



Desh ki dhadkan

18th

ANNUAL REPORT
2000-2001

Board of Directors

Brijmohan Lall Munjal

Chairman and Managing Director

Matsuo Yamasaki

Jt. Managing Director

Pawan Kant Munjal

Kazumi Yanagida

Whole-Time Directors

Satyanand Munjal

Om Prakash Munjal

S.P. Virmani

M.P. Wadhawan

O.P. Gupta

T. Fujisaki

S.Toshida

N.N.Vohra

Pradeep Dinodia

Gen. (Retd.) V.P.Malik (from May 4, 2001)

Report

Committee of Directors

AUDIT COMMITTEE

M.P. Wadhawan

O.P. Gupta

Pradeep Dinodia

REMUNERATION COMMITTEE

S.P. Virmani

N.N. Vohra

Gen. (Retd.) V.P. Malik

SHAREHOLDER GRIEVANCE COMMITTEE

O.P. Gupta

Pradeep Dinodia

Kazumi Yanagida

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

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 - 121 006

GURGAON PLANT

37 Km. Stone, Delhi-Jaipur Highway,

Sector 33-34 Industrial Area, Gurgaon,

Haryana - 122 001

Report

Junction



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Financial Highlights

(Rupees in crores)

	96-97	97-98	98-99	99-00	00-01
Sales (nos)	268931	407546	530545	761623	1029510
Growth in Sales (nos) (%)	16.8	51.5	30.2	43.6	35.2
Total Income	758	1122	1505	2269	3193
Growth in Total income (%)	22.1	48.0	34.1	50.8	40.7
Profit before Tax	65	110	173	285	377
Profit after Tax	50	77	121	192	247
Share Capital	20	20	40	40	40
Reserves and Surplus	119	187	261	408	589
Total Debt	95	78	78	51	66
Net Fixed Assets	196	215	309	373	454
Total Assets	234	285	378	499	696
Market Capitalisation	599	1745	3496	3874	2816
Economic Value Added(EVA)	23	40	66	119	155

Key Ratios

	96-97	97-98	98-99	99-00	00-01
Long Term Debt/Equity	0.57	0.39	0.20	0.04	0.00
OPBDITA/Net Sales* (%)	11.8	12.9	13.8	14.9	14.7
Profit After Tax/Total Income (%)	6.7	6.8	8.1	8.5	7.7
Return On Avg.Equity (%)	44.4	45.6	49.0	52.2	46.9
Return on Avg.Capital Employed(%)	39.7	46.1	54.9	66.9	64.9
EVA/Capital Employed (%)	12.3	15.8	20.3	27.6	26.6
Dividend Per Share (Rs.)**	0.7	0.8	1.5	2.0	3.0
Dividend Payout (%)	14.6	11.5	22.7	23.1	26.7
Earning Per Share (Rs.)**	2.5	3.8	6.1	9.6	12.4
Market Value/Book Value	4.5	8.6	11.9	8.3	4.6

* OPBDITA = Operating profit before Depreciation, Interest, Tax and Amortisation
** On reduced face value of Rs.2 per share, following share split in the ratio of 5:1.



Notice

NOTICE is hereby given that the 18th ANNUAL GENERAL MEETING of the Members of HERO HONDA MOTORS LIMITED will be held on Friday, August 10, 2001 at 10:30 a.m. at Airforce Auditorium, Subroto Park, Dhaula Kuan, 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 March 31, 2001 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 dividend of Rs. 3.00, per equity share of Rs. 2.00 each, for the financial year ended March 31, 2001.
3. To appoint a Director in place of Mr. O. P. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Teruo Fujisaki, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Satoshi Toshida, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors, and to fix their remuneration, 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 :

APPOINTMENT OF MR. NARENDER NATH VOHRA AS DIRECTOR

7. "RESOLVED THAT Mr. Narender Nath Vohra, who was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 w.e.f. March 31, 2001 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, whose period of office will be liable to retirement by rotation."

APPOINTMENT OF MR. PRADEEP DINODIA AS DIRECTOR

8. "RESOLVED THAT Mr. Pradeep Dinodia, who was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 w.e.f. March 31, 2001 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, whose period of office will be liable to retirement by rotation."

APPOINTMENT OF GEN.(RETD.) V.P.MALIK AS DIRECTOR

9. "RESOLVED THAT Gen. (Retd.) V.P. Malik, who was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 w.e.f. May 4, 2001 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, whose period of office will be liable to retirement by rotation."

As Special Resolutions :

AMENDMENT IN ARTICLES OF ASSOCIATION

10. "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;
 - a) In Article No. 1, after the words 'First Schedule to the Companies Act, 1956' and before the words 'shall apply to this Company', the words "except those not specifically provided hereunder" be inserted.

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- b) the existing Article No. 84 be deleted and in its place the following new Article No. 84 be inserted;

84. " The Number of Directors of the Company shall not be more than 16 excluding the nominee of Central and/or State Financial Institutions. Out of the 16 Directors, 8 Directors shall be appointed by the members to represent the holders of "A" equity shares, 4 Directors shall be designated , proposed or approved by the "B" shareholders and 4 Directors shall be designated, proposed or approved by the "C" shareholders (such Directors being hereinafter referred to as "A", "B" & "C" Directors respectively)."

- c) Insert a new Article No. 74A as under after the existing Article No. 74:

74A. " Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing the resolution by its members by means of a postal ballot (including voting by electronic mode) and/or other ways as prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in general meeting of the Company :-

- ♦ Any business that can be transacted by the Company in general meeting; and
- ♦ Particularly, resolutions relating to such business as the Central Government by notification declared to be conducted only by postal ballot.

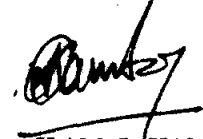
The Company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard from time to time."

RE-APPOINTMENT OF MR. BRIJMOHAN LALL MUNJAL AS CHAIRMAN AND MANAGING DIRECTOR

11. "RESOLVED THAT in accordance with 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. Brijmohan Lall Munjal, as Chairman and Managing Director of the Company for a period of five years with effect from August 3, 2001 on a remuneration, including minimum remuneration, and on such other terms and conditions as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER THAT in terms of Article No. 117 of the Articles of Association of the Company, so long as Mr. Brijmohan Lall Munjal continues to act as the Chairman and Managing Director, he will not be liable to retire by rotation."

By Order of the Board
for HERO HONDA MOTORS LIMITED


ILAM C. KAMBOJ
Company Secretary

May 28, 2001
Gurgaon

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 Register of Members and the share transfer books of the Company will remain closed from Wednesday, August 1, 2001 to Friday, August 10, 2001 (both days inclusive).
3. The dividend as recommended by the Board of Directors and 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 Friday, August 10, 2001.
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 and the shareholders would not be able to make any claims as to the amount of dividend so transferred to the fund. As such, shareholders who have not 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 year 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. Pursuant to the sub-division of equity shares of the Company from a nominal value of Rs. 10 per share to Rs. 2 per share, at the Extra Ordinary General Meeting of the Company, held on February 23, 2001, all shareholders who hold equity shares in physical form and who have not yet surrendered the same in exchange for share certificates of Rs. 2 denomination, are urged to do so **immediately**.
6. 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 Nos. 7, 8 and 9

Mr. Narender Nath Vohra, was appointed as an Additional Director by the Board of Directors on March 31, 2001. Mr. Vohra has completed his education from Punjab University and Oxford University(U.K). He has served Punjab Government for about 20 years at various positions including that of Home Secretary during the difficult period of 1984-85. With Government of India, he has served as an Additional Defence Secretary, Secretary Defence Production, Defence Secretary & Home Secretary. He has also served as Principal Secretary at PMO after retirement. Currently, he is serving as Director, India International Centre, New Delhi. He has a rich and wide experience in the areas of management, governance and national security.

Mr. Pradeep Dinodia, was appointed as an Additional Director by the Board of Directors on March 31, 2001. Mr. Pradeep Dinodia, a Fellow member of the Institute of Chartered Accountants of India, is a senior partner of M/s. S.R. Dinodia & Company (Chartered Accountants), an audit firm of repute. His responsibilities include providing consultancy in the areas of FEMA, Corporate Laws, Accountancy and Direct Tax issues to various Indian Companies and Multinational corporations. He is the Vice-Chairman of International Fiscal Association, Indian Branch. Besides the above he holds directorship and membership of committees of the Board of following Companies :

- ♦ **Rolls Royce Industrial Power (India) Ltd.**
- ♦ **DCM Shriram Consolidated Ltd.,**
- ♦ **The Waterbase Ltd.,**
-Member - Audit Committee
- ♦ **Hero Honda Motors Ltd.,**
- ♦ **DFM Foods Ltd.,**
-Chairman - Audit Committee
- ♦ **Nehru Place Hotels Ltd.,**
- ♦ **Ultima Finvest Ltd.,**
- ♦ **Usha Resorts Ltd.,**
- ♦ **Usha Estates Ltd.,**
- ♦ **Usha Shriram Himachal Hotels Ltd.,**

- ♦ **Usha Shriram Madurai Hotels (P) Ltd.,**
- ♦ **Usha Shriram Heritage Hotels (P) Ltd.,**
- ♦ **Usha Shriram Goa Resorts (P) Ltd.**

Gen. (Retd.) V.P.Malik, was appointed as an Additional Director by the Board of Directors on May 4, 2001. Gen. (Retd.) V.P.Malik retired as the Chief of Indian army in September 2000. During his distinguished career in the army, he served the nation with utmost sincerity and dedication in recognition of which he was bestowed with many prestigious awards including among others, the Ati Vishishta Seva Medal (AVSM) and the Param Vishishta Seva Medal (PVSM), the highest national award for distinguished services. During his tenure in the army, what led him from one success to another was his excellent management skills which precisely are the areas of his expertise.

Considering their extensive knowledge, business skills and managerial experience, the Board considers that the appointments of Mr. N.N.Vohra, Mr. Pradeep Dinodia, and Gen. (Retd.) V.P. Malik will be in the interest of the Company and therefore recommends passing of the aforesaid Resolutions at item nos. 7, 8 and 9 of the Notice.

None of the Directors except Mr. N.N.Vohra, Mr. Pradeep Dinodia and Gen (Retd.) V.P.Malik are concerned or interested in the passing of the aforesaid Ordinary Resolutions.

Item No. 10

With a view to ensure better internal management and governance and to bring the Articles of Association of the Company in conformity with the provisions of Table A in Schedule I of the Companies Act, 1956, it is proposed in clause (a) to alter the preliminary clause of the Articles so as to provide that the provisions of Table 'A' shall apply, wherever specific regulations are not given in the Articles of Association.

At present Article No. 84 of the Articles of Association entitles "A", "B" & "C" shareholders to designate or propose 6,5,5 directors on the Board respectively. In view of extending more

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representation to "A" shareholders, it is proposed that the entitlement may be revised to 8, 4, 4 directors respectively. Accordingly in clause (b) of the resolution the existing Article No. 84 is proposed to be substituted with a new Article No. 84.

The provisions for passing resolution by postal ballot have been introduced by inserting Section 192A by the Companies (Amendment) Act, 2000. To implement the same, the Articles of Association of the Company have to be amended and the relevant provisions have to be inserted there-in. By clause (c) of the resolution the necessary amendment is proposed by way of adding a new Article No. 74 A.

Any amendment in the Articles of Association requires the approval of the shareholders by way of Special resolution. Hence the resolution is placed for the approval of the members. The Board of Directors recommends the said Special Resolution for your approval.

None of the Directors of the Company is concerned or interested in the passing of this Special Resolution.

Item No. 11

The present term of office of Mr. Brijmohan Lall Munjal, as Chairman and Managing Director of the Company expires on August 2, 2001. Mr. Brijmohan Lall Munjal, who is an Honorary Fellow of the Indian Institute of Industrial Engineers & Chairman of Hero Group of Companies, is the Chairman of your Company since its inception. Under his stewardship the company has scaled new heights and achieved many landmarks, such as Company producing one million motorcycles in a financial year and a product of the Company achieving the distinction of highest selling single model in the world. He is actively involved in promoting Indian Industry. As a recognition of his contribution to the Indian industry, he was adjudged as the 'Businessman of the year (1994)' by a leading Indian business magazine Business India. Your Board of Directors on the recommendation of the Remuneration Committee at its meeting held on May 28, 2001 have re-appointed Mr. Brijmohan Lall Munjal as Chairman and Managing Director of the Company for a further period of 5 years effective August 3, 2001 on the terms and conditions, including minimum remuneration, as detailed hereinafter:

- I. **Basic Salary :** Rs. 1, 00,000 (Rupees one lac only) per month;
- II. **Commission :** He will also be allowed remuneration by way of commission in addition to Basic Salary, perquisites and any other allowances, benefits or amenities 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;

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 the rules specified by the Company;
- V. **Children's Education Allowance:** In case of children (including dependent grand children) studying in India actual expenses, and those studying abroad amount not exceeding equivalent to US \$ 50,000 per annum shall be admissible; and
- VI. **Minimum Remuneration:** If in any financial year during the currency of tenure of the Chairman and Managing Director, 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.

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

However, the appointee shall not be entitled to any sitting fee for attending meetings of the Board or Committee thereof.

Considering his extensive knowledge, business skills and managerial experience and capabilities, your Board considers that the re-appointment of Mr. Brijmohan Lall Munjal will be in the best interests of the Company and, therefore, recommends passing of the aforesaid Special Resolution at item no. 11 of the Notice.

Mr. Brijmohan Lall Munjal, Mr. Satyanand Munjal, Mr. Om Prakash Munjal and Mr. Pawan Kant Munjal, may be deemed to be interested/ concerned in the resolution contained under item no. 11 of the Notice.

INSPECTION

A copy of the 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 11:00 a.m. and 1:00 p.m. on any working day except Saturdays and holidays of the Company and will also be available at the meeting.

By Order of the Board
for HERO HONDA MOTORS LIMITED

ILAM C. KAMBOJ
Company Secretary

May 28, 2001
Gurgaon

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

Information pursuant to Clause 49 VI(A) (c) of the Listing Agreement

A brief resume and name of the companies in which the directors who are being re-appointed hold directorship and membership of Committees of the Board. The details regarding new directors have already been given under explanatory statement at item nos. 7, 8 & 9.

A) Mr. O.P. Gupta is a law graduate and has Diploma in Business Management. He started his career as probationary officer with Punjab National Bank and has held positions at various responsible levels. He has retired from the services of the bank as Chairman and Managing Director. He has also served as part time Chairman of Banking Services Recruitment Board. He joined the Board of Hero Honda in the year 1984 and has a rich and wide experience in the areas of management, treasury and governance. At present he is on the Board of following Companies and committees thereof.

- ♦ **Apollo Tyres Ltd.,**
-Member - Share Transfer & Grievance Committee
-Chairman - Audit Committee
- ♦ **Apollo International Ltd.,**
-Chairman - Audit Committee
- ♦ **Gujarat Prestrop Electronics Ltd.,**
-Member - Share Transfer Committee
-Chairman - Audit Committee
- ♦ **Hero Honda Motors Ltd.,**
-Member - Audit Committee
-Chairman - Remuneration Committee
- ♦ **Jaibharat Credits Ltd.,**
- ♦ **Mangalam Cement Ltd.,**
-Member - Audit and Share Transfer Committee
- ♦ **Pudumjee Pulp & Paper Mills Ltd.,**
-Chairman - Audit Committee

- ♦ **Rishi Roop Rubber (Intl.) Ltd.,**
-Member - Audit Committee
- ♦ **Samtel India Ltd.**
-Member - Audit and Share Transfer Committee

B) Mr. Teruo Fujisaki completed his graduation from Waseda University, Tokyo in 1968. He started his career with a shipping company, before joining Honda Motor Co., Ltd. He has served in Honda at various responsible positions in countries across the globe. He was the Jt. Managing Director of Hero Honda Motors Ltd during the period 1989-92. He has also been conferred with award by the Industry of Trade in Japan for his valuable contribution to Indian Economy. At present he is the President and CEO of Honda Sael Cars India Ltd., Greater Noida. He is also on the Board of following Companies.

- ♦ **Honda Sael Power Products Ltd.,**
- ♦ **Honda Sael Cars India Ltd.,**
- ♦ **Honda Motorcycle and Scooter (India) Pvt. Ltd.**

C) Mr. Satoshi Toshida completed his graduation and started his career with Honda Motor Co., Ltd. He has served in Honda at various responsible positions in countries across the globe. He was the Director of Hero Honda Motors Ltd., during the period 1995 - 96. At present he is the President of Asian Honda, Thailand.