

BOARD'S REPORT



DEAR MEMBERS,

Your Directors are pleased to present the Thirty Third Annual Report, together with the Company's audited financial statements for the financial year ended March 31, 2016.

FINANCIAL RESULTS – STANDALONE & CONSOLIDATED

The standalone and consolidated financial highlights of your Company are as follows:

(₹ crores)

Particulars	Standalone		Consolidated	
	For the year ended		For the year ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Gross Sales	30,418.66	29,068.24	30,434.29	29,020.98
Net Sales and other Income	28,990.42	28,078.04	29,002.81	28,030.14
Profit before Finance Costs, Depreciation & Exceptional Item	4,838.13	4,034.92	4,771.33	3,988.85
Less: Finance Cost	2.15	11.09	11.87	11.70
Depreciation & Amortization	441.40	539.97	447.01	540.45
Exceptional Item (Provision for diminution in value of non-current investment)	-	155.04	-	144.73
Profit Before Tax (PBT)	4,394.58	3,328.82	4,312.45	3,291.96
Less: Provision for tax				
- Current	960.88	898.91	960.91	899.18
- Deferred	301.33	44.27	301.33	44.27
Profit After Tax (PAT)	3,132.37	2,385.64	3,050.21	2,348.51
Share of profit/(loss) of associates	-	-	39.46	15.15
Minority interest	-	-	(4.11)	(1.04)
Profit for the year	3,132.37	2,385.64	3,093.78	2,364.70
Add: Balance of profit brought forward	4,104.93	3,414.14	4,077.57	3,407.72
Less: On account of Depreciation as per Schedule II of Companies Act, 2013.	-	22.97	-	22.97
Add: Profit consequent to change in Group's Interest	-	-	46.04	-
Balance available for appropriation	7,237.30	5,776.81	7,217.39	5,749.45
Appropriations				
Dividend				
- Interim	798.75	599.06	798.75	599.06
- Proposed Final	639.00	599.06	639.00	599.06
Corporate Dividend Tax	292.69	223.76	292.69	223.76
Transfer to General Reserve	250.00	250.00	250.00	250.00
Balance carried to Balance Sheet	5,256.86	4,104.93	5,236.95	4,077.57
Dividend (%)	3,600	3,000	3,600	3,000
Basic and Diluted Earnings Per Share (EPS) (₹)				
- before exceptional items	156.86	127.23	154.93	125.66
- after exceptional items	156.86	119.46	154.93	118.41

FINANCIAL HIGHLIGHTS

During the Financial Year (FY) 2015-16 under review, your Company clocked sales of 6,632,322 units over 6,631,826 units in the previous FY. The total sales of products (net of excise duty) was ₹ 28,160.48 crores as compared to ₹ 27,350.60 crores in FY 2014-15, showing an increase of 2.96%.

During FY 2015-16, net revenue from operations of your Company was ₹ 28,599.30 crores as compared to ₹ 27,585.30 crores in FY 2014-15, registering an increase of 3.67%.

Profit before tax (PBT), after exceptional items, was ₹ 4,394.58 crores as compared to ₹ 3,328.82 crores in FY 2014-15, showing an increase of 32.02%. Your Company's Profit after Tax (PAT) was ₹ 3132.37 crores as against ₹ 2,385.64 crores in FY 2014-15, registering an increase of 31.30%.

Earnings before Interest, Depreciation and Taxes (EBIDTA) margins stood at 15.55% in FY 2015-16 as compared to 12.84% in FY 2014-15.

DIVIDEND

Continuing with the past trend, your Directors are pleased to recommend for your approval a final dividend of ₹ 32 per equity share (1600%) of face value of ₹ 2 each, in addition to an interim dividend of ₹ 40 per equity share (2000%) declared in the month of March 2016, aggregating a total dividend payout of ₹ 1,437.75 crores (excluding tax on dividend) during FY ended March 31, 2016. In the previous FY, total dividend payout of ₹ 60 per Equity Share of the face value of ₹ 2 each has been made. Final dividend, if approved at the ensuing Annual General Meeting, shall be paid to the eligible members within the stipulated time period.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of the Companies Act 2013 ('the Act') and Accounting Standard (AS)-21 on the Consolidated Financial Statements, read with AS-23 on Accounting for Investments in Associates and AS-27 on Financial Reporting of Interests in Joint Ventures, the Audited Consolidated Financial Statement for the FY ended March 31 2016 is provided in this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed discussion on the business performance and future outlook forms part of Management Discussion and Analysis Report, which is separately provided and forms part of this Annual Report.

CHANGE IN NATURE OF BUSINESS

During FY 2015-16, there was no change in the nature of Company's business.

CAPACITY EXPANSION, NEW PROJECTS & STRATEGIC ALLIANCES

During FY 2015-16, the state of art 'Garden Factory' of your Company at Neemrana, Rajasthan has expanded to 1.065 million from its earlier capacity level of 0.765 million to cater to the growing demand of the scooter segment. Further, your Company has expanded its capacity by adding a Cathodic Electro Deposition (CED) paint shop and other balancing equipment in a record time of nine months. This paint shop is able to handle quick set up change integration.

The 'Global Parts Centre', another state of art establishment of your Company at Neemrana, Rajasthan operated at its full capacity, thereby creating a unique set up for parts business management across the two wheeler industry.

You would be proud to know that your Company's first global manufacturing facility located at Villa Rica in the Cauca province of Colombia was inaugurated by Senor Juan Manuel Santos, the Hon'ble President of Colombia in the month of September 2015. This is a landmark event which clearly establishes the rising global stature of the brand Hero. The facility has been designed for an annual capacity of 80,000 units and has started despatches during FY under review.

The fifth plant of your Company at Halol, Gujarat is nearing completion and is slated to be operational for its Phase I capacities in the second half of FY 2016-17.

Your Company is also working with the Government of Andhra Pradesh for setting up a manufacturing unit at Sricity in Chittoor District in the state of Andhra Pradesh.

The construction of the second overseas plant of your Company at Jessore in Bangladesh, with an annual installed capacity of 1.5 lakhs units, is in full swing and operations are planned to start in the second half of FY 2016-17.

GLOBAL FORAYS

Over the past few years, your Company has taken giant strides towards becoming a multi-national and multi-cultural organization with people from countries in Asia, Europe and Latin America now being part of the Hero family. This is a process that will continue in the coming years and will play a key role in the pursuit of making 'Hero' a truly global organization with its presence in more than 29 countries which it is committed to expand to 50 countries by 2020.

Over the years, your Company has set global benchmarks in creating world class manufacturing and operational facilities to ensure that its products are best in class in terms of design, technology and quality. During FY under review, your Company has launched the brand 'Hero' and its range of products in Nigeria, UAE, Madagascar, Costa Rica, Panama, Bolivia and Dominican Republic. In the coming years, your Company plans to consolidate its operations across South Asia, Africa & Middle East and Latin America with the introduction of new products.

GLOBAL CENTRE OF INNOVATION AND TECHNOLOGY

Achieving a historic landmark in its illustrious journey, your Company has formally inaugurated a world-class 'Global Centre of Innovation and Technology' ('the CIT') at Jaipur, Rajasthan. The CIT is the result of a bold vision to position your Company as the leading source of innovation and green technology. This facility is a giant stride in its relentless endeavour towards strengthening your Company's in-house technology capabilities.

The CIT is a defining step, not just for the technical prowess of Hero, but also for the nation's story to truly blossom on the global stage as a technology powerhouse. Rich in diversity, the CIT brings together a multi-national group of automotive experts, creating an environment of engineering excellence and innovation.

SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE COMPANIES

Subsidiaries

HMCL Netherlands B.V. ('HNBV')

HNBV, a wholly owned subsidiary of your Company was incorporated in Amsterdam as a private company with limited liability under the laws of The Netherlands with the primary objective of promoting overseas investments. During FY 2015-16, HNBV has invested in operating companies in Colombia and Bangladesh.

During FY 2015-16, HNBV invested in its subsidiary, namely **HMCL Colombia S.A.S. ('HMCLC')** in Colombia, an amount of USD 3 million, taking the total investment to USD 13.10 million. HNBV currently holds 51% equity in HMCLC, post issuance of 49% equity shares to Woven Holdings LLC. During FY 2015-16, HMCLC has also commenced CKD operation at its manufacturing plant setup in the industrial city of Cali, 300 kms southwest of Bogota, with the project cost of USD 80 million. During the financial period ended March 31, 2016, it has reported a net loss of ₹ 52.66 crores.

HNBV has also invested in a joint venture company in Bangladesh, namely **HMCL Niloy Bangladesh Limited ('HNBL')** with Nilol Niloy Group, Bangladesh and holds 55% of the total equity capital. During FY 2015-16, an additional investment of USD 3.08 million was made in HNBL, taking the cumulative investment to USD 5.34 million. During the financial period ended March 31, 2016, it has incurred a loss of ₹ 0.47 crores.

During the period ended March 31, 2016, HNBV had a consolidated loss of ₹ 53.56 crores, including those of its subsidiaries as mentioned above.

HMCL (NA) Inc.

Your Company has also invested in its wholly owned subsidiary in Delaware, USA, namely HMCL (NA) Inc., which further invested in Erik Buell Racing Inc. ('EBR'), a Delaware corporation by subscribing to 49% of its equity share capital.

EBR along with its subsidiary Erik Buell Racing LLC, an associate of HMCL (NA) Inc. ceased its 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 USA. In view of the above, provision of ₹ 150.09 crores, being the carrying value of such investment in the books of HMCL (NA) Inc., was made towards the diminution in value of the investment. During the period ended March 31, 2016, HMCL (NA) Inc. has incurred a loss of ₹ 0.29 crores.

HMCL Americas Inc. ('HMCLA')

During FY 2015-16, your Company incorporated an operating company in America, namely HMCL Americas Inc. to pursue various global businesses. HMCLA has been setup with an initial investment of ₹ 22.22 crores. During financial period ended March 31, 2016, HMCL Americas Inc. has incurred a loss of ₹ 2.12 crores.

HMC MM Auto Limited ('HMCMMMA')

Your Company has a joint venture with Magneti Marelli S.p.A. Italy, namely HMCMMMA in India, set up for the purpose of carrying out manufacturing, assembly, sale and distribution of two wheeler fuel injection systems and parts. Your Company holds 60% of the equity share capital in HMCMMMA. During FY 2015-16, HMCMMMA has incurred a loss of ₹ 9.09 crores.

Associate Company

Hero FinCorp Ltd. ('HFCL')

HFCL, an associate of your Company was incorporated in the year 1991. Your Company holds 48.42% in the equity share capital of HFCL. HFCL is a non-banking finance company engaged in providing financial services, including two wheeler financing and providing credit to Company's vendors and suppliers. Over the years, it has added several new products and customers in its portfolio, like SME and commercial loans, loan against property etc.

During FY 2015-16, HFCL recorded an income from operations of ₹ 771.28 crores and a profit of ₹ 81.50 crores.

A statement containing salient features of financial statement of subsidiaries and associate company forms part of the financials.

Material Subsidiaries

The Board of Directors of your Company ('the Board') has approved the policy for determining Material Subsidiaries. At present, your Company does not have a Material Subsidiary. The Policy on Material Subsidiary can be viewed

on the Company's website, [www.heromotocorp.com](http://www.heromotocorp.com/en-in/about-us/key-policies/policy-on-material.html) at the following link: <http://www.heromotocorp.com/en-in/about-us/key-policies/policy-on-material.html>

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 134 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, 2016, 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, 2016 and of the profit and loss of your Company for the financial year ended March 31, 2016;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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, 2016 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.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Our beloved Chairman Emeritus, Late Dr. Brijmohan Lall Munjal, continued to guide and mentor your Company till November 1, 2015, the day he left us

for his heavenly abode. His inspirational leadership, outstanding business acumen and exemplary courage were instrumental in successfully navigating your Company's extra-ordinary journey – from scratch to becoming a formidable brand and a market leader.

Mr. Pawan Munjal, Managing Director & CEO was elevated as the Chairman, Managing Director & CEO of the Company w.e.f. June 1, 2015. The Board at its meeting held on August 8, 2016 has recommended the reappointment of Mr. Pawan Munjal as the Chairman, Managing Director & CEO of the Company for a period of five years with effect from October 1, 2016.

Under his dynamic leadership, your Company has gone from strength to strength and is on course to expand its global presence to a total of 50 countries by the year 2020. Over the past several years, Mr. Munjal has led your Company in a highly competitive and volatile market to not just consolidate its market leadership but also expand its global footprint across continents, emerging as one of the country's foremost business leaders.

Mr. Munjal is continuing the glorious legacy of Late Dr. Brijmohan Lall Munjal, Chairman Emeritus and is shaping the future of your Company into a modern, technology & innovation-driven organisation.

Ms. Shobana Kamineni has been appointed as an Independent Director of your Company with effect from March 27, 2015 by the members at their Annual General Meeting held on August 31, 2015.

In terms of the applicable provisions of the Act and the Articles of Association of the Company, Mr. Suman Kant Munjal, Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, has offered himself for re-appointment. Brief resume and other details of Mr. Suman Kant Munjal, who is proposed to be re-appointed as a Director of your Company have been furnished, along with the Explanatory Statement to the Notice of the ensuing Annual General Meeting.

The Board at its meeting held on August 8, 2016 has inducted Mr. Vikram S. Kasbekar, Head of Operations & Supply Chain on the Board of the Company, subject to confirmation by the shareholders at the ensuing Annual

General Meeting. Mr. Kasbekar has more than four decades of experience in the field of operations, supply chain, manufacturing and project engineering and has contributed significantly to the growth of your Company.

Declarations from Independent Directors

Declarations have been received from the Independent Directors confirming that they meet the criteria of independence as prescribed in the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations').

In the opinion of the Board, Independent Directors fulfil the conditions specified in the Act, Rules made thereunder and Listing Regulations and are independent of the management.

Key Managerial Personnel

Mr. Ilam C. Kamboj resigned and ceased to be the Company Secretary and Compliance Officer of the Company with effect from April 2, 2016.

Ms. Neerja Sharma has been appointed as the Company Secretary and Chief Compliance Officer of the Company w.e.f. August 8, 2016. She has a rich experience of over 25 years in governance and compliance as a part of senior leadership teams during her earlier tenures. With her appointment, your Company has further strengthened the governance framework and is committed to take the governance function to greater heights.

BOARD MEETINGS

During FY 2015-16, six meetings of the Board of Directors were held. For details of these Board meetings, please refer to the Corporate Governance Report on page 81 of this Annual Report.

ANNUAL EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

To ensure an effective Board evaluation process, the Nomination and Remuneration ('NR') Committee of your Board has put in place a robust evaluation framework for conducting the exercise with the key steps and practices clearly defined. During FY 2015-16, as part of this process, customized questionnaires after review by the NR Committee were circulated to all the Directors. Each Director was required to undertake assessment of all

other Directors, including the Chairman.

Performance of the Board was evaluated on various parameters, such as composition, strategy, tone at the top, risk, controls and diversity. Similarly, questionnaires for Committees were also framed on the parameters, such as adherence to the terms of reference and adequate reporting to the Board. Parameters for the Directors included intellectual independence of the Director, participation in formulation of business plans, constructive engagement with colleagues and understanding of risk profile of your Company. The Chairman of your Company was evaluated on parameters such as leadership style and motivation of the Directors.

Questionnaires were completed by each Director, responses were analyzed and the results were subsequently discussed at a meeting of the NR Committee. Recommendations arising from this entire process were considered by the Board to improve its overall effectiveness and optimize individual strengths of the Directors.

FAMILIARISATION PROGRAMMES FOR INDEPENDENT DIRECTORS

During FY under review, your Company organized familiarisation programmes for the Directors in accordance with the requirements of Listing Regulations. The Directors were also provided with relevant documents, reports and internal policies to enable them to familiarise with your Company's procedures and practices, from time to time, besides regular briefing by the members of the senior leadership team.

Details of familiarisation programmes organized for Independent Directors during FY under review form part of Corporate Governance Report annexed hereto and are also posted on the Company's website, www.heromotocorp.com and can be viewed on the following link: <http://www.heromotocorp.com/en-in/about-us/familiarisation-program-of-independent-directors.html>

REMUNERATION POLICY

Pursuant to provisions of the Act, the NR Committee of your Board has formulated a Remuneration Policy for the appointment and determination of remuneration of the Directors, Key Management Personnel, Senior Management and other employees of your Company. The NR Committee

has also developed the criteria for determining the qualifications, positive attributes and independence of Directors and for making payments to Executive and Non-Executive Directors of the Company.

The NR Committee takes into consideration the best remuneration practices in the industry while fixing appropriate remuneration packages and for administering the long-term incentive plans, such as ESOPs, RSUs etc. Further, compensation package of the Directors, Key Managerial Personnel, Senior Management and other employees is designed based on the set of principles enumerated in the said policy.

Your Directors affirm that the remuneration paid to the Directors, Key Management Personnel, Senior Management and other employees is as per the Remuneration Policy of your Company.

The Remuneration details of the Directors, Chief Financial Officer and Company Secretary, along with details of ratio of remuneration of each Director to the median remuneration of employees of the Company for the FY under review are provided as **Annexure I**.

The Remuneration Policy of your Company is posted on the Company's website, www.heromotocorp.com and can be viewed on the following link: <http://www.heromotocorp.com/en-in/about-us/key-policies/remuneration-policy.html>

EMPLOYEE INCENTIVE SCHEME

In terms of the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended from time to time ('SEBI Regulations'), the NR Committee of your Board, inter alia, administers and monitors the Employee Incentive Scheme 2014 of

your Company and the Employee Stock Option plans framed thereunder.

During FY 2015-16, the NR Committee has, at its meeting held on March 28, 2016, allotted 2,588 Equity Shares of ₹ 2 each at a premium of ₹ 2,157 per share to the eligible employees of your Company pursuant to exercise of options granted under Company's Employee Stock Option Plan 2014 framed under the Employee Incentive Scheme 2014. Post allotment of these shares, the paid up equity share capital of your Company as on March 31, 2016 stood at ₹ 39,93,80,176.

Applicable disclosures as stipulated under the SEBI Regulations with regard to the Employee Stock Option Plan are provided as **Annexure II** to this Report and are available on the Company's website, www.heromotocorp.com and can be viewed on the following link: <http://www.heromotocorp.com/en-in/esop.php>.

Your Company has received a certificate from M/s Deloitte Haskins & Sells, Gurgaon, Haryana, Statutory Auditors that the Employee Incentive Scheme 2014 for grant of stock options has been implemented in accordance with the SEBI Regulations and the resolution passed by the members in their general meeting. The certificate would be placed at the ensuing Annual General Meeting for inspection by the members.

CORPORATE GOVERNANCE

Your Company is committed to benchmarking itself with the global standards of Corporate Governance. It has put in place an effective Corporate Governance system which ensures that provisions of the Act and Listing Regulations are duly complied with, not only in form but also in substance.

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 your Company's website, www.heromotocorp.com and can be viewed on the following link: <http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html>

In terms of Listing Regulations, a report on Corporate Governance, along with a certificate from Mr. Arvind Kohli, Proprietor (CP No. 2818), M/s Arvind Kohli & Associates, Company Secretaries, Gurgaon, Haryana, confirming compliance of the conditions of corporate governance is annexed hereto and forms part of this Annual Report as **Annexure III**.

TRANSFER TO GENERAL RESERVE

An amount of ₹ 250 crores, being 7.98% of the profit after tax of the FY under review has been transferred to the General Reserve of the Company.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During FY under review, your Company has transferred unpaid/unclaimed dividend, amounting to ₹ 2.37 crores for FY 2007-08 to the Investor Education and Protection Fund (IEPF) of the Central Government of India.

MATERIAL CHANGES AND COMMITMENTS

No material change and/or commitment affecting the financial position of your Company have occurred between April 1, 2015 and the date of signing of this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

In terms of Section 186 of the Act, details of investments made during FY 2015-16 are as under. No loan or guarantee has been given during the said period:

Investments u/s 186 of the Companies Act, 2013

	Principal Amount (Shares)	Principal Amount (Bonds/Debentures)	Total
Opening Balance	329.94	375.34	705.28
Addition*	263.76	0.12	263.88
Reduction**	-	(13.06)	(13.06)
Closing Balance	593.70	362.40	956.10

* HMC MM Auto: ₹ 3.60 crores, HMCL(NA) Inc.: ₹ Nil, HMCL Netherlands B.V.: ₹ 40.74 crores, HMCL Americas Inc: ₹ 22.22 crores, Hero FinCorp Limited: ₹ 197.19 crores, including MTM adjustment of Bonds: ₹ 0.12 crores.

** Maturity of bonds and amortisation.

DEPOSITS

Your Company has neither accepted nor renewed any deposits during FY 2015-16 in terms of Chapter V of the Act.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

During FY 2015-16, all contracts/arrangements/transactions entered into by your Company with related parties under Section 188(1) of the Act were in the ordinary course of business and on an arm's length basis. During FY 2015-16, your Company has not entered into any contracts/arrangements/transactions with related parties which could be considered 'material' in accordance with its policy on Materiality of Related Party Transactions. Thus, there are no transactions required to be reported in form AOC-2.

Further, during FY 2015-16, there were no materially significant related party transactions made by your Company with the Promoters, Directors, Key Managerial Personnel or other designated persons, which might have potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee for its approval. There was no matter requiring approval of the Board. During FY under review, the Audit Committee has approved transactions through the omnibus mode in accordance with the provisions of the Act and Listing Regulations. Related party transactions were disclosed to the Board on regular basis as per AS-18. Details of related party transactions as per AS-18 may be referred to in Note 30 of the Standalone Financial Statements.

The policy on Related Party Transactions is available on the Company's website, www.heromotocorp.com and can be viewed on the following link: <http://www.heromotocorp.com/en-in/pdf/Related-Party-Transactions-Policy.pdf>

RISK MANAGEMENT FRAMEWORK

Your Company follows a comprehensive system of Risk Management and has adopted a procedure for risk assessment and its minimisation. It ensures that all potential risks are timely defined and mitigated in accordance with the Risk Management Process, including identification of elements of risk which may threaten the existence of the Company. During FY 2015-16, your Company has constituted a Risk Management Committee, which closely monitors the Risk

Management framework in the Company. The Board periodically reviews the Risk Management framework of the Company.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Your Company has in place a well formulated Vigil Mechanism/Whistle Blower Policy which provides a robust framework for dealing with genuine concerns & grievances. During FY under review, six complaints were received and processed. Out of these, three complaints have been investigated & acted upon and rest are under investigation.

During FY 2015-16, no individual was denied access to the Audit Committee for reporting concerns, if any.

The Vigil Mechanism/Whistle Blower Policy of the Company is available on the Company's website, www.heromotocorp.com and can be viewed on 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 functions under direct supervision of Mr. Pawan Munjal, Chairman, Managing Director & CEO of your Company, who is also the Chairman of the CSR Committee. Other members of the Committee are Gen. (Retd.) V. P. Malik and Mr. Pradeep Dinodia, who are Non-Executive and Independent Directors of your Company.

Your Company has implemented the CSR Policy, duly formulated and recommended by the CSR Committee to the Board. The CSR policy lays down CSR activities to be undertaken by your Company. The CSR activities undertaken by your Company are based on the approved CSR policy, which is available on the Company's website, www.heromotocorp.com and can be viewed on the following 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, broadly covers the following focus areas:

- a) enhancing environmental and natural capital;
- b) supporting rural development;

- c) promoting education, including skill development;
- d) providing preventive healthcare;
- e) providing sanitation and drinking water;
- f) creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India;
- g) preserving and promoting sports;
- h) to carry out the activities at the time of natural calamity or engage in Disaster Management System;
- i) 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.

During FY under review, your Company has spent ₹ 65 crores on its CSR activities, which amounts to 2.23% of the average net profits of last three financial years. CSR initiatives undertaken by your Company, along with other details form part of the Annual Report on CSR activities for FY 2015-16, which is annexed and forms part of this Report as **Annexure IV**.

AUDIT COMMITTEE

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

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

Further details on the Audit Committee and its terms of reference etc. have been furnished in Corporate Governance Report, which forms part of this Report as Annexure III.

During FY under review, all recommendations of the Audit Committee were accepted by the Board of Directors of the Company.

AUDITORS AND AUDITORS' REPORT**Statutory Auditors**

M/s Deloitte Haskins & Sells, Chartered Accountants, Gurgaon, (FR No. 015125N), Statutory Auditors were appointed for three financial years, up to 34th AGM to be held in 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 observations of Statutory Auditors in their Report, read with relevant Notes to Accounts are self-explanatory and, therefore, do not require further explanation. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Cost Auditors

M/s Ramanath Iyer & Co., Cost Accountants, New Delhi, (FR No. 000019) were appointed as the Cost Auditors of the Company for FY 2015-16 to audit the cost accounts of the Company in respect of parts business. They have been re-appointed as the Cost Auditors of the Company for FY 2016-17.

Secretarial Auditors

The Board of your Company had appointed Mr. Arvind Kohli, Proprietor (CP No. 2818), M/s Arvind Kohli & Associates, Company Secretaries, Gurgaon, Haryana to conduct Secretarial Audit of your Company during FY 2015-16.

The Secretarial Audit Report for FY 2015-16 is annexed herewith and forms part of this Report as **Annexure V**. The Report does not contain any qualification, reservation or adverse remark.

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 these transactions are authorised, recorded and reported correctly.

An extensive risk based programme of internal audits and management reviews provides assurance to the Board regarding the adequacy and efficacy of internal controls. 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 an adequate internal financial control framework with reference to financial and operating controls. During FY 2015-16, such controls were tested and no reportable material weakness in the design or operation was observed.

INSIDER TRADING CODE

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('the PIT Regulations') 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 lays down guidelines, which advise Insiders on the procedures to be followed and disclosures to be made in dealing with the shares of the Company and cautions them on consequences of non-compliances.

Your Company has further put in place a Code of practices and procedures of fair disclosures of unpublished price sensitive information. Both the aforesaid Codes are in line with the PIT Regulations.

RATINGS

During FY under review, ICRA Limited and CRISIL Limited have reaffirmed the following ratings to the Company:

ICRA Limited

Rating	Pronounced	Amount	Program/Category	Outlook
"[ICRA]AAA"	ICRA triple A	1100.0 Crore	Line(s) of Credit Long term rating	Stable
"[ICRA]A1+"	ICRA A one plus	1100.0 Crore	Line(s) of Credit Short term rating	-
"[IrAAA]"	IR triple A	-	Issuer rating	Stable
"[ICRA]AAA"	ICRA triple A	15.0 Crore	Non-Convertible Debentures (NCD)	Stable

CRISIL

Rating	Pronounced	Amount	Program/Category	Outlook
"FAAA/Stable"	F triple A		Fixed Deposit Programme	Stable
"CRISIL AAA/Stable"	CRISIL triple A	150 Million	NCD	Stable
CRISIL AAA/Stable	CRISIL triple A	11 Billion	Long term rating	Stable
CRISIL A1+	CRISIL A one plus	11 Billion	Short term rating	-

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report ('BRR') has been prepared and forms part of the Annual Report as **Annexure VI**. The Report provides a detailed overview of initiatives taken by your Company from environmental, social and governance perspectives.

LISTING

The equity shares of your Company are presently listed on the BSE Limited and

the National Stock Exchange of India Limited (NSE).

PERSONNEL

As on March 31 2016, total number of employees on the records of your Company were 7,592, as against 7,331 in the previous FY.

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 'People at Hero' forms part of Management Discussion and Analysis Report.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees of the Company drawing remuneration in excess of the limits set out in the said rules can be made available on a specific request given to the Company, in writing.

EXTRACT OF ANNUAL RETURN

In terms of Sections 92(2) and 134(3)(a) of the Act and rules made thereunder, extracts of Annual Return in Form MGT 9 is annexed to this report as **Annexure VII**.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 134(3)(m) of the Act, read with rules made thereunder is annexed to this report as **Annexure VIII**.

STATUTORY DISCLOSURES

Your Directors state that there being no transactions with respect to following items during FY under review, no disclosure or reporting is required in respect of the same:

1. Deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.
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 your Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Director of your 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.
6. Buy back of shares

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

Your Company has in place a policy on Prevention of Sexual Harassment. This policy is in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees, whether permanent, contractual,

temporary and trainees are covered under this Policy.

As per the said policy, an Internal Complaints Committee is also in place to redress complaints received regarding sexual harassment. Following is the summary of complaints received and disposed of during FY under review:

No. of complaints received: Nil

No. of complaints disposed of: NA

APPRECIATION

I take this opportunity to express my gratitude to the Shareholders & Investors of the Company for their unflinching trust and support. On behalf of the Board, I would also like to thank the Central Government, State Governments, Financial Institutions, Banks, Customers, Dealers, Vendors and Ancillary Undertakings for their co-operation and assistance. I would like to reiterate our commitment to continue to build our organisation into a truly world class enterprise in all respects.

For and on behalf of the Board

Pawan Munjal
Chairman
DIN: 00004223

Date: August 8, 2016
Place: New Delhi

ANNEXURE I

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT 2013, READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year;

Sl. No.	Names of Directors/ Key Managerial Personnel and Designation	Remuneration of Director/KMP for Financial Year 2015-16 (₹ crores)	% increase in Remuneration in Financial year 2015-16	Ratio of the remuneration to the median employee's remuneration
Executive Directors				
1	Mr. Brijmohan Lall Munjal, Chairman*	16.10	-	212
2	Mr. Pawan Munjal, Chairman, Managing Director & CEO**	57.40	28.64	755
3	Mr. Sunil Kant Munjal, Joint Managing Director	54.37	28.04	715
Non-Executive Directors #				
4	Mr. Paul Bradford Edgerley	-	-	-
5	Mr. Suman Kant Munjal	0.24	300.00	3
Non-Executive and Independent Directors #				
6	Dr Anand C. Burman	0.19	164.29	2
7	Mr. M. Damodaran	0.76	111.11	10
8	Mr. Pradeep Dinodia	0.86	31.54	11
9	Dr. Pritam Singh	0.68	70.00	9
10	Mr. Ravi Nath	0.36	56.52	5
11	Ms. Shobana Kamineni	0.21	100.00	3
12	Gen. (Retd.) V. P. Malik	0.73	37.74	10
Employees & Key Managerial Personnel				
13	Mr. Ravi Sud, Sr. Vice President & CFO	3.81	-	50
14	Mr. Ilam C Kamboj, Asso. V. P. - Legal and Company Secretary	1.06	-	14

* Resigned as the Chairman effective June 1, 2015

** Appointed as the Chairman w.e.f. June 1, 2015

Includes sitting fees and commission

- (ii) The median remuneration of employees of the Company during the financial year was ₹ 7.60 lacs.
- (iii) Median salary of employees in current year has increased by 7.50% in comparison to the previous year.
- (iv) The number of permanent employees on the rolls of Company as on March 31, 2016 was 7,592 nos. (previous year 7,331 nos.), including workers defined under the Factory Act, 1948.
- (v) (a) Variations in the market capitalisation of the Company: The Market capitalization as on March 31, 2016 was ₹ 58,823 crores (March 31, 2015 Rs. 52,714 crores).
- (b) Price Earnings Ratio of the Company was 18.78 (times) as at March 31, 2016 and 22.10 (times) as at March 31, 2015.
- (vi) Average percentage increase made in the salary of employees other than the managerial personnel in last Financial Year i.e. 2015-16 was 11.08%.
- The compensation for the Key Managerial Personnel, Senior Management and Employees (Staff) of the Company is guided by the external competitiveness and internal parity through annual benchmarking surveys.
- Internally, performance ratings of all employees (staff) are always spread across a normal distribution curve. The rating obtained by an employee is used as an input to determine his variable and merit pay increases. Variable and Merit pay increases are calculated using a combination of individual performance and company performance.
- There are no exceptional circumstances for increase in managerial remuneration. Compensation is determined based on identified skill sets critical to success of the Company. It is determined as per management's review of market demand and supply.
- Workmen were paid wages in accordance to the settlement with the union of the workers. Where there is no union, workmen wages was paid in line with the best industry practice and applicable law.
- (vii) It is hereby affirmed that Remuneration to Key Managerial Personnel and Employees of the Company are in line with the Remuneration Policy of the Company.

ANNEXURE II

DISCLOSURES PURSUANT TO REGULATION 14 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014, READ WITH SEBI CIRCULAR DATED JUNE 16, 2015 ON ESOP DISCLOSURES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016.

Sl. No.	Particulars	Employee Incentive Scheme, 2014
1.	Date of shareholders' approval	22nd September 2014 through postal ballot
2.	Total number of options approved under Employee Incentive Scheme 2014	49,90,000
3.	Vesting requirements	<p>The Options/RSUs granted under Employee Incentive Scheme 2014 (and various plans formulated thereunder including Employee Stock Option Plan 2014) would vest not earlier than one year from the Grant Date in accordance with the SEBI Guidelines and not later than such Vesting Period as may be determined by the Nomination and Remuneration Committee, from time to time, on the Grant Date.</p> <p>Vesting of RSUs shall be subject to the condition that the Grantee is in continuous employment with the Company and is not serving any notice of resignation on the date of such Vesting (except in the case of (i) death (ii) Permanent Disability suffered by the Grantee; (iii) retirement; or (iv) transfer to an entity within the Group and shall not be subject to any pending disciplinary proceeding and thus the Options and/or RSUs would vest on passage of time.</p> <p>In addition to the above, the Nomination and Remuneration Committee may also specify certain performance parameters subject to which the Options and/or RSUs would vest. The specific vesting schedule and conditions, if any, subject to which vesting would take place would be outlined in the Letter of Grant given to the Grantee at the time of the Grant of Options and/or RSUs.</p>
4.	Exercise price or pricing formula	The Option and/ or RSU Exercise Price would be determined by the Nomination and Remuneration Committee, provided that the Exercise Price shall not be less than the face value of the equity shares of the Company on the date of grant of Options/ RSUs.
5.	Maximum term of options granted	The Options and/or RSUs granted to a Grantee shall be capable of being exercised within a period of not exceeding seven years from the date of Grant of the respective Options and/or RSUs or such other period as may be determined by the Nomination and Remuneration Committee, from time to time.
6.	Source of shares (primary, secondary or combination)	Primary
7.	Variation in terms of options	<p>Subject to applicable law, the Nomination and Remuneration Committee will at its absolute discretion have the right to modify/amend the Employee Incentive Scheme 2014 in such manner and at such time or times as it may deem fit, subject however that any such modification/amendment shall not be detrimental to the interest of the Grantees/ Employees and approval wherever required for such modification/ amendment is obtained from the shareholders of the Company in terms of the SEBI Guidelines.</p> <p>During the year, no amendment/ modification/ variation has been introduced in terms of options granted by the Company.</p>
8.	Method used to account for ESOS - Intrinsic or fair value	The employee compensation cost has been calculated using the fair value method for options using the Black- Scholes Options Pricing Model. The employee compensation cost as per the fair valuation method for the financial year 2015 -16 is ₹ 0.93 crores
9.	Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Not applicable as the Company has calculated employee compensation cost using fair value method.
10.	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<p>Weighted average exercise price under ESOP Plan 2014 – ₹ 2851.50</p> <p>Weighted average option fair value under ESOP Plan 2014 – ₹ 1228.39</p>

Sl. No.	Particulars	Employee Incentive Scheme, 2014								
11.	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information	The fair value of options granted on October 21, 2014 under ESOP Plan 2014 is estimated using the Black Scholes Option Pricing Model after applying the following key assumption.								
	(a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model;	<table border="1"> <tr> <td>Risk Free Interest Rate</td> <td>8.42%</td> </tr> <tr> <td>Expected Life (in years)</td> <td>4</td> </tr> <tr> <td>Expected annual volatility of shares</td> <td>26.89%</td> </tr> <tr> <td>Expected dividend yield</td> <td>3.17%</td> </tr> </table>	Risk Free Interest Rate	8.42%	Expected Life (in years)	4	Expected annual volatility of shares	26.89%	Expected dividend yield	3.17%
Risk Free Interest Rate	8.42%									
Expected Life (in years)	4									
Expected annual volatility of shares	26.89%									
Expected dividend yield	3.17%									
	(b) the method used and the assumptions made to incorporate the effects of expected early exercise;									
	(c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	The expected volatility has been calculated using the daily stock returns on NSE, based on expected life options of each vest.								
	(d) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	The expected life of share option is based on historical data and current expectation and not necessarily indicative of exercise pattern that may occur.								
12.	Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time	₹ 156.86 per share								
13.	Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time	All relevant disclosures have been made in the financial statements.								

Details of Option Movement During the Year

Sl. No.	Particulars	Employee Stock Option Plan, 2014 (formulated under Employee Incentive Scheme, 2014)
1.	Number of options outstanding at the beginning of the year	23,110
2.	Number of options granted during the year	NIL
3.	Number of options forfeited / lapsed during the year	1,746
4.	Number of options vested during the year	4,622
5.	Number of options exercised during the year	2,588
6.	Number of shares arising as a result of exercise of options	2,588
7.	Money realized by exercise of options (INR), if scheme is implemented directly by the company	55,87,492
8.	Loan repaid by the Trust during the year from exercise price received	Not Applicable
9.	Number of options outstanding at the end of the year	18,776
10.	Number of options exercisable at the end of the year	18,776
11.	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to - (a) Key Managerial Personnel/ senior managerial personnel; (b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and (c) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	No options were granted during the financial year 2015-16

ANNEXURE III CORPORATE GOVERNANCE REPORT



PHILOSOPHY ON 'CODE OF CORPORATE GOVERNANCE'

Based on the value architecture created by Late Dr. Brijmohan Lall Munjal, the Chairman Emeritus of Hero MotoCorp Ltd. ('the Company'), the Company's philosophy of Corporate Governance is built on timeless principles of transparency, fairness, integrity, equity and accountability. At Hero, we firmly believe that Corporate Governance is about doing the 'right things' in the 'right manner'. It is a reflection of us - our value system, work culture & thought process.

Our governance philosophy is all-encompassing and it is our constant endeavor to align our vision and business strategy with the welfare

and best interest of all stakeholders. It is our firm conviction that good Corporate Governance practices are powerful enablers, which infuse trust and confidence and are able to attract and retain financial and human capital. These resources, in turn, are leveraged to maximize long-term shareholder value, on a sustainable basis, while preserving the interests of multiple stakeholders, including the society at large.

The Company is committed to benchmark itself with the best standards of Corporate Governance, not only in 'form' but also in 'substance'.

BOARD OF DIRECTORS

The Company has put in place an

internal governance structure with defined roles and responsibilities of every constituent within the system. Company's shareholders appoint members of the Board of Directors ('the Board') who are responsible for overall governance of the Company.

The Board has an optimum combination of executive and non-executive directors. As on March 31, 2016, the Company's Board comprised of eleven Directors, of which two were Executive Directors, one of them being the Chairman, two Non-Executive Directors and seven Non-Executive and Independent Directors, including one woman Director.

Composition of the Board as on March 31, 2016 is given in Table 1.

Table 1: Company's Board

Names of Directors	Details of Directorships					Memberships*	
	Number of Directorships held					Number of Committee Memberships held	Number of Committee Chairpersonships held
	Public		Private	Section 8	Other #	(excluding Private, Foreign and Section 8 Companies)	
Listed	Unlisted						
Executive Directors							
Dr. Brijmohan Lall Munjal**	2	3	6	-	-	1	None
Mr. Pawan Munjal	1	2	4	1	-	None	None
Mr. Sunil Kant Munjal	3	2	13	2	1	2	None
Non-Executive Directors							
Mr. Suman Kant Munjal	1	3	11	2	-	1	None
Mr. Paul Bradford Edgerley	1	-	-	-	6	None	None
Non-Executive and Independent Directors							
Mr. Pradeep Dinodia	5	1	2	-	-	3	3
Dr. Pritam Singh	3	-	-	-	-	3	1
Gen. (Retd.) V.P.Malik	1	1	-	-	-	1	None
Mr. M. Damodaran	5	-	3	1	-	5	2
Dr. Anand C. Burman	2	3	12	1	4	None	None
Mr. Ravi Nath	4	-	7	-	-	2	1
Ms. Shobana Kamineni	4	6	8	-	1	None	None

*As required under Regulation 26 of the Listing Regulations, the disclosure includes memberships/chairmanships of the Audit Committee and Stakeholders' Relationship Committee.

** Upon his demise, ceased to be a Director w.e.f. November 1, 2015.

#Other denotes Directorship in Foreign Companies.

Mr. Paul Bradford Edgerley meets the eligibility criteria for independence stipulated under the Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). He has been appointed as an Independent Director on Board of the Company w.e.f. May 5, 2016 for a term of five years subject to approval of members at the ensuing Annual General Meeting ('AGM'). Mr. Edgerley has been associated with the Company since 2011 in the capacity of a Non-Executive Director.

The Board at its meeting held on August 8, 2016 has inducted Mr. Vikram S. Kasbekar, Head of Operations & Supply Chain on the Board of the Company, subject to confirmation by the shareholders in the ensuing Annual General Meeting. Mr. Kasbekar has more than four decades of experience in the fields of operations, supply chain, manufacturing and project engineering and has contributed significantly to the growth of your Company.

Mr. Pawan Munjal, Mr. Sunil Kant Munjal and Mr. Suman Kant Munjal are promoter directors and are brothers. Apart from this, there is no inter se relationship among the other directors.

Majority of Directors on the Board of the Company are Independent Directors. None of the Independent Directors of the Company is serving as an Independent Director in more than 7 listed companies. Further, no Independent Director of the Company who is a whole time director in another listed company is serving as

an Independent Director in more than 3 listed companies.

None of the Directors on the Board is a Director in more than 10 Public companies nor are they members in Committees of the Board in more than 10 Committees or Chairperson of more than 5 Committees.

INDEPENDENT DIRECTORS

The Independent Directors of the Company are individuals of eminence & repute in their respective fields and they actively contribute to the strategic direction, operational excellence & corporate governance of the Company. In accordance with the criteria set for selection of Independent Directors and for determining their independence, the Nomination and Remuneration ('NR') Committee of the Board, inter alia, considers the qualifications, positive attributes, area(s) of expertise and Directorships/Committee memberships held by these individuals in other companies. The Board considers the NR Committee's recommendation and takes appropriate decisions in appointment of the Independent Directors.

WOMAN DIRECTOR

Ms. Shobana Kamineni is a Non-Executive and Independent woman Director on the Board of the Company. Ms. Kamineni has been appointed by the Board on March 27, 2015 for a fixed tenure of five years. Her appointment was approved by the shareholders at the Annual General Meeting held on August 31, 2015.

DECISION AND DIRECTION

The Board critically evaluates Company's strategic direction, management policies and their effectiveness. Agenda for the Board includes strategic review from each of the Board Committees, a detailed analysis and review of annual strategic and operating plans and capital allocation and budgets.

The Board periodically reviews possible risks and risk mitigation measures, financial reports from the Chief Financial Officer, compliance reports from the Company Secretary/Compliance Officer and business reports from other Executive Management Team ('EMT'). These detailed meetings and one-to-one interactions set the agenda and provide the strategic roadmap for the Company. The Board has also established seven Committees to discharge its responsibilities in an efficient and effective manner. The Chairman, Managing Director & CEO provides overall direction and guidance to the Company and is assisted by a core group of EMT.

BOARD MEETINGS

During FY 2015-16, the Board met six times on May 7 2015, June 1, 2015, August 3, 2015, October 20, 2015, February 11, 2016 and March 10, 2016. The gap between any two consecutive meetings of the Board of the Company was not more than 120 days. The Directors passed four resolutions by circulation on November 29 2015.

Details of number of meetings held during FY 2015-16 and attendance of Directors are given in Table 2.

Table 2: Directors' Attendance At Board and Last Annual General Meeting

Names of Directors	Attendance Record During FY 2015-16		Attendance at last AGM
	Held	Attended	
Dr. Brijmohan Lall Munjal*	6	1	No
Mr. Pawan Munjal	6	6	Yes
Mr. Sunil Kant Munjal	6	5	Yes
Non-Executive Directors			
Mr. Suman Kant Munjal	6	6	No
Mr. Paul Bradford Edgerley**	6	4	No
Non-Executive and Independent Directors			
Mr. Pradeep Dinodia	6	6	Yes
Dr. Pritam Singh	6	6	Yes
Gen. (Retd.) V.P.Malik	6	6	Yes
Mr. M. Damodaran	6	5	No
Dr. Anand C. Burman	6	4	No
Mr. Ravi Nath	6	4	No
Ms. Shobana Kamineni***	6	4	Yes

* Upon his demise, ceased to be a Director w.e.f. November 1 2015.

**Appointed as an Independent Director w.e.f. May 5 2016.

*** Appointment approved by the members at the AGM held on August 31 2015.

Shareholding of Non-Executive Directors as on March 31, 2016

Names of the Directors	Category	No. of shares held	Beneficiary
Mr. Suman Kant Munjal	Non-Executive Director	38,750	Self
		32,500	On behalf of Brijmohan Lall & Sons, HUF
		32,500	On behalf of Suman Kant & Sons, HUF
		12,396,840	On behalf of Brijmohan Lall Om Prakash, Firm
Mr. Pradeep Dinodia	Non-Executive and Independent Director	160	Jointly with his son
		650	Jointly with his wife
		80	Jointly by his son and wife

Apart from the above, none of the Non-Executive (including Independent) Directors held as on March 31, 2016 any share (as own or on behalf of any other person on beneficial basis) in the Company.

FAMILIARISATION PROGRAMME FOR BOARD MEMBERS

The Company regularly provides orientation and business overview to its Directors by way of detailed presentations by the Chairman and various business & functional heads at Board meetings and through other interactive programs. Such meetings/programmes include briefings on the culture, values, business model, domestic and global business of the Company, the roles and responsibilities of directors and senior executives. Besides these, the Directors are regularly updated about Company's new projects, R&D initiatives, changes in regulatory environment and strategic direction.

The Board members are also provided relevant documents, reports and internal policies to facilitate familiarisation with the Company's procedures and practices, from time to time.

The details of Company's familiarisation programme for Directors are posted on the Company's 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>

CODES & POLICIES

The Company strives to conduct its business and strengthen its relationships in a manner that is dignified, distinctive and responsible. It adheres to highest ethical standards to ensure integrity, transparency, independence and accountability in dealing with its stakeholders. Accordingly, the following codes and policies have been adopted by

the Company:

- Code of Conduct
- Environment Policy
- Quality Policy
- Safety Policy
- Vigil Mechanism/Whistle Blower Policy
- Remuneration Policy
- Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions
- Corporate Social Responsibility Policy
- Code of Practices and Procedures of fair disclosure of unpublished price sensitive information
- Policy on Preservation of documents/Archival Policy
- Policy on Disclosure of Material Events by the Listed Entity
- Policy for prevention of Sexual Harassment at Work Place
- Human Resource Policy
- Occupational Health and Safety Manual

Apart from the above, the Company has policies for effective and efficient functioning of the Company. These policies are adequately disseminated.

CODE OF CONDUCT FOR THE BOARD AND SENIOR MANAGEMENT PERSONNEL

The Company has laid down a comprehensive Code of Conduct ('Code') for the Board and senior management personnel of the Company.

The Company has received affirmations from Board members as well as senior management confirming their compliance with the said Code for the FY 2015-16. An annual declaration signed by the Chairman, Managing Director & CEO to this effect forms part of this Report.

The Code is available on the website of the Company at <http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html>.

AUDITS

M/s Deloitte Haskins & Sells, Chartered Accountants, Gurgaon (Firm Registration No. 015125N) have been appointed as the Statutory Auditors of the Company in terms of the Act to hold office up to conclusion of the 34th AGM to be held in calendar year 2017.

The Company has a robust Internal Audit Function which reviews and monitors internal controls, operating systems and procedures. An extensive risk based programme of internal audits provides assurance to the Board regarding the adequacy and efficacy of internal controls. The function is led by a senior in-house professional. Based on the requirements of the Company, the Head of Internal Audit, with the approval of the Audit Committee, may in-source, outsource or co-source internal audit activities.

BOARD/COMMITTEE MEETINGS & PROCEDURES

Frequency of Meetings and Information Supplied

A well-defined system of convening at least 5 pre-scheduled Board meetings annually is currently in place in the Company. However, additional Board meetings are convened, from time to time, as per specific requirements by giving appropriate notice. Wherever it is not possible to convene a Board Meeting, resolutions are passed by circulation in terms of the Act in order to meet the business exigencies.

The Board is given presentations covering various aspects of business, major subsidiaries, global and domestic business environment, safety and environment related matters, strategy and risk management practices.

The Chairman, Managing Director & CEO, Chief Financial Officer and the Company Secretary of the Company, in consultation with other EMT members finalize the agenda for Board meetings. In addition to regular business items,

the following information is regularly placed before the Board:

- Annual operating plans and budgets and any updates;
- Capital budgets and any updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other Committees of the Board of Directors;
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Show cause, demand, prosecution notices and penalty notices, which are materially important;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property;
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front, like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.;
- Sale of investments, subsidiaries, assets, which are material in nature and not in normal course of business;
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as, non-payment of dividend, delay in share transfer etc.

Information Material for Board/ Committee Meetings

The Agenda and corresponding Notes to Agenda for all Board & Committee Meetings are circulated to Directors in advance in a defined format. All material information is incorporated in the Agenda for facilitating meaningful and focused discussions at the meetings. Where it is not practicable to attach any document to the Agenda, it is tabled before the meeting. In special and exceptional circumstances, the agenda, along with the annexures is sent at a shorter notice, with due adherence to the Secretarial Standards issued by the Institute of Company Secretaries of India.

Minutes of Board/Committee Meetings

Minutes of proceedings of each Board and Committee meeting are recorded and draft minutes are circulated to Board/Committee members for their confirmation within 15 days from the date of meeting. The inputs, if any, of the Board & Committee Members are duly incorporated in the Minutes after which these are entered in the Minutes Book within 30 days from the date of meeting.

Actions taken post Board/ Committee Meetings

Guidelines for the Board and Committee meetings facilitate an effective post meeting follow-up, review and reporting of decisions taken by the Board and Committee members at their respective meetings. Important decisions taken at Board and Committee meetings are communicated promptly to the concerned departments/HODs. Action taken reports (ATRs) on decisions taken or recommendations made by the Board/Committee members at the previous meeting(s) are circulated at their succeeding meetings.

INDEPENDENT DIRECTORS' MEETING

In accordance with the provisions of the Act, Independent Directors of the Company are mandated to hold at least one meeting in a year without the attendance of non-independent directors and members of the management. Accordingly, during the FY 2015-16, Independent Directors met twice, i.e. on June 1, 2015 and December 14, 2015. These meetings were attended by a majority of Independent Directors.

Agenda of these meetings included the following items:

- a. Review the performance of non-independent directors and the Board as a whole;
- b. Review the performance of the Chairman of the Company, taking into account the views of executive directors and non-executive directors;
- c. Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties; and
- d. Discuss matters pertaining to the Company's businesses.

COMMITTEES OF THE BOARD Audit Committee

Your Company has a duly constituted Audit Committee and its composition and mandate are in line with the requirements of the Act and Listing Regulations. As on March 31, 2016, Audit Committee consisted of four Non-Executive and Independent Directors in accordance with the prescribed guidelines. Mr. Pradeep Dinodia, a leading Chartered Accountant, is the Chairman of the Committee. Other members of the Committee are Gen. (Retd.) V. P. Malik, Mr. M. Damodaran and Dr. Pritam Singh, all learned and eminent personalities in their respective fields. Members of the Audit Committee have adequate knowledge in the fields of finance, accounting, management and law.

The Audit Committee has the following terms of reference:

1. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. Examination of the financial statements and the auditors' report thereon;
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;

8. Monitoring the end use of funds raised through public offers and related matters.
9. Operate the Vigil Mechanism in the Company.

Apart from above, following are the terms of reference in accordance with the Listing Regulations:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditors' report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions;
 - Qualifications in the draft audit report;
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
- Approval of any subsequent modification of transactions of the Company with related parties;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;

- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also mandatorily reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. Appointment, removal and terms of remuneration of the Internal Auditor shall be subject to review by the Audit Committee.

Upon invitation, the CFO, Head of Internal Audit and Statutory Auditors of the Company attend meetings of the Audit Committee. The Company Secretary acts as the Secretary of the Audit Committee.

During FY 2015-16, six meetings of the Audit Committee were held on May 6, 2015; June 1, 2015; August 3, 2015; October 19, 2015; February 10, 2016 and March 28, 2016 in due compliance with the provisions of the Act and Listing Regulations.

The Composition of the Audit Committee and attendance details of members are given below in Table 3.

Table 3: Details of Audit Committee Members and number of Meetings Attended

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	No. of meetings Attended by the Member
Mr. Pradeep Dinodia	Chairman	6	6
Gen. (Retd.) V. P. Malik	Member	6	6
Dr. Pritam Singh	Member	6	6
Mr. M. Damodaran	Member	6	6

Reporting of Internal Auditor

The Head of Internal Audit of the Company attends meetings of the Audit Committee on a regular basis and findings of internal audits are reported directly to the Audit Committee.

NOMINATION AND REMUNERATION ('NR') COMMITTEE

The Nomination and Remuneration Committee, inter-alia, reviews and recommends payment of annual salaries, commission payable to the Executive Directors of the Company besides finalizing their service agreements and other employment terms and conditions. The NR Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages and also administers employee stock option scheme.

The nomenclature, constitution and terms of reference of the Committee

are in consonance with the provisions of Section 178 of the Act and Regulation 19(4), read with Schedule II of Listing Regulations.

The terms of reference of the NR Committee include the following:

- to formulate and recommend to the Board of Directors the Company's policies, relating to the remuneration for the directors, key managerial personnel and other employees, criteria for determining qualifications, positive attributes and independence of a director;
- to formulate criteria for evaluation of Independent Directors and the Board;
- to identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;

- to carry out evaluation of every director's performance;
- to devise a policy on Board diversity;
- to administer and superintend the ESOP, including but not limited to the formulation of detailed terms and conditions of the ESOS .

As on March 31, 2016, the NR Committee consisted of 3 Independent Directors viz. Gen. (Retd.) V. P. Malik, Chairman and Mr. Pradeep Dinodia and Mr. Ravi Nath as members.

During FY 2015-16, two meetings of the NR Committee were held on June 1, 2015 and March 28, 2016.

Upon invitation, Mr. Pawan Munjal, Chairman, Managing Director & CEO of the Company attended all the Meetings of NR Committee held during FY 2015-16.

The Composition of NR Committee and attendance details of members are given below in Table 4.

Table 4: Details of Nomination and Remuneration Committee Members and Number of Meetings Attended

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	No. of meetings Attended by the Member
Gen. (Retd.) V. P. Malik	Chairman	2	2
Mr. Pradeep Dinodia	Member	2	2
Mr. Ravi Nath	Member	2	1

Remuneration Policy

The Company's Remuneration Policy represents the overarching approach of the Company to the remuneration of Directors and Senior management.

The compensation of Directors, Key Managerial Personnel, Senior Management and other employees is based on the following principles:

- Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
- Minimizing complexity and ensuring transparency;
- Link to long term strategy as well as annual business performance of the Company;
- Promoting a culture of meritocracy and linked to key performance and business drivers; and

- Reflective of line expertise and market competitiveness so as to attract the best talent.

The policy is available on 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/remuneration-policy.html>

Remuneration paid to Executive Directors

As per the remuneration policy, the remuneration paid to Executive Directors is recommended by the NR Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other

authorities, as the case may be.

At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company. The elements of the remuneration and limits are pursuant to the provisions of Sections 178 and 197 and Schedule V of the Act and also as per Listing Regulations.

Table 5 gives details of remuneration paid to Executive Directors.

Table 5: Remuneration to Executive Directors[#]

Names of Directors	Basic Salary	Perquisites and Allowances	Commission (Fixed)	PF & Gratuity	Total
Dr. Brijmohan Lall Munjal*	0.92	7.53	7.54	0.11	16.10
Mr. Pawan Munjal	4.98	5.61	45.23	1.58	57.40
Mr. Sunil Kant Munjal	4.14	3.68	45.23	1.32	54.37

* Appointed as Non-Executive Director w.e.f. June 1, 2015 and upon his demise, ceased to be Director w.e.f. November 1, 2015.
[#] No notice period and severance fee is payable to Executive Directors as on March 31, 2016.

Criteria for Payment to Non-Executive Directors

The non-executive Directors receive remuneration by way of sitting fees for attending meetings of the Board or Committees thereof and are also eligible for commission as a percentage of net profits as may be decided by the Nomination and Remuneration Committee.

Remuneration paid to Non-Executive Directors

The Non-Executive Directors of the company are paid sitting fees of ₹ 1 lakh for attending each meeting of the Board, Committees thereof and any other meetings of the Directors. The Non-Executive and Independent Directors

are also entitled to remuneration by way of commission aggregating up to 0.10 % of net profit of the Company pursuant to the provisions of Sections 197 and 198 of the Act in addition to the sitting fees.

Table 6 gives details of remuneration paid to Non-Executive Directors.

Table 6: Remuneration to Non-Executive Directors#

Names of Directors	(₹ in crores)		
	Sitting fees	Commission	Total
Mr. Suman Kant Munjal	0.06	0.18	0.24
Mr. Paul Bradford Edgerley	-	-	-
Mr. Pradeep Dinodia	0.24	0.62	0.86
Gen. (Retd.) V. P. Malik	0.20	0.53	0.73
Dr. Pritam Singh	0.18	0.50	0.68
Mr. M. Damodaran	0.21	0.55	0.76
Mr. Ravi Nath	0.12	0.24	0.36
Dr. Anand C. Burman	0.05	0.14	0.19
Ms. Shobana Kamineni	0.06	0.15	0.21

No stock options have been granted to any non-executive or independent directors

During FY 2015-16, the Company did not advance any loan to any of its Directors. Further, there are no pecuniary relationships or transactions between the Independent Directors and the Company, other than the sitting fees and commission drawn by the Non-Executive and Independent Directors for attending the meetings of the Directors, Board and its Committees.

PERFORMANCE EVALUATION CRITERIA FOR INDEPENDENT DIRECTORS

A formal evaluation of performance of the Board, its Committees, the Chairman and individual Directors was carried out in the year 2015-16 details of which are provided in the Board's Report.

STAKEHOLDERS' RELATIONSHIP ('SR') COMMITTEE

This Committee looks into investors' grievances arising out of issues regarding share transfers, dividends, dematerialisation and related matters and takes requisite action(s) to redress the same.

The terms of reference of the SR Committee has been consolidated in the meeting of Board of Directors held on May 05, 2016 which, inter-alia, include the following:

- To take note and consider total number of shareholders complaints received so far including from all authorities
- To take note of the complaints not solved to the satisfaction of shareholders; and

- To take note of total number of pending share transfers
- To consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

During the year, four meetings of the Stakeholders Relationship Committee were held on May 06, 2015; August 03, 2015; October 19, 2015 and February 10, 2016.

The details of the Stakeholders' Relationship Committee are given in Table 7.

Table 7: Details of Stakeholders' Relationship Committee

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	
		No. of meetings held	No. of meetings Attended
Dr. Pritam Singh	Chairman	4	4
Mr. M. Damodaran	Member	4	4
Mr. Ravi Nath	Member	4	3

Investors' Grievance Redressal:

During FY 2015-16, the following complaints/requests/queries were received and redressed. They were attended within a period of 10-15 days from the date of receipt.

Sl. No.	Nature of Complaints/ Requests	Opening	Received	Resolved	Closing (Pending)
1.	Non receipt of shares	-	20	20	-
2.	Request for issue of duplicate shares	1	346	345	1
3.	Non receipt of dividend warrants	-	251	251	-
4.	Change of address	-	213	213	-
5.	Mandate cases/bank description	-	26	26	-
6.	Miscellaneous	18	2215	2199	34

Board Support and Role of Company Secretary in Overall Governance Process

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed, Investor queries are handled promptly and reports to the Board about compliance with the applicable statutory requirements and laws.

The Company Secretary attends the meetings of the Board and its Committees and ensures appropriate recording of minutes of the meetings. The process for the Board/Committee meetings provides an effective post meeting follow up, review and reporting mechanism for the action taken on the decisions/ instructions of the Board and its Committees. As per Board's decision, the Company Secretary informs the concerned functional heads about

matters arising out of the deliberations during a meeting. The functional heads in turn provide updates to the Board at the following meeting. All the Directors of the Company have access to the advice of the Company Secretary.

The Company Secretary has also been designated as Compliance Officer. Mr. Ilam C. Kamboj, Company Secretary & Compliance Officer resigned from his position w.e.f. April 2, 2016 and Ms. Neerja Sharma has been appointed as the Company Secretary & Chief Compliance Officer with effect from August 8, 2016.

CORPORATE SOCIAL RESPONSIBILITY ('CSR') COMMITTEE

The CSR Committee is responsible for formulation and recommendation of the CSR Policy of the Company. It also recommends the amount of expenses

to be incurred on CSR activities and closely and effectively monitors the implementation of the policy.

The terms of reference of the CSR Committee, inter-alia, include the following:

- Formulation of CSR Policy as specified in Schedule VII of the Act, indicating the activities, projects, timelines and expenditure thereon;
- Recommendation of CSR Policy to the Board;
- Recommendation of the amount of expenditure to be incurred on the activities referred above; and
- Monitoring the implementation of the policy.

During FY 2015-16, four meetings of the Committee were held on May 06, 2015, August 03, 2015, October 19, 2015 and February 10, 2016. The details of the CSR Committee are given in Table 8.

Table 8: Details of CSR Committee

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	No. of meetings Attended
Mr. Pawan Munjal	Chairman	4	4
Mr. Pradeep Dinodia	Member	4	4
Gen. (Retd.) V. P. Malik	Member	4	4

The Company Secretary acts as the Secretary of the Committee.

RISK MANAGEMENT ('RM') COMMITTEE

Risk management at Hero is a continuous enterprise-wide function, which ensures that risks across the organisation are identified and reviewed regularly and counter measures remain fit for purpose. It is:

- Mandated and integrated with all business processes and linked to the achievement of our strategic objectives;
- Standardised and structured via a continuous process of identification, analysis, mitigation, monitoring and reporting;
- Open and transparent across the business and promptly communicated so as to support effective and timely decision making;
- Iterative and responsive to business change.

The Company has a duly constituted Risk Management Committee which assists the Board in its oversight of the Company's management of key risks, as well as the guidelines, policies and procedures monitoring and integrating such risks within overall business risk management framework.

The terms of reference of the RM Committee, inter-alia, include the following:

- Development of a formal risk management structure;
- Formation of an Executive Management Team, if deemed necessary and delegation of responsibility to it;
- Creation of a separate Risk Management function or department if deemed necessary;
- Defining of risk across the Organization;

- Monitoring of material risks to which the organization is exposed and ensuring implementation of appropriate mitigation plan;
- Ensuring the sustainability of risk management framework and process through continuous reviewing mechanism; and
- Delegation of any of the aforesaid tasks as the RM Committee may deem fit.

During the year under review, four meetings of the RM committee were held on May 06, 2015, August 03, 2015, October 20, 2015 and February 10, 2016. The details of the Risk Management Committee are given in Table 9.

Table 9: Details of Risk Management Committee

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	No. of meetings Attended
Mr. Pawan Munjal	Chairman	4	4
Mr. Pradeep Dinodia	Member	4	4
Mr. Ravi Nath	Member	4	3

Mr. Ravi Sud, Sr. Vice President & CFO, Mr. Vikram S. Kasbekar, Sr. Vice President- Head of Operations & Supply Chain and Mr. Rajat Bhargava, Head Strategy & Performance Transformation of the Company are permanent invitees to the Committee and the Company Secretary acts as the Secretary of the Committee.

COMMITTEE OF DIRECTORS

The Company has a Committee of Directors which presently comprises Mr. Pawan Munjal as Chairman, Mr. Suman Kant Munjal and Mr. Pradeep Dinodia as its members. Mr. Ravi Sud, Sr. Vice President & CFO and the Company Secretary are the permanent invitees to the Committee.

The meetings of the Committee are convened as and when need arise. During the financial year under review, seven meetings of the Committee were held. The details of the Committee of Directors are given in Table 10.

Table 10: Details of Committee of Directors

Names of Committee Members	Position held	No. of meetings held during FY 2015-16	No. of meetings Attended
Dr. Brijmohan Lall Munjal*	Chairman	7	3
Mr. Pawan Munjal**	Member	7	6
Mr. Suman Kant Munjal	Member	7	7
Mr. Pradeep Dinodia	Member	Appointed as Member w.e.f. May 5, 2016 thus not applicable.	

* Upon his demise, ceased to be the Chairman of the Committee w.e.f. November 1, 2015

** Appointed as the Chairman of the Committee w.e.f. May 5, 2016

SHARE TRANSFER ('ST') COMMITTEE

The ambit of the ST Committee is to streamline the work related to share transfers etc. Mr. Ravi Sud, Sr. Vice President & CFO, Mr. Surender Chhabra, VP-Finance and Mr. Neeraj Mathur, VP-Strategic Sourcing & Supply Chain are members of the Committee.

During the year under review, ten meetings of the Committee were held.

DISCLOSURES

Insider Trading

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations'), the Company has a comprehensive Code of Conduct for regulating, monitoring and reporting of trading by Insiders. The said Code lays down guidelines which provide for the procedure to be followed and disclosures whilst dealing with shares of the Company.

Further, in terms of the PIT Regulations, the Company has put in place a Code of Practices and Procedures of Fair Disclosures of Unpublished Price Sensitive Information.

Related Party Transactions

In terms of Section 188(1) of the Act, all related party transactions entered into by the Company during the FY 2015-16 were carried out with prior approval of the Audit Committee. No approval of the Board was required as all transactions were on an arm's length basis and in the ordinary course of business. Related Party Transactions pursuant to Accounting Standard 18 were, however, disclosed to the Board.

There were no material significant related party transactions made by the Company with the Promoters, Directors, Key Managerial Personnel or other related parties, which may have a potential conflict with the interest of the Company at large.

The policy on dealing with Related Party Transactions is disclosed on Company's website, link for which is <http://www.heromotocorp.com/en-in/about-us/key-policies.html>.

Disclosures on materially significant Related Party Transactions that may have potential conflict with the interest of the Company at large.

There was no materially significant transaction entered by the Company with the Promoters, Directors or Management or their relatives etc. that has potential conflict with the interest of the Company at large.

Disclosure of policy on Material Subsidiaries

The policy for determining material subsidiaries is available on the Company's website, www.heromotocorp.com at the following link: <http://www.heromotocorp.com/en-in/about-us/key-policies/policy-on-material.html>.

Accounting Treatment in preparation of Financial Statements

The guidelines/Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 are followed in preparation of the Financial Statements of the Company.

Compliances by the Company

There are neither any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the stock exchanges or SEBI or any other authority, on any matters related to capital market during the previous 3 (three) financial years.

Vigil Mechanism/Whistle Blower Policy

In compliance with the SEBI regulations the Audit Committee of the Company approved the policy/mechanism on dealing with Whistle Blowers. The Audit Committee reviews the same as and when required. The said policy/mechanism is disclosed on company's website, link for which is <http://www.heromotocorp.com/en-in/about-us/key-policies.html>.

During the FY under review, six complaints were received and processed. Out of these, three complaints have been investigated & acted upon and rest are under investigation. No person was denied access to the Audit Committee.

Commodity Price risk or foreign exchange risk and hedging activities

Your Company has an exposure of commodity price risk and foreign exchange risk denominated in USD for exports and USD, EUR and JPY in respect of its imports. The Company uses various instruments as approved under the Central Bank regulations to hedge these exposures. Details of the hedged and unhedged positions are available in the Notes to standalone financial statements in the Annual Report.

Disclosures with respect to demat suspense account/unclaimed suspense account

In compliance with Regulation 39(4), read with Schedule VI of the Listing Regulations, the Company has sent three reminders to the shareholders whose share certificates are lying undelivered with the Company and has requested them to claim the shares and to update their correct details viz. postal address, PAN details etc. registered with the Company/RTA. The shares which remain unclaimed will be transferred into one folio in the name of 'Hero MotoCorp Ltd.-Unclaimed Suspense Account' in due course of time and shall be dematerialized.

CEO & CFO CERTIFICATION

The Chairman, Managing Director & CEO and the CFO of the Company furnish a certificate on quarterly and annual basis on financial statements of the Company in terms of Regulation 33(2) (a) and Regulation 17(8), respectively of the Listing Regulations. In terms of Regulation 17(8) of Listing Regulations, the certificate duly signed by the Chairman, Managing Director & CEO and the CFO of the Company was placed before the Board at its meeting held on May 5, 2016 and is annexed to this report.

RE-APPOINTMENT OF DIRECTORS

Mr. Suman Kant Munjal, Non-Executive Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief resume/profile of Mr. Suman Kant Munjal is provided in the Notice of the 33rd AGM forming part of this Annual Report.

MEANS OF COMMUNICATION

Company Website

Pursuant to Regulation 46 of the Listing Regulations, the Company's website, www.heromotocorp.com contains a

dedicated functional segment, named 'INVESTORS' where all the information meant for the shareholders are available, including information on Directors, Shareholding Pattern, Quarterly Reports, Financial Results, Annual Reports, Press Releases, details of unpaid/unclaimed dividends and various policies of the Company.

NSE ELECTRONIC APPLICATION PROCESSING SYSTEM ('NEAPS'):

NEAPS is a web-based application designed by the National Stock Exchange of India Ltd. ('NSE') for corporate filings. All periodical compliance related filings, like shareholding pattern, corporate governance report, media releases, corporate actions are filed electronically on NEAPS.

BSE CORPORATE COMPLIANCE & LISTING CENTRE ('LISTING CENTRE'):

The Listing Centre of BSE Ltd. is a web-based application designed for corporate filings. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on the Listing Centre.

Financial Results

Pursuant to erstwhile Clause 41 of the Listing Agreement and Regulation 33 of Listing Regulations, the Company has regularly furnished within the prescribed timeline the quarterly un-audited, as well as annual audited financial results to both the Stock exchanges i.e. BSE & NSE.

Quarterly and Annual financial results are also published in English language national daily newspaper circulating in the whole of India and in daily newspaper published in the vernacular language in state where registered office of the Company is situated.

NEWS RELEASES AND PRESENTATIONS

Official news releases and official media releases are sent to Stock Exchanges on which the shares of the Company are listed and are also uploaded on the Company's website at www.heromotocorp.com.

PRESENTATIONS TO INSTITUTIONAL INVESTORS/ ANALYSTS

Detailed presentations are made to institutional investors and financial analysts on the Company's unaudited quarterly, as well as audited annual financial results. These presentations are also uploaded on the Company's website at www.heromotocorp.com.

ANNUAL REPORT

The Annual Report containing, inter alia, the Audited Financial Statements, Consolidated Financial Statements, Directors' Report, Auditors' Report, the Management Discussion and Analysis (MDA) Report and other important information is circulated as desired and is also available on the Company's website at www.heromotocorp.com.

GREEN INITIATIVE

Information is uploaded on Company's website for registering email IDs of Investors so that Annual Reports and other information may be sent to them in electronic form to save paper.

GENERAL BODY MEETINGS

Details of Extra Ordinary General Meeting (EGM)/Annual General Meeting (AGM)

Location, date and time of general meetings held during the previous 3 (three) years and Ordinary and Special resolutions passed thereat are given in table as under:

DETAILS OF ANNUAL GENERAL MEETING/ EXTRA ORDINARY GENERAL MEETING

Details of EGM held: No EGM was held during the previous 3 (three) years.

Table 11: Details of AGMs held

Year	Time, Day, Date and Location	Summary of Special Resolution(s) Passed
2014-15	11:00 A.M., Monday, August 31, 2015 Air Force Auditorium, Subroto Park, New Delhi 110 010.	<ul style="list-style-type: none"> ✓ Amendment of Memorandum of Association of the Company. ✓ Adoption of new set of Articles of Association of the Company. ✓ Remuneration to Non-Executive and Independent Directors by way of Commission.
2013-14	10:00 A.M., Tuesday, August 05, 2014 Air Force Auditorium, Subroto Park, New Delhi 110 010.	<ul style="list-style-type: none"> ✓ To modify the terms of appointment of Mr. Brijmohan Lall Munjal (DIN 00004134), Chairman and Whole-time Director; and ✓ To modify the terms of remuneration by way of Commission to Non-Executive and Independent Directors
2012-13	10:30 A.M., Wednesday, September 11, 2013 Air Force Auditorium, Subroto Park, New Delhi 110 010.	<ul style="list-style-type: none"> ✓ Renewal of Remuneration by way of commission to Non-Executive and Independent Directors

POSTAL BALLOT

During the financial year ended March 31, 2016, no resolutions were passed by postal ballot, hence disclosure under this section is not applicable.

GENERAL SHAREHOLDER'S INFORMATION

Annual General Meeting

Date : September 23, 2016
Day : Friday
Time : 10:30 A.M.
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

Financial Calendar: Financial year: April 1, 2015 to March 31, 2016.

For the financial year 2015 – 16.	Results were announced on
First quarter ended June 30, 2015	Monday, August 03, 2015
Second quarter and half year ended September 30, 2015	Tuesday, October 20, 2015
Third quarter and nine months ended December 31, 2015	Thursday, February 11, 2016
Fourth quarter and year ended March 31, 2016	Thursday, May 05, 2016

For the financial year 2016-17	Results are likely to be announced on (Tentative and subject to change)
First quarter ending June 30, 2016	August, 2016 (2nd Week)
Second quarter and half year ending September 30, 2016	October, 2016 (3rd Week)
Third quarter and nine months ending December 31, 2016	January, 2017 (3rd Week)
Fourth quarter and year ending March 31, 2017	May, 2017 (2nd Week)

Book closure

The dates of book closure shall be from September 17, 2016 to September 23, 2016 (both days inclusive).

Dividend payment

The Board has declared an Interim Dividend @ 2000%, i.e. ₹ 40 per share. The dividend was paid to those shareholders whose names appeared on the Register of Members as on March 22, 2016.

The Board has recommended a Final Dividend @ 1600%, i.e. ₹ 32 per equity share for the financial year 2015-16. The dividend, if approved by shareholders at the ensuing AGM shall be paid to those shareholders/beneficial owners whose names appear on the Register of Members/Depository Records as at closing hours of business on September 16, 2016.

Listing on Stock Exchange

The securities of the Company are listed on the following exchanges:

1. BSE Limited (BSE) based at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001; &
2. National Stock Exchange of India Limited (NSE) based at Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

Stock Codes

The Company's stock codes on the above stock exchanges are:

	Scrip Code	Bloomberg
BSE	500182	HMCL:IB
NSE	HEROMOTOCO	HMCL:IS

Annual Listing Fees

Annual Listing fees for the FY 2016-17 has been paid to BSE and NSE within the stipulated time.

Stock Market Data

The Company's market capitalisation is included in the computation of the BSE Sensex, BSE-100, BSE-200, BSE-500, BSE Sectoral Indices, S&P CNX Nifty, NSE Nifty 500 Index and NSE Nifty 100 Index. Monthly high and low quotations, as well as the volume of shares traded at the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, are given in Table 12.

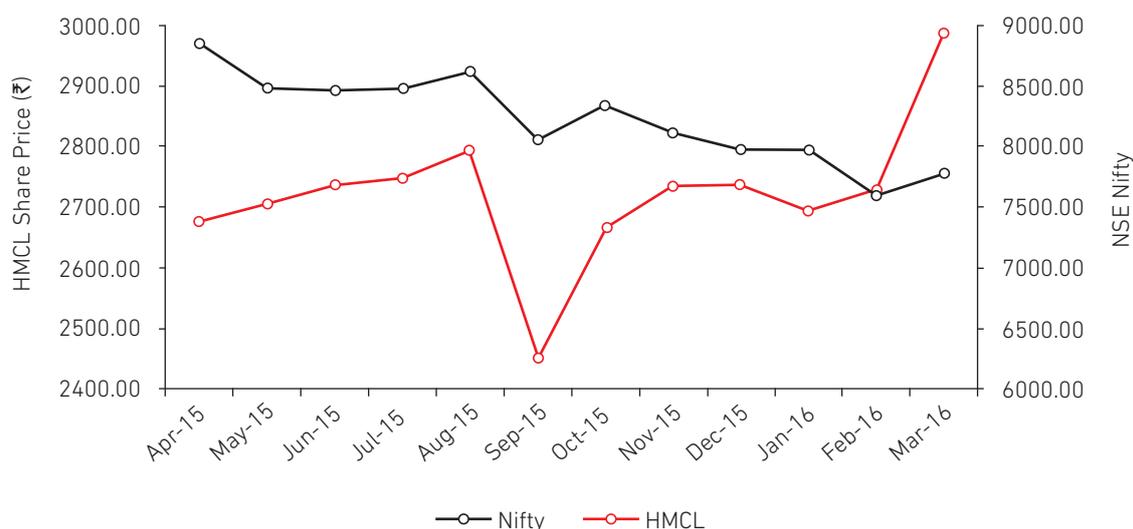
Table 12: Share Price Data for 2015-16 (in ₹)

(Equity Shares of ₹ 2 each Paid Up Value)

National Stock Exchange of India Limited, Mumbai (NSE)

Month	Total Volume (No. of Shares)	High Price (₹)	Date	Volume on that day	Low Price (₹)	Date	Volume on that day
Apr-15	18430790	2678	06.04.2015	365024	2293.5	21.04.2015	901340
May-15	17293925	2705	29.05.2015	701724	2251.3	08.05.2015	1079192
Jun-15	8925852	2737.9	01.06.2015	510174	2482	15.06.2015	253983
Jul-15	8368702	2749.45	27.07.2015	453942	2500.4	01.07.2015	401143
Aug-15	10846502	2793.8	04.08.2015	1657551	2364.25	27.08.2015	937972
Sep-15	6795082	2449.85	22.09.2015	380613	2257.2	07.09.2015	257462
Oct-15	5250127	2667.6	21.10.2015	643276	2400	01.10.2015	541532
Nov-15	7369843	2734.3	30.11.2015	604367	2532.7	02.11.2015	367201
Dec-15	7204450	2738	29.12.2015	283306	2500.45	14.12.2015	178832
Jan-16	5596802	2695	01.01.2016	141582	2377.15	18.01.2016	285797
Feb-16	6612106	2728.8	22.02.2016	273758	2438	17.02.2016	303578
Mar-16	10491047	2985.95	31.03.2016	1174177	2506.2	01.03.2016	865407

(Source: This information is compiled from the data available on the website of NSE)

HERO MOTOCORP'S SHARE PRICE MOVEMENT VIS-A-VIS NIFTY

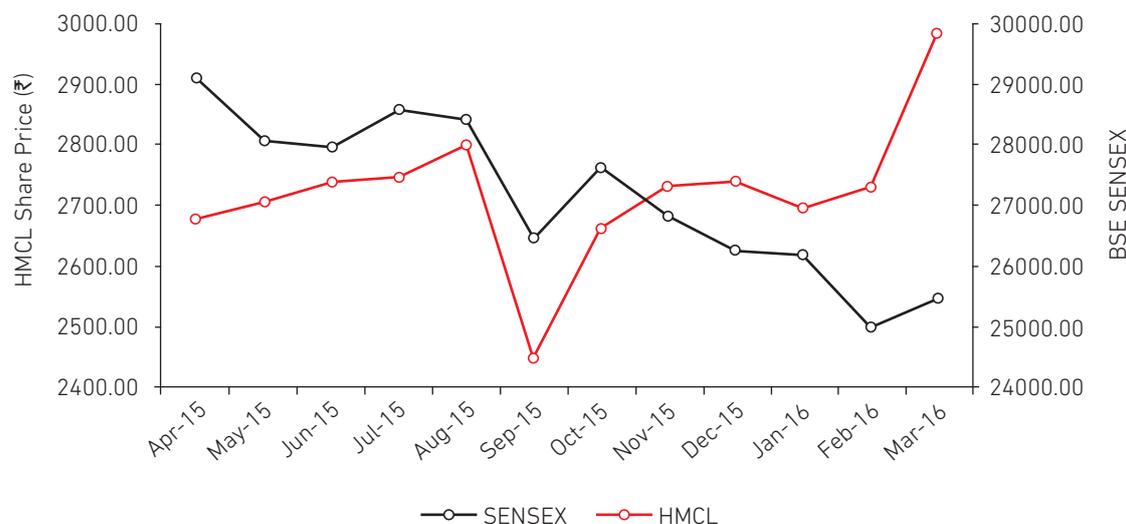
Note: The above chart depicts comparison of monthly high of Nifty and HMCL share price.

BSE Limited, Mumbai (BSE)

Month	Total Volume (No. of Shares)	High Price (₹)	Date	Volume on that day	Low Price (₹)	Date	Volume on that day
Apr-15	1839440	2680	07.04.2015	11981	2294	21.04.2015	27341
May-15	727553	2705	29.05.2015	33659	2252	08.05.2015	71719
Jun-15	495167	2738.6	01.06.2015	19949	2485	12.06.2015	12434
Jul-15	484484	2747.25	24.07.2015	14270	2500	01.07.2015	25948
Aug-15	1020342	2800	04.08.2015	124436	2364.5	27.08.2015	44347
Sep-15	507558	2448	22.09.2015	9326	2259.1	07.09.2015	30383
Oct-15	396564	2665	21.10.2015	44987	2393.6	01.10.2015	46966
Nov-15	1076463	2732	30.11.2015	23608	2538.4	03.11.2015	14656
Dec-15	733678	2740	29.12.2015	10220	2500	15.12.2015	66960
Jan-16	351813	2696.05	01.01.2016	8335	2375	18.01.2016	9385
Feb-16	479363	2730.1	22.02.2016	19716	2440	17.02.2016	19178
Mar-16	1103612	2985	31.03.2016	46354	2506	01.03.2016	42097

(Source: This information is compiled from the data available on the website of BSE)

HERO MOTOCORP'S SHARE PRICE MOVEMENT VIS-A-VIS SENSEX



Note: The above chart depicts comparison of monthly high of Sensex and HMCL share price.

Distribution of Shareholding by Size

Table 13 lists the distribution of shareholding by number of shares held and Shareholding Pattern in percentage (pursuant to Regulation 31 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2016.

Table 13

No. of shares held (₹ 2 paid up)	Folios		Shares of ₹ 2 paid up	
	Numbers	%	Numbers	%
Upto 5000*	83,234	98.48	10,972,517	5.49
5001 - 10000	421	0.50	1,497,161	0.75
10001 - 20000	227	0.27	1,611,433	0.81
20001 - 30000	101	0.12	1,235,485	0.62
30001 - 40000	50	0.06	867,817	0.43
40001 - 50000	48	0.05	1,071,990	0.54
50001 & 100000	118	0.14	4,318,706	2.16
100001 & Above	320	0.38	178,114,979	89.20
Total	84,519	100.00	199,690,088	100.00

*Includes 2588 equity shares of ₹ 2 each allotted as per Employee Incentive Scheme 2014 during FY 2015-16

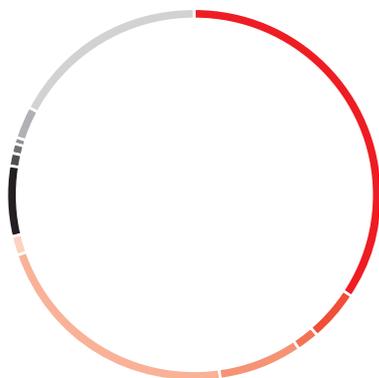
Shareholding Pattern as on March 31, 2016.

Category	No. of Holders	No. of Shares Held	% total to No. of Shares	No. of Shares Dematerialized
Promoters				
Indian	16	69,166,082	34.64	69,166,082
Public Shareholding				
Mutual Funds / UTI	248	8,891,697	4.45	8,828,227
Financial Institutions / Banks/NBFCs	67	3,809,798	1.91	3,791,093
Insurance Companies	25	14,587,156	7.30	14,587,156
Foreign Institutional Investors	385	44,558,771	22.31	44,520,571
Bodies Corporate	1,318	3,518,533	1.76	3,492,322
Indian Public*	79,662	12,652,500	6.34	9,547,896
Trusts	50	1,372,823	0.69	1,372,823
Clearing Members	248	548,949	0.28	548,949
Non Resident Indians	2,154	362,253	0.18	361,563
Foreign Bodies	1	5,554,480	2.78	5,554,480
Foreign Portfolio Investors/Foreign Nationals	345	34,667,046	17.36	34,667,046
Grand Total	84,519	199,690,088	100.00	196,438,208

*Includes 2588 equity shares of ₹ 2 each allotted as per Employee Incentive Scheme 2014 during FY 2015-16

SHAREHOLDING PATTERN

(%)



Category	No. of Shares Held	%
Indian	69,166,082	34.64
Mutual Funds / UTI	8,891,697	4.45
Financial Institutions / Banks/NBFCs	3,809,798	1.91
Insurance Companies	14,587,156	7.30
Foreign Institutional Investors	44,558,771	22.31
Bodies Corporate	3,518,533	1.76
Indian Public*	12,652,500	6.34
Trusts	1,372,823	0.69
Clearing Members	548,949	0.28
Non Resident Indians	362,253	0.18
Foreign Bodies	5,554,480	2.78
Foreign Portfolio Investors/Foreign Nationals	34,667,046	17.36
Grand Total	199,690,088	100.00

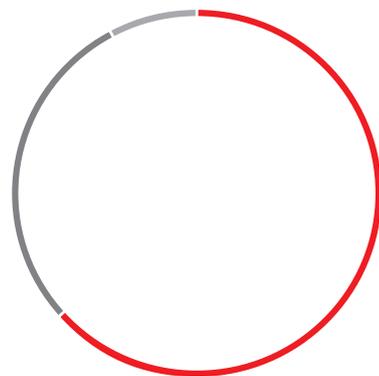
Category of Shareholding as on March 31, 2016.

Category	No. of Holders	% to Total holders	Total Shares	% to Equity
Physical	6,443	7.62	3,251,880	1.63
NSDL*	53,714	63.56	194,235,675	97.27
CDSL*	24,362	28.82	2,202,533	1.10
Total	84,519	100.00	199,690,088	100.00

*Includes 2588 equity shares of ₹ 2 each allotted as per Employee Incentive Scheme 2014 during FY 2015-16

CATEGORY OF SHAREHOLDING

(%)



Category	No. of Holders	%
NSDL	53,714	63.56
CDSL	24,362	28.82
Physical	6,443	7.62
Total	84,519	100.0

Corporate Benefits

Dividend declared for the last 7 (seven) years on ₹ 2 paid up share

Financial Year	Type	Dividend Declared	Dividend per share
2008-09	Final	₹ 20	1000%
2009-10	Special	₹ 80	4000%
	Final	₹ 30	1500%
2010-11	Interim	₹ 70	3500%
	Final	₹ 35	1750%
2011-12	Final	₹ 45	2250%
2012-13	Final	₹ 60	3000%
2013-14	Final	₹ 65	3250%
2014-15	Interim	₹ 30	1500%
	Final	₹ 30	1500%
2015-16	Interim	₹ 40	2000%
	Final (Recommended)	₹ 32	1600%

Dematerialization of Shares and Liquidity

The shares of the Company are traded in compulsory demat segment. As on March 31, 2016, 98.37% of the total share capital was held in dematerialized form with National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL') (includes 2,588 equity shares of ₹ 2 each allotted on 28th March, 2016 under Employee Incentive Scheme 2014 in Demat form credited to ISIN and listed on stock exchanges.)

During the FY 2015-16, share certificates involving 1,55,796 equity shares of ₹ 2 each, were dematerialized by the shareholders and share certificates involving 51 equity shares of ₹ 2 each were rematerialized.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments Conversion Date and likely impact on equity

Not applicable.

Details of Public Funding Obtained in the previous three years

The Company has not obtained any public funding in the previous three years.

Registrar & Share Transfer Agents ('RTA')

All work related to Share Registry, both in physical form and electronic form, is handled by the Company's RTA, Karvy Computershare Private Limited. The communication address of the RTA is given hereunder:

Karvy Computershare Private Ltd.
(Unit: Hero MotoCorp Ltd.)
Karvy Selenium Tower B,
Plot No. 31 & 32, Gachibowli,
Financial District, Nanakramguda,
Serilingampally,
Hyderabad 500 008
Tel No: 040-23420818
Fax: 040-2342 0814
Toll Free No: 1-800-3454-001
E-mail: einward.ris@karvy.com
Website: www.karvycomputershare.com

Share Transfer System

The total number of shares transferred during the financial year 2015-16 were 7,210 (No. of cases 27), deletion of name 15,670 (No. of cases 27) and transmission of shares 7,960 (No. of cases 11) which were completed in

the prescribed period. Shares under objection are returned within two weeks' time. Confirmations in respect of the requests for dematerialisation of shares are sent to the respective depositories i.e. NSDL & CDSL expeditiously.

COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from the Company's Auditors, Mr. Arvind Kohli, M/s. Arvind Kohli & Associates, Company Secretaries, confirming compliance with conditions of Corporate Governance, as stipulated under Listing Regulations, is attached to this Report.

ADOPTION OF MANDATORY AND DISCRETIONARY REQUIREMENTS OF LISTING REGULATIONS.

The Company has complied with all mandatory Corporate Governance requirements of Listing Regulations. The Company has adopted following discretionary requirements as prescribed under Part E Schedule II of the said regulations.

Modified Opinion(s) in Audit Report

The Company's financial statements had unmodified audit opinion.

Reporting of Internal Auditor

The Internal Auditor directly reports to be Audit Committee.

COMPANY'S REGISTERED ADDRESS

34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
CIN: L35911DL1984PLC017354
Tel: 011-4604 4100, 2614 2451
Fax: 011-2614 3321, 2614 3198
Website: www.heromotocorp.com

PLANT LOCATIONS AND R&D CENTRE

Gurgaon Plant

37 K.M. Stone, Delhi-Jaipur Highway,
Sector 33, Gurgaon-122 001
Haryana, India.
Tel: 0124-289 4200, 237 2123
Fax: 0124 237 3141-42

Dharuhera Plant

69 K.M. Stone, Delhi-Jaipur Highway,
Dharuhera, Distt. Rewari-122 100
Haryana, India
Tel: 01274 264 000
Fax: 01274 267 018

Haridwar Plant

Plot No. 3, Sector 10,
I.I.E., SIDCUL, Roshanabad,
Haridwar-249 403, Uttarakhand, India
Tel: 01334 238 500, 239 514-16
Fax: 01334 239 512-13

Neemrana Plant

Plot No. 101-103, 108 & 109,
RIICO Industrial Area, Phase - II,
Delhi - Jaipur Highway,
Neemrana, District Alwar,
Rajasthan - 301 705, India
Tel: 01494 673 0000

Colombia Plant

HMCL COLOMBIA SAS
Zona Franca Aparque Sur,
Lote 6 Villa Rica, Cauca, Colombia
Tel: 2 3120662

R&D Centre

Centre of Innovation & Technology
Plot No. SPL-1,
RIICO Industrial Area,
Kukas, Phase-2, NH-11C,
Jaipur, Rajasthan-302 028
Tel: 0142 643 0000
Fax: 0142 643 0001

INVESTORS' CORRESPONDENCE MAY BE ADDRESSED TO:

Retail Shareholder Correspondence may be addressed to:

Ms. Ramni Sood
Deputy General Manager
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
E-mail: ramni.sood@heromotocorp.com

Or

Karvy Computershare Private Ltd.
(Unit: Hero MotoCorp Ltd.)
Karvy Selenium Tower B,
Plot No. 31 & 32, Gachibowli,
Financial District, Nanakramguda,

Serilingampally, Hyderabad - 500 008
Tel No: 040-67161519 / 67161522
Fax: 040-2342 0814
Toll Free No: 1-800-3454-001
E-mail: einward.ris@karvy.com
Website: www.karvycomputershare.com

For Institutional Investors matters:

Mr. Umang Deep Singh Khurana
Head-Investor Relations
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
E-mail: umang.khurana@heromotocorp.com.

Queries relating to the Financial Statements of the Company may be addressed to:

Mr. Ravi Sud,
Sr. Vice President & CFO,
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
e-mail: ravisud@heromotocorp.com

Queries/complaints relating to products, services or dealers etc. only be addressed to:

Customer Care
Hero MotoCorp Ltd.
34, Community Centre, Basant Lok,
Vasant Vihar,
New Delhi - 110 057 or to its
e-mail: customercare@heromotocorp.com

For and on behalf of the Board

Pawan Munjal

Chairman, Managing Director & CEO
DIN: 00004223

Date: August 8, 2016
Place: New Delhi

CERTIFICATE

AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER SCHEDULE V (PARA E) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

To
The Members of
Hero MotoCorp Ltd.

We have examined the compliance of conditions of Corporate Governance by Hero MotoCorp Ltd. ('The Company'), for the Financial Year ended on 31st March 2016, as stipulated in Schedule V (Para E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions as stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We further state that such compliance is neither an assurance as to the further viability nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Arvind Kohli & Associates**
Company Secretaries

Arvind Kohli
Proprietor
FCS 4434, CP No. 2818

Place : New Delhi
Date : 26th July, 2016

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

The Board of Directors

Hero MotoCorp Ltd.

34, Community Centre, Basant Lok
Vasant Vihar, New Delhi 110 057

Sub: Certificate in terms of Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

This is to certify that:

- A. we have reviewed financial statements and the cash flow statement for the financial year ended March 31, 2016 and that to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. we have indicated to the Auditors and the Audit Committee:
1. significant changes in internal control over financial reporting during the year;
 2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Hero MotoCorp Ltd.**

Pawan Munjal

Chairman, Managing Director & CEO
DIN 00004223

Ravi Sud

Sr. Vice President & CFO

Place: New Delhi
Date : May 2, 2016

DECLARATION BY CHAIRMAN, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

[REGULATION 34(3), READ WITH SCHEDULE V (PART D) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015]

I, Pawan Munjal, Chairman, Managing Director & CEO of Hero MotoCorp Ltd. hereby declare that all the members of Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management of the Company for the financial year 2015-16.

For **Hero MotoCorp Ltd.**

Pawan Munjal

Chairman, Managing Director & CEO
DIN: 00004223

Place: New Delhi
Date : August 8, 2016

ANNEXURE IV

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2015-16

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The Board of Directors (the 'Board') of Hero MotoCorp Limited have adopted the CSR policy which has following salient features:

- a. To direct Company'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;
- b. 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;
- c. 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;
- d. 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;

- e. 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;
- f. To carry out activities at the time of natural calamity or engage in Disaster Management system;
- g. 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;
- h. To contribute or provide funds to technology incubators located within academic institutions which are approved by the Central Government;
- i. To contribute to any fund setup by the Central Government or State Government(s) including Chief Minister's Relief Fund, which may be recognized as CSR activity;
- j. 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.

The Company would implement the CSR Programmes through Company personnel or through external

implementing agencies and ensure proper governance, monitoring and reporting thereof.

The policy is available on the Company's website, www.heromotocorp.com on the following link: <http://www.heromotocorp.com/en-in/about-us/key-policies/corporate-social-responsibility.html>

2. Composition of the CSR Committee:

1. Mr. Pawan Munjal, Chairman
2. Gen. (Retd.) V. P. Malik, Member
3. Mr. Pradeep Dinodia, Member

Further, the Company has designated Mr. Vijay Sethi, Head Information Systems and Chief Information Officer as Head CSR to ensure effective implementation of CSR programmes of the Company.

3. Average net profit of the company for last three financial years

2014 – 15	₹ 3,329.52 Crores
2013 – 14	₹ 2,868.10 Crores
2012 – 13	₹ 2,529.52 Crores

Average for last 3 years ₹ 2,909.05 Crores

4. Prescribed CSRExpenditure (two per cent of the amount as in item 3 above)

2% of Average ₹ 58.18 Crores

5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year: ₹ 58.18 Cr.
- b) Amount unspent, if any : NIL
- c) Manner in which the amount

spent during the financial year is detailed below.

Overall Spend

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Project or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (in Lacs)	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	PM Relief Fund	Schedule VII (viii) PM Relief Fund	Contribution to PM Relief Fund	500.0	550.8	550.8	PM Relief Fund
2	Tree plantation	Schedule VII (iv) Ensuring Environment Sustainability	1.6 Lac tree plantation at Delhi NCR and near to our Offices PAN India	300.0	340.0	340.0	Direct and Agency: Sustainability Green Initiative
3	Promoting preventive health care and sanitation	Schedule VII (i) Preventive Health care and Sanitation Facility	Preventive health care camps in rural area and schools. Toilet facility of 82 nos to 13 Govt. schools in Haryana, Rajasthan and Uttrakhand	200.0	242.1	242.1	Direct and Agency: Ayus
4	Education promotion and vocational skill development for children and women	Schedule VII (ii) Promoting Education	Construction and Renovation of schools infrastructures at Haryana and Uttrakhand. Education promotion program in Delhi, Punjab, Rajasthan, AP, Bihar, Orissa and UP	4000.0	4295.4	4295.4	Direct and Agency: FUEL, Magic Bus, CRY, HPPI
5	Promoting Road Safety Awareness	Schedule VII (ii) Road safety education	Promoting Safe Riding through traffic training park development and Road safety awareness program	700.0	699.6	699.6	Direct and Agency: ROSES
6	Community Development	Schedule VII (iii) Social Development	Community Development program and Promoting Education, Safety and socio economic development awareness through all media	300.0	372.4	372.4	Direct and Agency: HPPI
Total				6000.0	6500.3	6500.3	

Note: The actual CSR expenditure was ₹ 65 crores against the budgeted expenditure of ₹ 60 crores.

Details of projects, activities and impact in Annexure A below.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Not Applicable

7. This is to confirm that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the company. Detailed note enclosed in Annexure A.

For **Hero MotoCorp Ltd.**

Pawan Munjal
Chairman
DIN: 00004223

Date: August 8, 2016
Place: New Delhi

ANNEXURE A**Overview of CSR Activities 2015-16**

Corporate Social Responsibility is guided by the philosophy of Late Dr. Brijmohan Lall Munjal, the Chairman Emeritus of the Company. He believed that 'we must give back to the society from whose resources we generate wealth'. This philosophy is embedded in the Hero's way of doing business.

Our CSR programmes are in sync with our simple vision: **To have a Greener, Safer and Equitable World.**

Executive Summary

We, Team Hero MotoCorp, recognize Corporate Social Responsibility (CSR) as a way of doing business. As a philosophy and as a practice, CSR is embedded in the organization's commitment to all stakeholders – management, executives, employees, business associates, consumers, communities and the

environment. We believe that our growth can truly be measured by the economic, social and environmental capital that we generate for a sustainable society as well as for the enhancement of the communities we work with.

Going beyond compliance and mandatory norms, we have invested over 2.2 per cent on overall CSR activities and will continue to do so in the future.

We Care is the CSR Umbrella of Hero under which we have five flagship programmes:

- Programmes on Road Safety under the umbrella **Ride Safe India**
- Programmes on Girl Child Empowerment and Education under the umbrella **Hamari Pari and E2 : Educate to Empower**
- Programmes on Clean and Green India under the umbrella **Happy Earth**

- Programmes on using Digital for Awareness on Social Causes under the umbrella **Digi Aware**

These are supported by focus on social & community development.

During the FY 2015-16, the Company spent ₹ **65 Crore** and overall number of beneficiaries of various initiatives were:

- **Ride Safe India:** 98,065 participants
- **Hamari Pari & E2:** 30,369 beneficiaries
- **Happy Earth:** 1.6 lakh plantations and 82 toilets
- **Community Initiatives:** 44,968 beneficiaries
- **Digi Aware:** 2.7 Crore plus views on Social Media

ANNEXURE V

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

To,
The Members
Hero MotoCorp Ltd.
34, Basant Lok, Vasant Vihar,
New Delhi 110 057.

Subject: Secretarial Audit Report for the financial year 2015 – 2016.

Dear Sirs,

We have conducted the Secretarial Audit for compliance of applicable statutory provisions and adherence to good corporate practices by **Hero MotoCorp Ltd.** (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the **Company's** books, papers, minutes' books, forms and returns filed, other records maintained by the Company and also the information provided by the Company, its officers, agents, and authorized representative during the conduct of Secretarial Audit, we hereby report that in our opinion the Company, during the audit period covering the financial year ended on 31st March, 2016 has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns and other records maintained by **Hero MotoCorp Ltd.** for the financial year ended on 31st March, 2016 according to the provisions of:

- I. The Companies Act, 2013 and Rules made there under;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

IV. Foreign Exchange Management Act, 1999 and rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

VI. OTHER LAWS APPLICABLE TO THE COMPANY AS A BUSINESS UNIT AND ALSO LAWS APPLICABLE TO VARIOUS MANUFACTURING UNITS AND OTHER OFFICES:

(We have examined the framework, processes and procedures of compliance of laws applicable on

the Company in detail. We have examined reports, compliances with respect to applicable laws on test basis.)

Select few are mentioned herein:

- **Industry Specific Act(s)** – Motor Vehicles Act, 1988; Legal Metrology Act, 2009; The Explosives Act, 1884 read with The Static and Mobile Pressure Vessels(Unfired) Rules,1981 and Gas Cylinder Rules, 2004; The Petroleum Act, 1934 read with The Petroleum Rules 2002.
- **Taxation Laws** – Income Tax Act, 1961; Service Tax Act, 1994; the Customs Act, 1962; Central Excise Act, 1944. Delhi Vat Act, 2004. (limited to the extent of verifying the compliance of filing of returns under the respective legislations).
- **Environment Laws** – The Environment (Protection) Act, 1986; Air (Prevention and Control of Pollution) Act, 1981; Water (Prevention and Control of Pollution) Act, 1974; The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008
- **Labour Laws** – Apprentices Act, 1961; Employees State Insurance Act, 1948; Employees Provident Fund And Misc. Provisions Act, 1952; Factories Act, 1948; Payment of Wages Act,1948; Minimum Wages Act, 1948; Industrial Disputes Act, 1947; Payment of Bonus Act, 1965; Payment of Gratuity Act, 1972; Employees Compensation Act, 1923; The Trade Unions Act, 1926; Contract Labour (Regulation and Abolition) Act, 1970; Maternity Benefit Act, 1961; The Industrial Employment (Standing Order) Act, 1946;The Employment Exchange (Compulsory Notification of Vacancies) Act,1956; Sexual Harassment of Women at workplace (Prevention, Prohibition and Regulation) Act, 2013 (POSH)
- **IPR Laws** – Copyright Act, 1957; Trademark Act, 1999; Patent Act, 1970
- **Other Miscellaneous Laws** – Competition Act, 2002, Information Technology Act, 2000.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (Notified during the financial year 2015-2016 w.e.f. 1st July, 2015.)
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange and compliance with the SEBI (Listing of Disclosure Requirements) Regulations, 2015 w.e.f. 1st December, 2015.

During the period under review, the Company has complied with the provisions of Act, Rules, Regulations, Guidelines, standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive

Directors and Independent Directors including Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except where the shorter notice was applicable) and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The system provides for a majority view being carried after recording the views of dissenting members. However, there was no such instance during the period under review.

We further report that there are adequate systems and processes in

the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

This report is to be read with our letter of even date which is annexed as Annexure "A" and forms an integral part of this Report.

For **Arvind Kohli & Associates**
Company Secretaries

Arvind Kohli
Proprietor
FCS 4434, CP No. 2818

Place : New Delhi
Date : 12th July, 2016

ANNEXURE-A

To,
The Members
Hero MotoCorp Ltd.,
34, Basant Lok, Vasant Vihar,
New Delhi 110 057.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was

done on the test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination

was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Arvind Kohli & Associates**
Company Secretaries

Arvind Kohli
Proprietor
FCS 4434, CP No. 2818

Place : New Delhi
Date : 12th July, 2016