

HOLD

TP: Rs 9,474 | ▲ 9%

BAJAJ AUTO

| Automobiles

| 09 November 2025

Steady show in a challenging supply chain availability phase

- Aggregate domestic market volumes fell by ~5% YoY (2-W fell 6% too), offset by robust export market growth of ~19% YoY in Q2FY26
- Better product mix guards gross margins despite raw materials cost inflation; EBITDA margin at 20.5% vs 20.2% YoY (19.7% QoQ)
- We revise FY26E/FY27E/FY28E EPS upwards by 1%/2%, value BJAUT at 24x Sep 2027 earnings, new TP at Rs 9,474 (vs Rs 9,142)

Domestic volume growth muted, offset by exports drive: BJAUT's revenue surged ~16% YoY / 24% QoQ to ~Rs149bn, supported by robust exports, festive demand, superior product mix, and favourable currency. Domestic volumes declined ~5% YoY (2W -6%) due to uneven monsoon and delayed rural recovery but were offset by 19% YoY growth in exports. Average realisation per vehicle rose ~9% YoY / 7% QoQ to ~Rs115k, driven by higher-priced exports, and improved FX realisation.

EBITDA steady amid cost rationalisation: Raw material costs (as % of sales) fell 126 bps YoY to 70.1% (vs. 71.3% QoQ), aided by favourable mix and stronger dollar realisation (Rs 87.1/USD), which partly offset ~40 bps cost inflation in commodities. EBITDA margin stood at 20.5% (vs. 20.2% YoY), though growth was capped by a 39% YoY spike in other expenses Rs 10.1bn (6.8% of sales), led by continued brand investments (Pulsar campaign, product refreshes) and festive marketing.

Export drives outperformance: Export volumes surged 24% YoY to >550k units. Growth was broad-based across LATAM, Africa, and Asia, led by record volume from Colombia, Mexico, and Brazil (>8k units; now profitable). KTM exports rose +10% QoQ (~20k India-made units), while improved product and broadening market reduced the Nigeria dependence.

Supply chain bottleneck easing: The EV portfolio (2W + 3W) contributed ~18% of domestic revenue (~Rs17bn) in Q2FY26. While rare earth implied temporary supply constraints (~15% shortfall in e-3Ws), production will likely normalise in Q3FY26.

Revise earnings, maintain HOLD: We revise our FY26E/FY27E/FY28E EPS estimates by 1%/2% to factor in BJAUT's improving domestic market growth in the key 2W segment. This is driven by our higher volume estimates to factor in the GST benefits and receding supply chain issues (rare-earth magnet shortage). This may be offset by 2W EV focus partially. EBITDA/PAT 3Y CAGR is now at 12%/11%. To factor the growth momentum in domestic markets balanced by lower-than-estimated response to CNG segment and earnings dilution from EV segment, we value the stock at 24x P/E Sep 2027 earnings and arrive at TP of Rs 9,474 (vs Rs 9,142). Maintain HOLD.

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BJAUT IN/Rs 8,722
Market cap	US\$ 28.5bn
Free float	46%
3M ADV	US\$ 40.2mn
52wk high/low	Rs 10,033/Rs 7,089
Promoter/FPI/DII	54%/10%/13%

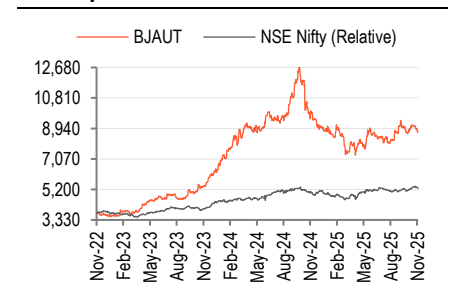
Source: NSE | Price as of 7 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	5,00,103	5,58,943	6,24,800
EBITDA (Rs mn)	1,00,988	1,15,419	1,30,744
Adj. net profit (Rs mn)	83,627	94,189	1,07,065
Adj. EPS (Rs)	307.1	337.4	383.5
Consensus EPS (Rs)	307.1	334.5	380.0
Adj. ROAE (%)	26.0	25.9	26.6
Adj. P/E (x)	28.4	25.9	22.7
EV/EBITDA (x)	25.1	21.7	19.3
Adj. EPS growth (%)	11.8	12.6	13.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q2FY26	Q1FY26	Our view
Volumes	GST rate cuts implementation and festive season drove 40-day festive surge. BJAUT's motorcycles segment also achieved high retail volumes/revenue in festive period, arresting prior market share erosion and aiding gains in strategic 125cc+ segment (especially 150cc+ sports). Pulsar N/NS series outperformed segment growth as affluent customers upgraded to top variants. Volume are expected to moderate in November/December, but medium-term industry growth is projected at 6-8%; BJAUT aims to outpace in 125cc+ with new variants in next 2-3 months	125cc+ segment outperformed 100cc, growing faster, though high inflation and early monsoons dampened demand, especially in urban areas. Bajaj's 125cc+ market share improved sequentially by ~3% to 15% (Vahan), driven by pricing interventions and new Pulsar variants launched in Q4FY25. Total volumes flat YoY at ~1.11mn units.	BJAUT is expected to gain momentum and catch up with the missed volume rally. The heavy focus on the scooter segment continues through the EV portfolio. This, alongside motorcycle volume, will help volume gains in 2HFY26.
Exports	Export volumes surged 24% YoY to >550k units (2W: +19%; CV: +67%), yielding helping strong quarterly export revenue. Top 30 markets (70% EM portfolio) grew 14%; BJAUT outpaced at 1.5x industry, gaining market share. LATAM record highs (Colombia/Mexico-led); Brazil >8k units with expanded capacity and high localization, October retail crossed >3k units, now profitable. Asia/Africa at double-digit growth (Sri Lanka, Philippines, East Africa strong); Nigeria steady (recovery still underway as Nov-Dec is festive season). CV segment delivered +67% YoY from development efforts. KTM Austria seeing +10% QoQ sales growth, with ~20k India-made units exported. October exports hit 200k (non-Nigeria swing from prior 50-60k Nigeria dependency).	Export volumes grew 16% YoY to ~476k units (2W: ~420k, +14%; CV: ~56k, +32%). Premium bikes (Pulsar/Dominar) grew 21% YoY, with a 65% mix in LATAM. Top 30 markets (70% of emerging markets) grew 17%; Bajaj outpaced the industry growing at 27%. Bajaj Brazil sold 7k units; plant capacity expansion to 50k units p.a. on track for Q4FY26. KTM exports resumed post-restructuring, contributing ~5-6% of exports. Export realisations were: ~USD500mn.	Exports revival encouraging, will contribute well to volume growth and offset the softness in domestic volumes. Faster revival of KTM overseas subsidiary will help exports further. Adverse currency movement was a dampener though. BJAUT also tends to benefit from the lower tariffs in the key Mexican markets over competition.
Three-wheelers (3W)	3W industry shifted from YTD decline to single-digit October growth; e-auto +50% YoY, but e-rickshaw dipped on RTO restrictions. BJAUT hit record ~144k units, with 75% ICE share. EV share slipped (~15% shortfall from target) from 7012 variant supply constraints (key components); 3W manufacturing running at peak capacity with the surge in export. Expanding e-auto/EV capacity in next few months. Post-supply chain easing, expect e-auto to pick up. GST cut lifts ICE +5pp. Extensive portfolio expected to outpace industry; recent rickshaw launched with ~500 units sold in 8 cities with positive feedback, open avenue for large profit/revenue pool capture. Management expects >100k quarterly run-rate.	BJAUT maintained 75% of the ICE market share and achieved 35% in e-auto (leadership position). Introduced 7012 variant (wide-bodied e-3W) for semi-urban/rural markets, boosting ASPs and profitability. Retail sales above ~100k units (for nearly 2 years), with e3W at >20% of CV revenue. E-rickshaw launch planned for August 2025, targeting 40k units/month	In addition to the market share increase, the Productivity-Linked Incentive (PLI) certification to 5 CV products will boost volumes and encourage cost effectiveness. Further beyond the short-term challenges BJAUT is well poised for strong growth in the 3W segment.

Parameter	Q2FY26	Q1FY26	Our view
Electric and CNG vehicles (EV)	EV portfolio performed robustly despite lingering supply chain constraints (rare earth resolved, but 7012 variant components limited); cumulative revenue generated of Rs100bn over 2 years. EV revenue in Q2FY26 was 18% of domestic revenue at Rs 17bn. Strong festive retail recorded in e2W/e3W; Chetak momentum softened post GST cut. Freedom (CNG) initial pickup has moderated constrained by limited infra. Aim is to shift focus to states with dense CNG network	Chetak volumes doubled YoY, with market share rising to 21% vs 12% in Q1FY25, contributing ~50% of industry incremental volumes. Chetak 35-series is currently 85% of portfolio while transition to new platform is almost at completion, with some models EBITDA-positive. EV portfolio (2W+3W) at >20% of domestic revenue. Rare earth magnet shortages caused 40% shortfall in e2Ws and 25% in e3Ws in June: full restoration expected by Q2FY26 end.	CNG product response is below the initially anticipated stronger response. BJAUT is candid on supply chain disruption in the EV segment and can hit the volume in medium term.
Currency	Rupee weakened, leading to USD/INR realisation averaging Rs 87.1, up from Rs 85.6 in Q1FY26 and Rs 83.8 in Q2FY25. The higher realisation supported export profitability and offset a part of commodity and logistics cost pressures.	USD/INR realisation averaged Rs85.6 (vs Rs86.5 in Q4FY25), with rupee appreciation in April-May (Rs85.5-85.2) impacting margins by ~50 bps. It recovered in June 2025 to Rs86. Currency expected to be a tailwind in Q2FY26.	Tailwinds in the currency were expected in the medium term as indicated by currency movement in the recent pass.
Commodities	Commodity cost inflation was impacted by 40 bps in Q2FY26. Driven by increase in steel, noble metals (rhodium, platinum), copper & rubber. Inflation was offset via pricing actions, cost savings and operating leverage.	Commodity cost inflation was ~70 bps, driven by aluminum, steel, and ABS, but alleviated by cost savings and better steel settlement rates. OBD 2B norms added to the cost hike. Q2FY26 may see pressure from aluminum, platinum, copper, and rubber, but pricing actions and cost reductions efforts are expected to offset inflation.	Commodity costs inched up since 3QFY25. BJAUT had anticipated towards FY25-end, but only able to partially pass through. Additionally, mandatory price hikes only add to the concerns.
Cash position	FCF generated in H1FY26 was ~ Rs 45bn. Cash surplus at Q2FY26 was Rs 140bn after 2 major outflows: i) dividend payout ii) Rs 20bn investment (Rs 15bn in BACL, Rs 5bn KTM acquisition).	Cash surplus at ~Rs170bn after Rs12bn free cash flow generation. Capex of Rs1bn incurred in Q1FY26; expected to rise to Rs6-7bn in FY26 (split evenly for EV and ICE). Invested Rs3bn in BACL and Rs15.3bn in Bajaj Auto International Holdings BV for KTM Austria.	The company's healthy balance sheet can facilitate further investments with ease, especially in the capex-intensive EV space.
Key product segments	Pro biking: Triumph and KTM continue to scale up. Bajaj is working to recalibrate both brands with <350cc engine displacements to qualify for the revised GST benefits. In Mexico while most OEMs will face a 35% import duty, Bajaj secured a concessionary 5% tariff due to prior approved investments and local assembly. BACL: AUM was ~Rs 140bn, CAR at 19.8% and ROE at ~17.5%. Financing penetration stands at ~70% for motorcycles (BACL share ~40%) and ~95% for three-wheelers (BACL share ~50%).	BACL: AUM Rs120bn, PAT ~Rs1bn, 40% penetration in 2W, 50% in 3W. Pro-Biking (KTM/Triumph): ~26k units sold domestically (+20% YoY), with Triumph in 80 cities. Launched KTM Enduro 390 R and Triumph Scrambler 400X. Spares revenue: Rs16bn (+19% YoY. New 125cc bike under development (likely non-Pulsar brand).	Faster revival of the global KTM subsidiary business will be handy for exports. Festive season and better monsoon fuel expectations.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volume (nos)	12,94,120	12,21,504	5.9	11,11,237	16.5	12,94,120	0.0
Avg. Realisation per Vehicle (Rs)	1,15,307	1,07,470	7.3	1,13,247	1.8	1,03,055	(10.6)
Net Revenues	1,49,221	1,31,275	13.7	1,25,845	18.6	1,33,365	(10.6)
Total Income (A)	1,49,221	1,31,275	13.7	1,25,845	18.6	1,33,365	(10.6)
Operating Expenses							
Raw materials consumed	1,04,556	93,639	11.7	88,596	18.0	94,912	(9.2)
Employee Expenses	4,097	3,935	4.1	4,138	(1.0)	4,179	2.0
Other Expenses	10,051	7,180	40.0	8,293	21.2	8,191	(18.5)
Total Expenditure (B)	1,18,704	1,04,753	13.3	1,01,027	17.5	1,07,282	(9.6)
EBITDA (A-B)	30,517	26,522	15.1	24,818	23.0	26,083	(14.5)
Other Income	3,692	3,845	(4.0)	4,308	(14.3)	4,118	11.5
Depreciation	1,117	956	16.9	1,109	0.8	1,243	11.3
EBIT	33,091	29,411	12.5	28,017	18.1	28,958	(12.5)
Finance Costs	144	159	(9.7)	141	1.6	167	16.2
PBT after excep items	32,948	27,139	21.4	27,875	18.2	28,791	(12.6)
Tax expense	8,150	9,202	(11.4)	6,915	17.9	6,910	(15.2)
Reported PAT	24,797	17,938	38.2	20,960	18.3	21,881	(11.8)
Adjusted PAT	24,797	20,050	23.7	20,960	18.3	21,881	(11.8)
EPS (Rs)	72.4	76.6	(5.4)	72.4	0.0	75.6	4.4
Key Ratios (%)			(bps)		(bps)		(bps)
Gross Margin	29.9	28.7	126.2	29.6	33.3	28.8	(110)
EBITDA Margin	20.5	20.2	24.7	19.7	73.0	19.6	(89)
EBIT Margin	22.2	22.4	(22.8)	22.3	(8.7)	21.7	(46)
PBT Margin	22.1	22.3	(20.3)	22.2	(7.1)	21.6	(49)
Tax Rate	24.7	33.9	(916.8)	24.8	(7.1)	24.0	(74)
Adj PAT Margin	16.6	15.3	134.4	16.7	(3.7)	16.4	(21)

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY26/FY27/FY28 EPS estimates by 1%/2% to factor in BJAUT's improving domestic market growth in the key 2W segment. This is driven by our higher volume estimates to factor in GST benefits and receding supply chain issues (rare-earth magnet shortage). This may be offset by 2W EV focus partially.

EBITDA/PAT 3Y CAGR is now at 12%/11%. To factor the growth momentum in domestic markets balanced by lower-than-estimated response to CNG segment and earnings dilution from EV segment, we value the stock at 24x P/E Sep 2027 earnings and arrive at TP of Rs 9,474 (vs Rs 9,142). Maintain HOLD

Intense competition leading to margin pressures from the EV space will be a key concern. Additionally, the increasing presence in the high-end ICE motorcycle business getting tepid response does not augur well. Support will be extended from a strong presence in the 3W space, both in the ICE and EV segments and strong export momentum. These will be the key monitorable for the stock.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,58,943	6,24,800	6,81,023	5,41,078	6,04,920	6,64,693	3.3	3.3	2.5
EBITDA	1,15,419	1,30,744	1,44,566	1,12,269	1,29,049	1,41,537	2.8	1.3	2.1
Adj PAT	94,189	1,07,065	1,17,944	92,991	1,06,064	1,16,034	1.3	0.9	1.6
Adj EPS (Rs)	337.4	383.5	422.5	333.1	379.9	415.6	1.3	0.9	1.7

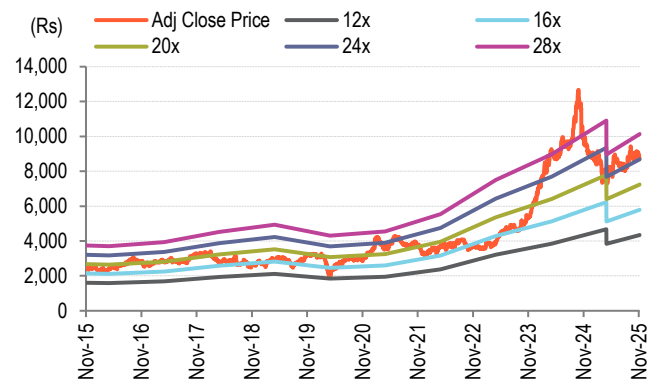
Source: BOBCAPS Research

Fig 4 – Key assumptions

	FY25	FY26E	FY27E	FY28E
2W volume (nos)	39,82,329	41,81,445	44,74,147	46,97,854
3W volume (nos)	6,68,657	8,02,388	8,82,627	9,70,890
ASP (Rs) (average)	1,07,838	1,12,151	1,16,637	1,20,136
Revenues (Rs mn)	5,00,103	5,58,943	6,24,800	6,81,023
EBITDA (Rs mn)	1,00,988	1,15,419	1,30,744	1,44,566
EBITDA margin (%)	20.2	20.6	20.9	21.2
Adj. PAT (Rs mn)	83,626	94,189.1	1,07,064.8	1,17,944.1
EPS (Rs)	307.1	337.4	383.5	422.5

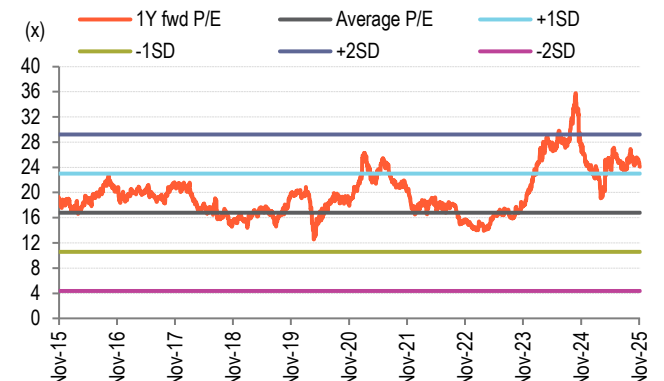
Source: Company, BOBCAPS Research

Fig 5 – P/E band: The stock has moderated of late, but still leaves limited investment opportunity...



Source: Company, Bloomberg, BOBCAPS Research

Fig 6 – ... and trades at above +1SD, which we feel is unjustified



Source: Company, Bloomberg, BOBCAPS Research

Key upside/downside risks

- Higher commodity price, inflating in excess of our assumptions.
- Market share gains, especially in the high-end motorcycle segment.
- Better-than-expected relief (cost and price) in the EV segment.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	4,46,852	5,00,103	5,58,943	6,24,800	6,81,023
EBITDA	88,229	1,00,988	1,15,419	1,30,744	1,44,566
Depreciation	3,498	4,001	4,254	4,695	5,136
EBIT	98,755	1,11,196	1,25,737	1,41,418	1,55,713
Net interest inc./(exp.)	(535)	(677)	(573)	(599)	(626)
Other inc./(exp.)	14,025	14,209	14,573	15,370	16,283
Exceptional items	0	2,113	0	0	0
EBT	98,220	1,12,631	1,25,164	1,40,819	1,55,087
Income taxes	23,432	26,892	30,975	33,755	37,143
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	74,788	85,739	94,189	1,07,065	1,17,944
Adjustments	0	(2,113)	0	0	0
Adjusted net profit	74,788	83,627	94,189	1,07,065	1,17,944

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	56,102	49,710	58,532	64,019	70,543
Other current liabilities	21,241	30,088	34,492	38,869	42,830
Provisions	1,891	2,515	2,299	2,629	2,897
Debt funds	9,599	9,276	1,404	1,544	1,699
Other liabilities	0	0	0	0	0
Equity capital	2,792	2,792	2,792	2,792	2,792
Reserves & surplus	2,45,813	3,18,680	3,61,358	3,99,777	4,40,237
Shareholders' fund	2,48,605	3,21,472	3,64,149	4,02,568	4,43,029
Total liab. and equities	3,37,437	4,13,061	4,60,877	5,09,631	5,60,999
Cash and cash eq.	5,366	11,176	5,192	9,408	8,947
Accounts receivables	21,224	22,826	29,490	35,674	39,354
Inventories	16,956	19,579	22,118	25,945	28,621
Other current assets	20,586	47,106	32,089	34,974	38,304
Investments	2,44,925	2,85,702	3,27,906	3,55,204	3,93,446
Net fixed assets	31,987	47,986	52,731	57,036	60,899
CWIP	274	(12,196)	427	427	427
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(5,069)	(9,118)	(9,428)	(9,738)	(10,048)
Other assets	1,188	0	350	700	1,050
Total assets	3,37,437	4,13,061	4,60,877	5,09,631	5,60,999

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	81,888	46,264	1,01,771	92,740	1,06,891
Capital expenditures	(7,780)	(7,530)	(21,623)	(9,000)	(9,000)
Change in investments	(15,692)	(40,777)	(42,204)	(27,297)	(38,242)
Other investing cash flows	14,025	14,209	14,573	15,370	16,283
Cash flow from investing	(9,447)	(34,098)	(49,254)	(20,927)	(30,959)
Equities issued/Others	825	(863)	0	0	0
Debt raised/repaid	8,357	(323)	(7,872)	140	154
Interest expenses	(535)	(677)	(573)	(599)	(626)
Dividends paid	(39,602)	(58,710)	(65,755)	(73,646)	(82,483)
Other financing cash flows	1,618	4,048	310	310	310
Cash flow from financing	(29,337)	(56,524)	(73,891)	(73,794)	(82,645)
Chg in cash & cash eq.	43,104	(44,358)	(21,374)	(1,982)	(6,713)
Closing cash & cash eq.	5,366	11,176	5,192	9,408	8,947

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	267.9	299.5	337.4	383.5	422.5
Adjusted EPS	267.9	307.1	337.4	383.5	422.5
Dividend per share	141.9	210.3	235.5	263.8	295.4
Book value per share	890.5	1,151.5	1,304.4	1,442.0	1,586.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.7	5.1	4.5	4.0	3.7
EV/EBITDA	29.0	25.1	21.7	19.3	17.5
Adjusted P/E	32.6	28.4	25.9	22.7	20.6
P/BV	9.8	7.6	6.7	6.0	5.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.1	74.2	75.3	76.0	76.1
Interest burden (PBT/EBIT)	99.5	101.3	99.5	99.6	99.6
EBIT margin (EBIT/Revenue)	22.1	22.2	22.5	22.6	22.9
Asset turnover (Rev./Avg TA)	174.0	169.8	160.5	162.4	160.5
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	29.7	29.3	27.5	27.9	27.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	22.7	11.9	11.8	11.8	9.0
EBITDA	34.7	14.5	14.3	13.3	10.6
Adjusted EPS	35.4	11.8	12.6	13.7	10.2
Profitability & Return ratios (%)					
EBITDA margin	19.7	20.2	20.6	20.9	21.2
EBIT margin	22.1	22.2	22.5	22.6	22.9
Adjusted profit margin	16.7	16.7	16.9	17.1	17.3
Adjusted ROAE	30.1	26.0	25.9	26.6	26.6
ROCE	29.3	28.7	27.2	27.9	27.9

Working capital days (days)

Receivables	16	16	17	19	20
Inventory	13	13	14	14	15
Payables	56	55	50	51	51

Ratios (x)

Gross asset turnover	0.1	0.2	0.2	0.2	0.2
Current ratio	0.8	1.2	0.9	1.0	1.0
Net interest coverage ratio	(184.6)	(164.2)	(219.4)	(236.2)	(248.8)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

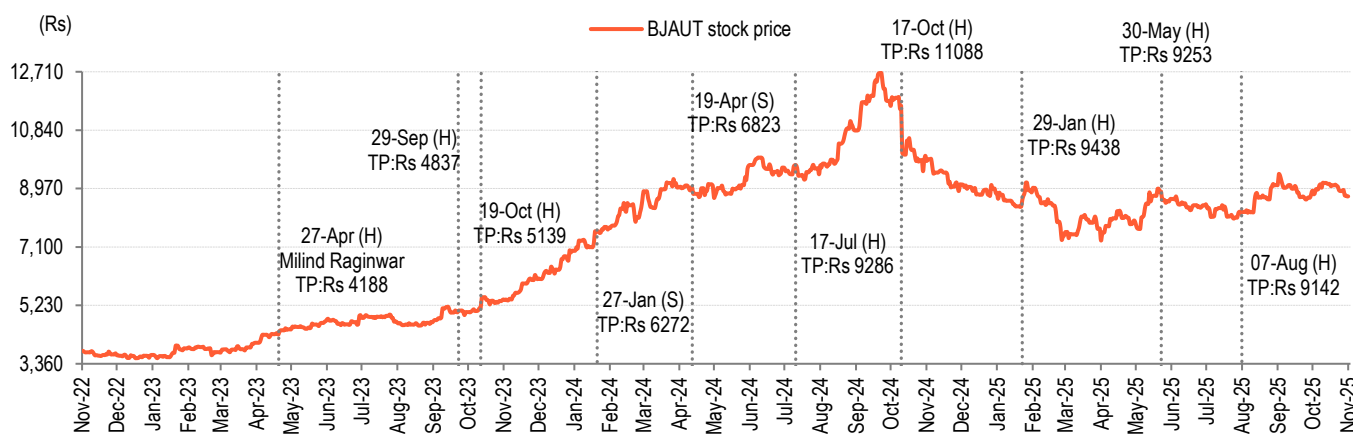
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): BAJAJ AUTO (BJAUT IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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