

**EV Launches, Global Push and Margin Stability to Drive Growth**
**Est. Vs. Actual for Q1FY26:** Revenue – **MISS**; EBITDA – **INLINE**; PAT – **BEAT**
**Change in Estimates post Q1FY26**
**FY26E/FY27E:** Revenue: -0.2%/-1.1%; EBITDA: -1.3%/-1.1%; PAT: -0.2%/-2.1%.

**Recommendation Rationale**

- **Market Share Recovery:** Hero's VAHAN market share increased to 30.9% in Q1FY26, reaching an 11-quarter high with a 100 bps sequential gain. Recovery is being driven by strong traction in the Deluxe 100cc segment and renewed momentum in the 125cc scooter and motorcycle categories (Destini 125, Xoom 125, Xtreme 125). In the EV segment, market share doubled YoY to 7% in Q1FY26 and further rose to 10% in July, supported by the successful rollout of VIDA VX2.
- **EBITDA Margin Improvement Despite EV Investments:** Hero's ICE EBITDA margin improved to 16.8% in Q1FY26, driven by a stronger mix and cost efficiencies, while overall margins remained stable at 14.4% despite EV investments of approximately Rs 189 Cr. The recent PLI certification for VIDA V2 Pro is expected to enhance EV profitability. Although margins may remain at the lower end of the 14–16% range in the near term, structural levers and incentive support position the company for medium-term improvement.
- **Global Business:** Hero MotoCorp's global business grew 27% YoY in Q1FY26, continuing the strong momentum seen in FY25. With a focus on 10–12 strategic markets, the company is introducing localised, premium-oriented products to drive market share gains. Hero targets scaling its global operations to contribute ~10% of overall revenue and volumes, positioning exports as a critical growth and diversification lever over the medium term.

**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 and EV vertical are rapidly expanding, highlighting its continued growth potential. The management maintains a long-term EBITDA margin guidance of ~14-16%.

**Current Valuation:** 17x core FY28E EPS (earlier 17x on FY27 EPS), adding share in Ather Energy Ltd (38% holding in listed entity) and Hero Fincorp 1x at FY25 P/B.

**Current TP:** Rs 5,220/share (Earlier TP: Rs 5,030/share).

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

**Financial Performance**

In Q1FY26, Hero reported revenue of Rs 9,579 Cr (2% miss), down 5.6%/3.6% YoY/QoQ, primarily impacted by weaker volumes, partially offset by higher ASP. EBITDA stood at Rs 1,382 Cr (inline), down 5.3%/2.4% YoY/QoQ. EBITDA margin remained flat at 14.4%, supported by lower input costs and ongoing cost-saving initiatives despite continued EV investments. PAT came in at Rs 1,126 Cr (9% beat), up 0.3%/4.1% YoY/QoQ, aided by higher other income and disciplined cost control.

**Key Financials (Standalone)**

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	9,579	-4%	-5.6%	9,801	-2%
EBITDA	1,382	-2%	-5.3%	1,344	3%
EBITDA Margin (%)	14.4%	18 bps	3 bps	13.7%	71 bps
Reported Net Profit	1,126	4%	0.3%	1,036	9%
Reported EPS (Rs)	56.3	4%	0.2%	51.8	9%

Source: Company, Axis Securities Research

(CMP as of 07<sup>th</sup> August 2025)

CMP (Rs)	4,659
Upside /Downside (%)	12%
High/Low (Rs)	6,245/3,322
Market cap (Cr)	93,220
Avg. daily vol. (6m) Shrs.	687,439
No. of shares (Cr)	20.00

**Shareholding (%)**

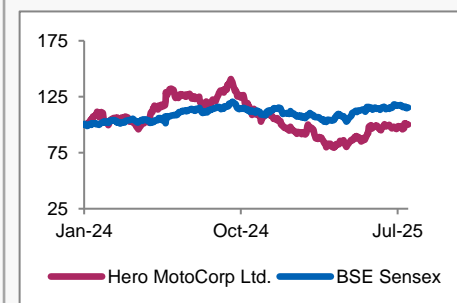
	Dec-24	Mar-25	Jun-25
Promoter	34.7	34.7	34.7
FII's	27.9	27.4	27.1
MFs / UTI	16.1	16.3	15.5
DII's	0.1	0.1	0.0
Others	21.1	21.4	22.7

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	43,857	47,041	50,608
EBITDA	6,329	6,862	7,408
Net Profit	4,956	5,290	5,701
EPS (Rs.)	248.1	264.8	285.3
PER (x)	18.8	17.6	16.3
EV/ EBITDA	14.4	12.9	11.5
P/BV (x)	4.2	3.8	3.4
RoE (%)	22.3	21.4	20.7

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
Sales	-0.2%	-1.1%
EBITDA	-1.3%	-1.1%
PAT	-0.2%	-2.1%

**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, and (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 a 13-14% CAGR in EBITDA over FY25-28E.

## Valuation & Recommendation

We thus value the stock at 17x core FY28E EPS (earlier 17x on FY27 EPS), adding share in Ather Energy Ltd (38% holding in the listed entity) and Hero Fincorp 1.5x at FY25 P/B, to arrive at a TP of Rs 5,220/share (from Rs 5,030/share). We **maintain a BUY rating on the stock**, with a 12% upside from the CMP.

## Key Concall Highlights

- **Macro Tailwinds & Festive Season Readiness:** The 2W industry is poised to benefit from macro tailwinds, including multi-year low inflation, recent RBI rate cuts, and a favourable monsoon outlook — all of which are expected to boost rural sentiment and drive a cyclical recovery in demand during the upcoming festive season. Hero has proactively commenced inventory build-up in anticipation of the demand uptick, backed by a refreshed product portfolio across key segments.
- **Inventory Position:** As per management commentary, Hero is currently operating at approximately seven weeks of inventory. The company has initiated festive season preparations, beginning with Onam in late August and extending through Diwali. Current inventory levels are aligned with demand planning and reflect optimism on festive recovery, supported by an improving macro environment and new launches across ICE and EV categories.
- **EV Business Scaling Up:** Hero's EV business continues to gain ground, with market share rising to 10% in July. The VIDA VX2 launch and the Battery-as-a-Service model have helped expand the customer base. While EV volumes remain modest, ongoing innovation and the recent PLI certification for the VIDA V2 Pro provide a strategic foundation for long-term scale-up in the segment.
- **Strengthening Distribution & Financing Ecosystem:** The company is strengthening its distribution and financing reach, now operating over 600 VIDA EV touchpoints across 400+ cities, and expanding its premium retail footprint through 120+ Premia stores, covering ~45% of the premium 2W market. Hero FinCorp's 4% YoY loan book growth in Q1FY26 continues to support sales, particularly in rural and entry-level markets, improving customer accessibility and aiding conversion across categories.

## Key Risks to Our Estimates and TP

- Premium Segment Execution still unproven – HD X440, KarizmaXMR and Mavrik440.
- Failure to grow substantial volumes in the EV space could continue impacting margins downward.

## Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E
Sales Volume ('000 units)	6.19	6.54	6.92	6.24	6.63	-	-0.8%	-1.4%	-
Sales	43,857	47,041	50,608	43,940	47,561	-	-0.2%	-1.1%	-
EBITDA	6,329	6,862	7,408	6,415	6,941	-	-1.3%	-1.1%	-
PAT	4,956	5,290	5,701	4,966	5,401	-	-0.2%	-2.1%	-
EPS	248.1	264.8	285.3	248.5	270.3	-	-0.2%	-2.0%	-

Source: Company, Axis Securities Research

## Q1FY26 Results Review

YE March (Rs Cr)	Q1FY26E	Axis Sec Estimates	Axis Sec Var (%)	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
<b>Total Revenue</b>	<b>9,579</b>	<b>9,801</b>	<b>-2.3%</b>	<b>9,939</b>	<b>-3.6%</b>	<b>10,144</b>	<b>-5.6%</b>
ASP (Rs/Vehicle)	70,070	71,692	-2.3%	71,974	-2.6%	66,076	6.0%
Less:							
Net Raw Material consumed	6,390	6,459	-1.1%	6,507	-1.8%	6,867	-6.9%
Other Exp.	1,181	1,323	-10.8%	1,345	-12.2%	1,209	-2.3%
Personnel	626	675	-7.3%	671	-6.7%	608	2.9%
Total Expenditure	8,197	8,457	-3.1%	8,523	-3.8%	8,684	-5.6%
<b>EBIDTA</b>	<b>1,382</b>	<b>1,344</b>	<b>2.8%</b>	<b>1,416</b>	<b>-2.4%</b>	<b>1,460</b>	<b>-5.3%</b>
Less: Depreciation	193	193	-0.4%	192	0.4%	193	-0.2%
EBIT	1,189	1,150	3.4%	1,223	-2.8%	1,267	-6.1%
Less: Interest	6	5	14.35%	5	18.6%	5	16.6%
Other Income	304	236	28.6%	224	35.7%	232	31.1%
Profit Before Extraordinary Items and Tax	1,487	1,381	7.6%	1,442	3.1%	1,493	-0.4%
Extraordinary Expense/(Income)	-	-	NA	-	NA	-	NA
<b>Profit Before Tax</b>	<b>1,487</b>	<b>1,381</b>	<b>7.6%</b>	<b>1,442</b>	<b>3.1%</b>	<b>1,493</b>	<b>-0.4%</b>
Less: Total Tax	361	345	4.6%	362	-0.1%	371	-2.6%
<b>Profit After Tax</b>	<b>1,126</b>	<b>1,036</b>	<b>8.7%</b>	<b>1,081</b>	<b>4.1%</b>	<b>1,123</b>	<b>0.3%</b>
Adj. Net Profit	1,126	1,036	8.7%	1,081	4.1%	1,123	0.3%
Shares Outstanding (Cr)	20	20	0.0%	20	0.0%	20	0.0%
<b>Reported EPS (Rs.)</b>	<b>56.3</b>	<b>51.8</b>	<b>8.7%</b>	<b>54.0</b>	<b>4.1%</b>	<b>56.1</b>	<b>0.2%</b>
Adj. EPS (Rs.)	56.3	51.8	8.7%	54.0	4.1%	56.1	0.2%

Cost & Margin Analysis	Q1FY26	Axis Sec Estimates	Change in bps	Q4FY25	Change in bps	Q1FY25	Change in bps
Net Raw Material/Net Sales (%)	67%	66%	81	65%	124	68%	(99)
Other Exp./Net Sales (%)	12%	14%	-117	14%	(121)	12%	41
Personnel/Net Sales (%)	7%	7%	-35	7%	(22)	6%	54
Gross Margin (%)	33%	34%	-81	35%	(124)	32%	99
EBITDA Margin (%)	14.4%	13.7%	71	14.2%	18	14.4%	3
EBIT (%)	12%	12%	68	12%	10	12%	(7)
PBT Margin (%)	16%	14%	143	15%	101	15%	80
NPM (%)	12%	11%	118	11%	88	11%	68
Adj. NPM (%)	12%	11%	118	11%	88	11%	68
Effective Tax Rate (%)	24%	25%	-70	25%	(76)	25%	(53)

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
<b>Net revenues</b>	<b>40,756</b>	<b>43,857</b>	<b>47,041</b>	<b>50,608</b>
Operating expenses	34,885	37,528	40,179	43,200
<b>EBIDTA</b>	<b>5,872</b>	<b>6,329</b>	<b>6,862</b>	<b>7,408</b>
<b>EBITDA margin (%)</b>	<b>14.4</b>	<b>14.4</b>	<b>14.6</b>	<b>14.6</b>
Other income	1,054	1,222	1,257	1,289
Interest	20	21	21	22
Depreciation	776	988	1,043	1,073
Profit Before Tax	6,130	6,542	7,054	7,601
Tax	1,518	1,613	1,763	1,900
<b>Reported Net Profit</b>	<b>4,610</b>	<b>4,929</b>	<b>5,290</b>	<b>5,701</b>
Net Margin (%)	11.3	11.2	11.2	11.3
<b>Adjusted Net Profit</b>	<b>4,612</b>	<b>4,956</b>	<b>5,290</b>	<b>5,701</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Equity Capital	40	40	40	40
Reserves & surplus	19,767	21,996	24,586	27,587
Shareholders' funds	19,807	22,036	24,626	27,627
Total Loans	0	0	0	0
Deferred tax liability	510	510	510	510
<b>Total Liabilities and Equity</b>	<b>20,316</b>	<b>22,545</b>	<b>25,135</b>	<b>28,136</b>
Gross block	16,003	17,139	17,639	18,139
Depreciation	10,495	11,483	12,526	13,599
Net block	5,508	5,656	5,112	4,539
Capital WIP	886	250	250	250
Investments	14,910	15,310	15,710	16,110
Inventory	1,458	1,682	1,804	1,941
Debtors	3,674	3,364	3,609	3,882
Cash & Bank Bal	353	1,931	4,604	7,711
Loans & Advances	1,131	1,917	2,012	2,119
Current Assets	6,617	8,895	12,029	15,653
Sundry Creditors	5,566	5,527	5,928	6,378
Other Current Liability	2,038	2,038	2,038	2,038
Current Liability & Provisions	7,604	7,565	7,966	8,416
Net current assets	-987	1,330	4,063	7,238
<b>Total Assets</b>	<b>20,316</b>	<b>22,545</b>	<b>25,135</b>	<b>28,136</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
EBIT	5,096	5,341	5,818	6,335
Other Income	1,054	1,222	1,257	1,289
Depreciation & Amortisation	776	988	1,043	1,073
Interest paid (-)	-20	-21	-21	-22
Tax paid (-)	-1,518	-1,613	-1,763	-1,900
Extra Ord Income	-2	0	0	0
<b>Operating Cash Flow</b>	<b>5,386</b>	<b>5,917</b>	<b>6,333</b>	<b>6,774</b>
Change in Working Capital	-248	-739	-61	-68
<b>Cash flow from Operations</b>	<b>5,137</b>	<b>5,178</b>	<b>6,273</b>	<b>6,706</b>
Capex	-855	-500	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-1,823	-400	-400	-400
<b>Cash flow from Investing</b>	<b>-2,679</b>	<b>-900</b>	<b>-900</b>	<b>-900</b>
Change in borrowing	0	0	0	0
Others	-15	0	0	-0
Dividends paid (-)	-2,700	-2,700	-2,700	-2,700
<b>Cash Flow from Financial Activities</b>	<b>-2,715</b>	<b>-2,700</b>	<b>-2,700</b>	<b>-2,700</b>
Change in Cash	-256	1,578	2,673	3,106
Opening cash	609	353	1,931	4,604
Closing cash	353	1,931	4,604	7,711

Source: Company, Axis Securities Research

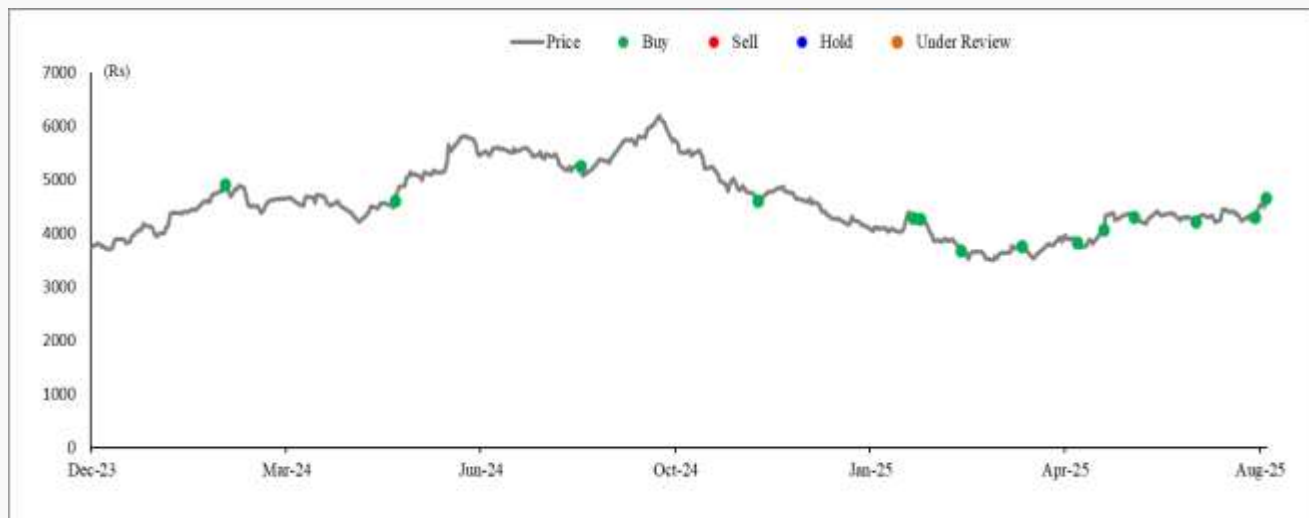
**Ratio Analysis**

(%)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Revenue Growth	8.8	7.6	7.3	7.6
EBITDA Margin	14.4	14.4	14.6	14.6
Net Profit Margin	11.3	11.3	11.2	11.3
ROCE (%)	22.3	21.8	21.1	20.4
ROE (%)	22.8	22.3	21.4	20.7
EPS (Rs)	230	248	265	285
P/E (x)	16.2	18.8	17.6	16.3
P/ BV (x)	3.8	4.2	3.8	3.4
EV/ EBITDA (x)	12.6	14.4	12.9	11.5
Fixed Assets Turnover Ratio (x)	6.4	7.4	8.8	10.6
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	1.8	2.1	1.9	1.7

Source: Company, Axis Securities Research

## Hero Motocorp Price Chart and Recommendation History



Date	Reco	TP	Research
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
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

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.