



# Pick of the week

## Bajaj Auto

Recommendation: **ADD**

Current Price: ₹3,642

Potential Upside: 12.6%

Dated: 16<sup>th</sup> May 2022

Time Period: 12 Month

Target Price: ₹4,100

### Why invest?

- We expect sharp recovery in the domestic three wheeler segment; however, we expect gradual recovery in the domestic motorcycle segment amid higher cost of ownership and supply challenges for the company.
- Export outlook remains stable. The company expects export segment volumes to grow by double digit on a yoy basis.
- The company has gained market share across the domestic three wheeler segment in FY22. The company will be launching an electric vehicle in the three wheeler segment in Q1FY23E.
- Bajaj Auto will be charging up its electric vehicle two wheeler strategy and follow a three-pronged strategy to lead in the electric vehicle two wheeler segment.
- Bajaj Auto's total volumes are expected to grow at 10% CAGR (compound annual growth rate) over FY22-25E . We expect Bajaj Auto's earnings to grow at 15% CAGR over FY22-25E.
- Our fair value is based on SoTP (sum-of-the-parts) valuation.