

## Hero MotoCorp

### Performance Highlights

Y/E March (₹ cr)	1QFY13	1QFY12	% chg (yoy)	4QFY12	% chg (qoq)
<b>Net Sales</b>	<b>6,247</b>	<b>5,682</b>	<b>10.0</b>	<b>6,035</b>	<b>3.5</b>
EBITDA	717	643	11.5	717	(0.1)
Adj. EBITDA margin (%)	11.5	11.3	16bp	11.9	(41)bp
<b>Adj. PAT</b>	<b>615</b>	<b>558</b>	<b>10.3</b>	<b>604</b>	<b>2.0</b>

Source: Company, Angel Research

Hero MotoCorp (HMCL) reported marginally lower-than-expected results for 1QFY2013 as net average realization remained flat sequentially despite price hikes in May 2012 due to weak product-mix. While, the near term outlook for domestic two-wheeler sales remain sluggish, we expect HMCL to perform relatively better than its peers (Bajaj Auto and TVS Motor) driven by the strength of its popular brands *Splendor* and *Passion*. Further recently launched products (*Maestro*, *Impulse* and *Ignitor*) along with the introduction of refreshed version of premium motorcycles will enable the company to maintain its volume momentum.

**We broadly retain our estimates and maintain our Buy rating on the stock.**

**Marginally lower-than-expected 1QFY2013 results:** HMCL reported marginally lower-than-expected net sales growth of 10.0% yoy (3.5% qoq) to ₹6,247cr driven by volume growth of 7.2% yoy (4.3% qoq) and 2.7% yoy growth in net average realization. Net average realization remained flat sequentially primarily due to higher share of less than 125cc (89% as against 86% in 4QFY2012) motorcycles in the overall product-mix. Volume performance was led by 7.0% and 12.8% yoy increase in motorcycle and scooter sales, respectively. On the operating front, EBITDA margins (adjusted for change in accounting for royalty payments) declined 40bp sequentially to 11.5% largely due to higher royalty payments (₹220cr vs. ₹208cr in 4QFY2012) led by unfavorable currency movement and 50bp increase in raw-material expenses. Hence net profit grew by 10.3% yoy (2.0% qoq) to ₹615cr, marginally lower-than our estimates of ₹637cr.

**Outlook and valuation:** We broadly retain our volume estimates for HMCL and model volume growth of 8.5%/11.5% for FY2013E/14E. However, we believe the benefits of lower raw-material costs will be almost offset by higher advertising and R&D expenses that HMCL intends to incur going ahead. At ₹2,084, the stock is trading at 13.7x FY2014E earnings. We maintain our Buy rating on the stock with a target price of ₹2,428.

#### Key financials (Standalone)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
<b>Net Sales</b>	<b>19,245</b>	<b>23,368</b>	<b>26,097</b>	<b>29,963</b>
% chg	22.1	21.4	11.7	14.8
<b>Net Profit</b>	<b>2,008</b>	<b>2,378</b>	<b>2,785</b>	<b>3,031</b>
% chg	(3.6)	18.4	17.1	8.8
EBITDA (%)	12.8	14.6	15.0	15.3
<b>EPS (₹)</b>	<b>100.5</b>	<b>119.1</b>	<b>139.5</b>	<b>151.8</b>
P/E (x)	19.9	17.5	14.9	13.7
P/BV (x)	14.1	9.7	7.0	5.4
RoE (%)	62.5	65.6	54.6	44.3
RoCE (%)	49.0	44.9	42.4	40.3
EV/Sales (x)	1.8	1.5	1.2	1.1
EV/EBITDA (x)	14.8	11.0	8.8	7.4

Source: Company, Angel Research

## BUY

CMP	₹2,084
Target Price	₹2,428

Investment Period	12 Months
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Stock Info	
Sector	Automobile
Market Cap (₹ cr)	41,624
Net Debt (₹ cr)	(4,041)
Beta	0.6
52 Week High / Low	2,279/1,703
Avg. Daily Volume	53,392
Face Value (₹)	2
BSE Sensex	17,158
Nifty	5,205
Reuters Code	HROM.BO
Bloomberg Code	HMCL@IN

Shareholding Pattern (%)	
Promoters	52.2
MF / Banks / Indian Fls	7.4
FII / NRIs / OCBs	33.3
Indian Public / Others	7.1

Abs. (%)	3m	1yr	3yr
Sensex	(1.3)	(7.3)	12.9
Hero MotoCorp	(4.7)	18.4	26.2

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

Y/E March (₹ cr)	1QFY13	1QFY12	% chg (yoy)	4QFY12	% chg (qoq)	FY2012	FY2011	% chg (yoy)
<b>Net Sales</b>	<b>6,247</b>	<b>5,682</b>	<b>10.0</b>	<b>6,035</b>	<b>3.5</b>	<b>23,579</b>	<b>19,398</b>	<b>21.6</b>
Consumption of RM	4,603	4,245	8.4	4,418	4.2	17,282	14,111	22.5
(% of Sales)	73.7	74.7		73.2		73.3	72.7	
Staff Costs	205	165	24.4	192	6.4	736	619	18.8
(% of Sales)	3.3	2.9		3.2		3.1	3.2	
Other Expenses	503	444	13.3	499	0.8	1,943	2,055	(5.5)
(% of Sales)	8.1	7.8		8.3		8.2	10.6	
<b>Total Expenditure</b>	<b>5,310</b>	<b>4,854</b>	<b>9.4</b>	<b>5,110</b>	<b>3.9</b>	<b>19,960</b>	<b>16,785</b>	<b>18.9</b>
<b>Operating Profit</b>	<b>937</b>	<b>828</b>	<b>13.1</b>	<b>925</b>	<b>1.3</b>	<b>3,619</b>	<b>2,613</b>	<b>38.5</b>
OPM (%)	15.0	14.6		15.3		15.3	13.5	
Interest	2.9	12.5	(76.6)	2.9	-	21.3	15.2	40.4
Depreciation	303	240	26.6	280	8.2	1,097	402	172.7
Other Income	104	94	11.4	105	(0.5)	365	290	25.9
<b>PBT (excl. Extr. Items)</b>	<b>735</b>	<b>670</b>	<b>9.8</b>	<b>747</b>	<b>(1.6)</b>	<b>2,865</b>	<b>2,485</b>	<b>15.3</b>
Extr. Income/(Expense)	-	-		-		-	(79.8)	-
<b>PBT (incl. Extr. Items)</b>	<b>735</b>	<b>670</b>	<b>9.8</b>	<b>747</b>	<b>(1.6)</b>	<b>2,865</b>	<b>2,405</b>	<b>19.1</b>
(% of Sales)	11.8	11.8		12.4		12.1	12.4	
Provision for Taxation	119	112	6.9	143	(16.7)	487	477	2.0
(% of PBT)	16.3	16.7		19.2		17.0	19.8	
<b>Reported PAT</b>	<b>615</b>	<b>558</b>	<b>10.3</b>	<b>604</b>	<b>2.0</b>	<b>2,378</b>	<b>1,928</b>	<b>23.4</b>
<b>Adj PAT</b>	<b>615</b>	<b>558</b>	<b>10.3</b>	<b>604</b>	<b>2.0</b>	<b>2,378</b>	<b>2,008</b>	<b>18.4</b>
Adj. PATM	9.9	9.8		10.0		10.1	9.9	
Equity capital (cr)	39.9	39.9		39.9		39.9	39.9	
<b>Reported EPS (₹)</b>	<b>30.8</b>	<b>27.9</b>	<b>10.3</b>	<b>30.2</b>	<b>2.0</b>	<b>119.1</b>	<b>100.5</b>	<b>18.4</b>

Source: Company, Angel Research

**Exhibit 2: 1QFY2013 – Actual vs. Angel estimates**

Y/E March (₹ cr)	Actual	Estimates	Variation (%)
<b>Net Sales</b>	<b>6,247</b>	<b>6,397</b>	<b>(2.3)</b>
EBITDA	717	750	717
EBITDA margin (%)	11.5	11.7	(20)bp
<b>Adj. PAT</b>	<b>615</b>	<b>637</b>	<b>(3.4)</b>

Source: Company, Angel Research

**Exhibit 3: Quarterly volume performance**

(units)	1QFY13	1QFY12	% chg (yoy)	4QFY12	% chg (qoq)	FY2012	FY2011	% chg (yoy)
<b>Total two-wheelers</b>	<b>1,640,290</b>	<b>1,529,577</b>	<b>7.2</b>	<b>1,572,027</b>	<b>4.3</b>	<b>6,235,205</b>	<b>5,402,444</b>	<b>15.4</b>
Domestic	1,595,625	1,486,385	7.3	1,535,213	3.9	6,069,290	5,269,381	15.2
Exports	44,665	43,192	3.4	36,814	21.3	165,915	133,063	24.7
<b>Motorcycles</b>	<b>1,520,954</b>	<b>1,423,793</b>	<b>6.8</b>	<b>1,444,244</b>	<b>5.3</b>	<b>5,779,621</b>	<b>5,040,971</b>	<b>14.7</b>
Domestic	1,486,654	1,389,220	7.0	1,416,504	5.0	5,651,066	4,926,390	14.7
Exports	34,300	34,573	(0.8)	27,740	23.6	128,555	114,581	12.2
<b>Scooters</b>	<b>119,336</b>	<b>105,784</b>	<b>12.8</b>	<b>127,783</b>	<b>(6.6)</b>	<b>455,584</b>	<b>361,473</b>	<b>26.0</b>
Domestic	108,971	97,165	12.2	118,709	(8.2)	418,224	342,991	21.9
Exports	10,365	8,619	20.3	9,074	14.2	37,360	18,482	102.1

Source: Company, Angel Research

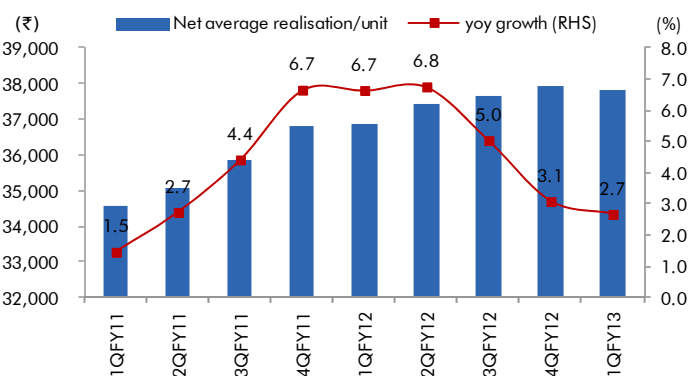
**Net sales up 10.0% yoy led by 7.2% growth in volumes:** HMCL reported 10.0% yoy growth in net sales to ₹6,247cr driven by volume growth of 7.2% yoy (4.3% qoq) and a 2.7% yoy (flat qoq) increase in average net realization. Volume growth was driven by a 6.8% (5.3% qoq) and 12.8% yoy (down 6.6% qoq) increase in motorcycle and scooter sales, respectively. Weak product mix negated the benefit of price hikes undertaken in May 2012 due to which net average realization remained flat sequentially.

**Exhibit 4: Healthy volume growth of 7.2% yoy**



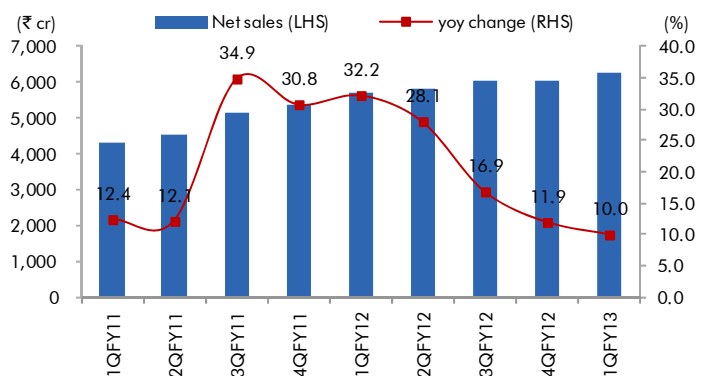
Source: Company, Angel Research

**Exhibit 5: Net average realization up 2.7% yoy**



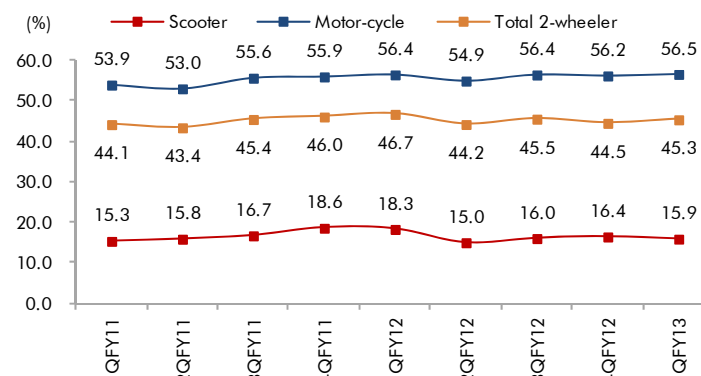
Source: Company, Angel Research

**Exhibit 6: Net sales up 10.0% yoy**



Source: Company, Angel Research

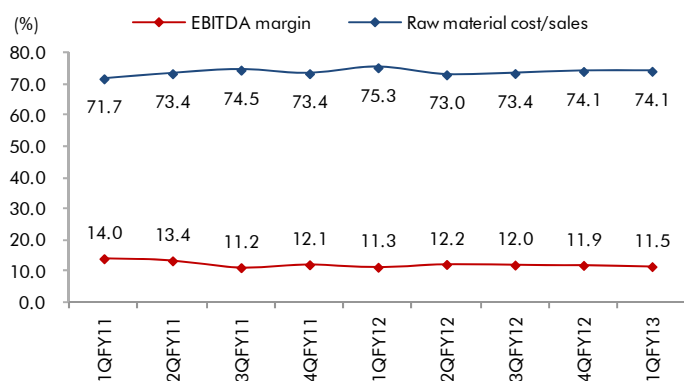
**Exhibit 7: Domestic market share trend**



Source: Company, SIAM, Angel Research

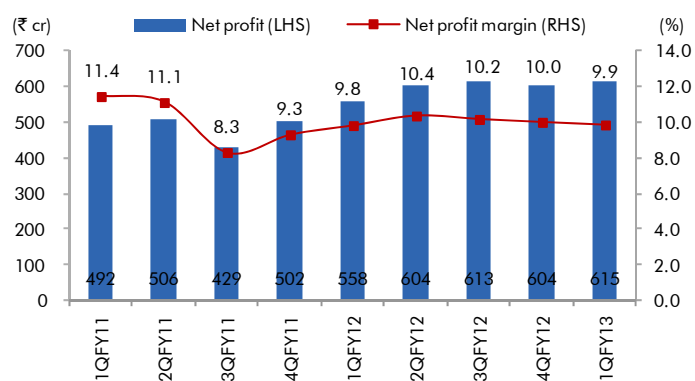
**Adjusted EBITDA margin at 11.5%:** HMCL's adjusted EBITDA margin (adjusted for royalty payments) came in at 11.5% (down 40bp sequentially) led by higher royalty expenses payments on account of INR depreciation against the USD and 50bp increase in raw-material expenses. Royalty expense stood at ₹220cr (₹208cr in 4QFY2012) as against normalized levels of ₹177cr. Other expenses as a percentage of net sales, however, declined by 20bp qoq mainly due to lower advertising expenses. However, the company intends to increase its advertising spends in 2QFY2013 as it plans to launch refreshed versions of CBZ and Hunk. Adjusted operating profit grew by 11.5% yoy (flat qoq) to ₹717cr.

**Exhibit 8: EBITDA margins under pressure**



Source: Company, Angel Research

**Exhibit 9: Net profit up 10.3% yoy**



Source: Company, Angel Research

**Net profit up 10.3% yoy:** During the quarter, the company's net profit registered healthy growth of 10.3% yoy (2.0% qoq) to ₹615cr; however, it was slightly lower than our expectations of ₹637cr. Higher production from HMCL's tax exempt plant at Uttarakhand enabled the bottom-line as the company continues to enjoy lower tax rate (16.3% vs. 19.2% in 4QFY2012).

## Conference call – Key highlights

- Management expects the domestic two-wheeler industry to register ~10.0% yoy growth in FY2013E and expects company's volumes to grow in line with industry. On a regional basis, demand in East and South India is relatively stronger than West and North India. Management believes that monsoon will be the key determinant for demand going ahead.
- Management believes that the launch of Maestro has led to some cannibalization of *Pleasure* volumes. HMCL is likely to run print campaign for *Pleasure* and TV campaign for *Maestro*, which should boost volumes.
- Rural markets contributed ~46% of company's volumes in FY2012.
- Current inventory at the dealer's end has gone upto 4 weeks from normal levels of two to three weeks.
- Management indicated that it would target African and Latin American markets initially to launch 100cc-125cc bikes. HMCL aims to increase exports to 1mn units by FY2017.
- Haridwar plant accounted for ~38% of the company's total production in 1QFY2013 and this is likely to go up to 40% in FY2013E. Tax rate is expected to decline from 17% in FY2012 to 16% in FY2013E, as production from Haridwar plant is 100% exempt from tax until FY2013E. From FY2014E, the company will get only 30% tax benefit from the Haridwar production, hence tax rate will increase to 23-24% in FY2014E.
- Imports constitute 15% of its net sales, of which direct imports (USD denominated) form 5.5%, while indirect imports (Yen denominated) form 9.5%. HMCL compensates its vendors with a lag of one quarter.
- HMCL indicated that it would maintain a 40-45% dividend payout ratio going ahead.
- HMCL plans to spend a total capex of ₹2,500cr over FY2013-14, which includes setting up two new plants in Rajasthan (capacity of 750,000 units) and Gujarat (capacity of 1,500,000 units in 2 phases of 750,000 units each). It also intends to develop R&D and global product centre. Rajasthan plant will require a capex of ₹400cr and is expected to commission by 2QFY2014. The capex for Gujarat plant will be 1,100cr and is expected to commence production from 4QFY2014.

## Investment arguments

- **Expect the demand scenario to moderate slightly:** We believe demand momentum will remain healthy going ahead despite strong volume growth over the past three years. We expect HMCL to register 10.0% volume CAGR over FY2012-14E led by new product launches and strength of its popular models, *Splendor* and *Passion*.
- **Capacity expansion to meet increasing demand:** HMCL commenced expansion plans at its Haridwar plant in Uttarakhand, with the first plant commissioned in April 2008, with an initial capacity of 500,000 units. The company has increased its total installed capacity to 6.15mn units in FY2011 from 5.4mn units in FY2010, with capacity of 2.25mn at Haridwar and 1.95mn each at Dharuhera and Gurgaon. HMCL plans to further expand its capacity to 7mn units by August 2012 through de-bottlenecking at existing plants. The company is also setting up two new plants in Rajasthan (0.75mn units) and Gujarat (1.5mn units) which will come on stream in FY2014 taking the overall capacity to 9.25mn units. As a result of capacity expansion, HMCL remains well-poised to meet increasing demand going ahead.

## Outlook and valuation

While, the near term outlook for domestic two-wheeler sales remain sluggish, we expect HMCL to perform relatively better than its peers (Bajaj Auto and TVS Motor) driven by the strength of its popular brands *Splendor* and *Passion*. Further recently launched products (*Maestro*, *Impulse* and *Ignitor*) along with the introduction of refreshed version of premium motorcycles will enable the company to maintain its volume momentum.

We broadly retain our volume estimates for HMCL and model volume growth of 8.5%/11.5% for FY2013E/14E. We believe the benefits of lower raw-material costs will be limited due to higher advertising and R&D expenses that HMCL intends to incur going ahead. At ₹2,084, the stock is trading at 13.7x FY2014E earnings. **We maintain our Buy rating on the stock with a target price of ₹2,428 valuing the stock at 16x FY2014E earnings.**

### Exhibit 10: Change in estimates

Y/E March	Earlier Estimates		Revised Estimates		% chg	
	FY2013E	FY2014E	FY2013E	FY2014E	FY2013E	FY2014E
Net Sales (₹ cr)	25,970	29,772	26,097	29,963	0.5	0.6
OPM (%)	15.0	15.5	15.0	15.3	0bp	(27)bp
EPS (₹)	139.7	154.5	139.5	151.8	(0.2)	(1.8)

Source: Company, Angel Research

**Exhibit 11: Key assumptions**

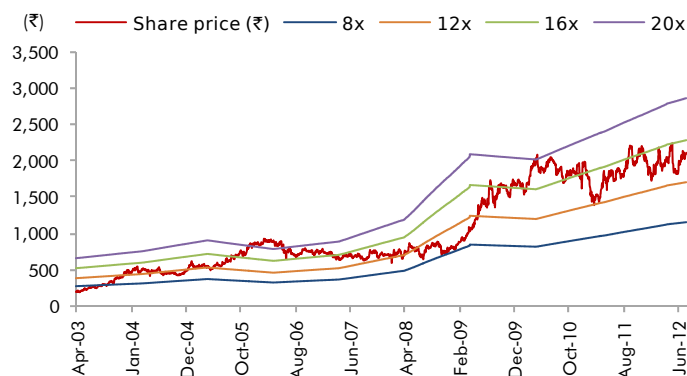
Y/E March (units)	FY09	FY10	FY11	FY12	FY13E	FY14E
Domestic	3,487,614	4,293,991	4,926,390	5,651,066	6,096,537	6,768,131
< 125cc	3,302,095	4,055,304	4,589,003	5,320,340	5,745,967	6,389,516
> 125cc	185,519	238,687	337,387	330,726	350,570	378,615
Exports	78,176	91,867	114,581	128,555	141,695	158,699
< 125cc	69,644	82,824	102,524	114,308	125,739	140,827
> 125cc	8,532	9,043	12,057	14,247	15,957	17,871
<b>Motorcycle</b>	<b>3,565,790</b>	<b>4,385,858</b>	<b>5,040,971</b>	<b>5,779,621</b>	<b>6,238,232</b>	<b>6,926,860</b>
Domestic	153,193	208,440	342,991	418,224	480,958	557,911
Exports	3,017	5,832	18,482	37,360	48,568	59,253
<b>Scooters</b>	<b>156,210</b>	<b>214,272</b>	<b>361,473</b>	<b>455,584</b>	<b>529,526</b>	<b>617,164</b>
<b>Total volume</b>	<b>3,722,000</b>	<b>4,600,130</b>	<b>5,402,444</b>	<b>6,235,205</b>	<b>6,767,758</b>	<b>7,543,993</b>
<b>Growth (yoy, %)</b>						
Domestic	10.9	23.1	14.7	14.7	7.9	10.8
< 125cc	11.3	22.8	13.2	15.9	8.0	11.2
> 125cc	4.4	28.7	41.4	(2.0)	6.0	8.0
Exports	(11.4)	17.5	24.7	12.2	10.2	12.0
< 125cc	(13.6)	18.9	23.8	11.5	10.0	12.0
> 125cc	12.3	6.0	33.3	18.2	12.0	12.0
<b>Motorcycle</b>	<b>10.3</b>	<b>23.0</b>	<b>14.9</b>	<b>14.7</b>	<b>7.9</b>	<b>10.9</b>
Domestic	49.5	36.1	64.6	21.9	15.0	16.0
Exports	28.3	93.3	216.9	102.1	30.0	22.0
<b>Scooters</b>	<b>49.0</b>	<b>37.2</b>	<b>68.7</b>	<b>26.0</b>	<b>16.2</b>	<b>16.6</b>
<b>Total volume</b>	<b>11.5</b>	<b>23.6</b>	<b>17.4</b>	<b>15.4</b>	<b>8.5</b>	<b>11.5</b>

Source: Company, Angel Research

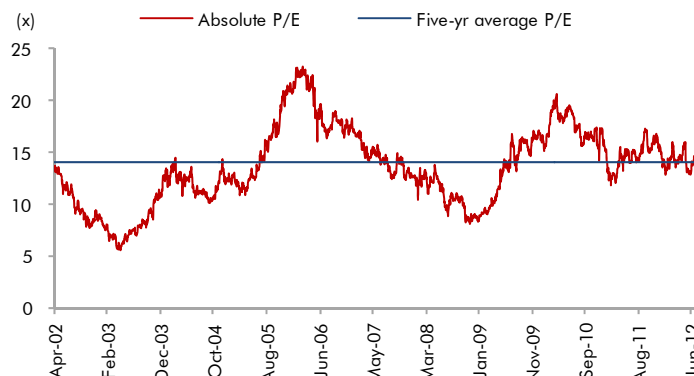
**Exhibit 12: Angel vs. consensus forecast**

	Angel estimates		Consensus		Variation (%)	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Total op. income (₹ cr)	26,097	29,963	26,244	29,590	(0.6)	1.3
EPS (₹)	139.5	151.8	136.1	146.0	2.5	4.0

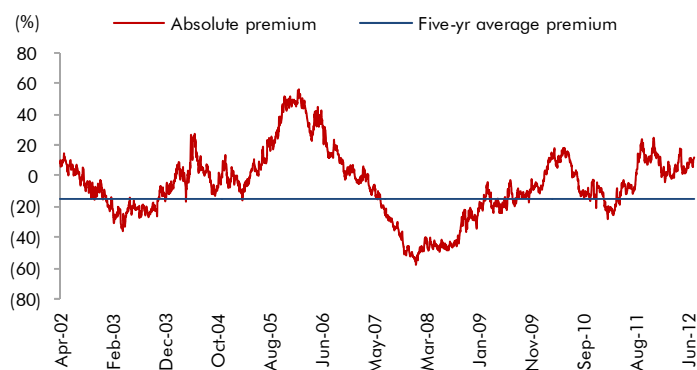
Source: Bloomberg, Angel Research

**Exhibit 13: One-year forward P/E band**


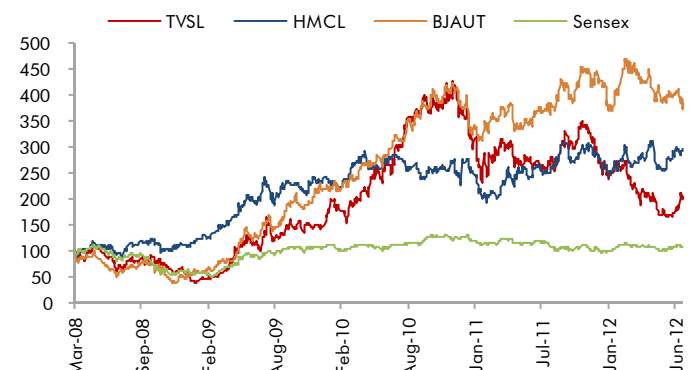
Source: Company, Angel Research

**Exhibit 14: One-year forward P/E chart**


Source: Company, Angel Research

**Exhibit 15: HMCL – Premium/Discount to Sensex P/E**


Source: Company, Angel Research

**Exhibit 16: Two-wheeler stock performance v/s Sensex**


Source: Company, Angel Research

**Exhibit 17: Automobile - Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY12-14E EPS
					FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	CAGR (%)
Ashok Leyland	Buy	24	33	36.0	9.9	8.1	5.3	4.4	14.7	16.5	18.4
Bajaj Auto	Accumulate	1,591	1,698	6.8	14.7	13.1	9.8	8.2	46.1	41.3	6.7
<b>Hero MotoCorp</b>	<b>Buy</b>	<b>2,084</b>	<b>2,428</b>	<b>16.5</b>	<b>14.9</b>	<b>13.7</b>	<b>8.8</b>	<b>7.4</b>	<b>54.6</b>	<b>44.3</b>	<b>12.9</b>
Maruti Suzuki	Buy	1,145	1,364	19.2	16.0	12.6	10.3	7.6	12.8	14.4	26.8
Mahindra & Mahindra	Buy	704	824	17.1	14.8	13.2	8.9	7.5	21.3	20.5	6.3
Tata Motors	Buy	223	305	36.4	5.5	5.1	3.5	3.2	36.0	33.1	9.1
TVS Motor	Neutral	40	-	-	8.4	7.6	3.5	3.1	18.2	17.9	0.0

Source: Company, Angel Research



## Company background

Hero MotoCorp (HMCL) is a leading 2W manufacturer in the world and the market leader in the domestic motorcycle segment with a 54.6% market share (48% market share including exports). HMCL has three manufacturing facilities in India, located at Gurgaon (1.95mn), Dharuhera (1.95mn) and Haridwar (2.25mn), with a total capacity of 6.15mn units/year. Over 2007 - 12, HMCL recorded a healthy volume CAGR of 13.3%, backed by its strong brands (*Passion* and *Splendor*) and a well-entrenched dealership network, which has a good presence across rural areas (~45% of total volumes).

**Profit and loss statement (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Total operating income</b>	<b>12,319</b>	<b>15,758</b>	<b>19,245</b>	<b>23,368</b>	<b>26,097</b>	<b>29,963</b>
% chg	19.2	27.9	22.1	21.4	11.7	14.8
<b>Total expenditure</b>	<b>10,635</b>	<b>13,096</b>	<b>16,785</b>	<b>19,960</b>	<b>22,182</b>	<b>25,386</b>
Net raw material costs	8,742	10,736	14,111	17,282	19,181	21,963
Other mfg costs	187	225	166	203	235	255
Employee expenses	371	438	619	736	835	959
Other	1,335	1,697	1,890	1,740	1,931	2,210
<b>EBITDA</b>	<b>1,684</b>	<b>2,662</b>	<b>2,460</b>	<b>3,408</b>	<b>3,915</b>	<b>4,577</b>
% chg	26.7	58.0	(7.6)	38.5	14.9	16.9
(% of total op. income)	13.7	16.9	12.8	14.6	15.0	15.3
Depreciation & amortization	181	191	402	1,097	1,211	1,307
<b>EBIT</b>	<b>1,504</b>	<b>2,471</b>	<b>2,057</b>	<b>2,310</b>	<b>2,703</b>	<b>3,270</b>
% chg	28.6	64.3	(16.7)	12.3	17.0	20.9
(% of total op. income)	12.2	15.7	10.7	9.9	10.4	10.9
Interest and other charges	3	2	15	21	24	27
Other income	280	363	443	576	656	745
(% of PBT)	14.9	12.2	18.4	20.1	19.7	18.7
<b>Recurring PBT</b>	<b>1,781</b>	<b>2,832</b>	<b>2,485</b>	<b>2,865</b>	<b>3,336</b>	<b>3,987</b>
% chg	26.3	59.0	(12.3)	15.3	16.4	19.5
Extraordinary income/(exp.)	101	150	(80)	-	-	-
<b>PBT</b>	<b>1,883</b>	<b>2,982</b>	<b>2,405</b>	<b>2,865</b>	<b>3,336</b>	<b>3,987</b>
Tax	500	600	477	487	550	956
(% of PBT)	26.5	20.1	19.8	17.0	16.5	24.0
<b>PAT (reported)</b>	<b>1,282</b>	<b>2,232</b>	<b>1,928</b>	<b>2,378</b>	<b>2,785</b>	<b>3,031</b>
<b>ADJ. PAT</b>	<b>1,181</b>	<b>2,082</b>	<b>2,008</b>	<b>2,378</b>	<b>2,785</b>	<b>3,031</b>
% chg	34.3	76.3	(3.6)	18.4	17.1	8.8
(% of total op. income)	9.6	13.2	10.4	10.2	10.7	10.1
<b>Basic EPS (₹)</b>	<b>64.2</b>	<b>111.8</b>	<b>96.5</b>	<b>119.1</b>	<b>139.5</b>	<b>151.8</b>
<b>Adj. EPS (₹)</b>	<b>59.1</b>	<b>104.2</b>	<b>100.5</b>	<b>119.1</b>	<b>139.5</b>	<b>151.8</b>
% chg	34.3	76.3	(3.6)	18.4	17.1	8.8

**Balance sheet statement (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>						
Equity share capital	40	40	40	40	40	40
Reserves & surplus	3,761	3,425	2,916	4,250	5,875	7,737
<b>Shareholders' Funds</b>	<b>3,801</b>	<b>3,465</b>	<b>2,956</b>	<b>4,290</b>	<b>5,915</b>	<b>7,777</b>
Total loans	78	66	-	-	-	-
Deferred tax liability	144	153	247	247	208	208
Other long term liabilities	-	-	1,471	1,011	1,011	1,011
Long term provisions	-	-	36	38	38	38
<b>Total Liabilities</b>	<b>4,024</b>	<b>3,684</b>	<b>4,710</b>	<b>5,586</b>	<b>7,172</b>	<b>9,035</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	2,310	2,519	5,233	6,029	7,209	8,488
Less: Acc. depreciation	943	1,092	1,458	2,556	3,767	5,074
<b>Net Block</b>	<b>1,367</b>	<b>1,427</b>	<b>3,774</b>	<b>3,473</b>	<b>3,442</b>	<b>3,414</b>
Capital work-in-progress	121	48	125	121	144	170
Goodwill	207	232	231	231	231	231
<b>Investments</b>	<b>3,369</b>	<b>3,926</b>	<b>5,129</b>	<b>3,964</b>	<b>5,379</b>	<b>6,776</b>
Long term loans and advances	-	-	342	534	534	534
Other noncurrent assets	-	-	16	26	26	26
<b>Current assets</b>	<b>1,013</b>	<b>2,883</b>	<b>1,109</b>	<b>1,577</b>	<b>4,352</b>	<b>3,630</b>
Cash	220	1,907	72	77	1,857	768
Loans & advances	317	431	345	476	1,174	1,348
Other	477	545	692	1,025	1,320	1,514
Current liabilities	2,053	4,831	6,017	4,340	6,936	5,745
<b>Net current assets</b>	<b>(1,039)</b>	<b>(1,949)</b>	<b>(4,908)</b>	<b>(2,762)</b>	<b>(2,584)</b>	<b>(2,116)</b>
Misc. exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>4,024</b>	<b>3,684</b>	<b>4,710</b>	<b>5,586</b>	<b>7,172</b>	<b>9,035</b>

**Cash flow statement (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Profit before tax	1,883	2,982	2,405	2,865	3,336	3,987
Depreciation	181	191	402	1,097	1,211	1,307
Change in working capital	261	2,581	1,075	(2,799)	1,564	(1,558)
Others	(185)	(2,104)	(327)	-	-	-
Other income	(280)	(363)	(443)	(576)	(656)	(745)
Direct taxes paid	(500)	(600)	(477)	(487)	(550)	(956)
<b>Cash Flow from Operations</b>	<b>1,359</b>	<b>2,687</b>	<b>2,635</b>	<b>101</b>	<b>4,904</b>	<b>2,035</b>
(Inc./Dec. in fixed assets	(265)	(137)	(2,790)	(791)	(1,204)	(1,305)
(Inc./Dec. in investments	(802)	(557)	(1,203)	1,164	(1,415)	(1,397)
Other income	280	363	443	576	656	745
<b>Cash Flow from Investing</b>	<b>(787)</b>	<b>(331)</b>	<b>(3,551)</b>	<b>949</b>	<b>(1,963)</b>	<b>(1,957)</b>
Issue of equity	-	-	-	-	-	-
Inc./Dec. in loans	54	(12)	(66)	-	-	-
Dividend paid (Incl. Tax)	467	2,568	2,437	1,044	1,160	1,168
Others	(888)	(3,223)	(3,291)	-	-	-
<b>Cash Flow from Financing</b>	<b>(368)</b>	<b>(668)</b>	<b>(920)</b>	<b>(1,044)</b>	<b>(1,160)</b>	<b>(1,168)</b>
Inc./Dec. in cash	204	1,688	(1,836)	5	1,781	(1,090)
<b>Opening Cash balances</b>	<b>15</b>	<b>220</b>	<b>1,907</b>	<b>72</b>	<b>77</b>	<b>1,857</b>
<b>Closing Cash balances</b>	<b>220</b>	<b>1,907</b>	<b>72</b>	<b>77</b>	<b>1,857</b>	<b>768</b>

**Key ratios**

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	35.3	20.0	19.9	17.5	14.9	13.7
P/CEPS	28.5	18.3	16.7	12.0	10.4	9.6
P/BV	11.0	12.0	14.1	9.7	7.0	5.4
Dividend yield (%)	1.0	5.3	5.0	2.2	2.4	2.4
EV/Sales	2.8	2.1	1.8	1.5	1.2	1.1
EV/EBITDA	22.6	13.5	14.8	11.0	8.8	7.4
EV / Total Assets	9.5	9.7	7.7	6.7	4.8	3.8
<b>Per Share Data (₹)</b>						
EPS (Basic)	64.2	111.8	96.5	119.1	139.5	151.8
EPS (fully diluted)	59.1	104.2	100.5	119.1	139.5	151.8
Cash EPS	73.2	113.8	124.7	174.0	200.1	217.2
DPS	20.0	110.0	105.0	45.0	50.0	50.0
Book Value	190.3	173.5	148.0	214.8	296.2	389.4
<b>Dupont Analysis</b>						
EBIT margin	12.2	15.7	10.7	9.9	10.4	10.9
Tax retention ratio	0.7	0.8	0.8	0.8	0.8	0.8
Asset turnover (x)	3.6	5.6	6.0	4.6	4.8	4.4
ROIC (Post-tax)	31.9	70.7	51.4	37.8	41.7	36.6
Cost of Debt (Post Tax)	-	-	-	-	-	-
Leverage (x)	-	-	-	-	-	-
Operating ROE	31.9	70.7	51.4	37.8	41.7	36.6
<b>Returns (%)</b>						
ROCE (Pre-tax)	41.4	64.1	49.0	44.9	42.4	40.3
Angel ROIC (Pre-tax)	28.4	109.6	35.8	34.8	42.5	30.1
ROE	34.8	57.3	62.5	65.6	54.6	44.3
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	6.1	6.5	5.0	4.2	3.9	3.8
Inventory / Sales (days)	10	9	9	10	12	13
Receivables (days)	7	3	2	4	5	5
Payables (days)	42	62	83	65	63	63
WC cycle (ex-cash) (days)	(34)	(59)	(84)	(61)	(51)	(45)
<b>Solvency ratios (x)</b>						
Net debt to equity	(0.9)	(1.7)	(1.8)	(0.9)	(1.2)	(1.0)
Net debt to EBITDA	(2.1)	(2.2)	(2.1)	(1.2)	(1.8)	(1.6)
Interest Coverage (EBIT / Int.)	594.3	1,176.4	135.6	108.5	113.6	119.7

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