

## 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. Also the recent successes of its competitors in outgrowing their market will put the company's profitability under pressure. 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 CMP of Rs 1,815 the stock trades at 15x and 13.2x to FY11 and FY12 EPS estimates of 121.1 and 137 respectively. We have valued the stock at 13 times FY12 earnings. We have neutral view on stock.

# Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Hero Honda Motors Ltd.	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Net Sales	4264.6	3811.1	11.9	4264.6	4092.6	4.2	15758.2	12319.1	27.9
Other operational Income	32.0	18.1	76.7	32.0	29.7	7.7	102.3	63.1	62.1
Total Oper. Income(TOI)	4296.6	3829.2	12.2	4296.6	4122.3	4.2	15860.5	12382.3	28.1
Raw Materials Cons.-	3084.8	2577.3	19.7	3084.8	2779.4	11.0	10730.4	8760.2	22.5
% to TOI	71.8%	67.3%	-	71.8%	67.4%	-	67.7%	70.8%	-
Stock adj. (-)Inc / (+)Dec-	-25.5	12.4	PL	-25.5	-11.0	-131.8	6.0	-18.2	LP
% to TOI	-0.6%	0.3%	-	-0.6%	-0.3%	-	0.0%	-0.2%	-
Net Raw Mat adj. for stock	3059.4	2589.7	18.1	3059.4	2768.4	10.5	10736.4	8742.0	22.8
% to TOI	71.2%	67.6%	-	71.2%	67.2%	-	67.7%	70.6%	-
Other expenses	489.7	450.8	8.6	489.7	496.2	-1.3	1796.9	1442.1	24.6
% to TOI	11.4%	11.8%	-	11.4%	12.0%	-	11.3%	11.7%	-
Contribution Net_Sales	747.6	788.7	-5.2	747.6	857.7	-12.8	3327.3	2198.2	51.4
Personnel	145.0	138.5	4.7	145.0	146.0	-0.7	560.3	448.7	24.9
% to TOI	3.4%	3.6%	-	3.4%	3.5%	-	3.5%	3.6%	-
Total expenditure	3694.1	3179.0	16.2	3694.1	3410.6	8.3	13093.6	10632.7	23.1
Operating Profit	602.5	650.1	-7.3	602.5	711.7	-15.3	2767.0	1749.5	58.2
% to TOI	14.0%	17.0%	-	14.0%	17.3%	-	17.5%	14.1%	-
Non-Operating Income	53.4	42.5	25.8	53.4	69.5	-23.1	235.6	180.9	30.2
Interest	-2.7	-5.5	-51.3	-2.7	-4.5	-40.5	-20.6	-31.7	-34.9
Exceptional Items		0.0				-			-
Gross Profit	658.6	698.1	-5.7	658.6	785.7	-16.2	3023.2	1962.1	54.1
Depreciation	48.3	45.6	5.9	48.3	48.7	-0.8	191.5	180.7	6.0
PBT before Extra-ord	610.3	652.5	-6.5	610.3	737.0	-17.2	2831.7	1781.5	59.0
% to TOI	14.2%	17.0%	-	14.2%	17.9%	-	17.9%	14.4%	-
Extraordinary Items		0.0				-			-
PBT	610.3	652.5	-6.5	610.3	737.0	-17.2	2831.7	1781.5	59.0
Tax Rate	19.4%	23.4%	-	19.4%	18.8%	-	21.2%	28.1%	-
Prov. for Tax	118.7	152.4	-22.1	118.7	138.2	-14.2	599.9	499.7	20.1
% to TOI	2.8%	4.0%	-	2.8%	3.4%	-	3.8%	4.0%	-
Profit after Tax	491.7	500.1	-1.7	491.7	598.8	-17.9	2231.8	1281.8	74.1
% to TOI	11.4%	13.1%	-	11.4%	14.5%	-	14.1%	10.4%	-
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.)	24.6	25.0	-1.7	24.6	30.0	-17.9	111.8	64.2	74.1
CEPS (Rs.)	27.0	27.3	-1.1	27.0	32.4	-16.6	121.4	73.2	65.7

Source: ACE Equity

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**Ventura Securities Limited**

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