

HOLD**TP: Rs 5,213 | ▼ 6%****HERO MOTOCORP**

Automobiles

14 November 2025

Growth concerns recede, margins maintained; retain HOLD

- Q2FY26 revenue strong at Rs 121.3bn, up 16%/27% YoY/QoQ, on a strong volumes jump of 11%/24% to 1.69mn with healthy product mix
- Commodity cost stays put, gross margins steady; EBITDAM at 15%, up 55-60bps YoY/QoQ; EV penetration hit ICE EBITDA margins by 2%
- EPS estimates for FY27E/FY28E revised up by 1%/2%, assign 18x P/E, revise TP to Rs 5,213 (vs Rs 4,872) on Sept-2027 rollover, Retain HOLD

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Broad-based recovery drives revenue growth: HMCL registered a healthy revenue of Rs 121.3bn, up 16% YoY / 27% QoQ, aided by a strong festive-season demand and improved traction across Entry, Deluxe, and Scooter segments. Total volumes came in at 1.69mn units, up ~11% YoY. Realisation improved by 4% YoY to Rs 71.7k, driven by a richer product mix that is led by premium offerings (X-pulse 210, Xoom 125, Xoom 160) and festive pricing.

Commodity cost inflation pinches, margins steady: Raw material costs (inventory-adjusted) jumped ~16%/27% YoY/QoQ, though RM as % of sales were steady at 66.7% YoY/QoQ, supported by mix improvement and LEAP-led cost efficiencies. Effectively, gross margin stayed flat at 33.3% YoY/QoQ.

Other expenses inch up on brand related cost: Other expenses grew 15%/28% YoY/QoQ to Rs15.1bn, flat at 12.5% of sales as brand building and EV investments continue. EBITDA rose 20%/32% YoY/QoQ to Rs 18.2bn, with margin expanding 55bps/60bps YoY/QoQ to 15%, on strong festive volumes, richer product mix and operating leverage. ICE EBITDA margin improved to 17.7% (+121bps YoY).

Brand building and premiumisation to drive growth: Marketing activities stayed the highest in the industry to create a brand pull. With 12 new launches, product portfolio was strengthened with freshness focused to improve market share. Exports surged 77% YoY (3x industry) with premium bike contributing 40% of the mix.

Maintain HOLD: Factoring in the 1HFY26 show, we have revised upwards our volume estimates, leading to EBITDA/PAT estimates addition by 1.0/2.0% each in FY27/FY28. Effectively, our 3Y Revenue/EBITDA/PAT CAGR is 15%/13%/13%. Growth concerns in the entry level waned with GST rate rationalisation. HMCL is further consolidating with a more aggressive strategy in 125cc segment that augurs well. We continue to assign 18x target P/E to core operations, in line with the 10Y average with rollover to Sep 2027 earnings and revise the SOTP-based TP to Rs 5,213 (earlier Rs 4,872), which includes Rs 130/sh as the value of other businesses. Retain HOLD. Key risks a) Late entry level segment revival 2) EV investments

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HMCL IN/Rs 5,539
Market cap	US\$ 12.5bn
Free float	65%
3M ADV	US\$ 53.0mn
52wk high/low	Rs 5,717/Rs 3,344
Promoter/FPI/DII	35%/30%/24%

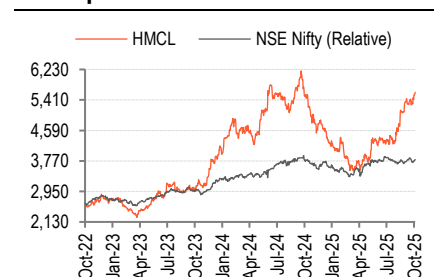
Source: NSE | Price as of 14 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	4,07,564	4,75,551	5,21,709
EBITDA (Rs mn)	58,677	63,632	71,646
Adj. net profit (Rs mn)	46,100	49,179	54,055
Adj. EPS (Rs)	230.9	246.3	270.7
Consensus EPS (Rs)	230.9	255.0	277.9
Adj. ROAE (%)	23.3	22.2	22.0
Adj. P/E (x)	24.0	22.5	20.5
EV/EBITDA (x)	18.9	17.5	15.5
Adj. EPS growth (%)	21.1	6.7	9.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings Call Highlights

Parameter	Q2FY26	Q1FY26	Our view
Growth commentary	VAHAN market share expanded by 3.7% YoY in October to 31.6%. Festive season (Aug 23–Nov 12) saw 16.2% growth in ICE registrations, ahead of industry's 14.7%, resulting in 40 bps MS gain. Strong traction in entry (100cc), deluxe (Glamour X), scooters, and continued recovery in rural markets (post-harvest). Xtreme 125R dual-channel upgrade, Glamour X scaling well. Scooter MS ~10% in 125cc, driven by Xoom 125 & Destini 125. EV market share was at 11.7% in Q2FY26, up 6.8 ppt YoY, led by VIDA VX2; EV MS gains continued into November. Exports grew 77% YoY, ~3x industry, with premium forming 40%+ of exports. Management expects industry to grow 8-10% in H2FY26 with HMCL likely to outperform industry.	VAHAN market share (MS) rose to 30.9% (from 29% in Q4 FY'25), driven by sustained leadership in the entry segment gaining 800bps YoY and 125cc gains (Xtreme 125R, +250 bps). In the 125cc scooter segment, MS market share surged to 9.7%, driven by Xoom 125 and Destini 125. Exports grew ~40% YoY, with mgmt aiming to grow exports at similar rate with exports contributing 10% to overall volumes and revenue. EV market share at ~7%, with VIDA volumes doubling YoY.	Growth concerns in the entry level waned with GST rate rationalisation. HMCL is further consolidating with a more aggressive strategy in 125cc segment that augurs well. The continued EV drive is helping MS gains, though margins may stay under pressure in the medium term.
Margins	EBITDA margin improved to 15.0% (+54 bps YoY). ICE EBITDA margin improved to 17.7% (+121 bps YoY), driven by mix improvement and drop in material cost. ASPs were up 4.2%/2.4% YoY/QoQ. Commodity cost in Q2FY26 was largely flat except for aluminum, which has seen some inflation, though management expects commodity inflation to be range bound by 1-2% in Q3FY26. HMCL reiterated margin target of 14–16% despite higher EV investments.	Average selling price was down by almost Rs 1,900 QoQ ex-spare business. However, the full impact of price hikes taken in Q4FY25 was realised in Q1FY26. EBITDA margin for the ICE segment improved to 16.8%, driven by healthy product mix, price hikes and LEAP savings. Overall margins were flat at 14.4% on continued investments in the EV business and brand building activities.	Gross margins were guarded by better RM cost management. EBITDA margins were listless due to EV and brand investments. Realisation push is likely to be a continued challenge.
Capacity Expansion	Premium network now covers 50% of upper premium markets. Inventory and receivables now at multi-year lows post-festive, enabling better throughput for H2FY26.	Premia store network expanded to 125 outlets from 80 outlets.	Store expansion to expand reach of the premium segment and help guard margins.
Commentary on marketing	Brand-building investments continued with HMCL spending topping the industry in post-festive ATL & print among peers (150+ inserts). Focused brand push behind HF Deluxe, Glamour X, Xpulse, and VIDA VX2. First-time buyers rose to 81% in festive vs 70–72% normal aided by GST cut and ad-campaign.	Marketing campaigns are ramped up to enhance visibility of HF Deluxe, Xtreme250 and VIDA VX2 models to capitalise the festive season and catering to diverse customer needs.	Marketing strategy is yielding results with distinct responses in different categories, which augurs well for HMCL. The increase in new customers will be benefiting HMCL.
Commentary on new launches	VIDA VX2 continued with a strong momentum; VIDA lineup expanding. Glamour X and Xtreme 125R dual-channel have been well received by the market. Scooter portfolio was strengthened with the launch of Destini 110 (metal body) and Zoom 160 premium scooter ramping up. HMCL's portfolio had 12 new models/variants in the festive season.	VIDA VX2 launched in Q1FY26 as per plan strengthening VIDA V2 portfolio and targeting mass-market EV adoption. HF Deluxe Pro launched with segment first feature to drive interest in the entry segment. New launch in the Sporty 125cc segment is planned for the festive season. New premium motorcycle is being developed with Harley Davidson and will be launched in Q2FY26.	Keeping the market excited with a stream of new launches will aid all-round growth for HMCL. Continued focus on filling the gap in the 125cc segment will help ease margins pressure. This, with a focus on scooterisation, will be an added advantage.
Electric Vehicle portfolio and PLI scheme	EV market was at 11.7%, with HMCL maintaining top 2 positions in ~56 towns; >20% share in 48 EV towns. VIDA VX2 has been scaling well; battery-as-a-service has been gaining strong traction in inquiries. PLI approval for VIDA V2 Pro is in place while other models are in approval	VIDA products are now available in 400+ cities and have a network of 600+ touch points. V2 Pro received approval for PLI in July and approvals for other models are in process.	Differentiated EV products have resulted in a healthy buyer response in the initial phase. Thrust on EVs is another positive step, though it may keep margins muted.

Parameter	Q2FY26	Q1FY26	Our view
	pipeline. Furthermore, there is a price increase taken on Nov 5 to support margin improvement.	Battery as a Service is offered for period ranging from 2-5 yrs on two variant VX2 Go and VX2 Plus	
Parts Accessories & Merchandise (PAM) segment	Strong quarter with revenue at Rs 15.3bn, up 5% YoY growth, riding on festive-linked demand and better penetration.	PAM business reported a weak quarter with revenue coming in at ~Rs 13bn as seasonality pressured the business.	No major changes in contribution from this segment. Going forward, it is expected to stay steady, but will remain an added cushion.
Other Information	HMCL's working capital performance was strong with receivable reducing to 12 days and inventory dropping to multi-year low. Operating cash flow in H1FY26 was at Rs 41.1bn With the entry in Europe and the UK HMCL is now present in 52 countries. Post GST price cut on models have been in the range of Rs 5.5-15k.	Hero FinCorp (HFCL) loan book grew by 4% YoY to Rs 547bn. Finance penetration is back to 65% level after declining for the past few months as marriage leads to higher cash purchases. During Q1YF26, performance was impacted by higher NPAs and credit cost but credit quality and collection efficiency increasing with the falling interest rate environment management expects growth to turn profitable.	Healthy operating performance has cushioned working capital requirements easing balance sheet pressure which is an additional benefit. Export thrust will further add cushion to the earnings.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volume	16,90,702	15,19,684	11.3	13,67,070	23.7	16,90,702	0.0
Avg. Realisation per Vehicle	71,724	68,851	4.2	70,069	2.4	65,864	8.9
Net Revenues	1,21,264	1,04,632	15.9	95,789	26.6	1,11,357	8.9
Total Income (A)	1,21,264	1,04,632	15.9	95,789	26.6	1,11,357	8.9
Operating Expenses							
Raw materials consumed	80,939	69,795	16.0	63,904	26.7	75,438	7.3
Employee Expenses	6,981	6,535	6.8	6,260	11.5	6,636	5.2
Other Expenses	15,109	13,143	15.0	11,808	28.0	13,084	15.5
Total Expenditure (B)	1,03,029	89,473	15.2	81,972	25.7	95,158	8.3
EBITDA (A-B)	18,234	15,159	20.3	13,817	32.0	16,199	12.6
Other Income	2,328	2,830	(17.7)	3,037	(23.3)	2,851	(18.3)
Depreciation	1,970	1,937	1.7	1,928	2.2	1,978	(0.4)
EBIT	18,593	16,052	15.8	14,926	24.6	17,072	8.9
Finance Costs	57	49	14.6	56	0.7	61	(7.4)
PBT before excep items	18,537	16,003	15.8	14,870	24.7	17,011	9.0
Exceptional item	-	-	-	-	-	-	-
PBT after excep item	18,537	16,003	15.8	14,870	24.7	17,011	9.0
Tax expense	4,609	3,967	16.2	3,613	27.6	4,253	8.4
Reported PAT	13,928	12,035	15.7	11,257	23.7	12,758	9.2
Adjusted PAT	13,928	12,035	15.7	11,257	23.7	12,758	9.2
EPS (Rs)	69.8	60.3	15.7	56.4	23.7	63.9	9.2
Key Ratios (%)			(bps)			(bps)	(bps)
Gross Margin	33.3	33.3	(4)	33.3	(3)	32.3	100
EBITDA Margin	15.0	14.5	55	14.4	61	14.5	49
EBIT Margin	15.3	15.3	(1)	15.6	(25)	15.3	0
PBT Margin	15.3	15.3	(1)	15.5	(24)	15.3	1
Tax Rate	24.9	24.8	7	24.3	56	25.0	(14)
Adj PAT Margin	11.5	11.5	(2)	11.8	(27)	11.5	3

Source: Company, BOBCAPS Research

Valuation Methodology

Factoring in the 1HFY26 show, we have revised upwards our volume estimates, leading to EBITDA/PAT estimates addition by 1.0/2.0% each in FY27/FY28. Effectively, our 3Y Revenue/EBITDA/PAT CAGR is 15%/13%/13%.

Growth concerns in the entry level waned with GST rate rationalisation. HMCL is further consolidating with a more aggressive strategy in 125cc segment that augurs well. The continued EV drive is helping MS gains, though margins may remain under pressure in the medium term.

The increase in new customers will be benefiting HMCL and focus on scooterisation will be an added advantage. Healthy operating performance has cushioned working capital requirements, easing the balance sheet pressure, which is an additional benefit. Export thrust will further add cushion to the earnings.

We continue to assign 18x target P/E to core operations, in line with the 10Y average with rollover to Sep 2027 earnings and revise the SOTP-based TP to Rs 5,213 (earlier Rs 4,872), which includes Rs 130/sh as the value of other businesses.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,75,551	5,21,709	5,69,297	4,75,551	5,20,585	5,65,615	0.0	0.2	0.7
EBITDA	63,632	71,646	76,024	63,632	70,827	74,853	0.0	1.2	1.6
Adj PAT	49,179	54,055	56,885	49,179	53,442	56,008	0.0	1.1	1.6
Adj EPS (Rs)	246.3	270.7	284.9	246.3	267.6	280.5	(0.0)	1.2	1.6

Source: BOBCAPS Research, *FY28 earnings newly introduced

Fig 4 – Key assumptions

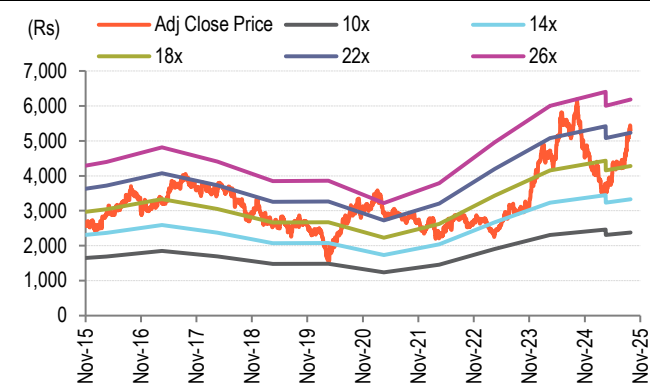
	FY25	FY26E	FY27E	FY28E
Volumes (units)	62,05,142	66,08,476	70,55,867	75,11,676
Revenues (Rs mn)	4,07,564	4,75,551	5,21,709	5,69,297
EBITDA (Rs mn)	58,677	63,632	71,646	76,024
EBITDA margin (%)	14.4	13.4	13.7	13.4
Adj PAT (Rs mn)	46,100	49,179	54,055	56,885

Source: Company, BOBCAPS Research

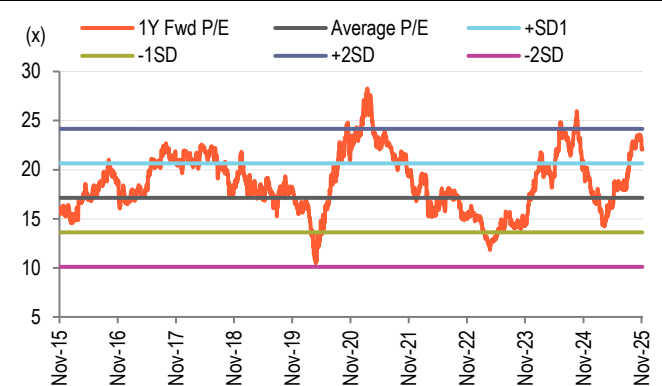
Fig 5 – Valuation summary

Business	Sep 2027 EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	278	18	5,083
Other Business	-	-	130
Total	-	-	5,213

Source: BOBCAPS Research

Fig 6 – P/E band: We value HMCL at 18x 1YF EPS near its mean valuation


Source: Company, Bloomberg, BOBCAPS Research

Fig 7 – P/E 1YF: Valuations spurt on rate rationalisation estimated benefits


Source: Company, Bloomberg, BOBCAPS Research

Key Risks

Key upside/downside risks to our estimates:

- A stronger-than-expected response to HMCL's high-end products in the 125cc+ segment.
- Continued slower-than-expected demand revival, especially in the entry segment can adversely impact earnings.
- Exports focus will be keenly watched.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	3,74,557	4,07,564	4,75,551	5,21,709	5,69,297
EBITDA	52,557	58,677	63,632	71,646	76,024
Depreciation	7,114	7,759	7,854	8,122	8,659
EBIT	54,368	61,478	65,645	72,490	76,300
Net interest inc./(exp.)	(185)	(199)	(291)	(320)	(352)
Other inc./(exp.)	8,926	10,559	9,867	8,965	8,934
Exceptional items	1,600	0	0	0	0
EBT	52,583	61,278	65,354	72,170	75,948
Income taxes	12,904	15,179	16,175	18,115	19,063
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	39,679	46,100	49,179	54,055	56,885
Adjustments	(1,600)	0	0	0	0
Adjusted net profit	38,079	46,100	49,179	54,055	56,885

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	58,529	60,297	69,920	76,319	83,364
Other current liabilities	8,269	8,682	9,116	9,572	10,051
Provisions	4,708	7,058	5,191	5,450	5,723
Debt funds	0	0	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	400	400	400	400	400
Reserves & surplus	1,79,462	1,97,668	2,21,511	2,45,613	2,72,545
Shareholders' fund	1,79,861	1,98,068	2,21,911	2,46,013	2,72,945
Total liab. and equities	2,51,367	2,74,105	3,06,137	3,37,353	3,72,082
Cash and cash eq.	6,089	3,532	8,498	7,280	7,747
Accounts receivables	27,034	36,744	38,995	42,780	46,682
Inventories	14,438	14,576	19,498	21,390	23,341
Other current assets	14,148	11,314	15,598	17,158	18,874
Investments	1,30,861	1,49,096	1,56,110	1,79,048	2,03,789
Net fixed assets	58,340	60,246	62,293	64,071	65,312
CWIP	4,805	3,692	9,000	9,000	9,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(4,348)	(5,096)	(3,855)	(3,373)	(2,663)
Other assets	0	0	0	0	0
Total assets	2,51,367	2,74,105	3,06,137	3,37,353	3,72,082

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	48,638	40,617	43,608	52,769	56,485
Capital expenditures	(8,007)	(8,552)	(15,208)	(9,900)	(9,900)
Change in investments	(20,757)	(18,235)	(7,015)	(22,937)	(24,742)
Other investing cash flows	8,926	10,559	9,867	8,965	8,934
Cash flow from investing	(19,839)	(16,227)	(12,356)	(23,872)	(25,708)
Equities issued/Others	241	(241)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(185)	(199)	(291)	(320)	(352)
Dividends paid	(27,956)	(23,963)	(27,956)	(29,953)	(29,953)
Other financing cash flows	295	748	(1,241)	(482)	(709)
Cash flow from financing	(27,605)	(23,655)	(29,488)	(30,756)	(31,014)
Chg in cash & cash eq.	1,194	735	1,764	(1,859)	(237)
Closing cash & cash eq.	6,089	3,532	8,498	7,280	7,747

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	190.7	230.9	246.3	270.7	284.9
Adjusted EPS	190.7	230.9	246.3	270.7	284.9
Dividend per share	140.0	120.0	140.0	150.0	150.0
Book value per share	900.7	991.9	1,111.3	1,232.0	1,366.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.0	2.7	2.3	2.1	2.0
EV/EBITDA	21.2	18.9	17.5	15.5	14.6
Adjusted P/E	29.0	24.0	22.5	20.5	19.4
P/BV	6.1	5.6	5.0	4.5	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	72.4	75.2	75.3	74.9	74.9
Interest burden (PBT/EBIT)	96.7	99.7	99.6	99.6	99.5
EBIT margin (EBIT/Revenue)	14.5	15.1	13.8	13.9	13.4
Asset turnover (Rev./Avg TA)	215.9	215.7	226.5	223.0	219.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	22.0	24.4	23.4	23.1	21.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.8	8.8	16.7	9.7	9.1
EBITDA	31.8	11.6	8.4	12.6	6.1
Adjusted EPS	30.8	21.1	6.7	9.9	5.2

Profitability & Return ratios (%)

EBITDA margin	14.0	14.4	13.4	13.7	13.4
EBIT margin	14.5	15.1	13.8	13.9	13.4
Adjusted profit margin	10.2	11.3	10.3	10.4	10.0
Adjusted ROAE	21.2	23.3	22.2	22.0	20.8
ROCE	23.7	24.5	23.5	23.2	22.0

Working capital days (days)

Receivables	27	29	29	29	29
Inventory	14	13	13	14	14
Payables	78	80	72	74	74

Ratios (x)

Gross asset turnover	0.4	0.4	0.4	0.4	0.3
Current ratio	0.9	0.9	1.0	1.0	1.0
Net interest coverage ratio	(293.9)	(308.6)	(225.6)	(226.5)	(216.7)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

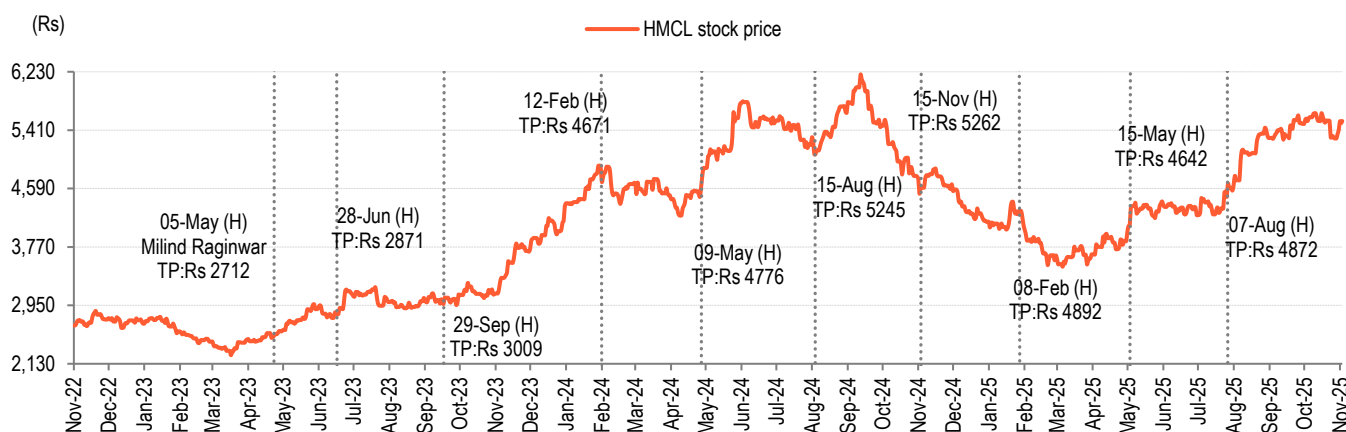
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HERO MOTOCORP (HMCL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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