



Bajaj Auto

Relative to sector: **Outperformer**

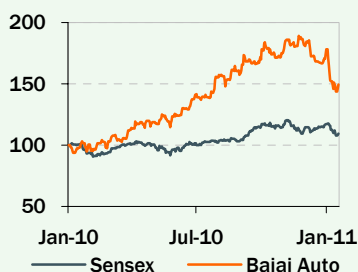
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 289 mn
Market cap	: Rs 375.3 bn
52 week high/low	: Rs 1,665/ Rs 810
Avg. daily vol. (6mth)	: 704,400 shares
Bloomberg code	: BJAUT IB
Reuters code	: BJAT.BO

Shareholding (%) Dec-10 QoQ chg

Promoters	: 49.7	0.0
FIs	: 17.8	(0.7)
MFs / UTI	: 2.3	0.1
Banks / FIs	: 3.9	1.0
Others	: 26.3	(0.5)

Financial summary (Standalone)

Y/E Mar	Net Sales (Rs mn)	EBITDA (Rs mn)	Adj. PAT (Rs mn)	Adj. EPS (Rs.)	Change (YoY)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2009	87,790	11,463	8,616	30	-	-	53	38	-
2010	118,966	25,525	18,651	64	116	-	81	68	-
2011E	168,014	34,164	25,963	90	39	14	73	75	10.0
2012E	192,847	38,654	30,023	104	16	12	61	68	8.5

Source: Company, ENAM estimates

SOLID PERFORMANCE YET AGAIN

Bajaj Auto's (BAL) Q3FY11 performance was in-line with estimates, with EBITDA margin of 20.3% (↓ 33 bps QoQ). While EBITDA margin has contracted marginally on a QoQ basis (as expected), we believe that BAL has negated raw material pressures effectively with pricing action (of ~1-3% in dom. mkt) in Q3.

With further increase in prices by ~1-3% across products (for dom. and export mkts) in Jan-11, we expect Bajaj's operating margins to remain healthy in the coming qtrs as well.

Key Highlights:

- BAL reported revenues of Rs 42 bn (↓ 4% QoQ, ↑ 27% YoY), EBITDA of Rs 8.5 bn (↓ 5% QoQ, ↑ 17% YoY) and adj. PAT of Rs 6.7 bn (↓ 2% QoQ, ↑ 28% YoY) in Q3FY11.
- While BAL's Q3 dispatch volumes, at 0.95 mn units, are down ~5% QoQ, we understand that retail volumes are higher by 20+%, as excess inventory carried from Q2 has been cleared. As a result, we believe that BAL's volumes are likely to remain buoyant in the coming months as well.
- The mgmt has indicated potential volume growth of 20% for FY12 (our est of 15%), led by new launches and continued traction within the *Discover* and *Pulsar* franchise. Additionally, BAL is confident of maintaining 20%+ margins in FY12E as well.
- The co. plans to launch a new variant of *Discover* in April-11 and *Pulsar* in Q3FY12. In addition, it will also start local production of the KTM-Duke (125cc) in FY12E.

Robust FY12 guidance. Upgrade to BUY

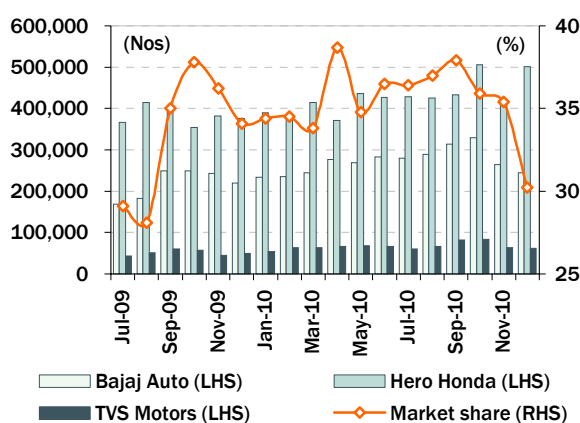
With strong volume growth expectation of 15% (mgmt guidance at 20%) and steady margins for FY12E, we believe that the risk-reward from current price is favorable. We maintain our FY11 and FY12 EPS est. of Rs 90 and Rs 104 resp. We upgrade our rating on the stock to **BUY**, with a TP of Rs 1,585 (16x FY12E core EPS + Rs 112/ cash per share).

Results update

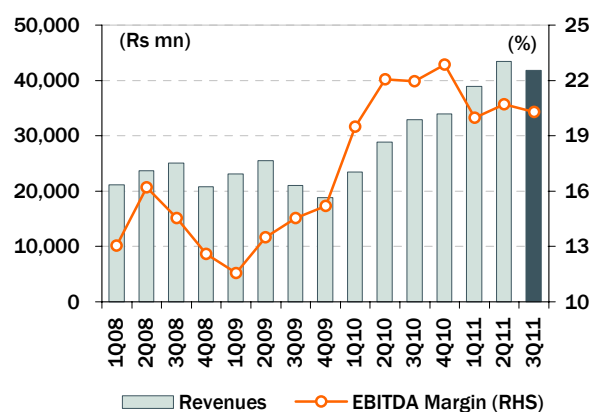
(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
Net revenue	41,771	32,956	27	43,418	(4)	168,014	118,966	41
EBITDA	8,493	7,235	17	8,972	(5)	34,164	25,525	34
Other income	995	351	-	837	19	3,500	1,469	-
PBIDT	9,488	7,587	25	9,809	(3)	37,664	26,994	40
Depreciation	310	357	(13)	300	4	1,550	1,365	14
Interest	4	0	-	7	(45)	3	60	(95)
PBT	9,174	7,230	27	9,503	(3)	36,261	25,726	41
Tax	2,503	2,020	24	2,682	(7)	10,298	7,075	46
Adjusted PAT	6,671	5,210	28	6,821	(2)	25,963	18,651	39
Extra ordinary income/ (exp.)	-	(458)	-	-	-	-	(1,650)	-
Reported PAT	6,671	4,751	40	6,821	(2)	25,963	17,001	53
No. of shares (mn)	289	289	-	289	-	289	289	-
EBITDA margin (%)	20.3	22.0	-	20.7	-	20.3	21.5	-
PBIDT margin (%)	22.7	23.0	-	22.6	-	22.4	22.7	-
EPS - annualized (Rs)	92	72	28	94	(2)	90	64	39

Source: Company, ENAM Research.

Bajaj: Volume and market share movements*

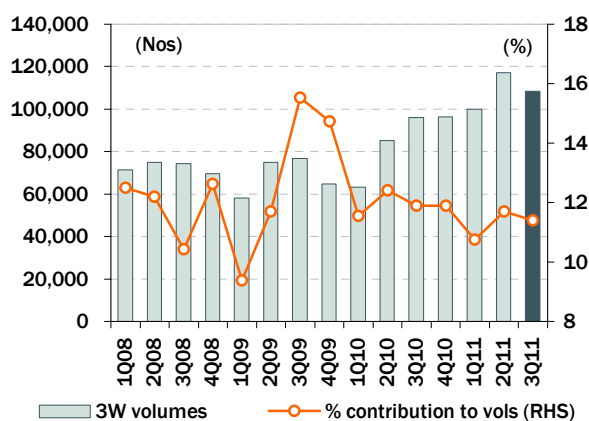


Bajaj: Revenues and EBITDA margins

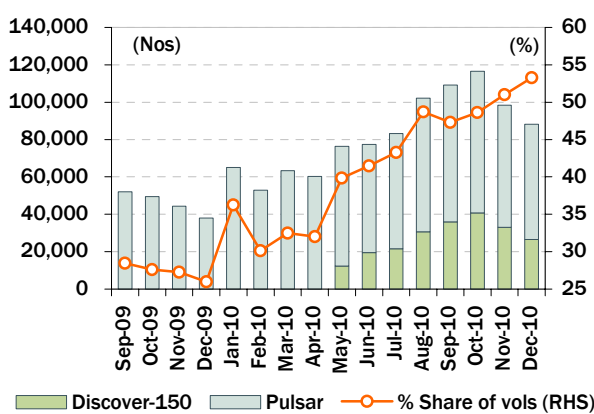


Source: Company, Industry, ENAM Research, *indicated figures for only top 3 manufacturers (i.e. HHM, Bajaj and TVS).

3Ws: Volumes strengthen, contribution steady



Pulsar + Discover-150 now ~53% of MC volumes



Source: Company, Industry, ENAM Research

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