

● UPDATED PORTFOLIO, PRICE HIKES AIDING GROWTH

Bajaj Auto's premium drive boosts market share, profit

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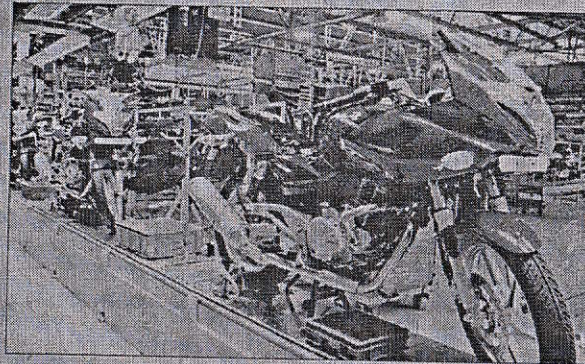
BAJAJ AUTO, THE COUNTRY'S third-biggest two-wheeler maker, is all set to regain its pre-pandemic market share. The reason: a sound strategy of moving the 100cc bike buyer to the better margin 125cc segment and an updated portfolio in the premium category. This shift has also helped the firm get its highest-ever quarterly pre-tax profit.

Besides growing its share in the 125cc bikes in the domestic market, the Pune-based company also discontinued its strategy of aggressive pricing to gain market share in the budget category. Consequently, the company has benefited from sharp price hikes on the margin front.

Speaking to analysts, Rakesh Sharma, executive director at Bajaj Auto, said: "While the cheaper 100cc bikes are declining quite sharply, particularly in the rural areas, the 125cc plus segment is growing. This segment appears to be enjoying tailwinds and growing faster than the overall industry. This will help us improve both the profitability profile of the domestic motorcycle business unit as well as the market share."

The share of the low-margin, less than 110cc segment, in India's domestic motorcycle market stood eroded to 33.57% as at the end of September, as per data shared by the Society of Indian Automobile Manufacturers (SIAM) from 40% by the end of FY19.

Bajaj Auto's market share in the



STRATEGY RETHINK

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on margin front

■ The firm's market share in the domestic motorcycle market rose to 19.63% at September end

domestic motorcycle market as at the end of September stood at 19.63%, whereas it was 13.48% at March end.

"60% of our sales in Q2FY23 came from the 125cc plus segment as compared to only 46% in FY20. This is a key driver for improved profitability and a superior competitive position," Sharma added.

During the September quarter,

Bajaj's domestic two-wheeler sales jumped 27% to little over 621,000 units. Over the past few quarters, the company had been selling more two-wheelers outside of India than within the country. However, following softening of demand in some of the key overseas markets, its two-wheeler exports saw a 27% fall in the September quarter.

Despite the overall (including

three-wheelers) drop in the lucrative export market, Bajaj Auto's net profit grew 20% in Q2FY23 even though its total volume growth during the same quarter stood at just 1% at 1.15 million units.

"Bajaj Auto has changed its strategy from aggressive pricing in entry-level motorcycles to sharp price hikes," a Nomura report said.

Bajaj Auto had also introduced a step-down variant of the Pulsar 150 at a discount of ₹10,000 against the twin-disc variant of the same model. This was done to shore up the market share.

"As soon as the Pulsar 125 was ready, we restored the prices of Pulsar 150, in fact, we withdrew that SKU. It was a similar story in CT100 where we did not have a product solution. The moment we got Platina 100 and 110 with tubeless tires and the CT 110X and the CT 110, we corrected the prices," Sharma added.

During the September quarter, Bajaj Auto did two launches – an all-black dual-channel ABS Pulsar N160 and the CT 125. A refreshed Pulsar 125 was rolled out this month. The Pulsar platform will be expanded further with two more launches in November, the company has said.

"We expect Bajaj Auto to continue to increase its market share in the domestic and export markets, given its strong portfolio of premium brands. Margins would expand because of a richer product mix, operating leverage, and cost-control measures," brokerage firm Sharekhan said in a report.