

Strong Rural demand; Gaining MS

CMP: INR 4,067

Rating: Buy

Target Price: INR 5,106

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) 810

52w H/L (INR) 6,245 / 3,344

Shareholding Pattern %

(As on March 2025)

Promoters 34.75

FII 29.59

DII 18.0

Public & Others 19.2

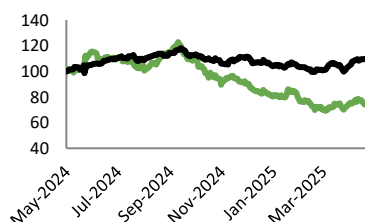
Stock Performance (%)

1m 3m 12m

HMCL 0.09 5.3 -19.3

Nifty 0.7 7.5 11.02

HeroMotoCorp Vs Nifty



HEROMOTOCO NIFTY_50

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Hero MotoCorp reported standalone revenue stood at INR 99,387 Mn, above with our estimate of INR 97,265 Mn registering a growth of 4.4% YoY/down 2.7% QoQ. EBITDA stood at INR 14,156 Mn, above our estimate of INR 13,775 Mn, Registering a growth of 4.1% YoY/ down 4.1%QoQ. On the margins front, EBITDA margin down by 22 bps YoY/down 3bps QoQ to 14.2%, in line our estimate of 14.2% led by softening in RM price, leap savings, and product mix. Standalone PAT saw a growth of 6.4% YoY/ down 10.1%QoQ to INR 10,809 Mn below our estimate of INR 11,444 Mn. EPS stood at INR 54 in Q4FY25 against INR 60.15 in Q3FY25. Recommended final dividend of INR 65/share.

Investment Rationale

Export: Expanding in newer geography: Exports nearly twice the industry rate, validating its strategic 80:20 market focus. Strong traction in Bangladesh, Colombia, Nepal, and Mexico, alongside re-entries into Sri Lanka and the Philippines, reinforce the global push. Going forward, aims to continue gaining market share with product-market alignment and deeper channel presence, positioning exports as a strong growth engine in FY26.

Domestic: Rural Revival and Retail-Led Strategy: Domestic two-wheeler demand is expected to grow 6–7% in FY26, driven by factors like easing inflation, a favorable monsoon, tax relief, and rural economic recovery. The company is confident of outpacing industry growth, backed by strong Q4 momentum, upcoming festive season, and a robust retail focus. Inventory is stable at 4–5 weeks, and increased traction in the 100cc and 125cc segments suggests strong volume pickup through FY26.

VIDA Strategy: Gaining Ground with Expansion Plans: EV business gained market share in FY25, closing the year with 7% share and monthly volumes of 7,000–8,000 units. The upcoming launch of two affordable EVs (planned for July), coupled with continued investments in Ather and Euler Motors, indicate a clear EV roadmap. Expects breakeven at 25k–30k units/month over the next couple of years, highlighting a focus on scaling, localization, and PLI benefits for long-term profitability.

Margin stable led by cost initiative: EBITDA margin of 14.4%, despite INR 630 cr investment in EVs, supported by cost efficiencies, pricing actions, and mix improvements. ICE margins stood at 16.2%. The company has guided for a margin band of 14–16% going forward. Investments will continue in branding, premium products, and network expansion (e.g., Premia and Hero 2.0), balancing growth with financial discipline.

Outlook and Valuation

We are closely tracking Hero's progress in expanding its EV product lineup, its strategic approach in the mid-weight motorcycle segment amid increasing competition, and its entry into new international markets. Additionally, government initiatives aimed at boosting rural incomes, higher disposable income, and seasonal demand during the marriage season are expected to support growth in the two-wheeler industry. This should benefit Hero, particularly in the entry-level and 125cc segments. As a result, we project a revenue and EBITDA CAGR of 8.4% and 10.3%, respectively, over FY25–28E.

We maintain our rating to Buy on the stock and value it SOTP valuation for a revised target price of INR 5,106 per share.

YE March	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
(INR Mn)							
FY25	407,564	58,674	46,097	230.5	14.40	24.4	17.6
FY26E	436,680	63,167	49,798	249.0	14.47	32.5	16.3
FY27E	472,746	69,637	54,396	272.0	14.73	24.7	15.0
FY28E	519,605	78,690	60,973	304.9	15.14	25.4	13.3

Source: Arihant Research, Company Filings

Exhibit 2: Q4FY25 - Quarterly Performance

Standalone (INR mn)	Q4FY25	Q3FY25	Q4FY24	QoQ (%)	YoY (%)
Net sales	99,387	102,108	95,193	(2.7)	4.4
- Raw material	65,069	67,152	63,249	(3.1)	2.9
(% of net sales)	65.5	65.8	66.4	-30bps	-97bps
Gross Profit	34317.8	34955.7	31944.5	(1.8)	7.4
(% of net sales)	34.5%	34.2%	33.6%	0bps	1bps
- Staff expenditure	6,711	6,622	6,437	1.3	4.3
(% of net sales)	6.8	6.5	6.8	27bps	-1bps
- Other expenditure	13,451	13,569	11,916	(0.9)	12.9
(% of net sales)	13.5	13.3	12.5	25bps	102bps
Total expenditure	85,231	87,343	81,602	(2.4)	4.4
EBITDA	14,156	14,765	13,592	(4.1)	4.1
EBITDA Margin (%)	14.2	14.5	14.3	-22bps	-3bps
Depreciation	1,921	1,969	1,851	(2.5)	3.8
EBIT	12,235	12,796	11,741	(4.4)	4.2
Interest	47	55	46	(13.2)	3.7
Other Income	2,237	3,175	1,800	(29.5)	24.3
PBT	14,425	15,916	13,496	(9.4)	6.9
Tax	3,615	3,888	3,335	(7.0)	8.4
Reported PAT	10,809.4	12,028.4	10,160.5	(10.1)	6.4
Adjusted PAT	10,809	12,028	10,161	(10.1)	6.4
Adjusted EPS (INR)	54.06	60.15	50.84	(10.1)	6.3
Total volumes (Nos)	1,460,887	1,463,802	1,392,423	(0.2)	4.9

	Q4FY25	Q3FY25	Q4FY24	QoQ (%)	YoY (%)
Motorcycles	1,343,863	1,360,159	1,295,709	(1.2)	3.7
Scooters	117,024	103,643	96,714	12.9	21.0
Total	1,460,887	1,463,802	1,392,423	(0.2)	4.9
Domestic	1,367,721	1,391,332	1,325,448	(1.7)	3.2
Exports	93,166	72,470	66,975	28.6	39.1
Net realization (INR)	68,032	69,755	68,365	(2.5)	(0.5)
EBITDA / vehicle (INR)	9,690	10,087	9,761	(3.9)	(0.7)

Source: Arihant Research, Company Filings

Hero MotoCorp (HMCL) Q4FY25 Concall Highlights

- Expecting strong rural growth, increased government spending, and a robust wedding season in May and June to boost two-wheeler (2W) sales. The company is confident of surpassing industry growth through new product launches. Industry growth is projected at 6–7% for FY26, supported by income tax relief and a higher number of marriage dates in 2025.
- Medium- and long-term focus remains on execution.
- Margins: Continue to grow and maintain margin 14–16%. EV business is anticipated to break even within two years.

Market Share and Product Performance

- Hero MotoCorp retained the #1 position on Vaahan (both QoQ and MoM).
- The 125cc motorcycle segment continues to outperform. Launches such as Destini 125, Xpulse 210, and Xtreme 250 received good responses.
- Global business grew at 2x the industry rate.

EV

- Market share reached 7% during the quarter, supported by the launch of Vida 2 and brand building in 16 cities. Strategy in place to further grow market share.
- Merchandise revenue at INR 1,553 crore, showing 11% YoY growth.
- Q4 EV investments totaled INR 143 crore, with an EBITDA margin of 14.2%.
- Improved product mix, cost savings, and INR 630 crore investment planned for FY25.
- Revenue growth stood at 4% YoY. ASP increased QoQ to INR 2,233, primarily from 2W and parts business. There has been increase in the ASP, 2/3rd coming from Product Mix and 1/3rd is from Price Increase.

Export

- Highest global market share driven by successful launches and performance in markets like Bangladesh and Colombia.
- Export growth projected at 2x industry, targeting key markets such as LATAM, Sri Lanka, and Nepal.

EV Segment:

- EV volumes grew 200% YoY; EBITDA improved from -155% to -95%.
- Targeting break-even at 20–35k EV volume share.
- Continued investment in scaling EV volumes, reducing costs, and leveraging PLI benefits.
- Vida product line progressing; new EV launches expected in H1FY26.
- BOM cost reduction happening through localization.
- PLI approval for Vida Pro expected by July.

Product Strategy & Innovation

- Hero is focused on premiumization in the 125cc segment, expecting a 250bps market share gain in FY25.
- Sold 3,000 units in 125cc category, targeting significant growth.
- Strong pipeline of exciting product launches planned.
- Emphasis on quality, brand strength, and consumer-centric product development.
- R&D and technology are focused on 360-degree product quality enhancement.

Channel & Inventory:

- Channel inventory maintained at 4–5 weeks; planning to scale up for festive and marriage season demand.
- Q4 saw some plant shutdowns for supply realignment and upgrades, which impacted April dispatches but are expected to normalize by May.
- Booking pipeline remains strong as Q1 progresses.

Retail

- 2W finance retail penetration at 59% vs 65% target for FY25; consistent with last year.
- Changing product nature and rising interest rates led to innovative financing schemes with low EMI options.
- 1 lakh customers report daily, indicating strong market engagement.

Investment

Investments will continue in Premium motorcycles, Scooters, EVs, Hero 2.0 & Premia showrooms. Can see more launches in the 125cc segment in the future.

Euler

- 34.1% stake, targeting 3W EV segment, diversified product portfolio. Total market opportunity of INR 73,000 crore and 6.4 lakh units. Profit of INR 2,300 cr from the segment with 22% current electrification rate.
- Initiatives include INR 400 crore for customer engagement, especially in the entry-level segment.
- Entry-level (100cc) demand affected due to bottom-of-pyramid stress and Covid impact. However, recovery is underway with 600bps gain in entry segment MS in Q4.
- Splendor vs HF Deluxe replacement cycle delayed but gaining momentum; contribution increased from 6% to 11% in Q4.
- Replacement demand currently at 11%, aiming for 18–20% in coming quarters.
- Scooter segment serves a distinct market. New strategies and differentiated offerings under evaluation.

Key Financials

Profit & Loss Statement

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	407,564	436,680	472,746	519,605
Growth, %	9	7	8	10
RM expenses	-270,687	-299,999	-323,831	-354,370
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)	FY24	FY25	FY26E	FY27E	FY28E
Cash & bank	6,089	3,532	-7,994	5,529	25,501
Marketable securities cost	116,095	132,853	131,228	129,442	127,476
Debtors	27,034	36,744	39,369	42,621	46,845
Inventory	14,438	14,576	15,617	16,907	18,583
Loans & advances	457	519	576	621	680
Other current assets	7,408	5,156	5,672	6,239	6,863
Total current assets	55,427	60,528	53,240	71,918	98,472
Investments	14,766	16,243	17,867	19,654	21,619
Gross fixed assets	174,669	184,669	199,669	214,669	229,669
Less: Depreciation	-108,023	-115,781	-124,424	-133,742	-143,735
Add: Capital WIP	1,206	1,066	1,066	1,066	1,066
Net fixed assets	66,646	68,887	75,245	80,927	85,934
Total assets	250,611	274,184	296,288	320,649	352,211
Current liabilities	66,299	68,568	75,620	81,648	89,167
Provisions	4,708	7,058	8,815	10,192	11,170
Total current liabilities	71,007	75,626	84,435	91,840	100,337
Non-current liabilities	-257	490	490	490	490
Total liabilities	70,749	76,116	84,925	92,330	100,827
Paid-up capital	399.4	399.4	400.0	400.0	401.0
Reserves & surplus	179,462	197,669	210,962	227,918	250,983
Shareholders' equity	179,861	198,068	211,362	228,318	251,384
Total equity & liabilities	250,611	274,184	296,288	320,649	352,211

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	FY24	FY25	FY26E	FY27E	FY28E
EPS (INR)	198.5	230.5	249.0	272.0	304.9
PER (x)	20.5	17.6	16.3	15.0	13.3
Price/Book (x)	4.5	4.1	3.8	3.6	3.2
EV/EBITDA (x)	13.1	11.5	10.9	9.7	8.4
EV/Net sales (x)	1.8	1.7	1.6	1.4	1.3
RoE (%)	22.9	24.4	24.3	24.7	25.4
RoCE (%)	31.4	32.5	31.8	32.4	33.2
Fixed Asset turnover (x)	2.1	2.2	2.2	2.2	2.3
Dividend Yield (%)	3.3	3.7	3.8	3.9	4.0
Receivable (days)	26	33	33	33	33
Inventory (days)	16	15	15	15	15
Payable (days)	63	58	60	60	60
Net D/E ratio (x)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)

Source: Arianth Research, Company Filings

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Stock Rating Scale	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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