PL Capital
PRABHUDAS LILLADHER

Hero Motocorp (HMCL IN)

Rating: ACCUMULATE | CMP: Rs5,799 | TP: Rs6,190

November 18, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	6,190		6,049	
Sales (Rs. m)	4,92,084	5,35,134	4,90,456	5,27,450
% Chng.	*0.3*	*1.5*		
EBITDA (Rs. m)	72,336	79,200	72,097	77,535
% Chng.	*0.3*	*2.1*		
EPS (Rs.)	281.4	305.7	280.3	296.4
% Chng.	*0.4*	*3.2*		

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 (%)	*2.8*	*3.1*	*3.4*	*3.6*
RoE (%)	*24.4*	*25.3*	*25.3*	*25.5*
RoCE (%)	*26.9*	*28.2*	*28.2*	*28.6*
EV/Sales (x)	2.6	2.3	2.1	1.9
EV/EBITDA (x)	18.0	15.7	14.2	12.9
PE (x)	25.2	22.2	20.6	19.0
P/BV (x)	5.9	5.4	5.0	4.6

Key Data	HROM.BO | HMCL IN
52-W High / Low	Rs.5,815 / Rs.3,323
Sensex / Nifty	84,951 / 26,013
Market Cap	Rs.1,160bn/ $ 13,088m
Shares Outstanding	200m
3M Avg. Daily Value	Rs.4838.1m

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	3.7	33.4	25.9
Relative	2.5	29.3	15.0

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Hits accelerator on EVs, exports & entry segment

Quick Pointers:

- First-time 2W buyers' ratio increased to 81% this festive season, against an average of 72% seen so far.
- The management expects the 2W industry to grow by 8-10% in H2FY26 (5-6% for FY26), and HMCL to outperform.

HMCL reported its highest-ever quarterly standalone revenue and PAT in Q2FY26, modestly beating street estimates on most P&L line items. It is seeing sustained retail momentum even after the festivities, and with the marriage season on, HMCL expects Scooters to grow strongly and 100cc Bikes to bounce back with aspirational and replacement demand in H2FY26. HMCL is stepping up promotional campaigns and capacities to meet the rise in demand. We tweak volume, realization and margin estimates translating to revenue/EBITDA/PAT CAGR of 9.5%/10.5%/9.9% over FY25-28E and retain 'Accumulate' rating with TP of Rs6,190 (previous Rs6,049). We value the core business at 20x P/E Sep'27E and Rs66 for Hero's financing arm.

Standalone revenue grows 15.9% YoY to Rs121.3bn: Realization was Rs71.7k (+4.2% YoY, +2.4% QoQ), beating BBGe by 2.0% (met PLe). Gross margin was flattish at 33.3%, while EBITDA margin grew by ~55bps YoY to 15.0% (30bps/40bps above BBGe/PLe) owing to lower other expenses. EBITDA stood at Rs18.2bn (+20.3% YoY), while PAT was Rs13.9bn (met BBGe/PLe). In H1FY26, standalone revenue was Rs217.1bn (+5.3% YoY); EBITDA, Rs32.1bn (+7.7% YoY); EBITDA margin, 14.8% (+30bps YoY); and PAT, Rs25.2bn (+8.3% YoY). Volumes were flat, and realization grew +5.2% YoY.

EV contribution margin improving QoQ: With upcoming launches, higher volumes and cost controls, EV contribution margin should reach close to breakeven. The company recorded its highest-ever quarterly EV market share at 11.7% (+680bps YoY**)** in Q2FY26. ICE margin was 17.7% (+120bps YoY) due to lower RM cost, cost savings program, and better mix. Advertisement spending in H1FY26 increased by 10% YoY, one of the highest post-festive spendings on advertisements compared to peers, as HMCL continues focusing on brand-building.

International business up by 77% YoY (led by Bangladesh, Nepal, Sri Lanka & Colombia): The business grew 3x of industry's pace. HMCL had 12% market share in the top 10 markets (#1 in some) and has been gaining share in the top 7 markets. Premium product mix was 40%. HMCL wants to continue expanding margins via higher volumes and an improved mix.

Conference Call Highlights:

- In the past, post excise rate cuts, 2W industry had seen double-digit growth for a couple of years. With GST 2.0 reforms, the management expects the trend to continue.

- Rural market saw slower growth in the early part of the quarter with some damage due to heavy monsoons but is now recovering as per trends seen in Oct-Nov'25.

- HMCL saw 1mn VAHAN registrations during the Oct'25 festive period, with market share of 31.6% (+370bps vs previous year festivities), gaining share across all key segments.

- For the full festive season (23Aug'25-12Nov'25), ICE VAHAN registrations grew by 16.2% (led by Entry, Deluxe and Scooters) over comparable period last year against industry growth of 14.7%, aiding 40bps market share gain for HMCL.

- Entry segment share in overall 2W industry expanded by 3% in Q2 and by 5% in H1FY26.

- Operating cash in H1FY26 was Rs41.11bn.

- HMCL saw the lowest inventory and receivables level in Q2, along with highest-ever collections during the festive period. Receivables were close to 12days in Q2 vs. 30days in the same period last year.

- PAM (parts, accessories, merchandise) revenue was Rs15.33bn in Q2FY26 (>+5% YoY).

- EBITDA margin guidance was maintained at 14-16%.

- Inflationary pressure was seen in Q2, and commodity costs are expected to remain rangebound in Q3FY26 (increase by 1-2%).

- Discounts were lower YoY, but HMCL is spending more on customer acquisition now.

- Q2 saw the launch of 12 new models. HMCL now has presence across all segments in 2Ws.

Exhibit 1: Q2FY26 standalone result overview (Rs mn)

Y/e March	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var.	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
Net Revenues	**1,21,264**	**1,04,632**	**15.9**	**1,20,481**	**0.6**	**95,789**	**26.6**	**2,17,052**	**2,06,069**	**5.3**
Raw Materials	80,939	69,795	16.0	80,481	0.6	63,904	26.7	1,44,843	1,38,466	4.6
% of Net Sales	*66.7*	*66.7*	*4 bps*	*66.8*	*-5 bps*	*66.7*	*3 bps*	*66.7*	*67.2*	*-46 bps*
Personnel	6,981	6,535	6.8	7,470	(6.5)	6,260	11.5	13,241	12,618	4.9
% of Net Sales	*5.8*	*6.2*	*-49 bps*	*6.2*	*-44 bps*	*6.5*	*-78 bps*	*6.1*	*6.1*	*-2 bps*
Manufacturing & Other Exp	15,109	13,143	15.0	14,940	1.1	11,808	28.0	26,916	25,228	6.7
% of Net Sales	*12.5*	*12.6*	*-10 bps*	*12.4*	*6 bps*	*12.3*	*13 bps*	*12.4*	*12.2*	*16 bps*
Total Expenditure	1,03,029	89,473	15.2	1,02,891	0.1	81,972	25.7	1,85,001	1,76,313	4.9
EBITDA	**18,234**	**15,159**	**20.3**	**17,590**	**3.7**	**13,817**	**32.0**	**32,052**	**29,756**	**7.7**
EBITDA Margin (%)	*15.0*	*14.5*	*55 bps*	*14.6*	*44 bps*	*14.4*	*61 bps*	*14.8*	*14.4*	*33 bps*
Depreciation	1,970	1,937	1.7	1,950	1.0	1,928	2.2	3,897	3,869	0.7
EBIT	**16,265**	**13,222**	**23.0**	**15,640**	**4.0**	**11,889**	**36.8**	**28,154**	**25,888**	**8.8**
Interest Expenses	57	49	14.6	55	2.7	56	0.7	113	97	15.6
Non-operating income	2,328	2,830	(17.7)	3,000	(22.4)	3,037	(23.3)	5,365	5,147	4.2
Extraordinary Expenses	-	-	-	-	-	-	-	-	0	-
PBT	**18,537**	**16,003**	**15.8**	**18,585**	**(0.3)**	**14,870**	**24.7**	**33,407**	**30,937**	**8.0**
Tax-Total	4,609	3,967	16.2	4,646	(0.8)	3,613	27.6	8,222	7,676	7.1
Tax Rate (%) - Total	*24.9*	*24.8*	*7 bps*	*25.0*	*-14 bps*	*24.3*	*56 bps*	*24.6*	*24.8*	*-20 bps*
Reported PAT	**13,928**	**12,035**	**15.7**	**13,939**	**(0.1)**	**11,257**	**23.7**	**25,185**	**23,262**	**8.3**
PAT Margin	*11.5*	*11.5*	*-2 bps*	*11.6*	*-8 bps*	*11.8*	*-27 bps*	*11.6*	*11.3*	*32 bps*

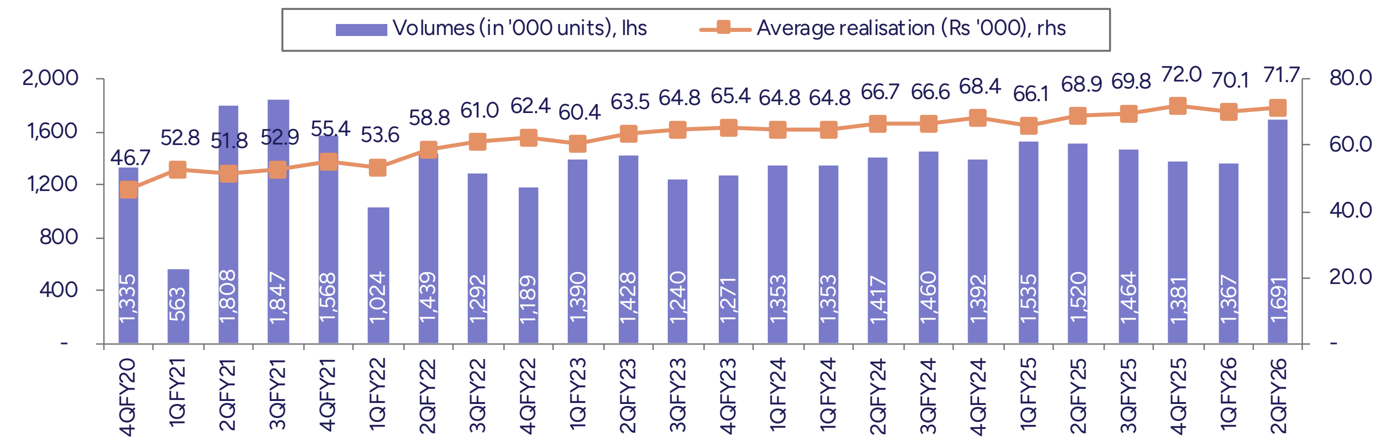
Source: Company, PL

Exhibit 2: Key operating metrics

Y/e March	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var.	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
Sales Volume (nos)	16,90,702	15,19,684	11.3	16,90,702	-	13,67,070	23.7	30,57,772	30,54,840	0.1
Net Realisation/Vehicle	71,724	68,851	4.2	71,261	0.6	70,069	2.4	70,984	67,457	5.2
Material cost / vehicle	47,873	45,927	4.2	47,602	0.6	46,745	2.4	47,369	45,327	4.5
Gross Profit / vehicle	23,851	22,924	4.0	23,659	0.8	23,323	2.3	23,615	22,130	6.7
Employee cost /vehicle	4,129	4,300	(4.0)	4,418	(6.5)	4,579	(9.8)	4,330	4,131	4.8
Other expenses / vehicle	8,936	8,649	3.3	8,836	1.1	8,637	3.5	8,803	8,258	6.6
EBITDA/vehicle	10,785	9,975	8.1	10,404	3.7	10,107	6.7	10,482	9,741	7.6
Net Profit/vehicle	8,238	7,920	4.0	8,244	(0.1)	8,234	0.0	8,236	7,615	8.2

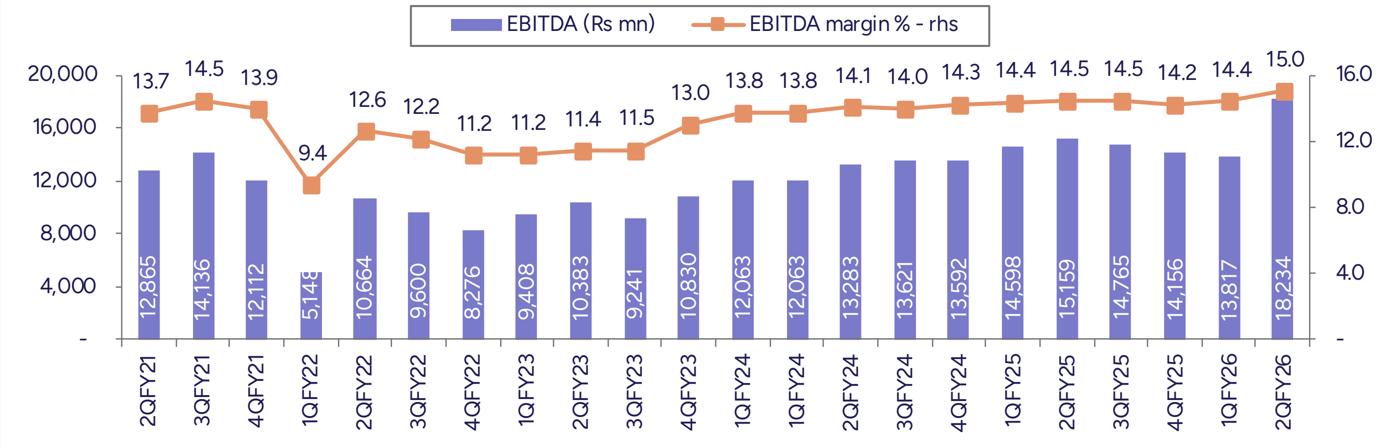
Source: Company, PL

Exhibit 3: HMCL vol and realization improves YoY in Q2FY26



Source: Company, PL

Exhibit 4: EBITDA margin within the guided range of 14-16% since last 2 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 Invt. 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

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	25.2	22.2	20.6	19.0
P/B	5.9	5.4	5.0	4.6
P/CEPS	21.5	19.2	17.6	16.2
EV/EBITDA	18.0	15.7	14.2	12.9
EV/Sales	2.6	2.3	2.1	1.9
Dividend Yield (%)	2.8	3.1	3.4	3.6

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**

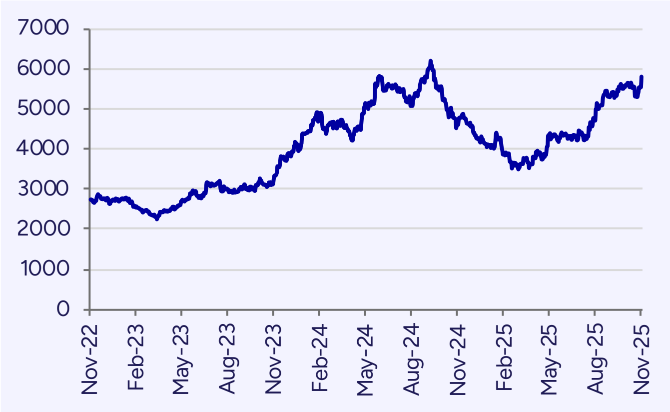
Source: Company Data, PL Research

Key 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	08-Oct-25	Accumulate	6,049	5,513
2	08-Apr-25	Accumulate	4,036	3,574
3	07-Feb-25	Accumulate	4,736	4,275
4	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	6,729	6,903
3	Hero Motocorp	Accumulate	6,049	5,513
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

ANALYST CERTIFICATION

(Indian Clients)

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