

Independent Auditors' Report

To the Members of
Hero MotoCorp Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Hero MotoCorp Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (together referred to as "standalone financial statement").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("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 2021, and of its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	The key audit matter	How the matter was addressed in our audit
1.	<p>Government Grants</p> <p>(Refer note 3.5 and 4 (f) to the standalone financial statements)</p> <p>The Company obtains various grants from Government authorities in connection with manufacturing and sales of two wheelers. There are certain specific conditions and approval requirement attached to the grants.</p> <p>Management evaluates, at the end of each reporting period, whether the Company has complied with the relevant conditions attached to each grant and whether there is a reasonable assurance that the grants will be received, in order to determine the timing and amounts of grants to be recognized in the financial statements.</p> <p>We identified the recognition of government grants as a key audit matter because of the significance of the amount of grants and due to significant management judgement involved in assessing whether the conditions attached to grants have been met and whether there is reasonable assurance that grants will be received.</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> assessed the appropriateness of the accounting policy for government grants as per the relevant accounting standard; evaluated the design and implementation of the Company's key internal financial controls over recognition of government grants and tested the operating effectiveness of such controls on selected transactions; inspected, on a sample basis, documents relating to the grants given by the various government authorities and identifying the specific conditions and approval requirements attached to the respective grants; evaluated the basis of management's judgement regarding fulfilment of conditions attached to the grants and reasonable assurance that grants will be received. This included examining, on a sample basis, the terms of the underlying documentation, correspondence with the government authorities and whether corresponding sales were made in respect of such grants; assessed the adequacy and appropriateness of the disclosures made in accordance with the relevant accounting standard.

Information Other than the Standalone Financial Statements and Auditors’ Report Thereon

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s annual report, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management’s and Board of Directors’ Responsibility for the Standalone Financial Statements

The Company’s Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Corporate Overview

Management Review

Statutory Reports

Financial Statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2.(A) 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is

disqualified as on 31 March 2021 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 with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' 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 as at 31 March 2021 on its financial position in its standalone financial statements - Refer Note 34 to the standalone financial statements;
 - ii. According to the information and explanations given to us, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Chartered Accountants

ICAI Firm registration No.: 101248W/W-100022

Manish Gupta

Partner

Place: New Delhi

Date: 06 May 2021

Membership No.: 095037

UDIN : 21095037AAAABJ2949

Annexure A referred to in the Independent Auditors' Report

to the Members of Hero MotoCorp Limited on the standalone financial statements for the year ended 31 March 2021

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the items are verified in a phased manner over a period of three years. 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. In accordance with this programme, certain fixed assets were physically verified during the year. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of such fixed assets.
- (c) According to the information and explanations given to us, the records examined by us and based on the examination of the registered sale deed and transfer deed provided to us, we report that, the title deeds of immovable properties of land and buildings which are freehold included under the head "Property, plant and equipment", are held in the name of the Company as at the balance sheet date except for two title deeds for buildings having gross block of Rs. 37.88 crores and net block of Rs. 37.70 crores which are yet to be registered in the name of the Company.
- (ii) Inventories, except for goods-in-transit and stocks lying with third parties have been physically verified by the management during the year at reasonable intervals. In our opinion, the frequency of such verification is reasonable and adequate in relation to the size of the Company and the nature of its business. For stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has not given any loans, or provided any guarantee or security as specified under section 185 and 186 of the Companies Act, 2013. Moreover, in respect of the investments made by the Company, requirements of section 186 of the Companies Act, 2013 have been complied with.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 in respect of certain products manufactured by the Company. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government of India under sub-section (1) of Section 148 of the Act and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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, goods and service tax, income-tax, duty of customs, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of excise, sales tax, service tax and value added taxes.

According to the information and explanation given to us, there are no undisputed amounts payable in respect of provident fund, employees state insurance, goods and service tax, income-tax, duty of customs, cess and any other material statutory dues that were in arrear as on 31 March 2021 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 in respect of income-tax, sales-tax, goods and service tax, value added tax, service tax, duty of customs and duty of excise which have not been deposited with the appropriate authorities on account of any dispute as at 31 March 2021, other than those mentioned as follows:

Name of Statute	Nature of Dues	Amount* (Rs. in crores)	Amount paid (Rs. in crores)	Period to which the Amount Relates	Forum where Dispute is Pending
Central Excise Law	Excise Duty	59.28	1.64	Financial year ("FY") 2004-05 to FY 2017-18	CESTAT (The Customs Excise and Service Tax Appellate Tribunal)
Central Excise Law	Excise Duty	3.30	0.02	FY 2014-15 to FY 2015- 16, FY 2017-18	Commissioner Appeal
Central Goods and Services Tax Act, 2017	Goods and Services Tax (GST)	0.09	0.01	FY 2017-18	GST Appellate Tribunal
Finance Act, 1994	Service Tax	233.11	24.99	FY 2004-05 to FY 2011- 12	CESTAT
Finance Act, 1994	Service Tax	0.89	0.45	FY 2004-05 to FY 2005- 06	Supreme Court
Income-tax Act, 1961	Income-tax	283.99 **	-	FY 2014-15	Income Tax Appellate Tribunal (ITAT)
Income-tax Act, 1961	Income-tax	2,336.71*	350.51	FY 2010-11	Commissioner of Income Tax (Appeals)

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

**Subsequent to the year end, the Company has received favourable order from Income Tax Appellate Tribunal. Further, no appeal has been made by the department against this order till the reporting date.

#Stay has been granted by assessing officer for balance demand pertaining to FY 2010-11 till the disposal of first appeal.

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

Name of Statute	Nature of Dues	Amount* (Rs. in crores)	Amount paid as per stay order/ mandatory deposit	Financial year to which the Amount Relates	Forum where Dispute is Pending
Central Excise Law	Excise Duty	85.66	-	FY 2009-10 to FY 2010- 11, FY 2013-14	CESTAT
Central Excise Law	Excise Duty	8.78	-	FY 2002-03 to FY 2008- 09	Supreme Court
Income-tax Act, 1961	Income-tax	4.10	-	2005-06	Supreme Court
		7,367.64	-	1995-96, 1996-97, 1997-98, 1998-99, 2000-01, 2002-03, 2003-04 2006-07, 2009-10, 2010-11, 2011-12 2012-13.	High Court
		365.01	-	2004-05***, 2007-08 and 2013-14	Income Tax Appellate Tribunal

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

*** Subsequent to the year end, the Company has received favourable order from Income Tax Appellate Tribunal. Further, no appeal has been made by the department against this order till the reporting date.

- (viii) According to the information and explanation given to us, the Company has not taken any loans or borrowings from banks, financial institutions and government and there were no debentures issued during the year or outstanding as at 31 March 2021. Accordingly, paragraph 3 (viii) of the Order is not applicable to the Company.
- (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 to the Company.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on our examination of the records, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (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 on the basis of examination of the records of the Company, the transactions with related parties are in compliance with

Section 177 and 188 of the Companies Act, 2013, where applicable, and the details of the related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

- (xiv) According to information and explanations given to us and on the basis of 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. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to information and explanations given to us and on the basis of examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-1A of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

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

Manish Gupta
Partner
Membership No.: 095037
UDIN : 21095037AAAABJ2949



Annexure B to the Independent Auditors' report

on the standalone financial statements of Hero MotoCorp Limited for the year ended 31 March 2021.

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to the standalone financial statements of Hero MotoCorp Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to the standalone financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to the standalone financial statements 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 (the "Guidance Note").

Management's and Board of Directors' Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to the standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the standalone financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to the standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the standalone financial statements included obtaining an understanding of such internal financial controls, 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 standalone 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 with reference to the standalone financial statements.

Meaning of Internal Financial controls with Reference to the Standalone Financial Statements

A company's internal financial controls with reference to the standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to the standalone financial statements include 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 the standalone 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 standalone financial statements.

Inherent Limitations of Internal Financial controls with Reference to the standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to the standalone financial statements, 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 with reference to the standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to the standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **BSR & Co. LLP**
Chartered Accountants
ICAI Firm registration No.: 101248W/W-100022

Manish Gupta
Partner
Place: New Delhi
Date: 06 May 2021
Membership No.: 095037
UDIN : 21095037AAAABJ2949

