

Bajaj Auto (BJAUT) - BUY

Result Update

Current Market Price (CMP)

Rs.3830

Target Price

Rs.4650

Our fair value of Rs.4650 offers 21.4% upside from the current market price.

Rationale:

- Co. will be following three-fold strategies to gain domestic two wheeler market share.
- We believe BJAUT is well-placed to gain from rising exports & market share increase.
- We expect sales volume growth of 20.2% in FY22E & 13.3% in FY23E.
- We expect earnings to grow by 16.8% in FY22E and 23.3% in FY23E.
- Stock is trading at a PE of 17x FY23E earnings.

Q1FY22 Earnings update:

👍 Positives:

- Co. highlighted export segment maintaining its momentum; augurs well for BJAUT.
- Co. gained 230 bps market share (qoq) in domestic motorcycle segment in Q1FY22.
- BJAUT has multiple levers to maintain/improve its profitability over the medium term.

👎 Negatives:

- Revenues declined by 14% qoq led by 14% qoq decline in volumes.
- Operating (EBITDA) margin 15.2% (-260 bps qoq) was 140 bps below our estimates.
- Co. expects Q2FY22E gross margins to be under pressure from raw material headwind.

[Click here](#)

For detailed report dated 22nd July 2021. Note: CMP & valuation may differ due to difference in dates.



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>