

Outlook & Valuation

In view of the projected GDP growth and continuous buoyancy in demand, most peers in the industry have lined up a flurry of new products and variants, which will offer stiff competition for Hero Honda. However, we expect the market growth to be high enough to accommodate major players as of now; hence we remain cautiously optimistic about sales volumes in the current quarter.

At the CMP of Rs 1852 the stock is trading at 16.6 times its TTM earnings of Rs 111.8 which looks reasonable at current levels. Since the momentum of growth is slowing, we remain cautiously optimistic on the growth prospects of the company.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Hero Honda Motors Ltd.	Q4FY10	Q4FY09	% Chg.	Q4FY10	Q3FY09	% Chg.	FY201003	FY200903	% Chg.
Net Sales	4092.6	3411.8	20.0	4092.6	3814.4	7.3	15758.2	12319.1	27.9
Other operational Income	29.7	18.6	60.0	29.7	12.6	135.6	102.3	63.1	62.1
Total Oper. Income(TOI)	4122.3	3430.4	20.2	4122.3	3827.0	7.7	15860.5	12382.3	28.1
Raw Materials Cons.-	2779.4	2347.9	18.4	2779.4	2605.1	6.7	10730.4	8760.2	22.5
% to TOI	67.4%	68.4%	-	67.4%	68.1%	-	67.7%	70.8%	-
Stock adj. (-)Inc / (+)Dec-	-11.0	8.6	PL	-11.0	9.5	PL	6.0	-18.2	LP
% to TOI	-0.3%	0.3%	-	-0.3%	0.3%	-	0.0%	-0.2%	-
Net Raw Mat adj. for stock	2768.4	2356.5	17.5	2768.4	2614.6	5.9	10736.4	8742.0	22.8
% to TOI	67.2%	68.7%	-	67.2%	68.3%	-	67.7%	70.6%	-
Other expenses	496.2	405.9	22.3	496.2	414.4	19.7	1796.9	1442.1	24.6
% to TOI	12.0%	11.8%	-	12.0%	10.8%	-	11.3%	11.7%	-
Contribution Net_Sales	857.7	668.0	28.4	857.7	798.1	7.5	3327.3	2198.2	51.4
Personnel	146.0	119.0	22.7	146.0	137.1	6.5	560.3	448.7	24.9
% to TOI	3.5%	3.5%	-	3.5%	3.6%	-	3.5%	3.6%	-
Total expenditure	3410.6	2881.3	18.4	3410.6	3166.1	7.7	13093.6	10632.7	23.1
Operating Profit	711.7	549.1	29.6	711.7	660.9	7.7	2767.0	1749.5	58.2
<i>% to TOI</i>	<i>17.3%</i>	<i>16.0%</i>	<i>-</i>	<i>17.3%</i>	<i>17.3%</i>	<i>-</i>	<i>17.5%</i>	<i>14.1%</i>	<i>-</i>
Non-Operating Income	69.5	44.2	57.1	69.5	55.0	26.5	235.6	180.9	30.2
Interest	-4.5	-9.6	-53.6	-4.5	-4.6	-2.6	-20.6	-31.7	-34.9
Exceptional Items			-			-			-
Gross Profit	785.7	603.0	30.3	785.7	720.5	9.1	3023.2	1962.1	54.1
Depreciation	48.7	44.4	9.7	48.7	46.9	3.8	191.5	180.7	6.0
PBT before Extra-ord	737.0	558.6	31.9	737.0	673.6	9.4	2831.7	1781.5	59.0
% to TOI	17.9%	16.3%	-	17.9%	17.6%	-	17.9%	14.4%	-
Extraordinary Items			-			-			-
PBT	737.0	558.6	31.9	737.0	673.6	9.4	2831.7	1781.5	59.0
Tax Rate	18.8%	28.0%	-	18.8%	20.5%	-	21.2%	28.1%	-
Prov. for Tax	138.2	156.4	-11.6	138.2	137.8	0.3	599.9	499.7	20.1
% to TOI	3.4%	4.6%	-	3.4%	3.6%	-	3.8%	4.0%	-
Profit after Tax	598.8	402.2	48.9	598.8	535.8	11.8	2231.8	1281.8	74.1
<i>% to TOI</i>	<i>14.5%</i>	<i>11.7%</i>	<i>-</i>	<i>14.5%</i>	<i>14.0%</i>	<i>-</i>	<i>14.1%</i>	<i>10.4%</i>	<i>-</i>
Face Value	2.0	2.0	0.0	2.0	2.0		2.0	2.0	0.0
Equity Share capital	39.9	39.9	0.0	39.9	39.9	0.0	39.9	39.9	0.0
EPS (Rs.)	30.0	20.1	48.9	30.0	26.8	11.8	111.8	64.2	74.1
CEPS (Rs.)	32.4	22.4	45.0	32.4	29.2	11.1	121.4	73.2	65.7

Source: ACE Equity

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