

Bajaj Auto Ltd.

Urban zone to join rural speed; Exports back on track!

Q2FY21 performance was reasonably good with a sharp recovery witnessed in domestic 2Ws and exports almost back on its feet. With the increase in inquiry levels in cities during festival season, Bajaj's premium portfolio sales should shoot up. In exports, major markets like Africa, LatAm & the Middle East witnessed a swift recovery. 2Ws exports reached at 90% levels and 3Ws at 75-80%. With stability in currencies, oil prices and political situation in international markets, the sales could be back to 100% of the normal level by Jan 2021. The worrying signals are only in domestic 3Ws, which is moving up at a snail's pace. Margin should sustain at 16.4% level as a rise in commodity prices should get offset by better product/geographic mix and baby step increase in model prices should help offset some of the impact. **Accumulate.**

Sentiments in cities to pickup speed

- Domestic 2W sales recovery has been very swift and demand is back to 90% of normal levels. YoY sales in the first 5 days of the festivals are at similar levels and based on our recent checks, urban zones witnessing robust inquiry levels during this festival.
- Hence, we believe the premium motorcycles (150cc+) could see higher growth, where Bajaj Auto has a higher market share. Pulsar 125cc too doing wonders in the market.
- The management team is strategically working on an entry, middle and premium portfolio to sustain and increase its market share. It planned to refresh its higher end models and investing more in A&P to engage with customers. All this should uplift sales.

Major International markets witnessed a swift recovery

- 2Ws demand in exports reached at 90%, while for 3Ws it's at 75-80% of normal levels. Major markets viz. Africa, LatAm, the Middle East, etc are back at 90%+ levels.
- The management looks confident of clocking better numbers in the coming months and expect most of the markets will be back to 100% of normal levels by Jan 2021.

Domestic 3Ws – a cause of concern

- The recovery in 3Ws passenger vehicle reached just at 25% of normal levels in Sept 2020, the month on month improvement is very slow in it. Dealers too indicating worrying signs.
- Presently, financiers too are hesitating in lending to 3Ws as cash flows are uncertain. In our opinion, three-wheeler business will only see recovery at a slow pace.

Mixed signals for margin

- Going ahead, there are headwinds as well as tailwinds on the margins. On one side, there could be an increase in 2W sales of premium products in domestic, while exports are too near its normal levels. In addition, gradual price increase should help further.
- On the other side, commodity prices started climbing up and A&P spends expected to rise in Q3 due to festivals. All this could have significant impact on margin in the coming quarters.
- The company is taking steps to mitigate rise in metal prices. Hence, looking at positives & negatives, the margin level of 16.4% is reasonably fair to achieve in FY21e.

We maintain 'Accumulate' rating with a target price of 3,300 (16x Sept '22 EPS of Rs 196 plus the value of KTM at Rs 165/share).

Y/E Mar (Rs mn)	Q2 FY21	Q2 FY20	YoY (%)	Q1 FY21	QoQ (%)	Q2 FY21E	Var. (%)
Volumes (No)	10,53,337	11,73,591	-10.2	4,43,103	137.7	10,53,337	-
Realisation (Rs)	67,935	65,673	3.4	69,493	(2.2)	71,529	(5.0)
Net Sales	71,559	77,073	-7.2	30,792	132.4	75,344	(5.0)
Op. cost	58,896	64,293	-8.4	26,707	120.5	62,151	-5.2
EBITDA	12,662	12,781	-0.9	4,085	209.9	13,194	-4.0
EBITDA margin (%)	17.7	16.6	111 bps	13.3	443 bps	17.5	18 bps
Depreciation	643	613	4.9	638	0.8	-	-
Interest	27	12	113.7	10	178.9	-	-
Other Income	2,858	3,934	-27.4	3,379	-15.4	-	-
PBT	14,851	16,089	-7.7	6,817	117.9	-	-
Effective tax rate (%)	23	13	1,052 bps	23	82 bps	-	-
Reported PAT	11,382	14,024	-18.8	5,280	115.6	12,623	-9.8
PAT margin (%)	15.9	18.2	(229) bps	17.1	(124) bps	16.8	(85) bps

Source: Company, EISEC Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY19	3,03,576	20.4	51,925	17.1	44,366	8.5	153	21.7	21.0	18.0	11.7
FY20	2,99,187	(1.4)	50,962	17.0	51,000	15.0	176	24.5	23.7	16.4	13.0
FY21e	2,72,393	(9.0)	44,805	16.4	42,729	(16.2)	148	20.3	19.7	20.4	15.2
FY22e	3,25,098	19.3	57,277	17.6	53,035	24.1	183	22.5	22.0	16.4	11.3
FY23e	3,67,896	13.2	65,560	17.8	60,295	13.7	208	22.8	22.3	14.4	9.4

Source: Company, EISEC Research Estimates

Rating: Accumulate **Upside/(Downside): 9.7%**
Current Price: 3,009 **Target Price: 3,300**

| Earlier recommendation

Previous Rating: Accumulate
Previous Target Price: 3,212

| Market data

Bloomberg:	BJAU IN
52-week H/L (Rs):	3,315/1,793
Mcap (Rs bn/USD bn):	871/11.8
Shares outstanding (mn):	289
Free float:	47.0%
Daily vol. (3M Avg.):	0.99mn
Face Value (Rs):	10
Group:	Nifty 50

Source: Bloomberg, EISEC Research

| Shareholding pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	53.7%	53.7%	53.7%	53.5%
FIIIs	13.6%	13.7%	13.9%	13.9%
DIIIs	10.4%	9.1%	8.8%	10.1%
Public/others	22.3%	23.5%	23.6%	22.5%

Source: BSE

| Price performance (%)*

	1M	3M	12M	36M
Nifty 50	6.1	6.9	2.4	17.7
BJAU	1.1	0.4	-2.3	-7.5

*as on 22nd Oct 2020; Source: AceEquity, EISEC Research

Amit Hiranandani

Senior Analyst
+91 22 6192 5342
amith@eisec.com

Awanish Chandra

Head of Research
+91 22 6192 5345
awanishc@eisec.com

Q2FY21 – Analysts call highlights

Despite several headwinds, Q2FY21 performance was reasonably good with a sharp recovery in the domestic two-wheelers and exports almost back to its feet.

Domestic two-wheelers

- ✓ Since June 2020, the recovery has been very swift and the demand is back to 90% of normal levels. **In first 5 days of the festivals, the YoY demand is at similar levels. Cities too joined the semi-urban speed in the recent times.**
- ✓ **The walk-ins and inquiries are at similar level YoY** and demand sustenance depends upon how the festival season pans-out.
- ✓ Pulsar 125cc is very well accepted in the market and Bajaj Auto captured a good market share from across all its competitors in the 125cc category despite offering an expensive product.
- ✓ Moreover, the company is also spending a lot of time in sharpening the entry level products. The management is confident of outperforming the market if demand continues to recover.
- ✓ The premiumization trend is expected to continue and now the company is also planning to refresh its higher end models and investing in A&P to engage with customers.
- ✓ Overall, the management seems to be cautiously optimistic about festivals and the demand stability depends upon how festivals pans-out. **The team is strategically working on entry, middle and premium portfolio to sustain and increase market share.**

Exports two-wheelers

- ✓ Bajaj Auto sold the highest number of Pulsars and Dominar in Latin America. **2Ws in international markets reached at 90% of normal levels** and there could be a YoY growth possibly starting from Q3FY21.
- ✓ Geography-wise, South Asia and Middle East except Sri Lanka is at 90% levels, while ASEAN is at 50% and Sri Lanka completely banned all the imports. Latin Africa has already reached to 90%-95% level whereas Latin America has hit 80% mark. **By Christmas or January 2021 onwards, most of the markets will be back to 100% of normal levels.**
- ✓ The bounce back for Bajaj Auto is faster than other players led by its detailed research on consumer behaviour and markets over there. Bajaj, being the leader in most of the international markets gets a fair advantage in difficult times.
- ✓ **The management remains confident of clocking good numbers back-to-back in October and November 2020 in exports.**

Domestic three-wheelers

- ✓ **The demand for the 3Ws passenger vehicle was at 10% in June 2020, which improved to 25% in September 2020. The month on month improvement is very slow in it.**
- ✓ 3W cargo, which is a smaller component of 3W reached at 40-50% level. Ola/Uber too reached at 40-50% level. **Currently, financiers have taken a**

cautious view as cash flows of 3Ws are uncertain. **In our opinion, three-wheeler business will only see recovery at a slow pace.**

- ✓ The team expect Government to bring in scrappage policy for three-wheelers faster and also want permit culture to go away.

Exports three-wheelers

- ✓ Three-wheelers business in International market reached at 75-80% of normal and it is at a much better level compared to India. Except ASEAN (50% of normal levels) and Sri Lanka, all other markets are back to 80% level.

Margin outlook

- ✓ During uncertain environment, the management prefers to work on margins and hence, reduced unwanted costs, capped salary increase and taken other measures to curtail expenses.
- ✓ Despite several headwinds like the poor product as well as geographic mix, the margin improved by 111bps YoY to 17.7%. Apart from cost cutting measures, there were certain expenses postponed to Q3FY21 due to delayed festivals. So, some of these costs might come back in the quarters ahead.
- ✓ Currency depreciation and higher number of premium 2Ws like Dominar, Pulsars, KTM, Husqvarna, etc in the exports market along with cost reduction efforts played an important role in improving margins.
- ✓ **There are both headwinds as well as tailwinds on the margins going ahead. As on one side, the product as well as geographic mix is improving, i.e. increase in two-wheeler premiumization, strong performance in exports for 2W & 3W and gradual return of 3Ws in domestic will help the company to improve the margins.**
- ✓ **Apart from this, the company is taking gradual price increase, currency is expected to remain stable and discounts in the market are lower than last year's level.**
- ✓ **While on the other side, the base metal prices have increased recently and there could be significant impact on margin in Q3FY21. The team is working on mitigating some of this impact. This, along with higher A&P spends during festival season could impact some of its margin in Q3FY21.**
- ✓ Staff costs run-rate will remain at a similar level for the rest of the year.

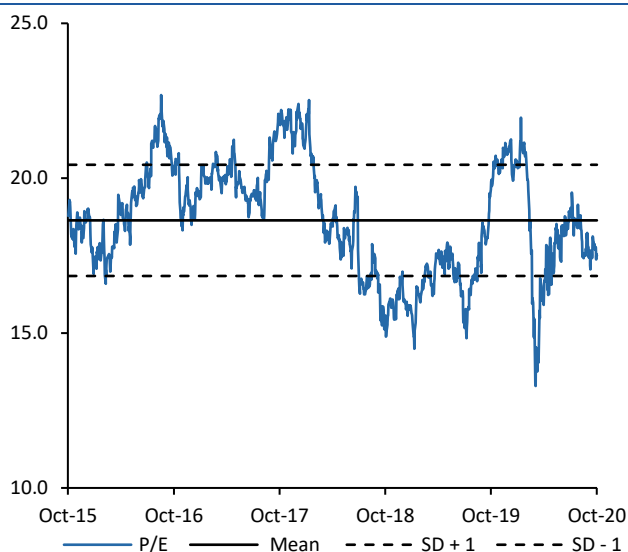
Other highlights

- ✓ Spare parts revenue in Q2FY21 is Rs 7.3bn, while export revenue for the quarter is Rs 28bn. The dollar realisation is \$74.
- ✓ On MEIS, lots of ideas discussed with the government and dialogues are going on at a higher level to introduce an alternate mechanism.

Valuation and Recommendations

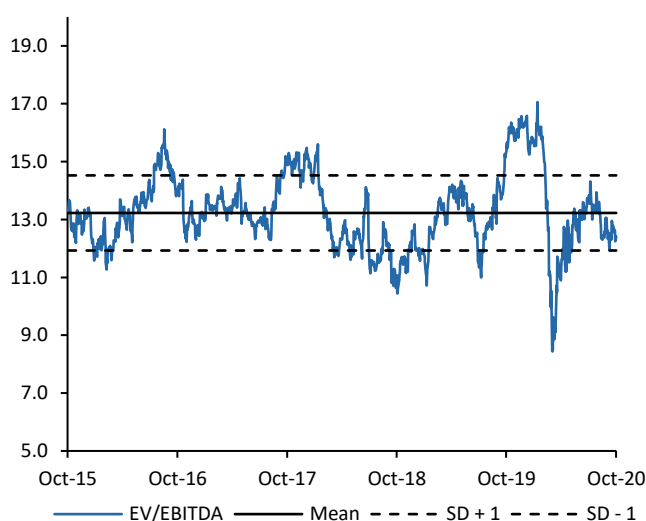
- ✓ Q2FY21 performance was reasonably good with a sharp recovery witnessed in domestic 2Ws and exports almost back on its feet.
- ✓ With the increase in inquiry levels in cities during festival season, Bajaj's premium portfolio sales should shoot up.
- ✓ In exports, major markets like Africa, LatAm & the Middle East witnessed a swift recovery. 2Ws exports reached at 90% levels and 3Ws at 75-80%.
- ✓ With stability in currencies, oil prices and political situation in international markets, the sales could be back to 100% of the normal level by Jan 2021.
- ✓ The worrying signals are only in domestic 3Ws, which is moving up in a snail pace. Margin should sustain at 16.4% level as a rise in commodity prices should get offset by better product/geographic mix and baby step increase in model prices should help offset some of the impact.
- ✓ **We maintain 'Accumulate' rating with a target price of 3,300 (16x Sept '22 EPS of Rs 196 plus the value of KTM at Rs 165/share).**

Fig 1: 1-year forward P/E



Source: AceEquity, EISEC Research

Fig 2: 1-year forward EV/EBITDA



Source: AceEquity, EISEC Research

Quarterly financials, operating metrics and key performance indicators

Fig 3: Quarterly Financials

Y/E March (Rs mn)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Net Sales	74,094	74,205	77,558	77,073	76,397	68,159	30,792	71,559
Raw Materials	(53,972)	(53,313)	(55,638)	(54,370)	(53,422)	(46,653)	(20,666)	(50,581)
Employee Costs	(3,169)	(3,126)	(3,605)	(3,384)	(3,482)	(3,421)	(3,373)	(3,246)
Other Expenditure	(5,393)	(5,498)	(6,333)	(6,539)	(5,820)	(5,557)	(2,668)	(5,069)
EBITDA	11,561	12,270	11,982	12,781	13,672	12,528	4,085	12,662
Depreciation	(634)	(608)	(601)	(613)	(617)	(633)	(638)	(643)
Interest	(36)	(3)	(5)	(12)	(5)	(9)	(10)	(27)
Other Income	4,700	3,680	4,413	3,934	3,662	5,327	3,379	2,858
Exceptional Items	-	3,420	-	-	-	-	-	-
PBT	15,591	18,759	15,788	16,089	16,713	17,212	6,817	14,851
Tax	(4,572)	(5,703)	(4,531)	(2,065)	(4,097)	(4,109)	(1,536)	(3,469)
Tax rate (%)	29.3	30.4	28.7	12.8	24.5	23.9	22.5	23.4
Reported PAT	11,019	13,056	11,257	14,024	12,616	13,103	5,280	11,382
YoY Growth (%)								
Revenue	16.0	9.6	4.5	(4.1)	3.1	(8.1)	(60.3)	(7.2)
EBITDA	(7.5)	(6.8)	(6.5)	(9.6)	18.3	2.1	(65.9)	(0.9)
PAT	15.7	20.8	0.9	21.7	14.5	0.4	(53.1)	(18.8)
QoQ Growth (%)								
Revenue	(7.8)	0.2	4.5	(0.6)	(0.9)	(10.8)	(54.8)	132.4
EBITDA	(18.2)	6.1	(2.3)	6.7	7.0	(8.4)	(67.4)	209.9
Adj. PAT	(4.4)	18.5	(13.8)	24.6	(10.0)	3.9	(59.7)	115.6
Margin (%)								
EBITDA	15.6	16.5	15.4	16.6	17.9	18.4	13.3	17.7
PAT	14.9	17.6	14.5	18.2	16.5	19.2	17.1	15.9

Source: Company, EISEC Research

Fig 4: Key Assumptions

Key assumptions	FY18	FY19	FY20	FY21e	FY22e	FY23e
Domestic Sales Volume						
Three-wheelers (Passenger carrier)	3,46,846	3,68,825	3,35,656	1,60,301	1,85,949	2,00,825
Three-wheelers (Goods carrier)	22,791	30,628	30,103	26,522	31,827	35,009
Motorcycles	19,74,577	25,41,320	20,78,136	17,91,997	20,78,717	22,45,014
Quadracycles/Scooters	-	627	725	2,184	2,556	2,967
Total Domestic Sales	23,44,214	29,41,400	24,44,620	19,81,005	22,99,049	24,83,815
YoY Growth (%)	4.0	25.5	(16.9)	(19.0)	16.1	8.0
Exports Volume						
Three-wheelers (Passenger carrier)	2,65,752	3,81,046	2,99,137	2,64,792	3,04,511	3,34,962
Three-wheelers (Goods carrier)	463	2,131	2,747	1,905	2,285	2,560
Motorcycles	13,94,757	16,95,553	18,69,220	16,50,064	19,30,575	21,23,632
Quadracycles/Scooters	1,605	4,400	5,185	3,101	3,876	4,264
Total Exports	16,62,577	20,83,130	21,76,290	19,19,861	22,41,247	24,65,417
YoY Growth (%)	17.8	25.3	4.5	(11.8)	16.7	10.0
Total Sales Volume						
Three-wheelers (Passenger carrier)	6,12,598	7,49,871	6,34,793	4,25,093	4,90,460	5,35,787
Three-wheelers (Goods carrier)	23,254	32,759	32,850	28,427	34,112	37,569
Motorcycles	33,69,334	42,36,873	39,47,356	34,42,061	40,09,291	43,68,646
Quadracycles/Scooters	1,605	5,027	5,910	5,285	6,432	7,231
Total Sales	40,06,791	50,24,530	46,20,910	39,00,866	45,40,295	49,49,233
YoY Growth (%)	9.3	25.4	(8.0)	(15.6)	16.4	9.0
Financial Metrics						
Net Revenues (Rs mn)	2,52,189	3,03,576	2,99,187	2,72,393	3,25,098	3,67,896
Realization per unit (Rs)	62,940	60,419	64,746	69,829	71,603	74,334
YoY Growth (%)	6.0	(4.0)	7.2	7.9	2.5	3.8

Source: Company, EISEC Research Estimates

Financial Statements

Income Statement					
YE March (Rs mn)	FY19	FY20	FY21e	FY22e	FY23e
Revenues	3,03,576	2,99,187	2,72,393	3,25,098	3,67,896
% Growth	20.4	-1.4	-9.0	19.3	13.2
Materials cost	2,17,977	2,10,083	1,91,843	2,29,601	2,61,667
% of revenues	71.8	70.2	70.4	70.6	71.1
Employee cost	12,554	13,892	13,059	13,581	14,260
% of revenues	4.1	4.6	4.8	4.2	3.9
Others	21,120	24,249	22,687	24,638	26,410
% of revenues	7.0	8.1	8.3	7.6	7.2
EBITDA	51,925	50,962	44,805	57,277	65,559
EBITDA margin (%)	17.1	17.0	16.4	17.6	17.8
Depreciation & Amortisation	2,657	2,464	2,456	2,478	2,549
EBIT	49,268	48,498	42,349	54,799	63,009
Interest expenses	45	32	0	0	0
PBT from operations	49,223	48,466	42,349	54,799	63,009
Other income	14,389	17,336	14,752	16,075	17,566
Exceptional items	3,420	-	-	-	-
PBT	67,032	65,802	57,101	70,874	80,575
Taxes	20,280	14,802	14,372	17,839	20,281
Effective tax rate (%)	30.3	22.5	25.2	25.2	25.2
PAT	46,752	51,000	42,729	53,035	60,295
Extraordinary Items	-	-	-	-	-
Reported PAT	46,752	51,000	42,729	53,035	60,295
Adjusted PAT	44,366	51,000	42,729	53,035	60,295
Source: Company, EISEC Research Estimates					
Key Ratios					
YE March	FY19	FY20	FY21e	FY22e	FY23e
Growth Ratio (%)					
Revenue	20.4	(1.4)	(9.0)	19.3	13.2
EBITDA	7.3	(1.9)	(12.1)	27.8	14.5
Adjusted PAT	8.5	15.0	(16.2)	24.1	13.7
Margin Ratios (%)					
EBITDA margin	17.1	17.0	16.4	17.6	17.8
EBIT margin	16.2	16.2	15.5	16.9	17.1
PBT margin	16.2	16.2	15.5	16.9	17.1
Adjusted PAT margin	14.6	17.0	15.7	16.3	16.4
Return Ratios (%)					
ROE	21.7	24.5	20.3	22.5	22.8
ROCE	21.0	23.7	19.7	22.0	22.3
ROIC	110.6	109.0	92.3	117.9	144.3
Turnover Ratios (days)					
Gross block turnover (x)	6.8	7.1	6.6	7.8	8.5
Inventory	16	18	18	17	16
Debtors	31	21	21	20	19
Creditors	63	56	56	57	58
Cash conversion cycle	(17)	(16)	(16)	(20)	(23)
Solvency Ratio (x)					
Debt-equity	-	-	-	-	-
Net debt-equity	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Gross debt/EBITDA	-	-	-	-	-
Current Ratio	1.4	1.6	2.1	2.4	2.6
Interest coverage ratio	NM	NM	NM	NM	NM
Dividend					
DPS (Rs)	60.0	120.0	70.0	90.0	100.0
Dividend yield (%)	2.2	6.2	2.3	3.0	3.3
Dividend payout (%)	44.4	81.8	47.4	49.1	48.0
Per share (Rs)					
Adjusted EPS	153	176	148	183	208
CEPS	162.5	184.8	156.1	191.8	217.2
BVPS	752.7	688.6	766.3	859.5	967.9
Valuation (x)					
P/E (adjusted)	18.0	16.4	20.4	16.4	14.4
P/BV	3.7	4.2	3.9	3.5	3.1
EV/EBITDA	11.7	13.0	15.2	11.3	9.4
EV/Sales	2.0	2.2	2.5	2.0	1.7

Source: Company, EISEC Research Estimates

Balance Sheet					
YE March (Rs mn)	FY19	FY20	FY21e	FY22e	FY23e
Source of funds					
Capital	2,894	2,894	2,894	2,894	2,894
Reserves & Surplus	2,14,905	1,96,361	2,18,834	2,45,826	2,77,184
Shareholders' Fund	2,17,799	1,99,255	2,21,728	2,48,719	2,80,077
Total loan funds	-	-	-	-	-
Deferred tax liabilities (Net)	5,427	3,464	3,464	3,464	3,464
Other Liabilities	1,842	2,482	2,410	2,552	2,667
Total Liabilities	2,25,067	2,05,201	2,27,602	2,54,735	2,86,208
Application of funds					
Gross Block	42,956	41,573	41,272	42,365	43,810
Less: Accumulated depreciation	(25,317)	(24,583)	(23,608)	(22,805)	(22,195)
Net Block	17,639	16,990	17,664	19,560	21,615
Capital WIP	480	602	602	602	602
Net Assets	18,120	17,592	18,266	20,162	22,217
Investments	1,75,829	1,54,162	1,56,886	1,60,137	1,63,816
Other Non-Current Assets	9,229	10,009	10,005	10,552	10,996
Inventory	9,615	10,635	9,712	10,694	11,470
Sundry debtors	25,597	17,251	15,706	17,814	19,151
Cash & bank balances	9,228	3,083	8,112	21,734	36,127
Loans & Advances	63	61	272	325	368
Short term Investments	15,765	27,798	38,753	51,827	66,623
Other Current Assets	10,358	7,142	8,717	8,778	9,933
Total Current Assets	70,627	65,970	81,271	1,11,171	1,43,672
Sundry creditors	37,867	31,997	29,219	35,856	41,580
Other current liabilities	9,463	8,955	8,170	9,715	10,970
Provisions	1,406	1,580	1,438	1,717	1,942
Total current liabilities	48,737	42,532	38,827	47,287	54,492
Net Current Assets	21,890	23,438	42,444	63,884	89,180
Total Assets	2,25,067	2,05,201	2,27,602	2,54,735	2,86,208

Source: Company, EISEC Research Estimates

Cash Flow					
YE March (Rs mn)	FY19	FY20	FY21e	FY22e	FY23e
Operating profit before WC changes	52,522	51,632	44,805	57,277	65,559
Net chg in working capital	(7,984)	3,763	(3,090)	4,852	3,564
Income tax paid	(19,543)	(16,777)	(14,372)	(17,839)	(20,281)
Cash flow from operating activities (a)	24,895	38,618	27,343	44,290	48,842
Capital expenditure	(1,635)	(2,828)	(3,146)	(4,390)	(4,621)
Free Cash Flow	23,260	35,790	24,197	39,900	44,221
Cash flow from investing activities (b)	(2,441)	17,545	(2,057)	(4,625)	(5,513)
Cash flow from financing activities (c)	(20,741)	(62,465)	(20,256)	(26,043)	(28,937)
Net chg in cash (a+b+c)	1,444	(6,281)	5,029	13,622	14,393

Source: Company, EISEC Research Estimates

Disclaimer

East India Securities Limited (hereinafter EISEC), a publically listed company, registered as Research Analyst with SEBI (Registration No. INH300003231). EISEC is engaged in broking services, distribution and marketing of financial products, and in the normal course of business, EISEC prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

Research report is a written or electronic communication that includes research analysis, research recommendation or an opinion concerning securities or public offer, providing a basis for investment decisions. The views expressed therein are based solely on information available publicly/internal data/other reliable sources believed to be true. The information is provided merely as a complementary service and do not constitute an offer, solicitation for the purchase or sale of any financial instruments, inducement, promise, guarantee, warranty, or as an official confirmation of any transactions or contract of any kind.

Research data and reports published/ emailed/ text messaged via Short Messaging Services, Online Messengers, WhatsAppetc/transmitted through mobile application/s, including but not limited to FLIP™, Video Widget, telephony networks, print or electronic media and or those made available/uploaded on social networking sites (e.g. Facebook, Twitter, LinkedIn etc) by EISEC or those recommendation or offers or opinions concerning securities or public offer which are expressed as and during the course of "Public Appearance" are for informational purposes only. The reports are provided for assistance and are not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Though disseminated to clients simultaneously, not all clients may receive the reports at the same time. EISEC will not treat recipients as clients by virtue of their receiving this report.

The reports include projections, forecasts and other predictive statements which represent EISEC's assumptions and expectations in the light of currently available information. These projections and forecasts are based on industry trends, circumstances and factors which involve risks, variables and uncertainties. The actual performance of the companies represented in the report may vary from those projected. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these-

- are based on estimates and assumptions
- are subject to significant uncertainties and contingencies
- will vary from actual results and such variations may increase over a period of time
- are not scientifically proven to guarantee certain intended results
- are not published as a warranty and do not carry any evidentiary value.
- are not based on certain generally accepted accounting principles
- are not to be relied on in contractual, legal or tax advice.

Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Reports based on technical analysis is focused on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Though we review the research reports for any untrue statements of material facts or any false or misleading information, , we do not represent that it is accurate or complete and it should not be relied on in connection with a commitment or contract whatsoever. Because of the possibility of human, technical or mechanical error by our sources of transmission of Reports/Data, we do not guarantee the accuracy, adequacy, completeness or availability of any information and are not to be held responsible for any errors or omissions or for the results obtained from the use of such information. EISEC and/or its Affiliates and its officers, directors and employees including the analysts/authors shall not be in any way responsible for any indirect, special or consequential damages that may arise to any person from any inadvertent error in the information contained in the reports nor do they take guarantee or assume liability for any omissions of the information contained therein. Information contained therein cannot be the basis for any claim, demand or cause of action. These data, reports and information do not constitute scientific publication and do not carry any evidentiary value whatsoever.

The reports are not for public distribution. Reproduction or dissemination, directly or indirectly, of research data and reports of EISEC in any form is prohibited except with the written permission of EISEC. Persons into whose possession the reports may come are required to observe these restrictions. Opinions expressed therein are our current opinion as of the date appearing on the report only. Data may be subject to update and correction without notice. While we endeavour to update on a reasonable basis the information discussed in the reports, there may be regulatory, compliance, or other reasons that prevent us from doing so.

The reports do not take into account the particular investment objectives, financial situations, risk profile or needs of individual clients. The user assumes the entire risk of any use made of this information. Each recipient of the reports should make such investigation as deemed necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in such reports (including the merits and risks involved).

Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Investors may lose his/her entire investment under certain market conditions. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of investments referred to in research reports and the income from them may fluctuate. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options. Foreign currencies denominated securities are

subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

The recommendations in the reports are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed in the reports are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. The reports are non-inclusive and do not consider all the information that the recipients may consider material to investments. The reports are issued by EISEC without any liability/undertaking/commitment on the part of itself or any of its entities.

Recipients of the research reports should assume that entities of EISEC may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of the reports. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of reports/data/material, may, from time to time have 'long' or 'short' positions in, act as principal in, and buy or sell the securities thereof of companies mentioned therein or be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as market maker in the financial instruments of the company/ies discussed therein or act as advisor or lender/borrower to such company/ies or have other potential conflicts of interests with respect to any recommendation and related information and opinions.

We further undertake that-

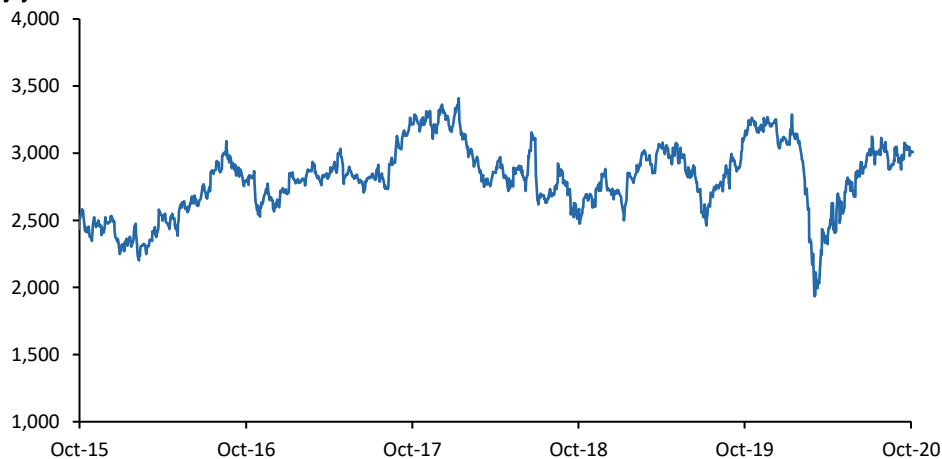
- No disciplinary action has been taken against the research analyst or EISEC by any authority in connection with their respective business activity.
- EISEC, Research analysts, persons reporting to research analysts and their relatives may have financial interests and material conflict of interest in the subject company.
- EISEC, Research analysts, persons reporting to research analysts and their relatives may have actual/beneficial ownership of 1% or more in the subject company's securities, at the month immediately preceding the date of publication of this research report.

Past performance is not a guide for future performance, future returns are not guaranteed and investors may suffer losses which may exceed their original capital.

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws.

The user should consult their own advisors to determine the merits and risks of investment and also read the Risk Disclosure Documents for Capital Markets and Derivative Segments as prescribed by Securities and Exchange Board of India before investing in the Indian Markets.

Bajaj Auto Ltd.



Source: ACEEquity, EISEC Research

Analyst holding in stock: **NO**

Key to EISEC Investment Rankings

Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by >15%

East India Securities Ltd. (<http://www.eisec.com/>)

Office: - 201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097

Disclosure of Interest Statement		
1	Business activities of East India Securities Ltd (EISEC)	East India Securities Ltd (hereinafter referred to as “EISEC”) is a registered member of NSE (All Segments), MCX-SX (Currency Derivatives Segment) and BSE (All segments), Depository Participant of NSDL & CDSL.
2	Details of Disciplinary History of EISEC	EISEC has not been debarred/ suspended by SEBI or any other regulatory authority from accessing or dealing in securities market on behalf of clients.
3	Registration status of EISEC:	EISEC is registered with SEBI as a Research Analyst (SEBI Registration No INH300003231)
		Bajaj Auto Ltd.
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No

Member (NSE and BSE)

Single SEBI Regn No.: INZ000190836

Research Analyst

SEBI Registration No. INH300003231

Website: www.eisec.com

Investor Grievance Email ID: mail@eisec.com

Compliance Officer Details:

Sumeet Kejriwal 033-40205901; Email ID: sumeetk@eisec.com

East India Securities Ltd. (CIN: U67120WB1995PLC072026)	
Registered Office Address	Corporate Office & Correspondence Address
10/1D, Lal Bazar Street, 3rd Floor, Mercantile Building, Kolkata – 700001.	201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097