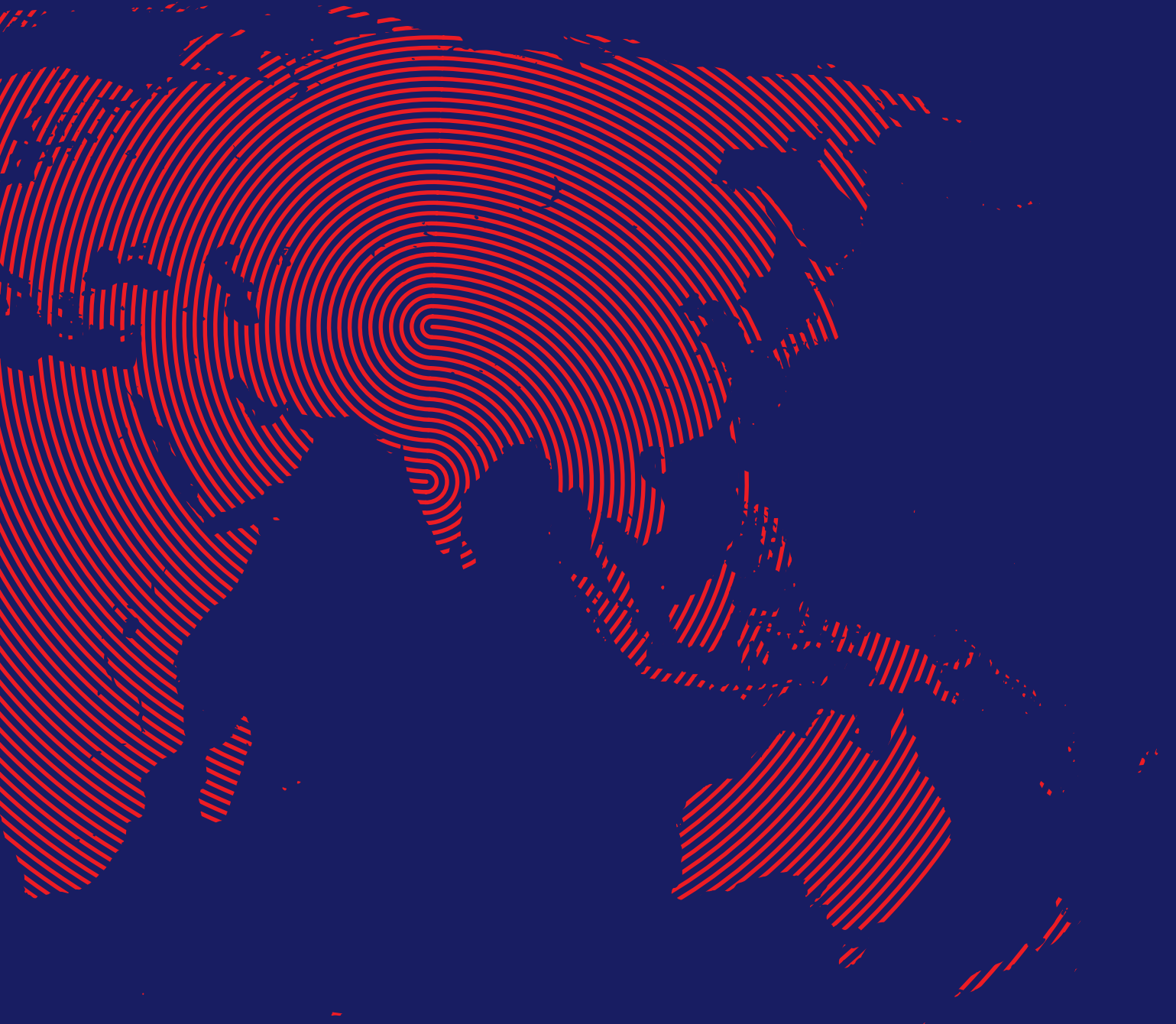




**Leading
the Way**



Hero MotoCorp Limited
Annual Report 2019-20

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LEADING WITH PURPOSE...

to design the future of mobility

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LEADING WITH PERFORMANCE...

that inspires all stakeholders

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LEADING WITH STRATEGY...

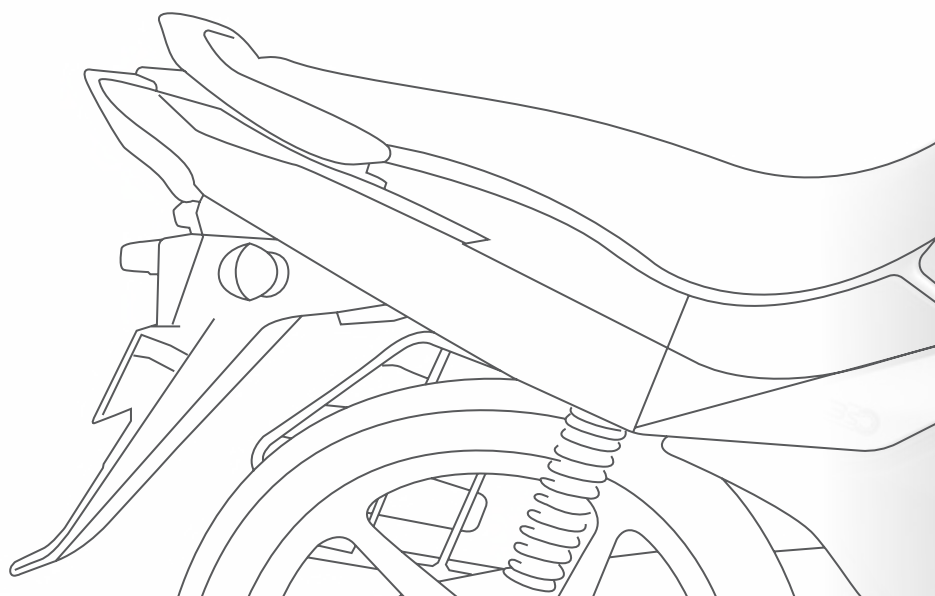
that translates focus into opportunity

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FORWARD-LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed 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 'anticipates', 'estimates', '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 our assumptions. The achievement of results is 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 bear 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.



LEADING WITH RESPONSIBILITY... as a way of life

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*Largest two-wheeler selling company in the world for any particular country for the year 2019



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www.heromotocorp.com

Performance Highlights of FY20

Financial

₹ 29,614 crore

Total Income

(Vs. ₹ 34,342 crore in FY19)

₹ 3,958 crore

EBITDA

(Vs. ₹ 4,930 crore in FY19)

₹ 3,633 crore

PAT

(Vs. ₹ 3,385 crore in FY19)

12.3%

PAT Margin

(Vs. 9.9% in FY19)

Environment and Social

₹ 131 crore

CSR Spend

68.5 lakh

Lives Impacted

3.29 lakh kl

Water Recycled/Reused

7,16,000

Trees Planted





Over the next
5-7 years, we are
aiming to create the
next generation of
mobility solutions
that are relevant
to customers
across the world.

DR. PAWAN MUNJAL
Chairman, Hero MotoCorp Ltd.

Leading the Way

For over three decades, our popular two-wheelers have been synonymous with the progress of the country. Providing wheels to the aspirations of millions, we have led the way in creating economic value for millions of stakeholders and have created a positive impact on the communities in which we operate.

Our overarching strategy is to deliver efficient and accessible mobility solutions to the present and future generations through innovation and inclusiveness. We continue to set global benchmarks through our scale of operations and products.

FY20 was a challenging year for the global automotive industry. In a sluggish market scenario, at Hero MotoCorp, we were successful in solidifying our presence in the premium motorcycle segment, strengthening the brand core and leading the industry's transition to BSVI emission norms. We ended the year with a standout showcase of our innovation prowess, technology capabilities and future roadmap at the one-of-its-kind Hero World 2020 event.

While the COVID-19 pandemic shook the world, we successfully navigated through the uncertain times with focus on safety and well-being of everyone yet ensuring business continuity. We stayed connected with our customers, business partners, employees, communities, and all other stakeholders to help them cope with the situation and eventually evolve with a comprehensive re-start roadmap. As a debt-free company with strong liquidity, we managed to support everyone within our ecosystem.

We believe, the fundamental attributes of business operations – sustainability and leadership – have attained more relevance than ever before. This report articulates multiple facets of leadership that we think are indispensable in these times. We are geared to play our part in the new world order with more adaptability, agility and optimism.

Corporate Portrait

Ingenuity makes us unique

Hero MotoCorp continues to be the world's largest manufacturer of two-wheelers, in terms of unit volumes sold by a single company in a calendar year, for 19 years in a row. A position that we cherish and celebrate with our nearly 100 million customers across the globe. We continue to design and develop tech-laden, market relevant products for our global customers.



Hero Halol plant

Our operations span more than 40 countries in Asia, Africa, the Middle East, South and Central America, with eight manufacturing facilities spread across three countries and state-of-the-art R&D facilities in India and Germany. We continue to strengthen our innovation drive to develop future-ready mobility solutions for our diverse customer-base spread across the world.

We relentlessly champion socio-economic progress and empowerment through our wide range of products and services, delivered on the basis of the core principles of sustainable development. Along with manufacturing excellence, we care deeply for nature and prioritise Environmental, Social Governance (ESG) initiatives to enable us to create a greener, safer and more equitable earth.



Our vision

Be the future of mobility



Our mission

Create: a mobility roadmap

Re-define mobility through the creation of a mobility roadmap. Set best practice and benchmarks for the industry.

Collaborate: with partners and broader teams

Capitalise on our unique position to leverage partnerships and teamwork, co-create solutions that benefit the community, while we care for both the internal and external environmental ecosystems and support sustainability.

Inspire: our stakeholders

Moving forward with purpose we will inspire our colleagues, customers, and communities. We thrive on the local and global stage.



Our values

Passion

We have the 'JOSH' – we are driven to deliver our best every day; loving what we do, to be bold and have fun.

Courage

We are risk-takers, pioneers, unafraid to question the status quo.

Respect

We show regard and appreciation for everyone; celebrate diversity, act with confidence yet humility.

Responsible

We are accountable for our actions and performance; delivering outcomes as a team, caring for each other and the environment.

Integrity

Our behaviour is ethical; and we do the right thing even when no one is watching.



RIDING WITH APLOMB

World's

#1

Two-wheeler manufacturer
19 years in a row

35+ years
of rich industry
experience

35.7%
FY20 Indian two-wheeler
market share

51.9%
FY20 Indian motorcycle
market share

GROWING SCALE

8

World-class
manufacturing facilities

2

State-of-the-art
R&D facilities

9.1 million
(units per annum) Global
installed manufacturing capacity

ENHANCING REACH

40+ countries
Operational presence

9,000+
Customer touchpoints
across the globe



Chairman's Message

A Resilient, Compassionate and Caring Hero



Dear Shareholders,

I hope that you, your families
and your loved ones are keeping
safe and healthy.

Eleanor Roosevelt once said,

**"If Life was predictable, it
would cease to be life...."**

The year 2020 will forever be etched in history as the time when the human race changed forever. No one could have predicted this turn of events that evolved into the coronavirus pandemic.

Yet, when the going gets tough, the tough get going. In the face of adversity, we at Hero MotoCorp worked diligently, planned and equipped ourselves to counter the situation we were in. I am proud to share with you that we honed our competencies to prepare ourselves for the future and have come out much stronger.

From taking preventive measures, caring for our communities, stakeholders, our associates in Hero and their families, and keeping a positive outlook to hitting the ground sprinting on re-opening, we have truly led the charge on every front!

NAVIGATING DYNAMICALLY THROUGH THE COVID-19 CRISIS

At Hero MotoCorp, we were amongst the very first to recognise the oncoming crisis as early as February 2020 and constitute a Business Continuity Task Force under my direct supervision. Keeping the safety and well-being of our people as our topmost priority, we halted operations at all our manufacturing plants, offices and other facilities across the globe. We instituted the Work-From-Home (WFH) policy on March 22, 2020, two days prior to the government enforced national lockdown in India.

With the Business Continuity Plan in place, Hero MotoCorp was among the first automotive companies in India to resume plant operations on May 4, 2020 in a gradual manner. This decision was based on strict policies and protocols that encompassed every possible measure to ensure the health and safety of everyone across all our offices, manufacturing plants and retail customer touch points.

Your Company's strong and debt-free balance sheet enabled us to manage liquidity effectively and provide support to partners, ensuring financial viability of the entire ecosystem.

EFFECTIVE & CONSTANT COMMUNICATION

Communication has come to play an even more critical role at a time when almost the entire world has been

working from home. Constant communication and personal engagement have proven to be the key to business continuity.

We at Hero MotoCorp have been communicating with all our diverse stakeholder groups in a meaningful and consistent manner, throughout the lockdown period and continue to do as I write to you. I have personally hosted more than three-dozen digital Town Halls so far – interacting with Company employees, dealers, supply chain partners, our global distributors, investors and various other stakeholders across the globe.

Through these Communications outreach, I have kept everyone's morale high and spread positivity and optimism, which has helped us bounce back strongly as a cohesive unit.

BSVI EXHAUST EMISSION NORMS – LEADING THE WAY TOWARDS A SUSTAINABLE FUTURE

Hero MotoCorp has been at the forefront of driving sustainability and green measures through its planning, operations and its products. Working in line with this ethos, your Company became the first two-wheeler manufacturer in India to receive the BSVI certification as early as June of 2019.

Staying in top gear, it was your Company that launched India's first BSVI motorcycle – the Splendor iSmart 110. As planned, we had a smooth transition of the BSIV products to the new BSVI emission norms.

I am happy to report that the response to our new range of BSVI products from our customers, dealers as well as enthusiasts has been overwhelming. The retail sales of BSVI vehicles after the lockdown was lifted, provide an extremely positive outlook. There is also tremendous excitement and anticipation for the newly launched Xtreme 160R.

FINANCIAL PERFORMANCE & BUSINESS OUTLOOK

Your Company delivered a robust financial performance despite the economic slowdown and the impact of COVID-19. Our Profit After Tax (PAT) grew by 7.3% in FY20. We continue to maintain an attractive and leading edge dividend policy by declaring an overall dividend of ₹ 90 per share for FY20.

Most importantly, your Company continues to remain debt free and maintains a strong balance sheet. Its reserves have now reached ₹ 14,096 crore (US\$ 1,988 million). The financial strength of the Company augurs well and will help the Company to successfully navigate itself into the future despite these trying times.

**Staying in top gear, it was your Company
that launched India's first BSVI
motorcycle – the Splendor iSmart 110.
As planned, we had a smooth transition
of the BSIV products to the new BSVI
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The short-term business outlook remains uncertain due to the COVID-19 pandemic. However, the long-term story of India and that of the two-wheeler industry remains intact, strong and positive. There are ample growth opportunities in India, as well as in the global markets to grow our business to new heights. The continuous expansion of our geographic footprint over the past five years to more than 40 countries now creates a platform to build scale beyond India. Our investments in R&D over the past five years have been twice that of the other players in the industry. We will continue to invest in brands and R&D to sustain our growth in the future.

FORGING A PREMIUM CHARISMA

The product portfolio of your Company is well positioned to capitalise on this growth opportunity. We continue to remain a dominant leader with leading edge products in the Entry and Executive segment, while aggressively building our portfolio in the premium segment. Our recent market share improvement in premium scooters (125cc) is heartening and is a step in the right direction to win considerable market share in the scooter segment as well.

During FY20, we have further strengthened our premium motorcycle portfolio with the launch of various new benchmark-setting products. The XPulse 200, launched during the Diwali festive season won the 'Indian Motorcycle of the Year' Award for 2019. It has also begun to create a tremendous fan base across our global markets.

With products such as Maestro Edge 125 – India's first scooter with Fuel Injection, the XPulse 200 range, Xtreme 200S, the new Glamour, Super Splendor, Pleasure+ and the new generation Passion Pro, our entire portfolio is now younger, much more attractive and significantly diverse. With excellent product planning protocols in place and creative design and engineering capabilities, we are determined to have a strong presence in the premium segment with a robust portfolio of products over the next three to five years.

HERO WORLD 2020 – A GLIMPSE INTO THE FUTURE OF MOBILITY

In February 2020, we curated a unique event called the Hero World 2020 at our R&D facility - the Centre of Innovation and Technology (CIT) - in the northern Indian city of Jaipur. This event - attended by global media, investors, dealers from India, supply chain partners, our global distributors - unveiled the new Vision of Hero MotoCorp, to be the Future of Mobility. During this four-day long event, Hero MotoCorp showcased numerous products, future mobility solutions, new concepts and conducted training and design workshops, test rides of our new products and concepts during this event. This first-of-its-kind event reinforced Hero's commitment to lead the way and **"To Be The Future of Mobility."**

DIVERSITY & INCLUSION

Enhancing Diversity and Inclusion (D&I) is a key focus area for the organisation. I am driving this agenda, considering my personal passion and commitment for this cause.

As a result of this concerted effort, the number of women in our workforce crossed an important milestone of 1,000 in FY20.

In line with our D&I Vision, we have adopted an integrated approach that includes mentoring programmes to increase and retain workforce diversity within the organisation, recruitment initiatives, education, training and career development.