

Company & Industry Overview – Hero MotoCorp Ltd.

1. Company Overview

Hero MotoCorp Ltd. (HMCL) is the world's largest two-wheeler manufacturer by volume and a dominant player in the Indian motorcycle and scooter market. The company is headquartered in New Delhi and operates multiple manufacturing facilities across India, including **Haridwar**, **Gurugram**, **Neemrana**, **Halol**, and the newer **Chittoor** plant.

Key Highlights

- **Founded:** 1984 (formerly Hero Honda; renamed Hero MotoCorp in 2011).
- **Business Segments:** Motorcycles, scooters, parts & accessories.
- **Primary Strengths:** Strong rural and semi-urban distribution, brand loyalty, efficient cost structure, wide retail network.
- **Product Portfolio:**
 - Entry-level commuter bikes (Splendor, HF Deluxe)
 - Premium commuter & sports (Glamour, Xpulse, Karizma)
 - Scooters (Maestro, Pleasure, Destini)
 - EV segment introduction (Vida electric scooters)

Recent Business Trends

- Increasing focus on premium motorcycles to improve margins.
- Expansion into electric two-wheelers via the **VIDA** platform.
- Strategic partnerships with **Harley-Davidson & Zero Motorcycles** for premium and EV development.

- Capacity utilization improving post-pandemic recovery.
- Strengthening global presence through exports.

2. Industry Overview – Indian Two-Wheeler Industry

India is the **largest two-wheeler market globally**, driven by affordable transport needs, urban mobility, and strong rural demand.

Industry Size & Growth

- Annual domestic two-wheeler sales are **~18–20 million units**.
- Historically cyclical but expected to grow at **~10–13% CAGR** over the next few years.
- EV penetration currently low but expected to rise steadily.

Key Demand Drivers

1. **Urbanization & Middle-Class Expansion** – increased need for affordable mobility.
2. **Rising Fuel Prices** – pushes demand toward efficient commuter bikes.
3. **Rural Income Growth** – strong link between agricultural output and two-wheeler sales.
4. **Electric Vehicle Push** – government incentives supporting EV adoption.
5. **Replacement Demand** – 5–7 year average replacement cycle.

Industry Challenges

- Rising input costs (steel, aluminum, plastics).
- Competitive pressure from TVS, Bajaj Auto, Royal Enfield.
- Regulatory transitions (BS6 norms).
- EV disruption causing capex pressure.

3. Hero MotoCorp's Position in the Industry

Market Share (Past & Assumptions)

- Historically **30–39%** domestic market share.
- Recently faced competitive pressure from Bajaj, TVS, RE.
- In this model, Hero's market share is assumed at **29% long-term**, reflecting moderately conservative assumptions.

Competitive Advantages

- Largest distribution network in India (6,000+ touchpoints).
- Strong brand leadership in commuter bikes.
- Highly efficient cost structure and economies of scale.
- Strong balance sheet with minimal debt.

Strategic Risks

- Losing share in premium motorcycles.
- EV adoption risk if HMCL is slow to scale.
- Export market volatility (Africa, LatAm).

4. Summary

Hero MotoCorp operates in a large, structurally growing market with strong brand dominance and manufacturing scale advantages. The company is transitioning toward premium bikes and EVs while maintaining leadership in commuter motorcycles. Industry growth, declining raw material cost volatility, and improving capacity utilization support long-term value creation.

