

Hero MotoCorp (HMCL)

Automobiles | Company Update

BUY
CMP: Rs6,211 | Target Price (TP): Rs7,190 | Upside: 16%
December 04, 2025

Hero MotoCorp: Riding a Strong Comeback Across Segments

Key Points

- Demand outlook:** We turn incrementally constructive on Hero given improving domestic share trends, rural demand tailwinds, Strengthening EV ramp-up, and strong exports momentum. Lower inventories, stable financing, and GST-led affordability aid visibility into sustained demand through H2FY26. We expect high-single digit volume CAGR over FY25-27E supported by operating leverage and better pricing power.
- Valuation:** Improving mix, global expansion, and EV scale-up strengthen Hero's medium-term growth trajectory. We maintain BUY with a TP of Rs7,190 (Sep-27E), valuing the standalone business at 20.5x Sep-27E EPS and assigning a value of Rs 488/share to its associates (Ather, Hero FinCorp, and Euler) with appropriate holding discounts. The implied valuation of ~21x is aligned with long-term averages; ~9% volume CAGR is expected over FY25-27E.

FY26 guidance: Hero gained market share during October and November with 26% VAHAN growth, thus outperforming peers. Management reiterated 14–16% EBITDA margin guidance, supported by premiumisation, EV expansion, and strong cost execution. Exports are expected to contribute atleast ~10% of volumes in H2.

Strong Nov-25 momentum: Hero posted 31% YoY wholesale growth in Nov-25 to 0.6mn units, supported by healthy rural and urban demand, led by strong traction in new models like Xtreme 125R and Xoom 160. VIDA maintained strong scale-up with 66% YoY retail growth and a double digit EV share, while exports surged 70% YoY with expansion into Europe and robust LATAM/Africa momentum.

Strategic shift in portfolio positioning: Hero is evolving into a more balanced, multi-segment two-wheeler player with market share gains across the 100–125cc motorcycle and scooter categories, supported by upgrades and launches like HF Deluxe Pro and Glamour X. EV penetration continues to improve, now exceeding 10% national share, led by strong scale-up of the VIDA VX2 platform, while EV margins are gradually strengthening through cost optimization and operational leverage. Overall market share has begun to stabilize after several years of declines, aided by a refreshed entry and executive lineup and tighter inventory discipline.

Entry-level motorcycle recovery supported by GST 2.0: The sub-110cc commuter category has demonstrated early signs of recovery in H1FY26 as the segment share improved from 7.9% to 9.2% over the past two quarters. Hero has gained 3% market share in Q2 and 5% in H1, supported by upgrades to Splendor and HF Deluxe. With GST 2.0 enhancing affordability in the value-conscious segment, the momentum is expected to strengthen further. Hero's dominant position in this price-sensitive category—holding ~79% market share in FY25—positions it as the primary beneficiary of these affordability reforms.

Expanding export base: Exports accelerated sharply with 70% YoY growth in November, pushing Hero's global market share above 8.5%, supported by a rising contribution from premium motorcycle shipments(40% share in total sales). The company now has a presence in 52 countries with strengthening traction in key markets across Latin America and Africa, and a re-entry into Europe enabled by the rollout of Euro-5+ compliant models.

Est Change	Upward
TP Change	Upward
Rating Change	Maintain

Company Data and Valuation Summary

Reuters	HROM.BO
Bloomberg	HMCL IN Equity
Mkt Cap (Rsbn/US\$bn)	1,254.6 / 14.1
52 Wk H / L (Rs)	6,340 / 3,344
ADTV-3M (mn) (Rs/US\$)	4,670.1 / 52.7
Stock performance (%) 1M/6M/1yr	13.1 / 48.2 / 32.1
Nifty 50 performance (%) 1M/6M/1yr	(0.1) / 5.3 / 6.4

Shareholding	4QFY25	1QFY26	2QFY26
Promoters	34.7	34.7	34.7
DILs	27.9	27.8	26.4
FII	27.4	27.0	28.8
Others	9.9	10.4	10.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25	FY26E	FY27E
Volume (units)	56,21,286	58,99,244	63,05,540	68,43,001
Growth YoY %	5.6	4.9	6.9	8.5
Net Sales	3,74,557	4,07,564	4,54,412	5,11,212
Growth YoY %	10.8	8.8	11.5	12.5
Gross margin %	32.1	33.6	33.8	33.9
EBITDA	52,557	58,677	68,162	78,727
EBITDA margin %	14.0	14.4	15.0	15.4
Adj PAT	40,887	46,100	53,727	61,001
Growth YoY %	40.5	12.7	16.5	13.5
Adj EPS (Rs)	206.4	230.5	268.6	305.0
RoCE	18.5	18.7	19.9	21.2
RoE	22.7	23.3	24.6	25.4
RoIC	19.1	19.1	20.7	23.2
P/E	30.1	26.9	23.1	20.4
EV/EBITDA	23.5	21.1	18.1	15.5
P/BV	6.9	6.3	5.7	5.2

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Key Links- 2QFY26 Result Update

Please refer to the disclaimer towards the end of the document.

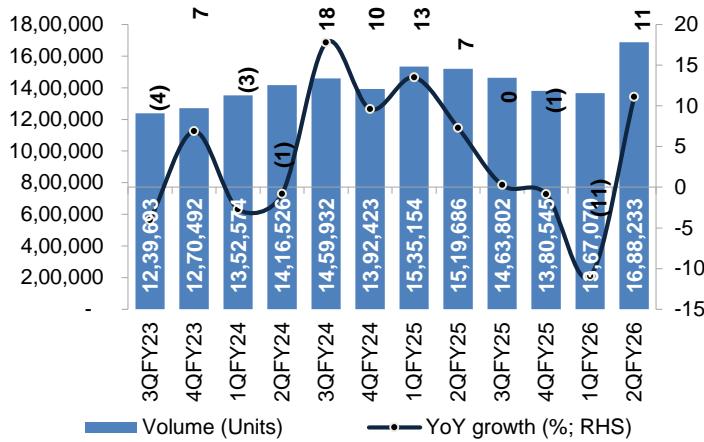
Exhibit 1: Change in our estimates

(Rsmn)	New estimates		Old estimates		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Revenue	4,54,412	5,11,212	4,45,830	5,07,939	1.9	0.6
EBITDA	68,162	78,727	67,097	77,461	1.6	1.6
EBITDA (%)	15.0	15.4	15.1	15.3	-	-
PAT	53,478	61,059	52,680	60,110	1.5	1.6
EPS (Rs)	267.4	305.3	263.4	300.5	1.5	1.6

Source: Nirmal Bang Institutional Equities Research

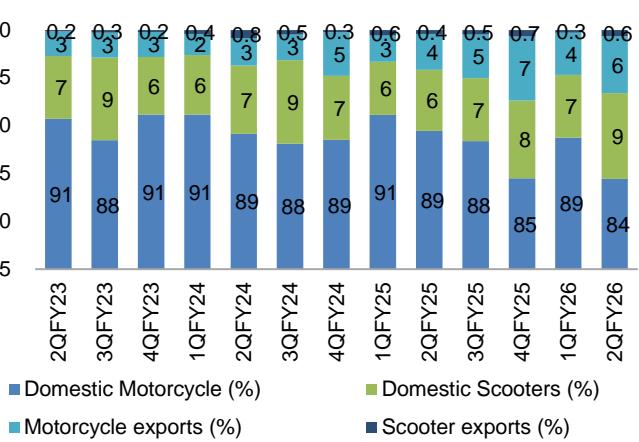
Story in charts

Exhibit 2: Volumes accelerated in Q2, aided by GST-related benefits and festive recovery



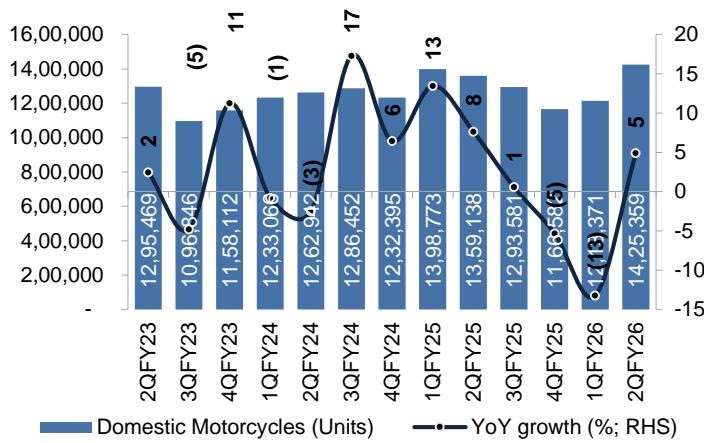
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Scooter and export contributions are rising in the segment mix



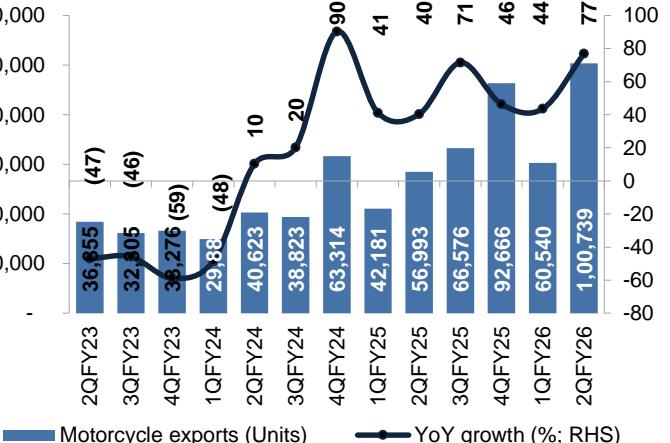
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Motorcycles – domestic volume improved in Q2



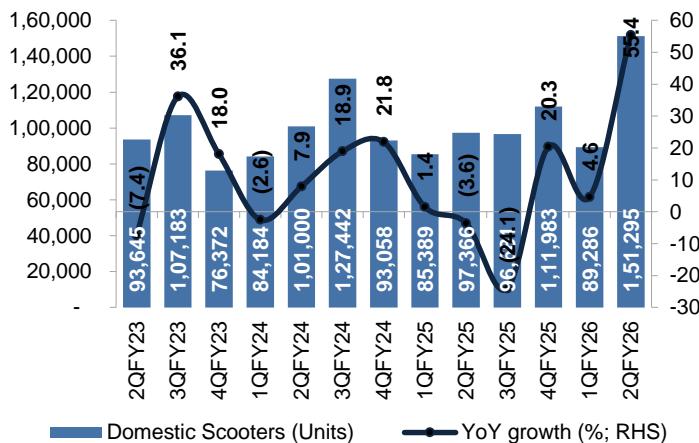
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Motorcycle exports have seen a strong recovery over the last eight quarters



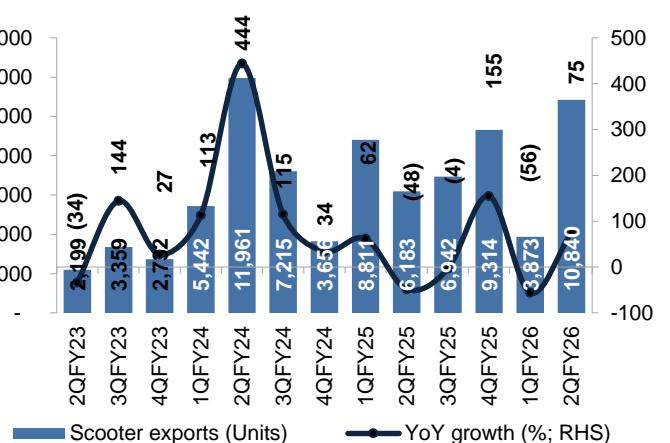
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Scooters domestic volume picked up supported by EV sales

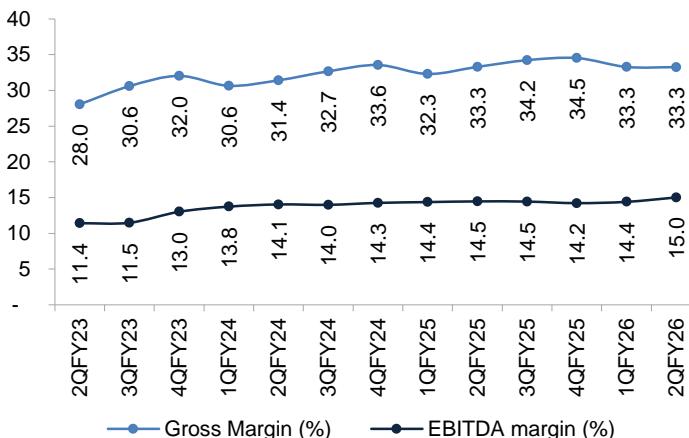


Source: Company, Nirmal Bang Institutional Equities Research

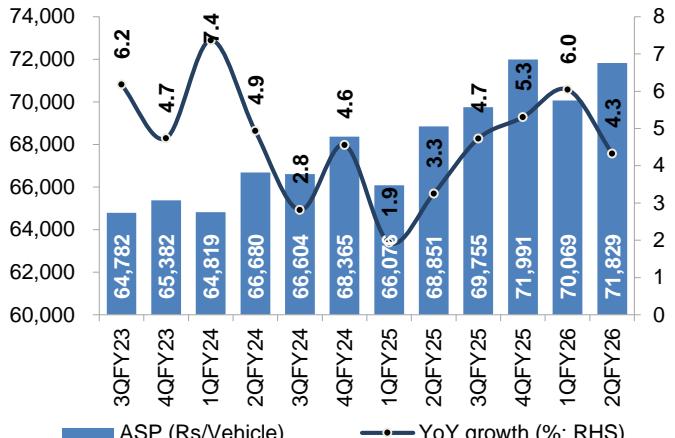
Exhibit 7: Scooter export volume have showed positive uptick in Q2



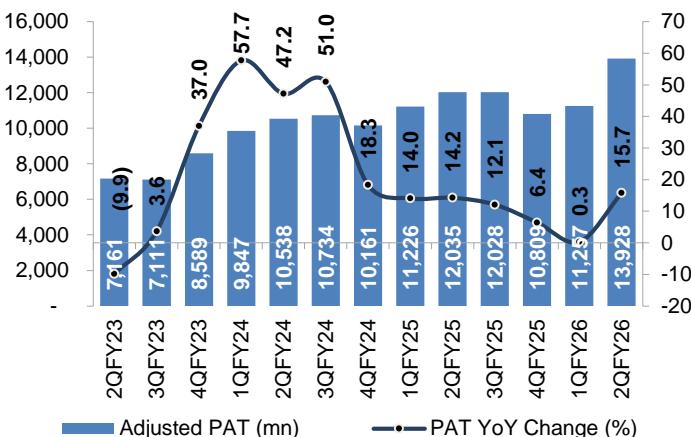
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: EBITDA and gross margins continue to trend upward, supported by ongoing cost efficiencies


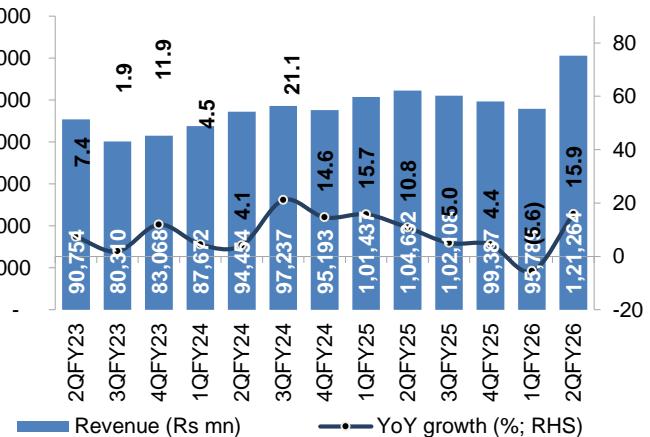
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: ASP growth has remained strong, driven by exports and ongoing product upgrades


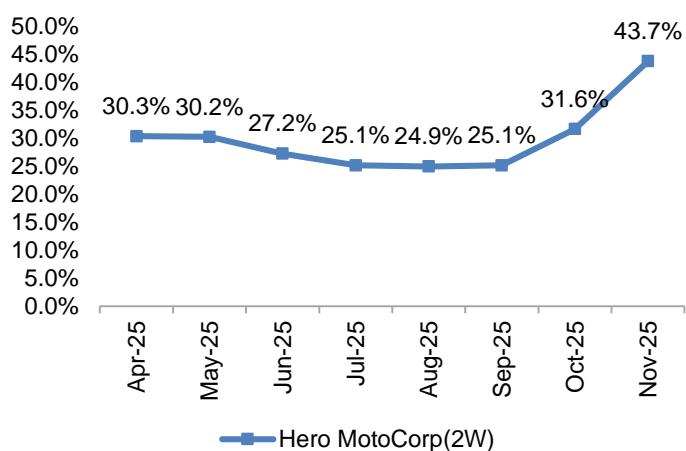
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Adj. PAT trajectory to benefit from scaling volumes and sustained cost controls


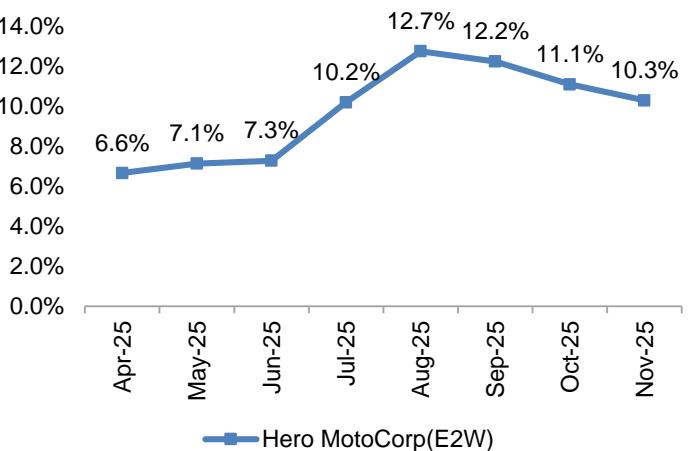
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Revenue trajectory to strengthen with mix enhancement


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: 2W retail market share improved, supported by festive demand and GST 2.0 tailwinds


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: E2W retail market share improved, supported by strong customer response to the Vida VX2


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: One-year forward P/E chart


Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 15: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	3,38,057	3,74,557	4,07,564	4,54,412	5,11,212
Growth YoY %	15.6	10.8	8.8	11.5	12.5
Gross profit	99,475	1,20,250	1,36,877	1,53,591	1,73,301
Gross margin %	29.4	32.1	33.6	33.8	33.9
Staff costs	21,898	24,023	25,952	28,174	31,184
% of sales	6	6	6	6	6
Other expenses	37,715	43,669	52,248	57,256	63,390
% of sales	11	12	13	13	12
EBITDA	39,862	52,557	58,677	68,162	78,727
Growth YoY %	18.3	31.8	11.6	16.2	15.5
EBITDA margin %	11.8	14.0	14.4	15.0	15.4
Depreciation	6,570	7,114	7,759	8,359	9,115
EBIT	33,293	45,443	50,918	59,803	69,612
Interest	199	185	199	209	220
Other income	5,652	8,926	10,559	12,042	11,942
PBT (bei)	38,746	54,184	61,278	71,636	81,335
PBT	38,746	52,584	61,278	71,636	81,335
ETR	24.9	24.5	24.8	25.0	25.0
PAT	29,106	39,680	46,100	53,727	61,001
Adj PAT	29,106	40,887	46,100	53,727	61,001
Growth YoY %	17.7	40.5	12.7	16.5	13.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	400	400	400	400	400
Reserves	1,66,651	1,79,462	1,97,669	2,18,396	2,39,397
Net worth	1,67,051	1,79,862	1,98,069	2,18,796	2,39,797
Long term debt	-	-	-	-	-
Short term debt	1,343	1,115	1,242	1,242	1,242
Total debt	1,343	1,115	1,242	1,242	1,242
Net debt	-2,112	-4,974	-2,290	-6,799	-19,948
Other non-current liabilities	4,054	4,348	5,096	5,096	5,096
Total Equity & Liabilities	2,32,631	2,55,716	2,79,201	3,00,290	3,28,294
Gross block	1,10,994	1,18,550	1,26,676	1,38,676	1,50,676
Accumulated depreciation	58,381	65,496	73,254	81,613	90,727
Net Block	52,612	53,055	53,421	57,063	59,948
CWIP	1,286	1,206	1,066	1,066	1,066
Intangible and others	8,354	8,885	9,451	9,951	10,451
Other non-current assets	14,498	14,148	11,315	11,315	11,315
Investments	1,10,104	1,30,861	1,49,096	1,53,096	1,57,096
Trade receivables	27,982	27,034	36,744	37,349	42,017
Inventories	14,341	14,438	14,576	22,409	25,210
Cash & Cash Equivalents	3,455	6,089	3,532	8,041	21,190
Other current assets	-	-	-	-	-
Total current assets	60,276	61,709	66,166	79,114	99,733
Trade payables	47,045	55,282	55,661	56,023	63,026
Other current liabilities	13,139	15,109	19,133	19,133	19,133
Total current liabilities	60,184	70,391	74,795	75,157	82,159
Total Assets	2,32,631	2,55,716	2,79,201	3,00,290	3,28,294

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PBT	38,746	52,584	61,278	71,636	81,335
Depreciation	6,570	7,114	7,759	8,359	9,115
Interest	199	185	199	209	220
Other adjustments	-	-	-	-	-
Change in Working capital	(6,177)	8,773	(53)	(12,586)	(13,616)
Tax paid	(9,419)	(12,610)	(14,431)	(17,909)	(20,334)
Operating cash flow	29,918	56,046	54,752	49,709	56,720
Capex	(6,175)	(8,007)	(8,552)	(12,500)	(12,500)
Free cash flow	23,744	48,039	46,200	37,209	44,220
Other investing activities	2,071	(11,832)	(7,676)	8,042	7,942
Investing cash flow	25,815	36,207	38,524	45,251	52,162
Issuance of share capital	0	0	0	-	-
Movement of Debt	(80)	(228)	127	-	-
Dividend paid (incl DDT)	(21,984)	(22,989)	(28,000)	(33,000)	(40,000)
Other financing activities	(199)	(185)	(199)	(209)	(220)
Financing cash flow	3,552	12,806	10,452	12,042	11,942
Net change in cash flow	1,704	2,634	(2,558)	4,510	13,149
Opening C&CE	1,751	3,455	6,089	3,532	8,041
Closing C&CE	3,455	6,089	3,532	8,041	21,190

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Key ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	145.5	206.4	230.5	268.6	305.0
Book value	835.3	899.3	990.3	1,094.0	1,199.0
DPS	110.0	115.0	140.0	165.0	200.0
Valuation (x)					
P/Sales	3.7	3.3	3.0	2.7	2.4
EV/EBITDA	31.1	23.5	21.1	18.1	15.5
P/E	42.7	30.1	26.9	23.1	20.4
P/BV	7.4	6.9	6.3	5.7	5.2
Return ratios (%)					
RoCE	14.5	18.5	18.7	19.9	21.2
RoCE (pre-tax)	19.3	24.5	24.9	26.6	28.3
RoE	17.4	22.7	23.3	24.6	25.4
RoIC	14.8	19.1	19.1	20.7	23.2
Profitability ratios (%)					
Gross margin	29.4	32.1	33.6	33.8	33.9
EBITDA margin	11.8	14.0	14.4	15.0	15.4
PAT margin	8.6	10.9	11.3	11.8	11.9
Liquidity ratios (%)					
Current ratio	1.0	0.9	0.9	1.1	1.2
Quick ratio	0.8	0.7	0.7	0.8	0.9
Solvency ratio (%)					
Net Debt to Equity ratio	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Turnover ratios					
Fixed asset turnover ratio (x)	3.0	3.2	3.2	3.3	3.4
Debtor days	30.2	26.3	32.9	30.0	30.0
Inventory days	15.5	14.1	13.1	18.0	18.0
Creditor days	50.8	53.9	49.8	45.0	45.0
Net Working capital days	(5.1)	(13.5)	(3.9)	3.0	3.0

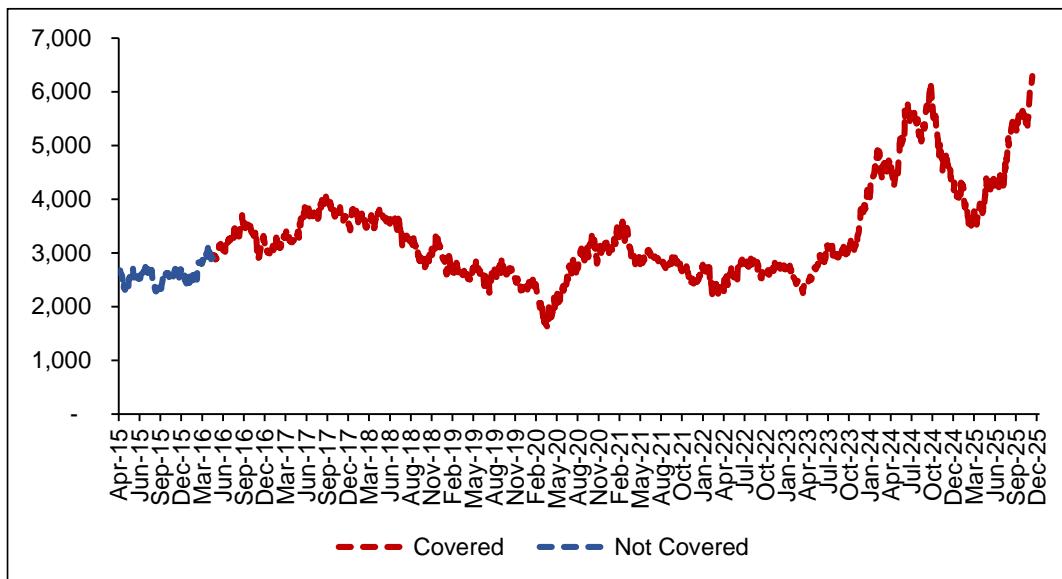
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 May 2015	Buy	2,588	2,981
18 June 2015	Buy	2,525	2,981
9 July 2015	Buy	2,550	2,981
9 October 2015	Buy	2,545	3,023
23 October 2015	Buy	2,606	3,044
9 May 2016	Hold	2,893	3,104
9 August 2016	Hold	3,457	3,396
28 October 2016	Hold	3,314	3,655
3 January 2017	Buy	3,008	3,409
10 February 2017	Buy	3,265	3,596
12 May 2017	Hold	3,462	3,863
26 July 2017	Hold	3,709	4,081
2 November 2017	Hold	3,819	4,275
7 February 2018	Buy	3,542	4,115
3 May 2018	Hold	3,664	4,104
26 July 2018	Buy	2,895	3,493
17 October 2018	Hold	3,664	4,104
31 July 2019*	Buy	2,268	2,607
24 October 2019	Hold	2,707	2,812
28 January 2020	Buy	2,455	3,107
07 February 2020	Buy	2,419	3,107
30 March 2020	Buy	1,660	2,471
10 June 2020	Buy	2,305	2,739
17 August 2020	Buy	2,796	3,312
22 September 2020	Buy	2,995	3,890
30 October 2020	Buy	2,894	3,890
6 January 2021	Buy	3,068	4,229
6 February 2021	Buy	3,427	3,995
9 April 2021	Hold	2,912	3,300
10 May 2021	Hold	2,860	3,160
13 August 2021	Hold	2,772	3,060
14 November 2021	Hold	2,685	3,000
11 February 2022	Hold	2,717	3,000
5 May 2022	Buy	2,418	3,161
15 August 2022	Buy	2,758	3,364
9 November 2022	Buy	2,598	3,202
27 November 2022	Buy	2,711	3,202
8 February 2023	Buy	2,599	3,169
6 May 2023	Buy	2,542	3,153
13 June 2023	Buy	2,930	3,357
5 July, 2023	Buy	3,029	3,357
13 August 2023	Buy	3,004	3,477
2 November 2023	Buy	3,060	3,541
12 February 2024	Buy	4,909	5,720
16 August 2024	Buy	5,079	5,848
09 October 2024	Buy	5,530	6,409
18 November 2024	Buy	4,604	5,934
14 January 2025	Buy	4,045	5,077

09 February 2025	Hold	4,282	4,591
13 April 2025	Buy	3,663	4,692
15 May 2025	Buy	4,050	4,723
09 July 2025	Hold	4,297	4,821
07 August 2025	Hold	4,666	4,910
01 September 2025	Hold	5,244	4,910
09 October 2025	Hold	5,512	5,637
17 November 2025	Buy	5,545	6,482
04 December 2025	Buy	6,211	7,190

Rating track graph



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as "NBEPL") for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Yash Agrawal, Research Analyst, the author/s of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

**Registration granted by SEBI and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors."

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name	Email Id	Direct Line	
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Seshagiri Ranganathan	Head of Sales	seshagiri.r@nirmalbang.com	+91 22 6273 8228
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,

Nr. Peninsula Corporate Park,

Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010