kotak Securities

Dated: 10th Nov 2025

Bajaj Auto (BJAUT) - SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.8722	**Rs.8000**

Rationale:

- BJAUT reported Q2FY26 EBITDA of Rs3,052 cr, in line with our estimates.
- Underperformance in the domestic 2W ICE volume segment continues.
- EV 2W sales were impacted owing to production challenges.
- Expect recovery to continue in export segment volumes, partly led by favorable base.
- Domestic 3W segment demand trends remain steady; scaling up EV 3W business.
- We expect domestic 2W industry volumes to see 6-8% CAGR over FY26-28E.
- Margins should remain stable, driven by favorable FX and an improvement in the mix, partly offset by commodity headwinds.
- We expect earnings per share (EPS) growth of 15.5% in FY26E and 9.3% in FY27E.
- SELL stays with an unchanged FV of Rs8,000, based on DCF methodology.

Positives:

- ASPs rose 7.3% yoy, led by a 7% yoy increase in domestic ASPs.
- Exports: record-breaking performance for Q2FY26, with volumes growing 19% yoy.

Negatives:

- EBITDA margin came in 20 bps below our expectation.
- Net profit stood at Rs2,480 cr, 3% below our estimates.
- Bajaj Auto's domestic 2W ICE volumes fell 4% yoy in Q2FY26.
- Domestic motorcycle segment: Bajaj Auto's market share fell 120 bps yoy in Q2FY26.

(CAGR: Compound Annual Growth Rate; EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; DCF: Discounted Cash Flow; EV: Electric Vehicle; ICE: Internal Combustion Engine; ASP: Average Selling Price; 2W: Two Wheeler; 3W: Three Wheeler; FX: Foreign Exchange)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto/Auto Ancillary, Building Material
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Associate
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 6434

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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