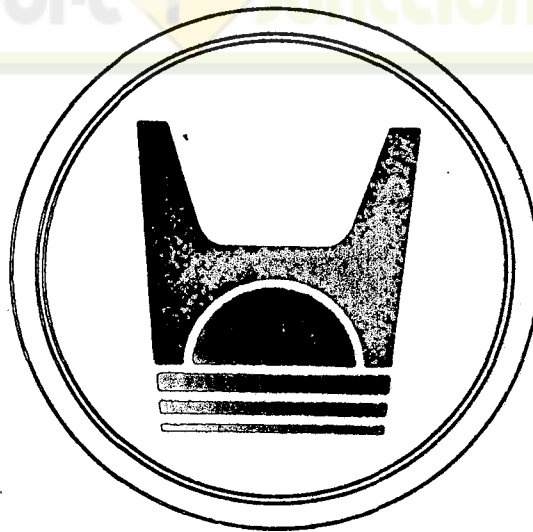


MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

**HERO
HONDA**

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FIFTEENTH

ANNUAL

REPORT

1997-98





NOTICE SUPPLEMENTARY TO THE NOTICE DATED 9TH MAY, 1998

NOTICE is hereby given that at the 15th ANNUAL GENERAL MEETING of the members of **HERO HONDA MOTORS LIMITED** which will be held on Monday, the 27th July, 1998 at 10.30 A.M. at Air Force Auditorium, Subroto Park, New Delhi-110 010, in addition to the business stated in the notice dated 9th May, 1998, the following business will also be taken up for consideration, after transacting the business as stated therein, as items of business as numbered herein below:

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

As Ordinary Resolutions

APPOINTMENT OF MR. TERUO FUJISAKI

9. "RESOLVED THAT

Mr. Teruo Fujisaki, who was appointed as a Director of the Company with effect from 25th June, 1998 in the vacancy caused by the resignation of Mr. Minoru Nagata and who holds office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500 as required under the Act, be and is hereby appointed as a Director of the Company and that his period of office shall be liable to determination by retirement of Directors by rotation."

INCREASE IN AUTHORISED SHARE CAPITAL

10. "RESOLVED THAT

pursuant to Sections 94 and 16 and all other applicable provisions, if any, of the Companies Act, 1956

(a) the Authorised Share Capital of the Company be and is hereby increased from Rs. 33,00,00,000 (Rupees thirty three crores) divided into 2,50,00,000 (two crore and fifty lacs) Equity Shares of Rs. 10 (Rupees ten) each, 4,00,000 (four lacs) Cumulative Redeemable Preference shares of Rs. 100 (Rupees one hundred) each and 4,00,000 (four lacs) Cumulative Convertible Preference shares of Rs. 100 (Rupees one hundred) each by further creation of 2,50,00,000 (two crore fifty lacs) Equity Shares of Rs. 10 (Rupees ten) each, to Rs. 58,00,00,000 (Rupees fifty eight crores) divided into 5,00,00,000 (five crore) equity shares of Rs. 10 (Rupees ten) each, 4,00,000 (four lacs) Cumulative Redeemable Preference Shares of Rs. 100 (Rupees one hundred) each and 4,00,000 (four lacs) Cumulative

Convertible Preference Shares of Rs. 100 (Rupees one hundred) each, with power to increase or reduce the same from time to time and sub-divide or consolidate or otherwise change the denomination of any of the Shares or extinguish uncalled liability as may be thought fit.

(b) the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place the following as new Clause V:

"Clause V : The Authorised Share Capital of the Company is Rs. 58,00,00,000 (Rupees fifty eight crores) divided into 5,00,00,000 (five crore) Equity Shares of Rs. 10 (Rupees ten) each, 4,00,000 (four lacs) Cumulative Redeemable Preference Shares of Rs. 100 (Rupees one hundred) each, and 4,00,000 (four lacs) Cumulative Convertible Preference Shares of Rs. 100 (Rupees one hundred) each with power to increase or reduce the same from time to time and sub-divide or consolidate or otherwise change the denomination of any of the shares or extinguish uncalled liability as may be thought fit."

As Special Resolutions

AMENDMENT IN ARTICLES OF ASSOCIATION

11. "RESOLVED THAT

pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956,

(a) the existing Article No. 3 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in its place the following new Article 3.

"Article 3 : The Authorised Share Capital of the Company is Rs. 58,00,00,000 (Rupees fifty eight crores) divided into 5,00,00,000 (five crore) Equity Shares of Rs. 10 (Rupees ten) each, 4,00,000 (four lacs) Cumulative Redeemable Preference Shares of Rs. 100 (Rupees one hundred) each and 4,00,000 (four lacs) Cumulative Convertible Preference Shares of Rs. 100 (Rupees one hundred) each, with power to sub-divide, consolidate and increase, with power from time to time to issue any shares of the original capital or new shares of any class with and subject to any preferential, classified or special rights, privileges or conditions as may be thought fit and upon the sub-division of shares to apportion the right to participate in profits in any manner as between the shares resulting from such sub-division."

(b) the Article 6(1) of the Articles of Association of the



Company shall be deleted and substituted by the following new Article 6(1)

"Article 6(1): The authorised equity share capital of the company shall be divided into 2,40,00,000 (two crore forty lacs) 'A' equity shares, 1,30,00,000 (one crore thirty lacs) 'B' equity shares, and 1,30,00,000 (one crore thirty lacs) 'C' equity shares of Rs. 10 (Rupees ten) each."

(c) after Article 9, the following Article be inserted as Article 9A

"Article 9A : Subject to and in accordance with the statutory provisions laid down therefor from time to time and all other applicable provisions of the Act, the Company shall have power, to purchase any of its own shares whether or not they are redeemable, at such rate(s) and on such terms and conditions and on such purchase(s) to keep them alive, cancel and/or sell and/or reissue from time to time such number(s) of shares so purchased at such rate(s) and on such terms and conditions as may be authorised by passing Special Resolution."

ISSUE OF BONUS SHARES

12. "RESOLVED THAT

(a) pursuant to the recommendation of the Board of Directors and Article 132 of the Articles of Association of the Company, and subject to approvals, if any, as may be necessary and subject to any conditions that may be imposed by SEBI or other authorities as may be applicable and agreed to by the Board, a sum of Rs. 19,96,87,500 (Rupees Nineteen crores Ninety Six lacs Eighty Seven thousand Five hundred only) out of the amount of Rs. 65,00,00,000 (Rupees sixty five crores only) standing to the credit of General Reserve, as at 31st March, 1998 be and is hereby capitalised and transferred from General Reserve to Share Capital and the aforesaid sum of Rs. 19,96,87,500 (Rupees Nineteen crores Ninety Six lacs Eighty Seven thousand Five hundred only) be applied for issue and allotment of Bonus Shares, and 19,96,87,500 (one crore ninety nine lacs sixty eight thousand seven hundred fifty) fully paid Bonus Shares in terms of the Articles of Association of the Company, be allotted and distributed to such members of the Company holding Equity Shares as per the Register of Members at a date to be determined by the Directors of the Company, who are the holders as on the aforesaid date of the existing Equity Shares of the Company (hereinafter referred to as "the members") in proportion of one Bonus Share for every one existing fully paid Equity Shares of Rs. 10 (Rupees Ten) each held by such members as on the aforesaid date, upon the footing that they become entitled to such new Equity Shares as capital and not as income;

(b) no Letter of Allotment shall be issued but the certificate(s), wherever applicable in respect of the Bonus Shares shall be issued and delivered within the statutory time limit. In case of securities held in Electronic mode, as no physical share certificate shall be issued, the shares as per the entitlement will be credited to the respective accounts as per the requirements of the Depository system;

(c) the allotment and issue of fully paid-up new Equity Shares as Bonus Shares to the extent that they relate to non-resident members of the Company shall be subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973 or any other amendment or re-enactment of the same;

(d) the Bonus Shares to be issued as fully paid Equity Shares are subject to the Articles of Association of the Company and shall rank in all respects pari passu with the existing Equity Shares, provided, however, that such new Equity Shares shall not be entitled to participate in any dividend declared or to be declared for any year or period prior to the issue of the Bonus Shares; and

(e) for the purpose of giving effect to this resolution, the Directors or any Committee or Persons as may be authorised by the Directors be and are hereby authorised to take all steps and to give such directions as may be necessary or desirable and to settle any question or difficulty whatsoever that may arise with regard to the issue, allotment and distribution of the new Equity Shares as they may in their absolute discretion deem fit."

BUY BACK OF SHARES

13. "RESOLVED THAT

subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and/or from the open market and/or from the lots smaller than market lots of the Shares (odd lots) and/or through any other source as may be permissible under the law then in force, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority; from time to time (herein for brevity's sake

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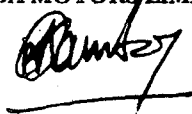
referred to as "the Securities"), of the Company from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time provided that the aggregate of the securities so bought back shall not exceed 10% of the respective securities of the Company and to keep them alive, cancel and/or re-sell from time to time such number (s) of the shares or securities so purchased, at such rate(s) and on such terms as the Board may deem fit and proper.

RESOLVED FURTHER THAT the Board be and is hereby authorised to raise funds to the extent of such amount of funds as may be required to acquire the securities upto such limit as stated above in one or more trenches through issue/ private placement of Debenture/Bonds or any other form of securities for the purpose of Buy-Back of Company's securities on such terms and conditions as may be decided by the Board and permissible under the law.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

By Order of the Board
for HERO HONDA MOTORS LIMITED

Registered office:
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
June 25, 1998


ILAM C. KAMBOJ
Company Secretary

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 9.

Mr. Minoru Nagata, who was to hold office of Director upto the date of 15th Annual General Meeting had resigned from the Board on 25th June, 1998 and Mr.T.Fujisaki has been appointed as a Director of the Company in the vacancy caused by the resignation of Mr.Minoru Nagata w.e.f. 25th June, 1998 pursuant to Section 262 of the Companies Act, 1956 and he will hold office upto the date of 15th Annual General Meeting.

The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500 from Honda Motor Co., Ltd., Japan, representing 'B' Shareholders, a member of the Company, stating that they intend to designate and

propose Mr.T.Fujisaki for the office of Director of the Company.

The Board of the Directors of your Company recommends passing of the aforesaid Ordinary Resolution contained under item 9.

None of the Directors of the Company except Mr.Teruo Fujisaki, Mr. Takehiko Nakajima and Mr. Matsuo Yamasaki are concerned or interested in the resolution.

Item No. 10.

The Authorised Share Capital of the Company, at present is Rs. 33,00,00,000 (Rupees Thirty Three crores) and the Issued, Subscribed and Paid-up Capital of the Company is Rs. 19,96,87,500.

It is proposed to increase the Authorised Capital of the Company from Rs. 33,00,00,000 (Rupees Thirty three crore) to Rs. 58,00,00,000 (Rupees fifty eight crores) by addition of 2,50,00,000 (two crore fifty lacs) Equity shares of Rs. 10 each. The Resolutions set out at (a) and (b) of item 10 of the supplementary notice are for the purpose of altering the Authorised Share Capital of the Company and to make the consequent amendments in the Capital Clause of the Memorandum of Association.

The Board of Directors of your Company recommends passing of the aforesaid Ordinary Resolution contained under item 10.

None of the Directors of the Company is concerned or interested in the proposed resolution.

Item No. 11.

(i) The amendment of Article 3 of the Articles of Association of the Company as set out in the Special Resolution at (a) of item 11 of the supplementary notice is consequential to the alteration of the Capital Clause in the Memorandum of Association of the Company.

(ii) The Articles of Association of the Company, at present, classify the equity shares of the Company into 'A' 'B' and 'C' categories respectively to be allotted to the Public., Honda Motor Co., Ltd., Japan., collaborators of the Company, and the Indian promoters, namely, Hero Cycles Ltd., Hero Investments Ltd., and Bahadurchand Investments Ltd. The Articles at present provide that the pattern of shareholding among the aforesaid three categories of shares shall be 48:26:26. The resolution set out at (b) of item 11 of the supplementary notice is intended for the said purpose.

(iii) Article 9A is proposed pursuant to the provision in

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the proposed Companies Bill, 1997, permitting the companies to buy back its own shares. Such buy back would enable your Company to advantageously deploy available funds as also to reduce the cost of servicing the capital of the Company, resulting in high returns to the investors. The resolution only confers an authority on the Board through the Article for the purpose.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolution contained under item 11.

None of the Directors of the Company is concerned or interested in the proposed resolution except to the extent of their existing holding in the share capital.

A copy of the Memorandum and Articles of Association of the Company together with proposed alterations, will be available for inspection of the members at the Registered Office of the Company between 11 A.M. and 1 P.M. on any working day of the Company and will also be available at the meeting.

Item No. 12.

Under the provisions of Articles 132, 133 and 134 of the Articles of Association of the Company, the Company may in general meeting upon the recommendation of the Board resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts including general reserve, share premium account, capital reserves or to the credit of the profit and loss account.

The total reserves of the Company as on 31st March, 1998 are to the extent of Rs.18701.97 lacs (including the general reserve of Rs.6500 lacs). The Directors have considered it desirable to capitalise Rs.19,96,87,500 (Rupees Nineteen crores Ninety Six lacs Eighty Seven thousand Five hundred only) out of General Reserve and to issue 19968750 Equity Shares of Rs. 10 (Rupees Ten) each as Bonus Shares in the proportion of One Equity Share for every one fully paid Equity Share held.

The guidelines issued by the Securities and Exchange Board of India (SEBI) in connection with issue of Bonus Shares are fully satisfied. After the approval of the shareholders, the Company will notify the Delhi, Mumbai, Calcutta, Ahmedabad, Ludhiana and National Securities Depository Limited about the record date as may be fixed for this purpose.

It is proposed that no allotment letters be issued but the share certificate for the bonus shares be issued to

the allottees wherever applicable. In the case of securities held in Electronic mode the shares will be credited to their respective accounts as per the requirements of the Depository system.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolution contained under item 12.

None of the Directors of the Company is concerned or interested in the proposed resolution except to the extent of their existing holding in the share capital.

Item No. 13

Buy back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill, 1997, sought to lay down the operative provisions to regulate the buy back of shares/securities by Companies. The said bill has not yet become the law. It is expected that, in due course of time, the law will be amended to allow such Buy back.

The Board is of the opinion that it will be in the best interest of the Company if shareholders approve the said resolution, permitting such buy back.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

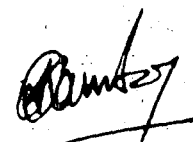
The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolution contained under item 13.

None of the Directors of the Company is, in any way, concerned or interested in this resolution, except to the extent of their existing holding in the share capital.

**By Order of the Board
for HERO HONDA MOTORS LIMITED**

Registered office:
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
June 25, 1998


ILAM C. KAMBOJ
Company Secretary

BOARD OF DIRECTORS

Brijmohan Lall Munjal
Chairman and Managing Director

Takehiko Nakajima
Joint Managing Director

Pawan Kant Munjal
Whole-Time Director

Masuo Yamasaki
Whole-Time Director

Satyanand Munjal
Om Prakash Munjal

O.P. Gupta

S. P. Virmani

M. Nagata

M. P. Wadhawan

Y. Kobayashi

M. V. Muthu (IFCI Nominee, upto 27.10.97)

Directors

Directors

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants, New Delhi.

BANKERS

Punjab National Bank
The Bank of Tokyo-Mitsubishi Ltd.

ABN Amro Bank

Citibank, N.A.

Deutsche Bank

Canara Bank

Bank of Baroda

ANZ Grindlays Bank Plc.

DBS Bank

Bank of America NT & SA

American Express Bank Ltd.

Banque Nationale De Paris

ICICI Banking Corporation Ltd.

HDFC Bank Ltd.

The Sakura Bank Ltd.

SENIOR EXECUTIVES

P.B. Menon
Ravi Sud

K.K. Agrawal
K.K. Malhotra

Atul Sobti
P.S. Ajjan

COMPANY SECRETARY

Ilan C. Kamboj

TECHNICAL AND FINANCIAL COLLABORATORS

Honda Motor Co., Ltd.,
No. 1-1, 2 Chome,
Minami-aoyama, Minato-ku,
Tokyo 107, Japan

REGISTERED AND CORPORATE OFFICE

34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057.
Tel: 6142451, 6144121 Telex: 031-72324
Fax: 6143321 Gram: HONDABYKE

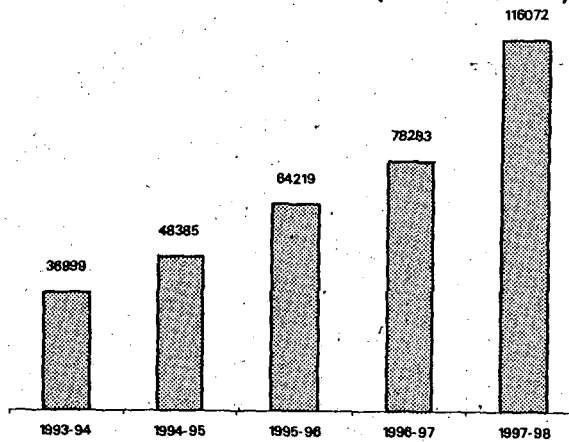
DHARUHERA PLANT

69 Km. Stone, Delhi-Jaipur Highway
Dharuhera, Distt. Rewari,
Haryana - 121006

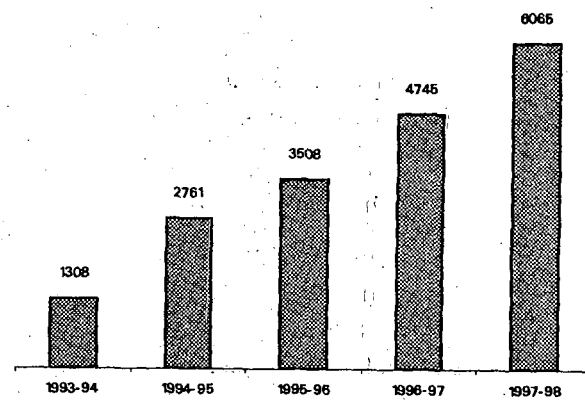
GURGAON PLANT

37 Km. Stone, Delhi - Jaipur Highway
Sector 33 - 34, Gurgaon,
Haryana - 122001

SALES AND OTHER INCOME (RUPEES IN LACS)

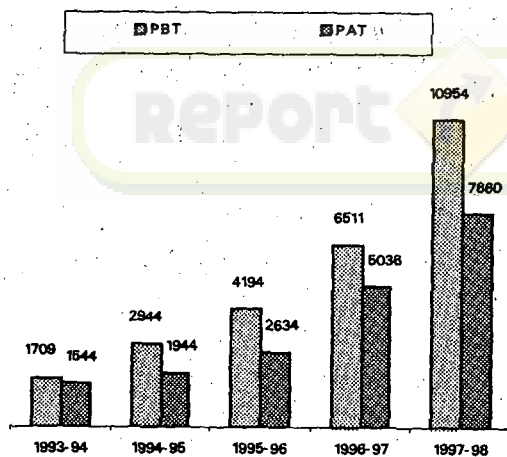


EXPORT SALES (RUPEES IN LACS)

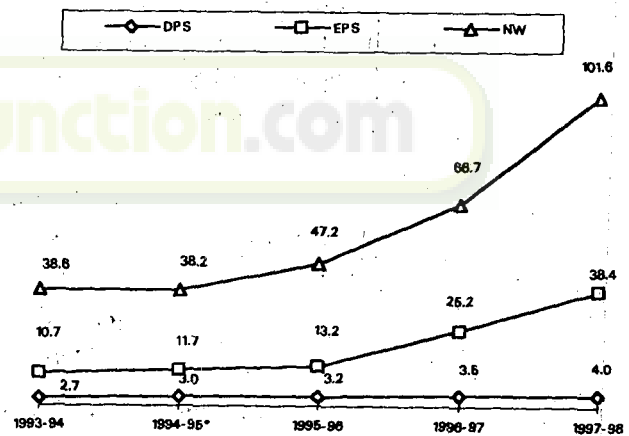


FINANCIAL

PROFITS (RUPEES IN LACS)

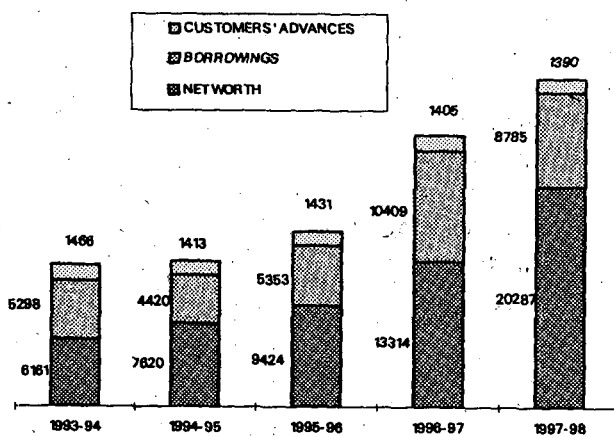


NETWORTH/ EARNINGS AND DIVIDEND PER SHARE (RUPEES)

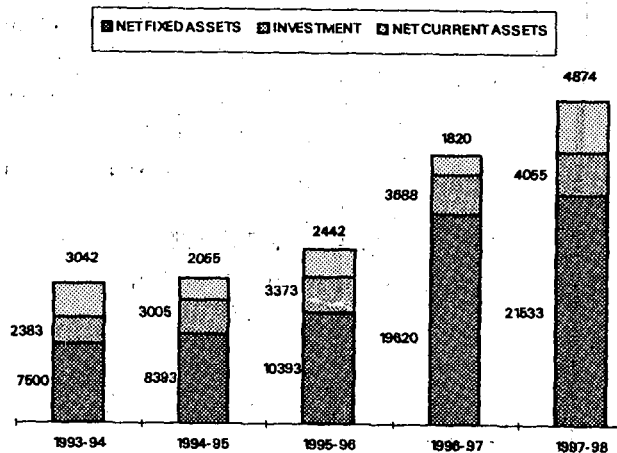


* Bonus issue 1:4

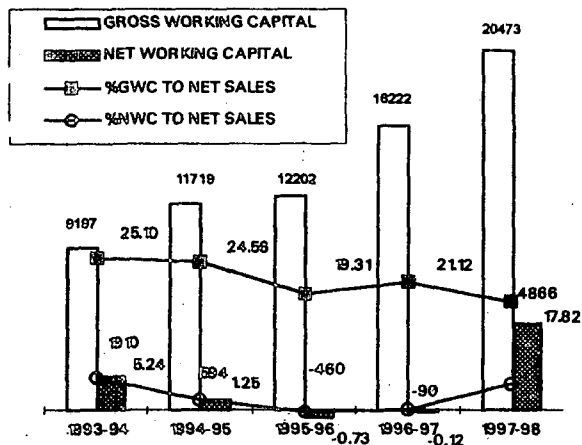
SOURCES OF FUNDS (RUPEES IN LACS)



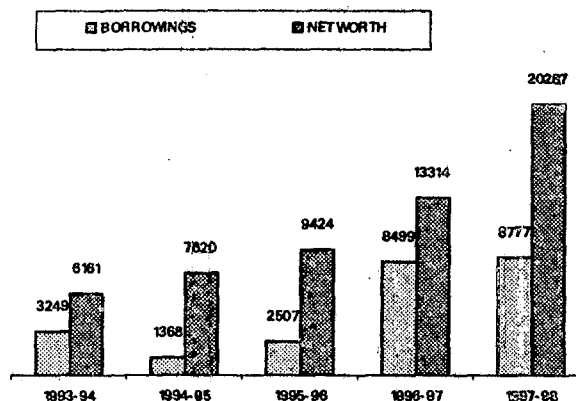
APPLICATION OF FUNDS (RUPEES IN LACS)



WORKING CAPITAL (RUPEES IN LACS)

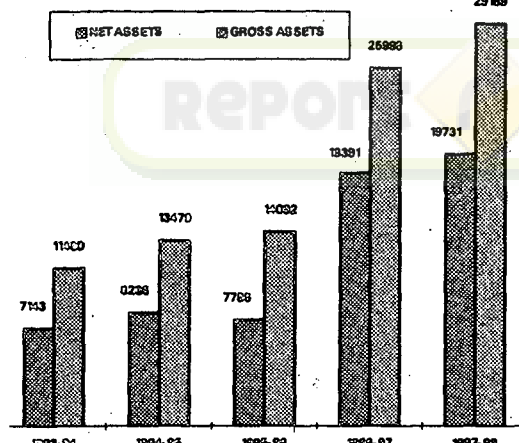


BORROWINGS AND NETWORTH (RUPEES IN LACS)

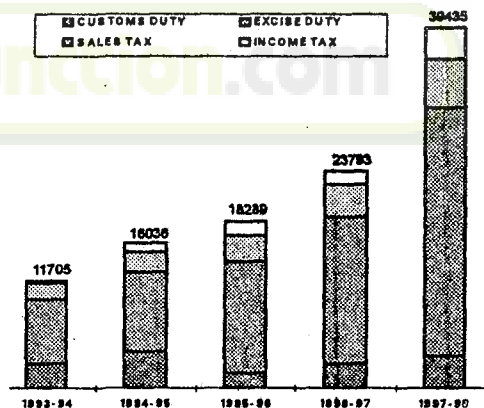


HIGHLIGHTS

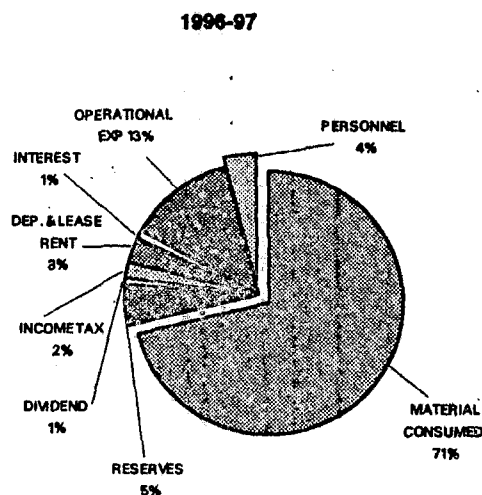
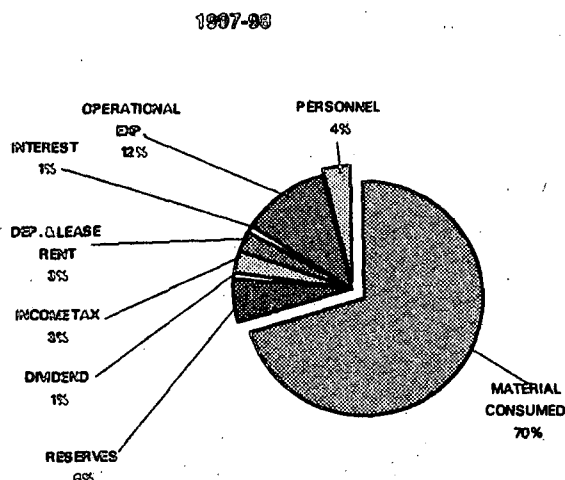
FIXED ASSETS (RUPEES IN LACS)



CONTRIBUTION TO EXCHEQUER (RUPEES IN LACS)



DISTRIBUTION OF REVENUE



15th ANNUAL REPORT 1997-98

**SHAREHOLDERS' DIARY****15TH ANNUAL GENERAL MEETING**

Date : 27th July, 1998
 Day : Monday
 Time : 10.30 A.M.
 Venue : Air Force Auditorium,
 Subroto Park, New Delhi -
 110 010.

INVESTORS' RELATION CELL

The Company's Secretarial department is functioning at the Registered Office of the Company, headed by Mr. Ilam C. Kamboj, Company Secretary who is designated as Compliance Officer as per the requirements of the listing agreement at:

34, Community Centre,
 Basant Lok, Vasant Vihar,
 New Delhi-110 057
 Fax: 011-614 3321, 615 2453
 Phone Nos. 011-614 2451, 614 4121

SHARE TRANSFER AGENT & REGISTRAR

for physical as well as depository mode

MCS Limited
 (Sri Venkatesh Bhawan),
 212 A, Shahpur Jat,
 Behind Panchsheel Club,
 New Delhi 110 049
 Fax: 011-649 4152
 Phone Nos. 011-649 4830, 649 5832

DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company at its meeting held on 9th May, 1998 has recommended a dividend of Rs. 4/- per share. This is subject to the approval of the Shareholders in the Annual General Meeting and will be paid to the shareholders, whose names appear in the register of members as on 7th July, 1998. This dividend includes the Interim Dividend of Rs. 1.60 per Equity Share which has already been paid. No TDS will be deducted from the dividend payment.

BOOK CLOSURE

From Wednesday, the 1st July, 1998
 To Tuesday, the 7th July, 1998

EXCHANGE LISTED

Delhi, Mumbai, Calcutta, Ahmedabad & Ludhiana

DEPOSITORY CODE No.

ISIN No. INE 158A01018

DISTRIBUTION OF SHAREHOLDING (MAY 1998)

Number of Equity Shares held	Number of Share-holders	%age of Share holders	Number of Shares held	%age of Share-held
1-500	41542	98.58	2342309	11.73
501-1000	344	0.82	237345	1.19
1001-2000	110	0.26	147446	0.74
2001-3000	15	0.04	37151	0.19
3001-4000	45	0.11	147086	0.74
4001-5000	6	0.01	25738	0.13
5001-10000	12	0.03	87528	0.44
> 10000	65	0.15	16944147	84.85
Total	42139	100.00	19968750	100.00

SHARE HOLDING PROFILE (MAY 1998)

Category	Number of Shares held	%age to Total
Indian Promoters	5191871	26.00
Foreign Collaborators	5191875	26.00
FII's/NRIs	3482387	17.44
Mutual Funds	811377	4.06
FIs/Banks	1042513	5.22
Public	4248727	21.28
Total	19968750	100.00

STOCK PRICE MOVEMENT

The High & Low Quotations of the shares of the Company on the BSE during April 1997 to March 1998 are:

