BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**HOLD**
**TP: Rs 4,872 | ▲ 5%**

**HERO MOTOCORP** | Automobiles | 07 August 2025

# Growth concerns to stay; margins maintained, Retain HOLD

- **Q1FY26 revenue at Rs 95.8bn down 5.6%/3.6 YoY/QoQ impacted by subdued volumes of 1.37mn units down 11%/1% YoY/ QoQ**
- **Commodity cost relief helps gross margins, EBITDAM flat YoY to 14.4%; EV penetration hit by 2% as ICE EBITDA margins at 16.8%**
- **EBITDA estimates for FY26E/FY27E revised down by 2% each introduce FY28 earnings, assign 18x P/E, revise TP to Rs 4,872 (from Rs 4,642)**

Milind Raginwar
research@bobcaps.in

**Volume dent on supply chain constraints lead to revenue decline:** Hero Motocorp (HMCL) reported muted Q1FY26 revenue at Rs 95.8bn down 5.6%/3.6 YoY/QoQ, impacted by subdued volumes of 1.37mn units (-11%/-1% YoY/ QoQ) due to supply chain constraints and falling demand in the commuter segment. Realisation gains of 6% YoY (down ~3% QoQ) were driven by healthy product mix (uptake in the 125cc scooter segment and premium motorcycles) and price hikes.

**Commodity cost relief helps gross margins; EBITDA margins range-bound: G**ross margins improved to 33.3% (+100 bps YoY, -124 bps QoQ), aided by a softening of raw material costs (adjusted for inventory) by ~7%/2 YoY/QoQ). Effectively, RM reduced to 66.7% of sales from 67.7% YoY. EBITDA margin of ICE improved to 16.8% but the overall margin was flat YoY at 14.4% (14.2% in Q4FY25), impacted by continued investments in EV. Effectively, EBITDA fell by 5.4%/2.4% YoY/QoQ to Rs 13.8bn. Overall, APAT was flat at Rs 11.3bn up 0.3% YoY (4.1% QoQ). Consolidated PAT stood Rs 17bn, which included one-time gain of Rs 7.2bn on account of dilution investment in the associate company.

**Launch programme focused on 125cc segment:** HMCL launched VIDA VX2, in the EV portfolio, and the HF Deluxe Pro both in the entry segment. A new sporty 125cc bike launch is in the pipeline and another new launch planned for Q2FY26 based on 440cc platform HMCL plans to launch couple of more HD models in CY26.

**Maintain HOLD:** Factoring in 1QFY26 show, we have lowered our volume estimates, leading to EBITDA estimates cut by 2.0%, each in FY26/FY27. However, PAT estimates are revised upward to factor in higher other income. We introduce FY28 earnings and our 3Y Revenue/EBITDA/PAT CAGR is 15%/13%/12%. We continue to assign 18x target P/E to core operations, in line with the 10Y average 1YF earnings and revise the SOTP-based TP to Rs 4,872 (earlier Rs 4,642), which includes Rs 130/sh as the value of other businesses. We retain HOLD. Key risks a) concerns in the entry level segment revival 2) EV investments and brand focus will keep EBITDA margins range bound.

## Key changes

| Target | Rating |
|---|---|
| ▲ | ◀ ▶ |

| | |
|---|---|
| Ticker/Price | HMCL IN/Rs 4,661 |
| Market cap | US$ 10.6bn |
| Free float | 65% |
| 3M ADV | US$ 32.6mn |
| 52wk high/low | Rs 6,246/Rs 3,344 |
| Promoter/FPI/DII | 35%/30%/24% |

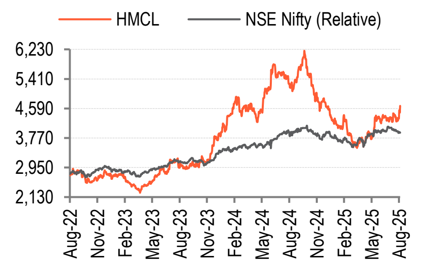
Source: NSE | Price as of 7 Aug 2025

## Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|---|---|---|---|
| Total revenue (Rs mn) | 4,07,564 | 4,75,551 | 5,20,585 |
| EBITDA (Rs mn) | 58,677 | 63,632 | 70,827 |
| Adj. net profit (Rs mn) | 46,100 | 49,179 | 53,442 |
| Adj. EPS (Rs) | 230.9 | 246.3 | 267.6 |
| Consensus EPS (Rs) | 230.9 | 251.3 | 273.9 |
| Adj. ROAE (%) | 23.3 | 22.2 | 21.8 |
| Adj. P/E (x) | 20.2 | 18.9 | 17.4 |
| EV/EBITDA (x) | 15.8 | 14.5 | 13.0 |
| Adj. EPS growth (%) | 21.1 | 6.7 | 8.7 |

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance




Source: NSE

**Fig 1 – Earnings call highlights**

| Parameter | Q1FY26 | Q4FY25 | Our view |
|---|---|---|---|
| Growth commentary | VAHAN market share (MS) rose to 30.9% (from 29% in Q4 FY'25), driven by sustained leadership in the entry segment gaining 800bps YoY and 125cc gains (Xtreme 125R, +250 bps). In the 125cc scooter segment, MS market share surged to 9.7% driven by Xoom 125 and Destini 125. Exports grew ~40% YoY, with mgmt aiming to grow esports at similar rate with exports contributing 10% to overall volumes and revenue. EV market share at ~7%, with VIDA volumes doubling YoY. | HMCL's volumes were flat YoY at 1.38mn units (vs. 1.39mn in Q4 FY'24), down 6% QoQ from 1.46mn. Management stated gaining QoQ market share for 4 consecutive months in CY25, with a 600bps gain in entry segment (65% market share) and 250bps in 125cc (Xtreme 125R). Scooter market share was up 140bps QoQ to 6.4%, driven by Destini 125 and Xoom 125 launches.<br>Rural demand is steady and expected to stay benign, driven by good monsoon forecast, strong wedding season and favourable income tax.<br>Exports growth was up 43% YoY, 2x of the industry growth, with 9% MS by FY25-end. EV market share reached 7% in Mar'25. | Growth concerns in the entry level will be a continued concern. HMCL is trying to compensate for this with a more aggressive strategy in 125cc segment that augurs well. |
| Margins | Average selling price was down by almost Rs 1,900 QoQ ex-spare business. However, the full impact of price hikes taken in Q4FY25 was realised in Q1FY26.<br>EBITDA margin for the ICE segment improved to 16.8%, driven by healthy product mix, price hikes and LEAP savings. Overall margins were flat at 14.4% on continued investments in the EV business and brand building activities. | Average selling price in Q4FY25 was up 4% YoY contributed by 2/3 product mix and 1/3 by price hikes, with minimal OBD2 impact. Gross margin at 34.5% (+90 bps YoY, +30 bps QoQ). EBITDA was Rs14.2 bn, up 4% YoY, down 4% QoQ.<br>ICE EBITDA margin was flattish at 16.1% vs 16% in Q3FY25 aggregate the margin came in at 14.2% (flat YoY, -30 bps QoQ) due to Rs 1.43 bn EV investment and 13% YoY rise in promotional expenses (13.5% of sales). Consolidated PAT had a one-time gain of Rs 1.7bn from CCPS conversion. | Gross margins were guarded by better RM cost management. EBITDA margins were listless due to EV and brand investments. Realisation push is likely to be a continued challenge. |
| Capacity Expansion | Premia store network expanded to 125 outlets from 80 outlets. | Work continues to ramp up the Tirupati EV plant, with plans in place to invest significantly for a second Global Park Centre. | Store expansion to expand reach of the premium segment helping guard margins. |
| Commentary on marketing | Marketing campaigns are ramped up to enhance visibility of HF Deluxe, Xtreme250 and VIDA VX2 models to capitalise the festive season and catering to diverse customer needs. | The "Xtreme Power Brand" campaign, featuring Virat Kohli, gained significant traction and effectively boosted visibility for the Xtreme 125 and 250R models. HMCL also increased investments in brand-building initiatives, which contributed to a 13% YoY rise in other expenses. | Marketing strategy is yielding results with distinct responses in different categories, which augurs well for HMCL. |
| Commentary on new launches | VIDA VX2 launched in Q1FY26 as per plan strengthening VIDA V2 portfolio and targeting mass-market EV adoption. HF Deluxe Pro launched with segment first feature to drive interest in the entry segment. New launch in the Sporty 125cc segment is planned for the festive season. New premium motorcycle is being developed with Harley Davidson and will be launched in Q2FY26. | HMCL launched Xoom 125 (sporty 125cc) and Destini 125 ExTech (commuter), both have been well-received, boosting the scooter MS by 140bps.<br>Premium segment bike launches (Xpulse 210, Xtreme 250R) have witnessed a strong order pipeline.<br>Two affordable EV scooters have been planned for July 2025 to strengthen VIDA V2 portfolio. | Keeping the market excited with a stream of new launches will aid all-round growth for HMCL. Continued focus on filling the gap in the 125cc segment will help ease margins pressure. |

| Parameter | Q1FY26 | Q4FY25 | Our view |
|---|---|---|---|
| Electric Vehicle portfolio and PLI scheme | VIDA products are now available in 400+ cities and have a network of 600+ touch points. V2 Pro received approval for PLI in July and approvals for other models are in process.<br>Battery as a Service is offered for period ranging from 2-5 yrs on two variant VX2 Go and VX2 Plus | The EV market share rose to 7% in March 2025, up from 4.7% in Q3FY25. VIDA. EV brand recorded a strong 200% YoY growth in volumes. Financial performance also showed improvement, with EBITDA margin for VIDA improving to negative 95% vs negative 155% in FY24.<br>The company filed a Production-Linked Incentive (PLI) application for the VIDA Pro, with approval anticipated by July 2025. | Differentiated EV products have resulted in a healthy buyer response in the initial phase. Thrust on EVs is another positive step, though it may keep margins muted. |
| Parts Accessories & Merchandise (PAM) segment | PAM business reported a weak quarter with revenue coming in at ~Rs 13bn as seasonality pressured the business. | PAM business delivered a strong performance in Q4FY25, with revenue reaching Rs 15.5bn; an 11% YoY increase. This segment contributed 15.6% to the company's overall revenue, up from 15.3% in Q3FY25. Growth was primarily driven by deeper penetration in the aftermarket, expansion of product lines including tires and batteries, and continued scaling of the distribution network. | No major changes in contribution from this segment. Going forward, it is expected to stay steady, but will remain an added cushion. |
| Other Information | Hero FinCorp (HFCL) loan book grew by 4% YoY to Rs 547bn. Finance penetration is back to 65% level after declining for the past few months as marriage leads to higher cash purchases.<br>During Q1YF26, performance was impacted by higher NPAs and credit cost but credit quality and collection efficiency increasing with the falling interest rate environment management expects growth to turn profitable. | Hero FinCorp (HFC) maintained stable retail finance penetration of 59% and 63% for the full fiscal year, with no signs of credit tightening.<br>For exports, outlook remains strong, with premium products accounting for 40% of total exports. HMCL expanded international footprint by entering new markets like Sri Lanka, Philippines and reentering Nepal.<br>In the EV 3W space, Hero MotoCorp acquired a 34.1% stake in Euler Motors for Rs 5.1bn. Additionally, Ather Energy's listing on the NSE resulted with Hero MotoCorp realising a one-time gain of Rs 1.7bn from the conversion of its CCPS (Compulsorily Convertible Preference Shares). | Higher credit costs pose a challenge to the HMCL's finance arm and will be keenly watched. |

Source: Company, BOBCAPS Research

### Fig 2 – Quarterly performance (standalone)

| (Rs mn) | 1QFY26 | 1QFY25 | YoY (%) | 4QFY25 | QoQ (%) | 1QFY26E | Deviation (%) |
|---|---|---|---|---|---|---|---|
| Volume | 13,67,070 | 15,35,156 | (10.9) | 13,80,545 | (1.0) | 13,67,070 | 0.0 |
| Avg. Realisation per Vehicle | 70,069 | 66,076 | 6.0 | 71,991 | (2.7) | 72,711 | (3.6) |
| Net Revenues | 95,789 | 1,01,437 | (5.6) | 99,387 | (3.6) | 99,401 | (3.6) |
| **Total Income (A)** | **95,789** | **1,01,437** | **(5.6)** | **99,387** | **(3.6)** | **99,401** | **(3.6)** |
| **Operating Expenses** | | | | | | | |
| Raw materials consumed | 63,904 | 68,672 | (6.9) | 65,069 | (1.8) | 65,444 | (2.4) |
| Employee Expenses | 6,260 | 6,083 | 2.9 | 6,711 | (6.7) | 6,958 | (10.0) |
| Other Expenses | 11,808 | 12,085 | (2.3) | 13,451 | (12.2) | 12,425 | (5.0) |
| **Total Expenditure (B)** | **81,972** | **86,840** | **(5.6)** | **85,231** | **(3.8)** | **84,827** | **(3.4)** |
| **EBITDA (A-B)** | **13,817** | **14,598** | **(5.3)** | **14,156** | **(2.4)** | **14,574** | **(5.2)** |
| Other Income | 3,037 | 2,317 | 31.1 | 2,237 | 35.7 | 2,511 | 20.9 |
| Depreciation | 1,928 | 1,932 | (0.2) | 1,921 | 0.4 | 1,961 | (1.7) |
| EBIT | 14,926 | 14,983 | (0.4) | 14,472 | 3.1 | 15,124 | (1.3) |
| Finance Costs | 56 | 48 | 16.6 | 47 | 18.6 | 49 | 14.5 |
| PBT before excep items | 14,870 | 14,935 | (0.4) | 14,425 | 3.1 | 15,075 | (1.4) |
| Exceptional item | - | - | - | - | - | - | - |
| PBT after excep item | 14,870 | 14,935 | (0.4) | 14,425 | 3.1 | 15,075 | (1.4) |
| Tax expense | 3,613 | 3,708 | (2.6) | 3,615 | (0.1) | 3,769 | (4.1) |
| **Reported PAT** | **11,257** | **11,226** | **0.3** | **10,809** | **4.1** | **11,306** | **(0.4)** |
| **Adjusted PAT** | **11,257** | **11,226** | **0.3** | **10,809** | **4.1** | **11,306** | **(0.4)** |
| EPS (Rs) | 56.4 | 56.2 | 0.3 | 54.1 | 4.1 | 56.6 | (0.4) |
| **Key Ratios (%)** | | | **(bps)** | | **(bps)** | | **(bps)** |
| Gross Margin | 33.3 | 32.3 | 99 | 34.5 | (124) | 34.2 | (87) |
| EBITDA Margin | 14.4 | 14.4 | 3 | 14.2 | 18 | 14.7 | (24) |
| EBIT Margin | 15.6 | 14.8 | 81 | 14.6 | 102 | 15.2 | 37 |
| PBT Margin | 15.5 | 14.7 | 80 | 14.5 | 101 | 15.2 | 36 |
| Tax Rate | 24.3 | 24.8 | (53) | 25.1 | (76) | 25.0 | (70) |
| Adj PAT Margin | 11.8 | 11.1 | 68 | 10.9 | 88 | 11.4 | 38 |

Source: Company, BOBCAPS Research

## Valuation Methodology

Factoring in the 1QFY26 show, we have lowered our volume estimates, leading to EBITDA estimates cut by 2.0% each in FY26/FY27. However, PAT estimates are revised upward to factor in higher other income. We introduce FY28 earnings and our 3Y Revenue/EBITDA/PAT CAGR is 15%/13%/12%.

The 125cc focus and performance is encouraging but the entry level segment muted performance continues to be a challenge where HMCL has a strong presence. Additionally, the EV segment will drag margins in the medium term. We feel growth will be a challenge for HMCL, given the postponement of revival in the entry segment and new entry in the high-end segment. Margins may stay range-bound, given the aggressive EV push. Exports growth, though on a lower base, is encouraging and will be keenly watched.

We continue to assign 18x target P/E to core operations, in line with the 10Y average 1YF earnings and revise the SOTP-based TP to Rs 4,872 (earlier Rs 4,642), which includes Rs 130/sh as the value of other businesses. We retain HOLD.

### Fig 3 – Revised estimates

| (Rs mn) | New | | | Old | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY26E | FY27E | FY28E* | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 4,75,551 | 5,20,585 | 5,65,615 | 4,80,616 | 5,27,116 | | (1.1) | (1.2) | |
| EBITDA | 63,632 | 70,827 | 74,853 | 64,615 | 72,101 | | (1.5) | (1.8) | |
| Adj PAT | 49,179 | 53,442 | 56,008 | 47,959 | 51,459 | | 2.5 | 3.9 | |
| Adj EPS (Rs) | 246.3 | 267.6 | 280.5 | 240 | 258 | | 2.5 | 3.9 | |

Source: BOBCAPS Research, *FY28 earnings newly introduced

### Fig 4 – Key assumptions

| | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Volumes (units) | 62,05,142 | 66,08,476 | 70,40,665 | 74,63,105 |
| Revenues (Rs mn) | 4,07,564 | 4,75,551 | 5,20,585 | 5,65,615 |
| EBITDA (Rs mn) | 58,677 | 63,632 | 70,827 | 74,853 |
| EBITDA margin (%) | 14.4 | 13.4 | 13.6 | 13.2 |
| Adj PAT (Rs mn) | 46,100 | 49,179 | 53,442 | 56,008 |

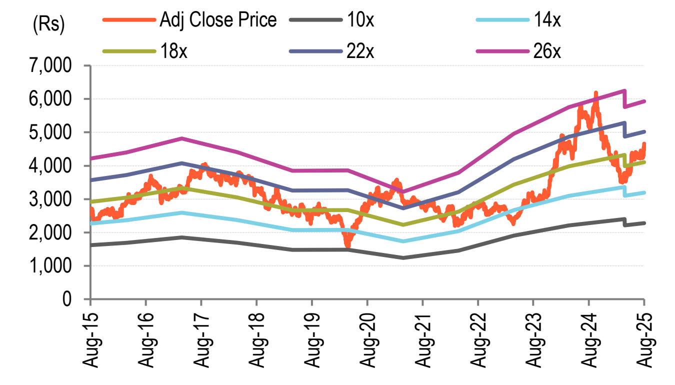
Source: Company, BOBCAPS Research

### Fig 5 – Valuation summary

| Business | 1-year forward EPS (Rs) | Target P/E (x) | Value (Rs) |
|---|---|---|---|
| Standalone Business | 271 | 18 | 4,742 |
| Other Business | - | - | 130 |
| **Total** | **-** | **-** | **4,872** |

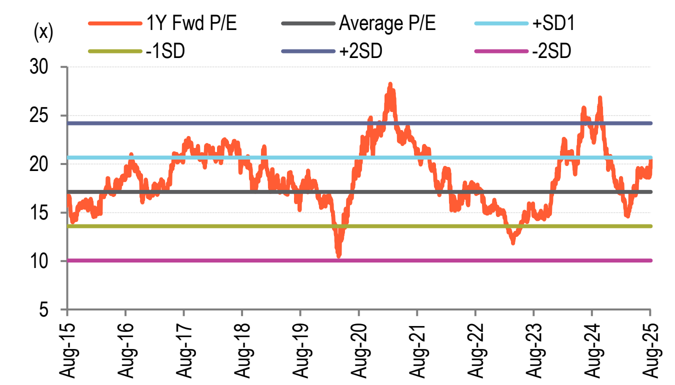
Source: BOBCAPS Research

**Fig 6 – P/E band: We value HMCL at 18x 1YF EPS near its mean valuation**




Source: Company, Bloomberg, BOBCAPS Research

**Fig 7 – P/E 1YF: Valuations reflect the earnings concern**




Source: Company, Bloomberg, BOBCAPS Research

## Key risks

Key upside/downside risks to our estimates:

- A stronger-than-expected response to HMCL's high-end products in the 125cc+ segment.
- Continued slower-than-expected demand revival, especially in the entry segment can adversely impact earnings.
- Exports focus will be keenly watched.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

# Financials

### Income Statement

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Total revenue** | **3,74,557** | **4,07,564** | **4,75,551** | **5,20,585** | **5,65,615** |
| EBITDA | 52,557 | 58,677 | 63,632 | 70,827 | 74,853 |
| Depreciation | 7,114 | 7,759 | 7,854 | 8,122 | 8,659 |
| EBIT | 54,368 | 61,478 | 65,645 | 71,671 | 75,129 |
| Net interest inc./(exp.) | (185) | (199) | (291) | (320) | (352) |
| Other inc./(exp.) | 8,926 | 10,559 | 9,867 | 8,965 | 8,934 |
| Exceptional items | 1,600 | 0 | 0 | 0 | 0 |
| EBT | 52,583 | 61,278 | 65,354 | 71,351 | 74,776 |
| Income taxes | 12,904 | 15,179 | 16,175 | 17,909 | 18,769 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 0 | 0 | 0 | 0 | 0 |
| **Reported net profit** | **39,679** | **46,100** | **49,179** | **53,442** | **56,008** |
| Adjustments | (1,600) | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **38,079** | **46,100** | **49,179** | **53,442** | **56,008** |

### Balance Sheet

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Accounts payables | 58,529 | 60,297 | 69,920 | 76,162 | 82,851 |
| Other current liabilities | 8,269 | 8,682 | 9,116 | 9,572 | 10,051 |
| Provisions | 4,708 | 7,058 | 5,191 | 5,450 | 5,723 |
| Debt funds | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Equity capital | 400 | 400 | 400 | 400 | 400 |
| Reserves & surplus | 1,79,462 | 1,97,668 | 2,21,511 | 2,45,000 | 2,71,054 |
| Shareholders' fund | 1,79,861 | 1,98,068 | 2,21,911 | 2,45,399 | 2,71,454 |
| **Total liab. and equities** | **2,51,367** | **2,74,105** | **3,06,137** | **3,36,583** | **3,70,077** |
| Cash and cash eq. | 6,089 | 3,532 | 8,498 | 6,648 | 6,195 |
| Accounts receivables | 27,034 | 36,744 | 38,995 | 42,688 | 46,380 |
| Inventories | 14,438 | 14,576 | 19,498 | 21,344 | 23,190 |
| Other current assets | 14,148 | 11,314 | 15,598 | 17,158 | 18,874 |
| Investments | 1,30,861 | 1,49,096 | 1,56,110 | 1,79,048 | 2,03,789 |
| Net fixed assets | 58,340 | 60,246 | 62,293 | 64,071 | 65,312 |
| CWIP | 4,805 | 3,692 | 9,000 | 9,000 | 9,000 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | (4,348) | (5,096) | (3,855) | (3,373) | (2,663) |
| Other assets | 0 | 0 | 0 | 0 | 0 |
| **Total assets** | **2,51,367** | **2,74,105** | **3,06,137** | **3,36,583** | **3,70,077** |

### Cash Flows

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **48,638** | **40,617** | **43,608** | **52,137** | **55,565** |
| Capital expenditures | (8,007) | (8,552) | (15,208) | (9,900) | (9,900) |
| Change in investments | (20,757) | (18,235) | (7,015) | (22,937) | (24,742) |
| Other investing cash flows | 8,926 | 10,559 | 9,867 | 8,965 | 8,934 |
| **Cash flow from investing** | **(19,839)** | **(16,227)** | **(12,356)** | **(23,872)** | **(25,708)** |
| Equities issued/Others | 241 | (241) | 0 | 0 | 0 |
| Debt raised/repaid | 0 | 0 | 0 | 0 | 0 |
| Interest expenses | (185) | (199) | (291) | (320) | (352) |
| Dividends paid | (27,956) | (23,963) | (27,956) | (29,953) | (29,953) |
| Other financing cash flows | 295 | 748 | (1,241) | (482) | (709) |
| **Cash flow from financing** | **(27,605)** | **(23,655)** | **(29,488)** | **(30,756)** | **(31,014)** |
| **Chg in cash & cash eq.** | **1,194** | **735** | **1,764** | **(2,491)** | **(1,157)** |
| **Closing cash & cash eq.** | **6,089** | **3,532** | **8,498** | **6,648** | **6,195** |

### Per Share

| Y/E 31 Mar (Rs) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Reported EPS | 190.7 | 230.9 | 246.3 | 267.6 | 280.5 |
| Adjusted EPS | 190.7 | 230.9 | 246.3 | 267.6 | 280.5 |
| Dividend per share | 140.0 | 120.0 | 140.0 | 150.0 | 150.0 |
| Book value per share | 900.7 | 991.9 | 1,111.3 | 1,228.9 | 1,359.4 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| EV/Sales | 2.5 | 2.3 | 1.9 | 1.8 | 1.6 |
| EV/EBITDA | 17.7 | 15.8 | 14.5 | 13.0 | 12.3 |
| Adjusted P/E | 24.4 | 20.2 | 18.9 | 17.4 | 16.6 |
| P/BV | 5.2 | 4.7 | 4.2 | 3.8 | 3.4 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Tax burden (Net profit/PBT) | 72.4 | 75.2 | 75.3 | 74.9 | 74.9 |
| Interest burden (PBT/EBIT) | 96.7 | 99.7 | 99.6 | 99.6 | 99.5 |
| EBIT margin (EBIT/Revenue) | 14.5 | 15.1 | 13.8 | 13.8 | 13.3 |
| Asset turnover (Rev./Avg TA) | 215.9 | 215.7 | 226.5 | 222.8 | 218.9 |
| Leverage (Avg TA/Avg Equity) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Adjusted ROAE | 22.0 | 24.4 | 23.4 | 22.9 | 21.7 |

### Ratio Analysis

| Y/E 31 Mar | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Revenue | 10.8 | 8.8 | 16.7 | 9.5 | 8.7 |
| EBITDA | 31.8 | 11.6 | 8.4 | 11.3 | 5.7 |
| Adjusted EPS | 30.8 | 21.1 | 6.7 | 8.7 | 4.8 |
| **Profitability & Return ratios (%)** | | | | | |
| EBITDA margin | 14.0 | 14.4 | 13.4 | 13.6 | 13.2 |
| EBIT margin | 14.5 | 15.1 | 13.8 | 13.8 | 13.3 |
| Adjusted profit margin | 10.2 | 11.3 | 10.3 | 10.3 | 9.9 |
| Adjusted ROAE | 21.2 | 23.3 | 22.2 | 21.8 | 20.6 |
| ROCE | 23.7 | 24.5 | 23.5 | 23.0 | 21.8 |
| **Working capital days (days)** | | | | | |
| Receivables | 27 | 29 | 29 | 29 | 29 |
| Inventory | 14 | 13 | 13 | 14 | 14 |
| Payables | 78 | 80 | 72 | 74 | 74 |
| **Ratios (x)** | | | | | |
| Gross asset turnover | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 |
| Current ratio | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 |
| Net interest coverage ratio | (293.9) | (308.6) | (225.6) | (223.9) | (213.4) |
| Adjusted debt/equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.**

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

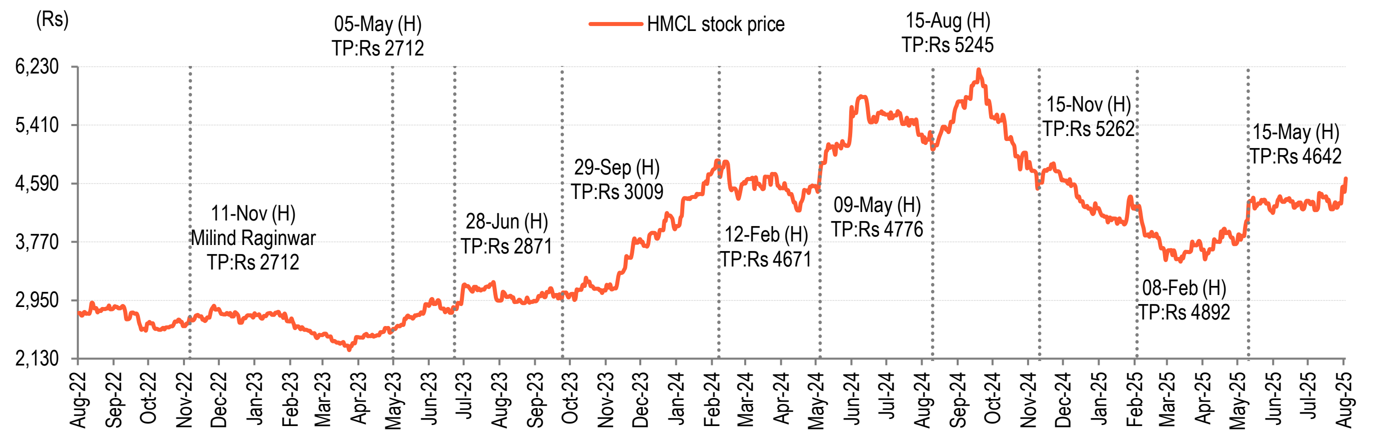
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): HERO MOTOCORP (HMCL IN)**




B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

**Analyst certification**

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

**General disclaimers**

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS’s activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS’s clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

**Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

**Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

**Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) (“**MSL**”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as **“MAYBANK**”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

**No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

**Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.