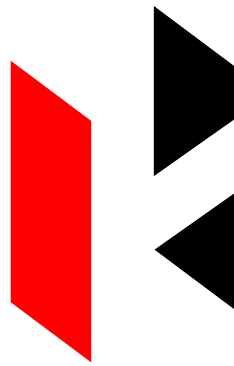


Chairman's Speech

2014 - 15



Hero

Hero MotoCorp Ltd.

Dear Members,

On behalf of the Board of Directors, I heartily welcome you all to the 32nd Annual General Meeting of your Company.

I have recently stepped into the very large shoes of our far-sighted Chairman, Dr. Brijmohan Lall Munjal, who skilfully and successfully steered this Company since 1984. Hero MotoCorp has since grown substantially in stature, size and scale, and it remains a world leader for 14 years. I feel both privileged and humbled that our eminent Board has asked me to carry the baton forward.

My father, now Chairman Emeritus, believes that as promoters, we are custodians who simply act on behalf of all the other co-owners. As I embark on the voyage ahead, I bear the same philosophy in my mind, and I will do all that I can to fulfil this enormous responsibility.

Overview

The Indian two-wheeler industry swung wildly during FY 2014-15. There was sanguine growth of 16% during the first half of the year, but just one per cent growth during the second. Meagre and unseasonal rains, some moderation in the growth of farm support prices, and a decline in rural wages in real terms caused distress; all this adversely affected sales.

However, as I write this message, agricultural prospects are somewhat better, and the country is poised for viable recovery. I am already seeing a rebound in capital goods production, which is usually the harbinger of a revival in the manufacturing sector.

Once the business cycle turns more positive – as it should, by the second half of this fiscal – I expect an uptick in demand across multiple consumer verticals. In turn, this should create a second order impact across many tertiary sectors.

Global & Indian Economy

During FY 2014-15, the world saw contrasting patterns of growth. The US economy performed well during the year and seems on track for sustainable recovery.

However, Japan and the Eurozone continue to grapple with uncertainties. The turbulence of the recession in 2008 is still casting its long shadows in these economies, and the recent uncertainties in Greece have the potential to create ripples not just in Europe but also around the world.

Emerging economies like Brazil and Russia, which set the pace for growth in the previous decade, now appear less dynamic, as commodity cycles are no longer in their favour.



During the year in review, most other emerging economies felt the effects of domestic policy tightening, political uncertainties and supply-side constraints. However, the drop in crude prices was an important and positive variable for oil-dependent nations.

China is struggling to rebalance itself with the slowdown in exports and the inability of its domestic sector to create necessary buffers. Some of its recent actions, in fact, have sent ripples across the world, especially Asia. For example, the sudden decision by the People's Bank of China to devalue the yuan in quick bursts has placed huge downward pressure on most major Asian currencies, including the Indian rupee.

India Review

For the year in review, the government unveiled a new statistical method to calculate the national income with a broader framework. This bumped up GDP growth to 7.4% in FY 2014-15.

Nevertheless, India's macro-economic prospects have also strengthened visibly, and despite the odd uncertainty in the short term, the country could see consistent growth, going forward. Over the last one year, the new government is facilitating an economic rebound with a prudent set of reforms; hopefully, many more business-centric and development-centric policies are on the anvil.

Macro indicators are improving. The index for industrial production is trending upwards, the services sector is growing steadily, and improved rains could herald an agricultural revival. Inflation has moderated considerably, and both fiscal and current account deficits could edge closer to comfort zones by the end of 2015-16.

According to the Government of India's latest Economic Survey, the share of stalled government projects as a proportion of GDP is declining. The number of infrastructure projects under execution has also gone up significantly. In the next one or two years, a uniform Goods and Services Tax (GST) across the country and enhanced focus on federalism are expected to create even stronger multipliers of growth.

Long-term growth drivers

India's two-wheeler industry continues to present excellent long-term opportunities, despite short-term uncertainties. First, the country's aspirational 'youth bulge' and prospects of increasing disposable income is a significant growth driver. Second, growing urbanisation in erstwhile rural areas is raising aspirations. Third, poor public transport in many states has propelled the need for

a quicker and more affordable mode of transportation. Fourth, the rising participation of more women in the workforce is creating demand for two wheelers like scooters. Finally, growing aspirations in developing countries around the world present enormous traction for growth, and India's manufacturers are strengthening their export presence and volumes globally.

Indian two-wheeler industry overview

Two wheelers continue to dominate the Indian automotive space. During the year in review, two-wheeler production made up 79% of overall vehicles produced in India, compared to 75% five years ago.

The two-wheeler industry grew moderately in FY 2014-15, compared to the previous year. The industry grew at close to double digits from 16.9 million units in FY 2013-14 to 18.57 million units in FY 2014-15. However, motorcycle sales, which accounted for nearly 80% of the industry pie, grew by 4.7%, from 12.47 million units in FY 2013-14 to 13.06 million units in FY 2014-15. For many years, the industry has been dependent on motorcycle demand to drive growth. During the year in review, high growth in scooter sales saved the industry from the blushes. Scooter sales grew 26.9%, from 3.75 million units in FY 2013-14 to 4.75 million units in FY 2014-15. Scooters are seeing a resurgence with the popularity of gearless scooters that are convenient, and cater to the needs of both men and women.

During the year in review, the sales of moped went up by 4.4%, from 0.73 million units in FY 2013-14 to 0.76 million units in FY 2014-15.

Technology Vision

Hero began developing an R&D ecosystem from ground up eighteen months ago. The company has made remarkable progress since, and Hero's R&D ecosystem now transcends the entire two-wheeler chain, from designs and engines to fuel injection systems. Working across locations in India, US and Europe, Hero has a number of global partners who are collaborating with Hero to breathe new life into its existing portfolio, besides proto-typing a line of next generation products.

International Focus

During FY 2014-15, your Company launched brand 'Hero' and its range of products in Colombia, Bangladesh, Nicaragua, Democratic Republic of Congo, Mozambique, Angola and Ethiopia. Your Company formed a wholly- owned

subsidiary in Colombia, and commenced construction of a state-of-the-art manufacturing plant in Colombia. Further, a Joint Venture with the Nitol Niloy Group of Bangladesh was formed to launch operations in Bangladesh. The construction of the plant has started.

Company Performance

During the Financial Year (FY) your Company clocked the sales of 6,631,826 units depicting an increase of 6.2% over the previous FY. The total sale of products (net of excise duty) increased by 8.86% from Rs. 25,124.91 crores in FY 2013-14 to Rs. 27,350.60 crores in FY 2014-15.

Net Revenue from operations increased by 9.13%, from Rs.25,275.47 crores in FY 2013-14 to Rs.27,585.30 crores in FY 2014-15.

Profit Before Tax (PBT) after exceptional item has shown an increase of 16.10% from Rs.2,867.25 crores in FY 2013-14 to Rs.3,328.82 crores in FY 2014-15. Your Company's Profit After Tax (PAT) increased by 13.11% from Rs 2,109.08 crores in FY 2013-14 to Rs.2,385.64 crores in FY 2014-15. Earnings Before Interest, Depreciation and Taxes (EBIDTA) margins stood at 12.84% in FY 2014-15 as compared to 14.01% in FY 2013-14.

During the year under review, your Company successfully launched the upgraded models of Karizma, ZMR, Xtreme, Passon Pro TR, Splendor Pro Classic, Splendor iSmart, HF Deluxe Eco and Pleasure. Overall the top 6 (six) two wheeler brands captures 53.5% market share of the Domestic Two Wheeler Market and out of 3 (three) models from Hero Stable "Splendor" remains at the top with the sales of 2,517,189 units and 15.7% market share.

The Two Wheeler market share of your Company marginally declined from 36.9% in the previous fiscal to 35.7% in FY 2014-15.

Acknowledgments

As we bravely course through a period of transition, all our stakeholders have supported and endorsed Brand Hero, and I am grateful to all of them.

I also take this opportunity to express my thanks to the new technology partners from multiple countries. They have enthusiastically have come on board and are helping Hero fulfil its vision of becoming a global leader in two-wheeler technology.

I would also like to thank officials of State and Central Government departments, banks and financial institutions for their on-going support and assistance.

Our dealers, customers, ancillaries, investors and vendors have contributed immensely to our growth and we continue to bank on them as we drive into the future.

I am immensely thankful to all our employees for their consistently high-level Performance, their commitment to Company goals and for their team effort. Without their complete involvement, Hero MotoCorp Ltd. wouldn't have reached here.

Finally let me thank you, dear shareholders, for your wholehearted and unflinching support over the past years. You have given us the conviction, strength and courage to prepare for, and face the future. As we march ahead, I know I can continue to rely on your support to strengthen the Brand "Hero" in India and across the world.

I once again thank you all for attending the 32nd Annual General Meeting of our Company.

Thank you all.

**Speech of Mr. Pawan Munjal, Chairman, Managing Director & CEO
at the 32nd Annual General Meeting of Hero MotoCorp Ltd.
held at New Delhi on Monday, August 31, 2015**