



# **FUTURE READY**

TECHNOLOGY AND IMAGINATION ARE  
EXTENDING HORIZONS AT **Hero**

**2012-13**

ANNUAL REPORT

Hero MotoCorp Ltd.

# Contents



## 01 Corporate Overview

- 02 Accelerating at Full Throttle
- 06 Performing for the Long Term
- 08 Fundamentals Steer Future Strategies
- 10 Chairman's Message
- 12 Managing Director's Insight
- 16 Technology Leadership
- 18 Strategic Global Forays
- 20 Creating a Customer-facing Ecosystem
- 22 Smart Ideas. Smarter Brands.
- 24 Our Winners on Roads
- 26 Awards and Recognitions
- 27 Making Sense of Green
- 28 Decade at a Glance
- 29 Economic Value-added (EVA) Statement
- 30 Board of Directors
- 32 Corporate Information



## 33 Management Discussion and Analysis



## 56 Directors' Report




## 62 Corporate Governance Report

## 112 Financial Statements

- 112 Independent Auditors' Report
- 116 Balance Sheet
- 117 Statement of Profit and Loss
- 118 Cash Flow Statement
- 120 Notes to the Financial Statements

### Forward-looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



**For Hero MotoCorp, technology and imagination are playing a bigger role than ever before.**

Imagination to foresee social megatrends and customer aspirations.

Imagination to identify and invest in potential markets across the world.

And to choose top-tier technology to turn smart ideas into reality.

We are ramping up existing capacities, driving new expansion plans, creating a stronger R&D platform, penetrating into new markets and enhancing brand visibility.

**Emerging, in turn, as a future-ready global enterprise.**



# Accelerating at Full Throttle

For nearly three decades, we have been working tirelessly to provide innovative mobility solutions to global customers, with special emphasis on the evolving aspirations of youth. This is because the 'global youth brigade' represents unabated dynamism, our core brand philosophy.





## OUR MISSION

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, solidity and sturdiness. We aim to set benchmarks in technology, style and quality to convert its customers into brand advocates.

**The Company provides an engaging environment for its people to perform to their true potential. It aims to continue its focus on value creation and enduring relationships with its partners.**

## OUR VISION

The story of Hero Honda began with a simple vision – that of a mobile and empowered India, powered by its bikes.

**The Company's new identity – Hero MotoCorp Ltd. – reflects its commitment towards providing sturdy and solid world-class mobility solutions with a renewed focus on steadily moving ahead and expanding the footprint in the global arena.**

## FOCUSED STRATEGY

Our key strategies focus on building a steady and robust product portfolio across categories and explore growth opportunities globally. We also seek to continuously improve upon operational efficiency, aggressively expand our customer reach, invest in brand-building activities and ensure customer and shareholder delight.





# Accelerating at Full Throttle





## PRODUCT BASKET

We offer one of the widest ranges of two-wheelers with over **19 different products** across the 100 cc, 125 cc, 150 cc, 225 cc and scooter categories.

## OPERATING LOCATIONS

Two of our manufacturing plants are based at Gurgaon and Dharuhera in Haryana (India) and one manufacturing plant is located at Haridwar, Uttarakhand (India). The combined annual installed capacity is approx. **6.90 million units**.

## ENHANCING REACH

We have one of the most extensive customer reaches with **5,800+ pan-India touch points** with deepening presence across **1,00,000+ villages**.

We are consistently expanding our footprint across Asia, Central & Latin America and Africa.

## BEST-IN-CLASS PRACTICES

Our benchmarked processes and operations are ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety Management Systems) certified.

## FOR SHAREHOLDERS

Our shares are listed on the BSE Limited and National Stock Exchange of India Limited. Our market capitalisation as on March 31, 2013 was ₹ 30,792 crores. Moreover, we

recommended a **dividend of 3000%** in 2012-13, i.e. ₹ 60 per equity share of the face value of ₹ 2 per share.

## HUMAN CAPITAL

We have highly motivated and experienced team of over **5,800 people**.

## EXPANSION AGENDA

We are creating capacities to ensure sustainable long-term growth by:

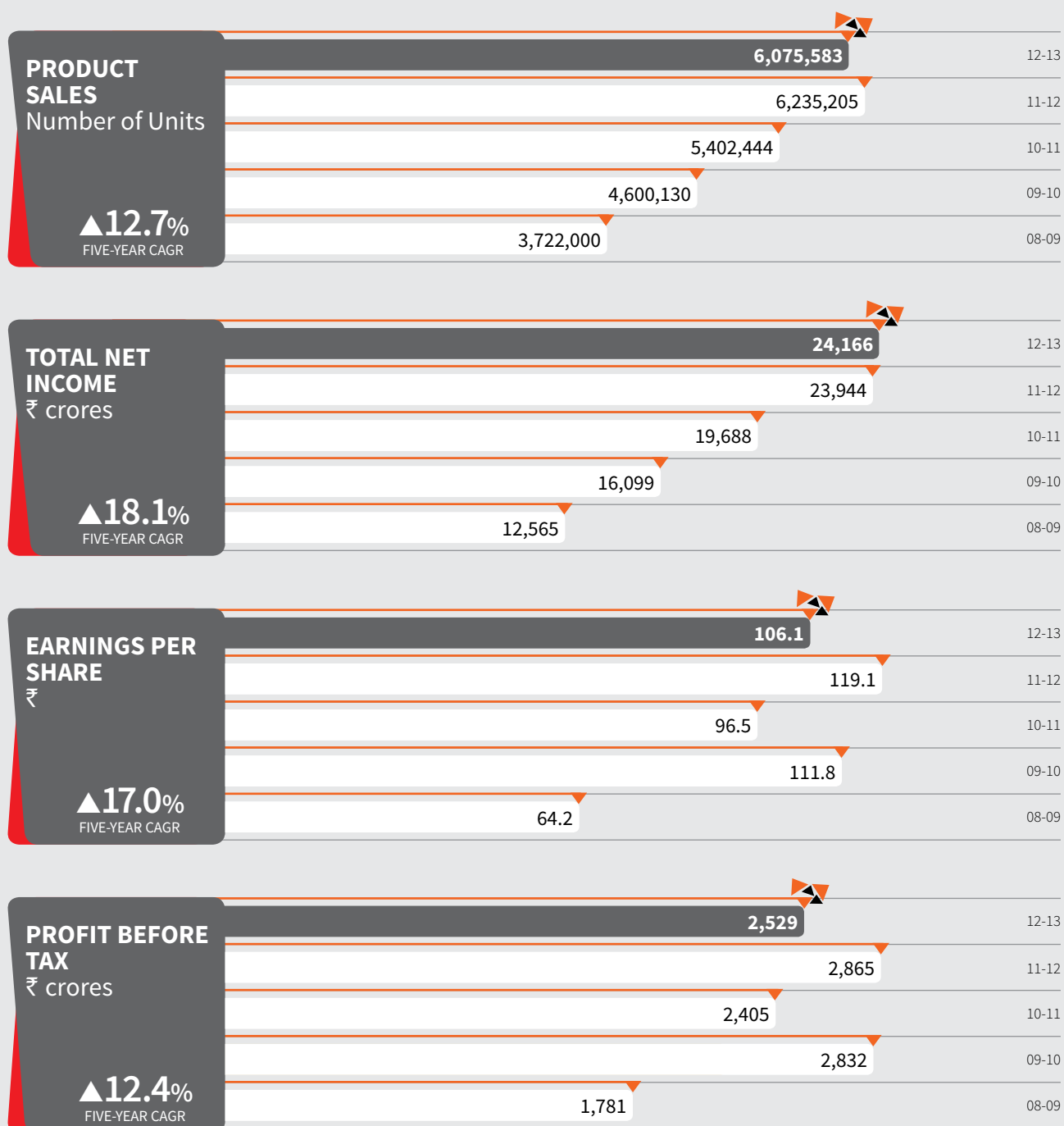
- ▶ Setting up a fourth plant at Neemrana in Rajasthan with an annual installed capacity of 750,000 units
- ▶ Setting up a fifth plant at Halol in Gujarat, with an annual installed capacity of 1.2 million in the initial phase, which will grow to 1.8 million in the next phase
- ▶ Setting up a new state-of-the-art integrated R&D centre at Kukas, Rajasthan
- ▶ Consistent expansion across all three existing plants
- ▶ Setting up a Global Parts Centre (GPC) at Neemrana, Rajasthan

**6.90**  
**million units**

THE COMBINED ANNUAL INSTALLED CAPACITY OF OUR PLANTS IS 6.90 MILLION UNITS



# Performing for the Long Term





## DISTRIBUTION OF REVENUE

2012-13

Particulars	(₹ crores)	(%)
MATERIALS	17,397.66	66.76
OPERATIONS & OTHER EXPENSES	2,265.05	8.69
TAXES AND DUTIES	2,302.84	8.84
EMPLOYEES	820.92	3.15
INTEREST	11.91	0.05
DEPRECIATION	1,141.75	4.38
SHAREHOLDERS AND RESERVES & SURPLUS	2,118.16	8.13
TOTAL	26,058.29	100



## DISTRIBUTION OF REVENUE

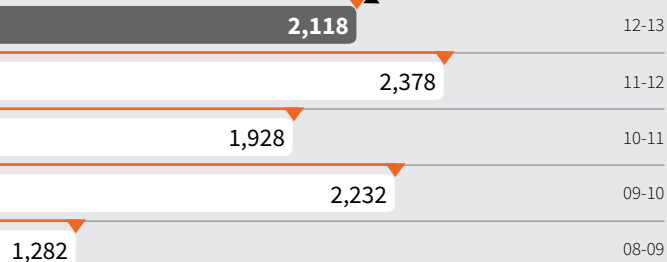
2011-12

Particulars	(₹ crores)	(%)
MATERIALS	17,281.57	67.51
OPERATIONS & OTHER EXPENSES	1,943.16	7.59
TAXES AND DUTIES	2,142.57	8.37
EMPLOYEES	735.52	2.87
INTEREST	21.30	0.08
DEPRECIATION	1,097.34	4.29
SHAREHOLDERS AND RESERVES & SURPLUS	2,378.13	9.29
TOTAL	25,599.59	100

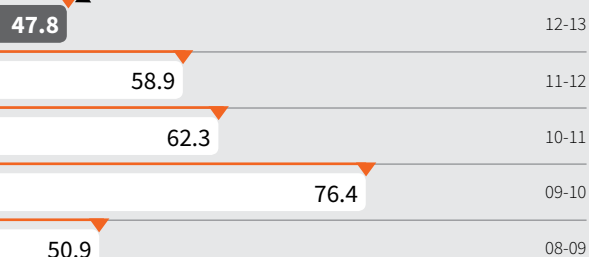


### PROFIT AFTER TAX ₹ crores

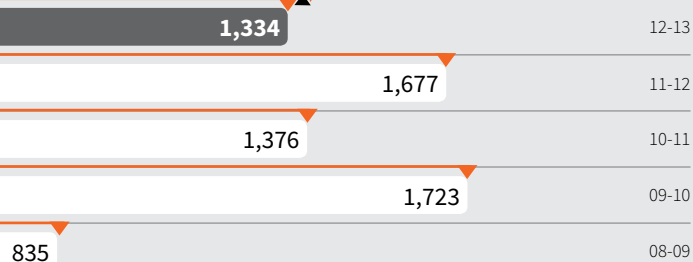
▲17%  
FIVE-YEAR CAGR



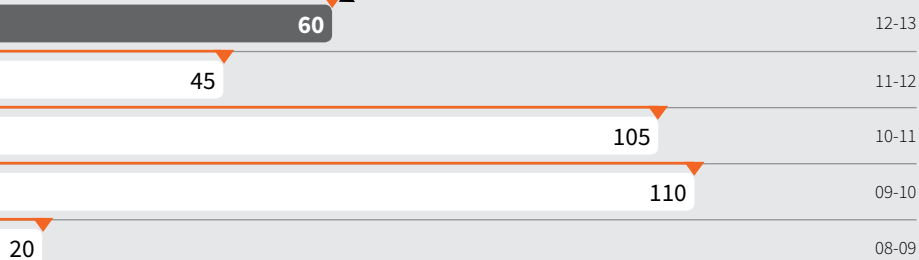
### RETURN ON AVERAGE CAPITAL EMPLOYED %



### ECONOMIC VALUE ADDED ₹ crores



### STABLE DIVIDEND PER SHARE ₹



# Fundamentals Steer Future Strategies

Amid the shifting dynamics of global markets, customers count on Hero as a reliable manufacturer of products, services and solutions to meet their evolving aspirations. This hard earned trust represents the foundation of our business sustainability and future growth.



## CONSISTENT VALUE

We are setting up a state-of-the-art Global Parts Centre (GPC) spread over 35 acres at Neemrana with an initial ₹ 160-crores investment. This technologically advanced GPC will be a new industry benchmark once it becomes fully-operational. The GPC will have an automated storage and retrieval system, automated packaging and sorting system, on-line tracking of parts through warehouse management system (WMS), lean manufacturing systems, and will follow the green building concept. Moreover, during 2012-13, we commenced the construction of our fourth manufacturing plant and a new Global Parts Centre (GPC) at Neemrana in Rajasthan.



## HERO WARRANTY

We are India's first company to offer a 5-year warranty on all our two-wheelers\*. This is also an expression of our confidence in the quality of our products, backed by strong R&D and excellent manufacturing capabilities. This initiative has resulted in strong customer commitment and trust, which will further strengthen our market position.

\*(5 years or 70,000 km on motorcycles, whichever is earlier; and 5 years or 50,000 km on scooters, whichever is earlier)



## LAUNCHED 125CC - HERO IGNITOR



## LAUNCHED 110CC - PASSION XPRO