

*19<sup>th</sup>*  

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ANNUAL REPORT  
2001-2002

*Desh ki dhadkan*



## Board of Directors

**Brijmohan Lall Munjal**  
Chairman

**Pawan Kant Munjal**  
Managing Director

**Akio Kazusa** (from April 1, 2002)

**Matsuo Yamasaki** (upto March 31, 2002)  
Jt. Managing Director

**Kazumi Yanagida**  
Whole-time Director

**Satyanand Munjal**  
**Om Prakash Munjal**

**S.P. Virmani**

**M.P. Wadhawan**

**O.P. Gupta**

**S.Toshida**

**Motohide Sudo** (from April 1, 2002)

**T. Fujisaki** (upto March 31, 2002)

**N.N.Vohra**

**Pradeep Dinodia**

**Gen.(Retd.) V.P.Malik**

### SENIOR EXECUTIVES

K.K. Agrawal

Atul Sobti

Ravi Sud

K.K. Malhotra

N.N. Akhouri

S.R. Balasubramanian

### COMPANY SECRETARY

Ilam C. Kamboj

### AUDITORS

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

### PRINCIPAL BANKERS

Punjab National Bank.,  
Citibank, N.A.,  
The Bank of Tokyo - Mitsubishi Ltd.,  
ABN Amro Bank.,  
HDFC Bank Ltd.,  
Standard Chartered Grindlays.

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## *Committee of Directors*

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### **AUDIT COMMITTEE**

M.P. Wadhawan  
O.P. Gupta  
Pradeep Dinodia

### **REMUNERATION COMMITTEE**

S.P. Virmani  
N.N. Vohra  
Gen. (Retd.) V.P. Malik

### **SHAREHOLDER'S GRIEVANCE COMMITTEE**

O.P. Gupta  
Pradeep Dinodia  
Kazumi Yanagida

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### **TECHNICAL AND FINANCIAL COLLABORATORS**

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

### **REGISTERED AND CORPORATE OFFICE**

34, Community Centre,  
Basant Lok, Vasant Vihar,  
New Delhi - 110 057.  
Tel. : 614 2451, 614 4121 Fax : 614 3321

### **DHARUHERA PLANT**

69 K.M. Stone, Delhi-Jaipur Highway,  
Dharuhera, Distt. Rewari,  
Haryana - 121 006.

### **GURGAON PLANT**

37 K.M. Stone, Delhi-Jaipur Highway,  
Sector 33-34, Gurgaon,  
Haryana - 122 001.

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## Financial Highlights

(Rupees in crores)

	97-98	98-99	99-00	00-01	01-02
Sales (nos)	407546	530545	761623	1029510	<b>1425302</b>
Growth in Sales (nos) (%)	51.5	30.2	43.6	35.2	<b>38.4</b>
Total Income	1122	1505	2269	3193	<b>4539</b>
Growth in Total income (%)	48.0	34.1	50.8	40.7	<b>42.2</b>
Profit before Tax	110	173	285	377	<b>694</b>
Profit after Tax	77	121	192	247	<b>463</b>
Share Capital	20	40	40	40	<b>40</b>
Reserves and Surplus	187	261	408	589	<b>646</b>
Total Debt	78	78	51	66	<b>116</b>
Net Fixed Assets	215	309	373	454	<b>491</b>
Total Assets	285	378	499	696	<b>802</b>
Market Capitalisation	1745	3496	3874	2816	<b>6670</b>
Economic Value Added (EVA)	40	66	119	155	<b>374</b>

## Key Ratios

	97-98	98-99	99-00	00-01	01-02
Long Term Debt/Equity	0.39	0.20	0.04	0.00	<b>0.00</b>
OPBITLDA*/Net Sales	12.8	13.7	14.8	14.5	<b>15.9</b>
OPBDT**/Net Sales (%)	8.9	10.2	11.8	11.7	<b>13.9</b>
Profit After Tax/Total Income (%)	6.8	8.1	8.5	7.7	<b>10.2</b>
Return On Avg.Equity (%)	45.6	49.0	52.2	46.9	<b>72.0</b>
Return on Avg.Capital Employed(%)	46.1	54.9	66.9	64.9	<b>94.6</b>
EVA/Capital Employed (%)	15.8	20.3	27.6	26.6	<b>51.0</b>
Dividend Per Share (Rs.)***	0.8	1.5	2.0	3.0	<b>17.0</b>
Dividend Payout (%)	11.5	22.7	23.1	26.7	<b>75.5</b>
Earnings Per Share (Rs.)***	3.8	6.1	9.6	12.4	<b>23.2</b>
Market Value/Book Value	8.6	11.9	8.3	4.6	<b>7.4</b>

\* OPBITLDA = Operating profit before Interest, Tax, Lease Rental, Depreciation and Amortisation

\*\* OPBDT = PBT before other income

\*\*\* on reduced face value of Rs. 2 per equity share, following share split in the ratio of 5:1.



## Notice

NOTICE is hereby given that the 19th ANNUAL GENERAL MEETING of the members of HERO HONDA MOTORS LIMITED will be held on Monday, August 12, 2002 at 10:00 A.M. at Airforce Auditorium, Subroto Park, Dhaula Kaun, New Delhi, to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors' and Directors' thereon.
2. To confirm the interim dividend of Rs. 5.00 per equity share (of Rs. 2.00 each) already paid and to declare final dividend of Rs. 12.00 (including celebration dividend of Rs. 5.00 per equity share of Rs. 2.00 each) for the financial year ended March 31, 2002.
3. To appoint a Director in place of Mr. Satyanand Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Om Prakash Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M.P. Wadhawan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. S.P. Virmani, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint the Auditors and to fix their remuneration, and to consider and if thought fit, to pass the following resolution as an Ordinary resolution:

"RESOLVED THAT M/s. A.F. Ferguson & Co., Chartered Accountants, New Delhi the retiring auditors be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion

of the next Annual General Meeting at such remuneration (including for certification) and reimbursement of out of pocket expenses as may be approved by the Board of Directors of the Company."

### SPECIAL BUSINESS:

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

#### As Ordinary Resolutions :

#### RE-APPOINTMENT OF MR. PAWAN KANT MUNJAL AS DIRECTOR IN THE WHOLE-TIME EMPLOYMENT OF THE COMPANY AND THEREAFTER APPOINTMENT AS MANAGING DIRECTOR OF THE COMPANY

8. "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. Pawan Kant Munjal, Director in the whole-time employment of the Company for a period of five years with effect from October 1, 2001 on a remuneration, including minimum remuneration, and on terms and conditions as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER THAT Mr. Pawan Kant Munjal be and is hereby designated as Managing Director of the Company instead of Director in the whole time employment of the Company w.e.f. April 13, 2002 without change in other terms and conditions of his appointment and remuneration except that his period of office shall be liable to determination by retirement of directors by rotation, so long as he continues to hold the office of Managing Director.

RESOLVED FURTHER THAT the aggregate amount of remuneration payable to him in any financial year will be subject to the overall ceiling limit laid down in Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

#### APPOINTMENT OF MR. AKIO KAZUSA AS JOINT MANAGING DIRECTOR

9. "RESOLVED THAT pursuant to Sections 198, 269,

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309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the appointment of Mr. Akio Kazusa as the Joint Managing Director of the Company for a period of five years w.e.f. April 1, 2002, on a remuneration including minimum remuneration and on terms and conditions as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER THAT the aggregate amount of remuneration payable to him in any financial year will be subject to the overall ceiling limit laid down in Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

#### **RATIFICATION OF OUT OF POCKET EXPENSES PAID TO STATUTORY AUDITORS**

10. "RESOLVED THAT pursuant to Section 224(8)(b) of the Companies Act, 1956 the reimbursement of out of pocket expenses amounting to Rs. 0.44 lacs, Rs. 0.25 lacs and Rs. 0.13 lacs to M/s. A.F.Ferguson & Co., Chartered Accountants, New Delhi, the Statutory Auditors of the Company for the financial year 1995-96, 1996-97 and 1997-98 respectively be and are hereby approved and ratified."

#### **As Special Resolutions :**

#### **VARIATION IN TERMS OF APPOINTMENT OF MR. BRIJMOHAN LALL MUNJAL, CHAIRMAN AND MANAGING DIRECTOR**

11. "RESOLVED THAT pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the variation in terms of appointment of Mr. Brijmohan Lall Munjal by virtue of his relinquishing the office of Managing Director of the Company so as to continue as the Chairman and Director in the whole-time employment of the Company for the remaining period of his tenure, in pursuance of the resolution to the said effect passed by the Board of Directors in its meeting held on April 13, 2002.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain the same except that henceforth his period of office shall be liable to determination by retirement of directors by rotation."

#### **INCREASE IN THE INVESTMENT LIMIT OF FIL'S**

12. "RESOLVED THAT pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification(s), or re-enactments thereof for the time being in force), and subject to all applicable approvals, permissions and subject to such conditions as may be prescribed or imposed by any of the concerned authorities 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" which term shall be deemed to include any committee thereof) the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as FIL's), Non-resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) predominantly owned by NRIs and OCBs in the equity share capital of the Company, either by direct investment or by purchase or other wise by acquiring from the market under portfolio investment scheme on repatriation basis, subject to the condition that such investment together with their existing holdings shall not exceed in aggregate 40% of the paid up equity share capital of the Company or such other limit as may be prescribed from time to time by the Central Government and/or Reserve Bank of India or any other related authority.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such, acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

#### **AMENDMENT IN ARTICLES OF ASSOCIATION**

13. "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the





Companies Act, 1956, the Articles of Association of the Company be altered in the manner set out as under :

The existing Article nos. 84 and 113 be deleted and in their place the following new Article nos. 84 and 113 respectively be inserted :

84. The Number of Directors of the Company shall not be more than 16, excluding the nominee(s) of Central and/or State Financial Institutions. Out of the 16 Directors, an equal number of Directors may be designated, proposed or approved by the "B" shareholders and "C" shareholders respectively, and the remaining Directors may be designated, proposed or approved by "A" shareholders. Such Directors shall hereinafter be referred to as "A", "B" & "C" Directors, as the case may be.

113. Subject to the provisions of Section 269 of the Act and these Articles, the Directors shall elect Managing Director(s) and Joint Managing Director(s) for terms not exceeding 5 years and subject to such contracts (if any) as they may think fit".

By Order of the Board  
for HERO HONDA MOTORS LIMITED

ILAM C. KAMBOJ  
Company Secretary

May 29, 2002  
New Delhi

Registered Office:  
34, Community Centre, Basant Lok,  
Vasant Vihar, New Delhi-110 057

## Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF /HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 which sets out details relating to the Special business is annexed hereto .
3. The Register of Members and the share transfer books of the Company will remain closed from Saturday, August 3, 2002 to Monday, August 12, 2002 (both days inclusive).
4. The Final dividend (including celebration dividend) as recommended by the Board of Directors, if approved by the shareholders at the 19th Annual General Meeting shall be paid to those members whose names appear on the Register of Members of the Company on Monday, August 12, 2002. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on August 2, 2002 as per details furnished by the depositories for this purpose.
5. As per the circular issued by SEBI, the Companies should mandatory use the facility of ECS, for distributing dividends to its members. The Company has already started this process and sent the required forms and details to all the shareholders in the month of March, 2002. Those shareholders who have not yet sent the duly filled in ECS form to avail the benefits of this facility are once again requested to send the same at the earliest.

As per amendments brought about by the Finance Act, 2002, dividend has been made taxable in the hands of shareholders and tax is required to be deducted at the applicable rates there from before making payment. As per sub-section (5A) of Section 139A of the Income-tax Act, 1961, it is **mandatory** for every person receiving any payment from which tax has been deducted, to intimate his Permanent Account Number (PAN) to the person making such payment. Further, the Company is required to mention the PAN of the person to whom such payment is made on the TDS certificate to be issued for such deduction. In view of the above, shareholders are requested to intimate their PAN **immediately** to the Company Secretary at the Registered Office of the Company. In case, any shareholder has applied for PAN but the same has not yet



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been allotted, he is requested to provide photocopy of acknowledgement of application for PAN.

6. As per the regulations of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) the Company is obliged to print the Bank details on the dividend warrants as furnished by these Depositories to the Company and the Company can not entertain any request for deletion/change of bank details already printed on the dividend warrants as per information received from the concerned Depositories. In this regard members are advised to contact their Depository Participant (DP) and furnish the particulars of any changes desired by them and in case they wish to avail ECS facility, then accordingly furnish the details in necessary format to their DP only.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a

period of 7 years from the date of declaration would be transferred to the Investor Education and Protection Fund and the shareholders would not be able to make any claims as to the amount of dividend so transferred to the fund. As such, share holders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 1995 and onwards.

In respect of the unclaimed dividends for periods prior to 1995, already transferred by the Company to the General Revenue Account of the Central Government, shareholders may claim the same by writing to the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi 110 003 by quoting the Company's Registration No. **55-17354**.

8. Members are requested to bring their copy of the annual report to the meeting.

## ***Explanatory Statement***

As required by Section 173(2) of the Companies Act, 1956

### **Item No. 8**

The term of office of Mr. Pawan Kant Munjal, as Director in the Whole-time employment of the Company expired on September 30, 2001. Mr. Pawan Kant Munjal, after completing his graduation in Mechanical Engineering, got associated with the Company since its inception. He was instrumental in bringing about technological and managerial excellence in the Company's operations. Due to his untiring efforts and acumen, the Company has achieved the distinction of becoming the largest seller of motorcycles in the world. Besides, he is an active member of the National Council of CII and member of Executive Committee on 'Auto Policy' for the country from SIAM.

Considering his extensive knowledge, business skills, managerial experience and capabilities, your Board of Directors have thought fit to re-appoint Mr. Pawan Kant Munjal as Director in the Whole-time employment of the Company for a further period of 5 years effective October 1, 2001. Thereafter in view of the relinquishment of office

of Managing Director by Mr. Brijmohan Lall Munjal, the Board of Directors have partially amended the terms of his appointment and changed his designation from Director in the Whole-time employment to Managing Director of the Company effective from the date of the board meeting i.e. April 13, 2002. The terms and conditions, including minimum remuneration, of his appointment are as detailed hereunder:

- I. Basic Salary : Rs. 75,000 (Rupees seventy five thousand only) per month;
- II. Commission : He shall also be allowed remuneration by way of commission in addition to Basic Salary, Perquisites and any other allowances, benefit or amenity subject to the condition that the amount of commission shall not exceed 1% of the net profit of the Company in any financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956;
- III. Perquisites and allowances : In addition to the above Basic Salary and Commission, he



shall be entitled to the following perquisites and allowances ;

- i) Residential Accommodation: The appointee shall be provided rent free furnished residential accommodation with free use of all the facilities and amenities provided by the Company;
  - ii) Medical Reimbursement: Reimbursement of actual medical expenses incurred by the appointee and his family;
  - iii) Club Fees: Actual fees of clubs will be reimbursed;
  - iv) Personal Accident Insurance: Actual premium to be paid by the Company;
  - v) Insurance of House-hold goods: Actual premium to be paid by the Company;
  - vi) Car: Facility of car with driver to be used for the business of the Company;
  - vii) Telephone: Free telephone facility at Residence to be used for the business of the Company;
  - viii) Leave: One month's leave with full salary for every 11 months of service subject to the condition that leave accumulated but not availed will not be encashed;
  - ix) Reimbursement of expenses: Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred for the business of the Company;
  - x) Contribution to Provident and Superannuation funds: Company's contribution to Provident and Superannuation funds will be as per the rules of the Company; and
  - xi) Gratuity : Not exceeding half month's salary for each completed year of service.
- IV. Leave Travel Concession: For the appointee and his family once in a year incurred in accordance with any rules specified by the Company.
- V. Children's Education Allowance: In case of

children studying in India or abroad actual expenses shall be admissible.

- VI. Minimum Remuneration: If in any financial year during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of salary, perquisites, allowances, not exceeding the ceiling limit of Rs.2,00,000 per month, and in addition thereto, he shall also be eligible to the perquisites not exceeding the limits specified, under para 2 of Section II, Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as Minimum remuneration.

Your Board considers that the re-appointment and variation in the terms of appointment of Mr. Pawan Kant Munjal will be in the best interests of the Company and, therefore, recommends passing of the aforesaid Ordinary Resolution at item no. 8 of the Notice.

Mr. Pawan Kant Munjal himself and Mr. Brijmohan Lall Munjal, being related to him may be deemed to be interested/ concerned in the resolution contained under item no. 8 of the notice.

#### Item No. 9

Mr. Akio Kazusa, was earlier working as Director with Honda Automovies do Brasil Ltda., Brazil since November 1996. He has been associated with Honda Motor Co., Ltd., since beginning of his career after completing his Masters in Engineering in 1979. His specialization includes formulation of business and product strategies, promotion of new-model projects and introduction of structural reforms. Considering his managerial skills and vast knowledge in the field of automobiles, he was appointed as Joint Managing Director of the Company by the Board of Directors in their meeting held on March 8, 2002 for a period of five years with effect from April 1, 2002 in place of Mr. Matsuo Yamasaki, Joint Managing Director, who has since resigned on March 31, 2002. The terms and conditions, including minimum remuneration, of his appointment are as detailed below:

- I. Basic Salary : Rs.75,000 (Rupees seventy five thousand only) per month.;