8	35,254	-3.9
Tax	8,393	6,927	21.2	8,150	3.0	8,814	-4.8
Tax rate (%)	24.8	24.7	0.2	24.7	0.0	25.0	-0.2
PAT (Adjusted)	25,487	21,087	20.9	24,797	2.8	26,441	-3.6
PAT Margin (%)	16.7	16.5	30bps	16.6	10bps	16.9	-10bps
EPS (INR)	91.3	75.5	20.9	88.8	2.8	94.7	-3.6

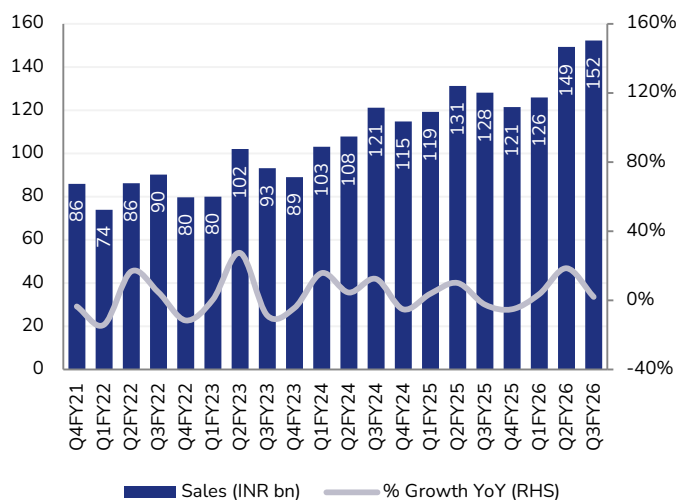
Source: Company, JM Financial

Exhibit 2. Continues to lose market share in domestic 2W segment

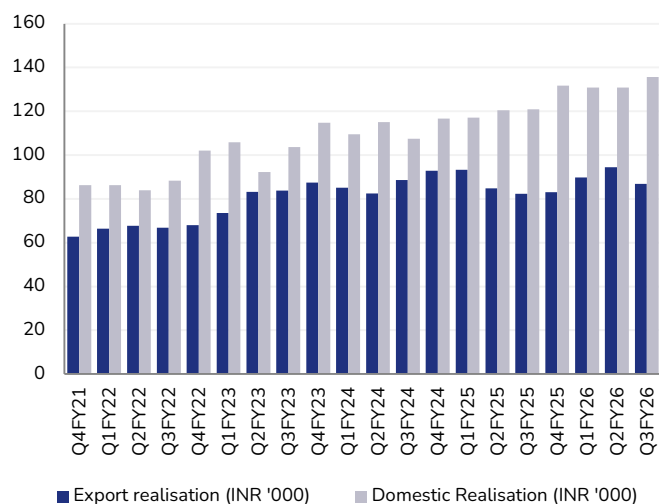
Source: Vahan, JM Financial

Exhibit 3. Similar story in the domestic 3W segment

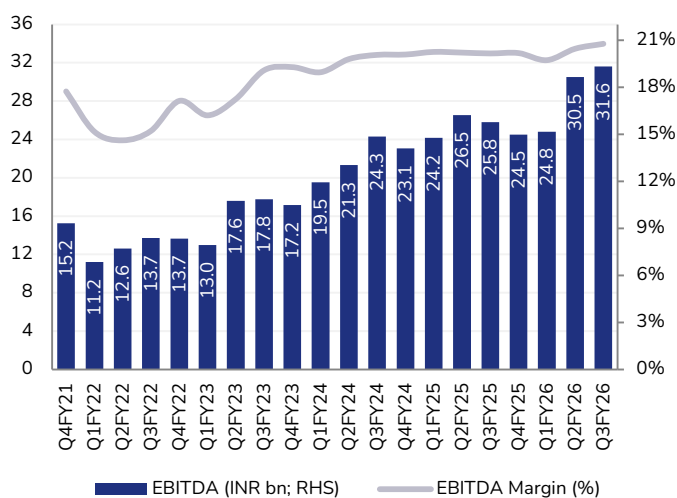
Source: Vahan, JM Financial

Exhibit 4. Revenue and growth trend

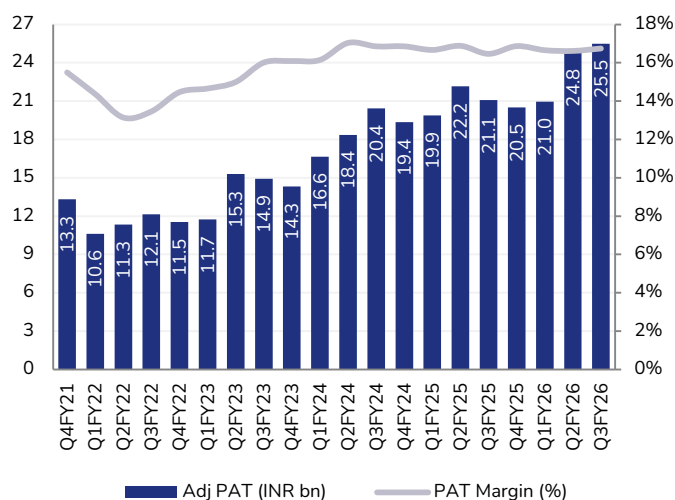
Source: Company, JM Financial

Exhibit 5. Domestic and exports realisation trend

Source: Company, JM Financial

Exhibit 6. EBITDA and margin trend

Source: Company, JM Financial

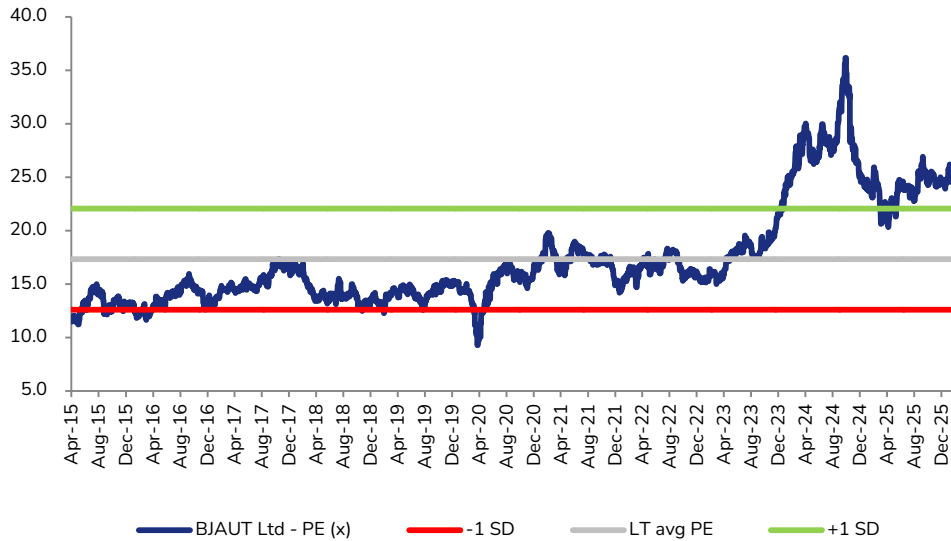
Exhibit 7. Adj. PAT and margin trend

Source: Company, JM Financial

Exhibit 8. Exhibit 6. Change in estimates - Consolidated

Bajaj Auto	New assumption				Old assumption				% Change			
	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
Revenue (INR mn)	500,103	581,423	653,205	739,062	500,103	567,064	643,809	728,306	0.0%	2.5%	1.5%	1.5%
Volume (mn units)	4,650,966	5,065,325	5,520,114	6,076,221	4,650,966	5,071,061	5,578,141	6,126,456	0.0%	-0.1%	-1.0%	-0.8%
Growth (%)	6.9%	8.9%	9.0%	10.1%	6.9%	9.0%	10.0%	9.8%				
EBITDA (INR mn)	100,988	118,657	134,296	153,062	100,988	113,495	133,533	153,342	0.0%	4.5%	0.6%	-0.2%
EBITDA margin (%)	20.2%	20.4%	20.6%	20.7%	20.2%	20.0%	20.7%	21.1%	0bps	39bps	-18bps	-34bps
Adj. PAT (INR mn)	83,627	99,056	111,751	127,346	83,627	95,023	111,170	127,559	0.0%	4.2%	0.5%	-0.2%
EPS (INR)	299	355	400	456	299	340	398	457	0.0%	4.2%	0.5%	-0.2%

Source: Company, JM Financial

Exhibit 9. 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	5,81,423	6,53,205	7,39,062
Sales Growth	22.7%	11.9%	16.3%	12.3%	13.1%
Other Operating Income	0	0	0	0	0
Total Revenue	4,46,852	5,00,103	5,81,423	6,53,205	7,39,062
Cost of Goods Sold/Op. Exp	3,17,434	3,53,374	4,08,854	4,59,961	5,19,756
Personnel Cost	15,376	15,794	18,479	19,403	22,314
Other Expenses	25,813	29,947	35,433	39,544	43,930
EBITDA	88,229	1,00,988	1,18,657	1,34,296	1,53,062
EBITDA Margin	19.7%	20.2%	20.4%	20.6%	20.7%
EBITDA Growth	34.7%	14.5%	17.5%	13.2%	14.0%
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
EBIT	84,731	96,987	1,14,851	1,29,989	1,48,313
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	1,30,192	1,47,041	1,67,561
Excep. & Forex Inc/Loss(-)	0	-2,113	-459	0	0
PBT	98,220	1,08,406	1,29,733	1,47,041	1,67,561
Taxes	23,432	26,892	31,136	35,290	40,215
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	74,788	81,514	98,597	1,11,751	1,27,346
Adjusted Net Profit	74,788	85,739	99,515	1,11,751	1,27,346
Net Margin	16.7%	17.1%	17.1%	17.1%	17.2%
Diluted Share Cap. (mn)	279.2	279.3	279.3	279.3	279.3
Diluted EPS (INR)	267.9	307.0	356.4	400.2	456.0
Diluted EPS Growth	34.7%	14.6%	16.1%	12.3%	14.0%
Total Dividend + Tax	22,334	58,645	58,645	58,645	58,645
Dividend Per Share (INR)	80.0	210.0	210.0	210.0	210.0

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	1,29,733	1,47,041	1,67,561
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
Net Interest Exp. / Inc. (-)	-7,740	-6,371	-15,341	-17,052	-19,248
Inc (-) / Dec in WCap.	-78,564	-1,04,330	-1,028	-1,850	-1,646
Others	83,195	95,651	459	0	0
Taxes Paid	-23,826	-26,804	-31,136	-35,290	-40,215
Operating Cash Flow	74,783	72,667	86,493	97,157	1,11,201
Capex	-7,989	-7,217	-4,849	-8,950	-11,076
Free Cash Flow	66,794	65,450	81,645	88,206	1,00,124
Inc (-) / Dec in Investments	4,112	-24,934	-16,585	-1,897	-1,916
Others	2,486	-4,326	16,097	17,564	19,738
Investing Cash Flow	-1,390	-36,477	-5,337	6,716	6,745
Inc / Dec (-) in Capital	865	293	0	0	0
Dividend + Tax thereon	-39,602	-22,353	-58,645	-58,645	-58,645
Inc / Dec (-) in Loans	8,327	-505	-8,000	0	0
Others	-40,691	-9,978	-1,000	-1,250	-1,250
Financing Cash Flow	-71,101	-32,542	-67,645	-59,895	-59,895
Inc / Dec (-) in Cash	2,292	3,648	13,512	43,978	58,051
Opening Cash Balance	2,194	4,486	8,134	21,646	65,624
Closing Cash Balance	4,486	8,134	21,646	65,624	1,23,675

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,48,605	3,21,469	3,61,881	4,14,987	4,83,689
Share Capital	2,792	2,793	2,793	2,793	2,793
Reserves & Surplus	2,45,813	3,18,677	3,59,088	4,12,194	4,80,896
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	8,341	8,000	0	0	0
Def. Tax Liab. / Assets (-)	5,069	11,230	11,230	11,230	11,230
Total - Equity & Liab.	2,62,015	3,40,700	3,73,111	4,26,217	4,94,919
Net Fixed Assets	32,262	35,790	36,833	41,476	47,804
Gross Fixed Assets	62,326	69,517	73,800	82,649	93,599
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	30,339	34,010	37,815	42,123	46,872
Capital WIP	275	283	849	950	1,076
Investments	2,34,510	2,85,702	3,00,613	3,05,218	3,09,977
Current Assets	75,817	1,02,797	1,29,288	1,82,848	2,51,726
Inventories	16,956	19,579	21,283	23,943	27,056
Sundry Debtors	21,224	22,826	31,859	35,792	40,497
Cash & Bank Balances	15,781	13,286	26,797	70,775	1,28,827
Loans & Advances	32	26	26	26	26
Other Current Assets	21,823	47,080	49,324	52,312	55,322
Current Liab. & Prov.	80,573	83,589	93,623	1,03,325	1,14,589
Current Liabilities	57,503	64,234	74,074	83,138	93,744
Provisions & Others	23,071	19,356	19,549	20,186	20,845
Net Current Assets	-4,757	19,207	35,665	79,523	1,37,138
Total - Assets	2,62,015	3,40,700	3,73,111	4,26,217	4,94,919

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.7%	17.1%	17.1%	17.1%	17.2%
Asset Turnover (x)	1.7	1.7	1.6	1.6	1.6
Leverage Factor (x)	1.0	1.1	1.0	1.0	1.0
RoE	29.7%	30.1%	29.1%	28.8%	28.3%

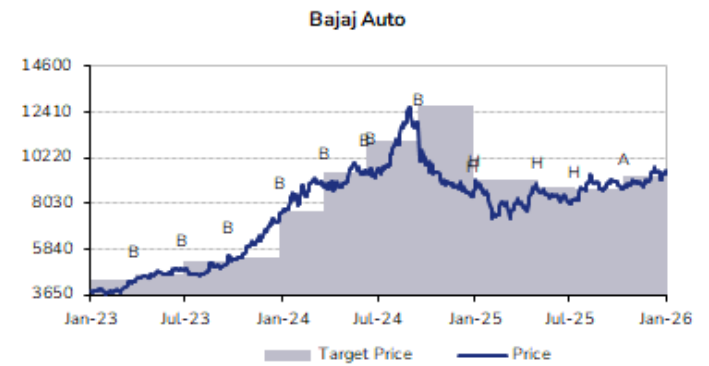
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	890.5	1,151.1	1,295.9	1,486.0	1,732.0
ROIC	447.7%	392.8%	268.8%	268.9%	268.8%
ROE	29.7%	30.1%	29.1%	28.8%	28.3%
Net Debt/Equity (x)	-0.2	-0.2	-0.2	-0.3	-0.4
P/E (x)	35.8	31.3	26.9	24.0	21.0
P/B (x)	10.8	8.3	7.4	6.5	5.5
EV/EBITDA (x)	30.9	26.9	22.7	19.7	16.9
EV/Sales (x)	6.1	5.4	4.6	4.1	3.5
Debtor days	17	17	20	20	20
Inventory days	14	14	13	13	13
Creditor days	57	57	57	57	57

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Apr-21	Buy	4,200	
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
10-Nov-25	Add	9,300	6.9

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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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)

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH0000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com
