

## Unity is Strength.....Is this Always True???? Demerger is an Itinerary to Prosper or Perish?? A Case Study of Hero & Honda

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### ABSTRACT

*Reconstruction is a common feature in today's era. Many companies join hands to become even stronger. Many companies break their collaboration and make their own separate companies. In this paper we are going to study about the impact of demerger on the financial position of a business. For this we will study the demerger of one of the renowned Indian companies with that of the Japanese company. Hero an Indian Company broke its 26 year old collaboration with Japan based Honda. In this paper we will analyze the trend of financial statement of hero Motocorp in last fifteen years and will discuss their financial position pre and post demerger and thus will try to analyze whether after its breakup is the company able to come up with its challenges?*

**Keywords:** Demerger, Collaboration, Company, Process, Phases.

### Introduction

To study the journey of Hero Motocorp we will divide it into two phases Pre demerger & Post Demerger:

#### Pre Demerger

- **Journey of Hero & Honda Together:** Hero and Honda joined their hands in the year 1984. They worked together for a long period of 26 years. Hero was the brand which was started by Munjal brothers for their cycle company called Hero Cycles Ltd. In 1984 Munjal Brothers decided to join their hands with Japanese motor company called Honda Motors at Dehradun, India. The company launched a motor cycle which consumes less fuel and also was pocket friendly. The sales were boost by their unique advertisement strategy. Soon it became second largest two wheeler manufacturing company in India.
- **Splitting of Hero and Honda:** After 26 years both the companies felt that walking together will not be fruitful for both of them and thus decided to end the collaboration in December 2010. After demerger Hero has to work harder on the development of research and development centers as it was completely depended on Hero for the technology. On the other hand Honda has to work for improving its network.

#### Post Demerger

##### Journey of Hero and Honda after Demerger

- **After 5 years:** Both companies restarted their journey. Honda worked harder on its network. It opened more than 800 outlets to increase its direct connectivity with the customers. This strategy had a positive effect on market share of Honda. Whereas initially Hero had to face a setback due to uncertainties prevailing in the market. But soon company worked harder on its research & development and successfully opened its first R& D center at Jaipur with Markus Braunsperer, who has rich experience of 25 years in BMW. Hero launched two new products in market Duet and Maestro Edge.
- **After 10 Years:** After 10 years of hard work and consistent improvement company is able for the record 100 million units production. Company is planning to get collaborate with Harley

Davidson .Company is focusing on the launching of premium bikes and also electric vehicles. The new EVs of company are Ather, Surge S32, Vida Z.

### Data Base and Methodology

The main source of the data required for this study has been the secondary one consisting of corporate financial reporting includes published annual reports of the companies, other published information considered reliable and authentic and financial ratios from the respective company websites. Resorting to certain financial measuring tools such as Return on Capital Employed (ROCE), Return on Net Worth (RONW), Return on Investment (ROI), Earnings Per Share (EPS), Net Profit Margin are used to analyze and compare the revenue performance prior to demerger and post to demerger

### Literature Review

**Roger Schweizer, Katarina Lagerstrom, (2020)** talk about the process of demerger. According to him it is divided into six phases. **OlofFjellstrom & Victor Gustafsson(2015)** in his study gave a model of demerger discussed about the reasons of demerger.

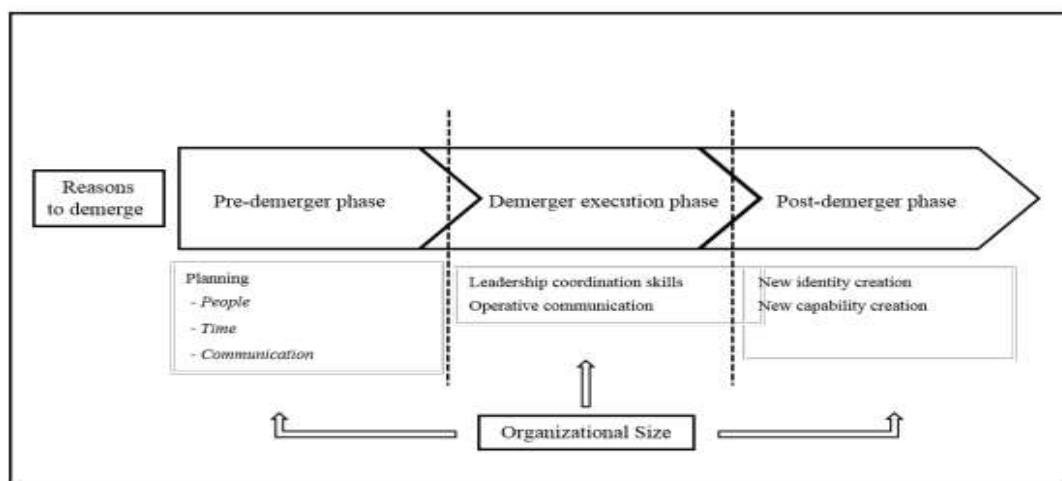


Figure 1. The demerger process

Brahmadev Panda (2012) analyzed demerger of various companies and concluded that if the strategy of demerger is used tactfully companies can improve their return and revenue performance significantly in their post demerger period.

### Data base and Methodology

The source of the data is secondary consisting of annual report of Hero Motocop, published sources from reliable sources. To analyze financial performance before demerger and after demerger various financial tools such Earning Per Share (EPS), Net Profit Margin, dividend per share, Interim dividend were used.

The main source of the data required for this study has been the secondary one consisting of corporate financial reporting includes published annual reports of the companies, other published information considered reliable and authentic and financial ratios from the respective company websites. Resorting to certain financial measuring tools such as Return on Capital Employed (ROCE), Return on Net Worth (RONW), Return on Investment (ROI), Earnings Per Share (EPS), Net Profit Margin are used to analyze and compare the revenue performance prior to demerger and post to demerger.

### Research Hypothesis

**H<sub>1</sub>:** There is significant difference in financial performance of Hero Motocorp before& after demerger period.

**H<sub>0</sub>:** Financial performance of Hero Motocorp before & after demerger period is same.

### Objective of Study

- To study the impact of demerger on Hero Motocorp.
- To Analysis the impact of demerger on financial performance of Hero Motocorp.

**Five Years Financial Performance of the Company before Demerger**

| <b>Hero Motocorp (in Rs. Cr.)</b> |                |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Balance Sheet</b>              |                |                |                |                |                |
|                                   | <b>Mar '10</b> | <b>Mar '09</b> | <b>Mar '08</b> | <b>Mar '07</b> | <b>Mar '06</b> |
|                                   | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> |
| <b>Sources Of Funds</b>           |                |                |                |                |                |
| <b>Total Share Capital</b>        | 39.94          | 39.94          | 39.94          | 39.94          | 39.94          |
| <b>Equity Share Capital</b>       | 39.94          | 39.94          | 39.94          | 39.94          | 39.94          |
| <b>Reserves</b>                   | 3,425.08       | 3,760.81       | 2,946.30       | 2,430.12       | 1,969.39       |
| <b>Networth</b>                   | 3,465.02       | 3,800.75       | 2,986.24       | 2,470.06       | 2,009.33       |
| <b>Secured Loans</b>              | 0              | 0              | 0              |                |                |
| <b>Unsecured Loans</b>            | 66.03          | 78.49          | 132            | 165.17         | 185.78         |
| <b>Total Debt</b>                 | 66.03          | 78.49          | 132            | 165.17         | 185.78         |
| <b>Total Liabilities</b>          | 3,531.05       | 3,879.24       | 3,118.24       | 2,635.23       | 2,195.11       |
|                                   | <b>Mar '10</b> | <b>Mar '09</b> | <b>Mar '08</b> | <b>Mar '07</b> | <b>Mar '06</b> |
|                                   | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> |
| <b>Application of Funds</b>       |                |                |                |                |                |
| Gross Block                       | 2,750.98       | 2,516.27       | 1,938.78       | 1,800.63       | 1,471.97       |
| Less: Accum. Depreciation         | 1,092.20       | 942.56         | 782.52         | 635.1          | 522.6          |
| Net Block                         | 1,658.78       | 1,573.71       | 1,156.26       | 1,165.53       | 949.37         |
| Capital Work in Progress          | 48.14          | 120.54         | 408.49         | 189.92         | 44.19          |
| Investments                       | 3,925.71       | 3,368.75       | 2,566.82       | 1,973.87       | 2,061.89       |
| Inventories                       | 436.4          | 326.83         | 317.1          | 275.58         | 226.55         |
| Sundry Debtors                    | 108.39         | 149.94         | 297.44         | 335.25         | 158.66         |
| Cash and Bank Balance             | 1,863.48       | 217.49         | 130.58         | 35.26          | 23.22          |
| Total Current Assets              | 2,408.27       | 694.26         | 745.12         | 646.09         | 408.43         |
| Loans and Advances                | 438.46         | 325.8          | 196.37         | 268.04         | 278.63         |
| Fixed Deposits                    | 43.73          | 2.08           | 0.51           | 0.52           | 135.5          |
| Total CA, Loans & Advances        | 2,890.46       | 1,022.14       | 942            | 914.65         | 822.56         |
| Current Liabilities               | 3,965.69       | 1,678.93       | 1,455.57       | 1,171.50       | 1,192.98       |
| Provisions                        | 1,026.35       | 526.97         | 499.76         | 437.24         | 489.92         |
| Total CL & Provisions             | 4,992.04       | 2,205.90       | 1,955.33       | 1,608.74       | 1,682.90       |
| Net Current Assets                | -2,101.58      | -1,183.76      | -1,013.33      | -694.09        | -860.34        |
| Miscellaneous Expenses            |                |                |                | 0              | 0              |
| Total Assets                      | 3,531.05       | 3,879.24       | 3,118.24       | 2,635.23       | 2,195.11       |
| Contingent Liabilities            | 73.04          | 100.54         | 56.37          | 165.59         | 73.48          |
| Book Value (Rs)                   | 173.52         | 190.33         | 149.55         | 123.7          | 100.62         |

Source: Dion Global Solutions Limited

**Five Years Financial Performance of the Company after Demerger**

| <b>Balance Sheet of Hero Motocorp (in Rs. Cr.)</b> | <b>24-Mar</b>  | <b>23-Mar</b>  | <b>22-Mar</b>  | <b>21-Mar</b>  | <b>20-Mar</b>  |
|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                    | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> |
| <b>Equities and Liabilities</b>                    |                |                |                |                |                |
| <b>Shareholder's Funds</b>                         |                |                |                |                |                |
| Equity Share Capital                               | 39.98          | 39.97          | 39.96          | 39.96          | 39.95          |
| Total Share Capital                                | 39.98          | 39.97          | 39.96          | 39.96          | 39.95          |
| Reserves and Surplus                               | 17,900.57      | 16,629.49      | 15,718.51      | 15,139.43      | 14,081.01      |
| Total Reserves and Surplus                         | 17,900.57      | 16,629.49      | 15,718.51      | 15,139.43      | 14,081.01      |
| Total Shareholders Funds                           | 17,986.18      | 16,705.09      | 15,782.92      | 15,198.43      | 14,136.40      |
| <b>Non-Current Liabilities</b>                     |                |                |                |                |                |
| Long Term Borrowings                               | 0              | 0              | 0              | 0              | 0              |
| Deferred Tax Liabilities [Net]                     | 434.82         | 405.37         | 383.29         | 404.09         | 392.83         |
| Other Long Term Liabilities                        | 289.63         | 330.58         | 297.36         | 275.85         | 121.67         |
| Long Term Provisions                               | 316.66         | 198.12         | 178.07         | 172.46         | 122.37         |

|                                                        |           |           |           |           |           |
|--------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Non-Current Liabilities                          | 1,041.11  | 934.07    | 858.72    | 852.4     | 636.87    |
| <b>Current liabilities</b>                             |           |           |           |           |           |
| Short Term Borrowings                                  | 0         | 0         | 0         | 0         | 0         |
| Trade Payables                                         | 5,528.15  | 4,704.46  | 4,260.34  | 5,204.61  | 3,030.51  |
| Other Current Liabilities                              | 861.97    | 743.83    | 651.62    | 745.24    | 798.99    |
| Short Term Provisions                                  | 154.14    | 175.69    | 160.42    | 160.37    | 146.56    |
| Total Current Liabilities                              | 6,544.26  | 5,623.98  | 5,072.38  | 6,110.22  | 3,976.06  |
| Total Capital And Liabilities                          | 25,571.55 | 23,263.14 | 21,714.02 | 22,161.05 | 18,749.33 |
| <b>Assets</b>                                          |           |           |           |           |           |
| <b>Non-Current Assets</b>                              |           |           |           |           |           |
| Tangible Assets                                        | 5,305.48  | 5,261.23  | 5,507.98  | 5,698.15  | 5,976.99  |
| Intangible Assets                                      | 528.55    | 500.19    | 298.5     | 290.26    | 140.09    |
| Capital Work-In-Progress                               | 120.58    | 128.55    | 87.32     | 177.86    | 160.25    |
| Other Assets                                           | 0         | 0         | 0         | 0         | 0         |
| Fixed Assets                                           | 6,314.54  | 6,225.21  | 6,264.68  | 6,425.00  | 6,458.35  |
| Non-Current Investments                                | 8,811.58  | 7,372.48  | 4,814.66  | 4,308.18  | 3,528.17  |
| Deferred Tax Assets [Net]                              | 0         | 0         | 0         | 0         | 0         |
| Long Term Loans And Advances                           | 21.15     | 19.87     | 59.03     | 52.23     | 67.27     |
| Other Non-Current Assets                               | 628.26    | 608.79    | 460.69    | 422.85    | 406.98    |
| Total Non-Current Assets                               | 15,775.53 | 14,226.35 | 11,599.06 | 11,208.26 | 10,460.77 |
| <b>Current Assets</b>                                  |           |           |           |           |           |
| Current Investments                                    | 4,274.52  | 3,637.88  | 5,837.66  | 6,191.49  | 4,694.48  |
| Inventories                                            | 1,443.76  | 1,434.09  | 1,122.65  | 1,469.55  | 1,091.97  |
| Trade Receivables                                      | 2,703.44  | 2,798.21  | 2,304.27  | 2,426.76  | 1,603.14  |
| Cash And Cash Equivalents                              | 608.93    | 345.5     | 175.12    | 257.15    | 241.86    |
| Short Term Loans And Advances                          | 24.56     | 23.71     | 22.81     | 36.94     | 22.36     |
| Other Current Assets                                   | 740.81    | 797.4     | 652.45    | 570.9     | 634.75    |
| Total Current Assets                                   | 9,796.02  | 9,036.79  | 10,114.96 | 10,952.79 | 8,288.56  |
| Total Assets                                           | 25,571.55 | 23,263.14 | 21,714.02 | 22,161.05 | 18,749.33 |
| <b>Other Additional Information</b>                    |           |           |           |           |           |
| <b>Contingent Liabilities, Commitments</b>             |           |           |           |           |           |
| Contingent Liabilities                                 | 431.37    | 291.36    | 296.89    | 248.55    | 249.43    |
| <b>CIF Value of Imports</b>                            |           |           |           |           |           |
| Raw Materials                                          | 0         | 0         | 0         | 0         | 0         |
| Stores, Spares And Loose Tools                         | 0         | 0         | 0         | 683.27    | 1,001.45  |
| Trade/Other Goods                                      | 0         | 0         | 0         | 683.27    | 1,001.45  |
| Capital Goods                                          | 0         | 0         | 0         | 0         | 0         |
| <b>Expenditure in Foreign Exchange</b>                 |           |           |           |           |           |
| Expenditure In Foreign Currency                        | 520.58    | 457.17    | 374.28    | 239.3     | 233.32    |
| <b>Remittances in Foreign Currencies for Dividends</b> |           |           |           |           |           |
| Dividend Remittance In Foreign Currency                | --        | --        | --        | --        | --        |
| <b>Earnings in Foreign Exchange</b>                    |           |           |           |           |           |
| FOB Value Of Goods                                     | --        | --        | --        | --        | --        |
| Other Earnings                                         | 1,457.05  | 1,088.24  | 1,445.96  | 866.87    | 761.77    |
| <b>BONUS DETAILS</b>                                   |           |           |           |           |           |
| Bonus Equity Share Capital                             | 23.96     | 23.96     | 23.96     | 23.96     | 23.96     |
| <b>Non-Current Investments</b>                         |           |           |           |           |           |
| Non-Current Investments Quoted Market Value            | --        | --        | --        | 614.74    | 214.87    |
| Non-Current Investments Unquoted Book Value            | --        | --        | --        | 3,693.68  | 3,320.36  |

| <b>Current Investments</b>              |    |    |    |          |          |
|-----------------------------------------|----|----|----|----------|----------|
| Current Investments Quoted Market Value | -- | -- | -- | 55.59    | 135.71   |
| Current Investments Unquoted Book Value | -- | -- | -- | 6,136.94 | 4,559.92 |

Source: Dion Global Solutions Limited

**Profit & Loss Account of Hero Moto Corp before Demerger****Data Base and Methodology**

The main source of the data required for this study has been the secondary one consisting of corporate financial reporting includes published annual reports of the companies, other published information considered reliable and authentic and financial ratios from the respective company websites. Resorting to certain financial measuring tools such as Return on Capital Employed (ROCE), Return on Net Worth (RONW), Return on Investment (ROI), Earnings Per Share (EPS), Net Profit Margin are used to analyze and compare the revenue performance prior to demerger and post to demerger

|                                                             | <b>Mar-10</b>  | <b>Mar-09</b>  | <b>Mar-08</b>  | <b>Mar-07</b>  | <b>Mar-06</b>  |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                             | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> |
| <b>Income</b>                                               |                |                |                |                |                |
| REVENUE FROM OPERATIONS [GROSS]                             | 16,856.43      | 13,553.23      | 12,048.30      | 11,553.47      | 10,097.17      |
| Less: Excise/Service Tax/Other Levies                       | 1,016.85       | 1,227.85       | 1,703.29       | 1,647.52       | 1,377.96       |
| REVENUE FROM OPERATIONS [NET]                               | 15,839.58      | 12,325.38      | 10,345.01      | 9,905.95       | 8,719.21       |
| TOTAL OPERATING REVENUES                                    | 15,839.58      | 12,325.38      | 10,345.01      | 9,905.95       | 8,719.21       |
| Other Income                                                | 290.69         | 222.14         | 216.3          | 197.68         | 160.46         |
| TOTAL REVENUE                                               | 16,130.27      | 12,547.52      | 10,561.31      | 10,103.63      | 8,879.67       |
| <b>Expenses</b>                                             |                |                |                |                |                |
| Cost Of Materials Consumed                                  | 10,904.04      | 8,915.84       | 7,521.91       | 7,249.55       | 5,846.50       |
| Purchase Of Stock-In Trade                                  | 0              | 0              | 0              | 58.56          | 342.93         |
| Operating And Direct Expenses                               | 454.36         | 354.08         | 304.11         | 280.17         | 238.39         |
| Changes In Inventories Of FG,WIP And Stock-In Trade         | 11.54          | -22.09         | 14.14          | -3.2           | -14.97         |
| Employee Benefit Expenses                                   | 560.32         | 448.65         | 383.45         | 353.81         | 320.61         |
| Finance Costs                                               | 2.1            | 2.53           | 2              | 1.61           | 2.92           |
| Depreciation And Amortisation Expenses                      | 191.47         | 180.66         | 160.32         | 139.78         | 114.62         |
| Other Expenses                                              | 1,174.71       | 886.39         | 765.1          | 777.25         | 616.43         |
| TOTAL EXPENSES                                              | 13,298.54      | 10,766.06      | 9,151.03       | 8,857.53       | 7,467.43       |
| PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX | 2,831.73       | 1,781.46       | 1,410.28       | 1,246.10       | 1,412.24       |
| Exceptional Items                                           | 0              | 0              | 0              | 0              | 0              |
| PROFIT/LOSS BEFORE TAX                                      | 2,831.73       | 1,781.46       | 1,410.28       | 1,246.10       | 1,412.24       |
| <b>TAX EXPENSES-CONTINUED OPERATIONS</b>                    |                |                |                |                |                |
| Current Tax                                                 | 591.58         | 475.65         | 436.81         | 375.81         | 415.85         |
| Less: MAT Credit Entitlement                                | 0              | 0              | 0              | 0              | 0              |
| Deferred Tax                                                | 8.32           | 19.06          | 1.2            | 9.42           | 17.88          |
| Tax For Earlier Years                                       | 0              | 0              | 0              | 0              | 0              |
| TOTAL TAX EXPENSES                                          | 599.9          | 499.7          | 442.4          | 388.21         | 440.9          |
| PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS        | 2,231.83       | 1,281.76       | 967.88         | 857.89         | 971.34         |
| PROFIT/LOSS FROM CONTINUING OPERATIONS                      | 2,231.83       | 1,281.76       | 967.88         | 857.89         | 971.34         |

|                                                                                      |           |          |          |          |          |
|--------------------------------------------------------------------------------------|-----------|----------|----------|----------|----------|
| PROFIT/LOSS FOR THE PERIOD                                                           | 2,231.83  | 1,281.76 | 967.88   | 857.89   | 971.34   |
| <b>Other Additional Information</b>                                                  |           |          |          |          |          |
| <b>Earnings Per Share</b>                                                            |           |          |          |          |          |
| Basic EPS (Rs.)                                                                      | 111.76    | 64.18    | 48.47    | 42.96    | 48.64    |
| Diluted EPS (Rs.)                                                                    | 111.76    | 64.18    | 48.47    | 42.96    | 48.64    |
| <b>Value of Imported and Indigenous Raw Materials Stores, Spares And Loose Tools</b> |           |          |          |          |          |
| Imported Raw Materials                                                               | 179.28    | 70.07    | 49.99    | 79.27    | 97.3     |
| Indigenous Raw Materials                                                             | 10,601.31 | 8,746.40 | 7,363.12 | 7,078.28 | 5,657.34 |
| <b>Stores, Spares and Loose Tools</b>                                                |           |          |          |          |          |
| Imported Stores And Spares                                                           | 8.15      | 6.47     | 5.96     | 4.71     | 7.69     |
| Indigenous Stores And Spares                                                         | 19.18     | 14.83    | 11.53    | 12.12    | 10.49    |
| <b>Dividend and Dividend Percentage</b>                                              |           |          |          |          |          |
| Equity Share Dividend                                                                | 2,196.56  | 399.38   | 379.41   | 339.47   | 399.38   |
| Tax On Dividend                                                                      | 371       | 67.87    | 64.48    | 57.69    | 56.01    |
| Equity Dividend Rate (%)                                                             | 5,500.00  | 1,000.00 | 950      | 850      | 1,000.00 |

Source: Dion Global Solutions Limited

**Profit & Loss Account of Hero Moto Corp After Demerger**

| <b>Profit &amp; Loss account of Hero Motocorp (in Rs. Cr.)</b> | <b>24-Mar</b>  | <b>23-Mar</b>  | <b>22-Mar</b>  | <b>21-Mar</b>  | <b>20-Mar</b>  |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                                | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> | <b>12 mths</b> |
| <b>Income</b>                                                  |                |                |                |                |                |
| Revenue From Operations [Gross]                                | 37,290.12      | 33,406.21      | 28,687.74      | 30,303.53      | 28,408.43      |
| Less: Excise/Service Tax/Other Levies                          | 0              | 0              | 0              | 0              | 0              |
| Revenue From Operations [Net]                                  | 37,290.12      | 33,406.21      | 28,687.74      | 30,303.53      | 28,408.43      |
| Total Operating Revenues                                       | 37,455.72      | 33,805.65      | 29,245.47      | 30,800.62      | 28,836.09      |
| Other Income                                                   | 892.55         | 565.16         | 556.91         | 579.85         | 778.34         |
| Total Revenue                                                  | 38,348.27      | 34,370.81      | 29,802.38      | 31,380.47      | 29,614.43      |
| <b>Expenses</b>                                                |                |                |                |                |                |
| Cost Of Materials Consumed                                     | 24,767.46      | 24,019.73      | 20,708.07      | 21,875.33      | 19,867.19      |
| Purchase Of Stock-In Trade                                     | 484.2          | 47.43          | 45.95          | 30.46          | 0              |
| Operating And Direct Expenses                                  | 0              | 0              | 0              | 0              | 0              |
| Changes In Inventories Of FG,WIP And Stock-In Trade            | 179.11         | -209.04        | 72.71          | -143.46        | -169.78        |
| Employee Benefit Expenses                                      | 2,402.34       | 2,189.83       | 1,935.44       | 1,898.72       | 1,841.70       |
| Finance Costs                                                  | 18.5           | 19.87          | 25.8           | 21.84          | 22.02          |
| Depreciation And Amortisation Expenses                         | 711.41         | 656.96         | 649.75         | 676.87         | 817.96         |
| Other Expenses                                                 | 4,366.90       | 3,771.47       | 3,114.53       | 3,120.33       | 3,339.02       |
| Total Expenses                                                 | 32,929.92      | 30,496.25      | 26,552.25      | 27,480.09      | 25,718.11      |
| Profit/Loss Before Exceptional, Extra Ordinary Items And Tax   | 5,418.35       | 3,874.56       | 3,250.13       | 3,900.38       | 3,896.32       |
| Exceptional Items                                              | -159.99        | 0              | 0              | 0              | 677.37         |
| Profit/Loss Before Tax                                         | 5,258.36       | 3,874.56       | 3,250.13       | 3,900.38       | 4,573.69       |
| <b>Tax Expenses-Continued Operations</b>                       |                |                |                |                |                |
| Current Tax                                                    | 1,260.95       | 941.9          | 797.91         | 924.92         | 1,084.11       |
| Less: MAT Credit Entitlement                                   | 0              | 0              | 0              | 0              | 0              |
| Deferred Tax                                                   | 29.45          | 22.08          | -20.8          | 11.26          | -143.68        |
| Tax For Earlier Years                                          | 0              | 0              | 0              | 0              | 0              |
| Total Tax Expenses                                             | 1,290.40       | 963.98         | 777.11         | 936.18         | 940.43         |
| Profit/Loss After Tax And Before Extra Ordinary Items          | 3,967.96       | 2,910.58       | 2,473.02       | 2,964.20       | 3,633.26       |

|                                                                                      |          |          |          |          |          |
|--------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| Profit/Loss From Continuing Operations                                               | 3,967.96 | 2,910.58 | 2,473.02 | 2,964.20 | 3,633.26 |
| Profit/Loss For The Period                                                           | 3,967.96 | 2,910.58 | 2,473.02 | 2,964.20 | 3,633.26 |
| <b>Other Additional Information</b>                                                  |          |          |          |          |          |
| <b>EARNINGS PER SHARE</b>                                                            |          |          |          |          |          |
| Basic EPS (Rs.)                                                                      | 198.53   | 145.66   | 123.78   | 148.39   | 181.91   |
| Diluted EPS (Rs.)                                                                    | 198.18   | 145.52   | 123.78   | 148.37   | 181.91   |
| <b>Value of Imported and Indigenous Raw Materials Stores, Spares and Loose Tools</b> |          |          |          |          |          |
| Imported Raw Materials                                                               | 0        | 0        | 0        | 0        | 0        |
| Indigenous Raw Materials                                                             | 0        | 0        | 0        | 0        | 0        |
| <b>Stores, Spares and Loose Tools</b>                                                |          |          |          |          |          |
| Imported Stores And Spares                                                           | 0        | 0        | 0        | 0        | 0        |
| Indigenous Stores And Spares                                                         | 0        | 0        | 0        | 0        | 0        |
| <b>Dividend and Dividend Percentage</b>                                              |          |          |          |          |          |
| Equity Share Dividend                                                                | 2,698.67 | 1,998.33 | 1,898.13 | 1,897.81 | 1,937.44 |
| Tax On Dividend                                                                      | 0        | 0        | 0        | 0        | 395.03   |
| Equity Dividend Rate (%)                                                             | 7,000.00 | 5,000.00 | 4,750.00 | 5,250.00 | 4,500.00 |

Source: Dion Global Solutions Limited

**Comparative analysis of preand post-performance on the basis of Profit & loss Account (in cr.)**

|                           | Pre-Demerger |          |           |           |           | Post -Demerger |           |           |           |           |
|---------------------------|--------------|----------|-----------|-----------|-----------|----------------|-----------|-----------|-----------|-----------|
|                           | 2006         | 2007     | 2008      | 2009      | 2010      | 2020           | 2021      | 2022      | 2023      | 2024      |
| Sales                     | 8,719.21     | 9,905.95 | 10,345.01 | 12,325.38 | 15,839.58 | 28,408.43      | 30,303.53 | 28,687.74 | 33,406.21 | 37,290.12 |
| P&L                       | 971.34       | 857.89   | 967.88    | 1,281.76  | 2,231.83  | 3,633.26       | 2,964.20  | 2,473.02  | 2,910.58  | 3,967.96  |
| Cost of Material Consumed | 5846.5       | 7249.55  | 7521.19   | 8915.84   | 10,904.04 | 19867.19       | 21,875.33 | 20,708.07 | 24,019.73 | 24,767.46 |
| Tax Paid                  | 440.9        | 388.21   | 442.4     | 499.7     | 599.9     | 940.43         | 936.18    | 777.11    | 963.98    | 1,290.40  |
| Employee Benefit Expenses | 320.61       | 353.81   | 383.45    | 448.65    | 560.32    | 1,841.70       | 1,898.72  | 1,935.44  | 2,189.83  | 2,402.34  |
| Equity share dividend     | 399.38       | 339.47   | 379.41    | 399.38    | 2196.56   | 1937.44        | 1897.81   | 1898.13   | 1,998.33  | 2,698.67  |
| Earning per Share         | 48.64        | 42.96    | 48.47     | 64.18     | 111.76    | 181.91         | 148.37    | 123.78    | 145.52    | 198.18    |
| Dividend Per Share        | 20.00        | 17.00    | 19.00     | 20.00     | 30.00     | 25.00          | 25.00     | 35.00     | 35.00     | 40.00     |
| Interim Dividend          | 00.00        | 00.00    | 00.00     | 00.00     | 00.00     | 65.00          | 65.00     | 60.00     | 65.00     | 75.00     |
| Special Dividend          | 00.00        | 00.00    | 00.00     | 00.00     | 80.00     | 00.00          | 15.00     | 00.00     | 00.00     | 25.00     |

**Findings**

Before demerger Hero was totally dependent on Honda for its Research and development. But after demerger they spend a lot of amount on R&D. In 2016 company launched its R& D Center in Jaipur and in January 2019 in Germany. Thus company show a robust raise in its

R& D centers area which was 6,700 sq. m in year 2011-12 raised to 69,000+ sq. m both in India and Germany Also in term of money in year 2021 company spend 616 Cr of rupees on R& D which was increased to 826 Cr in 2024 .

In 2024 Company is able to launch **Surge S32** world's first electric class-convertible vehicle which can convert itself into three to two wheeler which will be a boon for middle class people as they can earn their livelihood by using it as a Commercial vehicle and can also enjoy quality time with the family by converting it into electronic two wheeler.

On the basis of sales figures it is very clear that there is a substantial increase in the sales of company after the demerger. In year 2024 company sold (cumulative) 116 million + units generating revenue worth Rs. 37,290.12 which was only Rs.15,839.58 in 2010.

Company has expanded its business by entering into South East Asian countries like Philippines. Presently Company has expanded its market in 48 countries and offering them product as per the demand of their customers.

Also if we see the figures we can fetch that the Profit & loss of the company has raised from 2,231.83 in 2010 to 3,967.96 in 2024 which shows that Hero has prove that alone he can excel.

Even dividend per share which was 30 Rs per share in 2010 rose to 40 Rs in 2024. Also Company declared interim dividend of Rs 75 and special dividend Rs.25 in 2024 which shows that company is able to satisfy his shareholders.

### Result

On the basis of above study we reject our Ho & accept our alternative hypothesis that there is significant difference in financial performance of Hero Motocorp before & after demerger period.

### Conclusion

Through this study we can conclude that the decision of company to demerge with Honda was a strong but a good decision. Company took time to revamp its journey but as of now they have achieved a stable situation and in coming years the company will be able to grow and explore more. The best part is company by getting demerge is now able to save a huge amount of money which was draining from our country. Also company has expanded its markets in Africa, Philippines, and other South-East Asian countries Latin America which will bring foreign currency in our country. Also company is going to start its export with UK, Europe operations in 2025 with Vida Z. VIDA Z is an electronic two wheeler designed especially for the global audience having rich features and styling. Also the company in joint collaboration with automotive skills development has launched Project Saksham to train women as two-wheeler technicians which will give new sector for Indian women to show their talent.

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