

CMP: INR 8,178

Rating: Buy

Target Price: INR 9,876

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)	2284
52w H/L (INR)	12,774/7,088
Avg Yearly Vol (in 000')	457

Shareholding Pattern %

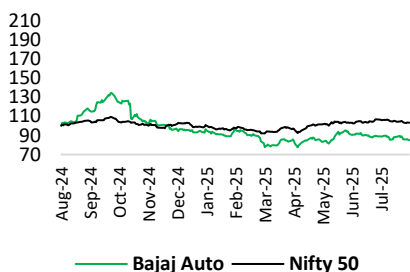
(As on June, 2025)

Promoters	55.04
Public & Others	44.96

Stock Performance (%)

	1m	3m	12m
Bajaj Auto	-3.4	2.9	-13.3
Nifty	-3.5	0.8	2.42

Bajaj Auto Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Bajaj Auto Ltd reported strong performance in Q1FY26. Standalone revenue stood at INR 125,845 Mn, above our estimate of INR 122,000 Mn registering a growth of 5.5% YoY/up by 3.6% QoQ. The growth Driven by exports, premium motorcycles, CVs and Chetak lead with double-digit growth EBITDA stood at INR 24,818 Mn, above with our estimate of INR 24,300 Mn, registering a growth of 6.2%YoY/ up by 1.3%QoQ.On the margins front, EBITDA margin up by 2 bps QoQ/+9bps YoY to 19.70%, slightly below our estimate of 19.9%,Standalone PAT grew 5.4%YoY/ up 2.3%QoQ to INR 20,959.8 Mn above with our estimate of INR 19,800 Mn. Bajaj Auto, via its subsidiary BAIHBV, holds a 49.9% stake in Pierer Bajaj AG (PBAG), with a carrying value of €400.5 million. PBAG's subsidiary, Pierer Mobility AG (PMAG), is listed on SIX Swiss Exchange, Frankfurt Stock Exchange (General Standard), and Vienna Stock Exchange (Official Market).For the quarter ended 30 June 2025, Bajaj Auto could not account for PBAG's consolidated profit/loss due to differing India-Europe regulations. PMAG's results, included in PBAG, are published semi-annually per stock exchange rules, delaying Bajaj's access. This will be accounted for on a six-monthly basis, with auditors modifying their report accordingly. Restructuring Update: Three PBAG group companies (KTM AG, KTM Components GmbH, KTM Forschungs & Entwicklungs GmbH) completed court-supervised restructuring in June 2025. A 30% creditor payment settlement, approved on 25 February 2025, was paid by 23 May 2025. The Austrian court confirmed completion in June 2025.Bajaj Auto is seeking regulatory approvals to acquire a controlling stake in PBAG, complying with applicable laws.

Premiumization Strategy Accelerating Profitable Growth: The company's focused premiumization play is delivering strong results, with the company gaining 3% sequential market share in the 125cc+ motorcycle segment, now commanding 15%, despite a flat overall 2W industry. This gain reflects the success of targeted product and pricing moves, particularly through new Pulsar variants. In the commercial vehicle space, Bajaj maintains a dominant 75% share in the ICE 3W segment and leads in electric 3Ws as well. Going forward, management remains committed to scaling premium offerings while being measured in the low-margin 100cc segment. New launches in the affordable 125cc category are expected, supporting a strategy focused on mix-led volume growth and sustainable profitability over mere market share expansion.

EV Business Gaining Strong Traction with Margin Improvement: EV segment is showing clear signs of a turnaround, with Chetak volumes more than doubling YoY and capturing 21% MS in the e-scooter category, particularly dominating the premium INR 1 lakh+ segment. In the electric 3W space, the company holds a strong ~35% share. Importantly, the EV portfolio is nearing a double-digit EBITDA margin, with select Chetak models already EBITDA positive a sharp improvement from previous losses. While Q2 volumes may be temporarily impacted by supply chain constraints related to rare earth magnets (affecting 40-50% of planned output), management expects recovery by Q3. Looking ahead, the company is confident in scaling its EV play, backed by upcoming launches like the E-rickshaw and a revamped platform across the portfolio.

Export Momentum Strengthens with Market Diversification: Exports grew 16% YoY in Q1, outperforming the industry with 27% growth in its top 30 markets. Excluding Nigeria, retail volumes hit an all-time high, driven by strong demand in LATAM and Asia. KTM recovery and Brazil entry add to global scale. With capacity ramp-up and new launches ahead, FY26 export growth is guided at 15-20%, with Nigeria offering upside potential.

Outlook and valuation

Bajaj Auto reported a strong Q1FY26 performance, driven by a better exports. The company expects to maintain strong growth momentum in key segments premium motorcycles (125cc+), commercial vehicles, and electric vehicles. Export markets, especially Latin America and Asia, continue to recover well, with Bajaj outperforming industry growth in most key markets. While the domestic motorcycle industry remains flattish, the company is focused on strengthening its presence in the 125cc+ segment through targeted product and pricing interventions. EV supply chain disruptions due to rare earth material shortages are expected to ease by the end of the quarter, restoring production levels. Bajaj expects margins to trend back toward FY25 averages, aided by mix, pricing, and a favorable currency environment. FY26 export growth is guided at 15-20%, with Nigeria offering upside potential. Hence, we value Bajaj Auto at a P/E of 22x its FY 28E EPS of INR 436.5 for a fair value of INR 9,603 and INR 272 for KTM stock valuation to arrive at a final increased target price of INR 9,876 using the SOTP method for Bajaj's stake in KTM. We maintain our Buy rating on the stock.

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY25	500,103	100,988	81,514	292.1	20.19	28.0
FY26E	566,525	112,425	92,016	325.2	19.84	25.1
FY27E	652,831	130,817	106,185	375.3	20.04	21.8
FY28E	758,199	153,841	123,518	436.5	20.29	18.7

Source: Arihant Research, Company Filings

Bajaj Auto-Q1FY26 Concall KTAs

Bajaj Auto expects 5–6% growth in the domestic 2W market, with export momentum remaining strong. The company is actively addressing EV supply chain challenges and foresees steady growth in KTM and Triumph brands. It aims to maintain a balance between profitability and expansion, with BAFL continuing to perform well. While some cost pressures are expected in the near term, pricing actions and cost-saving initiatives should help maintain margins, which are expected to revert to FY25 levels. Favorable forex trends and easing commodity costs are likely to cushion EV-related disruptions. CapEx for FY26 is guided at INR 6000–7000 Mn, equally focused on EV and ICE innovation.

Good retail sales outside Nigeria and its highest ever commercial vehicle exports in Q1.

Premium motorcycle sales reached record highs, driven by strong growth in Pulsar (over 21%).

The company maintained its leadership in electric autos and saw a surge in its overall EV business.

Profitability improved across the business, with a good performance from the spares division.

Exports saw a 16% volume growth, outpacing the industry growth in key overseas markets.

Exports: Exports volume grew by 16% in Q1, driven by strong performance of premium brands like Dominar and Pulsar. Pulsar saw a growth of over 21%. Bajaj outpaced industry growth in key overseas markets, growing by 27% compared to the industry's 17%.

Production capacity in Brazil

50,000 units per annum. KTM exports from India have resumed, contributing 5-6% to total exports. The company expects export growth to continue at similar levels in the coming quarters.

Domestic Motorcycles: The overall domestic motorcycle market remained flat year-over-year. The 125cc+ segment outperformed the 100cc segment. Bajaj Auto lost about 2% of MS in the entry-level segment due to a focus on profitability. However, the company gained about 3% in the 125cc+ segment, resulting in an overall market share of 15%. The company will continue to focus on the 125cc+ segment.

Commercial Vehicles: The three-wheeler industry grew by 11% YoY, driven by the growth of e-autos. Bajaj Auto maintained a 75% market share in ICE three-wheelers and achieved a leading market share of over 35% in the electric auto segment. The successful launch of the P7012 variant contributed to the growth in the EV segment. The company expects the three-wheeler category to continue growing.

E-Rickshaw will be launched in mid-August

Chetak: The electric two-wheeler industry grew by over 30% YoY. Chetak doubled its volumes and contributed nearly 50% to the industry's incremental volumes. Chetak's

MS increased to 21% from 12% in Q1 FY25. The company is facing supply chain headwinds due to rare earth magnet issues, impacting production and deliveries. The company expects the issue to be resolved in the short term.

Pro Biking (KTM and Triumph): KTM and Triumph brands together built nearly 26,000 units in the domestic market, a 20% YoY growth. Triumph expanded its network to 80 cities and 130 stores. Both brands launched new models. The company is focusing on developing the big bike business.

Achieving a penetration of over 40% and acquiring 1 mn customers. The AUM reached INR 120bn. The spares business grew by 19%.

Domestic 2w Market Slowdown: The recent slowdown in the domestic two-wheeler market is attributed to factors like early monsoon arrival, inflation in urban areas, and consumer tendency to postpone purchases for festive seasons.

Three-Wheeler Export Growth: The growth in three-wheeler exports is driven by a revival in the industry and private financing, with growth seen across various markets. Bajaj Auto is focusing on market development in new countries.

Focus on 125cc+ Segment: Bajaj Auto is prioritizing the 125cc+ segment in the domestic motorcycle market and is working on introducing a new product in the affordable 125cc segment.

Brazil Market Strategy: Bajaj Auto is focusing on a premium approach in Brazil, starting with higher CC bikes and gradually expanding capacity. The company is now introducing lower CC bikes to target the mass market.

ABS Regulation: The implementation of ABS in lower CC segments is expected to create supply chain challenges and increase costs, potentially impacting demand.

Market Share Dynamics: Bajaj Auto is focusing on sustainable growth and profitability rather than dramatic market share shifts. The company is confident in its product portfolio and activation strategies.

EV Profitability: The overall EV portfolio (two-wheelers and three-wheelers) is approaching double-digit EBITDA margins. Some Chetak models on the new platform have achieved positive EBITDA margins.

Rare Earth Magnet Shortage: The rare earth magnet shortage is impacting EV production, but the company is pursuing multiple options to resolve the issue and expects it to be resolved in the short term.

Dealer Viability: Bajaj Auto's diverse portfolio offers dealers opportunities across multiple segments, enhancing dealer viability.

Exhibit 2: Quarterly result summary-Strong performance

Standalone (INR mn)	Q1FY26	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
Revenue	125,845	121,480	119,280	3.6	5.5
- Raw material	88596	84882	83527	4.4	6.1
(% of net sales)	70	70	70	53bps	38bps
- Staff expenditure	4137.8	3645.4	4349.6	13.5	(4.9)
(% of net sales)	3.3	3.0	3.6	29bps	-36bps
- Other expenditure	8292.6	8446.1	7251.4	(1.8)	14.4
(% of net sales)	6.6	7.0	6.1	-36bps	51bps
Total expenditure	101,027	96,974	95,128	4.2	6.2
EBITDA	24,818	24,506	24,153	1.3	2.8
EBITDA Margin (%)	19.72	20.17	20.2	2bps	9bps
Depreciation	1108.7	1111.3	936.9	(0.2)	18.3
EBIT	23,709	23,395	23,216	1.3	2.1
Interest	141.4	168.2	206.7	(15.9)	(31.6)
Other Income	4307.6	3807.6	3209.4	13.1	34.2
PBT	27,875	27,034	26,218	3.1	6.3
Tax	6915.4	6540.9	6335	5.7	9.2
Adjusted PAT	20959.8	20493.1	19883.4	2.3	5.4
Reported PAT	20959.8	20493.1	19883.4	2.3	5.4
Adjusted EPS (INR)	75.10	73.40	71.20	2.3	5.5
Total Volumes (Nos)	1,111,237	1,102,934	1,102,056	0.8	0.8
Net Realisation (INR)	113,247	110,142	108,234	2.8	4.6
EBITDA / Vehicle (INR)	22,333	22,219	21,916	0.5	1.9
Geographical mix	Q1FY26	Q4FY25	Q1FY25	QoQ (%)	YoY(%)
Revenues (INRm):					
Domestic	95917	90719	93435	5.7	2.7
Exports	32500	30761	25845	5.7	25.7
Total	128416	121480	119280	5.7	7.7
Volumes (In nos):					
Domestic	634,808	613,248	690,621	3.5	(8.1)
Exports	476,429	489,686	411,435	(2.7)	15.8
Total	1,111,237	1,102,934	1,102,056	0.8	0.8
Realisations (INR):					
Domestic	151,095	147,932	135,291	2.1	11.7
Exports	68,215	62,817	62,817	8.6	8.6
Total	115,561	110,142	108,234	4.9	6.8

Source: Arianth Research, Company Filings

Exhibit 3: The company seen margin expansion YoY

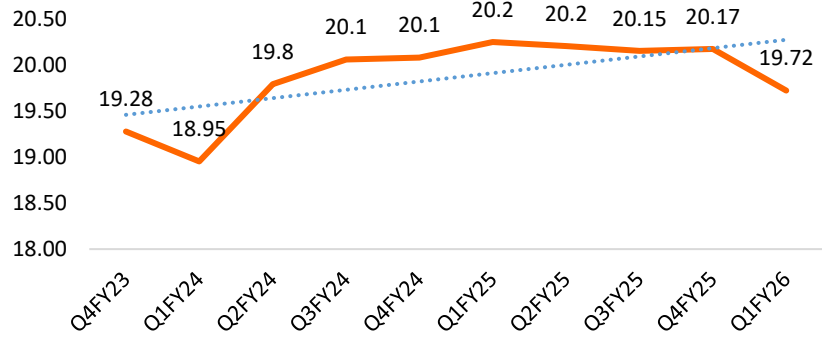


Exhibit 4: The volume increase due to the robust momentum of the sports portfolio

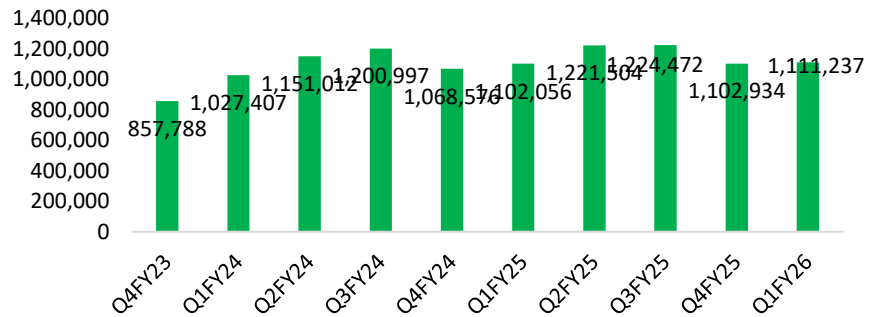


Exhibit 5: Steady growth in EBITDA/Vehicle

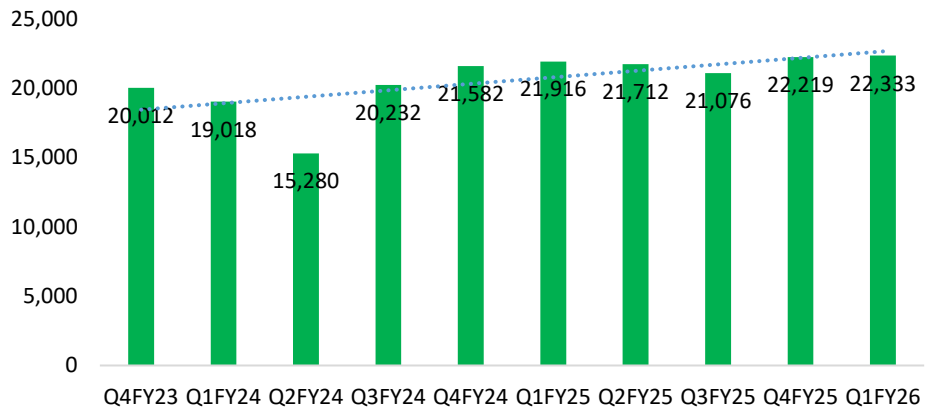
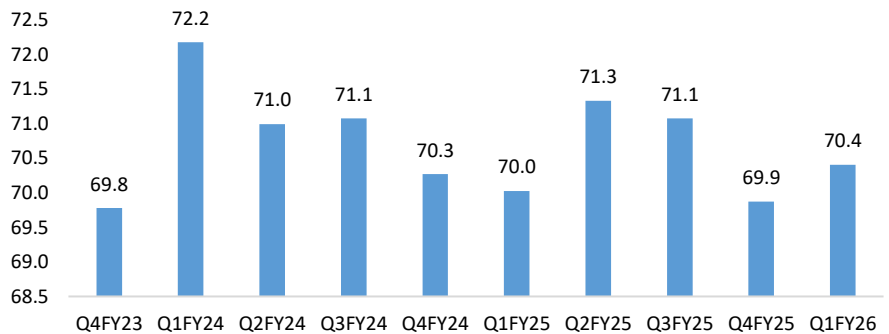


Exhibit 6: The company seen decline in RM costs which is benefits for the Margin



Source: Arihant Research, Company Filings,

Financials (Standalone)

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	394,868	457,961	531,497
Employee expenses	15,794	17,026	18,354	19,786
Other expenses	29,947	42,206	45,698	53,074
EBITDA (Core)	100,988	112,425	130,817	153,841
Growth, %	14	11	16	18
Margin, %	20.2	19.8	20.0	20.3
Depreciation	4,001	4,322	4,672	5,022
EBIT	96,987	108,102	126,145	148,819
Growth, %	14	11	17	18
Margin, %	19.4	19.1	19.3	19.6
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	121,875	140,643	163,600
Tax provided	29,005	29,859	34,458	40,082
Profit after tax	81,514	92,016	106,185	123,518
Exceptional Items	-	-	-	-
Net Profit	81,514	92,016	106,185	123,518
Growth, %	9	13	15	16
Net Profit (adjusted)	81,514	92,016	106,185	123,518

Balance Sheet (Standalone)				
Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Cash & bank	13,286	111,253	177,040	261,968
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	208,199	282,684	377,954
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	397,844	464,933	549,354
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	306,076	360,981	430,090
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	371,596	438,685	523,107
Shareholders' equity	321,469	374,490	441,579	526,001
Total equity & liabilities	344,823	397,844	464,933	549,354

Cash Flow (Standalone)				
Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	110,519	121,875	140,643	163,600
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	-29,859	-34,458	-40,082
CFO	-1,635	79,633	71,031	86,093
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	72,633	64,031	79,093
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)	44,873	36,494	52,194
Opening cash balance	5,366	13,286	111,253	177,040
Closing cash balance	13,286	111,253	177,040	261,968

Ratios (Standalone)				
Particulars	FY25	FY26E	FY27E	FY28E
EPS (INR)	292.1	325.2	375.3	436.5
PER (x)	28.0	25.1	21.8	18.7
Price/Book (x)	7.2	6.2	5.2	4.4
EV/EBITDA (x)	15.5	16.1	13.5	11.1
EV/Net sales (x)	3.9	3.4	2.9	2.4
RoE (%)	28.6	26.4	26.0	25.5
RoCE (%)	37	33	33	33
Fixed Asset turnover (x)	5.9	6.2	6.7	7.2
Dividend Yield (%)	1.7	1.7	1.7	1.7
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: Arianth Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

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

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800