

Quality-Led Growth with Improving Margins and EV Scale-Up

CMP: INR 5,746

Rating: Accumulate

Target Price: INR 6,631

Stock Info

BSE 500182

NSE HEROMOTCO

Bloomberg HMCL IN

Reuters HROM.BO

Sector Auto-2&3wheelers

Face Value (INR) 2

Equity Capital (INR Mn) 400

Mkt Cap (INR Bn) 1151

52w H/L (INR) 6388/ 3,344

Shareholding Pattern %

(As on Dec 2025)

Promoters 34.73

FII 28.76

DII 16.16

Public & Others 20.3

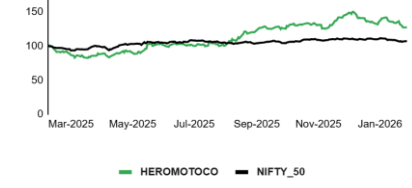
Stock Performance (%)

1m 3m 12m

HMCL -4.0 8.0 36.0

Nifty -1.8 0.7 8.8

HeroMotoCorp Vs Nifty



Hero MotoCorp reported In-line with estimates; VIDA scaled to an 11% MS; International exports grew 41%, driven by new market entries and portfolio expansion, delivering the highest-ever quarterly global revenue. Standalone revenue stood at INR 1,23,284 Mn, above with our estimate of INR 1,18,402 Mn registering a growth of 20.7% YoY/ up 1.7% QoQ. EBITDA stood at INR 18,101 Mn, above our estimate of INR 17,370 Mn, Registering a growth of 22.6% YoY/ down 0.7%QoQ. On the margins front, EBITDA margin up by 22 bps YoY/down 36bps QoQ to 14.7%, in line our estimate of 14.7% led by favourable product mix, pricing and operational efficiencies. Standalone PAT down by 3.2% QoQ/ up 12.1% YoY to INR 13,484 Mn due to exceptional of INR 1190 Mn (new labour code) Adj PAT INR 14,676 Mn. EPS stood at INR 58.2 in Q3FY26 against INR 69.62 in Q2FY26. Recommended interim dividend of INR 110/share.

Investment Rationale

Demand Recovery with Structural Support: Demand momentum has decisively improved since October, with Q3–Q4 confirming a genuine recovery rather than a festive-led spike. Key structural drivers—GST-led affordability, rising first-time buyers (~80%), urban mobility needs, and improving rural liquidity support demand continuity into FY27. While H2 FY27 growth may moderate due to base effects, this reflects normalization, not demand fatigue

Portfolio Shift Toward Higher-Growth Segments: Growth is increasingly driven by scooters, EVs, exports, and parts segments where the company remains under-penetrated but is now gaining traction. Scooters are structurally outgrowing motorcycles, EV adoption is scaling up, and exports have delivered ~50% YoY growth from a low base, offering multi-year runway.

Improving ASP and Unit Economics: ASP increased ~4.2% YoY in Q3, driven by richer mix (premium scooters, 125cc motorcycles, EV variants) rather than aggressive pricing. Importantly, unit economics are improving across ICE and EV businesses due to operating leverage, better realizations, and cost discipline signaling a quality-led growth phase.

Margin Resilience Despite Cost Inflation: Commodity inflation (aluminium, precious metals, forex) created a 40–50 bps margin headwind, but this has been largely mitigated through calibrated price hikes (INR 300/unit), LEAP cost savings, mix improvement, and overhead dilution. GST benefits provide a buffer, limiting demand elasticity risk and supporting margin stability.

EV Business Turning the Corner: VIDA has transitioned from a single-product EV story to a portfolio-led platform. The VX2 series, including sub- INR 1 lakh variants and battery-as-a-service, has materially expanded the addressable market. EV revenues reached ~INR 450 cr in Q3, while EBITDA investment declined sequentially to ~INR 2080 Mn, indicating early operating leverage and improving unit economics

Outlook and Valuation

FY27 outlook remains constructive with improving earnings quality, supported by high single-digit industry volume growth, a favorable H1 demand environment driven by the marriage season and rural cash-flow recovery, and sustained first-time buyer participation at ~80%. Revenue growth is expected to outpace volumes, driven by a 4–5% ASP uplift from richer mix across scooters, 125cc motorcycles, EVs, and calibrated pricing. EBITDA margins are likely to remain stable to modestly higher (50–100 bps expansion) despite commodity and forex headwinds, aided by operating leverage, cost-savings initiatives, and disciplined pricing. EV revenues, which stood at ~INR 4500 Mn in Q3FY26, should scale meaningfully in FY27 as EV capacity expands and flagship volumes trend toward the 10,000-unit/month level, with improving unit economics as quarterly EV investments decline from ~INR 2080 Mn. Exports are expected to sustain 25–30% YoY growth, while the parts business should deliver high-single-digit growth, supporting strong cash generation. Overall, FY27 is shaping up as a year of quality-led, mix-driven growth with resilient margins and improving return metrics. As a result, we project a revenue and EBITDA CAGR of 9.1% and 11.6%, respectively, over FY26e–28e. **We maintained our rating to Accumulate on the stock and value it SOTP valuation for a revised target price of INR 6,631 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	24.9
FY26E	4,36,680	63,167	49,798	249.0	14.47	32.5	23.1
FY27E	4,72,746	69,637	54,396	272.0	14.73	24.7	21.1
FY28E	5,19,605	78,690	60,973	304.9	15.14	25.4	18.8

Source: Arihant Research, Company Filings

Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Exhibit 2: Q3FY26 - Quarterly Performance

Standalone (INR mn)	Q3FY26	Q2FY26	Q3FY25	QoQ (%)	YoY (%)
Net sales	1,23,284	1,21,264	1,02,108	1.7	20.7
- Raw material	83,131	80,939	67,152	2.7	23.8
(% of net sales)	67.4	66.7	65.8	68bps	166bps
Gross Profit	40153.2	40324.4	34955.7	(0.4)	14.9
(% of net sales)	32.6%	33.3%	34.2%	-1bps	-2bps
- Staff expenditure	7,050	6,981	6,622	1.0	6.5
(% of net sales)	5.7	5.8	6.5	-4bps	-77bps
- Other expenditure	15,003	15,109	13,569	(0.7)	10.6
(% of net sales)	12.2	12.5	13.3	-29bps	-112bps
Total expenditure	1,05,183	1,03,029	87,343	2.1	20.4
EBITDA	18,101	18,234	14,765	(0.7)	22.6
EBITDA Margin (%)	14.7	15.0	14.5	-36bps	22bps
Depreciation	2,044	1,970	1,969	3.8	3.8
EBIT	16,056	16,265	12,796	(1.3)	25.5
Interest	60	57	55	5.5	9.4
Other Income	2,959	2,328	3,175	27.1	(6.8)
Adj PBT	18,955	18,537	15,916	2.3	19.1
Expenses towards-New Labour code	1,190				
Profit before tax	17,765				
Tax	4,280	4,609	3,888	(7.1)	10.1
Reported PAT	13,485.5	13,928.3	12,028.4	(3.2)	12.1
Adjusted PAT	14,676	13,928	12,028	5.4	22.0
Adjusted EPS (INR)	58.28	69.62	60.15	(16.3)	(3.1)
Total volumes (Nos)	16,96,777	16,90,702	14,59,932	0.4	16.2

	Q3FY26	Q2FY26	Q3FY25	QoQ (%)	YoY (%)
Motorcycles	15,12,255	15,28,355	13,60,159	(1.1)	11.2
Scooters	1,84,522	1,62,347	1,03,643	13.7	78.0
Total	16,96,777	16,90,702	14,63,802	0.4	15.9
Domestic	15,94,592	15,79,118	13,91,332	1.0	14.6
Exports	1,02,185	1,11,584	72,470	(8.4)	41.0
Net realization (INR)	72,658	71,724	69,755	1.3	4.2
EBITDA / vehicle (INR)	10,668	10,785	10,087	(1.1)	5.8

Source: Arianth Research, Company Filings

HeroMoto Corp-Q3FY26 Concall KTAs

Demand momentum has structurally improved post the GST cut, enabling Hero to expand market share across priority segments such as scooters, EVs, and exports, while ASPs and unit economics continue to improve despite commodity headwinds.

Industry

Industry demand strengthened meaningfully post October, supported by the GST rate reduction, with January 2026 industry retails up ~21% YoY. The company expects momentum to sustain into FY27, though H2 FY27 growth may moderate due to a high base. Industry growth is likely to normalize at high-single digits, which management views as normalization rather than demand fatigue.

Segment

Urban congestion, rising female workforce participation, and gig-economy employment continue to structurally favor scooter demand, which is outgrowing motorcycles. Motorcycle demand has also turned broad-based, supported by GST-driven affordability and rural recovery. EV adoption has moved from experimentation to early scale-up, though adoption remains uneven across price points.

Market Share

Hero gained market share across most segments. The entry segment recorded a fourth consecutive quarter of share gains led by HF Deluxe Pro. In deluxe motorcycles, Splendor achieved ~91% market share, the highest since FY18. The 125cc segment saw strong traction from Glamour X and Xtreme 125R with dual-channel ABS. Scooter market share increased to ~7%, with Destini and Xoom together contributing over 50% of scooter volumes.

Destini & Scooter Portfolio

The Destini refresh, including Destini 110, has seen strong consumer response, particularly on fuel efficiency, practicality, and value positioning. Demand traction has been strongest in Western and Southern India, with management confident of outperforming the overall scooter industry rather than merely participating in category growth. Beyond Destini, the Xoom portfolio continues to scale well and now forms a meaningful share of scooter volumes.

EV Business (VIDA)

VIDA delivered a strong quarter, with market share expanding to ~10.8%, up ~600 bps YoY, led by the VX2 launch in mid-Q2 FY26. EV revenues stood at ~INR 450 cr in Q3. EBITDA investment reduced to INR 208 crore from INR 255 crore in Q2, reflecting improving ASPs and unit economics. Battery-as-a-service and removable battery architecture are expanding the addressable market, particularly for customers without fixed charging infrastructure.

Exports & International Markets

Global business volumes grew ~41% YoY, with market share expanding to ~7.5%, up ~100 bps YoY. Bangladesh and Colombia continue to outperform. Colombia, in particular, turned profitable, with ~200% volume growth YoY and PAT of ~INR 5 million, marking a structural turnaround. Expansion across Europe, Latin America, Africa, and the Philippines positions exports as a multi-year growth lever. Premium products now contribute ~40% of global volumes, aided by a local-for-local strategy and localization in markets such as Mexico, which has insulated the company from tariff and currency volatility.

Parts & Aftermarket

The parts, accessories, and merchandise business delivered its highest-ever quarterly revenue of INR 1,673 crore, growing 8% YoY. Given Hero's industry-leading vehicle parc, this segment remains a high-ROCE, structurally resilient growth engine and a stabilizer for margins.

ABS

Hero is operationally prepared for any future ABS regulation tightening, though timelines remain uncertain. One EV model has been approved under the PLI scheme, with further VIDA scaling expected to improve incentive capture.

Margins, ASPs & Cost Actions

ICE EBITDA margins expanded by ~100 bps YoY to ~17%, while overall EBITDA margin improved sequentially to 14.7% despite continued EV investments. Commodity inflation in aluminium and precious metals, along with adverse forex movements, resulted in a 40–50 bps margin headwind in Q3, which has continued into Q4. The company implemented a ₹300 per vehicle price hike effective January, alongside LEAP cost savings, mix improvement, and operating leverage. Management reiterated that pricing is not the sole lever; margin protection is expected primarily from scale, cost discipline, and mix.

Average selling price increased 4.2% YoY and 1.3% QoQ, driven by a richer mix across 125cc motorcycles, scooters, premium variants, and EVs. ASP improvement is now mix-led rather than price-led, reducing elasticity risks.

Channel Inventory

Hero has significantly reduced channel inventory, with wholesale dispatches closely aligned to retail offtake. Disciplined inventory planning heading into Q4 and Q1 lowers the risk of discount-led volume distortion.

Hero FinCorp

Financing penetration stood at ~25%, improving sequentially. Hero FinCorp is shifting toward a higher share of secured lending, targeting mid-70%, which should structurally lower credit costs. Management does not expect financing availability to constrain vehicle demand. The proposed listing of HFCL is expected to strengthen the financing ecosystem.

Cash Flow

INR 7,045 cr of operating cash flow in 9M FY26, reflecting strong working capital discipline. The company continues to prioritize cash generation to fund investments in EVs, premiumization, global expansion, and customer experience initiatives without stressing the balance sheet.

Supply Chain & Capacity

Strong supplier relationships and early vendor involvement continue, particularly in EVs, scooters, exports, and 125cc motorcycles. Capacity augmentation at both Hero and vendor levels is underway to address supply tightness in high-demand models such as Xtreme 125R and VIDA VX2. No structural supplier disruptions were highlighted.

VIDA EV volumes, led by VX2, have been consistently trending above ~10,000 units, necessitating capacity expansion in FY27. ICE bottlenecks are being addressed through targeted debottlenecking rather than large greenfield investments.

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: Arianth 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
CCF	-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)	24.9	23.1	21.1	18.8
Price/Book (x)	5.8	5.4	5.0	4.6
EV/EBITDA (x)	13.6	12.8	11.5	9.9
EV/Net sales (x)	2.0	1.9	1.7	1.5
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 (%)	2.6	2.7	2.8	2.8
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

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

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

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800