

16th

ANNUAL REPORT
1998-99

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 **HERO
HONDA**



BOARD OF DIRECTORS

Brijmohan Lall Munjal
Chairman and Managing Director

Takehiko Nakajima
Joint Managing Director

Pawan Kant Munjal
Whole-Time Director

Matsuo Yamasaki
Whole-Time Director

Satyanand Munjal
Om Prakash Munjal
S.P. Virmani
M.P. Wadhawan
Directors

O.P. Gupta
T. Fujisaki
Y. Kobayashi
Directors

AUDITORS

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

BANKERS

Punjab National Bank
The Bank of Tokyo-Mitsubishi Ltd.
Citibank, N.A.
Canara Bank
ANZ Grindlays Bank Plc.
Bank of America NT & SA
Banque Nationale De Paris

ABN Amro Bank
Deutsche Bank
Bank of Baroda
DBS Bank
American Express Bank Ltd.
ICICI Banking Corporation Ltd.
HDFC Bank Ltd.

SENIOR EXECUTIVES

K.K. Agrawal
Ravi Sud

Atul Sobti
K.K. Malhotra

COMPANY SECRETARY

Ilam 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.

DHARUHERA PLANT

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

GURGAON PLANT

37 Km. Stone, Delhi-Jaipur Highway
Sector 33-34, Gurgaon,
Haryana - 121 001

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FINANCIAL HIGHLIGHTS

(Rs. in million)

	94-95	95-96	96-97	97-98	98-99
Sales (nos)	183,650	230,164	268,931	407,546	530,545
Growth in Sales (nos) (%)	24.0	23.3	16.8	51.5	30.2
Total Income	4838	6421	7828	11561	15529
Growth in Total income (%)	30.7	32.7	21.9	47.7	34.3
Profit Before Tax	295	419	651	1096	1728
Profit After Tax	195	263	504	767	1214
Share Capital	200	200	200	200	399
Reserves and Surplus	563	762	1192	1870	2609
Total Debt	442	341	1041	878	878
Net Fixed Assets	839	1020	1962	2153	3086
Total Assets	1346	1640	2573	3087	4024
Market Capitalisation	4490	5791	5986	17448	34955
Economic Value Added(EVA)	-5	16	174	324	622
Growth in EVA (%)	78.3	420.0	1,000.1	86.8	91.8
KEY RATIOS					
Long Term Debt/Equity	0.4	0.3	0.6	0.4	0.3
OPBDITA/Total Operating Income**	8.3%	8.4%	11.3%	12.6%	13.5%
Profit After Tax/Total Income	4.0%	4.1%	6.5%	6.6%	7.8%
Return On Equity	28.2%	30.7%	42.9%	44.3%	47.8%
Return On Capital Employed	27.5%	32.1%	35.0%	41.5%	50.7%
EVA/Capital Employed	-0.4%	1.1%	8.2%	11.5%	17.5%
Dividend Per Share (Rs.)	3.0	3.2	3.5	4.0	6.3**
Dividend Payout	25.5%	24.1%	14.6%	11.5%	22.7%
Earnings Per Share (Rs.)	9.8	13.3	25.3	38.4	60.8***
Free Operating Cash Flow Per Share (Rs.)	10.8	14.9	31.8	32.4	78.9***
Market Value/Book Value	5.9	6.1	4.5	8.6	11.9

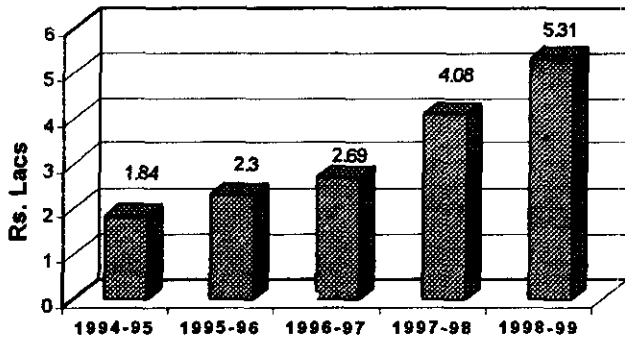
* OPBDITA = Operating Profit Before Depreciation, Interest, Tax and Amortisation

** On post-bonus equity

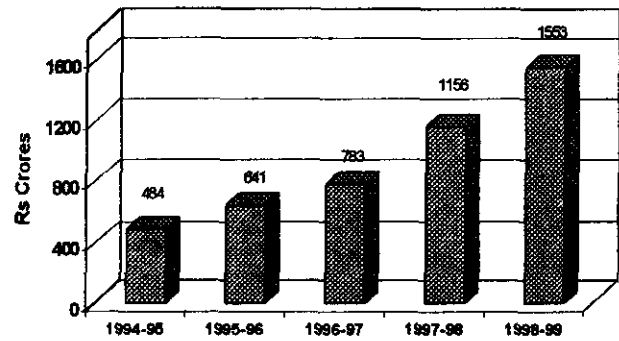
*** On pre-bonus equity



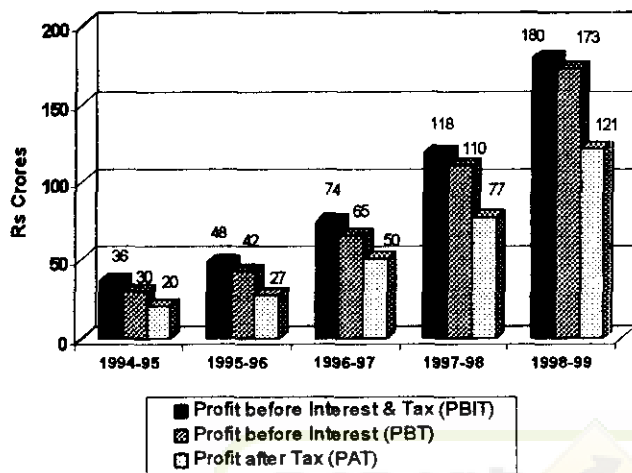
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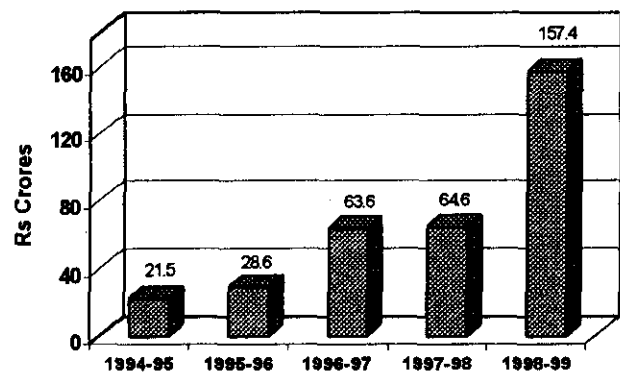
TOTAL INCOME



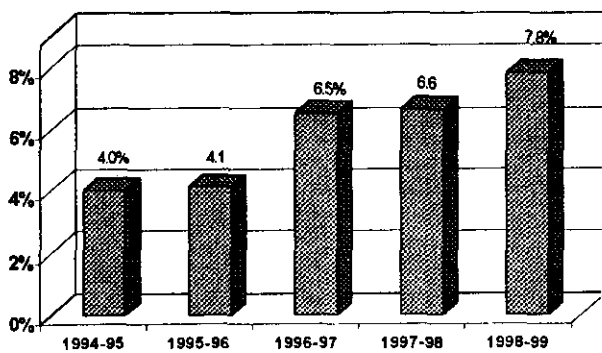
PROFIT



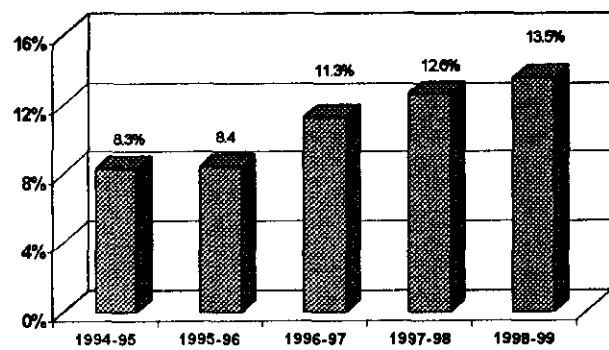
CASH FLOW FROM OPERATIONS



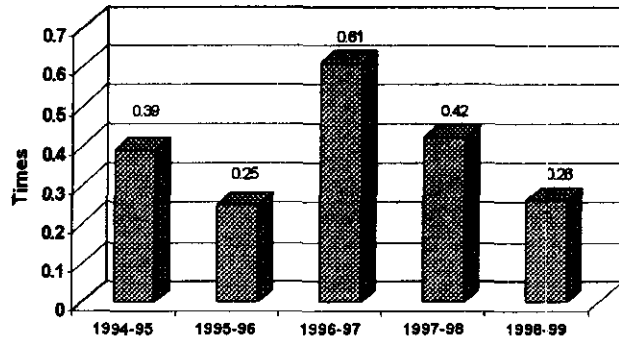
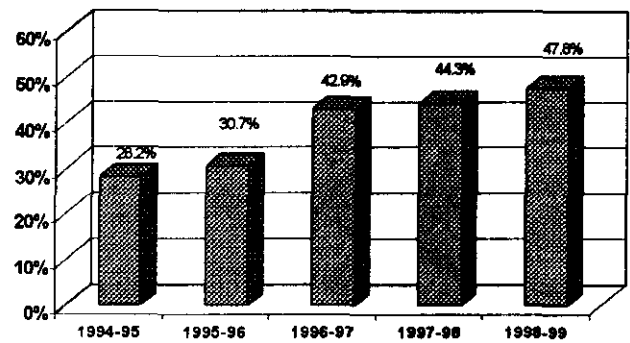
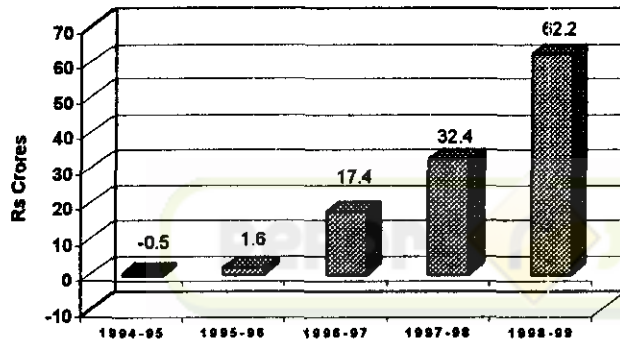
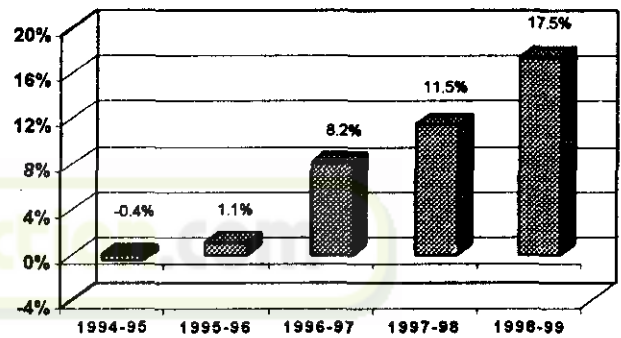
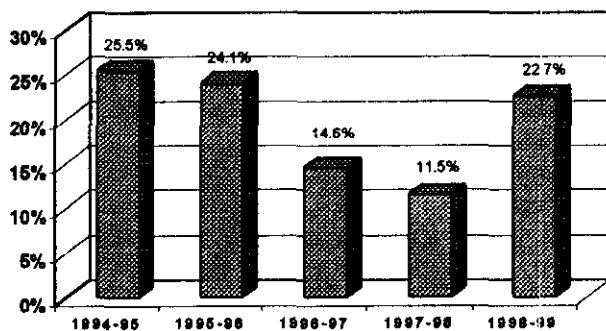
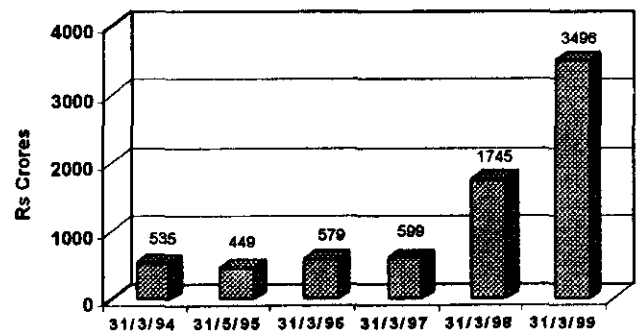
PROFIT AFTER TAX/TOTAL INCOME



OPBDITA/OPERATING INCOME



OPBDITA : Operating Profits before Depreciation, Interest, Tax and Amortisation

LONG TERM DEBT/EQUITY**RETURN ON EQUITY****ECONOMIC VALUE ADDED (EVA)****EVA/CAPITAL EMPLOYED****DIVIDEND PAYOUT****MARKET CAPITALISATION**

NOTICE

NOTICE is hereby given that the 16th ANNUAL GENERAL MEETING of the members of **HERO HONDA MOTORS LIMITED** will be held on Thursday, the 5th August, 1999 at 10.30 A.M. at Air Force Auditorium, Subroto Park, New Delhi-110 010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet of the Company as at 31st March, 1999 and the profit and loss account for the year ended on that date together with the reports of the Directors' and Auditors' thereon.
2. To declare a dividend of Rs. 5.00 per Equity Share for the financial year 1998-99 (on prorata basis on Bonus Shares) and a Special Millennium dividend of Rs. 2.50 per Equity Share.
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. Matsuo Yamasaki, 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 Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

As Ordinary Resolutions

VARIATION IN TERMS OF APPOINTMENT OF MR. TAKEHIKO NAKAJIMA

7. "RESOLVED THAT in partial modification of the earlier resolution passed in the Thirteenth Annual General Meeting held on 30th September, 1996 the consent of the Company be and is hereby accorded under Sections 198, 269, 309,310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors

to the variations in the terms of appointment of Mr. Takehiko Nakajima, Jt. Managing Director in respect of his remuneration with effect from 1st April, 1999 for the remaining period of his tenure as set out in the Explanatory Statement annexed hereto.

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

VARIATION IN TERMS OF APPOINTMENT OF MR. MATSUO YAMASAKI

8. "RESOLVED THAT in partial modification of the earlier resolution passed in the Fifteenth Annual General Meeting held on 27th July, 1998 the consent of the Company be and is hereby accorded under Sections 198, 269, 309,310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors to the variations in the terms of appointment of Mr. Matsuo Yamasaki, Technical Director in the Whole-time employment of the Company in respect of his remuneration with effect from 1st April, 1999 for the remaining period of his tenure as set out in the Explanatory Statement annexed hereto.

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INCREASE IN THE LIMIT UNDER SECTION 293(1)(e) OF THE COMPANIES ACT, 1956

9. "RESOLVED THAT in supersession of the earlier resolution passed in the Annual General Meeting held on 23rd September 1991, and pursuant to the provisions of the Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for contributing, subscribing or otherwise assisting or granting money to charitable, benevolent, religious, scientific, national, public or other funds, institutions, subjects or purposes or for any exhibitions not directly relating to the business of the Company or the welfare of its employees upto an amount as prescribed in the Act or Rs. 10 crores (Rupees ten crores only) whichever is higher in any financial year."



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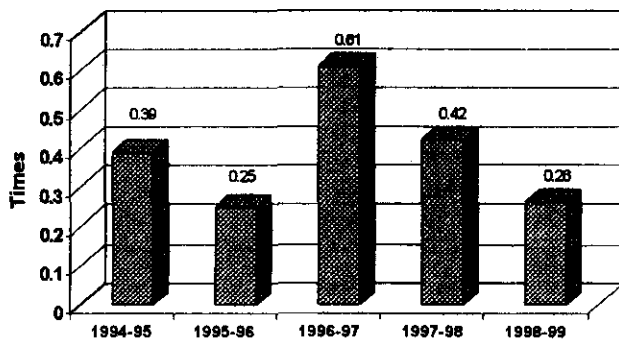
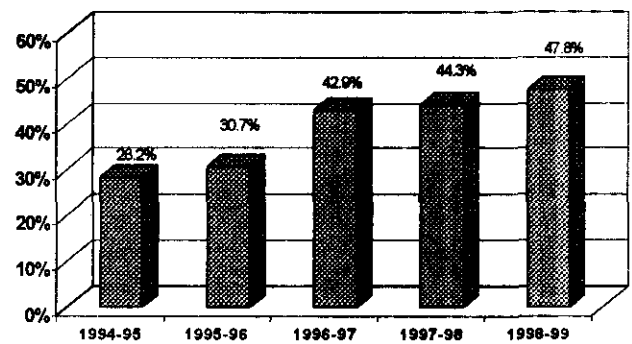
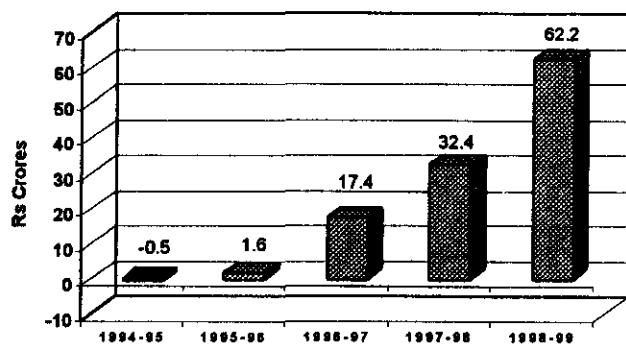
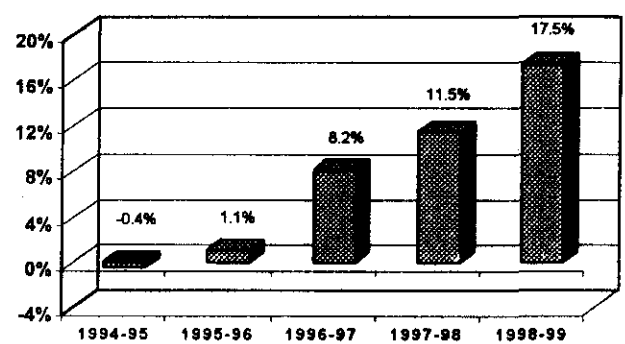
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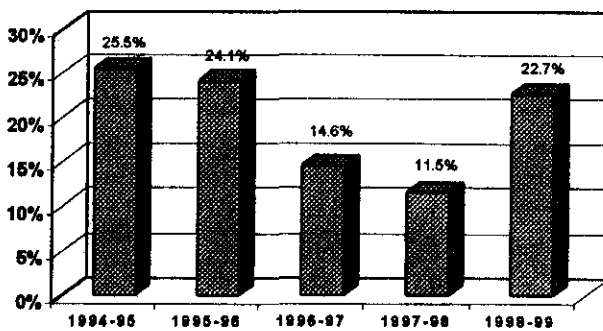
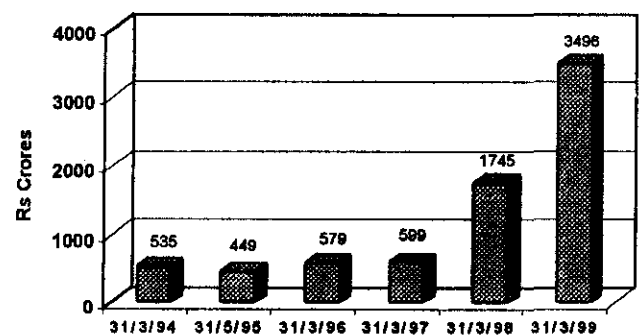
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DIVIDEND PAYOUT**MARKET CAPITALISATION**

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**As a Special Resolution****AMENDMENT IN ARTICLES OF ASSOCIATION**

10. "RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:-

After Article 48, the following new Article be inserted as Article 48A and be read as follows:

48A. Notwithstanding anything contained in Articles 47 & 48 or in any other law for the time being in force, where a nomination has been made in the manner prescribed in Section 109A of the Act, purporting to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or, as the case may

be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Sections 109A and 109B of the Act, shall be applicable to such cases."

By Order of the Board
for HERO HONDA MOTORS LIMITED

ILAM C. KAMBOJ
COMPANY SECRETARY

May 12, 1999

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, 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 Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 5th July, 1999, to Saturday, the 10th July, 1999 (both days inclusive).

3. The dividend as recommended by the Board of Directors, if approved by the Shareholders at the Annual General Meeting shall be paid to those members whose names appear on the Register of Members of the Company on Saturday, the 10th July, 1999.

4. As informed earlier regarding transfer of unclaimed dividend declared for the financial year ended 31st March, 1995 to the General Revenue

Account of the Central Government in the month of October 1998, please note that pursuant to the provisions of Section 205A of the Companies Amendment Act, 1999, the unpaid dividend will now be transferred to the Investor Education and Protection Fund in the month of October, 2002 after the expiry of 7 years from the date of declaration.

Further as per the provisions of the Companies Amendment Act, 1999, no claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

Therefore those Shareholders who have not yet claimed / encashed their dividend warrants for the financial year 1994-95 onwards are requested to approach the Company at its registered office for obtaining duplicate dividend warrants/drafts.

5. Members are requested to bring their copy of the Annual Report to the meeting.