

**Strong Demand Momentum to Drive
Outperformance in H2**

CMP: INR 5,534

Rating: Accumulate

Target Price: INR 6,413

Stock Info

BSE	500182
NSE	HEROMOTCO
Bloomberg	HMCLIN
Reuters	HROM.BO

Sector: Auto-2&3wheelers

Face Value (INR)	2
Equity Capital (INR Mn)	400
Mkt Cap (INR Bn)	1108
52w H/L (INR)	5,717/3,344

Shareholding Pattern %

(As on Sept 2025)

Promoters	34.73
FII	28.76
DII	16.16
Public & Others	20.3

Stock Performance (%)

	1m	3m	12m
HMCL	-0.5	17.6	20.3
Nifty	3.0	5.1	10.1

HeroMotoCorp Vs Nifty



Hero MotoCorp reported Revenue was above our estimates, while the bottom line came in below expectations. HeroMoto reported its standalone Q2FY26 numbers, with revenue at INR 1,21,264 Mn (up by 15.90% YoY and 26.6% QoQ), above our estimate of INR 1,18,734 Mn. EBITDA stood at INR 18,234 Mn (up by 20.3% YoY and 33% QoQ) in line with our estimate of INR 18,030 Mn. EBITDA margin up by 55 bps YoY and 61 bps QoQ to 15.0%, slightly with our estimate of 15.2%. PAT stood at INR 13,928 Mn (up by 15.7% YoY and 23.7% QoQ), below our estimate of INR 14,430 Mn. PAT margin decreased by 1.63 bps YoY and 26.59 bps QoQ to 11.5% in Q2FY26, compared to 11.75% in Q2FY25.

Investment Rationale

Broad-Based Market Share Gains led by new products: The company is seeing strong market share recovery driven by refreshed products across Entry, Deluxe, 125cc, scooters, and premium segments. The festive season delivered nearly one mn retail units, with a meaningful YoY market share increase supported by new launches. Entry motorcycles such as HF Deluxe Pro and Splendor continue to dominate and lead incremental share gains. In 125cc, Glamour X and Extreme 125R are performing well, aiding sequential improvements. Scooter share has risen meaningfully due to Zoom 125 and Destiny 125 gaining traction in core markets. Premium network expansion to 100 stores enhances brand salience in the higher-end segments. These drivers position Hero to continue outperforming the industry growth outlook in H2FY26.

Accelerating EV Momentum with Clear Profitability Pathway: The EV business continues to scale rapidly with the Vida VX2 platform driving the highest-ever quarterly market share. Hero is now a top-2 player in over 50 markets, demonstrating strong product acceptance and improved customer adoption. The company is focused on scaling volumes, new product introductions, and continued brand investments to expand the EV franchise. Key profitability levers include lowering BOM costs, securing PLI approvals, and price hikes implemented recently. Battery-as-a-service is helping expand the inquiry funnel and broadening access for first-time EV users. While the EV division still operates at a negative contribution level, management expects improvement as volume scales. This provides a clearer pathway toward breakeven over the medium term.

Export Franchise Strengthening with Structural Upside: Exports continue to deliver strong double-digit growth, significantly outperforming the broader industry. Key markets such as Bangladesh, Nepal, Sri Lanka, and Colombia are contributing meaningfully as demand normalises. MS in overseas markets has been improving due to focused execution and a sharpened 80-20 strategy. Entry into Europe and the UK further expands Hero's geographic footprint, enhancing long-term growth potential. As global macro conditions stabilise, Hero's diversified export portfolio is benefiting from rising demand. Premium and commuter motorcycles are gaining traction across regions, supporting a richer mix. With exports still forming a small part of the overall business, the growth runway remains structurally attractive.

Outlook and Valuation

Hero MotoCorp's near-term outlook remains constructive, underpinned by a broad-based demand recovery post-GST cuts, sustained festive momentum, and improving rural consumption trends. Management expects industry growth of 8-10% in H2, with Hero positioned to outperform aided by strengthening traction in the entry segment, continued scooterization, and incremental gains in the 125cc portfolio. VIDA's accelerating scale now among the top two players in multiple key EV markets provides an additional growth vector, while the global business is expected to maintain double-digit expansion driven by focused execution in top export geographies. Margin visibility remains stable despite mild aluminium inflation, supported by mix improvements, cost programs and operating leverage. With channel inventory and receivables at multi-year lows, a refreshed product pipeline, and sustained brand investments, the company enters H2 with high confidence of delivering above-industry volume growth, healthy profitability and strong cash generation. As a result, we project a revenue and EBITDA CAGR of 9.1% and 11.6%, respectively, over FY25-28E. **We revised our rating to Accumulate on the stock and value it SOTP valuation for a revised target price of INR 6,413 per share.**

Exhibit 1: Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
FY25	4,07,564	58,674	46,097	230.5	14.40	24.4	24.0
FY26E	4,36,680	63,167	49,798	249.0	14.47	32.5	22.2
FY27E	4,72,746	69,637	54,396	272.0	14.73	24.7	20.3
FY28E	5,19,605	78,690	60,973	304.9	15.14	25.4	18.2

Source: Arihant Research, Company Filings

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Exhibit 2: Q2FY26 - Quarterly Performance

Standalone (INR mn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)
Net sales	1,21,264	95,789	1,04,632	26.6	15.9
- Raw material	80,939	63,904	69,795	26.7	16.0
(% of net sales)	66.7	66.7	66.7	3bps	4bps
Gross Profit	40324.4	31884.8	34837.3	26.5	15.8
(% of net sales)	33.3%	33.3%	33.3%	0bps	0bps
- Staff expenditure	6,981	6,260	6,535	11.5	6.8
(% of net sales)	5.8	6.5	6.2	-78bps	-49bps
- Other expenditure	15,109	11,808	13,143	28.0	15.0
(% of net sales)	12.5	12.3	12.6	13bps	-10bps
Total expenditure	1,03,029	81,972	89,473	25.7	15.2
EBITDA	18,234	13,817	15,159	32.0	20.3
EBITDA Margin (%)	15.0	14.4	14.5	61bps	55bps
Depreciation	1,970	1,928	1,937	2.2	1.7
EBIT	16,265	11,889	13,222	36.8	23.0
Interest	57	56	49	0.7	14.6
Other Income	2,328	3,037	2,830	(23.3)	(17.7)
PBT	18,537	14,870	16,003	24.7	15.8
Tax	4,609	3,613	3,967	27.6	16.2
Reported PAT	13,928.3	11,257.0	12,035.4	23.7	15.7
Adjusted PAT	13,928	11,257	12,035	23.7	15.7
Adjusted EPS (INR)	69.62	56.28	60.18	23.7	15.7
Total volumes (Nos)	16,90,702	13,67,070	15,19,684	23.7	11.3

	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)
Motorcycles	15,28,355	12,73,911	14,16,134	20.0	7.9
Scooters	1,62,347	93,159	1,03,550	74.3	56.8
Total	16,90,702	13,67,070	15,19,684	23.7	11.3
Domestic	15,79,118	13,02,657	14,56,504	21.2	8.4
Exports	1,11,584	64,413	63,180	73.2	76.6
Net realization (INR)	71,724	70,069	68,851	2.4	4.2
EBITDA / vehicle (INR)	10,785	10,107	9,975	6.7	8.1

Source: Arianth Research, Company Filings

HeroMoto Corp-Q2FY26 Concall KTAs

Outlook:Hero MotoCorp expects a strong outlook ahead, supported by 8–10% industry growth in H2, continued festive spillover, improving rural demand, and sustained market share gains across entry, scooters, premium and EV. GST-led sentiment improvement, lean inventories, healthy dealer liquidity and stable financing further reinforce retail strength. EV margins should improve with cost cuts, PLI benefits and the recent price hike, while ICE margins stay resilient. Global business growth and a strengthened premium network add to momentum, positioning Hero to grow ahead of industry with improving profitability.

Industry expected to grow 8–10% in H2, with Hero aiming to outperform.

ASP increased 4.2% YoY and 2.4% QoQ, driven by mix and pricing

Parts, accessories & merchandise revenue stood at INR 1,533 crore, up 5%+

Working capital efficiency improved significantly and receivables reduced to 12 days vs 30 days previously.

Inventory is now at the lowest level in recent years, indicating strong retail pull.

Festive market share increased +370 bps YoY to 31.6%. The company expects sustained demand into Nov–Dec owing to festive spillover. Marriage season in Q3 and Q4 expected to provide further demand tailwinds.

GST rate cut prior to festive season materially uplifted consumer sentiment. Post-GST implementation (22 Sept) retail growth from 22nd onwards was far higher than 17% average.

Rural markets initially impacted by monsoon disruptions in MP, Gujarat, Rajasthan, Bihar and Bengal. Rural demand recovered sharply in late festive and early November with arrival of harvest cashflows. Two consecutive years of good monsoons and strong Rabi outlook support rural sentiment.

Entry / 100cc Motorcycle Segment

The entry/100cc motorcycle segment witnessed a strong revival, with segment share expanding by 3% in Q2 and 5% in H1, supported by a clear shift of fence-sitters returning to mobility after the GST cut. HF Deluxe Pro gained notable traction driven by its more aspirational positioning and targeted promotional campaigns, while Splendor continued to reinforce its leadership in the Deluxe 100cc category, further boosting overall market share. Management remains confident that the entry segment will continue to lead industry growth in the coming quarters, underpinned by its affordability advantage and improving consumer sentiment.

125cc Motorcycle

The 125cc motorcycle segment is gaining momentum, with Glamour X receiving an excellent market response and contributing to sequential share gains. The upgrade of the Extreme 125R to dual-channel ABS has further strengthened Hero's competitive positioning within the premium-commuter space. With production ramping up and marketing campaigns scaling, management expects a strong performance for the 125cc sub-segment in H2.

Scooter

Destiny 125 and Zoom 125 enabled Hero to achieve roughly 10% share in the 125cc scooter category, with the bulk of gains driven by strong performance in key states such as Kerala, Karnataka, Maharashtra, and Gujarat. The upcoming scale-up of the metal-body Destiny 110 and the larger Zoom 160 is set to further strengthen Hero's presence across the 110–160cc scooter range. Management expects scooters to remain an important growth driver, supported by the segment's steady multi-year expansion and rising acceptance across urban and semi-urban markets.

Premium Motorcycle

Premium network expansion continued to progress well, with 100 premium stores now operational and covering nearly 50% of the upper-premium market. Xpulse retail grew 31% during the ongoing festive period, reflecting strong consumer traction in the adventure and lifestyle segment. Management highlighted that upcoming premium product interventions will further reinforce Hero's positioning in the 150cc+ category, supporting sustained scale-up in the premium motorcycle portfolio.

EV business

The EV business delivered its highest-ever market share of 11.7%, marking a sharp 6.8% YoY increase and underscoring strong momentum in the electric two-wheeler space. VIDA now holds over 20% share across 48 towns and ranks as the #1 or #2 player in 56 key EV markets, including major metros, reflecting its widening competitive strength. The VIDA VX2 continues to be the primary volume driver, benefiting from strong customer acceptance and expanding retail reach.

Services

Hero's Battery-as-a-Service model is boosting inquiries and improving EV accessibility, while the company focuses on scaling core markets and expanding into new towns through stronger brand awareness and consumer education. EV product contribution remains negative but is improving, supported by cost reductions, a recent price hike, and expected PLI benefits. Management expects gross margins to recover by early FY27 as volumes scale, with profitability hinging on sustained expansion in high-potential EV markets.

International

Global dispatches rose 77% YoY—nearly three times the industry growth—driven by strong traction in Bangladesh, Nepal, Sri Lanka, and Colombia. With recent entries into Europe and the UK, Hero has expanded its international presence to 52 countries. Management remains confident that global market share will continue to improve quarter after quarter.

CEO

Hero has appointed **Mr. Harshvardhan Chitle** as its new CEO effective January 2026, bringing over 30 years of diversified global experience with a strong record of transformation and profitable growth. Management believes this leadership transition will further enhance execution capabilities and support the company's broader global expansion ambitions.

Brand building

Hero continues to lead the industry in marketing intensity, spending the most among OEMs across print, TV and digital platforms. The company issued over 150 print inserts post-festive, significantly higher than peers, reinforcing its brand visibility strategy. Strength in the retail channel is evident from record collections and strong dealership liquidity, underscoring healthy market demand. Management reiterated that the industry is not seeing meaningful discounting, and Hero remains focused on brand building and channel strength rather than pursuing aggressive price cuts.

Replacement

Management reiterated that EV adoption has no meaningful correlation with demand in the 100cc motorcycle segment, as the two cater to distinct customer bases. EV penetration is expected to affect ICE scooters and parts of the 125cc segment rather than entry-level motorcycles. Hero anticipates strong coexistence of ICE and EV portfolios over the medium term, supported by diverse consumer needs. Additionally, an improving replacement cycle among customers with vehicles older than four years is aiding the revival of the entry motorcycle category.

Key Financials

Profit & Loss Statement

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	4,07,564	4,36,680	4,72,746	5,19,605
Growth, %	9	7	8	10
RM expenses	-2,70,687	-2,99,999	-3,23,831	-3,54,370
Employee expenses	-25,952	-27,292	-29,783	-32,735
Other expenses	-52,251	-46,221	-49,495	-53,809
EBITDA	58,674	63,167	69,637	78,690
Growth, %	12	8	10	13
Margin, %	14.4	14.5	14.7	15.1
Depreciation	-7,759	-8,643	-9,318	-9,993
EBIT	50,915	54,524	60,319	68,697
Growth, %	12	7	11	14
Margin, %	12.5	12.5	12.8	13.2
Interest paid	-199	-199	-199	-199
Other Income	10,559	10,770	10,986	11,206
Non-recurring Items	-	-	-	-
Pre-tax profit	61,275.10	65,095	71,106	79,703
Tax provided	-15,179	-15,297	-16,710	-18,730
Profit after tax	46,097	49,798	54,396	60,973
Others (Minorities, Associates)	-	-	-	-
Net Profit	46,097	49,798	54,396	60,973
Growth, %	16	8	9	12
Net Profit (adjusted)	46,097	49,798	54,396	60,973

Balance Sheet

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Cash & bank	3,532	-7,994	5,529	25,501
Marketable securities cost	1,32,853	1,31,228	1,29,442	1,27,476
Debtors	36,744	39,369	42,621	46,845
Inventory	14,576	15,617	16,907	18,583
Loans & advances	519	576	621	680
Other current assets	5,156	5,672	6,239	6,863
Total current assets	60,528	53,240	71,918	98,472
Investments	16,243	17,867	19,654	21,619
Gross fixed assets	1,84,669	1,99,669	2,14,669	2,29,669
Less: Depreciation	-1,15,781	-1,24,424	-1,33,742	-1,43,735
Add: Capital WIP	1,066	1,066	1,066	1,066
Net fixed assets	68,887	75,245	80,927	85,934
Total assets	2,74,184	2,96,288	3,20,649	3,52,211
Current liabilities	68,568	75,620	81,648	89,167
Provisions	7,058	8,815	10,192	11,170
Total current liabilities	75,626	84,435	91,840	1,00,337
Non-current liabilities	490	490	490	491
Total liabilities	76,116	84,925	92,330	1,00,828
Paid-up capital	399.4	400.0	400.0	400.0
Reserves & surplus	1,97,669	2,10,962	2,27,918	2,50,983
Shareholders' equity	1,98,068	2,11,362	2,28,318	2,51,383
Total equity & liabilities	2,74,184	2,96,288	3,20,649	3,52,211

Source: Arihant Research, Company Filings

Cash Flow

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	61,275	65,095	71,106	79,703
Depreciation	7,759	8,643	9,318	9,993
Chg in working capital	-2,292	-525	2,250	1,914
Total tax paid	-14,431	-15,297	-16,710	-18,730
CFO	41,951	47,345	55,177	61,874
Capital expenditure	-9,860	-15,000	-15,000	-15,000
Chg in investments	(18,234.70)	-	-	-
Other investing activities	10,559	11,206	11,328	11,452
CFI	-17,536	-3,794	-3,672	-3,548
Free cash flow	13,856	32,345	40,177	46,874
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	-35,100	-36,504	-37,440	-37,908
CFF	-35,299	-36,703	-37,639	-38,107
Net chg in cash	-10,884	6,847	13,866	20,219
Opening cash balance	6,089	3,532	-7,994	5,529
Closing cash balance	3,532	-7,994	5,529	25,501

Ratios

YE: Mar	FY25	FY26E	FY27E	FY28E
EPS (INR)	230.5	249.0	272.0	304.9
PER (x)	24.0	22.2	20.3	18.2
Price/Book (x)	5.6	5.2	4.8	4.4
EV/EBITDA (x)	16.5	15.6	14.0	12.1
EV/Net sales (x)	2.4	2.3	2.1	1.8
RoE (%)	24.4	24.3	24.7	25.4
RoCE (%)	32.5	31.8	32.4	33.2
Fixed Asset turnover (x)	2.2	2.2	2.2	2.3
Dividend Yield (%)	2.7	2.8	2.9	2.9
Receivable (days)	33	33	33	33
Inventory (days)	15	15	15	15
Payable (days)	58	60	60	60
Net D/E ratio (x)	(0.7)	(0.6)	(0.6)	(0.6)

Source: Arian Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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