

Forays into 125cc scooter segment; Maintain Buy

In keeping with its strategic focus on higher-engine capacity products, Hero MotoCorp today launched its first 125 cc scooter, Destini 125. The powerful Destini 125 aims to fortify Hero's presence in the fast-growing 125cc scooter segment. The new Destini 125 will be available from tomorrow across Hero dealerships in the Delhi-NCR region, at a price of Rs. 54,650 (Ex-Showroom) for the Lx variant and Rs. 57,500 (Ex-Showroom) for the Vx variant. The retail sales of the Destini 125 in other markets across the country will commence over the next 3-4 weeks. Destini 125 is also the first and only scooter in India to feature the highly efficient idle start-stop-system, based on Hero's revolutionary i3S technology. The scooter offers similar power and torque as compared to its peers at attractive price (please refer Exhibit 1 and Exhibit 2).

The scooter market is witnessing a shift towards products with higher engine capacity. The 125cc segment in particular has been expanding at a rapid pace, witnessing a growth of over 75% in YTD FY19. The 125cc segment, therefore, is a focus area for Hero and they are strategically following a multi-brand approach in this space. Hero will soon introduce another scooter towards the end of CY19. Considering the high growth 125cc scooter segment, we believe that Destini 125cc should help Hero gain better traction in the scooter segment. We maintain our Buy on Hero with a TP of Rs3,810.

Valuation and Risk: We value the stock on our differentiated AOCF/EV methodology and arrive at a TP of Rs3,810 (17.3x FY20E core EPS, plus Rs98 for Hero Fincorp), implying 39.5% upside from current levels. We maintain a 'BUY' on the stock of the company.

Target Price	Rs3,810	Key Data	
CMP*	Rs2,732	Bloomberg Code	HMCL IN
Upside	39.5%	Curr Shares O/S (mn)	199.7
Previous Target	Rs4,009	Diluted Shares O/S(mn)	199.7
Previous Rating	Buy	Mkt Cap (Rsbn/USDbn)	545.6/7.4
Price Performance (%)*		52 Wk H / L (Rs)	3895/2675.1
		5 Year H / L (Rs)	4200/1907
HMCL IN	(14.0)	(27.0)	(26.9)
Daily Vol. (3M NSE Avg.)			579150
NIFTY	(8.1)	(3.0)	1.0

*as on 22 October 2018; Source: Bloomberg, Centrum Research

Shareholding pattern (%)*





	Sep-18	Jun-18	Mar-18	Dec-17
Promoter	34.6	34.6	34.6	34.6
FII's	38.9	39.6	41.9	42.3
Dom. Inst.	14.8	14.4	12.0	11.5
Public & Others	11.7	11.4	11.4	11.5

Source: BSE, *as on 22 October 2018

Awanish Chandra,
awanish.chandra@centrum.co.in; 91 22 4215 9815

Vikas Rajpal,
vikas.rajpal@centrum.co.in; 91 22 4215 9771

Exhibit 1: Comparison of Destini 125 with other 125cc scooters

Parameters	Hero Destini 125	Honda Activa 125	Honda Grazia	TVS Ntorq 125
Bike				
Engine Capacity	124.6 cc	124 cc	124.9 cc	124.79 cc
Power	8.7 bhp @ 6,750 rpm	8.5 bhp @ 6,500 rpm	8.5 bhp @ 6,500 rpm	9.1 bhp @ 7,500 rpm
Torque	10.2Nm @ 5,000rpm	10.5 Nm @ 5,000 rpm	10.5 Nm @ 5,000 rpm	10.5 Nm @ 5,500 rpm
Transmission Type	V-Matic	V-Matic	V-Matic	CVT-i
Fuel Delivery System	Carburetor	Carburetor	Carburetor	Carburetor
Fuel Capacity	5.5 ltrs.	5.3 ltrs.	5.3 ltrs.	5.0 ltrs.
Front Tyre Size	90/100 - 10"	90/90 - 12"	90/90 - 12"	100/80 - 12"
Rear Tyre Size	90/100 - 10"	90/100 - 10"	90/100 - 10"	110/80 - 12"
Front Brake	130 mm Drum	130 mm Drum/190 mm Disc	130 mm Drum/190 mm Disc	220 mm Disc
Rear Brake	130 mm Drum	130 mm Drum	130 mm Drum	130 mm Drum
Ground Clearance	155 mm	155 mm	155 mm	155 mm
Body Type	All Metal	All Metal	Fibre Body	Fibre Body
Additional Features	Mobile Charging, Boot Lamp, Side Stand Indicator	Mobile Charging, Digital Analog Meter	Mobile Charging, Fully Digital Meter	Mobile Charging, Fully Digital Meter with 55 functions, Bluetooth, Kill Switch, Parking Brake
Head Lamp	Conventional Lamp	LED Lamp	LED Lamp	Conventional Lamp
Tail Lamp	Conventional Lamp	Conventional Lamp	Conventional Lamp	LED Lamp
Ex-Showroom Delhi (Rs)	54,650 – 57,500	59,921 – 64,307	59,922 – 64,293	59,712

Source: Centrum Research

Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
FY16	2,84,427	3.1	44,550	15.7	31,602	26.6	158.3	39.0	38.5	16.2	10.5
FY17	2,85,005	0.2	46,348	16.3	33,771	6.9	169.1	35.7	34.3	18.9	12.5
FY18	3,22,305	13.1	52,802	16.4	36,974	9.5	185.1	33.8	32.2	19.8	12.4
FY19E	3,57,428	10.9	56,046	15.7	38,227	3.4	191.4	30.5	29.0	14.3	8.2
FY20E	3,94,836	10.5	63,227	16.0	42,884	12.2	214.7	30.9	29.5	12.7	7.2

Source: Company, Centrum Research Estimates

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Destini 125 peer comparison analysis continues...

Exhibit 2: Comparison of Destini 125 with other 125cc scooters

Parameters	Hero Destini 125	Suzuki Access 125	Suzuki Burgman Street 125	Aprilia SR125
Bike				
Engine Capacity	124.6 cc	124 cc	124 cc	124 cc
Power	8.7 bhp @ 6,750 rpm	8.4 bhp @ 7,000 rpm	8.6 bhp @ 7,000 rpm	9.4 bhp @ 8,500 rpm
Torque	10.2Nm @ 5,000rpm	10.2 Nm @ 5,000 rpm	10.2 Nm @ 5,000 rpm	8.2 Nm @ 7,500 rpm
Transmission Type	V-Matic	CVT	CVT	CVT
Fuel Delivery System	Carburetor	Carburetor	Carburetor	Carburetor
Fuel Capacity	5.5 ltrs.	5.6 ltrs.	5.6 ltrs.	7.0 ltrs.
Front Tyre Size	90/100 - 10"	90/90 - 12"	90/90 - 12"	120/70 - 14"
Rear Tyre Size	90/100 - 10"	90/100 - 10"	90/100 - 10"	120/70 - 14"
Front Brake	130 mm Drum	120 mm Drum/120 mm Disc	120 mm Drum/120 mm Disc	220 mm Disc
Rear Brake	130 mm Drum	120 mm Drum	120 mm Drum	140 mm Drum
Ground Clearance	155 mm	160 mm	160 mm	NA
Body Type	All Metal	All Metal	Fibre Body	Fibre Body
Additional Features	Mobile Charging, Boot Lamp, Side Stand Indicator	Mobile Charging, Digital Analog Meter	Mobile Charging, Multifunction Full Digital Meter	Digital Analog Meter
Head Lamp	Conventional Lamp	Conventional Lamp	LED Lamp	Conventional Lamp
Tail Lamp	Conventional Lamp	Conventional Lamp	LED Lamp	LED Lamp
Ex-Showroom Delhi (Rs)	54,650 – 57,500	55,666 – 60,925	68,000	67,085

Source: Centrum Research

Appendix A

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. "The company covered in this report may have availed services from Centrum and / or its affiliates and therefore, Centrum or its affiliates may have received compensation from the company covered in this report during the preceding twelve months. Centrum Broking Limited and its affiliated company (ies), their directors and employees may have any other potential conflict of interests with respect to any recommendation and other related information and opinions."

As per the declarations given by them, Mr. Awanish Chandra & Mr. Vikas Rajpal, research analyst and and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

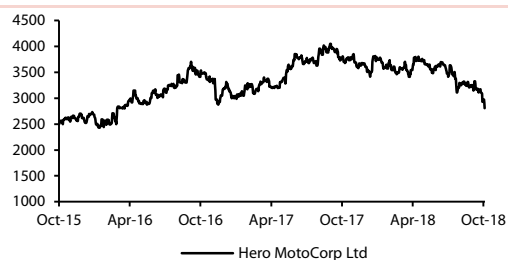
While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Hero MotoCorp price chart



Source: Bloomberg, Centrum Research

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL, SEBI registered Portfolio Manager and an AMFI registered Mutual Fund Distributor.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)

		Hero MotoCorp
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No

Rating Criteria

Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
Buy	Upside > 20%	Upside > 15%	Upside > 10%
Hold	Upside between -20% to +20%	Upside between -15% to +15%	Upside between -10% to +10%
Sell	Downside > 20%	Downside > 15%	Downside > 10%

Member (NSE and BSE)

Regn No.:

CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239
 CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233
 DERIVATIVES SEBI REGN. NO.: NSE: INF231454233
 (TRADING & CLEARING MEMBER)
 CURRENCY DERIVATIVES: MCX-SX INE261454230
 CURRENCY DERIVATIVES:NSE (TM & SCM) – NSE 231454233

Depository Participant (DP)

CDSL DP ID: 120 – 12200
 SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor
 AMFI REGN No. ARN- 147569

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ashok D Kadambi
 (022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344