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Hero MotoCorp Ltd.

BSE Code: 500182 NSE Code: HEROMOTOCO Reuters Code: HROM.NS Bloomberg Code: HMCL:IN

Hero MotoCorp Ltd (HEROMOTOCO) - Hero MotoCorp Limited, formerly Hero Honda Motors Limited is the world's largest manufacturer of two-wheelers, based in India. The Company is engaged in manufacturing of two wheelers and its parts and ancillary services. Hero MotoCorp's has built a robust product portfolio across categories, explore growth opportunities globally. Continuously improving its operational efficiency and expanding its reach to customers. Hero is also rising on the global arena by focusing on mobility and technology to create global footprint. Building and promoting new brand identity will be central to all its initiatives.

Investor's Rationale

Net Profit rose on higher revenues – Country's largest two-wheeler maker Hero MotoCorp, reported 9.26% growth in its net profit in Q2FY14 at ₹4814.1 mn, driven by higher revenues. The auto giant's net profit stood at ₹4405.8 mn in Q2FY13. EBITDA margin during the quarter stood at 14.5%. However, the company is quite optimistic to have good margins going forward driven by robust performance in the Q2' FY14 and festive season round the corner.

Revenue rose due to launch of various refreshes models – The topline of the company rose by 10.6% to ₹56964.6 mn in Q2 FY'14 from ₹51511.8 mn in Q2 FY'13. The company during the quarter unveiled series of radical refreshes and variants of existing platforms that include technologically superior & internationally styled Karizma & ZMR, the new 100-cc Dawn, HF Deluxe & HF Deluxe Eco; the new 100cc Splendor Pro and 125-cc Super Splendor; new 100cc Passion Pro, Glamour & Glamour FI. Moreover, the company's sales volume during the quarter rose 6.3% YoY to 1416276 units. The company is quite optimistic to cash on during the festive season as the sentiments are positive and there is momentum for the company in the market and it is looking at demonstrating its leadership by record dispatch and retail sales during festive period.

Rupee depreciation, sluggishness in auto industry, higher input costs are likely to put pressure on margins – Driven by good numbers in Q2FY14, the company is looking to maintain the momentum going forward. However, the company expects that sluggishness in auto industry, due to challenging economic environment, along with rupee depreciation, which has resulted in higher costs of essential commodities and increasing labour costs, will put pressure on its margins going forward. The company is now targeting to build on the leadership and make its business more profitable through various innovations, including cost rationalization initiative. Going forward, the company will consolidate its leadership through technology, innovation, and youth-focused products and thus keep improving its profitability as well.

Market Data

| | |
|----------------------------|----------------------------------|
| Rating | BUY |
| CMP (₹) | 2100 |
| Target Price | 2400 |
| Stop Loss | 1960 |
| Duration | Short-term |
| 52-week High-Low (₹) | 2150/1435 |
| Rise from 52WL (%) | 46.3 |
| Correction from 52WH (%) | 2.3 |
| Beta | 0.78 |
| 1 year Average Volume (mn) | 0.3 |
| Stock Return (%) | 3M- 17.9 6M- 30.5 1Y- 12.5 |
| Market Cap (₹bn) | 428.19 |
| Book Value (₹) | 250.70 |

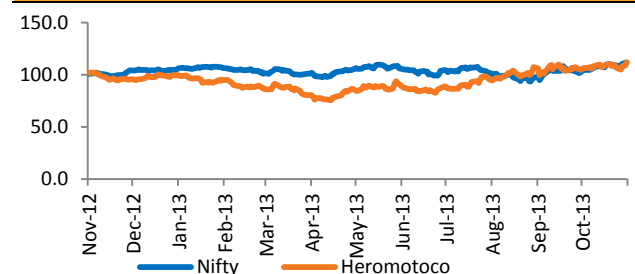
Shareholding Pattern

| | Sep'13 | Jun'13 | Chg |
|---------------------|--------|--------|---------|
| Promoters (%) | 39.92 | 52.21 | (12.29) |
| FII (%) | 30.38 | 29.85 | 0.53 |
| DII (%) | 8.77 | 9.26 | (0.49) |
| Public & Others (%) | 20.93 | 8.68 | 12.25 |

Quarterly Performance (Standalone)

| (₹Mn) | Q2 FY'14 | Q2 FY'13 | Q1 FY'14 | YoY Change(%) | QoQ Change (%) |
|------------|----------|----------|----------|---------------|----------------|
| Sales | 56,964.6 | 51,511.8 | 61,268.4 | 10.6 | (7.0) |
| Op. exp | 48,935.1 | 44,682.7 | 52,443.5 | 9.5 | (6.7) |
| EBITDA | 8,327.0 | 7,191.9 | 9,151.7 | 15.8 | (9.0) |
| OPM (%) | 14.5 | 13.9 | 14.9 | 68 | (31.6) |
| Net profit | 4,814.1 | 4,405.8 | 5,485.8 | 9.3 | (12.2) |
| NPM (%) | 8.2 | 8.3 | 8.7 | (9.3) | (50.6) |
| EPS (₹) | 24.1 | 22.1 | 27.5 | 9.3% | -12.2% |

One Year Price Chart





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