

Hero MotoCorp Limited

Is Battery-as-a-Service Model Built for the Long Run?

July 02, 2025 | CMP: INR 4,270 | Target Price: INR 5,100

Sector View: Neutral

BUY

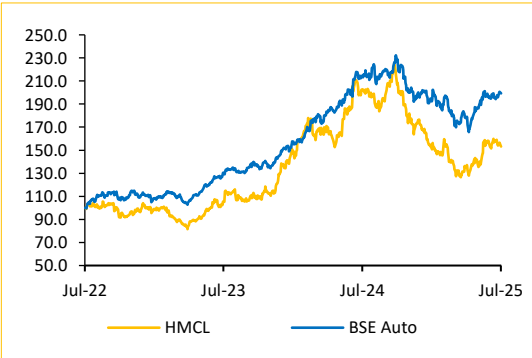
(Maintained)

Company Info	
BB Code	HMCL IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	6,245/3,323
Mkt Cap (Bn)	INR 852 / \$9.9
Shares o/s (Mn)	200.0
3M Avg. Daily Volume	6,79,690

Key Financials					
INR Bn	FY23	FY24	FY25	FY26E	FY27E
Revenue	338.1	374.6	407.6	452.9	503.0
YoY (%)	15.6	10.8	8.8	11.1	11.1
EBITDA	39.9	52.6	58.7	65.7	75.4
EBITDAM %	11.8	14.0	14.4	14.5	15.0
Adj PAT	29.1	39.7	46.1	52.1	60.0
EPS	145.6	198.5	230.5	260.4	300.0
ROE %	17.4	22.1	23.3	24.3	25.8
ROCE %	19.9	25.3	25.7	26.8	28.7
PE(x)	35.0	25.7	22.1	19.6	17.0
EV/EBITDA	25.5	19.3	17.3	15.5	13.5

Shareholding Pattern (%)			
	Mar-25	Dec-24	Sep-24
Promoters	34.74	34.75	34.75
FII	27.43	27.95	29.59
DII	27.89	27.70	26.94
Public	9.94	9.60	8.72

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Auto	99.1	52.8	(7.3)
HMCL	53.1	45.4	(24.5)



HMCL has launched the VIDA VX2 electric scooter, introducing a Battery-as-a-Service (BaaS) model. We expect HMCL to see an increase in market share in the near term, but as new models are launched by other OEMs (in BaaS and without BaaS) we will see a moderation in market share. While the BaaS model may see good early adoption, we do not expect it to be a new normal unless there are changes to the plan structures to attract more consumer segments. Our analysis suggests that in the long term, the overall cost of ownership for customers with medium to high average daily usage exceeds the benefit received from the lower upfront cost.

What has happened?

HMCL has launched the VIDA VX2 electric scooter, introducing a Battery-as-a-Service (BaaS) model to lower EV ownership costs and drive adoption. Priced from INR 59,490 (BaaS) and INR 99,490 (with battery), the VX2 offers two variants. With this move, HMCL reinforces its commitment to building India's largest EV ecosystem, boasting 3,600+ charging stations and 500+ service points.

How does Hero stand to benefit?

- By offering a price difference of nearly INR 40,000 between the BaaS and battery-inclusive variants, HMCL is effectively lowering the entry barrier for electric 2W ownership, making the product highly attractive to India's large base of price-sensitive consumers. This **affordability, combined with the flexibility of pay-per-kilometre subscription plans, is likely to accelerate adoption among first-time EV buyers and daily commuters.**
- This positions HMCL to rapidly expand its EV footprint and gain market share in the fast-growing electric scooter segment, a trend exemplified by MG Motor, which saw its EV market share rise from 16.5% in Sep-24 to over 41% by Dec-24, following the launch of its own BaaS model in the PV segment. **While HMCL may see an increase in market share in the near term, as new models are launched by other OEMs (in BaaS and without BaaS) we will see a moderation in market share.**

MG Motors	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
EV Market Share(%)	16.5	24.3	36.5	41.5	38.0	36.8	31.6	28.2	30.9	30.3

Given the huge price difference(~40% cheaper), will BaaS be a roaring hit and become the new normal for the EV industry?

- The BaaS model offers flexibility and lower upfront costs, ideal for users who value convenience, short-term affordability and have a preference for avoiding battery maintenance. However **for high average daily usage, cumulative per-kilometre payments may exceed the cost of owning the battery.**
- On the basis of the below table showing different plans offered by the company we can see that as the usage increases, the cost of the service increases more than the benefit received from the lower upfront cost. Also, **low usage riders might find BaaS inefficient, as costs accrue regardless of usage frequency.**
- While the BaaS model may see good early adoption, **we do not expect the BaaS model to be a new normal unless there are changes to the plan structures to attract more consumer segments.**

Monthly Plan (km)	Monthly Plan(INR)	Monthly Electricity Cost (INR)	Effective Monthly BaaS Cost (INR)	Yearly BaaS Cost(INR)	Cost for 4 years (INR)
750	1,050	225	825	9,900	39,600
1,200	1,416	360	1,056	12,672	50,688
1,600	1,696	480	1,216	14,592	58,368
2,400	2,304	720	1,584	19,008	76,032

Note: Electricity cost for per km = INR 0.3, calculated on Electricity cost of ₹10/unit and distance of 35 km/unit
Average life of battery considered to be 4 years

What can be the challenges faced by the BaaS model?

- Consumer awareness and acceptance:** The concept of separating battery ownership from the vehicle is still new in India. Educating consumers and building trust around long-term subscription models, battery performance, and post-ownership scenarios will be critical.
- Uncertainty in residual value and resale market:** Since the customer doesn't own the battery, resale valuation may be harder to determine. This can affect demand in the used EV market, limiting appeal to some buyers.
- Competitive imitation risk:** While HMCL is the first OEM in the 2W industry to launch BaaS, if successful, this model may see entry of other OEM's increasing competition and push for further innovation.

View and Valuation: We continue to maintain our 'BUY' rating with a target price of INR 5,100 (PE of 17x) on FY27E EPS.

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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