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# EICHER MOTORS LIMITED

## ANNUAL REPORT 2006-07

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**Board of Directors**
S Sandilya, Chairman
Siddhartha Lal, Managing Director & Chief Executive Officer
P N Vijay
Priya Brat
M J Subbaiah

**Company Secretary**
Inder Mohan Singh

**Auditors**
A F Ferguson Associates, New Delhi

**Bankers**
Central Bank of India
Centurion Bank of Punjab Limited
HDFC Bank Limited
Indian Overseas Bank
ICICI Bank Limited
State Bank of India
State Bank of Patiala
State Bank of Indore
Standard Chartered Bank

**Registered Office**
Eicher House
12, Commercial Complex,
Greater Kailash II (Masjid Moth)
New Delhi - 110 048
Tel No. 011 - 41437600
Web-site:http://www.eicherworld.com

**Units :**
**Commercial Vehicles**
The CV Unit
102, Industrial Area No.1
Pithampur – 454 775,
Distt. Dhar (Madhya Pradesh)

**Two Wheelers**
Royal Enfield
Thiruvottiyur, Chennai 600 019 (Tamil Nadu)

**Components**
Eicher Engineering Components

Indonippon Foods Premises No.7
HSIDC Sector-18, Palam-Gurgaon Road,
Gurgaon - 122 015 (Haryana)

SV Road, Thane 400 607 (Maharashtra)

78-86, Industrial Area No. III, AB Road
Dewas- 455 001 (Madhya Pradesh)

**Eicher Engineering Solutions**
Tower-B, 16th Floor, Unitech
Cyber Park, Sector-39
Gurgaon – 122 001 (Haryana)

**Share Transfer Agent**
M/s. MCS Limited
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area,
Phase - II, New Delhi 110 020.
Phone No.(011) 41406149 - 52
E-mail: mcsltd@eth.net
Web-site:http://www.mcsdel.com

## CONTENTS


| | | Page No. |
|---|---|---|
| 1. | Notice of the Annual General Meeting | 1 |
| 2. | Financial Data for the last 10 years | 4 |
| 3. | Directors' Report | 7 |
| 4. | Report on Corporate Governance | 16 |
| 5. | Auditors' Report | 28 |
| 6. | Balance Sheet and P&L Account | 32-33 |
| 7. | Cash Flow Statement | 35 |
| 8. | Statement of Subsidiary Company pursuant to Section 212 of the Companies Act, 1956 | 56 |
| 9. | Auditors' Report / Consolidated Accounts | 57-58 |
| 10. | Investor Response Form | 77 |
| 11. | Nomination Form | 78 |
| 12. | Proxy Form/Mandate for payment of Dividend/Attendance Slip | 79 |


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# NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 25th ANNUAL GENERAL MEETING OF THE MEMBERS OF **EICHER MOTORS LIMITED** WILL BE HELD AT **10.30 A.M.** ON **FRIDAY, JUNE 29, 2007** AT LTG AUDITORIUM, COPERNICUS MARG, NEW DELHI – 110 001 TO TRANSACT THE FOLLOWING BUSINESS:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2007 and the Balance Sheet as at end of the said year together with Auditors' & Directors' Report thereon.

2. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

   The Company has received a notice from M/s A.F. Ferguson Associates, Chartered Accountants, the retiring auditors, that their reappointment if made, will be in accordance with the limits specified in Sub Section (1B) of Section 224 of the Companies Act, 1956.

3. To appoint a Director in place of Mr Priya Brat who retires by rotation and being eligible offers himself for reappointment.

4. To appoint a Director in place of Mr P N Vijay who retires by rotation and being eligible offers himself for reappointment.

**SPECIAL BUSINESS:**

5. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution:
   "RESOLVED that subject to the provisions of sections 198, 309, 310, 311, 268 and 269 read with Schedule XIII of the Companies Act, 1956 and subject to such other necessary approvals as may be applicable, approval be and is hereby granted for variation in the terms and conditions relating to remuneration for Mr. Siddhartha Lal, Managing Director of the Company with effect from May 1, 2007 on the terms and conditions as appearing in the explanatory statement enclosed herewith.

6. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution:

   "RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such consents and approvals as may be necessary, the Board of Directors of the Company be and is hereby authorised to mortgage, charge all or any of the present and future immovable properties situated at 102, Industrial Area No.1, Pithampur, Distt Dhar (Madhya Pradesh) and S V Road, Chittalsar Manpada, Thane (Maharashtra) of the Company, on pari passu basis with existing lenders, together with the power to take over the whole or substantially the whole of the undertaking of the Company or any of its undertaking in certain events:

   **As and by way of pari passu first charge:**

   a) Foreign Currency Term Loan of USD 11 million from ICICI Bank Limited, Hong Kong Branch (ICICI);

   **As and by way of pari passu second charge in favour of:**

   a) Working capital limit of Rs.10 crores from State Bank of Indore (SBOI);
   b) Working capital limit of Rs.20 crores from the Hong Kong and Shanghai Banking Corporation Limited (HSBC);
   c) Working capital limit of Rs.23 crores from Standard Chartered Bank (SCB);
   d) Working capital limited of Rs.40 crores from ICICI Bank Ltd (ICICI);

   RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions and documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid rights and to do all such acts and things as may be necessary for giving effect to the above resolution".

**By Order of the Board**

**Inder Mohan Singh**
Company Secretary

Place : New Delhi
Date : May 3, 2007



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**Notes**

1. A member entitled to attend and vote is entitled to appoint a proxy, to attend and vote instead of himself and the proxy need not be a member of the Company.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from June 22, 2007 to June 29, 2007 (both days inclusive) in terms of Section 154 of the Companies Act, 1956.
4. Please intimate change in your address if any to MCS Limited, Share Transfer Agents, W-40, Okhla Industrial Area, Phase-II, New Delhi – 110 020.
5. Members are requested to quote folio numbers in all correspondence with the Company.
6. In case you intend to raise any queries in the forthcoming Annual General Meeting, you are requested to please forward the same at least 10 days before the date of the Meeting to Mr Inder Mohan Singh, Company Secretary at the following address so that the same may be attended to appropriately to your entire satisfaction.

**By order of the Board**

**Inder Mohan Singh**
**Company Secretary**
Eicher Motors Limited
Eicher House, 12, Commercial Complex
Greater Kailash-II (Masjid Moth)
New Delhi - 110 048
Tel No. 011 - 41437600
E-mail: imsingh@eicher.in

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

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**Item No.3**

Mr Priya Brat who retires by rotation and being eligible offers himself for reappointment. A brief resume of Mr. Priya Brat has been provided in the report on corporate governance.

Mr. Priya Brat does not hold any shares in the Company.

The Board of Directors feel that the continued presence of Mr Priya Brat on the Board is desirable and would be beneficial to the Company and hence recommend the resolution No.3 for adoption.

Except Mr Priya Brat, no other Directors are concerned or interested.

**Item No.4**

Mr P N Vijay who retires by rotation and being eligible offers himself for reappointment. A brief resume of Mr. P N Vijay has been provided in the report on corporate governance.

Mr. P N Vijay does not hold any shares in the Company.

The Board of Directors feel that the continued presence of Mr P N Vijay on the Board is desirable and would be beneficial to the Company and hence recommend the resolution No.4 for adoption.

Except Mr P N Vijay, no other Directors are concerned or interested.

**Item No.5**

**TERMS AND CONDITIONS RELATING TO REMUNERATION FOR MR. SIDDHARTHA LAL**

**I. Salary and allowances:**

a) Basic Salary : Rs.2,50,000/- (Rupees Two Lakhs Fifty Thousand only) per month with effect from 1st May, 2007 in the range of Rs.2,00,000/- to Rs.4,00,000/- per month.

b) Flexible Payment Allowance (FPA) : Rs.2,50,000/- (Rupees Two Lakhs Fifty Thousand only) per month.



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**II. Perquisites:**

a) Furnished accommodation;

b) Facility of Car with driver;

c) Telephone at residence;

d) Medical Reimbursement : Expenses incurred for self and family in accordance with the rules of the Company;

e) Contribution to Provident and Superannuation funds : Company's contribution to Provident and Superannuation funds will be as per the rules of the Company;

f) Gratuity : Not exceeding half month's salary for each completed year of service;

g) Other perquisites : subject to the overall ceiling on remuneration, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may, from time to time, decide.

**Explanation**

Perquisites shall be evaluated as per Income tax Rules, 1962, wherever applicable and in the absence of any such rules, perquisites shall be valued at actual cost.

**III. Commission:**

As the Board of Directors of the Company and/or a Committee of the Board, may at their sole discretion approve/decide from time to time payment of commission provided that the total commission shall not exceed 5% of the net profit computed in the manner laid down in Section 198 of the Companies Act, 1956 as amended from time to time.

**IV.** The aggregate of salary, allowances and perquisites including commission in any financial year shall not exceed the limit prescribed from time to time under sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as may for the time being be in force.

**V.** In the event of absence or inadequacy of profits in any financial year, the aggregate of salary, allowances, perquisites shall not exceed the applicable (maximum) ceiling prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time.

**VI.** The Company shall not pay any commission to Mr.Siddhartha Lal in the event of absence/inadequacy of profits.

All other terms and conditions of the appointment shall remain unchanged."

Your Board recommends the passing of this ORDINARY RESOLUTION in the interests of the Company.

Except Mr. Siddhartha Lal, no other Directors are concerned or interested.

**Item No.6**

To secure the present and proposed loans and borrowings of the Company from the Banks, it would be necessary to mortgage/charge the present and future assets of the Company in favour of the Banks by way of First charge and Second charge from time to time.

Section 293 (1)(a) of the Companies Act, 1956, provides inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in General Meeting, sell, lease or otherwise dispose off the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

In view of the above, it is necessary for the members to pass a resolution u/s 293(1)(a) of the Companies Act, 1956 before creation of the said mortgages/charges.

Your Board recommends the passing of this ORDINARY RESOLUTION in the interests of the Company.

None of the Directors are interested or concerned in the passing of the resolution.



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# Financial Position at a Glance

**(Rs. in crores)**

| **Balance Sheet** | **2006-07** | **2005-06** | **2004-05** | **2003-04*** | **2002-03** | **2001-02** | **2000-01** | **1999-00** | **1998-99** | **1997-98** |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Fixed Assets | 540.0 | 507.6 | 641.6 | 576.9 | 207.2 | 174.1 | 129.5 | 99.1 | 79.2 | 66.7 |
| Net Fixed Assets | 302.3 | 302.5 | 388.6 | 364.7 | 152.2 | 130.2 | 95.0 | 70.4 | 55.0 | 46.4 |
| Investments | 272.1 | 268.9 | 2.7 | 2.7 | 2.7 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventories | 168.9 | 161.2 | 161.3 | 126.3 | 36.1 | 29.3 | 24.1 | 27.4 | 17.5 | 25.3 |
| Debtors | 189.4 | 117.6 | 158.1 | 154.9 | 51.9 | 50.4 | 32.5 | 28.6 | 31.4 | 26.6 |
| Other Current Assets | 254.8 | 205.6 | 185.8 | 134.6 | 27.8 | 26.6 | 32.7 | 34.8 | 35.7 | 23.6 |
| Current Liabilities and Provisions | 534.3 | 391.6 | 456.0 | 334.3 | 109.0 | 94.9 | 66.1 | 61.9 | 52.0 | 40.9 |
| Net Current Assets | 78.8 | 92.8 | 49.1 | 81.5 | 6.7 | 11.4 | 23.2 | 28.9 | 32.6 | 34.6 |
| Miscellaneous expenditure | 0.6 | 2.1 | 5.9 | 8.1 | - | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 |
| **Total** | **653.8** | **666.3** | **446.3** | **457.0** | **161.7** | **144.3** | **118.3** | **99.5** | **87.9** | **81.3** |
| Share Capital | 28.1 | 28.1 | 28.1 | 28.1 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Reserves & Surplus | 385.3 | 416.9 | 212.9 | 166.8 | 80.9 | 51.3 | 62.8 | 43.7 | 32.2 | 27.7 |
| **Net Worth** | **413.4** | **445.0** | **241.0** | **194.9** | **100.9** | **71.3** | **82.8** | **63.7** | **52.2** | **47.7** |
| Deferred Tax Liability (net) | 40.1 | 43.7 | 67.1 | 66.4 | 34.6 | 31.7 | - | - | - | - |
| Borrowings | 200.3 | 177.6 | 138.2 | 195.7 | 26.2 | 41.3 | 35.5 | 35.8 | 35.7 | 33.6 |
| **Total** | **653.8** | **666.3** | **446.3** | **457.0** | **161.7** | **144.3** | **118.3** | **99.5** | **87.9** | **81.3** |
| No. of Shares | 28093950 | 28093950 | 28093950 | 28093950 | 19999200 | 19999200 | 19999200 | 19999200 | 19999200 | 19999200 |
| **Book Value per Share (Rs.)** as on 31st March** | **139.1** | **146.8** | **62.3** | **46.8** | **38.3** | **22.5** | **37.6** | **27.8** | **25.7** | **23.4** |
| **Market Value per Share (Rs.) as on 31st March** | **247.7** | **302.4** | **310.2** | **224.4** | **67.1** | **42.3** | **23.3** | **42.6** | **12.3** | **12.0** |
| **Market Value to Book Value per Share** | **1.8:1** | **2.1:1** | **5.0:1** | **4.8:1** | **1.8:1** | **1.9:1** | **0.6:1** | **1.5:1** | **0.5:1** | **0.5:1** |
| **Market Capitalisation as on 31st March** | **695.8** | **849.4** | **871.3** | **630.4** | **134.2** | **84.5** | **46.5** | **85.2** | **24.6** | **24.0** |
| **Debt Equity Ratio** | **0.4:1** | **0.4:1** | **0.6:1** | **1:1** | **0.3:1** | **0.6:1** | **0.4:1** | **0.6:1** | **0.7:1** | **0.7:1** |

* Pursuant to the Composite scheme of Arranagement, the Automobile undertaking (consisting of Tractor, Engines, Gears and Two Wheelers business) of Eicher Limited has been transferred to the Eicher Motors Limited w.e.f. 01.04.2003

** Book value per share is calculated after reducing Intangible Assets and Miscellaneous Expenditure not written off from Net Worth.



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# Operational Highlights at a Glance

**(Rs. in Crores)**

| Profit & Loss Account | 2006-07 | 2005-06** | 2004-05 | 2003-04* | 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales Volume:** | | | | | | | | | | |
| Commercial Vehicles (Nos.) | 28072 | 23604 | 23004 | 15885 | 12717 | 9630 | 8438 | 6931 | 5321 | 5275 |
| Two Wheelers (Nos.) | 32612 | 30777 | 29475 | 28361 | - | - | - | - | - | - |
| Gears (Including Inter Segment Sales - In Crores) | 128.8 | 99.6 | 107.2 | 81.4 | - | - | - | - | - | - |
| Sales Revenue (Excluding Inter Segment Sales) | **2223.2** | 1858.5 | 2211.6 | 1564.8 | 698.4 | 530.9 | 445.1 | 351.9 | 267.2 | 264.2 |
| Other Income | 26.7 | 31.2 | 18.1 | 11.4 | 5.7 | 1.7 | 2.0 | 1.2 | 1.7 | 1.3 |
| **Total Income** | **2249.9** | **1889.7** | **2229.7** | **1576.2** | **704.1** | **532.6** | **447.1** | **353.2** | **268.8** | **265.5** |
| Less : Excise Duty | 270.7 | 213.6 | 229.0 | 200.1 | 71.8 | 51.5 | 53.0 | 41.0 | 28.2 | 27.7 |
| **Net income** | **1979.2** | **1676.1** | **2000.7** | **1376.1** | **632.3** | **481.1** | **394.1** | **312.2** | **240.6** | **237.8** |
| Manufacturing and other expenses | 1835.4 | 1577.8 | 1849.8 | 1244.7 | 553.3 | 438.2 | 358.9 | 285.5 | 221.9 | 222.3 |
| Miscellaneous expenditure written off | 1.5 | 2.1 | 6.7 | 7.6 | - | - | - | - | - | - |
| **Profit before interest, depreciation, exceptional items & tax (PBIDT)** | **142.3** | **96.2** | **144.2** | **123.8** | **79.0** | **42.9** | **35.3** | **26.7** | **18.6** | **15.5** |
| **PBIDT to Net Income (%)** | **7.2%** | **5.7%** | **7.2%** | **9.0%** | **12.5%** | **8.9%** | **9.0%** | **8.6%** | **7.7%** | **6.5%** |
| Interest | 13.8 | 16.5 | 22.3 | 24.0 | 4.3 | 3.5 | 3.4 | 4.1 | 5.8 | 7.5 |
| Depreciation | 40.6 | 46.8 | 48.4 | 42.3 | 16.1 | 9.4 | 6.2 | 4.8 | 4.1 | 3.8 |
| **Profit before exceptional items and tax** | **87.9** | **32.9** | **73.5** | **57.6** | **58.7** | **30.0** | **25.7** | **17.9** | **8.7** | **4.3** |
| **PBT to Net Income (%)** | **4.4%** | **2.0%** | **3.7%** | **4.2%** | **9.3%** | **6.2%** | **6.5%** | **5.7%** | **3.6%** | **1.8%** |
| Exceptional Items | - | 166.7 | - | - | - | - | - | - | - | - |
| **Profit before tax for the year** | **87.9** | **199.6** | **73.5** | **57.6** | **58.7** | **30.0** | **25.7** | **17.9** | **8.7** | **4.3** |
| Provision for taxation | 26.6 | -17.3 | 14.7 | 23.9 | 21.3 | 11.5 | 2.2 | 2.1 | 0.9 | 1.2 |
| **Profit after taxation # (PAT)** | **61.3** | **216.9** | **58.8** | **33.6** | **37.5** | **18.5** | **23.5** | **15.9** | **7.8** | **3.0** |
| **PAT to Net Income (%)** | **3.1%** | **12.9%** | **2.9%** | **2.4%** | **5.9%** | **3.8%** | **6.0%** | **5.1%** | **3.3%** | **1.3%** |
| **Dividend including Corporate Dividend Tax** | **92.9@** | **12.8** | **12.8** | **11.1** | **7.9** | **5.0** | **4.4** | **4.4** | **3.3** | **2.2** |
| **Equity Dividend (%)** | **290%** | **40%** | **40%** | **35%** | **35%** | **25%** | **20%** | **20%** | **15%** | **10%** |
| **Basic Earnings per Share (Rupees)** | **21.81** | **77.20** | **20.95** | **11.97** | **18.73** | **9.24** | **11.77** | **7.93** | **3.91** | **1.51** |
| **Basic Earnings per Share (from continuing operations - In Rs.)** | **21.81** | **13.89** | **14.29** | **11.97** | **18.73** | **9.24** | **11.77** | **7.93** | **3.91** | **1.51** |

* Pursuant to the Composite scheme of Arranagement, the Automobile undertaking (consisting of Tractor, Engines, Gears and Two Wheelers business) of Eicher Limited has been transferred to the Eicher Motors Limited w.e.f. 01.04.2003

** Tractor business has been sold off during the year 2005-06

# The break-up of profit after tax for 2005-06 and 2004-05 is as follows

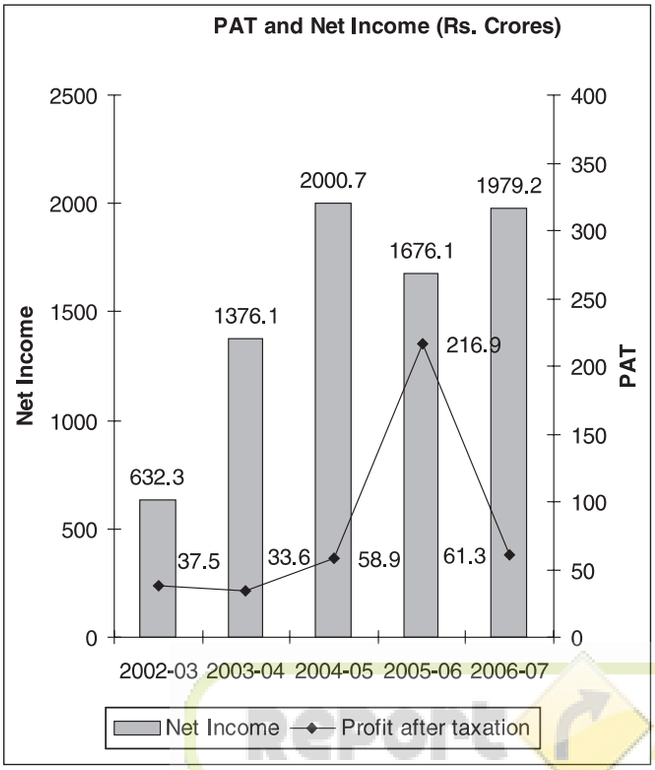
| | | Rs. in Crores | |
|---|---|---|---|
| | | **2005-06** | 2004-05 |
| Profit after tax from continuing operations | | 39.01 | 40.15 |
| Profit after tax from discontinuing operations | | 14.36 | 18.70 |
| Profit after tax from disposal of assets and settlement of related liabilities etc. of discontinuing operations | | 163.51 | - |
| | **Total** | **216.88** | **58.85** |

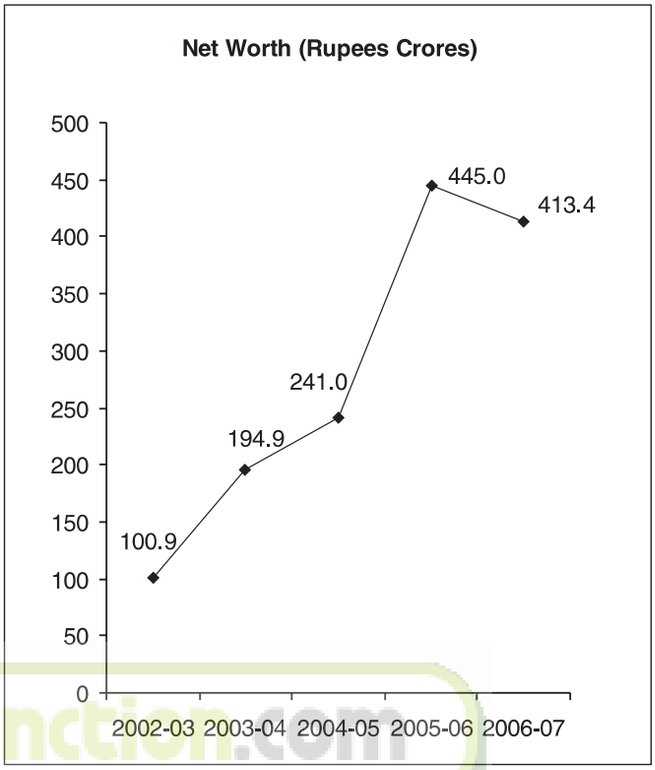
**@ Interim Dividend (including special dividend) @ 290% has been paid for the year 2006-07.**

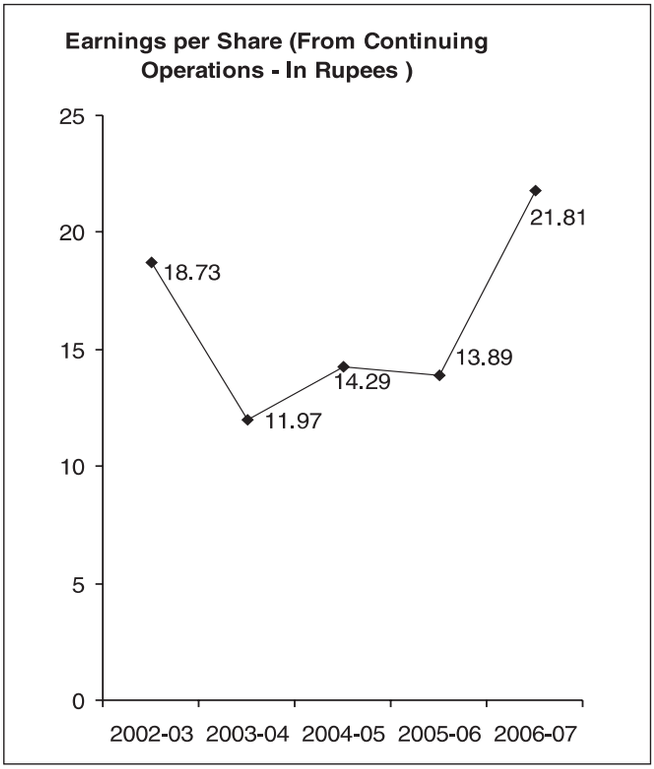


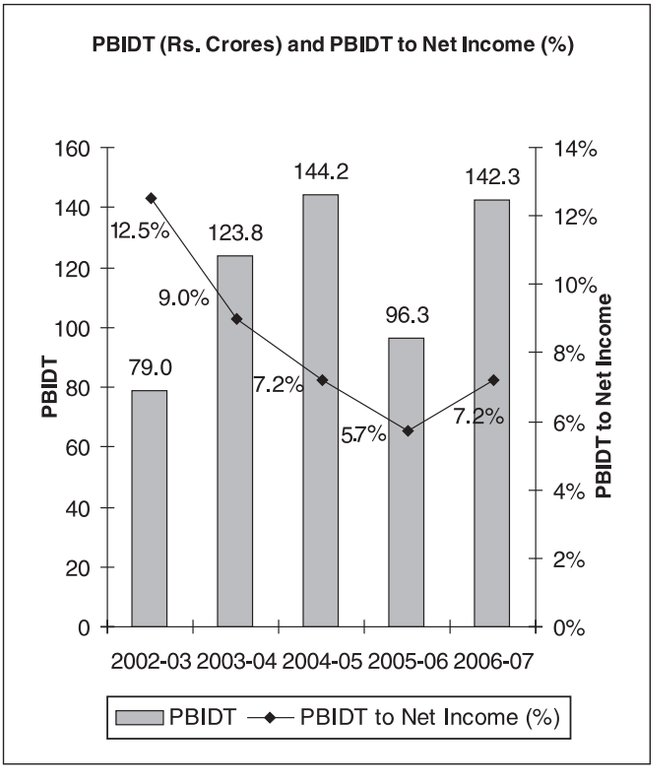
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# Financial Highlights






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## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors have pleasure in presenting the Twenty Fifth Annual Report along with the Audited Accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

Indian economy continued to be buoyant with a GDP growth of more than 9% for second year in succession. Based on this, overall business environment has been quite upbeat in the country.
On the back of a strong economy, your Company has put up a record performance in the year 2006-07 with total revenues of Rs 2250 Crs as compared to Rs 1890 Crs in the previous year with a growth of 19%. Profit before interest, depreciation and income tax amounted to Rs 142.3 Crs against Rs 96.2 Crs in the previous year. After providing for interest of Rs 13.8 Crs and depreciation of Rs 40.6 Crs, net profit before tax was all time high at Rs 87.9 Crs recording a growth of 167% over previous year profit before tax (before exceptional items) of Rs 32.9 Crs.

The financial results are summarized below: -

(Rs. in crores)

| | 2006-07 | 2005-06 |
|---|---|---|
| **Total Revenue** | **2249.9** | **1889.7** |
| Less : Excise duty | 270.7 | 213.6 |
| **Net Revenue** | **1979.2** | **1676.1** |
| Operating profit before depreciation, interest and exceptional items | 142.3 | 96.2 |
| Interest | 13.8 | 16.5 |
| Depreciation | 40.6 | 46.8 |
| **Profit before tax (before exceptional items)** | **87.9** | **32.9** |
| **Exceptional items** | **–** | **166.7** |
| **Profit before tax** | **87.9** | **199.6** |
| Provision for tax (including fringe benefit tax, deferred tax write back and MAT credit entitlement) | 26.6 | (17.3) |
| **Net profit after tax** | **61.3** | **216.9** |
| **Earnings per share** | | |
| - Basic | **21.81** | **77.20** |
| - Diluted | **21.77** | **77.20** |

EBIDTA margins have improved during the year to 7.2 % as compared to 5.7 % in the previous year. This has happened as a result of sustained efforts on cost reduction front coupled with better realizations and product mix advantages. Overall material cost as a % to net sales also reduced by 157 basis points.

All three main businesses of the Company have generated profits with profit before interest and common costs of Rs 86.2 Crs in Commercial Vehicles business, Rs 1.2 Crs in Two wheelers business and Rs 5.7 Crs in Components (including Gears) business. The business of Engineering Design Services is still in the nascent stage and holds good potential for future.

### DIVIDEND

An interim dividend of 290% including a one time special dividend of Rs 250% was declared in March 2007. The Directors recommend that the same be considered as final dividend.

### OUR BUSINESSES

### COMMERCIAL VEHICLES

Overall Commercial Vehicle industry continued to show good growth for 5th year in succession registering a growth of > 25% in the year 2006-07 in 5 Ton and above segment with sales of 355751 vehicles as compared to 283695 vehicles in the previous year. Some segments experienced extremely good growth while some segments dropped also with clear signs of market getting more and more segmented.

Cargo Segment:

5 to 12 Ton domestic Cargo segment where your Company is a strong player had a marginal drop of 1.5% during the year with sales of 70877 vehicles against sale of 71924 vehicles in the previous year. As against this, your Company registered a growth of 12.8% with sales of 19170 vehicles as against 16999 Nos in the previous year thus improving the market share from 23.6% to 27%. Within this, except for 12 T segment that grew by 41.3%, all other segments viz. 5T, 7T and 9T experienced decline in industry sales by 8.5%, 21.9% and 6.1% respectively. Your company out-performed the industry trend resulting in increase in market share. Your Company recorded highest growth of 55% in the 12 T followed by 23.5% growth in 5T market, while sales in 7T and 9T dropped by 5% and 6.7% respectively.

16T and above HCV Cargo domestic segment had an extremely good year with industry sales growing by 43.2% to 210686 Nos as against 147145 Nos in the previous year. Within this, 16T segment continued to drop for the second year in succession by 9.0% to 38417 Nos. 25T Multi Axle Trucks recorded a handsome growth of 67.6% and market for these trucks crossed 100000 Nos at 102828 Nos. Tipper segment also improved by 40.9% to 44362 Nos. Tractor Trailer segment recorded the highest growth of 106.8% with the industry size reaching 25079 Nos in 2006-07. Your Company has achieved significant gains in the 16T and above segment by selling 3733 vehicles as against 2808 Nos in the previous year thus recording an overall growth of 33%. 16T 4x2 Tipper that was introduced during the year in select geographies only made good in roads by registering a sales of 1180 Nos. 25 T Multi Axle trucks also recorded good growth of 31% with sales of 1448 Nos as against 1105 Nos in the previous year.

Passenger Segment:

Passenger segment domestic market grew well in 5 to 12 T segment registering a growth of 12.2% with sales of 20339 Nos in 2006-07. As against this, your Company has grown by 29.8% with sales of 2619 Nos as compared to sales of 2017 Nos in the previous year. Buses market in 16T and above segment grew by 4.0% to 24727 Nos during the year as against 23772 Nos in the previous year. We made good progress by selling 552 Nos as against just 175 Nos in the previous year. Your Company made successful entry in the State Road Transport Undertakings by bagging a prestigious order from BMTC, Bangalore.

Exports:

Your Company exported 2000 vehicles during the year as against 1605 Nos in the previous year with a growth of 24.6%. Exports to South Asia, West Asia and some African countries continued. Several new products were introduced including a CNG Truck, new look Cruiser bus, Buses on HCB platform and Tippers. SKD/CKD operations were started in Kenya and Mauritius in addition to Egypt. This should bring in more volumes in the coming years.

Overall for the year, your company has sold 28072 vehicles during the financial year 2006-07 with a growth of 18.9% over the preceding year. Total revenue at Rs 1891 Crs grew by 24.8% as compared to Rs 1515 Crs in the previous year.

### TWO WHEELERS

The Two-wheeler industry registered a growth of over 18% during the year with motorcycle segment growing by 14 %. Your company, which operates in the power segment with engine capacity of 350 cc and above, recorded its highest ever sales of 32612 motorcycles as against 30777 motorcycles in the previous year registering a growth of 6%. Sales could have been more but for capacity constraints in the



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last quarter. As a result, dealer inventory has almost been squeezed out with retails exceeding wholesale by more than 1500 motorcycles.

Export sales have recorded 2233 motorcycles in 2006-07 as against 2345 Nos in the previous year. A major order from Germany that could not be serviced in the current year has been carried over to the next financial year.

Total revenue for the year at Rs.229 Crs grew by 10% as compared to Rs.209 Crs in the previous year.

### COMPONENTS INCLUDING GEARS

Riding on the good growth experienced by Commercial Vehicles, Tractors and other auto segments, overall Components industry did extremely well in the year under review. Your Company also had a record year with excellent performance in all the segments in which it operates viz. OEMs, Replacement market and Exports with total revenues (including inter segment sales) at Rs 130 Crs as against Rs 100 Crs in the previous year.

The domestic OEM sales for your Company improved by 37% and 29% over the previous year in Commercial Vehicles and other auto segments respectively. Overall domestic OEM sales grew by 20% in the year under review with CAGR for last 4 years at 41%. This was made possible by adding new customers, adding new parts coupled with increasing share of business with existing customer accounts.

Exports continue to be a major thrust area particularly for Gearbox and Outsourced parts. Major initiatives such as building infrastructure, acquisition of new customers in US/Canada, new products development etc have been taken in the year under review. As a result of these initiatives, exports revenue has more than doubled to Rs 37 Crs as against Rs 18 Crs in the previous year.

The Replacement market continues to be highly competitive and price sensitive. However through sales of new products and a focused product portfolio of better contribution parts the company has been able to retain the contribution level. The relative share of replacement business has been reduced to 16% during the period under review as compared to 20% in the corresponding previous period.

**New Acquisition at Dewas:**

Effective 1st Nov, 06, your Company acquired a transmission gear manufacturing plant located at Dewas having gear cutting capacity of 5 Lacs gears/annum at a value of Rs 5.7 Crs. The existing capacity along with future expansion shall help us to meet the growing demand in this segment.

**Gurgaon Facility for export of Traded Components:**

Standards room at Gurgaon to support quality inspection and other requirements has been made fully operational during the year. This would help in acquisition of new export customers and faster response on the development and quality aspects.

### ENGINEERING SOLUTIONS

This business is operated through an Engineering Design centre at Gurgaon and a 100% subsidiary of the Company Design Intent Engineering (DIE) based in Detroit, USA.

Overall this business remained a bit depressed during the year due to auto business going through a tough time in USA. Overall projects work was affected in Detroit, the hub of auto industry in USA, as a result of which not much off shoring of the design jobs could be done to the Gurgaon Design centre. Overall revenues in DIE were US $ 6.8 million as against US $ 6.7 million in the previous year. Total revenues at Gurgaon Design Centre were Rs 4.2 Crs as against Rs 2.1 Crs in the previous year.

### MARKET AND FUTURE PROSPECTS

### COMMERCIAL VEHICLES

CV industry has been experiencing good growth for the last 5 years in succession. The fortunes of the industry are linked to economic growth, availability of retail finance, interest rates, fuel prices and general business sentiment for transportation and freight industry. The economic growth is likely to continue even though it may not cross 9%. Interest rates during the last quarter have hardened by more than 300 basis points and in case freight rates are not able to keep pace, there may be some impact on the profitability of transporters. On the other hand there has been some respite in the oil prices. Infrastructure investments are continuing which augurs well for the industry. There are some research reports indicating potential slow down in the industry. One has to wait and watch.

Your Company is fully prepared to meet the challenges in all the eventualities and a number of new initiatives have been taken to increase the volumes.

In 5 to 12 T Cargo segment where your Company has improved the market share to 27% in the year under review, the attempt is to continue to make further improvements. There is good potential for growth in 5 T with a focused approach. In the other segments also, with more focus in areas with lesser market shares, your Company expects to make further gains in the segment and continue improving the market share.

In the fastest growing HCV industry, your Company is poised to make huge gains based on its planned presence in all the segments. Good inroads have been made in the largest 25 T multi axle truck segment. There are plans to introduce improved products with a better drive train in this segment. Tipper segment also holds promising future with good success of 16T 4x2 Tipper. There are plans to introduce 25 T 6x4 Tipper also. A new 40T Product Mega 40.40 that is currently under pilot launch would also be introduced in the financial year 2007-08. Thus with more and more new products and increased acceptance of the products, your Company is poised to make big gains in the HCV segment with a target to reach a minimum market share of 10% in the medium term of 3 years.

In the passenger segment also, with products getting introduced in all the categories coupled with the successful entry into State Road Transport sector, your Company would continue to increase the volumes of bus sales.

Your Company has also launched a series of initiatives in areas of channel improvement, cost management, quality improvement, and off-product offerings to improve its competitiveness in medium to long term.

Based on above, the future of your Company in the Commercial Vehicles market is very bright.

### TWO WHEELERS

Even though overall Two wheeler industry is experiencing some slow down, 350CC niche segment in which your Company operates is growing well. Some constraints have been felt in the year under review in capacity and therefore the key focus in the current year is on manufacturing supported by quality assurance, materials and component development and strategic sourcing. The target is to achieve a growth of 20% in volumes through improving the deliverable capacity.

The Company has completed reliability and endurance tests for the New Engine (Unit Construction Engine) both for domestic and exports markets to meet the future emission norms. The new engine, will be offered to export market and will be tested in the European terrain before it is officially launched in the second half of the current year.



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