

## Bajaj Auto

STOCK INFO.	BLOOMBERG
BSE SENSEX: 10,939	BJA IN
	REUTERS CODE
S&P CNX: 3,247	BJAT.BO

19 May 2006

**Buy**
*Previous Recommendation: Buy*
**Rs2,950**

Equity Shares (m)	101.2
52-Week Range (Rs)	3,325/1,185
1,6,12 Rel.Perf.(%)	8/22/72
M.Cap. (Rs b)	298.5
M.Cap. (US\$ b)	6.6

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/06A	76,679	11,017	108.9	40.8	27.1	6.2	23.3	26.7	3.4	19.2
3/07E	95,383	14,410	142.4	30.8	20.7	5.1	24.8	29.9	2.7	14.8
3/08E	115,557	17,708	175.0	22.9	16.9	4.3	25.2	31.3	2.1	11.6

- ✦ Bajaj Auto Ltd.'s (BAL) 4QFY06 results were impressive across all parameters. Strong sales growth driven by improved overall realization and EBITDA margin expansion led to strong PAT growth of 34% YoY.
- ✦ BAL witnessed sales growth of 33% YoY at Rs21.7b on the back of 29% YoY volume growth and 4% YoY increase in realization. Motorcycle volumes grew at 35% in 4QFY06. In FY06, motorcycle volumes grew 32% versus industry growth of 18%, resulting in market share gain of 280bp to 30.8%. Within the motorcycle segment, product-mix improved with the economy segment contribution reducing to 54% in FY06 from 64% in FY05. Three-wheeler volume growth improved to 14%.
- ✦ Strong volume growth, improved product-mix and decline in employee cost to sales (3.1% in 4QFY06 v/s 3.7% in 4QFY05) led EBITDA margins to improve to 18.6%, the highest in the past 10 quarters.
- ✦ Management guidance for 24% volume growth in motorcycles in FY07 v/s our estimates of 22% is encouraging and is significantly higher than street estimates. We believe the guidance offers scope for further earnings upgrades for Bajaj Auto (a key stock catalyst in our view). Export guidance is for a growth of 46% to 365,000 units in FY07 v/s 250,000 units in FY06, whereas we have estimated export volume at 305,000 units.
- ✦ Bajaj plans to spend of Rs15b over the next three years to develop new products and expand capacity to 5.1m units from 3.6m units presently (includes two greenfield facilities proposed by company).
- ✦ We have revised our EPS estimates to Rs142.4 (+5%) for FY07, Rs175 (+8%) for FY08 and are introducing FY09 EPS of Rs198. Our SOTP-based target price of Rs3,301 implies 12% upside from current levels, maintain **Buy**.

**QUARTERLY PERFORMANCE**

(Rs Million)

	FY05				FY06				FY05	FY06
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	372,912	445,192	526,983	479,612	505,524	555,552	600,824	619,330	1,824,699	2,281,230
<b>Net Sales</b>	<b>12,261</b>	<b>14,483</b>	<b>16,057</b>	<b>16,346</b>	<b>16,342</b>	<b>18,670</b>	<b>20,009</b>	<b>21,659</b>	<b>59,271</b>	<b>76,679</b>
Change (%)	14.2	16.0	22.6	27.3	33.3	28.9	24.6	32.5	20.5	29.4
Total Cost	10,417	12,088	13,645	13,863	13,766	15,513	16,428	17,629	50,137	63,336
<b>EBITDA</b>	<b>1,845</b>	<b>2,395</b>	<b>2,412</b>	<b>2,483</b>	<b>2,575</b>	<b>3,156</b>	<b>3,581</b>	<b>4,030</b>	<b>9,134</b>	<b>13,343</b>
As % of Sales	15.0	16.5	15.0	15.2	15.8	16.9	17.9	18.6	15.4	17.4
Change (%)	24.8	5.5	-4.3	9.9	39.6	31.8	48.5	62.3	7.1	46.1
Other Income	1,064	882	869	1,266	928	1,362	1,064	1,251	4,081	4,605
Interest	1.7	-0.6	2.7	1.7	0.9	0.5	1.4	0.6	6.7	3.4
Depreciation	462	464	468	460	462	490	491	468	1,854	1,910
Extraordinary Expenses (VRS)	-	163	163	163	-	-	108	119	490	226
<b>PBT</b>	<b>2,446</b>	<b>2,650</b>	<b>2,647</b>	<b>3,123</b>	<b>3,040</b>	<b>4,028</b>	<b>4,045</b>	<b>4,694</b>	<b>10,864</b>	<b>15,808</b>
Tax	800	850	820	726	950	1,120	1,245	1,476	3,196	4,791
Effective Tax Rate (%)	32.7	32.1	31.0	23.2	31.3	27.8	30.8	31.4	29.4	30.3
<b>PAT</b>	<b>1,646</b>	<b>1,800</b>	<b>1,827</b>	<b>2,397</b>	<b>2,090</b>	<b>2,908</b>	<b>2,800</b>	<b>3,218</b>	<b>7,668</b>	<b>11,017</b>
Change (%)	3.3	-6.9	0.8	22.4	27.0	61.5	53.3	34.2	3.2	43.7

E: MOST Estimates

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### **Investment argument**

We have raised our target price on Bajaj Auto to Rs3,301, which implies an upside of 12% from current levels. While we expect BAL to continue to witness strong volume growth, margins could surprise on the upside. EBITDA margins have been on an uptrend over the past few quarters, with 4QFY06 margins at 18.6%, the highest in last 10 quarters.

### **Strong volume growth witnessed over FY04-FY06 to sustain going forward**

Bajaj Auto has been gaining significant share in the motorcycles for the last couple of years, driven by successful launch of new products across segments. Currently Bajaj Auto dominates the entry and premium segments with share of 47% and 63% respectively and is confident of maintaining leadership in these segments. Recently, Bajaj's focus has shifted to the executive segment (where Hero Honda dominates with 73% market share) with successful models like Discover Twins. To gain substantial market share in executive segment will be difficult but Bajaj's strategy to break the segment into two parts and position its vehicle (like 125cc) where competition is slightly weaker will pay off in the medium to long term.

The company reported 31% volume growth in FY06. Given the strong economic upcycle and expected surge in rural demand, the company is confident of sustaining high growth rates over the next couple of years. We have assumed a volume growth rate of 17% for FY07.

### **Several product launches ahead to support the growth and improve market share**

Bajaj Auto's market share in motorcycles increased from 28% to 30.8% in FY06. Motorcycle segment currently contributes 84% to the company's overall volume compared with 79% in FY05. The company plans to launch two new motorcycles and two ungeared scooters in 2HCY06. The new launch in the motorcycle segment would include Pulsar DTSI with electronic fuel injection; and Sonic-125cc motorcycle in the executive segment, to support the success of Discover Twins. The strategy is well laid out to gain share in ungeared scooters with a couple of new model launches in the pipeline. Management expects good growth potential in the segment going forward. The two new

scooters, Kristal and Blade would be launched in FY07. We do believe that the good products pipeline would supplement the success of its models in every segment of two-wheelers and help the company to improve its market share to over 35% in the next few years.

### **Three wheelers — management confident of good growth ahead**

Bajaj Auto's three-wheeler sales have witnessed strong recovery post 2QFY06 and is further expected to witness robust growth on the back of demand for CNG/LPG powered vehicles in cities such as Ahmedabad, Chennai, Delhi and Kolkata. BAL has developed new three-wheeler models (aesthetics will be better than the traditional look) and these would be launched over the next few quarters to counter competition. Moreover, some of these models would also find a high level of acceptance in export markets. In FY07, we anticipate 12% growth in three-wheeler volumes.

### **EBITDA margin outlook positive going forward**

A favorable product mix, strong growth in three-wheelers, softening raw material prices and operating leverage should favor healthy EBITDA margins. EBITDA margins have been on uptrend over the past few quarters and we believe, they will likely continue to trend upward. We are assuming margins of 17%-17.3% over FY06-FY08, but believe there are enough catalysts to post a positive surprise.

### **Exports to Indonesia to commence in FY07, strategy to pay over next 2-3 years**

Bajaj Auto has been developing a strategy to enter Asian countries such as Indonesia, Thailand, Vietnam and the Philippines. It has plans to begin exporting to Indonesia in FY07 (three-wheelers will be launched in June 2006). Indonesia has an annual bike sales of 5m and sales numbers have been growing at 20%. Bajaj has been endeavoring to enter into tie-ups for distribution and financing (key parameter for success here) and is now confident of taking a share of 5%-10% of this market. Besides, this would also serve as a platform to enter other Asian countries. We believe that exports, which are currently insignificant, could constitute a sizeable proportion of BAL's portfolio in next 2-3 years.

### Plans to create a strong retail finance company

Bajaj Auto has a finance subsidiary - Bajaj Auto Finance (BAF), which has been engaged in offering finance for 2-wheelers and consumer durables. BAF has plans to infuse capital of almost Rs9.5b and with higher net worth; it will get aggressive in the retail finance business. Bajaj Auto plans to penetrate the rural markets along with BAF, whereby intermediation charges will be eliminated and thereby would make the return ratios attractive. Management is also open to the idea of hiving off its treasury portfolio into a separate company, where the same funds could be used by retail finance to generate higher yields.

### BAL maintains robust volume growth in 4QFY06

#### 4QFY06 volume growth is led by motorcycles and three-wheelers

In 4QFY06 Bajaj maintained its strong growth momentum, led by motorcycles, which grew 35% YoY. Growth in motorcycles was led by the Discover 112cc, which was launched in December 2005. This bike is the scaled-down version of Discover 125cc, but with the aesthetics of its elder brother and mileage of a 100cc bike. As a result, it was an instant success, with volumes clocking 30,000 units per month since launch. In fact, within the first three months of launch its sales have already crossed 113,000 vehicles.

Three-wheeler volumes also improved strongly to 35% YoY. Growth was derived from replacement sales of older petrol vehicles, which are being phased out in favour of LPG, CNG powered vehicles. These environmental norms have been implemented in various cities such as Ahmedabad. Traditionally the three-wheeler market is a permit-driven one, with sales being dependent on new permits issued. However, this transition to alternate fuel vehicles due to regulatory norms will be the growth driver over the next 2-3 years.

### VOLUME GROWTH AT A RAPID PACE (UNIT NOS)

	4QFY06	4QFY05	% CH	FY06YTD	% CH
Motorcycles	533,152	396,144	34.6	1,912,224	31.9
Scooters-G	7,531	20,435	-63.1	63,384	-38.3
Scooters-U	6,009	4,846	24.0	52,612	69.9
Step Thru's	0	4,394	-100.0	870	-95.5
2-Wheelers	546,558	425,819	28.4	2,029,090	26.6
3-Wheelers	72,638	53,793	35.0	252,006	13.5
<b>Total</b>	<b>619,330</b>	<b>479,612</b>	<b>29.1</b>	<b>2,281,230</b>	<b>25.0</b>

Source: Company/ Motilal Oswal Securities

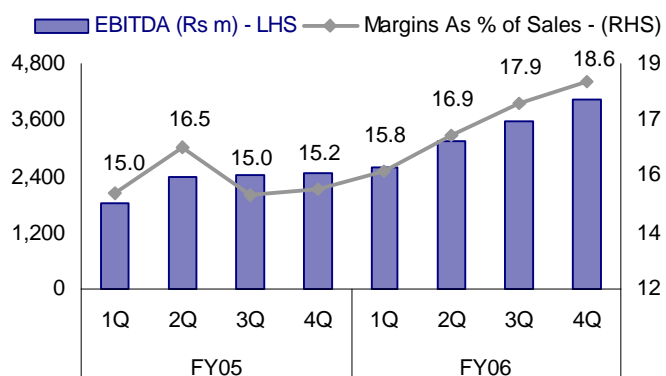
### Impressive operating performance

BAL's EBITDA margin at 18.6% improved by 340bp YoY and 70bp QoQ and were the highest in the past 10 quarters. Margin expansion was on account of improved product mix in the motorcycle segment towards high end products as well as strong volume growth in the 3-wheeler segment. The benefits of operating leverage and scale economics are clearly beginning to benefit Bajaj now, particularly after its volumes have crossed the 2m mark.

Other expenses decreased as a percentage of net sales to 9.9% in 4QFY06 from 12.7% in 4QFY05. The other expenditure included a one-time gain of Rs220m on account of export incentives in FY06, which were booked entirely in the quarter. We have excluded this gain from other expenditure and added it to other income.

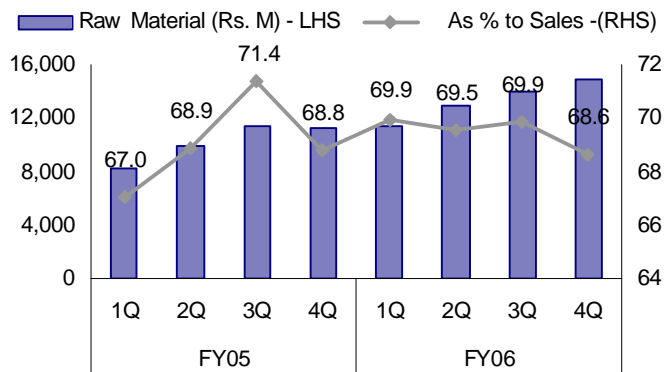
Raw material cost in 4QFY06 was 68.6% of sales, a drop of 20bp YoY and 120bp QoQ.

### EBITDA MARGINS: BENEFITING FROM SCALE ECONOMICS



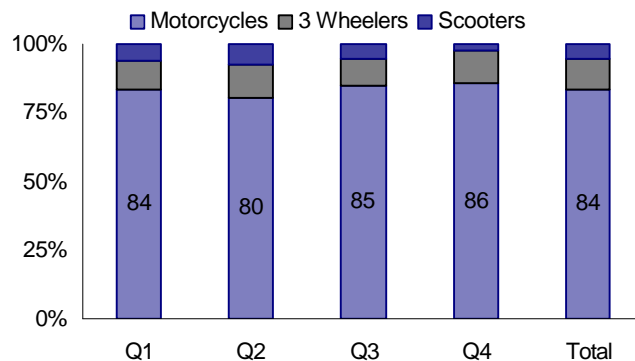
Source: Company/ Motilal Oswal Securities

RAW MATERIAL TO SALES: DECLINES YOY



Source: Company/ Motilal Oswal Securities

PRODUCT MIX: FAVORING MOTORCYCLES (FY06)

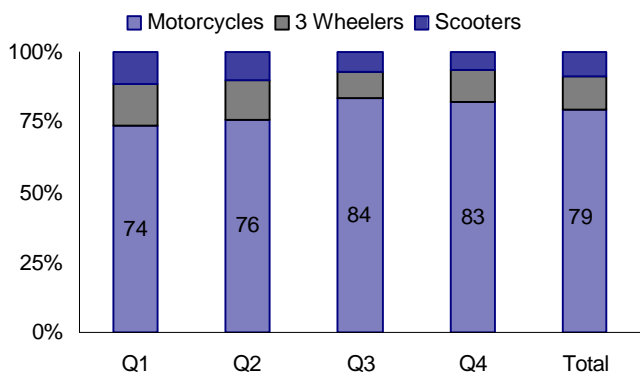


Source: Company/ Motilal Oswal Securities

**Product mix change**

In FY06, Bajaj Auto changed its product mix due to the success of motorcycles, continued dominance in three-wheelers and witnessed decline in scooter sales. As can be seen in the chart below, the product-mix is rapidly aligning in favor of motorcycles, with its share moving up to 84% of the total mix versus 79% in FY05. The increasing share of motorcycles is attributed to a strong 32% YoY growth in motorcycles compared with sales decline of 24% YoY in scooters. Three-wheelers, which have grown at 14% YoY, have maintained their share at 11%-12% of sales.

PRODUCT MIX: FAVORING MOTORCYCLES (FY05)



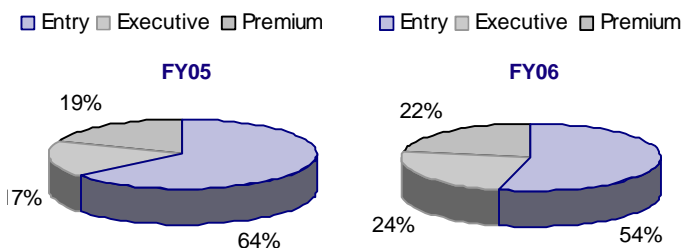
Source: Company/ Motilal Oswal Securities

**Motorcycles: Bajaj is now present in all segments**

Bajaj Auto has performed well in all three segments in the motorbike industry – entry, executive and premium. In the entry and premium segments, Bajaj has maintained market leadership position whilst gaining share in the executive segment. In the entry level segment, the CT100 has sold over 1m units. This will be the largest selling bike in India after the Splendor family. In the premium segment, the Pulsar has sold close to 400,000 units and maintains a share of over 60%. In the highly competitive executive level segment, Bajaj has increased its footprint with success of the Discover 112cc. As a result, its share has increased from <10% in FY05 to >20% in FY06.

As a result, Bajaj has improved its product mix in favour of higher segment products. The share of entry level, which comprises the CT100 has reduced from 64% in FY05 to 54% in FY06. The shift has occurred in favour of the executive segment, which now accounts for 24% of the market compared with 17% earlier. As mentioned earlier, the Discover 112cc has been the reason for the improved product mix. The premium segment has maintained its share at around 20%.

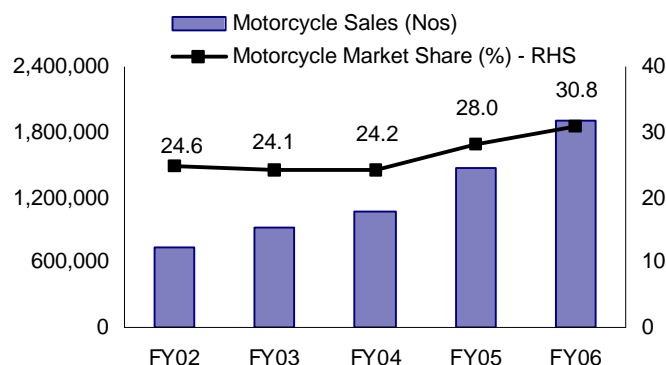
MOTORBIKES: SHARE OF EXECUTIVE SEGMENT IS RISING



Source: Company/ Motilal Oswal Securities

Due to Bajaj’s volume growth in motorcycles, it has significantly expanded market share. In FY06, Bajaj grew at 32%, while the market grew merely 18%. As a result, Bajaj has expanded its share to 30.8% in FY06. This is a gain of 660bp over the past three years.

MARKET SHARE: IMPROVING STEADILY



Source: Company/ Motilal Oswal Securities

**New product launch**

Market share for Bajaj Auto increased from 28% to 30.8% in FY06. Motorcycles currently contribute 84% to the company’s overall volume compared with 79% in FY05. The company plans to launch two new motorcycles and two ungeared scooters in 2HCY06. The new launch in the motorcycle segment would include Pulsar DTSI with electronic fuel injection and Sonic-125cc motorcycle in the executive segment to support the success of Discover Twins. The strategy is well laid out to gain market share in ungeared scooters with couple of new model launches in

pipeline. Management does see good potential in the segment going forward. The two new scooters — Kristal and Blade, would be launched in FY07. We do believe that good products pipeline would supplement the success of its models in every segment of two-wheelers and help the company to improve market to over 35% in the next few years.

**Export strategy well planned**

In FY06, exports grew 27% YoY in volume terms and 29% YoY in value terms. Two-wheelers grew 34%, while three-wheelers grew 14%. Within the two-wheeler segment, bikes accounted for over 90% of exports. Bajaj is the largest two- and three-wheeler exporter from India.

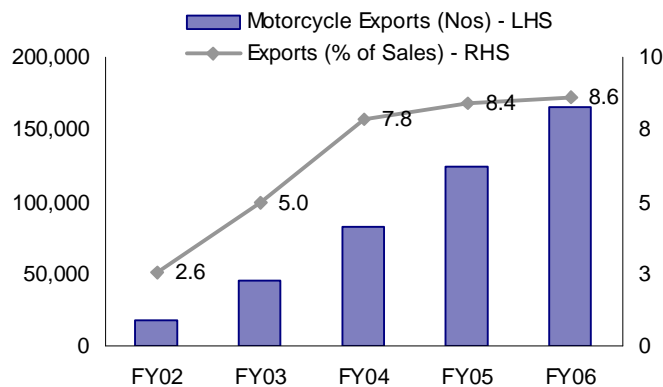
EXPORTS UNITS (NOS)

	FY06	FY05	GR.(%)
Total 2 W	174,907	130,945	34
Total 3 W	75,297	65,765	14
Grand Total	250,204	196,710	27
Rs (m)	8,990	6,949	29

Source: Company/ Motilal Oswal Securities

Bajaj’s motorcycle exports are currently 9% of total sales, Bajaj wants to increase this to 20% over the next three years. This implies a potential volume of 600,000 vehicles, up from the current 165,000 vehicles being exported currently.

BAJAJ'S MOTORCYCLE EXPORTS



Source: Company/ Motilal Oswal Securities



Bajaj's largest export market is Sri Lanka, where it exported over 100,000 of its two- and three-wheeler products. We expect growth in this country to continue.

Bajaj has plans to increase presence in South East nations by setting up operations in Indonesia. The South East Asian markets (Indonesia, Thailand and Vietnam) account for combined volumes of 7m. Bajaj has limited presence in these countries and currently exports from India. To gain a sizeable footing, Bajaj is setting up operations in Indonesia with a local partner. Whilst manufacturing will be by the local partner, brand building and distribution network set-up will be executed by Bajaj. Bajaj will set up a JV with a major equity holding along with a local partner in Indonesia by end-CY06. We believe it will take at least 2-3 years for meaningful volumes to be realized.

Bajaj is already a market leader (50% share) in Central America, which comprises countries such as Columbia, Peru etc. However, it does not have a presence in the large market of Argentina. It is looking to tie up with a local partner in this country. Bajaj has a high brand equity in Central America, which it will leverage to enter the Argentinian market. Export volumes reached 60,000 units in FY06 in Central America.

In Nigeria, Bajaj has already set up an assembly line to manufacture the Boxer 100cc bike. This bike will be used primarily for the taxi segment and will be more rugged than its Indian counterpart.

### **Capex plans for Rs15b**

Bajaj has planned capex of Rs15b over the next three years for several new projects. The capex would be used to expand its existing capacities, set up a four-wheeler plant and make further investments in R&D.

The company is increasing bike capacity from 3.5m to 5.1m. This would be by setting up a new plant for 1m p.a. motorcycles in Uttaranchal and capacity expansion at its Pune facility. The Uttaranchal plant is being set up to avail

tax benefits of zero excise duty and IT breaks. This plant will commence operations by end-FY07.

The company is also developing a new range of three-wheelers. Besides, the company will set up a new four-wheeler plant in Pune. Bajaj is also investing in a new learning center in Akurdi, Pune and building further on its R&D skills.

Bajaj has launched a retail initiative in the form of Pro-biking showrooms across the country for its high-end range of bikes. It is also allocating separate dealers for its three-wheelers.

Hence, the capex would be used for a range of manufacturing and marketing activities. All the funds for these operations will come from internal accruals.

### **Insurance business is growing**

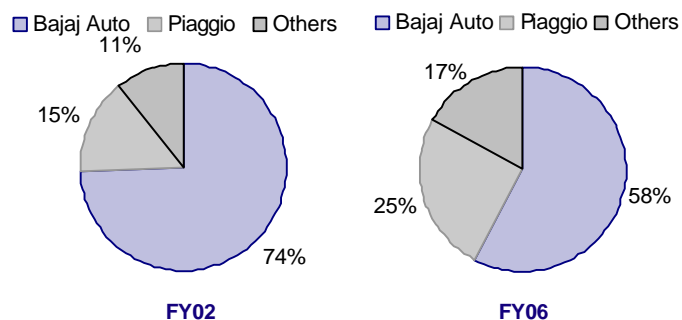
Bajaj Allianz Life Insurance has become the Number One player in the industry, overtaking ICICI, amongst the private life insurers in FY06. The total gross written premium during the year was Rs.31.3b (+223% YoY). The loss for the year is Rs985m v/s a loss of Rs368m in the previous year.

BAL continues to be the second largest player in the general insurance business. In FY06, the gross written premium in Bajaj Allianz General Insurance was Rs12.8b (+50% YoY). PAT for the year was at Rs.516m v/s Rs471m in the previous year.

### **Concerns on three-wheelers to reduce**

Bajaj has been a dominant player in three-wheelers, with a share of 58% overall, and a share of 75% in the passenger goods segment. However, Bajaj has been facing an increasingly competitive scenario. Competition has been increasing up, mainly from Piaggio. Bajaj was a market leader with a over 70% share four years ago. As this share was unsustainably high, its market share has come down to 58% in FY06.

## BAJAJ HAS BEEN LOSING SHARE



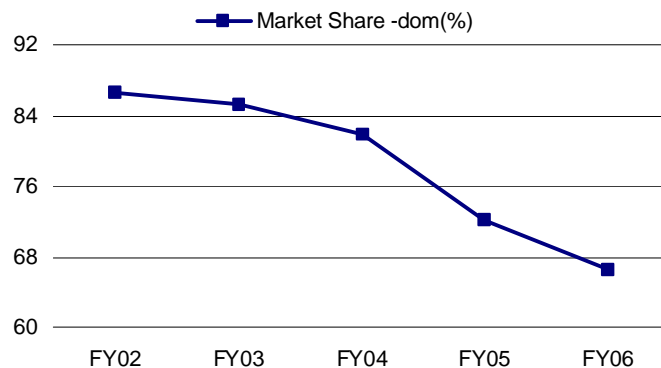
Source: Company/ Motilal Oswal Securities

Bajaj has been growing slower than industry since the past four years due to the higher growth in the goods segment compared with the passenger segment. The passenger segment accounts for 86% of Bajaj's sales. Passenger segment has been growing at 14% CAGR since the past 4 years compared with 37% CAGR growth for Goods segment.

In the domestic passenger three-wheeler segment, Bajaj has been losing market share rapidly. From 87% share in FY02, the company now commands 65% share. The competition has been increasing from Piaggio, which has been gaining at Bajaj's cost.

The company has managed to develop new three-wheeler models (aesthetics will be better than in traditional models), which would be launched over the next few quarters to counter competition. Moreover, some of these products would also find a high level of acceptance in export markets.

## BAJAJ HAS BEEN LOSING SHARE IN PASSENGER MARKET



Source: Company/ Motilal Oswal Securities

## Valuation and view

We believe that Bajaj Auto is one of the best plays on consumerism and improvement in rural demand. We have revised our EPS estimates to Rs142.4 (+5%) for FY07, Rs175 (+8%) for FY08 and introduce FY09 EPS of Rs198 to factor in the EBITDA margin expansion and strong volume growth ahead. Our SOTP-based target price of Rs3,301 implies a 12% upside from the current levels. We have assigned a 20% discount to the fair valuation of Insurance and Bajaj Auto Finance. We maintain **Buy** with a target price of Rs3,301.

## SOTP VALUATION (RS)

	FY06	FY07E	FY08E
Reported EPS	109	142	175
Investment Income	32	41	50
<b>Core EPS</b>	<b>77</b>	<b>101</b>	<b>125</b>
PE Multiple on Core Business	18.0	18.0	18.0
<b>Value per Share</b>	<b>1,386</b>	<b>1,826</b>	<b>2,255</b>
Cash	517	600	733
Bajaj Auto Finance	24	30	38
Insurance	151	204	275
<b>Target Price</b>	<b>2,078</b>	<b>2,659</b>	<b>3,301</b>

Source: Motilal Oswal Securities

INCOME STATEMENT		(Rs Million)				
Y/E MARCH	2004	2005	2006E	2007E	2008E	
<b>Net Sales</b>	<b>47,552</b>	<b>57,364</b>	<b>74,486</b>	<b>92,861</b>	<b>112,782</b>	
Change (%)	4.3	20.6	29.8	24.7	2.15	
Operating Other Income	1,616	1,907	2,193	2,522	2,774	
<b>Total Income</b>	<b>49,168</b>	<b>59,271</b>	<b>76,679</b>	<b>95,383</b>	<b>115,557</b>	
Raw Material	31,992	41,021	53,246	65,508	79,327	
Employee Cost	2,405	2,491	2,741	3,012	3,648	
Other Mfg. Expenses	3,229	3,183	3,446	4,284	5,211	
Selling & Distribution	3,252	3,641	4,151	5,936	7,210	
<b>EBITDA</b>	<b>8,528</b>	<b>9,134</b>	<b>13,343</b>	<b>16,642</b>	<b>20,161</b>	
Change (%)	2.5	7.1	46.1	24.7	2.11	
% of Net Sales	17.3	15.4	17.4	17.4	17.4	
Depreciation	1,799	1,854	1,910	1,975	2,043	
Interest & Finance Charges	9	7	3	6	6	
Other Income	3,535	4,081	4,605	5,926	7,186	
Non-recurring Expense	650	490	226	0	0	
<b>PBT</b>	<b>9,604</b>	<b>10,864</b>	<b>15,808</b>	<b>20,586</b>	<b>25,297</b>	
Tax	2,289	3,196	4,791	6,176	7,589	
Effective Rate (%)	23.8	29.4	30.3	30.0	30.0	
<b>PAT</b>	<b>7,315</b>	<b>7,668</b>	<b>11,017</b>	<b>14,410</b>	<b>17,708</b>	
<b>Adj. PAT</b>	<b>7,738</b>	<b>7,987</b>	<b>11,243</b>	<b>14,410</b>	<b>17,708</b>	
Change (%)	43.8	3.2	40.8	28.2	22.9	

BALANCE SHEET		(Rs Million)				
Y/E MARCH	2004	2005	2006E	2007E	2008E	
Share Capital	1,012	1,012	1,012	1,012	1,012	
Reserves	35,924	40,332	47,296	57,096	69,137	
<b>Net Worth</b>	<b>36,936</b>	<b>41,343</b>	<b>48,308</b>	<b>58,107</b>	<b>70,149</b>	
Deferred Tax	1,228	1,399	1,399	1,399	1,399	
Loans	10,057	12,270	10,270	9,270	9,270	
<b>Capital Employed</b>	<b>48,222</b>	<b>55,012</b>	<b>59,977</b>	<b>68,776</b>	<b>80,818</b>	
Gross Fixed Assets	27,030	27,436	28,520	29,520	30,520	
Less: Depreciation	14,967	16,286	18,196	20,172	22,215	
<b>Net Fixed Assets</b>	<b>12,063</b>	<b>11,150</b>	<b>10,323</b>	<b>9,348</b>	<b>8,305</b>	
Capital WIP	83	84	0	0	0	
Investments	38,554	45,606	45,606	45,606	45,606	
<b>Curr. Assets, L &amp; Adv.</b>	<b>20,530</b>	<b>25,897</b>	<b>34,722</b>	<b>45,807</b>	<b>61,384</b>	
Inventory	2,026	2,242	3,595	4,066	4,938	
Sundry Debtors	1,339	1,763	3,595	5,809	7,055	
Cash & Bank Balances	794	1,087	6,726	15,127	28,586	
Loans & Advances	15,917	20,120	20,120	20,120	20,120	
Others	455	685	685	685	685	
<b>Current Liab. &amp; Prov.</b>	<b>23,261</b>	<b>27,940</b>	<b>30,890</b>	<b>32,200</b>	<b>34,693</b>	
Sundry Creditors	6,232	7,351	10,306	11,617	14,109	
Other Liabilities	494	499	494	494	494	
Provisions	16,535	20,089	20,089	20,089	20,089	
<b>Net Current Assets</b>	<b>-2,730</b>	<b>-2,042</b>	<b>3,833</b>	<b>13,607</b>	<b>26,692</b>	
<b>Application of Funds</b>	<b>48,222</b>	<b>55,012</b>	<b>59,977</b>	<b>68,776</b>	<b>80,818</b>	

E: M O S t Estimates

RATIOS						
Y/E MARCH	2004	2005	2006E	2007E	2008E	
<b>Basic (Rs)</b>						
<b>EPS</b>	<b>76.5</b>	<b>75.8</b>	<b>108.9</b>	<b>142.4</b>	<b>175.0</b>	
Cash EPS	90.1	94.1	127.8	161.9	195.2	
Book Value per Share	365.0	408.6	477.4	574.3	693.3	
DPS	25	25	40	46	56	
Payout (Incl. Div. Tax) %	34.6	33.0	36.8	32.0	32.0	
<b>Valuation (x)</b>						
P/E		38.9	27.1	20.7	16.9	
Cash P/E		31.3	23.1	18.2	15.1	
EV/EBITDA		28.9	19.2	14.8	11.6	
EV/Sales		4.6	3.4	2.7	2.1	
Price to Book Value		7.2	6.2	5.1	4.3	
Dividend Yield (%)		0.8	1.3	1.5	1.9	
<b>Profitability Ratios (%)</b>						
RoE	20.9	19.3	23.3	24.8	25.2	
RoCE	21.3	20.7	26.7	29.9	31.3	
<b>Turnover Ratios</b>						
Debtors (Days)	9	10	15	20	20	
Inventory (Days)	18	16	21	19	19	
Creditors (Days)	71	65	71	65	65	
Asset Turnover (x)	1.0	1.0	1.2	1.4	1.4	
<b>Leverage Ratio</b>						
Debt/Equity (x)	0.3	0.3	0.2	0.2	0.1	

CASH FLOW STATEMENT		(Rs Million)				
Y/E MARCH	2004	2005	2006E	2007E	2008E	
OP/(Loss) before Tax	6,729	7,280	11,433	14,666	18,117	
Interest/Div. Received	3,535	4,081	4,605	5,926	7,186	
Depreciation & Amort.	1,799	1,854	1,910	1,975	2,043	
Direct Taxes Paid	-2,785	-3,026	-4,791	-6,176	-7,589	
(Inc)/Dec in Working Capita	5,368	-395	-235	-1,373	374	
<b>CF from Oper. Activity</b>	<b>14,646</b>	<b>9,795</b>	<b>12,921</b>	<b>15,018</b>	<b>20,133</b>	
Extra-ordinary Items	-650	-490	-226	0	0	
<b>CF after EO Items</b>	<b>13,996</b>	<b>9,304</b>	<b>12,695</b>	<b>15,018</b>	<b>20,133</b>	
(Inc)/Dec in FA+CWIP	-1,107	-905	-1,000	-1,000	-1,000	
(Pur)/Sale of Invest.	-11,255	-7,051	0	0	0	
<b>CF from Inv. Activity</b>	<b>-12,363</b>	<b>-7,956</b>	<b>-1,000</b>	<b>-1,000</b>	<b>-1,000</b>	
Inc. / Dec.in Networth	-255	-731	0	0	0	
Inc/(Dec) in Debt	1,655	2,213	-2,000	-1,000	0	
Interest Paid	-9	-7	-3	-6	-6	
Dividends Paid	-2,530	-2,530	-4,052	-4,611	-5,667	
<b>CF from Fin. Activity</b>	<b>-1,139</b>	<b>-1,055</b>	<b>-6,055</b>	<b>-5,617</b>	<b>-5,672</b>	
<b>Inc/(Dec) in Cash</b>	<b>493</b>	<b>293</b>	<b>5,639</b>	<b>8,401</b>	<b>13,461</b>	
Add: Beginning Balance	300	794	1,087	6,726	15,127	
<b>Closing Balance</b>	<b>794</b>	<b>1,087</b>	<b>6,726</b>	<b>15,127</b>	<b>28,588</b>	



**N O T E S**



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**Bajaj Auto**

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