



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



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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

Result Update



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