

Hero MotoCorp Ltd.

ANNUAL REPORT
2010-11



*For the **Hero** within*

Propelled towards a
new dimension

Hum mein hai Hero

Hero MotoCorp is more than a national brand. It represents the spirit of a multicultural India, which is ready to take on the world on the strength of its deep potential and inherent dynamism.

The new brand consolidates our inherent strengths, while enhancing our global focus. At the same time, it demonstrates continuity in quality assurance and market leadership for innumerable customers.

The red colour of the reinvigorated identity exudes energy, passion and confidence, while black lends a touch of solidity, superior quality and authority. The symbol H connotes engineering, reflecting our commitment to quality and breakthrough innovation. The wordmark Hero represents human warmth and our faith in the indomitable human spirit.

The unique harmony of advanced engineering and human warmth testifies to the true vigour of this brand: that celebrates contradictions, challenges conventions and sets new standards of excellence in innovation and enterprise.

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Hero Honda is now Hero MotoCorp

The successful association of Hero and Honda for 27 years created the world's largest two wheeler manufacturing company. During 2010-11, we decided to part ways and evolve beyond this partnership. This is a happy culmination of a long and fruitful relationship. We now embark on a brand new journey into an exciting future of enormous possibilities.

At Hero MotoCorp, we are now propelled towards a new dimension of excellence with far-reaching consequences for the organisation, customers and the industry.

For the organisation, the new dimension would entail enhanced market insight, better operating efficiencies, deeper customer centricity, greater focus on product-process excellence and financial stewardship.

For the customers, it would mean a wider choice of globally-benchmarked products at competitive prices, greater proximity and higher convenience for purchase of products.

For the industry, it would signify more alliances and partnerships and higher maturity and professionalism.

We will continue to sustain leadership in the domestic market, leverage existing capabilities and build new competencies to expand globally.



The Way Ahead

We believe in

- ▶ Creating relationship and ethics based enterprise
- ▶ Delivering value through seamless and efficient supply chain
- ▶ Delivering excellence through resource optimised manufacturing
- ▶ Creating and sustaining powerful brands
- ▶ Keeping our promises and ensuring customer and shareholder delight

No. 1

Two wheeler company
in the world for the
10th consecutive year

50 million+

Two wheelers sold

54.6%

Share in the domestic
motorcycle market

44.5%

Share in the domestic
two wheeler market

5000+

Customer touch points

100,000+

Villages covered; extensive
presence in rural India

6

New products launched
in 2010-11 (including variants)

COMPANY OVERVIEW	BOARD & MANAGEMENT REPORTS	FINANCIAL STATEMENTS
CORPORATE IDENTITY		

Vision

The story of Hero Honda began with a simple vision – the vision of a mobile and an empowered India, powered by its bikes. Hero MotoCorp Ltd., Company's new identity, reflects its commitment towards providing world class mobility solutions with renewed focus on expanding Company's footprint in the global arena.

Mission

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, setting benchmarks in technology, styling and quality so that it converts its customers into its brand advocates.

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

Products Portfolio



1



5



2



6



3



7



4

100CC

1 Pleasure 2 CD Dawn 3 CD Deluxe 4 Splendor Plus
5 Splendor NXG 6 Splendor Pro 7 Passion Pro

8 Glamour 9 Super Splendour 10 Glamour FI

125CC



8



9



10

135CC

11 Achiever



11

150CC

12 Hunk
13 CBZ X-treme



12



13



14



15

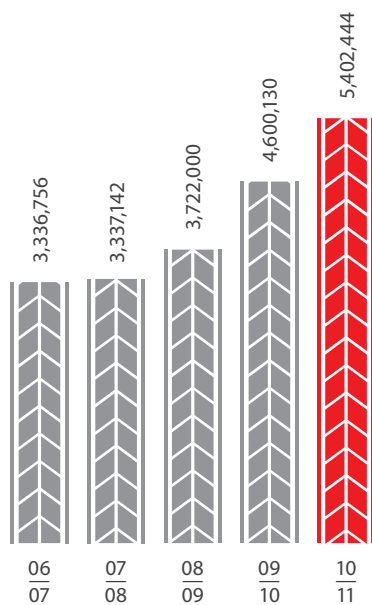
225CC

14 Karizma
15 Karizma ZMR

Sustained Performance

SALES

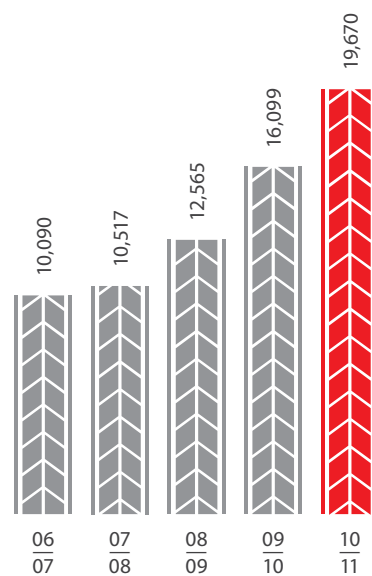
▲ 12.5%
5-year CAGR



Number of units

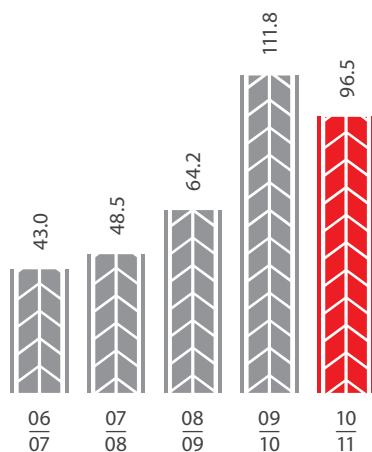
TOTAL NET INCOME

▲ 17.3%
5-year CAGR



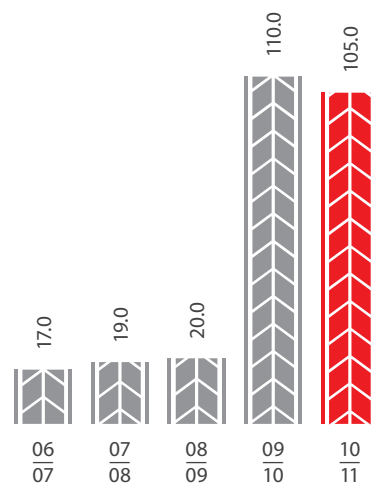
Rs. in crores

EARNINGS PER SHARE



Rs.

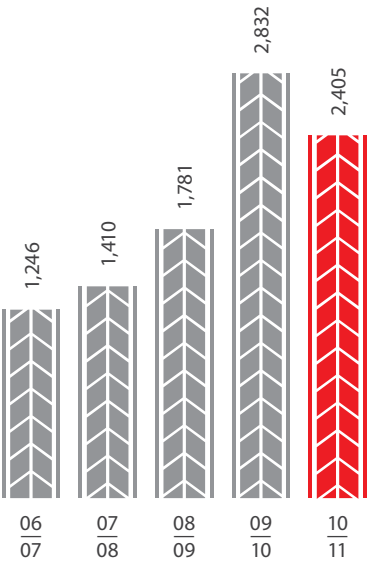
DIVIDEND PER SHARE



Rs.

PROFIT BEFORE TAX

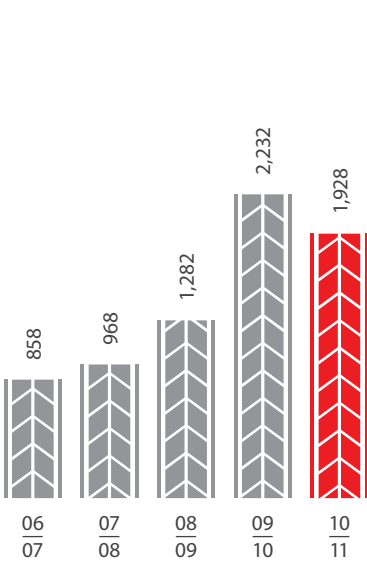
▲11.2%
5-year CAGR



Rs. in crores

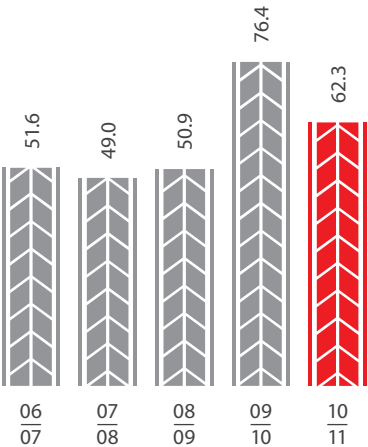
PROFIT AFTER TAX

▲14.7%
5-year CAGR



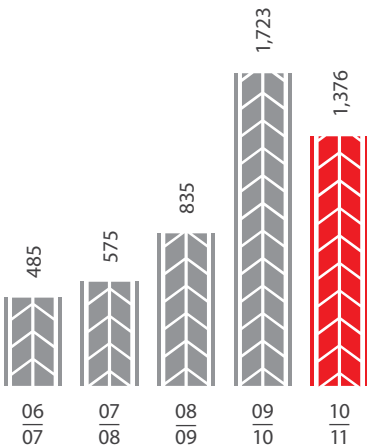
Rs. in crores

RETURN ON AVERAGE CAPITAL EMPLOYED



%

ECONOMIC VALUE ADDED



Rs. in crores

Awards and Accolades



Prominent awards and accolades received during the year

- ▶ Received the 'Two-wheeler Manufacturer of the Year' award by Bike India magazine
- ▶ Received the 'Bike Manufacturer of the Year' at the Economic Times ZigWheels Car and Bike Awards
- ▶ Adjudged the 'Most Preferred Brand of Two-Wheelers' at the CNBC Awaaz Consumer awards
- ▶ Adjudged at top of the two-wheeler category in the Brand Equity Most Trusted Brands 2010 Survey
- ▶ Ranked No. 3 in the Most Trusted Brand across categories amongst Young Adult Males. It is the only automobile brand to figure in the top 50 ranking of all brands across categories in the Survey
- ▶ Received the Automotive Sector Gold Award in the 2010 Economic Times Frost and Sullivan Manufacturing Excellence Awards
- ▶ The Gurgaon plant won the National Safety Award

Prominent awards were bestowed upon
Mr. Brijmohan Lall, Chairman during the year

- ▼ Lifetime Contribution Award by All India Management Association
- ▼ Lifetime Achievement Award by Ernst & Young
- ▼ Lifetime Achievement Award by TERI



Looking Back at 2010-11





- ─ Launched **six new models** including variants of existing models successfully
- ─ Refreshed **Glamour** and **Glamour FI**
- ─ Introduced the New **Hunk**, **Super Splendor** and **Splendor Pro**. Splendor Pro has brought in the biggest-ever change in Splendor since its launch
- ─ Endorsed the nation-wide **Queen's Baton relay** that was held as a prelude to the Commonwealth Games, Delhi 2010
- ─ Introduced **Passion Pro Commonwealth Games Limited Edition** with the Commonwealth Games Delhi 2010 insignia - to coincide with the games
- ─ Hosted **Hero Honda Women's Indian Open 2010**, enabling our foray into women's golf in the country; the Hero Honda Women's Indian Open – tri-sanctioned by the Ladies European Tour, the Ladies Asian Golf Tour (LAGT) and Women's Golf Association of India (WGA) – carried a prize purse of US\$ 300,000, the highest ever for women's professional golf in India
- ─ **ZMR Cricket Championship**: Hero Honda, which is a Global Partner of the ICC, is currently hosting the championship across 75 cities in India and also in Colombo, Sri Lanka and Dhaka, Bangladesh, involving college cricket teams. The 28 final winning teams will get a chance to take a 'victory lap' during the forthcoming ICC Cricket World Cup matches, a dream-come-true for them
- ─ **New Karizma** comes with an ensemble of new features (new design stripes and colours, new seat texture and wipers with clear lens). Beyond the exciting appearance upgrades, there are also operational upgrades, such as maintenance-free battery and enhanced position lamp illumination
- ─ Breached the landmark **5 million** cumulative sales in a single year; also posted sales of more than **5 lakh units** in three months of 2011

Management *Communiqué*



▼ Pawan Munjal

▼ Brijmohan Lall Munjal

COMPANY OVERVIEW	BOARD & MANAGEMENT REPORTS	FINANCIAL STATEMENTS
MANAGEMENT REVIEW		



“What the caterpillar calls
the end the rest of the
world calls a butterfly.”
— Lao Tzu



Constant evolution represents the key fuel that has powered our organisation since inception. Happily, we are now building on that momentum to conquer unexplored frontiers of market leadership and corporate excellence.

After forging together one of the world’s most prolific and successful joint ventures for over two and a half decades, and becoming ‘*Desh ki Dhadkan*’ we at Hero are now poised to prove ourselves on the global arena.

We are pleased to announce that Hero Honda Motors Ltd is now Hero MotoCorp Ltd. The new name reflects of our conviction in ourselves and our focus on mobility and technology.

In this endeavour our market insight, domain knowledge, customer-centric approach, world-class manufacturing facilities and processes, committed and skilled personnel, seamless and integrated supply chain and enduring stakeholder relationships will stand us in good stead.

On the technology front, our existing R&D facility is being rapidly upgraded with support, wherever required, from global experts and technology providers.

We embark on the new and exciting journey with a singular commitment to delight the customer with advanced products and to set new industry benchmarks. We shall develop new and cutting-edge products at a faster pace and aggressively expand our pan-India footprint.

A new day beckons and we are prepared for it with courage and optimism.

Your encouragement and support are precious. We treasure it.

Brijmohan Lall Munjal

Pawan Munjal

How Our Story Unfolded

1983

Joint Collaboration Agreement with Honda Motor Co. Ltd. (Japan); signed Shareholders Agreement

1984

Hero Honda Motors Ltd. **Incorporated**

1985

First motorcycle '**CD 100**' rolled out

1987

100,000th motorcycle produced

1989

New motorcycle model – '**Sleek**' introduced

1997

New motorcycle model – '**Street**' introduced

Hero Honda's **second manufacturing plant** at Gurgaon inaugurated

1998

2,000,000th motorcycle produced

1999

New motorcycle model – '**CBZ**' introduced

Environment Management System of Dharuhera Plant certified with **ISO-14001** by DNV Holland

Raman Munjal Memorial Hospital inaugurated in the memory of founder Managing Director, Mr. Raman Kant Munjal

1991

New motorcycle model – '**CD 100 SS**'; **500,000th motorcycle** produced

1992

Raman Munjal Vidya Mandir (a school) inaugurated in the memory of founder Managing Director, Mr. Raman Kant Munjal

1994

New motorcycle model – '**Splendor**' introduced

1,000,000th motorcycle produced

2000

4,000,000th motorcycle produced

Environment Management System of Gurgaon Plant certified **ISO-14001** by DNV Holland



Splendor declared '**World No. 1**' - largest selling single two-wheeler model

'Hero Honda Passport Programme' - CRM Programme launched

2006

Hero Honda is the **World No. 1 for the fifth consecutive year** in a row

15 million production milestone achieved



COMPANY OVERVIEW	BOARD & MANAGEMENT REPORTS	FINANCIAL STATEMENTS
MILESTONES		

2001

Became the **world no. 1** two wheeler manufacturer in terms of volume

New motorcycle model – **'Passion'** introduced

One million production in one single year

New motorcycle model – **'Joy'** introduced

5,000,000th motorcycle produced

2002

New motorcycle model – **'Dawn'** introduced

New motorcycle model – **'Ambition'** introduced

Appointed **Virender Sehwal, Mohammad Kaif, Yuvraj Singh, Harbhajan Singh and Zaheer Khan** as brand ambassadors

2003

Becomes the first Indian organisation to cross the cumulative **seven million** sales mark

Splendor has emerged as the world's largest selling model for the third calendar year in a row (2000, 2001, 2002)

New motorcycle model – **'CD Dawn'** introduced

New motorcycle model – **'Splendor +'** introduced

New motorcycle model – **'Passion Plus'** introduced

New motorcycle model – **'Karizma'** introduced

2004

New motorcycle model – **'Ambition 135'** introduced

Hero Honda became the **World No. 1 Company for the third consecutive year**

Crossed sales of over **2 million units** in a single year, a global record

Splendor – World's largest selling motorcycle crossed the **5 million mark**

New motorcycle model – **'CBZ'** introduced

Joint Technical Agreement renewed

Total sales crossed a record of **10 million** motorcycles

2005

Hero Honda is the **World No. 1 for the fourth year** in a row

New motorcycle model – **'Super Splendor'** introduced

New motorcycle model – **'CD Deluxe'** introduced

New motorcycle model – **'Glamour'** introduced

New motorcycle model – **'Achiever'** introduced

First Scooter model from Hero Honda – **'Pleasure'** introduced

2007

Hero Honda is the **World No. 1 for the sixth consecutive year** in a row

New **'Splendor NXG'** launched

New **'CD Deluxe'** launched

New **'Passion Plus'** launched

New motorcycle model **'Hunk'** launched



20 million production milestone achieved

2008

Hero Honda **Hardwar Plant** inaugurated

New **'Pleasure'** launched

Splendor NXG launched with power-start feature

New motorcycle model **'Passion Pro'** launched

New **'CBZ Xtreme'** launched

25 million production milestone achieved

CD Deluxe launched with power-start feature



New **'Glamour'** launched

New **'Glamour Fi'** launched

2009

Hero Honda **GoodLife Programme** launched

Hunk (Limited Edition) launched



Splendor completed **11 million production landmark**

New motorcycle model **'Karizma - ZMR'** launched

Silver jubilee celebration

2010

New model **Splendor Pro** launched

Launch of new **Super Splendor** and **New Hunk**

2011

New licensing arrangement signed between Hero Honda and Honda

Launch of new upgraded versions of **Glamour, Glamour Fi, CBZ Xtreme, Karizma**

Breached the **landmark 5 million figure cumulative sales** in a single year



Accelerating Ahead with Sports Centricity

The difference between the possible and the impossible is most visibly blurred in the world of sports. It celebrates the sterling qualities of life: passion, energy and determination to move forward, notwithstanding challenges. To face danger in the eye without a blink.... These qualities represent the hallmark of Hero MotoCorp.

Sports energise, unite and unleash the hidden potential of a multi-cultural and multi-lingual nation like India. We have always been at the forefront of promoting sports and will continue to encourage and promote sporting endeavours.

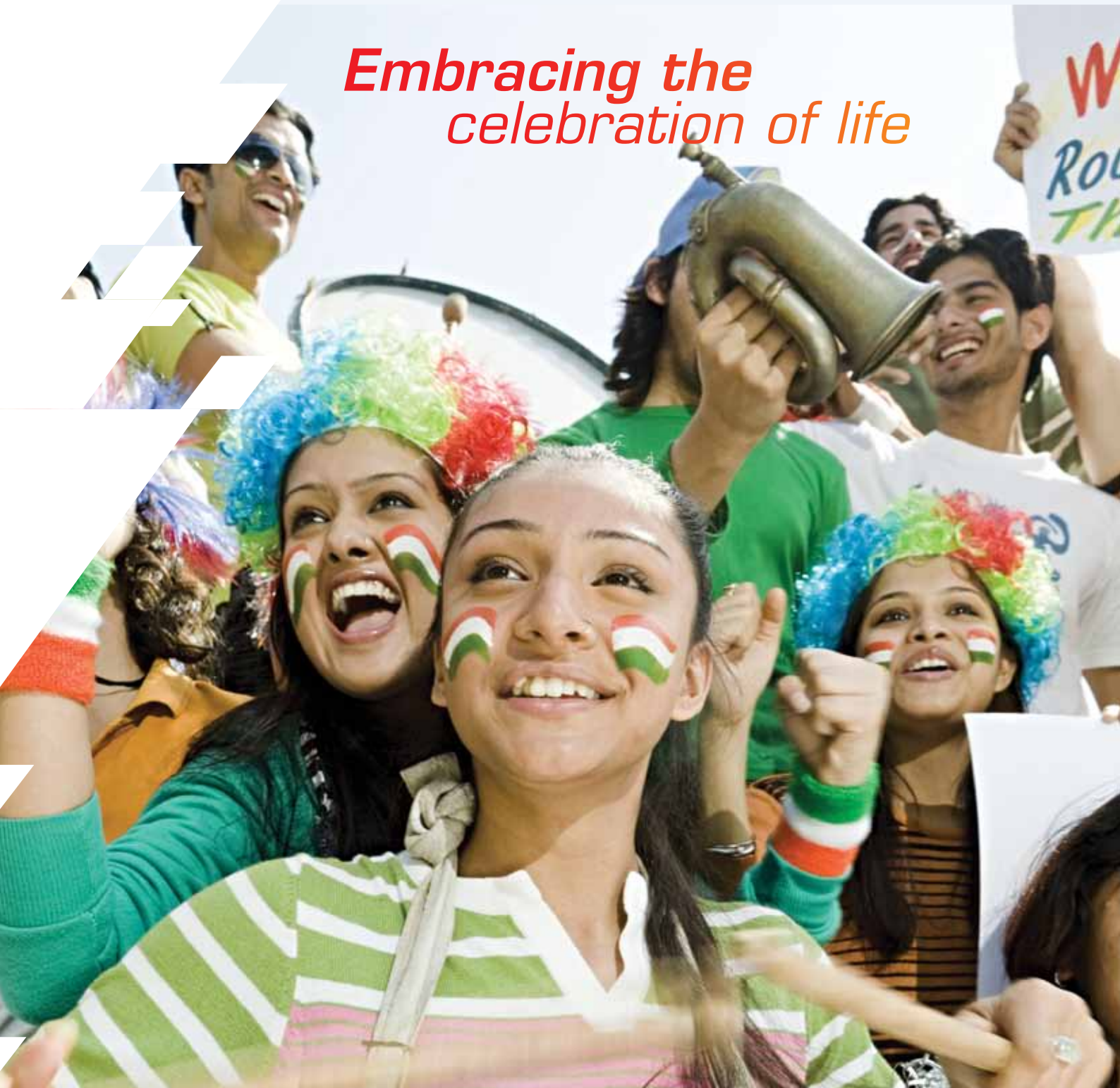
XIX Commonwealth Games 2010, Delhi

We sponsored the XIX Commonwealth Games in Delhi in October 2010; we sought to create excitement and to ignite the passion for sports. To rally Indians behind the games, a campaign was woven around the theme, 'Ab dhadkan ek ho'.

Our initiatives during the run-up to the Commonwealth Games comprised the following:

- ▼ The Queen's Baton passed through 124 cities with Hero Honda promotional vehicle marshalled by Karizma ZMR bikes. There was massive branding in all cities along the route. The relay included baton visits at major dealer points. We delighted our customers by inviting them to run with the baton and participate in the cultural occasions held in each city
- ▼ A massive rural activation campaign 'Dhadkanon ki rally' was also initiated. Here, a replica baton was carried across 22,000 villages; the rally touched more than 2 million people directly. This was to ensure that areas and markets not covered by the main Queen's Baton relay are also covered
- ▼ We conducted interschool athletic meets in 54 locations; more than 20,000 children participated
- ▼ We created a 360 degree media blitz in the run-up to the Games through advertisements in television, press, hoardings, mobile and online medium. Not only the Commonwealth Games was a resounding success, Hero MotoCorp's stature as a pioneer of national sporting causes was reinforced with the signoff theme 'Jeeta Sara Desh, Jab Dhadkanein Hui Ek'

Embracing the celebration of life



ICC World Cup 2011

India's cricket obsession is known to the world, and we have been celebrating our association with cricket for over two decades. The ICC World Cup in 2011 provided a perfect platform for this celebration to culminate.

Hero Honda Karizma ZMR was the lead brand in the campaign. An online game called Cricket Ka Karizma was developed and heavily promoted on television as well as through ground activation. A cricket tournament was held in several cities where winners from a city got a chance to take the victory lap in one of the World Cup matches. All the winners got a once-in-a-lifetime chance to take a victory lap in the finals of the World Cup. To encourage patriotism, the India Go anthem was played across channels.

With Team India winning the Cup and being crowned Heroes, the event was one of the most watched in India's media history. Hero MotoCorp was one of the most recalled brands during the event, because of its close association with the World Cup.





Other events

- ▶ We also sponsored major events like Indian Premier League, India-South Africa-New Zealand cricket tri-series in June 2010, as well as India-South Africa cricket series in December 2010
- ▶ We conducted 'Ride the Fun' across several colleges in various cities to promote our model 'Pleasure'. In this event girls answered various questions and also participated in games that are traditionally played by boys
- ▶ We positioned Splendor NXG as 'Friendship Bike' by ground activities in colleges, malls and hangouts, through bike display, wall graffiti and games
- ▶ To bring alive the muscular imagery of Hunk, the 'Battle of Hunks' was organised in colleges, where people participated in arm wrestling, push-ups, body-building and got a chance to become the Hunk Champion

Accelerating Ahead with Customer Centricity

We believe there is a fine line between satisfaction and delight. It is breached through productive relationship building. Our unique Customer Relationship Programme, the Goodlife programme, commenced as the 'Passport' programme about a decade back. At one level, the programme has helped build a consolidated base of loyal customers. At another level, Goodlife has virtually created a new distribution platform for us.

We have also launched an extended warranty programme called 'Advantage' for our customers, where customers can enjoy the benefit of Extended Warranty options. The maximum warranty is for five years or 70,000 kms, whichever is earlier. This transferrable, online all-India warranty is unique, in that it has the largest parts coverage and the lowest pricing in the entire two-wheeler industry. The programme is also tailored to ensure good customer retention for dealers and SSPs, thus helping them improve their revenues from the sale of spares and services.

As on May, 2011, we had enrolled over four million customers under the Advantage programme. During the past year (on a month-on-month basis) the programme witnessed a conversion rate of 60%, unheard of in the domestic two-wheeler industry.

14%

of Hero MotoCorp sales came through referrals given by Goodlife members in 2010-11

8.2 million +

Membership base in the Goodlife loyalty programme. It is the largest customer relationship programme of its kind in India.

Connecting with customers

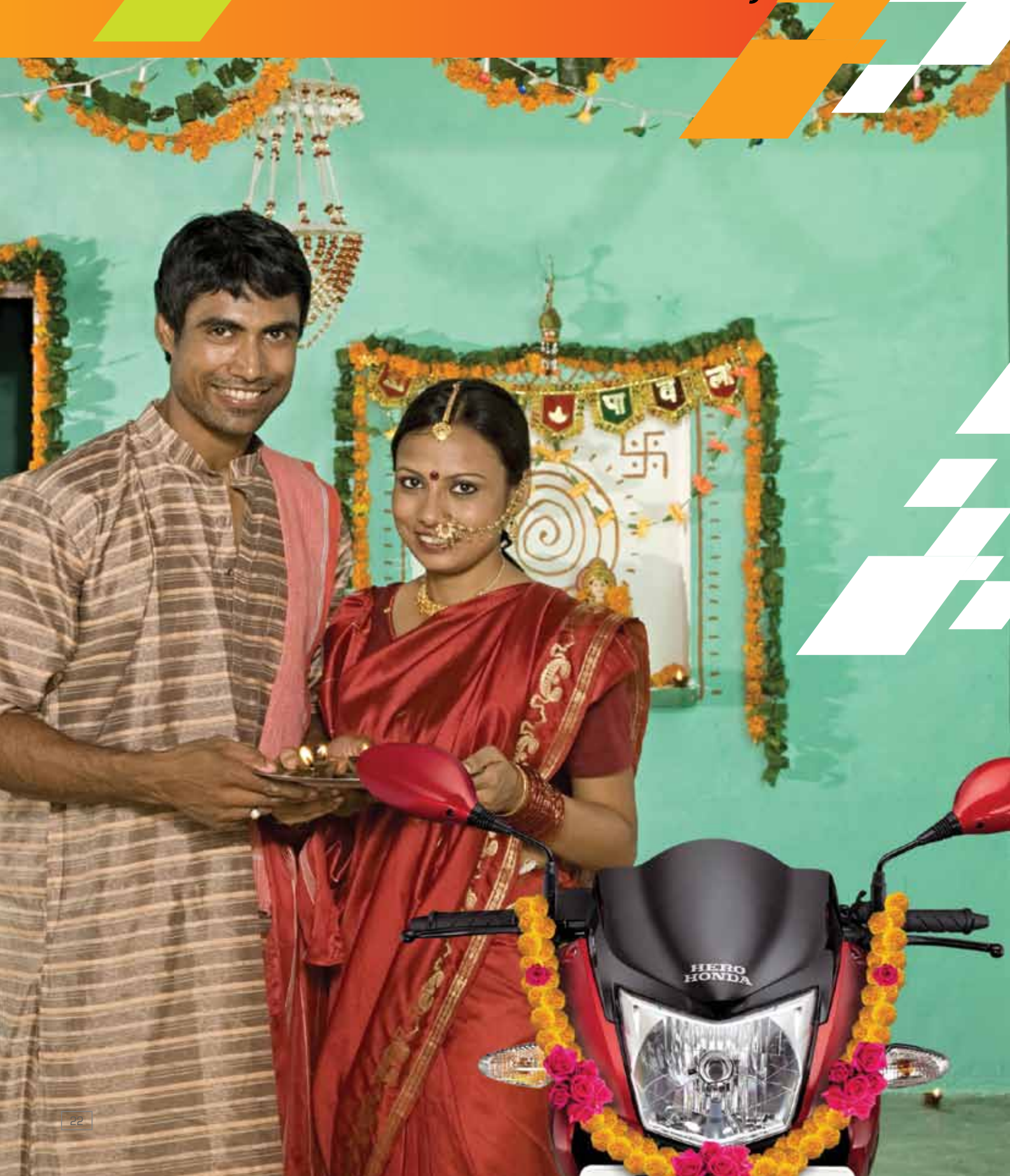
We respect the diversity and plurality of India and have always believed in connecting with different communities in a manner that best suits and excites them the most. Whether it is Onam, Akshayatritya, Ugaadi, Baisakhi, Pongal, Ganesh Chaturthi or Bihu, Hero MotoCorp celebrates regional festivals in its own inimitable way:

Dhak Dhak Go!

***From customer
satisfaction
to customer
delight***



Accelerating Ahead with Rural Centricity





Micro customers and macro realities

Micro customers represent the vast populace at the middle and the bottom of the Indian social pyramid; and the macro reality is that their enhanced income and aspiration levels will determine the future course of Indian business.

At Hero MotoCorp, we acknowledge this reality and we started the 'Har Gaon Har Angan' initiative with two distinct objectives. First, it seeks to reach every Indian home and every Indian village, and in the process, build long-lasting relationships with people across the country. Second, it aims to ensure that the purchase and service of two wheelers in India is affordable and convenient. Apart from meeting opinion leaders, rural sales executives are also entrusted with organising free check-up bike camps, loan melas, test ride camps, conducting Ride Safe Programmes to educate customers on Safety and Maintenance. During the year under review, we covered 1,30,000 villages across the country, including villages with a population of up to 2000.

A unique initiative of the 'Har Gaon Har Aangan' programme was 'Khushiyan Har Angan'. Celebrating the spirit of caring and sharing, we

decided to celebrate the festival of Diwali in rural India differently. Rural support executives, from across dealerships, travelled to various towns and villages, met people at their doorsteps and wished them personally. They also delivered a special message from Hero MotoCorp and distributed branded box of sweets with diyas. In this unique customer connect programme, Hero Honda met over 4,58,000 people, across 56,932 villages in just two weeks.

Under Saral Finance we made it easier for rural Indians to own their favourite two wheelers through a tie-up with Cooperative and Grameen banks. This ensured best rates, easy documentation and hassle-free processes. We also tied up with one of India's biggest bank for Shwet-Labh, a specially designed loan package for Milk Cooperative members.



Performance Across the Decade

	01 02	02 03	03 04	04 05	05 06	06 07	07 08	08 09	09 10	10 11
SALES										
Numbers	14,25,302	16,77,537	20,70,147	26,21,400	30,00,751	33,36,756	33,37,142	37,22,000	46,00,130	54,02,444
Growth (%)	38.4	17.7	23.4	26.6	14.5	11.2	0.01	11.5	23.6	17.4
5-years CAGR (%)						18.5	14.7	12.4	11.9	12.5
TOTAL INCOME (NET)										
(Rs. in crores)	4,539	5,195	5,997	7,559	8,870	10,090	10,517	12,565	1,6099	19,670
Growth (%)	42.3	14.4	15.5	26.0	17.4	13.7	4.2	19.5	28.1	22.2
5-years CAGR (%)						17.3	15.2	15.9	16.3	17.3
NET SALES										
(Rs. in crores)	4,465	5,102	5,832	7,422	8,714	9,900	10,332	12,319	1,5758	19,245
Growth (%)	40.8	14.2	14.3	27.2	17.4	13.6	4.4	19.2	27.9	22.1
5-years CAGR (%)						17.3	15.2	16.1	16.3	17.2
PROFIT BEFORE TAX										
(Rs. in crores)	694	885	1,072	1,217	1,412	1,246	1,410	1,781	2,832	2,405
Growth (%)	84.2	27.4	21.2	13.5	16.0	-11.8	13.2	26.3	59.0	-15.1
5-years CAGR (%)						12.4	9.8	10.7	18.4	11.2
PROFIT AFTER TAX										
(Rs. in crores)	463	581	728	810	971	858	968	1,282	2,232	1,928
Growth (%)	87.5	25.5	25.4	11.3	19.8	-11.7	12.8	32.4	74.1	-13.6
5-years CAGR (%)						13.1	10.8	12.0	22.5	14.7
OPERATING MARGIN (%)	13.9	15.5	15.6	14.6	14.6	10.8	11.8	12.7	16.2	11.4
OPBDIT MARGIN (%)	15.0	16.7	16.8	15.7	16.0	12.2	13.3	14.1	17.4	13.5
EARNING PER SHARE (RS.)	23.2	29.1	36.5	40.6	48.6	43.0	48.5	64.2	111.8	96.5
DIVIDEND PER SHARE (RS.)	17.0	18.0	20.0	20.0	20.0	17.0	19.0	20.0	110.0	105.0
DIVIDEND (%)	850	900	1,000	1,000	1,000	850	950	1,000	5,500	5,250

Economic Value Added (EVA) Statement

(Rs. in crores)

	06 07	07 08	08 09	09 10	10 11
AVG CAP EMPLOYED	2,415	2,877	3,499	3,705	3,989
AVG DEBT/ AVG CAPITAL (%)	1.1	1.1	0.6	0.2	2.2
AVG EQUITY/ AVG CAPITAL (%)	98.9	98.9	99.4	99.8	97.8
COST OF DEBT [% POST-TAX]	0.6	0.9	1.6	1.9	1.4
COST OF EQUITY					
BETA	0.75	0.59	0.59	0.63	0.64
COST OF RISK FREE DEBT (%)	8.15	7.94	6.99	7.50	7.99
MARKET PREMIUM (%)	10	10	10	10	10
COST OF EQUITY (%)	15.65	13.83	12.85	13.80	14.39
EVA					
PROFIT AFTER TAX	857.89	967.88	1,281.76	2,231.83	1,927.90
ADD: INTEREST*(1-TAX RATE)	1.02	1.32	1.67	1.39	10.55
NOPAT=PAT + INTEREST*(1-T)	859	969	1,283	2,233	1,938
COST OF CAPITAL	374	394	448	510	563
EVA	485	575	835	1,723	1,376
RETURN ON CAPITAL EMPLOYED (%)	35.6	33.7	36.7	60.3	48.6
WEIGHTED AVERAGE COST OF CAPITAL (%)	15.5	13.7	12.8	13.8	14.1
EVA/CAPITAL EMPLOYED (%)	20.1	20.0	23.9	46.5	34.5
ENTERPRISE VALUE					
MARKET CAPITALISATION	13,753	13,869	21,390	38,827	31,739
ADD: DEBT	165	132	78	66	1491
LESS: FINANCIAL ASSETS	2,010	2,698	3,588	5,833	5,200
EV (ENTERPRISE VALUE)	11,909	11,303	17,880	33,060	28,030
EV/YEAR END CAPITAL EMPLOYED (TIMES)	4.5	3.6	4.6	9.4	6.3

Board of Directors



Mr. Brijmohan Lall Munjal
Chairman



Mr. Pawan Munjal
Managing Director & CEO



Mr. Sunil Kant Munjal
Jt. Managing Director



Mr. Suman Kant Munjal
Non-Executive Director

Outgoing Directors

Mr. Toshiaki Nakagawa
Jt. Managing Director

(upto March 22, 2011)

Mr. Sumihisa Fukuda
Technical Director

(upto March 22, 2011)

Mr. Yuji Shiga
Non-Executive Director

(upto April 13, 2011)

Ms. Shobhana Bhartia
Non-Executive and Independent Director

(upto April 13, 2011)

Mr. Takashi Nagai
Non-Executive Director

(upto August 8, 2011)

Mr. Toshiyuki Inuma
Non-Executive Director

(upto August 8, 2011)



Mr. Paul Edgerley
Non-Executive Director



Mr. Pradeep Dinodia
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

COMPANY OVERVIEW	BOARD & MANAGEMENT REPORTS	FINANCIAL STATEMENTS
BOARD OF DIRECTORS		



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



Mr. Analjit Singh
Non-Executive
and Independent Director



Dr. Pritam Singh
Non-Executive
and Independent Director



Mr. M. Damodaran
Non-Executive
and Independent Director



Mr. Ravi Nath
Non-Executive
and Independent Director



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

Senior Management Team

Ravi Sud
Sr. Vice President & CFO

Anil Dua
Sr. Vice President-Sales & Marketing

Vikram Kasbekar
Head-Operations and Supply Chain

Neeraj Mathur
Vice President-Strategic Sourcing
and Supply Chain

Dr. Anadi S. Pande
Vice President-HRM, Corporate Planning
and Strategy

Vijay Sethi
Vice President-Information Systems

Compliance Officer

Ilam C. Kamboj
Sr. G.M. - Legal & 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 NV
Bank of America NA
Canara Bank
Citibank N.A.
HDFC Bank Limited
Hong Kong and Shanghai Banking
Corporation Limited
ICICI Bank Limited
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 : arrricon@gmail.com,
arrricon@rediffmail.com

Registered & 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, India

Tel No. : 040-2342 0815-28
Fax : 040-2342 0814/2342 0859

Email : einward.ris@karvy.com

www.karvycomputershare.com

Plant Locations

Dharuhera Plant
69 K.M. Stone,
Delhi-Jaipur Highway,
Dharuhera,
Distt Rewari - 122 100
Haryana, India

Tel : 01274 264 000
Fax : 01274 267 018

Gurgaon Plant
37 K.M. Stone,
Delhi-Jaipur Highway,
Sector 33, Gurgaon – 122 001
Haryana, India

Tel : 0124 2894200/2372123
Fax : 0124 2373 141/42

Haridwar Plant
Plot No. 3, Sector 10,
I.I.E., SIDCUL, Roshanabad,
Haridwar – 249 403,
Uttarakhand, India

Tel : 01334 238500/239514-16
Fax : 01334 239512-13

MANAGEMENT DISCUSSION AND ANALYSIS

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Economic Scenario

The year 2010-11 turned out to be a year of moderation, with growing trepidation across the domains of economics, environment and geopolitics.



If recovery was the underlying theme for the previous year, 2010-11's summative theme was surely uncertainty, with the massive earthquake in Japan and turmoil in the Middle East and North Africa (MENA) creating insecurity, along with volatility in crude and commodity prices.

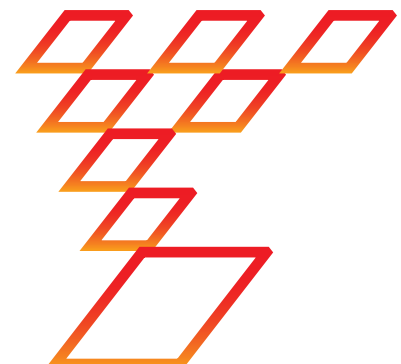
In the US, a slew of factors – double-dipping home prices; a slow recovery in labour markets and weak wage growth; the fiscal contraction of state and local governments; and underlying weakness in final demand – suggested that the subpar, anaemic recovery for the U.S. economy might endure for a while.

Barring Germany, European recovery has almost ground to a halt. The reasons are not hard to seek: fiscal tightening in UK (a leading economy), political uncertainty in Italy, recession in some Scandinavian countries and solvency problems in peripheral EU nations (Greece and Turkey) contributed to the mess. Japan, which had just begun to limp back on a path of recovery, plunged back into deflation as the impact of its natural disaster fully sank in.

To make matters worse, the growth potential in emerging markets like China, Brazil and India, which had demonstrated so much promise in recent years, showed signs of getting impacted by monetary tightening and high interest rates.

In 2010-11, India followed a deviant growth trajectory as opposed to last year: the fastest growth was notched in the first quarter, and the slowest was reserved for the last. In the previous year, India began growing at a comparatively slow pace, but ended with a strong kick. This sparked off hope that the economy would enter the nine percent growth orbit. In fact, economic performance was strong throughout the first half of the fiscal, with the manufacturing sector growing in double digits, and the service sector growing almost as fast. Yet towards the completion of the year, the growth rate dwindled to 7.8%; in the last quarter of 2010-11 it was the slowest in six quarters.

Even though the manufacturing sector notched a double-digit growth during the first two quarters of the year, monetary tightening eventually took its toll in the remaining quarters: it slowed down the pace of capital formation and kept growth in the index of industrial production in single digits.





Nevertheless, India eventually ended the year with 8.5% growth; this was largely on the back of a strong export demand, a resurgent agriculture sector and sustained growth in industries like hotels, real estate, retail and banking as well as core industries, such as cement and steel.

Of course, the performance of the service and agriculture sector was important for different reasons: the former now makes up more than 57% of national output, while 2/3 of India depends on the farm sector for its livelihood.

Services and agriculture growth in turn, ensured strong demand for both consumer durables and automobiles. However, there is little doubt that if high interest rates persist, they will start eating into demand and private consumption expenditure in the coming fiscal. In fact, as the year progressed, there was some early evidence of this in March 2011, with consumer durable growth shrinking to 12% from 23% in the previous month.

In the previous annual report, fears were expressed that inflation could stifle some of India's growth impetus in 2010-11. That is exactly what happened during the year in review. 2010-11 began with double digit food inflation. By the time it ended, manufacturing inflation became the source of concern: it accounted for 30% of the inflation pie in the March-July period, but in the November-March period, manufacturing's share of the inflation pie was up more than 55%.

This forced RBI to tighten monetary policy aggressively throughout 2010-11. The process continues, even at the time of writing as headline inflation remains way above the apex bank's comfort level.

While the near-term outlook for the Indian economy looks uncertain, India's long-term growth prospects are stable, given the favourable demographics and increasing connectivity between India and Bharat. At one level, there is visible evidence of sustainable demand emanating from traditional rural areas. At the other, growth poles opportunities are sprouting in newly urbanised centres across the country.

While the near-term outlook for the Indian economy looks uncertain, India's long-term growth prospects are stable, given the favourable demographics and increasing connectivity between India and Bharat.



Even in the short term, there is a growing perception that India may soon be on top of its rate hike and inflation curves; in other words, as food inflation moderates on the back of another good monsoon and as crude prices stabilise, the RBI may loosen its tightening policy towards the end of 2011. This would have a stabilising influence on growth towards the end of 2011-12.

Industry and Segment Insight



A growing number of jobs in the service sector, favourable demographics, increasing urbanisation across towns and bountiful rains ensured strong demand for two wheelers in India during the year in review. In combination, these factors offset continuously rising consumer finance rates.

The domestic two-wheeler market grew a rollicking 26%, with sales of 11.8 million units, compared to 9.4 million in the previous year.

Two wheeler exports grew 35%, and crossed the 1.5 million mark for the first time. Overall, two wheelers sales grew at 27% in 2010-11, with 13.4 million units of sales as compared to 10.5 million units of sales in the previous year.

Each of the three two wheeler segments clocked strong growth. Motorcycle sales expanded by 24% from 8.4 million units to 10.5 million units. Domestic sales made up the bulk of motorcycle sales. The domestic motorcycle market witnessed a growth of 23% in 2010-11, sales of 9,018,945 units as compared to sales of 7,341,090 units in 2009-10.

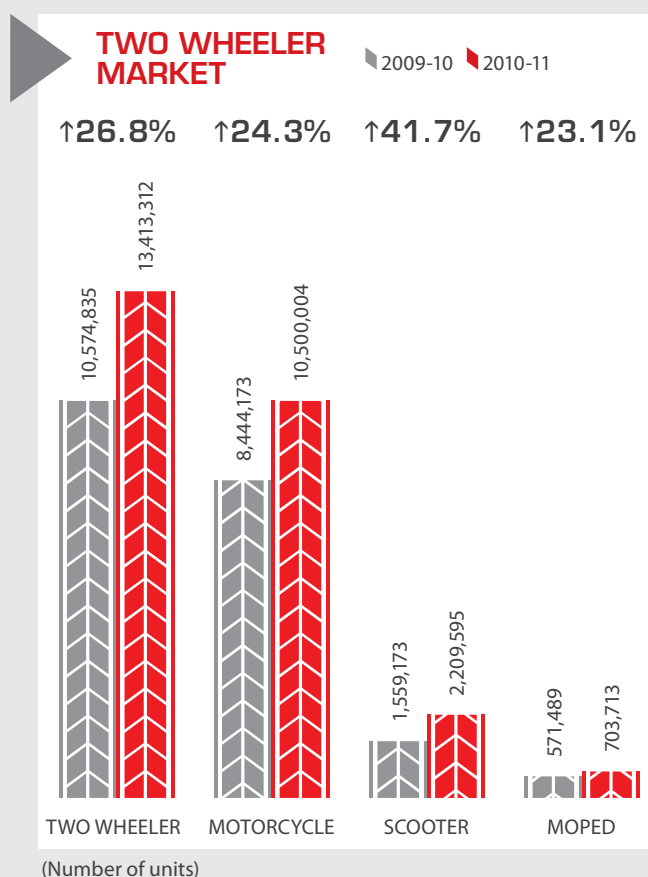
Continuing with a recent trend, scooter sales grew the fastest (42%) from 1.5 to 2.2 million units. In the domestic market, scooters now make up close to 18.5% of the two wheeler market. The revival in the mopeds segment continued as well; sales were up 23% from 5.7 lakh to over 7 lakh units.

India's motorcycle market comprises three categories: entry, executive and premium. During the year, the entry segment grew at close to 14%. Nevertheless, the entry segment's overall

share in the two wheeler pie declined from 18.7% to 17.3%. The deluxe segment sustained its steady performance, notching volumes of 4.8 million units, and a growth in excess of 15%. This segment accounted for over 62% of overall motorcycle sales.

The show-stealer in the motorcycle category was the premium segment. More than 1.85 million units were sold during the year, a growth of 66%. The strong showing ensured that the premium share in the overall motorcycle pie went up from 15.3% to 20.6%.

In fact in the domestic industry the premium segment outsold the entry segment for the first time ever.



New Product Launches

The Company has consistently relied on innovation, technology and design to sustain excitement amongst customers.

This year saw the introduction of several new product launches and refreshes. The new products launches and refreshes were supported throughout the year by impactful, clutter-breaking and engaging communication. The products which were launched are Glamour, Glamour FI, New Hunk, Super Splendor, Splendor Pro, New Karizma



Hunk



GLAMOUR

150F





Splendor
PRO



SUPER
Splendor



KARIZMA
Always Game.



Accelerated Performance

Despite its significantly higher base vis-a-vis competitors, Company's two-wheeler sales improved by 17%; from 4.6 to 5.4 million units during the year to garner over 40% two wheeler market share. In the domestic two wheeler market, it had a share of 44.5%, with sales of 5.2 million.

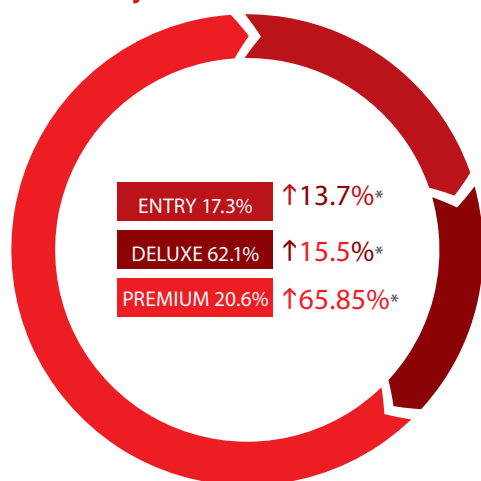
In the motorcycle segment, the Company sold over five million units. In the domestic market, the Company sold over 4.9 million motorcycles at a growth of 15%, thereby capturing 54.6% domestic motorcycle market share.

In the scooter segment Pleasure, grew a whopping 65% during the year, with sales of 3.42 lakh units. This single scooter brand now accounts for over 16% market share.

Across various motorcycle segments, the Company bested industry growth in the entry segment by growing in excess of 17%, and selling more than 1.5 million units.

In the deluxe segment, the Company captured 68.9% share. With sales of 3.8 million units, the Company registered growth in excess of 12%.

SEGMENT SHARE (CATEGORIES OF TWO WHEELER)



* Growth in 2010-11 over 2009-10

In the scooter segment Pleasure, grew a whopping **65%** during the year, with sales of **3.42 lakh units**





Financial Scorecard

Sales

The Company's sales grew by 17.44%. It ended the year with a domestic market share of around 45%. The Company clocked a sales volume of 5,402,444 units in 2010-11, compared to 4,600,130 units in 2009-10. In value terms total sales (net of excise duty) increased by 22.1% to Rs. 19,245 crores from Rs. 15,758 crores in 2009-10.

Profitability

The Company's earnings before interest depreciation and taxes (EBITDA) margins decreased from 17.45% in 2009-10 to 13.49% in 2010-11 and the Operating profit (PBT before other income) decreased from Rs. 2,575.48 crores in 2009-10 to Rs. 2,214.61 crores in 2010-11. The margin fell despite healthy growth in the sales volume on account of higher prices of raw materials and components and additional cost of meeting emission norms

Other Income, including non-operating income

Other income increased by 24.7% from Rs. 341 crores in 2009-10 to Rs. 425 crores in 2010-11.

Cash flows

The free cash flow from operations during the year stood at Rs. 2,288.11 crores (previous year 2,686.64 crores). The same have been deployed in capital assets, investments and paid out as dividends during the year.

Capital expenditure

During the year, the Company incurred a capital expenditure of Rs. 364.12 crores. The funds went into capacity expansion and replacements.

Raw material costs

Hardening of metal prices particularly steel, copper, aluminium and nickel during the year results in escalation in material costs. Raw material costs as a proportion of total cost increased 68.1% to 73.3% and adversely impacted EBITDA margins.

Current asset turnover

This ratio, which shows sales as a proportion of average current assets, decreased from 17.2 to 15.5 times, on account of higher average inventory and loans and advances.

Debt structure

Hero Honda has been a debt free company for the last 10 years. The unsecured loan of Rs. 32.71 crores from the state government of Haryana on account of sales tax deferment, is interest free and has no holding costs. Net interest payment by the Company has been negative during the last few years.

Dividend policy

Over the years, the Company has consistently followed a policy of paying high dividends, keeping in mind the cash-generating capacities, the expected capital needs of the business and strategic considerations. For 2010-11, the Board has recommended a dividend of 1750% higher than 1500% declared in previous year, and has maintained a payout ratio of 42.1% vis-a-vis 31.3% in the previous year. Further, it has also declared 3500% interim dividend (previous year 4000%).

Working capital management

The Company has always sought to efficiently use the various components of working capital cycle. It has been able to effectively control the receivable and inventories, enabling it to continue to operate on negative working capital.

WORKING CAPITAL MANAGEMENT AND LIQUIDITY RATIOS

	2010-11	2009-10
Inventory Period	10.3	10.6
Operating Cycle	12.4	13.3
Cash Cycle	(20.0)	(17.0)
Current Ratio*	0.40	0.45
Acid Test Ratio*	0.26	0.26

Notes on Working Capital:

The average of inventory, receivables and payables has been taken for the above calculations of inventory period, operating and cash cycle.

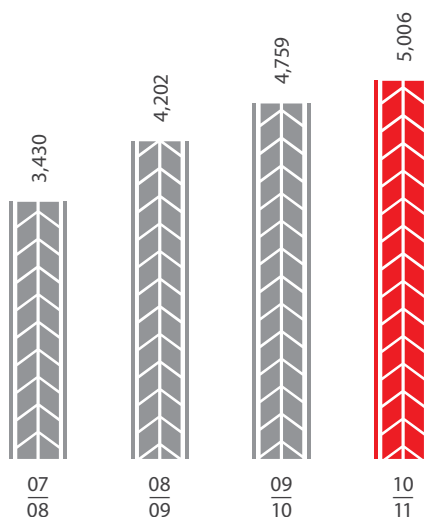
KEY INDICATORS OF PROFITABILITY (%)

	2010-11	2009-10
Return On Average Capital Employed	62.3	76.4
Return On Average Equity	60.0	61.4
Profit After Tax / Income From Operations	9.9	14.1
Profit Before Tax / Income From Operations	12.8	17.9
Profit Before Interest And Tax / Income From Operations	12.8	17.7
Operating Profit Before Tax / Income From Operations	11.4	16.2
Operating Profit Before Depreciation, Interest And Tax / Income From Operations	13.5	17.4

Network Expansion

Over the last five years, more than 2000 customer touch points have been added to the Company's network.

INCREASING NETWORK OF CUSTOMER TOUCH POINTS







Manufacturing Excellence

India's two wheeler industry continues to benefit from an expanding economy. A revival in agriculture, growing job opportunities in the service sector and expanding urbanisation ensured a healthy demand for two wheelers

These factors continued to create a significant demand for the Company's two wheelers.

Meeting this demand was a key concern during the year gone by. The challenge was surmounted by optimising plant capacities and installing balancing equipment not only internally but across the supply chain. The team work was exceptional in overcoming this challenge.

High speed and flexible machines were introduced to debottleneck the critical shops and lines. This was done to meet not just demand surges, but also variability in the product mix, which decelerates the throughput. Concurrently, production of less value-added parts was

outsourced. This created space, allowed machines to be used for critical operations, and also accommodated new models and variants that were introduced by the Company.

These initiatives helped in different ways. By the end of the year, overall production capacity went up and the Company was able to ramp up from 4.6 million units to 5.4 million units. Over the last three years, production capacity has been augmented by over 2 million units.

As a part of the journey towards operational excellence, shopfloor management programmes like Kanban and Kaizen were strengthened to improve efficiency, throughput times and debottlenecking critical operations. At the same time, TPM (Total Productive Maintenance) initiatives were beefed up across each of the three plants. This significantly improved the reliability of delivery by increasing equipment uptime.

A significant enhancement in production, innovation and quality control represented the key focus areas during the year. The result is appreciable reduction in customer complaints.

Over time, the Company has learnt the valuable lesson that productivity improvements at the shopfloor would lose much of their impact if concurrent ramp-ups were not made at the vendor's end.

During the year, therefore, extensive attention was paid to production planning. There is a growing realisation about the importance of accurate and robust long-term forecasting models, so that vendors are in a position to plan capacity well in advance.



By the end of the year, overall production capacity went up and the Company ramped up from 4.6 million units to **5.4 million units**.

At the same time, the Supply Chain team impressed upon vendors the need to build in certain flexibilities into their component supply operations, so that they could scale in either direction during business cycles.

The Company also invested considerable time and effort in making the direct online system (an ERP system which manages production and supply of components across the production chain) more effective.

The control of in-plant manufacturing costs was another focus area. Various steps were adopted in this direction. Gas-based generators and heat recovery units were introduced to cut emissions and reduce electricity generation costs.

Research and Development Expertise



For 25 years, the Company's research and development functioned and evolved unobtrusively, but efficiently and effectively.

Over the years, the department has developed requisite infrastructure and expertise to develop, test and approve products in-house in line with international standards. The domain knowledge, acquired through the interaction with Honda R&D, made it possible to increase the level of customisation at the design stage itself. In turn, this has helped in launching multi-models in short interval with high levels of localisation.

At another level, the Company's R&D actively participates in the country's environmental ecosystem. R&D members involve themselves in the regulatory process at the outset. This ensures that all new regulation notifications are complied well on time (Hero's R&D had successfully complied with BS-III norms within the specified time). In fact, in some cases, for example, in the case of reduction of hazardous waste, the R&D is well ahead of the regulatory curve.

In December 2010, when the Company's Board approved a New Licensing Arrangement between the two joint venture partners, it was a watershed event. A single pen stroke changed

the Company's future and its R&D function. With Hero Honda now re-emerging in a new avatar, Hero MotoCorp Ltd., the organisation's R&D is also being revamped.

The facilities are being upgraded ahead of time for adoption of new technologies. To ensure that Hero MotoCorp is able to face a new world without the presence of Honda, capabilities are being enhanced across levels. Skilled manpower is being augmented significantly, and design and validation infrastructure is being beefed up significantly.

The Company has implemented PLM (Product Lifecycle Management) and is in process of upgrading it. At a strategic level, Hero MotoCorp's R&D is also exploring the new technical alliances to cater to the latest requirements of new products, segments and geographies.



Hero MotoCorp's robust technology heritage was strengthened further during the year under review. IT initiatives were embarked upon at multiple levels. There was a strong focus on supply chain integration, process efficiency and accurate and prompt decision-making.

Besides, since the time the Company had commenced its journey towards becoming a local enterprise, there was considerable emphasis in the areas of governance and compliance.

Hero MotoCorp Connect (a Dealer Management System) aimed at automating our supply chain, enhancing information availability as well as transparency. It has completed a successful year.

By the end of the financial year, the Company had successfully deployed the system at more than 530 dealers outlets. Crossing this milestone was no mean achievement, considering the scope and magnitude of the project. As part of the project, important enhancements were made

in the dealers' portal, which helped boost their integration with the organisation's supply chain.

The Company also used IT infrastructure to accelerate its decision-making. Key initiatives included developing customised reports, using Business Intelligence (BI). An application for Cost Modelling and Analysis (CMA) was also developed during the year.

Information security and risk management was another focus area. To protect the Company's drawings data and prevent leakage in any form to any unauthorised entity, its R&D processes were migrated from a mostly manual working system to a software application called Product Lifecycle Management. The PLM software will help provide access control of critical information.

At a larger level, in order to reduce risks associated with unauthorised system access, a solution for Governance, Risk and Compliance was implemented. At the same time, to help the Company keep track of all necessary statutory requirements and legal compliances, Hero MotoCorp became one of the first companies to implement an E-compliance application tool.

During the year, the Company also accredited itself with ISO 27001 certification for Information Security. In order to establish the credibility of its robust security processes and procedures.

Business sustainability is gaining significant importance in recent years. To de-risk business operations the Company has commenced Disaster Recovery (DR) for all critical applications. So far, disaster recovery has been set up for



R&D, GoodLife and the dealer management applications. Work on the SAP module and e-mail is in progress.

Meanwhile, to keep pace with changing technologies globally, the Company has also introduced solutions like mobile-based applications as well as web-based interfaces for enterprise applications. For example, workflows and approvals are now possible on mobile phones.

People Approach



The emphasis has always been on building a talent pipeline taking into account a medium-to-long-term perspective. The Company has tried to attract the right talent, build capabilities and facilitate career development to drive organisational objectives.

During the year, the SAP-ELS Module for Talent Development was initiated. The module will go live next year, and will give the new Company a contemporary and cutting-edge talent development system.

The Company augmented its young talent by inducting a fresh batch of management trainees and GETs like every year. The ET programme has been re-engineered. Our five-month long induction is based on a 'Job Function Criteria' that recognise strengths and facilitate appropriate job alignment. Besides, to widen the incumbent's learning horizon, On-the-Job Project (OTJP) and Job Simulation were introduced for the first time.

For mid-and junior-level management, selective education courses were introduced to foster leadership and teamwork. As in previous years, the Company's mandate of 'Achieving Excellence through teamwork' was executed in various ways. Across levels and locations, programmes focusing on Strategic Thinking, People Development, Interface Management, Business Etiquette and Positive Attitude were held. Several new programmes for grooming young talent were also organised.

Simultaneously, entry-level induction for workers at the plant level was strengthened during the year. Technical Training facilities in the Gurukul (Company's dedicated training facility) were upgraded; new machines were brought in and

a mini assembly line was set up to provide new inductees with hands-on experience in vehicle assembly.

At another level, a new programme was introduced for plant employees to fulfil their spiritual needs. The programme (Sadbhavna) has been commenced at the 'Om Shanti Retreat Centre in association with Brahma Kumaris, a well-known spiritual organisation. Close to 900 operators were covered under the programme during the year.

During the year, the Code of Conduct was launched to embed and codify the ethical tenets of the Company.

On its part, the Top Management team underwent the Harvard Business School Programme on "Building a Global Enterprise in India".

Employee and industrial relations scenario at all three plants remained smooth during the year under review. At Dharuhera, union elections were held peacefully, and a new Union came into force.

To track and manage the performance of the contractors (who provide manpower) efficiently, a Performance Matrix was introduced for the first time in the contract agreements. The matrix was directly linked to the service charges of the contractors. During the year, biometric cards for the Gurgaon region were issued by the ESI authorities.

Risk Management



Inflation and input prices

India's core inflation has gone up significantly over the past year, and is unlikely to moderate significantly in the coming months. This is an area of considerable concern as the bulk of the Company's production costs comprise material costs. However, the Company continues to proactively focus on cost optimisation to offset the spiralling rise in material prices.

Interest rates

Sustained inflation forced India's apex bank to tighten monetary policy throughout the year in review, and this process continues into the current year. While the Company has not been significantly affected by higher interest because of its strong balance sheet and healthy cash flows, some of its smaller vendors of the Company could face expansion constraints if the cost of finance continue to remain high. The Company is now pursuing an aggressive policy of multiple sourcing to counter this challenge.

Global uncertainty

Global uncertainty didn't significantly affect past performance as the Company's operations were mostly concentrated in domestic markets. With widening transcontinental footprint, the susceptibility to geo-political events can escalate significantly. However, considering the Company's product profile, and planned focus on emerging and nascent markets similar to India, the management believes the challenge of uncertainty can be overcome.

Transition challenges

Undergoing major transformation following the change in ownership, the Company is in the process of acquiring a new identity for itself and its products. Although the Company can use the Hero Honda brand till 2014, it is aware that it has to eventually create a new brand association among customers without Honda. Moreover, it will have to contend with strong competition from its erstwhile joint venture partner across all major segments. Admittedly, there will be challenges in the near term, yet the Company believes it is suitably positioned to capitalise on the market reputation created over a period of 26 years. To succeed in the new dispensation, the R&D function has witnessed a major overhaul with a focus on new product development. New alliances and technology tie-ups are also being finalised. In addition, new export markets are being explored.

Green Management

The Company's environmental consciousness – embedded in the credo “we care” – continued to be a key area of focus.

Since inception, the Company has invested substantially in clean and green technologies: a fluidised bed (for paint hanger burning), an advanced incinerator (for paint and sludge), solid landfill (for the disposal of solid, hazardous and non-hazardous waste), effluent and sewage treatment plants, rain water harvesting sites (reference sites), Green Roof (at Hardwar plant) and others.

The Green Vendor Development Programme has struck deep roots since its commencement in 2007. This collaborative programme calls for partner companies to demonstrate their commitment towards improved environmental performance and striving for continual improvement.





Six pillars have been assigned under the programme, covering various aspects, such as energy management, water management, waste minimisation, pollution prevention, substitution of hazardous chemicals and environmental compliance management. Partner vendors are given specific training on all six pillars. Process mapping is conducted to identify different non-compliances and projects are undertaken for implementation. This programme is gaining increasing acceptability among vendors. In the first year, projects were undertaken with around 30 vendors; by the end of the financial year more than 90 vendors were enrolled.

DIRECTORS' REPORT

Dear Members,

We, the Directors of Hero MotoCorp Ltd., are delighted to present the 28th Annual Report for the financial year 2010-11. The report is being presented along with the Audited Statement of Accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

(Rs. in crores)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Gross Sales	20,662.39	16,780.62
Net Sales and other Income	19,669.90	16,098.79
Profit before Interest and Depreciation	2,805.29	3,002.58
Less: Interest (Net)	(1.85)	(20.62)
- Depreciation	402.38	191.47
Profit before tax (PBT)	2,404.76	2,831.73
Less: Provision for tax		
- Current	475.76	591.58
- Deferred	94.02	8.32
- Minimum Alternate Tax Credit	(92.92)	-
Profit after tax (PAT)	1,927.90	2,231.83
Add: Balance of profit brought forward	2,146.55	2,707.28
Balance available for appropriation	4,074.45	4,939.11
Appropriations		
Dividend		
- Interim	1,397.81	1,597.50
- Proposed Final	698.91	599.06
Corporate Dividend Tax	340.14	371.00
Transfer to General Reserve	192.79	225.00
Balance carried to Balance Sheet	1,444.80	2,146.55
Dividend (%)	5,250	5,500
Basic and Diluted Earnings Per Share (EPS) (Rs.)		
- Before exceptional items	100.53	111.77
- After exceptional items	96.54	111.77

BUSINESS PERFORMANCE

During the year your Company notched 17.44% growth in sales, with volumes of 54,02,444 units compared to 46,00,130 units in 2009-10. In value terms total sales (net of excise duty) increased by 22.13% to Rs. 19,245.03 crores in 2010-11 from Rs. 15,758.18 crores in 2009-10.

Your Company continued to lead the domestic motor cycle market with 54.6% market share. The Company successfully launched six new models including variants during the year under review.

Total income of the Company grew by 22.18%, from Rs. 16,098.79 crores to Rs. 19,669.90 crores in 2010-11. The Company's Profit After Tax (PAT) declined by 13.62% to Rs. 1,927.90 crores from Rs. 2,231.83 crores in the previous fiscal.

The Company's Earnings Before Interest Depreciation and Taxes (EBITDA) margins decreased from 17.45% in 2009-10 to 13.49% in 2010-11. Operating profit (PBT before other income) decreased from Rs. 2,575.48 crores in 2009-10 to Rs. 2,214.61 crores in 2010-11. The margin fell despite a healthy growth in the sales volume on account of higher prices of raw materials & components.

During the year, the Company also retained, for the tenth year in a row, its position as the World's No. 1 Two Wheeler Company.

A detailed discussion on the business performance and future outlook has been given in the Management Discussion & Analysis.

DIVIDEND

Given the strong financial position, your Company declared and paid an Interim Dividend of 3500% i.e. Rs. 70 per Equity Share of the face value of Rs. 2 each, totaling Rs. 1,397.81 crores (exclusive of tax on Dividend).

Your Directors are pleased to recommend a Final Dividend of 1750% i.e. Rs. 35 per Equity Share of the face value of Rs. 2 per share, aggregating to Rs. 698.91 crores (exclusive of tax on Dividend), for the financial year ended March 31, 2011 for your approval. The final 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 Rs. 192.79 crores has been transferred to the General Reserve of the Company for the financial year 2010-11.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company have occurred between April 1, 2011 and the date on which this Report has been signed.

PROMOTER GROUP REALIGNMENT AND IMPLICATIONS

During the year, the Indian Promoter Group of the Company, which comprised of Hero Investments Private Limited ("HIPL"), Bahadur Chand Investment Private Limited ("BCIPL") and Hero Cycles Limited ("Hero Cycles"), re-aligned the shareholding in the Company, following a family agreement. As a result, Hero Cycles transferred its shareholding in the Company to HIPL on May 28, 2010.

As a result of these transactions, the Indian Promoter Group of the Company now comprises of HIPL and BCIPL owned and controlled entirely by the Munjal Family headed by Mr. Brijmohan Lall Munjal, Chairman of the Company.

Also, during the year, the Indian Promoter Group and Honda Motor Co. Ltd., Japan ("Honda") entered into a Share Transfer Agreement ("the Agreement") on January 22, 2011. As per the terms of the Agreement, Honda had agreed to transfer its entire shareholding of 26% in the Company to the Indian Promoter Group, bringing an end to the joint venture between the two promoter groups of the Company. The acquisition was completed on March 22, 2011 and the shares held by Honda were transferred to the Indian Joint Venture partner.

In addition to the Agreement, the Indian Promoter Group and Honda also entered into a License Agreement on January 1, 2011. As per this Agreement, Honda has given to the Company, the right and license to manufacture, assemble, sell and distribute certain products and their service parts under their Intellectual Property Rights.

↑ 17.44%

During the year your Company notched **17.44% growth in sales**, with **volumes of 54,02,444 units** compared to 46,00,130 units in 2009-10.

↑ 22.13%

In value terms total sales (net of excise duty) increased by **22.13% to Rs. 19,245.03 crores in 2010-11** from Rs. 15,758.18 crores in 2009-10

↑ 22.18%

Total income of the Company grew by **22.18%**, from Rs. 16,098.79 crores to **Rs. 19,669.90 crores in 2010-11**.

The amount to be paid by the Company for licenses involve: Rs. 1,928.37 crores for manufacture, assembly, selling and distribution and Rs. 550.96 crores for exports. The amounts have been capitalised as Intangible Assets (along with applicable cess and duty), based on the probability that the future economic benefits attributable to these assets will flow to the Company. This is because w.e.f. January 1, 2011 the Company's liability to pay ongoing royalty for all existing/modified products/parts would cease.

These Intangible Assets have been amortised over a period of 42 months up to June 30, 2014. Accordingly, liability payable up to March 31, 2011 has been included under current liabilities and the balance has been disclosed as Defer payment credits.

CHANGE OF NAME

During the current financial year, in view of the separation of the joint venture partners, your Company had started the process of change of name of the Company from "Hero Honda Motors Limited" to "Hero MotoCorp Limited". The new name was approved by the members of the Company in their Extra-ordinary General Meeting held on June 17, 2011 and subsequently fresh certificate of incorporation consequent to change of name dated July 28, 2011 has been received by the Company. Also, the new Corporate Identity (new Corporate Logo) was adopted by the Board of Directors of the Company on August 17, 2011 for all future practical purposes.

BOARD OF DIRECTORS

Appointment/re-appointment

During the year under review, Mr. Toshiaki Nakagawa was re-appointed as the Jt. Managing Director w.e.f. February 1, 2011 for a further period of 6 (six) months.

Also, Mr. Paul Edgerley was appointed as Non-Executive Director of the Company w.e.f. May 4, 2011. The Board extends its warm welcome to Mr. Edgerley on the Board and wishes him a successful tenure with the Company.

In terms of the provisions of the Companies Act, 1956 & the Articles of Association of the Company, Mr. Pradeep Dinodia, Gen. (Retd.) V.P. Malik, Mr. Brijmohan Lall Munjal and Mr. Sunil Kant Munjal will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The present term of appointment of Mr. Brijmohan Lall Munjal, Chairman and Director in the Whole-time employment of the Company has expired on August 2, 2011. Further the term of the appointment of Mr. Pawan Munjal, Managing Director & CEO will come to an end on September 30, 2011. The Board has, on the recommendation of Remuneration Committee and subject to your approval in the general meeting and such other

approvals, if any, has re-appointed them for a further period of 5 (five) years respectively.

The Board has also appointed Mr. Sunil Kant Munjal as the Jt. Managing Director of the Company for a term of 5 (five) years effective August 17, 2011.

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

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

Resignations

Mr. Om Prakash Munjal resigned from the Board w.e.f. July 29, 2010 and Mr. Toshiaki Nakagawa and Mr. Sumihisa Fukuda resigned from the Company w.e.f. March 22, 2011 in view of the abovestated changes in the promoter group.

Further, Mr. Yuji Shiga and Ms. Shobhana Bhartia resigned from the Board of the Company w.e.f. April 13, 2011. Thereafter Mr. Toshiyuki Inuma, who was appointed as a Non-Executive Director of the Company w.e.f. April 13, 2011 and Mr. Takashi Nagai resigned from the Board of the Company w.e.f. August 8, 2011.

The Board appreciates and expresses gratitude for the valuable contribution made by all the outgoing Directors during their fruitful tenure as the Directors of the Company.

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, 2011, the applicable accounting standards have been followed;
2. that appropriate accounting policies have been selected and applied consistently and judgements 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, 2011 and of the profit of the Company for the financial year ended March 31, 2011;
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, 2011 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 SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of the Company ethos. The Company supports the Raman Kant Munjal Foundation, which in turn runs a school and a hospital. The Foundation also conducts various outreach programs in the villages around the Company's factories. These programs are conducted in partnership with leading NGOs, and over the years, there have been significant spinoffs.

CORPORATE GOVERNANCE

At Hero MotoCorp, 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 four Non-Executive & Independent and 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 Committee met 4 (four) 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.

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 the rating assigned to the Company for its Non-convertible Debenture Programme as LAAA [pronounced "L triple A"] indicating the highest credit quality and A1+ [pronounced "A one Plus"] for its Non-fund based facilities and LAAA [pronounced "L triple A"] to Fund based facilities indicating the highest credit quality rating carrying lowest credit risk. ICRA also has LRAAA [pronounced "L R triple A"] issuer rating assigned for the Company.

The rating agency CRISIL, during the year under review, assigned the bank loan ratings of "AAA/Stable" and P1+ to the Cash Credit Limit & Letter of Credit Limit Facility respectively to the 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

M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi, Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible,

offer themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

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 2011-12 and the necessary application for obtaining the requisite approval has been filed with the Central Government. The Cost Auditors' Report for 2010-11 will be forwarded to 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.

LISTING

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

PERSONNEL

As on March 31, 2011 the total number of employees on the records of the Company were 5,257.

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 "People Approach" (Human Resource 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 shareholders of the Company excluding the statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any shareholder 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 Directors also place on record their appreciation for the valuable assistance and guidance extended to the Company by the promoter companies and for the encouragement and assurance, which our former collaborator has given for the growth and development of the Company.

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
August 17, 2011

ANNEXURE - I TO
DIRECTORS' REPORTCORPORATE
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". 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 of Stock Exchanges.

BOARD OF DIRECTORS**Composition of the Board**

As on March 31, 2011, the Company's Board of Directors comprised of fourteen Directors. Two Directors, including the Chairman, are Executive Directors; four are Non-Executive Directors and eight are Non-Executive and Independent Directors. More than fifty per cent 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.

TABLE 1: DETAILS ABOUT COMPANY'S BOARD OF DIRECTORS

ATTENDANCE RECORD DURING FINANCIAL YEAR 2010-11				DIRECTORSHIP/MEMBERSHIPS ON MARCH 31, 2011		
Name of Director	Number of Board Meetings held during his/her tenure and attended by him/her	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 & Section 25 Companies)		
Executive Directors						
Mr. Brijmohan Lall Munjal	5	5	Yes	None	None	6
Mr. Pawan Munjal	5	5	Yes	None	None	3
Non-Executive Directors						
Mr. Sunil Kant Munjal	5	5	Yes	None	None	14
Mr. Suman Kant Munjal ¹	3	3	Yes	1	None	5
Mr. Yuji Shiga ²	5	5	No	None	None	None
Mr. Takashi Nagai ⁵	5	5	No	1	None	2
Non-Executive and Independent Directors						
Mr. Pradeep Dinodia	5	5	Yes	8	4	8
Gen. (Retd.) V. P. Malik	5	5	Yes	5	1	3
Mr. Analjit Singh	5	1	No	None	None	13
Dr. Pritam Singh	5	3	Yes	3	None	4
Ms. Shobhana Bhartia ²	5	2	No	1	1	14
Mr. M. Damodaran	5	2	Yes	4	1	6
Mr. Ravi Nath	5	5	Yes	2	1	3
Dr. Anand C. Burman	5	5	No	1	None	9
(Resigned during the year)						
Executive Directors						
Mr. Toshiaki Nakagawa ³	5	5	Yes	N.A.	N.A.	N.A.
Mr. Sumihisa Fukuda ³	5	5	Yes	N.A.	N.A.	N.A.
Non-Executive Director						
Mr. Om Prakash Munjal ⁴	2	Nil	N.A.	N.A.	N.A.	N.A.

Notes:

1. Appointed w.e.f. July 29, 2010;
2. Resigned w.e.f. April 13, 2011;
3. Resigned w.e.f. March 22, 2011;
4. Resigned w.e.f. July 29, 2010;
5. 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 and the brother of Mr. Om Prakash 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 (Non-Executive Director) and Suman Kant Munjal (Non-Executive Director) belong to the promoter family of the Hero Group, which owns 52 per cent equity in the Company. Four Directors namely Mr. Toshiaki Nakagawa (Jt.Managing Director), Mr.Sumihisa Fukuda(Technical Director), Mr. Yuji Shiga (Non-Executive Director) and Mr. Takashi Nagai (Non-Executive Director) were nominees of Honda Motor Co. Ltd., Japan (Honda), former promoter of the Company. Apart from these, the rest of the Board comprises of Non-Executive and Independent Directors.

Board Meetings

During 2010-11, the Board of Directors met 5 (five) times on April 19, 2010; July 29, 2010; October 29, 2010; December 16, 2010 and February 2, 2011.

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

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 two percent 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, 2011

Name of the Director	Category	No. of shares held
Mr. Om Prakash Munjal ¹	Non-Executive Director	25,000
Mr. Sunil Kant Munjal	Non-Executive Director	32,500
Mr. Suman Kant Munjal	Non-Executive Director	1,03,750

Note:

1. Resigned w.e.f. July 29, 2010.

Apart from the above, none of the Non-Executive (including Independent) Directors holds 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 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 shareholder's 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 judgement 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 for all Board members and senior management of the Company. The code of conduct 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 of conduct. 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 comprises 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 and the consolidation and presentation of the risk reports by the Chief Risk Officer (CRO) before the Board of Directors of the Company.

BOARD LEVEL COMMITTEES

Audit Committee

The genesis of the Company'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 in accordance with 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, 2011, the Committee comprised of 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, discussions with internal auditors on any significant findings and ensuring suitable follow up thereon
- Directors' overseas travelling 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, 4 (four) meetings of the Audit Committee were held on April 19, 2010; July 29, 2010; October 29, 2010

and February 2, 2011 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	No. of meetings held during his tenure	No. of meetings
Attended			
Mr. Pradeep Dinodia	Chairman	4	4
Gen. (Retd.) V.P.Malik	Member	4	4
Dr. Pritam Singh	Member	4	2
Mr. M. Damodaran	Member	4	1

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, 2011, 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, one meeting of the Committee was held on January 14, 2011, which was attended by all the members.

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 per cent of the net profit, computed

in accordance with Section 198 of the Companies Act, 1956, is paid as per the terms of appointment.

As of now, the Company does not have any Employee Stock Options Plans (ESOPs). 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 Rs. 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 per cent of profits of the Company.

Tables 4 and 5 gives details of remuneration paid to Directors. During 2010-11, the Company did not advance any loans to any of its Directors.

TABLE 4: REMUNERATION TO EXECUTIVE DIRECTORS

Name of the Director	Salary* (Rs.)	Commission (Fixed) ** (Rs.)	Total (Rs.)
Mr. Brijmohan Lall Munjal	1,64,19,732	25,10,98,000	26,75,17,732
Mr. Pawan Munjal	1,36,32,818	25,10,98,000	26,47,30,818
Mr. Toshiaki Nakagawa	57,47,480	24,49,02,000	25,06,49,480
Mr. Sumihisa Fukuda	46,11,986	24,49,02,000	24,95,13,986

Notes:

* Salary includes Basic Salary, Perquisites and Allowances, Contribution to provident fund and other funds.

** Total Commission is calculated @ 1% of the net profit calculated in accordance with Section 198 of the Companies Act, 1956.

TABLE 5: REMUNERATION TO NON-EXECUTIVE DIRECTORS

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Suman Kant Munjal	80,000	NIL	80,000
Mr. Sunil Kant Munjal	1,00,000	NIL	1,00,000
Mr. Pradeep Dinodia	3,00,000	21,87,500	24,87,500
Gen.(Retd.) V.P. Malik	2,00,000	14,18,750	16,18,750
Dr. Pritam Singh	1,60,000	11,06,250	12,66,250
Mr. M. Damodaran	1,00,000	5,62,500	6,62,500
Mr. Analjit Singh	20,000	1,25,000	1,45,000
Ms. Shobhana Bhartia ¹	40,000	2,50,000	2,90,000
Mr. Ravi Nath	1,20,000	7,18,750	8,38,750
Dr. Anand C. Burman	1,00,000	6,25,000	7,25,000
Mr. Takashi Nagai ²	NIL	N.A.	NIL
Mr. Yuji Shiga ²	NIL	N.A.	NIL

Notes:

1. Resigned w.e.f. April 13, 2011.
2. Mr. Takashi Nagai and Mr. Yuji Shiga have opted not to receive sitting fees or commission which were accrued to them on account of attending the meetings of the Board.

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, 2011, 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 April 19, 2010; July 29, 2010; October 29, 2010 (adjourned), December 16, 2010 and February 2, 2011.

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	No. of meetings held during his tenure	No. of meetings Attended
Dr. Pritam Singh	Chairman	4	3
Mr. Pradeep Dinodia	Member	4	4
Mr. M. Damodaran	Member	4	2

COMMITTEE OF DIRECTORS

Apart from these Committees, the Company also has a Committee of Directors. As on March 31, 2011, the Committee comprised of Mr. Brijmohan Lall Munjal, Chairman; Mr. Pawan

Munjal, Managing Director & CEO; Mr. Toshiaki Nakagawa, Joint Managing Director; Mr. Sumihisa Fukuda, Technical Director in the whole-time employment of the Company; Mr. Ravi Sud, Sr. Vice President & CFO and Mr. Ilam C. Kamboj, Sr. G.M. Legal & Company Secretary as its members. Mr. Toshiaki Nakagawa and Mr. Sumihisa Fukuda however ceased to be members of the Committee w.e.f. March 22, 2011, consequent to their resignation from the Board of Directors of the Company.

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 25 (twenty-five) 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 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 4, 2011. A copy of the certificate on the financial statements for the financial year ended March 31, 2011 and on the Code of Conduct is annexed along with this Report.

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

Mr. Pradeep Dinodia, Gen. (Retd.) V.P. Malik, Mr. Brijmohan Lall Munjal and Mr. Sunil 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.

Further, since the last AGM, Mr. Toshiyuki Inuma and Mr. Paul Edgerley were appointed as Additional Directors and Mr. Sunil Kant Munjal has been appointed as the Jt. Managing Director on the Board of the Company, for a period of 5 (five) years effective August 17, 2011, and have been recommended by the Board of Directors to be appointed as Directors/Jt. Managing Director of the Company at the ensuing AGM of the Company. However, Mr. Toshiyuki Inuma has resigned from the Board of the

Company w.e.f. August 8, 2011. Also, the present term of office of Mr. Brijmohan Lall Munjal, Chairman and Director in the Wholetime employment of the Company had expired on August 2, 2011 and that of Mr. Pawan Munjal, Managing Director and CEO shall expire on September 30, 2011 respectively. The Board of Directors of the Company has thus, accorded its consent, subject to the approval of the shareholders, to the re-appointment of Mr. Brijmohan Lall Munjal and Mr. Pawan Munjal as the Chairman and Director in the Whole-time employment of the Company and the Managing Director and CEO of the Company for a further period of 5 years respectively.

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

MEANS OF COMMUNICATION

Pursuant to Clause 41(l)(f) of the Listing Agreement, the Company has regularly furnished, both by post as well as by fax (within 15 minutes of closure of the Board meeting) the annual audited as well as quarterly un-audited results to both the Stock exchanges i.e. BSE & NSE, post approval and adoption of the same by the Board of Directors of the Company.

The Company's half yearly results (period ended September 30, 2010), annual results (year ended March 31, 2011) and the results for the quarters ended June 30, 2010 and December 31, 2010 were 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. Results for each quarter, half year and annual results for the year ended March 31, 2011 are also regularly updated and are thus displayed on the Company's website : www.heromotocorp.com. The website also displays official news releases and the shareholding pattern, as required under the terms of Clause 35 of the Listing Agreement.

Moreover, pursuant to Clause 52 of the Listing Agreement, financial information like annual and quarterly financial statements and shareholding pattern etc. are available on the SEBI web-site www.corpfiling.co.in. The Company Secretary being the Compliance Officer ensures the correctness and authenticity of the information filed with the said website.

During the year ended March 31, 2011, various presentations were made to analysts and Institutional investors. 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 this Annual Report.

GENERAL BODY MEETINGS

Details of General Meeting

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 EGM/AGM'S

Details of Extra-ordinary General Meeting (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	Special Resolutions - Change of Name of the Company - Amendment to Articles of Association of the Company

Details of Annual General Meetings (AGMs) held:

Year	Time, Day, Date & Location	Summary of Resolutions Passed
2009-10	10:30 A.M. Monday, September 20, 2010, Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi 110003	Ordinary Resolutions - 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 - 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
2007-08	11:00 A.M. Thursday, September 25, 2008, Airforce Auditorium, Subroto Park, Dhaura Kuan, New Delhi 110010	Ordinary Resolutions - Appointment of Mr. Sumihisa Fukuda as Technical Director in the Whole-time employment of the Company. - Appointment of Mr. M. Damodaran as Director of the Company

GENERAL SHAREHOLDER'S INFORMATION

ANNUAL GENERAL MEETING

Date	September 28, 2011
Day	Wednesday
Time	04:30 P.M.
Venue	Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi – 110 003

Financial Calendar

Financial year : April 1 to March 31

For the financial year 2010 - 11 results were announced on:

First quarter ended June 30, 2010	July 29, 2010
Second quarter and half year ended September 30, 2010	October 29, 2010
Third quarter and nine months ended December 31, 2010	February 2, 2011
Fourth quarter and year ended March 31, 2011	May 4, 2011

For the financial year 2011 - 12, results are likely to be announced on: (Tentative and subject to change)

First quarter ending June 30, 2011	July, 2011 (3rd week)
Second quarter and half year ending September 30, 2011	October, 2011 (3rd week)
Third quarter and nine months ending December 31, 2011	January, 2012 (3rd week)
Fourth quarter and year ending March 31, 2012	April, 2012 (3rd week)

Book closure

The dates of book closure shall be from Saturday, August 27, 2011 to Wednesday, August 31, 2011 (both days inclusive).

Dividend payment

The Board of Directors has declared an Interim Dividend @ 3500 per cent. The dividend has been paid to those shareholders whose names appeared on the Register of Members as on Thursday, April 21, 2011.

The Board of Directors has recommended a Final Dividend @ 1750 per cent for the financial year 2010-11. 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 Wednesday, August 31, 2011. 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 Friday, August 26, 2011 as per details furnished by the Depositories for this purpose.

Listing on Stock Exchange

As on March 31, 2011, the securities of the Company are listed on the following exchanges:

1. Bombay Stock Exchange Limited, (BSE) based at Phiroz Jeejeebhoy Towers, 25th Floor, 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 2011-12 has been paid to the stock exchanges, wherein the equity shares of the Company are listed (i.e. BSE & NSE) within the stipulated time.

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

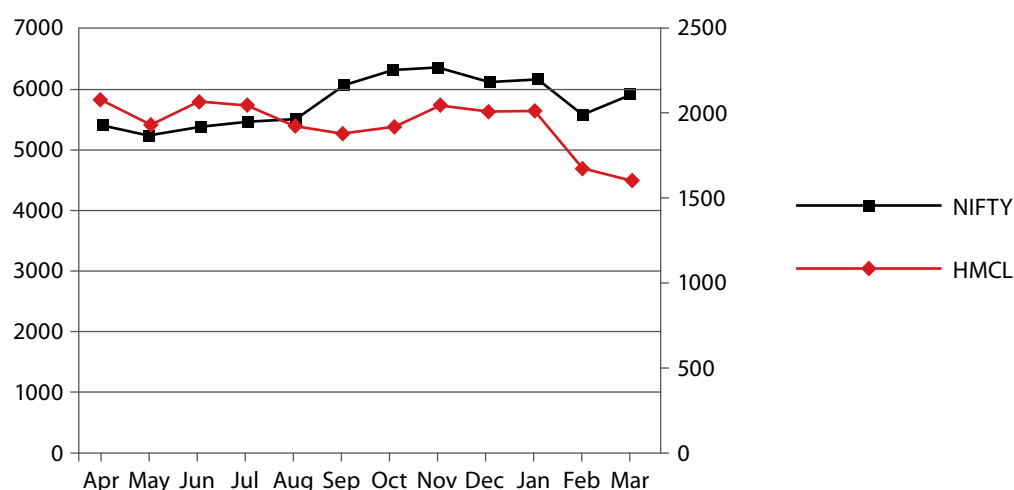
The Company's market capitalisation is included in the computation of the BSE Sensex, BSE -100, BSE- 200, BSE- 500, BSE Sectoral Indices, BSE TASI Shariah 50, S&P CNX Nifty, S&P CNX 500 and CNX 100. Monthly high and low quotations as well as the volume of shares traded at the National Stock Exchange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

TABLE 8: SHARE PRICE DATA FOR 2010-11 (IN RS.) (SHARES OF RS. 2 PAID UP VALUE)

National Stock Exchange of India Limited, Mumbai (NSE)

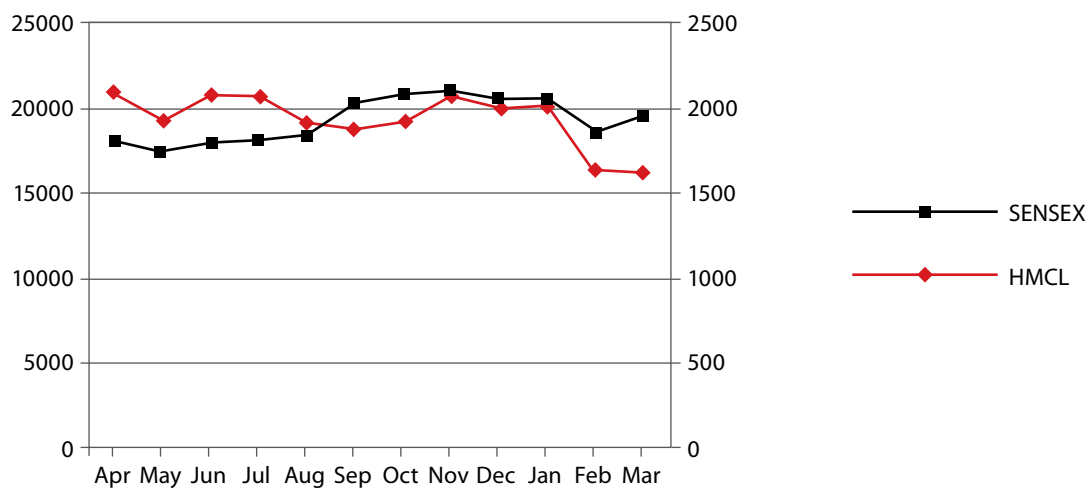
Month	Total Volume	High	Date	Volume on that date	Low	Date	Volume on that date
	Quantity	(In Rs.)		Quantity	(In Rs.)		Quantity
April'10	1,15,87,075	2,094.00	12-Apr-10	4,81,369	1,810.00	29-Apr-10	5,07,018
May'10	78,55,711	1,949.80	31-May-10	2,91,403	1,818.00	18-May-10	2,67,664
June'10	81,56,909	2,070.00	30-Jun-10	2,08,385	1,901.55	01-Jun-10	4,86,762
July'10	1,17,82,872	2,057.00	01-Jul-10	2,56,604	1,790.50	30-Jul-10	16,82,439
August'10	85,09,875	1,933.00	24-Aug-10	1,27,183	1,669.90	31-Aug-10	14,90,941
September'10	1,06,38,362	1,888.00	27-Sep-10	2,89,297	1,690.00	02-Sep-10	8,72,887
October'10	86,08,830	1,927.00	28-Oct-10	8,35,409	1,777.10	15-Oct-10	3,52,063
November'10	78,55,985	2,061.90	30-Nov-10	5,75,576	1,795.00	12-Nov-10	1,75,648
December'10	2,67,92,034	2,019.00	30-Dec-10	9,39,385	1,559.00	15-Dec-10	24,25,129
January'11	73,60,327	2,020.00	03-Jan-11	5,64,296	1,591.00	31-Jan-11	3,33,964
February'11	1,49,19,058	1,668.00	01-Feb-11	7,47,744	1,375.75	22-Feb-11	8,87,934
March'11	1,25,40,233	1,619.00	31-Mar-11	9,21,560	1,413.80	22-Mar-11	3,93,956

Hero MotoCorp's Share Price Movement vis a vis Nifty



Bombay Stock Exchange Limited, Mumbai (BSE)

Month	Total Volume	High	Date	Volume on that date	Low	Date	Volume on that date
	Quantity	(In Rs.)		Quantity	(In Rs.)		Quantity
April'10	27,38,322	2,094.00	12-Apr-10	70,546	1,811.45	30-Apr-10	83,780
May'10	12,93,059	1,948.50	31-May-10	31,119	1,804.00	19-May-10	61,617
June'10	10,51,685	2,069.85	30-Jun-10	29,327	1,901.40	01-Jun-10	60,484
July'10	14,85,031	2,074.60	02-Jul-10	21,306	1,790.65	30-Jul-10	1,74,913
August'10	15,15,574	1,932.90	24-Aug-10	16,858	1,670.00	31-Aug-10	2,07,204
September'10	13,78,622	1,890.00	27-Sep-10	54,446	1,690.00	03-Sep-10	1,22,819
October'10	8,66,827	1,924.00	28-Oct-10	82,736	1,540.00	15-Oct-10	20,008
November'10	9,10,578	2,060.00	30-Nov-10	65,036	1,800.45	12-Nov-10	13,365
December'10	56,65,860	2,013.00	31-Dec-10	94,775	1,559.00	15-Dec-10	6,53,114
January'11	10,43,600	2,020.00	03-Jan-11	1,35,375	1,593.10	31-Jan-11	28,073
February'11	22,10,207	1,656.00	01-Feb-11	28,009	1,377.95	23-Feb-11	1,58,180
March'11	19,08,736	1,615.00	31-Mar-11	96,417	1,416.00	22-Mar-11	48,316

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, 2011.

TABLE 9

No. of shares held (Rs. 2/- paid up)	Folios		Shares of Rs. 2 paid up	
	Numbers	%	Numbers	%
Upto 500	57,882	86.56	40,38,203	2.02
501 – 1000	6,589	9.85	49,66,974	2.49
1001-5000	1,781	2.66	34,77,624	1.74
5001-10000	170	0.25	12,12,341	0.61
10001-50000	237	0.35	58,20,367	2.91
50001 and above	210	0.31	18,01,71,991	90.23
TOTAL	66,869	100.00	19,96,87,500	100.00

Shareholding Pattern

Sl. No.	Category	No. of Holders	No. of Shares Held	No. of Shares Dematerialised	%
A	PROMOTERS				
1	Indian	24	10,42,59,490	10,40,10,230	52.21
2	Foreign	0	0	0	0.00
B	PUBLIC SHAREHOLDING				
1	Mutual Funds / UTI	91	23,05,630	22,33,515	01.15
2	Financial Institutions / Banks	25	2,36,553	2,17,848	00.12
3	Insurance Companies	44	77,83,910	77,83,910	03.89
4	Foreign Institutional Investors	451	6,54,79,356	6,54,41,156	32.79
5	Bodies Corporate	1,057	38,05,179	37,75,153	01.91
6	Indian Public	63,729	1,42,98,489	94,86,739	07.16
7	Trusts	16	12,00,550	12,00,550	00.60
8	Clearing Members	232	1,16,772	1,16,772	00.06
9	Non Resident Indians	1,205	2,01,571	2,01,501	00.11
GRAND TOTAL		66,869	19,96,87,500	19,44,67,374	100.00

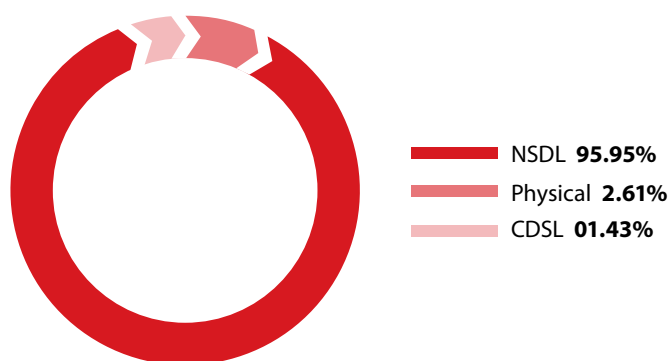


Indian Promoter Group	52.21%
Mutual Funds / UTI	01.15%
Financial Institutions / Banks	00.12%
Insurance Companies	03.89%
Foreign Institutional Investors	32.79%
Bodies Corporate	01.91%
Indian Public	07.16%
Others	00.77%

Note: Pie Chart not to scale

Consolidated Shareholding Pattern as on March 31, 2011

Category	No. of Holders	% to Total holders	Total Shares	% to Equity
Physical	8,160	12.20	52,20,126	2.61
NSDL	43,565	65.15	19,16,07,866	95.95
CDSL	15,144	22.65	28,59,508	01.43
TOTAL	66,869	100.00	19,96,87,500	100.00



Note: Pie Chart not to scale

Dematerialisation of Shares and Liquidity

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

As on March 31, 2011, 97.38 per cent 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 5,72,12,142 shares of Rs. 2 each, were dematerialised by the shareholders, however share certificates involving 5,264 shares of Rs. 2 each, were rematerialised. The net dematerialisation represents 28.65 percent 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 & 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 Transfer Agents is given hereunder.

Karvy Computershare Private Ltd.

(Unit: Hero MotoCorp Ltd.)

Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081,

Tel No : 040-2342 0815-28, Fax : 040-2342 0814/2342 0859

E-mail: einward.ris@karvy.com

Karvy Computershare Private Ltd.

(Unit: Hero MotoCorp Ltd.)

105-108, Arunachal Building, 19, Barakhamba Road,

New Delhi – 110 001,

Tel : 011-43509200, Fax : 011-43681710

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 number of shares transferred during the financial year 2010-11 were 76,624 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 2010-11. 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 2010-11

Sl. No	Nature of Complaints/ Requests	Opening	Received	Cleared	Pending
1.	Non receipt of shares	0	121	121	0
2.	Request for issue of duplicate shares	0	288	288	0
3.	Non receipt of dividend warrants	0	762	762	0
4.	Change of address	0	713	713	0
5.	Mandate cases/bank description	0	103	103	0
6.	Miscellaneous (Shares)	0	4,585	4,585	0

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
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
Tel: 01274-264 000, Fax: 01274-267 018

Haridwar Plant

Plot No. 3, Sector - 10,
I.I.E., SIDCUL, Roshanabad,
Haridwar-249 403, Uttarakhand
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 & Compliance Officer,

e-mail: ilam.kamboj@heromotocorp.com or

to the Registrar & Transfer Agents i.e Karvy Computershare Pvt. Limited.

e-mail: einward.ris@karvy.com or

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

Mr. Ravi Sud, Sr. Vice President & CFO,

e-mail: ravisud@heromotocorp.com

For and on behalf of the Board



Brijmohan Lall Munjal
Chairman

New Delhi
August 17, 2011

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.

We have examined the compliance of conditions of Corporate Governance by Hero MotoCorp Ltd. (Formerly Hero Honda Motors Limited) for the year ended March 31, 2011, 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.

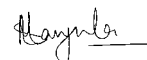
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

August 17, 2011

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 Honda Motors Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended March 31, 2011 and all its schedule 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 2010-11.

For Hero Honda Motors Ltd.



Pawan Munjal
Managing Director & CEO

For Hero Honda Motors Ltd.



Ravi Sud
Sr. Vice President & CFO

New Delhi
May 4, 2011

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, 2011 ;

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 and their impact

1. As our long term initiative for "Green Technology", Natural Gas has been introduced as source in Captive Power Generation as well as in critical processes of Paint shop and Heat treatment at Dharuhera and Gurgaon plants.
2. "Resource Conservation" has been the prime focus in the plants and initiatives like Waste Heat Recovery / Air loss optimisation / Advanced Rain Water harvesting technology etc. are being continuously taken to realise the benefits.
3. Energy efficiency measures have been taken in terms of switchover from conventional to energy efficient lighting systems / Advanced VFD's for various critical process applications etc. This has led to annual savings of approx.

b) Additional Investments and Proposals being implemented for reduction of consumption of energy

Approx. investment of Rs. 150 million is proposed in areas of:

1. Green initiatives - Natural Gas based Gensets / Pilot project of solar based Power plant.
2. Resource conservation – VAM / HRU's
3. Energy Efficiency – Conventional to CFL / Advanced Air Dryers / Optimisation of Pump running in critical areas / Advanced Chillers for Process plants.

Note: The additional investment cannot be precisely ascertained, and is part of the Repairs and Maintenance; consumables expenditure and investments in fixed assets.

c) Impact of measures at a) and b) for reduction of energy consumption and consequent impact on the cost of production of goods.

For FY 2010-11 : Approx. Annual Saving on Vehicles Produced - Rs. 21 million For FY 2011-12 : Expected approx. Annual Saving on Veh. Produced - Rs. 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)

1. Specific areas in which R & D carried out by the Company

- New Model Technology Absorption
- Indigenisation of CKD Parts
- Multi Source Approval
- Meeting Legislative Norms
- Active Participation in deciding the needs of future Automobile Regulations in India

2. Benefits derived as a result of the above R & D activities

- Launched HunkPro (150 cc - 4 stroke), Splendor+ / Splendor Pro (100cc – 4 Stroke), Achiever (New Aesthetic), Super Splendor (125 cc – 4 stroke), Glamour Carb./FI (New Aesthetic), Glamour FI (New Aesthetic), Karizma (New Aesthetic), Karizma ZMR (New Aesthetic), Passion Pro (Special Edition), CBZ Extreme (150cc – 4 stroke)
- 619 Multi source Components added;
- 24 new sources added for existing models;
- Indigenisation done for 8 items;
- Compliance to the Regulations
 - E-10 Compliance [Material Compatibility] (on-going)
 - BS-III Compliance ground work
 - EMC Compliance (Pre-implementation verification)

3. Future plan of action

- New Model Launch
- Indigenisation plan, 4 more items to be localised
- Participation at different Forums for formation of two wheeler Regulations in India & GTRs.
- Compliance Plan for Future Regulations :-
 - EMC
 - Tell-Tails, Symbols & Controls
 - Safety Related Standards
 - E-10 Compliance (on-going)
 - Spray Suppression

4. Expenditure on R & D

	Year Ended March 31, 2011	Year Ended March 31, 2010
i) Capital	3.89	3.15
ii) Recurring	28.26	27.16
iii) Total R & D expenditure as a percentage of sale (as per P & L A/c) (%)	0.16	0.19

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief, made India technology absorption, adaptation and innovation**

More parts development approval in India

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

- New Model Development to increase market share;
- Supply capacities and quality of bought out parts (BOP) increased with Multi Source Development to support the increasing production;
- Indigenisation - To meet Cost Challenge;
- Compliance to Latest Regulations

Further, in last five years the Company's ancillaries have imported technologies for Emission Devices – cast wheel, drive chain (solid bush type), fuel injection (close loop type), Real Time Mileage Indicator (RTMI), non-asbestos brake shoe and gaskets, migration from hexachrome - trichrome, low friction high F.E. engine technology, LED lighting device, self sealing – puncture resistance wheel tube, rear cushion with reservoir tank, emission devices – low cast catalytic converter, rear disk brake and oil cooler.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO**A) EXPORT ACTIVITIES / INITIATIVES TO INCREASE EXPORTS / DEVELOPMENT OF NEW EXPORT MARKETS / EXPORT PLANS****EXPORT INITIATIVES 2010-11**

During the year under review, your Company :

- exported 1,33,063 two-wheelers, an increase of 36 per cent and spare parts worth Rs. 24.10 crores, an increase of 37 per cent over the last financial year;
- successfully launched new models in Sri Lanka, Bangladesh & Columbia;
- organised sales and technical trainings on new model for the dealer staff;
- World Cup activation in Sri Lanka and Bangladesh;
- focused on rural markets;
- strengthened after-sales support in Sri Lanka and Bangladesh

EXPORT PLAN FOR 2010-11

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

- explore and enter new markets;
- appoint and develop new distribution network;
- build, launch and establish new brand;
- impart training

B) EARNINGS & OUTGO

Foreign exchange earnings during the period under report was Rs. 444.62 crores, compared to Rs. 337.59 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 Rs. 2694.26 crores, compared to Rs. 485.46 crores in the previous year.

The outgo on account of Dividend was Rs. 155.76 crores compared to Rs. 519.19 crores in the previous year.

Outgo for import of components, spare parts, raw materials and capital goods was Rs. 837.12 crores compared to Rs. 624.73 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	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A Power and Fuel consumption per unit of Production						
Product Unit (Two Wheeler)	18,40,295	15,92,463	17,49,426	15,99,454	18,19,604	14,04,327
1. Electricity						
(A) Purchased Units (KWH)	Nil	Nil	74,66,278	50,65,988	2,65,91,250	2,06,03,625
Total Amount (Rs.)	Nil	Nil	3,82,99,322	2,22,64,222	11,29,92,588	8,09,67,950
Rate/unit (Rs.)	Nil	Nil	5.13	4.39	4.25	3.93
(B) Own generation through various fuels						
FO & HSD (KWH)	6,19,26,676	5,88,76,342	3,46,33,609	4,62,55,864	31,93,300	37,00,260
Natural Gas (KWH)	5,06,034	Nil	1,35,82,148	Nil	Nil	Nil
Unit per ltr. of Fuel (Cost/Unit) – Self						
FO & HSD (KWH/Ltr.)	3.95	3.96	4.02	4.20	3.65	3.60
Natural Gas (KWH/SCM)	4.00	Nil	4.12	Nil	Nil	Nil
2. Furnace Oil, HSD etc.	**		*		**	
Quantity (K. ltrs)	132.15	250.12	2087.62	1608.18	926.01	585.09
Total Amount (Rs.)	46,78,576	83,10,267	6,98,22,489	3,62,32,460	3,02,66,504	1,69,22,602
Average Rate/ Ltrs. (Rs.)	35.40	33.23	33.45	22.53	32.68	28.92
B. Consumption per unit of Production						
Electricity (KWH/Veh.)	33.93	36.97	31.83	32.09	16.37	17.31
Furnance Oil, HSD etc.(Ltr./ Veh.)	0.07	0.16	1.19	1.01	0.51	0.42

* fuels (Furnace Oil/HSD) used in Boiler for direct production of Two Wheeler only

** fuels (Furnace Oil/HSD) used in Hot Water Generator for direct production of Two Wheeler only

DETAILS OF DIRECTORS OF Hero MotoCorp Ltd.

Sl. No.	Name of Director/DIN	Status	Type of Company	Directorship Held	Committee	
					Membership	Chairmanship
1	Mr. Brijmohan Lall Munjal 00004134	EC	L	Hero MotoCorp Ltd.	--	--
			L	Munjal Showa Limited	--	--
			L	Shivam Autotech Limited	--	--
			UL	Easy Bill Limited	--	--
			UL	Hero FinCorp Ltd.	--	--
			UL	Survam Infrastructure Limited	--	--
			UL	Rockman Industries Limited	--	--
			P	BCM Energies Private Limited	--	--
			P	BML Investment Private Limited	--	--
			P	Bahadurchand Investments Private Limited		
			P	Hero Investments Private Limited		
			P	Puja Investments Private Limited		
2	Mr. Pawan Munjal 00004223	MD & CEO	L	Hero MotoCorp Ltd.	--	--
			UL	Hero FinCorp Ltd.	--	--
			UL	Hero Realty & Infra Limited	--	--
			UL	Rockman Industries Limited	--	--
			P	Hero Investments Private Limited	--	--
			P	Puja Investments Private Limited	--	--
			P	Bahadurchand Investments Private Limited	--	--
3	Mr. Sunil Kant Munjal 00003902	JMD	L	DCM Shriram Consolidated Limited	--	--
			L	Hero MotoCorp Ltd.	--	--
			L	Shivam Autotech Ltd.	--	--
			UL	Abhyuday Manufacturing & Automotive Limited	--	--
			UL	Arrow Infra Limited	--	--
			UL	Easy Bill Limited	--	--
			UL	Hero Corporate Services Limited	--	--
			UL	Hero Life Insurance Company Limited	--	--
			UL	Hero Management Services Limited	--	--
			UL	Hero Mindmine Institute Limited	--	--
			UL	Hero Realty & Infra Limited	--	--
			UL	Hero Steels Limited	--	--
			UL	Rockman Industries Limited	--	--
			UL	Satyam Auto Components Limited	--	--
			UL	Weave Engineering & Design Limited	--	--
			P	Bahadurchand Investments Private Limited	--	--

Sl. No.	Name of Director/DIN	Status	Type of Company	Directorship Held	Committee	
					Membership	Chairmanship
			P	BML Investments Private Limited	--	--
			P	Hero Investments Private Limited	--	--
			P	Puja Investments Private Limited	--	--
			P	Thakurdevi Hydro Private Limited	--	--
4	Mr. Suman Kant Munjal	NED	L	Hero MotoCorp Ltd.	--	--
	00002803		UL	Rockman Industries Limited	--	--
			UL	Hero Corporate Services Limited	--	--
			UL	Survam Infrastructure Limited	--	--
			UL	Munjal Acme Packaging Systems Limited	--	--
			UL	Hero Steels Limited	--	--
			P	Hero Investments Private Limited	--	--
			P	Bahadur Chand Investments Private Limited	--	--
			P	Puja Investments Private Limited	--	--
			P	Rockman Auto Private Limited	--	--
			P	Thakurdevi Hydro Private Limited	--	--
			P	BCM Energies Private Limited	--	--
			P	Survam Investment Private Limited	--	--
			P	Survam Real Estate Private Limited	--	--
5	Mr. Paul Edgerley	NED	L	Hero MotoCorp Ltd.	--	--
	02213279		P	Hero Investments Private Limited		
6	Gen.(Retd.) V.P. Malik	NEID	L	Hero MotoCorp Ltd.	Audit	--
	00006628		L	Reliance Infrastructure Limited	Audit	Shareholders'/ Investors' Grievance
			UL	BSES Rajdhani Power Limited	Audit	--
			UL	BSES Yamuna Power Limited	Audit	--
7	Mr. Pradeep Dinodia	NEID	L	DCM Shriram Consolidated Limited	Audit	Shareholders'/ Investors' Grievance
	00027995		L	DFM Foods Limited	--	Audit
			L	Hero MotoCorp Ltd.	Shareholders' Grievance	Audit
			L	J.K. Laxmi Cement Limited	--	--
			L	Shriram Pistons & Rings Limited	Audit	--
					Shareholders'/ Investors' Grievance	--

Sl. No.	Name of Director/DIN	Status	Type of Company	Directorship Held	Committee	
					Membership	Chairmanship
			UL	Hero Corporate Services Limited	--	Audit
			UL	Micromatic Grinding Technologies Limited	--	--
			UL	SPR International Auto Exports Limited	--	--
			UL	Ultima Finvest Limited	--	--
			P	Dinodia Capital Advisors Private Limited		
8	Mr. Analjit Singh 00029641	NEID	L	Dabur India Limited	--	--
			L	Hero MotoCorp Ltd.	--	--
			L	IDBI Bank Limited	--	--
			L	Max India Limited	--	--
			L	Tata Global Beverages Limited	--	--
			UL	Indus Towers Limited	--	--
			UL	Malsi Estates Limited	--	--
			UL	Malsi Holdings Limited	--	--
			UL	Malsi Hotels Limited	--	--
			UL	Max Bupa Health Insurance Company Limited	--	--
			UL	Max Healthcare Institute Limited	--	--
			UL	Max Neeman Medical International Limited	--	--
			UL	Max New York Life Insurance Company Limited	--	--
			UL	Vodafone Essar Limited	--	--
			P	BAS Enterprises Private Limited	--	--
			P	Boom Investments (P) Limited	--	--
			P	Capricorn Health Services Private Limited	--	--
			P	Capricorn Hospitality Services Private Limited	--	--
			P	Delhi Guest Houses Private Limited	--	--
			P	Doon Holiday Resorts Private Limited	--	--
			P	Dynavest India Private Limited	--	--
			P	Leo Retailing and Health Services Private Limited	--	--
			P	Max & Company Ventures Private Limited	--	--
			P	Mohair Investments and Trading Co. Private Limited	--	--
			P	Nurture Health Services Private Limited	--	--
			P	Scorpio Bevarages Private Limited	--	--
			P	Terra Planet Estates Private Limited	--	--

Sl. No.	Name of Director/DIN	Status	Type of Company	Directorship Held	Committee	
					Membership	Chairmanship
			P	Trophy Estates Private Limited	--	--
			P	Trophy Holdings Private Limited	--	--
			P	Urban Space Consultants Private Limited	--	--
			P	Veer Health Services Private Limited	--	--
			P	Vitasta Estates Private Limited	--	--
9	Dr. Pritam Singh 00057377	NEID	L	Dena Bank Limited		
			L	Dish TV India Limited	Audit	--
			L	Hero MotoCorp Ltd.	Audit	Shareholders' Grievance
			L	Parsvnath Developers Limited	--	--
			UL	Godrej Properties Limited	--	--
			P	Lanco Teesta Hydro Power Private Limited	--	--
10	Mr. M. Damodaran 02106990	NEID	L	AVN Arogya Health Care Limited	--	--
			L	Hero MotoCorp Ltd.	Audit & Shareholders' Grievance	--
			L	ING Vysya Bank Limited	--	--
			L	S Kumars Nationwide Limited	--	--
			L	Satyam Computer Services Limited	Audit	--
			L	Sobha Developers Limited	--	--
			L	Tech Mahindra Limited	--	Audit
			P	ING Investment Management India Private Limited	--	--
			P	Glocal Healthcare Systems Private Limited	--	--
11	Mr. Ravi Nath 00062186	NEID	L	Hero MotoCorp Ltd.	--	--
			L	Kanoria Chemicals & Industries Limited	--	--
			L	Somany Ceramics Limited	--	--
			L	Voith Paper Fabrics India Limited	Audit	Shareholders'/ Investors' Grievance
			P	Citron Holding Private Limited	--	--
			P	Kadimi Constructions Private Limited	--	--
			P	Rajinder Narain & Co. Consultants Private Limited	--	--

Sl. No.	Name of Director/DIN	Status	Type of Company	Directorship Held	Committee	
					Membership	Chairmanship
12	Dr. Anand C. Burman	NEID	L	Dabur India Limited	--	--
	00056216		L	Ester Industries Limited	--	--
			L	Fresenius Kabi Oncology Limited	Shareholders/ Investors' Grievance	--
			L	Hero MotoCorp Ltd.	--	--
			L	Hindustan Motors Limited	--	--
			UL	Dabur Pharmaceuticals Limited	--	--
			UL	Dabur Overseas Limited	--	--
			UL	H&B Stores Limited	--	--
			UL	Althea Lifesciences Limited	--	--
			UL	Aviva Life Insurance Co. India Limited	--	--
			P	Acee Enterprises Private Limited	--	--
			P	A.V.B. Finance Private Limited	--	--
			P	B.A. Holdings Private Limited	--	--
			P	Excellent (India) Private Limited	--	--
			P	IMB Infrastructures Private Limited	--	--
			P	Interx Laboratories Private Limited	--	--
			P	KBC India Private Limited	--	--
			P	M.B. Finmart Private Limited	--	--
			P	Milky Investment and Trading Co.	--	--
			P	Moon Light Ranch Private Limited	--	--
			P	Puran Associates Private Limited	--	--
			P	Shree Investment Private Limited	--	--
			P	Vansh Holdings Private Limited	--	--
			P	VIC Enterprises Private Limited	--	--
			P	Windy Investments Private Limited	--	--

* Details as on August 17, 2011.

EC - Executive Chairman

MD & CEO - Managing Director & Chief Executive Officer

JMD - Jt. Managing Director

NED - Non-Executive Director

NEID - Non-Executive & Independent Director

AUDITORS' REPORT

To The Members Of

Hero Honda Motors Limited

1. We have audited the attached Balance Sheet of HERO HONDA MOTORS LIMITED ("the Company") as at March 31, 2011, the Profit and Loss Account 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 Profit and Loss Account 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 Profit and Loss Account 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, 2011;
 - (ii) in the case of the Profit and Loss Account, 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, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 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 4, 2011

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) As explained to us, the Company has a programme of physically verifying all of its fixed assets over a period of three years and in accordance therewith, physical verification of certain fixed assets of the Company was carried out during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its fixed assets. The 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, the 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 Rs. 465 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 Rs. 155 crores and the year end balance of loans granted was Rs. 20 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 Rs. 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 in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vi) 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 books of account maintained by the Company pursuant to the rules made by the Central Government, for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed

examination of records with a view to determining 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 delays in deposit of service tax. 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 sales tax, wealth tax, customs duty, and cess which have not been deposited. The following are the particulars of excise duty, service tax and income-tax dues not deposited / deposited under protest by the Company on account of disputes as at March 31, 2011:

Name of the Statute	Nature of the Dues	Amount* (Rs. in crores)	Amount paid under protest (Rs. in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	179.70	2.98	2000-01 and 2002 – 2009	CESTAT
		0.14	0.07	2002-03 to 2005 – 2006	Commissioner (Appeals)
	Service Tax	1.93	0.45	2003-04 to 2005-06	CESTAT
Income tax Act, 1961	Income tax	58.40	- **	2005-06	Income Tax Appellate Tribunal
		32.50	15.00 **	2004-05	Commissioner (Appeals)

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

** Balance of unpaid amount has been stayed.

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* (Rs. 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
		0.03	2005-06 to 2008-09	CESTAT
	Service Tax	0.03	2005	High Court
Income-tax Act, 1961	Income-Tax	22.98	1987-88, 1989-90, 1992-93, 1993-94, 1995-96 to 1998-99, 2001-02	High Court
		13.14	1999-00, 2001-02	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 term loans have been applied for the purpose for which they were obtained.
- (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 4, 2011

BALANCE SHEET

as at March 31, 2011

(Rs. in crores)

	Schedule No.	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	39.94	39.94
Reserves and surplus	2	2,916.12	3,425.08
		2,956.06	3,465.02
LOAN FUNDS	3		
Unsecured		32.71	66.03
		32.71	66.03
Deferred payment credits (Refer Note 15)		1,458.45	-
Deferred tax liabilities	8	252.72	160.63
TOTAL		4,699.94	3,691.68
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross block		5,538.46	2,750.98
Less: Depreciation		1,458.18	1,092.20
Net block		4,080.28	1,658.78
Capital work in progress		125.14	48.14
		4,205.42	1,706.92
Investments	5	5,128.75	3,925.71
Deferred Tax Assets	8	5.95	7.88
Current Assets, Loans And Advances	6		
Inventories		524.93	436.40
Sundry debtors		130.59	108.39
Cash and bank balances		71.52	1,907.21
Other current assets		48.87	24.82
Loans and advances		728.66	405.76
		1,504.57	2,882.58
Less: Current Liabilities And Provisions	7		
Current liabilities		5,063.68	3,805.06
Provisions		1,081.07	1,026.35
		6,144.75	4,831.41
Net current assets		(4,640.18)	(1,948.83)
TOTAL		4,699.94	3,691.68
Notes to the accounts	12		

In terms of our report attached
For **A. F. FERGUSON & CO.**
Chartered Accountants

For and on behalf of the Board

Brijmohan Lall Munjal
Chairman

Manjula Banerji
Partner

Pawan Munjal
Managing Director & CEO

Pradeep Dinodia
Director

New Delhi
May 4, 2011

Ravi Sud
Sr. Vice President & CFO

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

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2011

(Rs. in crores)

	Schedule No.	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Gross sales		20,662.39	16,780.62
Less: Excise duty		1,417.36	1,022.44
Net sales		19,245.03	15,758.18
Other income	9	424.87	340.61
		19,669.90	16,098.79
EXPENDITURE			
Manufacturing and other expenses	10	16,784.77	13,096.21
Depreciation / amortisation	4	402.38	191.47
Interest (net)	11	(1.85)	(20.62)
		17,185.30	13,267.06
Profit before exceptional item and tax		2,484.60	2,831.73
Exceptional item (refer note 16)		79.84	-
Profit before tax		2,404.76	2,831.73
Provision for taxation			
- current		475.76	591.58
- deferred		94.02	8.32
- minimum alternate tax credit		(92.92)	-
Profit after tax		1,927.90	2,231.83
Balance of profit brought forward		2,146.55	2,707.28
Balance available for appropriation		4,074.45	4,939.11
APPROPRIATIONS			
Dividend			
- Interim		1,397.81	1,597.50
- Proposed final		698.91	599.06
Tax on dividend		340.14	371.00
Transfer to general reserve		192.79	225.00
Balance carried to balance sheet		1,444.80	2,146.55
		4,074.45	4,939.11
Basic and diluted earnings per share face value Rs. 2/-each (in Rs.)			
- before exceptional item		100.53	111.77
- after exceptional item		96.54	111.77
Notes to the accounts	12		

In terms of our report attached
For **A. F. FERGUSON & CO.**
Chartered Accountants

For and on behalf of the Board

Brijmohan Lall Munjal
Chairman

Manjula Banerji
Partner

Pawan Munjal
Managing Director & CEO

Pradeep Dinodia
Director

New Delhi
May 4, 2011

Ravi Sud
Sr. Vice President & CFO

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

CASH FLOW STATEMENT

for the year ended March 31, 2011

(Rs. in crores)

		Year ended March 31, 2011	Year ended March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		2,404.76	2,831.73
Adjustments for:			
Add: Depreciation / amortisation	402.38		191.47
Loss on fixed assets sold/discarded	12.43		6.18
Exchange differences	0.57		2.04
Loss on sale of non-trade current investments	6.46		11.80
Provision for diminution/amortisation in value of investment:			
Current non trade investment	-		2.27
Long term non trade investment	0.61		0.38
Interest - others and financial charges	15.80		2.10
Provision for doubtful debts	1.56		2.16
		439.81	218.40
Less: Interest on long term non-trade investments	58.28		35.13
Interest received on loans, deposits etc.	17.65		22.72
Profit on sale of fixed assets	0.46		0.23
Dividend income:			
On current Investments - Non-trade	3.50		4.12
On long-term investments-Trade	2.72		2.72
Profit on sale of non-trade current investments	210.71		208.11
		293.32	273.03
Operating profit before working capital changes		2,551.25	2,777.10
Adjustments for:			
Add: Increase in trade payables	496.95		629.82
Increase in security deposits from dealers	1.35		1.05
		498.30	630.87
Less: Increase in trade and other receivables	191.71		36.71
Increase in inventories	88.53		109.57
		280.24	146.28
Cash generated from operations		2,769.31	3,261.69
Less: Direct taxes paid		481.20	575.05
Net cash from operating activities		2,288.11	2,686.64

(Rs. in crores)

		Year ended March 31, 2011	Year ended March 31, 2010
B. CASH FLOW FROM INVESTING ACTIVITIES			
Sale of fixed assets	3.11		1.48
Sale of investments	21,641.58		22,771.48
Inter corporate deposits received back	445.00		100.00
Interest received on long term non-trade investments	34.23		16.20
Interest received on loans, deposits etc.	17.65		22.72
Dividend income:			
On current investments-Non-trade	3.50		4.12
On long-term investments-Trade	2.72		2.72
		22,147.79	22,918.72
Less: Purchase of fixed assets	364.12		211.57
Inter corporate deposits paid	465.00		100.00
Purchase of investments	22,640.98		23,134.78
		23,470.10	23,446.35
Net cash (used) in investing activities		(1,322.31)	(527.63)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid - others and financial charges	15.80		2.10
Dividend paid/ dividend deposited in dividend current accounts	599.06		1,996.88
Tax on dividend	341.00		97.87
Repayment of long term borrowings	33.32		12.46
		989.18	2,109.31
Net cash (used) in financing activities		(989.18)	(2,109.31)
D. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(23.38)	49.70
Cash and cash equivalents at the beginning of the year		62.61	13.45
Cash and cash equivalents at the end of the year			
Cash and bank balances	39.32		62.61
Unrealised exchange loss/(gain)	(0.09)		0.54
		39.23	63.15
Notes to the accounts	12		

In terms of our report attached
For **A. F. FERGUSON & CO.**
Chartered Accountants

Manjula Banerji
Partner

New Delhi
May 4, 2011

For and on behalf of the Board

Brijmohan Lall Munjal
Chairman

Pawan Munjal
Managing Director & CEO

Ravi Sud
Sr. Vice President & CFO

Pradeep Dinodia
Director

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

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Rs. in crores)

	As at March 31, 2011	As at March 31, 2010
1) SHARE CAPITAL		
AUTHORISED		
25,00,00,000 (previous year 25,00,00,000)		
Equity shares of Rs. 2 each	50.00	50.00
4,00,000 (previous year 4,00,000) Cumulative convertible preference shares of Rs. 100 each	4.00	4.00
4,00,000 (previous year 4,00,000) Cumulative redeemable preference shares of Rs. 100 each	4.00	4.00
	58.00	58.00
ISSUED, SUBSCRIBED AND PAID UP		
19,96,87,500* (previous year 19,96,87,500) Equity shares of Rs. 2 each fully paid up	39.94	39.94
	39.94	39.94
* Of the above 11,98,12,500 (previous year 11,98,12,500) shares had been allotted as fully paid bonus shares by capitalisation of general reserve.		

(Rs. in crores)

	As at March 31, 2010	Additions	Deductions	As at March 31, 2011
2) RESERVES AND SURPLUS				
CAPITAL RESERVES				
On shares forfeited (#Rs. 4,250)	#	-	-	#
Share premium account on forfeited shares reissued(##Rs. 25,500)	##	-	-	##
REVENUE RESERVES				
General reserve	1,278.53	192.79	-	1,471.32
Surplus, being balance in profit and loss account	2,146.55		701.75	1,444.80
	3,425.08	192.79	701.75	2,916.12
Previous year	3,760.81	225.00	560.73	3,425.08

(Rs. in crores)

	As at March 31, 2011	As at March 31, 2010
3) LOAN FUNDS		
UNSECURED LOANS		
OTHER LOANS AND ADVANCES		
Sales tax deferment from the State Government of Haryana (Include Rs. 32.71 crores (previous year Rs. 33.32 crores) due within one year)	32.71	66.03
	32.71	66.03

(Rs. in crores)

	Gross block (at cost)			Depreciation / amortisation			Net block	
	As at March 31, 2010	Additions	Deductions	As at March 31, 2011	As at March 31, 2010	For the year deductions	On March 31, 2011	As at March 31, 2010
4) FIXED ASSETS								
TANGIBLE ASSETS								
Land								
- Freehold	84.65	-	-	84.65	-	-	-	84.65
- Leasehold #	81.80	-	-	81.80	3.33	0.83	-	77.64
Buildings	440.02	12.57	1.44	451.15	60.92	14.36	0.79	376.66
Plant and machinery	1,752.29	174.71	40.62	1,886.38	795.44	137.98	29.19	982.15
Furniture, fixtures and office equipment	29.81	2.94	2.28	30.47	8.18	2.30	0.73	20.72
Vehicles	34.07	8.35	3.74	38.68	12.70	5.73	2.47	22.72
Computer and data processing machines	96.60	13.65	3.40	106.85	36.91	12.18	3.22	60.98
INTANGIBLE ASSETS								
- Model fee	231.74	74.90	-	306.64	174.72	46.73	-	85.19
- Technical know-how/ export licenses*	-	2,551.84	-	2,551.84	-	182.27	-	2,369.57
TOTAL	2,750.98	2,838.96	51.48	5,538.46	1,092.20	402.38	36.40	4,080.28
Previous year	2,516.27	283.97	49.26	2,750.98	942.56	191.47	41.83	1,658.78
Capital work in progress (including capital advances Rs. 75.18 crores (previous year Rs. 15.02 crores))								125.14
								48.14
								1,706.92

Note :

* Includes net decrease of Rs. 88.44 crores (previous year Nil) due to fluctuation in exchange rates (refer note 17)

Include land at Haridwar pending registration in the name of the Company.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS					
CURRENT INVESTMENTS					
(Cost or fair value which ever is lower)					
Non-trade					
Unquoted					
In Mutual fund units:					
Debt fund					
(Units of the face value of Rs. 10 each)					
ICICI Prudential Mutual Fund					
FMP Series 49-1 Year Plan B Institutional Growth*	-	50,000,000	-		50.00
FMP Series 50-19 Months Plan A Cumulative*	15,051,469	15,051,469	15.05		15.05
FMP Series 51-15 Months Plan E Cumulative*	10,000,000	10,000,000	10.00		10.00
Interval Fund Annual Interval Plan IV Institutional Cumulative	43,545,045	-	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 53-6 Months Plan A Cumulative*	50,000,000	-	50.00		-
Long Term Floating Rate Plan C-Growth	-	22,894,268	-		22.93
Blended Plan B Institutional Growth Option-II	103,325,183	-	106.35		-
Short Term Plan Cumulative Option	-	92,082,258	-		169.14
Ultra Short Term Plan Super Premium Growth	-	144,298,829	-		146.01
Banking and PSU Debt Fund Growth	-	49,813,669	-		50.01
Birla Sunlife Mutual Fund					
Interval Income Fund-INSTL-Quarterly -Series 1-Growth	89,783,485	-	91.39		-
Medium Term Plan -INSTL-Growth	268,367,705	-	289.82		-
HDFC Mutual Fund					
Short Term Plan-Growth	-	28,447,832	-		47.46
FMP 20M Sep 2009-Growth-Series-XI*	20,000,000	20,000,000	20.00		20.00
IDFC Mutual Fund					
Money Manager Fund -Treasury Plan -Super Inst Plan C-Growth	-	117,001,180	-		121.08
Money Manager Fund -Investment Plan -Inst Plan B-Growth	33,284,126	14,976,980	50.45		21.10
Ultra Short Term Fund -Growth	37,372,559	-	50.00		-
Fixed Maturity Plan Series 37-Growth*	15,000,000	-	15.00		-

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
Tata Mutual Fund					
Fixed Maturity Plan Series 25 Scheme A -Super High Invest Plan-Growth*	25,000,000	25,000,000	25.00		25.00
Kotak Mutual Fund					
FMP 13M Series 5-Growth*	-	15,000,000	-		15.00
BNP Paribas Mutual Fund (Formerly known as Fortis Mutual Fund)					
Money Plus Institutional -Growth	-	96,278,790	-		129.79
FTP Ser 14 Plan C Inst. Growth*	-	15,000,000	-		15.00
Fixed Term Fund Ser 20 A Growth*	20,000,000	-	20.00		-
Fixed Term Fund Ser 20 B Growth*	20,405,000	-	20.40		-
Deutsche Mutual Fund					
DWS Treasury Fund Investment-Institutional Plan-Growth	-	19,592,377	-		20.00
Reliance Mutual Fund					
Fixed Horizon Fund XII -Series 3-Super Institutional Plan-Growth*	-	40,030,230	-		40.03
Fixed Horizon Fund XII -Series 4-Super Institutional Growth*	-	60,045,345	-		60.05
Fixed Horizon Fund -XIII-Series 1-Growth Plan*	-	50,000,000	-		50.00
Fixed Horizon Fund -XIII-Series 4-Growth Plan*	50,000,000	50,000,000	50.00		50.00
Fixed Horizon Fund -XIII-Series 2-Growth Plan*	-	61,673,009	-		61.67
Fixed Horizon Fund -XIII-Series 3-Growth Plan*	-	24,047,744	-		24.05
Fixed Horizon Fund -XIII-Series 6-Growth Plan*	17,779,171	17,779,171	17.78		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 -XVIII-Series 3-Growth Plan*	66,887,692	-	66.89		-
Fixed Horizon Fund -XIX-Series 8-Growth Plan*	20,018,354	-	20.02		-
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		-

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
Quarterly Interval Fund -Series II-Institutional Growth Plan	-	24,029,332	-		30.00
Quarterly Interval Fund -Series III-Institutional Growth Plan	-	41,747,895	-		51.43
Short Term Fund-Retail Plan-Growth Plan	-	20,562,256	-		34.74
Monthly Income Plan-Growth Plan	-	13,111,108	-		25.00
Interval Fund-Quarterly Plan-Series I-Institutional Growth Plan	94,481,769	-	99.13		-
Dual Advantage Fixed Tenure Fund-Plan A -Growth Plan*	40,000,000	-	40.00		-
Dual Advantage Fixed Tenure Fund-Plan I -Growth Plan*	20,014,191	-	20.01		-
Dual Advantage Fixed Tenure Fund-Plan B -Growth Plan*	20,031,895	-	20.03		-
Religare Mutual Fund					
Fixed Maturity Plan -Series II-Plan B (15 Months)-Growth*	25,000,000	25,000,000	25.00		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		-
Morgan Stanley Mutual Fund					
Short Term Bond Fund Institutional Plus Growth	-	20,000,000	-		20.00
Axis Mutual Fund					
Fixed Term Plan-Series 1(384 days)-Retail Growth*	15,267,282	15,267,282	15.27		15.27
Triple Advantage Fund-Growth	5,000,000	-	5.00		-
DSP Black Rock Mutual Fund					
FMP 13M Series 2-Growth*	20,172,298	20,172,298	20.17		20.17
FMP 12M Series 13-Growth*	165,031,923	-	165.03		-
FMP 12M Series 15-Growth*	15,000,000	-	15.00		-
FMP 3M Series 32-Growth*	21,750,000	-	21.75		-

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
UTI Mutual Fund					
Fixed Maturity Plan-Yearly Series(YFMP 11/09)-Institutional Growth Plan*	-	20,000,000	-		20.00
Fixed Term Income Fund Series VII- I (428 Days)-Growth Plan*	10,000,000	10,000,000	10.00		10.00
Fixed Income Interval Fund -Quarterly Plan Series III-Institutional -Growth Plan*	-	20,542,654	-		25.00
Short Term Income Fund Institutional -Growth Option	-	47,845,516	-		50.00
Taurus Mutual Fund					
MIP Advantage Fund-Growth	7,000,000	-	7.00		-
Fixed Maturity Plan 15Months Series 1-Institutional Growth Plan*	10,000,000	10,000,000	10.00		10.00
Fixed Maturity Plan 120 Days Series 1-Growth Plan*	10,000,000	-	10.00		-
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 370 Days Series-D-Growth Plan*	15,000,000	-	15.00		-
Fixed Maturity Plan 91 Days Series E-Growth Plan*	12,000,000	-	12.00		-
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 (January 369 D A)-Growth*	15,000,000	-	15.00		-
FMP-III (March 369 D A)-Growth*	5,000,000	-	5.00		-
FMP-III (March 90 D A)-Growth*	10,000,000	-	10.00		-
Escorts Mutual Fund					
Fixed Maturity Plan Series II-Growth*	1,000,000	-	1.00		-
(Units of the face value of Rs. 100 each)					
Reliance Mutual Fund					
Gold ETF -Open Ended Scheme*	35,853	35,853	3.65		3.65
ICICI Prudential Mutual Fund					
Flexible Income Plan Premium -Growth	30,809,744	47,174,242	519.75		795.81
(Units of the face value of Rs. 1,000 each)					
Reliance Mutual Fund					
Money Manager Fund-Institutional Option-Growth Plan	3,424,747	6,798,280	424.54		833.88

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
Pramerica Mutual Fund					
Short Term Income Fund-Growth Option	49,951	-	5.00		-
Repurchase Price Rs. 3,592.46 crores (previous year Rs. 3,240.87 crores)				3,443.27	3,151.10
Equity fund					
(Units of the face value of Rs. 10 each)					
Escorts Mutual Fund					
Opportunities Fund -Dividend	30,051,179	39,101,284	30.72		39.97
High Yield Equity Plan-Dividend	1,463,414	1,463,414	1.50		1.50
Infrastructure Fund-Growth	-	2,000,000	-		2.00
ICICI Prudential Mutual Fund					
Equity & Derivatives Fund-Income Optimiser -Institutional Growth	-	41,050,903	-		46.92
Blended plan A-Growth	-	18,413,357	-		25.00
				32.22	115.39
Less: Provision for diminution in value				(1.16)	-
Repurchase Price Rs. 31.06 crores (previous year Rs. 120.15 crores)				31.06	115.39
Liquid fund					
(Units of the face value of Rs. 10 each)					
Reliance Mutual Fund					
Liquidity Fund- Growth Option	-	10,822,823	-		15.00
Escorts Mutual Fund					
Liquid Plan-Growth	5,731,878	-	8.25		-
Birla Sunlife Mutual Fund					
Cash Plus-Instl.Prem.-Growth	108,671,782	-	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		-

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
(Units of the face value of Rs. 100 each)					
ICICI Prudential Mutual Fund					
Liquid Super Institutional Plan-Growth	15,461,443	-	223.55		-
(Units of the face value of Rs. 1,000 each)					
DSP BlackRock Mutual Fund					
Liquidity Fund -Institutional Plan-Growth	641,582	-	90.00		-
Taurus Mutual Fund					
Liquid Fund-Super Institutional Growth	1,046,575	9,984	110.00		1.00
Religare Mutual Fund					
Liquid Fund -Super Institutional Growth	646,235	-	87.00		-
Repurchase Price Rs. 966.06 crores (previous year Rs. 16.00 crores)				961.29	16.00
Investments under Portfolio Management Services #					
In Mutual fund units:					
Debt Fund					
(Units of the face value of Rs. 10 each)					
Escorts Mutual Fund					
Floating Rate Fund -Growth Option	-	14,641	-		0.02
Income Plan -Growth Option	320,465	320,465	0.80		0.80
Income Bond Fund	258,278	372,962	0.53		0.85
Short Term Debt Fund Growth	534,856	-	0.77		-
Religare Mutual Fund					
Ultra Short Term Fund	-	2,619,246	-		3.20
UTI Mutual Fund					
Short Term Income Fund Institutional -Growth Plan	-	608,605	-		0.63
(Units of the face value of Rs. 1,000 each)					
Reliance Mutual Fund					
Money Manager Treasury Plan Weekly Dividend	-	9,713	-		0.97
Money Manager Fund-Institutional Plan Growth Option	-	52,730	-		6.18
Money Manager Fund-Retail-Growth	2,060	-	0.26		-

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
UTI Mutual Fund					
Treasury Advantage Fund -Institutional Plan -Growth	-	7,093	-		0.82
Repurchase price Rs. 2.84 crores (previous year Rs. 14.29 crores)				2.36	13.47
Liquid Fund					
(Units of the face value of Rs. 10 each)					
Reliance Mutual Fund					
Liquidity Fund- Growth Option	39,123,674	-	56.64		-
Escorts Mutual Fund					
Liquid Plan Growth	631,795	1,424,293	0.90		1.91
(Units of the face value of Rs. 100 each)					
ICICI Prudential Mutual Fund					
Liquid Super Institutional Plan-Growth	-	1,139,995	-		15.24
Equity Fund					
(Units of the face value of Rs. 10 each)					
Escorts Mutual Fund					
High Yield Equity Plan-Growth	71,447	-	0.10		-
Repurchase price Rs. 58.79 crores (previous year Rs. 17.48 crores)				57.64	17.15
Debentures / Bonds					
Face Value of Rs. 100,000,000 each					
Avantha Holdings Ltd. NCD 12.09.2012 *	3	-	31.09		-
Face Value of Rs. 10,000,000 each					
12.5% Deccan Chronicle Holdings Limited NCD 06JN12*	10	10	10.96		10.96
Indian Infrastructure Equipment Receivables Trust, July 2009-Series A3B*	-	53	-		53.21
Face Value of Rs. 1,000,000 each					
Citi Financial Consumer Finance India Limited*	600	600	50.15		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	-	20.03		-

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
10.65 Manappuram General Finance and Leasing DOM 03.03.2010*	250	-	25.00		-
9.20% Bank Of Baroda RR Perpetual BD*	50	50	5.15		5.15
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15*	150	150	15.23		15.23
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15*	100	100	10.19		10.19
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15*	10	10	1.02		1.02
8.8% Hindustan Organic Chemicals Ltd. 28 August, 2012*	100	-	10.09		-
Face Value of Rs. 100,000 each					
Asset Linked Portfolio -Accelerator-Series 2 -5000 Debentures of Citi Financial Consumer Finance India Limited*	-	5,000	-		50.00
11.50% Damodar Valley 11.5 BD 20SP10 *	-	300	-		3.14
8.95% Gujarat Urja Vikas Nigam Limited Sr-8 8.95 BD 21AP16*	135	135	1.48		1.47
Face Value of Rs. 65,000 each					
8% Tamil Nadu Electricity Board Sr5/03-04 8 Bd 15SP11*	-	500	-		3.39
Face Value of Rs. 30,000 each					
8% Tamil Nadu Electricity Board Sr5/03-04 8 Bd 15SP11*	500	-	1.56		-
				216.95	238.91
Less: Provision for diminution/amortisation				(0.74)	(0.90)
Maturity Value Rs. 223.85 crores (previous year Rs. 246.60 crores)				216.21	238.01
				276.21	268.63

Investments have been made under the Discretionary Portfolio Management Agreements entered into between the Company and ICICI Prudential Asset Management Company Limited-PMS, Escorts Securities Limited, Reliance Capital Asset Management Limited (Portfolio Management Services) and Birla Sunlife Asset Management Company Private Limited are being held in the name of the Portfolio Managers as envisaged in the aforesaid Agreements.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
Non-trade					
Equity Shares					
Quoted					
Face Value of Rs. 5 each					
Oil and Natural Gas Commission Ltd.	258,600	-	7.80		-
Face Value of Rs. 10 each					
Indian Oil Corporation Limited	-	517,000	-		16.89
Crompton Greaves Limited	-	371,250	-		9.51
				7.80	26.40
Less: Provision for diminution in value				(0.30)	(1.37)
Market value Rs. 7.50 crores (previous year Rs. 25.03 crores)				7.50	25.03
LONG TERM INVESTMENTS					
Non-trade					
Equity Shares					
Unquoted					
Face Value of Rs. 10 each					
National Stock Exchange Limited	75,000	75,000	26.26		26.26
Face Value of Re. 1 each					
Bombay Stock Exchange Limited	140,400	140,400	5.94		5.94
				32.20	32.20
Non-trade					
Bonds/ Debentures					
Quoted					
Face Value of Rs. 100,000 each					
6.70% IRFC Bonds -Maturity-08.03.2020	1,500	-	15.23		-
Face Value of Rs. 1,000,000 each					
7.90% Rural Electrification Corporation -Maturity-06.10.2012	200	200	20.15		20.15
8.45% Rural Electrification Corporation -Maturity-19.02.2015	200	200	20.08		20.08
				55.46	40.23
Less: Provision for dimuntion/amortisation				(0.12)	-
Market value Rs. 54.64 crores (previous year Rs. 40.23 crores)				55.34	40.23

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010		As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)					
Unquoted					
Face Value of Rs. 1,000 each					
10.75% Shriram Transport NCD -Maturity-26.08.2012*	52,201	52,201	5.36		5.36
8.40% L&T Finance Limited-Maturity-08.03.2013*	247,377	247,377	24.74		24.74
Face Value of Rs. 100,000 each					
12.00% Shriram Transport NCD -Maturity-18.07.2014*	1,300	1,300	13.85		13.85
6.85% India Infrastructure Finance Company Limited 2014 Tax Free Bonds-Maturity 22.01.2014*	10,000	10,000	100.90		100.90
Face Value of Rs. 500,000 each					
7.20% Fullerton India Credit Co. Limited- Maturity-10.11.2010*	-	1,000	-		47.40
10.70% Tata Motors Finance Limited- Maturity-10.04.2020*	138	-	7.18		-
10.70% Tata Motors Finance Limited- Maturity-28.04.2020*	400	-	20.82		-
Face Value of Rs. 1,000,000 each					
7.75% Indian Railway Finance Corporation Limited-Maturity-26.03.2011*	-	250	-		25.70
7.65% HDFC Bonds-Maturity-15.12.2012*	150	150	15.03		15.03
8.91% L&T Finance Limited-Maturity-15.04.2016*	150	-	15.00		-
9.55% Kal Airways Pvt. Ltd Bonds -Maturity- 14.06.2011*	250	-	25.00		-
				227.88	232.98
Less: Provision for dimunition/amortisation				(0.77)	(0.38)
Maturity Value Rs. 224.86 crores (previous year Rs. 232.96 crores)				227.11	232.60
Rural Engineering Corporation Ltd Bonds @ 13578 maturity Rs. 30,000 per bond*	37,000	-	50.24		-
National Bank For Agriculture and Rural Development*					
Bhavishya Nirman Bonds @ 8182 each					
A 10 Year Zero Coupem Bond of NABARD- maturity Rs. 20000.00 per bond	50,200	50,200	41.07		41.07
				91.31	41.07

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Units as at March 31, 2011	Units as at March 31, 2010	As at March 31, 2011	As at March 31, 2010
5) INVESTMENTS (CONTD.)				
Trade				
Unquoted				
Equity Shares				
Equity shares of Rs. 10 each fully paid up of Hero Honda Finlease Limited	2,715,000	2,715,000	3.46	3.46
			5,128.75	3,925.71

The following investments were purchased and sold during the year

At Cost
(Rs. in crores)

	Purchased		Sold	
	Units	Amount	Units	Amount
Mutual Funds				
Liquid Fund				
Units of the face value of Rs. 10 each	5,468,901,981	7,948.49	5,160,875,982	7,512.76
Units of the face value of Rs. 100 each	571,019,597	7,981.40	555,558,153	7,757.85
Units of the face value of Rs. 1,000 each	14,778,542	1,831.00	12,454,133	1,545.00
Debt Fund				
Units of the face value of Rs. 10 each	3,007,486,636	3,318.47	2,007,089,500	2,345.90
Units of the face value of Rs. 100 each	-	-	16,364,499	276.06
Units of the face value of Rs. 1,000 each	6,693,490	817.57	10,017,071	1,221.90
Equity Fund				
Units of the face value of Rs. 10 each	106,873	0.81	70,621,239	83.99
Equity Shares				
Shares of Face value of Re 1 each				
ITC Limited	1,824,116	28.32	1,824,116	28.32
Dabur India Limited	654,000	7.00	654,000	7.00
Shares of Face value of Rs. 2 each				
Crompton Greaves Limited	-	-	371,250	9.51
WIPRO Limited	730,451	28.87	730,451	28.87
Shares of Face value of Rs. 5 each				
Engineers India Limited	154,134	4.47	154,134	4.47
Oil and Natural Gas Corporation Limited	517,200	15.61	258,600	7.81
Shares of Face value of Rs. 10 each				
India Oil Corporation Limited	-	-	517,000	16.90
Coal India Limited	270,056	6.62	270,056	6.62
MOIL Limited	18,923	0.71	18,923	0.71

(Rs. in crores)

5) INVESTMENTS (CONTD.)	Purchased		Sold	
	Units	Amount	Units	Amount
Bonds / Debentures				
Face Value of Rs. 30,000 each				
Rural Engineering Corporation Ltd ZCB Bonds	37,000	50.24	-	-
Face Value of Rs. 100,000 each				
6.70% IRFC Bonds -Maturity-08.03.2020	1,500	15.23	-	-
11.40% Future Capital Resources Limited-Maturity-30.06.2013	3,000	30.24	3,000	30.24
Face Value of Rs. 500,000 each				
7.20% Fullerton India Credit Co. Limited-Maturity-10.11.2010	-	-	1,000	47.40
10.70% Tata Motors Finance Limited-Maturity-10.04.2020	138	7.18	-	-
10.70% Tata Motors Finance Limited-Maturity-28.04.2020	400	20.82	-	-
Face Value of Rs. 1,000,000 each				
8.91% L&T Finance Limited-Maturity-15.04.2016	150	15.00	-	-
9.55% Kal Airways Pvt. Ltd Bonds -Maturity-14.06.2011	250	25.00	-	-
7.75% Indian Railway Finance Corporation Limited-Maturity-26.03.2011	-	-	250	25.70
		22,153.05		20,957.01
The following investments were purchased and sold during the year under Portfolio Management Scheme				At Cost (Rs. in crores)
	Purchased		Sold	
	Units	Amount	Units	Amount
Mutual Funds				
Liquid Funds				
Units of the face value of Rs. 10 each	304,716,158	337.10	266,384,912	281.47
Units of the face value of Rs. 100 each	-	-	1,139,995	15.24
Debt Funds				
Units of the face value of Rs. 10 each	637,761	0.85	3,388,546	4.16
Units of the face value of Rs. 1,000 each	143,766	18.14	211,244	25.85
Debentures / Bonds				
Face Value of Rs. 30,000 each				
8% Tamil Nadu Electricity Board Sr5/03-04 8 Bd 15Sp11	-	-	-	1.82

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Purchased		Sold	
	Units	Amount	Units	Amount
Face Value of Rs. 100,000 each				
11.5% Damodar Valley 11.5 Bd 20 Sp10	-	-	-	3.14
Citi Financial Consumer Finance India Limited	-	-	5,000	50.00
Face Value of Rs. 1,000,000 each				
8.8% Hindustan Organic Chemicals Ltd. 28 August, 2012	100	10.12	-	-
10.65 Manappuram General Finance and Leasing Ltd DOM 03.03.2012	250	25.00	-	-
Tata Housing Development Co. Ltd. ZCB DOM 15.10.2013	200	20.03	-	-
Face Value of Rs. 10,000,000 each				
Indian Infrastructure Equipment Receivables Trust, July 2009-Series A3B	-	-	53	53.21
Face Value of Rs. 100,000,000 each				
Avantha Holdings Ltd. NCD 12.09.2012	3	31.09	-	-
Equity Shares				
Shares of Face value of Re 1 each				
Exide Industries Limited	1,189	0.02	1,189	0.02
GVK Power & Infrastructure Limited	30,000	0.13	30,000	0.13
ITC Limited	17,000	0.46	17,000	0.46
Motherson Sumi Systems Limited	78,307	1.30	78,307	1.30
Zee News Limited	138,050	0.96	138,050	0.96
Zee Entertainment Enterprises Limited	93,052	2.57	93,052	2.57
Zee Entertainment Enterprises Limited	29,063	-	29,063	-
Punjab Alkalies & Chemicals Limited	114,361	0.52	114,361	0.52
Zee Learn Limited	2,500	-	2,500	-
Texmaco Rail & Engineering Limited	8,000	-	8,000	-
Shares of Face value of Rs. 2 each				
Areva T&D India Limited	138,982	4.08	138,982	4.08
Elh Limited	10	0.00	10	0.00
Jagran Prakashan Limited	38,829	-	38,829	-
Piramal Healthcare Limited	5,000	0.29	5,000	0.29
Patni Computer Systems Limited	9,015	0.41	9,015	0.41

(Rs. in crores)

	Purchased		Sold	
	Units	Amount	Units	Amount
Shares of Face value of Rs. 4 each				
Goldstone Technologies Limited	94,895	0.18	94,895	0.18
Shares of Face value of Rs. 5 each				
Kalyani Steels Limited	78,244	1.61	78,244	1.61
Nahar Spinning Mills Limited	7,000	0.08	7,000	0.08
Reliance Communications Limited	4,000	0.07	4,000	0.07
Samruddhi Cement Limited	5,000	0.25	5,000	0.25
Nahar Investments and Holding Limited	14,655	0.07	14,655	0.07
Nirma Limited	15,006	0.34	15,006	0.34
Ranbaxy Laboratories Limited	1,000	0.06	1,000	0.06
Shree Rama Multi-Tech Limited	10,000	0.01	10,000	0.01
Shares of Face value of Rs. 10 each				
Alembic Limited	278,440	1.85	278,440	1.85
Amtek India Limited	161,000	1.02	161,000	1.02
The Andhra Sugars Limited	10,000	0.14	10,000	0.14
Asian Hotels (East) Limited	1,000	0.03	1,000	0.03
Asian Hotels (North) Limited	1,000	0.03	1,000	0.03
Asian Hotels (West) Limited	1,000	0.03	1,000	0.03
Asian Hotels (East) Limited	5,447	0.20	5,447	0.20
Asian Hotels (West) Limited	10,099	0.33	10,099	0.33
AGC Networks Limited	37,261	0.97	37,261	0.97
ICICI Bank Limited	12,271	1.03	12,271	1.03
Bank of Rajasthan Limited	58,895	1.04	58,895	1.04
Binani Cement Limited	224,857	1.95	224,857	1.95
Cairn India Limited	46,000	1.50	46,000	1.50
Dhunseri Tea & India Limited	6,500	0.11	6,500	0.11
Empee Distilleries Limited	3,994	0.05	3,994	0.05
HSBC Investment (I) Limited	2,205	0.05	2,205	0.05
Ispat Industries Limited	1,188,000	2.47	1,188,000	2.47
Kalyani Investment Company Limited	4,050	-	4,050	-
Karur Vysya Bank Limited	10	0.00	10	0.00
Mid-Day Multimedia Limited	290,937	0.97	290,937	0.97
Nahar Industrial Enterprises Limited	12,526	0.11	12,526	0.11
NTPC Limited	3,000	0.07	3,000	0.07
Southern Petrochemicals Industries Corporation Limited	483,293	1.08	483,293	1.08
Sundaram Clayton Limited	51,873	1.09	51,873	1.09
Surana Industries Limited	41,339	1.19	41,339	1.19

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

	Purchased		Sold	
	Units	Amount	Units	Amount
Tata Motors Limited	3,000	0.15	3,000	0.15
Weizmann Limited	41,329	0.26	41,329	0.26
Weizmann Forex Limited	24,218	-	24,218	-
Karma Energy Limited	24,218	-	24,218	-
The Jammu & Kashmir Bank Limited	4,000	0.32	4,000	0.32
NHPC Limited	88,000	0.28	88,000	0.28
Shriram Transport Finance Company Limited	56,934	4.37	56,934	4.37
State Bank of India	1,250	0.40	1,250	0.40
Bank of India	4,000	0.20	4,000	0.20
Digjam Limited	92,320	0.12	92,320	0.12
Duncans Industries Limited	247,664	0.51	247,664	0.51
Fame India Limited	32,102	0.25	32,102	0.25
Golden Tobacco Limited	134,959	1.15	134,959	1.15
Kale Consultants Limited	10,000	0.16	10,000	0.16
The Orissa Minerals Development Company Limited	30	0.25	30	0.25
Orissa Sponge Iron & Steel Limited	9,765	0.31	9,765	0.31
Uttam Galva Steels Limited	48,155	0.64	48,155	0.64
JMC Projects (India) Limited	584	0.01	584	0.01
UFLEX Limited	12,000	0.22	12,000	0.22
Usher Agro Limited	155,678	1.43	155,678	1.43
APW President Systems Limited	14,231	0.26	14,231	0.26
Halonix Limited	20,210	0.24	20,210	0.24
Igarashi Motors India Limited	32,161	0.23	32,161	0.23
IL&FS Engineering and Construction Company Limited	102,924	1.79	102,924	1.79
Oriental Bank of Commerce	3,500	0.13	3,500	0.13
Pioneer Distilleries Limited	29,380	0.27	29,380	0.27
Seamec Limited	25,215	0.31	25,215	0.31
Tuticorin Alkali Chemicals & Fertilisers Limited	10,100	0.01	10,100	0.01
Texmaco Limited	11,600	0.18	11,600	0.18
Atlas Copco (India) Limited	50	0.01	50	0.01
Sical Logistics Limited	57,533	0.42	57,533	0.42
Dhunseri Investments Limited	1,866	-	1,866	-
		487.93		480.49

	As at March 31, 2011		As at March 31, 2010	
	Book value	Market value	Book value	Market value
Aggregate value of				
Quoted investments -Long Term	55.46	54.64	40.23	40.23
Quoted investments-Current	7.50	7.50	25.03	25.03
Unquoted investments*	5,065.79	-	3,860.45	-
	5,128.75		3,925.71	

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

(Rs. in crores)

	As at March 31, 2011	As at March 31, 2010
6) CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
INVENTORIES #		
Stores and spares (at cost or under)	36.78	29.56
Loose tools (at cost or under)	14.47	13.02
Raw materials and components *	374.53	321.67
Finished goods *		
Two wheelers	44.22	19.68
Spare parts	24.79	22.67
Work in progress *	30.14	29.80
	524.93	436.40
* Lower of cost and net realisable value		
# Includes goods in transit Rs. 13.69 crores (previous year Rs. 46.11 crores)		
SUNDRY DEBTORS		
Debts outstanding for a year exceeding six months		
Secured - considered good	0.15	0.38
Unsecured - considered good	2.40	2.28
- considered doubtful	8.97	7.41
Other debts		
Secured - considered good	4.49	2.88
Unsecured - considered good	123.55	102.85
	139.56	115.80
Less: Provision for doubtful debts	8.97	7.41
	130.59	108.39
CASH AND BANK BALANCES		
Cash in hand	0.32	0.26
Cheques in hand	0.18	-
With scheduled banks:		
On current accounts	15.05	18.62
On deposit accounts	23.77	43.73
On dividend current accounts	32.20	1,844.60
	71.52	1,907.21
OTHER CURRENT ASSETS		
Interest accrued on investments	48.87	24.82
	48.87	24.82
LOANS AND ADVANCES		
(UNSECURED AND CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for value to be received	152.96	149.46
Inter corporate deposits	20.00	-
Income-tax recoverable	27.05	75.34
Income-tax deducted at source	27.47	18.22
MAT credit entitlement	92.92	-
Deposits with Government authorities	406.16	158.48
Deposits with excise authorities on		
Current account	2.10	4.26
	728.66	405.76

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

		(Rs. in crores)	
		As at March 31, 2011	As at March 31, 2010
7)	CURRENT LIABILITIES AND PROVISIONS		
	CURRENT LIABILITIES		
	SUNDRY CREDITORS		
	Total outstanding dues of Micro, Small and Medium enterprises #	2.87	-
	Total outstanding dues of creditors other than Micro, Small and Medium enterprises	1,423.93	1,111.44
	Other liabilities ##	2,208.08	1,066.48
	Security deposits from dealers	30.99	29.64
	Interim dividend payable	1,397.81	1,597.50
		5,063.68	3805.06
	PROVISIONS		
	Proposed dividend	698.91	599.06
	Provision for taxation less payments	-	44.48
	Provision for tax on dividend	340.14	341.00
	Employee benefit schemes	6.71	4.14
	Warranties	35.31	37.67
		1,081.07	1,026.35

Refer note - 12

Other liabilities do not include any amount outstanding as on March 31, 2011 which are required to be credited to the Investor Education and Protection Fund (Fund)

		(Rs. in crores)	
		As at March 31, 2011	As at March 31, 2010
8)	DEFERRED TAX ASSETS AND LIABILITIES		
	DEFERRED TAX ASSETS		
	Accrued expenses deductible on payment	2.18	1.38
	Others	3.77	6.50
		5.95	7.88
	DEFERRED TAX LIABILITIES		
	Accumulated depreciation	251.07	159.49
	Others	1.65	1.14
		252.72	160.63

(Rs. in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
9) OTHER INCOME		
Dividend Income		
On current investments - Non trade	3.50	4.12
On long term investments - Trade	2.72	2.72
	6.22	6.84
Interest on long term non trade investments	58.28	35.13
Profit on sale of non trade current investments*	204.25	196.31
Profit on sale of fixed assets	0.46	0.23
Income from services rendered	111.37	63.81
Exchange difference	2.76	4.21
Miscellaneous income	41.53	34.08
	424.87	340.61

* After adjusting loss on sale of current investments aggregating Rs. 6.46 crores (previous year Rs. 11.80 crores)

(Rs. in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
10) MANUFACTURING AND OTHER EXPENSES		
MATERIALS CONSUMED		
Consumption of raw materials and components	14511.50	11334.53
Less: Sale of components to ancillaries on cost to cost basis	321.74	553.94
	14189.76	10780.59
Less: Cash discount	41.08	38.18
	14148.68	10742.41
Add: Opening stock		
Two wheelers	19.68	28.52
Spare parts	22.67	32.49
Work in progress	29.80	22.68
	72.15	83.69
Less: Excise duty on opening stock	6.07	11.66
Net opening stock	66.08	72.03
Less: Closing 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 closing stock	9.01	6.07
Net closing stock	90.14	66.08
Net consumption	14124.62	10748.36
Less: Scrap sales	13.51	12.00
	14111.11	10736.36

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in crores)

		Year ended March 31, 2011	Year ended March 31, 2010
10) MANUFACTURING AND OTHER EXPENSES (CONTD.)			
OTHER EXPENSES #			
Payments to and provisions for employees:			
Salaries, wages, bonus, gratuity and leave encashment benefit		561.27	513.90
Contribution to provident and other funds		25.75	22.53
Staff welfare expenses		31.93	23.89
Expenses for manufacturing, administration and selling			
Stores and tools consumed		87.77	80.58
Power and fuel		100.47	81.05
Rent		7.71	6.51
Repairs and maintenance:			
Plant and machinery		41.82	38.00
Buildings		5.98	5.21
Others		29.26	19.70
Insurance		24.54	20.67
Rates and taxes		109.73	37.93
Packing, forwarding, freight etc.		462.36	372.58
Royalty		368.07	416.36
Advertisement and publicity		382.60	364.97
Commission			
Export	16.12		15.91
Others	5.42		6.95
		21.54	22.86
Donations		16.27	4.39
Lease rent		12.40	9.04
Other expenses		369.59	308.69
Provision for diminution in value of investments			
Current non trade investment	-		2.27
Long term non trade investment	0.61		0.38
		0.61	2.65
Provision for doubtful debts		1.56	2.16
Loss on fixed assets sold/discarded		12.43	6.18
		16,784.77	13,096.21

Research and development expenses of Rs. 28.26 crores (previous year Rs. 27.16 crores) have been charged to respective heads

(Rs. in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
11) INTEREST (NET)		
Interest - others and financial charges	15.80	2.10
Less: Interest received on loans, deposits, etc.*	17.65	22.72
	(1.85)	(20.62)

* Income tax deducted at source Rs. 0.50 crore (previous year Rs. 0.55 crore)

12) NOTES TO THE ACCOUNTS

1) Significant Accounting Policies

i) Accounting convention

The financial statements are prepared under the historical cost convention on accrual basis, in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

ii) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenues and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

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 gain/loss on reinstatement of foreign currency liabilities arising on acquisition of fixed assets are capitalised as part of the acquisition cost and is amortised over the life of the respective asset.

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 Rs. 5000 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 15).

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.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

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.

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 recognised when the services are rendered.

- Scrap is accounted for on sale basis.

ix) Warranty claims

Warranty costs are provided on accrual basis on the total sales of two wheelers during the year, which are based on past experience of claims.

x) 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.

xi) 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.

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.

xii) Provisions and contingent liabilities

Provision involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an out flow of resources. Contingent liabilities are not recognised but are disclosed in the notes.

xiii) 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.

2. Contingent Liabilities:

	(Rs. in crores)	
	As at March 31, 2011	As at March 31, 2010
i) In respect of excise matters	30.36	13.72

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 management, have a material effect on the result of operations or the financial position of the Company.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 101.54 crores (previous year Rs. 59.32 crores).
4. 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 Rs. 12.40 crores (previous year Rs. 9.04 crores) have been charged under "Lease rentals" in Schedule 10.
5. As the Company's business activity falls within a single primary business segment viz. "Two wheelers and its parts" 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
6. Two wheeler sales are covered by a warranty period of two/three years. The details of provision for warranties are as under:

	(Rs. in crores)	
	This year	Previous year
Provision at the beginning of the year	37.67	44.93
Additional provision made during the year	18.84	14.19
Amount utilised during the year	21.20	21.45
Provision as at the end of the year	35.31	37.67

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

7. Related party disclosures under Accounting Standard 18

- a) i) Parties in respect of which the Company is a joint venture (upto March 22, 2011) refer note 15.

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

- 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 Honda Finlease Limited

- b) Key management personnel and their relative

Mr. Brijmohan Lall Munjal	- Chairman
Mr. Pawan Munjal	- Managing Director & CEO
Mr. Toshiaki Nakagawa	- Joint Managing Director (upto March 22, 2011)
Mr. Sumihisa Fukuda	- Whole time Director (upto March 22, 2011)
Mr. Suman Kant Munjal	- Relative
Mr. Sunil Kant Munjal	- Relative

- 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.

Enterprises not related party in the current year

Majestic Auto Limited, Munjal Auto Industries Limited, Munjal Showa Limited, Sunbeam Auto Limited, Satyam Auto Components Limited, Hero Motors Limited, Shivam Autotech Limited and Indian School of Business.

Transactions with related parties during the year**a) Parties in respect of which the Company is a joint venture and associate of the Company**

	(Rs. in crores)	
	This year	Previous year
Honda Motor Co. Limited, Japan		
Dividend*	155.76	519.19
Royalty	368.07	416.36
Export commission	16.12	15.91
Model fees	88.43	15.91
Technical guidance fee	1.03	0.44
Purchase of raw materials, components and spares	60.95	34.39
Intangible assets (refer note 15)	2,479.34	-
Hero Cycles Limited		
Dividend*	51.92	173.06
Purchase of raw materials, components and spares	114.06	78.92
Sales	0.05	-
Hero Investments Private Limited		
Dividend*	657.64	173.06
Bhadurchand Investments Private Limited		
Dividend*	173.06	173.06
Hero Honda Finlease Limited		
Lease rental expenses	12.40	9.04
Dividend received	2.72	2.72
Intercompany deposits given	465.00	100.00
Intercompany deposits repaid	445.00	100.00
Interest received on Inter company deposits	3.68	0.08
Balance outstanding at the year end		
- Payables	13.79	10.49
- Receivables	20.13	-

* Excludes proposed final dividend

b) Key management personnel and their relatives

	(Rs. in crores)	
	This year	Previous year
Managerial Remuneration / Sitting fees		
Mr. Brijmohan Lall Munjal	26.75	30.64
Mr. Pawan Munjal	26.47	30.88
Mr. Toshiaki Nakagawa	25.06	30.03
Mr. Sumihisa Fukuda	24.95	29.91
Mr. Suman Kant Munjal	0.01	-
Mr. Sunil Kant Munjal	0.01	0.01
Balance outstanding at the year end		
- Payables (including commission)	99.43	118.45

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

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

	(Rs. in crores)	
	This year	Previous year
Purchase of raw materials and components	1,486.58	3495.61
Sale of components etc	98.94	8.83
Payment towards rent and other services	3.98	3.86
Donation	-	0.55
Balance outstanding as at the year end		
- Payables	112.41	342.72

Significant related party transactions included in the above are as under :-

	(Rs. in crores)	
	This year	Previous year
Purchase of raw materials and components		
A .G. Industries Private Limited	470.24	423.78
Munjal Showa Limited*	-	837.00
Sunbeam Auto Limited*	-	410.26
Rockman Industries Limited	846.93	580.14
Satyam Auto Components Limited*	-	390.79
Highway Industries Limited	169.41	133.98
Sale of components etc.		
Satyam Auto Components Limited*	-	2.93
Rockman Industries Limited	98.89	5.33
Payment for services		
Hero Corporate Services Limited	3.20	3.20
Hero Mindmine Institute Limited	0.64	0.52
Donation		
Raman Kant Munjal Foundation	-	0.55

* Not a related party in the current year.

8. Earnings per share

	This Year	Previous Year
Profit after taxation as per profit and loss account (Rs. in crores)	1,927.90	2,231.83
Profit after taxation before exceptional item (Rs. in crores)	2007.74	2231.83
Weighted average number of equity shares outstanding	19,96,87,500	19,96,87,500
Basic and diluted earnings per share in Rs. (face value – Rs. 2 per share)	96.54	111.77
Basic and diluted earnings per share in Rs. (face value – Rs. 2 per share) before exceptional item	100.53	111.77

9. The Company has entered into Discretionary Portfolio Management Agreements, administered through ICICI Prudential Asset Management Company Limited-PMS, Escorts Securities Limited, Reliance Capital Asset Management Ltd, Birla Sunlife Asset Management Company Private Limited 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. However, there are no outstanding derivative contracts as at March 31, 2011.
10. Information pursuant to clause 4 (ix) (b) of the Companies (Auditor's Report) Order, 2003 in respect of disputed dues, not deposited as at March 31, 2011, pending with various authorities

(Rs. in crores)

Name of the statute	Nature of the dues	Amount*	Amount paid under protest	Period to which amount relates	Forum where dispute is pending
Central excise laws	Excise duty	179.70	2.98	2000-01 and 2002 to 2009	CESTAT
		0.14	0.07	2002-03 to 2005-06	Commissioner (Appeals)
	Service tax	1.93	0.45	2003-04 to 2005-06	CESTAT
Income-tax Act	Income tax	58.40	- **	2005-06	Income tax Appellate tribunal
		32.50	15.00 **	2004-05	Commissioner (Appeals)

* Amount as per demand orders including interest and penalty wherever quantified in the order.

** Balance of unpaid amount has been stayed.

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

(Rs. in crores)

Name of the statute	Nature of the dues	Amount (Rs. crores)	Period to which amount relates	Forum where dispute is pending
Central excise laws	Excise duty	2.57	1986-87 to 1990-91	Supreme Court
		0.03	2005-06 to 2008-09	CESTAT
	Service tax	0.03	2005	High Court
Income-tax Act	Income-tax	22.98	1987-88, 1989-90, 1992-93, 1993-94, 1995-96 to 1998-99, 2001-02	High Court
		13.14	1999-00, 2001-02	Income Tax Appellate Tribunal

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

11. 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.
12. The Company has identified parties covered under the "The Micro, Small, and Medium Enterprises Development Act, 2006" on the basis of the confirmation received. The outstanding balance payable as at the close of the financial year to such parties amount to Rs. 2.87 crores. Further, no interest has been paid or payable to such parties under the said Act.
13. **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 1.45	USD 0.40	USD 1.05

The unhedged foreign currency exposures are as under:

	As at March 31, 2011		As at March 31, 2010	
	Foreign currency in crores	Rs. in crores	Foreign currency in crores	Rs. in crores
Receivables	-	-	USD 0.71	31.93
Payables	JPY 4134.18	2152.25	JPY 26.02	12.50
	USD 2.59	115.24	USD 1.21	55.03
	GBP 0.05	3.52	-	-
	EUR 0.01	0.24	EUR 0.09	5.73
	-	-	SGD 0.02	0.56

14. Employee Benefits

	(Rs. in crores)	
	This year	Previous year
Defined contribution plans		
- Employer's Contribution to Provident fund	16.93	15.20
- Employer's Contribution to Superannuation Fund	7.67	6.64
- Employer's Contribution to ESIC	1.15	0.69
	25.75	22.53

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.

(Rs. in crores)

	Year ended March 31,		
	2011	2010	2009
Changes in the present value of the defined benefit obligation is as follows:			
Present value of defined benefit obligation at the beginning of the year	51.28	40.78	32.23
Interest Cost	3.53	2.85	2.26
Current service cost	4.26	3.42	2.77
Benefits paid	(1.77)	(0.87)	(1.14)
Actuarial (gain)/loss on obligation	11.45	5.10	4.66
Present value of defined benefit obligation at the end of the year	68.75	51.28	40.78
Changes in the present value of the plan asset is as follows:			
Fair value of plan asset at the beginning of the year	51.28	40.78	32.23
Return on plan asset	5.06	3.83	3.02
Contributions	14.49	7.56	6.67
Benefits paid	(1.77)	(0.87)	(1.14)
Actuarial (gain)/ loss on obligation	(0.31)	(0.02)	-
Fair value of plan asset at the end of the year	68.75	51.28	40.78
Reconciliation of the present value of defined benefit obligation and the fair value of the plan assets			
Present value of defined benefit obligation at the end of the year	68.75	51.28	40.78
Fair value of plan asset at the end of the year	68.75	51.28	40.78
Net asset / (liability) as at the close of the year	-	-	-
Expenses recognised in the profit and loss account			
Current service cost	4.26	3.42	2.77
Interest cost	3.53	2.85	2.26
Return on plan assets	(5.06)	(3.83)	(3.02)
Net actuarial (gain) / loss	11.77	5.12	4.66
Expenses recognised in the profit and loss account	14.49	7.56	6.67
Main Actuarial assumptions:			
Discount rate	8.10%	7.00%	7.00%
Expected Rate of return on plan assets	9.40%	9.40%	9.40%

Note-

- 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 beak-down of plan assets by investment type has not been disclosed.
- 15.** During the year, the Company has entered into a Memorandum of Understanding (MOU) with Honda Motor Company Limited Japan (Honda) dated December 16, 2010 which is 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.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

The amount to be paid by the Company for licenses granted as stated above of Rs. 1928.37 crores for manufacture, assembly, selling and distribution and Rs. 550.96 crores for export license, has been capitalised as Intangible Assets along with applicable Cess and taxes, based on probability that the future economic benefits attributable to these assets will flow to the Company, as with effect from January 1, 2011 onwards the company's liability to pay ongoing royalty for all the existing / modified products/ parts would cease.

These Intangible Asset has been amortised over a period of forty two months upto June 30, 2014. Accordingly, liability payable upto March 31, 2012 has been included under Current Liabilities and the balance has been disclosed as Deferred Payment Credit.

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.

16. Exceptional item of Rs. 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.

17. In line with Notification No. G.S.R. 225 (E) dated March 31, 2009 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 period, 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.

18. Additional Information

a) Details of capacity and production:

Class of goods	Units	Licensed capacity*		Installed capacity**		Actual Production***	
		This year	Previous year	As at March 31, 2011	As at March 31, 2010	This year	Previous year
Motorised two wheelers upto 350CC engine capacity	Nos.	200,000	200,000	6,150,000	5,400,000	5,409,325	4,596,244

* The Company's products are exempt from Licensing requirements under New Industrial Policy in terms of Notification no. S.O.477(E) dated 25th July,1991.

** On multiple shift basis, as certified by the management and relied on by the auditors being a technical matter.

*** Includes 115 (previous year 218) two wheelers produced and capitalised during the year.

b) Particulars in respect of opening stock, sales and closing stock for each class of goods dealt with by the Company:

(Value Rs. in crores)

Class of goods	Units	Opening stock			
		This year		Previous year	
		Quantity	Value	Quantity	Value
Two wheelers	Nos.	6,475	19.68	10,579	28.52
Spares	-	*	22.67	*	32.49
			42.35		61.01

Class of goods	Units	Gross sales			
		This year		Previous year	
		Quantity	Value	Quantity	Value
Two wheelers	Nos.	5,402,444+	19,374.99	4,600,130+	15,718.45
Spares	-	*	1,287.40	*	1,062.17
			20,662.39		16,780.62

Class of goods	Units	Closing stock			
		This year		Previous year	
		Quantity	Value	Quantity	Value
Two wheelers	Nos.	13,241	44.22	6,475	19.68
Spares	-	*	24.79	*	22.67
			69.01		42.35

* It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. These items in value individually account for less than 10% of the total value of the stocks and turnover of the aforesaid spares.

+ Excluding 115 (previous year 218) two wheelers capitalised.

c) Raw materials and components consumed:

(Value Rs. in crores)

Class of goods	Units				
		This year		Previous year	
		Quantity	Value	Quantity	Value
Steel sheets	MT	8,516.90	45.92	18,426.95	102.50
Components		*	14,143.84	*	10,678.09
			14,189.76 **		10,780.59 **

* It is not practicable to furnish quantitative information of components consumed in view of the considerable number of items diverse in size and nature. These items in value individually account for less than 10% of the total value of components consumed, includes processing charges.

** Excludes Rs. 0.41 crore (previous year Rs. 0.62 crore) for two wheelers produced and capitalised during the year.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

d) CIF Value of imports:

	(Rs. in crores)	
Class of goods	This year	Previous year
Capital goods	63.32	44.83
Raw materials *	21.42	30.66
Components, spare parts and others *	752.38	549.24

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

e) Value of imported and indigenous raw materials, components and spares consumed and percentage of each to the total consumption:

	(Value Rs. in crores)			
Class of goods	This year		Previous year	
	Value	Percentage %	Value	Percentage %
Raw materials				
- Imported **	14.68	0.10	37.15	0.34
- Indigenous	31.24	0.23	65.35	0.61
Components				
- Imported **	584.95	4.12	142.13	1.32
- Indigenous	13,558.89	95.55	10,535.96	97.73
	14,189.76*	100.00	10,780.59*	100.00
Spares consumed (charged to repairs and maintenance)				
- Imported	6.31	23.62	8.15	29.82
- Indigenous	20.40	76.38	19.18	70.18
	26.71	100.00	27.33	100.00

* Excludes Rs. 0.41 crore (previous year Rs. 0.62 crore) for two wheelers produced and capitalised during the year.

** Excludes items sold and purchased as indigenous components.

f) Expenditure in foreign currency (on accrual basis) :

	(Rs. in crores)	
	This year	Previous year
Royalty	368.07	416.36
Technical guidance fee	2.76	2.22
Technical Know How/export licenses	2,151.80	-
Model fee	88.43	15.91
Export commission	16.12	15.91
Travel and other accounts	6.05	6.97
Advertisement and Publicity	61.03	28.09

g) Earnings in foreign currency (on accrual basis) :

	(Rs. in crores)	
	This year	Previous year
FOB value of exports	444.23	337.27
Freight and insurance	0.39	0.32

h) Managerial remuneration:

	(Rs. in crores)	
	This year	Previous year
Whole time Directors		
Remuneration*	4.04	3.47
Commission**	99.20	118.00
	103.24	121.47
Non-Executive Independent Directors		
Commission	0.70	0.89
	103.94	122.36
Directors' sitting fee	0.12	0.13
	104.06	122.49

*Excludes incremental contribution for gratuity, as the contributions are determined for the Company as a whole.

Computation of net profit in accordance with section 198 of the Companies Act,1956.

	(Rs. in crores)	
	This year	Previous year
Profit before taxation as per profit and loss account	2,404.76	2,831.73
Add:		
Managerial remuneration	104.06	122.49
Provision for doubtful debts	1.56	2.16
Provision for diminution in value of investment- long term	0.61	0.38
Net profit as per section 349 of the Companies Act,1956	2,510.99	2,956.76
Maximum managerial remuneration to four Whole time Directors (including commission) at 10% of net profit	251.10	295.68
Maximum managerial remuneration to non Whole time Directors (including commission) at 1% of net profit	25.11	29.56
	276.22	325.24
Commission component of managerial remuneration to		
- Four Whole time Directors restricted to 1% of net profit (1% of net profit) per director. Restricted to	99.20	118.00
- Non-Executive Independent Directors 0.10% of net profit. Restricted to	0.70	0.89
Commission restricted to	99.90	118.89

** Mr. Toshiaki Nakagawa and Mr. Sumihisa Fukuda, Whole time Directors were in employment with the Company up to March 22, 2011. Accordingly, commission on profit has been apportioned on a pro-rata basis to these Whole time Directors and to the other two Whole time Directors on full year basis.

SCHEDULES 1 to 12

ANNEXED TO AND FORMING PART OF THE ACCOUNTS (Contd.)

i) Provision and/or payment in respect of Auditors' Remuneration :

		(Rs. in crores)	
		This year	Previous year
a)	As Statutory Auditors		
	- Audit fee	0.50	0.45
	- Limited Review of unaudited financial results	0.30	0.24
	- Corporate Governance and other certification	0.11	0.05
b)	In other capacity	-	0.15
c)	Out of pocket expenses	#	#
	# This year Rs. 65,000 (previous year Rs. 38,000)		

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

	(Rs. in 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
2008-2009 - Final			-	1	51918750	103.84
2009-2010 - Interim	1	51918750	415.35			-
2009-2010 - Final	1	51918750	155.76			-
			571.11			103.84

19. Previous year's figures have been recast/regrouped wherever necessary.

20. Schedules 1 to 12 form an integral part of the accounts.

In terms of our report attached
For **A. F. FERGUSON & CO.**
Chartered Accountants

Manjula Banerji
Partner

New Delhi
May 4, 2011

For and on behalf of the Board

Brijmohan Lall Munjal
Chairman

Pawan Munjal
Managing Director & CEO

Ravi Sud
Sr. Vice President & CFO

Pradeep Dinodia
Director

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

PART IV OF SCHEDULE VI

TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details			
Registration No.	17354		
State Code	55		
Balance Sheet Date	31.03.2011		
II. Capital Raised during the year (Rupees in crores)			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds (Rupees in crores)			
Total Liabilities	4,447.22	Total Assets	4,447.22
Sources of Funds		Application of Funds	
Paid-Up Capital	39.94	Net Fixed Assets	4,205.42
Reserves & Surplus	2,916.12	Investments	5,128.75
Secured Loans	Nil	Net Current Assets*	(4,886.95)
Unsecured Loans	32.71	Misc. Expenditure	Nil
Deferred payment credits	1,458.45		
*Includes Deferred Tax Liability (Net) Rs. 246.77 crores			
IV. Performance of Company (Rupees in crores)			
Turnover	19,669.90	Total Expenditure	17,185.30
Profit before exceptional item	2,484.60	Exceptional item	79.84
Profit before tax	2,404.76	Profit after Tax	1,927.90
Earnings per share (before exceptional item)	Rs. 100.53	Earnings per share (after exceptional item)	Rs. 96.54
Dividend Rate	5250%		
V. Generic names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	87112003		
Product Description	Motorised two wheelers upto 350cc engine capacity		

For and on behalf of the Board

Brijmohan Lall Munjal
Chairman

Pawan Munjal
Managing Director & CEO

Pradeep Dinodia
Director

Ravi Sud
Sr. Vice President & CFO

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

New Delhi
May 4, 2011

Reconciliation of Net Income as per US GAAP Accounts and Audited Accounts as per Indian Companies Act 1956

(Rs. in millions)

	2011	2010	2009	2008	2007
Net Profit after tax for the year as per audited accounts	19,279.00	22,318.30	12,817.60	9,678.80	8,578.90
Add / (Less) : Profit / (Loss) of					
- income from investments (unrealised gain/loss)					
- affiliated company	15.22	15.13	2.62	12.16	10.67
- held to maturity securities	-	-	-	-	-
- Exchange fluctuations	884.40	-	-	-	11.30
- Depreciation effect of exchange fluctuations	(61.34)	2.41	0.68	0.68	5.37
- Provision for deferred tax	(4.94)	(5.15)	(151.18)	180.33	(167.24)
Net Income as per US GAAP	20,112.34	22,330.69	12,669.72	9,871.97	8,439.00

Balance Sheet as at March 31 (as per US GAAP)

(Rs. in millions)

	2011	2010	2009	2008	2007
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	715.22	19,072.12	2,195.72	1,310.92	357.82
Trade accounts receivables	1,305.88	1,083.88	1,499.38	2,974.38	3,352.48
Inventories	5,249.34	4,364.04	3,268.34	3,171.04	2,755.84
Pre-paid expenses and other current assets	7,775.28	4,605.78	3,171.48	1,911.49	2,666.58
Total current assets	15,045.72	29,125.82	10,134.92	9,367.83	9,132.72
Investment (held to maturity securities)	3,737.59	3,138.99	416.79	1,599.99	1,612.79
Investment in mutual funds	49,147.61	37,126.22	33,637.31	24,617.11	18,522.31
Investment in affiliate, at equity	297.55	282.33	267.20	264.58	252.42
Property, plant and equipment	42,727.61	16,919.54	16,790.44	15,494.75	13,401.08
Total assets	110,956.08	86,592.90	61,246.66	51,344.26	42,921.32
LIABILITIES					
Trade accounts payable	14,268.00	11,114.40	7,030.30	7,560.70	5,548.20
Accrued expenses	420.22	418.12	516.62	494.82	417.58
Indian income taxes	-	444.80	80.60	63.90	38.50
Other current liabilities	31,560.68	29,651.25	8,228.25	5,689.15	4,871.05
Long term debt due within one year	7,260.70	184.93	184.93	184.93	206.10
Total current liabilities	53,509.60	41,813.50	16,040.70	13,993.50	11,081.43
Deferred income taxes	3,114.31	1,977.88	1,671.49	1,391.67	1,529.68
Long-term debt	14,726.67	475.37	599.97	1,135.07	1,445.60
Total liabilities	71,350.58	44,266.75	18,312.16	16,520.24	14,056.71

Balance Sheet as at March 31 (as per US GAAP) Contd.

(Rs. in millions)

	2011	2010	2009	2008	2007
STOCKHOLDERS' EQUITY					
Common stock, par value; Rs. 2 (previous year Rs. 2)					
Authorised 250,000,000 ;					
Outstanding shares 199,687,500 (Previous year 199,687,500) of Rs. 2 each)	399.38	399.38	399.38	399.38	399.38
Capital surplus	0.03	0.03	0.03	0.03	0.03
Retained earnings	39,206.09	41,926.74	42,535.09	34,424.61	28,465.20
Total stockholders' equity	39,605.50	42,326.15	42,934.50	34,824.02	28,864.61
Total liabilities and stockholders' equity	110,956.08	86,592.90	61,246.66	51,344.26	42,921.32

Profit & Loss Statement for the year ended March 31 (as per US GAAP)

(Rs. in millions)

	2011	2010	2009	2008	2007
Net sales	192,450.30	157,581.80	123,191.20	103,318.00	98,999.60
Cost of goods sold	156,578.22	119,749.34	97,838.08	82,724.62	79,931.23
Selling, administrative and general expense	15,264.02	13,122.75	9,871.34	8,619.10	8,558.40
Other (income) and expense	(4,259.32)	(3,418.93)	(2,019.32)	(1,783.26)	(1,748.47)
Interest net expense (income)	(18.50)	(206.20)	(316.80)	(358.10)	(229.90)
Total expense	167,564.42	129,246.96	105,373.30	89,202.36	86,511.26
Income before income taxes	24,885.88	28,334.84	17,817.90	14,115.64	12,488.34
Indian taxes on income	4,773.54	6,004.15	5,148.18	4,243.67	4,049.34
Net income	20,112.34	22,330.69	12,669.72	9,871.97	8,439.00
Net earning per share					
On share value of Rs. 2 each	100.72	111.83	63.45	49.44	42.26
Average common stock outstanding (numbers)	199,687,500	199,687,500	199,687,500	199,687,500	199,687,500

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