

Hero MotoCorp

Rs 3634
On a smooth road

BSE Sensex: 35,444

Nifty-50: 10,768

FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT BEFORE EO	TAX	PAT	EPS*
1503 (12)	27585.3	12.8	3542.2	492.74	4034.9	11.09	4023.83	539.97	3483.86	943.18	2385.64	125
1603 (12)	28599.3	15.5	4447	391.12	4838.1	2.15	4835.98	441.4	4394.58	1262.21	3132.37	156.9
1703 (12)	28500.44	16.3	4634.8	522.43	5157.2	6.05	5151.17	492.73	4658.44	1281.34	3377.1	169.1
1803 (12)	32230.49	16.4	5280.2	525.82	5806	6.25	5799.76	555.6	5244.16	1546.8	3697.36	185.1
1903 (12P)	37065.06	16.4	6078.67	552.11	6630.78	6.56	6624.22	622.27	6001.95	1800.58	4201.36	210.4

* Annualized on current equity of Rs 39.94 crore. Face value: Rs 2. Figures in Rs crore. Source: Capitaline Database

Hero MotoCorp (Formerly Hero Honda Motors) is India's largest manufacturer of two – wheelers. March 2018 quarter performance – Sales rose 24% and PAT jumps 35%.

For the quarter ended March 2018, sales rose 24% to Rs 8564.04 crore. OPM rose 220 bps to 16% which took OP up 43% to Rs 1370.59 crore.

Other income rose 41% to Rs 166.5 crore. After moderate increase in depreciation cost by 10% to Rs 148.34 crore and negligible interest cost at Rs 1.54 crore, PBT rose 48% to Rs 1387.21 crore. After 90% rise in tax provision at Rs 322.73 crore (670 bps rise in tax rate), net profit rose 35% to Rs967.4crore.



FY 2018 results

Sales for year ended March 2018 grew 13% to Rs 32230.9 crore. OPM rose 10 bps to 16.4% thus OP rose 14% to Rs 5280.2crore.

Other income rose 1% to Rs 525.82 crore. After moderate increase in depreciation cost by 13% to Rs 555.6 crore and negligible interest cost at Rs 6.25 crore, PBT rose 13% to Rs 5244.16 crore. After 21% rise in tax provision at Rs 1546.8 crore (200 bps rise in tax rate), net profit rose 9% to Rs 3697.36 crore.

Volumes grew by a strong 13.8% in FY 2018

The company sold 75.87 lakh units in FY18 vis a vis 66.64 lakh unit in previous year, a rise of 13.8%. Realisation per unit was lower by 0.67% at Rs 42,481 units during FY 2018.

Future ready

On this occasion, Pawan Munjal, Chairman, Managing Director & Chief Executive Officer, Hero MotoCorp, said, 'The fiscal year 2018 proved to be yet another year of record performances and landmark achievements – be it domestic sales, global expansion or in the field of research & development, manufacturing excellence and technological innovations at Hero MotoCorp and its alliances. We are clearly focused on sustaining our leadership in the market and consistently keep increasing wealth for our investors. The company posted record sales numbers throughout the year, the first ever global 2-wheeler company to record well over 7.5 million unit sales in the period and registered highest-ever monthly sales in India (730,473 unit sales in March 2018).

'Hero MotoCorp, a company strongly driven by customer preference and technological

STOCK DATA

BSE Code	:	500182
BSE Group	:	A
NSE Code	:	HEROMOTOCO
Bloomberg	:	HMCL IN
Reuters	:	HROM.BO
Par Value	:	Rs 2
52-week High/Low	:	Rs 4200/Rs 3354
Sector	:	Automobile

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 42.13
Institutions	: 12.02
Govt Holding	: -
Corporate Holding	: 3.75
Promoters	: 34.63
Public & Others	: 7.48

* as on 31/03/2018

Source: Capitaline Databases

innovation, recognised the growing future environmental demands ahead of its times, and thus have made strategic investments in the electric vehicles segment. Development is underway on the strategic priorities of engaging with the external ecosystem, including start-ups in a meaningful way. As part of this focus, Hero MotoCorp has made an investment of Rs 201 crore in Ather Energy to acquire about 30% equity. Ather will soon start retailing its smart electric scooter S340.

Catering to popular customer demand, Hero MotoCorp, marked its entry in the premium motorcycle segment as it unveiled India's first 200cc motorcycles – 'XPulse' and 'Xtreme 200R', at Auto Expo 2018. The sales will begin in FY '19. At the same time, we will continue to build and explore new age technology solutions to be future ready'."

Started FY 2019 on a strong note after best ever month of March 2018

Sustaining its strong sales trajectory, Hero MotoCorp commenced FY 2019 with another month of robust sales.

Riding on healthy growth in both motorcycles and scooters during the month, Hero MotoCorp sold 694,022 units in April 2018, up 16.5%.

In April 2018, the Company also created a new benchmark in After-Sales Service with the introduction of an e-commerce portal (www.hgpmart.com) to retail Hero Genuine Parts and Accessories across the country.

Revival in the domestic market to sustain

The domestic market for two wheelers including motorcycles has seen a revival in the recent past due to positive consumer sentiment. The trend is expected to continue through the year due to near-normal monsoon predictions and payoffs from recommendations of Seventh Pay Commission. Lower interest rates should also help. The industry is likely to clock decent growth. In the global markets, however, the industry continues to face headwinds due to volatile business environment driven by continued weakness in crude prices and sharp depreciation of local currencies. However recent depreciation of Indian currency should help.

Addressing the entry level segment

The company is planning to launch new product in the scooter segment to harvest the relatively healthy demand in scooter segment. Further it is planning to regain its momentum in the entry level segments.

Aim to surpass 100 million units by 2020

By the year 2020, the company aims to surpass 100 million units in cumulative production with annual bike and scooter sales of 12 million units. It also plans to have more than 20 manufacturing and assembly plants globally with sales in more than 50 countries by that year.

Decent outlook

India's two-wheeler industry is expected to grow consistently. The catalysts of growth comprise the following:

- Consistent economic growth with a predominantly youth bulge;
- Make in India drive;
- Rising middle-class income and aspirations;
- Rapid urbanisation;
- Boost in rural economy

The company sold 75.87 lakh units during FY18 vis a vis 66.64 lakh unit in previous year, a rise of 13.8%. Realisation per unit was lower by 0.67% at Rs 42,481 units during FY 2018.

Riding on healthy growth in both motorcycles and scooters during the month, Hero MotoCorp sold 694,022 units in April 2018, up 16.5%

There has been a significant shift in customer preferences from choosing basic transportation options to demonstrating social standing by owning multiple vehicles. Other factors include a rise in the trend of 'commuting with leisure', rise of individualisation and an increased requirement for women to commute.

With the forecast of a normal monsoon this year and a strong pipeline of new products coming up, Hero MotoCorp is confident of sustaining its growth momentum in the coming months.

Valuation

For FY 2019, we expect the company to register EPS of Rs 210.4. At current market price of Rs 3634, the scrip trades around 17 times its expected FY 2019 earnings.

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Hero MotoCorp: Results						
	1803 (3)	1703 (3)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	8564.04	6922.8	24	32230.49	28500.44	13
OPM(%)	16	13.8		16.4	16.3	
OP	1370.59	957.56	43	5280.2	4634.8	14
Other Inc.	166.5	118.23	41	525.82	522.43	1
PBIDT	1537.09	1075.79	43	5806	5157.2	13
Interest	1.54	1.48	4	6.25	6.05	3
PBDT	1535.55	1074.31	43	5799.76	5151.17	13
Dep.	148.34	135.3	10	555.6	492.73	13
PBT	1387.21	939.01	48	5244.16	4658.44	13
Tax	419.81	221.26	90	1546.8	1281.34	21
PAT	967.4	717.75	35	3697.36	3377.1	9
EPS*	193.8	143.8		185.1	169.1	
* Annualized on current equity of Rs 39.94 crore. Face value: Rs 2. Figures in Rs crore. Source: Capitaline Database						