

## Company Update

**CMP** : Rs. 1601  
**Rating** : Buy  
**Target** : Rs. 1,809

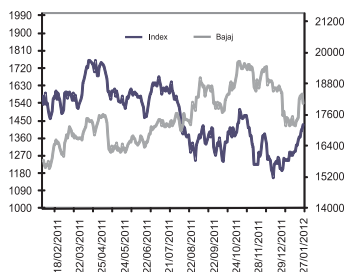
### KEY DATA

Market Cap (Rs. bn)	463.3
Market Cap (USD mn)	9265.6
52 WK High / Low	1822 / 1189
Avg Daily Volume (BSE)	51437
Face Value (Rs.)	10

BSE Sensex	17194
Nifty	5199
BSE Code	532977
NSE Code	BAJAJ-AUTO
Reuters Code	BAJA.BO
Bloomberg Code	BJAUT IN

Shareholding %	1Q12	2Q12	3Q12
Promoters	50.0	50.0	50.0
MF/Banks/Indian FIs	8.0	8.0	8.0
FII/ NRIs/ OCBs	16.0	16.0	17.0
Indian Public	26.0	26.0	25.0

### Performance Chart



Price Performance (%)	3 M	6 M	12 M
Absolute	(10.8)	5.5	23.8
Relative	(7.9)	11.0	30.0

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## Bajaj Auto Limited

### Bajaj Pulsar 2012- Oh No, the goal post moves again



*We have been stressing in our earlier reports that the next generation Pulsar would be a radical breakthrough in terms of design and technology, a benchmark for peers to follow....mind you BAL has not disappointed us.* BAL revealed the most anticipated bike - the Pulsar 200NS (NS stands for Naked Sports). It has great styling, is feature packed and is expected to be a competition killer, giving nightmares to the likes of Heromoto Corp's (HMCL) Karizma ZMR, Yamaha's R15, FZ series, TVS Apache and even to the 50-75% more expensive Honda's CBR 250R. With a water-cooled 200cc, triple spark plug engine (a global first) dishing out a mouth watering 23.5PS of power, the new Pulsar has definitely delivered to the expectations of its hardcore fans. Icing on the cake is the pricing, which, BAL's MD Rajiv Bajaj expects to be less than a lakh of rupees when the bike hits the streets in April 2012.

### Key Highlights of the new Pulsar 200NS

- **Bajaj plans to sell the New Pulsar 200NS under INR 1,00,000. (Best value for money without compromising on features)**
- 200cc Single Cylinder, SOHC 4 Valves, Liquid Cooled, Triple Spark Engine.
- Producing peak power of 23.19 BHP @ 9500 rpm and 18.3 Nm of Torque @ 8000 rpm.
- 6-Speed Gearbox.
- **Fuel Economy of 58 kmpl @ a constant 55 kph. (reportedly the best in the 200-250cc class in India)**
- Nitrox Mono Shock Absorber with independent gas canister at the rear.
- Petal Disc brakes both at the front and rear.
- **BAL claims a 0-60 kmph in 3.61 seconds and 0-100 kmph in 9.83 seconds. (Again best in its class next only to its peer KTM 200)**

### **A deep look into the cost savings and BAL's aggressive pricing strategy vis-a vis KTM Duke 200 & the rest of the competition**

- Just by ingeniously using a carburetor + triple spark-plugs + Single Overhead Cam (SOHC) + smaller catalytic converter (catcon) setup, BAL has easily saved costs of ~Rs 20k. Add to it the relatively thinner tyres, lack of the cast aluminum swing arm, the thinner (but equally wide as the CBR 250R) conventional forks saves another Rs 20k.
- The SOHC set-up is simpler and costs much less to manufacture than a Double Overhead Cam (DOHC) one, delivering slightly lower power. The three spark plugs aid in better combustion of fuel while controlling emissions without using expensive technology like Fuel injection which will jack up the price by a cool Rs15k. Lower emission has aided BAL to use a smaller catcon as compared to a bigger one used on the KTM Duke 200 translating into lower cost. Fuel injection would have improved the efficiency, but the gains wouldn't be substantial considering the cost.

### **Some clarifications from the management**

**On Phasing out of current Pulsars:** Mr. Bajaj believes that the decision to phase out a product lies with the customer and not with the manufacturer. He would rather let the market decide when to phase out the old Pulsars. For now, the current lineup of Pulsars will keep selling alongside the new machine. The new Pulsar wouldn't be sold in the Pr-biking showrooms which are strictly for KTM & Kawasaki bikes from here on.

**On production capacity for the new Pulsar:** BAL's Chakan plant is capable of producing 100,000 Pulsar 200NS + KTM 200 Dukes (combined) per month. The assembly line is flexible, and depending on the demand can ramp up production quickly for any given model.

**On exports of Pulsar 200NS:** The company anticipates that the domestic demand for the bike will keep the plant busy for at least 6-12 months after its launch and any decision on exports will be taken only after that phase has elapsed.

**On higher Ad spends:** There would be incrementally higher ad spends but wouldn't be too high.

**On New products:** The MD also mentioned that a 350cc KTM Duke is expected next year. We can expect a bigger displacement Pulsar as well since the development goes hand in hand for Bajaj and KTM in India. An all new commuter motorcycle (mostly part of the discover family) would be launched by June'2012 and would borrow technical cues from the Pulsar 200NS.

***BAL has benefitted from developing technologies indigenously and thus has avoided paying royalties to global 2W giants, something what HMCL has been doing to Honda motor. In terms of sheer profitability, BAL ranks as the most profitable automotive enterprise in the world with an EBITDA in excess of 21%. One can hardly find any company which is the most profitable while also pricing its products much cheaper than the competition.***

### **Our Take**

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It would be difficult for the peers to match BAL in terms of pricing while BAL has huge export markets up for grabs with its new Pulsar. KTM and Kawasaki are interested in selling the bike in global markets which stands testimony to the faith they have in the product.

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We believe Pulsar 200NS is the first of a series of motorcycles to be launched by BAL and expect a faired version of the Pulsar NS to be launched soon to take on the likes of the CBR 250R. We also expect BAL to use the Duke 125cc engine in its Pulsar/Discover range and hit the competition even hard in the executive / entry sport motorcycle segment.

On a comparative basis, Pulsar 200NS has superior features and sets a benchmark in power, mileage or price in that segment which we believe is a sure shot recipe for success. It would be difficult for the peers to match BAL in terms of pricing while BAL has huge export markets up for grabs with its new Pulsar. KTM and Kawasaki are interested in selling the bike in global markets which stands testimony to the faith they have in the product. We reiterate BUY on BAL with a target price of Rs 1809.

## Comparative Analysis of motorcycles in the sports motorcycle segment

Company	Model	Price -Delhi Ex-Showroom (in Rs.)	Engine	Wheelbase (mm)	Kerb Weight (kg)	Maximum Power (in PS)	Torque (nm@rpm)	Mileage (km/ltr)	Compression Ratio	Rear Shock absorber Type	BHP per tonne	BHP per litre
Bajaj Auto	Pulsar 200NS 	<100,000	200cc/ DOHC/ 4 valves/ Liquid cooled	1363	145	23.5@ 9500	18.3@ 8000	40-45	11.5:1	Mono	162	118
	KTM Duke 200 	130,000	200cc/ DOHC/ 4 valves/ Liquid cooled	1361	135	25.0@ 10,000	19.0@ 8000	40-45	11.3:1	Mono	180	125
	Pulsar 220F 	84,000	220cc/ SOHC/ 2 valves/ Oil cooled	1350	152	21.0@ 8,500	19.12@ 7000	35-40	9.5:1	Dual	138	95
Hero Motocorp	Karizma 	76,000	225cc/ SOHC/ 2 valves/ Air cooled	1355	150	16.8@ 7000	18.35 @ 6000	35-40	9.0:1	Dual	112	75
	Karizma ZMR 	96,000	225cc/ SOHC/ 2 valves/ Oil cooled	1350	159	17.8@ 7000	18.35 @ 6000	35-40	9.0:1	Dual	112	79
Royal Enfield	Bullet 350 	94,000	350cc/ SOHC/ 2 valves/ Air cooled	1370	180	19.8 @ 5250	28 @ 4000	30-35	8.5:1	Dual	110	57
	Electra Twinspark 	105,000	350cc/ SOHC/ 2 valves/ Air cooled	1370	183	19.8 @ 5250	28 @ 4000	30-35	8.5:1	Dual	108	57
	Classic 350 	114,000	350cc/ SOHC/ 2 valves/ Air cooled	1370	182	19.8 @ 5250	28 @ 4000	30-35	8.5:1	Dual	109	57
Honda	CBR 250R 	157,000	250cc/ DOHC/ 4valves/ Liquid cooled	1370	165	25.8 @ 8500	22.9 @ 7000	30-35	10.7:1	Mono	155	103
	CBR 150R (upcoming) 	115,000	150cc/ DOHC/ 4valves/ Liquid cooled	1310	138	17.8@ 10500	12.6 @ 8500	30-35	11.0:1	Mono	128	117
Yamaha	YZF-R15 	110,000	150cc/ DOHC/ 4valves/ Liquid cooled	1290	131	17.0 @ 8500	15 @ 7500	40-45	10.4:1	Mono	130	113
TVS	Apache RTR 180 	70,540/ 81,080 (ABS)	180cc/ SOHC/ 2 valves/ Air cooled	1326	137	17@ 8500	15.2 @ 8500	40-45	9.5:1	Dual	126	96

Source: Company, FQ Research

**Picture Gallery - The New Pulsar 200NS**



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**BUY**

**More than 10% return**

**HOLD**

**Between 5-10% return**

**SELL**

**Less than 5% return**