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Established in the year 1926, Bajaj Auto Limited (BAL) is engaged in the manufacture of motorcycles, three wheelers and parts in India and overseas. The company has three manufacturing plants situated at – Waluj, Chakan and Pant Nagar. It has overseas presence in several countries including Latin America, Africa, Middle East, South and South East Asia. The company has a domestic market share of ~55% for 3-wheelers and ~17% for motorcycles.

## Key Developments

### Prominent products and new launches by BAL:

BAL introduced many new products during FY15. In the Pulsar series of bikes, the recent launches include – Pulsar RS 200, Pulsar AS 200 and Pulsar NS 200 FI. Another variant of Discover 150F named - 'Discover 150S' has been launched. Other products launched include – Platina 100 ES and Platina 100 and CT 100. Further, the Bajaj-KTM JV, also launched a series of bikes – KTM RC series 390 and 125 with ABS.

### Standalone net profit surged by 57.9%YoY to Rs. 933 Crores in Q2FY16:

BAL's standalone net sales increased by 2.3% YoY to Rs. 6,098 Crores in Q2FY16 from Rs. 5,963 Crores in Q2FY15. EBITDA grew by 16.9% to Rs. 1,317 Crores from Rs. 1,127 Crores during the same period. EBITDA margins expanded by 270bps YoY to 21.6% in Q2FY16 from 18.9% in Q2FY15. Standalone PAT rose 57.9% YoY to Rs. 933 Crores during the quarter from Rs. 591 in the year ago period. PAT margins surged by 539 bps to 15.3% in Q2FY16 from 9.9% in the corresponding quarter of the last fiscal.

### Bajaj's international presence:

The company currently exports to nearly 62 countries. It has a market share of close to 70% for both its motorcycles and three-wheelers in overseas markets. Exports accounted for 46.2% of the company's net sales during FY15.

The company derives majority (~43%) of its export revenues from Africa. South Asia and Middle East contribute 32% to the company's revenues from export. Latin America and Asean regions are minor contributors with 19% and 6% respective shares in Bajaj Auto Ltd.'s export revenues.

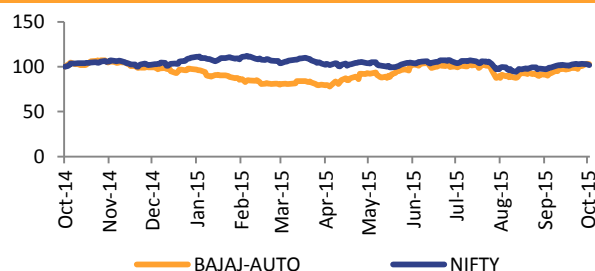
## Market Data

<b>CMP (Rs.)</b>	<b>2,433</b>
Face Value	10
52 week H/L (Rs.)	2,695/1,912
Adj. all time High (Rs.)	2,695
Decline from 52WH (%)	9.7
Rise from 52WL (%)	27.2
Beta	1.0
Mkt. Cap (Rs.Cr)	70,394
Enterprise Value(Rs. Cr)	64,254

## Fiscal Year Ended

	FY13A	FY14A	FY15A
<b>Net Sales (Rs.cr)</b>	20,042	20,158	21,614
<b>Net Profit (Rs.cr)</b>	3,133	3,380	3,026
<b>Share Capital (Rs.Cr)</b>	289	289	289
<b>EPS (Rs.)</b>	108.3	116.8	104.6
<b>P/E (x)</b>	16.6	17.8	23.3
<b>P/BV (x)</b>	6.5	5.9	6.3
<b>ROE (%)</b>	38.8	33.2	27.3

## One year Price Chart



Shareholding	Sep15	Jun15	Diff.
<b>Promoters</b>	49.3	49.2	0.1
<b>DII</b>	8.1	11.0	(2.9)
<b>FII</b>	17.8	14.9	2.9
<b>Others</b>	24.8	24.9	(0.1)

*Bajaj Auto is an India based manufacturer of motorcycles, three-wheelers and parts headquartered at Maharashtra.*

## Bajaj Auto Ltd. – Overview

Founded in 1926, Bajaj Auto Ltd. is a part of the Bajaj Group, one of the major business houses in India. The company is headquartered in Pune, Maharashtra and is engaged in the manufacturing and sale of motorcycles, three-wheelers and parts in India and abroad. The Company has two business segments namely - Automotive and Investments.

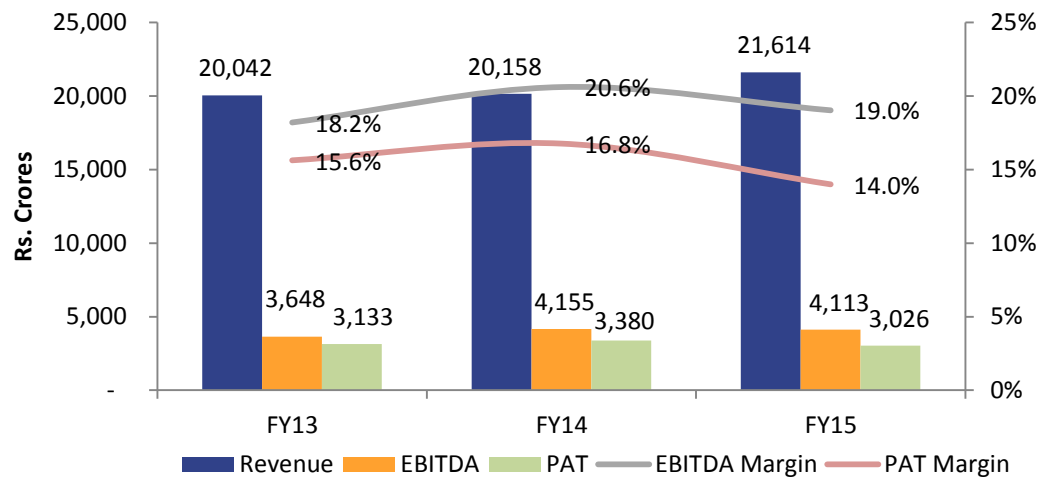
Some of the major brands in its two wheeler category are - Pulsar, Avenger, Discover, Platina and Ninja. The Company's services include troubleshooting, maintenance chart and service centers. Bajaj Auto has three manufacturing plants in all, two at Waluj and Chakan in Maharashtra and one plant at Pant Nagar in Uttaranchal. The Bajaj brand is well-known across several countries in Latin America, Africa, Middle East, South and South East Asia.

Exports form a major part of the company's revenues. During FY15, exports accounted for 46.2% of the company's net sales.

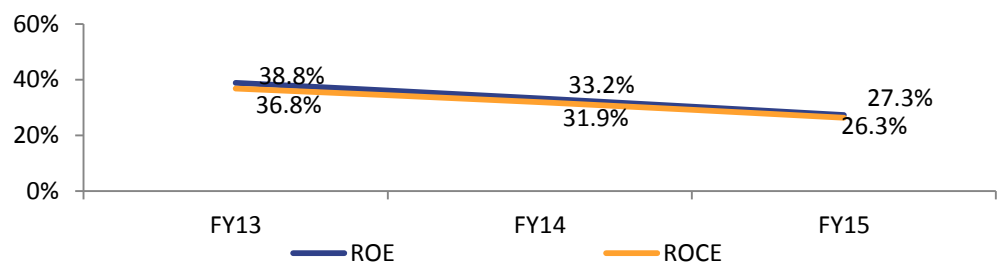
In India, Bajaj Auto has a distribution network of 485 dealers and over 1,600 authorised services centres. It has 171 exclusive dealers for the three-wheeler segment. It has total 3,750 outlets in rural areas. Further, the company has a distribution network in 50 countries with a dominant presence in Sri Lanka, Colombia, Bangladesh, Mexico, Central America, Peru and Egypt.

Bajaj Auto has two subsidiaries viz. - PT. Bajaj Auto Indonesia and Bajaj Auto International Holdings BV (BAIH BV). Additionally, it has a joint venture (technical tie up) with Kawasaki Heavy Industries of Japan to manufacture high-end models in the two-wheeler space.

### Financial snapshot for Bajaj Auto Ltd.



### Return ratios trend

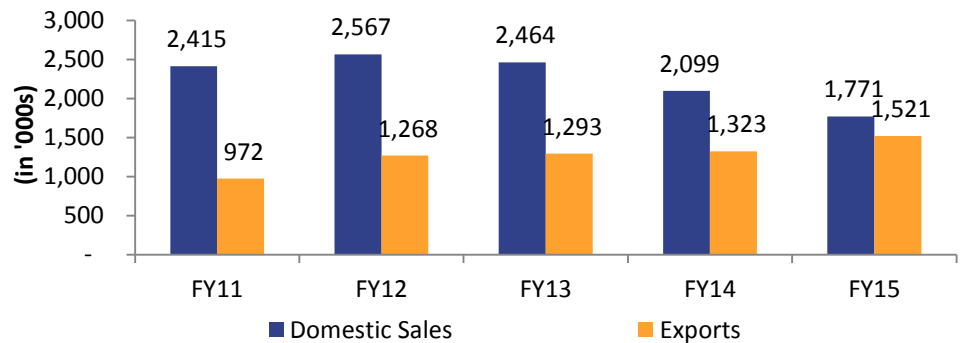


The company has a market share of ~17% in the Indian markets while in the export markets it holds ~68% for motorcycles.

## Market share for motorcycles – Domestic and Exports

Bajaj Auto sold 3,292,084 motorcycles in India and abroad in FY15. The company sold 1,770,778 motorcycles in the domestic market as compared to 2,251,791 abroad. Domestic sales were 15.6% lower than in the previous year. As on 31<sup>st</sup> March, 2015 the company had a domestic market share of 16.5%. Bajaj Auto's sales in the Indian market have fallen at a CAGR of 7.5% over the period FY11-FY15 (FY11 sales – 2,414,606). However, in the exports market, the company has witnessed a CAGR growth of 11.8% in sales volumes over the same period. In FY15 the company sold 1,521,306 motorcycles overseas as compared to 1,323,173 motorcycles in FY14, a growth of 15%. It had 67.6% export market share in FY15.

Motorcycles sales trend



Many variants of its products were launched during the year FY15 by Bajaj Auto. Pulsar range of bikes along with other series of bikes was the major new launches.

## Major product launches

After the launch of 'Pulsar 200 NS' in domestic and various export markets in May 2012, a full faired fuel injected version called the 'Pulsar RS 200' has been recently introduced by the company. Additionally an Adventure Sports version of Pulsar 200 NS has been recently introduced called 'Pulsar AS 200'. Also, a fuel injected version of NS 200 named 'Pulsar NS 200 FI' has been developed and is being sold in Turkey. This bike meets the Euro 3 norms.

Bajaj along with its joint venture arm KTM has introduced an RC series of bikes – 'KTM RC series 390 and 125 with ABS'. Further, another variant of Discover 150F named - 'Discover 150S' has been launched. Other products launched by the company include – Platina 100 ES and Platina 100 and CT 100.

## Market share in three-wheelers segment

The company sold 519,117 three-wheelers in Indian and international markets during FY15, up by 16% YoY. In the domestic market, it sold 234,345 units while 284,772 three-wheelers were sold overseas. Domestic sales volumes have increased by 25.4% YoY while the exports rose by 9.2% during the same period.

Bajaj Auto Ltd. holds ~55% of Indian three-wheeler markets while in the export market for three-wheelers, it has ~70% market share.

BAL has a market share of ~55% in the Indian markets while in the export markets it holds ~70% for three-wheelers.

Waluj, Chakan and Pantnagar serve as the company's manufacturing hubs for a variety of products it produces.

In Q2FY16, Bajaj Auto's standalone PAT grew by 57.9% YoY to Rs. 933 Crores from Rs. 591 Crores in Q2FY15.

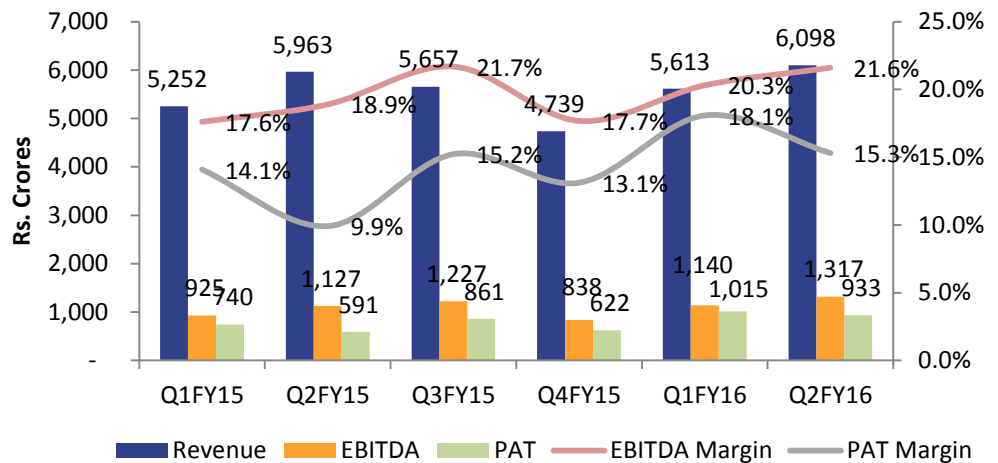
## Manufacturing units of the company

Bajaj Auto manufactures automobiles at its three plants- Waluj, Chakan and Pantnagar. The company has a total installed capacity (2Wheelers - 4.8mn and 3Wheelers - 0.6mn) of 5.4mn units. In FY2015, the Waluj plant, which is the export hub of Bajaj Auto, produced 1.78 million motorcycles(of which 1.3 million were exported) and 0.52 million three-wheelers (of which 0.28 million were exported). The Pantnagar plant produced 0.75 million motorcycles. And the Chakan plant, having corecompetencies in manufacturing high end sports bikes, produced 0.76 million vehicles.

## Q2FY16 performance

For the quarter ended September, 2015 Bajaj Auto Ltd. reported marginal uplift in its standalone revenue by 2.3% to Rs. 6,098 Crores from Rs. 5,963 Crores in the corresponding quarter of the last fiscal. Volumes remained flat during the quarter. However, EBITDA increased by 16.9% in this quarter to Rs. 1,317 Crores from Rs. 1,127 Crores in Q2FY15. The material cost and other expenses of the company fell by 1.3% YoY and 6.2% YoY respectively. Consequently, the EBITDA margin inclined by 270 bps in Q2FY16 to 21.6% from 18.9% in Q2FY15.

Quarterly performance trend



PAT surged by 57.9% to Rs. 933 Crores in Q2FY16 from Rs. 591 Crores in the corresponding quarter of the last year. As a result, PAT margins of the company increased by 539 bps to 15.3% in the recent quarter ended September, 2015 from 9.9% in Q2FY15.

## Geographical spread of exports

Bajaj has a considerable international presence. It has a market share of close to 70% for both its motorcycles and three-wheelers. The company exports to nearly 62 countries. Exports accounted for 46.2% of the company's net sales during FY15.

The company derives majority (~43%) of its export revenues from Africa. South Asia and Middle east contribute 32% to the company's revenues from export. Latin America and Asean regions are minor contributors with 19% and 6% respective shares in Bajaj Auto's export revenues.

## Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	289	289	289
Reserve and surplus	7,776	9,878	10,806
<b>Net Worth</b>	<b>8,065</b>	<b>10,167</b>	<b>11,095</b>
Minority Interest	0	0	0
Total Debt	98	58	112
Deferred tax liability (net)	115	143	142
Other non-current liabilities	258	209	140
<b>Total Equity &amp; Liabilities</b>	<b>8,536</b>	<b>10,577</b>	<b>11,489</b>
Fixed Assets	2,101	2,150	2,172
Goodwill	548	653	531
Investments	6,059	8,448	8,985
Net current assets	(668)	(1,396)	(711)
Deferred tax assets (net)	33	0	0
Other non-current assets	464	722	511
<b>Total Assets</b>	<b>8,536</b>	<b>10,577</b>	<b>11,489</b>

## Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
<b>Net profit/loss before tax&amp; extraordinary items</b>	<b>4,361</b>	<b>4,655</b>	<b>4,083</b>
Net cashflow from operating activities	2,218	3,530	2,148
Net cash used in investing activities	(1,394)	(2,100)	(414)
Net cash used from financing activities	(1,445)	(1,496)	(1,644)
<b>Net inc/dec in cash and cash equivalents</b>	<b>(621)</b>	<b>(66)</b>	<b>90</b>

## Financial performance snapshot

The company witnessed 7.2% growth in its consolidated net revenues in FY15 to Rs. 21,614 Crores from Rs. 20,158 Crores in FY14. However, EBITDA declined by 1.0% during the year to Rs. 4,113 Crores from Rs. 4,155 Crores in the last year. The operating expenses of the company increased by 9.4% YoY to Rs. 17,501 Crores from Rs. 16,003 Crores. EBITDA margins saw a fall of 158 bps to 19.0% in FY15 from 20.6% in the year ago period. The company witnessed fall in other income by 14.4% and rise in depreciation by 47.5%. Net profit fell by 10.5% YoY to Rs. 3,026 Crores from Rs. 3,380 crores. PAT margins declined by 277 bps to 14.0% from 16.8% during this period.

## Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
<b>Net Sales</b>	<b>20,042</b>	<b>20,158</b>	<b>21,614</b>
Expenses	16,394	16,003	17,501
<b>EBITDA</b>	<b>3,648</b>	<b>4,155</b>	<b>4,113</b>
Other Income	797	682	584
Depreciation	168	181	267
<b>EBIT</b>	<b>4,278</b>	<b>4,656</b>	<b>4,430</b>
Interest	1	1	6
<b>Profit Before Tax</b>	<b>4,277</b>	<b>4,655</b>	<b>4,423</b>
Exceptional Item	0	0	340
Tax	1,229	1,420	1,271
<b>PAT</b>	<b>3,048</b>	<b>3,234</b>	<b>2,812</b>
Minority interest	(0)	(0)	(0)
Share of associates	84	146	214
<b>Net Profit</b>	<b>3,133</b>	<b>3,380</b>	<b>3,026</b>

## Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	18.2	20.6	19.0
EBIT Margin (%)	21.3	23.1	20.5
NPM (%)	15.6	16.8	14.0
ROCE (%)	36.8	31.9	26.3
ROE (%)	38.8	33.2	27.3
EPS (Rs.)	108.3	116.8	104.6
P/E (x)	16.6	17.8	23.3
BVPS(Rs.)	278.7	351.4	383.4
P/BVPS (x)	6.5	5.9	6.3
EV/EBITDA (x)	13.4	13.9	15.6



Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

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