

▲ Magnificent Gurgaon Plant

Hero Honda has two state-of-the-art manufacturing facilities at Dharuhera and Gurgaon in the State of Haryana.

The Dharuhera Plant was commissioned in 1985 and produced India's first four stroke motorcycle CD-100. The Gurgaon plant was commissioned in 1997. Together, both plants now have an installed capacity of three million motorcycles per annum. Hero Honda, with its comprehensive product range and high performance motorcycles across all segments, is the undisputed leader in the two-wheeler industry for the fourth year in a row, thanks to the confidence reposed by its customers.

Annual General Meeting

DAY Monday

DATE August 22, 2005

TIME 10.00 A.M.

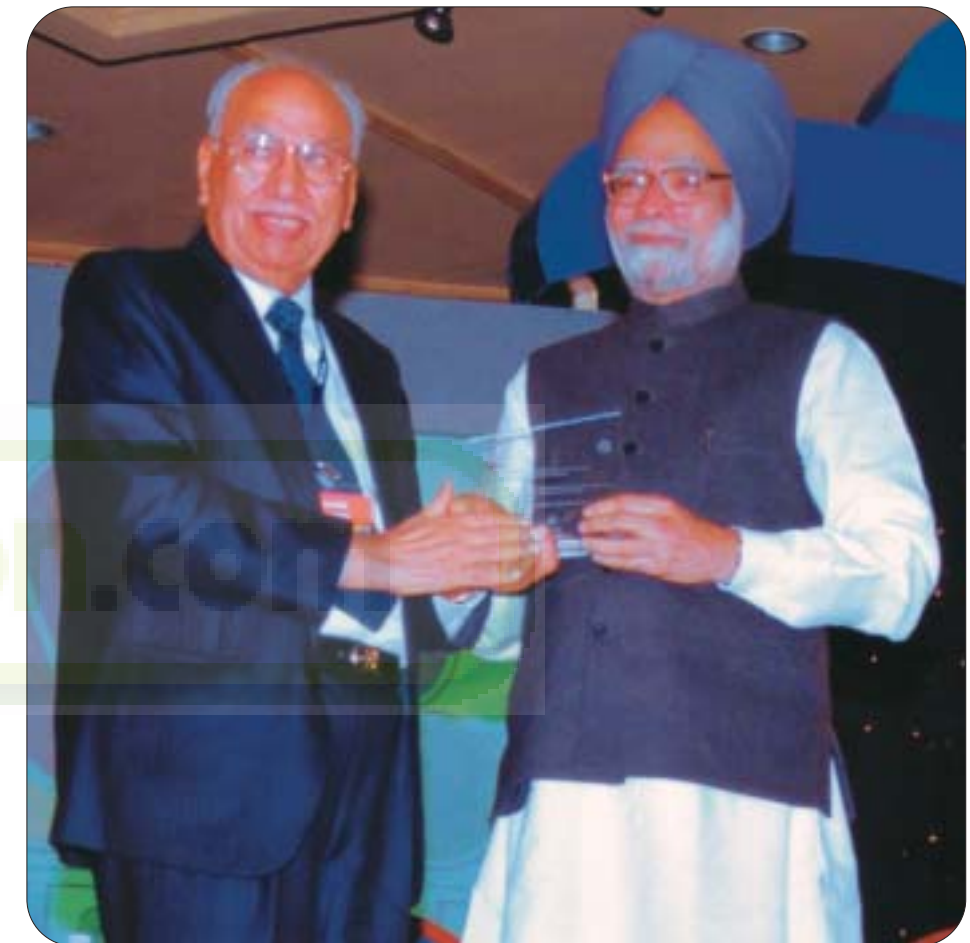
VENUE Air Force Auditorium, Subroto Park, New Delhi

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Worthy Chairman Mr. Brijmohan Lall was conferred with the highly prestigious "Padma Bhushan" by the Hon'ble President of India, Dr. A P J Abdul Kalam this year. "This award is a recognition of the team work of the entire Hero Honda family and not for my individual achievements. I dedicate this award to all Hero Honda members", Mr. Lall said on receiving the award.



Prime Minister Dr. Manmohan Singh with Chairman, Mr. Brijmohan Lall in New Delhi on January 13, 2005. Occasion was the presentation ceremony of the CNBC TV18 commendation for five years of business leadership conferred to companies and individuals displaying extra ordinary corporate leadership and entrepreneurial skills.

Splendor - World's largest selling brand for the 5th year in a row

Every second motorcycle sold in the country in 2004-05 was a Hero Honda

More than a **million bikes ahead** of the nearest competitor

World's largest two wheeler company for the 4th year in a row

A record volume of **2.62 million** motorcycles

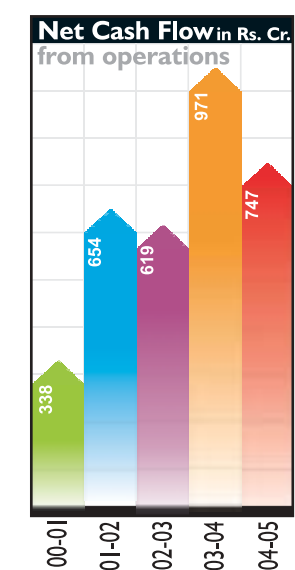
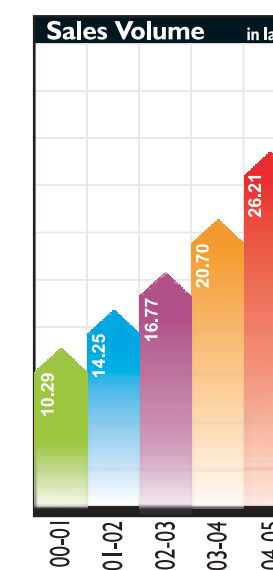
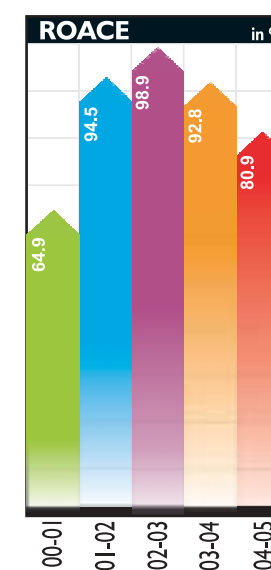
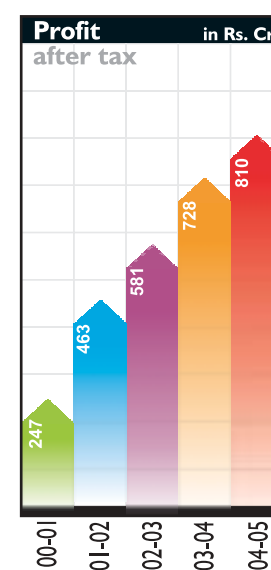
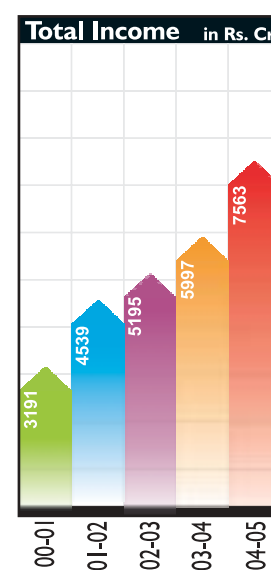
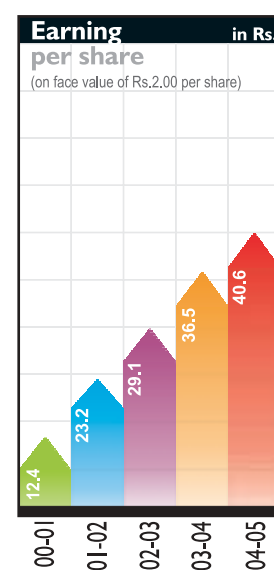
Launched new 125 cc platform based on next generation **Quantum Core' technology**

Cumulative sales cross **12 million**

Over **2 million** Passport members (CRM Programme)

Network of **over 2000 contact points** including Company and dealer's authorised outlets

Report Junction.com



Board of Directors

BRIJMOHAN LALL MUNJAL	Chairman
PAWAN MUNJAL	Managing Director
MIKI YAMAMOTO	Joint Managing Director (w.e.f. April 1, 2005)
TAKAO EGUCHI	Whole Time Director (w.e.f. June 1, 2005)
SATYANAND MUNJAL	Non Executive Director
OM PRAKASH MUNJAL	Non Executive Director
SATOSHI TOSHIDA	Non Executive & Independent Director
MOTOHIDE SUDO	Non Executive & Independent Director (w.e.f. June 23, 2005)
SATYAPPAUL VIRMANI	Non Executive & Independent Director
NARINDER NATH VOHRA	Non Executive & Independent Director
PRADEEP DINODIA	Non Executive & Independent Director
Gen. (Retd.) VED PRAKASH MALIK	Non Executive & Independent Director
ANALJIT SINGH	Non Executive & Independent Director (w.e.f. September 28, 2004)
Dr. PRITAM SINGH	Non Executive & Independent Director (w.e.f. September 28, 2004)
Mrs. SHOBHANA BHARTIA	Non Executive & Independent Director (w.e.f. March 24, 2005)
Dr. VIJAY LAXMAN KELKAR	Non Executive & Independent Director (w.e.f. March 24, 2005)
MAHENDRA PAL WADHAWAN	Non Executive & Independent Director (upto August 17, 2004)
OM PRAKASH GUPTA	Non Executive & Independent Director (upto August 17, 2004)
AKIO KAZUSA	Joint Managing Director (upto March 31, 2005)
SHINICHI NAKAYAMA	Whole Time Director (upto May 30, 2005)
KOJI NAKAZONO	Non Executive & Independent Director (upto June 23, 2005)

Committee of Directors

Audit Committee

Chairman	PRADEEP DINODIA
Member	Gen. (Retd.) VED PRAKASH MALIK
Member (w.e.f. September 28, 2004)	Dr. PRITAM SINGH
Member (w.e.f. July 5, 2005)	NARINDER NATH VOHRA
Member (upto August 17, 2004)	MAHENDRA PAL WADHAWAN
Member (upto August 17, 2004)	OM PRAKASH GUPTA

Shareholders' Grievance Committee

Chairman (w.e.f. September 28, 2004)	SATYA PAUL VIRMANI
Member	PRADEEP DINODIA
Member (w.e.f. September 28, 2004)	NARINDER NATH VOHRA
Member (upto August 17, 2004)	MAHENDRA PAL WADHAWAN
Member (upto August 17, 2004)	OM PRAKASH GUPTA

Remuneration Committee

Chairman	SATYA PAUL VIRMANI
Member	NARINDER NATH VOHRA
Member	Gen. (Retd.) VED PRAKASH MALIK

Senior Management Team

Executive Director- Business Operations	ATUL SOBTI
Executive Director - Mfg. & Logistics	K. K. AGRAWAL
Vice President - Materials	K. K. MALHOTRA
Vice President - HRM	N. N. AKHOURI
Vice President - Finance	RAVI SUD
Vice President - Information Systems	S. R. BALASUBRAMANIAN

Compliance Officer

Company Secretary	ILAM C. KAMBOJ
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Corporate Information

A. F. Ferguson & Co.
Chartered Accountants
9, Scindia House, Kasturba Gandhi Marg,
New Delhi-110 001

Statutory Auditors

Punjab National Bank
Citibank N. A.
The Bank of Tokyo - Mitsubishi Limited
ABN Amro Bank N. V.
HDFC Bank Limited
Standard Chartered Bank
ICICI Bank Limited
HSBC Limited
Bank of America NT & SA
Canara Bank

Principal Bankers

Honda Motor Co., Ltd.,
1-1, Minami Aoyama, 2 Chome,
Minato-Ku,
Tokyo 101-8556, Japan

Technical & Financial Collaborators

34, Community Centre
Basant Lok, Vasant Vihar,
New Delhi 110 057
Tel.: 011-2614 2451, 2614 4121
Fax : 011-2615 3913
www.herohonda.com

Registered & Corporate Office

69 KM Stone, Delhi Jaipur Highway,
Dharuhera, Distt. Rewari,
Haryana 121 006
Tel.: 01274-242 131-135
Fax : 01274-242 399

Dharuhera Plant

37 KM Stone, Delhi Jaipur Highway,
Sector 33-34, Industrial Area, Gurgaon,
Haryana 121 001
Tel.: 0124-2372 123-130
Fax : 0124-2373 141-142

Gurgaon Plant

Chairman's Message

Dear Members,

I always look forward to such occasions when we can communicate on our company's achievements and outline the path ahead.

The sustained leadership of Hero Honda is indeed a rare achievement. I am sure the future generations will look up to this success story as one of those rare examples.

Like other successful companies, Hero Honda also has a highly committed and dedicated team of employees with inherent values of integrity, customer orientation and quality consciousness. However, there are some distinct attributes which make Hero Honda truly unique. The most important of these attributes is our extremely cordial relationship with our joint venture partners Honda Motor Co., Japan. I wish to utilize this opportunity to thank Honda Motor for their unstinting support.

Our deep understanding of the needs of the Indian customer, managerial expertise combined with the world class technology from Honda has made us what we are today.

Hero Honda has come to be known for its outstanding relationship management. Internally, we have always enjoyed remarkable relations with all stakeholders ancillaries, vendors, dealers, shareholders and customers. Externally as well, we have earned the respect and admiration of all relevant government as well as private institutions.

Two-wheelers today account for 80% of all vehicle sales in the country. Hero Honda has grown at a CAGR of 21%, as opposed to the two-wheeler market CAGR of 12% for the last five years. Today, Hero Honda has a dominant 50% market share of the Indian motorcycle market. In this endeavour, our edge is our extensive and wide-spread network of 2000 customer contact points.

The result for the financial year 2004-05 is a testimony to our resilience and enterprise. During the year, your company registered an 11.3% growth in Profit After Tax (PAT) to Rs 810 crores, up from Rs 728 crores in 2003-04, in the face of severe input costs and market pressure.

Your company achieved record sales of 2.62 million bikes during the year and registered a growth of 27 per cent,



"There are some distinct attributes which make Hero Honda truly unique. The most important of these attributes is our extremely cordial relationship with our joint venture partners Honda Motor Co., Japan."

way above the motorcycle industry growth of 20.5 per cent. The company's income reached spectacular heights by crossing Rs. 7500 crores. It gives me great pleasure to inform you that every second motorcycle sold in the country during the year 2004-05 was a Hero Honda bike.

Let me take this opportunity to outline the plans for the immediate future. Hero Honda will be coming out with a number of exciting new products in the 2005-06 fiscal. Some of you may have already read about the new 125 cc 'Glamour', which was recently launched. There's more in the pipeline, including a scooter at an appropriate time. I hope this assures a lot more excitement in the coming months.

Needless to say, all these achievements flow out of our single-minded focus to create customer delight. The customer has always remained the central focus of all our endeavour. Last year, I mentioned about our unique Customer Relationship initiative, the Passport Programme, whereby our members become eligible for a host of exciting benefits including concessions on purchase of spare parts, accessories and services, and attractive prizes every month. Now with more than two million membership base, Passport has become one of the most successful Customer Relationship Management (CRM) programmes in the auto industry.

Keeping in view the ever increasing demand for our products, we have been constantly upgrading capacity at both our plants, in Gurgaon and Dharuhera, Haryana. We now have a combined installed capacity of a whopping three million motorcycles at these two plants, thanks to ever increasing automation and flexible manufacturing processes. Additionally, we are in the process of finalizing a location for a third plant to augment our capacities. We will make an announcement in this regard shortly.

Hero Honda has enhanced competencies in doing groundwork, which helps large-scale localization even at the time of initial launch, and helps in keeping costs low. This forms the

starting point for designing new products.

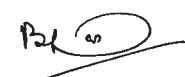
The Information Technology (IT) programme is closely aligned with the business, and makes significant contribution towards helping the company keep pace with advanced IT practices. We have consolidated our SAP initiative by taking it to the next level. New projects including "Supplier Relationship Management (SRM)" and "Customer Relationship Management (CRM)" were carried through successfully during the year.

All these initiatives put together will carry forward Hero Honda's leadership to greater heights in the coming years. As the market leader, Hero Honda has the responsibility to drive industry growth, and we are committed to create new milestones as we go along.

As you all know, the Government of India was kind enough to bestow the highly prestigious Padma Bhushan on me. Personally I believe this award was conferred on me for the achievements of the entire Hero Honda family, and not for any individual achievement of mine. We have been so successful because of our teamwork, and I dedicate this award to all of you who have contributed to making Hero Honda one of the most inspiring stories in Indian industry.

Once again, thank you all for your continuous support and cooperation.

Your sincerely



Brijmohan Lall

Managing Director's Message

Dear Members,

2004-05 has been an eventful, action-packed year. The year was marked by technological innovations, market excellence, customer delight and going beyond business to make a difference to the lives of people around us. The company was able to do all this because of the sheer belief that we could do it.

It's a matter of pride that today Hero Honda pioneers in bringing the latest world-class technology to its customers in the country. The path-breaking new generation Quantum Core engine, developed especially for Hero Honda by our joint venture partner Honda Motor Co. Japan, made its debut with our new offering Super Splendor in 2004 - 05. I would call this nothing short of a revolution in the Indian two-wheeler industry. Here's a product which gives the customer more power combined with more mileage, which was unheard of before. This futuristic technology has propelled Hero Honda far ahead of other two-wheeler manufacturers in the country, and we are sure this new platform Super Splendor is going to be a blockbuster.

The 50% market share of Hero Honda at the end of the 2004-05 financial year is a reflection of the superlative market excellence, on a consistent basis. In an intensely competitive market, this is an outstanding achievement by any measure. It is also noteworthy that we achieved this without really being unduly concerned about market share. Our objective has always been to exceed customer expectations in terms of product quality and after sale service. We have a diverse product range, which caters to the entire spectrum of customer needs and preferences. The huge market share we have today has come about as a by-product of that, and not as a single target strategy. Let me also take this opportunity to tell you that market share is something which may continue to fluctuate either way, and irrespective of that, we will continue to strive towards product innovation, technological superiority, and highest customer satisfaction.

One of our strength has been the relationship, which we have built over the years, with our JV partner, customers, employees, dealers, ancillaries, suppliers, bankers, financial investors, and shareholders. We are committed to strengthen these relationships which will enable us to scale greater heights in the coming years.



"We will continue to strive towards consolidating our market leadership, bring in newer technology, make better products and be involved in every sphere of life."

As a market leader, we are also aware of our responsibilities. We are aware of the expectations of people and our role in the society and environment that we live in. This is the time to look beyond business, and beyond leadership. The 'wheels' of our business and social commitment have taken Hero Honda to every sphere of life environment protection, games and sports, entertainment, talent identification and nurturing, especially for the youth which is the future of our country.

Protection of the environment should be paramount in the agenda of any corporate. For us at Hero Honda, being a Responsible Corporate Citizen is to strike a balance between our business needs with the need to protect the environment and the society at large. We are involved in a number of sustainable initiatives towards this direction.

I personally feel that there is tremendous potential for corporates, because of their resources and reach, to play a constructive role in the country's development process. In fact, corporates should take the lead in setting examples and support efforts of the Government and NGOs in this area so that we create a 'Better Tomorrow' for our future generations.

Our more than a decade-long involvement with sports and popular sports stars has made Hero Honda synonymous with sports in the country be it cricket, golf, football, hockey, and many others. Thanks to the commitment of Hero Honda to spot and nurture young talent, a number of young budding talents in the field of acting and music today have got a platform to make it in the creative, but highly competitive world of films.

All these initiatives go a long way in reiterating our Corporate Social Responsibility (CSR) slogan "We Care". We care, because we know that in our humble way, we can make a difference to ensure a better tomorrow for our future generations. So in that sense, the slogan "We Care" encompasses all our activities technological innovation, our

business principles, customer focus, and all CSR initiatives.

However, we are not resting on our achievements and laurels. The pursuit of excellence in everything we do will continue without compromise. We will continue to strive towards consolidating our market leadership, bring in newer technology, make better products and be involved in every sphere of life.

We will be able to do all this, as always, with your unstinted support and cooperation. Let me take this opportunity to express my deep-felt gratitude to you for reposing your faith in Hero Honda and helping to make it truly a World Leader.

Thank You



Pawan Munjal

Joint Managing Director's Message

Dear Members,

This is my first message to you all since joining your company as a Joint Managing Director in April this year. I can tell you it has been a fantastic three months so far, getting to know Hero Honda - the company, new colleagues, the Indian two-wheeler market and the wonderful Indian people. I take this as a huge opportunity for me to work with the World's No. 1 two-wheeler manufacturer.

I look at Hero Honda as a perfect example of how two leading companies can join hands to form a world class joint venture and bring technologically advanced products for customers.

At Honda, we believe in becoming number one in the world in creating new value for our customers by enhancing initiative, technology, and quality : strengthening Honda's uniqueness. While quality is a company's lifeline, taking the lead in value creation that brings out joy and emotion in our customers provides a company with distinction and strengthens its brand image. Honda has always been a company where people of different characteristics come together to create new value beyond people's imagination. Needless to say, all companies are driven by their people, but Honda is especially so.

Let me tell you, I find Hero Honda very similar in its belief and its principles of doing business. The company does give a lot of emphasis on people and has some of the brightest people working for it. I have also been extremely impressed by the relationship management of the company, be it with employees, ancillaries and vendors or with its customers. I am sure Hero Honda is unique in its relationship management and there's a lot to learn from the company in this regard. I am extremely impressed with the motivational level of all Hero Honda employees. No wonder, Hero Honda has maintained its World No. 1 two-wheeler manufacturer status for four consecutive years.

Hero Honda has been a learning ground for both joint venture partners as well. It has successfully combined the local partner's knowledge of the Indian customer, its marketing expertise and the technological brilliance of Honda. At the end, it is the Indian customer who has benefited from this unique company called Hero Honda. We have some superlative products lined up for the Indian



"I look at Hero Honda as a perfect example of how two leading companies can join hands to form a world class joint venture and bring technologically advanced products for customers."

customer in the years to come, and one can only see the Hero Honda product portfolio getting a lot of muscle with new additions.

We ensure that we will continue to remain focussed, as always, on customer oriented product planning and customer oriented operations at the dealerships to enhance customer satisfaction.

We are extremely proud of being part of Hero Honda, and remain fully committed to provide all technological support in the long term. Hero Honda is one of the most successful joint ventures for Honda worldwide, and we will only continue to make it stronger.

With best wishes



Miki Yamamoto

Management Discussion & Analysis

ECONOMY: PERFORMANCE AND KEY DRIVERS

The Indian economy turned in a robust performance during the year, clocking growth at close to 7 per cent. Sufficient growth impulses came from a distinct improvement in the investment climate, surge in credit offtake, and a rise in consumption demand.

Lower taxes and relatively steady interest rates increased disposable income in the hands of consumers, and this created more appetite for consumer durables. These enablers, along with the government's budget thrust on the rural economy and the infrastructure sector are expected to sustain and reinforce these growth impulses in the coming year. Significantly, the impact of agriculture on industrial growth has been gradually subsiding over time. The contribution of agriculture to the GDP has dropped from more than 40 per cent in the 1960s and '70s to just 23 per cent now.

In a global context, India's growth performance of the last decade and a half ranks among the top six in the world growth league – along with China, Korea, Thailand, Singapore and Vietnam. In purchasing power parity terms, the growth puts India amongst the top four in the world.

With extremely positive signals emanating from all sectors of the economy, Hero Honda is very bullish on the future prospects of the two-wheeler industry in the country. According to the 2001 census, over 67 cities in India have a population of over 0.5 million each—and these represent key growth markets for the two-wheeler industry, as the transition from bicycles to motorized two wheelers continues. The National Council for Applied Economic Research predicts that in 2007, among other consumer durable purchases, 61 per cent of Indian households will have two-wheelers—most of these households are expected to be from these smaller cities.

Going forward, key government infrastructure initiatives will sustain these trends. India has an ambitious highway and rural road programme

which is the largest such programme undertaken anywhere in the world. The programme shall also help the economy take off in terms of improving market reach and access.

The most significant part of the service sector, which is emerging as another key driver of economic growth, is the contribution of the youth. This growing segment of the population offers a huge window of opportunity for the automobile industry, especially in an environment where consumer finance is cheap and accessible. According to a study by the consumer research outfit J. D. Power's Asia Pacific, more than 80 per cent of vehicles bought in 2003 were on loan or leased, compared to 63 per cent in 1999.

According to a Goldman Sachs report, by 2025, India's GDP will be higher than Germany's. India's share of world GDP will move up from around 2 per cent to nearly 16 per cent by 2050. At the same time, the number of people with incomes over \$ 3000 could increase by nearly 14 times in the next decade. By 2025, there could be more than 200 million new people earning incomes above \$ 15000.

India already has the youngest working age population (15-60 years) in the world, and for the automobile industry, this means millions of new consumers entering the economic mainstream every year.

INDUSTRY AT A GLANCE

India is the world's second largest two-wheeler market, next only to China, and 80 per cent of the vehicular traffic in the country is made up of two wheelers. By growing at 17%, the Indian two-wheeler industry registered volumes of 65,75,915 units in 2004–05 financial year. On an average, 5.47 lac two-wheelers were sold per month - a clear indication of sustained demand. Motorcycles, as a category, grew at 20%, which is higher than the overall industry growth rate.

Within the two-wheeler industry, the motorcycle segment has been witnessing consistent high growth. For example, while in 2000–01, motorcycles accounted for 58% of two-wheelers sold; its share in 2004–05 went up to 80%. It is

interesting to note that between 1999-2000 to 2004-05, two wheelers grew at a compound rate of 12 per cent; motorcycles grew at 24 per cent, and Hero Honda grew at over 30 per cent.

The motorcycle market in the country can be broadly classified into three segments - the entry level, the deluxe and the premium category. Each category performed creditably during the year. The price segment saw introductions from various players, and this segment contributed 35% of the total motorcycles volume. The deluxe segment, which accounted for 54 per cent of volumes, saw a characteristic shift in customer tastes and preferences which resulted in the introduction of various 125cc motorcycles. The premium segment constituted 10% of motorcycle volumes.

COMPANY PERFORMANCE

Over the last two decades, HERO HONDA MOTORS LIMITED has consistently delivered value and maximized returns to its shareholders. The Company has been able to achieve this success despite various constraints, including rising input costs and intense market competition.

Table 1 gives the 5-year trend in the Company's income, profit after tax (PAT), and profitability as measured by the ratios of PAT to total income, return on average equity [ROAE] and return on average capital employed [ROACE]

During 2004-05, your Company sold 2.62 million bikes, and for the fourth successive year, Hero Honda Motors retained its spot at the top as the world's largest two-wheeler manufacturer.

RESULTS AT A GLANCE

Total sales grew by 27.2 per cent from Rs. 5,832 Crores in 2003-04 to Rs. 7,422 Crores in 2004-05.

- OPBDIT grew by 19.3 per cent from Rs. 979 Crores in 2003-04 to Rs. 1169 Crores in 2004-05.
- Post-tax profit (PAT) grew by 11.3 per cent from Rs. 728 Crores in 2003-04 to Rs. 810 Crores in 2004-05.
- Return on average equity (ROAE), measured as a ratio of PAT to average equity during the year, was at 61.6 per cent in 2004-05.
- Return on average capital employed (ROACE), measured as a ratio of PBIT to average capital employed during the year, was at 80.9% in 2004-05.
- Ratio of operating profit before depreciation, interest and tax (OPBDIT) to net sales showed a marginal decline from 16.8 per cent in 2003-04 to 15.7 percent in 2004-05, because of pressures on input prices.

Creating shareholder wealth continued to be our prime objective during the year, with Earnings Per Share (EPS) pegged at Rs. 40.59 at the end of March 2005. Going forward, we will retain our topline and bottomline focus.

Your Company continues to strengthen its leadership in the Indian market. Hero Honda in 2004-05 accounted for 40 per cent of the Indian two wheeler market—up from 37 per cent in the previous year. The Company also consolidated its leadership in the motorcycle segment with a 50

per cent share (up from 48 per cent). In 2003-04, Hero Honda sold one million more motorbikes than its nearest competitor; during 2004-05, this lead was further extended.

Hero Honda's flagship brand, Splendor and its two upgrades, Splendor Plus and Super Splendor together sold over a million units, and in all, the Company sold 550,000 more bikes than the previous year. The Company now has a 12-million strong customer base, the country's largest.

MARKET CONDITIONS

Increasing affluence and a growing young population, combined with a larger portfolio of models to choose from, and easy availability of consumer finance to create a booming market for two-wheelers, especially motorcycles. What has also fuelled the huge demand for motorcycles is the absence of efficient public transport and the lack of road infrastructure in many parts of the country.

We believe the motorcycle story will continue to unfold in this country well into the future. In fact, data for last few years shows that annually, an incremental market of eight lakh to nine lakh motorcycles is being created. The past year has seen a slew of launches, and the customer has also benefited from special schemes and sales promotions.

In the coming years, we expect more intense competition in the deluxe segment, especially the 125cc bikes jockeying for space. Your Company is fully geared to protect and consolidate and grow its leadership position across segments.

HERO HONDA – BEYOND LEADERSHIP

Hero Honda has put India on the world map by remaining the World No. 1 two-wheeler company for four consecutive years. With a share of 50 per cent in 2004-05, every second motorcycle sold in the country was a Hero Honda bike.

While models like Splendor and Passion continue to account for a major share of sales, our strategy of broad basing our portfolio through market surveys continues. Based on customer feedback, we launched two new models during the year to

consolidate our market leadership.

Super Splendor, launched in the 125 cc segment, has a Quantum Core engine and a number of additional features including throttle sensor, fuel ignition timing pattern, and reduced cam shaft load. These allow the bike to generate power without compromising on fuel efficiency. The latest addition to the Splendor stable further strengthened our domination of the deluxe segment. Also during the year, we launched **CD Deluxe** in the entry segment. In quick time, this offering has notched overwhelming sales. With these two offerings, we now have a complete product portfolio—catering to the choices and aspirations of diverse customers.

With continued whole-support from our JV partner Honda Motor Co., Japan, we'll strive to retain our edge with newer products, more advanced technology, and better service. In fact, Hero Honda has already lined up models for the next five years, beginning with 2005-06. At an appropriate time, your Company also has plans to enter the scooter market as well, but our offerings will be contemporary and world class.

During the year, we also generated good cash flows from our spare parts business, an initiative which we launched to ensure supply of genuine parts to customers. This business yielded revenues of Rs.362.10 Crores.

REACHING OUT TO THE CUSTOMER

Customer Delight is the cornerstone of Hero Honda's philosophy, and we take special pride in our ability to bring joy to our customers year after year. Some of our initiatives are proactive and based on intuition, while others are based on market feedback. In 2001-02, for example, we pioneered the concept of long term warranty – by extending it from six months to two years. We now have the confidence to extend this warranty further; and a 'Breakthrough' three-year warranty has been introduced on 'Super Splendor'.

Our Hero Honda Passport Programme is one of the most successful customer relationship schemes in the auto industry, and is widely regarded as a reference case study in customer

Table 1: KEY FINANCIALS – INCOME, PROFIT, ROAE AND ROACE

(Rupees in crores)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Income (Net of Excise duty)	3191	4539	5195	5997	7563
PAT	247	463	581	728	810
PAT as % of total income	8	10	11	12	11
ROAE (%)	47	72	76	73	62
ROACE (%)	65	95	99	93	81