

A motorcyclist in full black protective gear and a helmet is riding a white and black Royal Enfield motorcycle through a shallow body of water. The motorcycle is splashing water, and the background is a blurred natural setting. The text 'PURE MOTORCYCLING' is overlaid in large red letters at the bottom right.

# **PURE MOTORCYCLING**

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Eicher Motors Limited (EML) is a leading player in the Indian automotive space. It operates in three distinct business verticals – Motorcycles, Commercial Vehicles and Personal Utility Vehicles.

## Consolidated Financial Highlights

Period of Comparison

■ 1.4.2015 - 31.3.2016

■ 1.4.2014 - 31.3.2015

### Total Revenue From Operations (Rs. Crores)



### Earnings Before Interest, Depreciation & Tax (EBIDTA) (%)



### Operating Margin (EBIT) (%)



### Profit After Tax (PAT) (Rs. Crores)





1

## Motorcycles

### ROYAL ENFIELD

Eicher Motors owns the iconic Royal Enfield motorcycle business, which leads the premium motorcycle segment in India. Royal Enfield is the oldest motorcycle brand in continuous production world-wide. In recent years, Royal Enfield has witnessed a surge in demand, and is now on its way to becoming the leading player in the mid-sized motorcycle segment globally.

**5,08,099**

**MOTORCYCLES SOLD\***

2

## Commercial Vehicles

### VE COMMERCIAL VEHICLES (VECV)

EML operates its commercial vehicles business under VE Commercial Vehicles Limited (VECV), a joint venture with the Volvo Group. VECV designs, manufactures and markets reliable, fuel efficient trucks and buses. VECV is leading the path in driving modernisation in commercial transportation across India and other developing markets.

**52,025**

**VEHICLES SOLD\***

3

## Personal Vehicles

### EICHER POLARIS PRIVATE LIMITED (EPPL)

EML's joint venture with US based Polaris Industries Inc formed in 2012, Eicher Polaris Private Ltd. (EPPL) launched the Multix, a new 3-in-1 vehicle purpose-built for the independent businessman in June 2015.

**1<sup>ST</sup> PUV**

**INDIA'S FIRST PERSONAL  
UTILITY VEHICLE**

\*(for 12 months ended March 31, 2016)

# EICHER MOTORS – A QUICK READ



## Royal Enfield

Royal Enfield is fast becoming a very important player in the global mid-size motorcycle market and is working towards re-inventing this space with motorcycles that are evocative and engaging and great fun to ride. Royal Enfield's product line up in India includes the Bullet, Classic and Thunderbird models in 350 and 500cc displacement along with Continental GT 535cc café racer and the newly launched purpose built Himalayan powered by the new LS410 engine.

Royal Enfield operates through 17 company-operated stores and more than 500 dealers in all major cities and towns in India, and exports to over 50 countries across the world including the USA, Japan, UK, several European and Latin American countries, as well as the Middle East and South Asia.

In 2015-16, Royal Enfield recorded its highest ever sales, and total income. It opened several new stores and rolled out its new Brand Retail Identity across a majority of its dealer network.



## VE Commercial Vehicles (VECV)

In operation since July 2008, the company includes the complete range of Eicher branded trucks and buses, VE Powertrain, Eicher's components and engineering design services businesses, the sales and distribution business of Volvo Trucks as well as aftermarket support to Volvo Buses in India. The trucks and buses business did very well in all segments during the period under review by increasing its market share in Light Medium Duty trucks (5-15 Ton) to 33.9%, 4.0% in Heavy Duty trucks, and to 15.8% in buses.



## Eicher Polaris Pvt Limited (EPPL)

EPPL launched Multix, a new 3-in-1 vehicle for the independent businessman in June 2015. With Multix, EPPL has created a new category of Personal Utility Vehicles in India's automotive industry. Its plant is based in Jaipur, Rajasthan, and it has been rapidly expanding footprint across target markets. EPPL is now present in 34 locations across 8 states. It continues to build a distribution network to gain momentum and has a strong funnel of customers.

## Business Highlights\*

**| ZERO**

EML continues to be debt free company

**| 96%**

Royal Enfield's market share in the mid-size motorcycles<sup>^</sup> segment

**| 6x**

Growth in motorcycle sales in last 5 years

**| 52,096.78**

Market Capitalisation (Rs. Crores) (as on March 31, 2016)

**| 28.3%**

Royal Enfield's EBITDA margin in FY16, a benchmark in the automobile industry

**| 33.9%**

VE Commercial Vehicles market share in domestic LMD<sup>#</sup> (5 - 14 tonne) segment

**| 3,464**

Net Worth (Rs. Crores)

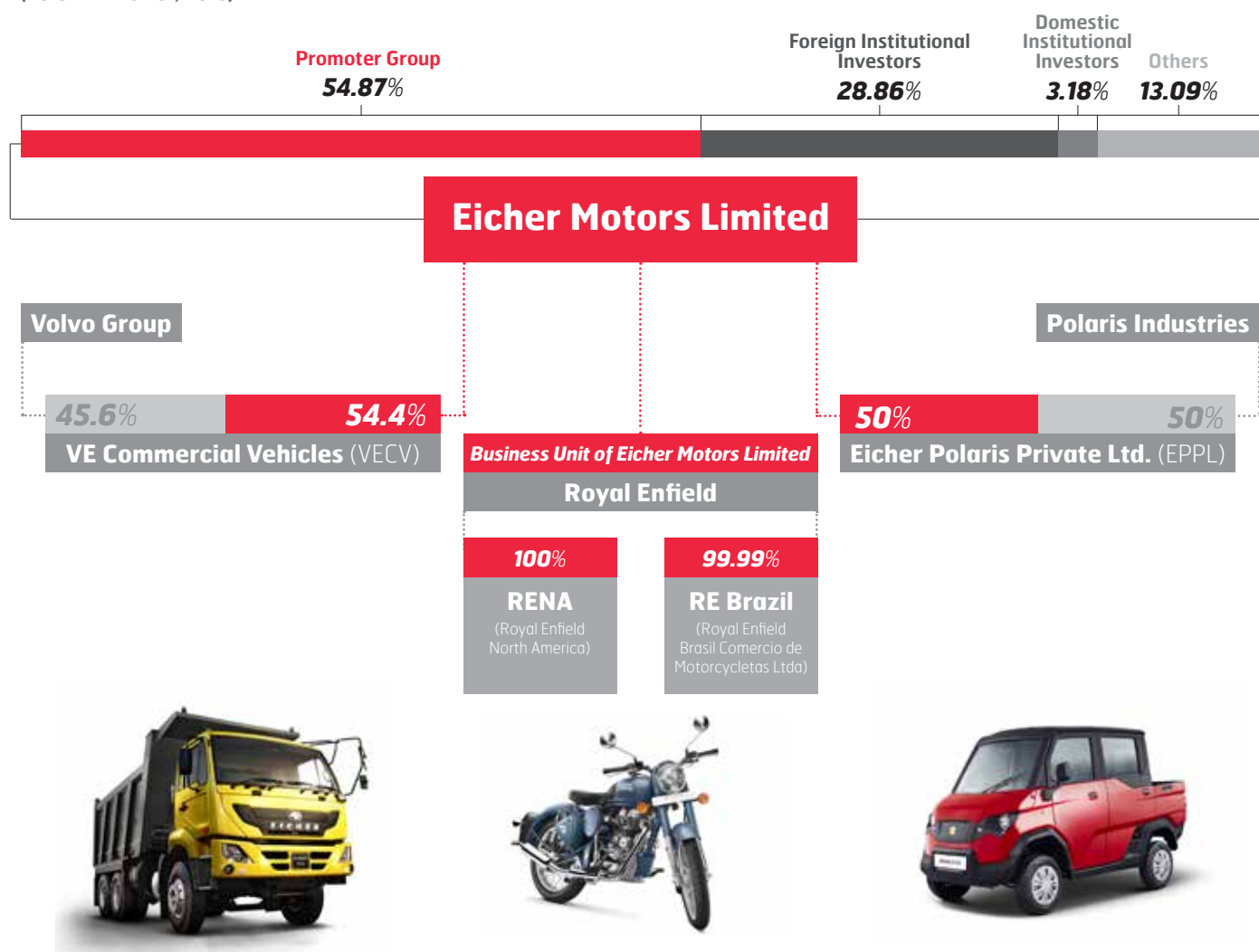
**| 8.1%**

VE Commercial Vehicles EBITDA margin in FY16, best in class

\*All figures mentioned are for period 1st April 15 to 31st March 16 • <sup>^</sup>Mid-size motorcycles refers to engine capacity between 250cc-750cc • <sup>#</sup>Light & Medium Duty Vehicles

## Shareholding Pattern

(AS ON MARCH 31, 2016)



## Key Milestones

**1959**

India's first tractor rolls out of Eicher factory in Faridabad.

**1993**

JV with Mitsubishi ended, enters medium duty bus segment.

**2008**

Forms JV with AB Volvo of Sweden; transfers commercial vehicle business to the JV.

**1984**

JV with Mitsubishi Motors to make 'Canter' trucks.

**2002**

Enters heavy duty truck segment.

**1959**

Forms JV with Polaris Industries Inc. USA, to design, manufacture & market personal vehicles.

**1991**

RE motorcycle acquired.

**2005**

Divests tractor & allied businesses to focus on commercial vehicles and motorcycles.

**2015**

Commencement of business by Eicher Polaris.

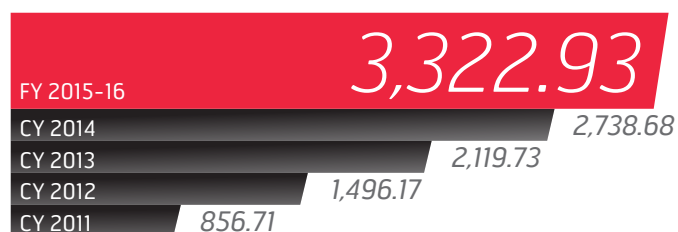


# FINANCIAL POSITION CONSOLIDATED

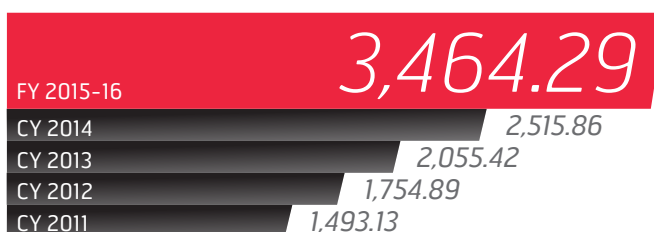
## BALANCE SHEET

	Rs. Crores				
	31.03.2016	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Net Fixed Assets (including CWIP and Pre-operative Expenditure)	3,322.93	2,738.68	2,119.73	1,496.17	856.71
Investments	1,628.93	1,067.14	825.46	638.50	512.62
Other Non Current Assets	602.68	485.74	305.56	336.66	254.75
<b>Current Assets</b>					
Inventories	1,014.31	645.52	526.80	488.84	427.96
Debtors	833.61	562.17	512.50	445.87	344.58
Cash and Bank Balances	591.43	480.58	682.56	803.50	1,191.51
Other Current Assets	484.86	427.74	363.98	261.94	205.25
<b>Current Liabilities and Provisions</b>	3,367.14	2,477.60	1,987.62	1,571.23	1,327.19
<b>Net Current Assets</b>	<b>-442.93</b>	<b>-361.59</b>	<b>98.22</b>	<b>428.92</b>	<b>842.11</b>
<b>Total</b>	<b>5,111.61</b>	<b>3,929.97</b>	<b>3,348.97</b>	<b>2,900.25</b>	<b>2,466.19</b>
Share Capital	27.16	27.10	27.04	27.00	26.99
Reserves & Surplus	3,437.13	2,488.76	2,028.38	1,727.89	1,466.14
<b>Net Worth</b>	<b>3,464.29</b>	<b>2,515.86</b>	<b>2,055.42</b>	<b>1,754.89</b>	<b>1,493.13</b>
Minority Interest	1,156.85	1,085.06	1,039.72	948.46	837.65
Deferred Tax Liability (net)	338.18	239.35	180.45	123.19	64.46
Other Non Current Liabilities & Provisions	152.29	89.70	73.38	73.71	70.37
Borrowings	-	-	-	-	0.58
<b>Total</b>	<b>5,111.61</b>	<b>3,929.97</b>	<b>3,348.97</b>	<b>2,900.25</b>	<b>2,466.19</b>
<b>NO. OF SHARES</b>	<b>27,161,183</b>	<b>27,104,783</b>	<b>27,038,883</b>	<b>27,000,983</b>	<b>26,992,583</b>
<b>Book Value per Share (Rs.)</b>	<b>1,144.35</b>	<b>807.10</b>	<b>742.87</b>	<b>639.93</b>	<b>547.59</b>
<b>Market Value per Share (Rs.)</b>	<b>19,180.60</b>	<b>15,075.00</b>	<b>4,975.85</b>	<b>2,906.60</b>	<b>1,488.00</b>
<b>Market Value to Book Value per Share</b>	<b>16.8:1</b>	<b>18.7:1</b>	<b>6.7:1</b>	<b>4.5:1</b>	<b>2.6:1</b>
<b>Market Capitalisation (Rs. Crores)</b>	<b>52,096.78</b>	<b>40,860.46</b>	<b>13,454.14</b>	<b>7,848.11</b>	<b>4,016.50</b>

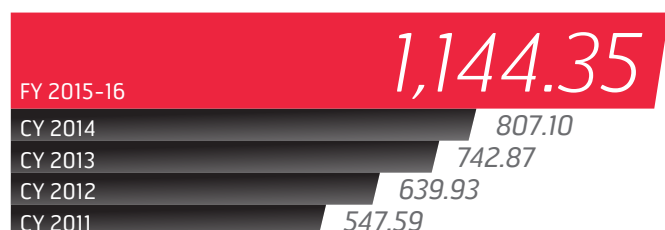
### Net Fixed Assets (Rs. Crores)



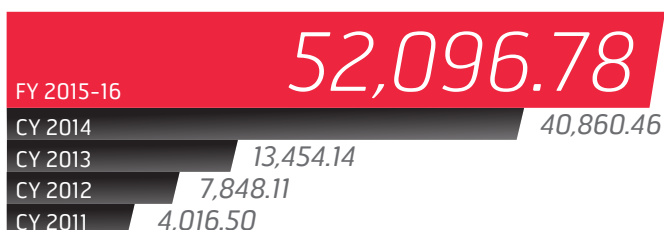
### Net Worth (Rs. Crores)



### Book Value Per Share (Rs.)



### Market Capitalisation (Rs. Crores)

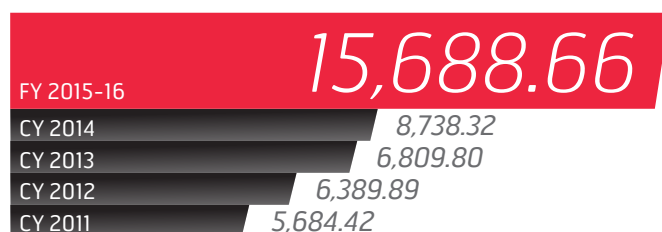


# OPERATIONAL HIGHLIGHTS CONSOLIDATED

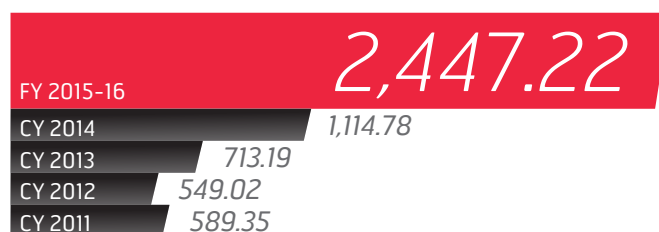
## PROFIT & LOSS ACCOUNT

	Rs. Crores				
	2015-16 (15M)	2014	2013	2012	2011
<b>Sales Volume:</b>					
Commercial Vehicles (Nos.)	63,045	40,783	41,251	48,831	49,042
Two Wheelers (Nos.)	6,00,944	3,02,592	1,78,121	1,13,432	74,626
<b>Total revenue from operations (net of excise)</b>	<b>15,688.66</b>	<b>8,738.32</b>	<b>6,809.80</b>	<b>6,389.89</b>	<b>5,684.42</b>
Manufacturing and other expenses	13,241.44	7,623.54	6,096.61	5,840.87	5,095.07
<b>Earnings before interest, depreciation &amp; tax (EBIDTA)</b>	<b>2,447.22</b>	<b>1,114.78</b>	<b>713.19</b>	<b>549.02</b>	<b>589.35</b>
<b>EBIDTA to Revenue (%)</b>	<b>15.6%</b>	<b>12.8%</b>	<b>10.5%</b>	<b>8.6%</b>	<b>10.4%</b>
Depreciation	451.66	219.82	130.04	82.17	63.96
<b>Earnings before interest &amp; tax (EBIT)</b>	<b>1,995.56</b>	<b>894.96</b>	<b>583.15</b>	<b>466.85</b>	<b>525.39</b>
<b>EBIT to Revenue (%)</b>	<b>12.7%</b>	<b>10.2%</b>	<b>8.6%</b>	<b>7.3%</b>	<b>9.2%</b>
Finance Cost	9.04	9.78	7.88	3.79	7.67
Other Income	111.98	107.44	95.29	136.64	142.48
<b>Profit before tax</b>	<b>2,098.50</b>	<b>992.62</b>	<b>670.56</b>	<b>599.70</b>	<b>660.20</b>
Provision for taxation	646.56	290.88	145.18	124.85	162.80
<b>Profit after taxation (PAT)</b>	<b>1,451.94</b>	<b>701.74</b>	<b>525.38</b>	<b>474.85</b>	<b>497.40</b>
<b>PAT to Revenue (%)</b>	<b>9.3%</b>	<b>8.0%</b>	<b>7.7%</b>	<b>7.4%</b>	<b>8.8%</b>
Minority Interest	174.06	86.38	131.44	150.59	188.63
<b>Profit after taxation and minority interest</b>	<b>1,277.88</b>	<b>615.36</b>	<b>393.94</b>	<b>324.26</b>	<b>308.77</b>
<b>Dividend including Corporate Dividend Tax</b>	<b>326.90</b>	<b>162.62</b>	<b>94.92</b>	<b>62.76</b>	<b>50.20</b>
<b>Equity Dividend (%)</b>	<b>1000%</b>	<b>500%</b>	<b>300%</b>	<b>200%</b>	<b>160%</b>
<b>Basic Earnings per Share (Rs.)</b>	<b>470.90</b>	<b>227.22</b>	<b>145.84</b>	<b>120.11</b>	<b>114.48</b>
<b>Diluted Earnings per Share (Rs.)</b>	<b>469.17</b>	<b>226.11</b>	<b>145.04</b>	<b>119.41</b>	<b>114.03</b>

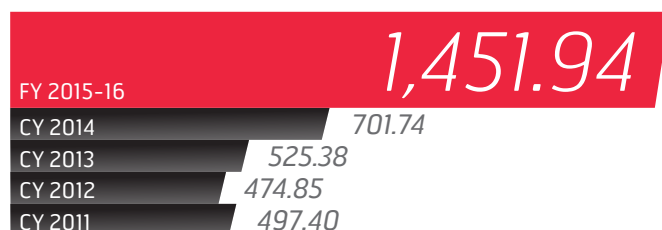
### Total Revenue from Operations (Rs. Crores)



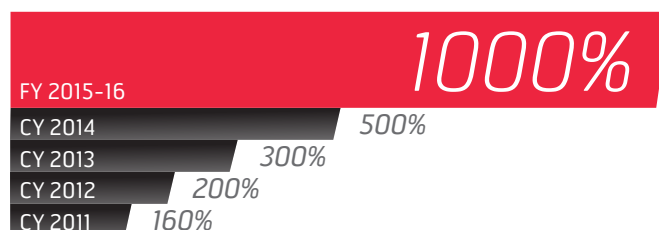
### EBIDTA (Earnings before interest, depreciation & tax) (Rs. Crores)



### Profit after Tax (Rs. Crores)



### Equity Dividend (%)



# LETTER TO THE SHAREHOLDERS







***Our reputation as an organisation that offers a truly differentiated and customer-centric proposition has been reinforced during 2015-16***

## Dear Shareholders,

I am delighted to write to you at the end of what has been a landmark reporting period for us at Eicher Motors Limited (EML). We have moved to financial year reporting because of which this annual report covers the 15-month period of January 1, 2015-March 31, 2016. Wherever possible we have provided a comparison between figures for the twelve months ended March 31, 2015 and the corresponding period ended March 31, 2016, for easier understanding.

In the last fifteen months, EML has once again demonstrated its ability to deliver industry-leading growth across all its businesses. Our reputation as an organisation that offers a truly differentiated and customer-centric proposition has been reinforced during this period. 2015-16 was marked by ground-up product introductions across our motorcycle and joint venture businesses. Our breakthrough go-to market business model, perseverance and single-minded pursuit of our goals have delivered this phenomenal growth trajectory.

### CONSOLIDATED PERFORMANCE

The past year reflected a solid performance at EML. The total revenue from operations for the 15-month period ending March 31, 2016 was Rs.15,688.7 Crores and for the 12-month period ending March 31, 2016 was Rs.13,120.7 Crores, resulting in our best ever performance. Sales volumes for the 12-month period ending March 31, 2016 for VECV were 52,025 units (including Exports and Volvo units) and for Royal Enfield were 5,08,099 units. We have achieved our best ever EBIT margin at 13.0% for the 12-month period ending March 31, 2016.

### STANDALONE PERFORMANCE

The total revenue from operations for the 15-month period ending March 31, 2016 was Rs.6,188 Crores and for the 12-month period ending March 31, 2016 was Rs. 5,226.9 Crores. This phenomenal growth was supported by our best ever EBIT margin at 26.0% for the 12-month period ending March 31, 2016.

## ROYAL ENFIELD

The 15-month period ending March 31, 2016 has been yet another stupendous year for Royal Enfield. We exceeded our own plans and expectations, both in revenue and profit terms. During the 12-month period from April 2015 to March 2016, we sold over half a million motorcycles. Considering that this was just about 52,000 motorcycles in 2010, it gives you a sense of the phenomenal growth Royal Enfield has achieved over the years.

We are winning and continuing to achieve the improbable. We have been able to do this by following a single idea for well over a decade with fearlessness and persistence; and by continually challenging the fundamentals of how business should be run and brands should be created. We didn't take the well-trodden path, and we didn't follow industry conventions; we created our own path which has led us to this outstanding success.

We are working very hard to transform Royal Enfield into a truly front-end consumer and brand-led organisation, rather than what is typically seen at other automotive firms, which are engineering or manufacturing driven. It doesn't mean that engineering and manufacturing are not important to Royal Enfield. In fact, they are more important than ever. It only means that even our most fundamental product, engineering and manufacturing decisions are driven by where we want our brand to go, and where we see our consumers shifting to – or with the right offering, where our consumers may shift to. Most automotive firms are driven by either creating differentiated products through modern technology, or by improving manufacturing processes so much that they will reap the benefits in lower cost or better productivity. We are driven by deep insights into our customer's needs (met or unmet) and understanding the cultural nuances in a way that we can create a more holistic offering that gives an unparalleled experience to our customer.

***We didn't take the well-trodden path, and we didn't follow industry conventions.***

The launch of the Himalayan in March 2016, a motorcycle purpose-built for adventure and touring the Himalayas, in a sense typifies this approach. The Himalayan is the culmination of Royal Enfield's 60 years of enduring history in its spiritual home — the Himalayas. Our single biggest insight in all these years of riding has been that the best motorcycle for the Himalayas is not one that tries to dominate its landscape, but one that is able to go with its flow. Large adventure tourers that currently define this category in developed nations, do not fare well in the Himalayas as they are very heavy, extremely complicated, intimidating and not really designed for this environment.

With a completely ground-up design, and powered by a new LS 410 engine, the Royal Enfield Himalayan paves the way for a purer, non-extreme and more accessible form of adventure touring in India. In fact, its extremely capable off-road capabilities make it adept for riding through potholed urban jungles as it does for treacherous mountain trails. I am absolutely delighted with the response that the Himalayan has received from our customers and other motorcycling enthusiasts.

While we have created and own the leisure motorcycle market in India with our current market share of 96% in the 250cc and above category of motorcycles, we still hold less than 6% market share in the overall motorcycle industry in India. India is the largest commuter motorcycle market in the world, but largely concentrated in the sub-150 cc segment. With the Indian economy growing at a fast clip, a younger demographic and an aspirational environment, the demand for mid-segment motorcycles will continue to grow. Therefore, for a brand like Royal Enfield, the potential to expand the market further and penetrate deeper is significant. We see a significant headroom for growth. We continue to expand our retail footprint with almost all of our 500 stores reflecting our new brand retail identity. This has allowed us to create a truly differentiated retail environment for our customers.

While India continues to be our stronghold market, at Royal Enfield we believe that our next level of growth will also come from our developing international business. Our focused international thrust is based on creating demand and building aspiration for the Royal Enfield brand in identified international markets. This means focusing on cities, rather than countries. Towards this we have opened several beautiful stores in prominent parts of London, Paris, Madrid, Bogota, Medellin, to name a few. This

***Our most fundamental product, engineering and manufacturing decisions are driven by where we want our brand to go, and where we see our consumers shifting to.***

year we also launched the brand in the leading two-wheeler markets of Indonesia and Thailand with exclusive stores in Jakarta and Bangkok. In addition to our evocative motorcycles and gear, we support these stores with several rides and community events that engage our customers in these parts of the world. We believe that a few years down the line, if we are successful in these cities, we will be able to succeed in these countries.

In 2015, as part of our international business growth plans, we also announced our market company in the world's most valued motorcycle market – North America. With the close of the calendar year, we completed our transition from our erstwhile distributor led business to our subsidiary in North America. With the team in place we are now working on our strategy to make a mark in this market.

While we continue to work relentlessly on demand generation, we have also taken significant steps to reinforce our product development capabilities at Royal Enfield. This year we made a strategic decision to buy the UK-based motorcycle engineering and design firm, Harris Performance. We are also on track with setting up both our technology centres in Leicestershire, UK and Chennai, India. In UK, we already have a team of more than 50 engineers with deep experience in design and development of motorcycles. Our third manufacturing facility at Vallam Vadagal, Tamil Nadu will also be ready as per plan. We continue to build a robust team and create capabilities across the organisation.

Encouraged by the performance in the year that went by Royal Enfield plans to manufacture around 6,75,000 motorcycles in 2016-17. We will also be investing Rs.600 Crores towards setting up two technical centres, product development, enhancing our manufacturing capacity and market development activities across geographies.