



Report  junction.com

**8th
ANNUAL REPORT
2005-2006**

HERO MOTORS LIMITED

**BOARD OF DIRECTORS**

| | |
|-----------------------|-------------------|
| Sh. O.P. Munjal | Chairman |
| Sh. Pankaj Munjal | Managing Director |
| Sh. G.P. Sood | |
| Sh. Sandeep Dinodia | |
| Sh. Yogesh Munjal | |
| Sh. Ashok Munjal | |
| Sh. Sunil Kant Munjal | |

FINANCIAL ADVISOR

Sh. A.K. Dewan

VICE PRESIDENT (FINANCE)

Sh. Rajesh Gulati

ASST. GENERAL MANAGER (FINANCE & ACCOUNTS)

Sh. Amit Gupta

COMPANY SECRETARY

Sh. Ajay Pratap Singh

AUDIT COMMITTEE

Sh. Sandeep Dinodia
Sh. G.P. Sood
Sh. Pankaj Munjal

REMUNERATION COMMITTEE

Sh. G.P. Sood
Sh. Sandeep Dinodia
Sh. Yogesh Munjal

SHAREHOLDERS / INVESTORS**GRIEVANCES COMMITTEE**

Sh. G.P. Sood
Sh. Sandeep Dinodia
Sh. Pankaj Munjal

INVESTMENT COMMITTEE

Sh. G.P. Sood
Sh. Yogesh Munjal
Sh. Pankaj Munjal

AUDITORS

M/s B.D. Bansal & Co.
Chartered Accountants
Amritsar.

COST AUDITORS

M/s. Ramnath Iyer & Co.
Cost Accountants
Delhi.

BANKERS

Punjab National Bank
Canara Bank
Citibank N.A.
ABN Amro Bank

REGISTERED OFFICE

601, International Trade Tower
Nehru Place, New Delhi – 110019

WORKS

10km Stone, P.O. Dujana
Dadri, Dist Gautambudh
Nagar, Ghaziabad. U.P.-203207

Plot No. 192, Sector –IV,
Phase II, IMT Manesar,
Gurgaon, Haryana - 122001

SHARE TRANSFER AGENT

M/s. Alankit Assignments Ltd.
2E/21, Alankit House,
Jhandelwala Extn. New Delhi

CONTENTS

| | |
|--|----|
| Notice | 1 |
| Directors' Report | 4 |
| Auditors' Report | 11 |
| Annexure to Auditors' Report | 12 |
| Balance Sheet | 15 |
| Profit & Loss Account | 16 |
| Schedules | 17 |
| Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 | 30 |
| Cash Flow Statement | 36 |
| Proxy Form & Attendance Slip | 39 |

HERO MOTORS LIMITED

601, International Trade Tower, Nehru Place, New Delhi -110019

NOTICE

Notice is hereby given that the 8th Annual General Meeting of the members of HERO MOTORS LIMITED will be held on Friday, the 22nd day of December, 2006 at 9.30 A.M. at Tivoli Garden Resort, Chattarpur Mandir Road, New Delhi - 110030 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at September 30, 2006 and the Profit & Loss account for the period ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint a director in place of Shri Pankaj Munjal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri G.P. Sood, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

M/s. B.D. Bansal & Co., Chartered Accountants, the retiring auditors are eligible for appointment.

SPECIAL BUSINESS

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

As Special Resolution:

5. ALTERATION OF ARTICLES OF ASSOCIATION

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 90 of the Articles of Association of the company be and is hereby amended. Consequently, Articles 90 of Articles of Association shall be read as under:

90. Subject to the provisions of section 198, 309, 310 and 311 of the Act, the remuneration payable to the directors of the Company may be as hereinafter provided. The remuneration of each director for attending the meetings of the Board or Committee thereof shall be such sum as may, from time to time, be fixed by the Board for each meeting of the Board or Committee thereof attended by him, subject to the limit specified in the companies (Central Government's) General Rules and Forms, from time to time. Subject to the provisions of the Act, the directors shall be paid such further remuneration (if any) as the Company in General Meeting shall, from time to time, determine and such additional remuneration shall be divided among the directors in such proportion and manner as the Board may from, time to time, determine and in default of such determination, shall be divided among the directors equally.

“RESOLVED FURTHER THAT Shri Pankaj Munjal, Managing Director and Shri Ajay Pratap, Company Secretary, be and are hereby authorized severally to take all the necessary actions in this regard”.

By order of the Board
For **HERO MOTORS LIMITED**

New Delhi, 20th November, 2006
Registered Office:
**601, International Trade Tower,
Nehru Place, New Delhi-110019**

O.P. MUNJAL
CHAIRMAN

NOTES:

1. **A Member entitled to attend and vote at the meeting is entitled to appoint any other person as his/her proxy to attend and vote (in case of poll) instead of himself/herself at the meeting. A proxy need not be a member of the Company.**
2. **A proxy form is sent herewith. The proxy form duly completed must be received at the registered office of the Company not less than forty eight hours before the meeting.**
3. The Register of Members and Share Transfer Books of the company will remain closed from 18th December, 2006 to 21st December, 2006 (both days inclusive).
4. The explanatory statement setting out the material facts concerning Special Business at item No. 5 of the accompanying notice as required by section 173(2) of the Companies Act, 1956 is annexed hereto.
5. All documents referred to in the accompanying notice are open for inspection at the registered office of the company during office hours upto the date of the Annual General Meeting.
6. Pursuant to the provisions of section 109A of the Companies Act, 1956, every shareholders or joint holders may nominate, in the prescribed manner, a person to whom all the rights in the shares shall vest in the event of death of the sole holder or all the joint holders.
7. The financial year 2005-2006 of the company consists of a period 12 months i.e. the Financial Year from 01-10-2005 to 30-09-2006.
8. *Members are requested to notify immediately any change of address to their depository participant in respect of their electronic share account and in respect of physical shares, to the Company's Registrar M/s. Alankit Assignments Ltd. 2E/21, Alankit House, Jhandewalan Extension, New Delhi -110055, quoting their folio number.*
9. Shareholders holding shares in electronic form are advised to update particulars of their Bank Account details to their depository Participants. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form.
10. The shares of the company are not listed on any stock exchange.
11. The members are requested to bring the copy of Annual Report and Attendance Slip duly filled in to the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.5**

The company proposes to enhance the sitting fees payable to the directors for attending the meetings of the Board and committees thereof to be determined by the Board of Directors of the company, from time to time, subject to the limit specified in the companies (Central Government's) General Rules and Forms, from time to time. This will require amendment in Article 90 of the Articles of Association of the company. Alteration of Articles of Association of the company will require the approval of shareholders of the company in General Meeting. Therefore, the said resolution is proposed for the approval of the shareholders in General Meeting.

None of the directors of the company is interested in passing of the said resolution except to the extent of sitting fees payable to them for the attending the meetings of the Board or Committees thereof.

The Board of Directors of your company recommends the passing of the aforesaid Special Resolution.

By order of the Board
For Hero Motors Limited

O.P. MUNJAL
CHAIRMAN

DIRECTORS' REPORT

Dear members,

Your Directors have pleasure in presenting the 8th Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 2006.

1. FINANCIAL RESULTS

The salient features of the Company's financial results for the year under review are as follows:

| | Year ended 30.09.2006 | (Rs. in lacs) Year ended 30.09.2005 |
|--|--------------------------|---|
| Sales and other income | 13916.02 | 10393.29 |
| Gross Profit/(Loss) | 460.60 | (2130.14) |
| Depreciation | (988.28) | (1305.68) |
| Profit/(Loss) before tax | (527.68) | (3435.82) |
| Provision for taxes | 577.20 | (10.19) |
| Profit/(loss) after tax | 49.52 | (3446.02) |
| Prior period item | (11.79) | 1.16 |
| Prior year tax adjustments | 18.15 | 0.25 |
| Surplus brought forward | NIL | (6815.74) |
| Profit/(Loss) carried to Balance Sheet | 19.58 | (10260.35) |

2. OPERATIONS

The Company achieved a turnover of Rs. 13916.02 lacs during the year under review comprising of sale of vehicles, components, spares etc. as compared to Previous Year turnover of Rs. 10393.29 lacs.

3. SHARE CAPITAL

Pursuant to the Reduction of share capital approved by the shareholders of the company in their Annual General Meeting held on 27th December, 2005 and confirmed by the Hon'ble High Court of Delhi vide order dated May 12, 2006, the issued and paid up share capital of the company has been reduced to Rs. 7,33,66,488. The order of the Hon'ble High Court has been registered with the Registrar of Companies, New Delhi on 26th July 2006.

4. DIVIDEND

In view of the insufficiency of profit during the year under review, your directors are unable to recommend any dividend.

5. FUTURE PROSPECTS

The Company has diversified into "Integrated Engineering Solution Provider" in four distinct verticals: Engines and transmissions, Sheet Metal, Ferrous Casting and Vehicle Assembly.

The Company, through support from BRP Rotax in the last two years, has enhanced its capabilities and established best shop floor practices and balance score card systems.

Currently, gear box for 810 cc All Terrain Vehicle and engine components for 400 cc All Terrain Vehicle are being supplied to Rotax. Supplies to Hero Honda Motors have significant growth over the last year. The company is also regularly supplying cylinder blocks to LG. In addition the company is also working closely as a strategic supplier with some of the overseas OEMs.

The company has established state-of-the art Ferrous Casting Plant with an initial capacity of 18,000 tons. The trial production has been started from October 2006. The Company is under discussion with an International major who would provide technical know how for our Ferrous Casting Plant facilitating us to have competitive edge in the market place.

With sizeable improvement in quality production systems, the confidence of domestic and international clients has been increased significantly and in addition to BRP Rotax and Hero Honda, various other customers are being added, both from international market and domestic market.

6. DIRECTORS

- a. Shri Pankaj Munjal and Shri G.P. Sood retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.
- b. None of the directors is disqualified as per the provisions of Sec. 274(1)(g) of the Companies Act, 1956.

7. DIRECTORS RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

1. that in the preparation of the annual accounts for the year ended September 30, 2006, the applicable accounting standards have been followed;
2. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs at the end of the financial year and of the profit of the company for the financial year ended September 30, 2006;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts for the year ended 30th September, 2006 have been prepared on going concern basis.

8. AUDITORS

M/s. B.D. Bansal & Co., Chartered Accountants, existing Auditors of the company will retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The company has received confirmation from the retiring auditors expressing their intention for re-appointment at the forthcoming Annual General Meeting. The Board recommends their reappointment.

9. FIXED DEPOSITS

During the year under review the company has not invited or accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

10. AUDIT COMMITTEE OF THE BOARD

The Audit committee of the Board consists of the following directors:

Non Executive Directors

- | | |
|------------------------|----------|
| 1. Sh. Sandeep Dinodia | Chairman |
| 2. Sh. G.P. Sood | Member |

Executive Director

| | |
|-------------------|--------|
| Sh. Pankaj Munjal | Member |
|-------------------|--------|

11. SHAREHOLDERS GRIEVANCES COMMITTEE

The Shareholders Grievances Committee of the Board consists of the following directors:

Non Executive Directors

- | | |
|------------------------|----------|
| 1. Sh. G.P. Sood | Chairman |
| 2. Sh. Sandeep Dinodia | Member |

Executive Director

| | |
|-------------------|--------|
| Sh. Pankaj Munjal | Member |
|-------------------|--------|

12. QUALITY CERTIFICATION

The company has received TS16949 certification from AQSR and Direct on Line (DOL) certification from Hero Honda Motors.

13. APPLICABILITY OF PROVISIONS OF SICA

Pursuant to the reduction of the share capital of the company sanctioned by Hon'ble High Court of Delhi, the accumulated losses of the company amounting to Rs. 102,60,34,932 as on 30th September 2005 have been written off. The company is now out of the purview of the Sick Industrial Companies (Special Provisions) Act, 1985.

14. COST RECORDS & COST AUDITOR

The Company has maintained Cost Accounts Records as prescribed under Cost Accounting Rules 1968.

The directors have appointed M/s. Ramnathan Iyer & Co. as Cost Auditors for the year 2006-2007, subject to the approval of the central government.

15. AUDITOR'S REPORT

The observations made in the Auditor's Report and in the notes to the accounts are self-explanatory and hence do not call for any further comments.

16. INSURANCE

All properties and insurable assets of the company including building plant & machinery and stock have been adequately insured, wherever necessary, and to the extent required.

17. PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956 read with Rules framed there under, as amended forming the part of this report is given in Annexure-A.

18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information pursuant to sections 217(1)(e) of the Companies Act, 1956 regarding Conservation of Energy, technology absorption, R&D and foreign exchange earnings & outgo is annexed as Annexure - B and forms part of the report.

19. ACKNOWLEDGEMENT

The Board takes this opportunity to convey its appreciation and gratitude towards Hero Group for the support and co-operation extended to the Company.

The Board also expresses its appreciation towards the contribution of its employees, govt. depts., Banks etc. for the year under review.

**For and on behalf of the Board of Directors
For Hero Motors Limited**



**O.P. MUNJAL
CHAIRMAN**

New Delhi
20 November, 2006

ANNEXURE - A TO DIRECTOR'S REPORT

Statement of Particulars of Employees pursuant to the provisions of section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 forming part of the Director's Report for the year ended 30.09.2006

A. Employed throughout the Year

| Name of the Employee | Designation | Nature of Duty | Gross Remuneration | Qualification | Experience (Years) | Share Holding % (Nos.) | Date of Joining | Age | Last Employment held before Joining Company |
|----------------------|-------------|----------------|--------------------|---------------|--------------------|------------------------|-----------------|-----|---|
| None | | | | | | | | | |

B. Employed for Part of the Year

| Name of the Employee | Designation | Nature of Duty | Gross Remuneration | Qualification | Experience (Years) | Share Holding % (Nos.) | Date of Joining | Age | Last Employment held before Joining Company |
|------------------------|-------------------------|---------------------|--------------------|-----------------|--------------------|------------------------|-----------------|-----|--|
| Mr. Shailendra Agrawal | Chief Operating Officer | Chief of operations | Rs.12,14,145 | B.E. Mechanical | 25 | NIL | 27.02.06 | 45 | Chief General Manager Escorts - Agri Machinery Group |

Notes:

- Information has been furnished on the basis of employee employed for a part of the year who was in receipt of remuneration at a rate which, in the aggregate was not less than Rs. 2,00,000 (Rupees Two Lacs) per month. There was no person employed throughout the financial year, who was in receipt of remuneration for that year which, in the aggregate, was not less than Rs. 24,00,000/- (Rupees Twenty Four Lacs). There was no person employed either throughout the financial year or part thereof, who was holding either himself or along with the spouse and dependent children 2% or more of the shares of the company and drawing in excess of the remuneration drawn by the Managing Director or Manager.
- Remuneration includes salary, other allowances, payment and expenditure incurred on perquisites and Company's contribution to provident fund, superannuation fund and gratuity fund.
- All appointments are on contractual basis and terminable by notice on either side.
- Mr. Shailendra Agarwal is not relative of any director or manager of the company.