

HOLD

TP: Rs 5,559 | ▼ 3%

HERO MOTOCORP

| Automobiles

| 06 February 2026

Steady performance; volume pickup to continue

- Revenue growth was a robust 21% YoY at Rs123.3bn, on healthy volume growth of 16% YoY; realizations backed up well with 4% YoY
- Commodity inflation pressure persists (~50bps); RM costs up by 24%; EBITDAM up 22bps, driven by the ICE EBITDAM surge of 100bps
- FY27/FY28 EBITDA estimates revised up by 2%/3%; PAT by 4%/6%; PAT rollover to Dec'27, value at 18x; TP revised to Rs 5,559 Retain HOLD

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Volumes and realisations remain buoyant: HMCL reported a robust show in Q3FY26 with revenue at Rs 123.3bn — up 21% YoY — as the post-festive momentum sustained, on GST reduction and rural recovery. Volumes rose to ~1.7mn units (16% YoY), led by healthy traction across portfolio with ICE scooters growing sharply by ~55% YoY. Realisation gained ~4% YoY, supported by premiumisation, rising scooter mix, favourable product mix and pricing actions, aided by recent launches. Further, a Rs300 price hike has been taken in Q4FY26.

Margins expand, modestly weighed by Commodity inflation: Raw material costs (inventory-adjusted) rose ~24% YoY, resulting in RM as a percentage of sales increasing to 67.4% (vs 65.8% YoY), pressured commodity inflation. Despite this, EBITDA margin expanded 22 bps YoY to 14.7%, supported by operating leverage from higher volumes, improved realisations and operational efficiencies. EBITDA stood at Rs 18.1bn (+23% YoY), sustaining growth despite cost pressures.

Brand investments continue: Other expenditure jumped ~11% YoY, (steady QoQ), reflecting sustained brand-building initiatives and continued investments in EV and growth platforms. Staff costs rose ~7% YoY. HMCL absorbed a one-time charge of ~Rs 1.2bn, related to the implementation of new labour codes.

Portfolio in place to capitalise on demand: Model refreshes and launches (HF Deluxe, Glamour, Xoom and Destini) have garnered healthy consumer acceptance, aided by sound marketing initiatives. Growth may stay in double digits in Q4FY26, helped by a steady demand revival and wedding-season tailwinds from February.

Maintain HOLD: Factoring in the YTD FY26 show, we have revised our estimates upwards by 2%/3% EBITDA and 4%/6% PAT in FY27/FY28. Effectively, our 3Y Revenue/EBITDA/PAT CAGR is 15%/14%/15%. Beyond 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 Dec 2027 earnings and revise the SOTP-based TP to Rs 5,559 (earlier Rs 5,213), with Rs 130/sh as the value of other businesses.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HMCL IN/Rs 5,754
Market cap	US\$ 12.7bn
Free float	65%
3M ADV	US\$ 43.0mn
52wk high/low	Rs 6,389/Rs 3,344
Promoter/FPI/DII	35%/30%/24%

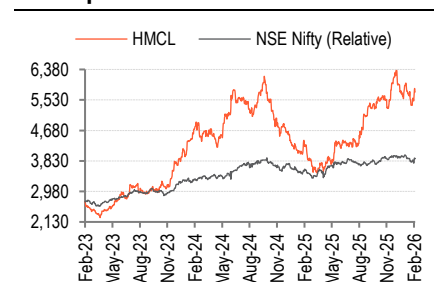
Source: NSE | Price as of 6 Feb 2026

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	65,059	73,212
Adj. net profit (Rs mn)	46,100	50,434	55,896
Adj. EPS (Rs)	230.9	252.6	279.9
Consensus EPS (Rs)	230.9	255.0	277.9
Adj. ROAE (%)	23.3	22.9	22.7
Adj. P/E (x)	24.9	22.8	20.6
EV/EBITDA (x)	19.7	17.8	15.9
Adj. EPS growth (%)	21.1	9.4	10.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings Call Highlights

Parameter	Q3FY26	Q2FY26	Our view
Growth commentary	<p>HMCL had the 4th consecutive quarter of MS expansion in rural (57% vs 41%), led by entry & deluxe segments, which was Q4's highlight. Entry segment strengthened with HF Deluxe Pro accounting for ~20% of HF retail volumes in Jan'26. Splendor maintained leadership with MS at ~91% (the highest since FY18). Deluxe 125cc MS gained sharply with Glamour X retail up ~70% YoY, Xtreme 125R dual-channel ABS forming >35% of model mix. Scooter MS improved to ~7%, led by Premium scooters (Destini & Xoom) now >50% of scooter volumes. Exports up 41% YoY, while premium forms ~40% of export mix. Export MS was at 7.5% up by 100bps. EV (VIDA) MS rose to 10.8% (+6ppt YoY) with strong traction in V2 portfolio. Double-digit industry growth expected in Q4FY26, with HMCL likely to outperform.</p>	<p>VAHAN market share expanded by 3.7% YoY in Oct 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, on 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 Nov. Exports grew 77% YoY, ~3x industry, with premium forming 40%+ of exports. Management expects 8-10% industry growth in H2FY26 with a likely outperformance by HMCL.</p>	<p>The continued EV drive and scooterisation aiding MS gains, though margins may stay under pressure in the medium term. With GST rate rationalisation, Growth concerns in the entry level waned. HMCL further consolidating with a more aggressive strategy in 125cc segment that augurs well. Exports growth is on a lower base but gaining momentum.</p>
Margins	<p>ASP were up ~4.2%/1.3% YoY/QoQ, driven by mix improvement across segments. ICE EBITDA margin expanded to ~17% (+100 bps YoY), aided by ASPs, LEAP savings and operating leverage. Overall EBITDA margin improved 22 bps YoY to 14.7% (down from 15.0% in Q2) despite continued EV investment (~Rs 2bn) and brand spend. EV revenue in Q3 was ~Rs 4.5bn. Commodity inflation (aluminium/precious metals) impacted ~40–50 bps in Q3FY26.</p>	<p>EBITDA margin improved to 15.0% (+54 bps YoY). ICE EBITDA margin improved to 17.7% (+121 bps YoY), on mix improvement and drop in material cost. ASPs were up 4.2%/2.4% YoY/QoQ. Commodity cost in Q2FY26 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.</p>	<p>Gross margins were guarded by better RM cost management. EBITDA margins listless due to EV and brand investments. Realisation push will likely be a continued challenge, more specifically, with rate rationalisation.</p>
Capacity Expansion	<p>106 Premia stores operational (vs 80 in Q2), covering >50% of premium industry footprint. Global footprint expanded to 52 countries. Channel inventory was down significantly with lean dealer stock entering Q4.</p>	<p>Premium network now covers 50% of upper premium markets. Inventory and receivables are now at multi-year lows post-festive, enabling better throughput for H2FY26.</p>	<p>Focus remains on the Premium segment, reflected in store expansion. Better product mix likely to guard margins.</p>
Commentary on marketing	<p>High-impact campaigns behind HF Deluxe Pro, Splendor, Glamour X, Xtreme 125R, Destini & VIDA V2. Proportion of first-time buyers rose to ~75–80%.</p>	<p>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.</p>	<p>Rise in new customers will be benefiting HMCL. New marketing strategy yielding results with distinct responses in different categories, which augurs well for HMCL.</p>
Commentary on new launches	<p>Strong acceptance of HF Deluxe Pro, Glamour X, Xtreme 125R dual-channel, Destini 125 / Destini 110, Xoom range. Launches have garnered customer traction with focused marketing initiatives. No major white spaces left in ICE; focus shifts to scaling recent launches and refresh-led growth.</p>	<p>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.</p>	<p>Filling in the gaps with refreshers and launches will help cater to new demand and ease margins pressure. Keeping the market excited with a stream of new launches will aid all-round growth for HMCL. Further, focus on scooterisation, will be an added advantage.</p>
Electric Vehicle portfolio and PLI scheme	<p>VIDA MS at 10.8% (+6ppt YoY); top-2 position in 37 towns, >20% MS in 28 towns, >10% MS in 79 towns. EV revenue at ~Rs 4.5bn in Q3FY26. EV investment was to the tune of ~Rs 2.09bn (vs</p>	<p>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</p>	<p>Differentiated EV products have resulted in a healthy buyer response in the initial phase. Thrust on EVs is another</p>

Parameter	Q3FY26	Q2FY26	Our view
	~Rs 2.55bn in Q2). Battery-as-a-Service gaining traction driving initial cost outlay lower. One model has received PLI approval plan I underway to make more model that meet the eligibility criteria.	been gaining strong traction in inquiries. PLI approval for VIDA V2 Pro is in place, while other models in pipeline for approval. Furthermore, a price hike was taken on Nov 5 to support margin improvement.	positive step; though it may keep margins muted.
Parts Accessories & Merchandise (PAM) segment	PAM recorded the highest quarterly revenue at Rs 16.7bn (+8% YoY), aided by vehicle growth and improved penetration.	Strong quarter, with revenue at Rs 15.3bn, up 5% YoY growth; riding on festive-linked demand and better penetration.	No major changes in the contribution of this segment. Going forward, it is expected to stay steady but will continue being an added cushion.
Other Information	Cashflow management healthy with 9MFY26 operating cashflow at Rs 70.5bn. Channel inventory tightly managed. Exports YTD up ~50%, HMCL present in 52 countries; Colombia volumes up >200% YoY, MS improved to ~9% and business turned profitable. Management guides Q4FY26 strong; FY27 industry growth seen in high single digits.	HMCL's working capital (WC) performance was strong with receivables reducing to 12 days and inventory dropping to a multi-year low. Operating cashflow in H1FY26 was at Rs 41.1bn. With 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.	Healthy operating performance has cushioned WC requirements, easing balance sheet pressure that is an additional benefit. Export thrust will further add cushion to earnings.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volume	16,96,777	14,63,802	15.9	16,90,702	0.4	16,96,777	0.0
Avg. Realisation per Vehicle	72,658	69,755	4.2	71,724	1.3	68,138	6.6
Net Revenues	1,23,284	1,02,108	20.7	1,21,264	1.7	1,15,614	6.6
Total Income (A)	1,23,284	1,02,108	20.7	1,21,264	1.7	1,15,614	6.6
Operating Expenses							
Raw materials consumed	83,131	67,152	23.8	80,939	2.7	77,802	6.8
Employee Expenses	7,050	6,622	6.5	6,981	1.0	6,981	1.0
Other Expenses	15,003	13,569	10.6	15,109	(0.7)	14,741	1.8
Total Expenditure (B)	1,05,183	87,343	20.4	1,03,029	2.1	99,524	5.7
EBITDA (A-B)	18,101	14,765	22.6	18,234	32.0	16,091	12.5
Other Income	2,959	3,175	(6.8)	2,328	(23.3)	2,851	3.8
Depreciation	2,044	1,969	3.8	1,970	2.2	1,990	2.7
EBIT	19,015	15,971	19.1	18,593	24.6	16,952	12.2
Finance Costs	60	55	9.4	57	0.7	61	(2.3)
PBT before excep items	18,955	15,916	19.1	18,537	24.7	16,891	12.2
Exceptional item	1,190	-	-	-	-	-	-
PBT after excep item	17,765	15,916	11.6	18,537	24.7	16,891	5.2
Tax expense	4,280	3,888	10.1	4,609	(7.1)	4,223	1.4
Reported PAT	13,486	12,028	12.1	13,928	(3.2)	12,668	6.5
Adjusted PAT	14,676	12,028	22.0	13,928	5.4	12,668	15.8
EPS (Rs)	73.5	60.2	22.0	69.8	5.4	63.4	15.8
Key Ratios (%)			(bps)		(bps)		(bps)
Gross Margin	32.6	34.2	(166)	33.3	(68)	32.7	(14)
EBITDA Margin	14.7	14.5	22	15.0	(36)	13.9	76
EBIT Margin	15.4	15.6	(22)	15.3	9	14.7	76
PBT Margin	15.4	15.6	(21)	15.3	9	14.6	77
Tax Rate	24.1	24.4	(34)	24.9	(77)	25.0	(91)
Adj PAT Margin	11.9	11.8	12	11.5	42	11.0	95

Source: Company, BOBCAPS Research

Valuation Methodology

Factoring in the YTD FY26 show, we have revised our estimates upwards by 2%/3% EBITDA and 4%/6% PAT in FY27/FY28. Effectively, our 3Y Revenue/EBITDA/PAT CAGR is 15%/14%/15%.

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

Increase in new customers will benefit HMCL and the focus on scooterisation to be an added advantage. Healthy operating performance has cushioned working capital requirements, easing the balance sheet pressure, which is an additional benefit. Exports 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 Dec'27 earnings. We revise the SOTP-based TP to Rs 5,559 (earlier Rs 5,213), with 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	5,21,709	5,69,297	0.0	(0.0)	(0.0)
EBITDA	65,059	73,212	78,017	63,632	71,646	76,024	2.2	2.2	2.6
Adj PAT	50,723	56,326	60,355	49,179	54,055	56,885	3.1	4.2	6.1
Adj EPS (Rs)	254.0	282.1	302.2	246	271	285	3.1	4.2	6.1

Source: BOBCAPS Research, *FY28 earnings newly introduced

Fig 4 – Key assumptions

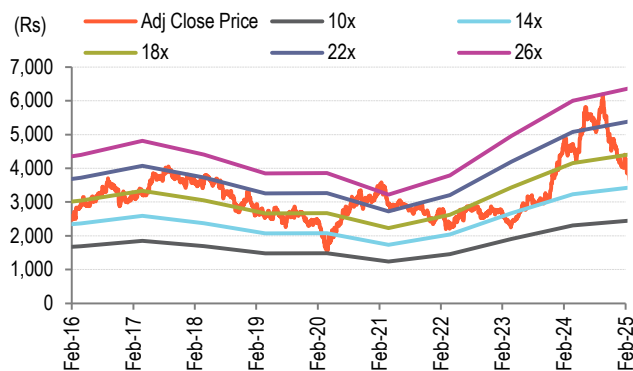
	FY25	FY26E	FY27E	FY28E
Volumes (units)	62,05,142	66,08,476	70,55,867	75,11,676
Revenues (Rs mn)	4,07,564	4,75,551	5,21,709	5,69,297
EBITDA (Rs mn)	58,677	65,059	73,212	78,017
EBITDA margin (%)	14.4	13.7	14.0	13.7
Adj PAT (Rs mn)	46,100	50,723	56,326	60,355

Source: Company, BOBCAPS Research

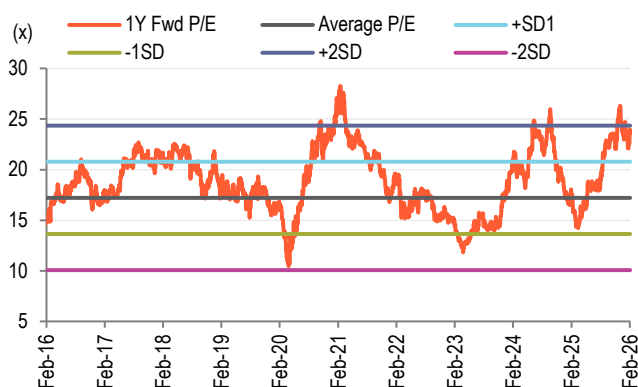
Fig 5 – Valuation summary

Business	Dec 2027 EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	301292	18	5,429
Other Business	-	-	130
Total	-	-	5,559

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	65,059	73,212	78,017
Depreciation	7,114	7,759	7,750	8,020	8,556
EBIT	54,368	61,477	67,313	74,948	80,480
Net interest inc./(exp.)	(185)	(199)	(291)	(320)	(352)
Other inc./(exp.)	8,926	10,559	10,004	9,756	11,019
Exceptional items	1,600	0	0	0	0
EBT	52,583	61,278	67,022	74,628	80,128
Income taxes	12,904	15,179	16,588	18,732	20,112
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	39,679	46,100	50,434	55,896	60,016
Adjustments	(1,600)	0	0	0	0
Adjusted net profit	38,079	46,100	50,434	55,896	60,016

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	58,529	58,670	69,498	75,876	82,899
Other current liabilities	8,269	10,309	10,824	11,365	11,933
Provisions	4,708	7,058	7,411	7,782	8,171
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	1,97,669	2,19,533	2,45,476	2,75,539
Shareholders' fund	1,79,861	1,98,068	2,19,933	2,45,876	2,75,939
Total liab. and equities	2,51,367	2,74,105	3,07,666	3,40,899	3,78,942
Cash and cash eq.	6,089	3,532	9,389	9,049	7,619
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	11,315	11,880	13,068	14,375
Investments	1,30,861	1,49,096	1,62,205	1,86,732	2,17,231
Net fixed assets	58,340	59,014	61,164	63,044	64,388
CWIP	4,805	4,925	9,000	9,000	9,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(4,348)	(5,096)	(4,465)	(4,165)	(3,693)
Other assets	0	0	0	0	0
Total assets	2,51,367	2,74,105	3,07,666	3,40,899	3,78,942

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	48,638	41,465	51,848	54,264	58,021
Capital expenditures	(8,007)	(8,552)	(13,975)	(9,900)	(9,900)
Change in investments	(20,757)	(18,235)	(13,110)	(24,527)	(30,499)
Other investing cash flows	8,926	10,559	10,004	9,756	11,019
Cash flow from investing	(19,839)	(16,228)	(17,080)	(24,671)	(29,379)
Equities issued/Others	241	243	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(185)	(199)	(291)	(320)	(352)
Dividends paid	(27,956)	(27,998)	(27,956)	(29,953)	(29,953)
Other financing cash flows	295	748	(631)	(300)	(471)
Cash flow from financing	(27,605)	(27,206)	(28,878)	(30,573)	(30,777)
Chg in cash & cash eq.	1,194	(1,969)	5,889	(980)	(2,135)
Closing cash & cash eq.	6,089	3,532	9,389	9,049	7,619

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	190.7	230.9	252.6	279.9	300.5
Adjusted EPS	190.7	230.9	252.6	279.9	300.5
Dividend per share	140.0	140.2	140.0	150.0	150.0
Book value per share	900.7	991.9	1,101.4	1,231.3	1,381.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.1	2.8	2.4	2.2	2.0
EV/EBITDA	22.0	19.7	17.8	15.9	14.8
Adjusted P/E	30.2	24.9	22.8	20.6	19.1
P/BV	6.4	5.8	5.2	4.7	4.2

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	99.6
EBIT margin (EBIT/Revenue)	14.5	15.1	14.2	14.4	14.1
Asset turnover (Rev./Avg TA)	215.9	215.7	227.5	224.0	218.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	22.0	24.4	24.1	24.0	23.0

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	10.9	12.5	6.6
Adjusted EPS	30.8	21.1	9.4	10.8	7.4
Profitability & Return ratios (%)					
EBITDA margin	14.0	14.4	13.7	14.0	13.7
EBIT margin	14.5	15.1	14.2	14.4	14.1
Adjusted profit margin	10.2	11.3	10.6	10.7	10.5
Adjusted ROAE	21.2	23.3	22.9	22.7	21.7
ROCE	23.7	24.5	24.2	24.1	23.1

Working capital days (days)

Receivables	27	29	29	29	29
Inventory	14	13	13	14	14
Payables	78	79	71	73	73

Ratios (x)

Gross asset turnover	0.4	0.4	0.4	0.4	0.3
Current ratio	0.9	0.9	0.9	0.9	0.9
Net interest coverage ratio	(293.9)	(308.6)	(231.3)	(234.1)	(228.6)
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 01 February 2030**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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

BUY – Expected return >+15%

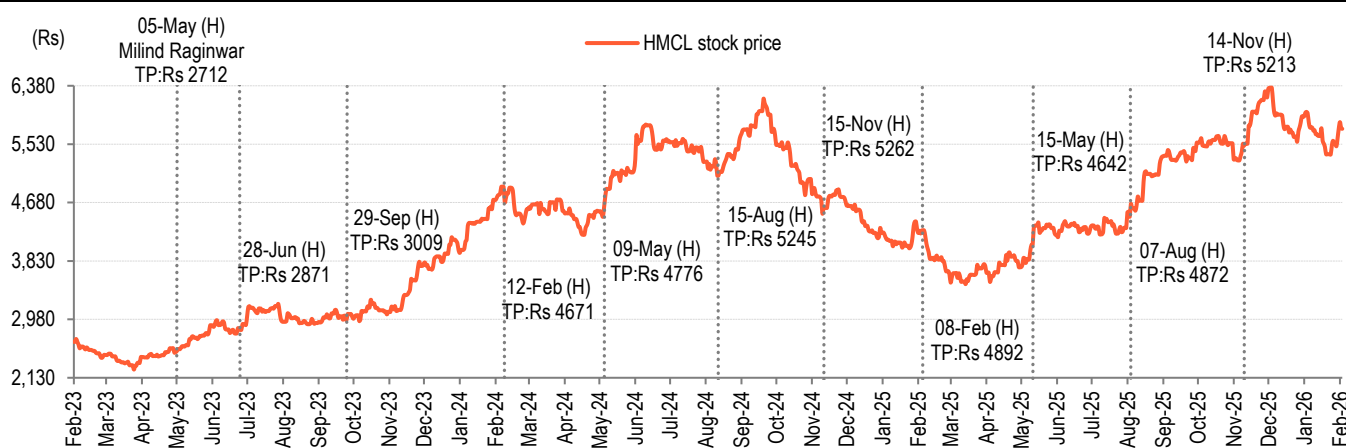
HOLD – Expected return from -6% to +15%

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

Analyst certification

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