

Hero MotoCorp, Harley close in on motorcycle platform

Hero plans to launch one model every year in the premium end of the market

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Hero MotoCorp and Harley Davidson are in final stages of getting their jointly developed motorcycle platform off the ground, Hero MotoCorp's management said in an investor call.

This is part of the larger strategy to strengthen presence in the premium segment where rival Bajaj Auto and Royal Enfield have a stronghold and in which even TVS Motor Co is making rapid strides.

Hero MotoCorp plans to launch one model every year in the premium end of the motorcycle market, Ranjivit Singh, chief growth officer, Hero MotoCorp, said during the call.

"We had signed the agreement with Harley to jointly develop the platform, which will be in the most profitable segments," he said.

The companies, he added, are in advanced stages of getting the model on ground, he said without indicating a timeline. Hero became the distributor of Harley in India in October 2020, after the American brand shut its India operations as part of the global plan to exit non-profitable markets.

The two companies also have a licence agreement as part of which Hero MotoCorp will develop and sell a range of premium motorcycles under the Harley-Davidson brand name for the mid-segment motorcycle market.

Hero is also getting its own portfolio of premium bikes ready, said Niranjana Gupta, chief financial officer told analysts.

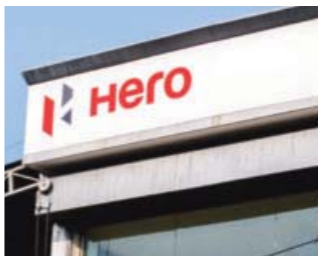
"We are building a strong pipeline of premium products as well and you will be able to see exciting model launches in this segment every year. This will help us build market share in the premium segment and boost profitability over the medium term," said Gupta.

Mitul Shah, head of research at Reliance Securities in a post-earnings research note wrote that the company's focus on premium segment and rural recovery is likely to provide better traction ahead.

He expects the domestic two-wheeler industry to face a near-term demand weakness. "We expect revival in the rural market post-Rabi harvesting amid a normal monsoon. Sentiment will improve going forward on decent agri output at higher pricing... We believe HMCL will be able to capitalise due to its strong market leadership position and market reach," wrote Shah.

Net profit for the company declined 8.63 per cent year-on-year (YoY) to ₹682.28 crore in the second quarter of FY23 amid weak rural demand. The company earned ₹747.79 crore net profit in Q2 of FY22. The earnings were below the Street estimates.

Commenting on the recently concluded festival season, Singh said the company saw a retail growth of 20 per cent YoY during the 32-day festival period, which concluded with Bhai Dooj last month. He said the company's wholesale volumes reached 95 per cent of the pre-Covid year.



RIDING IN

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