

125cc to drive better motorcycle positioning; valuation favorable

Auto & Auto Ancillaries ▶ Company Update ▶ September 26, 2024

TARGET PRICE (Rs): 7,000

2W recovery is continuing and broadening, with double-digit wholesale/retail growth amid rural revival following 3-4 years of struggle; controlled inventory and the impending replacement-led upturn impart visibility for another 2-3 years. We expect HMCL's positioning to improve, driven by a) stabilization at HMSI, with inventory push likely behind; b) share gains from Xtreme 125R; c) improved dispatches amid the upcoming festive/marriage season. We build-in ~90bps motorcycle share gain by FY27E. We revise up FY26E/27E EPS by 2.7% each on higher volumes, with FY24-27E revenue/core EPS CAGR placed at 12%/17%. We retain BUY on HMCL, raising our SoTP-based TP to Rs7,000/sh (roll-over to Sep-26E; Ather contribution revised upward after listing of Ola). Valuations for HMCL at ~24x core Sep-26E EPS remain favorable.

Hero MotoCorp: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	338,057	378,787	430,961	480,271	523,793
EBITDA	39,862	56,787	63,137	71,808	80,611
Adj. PAT	29,106	45,510	48,912	55,404	62,022
Adj. EPS (Rs)	145.7	227.8	244.8	277.3	310.4
EBITDA margin (%)	11.8	15.0	14.7	15.0	15.4
EBITDA growth (%)	18.3	42.5	11.2	13.7	12.3
Adj. EPS growth (%)	17.7	50.9	11.4	13.3	11.9
RoE (%)	17.9	26.2	26.0	27.0	28.1
RoIC (%)	49.2	81.2	99.1	105.4	112.5
P/E (x)	41.8	26.7	24.9	22.0	19.6
EV/EBITDA (x)	28.3	21.4	19.3	16.9	15.1
P/B (x)	7.3	6.8	6.2	5.7	5.4
FCFF yield (%)	1.8	3.7	3.9	4.0	5.4

Source: Company, Emkay Research

2W recovery continuing; fundamentals in place for further growth in mid-term

We highlight that 2W industry wholesales continue to do well (*Exhibits 1-3*), with most categories recording double-digit growth on YoY basis in recent quarters, backed by i) a low base, as industry volumes were still ~12% below the FY19 peak in FY24, and ii) ongoing growth in retails (2W industry retails up ~9% YoY on YTD basis). Further, normal inventory levels (unlike the strong buildup seen in PVs), healthy ongoing monsoon progress, and the upcoming festive/marriage season augur well for near-to-medium term dispatches, in our view. We note that recently, FADA as well as various 2W OEMs have pointed to expectations of rural-led industry recovery. We continue to believe there is scope for a replacement-led healthy growth runway in coming 2-3 years, and build-in ~10% industry volume CAGR over FY24-27E.

HMCL's market share loss now likely behind; recovery to commence

HMCL's overall domestic motorcycle market share has dipped by ~190bps YoY in FY25YTD to 42.6%, largely due to losses in the executive and 125cc categories, and the changing industry mix (125cc motorcycles form 27% of industry volumes vs. 24% in FY24YTD; HMCL's economy motorcycle market share has improved by ~170bps thus far this year). We believe, a) peaking of HMSI's share clawback after the supply-impacted FY24 (HMSI has relatively higher inventory levels among 2Ws; retail market share is also now near previous peaks); b) ample growth prospects in dispatches for HMCL (retails have been consistently ahead of wholesales); and c) full-year impact of the successful Xtreme 125R launch, would all help the company recover lost market share; we build-in ~50bps improvement in HMCL's domestic motorcycle market share over FY24-27E.

Risk-reward remains favorable amid 17% core EPS CAGR; potential re-rating

We raise our SoTP contribution from Ather (*DRHP*) to Rs250/sh vs Rs175/sh earlier, after Ola Electric's recent listing with Hero FinCorp also potentially boosting valuation later. HMCL's valuation at ~24x core Sep-26E PER remains favorable, given ~17% core EPS CAGR and potential re-rating from the successful product launch (*Xtreme 125R*).

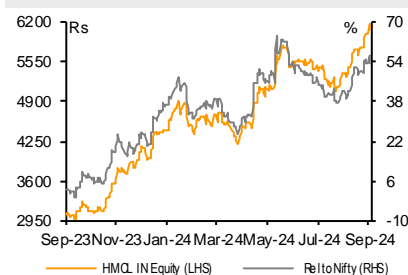
Target Price – 12M	Sep-25
Change in TP (%)	10.2
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	15.0
CMP (25-Sep-24) (Rs)	6,088.3

Stock Data	Ticker
52-week High (Rs)	6,246
52-week Low (Rs)	2,908
Shares outstanding (mn)	200.0
Market-cap (Rs bn)	1,218
Market-cap (USD mn)	14,563
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	3,859.6
ADTV-3M (USD mn)	46.2
Free float (%)	65.2
Nifty-50	26,004
INR/USD	83.6
Shareholding, Jun-24	
Promoters (%)	34.8
FPIs/MFs (%)	29.9/26.9

Price Performance

(%)	1M	3M	12M
Absolute	13.1	10.5	105.8
Rel. to Nifty	7.9	0.8	55.7

1-Year share price trend (Rs)



Chirag Jain

chirag.jain@emkayglobal.com
+91 22 6624 2428

Jaimin Desai

jaimin.desai@emkayglobal.com
+91 22 6612 1334

Nandan Pradhan

nandan.pradhan@emkayglobal.com
+91 22 6612 1238

Omkar Rane

omkar.rane@emkayglobal.com
+91 22 6624 2414

Exhibit 5: Nov-Dec 2024 to see more marriage dates than last year, likely helping sustain positive sentiment for 2Ws

October 2023							November 2023							December 2023						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7				1	2	3	4						1	2
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
29	30	31					26	27	28	29	30			24	25	26	27	28	29	30
														31						
No Shubh day available for marriage in October							5 Shubh days available for marriage in November							7 Shubh days available for marriage in December						
October 2024							November 2024							December 2024						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5						1	2	1	2	3	4	5	6	7
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				
No Shubh day available for marriage in October							11 Shubh days available for marriage in November							5 Shubh days available for marriage in December						

Source: Online portals, Emkay Research

Retail body FADA cautiously optimistic about near-term outlook

"Our retail strength index also indicates that rural sentiments remained strong on a YoY basis ... On the positive side, the upcoming festivals, such as Ganesh Chaturthi, Onam and Navratri, are expected to boost consumer sentiment, especially in urban areas. Moreover, favourable rainfall in certain regions has improved agricultural prospects, which could enhance purchasing power in rural areas as the monsoon subsides. **Given these factors, FADA remains cautiously optimistic about the near-term outlook.** While the festive season and improved rural demand present promising opportunities for growth, ongoing weather uncertainties and high inventory levels may temper the overall recovery"

- FADA press release, in Sep-24 ([link](#))

Exhibit 6: Two-wheeler OEMs expect acceleration in growth, led by rural demand revival

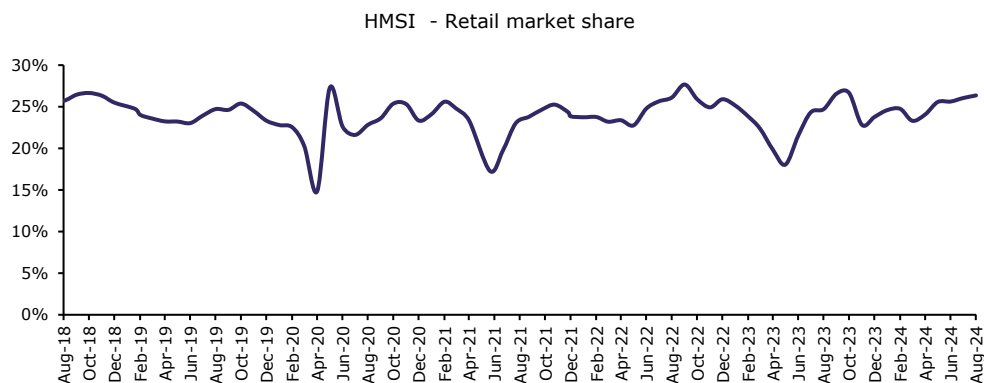
OEM	Comment	Source
HMCL (Q1FY25)	"We are optimistic about the growth prospects of the two-wheeler industry...we are seeing an uptick in rural...With the kind of the economic movements that the government has made, with the kind of rainfall that we are seeing even as we get into the festival season, we see a better outlook from rural, so the sentiment is stronger, continues to be so. And we can see that the progress is pretty strong ... both across rural and urban. Of course, it's a stronger uptick on rural."	Link
TVSL (Q1FY25)	"The recent budget laid by the Government of India focused on employment generation, continued higher commitment to infrastructure and rural economy. This will add to the present momentum. We are expecting rural to recover. With expected normal monsoon, we could witness robust growth in Q2. For the first time we are seeing rural doing slightly better than the urban. The improving road infrastructure and economic environment will drive the demand for two-wheeler mobility. And two-wheeler has got a huge opportunity in the medium and the long term given ... Till 2019 we have seen as CAGR of close to 10%. I am of the view that medium to long term, that kind of growth you can see. Currently, first quarter was 13%, this year could be more than 10%."	Link
BJAUT (Q1FY25)	"The industry outlook...we think it should be 6% to 8%. And the top half the 125cc plus segment will grow much faster."	Link

Source: Company, Emkay Research

Exhibit 7: Share of 125cc motorcycles within overall motorcycles continues to rise, amid the ongoing premiumization trend remaining intact, though the over-250cc category is facing fatigue despite recent launches

Motorcycles – mix (%)	FY17	FY18	FY19	FY20	FY21	FY22	Q1FY23	Q1FY23	Q1FY23	Q1FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25TD
Economy	26.3	27.6	30.7	31.8	28.6	26.8	23.2	22.0	20.8	18.5	20.0	16.9	19.8	15.6	15.9	15.4
Executive	37.0	35.0	33.8	27.6	27.9	31.6	32.8	30.9	31.5	38.1	29.9	31.5	30.5	32.1	31.2	30.0
Total commuter	63.3	62.6	64.4	59.4	56.5	58.4	56.0	52.9	52.3	56.6	49.9	48.4	50.3	47.7	47.1	45.4
125cc	13.6	14.3	11.8	18.4	21.2	21.4	25.9	24.0	23.3	18.9	27.1	27.7	25.6	26.9	28.5	30.6
Over 250cc	6.0	6.4	5.9	5.9	5.7	5.8	6.6	6.1	8.0	8.4	7.6	7.2	6.9	7.0	6.4	7.9
Total premium	36.7	37.4	35.6	40.6	43.5	41.6	44.0	47.1	47.7	43.4	50.1	51.6	49.7	52.3	52.9	54.6
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Emkay Research

Exhibit 8: HMSI's retail market share has recovered from supply-impacted issues of CY23 and is now back near the earlier highs


Source: Vahan, Emkay Research

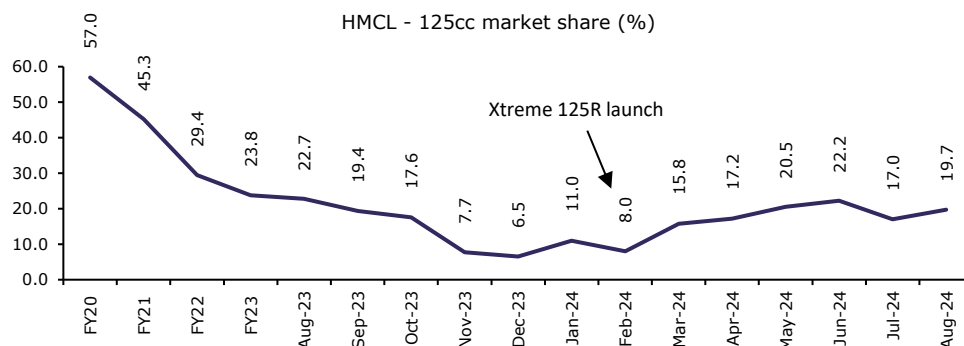
Exhibit 9: 125cc motorcycles now form ~27% of industry volumes vs ~13% for HMCL; while the company has largely retained market share in the commuter segment, the shift in category mix has led to overall market share decline vs the past highs

Industry - motorcycle mix (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
Economy	30.7	31.8	28.6	26.8	21.2	18.1	18.8	15.7
Executive	33.8	27.6	27.9	31.6	33.1	31.0	30.3	30.7
Executive - 125 cc	11.8	18.4	21.2	21.4	23.1	26.8	24.1	27.3
Premium	23.7	22.3	22.3	20.3	22.6	24.1	26.8	26.2

HMCL - motorcycle mix (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
Economy	31.5	35.2	32.2	26.9	21.9	20.7	20.6	18.6
Executive	56.9	44.0	47.5	58.6	64.9	67.9	65.3	66.6
Executive - 125 cc	11.0	20.1	18.7	13.0	11.7	10.0	12.7	13.3
Premium	0.6	0.7	1.6	1.5	1.4	1.5	1.4	1.4

HMCL - motorcycle market share (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY24YTD	FY25YTD
Economy	52.1	57.5	58.0	48.5	48.5	49.0	48.7	50.4
Executive	85.6	82.9	87.4	89.4	92.0	94.1	95.8	92.3
Executive - 125 cc	46.9	57.0	45.3	29.4	23.8	16.1	23.5	20.8
Premium	1.4	1.6	3.8	3.7	3.0	2.6	2.3	2.3
Total	50.8	52.0	51.5	48.3	46.9	43.0	44.5	42.6

Source: SIAM, Emkay Research

Exhibit 10: Market share in 125cc motorcycles has improved following the launch of Xtreme 125R

Source: SIAM, Emkay Research

Highlights from Ather Energy DRHP

- Ather targets improvement in positioning via new platforms and increased scale:** Ather, till recently, primarily addressed the 'performance' segment within scooters (forms ~20% of overall scooter market) via its flagship *Ather 450* series; introduction of the 'convenience' scooter *Ather Rizta* from Apr-24 has expanded the addressable market to the remaining ~80% of the industry. The company believes its focus on ensuring quality and user experience allow it to command a premium positioning within E-2Ws. We note that while Ather is the fourth-largest E-2W maker as of 5MFY25, its ASPs have been ~3-15% higher than volume market leader Ola's during FY22-24. Its upcoming scooter platform 'EL' is in an advanced stage of development (incorporates a new powertrain, chassis, and electronics), and is expected to be the most cost-effective and versatile platform; the company is also developing motorcycle platform 'Zenith', to target ICE motorcycles in the 125-300cc range. Ather is expanding its E-2W capacity, from 420K units/year to ~1.42mn units/year, in phases via addition of a new facility in Maharashtra (production to commence in phases from May-26); it is also expanding its battery pack manufacturing facility, from 380K units to 531K units/year.
- In-house design, outsourced manufacturing lowers capex enhance flexibility:** In-house design and development of key components, accessories, and underpinning software 'Atherstack' enables a) quick introduction of new products/technologies (eg *Rizta* was developed within 13 months of proof-of-concept amid commonality of key platform elements like chassis, battery, and BMS); b) control over critical quality, performance, and safety parameters, (eg warranty costs fell 29%/37% YoY in FY23/24, respectively); and c) delivery of improved user experience. Ather does in-house designing of 80% of critical E-2W components; it also procures 99% of E-2W components by BOM value, excluding lithium-ion cells from domestic vendors. The company maintains a mix of in-house design of critical components and outsourcing of manufacturing to ensure lower capex and enhanced flexibility, given the evolving landscape.
- Multiple drivers seen in place for further reduction in BOM cost:** Increased in-house designing of critical components has driven reduction in BOM costs. For instance, moving the motor-controllers design inhouse helped achieve 51% reduction in cost vs external sourcing arrangement, leading to sharp improvement in unit economics. BOM cost of the 2.9 kWh *Ather 450X* variant fell 26% over FY21-24, driven by reduction in cost of electronics (16%), mechanicals (6%), and battery components (4%); similarly, BOM cost of the 3.7kWh *Ather 450X* variant also fell, by 12% in FY24. We note that gross margins at Ather improved to 7% in FY24 vs 6.1% in FY22, despite the ~41% reduction in FAME incentives over that time. Company expects further improvement in BOM costs for new products, amid a) increased modularity of the new scooter platform (new chassis enabling multiple scooter types on a single platform), b) new LFP-based battery platform (manufacturing cost of LFP packs is estimated to be 15-23% lower than that for NMC batteries), c) increased in-housing of electronics assembly, painting, and transmission assembly at the new plant, and d) continued R&D focus (R&D spends at 13% of sales in FY24).

- **Expects ~70%/~10% EV penetration in scooters/motorcycles by FY31:** EV penetration in overall 2Ws/scooters currently stands at 5.1%/15%, respectively. Ather expects penetration within scooters to expand to ~70% by FY31, with motorcycles seeing ~10% penetration by that time. The overall E-2W industry is seen clocking 41-44% volume CAGR, to reach up to 12.2mn units/year by FY31.
- **IPO – Fresh issue of Rs31bn primarily for growth; HMCL to not participate in OFS:** The IPO features a fresh issue of Rs31bn along with an Offer For Sale (OFS) of ~10.8% of the existing share capital by promoters and investors; however, HMCL—the largest shareholder with 37.2% stake (fully-diluted basis pre-IPO)—would not be participating in the OFS. Ather plans to utilize the fresh net proceeds for a) capex toward its new plant in Maharashtra (~Rs9.3bn), b) R&D (Rs7.5bn), c) marketing spends (Rs3bn), d) repayment of borrowings (Rs3.8bn), and other purposes.

Exhibit 11: Key financials at Ather – Revenue/gross profit CAGR at 116%/120%, respectively, over FY22-24

	FY22	FY23	FY24	FY22-24 CAGR
Volume (no of units)	23,402	92,093	109,577	116%
Growth YoY (%)		294	19	
ASP (Rs)	174,729	193,381	160,052	-4%
Growth YoY (%)		11	(17)	
Revenue (Rs mn)	4,089	17,809	17,538	107%
Growth YoY (%)		336	(2)	
Gross profit (Rs mn)	251	1,855	1,220	120%
Gross margin (%)	6.1	10.4	7.0	
Growth YoY (%)		639	(34)	
EBITDA (Rs mn)	(2,599)	(7,076)	(6,847)	
Growth YoY (%)		172	(3)	
EBITDA margin (%)	(63.6)	(39.7)	(39.0)	
Depreciation (Rs mn)	484	1,128	1,467	
EBIT (Rs mn)	(3,083)	(8,204)	(8,314)	
Growth YoY (%)		166	1	
Interest (Rs mn)	407	650	890	
Other income (Rs mn)	49	209	353	
PBT (Rs mn)	(3,441)	(8,645)	(8,851)	
Growth YoY (%)		151	2	
Tax expenses (Rs mn)	-	-	-	
Effective tax rate (%)	-	-	-	
PAT (Rs mn)	(3,441)	(8,645)	(8,851)	
Growth YoY (%)		151	2	
Net debt (Rs mn)	2,389	2,095	(2,623)	

Source: Company, Emkay Research

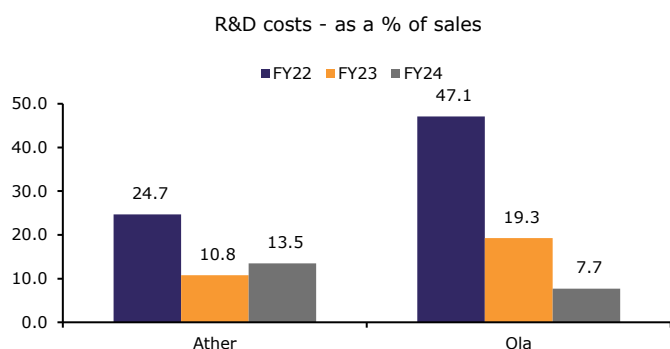
Exhibit 12: Comparison with Ola – Ather ASPs are ~3-15% higher, with greater consistency in gross margin; Ola’s loss per unit has been improving more sharply

(Rs mn)	Ather Energy			Ola Electric		
	FY22	FY23	FY24	FY22	FY23	FY24
Volume (no of units)	23,402	92,093	109,577	20,948	156,251	329,618
ASP (Rs/unit)	174,729	193,381	160,052	169,573	168,378	151,989
Net Revenue	4,089	17,809	17,538	3,552	26,309	50,098
Growth YoY (%)		336	(2)		641	90
Gross Margin	6.1	10.4	7.0	(35.4)	2.3	12.6
EBITDA	(2,599)	(7,076)	(6,847)	(8,004)	(13,489)	(13,648)
EBITDA margin (%)	(63.6)	(39.7)	(39.0)	(225.3)	(51.3)	(27.2)
EBIT	(3,034)	(7,995)	(7,961)	(8,494)	(15,159)	(17,225)
EBIT Margin (%)	(74.2)	(44.9)	(45.4)	(239.1)	(57.6)	(34.4)
PAT	(3,441)	(8,645)	(8,851)	(7,842)	(14,721)	(16,756)
ASP (Rs/unit)	174,729	193,381	160,052	169,573	168,378	151,989
EBITDA/Vehicle	(111,059)	(76,835)	(62,486)	(382,084)	(86,327)	(41,406)
EBIT/Vehicle	(129,647)	(86,814)	(72,652)	(405,466)	(97,019)	(52,256)
PAT/Vehicle	(147,039)	(93,872)	(80,774)	(374,332)	(94,213)	(50,834)

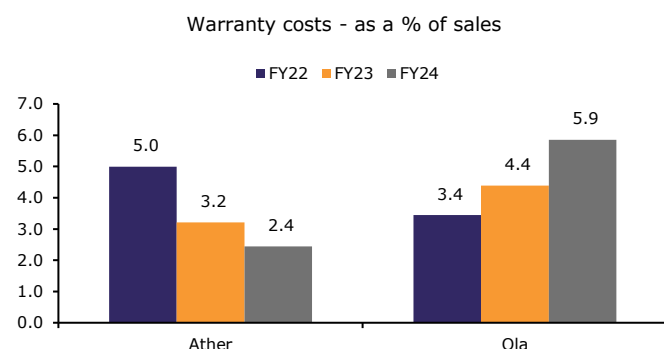
Source: Company, Emkay Research

Exhibit 13: Ather spent ~13.5% of revenue on R&D in FY24 – Higher than market leader Ola

Exhibit 14: Warranty costs at Ather have been reducing over FY22-24, indicative of healthy customer experience



Source: Company, Emkay Research



Source: Company, Emkay Research

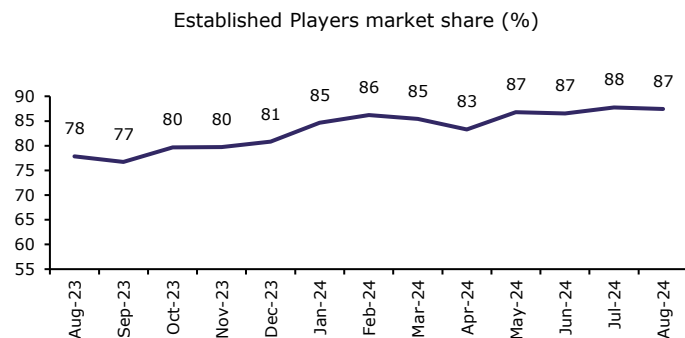
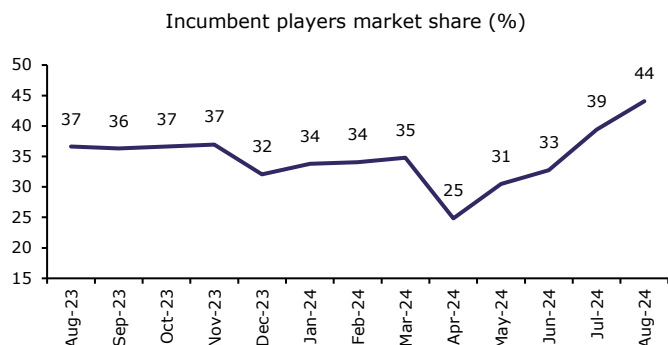
Exhibit 15: Player-wise E-2Ws – Ather and Vida have been gaining market share in recent months

E-2Ws – Market share (%)	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Ola Electric	29.9	29.2	31.8	32.6	40.1	39.5	41.2	38.2	52.1	48.3	46.1	38.9	31.1
TVS Motor	24.7	24.4	22.0	20.8	16.2	18.7	17.7	19.0	11.8	15.4	17.5	18.2	19.8
Ather Energy	11.4	11.2	11.3	10.1	8.6	11.4	11.0	12.4	6.3	7.9	7.8	9.4	12.2
Bajaj Auto	10.5	11.1	12.1	12.9	13.7	13.3	14.2	12.9	11.5	12.0	11.3	16.5	18.9
Hero MotoCorp	1.5	0.8	2.6	3.3	2.1	1.8	2.1	2.9	1.5	3.2	3.8	4.7	5.4
Okinawa	3.2	2.8	2.0	1.7	1.3	0.8	0.8	0.5	0.9	0.6	0.5	0.3	0.2
Okaya	1.8	1.4	1.2	1.4	0.9	0.7	0.8	0.9	0.6	0.7	0.6	0.4	0.5
Kinetic Green	0.6	0.4	0.5	0.5	0.9	1.0	0.8	2.8	0.7	0.6	0.6	0.6	0.4
Ampere	1.2	0.9	0.5	0.3	0.5	0.2	0.1	0.1	0.3	0.1	0.1	0.0	0.1
Hero Electric	1.2	1.3	0.9	0.9	0.7	0.5	0.4	0.2	0.4	0.4	0.4	0.3	0.2
Greaves Electric Mobility	4.7	5.6	5.6	4.8	3.9	2.9	3.0	2.1	3.8	2.5	3.4	2.9	3.2
Bgauss Auto	1.5	1.5	1.6	1.7	1.6	1.8	1.6	2.2	1.1	1.5	1.3	1.7	1.3
Chetak Technology	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pur Electric	1.4	1.2	1.4	1.0	1.0	0.8	0.6	0.3	0.6	0.6	0.4	0.4	0.3
Wardwizard Innovations	0.8	1.1	1.2	1.3	1.9	1.2	1.0	0.7	1.8	1.6	1.1	0.8	0.8
Others	5.6	7.1	5.6	6.5	6.5	5.4	4.6	4.6	6.6	4.6	5.0	4.7	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Vahan, Emkay Research

Exhibit 16: Incumbent players – Market share rises sharply to 44% amid improvement across TVSL, BJAUT, and HMCL

Exhibit 17: Established players – Market share remains steady



Source: Vahan, Emkay Research; Note: Incumbent players include TVSL, BJAUT, and HMCL

Source: Vahan, Emkay Research; Note: Established players include Ola, TVSL, Ather, BJAUT, and HMCL

Exhibit 18: We build in marginal ~90bps motorcycle market-share gains over FY25YTD-27E, led by the 125cc segment

HMCL - Motorcycle market share (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY24YTD	FY25YTD
Economy	52.1	57.5	58.0	48.5	48.5	49.0	51.2	51.3	51.5	48.7	50.4
Executive	85.6	82.9	87.4	89.4	92.0	94.1	92.5	92.5	92.5	95.8	92.3
Executive - 125 cc	46.9	57.0	45.3	29.4	23.8	16.1	21.1	21.5	21.7	23.5	20.8
Premium	1.4	1.6	3.8	3.7	3.0	2.6	2.3	2.2	2.3	2.3	2.3
Total	50.8	52.0	51.5	48.3	46.9	43.0	43.5	43.5	43.5	44.5	42.6

Source: SIAM, Emkay Research

Exhibit 19: Revenue model – We build in 12/17% CAGR in revenue/core EPS, over FY24-27E

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Avg. monthly volumes (units)	651,736	534,143	482,198	412,012	444,046	468,581	526,210	574,828	618,740
Volumes (units)	7,820,831	6,409,719	5,786,374	4,944,148	5,328,548	5,622,969	6,314,520	6,897,935	7,424,874
Growth (%)	3.1	(18.0)	(9.7)	(14.6)	7.8	5.5	12.3	9.2	7.6
ASP (Rs/unit)	43,027	44,988	53,230	59,152	63,443	66,612	68,249	69,625	70,546
Growth (%)	1.3	4.6	18.3	11.1	7.3	5.0	2.5	2.0	1.3
Revenues	336,505	288,361	308,006	292,455	338,057	374,557	430,961	480,271	523,793
Growth (%)	4.4	(14.3)	6.8	(5.0)	15.6	10.8	15.1	11.4	9.1
EBITDA	49,301	39,580	40,192	33,688	39,862	52,557	63,137	71,808	80,611
EBITDA margin (%)	14.7	13.7	13.0	11.5	11.8	14.0	14.7	15.0	15.4
EBITDA growth (%)	(6.6)	(19.7)	1.5	(16.2)	18.3	31.8	20.1	13.7	12.3
EBITDA/unit (Rs)	6,304	6,175	6,946	6,814	7,481	9,347	9,999	10,410	10,857
EBIT	43,281	31,400	33,424	27,190	33,293	45,443	55,325	63,396	71,634
EBIT margin (%)	12.9	10.9	10.9	9.3	9.8	12.1	12.8	13.2	13.7
PAT	33,849	31,841	29,642	24,730	29,106	41,280	48,912	55,404	62,022
EPS (Rs)	169	159	148	124	146	207	245	277	310
Core-EPS (Rs)	152	111	125	102	124	167	207	237	268

Source: Company, Emkay Research

Exhibit 20: Change in estimates – We raise FY26E/27E EPS by ~2.7% each, led by higher volume expectations

(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes	6,185,115	6,314,520	2.1	12.3	6,710,960	6,897,935	2.8	9.2	7,238,853	7,424,874	2.6	7.6
Net Sales	423,733	430,961	1.7	15.1	467,186	480,271	2.8	11.4	509,882	523,793	2.7	9.1
EBITDA	62,079	63,137	1.7	20.1	69,842	71,808	2.8	13.7	78,465	80,611	2.7	12.3
Margin (%)	14.7	14.7	(0) bps	62 bps	14.9	15.0	0 bps	30 bps	15.4	15.4	0 bps	44 bps
APAT	48,113	48,912	1.7	18.5	53,921	55,404	2.8	13.3	60,403	62,022	2.7	11.9
EPS (Rs)	240.8	244.8	1.7	18.5	269.9	277.3	2.7	13.3	302.3	310.4	2.7	11.9

Source: Emkay Research

Exhibit 21: Emkay vs Consensus estimates

Hero MotoCorp	Emkay Estimates			Bloomberg estimates			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	430,961	480,271	523,793	423,088	470,579	515,378	1.9%	2.1%	1.6%
EBITDA	63,137	71,808	80,611	61,289	69,385	75,972	3.0%	3.5%	6.1%
EBITDA margin (%)	14.7	15.0	15.4	14.5	14.7	14.7			
EPS (Rs)	244.8	277.3	310.4	235.6	263.9	289.3	3.9%	5.1%	7.3%

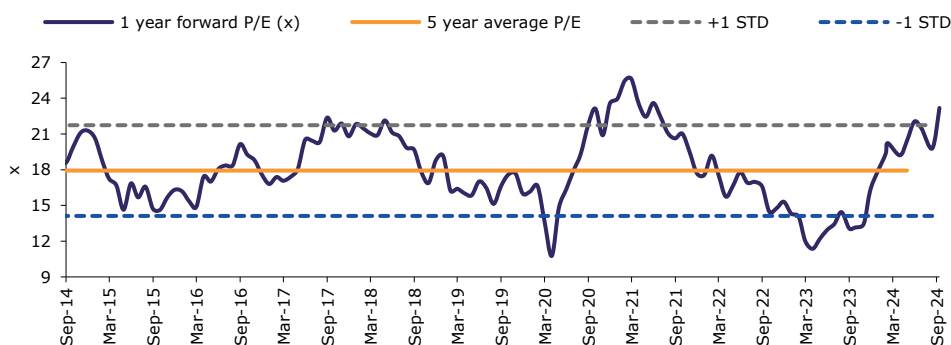
Source: Bloomberg, Emkay Research

Exhibit 22: SOTP valuation – Our revised TP stands higher at Rs7,000/sh, after roll-over to Sep-26E

HMCL - SOTP Valuation	Basis of Valuation	Equity value (Rs/sh)
Core business	23x Sep-26E core EPS	5,938
Hero FinCorp	1.5x Sep-26E P/B (Holdco discount of 20%)	190
Ather Energy	5x Forward EV/Sales (35% discount to Ola)	250
Cash per share	As of Sep-26E	601
Total (Rounded off)		7,000

Source: Emkay Research

Exhibit 23: Current valuations are slightly above the LTA 1-year forward PER levels



Source: Bloomberg, Emkay Research

Hero MotoCorp: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	338,057	378,787	430,961	480,271	523,793
Revenue growth (%)	15.6	12.0	13.8	11.4	9.1
EBITDA	39,862	56,787	63,137	71,808	80,611
EBITDA growth (%)	18.3	42.5	11.2	13.7	12.3
Depreciation & Amortization	6,570	7,114	7,812	8,412	8,976
EBIT	33,293	49,673	55,325	63,396	71,634
EBIT growth (%)	22.4	49.2	11.4	14.6	13.0
Other operating income	0	0	0	0	0
Other income	5,652	8,926	9,694	10,242	10,791
Financial expense	199	185	200	216	233
PBT	38,746	58,414	64,819	73,422	82,192
Extraordinary items	0	(1,600)	0	0	0
Taxes	9,640	12,904	15,906	18,018	20,170
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	29,106	43,910	48,912	55,404	62,022
PAT growth (%)	17.7	50.9	11.4	13.3	11.9
Adjusted PAT	29,106	45,510	48,912	55,404	62,022
Diluted EPS (Rs)	145.7	227.8	244.8	277.3	310.4
Diluted EPS growth (%)	17.7	50.9	11.4	13.3	11.9
DPS (Rs)	100.0	138.4	164.0	185.8	248.3
Dividend payout (%)	68.6	63.0	67.0	67.0	80.0
EBITDA margin (%)	11.8	15.0	14.7	15.0	15.4
EBIT margin (%)	9.8	13.1	12.8	13.2	13.7
Effective tax rate (%)	24.9	22.1	24.5	24.5	24.5
NOPLAT (pre-IndAS)	25,010	38,700	41,748	47,838	54,055
Shares outstanding (mn)	199.8	199.8	199.8	199.8	199.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	38,746	58,414	64,819	73,422	82,192
Others (non-cash items)	1,372	(6,711)	3,282	4,592	(3,082)
Taxes paid	(8,496)	(13,142)	(15,642)	(17,719)	(19,835)
Change in NWC	(5,832)	10,504	2,092	(3,964)	1,127
Operating cash flow	25,791	49,065	54,551	56,332	60,403
Capital expenditure	(5,675)	(8,007)	(12,000)	(12,000)	(1,200)
Acquisition of business	(1,577)	(14,473)	(9,000)	(9,000)	(9,000)
Interest & dividend income	2,564	0	0	0	0
Investing cash flow	(4,688)	(22,480)	(21,000)	(21,000)	(10,200)
Equity raised/(repaid)	32	104	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	256	0	0	0	0
Interest paid	(199)	(185)	(200)	(216)	(233)
Dividend paid (incl tax)	(19,983)	(26,987)	(27,657)	(32,771)	(37,121)
Others	495	(1,345)	0	0	0
Financing cash flow	(19,399)	(28,412)	(27,857)	(32,987)	(37,354)
Net chg in Cash	1,704	(1,827)	5,694	2,345	12,849
OCF	25,791	49,065	54,551	56,332	60,403
Adj. OCF (w/o NWC chg.)	31,622	38,561	52,459	60,296	59,276
FCFF	20,115	41,058	42,551	44,332	59,203
FCFE	22,481	40,873	42,351	44,116	58,970
OCF/EBITDA (%)	64.7	86.4	86.4	78.4	74.9
FCFE/PAT (%)	77.2	93.1	86.6	79.6	95.1
FCFF/NOPLAT (%)	80.4	106.1	101.9	92.7	109.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	400	400	400	400	400
Reserves & Surplus	166,651	179,462	195,603	213,886	226,291
Net worth	167,051	179,862	196,003	214,286	226,691
Minority interests	0	0	0	0	0
Deferred tax liability (net)	4,054	4,348	4,612	4,912	5,246
Total debt	0	0	0	0	0
Total liabilities & equity	171,105	184,210	200,615	219,198	231,937
Net tangible fixed assets	50,493	51,219	53,011	56,599	56,023
Net intangible assets	2,985	2,985	2,985	2,985	2,985
Net ROU assets	4,136	4,136	4,136	4,136	4,136
Capital WIP	4,638	4,805	7,201	7,201	0
Goodwill	0	0	0	0	0
Investments [JV/Associates]	23,795	23,795	38,795	48,795	58,795
Cash & equivalents	89,764	113,156	112,849	114,194	126,043
Current assets (ex-cash)	56,821	55,620	63,814	71,115	77,560
Current Liab. & Prov.	61,527	71,506	82,176	85,827	93,604
NWC (ex-cash)	(4,706)	(15,886)	(18,362)	(14,712)	(16,045)
Total assets	171,105	184,210	200,615	219,198	231,937
Net debt	(89,764)	0	0	0	0
Capital employed	171,105	184,210	200,615	219,198	231,937
Invested capital	52,908	42,455	41,770	49,008	47,099
BVPS (Rs)	836.1	900.2	981.0	1,072.5	1,134.6
Net Debt/Equity (x)	(0.5)	(0.6)	(0.6)	(0.5)	(0.6)
Net Debt/EBITDA (x)	(2.3)	(2.0)	(1.8)	(1.6)	(1.6)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	15.0	19.2	21.6	22.7	23.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	41.8	26.7	24.9	22.0	19.6
P/CE(x)	34.1	23.1	21.4	19.1	17.1
P/B (x)	7.3	6.8	6.2	5.7	5.4
EV/Sales (x)	3.4	3.3	2.9	2.6	2.4
EV/EBITDA (x)	28.3	21.4	19.3	16.9	15.1
EV/EBIT(x)	33.8	22.2	19.9	17.4	15.2
EV/IC (x)	21.3	26.0	26.4	22.5	23.2
FCFF yield (%)	1.8	3.7	3.9	4.0	5.4
FCFE yield (%)	1.8	3.4	3.5	3.6	4.8
Dividend yield (%)	1.6	2.3	2.7	3.1	4.1
DuPont-RoE split					
Net profit margin (%)	8.6	12.0	11.3	11.5	11.8
Total asset turnover (x)	2.0	2.1	2.2	2.3	2.3
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	17.9	26.2	26.0	27.0	28.1
DuPont-RoIC					
NOPLAT margin (%)	7.4	10.2	9.7	10.0	10.3
IC turnover (x)	6.2	8.7	10.1	9.6	10.8
RoIC (%)	49.2	81.2	99.1	105.4	112.5
Operating metrics					
Core NWC days	(5.1)	(15.3)	(15.6)	(11.2)	(11.2)
Total NWC days	(5.1)	(15.3)	(15.6)	(11.2)	(11.2)
Fixed asset turnover	2.3	2.4	2.6	2.7	2.8
Opex-to-revenue (%)	17.6	17.9	18.0	17.7	17.2

Source: Company, Emkay Research

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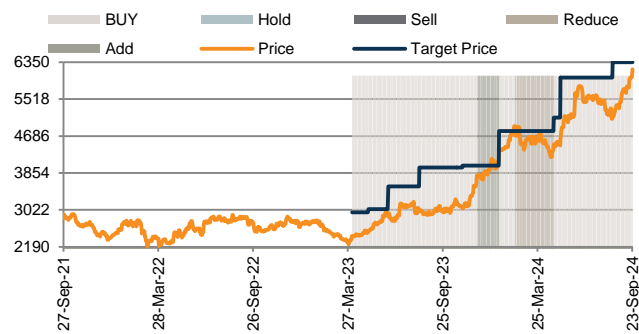
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
16-Aug-24	5,128	6,350	Buy	Chirag Jain
04-Jun-24	5,311	6,000	Buy	Chirag Jain
08-May-24	4,614	6,000	Buy	Chirag Jain
25-Apr-24	4,498	5,100	Buy	Chirag Jain
11-Feb-24	4,909	4,800	Reduce	Chirag Jain
24-Jan-24	4,434	4,800	Buy	Chirag Jain
11-Jan-24	4,342	4,800	Buy	Chirag Jain
30-Nov-23	3,819	4,020	Add	Chirag Jain
02-Nov-23	3,052	4,020	Buy	Chirag Jain
11-Aug-23	2,998	3,980	Buy	Chirag Jain
04-Jul-23	3,030	3,550	Buy	Chirag Jain
12-Jun-23	2,930	3,550	Buy	Chirag Jain
05-May-23	2,547	3,040	Buy	Chirag Jain
04-Apr-23	2,431	2,970	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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