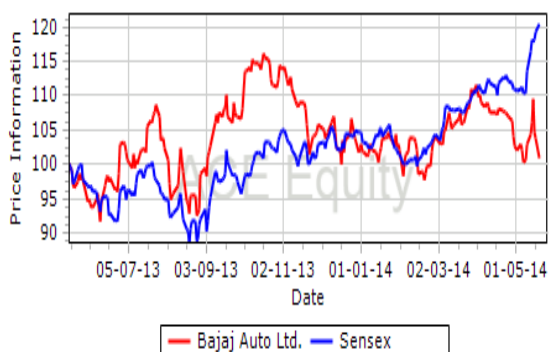
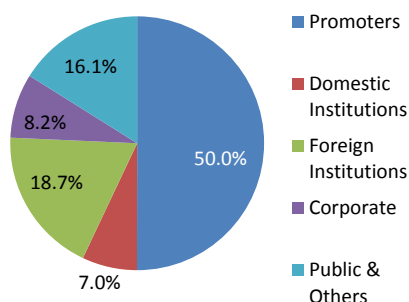


CMP: Rs 1871
Target Price: Rs 2010
Recommendation: HOLD

Stock Info	
BSE Group	A
BSE Code	532977
NSE Symbol	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
BSE Sensex	24377
NSE Nifty	7275

Market Info	
Market Capital	Rs 54151cr
Equity Capital	Rs289.37cr
Avg Trading Volume	387430
52 Wk High / low	2194/ 1683
Face Value	Rs 10

Latest Shareholding Pattern, Mar 14



> **Q4 Net Revenues** stood at Rs 4,823 cr, an increase of 3.7% on yoy basis, however on qoq basis it declined by 4.0%, Volume declined by 4.6% yoy, however overall Revenue was boosted by a 8.7% yoy increase in realizations.

> **Q4 Operating EBITDA:** Operating EBITDA decreased by 18% qoq to Rs 931 crs, however on yoy basis it increased by 11.3%. EBITDA margin declined by 320bps qoq due to Rupee appreciation, however on yoy basis EBITDA margins improved by 130bps.

> **Q4 PAT** stood at Rs 763 cr showing a marginal decline of 0.4% on yoy basis. Effective tax rate for the quarter stood at 28.8%.

> **OUTLOOK FOR NEXT 2 YEARS:** We remain "cautious" on Bajaj's business outlook over FY15, due to sluggish growth in the domestic 2W segment and absence of Bajaj Auto in scooter segment. We also expect its share in domestic 2W segment to decline owing to the increased completion from Honda. However we are quite confident of its export growth momentum to continue. Overall we are cautiously optimistic on company's business outlook for next 2 years.

> **FINANCIALS & ESTIMATES:** We estimate BAL's Revenue growth at a 22% in FY15. We have modelled for 10% volume growth in FY15 aided by strong export growth. We are forecasting 10% growth in realisations aided by favourable volume mix for FY15. We expect EBITDA margins to remain in the range of 20-21% over FY15-16E. We expect PAT growth at a 2 year CAGR of 17%, aided by strong export growth and stable commodity prices.

> **VALUATION:** We forecast Bajaj's domestic volumes to remain under pressure in 1HFY15 and thus expect domestic volumes to grow moderately at 6% in FY15. Exports on other hand are expected to report ~15% volume growth in FY15. We believe export exposure helps Bajaj Auto to tide over weak domestic market. We assign a price target of Rs 2010, at 15x FY15 EPS of Rs 134 per share, and have an "HOLD" rating on this stock.

	FY12	FY13	FY14	FY15 E
Net Revenue	18,880.3	19,489.0	19,717.6	23,266.7
yoy%	18.8%	3.2%	1.2%	18.0%
Operating EBITDA	3,720.0	3,635.3	4,105.2	4653.3
EBITDA margin %	19.0%	18.2%	20.4%	20.0%
EBITDA margin %: (reported)	20.2%	19.6%	21.6%	22.2%
PAT	3,004.1	3,043.6	3,242.0	3890.4
yoy%	-10.1%	1.3%	6.5%	20.0%
EPS	103.8	105.2	112.0	134.0
P/E (x)	18.0	17.8	16.7	14.0



Quarterly P&L in Rs cr	Q4FY14	Q4FY13	yoy%	Q3FY14	qoq%
Volumes (in numbers)	9,35,782	9,81,231	-4.6%	9,93,690	-5.8%
Net Realization per unit	51,536	47,400	8.7%	50,567	1.9%
Net Sales	4,823	4,651	3.7%	5,025	-4.0%
Other Operating Income	110	95	14.9%	106	3.0%
Income from Operations	4,932	4,746	3.9%	5,131	-3.9%
Materials Consumed	3,435	3,409	0.8%	3,566	-3.7%
Employees Cost	175	167	4.9%	185	-5.4%
Other Expenditure	404	359	12.6%	265	52.6%
Expenses Capitalized	-13	-24	-46.4%	-20	-34.1%
Total Expenditure (excluding depreciation)	4,001	3,910	2.3%	3,996	0.1%
Operating EBITDA	931	837	11.3%	1,135	-18.0%
margin	18.9%	17.6%		22.1%	
Core EBITDA	822	741	10.9%	1,029	-20.1%
margin	17.0%	15.9%		20.5%	
Depreciation and write downs	44	46.6	-4.6%	46.0	-3.2%
Operating EBIT before Other Income & Excp Items	887	790	12.3%	1,089	-18.6%
Other Income	185	244	-24.1%	222	-16.7%
PBIT before Exceptional Items	1,072	1,034	3.7%	1,311	-18.3%
Interest	0.17	0.18	-5.6%	0.19	-10.5%
PBT before Exceptional Items	1,072	1,033	3.7%	1,311	-18.3%
PBT	1,072	1,033	3.7%	1,311	-18.3%
Tax Expense	309	268	15.4%	406	-24.0%
Effective Tax Rate	28.8%	25.9%		31.0%	
Net Profit after Tax	763	766	-0.4%	905	-15.7%
EPS	26	26.5	-0.4%	31.3	-15.7%

CONFERENCE CALL UPDATE

- BAL recently launched new 125cc Discover bike and is expected to launch another next quarter, with this launches BAL expects to arrest decline in its market share in the segment. Discover market share currently stands at 18% which BAL is aiming to increase up to 24%.
- Company expects domestic motorcycle market to grow at 7-8% in FY15 while exports are expected to grow at 13-14%.
- BAL maintained its share in premium segment as Pulsar continues to hold strong with market share of 44%. Management has indicated towards new product launches in pulsar family of bikes only towards the end of the fiscal year.
- Low end commuter bike market share is maintained at 24%.
- Export market continues to do well with positives immersing from countries like Egypt. Company has strong presence in African market and its collaboration with Kawasaki to sell bikes in Indonesia and Philippines are yielding positive results.
- Company is looking to enter new markets like Brazil, Tunisia, Malaysia etc
- Management highlighted domestic 3W volumes can improve on opening of new permits in states like Maharashtra and Delhi.
- Operating margins are expected to remain stable over near term.
- As per company policy BAL has hedged 65% of exports at Rs 60/\$. Company gets 10% of natural hedge against imports, while another 20-25% is kept open and realisation depends on spot exchange rate.
- At present company is not looking to enter scooters market



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Stock Rating

	Absolute Return
Buy	> 20%
Accumulate	12-20%
Hold	5-12%
Neutral	0-5%
Reduce	< 0%

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