

Q4FY11-In-line quarter

■ Q4FY11 – Sales: Rs.40.5bn (+23% YoY); EBITDA: Rs 8.6bn (+11%YoY)

Net sales increased by 1% qoq. Domestic ASP was flat qoq and exports ASP was marginally up by 40bps qoq. EBITDA margin increased 20bps qoq to 21.3% and was ahead of our expectation of 20.8% mainly due to lower than expected RM to sales, down ~60bps qoq at 73.5%. Staff costs increased 22% qoq.

■ Q4 reported PAT affected by one-offs

Co. reported PAT of Rs.14bn, +110% qoq, mainly due to exceptional item (non-cash) relating to sales tax deferral incentive to extent of Rs.8.3bn partially offset by impairment charge of ~Rs.1bn relating to losses at the Indonesian subsidiary. Adjusted PAT (excluding one-offs) was broadly in line with estimate at Rs.6.8b. Co. declared dividend of Rs.40/shr. Co. has Rs2.3b in net cash as at the end of FY11.

■ Conf. call tomorrow at 15.30 IST

We await details on FY12 outlook in the conf. call tomorrow at 3:30 P.M. IST; primary dial in: (+91 22) 6629 0365/ 3065 0143.

■ Valuation: Maintain Buy Rating and PT of Rs.1,750

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers with UBS's VCAM tool with a WACC of 11.5%.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	84,460.30	115,431.60	161,565.37	188,978.77	219,526.62
EBIT (UBS)	9,439.70	23,927.30	32,468.91	35,543.10	39,722.10
Net Income (UBS)	7,430.30	17,596.20	26,168.99	29,041.88	32,713.64
EPS (UBS, Rs)	25.68	60.81	90.44	100.36	113.05
Net DPS (UBS, Rs)	11.00	20.00	38.21	42.41	47.77

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	12.2	20.7	20.1	18.8	18.1
ROIC (EBIT) %	>500	295.8	>500	<-500	<-500
EV/EBITDA (core) x	11.9	6.7	10.2	8.9	7.5
PE (UBS) x	17.3	11.0	14.5	13.0	11.6
Net dividend yield %	3.0	3.0	2.9	3.2	3.7

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs1,308.20 on 17 May 2011 23:37 SGT

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India

Automobile Manufacturers

12-month rating **Buy**
Unchanged

12m price target **Rs1,750.00/US\$38.82**
Unchanged

Price **Rs1,308.20/US\$29.02**

RIC: BAJA.BO BBG: BJAUT IB

18 May 2011

Trading data (local/US\$)

52-wk range	Rs1,636.75-1,010.05/US\$36.38-21.17
Market cap.	Rs379bn/US\$8.40bn
Shares o/s	289m (ORD)
Free float	49%
Avg. daily volume ('000)	474
Avg. daily value (m)	Rs650.6

Balance sheet data 03/11E

Shareholders' equity	Rs40.8bn
P/BV (UBS)	4.6x
Net Cash (debt)	Rs2.90bn

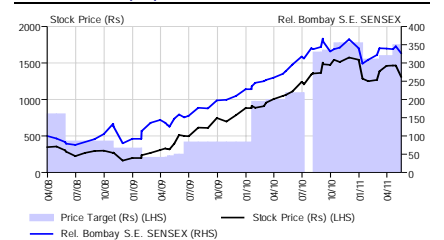
Forecast returns

Forecast price appreciation	+33.8%
Forecast dividend yield	3.0%
Forecast stock return	+36.8%
Market return assumption	13.0%
Forecast excess return	+23.8%

EPS (UBS, Rs)

	03/11E	03/10	Actual
Q1E	22.61	-	15.20
Q2E	22.61	-	15.20
Q3E	22.61	-	15.20
Q4E	22.61	20.66	15.20
03/11E	90.44	90.44	
03/12E	100.36	100.36	

Performance (Rs)



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This report has been prepared by UBS Securities India Private Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

UBS does and seeks to do business with companies covered in its research reports. As a result, 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.

Table 1: Bajaj Auto sales volumes

	Q4 FY11	Q3 FY11	Q4 FY10	QoQ	YoY	FY11	FY10	YoY
Motorcycle - domestic	617,252	598,580	549,701	3%	12%	2,414,603	1,781,748	36%
Motorcycle - exports	219,416	239,929	162,689	-9%	35%	972,437	725,023	34%
3W - domestic	55,100	51,648	44,499	7%	24%	205,603	176,027	17%
3W - exports	56,427	56,715	51,782	-1%	9%	231,281	164,887	40%
Motorcycles	836,668	838,509	712,390	0%	17%	3,387,040	2,506,771	35%
Three-wheelers	111,527	108,363	96,281	3%	16%	436,884	340,914	28%
Total volume	948,195	946,872	808,929	0%	17%	3,823,951	2,852,536	34%

Source: Company Data

Table 2: Bajaj Auto P&L

(Rs m)	Q4 FY11	Q3 FY11	Q4 FY10	QoQ	YoY	FY11	FY10	YoY
Net sales	40,517	40,282	32,905	1%	23%	159,981	115,085	39%
(Incr)/Decr in WIP	(1,756)	379	(1,006)	-563%	75%	(828)	(476)	
Raw materials	31,525	29,447	24,550	7%	28%	118,816	81,180	46%
Staff cost	1,296	1,066	862	22%	50%	4,768	3,995	19%
Other expenditure	2,411	2,427	1,877	-1%	28%	9,651	8,742	10%
Expenses capitalised	(92)	(41)	(59)	121%	56%	(167)	(157)	6%
Total operating expense	33,385	33,278	26,224	0%	27%	141,574	98,219	44%
Core EBITDA	7,133	7,004	6,681	2%	7%	27,741	21,801	27%
Other operating Income	1,482	1,489	1,090	0%	36%	6,108	4,125	48%
Other Income	1,010	995	425	2%	138%	3,658	1,225	199%
Interest	1	4	(0)	-86%	-600%	17	60	-72%
Depreciation	301	310	341	-3%	-12%	1,228	1,365	-10%
PBT	16,569	9,174	7,397	81%	124%	43,508	24,111	80%
Tax	2,565	2,503	2,076	2%	24%	10,110	7,076	43%
PAT (Reported)	14,004	6,671	5,286	109.9%	164.9%	33,397	17,001	96%

Source: Company data

Table 3: Bajaj Auto cost structure

As % of Net sales	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11
Raw material	72.5%	68.5%	68.5%	71.3%	71.6%	74.1%	73.5%	74.0%	73.5%
Staff cost	5.3%	5.0%	3.8%	2.9%	2.6%	3.4%	2.7%	2.6%	3.2%
Other expenditure	11.7%	9.9%	8.4%	7.2%	5.7%	5.9%	6.3%	6.0%	6.0%
Core EBITDA margin	10.6%	16.6%	19.4%	18.8%	20.3%	16.7%	17.6%	17.4%	17.6%
Other operating income	5.4%	3.5%	3.4%	4.1%	3.3%	4.1%	3.8%	3.7%	3.7%
Tax rate	31.2%	29.4%	30.4%	29.8%	28.1%	28.6%	28.2%	27.3%	15.5%

Source: Company data

Table 4: Per unit analysis

	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11
ASP - Net	40,601	41,248	40,674	39,122	40,677	40,258	41,786	42,542	42,731
ASP - export	29,940	35,727	35,617	34,684	40,099	37,357	37,516	38,160	38,319
ASP - domestic	46,202	43,913	43,128	41,393	40,885	41,812	43,679	44,541	44,541
Raw material cost	29,417	28,248	27,848	27,887	29,105	29,819	30,695	31,500	31,395
Staff cost	2,150	2,062	1,564	1,149	1,065	1,361	1,141	1,126	1,367
Other expenditure	4,757	4,098	3,416	2,811	2,320	2,364	2,616	2,563	2,543
Average EBITDA	4,315	6,864	7,896	7,338	8,259	6,723	7,359	7,397	7,522
Other operating income	2,178	1,451	1,373	1,603	1,347	1,646	1,608	1,573	1,563

Source: Company Data

Bajaj Auto

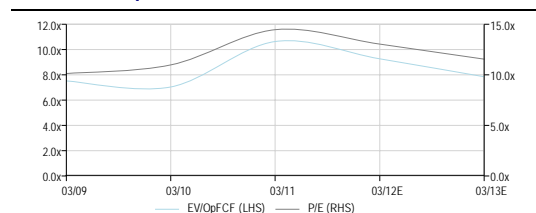
Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	75,797.70	94,530.30	86,659.20	84,460.30	115,431.60	161,565.37	40.0	188,978.77	17.0	219,526.62	16.2
Operating expenses (ex depn)	(63,188.40)	(81,157.80)	(77,874.90)	(76,905.00)	(93,869.40)	(133,900.84)	42.6	(158,659.78)	18.5	(184,371.31)	16.2
EBITDA (UBS)	12,609.30	13,372.50	11,600.30	10,745.90	25,301.40	33,863.11	33.8	37,170.64	9.8	41,549.64	11.8
Depreciation	(1,912.80)	(1,905.90)	(1,746.10)	(1,306.20)	(1,374.10)	(1,394.20)	1.5	(1,627.53)	16.7	(1,827.53)	12.3
Operating income (EBIT, UBS)	10,696.50	11,466.60	9,854.20	9,439.70	23,927.30	32,468.91	35.7	35,543.10	9.5	39,722.10	11.8
Other income & associates	5,239.70	6,664.90	2,164.80	1,716.20	1,795.70	3,723.00	107.3	4,623.00	24.2	5,523.00	19.5
Net interest	(3.40)	(55.40)	(51.60)	(218.90)	(67.50)	0.00	-	0.00	-	0.00	-
Abnormal items (pre-tax)	(227.80)	(489.60)	(1,025.30)	(2,072.40)	(1,624.00)	0.00	-	0.00	-	0.00	-
Profit before tax	15,705.00	17,586.50	10,942.10	8,864.60	24,031.50	36,191.91	50.6	40,166.10	11.0	45,245.10	12.6
Tax	(5,093.70)	(5,279.50)	(3,684.20)	(2,888.80)	(7,034.50)	(10,025.16)	42.5	(11,126.01)	11.0	(12,532.89)	12.6
Profit after tax	10,611.30	12,307.00	7,257.90	5,975.80	16,997.00	26,166.75	53.9	29,040.09	11.0	32,712.21	12.6
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Minorities / pref dividends	215.20	198.70	237.70	(617.90)	(1,024.80)	2.24	-	1.79	-20.0	1.43	-20.0
Net income (local GAAP)	10,826.50	12,505.70	7,495.60	5,357.90	15,972.20	26,168.99	63.8	29,041.88	11.0	32,713.64	12.6
Net Income (UBS)	11,054.30	12,995.30	8,520.90	7,430.30	17,596.20	26,168.99	48.7	29,041.88	11.0	32,713.64	12.6
Tax rate (%)	32.43	30.02	33.67	32.59	29.27	27.70	-5.4	27.70	0.0	27.70	0.0
Pre-abnormal tax rate (%)	31.97	29.21	30.79	26.41	27.42	27.70	1.0	27.70	0.0	27.70	0.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	37.42	43.22	25.90	18.52	55.20	90.44	63.8	100.36	11.0	113.05	12.6
EPS (UBS)	38.20	44.91	29.45	25.68	60.81	90.44	48.7	100.36	11.0	113.05	12.6
Net DPS	20.00	20.00	10.00	11.00	20.00	38.21	91.1	42.41	11.0	47.77	12.6
Cash EPS	44.81	51.50	35.48	30.19	65.56	95.25	45.3	105.99	11.3	119.37	12.6
BVPS	179.74	212.57	56.11	62.65	187.78	281.79	50.1	387.11	37.4	505.74	30.6
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	12,307.70	14,063.70	12,975.30	15,521.80	15,248.60	20,029.40	31.4	23,401.87	16.8	26,574.33	13.6
Net intangible fixed assets	13.40	41.30	105.30	1,995.60	0.00	152.00	-	152.00	0.0	152.00	0.0
Net working capital (incl. other assets)	(17,023.30)	(24,899.50)	(2,870.20)	(2,988.20)	(13,601.70)	(20,051.14)	47.4	(24,513.81)	22.3	(29,884.18)	21.9
Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Operating invested capital	(4,702.20)	(10,794.50)	10,210.40	14,529.20	1,646.90	130.26	-92.1	(959.95)	-	(3,157.84)	229.0
Investments	99,373.40	144,429.20	18,749.80	17,904.20	37,742.20	37,742.20	0.0	37,742.20	0.0	37,742.20	0.0
Total capital employed	94,671.20	133,634.70	28,960.20	32,433.40	39,389.10	37,872.46	-3.9	36,782.25	-2.9	34,584.36	-6.0
Shareholders' equity	52,010.00	61,508.30	16,235.70	18,127.90	27,169.30	40,770.49	50.1	56,007.90	37.4	73,171.78	30.6
Minority interests	1,487.90	2,197.00	4.20	0.00	3.80	3.99	5.0	4.19	5.0	4.40	5.0
Total equity	53,497.90	63,705.30	16,239.90	18,127.90	27,173.10	40,774.48	50.1	56,012.09	37.4	73,176.18	30.6
Net debt / (cash)	41,173.30	69,929.40	12,720.30	14,305.50	12,216.00	(2,902.02)	-	(19,229.84)	562.6	(38,591.82)	100.7
Other debt-deemed items	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	94,671.20	133,634.70	28,960.20	32,433.40	39,389.10	37,872.46	-3.9	36,782.25	-2.9	34,584.36	-6.0
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	10,696.50	11,466.60	9,854.20	9,439.70	23,927.30	32,468.91	35.7	35,543.10	9.5	39,722.10	11.8
Depreciation	1,912.80	1,905.90	1,746.10	1,306.20	1,374.10	1,394.20	1.5	1,627.53	16.7	1,827.53	12.3
Net change in working capital	7,584.47	7,876.20	(22,029.30)	118.00	10,613.50	6,449.44	-39.2	4,462.67	-30.8	5,370.36	20.3
Other (operating)	(32.28)	27.90	64.00	3,606.50	(199.90)	3,875.00	-	4,623.00	19.3	5,523.00	19.5
Operating cash flow (pre tax/interest)	20,161.49	21,276.60	(10,365.00)	14,470.40	35,715.00	44,187.56	23.7	46,256.31	4.7	52,443.00	13.4
Net interest received / (paid)	(3.40)	(55.40)	(51.60)	(218.90)	(67.50)	0.00	-	0.00	-	0.00	-
Dividends paid	(4,615.00)	(4,735.10)	(3,385.50)	(3,724.00)	(6,748.50)	(12,438.90)	84.3	(13,804.47)	11.0	(15,549.77)	12.6
Tax paid	(5,459.90)	(5,499.90)	(3,961.00)	(3,084.00)	(7,126.20)	(10,133.74)	42.2	(11,246.51)	11.0	(12,668.63)	12.6
Capital expenditure	(40,888.24)	(48,602.00)	129,807.00	(3,372.50)	(654.50)	(6,175.00)	843.5	(5,000.00)	-19.0	(5,000.00)	0.0
Net (acquisitions) / disposals	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Other	0.00	0.00	0.00	223.20	(20,865.60)	0.00	-	0.00	-	(.00)	-
Share issues	2,221.48	1,727.70	(49,817.70)	258.30	(182.30)	(128.90)	-29.3	0.00	-	0.00	-
Cash flow (inc)/dec in net debt	(28,583.57)	(35,888.10)	62,226.20	4,552.50	70.40	15,311.02	21648.6	16,205.32	5.8	19,224.60	18.6
FX / non cash items	6,077.07	7,132.00	(5,017.10)	(6,137.70)	2,019.10	(192.99)	-	122.49	-	137.38	12.2
Balance sheet (inc)/dec in net debt	(22,506.50)	(28,756.10)	57,209.10	(1,585.20)	2,089.50	15,118.02	623.5	16,327.81	8.0	19,361.98	18.6
Core EBITDA	12,609.30	13,372.50	11,600.30	10,745.90	25,301.40	33,863.11	33.8	37,170.64	9.8	41,549.64	11.8
Maintenance capital expenditure	(1,912.80)	(1,905.90)	(1,746.10)	(1,306.20)	(1,374.10)	(1,394.20)	1.5	(1,627.53)	16.7	(1,827.53)	12.3
Maintenance net working capital	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Operating free cash flow, pre-tax	10,696.50	11,466.60	9,854.20	9,439.70	23,927.30	32,468.91	35.7	35,543.10	9.5	39,722.10	11.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

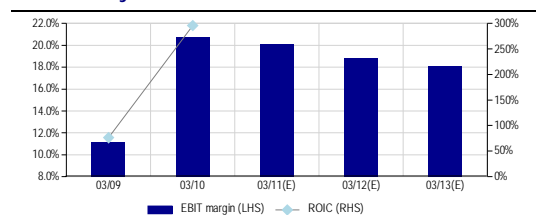
Company profile

Bajaj Auto was India's largest two-wheeler manufacturer until 2000. It is present in all product segments, including three-wheelers. Bajaj has a technical tie-up with Kawasaki in the motorcycle segment. Bajaj was strongest in scooters, although its position has declined sharply in recent years. Bajaj is now attempting to gain market share through the launch of new motorcycle models. The company is also trying to gain a foothold in the two-wheeler markets in Southeast Asia and Latin America via CKD assembly facilities set up by its distributors.

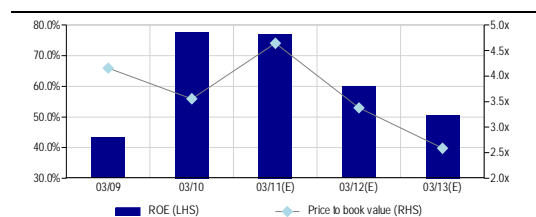
Value (EV/OpFCF & P/E)



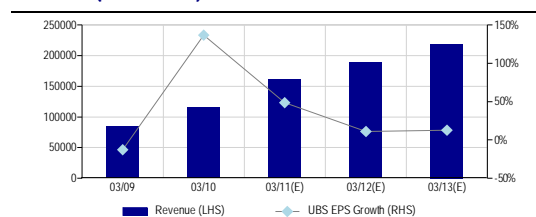
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	19.2	14.1	12.1	14.5	13.0	11.6
P/E (UBS)	17.3	10.1	11.0	14.5	13.0	11.6
P/CEPS	14.6	8.6	10.2	13.7	12.3	11.0
Net dividend yield (%)	3.0	4.2	3.0	2.9	3.2	3.7
P/BV	5.8	4.2	3.6	4.6	3.4	2.6
EV/revenue (core)	1.7	0.8	1.5	2.1	1.7	1.4
EV/EBITDA (core)	11.9	6.6	6.7	10.2	8.9	7.5
EV/EBIT (core)	14.0	7.5	7.1	10.6	9.3	7.9
EV/OpFCF (core)	14.0	7.5	7.1	10.6	9.3	7.9
EV/op. invested capital	NM	5.7	NM	NM	NM	NM

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	75,345.85	193,287.4	378,553.8	378,553.8	378,553.8
+ minority interests	0.00	3.80	3.99	4.19	4.40
+ average net debt (cash)	13,512.99	13,260.75	4,656.99	(11,065.93)	(28,910.83)
+ pension obligations and other	0.00	0.00	0.00	0.00	0.00
- non-core asset value	(17,904.20)	(37,742.20)	(37,742.20)	(37,742.20)	(37,742.20)
Core enterprise value	70,954.55	168,809.7	345,472.6	329,749.8	311,905.2

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	9.3	-2.5	36.7	40.0	17.0	16.2
EBITDA (UBS)	4.6	-7.4	135.5	33.8	9.8	11.8
EBIT (UBS)	7.3	-4.2	153.5	35.7	9.5	11.8
EPS (UBS)	-3.3	-12.8	136.8	48.7	11.0	12.6
Cash EPS	-4.1	-14.9	117.1	45.3	11.3	12.6
Net DPS	-6.3	10.0	81.8	91.1	11.0	12.6
BVPS	-19.7	11.7	199.8	50.1	37.4	30.6

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	14.4	12.7	21.9	21.0	19.7	18.9
EBIT / revenue	12.2	11.2	20.7	20.1	18.8	18.1
Net profit (UBS) / revenue	12.3	8.8	15.2	16.2	15.4	14.9

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	NM	NM	NM	NM	NM	NM
ROIC post tax	-	56.2	NM	NM	NM	NM
Net ROE	26.4	43.2	77.7	77.0	60.0	50.6

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	NM	NM	NM	-	-	-
Dividend cover (UBS EPS)	2.3	2.3	3.0	2.4	2.4	2.4
Div. payout ratio (% , UBS EPS)	44.5	42.8	32.9	42.3	42.3	42.3
Net debt / EBITDA	2.7	1.3	0.5	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	NM	6.8	14.3	NM	NM	NM
Revenue / fixed assets	6.0	5.5	7.0	9.1	8.6	8.7
Revenue / net working capital	NM	NM	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	NM	4.0	0.6	3.8	2.6	2.3
Capex / depreciation	NM	2.6	0.5	4.4	3.1	2.7

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	81.9	78.9	45.0	(7.1)	(34.3)	(52.7)
Net debt / (net debt + equity)	45.0	44.1	31.0	(7.7)	(52.3)	NM
Net debt (core) / EV	22.8	19.0	7.9	1.3	(3.4)	(9.3)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs1,308.20 on 17 May 2011 23:37 SGT Market cap(E) may include forecast share issues/buybacks.

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■ Bajaj Auto

Bajaj Auto was India's largest two-wheeler manufacturer until 2000. It is present in all product segments, including three-wheelers. Bajaj has a technical tie-up with Kawasaki in the motorcycle segment. Bajaj was strongest in scooters, although its position has declined sharply in recent years. Bajaj is now attempting to gain market share through the launch of new motorcycle models. The company is also trying to gain a foothold in the two-wheeler markets in Southeast Asia and Latin America via CKD assembly facilities set up by its distributors.

■ Statement of Risk

We think key risks for Bajaj remain rising commodity prices, a potential price war with Hero Honda in the domestic market, a sharp decline in 3W volumes, and a drop in export sales

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	52%	41%
Neutral	Hold/Neutral	40%	37%
Sell	Sell	8%	20%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	30%
Sell	Sell	less than 1%	17%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

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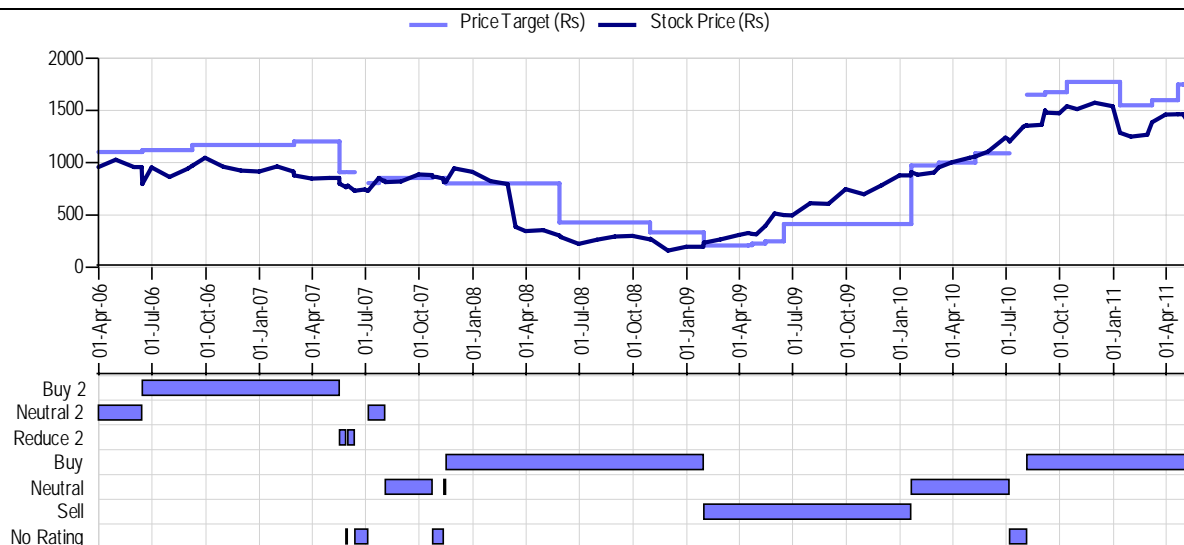
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bajaj Auto	BAJA.BO	Buy	N/A	Rs1,308.20	17 May 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Bajaj Auto (Rs)



Source: UBS; as of 17 May 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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