

# Honda Siel Power Products

**Rs 928**

## Regaining growth power

BSE Sensex: 37,333

Nifty-50: 11,023

### Honda Siel Power Products: Financials

|            | SALES  | OPM (%) | OP     | OTHER INC. | PBIDT  | INTEREST | PBDT   | DEP.  | PBT   | EO  | PBT AFTER EO | TOTAL TAX | PAT   | EPS(RS)* |
|------------|--------|---------|--------|------------|--------|----------|--------|-------|-------|-----|--------------|-----------|-------|----------|
| 1603 (12)  | 672.8  | 13.1    | 88.04  | 11.32      | 99.36  | 0.47     | 98.89  | 23.82 | 75.07 | 0   | 75.07        | 26.24     | 48.83 | 48.2     |
| 1703 (12)  | 701.57 | 13.5    | 94.94  | 16.17      | 111.11 | 0.75     | 110.36 | 23.2  | 87.16 | 0   | 87.16        | 30.01     | 57.15 | 56.4     |
| 1803 (12)  | 767.8  | 13.3    | 102.15 | 14.94      | 117.09 | 0.24     | 116.85 | 22.51 | 94.34 | 0   | 94.34        | 32.93     | 61.41 | 60.6     |
| 1903 (12)  | 815.88 | 11.1    | 90.4   | 17.66      | 108.06 | 0.12     | 107.94 | 21.13 | 86.81 | 3.5 | 83.31        | 29.16     | 54.15 | 51.2     |
| 2003 (12P) | 890.71 | 11.8    | 105.34 | 17.49      | 122.83 | 0.28     | 122.55 | 23.26 | 99.29 | 0   | 99.29        | 34.75     | 64.54 | 63.6     |

\* Annualised on current equity of Rs 10.14 crore. Face Value: Rs 10. (P): Projections. &: As per new accounting standards. EPS excludes EO and relevant tax. Figures in Rs crore. Source: Capitaline Databases

Honda Siel Power Products (HSPPL) is engaged in the manufacturing of Portable Generators, Water Pumping Sets and General Purpose Engines at its state-of-the-art plant at Greater Noida and Pondicherry. Honda Motor Company Japan holds 66.67% Equity Stake in the company. Enjoys technological advantage from its parent

HSPPL benefits from the rich experience of Honda Motor Co., Japan the second largest engine manufacturer in the world, because of their strong emphasis on R&D and in-house technical innovation.

The Ultra Silent, Self start range of India's first "Pure Sine Wave EU series Generator" and the highly fuel efficient range of OHV Engines are some of the products which exemplify Honda's pursuit of technological excellence.

The product range of Generators conforms to the most stringent phase II Noise & Emission norms as laid down by Central Pollution Control Board (CPCB), Government of India

India's first LPG based Generator along with the Super Silent Key Start Generator portable kerosene generators are some of the other products which exemplify Honda's pursuit of technological excellence.

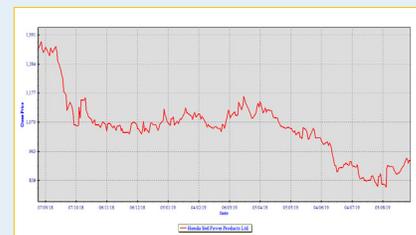
### Leader in the field of portable generators

It is the undisputed leader in the power products industry, manufacturing and marketing a range of Portable Generators, Water Pumps and General Purpose Engines. It is also engaged in the marketing of Lawnmower, Brush Cutter, Long tailed outboard motors and Power Tiller.

### Government's Digital India and social initiatives are driving demand for gensets

Government focus on "Digital India" and endeavour to transform to a less cash economy implies need for 24x7 connectivity and thereby uninterrupted power. The company is making efforts to get its range of Emission Compliant gensets listed for regular Government and Institutional business. Superior technology and advanced features like the unique "Fuel Injection Technology", (FI) in the 7KVA range help customers to achieve savings on their fuel bill and cater to the demand for niche applications.

The Government of India plans to expand and integrate many social initiatives. Many of these are related to Information Technology, Education and Rural Financial Inclusion. The success of these initiatives requires investment in power back up as well. The



### STOCK DATA

|                  |   |                  |
|------------------|---|------------------|
| BSE Code         | : | 522064           |
| BSE Group        | : | B                |
| NSE Code         | : | HONDAPOWER       |
| Bloomberg        | : | SHH IN           |
| Reuters          | : | HOND.BO          |
| Par Value        | : | Rs 10            |
| 52-week High/Low | : | Rs 1410 / Rs 819 |
| Sector           | : | Capital Goods    |

### SHAREHOLDING PATTERN\*

| Category          | % of equity |
|-------------------|-------------|
| Foreign           | : 1.76      |
| Institutions      | : 8.20      |
| Govt Holding      | : -         |
| Corporate Holding | : 1.15      |
| Promoters         | : 67.67     |
| Public & Others   | : 21.23     |
| Total             | : 100       |

\* as on 30-06-2019  
Source: Capitaline Databases

company has been making efforts to associate and offer its products to support such endeavours.

Demand for its generators is expected to continue for application based sales, under inclement weather conditions and the need for uninterrupted power. Further, the rural market offers opportunities for growth.

### **Ready to capitalise on increasing investment in agriculture**

#### *General purpose engines (GPE) and water pumping sets*

In FY 2019 the Engine and Water Pump business registered growth. Water pump sales, in particular, were encouraging due to increasing acceptance of gasoline fuelled products and support for Agriculture and Horticulture sectors from various State Governments. Its gasoline engines are also making inroads into the Construction segment. Such acceptance has boosted the company's efforts to gradually shift its line-up from kerosene to gasoline. Its fuel-efficient Gasoline engines and water pumps are getting increasing acceptance even amongst rural customers.

In the Construction segment efforts are focused on promoting engines to power compact and light construction machines. This will lead to efficiency at the user end.

In its endeavor to come closer to the end customer, the company conducted extensive demos in rural areas targeting the farming community. This has helped to build awareness about products and show case their utility for farm operations.

Infrastructure growth, farm mechanization, increasing rural incomes, Government support, scarcity of farm labour and environmental concerns are triggers for the increasing demand of its engines and water pumps.

The gasoline engine fuelled base pumping sets and engines are expected to see better demand in areas where kerosene availability is scarce.

Agriculture sector will continue to get support from Government on inputs. The demand for farm equipment with subsidy is therefore expected to grow. Together with its channel expansion strategy, the company will leverage Government sponsored schemes for promoting business of its Pumps and Engines.

Considering the competitive cost structure in India, the OEM market for agricultural and construction segments is also developing. Honda Siel is looking at increasing its presence in these segments by working with small manufacturers. Applications such as high tree and knap sack sprayers are gaining popularity and the company is working very closely with select good quality assemblers to increase volumes and counter low priced imported products.

### **Brush cutters**

Honda Brush cutters have made a name for themselves by providing affordable and efficient mechanized solution for farm activities like de-weeding and harvesting. Honda products are endowed with environment friendly, cutting edge "4 Stroke" technology and fuel efficient features.

The company is planning to launch additional models for Brush cutters suitable for heavy duty usage and also plug model gaps vs. the competition.

### **Tillers**

Honda Tillers are registering promising growth and acceptability across the Country. The Honda tillers are creating a place for themselves amongst small farmers growing

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vegetables and cash crops. Tiller business is expected to accelerate due to availability of various Government schemes that promote mechanization amongst small farmers. The company has been providing Tiller attachments for multiple applications, helping boost farm productivity. The company is seeking avenues to provide competitively priced attachments to complement farmer requirement.

#### **Focus on diversifying exports markets**

Generator business continues to be the highest forex earner amongst all its product categories. Business from North American and European markets is encouraging. Diversification efforts with Engines and Tillers have been successful in markets such as Indonesia, Taiwan and Korea. The management expects to increase this business further in the future.

#### **Encouraging June 2019 quarter**

For the quarter ended June 2019, sales grew 13% to Rs 205.37 crore. OPM improved 120 basis points to 13.9% which saw OP rise 24% to Rs 28.58 crore.

Other income fell 23% to Rs 4.53 crore and interest cost grew from Rs 3 lakh to Rs 7 lakh. As depreciation grew 10% to Rs 5.89 crore, PBT went up 15% to Rs 27.15 crore.

EO loss was NIL against Rs 3.50 crore. Thus PBT after EO grew 35% to Rs 27.15 crore

Tax rose 35% to Rs 9.50 crore after which PAT went up 35% to Rs 17.65 crore.

#### **FY 2019 results**

In FY 2019, sales grew 6% to Rs 815.88 crore. OPM fell 220 basis points to 11.1% which saw OP fall 12% to Rs 90.40 crore. PBT went down 8% to Rs 86.81 crore. EO loss was Rs 3.50 crore against NIL. Thus PBT after EO fell 12% to Rs 83.31 crore. Tax fell 11% to Rs 29.16 crore after which PAT went down 12% to Rs 54.15 crore.

#### **Valuation**

In FY 2020 we expect the company to register EPS of Rs 63.6. The scrip trades at Rs 928. P/E on projected FY 20 EPS works out around 14.5.

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### HONDA SIEL POWER PRODUCTS: RESULTS

|                                                                                                                          | 1906 (3) | 1806 (3) | VAR.(%) | 1903 (12) | 1803 (12) | VAR.(%) |
|--------------------------------------------------------------------------------------------------------------------------|----------|----------|---------|-----------|-----------|---------|
| Net sales                                                                                                                | 1638.93  | 1568.27  | 5       | 6881.91   | 6157.16   | 12      |
| OPM(%)                                                                                                                   | 24.6     | 24.9     |         | 25.9      | 24.0      |         |
| OP                                                                                                                       | 403.27   | 390.19   | 3       | 1779.97   | 1475.80   | 21      |
| Other Income                                                                                                             | 58.26    | 62.06    | -6      | 334.23    | 302.59    | 10      |
| PBIDT                                                                                                                    | 461.53   | 452.25   | 2       | 2114.20   | 1778.39   | 19      |
| Interest                                                                                                                 | 11.23    | 0.02     | 999     | 0.74      | 0.09      | 722     |
| PBDT                                                                                                                     | 450.30   | 452.23   | 0       | 2113.46   | 1778.30   | 19      |
| Depreciation                                                                                                             | 125.33   | 102.21   | 23      | 424.58    | 392.65    | 8       |
| PBT                                                                                                                      | 324.97   | 350.02   | -7      | 1688.88   | 1385.65   | 22      |
| Tax                                                                                                                      | 97.14    | 97.65    | -1      | 473.47    | 328.27    | 44      |
| PAT                                                                                                                      | 227.83   | 252.37   | -10     | 1215.41   | 1057.38   | 15      |
| Prior period adjustment                                                                                                  | 0.00     | 0.00     |         | 0.00      | 12.92     | -100    |
| Net profit                                                                                                               | 227.83   | 252.37   | -10     | 1215.41   | 1044.46   | 16      |
| EPS(Rs)*                                                                                                                 | #        | #        |         | 19.9      | 17.4      |         |
| * Annualised on current equity of Rs 304.65 crore. Face Value of Rs 5. Figures in Rs crore. Source: Capitaline Databases |          |          |         |           |           |         |