EICHER

EICHER MOTORS LIMITED

Annual Report 2001-2002

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Board of Directors

S Sandilya, Group Chairman

P N Vijay

Priya Brat

Fumio Kuwayama - Nominee of Mitsubishi Corporation

Yuji Hara - Alternate to Mr Fumio Kuwayama

Auditors

A F Ferguson Associates, New Delhi

Bankers

State Bank of India

State Bank of Indore

Canara Bank

State Bank of Mysore

Centurion Bank Limited

Registered Office, Factory & Marketing Head Office

102, Industrial Area No. I

Pithampur, District Dhar,

Madhya Pradesh - 454775

Group Office

Eicher House, 12 Commercial Complex,

Greater Kailash - II (Masjid Moth)

New Delhi - 110 048

Share Transfer Agent

Eicher Goodearth Limited

Eicher House, 12 Commercial Complex,

Greater Kailash - II (Masjid Moth)

New Delhi - 110 048

Phone No.: 6445521

Web - site : http://www.eicherworld.com

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 20th ANNUAL GENERAL MEETING OF THE MEMBERS OF EICHER MOTORS LIMITED WILL BE HELD AT 11.00 A.M. ON 27th JULY, 2002 AT 102, INDUSTRIAL AREA NO.1, PITHAMPUR, DIST. DHAR, MADHYA PRADESH - 454 775 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at end of the said year together with Auditors' & Directors' Report thereon.

2. To declare dividend on equity shares.

3. 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.

4. To appoint a Director in place of Mr S Sandilya 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 Mr Priya Brat, who was appointed as an Additional Director with effect from 23rd July, 2001 as approved by the Board of Directors in their meeting held on 23rd July, 2001 and whose term expires at the conclusion of this Annual General Meeting of the Company and for the appointment of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company ".

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

   "RESOLVED that Mr P N Vijay, who was appointed as an Additional Director with effect from 23rd July, 2001 as approved by the Board of Directors in their meeting held on 23rd July, 2001 and whose term expires at the conclusion of this Annual General Meeting of the Company and for the appointment of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company ".

7. 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 section 309, 310, 311, 198, 268, 269 read with schedule XIII of the Companies Act, 1956 and subject to such other approvals as may be applicable, approval be and is hereby granted for variation in the terms and conditions relating to remuneration for Mr. S Sandilya, Chairman & Whole-Time Director as appearing in the explanatory statement enclosed herewith".

8. 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 movable and immovable properties of the Company wheresoever situated, present and future, 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:

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By way of First Charge:

1. Rupee Term Loan of Rs.12 Crores from Technology Development Board.

By way of Second Charge:

a) State Bank of India for its working capital facility of Rs.37.70 Crores;

b) State Bank of Indore for its working capital facility of Rs.13.70 Crores;

c) State Bank of Mysore for its working capital facility of Rs.2.74 Crores;

d) Canara Bank for its working capital facility of Rs.11.62 Crores;

e) Centurion Bank Limited for its working capital facility of Rs.2.75 Crores

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

Place : New Delhi
Date : 9th May, 2002

Authorised Signatory

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 18th July, 2002 to 27th July, 2002 (both days inclusive) in terms of Section 154 of the Companies Act, 1956.
4. Please intimate change in your address if any to Eicher Goodearth Ltd, Share Transfer Agent at the address mentioned in para 8 below.
5. **The dividend as recommended by the Board of Directors and if approved by the shareholders at the annual general meeting to be held on 27th July, 2002, shall be paid to those members whose names appear on the register of members as on 27th July, 2002.**

   As per the provisions of Finance Act 2002, payment of dividend will be subject to deduction of tax @ 10.5% on the gross amount of dividend exceeding Rs. 1000/- payable to the resident individual shareholders.

   Resident individual shareholders who are likely to receive dividend amount more than Rs. 1000/- during a financial year and their total estimated income from dividend and sources as provided in Section 197A (1B) of the Income Tax Act during such financial year is not likely to exceed Rs. 50,000/- can claim gross dividend without deduction of tax at source by submitting declaration in Form 15 G (in duplicate) with the Company on or before 28th July, 2002. Please note that it would not be possible for the Company to act upon 15 G declaration received thereafter.
6. **As per the provisions of the Income Tax Act, 1961, shareholders of the Company whose dividend will be liable to deduction of tax at source, are requested to intimate their PAN / GIR No. to the Company's Share Transfer Agent latest by 20th July, 2002.**

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7. Members are requested to quote folio numbers in all correspondence with the Company.

8. 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, Dy. General Manager at the following address so that the same may be attended to appropriately to your entire satisfaction.

By order of the Board

Authorised Signatory
Share Transfer Agent
Eicher Goodearth Limited
Eicher House, 12, Commercial Complex
Greater Kailash-II (Masjid Moth)
New Delhi - 110 048
Tel No. 6445521
E-mail: imsingh@eicher.co.in

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

Item No. 5

Mr Priya Brat was co-opted as Independent Additional Director on the Board w.e.f. 23rd July, 2001 as approved by the Board of Directors in their meeting held on 23rd July, 2001. In terms of section 260 of the Companies Act, he holds office only upto the date of this Annual General Meeting.

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.5 for adoption.

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

A brief resume of Mr Priya Brat has been provided in the report on corporate governance.

Item No. 6

Mr P N Vijay was co-opted as Independent Additional Director on the Board w.e.f. 23rd July, 2001 as approved by the Board of Directors in their meeting held on 23rd July, 2001. In terms of section 260 of the Companies Act, he holds office only upto the date of this Annual General Meeting.

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. 6 for adoption.

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

A brief resume of Mr P N Vijay has been provided in the report on corporate governance.

Item No.7

The Board of Directors of the Company in their meeting held on 9th May 2002 had revised the terms of appointment of Mr S Sandilya - Chairman & Whole Time Director of the Company. Approval of the members is required for item No. 7.

Revised terms are as under :

I. Salary: Rs.86,100/- (Rupees Eighty Six Thousand and One Hundred only) per month with effect from 1st October, 2001 in the range of Rs.35,000/- to Rs.1,00,000/- per month.

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II. Perquisites: Perquisites shall be in accordance with and within the limits prescribed in Part II, Schedule XIII of the Companies Act, 1956. Perquisites shall, however, be restricted to an amount equal to the annual salary as calculated above. The valuation of perquisites shall be done in accordance with the Income Tax Act, 1961 and Rules made thereunder.

III. Commission: As the Board of Directors of the Company 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 overall limit of 1% of the net profits of the Company in any year computed in the manner laid down in Section 309(5) of the Companies Act, 1956 as amended from time to time.

IV. The Company shall not pay any commission to Mr. S Sandilya in the event of absence / inadequacy of profits.

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

Except Mr. S Sandilya, no other Director is concerned or interested.

Item No. 8

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 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.

Since the mortgaging by the Company of its immoveable and moveable property as aforesaid in favour of the financial institutions/banks may be regarded as disposal of the Company's properties/undertakings, 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.

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors have pleasure in presenting the Twentieth Annual Report along with the audited accounts for the year ended March 31, 2002.

The year 2001 - 2002 witnessed continued deceleration in the GDP growth rate with the growth rate for manufacturing sector climbing down steeply.

Sale of Commercial Vehicles witnessed an overall decline of 4.3% compared to previous year. The domestic CV market sales dropped by 3.1% while exports declined by 16.3%. With CV, the domestic LCV industry dropped by 11.6% with 7-11 ton segment, in which your company largely operates, dropping by 6.4%. As against this, your company achieved an excellent growth in both domestic as well as exports market. With overall sales at 9630 vehicles as against 8438 vehicles in the previous year, a growth of more than 14% has been achieved. Exports at 1340 vehicles reflects a growth of more than 70%. In the domestic market, there was a quantum jump in the market share by more than 5% with a share of 35% in the highly competitive 7-11 ton GVW segment.

DIVIDEND

The Directors are pleased to recommend payment of dividend of 25% on equity shares for the year.

FINANCIAL RESULTS

Gross sales turnover at Rs 527 Crs, crossing the Rs 500 crores mark for the first time, recorded a growth of 18% over the previous year. The company continues to proactively address the areas of cost reduction and improving productivity to maintain a healthy bottomline. As a result, operating profits before depreciation and interest jumped by 22% to Rs 42.9 Crs as against Rs 35.3 Crs in the previous year. After providing for higher depreciation of Rs 9.4 Crs due to capitalisation of HCV project and interest cost of Rs 3.5 Crs, profit before tax amounted to Rs 30 Crs as against Rs 25.7 Crs in the previous year. In accordance with the mandatory Accounting Standard on deferred taxation issued by the Institute of Chartered Accountants of India, the company has made provision for deferred tax liabilities. The charge for income tax is thus higher at Rs 11.5 Crs including Rs 7.4 Crs for deferred tax. The cumulative deferred tax liability as at 31.3.2001 of Rs 24.3 Crs has also been provided for by charging the same to the surplus in Profit and Loss Account as on 1.4.2001.

The operating results are summarized below: -

(Rs. in crores)

	2001-02	2000-01
Gross sales	**527.3**	445.1
Less : Excise duty	**51.5**	53.0
Net sales	**475.8**	392.1
Other income	**1.7**	2.0
Total income	**477.5**	394.1
Operating profit before depreciation & interest	**42.9**	35.3
Interest	**3.5**	3.4
Depreciation	**9.4**	6.2
Profit before tax	**30.0**	25.7
Provision of tax for the year	**4.1**	2.2
Provision for Deferred Tax	**7.4**	
Net profit after tax	**18.5**	23.5
Earnings per share		
- Basic	**9**	12
- before deferred taxation provision	**13**	12

HEAVY COMMERCIAL VEHICLE (HCV)

The Bharat Stage -II compliant HCV - the 20.16 was piloted during the year. The piloting results are in line with our expectations and positive feedback from various segments indicates a healthy potential for our vehicles. The Commercial launch of Eicher 20.16, another major initiative, is being planned during the 2nd Quarter of 2002-03. Your company has also started developing other products including a 25 Ton multi axle truck and a 16 Ton GVW bus chassis in HCV category.

MARKET AND FUTURE PROSPECTS

The commercial vehicle industry continues to be under pressure with two consecutive years of decline. However as in the past years, your company continued to buck the trend with a growth of 14% supported by the success of new products and variants.

With marginal growth experienced by the HCV sector in the last year, there are early signs of revival. The Govt of India has announced increase in the planned expenditure in the last fiscal budget. Coupled with intended speedy completion of Golden Quadrilateral, the industry is expected to record some growth in the current year.

Your company would continue to focus on various customer segments of the market and offer specific product packages. Uniquely positioned Eicher 11.10, the 10.5 Ton

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GVW Vehicle has carved out its own niche and would bring in good volumes.

All export related activities of the Company are undertaken through the group associate company, M/s. Eicher International Limited. Your Company's products had a land mark year in overseas markets with exports of 1340 vehicles accounting for 15% of the total volumes for the year as compared to 9% in the previous year. This was possible with opening up of new markets as well as consolidating the position in the existing markets. The products have gained good acceptance in all the markets despite competition from products from all over the world. Your Company's products continue to maintain strong leadership position in the neighboring markets. Buoyed by the success in the market place, arrangement has been made with a local party in Bangladesh to assemble the CKD kits. With plans to introduce new features and enhanced performance of aggregates in the next few years, your Company is set to become a significant CV exporter from India. Good acceptance of your Company products in the overseas markets is also very heartening.

Your Company is ready with Bharat Stage II versions in all the product segments and is geared up to take full advantage of opportunities arising from the implementation of these norms in newer markets in the near future.

The HCV category would also bring in additional volumes.

Your Company is thus poised for growth in both domestic as well as overseas markets.

AUTO FINANCE OPERATIONS

280 vehicles were financed during the last year. Recovery efficiency continues to be excellent. With good experience in managing the financing operations over last few years, your Company has also now started retail financing of tractors in a small way and around 90 tractors were financed during the year.

PUBLIC DEPOSITS

During the year under review, there were no deposits accepted, matured and repaid.

DIRECTORS

During the year, Mr Priya Brat and Mr P N Vijay were appointed as Additional Directors on the Board of the Company.

Mr Rakesh Kalra, Mr K J Reddy - Nominee of General Insurance Corporation of India, Mr Ryo Sakata - Nominee of Mitsubishi Corporation ceased to be Directors. The Board places on record its deep appreciation for their valuable contribution during their tenures. Mr Fumio Kuwayama was nominated in place of Mr Ryo Sakata and Mr Yuji Hara was appointed as Alternate Director to Mr Fumio Kuwayama.

A detailed resume of all the directors is enclosed as part of the Corporate Governance Report.

Mr. S Sandilya - Director, retires by rotation and being eligible offers himself for reappointment.

CONSERVATION OF ENERGY

The company installed an intermediate controller for waste reduction on compressors, fanless cooling tower, and converted Air Maker Unit blowers from V belts to flat belts thereby reducing the consumption of power per vehicle inspite of load increase. The company has also taken several steps for conservation of water by first level harvesting done wherein rain water was taken to tubewells through filter media. Eleven pits were constructed for percolating rain water into the ground.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Multi Model Manufacturing facilities capable of assembling entire range from LCV to HCV have been installed for a new drive line aggregates and chassis assembly for HCV with appropriate levels of automation and handling. High Speed Machining facility has been installed for the Cylinder Block and Head for HCV engine. Robotic Welding line for the HCV High Roof cabin and LCV cabin is at final stages of trial. The entire integration and upgradation was carried out without any loss of production or plant shutdown.

RESEARCH AND DEVELOPMENT

The Eicher 20.16 Heavy Commercial Vehicle was piloted during the year. Customer feedback after over 4 lacs kms of cumulative running has been consistently encouraging, with high customer satisfaction on fuel economy and other features.

The current product line up of Vehicles in the 5.4 tons to 10.5 tons GVW range has been further upgraded with the launch of the 10.59 and 10.75 models. The 10.70 CNG bus was also launched in the National Capital Region.

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Necessary features including heater defroster were offered for overseas markets. A new bus christened "Voila" with improved styling and features on the LCV platform was launched to strengthen our presence in the passenger segment.

FOREIGN EXCHANGE EARNINGS / EXPENDITURE

During the year, vehicles and spare parts amounting to Rs.61.2 crores were exported through Eicher International Limited, a group company.

During the year, foreign exchange amounting to Rs.26.4 crores was used on account of import of components, spare parts, capital goods, technical assistance and business travel etc.

AUDITORS

M/s. A.F. Ferguson Associates, Chartered Accountants, have expressed their willingness to continue in office if re-appointed. A certificate has been obtained from them to the effect that the appointment, if made, will be in accordance with the limits specified in sub-section (1B) of section 224 of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

There were no employees drawing remuneration as per limits specified under sub-section (2A) of section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, for the year ended March 31, 2002.

STATEMENT OF RESPONSIBILITY

As required under section 217 (2AA) of the Companies (Amendment) Act, 2000, Board of Directors confirm that:

a) the applicable accounting standards have been followed in preparation of the annual accounts;

b) the accounting policies have been applied consistently, judgements and estimates have been reasonable and prudent thereby giving a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period;

c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;

d) the annual accounts have been prepared on a going concern basis.

AUDITORS' REPORT

With reference to para 4(f) of the Auditors' Report, please refer to Note 11 of the notes to accounts, which is self-explanatory.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion & Analysis is annexed to this report. A Report on Corporate Governance together with the Auditors' Certificate regarding the compliance of conditions of Corporate Governance form part of the Annual Report.

AKNOWLEDGEMENT

The Directors wish to thank and acknowledge the cooperation and assistance extended by the Central Government, Government of Madhya Pradesh, Financial Institutions and the Company's Bankers.

The Directors wish to convey their deep appreciation to the dealers of the Company for their achievements in the area of sales and service, suppliers / vendors and other business associates for their valuable support.

The Directors very much appreciate the dedicated and sincere services of the employees of the company and look forward to their continued involvement and support.

For and on behalf of the Board

Place: New Delhi
Date: 9th May, 2002

S. SANDILYA
CHAIRMAN

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ANNEXURE TO THE DIRECTOR'S REPORT TO THE SHAREHOLDERS

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development

Commercial Vehicle Industry is broadly structured into two segments Heavy Commercial Vehicle (HCV) segment and Light and Medium Commercial Vehicle (LCV) segment. HCV segment consists of vehicles with Gross Vehicles Weight (GVW) of more than 16 Ton. HCV segment accounts for almost 60% of the total CV market.

Eicher Motors is present in the Light and Medium CV segment which is further sub-divided into two segments 7 - 15 Ton and less than 7 Ton GVW. 7 - 15 Ton segment consists of mainly 5 players which includes Telco, Swaraj Mazda, Ashok Leyland and Mahindra & Mahindra besides Eicher Motors. Below 7 Ton segment is mainly represented by Telco, Mahindra & Mahindra and Bajaj Tempo with small volumes of Swaraj Mazda and Eicher Motors. HCV segment is represented mainly by 3 players viz. Telco, Ashok Leyland and Volvo. Volvo is present in the upper end of the HCV segment and is selling very small volumes.

CV industry which peaked at 2,60,000 Nos. during 1996-97 ended the year 2001-2002 at 1,44,000 Nos. During the last 5 years, it had declined in volumes in 4 years with the exception of growth only in the year 1999-2000. It has continuously declined during the last 2 years. CV industry, thus, is at its lowest ebb currently.

The key drivers for growth in CV industry is growth in GDP and more specifically the industrial growth. With negligible growth in the manufacturing sector, CV industry declined by more than 4% during last year in addition to a drop of 12% in the year prior to that.

2. Opportunities, Threats and Outlook

With tremendous focus on infrastructure development and more specifically on the construction of roads, the CV industry is poised for growth in the years to come.

Better quality of roads will also lead to shift towards the higher segments in the HCV sector and multi-axle vehicles with GVW of more than 25 Ton are expected to grow faster.

Eicher's latest new product in the HCV segment namely 20.16 with 16 Ton GVW has already been introduced on pilot basis and the initial feed back is very encouraging. The commercial launch is planned during the second quarter of 2002-2003.

The normal risks associated with the introduction of new products in an already established market exist but the detailed planning / thinking that has gone into product development and planned launch, in our opinion, take into account commensurate risk mitigation strategies.

The work on development of other products including a 25 Ton multi axle truck and a 16 Ton GVW bus chassis in HCV category has already started and thus we would be ready to exploit the opportunities in the market.

We are also ready with Bharat Stage II versions in all the product segments and are geared up to take full advantage of opportunities arising from the implementation of these norms in newer markets in the near future.

The focus on various customer segments in the market would continue with specific product packages. Uniquely positioned Eicher 11.10, the 10.5 Ton GVW Vehicle has carved out its own niche and would bring in good volumes.

All our products have been very well accepted in the overseas markets. The potential for exports is thus large.

The Company is thus poised for growth in both domestic as well as overseas markets.

3. Segment - wise / Product-wise performance

The Company's business activities fall within a single business segment, viz., "Commercial Vehicles and Spares".

4. Risks and Concerns

As the fortunes of CV industry are directly linked to the economic activities, if the economy does not pick up or if there is any delay in implementation of various plans announced by the Government of India like completion of Golden Quadrilateral etc., it may adversely affect the CV industry.

We have continuously bucked the industry trend during the last 7 years. With introduction of more and more new products, we should be able to further improve our market shares.

As tremendous synergies have been built with the existing operations while implementing the heavy commercial vehicle project, there are not much risks associated with the project.

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