

Asia India

Automobiles & Components

Deutsche Bank



21 September 2011

Bajaj Auto Limited

Reuters: **BAJA.NS** Bloomberg: **BJAUT IN** Exchange: **NSI** Ticker: **BAJA**

Strong performance continues; maintaining Buy

Srinivas Rao, CFAResearch Analyst
(+91) 22 6658 4210
srini.rao@db.com**Amyr Pirani**Research Analyst
(+91) 22 6658 4355
amyr.pirani@db.com

Performance better than expected, increasing target price to Rs1,800

We are increasing our EPS estimates by c.6% to reflect continued momentum in Bajaj's volumes. Our FY11-14E volume and revenue CAGR of 15%/16% is based on: a) robust export growth and b) continued consumer upgrades to premium bikes, which is Bajaj's strength. The financial impact of Bajaj's recent market share loss would be muted, as it is driven by weak volumes in the lower-margin 100cc segment. Fresh launches (Boxer/Pulsar) should enable the company to achieve 20% volume guidance and defend its margins. We maintain our Buy rating.

Share of export revenues to increase from 29% in FY11 to 37% in FY14E

We forecast Bajaj's 2W volumes at 4.0m/4.6m and 3W volumes at 524,000/587,000 in FY12E/13E, respectively. Bajaj's 2W exports have grown 32% YTD vs. 9% domestic growth. We believe this trend should persist and we forecast export/domestic volumes to grow at a CAGR (FY11-14) of 22%/12%. 65% of Bajaj's 3W production is exported and we expect it to increase going forward. We believe Bajaj's strong and expanding export footprint is an effective hedge against the relatively high 2W penetration (37%) in India and the likely increase in competitive activity from HMSI.

Lower penetration in smaller towns should drive volume growth

Our earlier discussions with Bajaj indicated that small towns and villages (<100K population) account for 60% of the industry and 50% of Bajaj's 2W sales. Household penetration is 11% vs. a national average of 37%. Area demand is driven by crop prices and rural cash flows rather than interest rates. We believe that the rising aspiration of the hinterland consumer bodes well for Bajaj.

Three-year EPS CAGR (FY11-14E) of 13%; trading at a 15% discount to Hero

Our DCF-based target price is Rs1,800/sh (RFR 6.7%, ERP 8.1%, CoE 13.2% and a terminal growth rate of 4%), implying 17.5x FY13E (vs. 16x earlier) core EPS (Rs92) plus Rs182/sh of surplus cash. We believe that the re-rating in the stock will likely be driven by strong volume momentum and margins (c.500bps higher than the company's peers). The stock currently trades at 15.5x FY13E core EPS. Risks are a slowdown in export growth and a rise in competitive intensity.

Forecasts and ratios

Year End Mar 31	2010A	2011A	2012E	2013E	2014E
Sales (INRm)	115,085.0	159,981.2	192,579.2	222,836.3	252,223.5
EBITDA (INRm)	24,829.5	32,290.9	36,145.6	40,572.2	45,626.1
Reported NPAT (INRm)	16,827.3	35,442.7	29,433.3	33,234.5	37,422.4
Reported EPS FD (INR)	58.15	122.49	101.72	114.86	129.33
DB EPS FD (INR)	64.46	90.38	101.72	114.86	129.33
OLD DB EPS FD (INR)	64.46	90.38	99.14	108.89	122.06
% Change	0.0%	0.0%	2.6%	5.5%	6.0%
DB EPS growth (%)	116.5	40.2	12.5	12.9	12.6
PER (x)	10.4	14.7	15.8	14.0	12.4

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items; ² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Forecast Change

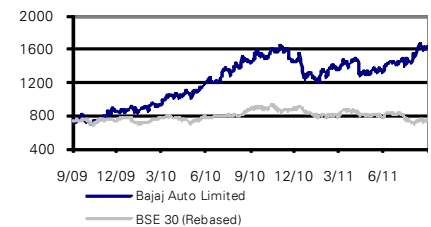
Buy

Price at 21 Sep 2011 (INR)	1,603.10
Price target - 12mth (INR)	1,800.00
52-week range (INR)	1,667.00 - 1,204.15
BSE 30	17,065

Key changes

Price target	1,600.00 to 1,800.00	↑	12.5%
Sales (FYE)	190,922 to 192,579	↑	0.9%
Op prof margin (FYE)	17.6 to 18.0	↑	2.2%
Net profit (FYE)	28,688.0 to 29,433.3	↑	2.6%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	12.3	21.3	10.1
BSE 30	5.7	-2.8	-14.7

Stock data

Market cap (INRm)	463,873
Market cap (USDm)	9,598
Shares outstanding (m)	289.4
Major shareholders	Bajaj Holdings (30%)
Free float (%)	50
Avg daily value traded (USDm)	13.8

Key indicators (FY1)

ROE (%)	52.3
Net debt/equity (%)	-81.6
Book value/share (INR)	219.20
Price/book (x)	7.3
Net interest cover (x)	-
Operating profit margin (%)	18.0

Deutsche Bank AG/Hong Kong

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 21 September 2011

Running the numbers**Asia****India****Automobiles & Components****Bajaj Auto Limited**

Reuters: BAJA.NS

Bloomberg: BJAUT IN

Buy

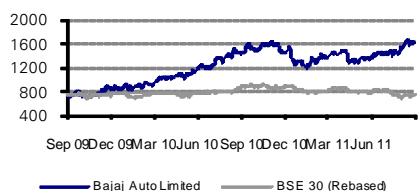
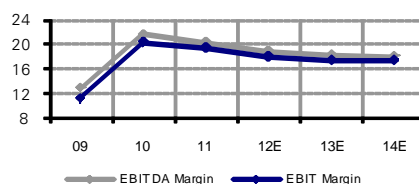
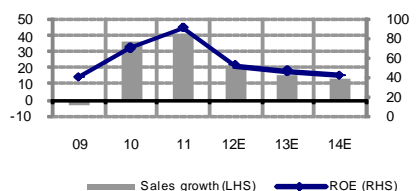
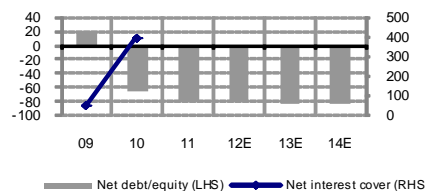
Price (21 Sep 11) INR 1,603.10

Target price INR 1,800.00

52-week Range INR 1,204.15 - 1,667.00

Market Cap (m) INRm 463,873
USDm 9,598**Company Profile**

Bajaj Auto Limited manufactures and distributes motorized 2-wheelers & 3-wheelers. Its product portfolio includes scooters, motorcycles and commercial 3 wheelers.

Price Performance**Margin Trends****Growth & Profitability****Solvency**

Srinivas Rao, CFA

+91 22 6658 4210

srini.rao@db.com

Fiscal year end 31-Mar

	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (INR)	29.78	64.46	90.38	101.72	114.86	129.33
Reported EPS (INR)	23.51	58.15	122.49	101.72	114.86	129.33
DPS (INR)	11.00	20.00	40.00	45.00	48.00	52.00
BVPS (INR)	64.6	101.2	169.7	219.2	277.9	346.4

Weighted average shares (m)	289	289	289	289	289	289
Average market cap (INRm)	71,865	194,769	383,309	463,873	463,873	463,873
Enterprise value (INRm)	68,111	166,925	333,043	400,060	384,160	365,542

Valuation Metrics

P/E (DB) (x)	8.3	10.4	14.7	15.8	14.0	12.4
P/E (Reported) (x)	10.6	11.6	10.8	15.8	14.0	12.4
P/BV (x)	4.79	9.94	8.62	7.31	5.77	4.63
FCF Yield (%)	5.2	16.5	7.5	6.2	6.9	7.8
Dividend Yield (%)	4.4	3.0	3.0	2.8	3.0	3.2
EV/Sales (x)	0.8	1.5	2.1	2.1	1.7	1.4
EV/EBITDA (x)	6.3	6.7	10.3	11.1	9.5	8.0
EV/EBIT (x)	7.2	7.1	10.7	11.5	9.9	8.3

Income Statement (INRm)

Sales revenue	84,369	115,085	159,981	192,579	222,836	252,224
Gross profit	9,786	23,823	29,044	31,710	36,137	40,747
EBITDA	10,793	24,830	32,291	36,146	40,572	45,626
Depreciation	1,298	1,365	1,228	1,450	1,600	1,750
Amortisation	0	0	0	0	0	0
EBIT	9,495	23,465	31,063	34,696	38,972	43,876
Net interest income/(expense)	-210	-60	-17	-20	-20	-20
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	-1,813	-1,824	9,291	0	0	0
Other pre-tax income/(expense)	2,347	2,321	5,216	6,204	7,207	8,119
Profit before tax	9,819	23,902	45,553	40,880	46,159	51,976
Income tax expense	3,016	7,075	10,110	11,446	12,925	14,553
Minorities	0	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	6,803	16,827	35,443	29,433	33,235	37,422
DB adjustments (including dilution)	1,813	1,824	-9,291	0	0	0
DB Net profit	8,616	18,651	26,152	29,433	33,235	37,422

Cash Flow (INRm)

Cash flow from operations	7,611	33,249	30,255	31,656	36,151	41,223
Net Capex	-3,851	-1,095	-1,500	-3,000	-4,000	-5,000
Free cash flow	3,760	32,154	28,755	28,656	32,151	36,223
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-3,724	-6,749	-13,452	-15,235	-16,250	-17,605
Net inc/(dec) in borrowings	2,358	-2,314	-10,134	-235	0	0
Other investing/financing cash flows	486	-22,130	-7,737	-1,500	-1,000	-1,000
Net cash flow	2,880	962	-2,569	11,686	14,900	17,618
Change in working capital	-402	11,425	2,595	773	1,316	2,050

Balance Sheet (INRm)

Cash and other liquid assets	11,817	32,765	42,952	54,764	69,664	87,282
Tangible fixed assets	15,481	15,211	15,483	17,033	19,433	22,683
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	7,637	8,465	10,565	12,065	13,065	14,065
Other assets	23,880	14,824	23,204	27,038	31,286	35,412
Total assets	58,814	71,265	92,204	110,900	133,449	159,443
Interest bearing debt	15,700	13,386	3,252	3,016	3,016	3,016
Other liabilities	24,418	28,595	39,850	44,457	50,021	56,198
Total liabilities	40,118	41,981	43,101	47,473	53,038	59,214
Shareholders' equity	18,697	29,283	49,102	63,427	80,411	100,229
Minorities	0	0	0	0	0	0
Total shareholders' equity	18,697	29,283	49,102	63,427	80,411	100,229
Net debt	3,883	-19,379	-39,700	-51,748	-66,648	-84,266

Key Company Metrics

Sales growth (%)	-2.6	36.4	39.0	20.4	15.7	13.2
DB EPS growth (%)	0.4	116.5	40.2	12.5	12.9	12.6
EBITDA Margin (%)	12.8	21.6	20.2	18.8	18.2	18.1
EBIT Margin (%)	11.3	20.4	19.4	18.0	17.5	17.4
Payout ratio (%)	46.8	34.4	32.7	44.2	41.8	40.2
ROE (%)	39.4	70.1	90.4	52.3	46.2	41.4
Capex/sales (%)	4.6	1.0	0.9	1.6	1.8	2.0
Capex/depreciation (x)	3.0	0.8	1.2	2.1	2.5	2.9
Net debt/equity (%)	20.8	-66.2	-80.9	-81.6	-82.9	-84.1
Net interest cover (x)	45.2	392.4	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Key highlights

Bajaj has positioned itself in line with domestic market trends

Recent market share loss driven by lower segment

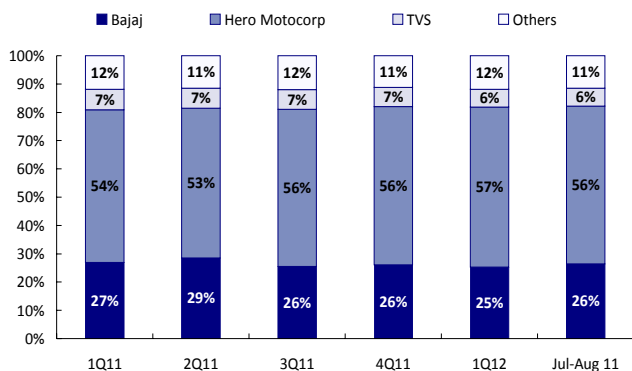
Bajaj’s domestic motorcycle market share has been trending down after peaking in 2QFY11. However, this is largely because of a loss in the 100cc segment. While we are concerned about the market share loss in the near term, we highlight that the shift in favour of the higher priced variants will likely have a positive impact on revenue growth and profitability. In addition, we expect Bajaj’s market share to be supported by two new launches—the Boxer150 (utility bike) and the soon-to-launch refresh to the Pulsar brand.

Figure 1: Bajaj’s recent market share loss driven by the B2 (100 cc) segment

	FY10	FY11	FY12YTD
Volume growth			
Motorcycle total	25.8%	22.9%	15.6%
B-2 (100cc)	32.6%	19.0%	12.8%
B-3 (125cc +)	9.6%	34.5%	22.1%
Bajaj market share			
Motorcycle total	24.3%	26.8%	25.7%
B-2 (100cc)	17.1%	17.9%	16.8%
B-3 (125cc +)	45.9%	50.2%	49.9%

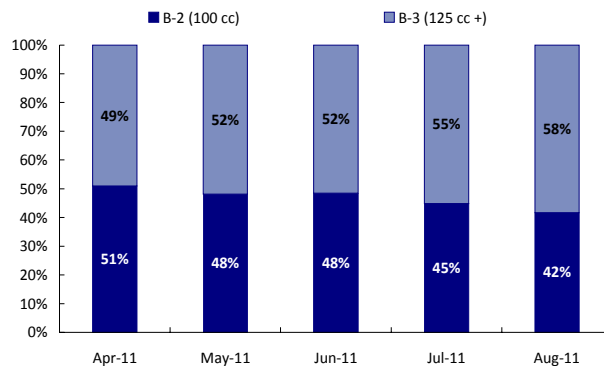
Source: SIAM, Deutsche Bank

Figure 2: Bajaj motorcycle market share quarterly trend



Source: SIAM, Deutsche Bank

Figure 3: Bajaj – B-2 (100cc) vs. B-3 (125cc+) monthly trend

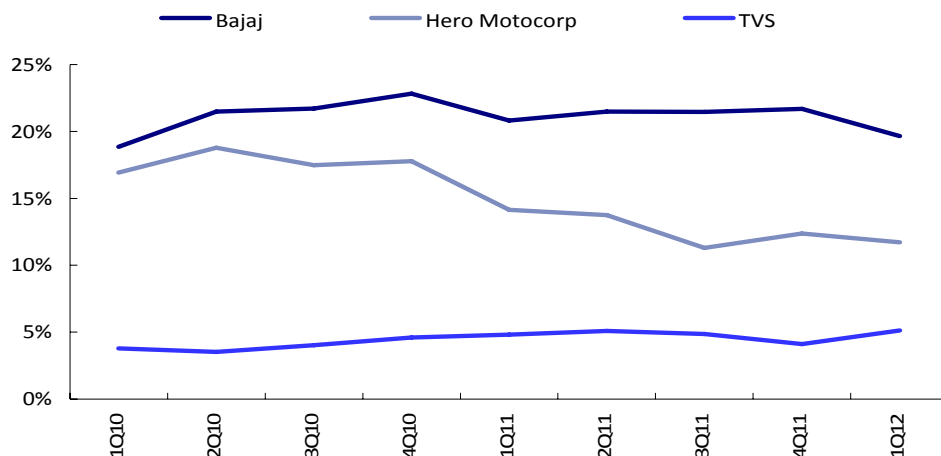


Source: SIAM, Deutsche Bank

Focus on sales mix has resulted in widening the profitability gap with competition

Since the credit crisis, Bajaj has focused on brands to drive profitability rather than just gain in volume share through low-margin products. This has helped it to widen its margin gap with its peers.

Figure 4: Bajaj – operating margins (EBIT) better than peers



Source: Company data, Deutsche Bank

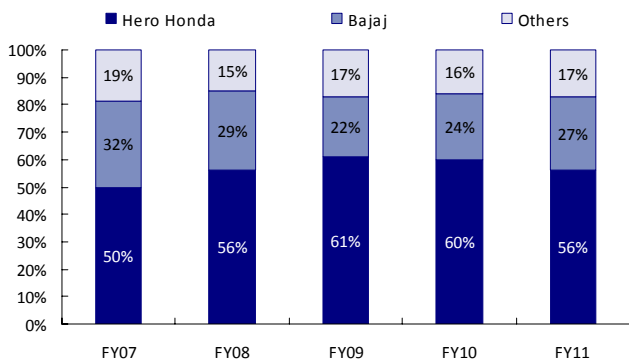
The changing industry structure has aided Bajaj’s strategic positioning

The high-growth rates of the mid and premium segments have aided Bajaj, as these segments account for a larger share of its EBITDA and profits than the low-margin entry segment. Between FY06 and FY11, Bajaj’s volume share fell 330bps from 30% to 26.8% in FY11, but its estimated revenue share fell by a lower amount of 230bps from c.30.8% to the current level of 28.5%. During the same period, Hero’s volume share increased by 490bps from 51% in FY06 to 55.9% in FY11, but its estimated revenue share increased only by 190bps from c.51.6% in FY06 to the current level of 53.4%.

Since the credit crisis, Bajaj’s outperformance has been creditable

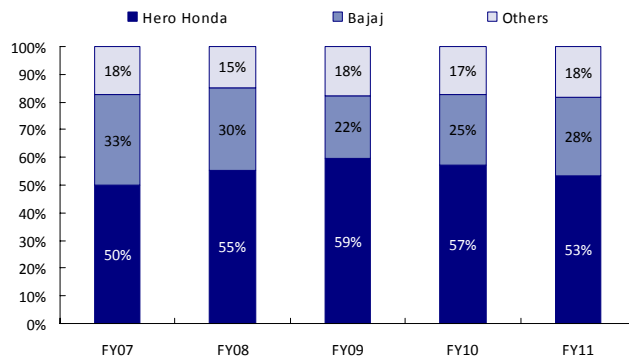
Over the last two years, Bajaj has strengthened its competitive position in the higher-growth segments. This is reflected in its volume share increase from a low of 22% (FY09) to 26.8% (FY11) and revenue share increase from 22.5 % (FY09) to 28.5%.

Figure 5: Company-wise volume market share



Source: Company data, Deutsche Bank

Figure 6: Company-wise revenue market share



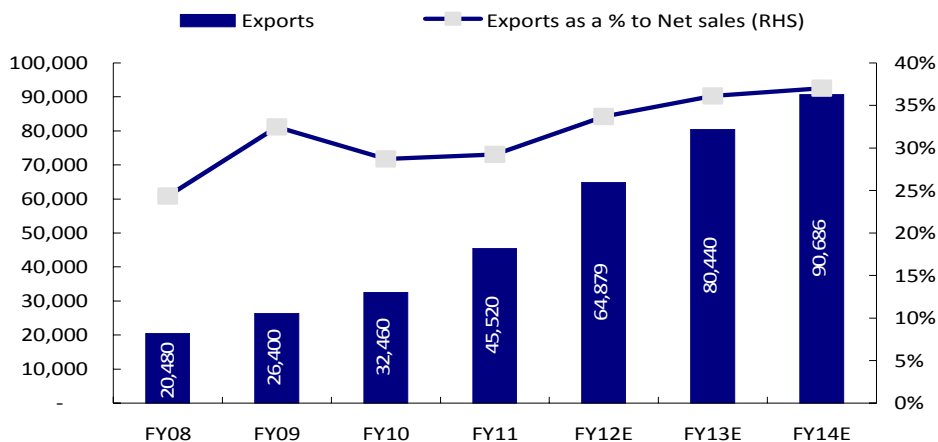
Source: Company, Deutsche Bank

Export performance

Exports continue on robust path

The company has been focusing on export markets for both its 2W and 3W products over the last five years, which has resulted in exports forming 29% of revenues in FY11 compared to 13% in FY06. We estimate the share of exports to further increase to 37% by FY14.

Figure 7: Bajaj – exports (Rs m) now form a significant part of Bajaj’s revenues

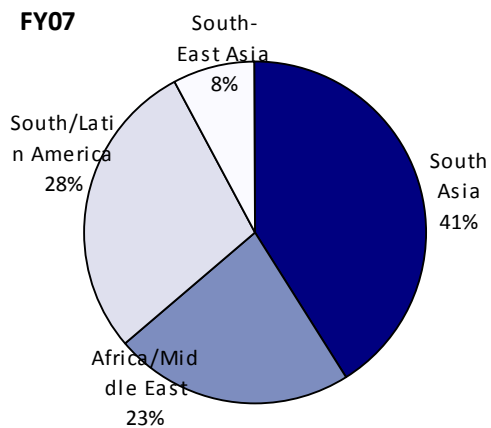


Source: Company data, Deutsche Bank

Africa continues to be the biggest contributor of exports

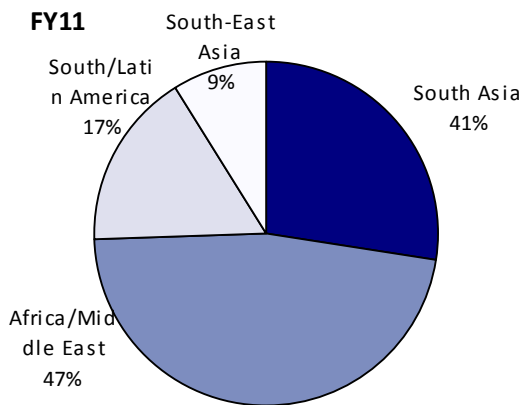
Africa has been the fastest growing region for Bajaj’s exports over the last five years and its contribution has increased from 23% in FY07 to 47% in FY11. The growth in Africa has been led by exports of the Boxer brand (entry segment motorcycle) to Nigeria. In FY11, the South Asia and South American markets grew faster than Africa, as these markets bounced back after the credit crisis. In the medium term, we expect that Africa should continue to be the major driver of exports as Bajaj expands into other countries in North and East Africa.

Figure 8: Geographical spread of exports (FY07)



Source: Company data, Deutsche Bank

Figure 9: Geographical spread of exports (FY11)

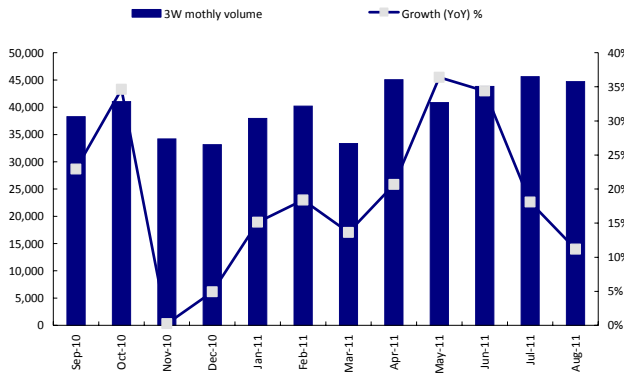


Source: Company data, Deutsche Bank

3W volumes continue to be driven by exports

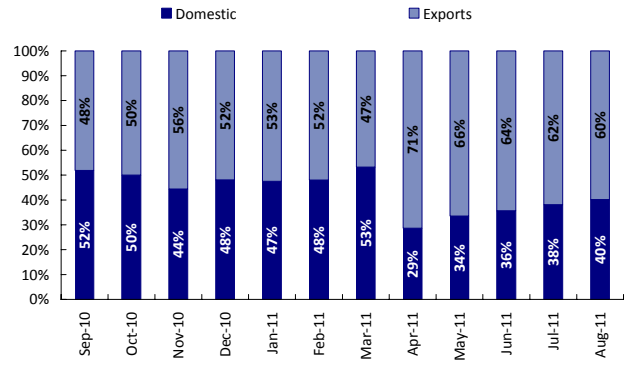
Bajaj’s 3W volumes have grown 23% year to date, driven by export growth of 43% yoy. The share of exports has currently increased to 65% compared to 53% in FY11. While exports should continue to remain strong, we expect a lift in domestic volumes (-2% year to date) in 2HFY12 on account of the new 3W permits in Karnataka.

Figure 10: Bajaj – 3W monthly volume trend



Source: SIAM, Deutsche Bank

Figure 11: Bajaj – exports share in total volume



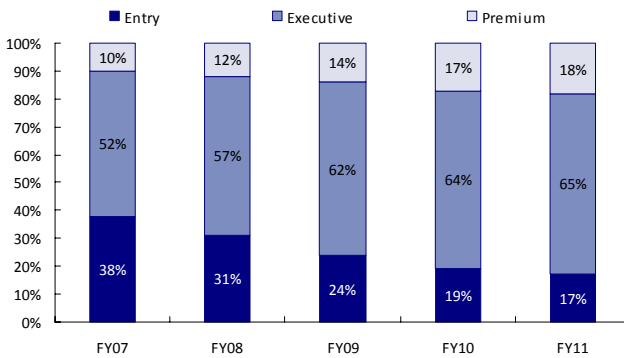
Source: SIAM, Deutsche Bank

Long-term demand growth for 2W forecast at 12%

Strong trends in the near term but likely to moderate in the medium term

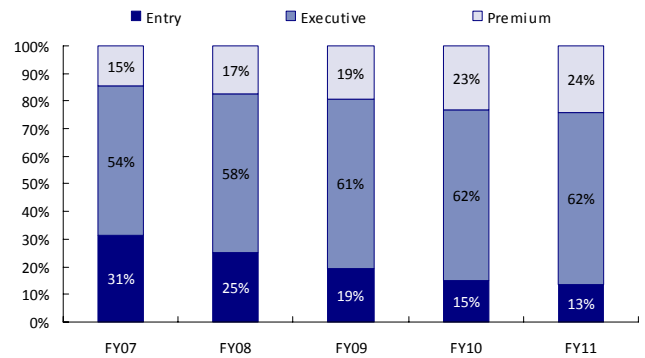
During the five-year period of FY06 to FY11, domestic motorcycle demand grew at 9.5%. However, the key aspect has been the relative variance in the growth rates of the sub-segments. While the entry segment has shown a decline (-9.5%), the mid- and premium segments grew at 16% and 25%, respectively. Volumes in the entry segment were driven by access to credit, which was significantly affected by the credit crisis and has not recovered despite a normalization of the environment. Over the next two years (FY11-14) we estimate motorcycles to grow at a rate of 12.5% per year, which is in line with the long-term growth rate of 11-12%. We expect mid and premium motorcycles to continue to grow faster than the overall market.

Figure 12: Motorcycles – segment volume shares



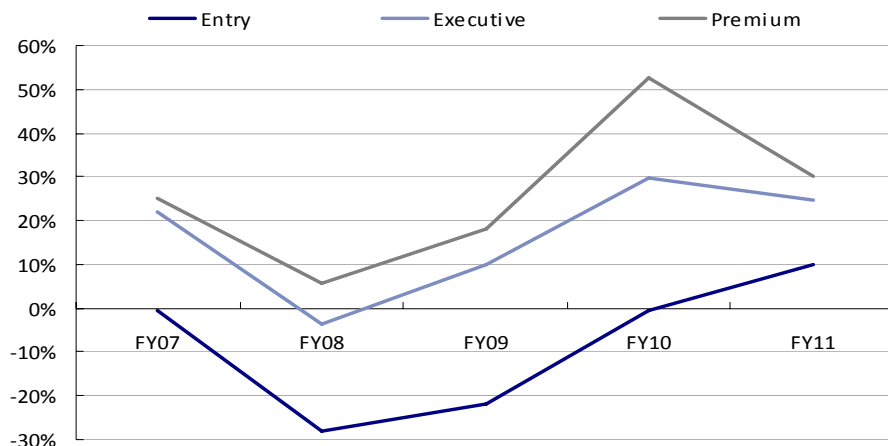
Source: Industry data, Deutsche Bank

Figure 13: Motorcycles – segment revenue shares



Source: Industry data, Deutsche Bank

Figure 14: Segmental motorcycle growth



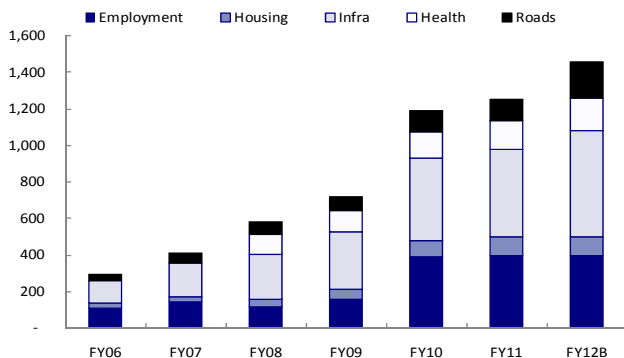
Source: Industry data, Deutsche Bank

Our recent channel checks suggest robust growth in the near term and we forecast growth of 16% for FY12. We note household penetration of 2W stands at 35-37%, which would cap long-term growth rates.

Rural prosperity would support demand in the near term

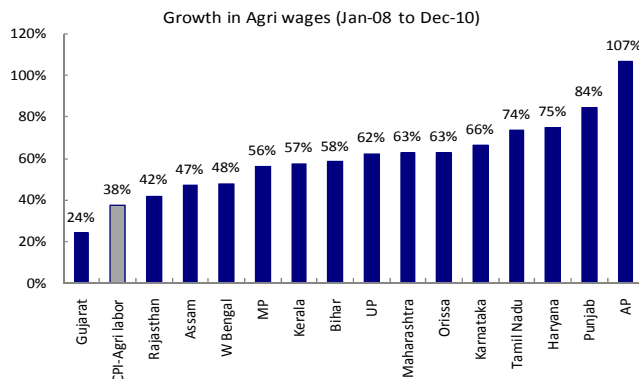
Commentary from 2W manufacturers indicates that c.60% of new vehicle sales is driven by semi-urban and rural India. The continued strength in 2W volumes, despite growth of 24% per year over FY09-11, is a reflection of the improving prosperity and cash flows of the rural population. The government has been consistently increasing its budgetary allocations for programmes relating to employment generation and infrastructure development in rural areas.

Figure 15: Trend in budgetary allocation for rural schemes (Rs bn)



Source: Govt. of India

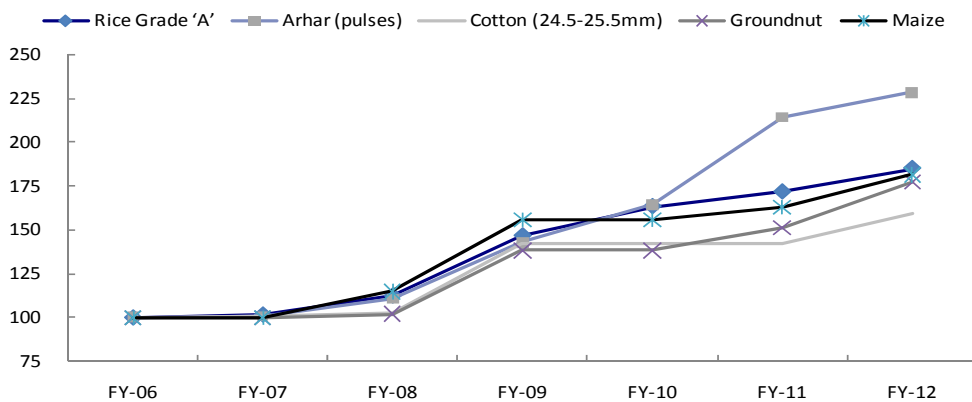
Figure 16: Growth in agricultural wages (January 2008–December 2010)



Source: Indian Labour Bureau

In addition, the government has increased the minimum support prices (MSPs) of the major crops by 8-15% per year over the last six years. This has also provided a significant boost to rural incomes.

Figure 17: Trend in minimum support prices for various crops



Source: Govt. of India

Financial analysis

Our estimates are in line with the Street

Our estimates are broadly in line with consensus.

Figure 18: Deutsche Bank estimates vs. consensus

	FY12E			FY13E		
	Deutsche Bank estimate	Consensus	%diff	Deutsche Bank estimate	Consensus	%difference
Net Sales (Rs m)	192,579	195,211	-1.3%	222,836	224,375	-0.7%
EBITDA (Rs m)	36,146	37,713	-4.2%	40,572	42,499	-4.5%
EPS (Rs)	101.7	102.2	-0.5%	114.9	115.2	-0.3%

Source: Bloomberg Finance LP, Deutsche Bank

Three-year revenue CAGR (FY11-14E) of 16%

We expect overall volume to grow at a CAGR (FY11-14E) of 15%, comprising growth of 15% per year in 2W and 14% per year in 3W. We forecast motorcycle exports to grow 22% versus domestic sales growth at 12%.

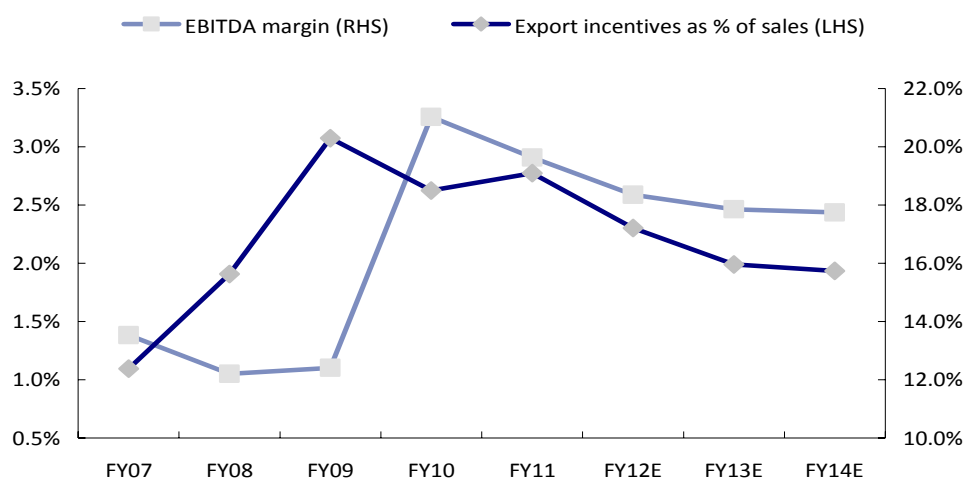
Figure 19: Bajaj – volume growth assumptions

	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Domestic 2W volumes	1,658,084	1,276,427	1,781,748	2,414,606	2,755,813	3,060,550	3,365,280
growth %	-20.2%	-23.0%	39.6%	35.5%	14.1%	11.1%	10.0%
Export 2W volumes	481,549	631,383	725,023	972,437	1,299,748	1,583,763	1,787,178
growth %	61.4%	31.1%	14.8%	34.1%	33.7%	21.9%	12.8%
Total 2W	2,139,633	1,907,810	2,506,771	3,387,043	4,055,561	4,644,312	5,152,458
growth %	-9.9%	-10.8%	31.4%	35.1%	19.7%	14.5%	10.9%
3W volumes	290,301	274,526	340,936	436,884	524,261	587,172	645,889
growth %	-9.8%	-5.4%	24.2%	28.1%	20.0%	12.0%	10.0%
Total volumes	2,429,934	2,182,336	2,847,707	3,823,927	4,579,822	5,231,485	5,798,347
growth %	-9.9%	-10.2%	30.5%	34.3%	19.8%	14.2%	10.8%

Source: Company data, Deutsche Bank

EBITDA margins forecast to trend downward due to estimated DEPB impact

We expect Bajaj's EBITDA margins to contract 130bps to 18.3% in FY12E from 19.6% in FY11. We forecast margins will likely decrease further by 60bps to 17.7% in FY14. Our forecasts take into the account the impact of the changes made under the Duty Entitlement Pass Book (DEPB) scheme starting 30 September 2011. The government has reduced the benefit available under this scheme from 9.0% of FOB value to 5.5%. We have also assumed an increase in selling and marketing costs due to the likely increase in competitive intensity going forward.

Figure 20: Bajaj – EBITDA margin will likely fall as export incentives decrease

Source: Company data, Deutsche Bank estimates

Capex and cash flows

We forecast Bajaj to generate operating cash flows of Rs109bn over FY12-14E with capex and investments of Rs15.5bn. Bajaj guided for maintenance capex to be c.Rs1bn per year with an additional Rs2bn per year for the investment in the new platform for 4W. We also expect the company to start investing in new capacity creation from 2HFY13E. Overall, we forecast Bajaj to generate free cash flows (post capex and investments) of Rs93.5bn over these three years.

Figure 21: Bajaj – capex and cash flows

Rs m	FY09	FY10	FY11	FY12E	FY13E	FY14E
Cash profit	8,013	21,824	27,660	30,883	34,835	39,172
WC changes	(402)	11,425	2,595	773	1,316	2,050
Cash from operations	7,611	33,249	30,255	31,656	36,151	41,223
Capex	(3,851)	(1,095)	(1,500)	(3,000)	(4,000)	(5,000)
Investments	(1,378)	(827)	(2,101)	(1,500)	(1,000)	(1,000)
Free cash flows	2,382	31,327	26,654	27,156	31,151	35,223

Source: Company data, Deutsche Bank

Valuation and risks

DCF – assumptions and valuation

Our DCF-based target price is Rs1,800 per share. We use a 15-year time frame for our DCF forecasts, with revenue growth trending down over our forecast period from 16% in FY13 to 8% by FY27. We expect the capex-to-sales ratio to stabilise around 1.5% and EBIT margin to trend down to 15.5% from 17.5% in FY13E. Our assumptions are: a risk-free rate of 6.7%, an equity risk premium of 8.1%, beta of 0.8 and a terminal growth rate of 4%. Our terminal growth rate is in line with the anticipated long-term growth rate of households in India. Our resulting WACC is 13.2%.

Figure 22: Bajaj – abridged DCF

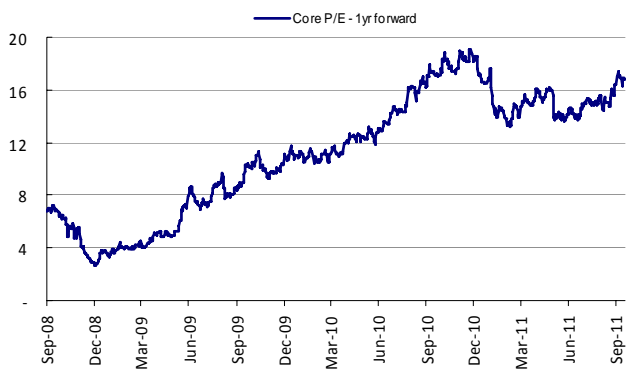
Assumptions						
WACC	13.2%					
Terminal growth rate of cash flow	4%					
Terminal value	1,115,616	Terminal growth rate				
PV of terminal value	174,168	2.0%	4.0%	6.0%	8.0%	
Enterprise value	467,920	11.2%	2,119	2,353	2,768	3,705
TV as % of Total	37%	12.2%	1,878	2,041	2,311	2,838
Net debt	(53,256)	13.2%	1,684	1,801	1,984	2,307
Equity value	521,176	14.2%	1,525	1,611	1,739	1,949
Equity value per share	1,801	15.2%	1,393	1,457	1,549	1,691

Source: Deutsche Bank

Improving competitive position should sustain higher-than-historical valuations

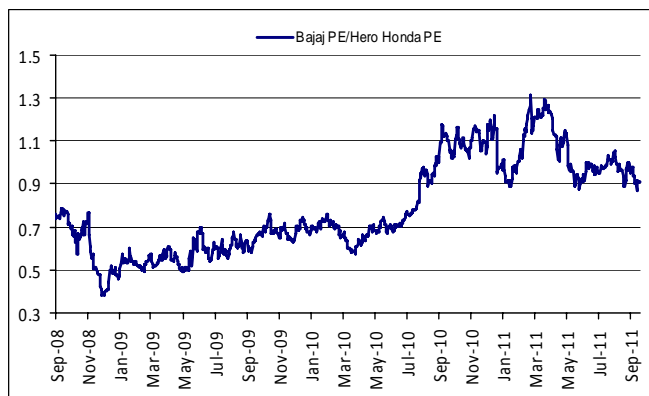
Bajaj currently trades at 15.5x FY13E core EPS and an FCF yield of 6%. The company is now trading at a 15% discount to Hero Motocorp, its closest peer. At our target price, Bajaj would trade at 17.5x FY13E core EPS after adjusting for Rs182 per share of excess cash. Since its re-listing in May 2008, Bajaj’s valuations have ranged between a 50% discount and a 30% premium compared to Hero. The movement in valuations has correlated closely with the success or failure of Bajaj’s new model launches. Historically, Hero has traded in the range of 10x to 22x one-year forward earnings. We believe that as Bajaj continues to focus and strengthen its position in the higher-priced (and faster-growing) segment, it could trade at the higher end of Hero’s historical valuation band.

Figure 23: Bajaj – one-year forward core P/E



Source: Bloomberg Finance LP, Deutsche Bank

Figure 24: Bajaj P/E relative to Hero Motocorp P/E



Source: Bloomberg Finance LP, Deutsche Bank

Risks

Increased competitive intensity likely due to the break-up of JV between the Hero group and Honda

Honda is likely to target the domestic motorcycle market more aggressively than it did in the past. We believe HMSI (Honda's 100% subsidiary in India) may launch new products in the 100cc motorcycle segment, which would directly compete with Hero Honda's Splendor and Bajaj's Discover100. The Discover100 is one of Bajaj's more profitable products, and a loss of volume by this product could affect our revenue and EBITDA estimates.

Increasing competition in the 3W segment

TVS, a late entrant in the 3W segment, has been gaining market share at the expense of Piaggio and other smaller manufacturers. Piaggio will likely launch a small passenger 3W in 2011. If the increase in competition leads to a price war, it could have a negative impact on Bajaj's margins, as 3Ws constitute 20% of its revenues and 28% of EBITDA.

Slowdown in exports

Exports constitute c.30% of Bajaj's revenues and these could become affected due to the choppy global macro environment. We do not expect a meaningful impact as Bajaj's major markets are in the developing countries of Africa and South Asia.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Bajaj Auto Limited	BAJA.NS	1604.00 (INR) 21 Sep 11	4,14,15

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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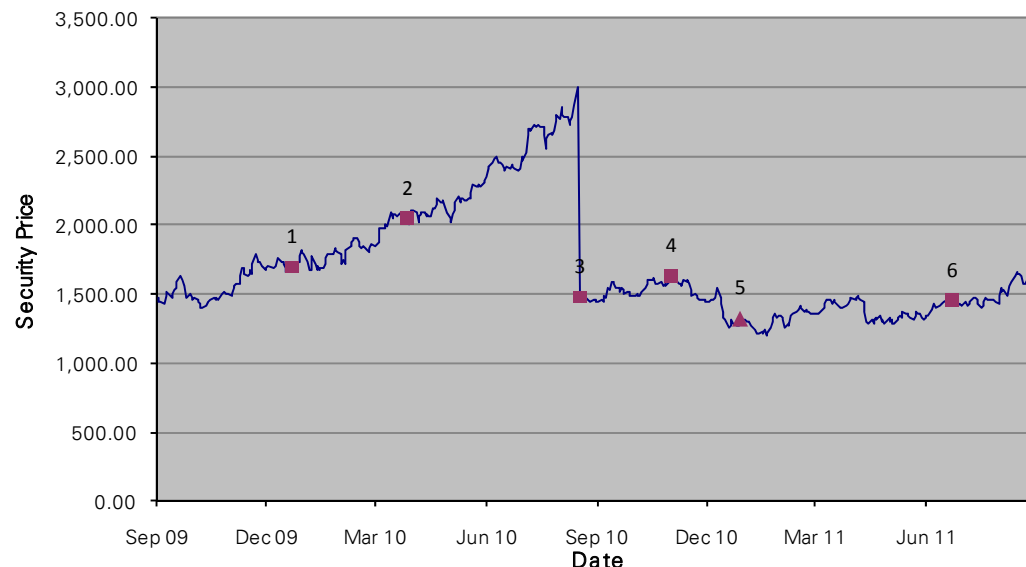
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Historical recommendations and target price: Bajaj Auto Limited (BAJA.NS)

(as of 9/21/2011)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

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2.	18/4/2010:	Hold, Target Price Change INR2,200.00	5.	19/1/2011:	Upgrade to Buy, Target Price Change INR1,650.00
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Equity rating key Equity rating dispersion and banking relationships

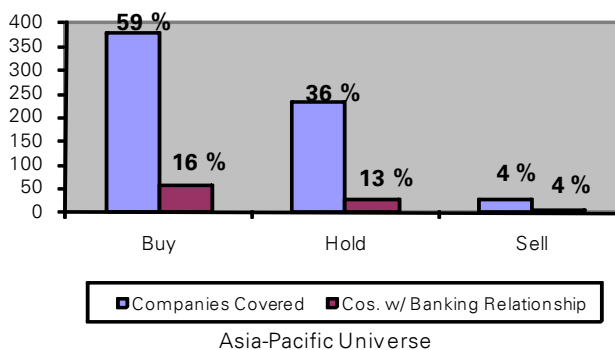
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Deutsche Bank AG/Hong Kong**Asia-Pacific locations****Deutsche Bank AG**

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
tel: (852) 2203 8888

Deutsche Equities India Pte Ltd

3rd Floor, Kodak House
222, Dr D.N. Road
Fort, Mumbai 400 001
SEBI Nos: INB231196834
INB011196830, INF231196834
Tel: (91) 22 6658 4600

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank (Malaysia) Berhad

Level 18-20
Menara IMC
8 Jalan Sultan Ismail
Kuala Lumpur 50250
Malaysia
Tel: (60) 3 2053 6760

In association with
Deutsche Regis Partners, Inc.

Level 23, Tower One
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Tel: (63) 2 894 6600

Deutsche Securities Korea Co.

17th Floor, YoungPoong Bldg.,
33 SeoRin-Dong,
Chongro-Ku, Seoul (110-752)
Republic of Korea
Tel: (82) 2 316 8888

Deutsche Bank AG Singapore

One Raffles Quay
South Tower
Singapore 048583
Tel: (65) 6423 8001

Deutsche Securities Asia Ltd

Taiwan Branch
Level 6
296 Jen-Ai Road, Sec 4
Taipei 106
Taiwan
Tel: (886) 2 2192 2888

In association with
TISCO Securities Co., Ltd

TISCO Tower
48/8 North Sathorn Road
Bangkok 10500
Thailand
Tel: (66) 2 633 6470

In association with
PT Deutsche Verdhana Indonesia

Deutsche Bank Building,
6th Floor, Jl. Imam Bonjol No.80,
Central Jakarta,
Indonesia
Tel: (62 21) 318 9541

International locations**Deutsche Bank Securities Inc.**

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank AG

Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
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