



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Q2FY18 Result update@ Dalal & Broacha

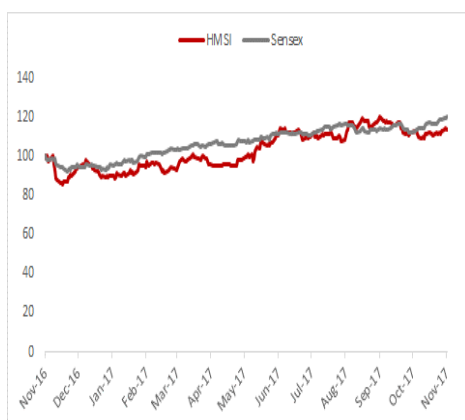
ACCUMULATE

Current Price	Rs 3717
Target Price	Rs 4199
Upside/Downside	13%
52 Week Range	Rs 4200/2844

Key Share Data

Market Cap (Rs.bn)	745.47
No of o/s shares (mn)	199.7
Face Value	2.0
Monthly Avg. vol(BSE+NSE)	
Nos'000	203
BSE Code	500182
NSE Code	HEROMOTOC
Bloomberg	HMCL:IN

Price performance



Hero MotoCorp Q2FY18 Results in line with estimates

Net sales grew only 7%yoy to Rs 83620 mn despite 11%yoy volume growth as ASP declined 3.3% yoy due to shift to GST. Adjusting for the same revenues would have grown at 11.5%yoy. Management didn't account for ~Rs500mn of credit on the state portion of excise duty exemption (42% of the benefit) as there is no notification from the state government as yet.

EBITDA for the quarter rose by 6.4% yoy to Rs. 14557 mn with a corresponding margin expansion of 120bps qoq. EBITDA margin for the quarter stood at 17.4%. Despite of raw material cost (as % of sales) increased only 50bps qoq. Other expenses declined 150bps qoq due to expiry of certain taxes (which are now subsumed under the GST) as well as some phasing of expenses.

The PAT for the quarter came in at Rs. 10105 mn, yoy increase of 0.6% due to the effective tax rate for the quarter is higher on account of phasing out of investment allowance and reduction in allowable deduction of R&D expenditure leading to lower PAT growth versus EBIDTA growth.

Key Highlights of conference call

HMCL gained market share gain in entry segment, led by strong volume growth in CD Dawn, Achiever, Passion Plus and Glamour.

Management indicated rural demand is ramping up on back of better monsoon will lead to strong demand momentum to continue led by new launch in H2FY18. Management expects good growth going forward, on the back of incremental volumes from neighboring markets such as Bangladesh.

At CMP of Rs 3712 the stock is fairly valued at 20x its FY18 E EPS of Rs 184 and 18x its FY19 E EPS of Rs 206. We recommend our investors to Accumulate the stock with TP of Rs 4199.

% Shareholding

	Mar-17	Jun-17
Promoters	34.64	34.64
FII	65.36	65.36
Total	100.0	100.0

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY16	282,034	4.0%	42,160	14.9%	29,210	24%	158.2	24.7	41.1%	58.0%
FY17	281,700	-0.1%	43,290	15.4%	30,720	5.2%	169.1	23.1	37.7%	51.1%
FY18E	322,390	14.4%	51,710	16.0%	36,820	19.9%	184.4	21.1	35.9%	49.3%
FY19E	368,780	14.4%	57,590	15.6%	41,230	12.0%	206.5	18.9	32.1%	45.6%



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Hero Motocorp (Rs in Mn)			
Particulars	Q2FY18	Q2FY17	Growth
No. of 2 Wheelers Sold	2022796	1823498	10.93%
Net Sales	83619.9	77962.8	7.3%
Total Operating Income	83619.9	77962.8	7.3%
Other Income	1176.00	1523.60	-22.8%
Total Income	84795.9	79486.4	6.7%
Inc/Dec in Stk in Trade	-722.30	-641.90	12.5%
Raw Mat Cons	-56258.30	-51190.60	9.9%
Employee Cost	-3836.60	-3574.80	7.3%
Other Exps	-8245.70	-8866.80	-7.0%
EXPENSES	-69062.9	-64274.1	7.5%
EBIDTA	15733.00	15212.30	
EBIDTA Excl O. Income	14557.00	13688.70	6.3%
Less Depreciation	-1360.30	-1192.50	
Less Interest	-15.60	-15.50	
Less Exceptional Item			
PBT	14357.10	14004.30	2.5%
Tax	-4252.20	-3962.10	7.3%
Tax Rate	-29.6%	-28.3%	
Net Profit	10104.90	10042.20	0.6%
	-35.20	-95.00	
Adjusted Net Profit	10069.70	9947.20	
Equity (FV Rs 2)	399.40	399.40	
EPS	50.60	50.29	
OPM	17.4%	17.6%	
NPM	11.9%	12.6%	
As % of Sales			
Inc/Dec in Stk in Trade	-0.9%	-0.8%	
Raw Mat Cons	-67.3%	-65.7%	
Total Raw Materials Cost	-68.1%	-66.5%	
Employee Cost	-4.6%	-4.6%	
Other Exps	-9.9%	-11.4%	
EXPENSES	-82.6%	-82.4%	
Realization (Net)	41339	42755	-3.3%



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