

Hero MotoCorp Limited

BUY

Sector: Automobiles

27th May, 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 4,865
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	HMCL:IN	81,552	HEROMOTOCO	500182	12 Months
				CMP	Rs. 4,339
				Return	+12%

Data as of: 27-May-2025

Company Data			
Market Cap (Rs.cr)	86,783		
52 Week High — Low (Rs.)	6,245 - 3,323		
Enterprise Value (Rs. cr)	86,909		
Outstanding Shares (cr)	20.0		
Free Float (%)	64.7		
Dividend Yield (%)	3.2		
6m average volume (lacs)	6.8		
Beta	1.2		
Face value (Rs.)	2.0		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	34.8	34.7	34.7
FII's	29.6	28.0	27.4
MFs/Institutions	26.9	27.7	27.9
Public	7.4	8.2	8.6
Others	1.3	1.4	1.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	13.9%	-9.9%	-14.8%
Absolute Sensex	10.2%	2.7%	9.0%
Relative Return	3.8%	-12.7%	-23.8%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	40,756	44,720	48,368
Growth (%)	8.8	9.7	8.2
EBITDA	5,868	6,421	7,037
EBITDA Margin (%)	14.4	14.4	14.5
PAT Adjusted	4,610	4,999	5,406
Growth (%)	11.7	8.4	8.2
Adjusted EPS	230.5	249.9	270.3
Growth (%)	11.6	8.4	8.2
P/E	16.1	17.4	16.1
P/B	3.8	4.0	3.7
EV/EBITDA	12.7	13.6	12.3
ROE (%)	23.3	23.0	22.7
D/E	0.0	0.0	0.0

New launches to drive expansion.

Hero MotoCorp Ltd (HMCL) is India's leading two-wheeler manufacturer, accounting for ~43% of the domestic motorcycle market in volume terms. The company has eight manufacturing facilities: six in India and one each in Colombia and Bangladesh.

- In Q4FY25, HMCL's standalone revenue grew 4.4% YoY to Rs. 9,939cr, driven by a 5.3% YoY increase in average selling prices, resulting from a favourable product mix and strategic price adjustments, despite a 0.9% YoY decline in overall sales volume.
- HMCL's parts, accessories and merchandise (PAM) segment rose 11% YoY to Rs. 1,553cr, led by an expanded accessories portfolio and deeper market penetration.
- EBITDA increased 4.1% YoY to Rs. 1,416cr, driven by a favourable product mix. However, margin contracted 10bps YoY to 14.2%. Notably, the EBITDA margin for the internal combustion engine (ICE) business stood at 16.1%, benefitting from an improved mix, reduced material expenses and savings from the LEAP initiative.
- Reported profit after tax grew 6.4% YoY to Rs. 1,081cr, bolstered by a significant 24.3% YoY increase in non-operating income.

Outlook & Valuation

HMCL is poised for growth, fuelled by decreasing inflation, reduced interest rates and tax cuts, along with a promising monsoon season. The wedding season in May and June is expected to boost demand. To capitalise on this demand, the company plans to introduce market-specific products, overhaul its distribution network and enhance its brand presence in key markets. Additionally, the company's strong brand reputation in rural areas is likely to contribute to a gradual recovery. The strategy to expand non-domestic motorcycle sales through PAM, exports and electric vehicles is also expected to drive overall growth and improve profit margins. Therefore, **we reiterate our BUY rating on the stock with a target price of Rs. 4,865, based on 18x FY27E adjusted EPS.**

Quarterly Financials Standalone

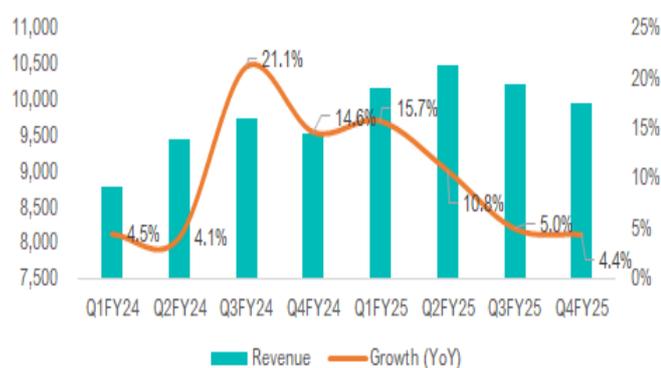
Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	9,939	9,519	4.4	10,211	-2.7	40,756	37,456	8.8
EBITDA	1,416	1,359	4.1	1,476	-4.1	5,868	5,256	11.6
Margin (%)	14.2	14.3	-10bps	14.5	-30bps	14.4	14.0	40bps
EBIT	1,223	1,174	4.2	1,280	-4.4	5,092	4,544	12.0
PBT	1,442	1,350	6.9	1,592	-9.4	6,128	5,258	16.5
Rep. PAT	1,081	1,016	6.4	1,203	-10.1	4,610	3,968	16.2
Adj PAT	1,081	1,016	6.4	1,203	-10.1	4,610	3,968	16.2
Adj. EPS (Rs)	54.1	50.8	6.3	60.2	-10.1	230.5	198.5	16.1



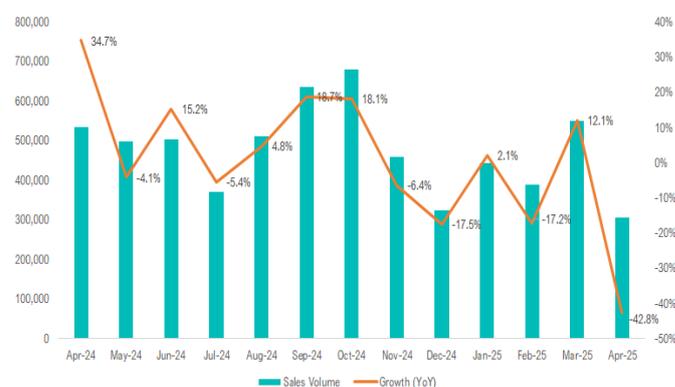
Key concall highlights

- HMCL acquired a 34.1% stake in Euler Motors for Rs. 510cr, making it an associate company. This strategic move marks the company's foray into the rapidly expanding electric three-wheeler segment. According to management, the three-wheeler category offers a promising opportunity for diversification, aligning with its broader growth strategy to explore adjacent markets.
- The VIDA brand witnessed significant momentum during the quarter, driven by targeted investments, strategic branding efforts and the successful launch of the VIDA V2 scooters. As a result, VIDA products gained a substantial market share, reaching 7% by the end of March 2025. Notably, the brand has achieved a market share of over 20% in more than 30 towns and over 10% in more than 60 towns.
- Management has reaffirmed its commitment to maintaining EBITDA margins within the range of 14-16%.
- HMCL's retail finance penetration stood at approximately 59% during Q4FY25.
- HMCL anticipates receiving PLI approval for its Vida Pro electric scooter by July 2025, and plans to submit applications for other models in the near future.
- The company retained its position as a market leader, with total sales volume of 5.9mn vehicles in FY25, representing a 4.9% YoY increase, largely fuelled by a surge in export sales. Domestic sales reached 5.6mn units, up 3.5% YoY, while exports saw a significant 43.1% YoY jump to 0.3mn units, driven by robust demand from key markets such as Bangladesh, Colombia, Nepal and Mexico.

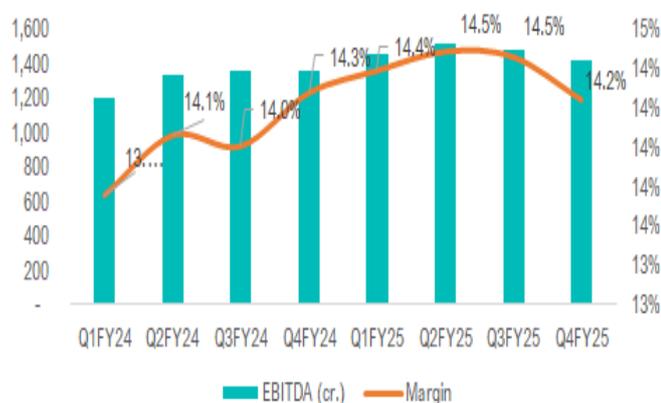
Revenue



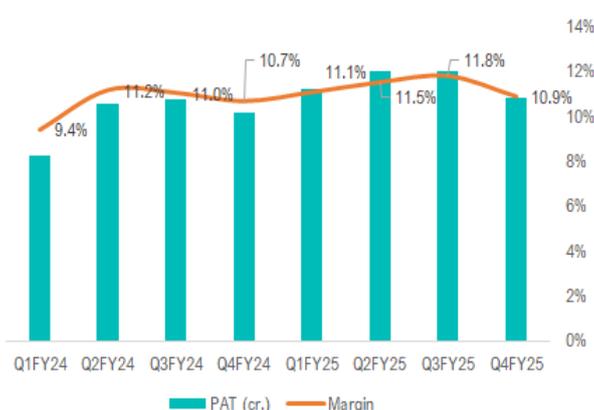
Sales Volume – Monthly



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (-%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	46,794	-	44,720	48,368	-4.4	-
EBITDA	6,886	-	6,421	7,037	-6.8	-
Margins (%)	14.7	-	14.4	14.5	-24bps	-
Adj. PAT	5,268	-	4,999	5,406	-5.1	-
EPS	263.4	-	249.9	270.3	-5.1	-



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	33,806	37,456	40,756	44,720	48,368
% change	15.6	10.8	8.8	9.7	8.2
EBITDA	3,986	5,256	5,868	6,421	7,037
% change	18.3	31.8	11.6	9.4	9.6
Depreciation	657	711	776	799	882
EBIT	3,329	4,544	5,092	5,621	6,155
Interest	20	19	20	23	24
Other Income	565	733	1,056	1,066	1,077
PBT	3,875	5,258	6,128	6,665	7,208
% change	19.2	35.7	16.5	8.8	8.2
Tax	964	1,290	1,518	1,666	1,802
Tax Rate (%)	24.9	24.5	24.8	25.0	25.0
Reported PAT	2,911	3,968	4,610	4,999	5,406
PAT att. to common shareholders	2,911	3,968	4,610	4,999	5,406
Adj.*	-	160	-	-	-
Adj. PAT	2,911	4,128	4,610	4,999	5,406
% change	17.7	41.8	11.7	8.4	8.2
No. of shares (cr)	20.0	20.0	20.0	20.0	20.0
Adj EPS (Rs.)	145.5	206.5	230.5	249.9	270.3
% change	17.6	41.9	11.6	8.4	8.2
DPS (Rs.)	100.0	140.0	165.0	179.1	193.7

Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	3,568	4,679	5,386	5,798	6,288
Non-cash adj.	-622	-664	-251	-1,622	-1,664
Other adjustments					
Changes in W.C	-366	891	-953	213	176
C.F. Operation	2,579	4,907	4,182	4,389	4,800
Capital exp.	-568	-710	-810	-878	-951
Change in inv.	-55	-1,548	-1,290	50	50
Other invest.CF	154	457	514	-	-
C.F - Investment	-469	-1,802	-1,586	-828	-901
Issue of equity	3	10	7	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-1,998	-2,699	-2,800	-3,300	-3,582
Other finance.CF	-45	-45	-54	2	19
C.F - Finance	-2,041	-2,733	-2,847	-3,298	-3,563
Chg. in cash	70	372	-251	263	336
Closing Cash	346	609	353	616	953

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	346	609	353	616	953
Accts. Receivable	2,798	2,703	3,674	3,931	4,174
Inventories	1,434	1,444	1,458	1,594	1,695
Other Cur. Assets	4,459	5,040	7,351	9,111	11,045
Investments	7,372	8,812	8,299	8,249	8,199
Gross Fixed Assets	10,246	10,246	11,057	11,934	12,885
Net Fixed Assets	5,261	5,305	5,316	5,403	5,483
CWIP	129	121	133	146	160
Intangible Assets	835	888	945	984	1,026
Def. Tax -Net	-	-	-	-	-
Other Assets	629	649	391	402	414
Total Assets	23,263	25,572	27,920	30,435	33,149
Current Liabilities	5,438	6,268	6,541	7,060	7,634
Provisions	198	317	489	494	499
Debt Funds	517	566	574	592	611
Other Liabilities	405	435	510	517	541
Equity Capital	40	40	40	40	40
Res. & Surplus	16,665	17,946	19,767	21,733	23,825
Shareholder Funds	16,705	17,986	19,807	21,773	23,865
Minority Interest	-	-	-	-	-
Total Liabilities	23,263	25,572	27,920	30,435	33,149
BVPS	835	900	990	1,089	1,193

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	11.8	14.0	14.4	14.4	14.5
EBIT margin (%)	9.8	12.1	12.5	12.6	12.7
Net profit mgn.(%)	8.6	10.6	11.3	11.2	11.2
ROE (%)	17.4	22.1	23.3	23.0	22.7
ROCE (%)	19.3	24.5	25.0	25.1	25.1
W.C & Liquidity					
Receivables (days)	30.2	26.3	32.9	32.1	31.5
Inventory (days)	21.9	20.7	19.7	19.4	19.1
Payables (days)	72.0	79.3	75.1	75.2	75.4
Current ratio (x)	1.6	1.5	1.9	2.1	2.2
Quick ratio (x)	1.2	1.2	1.6	1.7	1.9
Turnover & Leverage					
Gross asset T.O (x)	3.3	3.7	3.8	3.9	3.9
Total asset T.O (x)	1.5	1.5	1.5	1.5	1.5
Int. covge. ratio (x)	167.6	245.6	255.6	244.9	260.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	1.4	1.3	1.8	1.9	1.8
EV/EBITDA (x)	11.8	8.9	12.7	13.6	12.3
P/E (x)	16.1	11.4	16.1	17.4	16.1
P/BV (x)	2.8	2.6	3.8	4.0	3.7



Recommendation Summary - (last 3 years)



Dates	Rating	Target
10-Feb-23	HOLD	2,755
11-May-23	HOLD	2,795
16-Aug-23	HOLD	3,176
07-Nov-23	HOLD	3,367
16-Feb-24	BUY	5,435
21-Aug-24	BUY	5877
06-Dec-24	BUY	5,269
27-May-25	BUY	4,865

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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