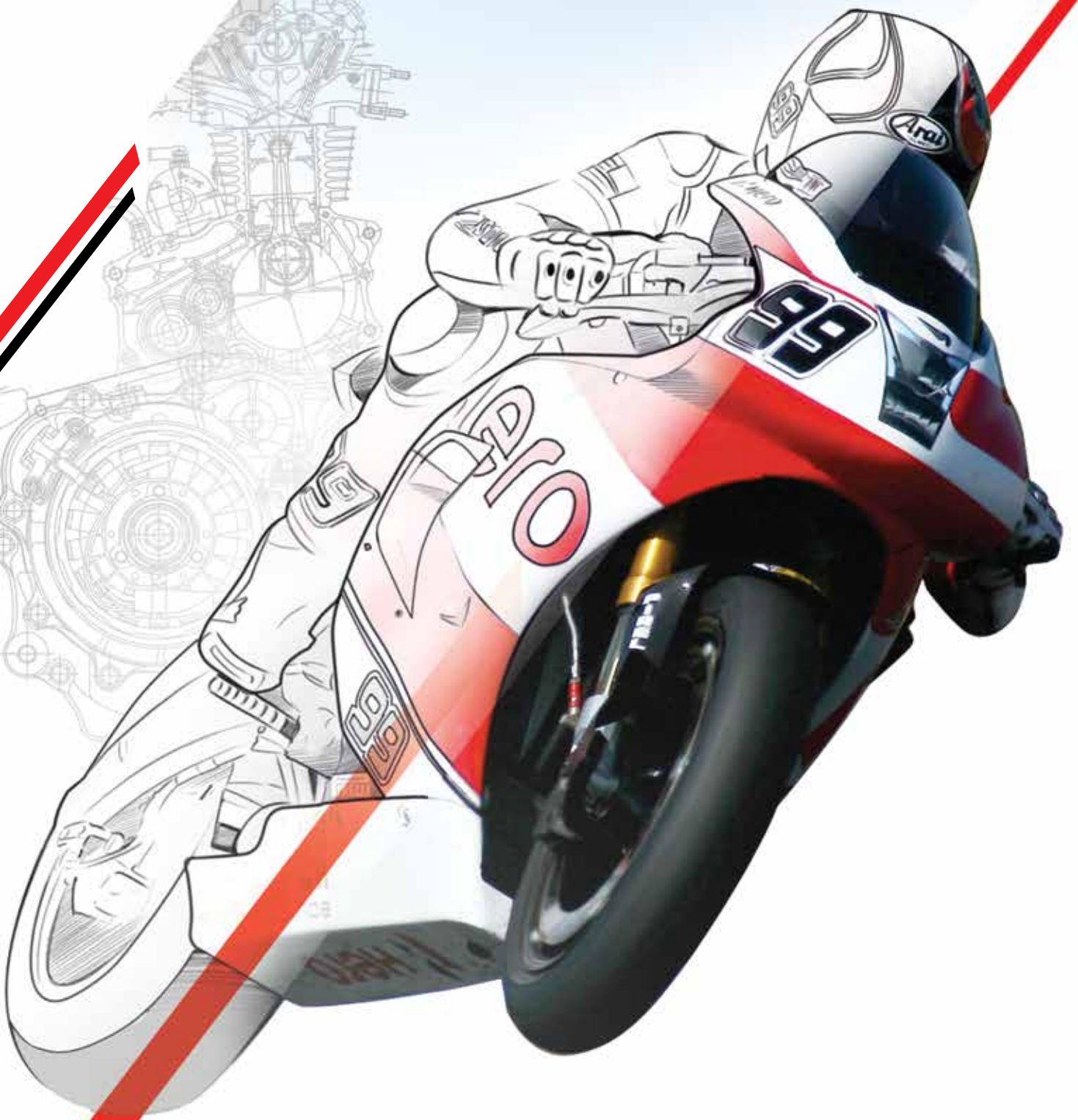
Hero

WORLDWIDE REACH

MILLIONS OF DELIGHTED CUSTOMERS

INDUSTRY-NEXT INNOVATION

CUTTING-EDGE TECHNOLOGY



DYNAMISM

Hero MotoCorp Ltd. | Annual Report 2013-14

CONTENTS



DYNAMIC HERO

02 Decoding Dynamism
04 Dynamism in Numbers
06 Quarter-wise Performance
08 Message from Chairman
10 Managing Director's Review
12 A Little More is Never Little
14 Ride our Wanderlust
16 The Next Big Idea is Here
18 Shaping Next-gen Mobility
20 Hero Universe at Auto Expo 2014
22 Taking the Centre Stage
24 Impressive Product Lines
26 We care for the Planet
28 10-year Performance
29 Economic Value Added (EVA) Statement
30 Board of Directors
32 Corporate Information

01



MANAGEMENT DISCUSSION AND ANALYSIS 33



DIRECTORS' REPORT 58



CORPORATE GOVERNANCE REPORT 64

BUSINESS RESPONSIBILITY REPORT 90

FINANCIAL STATEMENTS

102 Standalone Financial Statements
143 Consolidated Financial Statements

102

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.



Dynamism is often a phenomenon, which lies at the intersection of cutting-edge technology and imagination. At Hero MotoCorp, we bring these two together, to create an organisation that has dynamism at its core. We are doing this to align ourselves to evolving customer aspirations in a highly dynamic socio-economic landscape.

But how does this dynamism reflect in the way we strategise in the present and shape our future?

We are launching new products and focusing on multiple product refreshes.

We are focusing on the next big idea to accelerate our pace of innovation.

We are collaborating with best-in-class technology partners to take our technology leadership to the next level.

That's not all, we are reinforcing our customer-connect programmes to understand better their everyday experiences with our products and services.

The horizon for Hero is truly expanding across continents of Asia, Africa and South America, where our ideas are setting into motion amazing customer experiences and creating value for all stakeholders.

THAT'S HOW WE INFUSE DYNAMISM IN ALL WE DO.

EVERY DAY.

DECODING DYNAMISM

Being the world's largest manufacturer of two-wheelers is both an honour and a responsibility.

It means that we have to work harder, innovate faster and cater to a wider cross-section of customers globally. To sustain and grow our leadership further. We do this by investing in higher capacities, advanced technologies and greater marketing efforts.

VISION

The story of Hero Honda began with a simple vision - the vision of a mobile and an empowered India, powered by its two-wheelers. Hero MotoCorp Ltd., company's new identity, reflects its commitment towards providing world class mobility solutions with renewed focus on expanding company's footprint in the global arena.

MISSION

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, setting benchmarks in technology, styling and quality so that it converts its customers into its brand advocates. The Company will provide an engaging environment for its people to perform to their true potential. It will continue its focus on value creation and enduring relationships with its partners.

30+

Years of corporate existence

20

Product across 100cc, 125cc, 150cc, 225cc and scooter category

STRATEGY

Hero MotoCorp's key strategies are to build a robust product portfolio across categories, explore growth opportunities globally, continuously improve its operational efficiency, aggressively expand its reach to customers, continue to invest in brand building activities and ensure customer and shareholder delight.

US$ 4 bn+

Turnover

50 mn+

Sales (cumulative sales since inception); world's fastest two-wheeler company to achieve this



6,000+

Pan-India touch points – deepening presence in 1,00,000+ villages

VISION 2020

- Surpass 100 million units in cumulative production
- Annual bike and scooter sales of 12 million
- More than 20 manufacturing and assembly plants globally
- Presence in more than 50 countries
- Turnover of ₹ 60,000 crores

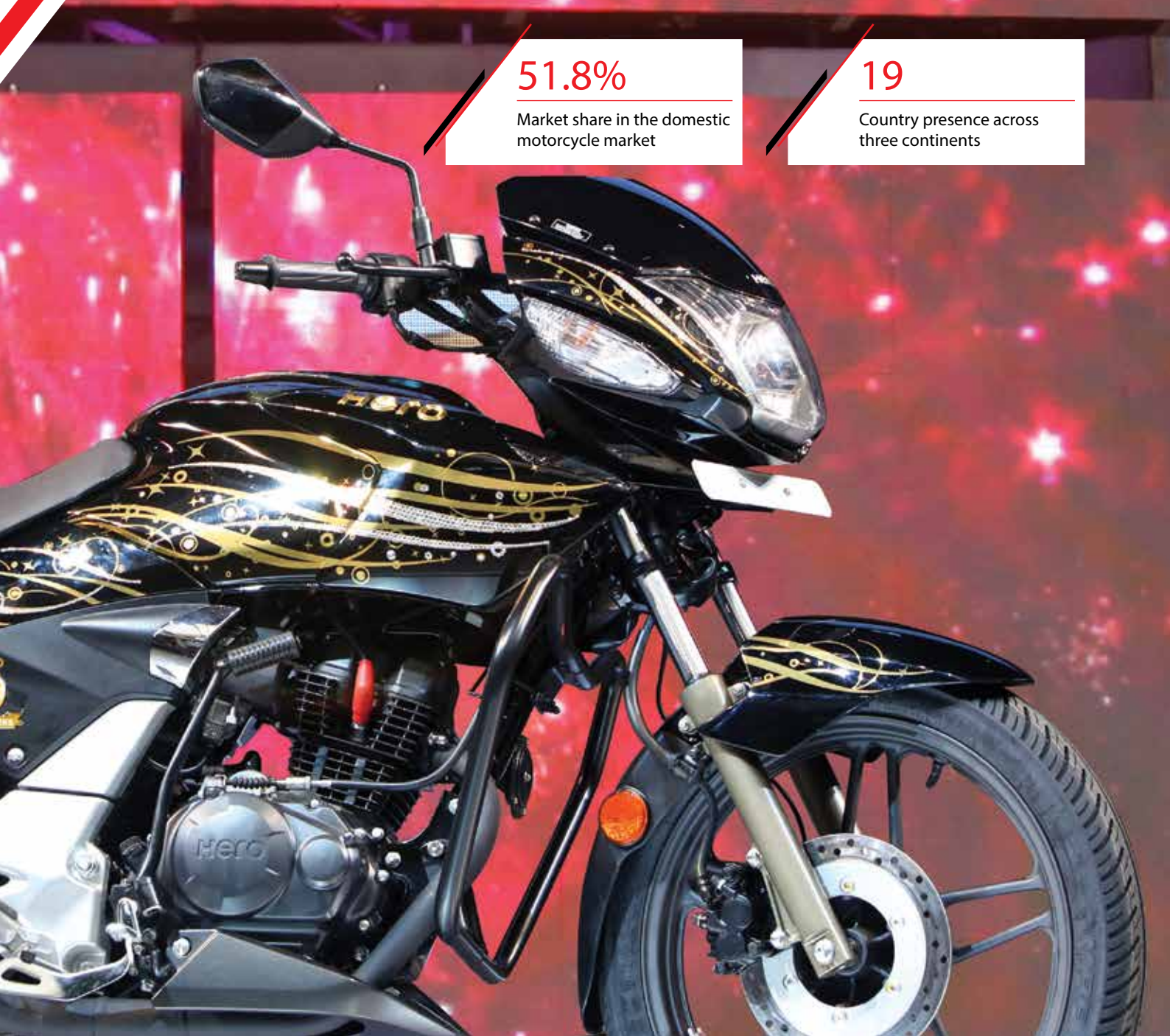
No.1
Two-wheeler globally since 2001

41.2%
Market share in the domestic two-wheeler market

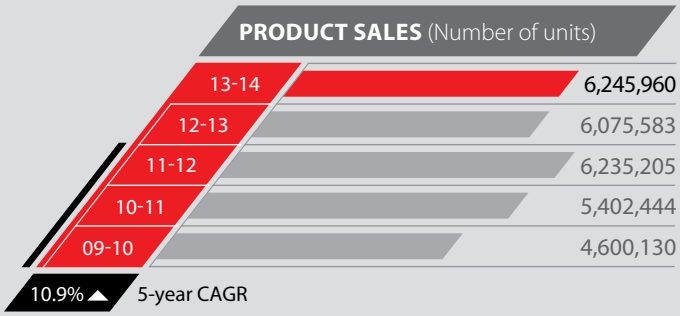
7 mn units
Cumulative installed capacity of three plants

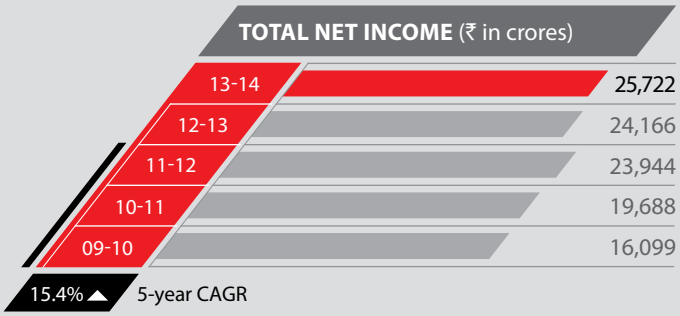
51.8%
Market share in the domestic motorcycle market

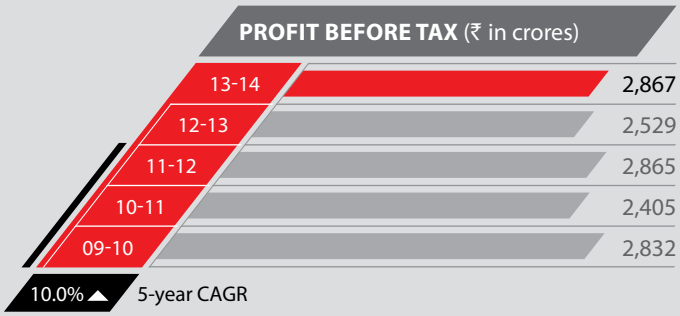
19
Country presence across three continents

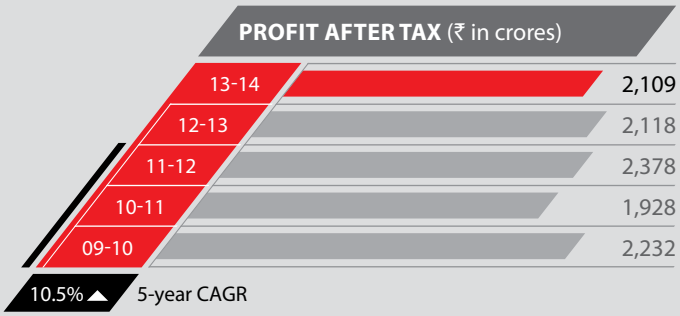


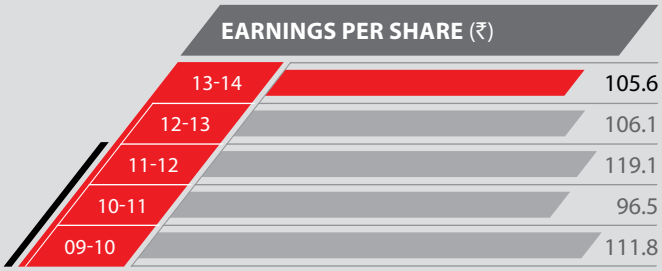
DYNAMISM IN NUMBERS

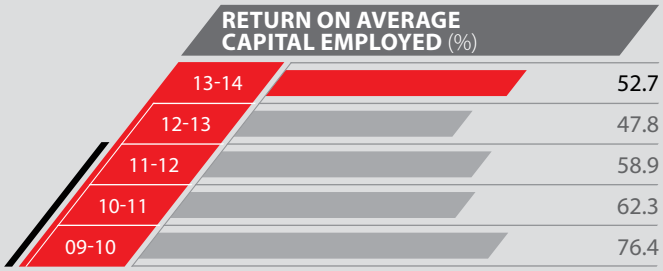




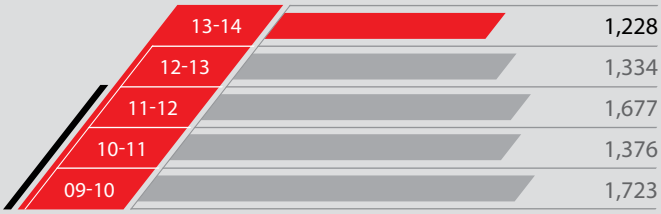




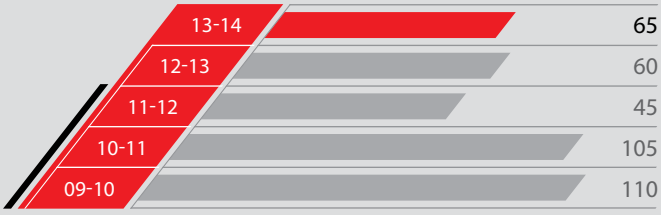




ECONOMIC VALUE ADDED (₹ in crores)

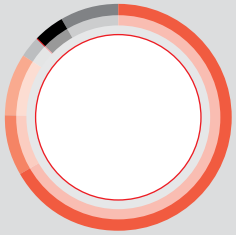


DIVIDEND PER SHARE (₹)



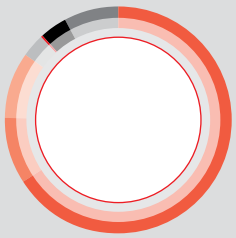
Graphs not to scale

DISTRIBUTION OF REVENUE, 2012-13



Particulars	₹ crores	%
Materials	17,397.66	66.76
Operations & Other Expenses	2,265.05	8.69
Taxes & 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, 2013-14



Particulars	₹ crores	%
Materials	18,229.89	66.05
Operations & Other Expenses	2,575.48	9.33
Taxes & Duties	2,638.52	9.56
Employees	930.04	3.37
Interest	11.82	0.04
Depreciation	1,107.37	4.01
Shareholders and Reserves & Surplus	2,109.08	7.64
Total	**27,602.20**	**100**

QUARTER-WISE PERFORMANCE

Q1 (APRIL 2013 – JUNE 2013)

- Entered Africa and Central America with the launch of Brand Hero in these markets
- First-ever equity investment in an overseas firm; to buy 49.2% equity at Erik Buell Racing (EBR) for US$ 25 Million
- Launched India's first-ever warranty of five years on all its two-wheelers (5 years or 70,000 km on motorcycles)
- Launched the retail finance arm, Hero FinCorp, with a phase-wise expansion plan

FIRST QUARTER

Q2 (JULY 2013 – SEPTEMBER 2013)

- Became the first Indian two-wheeler company to reach the historic milestone of 50 million units production
- Introduced an innovative campaign titled 'Hero Mileage', capturing Hero's best-in-class fuel-efficiency across its product range; and the tagline – 'Thoda Extra Kilometre Per Litre' - has gone on to become part of the youth lingo
- Initiated project 'Leap 20' to bring very high levels of innovation across our supply chain, and partnering with our suppliers to drive significant improvements in our cost structure, even as we raise the bar even higher on product quality and reliability

SECOND QUARTER



Q4 (JANUARY 2014 – MARCH 2014)

- Showcased an exciting range of products for the future at 2014 Auto Expo
- Entered Bangladesh and Turkey with an array of popular Hero motorcycles and scooters

FOURTH QUARTER





Q3 (OCTOBER 2013 – DECEMBER 2013)

- Appointed Head of Strategy & Performance Transformation and Head of the newly-created division of Engine Design & Development
- Commenced construction of our 'Hero Centre of Global Innovation and Research & Design (R&D)' at Kukas, near Jaipur in Rajasthan, investing ₹ 450 crores
- Forms new joint venture in partnership with Magneti Marelli to develop next-gen two-wheeler fuelling systems
- Unveils 15 new offerings, with new-gen features including the all-new Splendor iSmart, Karizma R, ZMR, Xtreme and Pleasure
- Registered 6.25 lakh sales in October 2013, first-ever manufacturer to cross the landmark 6 lakh unit sales in a month
- Launched Splendor iSmart with 'i3S Technology, Pleasure with Integrated Braking System, Xtreme with 'Electronic Immobiliser' and Karizma & Karizma ZMR
- Series of refreshes and variants of existing platforms, include HF Dawn & HF Deluxe, Splendor Pro, Super Splendor, Passion Pro, HF Deluxe Eco, Glamour and Glamour FI

THIRD QUARTER



MESSAGE FROM CHAIRMAN



Dear Shareholders,

We have just experienced a spectacular election, with an equally remarkable verdict.

Brijmohan Lall Munjal / Chairman