Bajaj Auto (BAAUTO)

ICICI Direct

CMP: ₹10,800 | Target ₹ 12,550 (16%) | Target Period: 12 months | BUY

July 22, 2026

Broad-based growth sustains, strong demand outlook...

About the stock: Bajaj Auto (BAL) is the second largest motorcycle manufacturer and largest 3-W OEM domestically. It also has a presence in export markets.

- Exports comprised ~44% of FY26 volumes; 2-W:3-W mix at ~84:16 (overall)
- Domestic market share: Motorcycle: 15.6% & 3-W: 62%

Q1FY27 performance: Bajaj Auto reported robust performance in Q1FY27. Total operating income for the quarter came in at ₹ 17,244, up ~37% YoY amidst 29% YoY growth in volumes at ~14.4 lakh units. EBITDA for the quarter came in at ₹3,595 crore with EBITDA margins at 20.9% (up 10bps QoQ). PAT in Q1FY27 stood at ₹2,983 crore (up 42% YoY). Blended ASP's for Q1'27 stood at ₹ 1.14 lakh/unit (up ~3.1% QoQ).

Investment Rationale:

- **Multi Engine Growth with Structural tailwinds**: GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q1FY27, 2W volumes continued with healthy performance, with sales at 5.63 million units, up 20% YoY. While overall industry growth is expected to moderate in the near term due to inflationary pressures and price hikes, the 150cc+ segment is growing significantly faster, and Bajaj is gaining share through its refreshed Pulsar portfolio. With premiumisation strategy in the 125cc+ motorcycle category, Bajaj Auto is entering a strong product cycle with multiple launches across its highest-margin segments while simultaneously benefiting from structural demand tailwinds. BAL remains highly optimistic, supported by a significant product pipeline & capacity expansion from 7 million to 9 million units p.a.
- **Structural Growth from Exports, EVs and Strong Cash Generation:** Bajaj Auto's diversified earnings base provides strong downside protection and structural growth optionality. Exports crossed 732,000 units in Q1 (+54% YoY), marking a record performance and reflecting broad-based recovery across key markets. Africa remained the strongest performer, with industry growth of around 50% while Bajaj grew nearly twice as fast with nearly 60% retail market share in Nigeria. Latin America also continued to outperform industry growth, driven by Mexico and Brazil. The EV business has reached a meaningful scale, contributing ~30% of domestic revenues, with both electric scooters and electric three-wheelers combined clocking double-digit EBITDA margins, indicating improving unit economics. Over time, as EVs scale further and premium motorcycles expand, the mix is likely to become even more favourable, supporting margin durability. Combined with strong free cash flow and disciplined capital allocation, this positions Bajaj as a high-quality compounder.

Rating and Target Price

- Robust export outlook, strong positioning in domestic EV segment and a differentiated product launch pipeline are expected to drive sustained growth for Bajaj Auto. With export supported margin resilience, we remain positive about medium to long term earnings prospects at BAL & maintain **BUY** rating on the stock & value it at **₹ 12,550 i.e. 25x P/E on FY28E EPS**

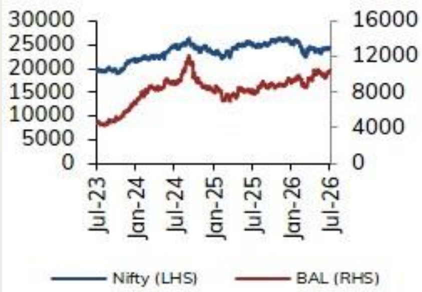
Particulars

Particular	₹ crore
Market Capitalization	3,01,601
Total Debt (FY26)	0
Cash & Invests (FY26)	22,548
EV	2,79,053
52-week H/L (₹)	10,835 / 7,880
Equity capital (₹)	274.8
Face value (₹)	₹ 10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	55.0	55.0	55.0	55.0
FII	9.7	8.8	8.8	9.0
DII	12.8	14.1	14.4	13.4
Other	22.5	22.1	21.8	22.5

Price Chart



Recent event & key risks

- Reports robust Q1FY27. EBITDA margins surprised positively at 20.9%; currency tailwinds at play
- Key Risk: (i) more than anticipated rise in raw material costs impacting margins in the interim period (ii) lower than anticipated growth in domestic 2-W space over FY26-28E.

Research Analyst

Shashank Kanodia
Shashank.kanodia@icicisecurities.com

Bhavish Doshi
Bhavish.doshi@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	36,428	44,685	50,010	58,732	16.2%	73,594	81,919	18.1%
EBITDA	6,549	8,823	10,099	12,017	19.5%	15,365	17,610	21.1%
EBITDA Margins (%)	18.0	19.7	20.2	20.5		20.9	21.5	
Net Profit	5,628	7,479	8,151	9,825	16.6%	12,109	13,786	18.5%
EPS (₹)	198.9	264.3	291.9	351.8		440.6	501.7	
P/E	54.3	40.9	37.0	30.7		24.5	21.5	
RoNW (%)	22.1	30.1	25.4	28.2		36.5	36.9	
RoCE (%)	24.3	32.3	28.5	32.2		43.6	44.6	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

- **Record quarter despite multiple headwinds:** Bajaj Auto delivered its best-ever quarterly performance across all key financial metrics despite facing one of the toughest operating environments in recent years. Management highlighted that these numbers were achieved despite commodity inflation, supply chain disruptions, logistics issues, labour shortages and even a ransomware attack which temporarily affected production. These disruptions reduced product availability by ~ 10-15%, especially in exports, premium motorcycles and EVs. Without these constraints, management believes quarterly volumes could have crossed 1.5 million units
- **Exports: Structural Outperformance & Market Share Gains**: Exports delivered another record quarter with 732,000 units and around $735 million in revenue, now contributing approximately 40% of Bajaj Auto's revenues. Africa remained the strongest performer, with industry growth of around 50% while Bajaj grew nearly twice as fast, and nearly 60% retail market share in Nigeria. Latin America also continued to outperform industry growth, driven by Mexico and Brazil where premium motorcycles. Three-wheeler exports reached an all-time high of 100,000 units, growing almost 70% YoY while maintaining over 65% share of India's three-wheeler exports. Management expects exports to sustainably exceed 250,000 units per month going forward.
- **Domestic motorcycle turnaround:** The company has already refreshed the 150cc+ range through new Pulsar N and NS variants, resulting in sales growth approximately 1.5x the industry and market share gains over the last few months. Over the next six weeks, Bajaj plans to launch an entirely new 150cc Pulsar, an all-new 125cc Pulsar, along with around 10 refreshed variants across the 160-400cc portfolio. Later during FY27, the company also intends to introduce two completely new motorcycle brands in the 125cc segment.
- **Electric Vehicles:** Combined electric two-wheelers and three-wheelers now contribute around 30% of domestic revenues while generating double-digit EBITDA margins. Chetak volumes grew nearly 80% YoY, significantly outperforming industry growth, although demand continues to exceed manufacturing capacity. Management plans to increase chetak capacity from 50,000 units to 60,000 units immediately. The exclusive Chetak network has expanded to 530+ stores, supported by more than 4,500 customer touchpoints across 850+ cities, with a long-term ambition of reaching nearly 1,000 stores. Management confirmed that Chetak itself has become EBITDA positive while the overall EV portfolio maintains double-digit EBITDA margins.
- **Commercial Vehicles:** The domestic three-wheeler industry grew 11% YoY, primarily driven by electric autos which now account for 44% of the L5 industry. Bajaj achieved its highest-ever billing and retail performance while maintaining around 70% market share in ICE three-wheelers and leadership in electric three-wheelers.
- Commodity Inflation was exceptionally severe: Management described the operating environment as one of the most inflationary periods seen in recent years. Commodity inflation reached approximately 4.5% of revenue, exceeding the cumulative inflation experienced during the previous two financial years combined. Steel prices increased over 10%, while aluminium, platinum and rhodium rose nearly 40%. Inflation also spread into electronics, logistics, labour, energy and proprietary components. Bajaj offset nearly half of this inflation through calibrated price increases while the remaining impact was mitigated through favourable currency movements, operating leverage and disciplined cost management. Management expects inflationary pressures to remain elevated during Q2.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	17,244	12,584	37.0	16,006	7.7
Raw Material Expenses	12,232	8,860	38.1	11,195	9.3
Employee Expenses	467	414	12.8	421	10.8
Other Expenses	976	850	14.9	1095	-10.9
EBITDA	3,595	2,482	44.9	3,323	8.2
EBITDA Margin (%)	20.9	19.7	113 bps	20.8	9 bps
PBT	3,868	2,749	40.7	3,529	9.6
Total Tax	1002	692	44.9	917	9.3
Reported PAT	2,983	2,096	42.3	2,746	8.6
Key Metrics					
Total Volumes (units)	14,38,251	11,11,237	29.4	13,71,058	4.9
Blended ASP (₹/ unit)	1,14,456	1,08,723	5.3	1,11,053	3.1

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

Units (lakh)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	37.3	39.8	43.2	51.4	57.0
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	6.2	6.7	8.0	9.2	10.2
Total volumes	**50.2**	**46.2**	**39.7**	**43.1**	**39.3**	**43.5**	**46.5**	**51.2**	**60.6**	**67.2**
Export volumes	20.8	21.7	20.5	25.1	18.2	16.4	18.6	22.5	29.2	32.6
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	29,377	32,318	35,814	42,858	47,481
Export revenues ($ mn)	1,642	1,677	1,694	2,298	1,847	1,716	1,885	2,300	2,921	3,288
Blended ASP (₹/unit)	**58,905**	**63,077**	**68,295**	**74,589**	**90,070**	**1,00,160**	**1,03,736**	**1,09,647**	**1,16,078**	**1,16,636**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Revenue	70,082	73,594	5.0	79,185	81,919	3.5
EBITDA	13,430	15,365	14.4	15,842	17,610	11.2
EBITDA Margin (%)	19.2	20.9	171 bps	20.0	21.5	149 bps
PAT	10,612	12,109	14.1	12,389	13,786	11.3
EPS (₹)	386	441	14.1	451	502	11.3

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	50,010	58,732	73,594	81,919
Growth (%)	11.9	17.4	25.3	11.3
Raw Material Expenses	35,337	41,186	52,025	57,535
Employee Expenses	1,579	1,664	1,896	2,038
Other expenses	3,044	3,938	4,388	4,819
Total Operating Expenditure	39,912	46,716	58,229	64,309
EBITDA	10,099	12,017	15,365	17,610
Growth (%)	14.5	19.0	27.9	14.6
Depreciation	400	448	478	532
Interest	68	36	27	29
Other Income	1,421	1,563	1,293	1,332
PBT	11,052	13,095	16,153	18,381
Total Tax	2,900	3,247	4,044	4,595
PAT	8,151	9,825	12,109	13,786
Growth (%)	9.0	20.5	23.2	13.9
EPS (₹)	292	352	441	502

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	8,151	9,825	12,109	13,786
Add: Depreciation	400	448	478	532
Sub: Other Income	1,421	1,563	1,293	1,332
(Inc)/dec in Current Assets	-1,574	-1,440	-2,117	-1,139
Inc/(dec) in CL and Provisions	720	1,308	1,827	1,092
CF from operating activities	5,935	8,898	11,359	13,160
(Inc)/dec in Investments	-1,531	-1,506	4,400	-1,800
(Inc)/dec in Fixed Assets	-753	-500	-765	-765
Others	-4,354	-649	-2,045	-2,045
Add: Other Income	1,421	1,563	1,293	1,332
CF from investing activities	-5,218	-1,092	2,883	-3,278
Inc/(dec) in loan funds	-34	-800	0	0
Dividend paid & dividend tax	-5,864	-4,189	-8,244	-9,618
Inc/(dec) in Sec. premium	0	0	0	0
Others	4,932	-2,844	-5,674	-43
CF from financing activities	-967	-7,833	-13,918	-9,661
Net Cash flow	-249	-27	324	221
Opening Cash	1,578	1,329	1,301	1,625
Closing Cash	1,329	1,301	1,625	1,846

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	279	280	275	275
Reserve and Surplus	31,868	34,695	32,918	37,071
Total Shareholders funds	32,147	34,975	33,192	37,346
Total Debt	800	0	0	0
Deferred Tax Liability	1,123	965	965	965
Other non-current liabilities	0	0	0	0
Total Liabilities	34,226	36,092	34,319	38,483
Assets				
Gross Block	7,307	7,722	8,521	9,271
Less: Acc Depreciation	3,759	4,208	4,686	5,218
Net Block	3,548	3,515	3,835	4,052
Capital WIP	28	98	50	50
Total Fixed Assets	3,576	3,613	3,885	4,102
Investments	28,570	30,113	27,713	31,513
Inventory	1,958	2,354	3,024	3,367
Debtors	2,283	2,712	3,428	3,815
Loans and Advances	3	23	29	32
Other current assets	2,272	2,867	3,592	3,998
Cash	1,329	1,301	1,625	1,846
Total Current Assets	7,844	9,257	11,698	13,058
Creditors	6,268	7,356	9,073	10,100
Provisions	251	471	581	646
Other current liabilities	1,004	1,218	1,526	1,699
Total Current Liabilities	8,203	9,795	11,950	13,234
Net Current Assets	-359	-538	-252	-176
Deferred Tax asset	0	0	0	0
Application of Funds	34,226	36,092	34,319	38,483

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	292	352	441	502
Cash EPS	306	368	458	521
BV	1,151	1,252	1,208	1,359
DPS	210	150	300	350
Cash Per Share	48	47	59	67
Operating Ratios (%)				
EBITDA Margin	20.2	20.5	20.9	21.5
PBT / Net sales	19.4	19.7	20.2	20.8
PAT Margin	16.0	16.1	15.4	16.1
Inventory days	14.3	14.6	15.0	15.0
Debtor days	16.7	16.9	17.0	17.0
Creditor days	45.7	45.7	45.0	45.0
Return Ratios (%)				
RoE	28.5	32.2	43.6	44.6
RoCE	25.4	28.2	36.5	36.9
RoIC	74.8	87.0	95.2	96.1
Valuation Ratios (x)				
P/E	37.0	30.6	24.5	21.5
EV / EBITDA	27.9	23.2	18.4	16.0
EV / Net Sales	5.6	4.8	3.8	3.4
Market Cap / Sales	6.0	5.1	4.1	3.7
Price to Book Value	9.4	8.6	8.9	7.9
Solvency Ratios				
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, **Shashank Kanodia, CFA, MBA (Capital Markets), Bhavish Doshi, MBA Research Analysts**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report