Joint Venture Projects.
A case study of Hero & Honda in India.

ABSTRACT:
A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at Dharuhera India. Munjal family and Honda group both own 26% stake in the Company. During the 1980s, the company introduced motorcycles that were popular in India for their fuel economy and low cost. The technology in the bikes of Hero Honda for almost 26 years (1984 – 2010) had come from the Japanese counterpart Honda. The company was the largest two wheeler manufacturer in India. The 2006 Forbes 200 Most Respected companies list has Hero Honda Motors ranked at 108. But the rising differences between the two partners over a number of issues gradually led to the Split of Joint Venture. Differences ranged from Honda's refusal to fully and freely share technology with Hero, despite a 10-year technology tie-up that expires in 2014, even when Indian partner was paying high royalty to the Japanese company. Another major reason for Honda was the refusal of Hero Honda to merge the company's spare parts business with Honda’s new fully owned subsidiary Honda Motorcycle and Scooter India (HMSI).

Some of the major findings of the study finds were; Hero’s market share shrunk to 42.7% in April-September 2012, from 45.3% in the year-ago period, and the biggest gainer has been HMSI, with a 6% rise in share, Honda Motorcycle & Scooter India (HMSI) would expand its network by opening 500 dealers and sub-dealers in tier-II and tier-III cities & Sales of Splendor have almost halved from 2.4 lakh units in April 2012 to a little over 1.20 lakh units in September. The study concludes that, the main challenge for both companies would be to cope up with the ever changing environment and to grow independently.

INTRODUCTION
A joint venture takes place when two parties come together to take on one project. In a joint Venture, both parties are equally invested in the project in terms of money, time, and effort to Build on the original concept. Since the cost of starting new projects is generally high, a joint Venture allows both parties to share the burden of the project, as well as the resulting profits. Hero Honda started in 1984 as a joint venture between Hero Cycles of India and Honda of Japan. The company is the largest two wheeler manufacturer in India. The 2006 Forbes 200 Most Respected companies list has Hero Honda Motors ranked at 108.

“Hero” is the brand name used by the Munjal brothers for their flagship company Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at Dharuhera India. Munjal family and Honda group both own 26% stake in the Company. During the 1980s, the company introduced motorcycles that were popular in India for their fuel economy and low cost. A popular advertising campaign based on the slogan 'Fill it - Shut it - Forget it’ that emphasized the motorcycle's fuel efficiency helped the company grow at a double-digit pace since inception. The technology in the bikes of Hero Honda for almost 26 years (1984 – 2010) has come from the Japanese counterpart Honda. Honda Motorcycle and Scooter India, Private Limited (HMSI) is the wholly owned Indian
subsidiary of Honda Motor Company, Limited, Japan. Founded in 1999, it was the fourth
Honda automotive venture in India, after Hero Honda, Kinetic Honda Motor Ltd and Honda
Siel Cars India. The entry of Honda into the Indian market as HMSI began with the launch of
the Honda Activa, a 100 cc scooter. A slightly modified trendier version of the Activa was
soon launched, as the Honda Dio. Honda Eterno was launched thereafter to add to the
portfolio of HMSI's scooters. The Honda Unicorn was the first motorcycle released by HMSI.
The Honda Shine has since been released.

THE SPLIT
The rising differences between the two partners over a number of issues gradually led to the
Split of Joint Venture. Differences ranged from Honda’s refusal to fully and freely share
technology with Hero, despite a 10-year technology tie-up that expires in 2014, even when
Indian partner was paying high royalty to the Japanese company. Another major reason for
Honda was the refusal of Hero Honda to merge the company’s spare parts business
with Honda’s new fully owned subsidiary Honda Motorcycle and Scooter India (HMSI).
In December 2010, the Board of Directors of the Hero Honda Group decided to terminate the
joint venture between Hero Group of India and Honda of Japan in a phased manner. The
Hero Group would buy out the 26% stake of the Honda in JV Hero Honda. Under the joint
venture Hero Group could not export to international markets (except Sri Lanka) and the
termination would mean that Hero Group can now export. Since the beginning, the Hero
Group relied on their Japanese partner Honda for the technology in their bikes. So there are
concerns that the Hero Group might not be able to sustain the performance of the Joint
Venture alone.

STAND ALONE
Hero Moto Corp has three manufacturing facilities based at Dharuhera, Gurgaon in Haryana
and at Haridwar in Uttarakhand. These plants together are capable of churning out 3 million
bikes per year. Hero Moto Corp has a large sales and service network with over 3,000
dealerships and service points across India. The company has a stated aim of achieving
revenues of $10 billion and volumes of 10 million two-wheelers by 2016-17. This in
conjunction with new countries where they can now market their two-wheelers following the
disengagement from Honda, Hero Moto Corp hopes to achieve 10 per cent of their revenues
from international markets, and they expected to launch sales in Nigeria by end-2011 or early
2012. In addition, to cope with the new demand over the coming half decade, the company
was going to build their fourth factory in South India and their fifth factory in Western India.
The HMSI factory is at Manesar, Gurgaon district of Haryana. The initial production capacity
was 100,000 scooters per year, which are currently 600,000 scooters. The motorcycle
production capacity is 1,000,000 per annum. Honda Motorcycle & Scooter India (HMSI)
plans to expand its network by opening 500 dealers and sub-dealers in tier-II and tier-III
cities by FY 13 which will take its network strength to 2000. The company is targeting 30 per
cent growth in sales in current fiscal. With about 14 per cent market share in two-wheeler
segment, HMSI has set a target to sell 27.5 lakh bikes and scooters in current fiscal against 21
lakh units sold in last fiscal.

MILESTONES:-
Hero MotoCorp was started in 1984 as Hero Honda Motors Ltd
1956—Formation of Hero Cycles in Ludhiana (majestic auto limited)
1975—Hero Cycles becomes largest bicycle manufacturer in India.
1983—Joint Collaboration Agreement with Honda Motor Co. Ltd. Japan signed
Shareholders Agreement signed
1984—Hero Honda Motors Ltd. incorporated
1985—Hero Honda motorcycle CD 100 launched.
1989—Hero Honda motorcycle Sleek launched.
1991—Hero Honda motorcycle CD 100 SS launched.
1994—Hero Honda motorcycle Splendor launched.
1997—Hero Honda motorcycle Street launched.
1999—Hero Honda motorcycle CBZ launched.
2002—Hero Honda motorcycle Dawn and Hero Honda motorcycle Ambition launched.
2004—Hero Honda motorcycle Ambition 135 and Hero Honda motorcycle CBZ* launched.
2008—New Models of Hero Honda motorcycles Pleasure, CBZ Xtreme, Glamour, Glamour Fi and Hero Honda motorcycle Passion Pro launched.
2011—New Models of Hero Honda motorcycles Glamour, Glamour Fi, CBZ Xtreme, Karizma launched. New licensing arrangement signed between Hero and Honda. In August Hero and Honda parted company, thus forming Hero MotoCorp and Honda moving out of the Hero Honda joint venture. In November, Hero launched its first ever Off Road Bike Named Hero "Impulse".
2012—New Models of Hero MotoCorp Maestro the Masculine scooter and Ignitor the young generation bikes are launched.

LITERATURE REVIEW
Literature review is one of the prime parts of every project. The very basic purpose of the
literature review is to gain insight on the theoretical background of the research problem. It helps the researcher to gain strong theoretical basis of the problem under study and also help to explore whether any one has done research on the related issue. That’s why literature review helps one to find out the path of problem solving. In This regards the very basic purpose of the literature review in this dissertation is same as mentioned.

OBJECTIVES OF THE STUDY
1) To study the impact of JV split on Sales of various models of both companies.
2) To study the impact of JV split on market share of two companies.
3) To study the impact of JV split on overall sales performance of two companies.

RESEARCH METHODOLOGY
Secondary data:-
Secondary data is the data which is already been collected and assembled. This data is available with the companies or firms and it has been collected from newspapers, periodicals magazines and websites.

DATA ANALYSIS AND INTERPRETATION

SALES FIGURES:

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<tr>
<th>Sr No</th>
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Source:- www.motorbeam.com
Interpretation:-
Sales figures of Hero MotoCorp are declining in trend with overall sales standing at 5,34,091 units in June, whereas Honda Motorcycles and Scooters India (HMSI) sales graph continues to grow by margins. The products that might be behind in this situation are refreshed Dio and new entrant Dream Yuga commuter. There is slight decline in scooters demand but Dream Yuga gave wings to bike sales for Honda, giving total sales figure of 2,26,864 units.

MARKET SHARE:
Hero's market share shrank to 42.7% in April-September 2012, from 45.3% in the year-ago period, and the biggest gainer has been HMSI, with a 6% rise in share. In September alone, Hero's share fell to 36.8%, almost a 4% drop over the previous month. The market share picture clearly indicates that HMSI has been bucking the trend in the slowing two-wheeler market.
The Hero Motocorp is leading the market and by a big margin. The difference is too big to cope up with, for any manufacturer in short span. With proven products and many people having faith in brand, it is quite a difficult task for others to take the Hero’s number one position anytime soon.

SALES COMPARISISION:

<table>
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<tr>
<th>Rank</th>
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<td>Bike</td>
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<td>Honda Motorcycles and Scooters</td>
<td>Scooter+Bike</td>
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<td>647235</td>
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<td>4</td>
<td>TVS Motors</td>
<td>Bike+Scooter+Moped</td>
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</tr>
<tr>
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<td>Mahindra 2 Wheelers</td>
<td>Scooters</td>
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<tr>
<td>8</td>
<td>Piaggio Vespa</td>
<td>Scooter</td>
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</table>
A) Hero MotoCorp has sold 5,56,644 units of two wheelers in the month of May 2012 compared to 5,00,234 units of two wheelers sold in the month of May 2011.

B) Honda Motorcycle & Scooter India Ltd has shown a growth of 52.02% in the month of May 2012. The company reported sales of 2,21,540 units in the month of May 2012 compared to 1,45,729 units in the May 2011.

PRESENT MARKET SHARE:

![Present Market Share](image)

The pie shows the market shares of individual companies. Top three companies holds more than 80% of market volume.

FINDINGS:

1) Honda will continue to provide technology to Hero Honda motorbikes until 2014 for existing as well as future models.

2) The Hero MotoCorp is leading the market. The difference is too big to cope up with, for any manufacturer in short span. With proven products and many people having faith in brand, it is quite a difficult task for others to take the Hero’s number one position.

3) Hero MotoCorp India’s no. 1 two wheeler company has posted growth of 11.28% in the month of May 2012 compared to May 2011.

4) Hero's market share shrank to 42.7% in April-September 2012, from 45.3% in the year-ago period, and the biggest gainer has been HMSI, with a 6% rise in share.
5) The market share picture clearly indicates that HMSI has been bucking the trend in the slowing two-wheeler market.

6) Honda Motorcycle & Scooter India (HMSI) would expand its network by opening 500 dealers and sub-dealers in tier-II and tier-III cities as company is eyeing 30 per cent growth in sales in current fiscal.

7) With about 14 per cent market share in two-wheeler segment, HMSI has set a target to sell 27.5 lakh bikes and scooters in current fiscal against 21 lakh units sold in last fiscal.

8) Top three companies hold more than 80% of market volume.

9) Under the joint venture Hero Group could not export to international markets (except Sri Lanka) and the termination would mean that Hero Group can now export.

10) Sales of Splendor have almost halved from 2.4 lakh units in April 2012 to a little over 1.20 lakh units in September. During the same six month period, Honda Motorcycle and Scooters India (HMSI) has seen the sales of entry-level motorcycles jump almost five-fold, from 7,290 units in April to 34,745 units in September, led by Dream Yuga.

CONCLUSION:
The companies which once sounded incomplete without each other are now rivals. This is the impact of Split of Joint Ventures. After the companies gained individual identities as “Hero MotoCorp” and “Honda motorcycles and scooters limited” they claimed many things as - Hero MotoCorp would now be able to export but the question arises that will the company, individually, able to create an international image without Honda’s technology. Despite of the fact that Hero Moto Corp will now work with world’s largest privately owned engine developer, AVL Engineering, to share its technology for manufacturing Hero vehicles. Honda dreams of acquiring major share in India’s two wheeler market but will it be able to do so without the powerful brand name of “Hero”. When the fact says that sales figures of Hero MotoCorp alone count more than the sales figures of second, third and fourth companies in the line.

After a 15% growth in FY12 with record sales of 6.2 million units, it seemed Hero MotoCorp had managed the transition post the break-up with Honda well. But the slowdown in the market and rising competition has come as a surprise with sales declining 3% in the first six months of the current fiscal year. In September 2012, Hero posted a 26% decline in sales, its steepest fall in over a decade. The month also saw Hero’s flagship brand Splendor. The main challenge for both companies is to cope up with the ever changing environment and to grow independently.

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9. The Times of India
10. Business standard