

# Pick of the week



## Bajaj Auto

### Recommendation

**BUY**

### Time Period

**12 Months**

### Current Price

**₹ 3848**

### Target Price

**₹ 4650**

### Potential Upside

**21.0%**

## Investment Argument

- We believe the company is well-placed to gain from rising exports, increase in market share in the premium motorcycle segment through exciting launches and incremental volumes by expanding in the electric scooter segment.
- The company will be following three-fold strategies to gain market share in the domestic two wheeler market – (1) aggressive product launches in 125cc segment, (2) retaining dominant position in sports motorcycle segment (>250cc segment) and (3) providing innovative offerings in top-end of the entry motorcycle segment.
- Bajaj Auto has gained 230 bps market share on a qoq basis in the domestic motorcycle segment in Q1FY22.
- The company highlighted the export segment maintaining its momentum, which augurs well for them. We expect company's export volume mix (in total volumes) to improve to ~56% in FY24E from 52% in FY21.
- Bajaj Auto's total volumes are expected to grow at 14% CAGR over FY21-24E. We expect Bajaj Auto's earnings to grow at 18% CAGR over FY21-24E. (CAGR - compound annual growth rate)
- Our fair value of Rs4,650 is based on the discounted cash flow (DCF) methodology.