

Bajaj Holdings & Investment

Reco: Buy

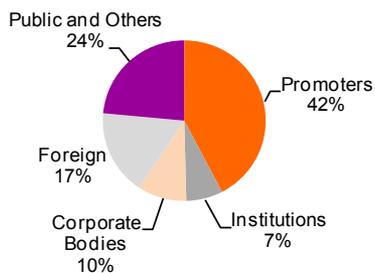
Maintain Buy with a revised PT of Rs2,442

CMP: Rs1,901

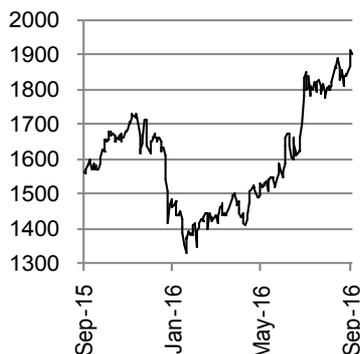
Company details

Price target:	Rs2,442
Market cap:	Rs21,158 cr
52-week high/low:	Rs1,965/1,311
NSE volume: (No of shares)	33,678
BSE code:	500490
NSE code:	BAJAJHLDNG
Sharekhan code:	BAJAJHLDNG
Free float: (No of shares)	6.4 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	7.9	23.6	37.5	27.3
Relative to Sensex	5.9	15.3	20.1	13.6

Key points

- Bajaj Holdings & Investment (BHIL) holds Bajaj Group's investments in two flagship companies, ie Bajaj Auto (BAL; a 31.49% stake) and Bajaj Finserv (BFS; a 39.29% stake). BHIL also has an investment portfolio with a market value of close to Rs6,441 crore in other equity and fixed income securities.
- BAL's domestic motorcycle volumes (accounting for about half of overall motorcycle volumes) are likely to grow by a robust 17% in FY2017. Improved rural sentiments on the back of a normal southwest monsoon and the increase in government employees' salaries are likely to propel demand for the domestic motorcycle industry. Further, given the new product launches across the motorcycle segments, BAL is likely to outpace the motorcycle industry growth. However, BAL's exports have been under pressure (down for three consecutive quarters) due to weak crude oil prices and currency depreciation in some of its key markets. In the last three months, BAL's export volumes have stabilised and the management has indicated that the same are likely to have bottomed out. The company is likely to see export growth in H2FY2017 due to a low base of the corresponding period of FY2016. But, overall export volumes for FY2017 are expected to be lower than FY2016.
- BFS has benefitted from strong growth in its lending business [Bajaj Finance (BFL)], which is expected to continue in the near future. BFS' General Insurance segment has shown a decent performance amid prospects of better profitability going forward, as claims decline. The Life Insurance business has posted a muted performance largely due to structural shift in the ongoing business orientation. The BFS management has changed its strategy and is now increasingly focusing on the individual insurance business while the group insurance business is likely to take a back seat. This strategy is expected to bear fruits over the next 2-3 years.
- Given the strategic nature of BHIL's investments (BAL and BFS), we have given a holding company discount of 50% to BHIL's equity investments. The liquid investments have been valued at cost. We reiterate our 'Buy' recommendation on the stock with a revised price target (PT) of Rs2,442.

Valuations

Particulars	Relationship	Per share (Rs)	Remarks
Stake in Bajaj Auto (31.49%)	Associate	2,578	PT of Bajaj Auto= Rs3,150
Stake in BFS (39.29%)	Associate	1,655	SOTP based PT of Bajaj Finserv at Rs2,947
Total		4,233	
Holding co. discount (%)		50%	
Discounted value per share		2,117	
Cash & Liquid Invst/share		325	At cost
Value per share		2,442	
CMP		1,901	
Upside		28%	



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