Hero Motors Limited

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IPO Note **15th September 2026**

Company Overview

Hero Motors Limited is an automotive technology and auto-components company engaged in the design, development, manufacturing and supply of engineered powertrain solutions and metallic components to automotive OEMs across India, Europe, the US, and ASEAN. The company primarily operates as a B2B supplier to OEMs and provides capabilities across the powertrain value chain, including design, development, prototyping, validation, and manufacturing. The company operates through two segments: Powertrain Solutions and Alloys & Metallics (A&M), which contributed 53.7% and 46.3% of FY26 revenue, respectively. The Powertrain Solutions segment comprises Gears & Transmissions (G&T) and Bike Powertrain (BPT). G&T manufactures precision gears, gear assemblies, shafts, gearboxes and transmission systems for two-wheelers, passenger vehicles, commercial vehicles, off-road vehicles and other mobility applications, catering to both ICE and EV platforms. BPT focuses on micro-mobility applications and manufactures CVT hubs, electric motors and integrated electric drive systems for e-bikes and electric two-wheelers. The A&M segment manufactures sheet metal, tubular, and machined components, including swing arms, chain cases, engine guards, stands and cylinder blocks, for automotive and other applications. The company also provides engineering, prototyping, validation, and development capabilities as part of its powertrain solutions offering.

Objects of the issue

The IPO consists of a fresh issue of Rs. 600 crores and an offer for sale of Rs. 400 crores

The company proposes to utilize the proceeds from the issue towards the following objects:

⇒ Repayment/prepayment/redemption, in full or in part, of certain outstanding borrowings;

⇒ Capital expenditure through purchase of equipment required for expansion in capacity of the Gautam Buddha Nagar, Uttar Pradesh facility; and

⇒ Funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

Investment Rationale

Rising E-Mobility Contribution and Longstanding Global OEM Relationships Support Hero Motors' Position in the Powertrain Market

Hero Motors has established a presence across the global e-mobility and powertrain market, supported by a diversified product portfolio spanning EV transmissions, CVT hubs, electric motors, and integrated electric drive units. Revenue from the e-mobility industry increased from Rs. 1,280.85 million in FY24 to Rs. 2,733 million in FY26, with its contribution to revenue rising from 12.0% to 23.0%. The company also has exposure across multiple vehicle categories, including two-wheelers, passenger vehicles, specialty vehicles, off-road vehicles, aerospace, and marine applications, while its G&T and A&M businesses continue to cater to EV, ICE, and hybrid platforms. Its relationships with established global OEMs, including BMW, Ducati, and Hero MotoCorp, provide access to premium customers, with the average relationship with its top five customers exceeding 12 years as of March 31, 2026. The company has also expanded its capabilities through partnerships with Yamaha Motors Japan and enviolo and its association with Hewland, enabling it to provide design, development, prototyping, validation, and manufacturing capabilities. These factors provide Hero Motors with exposure to multiple end markets while combining its e-mobility offerings with established powertrain and component businesses.

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Issue Details	
Offer Period	16th Sept. 2026 – 18th Sept. 2026
Price Band	Rs. 79 to Rs. 84
Bid Lot	178
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	11.9
Issue Size (Rs. in Cr.)	1,000
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Limited, DAM Capital Advisors Limited, JM Financial Limited
Registrar	KFin Technologies Limited

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	85.6	61.6
Public	14.4	38.4
Total	**100.0**	**100.0**

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Hero Motors Limited

Geographically Diverse Manufacturing Footprint and Growing R&D Capabilities Support End-to-End Powertrain Development

Hero Motors has established a geographically diverse manufacturing and technology infrastructure across India, the UK and Thailand, with facilities positioned to serve customers across different markets. Its manufacturing footprint includes precision gear manufacturing in Gautam Buddha Nagar, gearbox assembly and machining capabilities in Thailand, and design, prototyping and low-volume gearbox manufacturing capabilities in the UK. The company also operates technology centres in India and the UK focused on design, testing and validation of powertrain systems. Its HYM joint venture with Yamaha Motors Japan manufactures electric motors for two-wheelers, with an annual capacity of 145,000 motors and plans to scale capacity to 1 million units by FY2030. The company has also been increasing investments in R&D, with R&D expenditure at Rs. 895.91 million, or 7.5% of revenue, in FY26. The acquisition of Hewland has further added design and prototyping capabilities, while collaborations with technology partners such as enviolo have supported product development, including the Urban CVT model. The company generated 41.4% of FY26 revenue from customers outside India, reflecting its international operating and customer footprint.

Valuation

Hero Motors is an automotive technology and auto-components company with a diversified presence across powertrain solutions and alloys & metallics, serving global OEMs across multiple vehicle and mobility applications. The company's growth prospects are supported by its focus on complete powertrain solutions for e-mobility, expansion in e-transmissions and micro-mobility, and increasing utilisation of Hewland's design, engineering, prototyping and validation capabilities. The company is also expanding its manufacturing and technology infrastructure, including the HYM motor facility, which has an annual capacity of 145,000 motors and is expected to scale to 1 million units by FY30. Financial performance has improved meaningfully, with revenue from operations, EBITDA and PAT growing at a CAGR of 5.7%, 34.3% and 55.5%, respectively, during FY24-FY26. EBITDA margin expanded from 6.3% in FY24 to 10.2% in FY26, while PAT margin improved from 1.6% to 3.5% over the same period. The improvement in profitability has been driven by stronger EBITDA growth relative to revenue, while increasing R&D investments and expansion into new products, applications and geographies provide additional avenues for growth. At the CMP of Rs. 84, the stock is valued at 73.7x FY26 P/E, based on diluted EPS of Rs. 1.1. **Considering the company's expanding e-mobility portfolio, global OEM relationships, investments in technology and manufacturing capabilities and strong improvement in profitability, the company's growth prospects remain favourable; however, the current valuation leaves limited room for execution-related risks. Accordingly, we recommend a "SUBSCRIBE" rating to the issue.**

Key Risks

⇒ The company derives a portion of its revenue from operations from jurisdictions outside India, particularly Europe, which contributed 33.6%, 28.5% and 29.3% of revenue from operations in FY26, FY25 and FY24, respectively. Any adverse events affecting these jurisdictions could adversely impact the company's revenue from operations.

⇒ The company relies on a limited set of suppliers for critical raw materials and does not have definitive supply agreements with all its suppliers. Any disruption in the availability or supply of these raw materials could adversely affect the company's business, financial condition, results of operations and cash flows.

⇒ Hero Motors' business is significantly dependent on its top 10 customers, which contributed Rs. 866 crores, Rs. 850 crores and Rs. 819 crores in revenue from operations in FY26, FY25 and FY24, respectively, representing 72.9%, 78.0% and 77.0% of revenue from operations. The loss of any of these key customers could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Hero Motors Limited

Income Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Sales	1,064	1,090	1,188
Total revenue from operations	**1,064**	**1,090**	**1,188**
Expenses			
Cost of material consumed	640	630	654
Purchase of Stock in Trade	0	8	28
Changes in inventories of finished goods and work-in-progress	5	-1	12
Employee benefits	177	171	165
Other expenses	175	189	210
Total operating expenses	**997**	**997**	**1,067**
EBITDA	**67**	**92**	**121**
Depreciation & amortization	29	38	46
EBIT	**39**	**54**	**75**
Finance costs	33	37	41
Other Income	19	22	28
PBT before Exceptional Items	**24**	**39**	**63**
Exceptional Items	0	0	2
PBT after Exceptional Items	**24**	**39**	**61**
Total tax	7	6	20
Net Profit	**17**	**33**	**41**
Diluted EPS	**0.4**	**0.7**	**1.1**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	132	48	144
Cash flow from/(used in) investing activities	-77	-135	-69
Net cash flows (used in) / from financing activities	-20	54	-62
Net increase/(decrease) in cash and cash equivalents	**35**	**-33**	**13**
Cash and cash equivalents at the beginning of the period	8	42	9
Effect of exchange rate changes on cash and cash equivalents	**0**	**0**	**0**
Cash and cash equivalents at the end of the period	**42**	**9**	**22**

Source: RHP, BP Equities Research

Hero Motors Limited

Balance Sheet (Rs. in crores)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant & equipment	360	495	527
Right-of-use assets	35	30	83
Capital work in progress	60	38	67
Goodwill	8	8	8
Other intangible assets	5	15	26
Intangible assets under development	18	29	28
Financial assets			
(i) Investments	2	3	3
(ii) Loans	1	1	2
(iii) Other financial assets	7	5	5
Deferred tax assets (net)	0	2	6
Non-current tax assets (net)	9	13	5
Other non-current assets	17	11	7
Total Non-Current Assets	**524**	**649**	**766**
Current Assets			
Inventories	180	191	209
Financial assets			
(i) Investments	7	2	2
(ii) Trade receivables	195	202	253
(iii) Cash & Cash equivalents	42	9	22
(iv) Other bank balances	46	38	20
(v) Loans	1	1	1
(vi) Other financial assets	20	32	33
Other current assets	46	39	66
Total Current Assets	**536**	**516**	**606**
Total Assets	**1,060**	**1,165**	**1,372**
Equity and Liabilities			
Equity share capital	354	357	358
Other equity	32	68	116
Non-controlling interest	-11	1	6
Total Equity	**375**	**426**	**481**
Liabilities			
Non-Current Liabilities			
Financial liabilities			
(i) Borrowings	82	123	99
(ii) Lease liabilities	23	18	65
(iii) Other financial liabilities	5	8	8
Provisions	74	60	57
Deferred tax liabilities (net)	11	14	18
Total Non-Current Liabilities	**194**	**223**	**246**
Current Liabilities			
Financial Liabilities			
(i) Borrowings	222	284	302
(ii) Lease liabilities	7	6	5
(iii) Trade payables	136	137	140
(iv) Other current financial liabilities	102	65	170
Other current labilities	22	15	18
Provisions	2	8	9
Total Current Liabilities	**491**	**515**	**645**
Total Liabilities	**685**	**739**	**891**
Total Equity and Liabilities	**1,060**	**1,165**	**1,372**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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