

November 28, 2025

Company Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	6,555		6,190	
Sales (Rs. m)	4,92,084	5,35,134	4,92,084	5,35,134
% Chng.	-	-	-	-
EBITDA (Rs. m)	72,336	79,200	72,336	79,200
% Chng.	-	-	-	-
EPS (Rs.)	281.4	305.7	281.4	305.7
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	408	454	492	535
EBITDA (Rs. bn)	59	66	72	79
Margin (%)	14.4	14.6	14.7	14.8
PAT (Rs. bn)	46	52	56	61
EPS (Rs.)	230.5	261.3	281.4	305.7
Gr. (%)	12.7	13.4	7.7	8.6
DPS (Rs.)	165.0	180.0	200.0	210.0
Yield (%)	2.7	2.9	3.2	3.4
RoE (%)	24.4	25.3	25.3	25.5
RoCE (%)	26.9	28.2	28.2	28.6
EV/Sales (x)	2.8	2.5	2.2	2.0
EV/EBITDA (x)	19.3	16.8	15.2	13.8
PE (x)	26.8	23.6	21.9	20.2
P/BV (x)	6.2	5.8	5.4	4.9

Key Data

HROM.BO | HMCL IN

52-W High / Low	Rs.6,239 / Rs.3,323
Sensex / Nifty	85,707 / 26,203
Market Cap	Rs.1,235bn/ \$ 13,810m
Shares Outstanding	200m
3M Avg. Daily Value	Rs.4693.28m

Shareholding Pattern (%)

Promoter's	34.74
Foreign	27.05
Domestic Institution	27.77
Public & Others	10.44
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.1	41.5	29.1
Relative	8.7	34.3	19.0

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Domestic market share inching up

Quick Pointers:

- VAHAN market share MTD as of 27th Nov'25 surged to 34.5%.
- Entry level bikes and scooters are expected to help sustain the momentum.

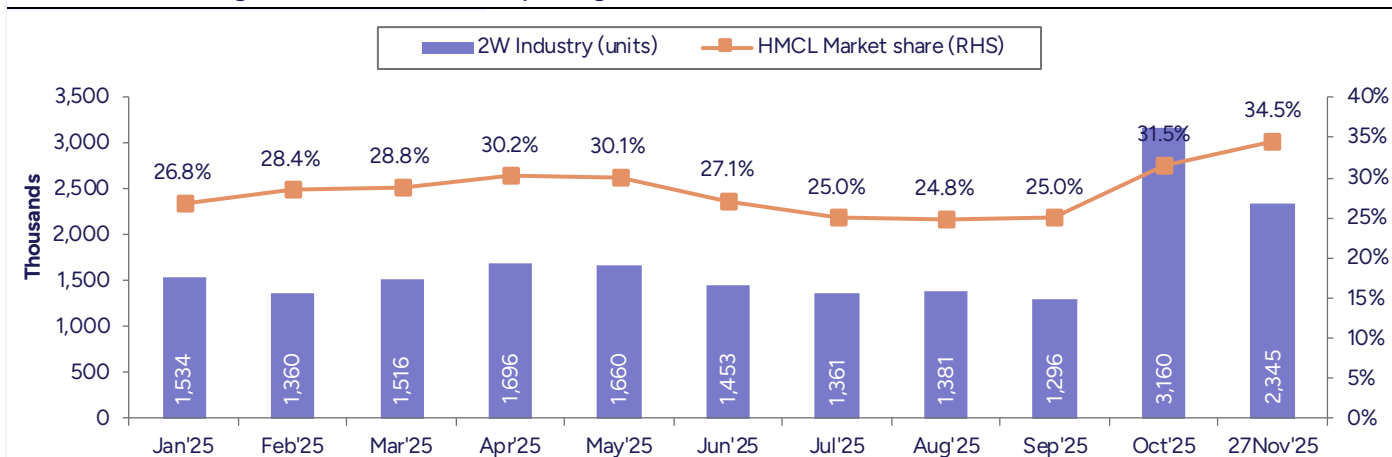
HMCL's 2W market share increased from 28.7% in H1CY25 to 29.5% in H2CY25 till date. The company saw ~1mn VAHAN registrations in Oct'25 with 31.6% market share (+370bps vs. festive period last year), and Nov'25 market share (data till 27th Nov'25) has further improved to 34.5%. We expect its market share to remain elevated around the current levels aided by improving rural demand and the ongoing marriage season translating to revenue/EBITDA/PAT CAGR of 9.5%/10.5%/9.9% over FY25-28E and retain 'Accumulate' rating with TP of Rs6,555 (previous Rs6,190). We raise target multiple for the core business to 21x (previously 20x) P/E Sep'27E and value its stake in Hero Fincorp at Rs66 and in Ather Energy at Rs324.

HMCL's e2W market share stable in H2CY25: Its e2W VAHAN market share in H1CY25 was 5.5%, while 1Jul-27Nov'25 saw stable and improved market share of 11.2% as the new VIDA VX2, removable batteries and BaaS gain mindshare amongst customers. We expect overall wholesale volumes to grow 11.5% in H2FY26. In Q2FY26 call, the management guided the 2W industry to grow by 8-10% in H2FY26 (up 5-6% for FY26), and HMCL to outperform. Industry wholesale growth YoY in Nov'25 is expected to be slower as demand cools down post festivities (with festivals starting earlier this year), and as customers await year-end discounts/ to register their vehicle in the new calendar year. HMCL shares have rallied ~6% since our post Q2 results note ([Hero MotoCorp - Hits accelerator on EVs, exports & entry segment](#)), and any further dip in price will provide an opportunity to accumulate further, given stability in its market share.

Extended monsoon dampened rural demand, esp. in entry level motorcycles: In the past 22years, when excise rates were cut by 5-8%, the 2W industry had seen double-digit growth for the next couple of years. The 11% rate reduction (incl. cess) for 2Ws < 350cc post GST 2.0 should bode similarly well for the industry. With better incomes from the kharif harvest and the ongoing marriage season, we expect HMCL's HF Deluxe (which has stronger presence in rural regions) and Splendor (esp. 125cc) portfolios to see improved demand. Our channel checks suggest HMCL's scooter inventories are lean, although customer demand remains robust, signaling higher wholesale volumes in upcoming months as the company steps up capacities and promotional campaigns. Aspirational demand and better replacement demand should further provide upside to its sales in H2FY26.

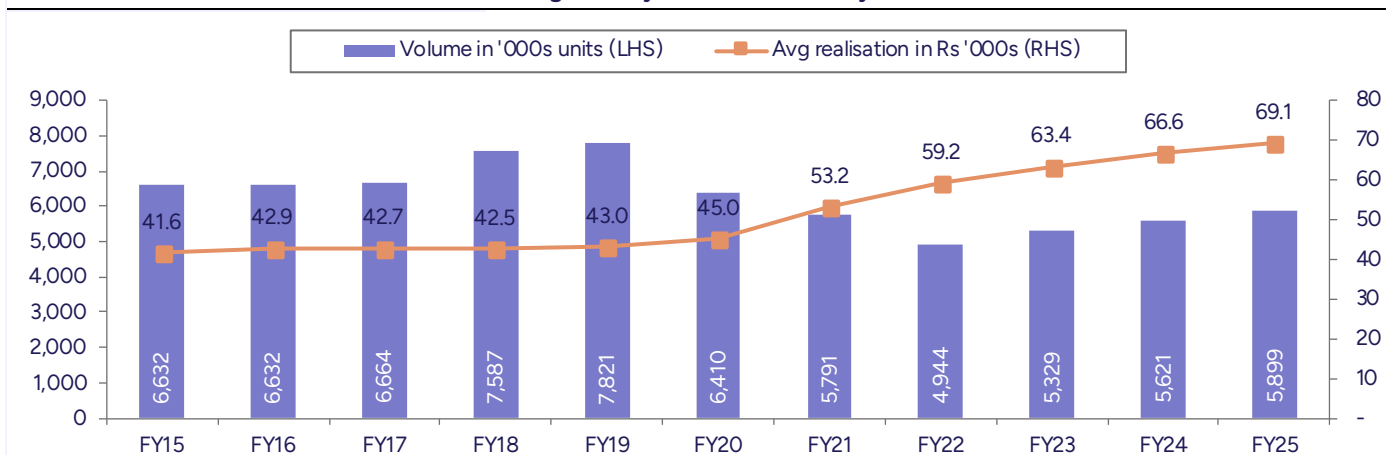
FY26 EBITDA margin to rise ~20bps YoY to 14.6%: We expect it to increase further by ~10bps each in FY27-28 led by improved mix, increased exports, and better margins from EVs as it scales up volumes. The management has guided for EBITDA margin to be in the 14%-16% range in the medium term and remain toward the lower end of the range in the near term. HMCL's Q2 gross margin was flattish YoY at 33.3% despite raw material inflationary pressures.

Exhibit 1: VAHAN registrations and HMCL's improving market share



Source: VAHAN, Company, PL

Exhibit 2: HMCL volume and realization increasing steadily YoY for the last 3 years



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	4,07,564	4,54,250	4,92,084	5,35,134
YoY gr. (%)	8.8	11.5	8.3	8.7
Cost of Goods Sold	2,70,687	3,03,439	3,29,696	3,58,540
Gross Profit	1,36,877	1,50,811	1,62,388	1,76,594
Margin (%)	33.6	33.2	33.0	33.0
Employee Cost	25,952	28,164	30,509	33,178
Other Expenses	52,248	56,327	59,542	64,216
EBITDA	58,677	66,321	72,336	79,200
YoY gr. (%)	11.6	13.0	9.1	9.5
Margin (%)	14.4	14.6	14.7	14.8
Depreciation and Amortization	7,759	8,159	9,492	10,504
EBIT	50,918	58,161	62,844	68,695
Margin (%)	12.5	12.8	12.8	12.8
Net Interest	199	209	218	224
Other Income	10,559	11,540	12,121	12,737
Profit Before Tax	61,278	69,492	74,748	81,208
Margin (%)	15.0	15.3	15.2	15.2
Total Tax	15,179	17,234	18,463	20,058
Effective tax rate (%)	24.8	24.8	24.7	24.7
Profit after tax	46,100	52,258	56,285	61,150
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	46,100	52,258	56,285	61,150
YoY gr. (%)	-	-	-	-
Margin (%)	11.3	11.5	11.4	11.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	46,100	52,258	56,285	61,150
YoY gr. (%)	16.2	13.4	7.7	8.6
Margin (%)	11.3	11.5	11.4	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	200	200	200	200
EPS (Rs)	230.5	261.3	281.4	305.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	1,16,492	1,24,492	1,36,492	1,51,492
Tangibles	1,16,492	1,24,492	1,36,492	1,51,492
Intangibles	-	-	-	-
Acc: Dep / Amortization	63,070	71,229	80,721	91,226
Tangibles	63,070	71,229	80,721	91,226
Intangibles	-	-	-	-
Net fixed assets	53,421	53,262	55,770	60,266
Tangibles	53,421	53,262	55,770	60,266
Intangibles	-	-	-	-
Capital Work In Progress	10,517	10,517	10,517	10,517
Goodwill	-	-	-	-
Non-Current Investments	49,014	53,916	59,307	65,238
Net Deferred tax assets	(6,726)	(6,861)	(6,998)	(7,138)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,00,082	1,05,180	1,09,789	1,13,858
Inventories	14,576	17,423	18,874	20,526
Trade receivables	36,744	37,336	35,053	38,119
Cash & Bank Balance	3,532	15,490	22,096	27,117
Other Current Assets	10,335	11,369	12,506	13,756
Total Assets	2,79,201	3,05,585	3,25,094	3,50,683
Equity				
Equity Share Capital	400	400	400	400
Other Equity	1,97,669	2,13,927	2,30,212	2,49,362
Total Networth	1,98,069	2,14,327	2,30,612	2,49,762
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	55,661	64,715	67,409	73,306
Other current liabilities	18,745	19,682	20,075	20,477
Total Equity & Liabilities	2,79,201	3,05,585	3,25,094	3,50,683

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	61,278	69,492	74,748	81,208
Add. Depreciation	7,759	8,159	9,492	10,504
Add. Interest	199	209	218	224
Less Financial Other Income	10,559	11,540	12,121	12,737
Add. Other	(10,559)	(11,540)	(12,121)	(12,737)
Op. profit before WC changes	58,677	66,321	72,336	79,200
Net Changes-WC	(2,739)	5,407	2,691	227
Direct tax	(14,176)	(17,100)	(18,326)	(19,918)
Net cash from Op. activities	41,762	54,628	56,702	59,508
Capital expenditures	(8,552)	(8,000)	(12,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	10,310	6,639	6,730	6,806
Net Cash from Invst. activities	1,758	(1,361)	(5,270)	(8,194)
Issue of share cap. / premium	5,107	-	-	-
Debt changes	-	-	-	-
Dividend paid	(33,000)	(36,000)	(40,000)	(42,000)
Interest paid	(199)	(209)	(218)	(224)
Others	-	-	-	-
Net cash from Fin. activities	(28,092)	(36,209)	(40,218)	(42,224)
Net change in cash	15,427	17,057	11,214	9,090
Free Cash Flow	33,210	46,628	44,702	44,508

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	1,02,108	99,387	95,789	1,21,264
YoY gr. (%)	5.0	4.4	(5.6)	15.9
Raw Material Expenses	67,152	65,069	63,904	80,939
Gross Profit	34,956	34,318	31,885	40,324
Margin (%)	34.2	34.5	33.3	33.3
EBITDA	14,765	14,156	13,817	18,234
YoY gr. (%)	8.4	4.1	(5.3)	20.3
Margin (%)	14.5	14.2	14.4	15.0
Depreciation / Depletion	1,969	1,921	1,928	1,970
EBIT	12,796	12,235	11,889	16,265
Margin (%)	12.5	12.3	12.4	13.4
Net Interest	55	47	56	57
Other Income	3,175	2,237	3,037	2,328
Profit before Tax	15,916	14,425	14,870	18,537
Margin (%)	15.6	14.5	15.5	15.3
Total Tax	3,888	3,615	3,613	4,609
Effective tax rate (%)	24.4	25.1	24.3	24.9
Profit after Tax	12,028	10,809	11,257	13,928
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12,028	10,809	11,257	13,928
YoY gr. (%)	12.1	6.4	0.3	15.7
Margin (%)	11.8	10.9	11.8	11.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,028	10,809	11,257	13,928
YoY gr. (%)	12.1	6.4	0.3	15.7
Margin (%)	11.8	10.9	11.8	11.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	200	200	200	200
EPS (Rs)	60.1	54.0	56.3	69.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	230.5	261.3	281.4	305.7
CEPS	269.3	302.1	328.9	358.3
BVPS	990.3	1,071.6	1,153.1	1,248.8
FCF	166.0	233.1	223.5	222.5
DPS	165.0	180.0	200.0	210.0
Return Ratio(%)				
RoCE	26.9	28.2	28.2	28.6
ROIC	44.9	51.1	52.2	52.1
RoE	24.4	25.3	25.3	25.5
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.6)	(0.6)
Net Working Capital (Days)	(14)	(18)	(19)	(19)
Valuation(x)				
PER	26.8	23.6	21.9	20.2
P/B	6.2	5.8	5.4	4.9
P/CEPS	22.9	20.4	18.8	17.2
EV/EBITDA	19.3	16.8	15.2	13.8
EV/Sales	2.8	2.5	2.2	2.0
Dividend Yield (%)	2.7	2.9	3.2	3.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Volume (units)	58,99,488	62,77,520	65,60,568	68,86,065
Net realisation (Rs/unit)	69,085	72,361	75,006	77,713

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Nov-25	Accumulate	6,190	5,799
2	08-Oct-25	Accumulate	6,049	5,513
3	08-Apr-25	Accumulate	4,036	3,574
4	07-Feb-25	Accumulate	4,736	4,275
5	09-Jan-25	Accumulate	4,662	4,138

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Auto	Hold	9,050	8,722
2	Eicher Motors	Hold	6,840	6,799
3	Hero Motocorp	Accumulate	6,190	5,799
4	Mahindra & Mahindra	Accumulate	3,950	3,581
5	Maruti Suzuki	Hold	16,215	16,155
6	TVS Motor Company	Accumulate	3,907	3,562

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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