

## Bajaj Auto (BJAUT) - BUY

### Result Update

Current Market Price (CMP)

**Rs.3680**

Target Price

**Rs.4400**

**Our fair value of Rs.4400 offers 19.6% upside from the current market price.**

### Rationale:

- Strong long-term growth potential in export geographies.
- We expect sales volume growth of 21.1% in FY22E & 13.0% in FY23E.
- We expect earnings to grow by 20.7% in FY22E and 16.3% in FY23E.
- Stock is trading at a PE of 16.6x FY23E earnings.
- Our fair value is based on Discounted Cash Flow (DCF) valuation.

### Q3FY21 Earnings update:

#### **Positives:**

- Revenues increased by 17% yoy led by 9% yoy increase in volumes.
- Operating margin came in at 19.4% (+150 bps yoy, +170 bps qoq).
- BJAUT to follow three fold strategy to gain market share in domestic 2W market.
- BJAUT has proposed investment for premium motorcycle and electric segments.

#### **Negatives:**

- BJAUT lost 150 bps market share yoy in domestic motorcycle segment in Q3FY21.
- Q4FY21 raw material basket will increase 3% qoq led by surge in base metals prices

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For detailed report dated 21st Jan 2021. Note: CMP & valuation may differ due to difference in dates.



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