

Valuations reasonable; Premiumisation and EVs to Drive Growth

Est. Vs. Actual for Q4FY25: Revenue – **INLINE**; EBITDA – **INLINE**; PAT – **MISS**

Change in Estimates post Q4FY25

FY26E/FY27E: Revenue: -0.5%/-0.5%; EBITDA: 1%/2%; PAT: -0.7%/1.1%.

Recommendation Rationale

- **Industry Growth Outlook:** The domestic economy has begun FY26 on a positive trajectory, supported by tapering inflation, declining interest rates, income tax cuts, strong marriage season and expectations of a favourable monsoon. These macroeconomic tailwinds are fueling optimism in the two-wheeler market. The 2W industry growth for FY26 is projected to be in the mid-to-high single digits, despite some headwinds from OBD 2 norms and related price increases.
- **Product Launches:** In Q4FY25, Hero MotoCorp rolled out a series of product launches across key segments, reinforcing its focus on both commuter and premium motorcycles. The company launched Splendor+ XTEC 2.0 and updated its commuter lineup with the 2024 Hero Glamour. In the premium segment, it introduced the Xtreme 250R and Xpulse 210 at Bharat Mobility 2025, along with the Mavrick 440 Thunderwheels and the Xpulse 200 4V Dakar Edition. The 2024 Harley-Davidson lineup, including the Breakout 117, Road Glide, and Street Glide, was also unveiled. In the scooter segment, Hero launched the new Destini 125 and the Xoom 125 and 160 models. These launches highlight Hero's ongoing efforts to strengthen its product portfolio and address a wider range of customers.
- **Focus on growing the EV vertical:** Hero ended Mar'25 with 7% EV market share; and also acquired 34.1% stake in Euler Motors for Rs 510 Cr, marking entry into the EV 3W space (e3W industry is valued at Rs 17,000 Cr, is expected to grow to Rs 22,000 Cr over the next 5 years, with 20%+ EBITDA margin potential). Overall profitability in EVs is expected to improve with localisation, cost reductions, and PLI benefits and the management projects EV break-even at 25k–30k units/month (currently 7k–8k/month).

Sector Outlook: **Positive on 2W.**

Company Outlook & Guidance: Hero has enhanced its premium offerings, which are supported by a strong framework for scaling up its premium business. Additionally, its global business is rapidly expanding, highlighting its continued growth potential. Hero maintains a long-term EBITDA margin guidance of ~14-16%.

Current Valuation: 17x on core FY27E EPS (earlier 19x), plus a share in Ather Energy Ltd and Hero Fincorp 1x at FY24 P/B.

Current TP: Rs 5,030/share (Earlier TP: Rs 5,285/share).

Recommendation: We maintain our **BUY** rating on the stock on reasonable valuations.

Financial Performance

In Q4FY25, Hero reported revenue of Rs 9,939 Cr (in line), up 4.4% YoY and down 2.7% QoQ, driven by flat YoY and 5.7% lower volumes QoQ, along with higher ASP. EBITDA stood at Rs 1,416 Cr (in line), up 4.1% YoY and down 4.1% QoQ, with margins at 14.2%, flat YoY and marginally down QoQ. Other Expenses were higher by 13% Yoy due to increased marketing and advertising spend on new product launches. The reported PAT stood at Rs 1,081 Cr (3.8% miss), up 6.4% YoY and down 10% QoQ, primarily due to higher other expenses and depreciation.

Key Financials (Standalone)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	9,939	-3%	4.4%	9,722	2%
EBITDA	1,416	-4%	4.1%	1,414	0%
EBITDA Margin (%)	14.2%	-22 bps	-3 bps	14.5%	-30 bps
Reported Net Profit	1,081	-10%	6.4%	1,124	-4%
Reported EPS (Rs)	54.0	-10%	6.3%	56.2	-4%

Source: Company, Axis Securities Research

(CMP as of 14th May, 2025)

CMP (Rs)	4,067
Upside /Downside (%)	24%
High/Low (Rs)	6,245/3,322
Market cap (Cr)	81,344
Avg. daily vol. (6m) Shrs.	681,237
No. of shares (Cr)	20.00

Shareholding (%)

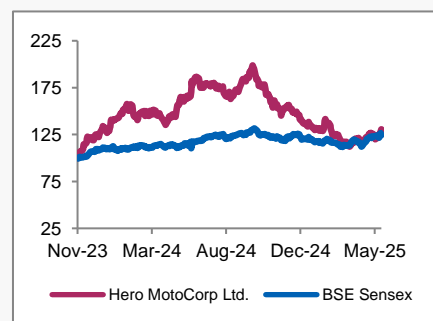
	Sep-24	Dec-24	Mar-25
Promoter	34.75	34.74	34.7
FII's	29.59	27.94	27.4
MFs / UTI	14.57	16.12	16.3
DII's	0.11	0.13	0.1
Others	20.98	21.07	21.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	40,756	43,940	47,561
EBITDA	5,861	6,415	6,941
Net Profit	4,610	4,966	5,401
EPS (Rs.)	230.7	248.5	270.3
PER (x)	17.6	16.3	15.0
EV/ EBITDA	13.8	12.2	10.9
P/BV (x)	4.1	3.6	3.3
RoE (%)	22.7	22.1	21.7

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-0.5%	-0.5%
EBITDA	1.0%	2.0%
PAT	-0.7%	1.1%

Relative Performance


Source: ACE Equity, Axis Securities Research

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Outlook

We are monitoring (1) Hero's roadmap in the EV product portfolio; (2) Strategy in the mid-weight MC segment amidst growing competition; (3) Expansion into new international markets. Additionally, government initiatives to enhance rural income, higher disposable income and the marriage season are expected to drive 2W industry growth, benefiting Hero, particularly in the entry and 125cc segments. Consequently, we estimate an 8%/9% CAGR in Revenue/EBITDA over FY25-27E.

Valuation & Recommendation

We value the stock at 17x core FY27E EPS on account of market share loss in FY25 (earlier 19x), adding share in Ather Energy Ltd (38% holding in listed entity) and Hero Fincorp 1x at FY24 P/B, which arrives at a TP of Rs 5,030/share (from Rs 5,285/share). We **maintain a BUY rating on the stock**, with a 24% upside from the CMP.

Key Concall Highlights

Market Leadership and Share Gains

The company retained its market leadership with total sales of 5.9 Mn vehicles in FY25. Significant achievements include:

- Market share leadership in the 100cc category (entry and deluxe segments).
- Market share gains in the 125cc segment, led by the success of the Xtreme 125R.
- Scooter market share increased by 140 bps, driven by new launches such as the Xoom franchise.
- In EVs, market share reached 7% as of Mar'25.
- In global markets, the company achieved its highest-ever quarterly market share, closing FY25 with a 9% share, and a 43% YoY growth in dispatches.

Strong Financial Performance

FY25 marked a record year for the company:

- Revenue: Rs 40,756 Cr (+9% YoY)
- EBITDA: Rs 5,868 Cr (+12% YoY)
- PAT: Rs 4,610 Cr (+16% YoY)
- The overall EBITDA margin for the year improved by 40 bps to 14.4%, even after absorbing an investment of Rs 630 Cr in the EV business. The ICE (Internal Combustion Engine) business stood out with an EBITDA margin of 16.2%, up 90 bps due to better product mix, pricing power, and cost efficiencies.
- **Dividend and Shareholder Returns:** The company declared a total dividend of Rs 165 per equity share for FY24–25, including a final dividend of Rs 65 and an interim dividend of Rs 100, representing a payout of 8,250%.
- **Exports:** Export performance was broad-based with strong growth in Bangladesh, Colombia, Nepal, and Mexico. In FY25, exports grew 43% YoY, and the management noted that 40% of exports comprised premium products, indicating strong traction in higher-margin segments.

Key Risks to Our Estimates and TP

- Any further loss in Market share.
- Failure to grow volumes in the EV space could drive derating.

Change in Estimates

	Revised			Old			% Change		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Sales Volume ('000 units)	5.90	6.24	6.63	6.02	6.39	6.78	-2.0%	-2.3%	-2.2%
Sales	40,756	43,940	47,561	40,974	44,157	47,783	-0.5%	-0.5%	-0.5%
EBITDA	5,861	6,415	6,941	5,914	6,349	6,802	-0.9%	1.0%	2.0%
PAT	4,610	4,966	5,401	4,622	5,000	5,340	-0.3%	-0.7%	1.1%
EPS	230.7	248.5	270.3	231.4	250.3	267.3	-0.3%	-0.7%	1.1%

Source: Company, Axis Securities Research

Q4FY25 Results Review

YE March (Rs Cr)	Q4FY25	Axis Sec Estimates	Axis Sec Var (%)	Q3FY25	QoQ (%)	Q4FY24	YoY (%)
Total Revenue	9,939	9,722	2.2%	10,211	-2.7%	9,519	4.4%
ASP (Rs/Vehicle)	71,974	70,424	2.2%	69,755	3.2%	68,373	5.3%
Less:							
Net Raw Material consumed	6,507	6,368	2.2%	6,715	-3.1%	6,325	2.9%
Other Exp.	1,345	1,264	6.4%	1,357	-0.9%	1,192	12.9%
Personnel	671	676	-0.7%	662	1.3%	644	4.3%
Total Expenditure	8,523	8,308	2.6%	8,734	-2.4%	8,160	4.4%
EBIDTA	1,416	1,414	0.1%	1,476	-4.1%	1,359	4.1%
Less: Depreciation	192	181	5.9%	197	-2.5%	185	3.8%
EBIT	1,223	1,233	-0.8%	1,280	-4.4%	1,174	4.2%
Less: Interest	5	5	1.69%	5	-13.2%	5	3.7%
Other Income	224	270	-17.1%	318	-29.5%	180	24.3%
Profit Before Extraordinary Items and Tax	1,442	1,498	-3.7%	1,592	-9.4%	1,350	6.9%
Extraordinary Expense/(Income)	-	-	NA	-	NA	-	NA
Profit Before Tax	1,442	1,498	-3.7%	1,592	-9.4%	1,350	6.9%
Less: Total Tax	362	375	-3.5%	389	-7.0%	334	8.4%
Profit After Tax	1,081	1,124	-3.8%	1,203	-10.1%	1,016	6.4%
Adj. Net Profit	1,081	1,124	-3.8%	1,203	-10.1%	1,016	6.4%
Shares Outstanding (Cr)	20	20	0.0%	20	0.0%	20	0.1%
Reported EPS (Rs.)	54.0	56.2	-3.8%	60.1	-10.1%	50.8	6.3%
Adj. EPS (Rs.)	54.0	56.2	-3.8%	60.1	-10.1%	50.8	6.3%

Cost & Margin Analysis	Q4FY25	Axis Sec Estimates	Change in bps	Q3FY25	Change in bps	Q4FY24	Change in bps
Net Raw Material/Net Sales (%)	65%	66%	-3	66%	(30)	66%	(97)
Other Exp./Net Sales (%)	14%	13%	53	13%	25	13%	102
Personnel/Net Sales (%)	7%	7%	-20	6%	27	7%	(1)
Gross Margin (%)	35%	35%	3	34%	30	34%	97
EBITDA Margin (%)	14.2%	14.5%	-30	14.5%	(22)	14.3%	(3)
EBIT (%)	12%	13%	-37	13%	(22)	12%	(2)
PBT Margin (%)	15%	15%	-90	16%	(107)	14%	34
NPM (%)	11%	12%	-68	12%	(90)	11%	20
Adj. NPM (%)	11%	12%	-68	12%	(90)	11%	20
Effective Tax Rate (%)	25%	25%	6	24%	63	25%	35

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY24	FY25	FY26E	FY27E
Net revenues	37,456	40,756	43,940	47,561
Operating expenses	32,194	34,896	37,525	40,620
EBIDTA	5,261	5,861	6,415	6,941
EBITDA margin (%)	14.0	14.4	14.6	14.6
Other income	886	1,056	1,111	1,111
Interest	19	20	20	21
Depreciation	711	776	884	829
Profit Before Tax	5,418	6,121	6,621	7,202
Tax	1,290	1,443	1,655	1,800
Reported Net Profit	3,968	4,678	4,966	5,401
Net Margin (%)	10.6	11.5	11.3	11.4
Adjusted Net Profit	4,127	4,610	4,966	5,401

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY24	FY25	FY26E	FY27E
Equity Capital	40	40	40	40
Reserves & surplus	17,946	19,925	22,193	24,895
Shareholders' funds	17,986	19,965	22,233	24,935
Total Loans	0	0	0	0
Deferred tax liability	435	435	435	435
Total Liabilities and Equity	18,421	20,400	22,667	25,370
Gross block	12,465	13,445	14,195	14,695
Depreciation	6,631	7,406	8,291	9,120
Net block	5,834	6,039	5,904	5,575
Capital WIP	481	500	250	250
Investments	13,086	13,486	13,886	14,286
Inventory	1,444	1,675	1,685	1,824
Debtors	2,703	3,238	3,371	3,648
Cash & Bank Bal	609	468	2,956	5,518
Loans & Advances	1,415	2,088	1,776	1,884
Current Assets	6,171	7,469	9,787	12,875
Sundry Creditors	5,528	5,471	5,538	5,994
Other Current Liability	1,622	1,622	1,622	1,622
Current Liability & Provisions	7,151	7,094	7,160	7,616
Net current assets	-980	375	2,627	5,259
Total Assets	18,421	20,400	22,667	25,370

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March (Rs Cr)	FY24	FY25	FY26E	FY27E
EBIT	4,550	5,085	5,531	6,112
Other Income	886	1,056	1,111	1,111
Depreciation & Amortisation	711	776	884	829
Interest paid (-)	-19	-20	-20	-21
Tax paid (-)	-1,290	-1,443	-1,655	-1,800
Extra Ord Income	-159	0	0	0
Operating Cash Flow	4,679	5,454	5,850	6,231
Change in Working Capital	1,118	-1,495	235	-69
Cash flow from Operations	5,797	3,958	6,086	6,162
Capex	-801	-1,000	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-2,076	-400	-400	-400
Cash flow from Investing	-2,876	-1,400	-900	-900
Change in borrowing	0	0	0	0
Others	41	-0	0	0
Dividends paid (-)	-2,699	-2,699	-2,699	-2,699
Cash Flow from Financial Activities	-2,657	-2,699	-2,699	-2,699
Change in Cash	263	-140	2,487	2,563
Opening cash	346	609	468	2,956
Closing cash	609	468	2,956	5,518

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March (Rs Cr)	FY24	FY25	FY26E	FY27E
Revenue Growth	10.8	8.8	7.8	8.2
EBITDA Margin	14.0	14.4	14.6	14.6
Net Profit Margin	11.0	11.3	11.3	11.4
ROCE (%)	21.7	22.3	21.8	21.4
ROE (%)	22.1	22.7	22.1	21.7
EPS (Rs)	198	231	249	270
P/E (x)	22.9	17.6	16.3	15.0
P/ BV (x)	5.3	4.1	3.6	3.3
EV/ EBITDA (x)	17.8	13.8	12.2	10.9
Fixed Assets Turnover Ratio (x)	5.9	6.2	7.1	8.2
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.5	2.0	1.8	1.6

Source: Company, Axis Securities Research

Hero Motocorp Price Chart and Recommendation History



Date	Reco	TP	Research
03-Nov-23	BUY	3,370	Result Update
12-Feb-24	BUY	5,500	Result Update
09-May-24	BUY	5,530	Result Update
14-Aug-24	BUY	6,015	Result Update
18-Nov-24	BUY	5,845	Result Update
03-Feb-25	BUY	5,250	Top Picks
10-Feb-25	BUY	5,285	Result Update
01-Mar-25	BUY	5,285	Top Picks
01-Apr-25	BUY	5,285	Top Picks
30-Apr-25	BUY	5,285	Top Picks
15-May-25	BUY	5,030	Result Update

Source: Axis Securities Research

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