

October 24, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
Bajaj Auto Ltd.	Autos	3185	BUY	3510	10%

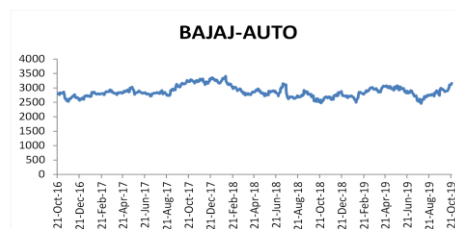
Key Stock Data

BSE Script Code	BAJAJ-AUTO
NSE Script Code	BAJAJ-AUTO
No. of shares	28.93
FV (Rs.)	10
MCAP (Rs.)	92,283 Crs
MCAP (\$)	1319 Crs
52 Week High	Rs. 3235
52 week Low	Rs. 2400
Time Frame	6 months

Shareholding Pattern

Promoters	53.52%
DII's	6.80%
FII's	14.61
Others	29.67%

3 years Price Chart



Bajaj Auto Ltd. (BAJAJ-AUTO) is the flagship company of the Bajaj group; It is a leading manufacturer of two-wheelers (~86% of volumes) and three-wheelers (~13% of volumes). It is a market leader in the three-wheelers segment and second largest player in the motorcycle segment where it enjoys the leadership position in the premium segment. It is also the largest exporter of two-wheelers and three wheelers, where it exports 44% of the total volume.

Investments Rationale**1. Decent Earnings Growth during sectorial slowdown**

BAJAJ-AUTO reported decent set of growth during the industry slowdown and managed to clock in revenue growth of 4% Y-o-Y and reported flat set of numbers sequentially to Rs. 7499 Crs in 2QFY20 as against Rs.7831 Crs in 2QFY19 and a bottom-line growth of 21% Y-o-Y and 50% Q-o-Q to Rs. 1523 Crs in 2QFY20 as against Rs. 1115 Crs in 2QFY19.

2. Increase in market share

BAJAJ-AUTO increased its market share in the overall domestic motorcycle segment and stood at 20% in 2QFY20 as against 18.3% in Q1FY20 as against 16.3% market-share in Q2FY19. The aim of the company is to reach at 24% of the market share. We feel, the company is taking all the right steps to reach towards the desired market share by ways of launching new products along with economical pricing.

Outlook & Valuations

BAJAJ-AUTO has constantly outperformed the industry in terms of volume growth during the time when the entire sector was facing a slowdown. BAJAJ-AUTO is currently trading at attractive valuations of mere 15.08x on FY21 PE and we would like to allot a PE multiple of 16.5x on FY21 EPS of Rs. 211 per share to arrive at a target price of Rs. 3510 per share

Key Financial

Amt in Crs

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
Revenue	23088	25617	30250	31762	33985
EBITDA	4419	4782	4979	5082	5778
PAT	4079	4219	4927	5400	6117
EPS	141	145	170.3	186.59	211.41
PE	22.61	21.98	18.71	17.09	15.08

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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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