

Management Discussion and Analysis



Hero MotoCorp Limited (HMCL) is the world's largest manufacturer of motorcycles and scooters, a position it has held for the past 20 consecutive years. With presence in over 40 countries across the globe, the Company's vision is to 'Be the Future of Mobility' and through its R&D, manufacturing, products, services and sustainable approach, it strives to set benchmarks of excellence in the industry. Hero MotoCorp achieved the momentous milestone of 100 million cumulative production and sales in January 2021. During the year the Company increased its overall domestic market share and also increased its share in the premium motorcycle and scooter segments.

2020 posed one of the biggest tests for human perseverance –as Covid-19 caused unprecedented challenges for individuals as well as communities at large. It not only altered the way of life, but also induced a paradigm shift in the way businesses operate.

Hero MotoCorp was among the very first companies in the country to proactively shut down its global

offices. The decision prepared the Company to resume operations in good stead and scale up production to meet the growing demand for motorcycles and scooters in the country when demand revived after the lockdowns were lifted. The Company's agile and holistic approach to manage supply chains and production enabled it to maintain its leadership in the market, while upholding the safety of its employees and stakeholders as its foremost priority at all times.

Sustainability continued to be a key focus area with multiple initiatives to embrace diversity and encourage social inclusion. Besides, the Company's consistent efforts to sustain the highest levels of corporate governance enabled it to accomplish its objectives efficiently. With an emphasis on innovation, teamwork and good governance, Hero MotoCorp is now poised to carry its legacy forward as a sustainable and future-ready enterprise.

Economic Overview

Global: On the path of robust recovery

While the pandemic dealt a major blow to the Gross Domestic Product of all major economies around the world, recent estimates suggest a smart pickup in economic growth in the next fiscal. Increasing consumer confidence, consumption and industrial output, led by investments promised in two of the world’s largest economies, USA and China, continue to improve sentiments.

Moreover, the worldwide inoculation drive has fostered hopes of a new beginning that has the potential to successfully curb the spread of the pandemic. However, caution prevails due to the resurgence of new variants of the virus in various countries. Additional stimulus and government support across the globe is likely to push the recovery closer, as witnessed in the Q3 GDP numbers, however the entire Q4 was again affected by new strains of the virus leading to another wave.

Global growth projections for 2021 have risen to 6.0% as per International Monetary Fund (IMF WEO Apr 2021), with emerging markets forecasted to grow at 6.7% in 2021.

India is expected to deliver a strong growth, aided by policy support, abundant stimulus and low interest rates. However, one remains cautious about the prevalent uncertainty and the possibility of subsequent waves of infection.

The extent of the recovery may chase a diverging path from one region to another, given the varying impact of the multiple Covid-19 variants, access to vaccines, execution of structural support, and numerous other geopolitical factors. As 2020 witnessed historic monetary and fiscal stimulus, the eventual fallout may be higher inflation, especially after economic activity gains traction. The Central Banks may need to intervene at some stage to maintain liquidity while they manage increased inflationary pressures.

The pickup in the manufacturing sector may be swifter than services, while the travel, tourism and other contact-intensive industries may take some time for revival.

The Covid-19 pandemic decelerated the global economic activity owing to the extended lockdowns and mobility curbs in most parts of the world. As a result, global economic output contracted by 3.3% in 2020. The economic impact of the pandemic was more severe in developed countries, with economic output declining 4.7% in 2020. On the other hand, emerging market and developing economies witnessed contractions with an estimated output decline of 2.2% in 2020³.

The global merchandise trade volume is expected to increase by 8.0% in 2021 after having fallen 5.3% in 2020 (Source: World Trade Organisation) due to the disruption in international production networks and subdued demand worldwide. In addition, the pandemic has unleashed an unemployment crisis, widened inequalities and pushed millions of people into the lower economic strata. The pandemic has also tested the resilience of economic systems of major economies while exposing systemic vulnerabilities within the global economy.

The prospects of a global economic revival still remain uncertain due to the emergence of new virus strains in different parts of the world. However, the vaccination drive along with government support remains the key to navigate through these trying times.

As the research fraternity came together to develop the coronavirus vaccine in record time, it offered a clear peek into the strength and agility of humankind in a manner never witnessed before. Going ahead, rapid vaccination remains the key to control the pandemic and bounce the economy back to pre-Covid growth levels, and upwards.

Outlook

The global economy is projected to grow at 6.0% in 2021 and is expected to reach 4.4% growth in 2022. The upward trajectory is a reflection of increased fiscal stimulus in a few major economies, backed by vaccine-driven turnaround. The prospects for a quick recovery in world trade have improved with the expansion of



¹ IMF, World Economic Output, April 2021

² <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-february-2021-briefing-no-146/>

³ Source: International Monetary Fund

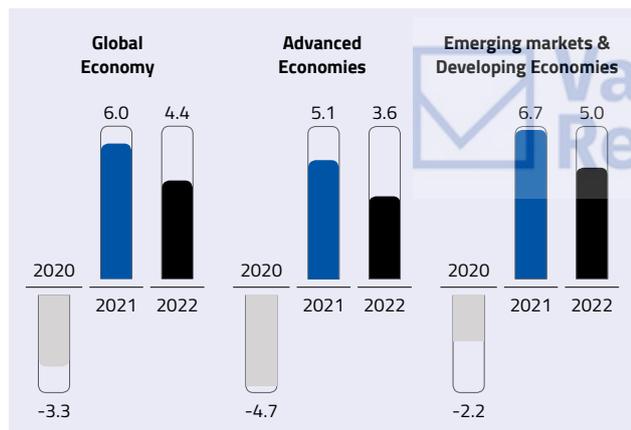


India: A steady growth story

India witnessed one of the most stringent lockdowns in history, in the aftermath of the novel coronavirus outbreak. With all major sectors completely closed down for two months, Q1 was a complete wipe-out for the economy. On the positive side, India dealt effectively with the first bout of Covid-19 infections while the country was faced by a calamitous second wave of the pandemic.

merchandise trade in the second half of 2020. According to new estimates from the World Trade Organization(WTO), the volume of world merchandise trade is projected to increase by 8.0% in 2021. Oil prices bounced back in 2021 from the unprecedented lows of 2020, as vaccinations and fiscal stimulus policies aid the global economy's faster-than-expected rebound. (Source: IMF Forecast)

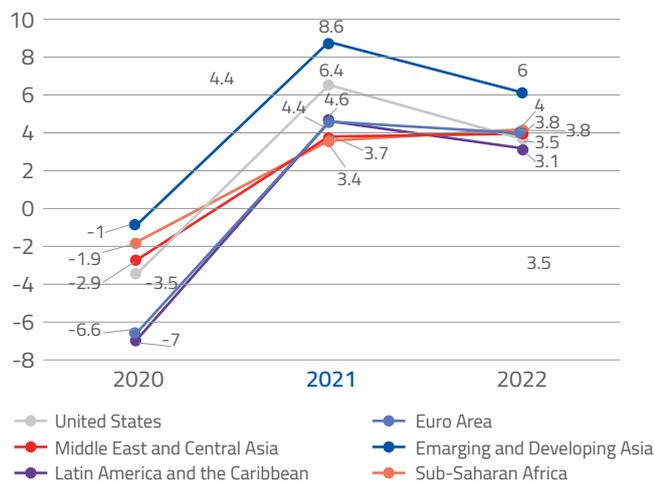
Global growth trend (%)



(Source: International Monetary Fund, April 2021)



Global growth geography wise



(Source: International Monetary Fund, April 2021)

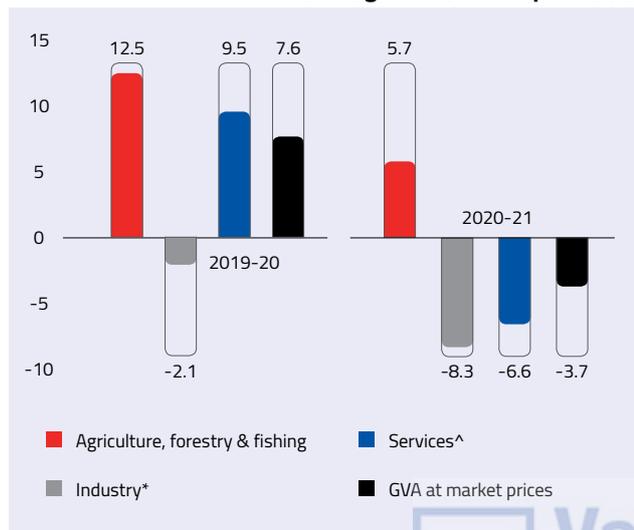
Despite an tumultous 2nd wave of infection, India is set to record the highest growth amongst all major economies, albeit on a low base. The consumption scale seems to be normalizing, fueled by the impetus offered by festive demand. Revival in contact-intensive sectors may be skewed, particularly in the wake of the return wave of the pandemic.

The pandemic related lockdowns and the social distancing norms slowed down economic activities in most countries including India. The hardest hit sectors were tourism and travel, hospitality, aviation and construction. But, the agricultural sector has maintained its resilience through adversities and emerged as a silver lining during the pandemic.

To accelerate economic recovery, India followed a four-pillar strategy of containment, fiscal, financial, and long-term structural reforms. Calibrated fiscal and monetary support was given by the government to boost consumption and investment in India. The government also announced a stimulus package of ₹ 20 lakh crore, (~265 billion\$) to carry forward its vision of Atmanirbhar Bharat (self-reliant India) and combat challenges posed by the pandemic³.

As the pandemic recedes, India may well get on the path of a swift recovery, with quarter-on-quarter growth and improvement in various macroeconomic indicators such as e-way bills, rail freight, GST collections and power consumption, especially in the latter part of the financial year. This economic recovery is likely to be bolstered as the mass vaccination campaign picks up, with expectations of a rapid turnaround in the services sector and opportunities for strong growth in consumption and investment.

National Gross Value Added (GVA) growth (current prices) (%)



(Source: Advance CSO Estimates)

*Includes Manufacturing, Mining & Quarrying, Construction

^Includes Electricity, Gas, Water Supply & other Utility Services; Trade, Hotels, Transport, Communication and Broadcasting Services; Financial, Real Estate & Professional Services.

Outlook

India witnessed a positive GDP growth in Q3 and Q4 of FY 2020-21 despite it being a year full of surprises. This also helped cushion the full year impact on GDP, which was better than estimates. The Union Budget 2021-22 laid the groundwork for India's target of

being a \$5 Trillion economy, and the reform measures announced in the budget are likely to support this vision.

The Indian government has implemented a slew of reforms, including labour reforms, corporate tax cuts, and various other schemes that will aid economic recovery in the coming fiscal. Along with this, normal monsoons, rural spending and rapid vaccination will remain key factors for ushering an economic rebound.

To further stimulate the competitiveness of the economy, government policies have been focused on growth-propagating reforms. For instance, Production-Linked Incentive (PLI) Scheme announced for key industries would benefit the manufacturing sector with an aim of positioning India as a preferred manufacturing and export hub. Additionally, the growth in services is expected to pick up in the second half of FY 2021-22 with staggered reopening of the economy and revitalized sentiments.

While temporary setbacks in the economic recovery may transpire, driven by rise in inflation, potential supply disruptions and resurgence in infection cases, the long term growth potential of the economy remains unscathed, as it is expected to be significantly less impacted by the second wave, in comparison to the first one. As the consumption cycle picks up, substantiated by all-time high GST collections, rise in the RBI Consumer Confidence Survey etc., the economic momentum is expected to be revived on the back of strong underlying resilience and improvement in demand.

GDP Growth Rate (in %) at constant price



Source: As per second advance estimate 2020-21



³ <https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1623601#:~:text=Hon'ble%20Prime%20Minister%20Shri,or%20Self%2DReliant%20India%20Movement>

⁴ Economic Survey 2020-21

⁵ Union Budget 2021-22

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Industry Overview & Company Performance

Global motorcycles and scooters industry overview



The global motorcycles and scooters market has witnessed significant volatility in recent years, in terms of changes in safety norms, advance payment of insurance, emission norms etc., Each of these can be considered phenomenal changes, introduced may be once in a decade. In spite of these, owing to strong underlying drivers, demand stayed resilient and is expected to revive significantly over the next five years.

Due to a stringent regulatory environment and implementation of new emission standards, the market has witnessed some precariousness in the recent past. However, after the easing of lockdown restrictions, the industry witnessed a strong demand uptick, bouncing back from first half of FY 2020-21 when the impact of the pandemic was most severe. As a fresh wave of Covid-19 continues to affect many countries, lockdowns may impact demand in the near term. However, growth is expected to be back to normal by H2 of FY 2021-22.

The motorcycles and scooters industry experienced a short-term dip in demand with the onset of Covid-19, resulting in a decline in manufacturing and sales. As a result, global motorcycle sales in 2020 dropped 14% in comparison to the previous year to reach 56.5 million units. A volume reduction of about 9 million units was witnessed in 2020, with countries like India (-5 million), Indonesia (-2.9 million), Philippines (-0.7 million) and Vietnam (-0.5 million) contributing to the decline⁶.

Post the pandemic, two new trends have emerged in the industry. First, the demand for personal mobility has increased, offering a level playing field to motorcycles and scooters. Second, pent up demand for motorcycles and scooters increased sales, mostly because motorcycles and scooters are also income enablers for a large section of the population. As a result, in the second half of 2020, the global motorcycle market witnessed visible growth in many countries.

Outlook

Higher fuel efficiency, lower emissions, easy maneuverability, and price competitiveness are expected to drive overall demand for motorcycles and scooters. Furthermore, the launch of new models, increased road infrastructure investments coupled with a rise in the number of female drivers, are projected to fuel motorcycles and scooters sales around the world.

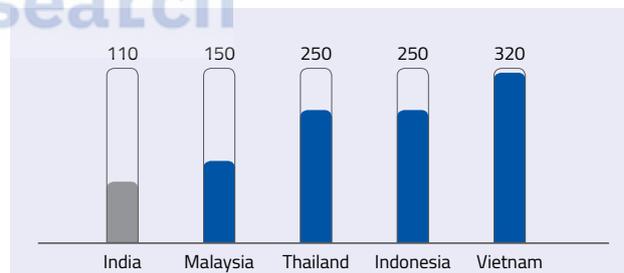
Indian motorcycles and scooters industry

India is the second-most populous country in the world and has a sizeable chunk of middle and low income population. The penetration of motorcycles and scooters in India remains low at ~110 per 1000 people vs. an average of ~240 in Southeast Asian countries, hence the untapped potential in the country is huge. Commuting continues to be a challenge due to congestion in urban areas and the need to travel long distances in rural areas for day-to-day activities. Two-wheelers, ranging from motorcycles and scooters to mopeds, have emerged as dependable mobility solutions that make commuting faster and easier.

With an aim to encourage eco-friendly operations, the government introduced Bharat Stage IV (BS IV) emission standards for vehicles in 2017. It later became mandatory for all automotive companies to sell and register only BS VI compliant vehicles, starting April 1, 2020 ahead of any other country in the world. India led the adoption of low emission motorcycles and scooters across the world.

Due to supply chain disruptions, reverse migration of labour and subdued demand after the Covid-19 outbreak, the motorcycles and scooters industry was adversely impacted at the beginning of FY 2020-21. However, demand started recovering after lockdowns were lifted in July 2020, backed by a buoyant festive season and increasing demand for personal modes of transport that ensured social distancing and therefore safety.

Motorcycles and Scooters Penetration per 1000 population

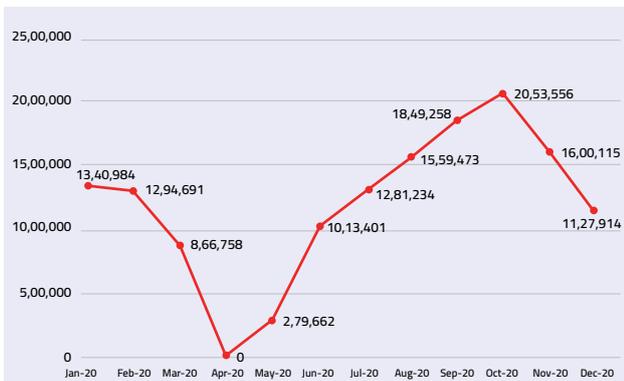


⁶ <https://www.motorcyclesdata.com/2021/04/08/world-motorcycles-market/>

Major Highlights of FY 2020-21

- With more than 150 lakh domestic sales in FY 2020-21, India’s motorcycles and scooters market declined by 13% in comparison to the previous year⁷. After a wash-out quarter, sales started recovering from the second half of the year.
- The lesser impacted rural and semi-urban markets started showing signs of recovery from September and October 2020, when the domestic motorcycles and scooters market experienced growth of 11% and 16%, respectively in wholesale volumes⁸.
- In October-November 2020, the motorcycles and scooters segment witnessed a boost driven by the festive season, with domestic sales registering significant rise. Total domestic motorcycles and scooters sales rose 15% year-on-year during the period. Due to strong demand, motorcycles and scooters production also increased by 40.14% to 24,18,028 units in October 2020, up from 17,25,462 units in October 2019⁹.
- The Indian electric scooter and motorcycle market had been severely impacted after the shutdown of manufacturing plants during the lockdown. In addition, the supply of electric vehicle components from China was also disrupted.
- In January 2021, around 14,29,373 motorcycles and scooters were dispatched from Original Equipment Manufacturers (OEMs) to their respective dealerships⁹. The motorcycles and scooters sales recorded a growth of 6.7% in January 2021, in comparison to January 2020⁹.

Motorcycles and Scooters sales Trend in India - Calendar Year 2020



Source: <https://www.autopundit.com/post/two-wheeler-sales-in-india-for-the-year-2020-hero-gains-the-highest-market-share>

Outlook

The motorcycles and scooters remains the most cost-effective and fastest mode of last mile connectivity, and is an income enabler for many. A preference for personal mobility induced by the pandemic could aid near-term motorcycles and scooters

demand, which has been impacted by repeated waves of Covid-19. However, with income levels and livelihood opportunities expected to be further augmented in the near term, the economic growth is likely to gather pace, driving demand for ownership of motorcycles and scooters. The progressive policies and reforms are estimated to stimulate growth, with positive growth expected across core sectors of the economy. A quick recovery in industrial production, rise in exports and increased consumer spending will provide a shot in the arm for the economy to clock double digit growth in the near to medium term.

Growth in e-commerce and emergence of unicorns from the Indian ecosystem will play a critical role in driving digitisation in the economy. The increasing acceptance of food delivery, grocery, retail, pharmacy and transportation will usher sustained growth in the long-term. These enterprises not only bring comfort and convenience to the doorstep of the end-user, but also provide employment opportunities to many.

Hero MotoCorp’s Operational Performance

The domestic sales of the Company stood at 56 lakh units, with positive growth in all quarters except for Q1 FY 2020-21 which was impacted by the lockdown. This was achieved despite the recurring lockdowns, decreased consumer spending and liquidity crunch, reflecting the underlying resilience of the sector. During the year under review, the Company increased its domestic market share by 1.4%. The Company’s constant efforts to engage with customers through online as well as offline platforms, expand its dealership network and undertake strategic partnership with key players enabled it to further its journey as the market leader.

In the premium motorcycle and scooter segments and in global business/ exports, Hero MotoCorp’s performance improved while the contribution from spares and after sales also improved substantially. The strong performance in these segments, and segmental performance in the broader markets helped the Company sustain growth. The Company also registered the highest ever sales of spare parts in FY 2020-21, amounting to ₹ 3,178 crore. Alongside, in the premium segment, the Company’s domestic dispatches more than doubled in FY 2020-21 on back of successful product launches. Global business presence also expanded with expansion in newer markets of Mexico and strengthening of the Company’s position in existing markets of Kenya, Nicaragua and Honduras. The Company also introduced 13 new models and refreshes, across all segments, to further drive sales and profitability levels. With a focused approach on global business, launch of new products, the Company would like to set a new benchmark for sales going forward.

Institutional business

During the year under review, the Company registered highest ever sales in GeM (Govt. e-Marketplace) business. The business

⁷ <https://www.siam.in/pressrelease-details.aspx?mpgid=48&pgidtrail=50&pid=481>

⁸ <https://auto.economicstimes.indiatimes.com/news/two-wheelers/motorcycles/where-is-indian-two-wheeler-market-heading/79207062>

⁹ <https://www.autopundit.com/post/two-wheeler-sales-snapshot-january-2021>

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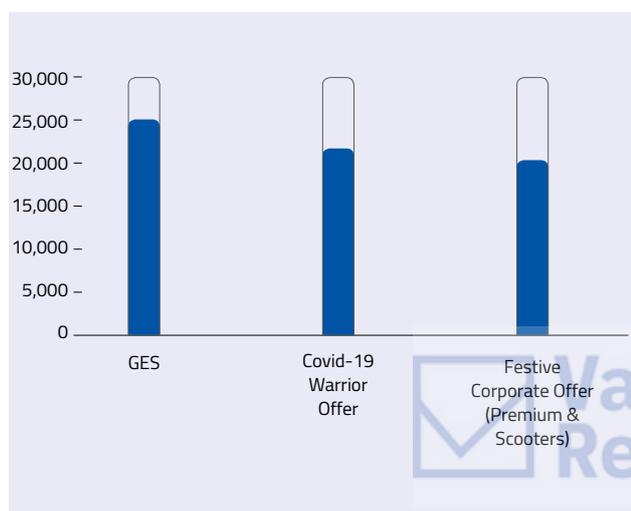
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growth was largely driven by huge orders received from the Assam government and Panchayat & Rural Department of Assam, along with winning bids for key tenders on the government e-marketplace.

6.8%

YoY growth in revenue in FY 2020-21

Motorcycles and Scooters Volumes



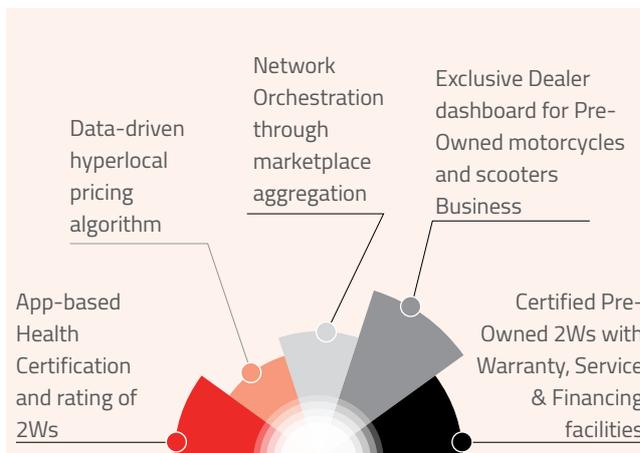
Pre-owned Motorcycle and Scooter Business

Through its foray into the pre-owned motorcycle and scooter business, the Company collaborated with its in-house incubation Hero Hatch, to unleash a revamped **Hero Sure** based on the **Wheels of trust** platform.

Evolving as a PHYGITAL channel, Hero Sure Outlets are now powered with the digital platforms of Wheels of Trust that leverage technology for price discovery & quality assurance. The new-age uber-scalable ways dovetailed with the Company's operational excellence, create a unique position for the Company and help it to become a trustworthy partner for consumers.

With the introduction of more than **75+ exclusive Outlets**, the Company's expansion roadmap is a testimony of its growing traction among stakeholders. The growth of pre-owned motorcycles and scooters Industry is further fueled in the post Covid-19 era. Hero MotoCorp is expected to retain its leadership in this segment in the long term.

The core strengths of its offerings include:



Supply Chain

Hero MotoCorp embarked on a supply chain transformation journey long back in 2006 with Total Productive Maintenance (TPM). It attempts to create an environment for maximizing the effectiveness of the entire production system, by building a 'Zero Accident, Zero Defect, Zero Breakdown' system. The Company has successfully overcome difficult times during the pandemic through robust supply chain management, using TPM.

The Company revamped the entire production process and progressed from producing 5,000 vehicles per day (vpd) to 30,000 vpd within 6 months of resuming operations after the lockdown. In addition, the Company delivered 56 mission critical projects in 60 days to meet a production target of 8 lakh units in one month, recording all-time high production volumes in a month, showcasing its strength during adversity.

The Covid-19 pandemic induced rapid transformation within the organisation, creating an added impetus for digitisation. At Hero MotoCorp too, use of technology and digitisation gained speed during and after the lockdown, enabling it to streamline all its operations virtually, including online sales augmented by artificial intelligence.

The Company undertook various efforts to aid its fight against Covid-19. It initiated a Covid Zone mapping dashboard to improve decision making during the pandemic and a Vendor Zone mapping dashboard to ensure minimal disruptions to the supply chain. In addition, the Company created a central supplier repository to track and improve the visibility of suppliers. It also automated the process for price change requests and created a supplier performance and rating module.

Cost optimisation has been a top priority for the organization and targeted cost reduction initiatives were driven successfully during the pandemic and after. As a result, the Company strengthened its margins across key indicators during the fiscal despite global commodity pressures and supply chain disruptions.

100 Million

Motorcycles and Scooters production milestone

31,021

Highest per day production of motorcycles and scooters in FY 2020-21

803,462

Highest ever monthly production of motorcycles and scooters

BS VI Implementation Strategy

The Government of India mandated all car and motorcycles and scooters manufacturers to sell and register vehicles in compliance with the Bharat Stage VI (BS VI) emission standards from April 1, 2020. With a view to meeting these regulations, the Company

evaluated the necessary changes required well in advance, and subsequently delivered not just a renewed product range, but a better value proposition as well.

With a dedicated team for planning, tracking and reviewing measures, in collaboration with major suppliers, the Company executed a seamless transition to BS VI standards, within the stipulated timeline, without compromising its quality standards.

To ensure seamless transition, the joint efforts of the design, testing, validation and quality teams played a vital role as they also helped supply partners to successfully aid the process.



Value Research

Evaluating performance: Industry vs Hero MotoCorp

Industry Segment	Hero MotoCorp's Performance (Including its Market share in each segment)
Entry level	
The demand for entry level motorcycles and scooters was affected due to the disruption induced by the pandemic. Lockdowns and WFH kept a majority of the college and office-going population confined to the comfort of their homes.	Hero MotoCorp continues to be the market leader in the entry segment (68% market share) with its efficient and affordable product offerings. The Company believes the entry segment has ample headroom for growth, and the opportunity at the bottom of the pyramid remains immense. The Company will continue to build affordable solutions for the mass market and has received very positive responses around the same.
Deluxe	
The deluxe segment witnessed gradual signs of recovery post the easing of lockdown restrictions and the arrival of the festive season in the second half of the year.	With a 9% growth of market share, in deluxe 100-110cc segment, the Company's market share in this segment stands at a solid 84%. In the 125cc segment, the Company has a market share of 41%.
Premium (150cc+)	
In the premium segment, the competition continues to rise with absence of a clear market leader and most players aiming to capture the growing market for this segment.	With relentless focus on increasing its market presence in the premium segment, the Company expanded its market share to 3.7% in FY 2020-21, more than twice the 1.6% share of FY 2019-20.
Scooter Segment	
The scooter segment was hit largely due to suppressed urban demand and lockdowns in several metro cities.	During the year under review, the Company's market share in the scooter segment increased by 2.7% to reach 9.9%.

Financial Performance

(₹ in crore)

Particulars	Year-ended	
	FY 2020-21	FY 2019-20
Number of Motorcycles and scooters sold (in lakh)	58	64
Income		
(a) Revenue from Operations	30,801	28,836
(b) Other Income	580	778
Total Income	31,380	29,614
Expenses		
(a) Cost of materials consumed & changes in inventories	21,762	19,697
(b) Employee benefits expense	1,899	1,842
(c) Other Expenses	3,819	4,179
Total Expenses	27,480	25,718
Profit before exceptional item and tax	3,900	3,896
Exceptional item	-	677
Tax expense	936	940
Profit after exceptional item and tax	2,964	3,633
Other comprehensive income/(expense)[net of tax]	(21)	(32)
Total comprehensive income	2,943	3,601
Earning per equity share on profit after tax (face value ₹ 2 each)	148	182

Sales volume declined by 9% during the fiscal year 2020-21 as compared to a 13% drop for the industry on account of the Covid-19 pandemic and the consequent economic slowdown. After a near washout of the peak season during the first half of the year, volumes picked up gradually in the latter half driven by bumper harvests, festive season and pent-up demand. Further recovery was aided by a spur in economic activities towards the end of the year and it led to record growth in the last two quarters of the year.

Despite the drop in volumes, revenue from operations actually increased by 7% due to improved mix, cost optimization, and the calibrated price increases due to regulatory changes and BS VI transition. The increased revenue thereby helped in offsetting volume drop y-o-y to a great extent.

Led by commodity price increases, material cost as a percentage of Revenue increased by 235 basis points to 71% during the fiscal 2020-21 over the previous fiscal. The price rise was due to increase in commodity prices with some commodities witnessing super cycles. The downward pressure on input prices due to an appreciating rupee and decline in prices of precious metals were offset by record surges in prices of base metals, estimated to hover above 30%.

Employee cost grew by 3% during the fiscal 2020-21 on the base, primarily due to annual increment and other employee benefit expenses.

Depreciation & Amortisation cost has decreased by ₹ 141 crore. This is on account of accelerated depreciation charged on certain assets pursuant to phasing out of BS IV assets in previous year, which has been partly offset by full year depreciation of the new plant in Chittoor.

Finance Cost decreased marginally by ₹ 0.2 crore with respect to previous year.

Other expenses came down significantly by 7% during FY 2020-21 to ₹ 3,120 crores. The difference was primarily due to reduction in variable spends on power, fuel, stores, consumables, logistics and packaging, owing to the prolonged shutdowns during the lockdown and drop in volumes. Furthermore, advertising spends were reduced in line with to demand contraction in the first half of the year.

Effective tax rate has increased from 20.6% in previous year to 24.0% in current year on account of cumulative impact of one time remeasurement of deferred tax-Asset / liability consequent to change of rates in the previous year.

Previous year, during the quarter ended September 30, 2019, the Company had introduced a voluntary retirement scheme (VRS) and had considered a provision of ₹ 60.11 crore. Extraordinary expense for employees who have accepted to be part of VRS has been considered as exceptional item in the standalone financial results.

Change in Key Financial Ratios

Particulars	FY 2020-21	FY 2019-20	Change (in%)	Remarks-2020-21
Debtors turnover ratio-times	19.15	16.30	17.51	Debtor turnover ratio increased from 16.30 times in FY 2019-20 to 19.15 times in FY 2020-21 mainly on account of increased topline and lower average debtors compared to previous year
Inventory turnover ratio-times	19.15	22.52	(14.99)	Inventory turnover ratio has marginally fallen from 22.52 times in FY 2019-20 to 19.15 times in FY 2020-21 because of increase in average inventory level in comparison to cost of goods sold.
Interest coverage ratio	NA	NA		
Current ratio-times	0.78	0.90	(13.79)	Overall the trade receivables, inventory and trade payables of the Company has increased owing to the BS VI pricing premium. As the company operates on a negative working capital has resulted in a fall in current ratio from 0.90 in FY 2019-20 to 0.78 in FY 2020-21
Debt equity ratio	NA	NA		
Operating Profit margin (%)	10.85	10.89	(0.3)	Operating margin for the year is similar to those of previous year, marginally falling by 0.3% on account of negative operating leverage
Net Profit margin (%)	9.45	12.27	(23.01)	Net profit margin decreased by 282 bps (9.45% Vs 12.27 % FY 2019-20). Lower net profit margin is mainly attributable due to net exceptional income in previous year and lower effective tax rate due to cumulative effect of changes in tax rates.
Return on net worth (%)	20.21	26.92	(24.9)	Return on net worth decreased by 6.7% (20.2% Vs 26.9% FY 2019-20). Lower return on net worth is mainly attributable due to net exceptional income of ₹ 677 crore in previous year.

Major movements in Balance Sheet figures

Non Current Assets increased by ₹ 747 crore (FY 2020-21- ₹ 11,208 crore vs FY 2019-20 - ₹ 10,461 crore). Increase in assets is mainly on account of increase in Investment by ₹ 780 crore which was partly offset by lower fixed asset additions and lower capitalisation of capital advances which in previous years were into fixed assets.

Current Assets increased by ₹ 2,664 crore (FY 2020-21- ₹ 10,953 crore vs FY 2019-20 - ₹ 8,289 crore). Investment increased by ₹ 1,497 crore on account of surplus funds.

Trade receivables have increased to ₹ 2,427 crore (vs ₹ 1,603 crore in FY2019-20) partially on account of increased prices due to BS VI and also the dispatches were lower last year because of national lockdown in the last week of March 2020. During the last quarter (Q4) volumes were higher by 18.5% resulting in higher trade receivables.

Inventory increased by ₹ 378 crore mainly on account of Q4 volume being higher resulted in higher finished goods and raw material level in comparison to previous year and also partial impact of inflation.

Non Current Liabilities increased by ₹ 216 crore (FY 2020-21- ₹ 637 crore vs FY 2019-20 - ₹ 852 crore).

Mainly attributable to other financial liabilities which increased by ₹ 146 crore on account of new business commitment during the year and increase in provisions.

Current Liabilities increased by ₹ 2,134 crore (FY 2020-21- ₹ 6110 crore vs FY 2019-20 - ₹ 3,976 crore).

Mainly attributable to the increase in trade payables because of higher production in the last few months of this year as compared to previous year and impact of higher prices due to BS VI and inflation. During the last quarter (Q4) volume was higher by 18.5% resulting in higher trade payables which was partly offset by other current liabilities and provisions.



Standing tall against Covid-19

FY 2020-21 has been an unparalleled year, marked by a major industry transformation from BS IV to BS VI emission norms and supply chain disruptions caused by the Covid-19 pandemic. Hero MotoCorp's resilience and underlying ability to adapt to an evolving business environment has aided the Company to sustain its dominant position in the market.

The Company adopted a four-pronged approach of Protect, Restore, Rebound and Sustain, keeping communication and engagement at the core, to combat the imminent crisis. The Company was the first to announce a shutdown and was also the first to resume operations across its value chain, when lockdowns continued to be lifted. The Company constituted a designated taskforce and a rigorous review mechanism to reach pre-Covid production levels in a coherent and sustainable manner. It efficiently collaborated with all stakeholders, including its workforce, dealers, supply chain partners & their associates to restore the distribution network and enable a seamless pipeline of supplies. After the lockdown was lifted, the Company focused on meeting the growing demand for motorcycles and scooters.

The Company also conducted virtual training sessions to focus on a 'Zero Defect Journey'. Multiple townhalls and webinars on Covid-19 guidelines were also organised for multiple stakeholders. Moreover, virtual supplier tours were offered during the year. Special programs on Anxiety Management were also conducted to minimise stress and encourage mental well-being during the pandemic.

Supporting Partners

In order to ensure consistent delivery of products and services, the Company continues to expand its dealership and sub-dealership network across the country. During the year under review, a new initiative, Authorised Express Service Centre (AESC), was introduced to offer customers the convenience of accessing authorized Hero MotoCorp Service centers near them, especially in Metros. The Company also introduced a new concept of Hero Shoppe, to increase footfalls in high streets of key markets.

During the year under review, the secondary network was also leveraged to further strengthen its position in the premium segment. Besides, to resolve liquidity challenges in the secondary network, the Company undertook working capital tie-up with ProgCap.

Alongside, the Company offered support to its dealers and channel partners during the pandemic through a one-of-its-kind wellness program. Psychological counselling sessions were also organised with the help of a counselling agency, 1to1help.net.

During the year under review, the Company continued to organise webinars/ online trainings for its channel partners. The Company also trained its dealership network during the pre-festive period through dedicated webinars. The training was also extended to telecallers engaged in telesales. Numerous other trainings on digital marketing, service marketing, operating excellence, and sales continued post the lockdown.



11

New AESCs appointed as on March 31, 2021

100%

Dealers were trained in the pre-festival period

695

Dealer Network Managers attended Digital Learning Sessions

12

New dealers appointed in FY 2020-21

13

Dealers activated in FY 2020-21

50,000+

Staff working for channel partners were trained in FY 2020-21

SWOT Analysis

Strengths

- **Trusted brand** – Hero MotoCorp enjoys the reputation of being a world-class motorcycles and scooters manufacturer. Touching more than 100 million consumers, it continues to provide the comfort of riding to consumers across the world.
- **Network** – The Company enjoys a country-wide distribution network and service points to enrich customer value.
- **Global presence** – Aligned to the vision, the Company has a growing global presence across several countries.
- **Product portfolio** – The Company dominates the domestic motorcycles and scooters market leveraging its wide product portfolio, meeting diverse requirements for comfort, price and style.
- **Research & Development** – The Company’s state-of-the-art R&D centres drive product innovation and ensure new product launches that are attuned to customer needs and market dynamics

Weakness

- **Counterfeit products** – Fake spare products remain a threat to sustaining brand value and retain customers

Opportunities

- **E-mobility** – Emerging preferences towards battery driven motorcycles and scooters provide new opportunities for growth. The Company’s existing stake in Ather Energy and recent partnership with Gogoro, position it to capitalise on new market opportunities in this segment.
- **Premium category** – Customer preferences for motorcycles with high capacity engines and the desire to ride vehicles that give an adrenaline rush continue to open new avenues for the premium segment. Hero MotoCorp’s new product launches address these demands and its strategic partnership with Harley Davidson will cater to a growing customer base in this segment and drive business growth.
- **Personal mobility** – Post Covid-19, demand for personal mobility has increased significantly, providing opportunities for growth across geographies.

Threats

- **Competition** – The Company faces growing competition from domestic and international players, posing threat to its market leadership.

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Dealer Network Managers appeared for Online Competency Assessment (Online assessment module used by Hero MotoCorp to evaluate Skill, Knowledge and Overall Competency)

Strengthening distribution of Parts Business

Focus on the parts business resulted in its highest ever revenue this year. With the increase in number of customers, the Company continues to ensure availability of Hero Genuine Parts (HGPs) through its customer touch points. HGPS (Hero Genuine Part Distributor) appointments and on-boarding of additional retailers helped to expand its distribution network. During the year under review, the Company ensured availability of parts at 254 HGPSs and more than 30,000 retailers.

In order to ensure the safety of dealers and Asli Hero technicians while maintaining smooth operations, the Company provided financial as well as non-financial support to them. Digital awareness sessions were also organised. Further, the Company leveraged technology to enable retailers to digitally order spare parts through its Retailer Management System. To enable efficient operations and optimize channel inventory, it rolled out an automated ordering system for spares. It also deployed a new-age logistic solution - Milk Run distribution, at 80 locations to ensure last mile delivery to local technicians.

254

HGPSs as on March 31, 2021

30,000 +

Retailers of Hero Genuine Parts as on March 31, 2021

100 +

Digital trainings conducted to enhance competency of technicians

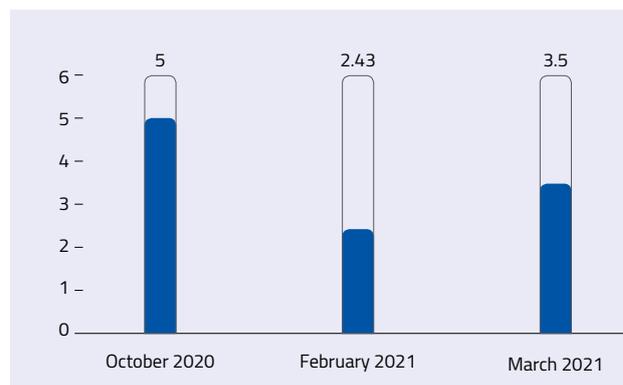
Improving customer experience

Ensuring customer delight and satisfaction remains at the core of Hero MotoCorp's strategic priorities. The Company continues to undertake a host of initiatives that enable it to strengthen its relationship with customers and attract new customers to the Hero MotoCorp family.

During the year under review, the following initiatives were undertaken:

Mega Service Carnival: With an endeavour to extend various benefits to existing and new Customers. Hero MotoCorp conducted a Mega Service Carnival in October 2020, February 2021 and March 2021. During the Carnival, various benefits were provided to existing customers in the form of special discounts on services and other value additions. Further, special offers on purchase of Hero motorcycles and scooters were provided to new customers.

Customers/Vehicles attended (in Lacs)



Road Side Assistance: To support its customers in times of need and ensure their peace of mind while traveling, the Company has enrolled lakhs of customers to its Road Side Assistance program, as on March 31, 2021. Starting from October 1, 2020, Xpulse, Xtreme 200S, Xtreme 160R vehicles were offered with Complimentary 1 Year Road Side Assistance Package.

Hero Joy Ride Program: Through this, the industry's largest, most rewarded loyalty program, members enjoy huge savings on servicing of Hero MotoCorp motorcycles and scooters at authorised service centres. The '3 Service per Year' package launched in February 2020 had many enrollments by March 31, 2021. The Company is also providing a special offer to customers purchasing AMC Package during the 1st Year of ownership.

Authorised Express Service Centre: During the year under review, the Company initiated 'Authorised Express Service Centre' to provide extended service to customers, especially in metros and urban towns. As of March 31, 2021 it has been extended to 10 towns and 8 outlets are actively delivering customer service. These outlets offer services as well as spare parts for Hero MotoCorp motorcycles and scooters.



Digital Solutions: With increasing usage of smart phones and technology, the Company introduced various digital platforms such as We-Connect 'Smart CRM' – an auto calling software which enables the Company to directly get in touch with customers for service reminders, post service follow-up and other activities. Further, the Company also introduced Vehicle Tracking System - an app based solution to track the progress of services at authorised centres.

3X

Productivity improvement witnessed with the usage of We-Connect 'Smart CRM' application

Catering to Service Demand post lockdown: Despite the increased demand for services after the lockdown, the Company maintained its cost of service at existing rates without charging additional amounts for sanitisation purposes. The Company also extended free service and AMC service due dates to 31st Aug 2020, for customers who could not avail the service during the lockdown. It also formulated extensive plans to cater to the estimated service demand of all channel partners to enable them to cater to customer needs. This enabled timely services to customers as well as bringing down the number of vehicles attended per day, from Jul 2020 (post restart after lock down) to the normal daily average services maintained before the lockdown.

Hero Happiness Score (Service)

The Company constantly undertakes in-store customer satisfaction surveys to further improve its quality of services. During the year under review, through multiple initiatives, the Company achieved an improvement in the service delivery score as against customer expectation, which is actively monitored. An improvement in this score represents the focus on service and Hero MotoCorp's structural activities conducted towards the objective of creating a more resilient organization.

438

Dealers in **9+** Band in Feb'21

63

Net Promoter Score (NPS) in Feb 2021, increased from 51 in March 2020

30%

YoY reduction in Service Escalated Customer Index in FY 2020-21

Ensuring safety at service centres post lockdown

Before reopening the service centers, the respective teams were guided to follow the restart manual and create a safe environment for staff and customers. The operations were carried out at 50% Capacity with alternate ramps. The Company prioritized services for Free Service Coupon (FSC), Warranty and Joyride customers. Further, the Company also adopted digital tools for service bookings and digital counter foil to minimize paper transactions between customers and staffs.

Keeping in mind the safety of customers, the Company offered pick and drop and doorstep services. To meet additional demand for servicing, working hours were extended and capacity intake of vehicles per day was increased by 25%. The Company also scaled up express service facility at service centres to improve the vehicle turnaround time at the workshop.

Adopting Digital Technology

With increasing adoption of digital platforms, especially after the Covid-19 pandemic, the following initiatives were undertaken:

1. eSHOP

eSHOP was revamped during this period and it allowed customers to book motorcycles and scooters conveniently without stepping out. Documents required for the registration process were also procured online to enable faster delivery from showrooms.



Scan the QR Code to access Link

2. Centralised Digital Displays

They help to demonstrate products, new launches, special offers and schemes that can be availed by customers easily with real time updates. The content displayed through these screens is meticulously planned and can be modified from time to time.

3. Virtual Showroom

An immersive experience for customers. It allows users to get the feel of a real showroom over virtual platforms through 3D visuals, leveraging the power of Augmented Reality (AR). Customers can now easily browse through various motorcycles and scooters models from a mobile device, without compromising the experience offered by a physical showroom. The Company aims to further enhance this platform to accommodate more products.

4. Increased digital presence

Increases awareness about the company's products and improve its digital media presence, the Company has created social media pages for its channel partners.

5. WhatsApp for business

To directly connect with customers, the company launched Whatsapp for business. It helped not only in answering queries automatically, but also aided quick selection of new products, viewing the e-catalogue, searching dealership locations, booking online services and checking service schedules. The service is currently available with internal stakeholders and will soon be extended to a larger set of customers.

Information Technology

The broader Digital Strategy of the organization in the year 2020-21 was aimed at effectively using digital technologies to improve the customer journey. The focus was on identifying opportunities at every step of the value chain, to enhance productivity and efficiency levels.

During the nationwide lockdown in the first half of the fiscal 2020-21 the Company built an end-to-end digital customer sales journey and strengthened its BCP framework.

The following initiatives were undertaken to strengthen the the Company's digital ecosystem the fiscal year 2020-21:

- Rollout of Dealer Management System across all Hero Genuine Parts Distributors (HGPDs), thereby linking all channel partners to a single platform for consistent and uniform business experience
- An end-to-end online customer sales journey was launched to provide a visual representation of the purchasing process and included facility for uploading documents required for vehicle registration
- Furthermore, a virtual showroom was launched for an immersive experience using Augmented Reality and 3D product configurator for customers. A similar app, Hero Xpert was launched for training dealers and their staff

Business Process interventions

- Solutions such as Virtual Desktop Infrastructure (VDI) and Virtual Private Network (VPN) were deployed across the organisation for employees to work from home. The R&D team from Germany helped to introduce efficient tools and systems to improve the efficiency of the digital ecosystem

- Introduction of real time dashboard for monitoring supplier areas and an Artificial Intelligence (AI) based alert system for ensuring Covid-19 compliance It helped to monitor social distancing protocols and the use of masks within the organisation
- Augmented Reality technology was deployed through wearable devices for remote maintenance assistance and diagnosis of critical machines
- An AI based solution for monitoring footfalls and Robotic Process Automation (RPA) system for handling inbound supplies was implemented at select dealerships across the country
- Advanced analytics were deployed to improve efficiency in business processes, such as stock refurbishment It automated ordering of spare parts from the channel partners
- Manufacturing Execution Systems (MES) implementation enabled traceability of Safety and Emission parts in compliance with the government recall norms. This also helped in improving operational efficiency on the shopfloor and quality management through process automation
- Cutting edge technologies such as Industrial Internet of Things (IIoT) and edge-computing is used across manufacturing facilities. Printing machine tools are also being used at the plants
- Facilitated integration of Hero MotoCorp and Harley Davidson systems for streamlining the business operations and processes

Hero MotoCorp's efforts in spearheading the organisation towards Industrial Revolution 4.0 through digitalisation have been recognised by All India Management Association (AIMA). The Company was conferred with AIMA Award for Plant Smart Utility Cockpit - Innovation through Digital transformation.

Making way for business continuity amidst challenges

In light of the significant disruptions caused by the pandemic, the Company extended full-fledged support to its employees and stakeholders.

Priorities were redefined for businesses, teams and individuals. It was crucial not only to ensure business continuity despite challenges, it was equally important to emphasize on the importance of health and well-being of people. The Company is proud of the fact that it stood firmly by its people amidst trying times and also ensured business continuity.

Impact of Covid-19

Hero MotoCorp is a people-focused organisation and considers every member a part of the larger 'Hero MotoCorp Family'. Right at the onset of the Coronavirus pandemic, the organization announced that there would be no layoffs.

The Company's merit-based salary increments along with performance-based variable payouts are well above the industry

average and were made effective from April 1, 2020, to all employees, ranging from workmen to senior management. Around 15% of its employees were given promotions. With a clear focus on skill development, the Company continues to invest in its internal talent.

HR Benefits and Policies

The Company follows global best practices and strives to offer employee-friendly policies that support the overall growth and development of employees. The policies, practices and procedures focused on inclusivity and remote working, during the year under review. It also laid emphasis on the safety and wellbeing of employees and their families. Here are some of the major focus areas:

- Work from Home across locations
- Equal employment opportunities for transgenders
- Medical Insurance coverage
- Contingent Workforce Insurance Coverage
- Girl Child Gift Scheme, and others

The Company consistently used digital tools to maintain clear channels of communication with its employees and engaged with

them over multiple platforms to gauge sentiments and formulate policies to support them.

Recruitment

Owing to the Covid-19 pandemic, there has been a paradigm shift in hiring and onboarding strategies. The Company has adopted virtual interviewing techniques to hire candidates. The Company’s traditional onboarding practices and induction program have been redesigned to meet the requirements of a virtual set up. In addition, to keep new joinees engaged throughout the induction journey, it has incorporated gamified activities and virtual tours of its manufacturing facilities.

Diversity and Inclusion (D&I)

The pandemic further strengthened the Company’s resolve to build a better, more equitable and inclusive society. The Company continues to foster diversity and inclusion at the workplace, with the adoption of various new initiatives such as Equal Employment Opportunity for Transgenders. Efforts are also being made to promote unconscious bias education for employees, foster career development, and implement mentoring programs to increase and retain workforce heterogeneity within the organisation.

Following are the overarching guidelines for various initiatives:

Leadership and advisory support	Culture and Mindset	Recruitment and selection
<ul style="list-style-type: none"> ▪ Women in Leadership Program (WIL) ▪ POSH Policy ▪ Maternity Benefits ▪ Flexible Shift Approval for Women ▪ Restricted Holidays ▪ Transgender Equal Employment Opportunity Policy 	<ul style="list-style-type: none"> ▪ Gender Sensitization Workshop ▪ D&I Talks ▪ Gamification/ Online Quizzes ▪ Sign Language Training ▪ Unconscious Bias Training ▪ Endorsing the 7 principles of United Nations Women’s Empowerment Principles (UN WEP) to foster gender equality at workplace 	<ul style="list-style-type: none"> ▪ Acquiring diverse talent ▪ Sensitization workshop for interviewers ▪ Campus outreach

The Company’s commitment and progressive attitude to retain its gender diversity is visible through the increasing representation of women in its workforce. The number of women in the workforce increased to 1,500 during the current year, a 50% rise over the previous year. Going ahead, the Company is committed to further improve the ratio.

In alignment with its D&I vision, Hero MotoCorp is a signatory of UN Women & UN Global Compact’s initiative - Women’s Empowerment Principles (WEPs). It offers guidance for promoting gender equality and women empowerment at workplaces. Association with the United Nations has further strengthened its Employee Value Proposition (EVP) as a truly inclusive entity.

Employee Relations & Engagement

During the lockdown, the Company strengthened its people management processes, maintaining frequent and open

communications with its employees and their extended families. The plant operations also played a pivotal role in instilling trust and confidence in workmen as well as their families, enabling the Company to resume operations as soon as the restrictions were lifted. By utilising various communication platforms, the organisation kept in touch with all employees, whether on site or working from home, for multiple purposes ranging from salary disbursement, attendance management to Operations Management. This gave confidence to the line managers as they successfully coordinated with big teams seamlessly.

Health and wellness initiatives during FY 2020-21

Employee health and wellbeing has always been the topmost priority at Hero MotoCorp. The Company has created and implemented efficient programs and policies for ensuring sound health and wellbeing of its workforce.

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The occupational health and safety (OHS) policy is an integral part of its business strategy. Along with it, the cross-functional Total Productive Maintenance committee aims to maintain a healthy workforce and sustain increased productivity levels. It provides employees resources that help to maintain a good physical, mental and psychosocial work environment and the opportunity to be involved in community services.

Its manufacturing units are certified with ISO-45001 (International Occupational health & safety management system and standards), abiding by the highest standards of safety. The Company endeavours to implement best practices in occupational health and safety management.

After Covid-19 was declared as a pandemic by WHO on March 11, 2020 Hero MotoCorp was the first automobile company to suspend its operations considering the health and wellbeing of employees a priority.

The key focus of the organisation was to engage, motivate and support employees and their families during the lockdown and to prepare them for the new normal. To support these endeavours, the following initiatives were taken by the Company:

- Provided physical, mental, psychosocial and emotional support during and after the lockdown
- 31,000 Immunity booster kits were distributed to employees to prevent Covid-19 infection
- Additional medical insurance coverage was taken for employees to aid treatment and cover hospitalisation expenses incurred due to Covid-19
- Offered unlimited free online medical consultation to the entire Hero MotoCorp family of 31,000 people along with their family members
- Professional counselling services were made available 24x7, for supporting mental wellness of employees and their family members, through a reputed external service provider
- Support for health emergencies and routine medical issues were offered to employees
- Regular webinars were conducted on mental wellness and anxiety control through external experts
- Online stress management, Yoga, Laughter Yoga and meditation sessions were arranged regularly under "Yes Heroes can" initiative
- Emails on mental wellbeing and Covid-19 prevention were regularly circulated among employees
- Several new initiatives like online meetings, trainings, learning sessions were conducted for keeping employees engaged during the lockdown
- Interactive sessions were organized for employees, family members, vendors, suppliers etc. for allaying anxiety related to the pandemic
- Senior management regularly communicated with employees and assured them about the safety of the workplace

After resuming operations, the Company consistently emphasised on maintaining a safe working environment. The following methods were implemented to ensure employee well-being:

- SMS Concept (Social Distancing, Mask, Sanitation)
- Precaution and cleanliness maintained across common areas including the shop floor, canteens, washrooms, pantry, etc.
- Employees above the age of 60 or any employees with underlying medical conditions were asked to Work from Home even after reopening
- Implemented precautionary measures to keep employees safe during their travel to and from office
- **Contactless machines** installed to support attendance marking
- In the new normal, the following were actively implemented across operations:
 - Mandatory face mask at workplace
 - Virtual meetings
 - Sanitization and temperature check at entry
 - Hero MotoCorp health declaration app
 - Disinfection of workstations multiple times in a day
 - Distanced workstations
- **Restrictions at workplace:** Safety curbs were imposed on visitors' entry, foreign/domestic travel, mass gatherings, crèche and recreational activities.
- **Transportation Management:** To keep employees safe, all vehicles were disinfected after every trip. Seating arrangements were also made in compliance with social distancing norms.

Industrial Relations

Continuing its philosophy of Progressive & Productive Industrial Relations, several measures were taken to promote resilience hope and optimism. Employees, across locations, wholeheartedly participated in the Covid-19 management program and enabled a safe working environment. During the period the entire workforce stood as one team and they delivered the highest ever production in a month. Rebooting of all plants post lifting of lockdown was seamless. The Company not only ensured the safety of all its employees, it also took care of its contingent workforce and offered financial as well as other assistance. While all effective measures were being taken to ensure the mental, physical and financial well-being of employees, the Company also entered into a long term wage agreement at its plant in Dharuhera, which paved the way for further flexibility in improving productivity, optimising cost and improving quality of life of all concerned workmen. As on March 31, 2021 the Company has 8,793 employees.

Brand Engagements

To promote brand Hero MotoCorp, the Company successfully organized its annual student engagement campaign, Hero Campus

Challenge Season 6, through its first ever virtual platform. Season 6 set new records with over 35,000 student registrations from 1,700+ campuses from across the country. The theme for the year under review was "Ideate the Future".

In addition, the Company has also initiated two more student engagement programs. Hero MotoCorp became the partner sponsor of BAJA SAEINDIA 2021 and launched an exclusive campus design case study challenge for future designers in the automotive space.



Talent Management & Development (TM/ TD)

Despite the pandemic, Hero MotoCorp was one of the very few organizations that did not reduce its expenditure for Talent Management & Development initiatives. Rather, the company strengthened its focus on integrating and consolidating efforts to build capabilities through Hero Talent Academy.

Talent Academy Talent Development @ Hero MotoCorp
👤👤👤

Hero Virtual Learning Centre	Instructor Lead Training Program	Tiered Learning Program
<ul style="list-style-type: none"> ▪ Behavioural Training <ul style="list-style-type: none"> ▪ Percipio ▪ Webinars (BML) ▪ E-Library ▪ Technical training <ul style="list-style-type: none"> ▪ VLMS 	<ul style="list-style-type: none"> ▪ Behavioural ▪ Technical @ Gurukul ▪ Functional Competency based ▪ Compliance 	<ul style="list-style-type: none"> ▪ Women in leadership ▪ Hero Lead MBA ▪ NexGen Journeys
Certification Programs		Induction Programs
<ul style="list-style-type: none"> ▪ Technical (TPM) ▪ & Others 	<ul style="list-style-type: none"> ▪ Coaching ▪ Mentoring 	<ul style="list-style-type: none"> ▪ Market Laterals ▪ Campus Hires
Learning Partner Categorisation and development		
On the job		
<ul style="list-style-type: none"> ▪ Market Laterals ▪ Campus Hires 		

Hero Virtual Learning Center (HVLC) remained one of the major facilitators for engaging employees during the lockdown. Through this program, 237,000+ internal courses and 2,000+ external certifications were offered to employees. More than 80,000+ courses were offered to people during the lockdown, a heartening achievement for the organisation. Even after the lockdown, the virtual learning sessions continued.

All the classroom learning sessions were converted to online capsules to capture the attention of participants. With a change in mode of learning, the Company started practicing Plan-Do-Check-Act (PDCA) cycle for all organisation level intervention programs.

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Research and Development

The Company's focus on R&D is absolute and remained undeterred even during this difficult period. For R&D, the Company followed a 5C approach - Care, Connect, Capability, Collective Conscience and Community Service. A team of engineers, led by the R&D Leadership team, worked tirelessly during the lockdown to develop ventilators for Covid-19 patients. The Company successfully manufactured in-house ventilator prototypes. Another team utilized resources and machinery to produce sanitizers and masks, which were not only utilized internally but also donated to external communities. Foot dispensers were also manufactured in-house for their utilization inside R&D premises, ensuring zero-contact.



Risk Management

The Company's risk management procedures take into consideration external as well as internal threats to devise efficient strategies for mitigating a diverse set of risks. The Company recognizes the need to identify changing risks, including those arising from Covid-19, and adopts a strategic approach for risk management.

Risk identification, analysis, mitigation and monitoring is regularly undertaken by the Risk Management Committee and is overseen by the Board of Directors. Several management and leadership team members are also actively involved in the process to ensure consistency in the overall process. Post assessment, mitigation plans are devised and a report is submitted to the Board of Directors for approval.



	Identified Risks	Potential impact	Opportunities	Mitigation measures
Economic	Resurgence of Covid-19 in HMC's export markets	Decline in demand due to lockdowns, negative sentiment	Support global business through entry into newer markets	Hero MotoCorp plans to enter new markets
	Economic uncertainty in key global markets	Decline in sales, impact on EBITDA margins	Deep localization efforts making Hero MotoCorp a part of other value chains than just the existing one.	Intelligence on local developments and a very agile global business team
	Potential threat of cyber attacks, as many employees continue to work from home	Cyber Attack can lead to loss of valuable information, unauthorized access to data systems and may lead to other events of data theft	Hero MotoCorp strengthened its IT infrastructure by scaling up the system security across geographies	Hero MotoCorp deployed measures such as taking data backup over internet, awareness mailers, IPSec & SSL tools to provide Virtual Private Network (VPN) access at homes, Virtual Desktop Infrastructure (VDI) for remote access, prevented corporate targeted phishing emails etc. It also renewed its Cyber Insurance

	Identified Risks	Potential impact	Opportunities	Mitigation measures
Environmental	Significant shift from Internal Combustion Engine (ICE) vehicles to Electric Vehicles	EV sales replacing the traditional IC engine volumes	Explore new business models with battery as a service, vehicle as a service etc. Identify new revenue streams for Charging Infrastructure With new age customers and expectations, accelerate digitization efforts	Investment in Ather Energy along with Hero MotoCorp's in-house R&D efforts to develop a mass market EV solution. Collaboration with Taiwan-based Gogoro, to venture into battery swapping infrastructure
	Rising pollution levels	Public transport and shared mobility taking over private modes of transportation augmenting motorcycles and scooters sales volumes	Shared mobility opens new revenue streams by encouraging OEMs to develop targeted products and to innovate business operations	Hero MotoCorp successfully transitioned to BS VI norms In-house teams formed to explore new age business models to create value both for the organization and customers
	Depleting Air Quality Index	Prolonged exposure to poor air can lead to ailments such as accelerated aging of lungs, bronchitis, asthma etc.	To give back to society by planting more trees	Hero MotoCorp constantly works to increase the green coverage by planting trees in and around its facilities. During the year under review, 2,00,000+ saplings were planted, surpassing 2.3 million+ tree plantation cumulatively.
Social	Fear of pandemic in certain geographies preventing customers from visiting showrooms (particularly during the festive period)	Reduced customer demand	Explore innovative ways of creating value for customers	Hero MotoCorp launched e-shop portal, AI equipped showroom Enabled digital payments at dealerships, online document collection facility etc.
	Workforce falling ill due to recurring infections	Labour challenges causing the workforce stay away from work for long periods	Developing labour centric policies and addressing their inherent needs	Provided Immunity booster kits Supported not just the workforce but also their families during tough times

Internal control systems and their adequacy

The Company has a robust and well embedded system of internal controls. The Internal Audit function provides assurance to the Board regarding the adequacy and efficacy of internal controls, advises management on the changing risks and controls landscape and helps anticipate and mitigate emerging risks. The internal audit plan focuses on critical risks that matter and is aligned with the business objectives. Progress to plan and key findings are reviewed by the Audit Committee each quarter. Further, the Audit Committee also monitors the status of management actions following the internal audit reviews. The Company's focus continues to be on embedding technology like data analytics, process mining, and BOT development in all internal audit work procedures.

Outlook: The Future of Mobility

Hero MotoCorp has laid out its new vision to be the future of mobility. This entails exploring emerging opportunities in the mobility space, while continuing to excel in the core mobility segments the Company operates in. Key strategic highlights:

1. Growth in motorcycles and scooters market

India is projected to register a strong GDP growth in FY 2021-22. It puts India amongst the only major economies in the world to have the prospective of good growth in 2021. This enhances prospects of double digit growth in the domestic motorcycles and scooters industry for the rest of the year. However, resurgent waves of Covid-19 may lead to a downside risk revision.

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While BS VI was supposed to be a paradigm shift for motorcycles and scooters in FY 2020-21; Covid-19 turned out to be the surprise of the year, with a far more significant and unexpected impact. In every adversity lies an opportunity. Hero MotoCorp achieved the milestone of 100 million cumulative production, with the last 50 million units coming in a span of just seven years. Converting post-pandemic adversity into an opportunity and corroborating its motto of 'Tomorrow Can't Wait', Hero MotoCorp aims to target the next 100 million production of motorcycles and scooters before 2030.

The greater penetration opportunity in the domestic market, focus on export markets and stronger presence and performance in premium motorcycles and scooters with growth in urban India, are likely to drive Hero MotoCorp's way forward.

2. New opportunities through collaboration

Viewing competitors only as competition is passé. Collaboration will be the new world order for businesses, and it is something that Hero MotoCorp earnestly believes.

The previous year marked the win-win partnership of Harley Davidson and Hero MotoCorp, where Hero MotoCorp is the sole distributor of Harley's motorcycles, parts and accessories in India. In terms of licensing agreement, Hero MotoCorp will develop and sell a range of premium motorcycles in India under the iconic 'Harley-Davidson' brand.

Hero MotoCorp also entered into a distribution agreement with Grupo Salinas, a group of fast-growing and technologically advanced firms, to ride into Mexico. With Hero MotoCorp's global expertise and technology prowess, and the local market knowledge of Grupo Salinas, this partnership is directed at expanding Hero MotoCorp's global business presence rapidly over the next few years.

3. New products, business models etc.

In tandem with its mission statement of Create, Collaborate and Inspire, Hero MotoCorp opened a Tech Center in Germany (HTCG), the innovation cell of Hero MotoCorp for new and revolutionary vehicle concepts. It shall work alongside the global R&D hub – Center of Innovation & Technology (CIT), Jaipur. During its 100 million celebrations, the Company announced the launch of a host of new models over the next 5 years, with 10 new models every year till 2025, to consolidate its leadership position. The launches will include new products, variants, refreshes and upgrades.

4. Margin enhancement

Margin enhancement is planned through various levers, one of them being higher share of parts, accessories, and merchandize to strengthen overall profitability. An on-going, continuous program to manage material and fixed costs including other non-operational activities is also helping to maintain a steady margin.

5. Workplace Intelligence

Hero MotoCorp is dedicated to introduce workplace intelligence by creating a better work experience that drives tangible business results. With a focus on ensuring balanced organizational and employee growth, the Company strives to promote an optimistic work environment and exceptional career experiences that help to build positive work culture, something which has often contributed to its status of being a preferred employer.

The Company is proud of its diverse and inclusive team, its talented people - ranging from the shop floor to the senior leadership team. It is also committed to supporting its people as a topmost priority - including employees, dealers, suppliers - while navigating through crisis and paving the path for a stronger comeback. With renewed confidence, the Company is optimistic about resiliently overcoming challenges - now and later.

