

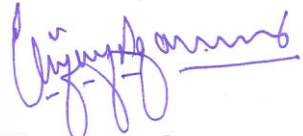



FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1.	Name of the company	Hero MotoCorp Limited
2.	Annual financial statements for the year ended	31 st March 2014
3.	Type of Audit observation	No Qualification or matter of emphasis has been included in the Audit Report.
4.	Frequency of observation	Not applicable in view of comments in (3) above.
5.	To be signed by	
	Mr. Pawan Munjal Managing Director & CEO	
	Mr. Ravi Sud Sr. Vice President & CFO	
	Deloitte Haskins & Sells Auditor of the company	<p>Refer our Audit Report dated May 28, 2014 on the standalone financial statements and Consolidated Financial Statement of the Company</p> <p>For DELOITTE HASKINS & SELLS Chartered Accountants (Firm Registration No. 015125N)</p>  Vijay Agarwal (Partner) (Membership No. 094468) New Delhi, July 18 2014
	Mr. Pradeep Dinodia Audit Committee Chairman	

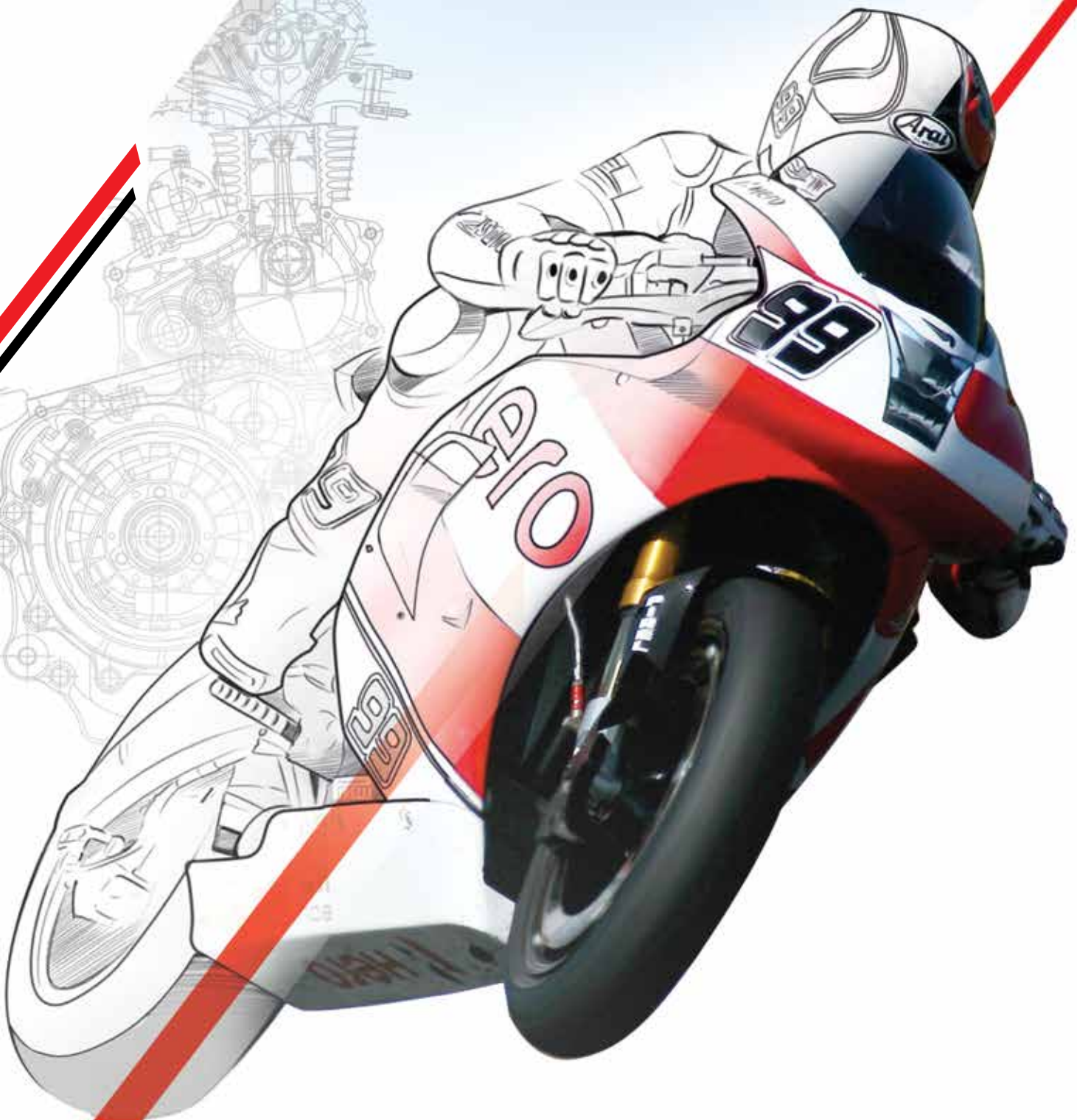


WORLDWIDE REACH

MILLIONS OF DELIGHTED CUSTOMERS

INDUSTRY-NEXT INNOVATION

CUTTING-EDGE TECHNOLOGY



DYNAMISM

Hero MotoCorp Ltd. | Annual Report 2013-14

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DYNAMIC HERO

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01



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Forward-looking statements

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



Dynamism is often a phenomenon, which lies at the intersection of cutting-edge technology and imagination. At Hero MotoCorp, we bring these two together, to create an organisation that has dynamism at its core. We are doing this to align ourselves to evolving customer aspirations in a highly dynamic socio-economic landscape.

But how does this dynamism reflect in the way we strategise in the present and shape our future?

We are launching new products and focusing on multiple product refreshes.

We are focusing on the next big idea to accelerate our pace of innovation.

We are collaborating with best-in-class technology partners to take our technology leadership to the next level.

That's not all, we are reinforcing our customer-connect programmes to understand better their everyday experiences with our products and services.

The horizon for Hero is truly expanding across continents of Asia, Africa and South America, where our ideas are setting into motion amazing customer experiences and creating value for all stakeholders.

THAT'S HOW WE INFUSE DYNAMISM IN ALL WE DO.

EVERY DAY.

DECODING DYNAMISM

Being the world's largest manufacturer of two-wheelers is both an honour and a responsibility.

It means that we have to work harder, innovate faster and cater to a wider cross-section of customers globally. To sustain and grow our leadership further. We do this by investing in higher capacities, advanced technologies and greater marketing efforts.

VISION

The story of Hero Honda began with a simple vision - the vision of a mobile and an empowered India, powered by its two-wheelers. 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.

STRATEGY

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

US\$ 4 bn+

Turnover

50 mn+

Sales (cumulative sales since inception); world's fastest two-wheeler company to achieve this

30+

Years of corporate existence

20

Product across 100cc, 125cc, 150cc, 225cc and scooter category

6,000+

Pan-India touch points – deepening presence in 1,00,000+ villages

Surpass 100 million units in cumulative production

Annual bike and scooter sales of 12 million

VISION 2020

More than 20 manufacturing and assembly plants globally

Presence in more than 50 countries

Turnover of ₹ 60,000 crores

No.1

Two-wheeler globally since 2001

41.2%

Market share in the domestic two-wheeler market

7 mn units

Cumulative installed capacity of three plants

51.8%

Market share in the domestic motorcycle market

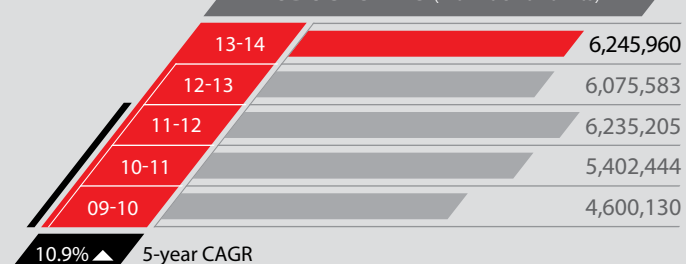
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Country presence across three continents

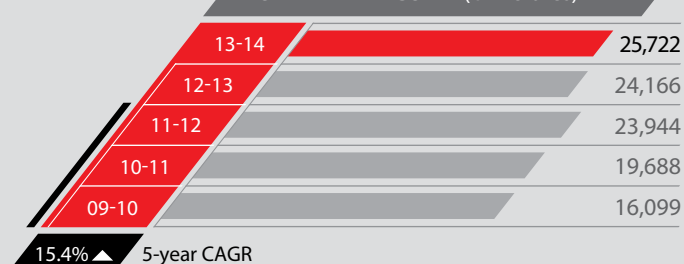


DYNAMISM IN NUMBERS

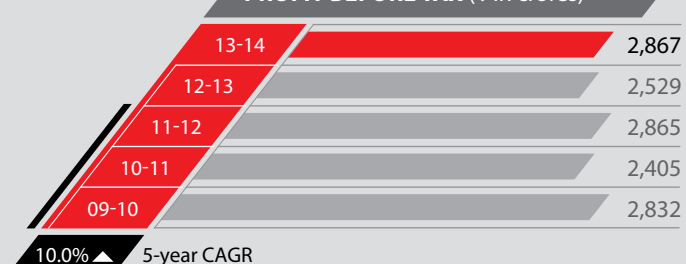
PRODUCT SALES (Number of units)



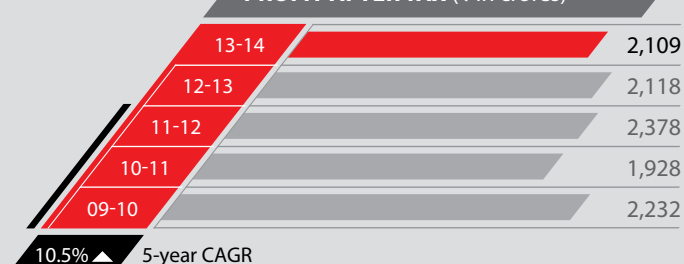
TOTAL NET INCOME (₹ in crores)



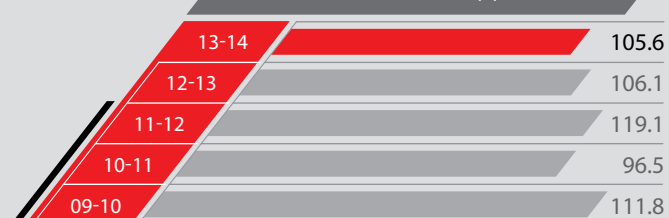
PROFIT BEFORE TAX (₹ in crores)



PROFIT AFTER TAX (₹ in crores)

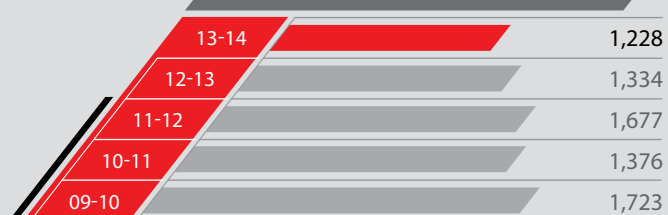
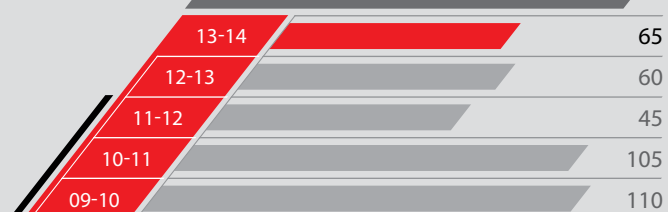


EARNINGS PER SHARE (₹)

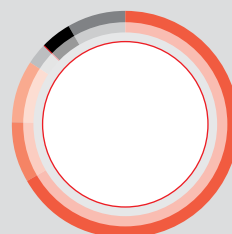


RETURN ON AVERAGE CAPITAL EMPLOYED (%)

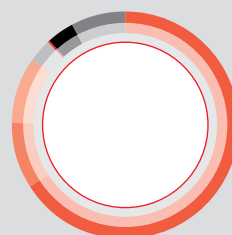


ECONOMIC VALUE ADDED (₹ in crores)**DIVIDEND PER SHARE (₹)**

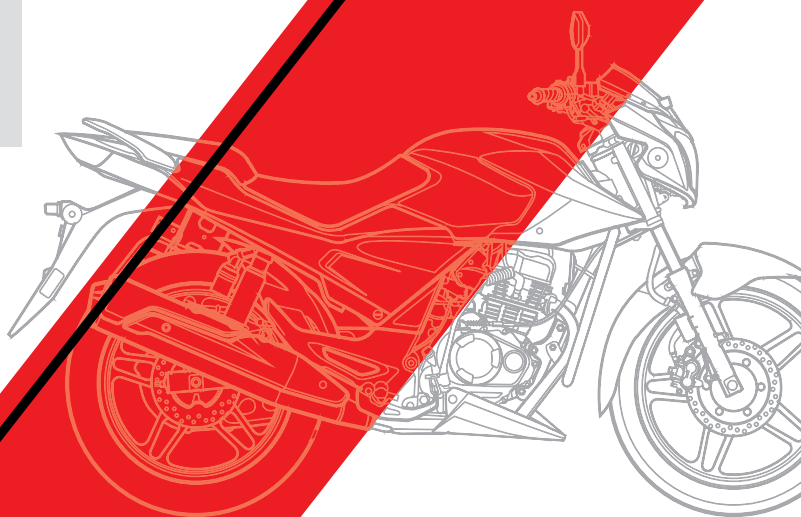
Graphs not to scale

DISTRIBUTION OF REVENUE, 2012-13

Particulars	₹ crores	%
Materials	17,397.66	66.76
Operations & Other Expenses	2,265.05	8.69
Taxes & Duties	2,302.84	8.84
Employees	820.92	3.15
Interest	11.91	0.05
Depreciation	1,141.75	4.38
Shareholders and Reserves & Surplus	2,118.16	8.13
Total	26,058.29	100

DISTRIBUTION OF REVENUE, 2013-14

Particulars	₹ crores	%
Materials	18,229.89	66.05
Operations & Other Expenses	2,575.48	9.33
Taxes & Duties	2,638.52	9.56
Employees	930.04	3.37
Interest	11.82	0.04
Depreciation	1,107.37	4.01
Shareholders and Reserves & Surplus	2,109.08	7.64
Total	27,602.20	100



QUARTER-WISE PERFORMANCE

Q1 (APRIL 2013 – JUNE 2013)

- Entered Africa and Central America with the launch of Brand Hero in these markets
- First-ever equity investment in an overseas firm; to buy 49.2% equity at Erik Buell Racing (EBR) for US\$ 25 Million
- Launched India's first-ever warranty of five years on all its two-wheelers (5 years or 70,000 km on motorcycles)
- Launched the retail finance arm, Hero FinCorp, with a phase-wise expansion plan

Q2 (JULY 2013 – SEPTEMBER 2013)

- Became the first Indian two-wheeler company to reach the historic milestone of 50 million units production
- Introduced an innovative campaign titled 'Hero Mileage', capturing Hero's best-in-class fuel-efficiency across its product range; and the tagline – 'Thoda Extra Kilometre Per Litre' - has gone on to become part of the youth lingo
- Initiated project 'Leap 20' to bring very high levels of innovation across our supply chain, and partnering with our suppliers to drive significant improvements in our cost structure, even as we raise the bar even higher on product quality and reliability



Q4 (JANUARY 2014 – MARCH 2014)

- Showcased an exciting range of products for the future at 2014 Auto Expo
- Entered Bangladesh and Turkey with an array of popular Hero motorcycles and scooters



Q3 (OCTOBER 2013 – DECEMBER 2013)

- Appointed Head of Strategy & Performance Transformation and Head of the newly-created division of Engine Design & Development
- Commenced construction of our 'Hero Centre of Global Innovation and Research & Design (R&D)' at Kukas, near Jaipur in Rajasthan, investing ₹ 450 crores
- Forms new joint venture in partnership with Magneti Marelli to develop next-gen two-wheeler fuelling systems
- Unveils 15 new offerings, with new-gen features including the all-new Splendor iSmart, Karizma R, ZMR, Xtreme and Pleasure
- Registered 6.25 lakh sales in October 2013, first-ever manufacturer to cross the landmark 6 lakh unit sales in a month
- Launched Splendor iSmart with 'i3S Technology, Pleasure with Integrated Braking System, Xtreme with 'Electronic Immobiliser' and Karizma & Karizma ZMR
- Series of refreshes and variants of existing platforms, include HF Dawn & HF Deluxe, Splendor Pro, Super Splendor, Passion Pro, HF Deluxe Eco, Glamour and Glamour FI



MESSAGE FROM CHAIRMAN



Dear Shareholders,

We have just
experienced a
spectacular election, with
an equally remarkable verdict.

Brijmohan Lall Munjal / Chairman

I am confident that a sustained period of decisive policymaking, coupled with a gradual uptick in the business cycle bodes well for India and the two-wheeler industry.

This kind of an emphatic verdict was first witnessed in 1984 and it proved extremely providential for us. The auto industry was de-licensed, and your Company got the opportunity to announce its presence in India. Today, exactly thirty years later, as we get set to announce ourselves on the world stage as a global brand, another similar and decisive mandate has come along.

I see another parallel. This Company became a leader on the plank of an aspiration to become best in class. By providing affordable personal mobility, we promised a better life for millions of Indians entering the middle class. This government too has risen to power on similar hopes and aspirations. The hope of better roads, longer hours of electricity supply and the prospect of more jobs.

The previous 10 years have seen millions of people secure their basic rights and become consumers for the first time. Moving forward, the need is to create better livelihood opportunities so that these consumers move up the economic ladder and improve their standards of living. I am confident that a sustained period of decisive policymaking, coupled with a gradual uptick in the business cycle bodes well for India and the two-wheeler industry.

We will continue to play our part in this growth strategy by supporting and growing with the country's aspiring classes.

Yet this time around, we are also aiming to replicate our success in other markets and segments across the globe.

In the last two years, Pawan and his team have used the foundation provided by our previous partnership to build a new and more dynamic structure for the future. What you see before you is the essence of a strong, independent and forward looking Company. You are now associated with an organisation that is being re-developed and re-engineered so that it can tap opportunities at a global level.

The Company that you have invested in now operates on a much bigger scale, with facilities and joint ventures across continents. Our engineers are encouraged and supported to deliver breakthrough innovations and not just incremental improvements.

My dear shareholders, none of this would be possible without your continued support, faith and belief in Hero MotoCorp. You have stood by us as Hero MotoCorp transitioned into a strong independent Company during what was a strenuous and unpredictable business cycle. Without your endorsement and continuing ownership of this Company's equity, I know that I would not be writing this message!

So as Chairman of the Board I feel both humbled and responsible. Fortunately, we have the right teams at Hero across all

levels. I am confident that they will ensure that this Company measures up to your expectations continuously and that Hero becomes a global market leader.

I will end here with the refreshing thoughts of champion Australian swimmer Ian Thorpe, who once confessed that when he goes out to race, he does not try to beat opponents, he only tries to beat himself. We too, must think like Thorpe as we race against ourselves into the future.



With regards,

Brijmohan Lall Munjal

Chairman

MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

Within minutes of scripting an incredible electoral victory, India's new leader tweeted about the happy days that were about to come.

A new hope is surging through India once again. For the first time in 30 years, there is the real prospect of strong and stable leadership.

There are early signs of a recovery in the business cycle. Switch on your television, check your smartphone headlines or open your newspaper, and the message is clear: India is once again open for business!

The enthusiasm is infectious, yet I am intensely aware of the considerable ground that still needs to be covered.

Nevertheless, it gives me great pleasure to see that as Indians, and as a Company, we're already showing both: the stomach to fight and the heart to win. Indeed, if 2012-13 was a year during which India plunged into the deep river of recession, 2013-14 would qualify as a year in which we mastered how to swim against the current.

The current was strong, and your Company faced both topline and bottomline pressures. With eight successive quarters of sub-5 per cent GDP growth, the Indian economy continues to struggle. Expectedly, two-wheeler industries performance reflected consumer unease with discretionary purchases.

Even so, Hero MotoCorp posted positive sales growth. In August 2013, HMCL crossed cumulative sales of 50 million. No other auto company in the world has reached this remarkable landmark

faster. During October-November, Hero MotoCorp also experienced its best festive season.

From a profitability standpoint, however, it was a demanding year. R&D and global expansion spends increased significantly. The effective tax rate also went up as incentives expired at one of our (Haridwar) plants. The impact of these higher spends were clearly visible on margins, and may continue to be so in the next couple of quarters.

Nonetheless, we are mitigating these challenges decisively, effectively and strategically, even while we develop a versatile and energetic organisation for the future.

An improved business outlook gives us some comfort. As the economy recovers on the back of a strong government and as the global business cycle upticks, consumer demand will grow across India. Hero MotoCorp is well poised to ride an economic recovery over the next 12-18 months, with increased manufacturing capacity and number of upgrades and new models in the pipeline.

Pressure on profitability could ease somewhat during 2014-15. Financial benefits from the new plant will kick in.

Leap --our ambitious margin improvement project is gathering critical momentum. Equally positive, royalty outgo to our erstwhile joint venture partner will significantly reduce during the latter part of the year. Other factors remaining consistent, this should strengthen bottomline performance.

Fresh capacities have been planned accordingly. As I write this, our fourth facility at Neemrana is ready to start production, and our global parts centre will be functional before the end of the calendar year. We have also started the land development work at our Halol plant in Gujarat.

In fact, I am convinced that our most challenging phase is now behind us. Hero has moved beyond the legacy of its past, and is progressing steadily towards its destiny of becoming a global and independent bike and scooter powerhouse.

Our footprint now spans South Asia, Africa, Central and Latin America, with a presence in Europe via Turkey. To serve customers in select markets faster, Hero MotoCorp has also sewn up joint ventures in critical markets and has kick-started overseas assembly operations. The first such operation has come up in Kenya. Separate equity ventures with local firms in Bangladesh and Columbia are also in place. We will build on these exciting forays.

Hero began developing an R&D ecosystem from ground up eighteen months ago. This has flowered remarkably. Our relationships transcend the two-wheeler chain, from designs and engines to fuel

injection systems. To add more muscle and meaningful traction, Hero entered into equity partnerships with two technology providers during the year: Eric Buell Racing of the US and Magneti Marelli of Italy.

Working across locations in India, US and Europe, these global partners have joined hands with Hero's Team R&D to breathe new life into our existing portfolio, besides proto-typing a line of next generation products. At the Auto Expo in 2014, these products were revealed in all their pomp and glory for the first time.

Stakeholders in India and around the world are sitting up and noticing the New Hero; they see the power of our continually strong numbers, they notice the steel in our resolve, and they acknowledge our hunger to innovate. During the year, Hero MotoCorp received the ET Award for being the most trusted 2W brand in the country. Hero now features in the Forbes list of the World's 2000 Biggest Public Companies. It is also ranked by Goldman Sachs as one of the 20 best-positioned auto companies in the world.

If I were to use an appropriate metaphor to capture our evolution, I'd say that 2013-14 was the culmination of two years of ploughing and sowing. We created a new identity, built our brand, developed a technology ecosystem and injected a work culture befitting a global corporation. All being well, 2014-15 will be the year in which we are able to reap the harvest.

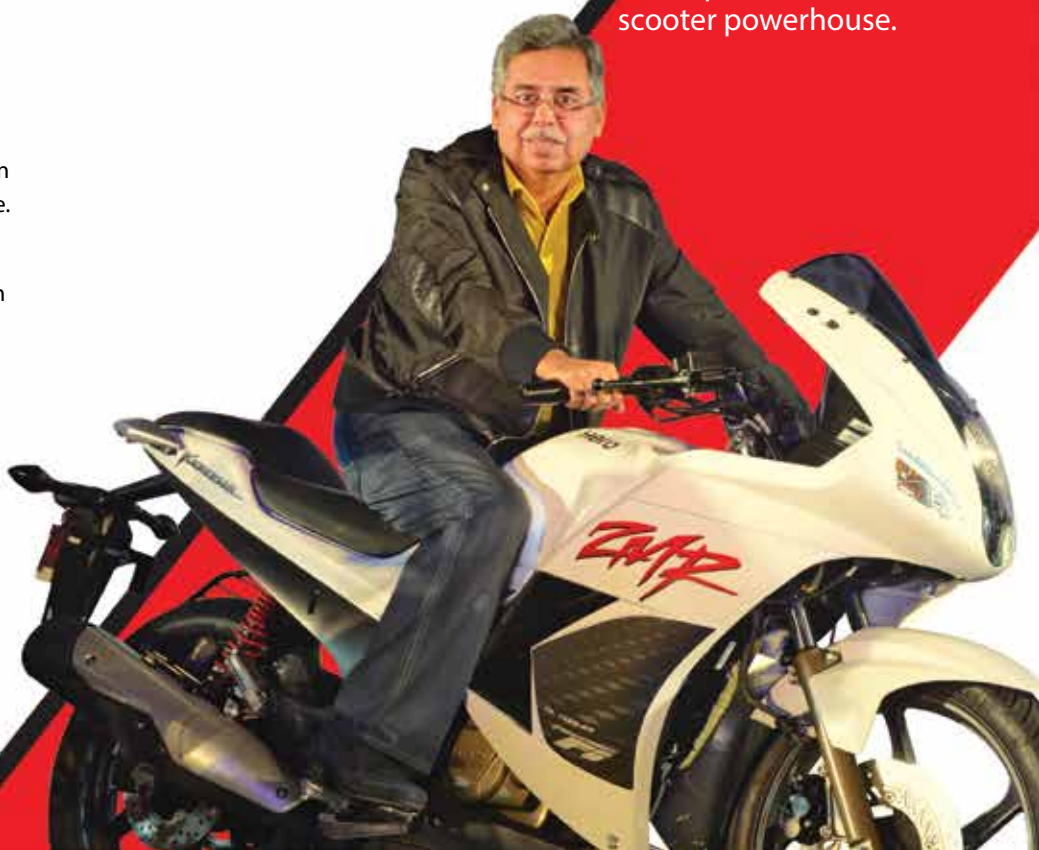


With regards,

Pawan Munjal

Managing Director and CEO

Hero has moved beyond the legacy of its past, and is progressing steadily towards its destiny of becoming a global and independent bike and scooter powerhouse.



A LITTLE MORE IS NEVER LITTLE

HERO MILEAGE

Hero strengthened its inherent Brand strength, while purchasing a vehicle – Mileage. The Mileage campaign depicted how Hero two-wheelers always delivered 'Thoda Extra' (a little extra) for the Indian rider, because in India 'Thoda kabhi Thoda nahin hota' (A little more is never little).

50 MILLION CELEBRATIONS

We produced our 50 millionth two-wheeler during the year. It is a matter of pride for any single two-wheeler company in the world. The occasion was marked by grand celebrations, with the 50 millionth bike – a Hero Xtreme – studded with Swarovski crystals.

PASSION

A new television commercial was created for Hero Passion – a brand that is packed with oomph and style. Passion advertisements have always depicted a stylish, smart solution to situations at hand, and this ad was no exception – appealing to the elegant gentleman in every rider who acts with grace.

MAESTRO

The Maestro saw a new advertisement featuring Bollywood heartthrob Ranbir Kapoor. A product for cool boys, the ad showed Ranbir as the young fun-loving guy, using the Maestro to both tease and make up with his girlfriend. The film clearly depicted what Maestro stands for: 'Boys ki Life aur Maestro ki ride, Easy hai!' (Maestro and boys: Both ride easy!)

PLEASURE

The Hero Pleasure All Women's Bike Rally was meant for women across 13 cities on the occasion of Women's Day. It was organised as activation for Hero Pleasure. It also associated with a radio programme that voiced real life stories of women and their achievements.



HF DELUXE ELECTION FILM

In line with the elections of 2014, Hero released a television ad for HF Deluxe, focusing on responsible voting for the elections. The advertisement was about the 'Apni Taraf' (on our side) mindset of the Indian voter, who looks at candidates' affiliations rather than his/her achievements.

TALKING ABOUT ELECTIONS

To help raise awareness about the elections in 2014, Hero sponsored election related debates and programmes on major television channels. The debates were hosted by top news anchors, and featured a number of prominent political thinkers and spokespersons, who discussed relevant issues, topics and updates. The election programmes have had a profound impact on the Indian audience. This was a small attempt to help create a more informed voter.

HERO MTV ROCK THE VOTE

The Hero MTV Rock the Vote was organised to encourage the youth to cast their votes and respond to a national priority.

It involved bike rallies across major educational campuses to get students together who would then ride out into the city and urge people to vote.

SPLENDOR FAMOUS FAMILY CONTEST

To sustain the buzz around the Splendor brand campaign of last year, the Splendor Famous Family Campaign was launched. It was a simple contest, where a family posed with their Splendor, and the best snap would feature on the next Splendor print ad. It was a hugely successful contest attracting entries on a very large scale.

LAUNCH OF SPLENDOR iSMART

The Splendor iSmart is the latest offering from Hero MotoCorp, which was launched in March 2013. It is a bike with a mind of its own: the iSmart boasts of i3s technology (patented by Hero) that intuitively switches off the engine when idle and switches it on as soon as the clutch is pressed. It comes as a refreshing innovation in the Indian two-wheeler industry. The brand has been backed by extensive marketing efforts centred around the convenience and peace of mind it offers its riders.



HERO GENUINE PARTS

Hero Genuine Parts saw a lot of activity this year, with new plans for the Global Parts Centre being unveiled to the distributors. The Centre overhauled packaging designs and refreshed communication to promote Hero bikes as the smartest choice for customers. Spare parts make up for a significant part of an auto manufacturer's business, and Hero is no exception. The investments made in Hero Genuine Parts are reinvigorating the brands, and will have significant impact on their perception and performance.

AUTO EXPO

The Auto Expo is a biennial event occurring in Delhi. It was held in February 2014, attracting the biggest names in the Indian automotive industry and millions of visitors. Hero MotoCorp set up one of the largest stalls and one of the widest ranges of two-wheelers at the show, unveiling upgraded products, new models and futuristic concepts. A Company-wide effort was recognised with two awards – the Best Pavilion, and the Best Concept vehicle, among two-wheeler manufacturers.

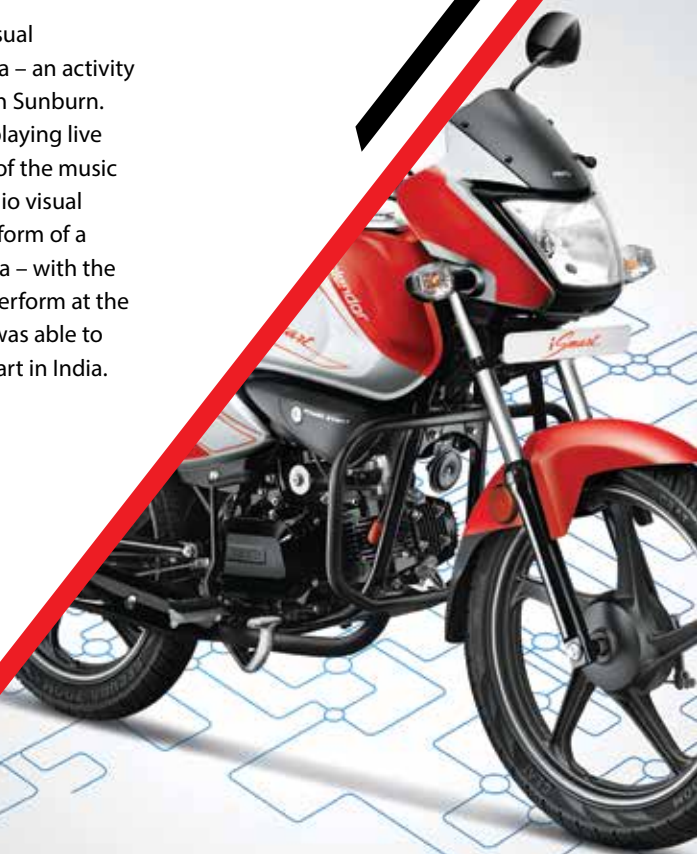
SUNBURN

Hero MotoCorp received a lot of attention from the Indian youth as it sponsored the Sunburn music festival in 2013. The festival,

which began with a music extravaganza in Goa, has since seen different formats and editions in order to reach out to new audiences. Thanks to this tie-up, Hero was able to grab unprecedented attention in youth conversations, and the country too was able to experience a never-before high-octane association between biking and electronic dance music.

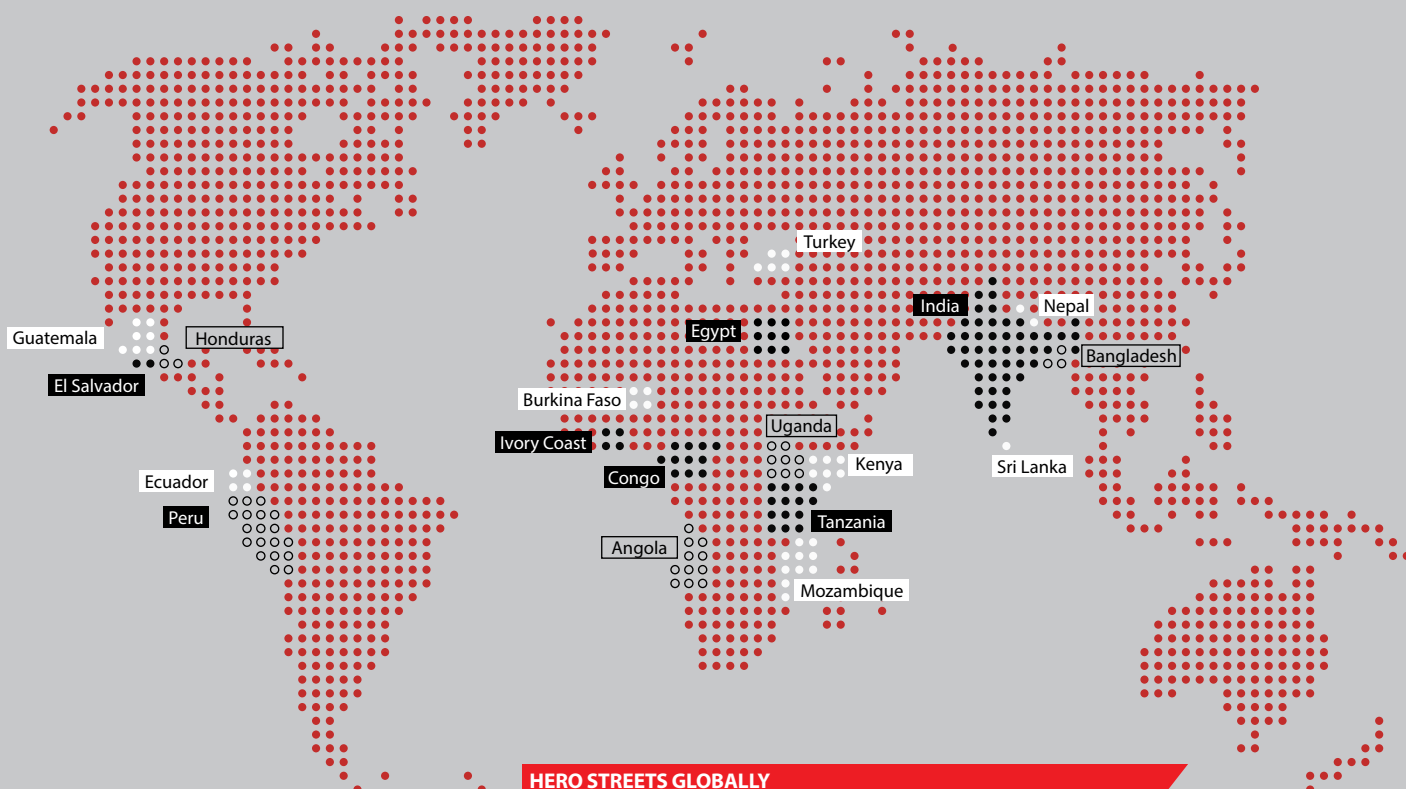
VISUAL JOCKEYING

Hero hosted the first major Visual Jockeying competition in India – an activity in line with its association with Sunburn. Visual Jockeying is the art of playing live visuals, along with the mood of the music to heighten the complete audio visual experience. Taking this in the form of a contest in colleges across India – with the grand prize of being able to perform at the Sunburn Goa Festival – Hero was able to popularise a completely new art in India.



RIDE OUR WANDERLUST

At Hero, pushing our boundaries is a way of life. Our eyes are firmly set on the future. The aim is to raise the Hero Flag in as many as 50 countries by 2020. We realised a part of that objective as we launched our range of two-wheelers globally.



HERO STREETS GLOBALLY

South America	Africa	Asia
1. Guatemala	6. Kenya	14. India
2. Honduras	7. Burkina Faso	15. Turkey
3. El Salvador	8. Ivory Coast	16. Egypt
4. Peru	9. Tanzania	17. Sri Lanka
5. Ecuador	10. Uganda	18. Nepal
	11. Mozambique	19. Bangladesh
	12. Democratic Republic of Congo	
	13. Angola	



AFRICAN FORAY

We launched operations in Kenya, Burkina Faso, Ivory Coast, Tanzania and Uganda. Moreover, we have set up world-class assembly units at Kenya, Tanzania and Uganda.



CENTRAL AMERICAN PRESENCE

We entered into a partnership with the reputed Indy Motos Group of Guatemala to market our two-wheelers across Guatemala, Honduras and El Salvador.



SOUTH AMERICAN PROGRESS

We entered into a partnership with 'MOTOCORP S.A.C', a part of the reputed EFE Group of Peru. MOTOCORP S.A.C has been appointed as the sole distributor of Hero range of two-wheelers in Peru. The two-wheelers will be made available to customers through a network of 85 outlets spread across the country, with more new outlets to be added subsequently in a phased manner.

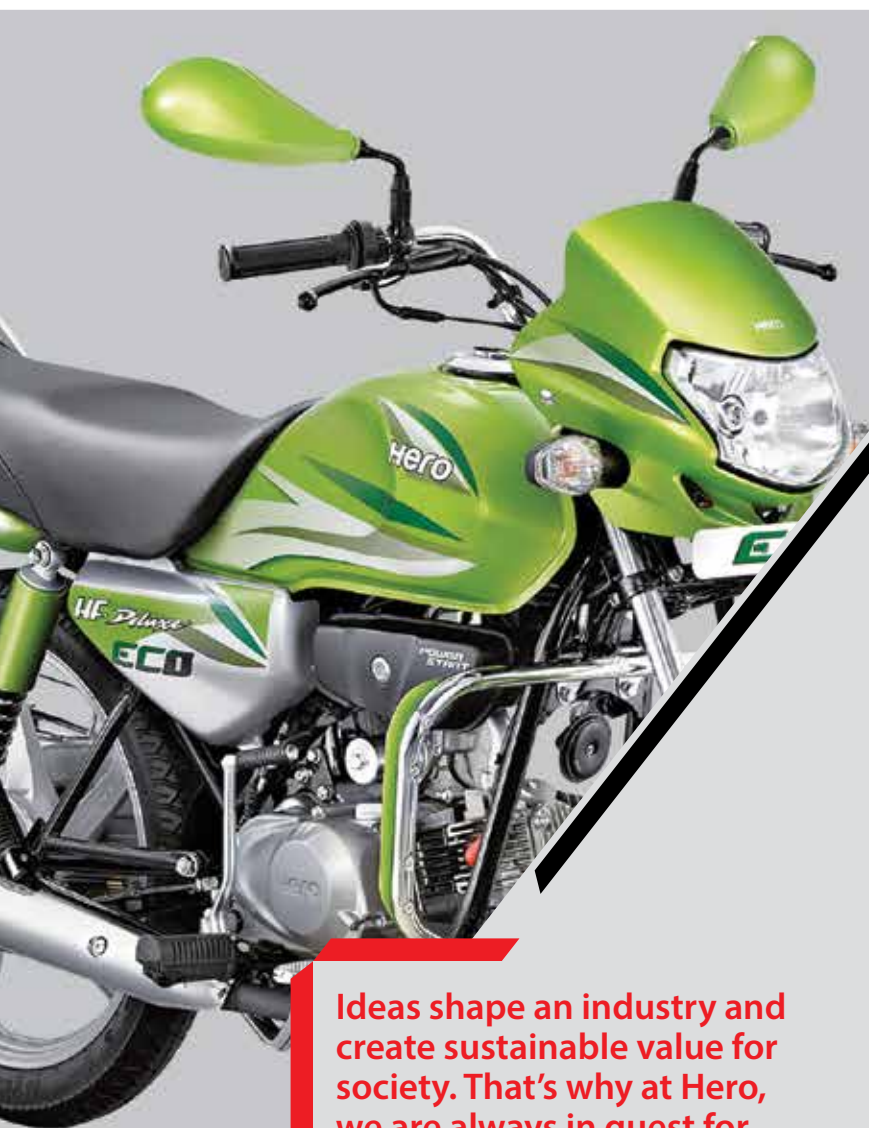


ASIAN PROMINENCE

We commenced operations in Bangladesh with a joint venture (JV) with 'Nitol Niloy Group' to build its first overseas manufacturing plant, Hero holds a majority stake of 55% in the JV. We affirm long-term commitment to bring next-gen cutting-edge technologies and an investment of US\$ 40 million.

We also entered into a partnership with AsyaMakina (Asya Dis ticaretvematikina san ltd sti) of Turkey. Under the alliance, AsyaMakina – a subsidiary of the reputed Soysal Group – has been appointed as the distributor of our range of two-wheelers in Turkey.

THE NEXT BIG IDEA IS HERE



Ideas shape an industry and create sustainable value for society. That's why at Hero, we are always in quest for the next big idea.

Our research and development efforts have stood us in good stead. From launches of models to the creation of intellectual property to infrastructure creation or even knowledge accretion, R&D has vindicated the Hero Slogan 'Unleash the Hero within'.

PRODUCT ROLLOUTS

During 2013-14, our R&D team successfully delivered over 12 upgraded models in a domestic market and 7 variants for global markets, mostly indigenously designed and developed.

FUEL-SAVING TECHNOLOGY

We have introduced the new i3S technology (Idle Stop and Start System) for two-wheelers, which has made its debut in the all-new Splendor iSmart. i3S is a green technology that automatically shuts the engine when idling and turns it on when needed, thus giving more mileage in congested cities. The evolution of Hero-developed i3S technology signifies the technological excellence achieved by us.

ENSURING SAFE RIDING

Hero scooters are equipped with Integrated Braking System (IBS) and Side Stand Indicator system to enhance safety, beyond the regulatory obligations.

Integrated Braking System: The IBS was introduced in the all-new Pleasure. IBS improves the rider's safety and provides comfort of one brake handle for both front and rear wheels.

Side Stand Switch: A two-wheeler rider often encounters a situation, where he/she accidentally forgets to move the side stand back to its retracted position, while starting the vehicle. We have developed the technology to sense the entire unsafe zone of the side stand position. When the side stand is in an unsafe position, it flashes an alert at the instrument panel through

a uniquely designed motorcycle symbol; advanced versions even turn off the ignition in such a scenario.

CONSISTENT INNOVATION

In FY 2013-14, we have filed over 15 patents and also have registered/ filed 77 designs.

UPCOMING STATE-OF-THE-ART R&D FACILITY

We started the construction of our 'Centre of Global Innovation and R&D' in Kukas, near Jaipur and is expected commence operations by the first half of calendar year 2015. Some of the salient features of this facility are:

- Self-sufficient facilities for New Product Design, Prototype manufacturing, Testing and Validation
- State-of-the-art green building designed by international Architects & Design consortium, using best of global technologies
- Multiple Test Tracks to simulate all Indian and international test conditions
- More than 600 engineers and support staff
- Leading-edge studios for concept design (Design of Engine, Frame, Electrical and Chassis Parts)
- Computer Aided Engineering (CAE) / Finite Element Analysis (FEA)
- Multiple Labs for design validation and product testing, material & environmental testing, components / system performance & simulation, vehicle performance & durability, noise vibration harshness (NVH) and emission & electromagnetic compatibility (EMC)

TECHNOLOGY TIE-UPS FOR NEXT-GEN TWO-WHEELER

Joint Venture with Magneti Marelli

We have partnered with Milan-headquartered Magneti Marelli (MM) to bring key engine-related technology. It will enable the Company to expand its global footprint. The immediate focus will be developing and manufacturing next generation fuelling systems and creating highly fuel-efficient, environment-friendly modern engines for our customers. HMCL will hold 60% stake in the new entity to be called HMC MM Auto Ltd and invest US\$ 27 million over the next 10 years. Both Hero and MM will inject equity of US\$ 8.5 million in the ratio of 60:40 over a three-year period. HMC MM Auto Ltd will also develop its own autonomous Development Centre.

Key takeaways

- Electronic Fuel Injection (EFI) system enhances performance in Hero two-wheelers with adaptability to different working climates, altitudes, excellent fuel economy and lower emissions
- Additional functionality such as immobilisers, traction and slip control, multi map, flexi fuel and multi fuel management
- Meeting new emission norms and evolving standards
- Equipping all Hero motorcycles and scooters with advanced Powertrain solutions

- MM's design and R&D expertise gets marketing-related competitive advantages with Hero, the world's largest two-wheeler manufacturer having a dominant share of the Indian two-wheeler market

OTHER MAJOR ALLIANCES

- Alliances with the US-based Erik Buell Racing (EBR) and Austria-based AVL to further enhance the Company's in-house R&D capabilities and engine technologies
- Collaboration with the renowned Italian two-wheeler design firm Engines Engineering for Hero's next-generation product line-up



CONSISTENT INNOVATION

In FY 2013-14, we have filed over 15 patents and also have registered/ filed 77 designs.

SHAPING NEXT- GEN MOBILITY



Our vision is to build an enduring Company and a brand, not just for today but for generations of riders far into the future. This commitment is reflected in our stellar series of concept bikes.

HERO HASTUR

The 620cc Hastur promises to be an industry-leading product in the premium end motorcycle segment with its lean, nimble and powerful appeal. The Hastur makes an aggressive style statement with its street fighter looks and minimalistic design, showcasing big sticky tyres, performance suspension and brakes, geodesic tubular chassis and a powerful engine. With all this and much more, this motorcycle is all set to respond to the most demanding athletic rider's every desire like nothing ever ridden before.

HERO ION: ENVIRONMENT-FRIENDLY HYDROGEN-FUEL CELL VEHICLE

Hero iON gives us an exciting glimpse into the future, and demonstrates Hero's beliefs and commitment to the endless road of motorcycling and personal transport. iON has a hydrogen fuel cell in the centre structure, as well as advanced batteries and super capacitors to smooth energy needs of braking and acceleration. The batteries use an advanced Li - Air technology that has extremely high energy density since they use oxygen from the air instead of storing in an oxidizer internally.

HERO SIMPLICITY: INDIA'S FIRST ELECTRIC MOTORCYCLE

The all-new SimplEcity, the lightweight urban electric motorcycle, reiterates Hero MotoCorp's commitment to efficient, reliable personal transportation for a greener planet. The revolutionary SimplEcity promises to offer an efficient and reliable intra-city travel experience to urban commuters. By keeping weight to a minimum of 35 kg and designing every system for optimum performance in urban conditions, Hero has created a whole new segment of motorcycles for a cleaner and greener planet.

LEAP: INDIA'S FIRST ELECTRIC-SERIAL-HYBRID SCOOTER

Leap, the first electric-serial-hybrid scooter from India, returns in its pre-production form. It has been designed keeping in mind Hero's global markets. Powered by lithium-ion batteries and an 8 KW electric traction motor, the Leap eliminates the limited range of an electric vehicle by incorporating 'a range extender – an on-board generator set' powered by an extremely efficient all new 124cc engine. Normally, the Leap would be recharged by plugging into a wall outlet, but if that isn't

available, the 3-liter fuel tank and the range extender of the Leap gives it four times the range of batteries alone, and the petrol of course can be quickly refilled.

RNT: THE BREAKTHROUGH DIESEL CONCEPT BIKE

We unveiled a diesel scooter concept in India. The Hero RNT gets a revolutionary 150cc liquid-cooled turbo-diesel hybrid engine that makes 13.5PS of power and 35 Nm torque.



HERO UNIVERSE AT AUTO EXPO 2014





TAKING THE CENTRE STAGE



Global achievements

- Hero MotoCorp (Rank: 1,912) is now part of an elite group that comprises the World's 2,000 Biggest Public Companies for the year 2013. A list of these companies has been featured in the global edition of Forbes magazine and represents the crème de la crème of the corporate sector. The Company ranks even higher in terms of profits (Rank: 1,431) and market value (Rank: 1,389) on the list.
- A report published in May 2014 by Goldman Sachs ranked Hero MotoCorp as the number one player in the automotive sector, based on its competitive framework, among the 114 largest auto OEMs and suppliers around the world.

When we are recognised for putting up a good show, we are both honoured and encouraged to carry on with greater determination and courage.

CORPORATE AWARDS

- Hero Maestro receives the Best Two-Wheeler Advertising Award at the CNBC-Override Auto Award
- Hero MotoCorp's Pavilion and Hero Hastur receive the Best Pavilion (two-wheelers) and the Best Concept Bike Awards, respectively at the Auto Expo by NDTV CNB
- Conferred with the prestigious 'Diamond Edge Award' by Information Week in the category of Enterprise Driving Growth and Excellence 2013 (using IT)
- Conferred with the prestigious 'Most Trusted Brand (2-Wheelers)' by Brand Equity, Economic Times

INDIVIDUAL AWARDS

- Shri Brijmohan Lall Munjal was conferred with the Lifetime Achievement Award by Forbes India
- Shri Brijmohan Lall Munjal was conferred with the CNB Visioneer Award for outstanding contribution to the Indian Automotive Industry by NDTV Profit Car & Bike Awards 2013
- Mr. Pawan Munjal was conferred with the prestigious 'Business Leader of the Year' award by the Hon'ble President of India, Shri Pranab Mukherjee, at the AIMA Managing India Awards 2013
- Mr. Ravi Sud, Sr. Vice President & CFO, has been conferred with the prestigious 'CFO of the Year' award by Stars of the Industry Group and Asian Confederation of Businesses
- Mr. Vijay Sethi, CIO & Vice President – Information Systems, has been conferred with the 'Green Pioneer Award 2013' by CIO in association with Schneider Electric
- Mr. Anil Dua received the 'Campaign India A Lister' Award
- Mr. Vijay Sethi received the Transformer Award 2013 by EMC in the category of Transformation Award and India's Best CIO Awards 2013 by CIO Association of India and Dell



IMPRESSIVE PRODUCT LINES

**KARIZMA ZMR****XTREME****SPLENDOR PRO****GLAMOUR FI****SPLENDOR SMART**

**XTREME SPORTS****PLEASURE****PASSION PRO TR****SPLENDOR PRO CLASSIC****DARE**

WE CARE FOR THE PLANET

The risks and impacts of environmental degradation and climate change on human lives and livelihoods are far too serious to be ignored.

They need urgent attention by governments, businesses and civil society. At Hero, we have stepped up investments and focused our energies towards helping build a cleaner, greener planet. It is our way of saying that we care.

We have invested in clean processes and green infrastructure to ensure a low-carbon footprint and minimise our environmental impact. Our Gurgaon plant has been adjudged the 'Best Maintained Garden' for 2013 by the Haryana Urban Development Authority. Besides, our Environmental Management Systems have also been certified as per ISO 14001 standards.

Green Roof: Spanning 45,000 square metres, Hero's green roof conserves energy by moderating the roof temperature.

Sewage Treatment Plant: Our treatment plant is designed to hold sewage for up to six hours and ensure that it is biologically treated and recycled into soft water. This, in turn, is used in the cooling towers.

Effluent Treatment Plant: We have also invested in an Effluent Treatment Plant, which treats waste water that contains degreasing chemicals of an acidic/ alkaline nature, plating waste, heavy metals and waste oil.

Waste Food Recycling: We ensure hygienic disposal of municipal waste through its organic waste converter, which in turn, generates manure for landscaping and greening applications.

Paint Conservation: We recycle about 120 tons of paint sludge and additives and turn it into paint primer. Our Solvent Recovery Machine helps to prevent 59 KI of volatile organic compounds from getting released into the air annually, thus ensuring cleaner air.

Ensuring Energy Conservation: Heat recovery from our Incineration Project has helped save 1258 tons of CO₂ emissions and 16,22,400 units annually. Our Solar Power Project has also helped save 121 tons of CO₂ emissions and 1,56,000 units annually, apart from 37.96 tons of furnace oil. We have also introduced power saving circuits in all machine panels and installed power correction panels.

Oil Conservation: We have installed Chip Wringer, which recovers about 56 litres of oil per plant daily. We use online hydraulic oil filtration system on presses, which has helped save 1200 litres of oil annually.

Water Conservation: We reduce water consumption at the source and recycle it back to process applications, cooling towers and irrigation after treatment. We have 2,60,000 square metres of catchment area in plants to potentially recharge about 1,32,600 cubic metres of rain water annually. Our ETP Recycling plant recycles approximately 1400 kld of treated effluents daily to be used in the paint shop or soft water/ DM as required.

Green Supply Chain: Hero is committed to building a seamless green supply chain that includes a 'Green Dealer Development Programme' at the frontend and a 'Green Vendor Development Programme' at the backend. We develop the required competencies, share knowledge and provide technical support to our partners to improve their green quotient.

GREEN VENDOR DEVELOPMENT PROGRAMME (GVDP)

GVDP at Hero encourages collaboration between the Company and its suppliers to achieve its overall corporate environmental goal. GVDP is based on the six pillars of energy management, water management, waste minimisation, prevention of pollution, substitution of hazardous chemicals and environmental compliance management. Partner vendors are trained on all six pillars of GVDP. We also endeavour to provide a platform to ensure a mutually beneficial eco-future. The platform enables vendors to share success stories about their respective environment based achievements and any problems encountered during the implementation of the green vendor programme.

GREEN IT

We have increasingly focused on a Green IT intervention strategy. Our Team members collaborate and thoughtfully plan areas where IT can influence the environment. Our Green IT initiatives include buying energy certified equipment and setting up energy-efficient data centres with power management features, virtualisation and server consolidation. We have promoted the use of thin film transistor (TFT) technology for display, video conferencing and e-learning to reduce travel, printer usage and paper consumption. Other IT initiatives include customer loyalty programme automation,

adoption of electronic fund transfer route instead of cheques, workflow automation, adoption of digital signatures and sending documents electronically to partners.

Our green initiatives also improve productivity and result in increased cost savings from reduced power consumption. Other aspects like virtualisation, server consolidation and reduced printer usage also ensure cost savings on a daily basis at an administrative and management level.



10-YEAR PERFORMANCE

SALES (Nos.)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	2,621,400	3,000,751	3,336,756	3,337,142	3,722,000	4,600,130	5,402,444	6,235,205	6,075,583	6,245,960
Growth (%)	26.6	14.5	11.2	0.01	11.5	23.6	17.4	15.4	-2.6	2.8
CAGR (%)			18.5	14.7	12.4	11.9	12.5	13.3	12.7	10.9

TOTAL INCOME (₹ crores)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	7,559	8,870	10,090	10,517	12,565	16,099	19,688	23,944	24,166	25,722
Growth (%)	26.0	17.4	13.7	4.2	19.5	28.1	22.3	21.6	0.9	6.4
CAGR (%)			17.3	15.1	15.9	16.3	17.3	18.9	18.1	15.4

NET SALES (₹ crores)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	7,422	8,714	9,900	10,332	12,319	15,758	19,245	23,368	23,583	25,125
Growth (%)	27.2	17.4	13.6	4.4	19.2	27.9	22.1	21.4	0.9	6.5
CAGR (%)			17.3	15.2	16.1	16.3	17.2	18.7	17.9	15.3

PROFIT BEFORE TAX (₹ crores)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	1,217	1,412	1,246	1,410	1,781	2,832	2,405	2,865	2,529	2,867
Growth (%)	13.5	16.0	-11.8	13.2	26.3	59.0	-15.1	19.1	-11.7	13.4
CAGR (%)			12.4	9.8	10.7	18.4	11.2	18.1	12.4	10.0

PROFIT AFTER TAX (₹ crores)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	810	971	858	968	1,282	2,232	1,928	2,378	2,118	2,109
Growth (%)	11.3	19.8	-11.7	12.8	32.4	74.1	-13.6	23.4	-10.9	-0.4
CAGR (%)			13.1	10.8	12.0	22.5	14.7	22.6	17.0	10.5

OPERATING MARGIN (%)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	14.6	14.6	10.8	11.8	12.7	16.2	11.4	10.7	9.0	9.6

OPBDIT MARGIN (%)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	15.7	16.0	12.2	13.3	14.1	17.4	13.5	15.3	13.8	14.0

EARNING PER SHARE (₹)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	40.6	48.6	43.0	48.5	64.2	111.8	96.5	119.1	106.1	105.6

DIVIDEND PER SHARE (₹)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	20.0	20.0	17.0	19.0	20.0	110.0	105.0	45.0	60.0	65.0

DIVIDEND (%)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	1,000	1,000	850	950	1,000	5,500	5,250	2,250	3,000	3,250

ECONOMIC VALUE ADDED (EVA) STATEMENT

(₹ in crores)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Avg. Cap Employed	2,415	2,877	3,499	3,705	3,989	4,866	5,286	5,444
Avg. Debt/Avg. Capital (%)	1.1	1.1	0.6	0.2	2.2	3.4	1.8	0.4
Avg. Equity/Avg. Capital (%)	98.9	98.9	99.4	99.8	97.8	96.7	98.3	99.6
Cost of Debt (% post-tax)	0.6	0.9	1.6	1.9	1.4	1.2	1.2	5.5
COST OF EQUITY								
Beta	0.75	0.59	0.59	0.63	0.64	0.66	0.73	0.76
Cost of Risk Free Debt (%)	8.15	7.94	6.99	7.50	7.99	8.53	7.96	8.80
Market Premium (%)	10	10	10	10	10	10	10	10
Cost of Equity (%)	15.65	13.83	12.85	13.80	14.39	15.16	15.22	16.36
ECONOMIC VALUE ADDED								
Profit after Tax	857.89	967.88	1,281.76	2,231.83	1,927.90	2,378.13	2,118.16	2,109.08
Add: Interest*(1-tax rate)	1.02	1.32	1.67	1.39	10.55	14.39	7.86	7.80
NOPAT= PAT + Interest*(1-t)	859	969	1,283	2,233	1,938	2,393	2,126	2,117
Cost of Capital	374	394	448	510	563	715	792	889
EVA	485	575	835	1,723	1,376	1,677	1,334	1,228
Return on Capital Employed (%)	35.6	33.7	36.7	60.3	48.6	49.2	40.2	38.9
Weighted Average Cost of Capital (%)	15.5	13.7	12.8	13.8	14.1	14.7	15.0	16.3
EVA/Capital employed (%)	20.1	20.0	23.9	46.5	34.5	34.5	25.2	22.6
ENTERPRISE VALUE								
Market Capitalisation	13,753	13,869	21,390	38,827	31,739	41,041	30,792	45,425
Add: Debt	165	132	78	66	1491	995	281	-
Less: Financial Assets	2,010	2,698	3,588	5,833	5,200	4,041	3,805	4,206
Enterprise Value (EV)	11,909	11,303	17,880	33,060	28,030	37,995	27,268	41,219
EV/YR. END CAPITAL EMPLOYED (TIMES)	4.5	3.6	4.6	9.4	6.3	7.2	5.2	7.4

BOARD OF DIRECTORS

Mr. Brijmohan Lall Munjal
Chairman



Mr. Pradeep Dinodia
Non-Executive and Independent Director



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



Mr. Suman Kant Munjal
Non-Executive Director



Mr. Paul Edgerley
Non-Executive Director



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



Mr. Sunil Kant Munjal
Joint Managing Director





Mr. M. Damodaran

Non-Executive and Independent Director



Dr. Pritam Singh

Non-Executive and Independent Director



Mr. Ravi Nath

Non-Executive and Independent Director



Mr. Pawan Munjal

Managing Director and CEO

AUDIT COMMITTEE

Mr. Pradeep Dinodia
Chairman

Gen. (Retd.) V.P. Malik
Member

Dr. Pritam Singh
Member

Mr. M. Damodaran
Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE

Dr. Pritam Singh
Chairman

Mr. Pradeep Dinodia
Member

Mr. M. Damodaran
Member

NOMINATION AND REMUNERATION COMMITTEE

Gen. (Retd.) V.P. Malik
Chairman

Mr. Pradeep Dinodia
Member

Mr. Ravi Nath
Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Pawan Munjal
Chairman

Gen. (Retd.) V.P. Malik
Member

Mr. Pradeep Dinodia
Member

SENIOR MANAGEMENT TEAM

Mr. Ravi Sud
Sr. Vice President and CFO

Mr. Anil Dua*
Sr. Vice President – Sales, Marketing and Customer Care

Mr. Vikram S. Kasbekar
Head – Operations and Supply Chain

Mr. Neeraj Mathur
Vice President – Strategic Sourcing and Supply Chain

Mr. Vijay Sethi
Vice President – Information Systems & Human Resources and Chief Information Officer

Mr. Harjeet Singh
Vice President – R&D

Mr. Deepak Mokashi
Vice President & Head Global Business

Mr. Sanjay Bhan
Business Head – Parts Business

Mr. Rajat Bhargava
Head of Strategy & Performance Transformation

COMPLIANCE OFFICER

Ilam C. Kamboj
Asso. V.P. – Legal and Company Secretary

**Up to June 24, 2014*

CORPORATE INFORMATION

STATUTORY AUDITORS

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Citibank N.A.
HDFC Bank Ltd.
The Hongkong and Shanghai Banking
Corporation Ltd.
ICICI Bank Ltd.
Punjab National Bank
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Kotak Mahindra Bank Ltd.
Yes Bank Ltd.

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www.karvycomputershare.com
Toll Free No.: 1-800-3454001

PLANT LOCATIONS

Gurgaon Plant

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

Dharuhera Plant

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

Haridwar Plant

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

MANAGEMENT DISCUSSION AND ANALYSIS

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ECONOMIC BACKDROP



The world is gradually moving towards a more broad-based recovery, with advanced economies providing some of the impetus. However, the overall pace of recovery is still uneven and prone to unpredictable headwinds.



According to the World Economic Outlook (WEO) Report published by the International Monetary Fund (IMF) in April 2014, the global economy grew by 3% in CY2013, supported by encouraging performance of the US economy. However, global growth was weighed down by modest growth in the Euro Zone, Japan and Emerging Market and Developing Economies.

We are now seeing a new pattern in the performance of global economies. Between 2009 and 2012, the emerging market and developing economies had been spearheading global recovery as the advanced economies lurched from one crisis to another. Now the scenario is changing, with the advanced world, led by the US, contributing around 20% of global economic growth.

China's growth is expected to be around 7.5% in 2014, as the political leadership is ensuring a gradual transition to a more sustainable growth path. Such a situation will pave the way for a period of more balanced global growth.

Besides, with India having resoundingly voted for political stability and better governance, the country's around 2-trillion dollar economy is also likely to pick up pace and contribute significantly towards global recovery.

INDIAN ECONOMY

A few years ago, India's impressive growth rates were the envy of the world. As Asia's second largest economy moved forward, the country created a perception of being a citadel of energy and enterprise. However, spillover effects of lacklustre global growth and continuous policy paralysis in the government has since arrested India's economic surge.

GLOBAL GROWTH TREND

Particulars	(%)			
	Actual		Projections	
	2012	2013	2014	2015
World Output	3.2	3.0	3.6	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area	-0.7	-0.5	1.2	1.5
Japan	1.4	1.5	1.4	1.0
United Kingdom	0.3	1.8	2.9	2.5
Other Advanced Economies	1.9	2.3	3.0	3.2
Emerging and Developing Economies	5.0	4.7	4.9	5.3

(Source: International Monetary Fund, April, 2014)

ECONOMIC BACKDROP



Matters came to a head in the middle of 2013-14, with indications that the US Fed was withdrawing its Quantitative Easing programme. This caused capital flight and significant rupee depreciation. India's economic growth engine lost steam, and stubbornly high core inflation made matters worse.

The financial prowess of India Inc. deteriorated with a dramatic fall in infrastructure and corporate investments, with adverse implications on asset quality of banks and other financial institutions. In such a bleak external environment, job prospects dimmed and consumer demand weakened. This influenced the sales of different categories of automobiles.

The recovery of the monsoon in the season's second half in 2012 and a good monsoon in 2013 provided some breathing room. It helped the agriculture sector recover with record productions in rice, wheat, pulses, oilseeds and cotton. However, the demand recovery in rural India was negated largely by industrial stagnation, a slump in service sector growth and a decline in government spending.

On the positive side, both current account deficit and foreign trade deficit narrowed significantly in the second half of 2013-14. In addition, policy measures to strengthen capital flows in September and October 2013 helped reduce external vulnerabilities.

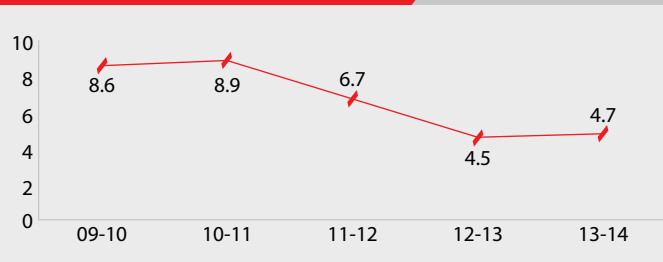


SECTOR-WISE GROWTH TREND

	2009-10	2010-11	2011-12	2012-13	(%) 2013-14
Agriculture and allied activities	0.8	8.6	5.0	1.4	4.7
Industry	9.2	7.6	7.8	0.9	0.3
Services	10.5	9.7	6.6	6.9	6.7

Source: Ministry of Statistics and Programme Implementation

GDP AT FACTOR COST (%)



Source: Ministry of Statistics and Programme Implementation

The Indian currency has stabilised at the time of writing, inflation is under better control and exports have shown some recovery.

OUTLOOK

The elections have delivered a clear mandate for decisive governance and development. 2014 could be a momentous year for India, given the new energy and political will to drive economic reforms.

The new leadership has shown a resolve to implement radical policies to bring the economy back on track. If this resolve translates into action, three developments could take place. Stalled projects could see

quick execution. Better-directed subsidies could prune the fiscal deficit. Finally, strong leadership at the helm could make the administration more streamlined and responsive.

Hopefully, these steps will quicken the pace of capital formation and improve productivity. Continued reforms and a stable monetary policy would bolster the country's macroeconomic fundamentals and deliver a powerful message of societal and economic dynamism to the world.

INDUSTRY SYNOPSIS

TWO-WHEELER INDUSTRY

During FY 2013-14, the two-wheeler industry grew marginally by 7.1%, from 16.9 million units sold compared to 15.8 million units in FY 2012-13. In a similar pattern, the motorcycle volumes—which account for a major industry proportion—grew by 4.3% from 11.95 million units in FY 2012-13 to 12.5 million units in FY 2013-14. Continuing its growth path, the scooter category was the star industry performer with 22.1% growth in sales, from 3.07 million units in FY 2012-13 to 3.75 million units in FY 2013-14. Like in the previous years, sales of moped de-grew by 7.8% from 0.79 million units in 2012-13 to 0.73 million units in 2013-14.

EXPORTS

Reversing the trend of the previous fiscal, the export sales of the entire two-wheeler industry grew by 6.5% to 1.9 million units.

TWO-WHEELER: SEGMENTAL REVIEW

The two-wheeler industry has three distinct segments, based on income and lifestyle classifications. In FY 2013-14, the deluxe category accounted for 66% of sales. It was followed by the entry segment (18% of sales) and the premium category (16% of sales).

The deluxe segment grew by 5.4% with volumes of 6.8 million units. Hero MotoCorp continued to have a major share of this segment with sales of 4.2 million units and a segment share of 61%, whereas the nearest competitor managed a 19.4% segment share.

However, the entry segment which accounted for 1.8 million units, declined by 2.6%. Hero MotoCorp's sales in the entry segment grew by 3.4% to 1.06 million units, resulting in a segment share of 56.8%.

The sales in the industry's premium segment increased significantly by 7.1% to 1.6 million units. However, Hero MotoCorp's performance was not encouraging in this segment. Nevertheless, the Company's main segment continued with their strong showing, and Splendor, Passion Pro and HF Deluxe continued to feature among the top six motorcycle brands sold in India.

The two top-selling brands (Pleasure and Maestro), in the scooter category continued to perform strongly. Volumes increased to 2.9 million units from 2.6 million units. In relative terms, Hero MotoCorp's sales grew by 13.6% and accounted for 21.4% of the two-wheeler market.



The two top-selling brands (Pleasure and Maestro), in the scooter category continued to perform strongly. Volumes increased to 2.9 million units from 2.6 million units.



REINFORCING OUR LEADERSHIP

6.2 mn units

Sold in 2013-14





OPERATIONAL PERFORMANCE

In FY 2013-14, Hero MotoCorp sold 6.2 million units compared to 6.07 million units in the previous year.

In the motorcycle segment, Hero MotoCorp with sales of 5.5 million units, continued to lead the domestic market with 44.4% market share.

Sales in the domestic motorcycle market remained flat at 10.48 million units, compared to 10.08 million units in the previous year. In the Indian market, Hero MotoCorp captured 51.8% market share, with sales of 5.4 million units vis-a-vis sales of 5.3 million units in FY 2012-13. Remarkably, the Company sold more units than the second, third, fourth and fifth placed motorcycle manufacturers in India taken together during the year.

EXPORTS

Hero MotoCorp, with sales of over 130,763 units, accounted for 6% of motorcycle exports from India. This share is likely to go up significantly in the coming years.

INTERNATIONAL FOCUS

During 2013-14, the Company exported 130,763 units, compared to 161,043 units in the previous year, resulting in a decrease of 18.80%. The Company also exported

spare parts worth ₹ 40.04 crores depicting an increase of 4.32% over the previous year.

In 2013-14, the Company despatched its first ever consignment of 'Hero' brand two-wheelers in the International arena to Central America (El Salvador, Guatemala and Honduras), South America (Peru), East Africa (Kenya) and West Africa (Burkina Faso and Ivory Coast) which were well received by the customers.

The Company forayed into Central America in May through a partnership with Indy Motos Group of Guatemala, and the Indy Motos relationship is also responsible for the forays in El Salvador and Honduras. The Company inked another relationship in August with the EFE Group in Peru to sell a range of products in this country.

In February, the Company made its debut in Turkey through a partnership with Asya Makina (Asya Dis ticaretvematikina san ltd sti) – a subsidiary of the Soysal Group.

The Company also set up an International Assembly unit in Nairobi (Kenya) on July 5, 2013. It is collaborating with RYCE EAST AFRICA, to bring its two-wheelers to this country. Under the alliance, Sameer Group, which is a part of RYCE EAST AFRICA, is distributing Hero MotoCorp products in Kenya.

FINANCIAL SUMMARY

Key profitability metrics	2012-13	2013-14
Return On Average Capital Employed	47.85	52.67
Return On Average Equity	45.57	39.77
Profit after Tax / Income from Operations	8.91	8.34
Profit before Tax / Income from Operations	10.64	11.34
Profit before Interest and Tax / Income from Operations	10.69	11.39
Operating Profit before Tax / Income from Operations	9.02	9.62
Operating Profit before Depreciation, Interest and Tax / Income from Operations	13.82	14.01



RATIOS

2012-13	11.16	2013-14	10.50
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INVENTORY PERIOD (IN DAYS)

2012-13	17.77	2013-14	21.01
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INVENTORY AND RECEIVABLE CONVERSION PERIOD (IN DAYS)

2012-13	(25.35)	2013-14	(20.15)
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CASH CYCLE

2012-13	0.73	2013-14	0.77
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CURRENT RATIO

2012-13	0.50	2013-14	0.54
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ACID TEST RATIO

Notes on Working Capital

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

SALES

The Company registered total sales of 62,45,960 million units during 2013-14, recording a 2.8% increase. In value terms, total sales (net of excise duty) increased by 6.5% to ₹ 25,125 crores from ₹ 23,583 crores recorded in the previous fiscal year.

PROFITABILITY

The Company's earnings before interest, depreciation and taxes (EBITDA) margins increased from 13.82% in FY 2012-13 to 14.01% in FY 2013-14. Operating margins increased from 9.02% to 9.62%. Operating profit (PBT before other income) also increased from ₹ 2,143 crores in FY 2012-13 to ₹ 2,433 crores in FY 2013-14.

OTHER INCOME (INCLUDING OTHER OPERATING REVENUE)

Other income increased by 2.26% from ₹ 584 crores in 2012-13 to ₹ 597 crores in 2013-14.

CASH FLOWS

During the year, the free cash flow from operations stood at ₹ 2,963 crores (previous year ₹ 1,890 crores). These cash flows were deployed in capital assets, investments and also paid out as dividend during the year.

RAW MATERIAL COST

During the year, metal prices were volatile, particularly for steel, copper, aluminium and nickel. However, raw material costs as a proportion of sales declined from 73.77% to 72.56%.

CURRENT ASSET TURNOVER

The Company's current asset turnover, indicating sales as a proportion of average current assets (excluding investments) declined from 13.5 times to 11.9 times. This was primarily due to higher average inventory, trade receivables and loans and advances.

DEBT STRUCTURE

Hero MotoCorp has been debt-free for the past 13 years and incurs no borrowing costs. Finance cost includes interest on account of advances from dealers and other transactional costs.

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 business and strategic considerations. For FY 2013-14, the Board recommended a dividend of 3,250% compared to 3,000% declared in previous year and has maintained a payout ratio of 72.0% vis-a-vis 66.2% in the previous year.

WORKING CAPITAL MANAGEMENT

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

₹ 2,963 cr

The free cash flow from operations in 2013-14

3,250%

The Board recommended a dividend of 3,250% in 2013-14

A CUSTOMER-FACING ECOSYSTEM



The evolving aspirations of the customer need to be embedded in our business strategies to strengthen sustainability and grow profitably. This is the overriding corporate mantra at Hero MotoCorp.

Customer satisfaction is a continuous journey, not a destination. In other words, there is no room for complacency. Therefore, Hero MotoCorp is consistently putting in place strategies to accommodate the changing requirements of an aspirational world. The result is that there has been a steady decline in the number of customer complaints over the years. However, the journey to enchant the customer through better products and services continues unabated at Hero MotoCorp.

The voice of the customer is captured and amplified constantly through a 360-degree feedback mechanism that includes customer satisfaction surveys, online customer feedback, response from visiting field executives and market quality surveys.

The Company's approach to customers is based on the principles of increasing accessibility, facilitating product

upgradability, guaranteeing low cost of ownership and ensuring continuous customer engagement.

SERVICE HAR JAGAH (ENHANCING ACCESSIBILITY)

In 2009, the Company focused on enhancing its reach across unrepresented geographies through a unique programme called Service Har Jagah. Today, on an average, around 8,500 service camps are being conducted on a monthly basis, covering more than 7,500 villages. The Company was partnering 560 dealers to push this initiative into the hinterlands and 84 new dealers were added under this initiative during the year under review.

SURE (FACILITATING PRODUCT UPGRADABILITY)

Hero MotoCorp has succeeded as a Company, because it is able to meet the aspirations of different socio-economic groups. To strengthen its appeal among two-wheeler aspirants, both old and new, Hero MotoCorp has started a refurbishment and exchange business called Sure.

The programme faced some teething challenges in multiple states, as there were certain state taxation issues, relating to second-hand sales. These are now gradually getting resolved, and during the year under review, the Sure business was re-launched in Kerala, Gujarat, Jharkhand and Tamil Nadu. More than 100 dealers across these states are offering re-sale and refurbishment facilities at their showrooms and workshops.

A CUSTOMER-FACING ECOSYSTEM



During the year under review, more than 10 million transactions were processed under the GoodLife programme and 13% of the vehicle sales in 2013-14 resulted from member referrals.

GOODLIFE (CUSTOMER ENGAGEMENT)

The Hero GoodLife Programme (Customer Relationship Programme) was conceived to enhance customer satisfaction and initiate higher levels of member engagement, by making them brand ambassadors to generate referral sales and boost service visits.

The programme's objectives comprised the following: enhanced revenue opportunities for dealers; increased number of customers as well as volume of transactions. There are multiple levels of engagement, including transaction-based rewards, exclusive event invites, personal accidental insurance, service continuity bonus, transaction benefits on special occasions like birthdays, anniversaries, quarterly newsletters and interaction through a programme website.

Online member profiling and real-time customer feedback module (via select questionnaires) programme dashboard are some of the other salient features of the platform. The platform is scalable to the needs of programme requirements, coalition partners and comes at no extra cost to Hero MotoCorp.

GoodLife has not only managed to successfully build a consolidated base of 1.9 crores plus loyal customers, but has also seen an emergence of a new distribution platform for the Company.

During the year under review, more than 10 million transactions were processed under the GoodLife programme and 13% of the vehicle sales in 2013-14 resulted from member referrals.

GoodLife has won many accolades and awards on national and international platforms. The programme won an 'Order of Merit' at the PMA Awards 2011 and 2012 under different categories. It was also the winner of the Colloquy Award in the Loyalty Marketing (international) category and qualified as an ECHO Finalist during the 2011 DMA International ECHO™ Awards.

HERO ADVANTAGE (LOW COST OF OWNERSHIP)

During the year under review, the Company rolled out its ambitious warranty programme Hero Advantage.

This unique programme - which can be registered online - is the most competitively priced in the two-wheeler industry. It covers the longest distance (70,000 km), provides the longest warranty (upto five years) and encompasses the largest number of components.

The programme is tailored to help Dealers/SSPs retain customers, and in the process, help them improve revenue from the sale of spares and services.

Hero Advantage was launched in 2009, and went national during FY 2012-13. Over 9.5 million policies have been sold, with over 45% retail conversions.

HERO GOODLIFE LADY RIDER PROGRAMME

Hero MotoCorp GoodLife Lady Rider Club is an exclusive relationship programme designed especially for female customers of Hero MotoCorp. As members, they get to enjoy a host of benefits, exciting offers, privileges and invites to exclusive events. Hero GoodLife Lady Rider Programme has seen special focus in creating engagement and customer delight for female riders.

VIJETA – GOODLIFE KE SIKANDER

It's a unique platform to engage and retain GoodLife executive, who is the face of the Programme. Top performers (felicitated at Area, Zonal and All India Level) are rewarded and motivated to perform better via ongoing programme with quarterly audits. There is a mechanism of rewarding points for each successful transaction/ criteria met.



SUPPLY CHAIN MANAGEMENT

Supply Chain Management represents the critical arteries for the growth and sustainability of Hero. Despite adversities, the Company's supply chain architecture remained agile and responsive to market requirements during the year.

INVENTORY TURNOVER TRENDS

FY 2013-14 posed a challenge in terms of inventory management owing to an increase in product complexity, following the introduction of new models and fluctuations in month-on-month production plans. Despite this challenge, the inventory turnover has been closely monitored. It has resulted in a double-digit percentage improvement over the previous financial year.

ENHANCING EFFICIENCIES AND ROBUSTNESS OF SUPPLY CHAIN

An HR initiative has been completed this year in collaboration with our chosen supply-chain partners. Our partners have significantly benefited from the project in various aspects. These include the setting up of people's processes, de-risking IR issues and enabling them to benchmark themselves and be a part of the HMCL growth story.

MAJOR INITIATIVES FOR QUALITY, COST, PRODUCTIVITY AND DELIVERY IMPROVEMENTS AT THE VENDORS' END

During the year, Hero initiated more than 65 quality improvement projects with supply chain partners to constantly provide better quality products to its customers. We have embarked on a journey called LEAP (Leadership in Motion) to nurture in-house capability and provide better products at the right price for enhanced value proposition. The long-term aim is to strengthen the supply chain partners in terms of quality and delivery, leading to happy customers and satisfied shareholders.

GREEN INITIATIVES IN VENDOR DEVELOPMENT

The seventh phase of participants was enrolled into the Green Vendor Development Programme. The Programme has seen the enrolment of 148 vendors till date. The yearly review was held to recognise significant contributions from participants in the greening of the supply chain. This year the last phase will roll out, enrolling 20 more suppliers covering cumulatively 99% spend.

GLOBAL TECHNICAL REGULATIONS (GTR)

GTR for reducing braking distance has been implemented successfully without disrupting production for the Splendor Pro, Super Splendor, Passion Pro, HF Dawn and HF Deluxe models. The material cost performance was managed as planned originally, despite an unfavourable currency situation, and heavy demand-supply fluctuations of all major inputs.

VENDOR DEVELOPMENT REPORT

Developed locally in collaboration with supply chain partners, the i3S (Idle, Stop & Start System) technology has been introduced for the first time in India. This year, a Joint Venture agreement with Magneti Marelli (MM) has been concluded to facilitate the implementation of the FI strategy. We were able to manage our production as planned, despite constraints in tyre supply.

NEW PRODUCT DEVELOPMENT

Our team has been strengthened to focus on new product development and the ability to meet future challenges. This would enhance interfacing with new technology partners as well as facilitate the development of new and existing suppliers globally.

OUTLOOK

At Hero, we are fully equipped to meet the challenge of providing a wider products range with enhanced technology to customers. This will be enabled through tie-ups with new technology partners, while remaining cost competitive. We are focusing on widening the scope of achieving cost excellence with support from domain experts.

STRENGTHENING IT FRAMEWORK

Hero is leveraging Information Technology tools and techniques effectively to improve efficiency and productivity. Today, not just our processes, but Hero's network partners (dealers and vendors) are integrated with the Company's IT systems. At Hero, we are focusing on relevant and contemporary technologies, which can drive better returns on investments, accelerate decision-making and enable the global Team to collaborate in a better way.

SOME KEY INITIATIVES UNDERTAKEN DURING FY 2013-14 INCLUDE THE FOLLOWING:

- We created a new state-of-the-art data centre facility to support growth in IT infrastructure and resources. This not only provided computing power to the organisation, but also reduced energy consumption in line with some of the latest 'Green Technologies'. Moreover, the use of 'cloud' technologies was also increased.
- Several IT-based solutions, including design collaboration, test data management, schedule manager, workflows and analytics were implemented.
- We launched a mobility initiative, based on Global Positioning System (GPS) and other technologies for Rural Sales Executives of dealers. In addition, nearly all workflows and dashboards have been mobile enabled.
- Hero became India's first Company to adopt 'autoDX', which is a SIAM-ACMA B2B EDI cloud-based initiative on EDIFACT--- an established procedure to connect seamlessly with the supplier community.
- We launched an IT enabled programme for measuring the performance of our network partners with a consistent focus on improving the overall customer experience.
- Along with strengthening talent acquisition, we initiated several platforms for process automation. This included the setting up of a dedicated careers portal on the corporate website, starting an employee referral portal and bolstering the use of social media.
- We deployed a dedicated Idea Management portal for capturing

and processing ideas coming from all parts of the organisation.

- The analytics paradigm has been strengthened by providing business insights to internal users and channel partners, accelerating well informed business decisions.
- The digital landscape has also been strengthened by expanding our presence on social media platforms, extending to cover customers in global markets, where we have started operations.
- Auto Expo was one of the biggest events this year where our IT capability was visible to the entire world, thanks to real-time RFID based tracking, real-time social media video wall and the launch of India's first digital showroom.
- We enabled GPS (Global Positioning System) based tracking, linked with our Dealer Management System, which provided dealers full visibility of their shipments.
- A High Performance Computing system was deployed for the R&D to help our engineers perform tasks with advanced computing needs in relatively less time spans.

At Hero, we ensured that all employees in the organisation were regularly and adequately trained on the systems that were being deployed. In addition to employees, the IT team was also trained on a regular basis on

relevant technologies. From a process perspective, enhancements were made to various processes with the objective of simplifying them and reducing the manual efforts involved. During FY 2013-14, we were recognised with the Customer Centre of Expertise (CCoE) certification by SAP and were also re-certified with ISO 27001 – the global standard for Information Security.

Some of the awards that we received during the year include EMC Transformers Award, 2013 by EMC, and Diamond Edge 2013 Award by Information Week. In addition, Hero was named the best social media brand in the two-wheeler category for its focus on social media.



HUMAN DYNAMISM



Hero MotoCorp is all about empowered human dynamism. The financial year 2013-14 has been a defining year for the organisation from the HR perspective. The year saw the highest ever number of people joining the organisation. There were new appointments at key positions and significant enhancements in policies, processes and HR systems to make them contemporary. In addition, a lot of employee-engagement initiatives and extensive automation in HR related processes were also undertaken. This is the face of human dynamism at Hero. We are all set to leap into the future with a clear determination to be a frontrunner.

With a significant focus on employee relations and extremely cooperative and forward-looking union bodies, the industrial relations scenario at our plants continued to be cordial. An environment of harmony and mutual trust prevailed across all our plants. The management-union interaction was amicable and focused on organisational growth. The year witnessed several new initiatives, including contract labour integration policy, review of various policies and regular meetings.

During the year, we spearheaded major programmes to develop competencies, create leaders of tomorrow, facilitate the induction of new recruits and improve employee engagements.

- **SAKSHAM:** Hero Leadership Competency Framework was created to identify and develop future leaders, so as to enhance our talent pipeline. These leadership competencies are now being further integrated with our various HR systems and processes vis-à-vis Recruitment and Selection, Performance

Management, Career Progression, Competency Development and Talent Development, among others. This will help us to create a One-Hero experience across the entire professional life cycle of an employee

- **Creating Future Leaders:** Assessment Centres and Development Centres were formulated as per the SAKSHAM framework and implemented for the Operations team at the senior level. The aim of this initiative is to assess the leadership potential and create customised individual development plans, so as to develop future leaders from within the organisation
- **PACE:** In line with building a more dynamic enterprise, the current Performance Management System (PMS) has been revisited and a new programme called PACE (Performance Appreciation and Competency Evaluation) has been implemented in its place
- **Buddy Programme:** We have introduced the 'Buddy' Programme to facilitate easy integration for new recruits and to enable them to become productive at a faster pace
- **My First Impression:** 'My First Impression' is aimed to be utilised as a tool to receive feedback from new employees on the 15th and 90th day from their date of joining. As a part of this programme, feedback is received from all new recruits on his/her initial experience at HMCL through a structured feedback process that includes filling up of an online form. This procedure provides valuable insights to continuously improve HR processes and policies to provide a better working environment to all Team members



- Koffee with Functional Heads (Mentorship Programme): The programme aims at strengthening the leadership pipeline by nurturing future leaders. It provides our brightest managers a platform for holistic development through the process of informal knowledge sharing. We believe that this initiative will help us to create sustainable competitive advantage by preparing leaders with a futuristic perspective
 - Hero Universe: In line with our Auto Expo theme of Hero Universe, a pan-organisational quarterly newsletter called 'Hero Universe' was launched
 - Hero Idea Contest: To boost organisational innovation, a Companywide Hero Idea Contest was conducted during the year
 - Employee Engagement Survey: An Employee Engagement survey was conducted in the organisation and priority areas were identified in three different domains: Corporate Level, Functional Level and Team Level. A structured action plan has been initiated at different levels
- We undertook various other initiatives to further improve the work culture and enhance overall employee engagement. These included:**
- Engagement and development initiatives at plant locations, including Soulmates (a unique programme involving couples), Udaan-kids development programme, safety awareness for all, career counselling for employee wards, in-house product training for all lateral hires, trust for welfare schemes for the employees, mini summer camps, Diwali functions, Hero Management Quiz and career counselling initiatives
 - With our focus on encouraging specially-abled employees and providing equal opportunities to all, 23 specially-abled employees of our Gurgaon Plant participated in 13 external competitions. They received prizes in various cultural and sporting activities at state and national levels
 - A major area of focus involved learning and development, including the development of internal trainers for better utilisation of available talent
 - Various sports events were held at the organisational and state levels (Kabaddi, Football, Volley Ball, Cricket and Chess) and the State Labour Welfare Boards ensured participation in various sports meets that they organised
 - Programmes like Defensive Road Safety, Cross-Culture Effectiveness and Ride Safe for employees were organised
 - Various policies and processes were revitalised in order to create a more engaging and energising work environment for employees
 - The following IT solutions were introduced to help improve user satisfaction:
 - Setting up of an Employee Enterprise Service Desk
 - Launching a career website
 - Launching various Employee Referral Programmes and systems
 - Leveraging social media for recruitment purposes
 - Introducing a system for organisational structure charting
- As on March 31, 2014, we had 6,782 employees on our rolls. In addition, we have contractual staff and trainees. The attrition rate for the year was around 5%, which is much lower compared to industry standards.

EVOLVING A RISK-FOCUSED STRATEGY

At Hero MotoCorp, a risk-focused strategy is the result of identifying, assessing and evaluating risks and taking proactive measures to address those risks.

RISKS AND MITIGATION

Currency fluctuation

For a brief period, during the year in review, the rupee plunged to its lowest value against the dollar. A continuously weakening rupee was a major concern during the first half of the financial year, affecting Hero MotoCorp's cost efficiency. Fortunately, a gradual recovery in the second half—and its continuing uptrend in 2014-15 indicates that sharp depreciation is now a phenomenon of the past. Nevertheless, the Company is taking measures to guard against the other extreme—unbridled rupee appreciation over the next 12 months. This could affect competitiveness of the Company's nascent global foray.

Inflation

Inflation influences Hero MotoCorp directly, through second order effects on interest rates and disposable income. High inflation, especially on the consumer side, and ensuing monetary tightening by the Reserve Bank comprised a major source of concern during the year under review. The problem was especially severe during the first half, and led by the inflation in food prices and currency depreciation. During the second half, inflation moderated somewhat, prompting the RBI to pause rate hikes.

Interest rates

Hero MotoCorp till now has relied mostly on down payments to drive sales. However, it has now set up a retail finance arm, Hero FinCorp, to tap into emerging financing opportunities. Hence, the movement of interest rates and their impact on consumers is a new variable that the Company is now tracking more closely. Uncertainty surrounding the 2014-15 monsoons at the time of writing has been a source of concern. Drought-like conditions could force the apex bank to put off a cut in interest rates for the rest of 2014, postponing prospects of a near-term recovery.

Global uncertainty

Given the Company's increased global presence across continents, it is now much more susceptible to multiple geo-political risks. Crude price shocks and phasing out of the US quantitative easing policy over the next 12-18 months could affect various countries in different ways. Accordingly, sales projections in target markets might need revision.

The level and intensity of competition has also shot up across products and segments. It is expected to intensify in the coming years as the Indian economy becomes more attractive for 2W players. This would add pressure to both market share and margins. The search for new differentiators and fresh sources of competitive advantage is expected to intensify.

R&D

Through its revamped R&D ecosystem and new alliances, Hero MotoCorp has shown it is fully capable of addressing all product related challenges in the near term. In the medium term, the Company is on a much stronger footing. A slew of next-generation products are in the pipeline, and work on the new R&D facility in Rajasthan is progressing at full speed. However, it may take some more time to roll out the full complement of next-generation products, and to counter this, the Company is strengthening its marketing and distribution networks.

BRAND VISIBILITY

HERO

HEROES HAVE IT ALL.

Presenting the unbeatable deluxe 125cc range of two-wheelers from Hero MotoCorp.

Whether you need from a bike, you will find it in a Hero. Whether it's power, mileage or style, look no further than our new deluxe 125cc range.

Spirit ₹ 58,200/-
EX (EXCLUDING TAXES, 2014)

Glamour ₹ 64,925/-
EX (EXCLUDING TAXES, 2014)

Glamour EX ₹ 58,350/-
EX (EXCLUDING TAXES, 2014)

Splendor ₹ 61,800/-
EX (EXCLUDING TAXES, 2014)

**ਆਪਣੇ ਸਫ਼ਰ ਦੀ ਕੋਰੋ
ਇਕ ਰੰਗ-ਬਿਰੰਗੀ ਸ਼ੁਰੂਆਤ**

ਹੈਰੀ ਦਾ ਸਫ਼ਰ ਮਨਾਉਣ ਲਈ ਹੁਣ-ਹੁਣ ਦੀ ਸਫ਼ਰ ਸ਼ੁਰੂ ਕਰੋ। ਆਪਣੇ ਸਫ਼ਰ ਦੀ ਸ਼ੁਰੂਆਤ ਇਕ ਰੰਗ-ਬਿਰੰਗੀ ਸ਼ੁਰੂਆਤ ਕਰੋ। ਆਪਣੇ ਸਫ਼ਰ ਦੀ ਸ਼ੁਰੂਆਤ ਇਕ ਰੰਗ-ਬਿਰੰਗੀ ਸ਼ੁਰੂਆਤ ਕਰੋ। ਆਪਣੇ ਸਫ਼ਰ ਦੀ ਸ਼ੁਰੂਆਤ ਇਕ ਰੰਗ-ਬਿਰੰਗੀ ਸ਼ੁਰੂਆਤ ਕਰੋ।

HERO MILEAGE
EXTRA MILEAGE FOR LIFE

HERO

NAYE SAAL KI SHURUWAAT KO BANAAO THODA EXTRA YAADGAAR.

Is Gudi Padwa Ohar Laao Naya Hero.

Naye saal ki shuruwaat agar hum two wheeler se karte hai toh kya khatam hai. Extra yaadgaar mileage aur subhiksha style aapki zindagi mein aaye toh naye saal ki shuruwaat extra yaadgaar banengi.

HERO MILEAGE
EXTRA MILEAGE FOR LIFE

HERO


THODA CLOTHES KI SHOPPING
THODA PARTY HOPPING
THODA FRIENDS KO DROP KARNA
THODA TRAFFIC MEIN BHI CELEBRATE KARNA

hero wishes you
THODA EXTRA HAPPY NEW YEAR

On a day when our celebrations are anything but those, bring home your own new Hero bike. Those extra kmpl, those extra happy new year to you!

HERO MILEAGE
EXTRA MILEAGE FOR LIFE

Hero MotoCorp Ltd.



THE SAME GREAT VALUE FROM HERO, NOW FOR LESS!

Your favourite Hero two wheeler is now available for less, thanks to a cut in excise duty. Prices on all Hero two wheelers have reduced - contact your nearest Hero MotoCorp dealership for more details.



EX SHOWROOM PRICE-PUNE*			
Model	Old Price	New Price	Saving
Pi-DeLuxe	44593	43624	969
Splendor PRO	49321	47940	1381
Pionier X PRO	52036	50507	979
Pleasure	44943	43413	1530
Maestro	50349	48819	1530

*Bike Office Hero MotoCorp Ltd., 34 Community Centre, Sector 14, Vasant Vihar, New Delhi - 110047.
 For more information call or see toll-free no. (0800-250-0818) or visit www.heromotoindia.org

जहाँ नहीं, पूरा मचाया,
वहीं है एक हीरो का बादा।

HERO MILEAGE
T A X I S EXTRA 50 KM/100 KM (10%)

हीरो ५-सीटर की निराला सहूलियत, बेमिसल मजबूती और
६ साल की वारंटी से हम, वहीं दायरे में हैं जहाँ भी
आपकी गजबगीर।

Hero



Hero

MAESTRO

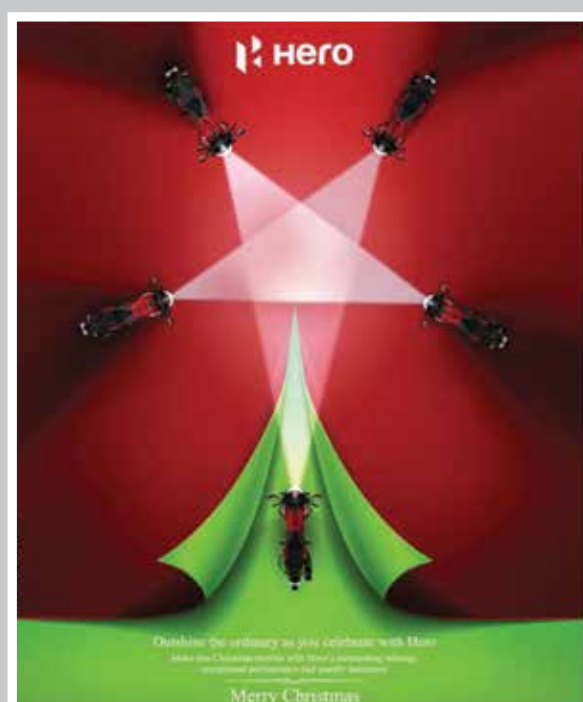
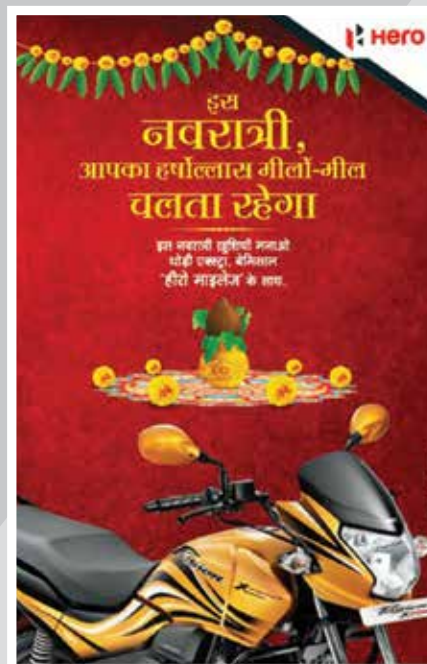
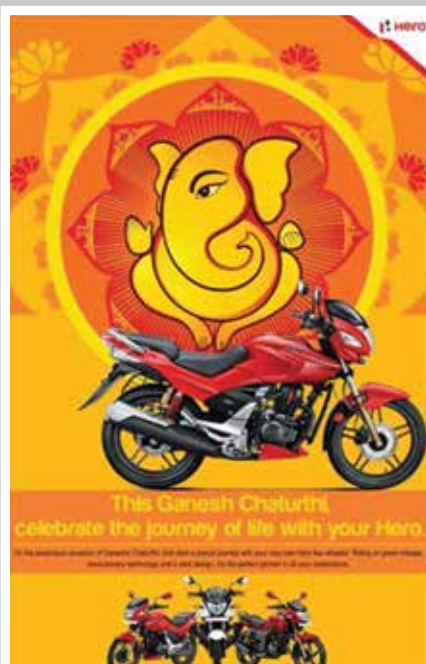
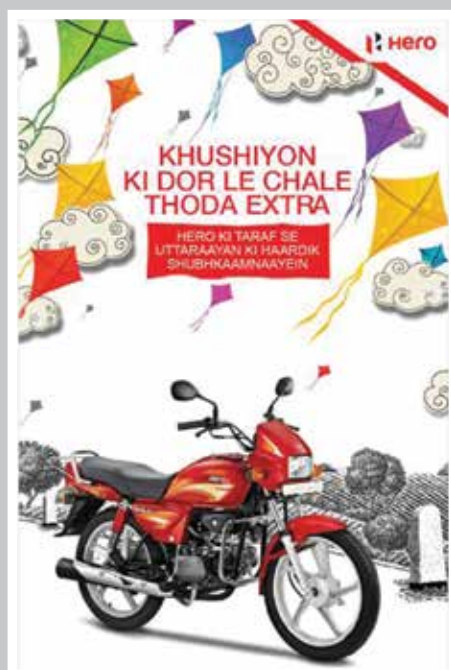
SUCH A BOY THING

Masterful styling. Responsive riding. Incredible power. And sure liquid starts. It's a scooter that packs all this and more. So hop on and let your self go on a Maestro.

5 YEAR WARRANTY

Industrial Base

Attractive finance offer with low down payment of ₹ 5000/-





DIRECTORS' REPORT

DEAR MEMBERS,

The Board of your Company is immensely delighted in presenting its 31st Report. The Report is being presented along with the Audited Statement of Accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS – STANDALONE AND CONSOLIDATED

Particulars	Standalone		(₹ in crores)
	For the year ended		Consolidated
	March 31, 2014	March 31, 2013	March 31, 2014
Gross Sales of Products	27,005.26	25,474.54	27,005.26
Total Revenue	25,721.85	24,166.49	25,719.66
Profit before Finance Costs & Depreciation	3,986.44	3,682.86	3,983.29
Less: Finance Cost	11.82	11.91	11.82
Depreciation	1,107.37	1,141.75	1,107.37
Profit before tax (PBT)	2,867.25	2,529.20	2,864.10
Less: Provision for tax			
- Current	828.21	502.61	828.21
- Deferred	(238.39)	(75.85)	(238.39)
- Minimum Alternate Tax Credit	168.35	(15.72)	168.35
Profit after tax (PAT)	2,109.08	2,118.16	2,105.93
Share of profit/(loss) of associates	-	-	(3.62)
Minority interest	-	-	0.35
Profit for the year			2,102.66
Add: Balance of profit brought forward	3,039.98	2,538.57	3,039.98
Balance available for appropriation	5,149.06	4,656.73	5,142.64
Appropriations			
Dividend			
- Interim	1.16	-	1.16
- Proposed Final	1,297.97	1,198.13	1,297.97
Corporate Dividend Tax	220.79	203.62	220.59
Transfer to General Reserve	215.00	215.00	215.00
Balance carried to Balance Sheet	3,414.14	3,039.98	3,407.72
Dividend (%)	3,250	3,000	-
Basic and Diluted Earnings Per Share (EPS)(Rs.)			
- before exceptional items	105.61	106.07	105.29
- after exceptional items	105.61	106.07	105.29

BUSINESS PERFORMANCE

During the Financial year (FY) your Company clocked the sales of 6,245,960 units depicting an increase of 2.8% over the previous FY 60,75,583 units. The total sales of products (net of excise duty) was increased by 6.5% to ₹ 25,125 crores in the FY under review from ₹ 23,583 crores in previous FY.

Net Revenue from Operations of the Company increased by 6.3%, from ₹ 23,768 crores in FY 2012-13 to ₹ 25,275 crores in FY 2013-14.

Profit before Tax (PBT) has shown a increase of 13.37% from ₹ 2,529 crores in 2012-13 to 2,867 crores in 2013-14. The Company's Profit After Tax (PAT) decreased by 0.4% from ₹ 2,118 crores in 2012-13 to 2,109 crores in 2013-14. Earnings before Interest, Depreciation and Taxes (EBIDTA) margins stood at 14.01% in FY 2013-14 as compared to 13.82% in FY 2012-13. Similarly the operating margins stood at 9.62% in FY 2013-14 as compared to 9.02% in FY 2012-13.



3,250%

Your Directors are pleased to recommend for your approval a Dividend of 3,250%

During the year under review your Company successfully launched the upgraded models of HF Dawn, HF Deluxe, HF Dlx Eco, Passion Pro, Splendor Pro, Splendor Pro Long Seat, Super Splendor, Glamour, Glamour FI, I smart, Pleasure IBS and Pleasure Upgrade. You will be delighted to note that "Splendor" continues to be the largest selling brand in FY 2013-14 as well with 19.6% market share coming from sales of 1,967,006 units.

Though the market share declined from 38.4% in the previous year to 36.4% in the financial year under review, the Company has retained its position as the World's largest Two-Wheeler manufacturer Company for the 12th year in a row.

A detailed discussion on the business performance and future outlook has been given in the chapter on 'Management Discussion and Analysis' (MDA).

DIVIDEND

Continuing with its payout policy, your Directors are pleased to recommend for your approval a Dividend of 3,250% i.e. ₹ 65 (3,000% i.e. ₹ 60 in 2012-13) per Equity Share of the face value of ₹ 2 each, aggregating to ₹ 1,297.97 crores (exclusive of tax on Dividend), for the financial year ended March 31, 2014. The Dividend, if approved will be paid to the eligible members well within the stipulated time.

TRANSFER TO GENERAL RESERVE

In view of the vigorous financial strength of the Company, a sum of ₹ 215 crores being 10.19% of the Profit After Tax of the year under review has been transferred to the General Reserve of the Company.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year under review, the Company has transferred unpaid / unclaimed dividend for the financial year 2005-06 (final) amounting to ₹ 2.37 crores (approx.) to IEPF.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company have occurred between April 1, 2014 and the date of signing of this Report.

AMALGAMATION

As you are aware, that the Company had started the process of amalgamating Hero Investments Pvt. Ltd. (HIPL), its Promoter Company holding 43.33% of the equity share capital with the Company in the FY 2012-13. You will be pleased to note that the same was completed during the year under review with the allotment of shares to the shareholders of HIPL.

CAPACITY EXPANSION, NEW PROJECTS & STRATEGIC ALLIANCES

The construction of the fourth manufacturing plant with an installed capacity of 7.5 lakhs units per annum and a State-of-the-art Global Parts Centre (GPC) at Neemrana, Rajasthan respectively which was commenced in the FY under review is likely to be completed in the current FY. These two facilities would have a total investment of approx. ₹ 550 crores. Both the facilities are coming up over an area of 82 acres and will provide direct employment to over 1,400 people. As part of your Company's philosophy to grow sustainably, these facilities are being set up on Green Building Concept.

Further the construction of the prestigious "Hero Centre of Global Innovation and Research & Design (R&D)" spread over an area of 250 acres at Kukas, near Jaipur in Rajasthan has commenced during the FY 2013-14. This will be the largest two-wheeler R&D centre in the country of its class. This facility would have a total investment of approx. ₹ 450 crores.

Your Company is also creating capacities to ensure long term growth by setting up its fifth plant at Halol in Gujarat with an annual installed capacity of 18 lakhs units. The construction of this plant is expected to start soon.

Your Directors are happy to announce the formation of a strategic joint venture agreement with Italian components giant Magneti Marelli aimed at the production of power train systems for the two wheeler market. Accordingly a JV Company HMC MM Auto Limited was incorporated on November 11, 2013 and was operationalised. This JV is targeting sales of around \$100 million in the first five years. The construction of a JV's production plant has been planned by 2015.

The retail finance arm, Hero FinCorp Ltd. of the Company has been expanding in a phased manner and its services would be available at over 550 dealerships in various parts of the country by the end of March 2015.

GLOBAL FORAYS

During the FY under review your Company made its first ever investment in equity of Erik Buell Racing (EBR) for an aggregate amount of US\$ 25 million. This investment will acquire a 49.2% holding in the invested Company.

Also the Company expanded its global footprint by launching brand "Hero" and its range of products in Central America (Guatemala, Honduras & El Salvador); South America (Peru & Ecuador); East Africa (Kenya), West Africa (Burkina Faso and Ivory Coast) and most recently Asia (Turkey & Egypt).

Your Directors are happy to announce the launch of operations in Turkey through a Distribution Agreement with Asya Makina, subsidiary of Soysal Group to distribute Hero MotoCorp two wheelers through its network of 50 outlets spread across Turkey.

The Company has established its International Assembly units at Kenya, Tanzania and Uganda in East Africa.

During the current FY, the Company entered into its first overseas Joint venture in Bangladesh to set up a two-wheeler manufacturing plant with Nitol Niloy group, in which the Company will hold majority stake of 55%.

BOARD OF DIRECTORS

In terms of the Articles of Association of the Company and the applicable provisions of Companies Act, 1956, the office of Mr. Pradeep Dinodia, Gen. (Retd.) V. P. Malik and Mr. Brijmohan Lall Munjal, Directors would be liable to determination by retirement of Directors by rotation at this Annual General Meeting.

Your Board recommends the re-appointment of Mr. Brijmohan Lall Munjal, Chairman and Whole-Time Director of the Company and appointment of Mr. Pradeep Dinodia and Gen. (Retd.) V. P. Malik as Independent Directors of the Company in terms of Sections 149 and 152 of the Companies Act, 2013, who in the opinion of the Board fulfils the conditions specified in the Act and the rules made thereunder and are Independent of the management.

Further in terms of the provisions of the Companies Act, 2013, Mr. Ravi Nath, Dr. Anand C. Burman, Dr. Pritam Singh and Mr. M. Damodaran, Non-Executive and Independent Directors of the Company whose office are liable to determination by retirement of Directors by rotation have been appointed as Independent Directors in term of Sections 149 and 152 of the Companies Act, 2013 for 5 (five) consecutive years from the date of the 31st Annual General Meeting for a term upto the conclusion of the 36th Annual General Meeting of the Company in the Calendar year 2019.

The Board has received declarations from all the Independent Directors of the Company confirming that they meet with the

criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and who in the opinion of the Board fulfils the conditions specified in the Act and the rules made thereunder and are Independent of the management. Thus the Board recommend their appointment as Independent Directors.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956, which is to the best of their knowledge and belief and according to the information and explanations obtained by them:


1. that in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards have been followed;
2. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at March 31, 2014 and of the Profit of the Company for the financial year ended March 31, 2014;
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, 2014 have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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



Your Company follows a comprehensive system of Risk Management and has adopted a procedure for risk assessment and its minimisation.

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 not only in letter but in spirit.

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 of 4 (four) Non-Executive & Independent professionally qualified Directors, who interact with the Statutory Auditors, Internal Auditors, Cost Auditors and Auditees in dealing with matters within its terms of reference. The Committee mainly deals with accounting matters, financial reporting and internal controls. During the year under review, the Audit Committee met 6 (six) times.

AUDIT COMMITTEE RECOMMENDATION

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

RISK MANAGEMENT SYSTEM

Your Company follows a comprehensive system of Risk Management and 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 Risk Management Process. The Audit Committee and Board reviews periodically the Risk Management Process.

RATINGS

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

CRISIL, during the year under review, has reviewed and reaffirmed the rating of "CRISIL AAA" in Long term instrument Category, "CRISIL AAA" for Working Capital, "FAAA" for Fixed Deposits, "CRISIL A1+" for short term category and "CRISIL GVC Level 1" for Governance and Value Creation Rating respectively to your Company.

FIXED DEPOSITS

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

AUDITORS

M/s. Deloitte Haskins & Sells, 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 Sections 139 and 141 of the Companies Act, 2013. 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 in accordance with Section 148 of the Companies Act, 2013 for the financial year 2014-15. The Cost Auditors' Report for the financial year 2013-14 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 2013 or any enactment thereof.

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 annexed hereto as Annexure - II and forms an integral part of this Report.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report (BRR) required to be prepared by top 100 listed entities, based on market capitalisation at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) has been prepared and forms part of the Annual Report. The Report has been mandated by SEBI for providing initiatives taken by the companies from Environmental, Social and Governance perspective.

LISTING

The shares of your Company are presently listed on BSE and NSE.

PERSONNEL

As on March 31, 2014, the total numbers of employees on the records of the Company were 6,782.

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 Human Dynamism chapter of Management Discussion and Analysis, which forms part of this Annual Report.

PARTICULARS OF EMPLOYEES

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

COMPANIES ACT, 2013

During the current FY the Companies Act, 1956 has been replaced by Companies Act, 2013 and became applicable for every company from April 1, 2014. Your Company has been regular in keeping pace with the fast changes that has become applicable and initiated necessary actions accordingly. Some of the important initiatives are as under:

- a) Modification in terms of Audit Committee;
- b) Modification in terms of Nomination and Remuneration Committee;
- c) Modification in terms of Stakeholders Relationship Committee;
- d) Appointment of Secretarial Auditors;
- e) Setting up of Vigil Mechanism;
- f) Constitution of Corporate Social Responsibility Committee;
- g) Identification of Related parties as per new Act.

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board



Brijmohan Lall Munjal
Chairman
DIN: 00004134

New Delhi
June 20, 2014



ANNEXURE - I TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

PHILOSOPHY ON 'CODE OF CORPORATE GOVERNANCE'

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

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

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

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

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 and Analysis' and 'General Shareholders' Information', constitute the Company's compliance with Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges.

BOARD OF DIRECTORS ("BOARD")

Composition of the Board

As on March 31, 2014, the Company's Board comprised of 11 (eleven) Directors. 3 (three) Directors, including the Chairman, are Executive Directors, 2 (two) are Non-Executive Directors and 6 (six) are Non-Executive and Independent Directors. More than 50 % of the Board consists of Independent Directors; therefore the composition of the Board is in consonance with Clause 49 of the Listing Agreement. Details of the composition of the Board, number of meetings held during the Financial year 2013-14 and attended by them etc., are given in Table 1.

TABLE 1 : DETAILS ABOUT COMPANY'S BOARD OF DIRECTORS

ATTENDANCE RECORD DURING FINANCIAL YEAR 2013-14				DIRECTORSHIPS/MEMBERSHIPS AS ON MARCH 31, 2014		
Name of the Directors	Number of Board Meetings attended by him		Attendance at last AGM	Number of Committee Memberships 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	1	None	8
Mr. Pawan Munjal	5	5	Yes	1	None	5
Mr. Sunil Kant Munjal	5	5	Yes	5	1	12
Non-Executive Directors						
Mr. Suman Kant Munjal	5	4	Yes	1	None	7
Mr. Paul Edgerley	5	5	Yes	None	None	None
Non-Executive and Independent Directors						
Mr. Pradeep Dinodia	5	5	Yes	4	4	8
Dr. Pritam Singh	5	3	Yes	1	1	2
Gen. (Retd.) V. P. Malik	5	4	Yes	1	None	1
Mr. M. Damodaran	5	3	Yes	7	2	9
Dr. Anand C. Burman	5	2	No	None	None	6
Mr. Ravi Nath	5	1	No	1	1	3

Note:

- As required by Clause 49 of the Listing Agreement, the disclosure includes membership/chairmanship of the Audit Committee and Shareholders' Grievance Committee in the Indian Public Companies (Listed and Unlisted) have been considered.

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

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

Board Meetings

During 2013-14, the Board met 5 (five) times on Friday, April 26, 2013; Wednesday, July 24, 2013; Wednesday, September 11, 2013; Wednesday, October 23, 2013 and Thursday, January 30, 2014.

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

The Board passed 4 (four) matters by passing Resolution by Circulation during the financial year 2013-14.

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 or its holding company, its subsidiaries and 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 3 (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 3 (three) years and the legal firm(s) and consulting firm(s) that have a material association with the entity;
- is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director;
- is not a substantial shareholder of the Company i.e. owning 2 (two) percent or more of the block of voting shares; and

- is not less than 21 (twenty one) years of age.

None of the Directors on the Board hold the office of Director in more than 15 (fifteen) Public companies nor are they members in Committees of the Board in more than 10 (ten) Committees or Chairman of more than 5 (five) Committees. Further, there are no pecuniary relationships or transactions between the Independent Directors and the Company, other than 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).

Shareholding of Non-Executive Directors as on March 31, 2014

Name of the Director	Category	No. of shares held	Beneficiary
Mr. Suman Kant Munjal	Non-Executive Director	71,250	Self
		32,500	On behalf of HUF
		1,23,96,840	On behalf of firm
Mr. Pradeep Dinodia	Non-Executive and Independent Director	650	jointly with his wife

Apart from the above, none of the Non-Executive (including Independent) Directors hold any share (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 its 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 and Compensation Committee, Committee of Directors and Committee of Directors-Capital Issue;
- Information on recruitment of Senior Management just below the Board level including appointment or removal of the Chief Financial Officer and the Company Secretary;
- Any material defaults in financial obligations to and by the Company or substantial non-payments for goods sold by the Company;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Materially important show cause, demand, prosecution and penalty notices;
- Details of quarterly foreign exchange exposures and steps taken by the management to limit the risks of adverse exchange rate movement;
- Sale of material nature, of investments and assets, which are not in the normal course of business;
- Details of Joint Ventures and Collaboration 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.;
- Investment strategy/plan;
- Any issue which involves possible public or product liability claims of substantial nature, including any judgment or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company; and

- Significant labour problems and their proposed solutions. Also, any significant development in Human Resources/ Industrial Relations front like signing of Wage Agreement, implementation of Voluntary Retirement Schemes etc.

CODE OF CONDUCT

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

RISK MANAGEMENT

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

The structure also comprises of risk identification and assessment by the concerned departments, identification of controls in place/ mitigation process in place, updation of Risk registers by various departments if required. These reports are consolidated and presented by the Asso. V.P – Legal & Company Secretary before the Board of Directors of the Company.

BOARD LEVEL COMMITTEES

Audit Committee

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

As on March 31, 2014, the Committee comprised of 4 (four) Non-Executive and Independent Directors in accordance with the prescribed guidelines. Mr. Pradeep Dinodia, a leading Chartered Accountant, is the Chairman of the Committee. The other members are Dr. Pritam Singh, Gen.(Retd.) V. P. Malik and Mr. M. Damodaran

all learned personalities in their respective fields. The members of the Committee have adequate knowledge in the field of finance, accounting, and law. The role and "terms of reference" of the Audit Committee includes the following:

■ Overseeing

- the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

■ Recommending

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

■ Reviewing

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

■ Complying

- with the provisions of listing agreement laid down by the Stock Exchange(s) and legal requirements concerning financial statements.

■ Discussing

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

■ Looking

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

■ Approving

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

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

During the year, 6 (Six) meetings of the Audit Committee were held on Friday, April 26, 2013; Tuesday, June 11, 2013; Wednesday, July 24, 2013; Wednesday, October 23, 2013; Thursday, January 30, 2014 and Wednesday, February 19, 2014 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 the Committee member	Position held	No. of meetings held during the Financial Year 2013-14	No. of meetings attended
Mr. Pradeep Dinodia	Chairman	6	6
Gen. (Retd.) V.P. Malik	Member	6	5
Dr. Pritam Singh	Member	6	3
Mr. M. Damodaran	Member	6	3

REMUNERATION AND COMPENSATION 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 and to administer and superintend the ESOP. Accordingly during the financial year ended March 31, 2013, the nomenclature of the said Committee was changed to Remuneration and Compensation Committee.

As on March 31, 2014, the Committee had 3 (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, Asso. V.P. Legal & Company Secretary acts as the Secretary of the Committee.

During the year, 1 (One) meeting of the Committee was held on Friday, April 26, 2013, which was attended by all the members.

Mr. Pawan Munjal, Managing Director & CEO of the Company had attended the Meeting of Remuneration Committee held on Friday, April 26, 2013 as Special Invitee.

TABLE 3: DETAILS OF THE REMUNERATION AND COMPENSATION COMMITTEE

Name of the Committee member	Position held	No. of meetings held during the Financial Year 2013-14	No. of meetings attended
Gen. (Retd.) V.P. Malik	Chairman	1	1
Mr. Pradeep Dinodia	Member	1	1
Mr. Ravi Nath	Member	1	1

Remuneration Policy

Remuneration paid to Executive Directors

The remuneration paid to Executive Directors is recommended by the Remuneration and Compensation Committee and approved by the Board 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 (one)% of the net profit, computed in accordance with Section 198 of the Companies Act, 1956, is paid as per the terms of appointment.

The term of appointment of Executive Directors is 5 (five) years. Further, no notice period and severance fee is applicable for the above-mentioned Executive Directors.

Remuneration paid to Non-Executive Directors

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

In addition to the sitting fees, Non-Executive and Independent Directors are entitled to remuneration by way of commission aggregating upto 0.10 % of net profit of the Company.

Tables 4 and 5 gives detail of remuneration paid to Directors. During 2013-14, the Company did not advance any loans to any of its Directors.

TABLE 4: REMUNERATION TO EXECUTIVE DIRECTORS

(Amount ₹)					
Name of the Director	Basic Salary	Perquisites and Allowances	Contribution to PF and other funds	Commission (Fixed)	Total
Mr. Brijmohan Lall Munjal	38,448,000	28,770,685	4,613,760	298,000,000	369,832,445
Mr. Pawan Munjal	34,560,000	36,954,152	9,331,200	298,000,000	378,845,352
Mr. Sunil Kant Munjal	28,748,129	25,178,238	7,761,994	298,000,000	359,688,361

TABLE 5: REMUNERATION TO NON-EXECUTIVE DIRECTORS

(Amount ₹)			
Name of the Director	Sitting fees	Commission	Total
Mr. Suman Kant Munjal	200,000	-	2,00,000
Mr. Paul Edgerley	20,000	-	20,000
Mr. Pradeep Dinodia*	320,000	2,468,750	2,788,750
Gen.(Retd.) V.P. Malik	200,000	1,418,750	1,618,750
Dr. Pritam Singh	240,000	1,512,500	1,752,500
Mr. M. Damodaran	160,000	937,500	1,097,500
Mr. Ravi Nath	40,000	218,750	258,750
Dr. Anand C. Burman	40,000	250,000	290,000

* ₹ 125,000 commission relating to 2012-13 paid in 2013-14

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, 2014, the Committee had 3 (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, Asso. V.P 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, 3 (Three) meetings of the Shareholders' Grievance Committee were held on Friday, April 26, 2013; Wednesday, July 24, 2013 and Thursday, January 30, 2014.

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 the Committee member	Position held	No. of meetings held during the Financial year 2013-14	No. of meetings attended
Dr. Pritam Singh	Chairman	3	2
Mr. Pradeep Dinodia	Member	3	3
Mr. M. Damodaran	Member	3	2

COMMITTEE OF DIRECTORS

The Company has a Committee of Directors comprising of Mr. Brijmohan Lall Munjal, Chairman; Mr. Pawan Munjal, Managing Director & CEO; Mr. Sunil Kant Munjal, Jt. Managing Director; Mr. Ravi Sud, Sr. Vice President & CFO and Mr. Ilam C. Kamboj, Asso. V.P. Legal & Company Secretary as its members. Mr. Brijmohan Lall Munjal is the Chairman of the Committee.

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

The meeting of the Committee is convened as and when need arises. During the year under review 9 (Nine) meetings of the Committee were held. The attendance record of members of the Committee of Directors is given in Table 7.

TABLE 7: DETAILS OF COMMITTEE OF DIRECTORS

Name of the Committee member	Position held	No. of meetings held during the Financial year 2013-14	No. of meetings attended
Mr. Brijmohan Lall Munjal	Chairman	10	10
Mr. Pawan Munjal	Member	10	10
Mr. Sunil Kant Munjal	Member	10	2
Mr. Ravi Sud	Member	10	10
Mr. Ilam C. Kamboj	Member	10	10

COMMITTEE OF DIRECTORS – CAPITAL ISSUE

Apart from the aforesaid Committees, the Company also has a Committee of Directors – Capital Issue, which was constituted on September 11, 2013 to deal with matters inter-alia relating to

- issue and allotment of shares pursuant to amalgamation; and
- issue of share certificates pursuant to consolidation, splitting, re-materialisation, replacement and loss/misplacement.

The Committee comprises of Mr. Pawan Munjal, Managing Director & CEO as Chairman; Mr. Suman Kant Munjal and Dr. Pritam Singh as its members.

During the year under review, 6 (six) meetings of the committee were held. The attendance record of members of the Committee of Directors – Capital Issue is given in Table 8.

TABLE 8: DETAILS OF COMMITTEE OF DIRECTORS – CAPITAL ISSUE

Name of the Committee member	Position held	No. of meetings held during the Financial year 2013-14	No. of meetings attended
Mr. Pawan Munjal	Chairman	6	6
Mr. Suman Kant Munjal	Member	6	6
Dr. Pritam Singh	Member	6	4

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, Asso. V.P. Legal & Company Secretary are its members.

The meeting of the committee is convened as and when need arises. During the year under review 12 (twelve) 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 their 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 3 (three) years.

Insider Trading

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Insider Trading ("CIT") for its management, staff and relevant business associates. The CIT 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 Wednesday, May 28, 2014. A copy of the certificate on the financial statements for the financial year ended March 31, 2014 and on the Code of Conduct is annexed along with this Report.

APPOINTMENT/ RE-APPOINTMENT OF DIRECTORS

Mr. Pradeep Dinodia, Gen. (Retd.) V. P. Malik and Mr. Brijmohan Lall Munjal, Directors of the Company shall retire by rotation at this Annual General Meeting. Mr. Brijmohan Lall Munjal being eligible would be re-appointed. Further Mr. Pradeep Dinodia and Gen. (Retd.) V. P. Malik, in terms of the provisions of Sections 149 and 152 of the Companies Act, 2013, who in the opinion of the Board fulfils the conditions specified in the Act and the rules made thereunder and are Independent of the management being eligible would be appointed as Independent Directors for 5 (five) consecutive years from the date of 31st Annual General Meeting for a term upto the conclusion of the 36th Annual General Meeting of the Company in the Calendar year 2019 from the date of the Annual General Meeting.

Further in terms of the provisions of the Companies Act, 2013, Mr. Ravi Nath, Dr. Anand C. Burman, Dr. Pritam Singh and Mr. M. Damodaran, Non-Executive and Independent Directors of the Company whose office are liable to determination by retirement of Directors by rotation have been appointed as Independent Directors in term of Sections 149 and 152 of the Companies Act, 2013 for 5 (five) consecutive years from the date of 31st Annual General Meeting for a term upto the conclusion of the 36th Annual General Meeting of the Company in the Calendar year 2019 from the date of the Annual General Meeting.

MEANS OF COMMUNICATION

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

GENERAL BODY MEETINGS

Details of Extra Ordinary General Meeting (EGM)/Annual General Meeting (AGM)

Location, date and time of general meetings held during the last 3 (three) years and Ordinary and Special resolutions passed thereat are given in Table 9.

POSTAL BALLOT

During the financial year March 31, 2014, no resolution has been passed through Postal Ballot.

TABLE 9: DETAILS OF EXTRA ORDINARY GENERAL MEETING (EGM)/ANNUAL GENERAL MEETING (AGM)

Details of EGM held:

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

Details of AGMs held:

Year	Time, Day, Date and Location	Summary of Resolutions Passed
2012-13	10:30 A.M. Wednesday, September 11, 2013 Air Force Auditorium Subroto Park, New Delhi 110 010	Special Resolution <ul style="list-style-type: none"> ■ Renewal of Remuneration by way of commission to Non-Executive and Independent Directors
2011-12	10:30 A.M. Monday, September 10, 2012, Air Force Auditorium Subroto Park, New Delhi 110 010	■ None
2010-11	4:30 P.M. Wednesday, September 28, 2011, Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi 110003	Ordinary Resolutions <ul style="list-style-type: none"> ■ Appointment of Mr. Paul Edgerley as Director of the Company ■ Reappointment of Mr. Toshiaki Nakagawa as Jt. Managing Director of the Company ■ Re-appointment of Mr. Pawan Munjal as Managing Director & CEO of the Company ■ Appointment of Mr. Sunil Kant Munjal as the Jt. Managing Director of the Company Special Resolution <ul style="list-style-type: none"> ■ Re-appointment of Mr. Brijmohan Lall Munjal as Chairman and Director in the whole-time employment of the Company

General Shareholder's Information

ANNUAL GENERAL MEETING

Date	: August 5, 2014
Day	: Tuesday
Time	: 10.00 A.M.
Venue	: Air Force Auditorium Subroto Park

FINANCIAL CALENDAR: Financial year: April 1 to March 31

For the financial year 2013 – 14	Results were announced on
First quarter ended June 30, 2013	Wednesday, July 24, 2013
Second quarter and half year ended September 30, 2013	Wednesday, October 23, 2013
Third quarter and nine months ended December 31, 2013	Thursday, January 30, 2014
Fourth quarter and year ended March 31, 2014	Wednesday, May 28, 2014

For the financial year 2014-15	Results are likely to be announced on (Tentative and subject to change)
First quarter ending June 30, 2014	July, 2014 (3rd Week)
Second quarter and half year ending September 30, 2014	October, 2014 (3rd Week)
Third quarter and nine months ending December 31, 2014	January, 2015 (3rd Week)
Fourth quarter and year ending March 31, 2015	April, 2015 (3rd Week)

BOOK CLOSURE

The dates of book closure shall be from Saturday, July 5, 2014 to Wednesday, July 9, 2014 (both days inclusive).

DIVIDEND PAYMENT

The Board of Directors has recommended a Dividend @ 3,250 % i.e. ₹ 65 per equity share for the financial year 2013-14. 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, July 9, 2014. 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, July 4, 2014 as per details furnished by the Depositories for this purpose.

LISTING ON STOCK EXCHANGE

As on March 31, 2014, the securities of the Company are listed on the following exchanges:

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

LISTING FEES

Listing fees for the year 2014-15 has been paid to the stock exchanges, wherein the equity shares of the Company are listed (i.e. BSE & NSE) within the stipulated time.

STOCK CODES

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

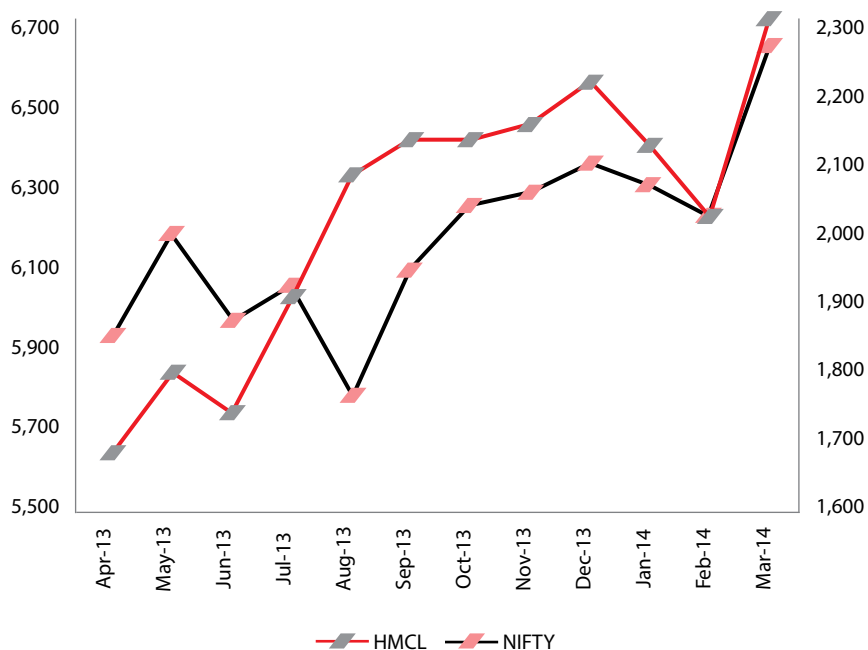
	Scrip Code	Reuters Code	Bloomberg
BSE	500182	HROM.BO	HMCL:IN
NSE	HEROMOTOCO	HROM.NS	HMCL:IN

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) are given in Table 10.

TABLE 10: SHARE PRICE DATA FOR 2013-14 (IN ₹) (SHARES OF ₹ 2 PAID UP VALUE)**National Stock Exchange of India Limited, Mumbai (NSE)**

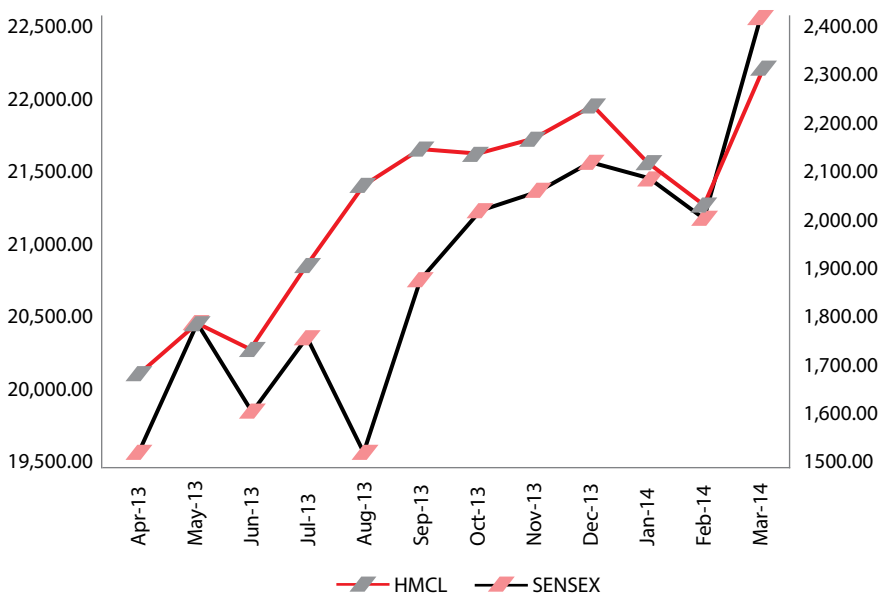
Month	Total Volume (No. of Sh.)	High (₹)	Date	Volume on that date	Low (₹)	Date	Volume on that date
Apr '13	8,600,809	1,683.85	29-Apr-13	805,566	1,435.00	15-Apr-13	224,062
May '13	6,630,111	1,795.60	29-May-13	571,987	1,587.15	03-May-13	203,386
Jun '13	5,006,578	1,739.90	03-Jun-13	214,534	1,563.60	25-Jun-13	253,854
Jul '13	9,081,530	1,899.80	29-Jul-13	413,969	1,638.00	07-Jul-13	125,259
Aug '13	11,194,207	2,075.00	30-Aug-13	2,202,945	1,780.05	02-Aug-13	251,833
Sep '13	7,410,665	2,130.00	11-Sep-13	365,589	1,880.00	03-Sept-13	278,259
Oct '13	6,311,854	2,130.00	24-Oct-13	457,575	1,980.15	01-Oct-13	415,029
Nov '13	6,340,525	2,150.00	01-Nov-13	565,276	1,967.00	22-Nov-13	551,204
Dec '13	6,482,880	2,209.95	11-Dec-13	391,058	2,022.00	04-Dec-13	182,977
Jan '14	6,423,278	2,119.00	03-Jan-14	310,195	1,953.25	31-Jan-14	763,748
Feb '14	4,599,605	2,019.90	10-Feb-14	58,916	1,907.10	21-Feb-14	238,617
Mar '14	7,605,262	2,300.00	31-Mar-14	225,297	1,939.00	04-Mar-14	193,844

HERO MOTOCORP'S SHARE PRICE MOVEMENT VIS-A-VIS NIFTY

Note: The above chart depicts comparison of monthly high of HMCL and Nifty share price.

BSE Limited, Mumbai (BSE)

Month	Total Volume (No. of Sh.)	High (₹)	Date	Volume on that date	Low (₹)	Date	Volume on that date
Apr '13	1,019,242	1,684.00	29-Apr-13	80,428	1,434.05	15-Apr-13	15,590
May '13	504,094	1,793.90	29-May-13	56,399	1,589.00	03-May-13	27,648
Jun '13	435,862	1,738.90	03-Jun-13	22,860	1,565.95	25-Jun-13	18,436
Jul '13	475,305	1,898.70	29-Jul-13	21,180	1,636.00	05-Jul-13	10,304
Aug '13	677,079	2,059.00	30-Aug-13	51,792	1,777.80	02-Aug-13	12,358
Sep '13	665,584	2,127.70	11-Sept-13	47,274	1,879.00	03-Sep-13	29,675
Oct '13	583,005	2,125.00	24-Oct-13	48,486	1,983.50	01-Oct-13	33,268
Nov '13	332,073	2,149.65	01-Nov-13	79,455	1,969.90	22-Nov-13	17,899
Dec '13	532,995	2,214.70	10-Dec-13	42,866	1,996.00	04-Dec-13	16,331
Jan '14	414,424	2,115.00	03-Jan-14	15,265	1,955.00	31-Jan-14	44,055
Feb '14	287,351	2,020.15	10-Feb-14	6,732	1,907.00	21-Feb-14	20,580
Mar '14	361,169	2,298.00	31-Mar-14	14,752	1940.70	04-Mar-14	11,808

HERO MOTOCORP'S SHARE PRICE MOVEMENT VIS-A-VIS SENSEX

Note: The above chart depicts comparison of monthly high of HMCL and Sensex share price.

DISTRIBUTION OF SHAREHOLDING BY SIZE

Table 11 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, 2014.

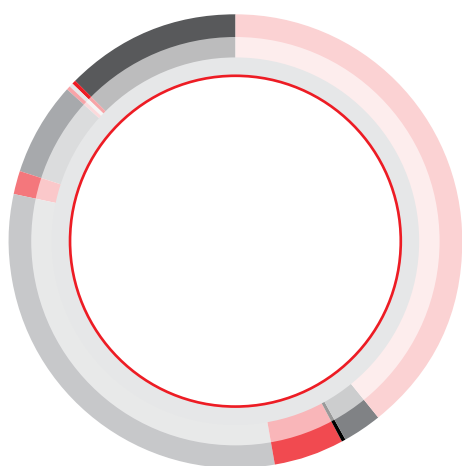
TABLE 11

No. of shares held (₹ 2/- paid up)	Folios		Shares of ₹ 2 paid up	
	Numbers	%	Numbers	%
Upto 500	55,233	86.74	3,925,415	1.97
501 - 1000	6,018	9.45	4,526,308	2.26
1001 - 5000	1,723	2.71	3,446,319	1.73
5001 - 10000	205	0.32	1,463,731	0.73
10001 - w50000	268	0.42	6,306,728	3.16
50001 & Above	228	0.36	180,018,999	90.15
Total	63,675	100.00	199,687,500	100.00

Shareholding Pattern as on March 31, 2014

Category	No. of Holders	No. of Shares Held	% total to No. of Shares	No. of Shares Dematerialised	% of Share Dematerialised
Indian Promoter group	20	79,712,482	39.92	79,712,482	39.92
Mutual Funds / UTI	200	5,295,850	2.65	5,232,380	2.63
Financial Institutions / Banks	42	540,811	0.27	522,106	0.26
Insurance Companies	32	10,187,517	5.10	10,187,517	5.10
Foreign Institutional Investors	501	61,522,822	30.81	61,484,622	30.79
Bodies Corporate	1,100	3,311,160	1.66	3,282,444	1.64
Indian Public	60,075	12,771,475	6.40	9,374,759	4.69
Trusts	39	1,003,018	0.50	1,003,018	0.50
Clearing Members	381	562,329	0.28	562,329	0.28
Non Resident Indians	1,283	233,028	0.12	232,957	0.12
Foreign Bodies	2	24,547,008	12.29	24,547,008	12.29
Total	63,675	199,687,500	100.00	196,141,622	98.22

SHAREHOLDING PATTERN AS ON MARCH 31, 2014

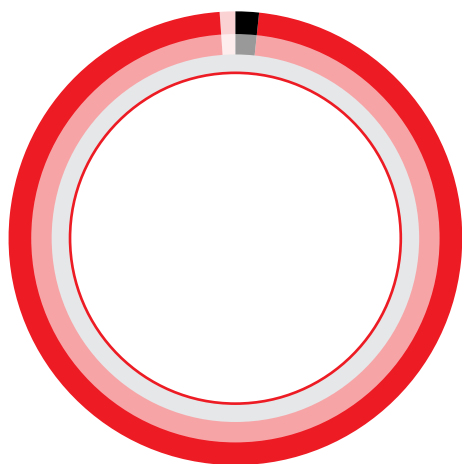


PROMOTERS	
Indian	39.92
Foreign	-
PUBLIC SHAREHOLDING	
Mutual Funds / UTI	2.65
Financial Institutions / Banks	0.27
Insurance Companies	5.10
Foreign Institutional Investors	30.81
Bodies Corporate	1.66
Indian Public	6.40
Trusts	0.50
Clearing Members	0.28
Non Resident Indians	0.12
Foreign Bodies	12.29
Grand Total	100

Category of Shareholding as on March 31, 2014

Category	No. of Holders	% to Total Holders	Total Equity Shares	% to Equity Shares
Physical	7,037	11.05	3,545,878	1.78
NSDL	40,708	63.93	194,062,456	97.18
CDSL	15,930	25.02	2,079,166	1.04
Total	63,675	100.00	1,99,687,500	100.00

CATEGORY OF SHAREHOLDING AS ON MARCH 31, 2014



Category	% to Equity
NSDL	97.18
CDSL	1.04
Physical	1.78
Total	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

The shares of the Company are traded in compulsory demat segment. As on March 31, 2014, 98.22 % of the total share capital is held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). During the year under review, share certificates involving 208,339 shares of ₹ 2 each, were dematerialised by the shareholders, however share certificates involving 3 shares of ₹ 2 each, were rematerialised. During the year under review, the net dematerialisation represents 98.22 % 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 3 (three) years.

Registrar & Share Transfer Agent

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

Karvy Computershare Private Ltd.
(Unit: Hero MotoCorp Ltd.)
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081,
Tel No: 040-2342 0818
Fax: 040-2342 0814
Toll Free No: 1-800-3454-001
E-mail: einward.ris@karvy.com
Website: www.karvycomputershare.com

Karvy Computershare Private Ltd.
(Unit: Hero MotoCorp Ltd.)
305, New Delhi House,
27, Barakhamba Road,
New Delhi – 110 001
Tel : 011-4368 1700
Fax : 011-4368 1710
www.karvycomputershare.com

SHARE TRANSFER SYSTEM

The total numbers of shares transferred during the financial year 2013-14 were 19,937 (No. of cases 56), deletion of name 8,600 (No. of cases 6), transmission of shares 13,380 (No. of cases 10) and Transposition of Shares 890 (No. of cases 2) 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 12 lists the complaints/requests/queries received and redressed during 2013-14. 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 12: COMPLAINTS/REQUESTS RECEIVED AND REDRESSED DURING 2013-14

Sl. No	Nature of Complaints/ Requests	Opening	Received	Resolved	Closing
1.	Non receipt of shares	1	47	48	-
2.	Request for issue of duplicate shares	7	240	247	-
3.	Non receipt of dividend warrants	-	219	219	-
4.	Change of address	-	206	205	1
5.	Mandate cases/bank description	-	3	3	-
6.	Miscellaneous (Shares)	-	1	1	-

COMPANY'S REGISTERED ADDRESS

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

PLANT LOCATIONS**Gurgaon Plant**

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

Dharuhera Plant

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

Haridwar Plant

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

NON-MANDATORY REQUIREMENTS

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

Investors' Correspondence may be addressed to:

Mr. Ilam C. Kamboj
Asso. V.P. Legal & Company Secretary &
Compliance Officer,
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057
E-mail: ilam.kamboj@heromotocorp.com

Or

Karvy Computershare Private Limited
(Unit: Hero MotoCorp Ltd.)
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500081
Tel No.040-2342 0818
Fax: 040-2342 0814
Toll Free No: 1-800-3454-001
E-mail : einward.ris@karvy.com
Website: www.karvycomputershare.com

QUERIES RELATING TO THE FINANCIAL STATEMENTS OF THE COMPANY MAY BE ADDRESSED TO:

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

QUERIES/COMPLAINTS RELATING TO PRODUCTS, SERVICES OR DEALERS ETC. ONLY BE ADDRESSED TO:

Customer Care
Hero MotoCorp Ltd.
34, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057 or to the
e-mail: customercare@heromotocorp.com

For and on behalf of the Board


Brijmohan Lall Munjal

Chairman

DIN: 00004134

New Delhi
June 20, 2014

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. for the year ended March 31, 2014, 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.

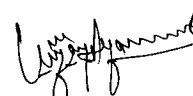
Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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 **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Registration No. 015125N)



Vijay Agarwal

Partner

(Membership No.094468)

New Delhi
June 20, 2014

CERTIFICATE OF CEO & CFO

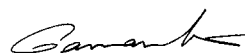
CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

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

1. We have reviewed the Financial Statements of the Company for the year ended March 31, 2014.
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 2014-15.

For Hero MotoCorp Ltd.

For Hero MotoCorp Ltd.




New Delhi
May 28, 2014

Pawan Munjal
Managing Director & CEO

Ravi Sud
Sr. Vice President & CFO

ANNEXURE - II TO DIRECTORS' REPORT

Information Under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2014;

I. CONSERVATION OF ENERGY**A) Techno-economic viability of few energy saving proposals are being carried out and few proposals have been already implemented****Energy conservation measures taken during the year and their impact****■ Green Initiatives –****Installed**

- a. Light pipe, occupancy sensor in all plants.
- b. Solar Energy Panels of 80KWP to save 10MWH during the year.

Replaced

- a. Conventional Task lights & Street lights with LED lights.
- b. Air Supply unit heating system conversion from Steam to LNG.

■ Resource Conservation –

- a. Auto Operation of Plant Forced Draft Ventilation (FDV's).
- b. KWH reduction on Natural Wind Discharge (NWD's).
- c. Automation of dust collector panels.
- d. Auto light conservation of utility & in-plant.
- e. Enhancing Sewage Treatment Plant (STP) to recycle water by installing intermediate Tank from 100KL/day to 180 KL/day.
- f. Installing Effluent Treatment Plant to Recycle waste water 150KL per day.
- g. Installing Mechanical Evaporator to attain Zero Liquid Discharge to evaporate 30KL per day.

■ Energy efficiency measures-

- a. Reduction in power consumption in SM paint shop pumps by installation of Variable Frequency Drive (VFD).
- b. Extra tube lights removal from Frame Assembly Direct On Line area.
- c. VFD provision in 1500 CFM Compressor.
- d. Moved over to NG in place of propane in paint shops which is less stressed fuel than propane and available at cheaper price.
- e. Using Heat Recovery Boiler to avoid running LNG fired Boiler.
- f. Installed 450 sets of 21W LED lighting in Machine Shop.
- g. Installation of 6 Nos of VFD in paintshop Blowers.
- h. Focussed efforts to avoid wastages in paint shop during off-days and public holidays.
- i. Thyristorised Controller in Heaters of Furnaces.
- j. Installed Small compressor in Heat Treatment plant to avoid running Main compressor on Off day.
- k. Installed IE3 motors and Energy Efficient pumps.
- l. Replaced old and inefficient 651CFM centrifugal compressors by Energy efficient Oil free compressors.

B) Additional investments and proposals being implemented for reduction of consumption of energy

Investments for reduction of consumption of energy in the below proposed area:

■ **Green Initiatives –**

- a. Solar Power plant of 1MW.
- b. Solar heating for canteen cooking.
- c. Installation of Vapour Absorption machines on Gas Engines.
- d. Installation of PhotoVoltaic Solar power plant of 500KWP.
- e. Replacement of 3,000 Conventional Tube Rods with LED Rods.

■ **Resource Conservation –**

- a. VFD Installation in FDV blowers.
- b. VFD installation in exhaust blowers of paint shop.
- c. Re-routing of storm water for recycling purpose in the ETP Recycle plant to achieve 150 KL per day.
- d. Conversion of Diesel Generator set to Dual fuel in HSD & LNG.

■ **Energy efficiency measures-**

- a. Restoration and Installation of Capacitor panels for improving Power factor at load.
- b. Installation of 25VFDs for Blower application in FDV, Washing machines, cooling towers and Paint shop Blowers.
- c. Replacing old & rewound motors with Energy Efficient IE3 motors.
- d. Replacing more than 10 year old and worn out pumps with Energy Efficient pumps.
- e. Replacing more than 10 year old Air Conditioners with Bureau of Energy Efficiency star rated A/Cs.

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 2013-14: Approx. Annual Savings on Vehicles Produced - ₹ 9.94 million.

For FY 2014-15: Expected Approx Annual Saving on Vehicles to be Produced - ₹ 17 million.

D) Total energy consumption and energy consumption per unit of production as per Form - A is given in Table - A.

II. PARTICULARS AS PER FORM B

(A) Research & Development (R&D)

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

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

■ **Benefits derived as a result of the above R&D Activities**

- a. Launched following models :
 - Domestic Launches - 17
 - Global Business Launches - 7

- b. Multi source Components - 506
- c. 108 new sources added for existing models
- d. Compliance to Regulations
 - EMC.
 - Tell Tails, Symbols & Controls (AIS 071).
 - Spray Suppression Systems (AIS 107).
 - Brake Hose (As per IS:7079).
 - Regulation compliance for Turkey, Peru, Colombia.

■ Future Plan of Action

- a. New Model Launch
- b. Participation at different Forums for formation of 2-Wheelers Regulations in India & GTRs.
- c. Compliance Plan for Future Regulations
 - GTR-3 (Brakes).
 - BS-IV Emission Regulation.
 - Evaporative Emission Norms.
 - F.E Norms.
 - Lighting Installation (Revised Regulation).
- d. Expansion in Global market.

■ Expenditure on R & D

Particulars	For the year ended	
	March 31, 2014	March 31, 2013
Capital	37.78	26.45
Recurring	89.16	59.76
Total R&D expenditure as a percentage of total revenue (as per statement of Profit & Loss)(%)	0.49	0.36

(B) Technology absorption, adaption and innovation

1. Efforts in brief, made in technology absorption, adaption and innovation

- More parts development Approval in India
- 13 patents applied however, major ones are as follows
 - Idle Start Stop Switch (i3S).
 - Side Stand Indicator.
 - Integrated Braking System (Brake Actuator).
 - Fuel Lid.
 - Gas Liquid Separation Apparatus.
 - Vehicle Operational Status Monitoring System.
- Designs registered / filed - 77

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.
3. **In case of imported technology imported during last 5 years reckoned from the beginning of the financial year.**
 - Low Friction High F.E Engine Technology.
 - Emission Devices - Low Cost Cat.Converter.
 - Engine Balancer.
 - Combined Braking System.
 - "O" Ring Chain.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Export Activities/Initiatives to Increase Exports/Development of New Export Markets/Export Plans

Export Initiatives 2013-14

During the year under review, the Company:

- a) Exported 130,763 two-wheelers and Spare Parts worth ₹ 40.04 crores during the FY 2013-14.
- b) Following activities helped us achieve this figure:
 - Laying Foundation for Global Business and Tram Ramp up for focus on each country.
 - Focus on strengthening Hero's presence in existing markets like Nepal and Sri Lanka.
 - Entry into 16 New Markets - Guatemala, El Salvador, Honduras, Peru , Ecuador, Kenya, Burkina Faso, Ivory Coast, Angola, DRC, Mozambique, Tanzania, Uganda, Egypt , Turkey & Bangladesh.
 - Creation of 4 Completely Knocked Down (CKD) & 14 Semi Knocked Down (SKD) Assembly Plants through Distributors.
 - Creation of Sales & Service Network – 675 touch points.
 - Creation of State of the Art Signature Set ups for Hero.
 - Registration of Trade Mark and product registration in the international markets.
 - Creation of Customised products –
 - Taxi for the African Markets in 100cc, 125cc and 150cc Africa Centric model.
 - 3 models for Turkey meeting the Euro 3 norms.

Export Plan For 2014-15

To further strengthen the Global Business, your Company will have more focus on the Exports Markets. The planned activities are:

- a) Achievement of 250k units.
- b) Launch "Hero" Brand in New Markets namely Nigeria, Ethiopia & Nicaragua.
- c) Consolidation in Existing Markets.
- d) Commencement of work for setting up manufacturing plants in Bangladesh & Colombia.

B. Earnings and outgo

Foreign exchange earnings during the period under report were ₹ 470.09 crores, compared to ₹ 624.46 crores in the previous year.

On account of Royalty, Technical Guidance Fee, Model Fee, Travel and other accounts and Advertisement and Publicity, the foreign exchange outgo was ₹ 350.77 crores, compared to ₹ 203.09 crores in the previous year.

Outgo for import of components, spare parts, raw materials and capital goods was ₹ 1,320.00 crores compared to ₹ 1,153.95 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 in nos.)	1,795,996	1,820,360	1,899,432	1,969,617	2,541,859	2,271,636
1. Electricity						
(A) Purchased Units (KWH)	Nil	Nil	14,571,933	7,272,760	35,317,206	29,614,905
Total Amount (₹)	Nil	Nil	109,425,597	48,393,576	165,391,888	135,626,599
Rate/unit (₹)	Nil	Nil	7.51	6.65	4.68	4.58
(B) Own generation						
(i) Through Diesel Generator- High Speed Diesel Oil						
Units	2,306,479	25,223,261	13,782,767	19,672,479	2,155,509	6,079,806
Units per ltr. of Diesel Oil	3.56	3.69	3.74	3.64	3.59	3.63
Cost / Unit	14.13	10.99	14.67	11.18	15.16	10.52
(ii) Through Steam Turbine / Generator						
Units	Nil	Nil	Nil	Nil	Nil	Nil
Units per ltr. of Fuel Oil / Gas	Nil	Nil	Nil	Nil	Nil	Nil
Cost / Unit	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Through Furnace Oil Generator						
Units	23,699,514	Nil	Nil	Nil	Nil	Nil
Units per kg. of Furnace Oil	4.02	Nil	Nil	Nil	Nil	Nil
Cost / Unit	10.72	Nil	Nil	Nil	Nil	Nil
(iv) Through Natural Gas Generator						
Units	29,653,000	32,850,319	23,739,840	28,126,125	Nil	Nil
Units per SCM of Natural Gas	3.81	3.86	3.80	3.87	Nil	Nil

Particulars	Gurgaon Plant		Dharuhera Plant		Haridwar Plant	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cost / Unit	9.28	7.02	9.33	7.10	Nil	Nil
Total Own Generation						
Units	55,658,993	58,073,580	37,522,607	47,798,604	2,155,509	6,079,806
Units per Fuel Unit	3.88	3.78	3.78	3.77	3.59	3.63
Cost / Unit	9.82	8.74	11.29	8.78	14.87	10.52
2 Coal (specify quality and where used)						
Quantity (tonnes)	Nil	Nil	Nil	Nil	Nil	Nil
Total Cost	Nil	Nil	Nil	Nil	Nil	Nil
Average Rate	Nil	Nil	Nil	Nil	Nil	Nil
3 LVFO						
Quantity (K. Ltrs.)	Nil	Nil	Nil	Nil	Nil	Nil
Total Amount	Nil	Nil	Nil	Nil	Nil	Nil
Average Rate	Nil	Nil	Nil	Nil	Nil	Nil
4 Diesel for steam generation and others						
Quantity - Ltrs.	92,285	1,09,783	1,47,556	4,31,179	9,84,765	1,109,937
Total Cost	4,978,698	4,482,790	8,116,774	17,548,985	54,197,349	43,509,530
Rate / Unit	53.95	40.83	55.01	40.70	54.41	39.20
5 Natural / Propane Gas for steam generation + heating *						
Quantity – SCM	93,484	1,47,790	6,96,993	1,575,249	98,341	NIL
Total cost	3,445,982	4,025,884	25,075,922	43,319,348	6,250,741	NIL
Rate / unit	36.86	27.24	35.98	27.50	63.56	NIL
B. Consumption per unit of Production						
Products (with details) unit-Production Qty	1,796,225	1,820,360	1,899,432	1,969,617	2,541,859	2,271,636
Electricity (Kwh. / Veh.)	30.99	31.82	27.43	27.96	14.74	15.71
LVFO (Ltrs. / Veh.)	Nil	Nil	Nil	Nil	Nil	Nil
Diesel (Ltrs. / Veh.)**	0.05	4.71	1.94	2.75	0.24	0.74
Natural Gas (SCM / Veh.)**	0.05	3.40	3.29	3.69	Nil	Nil

- *In reference to point no.5, Natural Gas is used at Dharuhera and Gurgaon plant and Propane Gas is for Haridwar plant.
- **Diesel (Ltrs/Veh) and Natural Gas (SCM/Veh) are shown only w.r.t. Items No.A-1 [B (i to iv)].

BUSINESS RESPONSIBILITY REPORT

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company

L35911DL1984PLC017354

2. Name of the Company

Hero MotoCorp Ltd.

3. Registered Address

34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110 057, India

4. Website

www.heromotocorp.com

5. E-mail Id

hmclbr@heromotocorp.com

6. Financial Year reported

2013-14

7. Sector(s) that the Company is engaged in (industrial activity code-wise)

*Group	Class	Sub-Class	Description
309	3091	30911	Manufacture of motorcycle, scooters, and their engine#.

*As per classification under National Industrial Classification, Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India, New Delhi.

#It may be noted that Company manufactures the parts of motorcycles and scooters also.

8. List three key products/services that the Company manufactures/ provides (as in balance sheet).

Motorcycles, Scooters and parts thereof

9. Total number of locations where business activity is undertaken by the Company

9.1. Number of International Locations (Provide details of major 5)

Nil.

9.2. Number of National Locations

We have manufacturing plants in 3 locations across the country

State/Union Territory	Location
Haryana	Dharuhera
Haryana	Gurgaon
Uttarakhand	Haridwar

10. Markets served by the Company - Local/State/National/International

We have a global footprint that serves both in "National and International markets. International markets are served through exports.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (₹)

₹ 39.94 crores

2. Total Turnover (₹)

₹ 25,275.47 crores

3. Total profit after taxes (₹)

₹ 2,109.08 crores

4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)

Our total spending on CSR is ₹ 13,810,312 which is 0.06% of PAT.

5. List of activities in which expenditure in 4 above has been incurred.

- i. Education
- ii. Medical
- iii. Armed Force Welfare

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?

Yes

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

As the Subsidiary Companies have been recently incorporated, they have not started participating in the BR initiatives.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

Hero actively engages with its suppliers through its BR initiatives. Currently, percentage of suppliers under the Green Vendor Development Program (GVDP) is more than 60% of total supplier universe.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

1.1 Details of the Director/Directors responsible for implementation of the BR policy/policies

- DIN Number : 00004223
- Name : Mr. Pawan Munjal
- Designation : Managing Director & CEO

1.2 Details of the BR head: Mr. Pawan Munjal

2. Principle-wise (as per National Voluntary Guidelines ("NVG")) BR Policy/policies:-

2.1 Do you have policy/policies for:

Principle 1 : Ethics, transparency & accountability

Yes. Our policies under this principle include (a) Code of Conduct (b) Insider Trading Code and (c) Policy on Sexual Harassment.

Principle 2 : Sustainability in life-cycle of product

Currently we don't have any laid down policy on Product Life Cycle Sustainability. In this aspect, we are guided by our policies concerning Quality, Environment and Service. In addition, we have specific certifications that govern our management systems such as ISO 9001, ISO 14001 and OHSAS 18001.

Principle 3 : Employee well-being

Yes. Our policies under this principle include several policies such as (a) Superannuation / National Pension Scheme (b) Employee Mutual Medical Benefit Scheme (c) Policy on Sexual Harassment (d) Post Retirement Medical Insurance Fund Scheme and (e) Our overarching Code of Conduct. Annual Executive health checkup program, also we have medi-claim policy for the employees and his /her dependents.

Principle 4 : Stakeholder engagement

Yes. Our policy under this principle includes our Code of Conduct which guides the manner in which we deal with our stakeholders.

Principle 5 : Promotion of human rights

Yes. All our policies are reflective and cognizant of promotion of human rights.

Principle 6 : Environmental protection

Yes. We are guided by our policies concerning Green IT and Environment. In addition, we have specific certifications that govern our management systems such as ISO 9001, ISO 14001 and OHSAS 18001.

Principle 7 : Responsible public policy advocacy

No.

Principle 8 : Inclusive growth

We are currently in the process of setting up a formal CSR policy.

Principle 9 : Customer value

Yes. We have specific policies concerning Service, Warranty and Quality that govern respective aspects in customer value management.

2.2 Has the policy been developed in consultation with relevant stakeholders?

Principle 1 : Ethics, transparency & accountability

No formal consultation was undertaken in development of relevant policies. Our policies have been designed keeping in consideration our organisation requirements, current trends and best practices in the two-wheeler industry.

Principle 2 : Sustainability in life-cycle of product

Quality & Environment Policy was developed in consultation with relevant key employees and top management. Service policy is informed by needs and expectations of customers as communicated by our field staff.

Principle 3 : Employee well-being

No formal consultation was undertaken in development of relevant policies. Our policies have been designed keeping in consideration our organisation requirements, current trends and best practices in the two-wheeler industry.

Principle 4 : Stakeholder engagement

No formal consultation was undertaken in development of relevant policies. Our policies have been designed keeping in consideration our organisation requirements, current trends and best practices in the two-wheeler industry.

Principle 5 : Promotion of human rights

No formal consultation was undertaken in development of relevant policies. Our policies have been designed keeping in consideration our organisation requirements, current trends and best practices in the two-wheeler industry.

Principle 6 : Environmental protection

Environment Policy was developed in consultation with relevant key employees and top management. Green IT Policy has also been developed in consultation with relevant key employees and top management.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

Service Policy is informed by needs and expectations of customers as communicated by our field staff. The warranty policy has been developed post taking inputs from the field and the plant. Quality Policy was developed in consultation with relevant key employees and top management.

2.3 Does the policy conform to any national /international standards? If yes, specify.

Principle 1 : Ethics, transparency & accountability

The Code of Conduct is premised upon eight key principles and is unique. As such, our Code is emblematic of comprehensive and global best practices in letter and spirit, though it does not conform to any national or international standards per se. The Code of Conduct conforms to the CODEX as researched and published by Harvard Business School Publishing (HBSP). The Policy on Sexual Harassment and Insider Trading Code has not been made based on any national / international standards. The Policy on Insider Trading Code has been made based on SEBI Regulation and the policy on Sexual Harassment has been made based on Sexual Harassment at the Workplace Act & Rules, 2013.

Principle 2 : Sustainability in life-cycle of product

Our Environment policy is informed by our management systems such as ISO 9001, ISO 14001 and OHSAS 18001, which are governed by global best practices and are also externally audited.

Principle 3 : Employee well-being

The Code of Conduct is premised upon eight key principles and is unique. As such, our Code is emblematic of comprehensive and global best practices in letter and spirit, though it does not conform to any national or international standards per se. The Code of Conduct conforms to the CODEX as researched and published by Harvard Business School Publishing (HBSP). The National Pension Scheme is run by Government of India and is being used on an as-is basis. The Policy on Sexual Harassment, Post Retirement Medical Insurance Fund Scheme and Employee Mutual Medical Benefit Scheme has not been made based on any national / international standards.

Principle 4 : Stakeholder engagement

The Code of Conduct is premised upon eight key principles and is unique. As such, our Code is emblematic of comprehensive and global best practices in letter and spirit, though it does not conform to any national or international standards per se. The Code of Conduct conforms to the CODEX as researched and published by Harvard Business School Publishing (HBSP).

Principle 5 : Promotion of human rights

The Code of Conduct is premised upon eight key principles and is unique. As such, our Code is emblematic of comprehensive and global best practices in letter and spirit, though it does not conform to any national or international standards per se. The Code of Conduct conforms to the CODEX as researched and published by Harvard Business School Publishing (HBSP).

Principle 6 : Environmental protection

Our Environment policy is informed by our management systems such as ISO 9001, ISO 14001 and OHSAS 18001, which are governed by global best practices and are also externally audited. Our Green IT policy does not conform to any national/ international standards.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

The Service policy is driven by our internal service standards for ensuring customer satisfaction. It has not been prepared to conform to any national or international standards. Our quality policy is informed by ISO 9001 systems on Quality Management, which are governed by global best practices and are also externally audited.

2.4 Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?

Principle 1 : Ethics, transparency & accountability

The Code of Conduct is approved by the Chairman and MD & CEO of the Company. The Insider Trading Code has been approved by the Board. The Policy on Sexual Harassment is a HR Policy.

Principle 2 : Sustainability in life-cycle of product

The policies are signed off by the MD & CEO of the Company.

Principle 3 : Employee well-being

The Code of Conduct is approved by the Chairman and MD & CEO of the Company.

Principle 4 : Stakeholder engagement

The Code of Conduct is approved by the Chairman and MD & CEO of the Company.

Principle 5 : Promotion of human rights

The Code of Conduct is approved by the Chairman and MD & CEO of the Company.

Principle 6 : Environmental protection

The policy on Environment is signed off by the Chairman and MD & CEO of the Company.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

The policy on Quality has been signed off by the MD & CEO of the Company.

2.5 Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?

Principle 1 : Ethics, transparency & accountability

There is a committee for Code of Conduct and Policy on Sexual Harassment. The Insider Trading Code is supervised and monitored by the Board of Directors.

Principle 2 : Sustainability in life-cycle of product

There is a Management Review Committee that leads the implementation and review of Quality and Environment. Internal teams are responsible for Service Policy.

Principle 3 : Employee well-being

Yes. Our policies under this principle include several policies such as (a) Superannuation / National Pension Scheme (b) Employee Mutual Medical Benefit Scheme (c) Policy on Sexual Harassment (d) Post Retirement Medical Insurance Fund Scheme and (e) Our overarching Code of Conduct.

Principle 4 : Stakeholder engagement

There is a committee for Code of Conduct.

Principle 5 : Promotion of human rights

There is a committee for Code of Conduct.

Principle 6 : Environmental protection

There is a Management Review Committee that leads the implementation and review of Environment policy. The oversight of Green IT policy rests with the CIO of the Company.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

An internal team of Sales, Marketing and Customer Care is responsible for Service Policy. There is a dedicated Warranty Management Team to oversee the implementation of Warranty Policy guidelines. There is a Management Review Committee that leads the implementation and review of Quality policy.

2.6 Web-link for the policy?

Principle 1 : Ethics, transparency & accountability

- (a) The Code of Conduct can be viewed over the internet at [http://www.heromotocorp.com/en-](http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html)

[in/about-us/code-of-conduct.html](http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html) and also be viewed over the intranet. (b) The Code on Insider Trading is available over the internet at <http://www.heromotocorp.com/en-in/investors/corporate-governance.html> as well as intranet (c) The Policy on Sexual Harassment has been circulated through email communication to all employees.

Principle 2 : Sustainability in life-cycle of product

The Quality and Environment policies (in brief) can be viewed over the internet at <http://www.heromotocorp.com/en-in/aboutus/keypolicies>.

Principle 3 : Employee well-being

- (a) The Code of Conduct can be viewed over the internet at <http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html> and also be viewed over the intranet. (b) The Employee Mutual Medical Benefit Scheme can be viewed over the Company intranet. Occupational Health Services Manual has been made available to all employee through the Company intranet.

Principle 4 : Stakeholder engagement

The Code of Conduct can be viewed over the internet at <http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html> and also be viewed over the intranet.

Principle 5 : Promotion of human rights

The Code of Conduct can be viewed over the internet at <http://www.heromotocorp.com/en-in/about-us/code-of-conduct.html> and also be viewed over the intranet.

Principle 6 : Environmental protection

The Environment policy (in brief) can be viewed over the internet at <http://www.heromotocorp.com/en-in/aboutus/keypolicies>. The Green IT Policy is available on the intranet.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

The Warranty Policy and Service Maintenance schedule can be viewed over the internet at <http://www.heromotocorp.com/en-in/rider-zone/bike-warranty-details-and-policy.html>. The warranty policy is also available on [heromotocorp.biz](http://www.heromotocorp.com/en-in/rider-zone/bike-warranty-details-and-policy.html) and can be accessed by our field teams and channel partners. The Quality policy (in brief) can be viewed over the internet at <http://www.heromotocorp.com/en-in/aboutus/keypolicies>.

2.7 Has the policy been communicated to the relevant internal and external stakeholders?

Principle 1 : Ethics, transparency & accountability

With regard to Code of Conduct, all our executive employees have been imparted mandatory training and acceptance to adherence have been obtained. Regular training programs are conducted across locations to explain and reiterate the importance of adherence to the Code. The Code of Conduct is informed to all stakeholders via our website and annual reports. The Code on Insider Trading has been communicated to all employees by means of the intranet and relevant posters at major notice boards. The Policy on Sexual Harassment has been communicated to all employees via email.

Principle 2 : Sustainability in life-cycle of product

The Quality and Environment Policy is informed to all stakeholders via our website and intranet. HMCL Quality and Environment Policy has been communicated to all relevant internal stakeholders & communicated to all suppliers through supplier quality manual available on supplier portal. The service policy is communicated to all our Field team & Dealers through uploading on FTP Server.

Principle 3 : Employee well-being

With regard to Code of Conduct, all our executive employees have been imparted mandatory training and acceptance to adherence have been obtained. Regular training programs are conducted across locations to explain and reiterate the importance of adherence to the Code. The Code of Conduct is informed to all stakeholders via our website and annual reports. The policies on Employee Mutual Medical Benefit Scheme have been communicated to all employees by means of the intranet. The Policy on Sexual Harassment has been communicated to all employees via email. The (a) Superannuation / National Pension Scheme and (b) Post Retirement Medical Insurance Fund Scheme are communicated to all employees via email.

Principle 4 : Stakeholder engagement

With regard to Code of Conduct, all our executive employees have been imparted mandatory training and acceptance to adherence have been obtained. Regular training programs are conducted across locations to explain and reiterate the importance of adherence to the Code. The Code of Conduct is informed to all stakeholders via our website and annual reports. In addition, we train stakeholders such as suppliers on quality and environmental aspects.

Principle 5 : Promotion of human rights

With regard to Code of Conduct, all our executive employees have been imparted mandatory training and

acceptance to adherence have been obtained. Regular training programs are conducted across locations to explain and reiterate the importance of adherence to the Code. The Code of Conduct is informed to all stakeholders via our website and annual reports.

Principle 6 : Environmental protection

The Environment Policy is informed to all stakeholders via our website and intranet. HMCL Environment Policy has been communicated to all relevant internal stakeholders & communicated to all suppliers through supplier quality manual available on supplier portal. The Green IT policy is informed to all stakeholders via intranet.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

Yes, the service policy is communicated to all our Field team & Dealers through uploading on FTP Server. The Quality Policy is informed to all stakeholders via our website and intranet. HMCL Quality Policy has been communicated to all relevant internal stakeholders & communicated to all suppliers through supplier quality manual available on supplier portal.

2.8 Does the company have an in-house structure to implement the policy?

Principle 1 : Ethics, transparency & accountability

Yes. The Committees ensure smooth implementation of Code of Conduct, Policy on Sexual Harassment. The Compliance Officer ensures implementation on Insider Trading Code.

Principle 2 : Sustainability in life-cycle of product

The centralised IMS Cell ensures implementation of Quality and Environment Policy. The Service team ensures implementation of service guidelines at all dealerships in field.

Principle 3 : Employee well-being

Yes. The Committees ensure smooth implementation of Employee Mutual Medical Benefit Scheme, Policy on Sexual Harassment, Post Retirement Medical Insurance Fund Scheme and Code of Conduct.

Principle 4 : Stakeholder engagement

Yes. A Committee ensures smooth implementation of Code of Conduct.

Principle 5 : Promotion of human rights

Yes. A Committee ensures smooth implementation of Code of Conduct.

Principle 6 : Environmental protection

The centralised IMS Cell takes care of implementation of Environment Policy. The implementation of Green IT policy is overseen by the IT Department.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

The Service team on the field ensures the implementation of service guidelines. The Service team in field and members in warranty section ensure proper implementation of the warranty policy. The centralised IMS Cell takes care of implementation of Quality Policy.

2.9 Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders grievances related to the policy/policies?

Principle 1 : Ethics, transparency & accountability

We have a grievance redressal process in place. We strongly encourage employees to raise concerns regarding any violation of the Code and to report these immediately. Further, if our employees are uncomfortable about raising concerns in-person, they can drop a complaint at any of the drop-boxes or the e-mail id designated (ethics@heromotocorp.com) for the same purpose.

Principle 2 : Sustainability in life-cycle of product

The Company allows for any Quality and Environment related grievances to be resolved through IMS Cell. The Management Review Committee oversees the same. We have a grievance redressal process in place. Customers can raise complaints related to conditions of service, sales and other issues through area offices & zonal offices located across the country.

Principle 3 : Employee well-being

We have an organisation wide grievance redressal process in place. We strongly encourage employees to raise concerns regarding any violation of the Code and to report these immediately. Our employees are free to approach our management and leadership teams if any of the entitlements are not being provided as per processes. Further, if our employees are uncomfortable about raising concerns in-person, they can drop a complaint at any of the drop-boxes or the e-mail id designated (ethics@heromotocorp.com) for the same purpose.

Principle 4 : Stakeholder engagement

We have a grievance redressal process in place. We strongly encourage employees to raise concerns regarding any violation of the Code and to report these immediately. Further, if our employees are uncomfortable about raising concerns in-person, they can drop a complaint at any of the drop-boxes or the e-mail id designated (ethics@heromotocorp.com) for the same purpose.

Principle 5 : Promotion of human rights

We have a grievance redressal process in place. We strongly encourage employees to raise concerns regarding any violation of the Code and to report these immediately. Further, if our employees are uncomfortable about raising concerns in-person, they can drop a complaint at any of the drop-boxes or the e-mail id designated (ethics@heromotocorp.com) for the same purpose.

Principle 6 : Environmental protection

The Company allows for any Quality and Environment related grievances to be resolved through IMS Cell. The Management Review Committee oversees the same. The grievances regarding Green IT Policy are addressed by Enterprise Employee Service Desk (IT).

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

We have a grievance redressal process in place. Customers can raise complaints in case any party violates any conditions on service, sales and other issues. The relevant stakeholder can approach our Zonal / Regional / Area office or our Warranty Sections at Gurgaon plant for redressal of any warranty related issues. The Company allows for any Quality related grievances to be resolved through IMS Cell. The Management Review Committee oversees the same.

2.10 Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?

Principle 1 : Ethics, transparency & accountability

No.

Principle 2 : Sustainability in life-cycle of product

Our management certifications (such as ISO 9001, ISO 14001 and OHSAS 18001) are independently verified by external agencies as per due protocol. This is mandatory for us to retain the certification on qualification of these international standards. Internal and External audits are

done periodically to monitor processes meant to deliver on the Service Policy.

Principle 3 : Employee well-being

No.

Principle 4 : Stakeholder engagement

No.

Principle 5 : Promotion of human rights

No.

Principle 6 : Environmental protection

Our management certifications (such as ISO 9001, ISO 14001 and OHSAS 18001) are independently verified by external agencies as per due protocol.

Principle 7 : Responsible public policy advocacy

Not applicable.

Principle 8 : Inclusive growth

Not applicable.

Principle 9 : Customer value

Internal and External audits are done periodically to monitor processes meant to deliver on the Service Policy. Operations meant to deliver Warranty Policy are subject to audit from our finance department. Our management certifications are independently verified by external audit agency as per due protocol. This is Mandatory for us to retain the certification on qualification of these international standards.

2A. If answer to S. No. 1 against any principle, is "No", please explain why:

Principle 1 : Ethics, transparency & accountability

Not applicable.

Principle 2 : Sustainability in life-cycle of product

Not applicable.

Principle 3 : Employee well-being

Not applicable.

Principle 4 : Stakeholder engagement

Not applicable.

Principle 5 : Promotion of human rights

Not applicable.

Principle 6 : Environmental protection

Not applicable.

Principle 7 : Responsible public policy advocacy

We have a leadership position in initiating dialogue with policy-makers as members in various industry associations.

However, no need for a formal company policy has been felt for undertaking policy advocacy activities.

Principle 8 : Inclusive growth

The CSR activities have been undertaken by the organisation on an informal basis. The need to set up a formal CSR policy was not felt earlier. However, we are currently in the process of setting up a formal CSR Policy in accordance with Section 135, Companies Act, 2013.

Principle 9 : Customer value

Not applicable.

3. Governance related to BR

■ Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.

The BR performance of the Company will be assessed annually at the end of financial year.

■ Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is the second Business Responsibility Report and would be published annually. This report can be accessed at <http://www.heromotocorp.com/en-in/investors/financials>.

SECTION E: PRINCIPLE WISE PERFORMANCE

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs Others?

Currently, the Code of Conduct is applicable to only our employees. The Insider Trading Code is applicable to designated employees and the Board of Directors of the Company.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

We have not received any complaints with regard to violation of the Code of Conduct, Insider Trading Code, and Policy on Sexual Harassment in 2013-14.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities.

- (i) i3S (Idle Start Stop Switch) - Implemented in "Splendor i Smart" is the first model and only 2W model in India to have i3S feature. Idle Stop Start system (i3S) helps in saving the fuel by stopping the engine when it is not intended to run at idling (for example when the

vehicle is standing at an intersection or a traffic signal). The engine is stopped by "Idle Stop Start system" can be restarted by simply actuating the clutch lever. Such systems are popularly known as Micro Hybrid and fall in Green Technology category.

- (ii) Side Stand Indicator - Already implemented in all 100cc category models, Pleasure, Super Splendor & Xtreme (as safety is of utmost importance to 2W riders, addition safety gadget beyond the regulatory obligation provided). In addition we have introduced Engine immobilizer with ignition kill when side stand is down in New Xtreme which means engine will not operate if Side stand is "ON" to further enhance safety of rider.
- (iii) Integrated Braking System (IBS) - implemented in Scooters to enhance braking safety/feeling.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional).

Not applicable.

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

Our Green Vendor Development Programme (GVDP) is a landmark initiative that encourages our suppliers and vendors to adopt green practices and Environment Management systems. The program presents a significant opportunity to improve the overall environmental performance and offers an opportunity to reduce cost within our dedicated supply chain. The program is being run for last 7 years and we have enrolled 135 supplier out of 153 category A & B suppliers, remaining 18 suppliers will be completed in the coming year. The management has planned to carry forward this initiative with a special focus on energy management.

However, it is difficult to ascertain the percentage of inputs sourced from these suppliers accounting towards total inputs due to many different kinds of materials being used by us. We are also in the process of incorporating human rights issues within the supply chain.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes. We are procuring goods and services from local & small producers. Among the total suppliers around 80% of our are locally based, in and around our factories in Haryana and Uttarakhand.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as 10%)

Yes, the company has a mechanism for recycling of its waste. During the year 2013-14 the company focused on recycling of its waste water by installations of Zero Liquid discharge plant comprising of ultra-filtration units, reverse osmosis and Multi-effect evaporator. We have managed to recycle 90% of our waste water back to the process. Balance 10% is being reused for horticulture activities. The Multi-effect evaporator is being run on waste heat recovered from chimneys of power generators.

Principle 3

1. Please indicate the Total number of employees.
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.
3. Please indicate the Number of permanent women employees.
4. Please indicate the Number of permanent employees with disabilities.
5. Do you have an employee association that is recognised by management?
6. What percentage of your permanent employees is members of this recognised employee association?
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

1. Total number of employees	6,782
2. Total number of employees hired on temporary/ contractual/ casual basis	13,231
3. Total number of permanent women employees	76
4. Total number of permanent employees with disabilities	37
5. Employee Associations	Hero MotoCorp Workers Union, Gurgaon Plant Hero MotoCorp Workers Union, Dharuhera Plant
6. Percentage Membership of Workers Union (as a percentage of total permanent employees)	Hero MotoCorp Workers Union, Gurgaon Plant (18.5 %) Hero MotoCorp Workers Union, Dharuhera Plant (26.4%)

7. Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in 2013-14 and pending, as of end 2013-14.	None received in any of the category and none pending
8. Percentage of employees who underwent safety and skill up-gradation training (as a percentage of respective total of each category) (2013-14)	
Permanent employees	80.6%
Permanent women employees	73.7%
Temporary/contractual/casual	88.2%
Employees with disabilities	73.0%

Principle 4

1. Has the company mapped its internal and external stakeholders? Yes/No

Yes. We have mapped and identified external stakeholders, including disadvantaged, vulnerable and marginalised stakeholders. Our stakeholders include – employees, customers, NGOs and communities, dealers, suppliers, investors, media, government and regulators and peers and industry ecosystem.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders?

Our disadvantaged and vulnerable stakeholders include differently-abled employees, women and rural communities in and around our plants.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders?

Differently abled employees: We endeavour to make Hero a workplace which is conducive to differently abled employees and employees with special needs. We aim to make these employees self confident through an array of events, forums and trainings specifically crafted for their benefit. The number of differently abled employees is 37, majority of them being operators at our Gurgaon plant. A bespoke training plan is being designed for the differently abled with a special focus on personality development.

Around 28 employees were given the training on TPM, Safety Awareness and First AID.

A dedicated team is now formed for development and involvement initiatives for these employees. The activities include special in-house newsletter, classroom training, sports and cultural events at plant and at external forums. This is now embedded in the annual planning of the human resource team at Hero. This year 23 specially-abled employees of Gurgaon Plant participated in 13 external competitions and were awarded prizes in various cultural and sports activities at state and national level.

Women customers: Hero has maintained that mobility has the potential to be a major driver for emancipation of women. A mobile female driver be it on a two-wheeler or a four wheeled vehicle, has the independence and flexibility to move

around at her convenience. To this end, there have been a slew of initiatives. 45 exclusive dealerships for women customers exist called “Just for Her”. The marketing campaign of our “Pleasure” scooters is devoted entirely to the female driver and her independence. We ask “Why should boys have all the fun?”. Similarly, Hero GoodLife Lady Rider Club was conceptualised with the prime objective of creating a unique community with strong emphasis on women empowerment. It is a one-of-its-kind relationship program with over 6 lakhs Lady riders valid club members with 4 lakhs active members. Lady Rider Club, aims at extending loyalty benefits to female customers of the Company by providing tangible and intangible benefits exclusive to ladies.

Rural Communities: These are covered under Principle 8.

Principle 5

1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?

Currently, the Code of Conduct is applicable to only our employees, though we expect our stakeholders to adhere and uphold the standards contained therein.

2. How many stakeholder complaints have been received in the past financial year and what % was satisfactorily resolved by the management?

We have not received any complaints with regard to violation of the Code of Conduct in 2013-14.

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ others

Our policy on environment extends to our suppliers through our Green Vendor Development Programme and Green Charter.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc?

We do have strategies in place to address these issues including energy conservation, energy efficiency, water management, waste management, CO₂ Emission house gases reduction. We have achieved a reduction of 5.6% in CO₂ emission from the previous reporting year.

3. Does the company identify and assess potential environmental risks? Y/N

Yes. The company has a periodic systematic mechanism for environmental impact assessment through its Aspect/ Impact assessment (AIA) activity and Hazard Identification and Risk Assessment (HIRA) technique as a part of our Environmental management System certifications of ISO 14001, and Occupational Health and safety management system certification of OHSAS 18001.

4. Does the company have any project related to Clean Development Mechanism? If Yes, whether any environmental compliance report is filed?

As of now we do not have any CDM project.

5. Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Yes, we have several environment protection related initiatives, broadly classified as:

- i. Green initiatives & Resource conservation
- ii. Energy efficiency measures
- iii. Green supply chain

A more detailed list of such initiatives is available at <http://www.heromotocorp.com/en-in/wecare/greenmanufacturing>.

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes.

7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

No such notices were received in the FY 2012-13.

Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with.

Major associations we deal with are as follows:

- Confederation of Indian Industry
- Gurgaon Chamber of Commerce & Industries
- PHD Chamber of Commerce
- Society of Indian Automobile Manufacturers

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

As a world leader in the 2-wheeler segment, Hero MotoCorp Ltd. has taken up the initiative to inculcate a sense of road safety and good riding habits to its customers and public at large. We strongly champion the cause of road safety through several initiatives. We steadily work with a cross-section of stakeholders that include enforcement agencies, commuters, corporates, schools / colleges and special groups on aspects germane to safety. As a pioneer in the safety riding activities, Hero MotoCorp is committed to drive home the message of road safety and healthy environment.

Our safety initiatives are underpinned by our firm belief that a culture of safety requires three fundamental things:

- Knowledge of road rules and regulations
- Skill of riding
- Right behaviour and attitude

We are knowledge partners to programs run by traffic and general police in several cities in India. We routinely collaborate and partner with traffic police and enforcement agencies on special initiatives. Our dealerships inform customers right at the point of sale about safety aspects, and it is ingrained into the motorcycle delivery process. In fact, we pride ourselves on the "4S Concept" (Sales, Service, Spares, Safety) at our dealerships which among firsts for the automobile industry in India. There is a safety corner at our showrooms. All our vehicles are sold with "Road Safety" leaflet, and we have created bespoke safety education videos for our customers.

Our traffic park in Gurgaon testifies to our efforts to disseminate safety and good-ridership practices. The park routinely trains members of the general public, senior secondary school students and women riders. We have initiated training programs for corporates. The training module is structure to impart training on riding posture, braking, slalom riding, balancing and bumpy roads. We can say with pride that there are over 700 trained instructors at Hero who impart these training modules, among which 76 are advanced trainers who are eligible to "train the trainers".

Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. True wealth of our communities is built by progressive endogenous development of assets such as cultural heritage, human resources and long lasting physical infrastructure. We help communities create such assets. We undertake purposeful activities with the goal to maintain and improve the state of environmental resources affected by human activities. Our environment management aims toward ensuring that the ecosystem services in areas where we operate are protected and maintained for equitable use by future generations.

We organise a number of projects on literacy and health education in collaboration with government and local agencies. We work with the objective of providing village children with additional support to improve their educational standard and to achieve their overall development. Healthcare outreach is an important cog in our social matrix and we organise several community health camps across the year. With a view to increasing income generation opportunities leading to social and economic development, especially those of women members of the community, we set up a vocational training schedule. We also facilitate dissemination of training programmes leading to enhancement of the value of rural youth in the job market.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?

The programmes are undertaken through our Foundation - Raman Kant Munjal Foundation.

3. Have you done any impact assessment of your initiative?

As of now no impact assessment of our initiatives has been undertaken.

4. What is your company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?

Project	Amount (₹) for FY 2013-14
Education	4,139,448
Medical	2,685,213
Armed Force Welfare	535,000
Miscellaneous	6,450,651

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

We make attempts to ensure that projects continue and sustain within communities beyond our interactions. For example, with a view to increasing income generation opportunities leading to social and economic development, we set up a vocational training schedule. We also facilitate dissemination of training programmes leading to enhancement of the value of rural youth in the job market.

The Company received 4785 complaints in FY 2013-14 and resolved a total of 4683 complaints. Thus, only 102 complaints (2.1%) are carried forward to FY 2014-15. From FY'15 ICMS would handle all customer complaints including of sales.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)

Yes. We provide information as required by the Standards of Weights and Measures Act, 1956. We voluntarily and actively inform all our dealers on any changes in product packaging through notices. We have also been running educative campaigns informing customers to operate vehicles in a more fuel efficient manner and to read the operating manual and the Road Safety leaflet. The leaflet enumerates good to emulate riding practices, fuel saving tips etc. in a reader-friendly and easy to understand manner. Our spare part products come with a dedicated consumer cell phone number, address and email ID, where consumers can reach our executives with feedback, grievances and even queries regarding our products. Besides, consumers can also log in to the corporate website and send in their feedback or complaints.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year?

We had received no case pending with the Advertising Standards Council of India in the last financial year.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

In pursuit of customer delight we have undertaken mystery shopping exercise across our dealerships to gauge customer experience. We have covered 729 dealers last financial year as part of this exercise. This exercise covered all dealers who have completed minimum one year of operations. We also undertake customised surveys on customer satisfaction for the new products launched last year through a third party agency. We are currently in the middle of largest customer survey in India called as U&A to understand the consumer better.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

At the end of financial year ("FY") 2012-13, 394 consumer complaints were pending on our customer loyalty program Goodlife. The Company received 1794 more customer complaints during FY 2013-14. Out of these cases, the Company successfully resolved 1782 complaints. Thus, 406 (19%) complaints were pending at the end of FY 2013-2014.

INDEPENDENT AUDITORS' REPORT

To the Members of

Hero MotoCorp Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of HERO MOTOCORP LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

(Firm Registration No. 015125N)

Vijay Agarwal

Partner

(Membership No. 094468)

New Delhi

May 28, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a programme of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified by the Management during the year other than for assets lying with third parties, for which confirmations have been obtained by the Company. According to the information and explanations given to us discrepancies noticed on such verification were not material and have been properly dealt 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) In respect of its inventories:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals other than for inventories lying with third parties at the end of the year for which confirmations have been obtained in most of the cases.
- (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 were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and discrepancies noticed on such verification were not material and have been properly dealt in the books of account.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act 1956, according to the information and explanations given to us:

- (a) The Company has granted loans aggregating ₹ 605 crores to a party during the year. At the year-end, the outstanding balances of such loans granted aggregated

₹ 220 crores and the maximum amount involved during the year was ₹ 240 crores.

- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
- (c) The receipts of principal amounts and interest have been regular.
- (d) There are no overdue amounts in respect of the loans granted as referred to in paragraph (iii)(a) above and interest thereon.

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 CARO are not applicable

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative 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 purchases of inventory, fixed assets and 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 needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction (excluding loans reported under paragraph (iii) above) is in excess of ₹ 5 lakhs in respect of any party, having regard to our comments in paragraph (iv) above the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, other than certain purchases which are of a special nature for which comparable quotations are not available.

(vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the period within the meaning of section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder. Accordingly, paragraph 4(vi) of the Order is not applicable.

- (vii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us, in respect of statutory dues:
- (a) 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, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues in respect of wealth tax, customs duty and cess which have not been deposited. The following are the particulars of excise duty, service tax, sales tax and income tax dues not deposited/deposited under protest by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount* (₹ in crores)	Amount paid under protest (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	603.17	177.06	2000-01 and 2002 – 2013	CESTAT
		0.05	-	2006-2013	Commissioner (Appeals)
	Service Tax	0.89	0.45	2004-05 to 2005-06	Supreme Court
		254.42	22.04**	2004-05 to 2011-12	CESTAT
Sales Tax	Sales Tax	1.90	1.90	1998-99 to 2000-2001	Haryana Tax Tribunal
Income tax Act, 1961	Income tax	1,878.54	50.00***	2007-08	Income Tax Appellate Tribunal
		81.60	29.90	2004-05	Commissioner (Appeals)
		1.11	-	2005-06	
		3.77	-	2006-07	

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

** Appeal along with stay application has been filed.

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

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

Name of the Statute	Nature of the Dues	Amount (₹ 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
		16.66	2005-06 to 2010-11	CESTAT
	Service Tax	0.17	2005	High Court
Income-tax Act, 1961	Income-Tax	1,224.84	1987-88, 1989-90, 1992-93, 1993-94, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2005-06, 2006-07	High Court
		11.85	1999-00, 2002-03, 2007-08	Income Tax Appellate Tribunal

- (x) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to 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.
- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not taken any term loans during the year.
- (xvi) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- (xvii) During the year the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xviii) The Company has not issued any debentures during the year.
- (xix) The Company has not raised any money by way of public issue during the year.
- (xx) 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 **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 015125N)

Vijay Agarwal

Partner

(Membership No. 094468)

New Delhi

May 28, 2014

BALANCE SHEET

as at March 31, 2014

₹ crores

Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	39.94	39.94
(b) Reserves and surplus	4	5,559.93	4,966.30
2 Non - current liabilities			
(a) Long term liabilities	5	24.45	302.16
(b) Deferred tax liabilities (Net)	6	-	132.41
(c) Long - term provisions	7	49.98	30.16
3 Current liabilities			
(a) Trade payables	8	2,290.59	1,873.34
(b) Other current liabilities	9	588.08	887.64
(c) Short - term provisions	10	1,544.33	1,409.70
Total		10,097.30	9,641.65
II ASSETS			
1 Non - current assets			
(a) Fixed assets	11		
(i) Tangible assets		1,897.27	1,891.76
(ii) Intangible assets		345.98	1,179.22
(iii) Capital work-in-progress		854.11	62.09
(b) Non- current investments	12	812.88	614.47
(c) Deferred tax assets (Net)	6	105.98	-
(d) Long - term loans and advances	13	477.39	780.06
(e) Other non- current assets	14	47.81	36.44
2 Current assets			
(a) Current investments	12	3,275.89	3,009.36
(b) Inventories	15	669.55	636.76
(c) Trade receivables	16	920.58	665.00
(d) Cash and cash equivalents	17	117.50	181.04
(e) Short - term loans and advances	18	550.31	553.55
(f) Other current assets	19	22.05	31.90
Total		10,097.30	9,641.65

Accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

Brijmohan Lall Munjal
Chairman
DIN No.: 00004134

Vijay Agarwal
Partner

Pawan Munjal
Managing Director & CEO
DIN No.: 00004223

Pradeep Dinodia
Chairman-Audit Committee
DIN No.: 00027995

New Delhi
May 28, 2014

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Asso. V. P. Legal & Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2014

		₹ crores	
Particulars	Note No.	For the year ended March 31, 2014	For the year ended March 31, 2013
I Revenue from operations	20		
(a) Gross sales of products		27,005.26	25,474.54
Less: Excise duty		1,880.35	1,891.80
		25,124.91	23,582.74
(b) Other operating revenue		150.56	185.37
Net revenue from operations		25,275.47	23,768.11
II Other income	21	446.38	398.38
III Total Revenue (I + II)		25,721.85	24,166.49
IV Expenses:			
(a) Cost of materials consumed	22	18,221.53	17,364.86
(b) Changes in inventories of finished goods and work-in-progress	23	8.36	32.80
(c) Employee benefits expenses	24	930.04	820.92
(d) Finance costs	25	11.82	11.91
(e) Depreciation and amortization expenses	11	1,107.37	1,141.75
(f) Other expenses	26	2,575.48	2,265.05
Total Expenses		22,854.60	21,637.29
V Profit before tax (III - IV)		2,867.25	2,529.20
VI Tax expenses:			
(a) Current tax		828.21	502.61
(b) Minimum alternate tax		-	(15.72)
(c) Minimum alternate tax relating to earlier years		(28.02)	-
(d) Minimum alternate tax credit utilised		196.37	-
Net current tax		996.56	486.89
(e) Deferred tax		(238.39)	(75.85)
		758.17	411.04
VII Profit for the year (V-VI)		2,109.08	2,118.16
VIII Basic and diluted earnings per equity share (of ₹ 2 each):	27	105.61	106.07

Accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

Brijmohan Lall Munjal
Chairman
DIN No.: 00004134

Vijay Agarwal
Partner

Pawan Munjal
Managing Director & CEO
DIN No.: 00004223

Pradeep Dinodia
Chairman-Audit Committee
DIN No.: 00027995

New Delhi
May 28, 2014

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Asso. V. P. Legal & Company Secretary

CASH FLOW STATEMENT

for the year ended March 31, 2014

₹ crores

	Year ended March 31, 2014	Year ended March 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	2,867.25	2,529.20
Adjustments for:		
Add: Depreciation and amortisation	1,107.37	1,141.75
Loss on fixed assets sold/discarded	13.98	7.07
Loss on sale of non-trade current investments	1.26	0.35
Provision for diminution in value of investment:		
Long term non trade investment	0.45	0.59
Finance cost	11.82	11.91
Provision for doubtful debts	0.85	0.28
	1,135.73	1,161.95
Less: Interest on long term and current non-trade investments	53.10	60.17
Interest on loans, deposits etc.	90.27	46.14
Profit on sale of fixed assets	0.68	1.13
Exchange differences	(3.02)	1.43
Dividend income:		
On current Investments - Non-Trade	0.69	0.13
On long-term investments-Trade and Non trade	2.25	2.80
Profit on sale of non-trade current investments	300.65	288.36
	444.62	400.16
Operating profit before working capital changes	3,558.36	3,290.99
Changes in working capital:		
Adjustment for (increase)/decrease in operating assets:		
Add: Inventories	(32.79)	38.81
Trade receivables	(259.46)	(391.55)
Short-term loans and advances	(16.76)	42.05
Long-term loans and advances	(131.92)	(19.86)
	(440.93)	(330.55)
Adjustment for increase/(decrease) in operating liabilities:		
Less: Trade payables	417.25	(419.83)
Other current liabilities	52.74	(33.70)
Other long-term liabilities	3.47	4.43
Short-term provisions	2.15	0.25
Long-term provisions	19.82	(7.84)
	495.43	(456.69)
Cash generated from operations	3,612.86	2,503.75
Less: Direct taxes paid	649.45	613.32
Net cash from operating activities	2,963.41	1,890.43

₹ crores

	Year ended March 31, 2014	Year ended March 31, 2013
B. CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	4.05	7.25
Sale / (Purchase) of investments (net)	(8.66)	680.70
Investment in Associates	(0.16)	(52.85)
Investment in Subsidiaries	(157.18)	-
Intercompany deposits received back	625.00	265.00
Intercompany deposits paid	(605.00)	(385.00)
Interest received on long term and current non-trade investments	51.58	58.20
Interest received on loans, deposits etc.	90.27	46.14
Dividend income		
On current Investments - Non Trade	0.69	0.13
On long-term investments - Trade and Non Trade	2.25	2.80
Capital expenditure on fixed assets, including capital advances	(936.80)	(607.64)
Payment of deferred credits	(685.36)	(747.67)
Net cash (used) in investing activities	(1,619.32)	(732.94)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(11.82)	(11.91)
Dividends paid	(1,199.29)	(898.59)
Tax on dividend	(203.82)	(145.77)
Net cash (used) in financing activities	(1,414.93)	(1,056.27)
D. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(70.84)	101.22
Cash and cash equivalents at the beginning of the year	134.95	33.73
Add: on account of amalgamation (refer note 36)	2.30	
Cash and cash equivalents at the end of the year		
Cash and bank balances	66.41	134.95
	66.41	134.95
Reconciliation		
Cash and Bank balances as per Balance Sheet	117.50	181.04
Less: Unpaid dividend current account with Banks	51.09	46.09
Net Cash and cash equivalents at the end of the year	66.41	134.95

Accompanying notes forming part of the financial statements

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

Brijmohan Lall Munjal
Chairman
DIN No.: 00004134

Vijay Agarwal
Partner

Pawan Munjal
Managing Director & CEO
DIN No.: 00004223

Pradeep Dinodia
Chairman-Audit Committee
DIN No.: 00027995

New Delhi
May 28, 2014

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Asso. V. P. Legal & Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 1 - CORPORATE INFORMATION

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

NOTE NO. 2 - SIGNIFICANT ACCOUNTING POLICIES

i) Accounting convention

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention.

ii) Use of estimates

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

iii) Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

iv) Fixed / Intangible assets and depreciation / amortisation

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

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

Intangible assets, comprising of expenditure on model fee etc, incurred are amortised on a straight line method over a period of five years. Licenses for Technical know-how / export licenses have been amortised on a straight line basis upto June 30, 2014 i.e forty two months (refer note 11).

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

Leasehold land has been amortised over the period of lease.

v) Preoperative expenses pending allocation

Expenses directly related to construction activity or incidental thereto, are allocated to fixed assets at the time of completion of the project.

vi) Investments

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

vii) Inventories

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

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

Stores and spares, loose tools, raw materials and components - Weighted average cost

Materials in transit - Actual cost

Work in progress and finished goods - Material cost plus appropriate share of labour, manufacturing overheads and excise duty

viii) 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 statement of profit and loss 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.

ix) Foreign currency transactions

Exchange differences are dealt with as follows:-

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

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

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

In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the statement of profit and loss 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 statement of profit and loss.

x) Sales

Sale of goods is recognised on transfer of significant risk and reward of ownership to the buyer, which generally coincides with point of despatch of finished goods to the customers. Gross sales are inclusive of applicable excise duty and freight but are exclusive of sales tax. Services income is recognized when the services are rendered.

- Scrap is accounted for on sale basis.

xi) Warranty claims

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

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

xii) Leases

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

xiii) Research and development expenses

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

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

xiv) Earnings per share

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

xv) Taxation

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

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

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

xvi) Provisions and contingent liabilities

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

xvii) Derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 3 - SHARE CAPITAL

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	₹ crores	Number	₹ crores
Authorised				
Equity shares of ₹ 2 each with voting rights	250,000,000	50.00	250,000,000	50.00
Cumulative convertible preference shares of ₹ 100 each	400,000	4.00	400,000	4.00
Cumulative redeemable preference shares of ₹ 100 each	400,000	4.00	400,000	4.00
	250,800,000	58.00	250,800,000	58.00
Issued, Subscribed and fully Paid up				
Equity Shares of ₹ 2 each with voting rights (Refer (i), (ii) and (iii) below)	199,687,500	39.94	199,687,500	39.94
Total	199,687,500	39.94	199,687,500	39.94

- (i) There is no movement in share capital during the year, previous year and immediately preceding previous year
- (ii) Shareholder holding more than 5 percent shares:

Particulars	Equity Shares As at March 31, 2014		Equity Shares As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mr. Brijmohan Lall Munjal *	12,396,842	6.21	-	-
Ms. Renu Munjal *	12,396,840	6.21	-	-
Mr. Suman Munjal *	12,396,840	6.21	-	-
Mr. Pawan Munjal *	12,396,840	6.21	-	-
Mr. Sunil Kant Munjal *	12,396,840	6.21	-	-
M/S Hero Investments (P) Ltd	-	-	86,531,210	43.33
M/S Bahadur Chand Investments (P) Ltd	17,306,250	8.67	17,306,250	8.67
M/S BC India Private Investors	17,141,028	8.58	-	-

* Hold shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

- (iii) Rights, preference and restriction attached to shares:
- Equity shares of ₹ 2 each:
- In respect of equity shares, voting right shall be in same proportion as the capital paid upon such equity share.
 - The dividend proposed by the Board of Directors which is subject to the approval of the shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.
 - In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to capital paid upon such equity share.

NOTE NO. 4 - RESERVES AND SURPLUS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Capital Reserves		
On shares forfeited (* ₹ 4,250)	#	#
Share premium account on forfeited shares reissued (** ₹ 25,500)	##	##
(b) General Reserve		
Opening balance	1,926.32	1,711.32
Add: Transferred on account of amalgamation (refer note 36)	4.47	-
Add: Transferred from Statement of profit and loss	215.00	215.00
Closing balance	2,145.79	1,926.32
(c) Surplus - in Statement of profit and loss		
Opening balance	3,039.98	2,538.57
Add: Profit for the year	2,109.08	2,118.16
Less: Dividend proposed to be distributed to equity share holders (₹ 65 per share, (previous year ₹ 60 per share))	1,297.97	1,198.13
Interim dividend - (refer note below)	1.16	-
Tax on dividend	220.59	203.62
Tax on dividend (refer note below)	0.20	-
Transfer to General Reserve	215.00	215.00
Closing balance	3,414.14	3,039.98
Total	5,559.93	4,966.30

Note: As per the scheme of amalgamation, the Transferor Company i.e. Hero Investment Private Limited was entitled to utilise its income/ available cash for declaration of payment of dividend to its shareholders until the effective date i.e. May 16, 2013 but after the appointed date i.e. January 1, 2013. Accordingly, the company declared and paid interim dividend to its shareholders in accordance with the scheme.

NOTE NO. 5 - LONG TERM LIABILITIES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Deferred payment credits (Refer note (i) below)	-	281.18
(b) Others	24.45	20.98
Total	24.45	302.16

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

NOTE NO. 6 - DEFERRED TAX (ASSETS)/ LIABILITIES (NET)

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Deferred tax liabilities		
Accumulated depreciation	-	136.23
Others	4.80	3.51
	4.80	139.74
Deferred tax assets		
Accumulated depreciation	102.54	-
Accrued expenses deductible on payment	3.90	3.28
Others	4.34	4.05
	110.78	7.33
Deferred tax (assets)/ liabilities (net)	(105.98)	132.41

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 7 - LONG TERM PROVISIONS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Employees benefits - accumulated leaves	8.62	7.36
(b) Warranties	41.36	22.80
Total	49.98	30.16

NOTE NO. 8 - TRADE PAYABLES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Trade payables	2,290.59	1,873.34
Total	2,290.59	1,873.34

- (i) According to the records available with the Company, dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 during the year is ₹ 0.01 crores (previous year ₹ Nil). Further no interest has been paid or was payable to such parties under the said Act during the year.

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

NOTE NO. 9 - OTHER CURRENT LIABILITIES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Current maturities of deferred payment credits (unsecured) (Refer Note (i) below)	284.26	641.58
(b) Other payables		
Statutory dues	81.50	55.59
Security deposits dealers and others	47.79	38.67
Advances from dealers	110.16	92.42
Unclaimed dividend	51.09	46.10
Other liabilities	13.28	13.28
Total	588.08	887.64

- (i) In year 2010-11, the Company has entered into a Memorandum of Understanding (MOU) with Honda Motor Company Limited Japan (Honda) for right and license to manufacture, assemble, sell and distribute certain products/parts and export license for certain products and their service parts under the intellectual property rights. Liability payable upto June 30, 2014 has been included under other current liabilities above.

NOTE NO. 10 - SHORT TERM PROVISIONS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Employees benefits - accumulated leaves	2.85	2.29
(b) Provisions -Others		
Proposed equity dividend	1,297.97	1,198.13
Tax on proposed dividend	220.59	203.62
Taxation (net of payments as at March 31, 2014 ₹ 1,104.11 crores)	15.67	-
Warranties	7.25	5.66
Total	1,544.33	1,409.70

NOTE NO. 11 - FIXED ASSETS

₹ crores

Particulars	Gross Block			Accumulated depreciation/amortisation				Net block		
	Opening balance as at April 1, 2013	Additions	Deletions/ adjustments	Closing balance as at March 31, 2014	Opening balance as at April 1, 2013	Depreciation/ amortisation charge for the year**	On disposals	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
(a) Tangible assets										
Land										
- Freehold	82.80	-	-	82.80	-	-	-	-	82.80	82.80
- Leasehold#	184.17	15.84	-	200.01	946	1.92	-	11.38	188.63	174.71
Building	485.56	12.71	1.08	497.19	101.10	15.38	0.25	116.23	380.96	384.46
Plant and equipment	2,313.38	185.27	61.35	2,437.30	1,162.23	178.26	46.60	1,293.89	1,143.41	1,151.15
Furniture and fixtures	21.65	3.71	2.88	22.48	8.98	1.37	2.62	7.73	14.75	12.67
Vehicles	39.60	4.40	5.53	38.47	18.42	5.14	4.22	19.34	19.13	21.18
Office equipment	18.78	4.00	0.01	22.77	4.65	0.99	-	5.64	17.13	14.13
Data Processing equipment	102.13	14.86	2.47	114.52	51.47	14.87	2.28	64.06	50.46	50.66
Total	3,248.07	240.79	73.32	3,415.54	1,356.31	217.93	55.97	1,518.27	1,897.27	1,891.76
(b) Intangible assets										
Model fee	535.81	-	-	535.81	353.96	68.07	-	422.03	113.78	181.85
Technical know-how/ export licenses*	2,845.73	46.86	-	2,892.59	1,881.56	813.10	-	2,694.66	197.93	964.17
Software	55.46	9.54	-	65.00	22.26	8.47	-	30.73	34.27	33.20
Total	3,437.00	56.40	-	3,493.40	2,257.78	889.64	-	3,147.42	345.98	1,179.22
Total (a+b)	6,685.07	297.19	73.32	6,908.94	3,614.09	1,107.57	55.97	4,665.69	2,243.25	
(c) Capital work In progress®										
- Including intangible assets under development ₹ 288.71 crores (previous year ₹ Nil)									854.11	62.09
									3,097.36	3,133.07

Note :

Includes land of ₹ 15.84 crores at Halol (Gujrat) and ₹ 78.36 crores at Jaipur pending for registration in the name of the Company.

* Includes net increase of ₹ 46.86 crores (previous year net decrease of ₹ 43.86 crores) due to fluctuation in exchange rates.

** Includes ₹ 0.20 crore (Previous year ₹ Nil crores) transferred to Pre- operative expenditure (pending allocation)

® Including pre operative expenses ₹ 7.97 crore (previous year ₹ 0.23 crore) relating to salaries, wages and other related project expenses of Neemrana plant (refer note 38)

In line with Notification No. G.S.R. 378 (E) dated May 11, 2011 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates at the end of year compared to those at which they were initially recorded, 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 is depreciated over the balance useful life of the asset.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

Particulars	Gross Block				Accumulated depreciation/amortisation			Net block As at March 31, 2013
	Opening balance as at April 1, 2012	Additions	Deletions/ adjustments	Closing balance as at March 31, 2013	Opening balance as at April 1, 2012	Depreciation/ amortisation charge for the year [®]	On disposals	Upto March 31, 2013
(d) Tangible assets								
Land								
- Freehold	82.80	-	-	82.80	-	-	-	82.80
- Leasehold	122.67	61.50	-	184.17	5.10	4.36	-	174.71
Building	450.35	35.21	-	485.56	86.79	14.31	-	384.46
Plant and equipment	2,111.92	250.31	48.85	2,313.38	1,029.77	170.94	38.48	1,151.15
Furniture and fixtures	18.27	3.78	0.40	21.65	7.56	1.63	0.21	12.67
Vehicles	43.57	4.54	8.51	39.60	18.96	5.90	6.44	21.18
Office equipment	15.83	3.15	0.20	18.78	3.89	0.84	0.08	14.13
Data Processing equipment	92.91	14.86	5.64	102.13	43.11	13.56	5.20	50.66
Total	2,938.32	373.35	63.60	3,248.07	1,195.18	211.54	50.41	1,356.31
(e) Intangible assets								
Model fee	442.16	93.65	-	535.81	289.71	64.25	-	181.85
Technical know-how/ export licenses*	2,889.59	-	43.86	2,845.73	1,021.28	860.28	-	964.17
Software	38.19	17.27	-	55.46	16.58	5.68	-	33.20
Total	3,369.94	110.92	43.86	3,437.00	1,327.57	930.21	-	1,179.22
Total (a+b)	6,308.26	484.27	107.46	6,685.07	2,522.75	1,141.75	50.41	3,070.98
(f) Capital work in progress @								62.09
								3,133.07

Note :

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

* Includes net decrease of ₹ 43.86 crores due to fluctuation in exchange rates.

® Including pre operative expenses ₹ 0.23 crores relating to salaries, wages and other related project expenses of Neemrana plant (refer note 38)

In line with Notification No. G.S.R. 378 (E) dated May 11, 2011 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates at the end of year compared to those at which they were initially recorded, 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 is depreciated over the balance useful life of the asset.

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
Long Term Investments						
Non Trade						
In Debentures / Bonds						
Quoted						
Face Value of ₹ 1,000 each						
12.25% Muthoot Finance Limited- Maturity-14.09.2016	500,000	500,000	-	49.79	-	49.79
12.15% Religare Finvest Limited- Maturity-23.09.2014	250,000	250,000	25.00	-	-	25.00
7.34% HUDCO -Maturity-16.02.2023	250,000	250,000	-	25.00	-	25.00
7.18% IRFC -Maturity-19.02.2023	250,000	250,000	-	25.00	-	25.00
Face Value of ₹ 100,000 each						
6.70% IRFC Bonds -Maturity-08.03.2020	1,500	1,500	-	15.23	-	15.23
6.85% India Infrastructure Finance Company Limited 2014 Tax Free Bonds-Maturity 22.01.2014	-	10,000	-	-	100.90	-
Face Value of ₹ 500,000 each						
10.70% Tata Motors Finance Limited- Maturity-28.04.2020	138	138	-	7.18	-	7.18
10.70% Tata Motors Finance Limited- Maturity-10.04.2020	400	400	-	20.82	-	20.82
Face Value of ₹ 1,000,000 each						
8.45% Rural Electrification Corporation -Maturity-19.02.2015	200	200	20.07	-	-	20.07
13% Religare Finvest Limited- Maturity-30.05.2017	100	100	-	10.00	-	10.00
Zero Coupon Bonds						
Rural Engineering Corporation Ltd Bonds @ 13,578 maturity ₹ 30,000 per bond	37,000	37,000	-	50.24	-	50.24
			45.07 (0.06)	203.26 (0.51)	100.90 (0.74)	248.33 (0.45)
Less: Provision for diminution/ amortisation						
Market value Current ₹ 45.19 crores and Non Current ₹ 207.73 crores (previous year Current ₹ 98.80 crores and Non Current ₹ 254.48 crores)			45.01	202.75	100.16	247.88
Listed -Quoted But Not Traded						
Face Value of ₹ 1,000 each						
8.18% NHPC Tax Free Bonds- Maturity-02.11.2023	161,050	-	-	16.11	-	-
8.18% PFC Tax Free Bonds- Maturity-16.11.2023	323,890	-	-	32.39	-	-
8.51% HUDCO Tax Free Bonds- Maturity-13.01.2024	250,000	-	-	25.00	-	-
Face Value of ₹ 100,000 each						

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
12.00% Shriram Transport NCD -Maturity-18.07.2014	1,300	1,300	13.85	-	-	13.85
Face Value of ₹ 1,000,000 each						
8.91% L&T Finance Limited- Maturity-15.04.2016	150	150	-	15.00	-	15.00
			13.85	88.50	-	28.85
Less: Provision for diminution/ amortisation			(0.80)	-	-	(0.62)
Maturity Value Current ₹ 13.00 crores and Non Current ₹ 88.50 crores (previous year Current ₹ Nil and Non Current ₹ 28.00 crores)			13.05	88.50	-	28.23
Zero Coupon Bonds						
National Bank For Agriculture and Rural Development						
Bhavishya Nirman Bonds @ 8,182 each						
A 10 Year Zero Coupon Bond of NABARD- maturity ₹ 20,000 per bond	50,200	50,200	-	41.07	-	41.07
Maturity Value Non Current ₹ 100.40 crores (previous year Non Current ₹ 100.40 crores)			-	41.07	-	41.07
Total Investment in Bonds/ Debentures			58.06	332.32	100.16	317.18
In Mutual fund units:						
Listed -Quoted But Not Traded						
Debt fund						
(Units of the face value of ₹ 10 each)						
ICICI Prudential Mutual Fund						
FMP Series 63-378 Days Plan I Cumulative	-	25,325,762	-	-	25.32	-
FMP Series 63-1 Year Plan E Cumulative	-	10,057,705	-	-	10.06	-
Interval Fund Annual Interval Plan IV Institutional Cumulative	10,294,508	10,294,508	12.00	-	12.00	-
FMP Series 59-1 Year Plan A Cumulative	-	-	-	-	-	-
FMP Series 64-367 Days Plan D Cumulative	-	30,000,000	-	-	30.00	-
FMP Series 64-3 Years Plan I Cumulative	10,000,000	10,000,000	-	10.00	-	10.00
FMP Series 65-367 Days Plan B Cumulative	-	25,000,000	-	-	25.00	-
FMP Series 65-502 Days Plan C Cumulative	10,000,000	10,000,000	10.00	-	-	10.00
FMP Series 65-367 Days Plan H Cumulative	-	15,000,000	-	-	15.00	-
FMP Series 65-366 Days Plan I Regular Plan Cumulative	-	20,000,000	-	-	20.00	-
FMP Series 66-420 Days Plan A Direct Plan Cumulative	25,000,000	25,000,000	25.00	-	-	25.00

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	Units as at	As at March 31, 2014		As at March 31, 2013	
	March 31, 2014	March 31, 2013	Current	Non Current	Current	Non Current
Interval Fund Annual Interval Plan 1 Institutional Cumulative	21,168,142	21,168,142	25.00	-	25.00	-
FMP Series 71-366 Days Plan C Direct Plan Cumulative	20,000,000	-	20.00	-	-	-
FMP Series 72-366 Days Plan I Direct Plan Cumulative	15,000,000	-	15.00	-	-	-
FMP Series 73-391 Days Plan G Direct Plan Cumulative	16,000,000	-	-	16.00	-	-
Birla Sunlife Mutual Fund						
Fixed Term Pan Series EY Growth	-	25,000,000	-	-	25.00	-
Fixed Term Pan Series FM Growth	-	30,421,453	-	-	30.42	-
Fixed Term Pan Series FU Growth	-	20,000,000	-	-	20.00	-
Fixed Term Plan-Series GM (367 Days) -Gr.-Direct	-	25,000,000	-	-	25.00	-
Interval Income Fund-Annual Plan 2-Gr.-Direct	-	15,000,000	-	-	15.00	-
Fixed Term Plan-Series GT (366 Days) -Gr.-Direct	27,784,500	-	27.78	-	-	-
Interval Income Fund-Annual Plan VIII-Gr.-Direct	20,000,000	-	20.00	-	-	-
Fixed Term Plan-Series IL(368 days)-Gr.-Direct	20,000,000	-	20.00	-	-	-
Fixed Term Plan-Series IO(368 days)-Gr.-Direct	20,000,000	-	20.00	-	-	-
Fixed Term Plan-Series JE (368 days)-Gr.-Direct	21,725,000	-	21.73	-	-	-
Fixed Term Plan-Series JY (367 days)-Gr.-Direct	15,000,000	-	15.00	-	-	-
Fixed Term Plan-Series KD (367 days)-Gr.-Direct	16,400,550	-	16.40	-	-	-
Fixed Term Plan-Series KO (399 days)-Gr.-Direct	25,000,000	-	-	25.00	-	-
HDFC Mutual Fund						
FMP 390D March 2012 (1)-Growth-Series XXI	-	25,000,000	-	-	25.00	-
FMP 371D Nov 2012 (2)-Growth-Series XXIII	-	20,000,000	-	-	20.00	-
IDFC Mutual Fund						
FMP-2 Year Series-1-Growth	-	20,000,000	-	-	20.00	-
Fixed Maturity Plan -Thirteen Months Series 8-Growth	-	25,000,000	-	-	25.00	-
Fixed Maturity Plan -Yearly Series 65-Growth	-	10,000,000	-	-	10.00	-
Fixed Term Plan Regular Plan-Series 7-Growth	-	15,000,000	-	-	15.00	-
Yearly Series Interval Fund Regular Plan-Series I-Growth	25,000,000	25,000,000	25.00	-	25.00	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	Units as at	As at March 31, 2014		As at March 31, 2013	
	March 31, 2014	March 31, 2013	Current	Non Current	Current	Non Current
Yearly Series Interval Fund Direct Plan-Series II-Growth	25,000,000	25,000,000	25.00	-	25.00	-
Fixed Term Plan Series 9 Direct Plan-Growth	25,000,000	25,000,000	25.00	-	-	25.00
Fixed Term Plan Series 65 Direct Plan-Growth	15,000,000	-	15.00	-	-	-
Fixed Term Plan Series 86 Direct Plan-Growth	20,000,000	-	-	20.00	-	-
Reliance Mutual Fund						
Dual Advantage Fixed Tenure Fund-Plan A -Growth Plan	-	40,000,000	-	-	40.00	-
Dual Advantage Fixed Tenure Fund-Plan B -Growth Plan	-	20,031,895	-	-	20.03	-
Fixed Horizon Fund -XXI-Series 11-Growth Plan	-	30,000,000	-	-	30.00	-
Fixed Horizon Fund -XXII-Series 14-Growth Plan	-	20,000,000	-	-	20.00	-
Fixed Horizon Fund -XXII-Series 15-Growth Plan	-	20,000,000	-	-	20.00	-
Fixed Horizon Fund -XXII-Series 21-Growth Plan	20,000,000	20,000,000	20.00	-	-	20.00
Fixed Horizon Fund -XXII-Series 31-Growth Plan	-	25,000,000	-	-	25.00	-
Annual Interval Fund -Series I-Institutional Plan Growth	40,825,730	40,825,730	44.97	-	44.97	-
Fixed Horizon Fund -XXII-Series 34-Growth Plan	5,000,000	5,000,000	-	5.00	-	5.00
Fixed Horizon Fund -XXIII-Series 5-Direct Plan-Growth Plan	15,000,000	15,000,000	15.00	-	-	15.00
Fixed Horizon Fund -XXIV-Series 1-Direct Growth Plan	20,000,000	-	20.00	-	-	-
Interval Fund II-Series 3-Direct Plan Growth Plan	20,000,000	-	20.00	-	-	-
Interval Fund II-Series 4-Direct Plan Growth Plan	20,000,000	-	20.00	-	-	-
Fixed Horizon Fund -XXIV-Series 25-Direct Plan-Growth Plan	28,750,000	-	28.75	-	-	-
Fixed Horizon Fund -XXV-Series 2-Direct Plan-Growth Plan	20,000,000	-	20.00	-	-	-
Fixed Horizon Fund -XXV-Series 15-Direct Plan Growth Plan	40,000,000	-	-	40.00	-	-
Fixed Horizon Fund -XXV-Series 20-Direct Plan Growth Plan	20,000,000	-	-	20.00	-	-
Fixed Horizon Fund -XXV-Series 30-Direct Plan Growth Plan	25,000,000	-	-	25.00	-	-

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	Units as at	As at March 31, 2014		As at March 31, 2013	
	March 31, 2014	March 31, 2013	Current	Non Current	Current	Non Current
BNP Paribas Mutual Fund						
Fixed Term Fund Ser 24 A Direct Growth	20,000,000	20,000,000	20.00	-	-	20.00
Religare Mutual Fund						
FMP Series XIII Plan F-Growth Plan	-	35,000,000	-	-	35.00	-
Fixed Maturity Plan Series XVII-Plan D (399 Days)-Direct Plan	15,000,000	15,000,000	15.00	-	-	15.00
DSP BlackRock Mutual Fund						
FMP- Series 81-12 M -Growth	-	15,000,000	-	-	15.00	-
FMP- Series 84-12 M -Dir-Growth	-	15,000,000	-	-	15.00	-
UTI Mutual Fund						
Fixed Income Interval Fund Annual Interval Plan III-INST Growth Plan	-	14,164,105	-	-	20.00	-
Fixed Term Income Fund Series XIV-I(366 Days)-Direct Growth Plan	-	25,000,000	-	-	25.00	-
Fixed Term Income Fund Series XVII-XIII(369 Days)-Direct Growth Plan	27,283,000	-	27.28	-	-	-
Taurus Mutual Fund						
Fixed Maturity Plan 374 Days Series S-Growth Plan	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan 369 Days Series U-Growth Plan	-	10,000,000	-	-	10.00	-
Fixed Maturity Plan 369 Days Series X-Direct Plan	-	20,504,409	-	-	20.50	-
Fixed Maturity Plan 369 Days Series Y-Direct Plan	-	5,017,448	-	-	5.02	-
Fixed Maturity Plan 377 Days Series Z-Direct Plan Growth	5,036,817	5,036,817	5.04	-	-	5.04
L&T Mutual Fund						
FMP-V (March 395 D A)-Growth	-	5,000,000	-	-	5.00	-
FMP-VII (February 419 D A) Direct Plan Growth	15,000,000	15,000,000	15.00	-	-	15.00
FMP-VII (March 13 M A) Direct Plan Growth	15,000,000	15,000,000	15.00	-	-	15.00
FMP 8- Plan A- Direct Growth	15,000,000	-	15.00	-	-	-
FMP-VII (March 381 D A) Direct Plan Growth	10,000,000	10,000,000	10.00	-	-	10.00
FMP 8- Plan G- Direct Growth	10,291,784	-	10.29	-	-	-
FMP Series 9- Plan D- Direct Growth	25,000,000	-	25.00	-	-	-
FMP Series 9- Plan G- Direct Growth	20,000,000	-	20.00	-	-	-
FMP Series 10- Plan A- Direct Growth	6,000,000	-	6.00	-	-	-
FMP Series 10- Plan D- Direct Growth	10,000,000	-	10.00	-	-	-
FMP Series 10- Plan H- Direct Growth	10,000,000	-	-	10.00	-	-
FMP Series 10- Plan M- Direct Growth	10,000,000	-	-	10.00	-	-
FMP Series 10- Plan Q- Direct Growth	25,000,000	-	-	25.00	-	-
J P Morgan Mutual Fund						
Fixed Maturtiy Plan Series 302 Growth	10,000,000	10,000,000	-	10.00	-	10.00

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
Deutsche Mutual Fund						
Fixed Maturity Plan -Series 23-Direct Plan-Growth	25,000,000	25,000,000	25.00	-	-	25.00
Fixed Maturity Plan -Series 27-Direct Plan-Growth	-	5,000,000	-	-	5.00	-
Fixed Maturity Plan -Series 43-Direct Plan-Growth	25,000,000	-	25.00	-	-	-
Fixed Maturity Plan -Series 42-Direct Plan-Growth	25,000,000	-	25.00	-	-	-
Fixed Maturity Plan Series 46-Direct Plan-Growth	15,000,000	-	15.00	-	-	-
Fixed Maturity Plan Series 48-Direct Plan-Growth	10,000,000	-	10.00	-	-	-
Fixed Maturity Plan Series 51-Direct Plan-Growth	10,000,000	-	10.00	-	-	-
Fixed Maturity Plan Series 54-Direct Plan-Growth	10,000,000	-	-	10.00	-	-
Fixed Maturity Plan Series 57-Direct Plan-Growth	20,000,000	-	-	20.00	-	-
(Units of the face value of ₹ 1,000 each)						
Pramerica Mutual Fund						
Fixed Duration Fund series 5-Direct Plan-Growth option	100,000	100,000	10.00	-	-	10.00
Fixed Duration Fund series 13-Direct Plan-Growth option	50,000	-	5.00	-	-	-
Total Investment in Mutual Funds			845.24	246.00	808.32	235.04
Repurchase Price Current ₹ 906.56 crores and Non Current ₹ 251.62 crores (previous year Current ₹ 868.66 crores and Non Current ₹ 239.36 crores)						
Trade						
In Equity Shares						
Unquoted						
of Subsidiaries						
HMC MM Auto Limited (face value ₹ 10 each)	1,799,993	-	-	1.80	-	-
HMCL(N A),Inc. (No par Value)	-	-	-	155.38	-	-
of Associates						
Hero FinCorp Limited (face value ₹ 10 each)	7,310,300	7,296,900	-	56.47	-	56.31
Non Trade						
of Other Entities						
Bombay Stock Exchange Limited (face value of Re. 1 each)	140,400	140,400	-	5.94	-	5.94

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
In Equity Preferential Shares						
Tata Capital Limited (face value of ₹ 1,000 each)	100,000	-	-	10.00	-	-
Total Investment in Equity Shares			-	15.94	-	5.94
Total Long Term Investments			903.30	807.91	908.48	614.47
Other than Long Term Investments						
Non-trade						
In Mutual fund units:						
Listed -Quoted But Not Traded						
Debt fund						
(Units of the face value of ₹ 10 each)						
IDFC Mutual Fund						
Interval Fund Direct Plan -Series IV-Growth	5,000,000	-	5.00	-	-	-
Reliance Mutual Fund						
Interval Fund I-Half Yearly Interval Fund-Series 2-Direct Plan Growth Plan	4,767,263	-	5.00	-	-	-
Repurchase Price Current ₹ 10.08 crores (previous year ₹ Nil)			10.00	-	-	-
Unquoted						
Debt fund						
(Units of the face value of ₹ 10 each)						
ICICI Prudential Mutual Fund						
Short Term Plan Inst. Growth	11,770,847	11,770,847	25.01	-	25.01	-
Blended Plan B-Direct Plan-Growth Option-I	39,120,303	-	70.50	-	-	-
Banking and PSU Debt Fund-Direct Plan-Growth	62,782,668	-	84.96	-	-	-
Long Term Plan Premium Plus-Cumulative	-	83,887,311	-	-	100.00	-
Gilt Treasury Plan Growth	-	7,077,165	-	-	20.00	-
Birla Sunlife Mutual Fund						
Dynamic Bond Fund- Retail- Growth	90,522,800	90,522,800	164.32	-	164.32	-
Short Term Fund -Growth-Direct Plan	11,321,095	-	50.00	-	-	-
IDFC Mutual Fund						
Money Manager Fund -Investment Plan -Inst Plan B-Growth	-	15,203,322	-	-	25.03	-
SSIF-Short Term -Plan C-Growth	43,198,719	43,198,719	50.45	-	50.45	-
SSIF Medium Term -Plan B -Growth	16,729,050	16,729,050	20.04	-	20.04	-
SSIF-Investment Plan-Growth-(Direct Plan)	8,621,462	-	25.00	-	-	-
Dynamic Bond Fund-Growth-(Direct Plan)	34,410,485	-	50.00	-	-	-
Ultra Short Term Fund-Growth-(Regular Plan)	-	31,783,566	-	-	50.00	-
Dynamic Bond Fund-Growth-(Regular Plan)	18,776,803	18,776,803	25.00	-	25.00	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	Units as at	As at March 31, 2014		As at March 31, 2013	
	March 31, 2014	March 31, 2013	Current	Non Current	Current	Non Current
Ultra Short Term Fund-Growth-(Direct Plan)	-	10,483,731	-	-	17.00	-
Banking Debt Fund-Direct plan-Growth	19,980,419	19,980,419	20.00	-	20.00	-
Arbitrage Fund -Dividend-(Direct Plan)	24,379,222	-	30.75	-	-	-
Reliance Mutual Fund						
Short Term Fund Growth Plan	14,056,349	14,056,349	29.00	-	29.00	-
Short Term Fund-Direct Growth Plan Growth Option	11,254,265	-	25.00	-	-	-
Dynamic Bond Fund-Direct Plan-Growth Plan	28,884,863	-	48.00	-	-	-
Floating Rate Fund Short Term Plan-Growth	27,897,922	27,897,922	50.28	-	50.28	-
Floating Rate-Short Term Plan -Direct Growth Plan	63,838,312	-	123.84	-	-	-
UTI Mutual Fund						
Short Term Income Fund Institutional Growth Option	15,314,052	15,314,052	20.00	-	20.00	-
L&T Mutual Fund						
MIP- Wealth Builder Fund Growth	-	9,217,609	-	-	10.00	-
Short Term Opportunities Fund-Growth	-	13,816,734	-	-	15.00	-
Floating Rate Fund Direct Plan-Growth	14,422,938	-	16.67	-	-	-
Ultra Short Term Fund Direct Plan-Growth	89,916,686	-	179.15	-	-	-
Income Opportunities Fund Direct Plan-Growth	15,046,871	-	20.00	-	-	-
Triple Ace Bond Fund-Bonus-Original	5,363,713	-	6.67	-	-	-
Escorts Mutual Fund						
Short Term Debt Fund-Growth	-	861,553	-	-	1.30	-
Religare Mutual Fund						
Credit Opportunities Fund-Growth	-	19,517,831	-	-	25.00	-
Active Income Fund Growth	-	18,483,878	-	-	25.00	-
JP Morgan Mutual Fund						
India Active Bond Fund Retail-Growth	3,981,937	3,981,937	5.00	-	5.00	-
Short Term Income Fund -Direct Plan-Growth	19,155,767	-	25.00	-	-	-
BNP Paribas Mutual Fund						
Short Term Income Fund-Growth	-	26,700,674	-	-	35.02	-
MediumTerm Income Fund Direct Plan Growth	25,000,000	-	25.00	-	-	-
Deutsche Mutual Fund						
Banking and PSU Debt Fund-Direct Plan-Growth	34,685,620	15,000,000	35.00	-	15.00	-
Treasury Fund-Investment-Direct Plan Bonus	9,238,367	-	9.19	-	-	-

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	Units as at	As at March 31, 2014		As at March 31, 2013	
	March 31, 2014	March 31, 2013	Current	Non Current	Current	Non Current
Short Maturity Fund Direct Plan-Annual Bonus	4,614,440	-	6.67	-	-	-
Ultra Short Term Fund-Direct Plan-Annual Bonus	8,868,007	-	8.83	-	-	-
Cash Opportunities Fund-Direct Plan-Annual Bonus	10,389,886	-	10.17	-	-	-
(Units of the face value of ₹ 100 each)						
ICICI Prudential Mutual Fund						
Flexible Income-Regular Plan-Growth	1,626,944	8,413,334	27.86	-	144.08	-
Flexible Income-Direct Plan -Growth	2,133,884	-	49.38	-	-	-
Birla Sunlife Mutual Fund						
Floating Rate Fund-Long Term-Growth-Direct Plan	-	1,225,641	-	-	17.00	-
(Units of the face value of ₹ 1,000 each)						
Reliance Mutual Fund						
Money Manager Fund-Growth Plan-Growth Option	1,310,126	2,021,295	162.41	-	250.57	-
Pramerica Mutual Fund						
Short Term Income Fund-Growth Option	-	58,723	-	-	6.00	-
Treasury Advantage Fund-Growth Option	-	48,903	-	-	5.00	-
Credit Opportunities Fund -Growth	70,000	70,000	7.00	-	7.00	-
Dynamic Bond Fund-Growth Plan	50,000	50,000	5.00	-	5.00	-
Ultra Short Term Bond Fund Direct Plan Growth Option	394,855	-	50.00	-	-	-
Religare Mutual Fund						
Bank Debt Fund-Growth	100,000	100,000	10.00	-	10.00	-
Ultra Short Term Fund-Direct Plan Growth	-	93,039	-	-	15.00	-
Active Income Fund Growth	184,838	-	25.00	-	-	-
DSP BlackRock Mutual Fund						
Strategic Bond Fund -Institutional Plan-Growth	190,666	190,666	24.20	-	24.20	-
Strategic Bond Fund -Direct Plan-Growth	176,115	-	25.00	-	-	-
Indiabulls Mutual Fund						
Ultra Short Term Fund -Growth Plan	-	200,000	-	-	20.00	-
Repurchase Price Current ₹ 1,842.15 crores (previous year Current ₹ 1,423.55 crores)			1,645.35	-	1,251.30	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
In Equity fund units:						
(Units of the face value of ₹ 10 each)						
Escorts Mutual Fund						
Opportunities Fund -Dividend	-	8,376,943	-	-	8.56	-
Repurchase Price ₹ Nil (previous year Current ₹ 9.19 crores)			-	-	8.56	-
In Liquid fund units:						
(Units of the face value of ₹ 10 each)						
Escorts Mutual Fund						
Liquid Plan-Growth	-	28,969,842	-	-	50.49	-
Liquid Direct Plan-Growth	29,106,997	-	54.51	-	-	-
HDFC Mutual Fund						
Liquid Fund-Direct Plan-Growth Option	-	17,310,696	-	-	40.00	-
(Units of the face value of ₹ 100 each)						
ICICI Prudential Mutual Fund						
Liquid Direct plan-Growth	2,636,293	2,885,170	50.00	-	50.00	-
Birla Sunlife Mutual Fund						
Cash Plus-Growth-Direct Plan	2,433,114	13,464,953	50.00	-	252.65	-
(Units of the face value of ₹ 1,000 each)						
Reliance Mutual Fund						
Liquidity Fund- Direct Growth Plan Growth Option	1,146,882	254,933	221.40	-	45.00	-
Taurus Mutual Fund						
Liquid Fund-Direct Plan-Super Institutional Growth	-	367,557	-	-	46.06	-
IDFC Mutual Fund						
Cash Fund -Growth-(Direct Plan)	1,513,918	280,758	235.70	-	40.00	-
L&T Mutual Fund						
Liquid Fund Direct Plan-Growth	-	386,639	-	-	61.62	-
Axis Mutual Fund						
Liquid Fund-Direct Plan-Growth	662,821	307,984	94.15	-	40.00	-
Pramerica Mutual Fund						
Liquid Fund-Direct plan-Growth Option	-	1,385,633	-	-	171.87	-
Repurchase Price Current ₹ 710.28 crores (previous year Current ₹ 802.96 crores)			705.76	-	797.69	-
Investment in Mutual Funds			2,361.11	-	2,057.55	-

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	Units as at March 31, 2013	As at March 31, 2014		As at March 31, 2013	
			Current	Non Current	Current	Non Current
Non Trade						
In Debentures / Bonds						
Quoted						
Face Value of ₹ 1,000 each						
12.15% Religare Finvest Ltd 12.15NCD 23SEP14	50,000	-	5.01	-	-	-
Face Value of ₹ 1,000,000 each						
9.20% Bank Of Baroda RR Perpetual BD 09.10.2019	50	-	-	5.15	-	-
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15	260	-	6.61	-	-	-
			11.62	5.15	-	-
Less: Provision for diminution/ amortisation			(0.14)	(0.18)	-	-
Market value Current ₹ 11.48 crores and Non Current 4.97 crores (previous year ₹ Nil)			11.48	4.97	-	-
Investments under Portfolio Management Services #						
Listed - Quoted But Not Traded						
Debentures / Bonds						
Face Value of ₹ 1,000,000 each						
Tata Housing Development Co. ZCB DOM 15.10.2013	-	200	-	-	20.03	-
9.20% Bank Of Baroda RR Perpetual BD	-	50	-	-	5.15	-
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15	-	75	-	-	7.62	-
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15	-	5	-	-	0.51	-
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15	-	50	-	-	5.09	-
Face Value of ₹ 1,000 each						
12.15% Religare Finvest Ltd 12.15NCD 23SEP14	-	50,000	-	-	5.01	-
			-	-	43.41	-
Less: Provision for diminution/ amortisation			-	-	(0.08)	-
Maturity Value ₹ Nil (previous year Current ₹ 43.00 crores)			-	-	43.33	-
Investment under Portfolio Management Services			-	-	43.33	-
Total Other than Long Term Investments			2,372.59	4.97	2,100.88	-
			3,275.89	812.88	3,009.36	614.47

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

Aggregate value of	As at March 31, 2014		As at March 31, 2013	
	Book value	Market value	Book value	Market value
Quoted investments -Non Current (Repurchase Price/Market Value)	583.98	653.22	553.29	622.24
Quoted investments-Current (Repurchase Price/Market Value)	925.78	986.31	952.63	1,010.46
Unquoted investments-Non Current (Repurchase Price/Maturity Value/Cost)	229.59	229.59	62.25	62.25
Unquoted investments-Current (Repurchase Price/Maturity Value/Cost)	2,351.11	2,552.43	2,057.55	2,235.70
Diminution/amortisation-Non Current	(0.69)	-	(1.07)	-
Diminution/amortisation-Current	(1.00)	-	(0.82)	-
	4,088.77	4,421.55	3,623.83	3,930.65

The Company has entered into Discretionary Portfolio Management Agreements, administered through Escorts Securities Limited, Reliance Capital Asset Management Ltd collectively called Portfolio Managers. In terms of the said agreements, the Portfolio Managers have dealt in mutual funds, debentures, bonds, government securities, equity shares, equity stock futures, equity stock options, equity index options and such other securities, made on behalf of the Company. However, there are no outstanding derivative contracts as at March 31, 2014

NOTE NO. 13 - LONG-TERM LOANS AND ADVANCES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
(a) Security Deposits	9.32	8.49
(b) Balance with Government authorities		
Excise duty	45.03	3.63
VAT/ sales tax	247.64	156.14
(c) Other loans and advances		
Capital advances	149.89	255.24
Loans to employees	24.90	22.51
Prepaid expenses	0.61	2.61
Advance income tax (net of provisions as at March 31, 2013 ₹ 1,072.31 crores)	-	163.09
MAT credit entitlement	-	168.35
Total	477.39	780.06

NOTE NO. 14 - OTHER NON-CURRENT ASSETS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
Accruals		
Interest accrued on investments	47.81	36.44
Total	47.81	36.44

NOTE NO. 15 - INVENTORIES *

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Raw materials and components	371.49	368.68
Goods in transit of raw materials and components	74.37	42.59
Stores and spares	62.37	55.51
Loose tools	14.22	14.25
Finished goods		
Two wheelers	68.26	99.36
Spare parts	42.65	25.86
Work in progress (Two wheelers)	36.19	30.51
Total	669.55	636.76

* Lower of cost and net realisable value

NOTE NO. 16 - TRADE RECEIVABLES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	1.25	0.82
Unsecured, considered good	4.70	1.73
Unsecured considered doubtful	10.40	9.54
	16.35	12.09
Less: Provision for doubtful trade receivables	10.40	9.54
	5.95	2.55
(b) Others		
Secured, considered good	20.96	15.62
Unsecured, considered good	893.67	646.83
Total	920.58	665.00

NOTE NO. 17 - CASH AND CASH EQUIVALENTS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Cash on hand	0.29	0.21
(b) Balances with banks		
In current accounts	15.28	13.97
In deposit accounts (Refer (i) below)	50.84	120.77
In dividend current accounts (Earmarked accounts)	51.09	46.09
Total	117.50	181.04

- (i) Balance with banks include deposits amounting to ₹ 50.84 crores (previous year ₹ 120.77 crores) which have an original maturity of more than 12 months and now maturing during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 18 - SHORT - TERM LOANS AND ADVANCES

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
(a) Loans and advances to related party		
Intercompany deposits	220.00	240.00
(b) Balance with Government authorities		
CENVAT/ Service tax credit	94.33	103.68
VAT/ sales tax	50.72	118.70
Excise duty -current account	0.66	0.66
Export incentive receivables	16.98	13.74
(c) Others		
Advance to vendors	108.91	26.68
Loans and advances to employees	18.36	17.38
Security deposits	1.07	0.50
Prepaid expenses	34.23	28.73
Others	5.05	3.48
Total	550.31	553.55

NOTE NO. 19 - OTHER CURRENT ASSETS

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
(a) Accruals		
Interest accrued on investments	17.41	26.01
Other accruals	4.64	5.89
Total	22.05	31.90

NOTE NO. 20 - REVENUE FROM OPERATIONS

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Sale of products		
Two wheelers (62,45,960 Nos. (previous year 60,75,583 Nos.))	25,041.15	23,759.73
Spare parts	1,964.11	1,714.81
	27,005.26	25,474.54
Less: Excise duty	1,880.35	1,891.80
	25,124.91	23,582.74
(b) Other operating revenue		
Income from services		
Dealers support services	25.72	36.94
Goodlife program for customers	60.85	64.88
Services - others	34.38	50.59
	120.95	152.41
Duty drawback and other incentives	21.69	28.96
Miscellaneous income	7.92	4.00
	29.61	32.96
	150.56	185.37
Total	25,275.47	23,768.11

NOTE NO. 21 - OTHER INCOME

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Interest income		
Intercompany deposits	7.16	2.95
Long term - Non trade investments	49.51	47.82
Current - Non trade investments	3.59	12.35
Others	83.11	43.19
(b) Dividend income		
Current investments - Non trade	0.69	0.13
Long term investments - Trade	2.19	2.72
Long term investments - Non trade	0.06	0.08
(c) Net gain on sale of non trade*		
Current investments	221.70	232.86
Long term investments	77.69	55.15
(d) Other Non operating Income		
Profit on sale of fixed assets	0.68	1.13
Total	446.38	398.38

* After adjusting loss on sale of current investments aggregating ₹ 1.26 crores (previous year ₹ 0.35 crores)

NOTE NO. 22 - COST OF MATERIALS CONSUMED

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Raw materials and components consumed:		
Opening stock	411.27	425.21
Add: Purchase of raw materials and components	18,363.25	17,629.50
	18,774.52	18,054.71
Less: Closing stock	445.85	411.27
	18,328.67	17,643.44
Less: Sale of components to ancillaries on cost to cost basis	14.29	185.13
	18,314.38	17,458.31
Less: Cash discount	69.43	72.53
Consumption of raw materials and components	18,244.95	17,385.78
Less: Scrap sales	23.42	20.92
Net consumption	18,221.53	17,364.86
Materials consumed comprises:		
Steel sheets	44.33	57.17
Components	18,270.05	17,401.14
Total	18,314.38	17,458.31

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 23 - CHANGES IN INVENTORY OF FINISHED GOODS AND WORK-IN-PROGRESS

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Opening stock		
Two wheelers	99.36	136.38
Spare parts	25.86	22.32
Work in progress	30.51	34.48
	155.73	193.18
Less: Excise duty on opening stock	14.55	19.20
Net opening stock	141.18	173.98
(b) Closing stock		
Two wheelers	68.26	99.36
Spare parts	42.65	25.86
Work in progress	36.19	30.51
	147.10	155.73
Less: Excise duty on closing stock	14.28	14.55
Net closing stock	132.82	141.18
Net (increase)/ decrease	8.36	32.80

NOTE NO. 24 - EMPLOYEE BENEFITS EXPENSES

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Employee benefits expenses (Refer (i) & (ii) below)		
(i) Salaries and wages	818.55	723.45
(ii) Contribution to provident and other funds	51.65	56.24
(iii) Staff welfare expenses	59.84	41.23
Total	930.04	820.92

	2013-14	2012-13
(i) Defined contribution and other plans		
Employer's contribution to provident fund	30.56	26.22
Employer's contribution to superannuation fund	12.91	13.93
Employer's contribution to Gratuity fund	6.24	14.15
Employer's contribution to ESIC	1.94	1.94
Total	51.65	56.24

(ii) Defined benefit plans

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

		₹ crores
	For the year ended March 31, 2014	For the year ended March 31, 2013
i. Change in benefit obligation		
Present value of obligation at the beginning of the year	109.55	89.95
Current Service Cost	7.35	6.34
Interest Expenses	8.57	7.48
Actuarial (Gain) / Loss	(0.22)	7.68
Benefits Paid	(4.71)	(1.90)
Present value of obligation at the end of the year	120.54	109.55

		₹ crores
	For the year ended March 31, 2014	For the year ended March 31, 2013
ii. Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	109.55	89.95
Expected return on scheme assets	10.35	9.01
Contributions by the Company	5.87	13.78
Benefits Paid	(4.71)	(1.90)
Actuarial Gain / (Loss)	(0.52)	(1.29)
Fair value of plan assets at the end of the year	120.54	109.55

		₹ crores
	For the year ended March 31, 2014	For the year ended March 31, 2013
iii. Return on Plan Assets		
Expected return on plan assets	10.35	9.01
Actuarial Gain / (Loss)	(0.52)	8.98
Actual return on plan assets	9.83	17.99

		₹ crores
	For the year ended March 31, 2014	For the year ended March 31, 2013
iv. Amount recognised in the Balance Sheet		
Present value of defined benefit obligation	120.54	109.55
Fair value of Plan Assets	120.54	109.55
Net liability/(asset) recognised in the balance sheet	-	-

		₹ crores
	For the year ended March 31, 2014	For the year ended March 31, 2013
v. Expenses recognised in the statement of profit and loss		
Current service costs	7.35	6.33
Interest expense	8.57	7.48
Expected return on plan assets	(10.35)	(9.01)
Net actuarial (gain)/loss recognized during the year	0.30	8.98
Expenditure recognized in statement of Profit and Loss	5.87	13.78

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

₹ crores

	For the year ended March 31, 2014	For the year ended March 31, 2013
vi. Balance Sheet reconciliation		
Net liability/(asset) at the beginning of the year	-	-
Expenses as above	5.87	13.78
Contribution paid	(5.87)	(13.78)

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

	For the year ended March 31, 2014	For the year ended March 31, 2013
vii. Principal Actuarial assumptions for Gratuity and leave benefits		
Rate for discounting liabilities	8.00% p.a.	8.40% p.a.
Expected salary increase rate	6.00% p.a.	6.00% p.a.
Expected return on scheme assets	9.40% p.a.	9.40% p.a.
Withdrawal Rate	Upto 30 years: 3% From 31 to 44 years: 2% After 44 years: 1%	Upto 30 years: 3% From 31 to 44 years: 2% After 44 years: 1%
Mortality table used	India assured Lives Mortality (2006-08) (modified) Ult.	LIC (1994-96) Mortality Table (ultimate)

Experience adjustments	2013-14	2012-13	2011-12	2010-11	2009-10
Gratuity					
Present value of Defined benefit plan	120.53	109.55	89.95	68.75	51.28
Fair value of plan assets	120.53	109.55	89.95	68.75	51.28
Funded status [Surplus / (Deficit)]	-	-	-	-	-
Experience gain / (loss) adjustments on plan liabilities	7.51	4.08	15.28	8.63	5.10
Experience gain / (loss) adjustments on plan assets	0.52	1.30	0.10	0.03	-

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

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

NOTE NO. 25 - FINANCE COSTS

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Interest expenses		
On dealers security deposits	1.78	1.69
On others	10.04	10.22
Total	11.82	11.91

NOTE NO. 26 - OTHER EXPENSES

₹ crores

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Other expenses		
Stores and tools consumed	98.93	105.87
Power and fuel	137.46	129.18
Rent	13.22	10.49
Insurance charges	44.98	35.36
Repairs and maintenance		
- Plant and machinery	67.87	54.58
- Buildings	15.29	10.17
- Others	50.52	43.34
Rates and taxes	170.93	154.31
Exchange fluctuation	0.09	2.54
Packing, forwarding, freight etc.	729.39	653.28
Royalty	116.67	50.02
Advertisement and publicity	493.47	468.71
Donations#	11.71	10.54
Auditors' remuneration	1.44	1.26
Lease rent	21.75	18.69
Provision for doubtful debts	0.85	0.28
Provision for diminution/amortization in value of investments		
- Long term non trade investment	0.45	0.59
Loss on fixed assets sold/discarded	13.98	7.07
Miscellaneous expenses	586.48	508.77
Total	2,575.48	2,265.05

Donation included ₹ 11 crores (previous year ₹ Nil) contributed to Satya Electoral Trust

NOTE NO. 27 - EARNINGS PER EQUITY SHARE

Particulars	Unit	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Earnings per equity share (EPS):			
Net profit after tax	Rupees crores	2,109.08	2,118.16
Weighted average number of equity shares outstanding during the year	Numbers	199,687,500	199,687,500
Nominal Value of Equity Shares	Rupees	2.00	2.00
Basic and diluted EPS	Rupees	105.61	106.07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 28 - CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

₹ crores

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Contingent liabilities		
(i) In respect of excise matters	29.24	47.09
The above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the result of operations or the financial position of the Company.		
(b) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid amounting to ₹ 438.61 crores (previous year ₹ 255.24 crores))	458.39	454.91
Other commitments (Refer note below)		
Total	487.63	502.00

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

NOTE NO. 29 - As the Company's business activity falls within a single primary business segment viz. "Two wheelers, its parts and ancillary services" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", notified in the Companies (Accounting Standards) Rules, 2006 are not applicable.

NOTE NO. 30 - RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD 18

a) Parties over which the Company has control-Subsidiary companies

HMCL (NA) Inc (w.e.f May 29, 2013)

HMC MM Auto Limited (w.e.f November 11, 2013)

b) Parties in respect of which the Company is an associate. { refer note no 36}

Hero Investment Private Limited (upto May 16, 2013)

Brijmohan Lall Om Prakash (Firm; from May 17, 2013)

c) Associate of the Company

Hero FinCorp Limited

d) Key management personnel and their relative

Mr. Brijmohan Lall Munjal	- Chairman
Mr. Pawan Munjal	- Managing Director
Mr. Sunil Kant Munjal	- Joint Managing Director
Mr. Suman Kant Munjal	- Director

e) 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 (upto previous year), Rockman Industries Limited, Cosmic Kitchen Private Limited, Hero Management Services Limited, Hero Cycles Limited, Hero Corporate Services Limited, Hero Mindmine Institute Limited, Easy Bill Limited(upto previous year), Abhyuday Manufacturing and Automotive Limited and Raman Kant Munjal Foundation.

Transactions with related parties during the year

a) Parties over which Company has control

	₹ in crores	
	This year	Previous year
Equity Investment		
HMCL (NA) Inc *	151.44	-
HMC MM Auto Limited	1.80	-
Recovery of expenses		
HMC MM Auto Limited	0.34	-

* Excluding costs incidental to investments

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

	₹ in crores	
	This year	Previous year
Dividend*		
Brijmohan Lall Om Prakash	371.91	-
Hero Investments Private Limited {refer note 36}	-	389.39

* Exclude proposed final dividend

c) Associate of the Company

	₹ in crores	
	This year	Previous year
Hero FinCorp Limited		
Lease rental expenses	20.26	17.93
Dividend received	2.19	2.72
Intercompany deposits given	605.00	385.00
Intercompany deposits repaid	625.00	265.00
Interest on Intercompany deposits	7.16	2.95
Investment in equity shares	0.16	52.85
Purchases of Fixed Assets	-	0.99
Balance outstanding at the year end		
- Receivable	220.00	240.00
- Payable	8.67	-

d) Key management personnel and their relative.

	₹ in crores	
	This year	Previous year
Managerial Remuneration/Sitting fees		
Mr. Brijmohan Lall Munjal	36.98	32.73
Mr. Pawan Munjal	37.88	32.80
Mr. Sunil Kant Munjal	35.97	31.51
Mr. Suman Kant Munjal	0.02	0.01
Balance outstanding at the year end		
- Payables (including commission)	89.40	79.55

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

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

₹ in crores

	This year	Previous year
Purchase of raw materials and components etc.	2,005.38	2,010.09
Purchase of Assets	24.31	16.88
Sale of components etc.	12.80	-
Payment towards other services etc.	12.01	5.36
Donation	0.30	0.85
Balance outstanding as at the year end		
- Payables	194.10	172.02

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

₹ in crores

	This year	Previous year
Purchase of raw materials and components etc.		
A .G. Industries Private Limited	680.00	572.26
Rockman Industries Limited	1,237.00	1,119.70
Highway Industries Limited	-	215.57
Purchase of Assets		
Rockman Industries Limited	21.47	16.88
A.G. Industries Private Limited	2.84	-
Sale of components etc.		
Rockman Industries Limited	12.80	-
Payment for services etc.		
Hero Corporate Services Limited	3.75	3.35
Hero Mindmine Institute Limited	1.98	1.83
Abhyuday Manufacturing and Automotive Limited	6.05	-
Donation		
Raman Kant Munjal Foundation	0.30	0.85

NOTE NO. 31 - The Company has entered into operating lease agreements for motor vehicles, dies and data processing machines. These lease arrangements are cancellable in nature and range between two to four years. The aggregate lease rentals under these arrangements amounting to ₹ 21.75 crores (previous year ₹ 18.69 crores) have been charged under "Lease rentals" in Note 26.

NOTE NO. - 32 - 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, 2014, pending with various authorities:

Name of the Statute	Nature of the Dues	Amount* (₹ in crores)	Amount paid under protest (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise Duty	603.17	177.06	2000-01 and 2002 – 2013	CESTAT
		0.05	-	2006-2013	Commissioner (Appeals)
	Service Tax	0.89	0.45	2004-05 to 2005-06	Supreme Court
		254.42	22.04**	2004-05 to 2011-12	CESTAT
Sales Tax	Sales Tax	1.90	1.90	1998-99 to 2000-2001	Haryana Tax Tribunal
Income tax Act, 1961	Income tax	1,878.54	50.00***	2007-08	Income Tax Appellate Tribunal
		81.60	29.90	2004-05	Commissioner (Appeals)
		1.11	-	2005-06	
		3.77	-	2006-07	

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

** Appeal along with stay application has been filed

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

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

Name of the Statute	Nature of the Dues	Amount (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Laws	Excise duty	2.57	1986-87 to 1990-91	Supreme Court
		16.66	2005-06 to 2010-11	CESTAT
	Service Tax	0.17	2005	High Court
Income-tax Act, 1961	Income-Tax	1,224.84	1987-88, 1989-90, 1992-93, 1993-94, 1995-96 to 2001-02, 2005-06, 2006-07	High Court
		11.85	1999-00, 2002-03, 2007-08	Income Tax Appellate Tribunal

NOTE NO. 33 - The Company's borrowing facilities, comprising fund based and non fund based limits from various bankers, are secured by way of hypothecation of inventories, receivables, movable assets and other current assets.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 34 - THE CATEGORY WISE DERIVATIVE INSTRUMENTS OUTSTANDING AS AT MARCH 31 ARE AS UNDER:

Purpose	This Year		Previous Year	
	Currency bought (in million)	Currency sold (in million)	Currency bought (in million)	Currency sold (in million)
Foreign currency forward contracts				
Hedging	JPY 2500	USD 13.50 USD 24.40	JPY 1,000.00	USD 13.00 USD 10.87
Options contracts				
Hedging				
JPY-Call	1,000	1,000	2,000	2,000
JPY-Put	-	1,000	-	2,000
USD- Call	-	9.15	-	19.70
USD- Put	9.57	10.05	21.83	23.12

The unhedged foreign currency exposures are as under:

	As at March 31, 2014		As at March 31, 2013	
	Amount of foreign currency in million	Amount in Rupees crores	Amount of foreign currency in million	Amount in Rupees crores
Payables	JPY 5,492.46	321.44	JPY 13,987.05	809.29
	USD 22.66	136.15	USD 22.80	124.04
	EUR 2.15	17.81	EUR 0.75	5.22

NOTE NO. 35 - Two wheeler sales are covered by a warranty period of two to five years. The details of provision for warranties are as under:

	₹ in crores	
	This year	Previous year
Provision at the beginning of the year	28.46	37.32
Additional provision made during the year	56.60	20.35
Amount utilised during the year	36.45	29.21
Provision as at the end of the year	48.61	28.46

NOTE NO. 36 - Pursuant to Scheme of Arrangement (the Scheme) for amalgamation of Hero Investments Private Limited (HIPL) which is engaged in the business of holding securities other than trading, approved by the Hon'ble High Court of Delhi, which became effective from May 16, 2013 (for which appointed date was January 01, 2013) upon filing of the copy with the Registrar of Companies, NCT of Delhi & Haryana, all the properties and assets, present or future or contingent or of whatsoever nature, be transferred and/or deemed to be transferred to and vested with Hero MotoCorp Limited (HMCL) so as to become the properties of HMCL on the same terms and conditions as were applicable to HIPL.

The amalgamation with HIPL has been accounted for under the "Pooling of interests" method as prescribed by Accounting Standard-14. Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values as on April 1, 2013:

Particulars	Amount (₹ in crores)
Non – Current Investments	3,844.60
Long term loans and advances	2.19
Cash and cash equivalents	2.30
Other current liabilities	(0.02)
Net Assets taken over on amalgamation	3,849.07
Cancellation of Investment on account of Amalgamation	(3,844.60)
Balance for adjustment in Reserves and Surplus	4.47

In terms of scheme, HMCL allotted equity shares to the members of HIPL an aggregate of 86,531,210 fully paid equity shares of ₹ 2 each of HMCL on June 4, 2012 in proportion of their holdings in HIPL.

Operations and other transactions during the period January 1, 2013 to March 31, 2013 are as under which HIPL managed in trust:

Particulars	Amount (₹ in crores)
Balance in Reserves and Surplus as on January 1, 2013 (Being appointed date)	23.94
Loss during January 1, 2013 to March 31, 2013	(0.19)
Total (A)	23.75
Less: First Interim dividend	(16.59)
Less: Tax on dividend	(2.69)
Total (B)	19.28
Balance for adjustment in Reserves and Surplus as on April 1, 2013 (A-B)	4.47

Second Interim dividend of ₹ 1.16 crores along with tax on dividend of ₹ 0.20 crores have also be appropriated out of Reserves and Surplus in the financial statements (Refer Note 4). Further, result of operations from April 1, 2013 till May 16, 2013 has been incorporated in HMCL financial statements.

NOTE NO. 37 - RESEARCH AND DEVELOPMENT EXPENSES CHARGED TO REVENUE ACCOUNT

	₹ crores	
	This year	Previous year
Employee's benefit expenses	48.25	36.53
Depreciation and amortization expenses	9.82	7.80
Other expenses	31.09	15.43
Total	89.16	59.76

NOTE NO. 38 - PRE OPERATIVE EXPENSES

	₹ crores	
	This year	Previous year
Employee benefit expenses		
Salaries and wages	3.54	0.03
Contribution to provident and other funds	0.19	-
Staff welfare expenses	0.03	-
Other expenses		
Stores and tools consumed	0.04	-
Rent	0.21	-
Depreciation and amortisation	0.20	-
Miscellaneous expenses	3.76	0.20
	7.97	0.23

NOTE NO. 39 - ADDITIONAL INFORMATION

	₹ crores	
	This year	Previous year
a) CIF Value of imports:		
Class of goods		
Capital goods	226.67	106.09
Raw materials *	24.45	36.70
Components, spare parts and others *	1,068.88	1,011.16

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 39 - ADDITIONAL INFORMATION

		Value ₹ in crores			
		This year		Previous year	
		Value	Percentage	Value	Percentage
b)	Value of imported and indigenous raw materials, components and spares consumed and percentage of each to the total consumption:				
	Class of goods				
	Raw materials				
	- Imported **	24.72	0.13	32.39	0.19
	- Indigenous	19.61	0.11	24.78	0.14
	Components				
	- Imported **	1,148.86	6.27	978.66	5.61
	- Indigenous	17,121.19	93.49	16,422.48	94.06
		18,314.38 *	100.00	17,458.31 *	100.00
	Spares consumed (charged to repairs and maintenance)				
	- Imported	8.74	20.03	7.48	21.79
	- Indigenous	34.89	79.97	26.84	78.21
		43.63	100.00	34.32	100.00

* Includes ₹ 1.62 crore (previous year ₹ 1.89 crore) for two wheelers produced and capitalised during the year.

** Excludes items sold and purchased as indigenous components.

	₹ crores	
	This year	Previous year
c) Expenditure in foreign currency (on accrual basis) :		
Royalty	116.67	50.02
Technical guidance fee	12.74	1.22
Model fee	-	22.09
Travel and other accounts	186.37	103.54
Advertisement and Publicity	34.99	26.22

	₹ crores	
	This year	Previous year
d) Earnings in foreign currency (on accrual basis):		
FOB value of exports	465.54	620.24
Freight and insurance	4.55	4.22

	₹ crores	
	This year	Previous year
e) Provision and/or payment in respect of Auditors' Remuneration :		
a) As Statutory Auditors		
- Audit fee	0.72	0.64
- Limited Review of unaudited financial results	0.48	0.36
- Corporate Governance and other certification	0.17	0.20
b) Tax audit fees	0.05	0.04
c) In other capacity	-	-
d) Out of pocket expenses	#	#
# This year ₹ 150,000 (previous year ₹ 150,000)		

NOTE NO. 40 - Previous Year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classifications / disclosures. Current year figures have been arrived at after giving effect to the scheme and include figures of operations of HIPL and thus are not comparable with the figures for the previous year.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Hero MotoCorp Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **HERO MOTOCORP LIMITED** (the "Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting

estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries and associates referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

OTHER MATTER

We did not audit the financial statements of HMCL (NA) Inc., a subsidiary, whose financial statements reflect total assets (net) of ₹ 0.37 crores as at March 31, 2014, total revenues of ₹ Nil and net cash flows amounting to ₹ 0.37 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of ₹ 9.30 crores for the year ended March 31, 2014, as considered in the consolidated financial statements, in respect of Erik Buell Racing, Inc., an associate of a wholly owned subsidiary company, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and associate, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm Registration No. 015125N)

Vijay Agarwal

Partner

New Delhi
May 28, 2014

(Membership No. 94468)

CONSOLIDATED BALANCE SHEET

as at March 31, 2014

₹ crores

Particulars	Note No.	As at March 31, 2014
I EQUITY AND LIABILITIES		
1 Shareholders' funds		
(a) Share capital	3	39.94
(b) Reserves and surplus	4	5,582.70
2 Minority Interest		0.85
3 Non - current liabilities		
(a) Long - term liabilities	5	24.45
(b) Long - term provisions	7	50.02
4 Current liabilities		
(a) Trade payables	8	2,291.01
(b) Other current liabilities	9	588.19
(c) Short - term provisions	10	1,544.42
Total		10,121.58
II ASSETS		
1 Non - current assets		
(a) Fixed assets	11	
(i) Tangible assets		1,897.37
(ii) Intangible assets		349.92
(iii) Capital work-in-progress		854.74
(b) Non - current investments	12	830.05
(c) Deferred tax assets (Net)	6	105.98
(d) Long - term loans and advances	13	477.43
(e) Other non - current assets	14	47.81
2 Current assets		
(a) Current investments	12	3,275.89
(b) Inventories	15	669.55
(c) Trade receivables	16	920.58
(d) Cash and cash equivalents	17	119.83
(e) Short - term loans and advances	18	550.38
(f) Other current assets	19	22.05
Total		10,121.58

Accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

Brijmohan Lall Munjal
Chairman
DIN No.: 00004134

Vijay Agarwal
Partner

Pawan Munjal
Managing Director & CEO
DIN No.: 00004223

Pradeep Dinodia
Chairman-Audit Committee
DIN No.: 00027995

New Delhi
May 28, 2014

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Asso. V. P. Legal & Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2014

		₹ crores
Particulars	Note No.	For the year ended March 31, 2014
I Revenue from operations	20	
(a) Gross sales of products		27,005.26
Less: Excise duty		1,880.35
		25,124.91
(b) Other operating revenue		150.56
Net revenue from operations		25,275.47
II Other income	21	444.19
III Total Revenue (I + II)		25,719.66
IV Expenses:		
(a) Cost of materials consumed	22	18,221.53
(b) Changes in inventories of finished goods and work-in-progress	23	8.36
(c) Employee benefits expenses	24	930.35
(d) Finance costs	25	11.82
(e) Depreciation and amortization expenses	11	1,107.37
(f) Other expenses	26	2,576.13
Total Expenses		22,855.56
V Profit before tax (III - IV)		2,864.10
VI Tax expenses:		
(a) Current tax		828.21
(b) Minimum alternate tax relating to earlier years		(28.02)
(c) Minimum alternate tax credit utilised		196.37
Net current tax		996.56
(d) Deferred tax		(238.39)
		758.17
VII Profit for the year before share of profit/(loss) of associates and minority interest (V-VI)		2,105.93
VIII Share of profit/(loss) of associates		(3.62)
IX Minority interest		0.35
X Profit for the year (VII+VIII+IX)		2,102.66
XI Basic and diluted earnings per equity share (of ₹ 2 each) :	27	105.29

Accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
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CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2014

₹ crores

	Year ended March 31, 2014
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net profit before tax	2,864.10
Adjustments for:	
Add: Depreciation and amortisation	1,107.37
Loss on fixed assets sold/discarded	13.98
Loss on sale of non-trade current investments	1.26
Provision for diminution in value of investment:	
Long term non trade investment	0.45
Finance cost	11.82
Provision for doubtful debts	0.85
	1,135.73
Less: Interest on long term and current non-trade investments	53.10
Interest on loans, deposits etc.	90.27
Profit on sale of fixed assets	0.68
Exchange differences	(3.02)
Dividend income:	
On current Investments - Non Trade	0.69
On long-term investments - Non Trade	0.06
Profit on sale of non-trade current investments	300.65
	442.43
Operating profit before working capital changes	3,557.40
Changes in working capital:	
Adjustment for (increase)/decrease in operating assets:	
Add: Inventories	(32.79)
Trade receivables	(259.46)
Short-term loans and advances	(16.83)
Long-term loans and advances	(131.96)
	(441.04)
Adjustment for increase/(decrease) in operating liabilities:	
Less: Trade payables	417.93
Other current liabilities	52.74
Other long-term liabilities	3.47
Short-term provisions	2.15
Long-term provisions	19.82
	496.11
Cash generated from operations	3,612.47
Less: Direct taxes paid	649.45
Net cash from operating activities	2,963.02

₹ crores

	Year ended March 31, 2014
B. CASH FLOW FROM INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	4.05
Sale / (Purchase) of investments (net)	(8.66)
Investment in Associates	(148.96)
Intercompany deposits received back	625.00
Intercompany deposits paid	(605.00)
Interest received on long term and current non-trade investments	51.58
Interest received on loans, deposits etc.	90.27
Dividend income	
On current Investments - Non Trade	0.69
On long-term investments - Trade and Non Trade	0.06
Capital expenditure on fixed assets, including capital advances	(941.47)
Payment of deferred credits	(685.36)
Net cash (used) in investing activities	(1,617.80)
C. CASH FLOW FROM FINANCING ACTIVITIES	
Interest paid	(11.82)
Dividends paid	(1,199.29)
Tax on dividend	(203.82)
Proceeds from issue of equity share capital	1.20
Net cash (used) in financing activities	(1,413.73)
D. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(68.51)
Cash and cash equivalents at the beginning of the year	134.95
Add: on account of amalgamation (refer note 34)	2.30
Cash and cash equivalents at the end of the year	
Cash and bank balances	68.74
	68.74
Reconciliation	
Cash and Bank balances as per Balance Sheet	119.83
Less: Unpaid dividend current account with Banks	51.09
Net Cash and cash equivalents at the end of the year	68.74

Accompanying notes forming part of the financial statements

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

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Chairman
DIN No.: 00004134

Vijay Agarwal
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New Delhi
May 28, 2014

Ravi Sud
Sr. Vice President & CFO

Ilam C. Kamboj
Asso. V. P. Legal & Company Secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 1 - CORPORATE INFORMATION

Hero MotoCorp Limited (the Company), its subsidiaries and associates (collectively called as "Group") are engaged in the manufacturing and selling of motorised two-wheelers, spare parts, components and related services along with providing non banking financial services. The Group is a leading two wheeler manufacturer and has a dominant presence in domestic market.

NOTE NO. 2 - BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

i) Accounting convention

The consolidated financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention.

ii) Principles of Consolidation

The consolidated financial statements relate to Hero MotoCorp Limited (the 'Company'), its subsidiary companies, and the Group's share of profit / loss in its associates. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the subsidiary companies, and associates used in the consolidation are drawn upto the same reporting date as that of the Company i.e., March 31, 2014, except for an associate as mentioned in (j) below for which financial statements as on reporting date are not available. These have been consolidated based on latest available financial statements.
- b) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- c) The consolidated financial statements include the share of profit / loss of the associate companies which have been accounted for using equity method as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Accordingly, the share of profit/ loss of each of the associate companies (the loss being restricted to the cost of investment) has been added to / deducted from the cost of investments.
- d) The excess of cost to the Group of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as 'Goodwill' being an asset in the consolidated financial statements and is tested for impairment on annual basis. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investments of the Group, it is recognised as 'Capital Reserve' and shown under the head 'Reserves & Surplus', in the consolidated financial statements. Goodwill arising on the acquisition of a foreign entity is translated at the closing rate in case of non-integral operations and by using the exchange rate at the date of the investment in case of integral operations. Capital reserve is translated at the exchange rate on the date of investment
- e) Minority Interest in the net assets of the consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary companies were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to shareholders of the Company.
- f) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in the associate is identified in the consolidated financial statements as Goodwill or Capital reserve as the case may be.
- g) Goodwill arising on consolidation is not amortised but tested for impairment.

- h) Following subsidiary companies and associates have been considered in the preparation of the consolidated financial statements:

Name of entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at
March 31, 2014				
HMCL (NA) Inc	Subsidiary	United States of America	Company	100%
HMC MM Auto Limited	Subsidiary	India	Company	60%
Hero FinCorp Limited	Associate	India	Company	40.39%
Erik Buell Racing Inc	Associate	United States of America	HMCL (NA) Inc	Equity holding 49.2% Voting rights 43.9%

- i) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, for all significant matters in the same manner as the Company's separate financial statements.
- j) The financial statements of the following associate, used in the consolidation, are drawn upto a date which is different from the reporting date of the Company.

Name of entity	Relationship	Reporting date of the financial statements used in consolidation
March 31, 2014		
Erik Buell Racing Inc	Associate	December 31, 2013

iii) Use of estimates

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

iv) Operating Cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

v) Fixed / Intangible assets and depreciation / amortisation

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses. Exchange differences arising on restatement / settlement of long-term foreign currency

borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

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

Intangible assets, comprising of expenditure on model fee etc, incurred are amortised on a straight line method over a period of five years. Licenses for Technical know-how / export licenses have been amortised on a straight line basis upto June 30, 2014 i.e forty two months (refer note 11).

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

Leasehold land has been amortised over the period of lease.

vi) Preoperative expenses pending allocation

Expenses directly related to construction activity or incidental thereto, are allocated to fixed assets at the time of completion of the project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

vii) Investments

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

viii) Inventories

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

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

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

ix) Employee benefits

a) Defined contribution plan

Provident fund, Superannuation fund and Employee' State Insurance Corporation (ESIC) are the defined contribution schemes offered by the entities in the Group. The contributions to these schemes are charged to the statement of profit and loss 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.

x) Foreign currency transactions

Exchange differences are dealt with as follows:-

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

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

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

In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the statement of profit and loss 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 statement of profit and loss.

Initial recognition

Net investment in non-integral foreign operations: Net investment in non-integral foreign operations is accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Non-integral foreign operations: Transactions of non-integral foreign operations are translated at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Net investment in non-integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

Non-integral foreign operations: All assets and liabilities of non-integral foreign operations are translated at the year-end rates.

xi) Sales

Sale of goods is recognised on transfer of significant risk and reward of ownership to the buyer, which generally coincides with point of despatch of finished goods to the customers. Gross sales are inclusive of applicable excise duty and freight but are exclusive of sales tax. Services income is recognized when the services are rendered.

- Scrap is accounted for on sale basis.

xii) Warranty claims

The estimated liability for product warranties is recorded when products are sold. These estimates are established using

historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise - being typically two to five years.

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

xiii) Leases

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

xiv) Research and development expenses

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

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

xv) Earnings per share

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

xvi) Taxation

Current tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the provisions of applicable tax laws of the respective jurisdictions where the entities are located.

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

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

The Group offsets deferred tax assets and deferred tax liabilities, and advance income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

xvii) Provisions and contingent liabilities

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

xviii) 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.

NOTE NO. 3 - SHARE CAPITAL

Particulars	As at March 31, 2014	
	Number	₹ crores
Authorised		
Equity shares of ₹ 2 each with voting rights	250,000,000	50.00
Cumulative convertible preference shares of ₹ 100 each	400,000	4.00
Cumulative redeemable preference shares of ₹ 100 each	400,000	4.00
	250,800,000	58.00
Issued, Subscribed and fully Paid up		
Equity Shares of ₹ 2 each with voting rights (Refer (i), (ii) and (iii) below)	199,687,500	39.94
Total	199,687,500	39.94

(i) There is no movement in share capital during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

(ii) Shareholder holding more than 5 percent shares:

Particulars	Equity Shares	
	As at March 31, 2014	
	No. of Shares held	% of Holding
Mr. Brijmohan Lall Munjal *	12,396,842	6.21%
Ms. Renu Munjal *	12,396,840	6.21%
Mr. Suman Munjal *	12,396,840	6.21%
Mr. Pawan Munjal *	12,396,840	6.21%
Mr. Sunil Kant Munjal *	12,396,840	6.21%
M/S Bahadur Chand Investments (P) Ltd	17,306,250	8.67%
M/S BC India Private Investors	17,141,028	8.58%

* Hold shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

(iii) Rights, preference and restriction:

Equity shares of ₹ 2 each:

- In respect of equity shares, voting right shall be in same proportion as the capital paid upon such equity share.
- The dividend proposed by the Board of Directors which is subject to the approval of the shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.
- In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to capital paid upon such equity share.

NOTE NO. 4 - RESERVES AND SURPLUS

₹ crores

Particulars	As at March 31, 2014
(a) Capital Reserves	
On shares forfeited (*₹ 4,250)	#
Share premium account on forfeited shares reissued(**₹ 25,500)	##
(b) General Reserve	
Opening balance	1,926.32
Add: Transferred on account of amalgamation(refer note 34)	4.47
Add: Adjustment on consolidation of associate	30.07
Add: Transferred from Statement of profit and loss	215.00
Closing balance	2,175.86
(c) Surplus - in Statement of profit and loss	
Opening balance	3,039.98
Add: Profit for the year	2,102.66
Less: Dividend proposed to be distributed to equity share holders (₹ 65 per share)	1,297.97
Interim dividend - (refer note below)	1.16
Tax on dividend	220.59
Tax on dividend (refer note below)	0.20
Transfer to General Reserve	215.00
Closing balance	3,407.72
(d) Foreign Currency Translation Reserve	(0.88)
Total	5,582.70

Note: As per the scheme of amalgamation, the Transferor Company i.e. Hero Investment Private Limited was entitled to utilise its income/ available cash for declaration of payment of dividend to its shareholders until the effective date i.e. May 16, 2013 but after the appointed date i.e. January 1, 2013. Accordingly, the company declared and paid interim dividend to its shareholders in accordance with the scheme.

NOTE NO. 5 - LONG TERM LIABILITIES

₹ crores

Particulars	As at March 31, 2014
Others	24.45
Total	24.45

NOTE NO. 6 - DEFERRED TAX (ASSETS)/ LIABILITIES (NET)

₹ crores

Particulars	As at March 31, 2014
Deferred tax liabilities	
Others	4.80
	4.80
Deferred tax assets	
Accumulated depreciation	102.54
Accrued expenses deductible on payment	3.90
Others	4.34
	110.78
Deferred tax (assets)/ liabilities (net)	(105.98)

NOTE NO. 7 - LONG TERM PROVISIONS

₹ crores

Particulars	As at March 31, 2014
(a) Employees benefits - accumulated leaves	8.66
(b) Warranties	41.36
Total	50.02

NOTE NO. 8 - TRADE PAYABLES

₹ crores

Particulars	As at March 31, 2014
Trade payables	2,291.01
Total	2,291.01

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 9 - OTHER CURRENT LIABILITIES

₹ crores

Particulars	As at March 31, 2014
(a) Current maturities of deferred payment credits(unsecured) (Refer Note (i) below)	284.26
(b) Other payables	
Statutory dues	81.61
Security deposits dealers and others	47.79
Advances from dealers	110.16
Unclaimed dividend	51.09
Other liabilities	13.28
Total	588.19

- (i) In year 2010-11, the Company has entered into a Memorandum of Understanding (MOU) with Honda Motor Company Limited Japan (Honda) for right and license to manufacture, assemble, sell and distribute certain products/parts and export license for certain products and their service parts under the intellectual property rights. Liability payable upto June 30, 2014 has been included under other current liabilities above.

NOTE NO. 10 - SHORT TERM PROVISIONS

₹ crores

Particulars	As at March 31, 2014
(a) Employees benefits - accumulated leaves	2.85
- gratuity	0.09
(b) Provisions -Others	
Proposed equity dividend	1,297.97
Tax on proposed dividend	220.59
Taxation (net of payments as at March 31, 2014 ₹ 1,104.11 crores)	15.67
Warranties	7.25
Total	1,544.42

NOTE NO. 11 - FIXED ASSETS

NOTE NO. 11 - FIXED ASSETS									
Particulars	Gross Block			Closing balance as at March 31, 2014	Accumulated depreciation/amortisation				Net block
	Opening balance as at April 1, 2013	Additions	Deletions/ adjustments		Opening balance as at April 1, 2013	Depreciation/ amortisation charge for the year**	On disposals	Upto March 31, 2014	As at March 31, 2014
(a) Tangible assets									
Land									
- Freehold	82.80	-	-	82.80	-	-	-	-	82.80
- Leasehold#	184.17	15.84	-	200.01	9.46	1.92	-	11.38	188.63
Building	485.56	12.71	1.08	497.19	101.10	15.38	0.25	116.23	380.96
Plant and equipment	2,313.38	185.27	61.35	2,437.30	1,162.23	178.26	46.60	1,293.89	1,143.41
Furniture and fixtures	21.65	3.71	2.88	22.48	8.98	1.37	2.62	7.73	14.75
Vehicles	39.60	4.40	5.53	38.47	18.42	5.14	4.22	19.34	19.13
Office equipment	18.78	4.05	0.01	22.82	4.65	0.99	-	5.64	17.18
Data Processing equipment	102.13	14.91	2.47	114.57	51.47	14.87	2.28	64.06	50.51
Total	3,248.07	240.89	73.32	3,415.64	1,356.31	217.93	55.97	1,518.27	1,897.37
(b) Intangible assets									
Goodwill on consolidation	-	3.94	-	3.94	-	-	-	-	3.94
Model fee	535.81	-	-	535.81	353.96	68.07	-	422.03	113.78
Technical know-how/ export licenses*	2,845.73	46.86	-	2,892.59	1,881.56	813.10	-	2,694.66	197.93
Software	55.46	9.54	-	65.00	22.26	8.47	-	30.73	34.27
Total	3,437.00	60.34	-	3,497.34	2,257.78	889.64	-	3,147.42	349.92
Total (a+b)	6,685.07	301.23	73.32	6,912.98	3,614.09	1,107.57	55.97	4,665.69	2,247.29
(c) Capital work In progress®									854.74
Including intangible assets under development ₹ 288.71 crores									
									3,102.03

Note :

Includes land of ₹ 15.84 crores at Halol (Gujrat) and ₹ 78.36 crores at Jaipur pending for registration in the name of the Company.

* Includes net increase of ₹ 46.86 crores due to fluctuation in exchange rates.

** Includes ₹ 0.20 crores transferred to Pre-operative expenditure (pending allocation).

® Including pre operative expenses ₹ 8.59 crores relating to salaries, wages and other related project expenses of Neemrana plant. (refer note no 36)

In line with Notification No. G.S.R. 378 (E) dated May 11, 2011 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates at the end of year compared to those at which they were initially recorded, 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 is depreciated over the balance useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	As at March 31, 2014	
		Current	Non Current
Long Term Investments			
Non Trade			
In Debentures / Bonds			
Quoted			
Face Value of ₹ 1,000 each			
12.25% Muthoot Finance Limited-Maturity-14.09.2016	500,000	-	49.79
12.15% Religare Finvest Limited-Maturity-23.09.2014	250,000	25.00	-
7.34% HUDCO -Maturity-16.02.2023	250,000	-	25.00
7.18% IRFC -Maturity-19.02.2023	250,000	-	25.00
Face Value of ₹ 100,000 each			
6.70% IRFC Bonds -Maturity-08.03.2020	1,500	-	15.23
Face Value of ₹ 500,000 each			
10.70% Tata Motors Finance Limited-Maturity-28.04.2020	138	-	7.18
10.70% Tata Motors Finance Limited-Maturity-10.04.2020	400	-	20.82
Face Value of ₹ 1,000,000 each			
8.45% Rural Electrification Corporation -Maturity-19.02.2015	200	20.07	-
13% Religare Finvest Limited-Maturity-30.05.2017	100	-	10.00
Zero Coupon Bonds			
Rural Engineering Corporation Ltd Bonds @ 13,578 maturity ₹ 30,000 per bond	37,000	-	50.24
		45.07	203.26
Less: Provision for diminution/amortisation		(0.06)	(0.51)
Market value Current ₹ 45.19 crores and Non Current ₹ 207.73 crores		45.01	202.75
Listed -Quoted But Not Traded			
Face Value of ₹ 1,000 each			
8.18% NHPC Tax Free Bonds-Maturity-02.11.2023	161,050	-	16.11
8.18% PFC Tax Free Bonds-Maturity-16.11.2023	323,890	-	32.39
8.51% HUDCO Tax Free Bonds-Maturity-13.01.2024	250,000	-	25.00
Face Value of ₹ 100,000 each			
12.00% Shriram Transport NCD -Maturity-18.07.2014	1,300	13.85	-
Face Value of ₹ 1,000,000 each			
8.91% L&T Finance Limited-Maturity-April 15, 2016	150	-	15.00
		13.85	88.50
Less: Provision for diminution/amortisation		(0.80)	-
Maturity Value Current ₹ 13.00 crores and Non Current ₹ 88.50 crores		13.05	88.50
Zero Coupon Bonds			
National Bank For Agriculture and Rural Development			
Bhavishya Nirman Bonds @ 8,182 each A 10 Year Zero Coupon Bond of NABARD-maturity ₹ 20,000 per bond	50,200	-	41.07

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	As at March 31, 2014	
		Current	Non Current
Maturity Value Non Current ₹ 100.40 crores		-	41.07
Total Investment in Bonds/Debentures		58.06	332.32
In Mutual fund units:			
Listed -Quoted But Not Traded			
Debt fund			
(Units of the face value of ₹ 10 each)			
ICICI Prudential Mutual Fund			
Interval Fund Annual Interval Plan IV Institutional Cumulative	10,294,508	12.00	-
FMP Series 64-3 Years Plan I Cumulative	10,000,000	-	10.00
FMP Series 65-502 Days Plan C Cumulative	10,000,000	10.00	-
FMP Series 66-420 Days Plan A Direct Plan Cumulative	25,000,000	25.00	-
Interval Fund Annual Interval Plan 1 Institutional Cumulative	21,168,142	25.00	-
FMP Series 71-366 Days Plan C Direct Plan Cumulative	20,000,000	20.00	-
FMP Series 72-366 Days Plan I Direct Plan Cumulative	15,000,000	15.00	-
FMP Series 73-391 Days Plan G Direct Plan Cumulative	16,000,000	-	16.00
Birla Sunlife Mutual Fund			
Fixed Term Plan-Series GT (366 Days) -Gr.-Direct	27,784,500	27.78	-
Interval Income Fund-Annual Plan VIII-Gr.-Direct	20,000,000	20.00	-
Fixed Term Plan-Series IL(368 days)-Gr.-Direct	20,000,000	20.00	-
Fixed Term Plan-Series IO(368 days)-Gr.-Direct	20,000,000	20.00	-
Fixed Term Plan-Series JE (368 days)-Gr.-Direct	21,725,000	21.73	-
Fixed Term Plan-Series JY (367 days)-Gr.-Direct	15,000,000	15.00	-
Fixed Term Plan-Series KD (367 days)-Gr.-Direct	16,400,550	16.40	-
Fixed Term Plan-Series KO (399 days)-Gr.-Direct	25,000,000	-	25.00
IDFC Mutual Fund			
Yearly Series Interval Fund Regular Plan-Series I-Growth	25,000,000	25.00	-
Yearly Series Interval Fund Direct Plan-Series II-Growth	25,000,000	25.00	-
Fixed Term Plan Series 9 Direct Plan-Growth	25,000,000	25.00	-
Fixed Term Plan Series 65 Direct Plan-Growth	15,000,000	15.00	-
Fixed Term Plan Series 86 Direct Plan-Growth	20,000,000	-	20.00
Reliance Mutual Fund			
Fixed Horizon Fund -XXII-Series 21-Growth Plan	20,000,000	20.00	-
Annual Interval Fund -Series I-Institutional Plan Growth	40,825,730	44.97	-
Fixed Horizon Fund -XXII-Series 34-Growth Plan	5,000,000	-	5.00
Fixed Horizon Fund -XXIII-Series 5-Direct Plan-Growth Plan	15,000,000	15.00	-
Fixed Horizon Fund -XXIV-Series 1-Direct Growth Plan	20,000,000	20.00	-
Interval Fund II-Series 3-Direct Plan Growth Plan	20,000,000	20.00	-
Interval Fund II-Series 4-Direct Plan Growth Plan	20,000,000	20.00	-
Fixed Horizon Fund -XXIV-Series 25-Direct Plan-Growth Plan	28,750,000	28.75	-
Fixed Horizon Fund -XXV-Series 2-Direct Plan-Growth Plan	20,000,000	20.00	-
Fixed Horizon Fund -XXV-Series 15-Direct Plan Growth Plan	40,000,000	-	40.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	As at March 31, 2014	
		Current	Non Current
Fixed Horizon Fund -XXV-Series 20-Direct Plan Growth Plan	20,000,000	-	20.00
Fixed Horizon Fund -XXV-Series 30-Direct Plan Growth Plan	25,000,000	-	25.00
BNP Paribas Mutual Fund			
Fixed Term Fund Ser 24 A Direct Growth	20,000,000	20.00	-
Religare Mutual Fund			
Fixed Maturity Plan Series XVII-Plan D (399 Days)-Direct Plan	15,000,000	15.00	-
UTI Mutual Fund			
Fixed Term Income Fund Series XVII-XIII(369 Days)-Direct Growth Plan	27,283,000	27.28	-
Taurus Mutual Fund			
Fixed Maturity Plan 377 Days Series Z-Direct Plan Growth	5,036,817	5.04	-
L&T Mutual Fund			
FMP-VII (February 419 D A) Direct Plan Growth	15,000,000	15.00	-
FMP-VII (March 13 M A) Direct Plan Growth	15,000,000	15.00	-
FMP 8- Plan A- Direct Growth	15,000,000	15.00	-
FMP-VII (March 381 D A) Direct Plan Growth	10,000,000	10.00	-
FMP 8- Plan G- Direct Growth	10,291,784	10.29	-
FMP Series 9- Plan D- Direct Growth	25,000,000	25.00	-
FMP Series 9- Plan G- Direct Growth	20,000,000	20.00	-
FMP Series 10- Plan A- Direct Growth	6,000,000	6.00	-
FMP Series 10- Plan D- Direct Growth	10,000,000	10.00	-
FMP Series 10- Plan H- Direct Growth	10,000,000	-	10.00
FMP Series 10- Plan M- Direct Growth	10,000,000	-	10.00
FMP Series 10- Plan Q- Direct Growth	25,000,000	-	25.00
J P Morgan Mutual Fund			
Fixed Maturity Plan Series 302 Growth	10,000,000	-	10.00
Deutsche Mutual Fund			
Fixed Maturity Plan -Series 23-Direct Plan-Growth	25,000,000	25.00	-
Fixed Maturity Plan -Series 43-Direct Plan-Growth	25,000,000	25.00	-
Fixed Maturity Plan -Series 42-Direct Plan-Growth	25,000,000	25.00	-
Fixed Maturity Plan Series 46-Direct Plan-Growth	15,000,000	15.00	-
Fixed Maturity Plan Series 48-Direct Plan-Growth	10,000,000	10.00	-
Fixed Maturity Plan Series 51-Direct Plan-Growth	10,000,000	10.00	-
Fixed Maturity Plan Series 54-Direct Plan-Growth	10,000,000	-	10.00
Fixed Maturity Plan Series 57-Direct Plan-Growth	20,000,000	-	20.00
(Units of the face value of ₹ 1,000 each)			
Pramerica Mutual Fund			
Fixed Duration Fund series 5-Direct Plan-Growth option	100,000	10.00	-
Fixed Duration Fund series 13-Direct Plan-Growth option	50,000	5.00	-

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at March 31, 2014	As at March 31, 2014	
		Current	Non Current
Total Investment in Mutual Funds		845.24	246.00
Repurchase Price Current ₹ 906.56 crores and Non Current ₹ 251.62 crores			
Trade			
In Equity Shares			
Unquoted			
of Associates			
Hero FinCorp Limited (Equity shares of ₹ 10 each)	7,310,300		
Cost of acquisition (net of Capital reserve of ₹ 1.19 crores)		-	56.47
Add/ (Less): Group's share of profits/(losses) upto March 31, 2014		-	33.56
		-	90.03
Erik Buell Racing Inc.			
Convertible Preferred Stock series A Equity Shares of USD 0.01 each	9,686		
Cost of acquisition (including Goodwill of ₹ 119.65 crores)		-	150.09
Add/ (Less): Group's share of profits/(losses) upto March 31, 2014		-	(9.30)
		-	140.79
Non Trade			
of Other Entities			
Bombay Stock Exchange Limited (face value of Re. 1 each)	140,400	-	5.94
In Equity Preferential Shares			
Tata Capital Limited (face value of ₹ 1,000 each)	100,000	-	10.00
Total Investment in Equity Shares		-	15.94
Total Long Term Investments		903.30	825.08
Other than Long Term Investments			
Non-trade			
In Mutual fund units:			
Listed -Quoted But Not Traded			
Debt fund			
(Units of the face value of ₹ 10 each)			
IDFC Mutual Fund			
Interval Fund Direct Plan -Series IV-Growth	5,000,000	5.00	-
Reliance Mutual Fund			
Interval Fund I-Half Yearly Interval Fund-Series 2-Direct Plan Growth Plan	4,767,263	5.00	-
Repurchase Price Current ₹ 10.08 crores		10.00	-
Unquoted			
Debt fund			
(Units of the face value of ₹ 10 each)			
ICICI Prudential Mutual Fund			
Short Term Plan Inst. Growth	11,770,847	25.01	-
Blended Plan B-Direct Plan-Growth Option-I	39,120,303	70.50	-
Banking and PSU Debt Fund-Direct Plan-Growth	62,782,668	84.96	-
Birla Sunlife Mutual Fund			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	As at March 31, 2014	
	March 31, 2014	Current	Non Current
Dynamic Bond Fund- Retail- Growth	90,522,800	164.32	-
Short Term Fund -Growth-Direct Plan	11,321,095	50.00	-
IDFC Mutual Fund			
SSIF-Short Term -Plan C-Growth	43,198,719	50.45	-
SSIF Medium Term -Plan B -Growth	16,729,050	20.04	-
SSIF-Investment Plan-Growth-(Direct Plan)	8,621,462	25.00	-
Dynamic Bond Fund-Growth-(Direct Plan)	34,410,485	50.00	-
Dynamic Bond Fund-Growth-(Regular Plan)	18,776,803	25.00	-
Banking Debt Fund-Direct plan-Growth	19,980,419	20.00	-
Arbitrage Fund -Dividend-(Direct Plan)	24,379,222	30.75	-
Reliance Mutual Fund			
Short Term Fund Growth Plan	14,056,349	29.00	-
Short Term Fund-Direct Growth Plan Growth Option	11,254,265	25.00	-
Dynamic Bond Fund-Direct Plan-Growth Plan	28,884,863	48.00	-
Floating Rate Fund Short Term Plan-Growth	27,897,922	50.28	-
Floating Rate-Short Term Plan -Direct Growth Plan	63,838,312	123.84	-
UTI Mutual Fund			
Short Term Income Fund Institutional Growth Option	15,314,052	20.00	-
L&T Mutual Fund			
Floating Rate Fund Direct Plan-Growth	14,422,938	16.67	-
Ultra Short Term Fund Direct Plan-Growth	89,916,686	179.15	-
Income Opportunities Fund Direct Plan-Growth	15,046,871	20.00	-
Triple Ace Bond Fund-Bonus-Original	5,363,713	6.67	-
JP Morgan Mutual Fund			
India Active Bond Fund Retail-Growth	3,981,937	5.00	-
Short Term Income Fund -Direct Plan-Growth	19,155,767	25.00	-
BNP Paribas Mutual Fund			
MediumTerm Income Fund Direct Plan Growth	25,000,000	25.00	-
Deutsche Mutual Fund			
Banking and PSU Debt Fund-Direct Plan-Growth	34,685,620	35.00	-
Treasury Fund-Investment-Direct Plan Bonus	9,238,367	9.19	-
Short Maturity Fund Direct Plan-Annual Bonus	4,614,440	6.67	-
Ultra Short Term Fund-Direct Plan-Annual Bonus	8,868,007	8.83	-
Cash Opportunities Fund-Direct Plan-Annual Bonus	10,389,886	10.17	-
(Units of the face value of ₹ 100 each)			
ICICI Prudential Mutual Fund			
Flexible Income-Regular Plan-Growth	1,626,944	27.86	-
Flexible Income-Direct Plan -Growth	2,133,884	49.38	-
(Units of the face value of ₹ 1,000 each)			
Reliance Mutual Fund			
Money Manager Fund-Growth Plan-Growth Option	1,310,126	162.41	-
Pramerica Mutual Fund			

NOTE NO. 12 - INVESTMENTS

₹ crores

	Units as at	As at March 31, 2014	
	March 31, 2014	Current	Non Current
Credit Opportunities Fund -Growth	70,000	7.00	-
Dynamic Bond Fund-Growth Plan	50,000	5.00	-
Ultra Short Term Bond Fund Direct Plan Growth Option	394,855	50.00	-
Religare Mutual Fund			
Bank Debt Fund-Growth	100,000	10.00	-
Active Income Fund Growth	184,838	25.00	-
DSP BlackRock Mutual Fund			
Strategic Bond Fund -Institutional Plan-Growth	190,666	24.20	-
Strategic Bond Fund -Direct Plan-Growth	176,115	25.00	-
Repurchase Price Current ₹ 1,842.15 crores		1,645.35	-
In Liquid fund units:			
Escorts Mutual Fund			
Liquid Direct Plan-Growth	29,106,997	54.51	-
(Units of the face value of ₹ 100 each)			
ICICI Prudential Mutual Fund			
Liquid Direct plan-Growth	2,636,293	50.00	-
Birla Sunlife Mutual Fund			
Cash Plus-Growth-Direct Plan	2,433,114	50.00	-
(Units of the face value of ₹ 1,000 each)			
Reliance Mutual Fund			
Liquidity Fund- Direct Growth Plan Growth Option	1,146,882	221.40	-
IDFC Mutual Fund			
Cash Fund -Growth-(Direct Plan)	1,513,918	235.70	-
Axis Mutual Fund			
Liquid Fund-Direct Plan-Growth	662,821	94.15	-
Repurchase Price Current ₹ 710.28 crores		705.76	-
Investment in Mutual Funds		2,361.11	-
Non Trade			
In Debentures / Bonds			
Quoted			
Face Value of ₹ 1,000 each			
12.15% Religare Finvest Ltd 12.15NCD 23SEP14	50,000	5.01	-
Face Value of ₹ 1,000,000 each			
9.20% Bank of Baroda RR Perpetual BD 09.10.2019	50	-	5.15
8.60% Sardar Sarovar Narmada Nigam Limited 09MR 15	260	6.61	-
		11.62	5.15
Less: Provision for dimunition/amortisation		(0.14)	(0.18)
Market value Current ₹ 11.48 crores and Non Current ₹ 4.97 crores (previous year ₹ Nil)		11.48	4.97
Total Other than Long Term Investments		2,372.59	4.97
		3,275.89	830.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 12 - INVESTMENTS

	As at March 31, 2014	
	Book value	Market value
Aggregate value of		
Quoted investments -Non Current(Repurchase Price/Market Value)	583.98	653.22
Quoted investments-Current(Repurchase Price/Market Value)	925.78	986.31
Unquoted investments-Non Current (Repurchase Price/Maturity Value/Cost)	246.76	246.76
Unquoted investments-Current (Repurchase Price/Maturity Value/Cost)	2,351.11	2,552.43
Dimunition/amortisation-Non Current	(0.69)	-
Dimunition/amortisation-Current	(1.00)	-
	4,105.94	4,438.72

NOTE NO. 13 - LONG-TERM LOANS AND ADVANCES

₹ crores

Particulars	As at March 31, 2014
Unsecured, considered good	
(a) Security Deposits	9.36
(b) Balance with Government authorities	
Excise duty	45.03
VAT/ sales tax	247.64
(c) Other loans and advances	
Capital advances	149.89
Loans to employees	24.90
Prepaid expenses	0.61
Total	477.43

NOTE NO. 14 - OTHER NON -CURRENT ASSETS

₹ crores

Particulars	As at March 31, 2014
Unsecured, considered good	
Accruals	
Interest accrued on investments	47.81
Total	47.81

NOTE NO. 15 - INVENTORIES*

₹ crores

Particulars	As at March 31, 2014
Raw materials and components	371.49
Goods in transit of raw materials and components	74.37
Stores and spares	62.37
Loose tools	14.22
Finished goods	
Two wheelers	68.26
Spare parts	42.65
Work in progress (Two wheelers)	36.19
Total	669.55

* Lower of cost and net realisable value

NOTE NO. 16 - TRADE RECEIVABLES

₹ crores

Particulars	As at March 31, 2014
(a) Outstanding for a period exceeding six months from the date they were due for payment	
Secured, considered good	1.25
Unsecured, considered good	4.70
Unsecured considered doubtful	10.40
	16.35
Less: Provision for doubtful trade receivables	10.40
	5.95
(b) Others	
Secured, considered good	20.96
Unsecured, considered good	893.67
Total	920.58

NOTE NO. 17 - CASH AND CASH EQUIVALENTS

₹ crores

Particulars	As at March 31, 2014
(a) Cash on hand	0.29
(b) Balances with banks	
In current accounts	17.61
In deposit accounts (Refer (i) below)	50.84
In dividend current accounts (Earmarked accounts)	51.09
Total	119.83

- (i) Balance with banks include deposits amounting to ₹ 50.84 crores, which have an original maturity of more than 12 months and now maturing during the year.

NOTE NO. 18 - SHORT - TERM LOANS AND ADVANCES

₹ crores

Particulars	As at March 31, 2014
Unsecured, considered good	
(a) Loans and advances to related party	
Intercompany deposits	220.00
(b) Balance with Government authorities	
CENVAT/ Service tax credit	94.34
VAT/ sales tax	50.72
Excise duty - current account	0.66
Export incentive receivables	16.98
(c) Others	
Advance to vendors	108.91
Loans and advances to employees	18.42
Security deposits	1.07
Prepaid expenses	34.23
Others	5.05
Total	550.38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 19 - OTHER CURRENT ASSETS

₹ crores

Particulars	As at March 31, 2014
Unsecured, considered good	
(a) Accruals	
Interest accrued on investments	17.41
Other accruals	4.64
Total	22.05

NOTE NO. 20 - REVENUE FROM OPERATIONS

₹ crores

Particulars	For the year ended March 31, 2014
(a) Sale of products	
Two wheelers (6,245,960 Nos.)	25,041.15
Spare parts	1,964.11
	27,005.26
Less: Excise duty	1,880.35
	25,124.91
(b) Other operating revenue	
Income from services	
Dealers support services	25.72
Goodlife program for customers	60.85
Services - others	34.38
	120.95
Duty drawback and other incentives	21.69
Miscellaneous income	7.92
	29.61
	150.56
Total	25,275.47

NOTE NO. 21 - OTHER INCOME

₹ crores

Particulars	For the year ended March 31, 2014
(a) Interest income	
Intercompany deposits	7.16
Long term - Non trade investments	49.51
Current - Non trade investments	3.59
Others	83.11
(b) Dividend income	
Current investments - Non trade	0.69
Long term investments - Non trade	0.06
(c) Net gain on sale of non trade:*	
Current investments	221.70
Long term investments	77.69
(d) Other Non operating Income	
Profit on sale of fixed assets	0.68
Total	444.19

* After adjusting loss on sale of current investments aggregating ₹ 1.26 crores.

NOTE NO. 22 - COST OF MATERIALS CONSUMED

₹ crores

Particulars	For the year ended March 31, 2014
(a) Raw materials and components consumed:	
Opening stock	411.27
Add: Purchase of raw materials and components	18,363.25
	18,774.52
Less: Closing stock	445.85
	18,328.67
Less: Sale of components to ancillaries on cost to cost basis	14.29
	18,314.38
Less: Cash discount	69.43
Consumption of raw materials and components	18,244.95
Less: Scrap sales	23.42
Net consumption	18,221.53
Materials consumed comprises:	
Steel sheets	44.33
Components	18,270.05
Total	18,314.38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 23 - CHANGES IN INVENTORY OF FINISHED GOODS AND WORK-IN-PROGRESS

₹ crores

Particulars	For the year ended March 31, 2014
(a) Opening stock	
Two wheelers	99.36
Spare parts	25.86
Work in progress	30.51
	155.73
Less: Excise duty on opening stock	14.55
Net opening stock	141.18
(b) Closing stock	
Two wheelers	68.26
Spare parts	42.65
Work in progress	36.19
	147.10
Less: Excise duty on closing stock	14.28
Net closing stock	132.82
Net (increase)/ decrease	8.36

NOTE NO. 24 - EMPLOYEE BENEFITS EXPENSES

₹ crores

Particulars	For the year ended March 31, 2014
Employee benefits expenses (Refer (i) and (ii) below)	
(i) Salaries and wages	818.73
(ii) Contribution to provident and other funds	51.77
(iii) Staff welfare expenses	59.85
Total	930.35
(i) Defined contribution and other plans	
Employer's contribution to provident fund	30.56
Employer's contribution to superannuation fund	12.91
Employer's contribution towards Gratuity	6.36
Employer's contribution to ESIC	1.94
Total	51.77

(ii) Defined benefit plans

In accordance with the Payment of Gratuity Act 1972, Group 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 year 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 the valuation the Company, other than its subsidiary, contributes the ascertained liability to Life Insurance Corporation of India by whom the plan assets are maintained.

₹ crores

	Funded	Unfunded
i. Change in benefit obligation	For the year ended March 31, 2014	
Present value of obligation at the beginning of the year	109.55	-
Current Service Cost	7.35	0.13
Interest Expenses	8.57	-
Actuarial (Gain) / Loss	(0.22)	-
Benefits Paid	(4.71)	-
Present value of obligation at the end of the year	120.54	0.13

₹ crores

	Funded	Unfunded
ii. Fair value of Plan Assets	For the year ended March 31, 2014	
Fair value of plan assets at the beginning of the year	109.55	-
Expected return on scheme assets	10.35	-
Contributions by the Company	5.87	-
Benefits Paid	(4.71)	-
Actuarial Gain / (Loss)	(0.52)	-
Fair value of plan assets at the end of the year	120.54	-

₹ crores

	Funded	Unfunded
iii. Return on Plan Assets	For the year ended March 31, 2014	
Expected return on plan assets	10.35	-
Actuarial Gain / (Loss)	(0.52)	-
Actual return on plan assets	9.83	-

₹ crores

	Funded	Unfunded
iv. Amount recognised in the Balance Sheet	For the year ended March 31, 2014	
Present value of defined benefit obligation	120.54	0.13
Fair value of Plan Assets	120.54	-
Net liability/(asset) recognised in the balance sheet	-	0.13

₹ crores

	Funded	Unfunded
v. Expenses recognised in the statement of profit and loss	For the year ended March 31, 2014	
Current service costs	7.35	0.13
Interest expense	8.57	-
Expected return on plan assets	(10.35)	-
Net actuarial (gain)/loss recognized during the year	0.30	-
Expenditure recognized in statement of Profit and Loss	5.87	0.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

₹ crores

vi. Balance Sheet reconciliation

	Funded	Unfunded
	For the year ended March 31, 2014	
Net liability/(asset) at the beginning of the year	-	-
Expenses as above	5.87	0.13
Contribution paid	(5.87)	-

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

vii. Principal Actuarial assumptions for Gratuity and leave benefits

	Funded	Unfunded
	For the year ended March 31, 2014	
Rate for discounting liabilities	8.00% p.a.	8.50% p.a.
Expected salary increase rate	6.00% p.a.	6.00% p.a.
Expected return on scheme assets	9.40% p.a.	-
Withdrawal Rate	Upto 30 years: 3% From 31 to 44 years: 2% After 44 years: 1%	Upto 30 years: 3% From 31 to 44 years: 2% After 44 years: 1%
Mortality table used	India assured Lives Mortality (2006-08) (modified) Ult.	India assured Lives Mortality (2006-08) (modified) Ult.

Experience adjustments	2013-14	2012-13	2011-12	2010-11	2009-10
Gratuity					
Present value of Defined benefit plan	120.53	109.55	89.95	68.75	51.28
Fair value of plan assets	120.53	109.55	89.95	68.75	51.28
Funded status [Surplus / (Deficit)]	-	-	-	-	-
Experience gain / (loss) adjustments on plan liabilities	7.51	4.08	15.28	8.63	5.10
Experience gain / (loss) adjustments on plan assets	0.52	1.30	0.10	0.03	-

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

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

NOTE NO. 25 - FINANCE COSTS

₹ crores

Particulars	For the year ended March 31, 2014
(a) Interest expenses	
On dealers security deposits	1.78
On others	10.04
Total	11.82

NOTE NO. 26 - OTHER EXPENSES

₹ crores

Particulars	For the year ended March 31, 2014
(a) Other expenses	
Stores and tools consumed	98.93
Power and fuel	137.46
Rent	13.22
Insurance charges	44.99
Repairs and maintenance	
- Plant and machinery	67.87
- Buildings	15.29
- Others	50.52
Rates and taxes	171.27
Exchange fluctuation	0.09
Packing, forwarding, freight etc.	729.39
Royalty	116.67
Advertisement and publicity	493.47
Donations [#]	11.71
Auditors' remuneration	1.49
Lease rent	21.79
Provision for doubtful debts	0.85
Provision for diminution/amortization in value of investments	
- Long term non trade investment	0.45
Loss on fixed assets sold/discarded	13.98
Miscellaneous expenses	586.69
Total	2,576.13

[#] Donation included ₹ 11 crores contributed to Satya Electoral Trust

NOTE NO. 27 - EARNINGS PER EQUITY SHARE

Particulars	Unit	For the year ended March 31, 2014
(a) Earnings per equity share (EPS):		
Net profit after tax	Rupees crores	2,102.66
Weighted average number of equity shares outstanding during the year	Numbers	199,687,500
Nominal Value of Equity Shares	Rupees	2.00
Basic and diluted EPS	Rupees	105.29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 28 - CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

₹ crores

Particulars	As at March 31, 2014
(a) Contingent liabilities	
(i) In respect of excise matters	29.24
The above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the result of operations or the financial position of the Group.	
(b) Commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid amounting to ₹ 438.61 crores)	458.39
Other commitments (Refer note below)	
Total	487.63

During the period, one of the subsidiary ("subsidiary company") has entered into a license and technical assistance agreement (LTAA) dated December 9, 2013 with Magneti Marelli S.p.A (MM) and in accordance therewith MM has granted to the subsidiary company the license for manufacturing, assembling, selling and distributing the fuel injection systems and its components and providing technical assistance, training etc. The subsidiary company has commitment to pay lump sum amount equivalent of ₹ 14.84 crores in various tranches for the same to MM.

Management has identified various stages/activities for technology transfer by MM and accordingly as and when transfer of technology reaches to a reasonable stage of identification, accrual for such liability will be recorded with corresponding assets, if any.

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

NOTE NO. 29 - As the Group's business activity falls within a single primary business segment viz. "Two wheelers, its parts and ancillary services" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", notified in the Companies (Accounting Standards) Rules, 2006 are not applicable.

NOTE NO. 30 - RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD 18

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

Hero Investment Private Limited (upto May 16, 2013) { refer note no 34}

Brijmohan Lall Om Prakash (Firm; from May 17, 2013) {refer footnote (ii) of Note 3 Share Capital}

b) Associates of the Company

Hero FinCorp Limited

Erik Buell Racing Inc (from June 28, 2013)

c) Key management personnel and their relative

Mr. Brijmohan Lall Munjal	- Chairman
Mr. Pawan Munjal	- Managing Director
Mr. Sunil Kant Munjal	- Joint Managing Director
Mr. Suman Kant Munjal	- Director

d) 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 (upto previous year), Rockman Industries Limited, Cosmic Kitchen Private Limited, Hero Management Services Limited, Hero Cycles Limited, Hero Corporate Services Limited, Hero Mindmine Institute Limited, Easy Bill Limited(upto previous year), Abhyuday Manufacturing and Automotive Limited and Raman Kant Munjal Foundation.

Transactions with related parties during the year

a) Parties in respect of which the Group is an associate.

	₹ crores
	This year
Dividend*	
Brijmohan Lall Om Prakash	371.91

* Exclude proposed final dividend

b) Associates of the Group

	₹ crores
	This year
Hero FinCorp Limited	
Lease rental expenses	20.26
Dividend received	2.19
Intercompany deposits given	605.00
Intercompany deposits repaid	625.00
Interest on Intercompany deposits	7.16
Investment in equity shares	0.16
Erik Buell Racing Inc	
Subscription to Convertible preferred stock Series A	150.98
Technical Consultancy and Sponsorship	126.31
Balance outstanding at the year end	
- Receivable	220.00
- Payable	19.40

c) Key management personnel and their relative.

	₹ crores
	This year
Managerial Remuneration/Sitting fees	
Mr. Brijmohan Lall Munjal	36.98
Mr. Pawan Munjal	37.88
Mr. Sunil Kant Munjal	35.97
Mr. Suman Kant Munjal	0.02
Balance outstanding at the year end - Payables (including commission)	89.40

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

	₹ crores
	This year
Purchase of raw materials and components etc.	2,005.38
Purchase of Assets	24.31
Sale of components etc.	12.80
Payment towards other services etc.	12.01
Donation	0.30
Balance outstanding as at the year end - Payables	194.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

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

	₹ crores
	This year
Purchase of raw materials and components etc.	
A .G. Industries Private Limited	680.00
Rockman Industries Limited	1,237.00
Purchase of Assets	
Rockman Industries Limited	21.47
A.G. Industries Private Limited	2.84
Sale of components etc.	
Rockman Industries Limited	12.80
Payment for services etc.	
Hero Corporate Services Limited	3.75
Hero Mindmine Institute Limited	1.98
Abhyuday Manufacturing and Automotive Limited	6.05
Donation	
Raman Kant Munjal Foundation	0.30

NOTE NO. 31 - The Group has entered into operating lease agreements for leased premises 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 ₹ 21.79 crores have been charged under "Lease rentals" in Note 26. The lease arrangement for leased premises is non cancellable in nature.

Future lease payments under operating leases are as follows:

	₹ crores
Particulars	This year
Payable not later than one year	0.15
Payable later than one year and not later than five years	0.15
Total	0.30

NOTE NO. - 32 - The Group'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.

NOTE NO. 33 - Two wheeler sales are covered by a warranty period of two to five years. The details of provision for warranties are as under:

	₹ crores
Particulars	This year
Provision at the beginning of the year	28.46
Additional provision made during the year	56.60
Amount utilised during the year	36.45
Provision as at the end of the year	48.61

NOTE NO. 34 - Pursuant to Scheme of Arrangement (the Scheme) for amalgamation of Hero Investments Private Limited (HIPL) which is engaged in the business of holding securities other than trading, approved by the Hon'ble High Court of Delhi, which became effective from May 16, 2013 (for which appointed date was January 1, 2013) upon filing of the copy with the Registrar of Companies, NCT of Delhi & Haryana, all the properties and assets, present or future or contingent or of whatsoever nature, be transferred and/or deemed to be transferred to and vested with Hero MotoCorp Limited (HMCL) so as to become the properties of HMCL on the same terms and conditions as were applicable to HIPL.

The amalgamation with HIPL has been accounted for under the "Pooling of interests" method as prescribed by Accounting Standard-14. Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values as on April 1, 2013:

Particulars	Amount (₹ in crores)
Non – Current Investments	3,844.60
Long term loans and advances	2.19
Cash and cash equivalents	2.30
Other current liabilities	(0.02)
Net Assets taken over on amalgamation	3,849.07
Cancellation of Investment on account of Amalgamation	(3,844.60)
Balance for adjustment in Reserves and Surplus	4.47

In terms of scheme, HMCL allotted equity shares to the members of HIPL an aggregate of 86,531,210 fully paid equity shares of ₹ 2 each of HMCL on June 4, 2012 in proportion of their holdings in HIPL.

Operations and other transactions during the period January 1, 2013 to March 31, 2013 are as under which HIPL managed in trust:

Particulars	Amount (₹ in crores)
Balance in Reserves and Surplus as on January 1, 2013 (Being appointed date)	23.94
Loss during January 1, 2013 to March 31, 2013	(0.19)
Total (A)	23.75
Less: First Interim dividend	(16.59)
Less: Tax on dividend	(2.69)
Total (B)	19.28
Balance for adjustment in Reserves and Surplus as on April 1, 2013 (A-B)	4.47

Second Interim dividend of ₹ 1.16 crores along with tax on dividend of ₹ 0.20 crores have also be appropriated out of Reserves and Surplus in the financial statements (Refer Note 4). Further, result of operations from April 1, 2013 till May 16, 2013 has been incorporated in HMCL financial statements.

NOTE NO. 35 - RESEARCH AND DEVELOPMENT EXPENSES CHARGED TO REVENUE ACCOUNT

₹ in crores

Particulars	This year
Employee's benefit expenses	48.25
Depreciation and amortization expenses	9.82
Other expenses	31.09
Total	89.16

NOTE NO. 36 - PRE OPERATIVE EXPENSES

₹ in crores

Particulars	This year
Employee benefit expenses	
Salaries and wages	4.01
Contribution to provident and other funds	0.19
Staff welfare expenses	0.03
Other expenses	
Stores and tools consumed	0.04
Rent	0.21
Depreciation and amortisation	0.20
Miscellaneous expenses	3.91
Total	8.59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2014

NOTE NO. 37 - PROVISION AND/OR PAYMENT IN RESPECT OF AUDITORS' REMUNERATION

₹ in crores

Particulars	This year
a) As Statutory Auditors	
- Audit fee	0.77
- Limited Review of unaudited financial results	0.48
- Corporate Governance and other certification	0.17
b) Tax audit fees	0.05
c) In other capacity	-
d) Out of pocket expenses	#
# This year ₹ 150,000	

NOTE NO. 38 - Current year figures have been arrived at after giving effect to the scheme and include figures of operations of HIPL. This being the first year of preparation of consolidated financial statements, there are no comparative figures for the previous year.

STATEMENT PURSUANT TO SECTION 212(8)

of the Companies Act, 1956 relating to subsidiary companies for the year ended March 31, 2014

S. No	1	2	
Name of the Subsidiary	HMC MM Auto Limited	HMCL NA Inc	
%age holding	60%	100%	
Country of Registration	India	USA	
Reporting Currency	INR Crore	INR Crore	USD MN
Exchange Rate	1.00	60.04	1.00
Share Capital	3.00	150.55	25.08
Reserve	(0.88)	(0.08)	(0.01)
Total Assets	2.80	150.47	25.06
Total Liabilites ²	2.80	150.47	25.06
Investment other than investment in subsidiary	-	150.10	25.00
Turnover	-	-	-
Profit/(Loss) Before Taxation	(0.88)	(0.08)	(0.01)
Provision for Taxation	-	-	-
Profit/(Loss) after Taxation	(0.88)	(0.08)	(0.01)
Proposed Dividend	-	-	-

Note

1. Financial information has been extracted from the standalone audited financial statement for the year/period ending March 31, 2014
2. Total liabilites are inclusive of share capital and reserves

NOTES





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