SHRIRAM Insight
HAR HAATH MEIN DHAN KI REKHA

Hero Motors Limited

IPO REPORT

16th September 2026

About the Company

The **Hero Motors Limited** IPO is currently open for subscription from September 16 to September 18, 2026. The company, which is an automotive technology and powertrain solutions provider (independent of the consumer-facing Hero MotoCorp), is raising a total of ₹1,000 crore. This includes a fresh issue of ₹600 crore and an Offer for Sale (OFS) of ₹400 crore by its promoters.

Issue Details & Lot Size

- Price Band: ₹79 to ₹84 per equity share.
- Lot Size: Minimum of 178 shares.
- Minimum Investment: ₹14,952 for retail investors (calculated at the upper price band).
- Maximum Retail Investment: 13 lots (2,314 shares) for ₹1,94,376.
- Reservation: 50% for Qualified Institutional Buyers (QIB), 35% for Retail Individual Investors (RII), and 15% for Non-Institutional Investors (NII).

Issue Details

Hero Motors Limited	
Issue Opens	September 16, 2026
Issue Closes	September 18, 2026
Issue Size	₹1,000 Crore • Fresh Issue: ₹600 Crore (7.14 Crore shares)• Offer for Sale (OFS): ₹400 Crore (4.76 Crore shares)
Face Value	₹10 per equity share
Price Brand	₹79 to ₹84 per share
Market Lot	178 shares (Minimum retail investment of ₹14,952)
Listing	NSE & BSE

Key IPO Timeline

Event	Date
IPO Open Date	September 16, 2026
IPO Close Date	September 18, 2026
Allotment Finalisation	September 21, 2026
Refund Initiative / Share Credit	September 22, 2026
Tentative Listing Date (BSE & NSE)	September 23, 2026

Share Allocation

Investor Category	Allocated Share Count	% Allocation of Public Offer	Minimum Bidding Size
Qualified Institutional Buyers (QIBs)	5,95,23,809	50.00%	Systemic Block Bidding
Anchor Investors (Allocated Sept 15)	3,57,14,284	30.00%	₹300 Crore Institutional Block
Net QIB Portion	2,38,09,525	20.00%	Multiples of 178 shares
Retail Individual Investors (RIIs)	4,16,66,666	35.00%	1 Lot (178 Shares / ₹14,952)
Non-Institutional Investors (NIIs / HNIs)	1,78,57,143	15.00%	14 Lots (2,492 Shares / ₹2,09,328)
Small NII (Bids ₹2L to ₹10L)	59,52,381	5.00%	14 Lots to 66 Lots
Big NII (Bids above ₹10L)	1,19,04,762	10.00%	67 Lots minimum (₹10,01,784)
Employee Reservation	Nil	0.00%	Not Applicable
Total Public Offer	11,90,47,618	100.00%	Max Retail Limit: 13 Lots (₹1,94,376)

Balance Sheet

Consolidated Balance Sheet Snapshot (As of March 31, 2026)

Financial Element	Value (in ₹ Crore)	Key Components & Insights
Total Equity & Liabilities	₹ 1,371.83	Equal to Total Assets
Shareholders' Funds (Net Worth)	₹ 474.66	Includes ₹379.30 crore of Equity Share Capital and accumulated reserves.
Non-Current Liabilities	₹ 246.30	Reflected long-term debt, lease liabilities, and provisions.
Current Liabilities	₹ 644.52	High concentration of short-term borrowings (~₹302 crore) and trade payables.
Total Assets	₹ 1,371.83	Split between plant infrastructure and inventory.
Non-Current Assets	₹ 765.92	Headlined by ₹527 crore in Property, Plant & Equipment (PPE) across transmission factories.
Current Assets	₹ 605.90	Driven significantly by work-in-progress inventories and trade receivables from global OEMs.

Company Financials & Valuation (FY26)

According to the company's Red Herring Prospectus (RHP):

- **Revenue:** Increased by 9% to ₹1,216.74 crore in FY26 (up from ₹1,111.23 crore in FY25).
- **Profit After Tax (PAT):** Grew by 26% to ₹41.17 crore in FY26 (up from ₹32.80 crore in FY25).
- **Valuation Multiples:** At the upper band price of ₹84, the company commands a post-issue P/E ratio of 92.31x and a Market Capitalization of ₹3,815.41 crore.
- **Use of Proceeds:** The fresh issue capital will primarily be deployed toward debt reduction (₹190 crore) and expanding manufacturing capacity at their Gautam Buddha Nagar facility (₹200 crore).

The Key Risk Factors

- **Steep, Premium Valuations:** At the upper price band of ₹84, the stock commands a P/E multiple of ~92x based on FY26 earnings. Top-tier industry peers trade at considerably cheaper valuations (between 35x to 40x P/E) despite maintaining better overall profit margins.
- **The "Alloys & Metallics" Drag:** While the EV powertrain business thrives, the legacy Alloys & Metallics segment (which covers components like brackets and guards) fell into a ₹16 crore operational loss in FY26. This weak link continues to drag down the firm's consolidated numbers, keeping its Return on Equity (RoE) at a low 8.6%.

Outlook

IPO leaves very little room for short-term operational mistakes due to its rich pricing. Conservative investors might consider looking for stable entry points post-listing, while high-risk appetites look at it strictly as a long-term play on the structural transition of global EV powertrains.

The Growth Drivers

- **Strong EV Segment Growth:** The company's electric vehicle (EV) and e-bike powertrain division is expanding rapidly. EV-related revenue in this segment surged to ₹120 crore in FY26 from just ₹26 crore in FY24.
- **Prestigious Global Client Footprint:** Hero Motors is a trusted Tier-1 supplier to global engineering giants like BMW, Ducati, and Yamaha (via a specialized transmission joint venture).
- **Balance Sheet Deleveraging:** Out of the ₹600 crore fresh issue capital, ₹190 crore is earmarked directly to pay off its short-term liabilities. This debt reduction will significantly drop interest expenses and improve historically low profit margins.

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