Hero Motors Limited

15th September, 2026

IPO Details

IPO Date	16th to 18th Sep, 2026
Face Value	₹10 per share
Price Band	₹79 to ₹84
Lot Size	178 Shares
Sale Type	Fresh capital cum OFS
Total Issue Size	11,90,47,618 shares (agg. up to ₹1,000 Cr)
Fresh Issue	7,14,28,571 shares (agg. up to ₹600 Cr)
Offer for Sale	4,76,19,047 shares of ₹10 (agg. up to ₹400 Cr)
Issue Type	Book Building IPO
Listing At	BSE, NSE
Shareholding pre issue	38,27,87,005 shares
Share Holding Post Issue	45,42,15,576 shares
QIB Shares Offered	Not more than 50% of the Offer
Retail Shares Offered	Not less than 35% of the Offer
NII (HNI) Shares Offered	Not less than 15% of the Offer
Retail (Min & Max) shares	178 Shares & 2,314 shares
Retail (Min & Max) application amount	₹14,952 & ₹1,94,376
S-HNI (Min shares & application amount)	2,492 shares & ₹2,09,328
S-HNI (Max shares & application amount)	11,748 shares & ₹9,86,832
B-HNI (Min shares & application amount)	11,926 shares & ₹10,01,784
Basis of Allotment	Mon, Sep 21, 2026
Initiation of Refunds	Tue, Sep 22, 2026
Credit of Shares to Demat	Tue, Sep 22, 2026
Listing Date	Wed, Sep 23, 2026
Cut-off time for UPI mandate confirmation	5 pm on Fri, Sep 18, 2026
Registrar	Kfin Technologies Ltd.

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Company Profile

Incorporated in April 1998 and headquartered in Ludhiana, Punjab, Hero Motors Limited is an automotive technology company engaged in designing, developing, manufacturing and supplying engineered powertrain solutions to automotive OEMs across the United States, Europe, India and the ASEAN region. The Company provides integrated solutions for both electric and non-electric powertrains, serving two-wheelers, performance automotive, e-bikes, off-road vehicles, electric and hybrid cars, heavy-duty vehicles and eVTOL applications, with expertise spanning continuously variable transmissions (CVT), EV transmissions, electric motors, integrated drive units and gear sets. The Company has established relationships with global customers including BMW, Ducati, Enviolo, Formula Motorsport, Hummingbird EV and HWA. As of March 31, 2026, the Company had 1,388 permanent employees and 707 contract labourers.

Objects of the Issue

- Capital expenditure for equipment purchase at Gautam Buddha Nagar, Uttar Pradesh facility – ₹200.00 Cr.
- Repayment/prepayment/redemption of certain outstanding borrowings availed by the Company – ₹190.00 Cr.
- Inorganic growth, strategic initiatives and General Corporate Purposes – up to ₹210.00 Cr.
- Offer for Sale – up to ₹400.00 Cr.

Financial Details

Particulars (Amount in Crores)	FY26	FY25	FY24
Revenue from Operations	1,188.35	1,089.59	1,064.39
Other income	28.39	21.64	19.03
Total Income	**1,216.74**	**1,111.23**	**1,083.42**
Expenses			
- Cost of Materials Consumed	653.50	630.44	640.45
- Purchases of Stock-in-Trade	27.71	7.66	-
- Changes in Inventories	11.67	(0.67)	4.57
- Employee Benefit Expenses	164.51	171.14	177.37
- Other Expenses	209.61	188.66	174.76
Total expenses	**1,067.00**	**997.23**	**997.14**
EBITDA	**121.35**	**92.36**	**67.24**
EBITDA Margin (%)	**10.21%**	**8.48%**	**6.32%**
- Finance cost	40.84	36.98	33.41
- Depreciation and amortization	45.94	37.94	28.55
- Exceptional Items	1.96	-	-
Profit/(Loss) before tax	**61.00**	**39.08**	**24.31**
Tax expense/(credit)	19.84	6.28	7.28
Profit/(Loss) After Tax	**41.17**	**32.80**	**17.04**
PAT Margin (%)	**3.46%**	**3.01%**	**1.60%**
Basic EPS (in Rs.)	**1.15**	**0.67**	**0.36**

Key Metrics	FY26	FY25	FY24
Return on Equity (%)	8.56%	7.70%	4.54%
Return on Capital Employed (%)	19.77%	18.84%	23.23%
Debt/Equity (x)	0.83	0.96	0.81
Fixed Assets Turnover Ratio (x)	1.83	1.89	2.40
Overall Capacity Utilisation (%)	72.71%	71.96%	72.40%

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Competitive Strengths

- **Strong R&D and Engineering Capabilities –** The Company's R&D expense increased to ₹89.59 Cr (7.54% of revenue) in Fiscal 2026 from ₹77.27 Cr (7.09%) in Fiscal 2025 and ₹79.31 Cr (7.45%) in Fiscal 2024, supported by dedicated technology centres in India and the UK and its acquisition of a majority stake in Hewland Engineering, enhancing its e-mobility and high-performance transmission design capabilities.

- **Long-term Relationships with Global OEMs** – The Company has nurtured long-standing relationships with global OEMs including BMW, Ducati, Hero MotoCorp and enviolo, with the average tenure of its relationship with its top five customers exceeding 12 years as of March 31, 2026, and serves as the exclusive supplier for several BMW projects.

- **Strong Presence in the Global E-Mobility Industry –** Revenue from the e-mobility industry increased to 23.00% of revenue from operations in Fiscal 2026 from 16.12% in Fiscal 2025 and 12.03% in Fiscal 2024, with the Company having powered over 0.40 million e-bikes globally with its CVT systems across Fiscal 2024 to Fiscal 2026.

- **Diversified Powertrain Product and Service Offerings –** The Company's revenue is well diversified across its Powertrain (53.67%) and Alloy & Metallics (46.33%) segments in Fiscal 2026, with operations spanning India, the United Kingdom and Thailand, catering to two-wheelers, e-bikes, performance automotive, off-road vehicles, electric and hybrid cars, heavy-duty vehicles and eVTOL applications.

Key Risk Factors

- **Technology & Product Innovation Risk –** Rapid technological advancements and evolving customer preferences in the automotive sector may require continuous investment in R&D, new product development and technology upgrades. Delays in product launches, inability to adapt to changing trends or technology obsolescence could adversely affect the Company's competitiveness, financial performance and cash flows.

- **Customer Concentration Risk –** The Company's top 10 customers contributed 72.89%, 78.03% and 76.96% of its revenue from operations in Fiscal 2026, 2025 and 2024, respectively. The loss of any of these customers could have a material adverse effect on its business and financial condition.

- **Intense Competitive Risk –** The Company faces competition from larger global players with greater financial resources, patents and underutilised capacity, while Chinese and international manufacturers may benefit from lower labour costs, taxes and subsidies. Increased competition could pressure the Company's market position, revenues and profitability.

- **Brand & Reputation Risk –** The Company's business depends on maintaining the **Hero** brand and meeting customer expectations on product quality, service standards and innovation. Any failure to maintain brand reputation, negative publicity, trademark disputes or inability to adequately protect its intellectual property could adversely affect customer confidence, business prospects and financial performance.

Comparison with Listed Peers

Name of the Companies	Market Price*	Face Value (per Share)	P/E Ratio	EPS (Basic)	EPS (Diluted)	RoNW (%)	NAV (per Share)
Hero Motors Limited	NA	10.00	92.31*	0.91**	0.91**	8.53%	12.72
Peers:							
CIE Automotive India Limited	383.55	10.00	17.68	21.69	21.69	13.18%	164.65
Endurance Technologies Limited	2,763.20	10.00	40.84	67.66	67.66	15.29%	442.54
Sona BLW Precision Forgings Limited	788.00	10.00	76.50	10.30	10.30	10.77%	93.93
UNO Minda Limited	1,241.70	2.00	59.84	20.78	20.75	19.59%	113.77
Varroc Engineering Limited	827.05	1.00	56.15	14.73	14.73	18.70%	80.45

*P/E calculated based on upper band price.
**EPS calculated including fresh issue shares

Summary

As per the CRISIL Report, the global e-bike market is projected to reach 12.5-14.5 million units by 2031 at a CAGR of 6-9% (2024-2031), while EV penetration in the global motorcycle segment is projected to rise from 2.0% in 2025 to 10.5-12.5% by 2031, a CAGR of 34-38%, driven by improving battery technology, charging infrastructure and government support for electric mobility.

The Company generates 58.64% of its revenue from India and the balance internationally, with Europe alone contributing 33.59% of revenue in Fiscal 2026. Its business is fairly balanced between the Powertrain (53.67%) and Alloy & Metallics (46.33%) segments, with facilities across India, the UK and Thailand, besides a motor JV (HYM) with capacity of 145,000 units, expected to scale to 1 million units by Fiscal 2030. The Company is part of the HMC group, which also includes Hero Cycles, the world's largest bicycle manufacturer.

Going forward, growth should be supported by the Company's expanding presence in global e-mobility, its diversified OEM base and continued R&D investment. The Company reported a strong Fiscal 2026 performance, with revenue of ₹1,188.35 Cr (up 9.06% YoY) and PAT of ₹41.17 Cr, while EBITDA margin (excluding other income) improved to 10.21% from 8.48% in Fiscal 2025 and 6.32% in Fiscal 2024, aided by an improving product mix. Given its growing exposure to higher-margin EV products, the improving margin trajectory is expected to be broadly sustainable.

The Company plans to utilise the IPO proceeds towards debt repayment, capital expenditure at its Gautam Buddha Nagar facility and inorganic growth and strategic initiatives. The proposed debt repayment is expected to reduce finance costs substantially , enhance profitability and provide greater financial flexibility, while the planned capex will support capacity enhancement and provide long-term growth visibility. Further, the allocation towards inorganic growth and strategic initiatives, the details of which are yet to be identified, provides optionality to pursue future growth opportunities.

The Company is well positioned to benefit from structural growth in the global e-mobility and premium powertrain industry, supported by its strong business positioning, healthy revenue growth and improving margin profile. Its presence across high-growth mobility segments and continued investments in capacity should support its growth trajectory over the medium to long term.

Considering the Company’s strong business fundamentals, improving profitability and favourable long-term industry tailwinds, the underlying growth outlook remains positive. However, the current valuation appears stretched and largely prices in the expected growth and other positive factors, leaving limited margin of safety and upside potential for investors. Given the demanding valuation at the issue price, we recommend investors to **“Avoid”** the issue.

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