BOBCAPS
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HOLD
TP: Rs 5,674 | ⮝ 10%

HERO MOTOCORP | Automobiles | 06 May 2026

Healthy show; betting on a strong scooterisation play

- **Buoyant revenue growth (29% YoY). Volume growth (24% YoY) continues on recent launches and refreshes**
- **Commodity pressure intensifies (Rs2,100/units), BOM cost inflation in high single digits partially offset by price hikes (~2%)**
- **FY27/FY28 EBITDA estimates revised up by 1%/3%; PAT by 1% in FY28; rollover to Mar'28, value at 18x; TP revised to Rs 5,674. Retain HOLD**

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Growth momentum buoyant, while the mix improves: HMCL delivered a robust Q4FY26 show, with revenue at ~Rs 128bn (+29% YoY), driven by healthy volume growth and sustained demand momentum. Volumes rose to ~1.71mn units (+24% YoY), aided by continued traction across the 110–125cc segment, premium motorcycles and scooters; helped by the recent launches and refreshes. ASPs revised ~3.7% YoY, led by premiumisation, favourable product mix and pricing actions, cushioning the top-line growth.

Margins resilient, despite commodity inflation: Raw material costs remained elevated amid commodity inflation, with RM cost rising ~34.7% YoY; increasing to 68.5% of sales (vs 65.5% YoY). Commodity inflation intensified (Rs 2,100/unit) towards the end of the quarter, with BOM cost inflation in high single digits, while price hikes (~2% taken in April) only partially offset the impact.

Timely price action and operating leverage provide buffer: Operating leverage, pricing actions and improved mix supported the profitability, with EBITDA at Rs 18.6bn (+31% YoY) and margin broadly stable (-12 bps YoY). ICE EBITDA margin saw improvement (~100 bps YoY), though the overall margins were weighed by continued EV investments (~Rs 2.2bn in the quarter).

Capacity ramp-ups to capitalise on demand: HMCL is scaling up the capacity in scooters and EVs. ~Rs 15bn capex planned for FY27 will be directed toward capacity expansion, new product development and EV scaling, alongside ~Rs 7bn investment in a global parts centre to strengthen the aftermarket (PAM) business.

Maintain HOLD: Factoring in the FY26 show, we revise our FY27/FY28 estimates upwards by 1%/3% EBITDA and 1% PAT in FY28. We introduce FY29 earnings estimates and our 3Y Revenue/EBITDA/PAT CAGR is 16%/14%/16%. HMCL is consolidating further (plus GST gains, with an aggressive strategy in 125cc segment that augurs well. We continue to assign 18x target P/E to core operations, in line with the 10Y average, with rollover to Mar 2028 earnings and revise TP to Rs 5,674 (earlier Rs 5,559, SOTP-based) , with Rs 130/sh as the value of other businesses.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HMCL IN/Rs 5,170
Market cap	US$ 10.9bn
Free float	65%
3M ADV	US$ 32.1mn
52wk high/low	Rs 6,389/Rs 3,735
Promoter/FPI/DII	35%/30%/24%

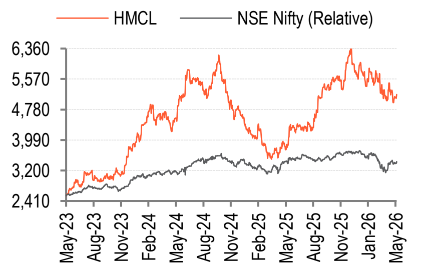
Source: NSE | Price as of 6 May 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	4,07,564	4,68,301	5,23,851
EBITDA (Rs mn)	58,677	68,707	73,636
Adj. net profit (Rs mn)	46,100	53,872	56,505
Adj. EPS (Rs)	230.9	269.8	283.0
Consensus EPS (Rs)	230.9	269.8	292.6
Adj. ROAE (%)	23.3	25.0	24.3
Adj. P/E (x)	22.4	19.2	18.3
EV/EBITDA (x)	17.7	15.1	14.1
Adj. EPS growth (%)	21.1	16.9	4.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings Call Highlights

Parameter	Q4FY26	Q3FY26	Our view
Growth commentary	HMCL delivered a strong Q4FY26 with broad-based growth. Scooters grew ~48% YoY, EV volumes expanded ~2.5x YoY, and exports rose ~41% YoY; indicating traction in underpenetrated segments. Premium portfolio (Harley-Davidson range) also scaled up (~26% YoY), aided by product-market fit and brand push. Market share gains were visible across segments (100–125cc, scooters, EVs, exports), driven by portfolio refreshes + targeted marketing. Retail growth outpaced dispatches, leading to channel inventory reduction and healthier dealer stock (~5 weeks) entering FY27. Management expects high single-digit industry growth in FY27, with scooters growing faster than motorcycles. HMCL is likely to outperform industry growth on the back of recent launches, capacity ramp-up, and continued premiumisation.	HMCL had the 4th consecutive quarter of MS expansion in rural (57% vs 41%), led by entry & deluxe segments, which was the highlight of Q4. Entry segment strengthened with HF Deluxe Pro accounting for ~20% of HF retail volumes in Jan'26. Splendor maintained leadership with MS at ~91% (the highest since FY18). Deluxe 125cc MS gained sharply with Glamour X retail up ~70% YoY, Xtreme 125R dual-channel ABS forming >35% of model mix. Scooter MS improved to ~7%, led by Premium scooters (Destini & Xoom) now >50% of scooter volumes. Exports up 41% YoY, while premium forms ~40% of export mix. Export MS was at 7.5% up by 100bps. EV (VIDA) MS rose to 10.8% (+6ppt YoY) with strong traction in V2 portfolio. Double-digit industry growth expected in Q4YF26, with HMCL likely to outperform.	The continued EV drive and scooterisation aiding MS gains, though margins may stay under pressure in the medium term. With GST rate rationalisation, growth concerns at the entry level waned. HMCL further consolidating with a more aggressive strategy in 125cc segment that augurs well. Exports growth is on a lower base, but gaining momentum.
Margins	Q4FY26 EBITDA margin came at ~14.5% (+30 bps YoY) despite EV investments (~Rs 2.2bn) and commodity headwinds. ICE EBITDA margin improved to ~17% (+100 bps YoY), driven by pricing, mix, and operating leverage. Commodity inflation (aluminium, steel, rubber, plastics) intensified from March, material cost inflation of Rs 2,100/unit and BOM cost inflation in high single digit, while price hikes (~2%) only partially offset this. Management indicated that they have accelerated cost savings (LEAP) efforts, cut down on discretionary spending and calibrated price hikes. Medium-term margin guidance remains 14–16%, though near-term volatility persists.	ASP were up ~4.2%/1.3% YoY/QoQ, driven by mix improvement across segments. ICE EBITDA margin expanded to ~17% (+100 bps YoY), aided by ASPs, LEAP savings and operating leverage. Overall EBITDA margin improved 22 bps YoY to 14.7% (down from 15.0% in Q2) despite continued EV investment (~Rs 2bn) and brand spend. EV revenue in Q3 was ~Rs 4.5bn. Commodity inflation (aluminium/precious metals) impacted ~40–50 bps in Q3FY26.	Gross profits were guarded by price hikes of Rs2000/unit across segment. This though guarded the profitability the margins still weakened. EBITDA margins helped by better operating efficiencies. ASPs are likely to be hiked given the impact of cost inflation will intensify from Q1 and onwards .
Capacity Expansion	HMCL has committed Rs15bn for scaling up capacity in growth segments. Scooters: Destini capacity is up by ~50%, Xoom capacity being doubled. EVs: Capacity planned to increase by ~50% in Q1YF27, followed by further doubling within FY27. Additionally, investment in a second global parts centre (~Rs 7bn) will double PAM handling capacity, targeting untapped aftermarket opportunity. HMCL is also ramping up connected vehicle technology	106 Premia stores operational (vs 80 in Q2), covering >50% of premium industry footprint. Global footprint expanded to 52 countries. Channel inventory was down significantly with lean dealer stock entering Q4.	Focus remains on the Premium segment, reflected in store expansion. Better product mix likely to guard margins.
Commentary on marketing	Brand investments remained elevated (+22% YoY in FY26), with six high-impact campaigns across HF Deluxe, Splendor, Xoom, Destini, VIDA. Focus on category-specific campaigns and customer acquisition remains intact.	High-impact campaigns behind HF Deluxe Pro, Splendor, Glamour X, Xtreme 125R, Destini & VIDA V2. Proportion of first-time buyers rose to ~75–80%.	Rise in new customers will be benefiting HMCL. New marketing strategy yielding results with distinct responses in different categories, which augurs well for HMCL.
Commentary on new launches	FY26 saw 9 launches + multiple refreshes, helping fill portfolio gaps across motorcycles, scooters, and EVs. Recent launches (Xoom,	Strong acceptance of HF Deluxe Pro, Glamour X, Xtreme 125R dual-channel, Destini 125 / Destini 110, Xoom range.	Filling in the gaps with refreshers and launches will help cater to new demand and ease

Parameter	Q4FY26	Q3FY26	Our view
	Destini, VIDA range, Harley variants) have shown strong market acceptance, validating strategy of refresh-led growth + white space filling. Management indicated a continued launch pipeline across segments in FY27 in the commuter, premium, scooter and VIDA portfolios.	Launches have garnered customer traction with focused marketing initiatives. No major white spaces left in ICE. Focus shifts to scaling recent launches and refresh-led growth.	margins pressure. Keeping the market excited with a stream of new launches will aid an all-round growth for HMCL. Further, focus on scooterisation, will be an added advantage. This will help HMCL to cater to all the segments from scooterisation to ultra-premium motor cycles
Electric Vehicle portfolio and PLI scheme	EV losses per unit are declining QoQ. PLI approvals are secured for three products (covering ~60% of portfolio), targeting ~90% coverage which translates to 13% revenue benefit. EV remains in an investment phase with heavy investments in capacity and new launches planned.	VIDA MS at 10.8% (+6ppt YoY); top-2 position in 37 towns, >20% MS in 28 towns, >10% MS in 79 towns. EV revenue at ~Rs 4.5bn in Q3FY26. EV investment was to the tune of ~Rs 2.09bn (vs ~Rs 2.55bn in Q2). Battery-as-a-Service gaining traction driving initial cost outlay lower. One model has received PLI approval plan I underway to make more model that meet the eligibility criteria.	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 revenue stood at ~Rs 16.5bn in Q4FY26 and ~Rs 62bn for FY26 (~6% YoY growth). Management highlighted investment in a global parts center to address a larger share of aftermarket opportunity (~50% unaddressed demand).	PAM recorded the highest quarterly revenue at Rs 16.7bn (+8% YoY), aided by vehicle growth and improved penetration.	No major changes in the contribution of this segment. Going forward, it is expected to stay steady, but will continue being an added cushion.
Other Information	Cash flow from operations was at ~Rs 94bn in FY26 (+80% YoY) driven by working capital improvement. Exports for FY26 were ~4.2 lakh units and revenue at Rs 35bn. Strong traction visible in LATAM and expansion planned in Africa & SAARC. Total dividend for FY26 at Rs185/share. High single-digit volume growth expected in FY27; HMCL targets to outperform through product, distribution, and EV thrust.	Cashflow management healthy with 9MFY26 operating cashflow at Rs 70.5bn. Channel inventory tightly managed. Exports YTD up ~50%, HMCL present in 52 countries; Colombia volumes up >200% YoY, MS improved to ~9% and business turned profitable. Management guides Q4FY26 strong; FY27 industry growth seen in high single digits.	Healthy operating performance has cushioned WC requirements, easing balance sheet pressure that is an additional benefit. Export thrust will further add cushion to earnings.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Deviation (%)
Volume	17,14,285	13,80,545	24.2	16,96,777	1.0	17,14,285	0.0
Avg. Realisation per Vehicle	74,646	71,991	3.7	72,658	2.7	73,158	2.0
Net Revenues	1,27,965	99,387	28.8	1,23,284	3.8	1,25,413	2.0
Total Income (A)	**1,27,965**	**99,387**	**28.8**	**1,23,284**	**3.8**	**1,25,413**	**2.0**
Operating Expenses							
Raw materials consumed	85,532	65,069	31.4	83,131	2.9	85,148	0.5
Employee Expenses	6,814	6,711	1.5	7,050	(3.3)	7,085	(3.8)
Other Expenses	14,940	13,451	11.1	15,003	(0.4)	15,990	(6.6)
Total Expenditure (B)	**1,07,286**	**85,231**	**25.9**	**1,05,183**	**2.0**	**1,08,223**	**(0.9)**
EBITDA (A-B)	**20,679**	**14,156**	**46.1**	**18,101**	**14.2**	**17,190**	**20.3**
Other Income	2,086	2,237	(6.7)	2,959	(29.5)	2,251	(7.3)
Depreciation	2,039	1,921	6.1	2,044	(0.3)	2,064	(1.2)
EBIT	20,727	14,472	43.2	19,015	9.0	**17,377**	19.3
Finance Costs	55	47	17.1	60	(7.0)	59	(6.1)
PBT before excep items	20,672	14,425	43.3	18,955	9.1	**17,318**	19.4
Exceptional item	-	-	NA	1,190	NA	-	-
PBT after excep item	20,672	14,425	43.3	17,765	16.4	**17,318**	19.4
Tax expense	4,666	3,615	29.1	4,280	9.0	4,330	7.8
Reported PAT	**16,006**	**10,809**	**48.1**	**13,486**	**18.7**	**12,989**	**23.2**
Adjusted PAT	**16,006**	**10,809**	**48.1**	**14,676**	**9.1**	**12,989**	**23.2**
EPS (Rs)	80.2	54.1	48.1	73.5	9.1	**65.0**	23.2
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	33.2	34.5	(137)	32.6	59	32.1	105
EBITDA Margin	16.2	14.2	192	14.7	148	13.7	245
EBIT Margin	16.2	14.6	164	15.4	77	13.9	234
PBT Margin	16.2	14.5	164	15.4	78	13.8	235
Tax Rate	22.6	25.1	(249)	24.1	(152)	25.0	(243)
Adj PAT Margin	12.5	10.9	163	11.9	60	10.4	215

Source: Company, BOBCAPS Research

Valuation Methodology

Factoring in the FY26 show, we have revised our estimates upwards by 1%/3% EBITDA and 1% PAT in FY28. We introduce FY29 earnings estimates and our 3Y Revenue/EBITDA/PAT CAGR is 16%/14%/16%.

Growth concerns in the entry level waned with the GST rate rationalisation. HMCL is further consolidating with a more aggressive strategy in the 125cc segment that augurs well. The continued EV drive is helping MS gains, though margins may remain under pressure in the medium term.

Increase in new customers shall benefit HMCL and the focus on scooterisation will likely be an added advantage. Healthy operating performance has cushioned working capital requirements, easing the balance sheet pressure, which is an additional benefit. Exports thrust though in nascent stage will further add cushion to the earnings.

We continue to assign 18x target P/E to core operations, in line with the 10Y average. We have rolled over to Mar 2028 earnings and revise the SOTP-based TP to Rs 5,674 (earlier Rs 5,559), with Rs 130/sh as the value of other businesses.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E*	FY27E	FY28E	FY29E*	FY27E	FY28E	FY29E*
Revenue	5,23,851	5,80,117	6,37,895	5,21,709	5,69,297		0.4	1.9	
EBITDA	73,636	80,116	85,817	73,212	78,017		0.6	2.7	
Adj PAT	56,505	61,163	65,636	56,326	60,355		0.3	1.3	
Adj EPS (Rs)	283.0	306.3	328.7	282.1	302.2		0.3	1.4	

Source: BOBCAPS Research, *FY29 earnings newly introduced

Fig 4 – Key assumptions

	FY26E	FY27E	FY28E	FY29E
Volumes (units)	66,08,476	70,71,070	76,39,578	82,15,609
Revenues (Rs mn)	4,68,301	5,23,851	5,80,117	6,37,895
EBITDA (Rs mn)	68,707	73,636	80,116	85,817
EBITDA margin (%)	14.7	14.1	13.8	13.5
Adj PAT (Rs mn)	53,872	56,505	61,163	65,636

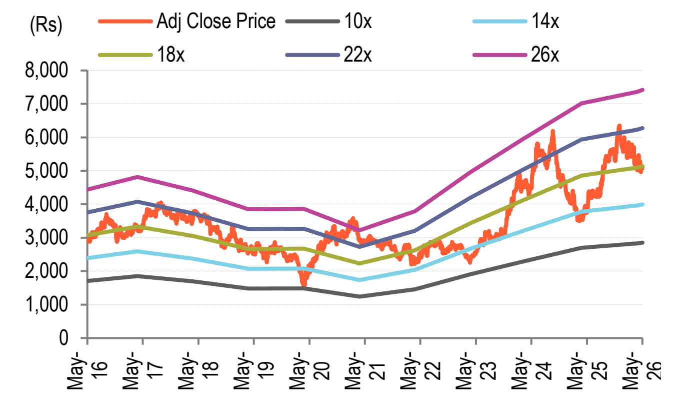
Source: Company, BOBCAPS Research

Fig 5 – Valuation summary

Business	Mar 2028 EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	306	18	5,544
Other Business	-	-	130
Total	**-**	**-**	**5,674**

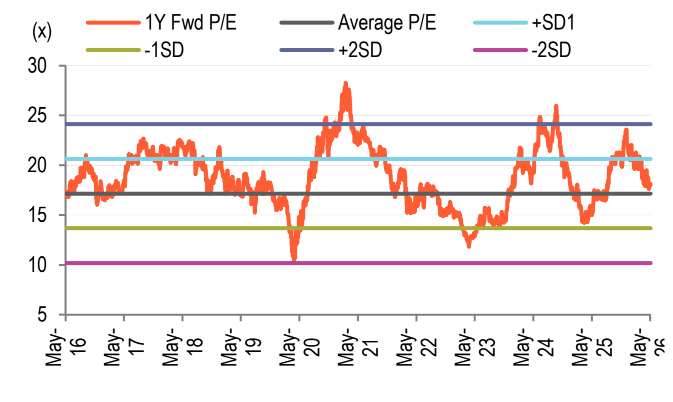
Source: BOBCAPS Research

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 moderated on current uncertain scenario though structurally steady



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, which can impact earnings.
- Exports focus will be keenly watched.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Total revenue	**4,07,564**	**4,68,301**	**5,23,851**	**5,80,117**	**6,37,895**
EBITDA	58,677	68,707	73,636	80,116	85,817
Depreciation	7,759	7,980	8,020	8,556	9,004
EBIT	61,477	71,138	75,761	82,012	88,018
Net interest inc./(exp.)	(199)	(228)	(320)	(352)	(387)
Other inc./(exp.)	10,559	10,411	10,145	10,452	11,205
Exceptional items	0	(1,190)	0	0	0
EBT	61,278	69,720	75,441	81,660	87,631
Income taxes	15,179	17,038	18,936	20,497	21,995
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**46,100**	**52,682**	**56,505**	**61,163**	**65,636**
Adjustments	0	1,190	0	0	0
Adjusted net profit	**46,100**	**53,872**	**56,505**	**61,163**	**65,636**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Accounts payables	58,670	69,498	76,174	84,409	92,962
Other current liabilities	10,309	21,512	11,365	11,933	12,530
Provisions	7,058	9,822	7,782	8,171	8,579
Debt funds	0	0	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	400	400	400	400	400
Reserves & surplus	1,97,669	2,15,381	2,32,550	2,54,774	2,80,472
Shareholders' fund	1,98,068	2,15,781	2,32,950	2,55,174	2,80,873
Total liab. and equities	**2,74,105**	**3,16,613**	**3,28,271**	**3,59,688**	**3,94,944**
Cash and cash eq.	3,532	6,036	5,702	9,038	7,811
Accounts receivables	36,744	25,932	42,956	47,570	52,626
Inventories	14,576	18,582	21,478	23,785	26,154
Other current assets	11,315	10,827	13,068	14,375	15,813
Investments	1,49,096	1,93,969	1,77,189	1,94,326	2,20,251
Net fixed assets	59,014	61,164	63,044	64,388	65,384
CWIP	4,925	5,934	9,000	9,900	9,900
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(5,096)	(5,831)	(4,165)	(3,693)	(2,994)
Other assets	0	0	0	0	0
Total assets	**2,74,105**	**3,16,613**	**3,28,271**	**3,59,688**	**3,94,944**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Cash flow from operations	**41,465**	**83,303**	**26,388**	**59,880**	**63,742**
Capital expenditures	(8,552)	(11,139)	(12,966)	(10,800)	(10,000)
Change in investments	(18,235)	(44,874)	16,780	(17,137)	(25,924)
Other investing cash flows	10,559	10,411	10,145	10,452	11,205
Cash flow from investing	**(16,228)**	**(45,602)**	**13,960**	**(17,486)**	**(24,719)**
Equities issued/Others	243	1	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(199)	(228)	(320)	(352)	(387)
Dividends paid	(27,998)	(36,942)	(37,941)	(38,939)	(39,938)
Other financing cash flows	748	736	(1,666)	(471)	(699)
Cash flow from financing	**(27,206)**	**(36,434)**	**(39,927)**	**(39,763)**	**(41,024)**
Chg in cash & cash eq.	**(1,969)**	**1,268**	**421**	**2,632**	**(2,001)**
Closing cash & cash eq.	**3,532**	**6,036**	**5,702**	**9,038**	**7,811**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
Reported EPS	230.9	269.8	283.0	306.3	328.7
Adjusted EPS	230.9	269.8	283.0	306.3	328.7
Dividend per share	140.2	185.0	190.0	195.0	200.0
Book value per share	991.9	1,080.6	1,166.6	1,277.9	1,406.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
EV/Sales	2.5	2.2	2.0	1.8	1.6
EV/EBITDA	17.7	15.1	14.1	13.0	12.1
Adjusted P/E	22.4	19.2	18.3	16.9	15.7
P/BV	5.2	4.8	4.4	4.0	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26E	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.2	77.3	74.9	74.9	74.9
Interest burden (PBT/EBIT)	99.7	98.0	99.6	99.6	99.6
EBIT margin (EBIT/Revenue)	15.1	15.2	14.5	14.1	13.8
Asset turnover (Rev./Avg TA)	215.7	226.3	233.5	237.7	238.0
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.4	26.0	25.2	25.1	24.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	8.8	14.9	11.9	10.7	10.0
EBITDA	11.6	17.1	7.2	8.8	7.1
Adjusted EPS	21.1	16.9	4.9	8.2	7.3
Profitability & Return ratios (%)					
EBITDA margin	14.4	14.7	14.1	13.8	13.5
EBIT margin	15.1	15.2	14.5	14.1	13.8
Adjusted profit margin	11.3	11.5	10.8	10.5	10.3
Adjusted ROAE	23.3	25.0	24.3	24.0	23.4
ROCE	24.5	26.0	25.3	25.2	24.6
Working capital days (days)					
Receivables	29	24	24	28	29
Inventory	13	13	14	14	14
Payables	79	74	73	73	73
Ratios (x)					
Gross asset turnover	0.4	0.4	0.4	0.3	0.3
Current ratio	0.9	0.6	0.9	0.9	0.9
Net interest coverage ratio	(308.6)	(312.6)	(236.7)	(232.9)	(227.2)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

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

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Name of the Grievance Officer: Mr.Manoj Pawar
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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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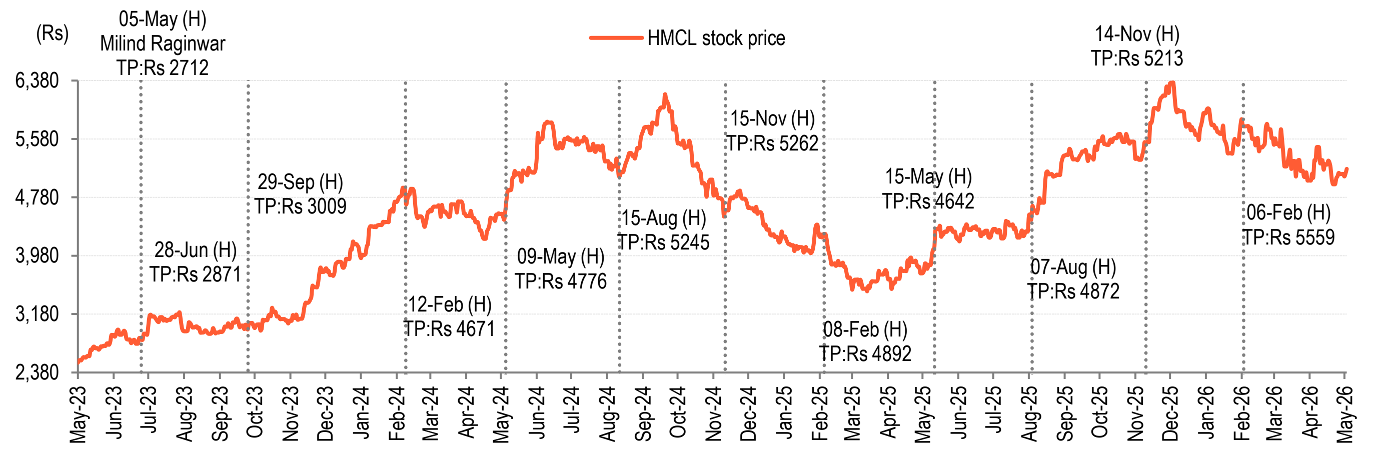
Ratings and Target Price (3-year history): HERO MOTOCORP (HMCL IN)



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

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