

HERO MOTOCORP LIMITED

Cost Discipline and EV Momentum Offset Weak Quarter

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Hero MotoCorp reported muted performance in Q1FY26, with revenue at ₹95.8 bn, declining 5.6% YoY and 3.6% QoQ, primarily impacted by (1) a temporary production pause, (2) seasonality in the Parts, Accessories, and Merchandise segment, which weighed on ASPs, and (3) broader industry headwinds. The company implemented price hikes related to OBD compliance, phased across Q4FY25 and Q1FY26. While commodity costs rose ~0.5% QoQ, management remains confident in offsetting the impact through its ongoing LEAP cost-saving program, which continues to deliver meaningful gains. EBITDA margin stood at 14.4%, largely flat YoY, supported by gross margin expansion driven by a favorable product mix, pricing actions, and disciplined cost management. However, this was partially offset by negative operating leverage due to lower volumes. PBT came in at ₹14.9 bn, stable YoY, with PBT margin improving to 15.5% (up 80bps YoY / 101bps QoQ), aided by higher other income. We expect EBITDA margins to remain in the 14.5%-15% range in FY26E-27E, supported by a favourable product mix and ongoing cost optimization measures, including gains from the LEAP program.

Hero's Twin Engine: EV Acceleration and Premium Foray

Hero MotoCorp has delivered robust growth in its EV business, achieving its highest-ever quarterly market share of 7% in Q1FY26, which further improved to over 10% in July. This momentum is underpinned by strong penetration across key geographies, with the company commanding over 20% share in 27 towns and ranking among the top two players in 54 towns. A key driver of this growth has been the launch of the VIDA VX2 in July 2025, which introduced an innovative "battery-as-a-service" model aimed at lowering upfront costs and expanding customer affordability. The EV portfolio now comprises the VIDA V2, targeting the sports segment, and VIDA VX2, focused on the family segment, with further portfolio expansion planned to cater to evolving consumer needs. The company also received PLI certification for the VIDA V2 Pro in July, and is actively pursuing approvals for additional models. Network expansion remains on track, with VIDA's footprint now exceeding 600 touchpoints across more than 400 cities, positioning Hero well for deeper EV adoption. Meanwhile, Hero's partnership with Harley-Davidson continues to strengthen, anchored in joint product development. Two products in the 440cc segment — the Harley X440 and Maverick 440 — are already in the market and retailed through the Premia network, which has scaled to over ~120 outlets. A new Harley-Davidson product is slated for launch in Q2FY26E, with further product introductions expected in CY26E.

Key Financials	FY24	FY25	FY26E	FY27E
Revenues (₹ bn)	375	408	437	477
EBITDA (%)	14.0	14.4	14.6	15.1
PAT (%)	10.6	11.3	11.5	11.7
EPS (₹)	198.7	230.5	250.0	279.2
EPS growth (%)	41.8%	11.5%	8.5%	11.7%
P/E (x)	23.4	20.2	18.6	16.7
P/B (x)	1.6	1.4	1.3	1.2
EV/EBITDA (x)	15.2	13.6	12.6	11.3
ROCE (%)	22.3%	23.0%	22.8%	23.3%
ROE (%)	21.2%	23.3%	23.1%	23.6%
Dividend yield (%)	2.9%	3.0%	3.5%	3.9%

BUY

Current Market Price (₹)	4,659
12M Price Target (₹)	5,304
Potential Return (%)	14

Stock Data

Sector	:	2/3 Wheelers
Face Value (₹)	:	2
Total MCap (₹ bn)	:	930
Free Float MCap (₹ bn)	:	601
52-Week High / Low (₹)	:	6,246 / 3,344
BSE Code / NSE Symbol	:	500182 / HEROMOTOCO
Bloomberg	:	HMCL IN
Sensex / Nifty	:	80,623 / 24,596

Shareholding Pattern

(%)	Jun-25	Mar-25	Dec-24	Sep-24
Promoter	34.74	34.74	34.74	34.75
FPIs	27.05	27.43	27.96	29.59
MFs	15.52	16.27	16.12	14.57
Other Institutions	10.53	9.87	9.53	9.60
Insurance	1.52	1.41	1.73	2.34
Others	10.64	10.28	9.92	9.15

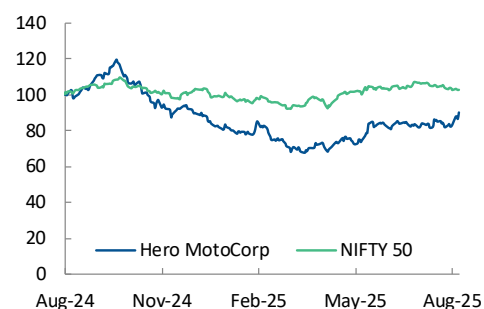
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
Hero Motocorp	8.2	20.5	9.0	-11.1
Nifty 50	-3.4	0.7	4.4	1.2

* To date / current date : August 7, 2025

Hero Motocorp vs Nifty 50



Maintains Competitive Edge with Strong Segment Play

Hero MotoCorp continues to actively manage its competitive positioning through segment-specific strategies and dynamic pricing. In Q1FY26, its VAHAN market share improved sequentially, supported by leadership in the 100cc Deluxe segment where HF Deluxe gained 800 bps YoY, reaching a market share of ~66-67%. In the 125cc scooters segment, Hero achieved a record share in June, backed by products like Destini 125 and Xoom 125, and aims to further strengthen its positioning through differentiated value propositions across motorcycles such as Xtreme (performance), Glamour (style), and Super Splendor (efficiency). Its scooter market share rose, with new launches targeting white spaces in the category. Global business reported 27% YoY dispatch growth and is targeting further export growth in FY26E, with a longer-term aspiration to contribute 10% of volumes and revenue. On the pricing front, ASP rose 6% YoY, driven by mix and price hikes, though sequentially impacted by seasonal PAM weakness. Despite elevated EV investments, consolidated EBITDA margin held steady at 14.4%, supported by LEAP savings and mix gains, with ICE margins improving to 16.8%.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q1 FY26	Q4 FY25	QoQ	Q1 FY25	YoY
Total net sales	95,789	99,387	-3.6%	1,01,437	-5.6%
RM cost	63,904	65,069	-1.8%	68,672	-6.9%
Employee cost	6,260	6,711	-6.7%	6,083	2.9%
Other expenses	11,808	13,451	-12.2%	12,085	-2.3%
EBITDA	13,817	14,156	-2.4%	14,598	-5.3%
EBITDA Margins %	14.4	14.2	20 bps	14.4	0 bps
Other income	3,037	2,237	35.7%	2,317	31.1%
Depreciation	1,928	1,921	0.4%	1,932	-0.2%
Interest	56	47	18.6%	48	16.6%
PBT	14,870	14,425	3.1%	14,935	-0.4%
Tax	3,613	3,615	-0.1%	3,708	-2.6%
PAT	11,257	10,809	4.1%	11,226	0.3%
PAT margins %	11.8	10.9	90 bps	11.1	70 bps
Exceptional items	-	-	N/A	-	N/A
Adjusted PAT	11,257	10,809	4.1%	11,226	0.3%
APAT margins %	11.8	10.9	8.1%	11.1	6.2%

Source: Company, LKP Research

Outlook & View

Hero MotoCorp is well-positioned to benefit from its segmental leadership, targeted product refreshes, and focused execution across core and emerging categories. Continued traction in the 100cc and 125cc segments, along with the gradual ramp-up in scooters and premium offerings, is expected to drive volumes. The company's differentiated EV strategy, supported by the expanding VIDA portfolio and distribution network, should aid scale-up and long-term competitiveness. The upcoming new product launches in the form of two new 125 cc motorcycles and a scooter shall provide further market share gains. Margin delivery is likely to remain stable, backed by ongoing cost efficiency initiatives and improved product mix. We expect Revenue/EBITDA/PBT to grow at a CAGR of 8.1%/ 10.8%/ 9.7% over FY25–FY27E, with favourable product mix, operating leverage, and EV ramp-up serving as key catalysts. We value company at a P/E of 19x on earnings of FY27E and raise our target to ₹5,304.

ConCall Key Takeaways

Strategic & Competitive Positioning

- Hero continues to manage competitive positioning through segment-specific strategies and dynamic pricing.
- Maintains leadership in core ICE segments with strong traction in 100cc and 125cc categories.
- Focused positioning across: Xtreme for performance, Glamour for style, Super Splendor for mileage.

EV Business – VIDA

- VIDA VX2 launched in July 2025 with battery-as-a-service model, aiming to lower upfront costs.
- EV expansion supported by:
 - 600+ VIDA touchpoints across 400+ cities.
 - PLI certification for VIDA V2 Pro received in July.
 - Additional models under approval process.
 - Introductory pricing and flexible subscription plans rolled out for VX2.

Premium Segment & Harley-Davidson Partnership

- Strong ongoing partnership with Harley-Davidson (HD), focused on joint product development.
- Current portfolio includes: Harley X440, Maverick 440
- Sold through Premia outlets (now >120).
- New HD model planned for Q2FY26E, with further launches in CY26E.

Product Development & Launch Pipeline

- ICE Portfolio: Launched HF Deluxe Pro with enhanced features (LED headlights, digital meter), Two new 125cc motorcycles scheduled for Q2FY26E.
- Scooters: Recently launched: Destini 125, Xoom 125. Upcoming: Xoom 160 planned to address white spaces.

Cost Management & Operational Initiatives

- LEAP cost-saving program helping offset commodity inflation.
- Strong focus on cost discipline, pricing actions, and favorable mix to manage margins.
- Despite temporary production pause in April, supply chain and production have normalized.
- Company is covered for rare earth materials for Q2FY26E, exploring alternatives for future resilience.
- Inventory level increased to ~7 weeks in Q1; higher levels planned to cater to the upcoming festive season.

All figs in (₹)	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24
Volumes (mn)	1.37	1.38	1.46	1.52	1.54	1.39	1.46	1.42
Net Realization	70,069	71,991	69,772	68,851	66,083	68,386	66,604	66,680
Material Cost/Unit	46,745	47,133	45,886	45,927	44,737	45,437	44,845	45,731
Staff Cost/Unit	4,579	4,861	4,525	4,300	3,963	4,625	4,121	4,072
Other Expn/Unit	8,637	9,743	9,272	8,649	7,873	8,560	8,309	7,500
Total Expn/Unit	59,961	61,737	59,682	58,876	56,573	58,622	57,275	57,303
EBITDA/unit	10,107	10,254	10,089	9,975	9,510	9,764	9,329	9,377
Net profit /unit	8,234	7,830	8,219	7,920	7,314	7,299	7,352	7,439

Source: Company, LKP Research

Income Statement

(₹ mn)	FY24	FY25	FY26E	FY27E
Total Revenues	3,74,557	4,07,564	4,36,582	4,76,660
Raw Material Cost	2,54,308	2,70,687	2,91,637	3,19,363
Employee Cost	24,023	25,952	27,941	28,600
Other Exp	43,669	52,248	53,263	56,723
EBITDA	52,557	58,677	63,741	71,976
<i>EBITDA Margin(%)</i>	<i>14.0</i>	<i>14.4</i>	<i>14.6</i>	<i>15.1</i>
Other income	8926	10559	11000	11000
Depreciation	7,114	7,759	8,290	8,974
Interest	185	199	230	242
PBT	54,183	61,278	66,221	73,759
<i>PBT Margin(%)</i>	<i>14.5</i>	<i>15.0</i>	<i>15.2</i>	<i>15.5</i>
Exceptional items	1600	0	0	0
Tax	12,904	15,179	16,224	17,924
PAT	41,279	46,100	49,997	55,836
<i>PAT Margins (%)</i>	<i>11.0</i>	<i>11.3</i>	<i>11.5</i>	<i>11.7</i>
Adj PAT	39,679	46,100	49,997	55,836
<i>Adj PAT Margin (%)</i>	<i>10.6</i>	<i>11.3</i>	<i>11.5</i>	<i>11.7</i>

Key Ratios

YE Mar	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
Adj. EPS	198.7	230.5	250.0	279.2
CEPS	234.3	269.3	291.4	324.1
BVPS	899.8	990.3	1084.0	1181.7
DPS	135.0	140.0	162.5	181.5
Growth Ratios(%)				
Total revenues	10.8%	8.8%	7.1%	9.2%
EBITDA	31.8%	11.6%	8.6%	12.9%
PAT	41.8%	11.7%	8.5%	11.7%
EPS Growth	41.8%	11.5%	8.5%	11.7%
Valuation Ratios (x)				
PE	23.4	20.2	18.6	16.7
P/CEPS	19.9	17.3	16.0	14.4
P/BV	1.6	1.4	1.3	1.2
EV/Sales	2.5	2.3	2.2	2.0
EV/EBITDA	15.2	13.6	12.6	11.3
Operating Ratios (Days)				
Inventory days	20.7	19.7	25.0	25.0
Receivable Days	26.3	32.9	29.0	28.0
Payables day	53.9	49.8	52.0	53.0
Net Debt/Equity (x)	0.02	0.05	0.03	0.01
Profitability Ratios (%)				
ROCE	22.3%	23.0%	22.8%	23.3%
ROE	21.2%	23.3%	23.1%	23.6%
Dividend yield	2.9%	3.0%	3.5%	3.9%

Balance Sheet

(₹ mn)	FY24	FY25	FY26E	FY27E
EQUITY & LIABILITIES				
Equity Share Capital	400	400	400	400
Reserves & Surplus	1,79,462	1,97,669	2,16,404	2,35,946
Total Networth	1,79,862	1,98,069	2,16,804	2,36,346
Total debt	0	0	0	0
Deferred Tax Liability	7,245	7,776	7,776	7,776
Long term provisions	3,167	4,891	4,891	4,891
Total non current liabilities	10,411	12,667	12,667	12,667
Current Liab & Prov				
Current liabilities	55,282	55,661	62,198	69,214
Other liabilities & Provisions	10,163	12,804	12,804	12,804
Total Equity and Liabilities	2,55,716	2,79,201	3,04,471	3,31,029
ASSETS				
Net block	53,055	53,421	60,506	63,531
Capital WIP	1,206	1,066	4,000	7,000
Intangible assets	8,885	9,451	9,451	9,451
Deferred tax assets	0	0	0	0
Long term investments	88,116	82,990	86,990	90,990
Long term loans and advances	2,100	709	709	709
Other non current assets	4,394	3,198	3,198	3,198
Total non-current assets	1,57,755	1,50,835	1,64,853	1,74,879
Current Assets				
Current investments	42,745	66,106	76,106	84,106
Cash and Bank	6,089	3,532	5,436	9,696
Inventories	14,438	14,576	15,980	18,374
Sundry Debtors	27,034	36,744	34,687	36,566
Loan, Advances & others	7,654	7,408	7,408	7,408
Other current assets	246	271	271	271
Total Assets	2,55,716	2,79,201	3,04,471	3,31,029

Cash Flow

(₹ mn)	FY24	FY25	FY26E	FY27E
PAT	39,680	46,100	49,997	55,836
Depreciation	7,114	7,759	8,290	8,974
Interest	185	199	230	242
Income Tax paid	(13,142)	(15,341)	(16,224)	(17,924)
Chng in working capital	10,747	(3,336)	7,190	2,743
Cash flow from operations (a)	49,065	41,819	65,707	67,795
Capital expenditure	(7,195)	(8,268)	(16,434)	(15,000)
Chng in investments	(7,985)	(11,494)	(14,000)	(12,000)
Other investing activities	(2,838)	3,905	0	0
Cash flow from investing (b)	(18,019)	(15,858)	(30,434)	(27,000)
Free cash flow (a+b)	31,047	25,961	35,273	40,795
Inc/dec in borrowings	0	0	0	0
Dividend paid (incl. tax)	(26,987)	(27,998)	(32,498)	(36,293)
Other financing activities	(81)	(130)	(230)	(242)
Cash flow from financing (c)	(27,331)	(28,469)	(32,728)	(36,535)
Net chng in cash (a+b+c)	3,715	(2,508)	2,545	4,260
Closing cash & cash equivalents	5,399	2,891	5,436	9,696

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