Hero Motocorp Ltd.

Investment Thesis

- **Hero MotoCorp continues to strengthen its leadership in the domestic two-wheeler industry**, with ICE retail growth of 24% YoY and market share gains across all three months of Q2FY27. The company is gaining traction across key segments, with 100cc Splendor growing over 20%, 125cc volumes up 19% in H1FY27 and Glamour volumes growing over 50%. Scooter market share improved by 160 bps, supported by strong demand for Destini and Xoom.

- **The company is rapidly scaling its high-growth verticals,** including EVs, scooters and premium motorcycles. VIDA retail volumes grew 105% YoY, with EV capacity targeted to increase from 30,000 units/month to 45,000 by Q4FY27 and over 80,000 by Q2FY28. The launch of new 3.1 kWh and 4.4 kWh VIDA variants is driving premiumisation. In premium motorcycles, refreshed Xtreme 160R and Xtreme 250R, alongside XPulse, Karizma and Harley-Davidson, will drive portfolio expansion.

- **Global business remains a key long-term growth driver,** with exports expected to return to double-digit growth in Q3–Q4FY27 as logistical disruptions in Colombia and Bangladesh normalise. The company is diversifying its export presence through expansion in Brazil, Mexico and Africa, including a manufacturing facility in Brazil. Flex-fuel motorcycles have already recorded 15,000 dispatches within just over two months of launch.

- **Strong margins and profitability remain medium-term priorities,** supported by premiumisation, calibrated price hikes, LEAP cost savings and improving EV unit economics. VIDA turned gross-margin positive in Q2FY27, reducing its EBITDA drag to ₹168 crore from ₹232 crore in Q1FY27. The company reiterated its 14–16% medium-term EBITDA margin target and ₹1,500 crore FY27 capex guidance, alongside investments in capacity expansion and the ₹700+ crore Global Parts Centre 2.0 project.

Outlook: Hero MotoCorp is well-positioned to sustain growth through market share gains, premiumisation and expansion across high-growth segments, including scooters, EVs and premium motorcycles. The company is scaling VIDA capacity from 30,000 units/month to 45,000 by Q4FY27 and over 80,000 by Q2FY28, supported by strong demand for its new 3.1 kWh and 4.4 kWh variants. Premium portfolio expansion across Xtreme, XPulse, Karizma and Harley-Davidson, alongside export diversification into Brazil, Mexico and Africa, is expected to drive incremental growth. Exports are targeted to return to double-digit growth in H2FY27. On profitability, improving VIDA unit economics, calibrated price hikes and LEAP cost savings are expected to support margin recovery, with management reiterating its 14–16% medium-term EBITDA margin target and ₹1,500 crore FY27 capex guidance. We expect the FY26-28E Revenue/EBITDA/PAT to grow at a 13%/12%/15% CAGR considering the growth drivers. Hero is well positioned to sustain volume growth and improve its product mix, while operating leverage and cost initiatives should support profitability despite commodity pressures.

We assign P/E multiple of 20x to its FY28E EPS, and arrive to a TP of ₹6,931/share implying an upside of 28%, we recommend BUY rating for Hero MotoCorp Ltd.

CMP: ₹5,410

Reco: BUY

Target Price: ₹6,931

Stock Info	
BSE	500182
NSE	HEROMOTOCO
Sector	Auto
Face Value (₹)	2
Equity Capital (₹ Cr)	40
Mkt Cap (₹ Cr)	1,08,297
Avg volume (1 year)	7,43,084
Dividend yield (%)	3.16
52w H/L (₹)	6,390 / 4,539

Source: Company filings, PESB research

Shareholding Pattern (Sep 2026)	
Promoters	34.72%
FII	32.22%
DII	23.84%
Government	0.09%
Public	9.10%

Source: Company filings, PESB research

IC report (link):

HeroMotoCorp IC

Anupama Bhootra
Analyst
Siyaa Deshmukh
Associate

Concall Highlights

- **Exports recovery & diversification:** Colombia and Bangladesh each contribute approximately 25% of exports, resulting in wholesale disruptions due to earthquake-related logistical issues in Colombia and demand slowdown in Bangladesh. Management expects exports to return to double-digit growth in Q3 and Q4. Expansion plans include Brazil (with a manufacturing facility and flex-fuel portfolio), Mexico and Africa, with new launches in Africa starting November 2026.
- **125cc portfolio gaining traction:** Hero recorded 19% growth in the 125cc segment in H1FY27, gaining market share despite relatively subdued industry growth. Glamour volumes grew over 50%, supported by new variants, including an ABS variant. Super Splendor has moved from the No. 3 to No. 2 position in its key segment, while new Xtreme variants are being introduced.
- **ICE scooter business scaling up:** ICE scooter capacity has nearly doubled YoY to 80,000 units/month, following capacity expansion for Destini and Xoom. The company gained approximately 160 bps market share in the scooter segment, with portfolio growth exceeding 50%. Xoom 160 witnessed strong traction, with channel inventory in single digits; further capacity expansion is planned, also to support exports.
- **VIDA EV – improving unit economics and capacity expansion:** EV revenue stood at ₹1,000 crore, while EBITDA drag reduced to ₹168 crore in Q2FY27 from ₹232 crore in Q1FY27. PLI benefits increased to ₹63 crore (6.5% of EV revenue), with nearly 100% portfolio certification completed in October. PLI benefits are expected to cover approximately 13% of EV revenue from Q3 onwards. Capacity is being scaled from 30,000 units/month to 45,000 by Q4FY27 and over 80,000 units/month by Q2FY28. Premium variants (4.4 kWh and 3.1 kWh) are witnessing strong traction, with premium models contributing nearly 40% of VIDA's portfolio.
- **Premium motorcycle portfolio expansion:** Hero is focusing on four key premium brands – Xtreme, XPulse, Karizma and Harley-Davidson. Recent launches include refreshed Xtreme 160R and Xtreme 250R, while further launches and portfolio expansions across these brands are planned. XPulse continues to gain traction beyond South India. The premium dealership network has expanded to approximately 150 stores, with structured community-building initiatives scheduled to commence from December 2026.
- **Margins and commodity inflation:** Q2 witnessed approximately 1% QoQ material cost inflation, with cumulative inflation of around 5.5% during Q1 and Q2, of which nearly half has been offset through price increases. Hero implemented a further price hike of approximately ₹1,000 per vehicle from 1 October 2026. Management expects Q3 EBITDA margins to remain stable and reiterated its medium-term EBITDA margin target of 14–16%, with improvement expected over the next few quarters as commodity prices normalize.
- **Rural demand and industry outlook:** Management indicated that rural demand remains as strong as, or better than, urban demand, supported by healthy sowing activity despite localized drought concerns. The company recorded 24% growth during the broader 100-day festive period, without any retail market share erosion. Management expects the domestic two-wheeler industry to deliver mid-to-high single-digit growth in H2FY27, with low single-digit ICE growth and EVs supporting overall industry growth.
- **Flex-fuel rollout and EV ecosystem expansion:** Hero has dispatched approximately 15,000 flex-fuel motorcycles within just over two months of launch. The rollout remains controlled across select dealerships due to limited E85 fuel availability, although customers are showing interest even in E20 markets. Additionally, Hero's charging network has expanded to over 6,000 charging points, with monetization initiatives underway. Product-level synergies with Ather are not currently being pursued, as the EV market remains in an expansion phase.

Management Outlook and guidance: Management expects the domestic 2W industry to grow at mid-to-high single digits in H2FY27, with exports returning to double-digit growth in Q3–Q4 as disruptions normalize. VIDA capacity is targeted to reach 45,000 units/month by Q4FY27 and over 80,000 by Q2FY28. Despite commodity inflation, Q3 EBITDA margins are expected to remain stable, supported by calibrated pricing, LEAP savings and improving EV unit economics. Management reiterated its medium-term EBITDA margin target of 14–16%, while continuing investments in capacity expansion, premiumisation, EVs and global market diversification.

Hero Motocorp Ltd.

Q2 FY27 Financials (Standalone)

Particulars (in Rs.cr)	Q2FY27	Q1FY27	Q2FY26	YoY (%)	QoQ (%)
Revenue from Operations	14,687	12,999	12,126	21%	13%
Cost of Materials Consumed	10,546	9,290	8,094	30%	14%
Employee Exp	740	699	698	6%	6%
Other Exp	1,434	1,283	1,511	-5%	11.72%
EBITDA	**1,968**	**1,727**	**1,823**	8%	13.96%
EBITDA Margin	*13.40%*	*13.28%*	*15.04%*	*-164bps*	*11bps*
Depreciation & Amortization	216	205	197	10%	5%
EBIT	**1,751**	**1,521**	**1,626**	8%	15%
EBIT Margin	*11.92%*	*11.70%*	*13.41%*	*-149bps*	*22bps*
Finance Cost	6	6	6	8%	-2%
Other Income	194	441	233	-17%	-56%
EBT	**1,939**	**1,956**	**1,854**	5%	-1%
Exceptional items	0	0	0	-	-
Tax Expense	483	501	461	5%	-4%
PAT	**1,456**	**1,454**	**1,393**	5%	0%
PAT Margin	*9.91%*	*11.19%*	*11.49%*	-157bps	-127bps

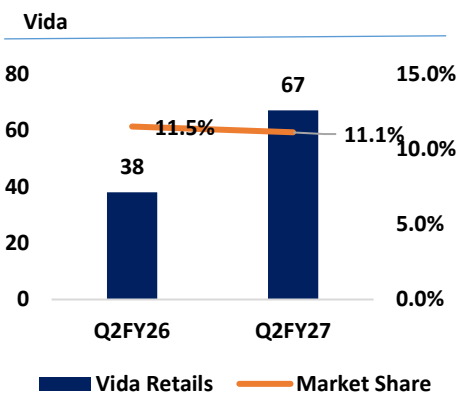
Source: Company filings, PESB Research

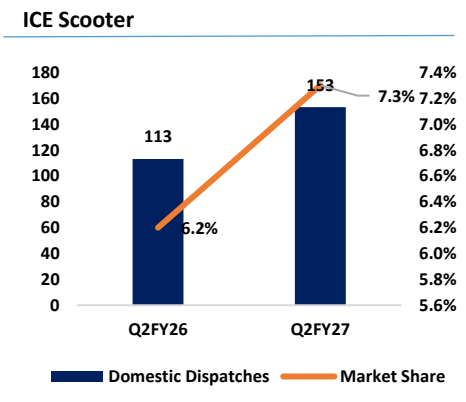
Dispatch data Snapshot (In units)

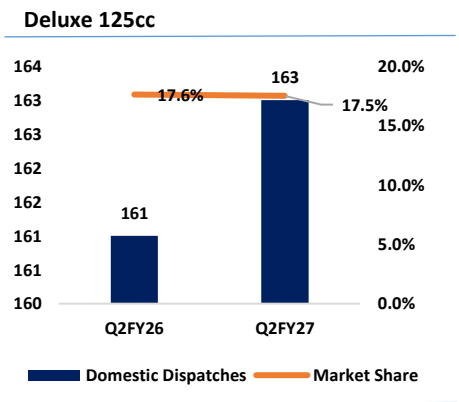
Particulars	Oct-26	Oct-25	YoY (%)
Two Wheeler	7,05,084	6,04,829	16.58%
Exports	29,319	30,979	-5.36%
Total Sales	**7,34,403**	**6,35,808**	15.51%

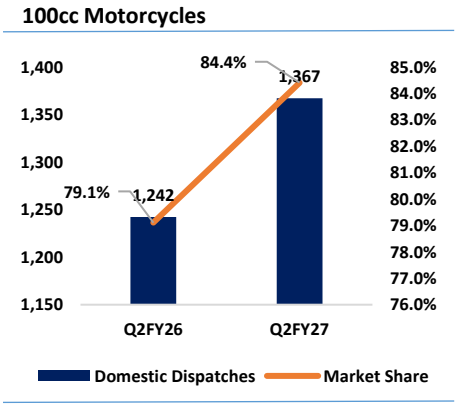
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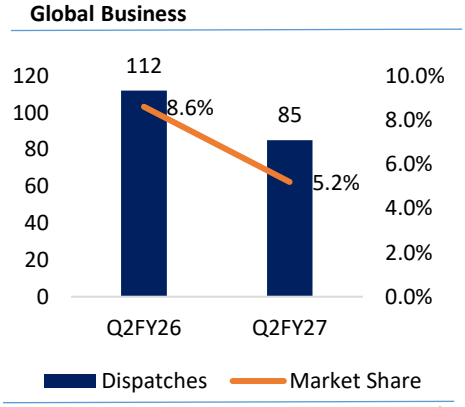
Market Share expansion YoY (K units)











Source: Company filings, PESB Research

Hero Motocorp Ltd.

Standalone Financials

INCOME STATEMENT (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from Operations	33,806	37,456	40,756	46,830	52,891	60,068
COGS	23,858	25,431	27,069	31,563	36,122	41,023
Employee Benefit Expenses	2,190	2,402	2,595	2,711	3,385	3,842
Other Expenses	3,771	4,367	5,225	5,686	5,818	6,607
EBITDA	3,986	5,256	5,868	6,870	7,566	8,595
EBITDA Margin	***12%***	***14%***	***14%***	***15%***	***14%***	***14%***
EBITDA Growth		***32%***	***12%***	***17%***	***10%***	***14%***
Depreciation and Amortization	657	711	776	798	835	907
EBIT	3,329	4,544	5,092	6,072	6,731	7,688
EBIT Margin	***10%***	***12%***	***12%***	***13%***	***13%***	***13%***
Other Income	565	893	1,056	1,041	1,370	1,556
Finance Cost	20	19	20	23	28	31
Exceptional Items		160				
PBT	3,875	5,258	6,128	6,971	8,074	9,213
PBT Margin	***11%***	***14%***	***15%***	***15%***	***15%***	***15%***
Tax	964	1,290	1,518	1,704	2,000	2,282
PAT	2,911	3,968	4,610	5,267	6,074	6,931
PAT Margin	***9%***	***11%***	***11%***	***11%***	***11%***	***12%***
PAT Growth		***36%***	***16%***	***14%***	***15%***	***14%***

	FY23-26	FY26-27E
Revenue CAGR	11%	13%
EBITDA CAGR	20%	12%
PAT CAGR	22%	15%

Source: Company filings, PESB Research

BALANCE SHEET (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Assets						
Non-Current Assets						
Property, Plant & Equipment	4,868	4,934	4,949	5,022	5,426	5,633
Right of Use of Asset	393	372	393	415	485	525
Other Non Current Assets	8,965	10,470	9,741	8,694	8,836	8,903
Total Non Current Assets	**14,226**	**15,776**	**15,083**	**14,131**	**14,746**	**15,061**
Current Assets						
Inventories	1,434	1,444	1,458	1,858	2,041	2,585
Trade Receivables	2,798	2,703	3,674	2,593	3,333	4,443
Cash and Cash equivalents	168	540	289	532	1,279	2,465
Other Bank Balances	177	69	64	72	72	72
Other Current Assets	4,459	5,040	7,351	13,059	17,320	22,251
Total Current Assets	**9,037**	**9,796**	**12,837**	**18,114**	**24,045**	**31,817**
TOTAL ASSETS	**23,263**	**25,572**	**27,920**	**32,244**	**38,791**	**46,878**
Equity						
Equity Share Capital	40	40	40	40	40	40
Other Equity	16,665	17,946	19,767	21,538	27,612	34,543
Total Equity	**16,705**	**17,986**	**19,807**	**21,578**	**27,652**	**34,583**
Liabilities						
Total Borrowings	156	138	163	190	219	253
Trade Payables	4,704	5,528	5,566	7,519	7,962	9,083
Other liabilities	1,697	1,920	2,384	2,958	2,958	2,958
Total Liabilities	**6,558**	**7,585**	**8,113**	**10,666**	**11,139**	**12,295**
Total Equity and Liabilities	**23,263**	**25,572**	**27,920**	**32,244**	**38,791**	**46,878**

Source: Company filings, PESB Research

CASH FLOW STATEMENT (₹ Cr)	FY23	FY24	FY25	FY26	FY27	FY28
Cash flow from Operations	2,579	4,907	4,182	8,315	6,407	7,336
Cash flow from Investing	-469	-1,802	-1,586	-4,505	-5,712	-6,152
Cash flow from Financing	-2,041	-2,733	-2,847	-3,567	52	3

Source: Company filings, PESB Research

RATIOS	FY23	FY24	FY25	FY26	FY27E	FY28E
Margin Analysis						
Gross Margin	29%	32%	34%	33%	32%	32%
EBITDA Margin	12%	14%	14%	15%	14%	14%
PAT Margin	9%	11%	11%	11%	11%	12%
Profitability						
ROCE	19%	24%	24%	26%	23%	21%
ROE	17%	22%	23%	24%	22%	20%
Liquidity						
Current Ratio(x)	1.6	1.5	1.9	2.0	2.5	3.0
Quick Ratio (x)	1.4	1.3	1.7	1.8	2.3	2.7
Valuation Ratios						
P/E (x)	35.5	26.0	22.4	19.6	17.0	14.9
EPS (₹)	145.5	198.4	230.5	263.4	303.7	346.6

Source: Company filings, PESB Research

Disclosures and Disclaimers:

Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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