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Refreshes to drive domestic volume outperformance

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%

Q3FY26 Results: Bajaj Auto reported healthy performance in Q3. Total operating income for the quarter came in at ₹ 15,220, up ~19% YoY amidst 9.5% YoY growth in volumes at ~13.4 lakh units. EBITDA for the quarter came in at ₹3,161 crore with EBITDA margins at 20.8% (up 30bps QoQ). PAT in Q3FY26 stood at ₹2,503 crore (up 19% YoY). Blended ASP's for Q3'26 stood at ₹ 1.07 lakh/unit (down ~4% QoQ).

Investment Rationale:

- GST Rationalization driving volume resilience in otherwise soft Q3:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q3FY26 2W volumes delivered a record-breaking performance, with sales at 5.7 million units, up 17% YoY, making it the strongest Q3 on record on the back of festive demand and GST 2.0. Exports also scaled new highs, with 2W shipments rising 24.3% YoY to 1.37 million units in Q3FY26, a result of improving macro-economic conditions in key markets of Africa, steady demand from South Asian markets. BAL with significant presence in the 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 18% YoY in Q3FY26 and expects a volume growth of 15-20% going forward in FY26E. This further reinforces Bajaj's global footprint.
- Structural Growth from Exports, EVs and Strong Cash Generation:** Bajaj Auto's diversified earnings base provides strong downside protection and structural growth optionality. Exports crossed 600,000 units in Q3 (+18% YoY), marking the highest level in four years and reflecting broad-based recovery across key markets, while reducing dependence on volatile geographies such as Nigeria. The EV business has reached a meaningful scale, contributing ~25% of domestic revenues, with both electric scooters and electric three-wheelers crossing ₹1,000 crore in quarterly revenues and delivering double-digit EBITDA margins, indicating improving unit economics. Robust free cash flow generation has resulted in a ~₹15,000 crore net cash position, providing balance-sheet strength to fund growth, absorb near-term commodity inflation, and support the ongoing KTM turnaround, thereby enhancing medium-term earnings visibility.

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 BAL maintain **BUY** rating on the stock & value it at **₹ 11,420 i.e. 28x P/E on avg. of FY27-28E EPS.**

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	27,741	33,145	36,428	44,685	50,010	10.8%	57,598	65,612	73,434	13.7%
EBITDA	4,928	5,259	6,549	8,823	10,099	14.7%	11,713	13,231	15,155	14.5%
EBITDA Margins (%)	17.8	15.9	18.0	19.7	20.2		20.3	20.2	20.6	
Net Profit	4,555	5,019	5,628	7,479	8,151	9.8%	9,516	10,663	12,102	14.1%
EPS (₹)	157.4	173.4	198.9	264.3	291.9		340.7	381.8	433.3	
P/E	62.3	56.5	49.3	37.1	33.6		28.8	25.7	22.6	
RoNW (%)	18.1	17.6	22.1	30.1	25.4		27.3	27.8	28.8	
RoCE (%)	18.2	18.4	24.3	32.3	28.5		30.6	31.8	33.4	

Source: Company, ICICI Direct Research



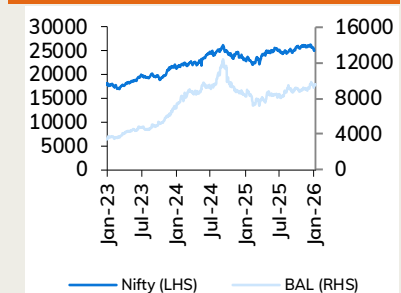
Particulars

Particular	₹ crore
Market Capitalization	273,675
Total Debt (FY25)	800
Cash & Invsts (FY25)	21,070
EV	253,405
52 week H/L (₹)	9,888 / 7,088
Equity capital (₹)	279.3
Face value (₹)	₹ 10

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	55.0	55.0	55.0	55.0
FII	11.6	10.3	9.7	8.8
DII	10.9	12.0	12.8	14.1
Other	22.4	22.7	22.5	22.1

Price Chart



Recent event & key risks

- Reports healthy Q3FY26. EBITDA margins at 20.8%
- Key Risk: (i) more than anticipated rise in raw material costs impacting margins in the interim period (ii) lower than anticipated growth in domestic 2-W space over FY26-28E

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Q3FY26 Earnings Conference Call Highlights

- Domestic Motorcycle Demand Sees Structural Revival Post GST Cut:** The domestic motorcycle industry rebounded sharply post-GST rationalization, with industry growth accelerating to ~15% in Q3 after declines in earlier quarters. Management expects industry growth to sustain at 12–15% in the near term, barring inflationary shocks. Importantly, growth quality improved, with faster expansion in the 125cc+ and especially the 150cc+ segments. This trend strongly favours Bajaj's premium-leaning portfolio and upgrade-focused strategy.
- Record-Breaking Quarter Driven by Volume, Mix and GST Tailwinds:** Company delivered its best-ever quarterly performance in Q3 FY26, with revenues crossing ₹15,000 crore for the first time and profitability reaching all-time highs. Management highlighted that the momentum built in Q2 not only sustained through the festive season but extended well beyond it, indicating a structural rather than seasonal demand recovery.
- Export Business Regains Scale with Broad-Based Growth:** Exports crossed the 600,000-unit mark in the quarter for the first time in nearly four years, growing ~18% YoY in volume and faster in value terms. Growth was broad-based across regions, with Bajaj gaining market share in key emerging markets. While Nigeria remained volatile, its dependence in the overall export portfolio has halved, and ex-Nigeria exports delivered all-time high performance. LATAM recorded its strongest-ever quarter, led by Colombia and Brazil, with the Brazil subsidiary nearing 10,000 units per month and turning profitable. Management expressed confidence that export momentum would continue, with the business on track for its highest-ever USD revenue year.
- Three-Wheeler Business Strengthened by EV and GST Impact:** The three-wheeler segment benefited meaningfully from GST cuts, turning industry growth positive. Bajaj maintained leadership with over 70% market share in ICE three-wheelers and ~85% share in CNG. The electric three-wheeler business reached its highest-ever volumes and regained the number one position by quarter-end. A wide EV cargo and passenger portfolio, with battery capacities ranging from 9 kWh to 18 kWh, positions the company well to address multiple use cases and consolidate leadership.
- Electric Two-Wheeler Business Scales Rapidly with Improving Economics:** The electric scooter business saw a sharp recovery as supply constraints eased, leading to ~70% sequential volume growth. Market share improved by ~500 bps, bringing Bajaj back into the leadership cluster. The distribution network expanded to ~450 exclusive stores and ~4,000 touchpoints across 800 towns. The launch of the new Chetak C25 at an aggressive price point further strengthened the portfolio. EVs (2-W+3-W) now contribute ~25% of domestic revenues, with both electric scooters and electric autos individually crossing ₹1,000 crore in quarterly revenue and delivering double-digit EBITDA margins.
- Outlook:** Management reiterated its focus on sustaining growth in the 125cc+ motorcycle segment, continuing export momentum, scaling EVs profitably, and strengthening premium biking and financing businesses. While commodity inflation and currency volatility remain near-term risks, Bajaj expects pricing actions and operating leverage to partially offset these pressures. Overall, management sounded confident about maintaining a strong growth–profitability balance into Q4 FY26 and FY27.

Pro-Biking (KTM & Triumph) Delivers Record Quarter: The premium biking business delivered its highest-ever domestic volumes of over 35,000 units, growing ~50% YoY. KTM volumes were driven by strong demand across adventure and street portfolios, while Triumph maintained steady momentum despite GST-related price absorption. Brand activation initiatives, experiential marketing, and the rollout of joint KTM–Triumph dealerships (expected to exceed 100 outlets by March) are improving reach, dealer viability, and customer engagement.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Total Operating Income	15,220	12,807	18.8	14,922	2.0
Raw Material Expenses	10,676	9,133	16.9	10,456	2.1
Employee Expenses	419	386	8.5	410	2.4
Other Expenses	981	716	37.1	1012	-3.0
EBITDA	3,161	2,581	22.5	3,052	3.6
EBITDA Margin (%)	20.8	20.2	61 bps	20.5	31 bps
PBT	3,434	2,848	20.6	3,258	5.4
Total Tax	824	693	18.9	815	1.1
Reported PAT	2,503	2,109	18.7	2,480	0.9
Key Metrics					
Total Volumes (units)	13,41,252	12,24,472	9.5	12,94,120	3.6
Blended ASP (₹/ unit)	1,07,228	1,00,587	6.6	1,11,459	-3.8

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

Units (lakh)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	37.3	39.8	42.6	47.7	52.5
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	6.2	6.7	7.9	8.7	9.4
Total volumes	50.2	46.2	39.7	43.1	39.3	43.5	46.5	50.5	56.3	61.9
Export volumes	20.8	21.7	20.5	25.1	18.2	16.4	18.6	22.4	25.1	27.6
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	29,377	32,318	34,951	39,684	44,362
Export revenues (\$ mn)	1,642	1,677	1,694	2,298	1,847	1,716	1,885	2,304	2,601	2,916
Blended ASP (₹/unit)	58,905	63,077	68,295	74,589	90,070	1,00,160	1,03,736	1,09,324	1,11,985	1,14,141

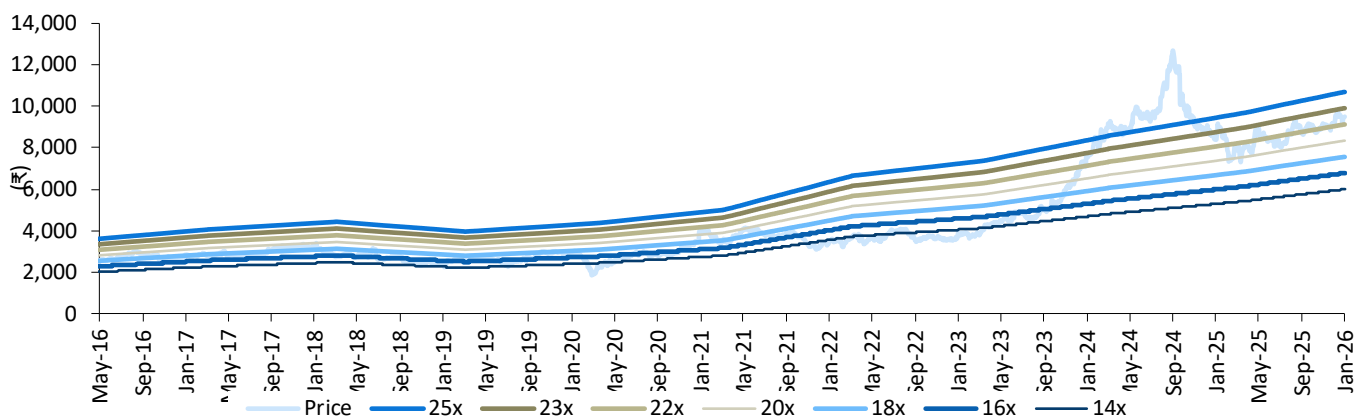
Source: ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY26E			FY27E			FY28E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	57,246	57,598	0.6	63,896	65,612	2.7	73,434
EBITDA	11,575	11,713	1.2	13,193	13,231	0.3	15,155
EBITDA Margin (%)	20.2	20.3	12 bps	20.6	20.2	-48 bps	20.6
PAT	9,426	9,516	1.0	10,614	10,663	0.5	12,102
EPS (₹)	338	341	1.0	380	382	0.5	433

Source: ICICI Direct Research

Exhibit 4: Long term PE valuation graph – Bajaj Auto trades at ~23x PE on FY28E vs. its long period average of ~18x



Source: Bloomberg, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	50,010	57,598	65,612	73,434
Growth (%)	11.9	15.2	13.9	11.9
Raw Material Expenses	35,337	40,481	46,282	51,672
Employee Expenses	1,579	1,672	1,798	1,906
Other expenses	3,044	3,801	4,374	4,776
Total Operating Expenditure	39,912	45,885	52,382	58,279
EBITDA	10,099	11,713	13,231	15,155
Growth (%)	14.5	16.0	13.0	14.5
Depreciation	400	450	512	573
Interest	68	34	36	38
Other Income	1,421	1,491	1,535	1,592
PBT	11,052	12,720	14,217	16,136
Total Tax	2,900	3,143	3,554	4,034
PAT	8,151	9,516	10,663	12,102
Growth (%)	9.0	16.7	12.1	13.5
EPS (₹)	292	341	382	433

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	8,151	9,516	10,663	12,102
Add: Depreciation	400	450	512	573
Sub: Other Income	1,421	1,491	1,535	1,592
(Inc)/dec in Current Assets	-1,574	-1,154	-1,067	-1,042
Inc/(dec) in CL and Provisions	720	867	1,028	1,003
CF from operating activities	5,935	8,394	9,818	11,259
(Inc)/dec in Investments	-1,531	1,500	-2,000	-2,500
(Inc)/dec in Fixed Assets	-753	-765	-765	-765
Others	-4,354	-3,445	-1,045	-1,045
Add: Other Income	1,421	1,491	1,535	1,592
CF from investing activities	-5,218	-1,219	-2,275	-2,718
Inc/(dec) in loan funds	-34	-250	-50	-50
Dividend paid & dividend tax	-5,864	-6,563	-7,400	-8,378
Inc/(dec) in Sec. premium	0	0	0	0
Others	4,932	-48	-50	-52
CF from financing activities	-967	-6,861	-7,501	-8,480
Net Cash flow	-249	314	42	61
Opening Cash	1,578	1,329	1,643	1,685
Closing Cash	1,329	1,643	1,685	1,746

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	279	279	279	279
Reserve and Surplus	31,868	34,807	38,056	41,765
Total Shareholders funds	32,147	35,086	38,335	42,045
Total Debt	800	550	500	450
Deferred Tax Liability	1,123	1,123	1,123	1,123
Other non-current liabilities	0	0	0	0
Total Liabilities	34,226	36,925	40,134	43,804
Assets				
Gross Block	7,307	8,035	8,785	9,535
Less: Acc Depreciation	3,759	4,210	4,721	5,294
Net Block	3,548	3,826	4,064	4,241
Capital WIP	28	50	50	50
Total Fixed Assets	3,576	3,876	4,114	4,291
Investments	28,570	30,470	33,470	36,970
Inventory	1,958	2,367	2,696	3,018
Debtors	2,283	2,683	3,056	3,420
Loans and Advances	3	3	3	4
Other current assets	2,272	2,617	2,981	3,336
Cash	1,329	1,643	1,685	1,746
Total Current Assets	7,844	9,313	10,422	11,524
Creditors	6,268	7,101	8,089	9,054
Provisions	251	284	324	363
Other current liabilities	1,004	1,156	1,317	1,474
Total Current Liabilities	8,203	9,242	10,450	11,630
Net Current Assets	-359	71	-29	-106
Deferred Tax asset	0	0	0	0
Application of Funds	34,226	36,925	40,134	43,804

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	292	341	382	433
Cash EPS	306	357	400	454
BV	1,151	1,256	1,373	1,506
DPS	210	235	265	300
Cash Per Share	48	59	60	63
Operating Ratios (%)				
EBITDA Margin	20.2	20.3	20.2	20.6
PBT / Net sales	19.4	19.6	19.4	19.9
PAT Margin	16.0	16.1	15.4	16.1
Inventory days	14.3	15.0	15.0	15.0
Debtor days	16.7	17.0	17.0	17.0
Creditor days	45.7	45.0	45.0	45.0
Return Ratios (%)				
RoE	28.5	30.6	31.8	33.4
RoCE	25.4	27.3	27.8	28.8
RoIC	74.8	66.9	70.7	76.4
Valuation Ratios (x)				
P/E	33.6	28.6	25.7	22.6
EV / EBITDA	25.1	21.7	19.1	16.5
EV / Net Sales	5.1	4.4	3.8	3.4
Market Cap / Sales	5.5	4.8	4.2	3.7
Price to Book Value	8.5	7.8	7.1	6.5
Solvency Ratios				
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Buy: >15%

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Sell: <-15%



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