



EICHER MOTORS LIMITED

A N N U A L R E P O R T 2 0 0 2 - 2 0 0 3



1. Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
2. It may please be noted that, as usual, no gifts shall be distributed at the Annual General Meeting.



N OTICE OF THE ANNUAL GENERAL MEETING

N OTICE IS HEREBY GIVEN THAT THE 21st ANNUAL GENERAL MEETING OF THE MEMBERS OF EICHER MOTORS LIMITED WILL BE HELD AT 11.00 A.M. ON 26th July, 2003 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, 2003 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 Priya Brat who retires by rotation and being eligible offers himself for reappointment.
- 5 To appoint a Director in place of Mr P N Vijay who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS

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

"RESOLVED that Mr M J Subbaiah, who was appointed as an Additional Director with effect from 27th July, 2002 as approved by the Board of Directors in their meeting held on 27th July, 2002 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 sections 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 wherever 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:

EICHER MOTORS LIMITED

By way of Second Charge:

- a) State Bank of India for its working capital facility of Rs.48.40 Crores;
- b) State Bank of Indore for its working capital facility of Rs.17.60 Crores;
- c) State Bank of Mysore for its working capital facility of Rs.3.52 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 : 30th April 2003

Navneet Raghuvanshi
Company Secretary

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 21st July, 2003 to 26th July 2003, (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 6 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 26th July, 2003, shall be paid to those members whose names appear on the Register of Members as on 26th July, 2003.
- 6 Members are requested to quote folio numbers in all correspondence with the Company.
- 7 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, Authorised official or Mr Navneet Raghuvanshi, Company Secretary at the following address so that the same may be attended to appropriately to your entire satisfaction.

By order of the Board

Navneet Raghuvanshi

Company Secretary
Eicher Motors Limited
Eicher House, 12, Commercial Complex
Greater Kailash-II (Masjid Moth)
New Delhi - 110 048
Tel No. : 29225521
E-mail : imsingh@eicher.co.in
raghuvanshi@eicher.co.in

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 6**

Mr M J Subbaiah was co-opted as Additional Director on the Board w.e.f. 27th July, 2002 as approved by the Board of Directors in their meeting held on 27th July, 2002. 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 M J Subbaiah on the Board is desirable and would be beneficial to the Company and hence recommend the resolution No.6 for adoption.

Except Mr M J Subbaiah, no other Directors are concerned or interested.

Brief Resume of Mr M J Subbaiah

Mr M.J. Subbaiah has been appointed as Additional Director w.e.f. July 27, 2002 as an Independent Director on the Board of the Company.

He is M.A (Economics) from the University of Mysore and is fellow of the Indian Institute of Bankers. Mr Subbaiah has vast experience of over 25 years in various capacities and was General Manager in State Bank of India before moving to Shipping Credit and Investment Corporation of India (SCICI) as Executive Director. He was on the Board of SCICI before its merger with ICICI. He is also serving as a Director on the Board of Jaiprakash Industries Limited, Usha Beltron Limited, Federal Bank Limited, Eicher Limited and as a Nominee Director on the Board of ABG Shipyard (Pvt.) Ltd. Further Mr Subbaiah is acting as Chairman (Nominee of ICICI) of the Board of Directors of Western India Shipyard. He is also a Member of Shareholders' and Investors' Grievance Committee and Audit Committee of the Company.

Item No.7

Mr S Sandilya - Chairman & Whole-Time Director

"RESOLVED that subject to the provisions of sections 309, 310, 311, 198, 268, 269 read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the shareholders, approval be and is hereby granted for variation in the terms and conditions relating to remuneration for Mr. S Sandilya, Chairman & Whole-Time Director w.e.f. 1.10.2002 as given below:

I Salary and allowances:

- a) Rs .1,10,000/- (Rupees One Lac Ten Thousand only) per month w.e.f. 1st October, 2002 in the range of Rs .1,10,000/- to 2,00,000/- per month.
- b) Monthly allowance of Rs.1,00,000/- (Rupees One lac only) per month.
- c) Annual payment of Rs .20,00,000/- (Rupees Twenty Lacs only).

I 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;

EICHER MOTORS LIMITED

- f) Gratuity : Not exceeding half month's salary for each completed year of service;
- g) Other perquisites : subject to the overall ceiling on re muneration, the Chairm an & Whole-Time Director may be given other allow ances ,benef its 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 twice the annual basic salary computed in the manner laid down in Section 309(5) of the Companies Act, 1956 as amended from time to time.

IV. The aggregate of salary/allow ances 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/allow ances ,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.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 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.

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 .

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors have pleasure in presenting the Twenty First Annual Report along with the audited accounts for the year ended March 31, 2003.

The commercial vehicle industry witnessed a robust growth of 27% during the year 2002-03 helped by low interest rates that spurred pent up replacement demand as well as investments in road infrastructure and highways. Your company once again outperformed the industry and achieved an overall growth of 32% during the year, with sales of 12717 vehicles as against 9630 vehicles in the previous year. Achievement of highest ever sales of Rs. 43 crores is another highlight.

Besides retaining market share at 35% in the highly competitive 7-11T GVW segment, your company also made a successful entry into HCV segment with the new Eicher Jumbo 20.16 model.

DIVIDEND

The Directors are pleased to declare and recommend payment of dividend of 35% on equity shares for the year.

FINANCIAL RESULTS

Your company recorded the highest ever sales turnover and profits since commencing operations in 1986 with the operating margin going up to 12.3% as compared to 9% in the previous year even as the full year impact of increase in depreciation due to commercialisation of the HCV project was absorbed during the year. The company prepaid its high interest loans and achieved reduction of Rs.1.3 crores in interest costs compared to the previous year. Substantial savings were also achieved in material costs which helped in increasing the operating margins.

The operating results are summarized below: -

	(Rs. in crores)	
	2002-03	2001-02
Gross sales	698.4	530.9
Less : Excise duty	72.4	51.5
Net sales	626.0	479.4
Other income	3.5	1.7
Total income	629.5	481.1
Operating profit before depreciation & interest	76.9	42.9
Interest	2.2	3.5
Depreciation	16.0	9.4
Profit before tax	58.7	30.0
Provision of tax for the year	18.3	4.1
Deferred tax	2.9	7.4
Net profit after tax	37.5	18.5
Earnings per share		
- Basic	18.7	9.2
- Before deferred taxation provision	20.2	12.9

HEAVY COMMERCIAL VEHICLE (HCV)

The 16T GVW heavy commercial vehicle, the Eicher Jumbo 20.16, was launched in selected markets during the current financial year. The product has been very well received with high level of repeat purchases and will be introduced in other states in a phased manner during the coming year. The 25 Ton GVW multi-axle vehicle, Eicher Galaxy 30.25 as well as a 15T GVW cowl chassis for passenger application were piloted during this year.

MARKET AND FUTURE PROSPECTS

The domestic Commercial Vehicle industry has performed very well during 2002-03 posting a very healthy growth rate. All segments of CV industry have shown growth driven primarily by (a) investments in road infrastructure and housing projects, (b) spurt in replacement demand due to low finance rates, (c) higher movement of food-grains from north to south, (d) higher industrial growth.

With announcing of further investments in road infrastructure by Govt. of India and continued work on Golden Quadrilateral, next year is also expected to show growth in the commercial vehicle industry. However, the growth rate is likely to be lower in view of lower agricultural production and also lesser pent up demand as the same has been fulfilled during the last year.

Your company has been offering products designed to meet the specific needs of different customer segments and this will continue to be a key to our success in the market place. Initial launch of 16T GVW HCV in limited areas has also given very encouraging results this year. Higher volumes of the HCV and its variants are expected to be sold in the market during 2003-04 by launching these in other geographical areas of the country. In addition, special focus on passenger segment would bring in higher volumes.

Your company also has plans to develop new variants and introduce new features specifically for overseas markets with a long term plan of becoming a significant player in the exports markets.

With above plans in place, your company is confident that it will continue to improve its share of the market.

AUTO FINANCE OPERATIONS

390 commercial vehicles were financed during the year. Overall portfolio quality continued to be good and delinquencies showed a downward trend. However, tractor

EICHER MOTORS LIMITED

financing remained at a low key due to drop in the tractor industry. Encouraged by the overall performance of auto-finance operations, your company is stepping up retail financing activities during the current financial year.

PUBLIC DEPOSITS

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

DIRECTORS

During the year, Mr M J Subbaiah was appointed as Additional Director on the Board of the Company.

Mr. Priya Brat and Mr P N Vijay - Directors retire by rotation and being eligible offer themselves for reappointment.

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

CONSERVATION OF ENERGY

The Company has installed real time power factor correction unit enabling maintaining of power factor above 0.97, which has resulted in both energy as well as cost savings by way of incentives in power bill. Imported integral transformer guns for HCV cabin manufacturing installed during the year have also contributed a great deal to reduction in consumption of power. Besides this, the company has taken several steps for energy conservation like installation of new fanless cooling towers/flat belts in paint shop blowers/separate feeders for lighting and air conditioners, LPG fired system for washing machine heating etc.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Robotic line for the HCV cabin was fully installed and commissioned during the year which is planned to be extended during the coming year for LCV cabin as well. HCV final vehicle assembly and aggregate lines were fully integrated for mass production. Thrust on need based automation in major aggregate lines like cabweld, engine assembly and paint shop has resulted in improved capacity, productivity and quality levels. LCV final vehicle assembly lines have been upgraded for meeting higher volumes.

RESEARCH AND DEVELOPMENT

Design and development of Eicher Galaxy 30.25 Multi-axle truck was completed and vehicles are being piloted in the field for customer usage feedback. These vehicles are expected to be introduced for regular production by 2nd quarter of the current financial year.

HCV for passengers was successfully tested and piloted during the year and would form a part of regular production during the current financial year. Medium commercial bus on an extended 11.10 platform was successfully test piloted and cleared for regular production. Air brakes were introduced in all wheel bases of 10.90 during the year.

FOREIGN EXCHANGE EARNINGS / EXPENDITURE

During the year, vehicles and spare parts amounting to Rs. 64.2 crores were exported through Eicher International Limited, a group company.

During the year, foreign exchange amounting to Rs 45.5 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

The statement of particulars of employees as per 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, 2003 is annexed hereto and forms part of this report.

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 9 of the notes to financial statements, which is self-explanatory.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with 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

ACKNOWLEDGEMENT

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: 30th April 2003

S. SANDILYA
CHAIRMAN

ANNEXURE TO THE DIRECTOR'S REPORT TO THE SHAREHOLDERS

MANAGEMENT DISCUSSION AND ANALYSIS

1 Industry Structure and Development

The Commercial Vehicle industry has been traditionally structured into two market segments i.e. Medium & Heavy Commercial Vehicle (M&HCV) segment and Light Commercial Vehicle (LCV) segment. The LCV segment comprising vehicles upto 7.5T GW is about 40% and the M&HCV segment comprises of the balance 60%. The CV industry has clocked a very healthy growth of 27% in the year 2002-03 backed by strong performance of Industrial sector, greater investments in road infrastructure & housing projects and higher replacement demand fuelled by low finance rates. The industry has ended the year with sales of about 2,02,000 CVs including exports of around 10,000 nos.

Based on current assessment, next year should also see marginal growth in the CV industry, since Govt. of India has announced further investments in road infrastructure in addition to the ongoing work on Golden Quadrilateral and North-South/East-West corridors. But the growth in 03-04 is likely to be moderate in view of less than normal monsoon in 02-03 and lesser pent up demand. In the event of Govt. implementing overloading restrictions and/or scrapping of old vehicles, growth may look up.

2 Opportunities, Threats and Outlook

Recent improvements in road infrastructure has lead to customer preference for higher GW vehicles since these vehicles have better operating economics for the transport operators having larger loads to carry. This has created bigger opportunity for multi-axle vehicles and tractor-trailers within the industry. This segment is likely to grow faster in the coming year as well. Also there is an increasing trend of freight aggregation and larger number of transporters moving to hub-and-spoke arrangement of distribution. This will lead to usage of heavier vehicles between hubs and usage of Intermediate Commercial vehicles (ICVs) on spokes. The latter will result in higher growth for vehicles in the range of 7-9T GW.

Your Company has launched its HCV in a few parts of the country with very encouraging results. It hopes to get higher share of HCV volumes in the years to come. In addition, your company is also getting ready to launch its

multi-axle vehicle in 25T GW range which will enable it to penetrate in high end segment as well.

After two years of stagnation the demand for passenger vehicles has shown a healthy growth of 29% in 2002-03. In case State Governments start the process of reforms in State Transport Undertakings (STUs) and liberalise the issue of permits for buses, this segment is also likely to see good growth due to pent up demand. Our focus on this segment will also get us higher volumes.

In addition, Eicher's focus in offering products designed to meet the needs of specific end-use segments will continue to bring better acceptance of our products and thus generate good volumes.

Our products also continue to do well in overseas markets supported by efficient after-sales infrastructure.

Consequently your company is poised for growth in both domestic and 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

- This sector's performance is directly linked with the overall performance of the economy. If for any reason, the economy does not do well, it may adversely impact growth of CV industry.
- We have continuously outperformed the industry since last 8 years. With introduction of more new products, we should be able to sustain our performance in the future.
- Apart from normal risks associated with an industrial undertaking, we do not foresee any other areas of concern.
- The company is obtaining normal applicable insurance coverage on a market value basis for its assets at the plant and inventories at field location.
- The company has no foreign exchange risk due to its limited exposure.
- Compliance of safety requirements and norms placed by different government agencies are given top priority.