


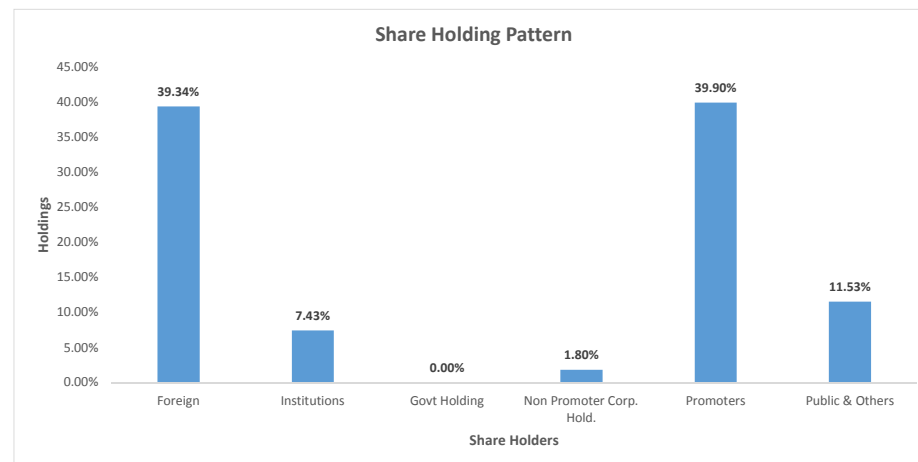
<h1>Research Report</h1>	 <p>Spearhead FinServe PRIVATE LIMITED A subsidiary of Spearhead Services Pvt Ltd</p>																
<h2>Heromotocorp</h2>	<table> <tr> <td>Recommendation</td><td>Accumulate</td></tr> <tr> <td>Current Market Price</td><td>2584</td></tr> <tr> <td>Target</td><td>3187</td></tr> <tr> <td>Accumulation Price Band</td><td>2550-2700</td></tr> <tr> <td>Time Frame</td><td>6 months</td></tr> <tr> <td>Derivative Segment</td><td>Yes</td></tr> </table>	Recommendation	Accumulate	Current Market Price	2584	Target	3187	Accumulation Price Band	2550-2700	Time Frame	6 months	Derivative Segment	Yes				
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<h4>Company Overview</h4> <p>» Incorporated in the year 1989, Heromotocorp is a leading manufacturer of two wheelers with a dominant market share of about 52% in the motor cycle segment.</p> <p>» Heromotocorp has flagship brands like Passion and Splendour which has dominated the motor cycle segment despite stiff competition from the likes of Honda Motors.</p> <p>» Heromotocorp is also increasing its capacity which will enhance its revenues from the scooter segment where it commands a 16% market share.</p>	<h4>Financials</h4> <table> <tr> <td>EPS (Rs)</td><td>105.62</td></tr> <tr> <td>Book Value (Rs)</td><td>280.43</td></tr> <tr> <td>P/E</td><td>24.47</td></tr> <tr> <td>P/BV</td><td>9.21</td></tr> <tr> <td>ROE</td><td>37.66</td></tr> <tr> <td>ROCE (%)</td><td>51.41</td></tr> <tr> <td>Dividend Yield (%)</td><td>2.50</td></tr> <tr> <td>Debt - Equity</td><td>-</td></tr> </table>	EPS (Rs)	105.62	Book Value (Rs)	280.43	P/E	24.47	P/BV	9.21	ROE	37.66	ROCE (%)	51.41	Dividend Yield (%)	2.50	Debt - Equity	-
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<h4>Industry Overview</h4> <p>» The Indian Automobile Industry had a market size of about USD 57.7 Bn in FY10 and is expected to reach about USD 145 Bn in FY16.</p> <p>» The Indian Automobile Industry derives strong growth in demand due to rising income, middle class, and a young population which is likely to propel India among the world's top five auto manufacturers.</p> <p>» Two wheelers dominate production volumes with the segment accounting for about three quarters of the total automotive production in the country.</p> <p>» India is the world's largest two-wheeler manufacturer with sales of about 15.9 million in FY2013 and is likely to reach 34.0 million by FY2020E a CAGR growth of 11%.</p> <p>» Two-wheeler segment reported the fastest growth (22.2 per cent) over FY05-13 and is expected to continue due to a vibrant economic growth</p>	<h4>Highlights</h4> <table> <tr> <td>Debt (Rs Cr)</td><td>-</td></tr> <tr> <td>Reserves (Rs Crs)</td><td>5,559.93</td></tr> <tr> <td>FII Holdings (%)</td><td>39.34</td></tr> <tr> <td>MF Holdings (%)</td><td>3.24</td></tr> <tr> <td>Free Float Market Capitaliation (Rs Cr)</td><td>31,332.68</td></tr> <tr> <td>Beta</td><td>0.64</td></tr> <tr> <td>Avg Volume Per day (no. of shares)</td><td>768,105</td></tr> <tr> <td>Avg Volume Per Month (no. of shares)</td><td>10,193,993</td></tr> </table>	Debt (Rs Cr)	-	Reserves (Rs Crs)	5,559.93	FII Holdings (%)	39.34	MF Holdings (%)	3.24	Free Float Market Capitaliation (Rs Cr)	31,332.68	Beta	0.64	Avg Volume Per day (no. of shares)	768,105	Avg Volume Per Month (no. of shares)	10,193,993
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<h4>Key Highlights</h4> <p>» Heromotocorp Splendor iSmart has clocked a record mileage of 102.50 kilometre per litre of petrol, thereby setting a new global benchmark in fuel efficiency.</p> <p>» The share of scooters in the overall mix increased to 14.4% in 3QFY2015 as against 11.3% in 1HFY2015 due to increase in the production capacity which is likely to increase revenues from scooter segment.</p>																	
<h4>Key Risks</h4> <p>» Rising competition in the Indian market with global manufacturers setting up their manufacturing base in India which might result in loss in market share for Heromotocorp.</p> <p>» Any slowdown in the Indian economy would result in lower demand for Two-Wheeler industry which will impact the profitability of the company</p>																	

Financial Highlights

Income Statement (Annual)					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Net Sales	25,275.47	23,768.11	23,586.80	19,366.97	15,839.58
Operating Profit	3,540.06	3,321.95	3,648.02	2,597.07	2,743.65
Operating Profit Margin	14.01	13.98	15.47	13.41	17.32
Depreciation	1,107.37	1,141.75	1,097.34	402.38	191.47
Interest	11.82	11.91	33.43	28.20	11.14
Other Income	446.38	398.38	347.46	238.27	290.69
PBT	2,867.25	2,566.67	2,864.71	2,404.76	2,831.73
APAT	2,109.08	2,118.18	2,378.13	1,927.90	2,231.83
PAT Margin (%)	8.34	8.91	10.08	9.95	14.09
Earnings Per Share	105.62	106.07	119.09	96.55	111.77

Balance Sheet					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Equity Share Capital	39.94	39.94	39.94	39.94	39.94
Reserves and Surplus	5,559.93	4,966.30	4,249.89	2,916.12	3,425.08
Net Worth	5,599.87	5,006.24	4,289.83	2,956.06	3,465.02
Deferred Tax Liability :	-	-	-	-	-
Long Term Debt	-	302.16	994.85	1,458.45	-
Short Term Debt	-	-	-	32.71	66.03
Total Debt	-	302.16	994.85	1,491.16	66.03
Current Liabilities	2,903.12	2,893.39	3,520.66	5,316.40	3,965.69
Total Provisions	1,594.31	1,439.86	1,090.07	1,081.07	1,026.35
Total Liabilities	5,599.87	5,308.40	5,284.68	4,447.22	3,531.05
Gross Block	3,761.52	4,427.29	6,308.26	5,538.46	2,750.98
Net Fixed Assets	2,243.25	3,070.98	3,785.51	4,080.28	1,658.78
Investments	4,088.77	3,623.83	3,964.26	5,128.75	3,925.71
Current Assets	1,707.63	1,482.80	1,003.98	703.27	2,408.27
Deferred Tax Asset :	-	-	-	-	-
Receivables	920.58	665.00	272.31	130.59	108.39
Inventories	669.55	636.76	675.57	524.93	436.40
Cash	117.50	181.04	56.10	47.75	1,863.48
Total Assets	5,599.87	5,308.40	5,284.68	4,447.22	3,531.05

Income Statement (Quarterly)								
Particulars (Rs Cr)	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q1
Net Sales	6,792.51	6,863.50	6,999.40	6,455.70	6,845.91	5,696.46	6,126.84	6,072.47
Operating Profit	738.04	859.86	655.68	621.33	624.73	545.79	640.84	584.25
Operating Profit Margin	10.87	12.53	9.37	9.62	9.13	9.58	10.46	9.62
Depreciation	83.75	74.96	291.52	272.84	273.24	286.91	274.38	265.53
Interest	2.42	4.94	2.98	2.93	2.98	2.96	2.95	3.07
Other Income	93.60	193.51	112.75	122.98	95.68	115.46	112.26	104.51
PBT	829.22	1,048.43	765.45	741.38	717.43	658.29	750.15	685.69
APAT	582.98	763.37	562.76	554.43	524.66	481.41	548.58	574.23
PAT Margin (%)	8.58	11.12	8.04	8.59	7.66	8.45	8.95	9.46
Earnings Per Share	29.19	38.23	28.18	27.76	26.27	24.11	27.47	28.75

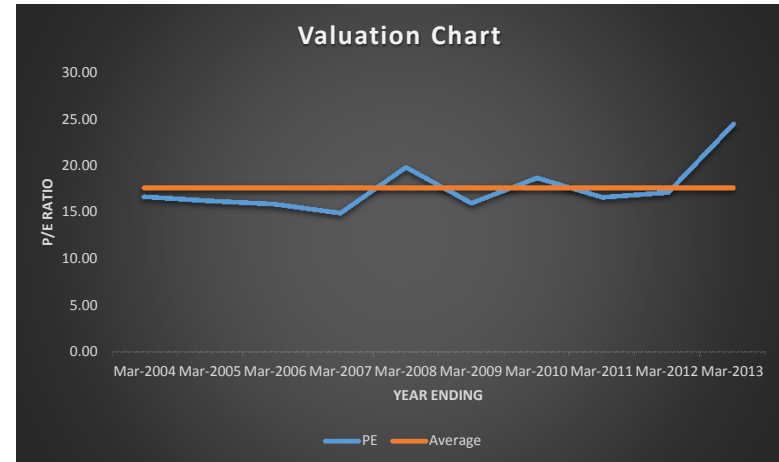
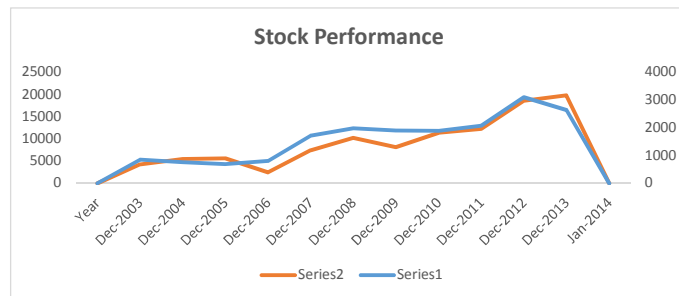


Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	25,275.47	23,768.11	23,586.80	19,366.97	15,839.58
Operating Margin	%	14.01	13.98	15.47	13.41	17.32
PAT	Crs	2,109.08	2,118.18	2,378.13	1,927.90	2,231.83
PAT Margins	%	8.34	8.91	10.08	9.95	14.09
Revenue Growth	%	6.34	0.77	21.79	22.27	28.51
Operating Profit Growth	%	6.57	(8.94)	40.47	(5.34)	56.51
PAT Growth	%	(0.43)	(10.93)	23.35	(13.62)	74.12
Gearing	times	-	0.06	0.23	0.50	0.02
ROCE	%	51.41	48.57	49.83	52.13	75.07
ROE	%	37.66	42.31	55.43	65.21	64.41

Peer Comparison				
Particulars	Units	Heromotocorp	Bajaj Auto	TVS Motors
Revenue	Rs Cr	25,275.47	20,149.51	7,961.85
Operating Margin	%	14.01	20.37	6.00
PAT	Rs Cr	2,109.08	3,243.32	186.88
PAT Margins	%	8.34	16.10	2.35
Gearing	%	-	0.01	0.34
EPS	Rs / Share	105.62	112.08	5.51
PE	times	24.47	18.69	46.28
P/BV	times	9.21	6.31	8.56
ROCE	%	51.41	47.92	19.91
ROE	%	37.66	33.75	18.48
EV/EBITDA	times	14.68	14.74	25.73

Stock Performance vis-a-vis Index

Particulars	Return	
	YTD	QTD
Heromotocorp	-17%	-3%
BSE Auto	6%	2%



Technical Outlook



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