

Invest Smart

Long-term
Fundamental Pick

Hero MotoCorp Ltd



Hero MotoCorp Ltd

BSE CODE: 500182
NSE CODE: HEROMOTOCO
Sector: Automobile
Industry: Motorcycles/Mopeds
CMP (Rs): 3560 | Buy Range: 3500-3550 | Target Price: 4382 | Potential Upside: 23%
Duration of Recommendation: 9-12 Months

Company Data	
Market Cap (Rs. Cr)	69,737
Enterprise value (Rs. Cr)	70,026
52-week high / Low	6246/3483
EPS (TTM) (Rs)	208
Free-float %	65.24
Debt (Rs. Cr)	588
Cash Equivalents (Rs. Cr)	299
D/E ratio (x)	0.03

Shareholding %	June 2024	Sep 2024	Dec 2024
Promoters	34.76	34.75	34.75
FII's	29.87	29.59	27.95
DII's	26.87	26.94	27.70
Public	8.49	8.72	9.58
Govt	0.00	0.00	0.01
Other	0.00	0.00	0.00

Financial Performance (Consolidated)				
INR(Cr)	FY24	FY25	FY26E	FY27E
Revenue	37455.7	41,201.3	45,115.4	49,401.4
<i>Growth%</i>	<i>10.8%</i>	<i>10.0%</i>	<i>9.5%</i>	<i>9.5%</i>
EBITDA	5261.3	5847.3	6496.6	7163.2
<i>Growth</i>	<i>31.8%</i>	<i>11.1%</i>	<i>11.1%</i>	<i>10.3%</i>
<i>Margin</i>	<i>14.0%</i>	<i>14.2%</i>	<i>14.4%</i>	<i>14.5%</i>
Net Profit	3968.0	4,537.4	4,736.3	5,216.2
<i>Growth</i>	<i>36.3%</i>	<i>14.4%</i>	<i>4.4%</i>	<i>10.1%</i>
<i>Margin</i>	<i>10.6%</i>	<i>11.0%</i>	<i>10.5%</i>	<i>10.6%</i>
EPS	198.5	227.0	236.9	260.9
BVPS	899.8	966.7	1036.5	1113.4
P/E (x)	23.8	15.8	15.1	13.7
P/BV (x)	5.2	3.7	3.5	3.2
EV/EBITDA	17.8	12.3	11.1	10.1
ROE	22.1%	23.5%	22.9%	23.4%
ROCE	25.1%	26.0%	27.1%	28.0%

1-Year Price Chart



Our Recommendation: Hero MotoCorp presents a compelling investment opportunity, underpinned by its long-term growth strategy of excelling in the premium segment, leading in EVs, and diversifying revenue streams. We believe Hero MotoCorp is poised to benefit from the expected growth in the 2W industry particularly in the entry & 125cc segments, driven by government initiatives, higher disposable income. Stock is currently trading at 13.7x its FY27E EPS. We value the stock at 17x FY27E EPS, hence recommend **BUY in price range of 3500-3550 with target price of 4382 (valuing stock at 16.8x its FY27E EPS) with potential upside 23%.**

About Company: Hero MotoCorp is primarily engaged in the business of manufacturing and selling motorised two-wheelers, including motorcycles and scooters. The company is the world's largest manufacturer of motorcycles and scooters for 23 consecutive years. They also deal in spare parts and related services. Hero MotoCorp has a significant presence in the domestic market and is expanding its global reach.

INVESTMENT RATIONALES

Positive Company Outlook and Guidance: The company has strengthened its domestic position in the 125 cc segment, increasing its market share from 14% to over 21%. Hero has also enhanced its premium offerings with a strong framework for scaling up. The global business is rapidly expanding, delivering record revenue in parts, accessories, and merchandise. Hero maintains a long-term EBITDA margin guidance of approximately 14-16%.

Leadership in Key Segments and Growing Market Share: Hero enjoys a significant scale advantage with a large customer base, extensive distribution network, and global presence. The company has strengthened its leadership in motorcycles and gained market share YoY and QoQ. Specifically, it has gained share in the Entry (100cc) and Deluxe (125cc) motorcycle segments. Overall market share expanded by 520 bps QoQ to 32.8%.

Focus on Premium Segment: Hero MotoCorp is strategically focused on winning in the premium segment, with recent launches like the Xtreme 160R 4V, Karizma XMR, Harley-Davidson X440, and Mavrick 440 showing progress. The company is developing five power brands in the premium segment. This segment is witnessing significant growth in India.

Positive Sector Outlook: The overall outlook for the two-wheeler sector is positive, driven by government initiatives to enhance rural income, higher disposable income, and the marriage season, which are expected to drive industry growth, benefiting Hero. particularly in the entry and 125cc segments.

Good Financial Performance in Q3FY25: Hero MotoCorp reported a good performance in Q3FY25 with revenue of ₹10,211 Cr (in line with expectations), up 5% YoY. EBITDA stood at ₹1,476 Cr, up 8.4% YoY, with margins at 14.5%. Reported PAT was ₹1,203 Cr, up 12.1% YoY. This performance was supported by a richer product mix, increased exports, and EV sales. The company has also seen its EBITDA per unit cross ₹10,000, driven by premiumization, mix, and judicious pricing.

Key Risks: Market volatility in global business, commodity price risk.

Share India Securities Limited

Corporate Office

Share India Securities Limited
A-15, Sector-64, Noida-201301
Contact No. : 1800 203 0303

Call Us: 1800 203 0303

Email: support@shareindia.com

Registered Office

Unit No. 615 and 616, 6th Floor, X-Change Plaza,
Dalal Street Commercial Co-operative Society Limited,
Road 5 E, Block 53, Zone 5, Gift City, Gandhi Nagar,
Gujarat - 382 050.

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