

Retail Research	IPO Note
Sector: Auto Ancillary	Price Band (Rs): 79 - 84
15 th September 2026	Recommendation: NEUTRAL

Hero Motors Ltd.

Company Overview:

Hero Motors Ltd. (HML) is an automotive technology company engaged in designing, developing, manufacturing and supplying highly engineered powertrain solutions to automotive OEMs across India, the USA, Europe and the ASEAN region. The company provides integrated services covering design, prototyping, validation, development and delivery of system-level and component-level solutions for electric and non-electric powertrains, with applications across two-wheelers, performance vehicles, e-bikes, off-road vehicles, electric and hybrid cars, heavy-duty vehicles and eVTOL platforms. Its operations are organized into Powertrain Solutions, comprising Gears & Transmissions and Bike Powertrain, and Alloy & Metallics, which supplies sheet-metal and tubular assemblies and components. The company has a list of marquee customers including River Mobility Pvt. Ltd., Hero MotoCorp Ltd., BMW-AG, Enviolo, HMC E Valley, Makino Auto Industries Pvt. Ltd. and Ducati, etc. HML manufactures products such as CVT hubs, transmissions, electric motors, integrated drive units and gear sets and caters to customers including BMW, Ducati, Enviolo, Formula Motorsport and HWA. As of FY26, it operated six manufacturing facilities across India, the UK and Thailand and two technology centres in India and the UK. Powertrain Solutions contributed 53.7% of FY26 revenue, while EV products accounted for 23.0%.

Key Highlights:

1. E-Mobility Leadership: HML is among India's leading solution providers to the global e-mobility industry, offering CVT hubs, EV transmissions, electric motors and integrated drive units. Revenue from EV products increased from 12.0% of revenue in FY24 to 23.0% in FY26, while the company is the only player manufacturing and exporting CVT hubs to global e-bike OEMs from India.

2. Premium Mobility Presence: The company has expanded its presence across electric bicycles, electric two-wheelers and premium motorcycles through relationships with global OEMs such as BMW, Ducati and Enviolo. Its capabilities span high-performance transmission systems, integrated e-bike powertrains and powertrain-neutral components, positioning it to benefit from increasing vehicle electrification.

3. Strong R&D Capabilities: The company has invested in in-house design, engineering, prototyping, testing and validation capabilities, supported by technology centres in India and the UK. R&D expenditure stood at Rs 89.6 cr, or 7.5% of revenue, in FY26, while partnerships with Enviolo and Yamaha Motors Japan and the acquisition of Hewland have strengthened its powertrain technology capabilities.

View & Valuation: Hero Motors is an automotive technology company with integrated capabilities across electric and non-electric powertrain solutions. The company delivered Revenue/EBITDA/PAT CAGR of 5.7%/34.3%/55.5%, respectively, during FY24-FY26, reflecting strong profitability growth despite modest revenue expansion. Its growing e-mobility portfolio, global presence and R&D capabilities provide long-term growth opportunities. Further, its 51:49 joint venture with Germany-based STP Group will manufacture high-precision forged powertrain components in India for domestic and global customers, expanding the Alloy & Metallics portfolio. However, the top five customers contributed 61.4% of FY26 revenue, exposing the business to changes in key customers' demand and sourcing strategies. At the upper price band, Hero Motors is valued at a post-issue FY26 P/E multiple of 83.8x, which appears expensive as compared to its peers considering its modest revenue growth and high customer concentration. While the company's technology-led capabilities and expansion into e-mobility and forged components remain promising, the valuation largely factors in future growth. Thus, we assign a NEUTRAL rating to the issue and would like to track its execution for a few quarters post-listing.

Issue Details	
Date of Opening	16 th September 2026
Date of Closing	18 th September 2026
Price Band (Rs)	79 – 84
Issue Size (Rs cr)	1,000
Fresh Issue (Rs cr)	600
Offer for Sale (Rs cr)	400
Issue Size (No. of shares)	11,90,47,619 @ upper price band
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	3,815 @ upper price band
BRLMs	ICICI Securities Ltd., DAM Capital Advisors Ltd., JM Financial Ltd.
Registrar	Kfin Technologies Ltd.
Bid Lot	178 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NII shares	15%

Objects of Issue	
Particulars	Estimated utilization (Rs cr)
Repayment/prepayment/redemption in full or in part, of certain outstanding borrowings	190.0
Purchase of equipment required for expansion in capacity of the Gautam Buddha Nagar, Uttar Pradesh facility	200.0
General corporate purposes*	-
Net proceeds from the issue	-

*To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	32,75,40,186	85.6
Public & Others	5,52,46,819	14.4
Total	38,27,87,005	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	27,99,21,138	61.6
Public & Others	17,42,94,438	38.4
Total	45,42,15,576	100.0

Selling Shareholders through OFS	Category	Number of shares @ UB
OP Munjal Holdings	Promoter	4,70,23,810
Hero Cycles Ltd	Promoter	5,95,238
Total		4,76,19,048

Key Financials

Particulars (Rs cr)	FY24	FY25	FY26
Revenue from operations	1,064	1,090	1,188
EBITDA	67	92	121
EBITDA Margin (%)	6.3	8.5	10.2
PAT	13	25	44
PAT Margin (%)	1.3	2.3	3.7
EPS	0.4	0.7	1.1
Adj. PAT	13	25	46
Adj. PAT Margin (%)	1.3	2.3	3.8
Adj. EPS	0.4	0.7	1.2
RoE (%)	3.5	5.9	9.6
RoCE (%)	8.4	9.1	11.9
P/E (x)*	239.7	127.6	70.6

**Note: Pre-issue P/E is based on upper price band*

Source: RHP, SBICAP Securities Research

Risk Factors

- **Overseas Market Exposure:** Europe contributed 33.6% of FY26 revenue, exposing Hero Motors Limited to changes in overseas demand, trade regulations, tariffs, currency movements and geopolitical conditions.
- **Industry Demand Dependence:** The business is dependent on the performance of the two-wheeler and e-bike industries, and any slowdown in production volumes or end-customer demand could affect orders and capacity utilisation.
- **Critical Supplier Dependence:** The company relies on a limited number of suppliers for certain critical raw materials and components, and supply disruptions or adverse pricing changes could affect production and margins.
- **High Customer Concentration:** The top customer, top five customers and top ten customers contributed 35.6%, 61.4% and 72.9% of FY26 revenue, respectively, making performance sensitive to order volumes from key OEMs.
- **Technology Obsolescence Risk:** An inability to respond to evolving powertrain technologies, electrification trends and changing OEM requirements could reduce the competitiveness of the company's products and solutions.

Growth Strategies

- Focus on providing complete systems and powertrain solutions for e-mobility segment.
- Expand into other market segments and geographies.
- Leverage Hewland's expertise for Design-to-Cost product and service solutions.
- Focus on strengthening partnerships with global players for technology.
- Pursue inorganic growth opportunities.

Revenue Mix - Segment

Particulars	FY24		FY25		FY26	
	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue
(I) Electric Vehicles (EV) (a)	26	2.4	89	8.2	120	10.1
(II) Non-EV (b)	392	36.9	364	33.4	369	31.1
Gears and Transmission (a+b)	418	39.3	453	41.6	489	41.1
(I) Electric Vehicles (EV) (c)	101	9.5	82	7.5	149	12.5
(II) Non-EV (d)	1	0.1	-	-	-	-
Bike Powertrain (c+d)	102	9.6	82	7.5	149	12.5
Powertrain Solutions (A)	520	48.9	534	49.0	638	53.7
(i) Electric Vehicles (EV)	1	0.1	5	0.5	5	0.4
(ii) Non-EV	543	51.0	550	50.5	546	45.9
A&M (B)	544	51.1	555	51.0	551	46.3
Revenue from operations (A+B)	1,064	100.0	1,090	100.0	1,188	100.0

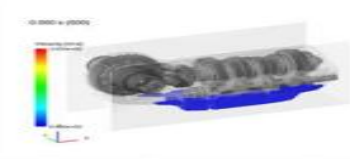
Source: RHP, SBICAP Securities Research

Revenue Mix – EV & Non-EV

Particulars	FY24		FY25		FY26	
	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue
Total EV	128	12.0	176	16.1	273	23.0
Total Non-EV	936	88.0	914	83.9	915	77.0

Source: RHP, SBICAP Securities Research

Product Portfolio

G&T	 DESIGN & VALIDATION SERVICES	 ICE GEARBOX	 EV GEARBOX
	 E-AXLE	 GEARSET ASSEMBLIES	 GEAR & SHAFT COMPONENTS
	 CONTINUOUS VARIABLE TRANSMISSION (CVT)	 ELECTRIC MOTORS	 ELECTRIC DRIVE UNITS
BPT	 STRUCTURAL COMPONENTS	 ALLOY FRAMES	 SUSPENSION FORKS, WHEEL RIMS, BB CATRIDGES & SEATS
A&M			

Source: RHP, SBICAP Securities Research

Product Portfolio

Product Segments		Our products and their applicability across market segments							
		E-Bikes	Bikes	Two Wheelers	Three Wheelers	Passenger Cars	Commercial vehicles	Off-road/specialty vehicles	Aerospace/Marine
POWERTRAIN SOLUTIONS	G&T			✓			✓	✓	
				✓	✓	✓		✓	
				✓		✓			
					✓	✓	✓	✓	✓
				✓		✓		✓	
					✓	✓	✓	✓	✓
	BPT		✓						
			✓						
A&M		✓	✓	✓					

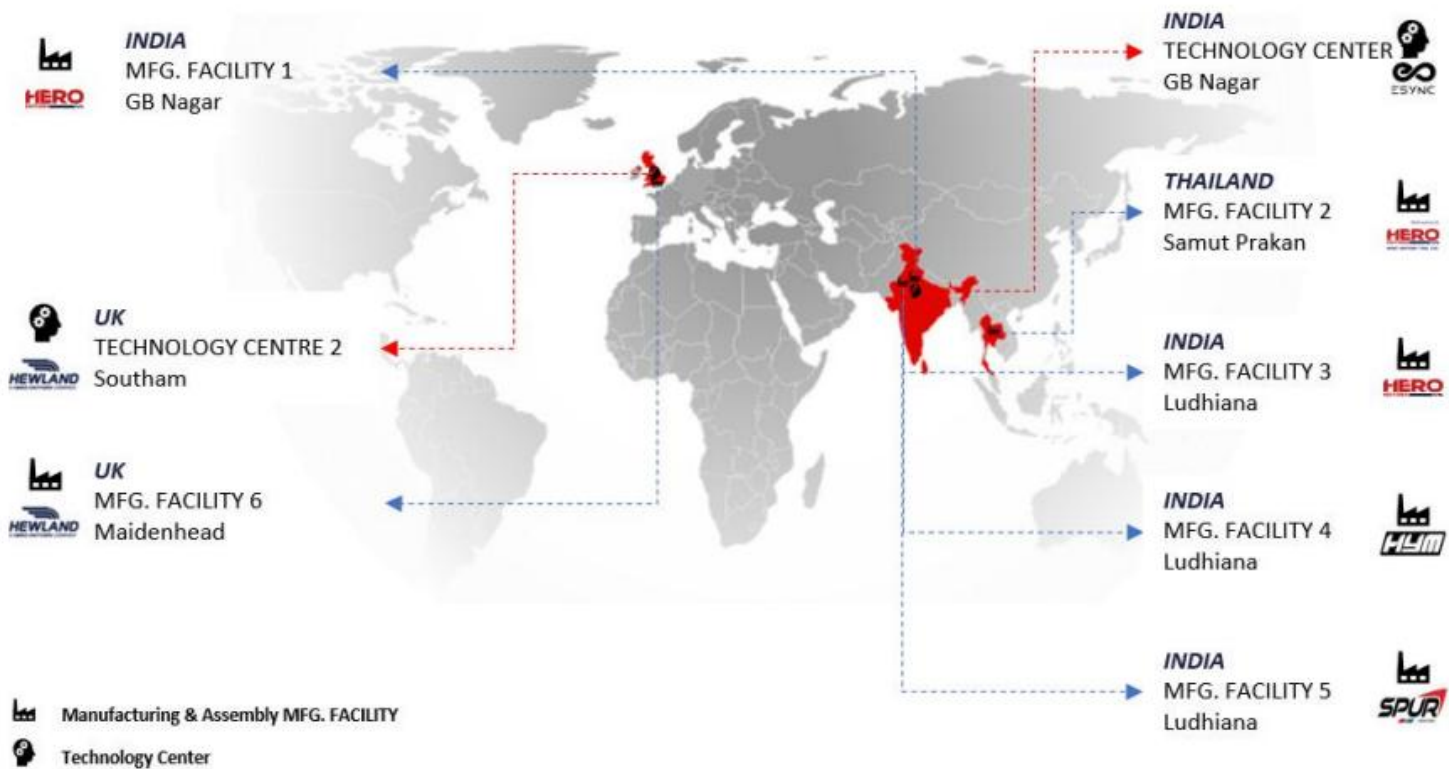
✓ Currently Serving

ICE Applicability

EV Applicability

Source: RHP, SBICAP Securities Research

Manufacturing and Technology (Research) Centers



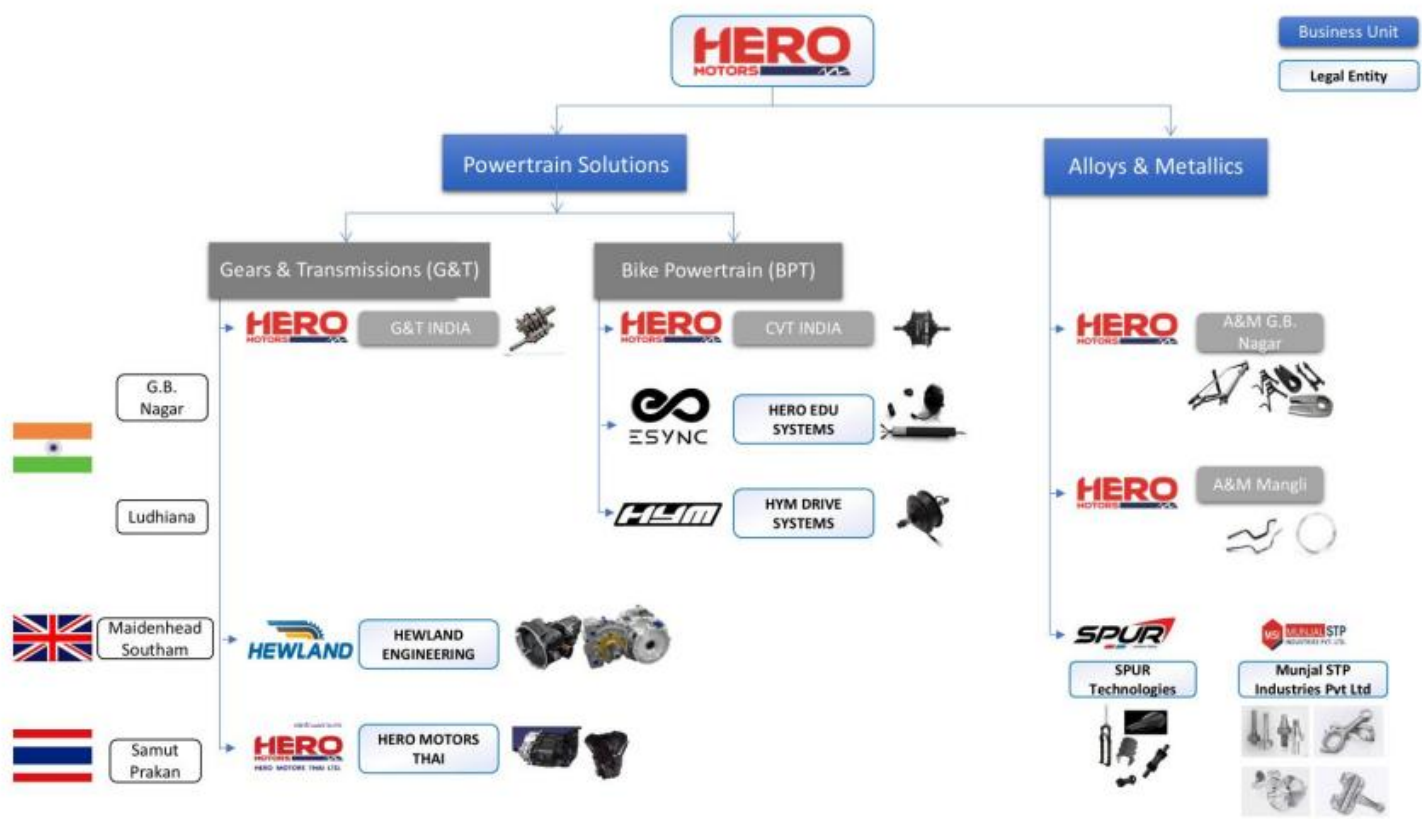
Source: RHP, SBICAP Securities Research

Revenue Mix - Geography

Particulars	FY24		FY25		FY26	
	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue
India	625	58.7	643	59.1	697	58.6
Europe	312	29.3	310	28.5	399	33.6
United States	82	7.7	85	7.8	46	3.9
Others	45	4.3	51	4.7	46	3.9
Revenue from Operations	1,064	100.0	1,090	100.0	1,188	100.0

Source: RHP, SBICAP Securities Research

Company Group Structure



Source: RHP, SBICAP Securities Research

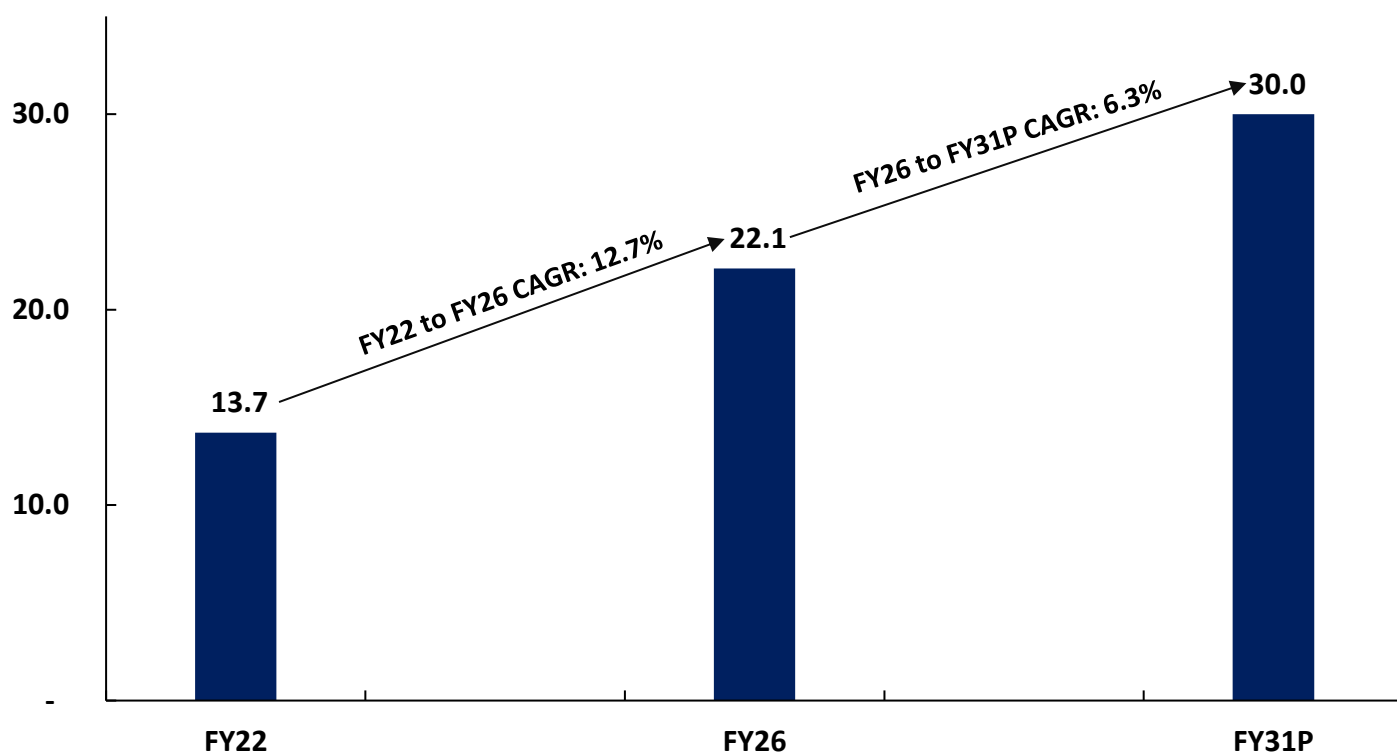
Revenue Concentration

Particulars	FY24		FY25		FY26	
	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue	Amount (Rs cr)	% of Revenue
Top One Customer	405	38.0	423	38.8	423	35.6
Top Five Customer	693	65.1	691	63.4	730	61.4
Top Ten Customer	819	77.0	850	78.0	866	72.9

Source: RHP, SBICAP Securities Research

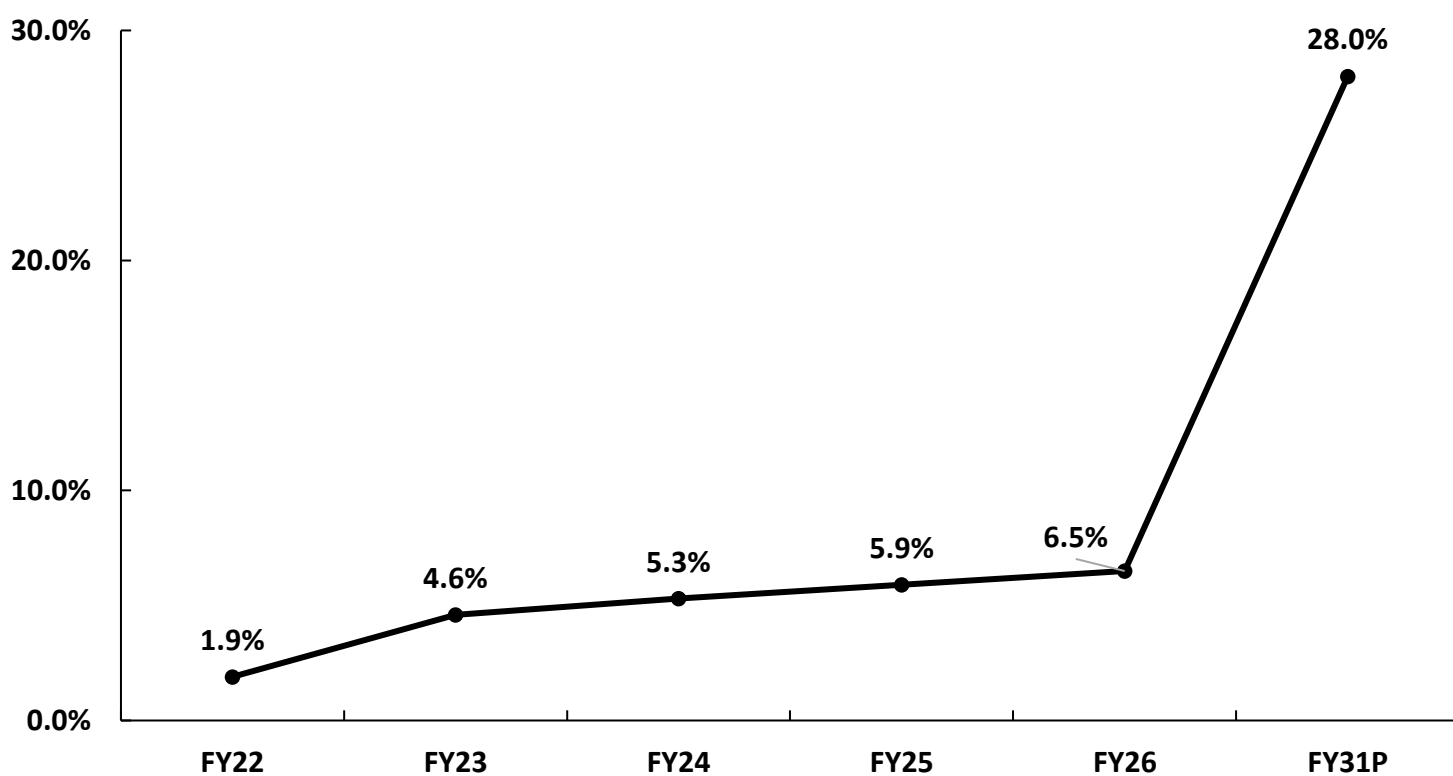
Industry Overview

Domestic Two-Wheeler Industry Volume Outlook (mn units)

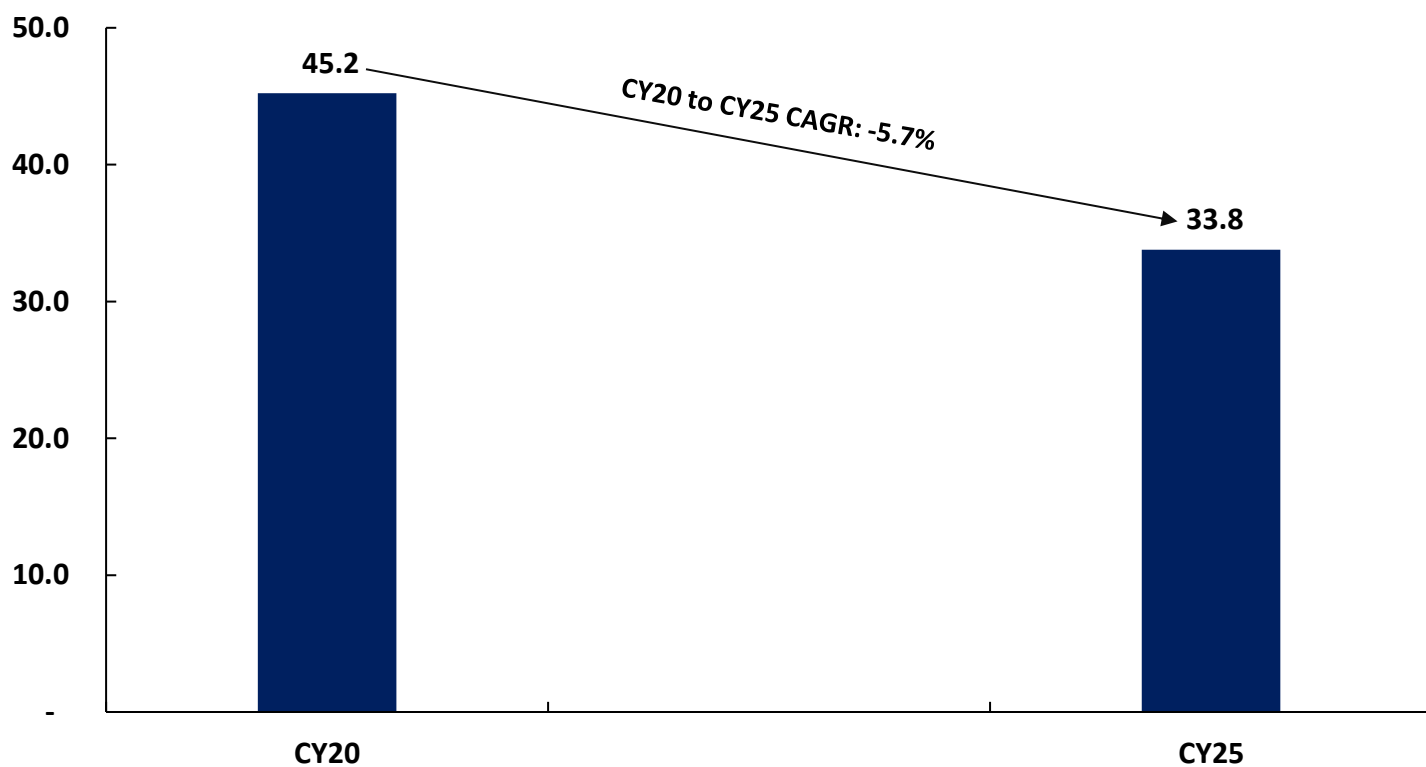


Source: RHP, SBICAP Securities Research

Outlook for EV Penetration in 2W segment

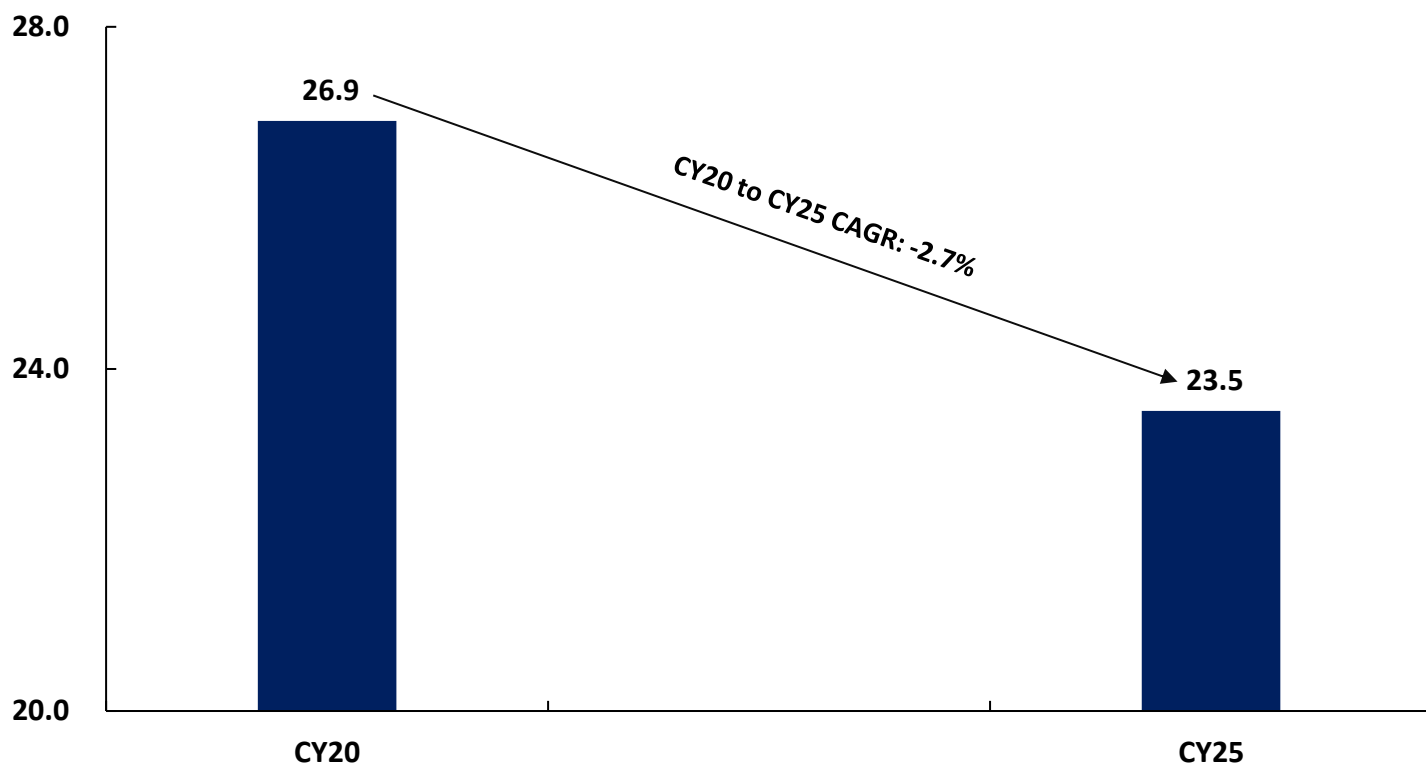


Source: RHP, SBICAP Securities Research

Overall bicycle sales market volumes (mn units)

Note: Above figures include bicycle market volumes for conventional and electric combined for the US, Europe, Japan and ASEAN.

Source: RHP, SBICAP Securities Research

Overall bicycle market value (USD Bn)

Source: RHP, SBICAP Securities Research

Peer Comparison – FY26

Particulars (Rs cr)	Hero Motors	CIE Automotive India*	Endurance Technologies	Sona BLW Precision Forgings
CMP (Rs)	84	375	2,609	792
Mkt Cap.	3,815	14,222	36,699	49,431
Enterprise Value	3,574	14,354	36,876	49,429
Revenue from Operations	1,188	9,406	14,596	4,124
EBITDA	121	1,362	1,966	1,041
Adj. Net Profit	46	828	933	655
EBITDA Margin (%)	10.2	14.5	13.5	25.2
Net Profit Margin (%)	3.8	8.8	6.4	15.9
RoE (%)	9.6	11.1	13.6	11.2
RoCE (%)	11.9	14.0	16.2	14.3
P/E (x)	83.8	17.2	39.3	75.5
EV/EBITDA (x)	29.5	10.5	18.8	47.5
EV/Sales (x)	3.0	1.5	2.5	12.0

For Hero Motors Ltd, the Market Cap, P/E(x), EV/EBITDA (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

*CIE Automotive Financial Data as of CY25.

CMP for peer company is closing price of 15th September, 2026.

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY24	FY25	FY26
Revenue from Operations	1,064	1,090	1,188
<i>YoY growth (%)</i>	-	2.4%	9.1%
COGS (incl. Stock Adj.)	645	637	693
Gross Profit	419	452	495
Gross margin (%)	39.4%	41.5%	41.7%
Employee Cost	177	171	165
Other Operating Expenses	175	189	210
EBITDA	67	92	121
EBITDA margin (%)	6.3%	8.5%	10.2%
Other Income	19	22	28
Interest Exp.	33	37	41
Depreciation	29	38	46
PBT	24	39	63
Exceptional item	-	-	2
Tax	7	6	20
Minority Interest	4	8	(2)
PAT	13	25	44
PAT margin (%)	1.3%	2.3%	3.7%
EPS (Rs)	0.4	0.7	1.1
Adj. PAT	13	25	46
Adj. PAT margin (%)	1.3%	2.3%	3.8%
Adj. EPS	0.4	0.7	1.2

BALANCE SHEET			
Particulars (Rs cr)	FY24	FY25	FY26
Assets			
Net Block	360	495	527
Capital WIP	60	38	67
Intangible Assets	5	15	26
Intangible Assets under development	18	29	28
Goodwill	8	8	8
Right of use assets	35	30	83
Other Non-current Assets	37	35	27
Current Assets			
Current Investment	7	2	2
Inventories	180	191	209
Trade receivables	195	202	253
Cash and Bank Balances	88	48	42
Short-term loans and advances	1	1	1
Other Current Assets	66	71	99
Total Current Assets	536	516	606
Current Liabilities & Provisions			
Trade payables	136	137	140
Other current liabilities	124	80	188
Short-term provisions	2	8	9
Total Current Liabilities	262	225	338
Net Current Assets	274	290	268
Total Assets	798	939	1,034
Liabilities			
Share Capital	354	357	358
Reserves and Surplus	32	68	116
Total Shareholders' Funds	386	425	475
Minority Interest	(11)	1	6
Total Debt	304	408	401
Long-Term Provisions	74	60	57
Lease Liabilities	30	24	70
Other Long Term Liabilities	5	8	8
Net Deferred Tax Liability	11	14	18
Total Liabilities	798	939	1,034

Particulars (Rs cr)	FY24	FY25	FY26
Cash flow from Operating Activities	132	48	144
Cash flow from Investing Activities	(77)	(135)	(69)
Cash flow from Financing Activities	(20)	54	(62)
Capex	(133)	(152)	(92)
Free Cash Flow	(1)	(104)	52

RATIOS			
Particulars	FY24	FY25	FY26
Profitability			
Return on Capital Employed	8.4%	9.1%	11.9%
Return on Equity	3.5%	5.9%	9.6%
Margin Analysis			
Gross Margin	39.4%	41.5%	41.7%
EBITDA Margin	6.3%	8.5%	10.2%
Net Profit Margin	1.3%	2.3%	3.8%
Short-Term Liquidity			
Current Ratio (x)	1.1	1.0	0.9
Quick Ratio (x)	0.7	0.6	0.6
Avg. Days Sales Outstanding	67	68	78
Avg. Days Inventory Outstanding	62	64	64
Avg. Days Payables	47	46	43
Fixed asset turnover (x)	2.7	2.1	1.9
Debt-service coverage (x)	0.2	0.2	0.2
Long-Term Solvency			
Total Debt / Equity (x)	0.8	1.0	0.8
Interest Coverage Ratio (x)	1.7	2.1	2.5
Valuation Ratios*			
EV/EBITDA (x)	51.0	38.7	29.5
P/E (x)	239.7	127.6	70.6
P/B (x)	8.3	7.6	6.8
EV/Sales (x)	3.2	3.3	3.0
Market Cap/Sales (x)	3.0	3.0	2.7

*Valuation ratios are based on pre-issue capital at the upper price band

Source: RHP, SBICAP Securities Research

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485

SEBI Registration No.: Stock Broker: INZ000200032 | DP Registration No.: IN-DP-314-2017

Research Analyst: INH000000602 | IRDA: CA0103 | PFRDA Registration No: POP 26092018

Registered & Corporate Office: Marathon Futurex, Unit No. 1201, B-Wing, 12th Floor, N M Joshi Marg,
Mafatlal Mill Compound, Lower Parel East, Mumbai 400013.

For any information contact us: **(022) 6854 5555** | **E-mail: helpdesk@sbicapsec.com** | **Web: www.sbisecurities.in**

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<u>Name</u>	<u>Qualification</u>	<u>Designation</u>
Fundamental Team		
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	C.A.	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Shubham Purohit	BMS (Finance)	Research Associate - Equity Fundamentals
Vinit Mishra	B.Com	Research Associate - Equity Fundamentals
Avijit Sheet	MBA (Finance)	Research Associate - Equity Fundamentals
Siddhesh Nanal	MSc (Finance)	Research Associate - Equity Fundamentals
Technical & Derivatives Team		
Sudeep Shah	MMS-Finance	VP- Technical & Derivative Research
Gautam Upadhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Aditya Bhamare	MBA (Finance)	Research Analyst - Equity Technicals
Ashwin Ramani	B.Com	Research Analyst- Equity Technicals
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

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