



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Q4 FY24 consolidated revenues came in at ₹9,617 Cr, up 13.99% YoY and down 1.74% QoQ.
- Op profit for Q4FY24 stood at ₹1.319 Cr, up 21.12% YoY and down 4.76% QoQ.
- Op margins for Q4FY24 came at 13.84%, +93 bps YoY and -29 bps QoQ.
- PAT for Q4FY24 stood at ₹943 Cr, up 16.27% YoY and down 13.56% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management indicated the premium and 125cc segments will be the two broad drivers of company's growth. With the launch of three big brands, Harley-Davidson X440, Mavrick 440 and Karizma, growth will be driven by the premium segment. Company has gained 10% market share in premium segment.
- This will be further aided by the 125cc motorcycle that will push the overall motorcycle portfolio and management expects the momentum to continue in FY25.

### 3. CONCALL SUMMARY

- Company aims for double digit revenue growth for FY25 with long term EBITDA Margin guidance of 14%-16%. Capex for FY25 is expected to be ₹ 1000 to 1500 crores.
- Management indicated that the softening commodity prices also helped. Blended margins for 4QFY24 were at 14.3% with 130bps impact due to the electric vehicle (EV) segment. Effectively, internal combustion engine (ICE) margin was at 15.6%.
- Overall financial penetration stood at ~60% and the contribution from Hero FinCorp is at ~30%. Price increase for the full year taken ~₹ 1300 to 1400 per vehicle. Revenue from Parts, Accessories, and Merchandise stood at ₹ 1,397 crores in Q4FY24, up by 10% YoY.
- Company has received an approval for forming subsidiary company in Brazil and it will concentrate more towards premium products in that region. It has recently changed the distribution in the export markets including Nigeria, which will augur well for FY25.
- The recently launched Xtreme 125cc is well received by the markets. Though it is too early to speak on the market share, the product has been received well by the market. Company plans to increase capacity to ~30k units per month for the Xtreme platform. Harley-Davidson X440 bikes are presently available only in 205 stores out of 400 for exclusivity, while Karizma and Mavrick are being sold through Hero 2.0 stores. HD X440 is sold only in select Hero 2.0 stores.
- The company plans to expand its network of EVs to 100 cities by FY25. Hero also aims to expand its charging infrastructure and has partnered with Ather for a common connector and interoperable charging network.
- Company announced final dividend of Rs 40/share.

### 4. VALUATION AND OUTLOOK:

Company has become the market leader in 125CC segment, increase in average realization will help company to post better margins, and management is launching new variants under premium segments in markets to improve topline. We initiate a "BUY" rating on the stock and value the stock at 23x FY26E earnings to arrive at the target of ₹6,696.

## RECOMMENDATION - BUY

CMP – 5,580

TARGET – 6,696 (20%)

Industry	Automobile Two & Three Wheelers
NSE CODE	HEROMOTOCO
BSE CODE	500182
Market Cap (₹ Cr)	1,11,696
Shares Outstanding (in Cr)	19.99
52 wk High/Low (₹)	5894.55 / 2795
P/E	29.10
P/BV	6.16
Face Value (₹)	2.00
Book Value (₹)	885.25
EPS (FY24) (₹)	140.60
Dividend Yield (%)	4.26
Debt / Equity	0.02
Interest Coverage	37.84

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sep 23
Promoters	34.76	34.76	34.77
MF/ DII	14.02	13.73	12.49
FII/FPI	28.92	28.33	26.79
Retail & Others	8.55	8.80	9.30
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
<b>Creole</b>			
Sales	37,789	43,457	49,976
Sales Gr. (%)	10.6%	15%	15%
EBITDA	5,230	6,953	7,996
EBITDA %	13.84%	16%	16%
PAT	3,744	5,005	5,899
EPS (₹)	187.20	250.25	294.95
EPS Gr. (%)	33.75%	33.68%	17.86%
<b>Ratios</b>			
RoE (%)	22.5%	26.08%	26.07%
RoCE (%)	29.8%	30.77%	31%
<b>Valuation</b>			
P/E (x)	29.80	22.29	18.91

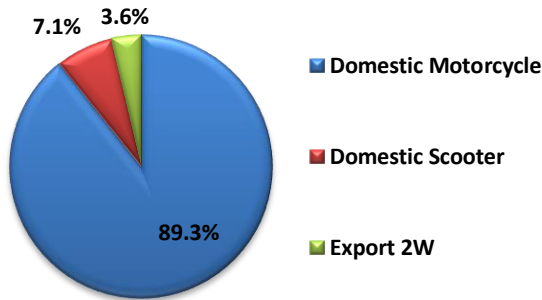
## Historical & Industrial Val Ratios

Historical P/E	29.10
Industry P/E	35.78
Historical P/B	6.16
Industry P/B	9.29

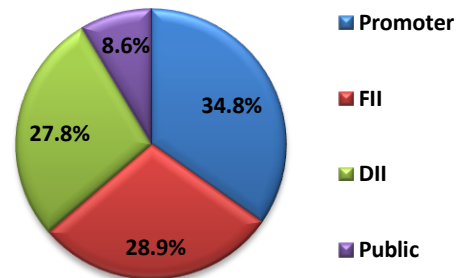


## Company Overview (FY24)

Volume Mix (FY24)



Shareholding Pattern (FY24)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY25	FY24	FY25E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
<b>Net sales</b>	<b>9,158</b>	<b>8,118</b>	<b>8,434</b>	<b>8,851</b>	<b>9,533</b>	<b>9,788</b>	<b>9,617</b>	<b>10,864</b>	<b>37,789</b>	<b>43,457</b>
YoY change (%)	7.25%	1.31%	12.51%	4.78%	4.09%	20.56%	14.02%	12.96%	10.6%	15%
<b>Total Expenditures</b>	<b>8,096</b>	<b>7,177</b>	<b>7,345</b>	<b>7,734</b>	<b>8,174</b>	<b>8,403</b>	<b>8,298</b>	<b>9,126</b>	<b>32,559</b>	<b>36,504</b>
<b>EBITDA</b>	<b>1,062</b>	<b>942</b>	<b>1,089</b>	<b>1,117</b>	<b>1,360</b>	<b>1,385</b>	<b>1,319</b>	<b>1,738</b>	<b>5,230</b>	<b>6,953</b>
Margins (%)	12%	12%	13%	13%	14%	14%	14%	16%	14%	16%
Other income	94	265	238	66	213	288	177	180	695	720
Interest	48	24	19	21	25	23	8	17	76	70
Depreciation	173	172	180	180	187	194	197	233	757	930
<b>PBT</b>	<b>936</b>	<b>1,011</b>	<b>1,128</b>	<b>982</b>	<b>1,360</b>	<b>1,456</b>	<b>1,292</b>	<b>1,668</b>	<b>5,092</b>	<b>6,673</b>
Rate (%)	27%	29%	28%	29%	26%	25%	27%	25%	26%	25%
<b>Adjusted PAT</b>	<b>682</b>	<b>721</b>	<b>811</b>	<b>701</b>	<b>1,007</b>	<b>1,091</b>	<b>943</b>	<b>1,251</b>	<b>3,744</b>	<b>5,005</b>
<b>EPS in Rs</b>	<b>34.45</b>	<b>36.33</b>	<b>40.29</b>	<b>35.53</b>	<b>50.35</b>	<b>54.70</b>	<b>46.77</b>	<b>62.55</b>	<b>187.20</b>	<b>250.25</b>

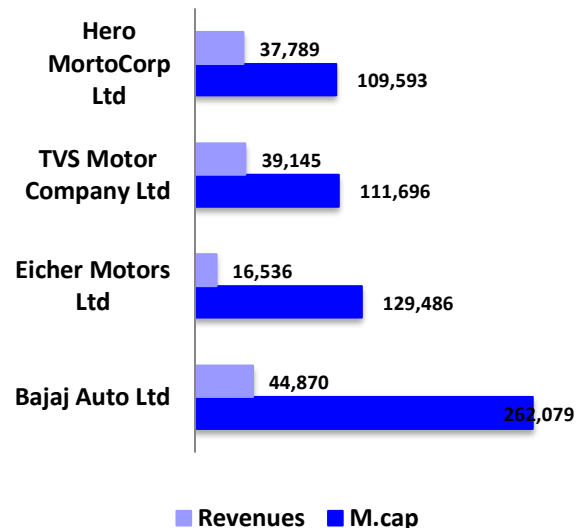
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- In FY24 the 2W segment experienced a growth of 17.8% as compared to the same period in FY23. The scooter sub-segment grew by 27%, and the motorcycle sub-segment grew by 15% y-o-y, owing to improved urban consumer sentiments and wedding season demand. However, demand in the rural market remained muted.
- The domestic automotive industry is expected to grow at a high single digit levels across segments.
- Category wise passenger and commercial vehicle volume could see a growth of 6%-9% and 7%-10% respectively. Two wheeler and tractor are estimated to grow at 6%-9% and 4%-6% respectively in FY25.
- The demand sentiments for a majority of the automotive segments such as passenger vehicles, commercial vehicles and tractors have remained healthy, aiding in the improved off-take for the industry participants.
- The two-wheeler industry continues to struggle with industry volumes still below the pre-Covid peak levels; even as improved off-take in the recent festive and marriage season has provided optimism, a sustained recovery in demand sentiments is yet to be seen.
- Electric two-wheelers have accounted for approximately 85-90 per cent of the total EV sales (excluding the e-rickshaw segment) aided by subsidies offered by the government, electric vehicle penetration across segments is increasing at an exponential rate.

## KEY PLAYERS in 2-Wheeler Space



## PEER PERFORMANCE

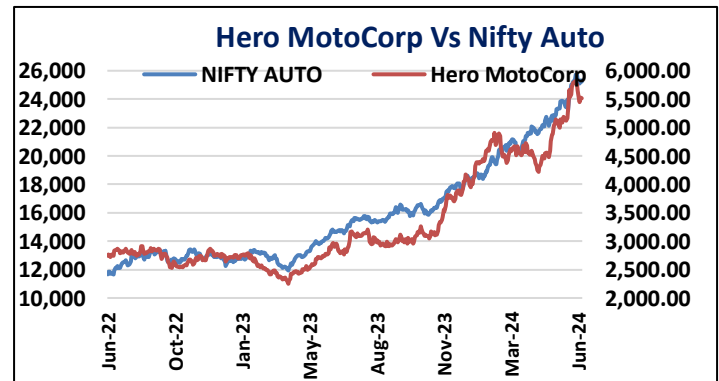
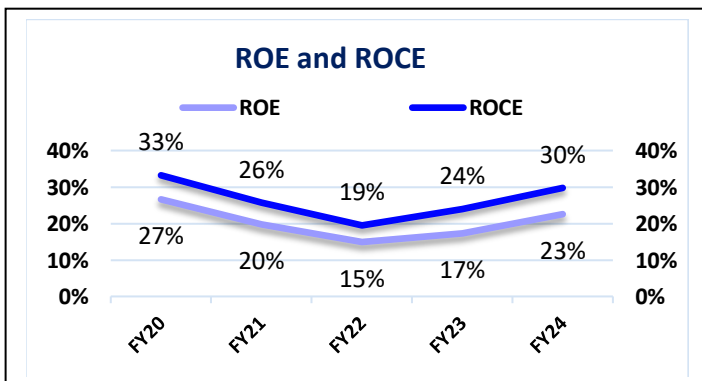
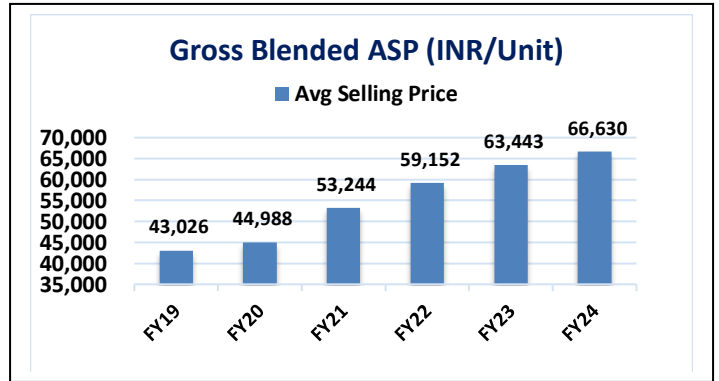
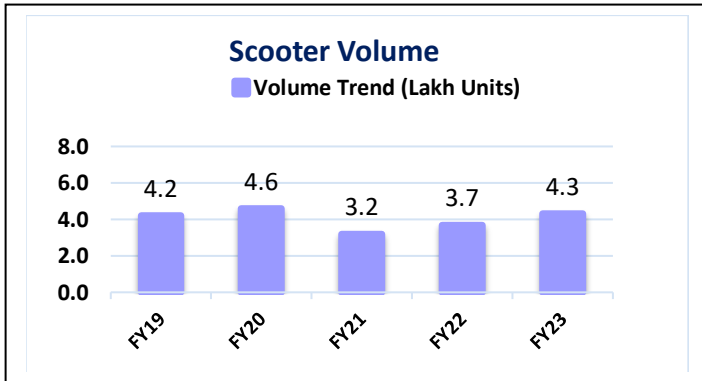
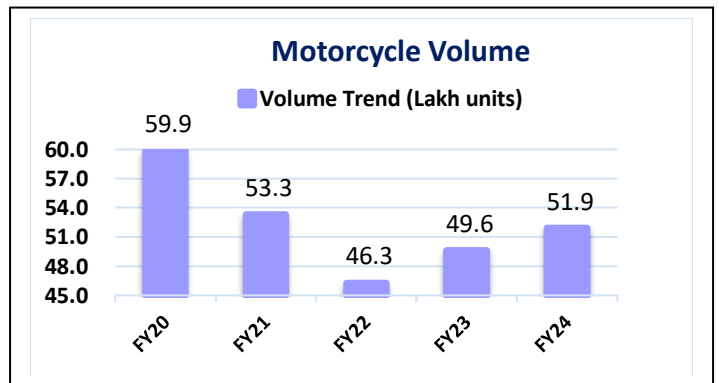
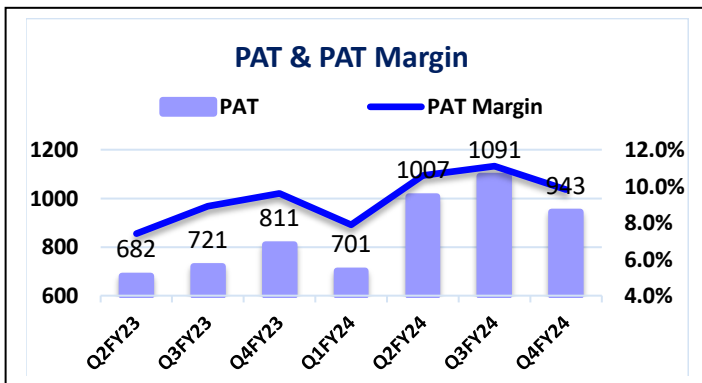
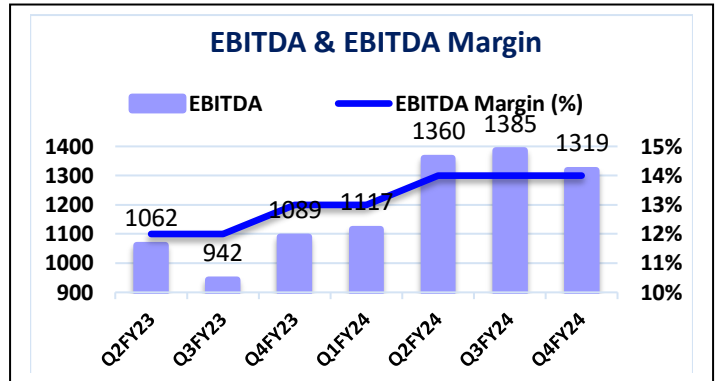
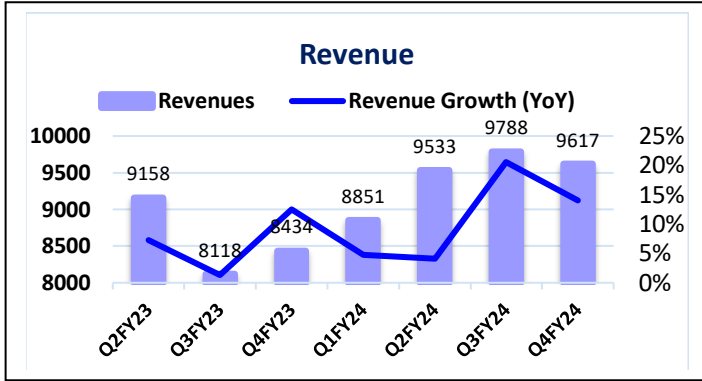
(₹ Cr)

Particulars	Bajaj Auto	Eicher Motors	Hero MotoCorp	TVS Motor Company
Market Cap	2,62,079	1,29,486	1,11,696	1,09,593
Net Sales	44,870	16,532	37,789	39,145
EBITDA	8,761	4,327	5,229	5,500
PAT	7,708	4,001	3,742	1,779
EPS(₹)	272.7	146.13	187.31	35.50
EBITDA MARGIN %	19.52	26	14	14
PAT MARGIN %	16.77	24.19	9.18	4.54
ROCE %	33.4	31.1	29.8	18.8
ROE %	26.4	24.2	22.5	27.4
P/E TTM	32.9	32.4	26.5	61.4
P/B TTM	8.8	7.2	5.8	15.3
EV/EBITDA	24.3	22.2	16.8	20.4
Dividend Yield %	0.88	0.78	1.95	0.37

Source: Company, Hem Securities Research.



## STORY IN CHARTS





## INVESTMENT RATIONALE:

- Over the past two years, the domestic auto industry has experienced a significant recovery with PV space surpassing its pre-Covid highs in FY23.
- Company recently gained 10% market share in premium segment and indicated that capacity in the premium segment will be enhanced to ~10k units per month for Harley-Davidson X440, Mavrick 440, and Karizma put together.
- The company's EBITDA margin came at 14.3% and is expected to improve further on the back of new product launches in the premium category and management's focus on export in key geographies.
- Company is increasing its presence in EV space through its captive offerings under Vida brand as well as through investments in Ather Energy, Gogoro & Zero Motorcycles.

## RISK / NEGATIVE FACTORS:

- Continued raw material cost inflation and slower-than-expected demand revival, especially in the rural segment, represent key downside risks.
- Failure to grow volumes in the 125cc segment and EV space could result in slower topline growth.

## COMPANY RECAP

- Hero Moto Corp earlier also known as "Hero Honda" is one of India's first motorcycle manufacturers.
- The company started in 1984 as a Technological collaboration with Honda, Japan. Before this collaboration, Hero was selling Cycles under the brand name, Hero Cycles.
- Company is the world's largest manufacturer of 2 Wheelers, in terms of unit volumes sold by a single company in a calendar year, for more than 2 decades.
- Company has a network in 100+ cities with 850+ stations and 2000+ charging points. Hero has the largest charging network in the country for 2W.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement						(₹ Cr)	
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>29,254</b>	<b>30,959</b>	<b>29,551</b>	<b>34,158</b>	<b>37,789</b>	<b>43,457</b>	<b>49,976</b>
Growth YoY (%)	-13.9%	5.8%	-4.5%	15.6%	10.6%	15%	15%
<b>Total Expenditure</b>	<b>25,184</b>	<b>26,902</b>	<b>26,295</b>	<b>30,060</b>	<b>32,559</b>	<b>36,504</b>	<b>41,980</b>
(%) of sales	86.09%	86.90%	88.98%	88.00%	86.16%	84%	84%
<b>EBITDA</b>	<b>4,070</b>	<b>4,057</b>	<b>3,256</b>	<b>4,098</b>	<b>5,230</b>	<b>6,953</b>	<b>7,996</b>
EBITDA Growth (%)	-19.00%	-0.32%	-19.74%	25.86%	27.62%	32.94%	15%
EBITDA Margin (%)	13.91%	13.10%	11.02%	12.00%	13.84%	16%	16%
Depreciation	846	715	690	697	757	930	850
<b>EBIT</b>	<b>3,224</b>	<b>3,342</b>	<b>2,566</b>	<b>3,401</b>	<b>4,473</b>	<b>6,023</b>	<b>7,146</b>
EBIT Growth (%)	-26.74%	3.66%	-23.22%	32.54%	31.52%	34.65%	18.64%
Net Interest Expenses	47	46	53	105	76	70	80
Other Income	1,434	553	545	567	695	720	800
<b>Earnings before Taxes</b>	<b>4,611</b>	<b>3,849</b>	<b>3,058</b>	<b>3,863</b>	<b>5,092</b>	<b>6,673</b>	<b>7,866</b>
EBT Margin (%)	15.76%	12.43%	10.35%	11.31%	13.47%	15.35%	15.73%
Tax-Total	951.67	913.27	729.06	1,063.72	1,348	1,668	1,967
Rate of tax (%)	21%	24%	24%	28%	26%	25%	25%
<b>Net Profit</b>	<b>3,659</b>	<b>2,936</b>	<b>2,329</b>	<b>2,799</b>	<b>3,744</b>	<b>5,005</b>	<b>5,899</b>
PAT Growth (%)	5.55%	-19.77%	-20.67%	20.20%	33.75%	33.68%	17.86%
PAT Margin (%)	12.51%	9.48%	7.88%	8.20%	9.91%	11.51%	11.80%
Minority Interest	0	0	0	0	0	0	0
<b>Adjusted PAT</b>	<b>3,659</b>	<b>2,936</b>	<b>2,329</b>	<b>2,799</b>	<b>3,744</b>	<b>5,005</b>	<b>5,899</b>
<b>EPS</b>	<b>182.97</b>	<b>146.79</b>	<b>116.45</b>	<b>139.96</b>	<b>187.20</b>	<b>250.25</b>	<b>294.95</b>
EPS Growth (%)	5.55%	-19.77%	-20.67%	20.20%	33.75%	33.68%	17.86%

### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Share Capital	40	40	40	40	40
Reserves	14,366	15,376	15,807	16,616	17,659
<b>Net Worth</b>	<b>14,406</b>	<b>15,416</b>	<b>15,847</b>	<b>16,656</b>	<b>17,699</b>
Borrowings	453	584	605	568	606
Other Liabilities	4,815	7,096	6,027	6,694	7,847
<b>Total Liabilities &amp; Equity</b>	<b>19,674</b>	<b>23,096</b>	<b>22,478</b>	<b>23,917</b>	<b>26,153</b>
Fixed Assets	6,473	6,380	6,194	6,159	6,589
CWIP	391	495	517	454	127
Investments	8,359	10,582	10,528	10,891	12,751
Other Assets	4,451	5,639	5,240	6,413	6,685
<b>Total Assets</b>	<b>19,674</b>	<b>23,096</b>	<b>22,478</b>	<b>23,917</b>	<b>26,153</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	12.81	9.34	7.74	8.04	9.91
EBITDA margin (%)	16.13	14.50	12.96	13.04	13.84
EBIT margin (%)	16.30	12.39	10.34	11.40	11.83
ROE (%)	26.61	19.71	14.92	17.26	22.5
ROCE (%)	33.21	25.65	19.47	23.93	29.8
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	60.47	70.47	83.90	69.44	80
Inventory (Days)	16.17	17.83	19.79	16.93	25
Receivables (Days)	27.19	21.98	26.90	25.57	25
Current Ratio (x)	2.02	1.75	1.92	1.57	
<b>Valuations Ratios</b>					
EV/sales (x)	1.08	1.88	1.55	1.37	
EV/EBITDA (x)	6.86	12.76	11.79	10.31	18.3
P/E (x)	8.75	19.96	19.81	16.69	28.9
P/BV (x)	2.21	3.78	2.90	2.82	6.30
Dividend Yield (%)	5.65	3.60	4.14	4.26	1.79
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.01	0.02	0.02	0.02	0.03

<b>Cash Flow Statement</b>				
<b>Y/E March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>4,110</b>	<b>2,104</b>	<b>2,614</b>	<b>4923</b>
<b>CF from Investing Activities (B)</b>	<b>-2,289</b>	<b>-222</b>	<b>-421.33</b>	<b>-1828</b>
<b>CF from Financing Activities (C)</b>	<b>-1,852</b>	<b>-1,975</b>	<b>-2,147</b>	<b>-2717</b>
Net Cash Flow	-31	-94	45	379
Add: Opening Bal.	305	275	181	226
<b>Closing Balance</b>	<b>275</b>	<b>181</b>	<b>226</b>	<b>605</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
29 June 2024	Buy	6,696

## DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report. HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.





## ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: MOHIT ARORA

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.