



Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M.Cap. (INR b) / (USD b)	840.6/13.1
52-Week Range (INR)	3,337/2510
1, 6, 12 Rel. Per (%)	-3/0/-7

Financial & Valuation (INR b)

Y/E MARCH	2018E	2019E	2020E
Sales	245	279	319
EBITDA	46.4	57.1	66.5
NP	42.0	50.7	58.9
Adj. EPS (INR)	145	175	204
EPS Gr. (%)	9.8	20.6	16.4
BV/Sh. (INR)	656	726	777
RoE (%)	23.3	25.3	27.1
RoCE (%)	22.6	24.6	36.2
Payout (%)	57.0	60.0	75.0
Valuation			
P/E (x)	22.3	18.5	15.9
P/BV (x)	4.9	4.5	4.2
EV/EBITDA (x)	16.9	13.4	11.4
Div. Yield (%)	2.0	2.5	4.1

CMP: INR3,239

TP: INR3,753 (+16%)

Buy

Volumes of 382.5k up 7.4% YoY (in line with est. of 378k)

Domestic volumes rise 3.5% YoY; exports grow 15.2% YoY

- BJAUT's Oct-17 sales at 382.5k units (in line with est. of 378k units) were higher by 7.4% YoY. Domestic volumes increased 3.5% YoY to 247.2k (est. of 232k), while exports rose 15.2% YoY to 135.3k (est. of 146k). Our overall FY18 volume estimate stands at 3.97m, asking for a residual monthly run-rate of 324.8k units.
- Overall motorcycle volumes increased by 5.8% YoY. Domestic motorcycle dispatches remained flat YoY at 211.6k. Motorcycle exports grew 20.4% YoY to 114.2k units.
- Management indicated improvement in sales in the months to come. As per Kevin Dsa, President - Finance "For second half, a growth of about 20 percent is on the cards primarily because the base effect comes into play in second half of the year. Platina and CT-100 have been seeing strong volume growth. Nigeria sales have picked up in October. We see exports doing healthy and we are well poised to cross our internal target which was at about 1.6 million for the year – we will see it closer to 1.7 million."
- 3W volumes witnessed a recovery, with overall volumes growing 17.4% YoY. Domestic 3Ws continued positive growth trajectory, clocking highest-ever dispatches of 35.7k units, growing 38.3% YoY. 3W exports declined 6.5% YoY, as the company has indicated that 3W export orders are temporarily deferred and capacity is diverted to the domestic market.
- The stock trades at 22.3x/18.5x FY18E/19E EPS. Maintain Buy.

Snapshot of volumes for Oct-17

Company Sales	YoY			MoM			FY18YTD	FY17YTD	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY18 YTD Monthly Run rate
	Oct-17	Oct-16	YoY (%) chg	Sep-17	MoM (%) chg	(%) chg							
Bajaj Auto	382,464	356,168	7.4	428,752	-10.8	-1.7	2,342,408	2,382,760	3,966,326	8.2	26.6	324,784	334,630
Motorcycles	325,778	307,892	5.8	369,678	-11.9	-2.8	2,020,213	2,077,846	3,409,897	5.9	21.7	277,937	288,602
Three-Wheelers	56,686	48,276	17.4	59,074	-4.0	5.7	322,195	304,914	556,429	24.8	66.0	46,847	46,028
Domestic	247,210	238,781	3.5	281,779	-12.3	-8.0	1,395,054	1,516,793	2,345,347	4	28.8	190,059	199,293
Exports	135,254	117,387	15.2	146,973	-8.0	9.4	947,354	865,967	1,620,979	14.9	23.5	134,725	135,336

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Hero MotoCorp

CMP: INR3,733
TP: INR3,819 (+2%)
Neutral
Stock Info

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M.Cap.(INR b)/ (USDb)	635/9.5
52-Week Range (INR)	4,200/2,844
1, 6, 12 Rel. Per (%)	-9/-1/-10

Financials Snapshot (INR b)

Y/E MARCH	2018E	2019E	2020E
Sales	317.2	342.6	375.3
EBITDA	51.8	53.9	58.8
NP	36.6	38.7	42.7
Adj. EPS (INR)	183.1	193.9	213.3
EPS Gr. (%)	8.3	5.9	10.0
BV/Sh. (INR)	580.9	666.4	769.6
RoE (%)	33.7	31.1	29.7
RoCE (%)	32.5	30.1	28.9

Valuations

P/E (x)	20.4	19.2	17.5
P/BV (x)	6.4	5.6	4.9
EV/EBITDA (x)	12.9	12.2	11.0
Div. Yield (%)	2.4	2.4	2.4

Vols decline 4.8% YoY to 631k (est. of 655k)

- HMCL's Oct-17 volumes declined 4.8% YoY to 631,105 units (below our estimate of 655,000). Our FY18 total volumes estimate stands at 7.56m units, asking for a residual run-rate of 611.5k units.
- The decline can be ascribed to a strong base of the previous year (timing difference in the festive period).
- The company expects continuation of strong retail momentum in both the rural and urban markets. Mr. Ashok Bhasin, Head of Sales, Marketing and Customer Care said "Achieving 2 million two-wheeler retail sales in this year's festive season is a new benchmark and is a matter of immense pride for us. This landmark accomplishment once again highlights the tremendous faith that our consumers repose in brand Hero both for Motorcycles and Scooters. It is also the result of our very effective 360-degree "Go-to-Market" initiatives. There has been good improvement in the consumer sentiments in both the rural and urban markets and we are confident of carrying forward our sales momentum into the months ahead".
- HMCL trades at 20.4/19.2x FY18E/19E EPS. Maintain Neutral.

Snapshot of volumes for Oct-17

Company Sales	YoY			MoM					FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY18 YTD Monthly Run rate
	Oct-17	Oct-16	YoY (%) chg	Sep-17	MoM (%) chg	FY18YTD	FY17YTD	(%) chg					
Hero MotoCorp	631,105	663,153	-4.8	720,739	-12.4	4,503,285	4,232,040	6.4	7,560,559	13.5	25.7	611,455	643,326

NOTES

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