

Bajaj Auto Ltd

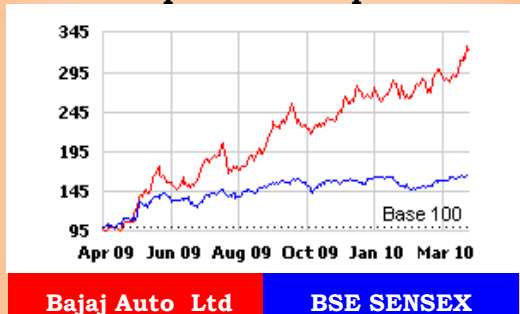
BUY

April 7, 2010

C.M.P:
Rs.2060.00

Target Price:
Rs.2370.00

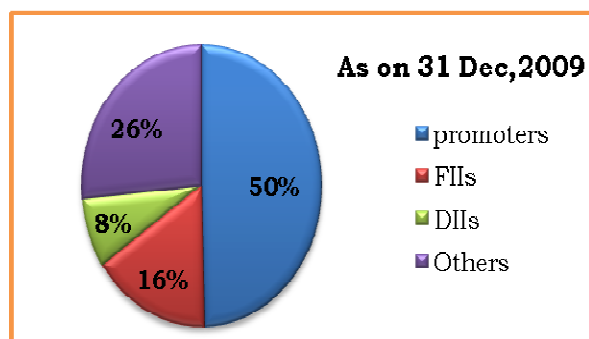
1 Year Comparative Graph



Stock Data

Sector	Automobile
Face Value (Rs.)	10.00
52 wk. High/Low (Rs.)	2115.00/597.05
Volume (2 wk. Avg.)	63000
BSE Code	532977
Market Cap (Rs.mn.)	298040.80

Share Holding Pattern



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SYNOPSIS

- Bajaj Auto Ltd. is the largest exporter of two and three wheelers and the company has a technical tie-up with Kawasaki Heavy Industries of Japan.
- The company regained market share in the domestic market to 27% in the December quarter from 22% in 2008-09.
- The company is planning to sell four million vehicles in the next fiscal year.
- The company launched its new Pulsar 135 LS. It is the world's first four valve DTS i-engine bike and the only light sports bike in the country.
- The company is planning to set up an assembly plant in a free trade zone in Manaus in Brazil next financial year.
- The company's top line and bottom line are expected to grow at a CAGR of 15% and 35% over FY08 to FY11E.

Financials

(Rs. in mn.)	FY08	FY09	FY10E	FY11E
Net Sales	90461	88103	118500	136275
EBIDTA	13138	11088	24771	28375
PAT	7559	6564	16309	18662
EPS	52.24	45.24	112.73	128.99
P/E	39.43	45.54	18.27	15.97

Investment Rationale

✚ Bajaj has record FY 2010, Targets 4 Million vehicles in FY 2011

Bajaj achieved a record sale of 2.85 million vehicles in FY 2010, the highest ever in its history. This includes exports of nearly 900,000 vehicles, also the highest ever in its history.

This strong showing owes itself to the success of the twin brand strategy of Discover and Pulsar, as also to the continued growth in commercial vehicle and export sales.

Bajaj has set itself a target of 4 million vehicles, including 1 million exports, in FY 2011

✚ February sales

The company has reported 78% jump in motorcycle sales at 2,34,623 units in February 2010 compared to 1,31,785 units in February 2009. Total two-wheeler sales during the month also jumped by 77% to 2,34,710 units over 1,32,393 units in the same period a year ago.

The company's exports went up 53% to 77,642 units in February from 50,738 units in February, 2009. The company reported a rise of 59% in three-wheeler sales during February at 33,968 units as against 21,389 units during the same month last year.

Bajaj Auto attributed this growth to robust sales of its Pulsar and Discover range of bikes. In response to the continuing strong demand for these two brands, Bajaj is expanding its motorcycle capacity to 3,00,000 units per month by April 2010.

Valuation

At the market price of Rs.2060.00, the stock is trading at 18.27 x and 15.97 x for FY10E and FY11E respectively. On the basis of EV/EBDITA, the stock trades at 13.48 x for FY10E and 13.13 x for FY11E. Price to book value of the company is expected to be at 8.51 x for FY10E and 5.55 x for FY11E. EPS of the company is expected to be at Rs.112.73 and Rs.128.99 for the earnings of FY10E and FY11E respectively. We recommend '**BUY**' this stock with a target price of **Rs.2370.00** for medium to long term investment.

Financials	Dec09	Dec08	% Change
Net sales	32955	21031	57
Net profit	4751.4	1642.7	189
EPS	32.84	11.35	189

- Sales in Q4 2010 were 808,929 units, representing a growth of 84% over Q4 2009, hampered though by supply constraints.
- Bajaj achieved a record sale of 2.85 million vehicles in FY 2010, the highest ever in its history. This includes exports of nearly 900,000 vehicles, also the highest ever in its history.
- This strong showing owes itself to the success of the twin brand strategy of Discover and Pulsar, as also to the continued growth in commercial vehicle and export sales.
- The company has launched its much-awaited More Pictures 250cc motorcycle Kawasaki Ninja, priced at Rs 2.7lakh.



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