AXIS DIRECT

Result Update
7th May, 2026

Hero MotoCorp Ltd
Auto

BUY
Target Price
5,960

Margin Stability, Global Scale-Up & Strong Demand

Est. Vs. Actual for Q4FY26: Revenue – BEAT; EBITDA – INLINE; PAT– MISS

Change in Estimates post Q4FY26

FY27E/FY28E: Revenue: 2.3%/2.3%; **EBITDA:** -1.0%/2.0; **PAT:** -0.4%/1.9%

Recommendation Rationale

- **Infrastructure Expansion & Capital Allocation:** Hero MotoCorp is accelerating capacity expansion alongside a focused FY27 Capex of ~Rs 1,500 Cr to strengthen growth segments. The company is leveraging flexible ICE–EV manufacturing (Tirupati), ramping up scooter capacity (Destiny +50%, Zoom to double), and scaling EV (Vida) capacity by 50% with further doubling planned by FY27. A key allocation (~Rs 700 Cr) is toward the South India Global Parts Center to double aftermarket capacity and regain lost share (currently ~50% penetration), while the remaining spend is directed toward EV scale-up, ICE capacity expansion, and new product development.
- **Market Growth Outlook & Demand Drivers:** Management remains constructive on demand, guiding for high single-digit industry growth in FY27, supported by structural drivers such as urbanisation, gig economy expansion, and rising e-commerce penetration. The scooter segment is expected to outpace motorcycles, with Hero already witnessing ~48% YoY growth in scooters, indicating strong traction from urban mobility trends without cannibalisation of core motorcycle demand. Premiumization and exports continue to gain momentum, with global business up 41% YoY and strong performance from the Harley-Davidson X440 portfolio, while further expansion in Latin America, Africa, and underpenetrated markets like Bangladesh provides incremental growth levers.
- **Margin Targets & Profitability Outlook:** Hero has reiterated its medium-term EBITDA margin guidance of 14-16%, despite near-term cost pressures from commodity inflation (aluminium, steel, rubber), which led to a ~100 bps sequential gross margin contraction in Q4. While price hikes (~2% in Apr'26) and partial cost pass-throughs provide support, the company is intensifying internal efficiency measures through its LEAP program (BOM optimisation) and rationalising discretionary spends. Importantly, EV profitability is improving sequentially, with a clear path driven by operating leverage, cost reduction initiatives, and PLI benefits (currently covering ~60% of EV portfolio, expected to rise to ~90%), supporting margin sustainability over the medium term.

Sector Outlook: Positive on 2W

Company Outlook & Guidance: Hero MotoCorp continues to scale its premium portfolio and EV (Vida) business, alongside strong growth in global operations. Management remains constructive on demand and reiterates its medium-term EBITDA margin guidance of ~14-16%.

Current Valuation: **16x core FY28E EPS (Earlier Valuation: 18x on FY28 EPS)**, adding share in Ather Energy Ltd (30% holding in listed entity) and Hero Fincorp 1.5x at FY25 P/B.

Current TP: **Rs 5,960/share (Earlier TP: Rs 6,400/share)**

Recommendation: We maintain our **BUY** rating on the stock, supported by reasonable valuations.

Financial Performance

In Q4FY26, Hero reported revenue of Rs 12,797 Cr (3% beat), up 28.8%/4% YoY/QoQ, primarily supported by strong volumes and higher ASP (+3.7% YoY). EBITDA stood at Rs 1,856 Cr, up 31%YoY and 3% QoQ. EBITDA margin remained at 14.5%, impacted by higher raw material costs. PAT came in at Rs 1,401 Cr (3% miss), up 29.6%YoY and 4% QoQ, due to lower than expected depreciation cost.

Key Financials (Standalone)

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	12,797	4%	28.8%	12,462	3%
EBITDA	1,856	3%	31.1%	1,840	1%
EBITDA Margin (%)	14.5%	-18 bps	26 bps	14.8%	-27 bps
Reported Net Profit	1,401	4%	29.6%	1,438	-3%
Reported EPS (Rs)	70.0	4%	29.6%	71.9	-3%

Source: Company, Axis Securities Research

(CMP as of 6th May, 2026)

CMP (Rs)	5,180
Upside /Downside (%)	15%
High/Low (Rs)	6,390/3,710
Market cap (Cr)	1,03,442
Avg. daily vol. (6m) Shrs.	7,56,135
No. of shares (Cr)	20.00

Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	34.7	34.7	34.7
FIIs	28.8	29.4	31.2
MFs / UTI	14.4	14.4	12.1
DIIs	0.0	0.0	0.0
Others	22.1	21.5	22.0

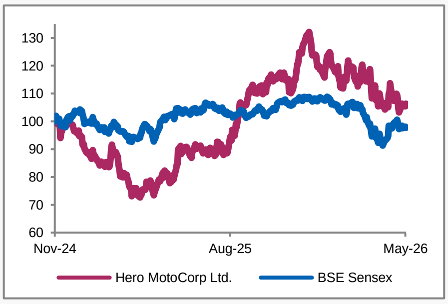
Financial & Valuations

Y/E Mar (Rs Cr)	FY27E	FY28E
Net Sales	50,514	54,799
EBITDA	7,364	8,299
Net Profit	5,739	6,343
EPS (Rs.)	287.2	317.5
PER (x)	18.0	16.3
EV/ EBITDA	13.4	11.4
P/BV (x)	4.1	3.6
RoE (%)	22.7	22.2

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	2.3%	2.3%
EBITDA	-1.0%	2.0%
PAT	-0.4%	1.9%

Relative Performance



Source: ACE Equity, Axis Securities Research

Results Gallery

Q3FY26
Q2FY26
Q1FY26
Q4FY25

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Outlook

We are monitoring (1) Hero's roadmap in the EV product portfolio, (2) its strategy in the mid-weight MC segment amid intensifying competition, and (3) its expansion into new international markets. Demand outlook remains positive, supported by improving rural income and higher disposable income, which is expected to drive growth in entry and 125cc segments, alongside continued traction in scooters and improving scale-up in the EV portfolio. Consequently, we estimate a 10-11% CAGR in EBITDA over FY26-28E.

Valuation & Recommendation

We thus value the stock at 16x core FY28E EPS (Earlier Valuation: 18x on FY28 EPS), adding share in Ather Energy Ltd (30% holding in the listed entity) and Hero Fincorp 1.5x at FY25 P/B, to arrive at a TP of Rs 5,960/share (Earlier TP: Rs 6,400/share). We **maintain our BUY rating on the stock, with a 15% upside from the CMP.**

Key Concall Highlights

- **Strong Growth Across FY26; Margins Improve:** Hero MotoCorp reported a strong performance in FY26, achieving its highest-ever revenue and profitability. The company posted revenue from operations of Rs 46,830 Cr and PAT of Rs 5,268 Cr for the full year, with EBITDA margin improving by 30 bps YoY to 14.7%, supported by a favourable product mix and cost efficiencies.
- **Strategic Expansion and Market Leadership:** Hero MotoCorp retained its global leadership for the 25th consecutive year and strengthened its EV focus by increasing its stake in Euler Motors to 36.7%. The company also expanded its global footprint, entering Europe and the UK with a Euro5+ compliant portfolio, while global dispatches grew 40% YoY to over 4 Lc units across 52 markets.
- **Technology & R&D Focus:** Increasing R&D spend (~2.5% of revenue) toward EVs, alternate fuels, connected tech (3 Lc+ vehicles), and AI-led product/customer initiatives.
- **Product-Led Market Share Gains:** Hero is driving market share gains through targeted product launches and portfolio expansion across scooters, premium motorcycles, and EVs. Strong traction in high-growth segments (scooters +48% YoY, premium +26% YoY, exports +41% YoY) is helping offset slower growth in the core commuter segment. Management indicated that while the overall share appears optically diluted, continued outperformance in these segments, along with healthy channel inventory (~5 weeks), positions the company for gradual improvement in aggregate market share. The company also enhanced its brand presence by expanding its premium retail network to 130+ cities and increasing visibility through strategic partnerships and strong performance in global motorsports events.
- **Scooterization Trend:** Scooter volumes grew ~48% YoY, continuing to outperform, driven by urban demand without cannibalising motorcycles.
- **Spare Parts Revenue:** The Parts & Accessories (PAM) segment continues to deliver steady growth (Rs 6,200 Cr in FY26, +6% YoY), with strong margin potential. Management highlighted that only ~50% of the aftermarket opportunity is currently addressed, with the balance lost to the unorganised market. To capture this, the company is investing ~Rs 700 Cr in a Global Parts Center in South India, which will double parts capacity and support long-term high-margin growth.
- **Capex Focus:** FY27 Capex of ~Rs 1,500 Cr is directed toward EV scale-up, scooter capacity expansion, and a new Global Parts Center (GPC).

Key Risks to Our Estimates and TP

- Premium Segment Execution still unproven – HD X440, KarizmaXMR, and Mavrik440.

Change in Estimates

	Revised		Old		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY26E
Sales Volume ('000 units)	6.88	7.34	6.79	7.23	1.3%	1.5%
Sales	50,514	54,799	49,394	53,557	2.3%	2.3%
EBITDA	7,364	8,299	7,439	8,137	-1.0%	2.0%
PAT	5,739	6,343	5,763	6,222	-0.4%	1.9%
EPS	287	317	288.4	311.4	-0.4%	1.9%

Source: Company, Axis Securities Research

Q4FY26 Results Review

YE March (Rs Cr)	Q4FY26	Axis Sec Estimates	Axis Sec Var (%)	Q3FY26	QoQ (%)	Q4FY25	YoY (%)
Total Revenue	**12,797**	**12,462**	**2.7%**	**12,328**	**3.8%**	**9,939**	**28.8%**
ASP (Rs/Vehicle)	**74,646**	**72,693**	2.7%	**72,658**	2.7%	**71,974**	3.7%
Less:							
Net Raw Material consumed	8,766	8,287	5.8%	8,313	5.4%	6,507	34.7%
Other Exp.	1,494	1,583	-5.6%	1,500	-0.4%	1,345	11.1%
Personnel	681	752	-9.4%	705	-3.3%	671	1.5%
Total Expenditure	**10,941**	**10,621**	**3.0%**	**10,518**	**4.0%**	**8,523**	**28.4%**
EBIDTA	**1,856**	**1,840**	**0.8%**	**1,810**	**2.5%**	**1,416**	**31.1%**
Less: Depreciation	204	215	-5.4%	204	**-0.3%**	192	6.1%
EBIT	**1,652**	**1,625**	**1.6%**	**1,606**	**2.9%**	**1,223**	**35.0%**
Less: Interest	6	5	6.48%	6	-7.0%	5	17.1%
Other Income	209	298	-30.0%	296	-29.5%	224	-6.7%
Profit Before Extraordinary Items and Tax	**1,855**	**1,918**	**-3.3%**	**1,896**	**-2.1%**	**1,442**	**28.6%**
Extraordinary Expense/(Income)	-	-	NA	119	NA	-	NA
Profit Before Tax	**1,855**	**1,918**	**-3.3%**	**1,777**	**4.4%**	**1,442**	**28.6%**
Less: Total Tax	454	479	-5.4%	428	6.0%	362	25.5%
Profit After Tax	**1,401**	**1,438**	**-2.6%**	**1,349**	**3.9%**	**1,081**	**29.6%**
Adj. Net Profit	1,401	1,438	-2.6%	1,439	-2.6%	1,081	29.6%
Shares Outstanding (Cr)	20	20	0.0%	20	0.0%	20	0.0%
Reported EPS (Rs.)	**70.0**	**71.9**	**-2.6%**	**67.4**	**3.9%**	**54.0**	**29.6%**
Adj. EPS (Rs.)	**70.0**	**71.9**	**-2.6%**	**71.9**	**-2.6%**	**54.0**	**29.6%**

Cost & Margin Analysis	Q4FY26	Axis Sec Estimates	Change in bps	Q3FY26	Change in bps	Q4FY25	Change in bps
Net Raw Material/Net Sales (%)	68%	67%	200	67%	107	65%	303
Other Exp./Net Sales (%)	12%	13%	-102	12%	(49)	14%	(186)
Personnel/Net Sales (%)	5%	6%	-71	6%	(39)	7%	(143)
Gross Margin (%)	32%	34%	-200	33%	(107)	35%	(303)
EBITDA Margin (%)	14.5%	14.8%	-27	14.7%	(18)	14.2%	26
EBIT (%)	13%	13%	-13	13%	(12)	12%	60
PBT Margin (%)	14%	15%	-90	14%	8	15%	(2)
NPM (%)	11%	12%	-59	11%	1	11%	7
Adj. NPM (%)	11%	12%	-59	12%	(72)	11%	7
Effective Tax Rate (%)	24%	25%	-54	23%	188	25%	(60)

Source: Company, Axis Securities Research

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Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Net revenues	**40,756**	**46,830**	**50,514**	**54,799**
Operating expenses	34,885	39,959	43,150	46,500
EBIDTA	**5,872**	**6,871**	**7,364**	**8,299**
EBITDA margin (%)	**14.4**	**14.7**	**14.6**	**15.1**
Other income	1,054	922	1,225	1,257
Interest	20	23	24	25
Depreciation	776	798	913	1,073
Profit Before Tax	6,130	6,972	7,652	8,457
Tax	1,518	1,704	1,913	2,114
Reported Net Profit	**4,610**	**5,268**	**5,739**	**6,343**
Net Margin (%)	11.3	11.2	11.4	11.6
Adjusted Net Profit	**4,612**	**5,359**	**5,739**	**6,343**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Equity Capital	40	40	40	40
Reserves & surplus	19,767	22,335	25,374	29,017
Shareholders' funds	19,807	22,375	25,414	29,057
Total Loans	0	0	0	0
Deferred tax liability	510	510	510	510
Total Liabilities and Equity	**20,316**	**22,885**	**25,924**	**29,567**
Gross block	16,003	17,139	17,639	18,139
Depreciation	10,495	11,293	12,206	13,279
Net block	5,508	5,846	5,433	4,860
Capital WIP	886	250	250	250
Investments	14,910	15,310	15,710	16,110
Inventory	1,458	1,796	1,938	2,102
Debtors	3,674	3,592	3,875	4,204
Cash & Bank Bal	353	2,024	5,006	8,740
Loans & Advances	1,131	2,006	2,116	2,245
Current Assets	6,617	9,419	12,935	17,291
Sundry Creditors	5,566	5,902	6,366	6,906
Other Current Liability	2,038	2,038	2,038	2,038
Current Liability& Provisions	7,604	7,939	8,404	8,944
Net current assets	-987	1,479	4,531	8,347
Total Assets	**20,316**	**22,885**	**25,924**	**29,567**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
EBIT	5,096	6,073	6,451	7,226
Other Income	1,054	1,041	1,225	1,257
Depreciation & Amortisation	776	798	913	1,073
Interest paid (-)	-20	-23	-24	-25
Tax paid (-)	-1,518	-1,704	-1,913	-2,114
Extra Ord Income	-2	-119	0	0
Operating Cash Flow	**5,386**	**6,066**	**6,652**	**7,416**
Change in Working Capital	-248	-795	-70	-82
Cash flow from Operations	**5,137**	**5,271**	**6,582**	**7,335**
Capex	-855	-500	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-1,823	-400	-400	-400
Cash flow from Investing	**-2,679**	**-900**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	-15	0	0	0
Dividends paid (-)	-2,700	-2,700	-2,700	-2,700
Cash Flow from Financial Activities	**-2,715**	**-2,700**	**-2,700**	**-2,700**
Change in Cash	-256	1,671	2,982	3,735
Opening cash	609	353	2,024	5,006
Closing cash	353	2,024	5,006	8,740

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March (Rs Cr)	FY25	FY26	FY27E	FY28E
Revenue Growth	8.8	14.9	7.9	8.5
EBITDA Margin	14.4	14.7	14.6	15.1
Net Profit Margin	11.3	11.4	11.4	11.6
ROCE (%)	22.3	23.4	22.4	21.9
ROE (%)	22.8	23.9	22.7	22.2
EPS (Rs)	230	268	287	317
P/E (x)	16.2	19.3	18.0	16.3
P/ BV (x)	3.8	4.6	4.1	3.6
EV/ EBITDA (x)	12.6	14.8	13.4	11.4
Fixed Assets Turnover Ratio (x)	6.4	7.7	8.9	10.7
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	1.8	2.2	2.0	1.7

Source: Company, Axis Securities Research

Hero MotoCorp Price Chart and Recommendation History

Date	Reco	TP	Research
18-Nov-24	BUY	5,845	Result Update
03-Feb-25	BUY	5,250	Top Picks
10-Feb-25	BUY	5,285	Result Update
01-Mar-25	BUY	5,285	Top Picks
01-Apr-25	BUY	5,285	Top Picks
02-May-25	BUY	5,285	Top Picks
15-May-25	BUY	5,030	Result Update
01-Jun-25	BUY	5,030	Top Picks
01-Jul-25	BUY	5,030	Top Picks
01-Jul-25	BUY	5,030	Top Picks
01-Aug-25	BUY	5,030	Top Picks
08-Aug-25	BUY	5,220	Result Update
01-Sep-25	BUY	5,900	Top Picks
05-Sep-25	BUY	5,960	Company Update
01-Oct-25	BUY	6,245	Top Picks
03-Nov-25	BUY	6,245	Top Picks
17-Nov-25	BUY	6,245	Result Update
09-Feb-26	BUY	6,400	Result Update
07-May-26	BUY	5,960	Result Update

Source: Axis Securities Research

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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