

CMP: INR 8,717

Rating: Buy

Target Price: INR 9,920

Stock Info

BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
Sector	Auto-2&3 wheelers
Face Value (INR)	10
Equity Capital (INR mn)	2,790
Mkt Cap (INR Bn)	2435
52w H/L (INR)	10,080/7,089
Avg Yearly Vol (in 000')	409

Shareholding Pattern %

(As on Sept, 2025)

Promoters	55.04
Public & Others	44.96

Stock Performance (%)

	1m	3m	12m
Bajaj Auto	-2.05	5.9	-11.5
Nifty	-0.5	12.4	12.4

Bajaj Auto Vs Nifty



— BAJAJ-AUTO — NIFTY_50

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Bajaj Auto Ltd reported good numbers and stable margin at 20.45%. Standalone revenue stood at INR 149,221 Mn, above our estimate of INR 146,725 Mn registering a growth of 13.7% YoY/up by 18.6% QoQ. EBITDA stood at INR 30,517 Mn, above with our estimate of INR 29,350 Mn, registering a growth of 15.1%YoY/ up by 23%QoQ. On the margins front, EBITDA margin up by 2 bps QoQ/+9bps YoY to 20.45%, above with our estimate of 20%. Standalone PAT grew 23.7%YoY/ up 18.3%QoQ to INR 24,797 Mn above with our estimate of INR 24,145 Mn. In Consolidated, BAIHVB holds 49.9% stake in Pierer Bajaj AG (PBAG), which has a listed subsidiary, Pierer Mobility AG. Due to regulatory differences between India and Europe, the company accounted for its share of PBAG's 6-month consolidated loss of €62.19 mn (INR 6344.7 Mn) in Q2 FY26, as quarterly results weren't available. The auditors have modified their report accordingly. In FY25, the Group recognized a net loss of INR 915.48 crore related to its investment in Pierer Bajaj AG (PBAG), comprising: Share of loss: INR 3145.5 Mn (includes INR 30,751.1 Mn gain from write-back of liabilities by KTM AG). Impairment loss: INR 6,009.3 Mn due to restructuring and reassessment of KTM AG's valuation, considering downside risks and sensitivities.

KTM Austria Acquisition: The company confirmed that the KTM Austria (Mobility AG) acquisition is pending the final change-of-control approval, expected within days. Post-approval, Bajaj intends to implement a comprehensive operational turnaround plan addressing both front-end and back-end efficiencies, including cost rationalization. The leadership emphasized prudence given KTM's listed status in Vienna and Switzerland, thus limiting commentary until regulatory closure. A well-prepared integration roadmap is already in place, with expected synergy realization once control is formalized. The strategic intent appears to be focused on restoring profitability, optimizing distribution, and aligning product roadmaps. Bajaj's tone suggested confidence in transforming KTM's operations through tighter financial discipline and scale leverage.

VACL Investment Nearing Completion; Turning Self-Sustainable: Bajaj Auto Finance (VACL) has reached an investment inflection point with cumulative funding of INR 29Bn, including INR 5 Bn infused in FY25. Management indicated incremental support of INR 2-3 Bn will suffice to make the business self-sustaining. The debt-equity ratio currently stands around 4-4.5x, expected to peak near 5x before stabilizing as internal accruals improve. With profitability now emerging, VACL is positioned to fund its own growth without material parent support going forward. The company's prudent capital deployment and focus on credit discipline reinforce long-term sustainability. We believe that the heavy-lifting phase is nearly over, and the financing arm could soon generate steady ROE accretion.

Electric Motorcycle Development will lead to future growth: Bajaj is developing electric motorcycles for both commuter and premium segments, maintaining readiness despite uncertain market adoption. The company focuses on specific use cases and early adopters while keeping R&D investments agile and disciplined. Management prefers to stay prepared for future opportunities rather than risk missing out, reflecting a balanced "optionality over omission" strategy to stay competitive in the evolving EV landscape.

Outlook and valuation

Bajaj Auto is set for 12-15% revenue growth in FY26, driven by strong domestic recovery, improving exports, and balanced momentum across ICE, EV, and CNG portfolios. EBITDA margins are expected at 18-19%, supported by premiumization and cost discipline. The Pierer Mobility (KTM Austria) integration is a strategic catalyst, unlocking global synergies in R&D and operations. VACL's self-sufficiency enhances financial flexibility, while EV growth is seen rebounding to 15-20% post-GST normalization. With improving mix, scale leverage, and disciplined capital allocation, Bajaj is well-placed to sustain ROCE above 25% and deliver consistent earnings growth through FY26-27. **Hence, we value Bajaj Auto at a P/E of 22x its FY 28E EPS of INR 438.5 for a fair value of INR 9,648 and INR 272 for KTM stock valuation to arrive at a final increased target price of INR 9,920 using the SOTP method for Bajaj's stake in KTM. We maintain our Buy rating on the stock.**

YE March	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
(INR Mn)						
FY25	500,103	100,988	81,514	292.1	20.19	29.8
FY26E	566,525	114,124	93,299	329.7	20.14	26.4
FY27E	652,831	132,449	107,418	379.6	20.29	23.0
FY28E	758,199	154,600	124,090	438.5	20.39	19.9

Source: Arihant Research, Company Filings

Bajaj Auto Q2FY26 Concall KTAs-Arihant Capital

Bajaj Auto remains positive on sustaining broad-based growth across ICE, EV, and CNG portfolios. EV demand is expected to rebound within a few months and stabilize at 15–20% growth, driven by strong value economics. CNG motorcycles should see gradual adoption as fuel infrastructure improves. VACL is nearing self-sustainability with minimal capital infusion, supporting retail growth and profitability. The KTM Austria integration will enhance global premium positioning and efficiency. Overall, Bajaj is well-placed for steady, profitable growth in FY26–27, backed by technology innovation and disciplined capital use.

KTM Austria (Pierer Mobility AG): Bajaj Auto is awaiting regulatory approval for its acquisition of KTM Austria (Pierer Mobility AG), after which it plans to initiate an operational turnaround program. This program will focus on efficiency, product rationalization, and capturing synergies between Indian and European operations. The company has already completed internal planning for the integration but will provide further comments post-approval due to listing obligations in Vienna and Switzerland.

Bajaj Auto's acquisition of Pierer Mobility AG will comply with European listing obligations. Post-approval, Bajaj will actively participate in operations to improve profitability, leverage R&D and manufacturing strengths, and expand its premium motorcycle portfolio globally. The deal is expected to drive margin improvement, technology collaboration, and exports, supporting Bajaj's growth and profitability visibility for FY26-27

Tariff – Mexico: Mexico had proposed raising import duties on non-FTA countries from ~16% to ~34%, with 35% tariffs on motorcycles above 500cc. Management clarified the final duty was reduced to 5%, easing earlier concerns and minimizing impact on exports from India. Bajaj remains confident of sustaining growth in the Mexican market.

Domestic 3W: Strong recovery in domestic 3W demand driven by urban mobility revival, financing support, and growing CNG and EV adoption momentum.

GST Rate: GST cut on ICE 2Ws caused short-term EV demand softness but EV growth is expected to normalize as cost benefits regain traction.

Exports: Exports remain steady despite macro headwinds with demand revival expected in Africa and Latin America and premium mix aiding margins.

ABS: Fully prepared for ABS mandate across 125cc plus motorcycles with high localization ensuring smooth rollout and limited cost impact.

Localization: Accelerating localization in EV components, braking systems, and powertrains to enhance cost competitiveness and reduce import dependence.

PLI Scheme: Actively leveraging PLI for EV and advanced technology which supports local manufacturing, R&D, and medium-term margin expansion.

Bajaj Auto Credit (VACL) has invested INR 2,900 cr cumulatively, with INR 500 cr infused in FY25. Management expects an additional INR 200-300 cr support to reach self-funding status

VACL now operates at a debt/equity ratio of ~4–4.5x, expected to peak around 5x before self-sustaining profitability. Once breakeven achieved, internal accruals expected to support future growth, reducing parent-level funding needs.

Financing penetration remained steady with two-wheelers at ~70% YoY, while three-wheelers stabilized at ~40% within the 35-50% range. The personal segment credit ratio stood at 50%, indicating strong retail financing support that aids demand and dealer liquidity

EV: Post-GST rate cut for ICE 2-wheelers temporarily slowed EV demand, causing EV 2-wheeler share to dip to single digits. However, management expects a recovery to 15-20% growth within 1-2 months, driven by operating cost savings (EV running cost is ~1/10th of ICE). EV adoption is expected to normalize as fuel cost awareness and urban commute economics drive purchases

CNG motorcycle adoption has been slower than expected due to under-filling issues and network density gaps. Heavy-duty users initially adopted CNG, but range issues led some to switch back to petrol. Government efforts are underway to improve infrastructure, and Bajaj is targeting regions with higher CNG pump density, expecting gradual penetration improvement as infrastructure strengthens.

R&D: Bajaj is developing electric motorcycles for commuters and high-end sport segments with a "no-regret strategy" to invest early. R&D efforts are underway with prototypes in development for domestic and global markets, focusing on technology readiness and product viability.

Pierer Mobility AG (KTM): Bajaj Auto is set to take full control of Pierer Mobility AG (KTM's holding company), marking a key milestone in their partnership. Eight of nine approvals are already in place, with final clearance expected by 10 November. Post-acquisition, the entity will be renamed Bajaj Mobility AG on 19 November and remain listed on the Vienna and Swiss stock exchanges.

Exhibit 2: Quarterly result summary-Strong performance

Standalone (INR mn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)
Revenue	149,221	125,845	131,275	18.6	13.7
- Raw material	104556	88596	93639	18.0	11.7
(% of net sales)	70	70	71	-33bps	-126bps
- Staff expenditure	4096.6	4137.8	3934.9	(1.0)	4.1
(% of net sales)	2.7	3.3	3.0	29bps	-36bps
- Other expenditure	10051.2	8292.6	7179.5	21.2	40.0
(% of net sales)	6.7	6.6	5.5	15bps	127bps
Total expenditure	118,704	101,027	104,753	17.5	13.3
EBITDA	30,517	24,818	26,522	23.0	15.1
EBITDA Margin (%)	20.45	19.72	20.20	2bps	9bps
Depreciation	1117.1	1108.7	956	0.8	16.9
EBIT	29,400	23,709	25,566	24.0	15.0
Interest	143.7	141.4	159.2	1.6	(9.7)
Other Income	3691.9	4307.6	3845.4	(14.3)	(4.0)
PBT	32,948	27,875	29,252	18.2	12.6
Tax	8150.3	6915.4	9201.6	17.9	(11.4)
Adjusted PAT	24797.4	20959.8	20050.4	18.3	23.7
Reported PAT	24797.4	20959.8	20050.4	18.3	23.7
Adjusted EPS (INR)	88.80	75.10	71.90	18.2	23.5
Total Volumes (Nos)	1,294,120	1,111,237	1,221,504	16.5	5.9
Net Realisation (INR)	115,307	113,247	107,470	1.8	7.3
EBITDA / Vehicle (INR)	23,581	22,333	21,712	5.6	8.6
Geographical mix					
	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY(%)
Revenues (INRm):					
Domestic	114,462	95,917	103,334	19.3	10.8
Exports	553,327	476,429	27,941	16.1	-
Total	667,789	572,346	131,275	16.7	408.7
Volumes (In nos):					
Domestic	740,793	634,808	776,711	16.7	(4.6)
Exports	553,327	476,429	444,793	16.1	24.4
Total	1,294,120	1,111,237	1,221,504	16.5	5.9
Realisations (INR):					
Domestic	154,513	151,095	133,041	2.3	16.1
Exports	1,000,000	1,000,000	62,817	0.0	1,491.9
Total	516,018	515,053	107,470	0.2	380.2

Source: Arianth Research, Company Filings

Exhibit 3: Strong Margin expansion led by cost optimisation

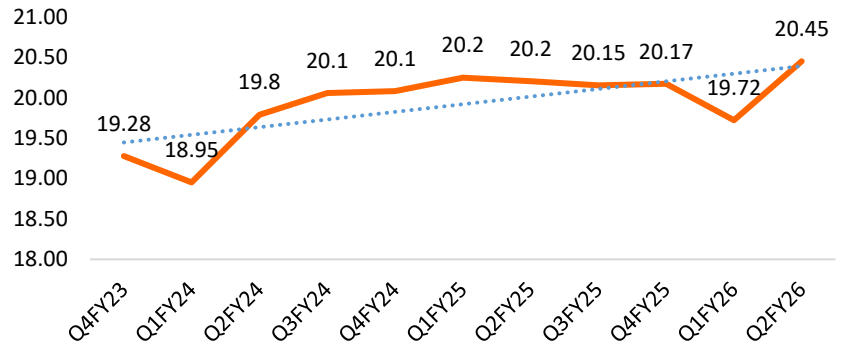


Exhibit 4: The volume increase due to the robust momentum of the sports portfolio

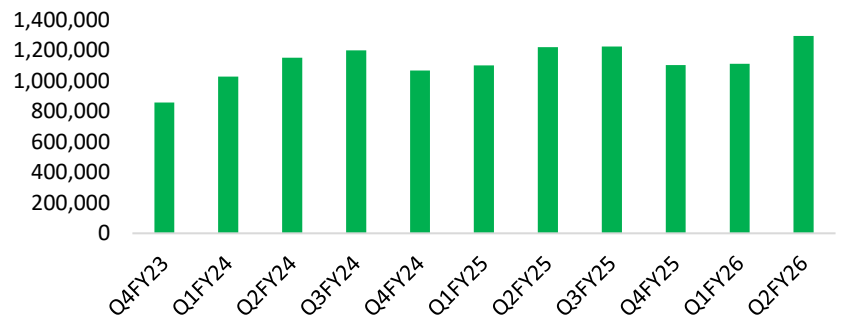


Exhibit 5: Steady growth in EBITDA/Vehicle

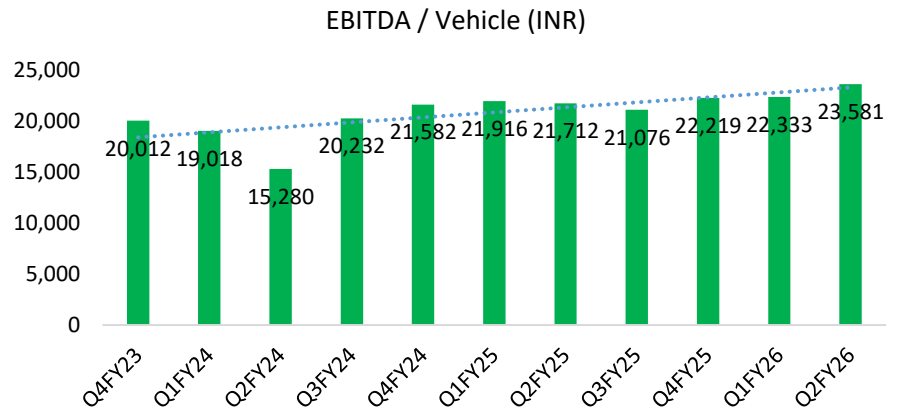
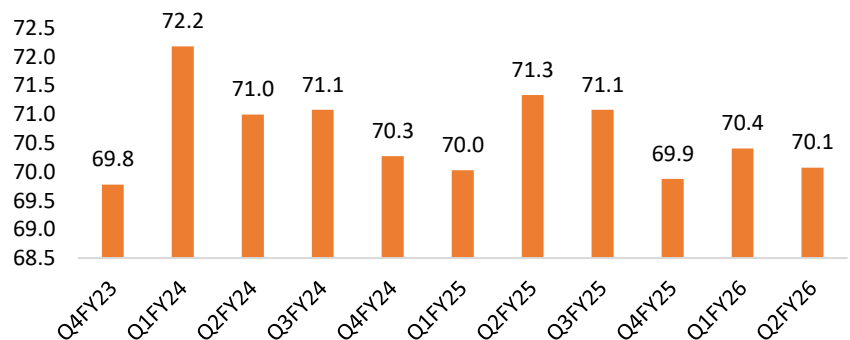


Exhibit 6: The company seen decline in RM costs which is benefits for the Margin



Source: Arianth Research, Company Filings,

Profit & Loss Statement (Standalone)				
Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	500,103	566,525	652,831	758,199
Growth, %	11.9	13.3	15.2	16.1
RM expenses	353,374	393,168	456,329	530,739
Employee expenses	15,794	17,026	18,354	19,786
Other expenses	29,947	42,206	45,698	53,074
EBITDA (Core)	100,988	114,124	132,449	154,600
Growth, %	14	13	16	17
Margin, %	20.2	20.1	20.3	20.4
Depreciation	4,001	4,322	4,672	5,022
EBIT	96,987	109,802	127,777	149,577
Growth, %	14	13	16	17
Margin, %	19.4	19.4	19.6	19.7
Other income	14,209	14,494	15,218	15,979
Interest paid	677	720	720	1,198
Non-recurring Items	-	-	-	-
Pre-tax profit	110,519	123,575	142,275	164,358
Tax provided	29,005	30,276	34,857	40,268
Profit after tax	81,514	93,299	107,418	124,090
Exceptional Items	-	-	-	-
Net Profit	81,514	93,299	107,418	124,090
Growth, %	9	14	15	16
Net Profit (adjusted)	81,514	93,299	107,418	124,090

Balance Sheet (Standalone)				
Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Cash & bank	13,286	112,537	179,555	265,056
Investments	243,683	246,120	248,581	251,067
Debtors	22,826	25,858	29,797	34,607
Inventory	19,579	22,179	25,558	29,683
Loans & advances	10,847	10,847	10,847	10,847
Other current assets	67,640	68,993	70,373	71,780
Total current assets	151,500	209,482	285,199	381,042
Gross fixed assets	84,113	91,113	98,113	105,113
Less: Depreciation	51,859	56,080	60,752	65,775
Add: Capital WIP	260	260	260	260
Net fixed assets	32,514	35,293	37,620	39,598
Total assets	344,823	399,127	467,448	552,442
Current liabilities	80,358	89,202	101,335	116,596
Provisions	2,515	2,565	2,617	2,669
Total current liabilities	82,873	91,768	103,952	119,265
Non-current liabilities	261,950	307,359	363,496	433,178
Total liabilities	23,354	23,354	23,354	23,354
Paid-up capital	2,793	2,894	2,894	2,894
Reserves & surplus	318,677	372,880	441,201	526,195
Shareholders' equity	321,469	375,773	444,095	529,089
Total equity & liabilities	344,823	399,127	467,448	552,442

Cash Flow (Standalone)				
Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	110,519	123,575	142,275	164,358
Depreciation	4,001	4,322	4,672	5,022
Chg in working capital	-62,823	25,771	3,486	4,971
Total tax paid	-25,590	-30,276	-34,857	-40,268
CFO	-1,635	80,916	72,264	86,665
Capital expenditure	-7,017	-7,000	-7,000	-7,000
Chg in marketable securities	-	-	-	-
Chg in investments	1,242	-2,437	-2,461	-2,486
CFI	8,434	5,057	5,757	6,493
Free cash flow	-8,653	73,916	65,264	79,665
Debt raised/(repaid)	10,787.90	-	-	-
Dividend (incl. tax)	-39,096	-39,096	-39,096	-39,096
CFF	-28,985	-39,817	-40,295	-40,392
Net chg in cash	(22,186)	46,156	37,726	52,766
Opening cash balance	5,366	13,286	112,537	179,555
Closing cash balance	13,286	112,537	179,555	265,056

Ratios (Standalone)				
Particulars	FY25	FY26E	FY27E	FY28E
EPS (INR)	292.1	329.7	379.6	438.5
PER (x)	29.8	26.4	23.0	19.9
Price/Book (x)	7.7	6.6	5.6	4.7
EV/EBITDA (x)	16.6	17.0	14.4	11.9
EV/Net sales (x)	4.2	3.7	3.1	2.6
RoE (%)	28.6	26.8	26.2	25.5
RoCE (%)	37	34	33	33
Fixed Asset turnover (x)	5.9	6.2	6.7	7.2
Dividend Yield (%)	1.6	1.6	1.6	1.6
Receivable (days)	17	17	17	17
Inventory (days)	16	17	18	19
Payable (days)	57	56	56	56
Net D/E ratio (x)	(0.7)	(0.8)	(0.9)	(0.9)

Source: Arian Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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