

HERO MOTORS LIMITED



Auto Components · Powertrain Solutions, Gears & Transmissions
Issue opens Wednesday 16 September 2026 · Closes Friday 18 September 2026 · Anchor book Tuesday 15 September 2026 · Listing on BSE and NSE expected Wednesday 23 September 2026

SUBSCRIBE

for listing gains

FOR LISTING GAINS

Price band ₹79 – ₹84 · Lot 178 shares · Minimum ₹14,952 at cap · Face value ₹10 · Issue ₹1,000 crore · Implied market capitalisation ₹3,815 crore at cap

Recommendation

We recommend investors **SUBSCRIBE to the Hero Motors IPO with a listing-gains objective.**

The issue offers listed-market access to a rare Indian precision-powertrain franchise that sits inside the global premium two-wheeler and motorsport supply chain — BMW, Ducati, Formula-series motorsport, enviolo and a Yamaha joint venture — at a moment when auto-ancillary and EV-linked names are commanding premium multiples on Indian exchanges. Revenue from e-mobility applications has risen from 12.03% of sales in FY24 to 23.00% in FY26, adjusted EBITDA margin has expanded from 11.81% to 13.48% over the same period, and ₹190 crore of the fresh issue goes straight to repaying debt, cutting post-issue net debt to adjusted EBITDA from 2.24 times to roughly 1.05 times.

At the ₹84 cap price the issue is valued at 73.7 times FY26 diluted earnings per share of ₹1.14 and 26.5 times adjusted EBITDA. That is full — it sits above the 50.2 times average of its listed peer set — but it is below the 76.5 times at which Sona BLW Precision Forgings, the closest listed drivetrain comparable, was trading on 7 September 2026. A modest ₹1,000 crore issue size, a strong book-running syndicate of ICICI Securities, DAM Capital and JM Financial, a widely recognised brand and a clean electric-mobility narrative should together support healthy subscription across all three investor categories and a positive debut.

We are positive on the listing and neutral on the near-term hold. Investors looking to build a long-term position should wait for two pieces of post-listing evidence: a return to break-even in the Alloys & Metallics division, and a full year of the interest saving from the debt repayment flowing through the profit and loss account.

Issue snapshot

ITEM	DETAIL	ITEM	DETAIL
Issue size	₹1,000.0 crore	Issue allocation	QIB not more than 50% · NII not less than 15% · Retail not less than 35%
Fresh issue	₹600.0 crore (60% of the issue)	Selling shareholders	O P Munjal Holdings ₹395.0 crore · Hero Cycles Limited ₹5.0 crore
Offer for sale	₹400.0 crore (40% of the issue)	Book running lead managers	ICICI Securities, DAM Capital Advisors, JM Financial
Total shares offered	11,90,47,618 at the cap price	Registrar	KFin Technologies Limited
Price band	₹79 to ₹84 per share	Statutory auditor	Deloitte Haskins & Sells LLP — no audit qualifications
Face value	₹10 per share	Monitoring agency	CARE Ratings Limited
Lot size	178 shares; ₹14,952 at the cap price	Credit rating	CRISIL A+/Stable (long term); CRISIL A1 (short term), reaffirmed 24 August 2026
Retail maximum	13 lots — 2,314 shares, ₹1,94,376	Listing	BSE and NSE

Source: Red Herring Prospectus dated 9 September 2026 (pages 64, 104–107, 114–118, 441) and the price band announcement of 10 September 2026.

Indicative timetable

EVENT	DATE
Anchor investor bidding	Tuesday, 15 September 2026
Issue opens	Wednesday, 16 September 2026
Issue closes	Friday, 18 September 2026
Basis of allotment finalised	Monday, 21 September 2026
Refunds initiated / shares credited	Tuesday, 22 September 2026
Listing on BSE and NSE	Wednesday, 23 September 2026

Shareholding pattern

CATEGORY	PRE-ISSUE SHARES	PRE-ISSUE %	POST-ISSUE %
Promoters	28,41,72,126	74.24%	52.21%
Promoter group	4,33,68,060	11.33%	9.42%
Promoter & promoter group — total	32,75,40,186	85.57%	61.63%
South Asia Growth Invest LLC (private equity)	4,68,55,307	12.24%	10.32%
Others and public	1,03,91,512	2.19%	28.05%
Total	38,27,87,005	100.00%	100.00%

Source: RHP pages 104–105. Post-issue percentages computed on 45,42,15,576 shares outstanding at the ₹84 cap price and are indicative pending the basis of allotment. The private equity holder is not selling in this offer.

Key financials

METRIC	FY24	FY25	FY26
Revenue (₹ crore)	1,064	1,090	1,188
Adj. EBITDA margin	11.81%	11.82%	13.48%
Profit after tax (₹ crore)	17.0	32.8	41.2
Diluted EPS (₹)	0.35	0.66	1.14
Return on equity	4.54%	7.70%	8.56%
Net debt / adj. EBITDA	1.72x	2.79x	2.24x

Source: RHP pages 68, 129–130 and 133.

Company overview

Hero Motors Limited designs, develops and manufactures the engineered parts that transfer power from an engine or an electric motor to a wheel. Incorporated in 1998 and headquartered at Ludhiana with its corporate office in Noida, the company supplies gears, shafts and complete gearboxes to premium motorcycle, motorsport, off-road and electric-vehicle manufacturers in the United States, Europe, India and the ASEAN region, and supplies pressed and welded metal components to two-wheeler manufacturers in India. It operates six manufacturing plants — four in India, one in the United Kingdom and one in Thailand — together with two technology centres, and served customers in 23 countries in FY26.

The customer list is the asset. Hero Motors has supplied a European premium two-wheeler manufacturer for fifteen years, Ducati for ten and Hero MotoCorp for twenty-five. It manufactures continuously variable transmission hubs for enviolo, the American holder of the underlying patent, and is the only company exporting these hubs to global electric-bicycle manufacturers from India. It builds electric hub motors through a joint venture with Yamaha Motor Company of Japan, and acquired Hewland Engineering of the United Kingdom, a motorsport transmission specialist, in 2022 and 2023.

A note on the name. Hero Motors Limited is not Hero MotoCorp Limited. The two share a surname and a brand licence, not an owner. Hero MotoCorp belongs to a different branch of the Munjal family; Hero Motors belongs to Pankaj Munjal's branch, which also owns Hero Cycles. Hero MotoCorp is Hero Motors' largest customer and has been for twenty-five years.

Business segments

SEGMENT	WHAT IT MAKES	FY26 REVENUE (₹ MN)	% OF REVENUE
Powertrain — Gears & Transmissions	Gear sets, shaft assemblies, complete gearboxes, e-axles and drive units for premium motorcycles, motorsport, hybrid cars, off-road vehicles and eVTOL aircraft	4,888.83	41.1%
Powertrain — Bike Powertrain	Continuously variable transmission hubs, 36-volt electric hub motors and complete electric drive-unit kits for electric bicycles and two-wheelers	1,488.70	12.5%
Powertrain — total		6,377.53	53.7%
Alloys & Metallics	Pressed, welded and painted sheet-metal and tubular components — chain cases, swing arms, main stands, engine guards, handlebars and forks	5,505.98	46.3%
Total		11,883.51	100.0%

Source: RHP page 254.

Product portfolio

Gears and gearboxes — 41.1% of revenue

A gear is a metal disc with teeth cut around its edge; anyone who has looked at the chainring of a bicycle has seen one. Its job is a trade — it takes rotation that is fast but weak and returns rotation that is slower but stronger. Hero Motors machines the gears to tolerances of one-thousandth of a millimetre with defect rates below ten parts per million, finished to DIN and ISO grade 5 to 6. Because a failed gear inside a high-performance motorcycle is a safety event rather than a breakdown, manufacturers qualify suppliers exhaustively: recent programmes took between fourteen and thirty-three months from first enquiry to approved series production, averaging twenty-five. That qualification period is the barrier to entry, and it is why this line earns the margin it does. Within it, electric-vehicle revenue has grown from ₹259.02 mn in FY24 to ₹1,198.10 mn in FY26.

Bike powertrain — 12.5% of revenue

This is a sealed metal drum roughly the size of a large orange that sits at the centre of an electric bicycle’s rear wheel. On a normal bicycle, gears work like a staircase — you step from one to the next and feel each step. This one works like a ramp, sliding smoothly through every ratio in between, silently, with nothing to adjust. The technology is patented by enviolo of the United States; Hero Motors manufactures it under licence and co-developed a lower-cost version, Urban, on which it holds permanent manufacturing rights and selling rights across India and ASEAN. More than 400,000 electric bicycles were fitted with the company’s hubs across FY24 to FY26. Alongside the hubs, the company makes 36-volt wheel motors through its Yamaha joint venture and sells complete electric drive kits — motor, battery, controller, sensors, display and charger — under its ESYNC brand.

Alloys & Metallics — 46.3% of revenue

This is sheet metal and tube, cut, pressed into shape, welded and painted: the chain case, the swing arm that holds the rear wheel, the main stand and the engine guard on a motorcycle, plus handlebars, forks and stems for bicycles. It is powertrain-neutral — the same parts fit petrol and electric vehicles alike — and it anchors the company’s twenty-five-year relationship with Hero MotoCorp. It is also the most competitive of the three lines, with Badve Group, Sandhar Technologies and Magnum active in the same work, and it recorded a segment loss in FY26 as the newer SPUR plant ramped up. Management’s stated intent is to shift the mix towards lightweight alloy parts for electric vehicles and to implement cost reduction to restore profitability.

Manufacturing footprint

FACILITY				WHAT IT MAKES	FY26 UTILISATION	STATUS
Gautam Pradesh	Buddha	Nagar,	Uttar	Gears, transmissions, CVT hubs, e-drive kits and sheet metal	78.5% (powertrain lines 88.3%)	Anchor plant; receives the ₹200 crore capex
Mangli, Ludhiana, Punjab				Alloys and metallics	83.3%	Mature
SPUR, Ludhiana, Punjab				Bicycle and e-bike metal components	50.3%	Ramping
HYM, Ludhiana, Punjab				Electric hub motors (Yamaha joint venture)	14.6%	Scaling to 1 mn units by FY30
Maidenhead, United Kingdom				Design, prototyping and low-volume gearboxes (Hewland)	24.2%	Design-led, low volume by nature
Samut Prakan, Thailand				Gearbox assembly for the ASEAN region	3.9%	Commissioned FY24; early ramp
Group total					72.7%	

Source: RHP pages 119 and 276, as certified by an independent chartered engineer. Two further sites are being established at Kolar, Karnataka and at Ludhiana for the STP forging joint venture.

Customer profile

METRIC	FY25	FY26
Revenue from largest customer	38.80%	35.57%
Revenue from top five customers	63.39%	61.42%
Revenue from top ten customers	78.03%	72.89%
Revenue from India	59.06%	58.64%
Revenue from Europe including the UK	28.45%	33.59%
Revenue from the United States	7.82%	3.86%
Revenue from e-mobility applications	16.12%	23.00%
Countries supplied	22	23

Source: RHP pages 254, 258 and 263. Named customers include BMW AG, Ducati Motor Holding, Hero MotoCorp, enviolo, Formula Motorsport, HWA AG, Escorts, Briggs & Stratton, HummingbirdEV and River Mobility. The average relationship with the top five customers exceeds twelve years.

Investment rationale

1	Inside a supply chain that is very hard to enter	₹4,889 mn
	Premium motorcycle and motorsport manufacturers qualify a drivetrain supplier over fourteen to thirty-three months and then keep it. Hero Motors has supplied a European premium two-wheeler manufacturer for fifteen years and Ducati for ten, is the exclusive supplier on several BMW programmes, and holds a Ducati quality award and a letter of appreciation from Harley-Davidson. Eleven further programmes have been awarded, nine of them entering production during 2026. This is the part of the business a competitor cannot simply price its way into.	gears revenue, FY26
2	Electric-mobility mix compounding fast	12.0% → 23.0%
	Revenue from electric-mobility applications has grown from ₹1,280.85 mn in FY24 to ₹2,732.90 mn in FY26 — from 12.03% of sales to 23.00% in two years. Within the gears business alone, electric-vehicle revenue rose from ₹259.02 mn to ₹1,198.10 mn. The company is the only exporter of continuously variable transmission hubs to global e-bike manufacturers from India and the only domestic manufacturer of integrated electric powertrain products for e-bikes.	e-mobility share of revenue
3	A design house, not a job shop	7.54%
	Research and development cost ₹895.91 mn in FY26, or 7.54% of revenue, against 0.81% to 2.84% for its listed peers. The Hewland acquisition brought concept design, prototyping and validation capability; two technology centres, at Southam in the UK and Gautam Buddha Nagar in India, extend it. That lets the company win design-to-cost and full-system mandates rather than build-to-print piecework, which is where the pricing power in this industry sits.	of revenue spent on R&D
4	Margins are already expanding	11.81% → 13.48%
	Gross margin has moved from 39.40% to 41.69% and adjusted EBITDA margin from 11.81% to 13.48% across FY24 to FY26, while return on capital employed held near 20%. The improvement is mix-led — the higher-margin powertrain division grew from 48.9% of revenue to 53.7% — which means it should persist as the mix continues to shift rather than reverse with the cycle.	adj. EBITDA margin, FY24 to FY26
5	The issue repairs the balance sheet	2.24x → ~1.05x
	₹190 crore of the ₹600 crore fresh issue repays 65.6% of the company's standalone borrowings. At the disclosed coupons of 7.10% to 8.10% that is roughly ₹14 crore of annual interest saved, lifting proforma FY26 earnings per share from ₹1.14 to about ₹1.17 and cutting the implied multiple from 73.7 times to roughly 72 times. A further ₹200 crore funds brownfield equipment at the Gautam Buddha Nagar plant, where powertrain lines already run at 88.3% — expansion into demand the company can see, not a speculative new site.	net debt / adj. EBITDA, proforma

Industry overview and outlook

India's auto-component industry turned over ₹7,59,234 crore, about US\$85.9 billion, in FY26 — up 12.7% on the year and more than double its size five years ago, a compound growth rate of 17%, according to the Automotive Component Manufacturers Association of India. Supplies to vehicle manufacturers rose 16.3% to ₹6,62,893 crore, the aftermarket grew 9% to ₹1,08,453 crore, and exports rose 5% to US\$24 billion, with Europe the fastest-growing destination. Engine components together with drive-transmission and steering systems account for more than half of India's component exports — precisely the category in which Hero Motors operates.

CRISIL Intelligence, in the industry study prepared for this offer, sizes the company's addressable markets at ₹3,400–3,500 billion for gears and transmissions in 2025, growing to ₹4,850–4,950 billion by 2031 at 6% to 8% a year; ₹310–352 billion for bike powertrain products, growing to ₹880–922 billion at 16% to 18%; and ₹860–900 billion for alloys and metallics in two-wheeler and bicycle applications, growing to ₹1,130–1,170 billion at 4% to 5%. Electric-vehicle penetration in the global motorcycle segment is projected to rise from 2.0% in 2025 to 10.5%–12.5% by 2031, and the global e-bike market from 8.24 million units in 2024 to 12.5–14.5 million by 2031.

The domestic electrification curve is steepening now rather than at the end of the decade. Vahan registration data shows electric two-wheelers at 6.27% of two-wheeler registrations in FY26, rising to 10.5% in August 2026, with 9.03 lakh electric two-wheelers registered in the first five months of FY27 — 70% above the same period a year earlier. That matters because the company's newest programme wins are domestic, including an Indian electric three-wheeler manufacturer, an Indian-Japanese three-wheeler programme, and River Mobility, which appears among its FY26 top-ten customers.

Two structural supports sit behind the demand. The production-linked incentive scheme for automotive and advanced automotive components rewards domestic value addition in exactly the high-precision categories Hero Motors supplies. And the continuing shift towards automatic and continuously variable transmissions — whose share of domestic passenger vehicle sales has risen from 22%–27% in FY21 to roughly 35%–40% in FY26 — expands the content per vehicle in the company's core competence.

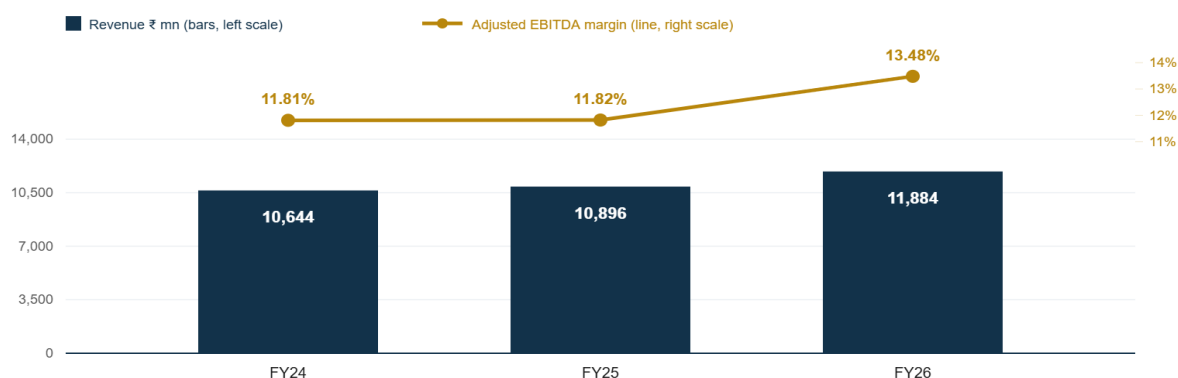
One balancing observation. Against these tailwinds, European bicycle demand — the destination for the company's CVT hubs — has been correcting since 2023 and returned to roughly pre-pandemic levels in 2025 rather than resuming growth, which introduces year-to-year volatility in the bike powertrain line.

INDIAN AUTO-COMPONENT INDUSTRY	FY25	FY26	CHANGE
Industry turnover (₹ crore)	6,73,000	7,59,234	+12.7%
Supplies to vehicle manufacturers (₹ crore)	5,70,000	6,62,893	+16.3%
Aftermarket (₹ crore)	99,948	1,08,453	+9.0%
Exports (US\$ billion)	22.9	24.0	+5.0%
Imports (US\$ billion)	22.4	25.4	+13.0%
Five-year turnover CAGR (FY21–FY26)	—	17%	—

Source: ACMA Industry Performance Review FY2024-25 and FY2025-26.

Financial performance

Adjusted EBITDA margin expanded 167 basis points in FY26 on 9.1% revenue growth



Source: RHP p.129–130

Profit and loss statement

₹ MILLION	FY24	FY25	FY26	2-YR CAGR
Revenue from operations	10,643.86	10,895.93	11,883.51	5.66%
Revenue growth	0.93%	2.37%	9.06%	—
Gross profit	4,193.70	4,521.62	4,954.63	8.69%
Gross margin	39.40%	41.50%	41.69%	—
EBITDA	862.76	1,140.04	1,477.82	30.86%
EBITDA margin	8.11%	10.46%	12.44%	—
Adjusted EBITDA	1,257.38	1,288.21	1,602.44	12.90%
Adjusted EBITDA margin	11.81%	11.82%	13.48%	—
Depreciation and amortisation	285.51	379.44	459.40	26.83%
Finance costs	334.13	369.84	408.38	10.54%
Profit before tax	243.12	390.76	610.04	58.37%
Tax expense	72.77	62.80	198.36	65.10%
Profit after tax	170.35	327.96	411.68	55.45%
PAT margin	1.60%	3.01%	3.46%	—
PAT attributable to owners	134.17	252.02	435.68	80.24%
Diluted EPS (₹)	0.35	0.66	1.14	80.48%

Source: RHP pages 68 and 129–130. FY24 profit is stated after a one-off non-cash share-based payment charge of ₹394.62 mn.

Balance sheet

₹ MILLION	FY24	FY25	FY26	COMMENT
Net worth (total equity)	3,748.16	4,260.08	4,810.08	Retained earnings build
Total borrowings	3,039.98	4,076.22	4,007.89	Peaked FY25
Lease liabilities	299.93	240.17	698.29	New UK lease
Cash and bank balances	882.61	477.58	423.92	—
Net debt	2,157.37	3,598.64	3,583.97	—
Property, plant and equipment	3,603.06	4,953.70	5,273.09	Capex cycle
Inventories	1,798.98	1,912.57	2,085.13	—
Trade receivables	1,947.87	2,023.31	2,529.02	Export mix
Trade payables	1,362.47	1,372.07	1,403.46	—
Total assets	10,598.55	11,646.20	13,718.28	—

Source: RHP page 67.

Cash flow

₹ MILLION	FY24	FY25	FY26	COMMENT
Cash from operations	1,319.66	483.43	1,440.42	FY25 dip on working capital
Capital expenditure	1,328.37	1,523.97	922.51	Peak capex behind
Free cash flow	(8.71)	(1,040.54)	517.91	First positive year
Cash used in investing	(769.27)	(1,352.31)	(693.86)	—
Cash from / (used in) financing	(203.63)	536.91	(617.98)	Deleveraging began

Source: RHP pages 69 and 476. Free cash flow is cash from operations less capital expenditure.

Key ratios

RATIO	FY24	FY25	FY26	DIRECTION
Return on equity	4.54%	7.70%	8.56%	Improving
Return on capital employed	23.23%	18.84%	19.77%	Stable
Net debt / adjusted EBITDA	1.72x	2.79x	2.24x	Improving
Receivable days	67	68	78	Lengthening
Inventory days	62	64	64	Stable
Trade payable days	47	46	43	Shortening
Fixed asset turnover	2.40x	1.89x	1.83x	Capex not yet absorbed
R&D as % of revenue	7.45%	7.09%	7.54%	Sustained

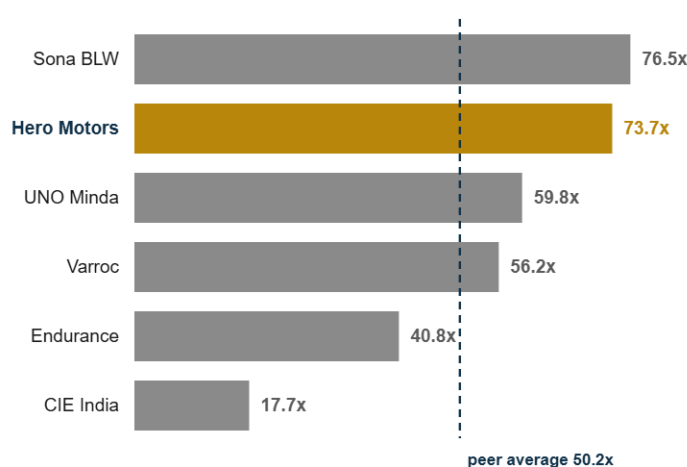
Source: RHP pages 129–130 and 133.

Peer comparison and valuation

COMPANY	FY26 REVENUE (₹ MN)	EBITDA MARGIN	PAT MARGIN	ROE	NET DEBT / EBITDA	P/E
Hero Motors (at ₹84)	11,884	12.44%	3.46%	8.56%	2.24x	73.7x
Sona BLW Precision Forgings	44,495	25.91%	14.14%	10.26%	(0.09)x	76.5x
UNO Minda	1,96,576	12.75%	6.53%	17.69%	0.86x	59.8x
Varroc Engineering	88,905	9.08%	2.59%	12.64%	0.65x	56.2x
Endurance Technologies	1,45,959	14.17%	6.52%	13.91%	0.09x	40.8x
CIE Automotive India	94,065	15.59%	8.75%	11.03%	0.09x	17.7x
Peer average	—	15.50%	7.71%	13.11%	0.32x	50.2x

Source: RHP pages 128–133. Peer price/earnings computed on closing prices of 7 September 2026 and FY26 diluted earnings per share; Hero Motors at the ₹84 cap price on FY26 diluted EPS of ₹1.14. CIE Automotive India figures are for calendar year 2025.

Priced below Sona BLW, above the 50.2x peer average



Source: RHP p.127–128; closing prices of 7 September 2026

At ₹84 the issue is valued at 73.7 times FY26 diluted earnings, 26.5 times adjusted EBITDA and roughly 3.6 times post-issue book value. Adjusting for the interest saved on the ₹190 crore of debt being repaid, proforma earnings per share rise to about ₹1.17 and the multiple eases to roughly 72 times.

That is a full price, and it should be described as one. It sits above the 50.2 times peer average, and the company brings the lowest return on equity in the peer set at 8.56% and the highest leverage at 2.24 times. Part of that gap is explicable: Hero Motors runs six plants at 72.7% utilisation, three of them still filling, and carries a research budget of 7.54% of revenue against 0.81% to 2.84% for peers. It is carrying the cost base of a larger company, which depresses reported returns today and is the source of operating leverage tomorrow.

For a listing-gains objective, the relevant comparison is narrower. Sona BLW Precision Forgings — the closest listed match on drivetrain product and export orientation — was trading at 76.5 times on 7 September 2026. Hero Motors is being offered below that anchor, on a smaller and more easily absorbed issue, with a comparable electric-mobility narrative. That is the basis of our subscribe call. It is not a basis for treating the multiple as cheap.

Objects of the issue

OBJECT OF THE FRESH ISSUE	₹ CRORE	% OF FRESH ISSUE	FY27	FY28
Repayment or prepayment of borrowings	190.0	31.7%	190.0	—
Equipment for capacity expansion at Gautam Buddha Nagar	200.0	33.3%	66.0	60.0
Inorganic growth and general corporate purposes	Balance	up to 35.0%	—	—
Total fresh issue	600.0	100.0%		

Source: RHP pages 114–115 and 119. FY29 deployment for the capex object is ₹74.0 crore. The third object is capped at 25% of gross proceeds for general corporate purposes, 25% for unidentified acquisitions and 35% for the two combined. CARE Ratings Limited has been appointed monitoring agency.

Sixty paise in every rupee raised reaches the company as fresh capital; forty paise goes to the two selling shareholders. That is a better ratio than many recent issues of comparable size. The ₹190 crore of debt repayment clears 65.6% of standalone borrowings and is the single most reliable piece of earnings uplift in the offer. The ₹200 crore of capital expenditure is brownfield — equipment for an existing plant whose powertrain lines already run at 88.3% utilisation — which materially lowers execution risk against a greenfield alternative.

Promoters and management

NAME	ROLE	BACKGROUND
Pankaj Munjal	Chairman, Promoter	Non-Executive; Aged 63. Second-generation entrepreneur, son of the late O P Munjal, co-founder of the Hero group. Trained in automotive manufacturing at Kettering University (formerly General Motors Institute), USA, with executive programmes at London Business School and Harvard. Founded Hero Motors in 1988 and led its Hero Puch moped franchise; Chairman and Managing Director of Hero Cycles since 2006. Over 37 years in the automotive and bicycle industries
Charu Munjal	Promoter	Aged 60. Bachelor of Arts (Honours), University of Delhi. Background in luxury and lifestyle businesses. Partner in O P Munjal Holdings with a 20% share
Abhishek Munjal	Whole-time Promoter	Director; Aged 35. On the board since 2020, with operational responsibility across the group's automotive component businesses; also a director of Hero Cycles, ZF Hero Chassis Systems and Hewland Engineering
Amit Gupta	Managing Director and CEO	Aged 48. Chartered Accountant, postgraduate diploma from the Indian School of Business and an advanced management programme at Harvard Business School. With the group since 2004. Named ICAI CA Business Leader for Mid-Corporates, Manufacturing & Infrastructure, 2023
Board composition	—	Ten directors: two executive, eight non-executive including five independent, of whom two are women. Independent directors include Andrew Charles Palmer, former Chief Executive of Aston Martin Lagonda, and Jyoti Arora, a 1987-batch IAS officer

Source: RHP pages 258, 265, 315–317 and 336–338. O P Munjal Holdings, the promoter partnership selling ₹395 crore in the offer for sale, is held 80% by Pankaj Munjal and 20% by Charu Munjal.

Group context. Hero Motors sits within the Hero Motors Company group led by Pankaj Munjal, which also comprises Hero Cycles — India's largest bicycle manufacturer — and two established joint ventures with global partners: ZF Hero Chassis Systems with the German supplier ZF, and Munjal Kiriu Industries with the Japanese group Kiriu. That record of operating joint ventures with demanding foreign partners is relevant background to the Yamaha and STP Group arrangements inside Hero Motors itself.

Key risks

- 1 Valuation leaves little margin for error.** At 73.7 times FY26 earnings the issue is priced above its peer group average of 50.2 times, on the lowest return on equity in that group. Any disappointment in the first two or three reported quarters would be felt directly in the multiple rather than absorbed by it.
- 2 Customer concentration.** The largest customer contributed 35.57% of FY26 revenue and the top ten 72.89%. Supply agreements carry liability clauses on quality and delivery that, in the company's own words, ordinarily have no cap in time or monetary value. The loss or de-rating of a single large relationship would be material.
- 3 The Alloys & Metallics division is loss-making.** The segment, 46.3% of revenue, moved from a ₹29.9 crore segment profit in FY24 to a ₹15.9 crore segment loss in FY26 on broadly flat revenue, as the SPUR plant ramped up. Until it returns to break-even, the entire group profit rests on the powertrain division.
- 4 European demand is cyclical and currently soft.** Europe including the United Kingdom was 33.59% of FY26 revenue. The European bicycle market has been correcting post-pandemic inventory since 2023 and settled back to roughly pre-pandemic levels in 2025. The bike powertrain line fell 20% in FY25 before rising 83% in FY26 — the volatility is inherent, not incidental.
- 5 Currency exposure.** 41.36% of revenue is earned outside India, principally in euro and sterling. FY26 profit before tax of ₹61.0 crore included ₹19.1 crore of net foreign exchange gains. A reversal in the rupee would work against reported earnings in the same proportion.
- 6 Utilisation at the newest plants.** The Thailand plant ran at 3.9% of available capacity in FY26, the Yamaha motor joint venture at 14.6% and the UK facility at 24.2%; all six subsidiaries recorded losses for the year. These are the assets on which the international and electric-mobility growth case depends, and they are not yet earning.

Outlook and recommendation

Hero Motors comes to market as a genuine precision-engineering business with a customer list that takes years to assemble and cannot be bought quickly, attached to a metal-fabrication division that is currently a drag. The investment case over a multi-year horizon rests on two things converging: the powertrain division continuing to compound as electrification raises content per vehicle, and the metalwork division returning to break-even while three underused plants fill. Both are plausible. Neither is proven in the FY26 accounts.

Over the listing window, a different set of factors applies. The issue is small at ₹1,000 crore, the retail portion is ₹350 crore, the syndicate is strong, the brand is recognised, the electric-mobility narrative is clean and well-evidenced, and the pricing sits below the closest listed drivetrain comparable. On that basis we expect healthy subscription and a positive debut.

RECOMMENDATION: SUBSCRIBE — FOR LISTING GAINS

Investors seeking a long-term holding should await the first post-listing results, specifically a return to break-even in Alloys & Metallics and evidence that the interest saving from the ₹190 crore debt repayment is flowing through, before adding on a fundamental view.

Three things to monitor after listing

- **The Alloys & Metallics segment result in the first reported half-year.** Break-even or better confirms the FY26 loss was a ramp cost.
- **Interest cost in the first full post-issue quarter,** against the FY26 base of ₹40.8 crore.

- Revenue from Europe against the FY26 run rate of ₹399.2 crore, as the test of whether the FY26 recovery in bike powertrain repeats.

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No target price appears in this note; the rating is a subscription call only. All company figures are sourced from the Hero Motors Limited Red Herring Prospectus dated 9 September 2026, with page references given. Industry figures are sourced from ACMA, CRISIL Intelligence and Vahan as attributed. Grey-market premia are unofficial, unregulated and excluded from this note.



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