

Performs well, valuations limit the upside...

About the stock: Bajaj Auto (BAL) is the second largest motorcycle manufacturer and largest 3-W OEM domestically. It also has a presence in export markets.

- Exports comprised ~40% of FY25 volumes; 2-W:3-W mix at ~86:14 (overall)
- Domestic market share: Motorcycle: 16.6% & 3-W: 65% (down 205 bps YoY)

Q4FY25 Results: Bajaj Auto reported steady performance in Q4FY25. Total operating income for the quarter came in at ₹ 12,148, up 5.8% YoY amidst 3% YoY growth in volumes at 11.02 lakh units. EBITDA for the quarter came in at ₹2,451 crore with EBITDA margins at 20.2% (flat QoQ). PAT in Q4FY25 stood at ₹2,049 crore (up 6% YoY). Company declared a dividend of ₹ 210/share

Investment Rationale:

- 2-W to continue to outperform industry in FY26E, BAL a key beneficiary:** Domestic auto industry has witnessed a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs and CV space in close proximity of its earlier peak. 2W sustained its recovery with FY25 witnessing healthy volume growth (9% YoY). BAL remains well placed, backed by its strong presence in the 125cc+ motorcycle segment. Despite a 2% industry decline in Q4FY25, BAL maintained solid traction with product interventions & ended FY25 with record revenue and margins. With expectations of high single digit volume growth in domestic 2-W space in FY26E and Bajaj's intent on outperformance, near term growth prospects look healthy. On the export front BAL's volumes grew 20% YoY in H2FY25 and expects a volume growth of 15-20% going forward in FY26E. This further reinforces Bajaj's global footprint and growth visibility.
- EV momentum accelerates with Chetak and e-3W gaining leadership:** Bajaj Auto was a late entrant to domestic e-mobility space, but it has since established a dominating presence in this segment. Its sharp execution in the space has led to significant market share gains. The Chetak brand with its new Chetak -35 series achieved leadership in Q4FY25 with a 25% share in domestic market, vs. 13% in Q4FY24. In e3W space, the newly launched Gogo brand enabled BAL to double its market share to 35%, emerging as segment leader. The upcoming e-Rickshaw launch by July 2025 (offering large unorganised sector opportunity) & plans to export chetak from Q1'26 are expected to further strengthen BAL's position in electric mobility space.

Rating and Target Price

- Bajaj Auto continued ramp up in the EV domain has been quiet exciting with its Chetak brand amongst the top E-2W OEM's domestically along with record EBITDA margins (above 20%) in its base business. Improving export outlook and differentiated product pipeline also bodes well. However, with near term uncertainties such as execution of KTM turnaround and valuations turning full, we now assign **HOLD** rating on the stock & value Bajaj Auto at ₹ 9,415 on 26x P/E on FY27E.



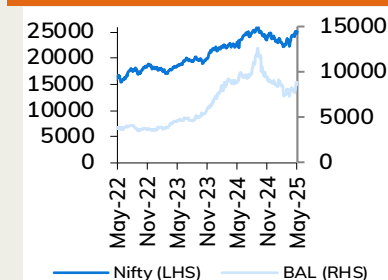
Particulars

Particular	₹ crore
Market Capitalization	2,41,560
Total Debt (FY25P)	800
Cash & Invsts (FY25P)	22,697
EV	2,19,663
52 week H/L (₹)	12,772 / 7,088
Equity capital (₹)	279.3
Face value (₹)	₹ 10

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	55.1	55.0	55.0	55.0
FII	14.2	14.3	12.5	11.6
DII	8.7	8.7	10.1	10.9
Other	22.0	22.0	22.5	22.4

Price Chart



Recent event & key risks

- Reports steady Q4FY25. EBITDA margins at 20.2%
- Key Risk: (i) higher than anticipated growth in export volumes over FY25-27E (ii) currency volatility impacting margins in the interim period

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	27,741	33,145	36,428	44,685	50,010	10.8%	56,709	62,604	11.9%
EBITDA	4,928	5,259	6,549	8,823	10,099	14.7%	11,348	12,860	12.8%
EBITDA Margins (%)	17.8	15.9	18.0	19.7	20.2		20.0	20.5	
Net Profit	4,555	5,019	5,628	7,479	8,151	9.8%	8,970	10,114	11.4%
EPS (₹)	157.4	173.4	198.9	264.3	291.9		321.2	362.2	
P/E	55.0	49.9	43.5	32.7	29.6		26.9	23.9	
RoNW (%)	18.1	17.6	22.1	30.1	25.4		26.2	27.6	
RoCE (%)	18.2	18.4	24.3	32.3	28.5		30.3	32.3	

Source: Company, ICICI Direct Research

Q4FY25 Earnings Conference Call Highlights

- Industry:** The Indian two-wheeler market remained mixed in Q4FY25, with overall motorcycle registrations showing a slight decline of around 2%. However, for the full financial year, the industry reported 6% growth, mainly led by the 125cc+ segment, which expanded by 12%, while the entry-level 100cc category remained flat. The performance was underpinned by strong Q1 and festive season sales. Out of the top 30 international two-wheeler markets monitored by Bajaj, 26 grew in Q4, indicating a broad-based recovery.
- Chetak and Triumph:** Chetak emerged as the leading e2W brand in India in Q4FY25, with its market share jumping from 13% to 25% within a year, due to the successful launch of the new Chetak 35 series in December. Bajaj has scaled its EV footprint with over 310 experience centres and 3,000+ retail points. On the premium motorcycle side, Triumph doubled its domestic sales to 11,000 units in Q4, driven by the Speed 400 upgrade and addition of the T4 model.
- Domestic 3-wheeler performance:** The domestic three-wheeler segment performed robustly in FY25, supported by strong momentum in both ICE and electric models. Bajaj Auto's electric auto (E-auto) business doubled its market share from 17% to 35%, securing the #1 position in Q4 and continuing into April and May. This success was attributed to the launch of the new Gogo brand, created to separate electric autos from ICE models and build a distinct customer identity. Bajaj will also be entering the electric rickshaw (e-Rick) segment in July, targeting the large, fragmented 40,000-unit-per-month market with a high-quality, lithium-ion-based offering.
- Electric Vehicle Portfolio:** Bajaj's EV business continues its strong growth trajectory. The electric two-wheeler portfolio, led by Chetak, has nearly reached EBITDA breakeven, a significant improvement from the loss-heavy position a year ago. The EV portfolio now contributes nearly 20% to domestic revenues, compared to under 10% the previous year. However, a potential risk was highlighted around the supply of rare earth magnets from China — a critical component for high-performance EV motors — due to regulatory constraints, though Bajaj is closely monitoring the situation.
- Raw Materials and Commodity Impact:** Commodity prices showed a mixed trend during the quarter. While palladium and platinum saw inflation, steel and aluminium remained relatively stable, leading to flat material costs overall in Q4. Currency provided a tailwind, with dollar realizations improving to ₹86.5, up from ₹84.3 in Q3. However, going into FY26, the company expects mild cost pressures due to aluminium price increases, OBD II compliance costs, and potential currency headwinds.
- Bajaj Auto Credit (BACL) and Financing Business:** BACL, marked a turnaround in FY25, posting its first full-year profit and crossing an AUM of ₹9,500 crore. It now covers 100% of Bajaj Auto's sales footprint across India, financing around 40% of motorcycle and 50% of three-wheeler customers. The company has capitalized BACL with ₹2,400 crore to date and expects to invest another ₹1,200–1,400 crore in FY26 as the business continues to grow.
- Outlook:** For FY26, Bajaj Auto outlined seven strategic priorities: strengthening its 125cc+ domestic motorcycle segment; expanding exports, especially in Latin America; scaling up its EV platforms (Chetak, Gogo, Freedom); turning around KTM; growing spares; and maintaining profitable growth amid macroeconomic volatility. Management is optimistic about delivering another record year in terms of performance and profitability.

Exports: Bajaj Auto's export volumes surged by 20% in Q4FY25, outperforming the 26% industry growth in its top 30 overseas markets with a 31% increase. LATAM, is a key growth driver, contributing over 30% of total exports. Brazil posted record quarterly sales, and Bajaj is ramping up its local plant's capacity from 30,000 to 50,000 units annually. Other regions like Africa and Asia remained steady, though Africa's uncertain trade environment remains a concern. With KTM exports resuming soon, Bajaj expects to grow overall exports by 15–20% each quarter.

Product Portfolio: Bajaj continues to focus on leadership in the 125cc+ segment through the rejuvenated Pulsar brand and the innovative Freedom CNG motorcycle. Six new Pulsar variants were launched in Q4, targeting both sporty and commuter segments. The Freedom has seen early success in high-CNG-density regions like Delhi and Kerala, capturing up to 11% share in local 125cc markets. Looking ahead, Bajaj will continue refreshing its portfolio with feature-rich offerings, including exploring a new entry-level 125cc model, to maintain and grow its strong #2 market position.

KTM AG: Bajaj Auto is preparing for a strategic turnaround of KTM AG, in which it plans to acquire a controlling stake. Due to poor demand forecasting and liquidity stress, KTM faced near-insolvency in 2024. Bajaj's Netherlands subsidiary has already infused \$800 million to meet creditor payments and restart operations. Once regulatory approvals are complete (expected in 2–3 months), Bajaj will take over operations and governance, aiming for a full recovery by CY2026. Meanwhile, KTM's India business remains strong, with nearly 100,000 units sold in FY25 and potential for further expansion into higher-displacement segments.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
Total Operating Income	12,148	11,485	5.8	12,807	-5.1	Topline grew 6% YoY basis amidst 3% growth in volumes & 1% increase in ASP's
Raw Material Expenses	8,488	8,070	5.2	9,133	-7.1	RM cost were lower at 70% of total operating income
Employee Expenses	365	387	-5.9	386	-5.7	
Other Expenses	869	736	18.1	716	21.3	
EBITDA	2,451	2,306	6.3	2,581	-5.0	
EBITDA Margin (%)	20.2	20.1	9 bps	20.2	9 bps	EBITDA margins for the quarter were maintained at 20.2% supported by currency tailwind and healthy growth in EV portfolio(margin dilutive)
PBT	2,724	2,573	5.8	2,787	-2.3	
Total Tax	654	606	8.0	693	-5.6	
Reported PAT	2,049	1,936	5.9	2,109	-2.8	PAT for the quarter was stable at +₹2000 run-rate
Key Metrics						
Total Volumes (units)	11,02,934	10,68,576	3.2	12,24,472	-9.9	Total volumes grew by 3.2% YoY at 11.02 lakh units with export volumes up by 20% YoY.
Blended ASP (₹/ unit)	1,06,037	1,04,610	1.4	1,00,587	5.4	Blended ASP's were up 5.4% QoQ amid superior product mix

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

Units (lakh)	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	37.3	39.8	43.9	47.9
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	6.2	6.7	7.1	7.7
Total volumes	50.2	46.2	39.7	43.1	39.3	43.5	46.5	51.0	55.6
Export volumes	20.8	21.7	20.5	25.1	18.2	16.4	18.6	21.3	23.8
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	29,377	32,318	36,974	39,930
Export revenues (\$ mn)	1,642	1,677	1,694	2,298	1,847	1,716	1,885	2,072	2,363
Blended ASP (₹/unit)	58,905	63,077	68,295	74,589	90,070	1,00,160	1,03,736	1,07,448	1,08,821

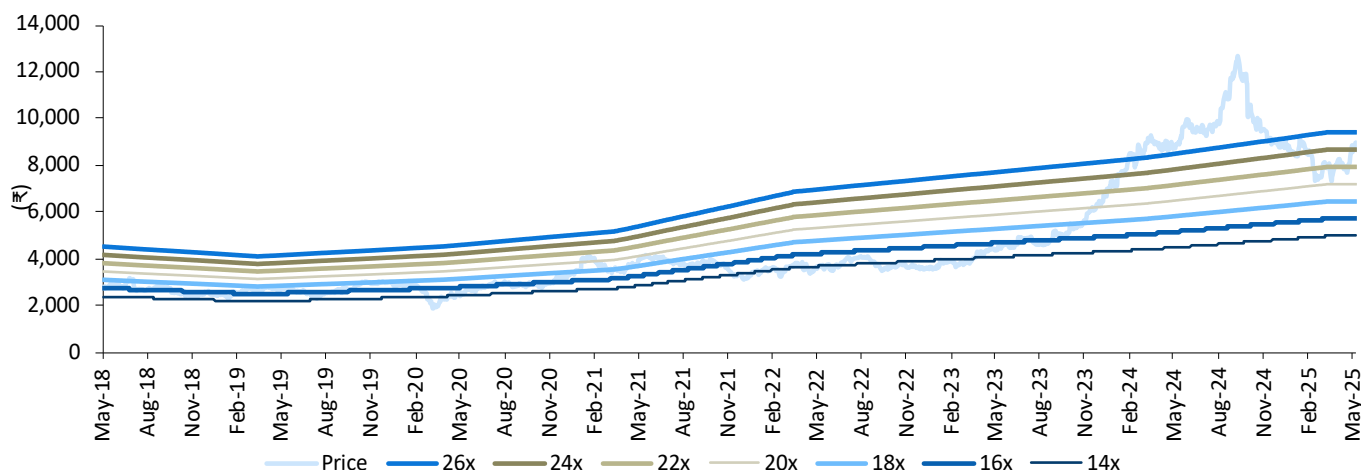
Source: ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Revenue	56,921	56,709	-0.4	63,718	62,604	-1.7
EBITDA	11,736	11,348	-3.3	13,802	12,860	-6.8
EBITDA Margin (%)	20.6	20.0	-61 bps	21.7	20.5	-112 bps
PAT	9,550	8,970	-6.1	11,154	10,114	-9.3
EPS (₹)	342	321	-6.1	412	362	-9.3

Source: ICICI Direct Research

Exhibit 4: Long term PE valuation graph – Bajaj Auto trades at ~24x PE on FY27E vs. its long period average of ~18x



Source: Bloomberg, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Total operating Income	44,685	50,010	56,709	62,604
Growth (%)	22.7	11.9	13.4	10.4
Raw Material Expenses	31,743	35,337	40,312	44,333
Employee Expenses	1,538	1,579	1,699	1,815
Other expenses	2,629	3,044	3,403	3,654
Total Operating Expenditure	35,862	39,912	45,361	49,745
EBITDA	8,823	10,099	11,348	12,860
Growth (%)	34.7	14.5	12.4	13.3
Depreciation	350	400	454	501
Interest	54	68	71	75
Other Income	1,402	1,421	1,137	1,202
PBT	9,822	11,052	11,960	13,486
Total Tax	2,343	2,900	2,990	3,371
PAT	7,479	8,151	8,970	10,114
Growth (%)	32.9	9.0	10.0	12.8
EPS (₹)	264	292	321	362

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	7,479	8,151	8,970	10,114
Add: Depreciation	350	400	454	501
Sub: Other Income	1,402	1,421	1,137	1,202
(Inc)/dec in Current Assets	-776	-1,574	-1,036	-785
Inc/(dec) in CL and Provisions	1,559	720	753	756
CF from operating activities	8,397	5,935	8,229	9,597
(Inc)/dec in Investments	652	-3,158	2,000	-1,000
(Inc)/dec in Fixed Assets	-778	-753	-765	-765
Others	-1,118	-2,728	-3,445	-1,045
Add: Other Income	1,402	1,421	1,137	1,202
CF from investing activities	158	-5,218	-1,073	-1,608
Inc/(dec) in loan funds	834	-34	-250	-50
Dividend paid & dividend tax	-2,264	-5,864	-6,842	-7,680
Inc/(dec) in Sec. premium	0	0	0	0
Others	-5,834	4,932	-85	-89
CF from financing activities	-7,264	-967	-7,177	-7,818
Net Cash flow	1,292	-249	-21	171
Opening Cash	286	1,578	1,329	1,308
Closing Cash	1,578	1,329	1,308	1,479

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	279	279	279	279
Reserve and Surplus	24,581	31,868	33,982	36,402
Total Shareholders funds	24,860	32,147	34,261	36,682
Total Debt	834	800	550	500
Deferred Tax Liability	507	1,123	1,123	1,123
Other non-current liabilities	0	0	0	0
Total Liabilities	26,359	34,226	36,100	38,481
Assets				
Gross Block	6,546	7,307	8,035	8,785
Less: Acc Depreciation	3,359	3,759	4,213	4,714
Net Block	3,187	3,548	3,823	4,072
Capital WIP	28	28	50	50
Total Fixed Assets	3,214	3,576	3,873	4,122
Investments	23,451	28,570	29,970	31,970
Inventory	1,696	1,958	2,330	2,573
Debtors	2,122	2,283	2,641	2,916
Loans and Advances	3	3	3	3
Other current assets	1,120	2,272	2,577	2,844
Cash	1,578	1,329	1,308	1,479
Total Current Assets	6,519	7,844	8,859	9,815
Creditors	5,610	6,268	6,991	7,718
Provisions	188	251	280	309
Other current liabilities	1,542	1,004	1,138	1,257
Total Current Liabilities	7,892	8,203	9,110	10,004
Net Current Assets	-1,373	-359	-251	-190
Deferred Tax asset	0	0	0	0
Application of Funds	26,359	34,226	36,100	38,481

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	264	292	321	362
Cash EPS	277	306	337	380
BV	879	1,151	1,227	1,314
DPS	80	210	245	275
Cash Per Share	56	48	47	53
Operating Ratios (%)				
EBITDA Margin	19.7	20.2	20.0	20.5
PBT / Net sales	19.0	19.4	19.2	19.7
PAT Margin	15.0	16.0	16.1	15.4
Inventory days	13.9	14.3	15.0	15.0
Debtor days	17.3	16.7	17.0	17.0
Creditor days	45.8	45.7	45.0	45.0
Return Ratios (%)				
RoE	32.3	28.5	30.3	32.3
RoCE	30.1	25.4	26.2	27.6
RoIC	132.7	85.5	71.6	75.3
Valuation Ratios (x)				
P/E	32.7	29.6	26.9	23.9
EV / EBITDA	25.2	21.8	19.5	17.1
EV / Net Sales	5.0	4.4	3.9	3.5
Market Cap / Sales	5.4	4.8	4.3	3.9
Price to Book Value	9.8	7.5	7.1	6.6
Solvency Ratios				
Current Ratio	0.7	0.9	0.9	0.9
Quick Ratio	0.4	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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