

Bajaj Auto Ltd.

Nifty	11,709
Sensex	38,970

Key Stock Data

CMP	2980
Market Cap (₹ bn)	738.8
52W High/Low	3473/2425
Bloomberg	BJAUT IN

Shareholding Pattern Mar 2019

Promoters	51.18%
Public	48.82%

(₹ mn)

Year	FY18	FY19	FY20E
Revenue	251,649	302,500	308,454
EBITDA	47,816	49,790	49,973
PAT	42,189	49,276	53,553
EPS (₹)	146	170	185

Source: Company, Way2Wealth Inst. Equity

Key Result Highlights – Q4FY19

Bajaj Auto Ltd. reported its Q4FY19 results. Following are the key highlights.

Q4FY19 Result Highlights

- Bajaj Auto revenue grew by 9% YoY to ₹7395 Cr for Q4FY19, while on a sequential basis revenue remained flat.
- Overall volumes grew by 14% YoY aided by domestic motorcycles division reporting growth 23%, while commercial vehicles segment de-grew by 16% YoY.
- Realizations were also weak for the quarter with a de-growth of 5% YoY, while it improved 5.3% sequentially.
- EBITDA margins contracted by 371bps YoY to 15.7% due to adverse mix.

Earnings and Concall Highlights

- Motorcycle division recorded a growth of 17% YoY (de-growth 7.0% QoQ). Domestic motorcycle division reported of 22% YoY (de-growth of 5%), while exports recorded a growth of 9% YoY (de-growth of 10% QoQ) in Q4FY19.
- Market share for domestic motorcycle segment rose by 470bps YoY to 20% in 4QFY19.
- The management remained cautious about the industry growth rate for FY20. They haven't given any guidance figure for the company, but they remain optimistic to outpace industry growth rates by new product launches, branding and marketing initiatives.
- 3W volumes were almost flat for Q4FY19 (growth 6% QoQ). Growth in this segment was mainly because of exports (growth 34% YoY). The Company sold the highest ever number of units in the current fiscal. Exports to Egypt may remain under pressure because of regulatory concerns. This may create a hang on the 3W business as Egypt is a large component of this segment
- In FY19, exports of motorcycle witnessed volume growth of 22% mainly because of the African region. Favourable crude price and stable Africa currency against the US dollar were the main factors for the favourable trend. Whilst the Middle East region remains a concern going ahead due to the regulatory environment in Egypt.
- The company has upgraded and re-launched the latest version of Avenger (160cc). Bajaj in on track to launch its e-scooter in FY20.
- The management expects EBITDA margins will largely remain range bound because the positive impact of softening commodity prices will be offset by domestic market competition
- Receivables have increased during the quarter, due to credits given to dealers.
- The management has guided for further new product launches, in the next 6-9 months. The new product launches will include entry level as well as mid-level products.

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Valuations and Recommendations

On a consolidated basis, the stock at ₹2980 is trading at a PE multiple of 16.1x FY20E and an EV/EBITDA of 13x FY20E. We revise our rating on the stock from **BUY to HOLD** because margins can remain under pressure or stay in a similar range for next few quarters due to the slowdown in the automobile industry.

Quarterly Results

	Q4FY19	Q4FY18	YoY(in %)	Q3FY18	QoQ(in %)
Income from operation	73,952	67,733	9%	74,094	0%
Cost of material consumed	50,425	44,886	12%	50,334	0%
Purchases of stock-in-trade	4,018	3,390	19%	4,091	-2%
Changes in inventories	(993)	(1,306)	-24%	(453)	119%
Raw Material	53,450	46,969	14%	53,972	-1%
Staff Cost	3,128	2,663	17%	3,173	-1%
Expenses Capitalised	(109)	(76)	43%	(86)	27%
Other expenditure	5,866	5,020	17%	5,482	7%
Total Expenditure	62,335	54,577	14%	62,540	0%
EBITDA	11,617	13,156	-12%	11,554	0.5%
Depreciation	608	879	-31%	634	-4%
EBIT	11,008	12,277	-10%	10,920	1%
Interest	3	3	-3%	36	-92%
Other Income	4,328	3,657	18%	4,700	-8%
PBT	15,333	15,932	-4%	15,584	-2%
Exceptional Items	3,420				
Current Tax	3,582	4,434		4,475	
Deferred tax	2,121	705		97	
Fringe benefits Tax					
Tax	5,703	5,138	11%	4,572	25%
PAT	13,051	10,793	21%	11,012	19%
Extraordinary					
Share of PAT in JV	1,034	961	8%	1,196	-14%
Reported PAT	14,084.9	11,754.7	20%	12,207.7	15%
Other comprehensive income, net of tax	993.1	(79.0)	-1357.1%	1,200.2	-17.3%
Total other comprehensive income, net of tax	15,078.00	11,675.70	29.1%	13,407.90	12.5%
Equity	2894	2894	0.0%	2894	0.0%
EPS	45.1	37.3	20.9%	38.1	18.5%

Margins	Q4FY19	Q4FY18	YoY(bps)	Q3FY18	QoQ(bps)
Gross margins	27.7%	30.7%	-293.2	27.2%	56.5
EBITDA	15.7%	19.4%	-371.6	15.6%	11.5
PAT	17.6%	15.9%	171.2	14.9%	278.6
Tax Rate	37.2%	32.3%	493.9	29.3%	785.2

Segmental	Q4FY19	Q4FY18	YoY(in %)	Q3FY18	QoQ(in %)
Motorcycle					
Domestic	6,10,094	4,97,587	23%	6,44,093	-5%
Exports	3,91,889	3,58,802	9%	4,34,291	-10%
Total	10,01,983	8,56,389	17%	10,78,384	-7%
Commercial Vehicles					
Domestic	1,02,258	1,22,229	-16.3%	91,018	12%
Exports	89,349	66,760	33.8%	90,426	-1%
Total	1,91,607	1,88,989	1.4%	1,81,444	6%
Sales in numbers	11,93,590	10,45,378	14.2%	12,59,828	-5%

Financials

(₹ mn)

Income Statement	FY16	FY17	FY18	FY19E	FY20E
Net sales	2,25,865	2,17,667	2,51,649	3,08,454	3,56,349
YoY (%)	4.5	(3.6)	15.6	22.6	15.5
Raw material cost	1,50,569	1,46,242	1,74,101	2,22,655	2,57,227
Employee Cost	9,171	9,974	10,695	12,800	14,432
Admin Expenses	18,315	17,258	19,037	23,026	25,889
Total expenses	1,78,054	1,73,473	2,03,833	2,58,481	2,97,547
EBIDTA	47,811	44,194	47,816	49,973	58,802
(%)	21.2%	20.3%	19.0%	16.2%	16.5%
Growth (%)	16%	-8%	8%	5%	18%
Depreciation	3,072	3,073	3,148	3,317	3,570
EBIT	44,739	41,121	44,668	46,656	55,232
Interest	11	14	13	13	13
Other income	9,846	12,222	12,123	14,859	17,166
PBT	54,575	53,329	56,778	61,502	72,385
(-) Tax	16,177	15,081	17,145	19,066	22,439
Tax/ PBT	29.6	28.3	30.2	31.0	31.0
PAT	38,398	38,249	39,633	42,437	49,945
YoY (%)	21.8	(0.4)	3.6	7.1	17.7
PAT(%)	17.0%	17.6%	15.7%	13.8%	14.0%
Share of profit of associates	2214.4	2546.2	2876.1	3221.23	3607.78
Extraordinary	0	0	320	0	0
Reported Profit	40,612	40,795	42,189	45,658	53,553

Key Ratios	FY16	FY17	FY18	FY19E	FY20E
EPS	140	141	146	170	190
Book value	485	617	706	804	915
Cash /Share	72	215	222	278	344
P/E (x)			17.5	17.6	15.8
EV/EBDITA (x)			14.1	15.8	13.0
P/B (x)			3.6	3.7	3.3
ROCE	29.6%	23.3%	20.1%	18.9%	20.0%
ROE	30.6%	24.0%	20.7%	19.4%	20.5%
Free cash/Share	127.1	145.5	195.6	187.2	195.9
Dividend/Share	55	55	60	60	65
Dividend Yield	2.2%	2.2%	2.4%	2.0%	2.2%
Fixed Asset Turnover	10.1	11.0	13.2	16.2	18.5
Avg Net WC Days	-12	-3	-11	-19	6.8
Net W/C (% of sales)	-1.0%	-0.4%	-5.6%	-5.6%	-5.6%
Revenue/Day	618.8	596.3	689.4	828.8	980.4
Other Income (%PBT)	18%	23%	21%	25%	25%

Balance Sheet	FY16	FY17	FY18	FY19E	FY20E
Equity capital	2,894	2,894	2,894	2,894	2,894
Reserves	1,37,309	1,75,672	2,01,359	2,26,118	2,57,031
Net worth	1,40,203	1,78,566	2,04,252	2,29,011	2,59,924
Total borrowings	1,179	1,199	1,208	1,208	1,208
Deferred Tax	2,028	3,136	3,234	3,234	3,234
Other Long Term Liabilities	1,183	1,347	1,602	1,602	1,602
Total Liabilities	1,44,593	1,84,248	2,10,296	2,35,055	2,65,968
Gross block	44,349	45,332	47,831	50,331	55,331
Less: Acc. depreciation	24,092	25,900	29,048	32,364	35,935
Net block	20,257	19,433	18,784	17,967	19,396
Work in progress	522	422	565	565	565
Investments	1,10,672	1,55,356	1,88,946	2,15,946	2,45,946
Other non-current assets	6,822	6,982	8,262	8,262	8,262
Inventories	7,191	7,284	7,426	9,497	10,971
Debtors	7,179	9,533	14,919	18,286	21,126
Cash	8,670	3,014	7,927	9,503	11,788
Loans and advances	11,089	14,354	4,583	5,424	6,134
Current assets	34,130	34,185	34,854	42,711	50,019
Current liabilities	26,337	30,762	39,701	48,662	56,218
Provisions	1,473	1,367	1,413	1,732	2,001
Net current assets	6,319	2,056	-6,260	-7,684	-8,201
Total Assets	1,44,593	1,84,248	2,10,296	2,35,055	2,65,968

Cash Flow	FY16	FY17	FY18	FY19E	FY20E
Net profit	40,612	40,795	42,189	45,658	53,553
Depreciation	3,072	3,073	3,148	3,317	3,570
Deferred tax	-238	504	681	0	0
Change in W/C	-10,676	-1,394	13,229	3,001	2,802
Operating cash flow	32,770	42,978	59,247	51,976	59,925
Capex	3,995	-882	-2,642	-2,500	-5,000
Investments	-20,820	-44,683	-33,590	-27,000	-30,000
Investing cash flow	-16,825	-45,566	-36,232	-29,500	-35,000
Free Cash Flow	36,765	42,096	56,605	49,476	54,925
Dividend and other	-21,050	-19,812	-22,507	-20,900	-22,640
Equity	7,793	16,723	4,396	0	0
Debt	55	20	9	0	0
Financing cash flow	-13,202	-3,069	-18,102	-20,900	-22,640
Net change in cash	2,743	-5,657	4,913	1,576	2,285
Opening cash	5,927	8,670	3,014	7,927	9,503
Closing cash	8,670	3,014	7,927	9,503	11,788

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Disclosure of Interest Statement in Bajaj Auto Ltd. as on May 22nd, 2019

Name of the Security	Bajaj Auto Ltd.
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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