

Hero MotoCorp Ltd.



Manufacturing Happiness



Annual Report
2014-15

Manufacturing happiness has a deep and diverse connotation at Hero.

It reflects the global scale, competence and the commitment to deliver a consistently exciting experience to millions of riders across geographies. It shows how we are furthering the responsibility paradigm in manufacturing to minimise our environmental impact. It mirrors how we are creating more satisfied customers by integrating their expectations into futuristic product design and engineering. It is a function of how we are embedding the most advanced technologies to drive product performance and fuel economy. It represents the ways in which we are consistently enhancing operational efficiency and investing in our brand.

Thus, manufacturing happiness encompasses everything we do at Hero. And it remains a powerful catalyst for progress. The road ahead is clear to us: sustain global leadership and help create happiness in all lives we touch.





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Manufacturing Happiness

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Forward-looking statements:

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.

Aligning Ideas and Initiatives

At Hero MotoCorp, we pride ourselves on creating memorable experiences. Our initiatives are just the first step.

No. 1

Leading the way

We are sustaining our market leadership as the world's largest manufacturer of two-wheelers for the 14th consecutive year.

7.65 MN UNITS

Scale matters

We have cumulative installed capacity of 7.65 million units across four state-of-the-art facilities.

60+ MN

Being the fastest

We are one of the fastest to achieve a cumulative sales of over 60 million units since inception.

40.1%

Considerable share

We have a 40.1% market share in the domestic two-wheeler market.



30+ Yrs**Experience counts**

We have over three decade of rich experience in the constantly evolving two-wheeler industry.

24**Widest range**

We have a wide range of products across bikes (100cc, 125cc, 150cc, 225cc) and scooter categories.

2.2 MN**Unrivalled standing**

We sold 2.2 million more units than our nearest competitor in India.

7,334**Team Hero**

Our large and diverse team works cohesively, efficiently and passionately to ensure customer delight.

22**Global reach**

We have a 22-country presence across four continents. Our exports grew by over 50% during FY 2014-15 vis-a-vis the previous fiscal.

6,000+**Pan-India footprint**

We have an extensive reach with 6,000+ touch points and presence in 1,00,000+ villages nationally.

11 MN+**Customer loyalty**

Hero GoodLife is the industry's largest customer relationship management programme, with over 11 million members.

₹ 3,000 CR**Investing more**

We have planned an investment of over ₹ 3,000 crores to enhance capacities and strengthen our brands across domestic and global markets over the next few years.

Being Hero

In 1985, our first bike - CD 100 - rolled out from our plant. Since then, we have never looked back – rapidly expanding capacity and footprint.

Such a strategy enabled us to become a globally respected brand, and the leading bike manufacturer. We have pioneered many industry-best practices and are known for our deep understanding of customer behaviour.



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 refreshed identity – Hero MotoCorp Ltd. – reflects its commitment towards providing world-class mobility solutions in different markets around the world.

Our mission

Hero MotoCorp's mission is to become a global enterprise that fulfils the needs and aspirations of the young and youthful by providing motorcycles and scooters that are technologically superior, efficient and convenient to use.

We aim to set benchmarks in technology, style and quality to convert our 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 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.

Vision 2020

By the year 2020, we aim to surpass 100 million units in cumulative production with annual bike and scooter sales of 12 million units. We also plan to have more than 20 manufacturing and assembly plants globally with sales in more than 50 countries by that year.

Expansion roadmap

We have lined up a total investment of over ₹ 5,000 crores (US\$ 800 million) globally. It includes the manufacturing plants in Colombia and Bangladesh. Moreover, we have new plants coming up at Gujarat and Andhra Pradesh, and the Hero Global Centre for Research & Design at Kukas in Rajasthan.

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7.6%

5-year CAGR in product sales

11.8%5-year CAGR in total
net income**1.3%**

5-year CAGR in profit after tax

₹ 52,714 CRMarket capitalisation as on
March 31, 2015 was ₹ 52,714 crores.**Plant accreditations**

- ▶ ISO 9001: Quality Management Systems
- ▶ ISO 14001: Environmental Management Systems
- ▶ OHSAS 18001: Occupational Health and Safety Management Systems

3,000%We declared a dividend of 3,000%
in FY 2014-15 (₹ 60 per equity share
with a face value of ₹ 2 per share)**Our facilities**

Gurgaon, Haryana

Dharuhera, Haryana

Haridwar, Uttarakhand

Neemrana, Rajasthan

Global Parts Centre (GPC),
Neemrana, Rajasthan

Each Quarter Counts



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Quarter 1 (Apr 2014 – Jun 2014)

- ▶ We launched operations in Bangladesh through a joint venture with the reputed Nitol Niloy Group to build our first overseas manufacturing plant.
- ▶ We entered Turkey with popular Hero motorcycles and scooters.
- ▶ We commenced production from our fourth manufacturing plant and Global Parts Centre (GPC) at Neemrana, Rajasthan.

Quarter 2 (Jul 2014 – Sept 2014)

- ▶ Title sponsor of the Indian Super League – the first-of-its-kind franchise-based football league in India; it was known as 'Hero Indian Super League'.
- ▶ Commenced construction of state-of-the-art manufacturing plant at Villa Rica, Cauca, Colombia.
- ▶ Entered into a first-of-its-kind top-level global association with golf as the title sponsor of the World Challenge tournament called 'Hero World Challenge'; hosted by the Tiger Woods Foundation and Tavistock Group.



Quarter 3 (Oct 2014 – Dec 2014)

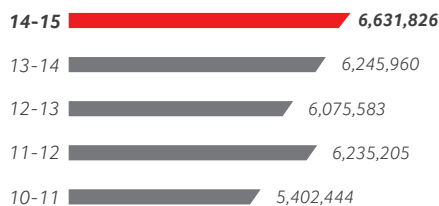
- ▶ Strengthened leadership by inducting Dr. Markus Braunsperger as the Chief Technology Officer (CTO); Mr. Ashok Bhasin joins as the Head of Sales, Marketing & Customer Care and Mr. Sanjay Jorapur as Chief Human Resources Officer.
- ▶ Launched Splendor Pro Classic and Passion Pro TR.
- ▶ Signed Tiger Woods as the first global corporate partner to enhance global brand visibility.
- ▶ Signed a three-year deal with the All India Football Federation (AIFF) to be the title sponsors for the Federation Cup and the I-League.

Quarter 4 (Jan 2015 – Mar 2015)

- ▶ Signed Indian hockey captain Sardar Singh and Bollywood actor Alia Bhatt as new brand ambassadors.
- ▶ Launched Splendor iSmart – which clocked a mileage of 102.50 kilometres per litre of petrol, thereby setting a new global benchmark in fuel efficiency.
- ▶ Divested a small stake of Hero MotoCorp to fund new growth avenues available through the Government's 'Make in India' initiative.

Momentum in Numbers

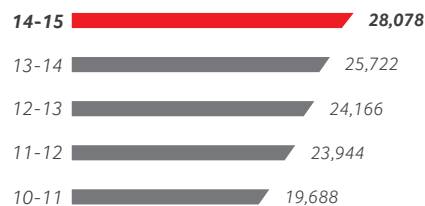
Product sales (No. of units)



YoY growth 6.2%

Performance in FY 2014-15: Product sales grew on account of strong export sales and moderate domestic demand.

Total net income (₹ crores)



YoY growth 9.2%

Performance in FY 2014-15: Total net income rose on account of greater scale and higher sales.

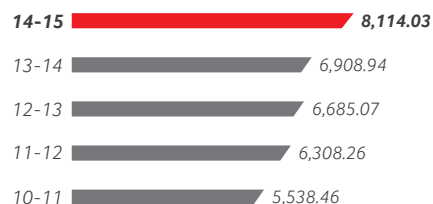
Profit after tax (PAT) (₹ crores)



YoY growth 13.1%

Performance in FY 2014-15: PAT escalated owing to efficient operational architecture and higher realisations.

Gross block (₹ crores)



Performance in FY 2014-15: Gross block increased significantly owing to the completion of multiple expansion plans.

Key financial ratios

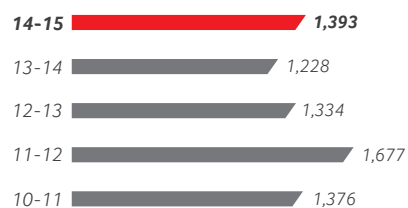


Return on average capital employed (%)



Performance in FY 2014-15: Return on average capital employed grew on account of effective utilisation of capital.

Economic value added (EVA) (₹ crores)



Performance in FY 2014-15: EVA grew on account of Hero's concentrated focus on improving the net cash return on invested capital.