

May 30, 2019

Asst. Vice President, Listing Deptt.  
**National Stock Exchange of India Ltd.,**  
Exchange Plaza, Plot C/1, G Block  
Bandra Kurla Complex,  
Bandra (E),  
MUMBAI - 400 051  
Scrip Code: HEROMOTOCO

The Secretary,  
**BSE Limited**  
25<sup>th</sup> Floor,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
MUMBAI - 400 001  
Scrip Code: 500182

**Sub.: Presentation made to analysts**

Dear Sirs,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated May 29, 2019 w.r.t. schedule of analyst / investor meet, please find enclosed herewith the presentation for the scheduled events.

Request you to kindly take the same on records.

Thanking you,

**For Hero MotoCorp Ltd.**



**(Neerja Sharma)**  
**Company Secretary & Chief Compliance Officer**

**Encl.: As above**



**Hero**

# Investor Presentation

Analyst Day

Mumbai

May 2019

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**Macro Economic Overview**



**Two Wheeler Landscape**



**The Big Picture**



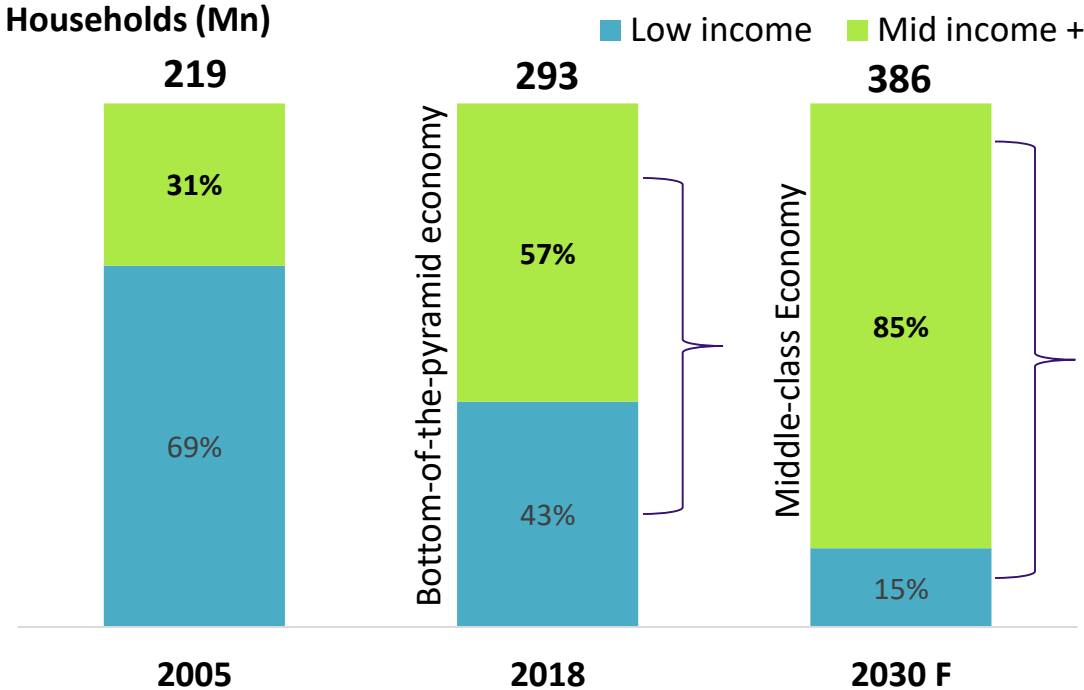
**Strategy**

# GDP growth to continue, creating a larger middle-class

GDP growth in India to continue making it the 2<sup>nd</sup> largest GDP by PPP by 2050

	2016		2050	
China	1	1	China	1
US	2	2	India	2
India	3	3	US	3
Japan	4	4	Indonesia	4
Germany	5	5	Brazil	5
Russia	6	6	Russia	6
Brazil	7	7	Mexico	7
Indonesia	8	8	Japan	8
UK	9	9	Germany	9
France	10	10	UK	10

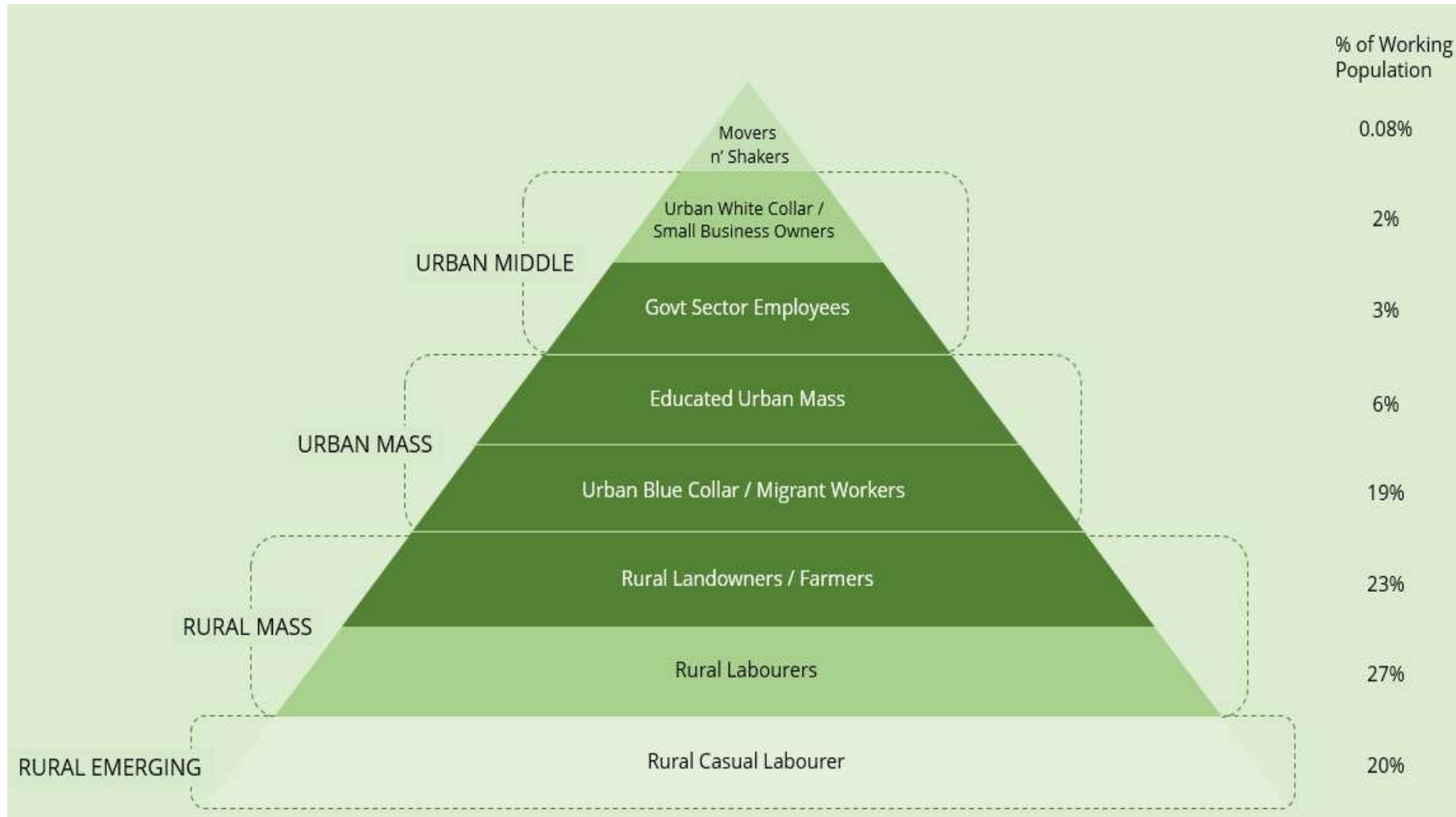
330Mn middle income+ households expected by 2030 → 2x of 2018 current levels



Opportunity at the bottom of the pyramid









Source: [PwC report, The World in 2050](#), [WEF Report](#)

# Bottom of the pyramid and low-end working population likely to move into the middle class income segment



Source: Francis Kanoi Marketing Research: "Profile of 2W Users"

# As income levels improve, multiple consumer archetypes will evolve

Consumer archetype (2018)		Avg. household income pa (\$)	Occupation	% working population
Not covered in consumer archetype			Not covered	NA
Poor Rural		2,800	70% informally/ non-employed	29%
Poor Dreamers		5,200	70% informally/ non-employed	14%
Young and Savvy		5,200	25% employed, 40% students	11%
Middle India		6,800	70% informally/ non-employed	19%
Connected Aspirants		6,800	60% employed	15%
Conservative Rich		40,000	70% informally/ non-employed	4%
Sophisticated Rich		40,000	55% employed, 20% students	7%

Source: [WEF Report](#)

# Larger middle class → higher consumption



Rising incomes and expanding middle & high-income segments will reshape future consumption



Many Indias will drive consumption growth and the urban-rural divide will diminish significantly



Millennials & Gen Z will drive consumption, spending more than their predecessors



Indian peculiarities will shape opportunities for indigenous offerings, e-commerce, value-for-money brands and digital entertainment



Many consumer archetypes will persist as age, education, occupation and connectedness begin to strongly influence preferences within each income segment

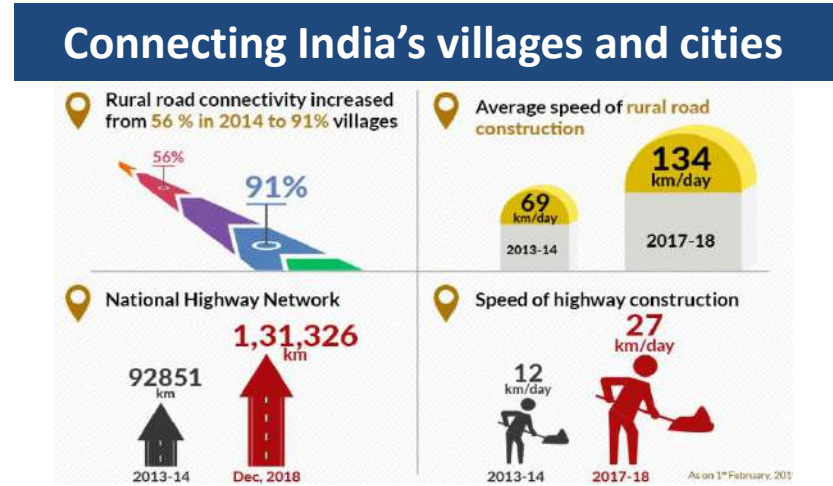
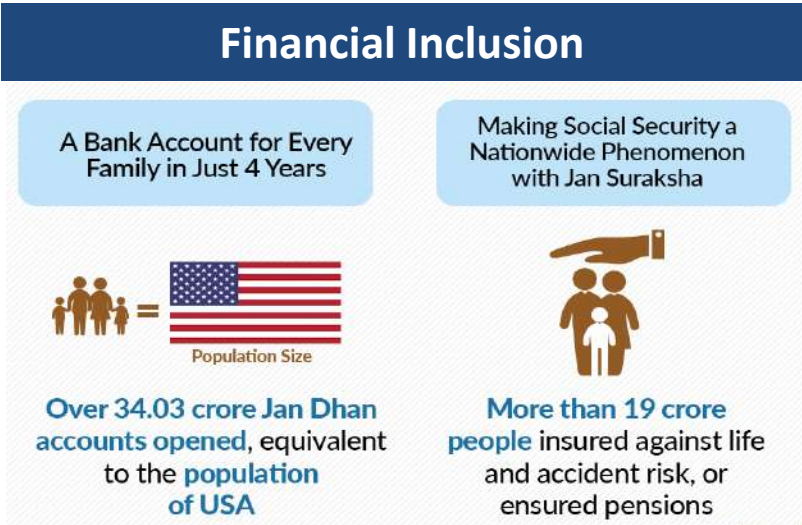
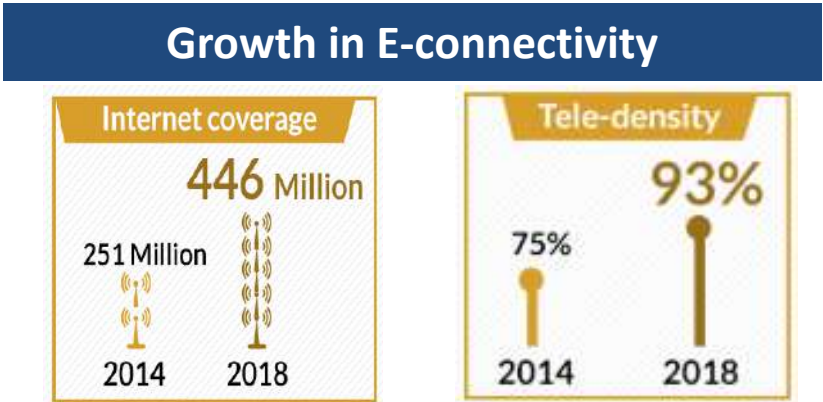


Connected India, with more than 1 Bn internet users, will have informed consumers demanding greater transparency from brands

Source: [WEF](#) Report



# Economic and infrastructure development → higher consumption levels



Source: [TransformIndia](http://TransformIndia.com)



# India growth story intact → higher levels of consumption

Demographic  
dividend

Women in  
workforce

Road  
development

Infrastructure  
development

Urbanization





Macro Economic Overview



Two Wheeler Landscape

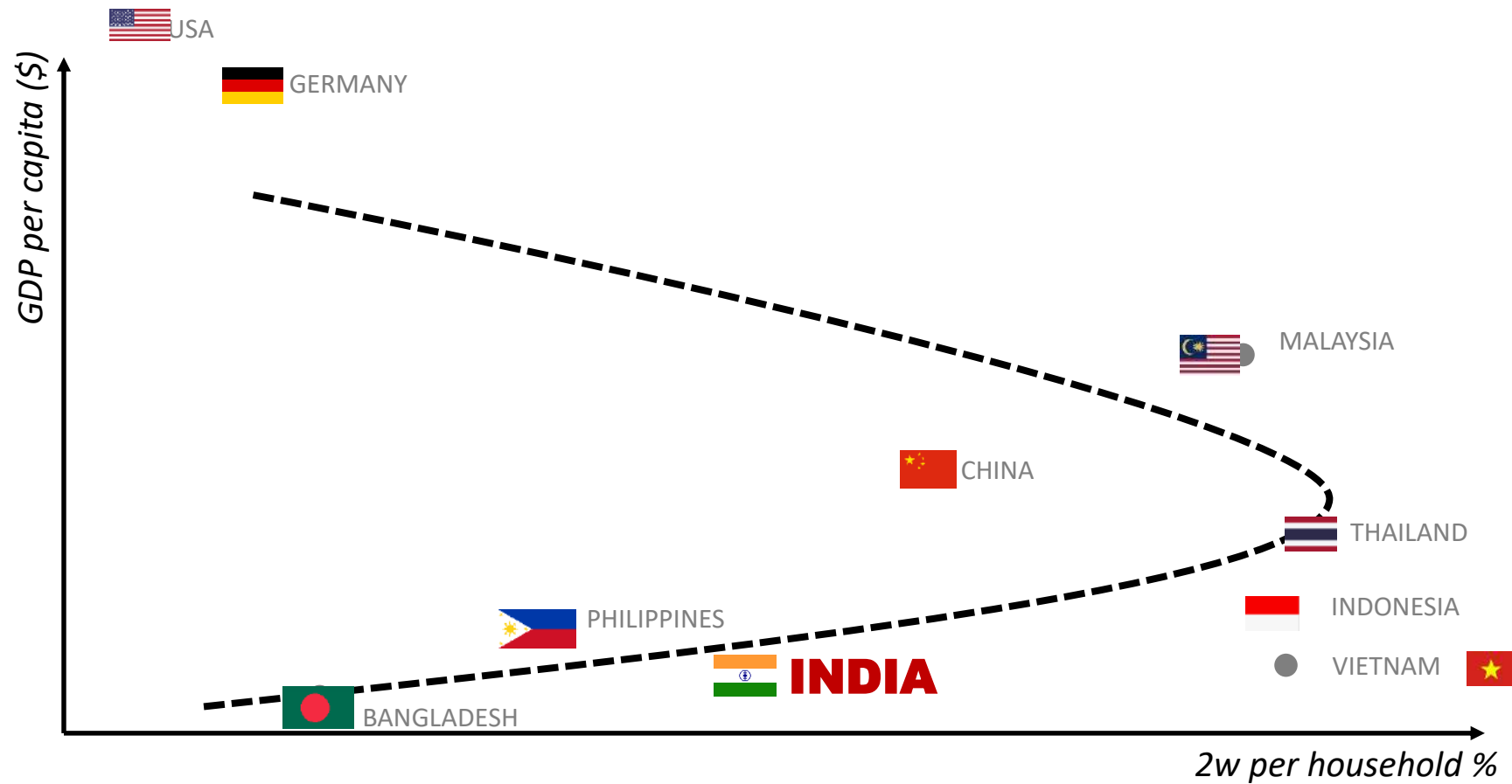


The Big Picture



Strategy

# Strong correlation of GDP growth to 2w penetration - India far from saturation



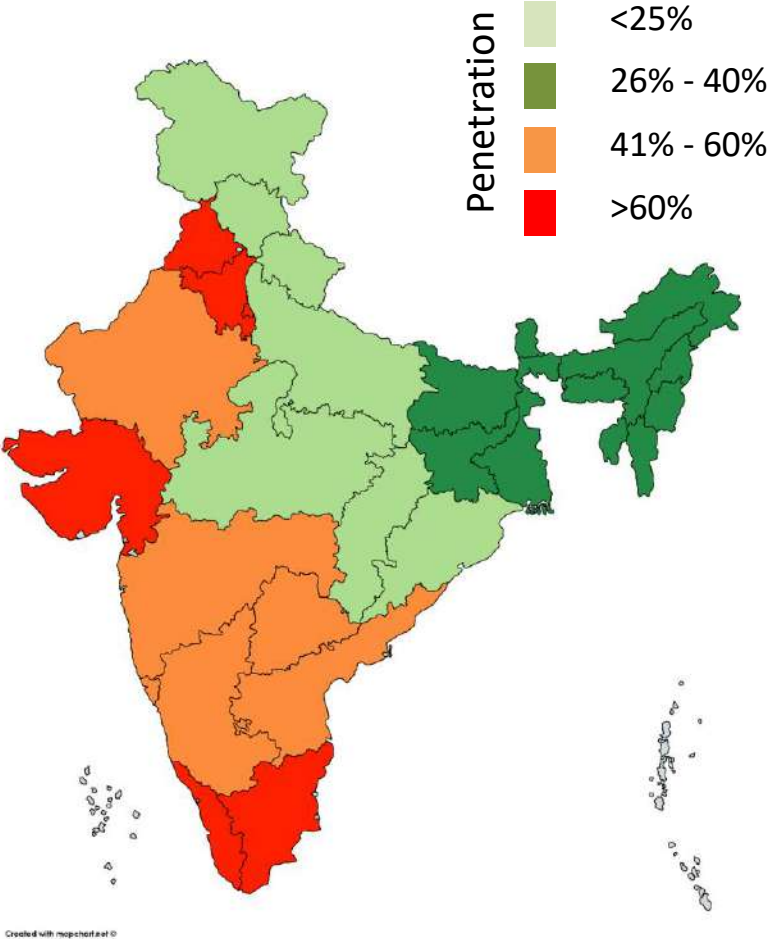
Source: [Roland Berger Focus Report, July 2018](#)

## 3x potential in India compared to Asian peers

Country / Metric	Demographic (20-64 years)	GDP growth expectation % (5yrs)	2w Penetration per 1000 population
Philippines	63%	6.40%	78
<b>India</b>	<b>66%</b>	<b>7.20%</b>	<b>110</b>
Malaysia	69%	4.90%	166
Indonesia	67%	5.40%	281
Thailand	71%	3.60%	291
Vietnam	70%	6.20%	~350

Source: [OECD report on Asian Markets](#), [ASEAN Key Figures](#), World Bank Group, Sell side research

# Interstate comparison reflects 2.5x potential



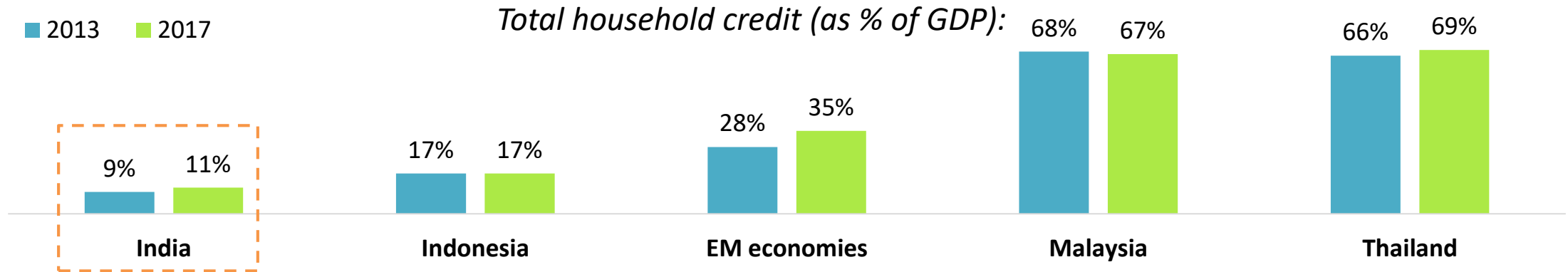
State by penetration	Penetration / 1,000	Opportunity
Low 7	73	-
Average	102	40%
Top 7	168	130%
Tamil Nadu	202	177%
Delhi	247	238%

Source: Sell Side research

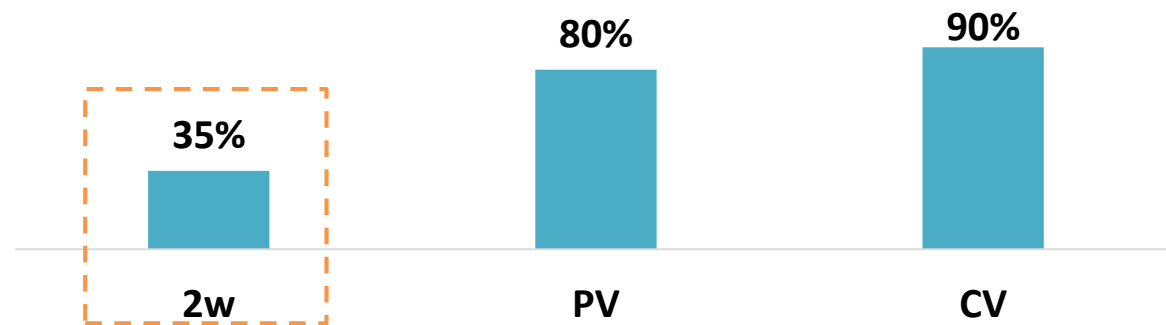


# Higher financing levels will help increase 2w penetration further

## Household financing to grow in line with Asian & EM peers

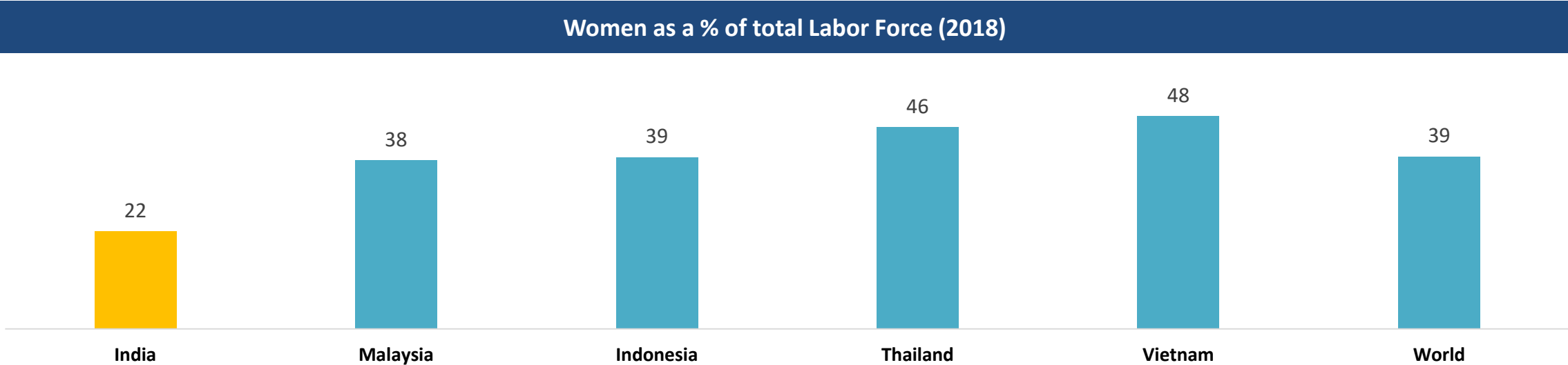


## Significant opportunity for enhancing finance penetration in 2w (FY18)



Source: [BIS Statistics](https://www.bis.org/statistics/)

# Increasing participation of women in the labor force presents another demographic benefit



Women participation in Indian workforce set to grow considerably

Source: RBI Employment Statistics





# 2w demand has multiple drivers



**Income enabler:** Sturdy transport for longer distances



**Point to point mobility** for the city rider



**Aspirational youth** drive the commuter & leisure 2w demand



**Enabling women's participation** in education, employment and leisure



# Leading to long term growth potential for the 2w industry

3x

Higher consumption

3x

Penetration opportunity wrt Asian peers <100 → 300/ per 1,000 people>

2.5x

Higher domestic penetration <Low penetration states → high penetration states>

3x

Increase in financing <Household credit in India 11% → EM 35%>

2x

More women in workforce <22% → 40% of labor force>



Macro Economic Overview



Two Wheeler Landscape



The Big Picture



Strategy

# Lead Brand equity index



Highest Brand  
Equity Index: 3.3

Preference

Price Premium

Recommendation

2x of the closest  
competition in Deluxe

110cc: Top 2 brands  
125cc: 2 of the Top 3 brands

Source: HMCL Analysis

# 4 of the top 5 industry leading brands are from the Hero stable

“4 of the top 5” 2w brands  
are Hero brands (FY19 Vol.)

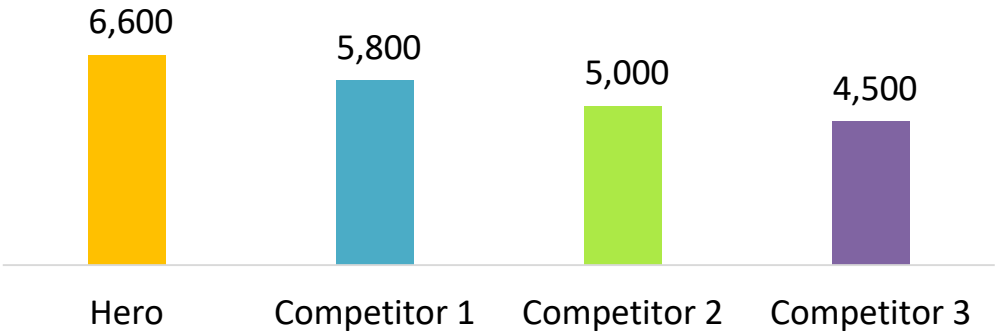


Source: HMCL Analysis

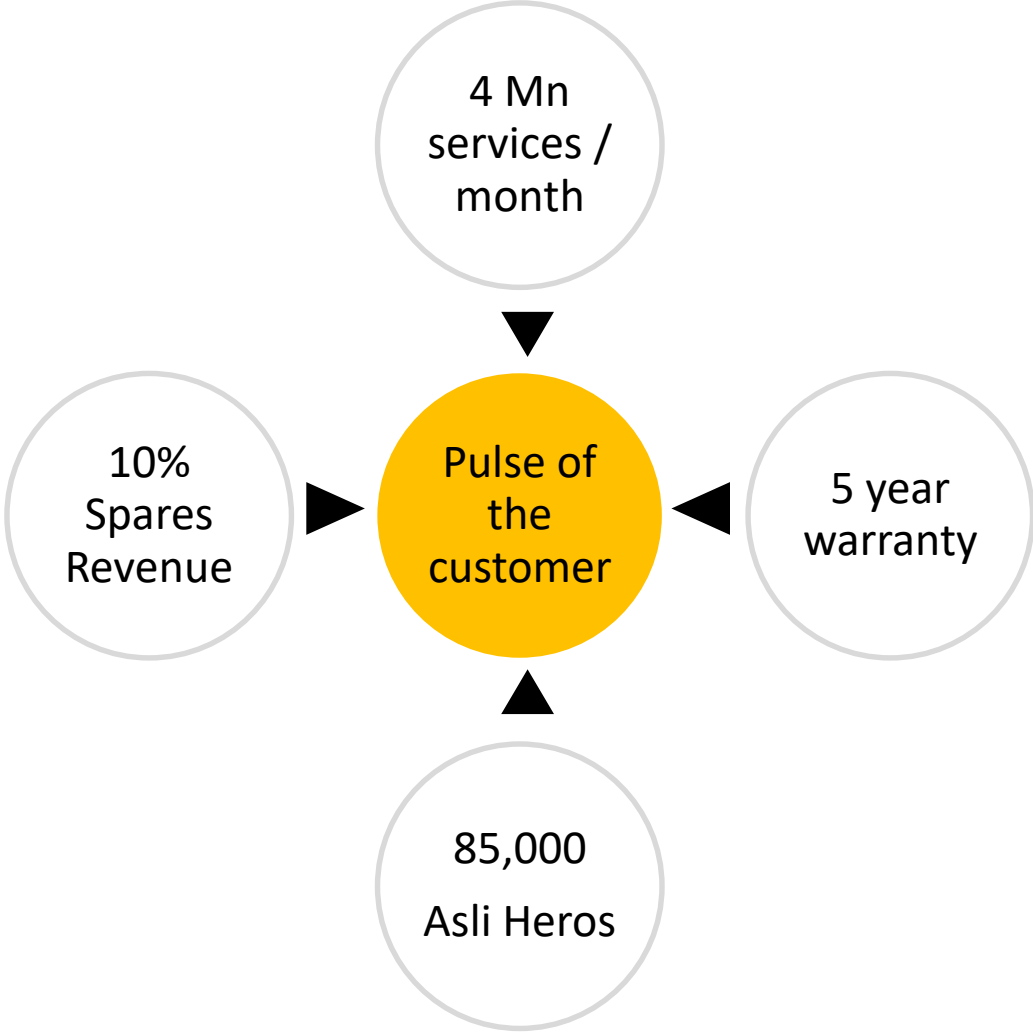
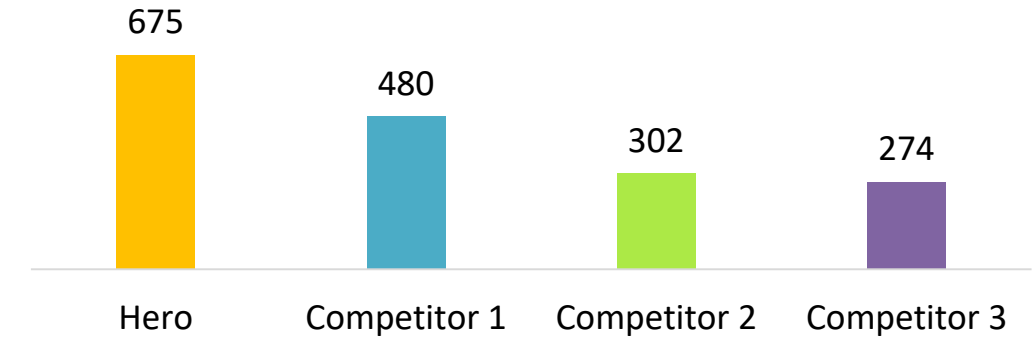


# Largest distribution and service network in the world → higher sales for our dealerships

Hero has the most number of touchpoints (FY19)



Highest sales / dealer / pm (FY19)



Source: HMCL Analysis



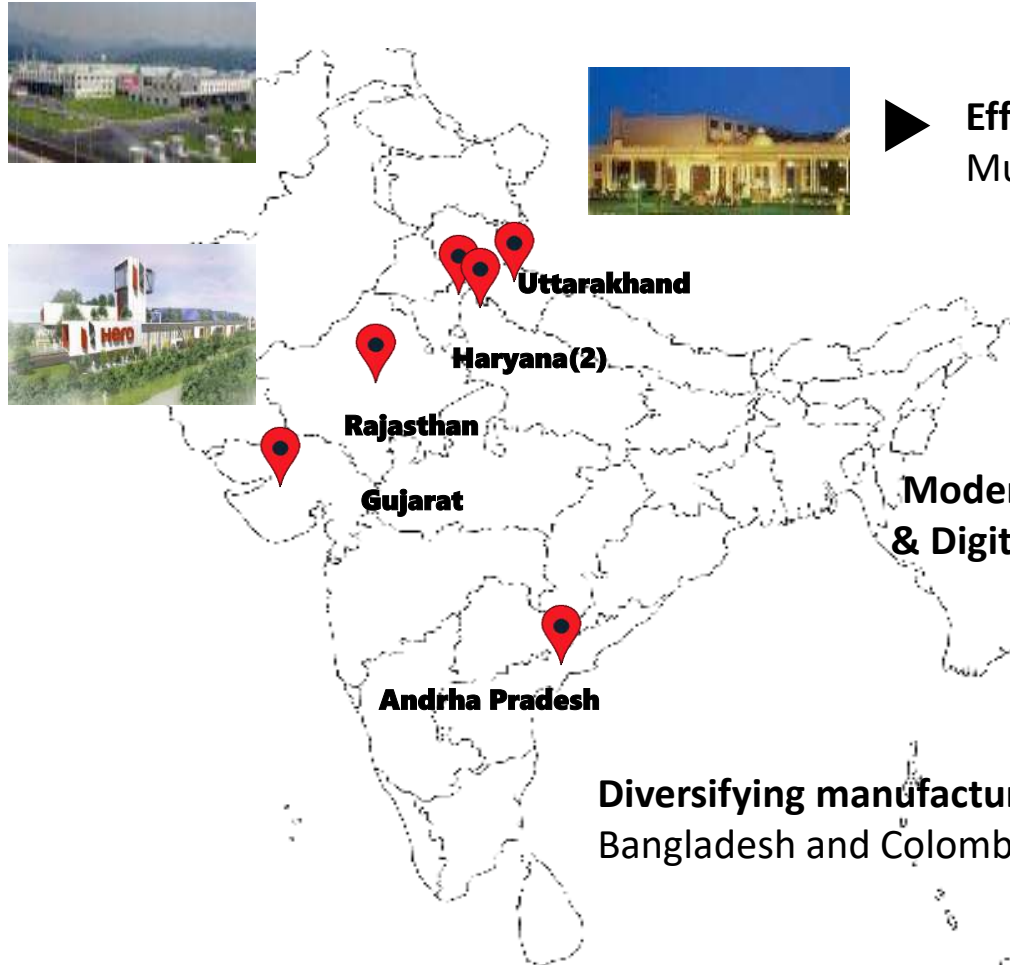
# Sourcing and manufacturing at scale is a key strength

Largest 2w plant globally  
Mega Factory: 2.7Mn / pa



Efficient, flexible manufacturing  
Multi-model lines with quick change over

Green plant



Modernization & Digitalization

- Smart factory
- Predictive maintenance
- Traceable BOP\*

Diversifying manufacturing base:  
Bangladesh and Colombia

Total capacity: ~10Mn units/ pa

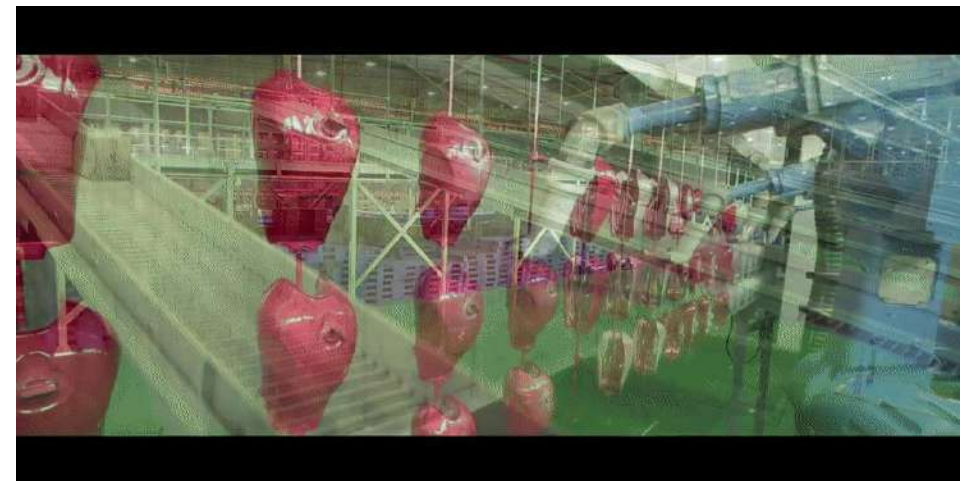
\*BOP: Bought out parts  
Source: HMCL Analysis

# World class manufacturing efficiencies have been developed



**18 seconds = 1 Motorcycle rollout**

**Flexible Manufacturing Systems: Fuel Tank Painting**



*BOP: Bought out parts*  
*Source: HMCL Analysis*



# Rapidly building our innovation capability..

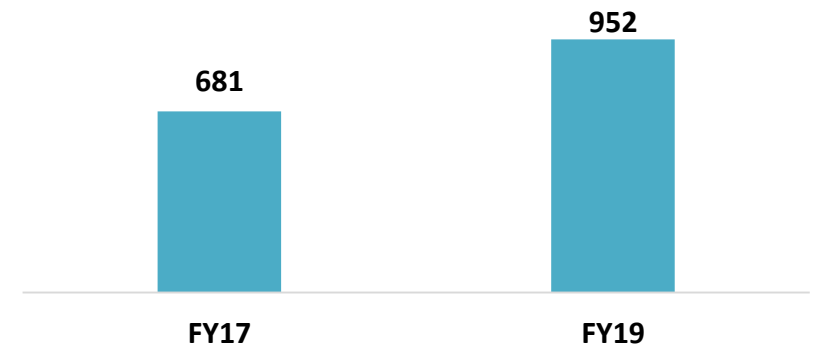
Global Centre of Innovation & Technology (CIT) at Jaipur operational since March 2016 | Spread across 247 acres |  
| Initial investment of ₹850 Cr | ~850 Employees |

R&D Talent Map →



Germany  
Technology Centre  
started in 2018

Scaling employee base @ CIT



\* Includes R&D Expenses and Capital Spends

Source: HMCL Financials



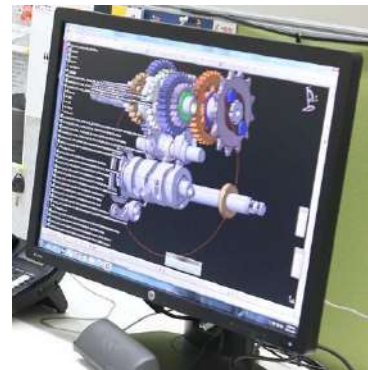
# ..with state of the art infrastructure & development machinery



World class Centre for Innovation & Technology (CIT) infrastructure



16 km test track with 45 terrains to simulate Indian & global roads



Design Simulation

Source: HMCL Analysis

# Leading to many 1sts in technology



(Idle Start Stop System -  $\mu$ -Hybrid)  
**1<sup>ST</sup>** In India 2W - 2013

Higher **Mileage** Lower **Emissions**  
 Equivalent to every i3S rider planting **1 tree** in a year



**90% models** ✓  
 (by volume)

**FI** (Fuel Injection)



**1<sup>st</sup>** in M/C 125cc  
**2006** Glamour FI



**1<sup>st</sup>** in scooters  
**2019** Maestro Edge 125

(Connected Dashboard)

**1<sup>ST</sup>** in Premium segment - 2018



# Multiple launches in the last 12 months

## Refreshing our core



Passion XPro



Splendor +



Splendor iSmart+



HF Deluxe



Glamour FI



Super Splendor

## Driving our scooter story



Destini 125



Pleasure +



Maestro Edge 125

## Comprehensive premium portfolio



Xtreme 200R



Xpulse 200

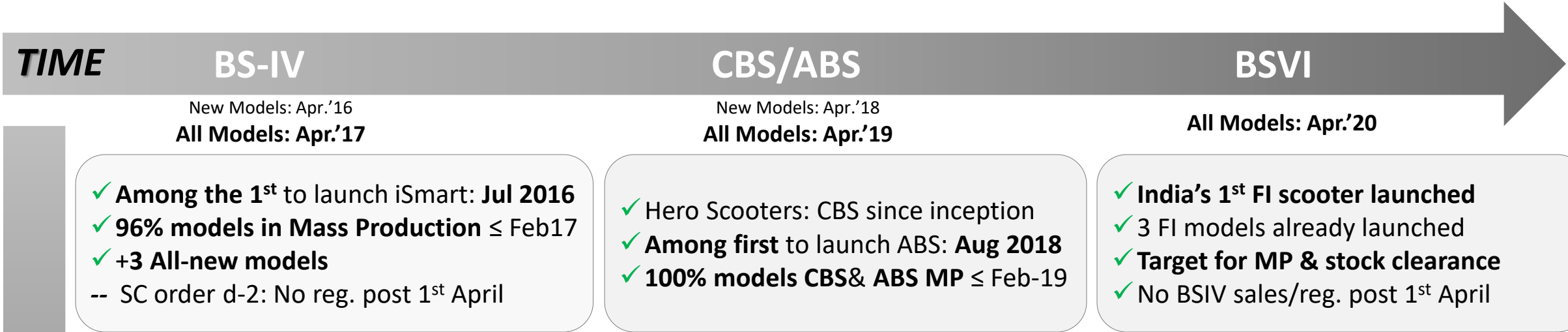


Xtreme 200S



Xpulse 200T

# Comprehensively addressing regulatory changes



## Fuel Injection system

- De-risking (Multiple suppliers)
- Economies of scale (Competitive cost)
- Quality (Global supplier base)

Developing In-house capability  
Value-up  
Cost down

Alternative technologies  
- Cost lever- (Parallel approach)





Macro Economic Overview



Two Wheeler Landscape

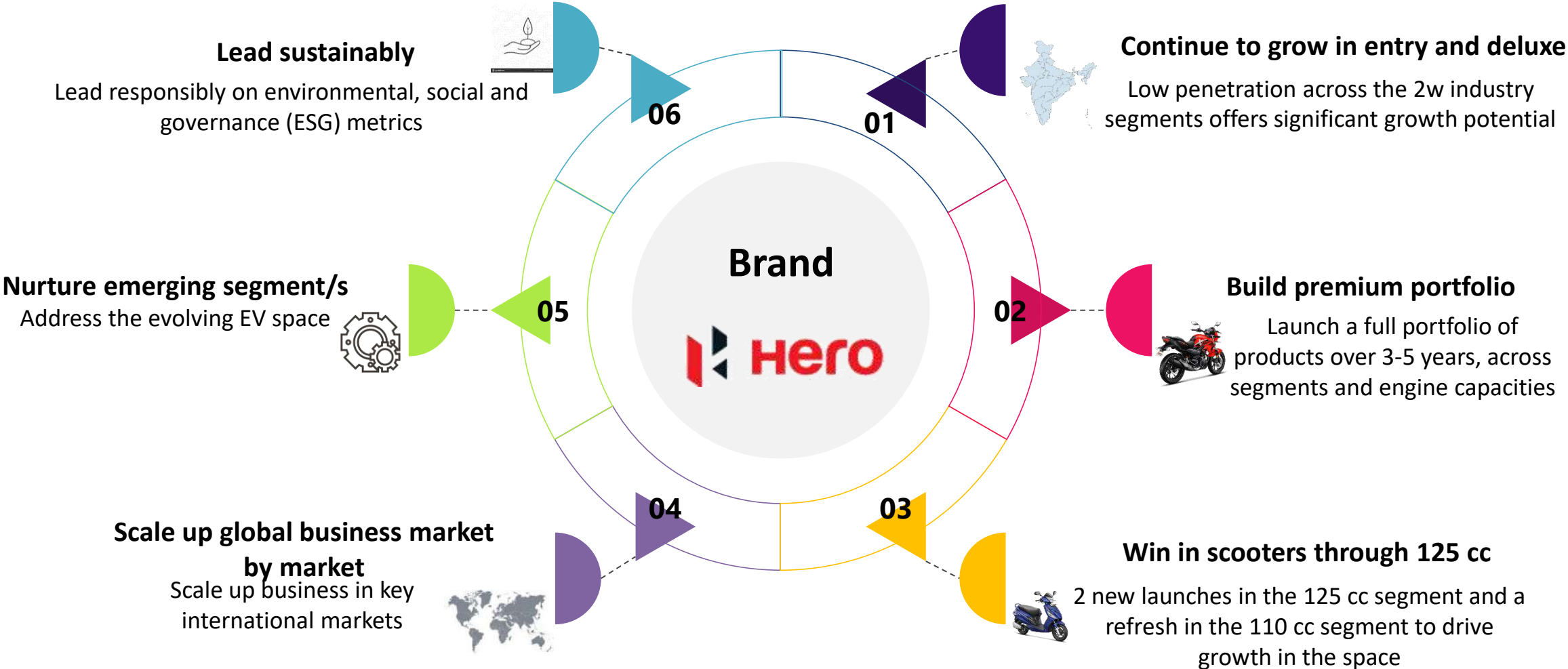


The Big Picture



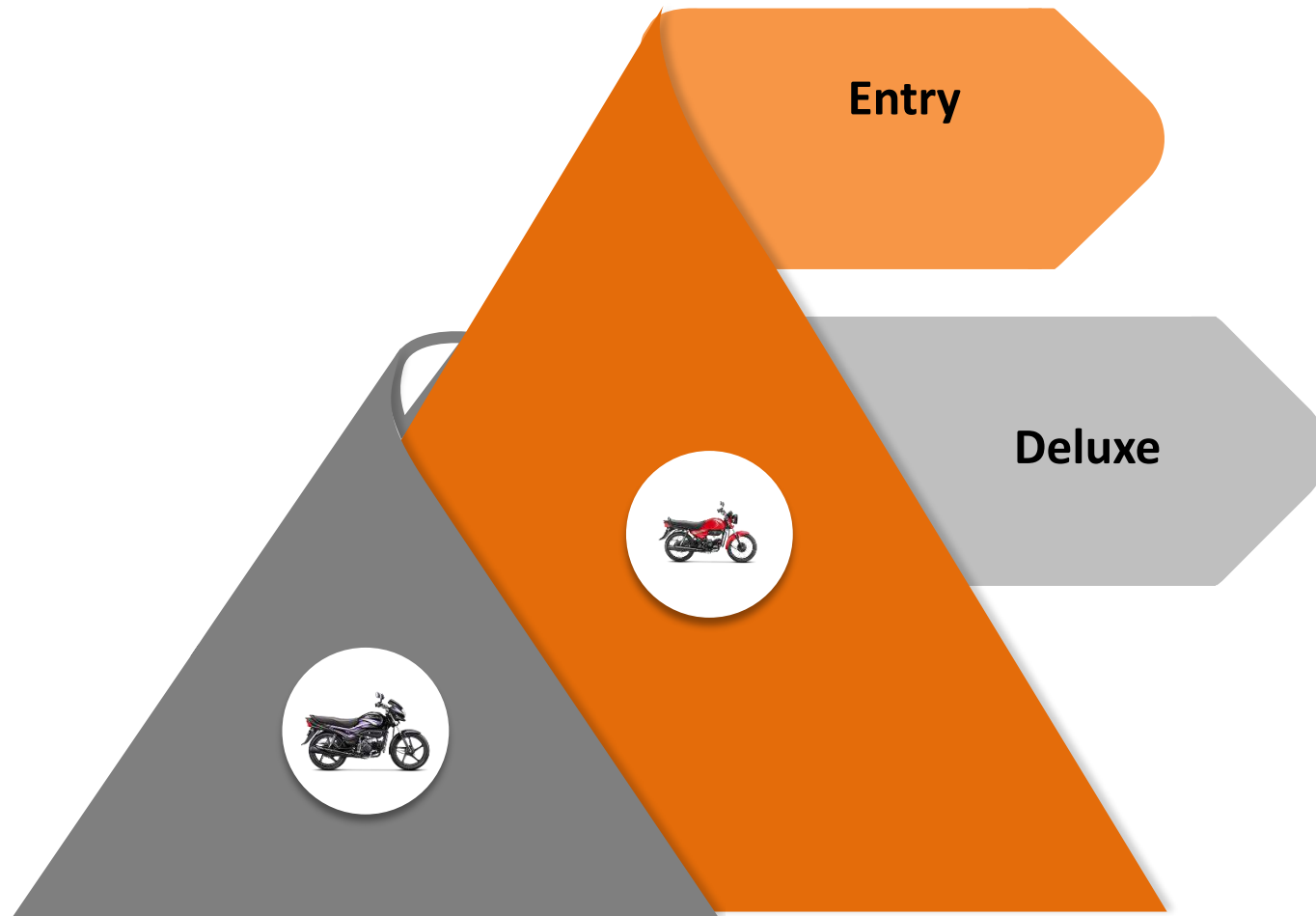
Strategy

# Our Strategy



01

# Continue to drive penetration through strong presence in Entry and Deluxe segments



## Low penetration → Entry, Deluxe growth

- Entry: 1<sup>st</sup> time buyers: >75%
  - Demographic dividend
  - Social upgrader
  - Aspirational
- 
- Deluxe: the next move
  - Follow lifestage of the customer
  - Refreshes to drive category growth

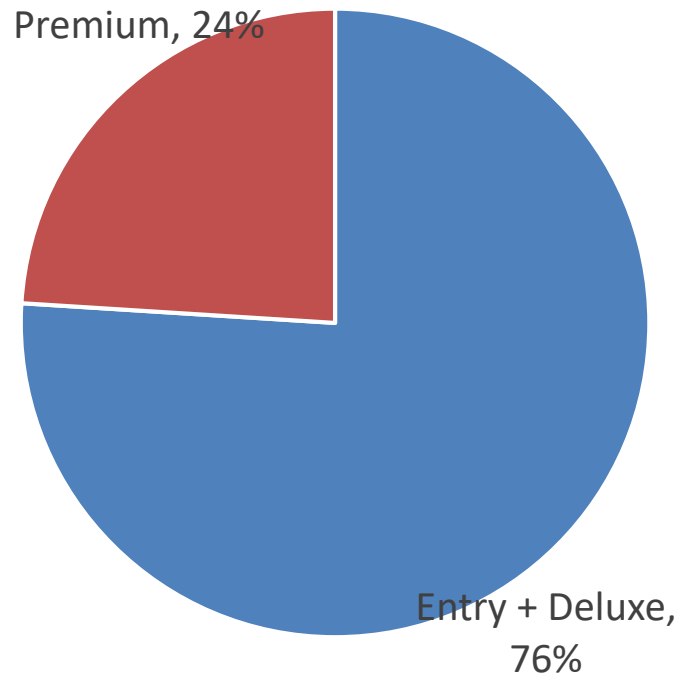
## Strengths

Brand  
Rural understanding  
Service & distribution network



# Segment is big and growing faster; Hero leads with highest market share

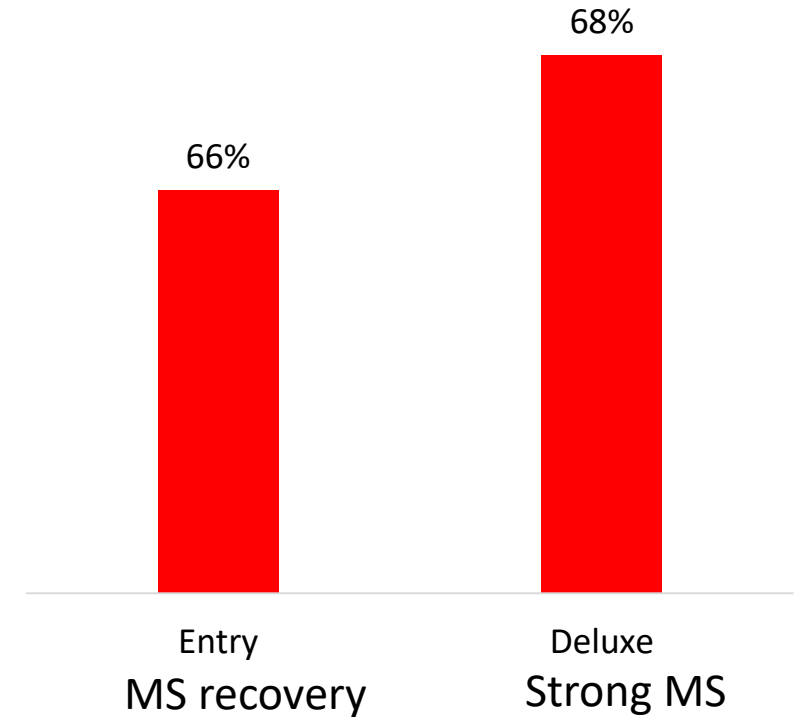
Entry + Deluxe: 76% of Motorcycle market



2w industry led by Motorcycle growth ahead of scooters

Entry + Deluxe growth > 2w growth (FY2019 7.5% vs 4.9%)

Hero continues to strengthen its leadership position



Q4FY19 unless otherwise specified

# Continue to build a strong and differentiated value proposition

Invest in brands for sustainable MS

+

Pricing premium

Power of brand



Money for value not value for money

Brand of choice



Credible brand building

Sustainable Market share



4 of the top 5 selling brands

Premium pricing



Command premium on similar products



# Build a Premium portfolio



**XTREME 200R**  
LAUNCHED SEP-18

₹90,900

*Fear nothing in the City*



**XTREME 200S**  
LAUNCHED MAY-19  
₹98,500

*Power of Presence*



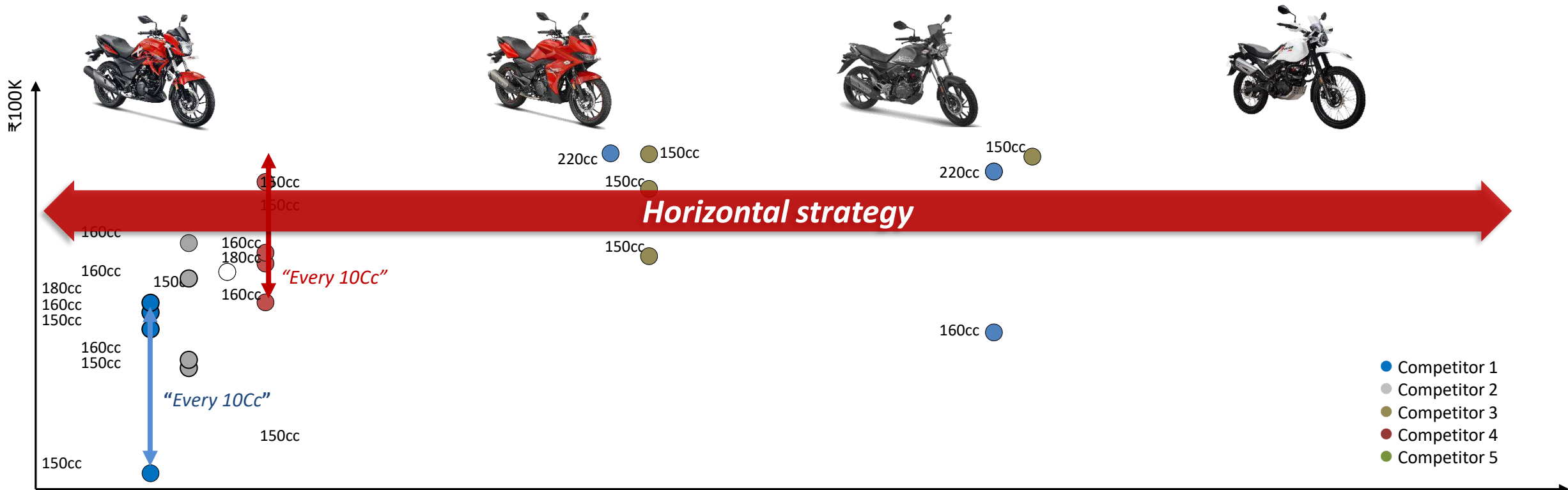
**XPULSE 200T**  
LAUNCHED MAY-19  
₹94,000

*Make New Roads*



**XPULSE 200**  
LAUNCHED MAY-19  
₹1,05,000 (Fi)  
₹97,000  
*Make New Tracks*

# The Premium portfolio will address 70% its market segment



**NAKED**

**1 → 4**

Platform      Diverse offering

**Only company with 4 platforms**

**SPORT**

< ₹100K

**~70%**

Of +150cc market

**TOURING**

**ADVENTURE**

**1<sup>ST</sup>**

**In the segment**

Turn by Turn Navigation    Bluetooth    Call Alerts

# High decibel marketing strategy backed by industry leading investments in advertising and promotion

## Brand ambassador



Focused TV / Print communication

## Distribution strategy



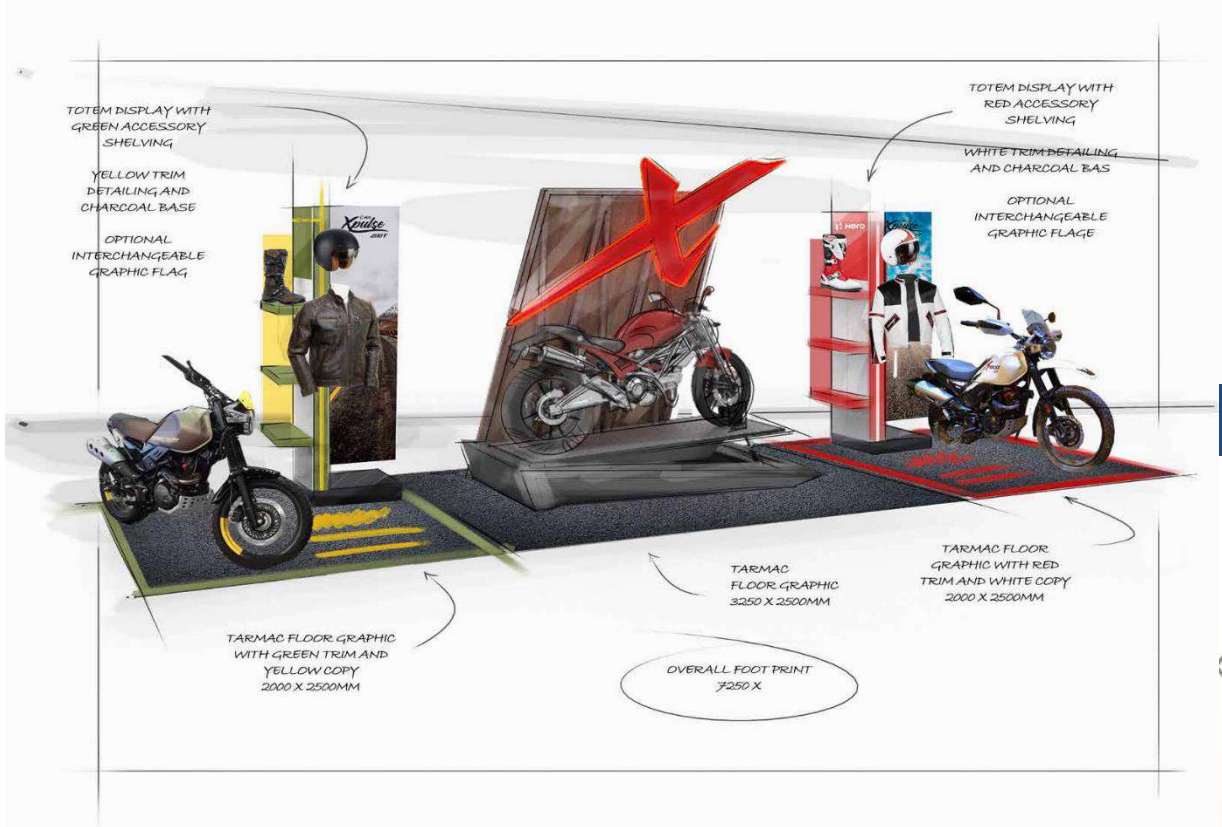
Premium experience, shop in shop & premium sales consultants

## Digital strategy



Target group focused strategy

# Offering a unique Premium experience



Unique picturesque, undiscovered trails...just next door



Multi-format trails across zones and terrains

# Building Brand “Hero”



Develop the “Hero” brand image and exposure



2 Top 20 Finishes @ Dakar Rally 2019

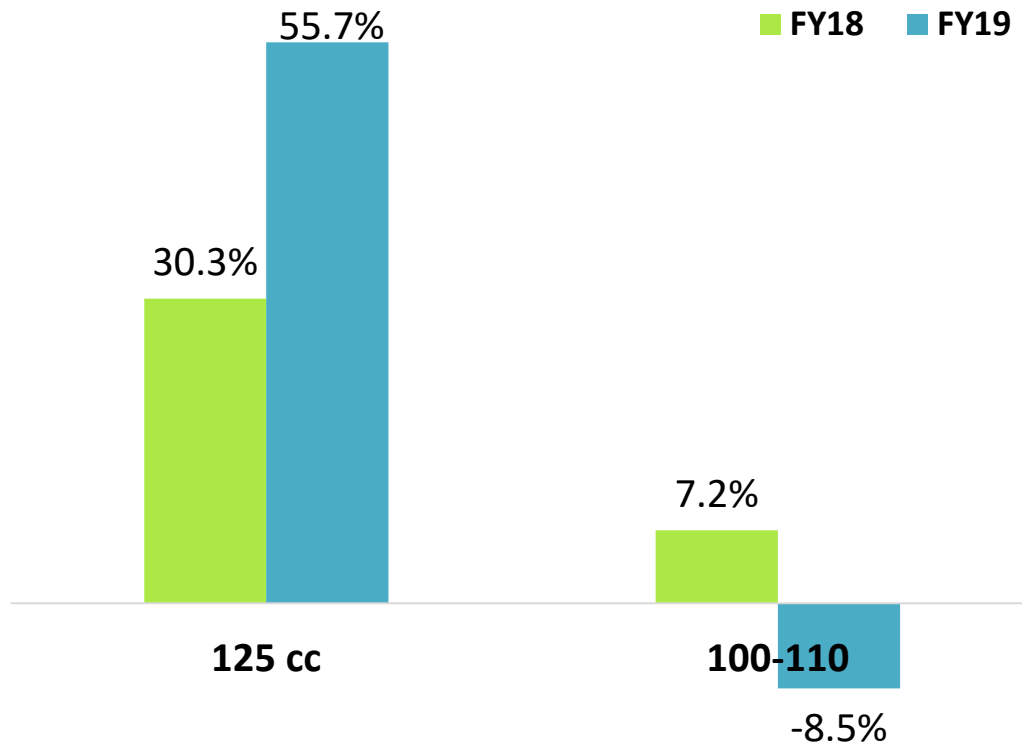


Leveraging ... in Global Markets

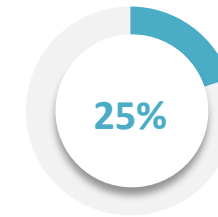


# Win in Scooters through 125 cc segment

## Scooter Segment Growth %



## 125 cc Scooter Segment



Proportion of scooter segment



Exponential Growth, ahead of the 100-110 cc segment, as customers seek choice

Source: HMCL Analysis





# With the recent scooter launches supporting 125 cc segment

**DESTINI 125**



**LAUNCHED NOV-18**

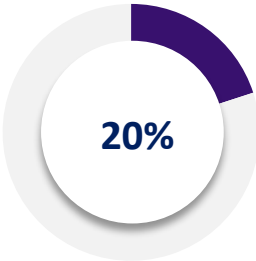
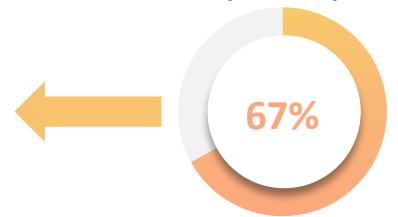
₹57,500 (Vx)

₹54,650 (Lx)



1<sup>st</sup> scooter in India with i3s (Star-Stop System)

Commuter Segment  
(125 cc)



**MAESTRO EDGE 125**



**LAUNCHED MAY-19**

₹ 62,700 (Fi+Disc)

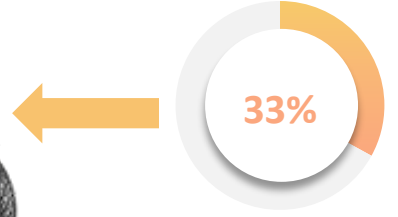
₹ 60,000 (Disc)

₹ 58,500



1<sup>st</sup> scooter in India with FI technology

Sport Segment  
(125 cc)



**Retail MS%: after 6 months of launch**

Price: Ex-showroom Delhi



Investor Relations

Analyst Day 2019

# Anchor 125 cc presence through communication & strong value proposition

## Marketing Communication



Generate brand love by driving brand story across TV/ print

## Fully loaded



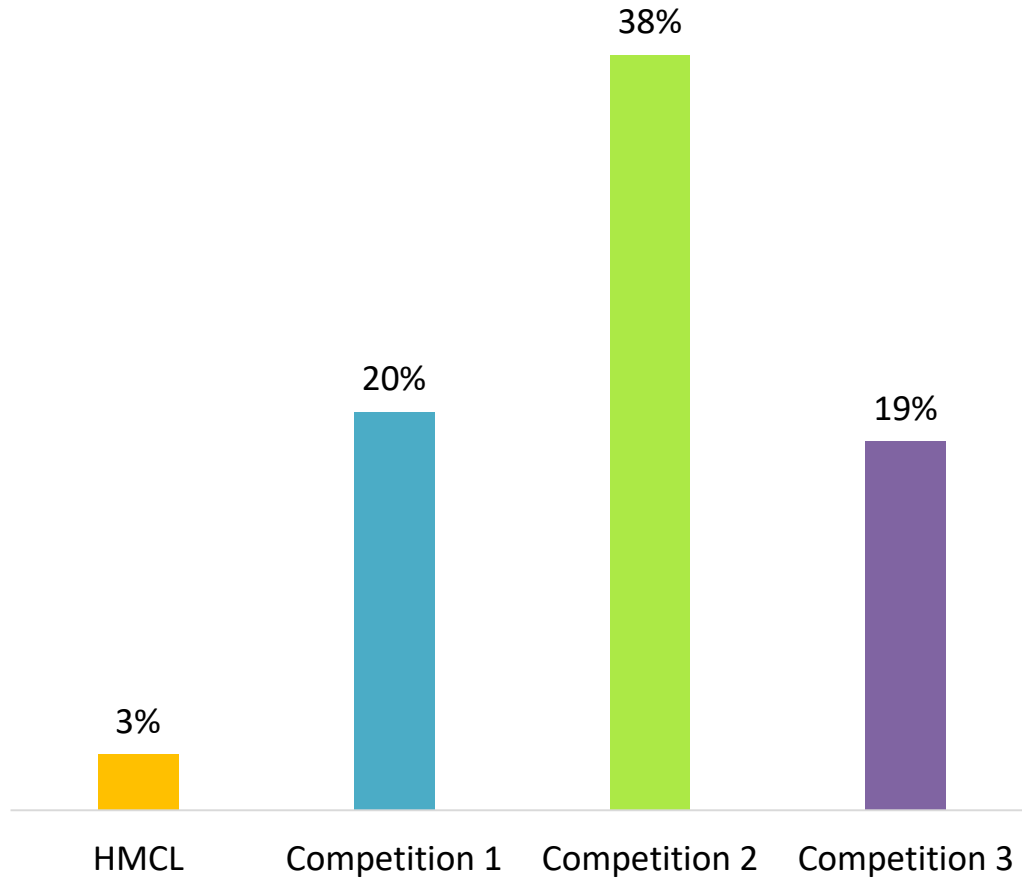
- *Elegant metal body*
- *USB charger, external fuel filling, H signature tail lamps*

Technology anchor:  
125cc with India's first on  
scooters

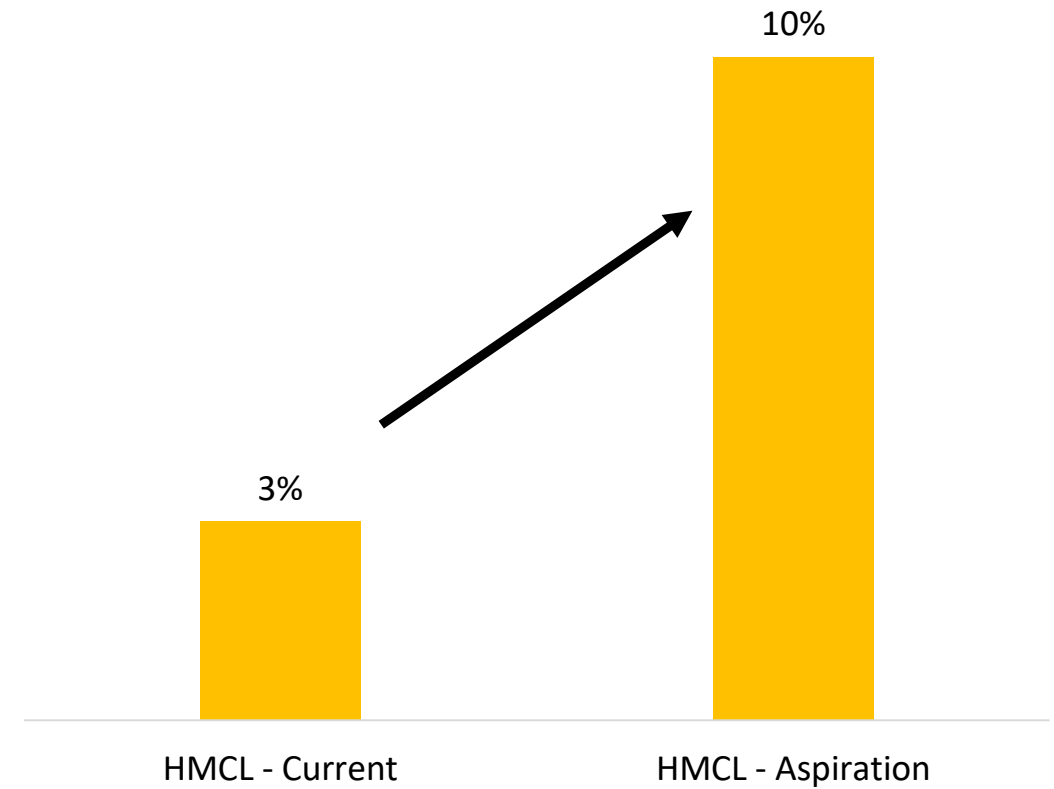


# Scale up global business market by market

Export contribution (%) to revenue (FY18)



Hero's medium term aspiration (%)



# Global reach, local expertise: market specific products & brands catering to 37 markets



**DAWN CARGO**  
2019, to start



**XPULSE 200**  
2019



**DAWN 125**  
2014, Upgrade: 2019



**DAWN 100**  
2013, Upgrade soon



**EURO-IV RANGE -2018/2019**



**DAWN 150**  
2016, Upgrade; 2019



**DAWN 150TR**  
2019

# EV strategy: to address niche and mass EV adoption



- **Duet E**
- Consumer/ market in-depth in 2017 & 2018
- Competency building for mass market EV product



- In-house **start-up launched in Sep 2018**
- 2 teams, EV Mobility offer for 1 batch
- POC ready, progress for proto



- Smart EV Scooter based in Bengaluru
- **Launched S450 & S340 in Jun 2018**
- Establishing charging infrastructure
- Strategic ownership >30%



## Lead sustainably

- Lower:
  - Energy consumption
  - Emissions
  - Water recycle, re-use

Environment



- Pillars for CSR:
  - Greener
  - Safer
  - Equitable

Social



- Strong governance framework:
  - Committees and policies
  - Risks and governance

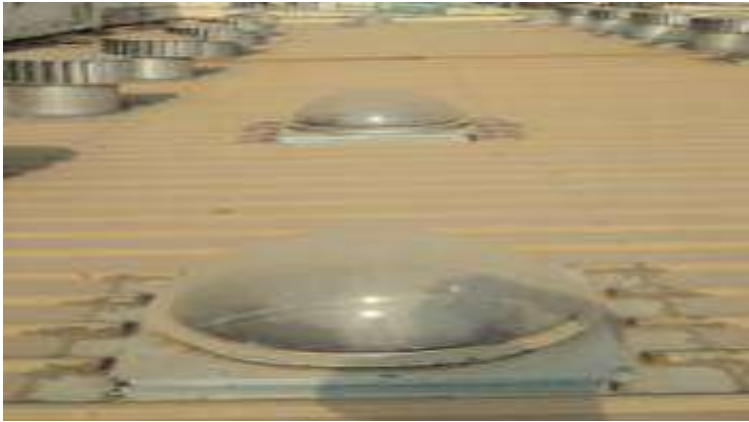
Governance



GOVERNANCE

Source: <https://www.heromotocorp.com/en-in/investors/sustainability-report.html>

# Efficient and green design to reduce our carbon footprint



Eco friendly solar tube light



Solar Panels: Reduced CO<sub>2</sub> emissions  
260.9 Tons / Year



Oxygen Generating Green Walls



Reverse Construction



Green House Food Production



Big Foot Technology

# Hero strives for a greener, safer and more equitable Earth

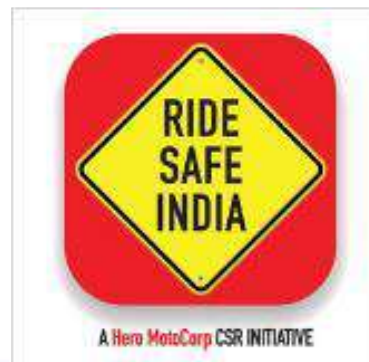
## Greener

- › 1.4Mn saplings planted – Hero-Times of India (TOI) drive → 5,850,000sq ft green cover
- › Student army of 10,000 Green Corps in 100 schools
- › Set up 6,265 solar streetlights → 220 MW green energy



## Safer

- › Flagship “Ride Safe” program
- › Trained 50,000 people on road safety
- › Road safety clubs in 1,150 schools



## Equitable

- › 160,000 students benefitted across 6 states
- › Programs support employability and livelihood: women, technical skills, specially abled, entrepreneurial spirit
- › 2w ride training for women





# Strong Governance framework



Ethics committee

Other committees

Share transfer committee

# Eminent Board of Directors



**M. Damodaran**  
Non-Executive & Independent  
Director



**Anand Burman**  
Non-Executive & Independent  
Director



**Ravi Nath**  
Non-Executive & Independent  
Director



**Shobana Kamineni**  
Non-Executive &  
Independent Director



**Paul Edgerley**  
Non-Executive & Independent  
Director



**Jagmohan Singh Raju**  
Additional & Independent  
Director



**Pradeep Dinodia**  
Non-Executive Director



**Suman Kant Munjal**  
Non-Executive Director



**Vikram Kasbekar**  
Executive Director



**Pawan Munjal**  
Chairman, MD & CEO

# Professional management team drives Hero's growth agenda



## Sanjay Bhan, Head Sales & After Sales

Joined Hero in Jan 1991 in Sales after his MBA. Worked his way up to as the Marketing Head in 2008. Responsible for the launch of the new brand "Hero"



## Niranjana Gupta, Chief Financial Officer

Earlier CFO for the Aluminium & Power of Vedanta. Worked with Unilever in various capacities including Global Finance Director in London. Also served as Procurement Head South Asia and drove supply chain synergies. Qualified as a CA, Cost Accountant & CS



## Rajat Bhargava, Head- Strategy & Performance Transformation & Global Business

Moved from McKinsey & Co. where he was a Senior Partner co-leading Operations & Industrial Practices in India and Purchasing & Supply Management in APAC. He is B Tech from IIT Delhi, and a Gold medallist from IIM Ahmedabad



## Vikram Kasbekar, Executive Director Operations (Plants)

>4 decades of experience in Operations, Supply Chain, Manufacturing and Project Engineering. Worked with Hero for ~14 years. Graduate from IIT, Madras in Mechanical Engineering



## Markus Braunsperger, Chief Technology Officer

Joined after 25yrs with BMW, Germany. Held several senior roles in R&D, Production & Strategy including heading the R&D function for BMW motorcycles. Project manager for key product lines such as 5/6/7 series and X3, X5 and X6



## Vijay Sethi, Chief Information Officer, Chief Human Resources Officer & Head Corporate Social & Head CSR

Passionate about CSR, he leads innovation efforts & holds interim charge for HR. He has 25+ years of experience in manufacturing & in consulting at TCS & Ranbaxy. MBA in Materials Management, a Master's in Industrial Engineering, a Bachelor's in Mechanical Engineering



## Neeraj Mathur, VP - Strategic Sourcing & SCM

Prior to joining Hero MotoCorp in 2009, worked with Escorts Yamaha, Maruti Suzuki, GM and Delphi. He is responsible for purchases of over \$4Bn. Qualified as a BE in Mechanical Engineering from Delhi College of Engineering



## Malo Le Masson, Head - Global Product Planning

Significant experience in Product Planning with Nissan across- JP, FR, HK, NL & CH. Led Infiniti Product Long Term Strategy. Key projects included global launches of Micra & the EV model - Nissan Leaf. Engineering graduate holds Masters in Fluid Dynamics from Aix-Marseille, France.



## Gurinder Sandhu, Head Marketing

Over 20 years of marketing experience, 12 of which was in leadership positions at leading consumer product companies viz Coca Cola, Asian Paints, Airtel and Tata Docomo. Gurinder is a BTech. from IIT-Delhi and has an MBA from FMS Delhi



## Neerja Sharma, Company Secretary & Chief Compliance Officer

Worked with Ballarpur Industries, Fortis Healthcare & Cairn. At Hero, Neerja ensures the highest standards of ethics & transparency working closely with the Board, leadership, shareholders & regulatory bodies. A qualified Company Secretary she is a commerce graduate

# Financial performance: FY19

Volume

7.8 Mn



Revenue

₹34,000 Cr  
3x over last 10 years



EBITDA Margin %

14.7%

Strong margin management

Top Quartile  
Dividend Pay-out

Reserves

₹13,000 Cr



Source: HMCL FY19 Financials

# In summary

01

Macro will continue to drive India growth

02

Significant long term opportunities in 2w

03

Hero has strong brands and capabilities to capture industry demand

04

Clear strategy to address white spaces- premium, scooter, global business

05

Gearing up to navigate EV space

06

Focussed on sustainable development





Thank You

