

## Hero MotoCorp

### Performance Highlights

Y/E March (₹ cr)	2QFY16	2QFY15	% chg (yoy)	1QFY16	% chg (qoq)
<b>Net Sales</b>	<b>6,837</b>	<b>6,915</b>	<b>(1.1)</b>	<b>6,955</b>	<b>(1.7)</b>
EBITDA	1,083	935	15.9	1,048	3.4
EBITDA margin (%)	15.8	13.5	230 bp	15.1	70 bp
<b>Adj. PAT</b>	<b>772</b>	<b>763</b>	<b>1.1</b>	<b>750</b>	<b>2.9</b>

Source: Company, Angel Research

Hero MotoCorp (HMCL)'s 2QFY2016 results have come in ahead of our estimates with the company positively surprising on the operating margin front.

Revenues declined by 1% yoy to ₹6,837cr, although they are marginally ahead of our estimate of ₹6,657cr. While volumes declined by 7% yoy, the realization/vehicle grew 6% yoy on account of price hikes, better product mix and higher spare sales. Despite the subdued top-line, the company's margins improved by 230bp yoy to 15.8% (better than our estimate of 14.7%). Soft commodity prices and cost control initiatives undertaken by the company under the "Leap" program led to an improvement in margins. Given the strong operating performance, the net profit for the quarter came in at ₹772cr, beating our expectation of ₹726cr.

**Outlook and valuation:** HMCL's volumes are likely to be subdued in the near term, given the poor sentiments in rural areas, which account for about half of the company's sales. Deficient rainfall for a second consecutive year, and only a moderate increase in the MSPs, have impacted rural income levels, and in turn rural demand. Given the demand weakness, the company has also delayed its capacity expansion plans by two quarters. We believe, in the domestic two-wheeler universe, HMCL is likely to be most impacted by the rural slowdown, given that rural demand accounts for a higher proportion of HMCL's overall sales, vis-a-vis competition. Also, the margins are likely to decline in 2HFY2016, given the increase in advertising and branding expenses. We have broadly retained our earnings estimates for both FY2016 and FY2017. **We continue to maintain a Neutral view on the stock.**

#### Key financials (Standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
<b>Net Sales</b>	<b>25,275</b>	<b>27,585</b>	<b>28,561</b>	<b>31,559</b>
% chg	6.3	9.1	3.5	10.5
<b>Net Profit</b>	<b>2,109</b>	<b>2,386</b>	<b>3,018</b>	<b>3,259</b>
% chg	(0.4)	13.1	26.5	8.0
EBITDA margin (%)	14.0	12.8	14.7	14.7
<b>EPS (₹)</b>	<b>105.6</b>	<b>127.2</b>	<b>151.1</b>	<b>163.2</b>
P/E (x)	24.8	20.6	17.3	16.1
P/BV (x)	9.3	8.0	6.7	5.7
RoE (%)	37.7	38.8	38.7	35.6
RoCE (%)	51.7	53.2	53.6	48.8
EV/Sales (x)	1.9	1.8	1.7	1.5
EV/EBITDA (x)	13.6	13.8	11.2	10.0

Source: Company, Angel Research; Note: CMP as of October 21, 2015

## NEUTRAL

CMP ₹2,619  
 Target Price -

Investment Period -

#### Stock Info

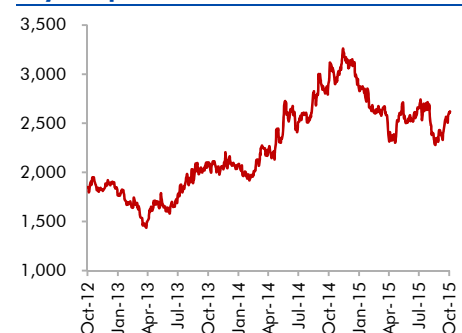
Sector	Automobile
Market Cap (₹ cr)	52,299
Net Debt (₹ cr)	(3,313)
Beta	0.7
52 Week High / Low	3,272/2,252
Avg. Daily Volume	17,212
Face Value (₹)	2
BSE Sensex	27,288
Nifty	8,252
Reuters Code	HROM.BO
Bloomberg Code	HMCL@IN

#### Shareholding Pattern (%)

Promoters	34.6
MF / Banks / Indian FIs	15.3
FII / NRIs / OCBs	38.4
Indian Public / Others	11.6

Abs. (%)	3m	1yr	3yr
Sensex	(3.2)	2.7	46.1
Hero MotoCorp	(2.5)	(12.6)	41.6

#### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: Quarterly financial performance (Standalone)**

Y/E March (₹ cr)	2QFY16	2QFY15	% chg (yoy)	1QFY16	% chg (qoq)	1HFY16	1HFY15	% chg (yoy)
<b>Net Sales</b>	<b>6,837</b>	<b>6,915</b>	<b>(1.1)</b>	<b>6,955</b>	<b>(1.7)</b>	<b>13,792</b>	<b>13,952</b>	<b>(1.1)</b>
Consumption of RM	4,666	4,971	(6.1)	4,811	(3.0)	9,477	10,082	(6.0)
(% of Sales)	68.2	71.9		69.2		68.7	72.3	
Staff Costs	310	285	8.7	314	(1.5)	624	553	12.9
(% of Sales)	4.5	4.1		4.5		4.5	4.0	
Other Expenses	778	725	7.3	782	(0.6)	1,560	1,435	8.7
(% of Sales)	11.4	10.5		11.3		11.3	10.3	9.9
<b>Total Expenditure</b>	<b>5,754</b>	<b>5,981</b>	<b>(3.8)</b>	<b>5,907</b>	<b>(2.6)</b>	<b>11,661</b>	<b>12,070</b>	<b>(3.4)</b>
<b>Operating Profit</b>	<b>1,083</b>	<b>935</b>	<b>15.9</b>	<b>1,048</b>	<b>3.4</b>	<b>2,131</b>	<b>1,882</b>	<b>8.7</b>
OPM (%)	15.8	13.5		15.1		15.5	13.5	
Interest	1	5	(89.1)	1	1.9	1	8	(86.5)
Depreciation	109	75	45.5	103	5.9	212	366	(42.1)
Other Income	103	194	(47.0)	102	0.7	205	306	(33.2)
<b>PBT (excl. Extr. Items)</b>	<b>1,076</b>	<b>1,048</b>	<b>2.7</b>	<b>1,046</b>	<b>2.9</b>	<b>2,123</b>	<b>1,814</b>	<b>17.0</b>
Extr. Income/(Expense)	-	-		-		-	-	
<b>PBT (incl. Extr. Items)</b>	<b>1,076</b>	<b>1,048</b>	<b>2.7</b>	<b>1,046</b>	<b>2.9</b>	<b>2,123</b>	<b>1,814</b>	<b>17.0</b>
(% of Sales)	15.7	15.2		15.0		15.4	13.0	
Provision for Taxation	304	285	6.8	296	2.8	600	488	23.1
(% of PBT)	28.3	27.2		28.3		28.3	26.9	
<b>Reported PAT</b>	<b>772</b>	<b>763</b>	<b>1.1</b>	<b>750</b>	<b>2.9</b>	<b>1,522</b>	<b>1,326</b>	<b>14.8</b>
<b>Adj PAT</b>	<b>772</b>	<b>763</b>	<b>1.1</b>	<b>750</b>	<b>2.9</b>	<b>1,522</b>	<b>1,326</b>	<b>14.8</b>
Adj. PATM	11.3	11.0		10.8		11.0	9.5	
Equity capital (cr)	39.9	39.9		39.9		39.9	39.9	
<b>Adjusted EPS (₹)</b>	<b>38.7</b>	<b>38.2</b>	<b>1.1</b>	<b>37.6</b>	<b>2.9</b>	<b>76.2</b>	<b>66.4</b>	<b>14.8</b>

Source: Company, Angel Research

**Exhibit 2: 2QFY2016 – Actual vs Angel estimates**

Y/E March (₹ cr)	Actual	Estimates	Variation (%)
<b>Net Sales</b>	<b>6,837</b>	<b>6,657</b>	<b>2.7</b>
EBITDA	1,083	980	10.5
EBITDA margin (%)	15.8	14.7	130 bp
<b>Adj. PAT</b>	<b>772</b>	<b>726</b>	<b>6.4</b>

Source: Company, Angel Research

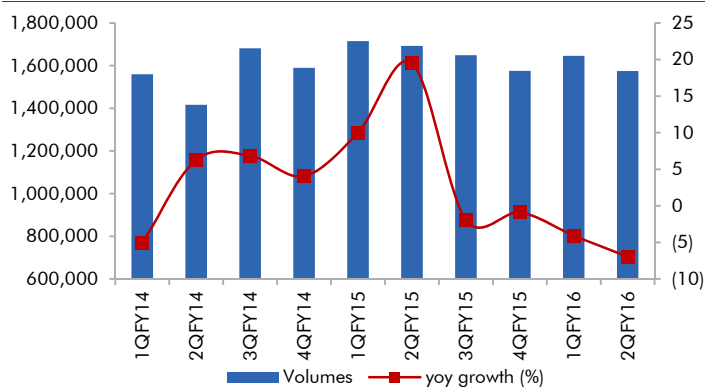
**Exhibit 3: Quarterly volume performance**

(units)	2QFY16	2QFY15	% chg (yoy)	1QFY16	% chg (qoq)	1HFY16	1HFY15	% chg (yoy)
<b>Total two-wheelers</b>	<b>1,574,861</b>	<b>1,692,523</b>	<b>(7.0)</b>	<b>1,645,853</b>	<b>(4.3)</b>	<b>3,220,714</b>	<b>3,407,654</b>	<b>(5.5)</b>
Domestic	1,515,302	1,633,046	(7.2)	1,600,552	(5.3)	3,115,854	3,311,522	(5.9)
Exports	59,559	59,477	0.1	45,301	31.5	104,860	96,132	9.1
<b>Motorcycles</b>	<b>1,402,270</b>	<b>1,497,690</b>	<b>(6.4)</b>	<b>1,477,047</b>	<b>(5.1)</b>	<b>2,879,317</b>	<b>3,020,419</b>	<b>(4.7)</b>
Domestic	1,359,777	1,466,494	(7.3)	1,451,644	(6.3)	2,811,421	2,959,192	(5.0)
Exports	42,493	31,196	36.2	25,403	67.3	67,896	61,227	10.9
<b>Scooters</b>	<b>172,591</b>	<b>194,833</b>	<b>(11.4)</b>	<b>168,806</b>	<b>2.2</b>	<b>341,397</b>	<b>387,235</b>	<b>(11.8)</b>
Domestic	155,525	166,552	(6.6)	148,908	4.4	304,433	352,330	(13.6)
Exports	17,066	28,281	(39.7)	19,898	(14.2)	36,964	34,905	5.9

Source: Company, Angel Research

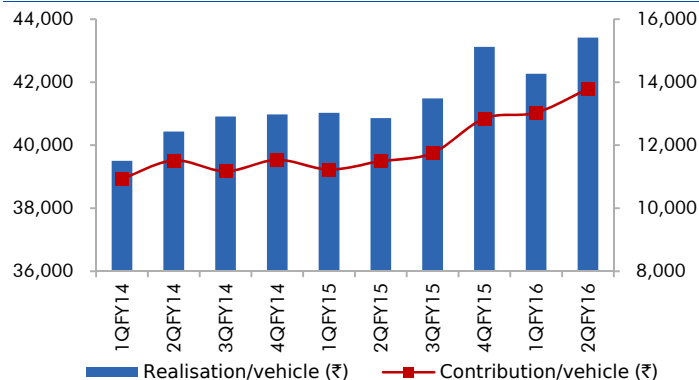
- Volumes remained under pressure, declining for the fourth consecutive quarter. Slowdown in the rural segment due to deficient rainfall and owing to only a moderate increase in Minimum Support Prices (MSPs) for crops, hurt the company's volumes. HMCL lost market share by 230bp yoy, primarily due to production adjustments, before new model launches, in the scooter segment.
- Realisation/vehicle grew 6% yoy to ₹43,414 and was better than our estimate of ₹42,267 on account of better product mix, price hikes and increased proportion of spares. Contribution/vehicle, at ₹13,785, grew 5.8% qoq and was slightly ahead of our estimate. Subdued commodity prices and raw material cost savings under the margin improvement program boosted gross margins.
- The share of scooters in the overall mix declined marginally to 11% as the company made production adjustments prior to the launch of two new scooters (Maestro Edge and Duet).

**Exhibit 4: Volumes flat yoy**



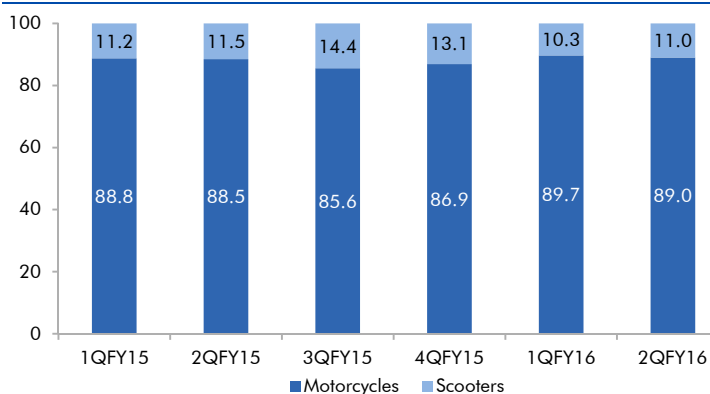
Source: Company, Angel Research

**Exhibit 5: Realisation & contribution/vehicle improve**



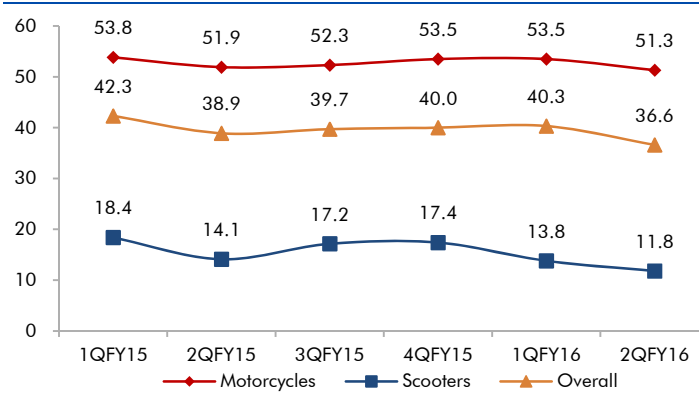
Source: Company, Angel Research

**Exhibit 6: Volume mix**



Source: Company, Angel Research

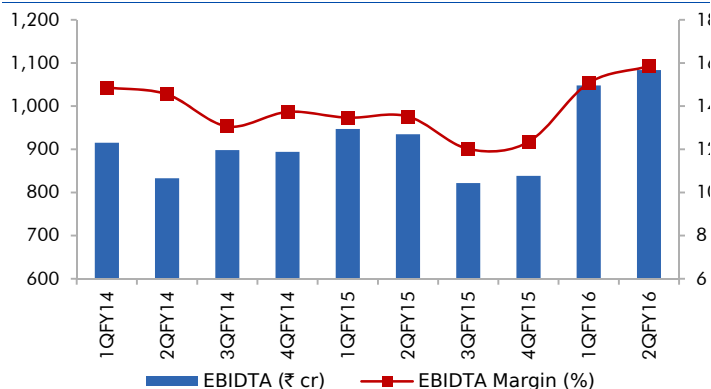
**Exhibit 7: Domestic market share trend**



Source: SIAM, Angel Research

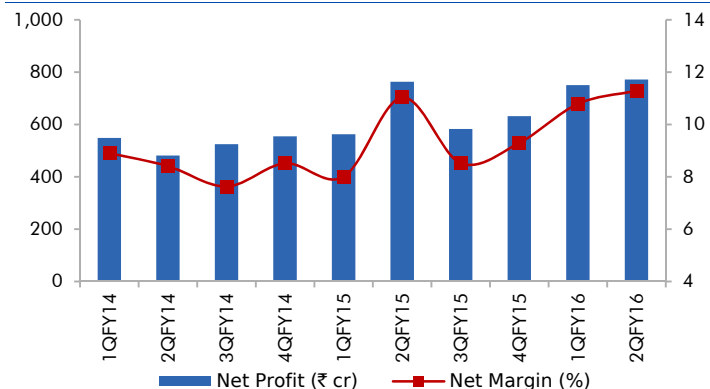
- EBITDA margin, at 15.8%, improved strongly by 230bp yoy, led by subdued commodity prices and cost control initiatives undertaken by the company under the margin improvement program - "Leap".
- A robust operating performance boosted the bottom-line. The Adjusted Net Profit at ₹772cr (beat our estimate of ₹726cr) grew marginally on a yoy basis, despite a decline in volumes.

**Exhibit 8: EBITDA margin beats estimate**



Source: Company, Angel Research

**Exhibit 9: Bottom-line grows despite subdued volumes**



Source: Company, Angel Research

### Conference call – Key highlights

- The two-wheeler industry continues to remain sluggish owing to weak rural sentiments. Rural areas contribute by about 40-45% to the industry's overall sales. Deficient rainfall and only a moderate increase in MSPs has hurt the rural economy, and in turn, demand for two-wheelers. HMCL expects the two-wheeler industry to recover from 2HFY2016 given the onset of the festive season and a gradual pick up in the rural demand.
- HMCL's margin improvement program - "Leap" has been running successfully and the same has enabled towards considerable cost savings. HMCL realized benefits of ₹169cr and ₹329cr in FY2014 and FY2015 respectively. Further, HMCL realized ₹60cr benefits in 1HFY2016 and aims to garner benefits to the tune of ₹200cr in FY2016.
- To tap the festive demand, HMCL has introduced three new products, which include Splendor Pro in the bike space and Maestro Edge and Duet in the scooter space.
- HMCL expects commodity prices to remain soft in the near term.
- HMCL has commenced operations at its Colombian plant under the CKD format. Currently, the plant assembles about 3,000 units/month and aims to increase the volumes to about 4,000 units/month by the end of FY2016.
- On the export front, HMCL aims to sell 250,000 units in FY2016, implying a growth of 25% yoy; and aims to enter major export markets of Nigeria, Argentina and Mexico, going forward.
- As per the Management, margins are expected to come down in 2HFY2016, given the incurrence of higher advertising and marketing spends. HMCL has

given an overall margin guidance of 15% for FY2016 as against 15.5% margin achieved in 1HFY2016.

- Given the slowdown in the two-wheeler industry, HMCL has delayed its capacity expansion plans. The new Gujarat plant will commence production from 2QFY2017 and will have an initial capacity of 750,000 units as against 1200,000 planned earlier. The plant would reach production level of 1.2mn units only by the end of FY2017.

## Investment arguments

- Expect demand to recover from 2HFY2016:** We expect demand to recover from 2HFY2016 on account of the festive season, gradual recovery in the rural economy, reduction in interest rates and new product launches scheduled by the company. Further, HMCL is entering new export geographies which would enhance volumes, going ahead. We expect the company to register a positive volume growth from 2HFY2016 onwards, as compared to demand decline in the last four quarters.
- Capacity expansion to meet future increase in demand:** HMCL has a current installed capacity of 7.65mn units across its four plants in Haridwar, Dharuhera, Gurgaon and Neemrana. The company is setting up a new plant in Gujarat (1.8mn units) and would further increase capacity at Neemrana plant (by ~0.5mn units) which would come on stream in FY2017, thus taking the overall capacity to 9.9mn units. As a result of capacity expansion, HMCL remains well-poised to meet increase in demand, going ahead.

## Outlook and valuation

HMCL's volumes are likely to be subdued in the near term, given the poor sentiments in rural areas, which account for about half of the company's sales. Deficient rainfall for a second consecutive year, and only a moderate increase in the MSPs, have impacted rural income levels, and in turn rural demand. Given the demand weakness, the company has also delayed its capacity expansion plans by two quarters. We believe, in the domestic two-wheeler universe, HMCL is likely to be most impacted by the rural slowdown, given that rural demand accounts for a higher proportion of HMCL's overall sales, vis-a-vis competition. Also, the margins are likely to decline in 2HFY2016, given the increase in advertising and branding expenses. We have broadly retained our earnings estimates for both FY2016 and FY2017. **We continue to maintain a Neutral view on the stock.**

### Exhibit 10: Key assumptions – Volumes

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
<b>Total motorcycles</b>	<b>5,779,621</b>	<b>5,499,322</b>	<b>5,538,356</b>	<b>5,799,695</b>	<b>5,700,404</b>	<b>6,016,800</b>
Domestic	5,628,513	5,362,807	5,425,118	5,679,634	5,547,950	5,808,733
Exports	151,108	136,515	113,238	120,061	152,454	208,067
<b>Total scooters</b>	<b>455,584</b>	<b>574,336</b>	<b>707,604</b>	<b>832,008</b>	<b>880,000</b>	<b>1,003,200</b>
Domestic	414,389	549,808	690,079	752,052	782,454	881,267
Exports	41,195	24,528	17,525	79,956	97,546	121,933
<b>Total two-wheelers</b>	<b>6,235,205</b>	<b>6,073,658</b>	<b>6,245,960</b>	<b>6,631,703</b>	<b>6,580,404</b>	<b>7,020,000</b>

Source: Company, Angel Research

## Company background

Hero MotoCorp (HMCL) is a leading 2W manufacturer globally and the market leader in the domestic motorcycle segment with an ~52% market share. HMCL has four manufacturing facilities in India, located at Gurgaon, Dharuhera, Haridwar and Neemrana with a total capacity of ~7.7mn units/year as of FY2014. Over 2008-14, HMCL recorded a strong volume CAGR of ~11%, backed by its strong brands (*Passion* and *Splendor*) and a well-entrenched dealership network, which has a good presence across rural areas. Rural areas account for ~49% of total volumes of the company.

**Profit and loss statement (Standalone)**

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
<b>Total operating income</b>	<b>23,579</b>	<b>23,768</b>	<b>25,275</b>	<b>27,585</b>	<b>28,561</b>	<b>31,559</b>
% chg	21.6	0.8	6.3	9.1	3.5	10.5
<b>Total expenditure</b>	<b>19,960</b>	<b>20,484</b>	<b>21,735</b>	<b>24,043</b>	<b>24,356</b>	<b>26,929</b>
Net raw material costs	17,282	17,398	18,230	19,754	19,544	21,592
Employee expenses	736	821	930	1,173	1,292	1,430
Other	1,943	2,265	2,575	3,116	3,520	3,907
<b>EBITDA</b>	<b>3,619</b>	<b>3,284</b>	<b>3,540</b>	<b>3,542</b>	<b>4,205</b>	<b>4,630</b>
% chg	38.5	(9.2)	20.3	0.1	18.7	10.1
EBITDA margin	15.3	13.8	14.0	12.8	14.7	14.7
Depreciation & amort.	1,097	1,142	1,107	540	471	662
<b>EBIT</b>	<b>2,521</b>	<b>2,143</b>	<b>2,879</b>	<b>3,495</b>	<b>4,179</b>	<b>4,476</b>
% chg	14.1	(15.0)	13.3	21.4	19.6	7.1
(% of total op. income)	10.7	9.0	11.4	12.7	14.6	14.2
Interest and other charges	21	12	12	11	7	12
Other income	365	398	446	493	445	508
<b>Recurring PBT</b>	<b>2,865</b>	<b>2,529</b>	<b>2,867</b>	<b>3,484</b>	<b>4,172</b>	<b>4,464</b>
% chg	15.3	(11.7)	13.4	21.5	19.7	7.0
Extraord. income/(exp.)	0	0	0	(155)	0	0
<b>PBT</b>	<b>2,865</b>	<b>2,529</b>	<b>2,867</b>	<b>3,329</b>	<b>4,172</b>	<b>4,464</b>
Tax	487	411	758	943	1,154	1,205
(% of PBT)	17.0	16.3	26.4	27.1	27.7	27.0
<b>PAT (reported)</b>	<b>2,378</b>	<b>2,118</b>	<b>2,109</b>	<b>2,541</b>	<b>3,018</b>	<b>3,259</b>
<b>ADJ. PAT</b>	<b>2,378</b>	<b>2,118</b>	<b>2,109</b>	<b>2,386</b>	<b>3,018</b>	<b>3,259</b>
% chg	18.4	(10.9)	(0.4)	20.5	18.8	8.0
(% of total op. income)	10.1	8.9	8.3	9.2	10.6	10.3
<b>Basic EPS (₹)</b>	<b>119.1</b>	<b>106.1</b>	<b>105.6</b>	<b>127.2</b>	<b>151.1</b>	<b>163.2</b>
<b>Adj. EPS (₹)</b>	<b>119.1</b>	<b>106.1</b>	<b>105.6</b>	<b>127.2</b>	<b>151.1</b>	<b>163.2</b>
% chg	18.4	(10.9)	(0.4)	20.5	18.8	8.0



**Balance sheet statement (Standalone)**

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015E	FY2016E	FY2017E
<b>SOURCES OF FUNDS</b>						
Equity share capital	40	40	40	40	40	40
Reserves & surplus	4,250	4,966	5,560	6,501	7,754	9,106
<b>Shareholders' Funds</b>	<b>4,290</b>	<b>5,006</b>	<b>5,600</b>	<b>6,541</b>	<b>7,794</b>	<b>9,146</b>
Total loans	-	-	-	-	-	-
Deferred tax liability	208	132	(106)	(74)	(106)	(106)
Other long term liabilities	1,011	302	24	31	31	31
Long term provisions	38	30	50	66	75	95
<b>Total Liabilities</b>	<b>5,547</b>	<b>5,471</b>	<b>5,568</b>	<b>6,565</b>	<b>7,794</b>	<b>9,167</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	6,308	6,685	6,909	8,158	9,458	10,758
Less: Acc. depreciation	2,523	3,614	4,666	5,191	5,662	6,324
<b>Net Block</b>	<b>3,786</b>	<b>3,071</b>	<b>2,243</b>	<b>2,967</b>	<b>3,796</b>	<b>4,434</b>
Capital work-in-progress	39	62	854	713	400	200
<b>Investments</b>	<b>3,964</b>	<b>3,624</b>	<b>4,089</b>	<b>3,154</b>	<b>3,343</b>	<b>3,611</b>
Long term loans and adv.	534	780	477	617	772	903
Other noncurrent assets	26	36	48	60	60	60
<b>Current assets</b>	<b>1,541</b>	<b>2,068</b>	<b>2,280</b>	<b>2,938</b>	<b>3,996</b>	<b>5,006</b>
Cash	77	181	118	159	1,346	2,128
Loans & advances	476	554	550	568	570	580
Other	988	1,334	1,612	2,211	2,080	2,298
Current liabilities	4,341	4,171	4,423	3,883	4,574	5,047
<b>Net current assets</b>	<b>(2,801)</b>	<b>(2,102)</b>	<b>(2,143)</b>	<b>(946)</b>	<b>(577)</b>	<b>(41)</b>
Misc. exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>5,547</b>	<b>5,471</b>	<b>5,568</b>	<b>6,565</b>	<b>7,794</b>	<b>9,167</b>

Note: Cash includes cash with scheduled banks on dividend current accounts

**Cash flow statement (Standalone)**

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Profit before tax	2,865	2,529	2,867	3,484	4,172	4,464
Depreciation	1,097	1,142	1,052	526	471	662
Change in working capital	(691)	(787)	(23)	(1,156)	819	245
Direct taxes paid	(583)	(613)	(758)	(943)	(1,154)	(1,205)
Others	(329)	(380)	(1,303)	(22)	(32)	-
<b>Cash Flow from Operations</b>	<b>2,360</b>	<b>1,890</b>	<b>1,835</b>	<b>1,889</b>	<b>4,276</b>	<b>4,166</b>
(Inc.)/Dec. in fixed assets	(503)	(600)	(1,016)	(1,108)	(987)	(1,100)
(Inc.)/Dec. in investments	1,443	628	(465)	935	(189)	(267)
Others	(847)	(760)	-	-	-	-
<b>Cash Flow from Investing</b>	<b>93</b>	<b>(733)</b>	<b>(1,481)</b>	<b>(173)</b>	<b>(1,177)</b>	<b>(1,367)</b>
Issue of equity	-	-	-	-	-	-
Inc./(Dec.) in loans	-	-	-	-	-	-
Dividend paid (Incl. Tax)	(2,097)	(899)	(740)	(1,396)	(1,766)	(1,906)
Others	(361)	(158)	-	-	-	-
<b>Cash Flow from Financing</b>	<b>(2,458)</b>	<b>(1,056)</b>	<b>(740)</b>	<b>(1,396)</b>	<b>(1,766)</b>	<b>(1,906)</b>
Inc./(Dec.) in cash	(6)	101	(386)	321	1,333	892
<b>Opening Cash balances</b>	<b>39</b>	<b>34</b>	<b>181</b>	<b>118</b>	<b>159</b>	<b>1,346</b>
<b>Closing Cash balances</b>	<b>34</b>	<b>135</b>	<b>117</b>	<b>159</b>	<b>1,346</b>	<b>2,128</b>

**Key ratios**

Y/E March	FY2012	FY2013	FY2014	FY2015E	FY2016E	FY2017E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	22.0	24.7	24.8	20.6	17.3	16.1
P/CEPS	15.1	16.0	16.3	17.0	15.0	13.3
P/BV	12.2	10.4	9.3	8.0	6.7	5.7
Dividend yield (%)	1.7	2.3	2.5	2.9	3.5	3.7
EV/Sales	2.0	2.0	1.9	1.8	1.7	1.5
EV/EBITDA	13.3	14.8	13.6	13.8	11.3	10.1
EV / Total Assets	8.8	8.9	8.6	7.5	6.1	5.1
<b>Per Share Data (₹)</b>						
EPS (Basic)	119.1	106.1	105.6	127.2	151.1	163.2
EPS (fully diluted)	119.1	106.1	105.6	127.2	151.1	163.2
Cash EPS	174.0	163.2	161.1	154.3	174.7	196.3
DPS	45.0	60.0	65.5	76.3	90.7	97.9
Book Value	214.8	250.7	280.4	327.6	390.3	458.0
<b>Dupont Analysis</b>						
EBIT margin	10.7	10.7	11.4	12.7	14.6	14.2
Tax retention ratio	83.0	0.8	0.7	0.7	0.7	0.7
Asset turnover (x)	4.7	4.5	4.6	4.3	4.4	4.5
ROIC (Post-tax)	41.4	40.2	38.9	39.8	46.9	46.4
Cost of Debt (Post Tax)	-	-	-	-	-	-
Leverage (x)	(0.9)	(0.8)	(0.8)	(0.5)	(0.6)	(0.6)
Operating ROE	-	-	-	-	-	-
<b>Returns (%)</b>						
ROCE (Pre-tax)	49.2	46.4	51.7	53.2	53.6	48.8
Angel ROIC (Pre-tax)	51.2	48.0	52.8	54.6	64.8	63.6
ROE	65.6	42.3	37.7	38.8	38.7	35.6
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	4.0	3.6	3.7	3.4	3.0	2.9
Inventory / Sales (days)	9	13	13	15	14	14
Receivables (days)	3	10	13	18	17	17
Payables (days)	40	42	42	42	38	38
WC cycle (ex-cash) (days)	(61)	(19)	(15)	(8)	(7)	(7)
<b>Solvency ratios (x)</b>						
Net debt to equity	(0.9)	(0.8)	(0.8)	(0.5)	(0.6)	(0.6)
Net debt to EBITDA	(1.1)	(1.2)	(1.2)	(0.9)	(1.1)	(1.2)
Int. Coverage (EBIT / Int.)	118.4	213.4	243.6	315.1	591.0	373.0

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Disclosure of Interest Statement	Hero MotoCorp
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15%)
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