

Board's Report



Dear Members,

The Board of your Company is immensely delighted in presenting its 32nd Report. The Report is being presented along with the Audited Financial Statements for the Financial Year ended March 31, 2015.

68

Financial Results – Standalone & Consolidated

₹ crores

Particulars	Standalone		Consolidated	
	For the year ended		For the year ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Gross Sales	29,068.24	27,005.26	29,020.98	27,005.26
Net Sales and other Income	28,078.04	25,721.85	28,030.14	25,719.66
Profit before Finance Costs, Depreciation & Exceptional Items	4,034.92	3,986.44	3,988.84	3,983.29
Less: Finance Cost	11.09	11.82	11.70	11.82
Depreciation	539.97	1,107.37	540.45	1,107.37
Exceptional Items	155.04	-	144.73	-
Profit Before Tax (PBT)	3,328.82	2,867.25	3,291.96	2,864.10
Less: Provision for tax				
- Current	898.91	828.21	899.18	828.21
- Deferred	44.27	(238.39)	44.27	(238.39)
- Minimum Alternate Tax Credit	-	168.35	-	168.35
Profit After Tax (PAT)	2,385.64	2,109.08	2,348.51	2,105.93
Share of profit/(loss) of associates	-	-	15.15	(3.62)
Minority interest	-	-	(1.04)	(0.35)
Profit for the year	2,385.64	2,109.08	2,364.70	2,102.66
Add: Balance of profit brought forward	3,414.14	3,039.98	3,407.72	3,039.98
Less: On account of depreciation as per Schedule II of Companies Act, 2013 ("Act")	22.97	-	22.97	-
Balance available for appropriation	5,776.81	5,149.06	5,749.45	5,142.64
Appropriations				
Dividend				
- Interim	599.06	1.16	599.06	1.16
- Proposed Final	599.06	1,297.97	599.06	1,297.97
Corporate Dividend Tax	223.76	220.79	223.76	220.79
Transfer to General Reserve	250.00	215.00	250.00	215.00
Balance carried to Balance Sheet	4,104.93	3,414.14	4,077.57	3,407.72
Dividend (%)	3,000	3,250		
Basic and Diluted Earnings Per Share (EPS)(₹)				
- before exceptional items	127.23	105.61	125.66	105.29
- after exceptional items	119.46	105.61	118.41	105.29

Company's 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 6,245,960 units. The total sale of products (net of excise duty) was increased by 8.86% from ₹ 25,124.91 crores in FY 2013-14 to ₹ 27,350.60 crores in FY 2014-15

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

Profit Before Tax (PBT) after exceptional item has shown an increase of 16.10% from ₹ 2,867.25 crores in FY 2013-14 to ₹ 3,328.82 crores in FY 2014-15. Your Company's Profit After Tax (PAT) increased by 13.11% from ₹ 2,109.08 crores in FY 2013-14 to ₹ 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.

A detailed discussion on the business performance and future outlook has been given in 'Management Discussion and Analysis' (MDA).

Consolidated Financial Statement

In accordance with the Act and Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in Associates the audited consolidated Financial Statement is provided in the Annual Report.

Change in nature of Business

During the year under review there was no change in the nature of Business.

Capacity Expansion, New Projects & Strategic Alliances

The Garden Factory set up at Neemrana started despatch of two wheelers in the month of June 2014, and was formally inaugurated in the month of October 2014 by Ms. Vasundhara Raje Scindia, Hon'ble Chief Minister of Rajasthan. The production of this plant will add up to the total Annual Installed Capacity of 7.75 million units of two wheelers of the Company.

The State-of-the-art Global Parts Centre (GPC) at Neemrana, Rajasthan, built on Green Building concept also commenced its operations during the same period.

The prestigious 'Hero Centre of Global Innovation and Research & Design (R&D)' spread over an area of 250 acres at Kukas, near Jaipur in Rajasthan is nearing completion. Once commissioned it will be the largest two-wheeler R&D centre in the country of its class.

The construction of the fifth plant of your Company at Halol in Gujarat with an annual installed capacity of 18 (eighteen) lakhs units has been started and would be completed very soon. Your Company is determined to have no capacity constraints for ensuring long-term growth. Accordingly, during FY 2014-15, your Company has entered into an MoU with the Government of Andhra Pradesh for setting up of Manufacturing Plant in Sricity in Chittoor District of Andhra Pradesh. The plant with an investment of ₹ 1,600 crores (approx.), will have an annual production capacity of around 1.8 million units of two wheeler.

Your Directors are happy to announce that in the month of March 2015, HMC MM Auto Limited, the Joint Venture between Hero MotoCorp Ltd. and Milan (Italy) based Magneti Marelli inaugurated its first autonomous 'Production and Development Centre' at Manesar (Haryana). The new centre will serve as a production facility and innovation hub to develop new generation

fuelling systems for Hero MotoCorp's two-wheeler. With the commencement of operations at the Development Centre, Hero MotoCorp is set to become India's first two-wheeler manufacturer to have its own EFI Product line.

The retail finance arm of your Company, Hero FinCorp Ltd. has been expanding in a phased manner and its services would be available at over 730 dealerships in various parts of the country by the end of March 2016.

Global Forays

During FY 2014-15 your Company launched the 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 Niloy Niloy Group of Bangladesh was formed to launch operations in Bangladesh. The construction of the plant is expected to commence soon.

Your Company plans to launch its operation in Europe by 2015 and in US by 2016. In the first phase of its foray into Europe, your Company aims to launch its products in Italy, Spain and France, followed by UK and Germany in the next phase of expansion.

Performance of Subsidiaries, Associate and Joint Venture Companies

HMCL Netherlands B.V. ('HNBV')

HNBV is a wholly owned subsidiary of Hero MotoCorp Ltd. incorporated as a Private Company with Limited Liability under the laws on Netherlands, in Amsterdam (The Netherlands). The Company has been incorporated with the primary objective of promoting overseas investments.

HNBV established its first wholly owned subsidiary named **HMCL Colombia S.A.S. in Colombia**. The subsidiary has commenced construction of a state-of-the-art manufacturing plant in the

country. The 100% subsidiary – HMCL Colombia S.A.S. – has been incorporated in the industrial city of Cali, 300 kms southwest of Bogota with the project cost of US\$ 70 million. HNBV will invest US\$ 38 million in CAPEX, with the rest being utilised as working capital over the next 3 (three) year period.

The state-of-the-art manufacturing plant – spread over 17 (seventeen) acres of land at the Parque Sur Free Trade Zone in Villa Rica – is expected to go on stream during fiscal year 2015 with an initial installed capacity of 78,000 units which would go up to around 150,000 units by 2017-18.

During the period ended March 31, 2015 it had incurred a net loss of ₹ 30.87 crores.

HNBV has also established a Joint Venture Company in Bangladesh named **HMCL Niloy Bangladesh Limited (“HNBL”)** with Nitoy Niloy Group of Bangladesh wherein it holds 55% of the equity capital. HNBL is in the process of setting up a manufacturing plant with a production capacity of 1.50 lakh two-wheelers per annum. During the period ended March 31, 2015 it had registered a gain of ₹ 0.31 crores.

During period ended March 31, 2015 HNBV had a consolidated loss of ₹ 31.49 crores.

HMCL (NA) Inc

Your Company has another wholly owned subsidiary in Delaware, U.S.A. named HMCL (NA) Inc. It was incorporated with a similar objective of pursuing overseas investments. It invested in Erik Buell Racing, Inc. (“EBR”), a Delaware corporation by subscribing to its equity capital to the tune of 49%.

Subsequent to the year end, Erik Buell Racing Inc. (EBR) (alongwith its subsidiary Erik Buell Racing, LLC), an associate of HMCL (NA) Inc. has ceased their operations and entered into Assignment for the Benefit of Creditors under Chapter 128 of the Wisconsin Statutes (“Chapter 128 Process”), which is a process similar to the bankruptcy laws of U.S.A. Accordingly, HMCL (NA) Inc. has made a provision for permanent diminution in value of investment amounting to ₹150.09 crores; being the carrying value in the books of HMCL (NA) Inc.

HMC MM Auto Limited

During the Financial Year 2013-14 Hero MotoCorp Ltd. in Joint Venture with Magneti Marelli, incorporated a Company named HMC MM Auto Limited in India for the purpose of carrying out the manufacture, assembly, sale and distribution of two wheeler fuel injection systems and parts. Hero MotoCorp Ltd. holds 60% of the equity capital of the Joint Venture. The Plant was commissioned in March 2015. The Company is presently developing products, which are under testing and regular production is likely to be commenced during FY 2015-16.

During the Financial Year 2014-15, HMC MM Auto Limited registered a loss of ₹ 2.94 crores.

Hero FinCorp Ltd. (HFCL)

Hero FinCorp Ltd. an associate Company of Hero MotoCorp Ltd. was formed in the year 1991. Hero MotoCorp holds around 48.42% in the equity capital of HFCL. The Company is mainly engaged in providing Financial Services which includes two wheeler financing and providing credit to Hero MotoCorp’s vendors and suppliers. Several new products such as Term Loans and Working Capital Loans have been added to the product suite.

During the Financial Year 2014-15, HFCL recorded a turnover of ₹ 298.62 crores and Net Profit of ₹ 33.15 crores.

Apart from the above there was no cessation/change noted in the Subsidiaries, Joint Venture and Associates Companies.

Material Subsidiaries

The Board of Directors of the Company in its meeting approved the policy for determining Material Subsidiaries. At present the Company does not have any Material Subsidiary. The Policy on Material Subsidiary has been posted on the website of the Company at the following link:

<http://www.heromotocorp.com/en-in/about-us/key-policies/policy-on-material.html>

Directors

During the Financial Year ended March 31, 2015, your Company has appointed Ms. Shobana Kamineni as an Additional Director of the Company in the category of Non- Executive and Independent Directors with effect from March 27, 2015.

The Board also appointed the following as the Key Managerial Personnel (“KMP”) of the Company with effect from April 1, 2014:

1. Mr. Brijmohan Lall Munjal*
- Chairman & Whole Time Director
2. Mr. Pawan Munjal
- Vice Chairman, CEO & Managing Director
3. Mr. Sunil Kant Munjal
- Jt. Managing Director
4. Mr. Ravi Sud
- Sr. Vice President & CFO
5. Mr. Ilam C. Kamboj
- Asso. V.P.– Legal & Company Secretary

* ceased to be a KMP w.e.f. June 1, 2015

Further the following Directors were appointed as Independent Directors of the Company pursuant to Section 149 and other applicable provisions of the Act:

1. Mr. Pradeep Dinodia
- Non Executive & Independent Director
2. Gen. (Retd.) V. P. Malik
- Non Executive & Independent Director
3. Mr. Ravi Nath
- Non Executive & Independent Director
4. Dr. Anand C. Burman
- Non Executive & Independent Director
5. Dr. Pritam Singh
- Non Executive & Independent Director
6. Mr. M. Damodaran
- Non Executive & Independent Director

Declaration of Independence u/s 149(6)

The Board has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act, and in the opinion of the Board they fulfil the conditions specified in the Act and the Rules made thereunder and are Independent of the management.

In terms of the Articles of Association of the Company and the applicable provisions of the Act, the office of Mr. Suman Kant Munjal, Director would be liable to determination by retirement of Director by rotation at this Annual General Meeting. The Board has recommended his re-appointment.

Brief resume/details of Mr. Suman Kant Munjal, who is to be re-appointed as mentioned herein above has been, furnished alongwith the Explanatory Statement to the Notice of the ensuing Annual General Meeting.

Chairman

The Board in its meeting held on June 1, 2015 considered and unanimously appointed Mr. Pawan Munjal as the Chairman of the Company. With this passing of baton, the top leadership plan, which was initiated in August last Fiscal, has come to its logical conclusion and a new future of global leadership beckons Hero MotoCorp. Under the astute leadership of Mr. Munjal, Hero MotoCorp has already expanded to over 22 countries in Asia, Africa, Central and South America over the past few years and it is well on its course to expand to a total of 50 countries by the year 2020. New manufacturing plants are coming up in Colombia and Bangladesh and the vision is to have more global footprints in the coming years.

As Mr. Brijmohan Lall Munjal leaves behind a glorious legacy, it is Mr. Pawan Munjal, who is shaping the future of Hero MotoCorp into a modern, technology & innovation-driven centre of excellence to produce winning products of the future.

Chairman Emeritus

Mr. Brijmohan Lall now the Chairman Emeritus of Hero MotoCorp Ltd. has seen him take Hero to the pinnacle of glory as the world's largest two-wheeler manufacturer. He has been an entrepreneur, a leader and a true gentleman. He has built his business empire on the foundation of enduring relationships. His ability at building relationships enabled the Company to develop an enviable distribution network of dealers which is today almost a 1,000-strong force, each one personally hand-picked by him. He believed in the empowerment of associates and workers; strove to constantly improve quality and productivity, and nurtured and maintained excellent relations with all stakeholders.

In his new role Mr. Munjal, will continue to be the guide and mentor of your Company and be part of the Board as a Non-Executive Director.

Board Meetings

During FY 2014-15, the Board met 6 (six) times on Wednesday, May 28, 2014, Friday, June 20, 2014, Tuesday, August 5, 2015, Tuesday, September 23, 2014, Thursday, October 16, 2014 and Tuesday, February 03, 2015.

Further the Board passed 14 (fourteen) matters by passing Resolutions by way of Circulation on Tuesday, May 20, 2014, Tuesday, July 15, 2014, Thursday, August 14, 2014, Friday, September 19, 2014, Friday, February 13, 2015, Friday, February 27, 2015, Wednesday, March 11, 2015 and Friday, March 27, 2015.

Annual Evaluation - Board and its Committees

The Nomination and Remuneration ("NR") Committee has laid down proper criteria and procedure to evaluate and scrutinize performance of the Chairperson, each director (including Executive, Non-Executive and Independent directors), of the Board as a whole and its Committee.

The criteria include different aspects covered under Administrative, Strategic, Operational and Compliance headings.

As per laid down procedure, the Independent Directors held a separate meeting to review the performance of the Chairperson of the Company after taking into account the views of Executive and Non Executive Directors. The substantial, and continuing, contribution of the Chairperson in the growth of the Company has been highly commended. The Independent Directors also reviewed performance of every Executive and Non Executive Director of the Board. The performance evaluation of each Independent Director was done by the entire Board (except the Independent Directors being evaluated).

The performance of each committee has been evaluated by its members and found to be highly satisfactory.

On the basis of this exercise, the NR Committee and the Board, after recognising the important contribution being made by each Independent Directors have decided that all Independent Directors should continue to be on the Board.

Familiarisation programme for Independent Directors

During FY 2014-15, the Board including all Independent Directors were explained about their roles, rights, responsibilities in the Company through detailed presentations on the changes in backdrop of the Companies Act, 2013 and Listing Agreement. The presentations/ deliberations were carried out through internal resources as well as outside experts.

A special session on training of Independent Directors was also conducted on September 23 -24, 2014 in Italy along with Board Meeting. A detailed programme was devised for the same which spanned for entire 2 (two) days. In the said programme, the Senior Leadership Team of Hero MotoCorp also participated and briefed the Board about the functioning of their respective areas and future outlook of the Company.

A Management expert Mr. Tarun Khanna who is working as Director, South Asia Institute and is Jorge Paulo Lemann Professor at Harvard Business School, was invited for deliberation with the Senior Leadership Team and the Board Members on Board functioning, strategic issues and future plans of the Company.

The Board including all Independent Directors was provided with relevant documents, reports and internal policies to enable them to familiarise with the Company's procedures and practices from time to time besides regular briefing by the members of the Senior Leadership Team.

The Familiarisation programme for Independent Directors is posted on the website www.heromotocorp.com and can be viewed at the following link - <http://www.heromotocorp.com/en-in/about-us/familiarisation-program-of-independent-directors.html>.

Remuneration Policy

Your Company has set up a Nomination and Remuneration ('NR') Committee pursuant to Section 178 of the Act which has formulated a policy for Directors' Appointment and remuneration for Directors, KMP and other employees. They have also developed the criteria for determining qualifications, positive attributes and independence of a Director including making payments to Non-Executive Directors.

During this process, the NR Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages and to administer and superintend the long-term incentive plans, such as ESOPs, RSUs etc.

Further the compensation package for Directors, Key Managerial Personnel, Senior Management and other employees are designed based on the following set of principles:

- ▶ Aligning key executive and board remuneration with the longer term interests of the Company and its shareholders;
- ▶ Minimise complexity and ensure transparency;
- ▶ Link to long term strategy as well as annual business performance of the Company;
- ▶ Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- ▶ Reflective of line expertise, market competitiveness so as to attract the best talent.

Your directors affirm that the remuneration paid to employees, KMP and Directors is as per the Remuneration Policy of the Company.

The Remuneration Policy of the Company is posted on the website www.heromotocorp.com and can be viewed at the following Link:

<http://www.heromotocorp.com/en-in/about-us/key-policies/remuneration-policy.html>

Other remuneration details of the employees, KMPs and Directors along with the details of the ratio of the remuneration of each Director to the median employee's remuneration forms part of the report. And are attached as Annexure - I.

Employees' Stock Option Scheme

The NR Committee of the Board of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company in accordance with the applicable SEBI Guidelines.

The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2015 with regard to the Employees' Stock Option Scheme (ESOS) are provided in Annexure - II to this Report.

Your Company has received a certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the members. The certificate would be placed at the Annual General Meeting for inspection by members.

Directors' Responsibility Statement

Your Directors make the following statement in terms of Section 134(3)(c) & (5) of the Act, which is to the best of their knowledge and belief and according to the information and explanations obtained by them:

1. that in the preparation of the annual accounts for the Financial Year ended March 31, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the State of Affairs as at March 31, 2015 and of the Profit of your Company for the Financial Year ended March 31, 2015;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts for the Financial Year ended March 31, 2015 have been prepared on a going concern basis;
5. that the Directors have laid down Internal Financial Controls which were followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
6. that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Management Discussion and Analysis Report

A detailed chapter on, 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement, is annexed and forms part of this Annual Report.

Corporate Governance

At Hero MotoCorp, it is our firm belief that the essence of Corporate Governance lies in the phrase 'Your Company'. It is 'Your' Company because it belongs to you – the shareholders. The Chairperson and Directors are 'Your' fiduciaries and trustees. Their objective is to take the business forward in such a way that it maximises 'Your' long-term value.

Your Company is committed to benchmarking itself with global standards for providing good Corporate Governance. It has put in place an effective Corporate Governance System which ensures that the provisions of Clause 49 of the Listing Agreement are duly complied with not only in letter but in spirit.

The Board has also evolved and adopted a Code of Conduct based on the principles of Good Corporate Governance and best management practices being followed globally. The Code is available on the website of your Company www.heromotocorp.com. A Report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed hereto as Annexure - III.

Transfer to General Reserve

In view of the vigorous financial strength of your Company, a sum of ₹ 250 crores being 10.47% of the Profit After Tax of the Financial Year under review has been transferred to the General Reserve of the Company.

Dividend

Continuing with its payout policy, your Directors are pleased to recommend for your approval a Final Dividend of 1,500% i.e. ₹ 30 per equity share of the face value of ₹ 2 each, in addition to an Interim Dividend of ₹ 30 per equity share of the face value of ₹ 2 each, paid in the month of August 2014, aggregating to ₹ 1,198.12 crores (exclusive of tax on dividend), for the Financial Year ended March 31, 2015. In the previous Financial Year a Dividend of 3,250% i.e. ₹ 65 was paid per Equity Share of the face value of ₹ 2 each. The Dividend, if approved will be

paid to the eligible members well within the stipulated time.

Transfer to Investor Education and Protection Fund (IEPF)

During the year under review, your Company has transferred unpaid / unclaimed dividend for the Financial Year 2006-07

(final) amounting to ₹ 1.91 crores (approx.) to IEPF.

Material Changes and Commitments

No material changes and commitments affecting the financial position of your Company have occurred between April 1,

2015 and the date of signing of this Report.

Loans, Guarantees and Investments

Details of Loans and Investments covered under the provisions of Section 186 of the Act, are as follows:

₹ crores				
Loans u/s 186				
	Principal Amount	Interest due but not paid	Interest accrued but not due	Total
Opening Balance	43.27	-	-	43.27
Addition	40.35	-	-	40.35
Reduction	29.67	-	-	29.67
Closing Balance	53.95	-	-	53.95

₹ crores			
Investments u/s 186			
	Principal Amount (Shares)	Principal Amount (Bond/Debenture)	Total
Opening Balance	229.59	406.83	636.42
Addition *	255.39	51.12	306.51
Reduction ***	155.04	82.61	237.65
Closing Balance	329.94	375.34	705.28

* HMC MM Auto- ₹ 11.07 crores, HMC (NA), Inc- ₹ Nil, HMC Netherlands BV- ₹ 76.42 crores, Hero FinCorp Ltd- ₹ 167.90 crores & Religare Enterprises Ltd (NCD)- ₹ 51.12 crores

** Provision for diminution-HMC (NA), Inc- ₹ 155.04 crores,

Further during the FY 2014-15 your Company has not provided any guarantee pursuant to provisions of Section 186 of the Act.

Related Party Transactions

All related party transactions pursuant to Section 188(1) of the Act that were entered into during the Financial Year were on an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions made by your Company with its Promoters, Directors, Key Managerial Personnels or other designated persons which might have a potential conflict with the interest of the Company at large.

Related Party Transactions were placed before the Audit Committee for its approval. There was no matter requiring approval of the Board therefore no detail is required to be provided in AOC-2. Your Company has developed Standard Operating Procedures for the purpose of identification of Related Party Transactions and monitoring on a regular basis. Related party transactions were

disclosed to the Board on a regular basis as per AS- 18.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website at www.heromotocorp.com and can be viewed at the following link:

<http://www.heromotocorp.com/en-in/about-us/key-policies/related-party-transactions.html>

None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

Risk Management System

Your Company follows a comprehensive system of Risk Management and has adopted a procedure for risk assessment and its minimisation. It ensures that all the risk are timely defined and mitigated

in accordance with the Risk Management Process, including identification of elements of risk which might threaten the existence of the Company. During FY 2014-15, your Company has also constituted a Risk Management Committee which intensely monitors the Risk Management Process in the Company and the same is periodically reviewed by the Board.

Vigil Mechanism/ Whistle Blower Policy

Your Company has in place a well formulated Vigil Mechanism/ Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The policy enables the employees, Directors and other stakeholders to raise their concern. There was no incident when the access to the Audit Committee was denied to any employees with respect to vigil mechanism. The policy is posted on the website of the Company at the following link:

<http://www.heromotocorp.com/en-in/about-us/key-policies/vigil-mechanism-policy.html>

Corporate Social Responsibility

Your Company has constituted a Corporate Social Responsibility (CSR) Committee which works under the direct supervision of Mr. Pawan Munjal, Chairman, Managing Director & CEO who also acts as the Chairperson of the Committee. Gen. (Retd.) V. P. Malik and Mr. Pradeep Dinodia, both Non-Executive and Independent Directors, members of the Committee. The Committee manages and oversees the CSR projects of your Company. The CSR activities are based on the CSR policy approved by the Board which is available at the website of your Company at the below mentioned link:

<http://www.heromotocorp.com/en-in/about-us/key-policies/corporate-social-responsibility.html>

The CSR Policy of your Company as adopted by the Board covers the following:

- ▶ To direct HMCL's CSR Programmes, inter alia, towards achieving one or more of the following:
 - ▶ enhancing environmental and natural capital;
 - ▶ supporting rural development;
 - ▶ promoting education including skill development;
 - ▶ providing preventive healthcare, providing sanitation and drinking water;
 - ▶ creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India and preserving and promoting sports.;
- ▶ To develop the required capability and self-reliance of beneficiaries at the grass roots, in the belief that these are prerequisites for social and economic development;
- ▶ To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons including from disadvantaged sections of society;
- ▶ To pursue CSR Programmes primarily in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;

- ▶ To carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- ▶ To carry out activities at the time of natural calamity or engage in Disaster Management System;
- ▶ To contribute to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women;
- ▶ To contribute or provide funds to technology incubators located within academic institutions which are approved by the Central Government;
- ▶ To contribute to any fund setup by the Central Government or State Government(s) including Chief Minister's Relief Fund, which may be recognised as CSR activity; and
- ▶ To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier impact.

During FY 2014-15, your Company focussed on lot of activities related to CSR across the country. Some of the major initiatives are as follows:

- ▶ Providing financial support to girl students;
- ▶ Setting up of a RO Plant for providing potable drinking water in the village Hansaka;
- ▶ Providing support to Flood victims of J&K;
- ▶ Carrying out Animal Health camps across various villages; and
- ▶ Training programmes on Road Safety Education.

Your Company already has in place a robust plan, monitoring mechanism and enabling infrastructure to ensure that CSR activities initiated by the Company are sustainable and truly beneficial to the society in the long run. However, the formal initiatives on CSR could start only in the later part of the Financial Year after the approval of CSR policy by the Board. While the work was

initiated only on few programmes, pre-work activities have been detailed out for most of the initiatives and during FY 2015-16, your Company would see a huge action and corresponding spend on CSR. The current financial year will not only see the statutory spending but will also make up the deficiency of FY 2014-15, wherein the ground work has taken place.

The Annual Report on the CSR is attached as Annexure - IV and forms an integral part of this report.

Audit Committee

The Audit Committee of your Company comprises of the following Non-Executive and Independent Directors:

1. Mr. Pradeep Dinodia - Chairperson
2. Gen. (Retd.) V. P. Malik - Member
3. Dr. Pritam Singh - Member
4. Mr. M. Damodaran - Member

The details about Audit Committee and its terms of reference etc. have been given in Corporate Governance Report.

During the Year under review there was no such recommendation of the Audit Committee which was not accepted by the Board.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants (FR No. 015125N), New Delhi, Statutory Auditors were appointed for 3 (three) Financial Years upto FY 2016-17 and in view of the provisions of the Act, their appointment needs to be ratified annually. Your Company has received an eligibility letter from the auditors to the effect that the ratification of their appointment, would be in accordance with Sections 139 and 141 of the Act. The Board recommends the ratification of their appointment.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and rules made thereof, your Company has appointed M/s. Arvind Kohli & Associates, Company Secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report for the Financial Year ended March 31, 2015 is annexed herewith as Annexure - V.

Auditors' Report

The observations of Auditors in their Report, read with the relevant notes to accounts are self-explanatory and therefore do not

require further explanation pursuant to Section 134(3)(f)(i).

The Secretarial Audit Report for FY 2014-15 also does not bear any adverse comments or observations that require any explanation pursuant to Section 134(3)(f)(ii).

Internal Control Systems

Your Company has a proper and adequate system of internal controls. This ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition and those transactions are authorised, recorded and reported correctly.

An extensive programme of internal audits and management reviews supplements the process of internal control. Properly

documented policies, guidelines and procedures are laid down for this purpose. The Internal Control System has been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

Your Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

Insider Trading Code

In compliance with the SEBI regulation on prevention of insider trading, your Company had instituted a comprehensive Code of Conduct for regulating, monitoring and

reporting of trading by Insiders. The said Code laid down guidelines, which advised them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioned them on consequences of non-compliances.

Further your Company has put in place a Code of practices and procedures of fair disclosures of unpublished price sensitive information. Both the aforesaid Codes are in lines with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

Ratings

ICRA Limited and CRISIL Limited have reaffirmed the following ratings to the Company:

ICRA Limited

Rating	Pronounced	Programme/Category	Outlook
"[ICRA]AAA"	ICRA triple A	Line(s) of Credit Long term rating	Stable
"[ICRA]A1+"	ICRA A one plus	Line(s) of Credit Short term rating	-
"IrAAA"	IR triple A	Issuer rating	Stable
"[ICRA]AAA"	ICRA triple A	Non-Convertible Debentures (NCD)	Stable

CRISIL Limited

Rating	Pronounced	Programme/Category	Outlook
"FAAA/Stable"	F triple A	Fixed Deposit Programme	Stable
"CRISIL AAA/Stable"	CRISIL triple A	NCD	Stable
CRISIL AAA/ Stable	CRISIL triple A	Long term rating	Stable
CRISIL A1+	CRISIL A one plus	Short term rating	-

Business Responsibility Report

The Business Responsibility Report (BRR) required to be prepared by top 100 listed companies, based on market capitalisation at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) has been prepared and forms part of the Annual Report. The Report has been mandated by SEBI for providing initiatives taken by the companies from Environmental, Social and Governance perspective.

Listing

The shares of your Company are presently listed on BSE and NSE.

Personnel

As on March 31, 2015, the total numbers of employees on the records of your Company were 7,334.

Your Directors place on record their appreciation for the significant contribution made by all employees, who through their competence, dedication, hard work, co-operation and support have enabled the Company to cross new milestones on a continual basis.

A detailed note on personnel is given in the Management Discussion and Analysis, which forms part of this Annual Report.

Particulars of Employees

In terms of the provisions of Section 197(12) of the Act read with rules made thereof a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are disclosed in this report

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with rules made thereof are disclosed in this report.

The statement containing particulars of employees as required under Section

197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate Annexure forming part of this Report. Further, the Report and the Accounts are being sent to the members excluding the aforesaid Annexure. In terms of Section 136 of the Act, the said Annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

Extract of Annual Return

The details forming part of the extract of the Annual Return pursuant to Sections 92(2) and 134(3)(a) of the Act and rules made thereof in form MGT 9 is annexed herewith as Annexure - VI.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information required under Section 134(3)(m) of the Act, read with rules made thereof is annexed hereto as Annexure - VIII and forms an integral part of this Report.

Statutory Disclosures

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Deposit from the public falling within the ambit of Section 73 of the Act and rules made thereof.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director(s) nor the Whole-time Director(s) of the Company receive any remuneration or commission from any of its subsidiaries.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA)

Your Directors, further state that during the year under review, there were no cases filed, pursuant to the SHWWA and rules made thereof.

Acknowledgement

It is our strong belief that caring for our business constituents has ensured our success in the past and will do so in future. Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Central Government, State Government(s), Financial Institution(s), Bank(s), Customers, Dealers, Vendors and Ancillary Undertakings.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board



Pawan Munjal

Chairman, Managing Director & CEO

DIN: 00004223

New Delhi

June 1, 2015