

Date: 11/09/2018

Reco. Price: 3250 • Target: 3700 • Stoploss: 3030

Time Frame: 2 months

HEROMOTOCO-Weekly Chart



HEROMOTOCO-Daily Chart



Technical Rationales

- The stock is in long-term uptrend. Currently, the stock is placed close to its 200 WEMA as well as trendline support, which offers a good entry point for the medium term.
- Technically, the stock last week has formed a **hammer candlestick pattern** suggesting bullish bias for the short term.
- On the daily scale, the stock has witnessed trendline breakout as well as RSI breakout, which it has retested today (11/09/2018).
- On the back of the above bullish set up, we recommend to buy HEROMOTOCO in the range of 3240-3260 with a stop loss of 3030 on closing basis for a price target of 3650-3750 for the medium term.

Key Data

Date Price	11/09/2018
Sector	2/3 Wheelers
Reco _Price	3250
Target Price	3700
BSE Code	500182
NSE Code	HEROMOTOCO
Face Value (Rs)	2
Mkt Cap (Rs Cr)	65471
52 Week High	4025
52 Week Low	3037

Source: BSE,NSE

Company background

Hero MotoCorp Ltd. (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two - wheelers in India. In 2001, the company achieved the coveted position of being the largest two-wheeler manufacturing company in India and the 'World No.1' two-wheeler company in terms of unit volume sales in a calendar year. Hero MotoCorp Ltd continues to maintain this position until date.

Hero MotoCorp Ltd has extensive sales and service network that spans across 6000 customer touch points. During FY18, the company posted record sales numbers throughout the year, the first ever global two-wheeler company to record well over 7.5 million unit sales in April 2017- March 2018 period.

Investment Rationale

- During April -August 2018, the company registered 10.1% YoY growth over the corresponding period of fiscal year at 34,69,661 units.
- Further, the company is upbeat on two new launches of 125cc scooters to provide more excitement during upcoming festive session starting September 2018.
- Moreover, the company plans to launch four new 200-300cc bikes over the next 12- 18 months. Thus, it is looking to aggressively enter into the premium market category from the mass market category. In August, the company has already launched Xtreme 200R at an attractive price point.
- Recent competitive intensity in the entry level two-wheeler segment has eased off due to rising commodity prices and competitors have started rising product prices to pass on higher commodity cost.
- Hero MotoCorp Ltd expects to maintain the trajectory of healthy double-digit growth in the coming months owing to new launches and upcoming festive seasons.
- In the past five years (FY14-FY18), the company's revenue and profit have grown at a CAGR of 6% and 15% respectively. We believe, well-distributed monsoon and rising government focus to improve rural growth could positively benefit the company's future growth. At the recommended price of Rs 3250/-, the company's stock trades at 17.4x its FY18 EPS of Rs 186.3/-. Hence, we recommend to **BUY** with a target price of Rs 3700/-.

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