


CMP: INR3,000
TP: INR3,295 (+10%)
Buy

Aug-16 sales in-line; fall in exports more than offsets domestic growth

New launches drive domestic growth (+25% YoY); exports sluggish (-31% YoY)

Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M.Cap.(INR b)/(USD b)	868/13.0
52-Week Range (INR)	3,038/2,173
1, 6, 12 Rel. Per (%)	7/14/24

Financial & Valuation (INR b)

Y/E MARCH	2016	2017E	2018E
Sales	225.9	241.1	279.0
EBITDA	47.8	49.1	57.3
NP	38.1	41.3	50.8
Adj. EPS (INR)	132	143	176
EPS Gr. (%)	25.1	8.2	23.1
BV/Sh. (INR)	425	489	575
RoE (%)	33.2	31.2	33.0
RoCE (%)	32.3	30.4	32.2
Payout (%)	50.2	54.8	51.3
Valuation			
P/E (x)	22.8	21.0	17.1
P/BV (x)	7.1	6.1	5.2
EV/EBITDA (x)	16.0	14.7	12.2
Div. Yield (%)	1.8	2.2	2.5

- Bajaj Auto's (BJAUT) Aug-16 sales fell 5% YoY (-1.4% MoM) to 325,347 units (in line with our estimate of ~328,000) as domestic volume growth of 25% YoY (+1.2% MoM) was more than offset by a 31% YoY (-5.1% MoM) fall in exports. Our FY17 estimate indicates 4.4% growth, implying residual growth of 9.4% or 345k units/month of run-rate.
- Domestic volumes at ~200k units (est. of 197k units) continued their strong momentum, with 25% YoY growth. Domestic motorcycle volumes surged 17%, with V-15 and Avenger contributing to incremental growth.
- Total motorcycle volumes declined 3.6% YoY (-2% MoM) to 280k units (est. of ~282k units) as robust domestic performance (+17% YoY) was offset by a 21% YoY fall in exports.
- Total exports declined sharply by ~31% YoY (-5.1% MoM) to ~125k units (est. of ~131k). Majority of export markets continue to face currency issues. It continued to face headwinds in Nigeria, where it clocked retail motorcycle sales of 16,000-17,000 units and three-wheeler sales of 1,500-2,000 units. However, management indicated that Egypt, one of its export markets, was getting better, especially in terms of currency availability.
- 3W volumes declined 12% YoY to ~45.4k units (est. of 46k units), primarily due to a fall in exports. Domestic 3W sales grew 14% YoY to ~25,595 units, while exports dropped 32% YoY to ~19,841 units.
- Launch of Pulsar 400cc has been postponed as the company wants to focus more on meeting festive demand.
- The stock trades at 21/17.1x FY17E/18E EPS. Maintain Buy.

Snapshot of volumes for Aug 2016

	Aug-16	Aug-15	YoY (%)	Jul-16	MoM (%)	FY17-YTD	FY16-YTD	Chg (%)	FY17 estimate	YoY (%)	Residual Gr. (%)	Residual Monthly Run rate
Total volume	325,347	341,965	-4.9	329,833	-1.4	1,649,913	1,685,225	-2.1	4,065,513	4.4	9.4	345,086
Motorcycles	279,911	290,436	-3.6	285,527	-2.0	1,437,978	1,448,104	-0.7	3,537,569	5.3	9.9	299,942
Three-Wheelers	45,436	51,529	-11.8	44,306	2.6	211,935	237,121	-10.6	527,944	-1.4	6.0	45,144
Domestic	200,314	160,307	25.0	198,022	1.2	1,022,420	862,381	18.6	2,507,955	16.4	15.0	212,219
Exports	125,033	181,658	-31.2	131,811	-5.1	627,493	822,844	-23.7	1,557,558	-10.5	1.5	132,866

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