

Positive outlook on volume growth, however margin expansion seems a difficult proposition

We believe that margin expansion would be a difficult proposition going forward. The full impact of rising steel and aluminium prices, unfavourable product mix (higher share of lower-margin Discover 100cc and fall in the share of the higher-margin three-wheelers) has not yet been reflected in the margins. However, Volumes are expected to be better during the March quarter. In three-wheelers category, it is likely to gain market share in FY2011 with the launch of new passenger three-wheeler variants by end-FY10.

Valuation and Recommendation

It would be ending this financial year (FY'10) with total sales of 2.8 million units, which is expected to touch 3.6 million in FY11. At Rs 1,711, the stock trades at TTM PE of 40.9x with a TTM EPS at 41.4. Going forward, we expect the company to report better numbers on high demand scenario. We hold a positive view for medium term and recommend a Hold.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

| Bajaj Auto Ltd | Q3FY09 | Q3FY08 | % Chg. | Q3FY09 | Q2FY09 | % Chg. | 9M200912 | 9M200812 | % Chg. |
|-----------------------------|---------------|---------------|--------|---------------|---------------|----------|---------------|---------------|--------|
| Net Sales | 3165.8 | 2004.8 | 57.9 | 3165.8 | 2793.2 | 13.3 | 8218.1 | 6649.4 | 23.6 |
| Other operational Income | 129.7 | 98.4 | 31.9 | 129.7 | 94.3 | 37.6 | 303.5 | 277.6 | 9.3 |
| Total Oper. Income(TOI) | 3295.6 | 2103.1 | 56.7 | 3295.6 | 2887.5 | 14.1 | 8521.5 | 6927.0 | 23.0 |
| Raw Materials Cons.- | 2100.2 | 1298.1 | 61.8 | 2100.2 | 1843.5 | 13.9 | 5361.0 | 4824.5 | 11.1 |
| % to TOI | 63.73% | 61.72% | | 63.73% | 63.84% | | 62.91% | 69.65% | |
| Stock adj. (-)Inc / (+)Dec- | 41.9 | 88.1 | -52.5 | 41.9 | -36.5 | LP | 53.0 | 22.9 | 131.3 |
| % to TOI | 1.27% | 4.19% | | 1.27% | -1.27% | | 0.62% | 0.33% | |
| Net Raw Mat adj. for stock | 2142.1 | 1386.2 | 54.5 | 2142.1 | 1807.0 | 18.5 | 5414.0 | 4847.4 | 11.7 |
| % to TOI | 65.00% | 65.91% | | 65.00% | 62.58% | | 63.53% | 69.98% | |
| Other expenses | 336.9 | 334.9 | 0.6 | 336.9 | 336.6 | 0.1 | 978.8 | 903.3 | 8.4 |
| % to TOI | 10.22% | 15.92% | | 10.22% | 11.66% | | 11.49% | 13.04% | |
| Contribution Net_Sales | 816.5 | 382.0 | 113.8 | 816.5 | 743.9 | 9.8 | 2128.7 | 1176.2 | 81.0 |
| Personnel | 93.0 | 76.2 | 22.1 | 93.0 | 107.4 | -13.4 | 313.3 | 259.7 | 20.6 |
| % to TOI | 2.82% | 3.62% | | 2.82% | 3.72% | | 3.68% | 3.75% | |
| Total expenditure | 2572.0 | 1797.3 | 43.1 | 2572.0 | 2251.0 | 14.3 | 6706.1 | 6010.5 | 11.6 |
| Operating Profit | 723.5 | 305.8 | 136.6 | 723.5 | 636.5 | 13.7 | 1815.5 | 916.5 | 98.1 |
| <i>% to TOI</i> | <i>21.95%</i> | <i>14.54%</i> | | <i>21.95%</i> | <i>22.04%</i> | | <i>21.30%</i> | <i>13.23%</i> | |
| Non-Operating Income | 35.1 | 37.9 | -7.3 | 35.1 | 21.7 | 61.7 | 80.0 | 88.8 | -9.9 |
| Interest | 0.0 | 9.0 | -99.8 | 0.0 | 0.0 | Infinity | 6.0 | 15.8 | -62.1 |
| Exceptional Items | -45.8 | -61.1 | 25.0 | -45.8 | -45.8 | 0.0 | -115.7 | -122.2 | 5.3 |
| Gross Profit | 712.8 | 273.6 | 160.5 | 712.8 | 612.4 | 16.4 | 1773.8 | 867.2 | 104.5 |
| Depreciation | 35.7 | 31.9 | 11.9 | 35.7 | 33.6 | 6.3 | 102.3 | 98.5 | 3.9 |
| PBT before Extra-ord | 677.1 | 241.7 | 180.2 | 677.1 | 578.8 | 17.0 | 1671.5 | 768.7 | 117.4 |
| % to TOI | 20.55% | 11.49% | | 20.55% | 20.05% | | 19.61% | 11.10% | |
| Extraordinary Items | | | - | | | - | 0.0 | 0.0 | 0.0 |
| PBT | 677.1 | 241.7 | 180.2 | 677.1 | 578.8 | 17.0 | 1671.5 | 768.7 | 117.4 |
| Tax Rate | 29.83% | 31.24% | | 29.83% | 6.10% | | 29.91% | 31.55% | |
| Prov. for Tax- Cur | 202.0 | 75.5 | 167.6 | 202.0 | 176.0 | 14.8 | 500.0 | 242.5 | 106.2 |
| Profit after Cur. Tax | 475.1 | 166.2 | 185.9 | 475.1 | 402.8 | 18.0 | 1171.5 | 526.2 | 122.6 |
| Prov. for Tax- Def | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit after Tax | 475.1 | 166.2 | 185.9 | 475.1 | 402.8 | 18.0 | 1171.5 | 526.2 | 122.6 |
| <i>% to TOI</i> | <i>14.42%</i> | <i>7.90%</i> | | <i>14.42%</i> | <i>13.95%</i> | | <i>13.75%</i> | <i>7.60%</i> | |
| Face Value | 10.0 | 10.0 | 0.0 | 10.0 | 10.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| Equity Share capital | 144.7 | 144.7 | 0.0 | 144.7 | 144.7 | 0.0 | 144.7 | 144.7 | 0.0 |
| EPS (Rs.) | 32.8 | 11.5 | 185.9 | 32.8 | 27.8 | 18.0 | 81.0 | 36.4 | 122.6 |
| CEPS (Rs.) | 35.3 | 13.7 | 157.9 | 35.3 | 30.2 | 17.1 | 88.0 | 43.2 | 103.9 |

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