

Bajaj Auto Limited
Since 1945

Disclosure - Invested
Date - 23/8/16

safalniveshale.com

9th ANNUAL REPORT
2015-16

Chairman's Letter

Dear Shareholder,

Let me start with some encouraging news. The data on national income released in February 2016 by the Central Statistical Organisation of the Government of India anticipates real GDP growth of 7.6% for 2015–16 (FY2016) — up from 7.2% in the previous year. I believe this to be a reasonable estimate. Just as I believe that if we have good monsoons in 2016–17, as the meteorological office has suggested, we should be set to achieve even higher growth of around 8% this fiscal. The worst is hopefully behind us.

I will touch upon a somewhat worrisome macroeconomic issue towards the end of this letter. But for now I need to share with you the results of your Company. Despite headwinds in both the domestic and international markets, Bajaj Auto has performed very well. Here are the key financials:

Hero Moto

↑ 4% ←

- Net sales increased by 5.4% to ₹ 22,253 crore. Total operating income (net sales plus other operating income) grew by 5.3% to ₹ 22,967 crore.
- Operating EBITDA increased by 17.5% to ₹ 5,147 crore. This is the highest in your Company's history.
- At 22.4% of net sales and other operating income, the operating EBITDA margin is, I believe, the highest in the industry.
- Operating profits grew by 17.9% to a record of ₹ 4,839 crore. The operating profit margin was 21.1% of net sales plus other operating income — also the best in the industry.
- Profit before tax (PBT) increased by 31.8% to a record ₹ 5,385 crore.
- Profit after tax (PAT) rose by 29.8% to ₹ 3,652 crore, another record for the Company.
- In spite of two dividend payouts in FY2016, surplus cash and cash equivalents as on 31 March 2016 was up by 7.5% to ₹ 9,089 crore.

Hero's OPM
≈ 15.5%

↑ 31% ←

So, these are very good results, and your Company's Management deserves congratulations for such achievements.

Let me now touch upon some other aspects of Bajaj Auto's performance. After three consecutive years of de-growth, your Company's domestic sale of motorcycles increased by 7.2% to almost 1.9 million units. That has been very encouraging especially in an environment where overall demand still remains somewhat subdued. So, too, has Bajaj Auto done well in domestic sale of three-wheelers, which has increased by 8.8% over the previous year to just a tad short of 255,000 units.

However, due to external factors, especially poor economic conditions and severe foreign currency constraints in some of the key importing countries, we have not succeeded in equal measure on the export front — both in motorcycles and three-wheelers. After a 15% growth in motorcycle exports last year, the numbers fell by 4.1% to 1.46 million units; and, similarly, on the back of a 9.2% growth in FY2015, exports of three-wheelers dropped by 1.6% to some 280,000 units. This does not take away from the fact that your Company remains India's largest exporter of both motorcycles and three-wheelers and it still enjoys significant market shares. In fact it has improved its market share in important geographies: 24% in markets where it operates in Latin America, driven by the Pulsar 200NS; and 33% share in the relevant markets of Africa where the Boxer continues to lead our motorcycle sales. I hope that exports will pick up when some of these markets abroad get into better economic and financial shape.

Regarding the domestic play, I am impressed by the strategy that Bajaj Auto has been following to garner significant market shares in certain key segments. Using what your Company's Managing Director likes to call the strategy of creative differentiation — more of which is described in the Management Discussion and Analysis — we have succeeded in capturing major, often leading, market shares in three categories: (i) the super-sports segment with the KTM and the Pulsar RS 200; (ii) the sports or performance segment with the Pulsars and the Avengers; and (iii) the entry-level segment with the Platina and CT 100.

In February 2016 your Company launched the V15, a 150 cc bike, to create a new and differentiated model for the large mass commuter segment. These are early days yet. But I hope that this new and more powerful offering will steadily increase Bajaj Auto's presence in this important sector of the market — the more so as demand picks up with an overall economic rebound in FY2017.

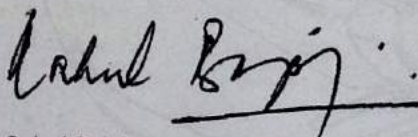
Amidst successes, there has been a disappointment. Your Company has produced what I believe to be an excellent Quadricycle called Qute (rhymes with 'cute'). In FY2016, we exported under 400 units to 13 markets across the world. It was ready for introduction in India last year. Unfortunately, everything has been held up by on-going court cases, which now await a final verdict in the Supreme Court. The matter is *sub-judice*. All I can hope for is a positive outcome, so that passengers in India enjoy the benefits of this fuel efficient and emission friendly four-wheeled vehicle as have their counterparts abroad.

That brings me to the worrying macroeconomic theme that I alluded to earlier. Each year, India is producing an extra 12 million young people of an age that makes them ready for the nation's workforce. Unfortunately, while there is no doubt that we as a country can increase our GDP growth initially to 8% per annum and then hit a steady-state of around 8.5% for several years, everything seems to suggest that employment will not rise at anywhere close to that rate of growth. Indeed, all recent data across most manufacturing and service sector activities show that employment elasticities (namely, the percentage increase in employment for a percentage growth in value added) are not only less than unity, but often negative. Matters worsen if you juxtapose significantly greater skill and multi-tasking needs of the future with the inadequate educational and technical abilities of many who are entering the labour force — thanks to years of neglect of our schools, colleges and technical and vocational training institutions. How then can we expect to employ the majority of our youth even when we attain higher growth? And what will this do to inequality and social tensions? I don't have ready answers. But as a nationalist in his seventh decade, I am concerned.

Finally, I live in wonderment with what technology brings in every day. I recently read a very good book by my friend Klaus Schwab of the World Economic Forum entitled The Fourth Industrial Revolution, where he writes of 23 deeply disruptive technological shifts that are on the anvil. Some of these are implantable technologies, wearable internet, artificial intelligence, the internet of things, ubiquitous robotics, 3D printing and various forms of nano-technologies. I can only speculate how these could disrupt automobile manufacturing, especially of motorcycles, three-wheelers and other two-wheelers. Since I am a generalist, these are but naïve speculations and guesses. Perhaps the senior team of Bajaj Auto might want to pool resources to explore some of these out-of-the-box ideas in addition to what they are already doing.

Let me end by stating that I have great faith and confidence in the capability of your Company's Management, and its ability to deliver good results in the future. Also, my thanks to our customers, dealers, vendors and employees who have always done their utmost for your Company. And my thanks to you, dear shareholders, for your long and continued support.

With best regards,



Rahul Bajaj
Chairman

25 May 2016

→ Good to know someone who's not wearing rose-tinted glasses and is accepting reality and potential challenges.

Growth in
Total motorcycle sales
(Domestic + exports)

Bajaj
↑ 2%

Hero
↑ 0.01%

India
↓ 0.7%

Management Discussion and Analysis

“Presence is Nothing without Performance”

The advance estimate of real GDP growth released in February 2016 by the Central Statistical Organisation of the Government of India suggests a pick-up from 7.2% in the previous year to 7.6% for 2015-16 (henceforth FY2016). While still short of the 8% growth that India needs to achieve, on a steady state basis, this will be a creditable achievement given the muted global economic scenario. Indeed, there have been early signs of an up-tick in both consumer demand and the beginnings of much needed growth in investments. As of now, these are more in the nature of ‘green shoots’. However, if the monsoons are as good as the preliminary meteorological forecast suggests — coming as it will after two consecutive years of drought across many parts of India — then the country ought to expect higher GDP growth in 2016-17.

How was FY2016 for India’s two- and three-wheeler industry? Despite somewhat higher estimated GDP growth for the year, domestic sales of motorcycles (in units) showed a marginal degrowth of 0.4% compared to the previous year. Given the difficult global scenario, exports of motorcycles for the industry as a whole reduced by 1.9%. Consequently, total motorcycle sales in India plus exports in FY2016 fell by 0.7% over FY2015. After a smart growth of three-wheelers sales (domestic plus exports) in FY2015, the numbers for the industry remained almost flat in FY2016 — with a modest growth in domestic sales being netted out by an almost similar degrowth in exports. To summarise, for the Indian industry, motorcycles and three-wheelers sales both in the country and abroad degrew by 0.6% in FY2016 vis-à-vis the previous year.

How did Bajaj Auto Ltd. (‘Bajaj Auto’ or ‘BAL’) perform in what was a difficult year for the industry? **In two words: very well.** To appreciate this, it is useful to start with the financials.



Chart A: EBITDA and EBITDA %

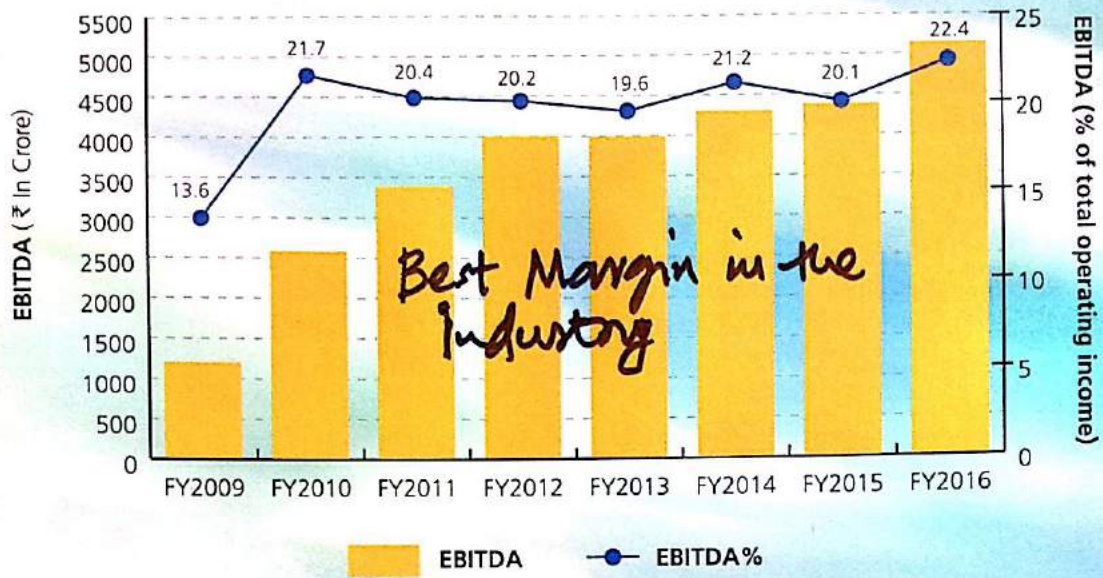


Chart B: Net Sales and Operating Income, Net Operating Profit and PAT

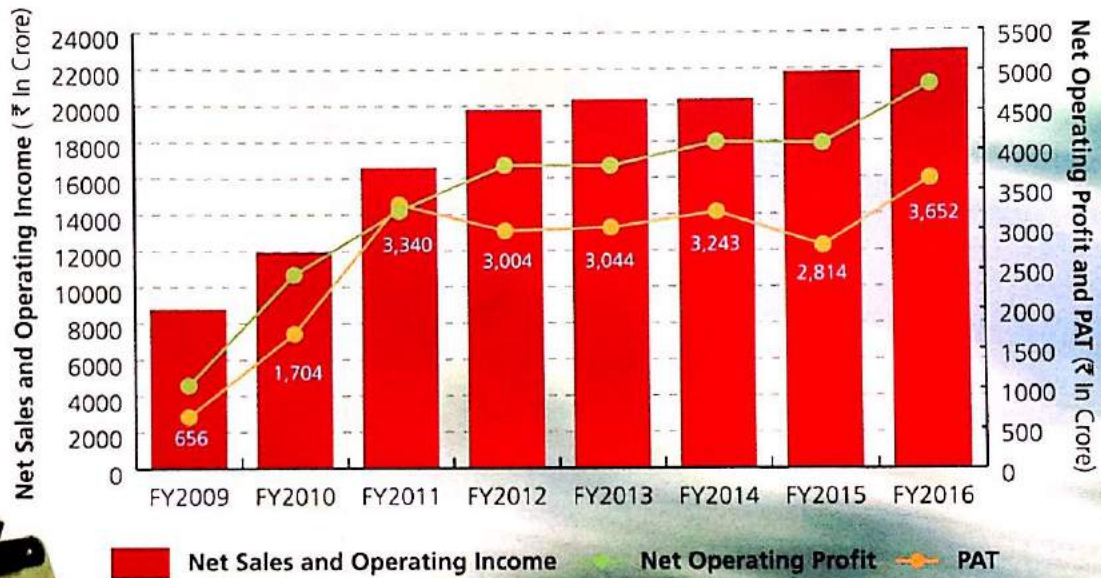
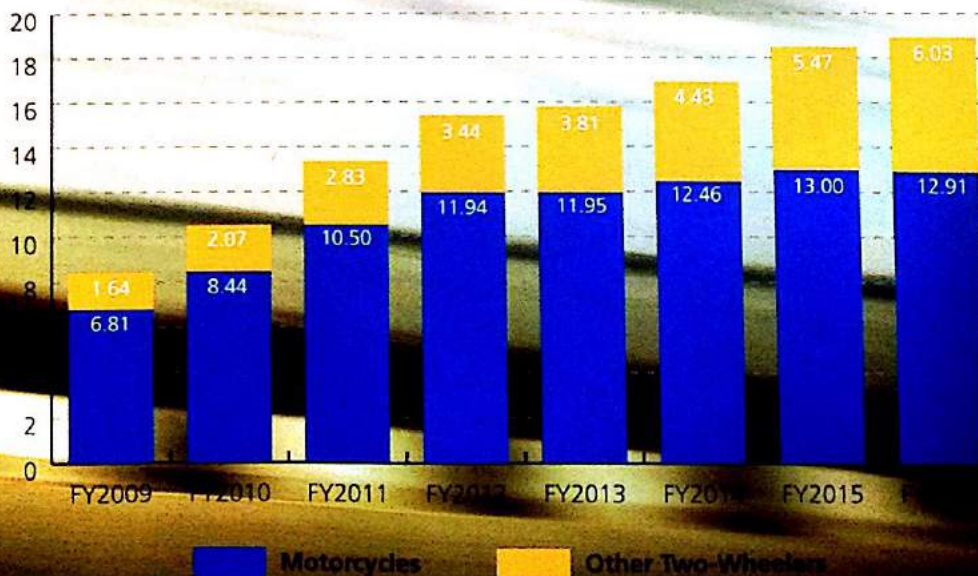


Chart C: Industry Sale of Two-Wheelers, Domestic + Exports (In Million Units)



Motorcycles

In recent years, Bajaj Auto's story on motorcycles is based on key strategic perceptions backed up by rigorous implementation of such insights. To understand this in some detail, one needs to start with the picture of overall industry sales of two-wheelers, which is given in Chart C.

As is evident from the chart, there has been hardly any growth in motorcycle sales for the last three years. In fact, there has been a marginal degrowth in FY2016. In such a milieu, the challenge to creatively differentiate becomes greater than ever before. **Indeed, it becomes the single most important factor that separates a market or segment leader from others.**

* Creative Differentiation in the World of Mobikes

What does creative differentiation mean in the world of motorcycles? In an ingenious turn of phrase it means that *'there is no replacement for displacement'*. Bajaj Auto believes that the differentiation which matters has to do with the size or cubic capacity (cc) of the engine, and hence the power of the bike. While differentiation carries with it features of new styling, design and riding comfort, these are necessary conditions — in that everyone introducing a new model will have to try and do all of these. **But the key factor in creative differentiation is to move ahead of the usual necessary conditions and to deliberately buck the trend of familiarity. (Howard Marks' second-level thinking)**

On several occasions in the recent past, Bajaj Auto has creatively differentiated with its new offerings. Here are a few:

- Consider the initial launch of the Pulsar 180 cc — totally different from all other Indian bikes of the time, with greater power through more displacement that was backed by specialised styling. A bike that was looked at as 'Definitely Male'.
- So too the Avenger. For all its retro-styling features, the original 220 cc version was too intimidating to create significant sales. Creative differentiation has occurred by introducing a 150 cc model which has a distinct market niche for itself in the sports segment.
- And now, the all new V15, the 150 cc bike, which is an entirely new, differentiated model in the commuter segment dominated by 100 cc and 125 cc bikes.

* Rajiv Bajaj is one of the most thoughtful & smart managers in India. Watch his interviews and you'll know why.



To understand how such creative differentiation has worked for Bajaj Auto, it is useful to start with the Company's sales of motorcycles, both domestic and exports, over the last five years. Table 1 gives the data.

Table 1: Bajaj Auto's Sale of Motorcycles, Domestic and Exports (in numbers)

Year ended 31 March	<i>(Recovery)</i> Domestic Sales		<i>(Decline)</i> Exports	
	BAL (nos.)	BAL's growth	BAL (nos.)	BAL's growth
2012	2,566,757	6.3%	1,267,648	30.4%
2013	2,463,874	(4.0%)	1,293,231	2.0%
2014	2,099,230	(14.8%)	1,323,173	2.3%
2015	1,770,778	(15.6%)	1,521,306	15.0%
2016	1,898,957	7.2%	1,459,295	(4.1%)

In FY2016, Bajaj Auto sold almost 3.36 million motorcycles in India and abroad. It sold nearly 1.9 million motorcycles in India, which was 7.2% higher than in the previous year, driven by:

- The Pulsar and the Avenger in the sports or performance segment. For the year, Bajaj Auto sold 729,304 such bikes and reinforced its dominant leadership position in this segment, **improving its market share from 41% in Q4/FY2015 to 49% in Q4/FY2016.**
- The CT and the Platina in the entry or utility segment. Here, by a combination of pricing and aggressive marketing of the CT 100 and by creating a niche value proposition for the Platina, the Company succeeded in selling 865,366 bikes in FY2016 and ended the year with a healthy market share of **35%. In fact, the entire growth in this segment was monopolised by BAL.**
- The KTM and the Pulsar RS 200 in the niche super-sports segment. The KTM, India's fastest growing sports motorcycle brand, increased its sales by 32% between FY2015 and FY2016. And the new Pulsar RS 200 (RS for Race Sports), introduced in March 2015, has done impressively with sales of over 2,900 per month. There are nearly 35,000 customers who have bought the RS 200. **Our share in this super-sports segment of the market has increased from 35% in FY2015 to nearly 60% in FY2016.**



Through our creatively differentiated offerings, we have, therefore, captured major market shares in three segments: the super-sports, the sports and the entry-level. In February 2016, Bajaj Auto launched the V15, a 150 cc model to create a new, differentiated and more powerful engine category within the mass commuter segment that is presently dominated by 100 cc and 125 cc motorcycles. Though early days yet, the Company is confident that the V15, whose fuel tank assembly contains metal from India's flagship aircraft carrier, the INS Vikrant, will occupy a white space where the traditional commuter segment ends (100 cc to 125 cc) and the sports/performance segment begins (150 cc and above). In doing so, BAL expects to attract more customers to this newly differentiated segment, create and grow a premium offering and thus increase our market presence in the commuter category.

Leading the mkt across categories. Esp. surge in share in super sports category is enticing, as it's a high margin business

Commercial Vehicles: Three-Wheelers

Bajaj Auto continues to be the world's largest three-wheeler manufacturer. Its performance in the three-wheeler segment is given in Table 2.

Table 2: Three-Wheeler Sales, Industry and Bajaj Auto (in numbers)

Particulars	Total sales			Domestic sales			Exports		
	FY2016	FY2015	FY2014	FY2016	FY2015	FY2014	FY2016	FY2015	FY2014
Passenger sales									
Industry sales	842,588	837,604	736,365	441,091	432,234	384,923	401,497	405,370	351,442
Bajaj Auto's sales	533,670	519,117	447,618	253,670	234,345	186,856	280,000	284,772	260,762
Bajaj Auto's share	63.3%	62.0%	60.8%	57.5%	54.2%	48.5%	69.7%	70.2%	74.2%
Total Three-wheelers									
Industry sales	942,533	939,884	833,026	538,092	531,927	479,634	404,441	407,957	353,392
Bajaj Auto's sales	534,995	519,117	447,674	254,995	234,345	186,912	280,000	284,772	260,762
Bajaj Auto's share	56.8%	55.2%	53.7%	47.4%	44.1%	39.0%	69.2%	69.8%	73.8%

Bajaj Auto ended the FY2016 with a record domestic sale of 254,995 vehicles, up by 8.8% over the previous year as against an industry growth of 1%. **In the domestic three-wheeler passenger vehicle industry, BAL expanded its market share by 3.3%, from 54.2% in FY2015 to 57.5% in FY2016.** Total three-wheeler sales of the Company, which includes domestic and exports, was its **highest ever**, at 534,995 units in FY2016 — a growth of 3.1% over the preceding year. In the aggregate, i.e. domestic sales plus exports, Bajaj Auto accounted for 56.8% of sales — with its relative leadership position having risen from 55.2% in FY2015.

New three-wheeler permits were released during the year in Maharashtra, Delhi, Chandigarh, Hyderabad, Jaipur, and Kota, which played their roles in growing the Company's sales. The Company has maintained a strong performance in the petrol and alternate fuel markets, where it enjoys a dominant market share of 90%. It also maintained its dominance in the small diesel market with a market share of 65%. Moreover, even in the large diesel category, a segment where it has a relatively lesser presence, Bajaj Auto's market share went up from 18% in FY2015 to 20% in FY2016.

Bajaj Auto's **growth performance has been better than the industry in all categories** - in petrol and alternate fuel vehicles, in small diesel vehicles as well as in large diesel vehicles.

In exports, however, the Company registered a drop in sales of 1.7% over the previous year. Part of this is on account of the impressive export growth of 9.2% in FY2015, which substantially raised the base. The drop in FY2016 was due to external factors — such as economic and political crises as well as financial and foreign currency constraints in some countries like Egypt and Nigeria, which are key markets where we sell our three-wheelers.

International Business

Relatively speaking, though Bajaj Auto's international business was somewhat muted in FY2016 for reasons stated immediately above, it continues to be by far India's largest exporter of motorcycles and three-wheelers. It exports to 78 countries and enjoys the No. 1 or No. 2 position in more than 20 of them. During FY2016, exports accounted for 43.9% of the Company's net sales. Table 3 gives the data.

Table 3: Export, in Units and Revenue, for Bajaj Auto

Particulars	FY2016	FY2015	Change
In number of units			
Motorcycles	1,459,295	1,521,306	(4.1%)
Three-wheelers + Quadricycle	280,334	284,772	(1.6%)
Total numbers	1,739,629	1,806,078	(3.7%)
Exports in ₹ (crore)	9,773	9,758	0.2%
Exports in USD (million)	1,418	1,524	(6.9%)

As mentioned in the previous section, economic, fiscal, financial and political problems besetting some key countries in Africa like Nigeria and Egypt, as well as sharp depreciation of currencies across some nations in Latin America and Africa, affected exports of both motorcycles and three-wheelers.

In numbers, motorcycle exports degrew by 4.1%; while three-wheelers exports fell by 1.6%.

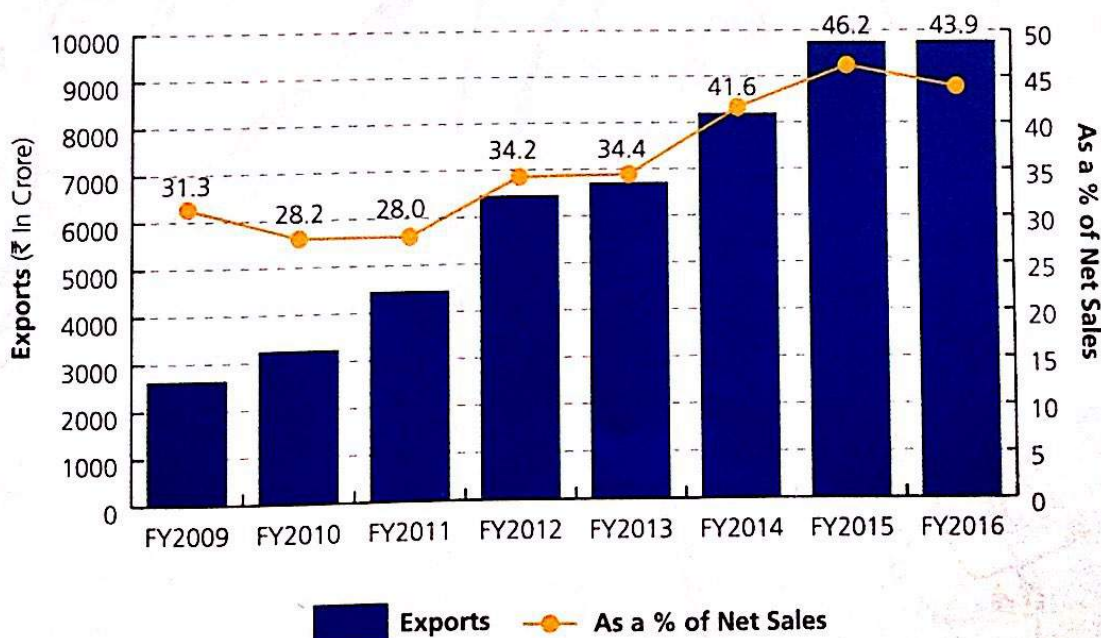
In US dollars, revenue from exports fell by 6.9% to USD 1.42 billion in FY2016.

Despite this downturn, it is necessary to mention two noteworthy features of the key export markets.

The first is the growth of Pulsar exports, which has increased from around 226,000 units in FY2014 to 250,000 in FY2015 and then quite sharply to 313,000 units in FY2016. It goes to show that the Company's offerings in the premium sports category are increasingly attracting consumers abroad and getting definite traction. The second is that Bajaj Auto still enjoys significant market shares, and has in fact improved, in important geographies: **24%** in markets where it operates in **Latin America**, driven by the Pulsar 200NS; and **33%** share in the relevant markets of **Africa** where the Boxer continues to lead our motorcycle sales.

Chart D plots the growth of exports of the Company, while Chart E gives a sense of the composition of exports across major geographies for FY2016.

Chart D: Bajaj Auto's Export Performance



R&D: New Products

Bajaj Auto's R&D has been on a 'super-active' mode to help the Company launch one product after another in FY2016. These have helped us to grow strongly despite a subdued market situation. The key highlights are given below.

V15

** I love this bike for its design & name but my wife won't let me have it :-)*

Each fuel tank assembly made contains steel from India's legendary aircraft carrier, the INS Vikrant. V15, the new premium commuter from Bajaj Auto, not only pays homage to our heritage and history, but also has defined an invincible form by its looks, proportions and an understated tough design. The completely 'neo-retro' styling with an imposing front fascia and a pumped up fuel tank takes this vehicle to a totally new dimension.

The V15 comes with an all new 150 cc, air cooled single-cylinder DTS-i engine which offers a maximum output of 12 PS (metric horsepower) at 7,500 rpm and a peak torque of 1.34 kg per metre at 5,500 rpm. With its five-speed gear box, the power train offers ample reserve of torque at all rpms for different riding terrain. The throaty exhaust sound differentiates the V15 from others and gives it a unique character. A double cradle frame combined with a 33 mm diameter fork give an edge to the handling of the V15. Lower seat height and wider handle bars provide a commanding ergonomic position to the rider. Bigger and wider tyres add to performance and safety.



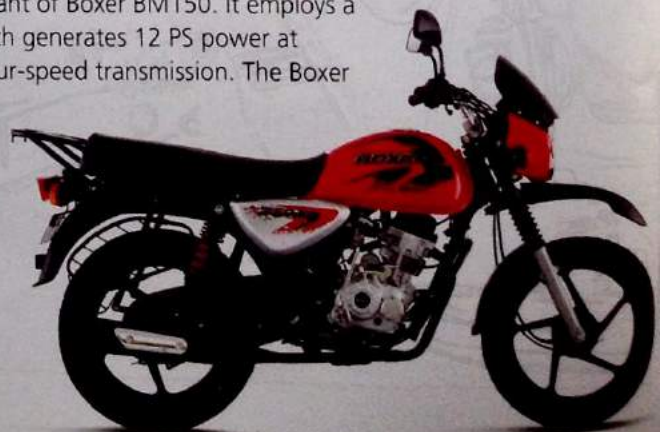
CT 100B

CT 100B is the new variant of CT 100. This entry level commuter bike retains the engine of the CT 100, which produces 8 PS power while meeting customer expectations on fuel efficiency and costs. It has a strong visual appeal with a flat, longer and comfortable seat and a round head lamp.

The fuel efficiency of the CT 100B is at a high of over 99 km per litre thanks to improvements made in the ignition system. The bike has a conventional telescopic suspension in the front and a spring-in-spring (SNS) suspension for the rear.

Boxer BM150X

This is intended for export to African countries and is a variant of Boxer BM150. It employs a four stroke, single cylinder, air cooled 144.8 cc engine which generates 12 PS power at 7,500 rpm and 1.25 kg per metre at 5,000 rpm. It has a four-speed transmission. The Boxer BM150X is strong and rugged due to a semi-double cradle frame. It has alloy wheels, front suspension bellows, rear SNS suspension, round head lamp and has some features for improved on- and off-road riding, such as: (i) Special raised front fender with a two-tier design which effectively prevents mud from being trapped while providing better splash protection to the rider; (ii) High ground clearance of 190 mm; and (iii) Specially designed semi knobby (block pattern) tyres, for perfect handling during off-road usage.



Operations, Productivity and Quality

A consistent theme across all Bajaj Auto's manufacturing plants (Waluj, Chakan and Pantnagar) has been the continuous improvements in performance through lean manufacturing, higher quality, cost reduction, tight and lean supply chains, greater throughput and the introduction of new products and processes. This journey is termed as Company-wide TPM Implementation, and has enabled the Company to reduce unit costs, optimise plant capacities, efficiently introduce new products, and bring about profit enhancing flexibilities in the manufacturing line.

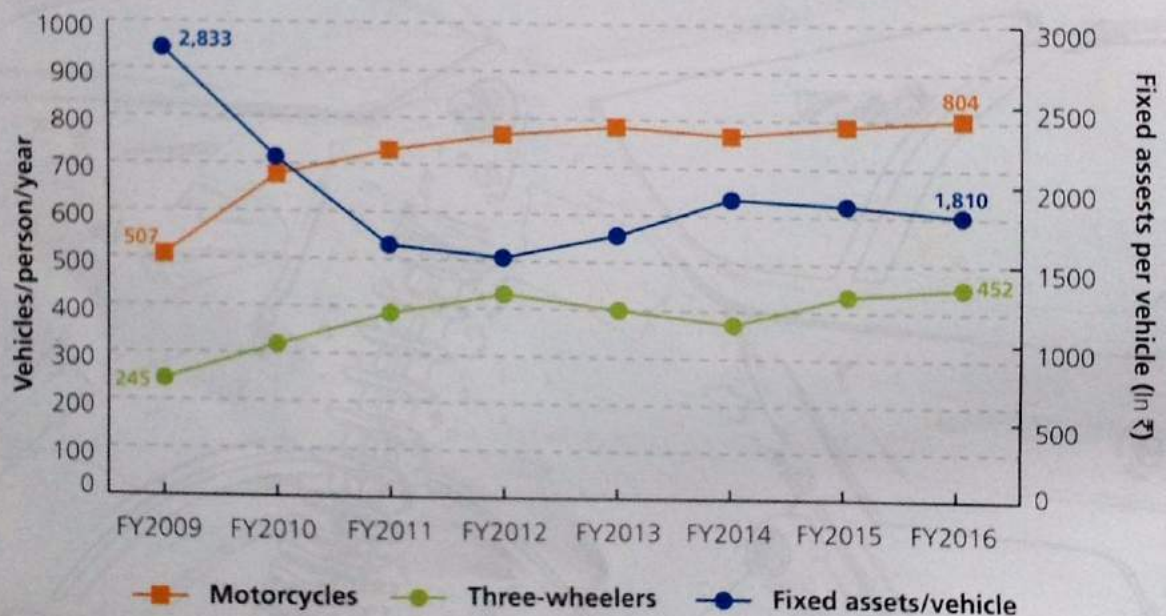
This shows up in the data, some of which is plotted in Chart F below. For instance, over the last eight years:

* 904 for Hero in FY15 → Motorcycle sold per Employee

- The number of motorcycles produced per person per year has increased from 507 to 804 — a productivity growth of 58.5%.
- The number of three-wheelers produced per person per annum has risen from 245 to 452 — representing a growth of 84.5%.
- And the value of fixed assets utilised per vehicle produced has reduced from ₹ 2,833 to ₹ 1,810 — a reduction of 36.1%.

These improvements have helped to avoid needless investments. As an example, the productivity improvements in FY2016 alone saved investments worth over ₹ 40 crore.

Chart F: Productivity Improvements



These are not all. Turnover per employee has risen by 17.3% between FY2013 and FY2016. And the asset turnover ratio has improved by 11% over the same period.

Quality improvements go hand-in-hand with productivity, which have been carried out through a Company-wide implementation of the TPM philosophy. To give another example, thanks to continuous TPM work and consequential productivity improvements across our plants, Bajaj Auto's warranty cost per vehicle has steadily reduced from ₹ 26 in FY2012 to ₹ 18.70 in FY2016 — a remarkable drop of 28% over a period of four years.

The Japan Institute of Plant Maintenance (JIPM) has awarded the Chakan and Waluj plants with its 'Special Award for TPM Achievement'; and the Pantnagar plant with the 'Consistent TPM Commitment Award'. Even more rewarding are the comments from Professor Toyoshiro Inamura, JIPM Assessor and Professor Emeritus at the Nagoya Institute of Technology. During the TPM award ceremony he said: "Your 'Vendor Improvement' is better than the case in Japan and will be the best in the world... Your 'TPM University' is also unique and has the possibility to be a research institute from which new TPM technology is developed."

Table 5 gives the Company's plant-wise capacities, and their product range.

Table 5: Plant-wise Capacities (in numbers) and Product Range

Plant	FY2016 (As on 31 March 2016)		Product range
Waluj	Motorcycles	2,400,000	Boxer, CT 100, Platina, Discover, Pulsar, V15 and three-wheelers
	Three-wheelers	600,000	
	Quadricycle	60,000	
Waluj Subtotal		3,060,000	
Chakan		1,200,000	Pulsar, Avenger, Ninja and KTM
Pantnagar		1,800,000	Platina, Discover, CT100, V15 and Pulsar
Grand Total		6,060,000	

As on 31 March 2016, BAL's employee strength stood at 9,347 persons.

Subsidiary

Bajaj Auto International Holdings BV (BAIH BV)

Bajaj Auto International Holdings BV is a 100% Netherlands based subsidiary of Bajaj Auto Ltd. Over the years, through this subsidiary, Bajaj Auto has invested a total of € 198.1 million (₹ 1,219 crore), and holds approximately 48% stake in KTM AG of Austria (KTM), the fastest growing motorcycle brand in the world.

Calendar year 2015 has been a record year for KTM, with **highest sales** in units and **highest turnover** in the history of the Company. It sold 183,170 motorcycles, a **growth of 15%** and achieved a turnover of **€ 1.02 billion — crossing the billion euro mark** and recording a growth of 18%. Profit after tax was at € 63.9 million (₹ 461 crore), a growth of 12%. The proportionate profit to Bajaj Auto Ltd. is € 30.65 million (₹ 221 crore), which has been accounted for in the consolidated results.

In its Annual General Meeting for the calendar year 2015, held on 21 April 2016, KTM AG declared a dividend of € 2.00 per share, compared to € 1.50 per share for the year 2014. BAIH BV is entitled to receive € 10.41 million (₹ 78 crore) as its share of dividend.

During the year, Bajaj Auto manufactured 69,532 units of KTM Duke at its Chakan plant. 30,362 units were sold through the Pro-Biking network in India and 38,926 were exported to KTM/KTM distributors.

KTM is listed in the Third Regulated Market of the Vienna Stock Exchange and its market capitalisation as on 31 March 2016 was € 1,329 million (₹ 10,020 crore). In the recent AGM, it was proposed to delist KTM from the stock exchange.

In March 2016, Bajaj Auto and KTM entered into an agreement vide which Bajaj Auto will establish the KTM brand in Indonesia, the largest motorcycle market in South-East Asia.

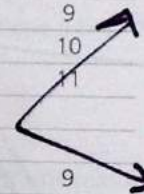
* While searching for good businesses, look for such clean, simple balance sheets



Consolidated Balance Sheet

Particulars	Note No.	As at 31 March	
		2016	2015
(₹ In Crore)			
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	289.37	289.37
Reserves and surplus	3	12,756.05	10,805.95
		13,045.42	11,095.32
Minority Interest			
		0.04	0.04
Non-current liabilities			
Long-term borrowings	4	162.48	111.77
Deferred tax liabilities (net)		188.25	141.58
Other long-term liabilities	5	29.78	57.59
Long-term provisions	6	47.57	82.44
		428.08	393.38
Current liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		15.38	12.83
Total outstanding dues of creditors other than micro enterprises and small enterprises		2,011.73	1,747.77
Other current liabilities	7	604.53	806.69
Short-term provisions	6	321.45	1,909.57
		2,953.09	4,476.86
Total		16,426.63	15,965.60
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	1,936.38	1,917.24
Intangible assets	8	89.29	-
Capital work-in-progress		26.89	101.72
Intangible assets under development		25.35	153.22
		2,077.91	2,172.18
Goodwill on investments in associate of subsidiary		595.61	530.79
Non-current investments	9	8,444.94	3,184.69
Long-term loans and advances	10	682.24	511.07
Other non-current assets	11	0.02	0.04
		11,800.72	6,398.77
Current assets			
Current investments	9	1,218.32	5,800.56
Inventories	12	719.07	814.15
Trade receivables	13	717.93	716.96
Cash and bank balances	14	867.03	592.74
Short-term loans and advances	10	871.60	1,295.30
Other current assets	11	231.96	347.12
		4,625.91	9,566.83
Total		16,426.63	15,965.60

Cash from short-term investments shifted to long-term investments (mostly debt mutual funds)



* Good overall performance. Better product pricing aids profit growth and margins.

9th ANNUAL REPORT
2015-16

Consolidated Statement of Profit and Loss

(₹ In Crore)

For the year ended 31 March

Particulars	Note No.	For the year ended 31 March	
		2016	2015
Sales		23,546.24	22,015.43
Less: Excise duty		1,293.46	909.28
Net sales		22,252.78	21,106.15
Other operating revenue		434.81	508.12
Revenue from operations (net)	15	22,687.59	21,614.27
Other income	16	824.26	583.95
Total revenue		23,511.85	22,198.22
Expenses:			
Cost of raw material and components consumed	17	13,717.01	13,752.79
Purchases of traded goods	18	1,276.40	1,155.10
(Increase)/decrease in inventories of finished goods, work-in-progress and traded goods	19	63.45	(56.46)
Employee benefits expense	20	918.44	898.48
Finance costs	21	0.48	6.49
Depreciation and amortisation	22	307.16	267.46
Other expenses	23	1,950.62	1,811.17
Expenses, included in above items, capitalised		(17.02)	(60.05)
Total expenses		18,216.54	17,774.98
Profit before exceptional items and tax		5,295.31	4,423.24
Exceptional items	24	-	340.29
Profit before tax		5,295.31	4,082.95
Tax expense			
Current tax		1,686.10	1,258.00
Deferred tax		46.67	13.05
Total tax expense		1,732.77	1,271.05
Profit after tax		3,562.54	2,811.90
Share of profit after tax of associate		221.44	213.72
Minority interest		-	(0.01)
Profit for the year		3,783.98	3,025.63
Basic and diluted Earnings per share (In ₹)		130.8	104.6
(Nominal value per share ₹ 10)			

↑ 5.4%

↑ 29.7%

PBT Margin

24% 21%

↑ 26.7%

PAT Margin

16% 13%

Consolidated Cash Flow Statement (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March	
	2016	2015
	Net cash from operations & investments	
Brought forward	3,565.36	1,699.77
III. Financing activities		
i) Interest expense	(0.48)	(6.49)
ii) Deferral/(repayment) of sales tax deferral liability/loan	50.13	53.16
iii) Dividend paid	(2,862.81)	(1,444.96)
iv) Corporate dividend tax paid	(570.92)	(245.89)
Net cash from financing activities	(3,384.08)	(1,644.18)
IV. Change in foreign currency translation arising on consolidation	56.97	34.37
Net change in cash and cash equivalents	238.25	89.96
Cash and cash equivalents as at 1 April 2015 [Opening balance]	581.66	491.70
Cash and cash equivalents as at 31 March 2016 [Closing balance]	819.91	581.66
	-	-

Net cash from operations & investments

Brought forward



3,565.36

1,699.77

Most excess cash distributed as dividends. Suggests low reinvestment needs.



(2,862.81)

(1,444.96)

(570.92)

(245.89)

Net cash from financing activities

(3,384.08)

(1,644.18)

IV. Change in foreign currency translation arising on consolidation

56.97

34.37

Net change in cash and cash equivalents

238.25

89.96

Cash and cash equivalents as at 1 April 2015

581.66

491.70

[Opening balance]

Cash and cash equivalents as at 31 March 2016

819.91

581.66

[Closing balance]

Notes

1. Volume growth in an otherwise bad year for the industry is good and talks about the management's capability. Increase in revenue per bike sold is a big positive, and so is the improvement in margins.
2. Export business remains challenging but market share growth across segments - esp. high end bikes - in the domestic unit. is promising.
3. Margins improved in FY16 (best in industry) but could come down due to ↑ share of Low cc / commuter bikes, and ↑ cost from regulatory & safety norms.
4. Management expects FY17 & FY18 volume growth to be driven by recovery in domestic 2W unit + success of new launches (Avenger & V15)

Bajaj Vs Hero

Bajaj Auto	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY08-FY16)
Revenue (Rs Cr)	9,169	8,932	12,044	16,975	20,137	20,793	20,856	22,194	23,601	12.5%
Units sold (million)	2.5	2.2	2.9	3.8	4.3	4.2	3.9	3.8	3.9	6.0%
Growth in Units sold (YoY)		-10%	30%	34%	14%	-3%	-9%	-2%	2%	
Revenue / unit (Rs)	37,402	40,710	42,220	44,391	46,297	49,072	53,890	58,235	60,615	6.2%
Growth in Revenue/unit (YoY)		9%	4%	5%	4%	6%	10%	8%	4%	

Hero Motocorp	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY08-FY16)
Revenue (Rs Cr)	10,517	12,565	16,099	19,688	23,944	24,166	25,722	27,585	28,599	13.3%
Units sold (million)	3.3	3.7	4.6	5.4	6.2	6.1	6.2	6.6	6.6	9.0%
Growth in Units sold (YoY)		12%	24%	17%	15%	-3%	3%	6%	0%	
Revenue / unit (Rs)	31,515	33,759	34,996	36,442	38,399	39,776	41,182	41,595	43,121	4.0%
Growth in Revenue/unit (YoY)		7%	4%	4%	5%	4%	4%	1%	4%	

* Bajaj has scored better on revenue/unit while Hero has done better on volume growth. Higher revenue/unit plus consistent improvement in the same has helped Bajaj beat Hero on margins. Hero however can ↑ ROE on the back of better asset turnover.