

16th January 2009

Press Release : Q3FY09

An EBITDA margin of 14.5% in Q3FY09, one that is better on a QoQ basis (13.6% for Q2FY09) and comparable on a YoY basis (14.7% for Q3FY08), despite the most adverse market conditions for business in recent memory, owes itself to the following –

1. A continually improving product mix, with the more profitable 125cc+ motorcycles now constituting 63% of the portfolio.
2. An extremely lean cost structure achieved as Plants were closed, two-thirds of the employees retired, and about 855 suppliers rationalized down to 200 over the last decade.
3. The continued growth in both 2- and 3-wheeler exports owing to a focussed effort in developing key African markets.

Favourable factors in the near future include –

1. An intense product offensive that includes the introduction of 6 motorcycles over the next few months, as also that of a 3-wheeler each in the intra-city, multi-seater, and goods carrying markets.
2. Realisation of the benefit of softening raw material prices.
3. Restoration of the DEPB benefit for exports from 6% to 9%.

Factors that will continue to challenge performance include –

1. The continuing crisis of confidence amongst all stakeholders critical to sales – customers, dealers, and financiers.
2. The inherent risk associated with ensuring that multiple closely spaced product launches are executed flawlessly in technical and marketing terms.
3. The inevitable slowdown in the rate of export growth.

In an industry wherein product is king but strategy is ace, this year represents the stress test for our product and marketing strategies, most specifically our conviction in the power of 125cc+ motorcycle brands.

Rajiv Bajaj, MD

Annexure to Press Release dated 16th January 2009:**A. HIGHLIGHTS:**

- ✓ Turnover - Rs. 2141 crores v/s Rs. 2544 crores
- ✓ Exports in value – Rs. 795 crores ↑ 56%
- ✓ Operating EBITDA margin – 14.5% - sequentially improves from 13.6% (YoY : 14.7%).
- ✓ Profit before exceptional items & tax–Rs. 303 crores V/s Rs. 366 crores(Q3/2007-08).
- ✓ Profit after tax - Rs. 166 crores v/s Rs. 214 crores

B. SALES:

	Q3			9 Months		
	2008-09	2007-08	Change %	2008-09	2007-08	Change %
Motorcycles	414,039	634,316	-35%	1,534,149	1,659,874	-8%
2-Wheelers	417,111	638,716	-35%	1,544,186	1,678,183	-8%
3-Wheelers	76,637	74,419	3%	209,699	220,636	-5%
Total	493,748	713,135	-31%	1,753,885	1,898,819	-8%

C. Out of which, EXPORTS

	Q3			9 Months		
	2008-09	2007-08	Change %	2008-09	2007-08	Change %
Motorcycles	167,970	116,396	44%	507,349	357,919	42%
2-Wheelers	168,490	116,607	44%	509,013	358,136	42%
3-Wheelers	46,743	35,654	31%	111,867	102,147	10%
Total	215,233	152,261	41%	620,880	460,283	35%
Sales in value (Rs. In Crores)	795	511	56%	2149	1543	39%

D. SUMMARY FINANCIAL RESULTS

Rs. in crores	Q3 2008-09	Q3 2007-08	9 Months 2008-09	9 Months 2007-08	FY 2007-08
Turnover (net of excise)	2141	2544	7016	7074	9169
Gross Profit after interest but before VRS, depreciation and taxation	335	408	990	1131	1411
Depreciation	32	42	99	133	174
Profit before exceptional item	303	366	891	998	1237
Exceptional item :Compensation under VRS	61	51	122	51	102
Profit before taxation	242	315	769	947	1135
Provision for taxation	76	101	243	312	379
Net profit for the year	166	214	526	635	756
Earnings per share (Rs.)not annualised	11.4	15.5	36.2	46.1	54.2