

EV Launches, Global Push & Margin Stability to Drive Growth

Est. Vs. Actual for Q2FY26: Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**

Change in Estimates post Q2FY26

FY26E/FY27E: Revenue: 0.8%/1.2%; EBITDA: 0.5%/2.6%; PAT: 1.6%/2.5%

Recommendation Rationale

- **Market Momentum:** Hero's VAHAN market share increased to 31.6% in Q2FY26, marking a 12-quarter high with a 70 bps sequential gain. The recovery is being supported by strong traction in the Deluxe 100cc segment and renewed momentum in the 125cc scooter and motorcycle categories (Destini 125, Xoom 125, Xtreme 125). In the EV segment, market share rose 3% YoY in Q2FY26 and further increased to 5% in H1FY26, aided by the successful rollout of Glamour X.
- **EBITDA Margin Improvement Despite EV Investments:** Hero's ICE EBITDA margin expanded to 17.7% in Q2FY26, an improvement of 121 bps, driven by lower material costs, cost efficiencies, and a favourable product mix. The company continues to invest in brand building, new businesses, and new products, while overall margins improved 54 bps to 15.0% despite EV investments of approximately Rs 252 Cr. The recent PLI certification for VIDA V2 Pro is expected to support EV profitability.
- **Global Expansion:** The company's global business maintained its strong upward trajectory with dispatch growth of 77% during the quarter, nearly three times the industry growth, driven by Bangladesh, Nepal, Sri Lanka, and Colombia. Hero also entered the Europe and UK markets, expanding its footprint to 52 countries. Its Dow Jones Sustainability Index score improved to 75 in FY25 from 69 in FY24, underscoring the company's leadership in sustainable business practices. Over the medium term, Hero aims to scale its global operations to contribute ~10% of overall revenue and volumes, positioning exports as a key driver of growth and diversification.

Sector Outlook: Positive on 2W.

Company Outlook & Guidance: Hero has enhanced its premium offerings, which are supported by a strong framework for scaling up its premium business. Additionally, its global business and EV vertical are rapidly expanding, highlighting its continued growth potential. The management maintains a long-term EBITDA margin guidance of ~14-16%.

Current Valuation: 19x core FY28E EPS (earlier 20x on FY28 EPS), adding share in Ather Energy Ltd (38% holding in listed entity) and Hero Fincorp 1x at FY25 P/B.

Current TP: Rs 6,245/share (Unchanged).

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

Financial Performance

In Q2FY26, Hero reported revenue of Rs 12,126 Cr (2% beat), up 15.9%/27% YoY/QoQ, primarily supported by strong volumes and higher ASP. EBITDA stood at Rs 1,823 Cr (3% beat), up 20.3%/32% YoY/QoQ. EBITDA margin remained at 15.0%, supported by lower personnel costs and ongoing cost-saving initiatives despite continued EV investments. PAT came in at Rs 1,393 Cr (3% beat), up 15.7%/24% YoY/QoQ, aided by lower depreciation cost and disciplined cost control.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	12,126	27%	15.9%	11,874	2%
EBITDA	1,823	32%	20.3%	1,775	3%
EBITDA Margin (%)	15.0%	61 bps	55 bps	14.9%	9 bps
Reported Net Profit	1,393	24%	15.7%	1,358	3%
Reported EPS (Rs)	69.6	24%	15.7%	67.9	3%

Source: Company, Axis Securities Research

(CMP as of 14th November 2025)

CMP (Rs)	5,530
Upside /Downside (%)	13%
High/Low (Rs)	5,704/3,322
Market cap (Cr)	1,10,653
Avg. daily vol. (6m) Shrs.	7,90,788
No. of shares (Cr)	20.00

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	34.7	34.7	34.7
FIIs	27.4	27.1	28.8
MFs / UTI	16.3	15.5	14.4
DIIIs	0.1	0.0	0.0
Others	21.4	22.7	22.1

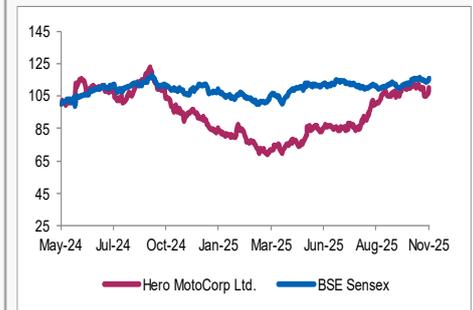
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	44,220	47,628	51,595
EBITDA	6,362	7,040	7,686
Net Profit	5,033	5,424	5,909
EPS (Rs.)	251.9	271.5	295.7
PER (x)	22.0	20.4	18.7
EV/ EBITDA	17.1	15.0	13.4
P/BV (x)	5.0	4.5	3.9
RoE (%)	22.6	21.9	21.3

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.8%	1.2%
EBITDA	0.5%	2.6%
PAT	1.6%	2.5%

Relative Performance



Source: ACE Equity, Axis Securities Research

Results Gallery

[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)

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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. Additionally, government initiatives to enhance rural income, higher disposable income, and the marriage season are expected to support 2W industry growth, benefiting Hero, particularly in the entry and 125cc segments. Consequently, we estimate a 14–15% CAGR in EBITDA over FY25–28E.

Valuation & Recommendation

We thus value the stock at 19x core FY28E EPS (earlier 20x on FY28 EPS), adding share in Ather Energy Ltd (38% holding in the listed entity) and Hero Fincorp 1.5x at FY25 P/B, to arrive at a TP of Rs 6,245/share (unchanged). **We maintain our BUY rating on the stock, with a 13% upside from the CMP.**

Key Concall Highlights

- **Macro Tailwinds & Festive Season Readiness:** The 2W industry is positioned to benefit from supportive macro tailwinds, including the GST rate cut, multi-year low inflation, recent RBI rate reductions, and a favourable monsoon, all of which are expected to strengthen rural sentiment and drive a recovery in demand. During the current festive season, beginning with Onam on 23rd Aug'25 through 13th Nov'25, ICE VAHAN registrations grew 16.2%, outpacing industry growth of 14.7% over the comparable period last year, resulting in a 40 bps market share gain. This performance was supported by robust traction in the Entry, Deluxe, and Scooter segments. Market share gains have continued into November, driven by sustained post-festive demand and the strength of the refreshed product portfolio. This momentum is also reflected in operational metrics, with the company now operating at its lowest inventory and receivable levels in recent years. Based on these trends, the 2W industry is expected to grow 8–10% in the second half of FY26, with Hero well-positioned to outperform the broader market and continue gaining share. Management reiterates that inventory and receivables remain at their lowest levels in recent years.
- **EV Business Scaling Up:** Hero's EV business continues to gain traction, with market share rising to 11.7% driven by the Vida VX2e scooter. The company now holds over 20% share in 48 towns and ranks among the top two players in 56 towns. The VIDA VX2 launch and the Battery-as-a-Service model have supported a broader customer reach. While EV volumes remain modest, ongoing product innovation and the recent PLI certification for the VIDA V2 Pro provide a solid foundation for long-term scale-up in the segment.
- **Spare parts revenue:** The company reported quarterly revenue from parts, accessories, and merchandise business at Rs 1,533 Cr, up 5% plus.
- **Product-Led Market Share Gains:** During the quarter, the company launched 12 new models and variants, seeing the festive season for the first time—its highest-ever for a single season. This strong product portfolio expansion, coupled with GST reforms, led to record sales of nearly 1 million units on VAHAN and a market share gain of 370 bps YoY to 31.6% in October.

Key Risks to Our Estimates and TP

- Premium Segment Execution still unproven – HD X440, KarizmaXMR, and Mavrik440.
- Failure to grow substantial volumes in the EV space could continue impacting margins downward.

Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E
Sales Volume ('000 units)	6.20	6.58	7.01	6.19	6.54	6.92	0.2%	0.7%	1.3%
Sales	44,220	47,628	51,595	43,857	47,041	50,608	0.8%	1.2%	2.0%
EBITDA	6,362	7,040	7,686	6,329	6,862	7,408	0.5%	2.6%	3.7%
PAT	5,033	5,424	5,909	4,956	5,290	5,701	1.6%	2.5%	3.6%
EPS	251.9	271.5	295.7	248.1	264.8	285.3	1.5%	2.5%	3.7%

Source: Company, Axis Securities Research

Q2FY26 Results Review

YE March (Rs Cr)	Q2FY26E	Axis Sec Estimates	Axis Sec Var (%)	Q1FY26	QoQ (%)	Q2FY25	YoY (%)
Total Revenue	12,126	11,874	2.1%	9,579	26.6%	10,463	15.9%
ASP (Rs/Vehicle)	85,745	83,958	2.1%	70,070	22.4%	68,852	24.5%
Less:							
Net Raw Material consumed	8,094	7,837	3.3%	6,390	26.7%	6,979	16.0%
Other Exp.	1,511	1,544	-2.1%	1,181	28.0%	1,314	15.0%
Personnel	698	719	-2.9%	626	11.5%	654	6.8%
Total Expenditure	10,303	10,099	2.0%	8,197	25.7%	8,947	15.2%
EBIDTA	1,823	1,775	2.8%	1,382	32.0%	1,516	20.3%
Less: Depreciation	197	265	-25.7%	193	2.2%	194	1.7%
EBIT	1,626	1,509	7.8%	1,189	36.8%	1,322	23.0%
Less: Interest	6	5	12.36%	6	0.7%	5	14.6%
Other Income	233	306	-24.0%	304	-23.3%	283	-17.7%
Profit Before Extraordinary Items and Tax	1,854	1,811	2.4%	1,487	24.7%	1,600	15.8%
Extraordinary Expense/(Income)	-	-	NA	-	NA	-	NA
Profit Before Tax	1,854	1,811	2.4%	1,487	24.7%	1,600	15.8%
Less: Total Tax	461	453	1.8%	361	27.6%	397	16.2%
Profit After Tax	1,393	1,358	2.6%	1,126	23.7%	1,204	15.7%
Adj. Net Profit	1,393	1,358	2.6%	1,126	23.7%	1,204	15.7%
Shares Outstanding (Cr)	20	20	0.0%	20	0.0%	20	0.0%
Reported EPS (Rs.)	69.6	67.9	2.5%	56.3	23.7%	60.2	15.7%
Adj. EPS (Rs.)	69.6	67.9	2.5%	56.3	23.7%	60.2	15.7%

Cost & Margin Analysis	Q2FY26	Axis Sec Estimates	Change in bps	Q1FY26	Change in bps	Q2FY25	Change in bps
Net Raw Material/Net Sales (%)	67%	66%	75	67%	3	67%	4
Other Exp./Net Sales (%)	12%	13%	-54	12%	13	13%	(10)
Personnel/Net Sales (%)	6%	6%	-30	7%	(78)	6%	(49)
Gross Margin (%)	33%	34%	-75	33%	(3)	33%	(4)
EBITDA Margin (%)	15.0%	14.9%	9	14.4%	61	14.5%	55
EBIT (%)	13%	13%	70	12%	100	13%	78
PBT Margin (%)	15%	15%	4	16%	(24)	15%	(1)
NPM (%)	11%	11%	5	12%	(27)	12%	(2)
Adj. NPM (%)	11%	11%	5	12%	(27)	12%	(2)
Effective Tax Rate (%)	25%	25%	-14	24%	56	25%	7

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Net revenues	40,756	43,857	47,041	50,608
Operating expenses	34,885	37,528	40,179	43,200
EBIDTA	5,872	6,329	6,862	7,408
EBITDA margin (%)	14.4	14.4	14.6	14.6
Other income	1,054	1,222	1,257	1,289
Interest	20	21	21	22
Depreciation	776	988	1,043	1,073
Profit Before Tax	6,130	6,542	7,054	7,601
Tax	1,518	1,613	1,763	1,900
Reported Net Profit	4,610	4,929	5,290	5,701
Net Margin (%)	11.3	11.2	11.2	11.3
Adjusted Net Profit	4,612	4,956	5,290	5,701

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Equity Capital	40	40	40	40
Reserves & surplus	19,767	21,996	24,586	27,587
Shareholders' funds	19,807	22,036	24,626	27,627
Total Loans	0	0	0	0
Deferred tax liability	510	510	510	510
Total Liabilities and Equity	20,316	22,545	25,135	28,136
Gross block	16,003	17,139	17,639	18,139
Depreciation	10,495	11,483	12,526	13,599
Net block	5,508	5,656	5,112	4,539
Capital WIP	886	250	250	250
Investments	14,910	15,310	15,710	16,110
Inventory	1,458	1,682	1,804	1,941
Debtors	3,674	3,364	3,609	3,882
Cash & Bank Bal	353	1,931	4,604	7,711
Loans & Advances	1,131	1,917	2,012	2,119
Current Assets	6,617	8,895	12,029	15,653
Sundry Creditors	5,566	5,527	5,928	6,378
Other Current Liability	2,038	2,038	2,038	2,038
Current Liability & Provisions	7,604	7,565	7,966	8,416
Net current assets	-987	1,330	4,063	7,238
Total Assets	20,316	22,545	25,135	28,136

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
EBIT	5,096	5,341	5,818	6,335
Other Income	1,054	1,222	1,257	1,289
Depreciation & Amortisation	776	988	1,043	1,073
Interest paid (-)	-20	-21	-21	-22
Tax paid (-)	-1,518	-1,613	-1,763	-1,900
Extra Ord Income	-2	0	0	0
Operating Cash Flow	5,386	5,917	6,333	6,774
Change in Working Capital	-248	-739	-61	-68
Cash flow from Operations	5,137	5,178	6,273	6,706
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	1,578	2,673	3,106
Opening cash	609	353	1,931	4,604
Closing cash	353	1,931	4,604	7,711

Source: Company, Axis Securities Research

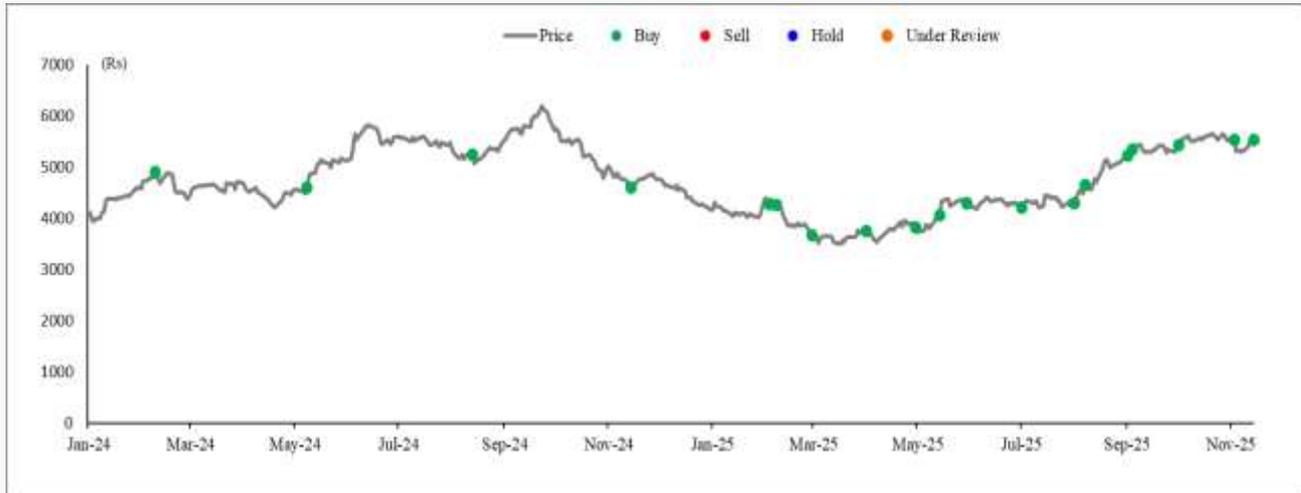
Ratio Analysis

(%)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Revenue Growth	8.8	7.6	7.3	7.6
EBITDA Margin	14.4	14.4	14.6	14.6
Net Profit Margin	11.3	11.3	11.2	11.3
ROCE (%)	22.3	21.8	21.1	20.4
ROE (%)	22.8	22.3	21.4	20.7
EPS (Rs)	230	248	265	285
P/E (x)	16.2	18.8	17.6	16.3
P/ BV (x)	3.8	4.2	3.8	3.4
EV/ EBITDA (x)	12.6	14.4	12.9	11.5
Fixed Assets Turnover Ratio (x)	6.4	7.4	8.8	10.6
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	1.8	2.1	1.9	1.7

Source: Company, Axis Securities Research

Hero Motocorp Price Chart and Recommendation History



Date	Reco	TP	Research
12-Feb-24	BUY	5,500	Result Update
09-May-24	BUY	5,530	Result Update
14-Aug-24	BUY	6,015	Result Update
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

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.

Note: Returns stated in the rating scale are our internal benchmark.