

3 January 2011

## Bajaj Auto

*Dec '10 volumes: A tad disappointing*

**Bajaj Auto reported volume growth of only 9.8% yoy (lower 7.5% mom) to 276,803 units in Dec '10, which was below expectations.**

- **Motorcycle growth rate relatively lower.** With base effect catching up, Bajaj Auto's (BAL) motorcycle growth rate was 10.8% yoy (lower 8.1% mom) at 243,675 units, the lowest motorcycle volumes since Feb '10. In terms of product mix, the more profitable Pulsar and Discover platforms together continue to command a dominant 70% share.
- **Volume outperformance ceases in 3Q.** BAL's volume outperformance vs. top peers lasted for 13 consecutive months, from Sep '09 to Sep '10. While in Oct '10 and Nov '10, BAL saw on-par performance with peers, its motorcycle volume growth was lower than industry in Dec '10, the first time in 16 months.
- **Exports steady.** In Dec '10, exports growth was steady at 4.4% yoy and 5% mom.
- **Three-wheeler sales grew 4.9% yoy (lower 3.1% mom) to 33,128 units, in line with expectations.**
- **Valuation and risks.** We are upbeat about BAL's volume-growth outlook and anticipate improved 4QFY11 volumes. We re-iterate Buy on the stock. Risks: lower demand; commodity cost pressure.

Rating: Buy

Target Price: ₹1,846

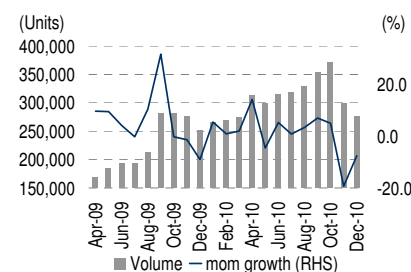
Share Price: ₹1,502

Rohan Korde

+9122 6626 6733

rohankorde@rathi.com

### M-o-M volume growth trend



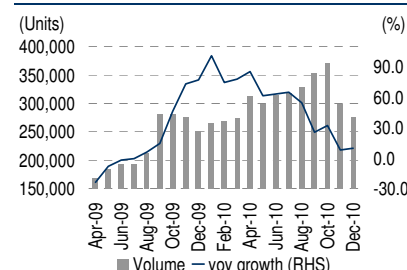
Source: Company

### Volume data – Dec '10 (units)

Year-end 31 March	Dec-10	yoy chg (%)	mom chg (%)	YTD FY11	yoy chg (%)
Motorcycles	243,675	10.8	-8.1	2,550,350	42.1
Other two-wheelers	0	-100.0	NM	27	-99.4
<b>Total two-wheelers</b>	<b>243,675</b>	<b>10.5</b>	<b>-8.1</b>	<b>2,550,377</b>	<b>41.8</b>
Three-wheelers	33,128	4.9	-3.1	325,357	33.0
<b>Total volume</b>	<b>276,803</b>	<b>9.8</b>	<b>-7.5</b>	<b>2,875,734</b>	<b>40.7</b>
of which exports	95,388	4.4	5.0	927,875	37.1
<b>% of total</b>					
Motorcycles	88.0	76bps	-54bps	88.7	88bps
Three-wheelers	12.0	-56bps	54bps	11.3	-66bps
Exports	34.5	-180bps	409bps	32.3	-84bps

Source: Company

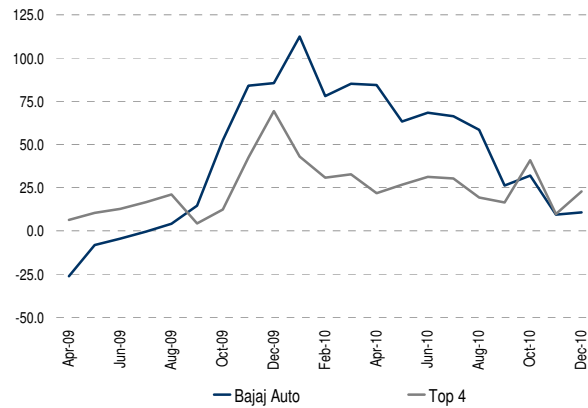
### Y-o-Y volume growth trend



Source: Company

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Fig 1 – YoY motorcycle volume growth (%): BAL vs. top-4 peers



Source : SIAM, Company

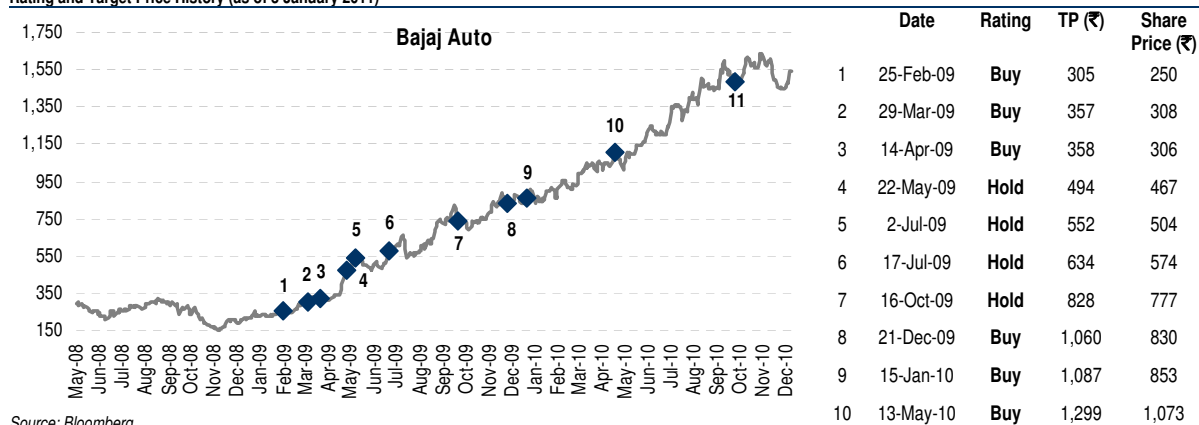
## Appendix 1

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Source: Bloomberg

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