

October 30, 2025

Hero MotoCorp Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]AAA (Stable); reaffirmed
Long-term/short-term – Fund based/Non fund based limits	910.00	1,000.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Long term – Unallocated limits	190.00	100.00	[ICRA]AAA (Stable); reaffirmed
Total	1,100.00	1,100.00	
Non convertible debentures	15.00	15.00	[ICRA]AAA (Stable); reaffirmed

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings of Hero MotoCorp Limited (HMCL) continues to reflect expectations of a healthy operating performance, aided by its market leadership in the domestic two-wheeler (2W) industry (market share of 28.6% and 42.6% in the overall 2W and motorcycle segments, respectively, in FY2025), its robust product portfolio, established brands, and well-entrenched dealership network. The ratings also continue to favourably factor in its strong financial profile, reflected in robust return and credit metrics, and a superior liquidity position. The company's strong market position provides comfort that it will continue to generate healthy cash flow going forward, thereby helping it maintain a sound credit profile. Going forward, an improved affordability post the recent revision in Goods and Services Tax (GST) and a recovery in rural demand is expected to support the 2W demand and rural cash flows. Coupled with new product launches, these factors are expected to augur well for HMCL's revenue growth prospects.

The ratings continue to factor in the company's strong financial profile, evidenced by its healthy profitability (OPBDITA margin and core RoCE of 14.6% and 94.3%, respectively, in FY2025 as on March 31, 2025). Supported by multiple timely price hikes and moderation in commodity prices, profitability for the company remained healthy (14.6% in FY2025 and 14.5% in Q1 FY2026 over 12.1% in FY2023). Over the years, HMCL's management has followed a prudent approach to growth. As a result, despite muted demand over the past few years and undertaking significant capex (for greenfield manufacturing units and portfolio upgrades), its dependence on external borrowings has remained negligible. This trend is expected to continue in the medium term, even as the company steps up its investments in alternative fuel technologies and related products.

HMCL continues to invest in its investee companies in the financial services business, Hero FinCorp Limited (HFCL), and the electric 2W (e2W) business, Ather Energy Limited (AEL), underscoring the strategic importance of these entities. HMCL has also entered the electric three-wheeler (e3W) commercial vehicle segment by acquiring a 34.1% stake in Euler Motors Private Limited (EMPL) for a consideration of Rs. 510 crore in Q1 FY2026. ICRA will continue to monitor the performance of HMCL's investee companies, HFCL, AEL, EMPL, and others, and any material support extended by HMCL that could weaken its liquidity position will remain a key monitorable.

ICRA notes that HMCL's performance remains exposed to challenges such as increasing regulatory interventions (emission and safety norms) and intense competition in the domestic 2W market. Additionally, its heavy revenue dependence on the domestic market (~94% in FY2025) and limited (albeit growing) presence in the premium motorcycle and scooter segments expose it to adverse demand trends in the domestic and rural markets. A structural shift in preference for e2Ws (as opposed to conventional 2Ws) also remains a medium-to-long-term challenge, with HMCL's market share in the e2W segment relatively

lower (at ~10% in H1 FY2026). However, HMCL's proven ability to adapt to changing customer requirements and its multi-pronged strategies to enhance its presence in these segments mitigate these risks to some extent. In addition, its consistent investments in HFCL to support 2W financing demonstrate its focus on developing a favourable financing ecosystem, which is expected to aid its growth plans.

ICRA also notes the investigations against HMCL by various Government entities in the past. The company's management has clarified that there has been no further update on these matters. Nevertheless, ICRA will continue to closely monitor the developments in this regard.

The Stable outlook on the long-term rating reflects ICRA's expectation that HMCL will maintain a strong market position in the Indian 2W industry, supported by its strong product portfolio, established brands, extensive dealership network, and regular investments in new model launches as well as R&D for future technologies. These factors are expected to help HMCL successfully navigate uncertainties arising from structural shifts in the industry or other exogenous shocks while maintaining a strong market share.

Key rating drivers and their description

Credit strengths

Market leader in Indian 2W market with a wide dealership network and strong rural connect – HMCL reported global sales of 5.9 million units in FY2025 and maintained its market leadership position in the Indian 2W market with a ~29% market share (domestic). Among 2W segments, HMCL is a market leader in the domestic motorcycle segment with a ~43% share (in FY2025). It is also among the top four OEMs in the scooter segment, albeit with a low share of ~6% in FY2025. HMCL is likely to maintain its leadership position in the Indian 2W industry with new product launches in motorcycles, especially in the premium and scooter segments. Its strong brand equity, well-entrenched distribution network and wide product offerings will continue to provide comfort. HMCL has over 10,000 customer touch points (globally) with a deep-rooted rural presence in India, making it one of the strongest sales networks among all 2W manufacturers.

Strong product portfolio with established brands – The company had three brands in the top 10 motorcycles and two models in the top 10 scooters sold in India for FY2025, the highest among 2W OEMs. HMCL's strong brands include Splendor, HF Deluxe and Passion, which account for ~80% of the total volumes of its entry level sub-segment in FY2025. The OEM's dominance in the largest 2W sub-segment and the expectation of improving presence in other sub-segments as well as product categories (scooters, e2Ws) support healthy revenue visibility for the company.

Robust financial risk profile – HMCL's strong financial profile is evidenced by a conservative capital structure (TD/TNW of 0.0 times and TOL/TNW of 0.5 times as on March 31, 2025) and a negative net debt position at a consolidated level (zero debt on a standalone basis). The core RoCE of the business, on a consolidated level, improved to ~94.3% for FY2025 (~79.0% in FY2024), driven by higher asset utilisation due to recovering industry sentiments. Additionally, the company has a strong liquidity profile, with over Rs. 10,000 crore of cash and investments as on March 31, 2025.

Credit challenges

Low share in export markets; remains susceptible to vagaries of rural demand sentiment – The company is largely dependent on the domestic market, which accounted for ~95% of total volumes dispatched in FY2025. While it increased its presence in the overseas markets in FY2025, with a strong 44% growth over FY2024, the contribution of exports to total sales and overall market share of HMCL in exports (~7% in FY2025) remains modest. Nevertheless, the company continues to expand (presence in 50 countries as on date) and deepen its presence in export markets with a target of 12-15% export revenues over the medium term. An improved domestic-export mix could provide a cushion in case of a slowdown in domestic demand. HMCL also has a high dependence on products in the entry and executive sub-segments of motorcycles, which primarily have an income-sensitive rural and semi-urban clientele. This resulted in a steeper decline in HMCL's volumes after the pandemic and consequently weakened the rural demand. While HMCL has launched several new products to enhance its premium segment

presence, the impact of the same will be ascertainable over the near-to-medium term. The company's focus on new product launches to gain market shares in other segments would remain critical to reduce its susceptibility to demand downturns for the entry and executive-level segments.

Increasing competition in domestic 2W market; structural transition to e2Ws over medium to long term – The Indian 2W industry is highly competitive with regular new product launches and refreshes by several OEMs to gain market share. As a market leader in conventional 2Ws, HMCL remains exposed to the risk of a structural shift in customer preferences towards e2Ws over the medium-to-long term. Consequently, consistent investment in R&D, network expansion and introduction of newer models/refreshes remain crucial for HMCL to maintain its leadership position in the Indian 2W market. HMCL has adopted a multi-pronged strategy to capitalise on the opportunities presented in this space, investment in Ather and the US-based Zero Motorcycles (for developing premium e2Ws), in-house R&D efforts to develop e2Ws and corporate tie-ups for setting up and sharing charging stations across the country.

ICRA notes that the volumes in the e-2W segment have increased considerably for HMCL in FY2025 and H1 FY2026, which led to a healthy increase in the market share (~10% in H1 FY2026) in this segment. The company's battery as a service (BaaS) model has also gained healthy traction due to low upfront costs and the same has resulted in increased interest in the company's product.

ESG risks

Environmental considerations – The rural demand of the automotive industry is exposed to adverse climatic conditions such as droughts and floods which may impact farm incomes and, consequently, the earning prospects of entities. HMCL also remains exposed to climate transition risks emanating from a likelihood of tightening emission control requirements, with the Government focused on reducing the adverse impact of automobile emissions. HMCL (and the 2W industry as a whole) may need to invest materially to develop products to meet the regulatory thresholds or expected transition to alternative fuel vehicles (like e2Ws), which may impact their return and credit metrics if the investments in the E2W segment are material; in this regard, HMCL's recent gains in market share in the E2W segment provide comfort. The exposure to litigation/ penalties arising from issues related to waste and water management for the company remains low.

Social considerations – HMCL has a healthy dependence on human capital and, hence, retention and maintenance of healthy employee relations as well as supplier ecosystem remain essential for disruption-free operations. Another social risk that automotive OEMs, like HMCL, face pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm the brand reputation and create a more long-lasting adverse impact on demand. However, as an established manufacture with mature research and development capabilities, strong vendor ecosystem and well-established quality control processes, HMCL has demonstrated capabilities to address the said concerns in past. The entities also remain exposed to any major shift in consumer preferences/ demographics, which are a key driver for demand and, accordingly, may need to make material investments to realign their product portfolio.

Liquidity position: Superior

HMCL's liquidity is **superior**, as reflected by strong cash and liquid investments of ~Rs. 6,481 crore, non-current investments in debentures/fixed maturity plans of ~Rs. 4,056 crore as on March 31, 2025 and unutilised working capital bank limits. Additionally, healthy accruals from the business, coupled with negligible debt obligations and a favourable working capital cycle, drive the company's strong financial profile. Over the next 12-15 months, the planned investments and capex are expected to be funded through internal accruals, helping the company maintain a superior liquidity position.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – A sharp and sustained contraction in profitability metrics or significant erosion in market share on a sustained basis amid increasing competition, any sizeable debt-funded inorganic/ organic growth plans leading to material deterioration in credit metrics, any sizeable cash outflow in the form of dividends or buybacks that sharply depletes the robust liquidity, could be triggers for a downward rating review.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Two-Wheelers
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HMCL, excluding the financial services business under Hero FinCorp Limited (HFL). However, the analysis considers the ordinary and extraordinary funding support likely to be extended by HMCL to HFL. The consolidated list of entities is shared in Annexure-II.

About the company

Hero MotoCorp Limited is engaged in the manufacturing and marketing of motorcycles and scooters. It is the largest two-wheeler manufacturer in the world. In India, it commanded a market share of ~29% in FY2025. The company has eight manufacturing facilities with an annual production capacity of around 9.5 million units. Of the same, six plants are in India, one each at Dharuhera and Gurgaon (both in Haryana), Haridwar (Uttaranchal), Neemrana (Rajasthan), Halol (Gujarat) and Chittoor (Andhra Pradesh), while two are overseas at Columbia and Bangladesh. Additionally, the company has set up R&D centres in Jaipur (India) and Germany. Backed by a large product portfolio across various price segments, HMCL is a market leader in the domestic motorcycle industry with a share of ~43% in FY2025. It is also present in the domestic scooter market, although its market share was modest at ~6% in FY2025.

HMCL commenced operations as Hero Honda, a joint venture company (both promoters holding 26% equity) between Hero Cycles Limited and Honda Motor Company (HMC), Japan, in January 1984. In January 2011, HMC agreed to transfer its entire shareholding of 26% to the Hero Group, thus bringing an end to the partnership. The company is listed on the BSE and NSE. The BM Munjal family holds ~34% stake in HMCL.

Key financial indicators (Audited)

HMCL Consolidated	FY2024	FY2025
Operating income	37,788.6	40,923.4
PAT	3,862.4	4,536.9
OPBDIT/OI	14.1%	14.6%
PAT/OI	10.2%	11.1%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	70.0	84.8

Source: Company's annual reports, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore;
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Current (FY2025)		Chronology of rating history for the past 3 years							
			FY2025		FY2025		FY2024				FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long-term	-	Oct 30, 2025	[ICRA]AAA (stable)	Oct 30, 2024	[ICRA]AAA (stable)	Oct 27, 2023	[ICRA]AAA (stable)	Jun 23, 2023	[ICRA]AAA (stable)	Oct 13, 2022	[ICRA]AAA (stable)
NCDs	Long-term	15.00	Oct 30, 2025	[ICRA]AAA (stable)	Oct 30, 2024	[ICRA]AAA (stable)	Oct 27, 2023	[ICRA]AAA (stable)	Jun 23, 2023	[ICRA]AAA (stable)	Oct 13, 2022	[ICRA]AAA (stable)
Fund-based /Non-fund Based limits	Long-term/ Short-term	1,000.00	Oct 30, 2025	[ICRA]AAA (stable)/ [ICRA]A1+	Oct 30, 2024	[ICRA]AAA (stable)/ [ICRA]A1+	Oct 27, 2023	[ICRA]AAA (stable)/ [ICRA]A1+	Jun 23, 2023	[ICRA]AAA (stable)/ [ICRA]A1+	Oct 13, 2022	[ICRA]AAA (stable)/ [ICRA]A1+
Unallocated	Long-term	100.00	Oct 30, 2025	[ICRA]AAA (stable)	Oct 30, 2024	[ICRA]AAA (stable)	Oct 27, 2023	[ICRA]AAA (stable)	Jun 23, 2023	[ICRA]AAA (stable)	Oct 13, 2022	[ICRA]AAA (stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable
Non convertible debentures*	Simple
Long-term/short-term – Fund based/Non fund based limits	Simple
Long term – Unallocated limits	Not applicable

* Not placed/Issued yet; subject to change once the terms are finalised

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	-	[ICRA]AAA(Stable)
NA	Non-convertible debenture programme*		Not yet placed		15.00	[ICRA]AAA(Stable)
NA	Fund-based/Non-fund based limits	NA	NA	NA	1,000.00	[ICRA]AAA(Stable)/[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	100.00	[ICRA]AAA(Stable)

Source: Company, *Not placed/Issued yet; subject to change once the terms are finalized

Annexure II: List of entities considered for consolidated analysis

Company Name	HMCL ownership	Consolidation approach
Hero MotoCorp Limited	Rated Entity	Full consolidation
HMCL Americas Inc.	100.00%	Full Consolidation
HMCL Netherlands B.V.	100.00%	Full Consolidation
Hero Tech Center Germany GmbH	100.00%	Full Consolidation
HMCL Colombia S.A.S (through HMCL Netherlands B.V)	68.00%	Full Consolidation
HMC MM Auto Limited	66.32%	Full Consolidation
HMCL Niloy Bangladesh Limited (through HMCL Netherlands B.V)	55.00%	Full Consolidation
Hero FinCorp Limited	41.19%	Equity Method
Ather Energy Limited	30.90%	Equity Method
Euler Motors Private Limited	34.10%	Equity Method

Source: HMCL Q1 FY2026 quarterly results

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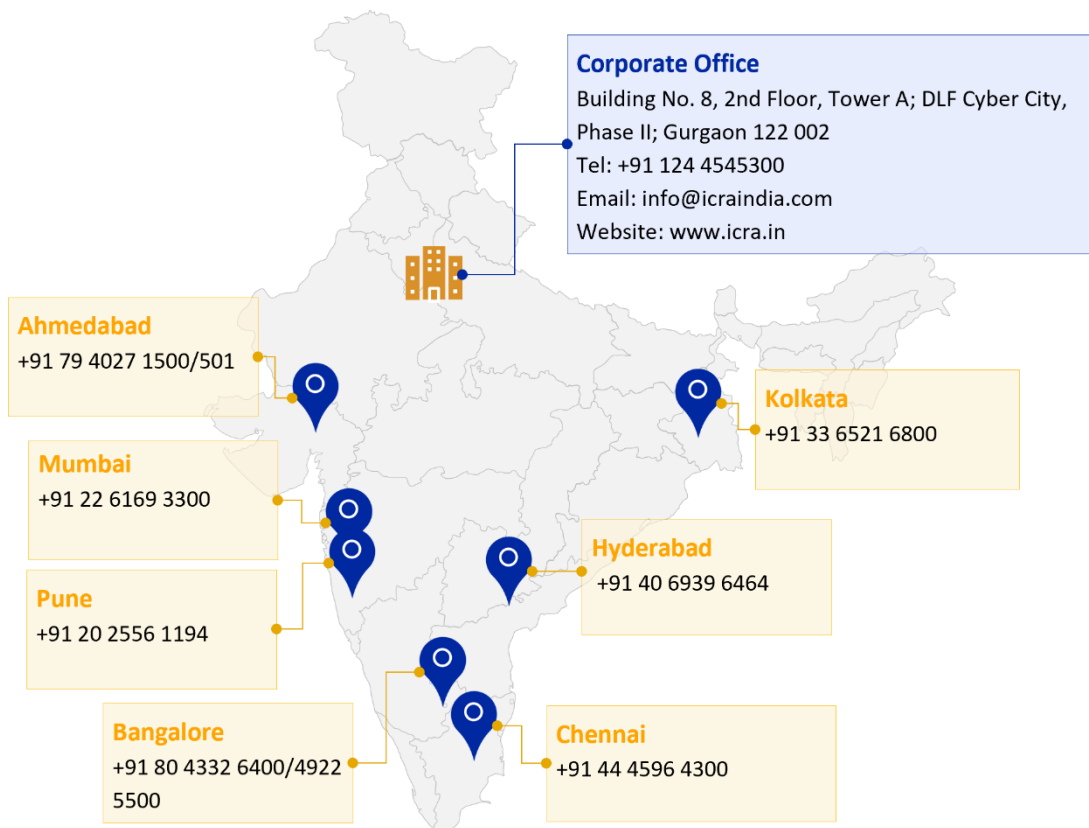
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