

BAJAJ AUTO

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	8,722
12 month price target (INR)	9,700
52 Week High/Low	10,190/7,088
Market cap (INR bn/USD bn)	2,436/27.5
Free float (%)	39.7
Avg. daily value traded (INR mn)	3,697.7

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	55.04%	55.04%	55.03%
FII	9.66%	10.30%	11.61%
DII	12.78%	12.01%	10.92%
Pledge	0.01%	0.01%	0.01%

FINANCIALS

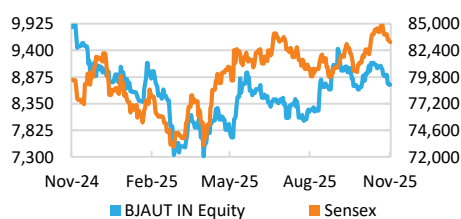
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	500,103	557,375	622,170	684,049
EBITDA	100,988	113,975	128,195	141,732
Adjusted profit	83,627	93,491	104,884	115,623
Diluted EPS (INR)	299.5	334.8	375.6	414.0
EPS growth (%)	11.8	11.8	12.2	10.2
RoAE (%)	29.3	27.9	28.7	29.0
P/E (x)	29.1	26.0	23.2	21.1
EV/EBITDA (x)	24.1	21.4	19.0	17.2
Dividend yield (%)	2.4	2.7	3.0	3.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	557,375	622,170	0	0
EBITDA	113,975	128,195	0	(1)
Adjusted profit	93,491	104,884	0	(0)
Diluted EPS (INR)	334.8	375.6	0	(0)

PRICE PERFORMANCE



Q2 in-line; muted domestic outlook

Q2FY26 revenue/EBITDA grew 14%/15% YoY to INR149.2bn/30.5bn, broadly in line with estimates. We reckon in a 7% volume CAGR over FY25–28E led by 2%/13% growth in domestic/export segments. We expect a dip in domestic 2W market share from 12% in FY25 to 10% in FY28E, owing to small exposure to Scooters, and increasing competitive intensity in motorcycles. In contrast, Exports shall log robust growth due to better demand in Latin America and Asia regions.

We bake in in a revenue/EBITDA CAGR of 11%/12% over FY25–28E with an RoE of 28%; 'HOLD' with a TP of INR9,700 based on 25x Sep-27E core earnings (earlier INR9,800) plus cash/investments of INR967/share (earlier INR1,050).

Q2FY26 EBITDA broadly in line with estimates

Revenue grew by 14% YoY to INR149.2bn (our est.: INR148.7bn), broadly in line estimates. Revenue was supported by double digit growth in exports, premium motorcycles and 3Ws. Volume grew 6% to 1.29mn units and net revenue/unit grew 7% to INR115,307/unit. Export volume grew in double digits led by growth across Asia, Africa, and Latin America regions. EBITDA grew 15% to INR30.5bn (our est.: INR30.3bn), broadly in line estimates. EBITDA margin expanded 20bp to 20.5%. All in all, PAT grew 12% to INR24.8bn (our est.: INR25.0bn), broadly in line estimates.

2Ws to clock a volume CAGR of 7% over FY25–28E

We expect a 7% volume CAGR over FY25–28E led by 2%/13% growth in domestic/export segments. We expect decline in domestic 2W market share from 12% in FY25 to 10% in FY28E, due to lower exposure to Scooters, and higher competitive intensity. BJAUT has been fortifying its position in EVs with the launch of Chetak scooters. Going forward, launches include three variants under Pulsar brand, a new bike under non-Pulsar brand, Triumph/ KTM variants with lower engines capacity (to benefit from GST cuts) and a Chetak variant. In contrast, Exports shall log robust growth due to better demand in Latin America and Asia regions.

Positive momentum likely in 3Ws

We expect a 19% CAGR in 3W exports (including quadricycles) due to better demand in Latin America and ASEAN regions, and a low base (three years of decline at a 15% CAGR over FY22–25). Moreover, we reckon domestic 3Ws shall post a 3% CAGR over FY25–28E led by replacement demand and improved business activity. Furthermore, BJAUT has planned two launches in E-Auto segment, and has recently entered the E-rickshaw segment, targeting an addressable market of 40,000 units per month.

Financials

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Revenue	149,221	131,275	13.7	125,845	18.6
EBITDA	30,517	26,522	15.1	24,818	23.0
Adjusted Profit	24,797	22,163	11.9	20,960	18.3
Diluted EPS (INR)	88.8	79.4	11.9	75.1	18.3

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	500,103	557,375	622,170	684,049
Gross profit	146,729	166,098	185,407	203,846
Employee costs	15,794	16,739	18,243	19,762
Other expenses	29,947	35,385	38,968	42,353
EBITDA	100,988	113,975	128,195	141,732
Depreciation	4,001	4,531	4,851	5,231
Less: Interest expense	677	643	643	643
Add: Other income	14,209	15,855	17,145	18,306
Profit before tax	110,519	124,655	139,846	154,163
Prov for tax	26,892	31,164	34,961	38,541
Less: Other adj	(2,113)	0	0	0
Reported profit	81,514	93,491	104,884	115,623
Less: Excp.item (net)	0	0	0	0
Adjusted profit	83,627	93,491	104,884	115,623
Diluted shares o/s	279	279	279	279
Adjusted diluted EPS	299.5	334.8	375.6	414.0
DPS (INR)	210.0	234.3	262.9	289.8
Tax rate (%)	24.3	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross profit margin (%)	29.3	29.8	29.8	29.8
Staff cost % sales	3.2	3.0	2.9	2.9
Other expenses % sales	6.0	6.3	6.3	6.2
EBITDA margin (%)	20.2	20.4	20.6	20.7
Net profit margin (%)	16.7	16.8	16.9	16.9
Revenue growth (% YoY)	11.9	11.5	11.6	9.9
EBITDA growth (% YoY)	14.5	12.9	12.5	10.6
Adj. profit growth (%)	11.8	11.8	12.2	10.2

Assumptions (volumes in thousands)

Year to March	FY25A	FY26E	FY27E	FY28E
Domestic 2Ws	2,308	2,197	2,351	2,469
Export 2Ws	1,674	1,942	2,175	2,392
Dom. 3Ws/Quadracycles	479	499	516	529
Export 3Ws/Quadracycles	189	259	291	321

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	29.1	26.0	23.2	21.1
Price/BV (x)	7.6	7.0	6.4	5.9
EV/EBITDA (x)	24.1	21.4	19.0	17.2
Dividend yield (%)	2.4	2.7	3.0	3.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	2,793	2,793	2,793	2,793
Reserves	318,677	346,724	378,190	412,876
Shareholders funds	321,469	349,517	380,982	415,669
Minority interest	0	0	0	0
Borrowings	9,276	9,276	9,276	9,276
Trade payables	77,512	85,828	92,397	99,712
Other liabs & prov	16,031	15,958	15,881	15,704
Total liabilities	424,289	460,579	498,536	540,361
Net block	35,002	39,398	44,546	50,278
Intangible assets	28	30	31	33
Capital WIP	283	353	353	389
Total fixed assets	35,312	39,781	44,930	50,699
Non current inv	286,180	316,180	336,180	361,180
Cash/cash equivalent	13,286	5,205	8,561	9,850
Sundry debtors	22,826	25,440	28,398	31,222
Loans & advances	24,383	27,047	29,416	31,952
Other assets	42,301	46,925	51,050	55,458
Total assets	424,289	460,579	498,536	540,361

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	96,310	108,800	122,701	135,857
Add: Depreciation	4,001	4,531	4,851	5,231
Interest (net of tax)	(5,875)	643	643	643
Others	(6,746)	(6,799)	(7,975)	(7,517)
Less: Changes in WC	(2,428)	(1,036)	(2,261)	(1,858)
Operating cash flow	58,458	74,352	82,299	93,045
Less: Capex	(7,217)	(9,000)	(10,000)	(11,000)
Free cash flow	51,241	65,352	72,299	82,045

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	29.3	27.9	28.7	29.0
RoCE (%)	32.9	31.7	32.9	33.5
Inventory days	19	19	19	19
Receivable days	16	16	16	16
Payable days	80	76	74	73
Working cap (% sales)	1.4	1.5	1.7	1.8
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.6)	(0.5)	(0.5)	(0.6)
Interest coverage (x)	143.2	170.1	191.7	212.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	11.8	11.8	12.2	10.2
RoE (%)	29.3	27.9	28.7	29.0
EBITDA growth (%)	14.5	12.9	12.5	10.6
Payout ratio (%)	71.9	70.0	70.0	70.0

Q2FY26 conference call takeaways

Domestic

- **Outlook:** Management expects the domestic motorcycle growth rate to improve by 6–8% over the medium term. The company expects to outpace the industry growth in the 125cc-plus segment.
- **Festive coupled with GST benefit:** The Pulsar portfolio delivered peak performance, with the market share decline of recent quarters fully arrested by end of Q2, with start of share gains in Sep-Oct, especially in the strategic 125cc+ and 150cc+ sports segments. The top variants performed exceptionally well, indicating that higher-wallet customers are upgrading aggressively. The N and NS series outpaced segment growth.
- **RM cost:** Commodity inflation negatively impacted margin by 40bps QoQ.
- **Commodity outlook for Q3FY26:** Commodities such as aluminium, platinum, rhodium are seeing price increases. Management has not taken any price hikes but is confident of offsetting the commodity inflation through the currency tailwind.
- **New launches:** i) The Pulsar lineup will see three new model introductions in December, March, and May. ii) A new non-Pulsar brand is planned for FY27. iii) Bajaj is also recalibrating Triumph and KTM models with lower engine displacement to benefit from the new GST structure. iv) New Chetak variant is planned to be launched next year.

Exports

- Exports are expected to expand 15–20% in coming quarters.
- The top 30 overseas markets, which together contribute 70% of 2W emerging-market sales, grew ~14% in Q2. Bajaj outperformed, growing at 1.5x the industry, indicating market-share gains across key geographies. Latin America posted its best-ever quarterly performance, driven by strong growth in Colombia and Mexico. Asia and Africa delivered double-digit growth, with standout markets including Sri Lanka, the Philippines, and East Africa. Nigeria has remained stable at the retail level. While the recovery still has room to run, the market is showing early signs of equilibrium—an encouraging trend as the festive season begins in November–December.
- In Brazil, Bajaj sold 8,000 units in Q2, supported by expanded production capacity and higher localisation. October retail sales have already crossed 3,000 units, highlighting strong traction in the market.
- **Mexico tariff update:** Mexico, the largest 2W market in Latin America, has raised import tariffs to 35%. However, only two manufacturers—one local player and Bajaj Auto—qualify for a concessionary 5% tariff due to prior investments and approvals. While the industry moves to a 35% duty, Bajaj will continue operating at just 5%, giving it a significant competitive advantage.
- **Quadricycle (Qute):** In Egypt, RTO approvals for quadricycles are now progressing. Bajaj expects to soon expand Qute quadricycle exports once these final approvals are completed.
- **Export revenue** stood at ~USD600mn.

Electric Vehicle

- **Payback period for 3W:** CNG payback period is 13 months while EV is higher at 19 months.
- **Impact of rare earth magnets:** Magnet shortage resulted in a 50% shortfall versus planned production. However, the issue was resolved by Sep-end through a swift shift to LRE magnets and alternative sourcing arrangements, enabling timely recovery in supplies.
- **Revenue:** EV revenues in Q2 is at ~INR17bn or 18% of domestic revenues.
- **EBITDA margin:** The electric portfolio (2W + 3W) delivered double-digit EBITDA margins, driven by a higher mix of E-3W and improved unit economics across the Chetak line-up.

Other

- **Currency:** Dollar realisation in Q2FY26 came in at INR87.1 vs INR85.6 in Q1FY26 and INR83.8 in Q2FY25. INR depreciation is positive for Bajaj.
- **Spare parts** revenue grew 21% YoY to INR18bn in Q2FY26.
- **KTM update:** Bajaj has recognised its 37% share of Pierer Mobility's losses for the January–June period, with KTM's restructuring completed in June and production resuming in July. Merger approvals have been secured across all six required jurisdictions, including Turkey and the Austrian competition authority, while the European Commission's decision is expected by 10th November.
- **Bajaj Auto Credit Ltd (BACL):** Cumulative investment stands at INR29bn, including INR5bn infused in H1FY26. The business will require an additional ~INR2-3bn, after which it is expected to become self-sufficient, supported by healthy profitability. AUM reached INR140bn at the end of Q2FY26, and Q2FY26 PAT was ~INR1.3bn.
- **Financing penetration remains strong:** 70% in motorcycles with BACL's share at 40%, and 90–95% in 3W with BACL's share at 50–55%.

Exhibit 1: Change in estimates

INR mn	Old estimates			New estimates			Variance (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Volumes	4,893,269	5,327,741	5,703,763	4,896,398	5,332,496	5,710,591	0	0	0
Net revenues	556,852	621,362	682,793	557,375	622,170	684,049	0	0	0
EBITDA	113,858	128,947	142,131	113,975	128,195	141,732	0	(1)	(0)
Adjusted Profit	93,380	105,117	115,214	93,491	104,884	115,623	0	(0)	0
Diluted EPS (INR)	334.4	376.4	412.6	334.8	375.6	414.0	0	(0)	0

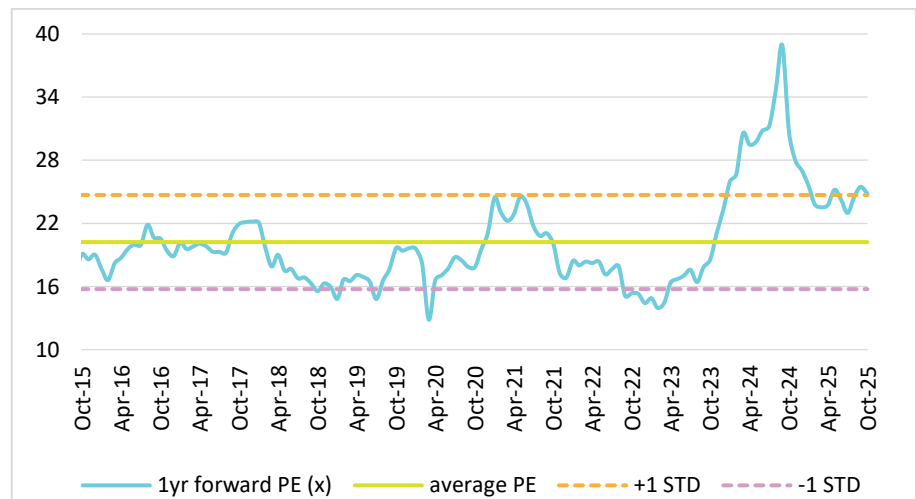
Source: Nuvama Research

Exhibit 2: Key revenue assumptions: CAGR at 11% over FY25-28E

Particulars	FY25	FY26E	FY27E	FY28E	CAGR (%) FY25-28E
Domestic 2Ws	2,308,249	2,197,020	2,350,993	2,468,789	2%
Growth (%)	2.6	(4.8)	7.0	5.0	
Export 2Ws	1,674,060	1,941,910	2,174,939	2,392,433	13%
Growth (%)	13.3	16.0	12.0	10.0	
Domestic 3Ws/Quadracycles	479,436	498,513	515,961	528,860	3%
Growth (%)	3.3	4.0	3.5	2.5	
Export 3Ws/Quadracycles	189,221	258,956	290,603	320,510	19%
Growth (%)	19.1	36.9	12.2	10.3	
Total volumes (units)	4,650,966	4,896,398	5,332,496	5,710,591	7%
Growth (%)	6.9	5.3	8.9	7.1	
Realizations (INR/unit)	107,527	113,834	116,675	119,786	4%
Growth (%)	4.7	5.9	2.5	2.7	
Revenues (INRmn)	500,103	557,375	622,170	684,049	11%
Growth (%)	11.9	11.5	11.6	9.9	

Source: Company, Nuvama Research

Exhibit 3: One-year forward PE; 10-year average at 20x



Source: Bloomberg, Nuvama Research

Exhibit 4: SoTP at INR9,700/share

	Basis of Valuation	Equity Value (INRmn)	Equity Value per share
Core business	25x Sep-27E EPS	2,427,343	8,692
Investment in Pierer Mobility/KTM	20% holding discount to Mcap	34,320	123
Investment in Bajaj Auto Credit	20% holding discount to Investment value	25,600	92
Cash reserves		210,000	752
Total Equity value/ share		2,697,263	9,659
Target Price (Rounded off)			9,700

Source: Nuvama Research

Exhibit 5: Quarterly snapshot (Standalone; INRmn); EBITDA broadly in line estimates

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net revenues	149,221	131,275	13.7	125,845	18.6
Raw material	104,556	93,639	11.7	88,596	18.0
Staff costs	4,097	3,935	4.1	4,138	(1.0)
Other expenses	10,051	7,180	40.0	8,293	21.2
Total expenditure	118,704	104,753	13.3	101,027	17.5
EBITDA	30,517	26,522	15.1	24,818	23.0
Depreciation	1,117	956	16.9	1,109	0.8
EBIT	29,400	25,566	15.0	23,709	24.0
Less: Interest Expense	144	159	(9.7)	141	1.6
Add: Other income	3,692	3,845	(4.0)	4,308	(14.3)
Add: Prior period items					
Add: Exceptional items	0	(2,113)	(100.0)	0	
Profit before tax	32,948	29,252	12.6	27,875	18.2
Less: Provision for Tax	8,150	7,089	15.0	6,915	17.9
Less: Minority Interest					
Add: Share of profit from associates					
Reported Profit	24,797	20,050	23.7	20,960	18.3
Adjusted Profit	24,797	22,163	11.9	20,960	18.3
No. of Diluted shares outstanding	279	279	0.0	279	0.0
Adjusted Diluted EPS	88.8	79.4	11.9	75.1	18.3
As a % revenues					
Year to March	Q2FY26	Q2FY25	bps change (YoY)	Q1FY26	bps change (QoQ)
Gross margins	29.9	28.7	126.2	29.6	33.3
Raw material	70.1	71.3	-126.2	70.4	-33.3
Staff costs	2.7	3.0	-25.2	3.3	-54.3
Other expenses	6.7	5.5	126.7	6.6	14.6
EBIDTA	20.5	20.2	24.7	19.7	73.0
Adjusted net profit	16.6	16.9	-26.5	16.7	-3.7
Tax rate (% PBT)	24.7	24.2	50.3	24.8	-7.1
Per unit analysis					
Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
NRV/unit	115,307	107,470	7.3	113,247	1.8
RM/unit	80,793	76,658	5.4	79,728	1.3
Emp/unit	3,166	3,221	-1.7	3,724	-15.0
Other exps/unit	7,767	5,878	32.1	7,462	4.1
EBITDA/unit	23,581	21,712	8.6	22,333	5.6
Adj PAT/unit	19,162	18,144	5.6	18,862	1.6

Source: Company, Nuvama Research

Company Description

Bajaj Auto is the third largest motorcycle manufacturer in India. The company offers products in motorcycle and scooter segments. BJAUT is also the largest three wheeler manufacturer in India. Post the demerger in May 2008, BJAUT has been solely focused on the automobile business. In the past few years, the company has exhibited growth in exports that now forms over 40% of its total volumes.

Investment Theme

We expect a 7% volume CAGR over FY25–28E led by 2%/13% growth in domestic/export segments. We expect decline in domestic 2W market share from 12% in FY25 to 10% in FY28E, due to lower exposure to Scooters, and higher competitive intensity. BJAUT has been fortifying its position in EVs with the launch of Chetak scooters. Going forward, launches include three variants under Pulsar brand, a new bike under non-Pulsar brand, Triumph/ KTM variants with lower engines capacity (to benefit from GST cuts) and a Chetak variant. In contrast, Exports shall log robust growth due to better demand in Latin America and Asia regions.

We expect a 19% CAGR in 3W exports (including quadricycles) due to better demand in Latin America and ASEAN regions, and a low base (three years of decline at a 15% CAGR over FY22–25). Moreover, we reckon domestic 3Ws shall post a 3% CAGR over FY25–28E led by replacement demand and improved business activity. Furthermore, BJAUT has planned two launches in E-Auto segment, and has recently entered the E-rickshaw segment, targeting an addressable market of 40,000 units per month.

Overall, we are building in a revenue/EBITDA CAGR of 11%/12% over FY25–28E with an average RoE of 28%. Maintain 'HOLD' with a TP of INR9,700 based on 25x Sep-27E core earnings plus cash/investments of INR967/share.

Key Risks

- Slower than expected growth in rural demand, leading to cut in revenue assumptions
- Delay in recovery in demand in Africa region due to adverse currency, USD availability issues and weak macros, leading to cut in revenue assumptions
- Failure of new launches in EVs
- Spike in commodity prices
- Adverse currency movement

Additional Data

Management

MD	Mr. Rajiv Bajaj
CBDO	Mr S Ravikumar
CTO	Mr. Ramtilak Ananthan
CFO	Mr. Dinesh Thapar
Auditor	S. R. Batliboi & Co. LLP

Holdings – Top 10*

% Holding		% Holding
LIC	3.59	SBI Funds 1.07
Jaya Hind Industries	3.56	Blackrock Inc 0.89
HDFC AMC	2.23	Norges Bank 0.65
Yamuna Trust	1.29	UTI AMC 0.63
Vanguard Group	1.12	ICICI Prudential AMC 0.58

*Latest public data

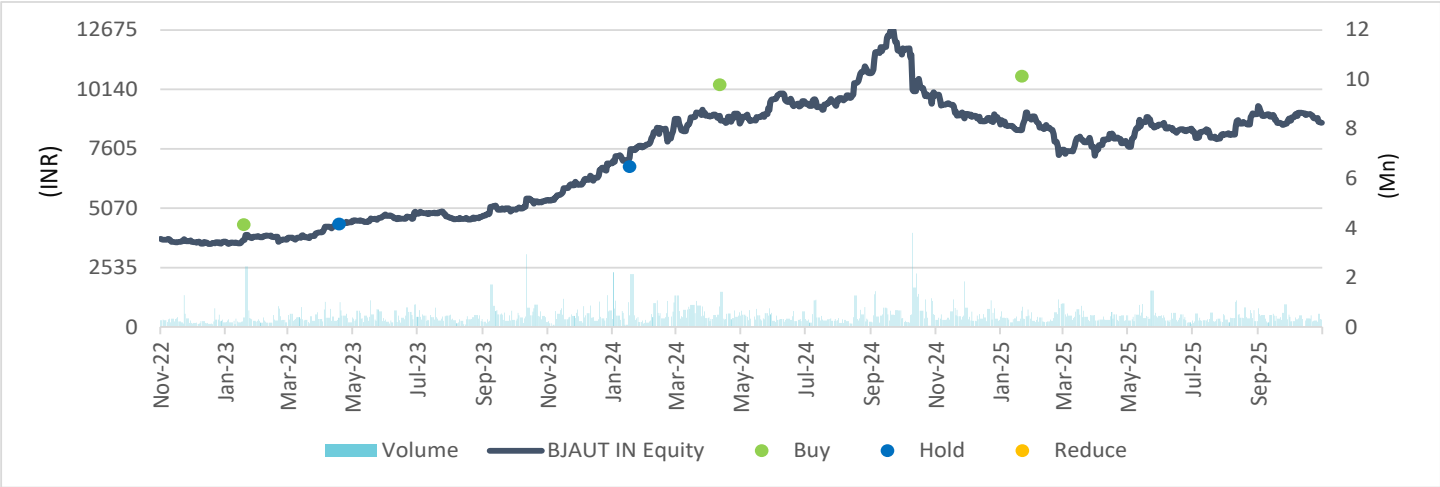
Recent Company Research

Date	Title	Price	Reco
06-Aug-25	Q1 EBITDA beat; outlook positive; <i>Result Update</i>	8,178	Buy
30-May-25	In-line performance; outlook intact; <i>Result Update</i>	8,950	Buy
28-Jan-25	Q3 in-line; outlook remains positive; <i>Result Update</i>	8,578	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
05-Nov-25	Timken India	Q2 EBITDA in line; outlook positive; <i>Result Update</i>
05-Nov-25	MSUMI	Strong Q2; outperformance to sustain; <i>Result Update</i>
04-Nov-25	Mahindra & Mahindra	Healthy Q2; journey continues; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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