

Hero MotoCorp (HMCL IN)

Q4FY26 Result Update

May 08, 2026

 Estimate Change | Target | Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	Accumulate		Accumulate	
Target Price	6,066		6,000	
Sales (INR mn)	522,909	575,957	516,051	561,320
% Chng.	1.3	2.6		
EBITDA (INR mn)	72,161	81,786	74,311	81,953
% Chng.	(2.9)	(0.2)		
EPS (INR)	280.0	314.8	287.2	314.0
% Chng.	(2.5)	0.3		

Key Data

HROM.BO | HMCL IN

BSE Code	500182
NSE Code	HEROMOTOCO
52-W High / Low	INR 6,390 / INR 3,710
Face Value	2
Sensex / Nifty	77,328 / 24,176
Market Cap	INR 1,065 bn / \$ 11,271 mn
Shares Outstanding	200.09 mn
3M Avg. Daily Value	INR 3,288.78 mn

Shareholding Pattern (%)

Promoters	34.73
FIs	31.15
Mutual Funds	13.28
Domestic Institutions	11.41
Public & Others	9.43
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	0.7	(7.5)	0.5	40.0
Relative	1.0	-	8.1	45.5

Key Financials - Standalone

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	407,564	468,301	522,909	575,957
EBITDA (INR mn)	58,677	68,708	72,161	81,786
Margin (%)	14.4	14.7	13.8	14.2
PAT (INR mn)	46,100	53,581	56,031	62,993
EV (INR mn)	960,787	918,842	916,954	908,653
Total Debt (INR mn)	-	-	-	-
C&C Eq. (INR mn)	3,532	6,037	3,316	7,548
EPS (INR)	230.5	267.8	280.0	314.8
Gr. (%)	12.7	16.2	4.6	12.4
DPS (INR)	165.0	185.0	195.0	220.0
Yield (%)	3.1	3.5	3.7	4.1
RoE (%)	24.4	25.9	25.0	26.0
RoCE (%)	26.9	29.3	28.3	29.8
EV/Sales (x)	2.4	2.0	1.8	1.6
EV/EBITDA (x)	16.4	13.4	12.7	11.1
PE (x)	23.1	19.9	19.0	16.9
P/BV (x)	5.4	4.9	4.6	4.2

Decent Quarter but Margins Under Pressure

Quick Pointers

- HMCL expects to continue to outperform the 2W industry, which is anticipated to grow in high-single digits in FY27
- Current dealer inventory is lower YoY at ~5 weeks

HMCL's Q4FY26 standalone op revenue and EBITDA margin modestly beat street estimates (fairly in line with PLe). Gross margin is expected to further contract in the short term, but the medium-term EBITDA margin guidance of 14-16% was reiterated. HMCL continues to aim for higher share in scooters (expanding capacity), EVs, premium range, global markets (new geographies), and PAM business with focus on cost optimization. We estimate volume/realization CAGR of 5.5%/5.1% over FY26-28E translating to revenue/EBITDA/APAT CAGR of 10.9%/9.1%/8.4%. Retain 'Accumulate' rating with TP of INR6,066 (previous INR6,000). We value the core business at 18x P/E FY28E and its stake in Hero Fincorp at INR40 and Ather Energy at INR360.

Standalone revenue grows 28.8% YoY to INR128.0bn: Realization at INR74.7k (+3.7% YoY, +2.7% QoQ) modestly beat street estimates (met PLe). Gross margin stood at 31.5% -300bps YoY, -110bps QoQ), while EBITDA margin was 14.5% (+25bps YoY due to favorable mix and cost efficiencies, -20bps QoQ), 20bps above BBGe (-10bps below PLe). EBITDA stood at INR18.6bn (+31.1% YoY), while PAT stood at INR14.0bn (+29.6% YoY). For FY26, standalone op revenue was INR468.3bn (+14.9% YoY); EBITDA, INR68.7bn (+17.1% YoY); EBITDA margin, 14.7% (+30bps YoY); adj PAT, INR53.6bn (+16.2% YoY); volume, 6.47mn units (+9.7%), and realization, INR72.4k (+4.8% YoY).

Stable EV market share at 11.1% (+710bps YoY): VIDA, HMCL's e2W, is seeing unit economics improving, with Q4 investment of INR2.2bn. It had market share of 20%+ in 55 towns and 10%+ in 75 towns, and was amongst top 2 in 146 towns. PLI was accrued for 3 products, covering 60% of its portfolio, which it aims to take to 90% in FY27. ICE EBITDA margin was 17% (+90bps YoY), driven by pricing, LEAP savings and operating leverage. This, along with reduction in bill of materials and reduced discretionary spending, should reduce the overall margin drag.

Global business dispatches grow 41% YoY in FY26: This was further on 40% growth seen in FY25. HMCL sees further headroom as it is still on a lower base. Exports revenue for FY26 was INR35bn, and it plans to expand into more geographies from the current 52 countries and strengthen presence in existing geographies like LatAm, Bangladesh, Africa and Sri Lanka. However, it has acknowledged challenges in the short term, like rising fuel costs in Bangladesh and Sri Lanka and higher transportation and container costs globally. However, HMCL and its dealers have so far managed to pass on these costs to end customers.

Quarter Summary

Y/e Mar	Q4'26E	Q4'26A	% Var.	Q4'25A	YoY gr. (%)
Net Sales (INR mn)	1,26,750	1,27,965	1.0	99,387	28.8
EBITDA (INR mn)	18,510	18,556	0.2	14,156	31.1
Margin (%)	14.6	14.5	-10 bps	14.2	26 bps
PAT (INR mn)	14,320	14,011	-2.2	10,809	29.6

Source: Company, PL

Aditya Jakhotia

adityajakhotia@plindia.com | +91-22-66322532

Exhibit 1 : Q4FY26 Results Overview

Y/e Mar (INR mn)	Q4FY26	Q4FY25	YoY gr. (%)	Q4FY26E	% Var.	Q3FY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
Net Revenues	1,27,965	99,387	28.8	1,26,750	1.0	1,23,284	3.8	4,68,301	4,07,564	14.9
Raw Materials	87,656	65,069	34.7	84,974	3.2	83,131	5.4	3,15,629	2,70,687	16.6
% of Net Sales	68.5	65.5	303 bps	67.0	146 bps	67.4	107 bps	67.4	66.4	98 bps
Personnel	6,814	6,711	1.5	7,734	(11.9)	7,050	(3.3)	27,105	25,952	4.4
% of Net Sales	5.3	6.8	-143 bps	6.1	-78 bps	5.7	-39 bps	5.8	6.4	-58 bps
Manufacturing & Other Exp	14,940	13,451	11.1	15,532	(3.8)	15,003	(0.4)	56,860	52,248	8.8
% of Net Sales	11.7	13.5	-186 bps	12.3	-58 bps	12.2	-49 bps	12.1	12.8	-68 bps
Total Expenditure	1,09,410	85,231	28.4	1,08,240	1.1	1,05,183	4.0	3,99,594	3,48,887	14.5
EBITDA	18,556	14,156	31.1	18,510	0.2	18,101	2.5	68,708	58,677	17.1
EBITDA Margin (%)	14.5	14.2	26 bps	14.6	-10 bps	14.7	-18 bps	14.7	14.4	27 bps
Depreciation	2,039	1,921	6.1	2,146	(5.0)	2,044	(0.3)	7,980	7,759	2.9
EBIT	16,517	12,235	35.0	16,364	0.9	16,056	2.9	60,728	50,918	19.3
Interest Expenses	55	47	17.1	57	(2.6)	60	(7.0)	228	199	14.3
Non-operating income	2,086	2,237	(6.7)	2,707	(22.9)	2,959	(29.5)	10,410	10,559	(1.4)
Extraordinary Expenses	-	-	-	-	-	1,190	-	1,190	-	-
PBT	18,548	14,425	28.6	19,014	(2.5)	17,765	4.4	69,720	61,278	13.8
Tax-Total	4,537	3,615	25.5	4,694	(3.4)	4,280	6.0	17,038	15,179	12.3
Tax Rate (%) - Total	24.5	25.1	-60 bps	24.7	-23 bps	24.1	37 bps	24.4	24.8	-33 bps
Reported PAT	14,011	10,809	29.6	14,320	(2.2)	13,486	3.9	52,682	46,100	14.3
PAT Margin	10.9	10.9	7 bps	11.3	-35 bps	10.9	1 bps	11.2	11.3	-6 bps

Source: Company, PL

Exhibit 2 : Operating Metrics

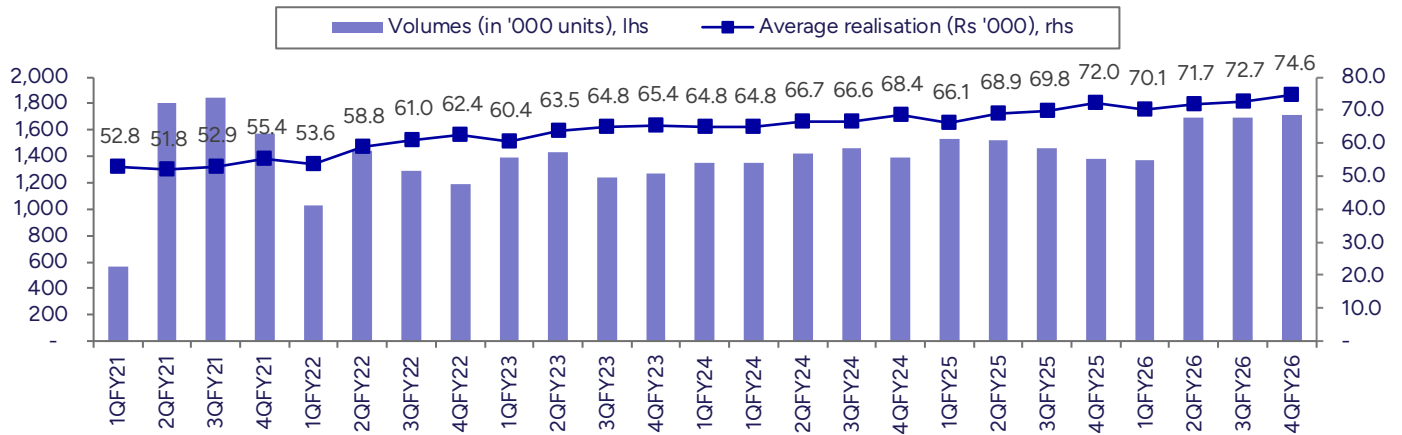
Y/e Mar (INR)	Q4FY26	Q4FY25	YoY gr. (%)	Q4FY26E	% Var.	Q3FY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
Sales Volume (nos)	17,14,285	13,80,545	24.2	17,14,285	-	16,96,777	1.0	64,68,834	58,99,187	9.7
Net Realisation/Vehicle	74,646	71,991	3.7	73,937	1.0	72,658	2.7	72,393	69,088	4.8
Material cost / vehicle	51,132	47,133	8.5	49,568	3.2	48,993	4.4	48,792	45,886	6.3
Gross Profit / vehicle	23,514	24,858	(5.4)	24,369	(3.5)	23,664	(0.6)	23,601	23,203	1.7
Employee cost / vehicle	3,975	4,861	(18.2)	4,512	(11.9)	4,155	(4.3)	4,190	4,399	(4.8)
Other expenses / vehicle	8,715	9,743	(10.6)	9,060	(3.8)	8,842	(1.4)	8,790	8,857	(0.8)
EBITDA/vehicle	10,824	10,254	5.6	10,797	0.2	10,668	1.5	10,621	9,947	6.8
Net Profit/vehicle	8,173	7,830	4.4	8,353	(2.2)	7,948	2.8	8,144	7,815	4.2

Source: Company, PL

Conference Call Highlights

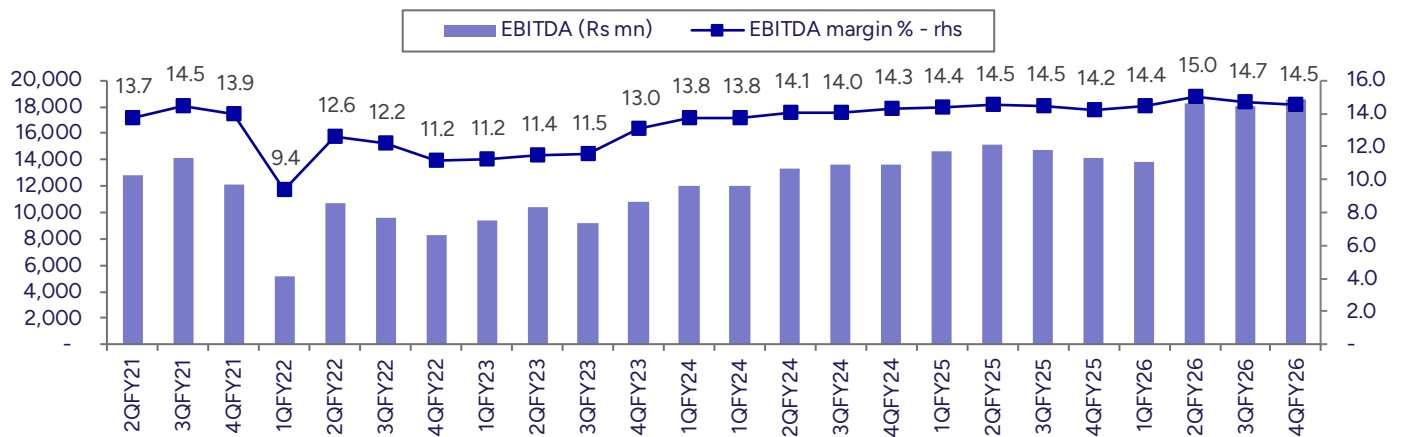
- At industry level, HMCL expects scooters to outgrow motorcycles by ~200bps in FY27 and aims to outpace the industry in both segments. This will be driven by launches across VIDA, premium and high displacement bikes, and scooters.
- Scooter growth drivers are urbanization, rise of e-commerce and gig economy. HMCL expects further "scooter-ization" to continue.
- Q4 saw commodity cost increase of ~INR2.1k/unit, while corresponding vehicle price increased by INR2.0k/unit. This, along with a higher bill of materials for EVs, resulted in gross margin reduction.
- Price hike of ~2% taken across models since start of CY26 doesn't cover the commodities, labor and fuel cost inflation, which have grown in high-single digits of overall bill of materials so far.
- Advertising & promotion spends increased by 22% YoY, and HMCL will continue investing on brand-building in FY27.
- Capex of INR14-15bn is expected for FY27 (FY26a: INR9bn vs. guidance of INR10-11bn, FY25a/24a: INR9bn/INR8bn).
- HMCL is expanding scooters capacity to meet rising demand. Destini capacity has already been increased by 50%, and doubling of Xoom capacity is underway in Q1'27. EV capacity is likely to be expanded within a month to 25k units p.m. from 15k in Q4FY26, and further 2x by FY27-end. HMCL is also investing in other low-emission technologies like flex-fuel vehicles.
- HMCL has committed INR7bn investment in building its 2nd global parts center in South India. As vehicle parc increases and its market share grows from current ~50%, PAM revenue could rise by ~2x going forward.
- PAM revenue in Q4 and FY26 was INR16.44bn (+6% YoY) and INR61.47bn (+5.5% YoY), respectively.
- R&D spending is increasing gradually and is ~2.5% of revenue.
- Cash flow from operations for FY26 was ~INR94bn (+80% YoY), driven by working capital improvements.
- Premia network stands at 130 stores, covering >50% of premium industry footprint.
- Board has recommended final dividend of INR75/share, implying total dividend of INR185/share for FY26 (70% payout maintained).

Exhibit 3 : Volumes and realization improving since last 3 quarters



Source: Company, PL

Exhibit 4 : EBITDA margin in the guided range of 14-16%



Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	407,564	468,301	522,909	575,957
YoY gr. (%)	8.8	14.9	11.7	10.1
Cost of Goods Sold	270,687	315,629	356,624	391,075
Gross Profit	136,877	152,672	166,285	184,882
Margin (%)	33.6	32.6	31.8	32.1
Employee Cost	25,952	27,105	30,329	33,406
Other Expenses	52,248	56,860	63,795	69,691
EBITDA	58,677	68,708	72,161	81,786
YoY gr. (%)	11.6	17.1	5.0	13.3
Margin (%)	14.4	14.7	13.8	14.2
Depreciation and Amortization	7,759	7,980	8,719	9,555
EBIT	50,918	60,728	63,443	72,230
Margin (%)	12.5	13.0	12.1	12.5
Net Interest	199	228	239	251
Other Income	10,559	10,410	11,305	11,787
Profit Before Tax	61,278	69,720	74,509	83,767
Margin (%)	15.0	14.9	14.2	14.5
Total Tax	15,179	17,038	18,478	20,774
Effective Tax Rate (%)	24.8	24.4	25.0	25.0
Profit After Tax	46,100	52,682	56,031	62,993
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	46,100	53,581	56,031	62,993
YoY gr. (%)	-	-	-	-
Margin (%)	11.3	11.4	10.7	10.9
Extra Ord. Income / (Exp)	-	899	-	-
Reported PAT	46,100	52,682	56,031	62,993
YoY gr. (%)	16.2	14.3	6.4	12.4
Margin (%)	11.3	11.2	10.7	10.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (mn)	200	200	200	200
EPS (INR)	230.5	267.8	280.0	314.8

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	116,492	125,419	139,526	154,688
Tangibles	116,492	125,419	139,526	154,688
Intangibles	-	-	-	-
Acc: Dep / Amortization	63,070	71,050	79,769	89,325
Tangibles	63,070	71,050	79,769	89,325
Intangibles	-	-	-	-
Net Fixed Assets	53,421	54,368	59,757	65,363
Tangibles	53,421	54,368	59,757	65,363
Intangibles	-	-	-	-
Capital Work In Progress	10,517	12,729	12,829	12,929
Goodwill	-	-	-	-
Non-Current Investments	49,014	53,916	59,307	65,238
Net Deferred Tax Assets	(6,726)	(7,727)	(7,881)	(8,039)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	100,082	140,054	144,662	148,732
Inventories	14,576	18,582	20,057	23,669
Trade Receivables	36,744	25,932	32,950	37,871
Cash & Bank Balance	3,532	6,037	3,316	7,548
Other Current Assets	10,335	9,734	10,707	11,778
Total Assets	279,201	322,445	344,806	374,472
Equity				
Equity Share Capital	400	400	400	400
Other Equity	197,669	215,381	232,392	251,362
Total Network	198,069	215,781	232,792	251,763
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Non Current Liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade Payables	55,661	75,188	78,794	88,366
Other Current Liabilities	18,745	23,749	25,338	26,305
Total Equity & Liabilities	279,201	322,445	344,806	374,472

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	61,278	69,720	74,509	83,767
Add. Depreciation	7,759	7,980	8,719	9,555
Add. Interest	199	228	239	251
Less Financial Other Income	10,559	10,410	11,305	11,787
Add. Other	(10,559)	(10,410)	(11,305)	(11,787)
Op. Profit before WC Changes	58,677	67,518	72,161	81,786
Net Changes-WC	(2,739)	31,824	(4,398)	810
Direct Tax	(14,176)	(16,038)	(18,324)	(20,616)
Net Cash from Op. Activities	41,762	83,305	49,440	61,979
Capital Expenditures	(8,552)	(11,139)	(14,207)	(15,261)
Interest / Dividend Income	-	-	-	-
Others	10,310	5,509	5,914	5,856
Net Cash from Inv. Activities	1,758	(5,630)	(8,294)	(9,405)
Issue of Share Cap. / Premium	5,107	2,049	-	-
Debt Changes	-	-	-	-
Dividend Paid	(33,000)	(37,019)	(39,020)	(44,022)
Interest Paid	(199)	(228)	(239)	(251)
Others	-	-	-	-
Net Cash from Fin. Activities	(28,092)	(35,197)	(39,258)	(44,273)
Net Change in Cash	15,427	42,477	1,888	8,301
Free Cash Flow	33,210	72,166	35,232	46,718

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Net Revenues	95,789	121,264	123,284	127,965
YoY gr. (%)	(5.6)	15.9	20.7	28.8
Raw Material Expenses	63,904	80,939	83,131	87,656
Gross Profit	31,885	40,324	40,153	40,310
Margin (%)	33.3	33.3	32.6	31.5
EBITDA	13,817	18,234	18,101	18,556
YoY gr. (%)	(5.3)	20.3	22.6	31.1
Margin (%)	14.4	15.0	14.7	14.5
Depreciation / Depletion	1,928	1,970	2,044	2,039
EBIT	11,889	16,265	16,056	16,517
Margin (%)	12.4	13.4	13.0	12.9
Net Interest	56	57	60	55
Other Income	3,037	2,328	2,959	2,086
Profit before Tax	14,870	18,537	17,765	18,548
Margin (%)	15.5	15.3	14.4	14.5
Total Tax	3,613	4,609	4,280	4,537
Effective Tax Rate (%)	24.3	24.9	24.1	24.5
Profit After Tax	11,257	13,928	13,486	14,011
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,257	13,928	14,389	14,011
YoY gr. (%)	0.3	15.7	19.6	29.6
Margin (%)	11.8	11.5	11.7	10.9
Extra Ord. Income / (Exp)	-	-	903	-
Reported PAT	11,257	13,928	13,486	14,011
YoY gr. (%)	0.3	15.7	12.1	29.6
Margin (%)	11.8	11.5	10.9	10.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (mn)	200	200	200	200
EPS (INR)	56.3	69.6	71.9	70.0

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	230.5	267.8	280.0	314.8
CEPS	269.3	307.7	323.6	362.6
BVPS	990.3	1,078.4	1,163.4	1,258.2
FCF	166.0	360.6	176.1	233.5
DPS	165.0	185.0	195.0	220.0
Return Ratio (%)				
RoCE	26.9	29.3	28.3	29.8
ROIC	44.9	75.4	62.5	63.2
RoE	24.4	25.9	25.0	26.0
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	(14)	(35)	(29)	(27)
Valuation (x)				
PER	23.0	19.8	19.0	16.9
P/B	5.3	4.9	4.5	4.2
P/CEPS	19.7	17.2	16.4	14.6
EV/EBITDA	16.3	13.3	12.7	11.1
EV/Sales	2.3	1.9	1.7	1.5
Dividend Yield (%)	3.1	3.4	3.6	4.1
FCFF Yield (%)	3.1	6.7	3.3	4.3
PEG Ratio	1.8	1.2	4.1	1.3

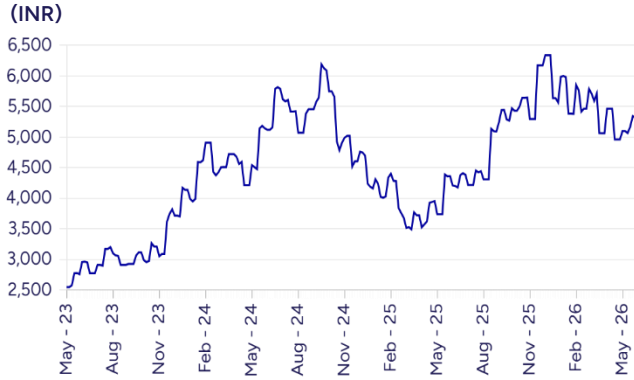
Source: Company, PL

Key Operating Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Volume (units)	5,899,488	6,468,792	6,862,751	7,201,537
Net realisation (Rs/unit)	69,085	72,394	76,195	79,977

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Apr-26	Accumulate	6000	5288
2	20-Feb-26	Accumulate	6300	5465
3	06-Feb-26	Accumulate	6575	5754
4	08-Jan-26	Accumulate	6620	5981
5	28-Nov-25	Accumulate	6555	6175
6	18-Nov-25	Accumulate	6190	5799
7	08-Oct-25	Accumulate	6049	5513
8	08-Apr-25	Accumulate	4036	3574
9	07-Feb-25	Accumulate	4736	4275
10	09-Jan-25	Accumulate	4662	4138

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Bajaj Auto	Accumulate	10000	9366
2	Eicher Motors	Accumulate	7700	7131
3	Hero MotoCorp	Accumulate	6000	5288
4	Mahindra & Mahindra	BUY	3900	3371
5	Maruti Suzuki	Accumulate	14550	12892
6	TVS Motor Company	Accumulate	4150	3701

PL's Recommendation Nomenclature (Absolute Performance)

BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

Corporate Office: 6th Floor, Tower 2B South Annex, One World Centre, 841, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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