

HERO MOTOCORP LIMITED

New product launches, capacity expansion remains key to growth

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Hero Motocorp (Hero) reported a strong Q4 FY26 performance with revenue rising 28.8% YoY to ₹128bn, supported by broad-based demand across 100–125cc motorcycles, scooters, premiums and EVs on higher first-time buyer participation and improving rural sentiment. Input costs moved up to 68.5% of sales from 65.5% YoY and 67.4% QoQ as Aluminum and copper prices firmed. EBITDA grew 31% YoY and 2.5% YoY at ₹18.1bn, with margins expanding to 14.5% (up 30bps YoY and fell by 20 bps QoQ), aided by LEAP related cost savings, price hike and operating leverage. PAT rose 29.6% YoY while declined 4.5% QoQ to ₹14bn, despite lower other income YoY. The quarter also benefited from strong EV traction driven by the VIDA VX2, sustained market share gains across entry & Deluxe bikes and scooter segments, and a sharp pickup in exports. Overall, the performance reflects healthy demand, GST-led affordability improvements, product refreshes and disciplined cost management.

Portfolio refreshes and capacity expansion to drive further market share gains

Hero delivered strong traction from its refreshed portfolio and network expansion, with key launches across entry, 125cc, scooter and EV segments—HF Deluxe Pro, Glamour X, Xtreme 125R, Destini 125/110, Xoom 125 and Xoom 160—driving improved competitiveness during the festive period. This is third quarter that the company has increased its market share consecutively. Premium network rollout also progressed, reaching 106 dedicated stores covering nearly half of the upper-premium market. With a sharper product mix, continued GST reform benefits, ongoing marriage season, good monsoon, stronger retail visibility and low channel inventory, the company remains well-placed to sustain market share momentum through FY27. Management expects the industry to grow at high single digit in FY27, while expects Hero to post higher than industry growth. We believe this to happen also on the back of doubling capacities of certain ICE models and EVs. This can augur very well for Hero considering a nation with EV penetration of as low as 7%. On exports side, LatAm looks very promising with increasing distribution, while Africa, Sri Lanka, Bangladesh and SE Asia are at nascent stage, but are growing fast.

Favorable demand environment and expanding margin trajectory support H2 outlook

The momentum is further supported by strong on-ground demand indicators and a favorable operating backdrop. GST-led price reductions have materially lifted affordability, driving a sharp rise in first-time buyers and reinforcing recovery in the entry and 125cc categories. Rural sentiment has improved on the back of better reservoir levels and ongoing harvest flows, while urban markets continue to show strong uptake in scooters and premium offerings.

Key Financials	FY25	FY26	FY27E	FY28E
Revenues (₹ bn)	408	468	531	591
EBITDA (%)	14.4	14.7	14.5	15.3
PAT (%)	11.3	11.2	11.4	12.0
EPS (₹)	230.5	269.2	302.4	355.3
EPS growth (%)	11.5%	16.8%	12.3%	17.5%
P/E (x)	21.9	18.8	16.7	14.2
P/B (x)	1.4	1.3	1.2	1.1
EV/EBITDA (x)	14.7	12.9	11.6	9.9
ROCE (%)	23.0%	23.6%	23.5%	25.1%
ROE (%)	23.3%	23.9%	25.5%	27.1%
Dividend yield (%)	2.8%	3.5%	3.9%	4.6%

BUY

Current Market Price (₹)	5,180
12M Price Target (₹)	6,039
Potential Return (%)	17

Stock Data

Sector	:	Automobiles
Face Value (₹)	:	2
Total MCap (₹ bn)	:	1,036
Free Float MCap (₹ bn)	:	671
52-Week High / Low (₹)	:	6,389 / 3,725
BSE Code / NSE Symbol	:	500182 / HEROMOTOCO
Bloomberg	:	HMCL IN
Sensex / Nifty	:	77,959 / 24,331

Shareholding Pattern

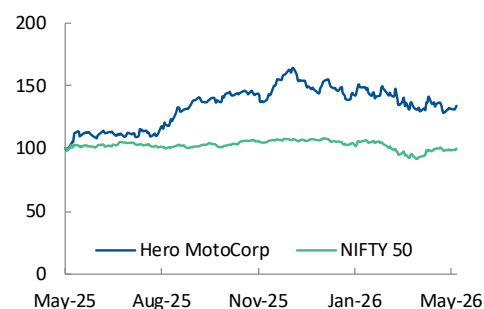
(%)	Mar-26	Dec-25	Sep-25	Jun-25
Promoter	34.73	34.73	34.73	34.74
FPIs	31.15	29.44	28.76	27.05
MFs	13.28	14.41	14.35	15.52
Other DII's	8.87	9.53	10.12	10.53
Insurance	2.20	2.06	1.60	1.52
Others	9.77	9.83	10.44	10.64

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
HEROMOTOCO	1.5	-10.0	-2.7	33.8
Nifty 50	5.9	-5.3	-4.6	-0.2

* To date / current date : May 6, 2026

HEROMOTOCO vs Nifty 50

EV adoption remains a structural tailwind, with VIDA gaining meaningful traction across core markets. In order to offset the rising input costs, Hero took a price hike of 2% in April and continued with their LEAP program thus leading us to anticipate an improving margin profile. Higher PLI of 60% (target 90%), internal cost control should also act as a support for margins despite low EV margins.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4 FY26	Q3 FY26	% qoq	Q4 FY25	% yoy
Total net sales	1,27,965	1,23,283	3.8%	99,387	28.8%
RM cost	87,656	83,131	5.4%	65,069	34.7%
Employee cost	6,814	7,050	-3.3%	6,711	1.5%
Other expenses	14,940	15,003	-0.4%	13,451	11.1%
EBITDA	18,556	18,100	2.5%	14,156	31.1%
<i>EBITDA Margins %</i>	<i>14.5</i>	<i>14.7</i>	<i>(20 bps)</i>	<i>14.2</i>	<i>30 bps</i>
Other income	2,086	2,959	-29.5%	2,237	-6.7%
Depreciation	2,039	2,044	-0.3%	1,921	6.1%
Interest	55	60	-7.0%	47	17.1%
PBT	18,548	18,955	-2.1%	14,425	28.6%
Tax	4,537	4,280	6.0%	3,615	25.5%
PAT	14,011	14,675	-4.5%	10,809	29.6%
<i>PAT margins %</i>	<i>10.9</i>	<i>11.9</i>	<i>(100 bps)</i>	<i>10.9</i>	<i>0 bps</i>
Exceptional items	-	1,190.0	N/A	-	N/A
Adjusted PAT	14,011	13,485	3.9%	10,809	29.6%
<i>APAT margins %</i>	<i>10.9</i>	<i>10.9</i>	<i>0.1%</i>	<i>10.9</i>	<i>0.7%</i>

Source: Company, LKP Research

Outlook & valuation

The demand environment remains favorable, supported by GST-led affordability gains, stronger first-time buyer participation, improving rural sentiment and sustained traction in premiums, exports, scooters and EVs. A richer product mix, expanding premium network and momentum in VIDA enhance growth visibility, while low inventory and cost saving measures support margin delivery within the guided 14–16% range. We estimate Revenue/EBITDA/PAT to grow at a 12%/15%/15% CAGR over FY26–FY28E and value the stock at 17x P/E, assigning a BUY with a TP of ₹6,039 FY 28E earnings. We have cut down our price target in line with the concerns of base effect coming in H2, expectations of a lower monsoon forecast and increasing commodity costs.

All figs in (₹)	Q4 FY26	Q3 FY26	Q2 FY26	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25	Q1 FY25
Volumes (mn)	1.71	1.70	1.69	1.37	1.38	1.46	1.52	1.54
Net Realization	74,659	72,657	71,724	70,069	71,991	69,772	68,851	66,083
Material Cost/Unit	51,141	48,993	47,873	46,745	47,133	45,886	45,927	44,737
Staff Cost/Unit	3,975	4,155	4,129	4,579	4,861	4,525	4,300	3,963
Other Expn/Unit	8,717	8,842	8,936	8,637	9,743	9,272	8,649	7,873
Total Expn/Unit	63,833	61,990	60,939	59,961	61,737	59,682	58,876	56,573
EBITDA/unit	10,826	10,667	10,785	10,107	10,254	10,089	9,975	9,510
Net profit /unit	8,175	8,649	8,238	8,234	7,830	8,219	7,920	7,314

Source: Company, LKP Research

Con-call KTA's:

- Management expects company volumes to grow at higher single digit in FY 27E, supported by GST reforms, low inflation, new launches, capacity expansion and improving macros.
- Management expects the 2W industry to grow at higher single digit in FY 27E, while Hero to grow higher than that, with scooters growing couple of percent higher than motorcycle industry.
- Electric Vehicle (VIDA) Business
 - a). EVs formed 25-30% of scooter sales; VIDA continues to outgrow industry EV growth.
 - b). Battery-as-a-Service significantly increased customer inquiries and adoption, enabling price accessibility.
 - c). PLI benefit was accrued for 60% of its model in Q4. Company targets 90%
- Inventory was at 5 weeks.
- Company expects slight increase in commodity prices going forward. Commodity costs rose by roughly ₹2,100/unit, largely offset through ₹2,000/unit revenue improvement.
- The company maintains EBITDA margin guidance of 14-16%
- ICE EBITDA margins grew to 17%,
- First time buyers were 75-80% of total volumes.
- Multiple variants and refreshes of the highly successful VIDA VX2 are expected in FY 27.
- FY27 capex planned for ₹15 bn. This would primarily be catering for 1). Destini scooter capacity already increased by 50%. 2). Xoom capacity currently being doubled. 3). EV manufacturing capacity recently increased by 50% and is targeted to double again by end-FY27, moving toward 25,000–30,000 units/month and beyond.
- Investing over ₹7.00 Bn to build second global parts center in South India, effectively doubling parts handling capability.
- Price Increase: Implemented calibrated ~2% price hike in Apr'26.
- Advertising & promotional spends were increased by 22% YoY.
- Product Pipeline: Multiple launches planned every quarter across: VIDA, premium bikes and scooters (both ICE and EVs).

Income Statement

(₹ mn)	FY25	FY26	FY27E	FY28E
Total Revenues	4,07,564	4,68,301	5,31,054	5,90,957
Raw Material Cost	2,70,687	3,15,629	3,61,117	3,95,941
Employee Cost	25,952	27,105	29,739	32,503
Other Exp	52,248	56,860	63,195	72,097
EBITDA	58,677	68,708	77,003	90,416
<i>EBITDA Margin(%)</i>	<i>14.4</i>	<i>14.7</i>	<i>14.5</i>	<i>15.3</i>
Other income	10559	10410	11000	12000
Depreciation	7,759	7,980	8,154	8,632
Interest	199	228	242	250
PBT	61,278	70,910	79,607	93,534
<i>PBT Margin(%)</i>	<i>15.0</i>	<i>15.1</i>	<i>15.0</i>	<i>15.8</i>
Exceptional items	0	1190	0	0
Tax	15,179	17,038	19,106	22,448
Adj.PAT	46,100	53,872	60,501	71,086
<i>Adj.PAT Margins (%)</i>	<i>11.3</i>	<i>11.5</i>	<i>11.4</i>	<i>12.0</i>
Reported PAT	46,100	52,682	60,501	71,086
<i>Reported PAT Margin (%)</i>	<i>11.3</i>	<i>11.2</i>	<i>11.4</i>	<i>12.0</i>

Key Ratios

YE Mar	FY25	FY26	FY27E	FY28E
Per Share Data (Rs)				
Adj. EPS	230.5	269.2	302.4	355.3
CEPS	269.3	303.2	343.1	398.4
BVPS	990.3	1078.4	1184.2	1308.5
DPS	140.0	175.0	196.5	230.9
Growth Ratios(%)				
Total revenues	8.8%	14.9%	13.4%	11.3%
EBITDA	11.6%	17.1%	12.1%	17.4%
PAT	11.7%	16.9%	12.3%	17.5%
EPS Growth	11.5%	16.8%	12.3%	17.5%
Valuation Ratios (x)				
PE	21.9	18.8	16.7	14.2
P/CEPS	18.8	16.7	14.7	12.7
P/BV	1.4	1.3	1.2	1.1
EV/Sales	2.5	2.2	1.9	1.7
EV/EBITDA	14.7	12.9	11.6	9.9
Operating Ratios (Days)				
Inventory days	19.7	25.0	25.0	25.0
Receivable Days	32.9	20.2	17.0	14.0
Payables day	49.8	58.6	60.0	61.0
Net Debt/Equity (x)	0.05	0.04	0.02	0.01
Profitability Ratios (%)				
ROCE	23.0%	23.6%	23.5%	25.1%
ROE	23.3%	23.9%	25.5%	27.1%
Dividend yield	2.8%	3.5%	3.9%	4.6%

Balance Sheet

(₹ mn)	FY25	FY26	FY27E	FY28E
EQUITY & LIABILITIES				
Equity Share Capital	400	400	400	400
Reserves & Surplus	1,97,669	2,15,381	2,36,556	2,61,436
Total Networth	1,98,069	2,15,781	2,36,956	2,61,836
Total debt	0	0	0	0
Deferred Tax Liability	7,776	8,312	8,312	8,312
Long term provisions	4,891	6,900	6,900	6,900
Total non current liabilities	12,667	15,211	15,211	15,211
Current Liab & Prov				
Current liabilities	55,661	75,188	87,297	98,763
Other liabilities & Provisions	12,804	16,265	16,265	16,265
Total Equity and Liabilities	2,79,201	3,22,445	3,55,727	3,92,073
ASSETS				
Net block	53,421	54,368	58,214	64,583
Capital WIP	1,066	2,247	3,747	5,247
Intangible assets	9,451	10,482	10,482	10,482
Deferred tax assets	0	0	0	0
Long term investments	82,990	72,220	76,220	80,220
Long term loans and advances	709	814	814	814
Other non current assets	3,198	1,175	1,175	1,175
Total non-current assets	1,50,835	1,41,306	1,50,652	1,62,520
Current Assets				
Current investments	66,106	1,21,750	1,39,750	1,59,750
Cash and Bank	3,532	6,037	9,987	13,348
Inventories	14,576	18,582	21,766	24,950
Sundry Debtors	36,744	25,932	24,734	22,667
Loan, Advances & others	7,408	8,839	8,839	8,839
Other current assets	271	279	279	279
Total Assets	2,79,201	3,22,445	3,55,727	3,92,073

Cash Flow

(₹ mn)	FY25	FY26	FY27E	FY28E
PAT	46,100	52,682	60,501	71,086
Depreciation	7,759	7,980	8,154	8,632
Interest	199	228	242	250
Income Tax paid	(15,341)	(11,156)	(19,106)	(22,448)
Chng in working capital	(3,336)	25,838	10,123	10,350
Cash flow from operations (a)	41,819	83,149	79,738	90,318
Capital expenditure	(8,268)	(10,059)	(13,500)	(16,500)
Chng in investments	(11,494)	(30,933)	(22,000)	(24,000)
Other investing activities	3,905	(4,064)	0	0
Cash flow from investing (b)	(15,858)	(45,055)	(35,500)	(40,500)
Free cash flow (a+b)	25,961	38,094	44,238	49,818
Inc/dec in borrowings	0	0	0	0
Dividend paid (incl. tax)	(27,998)	(35,011)	(39,326)	(46,206)
Other financing activities	(130)	(203)	(242)	(250)
Cash flow from financing (c)	(28,469)	(35,669)	(39,568)	(46,456)
Net chng in cash (a+b+c)	(2,508)	2,425	4,670	3,362
Closing cash & cash equivalents	2,891	5,316	9,987	13,348

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