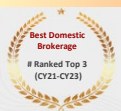


Hero MotoCorp

Estimate change	↓
TP change	↔
Rating change	↔

Motilal Oswal values your support in the EXTEL POLL 2025 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

EXTEL POLL
2025



Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USD\$)	1108.1 / 12.5
52-Week Range (INR)	5717 / 3323
1, 6, 12 Rel. Per (%)	-4/31/10
12M Avg Val (INR M)	3343

Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
Sales	429.6	469.6	513.4
EBITDA	62.9	71.1	78.0
Adj. PAT	49.3	56.5	63.1
Adj. EPS (INR)	246.3	282.3	315.0
EPS Gr. (%)	9.0	14.6	11.6
BV/Sh. (INR)	1,061	1,143	1,228

Ratios

RoE (%)	24.0	25.6	26.6
RoCE (%)	23.5	25.1	26.1
Payout (%)	71.0	70.8	73.0

Valuations

P/E (x)	22.5	19.6	17.6
P/BV (x)	5.2	4.8	4.5
Div. Yield (%)	3.2	3.6	4.2
FCF Yield (%)	4.8	5.1	5.7

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	34.7	34.7	34.8
DII	26.4	27.8	27.0
FII	28.8	27.0	29.6
Others	10.1	10.4	8.7

FII includes depository receipts

CMP: INR5,539 TP: INR6,500 (+17%) Buy

Steady quarter

Pickup in rural demand bodes well for HMCL

- Hero MotoCorp's (HMCL) 2QFY26 PAT at INR13.9b came in slightly below our est. of INR14.4b, largely due to lower other income. Margins expanded on the back of revenue growth and operational efficiencies.
- We expect HMCL to deliver a volume CAGR of ~6% over FY26-28, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments. We project a CAGR of ~8%/11%/12% in revenue/EBITDA/PAT over FY25-28. At ~22.5x/19.6x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR6,503 (based on 20x Sep'27E EPS + INR141/397 for Hero FinCorp/Ather post-20% Holdco discount).**

Earnings in line with estimates

- Net revenue grew ~16% YoY to INR121.3b (in line with estimate).
- Net realization grew 4.2% YoY/2.4% QoQ to INR72k (vs. est. of INR70k).
- Volumes were up 11.3% YoY and 23.7% QoQ, aided by a pickup in demand in rural regions. Festive season performance (Aug-Nov'25) was strong, with 16.2% growth in ICE Vahan registrations, outpacing industry growth of 14.7% and leading to a 40bp market share gain. Growth was driven by entry, deluxe, and scooter segments.
- Gross margins remained flat YoY at 33.3% (vs. est. 32.8%). Aluminum prices were up, whereas steel prices declined.
- EBITDA margins were up 50bp YoY at 15% (in line) on account of better operational efficiencies and improved volumes.
- EBITDA grew 20.3% YoY to INR18.2b, broadly in line with our estimate.
- However, lower-than-expected other income of INR2.3b led to adj. PAT of INR13.9b, slightly below our estimate of INR14.4b.

Highlights from the management commentary

- HMCL achieved nearly 1 million retail sales on Vahan in Oct'25, expanding its market share to 31.6% (+3.7% YoY). Management highlighted that demand has remained buoyant even after the festive season.
- Management expects the industry to post 8-10% growth in 2H. Further, it expects pickup in demand to last for 2-3 years, as seen during similar excise rate cuts in the past.
- Market share gains in EVs were particularly strong in urban and metro markets, with VIDA achieving a 20%+ market share in 49 towns, including in metros like Delhi and Mumbai. Further, HMCL is among the top 2 EV players in about 56 towns.
- Global business showcased one of its strongest performances in recent years, with dispatches growing 77% YoY, almost 3x the industry growth rate. This momentum is expected to continue in the coming quarters as per management.

Valuation and view

- We expect HMCL to deliver a volume CAGR of ~6% over FY26-28, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments.
- We project a CAGR of ~8%/11%/12% in revenue/EBITDA/PAT over FY25-28. At ~22.5x/19.6x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR6,500 (based on 20x Sep'27E EPS + INR141/397 for Hero FinCorp/Ather after 20% Holdco discount).**

Qty performance (S/A)

Y/E March	FY25				FY26E				(INR b)			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY25	FY26E	FY26E	Var. (%)
Total Volumes ('000 nos)	1,535	1,520	1,464	1,381	1,367	1,691	1,492	1,463	5,899	6,013	1,691	
Growth YoY (%)	13.5	7.3	0.3	-0.9	-10.9	11.3	1.9	6.0	4.9	7.0	11.3	
Net Realization	66,076	68,851	69,755	71,991	70,069	71,724	71,848	72,024	68,945	71,451	70,228	
Growth YoY (%)	1.9	3.3	4.7	5.3	6.0	4.2	3.0	0.0	3.5	7.2	2.0	
Net Op Revenues	1,01,437	1,04,632	1,02,108	99,387	95,789	121,264	107,214	105,383	4,06,719	429,649	118,735	2.1
Growth YoY (%)	15.7	10.8	5.0	4.4	-5.6	15.9	5.0	6.0	8.6	14.7	13.5	
RM Cost (% sales)	67.7	66.7	65.8	65.5	66.7	66.7	66.4	66.5	66.6	66.6	67.2	
Staff Cost (% sales)	6.0	6.2	6.5	6.8	6.5	5.8	6.5	6.6	6.4	6.3	5.6	
Other Exp (% sales)	11.9	12.6	13.3	13.5	12.3	12.5	12.5	12.5	12.8	12.4	12.0	
EBITDA	14,598	15,159	14,765	14,156	13,817	18,234	15,669	15,146	57,832	62,866	18,031	1.1
EBITDA Margins (%)	14.4	14.5	14.5	14.2	14.4	15.0	14.6	14.4	14.2	14.6	15.2	
Other Income	2,317	2,830	3,175	2,237	3,037	2,328	2,750	2,672	10,559	10,787	3,100	
Interest	48	49	55	47	56	57	60	67	199	240	55	
Depreciation	1,932	1,937	1,969	1,921	1,928	1,970	2,000	2,111	7,759	8,008	1,950	
PBT before EO Exp/(Inc)	14,935	16,003	15,916	14,425	14,870	18,537	16,359	15,640	60,434	65,405	19,126	
Effective Tax Rate (%)	24.8	24.8	24.4	25.1	24.3	24.9	24.5	24.6	25.1	24.6	24.5	
Adj. PAT	11,226	12,035	12,028	10,809	11,257	13,928	12,344	11,786	45,255	49,315	14,432	-3.5
Growth (%)	18.7	14.2	12.1	6.4	0.3	15.7	2.6	9.0	10.7	20.6	19.9	



Key takeaways from the management commentary

Domestic 2Ws – industry update

- HMCL reported a strong performance in the domestic 2W market, supported by improving customer sentiment after GST rate cuts ahead of the festive season. It achieved nearly 1 million retail sales on Vahan in Oct'25, expanding its market share to 31.6% (+3.7% YoY). Management highlighted that demand has remained buoyant even after the festive season.
- HMCL was able to expand its market share meaningfully across all major categories. In the entry segment, the company expanded its share for the second consecutive quarter, driven by the successful launch of the HF Deluxe pro and steady performance of Splendor. Given the pickup in demand, the contribution of entry segment at an industry level has recovered to 9.2% in 2Q from a low of 7.9% seen in 4QFY25.
- Hero's newly launched Glamour X in the 125cc segment has received a strong response from customers. The Xtreme 125R was upgraded and launched with a dual channel ABS variant to further improve its offerings in this segment.
- The scooter portfolio also delivered a notable performance, growing 39% in 2Q. The recent launches of Destiny 125 and Xoom 125 have helped to improve HMCL's market share in the 125cc segment to nearly 10% market. Hero plans to further expand its scooter portfolio with the ramp-up of the Destini 110 metal-body scooter and the premium Xoom 160.
- HMCL's premium network has now expanded to 100 exclusive stores. Premium models recorded strong double-digit retail growth, with XPulse growing 31% YoY.
- Contribution of first-time buyers has increased to 80-85% from ~70% in the festive season.
- Management expects the industry to post 8-10% growth in 2H. Further, it expects the pickup in demand to last for 2-3 years, as seen during excise rate cuts in the past.

Update on EVs

- VIDA brand continued its strong growth trajectory and registered its highest-ever quarterly EV market share of 11.7% (+6.8% YoY), led by the success of the VIDA Vooter VX2. VIDA VX2 is equipped with a removable battery.
- HMCL has also introduced BaaS offering to customers who want to 'pay as per their ride'.
- Market share gains for EVs were particularly strong in urban and metro markets, with VIDA achieving a 20%+ market share in 49 towns, including in metros like Delhi and Mumbai. Further, it is among the top 2 EV players in about 56 towns.

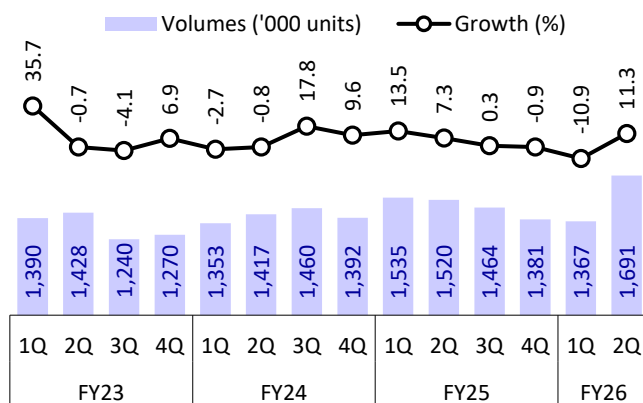
Update on exports

- Global business showcased one of its strongest performances in recent years, with dispatches growing 77% YoY, almost 3x the industry growth rate.
- Growth was broad-based and driven primarily by key markets like Bangladesh, Nepal, Sri Lanka and Columbia.
- HMCL introduced its Euro5+ compliant vehicle portfolio, which helped the company launch its vehicles in European and UK markets.

Other Highlights

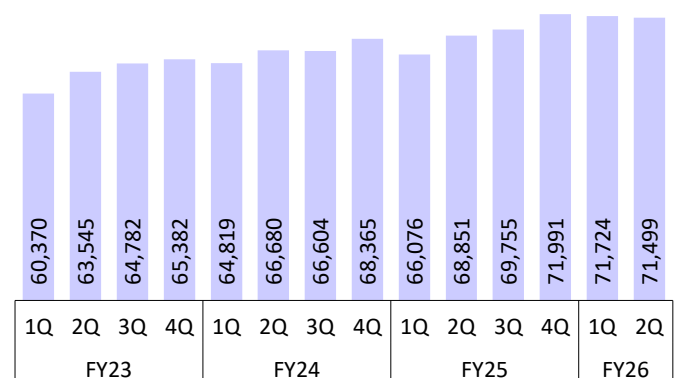
- This festive period showed the highest-ever collections, bringing the receivables for HMCL down to ~12 days from 30.
- Management maintained its EBITDA margin guidance of 14-16% for the coming quarters. Marketing spend was up +10% YoY in 1H as HMCL focused on brand-building activities.
- HMCL announced the appointment of Mr. Harshavardhan Chitale as the new CEO, effective Jan'26.
- Hero continued to invest in long-term capability building, approving INR1.7b in additional capex for Global Part Center (GPC) 2.0 in Tirupati, which is expected to commence operations in FY28.

Exhibit 1: Trend in volumes



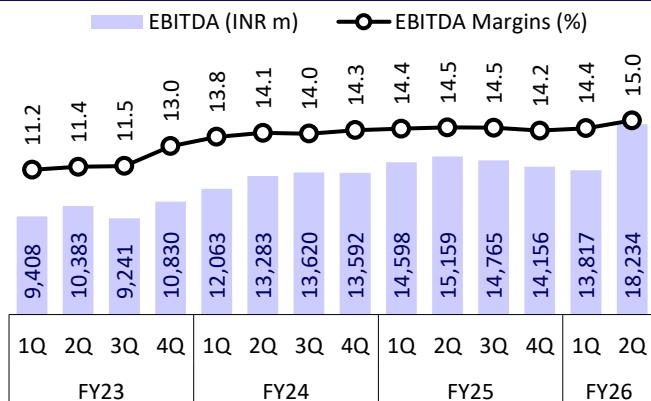
Source: SIAM

Exhibit 2: Trend in blended realizations



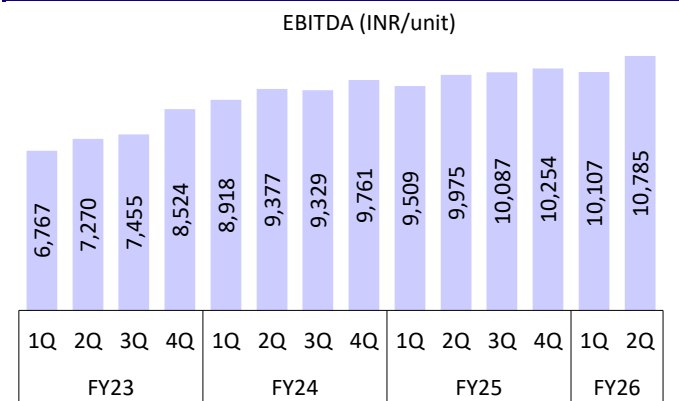
Source: Company, MOFSL

Exhibit 3: Trends in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 4: Trend in EBITDA per unit



Source: Company, MOFSL

Valuation and view

- **Gradual rural revival bodes well for HMCL:** Rural sentiment is positive given positive terms of trade for farmers and a healthy monsoon so far. Further, management has indicated that it is seeing a gradual recovery in rural markets currently. Given that HMCL has a dominant 100-110cc portfolio, any recovery in the rural region bodes well for the company. Further, the recent tax cut in the Union Budget is likely to help support entry-level demand, in our opinion.
- **Exports offer a huge headroom for growth:** Exports to emerging markets present a huge opportunity (~2x that of the Indian market) for HMCL, given that

it has a relatively smaller presence in exports so far. HMCL has doubled its target export markets to 40 countries over the past few years. Over the years, HMCL has been working on launching new products customized to key markets, revamping its distribution network, and investing in brand building in key markets. In FY25, HMCL posted 43% YoY growth in exports, at 2x the industry growth, and targets 40%+ growth in FY26E as well. We expect exports to continue to be a steady growth driver for HMCL in the coming years.

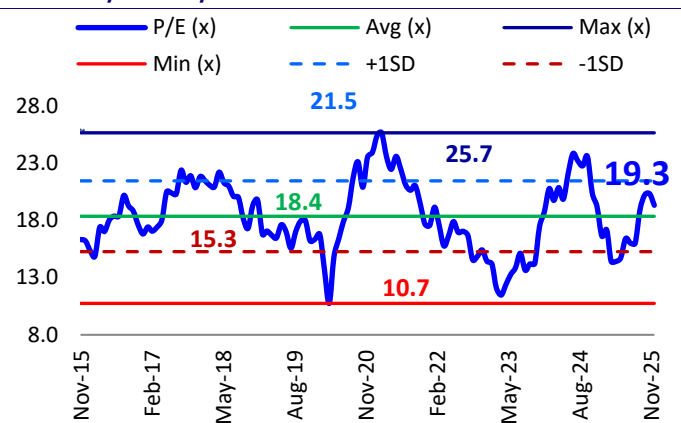
- **Reiterate BUY:** We expect HMCL to deliver a volume CAGR of ~6% over FY26-28, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments. We project a CAGR of ~8%/11%/12% in revenue/EBITDA/PAT over FY25-28. At ~22.5x/19.6x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR6,500 (based on 20x Sep'27E EPS + INR141/397 for Hero FinCorp/Ather post-20% Holdco discount).**

Exhibit 5: Revisions to our estimates

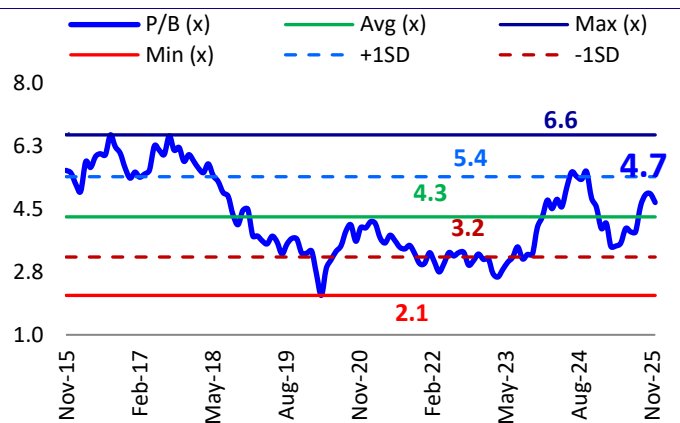
(INR b)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	6,013	6,101	-1.4	6,394	6,487	-1.4
Net Sales	429.6	432.4	-0.6	469.6	468.0	0.3
EBITDA	62.9	64.7	-2.9	71.1	71.4	-0.3
EBITDA Margins (%)	14.6	15.0	-30	15.2	15.2	-10
Net Profit	49.3	51.7	-4.6	56.5	56.7	-0.3
EPS (INR)	246.3	258.3	-4.6	282.3	283.1	-0.3

Source: MOFSL

Exhibit 6: P/E and P/B bands



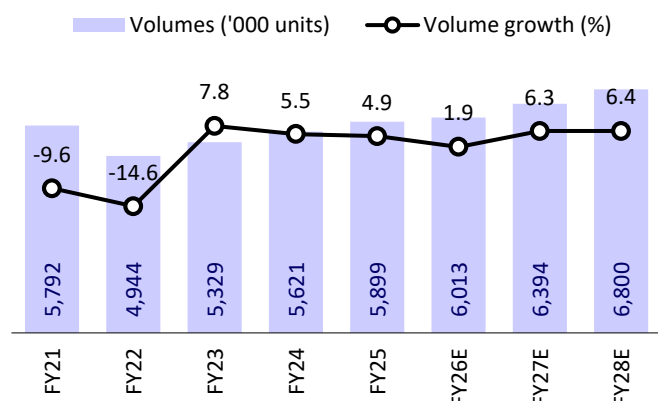
Source: MOFSL



Source: MOFSL

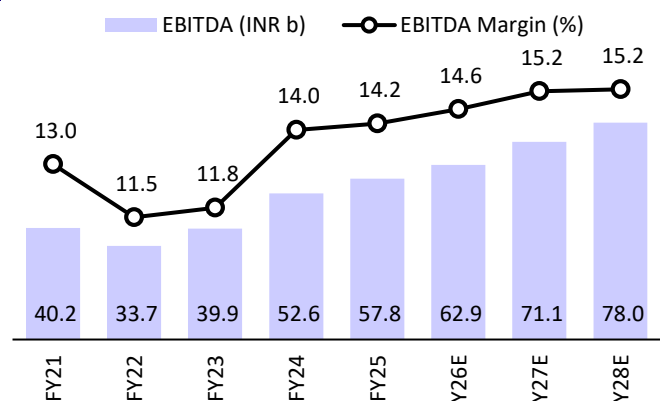
Story in charts

Exhibit 7: Steady growth expected, led by rural recovery



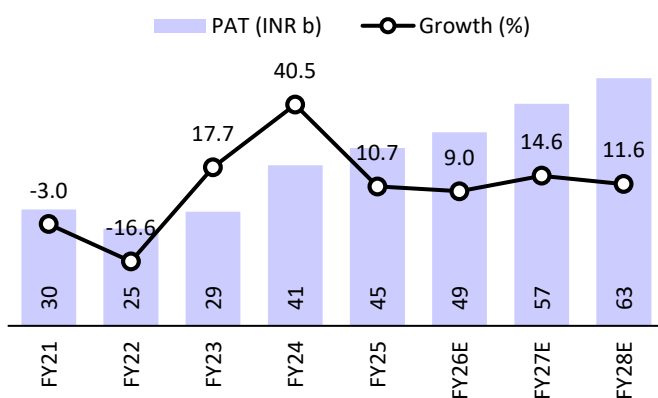
Source: Company, MOFSL

Exhibit 8: EBITDA margin trend



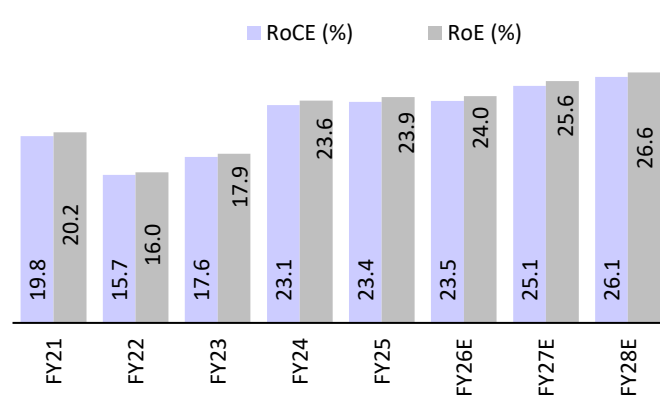
Source: Company, MOFSL

Exhibit 9: PAT growth to be steady



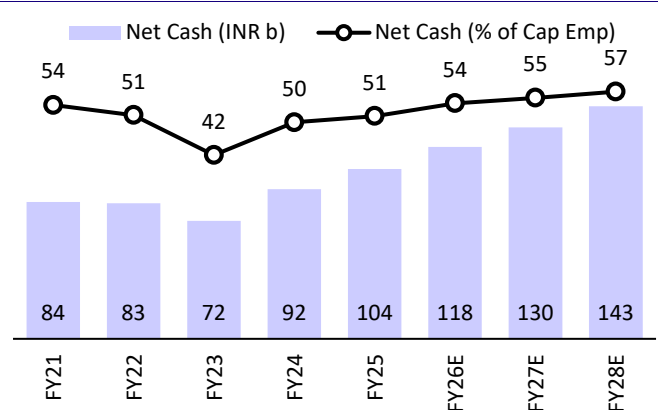
Source: Company, MOFSL

Exhibit 10: Trend in return ratios



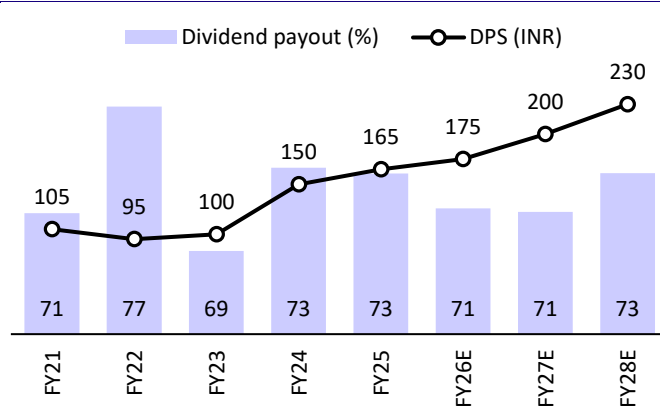
Source: Company, MOFSL

Exhibit 11: Trend in cash levels



Source: Company, MOFSL

Exhibit 12: Dividend payout trends



Source: Company, MOFSL

Exhibit 13: Snapshot of the revenue model

000 units	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total M/Cycles	5,333	4,628	4,959	5,191	5,476	5,538	5,891	6,267
Growth (%)	-11.0	-13.2	7.2	4.7	5.5	1.1	6.4	6.4
% of total volumes	92.1	93.6	93.1	92.3	92.8	92.1	92.1	92.2
Total Scooters	458	316	369	431	423	475	503	533
Growth (%)	9.2	-30.9	16.8	16.6	-1.9	12.3	6.0	6.0
% of total volumes	7.9	6.4	6.9	7.7	7.2	7.9	7.9	7.8
Total volumes	5,792	4,944	5,329	5,621	5,899	6,013	6,394	6,800
Growth (%)	-9.6	-14.6	7.8	5.5	4.9	1.9	6.3	6.4
- of which Exports	172	290	162	171	258	336	376	421
% of total volumes	3.3	6.5	3.3	3.3	4.8	6.1	6.5	6.8
Net Realizations (INR/unit)	53,182	59,152	63,443	66,630	68,945	71,451	73,446	75,497
Growth (%)	18.8	10.7	8.4	6.0	3.6	3.4	2.8	2.8
Net Revenues (INR b)	308	292	338	375	407	430	470	513
Growth (%)	6.8	-5.0	15.6	10.8	8.6	5.6	9.3	9.3

SIAM, Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Volumes ('000)	5,792	4,944	5,329	5,621	5,899	6,013	6,394	6,800
Volume Growth (%)	-9.6	-14.6	7.8	5.5	4.9	1.9	6.3	6.4
Net Revenues	308,006	292,455	338,057	374,557	406,719	429,649	469,623	513,404
Change (%)	6.8	-5.0	15.6	10.8	8.6	5.6	9.3	9.3
EBITDA	40,192	33,688	39,862	52,557	57,832	62,866	71,149	78,044
EBITDA Margin (%)	13.0	11.5	11.8	14.0	14.2	14.6	15.2	15.2
Depreciation	6,769	6,498	6,570	7,114	7,759	8,008	8,321	8,635
EBIT	33,424	27,190	33,293	45,443	50,074	54,858	62,828	69,410
Interest cost	218	258	199	185	199	240	203	205
Other Income	5,799	5,569	5,652	8,926	10,559	10,787	12,336	14,385
Non-recurring Expense	0	0	0	1,600	0	0	0	0
PBT	39,004	32,501	38,746	52,584	60,434	65,405	74,961	83,590
Tax	9,362	7,771	9,640	12,904	15,179	16,090	18,442	20,530
Effective Tax Rate (%)	24.0	23.9	24.9	24.5	25.1	24.6	24.6	24.6
Adj. PAT	29,642	24,730	29,106	40,887	45,255	49,315	56,519	63,060
Change (%)	-3.0	-16.6	17.7	40.5	10.7	9.0	14.6	11.6

Balance Sheet								(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sources of Funds								
Share Capital	400	400	400	400	400	400	400	400
Reserves	151,585	157,430	166,651	179,462	197,669	211,949	228,428	245,441
Net Worth	151,984	157,829	167,051	179,862	198,069	212,349	228,828	245,842
Deferred Tax	4,041	3,833	4,054	4,348	5,096	5,096	5,096	5,096
Capital Employed	156,025	161,662	171,105	184,210	203,165	217,445	233,924	250,938
Application of Funds								
Gross Fixed Assets	142,362	146,657	151,942	157,862	165,383	175,383	186,383	197,383
Less: Depreciation	82,478	88,592	94,328	99,522	106,369	114,376	122,697	131,332
Net Fixed Assets	59,884	58,065	57,614	58,340	59,014	61,006	63,685	66,051
Capital WIP	4,366	4,582	4,638	4,805	4,925	4,925	4,925	4,925
Investments	105,876	107,288	111,875	131,551	150,445	164,445	180,445	198,445
Curr.Assets, L & Adv.	51,485	47,206	58,504	61,019	64,817	67,529	73,076	78,288
Inventory	14,696	11,227	14,341	14,438	14,576	17,355	18,970	20,738
Sundry Debtors	24,268	23,043	27,982	27,034	36,744	32,396	35,410	38,711
Cash & Bank Balances	1,692	987	1,684	5,399	2,891	6,598	6,476	5,480
Loans & Advances	892	402	436	457	271	285	312	341
Others	9,938	11,547	14,062	13,691	10,335	10,895	11,909	13,019
Current Liab. & Prov.	65,585	55,478	61,527	71,506	76,037	80,460	88,207	96,771
Sundry Creditors	52,046	42,603	47,045	55,282	55,661	63,634	69,555	76,039
Other Liabilities	10,211	9,490	10,744	11,516	13,317	11,570	12,646	13,825
Provisions	3,328	3,385	3,738	4,708	7,058	5,255	6,006	6,907
Net Current Assets	-14,101	-8,272	-3,022	-10,487	-11,220	-12,931	-15,131	-18,483
Application of Funds	156,025	161,662	171,105	184,210	203,164	217,445	233,924	250,938

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)								
EPS	148.4	123.8	145.6	204.6	226.0	246.3	282.3	315.0
EPS Growth (%)	-3.0	-16.6	17.7	40.5	10.5	9.0	14.6	11.6
Cash EPS	182.2	156.3	178.5	234.1	264.8	286.3	323.9	358.1
Book Value per Share	760.7	789.9	835.9	900.0	989.4	1,060.7	1,143.0	1,228.0
DPS	105.0	95.0	100.0	150.0	165.0	175.0	200.0	230.0
Payout (Incl. Div. Tax) %	70.8	76.8	68.7	73.3	73.0	71.0	70.8	73.0
Valuation (x)								
P/E	37.3	44.7	38.0	27.0	24.5	22.5	19.6	17.6
EV/EBITDA	24.8	29.6	24.9	18.4	16.5	14.9	12.9	11.6
EV/Sales	3.2	3.4	2.9	2.6	2.3	2.2	2.0	1.8
Price to Book Value	7.3	7.0	6.6	6.1	5.6	5.2	4.8	4.5
Dividend Yield (%)	1.9	1.7	1.8	2.7	3.0	3.2	3.6	4.2
Profitability Ratios (%)								
RoE	20.2	16.0	17.9	23.6	23.9	24.0	25.6	26.6
RoCE	19.8	15.7	17.6	23.1	23.4	23.5	25.1	26.1
RoIC	50.1	44.5	49.2	71.9	85.8	95.8	113.4	124.4
Turnover Ratios								
Debtors (Days)	30	30	32	28	35	29	29	29
Inventory (Days)	18	15	16	15	14	16	16	16
Creditors (Days)	62	53	51	54	50	54	54	54
Working Capital (Days)	-17	-10	-3	-10	-10	-11	-12	-13
Asset Turnover (x)	2.0	1.8	2.0	2.0	2.0	2.0	2.0	2.0
Fixed Asset Turnover	2.2	2.0	2.3	2.4	2.5	2.5	2.6	2.7

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
(INR m)								
Profit before Tax	39,004	32,501	38,746	52,584	60,434	65,405	74,961	83,590
Depreciation & Amort.	6,769	6,498	6,570	7,114	7,759	8,008	8,321	8,635
Direct Taxes Paid	-9,759	-7,688	-8,496	-13,142	-15,341	-16,090	-18,442	-20,530
(Inc)/Dec in Working Capital	10,700	-6,825	-5,832	10,747	-3,036	5,418	2,079	2,355
Other Items	-4,987	-4,283	-5,197	-6,637	-7,997	240	203	205
CF from Oper. Activity	41,727	20,203	25,791	50,665	41,819	62,982	67,121	74,255
Extraordinary Items	0	0	0	-1,600	0	0	0	0
CF after EO Items	41,727	20,203	25,791	49,065	41,819	62,982	67,121	74,255
(Inc)/Dec in FA+CWIP	-5,101	-5,240	-5,675	-7,102	-8,103	-10,000	-11,000	-11,000
Free Cash Flow	36,626	14,963	20,115	43,563	33,716	52,982	56,121	63,255
(Pur)/Sale of Invest.	-16,998	3,721	987	-10,917	-7,755	-14,000	-16,000	-18,000
CF from Inv. Activity	-22,099	-1,519	-4,688	-18,019	-15,858	-24,000	-27,000	-29,000
Interest Paid	-515	-458	-455	-449	-540	-240	-203	-205
Dividends Paid	-18,900	-18,931	-19,951	-26,883	-27,929	-35,035	-40,040	-46,046
CF from Fin. Activity	-19,415	-19,389	-20,406	-27,331	-28,469	-35,275	-40,243	-46,251
Inc/(Dec) in Cash	213	-705	697	3,715	-2,508	3,707	-122	-996
Add: Beginning Balance	1,479	1,692	987	1,684	5,399	2,891	6,597	6,476
Closing Balance	1,692	987	1,684	5,399	2,891	6,597	6,476	5,479

E: MOFSL Estimates

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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