

STURDY STEADY SOLID

WE ARE WHAT OUR BIKES ARE...



Hero MotoCorp Ltd.

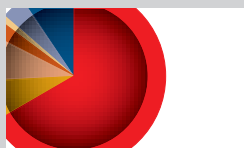
2011-12 ANNUAL REPORT



CONTENTS

02

Highlights,
2011-12



06

Corporate
Identity



12

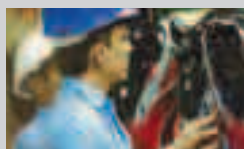
Chairman's
Communiqué

14

MD & CEO's
Review

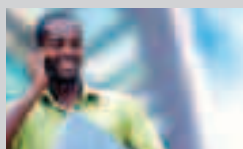
16

Expansion
Plans



18

Global
Forays



20

Technological
Advancements



22

Product
Range



28

Recognitions



30

Green
Initiatives



32

Financial Performance

34

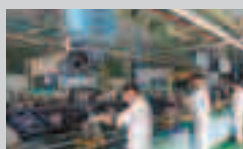
Leadership
Team

36

Corporate Information

37

Management Discussion
and Analysis



61

Directors'
Report



66

Corporate
Governance Report



95

Financial Statements



FORWARD-LOOKING STATEMENTS

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

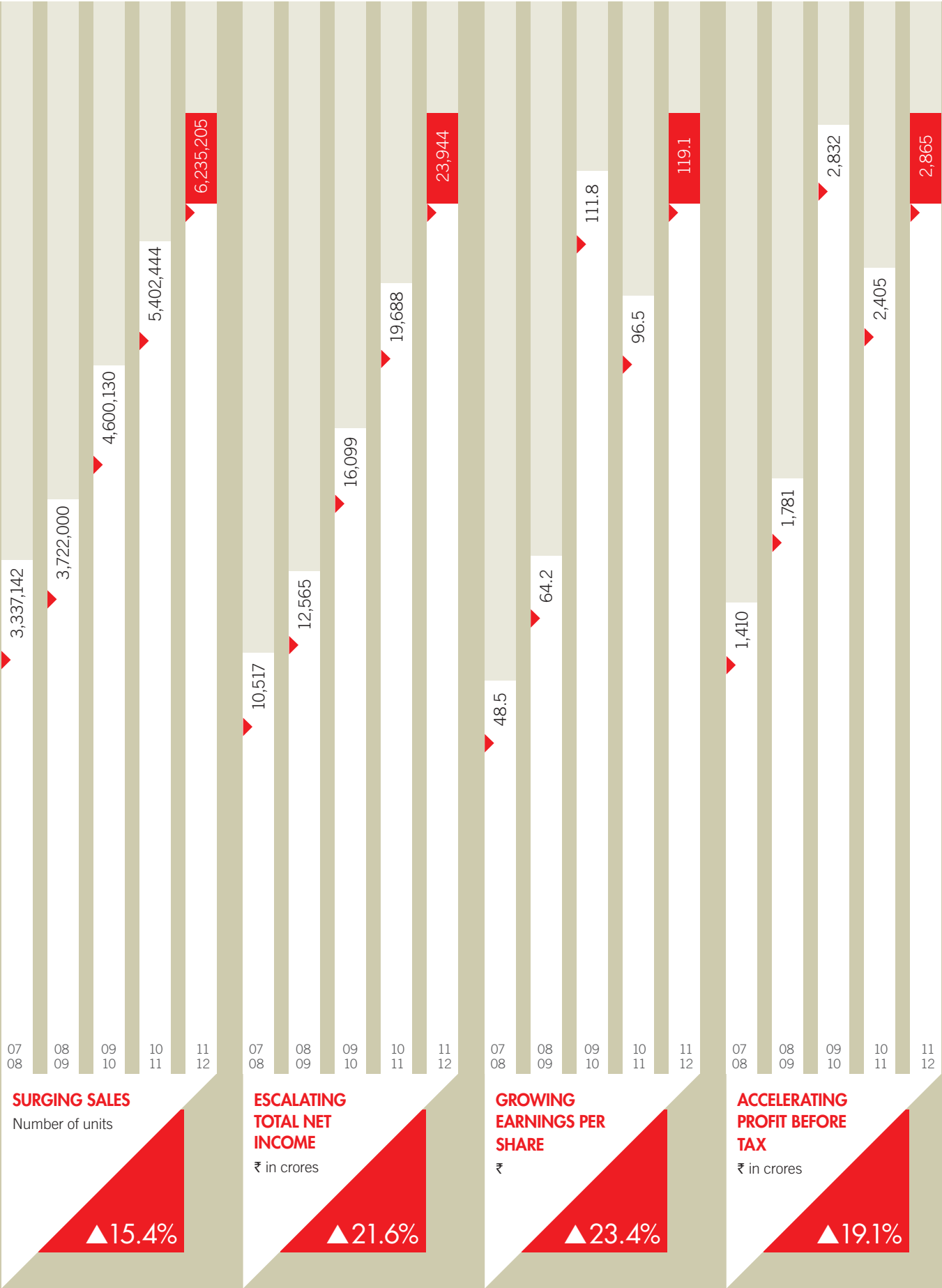
**For Hero MotoCorp,
2011-12 sped past as
a cheerful moment of
energy and enthusiasm.**

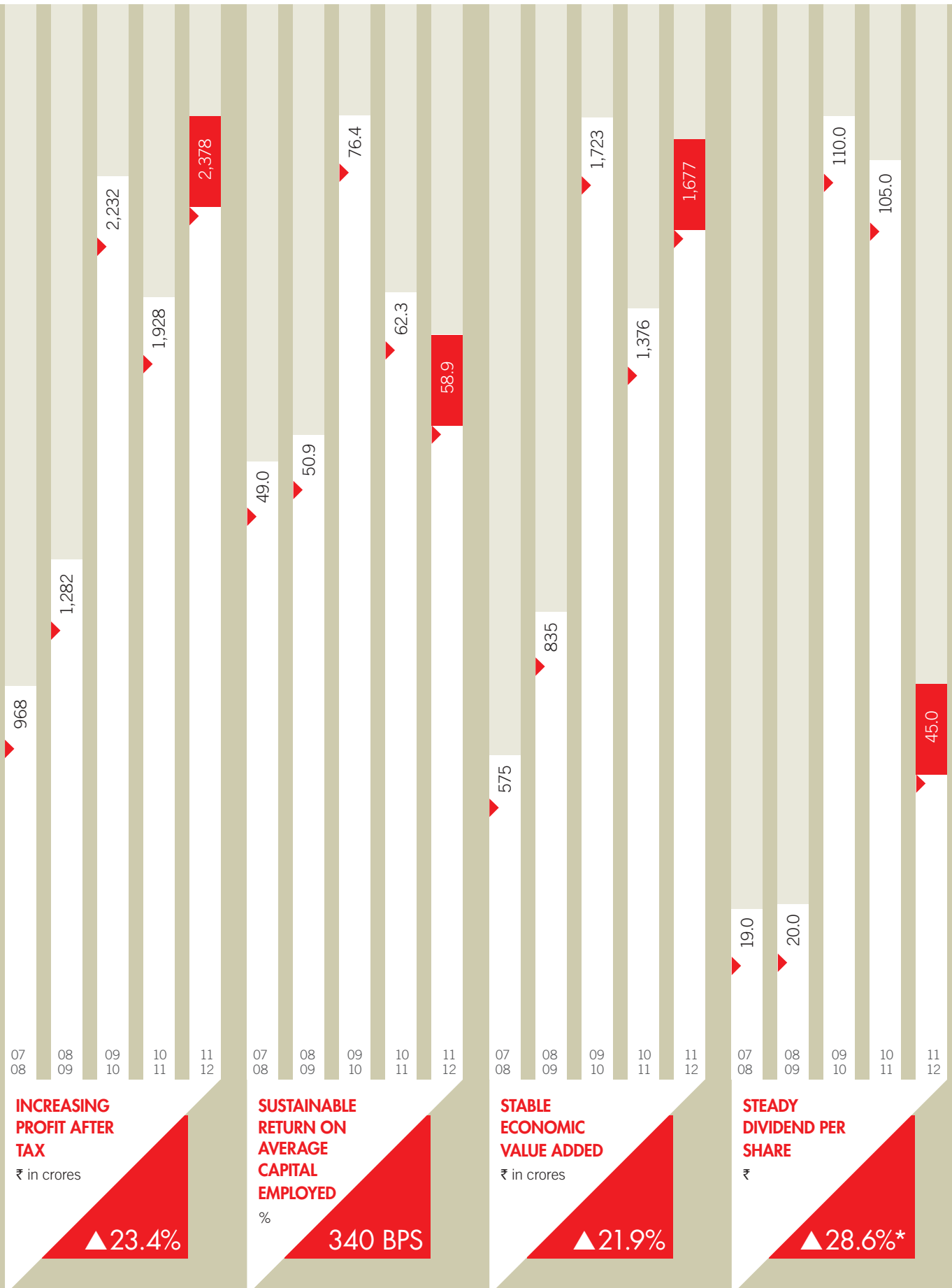
**We turned on the ignition, accelerated
with confidence and put strategies into
top gear for a focused, firm and
high-velocity ride across familiar
and unfamiliar roads.**

With more technological advancements, product launches, planned forays into new markets and geographies and a stronger brand visibility, we are enjoying our ride. We are also growing stronger each day with a consistent focus on innovation and quality.

We are countering headwinds, seizing opportunities and travelling faster than ever before. Inspired by the aspirations of a nation on the move. We are steady, sturdy and solid.

ON A Fast Track



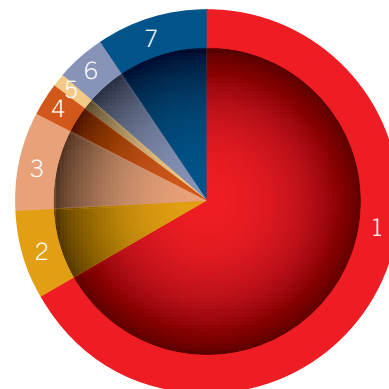


* Excluding Interim dividend of ₹ 70

2011-12 At a Glance

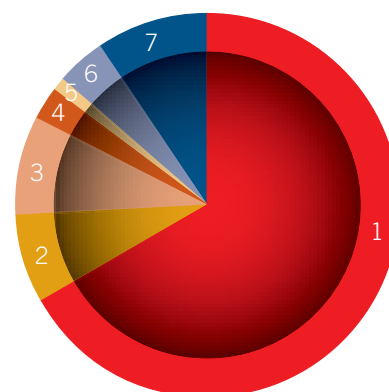
COMPOSITION OF REVENUE IN 2011-12

	₹ in crores	%
1 MATERIALS	17,281.57	67.51
2 OPERATIONS AND OTHER EXPENSES	1,943.16	7.59
3 TAXES AND DUTIES	2,142.57	8.37
4 EMPLOYEES	735.52	2.87
5 INTEREST	21.30	0.08
6 DEPRECIATION	1,097.34	4.29
7 SHAREHOLDERS AND RESERVES & SURPLUS	2,378.13	9.29
TOTAL	25,599.59	100.00



COMPOSITION OF REVENUE IN 2010-11

	₹ in crores	%
1 MATERIALS	14,111.11	66.86
2 OPERATIONS AND OTHER EXPENSES	2,135.18	10.12
3 TAXES AND DUTIES	1,894.22	8.98
4 EMPLOYEES	618.95	2.93
5 INTEREST	15.17	0.07
6 DEPRECIATION	402.38	1.91
7 SHAREHOLDERS AND RESERVES & SURPLUS	1,927.90	9.13
TOTAL	21,104.91	100.00



13.3%

CAGR growth
in SALES in the
preceding 5 years

18.9%

CAGR growth in
TOTAL INCOME
in the preceding
5 years

SLEW OF LAUNCHES

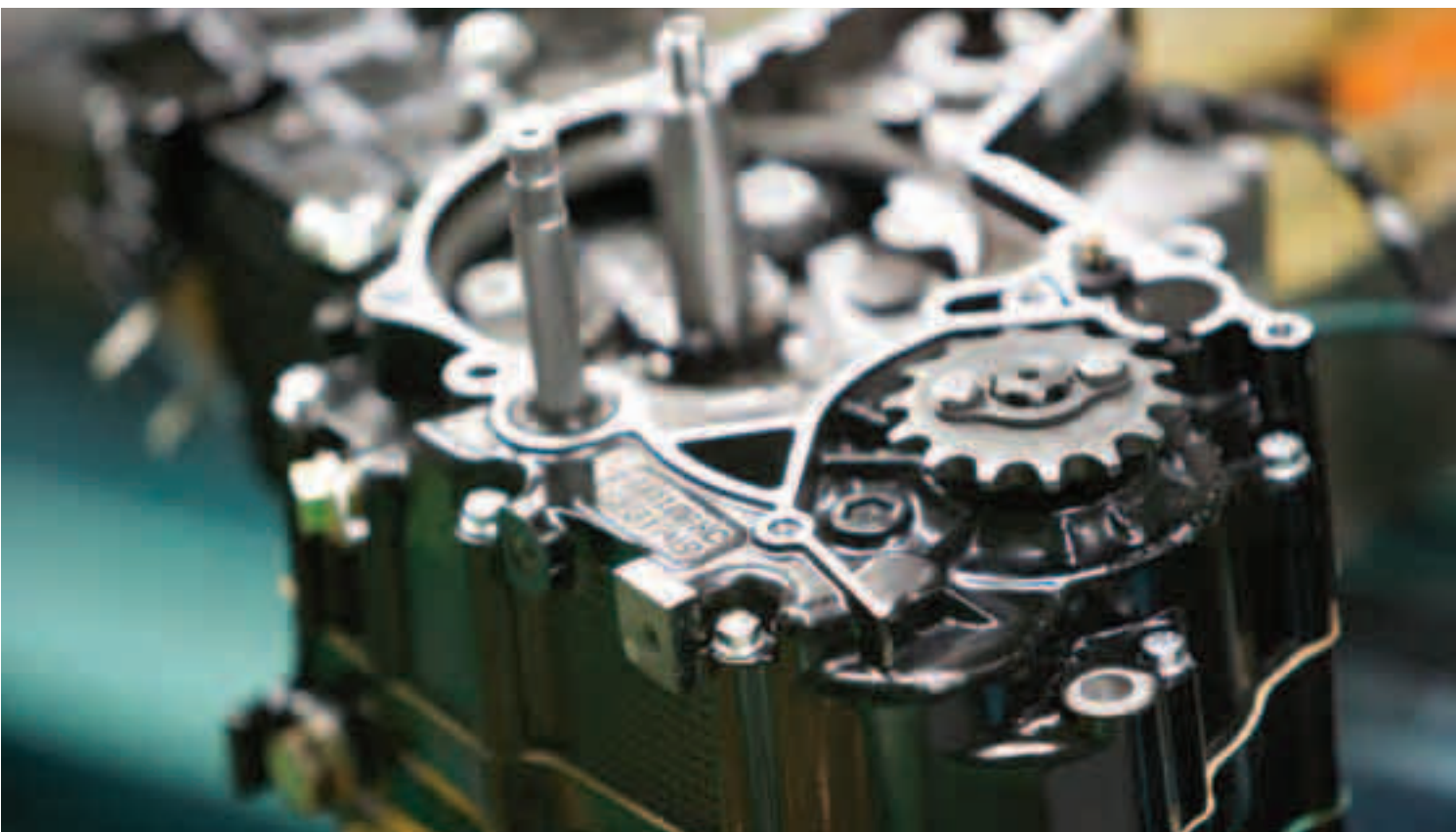
- ▶ Launched three new models, including variants of existing models successfully.
- ▶ Launched 'Impulse' (150cc), India's only dual-purpose on-road-off-road bike; launched the Company's first motorcycle under the 'Hero' brand name.
- ▶ Launched a new 110cc scooter 'Maestro', strengthening a steadily growing presence in the gearless scooter segment.
- ▶ Launched a thrilling new 125cc 'Ignitor' bike.
- ▶ Showcased a concept Hybrid scooter – 'Leap', unveiled an all-new 110cc Passion X Pro during the Auto Expo in Delhi.

UNMATCHED PERFORMANCE

- ▶ In its first full year of operations under its new avatar, Hero's two-wheeler sales grew 15% from 5.4 million in 2010-11 to 6.23 million in 2011-12.
- ▶ Recorded over 0.65 million unit retail sales of two-wheelers in October 2011, the highest-ever in a month. Surpassed the previous record of over 0.60 million sales in October 2008.

VISIBILITY

- ▶ Sponsored the men's and women's hockey qualifying events for the London Olympics 2012; the event, titled 'Hero FIH Road to London' and held in Delhi, witnessed the Indian men's hockey team qualifying for the London Olympics.
- ▶ Celebrated young achievers as Brand Ambassadors; Hero roped in popular Bollywood star Ranbir Kapoor.



18.1%

CAGR growth in
PROFIT BEFORE
TAX in the
preceding 5 years

22.6%

CAGR growth in
PROFIT AFTER TAX
in the preceding
5 years

POWERED BY A NATION.

Now Reaching Out to the World.

1984

Year of
incorporation
in India

Consistently
maintaining its
position as the
No. 1 two-wheeler
company in the
world for the 11th
consecutive year

Over **41.7 million**
two wheelers sold

Three globally
benchmarked
facilities, with a
combined installed
capacity of **6.35**
million units

17 different
products across
100cc, 125cc,
150cc, 225cc and
scooter category



Ariel view of Haridwar plant

45% market share
in the domestic
two-wheeler
market

56% market share
in the domestic
motorcycle market

Team Hero
comprises **6,106**
motivated people

Hero Goodlife is
the industry's
largest customer
relationship
management
programme, with
10 million
members

Declared a
dividend of
2,250% in
2011-12, i.e.
₹ 45 per equity
share of the
face value of
₹ 2 per share



2,250%

Declared a dividend of 2,250% in
2011-12, i.e. ₹ 45 per equity share of
the face value of ₹ 2 per share

41.7^{mn+}

Over 41.7 million two wheelers sold

10^{mn}

Hero Goodlife is the industry's largest
customer relationship management
programme, with 10 million members

THE WORLD Of Hero

VISION

The story of Hero Honda began with a simple vision – that of a mobile and empowered India, powered by its bikes.

The Company's new identity – Hero MotoCorp Ltd. – reflects its commitment towards providing sturdy and solid world-class mobility solutions with a renewed focus on steadily moving ahead and expanding the footprint in the global arena.

MISSION

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, solidity, sturdiness and setting benchmarks in technology, style and quality to convert its customers into brand advocates.

The Company provides an engaging environment for its people to perform to their true potential. It aims to continue its focus on value creation and enduring relationships with its partners.



BSE: 500182
NSE: HEROMOTOCO
Bloomberg: HMCL:IN



ROBUST STRATEGY

Hero MotoCorp's key strategies focus on building a steady and robust product portfolio across categories, explore growth opportunities globally, continuously improve its operational efficiency, aggressively expand its reach to customers, invest in brand-building activities and ensure customer and shareholder delight.

STATE-OF-THE-ART FACILITIES

- ▶ Two manufacturing plants are based at Gurgaon and Dharuhera in Haryana (India)
- ▶ One manufacturing plant is located at Haridwar, Uttarakhand (India)

BENCHMARKED CERTIFICATIONS

- ▶ Environmental Management Systems as per ISO 14001
- ▶ Occupational Health and Safety Management Systems as per OHSAS 18001
- ▶ Quality Management Systems as per ISO 9001

INCREASING PROXIMITY

- ▶ Pan-India footprint with 5,100+ customer touch-points
- ▶ 100,000+ villages covered through extensive rural India presence
- ▶ Global footprint across several nations

An undying Flame of Hope



'Hum Main Hain Hero' was unleashed as a part of the brand and corporate makeover. In a short span of time, our campaign captured the imagination of the entire nation – with its unique customer-produced videos and themes.

The new Hero has risen and is fully geared and poised to shine on the global arena. Our new corporate identity reflects our vision to strengthen focus on mobility and technology and create a global footprint by enabling solid and sturdy mobility solutions. Building and promoting a new brand identity will be central to all our initiatives, utilising every opportunity and leveraging our strong presence across sports, entertainment and ground-level activation. We, at Hero, are going through one of the most exciting and dynamic phases in our corporate journey.

"Dil Dheere Dheere Dhadke Aaj
Hone Ko Hai Aazad,
Safar Pe Chalne, Ka Badhne Ka.....

Itna Hai Hausla, Utna Faasla,
Manzil Ne Mil Hi Jaana Hai

Ooooh, Khwabon Se, Aage Jaana Hai

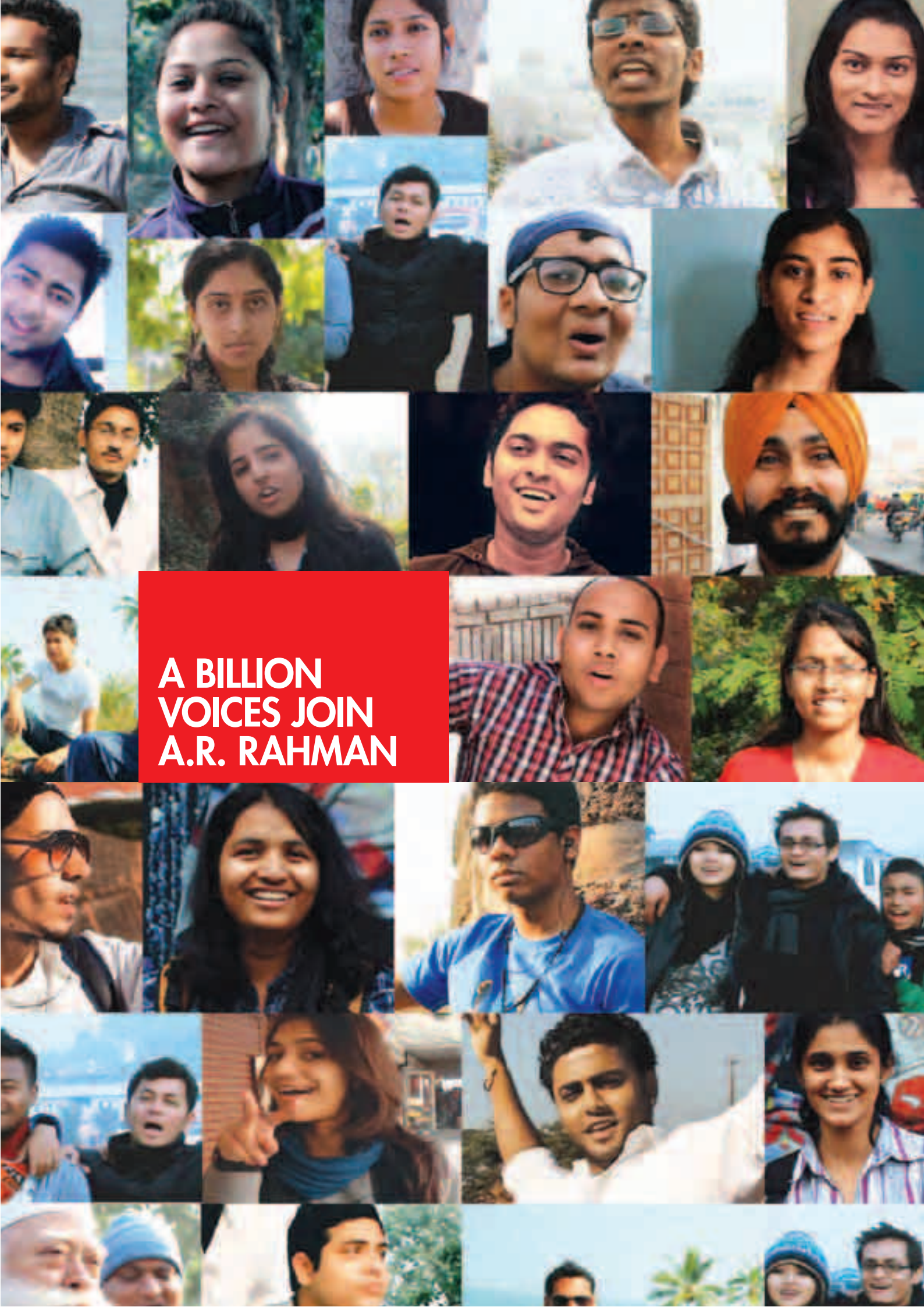
Humein Se Toh, Ummeeden Hain,
Humein Se Toh, Dilasa Hai
Humein Pe Hain, Nigaahen Bhi,
Humein Pe Toh Bharosa Hai

Hum Mein Hai Hero, Hum Mein Hai Hero,
Hum Mein Hai Hero, Hum Mein Hai Hero

Dil Se Kaho, Ye, Hum Mein Hai Hero
Mil Ke Kaho Ye, Hum Mein Hai Hero

Hum Mein Hai Hero, Hum Mein Hai Hero."





**A BILLION
VOICES JOIN
A.R. RAHMAN**

CHAIRMAN'S Communique

This is my 29th message to my shareholders, but hardly ever in the past have I felt such a keen sense of anticipation.

After a two-and-a-half decade evolution, which involved stages of partnership, incubation, development, growth and finally, realignment, our Company has now entered the most exciting and crucial phase of its journey.



Brijmohan Lall Munjal

Caged birds accept each other; but flight is what they crave for. When Pawan and I sat down to draft this communiqué last year, there was a feeling of being unfettered and free. And rightly so, as we were about to take off on our first solo flight.

Our first year of this flight has been extremely successful. All our stakeholders, including our customers, employees, investors, suppliers and dealers strongly supported and endorsed Brand Hero, as we bravely coursed through the transition.

Hero has overcome the high-base effect of the previous year and weathered the country's ongoing challenging business environment. It was a year in which interest rates peaked, inflation remained stubbornly high, the rupee weakened and consumer demand petered out. Even so, nearly six-and-a-quarter million customers remained undeterred and reposed their faith in Brand Hero. It was purely this faith of our customers, which enabled us to increase our market share and outperform the industry.

Well, it wasn't just our customers who demonstrated their unrelenting faith in us. Our eyes and ears in the market – our extensive dealer network – also showcased their unflinching support. In fact, we began the year with over 4,700 touch-points and gradually spread across the country to end the year with over 5,100 touch-points.

This strong endorsement from our customers and channel partners is what encouraged us to try and replicate the Hero success story overseas, especially in markets similar to ours.

You will read details of these plans and about all our other exciting plans to shore up our product and technology capabilities in the MD's message. On my part, all I would like to express is my supreme confidence about the future.

WHERE WE STAND

Ten years ago, 12% of Indian households owned two-wheelers; the 2011 census data indicates this figure has risen to 21%. It is my firm belief that the two-wheeler industry will continue to defy gravity and the base effect for many more years to come.

Around us, the times may be a bit challenging. Yet, at Hero, we are going through a very exciting and dynamic period, where skills, technologies and scales are getting built and developed for this decade, and the next.

Let me thank you, dear shareholders, for your whole-hearted and unflinching support over the past year. You have bestowed us with the conviction, strength and courage to prepare for, and face, the future. As we march ahead, I know I can continue to rely on your support to strengthen Brand Hero in India and across the world.



With regards,
Brijmohan Lall Munjal
Chairman

Nearly six-and-a-quarter million customers remained undeterred and reposed their faith in Brand Hero. It was purely this faith of our customers which enabled us to increase our market share and outperform the industry.

MD & CEO'S Review

"Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom."

Viktor E. Frankl

Quite clearly, our decision to go solo in December 2010 was the primary stimulus that set us off in a new direction. The world waited for our response.

I am delighted to report that we have responded successfully and accomplished our goal. We are, now, firmly and rapidly building our future with solid and sturdy mobility



Capacity expansion projects are swiftly underway at each of our three existing facilities. We have also planned two state-of-the-art and completely flexible plants at two separate locations. Both will be capable of manufacturing two-wheeler models across the value chain.

In the next two to three years, these plants will be up and running, taking our overall capacity to more than 9 million.

Pawan Munjal

Even as we grow, we continue to ensure that our legacy facilities are up to scratch in terms of quality and productivity. So I am especially delighted to report that the Company's oldest plant at Dharuhera won a TPM Excellence Award during the year in review. Quite clearly, old is gold!

We have also finalised plans for our fourth plant at Neemrana in Rajasthan, which will be located along the mega infrastructure project, Delhi Mumbai Industrial Corridor. The Neemrana facility will also house a brand new Global Parts Centre. The Centre will handle the spares requirements of 40 million existing customers and millions of new customers joining the Company's fold each year.

Brand Hero is set to capture the nation's heart in the same manner as Hero Honda did for as long as two-and-a-half decades.

During the year in review, we launched our first bike under the Hero brand name; till date, three new models have been launched. By September 2012, the Company's entire portfolio of products will get re-branded, well before the June 2014 deadline we earlier set for ourselves.

Well, we are not satisfied at just being India's market leaders. And we have taken significant first steps to establish Brand Hero globally. We endeavour to build the brand equity globally by sponsoring international motor sports. Planned forays into select African and Latin American markets are being put into implementation. To begin with, we are focusing on markets where the volumes are large and where our existing products can be exported with minimum changes. We anticipate our exports to grow at least by 25% in the current year. To sustain our efforts to emerge as a global player, we are in the process of setting up a new International Business organisation.

As we had promised in our message last year, we have taken rapid strides to create a technology platform and an R&D ecosystem. A plan to set up one of India's largest Auto Industry Technology & Integrated R&D Centre is being executed. This new facility, which is coming up at Jaipur, will have all the requisite

infrastructure facilities including labs for components, engine and complete vehicle testing. This will also have a design studio with the most up-to-date software for design and simulation. The facility will have a wide variety of test tracks, emulating the actual road conditions prevailing in India and other parts of the world.

A large number of designers and engineers across specialist domains have been inducted into R&D over the past year. Hero has also tied up with AVL, Austria, a global leader in engine design and development, to develop different categories of engines. Our engineers are also gaining deeper insights and knowledge on product design and engine development capabilities from the US motor biking firm, EBR. We are also open to striking other alliances, as and when required to complement our internal efforts. All this gives us the confidence that sooner rather than later, we shall have very deep domain knowledge on this subject.

I have always been fascinated by Charles Darwin's Theory of Evolution. What I find especially striking and intriguing is Darwin's notion that it's not always the strongest species that survive, nor the most intelligent, but the ones who are the most receptive to change. Having tasted success in our first full year as Hero, I would like to take inspiration from the power of these words as we drive into the future.



With regards,
Pawan Munjal
Managing Director & CEO

Firm grip on THE ACCELERATOR

We have a firm grip on the road, even at high speed. And the vision is clear. Growth is non-negotiable at Hero.

As we embark on our solo journey and make inroads into the fast-growing two-wheeler segment, we strive to identify new growth opportunities. With an eye on optimum resource mobilisation, we have lined up several growth plans. Some of these are:

- ▶ We have planned to construct a fourth plant at Neemrana, Rajasthan, with an initial ₹ 400-crore investment. The plant will provide direct employment to 1,000-plus people, and will have an annual installed capacity of 750,000 units.
- ▶ We have signed a State Support Agreement (SSA) with the Gujarat government to set up our fifth plant in the state. With an investment of ₹ 1,100 crore, the plant will possess an annual installed capacity of 1.2 million in the initial phase, which will grow to 1.8 million in the next phase. The plant aims to provide direct employment to 2,000-plus people.
- ▶ We are setting up a new state-of-the-art integrated R&D centre at Kukas, Rajasthan, with an initial investment of ₹ 400 crore. Built over an area of 250 acres, this will be the largest two-wheeler R&D centre in India and will employ 500-plus engineers.
- ▶ We are infusing substantial investments of ₹ 500 crore at our existing facilities at Dharuhera, Gurgaon and Haridwar in order to expand our capacities.

ROADMAP FOR FUTURE GROWTH

	INVESTMENT ₹ crores (Approximate)	OPERATIONAL (Approximate)
4th plant at Neemrana, Rajasthan	400	First quarter, FY2014
5th plant in Gujarat	1,100	Second quarter, FY2014
Integrated R&D Centre at Kukas, Rajasthan	400	Second quarter, FY2014
Capacity expansion at existing plants	500	-
Other investments	175	-

Ariel view of Haridwar plant





AHEAD, ALWAYS

Post expansion, the Company's total installed capacity will touch 9 million-plus units in two years – in line with the stated objective of producing 10 million units in the next five years.

9mn+

The surrounding landscape
keeps changing.

THE DETERMINATION DOESN'T.

As we travel further into unexplored
geographies, the picture is never the same.
But, our resolve to emerge as a truly global
corporate remains strong as ever.

**GLOBALLY
PREFERRED**

Exports grew 24%
during the year under
review, as we exported
164,570 two-wheelers.

164,570



We are sprucing up our sales network in the export markets. All exports to international markets will be made under the brand name 'Hero'.

More emphasis is being laid on existing export markets:

- **Sri Lanka:** An aggressive sales campaign was carried out, which helped us double sales in the scooter segment.
- **Bangladesh:** Mileage contests and exchange *melas* were held to increase brand resilience and visibility.

TRANSCONTINENTAL PRESENCE

As we plan to enter Central & Latin America and Africa, marketing and brand-building exercises will commence shortly in select markets across these locations. A new International Business Organisation structure is currently being implemented to drive this initiative and growth.

Several countries have been identified in Africa, Latin and Central America as potential international markets. Clearly, our focus will continue to be on markets, where volumes are large and products can be exported with no/ minimum changes.



Lending an ear TO THE FUTURE



We remain fully committed to emerge as a market leader and manufacturer of two-wheelers with futuristic technology. Our R&D team comprises 200 technically qualified experts, along with state-of-the-art infrastructure.

- ▶ We entered into a strategic partnership with Eric Buell Racing (EBR) of USA. Through this partnership, we plan to receive support in terms of cutting-edge technology and design to develop future models. This alliance is in line with our objective of further developing in-house R&D capabilities by leveraging strategic international alliances.
- ▶ We forged an alliance with AVL, Austria, a global leader in engine design and development, to develop different categories of engines. We sent our engineers to AVL to enable them to learn and execute engine development projects independently in the future.
- ▶ During 2011-12, we took several initiatives to strengthen our R&D capabilities. Several R&D engineers specialising in the field of designing, simulation, Finite Element Analysis (FEA), Computer-aided Engineering (CAE), prototyping, component testing and vehicle testing, among others, have been inducted to further strengthen the R&D team.



MAKING NEW INROADS

For the first time, Hero will enter the exciting world of international motorcycle racing through its association with Eric Buell Racing (EBR). The Company is sponsoring two teams: Team Hero and AMSOIL Hero. Popular young racer Danny Eslick will represent Team Hero, while Geoff May, another well-known racer, will represent Team AMSOIL Hero. Both these contestants will be riding EBR 1190RS bikes.

PORTFOLIO OF Products

100cc
Bike category



SPLENDOR PLUS



SPLENDOR PRO



PASSION PRO

My companion. My commitment.

My Hero Splendor NXG has been my most faithful companion for over five years now. It is reliable and offers great fuel economy. That means, I am able to meet the needs of my family and office with ease. Shifting gears and trouble-free clutching add to the pleasure of riding. Since it's easy to maintain, its unbeatable value for money.

Ramesh Vaidyanathan, 35, swears by his Hero Splendor NXG

My ride. My pride.

I bought my Hero Maestro only about a month ago and am already in love with it. It negotiates uneven and potholed roads with unbelievable ease, making the ride not just bearable, but also comfortable. Its lightweight frame allows effortless handling, but that doesn't take anything away from its powerful pick-up.

Shaurya Kapoor, 24, is rarely seen without his Maestro



MAESTRO

125cc Bike category

**GLAMOUR****SUPER SPLENDOR****IGNITOR**

150cc
Bike category



ACHIEVER



KARIZMA

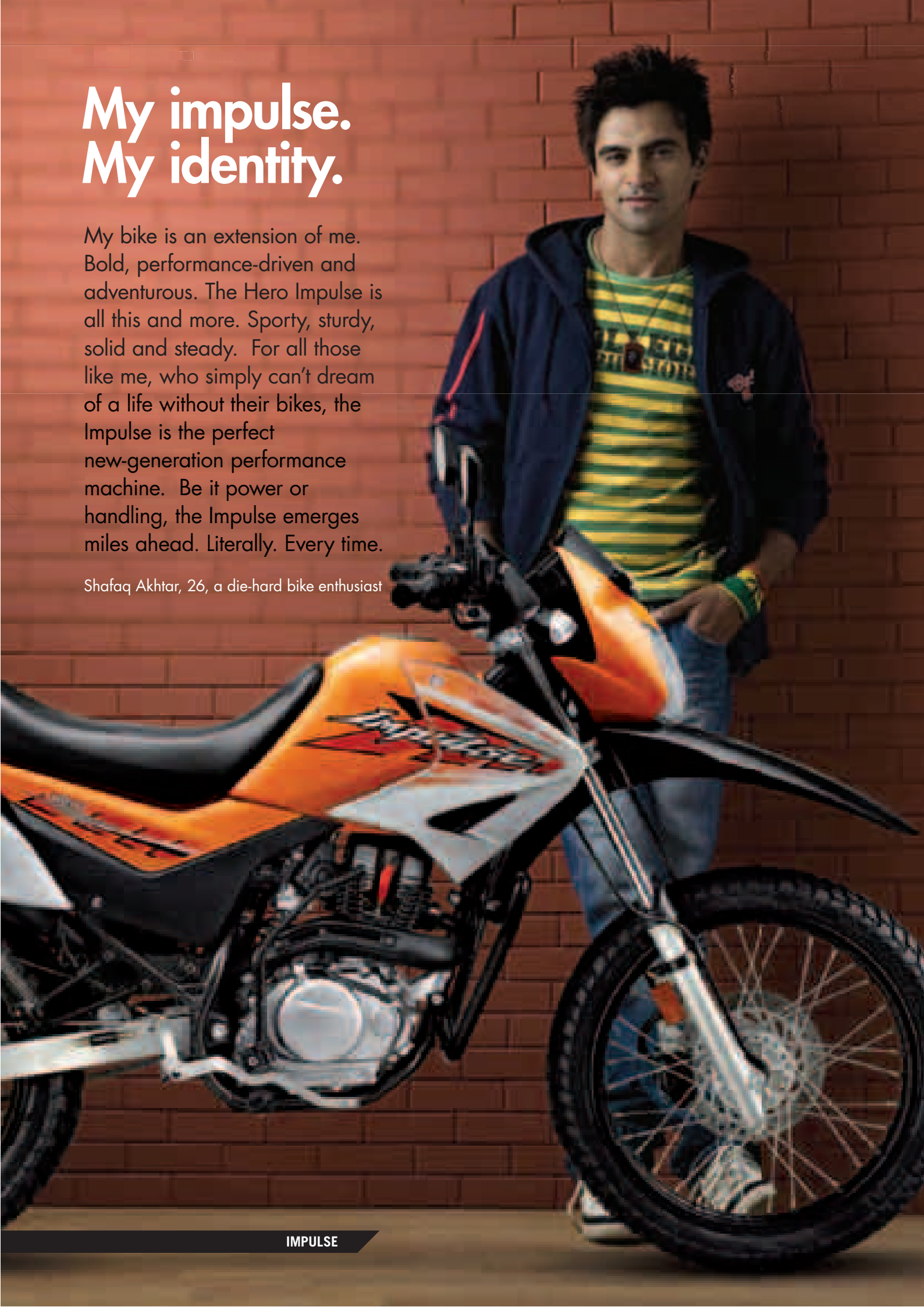


KARIZMA ZMR

My impulse. My identity.

My bike is an extension of me. Bold, performance-driven and adventurous. The Hero Impulse is all this and more. Sporty, sturdy, solid and steady. For all those like me, who simply can't dream of a life without their bikes, the Impulse is the perfect new-generation performance machine. Be it power or handling, the Impulse emerges miles ahead. Literally. Every time.

Shafaq Akhtar, 26, a die-hard bike enthusiast



IMPULSE

RECOGNISING Excellence

Awards conferred on
our Chairman,
**BRIJMOHAN LALL
MUNJAL**

Doctor of Science
(Honoris Causa) by
IIT Kharagpur

Lifetime
Achievement for
the Asia Pacific
Entrepreneurship
Awards 2011 by
Enterprise Asia

Degree of Doctor
of Philosophy in
Engineering and
Technology
(Honoris Causa) by
Guru Govind
Singh University



Awards conferred on
our Managing Director
& CEO, **PAWAN MUNJAL**
Business Innovator of the year Award by
NDTV Profit Leadership Award 2011



AWARDS FOR IMPULSE

- ▶ Best Motorcycle (up to 150cc category) — NDTV Car & Bike Awards, 2012
- ▶ Bike of the Year award — ET Zigwheels, 2011
- ▶ Bike of the Year (up to 150cc) award — ET Zigwheels, 2011
- ▶ Bike of the Year (up to 150cc) — The Car India & Bike India Awards
- ▶ Bike of the Year Award 2012 — Business Standard Motoring Awards, 2012

Awards conferred on
OUR CFO
 CFO Hall of Fame Award to
 Mr. Ravi Sud, CFO

CORPORATE AWARDS

- ▶ Effies Awards for Pleasure ('Question Mark' campaign) and Splendor NXG ('Yaari ki Gaadi' Campaign)
- ▶ Hero GoodLife, the Company's CRM programme, received the prestigious AIMIA Award at the 5th Loyalty Awards 2012 in the automotive sector (January 2012)
- ▶ CNBC: Most Effective Brand Transition
- ▶ NDTV: Hum Mein Hain Hero Campaign: Best campaign
- ▶ Promotion Marketing Awards of Asia — Order of Merit — GoodLife
- ▶ Echo award – Certificate of Excellence — GoodLife
- ▶ Colloquy award — Innovation in Loyalty marketing (International) — GoodLife
- ▶ AIMIA Loyalty awards — Winners in Customer & Brand Loyalty Awards — GoodLife
- ▶ IDMA — Best Integrated Campaign Corporate — Gold
- ▶ IDMA — Best Integrated Campaign Product/Services — Silver
- ▶ IDMA — Best use of PPC Product/Service — Bronze
- ▶ Best PR and Communication Team of the year — NDTV Car & Bike Awards, 2012

GREENING The Road Ahead

At Hero, 'green' is more than a business imperative. It is a commitment to secure our future and that of our children.

2011-12: LOOKING BACK

- ▶ Installed three gas generators, now 42% power generated on Liquefied Natural Gas (LNG) instead of furnace oil
- ▶ Installed 100 KW solar plant
- ▶ Converted paint shop ASUs from Propane to LNG
- ▶ Converted hot water generators from furnace to LNG
- ▶ Replaced 800 conventional tube-lights with low wattage tube rods and installed 360 LED tube rods on shop floor
- ▶ Saved 2500 KWH/day in DG axillaries by converting Furnace Oil engines into High-Speed Diesel (HSD) engines
- ▶ Converted Furnace Oil engines to HSD and used cheaper fuel (HSD) instead of FO for power generation
- ▶ Installed real-time clocks for 40 Blowers and FDVs to avoid idle running
- ▶ Provided power saving circuits in 100 machines to avoid idle running
- ▶ Reduced water extraction by using canal water from 1500 KL/Day to 300
- ▶ Increased STP water recycling from 300 to 450 KL/Day
- ▶ Replaced two conventional air-driers with energy efficient air-driers
- ▶ Replaced 30 units of conventional ACs with 5-star rated energy efficient ACs

- ▶ Converted incinerator from Propane to LNG
- ▶ Enhanced rainwater harvesting (ground water recharging) yield

2012-13: WAY FORWARD

- ▶ Install heat recovery on four engines
- ▶ Replace 2,000 conventional tube rods with LED rods
- ▶ Replace two screw compressors, with energy efficient centrifugal compressors
- ▶ Install power-saving circuits in 200 machines to avoid idle running

GREEN VENDOR DEVELOPMENT PROGRAM (GVDP)

In an effort to expand the horizons of its environmental practices, Hero MotoCorp is launching a Green Vendor Development Program (GVDP) in collaboration with its business partners.

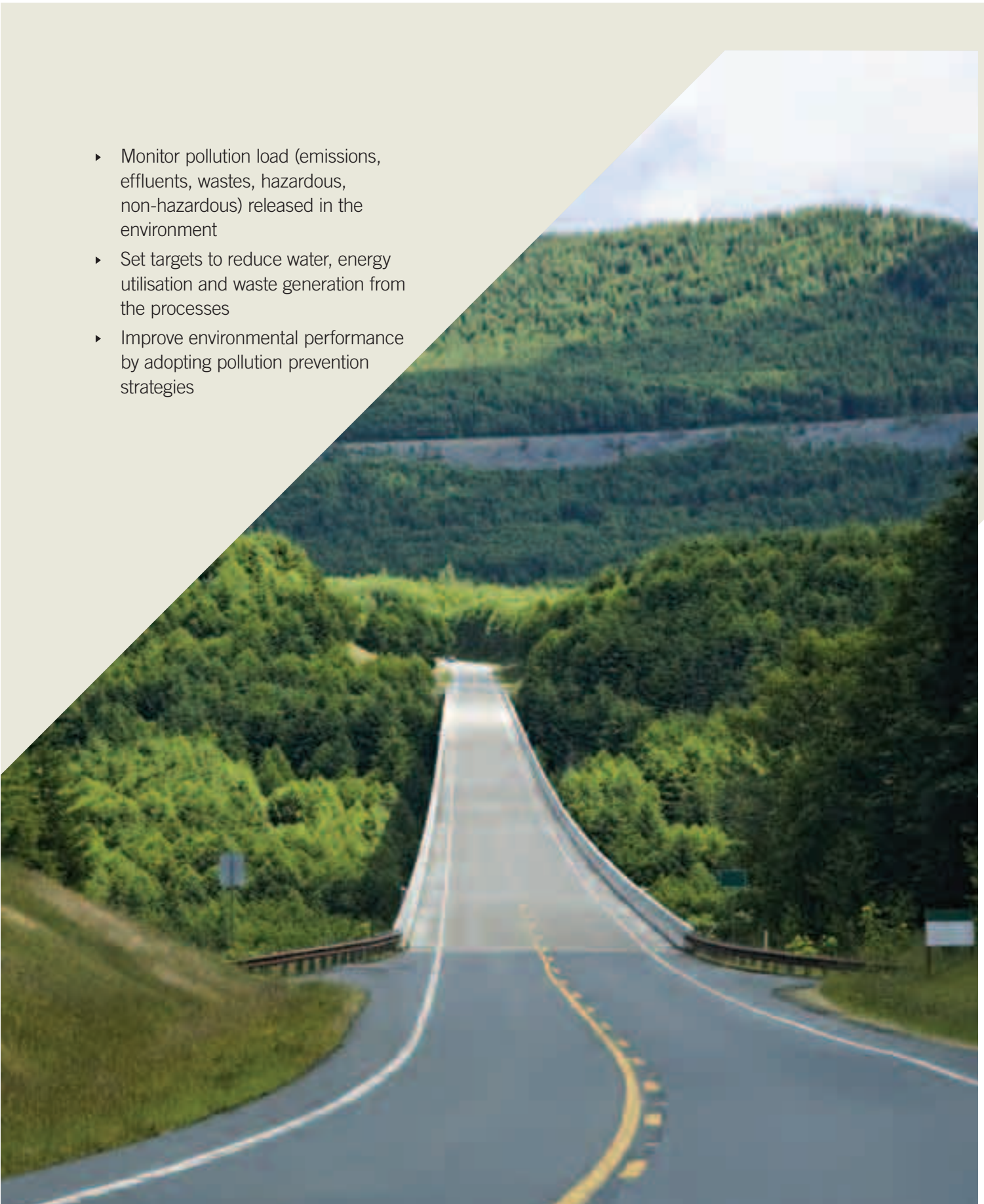
The Company is keen that vendors undertake the following actions and demonstrate continual improvement in their environmental performance:

- ▶ Establish an environmental footprint of their operations
- ▶ Develop green management policies to promote conservation of natural resources
- ▶ Institutionalise an effective Compliance Management Tool within the business strategy

Sustainable development lies at the core of Hero MotoCorp's vision of being one of India's 'most environment friendly' companies.



- ▶ Monitor pollution load (emissions, effluents, wastes, hazardous, non-hazardous) released in the environment
- ▶ Set targets to reduce water, energy utilisation and waste generation from the processes
- ▶ Improve environmental performance by adopting pollution prevention strategies



10-year Performance

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
SALES										
NOS.	1,677,537	2,070,147	2,621,400	3,000,751	3,336,756	3,337,142	3,722,000	4,600,130	5,402,444	6,235,205
GROWTH (%)	17.7	23.4	26.6	14.5	11.2	0.01	11.5	23.6	17.4	15.4
5-YEAR CAGR (%)					18.5	14.7	12.4	11.9	12.5	13.3
TOTAL INCOME										
(₹ crores)	5,195	5,997	7,559	8,870	10,090	10,517	12,565	16,099	19,688	23,944
GROWTH (%)	14.4	15.5	26.0	17.4	13.7	4.2	19.5	28.1	22.3	21.6
5-YEAR CAGR (%)					17.3	15.2	15.9	16.3	17.3	18.9
NET SALES										
(₹ crores)	5,102	5,832	7,422	8,714	9,900	10,332	12,319	15,758	19,245	23,368
GROWTH (%)	14.2	14.3	27.2	17.4	13.6	4.4	19.2	27.9	22.1	21.4
5-YEAR CAGR (%)					17.3	15.2	16.1	16.3	17.2	18.7
PROFIT BEFORE TAX										
(₹ crores)	885	1,072	1,217	1,412	1,246	1,410	1,781	2,832	2,405	2,865
GROWTH (%)	27.4	21.2	13.5	16.0	-11.8	13.2	26.3	59.0	-15.1	19.1
5-YEAR CAGR (%)					12.4	9.8	10.7	18.4	11.2	18.1
PROFIT AFTER TAX										
(₹ crores)	581	728	810	971	858	968	1,282	2,232	1,928	2,378
GROWTH (%)	25.5	25.4	11.3	19.8	-11.7	12.8	32.4	74.1	-13.6	23.4
5-YEAR CAGR (%)					13.1	10.8	12.0	22.5	14.7	22.6
OPERATING MARGIN										
(%)	15.5	15.6	14.6	14.6	10.8	11.8	12.7	16.2	11.4	10.7
OPBDIT MARGIN										
(%)	16.7	16.8	15.7	16.0	12.2	13.3	14.1	17.4	13.5	15.3
EARNINGS PER SHARE										
(₹)	29.1	36.5	40.6	48.6	43.0	48.5	64.2	111.8	96.5	119.1
DIVIDEND PER SHARE										
(₹)	18	20	20	20	17	19	20	110	105	45
DIVIDEND										
(%)	900	1,000	1,000	1,000	850	950	1,000	5,500	5,250	2,250

Economic Value Added (EVA) Statement

₹ crores

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Average Capital Employed	2,415	2,877	3,499	3,705	3,989	4,866
Average Debt/ Average Capital (%)	1.1	1.1	0.6	0.2	2.2	3.4
Average Equity/ Average Capital (%)	98.9	98.9	99.4	99.8	97.8	96.7
Cost of Debt (% post-tax)	0.6	0.9	1.6	1.9	1.4	1.2
COST OF EQUITY						
Beta	0.75	0.59	0.59	0.63	0.64	0.66
Cost of Risk Free Debt (%)	8.15	7.94	6.99	7.50	7.99	8.53
Market Premium (%)	10	10	10	10	10	10
Cost of Equity (%)	15.65	13.83	12.85	13.80	14.39	15.16
EVA						
Profit after Tax	857.89	967.88	1,281.76	2,231.83	1,927.90	2,378.13
Add: Interest*(1-tax rate)	1.02	1.32	1.67	1.39	10.55	14.39
NOPAT=PAT + Interest*(1-t)	859	969	1,283	2,233	1,938	2,393
Cost of Capital	374	394	448	510	563	715
EVA	485	575	835	1,723	1,376	1,677
Return on Capital Employed (%)	35.6	33.7	36.7	60.3	48.6	49.2
Weighted Average Cost of Capital (%)	15.5	13.7	12.8	13.8	14.1	14.7
EVA/Capital employed (%)	20.1	20.0	23.9	46.5	34.5	34.5
ENTERPRISE VALUE						
Market Capitalisation	13,753	13,869	21,390	38,827	31,739	41,041
Add: Debt	165	132	78	66	1491	995
Less: Financial Assets	2010	2698	3,588	5,833	5,200	4,041
EV (Enterprise Value)	11,909	11,303	17,880	33,060	28,030	37,995
EV/Year End Capital Employed (Times)	4.5	3.6	4.6	9.4	6.3	7.2

LEADERSHIP Team

Mr. Brijmohan Lall Munjal
Chairman



Mr. Pawan Munjal
Managing Director
& CEO



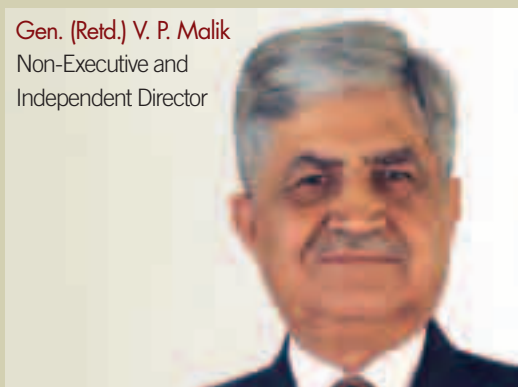
Mr. Suman Kant Munjal
Non-Executive Director



Mr. Paul Edgerley
Non-Executive Director



Gen. (Retd.) V. P. Malik
Non-Executive and
Independent Director



Mr. Analjit Singh
Non-Executive and
Independent Director



Mr. M. Damodaran
Non-Executive and
Independent Director



Mr. Ravi Nath
Non-Executive and
Independent Director



Mr. Sunil Kant Munjal
Jt. Managing Director



Mr. Pradeep Dinodia
Non-Executive and
Independent Director



Dr. Pritam Singh
Non-Executive and
Independent Director



Dr. Anand C. Burman
Non-Executive and
Independent Director



AUDIT COMMITTEE

Mr. Pradeep Dinodia
Chairman
Gen. (Retd.) V. P. Malik
Member
Dr. Pritam Singh
Member
Mr. M. Damodaran
Member

SHAREHOLDERS' GRIEVANCE COMMITTEE

Dr. Pritam Singh
Chairman
Mr. Pradeep Dinodia
Member
Mr. M. Damodaran
Member

REMUNERATION COMMITTEE

Gen. (Retd.) V. P. Malik
Chairman
Mr. Pradeep Dinodia
Member
Mr. Ravi Nath
Member

SENIOR MANAGEMENT TEAM

Mr. Ravi Sud
Sr. Vice President and CFO
Mr. Anil Dua
Sr. Vice President - Sales & Marketing
Mr. Vikram S. Kasbekar
Head-Operations and Supply Chain
Mr. Neeraj Mathur
Vice President - Strategic Sourcing and Supply Chain
Dr. Anadi S. Pande
Vice President - HRM, Corporate Planning & Strategy
Mr. Vijay Sethi
CIO & Vice President - Information Systems
Mr. Harjeet Singh
Vice President - R&D

COMPLIANCE OFFICER

Ilam C. Kamboj
Sr. G.M. - Legal and Company Secretary

CORPORATE Information

STATUTORY AUDITORS

A.F. Ferguson & Co.,
Chartered Accountants,
9, Scindia House,
Kasturba Gandhi Road,
New Delhi – 110 001, India
Tel: 011-2331 5884 / 2371 3899
Fax: 011-2331 4561
Email: affdelhi@bol.net.in

PRINCIPAL BANKERS

The Royal Bank of Scotland N.V.
Bank of America N.A.
Canara Bank
Citibank N.A.
HDFC Bank Ltd.
Hong Kong and Shanghai Banking Corporation Ltd.
ICICI Bank Ltd.
Punjab National Bank
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd

COST AUDITORS

Ramanath Iyer & Co.
Cost Accountants,
BL – 4, (Paschmi), Shalimar Bagh,
Delhi – 110088, India
Tel: 011-2748 1904, 4702 8048
Fax: 011 – 2748 1904
Email: info@ramanathiyer.com

REGISTERED AND CORPORATE OFFICE

34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi—110 057, India
Tel.: 011-4604 4100, 2614 2451
Fax: 011-2614 3321, 2614 3198
www.heromotocorp.com

REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081
Tel No. : 040 – 4465 5000
Fax: 040-2342 0814 / 2342 0859
Email: einward.ris@karvy.com
www.karvycomputershare.com
Toll Free No.: 1-800-3454001

PLANT LOCATIONS

Gurgaon Plant

37 K.M. Stone, Delhi-Jaipur Highway,
Sector 33, Gurgaon-122 001
Haryana, India.
Tel: 0124-289 4200, 237 2123
Fax: 0124 237 3141-42

Dharuhera Plant

69 K.M. Stone, Delhi-Jaipur Highway,
Dharuhera, Distt. Rewari-122 100
Haryana, India
Tel: 01274 264 000
Fax: 01274 267 018

Haridwar Plant

Plot No. 3, Sector – 10, Ranipur,
I.I.E., SIDCUL, Roshanabad,
Haridwar-249 403, Uttarakhand, India
Tel: 01334 238 500, 239 514-16
Fax: 01334 239 512-13



Management Discussion and Analysis

Global and Indian Economic Overview	38
Two-Wheeler Industry Perspective	42
Hero MotoCorp Overview	44
New Product Launches	48
Performance Scorecard	52
Supply Chain Management	54
Manufacturing Excellence	55
Propelling Ahead with IT	56
Talent Management	58
Risk Management	60

GLOBAL AND INDIAN Economic Overview



The global economic and financial landscape has changed, yet again.

Faced by the Eurozone debt crisis, 2011-12 was a year where powerful brakes were applied to all painstaking efforts aimed at putting the global economy back on the path of sustainable growth. Growth in the West, though tenuous as the year commenced, decelerated sharply, onwards of September 2011. At this point, any recovery in the advanced economies may get offset by a gradual slowdown in the emerging ones, as they mature.

MACRO REALITIES

China, the world's second-largest economy and an extremely vital link to maintaining the global economic momentum, is showing signs of a growth slowdown. Fresh data showed the economy posted lower growth during the January-March 2012 quarter. The slowdown can be attributed to lower exports and imports and declining domestic demand, which made the economy, post its weakest growth in nearly three years.

The other Asian tigers, too, witnessed a sober year. Singapore's economy shrank twice in last three quarters ending 2011. South Korea's economy grew a meagre 0.4% during the same period, its slowest pace in two years.

Recessionary conditions became a permanent feature during 2011 and problems in the periphery also spread to core nations like France and Italy. Serious questions were also raised about the sustainability of growth in United States, the world's largest economy.

INDIA: LOOKING BACK

The Indian economy, too, moved in sync with the global economy and was impacted by a combination of the global economic meltdown and some internal factors as well. At the onset of 2011-12, India's Economic Survey forecasted the economy to grow upwards of 8.5%, but the growth expectation was revised and tapered downwards to 7.5% by mid-year and further lowered to 6.5% by the year end.

Despite normal monsoon registered in most parts, India's agricultural and manufacturing sectors slowed during 2011-12. The agricultural sector grew a meagre 2.5%, mostly due to high-base effect of the previous year. Industrial production more than halved to 3%, compared with a whopping 8% growth recorded the year earlier. Sectors like capital goods and intermediate goods registered negative growths, whereas consumer durables decelerated sharply.

Besides the global environment, local factors also contributed heavily to the sharp decline across sectors in India. First, the decline in India's overall investment climate, which was hugely affected by a sharp increase in interest rates during the year. Second, the cost of capital ballooned with the Reserve Bank of India (RBI) raising its repo rate 13 times between March 2010 and October 2011. The rate was hiked by 375 basis points as the banking regulator struggled to contain price pressures and tame inflation. Besides, decline in domestic savings, slowdown in exports and the continuing policy paralysis at the Centre also dampened investor sentiment.

Towards the end of the year, India's economic performance added two more areas of concern: rising current account deficit and increasing crude price volatility. Disruption in supplies from Iran continued to nudge global crude oil prices higher in 2011. India also felt the pinch of rising oil prices, given its high dependence on imports. This affected the trade deficit, and thereby, the currency and inflation. India's current account deficit widened to 4.3% of GDP, exerting huge pressure on the Indian Rupee which depreciated against the US Dollar and lost more than 20% of its value during the year.

THE SILVER LINING

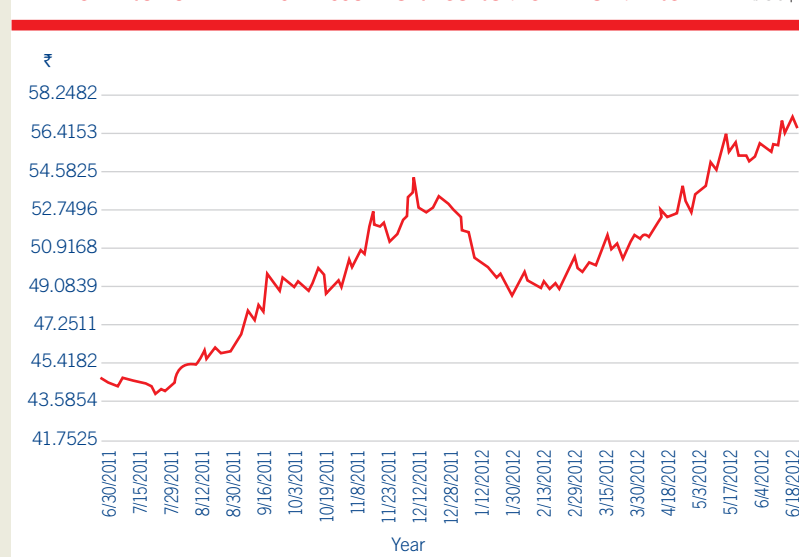
Yet the year had its own share of silver lining. Headline inflation, which had averaged to 9.5% over the last two years, receded towards the year-end as manufacturing and food inflation cooled off. Control over rising inflation enabled RBI to pause its policy of drastic monetary tightening. April 2012 witnessed the first lowering of repo rate by 50 basis points to boost the sagging economy. The second silver lining also came from the service sector which grew by a healthy pace of 9%.

INDIA'S ECONOMIC GROWTH: ON A DOWNWARD SPIRAL

	2010-11				2011-12				%
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
GDP at factor cost (at 2004-05 prices)	7.7	8.8	8.3	7.8	7.7	6.9	6.1	5.3	

(Source: Ministry of Statistics and Programme implementation)

DEPRECIATING RUPEE EXERTS PRESSURE ON ECONOMIC PERFORMANCE



WHAT LIES AHEAD

Despite the policy paralysis, India's growth is still among the highest in the emerging economies. In fact, the growth is spreading beyond towns and cities into smaller villages and semi-rural parts of India, what with rural consumption spend have risen 65% over the past five years. Though India's GDP growth of 6.5% during 2011-12 was below the 8.5% average of preceding 8 years, it's still among the highest in the world.

India has overtaken Japan to become the third-largest economy in terms of purchasing power parity, next only to United States and China. According to the data released by the International Monetary Fund (IMF), India's GDP in PPP terms stood at US\$ 4.46 trillion in 2011, slightly higher than that of Japan at US\$ 4.44 trillion. Hence, though the near-term outlook for India's economy appears uncertain, there's little doubt the country contains enormous potential to bounce back strongly in the medium to long-term. What further strengthens this belief is an increasing demand for services through new technology challenges, rising population and a rapidly growing mobile and internet user base.

Data from Census 2011 indicates 63% of Indian households own telephones; two-thirds of the houses have electricity; and one-in-three rural households now own a television set vis-a-vis one-in-five a decade ago. Moreover, over one in two households now have access to a bank, compared with little less than one-in-three indicated earlier in Census 2001 data. This perfectly describes the potent force of the Indian population as an emerging consuming class.

GDP TREND OF MAJOR ECONOMIES

%

Countries	2012	2011		
	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun
China	8.1	8.9	9.1	9.5
India	5.3	6.1	6.9	7.7
Australia	4.3	2.3	2.5	1.1
Japan	2.7	-0.5	-0.4	-1.7
United States	2	1.6	1.5	1.6
Canada	1.8	2.2	2.5	2
Germany	1.7	1.5	2.6	3
France	0.3	1.4	1.5	1.6
South Africa	2.1	2.9	3	3.3
Russia	4.9	4.8	5	3.4

Source: Trading Economics

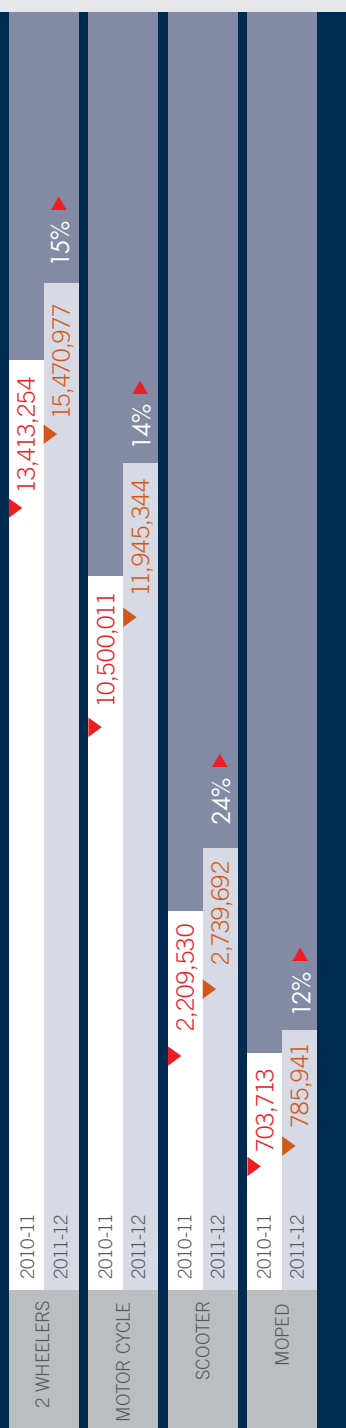


From being the world's 4th largest economy in terms of purchasing power parity, India has become the 3rd largest economy, after United States and China.

(Source: IMF)

TWO-WHEELER INDUSTRY Perspective





GROWTH IN INDIA'S TWO-WHEELER MARKET

Graph not to scale

UNDERLYING GROWTH DRIVERS

The increased consumer appetite for two-wheelers is especially promising. According to the data received from Census 2011, the share of Indian households owning two-wheelers spurted to 21%, having risen from 12% indicated in Census 2001. Not surprisingly, the two-wheeler industry continued to defy gravity and the base effect. During the year, more than 15.4 million two-wheelers were sold, recording a growth of 15% compared with 13.4 million units sold a year earlier. Each of the three industry segments posted double-digit growth.

Continuing the trend witnessed in the last few years, scooters emerged as the fastest growing segment in the two-wheeler industry. The segment grew 24% with annual sales of 2.7 million, inching close to the 3-million mark, compared with 2.2 million scooters sold in the previous year. Motorcycle sales grew 14% to 11.9 million units. Domestic motorcycle sales crossed the 10 million mark during the year, compared with 9 million units sold earlier. Moped sales jumped 12% from over 0.7 million units to over 0.78 million units.

INDIA'S RISING CONSUMPTION STORY

During the year, certain significant trends were noticed in the two-wheeler segment. Some of these were:

- ▶ Emergence of 125cc bikes as a distinct category
- ▶ Increasing preference of customers for mid-segment scooters
- ▶ Increasing competition in premium segment

HERO MOTOCORP Overview

After the culmination of a long and fruitful association with Honda of Japan, Hero MotoCorp transitioned smoothly into a new identity, and its re-branding has been warmly accepted by customers.

In its first full year of operation under its new avatar, Hero MotoCorp's two-wheeler sales grew 15% to 6.23 million, from 5.4 million sold a year earlier. Rising sales translated into a higher market share for the Company, which rose from 55% to 56%. In the domestic scooter market, Hero MotoCorp sold over 0.41 million units of its popular brand Pleasure — a 22% year-on-year growth, with a market share of 16%.





CONNECTING WITH BHARAT

Besides the corporate brand transition at Hero MotoCorp, the year also marked the birth of a new brand – Hero Bharat – reflecting the Company's sensitivity and commitment towards Rural India. The Company's rural vertical has evolved considerably since inception. With a vision of *Har Gaon Har Aangan*, Hero MotoCorp has reached out and connected with people in the hinterland. Through this initiative, we endeavour to strengthen our relationships with millions of our customers and stakeholders in rural India and bring them all together under the 'Hero' brand.

To take this initiative forward, the Company has appointed dedicated Rural Support Executives (RSE) at Hero dealerships who travel deeper into Indian villages to build relationships. The Company also launched *Bharat Ke Shreshth*, the first-ever rural immersion program for its support team in rural India. The Program includes a visit to its Gurgaon plant, followed by a training program where RSEs are sensitised about the vertical's objectives and business goals.

Khushiyan Har Aangan

Khushiyan Har Aangan is another rural connect program of the Company. During Diwali and Pongal, it connected with 600,000 people across 66,000 villages.

Naye Indian Ki Khoj

Another initiative which gained huge momentum during the year was *Naye Indian Ki Khoj*. This is an activation programme aiming to identify a Naya Indian in each district credited with significant contribution in the fields of education, women empowerment, social and health. This has proved to be a landmark programme which looks to adding sheen to Brand Hero and sensitising the youth to achieve a better quality of life. The initiative has so far received almost 20,000 nominations.



Goodlife: Customer Loyalty Program

GoodLife is a Customer Relationship Program introduced a decade ago, which endeavours to enhance customer satisfaction and initiate increased levels of member engagement.

The main objective of this Program is to make our customers our Brand Ambassadors to generate referral sales and boost service visits.

The GoodLife Program has enabled the Company build a consolidated base of 10 million plus loyal customers; in the process, a new distribution platform has emerged. GoodLife now contributes a huge 14% to the Company's overall sales (purely through referrals), in addition to incremental sales. GoodLife has emerged as the largest Customer Relationship Program in India, witnessing additions of 0.38 million members each month. During the year, the Program's member base shot up 16%, with new 4.51 million transactions being undertaken.

Besides aiming to increase the number of customers and volume of transactions, the Program seeks to enhance revenue opportunities for dealers as well. Different levels of engagement have been in-built into the Program with the aim of increasing its people engagement initiatives. Some of these are: transaction-based rewards, exclusive event invites, personal accidental insurance, service continuity bonus, transaction benefits on special occasions (birthdays, anniversaries), quarterly newsletters and interaction through a program website.

The Program began with a member transaction booklet, a replica of the Passport Booklet, which helps in engaging with customers. However, the Program has been e-enabled now to improve its geographical reach and efficiency level. It runs on the backbone of a robust and engaging front-end and a sound, solid and technical back-end. The Program includes customised technology, combining a mix of Magnetic Swipe/Bar Code.

Personalised Membership Cards are shared with GoodLife members, which are easy to carry, transact and earn/redeem rewards. Online member profiling and real-time customer feedback module (via questionnaires) are some more salient features of the Program. During the year, GoodLife has been the recipient of several accolades and awards on national and international platforms. Some of these were:

- ▶ 'Order of Merit' in PMAA awards 2011 under 'Best Activity Generating Short or Long Term Brand Loyalty' category
- ▶ Colloquy Award under Innovation in Loyalty Marketing (International) category
- ▶ Qualified as ECHO Finalist (5th place) in 2011 DMA International ECHO™ Awards competition
- ▶ Loyalty Award under Auto Sector

NEW Product Launches

Hero MotoCorp launched three completely new models during the year.

Launched Impulse — the first Hero branded bike — an entirely new segment in the Indian two-wheeler market, the 'off-road on-road' segment. Moreover the Company launched a new 110cc scooter Maestro, further strengthening its steadily growing presence in the gearless scooter segment. The Company also launched Ignitor — a thrilling new 125cc bike.



IGNITOR

Ignitor — a thrilling new
125cc bike.



MAESTRO

Maestro — 110cc scooter,
strengthening presence in
the gearless scooter segment.

Impulse

PLAY THE ROAD

Impulse — an entirely new segment
in the Indian two-wheeler market
— the 'off-road on-road' segment.



ENHANCING Brand Visibility



Brand Hero makes its presence as a way of life felt across India. Be it the celebration of individuality, friendships or festivals, our brand and bikes touches a chord with all customer segments.





PERFORMANCE Scorecard

SALES

The Company clocked total sales of 6.23 million units during the year 2011-12, recording a growth of 15.4%. In the previous year, the Company registered total sales of 5.4 million units. In value terms, total sales (net of excise duty) rose 21.4% to ₹ 23,368 crores, when compared with total sales worth ₹ 19,245 crores recorded in the previous fiscal year.

PROFITABILITY

The Company's Earnings before Interest Depreciation and Taxes (EBITDA) margins increased to 15.35%, up from 13.47% a year earlier, due to discontinuation of royalty payments on some models. Operating Profit (PBT before Other Income) increased from ₹ 2,210 crores to ₹ 2,521 crores. Despite healthy growth in sales, Operating Margin decelerated from 11.39% to 10.69% on account of higher input costs for raw materials and components.

OTHER INCOME (INCLUDING OTHER OPERATING REVENUE)

Other income registered a growth of 30.06% from ₹ 443 crores in 2010-11 to ₹ 576 crores in 2011-12.

CASH FLOWS

The free cash flow from operations stood at ₹ 2,360 crores, up from ₹ 2,254 crores in the previous year. This has been deployed in capital assets and investments and paid out as dividend during the year.

CAPITAL EXPENDITURE

During the year, the Company incurred a capital expenditure of ₹ 565.05 crores. These funds went invested in expansion and normal replacement of operations on behalf of the Company.

RAW MATERIAL COSTS

Hardening of metal prices during the year, particularly steel, copper, aluminium and nickel, resulted in a rise in raw material costs. Material costs, as a proportion of sales, shot up from 73.3% last year to 74.0% during the year, adversely impacting EBITDA margins.

CURRENT ASSET TURNOVER

Current Asset Turnover, indicating sales as a proportion of average current assets (excluding investments), marginally decreased from 18.1 times to 17.8 times. This was primarily due to higher average inventory, trade receivables and loans & advances.

DEBT STRUCTURE

Hero MotoCorp has been a debt-free Company for the past eleven years and incurs no borrowing costs. Finance cost includes interest on account of advances from dealers and other transactional costs.

DIVIDEND POLICY

The Company has followed a consistent policy of paying high dividends over the years, keeping in mind the cash-generating capacities, expected capital needs of business and strategic considerations. For 2011-12, the Board has recommended a dividend of 2250%, compared with 1750% declared in the previous year. This excludes special dividends declared in the previous years. Thus, the Company has maintained a pay-out ratio of 43.9% vis-a-vis 42.1% last year.

WORKING CAPITAL MANAGEMENT

The Company has always sought to efficiently use the various components of the working capital cycle. It has also effectively controlled the receivables and inventories, enabling it to operate on negative working capital.



SUSTAINED PERFORMANCE

GROWTH IN KEY RATIOS

	2011-12	2010-11
Inventory Period (in days)	10.5	10.3
Inventory and Receivable Conversion Period (in days)	13.4	12.4
Cash Cycle	-32.2	-34.8
Current Ratio	0.45	0.30
Acid Test Ratio	0.25	0.15

Notes on Working Capital:

An average of inventory, receivables and payables has been taken for calculation of inventory period, operating and cash cycle.

KEY INDICATORS OF PROFITABILITY

	2011-12	2010-11
Return On Average Capital Employed	58.9	62.3
Return On Average Equity	65.6	60.0
Profit After Tax / Income From Operations	10.1	9.9
Profit Before Tax / Income From Operations	12.1	12.8
Profit Before Interest And Tax / Income From Operations	12.2	12.9
Operating Profit Before Tax / Income From Operations	10.7	11.4
Operating Profit Before Depreciation, Interest And Tax / Income From Operations	15.3	13.5



SUPPLY CHAIN Management



As the Company prepares to produce a wider range of products, efforts are being taken to align the supply chain and prime up its supplier base. During the year, the Company kick-started the process of migrating its existing brands to the new brand. The exercise is expected to be completed during 2012-13.

During the year, the Company also commenced the process of working with its vendors to develop new parts. The Company's Supply Chain Management function is built on three planks:

- ▶ Cost
- ▶ Quality
- ▶ Sustainability

Tracking inventory cost effectively and efficiently is known to be a key source of competitive advantage in the automobile industry. Hence, it comes as no surprise that cost leadership is the Company's prime focus area. Continual pressure on margins forced the Company and its supply chain partners to find innovative and alternate ways to combat inflation. Considerable attention was given to managing component inventory in the system, with double-digit growth in inventory turnover.

To align HR processes with the supply chain, top two HR consulting firms in India are working with supply chain partners. The exercise is aimed at improving robustness of people processes and resulting in a direct impact on quality, cost, productivity, delivery and reliability. The move will enable supply chain partners move to the next orbit of operational excellence. The Company initiated more than 30 quality improvement projects with supply chain partners to provide better quality products to customers.

Green Vendor Development Program

Sustainability is the third plank of the Company's supply chain function. As many as 110 vendors have been enrolled so far in the Green Vendor Development Program, operational since five years. This initiative driven by Hero MotoCorp has resulted in more than 100,000 trees being planted by its Supply Chain Partners.

The World Environment Day is leveraged as a platform to review and acknowledge the commendable work done by the Company's Supply Chain Partners. Several success stories of improvements are posted on the Company's website for others to emulate.

MANUFACTURING Excellence

Despite a sharp slowdown witnessed in the manufacturing sector and most of the automobile sector, the two-wheeler segment continued to post strong growth. This was partly due to urbanisation (India has over 40 million plus cities) and a strong rise of 65% in rural consumption over the last five years.



OPERATION RAMP-UP

With demand for bikes recording a stupendous growth of 15% during the year under review, the Company's capacities were severely strained. This prompted it to augment its capacity at its three plants – up from 5.4 million units to 6.35 million – during the year. This was made possible through a number of de-bottlenecking measures. For example, the Company's plants were made leaner by outsourcing non-critical processes and operations. Besides this, a number of structural changes and alterations were made in its manufacturing strategy to effectively implement its Sales Plan for 2012-13. Major replacements were also executed in the paint and assembly shop, ensuring little or no shutdown along the assembly line.

Apart from the above measures, several innovative technologies were inculcated to reduce operational costs. Some examples of these are:

- ▶ A breakthrough technology for gear rolling was implemented for mass-production
- ▶ Fine blanking, an alternate process of hobbling, was introduced for sprocket components
- ▶ Advanced cam grinding was introduced to increase productivity and control costs

The Company's oldest plant at Dharuhera was in the limelight for two specific reasons:

- ▶ Wage negotiations were concluded
- ▶ Plant won TPM Excellence Award

The Company continues to set new industry benchmarks in the areas of energy conservation and sustainability. Vapour absorption machines and heat recovery units were installed during the year to utilise waste heat from Gas DGs for air-conditioning and pre-heating of hot water generation. Other green initiatives included projects on waste water management, LED lighting and solar power. These cost leadership and green projects yielded considerable savings to the Company within a short period of time.

PROPELLING Ahead with IT

During the year, the Company further strengthened its technology backbone. It endeavoured to bring in more synergy between three significant aspects of business excellence – people, process and technology.

The Company's focus areas to achieve this were:

- ▶ Enabling seamless and more effective information flow within the organisation and with external partners;
- ▶ Creating better platforms for employee talent and performance management;
- ▶ Increasing operational efficiency and providing a prompt decision support system.

TECHNOLOGY

During the year, the Company profoundly emphasised on enhancing the existing technology landscape and also ushering in new technologies to improve upon its operations.

Hero Connect, the Company's Dealer Management System, was expanded further. The objective of this system is to enhance operational efficiency at the organisation and dealer level and standardise customer experience. By the end of the year, the system was successfully deployed at 645 dealerships across the country. In the next step, the system will be in the process of being deployed further to the next-tier of customer touch-points.

Besides this, various other IT applications were enhanced during the year in order to provide them with better collaboration capabilities.

The Company also undertook efforts to improve its operational efficiency and supply chain. Enhancement was also done in the analytics area to ensure the organisation had a strong decision support system. Besides, an advanced system for business reporting and dash-boarding has been deployed to ensure reporting processes are made more effective.

A major focus during the year was also on Talent Development. The Company deployed effective systems for learning and performance management of employees. Since these processes were earlier carried out manually, automation in these helped the Company manage them more efficiently. To ensure organisational data is stored in a secure manner which is retrievable in case of a disaster, the Company implemented an organisation wide end-user backup system.

ADHERING TO INTERNATIONAL STANDARDS

In line with expected regulatory changes, Hero MotoCorp initiated the requisite changes to implement the process of complying with International Financial Reporting Standards (IFRS). With an aim to keep pace with technological developments and advancements, the Company extended some of its applications to mobile devices and also put in place several new initiatives in this segment. The Disaster Recovery Setup was also extended to cover major applications, apart from significant upgradation of IT infrastructure across locations. Some key areas on which the Company intends to focus are:

- ▶ Upcoming technologies (such as social media and mobility)
- ▶ Enhancing analytics capabilities
- ▶ Improving capabilities of partners
- ▶ Supporting Research & Development

PEOPLE

A huge amount of thrust was put into this initiative by imparting relevant training to employees and third-parties to enhance usage of new systems and technologies. The IT team was also imparted with relevant exposure and training to enable them to keep pace with technological developments.





PROCESSES

The Company further strengthened its business processes and is one of the few organisations in India's automotive domain to have gone for certification of processes in the IT domain.

The Company was recertified with ISO 27001, a coveted certification for Information Security Management Systems, and was also awarded the Customer Center of Expertise by SAP. The certificates stand testimony to the quality processes efficiently and consistently followed by the Company. It received various other accolades for excellence in IT management; prominent among these are:

- ▶ PC Quest (Best IT implementation Award) Maximum Business Impact
- ▶ InformationWeek EDGE Award
- ▶ SAP ACE Award
- ▶ CXO Award (CIO/ CTO of the Year — India)
- ▶ Global CIO Award
- ▶ CIO Champion Award
- ▶ Cloud Pioneer Award
- ▶ CIO Hall of Fame Award
- ▶ CIO Grandmaster for Collaboration
- ▶ Green IT Enterprise Award

TALENT Management





Talent sourcing and management continues to be at the heart of Hero MotoCorp's Human Resource strategy.

A 'Build Talent' strategy was explored at campuses across India, while a 'Buy Talent' strategy was implemented by augmenting entries with domain expertise in different areas. Expatriate hiring added a whole new dimension to Hero MotoCorp's manpower strategy during the year.

Yet another mechanism created was to integrate 'Borrow Staff' into regular rolls through the use of an evaluation framework. By the year end, Hero MotoCorp had a workforce of nearly 6,000 employees. The winning of the TPM Excellence Award for being the oldest plant was a major milestone in Hero MotoCorp's journey towards excellence.

HUM MEIN HAI HERO

On the managerial side, Hero MotoCorp's Senior Management staff underwent various Training Programs aimed at holistic development, such as the spiritual 'Yoga Sutras for Self Realisation' Program. A visioning exercise was conducted among the senior personnel to arrive at a new Mission Statement, while a Lominger Model-based competency framework was developed to craft organisational competencies.

On the softer side, women-focused programs on work-life compass were organised for our women employees. This program was well appreciated by all the women employees. Other programs were organised for employees, such as the National Management Quiz and Business Simulation Games to provide talent showcasing and a development platform.

KEY PERFORMANCE INDICATORS

The Company's attrition rate at 6.6% was marginally higher than 6.1% last year, but lower vis-a-vis other automotive companies India. A recent survey conducted by the Society of Indian Automobile Manufacturers (SIAM) indicated that the average attrition rate in the automotive and component manufacturing industry during 2011-12 was 12.5%.

During the year, Aon Hewitt, a leading HR consulting firm, was hired to conduct an Employee Engagement Survey. This survey, the response rate of which was 89%, evinced participation from 1,800 employees. The objective of this survey was to seek inputs on current organisational strengths and issues needing attention. The aim was to enhance the Company's effectiveness and help it become a well-organised, diversified and transnational corporation, with an acute focus on capability development and in attracting and retaining talent. The survey indicated our engagement levels were close to the 'High performance, Best employer' range.

RISKS AND Prospects

CURRENCY DEPRECIATION

A flight of safety to the US dollar and India's ballooning current account deficit resulted in the Indian rupee depreciating 15-20% of its value in a year. If the rupee further continues its downfall, costs of imported spares, technology royalties, raw materials and capital goods can significantly shoot up, impacting the Company's bottom line.

INFLATION

Inflation is finally moderating after a two-year hiatus, but the plunging Indian rupee and uncertainty in crude oil prices have the capability to dampen sentiments. An uptick in inflation during 2012-13 can stall or pause the process of monetary easing, thereby impacting consumer sentiment.

INTEREST RATES

The Company has not been significantly affected by the higher interest rate scenario owing to a strong balance sheet and healthy cash flows. However, in the event of significant expansions being planned by the Company, rising interest rates can increase the cost of capital and also impact the operations of crucial vendors. In order to counter this challenge, the Company is pursuing an aggressive policy of multiple sourcing.

GLOBAL UNCERTAINTY

With the Company having firm plans to increase its footprint in Latin America and Africa, it will become more susceptible to country-specific as well as region-specific geo-political events. Considering this, the Company is chalking out an overseas entry strategy, post-careful consideration of local dynamics.

COMPETITION

The Company has completed its first full year of operations, post its new brand identity. However, the level and intensity of competition from Hero MotoCorp's erstwhile partner is expected to shoot up by many notches. Product launches pitted against Hero MotoCorp's strongest brands can exert some pressure on market share, but the Company is adequately prepared to defend and consolidate its strong turf.

R&D

To enable the Company succeed in an altered landscape, the R&D function is being set up afresh with a strong focus on technology sourcing and new product development. New alliances and technology tie-ups were finalised during the year under review, but it will take a while before the Company is ready with a solid portfolio of its own products.





Directors' Report

DEAR MEMBERS,

We, the Directors of Hero MotoCorp Ltd., are delighted to present the 29th Annual Report for the financial year 2011-12. The Report is being presented along with the Audited Statement of Accounts of the Company for the financial year ended March 31, 2012, of its first complete financial year since embarking its solo journey.

FINANCIAL RESULTS

Particulars	For the year ended	
	March 31, 2012	March 31, 2011
Gross Sales of Products	25,024.04	20,662.39
Total Revenue	23,943.60	19,687.55
Profit before Finance Costs & Depreciation	3,983.35	2,822.31
Less: Finance Costs	21.30	15.17
Depreciation	1,097.34	402.38
Profit before tax (PBT)	2,864.71	2,404.76
Less: Provision for tax		
- Current	569.76	475.76
- Deferred	-38.51	94.02
- Minimum Alternate Tax Credit	-44.67	-92.92
Profit after tax (PAT)	2,378.13	1,927.90
Add: Balance of profit brought forward	1,444.80	2,146.55
Balance available for appropriation	3,822.93	4,074.45
Appropriations		
Dividend		
- Interim	-	1,397.81
- Proposed Final	898.59	698.91
Corporate Dividend Tax	145.77	340.14
Transfer to General Reserve	240.00	192.79
Balance carried to Balance Sheet	2,538.57	1,444.80
Dividend (%)	2,250	5,250
Basic and Diluted Earnings Per Share (EPS) (₹)		
- before exceptional items	119.09	100.53
- after exceptional items	119.09	96.54

BUSINESS PERFORMANCE

Fuelled by its landmark sales of over 62,35,205 units in this financial year compared to 54,02,444 units for the last financial, your Company notched 15.41% growth in sales. In value terms total sales (net of excise duty) increased by 21.42% to ₹ 23,368 crores from ₹ 19,245 crores in 2010-11.

During the year, the Company not only retained its position as the World's largest Two-Wheeler manufacturer Company but continued to lead with the domestic market share of around 45%.

Net Income from Operations of the Company grew by 21.55%, from ₹ 19,398 crores to

₹ 23,579 crores in 2011-12. The Company's Earnings before Interest Depreciation and Taxes (EBITDA) margins stands at 15.35% in 2011-12. Profit before Tax increased by 19.13% from ₹ 2,405 crores in 2010-11 to ₹ 2,865 crores in 2011-12.

The operating margin stands at 10.69% in 2011-12 as compared to 11.39% in 2010-11 on account of higher prices of raw materials & components. The Company's Profit after Tax (PAT) increased by 23.35% from ₹ 1,928 crores in 2010-11 to ₹ 2,378 crores in 2011-12.

The Company successfully launched 3 new models including variants during the year under review.

A detailed discussion on the Company overview has been given in the chapter on 'Management Discussion and Analysis' (MDA).

DIVIDEND

Due to strength of the operations and the resultant strong financial position, your Directors are pleased to recommend a Dividend of 2,250% i.e. ₹ 45 per Equity Share of the face value of ₹ 2 per share, aggregating to ₹ 898.59 crores (exclusive of tax on Dividend), for the financial year ended March 31, 2012 for your approval. The Dividend, if approved will be paid to the eligible members well within the stipulated period.

TRANSFER TO GENERAL RESERVE

Reaffirming the financial strength of the Company, a sum of ₹ 240 crores has been transferred to the General Reserve of the Company for the financial year 2011-12.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year under review, the Company has transferred unpaid / unclaimed dividend for 2003-04 (final) amounting to ₹ 3.03 crores to Investor Education and Protection Fund (IEPF) of Government of India.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company have occurred between April 1, 2012 and the date on which this Report has been signed.

CAPACITY EXPANSION, NEW PROJECTS & ALLIANCES

Your Company proposes to raise the bar by bringing in technologically-advanced two-wheelers with value-added features in the financial year 2013. Further, to be able to meet growing demand for the products, your Company would add capacity at its three existing plants. Also a Parts Centre to cater to the rising volumes would be established soon. With these initiatives in pipeline about 400 more touch points would be added to the existing distribution network.

Your Directors are happy to announce the forging of alliances with the US-based Erik Buell Racing (EBR) and Austria based AVL for quickly scaling-up and supplementing the own in-house R&D capabilities and engine technologies.

BOARD OF DIRECTORS

In terms of the provisions of the Companies Act, 1956 & the Articles of Association of the Company, Mr. Ravi Nath, Dr. Anand C Burman and

During the year, the Company not only retained its position as the World's largest Two-Wheeler manufacturer Company but continued to lead with the domestic market share of around 45%.

Mr. Suman Kant Munjal, Directors of the Company, shall retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Analjit Singh, Director of the Company also retires by rotation alongwith the aforementioned Directors at the ensuing Annual General Meeting. He being over stretched with many commitments expressed his willingness to not to be re-appointed as Director at the ensuing Annual General Meeting.

Your Directors place on record their deep appreciation and wish to thank him for his immense and fruitful contribution during his tenure as Director on the Board.

Brief resume/details of the Directors, who are to be re-appointed as mentioned herein above has been furnished alongwith the Notice of the ensuing Annual General Meeting.

The Board recommends their re-appointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

1. that in the preparation of the annual accounts for the year ended March 31, 2012, 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 as at March 31, 2012 and of the profit of the Company for the financial year ended March 31, 2012;
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; and
4. that the annual accounts for the year ended March 31, 2012 have been prepared on a going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed chapter on, 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement is annexed and forms part of this Annual Report.

CORPORATE GOVERNANCE

At Hero MotoCorp Ltd., it is our firm belief that the essence of Corporate Governance lies in the phrase 'Your Company'. It is 'Your' Company because it belongs to you – the shareholders. The Chairman and Directors are 'Your' fiduciaries and trustees. Their objective is to take the business forward in such a way that it maximises 'Your' long-term value.

Your Company is committed to benchmarking itself with global standards for providing good Corporate Governance. It has put in place an effective Corporate Governance System which ensures that the provisions of Clause 49 of the Listing Agreement are duly complied with.

The Board has also evolved and adopted a Code of Conduct based on the principles of Good Corporate Governance and best management practices being followed globally. The Code is available on the website of the Company www.heromotocorp.com. A Report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed hereto as Annexure - I.

INTERNAL CONTROL SYSTEMS

The Company has a proper and adequate system of internal controls. This ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition and those transactions are authorised, recorded and reported correctly.

An extensive programme of internal audits and management reviews supplements the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose. The internal control system has been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The Company also has an Audit Committee, comprising 4 (four) Non-Executive & Independent, professionally qualified Directors, who interact with the Statutory Auditors, Internal Auditors, Cost Auditors and Auditees in dealing with matters within its terms of reference. The Committee mainly deals with accounting matters, financial reporting and internal controls. During the year under review, the Audit Committee met 5 (five) times.

AUDIT COMMITTEE RECOMMENDATION

During the year there was no such recommendation of the Audit Committee which was not accepted by the Board. Hence, there is no need for the disclosure of the same in this Report.

The Company's Profit after Tax (PAT) increased by 23.35% from ₹ 1,928 crores in 2010-11 to ₹ 2,378 crores in 2011-12. Net Income from Operations of the Company grew by 21.55%, from ₹ 19,398 crores to ₹ 23,579 crores in 2011-12.

RISK MANAGEMENT SYSTEM

Your Company follows a comprehensive system of Risk Management. Your Company has adopted a procedure for risk assessment and its minimisation. It ensures that all the Risks are timely defined and mitigated in accordance with the well structured Risk Management Process. The Audit Committee and Board reviews periodically the Risk Management Process.

RATINGS

The rating agency ICRA Limited, has reviewed and reaffirmed [ICRA] AAA (pronounced ICRA triple A) and [ICRA] A1+ (pronounced A one plus) rating for the bank facilities. ICRA has also reaffirmed [ICRA] AAA rating for non convertible debenture programme of the Company and issuer rating of IrAAA (pronounced IR triple A). The long-term rating has been assigned a "Stable" outlook.

The rating agency CRISIL, during the year under review, assigned the rating of "CRISIL AAA" for Long term instrument Category. Rating of "FAAA" for Fixed Deposits, Rating of "CRISIL A1+" for Short term Category and CRISIL GVC Level 1 for Governance and Value Creation Rating respectively to your Company.

FIXED DEPOSITS

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

AUDITORS

During the year under review, M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi, Auditors of the Company have submitted their resignation vide letter dated April 26, 2012 as Auditors of the Company at the forthcoming Annual General Meeting.

The Board in its meeting held on May 2, 2012 considered and recommended for the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors, in place of M/s. A. F. Ferguson & Co., after considering the recommendation of Audit Committee. Further the Company has received a certificate dated April 26, 2012 from M/s. Deloitte Haskins & Sells to the effect that their appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956 and they are not disqualified in terms of Section 226 of the Companies Act, 1956 from being appointed as Statutory Auditors of the Company.

AUDITORS' REPORT

The observations of Auditors in their Report, read with the relevant notes to accounts are self explanatory and therefore do not require further explanation.

COST AUDITORS

The Board has re-appointed M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi, as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the financial year 2012-13 and the necessary application for obtaining the requisite approval has been filed with the Central Government. The Cost Auditors' Report for the financial year 2011-12 will be filed with the Central Government in pursuance of the provisions of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as Annexure - II and forms an integral part of this Report.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY INITIATIVES

The Ministry of Corporate Affairs had in July 2011, come out with the "National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business". Further SEBI has in-principally approved the reporting of measures taken by the Companies alongwith the key principals elucidated in the above referred Guidelines. The Board of Directors wish to place on record that in this Annual Report, the same are covered at appropriate places, though may be not in a structured manner. Your Company has taken number of initiatives and achieved many milestones in the areas of Economic, Environmental and Social Sustainability and the same are reported to concerned agencies from time to time.

Now the appropriate framework is being prepared for such reporting in the future.

LISTING

The shares of your Company are presently listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

The Directors are happy to announce the forging of alliances with the US-based Erik Buell Racing (EBR) and Austria based AVL for quickly scaling-up and supplementing the own in-house R&D capabilities and engine technologies.

PERSONNEL

As on March 31, 2012 the total numbers of employees on the records of the Company were 6,106.

Your Directors place on record their appreciation for the significant contribution made by all employees, who through their competence, dedication, hard work, co-operation and support have enabled the Company to cross new milestones on a continual basis.

A detailed note is given in the chapter "Talent Management" of Management Discussion & Analysis, which forms part of this Annual Report.

PARTICULARS OF EMPLOYEES

Information of Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 forms an integral part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the members of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any member interested in obtaining a copy of such statement may write to the Sr. G.M. Legal & Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

It is our strong belief that caring for our business constituents has ensured our success in the past and will do so in future. Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Central Government, State Government(s), Financial Institution(s), Bank(s), Customers, Dealers, Vendors and Ancillary Undertakings.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board



Brijmohan Lall Munjal
Chairman

New Delhi
June 4, 2012



Annexure - I To Directors' Report

Corporate Governance Report

Philosophy on 'Code of Corporate Governance'

The Company's philosophy of Corporate Governance stems from a belief that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders, including shareholders. Good Corporate Governance practices enable a Company to attract financial and human capital. In turn, these resources are leveraged to maximise long-term shareholder value, while preserving the interests of multiple stakeholders, including the society at large.

Corporate Governance rests upon the four pillars of: transparency, full disclosure, independent monitoring and fairness to all, especially to minority shareholders. The Company has always strived to promote Good Governance practices, which ensure that:

- ▶ A competent management team is at the helm of affairs;
- ▶ The Board is strong with an optimum combination of Executive and Non-Executive (including Independent) Directors, who represent the interest of all stakeholders;
- ▶ The Board is effective in monitoring and controlling the Company's affairs;
- ▶ The Board is concerned about the Company's shareholders; and
- ▶ The Management and Employees have a stable environment.

We believe that the essence of Corporate Governance lies in the phrase "Your Company".

Good Corporate Governance practices enable a Company to attract financial and human capital. In turn, these resources are leveraged to maximise long-term shareholder value, while preserving the interests of multiple stakeholders, including the society at large.

It is "Your" Company because it belongs to "You" – the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. Their objective is to take the business forward to maximise "Your" long-term value.

The Securities and Exchange Board of India (SEBI) has specified certain mandatory governance practices, which are incorporated in Clause 49 of the Listing Agreement of Stock Exchanges.

The Company is committed to benchmark itself with the best standards of Corporate Governance, not only in form but also in spirit. This section, along with the section on 'Management Discussion & Analysis' and 'General Shareholders' Information', constitute the Company's compliance with Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on March 31, 2012, the Company's Board of Directors comprised of twelve Directors. Three Directors, including the Chairman, are Executive Directors, two are Non-Executive Directors and seven are Non-Executive and Independent Directors. More than 50% of the Board consists of Independent Directors, therefore the composition of the Board is in consonance with Clause 49 of the Listing Agreement. Details of the composition of the Board, number of meetings held during their tenure and attended by them etc., are given in Table 1 below.

TABLE 1 DETAILS ABOUT COMPANY'S BOARD OF DIRECTORS

ATTENDANCE RECORD DURING FINANCIAL YEAR 2011-12				DIRECTORSHIP/MEMBERSHIP ON MARCH 31, 2012		
Name of Director	Number of Board Meetings held during his tenure and attended by him	Attendance at last AGM		Number of Committee Memberships (including Chairmanships) held	Number of Committee Chairmanships held	Number of outside Directorships held
	Held	Attended				
Executive Directors						
Mr. Brijmohan Lall Munjal	5	5	Yes	1	None	7
Mr. Pawan Munjal	5	5	Yes	None	None	4
Mr. Sunil Kant Munjal ¹	5	5	Yes	6	1	12
Non-Executive Directors						
Mr. Suman Kant Munjal	5	4	Yes	1	None	6
Mr. Paul Edgerley ²	4	4	No	None	None	None
Mr. Takashi Nagai ³	3	3	No	1	None	2
Mr. Toshiyuki Inuma ⁴	3	2	No	None	None	None

(excluding Private Companies, Foreign Companies & Sec 25 Companies)

TABLE 1 DETAILS ABOUT COMPANY'S BOARD OF DIRECTORS

ATTENDANCE RECORD DURING FINANCIAL YEAR 2011-12				DIRECTORSHIP/MEMBERSHIP ON MARCH 31, 2012		
Name of Director	Number of Board Meetings held during his tenure and attended by him	Attendance at last AGM		Number of Committee Memberships (including Chairmanships) held	Number of Committee Chairmanships held	Number of outside Directorships held
	Held	Attended				
(excluding Private Companies, Foreign Companies & Sec 25 Companies)						
Non-Executive and Independent Directors						
Mr. Pradeep Dinodia	5	5	Yes	9	5	8
Dr. Pritam Singh	5	5	Yes	5	1	3
Gen. (Retd.) V.P.Malik	5	4	No	5	2	3
Mr. M. Damodaran	5	4	No	3	1	6
Dr. Anand C. Burman	5	1	No	1	None	7
Mr. Ravi Nath	5	5	Yes	4	1	3
Mr. Analjit Singh	5	None	No	None	None	11

Notes:

1. Appointed as the Jt. Managing Director of the Company w.e.f. August 17, 2011
2. Appointed w.e.f. May 4, 2011
3. Resigned w.e.f. August 8, 2011
4. Appointed w.e.f. April 13, 2011 and resigned w.e.f. August 8, 2011

Mr. Brijmohan Lall Munjal is the father of Mr. Pawan Munjal, Mr. Sunil Kant Munjal and Mr. Suman Kant Munjal.

Four Directors namely Mr. Brijmohan Lall Munjal (Chairman in the Whole-time employment of the Company), Mr. Pawan Munjal (Managing Director & CEO), Mr. Sunil Kant Munjal (Jt. Managing Director) and Mr. Suman Kant Munjal (Non-Executive Director) belongs to the promoter family of the Hero Group. Apart from them, the rest of the Board comprises of Non-Executive/ Non-Executive and Independent Directors.

BOARD MEETINGS

During 2011-12, the Board of Directors met 5 (five) times on April 13, 2011; May 4, 2011; July 21, 2011; October 18, 2011 and January 19, 2012.

The period between any two consecutive meetings of the Board of Directors of the Company was not more than 4 (four) months.

The Board of Directors approved 14 (fourteen) matters by passing Resolution by Circulation during the financial year 2011-12.

Directors' Attendance Record and Directorships / Committee Memberships

Details are given in Table 1.

Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange(s), an Independent Director means a Non-Executive Director who:

- ▶ apart from receiving Director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management, its holding company, its subsidiaries or associates which may affect independence of the Director;
- ▶ is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- ▶ has not been an executive of the Company in the immediately preceding three financial years;
- ▶ is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the Company and has not been a partner or an executive of any such firm for the last three years and the legal firm(s) and consulting firm(s) that have a material association with the entity;

- ▶ is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director;
- ▶ is not a substantial shareholder of the Company i.e. owning 2% or more of the block of voting shares;
- ▶ is not less than 21 years of age.

None of the Directors on the Board holds the office of Director in more than 15 companies nor are they members in Committees of the Board in more than 10 Committees or Chairman of more than 5 Committees. Further, there are no pecuniary relationships or transactions between the Independent Directors and the Company, except for the sitting fees drawn by the Non-executive Directors and sitting fees and commission drawn by the Non-executive and Independent Directors for attending the meetings of the Board and its Committee(s) thereof.

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS AS ON MARCH 31, 2012

Name of Director	Category	No. of shares held
Mr. Suman Kant Munjal	Non-Executive Director	1,03,750
Mr. Pradeep Dinodia	Non-Executive and Independent Director	650 (held jointly with his wife)

Apart from the above, none of the Non-Executive (including Independent) Directors hold any shares (as own or on behalf of any other person on beneficial basis) in the Company.

INFORMATION SUPPLIED TO THE BOARD

Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committee(s). However, in case of business exigencies or urgencies, the resolutions are passed by way of circulation. In addition to the regular business items, the following items/ information are regularly placed before the Board to the extent applicable:

- ▶ Annual operating plans and budgets, capital budgets and updates;
- ▶ Purchase and disposal of major fixed assets;
- ▶ Quarterly and half yearly results of the Company;
- ▶ Minutes of the Audit Committee, Shareholders' Grievance Committee, Remuneration Committee and Committee of Directors' meetings;
- ▶ Information on recruitment of senior management

just below the Board level including appointment or removal of the Chief Financial Officer and the Company Secretary;

- ▶ Any material defaults in financial obligations to and by the Company or substantial non-payments for goods sold by the Company;
- ▶ Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- ▶ Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- ▶ Materially important show cause, demand, prosecution and penalty notices;
- ▶ Details of quarterly foreign exchange exposures and steps taken by the management to limit the risks of adverse exchange rate movement;
- ▶ Sale of material nature, of investments and assets, which are not in the normal course of business;
- ▶ Details of Joint Ventures and Agreements or variations thereof;
- ▶ Quarterly Statutory Compliance Report;
- ▶ Non-compliance of any regulatory, statutory nature or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer etc.;
- ▶ Investments strategy/plan;
- ▶ Any issue which involves possible public or product liability claims of substantial nature, including any judgment or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company; and
- ▶ Significant labour problems and their proposed solutions. Also, any significant development in Human Resources/Industrial Relations front like signing of Wage Agreement, implementation of Voluntary Retirement Schemes etc.

CODE OF CONDUCT

The Company has laid down a Code of Conduct ("Code") for all Board members and senior management of the Company. The Code is available on the website of the Company i.e. www.heromotocorp.com. The Code has been circulated to all the members of the Board and senior management and they have affirmed compliance with the Code. A declaration signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to this effect is attached to the Annual Report.

RISK MANAGEMENT

The Company has established effective risk assessment and minimisation procedures, which are reviewed by the Board periodically. The procedures comprise of an in-house exercise on Risk Management, carried out periodically by the Company, including the functioning of a structure to identify and mitigate various risks faced by the Company from time to time.

The structure also comprises of risk identification and assessment by the concerned departments, identification of controls in place/mitigation process in place, updation of Risk registers by various departments, if required. These reports are consolidated and presented by the Chief Risk Officer (CRO) before the Board of Directors of the Company.

During the year under review, the Company has engaged PricewaterhouseCoopers (PwC) for the rollout of initiatives and to assist the Management to revise the Risk Management Framework and to provide an “opening balance” of Significant Business Risks and mitigation plan after the beginning of solo journey of the Company.

BOARD LEVEL COMMITTEES

AUDIT COMMITTEE

The genesis of Hero MotoCorp's Audit Committee can be traced back to the Audit Sub-Committee, constituted in 1987. Since then it has been dealing with matters prescribed by the Board of Directors on a case-to-case basis. In general, the primary role/objective of the Audit Committee is to review the financial statements of the Company, strengthen internal controls & look into all transactions that have monetary implications on the functioning of the Company. The nomenclature, constitution and terms of reference of the Committee were revised on January 16, 2001 and an Audit Committee was set up as per the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement of the Stock Exchange(s).

As on March 31, 2012, the Committee comprised of 4 (four) Non-Executive and Independent Directors in accordance with the prescribed guidelines. Mr. Pradeep Dinodia, a leading Chartered Accountant, is the Chairman of the Committee. The other members are Dr. Pritam Singh, Gen. (Retd.) V. P. Malik and Mr. M. Damodaran all learned personalities in their respective fields. The members of the Committee have adequate knowledge in the field of finance, accounting, and law. The role and “terms of reference” of the Audit Committee includes the following:

Overseeing

the Company's financial reporting process and disclosure of its financial information to ensure that

the financial statements are correct, sufficient and credible.

Recommending

the appointment, re-appointment, replacement and removal of the statutory auditor, fixation of audit fees and approving payments for any other services.

Reviewing

- ▶ the annual financial statements with the management with primary focus on matters required to be included in the Directors' Responsibility Statement, changes, if any in accounting policies and practices and reasons thereof, compliance with accounting standards and guidelines of stock exchange(s), major accounting entries & related party transactions;
- ▶ the quarterly financial statements with the management before submission to the Board for approval;
- ▶ the adequacy of internal control systems and the internal audit function and reviewing the Company's financial and risk management policies;
- ▶ the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- ▶ the reports furnished by the internal auditors, discussion with internal auditors on any significant findings and ensuring suitable follow up thereon;
- ▶ Directors' overseas traveling expenses; and
- ▶ Foreign exchange exposure.

Complying

with the provisions of Listing Agreement laid down by the Stock Exchange(s) and legal requirements concerning financial statements.

Discussing

with external auditors before the audit commences, of the nature and scope of audit. Also post audit discussion to ascertain any area of concern.

Looking

into the reasons for substantial defaults in the payments to the shareholders (in the case of non-payment of declared dividends) and creditors.

Approving

the appointment of the CFO before finalisation of the same by the management. Further while approving the appointment, it shall assess the qualifications, experience & background etc. of the candidate.

The Sr. Vice President & CFO, Internal Auditors, Statutory Auditors and Cost Auditors attend the meetings of the Committee on the invitation of the Chairman. Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary acts as the Secretary of the Committee.

During the year, 5 (five) meetings of the Audit Committee were held on May 4, 2011, July 21, 2011, October 18, 2011, January 19, 2012 and February 4, 2012 in due compliance with the stipulated provisions. The attendance record of members of the Audit Committee is given in Table 2.

TABLE 2 DETAILS OF THE AUDIT COMMITTEE

Name of Committee Member	Position held	Number of meetings held during his tenure	Number of meetings attended
Mr. Pradeep Dinodia	Chairman	5	5
Gen. (Retd.) V.P.Malik	Member	5	3
Dr. Pritam Singh	Member	5	5
Mr. M. Damodaran	Member	5	4

Mr. Ravi Nath, Non-Executive and Independent Director of the Company has attended the Meeting of Audit Committee held on February 4, 2012 as an Invitee.

REMUNERATION COMMITTEE

The Company had set up a Remuneration Committee on January 16, 2001 to review and recommend the payment of annual salaries, commission and finalise service agreements and other employment conditions of Executive Directors. The Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages.

As on March 31, 2012, the Committee had three Non-Executive and Independent Directors as its members in accordance with the prescribed guidelines. Gen. (Retd.) V. P. Malik is the Chairman of the Committee and Mr. Pradeep Dinodia and Mr. Ravi Nath are the members of the Committee. Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary acts as the Secretary of the Committee.

During the year, 2 (two) meetings of the Committee were held on July 21, 2011 and August 17, 2011. The attendance record of members of the Remuneration Committee is given in Table 3.

TABLE 3 DETAILS OF THE REMUNERATION COMMITTEE

Name of Committee Member	Position held	Number of meetings held during his tenure	Number of meetings attended
Gen. (Retd.) V.P.Malik	Chairman	2	2
Mr. Pradeep Dinodia	Member	2	2
Mr. Ravi Nath	Member	2	2

REMUNERATION POLICY

Remuneration paid to Executive Directors

The remuneration paid to Executive Directors is recommended by the Remuneration Committee and approved by the Board of Directors in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company. The remuneration structure comprises of Basic Salary, Commission, Perquisites and Allowances, Contribution to provident fund and other funds. Besides these, a fixed commission @ 1% of the net profit, computed in accordance with Section 198 of the Companies Act, 1956, is paid as per the terms of appointment.

The Company does not have any Employee Stock Options Plans (ESOPs) till March 31, 2012. The term of appointment of Executive Directors is 5 (five) years. Further, no notice period and severance fee is applicable for the above-mentioned Executive Directors.

Remuneration paid to Non-Executive Directors

The Non-Executive Directors of the Company are paid sitting fees of ₹ 20,000 for each meeting of the Board, Audit Committee, Remuneration Committee and Shareholders' Grievance Committee attended by them.

However, in addition to the sitting fees, Non-Executive and Independent Directors shall be entitled to remuneration by way of commission aggregating upto 0.10% of profits of the Company.

Tables 4 and 5 gives details of remuneration paid to Directors. During 2011-12, the Company did not advance any loans to any of its Directors.

TABLE 4 REMUNERATION TO EXECUTIVE DIRECTORS

Name of Director	Basic Salary (₹)	Perquisites and Allowances (₹)	Contribution to PF and other funds (₹)	Commission (Fixed) (₹)	Total (₹)
Mr. Brijmohan Lall Munjal	2,67,00,000	1,88,04,641	32,04,000	29,56,50,000	34,43,58,641
Mr. Pawan Munjal	2,40,00,000	1,86,14,778	64,80,000	29,56,50,000	34,47,44,778
Mr. Sunil Kant Munjal *	1,32,83,871	1,03,24,879	35,86,645	18,41,75,000	21,13,70,395

* Mr. Sunil Kant Munjal has been appointed as Jt. Managing Director of the Company w.e.f. August 17, 2011

TABLE 5 REMUNERATION TO NON-EXECUTIVE DIRECTORS

Name of Director	Sitting fees (₹)	Commission (₹)	Total (₹)
Mr. Sunil Kant Munjal ¹	60,000	NIL	60,000
Mr. Suman Kant Munjal	80,000	NIL	80,000
Mr. Paul Edgerley	80,000	NIL	80,000
Mr. Pradeep Dinodia	3,20,000	21,87,500	25,07,500
Gen.(Retd.) V.P. Malik	1,80,000	11,37,500	13,17,500
Dr. Pritam Singh	2,80,000	17,00,000	19,80,000
Mr. M. Damodaran	2,20,000	11,56,250	13,76,250
Mr. Analjit Singh	NIL	NIL	NIL
Mr. Ravi Nath	1,60,000	8,12,500	9,72,500
Dr. Anand C. Burman	20,000	1,25,000	1,45,000

Note:

Mr. Sunil Kant Munjal was a non-Executive Director of the Company till August 16, 2011, thereafter he was appointed as the Jt. Managing Director of the Company.

SHAREHOLDERS' GRIEVANCE COMMITTEE

This Committee, constituted on January 16, 2001, specifically looks into shareholders' and investors' grievances arising out of issues regarding share transfers, dividends, dematerialisation and related matters and takes requisite action(s) to redress the same.

As on March 31, 2012, the Committee had three Non-Executive and Independent Directors as its members in accordance with the prescribed guidelines. Dr. Pritam Singh is the Chairman of the Committee. The other members of the Committee are Mr. Pradeep Dinodia and Mr. M. Damodaran. Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary acts as the Secretary of the Committee.

The Company has an efficient system of dealing with investors' grievances. The Chairman and the Managing Director & CEO of the Company take personal interest in all matters of concern for investors as and when necessary. The Company Secretary being the Compliance Officer carefully looks into each issue and reports the same to the Shareholders' Grievance Committee. In the meetings of the Committee, the status of all shareholders' complaints, requests, queries etc. along with letters received from all statutory authorities were reviewed.

During the year, 4 (four) meetings of the Shareholders' Grievance Committee were held on May 4, 2011, July 21, 2011, October 18, 2011 and January 19, 2012.

Details of shareholders complaints and their status are given in the section on "General Shareholders' Information". The attendance record of members of the Shareholders' Grievance Committee is given in Table 6.

TABLE 6 DETAILS OF SHAREHOLDERS' GRIEVANCE COMMITTEE

Name of Committee member	Position held	Number of meetings held during his tenure	Number of meetings attended
Dr. Pritam Singh	Chairman	4	4
Mr. Pradeep Dinodia	Member	4	4
Mr. M. Damodaran	Member	4	3

COMMITTEE OF DIRECTORS

Apart from these Committees, the Company also has a Committee of Directors. During the year, the Committee comprised of Mr. Brijmohan Lall Munjal, Chairman; Mr. Pawan Munjal, Managing Director & CEO; Mr. Ravi Sud, Sr. Vice President & CFO and Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary as its members. Mr. Sunil Kant Munjal, Jt. Managing Director of the Company however joined the Committee as a member w.e.f. October 18, 2011.

Constituted in 1985, the Committee deals with matters delegated by the Board from time to time.

The meeting of the Committee is convened as per requirement. During the year under review 13 (thirteen) meetings of the Committee were held.

SHARE TRANSFER COMMITTEE

This Committee was constituted on January 31, 2007 as a measure of Good Corporate Governance practice and to streamline the work related to share transfer etc. which was earlier approved by the Committee of Directors. Mr. Ravi Sud, Sr. Vice President & CFO and Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary are its members.

The meeting of the committee is convened as per requirement. During the year under review 15 (Fifteen) meetings of the Committee were held.

DISCLOSURES

RELATED PARTY TRANSACTIONS

The Company follows the following policy in regard to disclosure of the related party transactions to the Audit Committee:

- A Statement in the Summary form of transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee.

- There are no material individual transactions with related parties, which are not in the normal course of business and material individual transactions with related parties or others which are not on an arm's length basis.

DISCLOSURES ON MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS THAT MAY HAVE POTENTIAL CONFLICT WITH THE INTEREST OF THE COMPANY AT LARGE

There are no materially significant transactions made by the Company with its Promoters, Directors or Management or relatives etc. that may have potential conflict with the interest of the Company at large.

ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The guidelines/accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 have been followed in preparation of the financial statements of the Company.

COMPLIANCES BY THE COMPANY

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the stock exchanges or SEBI or any other authority, on any matters related to capital market during the last three years.

INSIDER TRADING

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct ("Code") for its management, staff and relevant business associates. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them on consequences of non-compliances.

CEO & CFO CERTIFICATION

Certificate from Mr. Pawan Munjal, Managing Director & CEO and Mr. Ravi Sud, Sr. Vice President & CFO, pursuant to provisions of Clause 49 (V) of the Listing Agreement, for the year under review was placed before the Board of Directors of the Company at its meeting held on May 2, 2012. A copy of the certificate on the financial statements for the financial year ended March 31, 2012 and on the Code of Conduct is annexed along with this Report.

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

Mr. Ravi Nath, Dr. Anand C. Burman and Mr. Suman Kant Munjal, Directors of the Company, shall retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment.

Mr. Analjit Singh, Director of the Company also retires by rotation alongwith the aforementioned Directors at the ensuing Annual General Meeting and is not seeking re-appointment.

Brief resume of the said Directors proposed to be re-appointed have been provided along with the Notice of the AGM annexed along with the Annual Report.

MEANS OF COMMUNICATION

Financial Results	<p>Pursuant to Clause 41(l)(f) of the Listing Agreement, the Company has regularly furnished, both by way of post as well as by fax (within 15 minutes of closure of the Board meeting) the quarterly un-audited as well as annual audited results to both the Stock exchanges i.e. BSE & NSE.</p> <p>Quarterly and Annual financial results are also published in English, Hindi and other regional newspapers, i.e. The Economic Times, Financial Times, Business Standard, Dainik Bhaskar, Deccan Chronicle, Financial Chronicle, Financial Express, Jansatta, Hindustan, The Hindu, Business Line, Hindustan Times, Mint and The Times of India.</p>
Website	<p>Pursuant to Clause 54 of the Listing Agreement the Company's website www.heromotocorp.com contains a dedicated functional segment called 'INVESTORS' where all the information needed by shareholders is available including press releases, shareholding pattern and Annual Reports.</p>
Annual Report	<p>Annual Report is circulated to members and other concerned including Auditors, Equity Analyst etc. Further, the Management Discussion & Analysis (MDA) Report, highlighting operations, business performance, financial and other important aspects of the Company's functioning, forms an integral part of the Annual Report.</p>
Corporate Filing and Dissemination System (Corpfilings) and NEAPS	<p>Pursuant to Clause 52 of the Listing Agreement, financial information like annual and quarterly financial statements and shareholding pattern etc. are also available on the SEBI website www.corpfiling.co.in. The Company also files its shareholding pattern as per Clause 35 and Corporate Governance report as per Clause 49 online on the website developed and as per the advice of National Stock Exchange on the link https://www.connect2nse.com/LISTING/. The Company Secretary being the Compliance Officer ensures the correctness and authenticity of the information filed with the said website.</p>
Green Initiatives	<p>As per the MCA Circular nos. 17/2011 dated April 21, 2011 & 18/2011 dated April 29, 2011, Company has issued letters to its shareholders and uploaded the information on its website for registering email IDs of Investors so that Annual Reports and other information may be sent to them in electronic form to save paper.</p>
E-mail IDs for Investors	<p>Following designated e-mail IDs of the Compliance Officer exclusively given on the website, various materials including notices for creating investor awareness and to redress their grievances/queries:</p> <p>Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary and Compliance Officer: E-mail: ilam.kamboj@heromotocorp.com or</p> <p>Karvy Computershare Pvt. Limited, Registrar & Share Transfer Agents: E-mail: einward.ris@karvy.com or</p> <p>Mr. Ravi Sud, Sr. Vice President & CFO: E-mail: ravisud@heromotocorp.com</p>

GENERAL BODY MEETINGS

Location, date and time of general meetings held during the last three years and Ordinary and Special Resolutions passed thereat are given in Table 7.

There was no matter required to be dealt by the Company through postal ballot as required pursuant to Section 192A of the Companies Act, 1956,

TABLE 7 DETAILS OF EXTRA-ORDINARY GENERAL MEETING (EGM) / ANNUAL GENERAL MEETING (AGM)

DETAILS OF EGM HELD:

Year	Time, Day, Date & Location	Summary of Resolutions Passed in regard to Special Business
2010-11	12:30 P.M. Friday, June 17, 2011 Plot No. 3, Sector – 10, I.I.E., SIDCUL, Roshanabad, Haridwar, Uttarakhand – 249 403	<ul style="list-style-type: none"> ▶ Change of Name of the Company ▶ Amendment to Articles of Association of the Company

DETAILS OF AGM HELD:

Year	Time, Day, Date and Location	Ordinary Resolutions
2010-11	4:30 P.M. Wednesday, September 28, 2011, Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi 110003	<ul style="list-style-type: none"> ▶ Appointment of Mr. Paul Edgerley as Director of the Company ▶ Reappointment of Mr. Toshiaki Nakagawa as Jt. Managing Director of the Company ▶ Re-appointment of Mr. Pawan Munjal as Managing Director & CEO of the Company ▶ Appointment of Mr. Sunil Kant Munjal as the Jt. Managing Director of the Company
		Special Resolution
		<ul style="list-style-type: none"> ▶ Re-appointment of Mr. Brijmohan Lall Munjal as Chairman and Director in the whole-time employment of the Company
2009-10	10:30 A.M. Monday, September 20, 2010, Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi 110003	Ordinary Resolutions <ul style="list-style-type: none"> ▶ Appointment of Mr. Ravi Nath as Director of the Company ▶ Appointment of Dr. Anand C. Burman as Director of the Company ▶ Appointment of Mr. Suman Kant Munjal as Director of the Company
		Special Resolution
		<ul style="list-style-type: none"> ▶ Keeping of Register of Members and Index of Members at a place other than the Registered Office
2008-09	04:30 P.M. Tuesday, September 22, 2009, Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi 110003	None

GENERAL SHAREHOLDER'S INFORMATION

ANNUAL GENERAL MEETING

Date	September 10, 2012
Day	Monday
Time	10:30 A.M.
Venue	Airforce Auditorium, Subroto Park, New Delhi – 110 010

FINANCIAL CALENDAR

Financial year: April 1 to March 31

FOR THE FINANCIAL YEAR 2011-12

	RESULTS WERE ANNOUNCED ON
First quarter ended June 30, 2011	July 21, 2011
Second quarter and half year ended September 30, 2011	October 18, 2011
Third quarter and nine months ended December 31, 2011	January 19, 2012
Fourth quarter and year ended March 31, 2012	May 2, 2012

FOR THE FINANCIAL YEAR 2012 - 13

	RESULTS ARE LIKELY TO BE ANNOUNCED ON (TENTATIVE AND SUBJECT TO CHANGE)
First quarter ending June 30, 2012	July, 2012 (3rd week)
Second quarter and half year ending September 30, 2012	October, 2012 (3rd week)
Third quarter and nine months ending December 31, 2012	January, 2013 (3rd week)
Fourth quarter and year ending March 31, 2013	April, 2013 (3rd week)

BOOK CLOSURE

The dates of book closure shall be from **Thursday, August 9, 2012 to Friday, August 17, 2012** (both days inclusive).

DIVIDEND PAYMENT

The Board has recommended a Dividend @ 2,250% i.e. ₹ 45 per equity share for the financial year 2011-12. The dividend, if approved by shareholders at the ensuing AGM shall be paid to those shareholders whose names appear on the Register of Members as on **Friday, August 17, 2012**. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on **Wednesday, August 8, 2012** as per details furnished by the Depositories for this purpose.

LISTING ON STOCK EXCHANGE

As on March 31, 2012, the securities of the Company are listed on the following exchanges:

1. BSE Limited, (BSE) based at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001; &
2. National Stock Exchange of India Limited, (NSE) based at Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

LISTING FEES

Listing fees for the year 2012-13 has been paid to the stock exchanges, wherein the equity shares of the Company are listed (i.e. BSE & NSE) within the stipulated time.

STOCK CODES

The Company's stock codes at the primary exchanges are:

	Scrip Code	Reuters Code	Bloomberg
BSE	500182	HROM.BO	HMCL:IN
NSE	HEROMOTOCO	HROM.NS	

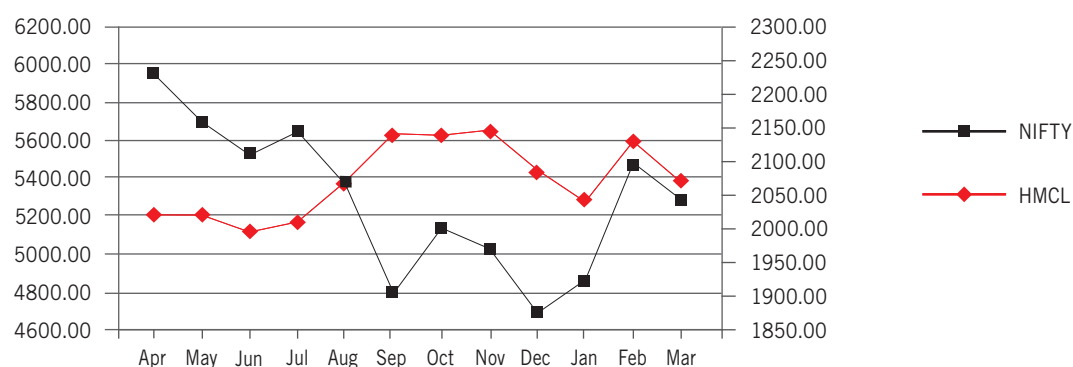
STOCK MARKET DATA

The Company's market capitalisation is included in the computation of the BSE Sensex, BSE -100, BSE- 200, BSE- 500, BSE Sectoral Indices, BSE TASI Shariah 50, S&P CNX Nifty, S&P CNX 500 and CNX 100. Monthly high and low quotations as well as the volume of shares traded at the NSE and BSE are given in Table 8.

TABLE 8 SHARE PRICE DATA FOR 2011-12 (IN ₹) (SHARES OF ₹ 2 PAID UP VALUE)

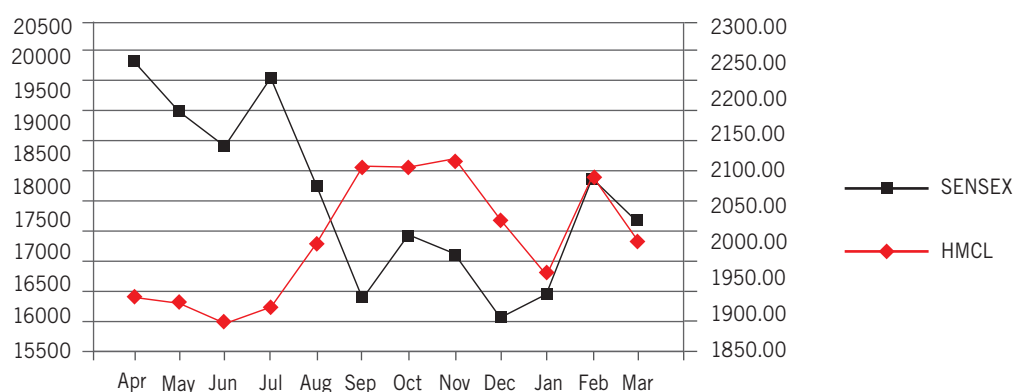
NSE							
Month	Total Volume (No. of Sh.)	High (₹)	Date	Volume on that date	Low (₹)	Date	Volume on that date
Apr '11	11,072,885	1,949.80	18-Apr-11	2,489,646	1,613.00	4-Apr-11	303,895
May '11	12,330,519	1,949.00	26-May-11	844,136	1,575.15	4-May-11	701,193
Jun '11	8,160,191	1,889.00	2-Jun-11	460,843	1,708.50	13-Jun-11	360,844
Jul '11	9,102,841	1,924.70	11-Jul-11	207,101	1,730.25	21-Jul-11	1,691,160
Aug '11	10,727,797	2,068.00	30-Aug-11	736,166	1,720.00	8-Aug-11	446,162
Sep '11	12,481,707	2,237.00	9-Sep-11	868,373	1,915.60	29-Sep-11	1,400,868
Oct '11	10,746,471	2,231.45	28-Oct-11	527,873	1,904.35	3-Oct-11	561,252
Nov '11	13,785,394	2,249.70	14-Nov-11	847,401	1,971.10	30-Nov-11	2,870,263
Dec '11	9,063,863	2,108.90	2-Dec-11	720,064	1,764.90	21-Dec-11	1,077,209
Jan '12	15,292,794	1,995.65	20-Jan-12	1,104,305	1,704.00	9-Jan-12	469,866
Feb '12	8,923,233	2,209.95	17-Feb-12	514,786	1,865.60	1-Feb-12	557,111
Mar '12	10,222,373	2,065.00	30-Mar-12	572,601	1,810.05	6-Mar-12	738,094

Hero MotoCorp's Share Price Movement vis a vis Nifty



BSE							
Month	Total Volume (No. of Sh.)	High (₹)	Date	Volume on that date	Low (₹)	Date	Volume on that date
Apr '11	1,727,011	1,945.25	18-Apr-11	360,130	1,594.00	1-Apr-11	42,855
May '11	1,895,609	1,932.00	26-May-11	107,091	1,577.00	4-May-11	165,567
Jun '11	1,171,546	1,888.00	2-Jun-11	69,097	1,708.50	13-Jun-11	51,732
Jul '11	1,087,675	1,924.00	11-Jul-11	35,242	1,482.25	15-Jul-11	30,930
Aug '11	930,385	2,064.70	30-Aug-11	91,323	1,705.20	8-Aug-11	37,481
Sep '11	1,372,319	2,231.70	9-Sep-11	103,772	1,915.95	29-Sep-11	75,796
Oct '11	1,123,517	2,229.55	28-Oct-11	53,036	1,906.45	3-Oct-11	87,639
Nov '11	1,002,300	2,248.00	14-Nov-11	94,955	1,978.00	30-Nov-11	61,893
Dec '11	889,430	2,113.95	2-Dec-11	66,919	1,765.35	21-Dec-11	84,232
Jan '12	1,717,529	1,993.50	20-Jan-12	169,855	1,702.65	9-Jan-12	101,107
Feb '12	1,051,568	2,210.00	17-Feb-12	56,339	1,850.00	1-Feb-12	73,505
Mar '12	994,411	2,066.85	30-Mar-12	49,982	1,813.05	6-Mar-12	60,129

Hero MotoCorp's Share Price Movement vis a vis Sensex



DISTRIBUTION OF SHAREHOLDING BY SIZE

Table 9 lists the distribution of shareholding by number of shares held and Shareholding Pattern in percentage (pursuant to Clause 35 of the Listing Agreement) as on March 31, 2012.

TABLE 9

Number of shares held (₹ 2/- paid up)	Folios		Shares of ₹ 2 paid up	
	Numbers	%	Numbers	%
Upto 500	60,468	87.15	4,073,383	2.04
501 – 1000	6,432	9.27	4,839,376	2.42
1001-5000	1,788	2.58	3,555,723	1.78
5001-10000	210	0.30	1,495,334	0.75
10001-50000	273	0.39	6,579,184	3.30
50001 and above	216	0.31	179,144,500	89.71
Total	69,387	100.00	199,687,500	100.00

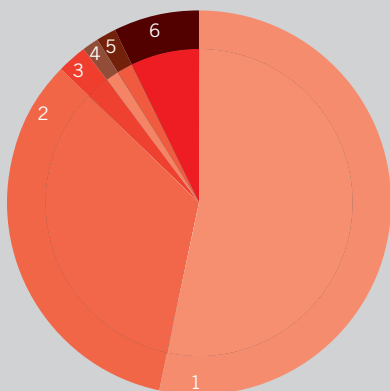
SHAREHOLDING PATTERN AS ON MARCH 31, 2012

Sl. No.	CATEGORY	Numbers of Holders	Numbers of Shares Held	Numbers of Shares Dematerialised	%
A	PROMOTERS				
1	Indian	17	104,259,490	104,259,490	52.21
2	Foreign	0	0	0	0
B	PUBLIC SHAREHOLDING				
1	Mutual Funds / UTI	127	2,985,187	2,917,107	1.49
2	Financial Institutions / Banks	37	3,057,144	3,038,439	1.53
3	Insurance Companies	34	5,227,951	5,227,951	2.62
4	Foreign Institutional Investors	570	66,663,855	66,625,655	33.38
5	Bodies Corporate	1227	2,929,500	2,899,474	1.47
6	Indian Public	65892	13,959,574	9,370,885	7.00
7	Trusts	17	5,376	5,376	0.00
8	Clearing Members	266	380,612	380,612	0.19
9	Non Resident Indians	1200	218,811	218,741	0.11
	Grand Total	69387	199,687,500	194,943,730	100.00

SHAREHOLDING PATTERN

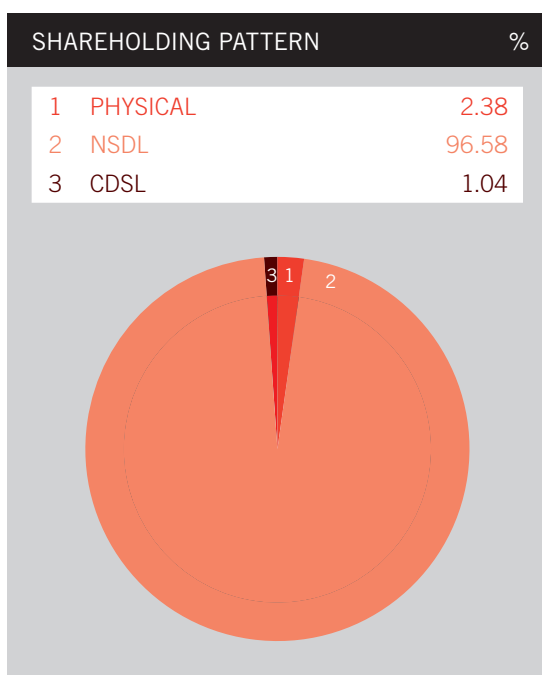
%

1	INDIAN PROMOTERS	52.21
2	FOREIGN INSTITUTIONAL INVESTORS	33.38
3	INSURANCE COMPANIES	2.26
4	FINANCIAL INSTITUTIONS / BANKS	1.53
5	MUTUAL FUNDS / UTI	1.49
6	INDIAN PUBLIC	7.00



CONSOLIDATED SHAREHOLDING PATTERN AS ON MARCH 31, 2012

CATEGORY	Numbers of Holders	% to Total holders	Total Shares	% to Equity
Physical	7,708	11.11	4,743,770	2.38
NSDL	41,394	59.66	192,862,119	96.58
CDSL	20,285	29.23	2,081,611	1.04
TOTAL	69,387	100.00	199,687,500	100.00

**DEMATERIALIZATION OF SHARES AND LIQUIDITY**

The shares of the Company are traded in compulsory demat segment.

As on March 31, 2012, 97.62% of the total share capital is held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). During the year under review, share certificates involving 476,736 shares of ₹ 2 each, were dematerialised by the shareholders, however share certificates involving 380 shares of ₹ 2 each, were rematerialised. During the year under review, the net dematerialisation represents 0.24% of the total share capital of the Company.

OUTSTANDING GDR'S/ADR'S/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS CONVERSION DATE AND LIKELY IMPACT ON EQUITY

Not applicable.

DETAILS OF PUBLIC FUNDING OBTAINED IN THE LAST THREE YEARS

The Company has not obtained any public funding in the last three years.

REGISTRAR & SHARE TRANSFER AGENTS

All work related to Share Registry, both in physical form and electronic form, is handled by the Company's Registrar and Share Transfer Agents, M/s. Karvy Computershare Private Limited. The communication address of the Registrar and Share Transfer Agents is given hereunder.

Karvy Computershare Private Ltd.

(Unit: Hero MotoCorp Ltd.)

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad-500 081,

Tel No: 040-4465 5000

Fax: 040-2342 0814/2342 0859

E-mail: einward.ris@karvy.com

Karvy Computershare Private Ltd.

(Unit: Hero MotoCorp Ltd.)

305, New Delhi House,

27, Barakhamba Road,

New Delhi – 110 001

Tel : 011-4368 1700

Fax : 011-4368 1710

SHARE TRANSFER SYSTEM

The Share Transfers (pertaining to shares in physical mode) are approved by the Share Transfer Committee which meets regularly whenever required. The total numbers of shares transferred during the financial year 2011-12 were 16,599 which were completed in the prescribed period. Shares under objection were returned within two weeks time.

Confirmations in respect of the requests for dematerialisation of shares are being sent to the respective depositories i.e. NSDL & CDSL expeditiously.

INVESTORS' SERVICES

The Company has Board Level Committees dealing with investor issues, which have been discussed in detail earlier. Table 10 lists the complaints/requests/queries received and redressed during 2011-12. During the financial year, the Company has attended to most of the investors' grievances/ correspondence within a period of 10-15 days from the date of receipt of the same.

TABLE 10 COMPLAINTS/REQUESTS RECEIVED AND REDRESSED DURING 2011-12

Sl. No	Nature of Complaints/ Requests	Opening	Received	Cleared	Pending
1.	Non receipt of shares	0	108	108	0
2.	Request for issue of duplicate shares	0	264	264	0
3.	Non receipt of dividend warrants	0	669	669	0
4.	Change of address	0	486	486	0
5.	Mandate cases/bank description	0	126	126	0
6.	Miscellaneous (Shares)	0	1,356	1,347	9

COMPANY'S REGISTERED ADDRESS

34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
Tel: 011-4604 4100, 2614 2451
Fax: 011-2614 3321, 2614 3198
Website: www.heromotocorp.com

PLANT LOCATIONS**GURGAON PLANT**

37 K.M. Stone, Delhi-Jaipur Highway,
Sector 33, Gurgaon-122 001
Haryana, India.
Tel: 0124-289 4200, 237 2123
Fax: 0124 237 3141-42

DHARUHERA PLANT

69 K.M. Stone, Delhi-Jaipur Highway,
Dharuhera, Distt. Rewari-122 100
Haryana, India
Tel: 01274 264 000
Fax: 01274 267 018

HARIDWAR PLANT

Plot No. 3, Sector-10, Ranipur,
I.I.E., SIDCUL, Roshanabad,
Haridwar-249 403, Uttarakhand, India
Tel: 01334 238 500, 239 514-16
Fax: 01334 239 512-13

NON-MANDATORY REQUIREMENTS

The Company has not adopted the non-mandatory requirements as specified in Annexure – ID of the Listing Agreement except clause (2) relating to Remuneration Committee.

Investors' Correspondence may be addressed to:

Mr. Ilam C. Kamboj
Sr. G.M. Legal & Company Secretary and
Compliance Officer
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
E-mail: ilam.kamboj@heromotocorp.com
Website: www.heromotocorp.com or

To the Registrar & Share Transfer Agents
Karvy Computershare Private Limited
(Unit: Hero MotoCorp Ltd.)
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081,
Tel No : 040-4465 5000
Fax : 040-2342 0814/2342 0859
E-mail : einward.ris@karvy.com
Website: www.karvy.com
Toll Free No.: 1-800-3454001

Queries relating to the Financial Statements of the Company may be addressed to:

Mr. Ravi Sud
Sr. Vice President & CFO
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
e-mail: ravisud@heromotocorp.com

For and on behalf of the Board



Brijmohan Lall Munjal
Chairman

New Delhi
June 4, 2012

CERTIFICATE

AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

TO THE MEMBERS OF Hero MotoCorp Ltd.

(Formerly known as Hero Honda Motors Limited)

We have examined the compliance of conditions of Corporate Governance by Hero MotoCorp Ltd. for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliances of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A.F. FERGUSON & CO.**
Chartered Accountants
(Registration No. 112066W)



Manjula Banerji
Partner
(Membership No.86423)

New Delhi
June 4, 2012

CERTIFICATE OF CEO & CFO

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Pawan Munjal, Managing Director & Chief Executive Officer (CEO) and Ravi Sud, Sr. Vice President & Chief Financial Officer (CFO) of Hero MotoCorp Ltd., to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Statement of Profit and Loss of the Company for the year ended March 31, 2012 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. To the best of our knowledge and information:
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or figures or contains statement that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violate the Company's Code of Conduct.
4. We are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5. We have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and through them to the Audit Committee of the Company's Board of Directors:
 - a. Significant changes in internal control during the year;
 - b. Any fraud, which we have become aware of and that involves Management or other employees who have a significant role in the Company's internal control systems;
 - c. Significant changes in accounting policies during the year.
6. We further declare that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the year 2011-12.

For Hero MotoCorp Ltd.



Pawan Munjal

Managing Director & CEO

New Delhi
May 2, 2012

For Hero MotoCorp Ltd.



Ravi Sud

Sr. Vice President & CFO

ANNEXURE - II TO DIRECTORS' REPORT

Information Under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2012;

I. CONSERVATION OF ENERGY

A) TECHNO-ECONOMIC VIABILITY OF FEW ENERGY SAVING PROPOSALS ARE BEING CARRIED OUT AND FEW PROPOSALS HAVE BEEN ALREADY IMPLEMENTED

► Energy conservation measures taken during the year and their impact

As a long-term initiative for "Green Technology", the Company has taken steps in

- a. Installation of four nos. gas generators & 39% of the power was generated on Liquefied Natural Gas (LNG);
- b. Installation of a photo voltaic solar power plant of 100 KW;
- c. Conversion of the Paint Shop Air Supply Unit(s) (ASU) & Incinerator from Propane to LNG;
- d. Conversion of Hot water generators from Low Viscosity Furnace Oil (LVFO) to LNG; &
- e. Conversion of Steam boiler from High Speed Diesel (HSD) to LNG.

► Energy efficiency measures like saving 2,500 KWH/day in Diesel Generator (DG) auxiliaries by

- a. Converting Furnance Oil (FO) engines to High Speed Diesel (HSD);
- b. Replacing 800 conventional tube lights with low wattage (T5) tube rods;
- c. Installing 360 Light Emitting Diode (LED) tube rods on the shop floors;
- d. Replaced 2 Nos. conventional air drier with energy efficient air drier and 30 units of conventional ACs with 5 star rated energy efficient ACs; &
- e. Replacing old ceiling fans with energy efficient ceiling fans in colony & canteen of the Plants. Saving of 2,000 KWH per Annum.

► To avoid idle running

- a. Real time clocks has been installed for 40 Blowers and Forced Draft Ventilations (FDVs);
- b. Power saving circuits have been provided in 100 machines;
- c. Installation of centralised control for steel phase lights during periodic breaks and C Shifts; &
- d. Optimising paint shop usage to avoid C shift operation by switching off auxiliaries in C shift.

► As a resource conservation measures, the Company has

- a. Used rainwater Harvesting (Ground Water Recharging);
- b. Up-gradation of yielding Total Percolation rate 180KL/Hr from 18 bore wells;
- c. The water extraction has been reduced by using canal water from 1500 KL/Day to 300 KL/Day; and
- d. STP water recycling increased from 300 to 450 KL/Day;

B) ADDITIONAL INVESTMENTS AND PROPOSALS BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY

Investment in the proposed areas for reduction of consumption of energy in the below areas:

▶ **Green Initiatives-**

- a. Installation of Vapour Absorption Machine (VAM) on Gas Engines;
- b. Installation of heat recovery on 4 engines; and
- c. Replacement of 2000 conventional tube rods with LED rods.

▶ **Resource Conservation-**

- a. Reduction of speed of cooling system during night by installing Frequency drives on 10 FDVs;
- b. Replacement of 2 screw compressors with energy efficient centrifugal compressor; and
- c. Use 20% Govt Grid power which is cheaper by 50% with respect to HSD generation.

▶ **Energy efficiency measures-**

- a. Installation of power saving circuits in 200 machines to avoid idle running; and
- b. Installation of water recovery plant for Effluent Treatment Plant (ETP).

C) IMPACT OF MEASURES AT A) AND B) FOR REDUCTION OF ENERGY CONSUMPTION AND CONSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS

For Financial Year 2011-12: Approx. Annual Saving on Vehicles Produced - ₹ 35 million.

D) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM - A IS GIVEN IN TABLE - A

II. PARTICULARS AS PER FORM B

(A) RESEARCH & DEVELOPMENT (R&D)

▶ **Specific areas in which R & D carried out by the Company**

- a. New Model Technology Absorption has been made;
- b. Indigenisation of Complete Knock Down (CKD) Parts;
- c. Multi Source Approval;
- d. Meeting Legislative Norms; and
- e. Active participation in deciding the needs of future Automobile Regulations in India;

▶ **Benefits derived as a result of the above R & D activities**

- a. Launched New 150cc On - Off Road Model, New 108 cc Scooter, Development of two new models ready to launch in 2012-13, Splendor Pro - Aesthetic Changes (100cc - 4-Stroke), Splendor Plus - Aesthetic Changes (100cc - 4-Stroke);
- b. 995 Multi source Components added, 20 new sources added for existing models, Indigenisation done for 4 items; and
- c. Compliance to the Regulations
 - ISI Marking for Tyres
 - Component COP for Fuel Tank
 - Regulations compliance for Nigeria

▶ **Future plan of action**

- a. To Launch new Models;
- b. Indigenisation plan for localising 4 more items;
- c. Participation at different Forums for formation of two wheeler Regulations in India & GTRs; and

- ▶ Compliance Plan for Future Regulations :-
 - EMC
 - Tell-Tails, Symbols & Controls
 - Spray Suppression Systems
 - Brake Hose (As per IS:7079).

▶ **Expenditure on R & D**

₹ crores		
Year ended		
	March 31, 2012	March 31, 2011
i) Capital	26.37	3.89
ii) Recurring	47.30	28.26
iii) Total R & D expenditure as a percentage of sale (as per P & L A/c) (%)	0.31	0.16

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

▶ **Efforts in brief, made in technology absorption, adaptation and innovation**

- a. The Company has taken steps to enhance in-house Designing and Testing capability and competence;
- b. Indigenisation of Components and Sub Components level;
- c. Steps taken for acquiring simulation techniques and correlation with testing to reduce development time; and
- d. Model Cost Evaluation through CIP (Cost Improvement Programs)/ VA / VE for cost competitiveness.

▶ **Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution**

- a. To increase the market share, the Company has taken efforts for New Model Development;
- b. With the usage of Multi Source Development the Supply capacities and quality of bought out parts (BOP) increased to support the increasing production;
- c. Indigenisation and multi Sourcing - To meet the growing volumes and have a risk hedge; and
- d. Compliance to Latest Regulations.

Further, in last five years the Company's ancillary has imported technologies for Emission Devices- Migration from Hexachrome-Trichrome, Low Friction High F.E Engine Technology, Rear Cushion with Reservoir Tank, Emission Devices - Low Cost Catalytic Converter, Rear Disk Brake, Oil Cooler, Engine Balancer, Combined Braking System and 'O' Ring Chain.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

A) EXPORT ACTIVITIES / INITIATIVES TO INCREASE EXPORTS / DEVELOPMENT OF NEW EXPORT MARKETS / EXPORT PLANS

▶ **Export Initiatives 2011-12**

During the year under review, the Company:

- a) Exported 1,64,570 two-wheelers (24% growth over the previous year) and Spare Parts worth ₹ 32.73 crores (35% growth) during the Financial Year 2011-12.
- b) Following activities helped us achieve this figure -

- Aggressive sales campaign in Srilanka led to Leadership in Scooter Market and growth in scooter segment by more than 100%;
- Mileage Contest, Exchange Mela and other promotional activities in Bangladesh;
- Sales Team strengthened for more focus; &
- Sales Visit to Colombia.

► **Export Plan For 2012-13**

Under the changed scenario, the Company will have more focus on the Exports Markets. The planned activities are:

- a. Enter New Markets, which have been prioritised and Market Study completed;
- b. Distributor Change in Existing Markets;
- c. Brand Migration from existing to New Brand in the existing Markets;
- d. Distributor appointment and network development in Existing and New Markets to initiate supplies; and
- e. Marketing Efforts and Brand Building activities to establish Hero in the international markets.

B) EARNINGS & OUTGO

Foreign exchange earnings during the period under report were ₹ 599.55 crores, compared to ₹ 444.62 crores in the previous year.

On account of Royalty, Technical Guidance Fee, Technical know-how/export licenses, Model Fee, Export Commission, Travel and other accounts and Advertisement and Publicity, the foreign exchange outgo was ₹ 231.78 crores, compared to ₹ 2,694.26 crores in the previous year.

The outgo on account of Dividend was Nil as compared to ₹ 571.11 crores in the previous year.

Outgo for import of components, spare parts, raw materials and capital goods was ₹ 1,022.32 crores compared to ₹ 837.12 crores in the previous year.

TABLE – A

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM – A FOR GURGAON, DHARUHERA AND HARIDWAR PLANT(S) OF THE COMPANY.

Particulars		Gurgaon Plant		Dharuhera Plant		Haridwar Plant	
A	Power and Fuel consumption per unit of Production	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Product Unit (Two Wheeler)	1,955,856	1,840,295	2,056,691	1,749,426	2,253,200	1,819,604
1	Electricity						
(A)	Purchased Units (KWH)	Nil	Nil	10,079,789	7,466,278	31,674,724	26,591,250
	Total Amount (₹)	Nil	Nil	53,119,013	38,299,322	1,36,254,702	1,12,992,588
	Rate/Unit (₹)	Nil	Nil	5.27	5.13	4.30	4.25
(B)	Own generation						
	(i) Through Diesel Generator-High Speed Diesel Oil						
	Units	10,941,322	6,677,656	8,113,086	350,818	3,575,621	3,193,300
	Units per Ltr. of Diesel Oil	3.77	3.32	4.05	3.73	3.60	3.65
	Cost / Unit (₹)	9.66	9.98	8.98	8.77	9.72	8.87
	(ii) Through Steam Turbine / Generator						
	Units	Nil	Nil	Nil	Nil	Nil	Nil
	Units per Ltr. of Fuel Oil / Gas (₹)	Nil	Nil	Nil	Nil	Nil	Nil
	Cost / Unit (₹)	Nil	Nil	Nil	Nil	Nil	Nil
	(iii) Through Furnace Oil Generator						
	Units	25,158,482	55,249,020	17,642,311	34,282,791	Nil	Nil
	Units per Kg. of Furnace Oil	4.06	4.12	3.93	4.10	Nil	Nil
	Cost / Unit (₹)	8.68	6.46	8.98	6.34	Nil	Nil
	(iv) Through Natural Gas Generator						
	Units	26,144,388	506,034	22,135,991	13,582,148	Nil	Nil
	Units per SCM of Natural Gas	3.93	4.00	4.02	4.12	Nil	Nil
	Cost / Unit (₹)	4.94	4.12	4.99	3.82	Nil	Nil
	Total Own Generation						
	Units	62,244,192	62,432,710	47,891,388	48,215,757	3,575,621	3,193,300
	Units per Fuel Unit	3.95	4.02	3.99	4.11	3.60	3.65
	Cost / Unit (₹)	7.28	6.82	7.14	5.65	9.72	8.87
2	Coal (specify quality and where used)						
	Quantity (tonnes)	Nil	Nil	Nil	Nil	Nil	Nil
	Total Cost	Nil	Nil	Nil	Nil	Nil	Nil
	Average Rate	Nil	Nil	Nil	Nil	Nil	Nil

TABLE – A (CONTD.)

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM – A FOR GURGAON, DHARUHERA AND HARIDWAR PLANT(S) OF THE COMPANY.

Particulars		Gurgaon Plant		Dharuhera Plant		Haridwar Plant	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A	Power and Fuel consumption per unit of Production						
3	LVFO						
	Quantity (K. Ltrs.)	Nil	72,127	Nil	Nil	Nil	Nil
	Total Amount (₹)	Nil	2,691,866	Nil	Nil	Nil	Nil
	Average Rate (₹)	Nil	37.32	Nil	Nil	Nil	Nil
4	Diesel for Steam Generation and Others						
	Quantity - Ltrs.	104,962	179,757	1,189,142	2,207,029	1,074,441	926,010
	Total Cost (₹)	3,821,024	5,950,084	42,982,195	73,816,275	37,902,442	30,266,504
	Rate / Unit (₹)	36.40	33.10	36.15	33.45	35.28	32.68
5	Natural Gas for Steam Generation + Heating						
	Quantity – SCM	463,926	Nil	1,017,839	Nil	Nil	Nil
	Total cost (₹)	8,992,429	Nil	20,403,243	Nil	Nil	Nil
	Rate / unit (₹)	19.38	Nil	20.05	Nil	Nil	Nil
B.	Consumption per unit of Production*						
	Electricity (Kwh. / Veh.)	31.82	33.93	28.19	31.83	15.64	16.37
	LVFO (Ltrs. / Veh.)	0.00	0.04	Nil	Nil	Nil	Nil
	Diesel (Ltrs. / Veh.)	0.05	0.10	0.58	1.26	0.48	0.51
	Natural Gas (SCM / Veh.)	0.24	Nil	0.49	Nil	Nil	Nil

*Items Shown at point No.3,4 and 5 are being used for the production of Two Wheeler as under:-

i) In Boiler and for other purposes at Dharuhera Plant.

ii) In Hot Water Generator & for other purposes at Gurgaon Plant & Haridwar Plant.

DETAILS OF DIRECTORS OF Hero MotoCorp Ltd.

Sl. No.	Name of Director DIN	Status	Type of Company	Directorship held	Committee	
					Membership	Chairmanship
I	Mr. Brijmohan Lall Munjal DIN - 00004134	EC	L	Hero MotoCorp Ltd.	-	-
			L	Shivam Autotech Ltd.	-	-
			L	Munjal Showa Ltd.	-	-
			UL	Hero InvestCorp Ltd.	-	-
			UL	Rockman Industries Ltd.	-	-
			UL	Easy Bill Ltd.	-	-
			UL	Hero FinCorp Ltd.	Audit	-
			UL	Survam Infrastructure Ltd.	-	-
			P	BCM Energies Pvt. Ltd.	-	-
			P	BML Investments Pvt. Ltd.	-	-
			P	Hero Investments Pvt. Ltd.	-	-
			P	Bahadur Chand Investments Pvt. Ltd.	-	-
II	Mr. Pawan Munjal DIN - 00004223	MD & CEO	L	Hero MotoCorp Ltd.	-	-
			UL	Hero InvestCorp Ltd.	-	-
			UL	Rockman Industries Ltd.	-	-
			UL	Hero Realty & Infra Ltd.	-	-
			UL	Hero FinCorp Ltd.	-	-
			P	Hero Investments Pvt. Ltd.	-	-
			P	Bahadur Chand Investments Pvt. Ltd.	-	-
III	Mr. Sunil Kant Munjal DIN - 00003902	JMD	L	DCM Shriram Consolidated Ltd.	-	-
			L	Hero MotoCorp Ltd.	-	-
			L	Shivam Autotech Ltd.	Audit	-
			UL	Arrow Infra Ltd.	-	-
			UL	Easy Bill Ltd.	Audit	-
			UL	Hero Corporate Services Ltd.	-	-
			UL	Hero Life Insurance Co. Limited	-	-
			UL	Hero Management Service Ltd.	Audit	-
			UL	Hero Mindmine Institute Limited	-	Audit
			UL	Satyam Auto Components Ltd.	-	-
			UL	Hero InvestCorp Ltd.	Audit	-
			UL	Rockman Industries Ltd.	-	-
			UL	Hero Realty & Infra Ltd.	-	-
			P	Bahadur Chand Investments Pvt. Ltd.	Audit	-
			P	BML Investments Pvt. Ltd.	-	-
			P	Thakurdevi Hydro Pvt. Ltd.	-	-
			P	Hero Investments Pvt. Ltd.	Audit	-

Sl. No.	Name of Director	Status	Type of Company	Directorship held	Committee	
					Membership	Chairmanship
IV	Mr. Suman Kant Munjal DIN - 00002803	NED	L	Hero MotoCorp Ltd.	-	-
			UL	Rockman Industries Ltd.	Audit	-
			UL	Hero Corporate Services Ltd.	-	-
			UL	Hero InvestCorp Ltd.	-	-
			UL	Hero Steels Ltd.	-	-
			UL	Munjel Acme Packaging Systems Ltd.	-	-
			UL	Survam Infrastructure Ltd.	-	-
			P	Bahadur Chand Investments Pvt. Ltd.	-	-
			P	BCM Energies Pvt. Ltd.	-	-
			P	Hero Investments Pvt. Ltd.	-	-
			P	Rockman Auto Pvt. Ltd.	-	-
			P	Survam Investments Pvt. Ltd.	-	-
			P	Survam Real Estate Pvt. Ltd.	-	-
			P	Thakurdevi Hydro Pvt. Ltd.	-	-
			P	Queens Building Solutions Pvt. Ltd.	-	-
V	Mr. Paul Edgerly DIN - 02213279	NED	L	Hero MotoCorp Ltd.	-	-
			P	Hero Investments Pvt. Ltd.	-	-
VI	Gen. (Retd.) V.P. Malik DIN - 00006628	NEID	L	Hero MotoCorp Ltd.	Audit	Remuneration
VII	Mr. Pradeep Dinodia DIN - 00027995	NEID	L	DCM Shriram Consolidated Ltd.	Audit Committee of Board for payment of Remuneration to Managing Director	Shareholders' & Investors Grievance
			L	DFM Foods Ltd.	Remuneration	Audit
			L	Hero MotoCorp Ltd.	Shareholders' Grievance Remuneration	Audit
			L	J. K. Lakshmi Cement Ltd.	Corporate Governance	-
			L	Shriram Pistons & Rings Ltd.	Audit Remuneration Shareholders' & Investors Grievance	Nomination
			UL	Hero Corporate Services Ltd.	-	Audit

Sl. No.	Name of Director	Status	Type of Company	Directorship held	Committee	
					Membership	Chairmanship
			UL	Micromatic Grinding Technologies Ltd.	-	-
			UL	SPR International Auto Exports Ltd.	-	-
			UL	Ultima Finvest Limited	-	-
			P	Dinodia Capital Advisors Pvt. Ltd.		
VIII	Dr. Pritam Singh DIN - 00057377	NEID	L	Dish TV India Ltd.	Audit	-
			L	Hero MotoCorp Ltd.	Audit	Shareholders' Grievance
			L	Parsvnath Developers Ltd.	Remuneration	-
			L	Godrej Properties Ltd.	Remuneration	-
IX	Mr. Analjit Singh DIN - 00029641	NEID	L	Hero MotoCorp Ltd.	-	-
			L	Max India Ltd.	-	-
			L	Tata Global Beverages Ltd.	-	-
			L	Dabur India Ltd.	-	-
			UL	Malsi Hotels Ltd.	-	-
			UL	Malsi Estates Ltd.	-	-
			UL	Malsi Holdings Ltd.	-	-
			UL	Max Healthcare Institute Ltd.	-	-
			UL	Max Neeman Medical International Ltd.	-	-
			UL	Vodafone India Ltd.	-	-
			UL	Max Bupa Health Insurance Co. Ltd.	-	-
			UL	Max New York Life Insurance Co. Ltd.	-	-
			P	Boom Investments Private Ltd.	-	-
			P	Capricorn Hospitality Services Pvt. Ltd.	-	-
			P	Capricorn Health Services Pvt. Ltd.	-	-
			P	Delhi Guest Houses Pvt. Ltd.	-	-
			P	Doon Holiday Resorts Pvt. Ltd.	-	-
			P	Dynavest India Pvt. Ltd.	-	-
			P	Leo Retailing and Health Services Pvt. Ltd.	-	-
			P	Mohair Investment and Trading Co. Pvt. Ltd.	-	-
			P	Nurture Health Services Pvt. Ltd.	-	-
			P	Scorpios Beverages Pvt. Ltd.	-	-
			P	Terra Planet Estate Pvt. Ltd.	-	-
			P	Trophy Holdings Pvt. Ltd.	-	-

Sl. No.	Name of Director	Status	Type of Company	Directorship held	Committee	
					Membership	Chairmanship
			P	Urban Space Consultants Pvt. Ltd.	-	-
			P	Vitasta Estates Pvt. Ltd.	-	-
			P	BAS Enterprises Pvt. Ltd.	-	-
			P	Trophy Estates Pvt. Ltd.	-	-
			P	Liquid Investment and Trading Company Pvt. Ltd.		
			P	Max Ventures Pvt. Ltd.		
			P	M.J. Infraventures Pvt. Ltd.		
X	Mr. M. Damodaran DIN - 02106990	NEID	L	Hero MotoCorp Ltd.	Audit Shareholders' Grievance	
			L	ING Vyasya Bank Ltd.	Board Credit	
			L	S Kumars Nationwide Ltd.		
			L	Sobha Developers Ltd.		
			L	Tech Mahindra Ltd.		Audit
			L	RSB Transmissions India Ltd.		
			L	TVS Automobile Solutions Ltd.		
			L	UltraTech Cement Ltd.		
			L	Hindalco Industries Ltd.		
			UL	Bennett Coleman and Company Ltd.		
			UL	L & T Infrastructure Finance Co. Ltd.		
			P	Glocal Healthcare Systems Pvt. Ltd.		
			P	Excellence Enablers Pvt. Ltd.		
			P	L & T Infra Investment Partners Advisory Pvt. Ltd.		
XI	Mr. Ravi Nath DIN - 00062186		L	Hero MotoCorp Ltd.	Remuneration	-
			L	Kanoria Chemicals & Industries Ltd.	Remuneration	-
			L	Somany Ceramics Ltd.	-	-
			L	Voith Paper Fabrics India Ltd.	Audit Remuneration	Investors' Grievance
			P	Citron Holdings Pvt. Ltd.	-	-
			P	Kadimi Construction Pvt. Ltd.	-	-
			P	Rajinder Narain & Co. Consultants Pvt. Ltd.	-	-

Sl. No.	Name of Director	Status	Type of Company	Directorship held	Committee	
					Membership	Chairmanship
XII	Dr. Anand C. Burman DIN - 00056216		L	Dabur India Ltd.	Remuneration cum Compensation	-
			L	Ester Industries Ltd.		-
			L	Hero MotoCorp Ltd.	-	-
			L	Hindustan Motors Ltd.	-	-
			UL	Althea Lifesciences Ltd.	-	-
			UL	Aviva Life Insurance Co. India Ltd.	-	-
			UL	Dabur Pharmaceutical Ltd.	-	-
			UL	H&B Stores Ltd.	-	-
			UL	A. CEE Enterprises	-	-
			P	B. A. Holdings Pvt. Ltd.	-	-
			P	Excellent (India) Pvt. Ltd.	-	-
			P	I M B Infrastructures Pvt. Ltd.	-	-
			P	KBC India Pvt. Ltd.	-	-
			P	M. B. Finmart Pvt. Ltd.	-	-
			P	Milky Investment and Trading Co.	-	-
			P	Moon Light Ranch Pvt. Ltd.	-	-
			P	Puran Associates Pvt. Ltd.	-	-
			P	Vansh Holdings Pvt. Ltd.	-	-
			P	V I C Enterprises Pvt. Ltd.	-	-
			P	Windy Investments Pvt. Ltd.	-	-
			P	A.V.B. Finance Pvt. Ltd.	-	-
			P	A R A HealthCare Pvt. Ltd.	-	-
			P	Diwan Chand Medical Services Pvt. Ltd.	-	-
			P	Diwan Chand Radnet Services Pvt. Ltd.	-	-
			P	Diwan Chand Integral Health Services Pvt. Ltd.	-	-
			P	Asia Pacific Healthcare Advisors Pvt. Ltd.	-	-
			P	Dabur Securities Pvt. Ltd.	-	-
			P	Windy Finvest Pvt. Ltd.	-	-
			P	Shree Investment Pvt. Ltd.	-	-
			UL	A. CEE Enterprises	-	-

* Details as on July 19, 2012

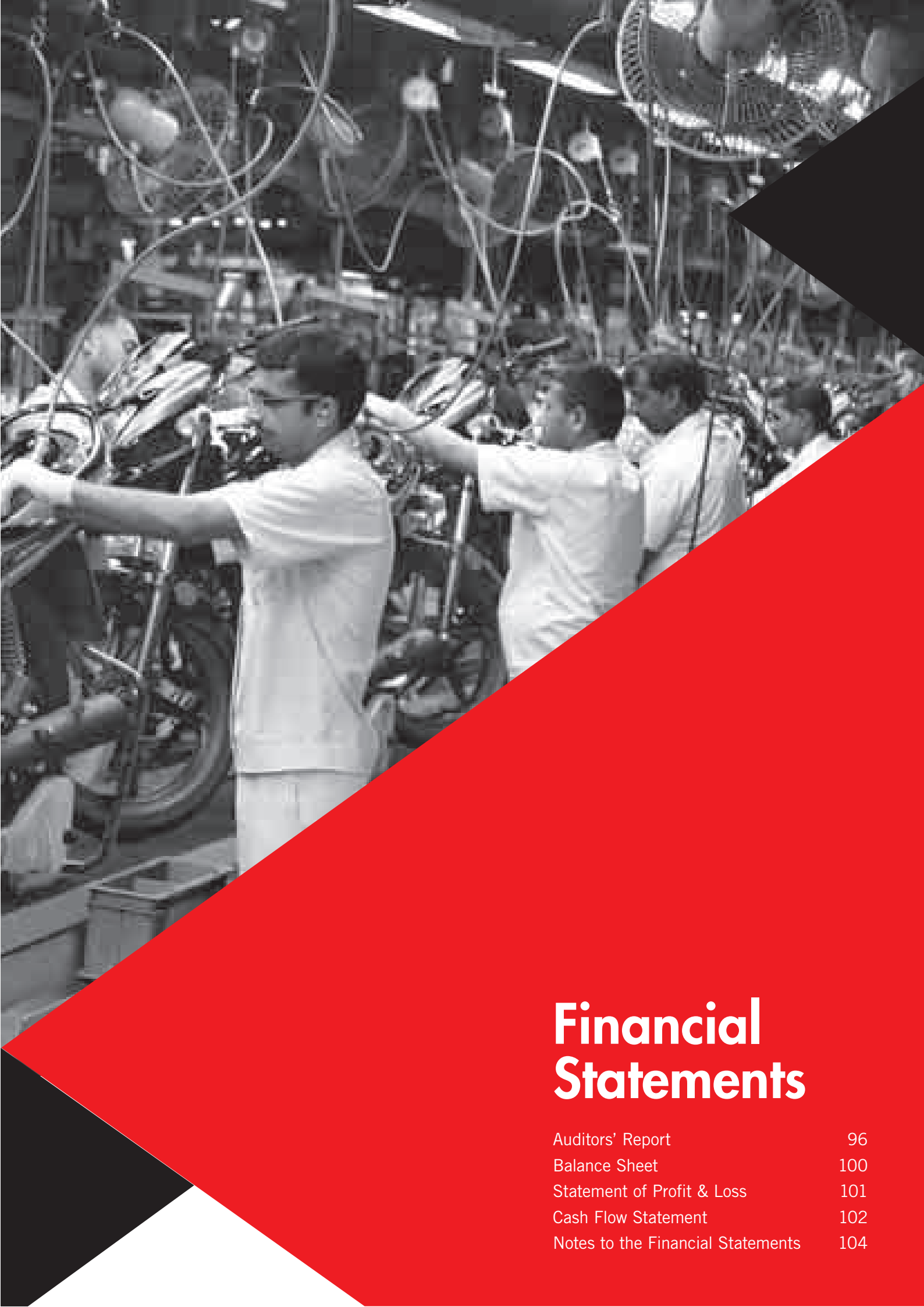
EC- Executive Chairman

MD & CEO - Managing Director & Chief Executive Officer

JMD - Jt. Managing Director

NED - Non-Executive Director

NEID - Non-Executive & Independent Director



Financial Statements

Auditors' Report	96
Balance Sheet	100
Statement of Profit & Loss	101
Cash Flow Statement	102
Notes to the Financial Statements	104

AUDITORS' REPORT

To The Members of

Hero MotoCorp Limited

(Formerly known as Hero Honda Motors Limited)

1. We have audited the attached Balance Sheet of HERO MOTOCORP LIMITED ("the Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **A. F. FERGUSON & CO.**
Chartered Accountants
(Registration No. 112066W)

Manjula Banerji
Partner
(Membership No. 86423)

New Delhi
May 2, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business/activities/result, clauses 4(x) and (xiii) of Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) During the year, certain fixed assets were physically verified by the Management in accordance with a regular programme of verification except for assets lying with third parties for which confirmations have been obtained. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its fixed assets. According to the information and explanations given to us, discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) During the year, inventories have been physically verified by the management except for inventories lying with third parties at the end of the year for which confirmations have been obtained in most of the cases. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company has maintained proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the Company has, during the year, not granted any loan, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956, other than unsecured loans aggregating ₹ 455 crores granted to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount due during the year was ₹ 135 crores and the year end balance of loans granted was ₹ 120 crores.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans granted by the Company, as referred to in paragraph 4(iii)(a) above, are, prima-facie, not prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us, the party to whom the loans have been granted by the Company, as referred to in paragraph 4(iii)(a) above, has been regular in repayment of principal amount as stipulated and has been regular in payment of interest.
- (d) According to the information and explanations given to us, there are no overdue amounts in respect of the loans granted as referred to in paragraph 4(iii)(a) above and interest thereon.
- (e) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternatives sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchases of inventories and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that need to be entered in the Register maintained under the said Section have been so entered
 - (b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except for some of the items purchased are of special nature and suitable alternatives sources are not readily available for obtaining comparable quotations.
- (vi) As the Company has not accepted any deposits from the public, paragraph 4(vi) of the Order is not applicable.

(vii) In our opinion, the internal audit function carried out during the year by firms of Chartered Accountants appointed by the Management, have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees'

state insurance, income-tax, sales tax, wealth tax, customs duty, excise duty, cess, value added tax, Haryana local area development tax and other material statutory dues applicable to it with the appropriate authorities other than certain delays in deposit of service tax and tax deducted at source. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues in respect of wealth tax, customs duty and cess which have not been deposited. The following are the particulars of excise duty, service tax, sales tax and income-tax dues not deposited / deposited under protest by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount* (₹ crores)	Amount paid under protest (₹ crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	280.64	3.62	2000-01 and 2002 – 2011	CESTAT
		78.06	38.55	2006-2011	Commissioner (Appeals)
	Service Tax	23.22	0.45**	2004-05 to 2005-06, 2008-09 to 2010-11	CESTAT
Sales Tax	Sales Tax	1.90	1.90	1998-99 to 2000-2001	Haryana Tax Tribunal
Income tax Act, 1961	Income tax	1,823.84	-	2006-07	Income Tax Appellate Tribunal
		83.65	-**	2005-06	
		81.60	29.90**	2004-05	Commissioner (Appeals)

* Amount as per demand orders including interest and penalty wherever indicated in the order and excludes disputed fully paid.

** Balance of unpaid amount has been stayed as the said cases have been decided in favour of the Company in previous assessment years on the same matters.

The following matters have been decided in favour of the Company but the department has preferred appeals at higher levels:

Name of the Statute	Nature of the Dues	Amount (₹ crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise duty	2.57	1986-87 to 1990-91	Supreme Court
		0.23	2006-07 to 2009-10	CESTAT
		0.03	2005	High Court
		0.14	2005	CESTAT
Income-tax Act, 1961	Income-Tax	20.41	1987-88, 1989-90, 1992-93, 1993-94, 1995-96 to 2001-02	High Court
		16.96	2001-02, 2002-03	Income Tax Appellate Tribunal

(x) According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances during the year on the basis of security by way of pledge of shares, debentures and other securities.

(xii) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xiii) According to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.

(xiv) In our opinion and according to the information and explanations given to us, the Company has not taken any term loans during the year.

(xv) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that, short term funds have not been used to finance long term investments.

(xvi) The Company has not made any preferential allotment of shares during the year.

(xvii) The Company has not issued any debentures during the year.

(xviii) The Company has not raised any money by way of public issue during the year.

(xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **A. F. FERGUSON & CO.**

Chartered Accountants
(Registration No. 112066W)

Manjula Banerji

Partner

(Membership No. 86423)

New Delhi

May 2, 2012

BALANCE SHEET

as at March 31, 2012

₹ crores

Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
I EQUITY AND LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(a) Share capital	3	39.94	39.94
(b) Reserves and surplus	4	4,249.89	2,916.12
2 NON - CURRENT LIABILITIES			
(a) Long term liabilities	5	1,011.39	1,471.04
(b) Deferred tax liabilities (Net)	6	208.26	246.77
(c) Long - term provisions	7	38.00	35.68
3 CURRENT LIABILITIES			
(a) Trade payables	8	2,293.17	2,073.30
(b) Other current liabilities	9	996.20	2,898.02
(c) Short - term provisions	10	1,052.07	1,045.39
TOTAL		9,888.92	10,726.26
II ASSETS			
1 NON - CURRENT ASSETS			
(a) Fixed assets	11		
(i) Tangible assets		1,743.14	1,612.53
(ii) Intangible assets		2,042.37	2,467.75
(iii) Capital work-in-progress		38.84	49.96
(b) Long term investments non current	12	673.96	465.46
(c) Long - term loans and advances	13	533.64	342.29
(d) Other non- current assets	14	26.01	16.43
2 CURRENT ASSETS			
(a) Current investments	12	3,290.30	4,663.29
(b) Inventories	15	675.57	524.93
(c) Trade receivables	16	272.31	130.59
(d) Cash and cash equivalents	17	76.82	71.52
(e) Short - term loans and advances	18	475.60	344.72
(f) Other current assets	19	40.36	36.79
TOTAL		9,888.92	10,726.26
Accompanying notes forming part of the financial statements 1 & 2			

In terms of our report attached

For and on behalf of the Board of Directors

For **A. F. FERGUSON & CO.**
Chartered Accountants

Brijmohan Lall Munjal
Chairman

Manjula Banerji
Partner

Pawan Munjal
Managing Director & CEO

Pradeep Dinodia
Director

New Delhi
May 2, 2012

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Sr. G.M. Legal & Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2012

₹ crores

Particulars	Note No.	For the year ended March 31, 2012	For the year ended March 31, 2011
I REVENUE FROM OPERATIONS	20		
(a) Gross sales of products		25,024.04	20,662.39
Less: Excise duty		1,655.99	1,417.36
		23,368.05	19,245.03
(b) Other operating revenue		210.98	152.90
Net revenue from operations		23,579.03	19,397.93
II OTHER INCOME	21	364.57	289.62
III TOTAL REVENUE (I + II)		23,943.60	19,687.55
IV EXPENSES:			
(a) Cost of materials consumed	22	17,365.41	14,135.17
(b) Changes in inventories of finished goods and work-in-progress	23	(83.84)	(24.06)
(c) Employee benefits expenses	24	735.52	618.95
(d) Finance costs	25	21.30	15.17
(e) Depreciation and amortization expenses	11	1,097.34	402.38
(f) Other expenses	26	1,943.16	2,055.34
Total Expenses		21,078.89	17,202.95
V PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III - IV)		2,864.71	2,484.60
VI EXCEPTIONAL ITEMS		-	79.84
VII PROFIT BEFORE TAX (V - VI)		2,864.71	2,404.76
VIII TAX EXPENSES:			
(a) Current tax		569.76	475.76
(b) Minimum alternate tax		(44.67)	(92.92)
(c) Net current tax		525.09	382.84
(d) Deferred tax		(38.51)	94.02
		486.58	476.86
IX PROFIT FOR THE YEAR (VII-VIII)		2,378.13	1,927.90
X BASIC AND DILUTED EARNINGS PER EQUITY SHARE:	27		
(a) before exceptional items		119.09	100.53
(b) after exceptional items		119.09	96.54
Accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

For and on behalf of the Board of Directors

For **A. F. FERGUSON & CO.**
Chartered Accountants

Brijmohan Lall Munjal
Chairman

Manjula Banerji
Partner

Pawan Munjal
Managing Director & CEO

Pradeep Dinodia
Director

New Delhi
May 2, 2012

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Sr. G.M. Legal & Company Secretary

CASH FLOW STATEMENT

for the year ended March 31, 2012

₹ crores

	Year ended March 31, 2012	Year ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	2,864.71	2,404.76
Adjustments for:		
Add: Depreciation and amortisation	1,097.34	402.38
Loss on fixed assets sold/discarded	13.57	12.43
Loss on sale of non-trade current investments	2.60	6.46
Provision for diminution in value of investment:		
Long term non trade investment	0.65	0.61
Finance cost	21.30	15.17
Provision for doubtful debts trade receivables	0.29	1.56
	1,135.75	438.61
Less: Interest on long term and current non-trade investments	58.08	58.28
Interest received on loans, deposits etc.	21.76	17.65
Profit on sale of fixed assets	2.40	0.46
Exchange differences	0.24	(0.57)
Dividend income:		
On current Investments - Non-Trade	0.21	3.50
On long-term investments-Trade and Non trade	2.93	2.72
Profit on sale of non-trade current investments	281.79	210.71
	367.41	292.75
Operating profit before working capital changes	3,633.05	2,550.62
Changes in working capital:		
Adjustment for (increase)/decrease in operating assets:		
Inventories	(150.64)	(88.53)
Trade receivables	(141.77)	(24.42)
Short-term loans and advances	(30.88)	(175.11)
Long-term loans and advances	(53.84)	7.82
	(377.13)	(280.24)
Adjustment for increase/(decrease) in operating liabilities:		
Trade payables	219.87	450.56
Other current liabilities	(540.99)	11.73
Other long-term liabilities	3.95	2.47
Short-term provisions	1.37	0.07
Long-term provisions	2.32	0.15
	(313.48)	464.98
Cash generated from operations	2,942.44	2,735.36
Less: Direct taxes paid	582.66	481.20
Net cash from operating activities	2,359.78	2,254.16

₹ crores

	Year ended March 31, 2012	Year ended March 31, 2011
B. CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	61.65	3.11
Sale / Purchase of investments (net)	1,443.02	(999.40)
Inter corporate deposits received back	355.00	445.00
Interest received on long term and current non-trade investments	44.93	34.23
Interest received on loans, deposits etc.	21.76	17.65
Dividend income		
On current Investments - Non-Trade	0.21	3.50
On long-term investments-Trade and Non trade	2.93	2.72
	1,929.50	(493.19)
Less: Capital expenditure on fixed assets, including capital advances	565.05	364.12
Payment of deferred credits	816.66	-
Inter corporate deposits paid	455.00	465.00
	1,836.71	829.12
Net cash (used) in investing activities	92.79	(1,322.31)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	21.30	15.17
Dividends paid	2,096.72	599.06
Tax on dividend	340.14	341.00
	2,458.16	955.23
Net cash (used) in financing activities	(2,458.16)	(955.23)
D. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(5.59)	(23.38)
Cash and cash equivalents at the beginning of the year	39.32	62.61
Cash and cash equivalents at the end of the year		
Cash and bank balances	33.73	39.32
Unrealised exchange loss/(gain)	-	(0.09)
	33.73	39.23
Accompanying notes forming part of the financial statements		

In terms of our report attached

For and on behalf of the Board of Directors

For **A. F. FERGUSON & CO.**
Chartered Accountants**Brijmohan Lall Munjal**
Chairman**Manjula Banerji**
Partner**Pawan Munjal**
Managing Director & CEO**Pradeep Dinodia**
DirectorNew Delhi
May 2, 2012**Ravi Sud**
Sr. Vice President & CFO**Ilam C. Kamboj**
Sr. G.M. Legal & Company Secretary

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 1 CORPORATE INFORMATION

Hero MotoCorp Limited (the Company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on January 19, 1984. The name of the Company has been changed from Hero Honda Motors Limited to Hero MotoCorp Limited on July 29, 2011. The shares of the Company are listed on two stock exchanges in India i.e. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is engaged in the manufacturing and selling of motorised two-wheelers, spare parts and related services. The Company is a leading two wheeler manufacturer and has a dominant presence in domestic market.

NOTE NO. 2 SIGNIFICANT ACCOUNTING POLICIES

i) Accounting convention

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention.

ii) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

iii) Fixed / Intangible assets and depreciation / amortisation

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses. Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

Depreciation is charged on a pro-rata basis at the straight line method rates prescribed in schedule XIV to the Companies Act, 1956. Assets covered under employee benefit schemes are amortised over a period of five years. Assets costing upto ₹ 5,000 each are fully depreciated in the year of purchase.

Intangible assets, comprising of expenditure on model fee etc, incurred are amortised on a straight line method over a period of five years.

Licenses for Technical Know-how / export licenses have been amortised on a straight line basis upto June 30, 2014 i.e forty two months (refer note 11).

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment.

Leasehold land has been amortised over the period of lease.

iv) Investments

Current investments are stated at lower of cost and fair value computed categorywise. Long term investments are stated at cost less provision for permanent diminution, if any. Premium paid on purchase of debt securities is amortised over the period of maturity.

v) Inventories

Stores and spares and loose tools are stated at cost or under.

Raw materials and components, finished goods and work in progress are valued at cost or net realisable value, whichever is lower.

The basis of determining cost for various categories of inventories are as follows:-

Stores and spares, loose tools, raw materials and components	- Weighted average cost
Materials in transit	- Actual cost
Work in progress and finished goods	- Material cost plus appropriate share of labour, manufacturing overheads and excise duty

vi) Employee benefits

a) Defined contribution plan

Provident fund, Superannuation fund and Employee' State Insurance Corporation (ESIC) are the defined contribution schemes offered by the Company. The contributions to these schemes are charged to the profit and loss account of the year in which contribution to such schemes becomes due.

b) Defined benefit plan and Long term Employee benefits

Gratuity liability and long term employee benefits, are provided on the basis of an actuarial valuation made at the end of each financial year as per projected unit credit method. Actuarial gains or loss arising from such valuation are charged to revenue in the year in which they arise.

vii) Foreign currency transactions

Exchange differences are dealt with as follows:-

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. All loss or gain on translation is charged to revenue in the year in which it is incurred.

Monetary assets and liabilities denominated in foreign currency are restated at the rate prevailing at the year end and resultant gain or loss is recognised.

The exchange differences arising on restatement / settlement of long-term foreign currency monetary items are capitalised as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets or amortised on settlement / over the maturity period of such items in line with Notification No. GSR 378(E) dated May 11, 2011 issued by The Ministry of Corporate Affairs, Government of India.

In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the profit and loss account and the exchange difference between the exchange rate prevailing at the year end and the date of the inception of the forward exchange contract is recognised as income or expense in the profit and loss account.

viii) Sales

Sale of goods is recognised at the point of despatch of finished goods to the customers. Gross sales are inclusive of applicable excise duty and freight but are exclusive of sales tax. Services income is recognized when the services are rendered.

- Scrap is accounted for on sale basis.

ix) Warranty claims

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise - being typically two to three years.

The Company accounts for the post-contract support / provision for warranty on the basis of the information available with the Management duly taking into account the current and past technical estimates.

x) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss.

xi) Research and development expenses

Research and development expenditure of a revenue nature is expensed out under the respective heads of account in the year in which it is incurred.

Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

xii) Earnings per share

Earnings per share are computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year.

xiii) Taxation

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xiv) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

xv) Derivatives

Foreign currency derivatives are used to hedge risk associated with foreign currency transactions. All open positions as at the close of the year are valued by marking them to the market and provision is made for losses, if any.

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 3

₹ crores

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	₹ crores	Number	₹ crores
SHARE CAPITAL				
AUTHORISED				
Equity shares of ₹ 2 each with voting rights	250,000,000	50.00	250,000,000	50.00
Cumulative convertible preference shares of ₹ 100 each	400,000	4.00	400,000	4.00
Cumulative redeemable preference shares of ₹ 100 each	400,000	4.00	400,000	4.00
	250,800,000	58.00	250,800,000	58.00
ISSUED, SUBSCRIBED AND FULLY PAID UP				
Equity Shares of ₹ 2 each with voting rights (Refer (i) and (ii) below)	199,687,500	39.94	199,687,500	39.94
Total	199,687,500	39.94	199,687,500	39.94

(i) There is no movement in share capital during the year, previous year and immediately preceding previous year

(ii) Shareholder holding more than 5 percent shares:

Particulars	Equity Shares As at March 31, 2012		Equity Shares As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
M/S Hero Investments (P) Ltd	86,531,210	43.33%	86,531,210	43.33%
M/S Bahadur Chand Investments (P) Ltd	17,306,250	8.67%	17,306,250	8.67%

NOTE NO. 4

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
RESERVES AND SURPLUS		
(A) CAPITAL RESERVES		
On shares forfeited (# ₹ 4,250)	#	#
Share premium account on forfeited shares reissued(## ₹ 25,500)	##	##
(B) GENERAL RESERVE		
Opening balance	1,471.32	1,278.53
Add: Transferred from Statement of profit and loss	240.00	192.79
Closing balance	1,711.32	1,471.32
(C) SURPLUS - IN STATEMENT OF PROFIT AND LOSS		
Opening balance	1,444.80	2,146.55
Add: Profit for the year	2,378.13	1,927.90
Less: Interim dividend (₹ Nil (previous year ₹ 70 per share))	-	1,397.81
Dividend proposed to be distributed to equity share holders (₹ 45 per share, (previous year ₹ 35 per share))	898.59	698.91
Tax on dividend	145.77	340.14
Transfer to General Reserve	240.00	192.79
Closing balance	2,538.57	1,444.80
Total	4,249.89	2,916.12

NOTE NO. 5		₹ crores
Particulars	As at March 31, 2012	As at March 31, 2011
LONG TERM LIABILITIES		
(A) DEFERRED PAYMENT CREDITS (REFER NOTE (I) AND (II) BELOW)	994.85	1,458.45
(B) OTHERS	16.54	12.59
Total	1,011.39	1,471.04

- (i) In the previous year, the Company has entered into a Memorandum of Understanding (MOU) with Honda Motor Company Limited Japan (Honda) dated December 16, 2010, which was effective from January 1, 2011, and in accordance therewith has entered into New License Agreements pursuant to the Share Transfer agreement, wherein Honda has given, to the Company, right and license to manufacture, assemble, sell and distribute certain products/parts and export license for certain products and their service parts under the intellectual property rights.

Liability payable upto March 31, 2013 has been included under other current liabilities and the balance has been disclosed as Deferred payment credits. Further, joint venture has ceased on March 22, 2011 pursuant to transfer of shares held by Honda Motor Company to the Indian joint venture partners.

- (ii) For current maturities of deferred payment credits, refer item (a) in Note 9, Other current liabilities

NOTE NO. 6		₹ crores
Particulars	As at March 31, 2012	As at March 31, 2011
DEFERRED TAX LIABILITIES (NET)		
DEFERRED TAX LIABILITIES		
Accumulated depreciation	212.56	251.07
Others	2.19	1.65
	214.75	252.72
DEFERRED TAX ASSETS		
Accrued expenses deductible on payment	2.72	2.18
Others	3.77	3.77
	6.49	5.95
Deferred tax liabilities (net)	208.26	246.77

NOTE NO. 7		₹ crores
Particulars	As at March 31, 2012	As at March 31, 2011
LONG TERM PROVISIONS		
(a) Employees benefits - accumulated leaves	6.38	5.61
(b) Warranties	31.62	30.07
Total	38.00	35.68

Notes to the Financial Statements for the year ended March 31, 2012

₹ crores

NOTE NO. 8

Particulars	As at March 31, 2012	As at March 31, 2011
TRADE PAYABLES		
Amount payable to Micro, small and medium enterprises (Refer (i) below)	-	2.87
Other trade payables	2,293.17	2,070.43
Total	2,293.17	2,073.30

- (i) According to the records available with the Company, dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 during the year is ₹ Nil (previous year ₹ 2.87 crores). Further no interest has been paid or was payable to such parties under the said Act in the previous year.

Dues to Micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Company. This has been relied upon by the auditors.

NOTE NO. 9

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
OTHER CURRENT LIABILITIES		
(a) Current maturities of deferred payment credits (unsecured) (Refer Note 5 above)	719.44	693.35
(b) Interim dividend payable	-	1,397.81
(c) Other payables		
Statutory dues	53.37	454.67
Security deposits dealers and others	36.26	35.75
Advances from dealers	130.75	270.94
Unclaimed dividend	43.09	32.20
Other liabilities	13.29	13.30
Total	996.20	2,898.02

NOTE NO. 10

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
SHORT TERM PROVISIONS		
(a) Employees benefits - accumulated leaves	2.01	1.10
(b) Provisions -Others		
Proposed equity dividend	898.59	698.91
Tax on proposed dividend	145.77	340.14
Warranties	5.70	5.24
Total	1,052.07	1,045.39

NOTE NO. 11		₹ crores										
Particulars		Gross Block			Accumulated depreciation/amortisation				Net block			
	Opening balance as at April 1, 2011	Additions	Deletions/ adjustments	Closing balance as at March 31, 2012	Upto March 31, 2011	Depreciation/ amortisation charge for the year	On disposals	Upto March 31, 2012	As at March 31, 2011	As at March 31, 2011		
FIXED ASSETS												
(a) Tangible assets												
Land												
	84.65	-	1.85	82.80	-	-	-	-	82.80	84.65		
- Freehold												
- Leasehold #	81.80	40.87	-	122.67	4.16	0.94	-	5.10	117.57	77.64		
Building	451.15	9.61	10.41	450.35	74.49	14.12	1.82	86.79	363.56	376.66		
Plant and equipment	1,886.38	267.14	41.60	2,111.92	904.23	150.95	25.41	1,029.77	1,082.15	982.15		
Furniture and fixtures	16.62	5.53	3.88	18.27	6.45	1.58	0.47	7.56	10.71	10.17		
Vehicles	38.68	9.30	4.41	43.57	15.96	6.28	3.28	18.96	24.61	22.72		
Office equipment	13.85	2.19	0.21	15.83	3.30	0.70	0.11	3.89	11.94	10.55		
Data Processing equipment	81.44	13.24	1.77	92.91	33.45	11.28	1.62	43.11	49.80	47.99		
Total	2,654.57	347.88	64.13	2,938.32	1,042.04	185.85	32.71	1,195.18	1,743.14	1,612.53		
(b) Intangible assets												
Model fee	306.64	135.52	-	442.16	221.45	68.26	-	289.71	152.45	85.19		
Technical know-how/ export licenses*	2,551.84	379.15	41.40	2,889.59	182.27	839.01	-	1,021.28	1,868.31	2,369.57		
Software	25.41	12.84	0.06	38.19	12.42	4.22	0.06	16.58	21.61	12.99		
Total	2,883.89	527.51	41.46	3,369.94	416.14	911.49	0.06	1,327.57	2,042.37	2,467.75		
(c) Capital work In progress												
Total (a+b)	5,538.46	875.39	105.59	6,308.26	1,458.18	1,097.34	32.77	2,522.75	3,785.51			
Previous year	2,750.98	2,838.96	51.48	5,538.46	1,092.20	402.38	36.40	1,458.18	4,080.28			
Capital work In progress									38.84	49.96		
									3,824.35	4,130.24		

Note :

Includes land of ₹ 48.46 crores at Haridwar and ₹ 61.31 crores at Jaipur pending for registration in the name of the Company.

* Includes net increase of ₹ 379.15 crores (previous year net decrease of ₹ 88.44 crores) due to fluctuation in exchange rates.

In line with Notification No. G.S.R. 378 (E) dated May 11, 2011 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, have been added to or deducted from the cost of the asset and shall be depreciated over the balance useful life of the asset.

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 12

₹ crores

	Units as at March 31, 2012	Units as at March 31, 2011	As at Current	March 31, 2012 Non Current	As at Current	March 31, 2011 Non Current
INVESTMENTS						
(a) LONG TERM INVESTMENTS (AT COST OR UNDER)						
Non Trade						
In Debentures / Bonds						
Quoted						
Face Value of ₹ 1,000,000 each						
7.90 percent Rural Electrification Corporation -Maturity-06.10.2012	200	200	20.15	-	-	20.15
Face Value of ₹ 1,000 each						
12.25 percent Muthoot Finance Limited- Maturity-14.09.2016	500,000	-	-	49.79	-	-
10.75 percent Shriram Transport NCD -Maturity-26.08.2012	52,201	-	5.35	-	-	-
Face Value of ₹ 100,000 each						
6.70 percent IRFC Bonds -Maturity-08.03.2020	1,500	1,500	-	15.23	-	15.23
6.85 percent India Infrastructure Finance Company Limited 2014 Tax Free Bonds-Maturity 22.01.2014	10,000	-	-	100.90	-	-
Face Value of ₹ 500,000 each						
10.70 percent Tata Motors Finance Limited- Maturity-10.04.2020	138	-	-	7.18	-	-
10.70 percent Tata Motors Finance Limited- Maturity-28.04.2020	400	-	-	20.82	-	-
Face Value of ₹ 1,000,000 each						
8.45 percent Rural Electrification Corporation -Maturity-19.02.2015	200	200	-	20.08	-	20.08
Zero Coupon Bonds						
Rural Engineering Corporation Ltd Bonds @ 13578 maturity ₹ 30,000 per bond	37,000	-		50.24	-	-
			25.50	264.24	-	55.46
Less: Provision for diminution/amortisation			(0.54)	(0.83)	-	(0.12)
Market value ₹ 285.58 crores (previous year ₹ 54.64 crores)			24.96	263.41	-	55.34
Unquoted						
Face Value of ₹ 1,000 each						
8.40 percent L&T Finance Limited- Maturity-08.03.2013*	247,377	247,377	24.74	-	-	24.74
Face Value of ₹ 1,000,000 each						
7.65 percent HDFC Bonds-Maturity-15.12.2012*	150	150	15.03	-	-	15.03
11 percent Religare Finvest Limited- Maturity-16.08.2012*	120	-	12.00	-	-	-
Face Value of ₹ 1,000 each						
10.75 percent Shriram Transport NCD -Maturity-26.08.2012*	-	52,201	-	-	-	5.36
12.15 percent Religare Finvest Limited- Maturity-23.09.2014*	250,000	-	-	25.00	-	-
Face Value of ₹ 100,000 each						
12.00 percent Shriram Transport NCD -Maturity-18.07.2014*	1,300	1,300	-	13.85	-	13.85
6.85 percent India Infrastructure Finance Company Limited 2014 Tax Free Bonds-Maturity 22.01.2014*	-	10,000	-	-	-	100.90

NOTE NO. 12

₹ crores

INVESTMENTS

Face Value of ₹ 500,000 each

10.70 percent Tata Motors Finance Limited-Maturity-10.04.2020*	-	138	-	-	-	7.18
--	---	-----	---	---	---	------

10.70 percent Tata Motors Finance Limited-Maturity-28.04.2020*	-	400	-	-	-	20.82
--	---	-----	---	---	---	-------

Face Value of ₹ 1,000,000 each

8.91 percent L&T Finance Limited-Maturity-15.04.2016*	150	150	-	15.00	-	15.00
---	-----	-----	---	-------	---	-------

9.55 percent Kal Airways Pvt. Ltd Bonds -Maturity- 14.06.2011*	-	250	-	-	25.00	-
--	---	-----	---	---	-------	---

13 percent Religare Finvest Limited-Maturity-30.05.2017*	100	-	-	10.00	-	-
--	-----	---	---	-------	---	---

			51.77	63.85	25.00	202.88
--	--	--	-------	-------	-------	--------

Less: Provision for diminution/amortisation			(0.02)	(0.44)	-	(0.77)
---	--	--	--------	--------	---	--------

Maturity Value ₹ 114.74 crores (previous year ₹ 224.86 crores)			51.75	63.41	25.00	202.11
---	--	--	-------	-------	-------	--------

Zero Coupon Bonds

Rural Engineering Corporation Ltd Bonds @ 13578 maturity ₹ 30,000 per bond*	-	37,000	-	-	-	50.24
---	---	--------	---	---	---	-------

National Bank For Agriculture and Rural Development*						
--	--	--	--	--	--	--

Bhavishya Nirman Bonds @ 8182 each						
------------------------------------	--	--	--	--	--	--

A 10 Year Zero Coupen Bond of NABARD-maturity ₹ 20,000.00 per bond	50,200	50,200	-	41.07	-	41.07
--	--------	--------	---	-------	---	-------

			-	41.07	-	91.31
--	--	--	---	-------	---	-------

Total Investment in Bonds/Debentures			76.71	367.89	25.00	348.76
---	--	--	-------	--------	-------	--------

In Mutual fund units:

Unquoted

Debt fund

(Units of the face value of ₹ 10 each)

ICICI Prudential Mutual Fund

FMP Series 63-378 Days Plan I Cumulative*	25,325,762	-	-	25.32	-	-
---	------------	---	---	-------	---	---

FMP Series 63-1 Year Plan E Cumulative*	10,057,705	-	-	10.06	-	-
---	------------	---	---	-------	---	---

FMP Series 50-19 Months Plan A Cumulative*	-	15,051,469	-	-	15.05	-
--	---	------------	---	---	-------	---

FMP Series 51-15 Months Plan E Cumulative*	-	10,000,000	-	-	10.00	-
--	---	------------	---	---	-------	---

Interval Fund Annual Interval Plan IV Institutional Cumulative*	43,545,045	43,545,045	50.76	-	50.76	-
---	------------	------------	-------	---	-------	---

FMP Series 53-1 Year Plan B Cumulative*	-	76,500,000	-	-	76.50	-
---	---	------------	---	---	-------	---

FMP Series 55-1 Year Plan A Cumulative*	-	75,000,000	-	-	75.00	-
---	---	------------	---	---	-------	---

FMP Series 59-1 Year Plan A Cumulative*	30,555,582	-	30.56	-	-	-
---	------------	---	-------	---	---	---

Birla Sunlife Mutual Fund						
Fixed Term Pan Series EY Growth*	25,000,000	-	-	25.00	-	-

HDFC Mutual Fund

FMP 390D March 2012 (1)-Growth-Series XXI*	25,000,000	-	-	25.00	-	-
--	------------	---	---	-------	---	---

FMP 20M Sep 2009-Growth-Series-XI*	-	20,000,000	-	-	20.00	-
------------------------------------	---	------------	---	---	-------	---

FMP 13M September 2011(1)-Growth-Series XVIII*			150.00	-	-	-
	150,000,000					

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 12

₹ crores

	Units as at March 31, 2012	Units as at March 31, 2011	As at Current	March 31, 2012 Non Current	As at Current	March 31, 2011 Non Current
INVESTMENTS						
IDFC Mutual Fund						
FMP-2 Year Series-1-Growth*	20,000,000	-	-	20.00	-	-
Fixed Maturity Plan -Thirteen Months Series 8-Growth*	25,000,000	-	-	25.00	-	-
Fixed Maturity Plan -Yearly Series 65-Growth*	10,000,000	-	-	10.00	-	-
Fixed Maturity Plan Series 37-Growth*	-	15,000,000	-	-	15.00	-
FMP-Yearly Series 45-Growth*	25,223,822	-	25.22	-	-	-
FMP-Yearly Series 46-Growth*	25,000,000	-	25.00	-	-	-
Reliance Mutual Fund						
Dual Advantage Fixed Tenure Fund-Plan I -Growth Plan*	20,014,191	20,014,191	20.01	-	-	20.01
Dual Advantage Fixed Tenure Fund-Plan A -Growth Plan*	40,000,000	40,000,000	-	40.00	-	40.00
Dual Advantage Fixed Tenure Fund-Plan B -Growth Plan*	20,031,895	20,031,895	-	20.03	-	20.03
Fixed Horizon Fund -XXI-Series 11-Growth Plan*	30,000,000	-	-	30.00	-	-
Fixed Horizon Fund -XIII-Series 4-Growth Plan*	-	50,000,000	-	-	50.00	-
Fixed Horizon Fund -XIII-Series 6-Growth Plan*	-	17,779,171	-	-	17.78	-
Fixed Horizon Fund -XV-Series 6-Growth Plan*	-	20,000,000	-	-	20.00	-
Fixed Horizon Fund -XVI-Series 8-Growth Plan*	-	65,970,385	-	-	65.97	-
Fixed Horizon Fund -XVI-Series 2-Growth Plan*	-	64,261,674	-	-	64.26	-
Fixed Horizon Fund -XVI-Series 3-Growth Plan*	-	69,164,861	-	-	69.16	-
Fixed Horizon Fund -XIX-Series 8-Growth Plan*	-	20,018,354	-	-	20.02	-
Fixed Horizon Fund -XX-Series 22-Growth Plan*	25,024,308	-	25.02	-	-	-
Fixed Horizon Fund -XX-Series 24-Growth Plan*	25,054,227	-	25.06	-	-	-
Fixed Horizon Fund -XX-Series 11-Growth Plan*	15,000,000	-	15.00	-	-	-
Fixed Horizon Fund -XXI-Series 13-Growth Plan*	50,108,563	-	50.11	-	-	-
Tata Mutual Fund						
Fixed Maturity Plan Series 25 Scheme A -Super High Invest Plan-Growth*	-	25,000,000	-	-	25.00	-
BNP Paribas Mutual Fund (Formerly Known as Fortis Mutual Fund)						
Fixed Term Fund Ser 20 A Growth*	-	20,000,000	-	-	20.00	-
Religare Mutual Fund						
FMP Series XIII Plan F-Growth Plan*	35,000,000	-	-	35.00	-	-
Fixed Maturity Plan -Series II-Plan B (15 Months)-Growth*	-	25,000,000	-	-	25.00	-
Fixed Maturity Plan -Series III-Plan A (12 Months)-Growth*	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan -Series III-Plan C (370 Days)-Growth*	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan -Series III-Plan F (370 Days)-Growth*	-	15,000,000	-	-	15.00	-
Fixed Maturity Plan -Series VI-Plan D (370 Days)-Growth Plan*	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan Series VIII-Plan F (369 Days)*	20,000,000	-	20.00	-	-	-

NOTE NO. 12

₹ crores

INVESTMENTS

Axis Mutual Fund

Fixed Term Plan-Series 1(384 days)-Retail Growth*

Units as at March 31, 2012	Units as at March 31, 2011	As at Current	March 31, 2012 Non Current	As at Current	March 31, 2011 Non Current
-	15,267,282	-	-	15.27	-
10,000,000	-	10.00	-	-	-

Fixed Term Plan-Series 15 (370 Days)-Growth*

DSP BlackRock Mutual Fund

FMP 13M Series 2-Growth*

FMP 12M Series 13-Growth*

FMP 12M Series 15-Growth*

FMP- Series 6-12 M -Growth*

FMP- Series 16-12 M -Growth*

UTI Mutual Fund

Fixed Term Income Fund Series VII- I (428 Days)-Growth Plan*

Fixed Income Interval Fund Annual Interval Plan III-INST Growth Plan*

Taurus Mutual Fund

Fixed Maturity Plan 15Months Series 1-Institutional Growth Plan*

Fixed Maturity Plan 370 Days Series-D-Growth Plan*

Fixed Maturity Plan 370 Days Series -G-Growth Plan*

Fixed Maturity Plan 369 Days Series P-Growth Plan*

L&T Mutual Fund

FMP-V (March 395 D A)-Growth*

FMP-III (January 369 D A)-Growth*

FMP-III (March 369 D A)-Growth*

FMP-V (December 368 D A)-Growth*

Escorts Mutual Fund

Fixed Maturity Plan Series II-Growth*

Total Investment in Mutual Funds

Repurchase Price ₹ 831.36 crores (previous year ₹ 1,075.04 crores)

In Equity Shares

Unquoted

Face Value of ₹ 10 each

National Stock Exchange Limited

Face Value of Re. 1 each

Bombay Stock Exchange Limited

Total Investment in Equity Shares

Trade

Unquoted

Equity shares of ₹ 10 each fully paid up of Hero FinCorp Limited

Total Long Term Investments

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 12

₹ crores

INVESTMENTS

(B) OTHER THAN LONG TERM INVESTMENTS

(At lower of cost or fair value, unless otherwise stated)

Non-trade

In Mutual fund units:

Unquoted

Debt fund

(Units of the face value of ₹ 10 each)

ICICI Prudential Mutual Fund

FMP Series 53-6 Months Plan A Cumulative*

Units as at March 31, 2012	Units as at March 31, 2011	As at March 31, 2012 Current	As at March 31, 2012 Non Current	As at March 31, 2011 Current	As at March 31, 2011 Non Current
-	50,000,000	-	-	50.00	-

Blended Plan B Institutional Growth Option-II

56,179,832	103,325,183	63.24	-	106.35	-
------------	-------------	-------	---	--------	---

Short Term Plan Inst. Growth

11,770,847	-	25.01	-	-	-
------------	---	-------	---	---	---

Banking and PSU Debt Fund Growth

130,115,480	-	146.53	-	-	-
-------------	---	--------	---	---	---

Medium Term Premium Plus Growth

30,676,723	-	34.05	-	-	-
------------	---	-------	---	---	---

Birla Sunlife Mutual Fund

Interval Income Fund-INSTL-Quarterly -Series 1-Growth*

-	89,783,485	-	-	91.39	-
---	------------	---	---	-------	---

Medium Term Plan -INSTL-Growth

134,183,852	268,367,705	144.91	-	289.82	-
-------------	-------------	--------	---	--------	---

IDFC Mutual Fund

Money Manager Fund -Investment Plan -Inst Plan B-Growth

15,203,322	33,284,126	25.03	-	50.45	-
------------	------------	-------	---	-------	---

Ultra Short Term Fund -Growth

72,338,706	37,372,559	100.60	-	50.00	-
------------	------------	--------	---	-------	---

SSIF-Short Term -Plan C-Growth

43,198,719	-	50.45	-	-	-
------------	---	-------	---	---	---

BNP Paribas Mutual Fund (Formerly Known as Fortis Mutual Fund)

Fixed Term Fund Ser 20 B Growth*

-	20,405,000	-	-	20.40	-
---	------------	---	---	-------	---

Reliance Mutual Fund

Fixed Horizon Fund -XVIII-Series 3-Growth Plan*

-	66,887,692	-	-	66.89	-
---	------------	---	---	-------	---

Fixed Horizon Fund -XVIII-Series 7-Growth Plan*

-	100,000,000	-	-	100.00	-
---	-------------	---	---	--------	---

Monthly Interval Fund-Series II-Institutional Growth Plan*

-	220,895,860	-	-	285.61	-
---	-------------	---	---	--------	---

Monthly Interval Fund-Series I-Institutional Growth Plan*

-	95,192,986	-	-	122.53	-
---	------------	---	---	--------	---

Quarterly Interval Fund -Series II-Institutional Growth Plan*

49,081,163	-	69.65	-	-	-
------------	---	-------	---	---	---

Interval Fund-Quarterly Plan-Series I-Institutional Growth Plan*

-	94,481,769	-	-	99.13	-
---	------------	---	---	-------	---

Dynamic Bond Fund- Growth Plan

12,758,643	-	17.00	-	-	-
------------	---	-------	---	---	---

Axis Mutual Fund

Triple Advantage Fund-Growth

-	5,000,000	-	-	5.00	-
---	-----------	---	---	------	---

DSP BlackRock Mutual Fund

FMP 3M Series 32-Growth*

-	21,750,000	-	-	21.75	-
---	------------	---	---	-------	---

Taurus Mutual Fund

MIP Advantage Fund-Growth

-	7,000,000	-	-	7.00	-
---	-----------	---	---	------	---

Fixed Maturity Plan 120 Days Series 1-Growth Plan*

-	10,000,000	-	-	10.00	-
---	------------	---	---	-------	---

NOTE NO. 12

₹ crores

INVESTMENTS

	Units as at March 31, 2012	Units as at March 31, 2011	As at Current	March 31, 2012 Non Current	As at Current	March 31, 2011 Non Current
Fixed Maturity Plan 91 Days Series A-Growth Plan*	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan 91 Days Series B-Growth Plan*	-	20,000,000	-	-	20.00	-
Fixed Maturity Plan 91 Days Series E-Growth Plan*	-	12,000,000	-	-	12.00	-
Quarterly Interval Fund Series 2-Growth Plan*	10,000,000	-	10.00	-	-	-
L&T Mutual Fund						
Monthly Income Plan-Cumulative	-	3,133,715	-	-	6.00	-
FMP-II (January 90 D A)-Growth*	-	20,000,000	-	-	20.00	-
FMP-III (March 90 D A)-Growth*	-	10,000,000	-	-	10.00	-
MIP- Wealth Builder Fund Cumulative	6,000,000	-	6.00	-	-	-
Escorts Mutual Fund						
Short Term Debt Fund-Growth	2,848,111	-	4.30	-	-	-
Edelweiss Mutual Fund						
Ultra Short Term Bond Fund -Institutional -Growth Plan	8,258,456	-	10.00	-	-	-
(Units of the face value of ₹ 100 each)						
Reliance Mutual Fund						
Gold ETF -Open Ended Scheme*	-	35,853	-	-	3.65	-
ICICI Prudential Mutual Fund						
Flexible Income Plan Premium -Growth	19,635,285	30,809,744	336.25	-	519.75	-
(Units of the face value of ₹ 1,000 each)						
Reliance Mutual Fund						
Money Manager Fund-Institutional Option-Growth Plan	2,416,389	3,424,747	299.55	-	424.54	-
Pramerica Mutual Fund						
Short Term Income Fund-Growth Option	49,951	49,951	5.00	-	5.00	-
Treasury Advantage Fund-Growth Option	48,903	-	5.00	-	-	-
Credit Opportunities Fund -Growth	70,000	-	7.00	-	-	-
Dynamic Bond Fund-Growth Plan	50,000	-	5.00	-	-	-
DSP BlackRock Mutual Fund						
Strategic Bond Fund -Institutional Plan-Growth	203,432	-	25.03	-	-	-
Indiabulls Mutual Fund						
Ultra Short Term Fund -Growth Plan	200,000	-	20.00	-	-	-
Repurchase Price ₹ 1,566.34 crores (previous year ₹ 2,517.42 crores)			1,409.60	-	2,407.26	-
In Equity fund units:						
(Units of the face value of ₹ 10 each)						
Escorts Mutual Fund						
Opportunities Fund -Dividend	16,258,483	30,051,179	16.62	-	30.72	-
High Yield Equity Plan-Dividend	1,463,414	1,463,414	1.50	-	1.50	-
			18.12	-	32.22	-
Less: Provision for diminution in value			(0.11)	-	(1.16)	-

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 12

₹ crores

	Units as at March 31, 2012	Units as at March 31, 2011	As at Current	March 31, 2012 Non Current	As at Current	March 31, 2011 Non Current
INVESTMENTS						
Repurchase Price ₹ 18.01 crores (previous year ₹ 31.06 crores)			18.01	-	31.06	-
In Liquid fund units:						
(Units of the face value of ₹ 10 each)						
Reliance Mutual Fund						
Liquidity Fund- Growth Option	141,164,892	-	227.36	-	-	-
Escorts Mutual Fund						
Liquid Plan-Growth	15,982,468	5,731,878	25.48	-	8.25	-
Birla Sunlife Mutual Fund						
Cash Plus-Instl.Prem.-Growth	8,970,236	108,671,782	154.00	-	168.25	-
L&T Mutual Fund						
Liq Sup Inst.Plan-Cumulative	-	86,155,551	-	-	115.50	-
IDFC Mutual Fund						
Cash Fund -Super Inst Plan C-Growth	-	60,183,665	-	-	71.24	-
BNP Paribas Mutual Fund						
Overnight Fund -Institutional Growth	-	58,105,945	-	-	87.50	-
(Units of the face value of ₹ 100 each)						
ICICI Prudential Mutual Fund						
Liquid Super Institutional Plan-Growth	17,681,863	15,461,443	279.03	-	223.55	-
(Units of the face value of ₹ 1,000 each)						
DSP BlackRock Mutual Fund						
Liquidity Fund -Institutional Plan-Growth	-	641,582	-	-	90.00	-
Taurus Mutual Fund						
Liquid Fund-Super Institutional Growth	1,449,840	1,046,575	164.00	-	110.00	-
IDFC Mutual Fund						
Cash Fund -Super Inst Plan C-Growth	1,786,685	-	232.19	-	-	-
Baroda Pioneer Mutual Fund						
Liquid Fund Institutional Growth Plan	244,450	-	30.00	-	-	-
Religare Mutual Fund						
Liquid Fund -Super Institutional Growth	-	646,235	-	-	87.00	-
Repurchase Price ₹ 1,119.56 crores (previous year ₹ 966.06 crores)			1,112.06	-	961.29	-
Investment in Mutual Funds			2,539.67	-	3,399.61	-
In Equity Shares:						
Quoted						
Face Value of ₹ 1 each						
Titan Industries Limited	727,250	-	16.37	-	-	-
Face Value of ₹ 5 each						
Oil and Natural Gas Commission Ltd	-	258,600	-	-	7.80	-
			16.37	-	7.80	-
Less: Provision for diminution in value			-	-	(0.30)	-
Market value ₹ 16.62 crores (previous year ₹ 7.50 crores)			16.37	-	7.50	-
Investments under Portfolio Management Services #						

NOTE NO. 12

₹ crores

INVESTMENTS

In Mutual fund units:

Debt Fund

(Units of the face value of ₹ 10 each)

Escorts Mutual Fund

Income Plan -Growth Option

Units as at March 31, 2012	Units as at March 31, 2011	As at March 31, 2012 Current	Non Current	As at March 31, 2011 Current	Non Current
-	320,465	-	-	0.80	-

Income Bond Fund

-	258,278	-	-	0.53	-
---	---------	---	---	------	---

Short Term Debt Fund Growth

2,872,150	534,856	4.50	-	0.77	-
-----------	---------	------	---	------	---

(Units of the face value of ₹1,000 each)

Reliance Mutual Fund

Money Manager Fund-Retail-Growth

-	2,060	-	-	0.26	-
---	-------	---	---	------	---

Repurchase price ₹ 4.60 crores (previous year ₹ 2.84 crores)

4.50	-	2.36	-
------	---	------	---

Liquid Fund

(Units of the face value of ₹ 10 each)

Reliance Mutual Fund

Liquidity Fund- Growth Option

-	39,123,674	-	-	56.64	-
---	------------	---	---	-------	---

Escorts Mutual Fund

Liquid Plan Growth

6,026,394	631,795	9.81	-	0.90	-
-----------	---------	------	---	------	---

Equity Fund

(Units of the face value of ₹10 each)

Escorts Mutual Fund

High Yield Equity Plan-Growth

-	71,447	-	-	0.10	-
---	--------	---	---	------	---

Repurchase price ₹ 9.91 crores (previous year ₹ 58.79 crores)

9.81	-	57.64	-
------	---	-------	---

Debentures / Bonds

Face Value of ₹ 100,000,000 each

Avantha Holdings Ltd. NCD 12.09.2012 *

-	3	-	-	31.09	-
---	---	---	---	-------	---

Face Value of ₹ 75,000,000 each

Avantha Holdings Ltd. NCD 12.09.2012 *

3	-	23.32	-	-	-
---	---	-------	---	---	---

Face Value of ₹ 10,000,000 each

12.5 percent Deccan Chronicle Holdings Limited NCD 06JN12*

-	10	-	-	10.96	-
---	----	---	---	-------	---

Face Value of ₹ 1,000,000 each

Citi Financial Consumer Finance India Limited*

-	600	-	-	50.15	-
---	-----	---	---	-------	---

Sky Deck Properties and Development Pvt. Limited ZCB 28.01.2013*

350	350	35.00	-	35.00	-
-----	-----	-------	---	-------	---

Tata Housing Development Co. ZCB DOM 15.10.2013*

200	200	20.03	-	20.03	-
-----	-----	-------	---	-------	---

10.65 Manappuram General Finance and Leasing DOM 03.03.2012*

-	250	-	-	25.00	-
---	-----	---	---	-------	---

9.20 percent Bank Of Baroda RR Perpetual BD*

50	50	5.15	-	5.15	-
----	----	------	---	------	---

8.60 percent Sardar Sarovar Narmada Nigam Limited 09MR 15*

75	150	7.64	-	15.23	-
----	-----	------	---	-------	---

8.60 percent Sardar Sarovar Narmada Nigam Limited 09MR 15*

7.50	100	0.76	-	10.19	-
------	-----	------	---	-------	---

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 12

₹ crores

	Units as at March 31, 2012	Units as at March 31, 2011	As at March 31, 2012		As at March 31, 2011	
			Current	Non Current	Current	Non Current
INVESTMENTS						
8.60 percent Sardar Sarovar Narmada Nigam Limited 09MR 15*	112.50	10	11.43	-	1.02	-
8.8 percent Hindustan Organic Chemicals Ltd. 28 AUGUST, 2012*	100	100	10.09	-	10.09	-
Face Value of ₹ 100,000 each						
8.95 percent Gujarat Urja Vikas Nigam Limited Ser-8 8.95 BD 21AP16*	-	135	-	-	1.48	-
Face Value of ₹ 30,000 each						
8 percent Tamil Nadu Electricity Board Ser5/03-04 8 Bd 15SP11*	-	500	-	-	1.56	-
Face Value of ₹ 1,000 each						
12.15 percent Religare Finvest Ltd 12.15NCD 23SEP14 *	50,000	-	5.01	-	-	-
Total			118.43		216.95	-
Less: Provision for diminution/amortisation			(0.45)	-	(0.74)	-
Maturity Value ₹ 117.00 crores (previous year 223.85 crores)			117.98	-	216.21	-
Investment under Portfolio Management Services			132.29	-	276.21	-
Total other than long term investments			2,688.33	-	3,683.32	-
			3,290.30	673.96	4,663.29	465.46

₹ crores

	As at March 31, 2012		As at March 31, 2011	
	Book value	Market value	Book value	Market value
Aggregate value of				
Quoted investments -Non Current	263.41	260.64	55.34	54.64
Quoted investments-Current	41.33	41.56	7.50	7.50
Unquoted investments*	3,659.51	-	5,065.91	-
Total	3,964.25		5,128.75	

* Investments listed on Stock Exchange but for which quotes are not available have been considered as unquoted.

The Company has entered into Discretionary Portfolio Management Agreements, administered through Escorts Securities Limited, Reliance Capital Asset Management Ltd, collectively called Portfolio Managers. In terms of the said agreements, the Portfolio Managers have dealt in mutual funds, debentures, bonds, government securities, equity shares, equity stock futures, equity stock options, equity index options and such other securities, made on behalf of the Company. These investments are being held in the name of the Portfolio Managers as envisaged in the aforesaid Agreements. However, there are no outstanding derivative contracts as at March 31, 2012.

NOTE NO. 13

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
LONG - TERM LOANS AND ADVANCES		
UNSECURED, CONSIDERED GOOD		
(a) Security Deposits	5.50	6.05
(b) Balance with Government authorities		
Excise duty	3.63	3.17
VAT/ sales tax	140.88	91.42
(c) Other loans and advances		
Capital advances	155.11	75.18
Loans to employees	21.99	16.84
Prepaid expenses	1.52	2.19
Advance income tax net of provisions	67.42	54.52
MAT credit entitlement	137.59	92.92
Total	533.64	342.29

NOTE NO. 14

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
OTHER NON -CURRENT ASSETS		
UNSECURED, CONSIDERED GOOD		
Accruals		
Interest accrued on investments	26.01	16.43
Total	26.01	16.43

NOTE NO. 15

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
INVENTORIES		
Raw materials and components *	396.52	360.84
Goods in transit of raw materials and components *	28.69	13.69
Stores and spares (at cost or under)	43.66	36.78
Loose tools (at cost or under)	13.52	14.47
Finished goods *		
Two wheelers	136.38	44.22
Spare parts	22.32	24.79
Work in progress (Two wheelers)*	34.48	30.14
Total	675.57	524.93

* Lower of cost and net realisable value

Notes to the Financial Statements for the year ended March 31, 2012

₹ crores

NOTE NO. 16

Particulars	As at March 31, 2012	As at March 31, 2011
TRADE RECEIVABLES		
(a) Outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	0.26	0.12
Unsecured, considered good	0.98	2.26
Unsecured considered doubtful	9.26	8.97
	10.50	11.35
Less: Provision for doubtful trade receivables	9.26	8.97
	1.24	2.38
(b) Others		
Secured, considered good	11.51	4.51
Unsecured, considered good	259.56	123.70
Total	272.31	130.59

NOTE NO. 17

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
CASH AND CASH EQUIVALENTS		
(a) Cash on hand	0.24	0.32
(b) Cheques, drafts on hand	-	0.18
(c) Balances with banks		
In current accounts	9.65	14.94
In EEFC accounts	3.12	0.11
In deposit accounts (Refer (i) below)	20.72	23.77
In dividend current accounts (Earmarked accounts)	43.09	32.20
Total	76.82	71.52

(i) Balance with banks include deposits amounting to ₹ Nil (previous year ₹ 20 crores) which have an original maturity of more than 12 months and now maturing during the year.

NOTE NO. 18

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
SHORT - TERM LOANS AND ADVANCES		
Unsecured, considered good		
(a) Loans and advances to related party		
Inter corporate deposits	120.00	20.00
(b) Balance with Government authorities		
CENVAT/ Service tax credit	161.32	156.37
VAT/ sales tax	81.65	77.85
Excise duty -current account	0.84	2.10
Export incentive receivables	25.73	38.91
(c) Others		
Advance to vendors	17.18	-
Loans and advances to employees	15.69	12.30
Security deposits	2.09	1.24
Prepaid expenses	46.39	26.22
Others	4.71	9.73
Total	475.60	344.72

NOTE NO. 19

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
OTHER CURRENT ASSETS		
UNSECURED, CONSIDERED GOOD		
(A) ACCRUALS		
Interest accrued on investments	35.06	32.44
Other accruals	5.30	4.35
Total	40.36	36.79

NOTE NO. 20

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
REVENUE FROM OPERATIONS		
(A) SALE OF PRODUCTS		
Two wheelers	23,494.05	19,354.42
(62,35,205 Nos. (previous year 54,02,444 Nos.))		
Spare parts	1,529.99	1,307.97
	25,024.04	20,662.39
Less: Excise duty	1,655.99	1,417.36
	23,368.05	19,245.03
(B) OTHER OPERATING REVENUE		
Income from services		
Dealers support services	30.52	0.62
Goodlife program for customers	77.39	68.77
Services - others	53.48	41.98
	161.39	111.37
Duty drawback and other incentives	48.70	39.96
Miscellaneous income	0.89	1.57
	49.59	41.53
	210.98	152.90
Total	23,579.03	19,397.93

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 21

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
OTHER INCOME		
(A) INTEREST INCOME		
Intercompany deposits	5.76	3.68
Long term - Non trade investments	38.28	37.93
Current - Non trade investments	19.80	20.35
Others	16.00	13.97
(B) DIVIDEND INCOME		
Current investments - Non trade	0.21	3.50
Long term investments - Trade	2.72	2.72
Long term investments - Non trade	0.21	-
(C) NET GAIN ON SALE OF NON TRADE: *		
Current investments	191.70	179.52
Long term investments	87.49	24.73
(D) OTHER NON OPERATING INCOME		
Profit on sale of fixed assets	2.40	0.46
Exchange fluctuation	-	2.76
Total	364.57	289.62

* After adjusting loss on sale of current investments aggregating ₹ 2.60 crores (previous year ₹ 6.46 crores)

NOTE NO. 22

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
COST OF MATERIALS CONSUMED		
(A) RAW MATERIALS AND COMPONENTS CONSUMED		
Opening stock	374.53	321.67
Add: Purchase of raw materials and components	17,791.60	14,564.36
	18,166.13	14,886.03
Less: closing stock	425.21	374.53
	17,740.92	14,511.50
Less: - Sale of components to ancillaries on cost to cost basis	292.05	321.74
	17,448.87	14,189.76
Less: Cash discount	65.50	41.08
Consumption of raw materials and components	17,383.37	14,148.68
Less: Scrap sales	17.96	13.51
Net consumption	17,365.41	14,135.17
Materials consumed comprises:		
Steel sheets	57.72	45.92
Components	17,391.15	14,143.84
Total	17,448.87	14,189.76

NOTE NO. 23

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
CHANGES IN INVENTORY OF FINISHED GOODS AND WORK-IN-PROGRESS		
(A) OPENING STOCK		
Two wheelers	44.22	19.68
Spare parts	24.79	22.67
Work in progress	30.14	29.80
	99.15	72.15
Less: Excise duty on opening stock	9.01	6.07
Net opening stock	90.14	66.08
(B) CLOSING STOCK		
Two wheelers	136.38	44.22
Spare parts	22.32	24.79
Work in progress	34.48	30.14
	193.18	99.15
Less: Excise duty on closing stock	19.20	9.01
Net closing stock	173.98	90.14
Net (increase)/ decrease	(83.84)	(24.06)

NOTE NO. 24

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
EMPLOYEE BENEFITS EXPENSES		
EMPLOYEE BENEFITS EXPENSES (REFER (I) BELOW)		
(i) Salaries and wages	667.29	561.27
(ii) Contribution to provident and other funds	34.41	25.75
(iii) Staff welfare expenses	33.82	31.93
Total	735.52	618.95

(i) DEFINED CONTRIBUTION PLANS	2011-12	2010-11
Employer's contribution to provident fund	22.19	16.93
Employer's contribution to superannuation fund	10.60	7.67
Employer's contribution to ESIC	1.62	1.15
Total	34.41	25.75

Notes to the Financial Statements for the year ended March 31, 2012

(ii) Defined benefit plans

In accordance with the Payment of Gratuity Act 1972, Company provides for gratuity, as defined benefit plan. The gratuity plan provides for a lumpsum payment to the employees at the time of separation from the service on completion of vested period of employment i.e. five years. The liability of gratuity plan is provided based on actuarial valuation as at the end of each financial year based on which the Company contributes the ascertained liability to Life Insurance Corporation of India by whom the plan assets are maintained.

₹ crores

(i) Change in benefit obligation	For the year ended March 31, 2012	For the year ended March 31, 2011
Present value of obligation at the beginning of the year	68.75	51.28
Current Service Cost	4.85	4.26
Interest Expenses	5.49	3.53
Actuarial (Gain) / Loss	12.82	11.45
Benefits Paid	(1.96)	(1.77)
Present value of obligation at the end of the year	89.95	68.75

(ii) Fair value of Plan Assets	For the year ended March 31, 2012	For the year ended March 31, 2011
Fair value of plan assets at the beginning of the year	68.75	51.28
Expected return on scheme assets	7.17	5.06
Contributions by the Company	16.95	14.49
Benefits Paid	(1.96)	(1.77)
Actuarial (Gain) / Loss	(0.96)	(0.31)
Fair value of plan assets at the end of the year	89.95	68.75

(iii) Return on Plan Assets	For the year ended March 31, 2012	For the year ended March 31, 2011
Expected return on plan assets	7.17	5.06
Actuarial (Gain) / Loss	13.78	11.77
Actual return on plan assets	20.95	16.83

(iv) Amount recognised in the Balance Sheet	For the year ended March 31, 2012	For the year ended March 31, 2011
Present value of defined benefit obligation	89.95	68.75
Fair value of Plan Assets	89.95	68.75
Net liability/(asset) recognised in the balance sheet	-	-

₹ crores

(v) Expenses recognised in the statement of profit and loss	For the year ended March 31, 2012	For the year ended March 31, 2011
Current service costs	4.85	4.26
Interest expense	5.49	3.53
Return on investment	(7.17)	(5.06)
Net actuarial gain/(loss) recognised during the year	13.78	11.77
Expenditure recognised in Profit and Loss account	16.95	14.50

(vi) Balance Sheet reconciliation	For the year ended March 31, 2012	For the year ended March 31, 2011
Net liability/(asset) at the beginning of the year	-	-
Expenses as above	16.95	14.50
Contribution paid	(16.95)	(14.50)

The actuarial calculations used to estimate defined benefit commitments and expenses are based on the following assumptions, which if changed, would affect the defined benefit commitment's size, funding requirements and expense.

(vii) Principal Actuarial assumptions	For the year ended March 31, 2012	For the year ended March 31, 2011
Rate for discounting liabilities	8.40% P.A.	8.10% P.A.
Expected salary increase rate	6.00% P.A.	6.00% P.A.
Expected return on scheme assets	9.40% P.A.	9.40% P.A.
Attrition Rate	2.00% P.A.	2.00% P.A.
Mortality table used	LIC (1994-96) Mortality Table (ultimate)	Indian Assured Lives Mortality (1994-96) (modified) (ultimate)

EXPERIENCE ADJUSTMENTS	2011-12	2010-11	2009-10
Gratuity			
Present value of Defined benefit plan	89.95	68.75	51.28
Fair value of plan assets	89.95	68.75	51.28
Experience gain / (loss) adjustments on plan liabilities	15.28	8.63	5.10
Experience gain / (loss) adjustments on plan assets	0.10	0.03	-

Since information in respect of 2008-09 and 2007-08 is not available, the same has not been disclosed

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The Company makes annual contribution to Life Insurance Corporation (LIC). As LIC does not disclose the composition of its portfolio investments, accordingly break-down of plan assets by investment type has not been disclosed.

Notes to the Financial Statements for the year ended March 31, 2012

NOTE NO. 25

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
FINANCE COSTS		
(a) Interest expenses		
On dealers security deposits	1.57	1.50
On others	19.73	13.67
Total	21.30	15.17

NOTE NO. 26

₹ crores

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
OTHER EXPENSES		
(a) Other expenses #		
Stores and tools consumed	102.28	87.77
Power and fuel	112.66	100.47
Rent	8.46	7.71
Insurance charges	28.34	24.54
Repairs and maintenance		
Plant and machinery	48.09	41.82
Buildings	7.53	5.98
Others	29.66	29.26
Rates and taxes	138.26	109.73
Exchange fluctuation	2.89	-
Packing, forwarding, freight etc.	597.55	462.36
Royalty	3.53	368.07
Advertisement and publicity	366.09	382.60
Donations	33.35	16.27
Auditors' remuneration	1.01	0.92
Lease rent	12.13	12.40
Provision for doubtful debts	0.29	1.56
Provision for diminution in value of investments		
Long term non trade investment	0.65	0.61
Loss on fixed assets sold/discarded	13.57	12.43
Miscellaneous expenses	436.82	390.84
Total	1,943.16	2,055.34

Research and development expenses of ₹ 47.30 crores (previous year ₹ 28.26 crores) have been charged to respective heads.

NOTE NO. 27

Particulars	Unit	For the year ended March 31, 2012	For the year ended March 31, 2011
EARNINGS PER EQUITY SHARE			
(A) EARNINGS PER EQUITY SHARE (EPS)			
Net profit after tax - before exceptional items	Rupees crores	2,378.13	2,007.74
- after exceptional items	Rupees crores	2,378.13	1,927.90
Weighted average number of equity shares outstanding during the year	Numbers	199,687,500	199,687,500
Nominal Value of Equity Shares	Rupees	2.00	2.00
Basic/ diluted EPS - before exceptional items	Rupees	119.09	100.53
Basic/ diluted EPS - after exceptional items	Rupees	119.09	96.54

NOTE NO. 28

₹ crores

Particulars	As at March 31, 2012	As at March 31, 2011
CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)		
(A) CONTINGENT LIABILITIES		
(i) In respect of excise matters	39.99	30.36
The above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the result of operations or the financial position of the Company.		
(B) COMMITMENTS		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid amounting to ₹ 155.11 crores (previous year ₹ 75.18 crores))	212.63	101.54
Other commitments (Refer note below)		
Total	252.62	131.90

The Company has other commitments for purchase /sales orders which are issued after considering requirements per operating cycle for purchase /sale of goods and services, employees benefits including union agreement in normal course of business. The Company does not have any long term commitments or material non-cancellable contractual commitments/ contracts, which might have a material impact on the financial statements.

29 As the Company's business activity falls within a single primary business segment viz. "Two wheelers, its parts and ancillary services" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", notified in the Companies (Accounting Standards) Rules, 2006 are not applicable.

30 Related party disclosures under Accounting Standard 18

- a) i) Parties in respect of which the Company was a joint venture (upto March 22, 2011) (refer note 5)

Hero Investments Private Limited
Bhadurchand Investments Private Limited
Hero Cycles Limited (Upto May 30, 2010)
Honda Motor Co. Limited, Japan

Notes to the Financial Statements for the year ended March 31, 2012

ii) Parties in respect of which the Company is an associate.

Hero Investment Private Limited (w.e.f March 22, 2011)

iii) Associate of the Company

Hero FinCorp Limited (formerly Hero Honda Finlease limited)

b) Key management personnel and their relative

Mr. Brijmohan Lall Munjal	- Chairman
Mr. Pawan Munjal	- Managing Director
Mr. Toshiaki Nakagawa	- Joint Managing Director (upto March 22, 2011)
Mr. Sumihisa Fakuda	- Whole time director (Upto March 22, 2011)
Mr. Sunil Kant Munjal	- Joint Managing Director (wef August 17, 2011)
Mr. Suman Kant Munjal	- Director

c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:-

Brijmohan Lall & Associates, A.G. Industries Private Limited, Highway Industries Limited, Rockman Industries Limited, Cosmic Kitchen Private Limited, Hero Management Services Limited, Hero Cycles Limited (w.e.f May 31, 2010), Hero Corporate Services Limited, Hero Mindmine Institute Limited, Easy Bill Limited and Raman Kant Munjal Foundation.

Transactions with related parties during the year

a) Parties in respect of which the Company is a joint venture and associate of the Company

	₹ crores	
	This year	Previous year
Hero Investments Private Limited		
Dividend*	302.86	657.64
Bhadurchand Investments Private Limited		
Dividend*	60.57	173.06
Hero FinCorp Limited		
Lease rental expenses	12.03	12.40
Dividend received	2.72	2.72
Intercompany deposits given	455.00	465.00
Intercompany deposits repaid	355.00	445.00
Interest received on Inter company deposits	5.76	3.68
Hero Cycles Limited (Upto May 30, 2010)		
Dividend*	-	51.92
Purchase of raw materials, components and spares	-	114.06
Sale	-	0.05
Honda Motor Co. Limited, Japan (refer note 5)		
Dividend*	-	155.76
Royalty	-	368.07
Export commission	-	16.12
Model fees	-	88.43
Technical guidance fee	-	1.03
Intangible Assets	-	2479.34
Purchase of raw materials, components and spares	-	60.95
Balance outstanding at the year end		
-Payables	-	13.79
-Receivable	120.00	20.13

*Exclude proposed final dividend

b) Key management personnel and their relatives

	₹ crores	
	This year	Previous year
Managerial Remuneration/Sitting fees		
Mr. Brijmohan Lall Munjal	34.44	26.75
Mr. Pawan Munjal	34.47	26.47
Mr. Sunil Kant Munjal	21.14	0.01
Mr. Toshiaki Nakagawa	-	25.06
Mr. Sumihisa Fakuda	-	24.95
Mr. Suman Kant Munjal	0.01	0.01
Balance outstanding at the year end		
-Payables (including commission)	77.62	99.43

c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	₹ crores	
	This year	Previous year
Purchase of raw materials and components	2012.48	1486.58
Sale of components etc	91.08	98.94
Payment towards other services etc	4.20	3.98
Donation	10.20	-
Balance outstanding as at the year end		
- Payables	178.19	112.41

Significant related party transactions included in the above are as under

	₹ crores	
	This year	Previous year
Purchase of raw materials and components		
A .G. Industries Private Limited	571.83	470.24
Rockman Industries Limited	1098.64	846.93
Highway Industries Limited	215.68	169.41
Sale of components etc.		
Rockman Industries Limited	91.01	98.89
Payment for services		
Hero Corporate Services Limited	3.20	3.20
Hero Mindmine Institute Limited	0.77	0.64
Donation		
Raman Kant Munjal Foundation	10.20	-

31 The Company has entered into operating lease agreements for motor vehicles, dies and data processing machines. These lease arrangements are cancellable in nature and range between two to four years. The aggregate lease rentals under these arrangements amounting to ₹ 12.13 crores (previous year ₹ 12.40 crores) have been charged under "Lease rentals" in Note 26.

Notes to the Financial Statements for the year ended March 31, 2012

- 32** Information pursuant to clause 4 (ix) (b) of the Companies (Auditor's Report) Order, 2003 in respect of disputed dues, not deposited, pending with various authorities:

Amount ₹ in crores					
Name of the Statute	Nature of the Dues	Amount (₹ in crores)	Amount paid under protest (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	280.64	3.62	2000-01 and 2002 – 2011	CESTAT
		78.06	38.55	2006-2011	Commissioner (Appeals)
	Service Tax	23.22	0.45 **	2004-05 to 2005-06, 2008-09 to 2010-11	CESTAT
Sales Tax	Sales Tax	1.90	1.90	1998-99 to 2000-2001	Haryana Tax Tribunal
Income tax Act, 1961	Income tax	1,823.84 #	-	2006-07	Income Tax Appellate Tribunal
		83.65	_* **	2005-06	
		81.60	29.90 **	2004-05	Commissioner (Appeals)

* Amount as per demand orders including interest and penalty wherever indicated in the order and excludes disputed fully paid.

** Balance of unpaid amount has been stayed as the said cases have been decided in favour of the Company in previous assessment years on the same matters.

The Company has received a demand notice for non-deduction of tax at source, disallowance of certain expenses, considering certain expenses of capital nature, considering tax on capital gain on investments as normal business income and others matters.

The Company has obtained a legal opinion and has filed an appeal and an application for stay of such demand to ITAT. Based on the legal opinion and after considering matters decided in favour of the Company in the past, the management of the Company is of the view that there would be no material liability that would arise in the matter.

The following matters have been decided in favour of the Company, although the department has preferred appeals at higher levels:

Amount ₹ in crores				
Name of the Statute	Nature of the Dues	Amount* (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise duty	2.57	1986-87 to 1990-91	Supreme Court
		0.23	2006-07 to 2009-10	CESTAT
	Service Tax	0.03	2005	High Court
		0.14	2005	CESTAT
Income-tax Act, 1961	Income-Tax	20.41	1987-88, 1989-90, 1992-93, 1993-94, 1995-96 to 2001-02	High Court
		16.96	2001-02, 2002-03	Income Tax Appellate Tribunal

- 33** The Company's borrowing facilities, comprising fund based and non fund based limits from various bankers, are secured by way of hypothecation of inventories, receivables, movable assets and other current assets.

34 The categorywise derivative instruments outstanding as at March 31 are as under:

Foreign currency forward contracts

Purpose	This Year		Previous Year	
	Currency bought (in crores)	Currency sold (in crores)	Currency bought (in crores)	Currency sold (in crores)
Hedging	-	USD 2.20	-	USD 1.45

The unhedged foreign currency exposures are as under:

	As at March 31, 2012		As at March 31, 2011	
	Amount of foreign currency in crores	Amount in Rupees crores	Amount of foreign currency in crores	Amount in Rupees crores
Receivables	-	-	-	-
Payables	JPY 2844.12	1776.19	JPY 41341.80	2152.25
	USD 1.73	88.55	USD 2.59	115.24
			GBP 0.05	3.52
	EUR 0.04	3.01	EUR 0.01	0.24

35 Exceptional item of ₹ Nil (Previous year ₹ 79.84 crores) represents estimates made mainly for probable claims arising out of litigations/disputes pending with statutory authorities in accordance with Accounting Standard (AS-29) "Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets" specified in the Companies (Accounting Standard) Rules, 2006.

36 Two wheeler sales are covered by a warranty period of two/three years. The details of provision for warranties are as under:

	₹ crores	
	This year	Previous year
Provision at the beginning of the year	35.31	37.67
Additional provision made during the year	23.49	18.84
Amount utilised during the year	21.48	21.20
Provision as at the end of the year	37.32	35.31

37

₹ crores

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS		This year	Previous year
a) CIF Value of imports:			
Class of goods			
Capital goods		84.03	63.32
Raw materials *		14.56	21.42
Components, spare parts and others *		923.73	752.38

* Includes items sold to ancillaries on cost to cost basis for assembling of components.

Notes to the Financial Statements for the year ended March 31, 2012

Value ₹ in crores

	This year		Previous year	
	Value	Percentage %	Value	Percentage %
b) Value of imported and indigenous raw materials, components and spares consumed and percentage of each to the total consumption:				
Class of goods				
Raw materials				
-Imported **	21.11	0.12	14.68	0.10
-Indigenous	36.61	0.21	31.24	0.23
Components				
-Imported **	663.27	3.80	584.95	4.12
-Indigenous	16,727.88	95.87	13,558.89	95.55
	17,448.87 *	100.00	14,189.76 *	100.00
Spares consumed (charged to repairs and maintenance)				
-Imported	6.48	21.88	6.31	23.62
-Indigenous	23.13	78.12	20.40	76.38
	29.61	100.00	26.71	100.00

* Includes ₹ 0.98 crore (previous year ₹ 0.41 crore) for two wheelers produced and capitalised during the year.

** Excludes items sold and purchased as indigenous components.

₹ crores

	This year	Previous year
c) Expenditure in foreign currency (on accrual basis) :		
Royalty	3.53	368.07
Technical guidance fee	6.82	2.76
Technical Know How/export licenses	-	2,151.80
Model fee	172.09	88.43
Export commission	-	16.12
Travel and other accounts	36.62	6.05
Advertisement and Publicity	12.72	61.03

₹ crores

	This year	Previous year
d) Earnings in foreign currency (on accrual basis) :		
FOB value of Exports	598.64	444.23
Freight and Insurance	0.91	0.39

₹ crores

	This year	Previous year
e) Provision and/or payment in respect of Auditors' Remuneration :		
a) As Statutory Auditors		
- Audit fee	0.58	0.50
- Limited Review of unaudited financial results	0.30	0.30
- Corporate Governance and other certification	0.09	0.11
b) Tax audit fees	0.04	-
c) In other capacity	-	-
d) Out of pocket expenses	#	#
# This year Rs Nil (previous year ₹ 65,000)		

f) Amount remitted in foreign currencies towards dividends during the year:

₹ crores

	This year			Previous year		
	No. of Non-Resident shareholders	No. of equity shares held	Dividend remitted	No. of Non-Resident shareholders	No. of equity shares held	Dividend remitted
2009-2010 - Interim			-	1	51918750	415.35
2009-2010 - Final			-	1	51918750	155.76
			-			571.11

38 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

This image shows a full page of blank handwriting practice paper. It features 20 evenly spaced horizontal red lines across the entire page, providing a guide for letter height and placement. The background is plain white, and there are no margins, text, or other markings present.

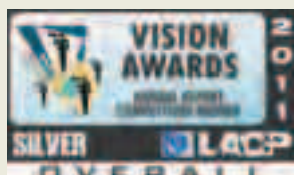
This image shows a full page of blank handwriting practice paper. It features approximately 28 evenly spaced horizontal red lines across the entire page, providing a guide for letter height and placement. The background is plain white, and there are no margins, text, or other markings present.

This image shows a full page of blank handwriting practice paper. It features approximately 28 evenly spaced horizontal red lines across the entire page, providing a guide for letter height and placement. The background is plain white, and there are no margins, text, or other markings present.

Global acclaim for Hero MotoCorp Ltd.'s Annual Report 2010-11

The Hero MotoCorp Ltd. Annual Report 2010-11 was awarded at the prestigious LACP Vision Awards (USA), 2011 - the world's largest annual reports competition featuring over 5,500 companies from 25 countries.

- ▶ Won Silver in the Automobiles & Components Industry category (Worldwide) of companies with US\$ 10 Billion plus revenues
- ▶ Ranked among the top 10 Indian Annual Reports of 2011





Hero MotoCorp Ltd.

Registered and Corporate Office

34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057, India
Tel.: 011-4604 4100, 2614 2451
Fax: 011-2614 3321, 2614 3198

www.heromotocorp.com