

17th

ANNUAL REPORT
1999-2000

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 **HERO
HONDA**

**BOARD OF DIRECTORS**

Brijmohan Lall Munjal
Chairman and Managing Director

Takehiko Nakajima (Upto 1/12/99)
Matsuo Yamasaki (From 1/12/99)
Joint Managing Director

Pawan Kant Munjal
Whole-Time Director

Matsuo Yamasaki (Upto 1/12/99)
Kazumi Yanagida (From 1/12/99)
Whole-Time Director

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

O.P. Gupta
T. Fujisaki
S. Toshida
Directors

AUDITORS

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

PRINCIPAL BANKERS

Punjab National Bank
The Bank of Tokyo-Mitsubishi Ltd.
Citibank, N.A.
Canara Bank
Bank of America NT & SA

ABN Amro Bank
ICICI Banking Corporation Ltd.
HDFC Bank Ltd.
ANZ Grindlays Bank Plc.

SENIOR EXECUTIVES

K.K. Agrawal
Ravi Sud
N.N.Akhouri

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

GURGAON PLANT

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



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Financial Highlights

(Rupees in Crores)

	95-96	96-97	97-98	98-99	99-00
Sales (nos)	230164	268931	407546	530545	761623
Growth in Sales (nos) (%)	25.3	16.8	51.5	30.2	43.6
Total Income	621	758	1122	1505	2270
Growth in Total income (%)	32.2	22.1	48.0	34.1	50.8
Profit before Tax	42	65	110	175	285
Profit after Tax	26	50	77	121	192
Share Capital	20	20	20	40	40
Reserves and Surplus	76	119	187	261	408
Total Debt	54	104	88	88	65
Net Fixed Assets	102	196	215	309	373
Total Assets	150	243	295	388	513
Market Capitalisation	579	599	1745	3496	3874
Economic Value Added(EVA)	4	19	34	63	118
Growth in EVA (%)	141.6	436.4	79.6	84.8	86.5

Key Ratios

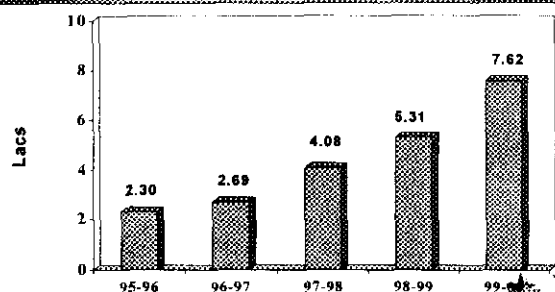
	95-96	96-97	97-98	98-99	99-00
Long Term Debt/Equity	0.3	0.6	0.4	0.3	0.1
OPBDITA/Net Sales*	8.6	11.8	12.9	13.8	14.9
Profit After Tax/Total Income	4.3%	6.7%	6.8%	8.1%	8.5%
Return On Avg.Equity	30.7%	42.9%	44.3%	47.8%	51.3%
Return on Capital Employed	35.4%	37.5%	43.7%	52.3%	64.2%
EVA/Capital Employed	2.6	9.7	12.8	18.6	26.2
Dividend Per Share (Rs)	3.2	3.5	4.0	7.5	10
Dividend Payout	24.1%	14.6%	11.5%	22.7%	23.1%
Earnings Per Share (Rs)	6.6	12.6	19.2	30.4	48.1
Free Operating Cash Flow Per Share (Rs)	7.5	16.0	16.2	39.4	50.5
Market Value/Book Value	6.1	4.5	8.6	11.9	8.3

* OPBDITA = Operating profit before Depreciation, Interest, Tax and Amortisation

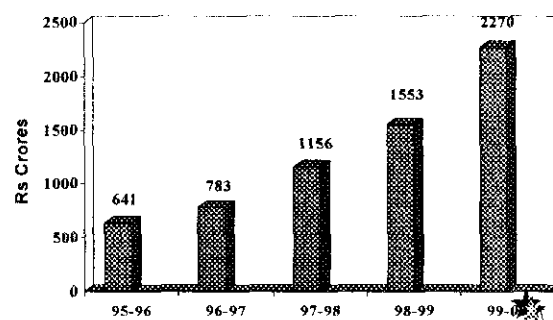


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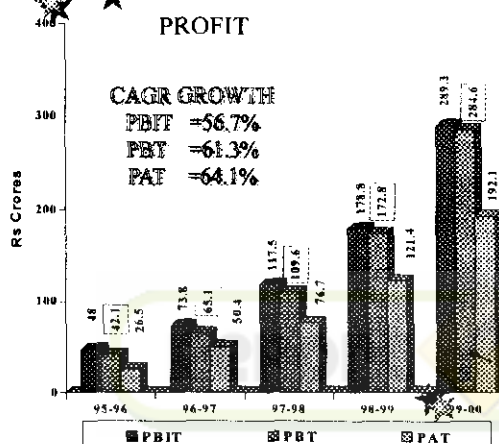
SALES [NOS.]



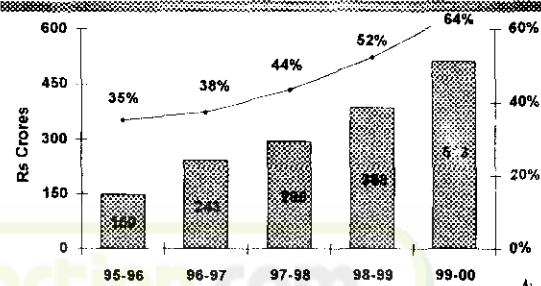
TOTAL INCOME



PROFIT

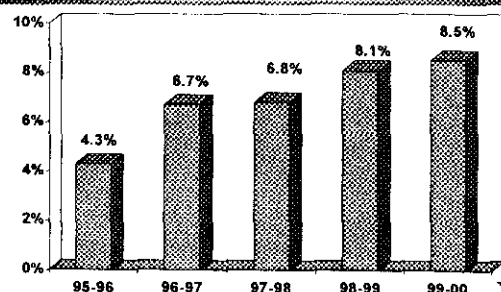


RETURN ON (AVG.) CAPITAL EMPLOYED

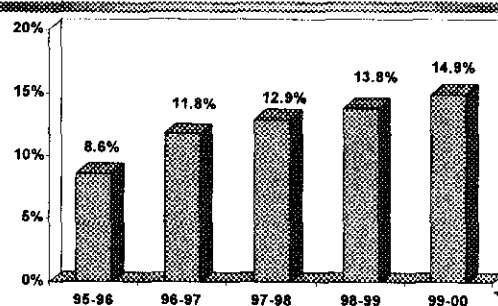


Capital Employed = Equity plus Debt

PAT/TOTAL INCOME



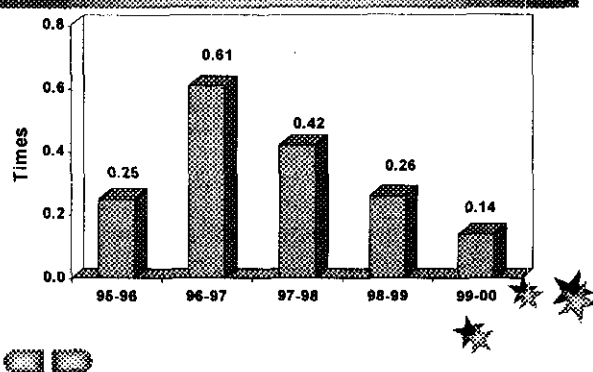
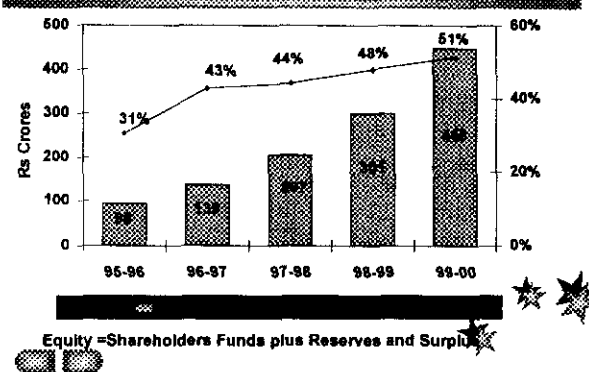
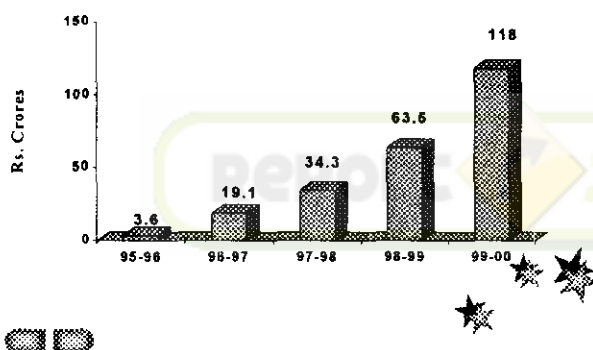
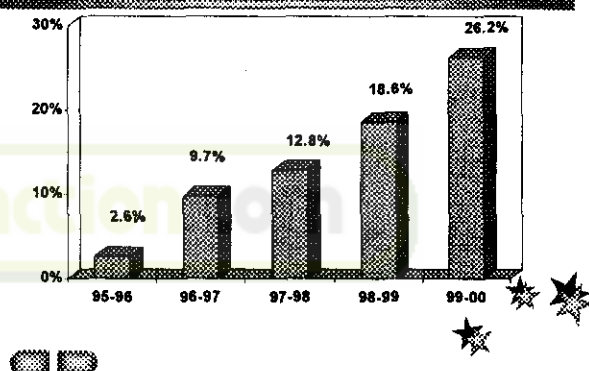
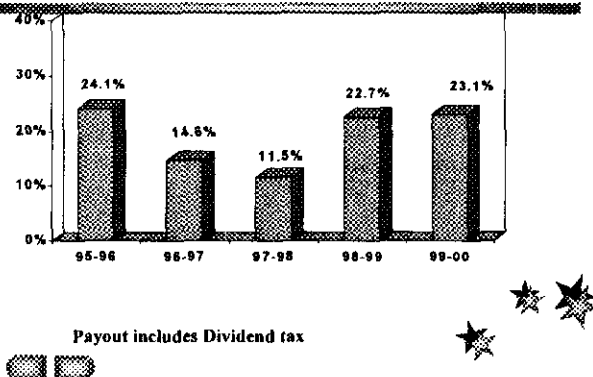
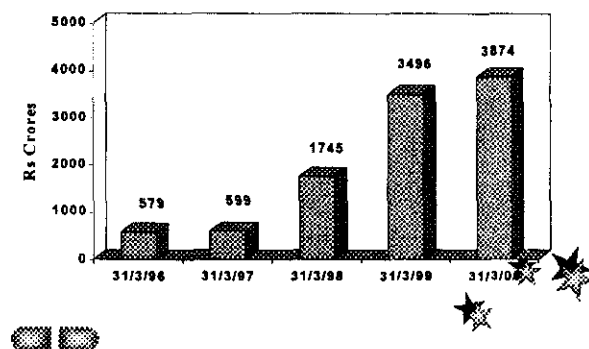
OPBDITA/NET SALES



OPBDITA: Operating profits before

Depreciation, Interest, Tax and Amortisation

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

Notice

NOTICE is hereby given that the 17th ANNUAL GENERAL MEETING of the members of **HERO HONDA MOTORS LIMITED** will be held on Tuesday, the 1st August, 2000 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, 2000 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 confirm the payment of Interim dividend of Rs. 10.00 per Equity Share as the final dividend for the financial year 1999-2000.
3. To appoint a Director in place of Mr. Om Prakash Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pawan Kant Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S.P. Virmani, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint 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 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

APPOINTMENT OF MR. MATSUO YAMASAKI AS JT. MANAGING DIRECTOR

7. "RESOLVED THAT pursuant to Sections 269, 198, 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 appointment of Mr. Matsuo Yamasaki, as Jt. Managing Director of the Company with effect from 1st December, 1999 for a period of three years on the terms and conditions 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 read with Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in terms of Article 117 of the Articles of Association of the Company, so long as Mr. Matsuo Yamasaki continues to act as the Jt. Managing Director, he will not be liable to retire by rotation."

APPOINTMENT OF MR. KAZUMI YANAGIDA AS WHOLE-TIME DIRECTOR

8. "RESOLVED THAT
 - a) Mr. Kazumi Yanagida, who was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 w.e.f 1st December, 1999 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
 - b) subject to the approval of the Central Government under Sections 269, 198, 309 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval be and is hereby given to the appointment of Mr. Kazumi Yanagida, who has been appointed by the Board of Directors in their meeting held on 12th October, 1999 as whole-time director for a period of five years w.e.f 1st December, 1999 on the terms, conditions and remuneration as set out in the Explanatory Statement annexed hereto.

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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 read with Schedule XIII of the Companies Act, 1956."

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

9. "RESOLVED THAT in partial modification of the earlier resolution passed with respect to the appointment of Mr. Brijmohan Lall Munjal, Chairman and Managing Director of the Company, the consent of the Company be and is hereby accorded under Sections 309, 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 to the increase in his Basic Salary from Rs.60,000/- to Rs.1,00,000/- per month with effect from 1st April, 2000 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms & conditions of his appointment shall remain unchanged."

VARIATION IN TERMS OF APPOINTMENT OF MR. MATSUO YAMASAKI, JT. MANAGING DIRECTOR

10. "RESOLVED THAT in partial modification of the earlier resolution passed with respect to the appointment of Mr. Matsuo Yamasak, Jt. Managing Director of the Company, the consent of the Company be and is hereby accorded under Sections 309, 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 to the increase in his Basic Salary from Rs.45,000/- to Rs.75,000/- per month with effect from 1st April, 2000 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms & conditions of his appointment shall remain unchanged."

VARIATION IN TERMS OF APPOINTMENT OF MR. PAWAN KANT MUNJAL, WHOLE - TIME DIRECTOR

11. "RESOLVED THAT in partial modification of the earlier resolution passed with respect to the appointment of Mr. Pawan Kant Munjal, Whole - Time Director of the Company, the consent of the Company be and is hereby accorded under Sections 309, 310 read with schedule XIII and other

applicable provisions, if any, of the Companies Act, 1956 to the increase in his Basic Salary from Rs.45,000/- to Rs.75,000/- per month with effect from 1st April, 2000 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms & conditions of his appointment shall remain unchanged."

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


**ILAM C. KAMBOJ
COMPANY SECRETARY**

May 2, 2000

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 Friday, the 28th July, 2000 to Tuesday, the 1st August, 2000 (both days inclusive).
3. The Interim dividend as recommended by the Board of Directors, was paid to those members whose names appeared on the Register of Members of the Company on Thursday, the 6th April, 2000.
4. Pursuant to the provisions of Section 205A of the Companies (Amendment) Act, 1999, 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, constituted by the Central Government and the shareholders would not be able to claim any 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



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to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 1995 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.

5. 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. 7

Mr. Matsuo Yamasaki, was appointed by the Board of Directors in their meeting held on 12th October, 1999 as Jt. Managing Director with effect from 1st December, 1999 for a period of three years after the resignation of Mr. Takehiko Nakajima, Jt. Managing Director from the directorship of the Company. He has been appointed as Jt. Managing Director on the terms, conditions and remuneration as detailed below :-

I. Basic Salary : Rs.45,000/- (Rupees forty five thousand only) per month.

II. Perquisites and Allowances : The appointee shall for the time being be entitled to the perquisites and allowances as set out below:

i) Residential Accommodation:

a) Housing I: The appointee shall be provided free furnished residential accommodation subject to the condition that the expenditure incurred by the Company on hiring of such accommodation shall not exceed Rs.1.00 lac (Rupees one lac only) per month;

or

b) Housing II: In case the accommodation is owned by the Company, 10% of the Basic Salary of the appointee shall be considered as perquisite value;

or

c) Housing III: In case no accommodation is provided by the Company, the appointee

shall be entitled to House Rent Allowance subject to ceiling laid down in Housing-I.

In addition to the above the actual expenditure incurred on gas, electricity and water shall be paid 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.

III. Commission : He will also be allowed remuneration by way of commission in addition to Basic Salary, Perquisites and any other Allowances, benefits or amenities as per the rules of the Company, subject to the condition that the amount of commission shall not exceed 1% of the net profit of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956.

IV. Leave Travel Concession: For the appointee and his family once in a year incurred in accordance with any rules specified by the Company. In case it is proposed that the leave be spent in home country instead of anywhere in India, return passage may be allowed for self and family in accordance with the rules specified by the Company.



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V. Children Education Allowance: In case of children studying in or outside India, an allowance limited to a maximum of Rs.5000/- per month per child or actual expense incurred, whichever is less is admissible. Such allowance shall be admissible upto a maximum of two children.

VI. Holiday passage for children studying outside India/ family staying abroad: Return holiday passage is admissible once in a year by economy class or once in two years by first class to children from their place of study abroad to India and to the members of his family from the place of their stay abroad to India if they are not residing in India with the appointee.

VII. Reimbursement of expenses incurred for joining duty and returning to home country after completion of tenure: Actual expenses incurred on travel and packing, forwarding, loading /unloading as well as freight, insurance, custom duty, clearing expenses, local transportation and installation expenses in connection with the moving of personal effects for self and family for joining duty in India will be reimbursed. On completion of the tenure, all the expenses referred to herein above for travel and forwarding the personal effects to Japan shall also be allowable to the appointee on his finally leaving the employment of the Company.

If however, the appointee joins another branch of the same/related multinational Company, the branch to which he is transferred shall bear these expenses.

Explanation: For the aforesaid purposes "Family" means the spouse, the dependent children and dependent parents of the appointee.

VIII. Minimum Remuneration: If in any financial year during the currency of tenure of the Jt. Managing Director, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of Basic Salary, Perquisites, Allowances, not exceeding the ceiling limit of Rs.10,50,000/- per annum or Rs. 87,500/- per month.

Provided further that Gratuity payable at a rate not exceeding half month's salary for each completed year of service shall not be included in the computation of this ceiling.

However he will not be entitled to any Sitting fee for attending meetings of the Board and /or Committee thereof.

The appointment and remuneration under item no. 7 of the Notice is subject to the approval of the shareholders of the Company.

Mr. Matsuo Yamasaki may be deemed to be interested/ concerned in the resolution contained under item No. 7 of the notice.

The Board of Directors of your Company recommends passing of the aforesaid Ordinary Resolution.

Item No. 8

On the elevation of Mr. Matsuo Yamasaki as the Jt. Managing Director of the Company, the Board of Directors by passing a resolution in its meeting held on 12th October, 1999 appointed Mr. Kazumi Yanagida as Whole-time Director of the Company for a period of 5 years (five years) w.e.f. 1st December, 1999 on the terms, conditions and remuneration as detailed below:-

I. Basic Salary : Rs.40,000/- (Rupees forty thousand only) per month.

II. Perquisites and Allowances : The appointee shall for the time being be entitled to the perquisites and allowances as set out below:

i) Residential Accommodation:

a) Housing I: The appointee shall be provided free furnished residential accommodation subject to the condition that the expenditure incurred by the Company on hiring of such accommodation shall not exceed Rs.1.00 lac (Rupees one lac only) per month;

or

b) Housing II: In case the accommodation is owned by the Company, 10% of the Basic Salary of the appointee shall be considered as perquisite value;

or

c) Housing III: In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to ceiling laid down in Housing-I.

In addition to the above the actual expenditure incurred on gas, electricity and water shall be paid by the Company.

ii) Medical Reimbursement: Reimbursement of actual Medical Expenses incurred by the appointee and his family.