

BOARD'S REPORT 2017-18

Dear Members,

Your Directors are pleased to present the Thirty Fifth Annual Report, together with the Company's audited financial statements for the financial year ended March 31, 2018.

FINANCIAL RESULTS – STANDALONE & CONSOLIDATED

The standalone and consolidated financial highlights of your Company are as follows:

(₹ in crores)

Particulars	Standalone		Consolidated	
	Year ended		Year ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Total Income	33,397.64	31,394.02	33,624.11	31,505.61
Profit before Finance cost and Depreciation	5,806.01	5,157.24	5,848.22	5,097.92
Expenses				
Finance costs	6.25	6.05	30.80	27.28
Depreciation and amortisation expenses	555.60	492.73	574.98	502.25
Profit from ordinary activities before share of Profit / (Loss) of associates	5,244.16	4,658.46	5,242.44	4,568.39
Profit/ (Loss) of associates				
Share in net profit / (loss) of associates	-	-	49.66	54.92
Gain on dilution of interest in an associate	-	-	-	262.09
Profit from ordinary activities before tax	5,244.16	4,658.46	5,292.10	4,885.40
Tax expense				
Current tax	1,446.95	1,082.08	1,450.99	1,082.24
Deferred tax	99.85	199.26	118.94	256.86
	1,546.80	1,281.34	1,569.93	1,339.10
Net Profit from ordinary activities after tax	3,697.36	3,377.12	3,722.17	3,546.30
Other comprehensive income /(expense) (net of tax)	(4.71)	(14.08)	(7.26)	(18.71)
Total comprehensive income for the period	3,692.65	3,363.04	3,714.91	3,527.59
Net Profit / (Loss) attributable to				
a) Owners of the Company	3,697.36	3,377.12	3,720.40	3,584.27
b) Non-controlling interest	-	-	1.77	(37.97)
Other comprehensive income attributable to				
a) Owners of the Company	(4.71)	(14.08)	(5.89)	(16.71)
b) Non-controlling interest	-	-	(1.37)	(2.00)
Total comprehensive income attributable to				
a) Owners of the Company	3,692.65	3,363.04	3,714.51	3,567.56
b) Non-controlling interest	-	-	0.40	(39.97)
Balance of profit brought forward	7,418.53	6,146.52	7,597.60	6,118.53
Dividend				
- Interim - 2017-18	1,098.41	1,098.33	1,098.41	1,098.33
- Final - 2016-17	599.09	639.01	599.09	639.00
Corporate Dividend Tax	345.57	353.69	345.57	353.69
Adjustment on account of change in controlling interest	-	-	(23.50)	-
Transfer to Foreign Currency Translation Reserve	-	-	(4.42)	(14.17)
Balance carried to Balance Sheet	9,068.11	7,418.53	9,247.01	7,597.60
Earning per equity share on Net Profit from ordinary activities after tax (face value ₹ 2/- each) (In ₹)				
- Basic	185.14	169.12	186.30	179.49
- Diluted	185.13	169.12	186.29	179.49





FINANCIAL HIGHLIGHTS

During FY 2017-18 under review, your Company clocked sales of 7,587,154 units over 6,664,240 units in the previous FY.

During FY 2017-18, revenue from operations was ₹ 32,871.82 crores as compared to ₹ 30,871.59 crores in FY 2016-17, registering an increase of 6.48%.

Profit before tax (PBT) in FY 2017-18 was ₹ 5,244.16 crores as compared to ₹ 4,658.46 crores in FY 2016-17, reflecting an increase of 12.57%. Profit after tax (PAT) was ₹ 3,697.36 crores as against ₹ 3,377.12 crores in FY 2016-17, an increase of 9.48 % over the previous year.

Earnings before Interest, Depreciation and Taxes (EBIDTA) stood at 17.38 % in FY 2017-18, as compared to 16.42% in FY 2016-17.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of the Companies Act, 2013 ('the Act') and Indian Accounting Standard (Ind AS)-110 on Consolidated Financial Statements, read with Ind AS-28 on Investments in Associates and Joint Ventures, the Audited Consolidated Financial Statements for the FY ended March 31, 2018 are provided in this Annual Report.

CHANGES IN CAPITAL STRUCTURE

During the FY under review, 14,617 equity shares of ₹ 2 each were allotted on exercise of employee stock options by the employees of the Company. Consequently, the issued and paid-up share capital of the Company as on March 31, 2018 was ₹ 399,422,910 divided into 199,711,455 equity shares of ₹ 2 each.

The Company has not issued any equity shares with differential rights, sweat equity shares or bonus shares. The Company has only one class of equity shares with face value of ₹ 2 each, ranking pari-passu.

DIVIDEND

Your Directors are pleased to recommend for your approval a final dividend of ₹ 40 per equity share (2000%) of face value of ₹ 2 each, in addition to an interim dividend of ₹ 55 per equity share (2750%) declared in the month of February 2018, aggregating a total dividend payout of ₹ 95 per equity share for FY 2017-18. In the previous FY, total dividend payout of ₹ 85 per equity share of the face value of ₹ 2 each was made. Final dividend, if approved at the ensuing Annual General Meeting, shall be paid to the eligible Members within the stipulated time period. Dividend Distribution Policy of the Company as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') is available at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/dividend-distribution-policy.html> and is also provided as **Annexure - I**.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management discussion and analysis report forms an integral part of this report and gives details of the overall industry structure, economic developments, performance and state of affairs of your Company's business in India and abroad, risk management systems and other material developments during the FY under review.

CHANGE IN NATURE OF BUSINESS

During FY 2017-18, there was no change in the nature of Company's business.

CAPACITY EXPANSION, NEW PROJECTS & STRATEGIC ALLIANCES

During FY 2017-18, construction of sixth manufacturing facility at Sricity in Chittoor District in the state of Andhra Pradesh has commenced with a proposed capacity of 1.8 million units per annum. Your Company will invest ₹ 1,600 crores in setting up this manufacturing facility. The plant is expected to be operational in FY 2019-20.

During FY 2017-18, the second overseas plant of your Company at Jessore in Bangladesh started commercial production during the first quarter.

Your Company is constantly expanding the boundaries on innovation – both internal and external. It has been running internal idea generation contests successfully involving employees for many years now. In FY 2017-18, your Company took important steps to tap into the external innovation ecosystem. It piloted 'crowd sourcing', where a few identified problems are thrown as challenges to the external innovation ecosystem to solve.

GLOBAL FORAYS

Your Company continues its march to strengthen the reach of Global Business. During FY 2017-18, your Company added two markets – Trinidad & Tobago and Guyana – to grow the countries in which HMCL is present in, to 37. More importantly, it strived to increase market share in the large markets across South Asia, Africa & Middle East and Latin America in which the Company is already present. The Company increased its despatches to Bangladesh by close to 200%, leveraging a 70% increase in the industry and substantially growing the market share. Your Company also commissioned a plant through a joint venture in Bangladesh.

Continuing with the past strategy, your Company works closely with strong, allied distributor partners, offering differentiated financing, vehicle models and after sales solutions. Your Company's focus is to enhance salesmen skills at the dealerships, optimize the channel coverage and execute targeted brand building and marketing campaigns.

SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE COMPANIES

The Company has 6 subsidiaries including step down subsidiaries and 3 associate companies. The Company regularly monitors the performance of these companies.

The Company shall make available the annual accounts of the subsidiary companies to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and respective subsidiary companies. Further, the annual accounts of the subsidiaries are also available on the website of the Company viz. www.heromotocorp.com. The consolidated financial statements presented by the Company include the financial results of its subsidiary companies.

Subsidiaries

HMCL Netherlands B.V. ('HNBV')

HNBV, a wholly owned subsidiary of your Company was incorporated in Amsterdam as a private company with limited liability under the laws of The Netherlands with the primary objective of promoting overseas investments. During FY 2017-18, HNBV has invested in operating companies in Colombia and Bangladesh and has reported Nil revenue (unadjusted) and a net loss of ₹ 0.48 crores.

HMCL Colombia S.A.S. ('HMCLC')

HMCLC was incorporated in Colombia as a joint venture between HNBV and Woven Holdings LLC as a simplified stock corporation company. During the FY under review, HNBV increased its holding to 68% equity in HMCLC and 32% equity is now held by Woven Holdings LLC. The main business of HMCLC is to manufacture and sell two-wheelers in Colombia. It has a manufacturing facility with a production capacity of 60,000 per annum. During the year ended March 31, 2018, the Company has reported unadjusted revenue of ₹ 123.17 crores and a net loss of ₹ 60.58 crores.

HMCL Niloy Bangladesh Limited ('HNBL')

HNBL was incorporated in Bangladesh as a joint venture between HNBV and Niloy Motors Limited, Bangladesh as a limited liability company. HNBV currently holds 55% equity in HNBL and 45% equity is held by Nitol Niloy Group, Bangladesh. HNBL has set up a manufacturing plant at Jessore in Bangladesh and started commercial operations on June 01, 2017. The main business of HNBL is to manufacture and sell two-wheelers. During FY 2017-18, HNBL reported unadjusted revenue of ₹ 541.80 crores and a net profit of ₹ 77.16 crores.

HMCL (NA) Inc.

HMCL (NA) Inc., a wholly owned subsidiary of your Company, was incorporated as a Corporation pursuant to the General Corporation Law of the State of Delaware, United States of America. HMCL (NA) Inc., has invested in Erik Buell Racing, Inc. ('EBR'), a Delaware Corporation by subscribing to 49.2% of its equity share capital. During the period ended March 31, 2018, HMCL (NA) Inc. has reported Nil revenue (unadjusted) and a net loss of ₹ 0.01 crores.

HMCL Americas Inc. ('HMCLA')

HMCLA, a wholly owned subsidiary of your Company, was incorporated as a Corporation pursuant to the General Corporation Law of the State of Delaware, United States of America with the primary objective to pursue various global businesses. During the year ended March 31,

2018, HMCLA has reported Nil revenue (unadjusted) and a net loss of ₹ 0.12 crores.

HMC MM Auto Limited ('HMCMMMA')

Your Company has a joint venture with Magneti Marelli S.p.A Italy, named HMC MM Auto Limited in India, which is set up for the purpose of carrying out manufacturing, assembly, sale and distribution of two wheeler fuel injection systems and parts. Your Company holds 60% of the equity share capital in HMCMMMA. During FY 2017-18, HMCMMMA has reported unadjusted revenue of ₹ 34.64 crores and a net loss of ₹ 8.17 crores.

Associate Companies

Hero FinCorp Ltd. ('HFCL')

HFCL, an associate of your Company, was incorporated in the year 1991. Your Company holds 41.03% in the equity share capital of HFCL. HFCL is a non-banking finance company engaged in providing financial services, including two-wheeler financing and providing credit to Company's vendors and suppliers. Over the years, it has added several new products and customers in its portfolio, like SME and commercial loans, loan against property etc.

During FY 2017-18, HFCL's profit attributable to the Company is ₹ 55.75 crores.

Ather Energy Private Ltd. ('AEL')

AEL is a private limited company, focused on developing, designing and selling premium electric two-wheelers. During FY 2017-18, AEL's loss attributable to the Company is ₹ 11.84 crores.

Erik Buell Racing, Inc. ('EBR')

Your Company through its subsidiary, HMCL (NA) Inc., has invested in Erik Buell Racing, Inc. ('EBR'), a Delaware Corporation by subscribing to 49.2% of its equity share capital. EBR has ceased its operations and entered into Assignment for the Benefit of Creditors under Chapter 128 of the Wisconsin Statutes ('Chapter 128 Process').

A statement containing salient features of financial statement of subsidiaries and associate companies forms part of the financials.

Material Subsidiaries

The Board of Directors of your Company ('the Board') has approved a policy for determining Material Subsidiaries. At present, your Company does not have a Material Subsidiary. The Policy on Material Subsidiaries can be viewed on the Company's website, www.heromotocorp.com at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/policy-on-material.html>.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

In terms of the applicable provisions of the Act and the Articles of Association of the Company, Mr. Suman Kant Munjal, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. Brief resume and other details of Mr. Suman Kant Munjal, who is proposed to be re-appointed as a Director of your Company, have been furnished in the Explanatory Statement to the Notice of the





ensuing Annual General Meeting.

Key Managerial Personnel (KMP)

Mr. Pawan Munjal, Chairman, Managing Director & CEO, Mr. Niranjan Gupta, Chief Financial Officer and Ms. Neerja Sharma, Company Secretary are the KMP of your Company in accordance with the provisions of Section 2(51), 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Declarations from Independent Directors

Your Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed in the Act and the Listing Regulations.

In the opinion of the Board, Independent Directors fulfil the conditions specified in the Act, Rules made thereunder and Listing Regulations and are independent of the management.

BOARD MEETINGS

During FY 2017-18, five meetings of the Board of Directors were held. For details of these Board meetings, please refer to the section on Corporate Governance of this Annual Report.

ANNUAL EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for FY 2017-18. Led by the Nomination & Remuneration Committee ('NRC'), the evaluation was carried out using individual questionnaires covering, amongst others, composition of Board, conduct as per Company values & beliefs, contribution towards development of strategy & business plan, risk management, receipt of regular inputs and information, codes & policies for strengthening governance, functioning, performance & structure of Board Committees, skill set, knowledge & expertise of Directors, preparation & contribution at Board meetings, leadership etc.

As part of the evaluation process, the performance of Non-Independent Directors, the Chairman and the Board was conducted by the Independent Directors. The performance evaluation of the respective Committees and that of Independent and Non-Independent Directors was done by the Board excluding the Director being evaluated.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 134 of the Act, which is to the best of their knowledge and belief and according to the information and explanations obtained by them:

1. that in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards were followed, along with proper explanation relating to material departures;
2. that appropriate accounting policies were selected and applied consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs as at March 31, 2018 and of the profit and loss of your Company for the financial year ended March 31, 2018;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts for the financial year ended March 31, 2018 have been prepared on a going concern basis;
5. that the Directors have laid down Internal Financial Controls which were followed by the Company and that such Internal Financial Controls are adequate and are operating effectively; and
6. that 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.

REMUNERATION POLICY

Pursuant to provisions of the Act, the Nomination and Remuneration Committee ('NRC') of your Board has formulated a Remuneration Policy for the appointment and determination of remuneration of the Directors, Key Managerial Personnel, Senior Management and other employees of your Company. The NRC has also developed the criteria for determining the qualifications, positive attributes and independence of Directors and for making payments to Executive and Non-Executive Directors of the Company.

The NRC takes into consideration the best remuneration practices in the industry while fixing appropriate remuneration packages and for administering the long-term incentive plans, such as ESOPs, RSUs etc. Further, the compensation package of the Directors, Key Managerial Personnel, Senior Management and other employees is designed based on the set of principles enumerated in the said policy.

Your Directors affirm that the remuneration paid to the Directors, Key Managerial Personnel, Senior Management and other employees is as per the Remuneration Policy of your Company.

The Remuneration details of the Directors, Chief Financial Officer and Company Secretary, along with details of ratio of remuneration of each Director to the median remuneration of employees of the Company for the FY under review are provided as **Annexure - II**.

The Remuneration Policy of your Company can be viewed at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/remuneration-policy.html> and is also provided as **Annexure - III**.

EMPLOYEES' INCENTIVE SCHEME

In terms of the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended from time to time ('SEBI Regulations'), the NRC of your Board, inter-alia, administers and monitors the Employees' Incentive Scheme, 2014 of your Company and the Employees' Stock Option Plans framed thereunder.

Further, the NRC has, at its meeting held on October 31, 2017 granted 29,800 stock options under ESOP Plan 2017 to the eligible employees at an exercise option price of ₹ 2,818 per option. In addition, the NRC also approved grant of 15,769 Restricted Stock Units under RSU Plan, 2017 to the eligible employees at the face value of ₹ 2 per unit.

Applicable disclosures as stipulated under the SEBI Regulations with regard to the Employees' Stock Option Scheme are provided as **Annexure - IV** to this Report and is available on the Company's website, www.heromotocorp.com and can be viewed at the following link: <https://www.heromotocorp.com/en-in/esop.php>.

Your Company has received a certificate from M/s B S R & Co. LLP, Statutory Auditors (Firm Registration No. 101248W/W-100022) that the Employees' Incentive Scheme, 2014 for grant of stock options has been implemented in accordance with the SEBI Regulations and the resolution passed by the Members in their general meeting. The certificate would be placed at the ensuing Annual General Meeting for inspection by the Members.

CORPORATE GOVERNANCE

Your Company is committed to benchmarking itself with global standards of Corporate Governance. It has put in place an effective Corporate Governance system which ensures that provisions of the Act and Listing Regulations are duly complied with, not only in form but also in substance.

The Board has also evolved and adopted a Code of Conduct based on the principles of good Corporate Governance and best management practices that are followed globally. The Code is available on your Company's website, www.heromotocorp.com and can be viewed at the following link: <https://www.heromotocorp.com/en-in/about-us/code-of-conduct.html>.

In terms of Listing Regulations, a report on Corporate Governance along with the certificate from M/s Sanjay Grover & Associates, Company Secretaries (Firm Registration No. P2001DE052900) confirming compliance of the conditions of Corporate Governance is annexed hereto and forms part of this Annual Report as **Annexure - V** and **Annexure - VI** respectively.

TRANSFER TO GENERAL RESERVE

During the FY under review, no amount has been transferred to General Reserve of the Company.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the FY under review, your Company has transferred unpaid/unclaimed dividend amounting to ₹ 13.43 crores for FY 2009-10 along with the relevant shares to the Investor Education and Protection Fund (IEPF) of the Central Government of India.

MATERIAL CHANGES AND COMMITMENTS

No material change and/or commitment affecting the financial position of your Company has occurred between April 1, 2018 and the date of signing of this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During FY 2017-18, your Company has not given any loan or guarantee pursuant to provisions of Section 186 of the Act. Details of investments made in terms of Section 186 of the Act are as under:

	Principal Amount (Shares)	Principal Amount (Bonds/Debentures)	Total
Opening	868.01	284.55	1,152.56
Addition *	163.53	-	163.53
Reduction **	-	(63.66)	(63.66)
Closing Balance	1,031.54	220.89	1,252.43

* HMC MM Auto Limited - ₹ 3.00 crores, HMCL(NA) Inc. - Nil, HMCL Netherlands BV - ₹ 70.44 crores, HMCL Americas Inc - Nil, Hero FinCorp Limited - ₹ 70.03 crores, Ather Energy Private Limited - ₹ 20.06 crores

** Maturity of bonds and amortization

DEPOSITS

Your Company has neither accepted nor renewed any deposits during FY 2017-18 in terms of Chapter V of the Act.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

During FY 2017-18, all contracts/arrangements/transactions entered into by your Company with related parties under Section 188(1) of the Act were in the ordinary course of business and on an arm's length basis. During FY 2017-18, your Company has not entered

into any contract/arrangement/transaction with related parties which could be considered 'material' in accordance with its Policy on Materiality of Related Party Transactions. Thus, there are no transactions required to be reported in Form AOC-2.

Further, during FY 2017-18, there were no materially significant related party transactions entered into by your Company with the Promoters, Directors, Key Managerial Personnel or other designated persons which might have potential conflict with the interest of the Company at large.





All related party transactions are placed before the Audit Committee for its approval. There was no related party transaction requiring approval of the Board. During FY under review, the Audit Committee has approved transactions through the omnibus mode in accordance with the provisions of the Act and Listing Regulations. Related party transactions were disclosed to the Board on regular basis as per Ind AS-24. Details of related party transactions as per Ind AS-24 may be referred to in Note 36 of the Standalone Financial Statements.

The policy on related party transactions is available on the Company's website, www.heromotocorp.com and can be viewed at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/related-party-transactions.html>.

RISK MANAGEMENT FRAMEWORK

Your Company follows an exhaustive risk identification exercise, backed by targeted risk mitigation plan. It enables your Company to identify the risks in advance and galvanize the appropriate stakeholders from the Company to blunt them.

FY 2017-18 saw a few new risks driven by the dynamic nature of the external environment. A few illustrative ones included the following:

- a) Gearing up post demonetization
- b) Preparing for the GST transition

Your Company deployed internal teams for creating and executing risk mitigation strategies. It also took advice from external agencies and engaged with the Company's stakeholders such as the suppliers and dealers. You will be pleased to learn that your Company was one of the very first ones to completely transition to the GST regime. For other identified risks, the Company took a number of measures including but not limited to, revisiting policies, developing new distribution models and expanding the risk realm to current non-competitors.

This FY, your Company also updated a Risk Management Framework. This framework is aimed at standardizing the risk management exercise across the organization. The Board continues to review the risk management practices at your Company and provides critical inputs.

Your Company has constituted a Risk Management Committee to oversee the risk management efforts under the Chairmanship of Mr. M. Damodaran, Independent Director. The details of the Committee alongwith its charter are set out in the Corporate Governance Report, forming part of this Report. The Board periodically reviews the Company's risks and their mitigation plans.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Your Company is committed to the highest standards of ethical, moral and legal business conduct. Accordingly, the Board of Directors has formulated a Vigil Mechanism/Whistle Blower Policy which provides a robust framework for dealing with genuine concerns & grievances. Your Company has an ethics hotline managed by a third party which

can be used by employees, Directors, vendors, suppliers, dealers etc. to report any violations to the Code of Conduct. Specifically, employees can raise concerns regarding any discrimination, harassment, victimisation, any other unfair practice being adopted against them or any instances of fraud by or against your Company. During FY under review, 14 complaints were received and processed. Out of these, 12 complaints have been investigated & acted upon and remaining 2 are under investigation.

During FY 2017-18, no individual was denied access to the Audit Committee for reporting concerns, if any.

The Vigil Mechanism/Whistle Blower Policy of the Company is available on the Company's website, www.heromotocorp.com and can be viewed at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/vigil-mechanism-policy.html>.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has constituted a Corporate Social Responsibility (CSR) Committee which functions under direct supervision of Mr. Pawan Munjal, Chairman, Managing Director & CEO of HMCL, who is also the Chairman of the CSR Committee. Other members of the Committee are Gen. (Retd.) V. P. Malik and Mr. Pradeep Dinodia, who are Non-Executive and Independent Directors of your Company.

Your Company has implemented the CSR Policy, duly formulated and recommended by the CSR Committee to the Board. The CSR policy lays down CSR activities to be undertaken by your Company. The CSR activities undertaken by your Company are based on the approved CSR Policy, which is available on the Company's website, www.heromotocorp.com and can be viewed at the following link: <https://www.heromotocorp.com/en-in/about-us/key-policies/corporate-social-responsibility.html>.

The CSR Policy of your Company, as adopted by the Board, broadly covers the following focus areas:

- a) To direct HMCL's CSR Programmes, inter-alia, towards achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India and preserving and promoting sports;
- b) To develop the required capability and self-reliance of beneficiaries at the grass roots, in the belief that these are pre-requisites for social and economic development;
- c) To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons including from disadvantaged sections of society;
- d) To pursue CSR Programmes primarily in areas that fall within the economic vicinity of the Company's operations, to enable close supervision and ensure maximum development impact;

- e) To carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- f) To carry out activities at the time of natural calamity or engage in Disaster Management System;
- g) To contribute to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, Other Backward Classes, minorities and women;
- h) To contribute or provide funds to technology incubators located within academic institutions which are approved by the Central Government;
- i) To contribute to any fund setup by the Central Government or State Government(s) including Chief Minister's Relief Fund, which may be recognised as CSR activity;
- j) To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier impact.

During the FY under review, your Company spent ₹ 84.34 crores on its CSR activities, which amounts to 2.04% of the average net profits of previous three financial years. The CSR initiatives undertaken by your Company along with other details form part of the Annual Report on CSR activities for FY 2017-18, which is annexed as **Annexure - VIII**.

AUDIT COMMITTEE

The Audit Committee of your Company comprises of the following Non-Executive and Independent Directors:

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

Further details on the Audit Committee and its terms of reference etc. have been furnished in Corporate Governance Report which forms part of this Report as **Annexure - V**.

During the FY under review, all recommendations of the Audit Committee were accepted by the Board of Directors of the Company.

AUDITORS AND AUDITORS' REPORT

Statutory Auditors

M/s BSR & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) were appointed at the previous AGM as the Statutory Auditors of the Company until the conclusion of 39th Annual General Meeting of the Company. They have audited the

financial statements of the Company for the FY under review. The observations of Statutory Auditors in their Report read with relevant Notes to Accounts are self-explanatory and therefore, do not require further explanation. The Auditors' Report does not contain any qualification, reservation or adverse remark. Further, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under Section 143(12) of the Act.

Cost Auditors

The Board, on the recommendation of Audit Committee, has approved the appointment of M/s Ramanath Iyer & Co., Cost Accountants, as Cost Auditors for the financial year ending March 31, 2019. The Cost Auditors will submit their report for the FY 2017-18 on or before the due date.

In accordance with the provisions of Section 148 of the Act read with Companies (Audit & Auditors) Rules, 2014, since the remuneration payable to the Cost Auditors is required to be ratified by the shareholders, the Board recommends the same for approval by Members at the ensuing AGM.

Secretarial Auditors

M/s Sanjay Grover & Associates, Company Secretaries (Firm Registration No. P2001DE052900) were appointed to conduct Secretarial Audit of your Company during FY 2017-18.

The Secretarial Audit Report for the said FY is annexed herewith and forms part of this Report as **Annexure - IX**. The Report does not contain any qualification, reservation or adverse remark.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

Your Company has a robust and well embedded system of internal controls. This ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition and all financial transactions are authorised, recorded and reported correctly.

An extensive risk based programme of internal audits and management reviews provides assurance to the Board regarding the adequacy and efficacy of internal controls. The internal audit plan is also aligned to the business objectives of the Company. Comprehensive policies, guidelines and procedures are laid down for all business processes. The internal control system has been designed to ensure that financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

INSIDER TRADING CODE

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the PIT Regulations) on prevention of insider trading, your Company has a comprehensive Code of Conduct for regulating, monitoring and reporting of trading by Insiders. The said Code lays down guidelines, which advise Insiders on the procedures to be followed and disclosures to be made in dealing with the shares of the Company and cautions them on consequences of non-compliances.





Your Company also has a Code of practices and procedures of fair disclosures of unpublished price sensitive information. Both the aforesaid Codes are in line with the PIT Regulations.

BUSINESS RESPONSIBILITY REPORT

As stipulated under the Listing Regulations, the Business Responsibility Report ('BRR') has been prepared and forms part of the Annual Report as **Annexure - X**. The Report provides a detailed overview of initiatives taken by your Company from environmental, social and governance perspectives.

LISTING

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

PERSONNEL

As on March 31, 2018, total number of employees on the records of your Company were 8,266 as against 8,069 in the previous FY.

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

PARTICULARS OF EMPLOYEES

The statement of Disclosure of Remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ('Rules'), is appended as **Annexure - II** to the Report. The information as per Rule 5(2) of the Rules forms part of this Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5(2) of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

EXTRACT OF ANNUAL RETURN

In terms of Sections 92(3) and 134(3)(a) of the Act and Rules made there under, extract of the Annual Return in Form No. MGT-9 is annexed to this Report as **Annexure - XI**.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is fully compliant with the applicable Secretarial Standards (SS) viz. SS-1 & SS-2 on Meetings of the Board of Directors and General Meetings respectively.

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

Information required under Section 134(3)(m) of the Act read with Rules made thereunder is annexed to this report as **Annexure - XII**.

STATUTORY DISCLOSURES

Your Directors state that there being no transactions with respect to

following items during FY under review, no disclosure or reporting is required in respect of the same:

1. Deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of your Company under any scheme, save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Director of your Company receive any remuneration or commission from any of its subsidiaries.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
6. Buy back of shares.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

Your Company has in place a policy on Prevention of Sexual Harassment at workplace. This policy is in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees, whether permanent, contractual, temporary and trainees are covered under this Policy.

As per the said Policy, an Internal Complaints Committee is also in place to redress complaints received regarding sexual harassment. Following is the summary of complaints received and disposed off during FY under review:

No. of complaints received: 2

No. of complaints disposed off: 2

AWARDS AND RECOGNITION

During FY under review, the Company has received multiple awards and recognition. Some of them are listed below:

1. State Level Bhamashah Respect Certificate by the Rajasthan Government.
2. Best CSR Practices in private sector by CSR Leadership Summit & Awards.
3. Energy Efficient Award by CII.
4. International Fire and Security Exhibition and Conference (IFSEC) Award for Excellence in Physical Security.
5. National Safety Award by Ministry of Labour & Employment.
6. Platinum Rating in GreenCo assessment (commensurate to world class manufacturing) by CII.

ACKNOWLEDGMENTS

The Board of Directors would like to express their sincere thanks to the shareholders & investors of the Company for the trust reposed on the Company over the past several years. Your Directors would also like to thank the central government, state governments, financial institutions, banks, customers, employees, dealers, vendors and ancillary undertakings for their co-operation and assistance. We

would like to reiterate our commitment to continue to build our organisation into a truly world class enterprise in all respects.

For and on behalf of the Board

Date: May 2, 2018
Place: New Delhi

Pawan Munjal
Chairman
DIN: 00004223

