

India

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HOLD (no change)

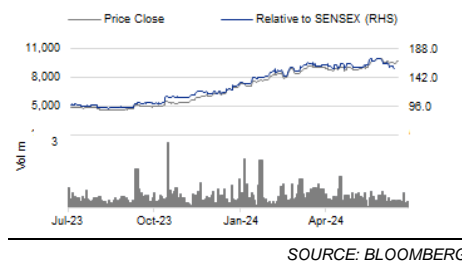
Consensus ratings*: Buy 21 Hold 11 Sell 13

Current price:	Rs9,636
Target price:	Rs9,205
Previous target:	Rs9,205
Up/downside:	-4.5%
InCred Research / Consensus:	2.7%
Reuters:	BAJA.NS
Bloomberg:	BJAUT IN
Market cap:	US\$32,219m
	Rs2,690,120m
Average daily turnover:	US\$51.9m
	Rs4333.2m
Current shares o/s:	279.2m
Free float:	45.0%

*Source: Bloomberg

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	74,788	89,485	100,236
Core EPS (Rs)	267.89	320.53	359.04
Core EPS Growth	32.9%	19.7%	12.0%
FD Core P/E	35.97	30.06	26.84
Recurring ROE	29.7%	33.7%	33.5%
P/BV (x)	10.82	9.53	8.53
DPS (Rs)	160.00	200.00	240.00
Dividend Yield	1.66%	2.08%	2.49%



Price performance	1M	3M	12M
Absolute (%)	(0.7)	7.0	95.9
Relative (%)	(4.8)	(0.1)	59.9

Major shareholders	% held
Bajaj Family	55.0
LIC	5.0
SBI Mutual Fund	1.2

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Bajaj Auto

Launches world's first CNG bike

- Bajaj Freedom 125cc CNG bike surprised on its higher engine size & design aspects. However, pricing and volume plan is in line with our expectations.
- BAL tries to showcase its superior R&D capabilities with the world's first CNG bike but to be a game changer, a change in customer behaviour is needed.
- Retain HOLD rating on the stock as it looks fairly valued at 26x FY26F EPS.

Bajaj Freedom 125 CNG bike launch

- Bajaj Auto (BAL) has launched the world's first CNG integrated motorcycle, Bajaj Freedom 125cc, in three variants with five colour options and prices in the range of Rs95,000 to Rs110,000 (ex-showroom).
- BAL claims that the bike has lower operating costs by up to 50% when compared to similar ICE engine motorcycles and can save ~Rs75,000 in five years.
- The bike claims a total driving range of 330km, of which the CNG portion is claimed to provide 210km mileage on a 2-kg tank. Additionally, it has a 2-litre petrol tank which acts as a range extender, offering over 65kmpl. The bike comes with a 785mm seat which is ~20% extra in length than the usual 2W seat.
- The bike has been launched in Maharashtra & Gujarat, and BAL plans to launch it in other states in 2QFY25F in a phased manner. BAL also plans to launch it in 335 cities, where the CNG distribution network is available, forming 70% of addressable market.

Ambitious medium-term volume growth plan

- Initially, management's target is to sell 10,000 units per month and later 30,000 units by the end of FY25F. In the medium term, management expects the CNG bike to have a penetration level of 30-70%, like it was seen in 3Ws and cars.
- The price of the bike is Rs15,000 (ex-showroom), higher than that of pure petrol 125cc bikes, which is in line with our expectations.
- Management has demanded that Good and Services Tax or GST on CNG bikes to be cut to 12% vs. 28% now, which can make CNG bikes more affordable.
- Management indicated that making a lower-than-125cc bike with CNG fuel will be a challenge due to sharp power loss and the handling of a volumetric fuel like CNG. So, it prefers to offer the CNG options in engine size bikes higher than 100cc.
- The Bajaj Freedom 125cc bike does not have a starter motor and switching from its optional fuels is automatic. The tank size of the bike is 16kg to handle 200 bar pressure.
- As regards exports, BAL plans to start with Egypt, Tanzania, Bangladesh and Asia.

Changing customer behaviour is a challenge; retain HOLD rating

- The CNG bike, designed smartly, demands a change in customer behaviour. The long queue for CNG filling, compromise on the driving range of 330km vs. 600km for a petrol bike, higher maintenance cost of CNG vehicles, etc. pose problems.
- The initial volume plan is in line with our estimate. We will look for customer response and behavioural changes needed to make it a game-changer product in the 2W space. Maintain our HOLD rating on BAL.

Figure 1: CNG vs Petrol 125cc bike specification comparison

	Bajaj Freedom 125	Hero Super Splendor 125	Hona Shine 125
Ex Showroom price	Rs.95,000 - 105,000	Rs.94,000 - 98,000	Rs.81350 - 85350
Fuel capacity	2kg CNG tank + 2L petrol tank	12 L	10.5 L
Mileage	82.5kmpl (CNG + Petrol)	55kmpl	55kmpl
Max power	9.3 bhp @ 8,000 rpm	10.72 bhp @ 7,500 rpm	10.59 bhp @ 7,500 rpm
Max torque	9.7 bhp @ 6,000 rpm	10.6 Nm @ 6,000 rpm	11 Nm @ 6,000 rpm
Rear Suspension	Twin gas shock	Twin gas shock	Hydraulic type
Kerb weight (kg)	149	123	114
Seat height (mm)	825	799	791

SOURCE: AUTOCAR MAGAZINE, INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	364,276	446,852	525,331	601,997
Gross Profit	89,558	114,518	136,933	156,052
Operating EBITDA	65,492	88,229	106,356	119,143
Depreciation And Amortisation	(2,824)	(3,498)	(4,000)	(4,500)
Operating EBIT	62,667	84,731	102,356	114,643
Financial Income/(Expense)	(395)	(535)	(600)	(500)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	11,814	14,025	15,988	17,747
Profit Before Tax (pre-EI)	74,087	98,220	117,744	131,890
Exceptional Items				
Pre-tax Profit	74,087	98,220	117,744	131,890
Taxation	(17,810)	(23,432)	(28,258)	(31,653)
Exceptional Income - post-tax				
Profit After Tax	56,276	74,788	89,485	100,236
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	56,276	74,788	89,485	100,236
Recurring Net Profit	56,276	74,788	89,485	100,236
Fully Diluted Recurring Net Profit	56,276	74,788	89,485	100,236

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	214,227	229,407	241,550	264,806
Total Debtors	17,761	21,224	25,907	31,337
Inventories	13,979	16,956	18,710	23,090
Total Other Current Assets	19,467	21,774	24,500	27,000
Total Current Assets	265,433	289,361	310,667	346,234
Fixed Assets	23,835	26,760	31,260	35,760
Total Investments	17,864	20,884	23,884	26,884
Intangible Assets				
Total Other Non-Current Assets				
Total Non-current Assets	41,699	47,645	55,145	62,645
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	40,739	56,102	60,449	67,622
Other Current Liabilities	9,918	29,581	15,000	17,000
Total Current Liabilities	50,656	85,683	75,449	84,622
Total Long-term Debt	1,242	1,258	1,200	1,200
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	1,242	1,258	1,200	1,200
Total Provisions	5,120	6,960	7,269	7,569
Total Liabilities	57,018	93,902	83,918	93,391
Shareholders Equity	254,259	248,605	282,254	315,487
Minority Interests				
Total Equity	254,259	248,605	282,254	315,487

Cash Flow

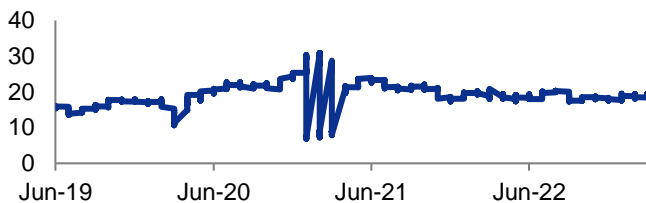
(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	65,492	88,229	106,356	119,143
Cash Flow from Invt. & Assoc.				
Change In Working Capital	136	8,923	(2,090)	(2,637)
(Incr)/Decr in Total Provisions	9,752	17,579	(16,998)	(200)
Other Non-Cash (Income)/Expense	(582)	1,618		
Other Operating Cashflow				
Net Interest (Paid)/Received	11,419	13,490	15,388	17,247
Tax Paid	(18,548)	(22,836)	(28,258)	(31,653)
Cashflow From Operations	67,668	107,003	74,397	101,899
Capex	(11,695)	(7,781)	(3,360)	(8,639)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(19,335)	(2,741)	(6,000)	(7,000)
Cash Flow From Investing	(31,030)	(10,522)	(9,360)	(15,639)
Debt Raised/(repaid)	15	16	(58)	
Proceeds From Issue Of Shares	(64)	(38)		
Shares Repurchased		(49,282)		
Dividends Paid	(39,614)	(44,669)	(55,836)	(67,003)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(39,664)	(93,973)	(55,894)	(67,003)
Total Cash Generated	(3,026)	2,509	9,143	19,257
Free Cashflow To Equity	36,653	96,498	64,979	86,260
Free Cashflow To Firm	37,033	97,016	65,637	86,760

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	10.4%	22.7%	17.6%	14.6%
Operating EBITDA Growth	28.0%	34.7%	20.5%	12.0%
Operating EBITDA Margin	18.0%	19.7%	20.2%	19.8%
Net Cash Per Share (Rs)	762.89	817.21	860.91	944.22
BVPS (Rs)	910.73	890.48	1,011.01	1,130.05
Gross Interest Cover	158.73	158.38	170.59	229.29
Effective Tax Rate	24.0%	23.9%	24.0%	24.0%
Net Dividend Payout Ratio	70.4%	59.7%	62.4%	66.8%
Accounts Receivables Days	16.50	15.92	16.37	17.35
Inventory Days	17.46	16.99	16.76	17.11
Accounts Payables Days	51.20	53.18	54.76	52.41
ROIC (%)	164.0%	267.5%	7,645.2%	354.1%
ROCE (%)	28.1%	38.4%	43.6%	43.4%
Return On Average Assets	18.1%	23.3%	25.6%	26.0%

12-mth Fwd Rolling FD Core P/E

(x)



— 12-mth Fwd Rolling FD Core P/E (x)(lhs)

Key Drivers

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
ASP (% chg, main prod./serv.)	21.2%	10.6%	3.9%	3.5%
Unit sales grth (% , main prod./serv.)	(8.9%)	10.9%	13.1%	10.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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