

# HONDA

POWER PRODUCTS

**Honda Siel Power Products Ltd.**

Head Office & Works :  
Plot No. 5, Sector-41, (Kasna)  
Greater Noida Industrial Development Area,  
Distt. Gautam Budh Nagar (U.P.) Pin-201310  
Tel. : +91-120-234 1050-59  
Fax : +91-120-234 1078-79  
Website : www.hondasielpower.com  
CIN : L40103DL2004PLC203950  
E-mail : ho.mgt@hspp.com

August 20, 2016

**Corporate Relationship Department**

BSE Limited

Phiroze Jeejeebhoy Towers,  
25<sup>th</sup> Floor, Dalal Street, Fort,

**Mumbai – 400 001**

**Listing Department**

The National Stock Exchange of India Ltd.

Exchange Plaza, 5<sup>th</sup> Floor,

Plot No. C/1, G- Block,

Bandra Kurla Complex Bandra (E),

**Mumbai – 400 051**

**Subject : Compliance with Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir,

Please find the enclosed Annual Report for the financial year 2015-16 as required under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 duly approved and adopted by the members in the AGM held on August 11, 2016.

We request you to kindly take the aforementioned information on record.

Thanking you.

Yours Truly,

For Honda Siel Power Products Limited

  
Sunita Ganjoo  
Company Secretary



Encl: as above



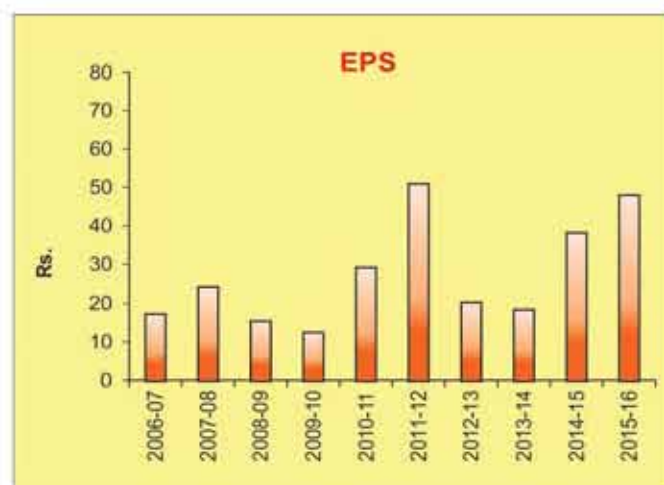
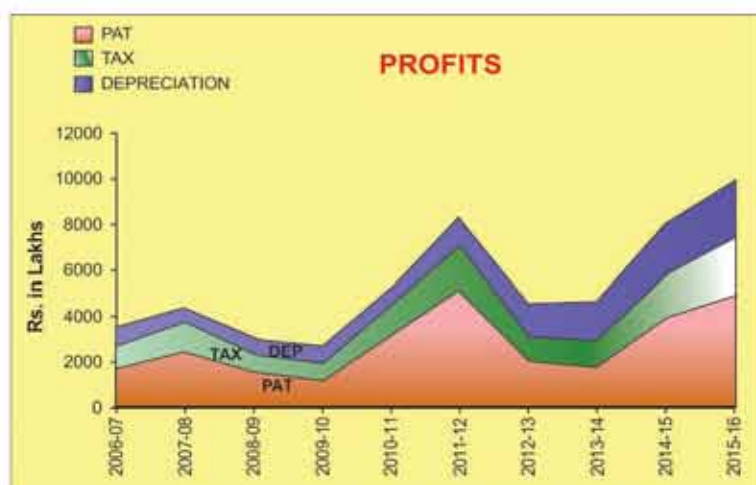
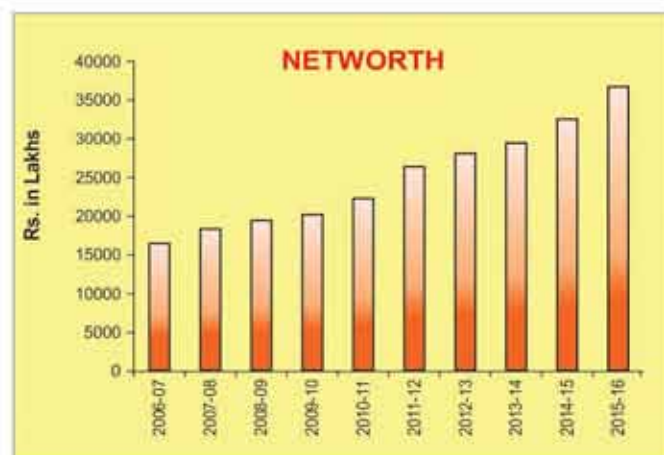
# 31<sup>st</sup> Annual Report

2015 - 2016

Honda Siel Power Products Limited



# Ten Years Financial Performance



| YEAR    | SALES TURNOVER (Rs. in Lakhs) |         |             | PROFIT (Rs. in Lakhs) |              |      |      |      | EPS (Rs.) | NETWORTH (Rs. in Lakhs) |
|---------|-------------------------------|---------|-------------|-----------------------|--------------|------|------|------|-----------|-------------------------|
|         | DOMESTIC                      | EXPORTS | TOTAL SALES | PBDT                  | DEPRECIATION | PBT  | TAX  | PAT  |           |                         |
| 2006-07 | 19897                         | 5329    | 25226       | 3489                  | 787          | 2702 | 964  | 1738 | 17.13     | 16376                   |
| 2007-08 | 23057                         | 4725    | 27782       | 4364                  | 537          | 3827 | 1354 | 2473 | 24.38     | 18351                   |
| 2008-09 | 21159                         | 3684    | 24843       | 3007                  | 579          | 2428 | 864  | 1564 | 15.42     | 19441                   |
| 2009-10 | 27719                         | 4294    | 32013       | 2699                  | 743          | 1956 | 687  | 1269 | 12.51     | 20235                   |
| 2010-11 | 33823                         | 6488    | 40311       | 5265                  | 820          | 4445 | 1479 | 2966 | 29.24     | 22315                   |
| 2011-12 | 43100                         | 7033    | 50133       | 8304                  | 1030         | 7274 | 2106 | 5168 | 59.95     | 26422                   |
| 2012-13 | 43838                         | 7399    | 51237       | 4501                  | 1375         | 3126 | 1066 | 2060 | 20.31     | 28007                   |
| 2013-14 | 38630                         | 15218   | 53848       | 4647                  | 1754         | 2893 | 1015 | 1878 | 18.52     | 29411                   |
| 2014-15 | 36291                         | 26539   | 62830       | 8025                  | 2131         | 5894 | 2032 | 3862 | 38.08     | 32507                   |
| 2015-16 | 39359                         | 27427   | 66786       | 9889                  | 2382         | 7507 | 2624 | 4883 | 48.14     | 36657                   |

## Corporate Information

### **Board of Directors**

**Mr. Siddharth Shriram**  
Chairman

**Dr. Dharam Vir Kapur**  
Director

**Mr. Ravi Vira Gupta**  
Director

**Mr. Manoj Arora**  
Director

**Ms. Alka Marezban Bharucha**  
Director

**Mr. Yoshifumi Iida**  
President & CEO

**Mr. Hiroyoshi Sugimizu**  
Whole Time Director

**Mr. Vinay Mittal**  
Whole Time Director & CFO

### **Company Secretary**

**Ms. Sunita Ganjoo**

### **Statutory Auditors**

M/s. B S R & Co. LLP  
Chartered Accountants  
Building No. 10, 8th Floor, Tower-B,  
DLF Cyber City, Phase-II, Gurgaon-122 002

### **Registered Office**

409, DLF Tower B,  
Jasola Commercial Complex,  
New Delhi - 110 025

### **Head Office & Works**

Plot No.5, Sector-41 (Kasna),  
Greater Noida Industrial Development Area,  
Distt. Gautam Budh Nagar, UP- 201 310

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## NOTICE

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of the Company will be held on August 11, 2016 (Thursday) at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110 001 at 12:45 p.m. to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Financial Statements of the Company for the year ended March 31, 2016, together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Hiroyoshi Sugimizu (DIN 06848213), who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 139, 142 and provisos there to read with Companies (Audit and Auditors) Rules 2014 and all other applicable provisions, if any, of the Companies Act, 2013 and pursuant to recommendation of the Audit Committee, M/s B S R & Co. LLP, Chartered Accountants, (firm Registration No. 101248W), be and are hereby appointed as statutory auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration (exclusive of Service Tax and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit), as may be fixed by the Board of Directors or any Director(s), jointly or severally, as may be authorized by the Board.”

### **SPECIAL BUSINESS**

5. **Revision in remuneration of Mr. Yoshifumi Iida, President & CEO (DIN 07136925)**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 197, 198 and Schedule V and other applicable provisions, if any, of the Companies Act, 2013 or any amendment or modification thereof and subject to the approval of the Central Government, if required and such other approvals as may be necessary, approval of the Shareholders be and is hereby accorded for revision in Special Allowance to be paid to Mr. Yoshifumi Iida, President & CEO of the Company (DIN 07136925), at not exceeding Rs. 12,00,000/- (Rupees Twelve Lac only) per month effective February 01, 2016.

**RESOLVED FURTHER THAT** the other components of remuneration and terms of appointment of Mr. Yoshifumi Iida, as approved at the Annual General Meeting of the Company held on August 12, 2015 shall remain the same.

**RESOLVED FURTHER THAT** the remuneration as revised above shall be paid as minimum remuneration to Mr. Yoshifumi Iida in the event of absence or inadequacy of profits during any financial year.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to do all such acts and deeds as may be necessary, expedient or desirable, in order to

give effect to this resolution or otherwise as considered by the Board to be in the best interest of the Company.”

6. **Revision in remuneration of Mr. Vinay Mittal, Whole Time Director and Chief Financial Officer (DIN 05242535)**

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

**“RESOLVED THAT** pursuant to the provisions of Section 197, 198 and Schedule V and other applicable provisions, if any, of the Companies Act, 2013 or any amendment or modification thereof and subject to the approval of the Central Government, if required and such other approvals as may be necessary, approval of the Shareholders be and is hereby accorded for payment of remuneration to Mr. Vinay Mittal, Whole Time Director (DIN 05242535), for the period from 01.04.2016 to 31.03.2017 (both days inclusive), as recommended by the Nomination and Remuneration Committee, as per the following particulars:

|   |  |
|---|--|
| <b>Basic Salary</b>                                 | Rs. 2,68,297 (Rupees two lakh sixty eight thousand two hundred ninety seven only) per month. |
| <b>Perquisites</b>                                  |  |
| <b>Housing Allowance</b>                            | Rs. 1,34,149/- (Rupees one lakh thirty four thousand one hundred forty nine only) per month. |
| <b>Special Allowance</b>                            | Rs. 2,08,010/- (Rupees two lakh eight thousand ten only) per month.                          |
| <b>Medical reimbursement</b>                        | Rs. 1,250/- (Rupees one thousand two hundred fifty only) per month.                          |
| <b>Child Education</b>                              | Rs. 200/- (Rupees two hundred only) per month.   |
| <b>Washing Allowance</b>                            | Rs. 2,000/- (Rupees two thousand only) per month.  |
| <b>Food Allowance</b>                               | Rs. 3,000/- (Rupees three thousand only) per month.  |
| <b>Entertainment Reimbursement</b>                  | Rs. 5,000/- (Rupees five thousand only) per month.   |
| <b>Leave Travel Concession</b>                      | Rs. 33,537/- (Rupees thirty three thousand five hundred thirty seven only) per month.        |
| <b>Club Fee</b>                                     | One Club.  |
| <b>Personal Accident Insurance</b>                  | As per Company policy.   |
| <b>Medical Insurance</b>                            | As per Company policy.   |
| <b>Car (including driver, maintenance and Fuel)</b> | As per Company policy.   |
| <b>Telephone</b>                                    | As per Company policy.   |
| <b>Provident Fund</b>                               | As per Company policy.   |

|   |                        |
|---|------------------------|
| <b>Superannuation Fund</b>              | As per Company policy. |
| <b>Gratuity</b>                         | As per Company policy. |
| <b>Leave</b>                            | As per Company policy. |
| <b>Interest Subsidy on Housing Loan</b> | As per Company policy. |
| <b>Variable Pay</b>                     | As per Company policy. |

**RESOLVED FURTHER THAT** the reimbursement of medical expenses, leave travel concession and other perquisites, benefits, leave accrued to Mr. Vinay Mittal till 31.03.2016, not availed of, be and are hereby approved to be carried forward.

**RESOLVED FURTHER THAT** the above remuneration shall, with the approval of the Central Government, if necessary, be paid as the minimum remuneration to Mr. Vinay Mittal in the event of absence or inadequacy of profit during any financial year.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts and deeds as may be necessary, expedient or desirable, in order to give effect to this resolution or otherwise as considered by the Board to be in the best interest of the Company."

**7. To approve and ratify payment of remuneration to the Cost Auditors**

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

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013

and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration of Rs. 1,15,000/- (Rupees One Lakh Fifteen Thousand only) (exclusive of Service Tax and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit), payable to M/s Rakesh Singh & Co., Cost Accountants who were appointed as the Cost Auditors of the Company by the Board of Directors, for conducting audit of the cost records of the Company for the financial year 2016-17 be and is hereby ratified and confirmed.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**8. Material Related Party Transactions:**

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

**"RESOLVED THAT** pursuant to the provisions of Regulation 23(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof, approval of the Members be and is hereby accorded for:-

- Transactions entered into from April 01, 2015 to March 31, 2016;
- Transactions proposed to be entered from April 01, 2016 to March 31, 2018

as detailed below:

**Related Party Transactions entered into from April 01, 2015 to March 31, 2016 / to be entered into from April 01, 2016 to March 31, 2018:**

|   | Name of the related Party    | Relationship | Nature, duration and particulars of the Contract/ arrangement | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2015-16 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2016-17 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2017-18 | Basis  | Explanation  |
|---|------------------------------|--------------|---|--|--|--|--|--|
| 1 | Honda Motor Co., Ltd., Japan | Promoter     | Royalty   | 2,454  | 2,700  | 3,000  | Running royalty @ 6% of net ex-factory sales price | Rate of royalty paid by the Company compared with terms agreed between unrelated parties   |
|   |                              |              | Export Commission   | 2,061  | 2,200  | 2,450  | 8% of export price in FOB                          | Rate of export commission paid by the Company compared with payment made in the domestic segment or terms agreed between unrelated parties |

|  | Name of the related Party | Relationship | Nature, duration and particulars of the Contract/ arrangement | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2015-16 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2016-17 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2017-18 | Basis   | Explanation   |
|--|---------------------------|--------------|---|--|--|--|---|---|
|  |                           |              | Technical Guidance Fee  | 595  | 700  | 800  | Monthly labour cost of technical experts (Japanese Yen) + reimbursement of actual expenses incurred   | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities or overseas related party's margin compared with other service providers |
|  |                           |              | Purchase of Raw Material , Components, Consumables, spares    | 3,219  | 5,000  | 5,600  | Cost Plus basis   | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities  |
|  |                           |              | Purchase of finished goods                                    | 1,088  | 2,000  | 2,300  | Cost Plus basis.  | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities  |
|  |                           |              | Purchase of Capital goods and spares                          | 3  | 300  | 300  | Cost Plus basis.  | Related Party's margin (OP/TC) on sale compared with companies in similar region  |
|  |                           |              | Reimbursement received and paid including warranty expenses   | 119  | 200  | 250  | Actual basis  | Evidence / Representation that price recovered is the actual cost incurred for warranty / other expenses  |
|  |                           |              | Export Sale of finished goods and spares                      | 1,168  | 1,500  | 1,700  | Cost plus basis / terms and conditions are not more favourable than the sales made to unrelated party | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities  |
|  |                           |              | Model fee   | 70   | 210  | 210  | Lump sum fee  | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities  |

|    | Name of the related Party             | Relationship                               | Nature, duration and particulars of the Contract/ arrangement | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2015-16 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2016-17 | Material terms of the contract / arrangement including value (Rs./Lakh) F.Y. 2017-18 | Basis   | Explanation  |
|----|---------------------------------------|--|---|--|--|--|---|--|
| 2  | American Honda Motor Co. Inc, America | Subsidiary of Honda Motor Co., Ltd., Japan | Export Sale of finished goods and spares                      | 15,000   | 17,500   | 20,000   | Cost plus basis / terms and conditions are not more favourable than the sales made to unrelated party | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities         |
|    |                                       |  | Reimbursement received and paid including warranty expenses   | 107  | 150  | 200  | Actual basis  | Evidence / Representation that price recovered is the actual cost incurred for warranty / other expenses |
| 3. | Asian Honda Motor Co. Ltd., Thailand  |  | Purchase of Raw Material , Components, Consumables, spares    | NA   | 2,800  | 3,200  | Cost Plus basis.  | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities         |
|    |                                       |  | Purchase of finished goods                                    | NA   | 4,500  | 5,000  | Cost Plus basis.  | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities         |
|    |                                       |  | Reimbursement received and paid including warranty expenses   | NA   | 30   | 35   | Actual basis  | Evidence / Representation that price recovered is the actual cost incurred for warranty / other expenses |
|    |                                       |  | Export Sale of finished goods and spares                      | NA   | 100  | 150  | Cost plus basis / terms and conditions are not more favourable than the sales made to unrelated party | The Company's margin (OP/TC) compared with companies engaged in similar manufacturing activities         |

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution”

**9. Adoption of new set of Articles of Association**

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

“**RESOLVED THAT** pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, approval of the Members be and is hereby accorded to the adoption and substitution of a new

set of Articles of Association in place of the existing Articles of Association of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company or any person(s) authorized by the Board to exercise the powers conferred on the Board, be and are hereby authorized to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By order of the Board  
**for Honda Siel Power Products Limited,**

**Sunita Ganjoo**  
**Company Secretary**

Place: New Delhi  
Date: May 20, 2016

## NOTES

1. None of the Directors, Key Managerial Persons or their relative have any concern, financial or otherwise and does not have any conflict of interest in Item No. 5 to Item No. 9 except as expressed under the respective items in the explanatory statement.
2. The Explanatory Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013, ('the Act') concerning the Special Business in the Notice is annexed hereto and forms part of this Notice.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN 10 PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. HOWEVER, A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER SHAREHOLDER.**

**THE INSTRUMENT OF PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ATTACHED TO THIS REPORT. PROXIES SUBMITTED ON BEHALF OF SHAREHOLDERS WHO ARE COMPANIES, SOCIETIES ETC., MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/ AUTHORITY, AS APPLICABLE.**

4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from August 05, 2016 to August 11, 2016 (both days inclusive).
7. **Payment of Dividend**

The Dividend on Equity Shares for the year ended March 31, 2016, as recommended by the Board, if declared at the meeting will be paid as follows:

- i) In respect of shares held in physical form, to those Members whose names appear in the Register of Members of the Company on August 11, 2016 after giving effect to all valid share transfers lodged with the Company on or before August 04, 2016.
- ii) In respect of shares held in electronic form, to those beneficial owners whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the end of business hours on August 04, 2016.

The members are hereby informed that the Company would transfer the dividends which remain unclaimed over a period of 7 years to the Investor Education and Protection Fund ('IEPF') established under Section 205C of the Companies Act, 1956/125 of the Companies Act, 2013.

The Company has already transferred unclaimed dividends upto financial year 1994 - 95 to the General Revenue Account of the Central Government and for the financial years 1995-96 to 2007-08 to IEPF. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the

Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on August 12, 2015 (date of last Annual General Meeting) on the website of the Company ([www.hondasielpower.com](http://www.hondasielpower.com)), as also on the website of the Ministry of Corporate Affairs.

Following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to IEPF:

| Dividend year | Date of Declaration | Due date for transfer to IEPF |
|---------------|---------------------|-------------------------------|
| 2008-09       | 07.09.2009          | 06.10.2016                    |
| 2009-10       | 19.08.2010          | 18.09.2017                    |
| 2010-11       | 10.08.2011          | 09.09.2018                    |
| 2011-12       | 31.08.2012          | 30.09.2019                    |
| 2012-13       | 05.08.2013          | 04.09.2020                    |
| 2013-14       | 05.08.2014          | 04.09.2021                    |
| 2014-15       | 12.08.2015          | 11.09.2022                    |

The Company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends, which have been transferred to the credit of IEPF. Accordingly, the shareholders are advised to send all the un-encashed dividend warrants pertaining to the years 2008-09 upto 2014-15 to our Share Transfer Agent at New Delhi for issuing demand drafts in lieu thereof and en-cash them before the due dates for transfer to IEPF.

8. a. Members holding the shares in electronic mode may please note that their dividend would be paid through National Electronic Clearing System (NECS) or Electronic Clearing Services (ECS) at the available RBI locations. The dividend would be credited to their bank account as per the mandate given by the members to their Depository Participants (DPs). In the absence of availability of NECS/ECS facility, the dividend would be paid through warrants and the Bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable Regulations. A blank ECS Mandate Form is annexed. The same is also available on the website of the Company at [www.hondasielpower.com](http://www.hondasielpower.com).
- b. Members are requested to send their Bank Account particulars (viz. Account No., name and Branch of the Bank and the MICR code) to their DPs in case the shares are held in electronic mode or to the Registrar and Share Transfer Agent in case the shares are held in physical mode for printing on dividend warrant/instruction to ensure that there is no fraudulent encashment/credit of the warrants.
9. In terms of Section 101 and 136 of the Companies Act, 2013 read together with the Rules made thereunder, the copy of the Annual Report including Financial statements, Board's report etc. and this Notice is being sent by electronic mode, to those members who have registered their email IDs with their respective Depository Participants or with the Share Transfer Agent of the Company, unless any member has requested for a physical copy of the same. In case you wish to get a physical copy of the Annual Report, you may send your request to [ho.legal@hspp.com](mailto:ho.legal@hspp.com), mentioning your Folio/DP ID & Client ID.
10. Members may also note that the Notice of the 31<sup>st</sup> Annual General Meeting and the Annual Report for financial year 2015-16 will also be available on the Company's website [www.hondasielpower.com](http://www.hondasielpower.com) for downloading.

11. Documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.

## 12. Voting through electronic means

- i. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 31<sup>st</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through remote e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by Central Depository Service (India) Limited (CDSL).
- ii. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- iii. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- iv. The Board of Directors of the Company has appointed Mr. Tanuj Vohra of TVA & Co. LLP, Practising Company Secretaries as Scrutiniser to scrutinise the poll and remote e-voting process in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the said purpose.
- v. The results shall be declared within 48 hours after the Annual General meeting of the Company. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.hondasielpower.com](http://www.hondasielpower.com) and on the website of CDSL [www.evotingindia.com](http://www.evotingindia.com) and the same shall also be communicated to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
- vi. Voting shall be reckoned on the paid up value of shares registered in the name of member/ beneficial owner (in case of electronic shareholding) as on the cut off date i.e. August 04, 2016.  
  
A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off-date i.e. August 04, 2016 only shall be entitled to avail the remote e-voting facility.
- vii. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. August 04, 2016, may follow the same procedure as mentioned below for remote e-Voting. However, if the member is already registered with CDSL for remote e-voting then he can use his existing password for casting his vote. If he has forgotten his login password then he may please go to website [www.evotingindia.com](http://www.evotingindia.com) then click on Shareholders, Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

## viii. Instructions and other information relating to remote e-voting

- (i) The remote e-voting facility will be available during the following period:
  - Commencement of remote e-voting - from 9:00 am onwards on Monday, 8<sup>th</sup> August, 2016.
  - End of remote e-voting - upto 5:00 pm on Wednesday, 10<sup>th</sup> August, 2016.

During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. 4<sup>th</sup> August, 2016, may cast their vote electronically. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

|  | For Members holding shares in Demat Form and Physical Form  |
|--|---|
| PAN  | Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).  |
|  | <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA000000001 in the PAN field.</li> </ul> |
| Dividend Bank Details OR Date of Birth (DOB) | <ul style="list-style-type: none"> <li>• Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login.</li> <li>• If both the details are not recorded with the depository or Company please enter the member ID / Folio number in the Dividend Bank details field as mentioned in instruction (iii).</li> </ul>   |

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for Honda Siel Power Products Ltd.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
  - (xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
  - (xvii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
  - (xviii) **Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.**
  - (xix) **Note for Non-Individual Shareholders and Custodians**
    - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
    - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
    - After receiving the login details a Compliance User should be created using the admin login and

password. The Compliance User would be able to link the account(s) for which they wish to vote on.

- The list of accounts linked in the login should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

13. Brief resume and other particulars of Mr. Hiroyoshi Sugimizu as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

|   |   |
|---|---|
| DIN   | 06848213  |
| Date of Birth   | 01.11.1961  |
| Date of appointment / re-appointment                    | 01.04.2014  |
| Expertise in specific functional Areas                  | Mr. Sugimizu has expertise in management of equipment in assembly/ processing area, gathering and implementation of field quality information, facilitation of failure analysis and countermeasures thereof, management of personnel, materials, investment and information at the plant. |
| Relationships between the Director inter-se;            | NIL   |
| Qualifications  | Graduate-General Course   |
| Directorship in other Companies                         | NIL   |
| Chairman/ Member of Board Committees in other Companies | <b>Honda Siel Power Products Ltd.</b><br>Board Committee on Financial Matters – Member  |
| Shareholding in the Company                             | NIL   |

14. Members are requested to:

- a) Send their queries, if any, to reach the Company's Registered Office at 409, DLF Tower B, Jasola Commercial Complex, New Delhi – 110 025 at least 10 days before the date of the Meeting so that information can be made available at the Meeting.
- b) Avail the dematerialization facility and get their shareholding dematerialized by sending the Dematerialization Request Form alongwith the Share Certificates through their Depository Participant.
- c) Notify immediately any change in their address to the Company or to the Company's Registrar and Share Transfer Agent quoting their folio number and also notify their e-mail address for prompt response.

15. M/s Mas Services Ltd. is Registrar and Share Transfer Agent of the Company. All investor related communication may be addressed to:

M/s Mas Services Limited  
Unit: Honda SIEL Power Products Limited  
T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase - II,  
New Delhi - 110 020  
Ph:- 011 26387281/82/83, Fax:- 011 26387384  
email:- [info@masserv.com](mailto:info@masserv.com)  
Website: [www.masserv.com](http://www.masserv.com)

16. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat account. Members holding shares in physical form can submit their PAN details to M/s Mas Services Ltd., Registrar and Share Transfer Agent of the Company.
17. In terms of Section 72 of the Companies Act, 2013 the Members of the Company may nominate a person to whom the shares held by him shall vest in the event of death. In case you wish to avail the nomination facility in respect of shares held by you, please write to M/s Mas Services Ltd., Registrar and Share Transfer Agent of the Company.
18. Members holding shares in more than one folio in the same name(s) are requested to send the details of their folios along with share certificates so as to enable the Company to consolidate their holding into one folio.
19. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, the Register of Contracts or Arrangements in which the Directors are interested under Section 189 of the Companies Act, 2013 will be available for inspection at the AGM.
20. Route Map showing directions to reach to the venue of the 31<sup>st</sup> Annual General Meeting is given at the end of this Notice as per the requirement of the Secretarial Standards-2 on "General Meeting."
21. **Members may please note that briefcase, bag, mobile phone and/or eatables shall not be allowed to be taken inside the hall for security reasons.**

#### **EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013**

##### **ITEM NO. 5**

The Members in the Annual General Meeting held on August 12, 2015 had approved appointment and remuneration of Mr. Yoshifumi Iida, as Managing Director of the Company, designated as President & CEO, for a period of five years effective April 1, 2015, liable to retire by rotation.

Considering the performance, technical caliber and the responsibilities shouldered by Mr. Iida, your Board, on the recommendation of the Nomination and Remuneration Committee, on February 10, 2016 approved the revision in the maximum limit of special allowance of Mr. Yoshifumi Iida from 'not exceeding Rs. 6,50,000 p.m.' to 'not exceeding Rs. 12,00,000 p.m.' effective February 01, 2016.

The other terms of appointment and remuneration of Mr. Yoshifumi Iida as approved by the members of the Company at their Meeting held on August 12, 2015 shall remain the same. The revised remuneration is proposed to be paid to

Mr. Yoshifumi Iida even in case of absence or inadequate profits.

The Board considers that the contribution of Mr. Yoshifumi Iida will be of immense benefit to the Company and recommends the revision in his remuneration for your approval.

Information pursuant to Secretarial Standard 1.2.5 is Annexed at Page No. 10\*.

Except Mr. Yoshifumi Iida, none of the Directors or any of the Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise and does not have any conflict of interest in the resolution.

##### **ITEM NO. 6**

The Members had approved the remuneration of Mr. Vinay Mittal as Whole-Time Director of the Company from 01.04.2015 to 31.03.2016 at the Annual General Meeting of the Company held on August 12, 2015.

Pursuant to the recommendation of Nomination and Remuneration Committee, Remuneration of Mr. Vinay Mittal from 01.04.2016 to 31.03.2017 was approved by the Board on May 20, 2016.

The reimbursement of medical expenses, leave travel concession and other perquisites, benefits, leave accrued to him till 31.03.2016, if not availed of, have also been approved to be carried forward.

Information pursuant to Secretarial Standard 1.2.5 is Annexed at Page No. 10\*.

Except Mr. Vinay Mittal, none of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise and does not have any conflict of interest in the resolution.

The Board recommends the Resolution set out at Item No. 6 for the approval of Members.

##### **ITEM NO. 7**

Pursuant to Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a cost accountant in practice. On the recommendation of the Audit Committee, the Board of Directors appointed M/s. Rakesh Singh & Co. as the Cost Auditors of the Company to conduct audit of cost records maintained by the Company for the Financial Year 2016-17, at a remuneration of Rs. 1,15,000.00 (Rupees One Lakh Fifteen Thousand only) (exclusive of Service Tax and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit). The Auditors have furnished a certificate regarding their eligibility for appointment as Cost Auditors of the Company. The remuneration to the cost auditor requires your ratification and confirmation. The Board recommends the Resolution set out at Item No.7 of the accompanying Notice for ratification by the Members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise and does not have any conflict of interest in the resolution.

##### **ITEM NO. 8**

Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has prescribed seeking of shareholders' prior approval for material related party transactions.

The Related Party Transactions set out below are all contractual obligations entered into by the Company in its ordinary course of business and are arm's length transactions.

Regulation 23(8) further states that all existing material related party contracts or agreements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these Regulations.

Pursuant to Clause 49 of the erstwhile Listing Agreement with the Stock Exchanges, approval of the shareholders for the Material Related Party Transactions entered into by the Company upto March 31, 2015 were approved by the Members at the Annual General Meeting held on August 12, 2015.

In compliance with the Regulation 23(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, material transactions entered / to be entered into by the Company from April 01, 2015 to March 31, 2018, as set out in resolution No. 8 and approved by the Audit Committee are recommended for your approval.

None of the Directors or any of the Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise and does not have any conflict of interest in the resolution.

However, Mr. Yoshifumi Iida, Mr. Hiroyoshi Sugimizu and Mr. Vinay Mittal may be deemed to be concerned in their capacity as nominees of Honda Motor Co., Ltd., Japan.

#### ITEM NO. 9

The Articles of Association of the Company currently in force were originally adopted when the Company was incorporated under the Companies Act, 1956.

The Articles of Association were amended from time to time in accordance with the provisions of the Companies Act, 1956. With the introduction of the Companies Act, 2013, it is proposed to amend the existing Articles of Association to make it consistent with the provisions of Companies Act, 2013 including the Rules framed thereunder.

A copy of the proposed set of new Articles of Association of the Company would be available for inspection at the Registered Office of the Company during the business hours on any working day, up to the date of the Annual General Meeting and during the Annual General Meeting. The proposed draft Articles of Association are available on the Company's website at [www.hondasielpower.com](http://www.hondasielpower.com) for perusal by the shareholders.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise and does not have any conflict of interest in the resolution.

The Board commends the Special Resolution set out at Item No. 9 for the approval of Members.

By order of the Board  
for **Honda Siel Power Products Limited**,

Place: New Delhi  
Date : May 20, 2016

**Sunita Ganjoo**  
Company Secretary

#### \*Information pursuant to Secretarial Standard 1.2.5

| Particulars   | Mr. Yoshifumi Iida   | Mr. Vinay Mittal  |
|---|--|---|
| <b>Date of Birth</b>  | 17.01.1964   | 09.09.1966  |
| <b>Date of appointment / re-appointment</b>   | 01.04.2015   | 01.04.2012  |
| <b>Expertise in specific functional Areas</b>   | Mr. Iida has expertise in domestic sales, sales network building, strengthening business and staff training. He also has expertise in export business, business planning and execution, market planning and sales activities.        | Mr. Mittal has around 26 years of wide and varied experience in the field of Finance & Accounting, Direct & Indirect Tax, Imports, Secretarial and General Management in various industries.          |
| <b>Qualifications</b>   | Graduate<br>Major – Industrial Relations   | Graduate in Commerce from Delhi University<br>Fellow Member of The Institute of Chartered Accountants of India  |
| <b>Name of other Indian companies in which directorship held</b>                                    | Honda Motor India Private Limited  | NIL   |
| <b>Chairman/ Member of Board Committees in Indian Companies</b>                                     | <b>Honda Siel Power Products Limited</b><br>- Audit Committee- Member<br>- Stakeholders Relationship Committee - Member<br>- Board Committee on Financial Matters - Chairman<br>- Corporate Social responsibility Committee - Member | <b>Honda Siel Power Products Limited</b><br>- Board Committee on Financial Matters - Member<br>- Stakeholders Relationship Committee - Member<br>- Corporate Social responsibility Committee - Member |
| <b>Shareholding in the Company</b>  | NIL  | NIL   |
| <b>Relationship with other Directors, Manager and other Key Managerial Personnel of the Company</b> | NIL  | NIL   |
| <b>The number of Meetings of the Board attended during the year</b>                                 | 4  | 4   |
| <b>Remuneration last drawn</b>  | Rs. 15.85 lakhs p.m.   | Rs. 6.86 lakhs p.m.   |

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 31<sup>st</sup> Annual Report together with Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2016.

### 1. Financial Highlights

(Rs. in lakhs)

| Particulars                                      | Year Ended     |                |
|--|----------------|----------------|
|  | March 31, 2016 | March 31, 2015 |
| Revenue from Operations                          | 67,280         | 63,073         |
| Other Income                                     | 1,132          | 709            |
| Profit before depreciation and exceptional items | 9,889          | 7,678          |
| Depreciation                                     | 2,382          | 2,131          |
| Exceptional items                                | -              | (347)          |
| Profit before tax                                | 7,507          | 5,894          |
| Tax Expenses                                     | 2,624          | 2,032          |
| Profit after Tax                                 | 4,883          | 3,862          |
| Balance of profit brought forward                | 18,984         | 15,855         |
| Amount available for appropriation               | 23,867         | 19,717         |
| <b>APPROPRIATIONS</b>                            |                |                |
| Dividend   | 609            | 609            |
| Tax on Dividend                                  | 124            | 124            |
| Balance carried to Balance Sheet                 | 23,134         | 18,984         |

### Results of Operations and the state of Company's affairs

Your Company achieved aggregate sales of Rs. 70,121 lakhs in 2015-16 (as against Rs. 65,725 lakhs in 2014-15). This marks a growth of 6.69% over the previous year.

The year saw the introduction of "Diesel" Water Pump and new Gasoline Water Pump for the vast and growing agriculture and horticulture markets.

With the introduction of Diesel Water Pump your Company now offers solutions across all major fuel categories for the Indian farmer. Gasoline Water Pump offers unmatched portability and fuel consumption thereby making the irrigation process more efficient and less time consuming. Both categories of Water Pumps have received a very positive response in the market and your company expects to further increase its presence in these categories.

A detailed report on operations titled 'Management Discussion and Analysis Report' is annexed to this Report as **Annexure-A** and forms part thereof.

### 2. Dividend

Your Directors recommend a dividend of Rs. 6/- per equity share of Rs. 10/- each (60%) for the year ended 31<sup>st</sup> March 2016. The total outgo on this account (including dividend tax) will be Rs. 733 lakh.

### 3. Transfer of Amounts to Investor Education and Protection Fund

In compliance with Section 205(C) of the Companies Act, 1956/Section 125 of the Companies Act, 2013, the Company has transferred a sum of Rs. 2,73,485.00 during the financial year 2015-16 to the Investor Education and Protection Fund established by the Central Government. The said amount represents unclaimed dividend which was lying with the Company for a period of seven years from the due date of payment.

### 4. Environment Protection and Safety

Your Company is committed towards protection and safety of environment. This is depicted in overall HONDA Philosophy "BLUE SKIES FOR OUR CHILDREN" and is adopted by your Company also. All associates strive towards controlling emissions, effluents and waste disposal arising out of manufacturing processes, product and services.

A statement on environmental protection and safety, conservation of energy, technology absorption, foreign Exchange earnings and Outgo is annexed as **Annexure-B** and forms part of this report.

### 5. Extract of Annual Return

Pursuant to section 92(3) of the Companies Act, 2013 ('the Act') and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return is Annexed as **Annexure-C** and forms part of this report.

### 6. Details of Board meetings

During the year under review, four Board Meetings were held as per the following details:

| Date of the meeting | Total No. of Directors on the Board of Directors | No. of Directors attended the meeting |
|---------------------|--|---------------------------------------|
| May 18, 2015        | 10   | Seven (7)                             |
| August 12, 2015     | 10   | Ten (10)                              |
| November 04, 2015   | 10   | Eight (8)                             |
| February 10, 2016   | 08*  | Seven (7)                             |

\* Mr. O.P. Khaitan ceased to be Director of the Company with effect from December 06, 2015 due to demise.

\* Mr. Shinya Inamura ceased to be Director of the Company due to resignation.

Resolutions by Circulation were passed on May 20, 2015 and February 01, 2016.

All statutory and other important items/ information were placed before the Board for approval/review.

### 7. Committees of the Board

The details of composition of the Audit Committee and other Committees of the Board of Directors, brief terms of reference thereof and details of meetings held and attended by the Members during the year are provided in the Corporate Governance Report forming part hereof.

## 8. Managing the Risks of Fraud, Corruption and Unethical Business Practices

### a.) Vigil Mechanism / Whistle Blower Policy

As per the provisions of Section 177(9) of the Companies Act, 2013 read with Rules thereof and Regulation 4(2)(d) (iv) of the Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015, the Company is required to establish an effective Vigil Mechanism, thereby enabling all stakeholders to communicate their concerns about illegal or unethical practices. In line with the commitment of the Company to highest standards of ethical, moral and legal business conduct and its commitment to transparent approach, Vigil Mechanism/Whistle Blower Policy in the name of Business Ethics Proposal Line (BEPL) has been established.

For the effective implementation of the policy, the Company has constituted a Business Ethics Committee (BEC) comprising of senior executives/directors to provide an opportunity to all Directors, Associates/ Vendors/ Customers to access BEC in good faith, in case they observe an unethical or improper practice in the Company.

The detailed policy is posted on the Company's website at the weblink: [https:// www.hondasielpower.com](https://www.hondasielpower.com).

### b.) Risk Management Policy

In compliance with the requirement of the Companies Act, 2013 the Company has put in place Risk Minimization and Assessment Procedures. In order to effectively and efficiently manage risk and address challenges, the Company has constituted a Risk Management Committee and also formulated a Risk Management Policy. The said policy covers the framework for management of risk, categorized under three main components i.e. business risk, service/operational risk and external risk.

The Risk Management Committee has the primary responsibility of implementing the Risk Management Policy of the Company and achieving the stated objective of developing a risk intelligent culture that supports decision making and helps improve Company performance.

The Company manages the risk in line with current risk management best practice. This facilitates the achievement of our objectives, operational effectiveness and efficiency, protection of people and assets, informed decision-making, and compliance with applicable laws and regulations.

Composition of Risk Management Committee and Risk Management Policy of the Company may be accessed at Company's website at the link <https://www.hondasielpower.com>.

## 9. Directors' Responsibility Statement

Pursuant to the requirement of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, your Directors confirm that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Companies Act, 2013, have been followed and there are no material departures from the same;
- (b) the Directors have selected such accounting policies

and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;

- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a 'going concern' basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## 10. Particulars of loans, guarantees or investments made under Section 186 of the Companies Act, 2013

The Company has not made any loans, guarantees or investments under Section 186 of the Companies Act, 2013 during the year under review.

## 11. Auditors

### i) Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants, (Firm Registration No. 101248W), Statutory Auditors of the Company will hold office until the conclusion of the forthcoming Annual General Meeting of the Company and are eligible for re-appointment as per Section 139 of the Companies Act, 2013. M/s. B S R & Co. LLP has expressed their willingness to get re-appointed as the Statutory Auditors of the Company and have furnished a certificate of eligibility and consent under Section 139 (1) and 141 of the Companies Act, 2013 and the rules framed thereunder.

The Auditors have represented that they have been subjected to the 'Peer Review Process' of The Institute of Chartered Accountants of India and hold a valid Certificate.

The report given by the Auditors on the financial statements of the Company forms part hereof. There has been no qualifications, reservations, adverse remarks or disclaimer by the Auditors in their report.

### ii) Cost Auditors

In terms of the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors, on the recommendation of the Audit Committee, has appointed M/s Rakesh Singh & Co., Cost Accountants as Cost Auditors of the Company for the Financial Year 2016-17, at a remuneration as mentioned in the Notice convening 31<sup>st</sup> Annual General Meeting, for conducting the audit of the cost records maintained by the Company, subject to the ratification of the Members on the remuneration to be paid to the Cost Auditor.

A certificate from them has been received to the effect that their appointment as Cost Auditors of the Company, if made, would be in accordance with the limits specified under Section 139 and 141 of the Companies Act, 2013 Act and Rules framed thereunder.

**iii) Secretarial Auditor and Secretarial Audit Report**

The Board had appointed M/s Tanuj Vohra & Associates, Company Secretaries to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2015-16.

There were no qualifications, reservations or adverse remarks by Secretarial Auditors of the Company. The detailed report on the Secretarial Audit is annexed as **Annexure - D** to this Report.

**12. Related Party Transactions**

All the related party transactions are entered into on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014.

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Related Party Transactions are approved by the Audit Committee. Omnibus approval is obtained for un-foreseen transactions. A report on the transactions, specifying the nature, value and terms and conditions of the same, done during the quarter vis-à-vis the approval granted are presented to the Audit Committee on a quarterly basis for its review.

Resolution, seeking Members approval for the Material Related Party Transactions entered into prior to 2<sup>nd</sup> September, 2015 and which have continued beyond such date forms part of the Notice of the 31<sup>st</sup> Annual General Meeting and the same is recommended for your consideration and approval.

Further, based on the past trend, the transactions which are likely to cross materiality threshold, as prescribed, is being placed before the Members for their approval.

The Related Party Transactions Policy, as approved by the Board, may be assessed at the Company's website at the weblink: <https://www.hondasielpower.com>.

**13. Details in respect of adequacy of Internal Financial Controls with reference to the Financial Statements**

The Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the testing of such controls has also been carried out independently by the Statutory Auditors for the financial year 2015-16 as mandated under the provisions of the Companies Act, 2013. In the opinion of the Board, the existing internal control framework is adequate and is commensurate to the size and nature of business of the Company.

**14. Corporate Social Responsibility initiatives**

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established Corporate Social Responsibility (CSR) Committee and statutory disclosures with respect to the CSR Committee and an Annual Report on CSR Activities forms part of this Report as **Annexure-E**.

The CSR Policy may be accessed on the Company's website at the link <https://www.hondasielpower.com>.

**15. Policy on Remuneration to be paid to Directors, Key Managerial Personnel (KMP) and other employees and criteria for appointment of Directors**

Your Company has in place Remuneration Policy for Directors, KMP and all other employees of the Company and Criteria for Appointment of Directors. The policies were adopted in line with the requirements of the Companies Act, 2013 and the erstwhile Clause 49 of the Listing Agreement with the Stock Exchanges.

The policies inter-alia requires the Directors to be of high integrity with relevant expertise and experience so as to have a diverse Board. The Policies further lay down the positive attributes/criteria which the Nomination and Remuneration Committee should keep in mind while recommending the candidature for the appointment as Director.

Policy on Remuneration to be paid to Directors, Key Managerial Personnel (KMP) and other employees and criteria for appointment of Directors is annexed to this Report at **Annexure-F**.

**Criteria of Independence**

The Nomination and Remuneration Committee assesses the independence of Directors at the time of appointment / re-appointment pursuant to the criteria laid down by the Company in line with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Determination of independence is being re-assessed when any new interests or relationships are disclosed by a Director.

**16. Declaration by independent directors**

The Board of your Company consists of Dr. Dharam Vir Kapur, Mr. Ravi Vira Gupta, Mr. Manoj Arora and Ms. Alka Marezbhan Bharucha as Independent Directors. These Directors have confirmed that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the Rules thereunder.

**17. Directors and Key Managerial Personnel (KMP)****i) Cessation**

- a) Mr. O.P. Khaitan (DIN 00027798), an Independent Director on the Board of the Company, due to demise ceased to be Director of the Company with effect from December 06, 2015.

The Board expresses its deep sorrow on the sad demise of Mr. O.P. Khaitan.

- b) Mr. Shinya Inamura (DIN 06851565), Non-Executive/ Non-Independent Director of the Company, due to his pre-occupation with some other long term assignment, resigned from the Board with effect from February 01, 2016.

The Board wishes to place on record its appreciation for the valuable contribution made by the above Directors, during their tenure, to the working of the Company.

**ii) Retirement by Rotation**

In accordance with the provisions of the Companies Act, 2013 and applicable Regulations issued by the Securities & Exchange Board of India, Mr. Hiroyoshi Sugimizu (DIN 06848213), Director of the

Company, will retire by rotation at the forthcoming Annual General Meeting ('AGM') of the Company and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Brief resume of Mr. Hiroyoshi Sugimizu, nature of his expertise in specific functional area and the name of the Companies in which he holds the Directorship and the Chairmanship/Membership of the Committees of the Board, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are given in the Notice convening the Annual General Meeting.

Necessary resolution for the re-appointment of the aforesaid Director has been included in the Notice convening the Annual General Meeting.

As per the confirmations received from Mr. Sugimizu, he is not disqualified for being appointed as Director as specified in Section 164(2) (a) and (b) of the Companies Act, 2013.

### iii) Payment of remuneration

- The revised remuneration to be paid to Mr. Yoshifumi Iida as President & CEO of the Company has been approved by the Board of Directors on February 10, 2016, subsequent to the recommendation of the Nomination and Remuneration Committee on February 10, 2016. Your Board recommends the revised remuneration of Mr. Yoshifumi Iida for your approval.
- The revised remuneration of Mr. Vinay Mittal from 01.04.2016 to 31.03.2017 (both days inclusive) has been approved by the Board of Directors on May 20, 2016, subsequent to the recommendation of the Nomination and Remuneration Committee at its Meeting held on May 20, 2016. Your Board recommends the approval of revised remuneration of Mr. Vinay Mittal. Proposal for the same is being put up for your approval.

## 18. Directors' Evaluation

In accordance with the framework approved by the Nomination and Remuneration Committee, the Board of Directors, in its Meeting held on May 20, 2016, undertook the evaluation of its own performance, its Committees and all the individual Directors.

The review concluded by affirming that the Board as a whole as well as all of its Members, individually and the Committees of the Board continued to display commitment to good governance, ensuring a constant improvement of processes and procedures. It was further acknowledged that every individual Member and Committee of the Board contribute its best in the overall growth of the organization.

## 19. Explanations or comments on qualifications, reservations or adverse remarks or disclaimers made by the Auditors in their reports.

There were no qualifications, reservations or adverse remarks made by the Auditors in their respective reports.

## 20. Deposits

The Company has not accepted any deposits from the public/members under Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 during the year.

## 21. Buy Back of Securities

The Company has not bought back any of its securities during the year under review.

## 22. Sweat Equity

The Company has not issued any Sweat Equity shares during the year under review.

## 23. Bonus Shares

No bonus shares were issued during the year under review.

## 24. Employees Stock Option Scheme

The Company has not provided any Stock Option Scheme during the year under review.

## 25. Significant and material orders passed by the regulators

During the year under review, no significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations.

## 26. Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the same. The new Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have strengthened the governance regime in the country. Your Company is in compliance with the governance requirements provided under the new law and had proactively adopted many provisions of the new law, ahead of time. A separate section on Corporate Governance is annexed to this report as **Annexure - G**.

In line with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has adopted policies on Determination of Materiality of Information/Events and Preservation of Documents and Archival. These policies are available on the website of the Company at [www.hondasielpower.com](http://www.hondasielpower.com)

A certificate from a Practicing Company Secretary on compliance with the conditions of Corporate Governance as stipulated under aforementioned Regulations is annexed as **Annexure-J**.

## 27. Sexual harassment of women at workplace

The Company has zero tolerance towards sexual harassment at the workplace and to this end, has adopted a policy in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

All employees (permanent, contractual, temporary, trainees) are covered under the said policy. An Internal Complaints Committee has also been set up to redress complaints received on sexual harassment.

During the financial year under review, the Company has not received any complaints of sexual harassment from any of the women employees of the Company.

## 28. Code of Conduct and Ethics

The Board of the Company has adopted a Code of Conduct and Ethics for the Directors and Senior Executives of the Company. The object of the Code is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code sets out a broad policy for one's conduct in dealing with the Company, fellow Directors and Employees and in the environment in which the Company operates. The Code is available on the Company's Corporate website ([www.hondasielpower.com](http://www.hondasielpower.com)). A declaration signed by President & CEO of the Company with regard to the compliance with the

Code by the Members of the Board and Senior Executives is annexed as **Annexure - H** and forms part hereof.

**29. Familiarization programmes for Board Members**

The Board members are provided with necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Periodic presentations are made at the Board and Board Committee Meetings on business and performance updates of the Company. The details of such familiarization programmes for Independent Directors are posted on the website of the Company and can be accessed at the link <https://www.hondasielpower.com>.

**30. Particulars of Employees**

Particulars of employees and the ratio of the remuneration of each director to the median employee's remuneration and other details in terms of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed as **Annexure-K**. Particulars of employees U/S 197 (12) read with Rule 5(2) of the Companies (Appointment & remuneration of Managerial Personnel) Rules, 2014, forms part of this report. However, in terms of Section 136(1) of the Companies Act, 2013, the Report and Financial Statements are being sent to the members and others entitled thereto, excluding this statement. The Annexure is available for inspection by

the Members at the Registered Office of the Company during working hours on working days for a period of 21 days before the ensuing Annual General Meeting. However, a copy of the Statement shall be made available to any member on demand.

**31. Material changes and commitments affecting the financial position of the Company after 31<sup>st</sup> March 2016.**

There were no material changes and commitments affecting the financial position of the Company after 31<sup>st</sup> March 2016.

**Acknowledgements**

Your Directors wish to thank and acknowledge with gratitude the co-operation, assistance and support received from the Central Government, State Government of Uttar Pradesh, Company's Bankers, Shareholders, Dealers, Vendors, Indian and Japanese Promoters of the Company and other Business Associates in the management of affairs of the Company.

The Directors also wish to place on record their sincere appreciation and gratitude towards the contribution made by every employee of the Company.

**On behalf of the Board,  
for Honda Siel Power Products Ltd.**

**New Delhi  
May 20, 2016**

**Siddharth Shriram  
Chairman**

**MANAGEMENT DISCUSSION & ANALYSIS REPORT****DOMESTIC BUSINESS****GENSETS**

- As in previous 2-3 years, generator business continued to be impacted due to improvement in power situation across the country. However, adverse weather conditions and unscheduled power outages in some states improved the demand for portable Generators.

**Opportunities**

- Your Company was the first company in India to roll out Emission Compliant Gensets, in the category it operates, and is making efforts to get the same listed for regular Government and Institutional business. Superior technology and advanced features like the Unique "Fuel Injection Technology", (FI) in the 7 KVA model helps our customers to achieve savings on their fuel bills and boost demand.
- The Government of India plans to expand and integrate many social initiatives. Many of these are related to Information Technology and Education. The success of these initiatives requires investment in power back up as well. Your Company has been making efforts to reach out to such potential customers to help them carry on their businesses consistently and sustainably.

**Concerns**

- The newly introduced emission compliant models are exclusively petrol run. While your Company is promoting the fuel efficiency feature of these generators, fluctuating petrol prices are a cause of concern.
- Power deficit has shown a declining trend and the demand in urban areas has declined.

**Outlook**

- Demand for our generators is expected to continue for various application based sales, uncertain climate and the need for uninterrupted power. Besides, the rural market offers opportunities for growth.

**GENERAL PURPOSE ENGINES AND WATER PUMPING SETS**

- The sales for Engines and Water Pumps improved due to favorable subsidy business in the second half of the fiscal. Business in the Eastern and Southern states supported the water pump business, highlighting again the advantages of Honda light weight and portable Pumps your Company manufactures.
- In its endeavor to reach closer to the end customer, your Company conducted extensive demos in the rural areas catering to the Agriculture and Horticulture sector. This helped to spread awareness about our products and show case their utility for various farm operations.

**Opportunities**

- Farm mechanization led by increasing farm incomes, Government support and scarcity of labour is expected to increase demand for our engines and their application for agricultural use.
- The new and fuel efficient over head valve, petrol run engine based Water Pumps and Engines of your Company are expected to increase demand in areas where kerosene availability is limited. Government Support schemes and subsidies will help us leverage our presence in these segments.

**Concerns**

- Unfavorable weather conditions, subsidy disbursal and allocations.

**Outlook**

- Agriculture sector will continue to get support from Government on inputs. The demand for farm equipment with subsidy is therefore expected to grow.

Considering the competitive cost structure in India, the OEM (Original Equipment Manufacturer) market for agricultural and construction segments is also developing. Your Company is looking at increasing its presence in these segments by working with small manufacturers. Applications such as high tree and back pack sprayers are gaining popularity and your company is working very closely with select good quality assemblers to increase volumes and counter the low priced imported products.

**BRUSH CUTTERS**

- Honda Brush cutters have been able to provide an affordable and efficient mechanized solution for farm activities like de-weeding and harvesting. Honda Brush cutters have been accepted by dairy segment as fodder cutting machine.
- Increased support from the Government in areas such as plantations and horticulture are providing the impetus to grow this business. The Markets of South and North continue to be the major areas contributing to sales.
- Your Company strengthened its position in major markets duly supported by after sales support activities.

**TILLERS**

- The category is showing promising growth and acceptability across the country.
- New attachments for multiple applications suited to the customer's requirement were introduced. The demand for tillers for initial land preparation and de-weeding is steadily growing amongst progressive farmers.

**MARINE SEGMENT**

- To leverage the growth in tourism and development of inland water ways, your Company is promoting LTOBE's (Long Tail Out Board Engines) to cater to the Marine Segment. The prospects in this segment are encouraging and there is a potential for rapid growth.

**EXPORT BUSINESS**

- North America is the leading contributor to the Company's export business.
- The Middle East region continued to generate maximum business for the Company.
- Overall export business volume declined over last year due to drop in sales of generators (1.0KVA) and Engines to Middle East, Africa and Asia region.

**Concerns**

- Demand for Side Valve (SV) Engines and Engine based Generators and Water Pumps is impacted due severe price competition.

## **Outlook**

- Your Company is making efforts to diversify its export product mix with petrol fuelled Water Pumps and Mini Tillers.

## **RISKS AND AREAS OF CONCERN**

The Company has proper and exhaustive risk management systems in place. This is assured by:

1. Strictly meeting all the legal compliances as required by laws of the land wherever Company operates and does its business. This is assured by way of regular and timely updation of the changing requirements, proper reporting at regular intervals. This is further reconfirmed by status reports as prepared by all divisions of the organization for onward submission of consolidated status of compliance to the Board of Directors each quarter. Further, the Internal Auditors of the company have been entrusted with the job of regular supervision of legal compliances as is being done by the company and to suggest further need to strengthen the same, if required.
2. To further strengthen the compliance system of the Company, the on line legal compliance tracker is under very advance stage of implementation and shall be completed by June 2016.
3. Timely, appropriate and correct recording of fixed assets of the Company in the books of accounts is ensured. The policy for physical verification has been framed and is being strictly adhered to. Adequate insurance coverage has been taken for all risks associated with assets and the operations of the company.
4. IT Security Policy of the Company is strictly adhered to at each level with a view to avoid loss and mis-utilization of sensitive data of the Company.
5. Under the Risk Management System established by the Company, each division is given the responsibility to review and assess business risk on a regular basis and to detect, communicate, evaluate and respond to any probable or available risk in their particular business areas. The risk management officer is responsible for promoting risk management initiatives such as business continuity plan in the event of any risk. The Risk Management Manual is in advance stage of implementation and shall be completed by June 2016.

## **INTERNAL CONTROLS AND SYSTEMS**

The Company has in place an adequate, proper and effective internal control system which is in line with the size and complexity associated with the operations of the Company. The policies, procedures and proper communication systems have been put in place for effective and better management of the affairs of the Company. Your Company Management believes that to make the policies effective it is necessary that the policies are communicated in the best possible way till the lowest level of the organization. This is ensured by way of regular updation and awareness sessions being conducted to include cross section of employees in these sessions.

The Company has established and maintained adequate internal control over financial reporting. The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles.

The Company's internal control over financial reporting was effective as of March 31, 2016 with no deficiency.

The adherences to the Internal Control Systems are further ensured through an extensive internal audit program duly approved by the Audit Committee of the Company. This is subject to a periodic review by the Management and Audit Committee in its Meeting attended by Statutory and Internal Auditors of the Company.

## **FINANCIAL PERFORMANCE**

During the year 2015-16 the net sale was Rs. 66,786 lakhs as against Rs. 62,830 lakhs in the previous year. This represents an increase of 6.30% in terms of value over previous year.

Profit before Tax and Exceptional Items for the year was Rs. 7,507 lakhs as against Rs. 5,547 lakhs in 2014-15.

## **HUMAN RESOURCES**

"To win in the marketplace you must first win in the workplace." An engaged associate is very pertinent towards achieving organization success and its goals. Engaged associates use discretionary efforts; have emotional commitment; who actually care and work productively and take positive action to further the organization's reputation and interests.

The Company conducts engagement and satisfaction surveys, in periodic time gaps, by engaging competent outside agency to ascertain the level of commitment of our associates. This financial year 2015-16, your Company conducted Employee Satisfaction Survey for the Line Associates. The survey result was encouraging and showed an overall improvement in the percentage index from previous survey. However, the analysis also threw lot of information which will be used in carrying out further required improvement for enhancing the contentment level of the Company's line associates.

Succession Planning is the need of every organization to have a ready talent pool for taking the responsibilities of the critical positions. Looking further the retirement percentage of associates at the Company within coming five years, it is need to plan and develop the successors for critical positions. In order to develop the skills and competencies of the talent, assessment and development programs were conducted throughout the year. These helped in understanding the capability of the middle management level and identify successors from the group who can take up next level roles and build a robust succession pipeline. In addition to above there were Honda Way of Working programs and On the Job learning designed to enhance individual abilities and develop specified skills towards self-reliance.

Orientation of associates being an integral part for a productive organization, your Company focused on the process and collectively developed the Orientation Modules covering all the process understanding so that the new associate becomes more productive in the least time.

Policies and Procedures are the strategic link between the Company vision and its day-to-day operations. Your Company plays an essential role in developing, reviewing and administering Company-wide policy in the area of people development and employment practices. The Company has introduced Employee Talent Recognition Policy which recognizes the individuals with the exceptional talent other than their Job Role.

On 6th November 2015, your Company celebrated 30 years of its establishment. It has been a remarkable journey, filled with challenges and achievements. Many milestones were accomplished with the help and support of all its stakeholders. The occasion was celebrated with Associates and their families.

The Company as on March 31, 2016 had 1022 associates.

#### INFORMATION TECHNOLOGY

In order to mitigate the risk to business from any disaster and for effective and efficient working, Disaster Recovery for all critical business applications and data was operationized during the year at IBM Data Center at Bangaluru with complete operations and management by IBM India. Existing Data Center infrastructure was moved to IBM Managed data Center at Noida on virtual environment for efficiency and reliability. This has helped in the better management of the Company's IT infrastructure and data and further helped in reducing the operational costs. Your company has also initiated the Oracle E-Business Suite up-gradation project to latest version i.e. R12 for business enhancement and support.

#### CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include significant changes in political and economic environment in India and key markets abroad, tax laws, litigation, labour relations and interest costs.

#### Annexure – B To Board's Report

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

##### (a) Conservation of energy

|       |  |  |
|-------|--|--|
| (i)   | The steps taken for impact on conservation of energy                     | <p>Following energy conservation measures were taken to reduce the energy consumption by:</p> <ul style="list-style-type: none"> <li>- Installation of VFD in Equalization Tank pumps motor to transfer water from equalization tank to pH tank. By installing the VFD, the equalization pump motor consumption is reduced by 50%.</li> <li>- Implementation of Time Switch in street lights to save the energy. Resulting in reduction in their energy consumption by 4.35%.</li> <li>- Saving in paint shop ASU water spray pump by installing VFD. It resulted in reduction in their energy consumption by 69%.</li> <li>- Trial of Natural Sunlight through Solar Pipe has been conducted. The saving in the energy consumption is 100% in day time, as in place of tube lights the natural sunlight is being utilized.</li> </ul> |
| (ii)  | The steps taken by the Company for utilizing alternate sources of energy | <p>Following steps were taken for utilizing alternate sources of energy:</p> <ul style="list-style-type: none"> <li>- Trial of Natural Sunlight through Solar Pipe for VA and VE room.</li> <li>- Feasibility study of Roof top Solar power Plant has been done and in first phase parking shed has been identified for trial installation of roof top solar power plant in 2016-17.</li> </ul>  |
| (iii) | The capital investment on energy conservation equipments                 | <p>Following capital investments were made for energy conservation equipments</p> <ul style="list-style-type: none"> <li>- Rs 15.9 Lac : Spot cooling in Paint Booth of paint shop .</li> <li>- Rs 5.19 Lac : Replacement of 47 nos. of 150Watt MVL lights by 21 nos. of 60Watt and 26 nos. of 80Watt LED tube lights. Also replacement of 100 nos. of 36Watt T-5 Tube lights by 20Watt LED tube lights.</li> </ul>  |

##### (b) Technology Absorption

|     |   |   |
|-----|---|---|
| (i) | The effort made towards technology absorption | <ul style="list-style-type: none"> <li>- The company has availed the service of technical specialists from the foreign collaboration who impart on the job training and guidance to the Company's engineers and technicians.</li> <li>- For development of the new technology model and to improve the manufacturing quality of inplant /out plant parts, new manufacturing facility has been added in the following areas: <ul style="list-style-type: none"> <li>- In-house manufacturing of new category product – Tiller and Backpack Sprayer.</li> <li>- Introduced Diesel Engine based Water Pump for domestic market.</li> <li>- Developed new OVH based Water Pump ( Non Self Priming / Self Priming ) for domestic market.</li> </ul> </li> <li>- Expansion of assembly line by introducing In-house production of agriculture product, Tiller for global market.</li> </ul> |
|-----|---|---|

|       |  |   |
|-------|--|---|
|       |  | <ul style="list-style-type: none"> <li>- Installation of air leakage testing method for water pumps in assembly line.</li> <li>- Meet the European EMC regulation by introducing Generator Model (EU70is).</li> </ul>   |
| (ii)  | The benefits derived like product improvement, cost reduction, product development or import substitution  | <p>The benefits derived related to:</p> <ul style="list-style-type: none"> <li>- Availability of super silent Genset : <ul style="list-style-type: none"> <li>- Meeting the Noise and New Indian Air Emission Regulation.</li> <li>- Gasoline based high fuel efficiency.</li> </ul> </li> <li>- In-house production of equipment like Backpack Sprayer and Tiller for agriculture mechanization.</li> <li>- Management for Hazardous Substance.</li> <li>- Cost reduction through indigenization.</li> </ul>   |
| (iii) | <p>In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)</p> <p>(a) The details of technology imported</p> <p>(b) The year of Import</p> <p>(c) Whether the technology been fully absorbed</p> <p>(d) If not fully absorbed, area where absorption has not taken place and the reasons thereof</p> | <p>Following information is furnished in case of important technology (imported during the last three years reckoned from the beginning of the financial year):</p> <p>Manufacturing of Portable Inverter Generator, OHV General Purpose Engines, Water Pump Sets and agriculture products such as Tiller, Backpack Sprayer etc.</p> <p>Technology is being imported since beginning of the collaboration agreement dated 18.10.1985, as is renewed/revamped from time to time and valid for a period of 5 years till March 31, 2017.</p> <p>No, this is in the process of being absorbed gradually.</p> <p>Technology is further to be absorbed for localization of high technology engine components and in producing the country specific products / models like:</p> <ul style="list-style-type: none"> <li>- Application of OHV engine with mechanization by introducing locally developed Backpack Sprayer, Tiller and cost reduction of Mass Production Models.</li> <li>- Quality management system enhancement and application of GHQS.</li> <li>- Identification of potential export market.</li> </ul> |
| (iv)  | The expenditure incurred on Research and Development   | NIL   |

### (c) Foreign Exchange Earnings and Outgo

During the year, the total foreign exchange used was Rs. 19,220.70 lakhs and the total foreign exchange earned was Rs. 26,957.17 lakhs.

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended 31<sup>st</sup> March, 2016

[Pursuant to Section 92(1) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN : L40103DL2004PLC03950
- ii) Registration Date : 19/09/1985
- iii) Name of the Company : Honda Siel Power Products Limited
- iv) Category / Sub-Category of the Company : Public Listed Company
- v) Address of the Registered Office and contact details : 409, DLF Tower B, Jasola Commercial Complex, New Delhi - 110025  
Tel. +91 011-41082270, 0120-2590211
- vi) Whether listed company : Yes
- vii) Name, Address and contact details of Registrar and Transfer Agents (RTA), if any: Mas Services Limited, T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi 110020, Tel. 011-26387281/82/83

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

| Sl. No. | Name and Description of main Products / Services | NIC Code of the Product/ Service | % to total turnover of the Company |
|---------|--|----------------------------------|------------------------------------|
| 1.      | Generator  | 8502 20                          | 63                                 |
| 2.      | Engine   | 8407 90                          | 10                                 |
| 3.      | Water Pump                                       | 8407 90                          | 15                                 |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| S.NO | Name And Address Of The Company | CIN/GLN | Holding/Subsidiary/Associate | % Of Shares Held | Applicable Section |
|------|---------------------------------|---------|------------------------------|------------------|--------------------|
| N.A. | N.A.                            | N.A.    | N.A.                         | N.A.             | N.A.               |

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**(i) Category-wise Share Holding**

| Category of Shareholders   | No. of Shares held at the beginning of the year |          |           |                   | No. of Shares held at the end of the year |          |           |                   | % Change during the year |
|----------------------------|---|----------|-----------|-------------------|---|----------|-----------|-------------------|--------------------------|
|                            | Demat   | Physical | Total     | % of Total Shares | Demat                                     | Physical | Total     | % of Total Shares |                          |
| <b>A. Promoters</b>        |   |          |           |                   |   |          |           |                   |                          |
| (1) Indian                 |   |          |           |                   |   |          |           |                   |                          |
| (a) Individual/HUF         | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (b) Central Govt.          | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (c) State Govt. (s)        | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (d) Bodies Corporate       | 1,01,433  | 0        | 1,01,433  | 1.00              | 1,01,433                                  | 0        | 1,01,433  | 1.00              | 0.00                     |
| (e) Banks / FI             | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (f) Any Other....          | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| <b>Sub-total (A) (1):-</b> | 1,01,433  | 0        | 1,01,433  | 1.00              | 1,01,433                                  | 0        | 1,01,433  | 1.00              | 0.00                     |
| <b>(2) Foreign</b>         |   |          |           |                   |   |          |           |                   |                          |
| (a) NRIs - Individuals     | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (b) Other-Individuals      | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |
| (c) Bodies Corporate       | 67,62,000                                       | 0        | 67,62,000 | 66.67             | 67,62,000                                 | 0        | 67,62,000 | 66.67             | 0.00                     |
| (d) Banks / FI             | 0   | 0        | 0         | 0                 | 0   | 0        | 0         | 0                 | 0.00                     |

| Category of Shareholders   | No. of Shares held at the beginning of the year |          |             |                   | No. of Shares held at the end of the year |          |             |                   | % Change during the year |
|--|---|----------|-------------|-------------------|---|----------|-------------|-------------------|--------------------------|
|  | Demat   | Physical | Total       | % of Total Shares | Demat                                     | Physical | Total       | % of Total Shares |                          |
| (e) Any Other....  | 0   | 0        | 0           | 0                 | 0   | 0        | 0           | 0                 | 0.00                     |
| <b>Sub-total (A) (2):-</b>   | 67,62,000                                       | 0        | 67,62,000   | 66.67             | 67,62,000                                 | 0        | 67,62,000   | 66.67             | 0.00                     |
| <b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>                          | 68,63,433                                       | 0        | 68,63,433   | 67.67             | 68,63,433                                 | 0        | 68,63,433   | 67.67             | 0.00                     |
| <b>B. Public Shareholding</b>  |   |          |             |                   |   |          |             |                   |                          |
| <b>1. Institutions</b>   |   |          |             |                   |   |          |             |                   |                          |
| (a) Mutual Funds   | 99,527  | 20       | 99,547      | 0.98              | 2,20,238                                  | 20       | 2,20,258    | 2.17              | 1.19                     |
| (b) Banks / FI   | 3,971   | 300      | 4,271       | 0.04              | 7,610                                     | 300      | 7,910       | 0.08              | 0.04                     |
| (c) Central Govt.  | 0   | 0        | 0           | 0.00              | 0   | 0        | 0           | 0.00              | 0.00                     |
| (d) State Govt(s)  | 0   | 0        | 0           | 0.00              | 0   | 0        | 0           | 0.00              | 0.00                     |
| (e) Venture Capital Funds  | 0   | 0        | 0           | 0.00              | 0   | 0        | 0           | 0.00              | 0.00                     |
| (f) Insurance Companies  | 0   | 0        | 0           | 0.00              | 0   | 0        | 0           | 0.00              | 0.00                     |
| (g) FIs  | 1,75,000  | 0        | 1,75,000    | 1.73              | 1,48,815                                  | 0        | 1,48,815    | 1.47              | (0.26)                   |
| (h) Foreign Venture Capital Funds  | 0   | 0        | 0           | 0.00              | 0   | 0        | 0           | 0.00              | 0.00                     |
| (i) Others (specify)   | 0   | 0        | 0.00        | 0                 | 0   | 0        | 0.00        | 0.00              | 0.00                     |
| <b>Sub-total (B)(1)</b>  | 2,78,498  | 320      | 2,78,818    | 2.75              | 3,76,663                                  | 320      | 3,76,983    | 3.72              | 0.97                     |
| <b>2. Non-Institutions</b>   |   |          |             |                   |   |          |             |                   |                          |
| (a) Bodies Corp.   |   |          |             |                   |   |          |             |                   |                          |
| (i) Indian   | 4,91,980  | 1,143    | 4,93,123    | 4.86              | 4,08,307                                  | 453      | 4,08,760    | 4.03              | (0.83)                   |
| (ii) Overseas  | 0   | 0        | 0           | 0                 | 0   | 0        | 0           | 0                 | 0                        |
| (b) Individuals  |   |          |             |                   |   |          |             |                   |                          |
| (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh          | 16,19,818                                       | 2,05,372 | 18,25,190   | 17.99             | 16,20,618                                 | 1,95,870 | 18,16,488   | 17.91             | (0.08)                   |
|  |   |          |             |                   |   |          |             |                   |                          |
| (ii) Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh | 4,79,506  | 0        | 4,79,506    | 4.73              | 5,12,481                                  | 0        | 5,12,481    | 5.05              | 0.32                     |
| (c) Others (specify) Clearing member   | 47,476  | 0        | 47,476      | 0.47              | 31,715                                    | 0        | 31,715      | 0.31              | (0.16)                   |
| NRI  | 1,29,368  | 23,502   | 1,52,870    | 1.51              | 1,07,844                                  | 22,812   | 1,30,656    | 1.29              | (0.22)                   |
| Trust  | 2,655   | 0        | 2,655       | 0.03              | 2,555                                     | 0        | 2,555       | 0.025             | (0.005)                  |
| <b>Sub-total (B)(2):-</b>  | 27,70,803                                       | 2,30,017 | 30,00,820   | 29.58             | 26,83,520                                 | 2,19,135 | 29,02,655   | 28.62             | (0.96)                   |
| <b>Total Public Shareholding (B)=(B) (1)+(B)(2)</b>                                | 30,49,301                                       | 2,30,337 | 32,79,638   | 32.33             | 30,60,183                                 | 2,19,455 | 32,79,638   | 32.33             | 0                        |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                             | <b>NOT APPLICABLE</b>                           |          |             |                   |   |          |             |                   |                          |
| <b>Grand Total (A+B+C)</b>   | 99,12,734                                       | 2,30,337 | 1,01,43,071 | 100               | 99,23,616                                 | 2,19,455 | 1,01,43,071 | 100               | 0                        |

**(ii) Shareholding of Promoters**

| SI No. | Shareholder's Name           | Shareholding at the beginning of the year |                                  |  | Share holding at the end of the year |                                  |   | % change in share holding During the year |
|--------|------------------------------|---|----------------------------------|--|--------------------------------------|----------------------------------|---|---|
|        |                              | No. of Shares                             | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | No. of Shares                        | % of total Shares of the Company | % of Shares Pledged/ encumbered to total shares |   |
| 1.     | Honda Motor Co., Ltd., Japan | 6762000                                   | 66.67                            | NIL  | 6762000                              | 66.67                            | NIL   | NIL                                       |
| 2.     | Usha International Limited   | 101433                                    | 1.00                             | NIL  | 101433                               | 1.00                             | NIL   | NIL                                       |

**(iii) Change in Promoters' Shareholding**

There are no changes in Promoters' shareholding during the Financial Year 2015-16

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors and Promoters)**

| SI. No. | Name of Shareholder                    | Shareholding at the beginning of the year |                                  | Change in shareholding (No. of Shares) |               | Cumulative Shareholding during the year |                                  |
|---------|--|---|----------------------------------|--|---------------|---|----------------------------------|
|         |  | No. of shares                             | % of total shares of the Company | Increase                               | Decrease      | No. of shares                           | % of total shares of the Company |
| 1.      | Alchemy India Long Term Fund Limited   | 1,75,000                                  | 1.73                             | 0                                      | 26,481        | 1,48,519                                | 1.46                             |
| 2       | L and T Mutual Fund Trustee Limited    | 99,527                                    | 0.98                             | 45,135                                 | -             | 1,44,662                                | 1.43                             |
| 3       | Param Capital Research Private Limited | 1,26,869                                  | 1.25                             | 0                                      | 0             | 1,26,869                                | 1.25                             |
| 4       | Prasoon Harshad Bhatt                  | 1,01,700                                  | 1.00                             | 0                                      | 0             | 1,01,700                                | 1.00                             |
| 5.      | Jaya Harshad Bhatt                     | 1,01,700                                  | 1.00                             | 0                                      | 0             | 1,01,700                                | 1.00                             |
| 6       | Shree Capital Services Limited         | 1,27,303                                  | 1.26                             | 0                                      | 37,703        | 89,600                                  | 0.88                             |
| 7       | Reliance Capital Trustee Co. Ltd.      | 0   | 0                                | 68,933                                 | 0             | 68,933                                  | 0.68                             |
| 8       | Aditi Prasoon Bhatt                    | 0   | 0                                | 30,600                                 | 0             | 30,600                                  | 0.30                             |
| 9       | Jayantilal Premji Shah                 | 30,000                                    | 0.30                             | 0                                      | 0             | 30,000                                  | 0.30                             |
| 10.     | Laxmichand Kunverji Kenia              | 30,000                                    | 0.30                             | 0                                      | 0             | 30,000                                  | 0.30                             |
| 11.     | Lashit Lalubhai Sanghvi                | 30,000                                    | 0.30                             | 0                                      | 0             | 30,000                                  | 0.30                             |
|         | <b>TOTAL</b>                           | <b>8,22,099</b>                           | <b>8.12</b>                      | <b>1,44,668</b>                        | <b>64,184</b> | <b>9,02,583</b>                         | <b>8.90</b>                      |

**(v). Shareholding of Directors and Key Managerial Personnel:**

| SI. No. | Name of the Director/KMP | For Each of the Directors and KMP   | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|--------------------------|---|---|----------------------------------|---|----------------------------------|
|         |                          |   | No. of shares                             | % of total shares of the Company | No. of shares                           | % of total shares of the Company |
| 1.      | Mr. Siddharth Shriram    | At the beginning of the year  | 50  | Negligible                       | 50                                      | Negligible                       |
|         |                          | Date wise Increase /Decrease in Share holding during the year (allotment / transfer / bonus/ sweat equity etc): | 0   | 0                                | 0                                       | 0                                |
|         |                          | At the end of the year  | 50  | Negligible                       | 50                                      | Negligible                       |

|    |                   |  |   |            |   |            |
|----|-------------------|--|---|------------|---|------------|
| 2. | Ms. Sunita Ganjoo | At the beginning of the year   | 1 | Negligible | 1 | Negligible |
|    |                   | Date wise Increase / Decrease in Share holding during the year (allotment / transfer / bonus/ sweat equity etc): | 0 | 0          | 0 | 0          |
|    |                   | At the end of the year   | 1 | Negligible | 1 | Negligible |

## V. INDEBTEDNESS

### Indebtedness of the Company including interest outstanding/accrued but not due for payment

The Company had no indebtedness with respect to Secured or Unsecured loans or Deposits during the Financial Year 2015-16.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director and Whole-Time Directors:

| Sl. No. | Particulars of Remuneration   | Name of MD/WTD  |                     |                  | Total Amount (Rs.) |
|---------|---|---|---------------------|------------------|--------------------|
|         |   | Yoshifumi Iida  | Hiro Yoshi Sugimizu | Vinay Mittal     |                    |
| 1.      | Gross salary (Rs.)  |   |                     |                  |                    |
|         | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 | 97,20,000   | 74,80,000           | 29,50,642        | 2,01,50,642        |
|         | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961                      | 94,18,065   | 23,20,704           | 43,09,523        | 1,60,48,292        |
|         | (c) Profits in lieu of salary u/s 173(3) of the Income Tax Act, 1961                | 0   | 0                   | 0                | 0                  |
| 2.      | Stock Option  | NIL   | NIL                 | NIL              | NIL                |
| 3.      | Sweat Equity  | NIL   | NIL                 | NIL              | NIL                |
| 4.      | Commission<br>- as % of profit<br>- others  | NIL   | NIL                 | NIL              | NIL                |
| 5.      | Others (Exempted Benefits) (Rs.)  | 2,68,240  | 2,68,239            | 9,76,524         | 15,13,003          |
|         | <b>Total (A)</b>  | <b>1,94,06,305</b>  | <b>1,00,68,943</b>  | <b>82,36,689</b> | <b>3,77,11,937</b> |
|         | Ceiling as per the Act  | In terms of the provisions of the Companies Act, 2013, the remuneration payable to President & CEO and Whole Time Directors shall not exceed 10% of the net profit of the Company. The remuneration paid is well within the said limit. |                     |                  |                    |

**B. Remuneration to other directors:**

| Particulars of Remuneration              | Name of Directors<br>(1)  |                         |                            |                        |                          | Total<br>Amount<br>(Rs.) | Particulars of<br>remuneration<br>paid to other<br>Non-Executive<br>Directors (2) |
|--|---|-------------------------|----------------------------|------------------------|--------------------------|--------------------------|---|
| <b>1. Independent Directors</b>          | <b>D.V.<br/>Kapur</b>   | <b>O.P.<br/>Khaitan</b> | <b>Ravi Vira<br/>Gupta</b> | <b>Manoj<br/>Arora</b> | <b>Alka<br/>Bharucha</b> |                          | <b>Siddharth<br/>Shriram</b>  |
| Fee for attending Board Meeting          | 1,60,000  | 1,20,000                | 1,60,000                   | 1,20,000               | 1,20,000                 | 6,80,000                 | 1,60,000  |
| Audit Committee                          | 1,60,000  | 1,20,000                | 1,60,000                   | 40,000                 | 40,000                   | 5,20,000                 | -   |
| Stakeholders Relationship<br>Committee   | 1,60,000  | -                       | -                          | -                      | -                        | 1,60,000                 | 1,60,000  |
| Nomination and Remuneration<br>Committee | 80,000  | -                       | -                          | 80,000                 | -                        | 1,60,000                 | 80,000  |
| Board Committee on Financial<br>Matters  | -   | -                       | -                          | -                      | -                        | -                        | 80,000  |
| CSR Committee                            | -   | -                       | -                          | 40,000                 | -                        | 40,000                   | 40,000  |
| Independent Director's Meeting           | 40,000  | 40,000                  | 40,000                     | -                      | 40,000                   | 1,60,000                 | -   |
| Commission                               | NIL   | NIL                     | NIL                        | NIL                    | NIL                      | NIL                      | NIL   |
| <b>Total (1)</b>                         | <b>6,00,000</b>   | <b>2,80,000</b>         | <b>3,60,000</b>            | <b>2,80,000</b>        | <b>2,00,000</b>          | <b>17,20,000</b>         | <b>-</b>  |
| <b>Total (2)</b>                         |   |                         |                            |                        |                          |                          | <b>5,20,000</b>   |
| <b>Total (B)=(1+2)</b>                   |   |                         |                            |                        |                          |                          | <b>22,40,000</b>  |
| <b>Total Managerial Remuneration</b>     |   |                         |                            |                        |                          |                          | <b>3,99,51,937*</b>   |
| Overall Ceiling as per the Act           | The Company does not pay any remuneration or commission to its Independent Directors. |                         |                            |                        |                          |                          |   |

\*Total remuneration to President and CEO, Whole Time Directors and other Directors (being the total of A and B)

**C. Remuneration to Key Managerial Personnel other than President & CEO and Whole Time Directors**

| Sl. No. | Particulars of Remuneration   | Key Managerial Person<br>Sunita Ganjoo |
|---------|---|--|
| 1       | Gross salary  |  |
|         | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 3,37,428                               |
|         | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961                      | 5,65,293                               |
|         | (c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961       | 0                                      |
| 2       | Stock Option  | NIL                                    |
| 3       | Sweat Equity  | NIL                                    |
| 4       | Commission<br>- as % of profit<br>- others  | NIL                                    |
| 5       | Others : Exempted Benefits  | 40,435                                 |
|         | <b>Total</b>  | <b>9,43,156</b>                        |

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties / punishment / compounding of offences for breach of any Section of the Companies Act 2013, against the Company or its Directors or other officers in default, if any, during the year 2015-16.

**Annexure - D to Board's Report**

To,

**The Members,  
Honda Siel Power Products Limited  
CIN : L40103DL2004PLC03950  
409, DLF Tower B,  
Jasola Commercial Complex,  
New Delhi - 110 025**

We have examined the relevant registers, records and documents maintained and made available to us by Honda Siel Power Products Limited ("the Company") for the period commencing from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 for the issuance of Secretarial Audit Report for the financial year 2015-16, required to be issued under Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the various compliances, but the maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion and the compliance of the provisions of Corporate and other applicable laws, rules and regulations is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Delhi, 5 May, 2016

**For Tanuj Vohra & Associates  
Company Secretaries**

**Tanuj Vohra  
M. No.: F5621, C.P. No.: 5253**

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2016**

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

**The Members,  
Honda Siel Power Products Limited  
CIN : L40103DL2004PLC03950  
409, DLF Tower B,  
Jasola Commercial Complex,  
New Delhi - 110 025**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Honda Siel Power Products Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities ) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares ) Regulations, 2009; and
  - (h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998;
- (vi) Other laws as specifically applicable to the Company:-
- (a) The Explosives Act, 1884 and Rules made thereunder;
  - (b) The Boilers Act, 1923 and Rules made thereunder;
  - (c) The Petroleum Act, 1934 and Rules made thereunder; and
  - (d) The Electricity Act, 2003 and Rules made thereunder

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

**We further report that** during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

**We further report that** adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Decisions carried through by the Board do not have any dissenting views and hence no relevant recordings were made in the minutes book maintained for the purpose.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines framed thereunder.

**We further report that** during the audit period under review, there were no specific events/actions in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc, having a major bearing on the Company's affairs.

**For Tanuj Vohra & Associates  
Company Secretaries**

**Tanuj Vohra**

**M. No.: F5621, C.P. No.: 5253**

Delhi, 5 May, 2016

**Annexure – E to Board's Report**
**Annual Report on CSR Activities of the Company**

|    |   |   |                                   |          |
|----|---|---|-----------------------------------|----------|
| 1. | A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR policy and project or programs | <p>The Company's CSR Policy has been framed within the objectives as prescribed under Schedules VII of the Companies Act, 2013 as per the following vision and objective:</p> <p><b>1. Vision:</b><br/>To be an active contributor in raising the country's human development index and fulfill the role of a Socially Responsible Corporate, with environment concerns.</p> <p><b>2. Objective:</b><br/> <b>2.1.</b> To align and integrate the Honda –CSR activities with the Honda philosophy and make them outcome oriented.<br/> <b>2.2.</b> To sustain and continuously improve the quality of life and economic well being of the local populace.<br/> <b>2.3.</b> To create a brand image of Honda which society will want to exist as a socially responsible image.</p> <p>CSR activities proposed to be undertaken by the Company shall be in pursuance to Section 135 read with Schedule VII of the Companies Act, 2013.</p> <p>The policy is also posted on the Company's website at the weblink: <a href="https://www.hondasielpower.com">https:// www.hondasielpower.com</a>.</p> |                                   |          |
| 2. | The Composition of the CSR Committee  | Name  | Category/Director                 |          |
|    |   | Mr. Siddharth Shriram   | Non-Executive/<br>Non-Independent | Chairman |
|    |   | Mr. Y. Iida   | Executive                         | Member   |
|    |   | Mr. Vinay Mittal  | Executive                         | Member   |
|    |   | Mr. Manoj Arora   | Independent                       | Member   |
| 3. | Average net profit of the Company for last three years (Amount in Rs. Lakh)   | Rs. 4454.39 lakh  |                                   |          |
| 4. | Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) (amount in Rs. Lakh)   | Rs. 89.09 Lakh  |                                   |          |
| 5. | Details of CSR spent during the year  |   |                                   |          |
|    | 1) Amount to be spent for the year  | Rs. 89.09 Lakh  |                                   |          |
|    | 2) Amount Unspent, if any   | NIL   |                                   |          |
|    | 3) Manner in which the amount spent during the financial year   | Contribution to Prime Minister's National Relief Fund   |                                   |          |

This is to state that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

**Yoshifumi Iida**  
**President & CEO**

**Siddharth Shriram**  
**Chairman, CSR Committee**

**ANNEXURE – F TO BOARD'S REPORT****Policy on Remuneration to be paid to Directors, Key Managerial Personnel and other employees and criteria for Appointment of Directors****Remuneration Policy****Non-Executive Independent Directors**

Non-Executive Independent Directors are appointed for their professional expertise in their respective fields in individual capacity and receive sitting fees for attending the meeting of the Board and Committees thereof as approved by the Board from time to time.

**Executive/Whole Time Directors**

The Committee shall recommend Remuneration of Whole time Directors which will be again recommended by the Board and finally approved by the shareholders.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and variable pay to whole time Directors. Salary is paid within the range approved by the Shareholders. Annual increments effective 1<sup>st</sup> April each year (or at any other time as may be required), as recommended by the Nomination and Remuneration Committee and recommended by the Board, within the prescribed ceiling, is further approved by the Shareholders.

Perquisites and retirement benefits are paid according to the Company policy as applicable to all employees.

The remuneration paid to Executive/Non-Executive Directors is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance. This is further benchmarked so as to attract and retain the right talent for the job.

**Key Managerial Personnel and Other Employees**

The remuneration of Key Managerial Personnel and other employees largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to prescribed statutory ceiling.

The components of the total remuneration vary for different levels and are governed by the industry pattern, qualification & experience / merits and performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package as is prevailing in the industry.

The annual variable pay of Key Managerial Personnel and employees is linked to the performance of the Company in general for the relevant year and measured against Company's objectives fixed in the beginning of the year.

**DIRECTOR'S QUALIFICATION AND EVALUATION CRITERIA**

The composition and strength of the Board of Directors (the "Board") of the Company is subject to the provisions of the Companies Act, 2013, Listing Agreement with the Stock Exchanges and Articles of Association of the Company.

Within the defined parameters, as above, the Board determines the size and composition of the Board.

The Nomination and Remuneration Committee of the Board (the "Committee") is responsible for evaluating the qualifications of each candidate to be appointed as Director on the Board of the Company and of those Directors who are to be nominated for election by shareholders at each annual shareholder's meeting.

The qualification criteria set forth herein below is designed to describe the qualities and characteristics desired for the Board as a whole and for Board members individually.

**Director Qualification Review Procedures**

A determination of a Director's qualifications to serve on the Board shall be made by the Board, upon the recommendation of the Committee, prior to nominating a Director for election at the Company's next annual meeting. In addition, with respect to each Director candidate considered for appointment to the Board between annual meetings, the Committee shall evaluate each Director candidate and recommend to the Board for their appointment.

The Nomination and Remuneration Committee shall evaluate each Director and Director candidate under the Director Qualification Criteria set forth herein.

**Director Qualification Criteria- General**

It is not mandatory to establish specific minimum age, education, years of business experience or specific types of skills for Board members, but, in general, it is expected from an independent Director to possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business and to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values. In its evaluation, the Committee shall consider the Board size and composition of the Board according to the following guidelines:

With respect to Board composition as a whole, the Board will maintain composition of the Directors pursuant to applicable laws, rules and regulation and the Independence Standards set forth below;

**Additional Qualification Review Criteria**

The Committee shall also consider whether each Director candidate and each Director possesses the following:

- The highest level of personal and professional ethics, integrity and values;
- An appreciation of the Company's mission and purpose,
- The ability to exercise objectivity and independence in making informed business decisions;
- The willingness and commitment to devote the time necessary to fulfill his/ her duties;
- The ability to communicate effectively and collaborate with other Board members to contribute effectively to the diversity of perspectives that enhances Board and Committee deliberations, including a willingness to listen and respect the views of others; and
- The skills, knowledge and expertise relevant to the Company's business, with extensive experience at a senior leadership level in a comparable company or organization, including, but not limited to relevant experience in manufacturing, international operations, finance, accounting, legal, strategic planning, supply chain, technology and marketing.

The Committee shall also consider its policies with respect to mandatory retirement age, change in employment status, as well as all other relevant facts and circumstances in making its recommendations to the Board.

**INDEPENDENT DIRECTORS- STANDARD OF INDEPENDENCE**

The Board has established the following independence review procedures and criteria to assist it and the Committee evaluate the independence of Directors who have been nominated for election at each annual meeting and of Director candidates prior to their appointment to the Board.

It is expected that an independent Director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his/ her duties;
- (3) exercise his/ her responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his/ her obligations towards the company for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his/ her exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his/ her position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his/ her independence;
- (8) where circumstances arise which make an independent Director lose his/ her independence, the independent Director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

**Role and functions:**

The independent Director/s shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of Board and management;
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive Director/s, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive Directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

**Duties :**

The independent Directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his/ her authority, assist in protecting the legitimate interests of the company, shareholders and its employees; not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

#### **Independence Review Procedures**

##### **Annual Review**

Determinations of Director's independence will be made by the Board for each Director on an annual basis

##### **Individual Director - Independence Determinations**

If a Director nominee is considered for election to the Board between annual meetings, a determination of independence, upon the recommendation of the Committee, shall be made by the Board prior to such appointment.

All determinations of independence shall be made on a case-to-case basis for each Director after consideration of all the relevant facts and circumstances and the standards set forth herein. The Board reserves the right to determine that any Director is not independent even if he or she satisfies the criteria set forth above.

##### **Notice of Change of Circumstances**

Each Director has an affirmative obligation to notify the Company of any change in circumstances that may put his/ her independence at issue. If so notified, the Committee shall re-evaluate such Director's independence, as promptly as practicable, and make a recommendation to the Board with respect to such Director's independence.

**REPORT ON CORPORATE GOVERNANCE**
**1. Company's Philosophy on Code of Governance**

Corporate Governance ensures fairness, transparency and integrity of the Management. The Company believes that it is imperative to manage the business affairs in most transparent manner with a firm commitment to our values. Sound Corporate Governance is critical for enhancing and retaining investor trust and thus seeks to ensure that its performance goals are met with integrity. The Company has established systems and procedures to ensure that its Board is well informed and well equipped to fulfill its overall responsibilities and to provide Management with the strategic direction needed to create long term shareholders value. The Company maintains highest levels of transparency, accountability and good Management practices through the adoption and monitoring of corporate strategies, goals and procedures to comply with its legal and ethical responsibilities. The Company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good Corporate Governance.

The Company strives to foster a corporate culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, Management and Employees.

Our corporate governance framework has helped us to align with the newly introduced Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.

The Company has set to itself the objective of expanding its capacities and becoming globally competitive in its business. The Company is committed to meeting the aspirations of all the stakeholders. This is also embodied in the corporate vision of the Company, which states that "Honda SIEL Power Products Limited would like to be a Company which Society would want to exist."

The Directors fully endorse and support the essentials of Corporate Governance and accordingly herein below give a report on Corporate Governance.

**2. Board of Directors**

The Board of Directors is at the core of Corporate Governance practices. The Board is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with the requisite powers, authorities and duties. Your Company firmly believe that Board Independence is essential to bring objectivity and transparency in the management and in the dealing of the Company.

The Board of your Company is broad-based, consisting of eight Members. The Board has an ideal composition. It consists of three Executive Directors and Five Non-Executive Directors, including a Woman Director. Four Non-Executive Directors are Independent i.e. they do not have any other material pecuniary relationship or transactions with the Company, its Promoters, its Management, which in the judgement of the Board may affect the independence of judgement of the Director. The Board Members possess the skills, experience and expertise necessary to guide the Company.

None of the Independent Directors of the Company serves as an Independent Director in more than seven listed Companies.

Brief particulars of the Director who is being appointed/ re-appointed at the ensuing Annual General Meeting ('AGM'), nature of his expertise in specific functional area and names of Companies in which he holds Directorship and Membership/Chairmanship of Board Committees is provided in the Notice convening AGM.

**Code of Conduct**

The Company has adopted a Code of Conduct for Board Members and Senior Management of the Company which inter-alia includes the duties of Independent Directors. The Code is available on the website of the Company (web link <http://www.hondasielpower.com>).

**Board Meetings**

During the year under review, four Board Meetings were held on May 18, 2015, August 12, 2015, November 04, 2015 and February 10, 2016. Resolutions by Circulation were passed on May 20, 2015 and February 01, 2016. All statutory and other important items/ information were placed before the Board for approval/review.

The composition of the Board of Directors, attendance of the Directors at the Board Meetings and Annual General Meeting, number of Directorships in Indian Public Limited Companies and Membership of Committee(s) (Audit and Stakeholders Relationship Committee) of the Board of such Companies are as follows:

| S. No. | Name of Director/ Member | Category   | Attendance at the last AGM | No. of Board Meetings attended | Number of Directorship in other Companies | Number of Committees Membership including (Chairmanship) | Number of shares held |
|--------|--------------------------|------------|----------------------------|--------------------------------|---|--|-----------------------|
| 1      | Siddharth Shriram        | Non ID/NED | Yes                        | 4                              | 1   | 2(1)   | 50                    |
| 2      | Yoshifumi Iida           | Non ID/ED  | Yes                        | 4                              | NIL                                       | 2  | Nil                   |
| 3      | D. V. Kapur              | ID/NED     | Yes                        | 4                              | 2   | 3(2)   | Nil                   |
| 4      | O. P. Khaitan*           | ID/NED     | Yes                        | 3                              | NA  | NA   | Nil                   |
| 5      | Ravi Vira Gupta          | ID/NED     | Yes                        | 4                              | 5   | 6(2)   | Nil                   |
| 6      | Manoj Arora              | ID/NED     | Yes                        | 3                              | 1   | 2  | Nil                   |
| 7      | Alka M. Bharucha         | ID/NED     | Yes                        | 3                              | 3   | 2(1)   | Nil                   |
| 8      | H. Sugimizu              | Non ID/ED  | Yes                        | 2                              | NIL                                       | NIL  | Nil                   |
| 9      | Vinay Mittal             | Non ID/ED  | Yes                        | 4                              | NIL                                       | 1  | Nil                   |
| 10     | S. Inamura**             | Non ID/NED | Yes                        | 1                              | NA  | NA   | Nil                   |

ID- Independent Director

ED- Executive Director

NED- Non- Executive Director

**Note:**

- a) \* Ceased to be Director w.e.f. 06.12.2015 due to demise.
- b) \*\* Ceased to be Director w.e.f. 01.02.2016 pursuant to his resignation dated January 28, 2016.
- c) Directorships held by Directors as mentioned above do not include Alternate Directorship, Directorships of Foreign Companies, Section 8 Companies and Private Limited Companies.
- d) In accordance with Regulation 27 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Membership / Chairmanship of Audit Committee and Stakeholders Relationship Committee of Public Limited Companies have been considered.
- e) None of the Directors is a member of more than 10 Board Level Committees of Public Companies in which they are Directors nor is Chairman of more than 5 such Committees.
- f) There has been no inter-se relationship between or among directors of the Company.

Dr. D. V. Kapur, Independent Director and Chairman of the Audit Committee, who is also Chairman of Nomination and Remuneration Committee and of Stakeholders' Relationship Committee attended the Annual General Meeting of the Company.

The Company does not pay any remuneration to its Non-Executive / Independent Directors except Rs. 40,000/- per Meeting as sitting fees for attending Meetings of the Board and of its Committees. No commission on the net profit of the Company is paid to any Director. There are no pecuniary relationships or transactions of the Non- Executive Directors vis-à-vis the Company.

One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election as prescribed under the Companies Act, 2013 (the Act) and in terms of the Articles of Association of the Company.

**Familiarization Programme for Independent Directors**

The Board of Directors is responsible for overall supervision of the Company. To achieve this, Board undertakes periodic review of various matters including business wise performance, risk management, internal audit/external audit reports etc. Changes in the applicable Laws and Regulations, including their effect on the Company are also presented to the Board.

Further, at the time of appointment of an Independent Director, the Company issues a formal letter of appointment outlining his/her role, function, duties and responsibilities as a Director. The template of the letter of appointment is available on our website –[www.hondasielpower.com](http://www.hondasielpower.com)

During the year under review, various familiarization programmes were conducted. The policy for the familiarization programme and programmes conducted during the year can be accessed at the website of the Company ([web link http://www.hondasielpower.com](http://www.hondasielpower.com)).

**Meeting of Independent Directors**

The Company's independent Directors at their meeting held on May 11, 2015, inter-alia, reviewed the performance of Board, Chairman of the Board and of Non-Executive Directors.

**Selection of New Directors and Board Membership Criteria**

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience. The Policy for appointment of Directors and remuneration criteria forms part of the Directors' Report.

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual Directors by seeking their inputs on various aspects of Board/Committee Governance.

**Committees of the Board**

The Board has constituted six Committees of Directors, namely:

- Audit Committee ;
- Stakeholders Relationship Committee;
- Nomination and Remuneration Committee;
- Corporate Social Responsibility Committee;
- Board Committee on Financial Matters; and
- Risk Management Committee

Each of these Committees function within the defined terms of reference and the minutes of the Committee Meetings are put up to the Board for noting at the subsequent Meeting. The role and composition of these Committees, including the number of Meetings held during the Financial Year and the attendance of its Members are provided below.

**i. Audit Committee**

The primary objective of the Committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The Committee is also responsible for evaluation of internal financial control system, risk management, reviewing performance of Statutory and Internal Auditors and Internal Audit functions.

Composition of the Audit Committee and terms of reference meet with the requirements of Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Companies Act, 2013. The terms of reference to the Audit Committee as approved by the Board are available on our website at [www.hondasielpower.com](http://www.hondasielpower.com).

The Chief Financial Officer, Statutory Auditors, Internal Auditors and Cost Auditors attend the meetings of Audit Committee. Company Secretary acts as the Secretary to the Committee. During the Financial Year 2015-16, Audit Committee met four times on May 18, 2015; August 12, 2015; November 04, 2015 and February 10, 2016. The Board accepted all the recommendations made by the Audit committee. Constitution of the Committee and attendance of the Members at the Meetings are as under:

| Name of the Member  | Status   | Number of Meetings Attended |
|---------------------|----------|-----------------------------|
| Dr. D. V. Kapur     | Chairman | 4                           |
| Mr. O. P. Khaitan*  | Member   | 3                           |
| Mr. Ravi Vira Gupta | Member   | 4                           |
| Mr. Yoshifumi Iida# | Member   | 4                           |
| Mr. Manoj Arora**   | Member   | 1                           |
| Ms. Alka Bharucha** | Member   | 1                           |

# Appointed as member w.e.f. 01.04.2015

\* Ceased to be Member w.e.f. 06.12.2015 due to demise.

\*\* Appointed as Member w.e.f. 01.02.2016.

## ii. Nomination and Remuneration Committee

In terms of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has constituted the Nomination and Remuneration Committee. The Committee mainly discharges the duties related to recommendation regarding nomination of Directors to the Board, formulating criteria for determining qualifications, attributes and independence of Directors, formulation of criteria for performance of Directors and further submission of report thereon to the Board.

The Committee further coordinates and oversees the annual evaluation of the performance of the individual Directors.

In compliance with requirements of the Companies Act, 2013, the constitution, terms of reference, role and scope of Committee are in line with those prescribed by the Companies Act, 2013 and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are available on our website at [www.hondasielpower.com](http://www.hondasielpower.com). The Committee comprises of three Non-Executive Directors, out of which two are Independent Directors. The Chairman of the Committee is an Independent Director.

The Company Secretary acts as the Secretary to the Committee.

During the year under review, the Committee met on February 10, 2016 and March 22, 2016.

Constitution of the Committee and attendance of the Members at the Meetings are as under:

| Name of the Member    | Status   | No. of meetings attended |
|-----------------------|----------|--------------------------|
| Dr. D.V. Kapur        | Chairman | 2                        |
| Mr. Siddharth Shriram | Member   | 2                        |
| Mr. O.P. Khaitan*     | Member   | 0                        |
| Mr. Manoj Arora**     | Member   | 2                        |

\*Ceased to be Member w.e.f. 06.12.2015 due to demise.

\*\*Appointed as Member w.e.f. 01.02.2016.

The Company Secretary acts as the Secretary to the Committee.

The remuneration payable to Whole Time Directors is recommended by the Nomination and Remuneration Committee to the Board of Directors and further to the shareholders for their approval.

## Performance Evaluation Criteria

The Nomination and Remuneration Committee has laid down the criteria for performance evaluation of Independent Directors and other Directors, Board as a whole and the Committees thereof. The criteria for performance evaluation cover the areas relevant to their functioning as Independent Directors or other Directors, Member of the Board or Committees of the Board.

To achieve sustainable and balanced performance and development of the Company and to enhance the quality of performance of the Board, the Nomination and Remuneration Committee has devised a policy on Diversity of the Board, which sets out a framework to promote diversity on Company's Board of Directors.

The Committee also discharges the Board's responsibilities relating to compensation of the Company's Executive Directors and Senior Management. The Committee reviews and recommends to the Board remuneration to be paid to Executive Directors and Senior Management. The Committee further coordinates and oversees the annual self-evaluation of the performance of the Board, Committees and of individual Directors.

#### Details of remuneration paid to Directors for the year 2015-16

##### A. Executive Directors

The details of the remuneration paid to the Whole Time Director(s) during the year 2015-16 are as under:

| Name               | Salary        | Benefits  | Bonus | Stock Options | Fixed Components | Variable Pay | Service Contract         |
|--------------------|---------------|-----------|-------|---------------|------------------|--------------|--------------------------|
|                    | Amount in Rs. |           |       | Amount in Rs. |                  |              |                          |
| Yoshifumi Iida     | 9,00,000      | 95,78,305 | 0     | 0             | 89,28,000        | 0            | 01.04.2015 to 31.03.2020 |
| Hiroyoshi Sugimizu | 9,00,000      | 24,80,943 | 0     | 0             | 66,88,000        | 0            | 01.04.2014 to 31.03.2019 |
| Vinay Mittal       | 27,88,008     | 8,80,079  | 0     | 0             | 42,18,826        | 3,49,776     | 01.04.2012 to 31.03.2017 |

##### B. Non-Executive Directors

The Non-Executive Directors receive sitting fees for attending the meeting of the Board and Committees thereof.

Details of sitting fees paid during the year 2015-16 for attending the Meetings of Board of Directors and of its Committees were as under:

(Amount in Rs.)

| Name of the Director  | Board    | Audit Committee | Stakeholders Relationship Committee | Board Committee on Financial Matters | Nomination and Remuneration Committee | CSR Committee | Independent Directors Meeting | Total    |
|-----------------------|----------|-----------------|-------------------------------------|--------------------------------------|---------------------------------------|---------------|-------------------------------|----------|
| Mr. Siddharth Shriram | 1,60,000 | -               | 1,60,000                            | 80,000                               | 80,000                                | 40,000        | -                             | 5,20,000 |
| Dr. D. V. Kapur       | 1,60,000 | 1,60,000        | 1,60,000                            | -                                    | 80,000                                | 0             | 40,000                        | 6,00,000 |
| Mr. O. P. Khaitan*    | 1,20,000 | 1,20,000        | -                                   | -                                    | 0                                     | 0             | 40,000                        | 2,80,000 |
| Mr. R. V. Gupta       | 1,60,000 | 1,60,000        | -                                   | -                                    | 0                                     | 0             | 40,000                        | 3,60,000 |
| Mr. Manoj Arora       | 1,20,000 | 40,000          | -                                   | -                                    | 80,000                                | 40,000        | -                             | 2,80,000 |
| Ms. Alka Bharucha     | 1,20,000 | 40,000          | -                                   | -                                    | 0                                     | 0             | 40,000                        | 2,00,000 |

\*Ceased to be Member w.e.f. 06.12.2015 due to demise.

There are no pecuniary relationships or transactions of the non-executive Directors vis-à-vis the Company.

##### iii. Stakeholders Relationship Committee

The remit of the Committee is to consider and resolve the grievances of the security holders of the Company, including complaints relating to transfer of shares, consolidation, splitting, transmission (except for cases of transmission where the heirs of the deceased shareholder do not produce full documentary evidence of their title to shares), re-materialisation of shares, endorsement on Fully Paid share certificates have further been sub-delegated by the Committee to the Company Secretary of the Company.

Composition of the Stakeholders Relationship Committee and terms of reference meet with the requirements of Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Companies Act, 2013.

During the year the Committee met on following dates :

1. May 18, 2015
2. August 12, 2015
3. November 04, 2015
4. February 10, 2016.

Composition of the Committee and attendance of the members at the meetings was as follows:

| Name of the Member    | Status   | No. of Meetings attended |
|-----------------------|----------|--------------------------|
| Dr. D. V. Kapur       | Chairman | 4                        |
| Mr. Siddharth Shriram | Member   | 4                        |
| Mr. Yoshifumi Iida*   | Member   | 4                        |
| Mr. Vinay Mittal      | Member   | 4                        |

\*Appointed as member w.e.f. 01.04.2015.

The Company Secretary acts as the Secretary to the Committee.

- Resolutions by Circulation were passed on:

- April 21, 2015
- June 22, 2015
- August 12, 2015
- October 01, 2015
- December 09, 2015
- January 04, 2016
- January 22, 2016
- January 25, 2016
- February 08, 2016
- February 15, 2016
- February 24, 2016
- March 21, 2016

#### Compliance Officer

Ms. Sunita Ganjoo, Company Secretary is the Compliance Officer for complying with the requirements of Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### Investor Grievance Redressal

As on March 31, 2016, your Company had 12288 investors. During the year under review, the status of complaints was as follows:

| Particulars   | Carried forward from the previous quarter | Received | Redressed | Not redressed to the satisfaction of shareholders | Number of pending complaints as on March 31, 2016 |
|---|---|----------|-----------|---|---|
| Non-receipt of shares sent for Transfer/ Transmission/ Duplicate/ Demat | -   | 1        | 1         | -   | 0   |
| Non – receipt/ Revalidation of Dividend Warrants                        | -   | 20       | 20        | -   | 0   |
| Non-Receipt of Annual Report  | -   | 21       | 21        | -   | 0   |
| Others/Miscellaneous  | -   | -        | -         | -   | 0   |

#### iv. Corporate Social Responsibility Committee

The Committee discharges the duties stipulated under Section 135 of the Companies Act, 2013 which includes formulation and recommendation to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company as per Schedule VII to the Companies Act, 2013; recommendation of the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

During the financial year, Corporate Social Responsibility Committee met on February 10, 2016.

Composition of the Committee and attendance of the members at the meeting is as under:

| Name of the Member    | Status   | Number of Meetings Attended |
|-----------------------|----------|-----------------------------|
| Mr. Siddharth Shriram | Chairman | 1                           |
| Mr. Yoshifumi Iida*   | Member   | 1                           |
| Mr. Vinay Mittal      | Member   | 1                           |
| Mr. Manoj Arora       | Member   | 1                           |

\* Appointed as member w.e.f. 01.04.2015

The Company Secretary acts as the Secretary to the Committee.

**v. Board Committee on Financial Matters**

The terms of reference inter-alia including opening and closing of bank accounts, investment of surplus funds, authorization to Company's personnel for operation of Bank accounts and for pre-Authentication of the Invoices under Central Excise Act & Rules.

The Board Committee on Financial Matters met two times during the year on April 01, 2015 and July 02, 2015. Attendance of the Members at the meetings was as follows:

| Name of the Member    | Status   | No. of Meetings attended |
|-----------------------|----------|--------------------------|
| Mr. Yoshifumi Iida*   | Chairman | 2                        |
| Mr. Siddharth Shriram | Member   | 2                        |
| Mr. Vinay Mittal      | Member   | 2                        |
| Mr. H. Sugimizu       | Member   | 1                        |

\*Appointed as member w.e.f 01.04.2015.

The Company Secretary acts as the Secretary to the Committee.

**vi. Risk Management Committee**

The Company has voluntarily constituted Risk Management Committee for ensuring better Corporate Governance practices. The roles and responsibilities of the Committee are as prescribed under Regulation 21 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and includes monitoring and review of risk management plan and reporting the same to the Board of Directors periodically as it may deem fit.

Composition of the Committee is as under:

| Name of the Member                          | Status   |
|---|----------|
| Mr. Yoshifumi Iida, President & CEO*        | Chairman |
| Mr. Vinay Mittal, Whole Time Director & CFO | Member   |
| Mr. Rajeev Sharma, Vice President-Works     | Member   |

\*Appointed as member w.e.f. 18.05.2015.

During the Financial year the Committee met once on June 30, 2015. All the Members were Present.

**3. General Body Meetings**

The last three Annual General Meetings of the Company were held as under:

| Financial Year | Date            | Time       | Location  | Special Resolution Passed   |
|----------------|-----------------|------------|---|---|
| 2014-15        | August 12, 2015 | 1115 hours | Kamani Auditorium<br>No. 1, Copernicus<br>Marg, New<br>Delhi-110001 | Approval for material Related Party Transactions entered into by the Company during the Financial Year ended March 31, 2015 |
| 2013-14        | August 05, 2014 | 1115 hours |   | No special resolution was passed.   |
| 2012-13        | August 05, 2013 | 1030 hours |   |   |

No resolution was passed by the Company last year through Postal Ballot. The Company as on the date of this report is not envisaging to pass any resolution through Postal Ballot.

#### 4. Means of Communication

1. The quarterly, half-yearly and annual results of the Company were published in leading newspapers in India which include Financial Express, Jan Satta and Business Standard. The Company has sent these financial results to the Stock Exchanges within fifteen / thirty minutes of closure of the meeting in which these were approved by the Board of Directors of the Company.
2. The results of the Company are displayed on the Company's website [www.hondasielpower.com](http://www.hondasielpower.com) and website of National Stock Exchange of India Ltd. ([www.nseindia.com](http://www.nseindia.com)), BSE Limited ([www.bseindia.com](http://www.bseindia.com)). The Company's website also displays the official news releases.
3. The Company made no presentations to the Analysts during the year.
4. Annual Report containing inter-alia, Audited Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to Members and others entitled thereto. The Management Discussion & Analysis Report forms part of the Annual Report and is provided elsewhere in this Annual Report.

#### 5. General Shareholders' Information

##### i. 31<sup>st</sup> Annual General Meeting

|                       |   |  |
|-----------------------|---|--|
| Day, Date & Time      | : | Thursday, August 11, 2016, 12.45 P.M.                    |
| Venue                 | : | Kamani Auditorium, 1, Copernicus Marg, New Delhi-110001. |
| Financial Year        | : | Year ended March 31, 2016                                |
| Book Closure          | : | August 5, 2016 to August 11, 2016 (both days inclusive)  |
| Dividend Payment Date | : | September 07, 2016                                       |

##### ii. Tentative Financial Calendar 2016-17 (Subject to change)

The tentative dates for approval of Unaudited / Audited Financial Results for 2016 - 17, are as follows:

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Quarter ending June 30, 2016      | 2nd week of August, 2016        |
| Quarter ending September 30, 2016 | 2nd week of November, 2016      |
| Quarter ending December 31, 2016  | 2nd week of February, 2017      |
| Quarter ending March 31, 2017     | Last week of May 2017 (Audited) |

##### iii. Dividend Details

Unclaimed dividends up to financial year 1994-95 have been transferred to the General Revenue Account of the Central Government and for the financial years 1995-96 to 2007-08 to Investor Education and Protection Fund constituted by the Central Government. Details of unclaimed dividend as on March 31, 2016 are given hereunder:

| Period    | Rate (%) | Date of declaration | Date of payment | Unclaimed dividend (Rs.) |
|-----------|----------|---------------------|-----------------|--------------------------|
| 2008-2009 | 40       | 07.09.2009          | 18.09.2009      | 3,73,616.00              |
| 2009-2010 | 40       | 19.08.2010          | 31.08.2010      | 3,65,092.00              |
| 2010-2011 | 75       | 10.08.2011          | 31.08.2011      | 6,54,825.50              |
| 2011-2012 | 90       | 31.08.2012          | 21.09.2012      | 6,65,316.00              |
| 2012-2013 | 40       | 05-08-2013          | 02.09.2013      | 4,07,808.00              |
| 2013-2014 | 40       | 05-08-2014          | 02.09.2014      | 3,59,388.00              |
| 2014-2015 | 60       | 12-08-2015          | 08-09-2015      | 5,79,684.00              |

##### iv. Listing on Stock Exchanges and Stock Codes

The names and addresses of the Stock Exchanges on which the equity shares of the Company are listed and the respective stock codes are as under:

| Name & Address of the Stock Exchange   | Stock Code |
|--|------------|
| BSE Limited (BSE)<br>Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Fort, Mumbai – 400 001.                                | 522064     |
| The National Stock Exchange of India Ltd. (NSE)<br>5th Floor, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 | HONDAPOWER |

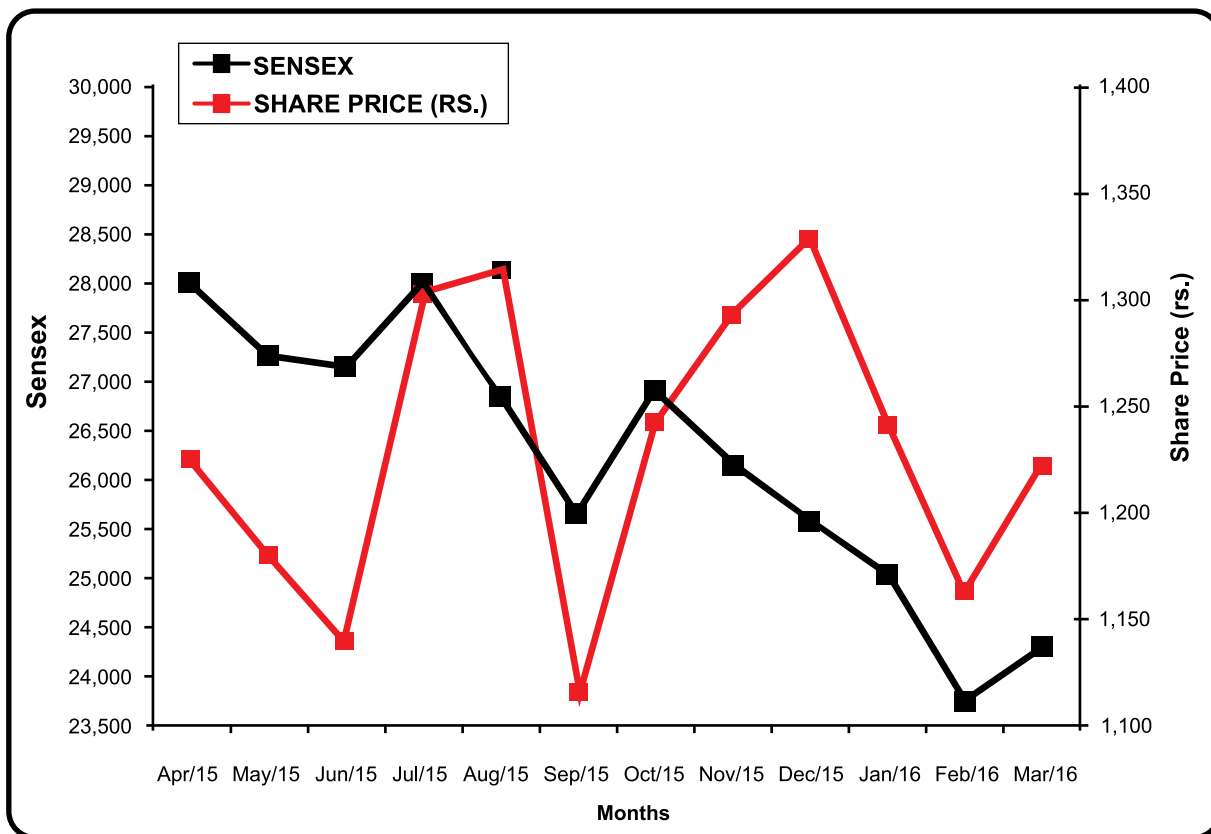
Listing fees for the year 2016 – 2017 has been paid to BSE and NSE respectively.

**v. Stock Market Data**

Monthly high and low quotations as well as the volume of shares traded at BSE and NSE were as under:

(Amount in Rs./Share)

| Month(s)       | BSE     |         |               | NSE      |          |              |
|----------------|---------|---------|---------------|----------|----------|--------------|
|                | High    | Low     | Volume (Nos.) | High     | Low      | Volume(Nos.) |
| April 2015     | 1380.00 | 1070.00 | 105340        | 1,382.00 | 1,067.30 | 252887       |
| May 2015       | 1311.00 | 1049.50 | 59437         | 1,320.00 | 1,042.10 | 150095       |
| June 2015      | 1239.00 | 1040.00 | 56714         | 1,225.00 | 1,040.00 | 129714       |
| July 2015      | 1448.00 | 1157.00 | 81229         | 1,445.00 | 1,153.05 | 229133       |
| August 2015    | 1537.00 | 1090.00 | 108977        | 1,538.40 | 1,085.00 | 296918       |
| September 2015 | 1180.00 | 1052.50 | 22676         | 1,188.85 | 1,052.00 | 69197        |
| October 2015   | 1345.00 | 1140.00 | 25634         | 1,344.00 | 1,137.20 | 91145        |
| November 2015  | 1399.00 | 1185.00 | 51993         | 1,405.00 | 1,178.00 | 176378       |
| December 2015  | 1422.00 | 1234.75 | 24622         | 1,420.00 | 1,230.00 | 94365        |
| January 2016   | 1370.00 | 1112.50 | 24350         | 1,380.95 | 1,113.50 | 65599        |
| February 2016  | 1250.00 | 1075.75 | 21912         | 1,289.90 | 1,081.00 | 48753        |
| March 2016     | 1324.00 | 1120.00 | 41804         | 1,322.95 | 1,124.00 | 162616       |

**vi. Performance comparison: BSE Sensex Vs. Honda Siel Power Products' Share Price**


**vii. Registrar and Share Transfer Agents**

The Company has appointed M/s Mas Services Ltd. as its Registrar and Share Transfer Agent (RTA). Share transfer in physical form and other communications regarding shares, dividends, change in address, etc. may be addressed to:

Mr. Narender Rastogi  
 Mas Services Limited  
 Unit: Honda SIEL Power Products Limited  
 T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase - II,  
 New Delhi - 110 020  
 Ph:- 011-26387281/82/83, Fax:- 011-26387384  
 email:- [info@masserv.com](mailto:info@masserv.com), website : [www.masserv.com](http://www.masserv.com)

**viii. Investors' Service and Share Transfer System**

The Company has a system of attending to and redressing all investors' related grievances/correspondences within a period of 7 to 15 days from the date of receipt of the same. The investors can personally contact or send their grievance/correspondence either to RTA at their address or to the Secretarial Department of the Company at the following address:

Honda SIEL Power Products Limited,  
 Secretarial & Legal Department,  
 Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area,  
 Distt. Gautam Budh Nagar, U.P. -201 310.  
 Phone Nos: 0120-2590211, 2341050-59; Email : [ho.legal@hspp.com](mailto:ho.legal@hspp.com)

The shares for transfer received in physical mode by the Company/RTA, are transferred expeditiously, provided that the documents are complete and ownership of shares under transfer is not under dispute. The share certificates duly endorsed are returned immediately. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories, NSDL/CDSL within 15 days. The Company obtains a certificate of compliance with the share transfer formalities as required under Regulation 40(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on half yearly basis from a Company Secretary in practice and files a copy of the certificate with the Stock Exchanges.

**ix. Distribution of shareholding as on March 31, 2016**

| No. of Shareholders | % to Total | Shareholding of Nominal Value of Rs. | No. of Shares      | Amount in Rs.       | % to Total |
|---------------------|------------|--------------------------------------|--------------------|---------------------|------------|
| 11592               | 94.336     | 1 TO 5000                            | 9,54,807           | 95,48,070           | 9.413      |
| 348                 | 2.832      | 5001 TO 10000                        | 2,63,957           | 26,39,570           | 2.602      |
| 176                 | 1.432      | 10001 TO 20000                       | 2,60,818           | 26,08,180           | 2.571      |
| 50                  | 0.407      | 20001 TO 30000                       | 1,28,274           | 12,82,740           | 1.265      |
| 26                  | 0.212      | 30001 TO 40000                       | 94,791             | 9,47,910            | 0.935      |
| 24                  | 0.195      | 40001 TO 50000                       | 1,12,604           | 11,26,040           | 1.11       |
| 39                  | 0.317      | 50001 TO 100000                      | 2,97,291           | 29,72,910           | 2.931      |
| 33                  | 0.269      | 100001 AND ABOVE                     | 80,30,529          | 8,03,05,290         | 79.173     |
| <b>12288</b>        | <b>100</b> | <b>TOTAL</b>                         | <b>1,01,43,071</b> | <b>10,14,30,710</b> | <b>100</b> |

**x. Pattern of shareholding as on March 31, 2016**

| Categories                        | No. of Shares      | Shareholding (%) |
|-----------------------------------|--------------------|------------------|
| Promoters                         | 68,63,433          | 67.67            |
| Bodies Corporate                  | 4,08,760           | 4.03             |
| NRIs, FIIs, OCBs etc.             | 2,79,471           | 2.76             |
| Mutual Funds, Banks, FIs          | 2,28,168           | 2.25             |
| Individuals                       | 23,28,969          | 22.96            |
| Others (Clearing Members & Trust) | 34,270             | 0.34             |
| <b>Total</b>                      | <b>1,01,43,071</b> | <b>100</b>       |

**xi. Dematerialization of shares and liquidity**

97.84% of total equity capital is held in dematerialised form with NSDL and CDSL as on March 31, 2016. During the year, (i.e. from 01-04-2015 to 31-03-2016) 220 share certificates involving 10917 shares were dematerialized by the shareholders representing 0.11% of the total share capital of the Company.

Demat ISIN in NSDL and CDSL : INE634A01018

**xii. The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments in the past and hence as on March 31, 2016, the Company does not have any outstanding GDRs / ADRs / Warrants or any convertible instruments.**

xiii. During the period under review, the Company has not dealt in any commodity hedging activities and there are no Commodity price risks undertaken by the Company.

**xiv. Plant locations**

Plot No. 5, Sector 41 (Kasna),  
Greater Noida Industrial Development Area,  
Distt. Gautam Budh Nagar, U.P. - 201 310.

**6. Disclosures**

- (i) Related parties and transactions with them as required under Accounting Standard 18 and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, are furnished under Note No. 35 of 'Notes to Financial Statements' for the year ended March 31, 2016.
  - (ii) The above transactions have no potential conflict with the interest of the Company.
  - (iii) There has not been any non-compliance, penalties, structures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
  - (iv) The Company promotes ethical behavior in all its business activities and has a whistle blower/vigil mechanism, in the name of Vigil Mechanism / Business Ethics Proposal Line & Business Ethics (BEPL), in place. All the employees of the Company through this mechanism are free to report violation of laws, rules, regulations or unethical conduct of any employee of the Company.
  - (v) The Company has complied with all mandatory requirements as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
  - (vi) The Company does not have any subsidiary Company.
  - (vii) The policy framed for the dealing with Related Party Transactions is displayed on the website of the Company at the link: [www.hondasielpower.com](http://www.hondasielpower.com)
7. The status of adoption of the non-mandatory requirements as prescribed in Regulation 27(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

**Audit Qualification**

The Company is in the regime of unqualified financial statements.

**Separate Posts of Chairman and CEO**

The Company has appointed separate persons to the post of Chairman and of Managing Director/CEO.

**Reporting of Internal Auditor**

The Internal Auditors, on a quarterly basis, report directly to the Audit Committee of the Company.

8. The Company has complied with all the applicable Corporate Governance requirements as specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with zero non-compliances.

**9. Quarterly Compliance Report**

The Company has been submitting the Compliance Report on Corporate Governance on quarterly basis to the Stock Exchanges within 15 days from the close of the relevant quarter. It is also regularly uploaded on the website of the Company.

**10. Compliance with Code of Conduct**

A declaration by the President & CEO that all Directors and Senior Management personnel have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management for the year ended March 31, 2016 is annexed as **Annexure - H**.

**11. CEO/CFO Certification**

In terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have reviewed the certificate submitted by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company certifying various covenants about financial/ cash flow statements, internal controls, financial reporting, etc. The certificate is annexed as **Annexure - I**.

**12. Compliance Certificate of Practicing Company Secretary**

The Company has obtained a Certificate from Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Certificate is annexed as **Annexure - J**.

**ANNEXURE – H TO BOARD'S REPORT****CERTIFICATE AND DECLARATION**

I, Yoshifumi Iida, in my capacity as President & CEO of Honda SIEL Power Products Limited do hereby confirm and declare that as stipulated under Regulation 34(3) read with Schedule V(D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to the best of my knowledge and belief, Members of the Board of Directors and Senior Management personnel of the Company have affirmed compliance, as on March 31, 2016, with the provisions of Code of Conduct as adopted by the Company.

This declaration has been issued on the basis of acknowledgement and confirmation, with respect to the compliance with the provisions of Code of Conduct of the Company, received from respective Members of Board of Directors and Senior Management.

**For Honda SIEL Power Products Limited**

**Yoshifumi Iida**  
**President & CEO**

**ANNEXURE – I TO BOARD'S REPORT****CERTIFICATE**

We, Yoshifumi Iida, President & CEO and Vinay Mittal, Whole Time Director and Chief Financial Officer of Honda SIEL Power Products Limited hereby declare and confirm-

- A. That we have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
  - 1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - 2. 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.
- B. That there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- C. That we accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. That we have indicated to the Auditors and the Audit Committee:
  - 1. significant changes in internal control over financial reporting during the year;
  - 2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - 3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

This certificate has been issued in compliance with the provisions of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**For Honda SIEL Power Products Limited**

**Vinay Mittal**  
**Whole Time Director &**  
**Chief Financial Officer**

**Yoshifumi Iida**  
**President & CEO**

**C E R T I F I C A T E**

To the Members of Honda Siel Power Products Limited,

I have examined the compliance of conditions of Corporate Governance by Honda Siel Power Products Limited for the year ended March 31, 2016 as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreements. I state that no investor grievance was pending for a period exceeding one month against the Company as per the records maintained by Shareholders'/Investors' Relations Committee.

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

New Delhi,  
April 27, 2016.

(T.V. NARAYNASWAMY)  
COMPANY SECRETARY  
C.P. No.: 203

**ANNEXURE – K TO AUDITOR'S REPORT**
**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

|    |   |  |                                      |
|----|---|--|--------------------------------------|
| 1  | The ratio of remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year.   | CEO  | 26x                                  |
|    |   | Director   | 13x                                  |
|    |   | CFO  | 11x                                  |
|    |   | CS   | 1x                                   |
| 2  | The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the Financial Year.  | CEO  | Japanese expat, salary not increased |
|    |   | Director   | Japanese expat, salary not increased |
|    |   | CFO  | 14%                                  |
|    |   | CS   | 13%                                  |
| 3  | The percentage increase in the median remuneration of employees in the Financial Year.  | The median remuneration of the employees in the financial year was increased by 11%. The calculation of percentage increase in median remuneration is done based on the comparable employees. For this the Company has excluded employees who were not eligible for any increment.   |                                      |
| 4  | The number of permanent employees on the rolls of the Company.  | The number of employees on the rolls of the Company, including Japanese expats were 771.   |                                      |
| 5  | The explanation on the relationship between average increase in remuneration and Company performance.   | Factors considered while recommending increase in fixed compensation:<br>- Financial performance of the company<br>- Industry benchmarking<br>- Considered cost of living /inflation   |                                      |
| 6  | Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company.  | For the financial year 2015-16, KMPs were paid approx 5% of the profit before tax for the year.  |                                      |
| 7  | Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer. | The market capitalization of the Company has increased from Rs. 1138.31 crores as of March 31, 2015 to 1330.52 crores as of March 31, 2016. Over the same period the price to earnings ratio moved from 29.47x to 27.25x. The Company's stock price as at March 31, 2016 has increased by 13117.50% to Rs. 1311.75 over the last public offering in 1987 which was at the price of Rs. 10. |                                      |
| 8  | Average percentile increase already made in the salaries of employees other than managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof.  | Average percentage increase made in the salaries of Employees other than managerial personnel, in the financial year was 11%. Increase in salaries of managerial personnel was also made at the same percentage. The average increase every year is an outcome of the performance of the Company and Company's reward philosophy.  |                                      |
| 9  | Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company  | For the financial year 2015-16, on an average, basis, each KMP was paid 1.30% of the profit before tax for the year.   |                                      |
| 10 | The key parameters for any variable component of remuneration availed by the Directors.   | Variable compensation is an integral part of our total reward package for all Employees including Executive Directors. Variable pay is directly linked to an individual performance rating and the performance of the Company for that particular financial year.  |                                      |
| 11 | The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year.  | Not applicable.  |                                      |
| 12 | Affirmation that remuneration is as per the remuneration policy of the Company.   | It is affirmed that remuneration is as per the remuneration policy of the Company.   |                                      |

**Independent Auditor's Report****To the Members of Honda Siel Power Products Limited****Report on the Financial Statements**

We have audited the accompanying financial statements of **Honda Siel Power Products Limited** ("the Company"), which comprise the Balance Sheet as at 31 March, 2016, the Statement of Profit and Loss, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

**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, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ('Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the said Order.
2. As required by Section 143 (3) of the Act, we report that:
  - a) we have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e) on the basis of the written representations received from the directors as on 31 March 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
  - f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 31 to the financial statements;
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For BSR & Co. LLP**  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
**Vikram Advani**  
Partner  
Membership No.: 091765

Place: New Delhi  
Date : 20 May 2016

# Annexure A to the Independent Auditor's Report of even date on the financial statements of Honda Siel Power Products Limited

The Annexure A referred to in our Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a regular programme of physical verification of its fixed assets in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were physically verified by the Company during the current year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification. For assets lying with third parties at the year-end, written confirmations have been obtained.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory, except materials-in-transit and stock lying with third parties, has been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable. For stock lying with third parties as at year end, written confirmations have been obtained.
- (iii) According to the information and explanation given to us, we are of the opinion that there are no companies, firms, limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) According to the information and explanation given to us, the Company has not given any loans, or made any investments, or provided any guarantee, or security as specified under Section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) The Company has not accepted any deposits covered under Section 73 to 76 or any other provisions of the Act and the rules framed thereunder.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under sub section (1) of section 148 of the Companies Act, 2013 in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Service tax, duty of customs, duty of excise, Value added tax, cess and other statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Service tax, duty of customs, duty of excise, Value added tax, cess and other statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of duty of Customs and Service tax which have not been deposited with the appropriate authorities on account of any dispute. Further, according to the information and explanations given to us, except as stated below, there are no dues of Income tax, Sales tax, duty of excise and Value added tax which have not been deposited by the Company on account of disputes:

| Name of the Statute    | Nature of dues | Amount (Rs. in lakhs) # | Period to which the amount relates (Financial Year) | Forum where dispute is pending       |
|------------------------|----------------|-------------------------|---|--------------------------------------|
| Income-tax Act, 1961   | Income tax     | 36.89                   | 1995-1996   | Commissioner of Income tax (Appeals) |
|                        | Income tax     | 30.90                   | 2004-2005   | Commissioner of Income Tax (Appeals) |
|                        | Income tax     | 498.38                  | 2008-2009   | Income Tax Appellate Tribunal        |
|                        | Income tax     | 528.74                  | 2009-2010   | Income Tax Appellate Tribunal        |
|                        | Income tax     | 1,309.16                | 2010-2011   | Income Tax Appellate Tribunal        |
| Various Sales Tax Acts | Sales tax      | 2.66                    | 1999-2000   | High Court                           |
|                        | Sales tax      | 21.12                   | 2000-2001   | WBCT Appellate & revision board      |
|                        | Sales tax      | 3.66                    | 2000-2001   | Sales Tax Tribunal                   |
|                        | Sales tax      | 1.31                    | 2001-2002   | Sales Tax Tribunal                   |
|                        | Sales tax      | 0.52                    | 2001-2002   | Additional Commissioner (Appeals)    |

| Name of the Statute      | Nature of dues | Amount (Rs. in lakhs) # | Period to which the amount relates (Financial Year) | Forum where dispute is pending                |
|--------------------------|----------------|-------------------------|---|---|
| Various Sales Tax Acts   | Sales tax      | 0.15                    | 2002-2003   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 1.19                    | 2003-2004   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 5.96                    | 2004-2005   | Joint Commissioner (Appeals)                  |
|                          | Sales tax      | 3.19                    | 2007-2008   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 21.65                   | 2007-2008   | Sales Tax Tribunal                            |
|                          | Sales tax      | 1.60                    | 2007-2008   | The Appellate Authority                       |
|                          | Sales tax      | 8.54                    | 2008-2009   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 67.53                   | 2009-2010   | Additional Commissioner (Appeals)             |
|                          | Sales tax      | 22.83                   | 2009-2010   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 0.23                    | 2010-2011   | The Appellate Deputy Commissioner             |
|                          | Sales tax      | 0.74                    | 2012-2013   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 32.77                   | 2015-2016   | Deputy Commissioner (Appeals)                 |
|                          | Sales tax      | 14.03                   | 2015-2016   | Deputy Commissioner (Appeals)                 |
|                          |                |                         |   |   |
| Central Excise Act, 1944 | Excise duty    | 1,201.14                | July 2000 to December 2002                          | Customs Excise Service Tax Appellate Tribunal |
|                          | Excise duty    | 8.88                    | July 2000 to March 2006                             | Customs Excise Service Tax Appellate Tribunal |
|                          | Excise duty    | 2.12                    | December 2003 to March 2004                         | Customs Excise Service Tax Appellate Tribunal |
|                          | Excise duty    | 181.36                  | May 2003 to Feb 2004                                | Supreme Court                                 |
|                          | Excise duty    | 27.69                   | 2005-2006   | Customs Excise Service Tax Appellate Tribunal |
|                          | Excise duty    | 2.70                    | 2006-2007   | Commissioner (Appeals)                        |

# Amounts disclosed are net of total amount paid under protest of Rs. 608.47 lakhs which has been shown under "Loans and advances".

The above amounts include interest and penalty wherever indicated in the demand order.

- (viii) The Company did not have any loans or borrowings from any financial institutions, banks, government or dues to debenture holders during the year. Thus paragraph 3 (viii) of the Order is not applicable.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For B S R & Co. LLP**  
**Chartered Accountants**  
Firm Registration No.: 101248W/W-100022  
**Vikram Advani**  
**Partner**  
Membership No.: 091765

Place: New Delhi  
Date : 20 May 2016

**Annexure - B to the Independent Auditor's Report of even date on the financial statements of Honda Siel Power Products Limited****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Honda Siel Power Products Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India.

**For B S R & Co. LLP**  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
**Vikram Advani**  
Partner  
Membership No.: 091765

Place: New Delhi  
Date: 20 May 2016

## Balance Sheet as at 31 March 2016

|   | Note No. | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|----------|------------------------------|------------------------------|
| <b>EQUITY AND LIABILITIES</b>   |          |                              |                              |
| <b>Shareholders' funds</b>  |          |                              |                              |
| Share capital   | 3        | 1,014.31                     | 1,014.31                     |
| Reserves and surplus  | 4        | 35,643.05                    | 31,492.58                    |
|   |          | <b>36,657.36</b>             | <b>32,506.89</b>             |
| <b>Non-current liabilities</b>  |          |                              |                              |
| Deferred tax liabilities (net)  | 5        | 44.14                        | 265.78                       |
| Other long-term liabilities   | 6        | 197.17                       | 193.67                       |
| Long-term provisions  | 7        | 491.87                       | 408.84                       |
|   |          | <b>733.18</b>                | <b>868.29</b>                |
| <b>Current liabilities</b>  |          |                              |                              |
| Trade payables  | 8        |                              |                              |
| a) Total outstanding dues to micro and small enterprises                  |          | 176.01                       | 194.63                       |
| b) Total outstanding dues to party other than micro and small enterprises |          | 5,997.10                     | 6,768.37                     |
| Other current liabilities   | 9        | 2,310.77                     | 1,550.57                     |
| Short-term provisions   | 10       | 1,749.56                     | 1,203.16                     |
|   |          | <b>10,233.44</b>             | <b>9,716.73</b>              |
|   |          | <b>47,623.98</b>             | <b>43,091.91</b>             |
| <b>ASSETS</b>   |          |                              |                              |
| <b>Non-current assets</b>   |          |                              |                              |
| <b>Fixed assets</b>   |          |                              |                              |
| Tangible assets   | 11       | 10,854.94                    | 11,751.28                    |
| Intangible assets   | 12       | 391.24                       | 547.21                       |
| Capital work in progress  | 11       | 34.25                        | 43.03                        |
| Intangible assets under development                                       | 12       | 14.94                        | 6.70                         |
| Long-term loans and advances  | 13       | 4,665.41                     | 4,299.01                     |
| Other non current assets  | 14       | 1.00                         | 330.81                       |
|   |          | <b>15,961.78</b>             | <b>16,978.04</b>             |
| <b>Current assets</b>   |          |                              |                              |
| Inventories   | 15       | 8,862.63                     | 11,827.55                    |
| Trade receivables   | 16       | 3,364.20                     | 3,838.32                     |
| Cash and bank balances  | 17       | 15,544.92                    | 6,387.17                     |
| Short-term loans and advances   | 18       | 3,543.25                     | 3,888.31                     |
| Other current assets  | 19       | 347.20                       | 172.52                       |
|   |          | <b>31,662.20</b>             | <b>26,113.87</b>             |
|   |          | <b>47,623.98</b>             | <b>43,091.91</b>             |

### Significant accounting policies

2

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration No.:101248W/W-100022

**Vikram Advani**

Partner

Membership No. : 091765

**Sunita Ganjoo**

Company Secretary

Place: New Delhi

Date: 20 May 2016

For and on behalf of the Board of Directors of  
**Honda SIEL Power Products Limited**

**Siddharth Shriram**

Chairman

**D.V. Kapur**

Director

**Ravi V. Gupta**

Director

**Manoj Arora**

Director

**A.M. Bharucha**

Director

**Yoshifumi Iida**

President & CEO

**H. Sugimizu**

Whole time Director

**Vinay Mittal**

Whole time Director & CFO

## Statement of Profit and Loss for the year ended 31 March 2016

|   | Note No. | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|----------|------------------------------|------------------------------|
| <b>Revenue</b>  |          |                              |                              |
| Revenue from operations   | 20       |                              |                              |
| Sale of products (gross)  |          | 69,377.19                    | 64,938.37                    |
| Other operating revenues  |          | 1,237.48                     | 1,029.22                     |
|   |          | <u>70,614.67</u>             | <u>65,967.59</u>             |
| Less: Excise duty   |          | 3,334.12                     | 2,894.82                     |
|   |          | <u>67,280.55</u>             | <u>63,072.77</u>             |
| Other income  | 21       | 1,131.88                     | 709.54                       |
| <b>Total revenue</b>  |          | <u>68,412.43</u>             | <u>63,782.31</u>             |
| <b>Expenses</b>   |          |                              |                              |
| Cost of materials consumed  | 22       | 31,964.08                    | 34,714.38                    |
| Purchases of stock in trade   | 23       | 5,778.98                     | 4,390.32                     |
| Changes in inventories of finished goods, work in progress and stock in trade | 24       | 2,119.99                     | (1,103.02)                   |
| Employee benefits   | 25       | 6,562.36                     | 5,833.71                     |
| Depreciation and amortization   | 26       | 2,382.02                     | 2,131.23                     |
| Finance costs   | 27       | 46.52                        | -                            |
| Other expenses  | 28       | 12,051.11                    | 12,268.53                    |
| <b>Total expenses</b>   |          | <u>60,905.06</u>             | <u>58,235.15</u>             |
| <b>Profit before exceptional items and tax</b>                                |          | 7,507.37                     | 5,547.16                     |
| <b>Exceptional items</b>  | 29       | -                            | (346.51)                     |
| <b>Profit before tax</b>  |          | <u>7,507.37</u>              | <u>5,893.67</u>              |
| Tax expense   |          |                              |                              |
| Current tax   |          | 2,846.05                     | 2,034.97                     |
| Tax related to prior year   |          | -                            | -                            |
| Deferred tax  |          | (221.64)                     | (3.69)                       |
| <b>Profit for the year</b>  |          | <u>4,882.96</u>              | <u>3,862.39</u>              |
| <b>Earnings per equity share (Rs.)</b>  | 40       |                              |                              |
| Basic - Par value of Rs. 10 per share   |          | 48.14                        | 38.08                        |
| Diluted - Par value of Rs. 10 per share                                       |          | 48.14                        | 38.08                        |

### Significant accounting policies

2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**  
Chartered Accountants  
Firm Registration No.:101248W/W-100022

**Vikram Advani**  
Partner  
Membership No. : 091765

**Sunita Ganjoo**  
Company Secretary

Place: New Delhi  
Date: 20 May 2016

For and on behalf of the Board of Directors of  
**Honda Siel Power Products Limited**

|                          |                           |
|--------------------------|---------------------------|
| <b>Siddharth Shriram</b> | Chairman                  |
| <b>D.V. Kapur</b>        | Director                  |
| <b>Ravi V. Gupta</b>     | Director                  |
| <b>Manoj Arora</b>       | Director                  |
| <b>A.M. Bharucha</b>     | Director                  |
| <b>Yoshifumi Iida</b>    | President & CEO           |
| <b>H. Sugimizu</b>       | Whole time Director       |
| <b>Vinay Mittal</b>      | Whole time Director & CFO |

## Cash Flow Statement for the year ended 31 March 2016

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>   |                              |                              |
| Net profit before tax   | 7,507.37                     | 5,893.67                     |
| Adjustments :   |                              |                              |
| Depreciation and amortisation   | 2,382.02                     | 2,131.23                     |
| Additional deprecation on discontinuing models dies   | -                            | 42.74                        |
| Interest income   | (795.22)                     | (491.68)                     |
| Interest expense  | 46.52                        | -                            |
| Net profit on sale of fixed assets  | (82.64)                      | (19.63)                      |
| Unrealised foreign exchange loss  | 90.14                        | 76.22                        |
| Liabilities/Provisions no longer required written back                                      | (150.58)                     | (129.65)                     |
| Provision for discontinuing models inventory  | -                            | (91.91)                      |
| Provision for onerous contracts   | -                            | (297.34)                     |
| Provision for doubtful advances   | 47.51                        | 189.92                       |
| Provision for slow moving inventory   | 83.73                        | 121.82                       |
| Bad Debts written off   | 3.09                         | -                            |
|   | <b>9,131.94</b>              | <b>7,425.39</b>              |
| <b>Operating cash flow before working capital changes</b>                                   |                              |                              |
| Decrease/(Increase) in inventories  | 2,881.19                     | (1,142.80)                   |
| Decrease in trade receivables   | 390.80                       | 101.31                       |
| Decrease/(Increase) in short term loans and advances  | 297.54                       | (1,006.19)                   |
| (Increase) in long term loans and advances  | (383.50)                     | (495.65)                     |
| (Decrease)/Increase in trade payables   | (639.37)                     | 1,515.80                     |
| Increase/(Decrease) in other current liabilities  | 700.04                       | (45.18)                      |
| Increase in short term provisions   | 98.25                        | 181.69                       |
| Increase in other long term provisions  | 83.03                        | 136.76                       |
| Increase in other long-term liabilities   | 3.50                         | 10.95                        |
|   | <b>3,431.48</b>              | <b>(743.31)</b>              |
| <b>Cash generated from operations</b>   | <b>12,563.42</b>             | <b>6,682.08</b>              |
| Income taxes paid   | (2,456.76)                   | (2,391.88)                   |
| <b>Net cash (used)/generated by operating activities</b>                                    | <b>10,106.66</b>             | <b>4,290.20</b>              |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>   |                              |                              |
| Purchase of fixed assets (tangible, intangible fixed assets and capital work-in- progress)  | (1,283.27)                   | (2,709.25)                   |
| Net proceeds from sale of tangible fixed assets (including sale of assets held for sale)    | 152.48                       | 34.04                        |
| Fixed deposits matured during the year  | 6,113.80                     | 4,561.81                     |
| Amount invested in fixed deposits   | (14,203.31)                  | (6,639.55)                   |
| Interest received   | 592.55                       | 402.10                       |
| <b>Net cash generated/(used) by investing activities</b>                                    | <b>(8,627.75)</b>            | <b>(4,350.85)</b>            |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>   |                              |                              |
| Dividend on equity shares paid  | (608.59)                     | (405.10)                     |
| Tax paid on dividends   | (123.90)                     | (68.95)                      |
| Unpaid dividend (pertaining to earlier years) paid in current year                          | -                            | (0.43)                       |
| <b>Net cash used by financing activities</b>  | <b>(732.49)</b>              | <b>(474.48)</b>              |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 | <b>746.42</b>                | <b>(535.13)</b>              |
| <b>Cash and cash equivalents at the beginning of the year</b>                               | <b>1,539.40</b>              | <b>2,076.24</b>              |
| <b>Effect of exchange differences on cash and cash equivalents held in foreign currency</b> | <b>(9.83)</b>                | <b>(1.71)</b>                |
| <b>Cash and cash equivalents at the end of the year</b>                                     | <b>2,275.99</b>              | <b>1,539.40</b>              |
| <b>Notes to cash flow statement</b>   |                              |                              |
| 1. Components of cash and cash equivalents:   |                              |                              |
| Cash on hand  | 8.92                         | 23.79                        |
| Cheques on hand   | 478.69                       | 384.69                       |
| Balances with banks:  |                              |                              |
| - Current accounts  | 1,138.38                     | 755.92                       |
| - Deposit accounts (with original maturity of three months or less)                         | 650.00                       | 375.00                       |
| <b>Cash and cash equivalents</b>  | <b>2,275.99</b>              | <b>1,539.40</b>              |

2. The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration No.:101248W/W-100022

**Vikram Advani**

Partner

Membership No. : 091765

**Sunita Ganjoo**

Company Secretary

Place: New Delhi

Date: 20 May 2016

For and on behalf of the Board of Directors of  
**Honda Siel Power Products Limited**

**Siddharth Shriram**

**D.V. Kapur**

**Ravi V. Gupta**

**Manoj Arora**

**A.M. Bharucha**

**Yoshifumi Iida**

**H. Sugimizu**

**Vinay Mittal**

Chairman

Director

Director

Director

Director

President & CEO

Whole time Director

Whole time Director & CFO

## Notes to the financial statements for the year ended 31 March 2016

### 1. Company overview

Honda SIEL Power Products Ltd. is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is primarily engaged in manufacturing and marketing the portable gensets, water pumps, general purpose engines, lawn mowers, brush cutters and tillers. The Company caters to both domestic and international markets.

The financial statements for the year ended 31 March 2016 have been prepared as per the requirements of Schedule III of the Companies Act, 2013.

### 2. Significant accounting policies

#### i) Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant provisions of the Act and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest lakhs.

#### ii) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### iii) Current-non-current classification

All assets and liabilities are classified into current and non-current.

##### Assets

An asset is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

##### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

##### Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

#### iv) Fixed assets and depreciation

##### Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Tangible fixed assets under construction are disclosed as capital work-in-progress.

Depreciation on tangible fixed assets is provided on the straight-line method based on the estimated useful life of each asset as determined by the management. Depreciation for assets purchased / sold during the period is proportionately charged.

Pursuant to Companies Act, 2013 ('the Act') being effective from 1 April 2014, the Company has aligned the depreciation rates based on the useful lives as specified in Part 'C' of Schedule II to the Act, except for the following assets, which are being depreciated based on the managements estimate of the useful life of tangible fixed assets. Such useful lives are lower than the lives as per Schedule II of the Act:

| Block of Asset                               | Estimated life (Years) # |
|--|--------------------------|
| Plant and equipment (Dies/Jigs and fixtures) | 5 years                  |
| Furniture and fixtures                       | 8 years                  |
| Vehicles                                     | 5 years                  |
| Office equipment                             | 5 years                  |
| Computers (Servers)                          | 3 years                  |

# For these class of assets, based on internal technical evaluation, the management believes useful lives as given above best represent the period over which company expects to use these assets.

Freehold land is not depreciated. Leasehold land is amortised on a straight line basis over the period of lease i.e. 90 years.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

**Notes to the financial statements for the year ended 31 March 2016*****Intangible fixed assets******Acquired intangible assets***

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Intangible assets are amortised in Statement of Profit and Loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortised on straight line basis.

Intangible assets comprise technical knowhow - model fee, technical knowhow - others and computer software.

The amortization rates are as follows:

|                               |                  |
|-------------------------------|------------------|
| Technical knowhow – Model fee | 20.00% per annum |
| Technical knowhow – Others    | 16.67% per annum |
| Computer software             | 33.33% per annum |

Amortisation method and useful lives are reviewed at each reporting date. If the useful life of an asset is estimated to be significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal.

**v) Impairment**

The fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is indication of any impairment. If any indication exists, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

**vi) Inventories**

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and loose tools are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Goods in transit are valued at purchase cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The proportionate amount of additional duty of customs paid on finished goods imported for trading and lying unsold as at the year end has been included in the value of the finished goods stock.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

**vii) Employee benefits*****Short-term employee benefits***

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

***Post employment benefits******Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts.

**(i) Superannuation fund**

Under the superannuation scheme, a defined contribution plan, the Company pays fixed contributions into a separate trust and has no obligation to pay further amounts. The trust has taken up a policy with the Life Insurance Corporation of India. Benefits are paid by Life Insurance Corporation of India to the vesting employees on retirement, death, incapacitation or termination of employment. Contributions paid by the Company to the superannuation trust are charged to the Statement of Profit and Loss.

**Notes to the financial statements for the year ended 31 March 2016****Defined benefit plans****(i) Gratuity**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. The Company makes annual contributions to gratuity fund established as trust which has taken up a group policy with Life Insurance Corporation of India. The Company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation report using the projected unit credit method as at the year end.

**(ii) Provident Fund**

The eligible employees of the Company are entitled to receive benefits under the provident fund set up as an irrevocable trust. Both the employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. The interest rate payable by the trust to the beneficiaries every year is notified by the appropriate authorities. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

The annual contributions paid by the Company to the provident fund are charged off to the Statement of Profit and Loss. In addition the Company provides for the interest shortfall, if any.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss.

**Compensated Absences**

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

**Termination benefits**

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**viii) Revenue recognition**

Revenue from sale of goods in the course of ordinary activities is recognized when property in the goods or all significant risks and rewards of their ownership are transferred to the customer which generally coincides with despatch against orders from customers in accordance with the contract terms and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection.

In view of the nature of services rendered, revenue from services is recognised under the proportionate completion method provided the consideration is reliably determinable and no significant uncertainty exists regarding the collection of the consideration. The amount recognised as revenue is exclusive of sales tax, value added taxes (VAT) and service tax, and is net of returns, trade discounts and quantity discounts.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Export benefits under various schemes notified by the government are recognized on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist.

**ix) Foreign exchange transactions**

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated into Indian rupees at the closing exchange rates on that date. The resultant exchange differences are recognised in the Statement of Profit and Loss.

**x) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. The provisions are measured on an undiscounted basis.

**Warranties and Service Coupon costs**

Warranty and service coupon costs are estimated on the basis of a technical evaluation and past experience. Provision is made for estimated liability in respect of warranty and service coupon costs in the year of sale of goods.

**xi) Contingent liabilities and contingent assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## Notes to the financial statements for the year ended 31 March 2016

### xii) Income Taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in Statement of Profit and Loss except that tax expense related to items recognised directly in reserves is also recognized in those reserves.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

### xiii) Operating leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

### xiv) Onerous Contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

### xv) Cash and cash equivalent

Cash and cash equivalents include cash in hand, demand deposits with banks, other short term highly liquid investments with original maturities of three months or less.

### xvi) Earnings per share

Basic earnings per share are calculated by dividing the net profit / (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti-dilutive.

## 3 Share capital

|   | 31 March 2016      |                       | 31 March 2015      |                       |
|---|--------------------|-----------------------|--------------------|-----------------------|
|   | Number of shares   | Amount<br>(Rs. lakhs) | Number of shares   | Amount<br>(Rs. lakhs) |
| Authorised                                  |                    |                       |                    |                       |
| - Equity shares of Rs.10 each               | 1,50,00,000        | 1,500.00              | 1,50,00,000        | 1,500.00              |
| Issued                                      |                    |                       |                    |                       |
| - Equity shares of Rs.10 each               | 1,01,44,000        | 1,014.40              | 1,01,44,000        | 1,014.40              |
| Subscribed and paid up                      |                    |                       |                    |                       |
| - Equity shares of Rs.10 each fully paid up | 1,01,43,071        | 1,014.31              | 1,01,43,071        | 1,014.31              |
|   | <u>1,01,43,071</u> | <u>1,014.31</u>       | <u>1,01,43,071</u> | <u>1,014.31</u>       |

#### a. Reconciliation of shares outstanding at the beginning and at the end of the year

|   | 31 March 2016      |                       | 31 March 2015      |                       |
|---|--------------------|-----------------------|--------------------|-----------------------|
|   | Number of shares   | Amount<br>(Rs. lakhs) | Number of shares   | Amount<br>(Rs. lakhs) |
| Outstanding at the commencement and end of the year | 1,01,43,071        | 1,014.31              | 1,01,43,071        | 1,014.31              |
|   | <u>1,01,43,071</u> | <u>1,014.31</u>       | <u>1,01,43,071</u> | <u>1,014.31</u>       |

#### b. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the

**Notes to the financial statements for the year ended 31 March 2016**

paid-up equity capital of the company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

During the year ended 31 March 2016, the company has recognised per share dividend for distribution to equity shareholders amounting to Rs. 6.00 (31 March 2015: Rs. 6.00).

On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

**c. Equity shares held by holding/ultimate holding company and/or their subsidiaries/ associates**

|  | 31 March 2016    |                       | 31 March 2015    |                       |
|--|------------------|-----------------------|------------------|-----------------------|
|  | Number of shares | Amount<br>(Rs. lakhs) | Number of shares | Amount<br>(Rs. lakhs) |
| Honda Motor Co. Ltd., Japan, the holding company and also being the ultimate holding company | 67,62,000        | 676.20                | 67,62,000        | 676.20                |

**d. Details of shareholders holding more than 5% shares of a class of shares**

|  | 31 March 2016           |                                | 31 March 2015           |                                |
|--|-------------------------|--------------------------------|-------------------------|--------------------------------|
|  | Number of equity shares | % of total shares in the class | Number of equity shares | % of total shares in the class |
| Honda Motor Co. Ltd., Japan, the holding company and also being the ultimate holding company | 67,62,000               | 66.67%                         | 67,62,000               | 66.67%                         |

**4 Reserves and surplus**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| <b>Capital investment subsidy reserve</b>   |                              |                              |
| At the commencement and at the end of the year  | 25.00                        | 25.00                        |
| <b>Securities premium account</b>   |                              |                              |
| At the commencement and at the end of the year  | 396.46                       | 396.46                       |
| <b>General reserve</b>  |                              |                              |
| At the commencement and at the end of the year  | 12,086.85                    | 12,086.85                    |
| <b>Surplus in the statement of profit and loss</b>                                      |                              |                              |
| At the commencement of the year   | 18,984.27                    | 15,888.46                    |
| Add: Profit for the year  | 4,882.96                     | 3,862.39                     |
| Less: Appropriations  |                              |                              |
| Proposed equity dividend  | 608.59                       | 608.59                       |
| Tax on proposed equity dividend   | 123.90                       | 123.90                       |
| Depreciation adjustment as per schedule II of Companies Act, 2013 (Refer to note 30(a)) | -                            | 34.09                        |
| Total appropriations  | 732.49                       | 766.58                       |
| At the end of the year  | 23,134.74                    | 18,984.27                    |
| <b>Total reserves and surplus</b>   | <b>35,643.05</b>             | <b>31,492.58</b>             |

**5 Deferred tax liabilities (net)**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| <b>Deferred tax liabilities</b>  |                              |                              |
| Excess of depreciation/ amortisation on fixed assets under income-tax law over depreciation/ amortisation provided in accounts | 487.24                       | 661.81                       |
|  | <b>487.24</b>                | <b>661.81</b>                |

**Notes to the financial statements for the year ended 31 March 2016**

|   |  |                                      |                                      |
|---|--|--------------------------------------|--------------------------------------|
| <b>Deferred tax assets</b>  |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| Expenditure covered by section 43B of Income-tax Act, 1961  |  | 227.69                               | 177.54                               |
| Provision for slow moving inventory   |  | 96.83                                | 64.53                                |
| Provision for discontinued models   |  | 31.15                                | 64.54                                |
| Others  |  | 87.43                                | 71.55                                |
|   |  | <u>443.10</u>                        | <u>378.16</u>                        |
| <b>Deferred tax liability (net)</b>   |  | <b>44.14</b>                         | <b>283.65</b>                        |
| Adjustment for deferred tax on depreciation as per schedule II of Companies Act, 2013 (Refer to note 30(a))                             |  | -                                    | (17.87)                              |
| <b>Deferred tax liability (net)</b>   |  | <b>44.14</b>                         | <b>265.78</b>                        |
| <b>6 Other long-term liabilities</b>  |  |                                      |                                      |
|   |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| Security deposits from dealers  |  | 197.17                               | 193.67                               |
|   |  | <u>197.17</u>                        | <u>193.67</u>                        |
| <b>7 Long-term provisions</b>   |  |                                      |                                      |
|   |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| <b>Provision for employee benefits</b>  |  |                                      |                                      |
| Compensated absences  |  | 491.87                               | 408.84                               |
|   |  | <u>491.87</u>                        | <u>408.84</u>                        |
| <b>8 Trade payables</b>   |  |                                      |                                      |
|   |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| a) Total outstanding dues to micro and small enterprises ( Refer to note 34)  |  | 176.01                               | 194.63                               |
| b) Total outstanding dues to parties other than micro and small enterprises   |  | 5,997.10                             | 6,768.37                             |
|   |  | <u>6,173.11</u>                      | <u>6,963.00</u>                      |
| <b>9 Other current liabilities</b>  |  |                                      |                                      |
|   |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| Advance from customers  |  | 711.18                               | 259.01                               |
| Unpaid dividends  |  | 34.06                                | 32.22                                |
| Creditors for purchase of fixed assets  |  | 137.62                               | 125.82                               |
| Advance for sale of land  |  | -                                    | 10.00                                |
| Interest accrued and due on security deposits   |  | 11.71                                | 10.02                                |
| <b>Other payables</b>   |  |                                      |                                      |
| Payable to employees  |  | 697.99                               | 495.75                               |
| Statutory liabilities   |  | 718.21                               | 617.75                               |
|   |  | <u>2,310.77</u>                      | <u>1,550.57</u>                      |
| <b>10 Short-term provisions</b>   |  |                                      |                                      |
|   |  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
| <b>Provision for employee benefits</b>  |  |                                      |                                      |
| Compensated absences  |  | 40.76                                | 15.74                                |
| Gratuity (Refer to note 37)   |  | 124.86                               | 115.13                               |
|   |  | <u>165.62</u>                        | <u>130.87</u>                        |
| <b>Other provisions</b>   |  |                                      |                                      |
| Proposed equity dividend  |  | 608.59                               | 608.59                               |
| Tax on proposed equity dividend   |  | 123.90                               | 123.90                               |
| Provision for warranties (Refer to note 39)   |  | 63.43                                | 53.57                                |
| Provision for service coupons (Refer to note 38)  |  | 151.23                               | 97.59                                |
| Income tax [net of advance income tax and taxes deducted at source amounting to Rs. 4,619.55 lakhs (31 March 2015: Rs. 4,256.62 lakhs)] |  | 636.79                               | 188.64                               |
|   |  | <u>1,583.94</u>                      | <u>1,072.29</u>                      |
|   |  | <u>1,749.56</u>                      | <u>1,203.16</u>                      |

**Notes to the financial statements for the year ended 31 March 2016**
**11 Tangible fixed assets**

(Rs. lakhs)

| Description            | Gross Block           |           |                          | Depreciation           |                 |                          | Net Block              |                        |
|------------------------|-----------------------|-----------|--------------------------|------------------------|-----------------|--------------------------|------------------------|------------------------|
|                        | As at<br>1 April 2015 | Additions | Disposals/<br>Adjustment | As at<br>31 March 2016 | For the<br>year | Disposals/<br>Adjustment | As at<br>31 March 2016 | As at<br>31 March 2015 |
| <b>Own assets:</b>     |                       |           |                          |                        |                 |                          |                        |                        |
| Freehold land          | 117.39                | -         | -                        | 117.39                 | -               | -                        | -                      | 117.39                 |
| Buildings              | 4,291.15              | 69.59     | 15.96                    | 4,344.78               | 144.52          | 4.39                     | 901.32                 | 3,443.46               |
| Plant and equipments   | 17,780.28             | 909.80    | 84.25                    | 18,605.83              | 1,760.69        | 83.11                    | 12,156.99              | 6,448.84               |
| Furniture and fixtures | 232.23                | 8.75      | 4.38                     | 236.60                 | 23.70           | 4.34                     | 149.63                 | 86.97                  |
| Vehicles               | 735.98                | 224.37    | 169.19                   | 791.16                 | 142.34          | 162.21                   | 405.79                 | 385.37                 |
| Office equipments      | 288.07                | 14.82     | 7.85                     | 295.04                 | 23.35           | 7.42                     | 248.63                 | 46.41                  |
| Computers              | 377.63                | 47.24     | 0.89                     | 423.98                 | 30.39           | 0.56                     | 377.98                 | 46.00                  |
|                        | 23,822.73             | 1,274.57  | 282.52                   | 24,814.78              | 2,124.99        | 262.03                   | 14,240.34              | 10,574.44              |
| Leasehold land         | 377.35                | -         | 26.15                    | 351.20                 | 4.07            | 4.79                     | 70.70                  | 280.50                 |
|                        | 377.35                | -         | 26.15                    | 351.20                 | 4.07            | 4.79                     | 70.70                  | 280.50                 |
| <b>Total</b>           | 24,200.08             | 1,274.57  | 308.67                   | 25,165.98              | 2,129.06        | 266.82                   | 14,311.04              | 10,854.94              |

(Rs. lakhs)

| Description            | Gross Block           |           |                          | Depreciation           |                 |                          | Net Block              |                        |
|------------------------|-----------------------|-----------|--------------------------|------------------------|-----------------|--------------------------|------------------------|------------------------|
|                        | As at<br>1 April 2014 | Additions | Disposals/<br>Adjustment | As at<br>31 March 2015 | For the<br>year | Disposals/<br>Adjustment | As at<br>31 March 2015 | As at<br>31 March 2015 |
| <b>Own assets:</b>     |                       |           |                          |                        |                 |                          |                        |                        |
| Freehold land          | 117.39                | -         | -                        | 117.39                 | -               | -                        | -                      | 117.39                 |
| Buildings              | 3,898.02              | 393.13    | -                        | 4,291.15               | 122.37          | -                        | 761.19                 | 3,529.96               |
| Plant and equipments   | 15,697.34             | 2,229.01  | 146.07                   | 17,780.28              | 1,599.35        | 144.77                   | 10,479.41              | 7,300.87               |
| Furniture and fixtures | 221.92                | 15.26     | 4.95                     | 232.23                 | 22.48           | 4.53                     | 130.27                 | 101.96                 |
| Vehicles               | 698.76                | 150.64    | 113.42                   | 735.98                 | 133.87          | 106.47                   | 425.66                 | 310.32                 |
| Office equipments      | 269.45                | 27.16     | 8.54                     | 288.07                 | 25.70           | 8.36                     | 232.70                 | 55.37                  |
| Computers              | 366.08                | 12.88     | 1.33                     | 377.63                 | 35.90           | 1.33                     | 348.15                 | 29.48                  |
|                        | 21,268.96             | 2,828.08  | 274.31                   | 23,822.73              | 1,939.67        | 265.46                   | 12,377.38              | 11,445.35              |
| Leasehold land         | 377.35                | -         | -                        | 377.35                 | 4.16            | -                        | 71.42                  | 305.93                 |
|                        | 377.35                | -         | -                        | 377.35                 | 4.16            | -                        | 71.42                  | 305.93                 |
| <b>Total</b>           | 21,646.31             | 2,828.08  | 274.31                   | 24,200.08              | 1,943.83        | 265.46                   | 12,448.80              | 11,751.28              |

**Capital work-in-progress**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Opening balance at the beginning of the year  | 43.03                        | 137.94                       |
| Additions                                     | 854.71                       | 2,557.87                     |
| Assets capitalised during the year            | 863.49                       | 2,652.78                     |
| <b>Closing balance at the end of the year</b> | <b>34.25</b>                 | <b>43.03</b>                 |

**Notes to the financial statements for the year ended 31 March 2016**
**12 Intangible fixed assets**

(Rs. lakhs)

| Description                    | Gross Block           |           |           | Amortisation           |              |           | Net Block              |                        |
|--------------------------------|-----------------------|-----------|-----------|------------------------|--------------|-----------|------------------------|------------------------|
|                                | As at<br>1 April 2015 | Additions | Disposals | As at<br>31 March 2016 | For the year | Disposals | As at<br>31 March 2016 | As at<br>31 March 2016 |
| Technical knowhow - Others     | 65.18                 | -         | -         | 65.18                  | -            | -         | 65.18                  | -                      |
| Technical knowhow - Model fees | 931.22                | 73.50     | -         | 1,004.72               | 132.40       | -         | 751.79                 | 252.93                 |
| Software                       | 645.84                | 23.49     | -         | 669.33                 | 120.56       | -         | 531.02                 | 138.31                 |
| <b>Total</b>                   | 1,642.24              | 96.99     | -         | 1,739.23               | 252.96       | -         | 1,347.99               | 391.24                 |

| Description                    | Gross Block           |           |           | Amortisation           |              |           | Net Block              |                        |
|--------------------------------|-----------------------|-----------|-----------|------------------------|--------------|-----------|------------------------|------------------------|
|                                | As at<br>1 April 2014 | Additions | Disposals | As at<br>31 March 2015 | For the year | Disposals | As at<br>31 March 2015 | As at<br>31 March 2015 |
| Technical knowhow - Others     | 65.18                 | -         | -         | 65.18                  | -            | -         | 65.18                  | -                      |
| Technical knowhow - Model fees | 857.72                | 73.50     | -         | 931.22                 | 126.84       | -         | 619.39                 | 311.83                 |
| Software                       | 392.22                | 253.62    | -         | 645.84                 | 103.30       | -         | 410.46                 | 235.38                 |
| <b>Total</b>                   | 1,315.12              | 327.12    | -         | 1,642.24               | 230.14       | -         | 1,095.03               | 547.21                 |

**Intangible fixed assets under development**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Opening balance at the beginning of the year  | 6.70                         | 6.70                         |
| Additions                                     | 8.24                         | -                            |
| Assets capitalised during the year            | -                            | -                            |
| <b>Closing balance at the end of the year</b> | <b>14.94</b>                 | <b>6.70</b>                  |

**Notes to the financial statements for the year ended 31 March 2016**
**13 Long-term loans and advances**
*(Unsecured and considered good, unless otherwise stated)*

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| <b>Recoverable from parties other than related parties :</b>  |                              |                              |
| Capital advances  | 327.16                       | 403.11                       |
| Security deposits   | 138.50                       | 155.04                       |
| Advance income tax and taxes deducted at source [net of provision for income tax Rs. 15,445.12 lakhs (31 March 2015: Rs. 13,410.15 lakhs)]* | 2,643.90                     | 2,585.05                     |
| <b>Other loans and advances</b>   |                              |                              |
| - Prepaid expenses  | 144.93                       | 138.22                       |
| - Service tax credit receivable   | 939.63                       | 806.43                       |
| - VAT receivable  | 509.39                       | 262.98                       |
|   | 4,703.51                     | 4,350.83                     |
| <b>Less: Current portion of long term loans and advances**</b>  |                              |                              |
| Security deposits   | 27.96                        | 44.05                        |
| Prepaid expenses  | 10.14                        | 7.77                         |
|   | 38.10                        | 51.82                        |
|   | 4,665.41                     | 4,299.01                     |

\* Includes paid under Protest Rs. 483.12 lakhs (previous year Rs. 1,459.95 lakhs)

\*\* Disclosed in short-term loans and advances

**14 Other non-current assets**
*(Unsecured and considered good, unless otherwise stated)*

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Bank deposit (Due to mature after 12 months from reporting date) (Refer note 17) | 1.00                         | 330.81                       |
|  | 1.00                         | 330.81                       |

**15 Inventories**
*(Valued at the lower of cost and net realisable value)*

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Raw materials [includes in transit: Rs. 2,076.25 lakhs (31 March 2015: Rs. 2,772.68 lakhs)] | 4,356.97                     | 4,998.97                     |
| Work in progress  | 335.85                       | 276.66                       |
| Finished goods  | 3,234.28                     | 5,558.17                     |
| Stock in trade [includes in transit: Rs. 320.96 lakhs (31 March 2015: Rs. 284.91 lakhs)]    | 1,177.68                     | 1,263.10                     |
| Stores and spares   | 127.66                       | 152.11                       |
|   | 9,232.44                     | 12,249.01                    |
| Less : Provision for slow moving inventory  | 278.85                       | 234.96                       |
| Less: Provision for inventory related to discontinued models (Refer to note 30(c ))         | 90.96                        | 186.50                       |
|   | 8,862.63                     | 11,827.55                    |

**16 Trade receivables**
*(Unsecured and considered good, unless otherwise stated)*

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Receivables outstanding for a period exceeding six months from the date they became due for payment | 6.85                         | 16.14                        |
| Other receivables   |                              |                              |
| Unsecured and considered good # *   | 3,357.35                     | 3,822.18                     |
|   | 3,364.20                     | 3,838.32                     |

# includes debts amounting to Rs. 443.51 lakhs (31 March 2015: Rs. 424.58 lakhs) considered good in respect of which the company holds guarantees from the bank.

\* includes amount due from Honda Motor India Private Limited Rs. 48.89 lakhs (31 March 2015: Rs. 118.35 lakhs), from Usha International Limited Rs 24.21 lakhs (31 March 2015: Rs 203.45 lakhs) and from Honda Cars India Limited Rs 4.58 lakhs (31 March 2015: Rs NIL lakhs), being companies having common directors.

**Notes to the financial statements for the year ended 31 March 2016**
**17 Cash and bank balances**
**Cash and cash equivalents:**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Cash on hand   | 8.92                         | 23.79                        |
| Cheques on hand  | 478.69                       | 384.69                       |
| Balances with banks  |                              |                              |
| - on current accounts  | 1,138.38                     | 755.92                       |
| - on deposit accounts (with original maturity of three months or less) | 650.00                       | 375.00                       |
|  | <b>2,275.99</b>              | <b>1,539.40</b>              |

**Other bank balances**

|  |                  |                 |
|--|------------------|-----------------|
|  | <b>13,268.93</b> | <b>4,847.77</b> |
|  | <b>15,544.92</b> | <b>6,387.17</b> |

**Details of bank balances/deposits**

|  |                  |                 |
|--|------------------|-----------------|
| Unpaid dividend account included under 'Other bank balances'   | 34.06            | 32.22           |
| Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents' | 650.00           | 375.00          |
| Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'                          | 13,234.87        | 4,815.55        |
| Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer to note 14)   | 1.00             | 330.81          |
|  | <b>13,919.93</b> | <b>5,553.58</b> |

**18 Short-term loans and advances**
*(Unsecured and considered good, unless otherwise stated)*
**Recoverable from related parties:**

|  |       |       |
|--|-------|-------|
| Honda Motor Co. Ltd., Japan              | 29.08 | 16.56 |
| Asian Honda Motor Co., Limited, Thailand | 0.06  | 0.01  |
| Honda R & D Co. Limited, Japan           | 5.16  | 11.83 |
| Honda R & D (India) Private Limited      | 1.51  | 1.47  |

**Recoverable from parties other than related parties :**

|  |                 |                 |
|--|-----------------|-----------------|
| Unsecured and considered good                                      |                 |                 |
| - Service tax credit receivable                                    | 558.96          | 309.30          |
| - CENVAT credit receivable   | 1,262.80        | 1,899.33        |
| - Value Added Tax receivable                                       | 197.21          | 317.84          |
| - Special additional duty recoverable                              |                 |                 |
| Considered good  | 206.76          | 159.98          |
| Considered doubtful  | 185.34          | 164.83          |
| Less : Provision for doubtful advances                             | 185.34          | 164.83          |
|  | <b>206.76</b>   | <b>159.98</b>   |
| - Advances for supply of goods                                     | 85.71           | 82.34           |
| Current portion of long term loans and advances (Refer to note 13) | 38.10           | 51.82           |
| - Prepaid expenses   | 93.66           | 89.66           |
| - Security deposits  |                 |                 |
| Considered good  | 7.46            | 0.24            |
| Considered doubtful  | 9.57            | 11.15           |
| Less : Provision for doubtful advances                             | 9.57            | 11.15           |
|  | <b>7.46</b>     | <b>0.24</b>     |
| - Export benefits recoverable                                      |                 |                 |
| Considered good  | 305.08          | 192.13          |
| Considered doubtful  | 26.94           | -               |
| Less : Provision for doubtful advances                             | 26.94           | -               |
|  | <b>305.08</b>   | <b>192.13</b>   |
| - Recoverable from Government authorities*                         | 731.64          | 747.96          |
| - Others   |                 |                 |
| Considered good**  | 20.06           | 7.84            |
| Considered doubtful  | 30.77           | 30.77           |
| Less : Provision for doubtful advances                             | 30.77           | 30.77           |
|  | <b>20.06</b>    | <b>7.84</b>     |
|  | <b>3,543.25</b> | <b>3,888.31</b> |

\* Includes paid under protest Rs. 125.35 lakhs (previous year Rs. 51.30 lakhs)

\*\* Includes loans and advances due by directors or other officers Rs. 4.10 lakhs (previous year Rs. Nil)

**Notes to the financial statements for the year ended 31 March 2016**
**19 Other current assets**
*(Unsecured and considered good, unless otherwise stated)*

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Interest accrued on bank deposits          | 347.20                       | 144.53                       |
| Fixed assets reclassified as held for sale | -                            | 27.99                        |
|  | <u>347.20</u>                | <u>172.52</u>                |

**20 Revenue from operations**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| <b>Sale of products</b>                 |                              |                              |
| Finished goods                          | 61,790.47                    | 59,396.74                    |
| Stock in trade                          | 7,586.72                     | 5,541.63                     |
|   | <u>69,377.19</u>             | <u>64,938.37</u>             |
| Less : Excise duty                      | 3,241.55                     | 2,828.86                     |
|   | <u>66,135.64</u>             | <u>62,109.51</u>             |
| <b>Other operating revenues</b>         |                              |                              |
| Spares and components                   | 600.95                       | 564.95                       |
| Scrap sales                             | 142.46                       | 221.58                       |
| Support service and infrastructure fees | 143.78                       | 122.20                       |
| Others                                  | 350.29                       | 120.49                       |
|   | <u>1,237.48</u>              | <u>1,029.22</u>              |
| Less : Excise duty                      | 92.57                        | 65.96                        |
|   | <u>1,144.91</u>              | <u>963.26</u>                |
|   | <u>67,280.55</u>             | <u>63,072.77</u>             |

**Break-up of revenue from sale of products**

|                       | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|-----------------------|------------------------------|------------------------------|
| <b>Finished goods</b> |                              |                              |
| Gensets               | 44,200.00                    | 41,660.62                    |
| Engines               | 6,930.51                     | 7,165.05                     |
| Water pumps           | 10,659.96                    | 10,571.07                    |
|                       | <u>61,790.47</u>             | <u>59,396.74</u>             |
| <b>Stock in trade</b> |                              |                              |
| Brush cutters         | 3,377.63                     | 2,841.95                     |
| Engines               | 2,762.19                     | 1,478.30                     |
| Water pumps           | 17.99                        | 142.21                       |
| Tillers               | 843.97                       | 600.73                       |
| Lawn mowers           | 520.54                       | 403.76                       |
| Others                | 64.40                        | 74.68                        |
|                       | <u>7,586.72</u>              | <u>5,541.63</u>              |

**21 Other income**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Interest income on bank deposits                       | 795.22                       | 491.68                       |
| Net gain on sale of fixed assets                       | 82.64                        | 19.63                        |
| Net gain on account of foreign exchange fluctuation    | 74.17                        | 39.25                        |
| Liabilities/Provisions no longer required written back | 150.58                       | 129.65                       |
| Other non-operating income                             | 29.27                        | 29.33                        |
|  | <u>1,131.88</u>              | <u>709.54</u>                |

**22 Cost of materials consumed (Refer to note 43)**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Inventory of materials at the beginning of the year | 4,998.97                     | 5,142.74                     |
| Purchases   | 31,322.08                    | 34,570.61                    |
| Inventory of materials at the end of the year       | 4,356.97                     | 4,998.97                     |
|   | <u>31,964.08</u>             | <u>34,714.38</u>             |

**Notes to the financial statements for the year ended 31 March 2016**
**Break-up of cost of materials consumed**

|                       | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|-----------------------|------------------------------|------------------------------|
| Steel sheets          | 459.42                       | 581.99                       |
| CRNGO sheets          | 311.96                       | 315.57                       |
| Aluminum alloy ingots | 1,074.85                     | 853.90                       |
| Copper wire           | 405.28                       | 605.74                       |
| Others                | 29,712.57                    | 32,357.18                    |
|                       | <b>31,964.08</b>             | <b>34,714.38</b>             |

**23 Purchases of stock in trade**

|               | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---------------|------------------------------|------------------------------|
| Brush cutters | 2,337.93                     | 1,993.18                     |
| Engines       | 2,205.41                     | 1,052.57                     |
| Water Pumps   | -                            | 121.50                       |
| Tillers       | 700.10                       | 572.95                       |
| Lawn mowers   | 442.01                       | 424.63                       |
| Others        | 93.53                        | 225.49                       |
|               | <b>5,778.98</b>              | <b>4,390.32</b>              |

**24 Changes in inventories of finished goods, work in progress and stock in trade**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Inventories at the end of the year:       |                              |                              |
| Finished goods                            | 3,234.28                     | 5,558.17                     |
| Stock in trade                            | 1,177.68                     | 1,263.10                     |
| Work in progress                          | 335.85                       | 276.66                       |
|   | <b>4,747.81</b>              | <b>7,097.93</b>              |
| Inventories at the beginning of the year: |                              |                              |
| Finished goods                            | 5,558.17                     | 4,449.28                     |
| Stock in trade                            | 1,263.10                     | 1,091.47                     |
| Work in progress                          | 276.66                       | 330.33                       |
|   | <b>7,097.93</b>              | <b>5,871.08</b>              |
| (Increase) /decrease in excise duty       | 230.13                       | (123.83)                     |
| (Increase)/decrease in inventories        | <b>2,119.99</b>              | <b>(1,103.02)</b>            |

**Details of inventory**

|                       | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|-----------------------|------------------------------|------------------------------|
| i) Finished goods     |                              |                              |
| Gensets               | 1,669.48                     | 4,301.28                     |
| Engines               | 433.41                       | 496.55                       |
| Water pumps           | 1,131.39                     | 760.34                       |
|                       | <b>3,234.28</b>              | <b>5,558.17</b>              |
| ii) Stock in trade    |                              |                              |
| Brush cutters         | 399.32                       | 409.98                       |
| Engines               | 234.19                       | 281.53                       |
| Lawn mowers           | 157.90                       | 195.79                       |
| Tillers               | 194.97                       | 141.08                       |
| Others                | 191.30                       | 234.72                       |
|                       | <b>1,177.68</b>              | <b>1,263.10</b>              |
| iii) Work in progress |                              |                              |
| Gensets               | 157.85                       | 118.57                       |
| Engines               | 90.68                        | 143.72                       |
| Water pumps           | 87.32                        | 14.37                        |
|                       | <b>335.85</b>                | <b>276.66</b>                |

**Notes to the financial statements for the year ended 31 March 2016**
**25 Employee benefits**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Salaries, wages and bonus                                    | 5,496.28                     | 4,774.86                     |
| Contribution to provident and other funds (Refer to note 37) | 432.84                       | 461.14                       |
| Compensated absences   | 181.30                       | 190.22                       |
| Staff welfare expenses                                       | 451.94                       | 407.49                       |
|  | <u>6,562.36</u>              | <u>5,833.71</u>              |

**26 Depreciation and amortization**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Depreciation of tangible assets (Refer note 11)   | 2,129.06                     | 1,943.83                     |
| Amortization of intangible assets (Refer note 12)   | 252.96                       | 230.14                       |
|   | <u>2,382.02</u>              | <u>2,173.97</u>              |
| Less : Additional depreciation on discontinued models dies reclassified to exceptional item (Refer to note 30(d)) | -                            | 42.74                        |
|   | <u>2,382.02</u>              | <u>2,131.23</u>              |

**27 Finance costs**

|                  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|------------------|------------------------------|------------------------------|
| Interest expense | 46.52                        | -                            |
|                  | <u>46.52</u>                 | <u>-</u>                     |

**28 Other expenses**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Consumption of stores and spare parts (Refer to note 44)                    | 277.36                       | 300.82                       |
| Power and fuel  | 625.52                       | 775.86                       |
| Rent (Refer to note 36)   | 311.13                       | 318.21                       |
| Repairs   |                              |                              |
| - Building  | 42.10                        | 24.39                        |
| - Machinery   | 134.20                       | 113.23                       |
| - Others  | 88.56                        | 190.66                       |
| Insurance   | 86.03                        | 71.76                        |
| Rates and taxes   | 423.84                       | 258.25                       |
| Royalty   | 2,453.87                     | 2,339.94                     |
| Technical guidance fees   | 595.43                       | 996.72                       |
| Freight, clearing and forwarding  | 1,752.19                     | 1,707.64                     |
| Commission on sales   | 2,102.49                     | 2,050.70                     |
| Advertisement and sales promotion   | 608.35                       | 569.22                       |
| Service expenses  | 197.39                       | 193.48                       |
| Travelling expenses   | 570.28                       | 518.88                       |
| Legal and professional fees (Refer to note 33)                              | 501.23                       | 329.49                       |
| Vehicle running expenses  | 178.08                       | 190.83                       |
| Bad debts written off   | 3.09                         | -                            |
| Provision for slow moving inventory   | 83.73                        | 121.82                       |
| Inventory written off   | 135.38                       | 71.60                        |
| Less: written off against provision   | 135.38                       | 71.60                        |
| Provision for doubtful advances   | 47.51                        | 189.92                       |
| Advances written off  | 1.65                         | -                            |
| Less: written off against provision   | 1.65                         | -                            |
| Warranty  | 113.54                       | 216.61                       |
| Security expenses   | 91.30                        | 114.86                       |
| Bank charges  | 43.11                        | 55.20                        |
| Contribution towards Corporate Social Responsibility (Refer to note 30 (b)) | 89.09                        | 83.00                        |
| Miscellaneous   | 631.69                       | 537.04                       |
|   | <u>12,051.11</u>             | <u>12,268.53</u>             |

**Notes to the financial statements for the year ended 31 March 2016**
**29 Exceptional items**

|   | <b>31 March 2016</b><br><b>(Rs. lakhs)</b> | <b>31 March 2015</b><br><b>(Rs. lakhs)</b> |
|---|--|--|
| Provision for discontinued models inventory (Refer to note 30(c))         | -  | (91.91)                                    |
| Provision for onerous contracts (Refer to note 30 (c))                    | -  | (297.34)                                   |
| Additional depreciation on discontinued models dies (Refer to note 30(d)) | -  | 42.74                                      |
|   | <u>-</u>                                   | <u>(346.51)</u>                            |

- 30 a.** The Company has re-evaluated useful life of assets as per Schedule II of the Companies Act, 2013 in the previous year 2014-15. The revised useful lives along with useful lives as per earlier estimates are as below:

| <b>Category of assets</b>  | <b>Earlier life</b><br><b>(Years)</b> | <b>Revised life</b><br><b>(Years)</b> |
|--|---------------------------------------|---------------------------------------|
| <b>Plant and equipments (including electrical installations)</b> | <b>21</b>                             | <b>10-15</b>                          |

As a result of management re-assessment of useful life of assets, aligning with Schedule II of the Companies Act, 2013, the Company had recorded an additional depreciation of Rs 199.94 lakhs in the Statement of Profit and Loss in the previous year 2014-15. Further, based on a transitional provision of schedule II of the Companies Act, 2013, an amount of Rs. 34.09 lakhs (net of deferred tax of Rs. 17.87 lakhs) had been adjusted to Reserves and Surplus in the previous year 2014-15.

- b.** As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (CSR) committee has been formed by the Company. The Company has contributed Rs. 89.09 lakhs towards Prime Minister National Relief Fund, as specified in Schedule VII of the Companies Act, 2013.

| <b>Particulars</b> | <b>31 March 2016</b><br><b>(Rs. lakhs)</b> |
|--------------------|--|
|--------------------|--|

(a) Gross amount required to be spent by the Company during the year **89.09**

| <b>(b) Amount spent during the year on</b> | <b>In cash</b> | <b>Yet to be paid in cash</b> | <b>Total</b> |
|--|----------------|-------------------------------|--------------|
| (i) Construction/acquisition of any asset  | -              | -                             | -            |
| (ii) On purposes other than (i) above      | 89.09          | -                             | <b>89.09</b> |

- c.** The Ministry of Environment has revised rules vide notification dated 7 August 2013 for Emission Standards in respect of production and sale of generator sets (both petrol and kerosene based models) effective 31 May 2014 and 7 August 2014 respectively. Pursuant to the new rules, the Company had recognised provision of Rs. 647.35 lakhs in the previous year ended 31 March 2014 (Rs 350.01 lakhs for non useable raw material and Rs 297.34 lakhs for onerous commitment). Out of this inventory provision of Rs. 90.96 lakhs is outstanding as at 31 March 2016. Provision for onerous commitment of Rs 297.34 lakhs and discontinued inventory of Rs. 91.91 lakhs had been written back in the previous year ended 31 March 2015.

- d.** Pursuant to change in Emission Standards, the Company had reassessed the useful life of dies used for the production of discontinued models and charged additional accelerated depreciation of Rs 42.74 lakhs in the previous year ended 31 March 2015.

**31 Contingent liabilities**

|  | <b>31 March 2016</b><br><b>(Rs. lakhs)</b> | <b>31 March 2015</b><br><b>(Rs. lakhs)</b> |
|--|--|--|
| Claims against the Company not acknowledged as debt:           |  |  |
| Income tax matters   | <b>4,191.47</b>                            | 5,977.01                                   |
| Excise and Customs matters                                     | <b>3,757.77</b>                            | 4,456.94                                   |
| Service tax matters  | <b>667.91</b>                              | 749.96                                     |
| Sales tax matters  | <b>265.61</b>                              | 240.25                                     |
| Dispute on transfer of Lease Right of Factory land at Rudrapur | <b>721.97</b>                              | -  |
| Other matters  | <b>18.52</b>                               | 15.14                                      |

**32 Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to Rs. 586.46 lakhs (31 March 2015: Rs. 370.51 lakhs).

**33 Payment to auditors (included under legal and professional fees) #**

|  | <b>31 March 2016</b><br><b>(Rs. lakhs)</b> | <b>31 March 2015</b><br><b>(Rs. lakhs)</b> |
|--|--|--|
| As auditor:                            |  |  |
| - Statutory audit                      | <b>28.00</b>                               | 22.84                                      |
| - Tax audit                            | <b>3.00</b>                                | 4.00                                       |
| - Limited reviews of quarterly results | <b>9.00</b>                                | 9.00                                       |
| Reimbursement of expenses              | <b>3.26</b>                                | 4.57                                       |
|  | <u><b>43.26</b></u>                        | <u>40.41</u>                               |

# excluding service tax

**Notes to the financial statements for the year ended 31 March 2016**
**34 Disclosure as required under the Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company**
**Particulars**

|  | <b>31 March 2016<br/>(Rs. lakhs)</b> | <b>31 March 2015<br/>(Rs. lakhs)</b> |
|--|--------------------------------------|--------------------------------------|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year  |                                      |                                      |
| - Principal  | <b>176.01</b>                        | 194.63                               |
| - Interest   | -                                    | -                                    |
| The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)   | -                                    | -                                    |
| The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year   | -                                    | -                                    |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006   | -                                    | -                                    |
| The amount of interest accrued and remaining unpaid at the end of each accounting year   | -                                    | -                                    |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006 | -                                    | -                                    |

**35 Disclosures as per Accounting Standard (AS)-18 "Related Party Disclosures"**
**A. Name of related parties with whom transactions have taken place during the year**
**Ultimate holding company and holding company:**

Honda Motor Co., Limited, Japan

**Fellow Subsidiaries:**

Honda Philippines Inc., Philippines

Honda Del Peru S.A., Peru

Honda de Mexico, S.A. de C.V., Mexico

Honda Australia M. &amp; P.E. Pty. Limited, Australia

Asian Honda Motor Co., Limited, Thailand

Honda Trading Corporation, Japan

Honda Manufacturing (Nigeria) Ltd., Nigeria

Honda Trading Asia Co. Limited, Thailand

PT. Honda Power Products Indonesia, Indonesia

Honda Motorcycle and Scooter India Private Limited, India

Honda Motor India Private Limited, India

Moto Honda da Amazonia Ltda., Brazil

Honda Trading (South China) Co. Limited, Hong Kong

Honda R &amp; D Co. Limited, Japan

Honda R &amp; D (India) Private Limited, India

Honda Motor de Argentina S.A., Argentina

Shanghai Honda Trading Co. Limited, China

Honda Atlas Power Products Pvt. Ltd., Pakistan

PT. Honda Trading Indonesia, Indonesia

Honda Trading Brasil Ltda., Brasil

Honda Canada Inc., Canada

American Honda Motor Co. Inc., USA

Honda Trading De Argentina S.A., Argentina

Honda Trading Corporation India Private Limited, India

Honda Mindong Generator Co. Ltd., China

Honda Kaihatsu Co. Ltd., Japan

Honda Trading Europe Ltd., Belgium

Honda Motor Europe Limited, U.K.

Honda Cars India Limited, India

Honda Selva Del Peru S.A., Peru

Honda Trading Philippines Ecozone Corporation, Philippines

Honda Trading America Corp., America

Honda Motor Southern Africa (Pty.) Limited, South Africa

Honda Motor De Chile S.A., Chile

**Notes to the financial statements for the year ended 31 March 2016**
**B. Name of key management personnel:**

|                        |   |
|------------------------|---|
| Mr. T. Hamasaki        | President and CEO (Up to 30 March 2015)           |
| Mr. Yoshifumi Iida     | President and CEO (With effect from 1 April 2015) |
| Mr. Hiroyoshi Sugimizu | Vice President and Whole time director            |
| Mr. Vinay Mittal       | Vice President, Whole time director and CFO       |

**C. Related party transactions for the year ended 31 March 2016**

(Rs. lakhs)

| Particulars  | Ultimate Holding and Holding Company | Fellow Subsidiaries | Key Management Personnel | Total     |
|--|--------------------------------------|---------------------|--------------------------|-----------|
| Sale of finished goods, components, spares and samples                               | 1,168.26                             | 21,204.08           | -                        | 22,372.34 |
| Purchase of goods (components, raw material, consumables, finished goods and spares) | 4,306.56                             | 6,901.10            | -                        | 11,207.66 |
| Purchase of capital goods  | 2.93                                 | 87.90               | -                        | 90.83     |
| Reimbursement of expenses received   | 101.02                               | 39.47               | -                        | 140.49    |
| Reimbursement of expenses paid   | 17.93                                | 164.61              | -                        | 182.54    |
| Fee for infrastructure support services received                                     | -                                    | 15.88               | -                        | 15.88     |
| Payment of technical guidance fee (Including amount capitalised)                     | 595.43                               | -                   | -                        | 595.43    |
| Payment of export commission (included under commission on sales)                    | 2,060.99                             | -                   | -                        | 2,060.99  |
| Payment of royalty   | 2,453.87                             | -                   | -                        | 2,453.87  |
| Payment of model fee (Intangible assets)   | 70.00                                | -                   | -                        | 70.00     |
| Payment of dividend  | 405.72                               | -                   | -                        | 405.72    |
| Receipt of support services and technical assistance fees                            | -                                    | 143.78              | -                        | 143.78    |
| Managerial remuneration  | -                                    | -                   | 377.12                   | 377.12    |

**D. Related party balance as at 31 March 2016**

(Rs. lakhs)

| Particulars                   | Ultimate Holding and Holding Company | Fellow Subsidiaries | Key Management Personnel | Total    |
|-------------------------------|--------------------------------------|---------------------|--------------------------|----------|
| Payables                      | 1,984.72                             | 428.51              | -                        | 2,413.23 |
| Receivables                   | 136.46                               | 1,288.57            | -                        | 1,425.03 |
| Other current liabilities     | -                                    | 19.46               | 4.36                     | 23.82    |
| Short-term loans and advances | 29.08                                | 6.73                | 4.10                     | 39.91    |

**Notes to the financial statements for the year ended 31 March 2016**
**E. Related party transactions for the year ended 31 March 2015**

(Rs. lakhs)

| Particulars  | Ultimate Holding and Holding Company | Fellow Subsidiaries | Key Management Personnel | Total     |
|--|--------------------------------------|---------------------|--------------------------|-----------|
| Sale of finished goods, components, spares and samples                               | 666.15                               | 20,901.56           | -                        | 21,567.71 |
| Purchase of goods (components, raw material, consumables, finished goods and spares) | 5,237.54                             | 6,559.65            | -                        | 11,797.19 |
| Purchase of capital goods  | 111.44                               | 347.46              | -                        | 458.90    |
| Reimbursement of expenses received   | 119.92                               | 13.96               | -                        | 133.88    |
| Reimbursement of expenses paid   | 16.71                                | 191.62              | -                        | 208.33    |
| Fee for infrastructure support services received                                     | -                                    | 17.08               | -                        | 17.08     |
| Payment of technical guidance fee (Including amount capitalised)                     | 1,017.01                             | -                   | -                        | 1,017.01  |
| Payment of export commission (included under commission on sales)                    | 2,023.69                             | -                   | -                        | 2,023.69  |
| Payment of royalty   | 2,339.94                             | -                   | -                        | 2,339.94  |
| Payment of model fee (Intangible assets)   | 70.00                                | -                   | -                        | 70.00     |
| Payment of dividend  | 270.48                               | -                   | -                        | 270.48    |
| Receipt of support services and technical assistance fees                            | -                                    | 122.20              | -                        | 122.20    |
| Managerial remuneration  | -                                    | -                   | 267.42                   | 267.42    |

**F. Related party balance as at 31 March 2015**

(Rs. lakhs)

| Particulars                   | Ultimate Holding and Holding Company | Fellow Subsidiaries | Key Management Personnel | Total    |
|-------------------------------|--------------------------------------|---------------------|--------------------------|----------|
| Payables                      | 2,962.37                             | 379.42              | -                        | 3,341.79 |
| Receivables                   | -                                    | 1,665.34            | -                        | 1,665.34 |
| Advance to suppliers          | -                                    | 11.83               | -                        | 11.83    |
| Short-term loans and advances | 16.56                                | 1.48                | -                        | 18.04    |

**Notes to the financial statements for the year ended 31 March 2016**
**G. Details of fellow subsidiaries with whom transaction exceeds 10% of the total class of transactions**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| <b>Honda Philippines Inc., Philippines</b>                   |                              |                              |
| - Sale of finished goods                                     | 64.19                        | 405.78                       |
| - Purchase of finished goods                                 | 19.40                        | -                            |
| <b>Honda Del Peru S.A., Peru</b>                             |                              |                              |
| - Sale of finished goods                                     | 167.96                       | 171.06                       |
| - Reimbursement of expenses paid                             | 0.08                         | 0.32                         |
| <b>Honda de Mexico, S.A. de C.V., Mexico</b>                 |                              |                              |
| - Sale of finished goods                                     | 39.29                        | 19.38                        |
| <b>Honda Australia M. &amp; P.E. Pty. Limited, Australia</b> |                              |                              |
| - Sale of finished goods                                     | 1,135.51                     | 434.66                       |
| <b>Asian Honda Motor Co. Limited, Thailand</b>               |                              |                              |
| - Purchase of goods  | 5,895.37                     | 4,883.07                     |
| - Reimbursement of expenses paid                             | 4.82                         | 4.81                         |
| - Reimbursement of expenses received                         | 3.42                         | 1.73                         |
| <b>Honda Trading Corporation, Japan</b>                      |                              |                              |
| - Purchase of goods  | 283.11                       | 546.84                       |
| - Purchase of capital goods                                  | -                            | 347.46                       |
| <b>Honda Manufacturing (Nigeria) Ltd., Nigeria</b>           |                              |                              |
| - Sale of finished goods                                     | -                            | 150.56                       |
| - Reimbursement of expenses paid                             | 0.03                         | 0.38                         |
| <b>Honda Trading Asia Co. Limited, Thailand</b>              |                              |                              |
| - Purchase of capital goods                                  | 68.51                        | -                            |
| - Purchase of goods  | 369.00                       | 536.63                       |
| <b>PT. Honda Power Products Indonesia, Indonesia</b>         |                              |                              |
| - Sale of finished goods                                     | 183.22                       | 2.06                         |
| - Reimbursement of expenses paid                             | 0.05                         | 0.11                         |
| <b>Honda Motor India Private Limited, India</b>              |                              |                              |
| - Sale of spares   | 513.14                       | 433.72                       |
| - Reimbursement of expenses paid                             | 29.65                        | 37.07                        |
| - Receipt of support services and technical assistance fees  | 143.78                       | 122.20                       |
| - Purchase of goods  | 13.61                        | 11.72                        |
| <b>Honda Trading (South China) Co. Limited, Hong Kong</b>    |                              |                              |
| - Purchase of goods  | 71.40                        | 117.46                       |
| <b>Honda R &amp; D Co. Limited, Japan</b>                    |                              |                              |
| - Sale of finished goods and spares                          | 35.29                        | 77.28                        |
| - Reimbursement of expenses received                         | 15.95                        | -                            |
| <b>Honda R &amp; D (India) Private Limited, India</b>        |                              |                              |
| - Fee for infrastructure support services received           | 15.88                        | 17.08                        |
| - Reimbursement of expenses received                         | 9.53                         | 9.23                         |
| - Sale of finished goods, spares and samples                 | 10.24                        | 12.77                        |
| <b>Honda Motor de Argentina S.A., Argentina</b>              |                              |                              |
| - Sale of finished goods                                     | 301.03                       | 129.57                       |
| <b>Shanghai Honda Trading Co. Limited, China</b>             |                              |                              |
| - Purchase of goods  | 227.97                       | 313.34                       |
| <b>Honda Atlas Power Products Pvt. Ltd., Pakistan</b>        |                              |                              |
| - Sale of finished goods                                     | 10.59                        | 20.28                        |
| - Reimbursement of expenses paid                             | -                            | 1.95                         |
| <b>PT. Honda Trading Indonesia, Indonesia</b>                |                              |                              |
| - Sale of finished goods                                     | 51.70                        | 106.65                       |
| - Purchase of goods  | -                            | 75.15                        |
| <b>Honda Trading Brasil Ltda., Brasil</b>                    |                              |                              |
| - Purchase of goods  | 19.41                        | 20.51                        |
| <b>Honda Canada Inc., Canada</b>                             |                              |                              |
| - Sale of finished goods                                     | 2,014.36                     | 2,584.85                     |
| - Reimbursement of expenses paid                             | 17.97                        | 41.66                        |
| <b>American Honda Motor Co. Inc, USA</b>                     |                              |                              |
| - Sale of finished goods                                     | 15,000.47                    | 15,356.08                    |
| - Reimbursement of expenses paid                             | 106.88                       | 103.61                       |

**Notes to the financial statements for the year ended 31 March 2016**
**H. Balances outstanding of fellow subsidiaries**

|   | As at<br>31 March 2016<br>(Rs. lakhs) | As at<br>31 March 2015<br>(Rs. lakhs) |
|---|---------------------------------------|---------------------------------------|
| <b>Trade Payables</b>                         |                                       |                                       |
| Asian Honda Motor Co., Limited, Thailand      | 348.69                                | 231.17                                |
| Honda Trading Corporation, Japan              | -                                     | 10.43                                 |
| American Honda Motor Co. Inc., USA            | 23.44                                 | 92.03                                 |
| <b>Other Current Liabilities</b>              |                                       |                                       |
| <b>Creditors for purchase of fixed assets</b> |                                       |                                       |
| Honda Philippines Inc., Philippines           | 19.46                                 | -                                     |
| <b>Trade Receivables</b>                      |                                       |                                       |
| American Honda Motor Co. Inc., USA            | 932.29                                | 1,143.84                              |
| Honda Canada Inc., Canada                     | 159.46                                | 243.46                                |
| <b>Short-term loans and advances</b>          |                                       |                                       |
| Honda R & D Co. Limited, Japan                | 5.16                                  | 11.83                                 |
| Asian Honda Motor Co., Limited, Thailand      | 0.06                                  | 0.01                                  |
| Honda R & D (India) Private Limited           | 1.51                                  | 1.47                                  |

**I. Transactions with key management personnel:**
**Managerial remuneration \***

| Name                   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|------------------------|------------------------------|------------------------------|
| Mr. Yoshifumi Iida     | 194.06                       | -                            |
| Mr. Hiroyoshi Sugimizu | 100.69                       | 89.73                        |
| Mr. Vinay Mittal       | 82.37                        | 69.45                        |
| Mr. T. Hamasaki        | -                            | 108.24                       |

\* Excludes contribution to the gratuity fund and provision for leave encashment determined on an actuarial basis, as these are determined for the Company as a whole.

**36 Disclosure in respect of operating leases under Accounting Standard (AS) – 19 “Leases”**
**a) General description of the Company's operating lease arrangements:**

The Company enters into operating lease arrangements for offices, residential premises for its employees and equipment for generating power for captive consumption. Some of the significant terms and conditions of the arrangements are:

- certain agreements for premises may generally be terminated by the lessee or either party by serving one to three months' notice or by paying the notice period rent in lieu thereof.
- certain agreements for premises where the lock in period ranges from 6 to 36 months.
- the lease arrangements are generally renewable on the expiry of lease period subject to mutual agreement.

**b) Lease rent charged to the Statement of Profit and Loss amounts to Rs. 311.13 lakhs (31 March 2015: Rs. 318.21 lakhs).**
**c) Future minimum lease payments under non-cancellable operating lease are as under:**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Not later than one year                        | 25.09                        | 15.97                        |
| Later than one year but not later than 5 years | -                            | 7.39                         |

**d) The Company has sub-let one of its leasehold premises. The Sub-lease agreement is cancellable by either party by serving three months notice period. The rent received during the year amounting to Rs. 9.27 lakhs (Previous year Rs. 3.0 lakhs) has been netted off with rent expense.**

**Notes to the financial statements for the year ended 31 March 2016**
**37 Disclosure in respect of employee benefits under Accounting Standard (AS) - 15 "Employee Benefits":**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| (a) Employer contribution to provident fund and other funds: |                              |                              |
| - Provident fund *   | 229.97                       | 208.90                       |
| - Employees' state insurance                                 | 19.43                        | 22.16                        |
| - Gratuity   | 126.26                       | 179.44                       |
| - Superannuation fund  | 57.18                        | 50.64                        |
|  | <b>432.84</b>                | <b>461.14</b>                |

\* includes contribution to family pension fund Rs 108.57 lakhs (31 March 2015: Rs. 87.76 lakhs)

(b) The following tables summarize the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet for the respective defined benefit plans:

**(i) Movement in present value of defined benefit obligations**

|   | Gratuity                     |                              | Provident Fund               |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
| Present value of obligation as at the beginning of the year | 921.83                       | 721.28                       | 3,032.51                     | 2,542.28                     |
| Interest cost   | 72.64                        | 61.31                        | 242.60                       | 203.38                       |
| Current service cost  | 81.70                        | 70.99                        | 121.40                       | 121.14                       |
| Benefits paid   | (28.89)                      | (41.54)                      | (182.93)                     | (157.40)                     |
| Actuarial (gain) / loss                                     | 43.55                        | 109.79                       | 47.22                        | 24.04                        |
| Contributions by plan participants / employees              | -                            | -                            | 337.49                       | 296.59                       |
| Settlements / transfer in                                   | -                            | -                            | 1.13                         | 2.48                         |
| Present value of obligation as at the end of the year       | <b>1,090.83</b>              | <b>921.83</b>                | <b>3,599.42</b>              | <b>3,032.51</b>              |

**(ii) Movement in fair value of plan assets**

|   | Gratuity                     |                              | Provident Fund               |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
| Fair value of plan assets as at the beginning of the year | 806.70                       | 694.56                       | 3,295.51                     | 2,700.10                     |
| Expected return on plan assets                            | 67.35                        | 62.51                        | 288.36                       | 236.26                       |
| Contributions paid in to the plan                         | 116.53                       | 91.04                        | 121.40                       | 121.14                       |
| Benefits paid by the plan                                 | (28.89)                      | (41.54)                      | (182.93)                     | (157.40)                     |
| Actuarial gain/ (loss)                                    | 4.27                         | 0.13                         | 13.80                        | 96.34                        |
| Contributions by plan participants / employees            | -                            | -                            | 337.49                       | 296.59                       |
| Settlements / transfer in                                 | -                            | -                            | 1.13                         | 2.48                         |
| Fair value of plan assets as at the end of the year       | <b>965.96</b>                | <b>806.70</b>                | <b>3,874.76</b>              | <b>3,295.51</b>              |

**(iii) Actuarial gain / loss recognised in the Statement of Profit and Loss**

|  | Gratuity                     |                              | Provident Fund               |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
| Actuarial gain / (loss) for the year - obligation          | (43.55)                      | (109.79)                     | (47.22)                      | (24.04)                      |
| Actuarial gain / (loss) for the year - plan assets         | 4.27                         | 0.13                         | 13.80                        | 96.34                        |
| Total gain / (loss) for the year                           | (39.28)                      | (109.66)                     | (33.42)                      | 72.30                        |
| Actuarial gain / (loss) recognised in the year             | (39.28)                      | (109.66)                     | (33.42)                      | 72.30                        |
| Unrecognised actuarial gains / (losses) at the end of year | -                            | -                            | -                            | -                            |

**(iv) Assets and liabilities recognised in the balance sheet**

|   | Gratuity                     |                              | Provident Fund               |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
| Present value of obligation as at the end of the year | 1,090.83                     | 921.83                       | 3,599.42                     | 3,032.51                     |
| Fair value of plan assets as at the end of the year   | 965.96                       | 806.70                       | 3,874.76                     | 3,295.51                     |
| Funded status   | (124.86)                     | (115.13)                     | 275.34                       | 263.00                       |
| Excess of actual over estimated return on plan assets | 4.27                         | 0.13                         | -                            | -                            |
| Unrecognised actuarial gains/ (losses)                | -                            | -                            | -                            | -                            |
| Net assets / (liability) recognised in balance sheet  | <b>(124.86)</b>              | <b>(115.13)</b>              | <b>*</b>                     | <b>*</b>                     |

\* There is surplus in the provident fund, hence no liability has been recognised.

**Notes to the financial statements for the year ended 31 March 2016**
**(v) Expense recognised in the Statement of Profit and Loss**

|   | <b>Gratuity</b>      |                      | <b>Provident Fund</b> |                      |
|---|----------------------|----------------------|-----------------------|----------------------|
|   | <b>31 March 2016</b> | <b>31 March 2015</b> | <b>31 March 2016</b>  | <b>31 March 2015</b> |
|   | <b>(Rs. lakhs)</b>   | <b>(Rs. lakhs)</b>   | <b>(Rs. lakhs)</b>    | <b>(Rs. lakhs)</b>   |
| Current service cost                                  | 81.70                | 70.99                | -                     | -                    |
| Past service cost                                     | -                    | -                    | -                     | -                    |
| Interest cost   | 72.64                | 61.31                | -                     | -                    |
| Expected return on plan assets                        | (67.36)              | (62.51)              | -                     | -                    |
| Net actuarial (gain) / loss recognised in the year    | 39.28                | 109.66               | -                     | -                    |
| Company contribution to provident fund trust          | -                    | -                    | 121.40                | 121.14               |
| Amount recognised in the Statement of Profit and Loss | 126.26               | 179.44               | 121.40                | 121.14               |

**(vi) Composition of plan assets**

|   | <b>Gratuity</b>      |                      | <b>Provident Fund</b> |                      |
|---|----------------------|----------------------|-----------------------|----------------------|
|   | <b>31 March 2016</b> | <b>31 March 2015</b> | <b>31 March 2016</b>  | <b>31 March 2015</b> |
|   |                      |                      |                       |                      |
| Funds managed by insurer                      | 100%                 | 100%                 | -                     | -                    |
| Government securities*                        | -                    | -                    | 50%                   | 55%                  |
| Public sector unit bonds                      | -                    | -                    | 45%                   | 44%                  |
| Special deposit schemes of Central Government | -                    | -                    | 0%                    | 1%                   |
| Mutual fund                                   | -                    | -                    | 5%                    | 0%                   |

\* Government securities includes 34% for central government and 21% for state government securities in previous year 2014-15.

**(vii) Principal actuarial assumptions at the Balance Sheet date for gratuity, compensated absence and provident fund**
**Economic assumptions (Gratuity and Compensated absences)**

|   | <b>31 March 2016</b> | <b>31 March 2015</b> |
|---|----------------------|----------------------|
| Discount rate (p.a.)                          | 8.00%                | 7.88%                |
| Future salary increases (p.a.)                | 8.00%                | 8.00%                |
| Expected rate of return on plan assets (p.a.) | 8.35%                | 9.00%                |

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

The discount rate is based on the prevailing market yields of Government Bonds as at the Balance Sheet date for the estimated term of the obligations.

**Economic assumptions (Provident fund)**

|  | <b>31 March 2016</b> | <b>31 March 2015</b> |
|--|----------------------|----------------------|
| Interest rate (p.a.)                                 | 8.75%                | 8.75%                |
| Expected short fall in interest earnings on the fund | 0.05%                | 0.05%                |

**Demographic Assumption (Gratuity, Compensated absences and Provident fund)**

|                           | <b>31 March 2016</b> | <b>31 March 2015</b> |
|---------------------------|----------------------|----------------------|
| i) Retirement Age (Years) | 58                   | 58                   |
| ii) Mortality Table       | IALM (2006-08)       | IALM (2006-08)       |
| iii) Ages                 |                      |                      |
| Up to 30 years            | 3.00                 | 3.00                 |
| From 31 to 44 years       | 2.00                 | 2.00                 |
| Above 44 years            | 1.00                 | 1.00                 |

**(viii) Amounts recognised in current year and previous four years:**

|   | <b>31 March 2016</b> | <b>31 March 2015</b> | <b>31 March 2014</b> | <b>31 March 2013</b> | <b>31 March 2012</b> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <b>(Rs. Lakhs)</b>   | <b>(Rs. Lakhs)</b>   | <b>(Rs. Lakhs)</b>   | <b>(Rs. Lakhs)</b>   | <b>(Rs. Lakhs)</b>   |
| <b>Gratuity</b>                           |                      |                      |                      |                      |                      |
| Defined benefit obligation                | 1,090.83             | 921.83               | 721.28               | 585.20               | 490.66               |
| Fair value of plan asset                  | 965.96               | 806.70               | 694.56               | 601.18               | 501.21               |
| Surplus/(deficit) in plan asset           | (124.86)             | (115.13)             | (26.72)              | 15.98                | 10.55                |
| Experience adjustment in plan liabilities | (54.66)              | (62.27)              | (28.16)              | (29.61)              | (34.51)              |
| Experience adjustment in plan assets      | 0.98                 | 1.87                 | 0.70                 | 2.49                 | 3.15                 |

The Company expects to contribute Rs 135.84 lakhs in the next year (31 March 2015: Rs. 118.99 lakhs) to gratuity fund.

**Notes to the financial statements for the year ended 31 March 2016**

|                              | 31 March 2016<br>(Rs. Lakhs) | 31 March 2015<br>(Rs. Lakhs) | 31 March 2014<br>(Rs. Lakhs) | 31 March 2013<br>(Rs. Lakhs) | 31 March 2012<br>(Rs. Lakhs) |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Provident fund</b>        |                              |                              |                              |                              |                              |
| Projected benefit obligation | 3,599.42                     | 3,032.51                     | 2,542.28                     | 2,181.52                     | 1,805.49                     |
| Fair value plan assets       | 3,874.76                     | 3,295.51                     | 2,700.10                     | 2,321.37                     | 1,953.53                     |
| Interest guarantee liability | (17.42)                      | (13.02)                      | (10.60)                      | (9.13)                       | (7.68)                       |
| Surplus in fund              | 292.76                       | 276.02                       | 168.42                       | 148.98                       | 155.72                       |
| Net surplus in fund          | 275.34                       | 263.00                       | 157.82                       | 139.85                       | 148.04                       |

- 38 The Company provides after-sales service coupons to its customers for availing free of cost service. The coupons are valid for one year, the details of movement of provision are as under:**

|   | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|---|------------------------------|------------------------------|
| Balance at the beginning of the year              | 97.59                        | 54.01                        |
| Provision made during the year                    | 162.03                       | 158.71                       |
| Provision utilised during the year                | 108.39                       | 115.13                       |
| Unutilised provision written back during the year | -                            | -                            |
| Balance at the end of the year                    | 151.23                       | 97.59                        |

The Company expects that the service coupons will be utilized within the validity period of one year. The provision has been created based on management's estimates and past trends of actual claim received.

- 39 The sales are covered by a warranty period, the details of which are as under:**

|                                      | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--------------------------------------|------------------------------|------------------------------|
| Balance at the beginning of the year | 53.24                        | 3.85                         |
| Provision made during the year       | 113.08                       | 216.61                       |
| Provision utilised during the year   | 103.35                       | 167.22                       |
| Balance at the end of the year*      | 62.97                        | 53.24                        |

\* Net of expected reimbursement of Rs. 0.46 lakhs (31 March 2015: Rs 0.33 lakhs) from suppliers of traded goods recognized and included in loans and advances in accordance with the requirements of Accounting Standard – 29 "Provisions, Contingent Liabilities and Contingent Assets."

The warranty provision is expected to be utilised within the normal warranty period. The provision has been created based on management's estimates and past trends of actual claim received.

- 40 Earnings per share**

|  | 31 March 2016 | 31 March 2015 |
|--|---------------|---------------|
| Profit for the year after taxation as per the statement of profit and loss (Rs. lakhs) | 4,882.96      | 3,862.39      |
| Number of equity shares outstanding during the year                                    | 1,01,43,071   | 1,01,43,071   |
| Basic and diluted earnings per share in Rupees<br>(face value of Rs. 10 per share)     | 48.14         | 38.08         |

- 41 Unhedged foreign currency exposure**

|             |                               | (Figures in lakhs)  |                               |                     |
|-------------|-------------------------------|---------------------|-------------------------------|---------------------|
|             | 31 March 2016                 |                     | 31 March 2015                 |                     |
|             | Amount in<br>foreign currency | Amount in<br>Rupees | Amount in<br>foreign currency | Amount in<br>Rupees |
| Receivables | US \$ 30.94                   | 2,007.27            | US \$ 33.29                   | 2,045.26            |
|             | JPY 0.32                      | 0.19                | JPY 1.67                      | 0.88                |
| Payables    | US \$ 22.91                   | 1,543.48            | US \$ 29.76                   | 1,886.91            |
|             | JPY 269.56                    | 162.30              | JPY 447.55                    | 236.66              |
|             | THB 70.56                     | 136.85              | THB 34.45                     | 68.35               |
|             | -                             | -                   | EURO 0.06                     | 4.19                |
| Cash        | US \$ 0.03                    | 2.02                | US \$ 0.06                    | 3.40                |
|             | -                             | -                   | THB 0.04                      | 0.07                |
|             | EURO 0.01                     | 0.44                | EURO 0.01                     | 0.40                |
| Bank        | US \$ 4.54                    | 295.19              | US \$ 1.40                    | 86.02               |

**Notes to the financial statements for the year ended 31 March 2016**
**42 Value of imports on CIF basis**

|                   | <b>31 March 2016</b><br><b>(Rs. lakhs)</b> | <b>31 March 2015</b><br><b>(Rs. lakhs)</b> |
|-------------------|--|--|
| Raw materials     | <b>9,422.56</b>                            | 10,887.17                                  |
| Stores and spares | <b>5.22</b>                                | 5.65                                       |
| Stock in trade    | <b>5,191.18</b>                            | 3,986.14                                   |
| Capital goods     | <b>92.33</b>                               | 582.65                                     |
| <b>Total</b>      | <b>14,711.29</b>                           | 15,461.61                                  |

**43 Value of imported and indigenous raw materials and components and the percentage of each to the total consumption**

|              | <b>31 March 2016</b> |             | <b>31 March 2015</b> |          |
|--------------|----------------------|-------------|----------------------|----------|
|              | <b>(Rs. lakhs)</b>   | <b>%</b>    | <b>(Rs. lakhs)</b>   | <b>%</b> |
| Imported     | <b>10,491.28</b>     | <b>33%</b>  | 11,418.34            | 33%      |
| Indigenous   | <b>21,472.80</b>     | <b>67%</b>  | 23,296.04            | 67%      |
| <b>Total</b> | <b>31,964.08</b>     | <b>100%</b> | 34,714.38            | 100%     |

**44 Value of imported and indigenous stores and spares consumed and the percentage of each to the total consumption**

|              | <b>31 March 2016</b> |             | <b>31 March 2015</b> |          |
|--------------|----------------------|-------------|----------------------|----------|
|              | <b>(Rs. lakhs)</b>   | <b>%</b>    | <b>(Rs. lakhs)</b>   | <b>%</b> |
| - Imported   | <b>7.03</b>          | <b>3%</b>   | 6.57                 | 2%       |
| - Indigenous | <b>270.33</b>        | <b>97%</b>  | 294.25               | 98%      |
| <b>Total</b> | <b>277.36</b>        | <b>100%</b> | 300.82               | 100%     |

**45 Segment information**
**Primary segment:**

The primary reportable segment for the Company is geographical segment by location of its customers. The Company's geographical segment comprises domestic customers and overseas customers.

The primary segments have been identified in line with AS 17, taking into account the risks and return, organisation structure and internal reporting system.

Segment revenue comprises income from sales and services which are directly identifiable to the individual segment. Certain non-operating incomes such as net profit on sale of fixed assets and exceptional items do not form part of segment revenue and are included under "other non-operating income". Direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remaining costs are categorised to the segment on a reasonable basis. Certain expenses such as administrative expenses which form a significant component of total expenses are not specifically allocable to specific segments. Accordingly, these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets include operating assets used by a segment that are directly identifiable to that segment and consist principally of trade receivables and inventory. Segment liabilities include operating liabilities that are directly identifiable to that segment and consist principally of accrued liabilities and advances from customers. Segment liabilities exclude share capital and reserves and surplus. Assets and liabilities of the Company which cannot be identified to any of the reportable segments have not been allocated as the same are used for both segments.

**Notes to the financial statements for the year ended 31 March 2016**

Information about primary segments - geographical segments by customer:

(Rs. lakhs)

| Particulars   | 31 March 2016    |                  |                  | 31 March 2015 |           |           |
|---|------------------|------------------|------------------|---------------|-----------|-----------|
|   | Domestic         | Exports          | Total            | Domestic      | Exports   | Total     |
| <b>Segment revenue</b> (net of excise duty on goods sold)     | <b>39,515.63</b> | <b>27,764.92</b> | <b>67,280.55</b> | 36,431.86     | 26,640.91 | 63,072.77 |
| <b>Segment result</b>   | <b>5,503.27</b>  | <b>4,611.54</b>  | <b>10,114.81</b> | 4,155.35      | 3,519.82  | 7,675.17  |
| Less: unallocated expenses                                    |                  |                  | <b>3,692.80</b>  |               |           | 2,837.55  |
| <b>Operating profit</b>                                       |                  |                  | <b>6,422.01</b>  |               |           | 4,837.62  |
| Add: other non-operating income (including exceptional items) |                  |                  | <b>336.66</b>    |               |           | 564.37    |
| Add: Interest income  |                  |                  | <b>795.22</b>    |               |           | 491.68    |
| Less: Interest expenses                                       |                  |                  | <b>46.52</b>     |               |           | -         |
| <b>Net profit before taxes</b>                                |                  |                  | <b>7,507.37</b>  |               |           | 5,893.67  |
| Less: taxes (current and deferred)                            |                  |                  | <b>2,624.41</b>  |               |           | 2,031.28  |
| <b>Net profit after taxes</b>                                 |                  |                  | <b>4,882.96</b>  |               |           | 3,862.39  |
| <b>Other information</b>                                      |                  |                  |                  |               |           |           |
| Segment assets  | <b>12,027.22</b> | <b>6,319.72</b>  | <b>18,346.94</b> | 14,202.44     | 7,823.00  | 22,025.44 |
| Unallocated corporate assets                                  |                  |                  | <b>29,277.04</b> |               |           | 21,066.47 |
| <b>Total assets</b>   |                  |                  | <b>47,623.98</b> |               |           | 43,091.91 |
| Segment liabilities   | <b>2,687.49</b>  | <b>1,222.87</b>  | <b>3,910.36</b>  | 2,411.84      | 1,837.26  | 4,249.10  |
| Unallocated corporate liabilities                             |                  |                  | <b>7,056.26</b>  |               |           | 6,335.92  |
| <b>Total liabilities</b>                                      |                  |                  | <b>10,966.62</b> |               |           | 10,585.02 |
| Capital expenditure   | <b>520.28</b>    | <b>17.64</b>     | <b>537.92</b>    | 719.52        | 949.73    | 1,669.25  |
| Unallocated capital expenditure                               |                  |                  | <b>745.35</b>    |               |           | 1,040.00  |
| <b>Total capital expenditure</b>                              |                  |                  | <b>1,283.27</b>  |               |           | 2,709.25  |
| Depreciation  | <b>1,307.04</b>  | <b>816.59</b>    | <b>2,123.63</b>  | 1,209.21      | 620.79    | 1,830.00  |
| Unallocated depreciation                                      |                  |                  | <b>258.39</b>    |               |           | 301.23    |
| <b>Total depreciation</b>                                     |                  |                  | <b>2,382.02</b>  |               |           | 2,131.23  |

**Secondary segment:**

As the Company's business activity falls within a single business segment viz. "power products and related parts", the secondary business segment disclosure requirements of accounting standard - 17 are not applicable to the Company.

**46 Expenditure in foreign currency**

|  | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|--|------------------------------|------------------------------|
| Technical guidance fee (excluding fee capitalised Rs. Nil lakhs (previous year Rs. 20.29)) | <b>595.43</b>                | 996.72                       |
| Royalty  | <b>2,453.87</b>              | 2,339.94                     |
| Travelling   | <b>62.96</b>                 | 73.42                        |
| Export Commission included in Commission on sales  | <b>2,060.99</b>              | 2,023.69                     |
| Others   | <b>168.55</b>                | 170.26                       |
| <b>Total</b>   | <b>5,341.80</b>              | <b>5,604.03</b>              |

**47 Earnings in foreign currency**

|                        | 31 March 2016<br>(Rs. lakhs) | 31 March 2015<br>(Rs. lakhs) |
|------------------------|------------------------------|------------------------------|
| Export on F.O.B. basis | <b>26,957.17</b>             | 26,034.13                    |

## Notes to the financial statements for the year ended 31 March 2016

### 48 Dividend remitted in foreign currency

|  | 31 March 2016    | 31 March 2015 |
|--|------------------|---------------|
| Dividend paid during the year (Rs. lakhs)                      | <b>406.01</b>    | 270.68        |
| Number of non-resident shareholders                            | <b>24</b>        | 24            |
| Number of equity shares held by such non-resident shareholders | <b>67,66,915</b> | 67,66,915     |
| Year to which the dividends relates                            | <b>2014-15</b>   | 2013-14       |

- 49 The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by the due date as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration No.:101248W/W-100022

**Vikram Advani**

Partner

Membership No. : 091765

**Sunita Ganjoo**

Company Secretary

For and on behalf of the Board of Directors of  
**Honda Siel Power Products Limited**

**Siddharth Shriram**

Chairman

**D.V. Kapur**

Director

**Ravi V. Gupta**

Director

**Manoj Arora**

Director

**A.M. Bharucha**

Director

**Yoshifumi Iida**

President & CEO

**H. Sugimizu**

Whole time Director

**Vinay Mittal**

Whole time Director & CFO

Place: New Delhi

Date: 20 May 2016





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