ArihantCapital Generating Wealth

Q3FY26 - Result Update
1st Feb 2026

Bajaj Auto Ltd.

Structural Margin Re-Rating with Limited Downside Risk

CMP: INR 9,584

Rating: Buy

Target Price: INR 11,558

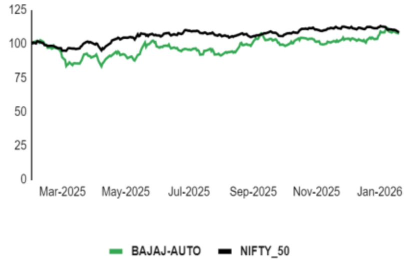
Stock Info	
BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
Sector	Auto-2&3 wheelers
Face Value (INR)	10
Equity Capital (INR mn)	2,790
Mkt Cap (INR Bn)	2665
52w H/L (INR)	9,888/7,089
Avg Yearly Vol (in 000')	387

Shareholding Pattern %
(As on Dec, 2025)

Promoters	55.04
Public & Others	44.96

Stock Performance (%)	1m	3m	12m
Bajaj Auto	-2.05	5.9	-11.5
Nifty	2.7	6.9	18.6

Bajaj Auto Vs Nifty



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Bajaj Auto Ltd reported In-line; Stable margin at 20.7%.Standalone revenue stood at INR 152,203 Mn, above our estimate of INR 152,208 Mn registering a growth of 18.8% YoY/up by 2.0% QoQ. EBITDA stood at INR 31,605 Mn, slightly below with our estimate of INR 31,840 Mn, registering a growth of 22.5%YoY/ up by 3.6%QoQ.On the margins front, EBITDA margin up by 31bps QoQ/61bps YoY to 20.7% in line with our estimate of 20.9%.Standalone PAT grew 18.7%YoY/ up 0.9%QoQ to INR 25,028 Mn and adj PAT 25,795.6 in-line with our estimate of INR 25,918 Mn. In Consolidated, In FY25, the Group recognized a net consolidated loss of INR 915.48 cr on its investment in erstwhile associate Pierer Bajaj AG (now Bajaj Auto International Holdings AG). This comprised a share of loss of INR 314.55 cr (equity method) and an impairment loss of INR 600.93 cr on the carrying value of the investment. The share of loss included a proportionate gain of INR 3,075.11 cr arising from KTM AG's liability write-back following the creditors' meeting on 25 February 2025. The impairment was determined based on value-in-use assessment post KTM AG's restructuring, factoring in revised long-term cash flows and potential downside risks.

Margin Sustainability supported by Mix and FX Tailwinds: The business operates with a structurally higher margin profile, supported by sustained ~20%+ EBITDA margins despite absorbing GST hikes, EV incentive withdrawal, and raw material inflation. Margin resilience is supported by operating leverage, favorable FX, a richer mix from premium motorcycles and exports, and PLI benefits. Importantly, EVs earlier viewed as margin dilutive—now deliver double-digit EBITDA margins, materially reducing structural drag. While commodity volatility persists, pricing flexibility, mix levers, and FX tailwinds help cap downside risk. This positions margins as structurally sustainable rather than peak-cycle driven.

Domestic Premiumization Drives Market Share: The domestic motorcycle cycle has turned favorable post-GST rationalization, with industry growth trending ~12–15% and faster growth in 125cc+ and 150cc+ segments. Bajaj is well-positioned to capture this premiumization through an aggressive refresh of the Pulsar portfolio and upcoming launches. Recent product interventions have already initiated market-share recovery in core segments. As volumes scale in higher-ASP categories, operating leverage and mix benefits further enhance profitability. This creates a virtuous cycle of growth, share gains, and margin stability.

Exports Provide Diversified, Scalable Growth Engine: Exports have re-emerged as a structural growth pillar, with volumes sustaining above 200k units per month and revenues on track for an all-time high in USD terms. Growth is broad-based across LatAm, Africa, and Asia, reducing reliance on any single geography. Market-share gains in key overseas markets indicate competitive strength rather than cyclical rebound. Higher export mix also supports margins through better realizations and FX tailwinds. This diversification improves earnings visibility and reduces dependence on the domestic cycle.

Outlook and valuation

The motorcycle industry is expected to grow ~12–15% in the near term, with the company positioned to outperform in the 125cc+ and 150cc+ segments as recent and upcoming product interventions aid market-share recovery. Exports are on track to deliver the highest-ever USD revenue, with volumes sustaining above 200k units per month, driven by broad-based geographic diversification. Margins are expected to remain resilient in the ~20%+ EBITDA band, despite near-term raw material inflation, supported by FX tailwinds, operating leverage, mix improvement, and improving EV profitability. The EV business has crossed a profitability inflection with double-digit EBITDA margins, while consolidation and execution of the KTM turnaround from next quarter adds medium-term optional upside. Earnings visibility into FY27 remains strong, with risks largely confined to commodity volatility and macro-driven demand shocks rather than structural weaknesses. **Hence, we value Bajaj Auto at a P/E of 25x its FY 28E EPS of INR 453.6 for a fair value of INR 11,340 and INR 218 for KTM stock valuation to arrive at a final increased target price of INR 11,558 using the SOTP method for Bajaj's stake in KTM. We maintain our Buy rating on the stock.**

Exhibit 1: Financial

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY25	5,00,103	1,00,988	81,514	292.1	20.19	32.8
FY26E	5,80,499	1,17,359	96,600	341.4	20.22	28.1
FY27E	6,69,113	1,36,211	1,11,159	392.8	20.36	24.4
FY28E	7,77,306	1,58,994	1,28,355	453.6	20.45	21.1

Source: Arihant Research, Company Filings

Bajaj Auto-Q3FY26 Concall KTAs

Margin

Supported by strong operating leverage from record volumes, favorable FX realization, richer mix from premium motorcycles and exports, PLI benefits, and improving EV unit economics with the EV portfolio now delivering double-digit EBITDA margins together sustaining a structurally higher ~20%+ EBITDA band. These tailwinds are partly offset by near-term headwinds from raw-material inflation (notably noble metals, aluminium and copper), with ~50–60 bps pristine RM inflation expected in Q4, of which ~50% has already been offset via pricing additional pressures stem from conscious absorption of the PM E-DRIVE incentive withdrawal in electric 3w, the GST hike on 350cc+ motorcycles, and temporary mix dilution from rapid electric scooter scale-up. Overall, management’s ability to flex pricing, leverage FX and mix, and benefit from EV scale suggests limited downside to margins despite commodity volatility, keeping medium-term profitability structurally resilient.

Investment

Transition from a single-cycle domestic 2W story to a multi-engine earnings compounder, driven by (i) premiumization in domestic motorcycles, (ii) structurally stronger exports, (iii) EV profitability inflection, and (iv) optional upside from KTM consolidation.

Raw Material

Input costs remain inflationary, led by noble metals, aluminum, copper, nickel, and lead, partially offset by softer steel and ABS. Q3 absorbed a ~50 bps price–cost mismatch due to deferred pricing. For Q4, management guides 50–60 bps pristine RM inflation, with ~50% already offset via pricing. Residual impact is expected to be managed through FX tailwinds, mix improvement, operating leverage, and EV margin uplift, limiting downside to margins.

Market Share

After temporary pressure in FY25–Q1 FY26, market share recovery has commenced in the crucial 150cc+ Pulsar franchise, supported by 7 product interventions since Nov’25. Management expects to outperform industry growth in both 125cc and 150cc+ segments, aided by premiumization trends and an aggressive refresh cycle. In CVs, leadership remains entrenched with 70%+ ICE share and 85%+ CNG share, alongside regained leadership in E-Autos.

Partnerships

Bajaj continues to leverage partnerships as growth multipliers. The KTM–Triumph joint showroom strategy (50 operational, 100+ planned by March) enhances reach and dealer viability, while Bajaj Auto Credit Ltd (BACL) deepens ecosystem control with 45% financing penetration. Internationally, synergies across Bajaj–KTM systems are expected to improve sourcing, cost structures, and product execution over time.

Labour Code

A one-time exceptional charge of INR 61 cr was recognized towards gratuity following amendments under the New Labour Code. The company clearly categorized this as non-recurring, with no bearing on underlying operating cost trajectory or medium-term margin

Pricing

Bajaj consciously absorbed (i) PM E-DRIVE incentive withdrawal (INR 23–25k/unit) in electric three-wheelers and (ii) GST hike on 350cc+ motorcycles (31% →40%) to protect volumes and accelerate market share. Pricing actions were deferred in Q3 to ride festive demand and partially implemented in Q4, underscoring a volume-led, share-first strategy rather than knee-jerk margin defense.

New Launches

The company executed 7 launches/upgrades in the Pulsar 150cc+ range and has 8 additional interventions planned over the next four months, effectively refreshing the entire Pulsar portfolio. Beyond Pulsar, management indicated (i) a new 125cc brand, (ii) expansion of the Dominar portfolio, and (iii) exploration of on/off-road formats, potentially using dormant brands creating sustained product optionality beyond FY26.

KTM

Ownership in KTM AG increased to 75%, with full line-by-line consolidation from next quarter. A clear turnaround plan is underway focusing on liquidity, management rebuild, portfolio sharpening, and cost reduction. While near-term consolidation may add volatility, successful execution positions KTM as a medium-term earnings and brand upside, rather than a balance-sheet concern.

Investment

Strategic investments of INR 2,300+ cr into KTM and BACL were completed in 9M FY26, with management indicating no further equity infusion into BACL.

Cash

Net cash remains strong at ~INR15,000 cr, preserving flexibility for growth, partnerships, and shareholder returns.

Exhibit 2: Quarterly result summary

Standalone (INR mn)	Q3FY26	Q2FY26	Q3FY25	QoQ (%)	YoY (%)
Revenue	152,203	149,221	128,069	2.0	18.8
- Raw material	106755	104556	91327	2.1	16.9
(% of net sales)	70	70	71	7bps	-117bps
- Staff expenditure	4194.2	4096.6	3864.5	2.4	8.5
(% of net sales)	2.8	2.7	3.0	1bps	-26bps
- Other expenditure	9648.7	10051.2	7069.7	(4.0)	36.5
(% of net sales)	6.3	6.7	5.5	-40bps	82bps
Total expenditure	120,598	118,704	102,261	1.6	17.9
EBITDA	31,605	30,517	25,807	3.6	22.5
EBITDA Margin (%)	20.76	20.45	20.15	31bps	61bps
Depreciation	1119.4	1117.1	996.7	0.2	12.3
EBIT	30,486	29,400	24,811	3.7	22.9
Interest	25.6	143.7	143.1	(82.2)	(82.1)
Other Income	3419.6	3691.9	3347	(7.4)	2.2
Adj PBT	33,880	32,948	28,015	2.8	20.9
Labour Code	613	-	-	-	-
PBT post Excepational	33,266	-	-	-	-
Tax	8238.3	8150.3	6927.2	1.1	18.9
PAT	25028.1	24797.4	21087.3	0.9	18.7
Adjusted PAT	25795.6	24797.4	21087.3	4.0	22.3
EPS (INR)	89.70	88.80	75.50	1.0	18.8
Total Volumes (Nos)	1,341,252	1,294,120	1,224,472	3.6	9.5
Net Realisation (INR)	113,479	115,307	104,591	(1.6)	8.5
EBITDA / Vehicle (INR)	23,564	23,581	21,076	(0.1)	11.8
Geographical mix	Q3FY26	Q2FY26	Q3FY25	QoQ (%)	YoY(%)
Revenues (INRm):					
Domestic	110,889	114,462	95,569	(3.1)	16.0
Exports	610,215	553,327	32,500	10.3	1,777.6
Total	721,104	667,789	128,069	8.0	463.1
Volumes (In nos):					
Domestic	731,037	740,793	707,105	(1.3)	3.4
Exports	610,215	553,327	517,367	10.3	17.9
Total	1,341,252	1,294,120	1,224,472	3.6	9.5
Realisations (INR):					
Domestic	151,687	154,513	135,155	(1.8)	12.2
Exports	1,000,000	1,000,000	62,817	0.0	1,491.9
Total	537,635	516,018	104,591	4.2	414.0

Source: Arihant Research, Company Filings

Exhibit 3: Strong Margin expansion led by cost optimization

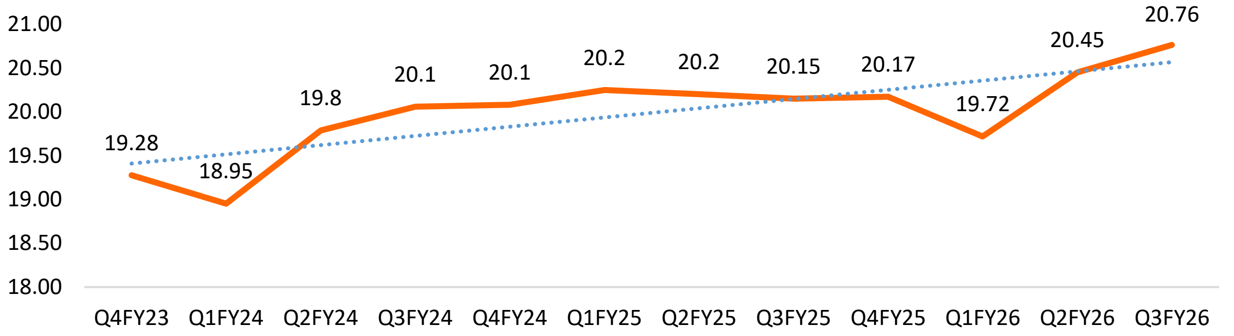


Exhibit 4: The volume increase due to the robust momentum of the sports portfolio

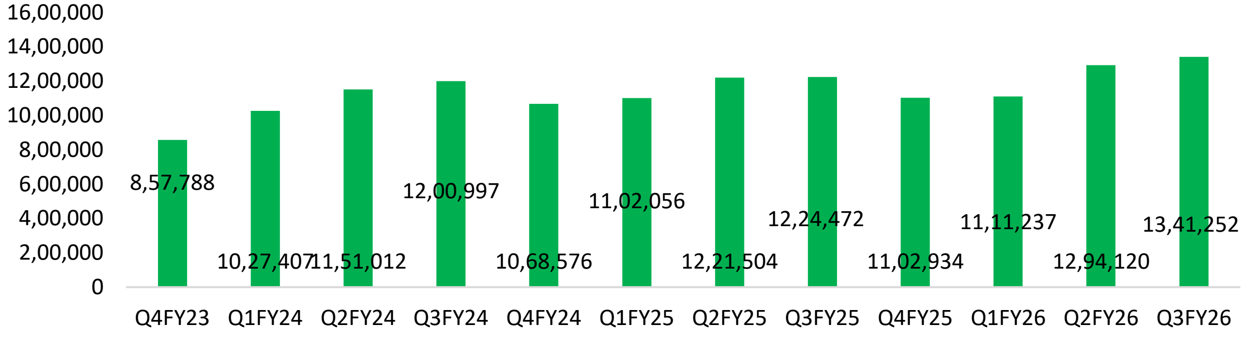


Exhibit 5: Steady growth in EBITDA/Vehicle

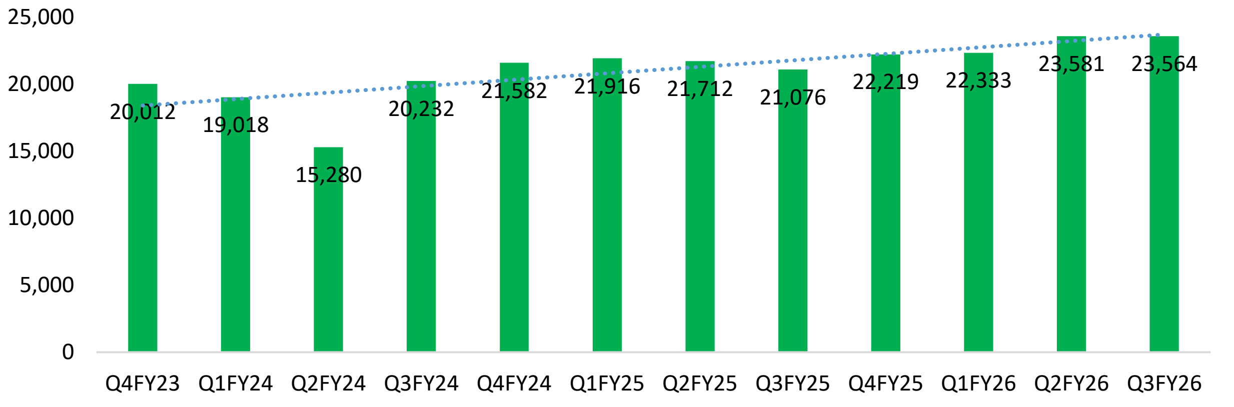
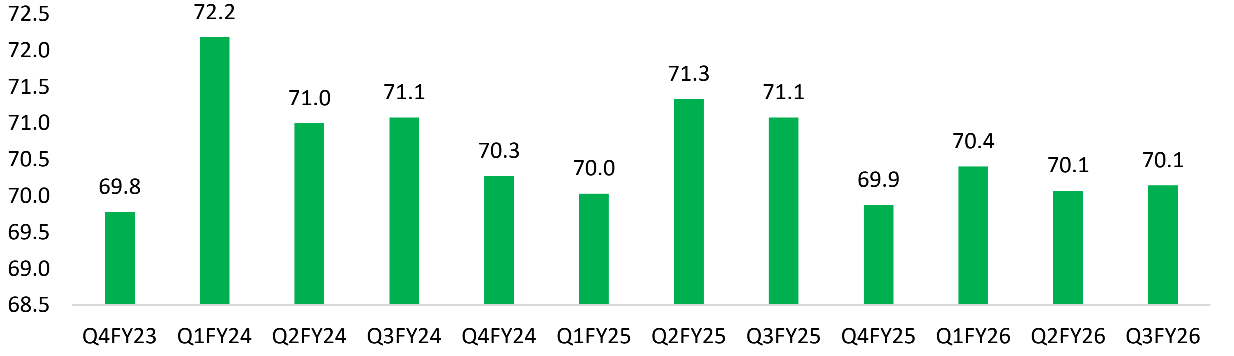


Exhibit 6: The company seen steady in RM costs which is benefits for the Margin



Source: Arihant Research, Company Filings,

Profit & Loss Statement (Standalone)

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	**5,00,103**	**5,80,499**	**6,69,113**	**7,77,306**
Growth, %	11.9	16.1	15.3	16.2
RM expenses	3,53,374	4,02,866	4,67,710	5,44,114
Employee expenses	15,794	17,026	18,354	19,786
Other expenses	29,947	43,247	46,838	54,411
EBITDA (Core)	**1,00,988**	**1,17,359**	**1,36,211**	**1,58,994**
Growth, %	14	16	16	17
Margin, %	20.2	20.2	20.4	20.5
Depreciation	4,001	4,322	4,672	5,022
EBIT	**96,987**	**1,13,037**	**1,31,538**	**1,53,972**
Growth, %	14	17	16	17
Margin, %	19.4	19.5	19.7	19.8
Other income	**14,209**	**15,630**	**16,412**	**17,232**
Interest paid	677	720	720	1,198
Non-recurring Items	-	-	-	-
Pre-tax profit	**1,10,519**	**1,27,947**	**1,47,230**	**1,70,006**
Tax provided	29,005	31,347	36,071	41,652
Profit after tax	**81,514**	**96,600**	**1,11,159**	**1,28,355**
Exceptional Items	-	-	-	-
Net Profit	**81,514**	**96,600**	**1,11,159**	**1,28,355**
Growth, %	9	19	15	15
Net Profit (adjusted)	**81,514**	**96,600**	**1,11,159**	**1,28,355**

Balance Sheet (Standalone)

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Cash & bank	13,286	1,16,373	1,87,210	2,77,087
Investments	2,43,683	2,46,120	2,48,581	2,51,067
Debtors	22,826	26,496	30,541	35,479
Inventory	19,579	22,726	26,196	30,431
Loans & advances	10,847	10,847	10,847	10,847
Other current assets	67,640	68,993	70,373	71,780
Total current assets	1,51,500	2,14,504	2,94,235	3,94,693
Gross fixed assets	84,113	91,113	98,113	1,05,113
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	**3,44,823**	**4,02,428**	**4,74,490**	**5,63,748**
Current liabilities	80,358	90,923	1,03,329	1,18,941
Provisions	2,515	2,565	2,617	2,669
Total current liabilities	82,873	93,488	1,05,946	1,21,610
Non-current liabilities	2,61,950	3,08,939	3,68,544	4,42,138
Total liabilities	**23,354**	**23,354**	**23,354**	**23,354**
Paid-up capital	2,793	2,894	2,894	2,894
Reserves & surplus	3,18,677	3,76,180	4,48,242	5,37,501
Shareholders' equity	3,21,469	3,79,074	4,51,136	5,40,394
Total equity & liabilities	**3,44,823**	**4,02,428**	**4,74,490**	**5,63,748**

Cash Flow (Standalone)

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	1,10,519	1,27,947	1,47,230	1,70,006
Depreciation	4,001	4,322	4,672	5,022
Chg in working capital	-62,823	26,306	3,564	5,082
Total tax paid	-25,590	-31,347	-36,071	-41,652
CFO	-1,635	82,479	73,695	88,535
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	6,194	6,951	7,747
Free cash flow	-8,653	75,479	66,695	81,535
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	48,855	40,351	55,889
Opening cash balance	5,366	13,286	1,16,373	1,87,210
Closing cash balance	13,286	1,16,373	1,87,210	2,77,087

Ratios (Standalone)

Particulars	FY25	FY26E	FY27E	FY28E
EPS (INR)	292.1	341.4	392.8	453.6
PER (x)	32.8	28.1	24.4	21.1
Price/Book (x)	8.4	7.2	6.0	5.0
EV/EBITDA (x)	18.4	18.3	15.5	12.9
EV/Net sales (x)	4.7	4.0	3.4	2.8
RoE (%)	28.6	27.6	26.8	25.9
RoCE (%)	37	35	34	33
Fixed Asset turnover (x)	5.9	6.4	6.8	7.4
Dividend Yield (%)	1.4	1.4	1.4	1.4
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: Arihant Research, Company Filings

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Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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