

## Exports plunge

2<sup>nd</sup> May, 2016

CMP: Rs 2,491

Target Price: Rs 2,736

**Recommendation: HOLD**

Stock Info	
BSE Group	A
BSE Code	532977
NSE Symbol	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
BSE Sensex	25,606
NSE Nifty	7,850

Market Info	
Market Capital	Rs 71,896 cr.
Equity Capital	Rs 289cr
Avg Trading Volume	4,28,120
52 Wk High / low	2,655/ 1,913
Face Value	Rs 10

Bajaj Auto posted 0.28% volume growth in FY 16, which is in line with our expectation with total sales increasing from 56,17,279 units recorded in the year 2015 to 56,33,210 units in this fiscal year 2016. The company is executing an aggressive expansion plan to get into newer countries. This, coupled with the recent market share gains, will hold the firm in good stead and minimize the impact of any macroeconomic headwinds. According to management by the end of fiscal 2016, company should enter a dozen new export markets. This will help the firm report a growth of 13-15% in export volumes over the next 3-4 years. Company also looking for few new launches in coming quarters so overall we have estimated total sales will increase to **59,13,165 with growth of 4.9%** for FY17.

### Exports

The company's total exports registered sales of 17,39,629 units in this year 2016 as against 18,06,078 units last year 2015. The maker of Pulsar and Avenger motorcycle brands has reported a decline in exports volume in the last few months because of political and economic uncertainties in some of its export markets, particularly in oil-producing emerging markets. Major impact on exports volumes was due to shortage of foreign exchange and currency devaluation in emerging markets such as Egypt and Nigeria in Africa. Africa accounts for 45% of Bajaj Auto's total exports. A fall in commodity prices has led to a lower inflow of foreign currency into these markets; the value of the currency in a number of these markets has also fallen sharply. Currencies in Argentina, Mexico, Columbia—some of the key markets for Bajaj have fallen by 32%, 11%, 18%, respectively, However Bajaj plans to maintain its leadership in the export market by expanding into newer markets. We are cautiously optimistic and have estimated **17,75,541 units Export sales with growth of 2% for FY17.**

### Domestic Two Wheelers

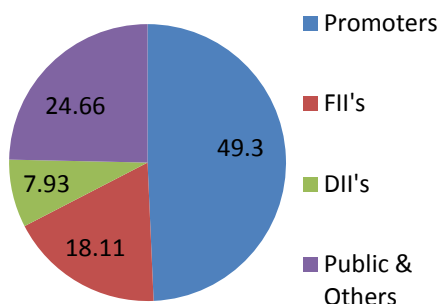
Total two wheeler sales increased by 2% from 32,92,084 units in 2015 to 33,58,252 units in 2016, this is expected to hit 35,80,974 units with 6.6% growth in FY17 as we can see the domestic demand for new launches beating up this year specially in Avenger, new Pulsars and Vikrant Models.

### Three Wheeler

Three wheeler segment of the company registered sales of 5,35,329 units 2016 as against 5,19,117 units in 2015. For FY17 we've projected volume growth of 5,56,649 units with growth of 4%. Company has shown significant growth in the Petrol + Alternate fuel vehicle category Backed by overwhelming customer response to Bajaj' new range of Diesel passenger vehicles and companies new strategic re-entry into the three wheeler Cargo industry with a superior product, Management is now targeting leadership in the diesel passenger segment and a double-digit growth in FY17.

**> OUTLOOK FOR FY17:** We remain "cautiously optimistic" on Bajaj's business outlook in FY17, As we believe that ongoing rural slow down would have negative impact on industry as well as for Bajaj Auto over near term. We expect growth in the domestic 3W segment to be in double digit and strong overall export growth as company intends to venture into few new markets as well. Company has strong outlook on premium and Luxury segment giving the strong demand for Avenger for which company plans to increase the production capacity. Strong product pipeline and lower crude price will help Bajaj in continuing growth.

Shareholding Pattern as of Mar 16



Price Vs Sensex Chart



Bajaj Sales figures		
	FY16	FY17E
Domestic	38,93,581	41,37,623
Export	17,39,629	17,75,541
Total	<b>56,33,210</b>	<b>59,13,165</b>
Motorcycles	<b>33,58,252</b>	<b>35,80,974</b>
3 Wheelers	<b>5,35,329</b>	<b>5,56,649</b>

**> FINANCIALS & ESTIMATES:** Based on higher Premium segment motorcycles, 3W contribution & with better product mix and improvement in realization, we estimate BAL's revenue growth of 9.3% in FY17. We expect EBITDA margins to increase to 22% in FY17 aided by strong export growth and falling commodity prices. Also we believe that sales of the company grow nearly 5% Y-o-Y, majorly contributed through Motorcycles & 3 wheelers and PAT growth of 14%.

**VALUATION:** We forecast Bajaj's domestic volumes to recover, although, modestly in FY17. We assign a one year price target of Rs 2,736 at 19x FY17 EPS of Rs 144 per share, and have "**HOLD**" rating on this stock.

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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