

CMP: ₹ 8,720

Target: ₹ 10,250 (18%)

Target Period: 12 months

BUY

November 8, 2025

Quarter of milestones, EV and exports to fuel growth

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%

Q2FY26 Results: Bajaj Auto reported healthy performance in Q2FY26. Total operating income for the quarter came in at ₹ 14,922, up ~14% YoY amidst 6% YoY growth in volumes at ~13 lakh units. EBITDA for the quarter came in at ₹3,052 crore with EBITDA margins at 20.5% (up 40bps QoQ). PAT in Q2FY26 stood at ₹2,480 crore (up 24% YoY). Blended ASP's for Q2'26 stood at ₹ 1.1 lakh/unit (up 2.5% QoQ)

Investment Rationale:

- GST Rationalization: Structural boost for the domestic auto industry:** Government has announced GST 2.0 reforms thereby reducing GST rates for the automobile sector across the segments and value chain. Small cars, 2-Ws up to 350cc, & 3-Ws will now attract 18% GST vs. 28% earlier. This GST rate reduction is a structural reform and will enable the 2-W domain to witness healthy volume growth in FY26E led up upbeat demand sentiments in the rural economy amid healthy farm produce and positive 2025 monsoons. BAL with significant presence in this space, is likely to be a key beneficiary of this trend, however, its intent to play strong in the 125cc+ category and not aggressively participate in the 110-cc space, makes it more of a play on premiumisation. On export front, BAL's volumes grew 24% YoY in Q2FY26 and expects a volume growth of 15-20% going forward in FY26E. This is despite meaningful reduction in volumes at one of its key export markets i.e. Nigeria. This further reinforces Bajaj's global footprint & growth visibility and make it a formidable export play.
- Strong momentum across core and new growth drivers:** Bajaj Auto saw broad-based recovery across domestic, export, and EV segments, reflecting the company's strategic agility and diversified portfolio. Exports reached an all-time high, supported by geographical diversification and local assembly initiatives in Latin America, ensuring resilience against regional disruptions. The premium motorcycle portfolio (Triumph, KTM, and Pulsar 125cc+) continues to benefit from sustained premiumisation trends and GST rationalization. Additionally, BAL's (Bajaj Auto's- captive financing arm) profitable scale-up strengthens the ecosystem around retail financing and supports volume growth. Encouragingly, the company has started to clock double digit EBITDA margins on its EV portfolio in totality (2-W & 3-W combined) and is looking at profitable growth in this segment coupled with healthy market share gains.

Rating and Target Price

- Robust export outlook, strong leadership in domestic EV segment and a differentiated product pipeline are expected to drive sustained growth for Bajaj Auto. With supply side issues largely addressed, we remain positive about medium to long term growth prospects at Bajaj Auto and maintain **BUY** rating on the stock & value it at **₹ 10,250 i.e. 27x P/E on FY27E**.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	27,741	33,145	36,428	44,685	50,010	10.8%	57,246	63,896	13.0%
EBITDA	4,928	5,259	6,549	8,823	10,099	14.7%	11,575	13,193	14.3%
EBITDA Margins (%)	17.8	15.9	18.0	19.7	20.2		20.2	20.6	
Net Profit	4,555	5,019	5,628	7,479	8,151	9.8%	9,426	10,614	14.1%
EPS (₹)	157.4	173.4	198.9	264.3	291.9		337.5	380.1	
P/E	55.4	50.3	43.8	33.0	29.9		25.8	22.9	
RoNW (%)	18.1	17.6	22.1	30.1	25.4		26.9	27.8	
RoCE (%)	18.2	18.4	24.3	32.3	28.5		30.3	31.9	

Source: Company, ICICI Direct Research



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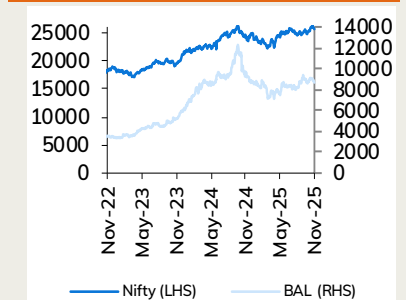
Particulars

Particular	₹ crore
Market Capitalization	2,43,515
Total Debt (FY25)	800
Cash & Invsts (FY25)	21,070
EV	2,23,245
52 week H/L (₹)	10,033 / 7,088
Equity capital (₹)	279.3
Face value (₹)	₹ 10

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	55.0	55.0	55.0	55.0
FII	12.5	11.6	10.3	9.7
DII	10.1	10.9	12.0	12.8
Other	22.5	22.4	22.7	22.5

Price Chart



Recent event & key risks

- Reports healthy Q2FY26. EBITDA margins at 20.5%
- Key Risk: (i) lower than anticipated growth in export volumes over FY25-27E (ii) currency volatility impacting margins in the interim period

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Bhavish Doshi
Bhavish.doshi@icicisecurities.com

Q2FY26 Earnings Conference Call Highlights

- **Industry:** Q2 saw the broader two- and three-wheeler industry swing from a mild YTD decline into a strong festival-led upswing — management attributes a large part of the rebound to the GST rate rationalization plus festive demand, creating a ~6–8 percentage-point improvement in industry growth expectations and clear premiumisation (customers upgrading across segments).
- **Chetak:** Chetak's growth was materially disrupted earlier by rare-earth magnet shortages (~50% shortfall vs plan), but supply recovery completed earlier than expected with a switch to LRE-based components and alternate geography sourcing; supplies were restored by end-September/fully by October and Chetak regained #1 share in October — management plans a new model early next year and expanded dealer/charging reach to sustain leadership.
- **Domestic 3-wheeler performance:** The three-wheeler franchise delivered an all-time high quarter despite industry volatility: ICE three-wheelers moved from YTD decline to single-digit growth and E-autos continued strong growth (~50%+ though tapered down from ~75% trajectory). Manufacturing ran at peak capacity and there was a ~15% shortfall vs plan on a high-demand wide-body variant due to e-component constraints; company is building additional 3-wheeler capacity in the coming months to unlock latent EV demand.
- **Electric Vehicle Portfolio:** EV revenue hit a record for the quarter but momentum was constrained by supply chain issues (rare-earth magnets for two-wheelers; e-components for three-wheelers). Management expects E-auto growth to accelerate once supply constraints ease and highlighted a strategy of multiple, fit-for-use EV models (small body, wide body, plus two more planned) to cover varied use-cases — overall EV portfolio contributed materially to domestic revenue mix.
- **Bajaj Auto Credit (BACL) and Financing Business:** BACL delivered continued scaling: it reported a profit (~₹132 crore this quarter), AUM trending >₹14–15k crore, ROE ~17–17.5% and maintained AAA / A1 credit ratings. The board approved additional funding sources (NCDs) to support growth; cumulative investment by the parent stood around ₹2,900 crore with ~₹500 crore infused in FY26 so far.
- **Festive season:** Festive demand (into October) combined with GST rationalization turbocharged retail — company reported its biggest-ever festive retail, arrested prior share erosion and saw strong premiumisation (top variants across segments outgrowing base models). Management expects November/December to be smaller months seasonally but sees a durable improvement in industry growth rates (medium-term +6–8% vs earlier decline).
- **Outlook:** Key focus areas: (1) outpace industry in 125cc+ premiumisation and capture upgrade demand, (2) sustain export momentum (15–20% targeted growth), (3) restore EV momentum as supply unlocks, (4) grow KTM/Triumph premium motorcycle business and (5) scale BACL. Management expects operating leverage, currency tailwinds and better mix to sustain margins despite marginal commodity pressure.
- **Premium motorcycle business unit:** record quarter with 30k units, ~30% growth; new launches (e.g., Duke 160) target the lucrative 150cc+ super-premium segment and will be reshaped to benefit from lower GST rates where appropriate.

Exports: Export volumes grew 24% YoY in Q1. In Bajaj's top 30 overseas markets, 70% emerging markets grew 14% which is 1.5x the industry signalling in market share gain. It had robust demand in LATAM and Asia. Brazil volumes reached 8,000 units, and the company is on track to expand local capacity to 50,000 units per annum in FY26. KTM exports, which were paused during Q4FY25 due to restructuring uncertainty, resumed in May, aiding margins and product mix and were up by 10% QoQ with 20k units. CV exports were up by 67%. Overall export revenue for the quarter reached US\$ 600 million, with stronger realizations from premium bikes and resumed KTM shipments.

Raw Materials and Commodity Impact:

Net commodity cost inflation for the quarter was ~40 bps (after pricing actions), driven by steel, sharp inflation in noble metals (rhodium, platinum) and increases in copper and rubber. A weaker rupee/dollar realization provided a margin tailwind that helped offset the commodity pressures; management has not taken broad pricing to mitigate these commodity headwinds yet and will monitor currency as a natural hedge.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Total Operating Income	14,922	13,127	13.7	12,584	18.6
Raw Material Expenses	10,456	9,364	11.7	8,860	18.0
Employee Expenses	410	393	4.1	414	-1.0
Other Expenses	1012	728	39.0	850	19.1
EBITDA	3,052	2,652	15.1	2,482	23.0
EBITDA Margin (%)	20.5	20.2	25 bps	19.7	37 bps
PBT	3,325	2,919	13.9	2,688	23.7
Total Tax	815	920	-11.4	692	17.9
Reported PAT	2,480	2,005	23.7	2,096	18.3
Key Metrics					
Total Volumes (units)	12,94,120	12,21,504	5.9	11,11,237	16.5
Blended ASP (₹/ unit)	1,11,459	1,03,872	7.3	1,08,723	2.5

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

Units (lakh)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	37.3	39.8	42.5	46.7
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	6.2	6.7	7.7	8.4
Total volumes	50.2	46.2	39.7	43.1	39.3	43.5	46.5	50.2	55.0
Export volumes	20.8	21.7	20.5	25.1	18.2	16.4	18.6	21.7	24.2
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	29,377	32,318	35,148	38,622
Export revenues (\$ mn)	1,642	1,677	1,694	2,298	1,847	1,716	1,885	2,295	2,610
Blended ASP (₹/unit)	58,905	63,077	68,295	74,589	90,070	1,00,160	1,03,736	1,09,923	1,11,938

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Revenue	55,916	57,246	2.4	62,031	63,896	3.0
EBITDA	11,206	11,575	3.3	12,761	13,193	3.4
EBITDA Margin (%)	20.0	20.2	18 bps	20.6	20.6	8 bps
PAT	9,052	9,426	4.1	10,175	10,614	4.3
EPS (₹)	324	338	4.1	364	380	4.3

Source: ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	44,685	50,010	57,246	63,896
Growth (%)	22.7	11.9	14.5	11.6
Raw Material Expenses	31,743	35,337	40,199	44,648
Employee Expenses	1,538	1,579	1,682	1,848
Other expenses	2,629	3,044	3,852	4,272
Total Operating Expenditure	35,862	39,912	45,671	50,703
EBITDA	8,823	10,099	11,575	13,193
Growth (%)	34.7	14.5	14.6	14.0
Depreciation	350	400	448	498
Interest	54	68	61	64
Other Income	1,402	1,421	1,484	1,522
PBT	9,822	11,052	12,550	14,152
Total Tax	2,343	2,900	3,123	3,538
PAT	7,479	8,151	9,426	10,614
Growth (%)	32.9	9.0	15.6	12.6
EPS (₹)	264	292	338	380

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	7,479	8,151	9,426	10,614
Add: Depreciation	350	400	448	498
Sub: Other Income	1,402	1,421	1,484	1,522
(Inc)/dec in Current Assets	-776	-1,574	-1,107	-885
Inc/(dec) in CL and Provisions	1,559	720	822	853
CF from operating activities	8,397	5,935	8,331	9,775
(Inc)/dec in Investments	652	-1,531	1,500	-1,800
(Inc)/dec in Fixed Assets	-778	-753	-765	-765
Others	-1,118	-4,354	-3,445	-1,045
Add: Other Income	1,402	1,421	1,484	1,522
CF from investing activities	158	-5,218	-1,226	-2,088
Inc/(dec) in loan funds	834	-34	-250	-50
Dividend paid & dividend tax	-2,264	-5,864	-6,563	-7,400
Inc/(dec) in Sec. premium	0	0	0	0
Others	-5,834	4,932	-75	-78
CF from financing activities	-7,264	-967	-6,888	-7,529
Net Cash flow	1,292	-249	217	159
Opening Cash	286	1,578	1,329	1,546
Closing Cash	1,578	1,329	1,546	1,704

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	279	279	279	279
Reserve and Surplus	24,581	31,868	34,717	37,917
Total Shareholders funds	24,860	32,147	34,997	38,196
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	36,836	39,996
Assets				
Gross Block	6,546	7,307	8,035	8,785
Less: Acc Depreciation	3,359	3,759	4,207	4,705
Net Block	3,187	3,548	3,829	4,080
Capital WIP	28	28	50	50
Total Fixed Assets	3,214	3,576	3,879	4,130
Investments	23,451	28,570	30,470	33,270
Inventory	1,696	1,958	2,353	2,626
Debtors	2,122	2,283	2,666	2,976
Loans and Advances	3	3	3	3
Other current assets	1,120	2,272	2,601	2,903
Cash	1,578	1,329	1,546	1,704
Total Current Assets	6,519	7,844	9,168	10,213
Creditors	5,610	6,268	7,058	7,878
Provisions	188	251	283	316
Other current liabilities	1,542	1,004	1,149	1,283
Total Current Liabilities	7,892	8,203	9,190	10,196
Net Current Assets	-1,373	-359	-21	17
Deferred Tax asset	0	0	0	0
Application of Funds	26,359	34,226	36,836	39,996

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	264	292	338	380
Cash EPS	277	306	354	398
BV	879	1,151	1,253	1,368
DPS	80	210	235	265
Cash Per Share	56	48	55	61
Operating Ratios (%)				
EBITDA Margin	19.7	20.2	20.2	20.6
PBT / Net sales	19.0	19.4	19.4	19.9
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	31.9
RoCE	30.1	25.4	26.9	27.8
RoIC	132.7	74.8	66.1	70.4
Valuation Ratios (x)				
P/E	33.0	29.9	25.8	22.9
EV / EBITDA	25.5	22.1	19.4	16.8
EV / Net Sales	5.0	4.5	3.9	3.5
Market Cap / Sales	5.4	4.9	4.3	3.8
Price to Book Value	9.9	7.6	7.0	6.4
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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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

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