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Bajaj Auto Ltd.

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Bajaj Auto Ltd (BAJAJ-AUTO) - Bajaj Auto Limited is a Pune based two-wheeler and three-wheeler manufacturing company.[2] Bajaj Auto manufactures and sells motorcycles, scooters and auto rickshaws. Bajaj Auto is a part of the Bajaj Group. Bajaj Auto is the world's third-largest manufacturer of motorcycles and the second-largest in India. It is world's largest three-wheeler manufacturer. Bajaj Auto has a distribution network of 485 dealers and over 1,600 authorised services centres. It has 171 exclusive dealers for the three-wheeler segment .It has total 3750 rural outlets in rural areas.

Investor's Rationale

Net sales surged led by highest ever exports revenue – Bajaj Auto registered a growth of 5.07% YoY in its standalone net sales at ₹50,614.9 mn in Q1FY'14, as against ₹48,170.7 mn in Q2FY'13, driven by a robust performance on the exports front aided by favourable currency movement. Export revenue during the quarter stood at ₹21,250 mn as against Rs.16,860 mn in the same period last fiscal, reflecting a 26% upsurge.

Bottom-line expanded 13% on higher revenues earned – The two-wheeler manufacturer registered a 13% increase in its standalone net profit for Q2FY'14 at ₹8371.6 mn as against ₹7406.7 mn in Q2FY'13, on the back of higher revenue. Despite of a decline in unit sales volume by 8.37% to 9,61,330 units as against 10,49,208 units in year ago period, Bajaj Auto's profitability was not impacted much as its international business (accounts for 40% of total revenue) has helped. Moreover, the recent strategic initiatives taken by the company to enter into difficult markets like Africa, has now yielded rich dividend, thereby adding to the profitability.

September Sales up 2%, driven by higher exports – For the month ended September 2013, Baja Auto's motor-cycle sales rose 2.7% YoY at 3,23,879 units on account of a 10% rise in exports at 1,46,847 units on YoY basis. Commercial vehicle sales, however, were down 2% at 43,936 units, during the quarter. Overall sales of the company posted a 2% increase at 3,67,815 units in Q2FY'14.

Focused on the healthy growth by maintaining healthy product mix and diversifying across the geography - Bajaj Auto Ltd witnessed a good quarter backed by higher export earnings boosted by depreciation in the domestic currency. Despite of the somewhat gloomy automobile scenario in the country, the auto-maker saw significant improvement in margins during Q2FY'14. With the festive season round the corner with the launch of 6 new variants in the Discover family, Bajaj Auto is expected to perform well in the coming quarters.

Market Data

Rating	BUY	
CMP (₹)	2125	
Target Price	2460	
Stop Loss	1970	
Duration	Short-term	
52-week High-Low (₹)	2229/1656	
Rise from 52WL (%)	28.3	
Correction from 52WH (%)	4.6	
Beta	0.90	
1 year Average Volume (mn)	0.4	
Stock Return (%)	3M-	10.1
	6M-	13.2
	1Y-	(3.4)
Market Cap (₹bn)	616.93	
Book Value (₹)	273.08	

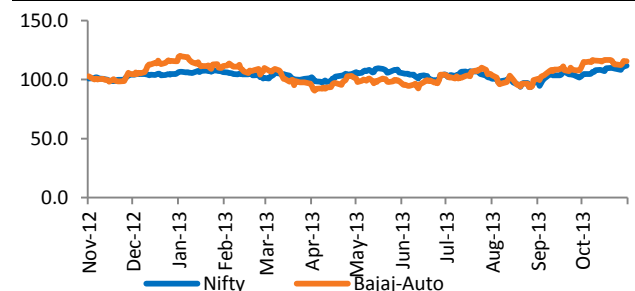
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	50.02	50.02	0.00
FII (%)	17.81	17.43	0.38
DII (%)	7.79	7.78	0.01
Public & Others (%)	24.38	24.77	(0.39)

Quarterly Performance (Standalone)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	50,614.9	48,170.7	48,087.3	5.1	5.3
Op. exp	40,429.3	40,571.9	40,043.8	(0.4)	1.0
EBITDA	11,319.6	9,152.3	9,067.1	23.7	24.8
OPM (%)	21.9	18.4	18.5	347bps	341.2bps
Net profit	8,371.6	7,406.9	7,376.8	13.0	13.5
NPM (%)	15.8	14.4	14.5	138.6 bps	129.6bps
EPS (₹)	28.9	25.6	25.5	12.9%	13.3%

One Year Price Chart





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