Hero MotoCorp Ltd

Auto

BUY
Target Price
6,025

Market Share Gains; EV Profitability & Premiumisation

Est. Vs. Actual for Q2FY27: Revenue – BEAT; EBITDA – INLINE; PAT– MISS

Change in Estimates post Q2FY27

FY27E/FY28E: Revenue: 2.3%/1.6%; **EBITDA:** -3.6%/-5.4; **PAT:** -7.3%-5.4%

Recommendation Rationale

- **Capacity Expansion & Portfolio Premiumisation:** Hero MotoCorp is accelerating investments across EVs, scooters and premium motorcycles. EV production capacity doubled from 15,000 units/month at FY26-end to 30,000 units/month in September, with targets of 45,000 units/month by Q4FY27 and over 80,000 units/month by Q2FY28, supported by strong demand and dealer inventory of just one day. ICE scooter capacity has nearly doubled to 80,000 units/month, with further expansion planned for the Xoom 160. The company plans 3-4 premium motorcycle launches in H2FY27 across the Xtreme, Xpulse, Karizma and Harley-Davidson portfolios, while expanding its premium dealership network beyond 150 stores and investing Rs 700+ Cr in Global Parts Center 2.0.
- **Strong Demand Momentum & Market Share Gains:** Hero continues to gain traction across ICE scooters, EVs and commuter motorcycles, supported by healthy urban and rural demand. ICE retail market share improved every month in Q2FY27, with retail growth of 24% YoY, ahead of industry growth of 23%. ICE scooter market share crossed 10%, gaining around 160 bps in H1FY27, while Vida retail volumes grew 105% YoY and market share improved by 170 bps in H1FY27. Splendor volumes increased over 20%, with its XTEC variant contributing more than 25% of sales. The parts business recorded 27% YoY revenue growth for the second consecutive quarter, while management expects industry growth of mid-to-high single digits in H2FY27 and export wholesale growth to return to double digits in Q3 and Q4FY27, supported by improving logistics and expansion into Brazil, Mexico and Africa.
- **Margin Recovery Supported by Cost Optimisation & Improving EV Economics:** Hero MotoCorp reiterated its medium-term EBITDA margin target of 14-16%, with Q2FY27 EBITDA margin improving 10 bps QoQ to 13.4%, despite approximately 1% QoQ material cost inflation. Margin resilience was supported by calibrated pricing, favourable product mix, LEAP-led cost savings, operating leverage and discretionary cost control. Management expects margins to remain broadly stable in Q3FY27, supported by cost rationalisation and the approximately Rs 1,000/unit price hike implemented in October. The EV business achieved positive gross margins ahead of expectations, with EBITDA loss narrowing to Rs 168 Cr in Q2FY27 from Rs 232 Cr in Q1FY27. PLI benefits increased to Rs 63 Cr in Q2FY27, covering around 70% of the EV portfolio, with certification secured for nearly 100% of the portfolio in October, supporting further improvement in unit economics as volumes scale up.

Sector Outlook: Positive on 2W

Company Outlook & Guidance: Hero MotoCorp expects healthy demand in H2FY27, supported by premium launches, scooter and EV expansion, and export recovery. Management expects industry growth of mid-to-high single digits in H2FY27 and reiterated its medium-term EBITDA margin target of 14-16%, with Q3FY27 margins expected to remain broadly stable, supported by pricing actions and cost optimisation.

Current Valuation: 15x core FY28E EPS (Earlier: 16x core FY28E EPS), adding share in Ather Energy Ltd (30% holding in listed entity) and Hero Fincorp at 1.5x FY25 P/B.

Current TP: Rs 6,025/share (Earlier TP: Rs 6,500/share)

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

Financial Performance

In Q2FY27, Hero MotoCorp reported revenue of Rs 14,687 Cr, beating estimates by 2% and growing 21.1% YoY and 13% QoQ, primarily driven by strong volumes and a higher ASP (+9.6% YoY). EBITDA stood at Rs 1,968 Cr, up 8% YoY and 14% QoQ. EBITDA margin came in at 13.4%, impacted by higher raw material costs. PAT stood at Rs 1,456 Cr, missing estimates by 4%, up 4.6% YoY but remained flat QoQ, impacted by lower other income.

Key Financials (Standalone)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	14,687	13%	21.1%	14,337	2%
EBITDA	1,968	14%	7.9%	1,941	1%
EBITDA Margin (%)	13.4%	11 bps	-164 bps	13.5%	-14 bps
Reported Net Profit	1,456	0%	4.6%	1,518	-4%
Reported EPS (Rs)	72.8	0%	4.5%	75.9	-4%

Source: Company, Axis Securities Research

(CMP as of 29th October,2026)

CMP (Rs)	5,105
Upside /Downside (%)	18%
High/Low (Rs)	6,390/4,672
Market cap (Cr)	1,02,223
Avg. daily vol. (6m) Shrs.	7,56,135
No. of shares (Cr)	20.0

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	34.7	34.7	34.7
FIIs	31.2	31.1	32.2
MFs / UTI	12.1	12.0	11.7
DIIs	0.0	0.0	0.0
Others	22.0	22.2	22.4

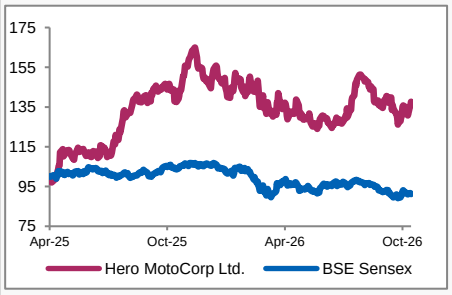
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	46,830	53,540	58,740
EBITDA	6,871	7,311	8,426
Net Profit	5,359	5,663	6,433
EPS (Rs.)	268.2	283.5	322.0
PER (x)	19.0	18.0	15.9
EV/ EBITDA	14.6	13.3	11.1
P/BV (x)	4.6	4.0	3.5
RoE (%)	23.9	22.5	22.5

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	2.3%	1.6%
EBITDA	-3.6%	-5.4%
PAT	-7.3%	-5.4%

Relative Performance



Source: ACE Equity, Axis Securities Research

Results Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

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Outlook

We remain constructive on Hero MotoCorp's growth outlook, supported by healthy domestic demand, premium motorcycle launches, scooter and EV capacity expansion, and a gradual recovery in exports. Key monitorables include (1) EV capacity ramp-up and improving profitability, (2) execution of 3-4 premium motorcycle launches in H2FY27, (3) export recovery and expansion into Brazil, Mexico and Africa, and (4) margin resilience amid commodity inflation, supported by pricing actions, cost optimisation and PLI benefits. Management expects mid-to-high single-digit two-wheeler industry growth in H2FY27 and reiterated its medium-term EBITDA margin target of 14-16%, with margins expected to remain broadly stable in Q3FY27. Consequently, we estimate an 11% CAGR in EBITDA over FY26-28E.

Valuation & Recommendation

We thus value the stock at 15x core FY28E EPS (Earlier: 16x core FY28E EPS), adding a share in Ather Energy Ltd (30% holding in the listed entity) and Hero Fincorp at 1.5x FY26 P/B, to arrive at a TP of Rs 6,025/share (Earlier TP: Rs 6,500/share). We **maintain our BUY rating on the stock, with an 18% upside from the CMP.**

Key Concall Highlights

- **Industry Demand Remains Strong; Hero Gains Market Share:** The domestic two-wheeler industry recorded 27% YoY retail growth in Q2FY27, with ICE and EV retail growth of 23% and 82%, respectively. Hero's ICE retail volumes grew 24% YoY, ahead of industry growth, while retail market share improved every month during the quarter. Management expects mid-to-high single-digit industry growth in H2FY27, supported by healthy urban and rural demand.
- **EV Business Scaling Up with Improving Profitability:** VIDA retail volumes grew 105% YoY, with market share improving by 170 bps in H1FY27. EV revenue reached Rs 1,000 Cr in Q2FY27, while EBITDA losses narrowed to Rs 168 Cr from Rs 232 Cr in Q1FY27, with gross margins turning positive ahead of expectations. EV capacity doubled from 15,000 units/month at FY26-end to 30,000 units/month in September, with targets of 45,000 units/month by Q4FY27 and over 80,000 units/month by Q2FY28, supported by strong demand and dealer inventory of just one day.
- **ICE Scooter Business Gains Momentum:** Hero's ICE scooter market share crossed 10%, with a gain of around 160 bps in H1FY27. Production capacity has nearly doubled to 80,000 units/month, with further expansion planned for the Xoom 160. Management remains focused on strengthening its scooter portfolio and improving availability to meet rising demand.
- **Premium Motorcycle Portfolio to Drive Premiumisation:** Hero plans 3-4 premium motorcycle launches in H2FY27 across the Xtreme, Xpulse, Karizma and Harley-Davidson portfolios. The company is also expanding its premium dealership network beyond 150 stores to strengthen its presence in higher-value segments and improve customer reach.
- **Splendor Continues to Deliver Strong Growth:** Splendor volumes grew over 20% YoY, with the XTEC variant contributing more than 25% of sales. Hero continues to leverage its strong commuter motorcycle franchise while expanding its premium portfolio to capture growth across multiple price segments.
- **Export Recovery Expected in H2FY27:** Exports faced temporary disruptions in Colombia and Bangladesh, which together account for a significant share of the company's export business. Management indicated that conditions improved towards the end of Q2FY27 and expects export wholesale growth to return to double digits in Q3FY27 and Q4FY27, supported by normalising logistics and expansion into Brazil, Mexico and Africa.
- **Parts Business Sustains Strong Growth:** The Parts & Accessories business recorded 28% YoY revenue growth to Rs 3,630 Cr for the second consecutive quarter, reflecting healthy demand and expanding aftermarket opportunities. The company continues to invest in distribution and its Global Parts Center 2.0, backed by an investment of over Rs 700 Cr, to improve product availability and support long-term growth.
- **Cost Inflation and Pricing Actions Remain Key Monitorables:** Material costs increased approximately 1% QoQ in Q2FY27, while cumulative material cost inflation reached around 5.5% in H1FY27, of which roughly half was offset through pricing actions. Management remains focused on further cost rationalisation and pricing discipline to protect margins while continuing to invest in new products, capacity and brand building.

Key Risks to Our Estimates and TP

- Execution risks remain for upcoming premium motorcycle launches amid intensifying competition.
- Slower EV profitability improvement and sustained commodity inflation could pressure margins and earnings.

Change in Estimates

	Revised		Old		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY26E
Sales Volume ('000 units)	6.92	7.39	6.87	7.33	0.8%	0.8%
Sales	53,540	58,740	52,351	57,808	2.3%	1.6%
EBITDA	7,311	8,426	7,585	8,909	-3.6%	-5.4%
PAT	5,663	6,433	6,111	6,800	-7.3%	-5.4%
EPS	283	322	306	340	-7.4%	-5.3%

Source: Company, Axis Securities Research

Q2FY27 Results Review

YE March (Rs Cr)	Q2FY27	Axis Sec Estimates	Axis Sec Var (%)	Q1FY27	QoQ (%)	Q2FY26	YoY (%)
Total Revenue	**14,687**	**14,337**	**2.4%**	**12,999**	**13.0%**	**12,126**	**21.1%**
ASP (Rs/Vehicle)	**78,620**	**76,744**	2.4%	**77,498**	1.4%	**71,723**	9.6%
Less:							
Net Raw Material consumed	10,546	10,108	4.3%	9,290	13.5%	8,094	30.3%
Other Exp.	1,434	1,534	-6.5%	1,283	11.7%	1,511	-5.1%
Personnel	740	754	-1.9%	699	5.9%	698	6.0%
Total Expenditure	**12,720**	**12,396**	**2.6%**	**11,272**	**12.8%**	**10,303**	**23.5%**
EBIDTA	**1,968**	**1,941**	**1.4%**	**1,727**	**14.0%**	**1,823**	**7.9%**
Less: Depreciation	216	217	-0.5%	205	**5.3%**	197	9.8%
EBIT	**1,751**	**1,724**	**1.6%**	**1,521**	**15.1%**	**1,626**	**7.7%**
Less: Interest	6	6	3.33%	6	-2.4%	6	8.5%
Other Income	194	306	-36.7%	441	-56.0%	233	-16.8%
Profit Before Extraordinary Items and Tax	**1,939**	**2,024**	**-4.2%**	**1,956**	**-0.9%**	**1,854**	**4.6%**
Extraordinary Expense/(Income)	-	-	NA	-	NA	-	NA
Profit Before Tax	**1,939**	**2,024**	**-4.2%**	**1,956**	**-0.9%**	**1,854**	**4.6%**
Less: Total Tax	483	506	-4.6%	501	-3.7%	461	4.8%
Profit After Tax	**1,456**	**1,518**	**-4.1%**	**1,454**	**0.1%**	**1,393**	**4.6%**
Adj. Net Profit	1,456	1,518	-4.1%	1,454	0.1%	1,393	4.6%
Shares Outstanding (Cr)	20	20	0.0%	20	0.0%	20	0.0%
Reported EPS (Rs.)	**72.8**	**75.9**	**-4.1%**	**72.7**	**0.1%**	**69.6**	**4.5%**
Adj. EPS (Rs.)	**72.8**	**75.9**	**-4.1%**	**72.7**	**0.1%**	**69.6**	**4.5%**

Cost & Margin Analysis	Q2FY27	Axis Sec Estimates	Change in bps	Q1FY27	Change in bps	Q2FY26	Change in bps
Net Raw Material/Net Sales (%)	72%	71%	130	71%	34	67%	506
Other Exp./Net Sales (%)	10%	11%	-94	10%	(11)	12%	(270)
Personnel/Net Sales (%)	5%	5%	-22	5%	(34)	6%	(72)
Gross Margin (%)	28%	30%	-130	29%	(34)	33%	(506)
EBITDA Margin (%)	13.4%	13.5%	-14	13.3%	11	15.0%	(164)
EBIT (%)	12%	12%	-10	12%	22	13%	(149)
PBT Margin (%)	13%	14%	-92	15%	(184)	15%	(208)
NPM (%)	10%	11%	-67	11%	(127)	11%	(157)
Adj. NPM (%)	10%	11%	-67	11%	(127)	11%	(157)
Effective Tax Rate (%)	25%	25%	-10	26%	(74)	25%	4

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Net revenues	**40,756**	**46,830**	**53,540**	**58,740**
Operating expenses	34,885	39,959	46,228	50,314
EBIDTA	**5,872**	**6,871**	**7,311**	**8,426**
EBITDA margin (%)	**14.4**	**14.7**	**13.7**	**14.3**
Other income	1,054	922	1,186	1,233
Interest	20	23	24	26
Depreciation	776	798	875	1,055
Profit Before Tax	6,130	6,972	7,597	8,578
Tax	1,518	1,704	1,903	2,144
Reported Net Profit	**4,610**	**5,268**	**5,695**	**6,433**
Net Margin (%)	11.3	11.2	10.6	11.0
Adjusted Net Profit	**4,612**	**5,359**	**5,663**	**6,433**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Equity Capital	40	40	40	40
Reserves & surplus	19,767	22,335	25,330	29,063
Shareholders' funds	19,807	22,375	25,370	29,103
Total Loans	0	0	0	0
Deferred tax liability	510	510	510	510
Total Liabilities and Equity	**20,316**	**22,885**	**25,879**	**29,613**
Gross block	16,003	17,139	17,639	18,139
Depreciation	10,495	11,293	12,168	13,224
Net block	5,508	5,846	5,470	4,915
Capital WIP	886	250	250	250
Investments	14,910	15,310	15,710	16,110
Inventory	1,458	1,796	2,054	2,253
Debtors	3,674	3,592	4,107	4,506
Cash & Bank Bal	353	2,024	4,866	8,656
Loans & Advances	1,131	2,006	2,207	2,363
Current Assets	6,617	9,419	13,234	17,779
Sundry Creditors	5,566	5,902	6,747	7,403
Other Current Liabilities	2,038	2,038	2,038	2,038
Current Liability& Provisions	7,604	7,939	8,785	9,440
Net current assets	-987	1,479	4,449	8,338
Total Assets	**20,316**	**22,885**	**25,879**	**29,613**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
EBIT	5,096	6,073	6,436	7,370
Other Income	1,054	1,041	1,186	1,233
Depreciation & Amortisation	776	798	875	1,055
Interest paid (-)	-20	-23	-24	-26
Tax paid (-)	-1,518	-1,704	-1,903	-2,144
Extraordinary Income	-2	-119	0	0
Operating Cash Flow	**5,386**	**6,066**	**6,570**	**7,489**
Change in Working Capital	-248	-795	-128	-99
Cash flow from Operations	**5,137**	**5,271**	**6,442**	**7,390**
Capex	-855	-500	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-1,823	-400	-400	-400
Cash flow from Investing	**-2,679**	**-900**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	-15	0	0	0
Dividends paid (-)	-2,700	-2,700	-2,700	-2,700
Cash Flow from Financial Activities	**-2,715**	**-2,700**	**-2,700**	**-2,700**
Change in Cash	-256	1,671	2,842	3,790
Opening cash	609	353	2,024	4,866
Closing cash	353	2,024	4,866	8,656

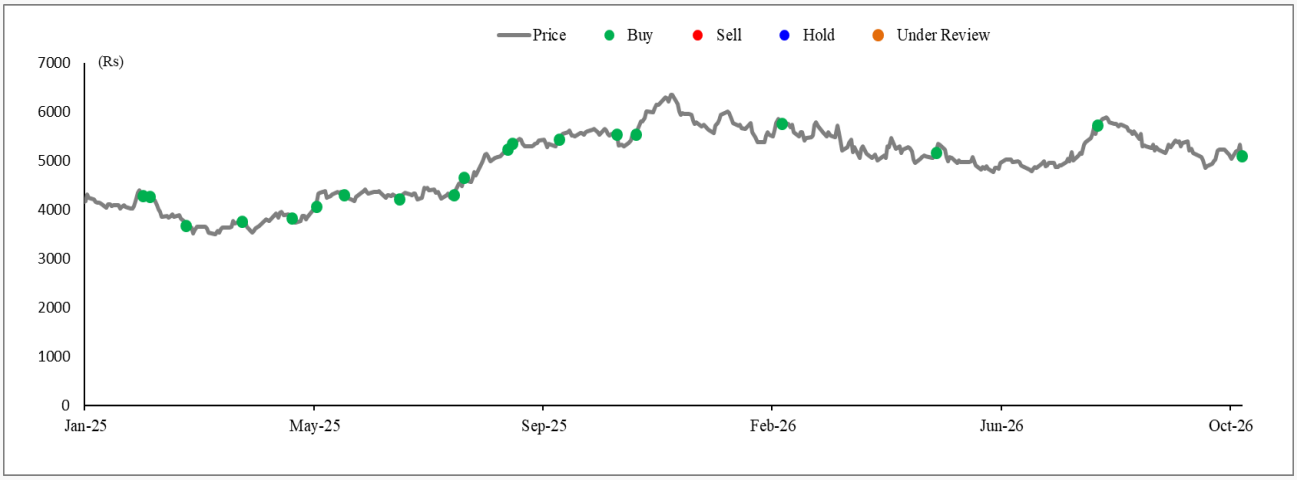
Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Revenue Growth	8.8	14.9	14.3	9.7
EBITDA Margin	14.4	14.7	13.7	14.3
Net Profit Margin	11.3	11.4	10.6	11.0
ROCE (%)	22.3	23.4	22.1	22.2
ROE (%)	22.8	23.9	22.5	22.5
EPS (Rs)	230	268	283	322
P/E (x)	16.2	19.0	18.0	15.9
P/ BV (x)	3.8	4.6	4.0	3.5
EV/ EBITDA (x)	12.6	14.6	13.3	11.1
Fixed Assets Turnover Ratio (x)	6.4	7.7	9.4	11.4
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	1.8	2.1	1.8	1.6

Source: Company, Axis Securities Research

Hero MotoCorp Price Chart and Recommendation History



Date	Reco	TP	Research
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
02-May-25	BUY	5,285	Top Picks
15-May-25	BUY	5,030	Result Update
01-Jun-25	BUY	5,030	Top Picks
01-Jul-25	BUY	5,030	Top Picks
01-Jul-25	BUY	5,030	Top Picks
01-Aug-25	BUY	5,030	Top Picks
08-Aug-25	BUY	5,220	Result Update
01-Sep-25	BUY	5,900	Top Picks
05-Sep-25	BUY	5,960	Company Update
01-Oct-25	BUY	6,245	Top Picks
03-Nov-25	BUY	6,245	Top Picks
17-Nov-25	BUY	6,245	Result Update
09-Feb-26	BUY	6,400	Result Update
07-May-26	BUY	5,960	Result Update
10-Aug-26	BUY	6,500	Result Update
30-Oct-26	BUY	6,025	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
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