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HERO MOTOCORP MARCHES ON BUDGET FOCUS ON RURAL DEMAND

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INTRODUCTION:

Hero Honda started its operations in 1984 as a joint venture between Hero Cycles of India and Honda of Japan. In June 2012, Hero MotoCorp approved a proposal to merge the investment arm of its parent Hero Investment Pvt. Ltd. with the automaker. This decision came 18 months after its split from Hero Honda.

"Hero" is the brand name used by the Munjal brothers for their flagship company, Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at Dharuhera, India. Munjal family and the Honda group both owned a 26% stake in the company.

Hero MotoCorp Limited (formerly Hero Honda) is an Indian multinational motorcycle and scooter manufacturer headquartered in New Delhi. The company is one of the largest two-wheeler manufacturers in the world, as well as in India, where it has a market share of about 37.1% in the two-wheeler industry. Hero MotoCorp has a cumulative sale to date of over 110 Million motorcycles and scooters.

Riding on product innovation and its ever-expanding ecosystem, Hero MotoCorp is determined to stay at the forefront of the transformational shift in the personal mobility space. Leveraging its brand credibility, R&D

capabilities and technology prowess, it is now geared up to redefine the electric mobility space with its new brand — VIDA, Powered by Hero.

The world-class Centre of Innovation and Technology (CIT) at Jaipur, in the northern Indian state of Rajasthan, is the global hub of Hero MotoCorp's Research and Development. Established in 2016, the CIT works in close coordination with the Hero Tech Centre, Germany (TCG), near Munich, which is the company's first Technology Centre in Europe.

The CIT and TCG have technology experts from across the world that are engaged in developing a new range of mobility solutions for customers across the globe. The CIT is a sprawling, one-of-its-kind, R&D Centre that houses the best global facilities for product design & development, testing, and validation under one-roof. The TCG, established in 2020, focuses on the development of new vehicle concepts and future technologies.

As part of its technology ecosystem, Hero MotoCorp also engages with top global design and technology houses from across the world. Hero MotoCorp's manufacturing facilities are based on the core principle of sustainable development, as the Company remains committed to maintaining the highest ecological standards.

The Company's manufacturing facilities are aptly called 'Garden Factories', for their various measures, which have redefined green manufacturing. Hero MotoCorp has eight globally benchmarked manufacturing facilities. In India, the facilities are located at Dharuhera and Gurugram in Haryana; at Chittoor in Andhra Pradesh; at Haridwar in Uttarakhand; at Neemrana in Rajasthan, and at Halol in Gujarat. The facility in Colombia is located at Villa Rica in Cauca province and in Bangladesh at Jessore, in the southwestern region of the country.

Hero MotoCorp currently has an annual combined production capacity of around 9 million units of two-wheelers. The company has set well-defined aspirational sustainability targets, with Diversity & Inclusion (D&I) at the heart of its efforts. It has adopted the Women's Empowerment Principles, and socialisation programmes for specially-abled associates.

Hero MotoCorp is shaping a greener, safer and equitable future.

Two-wheeler maker Hero MotoCorp on Saturday reported a 15 per cent rise in total sales at 5,19,342 units for March 2023 as compared to 4,50,154 units in the same month last year. Domestic sales last month were at 5,02,730 units as against 4,15,764 units in March 2022, a growth of 21 per cent, Hero MotoCorp said in a statement.

Exports were, however, lower at 16,612 units as against 34,390 units in the year-ago month. In 2022-23, the company sold 53,28,546 units as against 49,44,150 units in 2021-22, up 8 per cent. Domestic sales in FY23 stood at 51,55,793 units as compared to 46,43,526 units in FY22, a growth of 11 per cent. Exports were lower at 1,72,753 units as compared to 3,00,624 units in FY22, the company said.

The company, which currently has a 32% share of the total two-wheeler market which includes 47% of the motorcycle market and 6% of the scooter market, has reported year-on-year growth of 20% in the festive period. The sales were led by high demand across key states such as Maharashtra, Gujarat, Rajasthan, Uttar Pradesh, Bihar, Jharkhand and Karnataka.

During the 1980s, the company introduced motorcycles that were popular in India for their fuel economy and low cost. A popular advertising campaign based on the slogan 'Fill it – Shut it – Forget it' that emphasized the motorcycle's fuel efficiency helped the company grow at a double-digit pace since its inception. In 2001, the company became the largest two-wheeler manufacturing company in India and globally. It maintains global industry leaders to date. The technology in the bikes of Hero Motocorp (earlier Hero Honda) for almost 26 years (1984–2010) has come from the Japanese counterpart Honda.

Hero MotoCorp has five manufacturing facilities based at Dharuhera, Gurugram, Neemrana, Haridwar and Halol . A new manufacturing facility is in the process of being set up in Chittoor in Andhra Pradesh. Spread over 600 acres, the company has invested 1600 crores in setting up this greenfield facility. These plants together have a production capacity of over 76 lakh (7.6 million) 2-wheelers per year. Hero MotoCorp has a sales and service network with over 6,000 dealerships and service points across India.

It has had a customer loyalty program since 2000, called the Hero Honda Passport Program which is now known as Hero GoodLife Program. As of 31 March 2020, the company has an annual capacity of 9.1 million units in its eight manufacturing facilities. Apart from these manufacturing facilities the company also has two R&D facilities, in Germany & Jaipur.

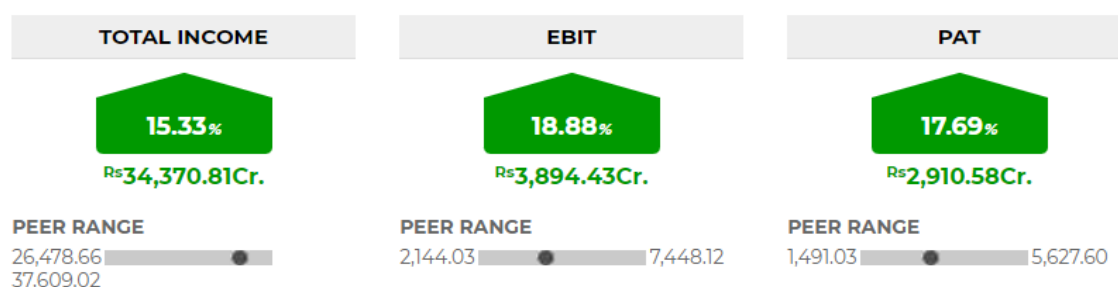
It is reported that Hero MotoCorp has five joint ventures or associate companies, Munjal Showa, AG Industries, Sunbeam Auto, Rockman Industries, and Satyam Auto Components, that supply a majority of its components. As of March 2013, the company has sold over 7 crores (70 million) of 2-wheelers since its inception in 1984.^[3] It sold 60.7 lakhs (6.07 million) 2-wheelers in 2012, out of which 55 lakh (5.5 million) were motorcycles. Hero MotoCorp sells more two-wheelers than the second, third, and fourth-placed two-wheeler companies put together.^[3] Its most popular bike, the Hero Splendour sells more than 10 lakh units per year.

The company aims to achieve revenues of ₹64,000 crores (equivalent to ₹780 billion or US\$9.8 billion in 2020) and volumes of 10 lakh two-wheelers by 2016–17. This is in conjunction with new countries where they can now market their two-wheelers following the disengagement from Honda. Hero MotoCorp hopes to achieve 10% of its revenues from international markets, and they expected to launch sales in Nigeria by end-

2011 or early 2012. Hero MotoCorp launched XPulse 200 adventure motorcycle in India on 1 May 2019, along with the XPulse 200T touring motorcycle.

In 2019, Hero MotoCorp sold more than 78 lakhs (7.8 million) units, the highest of any two-wheeler company in the world. It registered its best-ever monthly performance by selling 7,69,000 units in September 2018. The company registered its best-ever quarterly performance in the April - June 2018 quarter (non-festive time) by selling more than 21 lakhs (2.1 million) units. In January 2021, Hero MotoCorp's production exceeded 100 million. As of 2021, Hero is the only Indian automobile brand to exceed 100 million in production. In February 2021, Hero MotoCorp sold 484,405 units with 0.9 percent growth.

HERO MOTOCORP YEARLY RESULTS, FINANCIAL SUMMARY:



Yearly - Hero MotoCorp Ltd.

	Rs (in Crores)				
	Mar'23	Mar'22	Mar'21	Mar'20	Mar'19
INCOME					
Net Sales Turnover	33805.65	29245.47	30800.62	28836.09	33650.54
Other Income	565.16	556.91	579.85	778.34	691.25
Total Income	34370.81	29802.38	31380.47	29614.43	34341.79

Hero MotoCorp Surpasses 5.3 million (53 lakh) sales in FY 2023 Riding high on its increased sales streak, the company has also ended FY 2022-23 on a positive note. Sales stood at 53,28,546 units in the April-March 2023 period. This was an 8 percent growth over 49,44,150 units sold in FY 2021-22. MoM sales growth stood at 31.66 percent when compared to 3,94,460 unit sales total (domestic + exports) in Feb 2023.

Hero MotoCorp	Mar-23	Mar-22	Diff	Growth % YoY	% Share Mar 23
Motorcycles	4,85,896	4,25,721	60,175	14.13	93.56
Scooters	33,446	24,433	9,013	36.89	6.44
Domestic	5,02,730	4,15,764	86,966	20.92	96.80
Exports	16,612	34,290	-17,678	-51.55	3.20
Total	5,19,342	4,50,154	69,188	15.37	100.00
Hero MotoCorp	Mar-23	Feb-23	Diff	Growth % MoM	% Share Feb 23
Motorcycles	4,85,896	3,71,854	1,14,042	30.67	94.27
Scooters	33,446	22,606	10,840	47.95	5.73
Domestic	5,02,730	3,82,317	1,20,413	31.50	96.92
Exports	16,612	12,143	4,469	36.80	3.08
Total	5,19,342	3,94,460	1,24,882	31.66	100.00
Hero MotoCorp	FY23	FY22	Diff	Growth % YoY	% Share FY 23
Motorcycles	49,59,156	46,27,765	3,31,391	7.16	93.07
Scooters	3,69,390	3,16,385	53,005	16.75	6.93
Domestic	51,55,793	46,43,526	5,12,267	11.03	96.76
Exports	1,72,753	3,00,624	-1,27,871	-42.54	3.24
Total	53,28,546	49,44,150	3,84,396	7.77	100.00

taking into account motorcycle and scooter sales separately, motorcycle sales stood at 4,85,896 units in March 2023, up from 4,25,721 units sold in March 2022. On a YTD FY23 basis, motorcycle sales were at 49,59,156 units up from 46,27,765 units sold in FY 2021-22. Scooter sales also saw outstanding growth with 33,446 units sold in March 2023, up from 24,433 units sold in March 2022. YTD FY 23 sales were at 3,69,390 units from 3,16,385 units sold in YTD FY 22. In the scooter segment, it was the recently launched Xoom 110 cc scooter that added to sales. Out of total sales of 5,19,342 units in March 2023, domestic sales stood at 5,02,730 units while 16,612 units were exported.

This was as against 4,15,764 units sold in domestic markets in March 2022 and 34,390 units exported relating to a de-growth in terms of exports. YTD FY23 exports were also lower at 1,72,753 units from 3,00,624 units shipped in YTD FY 22.

Hero has also entered the electric two wheeler segment late last year with the Hero Vida V1 electric scooter launched at Rs 1.45 lakh and offering a range of 165 kms. Hero Xoom is offered in two variants LX and ZX priced at Rs 68,599 and Rs 76,699 respectively (ex-showroom). Along with the launch of the new Xoom scooter and Vida V1 electric two wheelers, the company has also set up over 300 charging stations across 50 locations in cities of Delhi, Jaipur and Bengaluru.

The company strengthened its portfolio with new and improved variants of the Splendor and Passion along with the Super Splendor XTEC along with XPulse 200T and XPulse 200 4V Rally Edition. Launches in the past financial year also included the Canvas Black Edition for Super Splendor and Stealth 2.0 Edition for Xtreme 160R. Hero MotoCorp entered into an alliance with Zero Motorcycles of California, USA for a more premium range of motorcycles and higher performing engines. Hero MotoCorp in partnership with Terrafirma Motors Corporation, marked its entry into South East Asian and is set to launch its products in the Philippines.

Questions:

1. Discuss the growth strategies of Hero Honda over the years.
2. Analyse the rural marketing strategy of Hero Honda.
3. Examine the challenges faced by Hero Honda in the rural markets.
4. Study the potential of Indian rural market for two wheelers.

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