

EICHER MOTORS LIMITED

**2017-18**  
Annual Report



**KEEP RIDING *PURE***



# CONTENTS

Pg 02

## Corporate Review

- 02 Eicher Motors Limited
- 04 Financial Position-Consolidated
- 05 Operational Highlights-Consolidated
- 06 Letter to the Shareholders

Pg 10

## Royal Enfield Review

- 10 Pure Motorcycling
- 12 The Oldest Motorcycle Brand in continuous production
- 14 Quarterly Highlights
- 16 Financial Position-Standalone
- 17 Operational Highlights-Standalone
- 18 Unfolding the Twin Story
- 20 Global unveil of 'the Twins' at EICMA
- 22 The Twins come to India at Rider Mania
- 24 Spreading Footprint Globally
- 26 Growing the Royal Enfield Community Outside India
- 28 Promoting Differentiated Motorcycle and Retail Experiences
- 32 Inspiring the Motorcycling Way of Life
- 34 Scaling Manufacturing Excellence



To check this annual report online or for any other information please log on to [www.eichermotors.com](http://www.eichermotors.com)

Pg 36

## Management Review

- 38 Management Discussion & Analysis

Pg 49

## Statutory Reports

- 50 Business Responsibility Report
- 63 Directors' Report
- 86 Corporate Governance Report

Pg 103

## Financial Statements

- 104 Standalone Financial Statements
- 166 Consolidated Financial Statements

Pg 223

## Review of Subsidiary

- 224 VE Commercial Vehicles Limited
- 226 Business Highlights and Future Prospects
- 232 Notice

Eicher Motors Limited is a leading player in the Indian automotive space. It has two business verticals – Motorcycles and Commercial Vehicles.

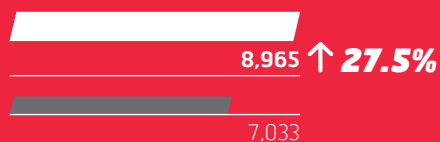
## CONSOLIDATED FINANCIAL HIGHLIGHTS\*

### Period of Comparison

- 1.4.2017 – 31.3.2018
- 1.4.2016 – 31.3.2017

### Net Revenue from Operations

(Rs. Crores)



### Earnings Before Interest, Depreciation & Tax (EBIDTA) before share of profit of Joint Ventures

(%)



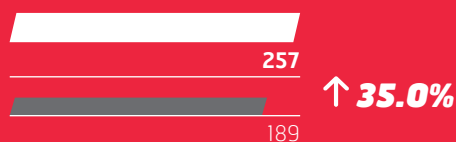
### Operating Margin (EBIT) before share of profit of Joint Ventures

(%)



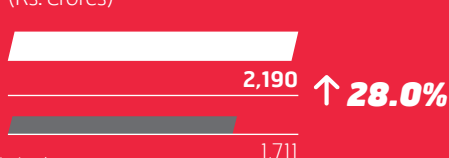
### Share of profit of Joint Venture - VECV

(Rs. Crores)



### Total Comprehensive income including share of profits of Joint Venture

(Rs. Crores)



\*Excluding discontinued operation of Eicher Polaris Private Limited.



# TO ENCOURAGE, ENABLE AND KICKSTART THE ACTIVE, LIFELONG PURSUIT OF EXPLORATION

WE BELIEVE THAT PURE MOTORCYCLING UNLOCKS THIS  
PURSUIT, THAT'S WHY - WE KEEP  
RIDING PURE

## RIDE

**Invite** people to the world  
of pure motorcycling

## RIDE MORE

**Inspire** owners to increase their  
participation in this wonderful pursuit

## RIDE PURE

**Ally** with riders for whom pure  
motorcycling becomes life's  
pursuit



# EICHER MOTORS LIMITED

Eicher Motors Limited (EML) is a Company Listed on the Bombay Stock Exchange and National Stock Exchange (EICHERMOT) which owns the iconic Brand Royal Enfield, the global leader in middleweight motorcycles. The world's oldest motorcycle brand in continuous production, Royal Enfield has made distinctive motorcycles since 1901. Focussed on bringing back simple, yet engaging and accessible motorcycling, it operates in India, and over 50 countries around the world. With modern product development facilities in Leicestershire, UK and Chennai, India, Royal Enfield manufactures its motorcycles near Chennai in Tamil Nadu, India.

In addition to motorcycles, EML has a joint venture with Sweden's AB Volvo - VE Commercial Vehicles (VECV) - driving modernisation in India's commercial vehicle space, and in other developing countries. VECV has a complete range of trucks and buses from 5-49 tonnes. Its integrated manufacturing plant in Pithampur, Madhya Pradesh is also the global hub for medium duty five- and eight-litre engines for the Volvo Group.

## Our business segments



### Motorcycles

#### Royal Enfield

**8,20,121**

motorcycles sold

**91%**

Market share in India's mid-size (250cc-750cc) motorcycles segment

- World's oldest motorcycle brand in continuous production
- Focussed on mid-sized motorcycles (250cc - 750cc)

#### Motorcycles

- Bullet
- Classic
- Himalayan
- Thunderbird
- Continental GT



### Commercial Vehicles

#### VE Commercial Vehicles (VECV)

**65,932**

commercial vehicles sold

**32.2%**

Commercial vehicles market share in domestic light to medium duty (4.9 to 15 tonne) segment

- A joint venture between EML and Volvo Group
- Designs, manufactures and markets reliable, fuel-efficient and modern trucks and buses

#### Commercial Vehicles

- Eicher branded light medium duty trucks (5-15 tonnes), heavy duty trucks (16-49 tonnes) and buses
- Volvo trucks
- Engineering components and aggregates

## Royal Enfield's Geographic Footprint



Headquartered in Gurugram, India



3

Manufacturing facilities in India at Tiruvottiyur, Oragadam and Vallam Vadagal near Chennai, Tamil Nadu



36

Exclusive Royal Enfield stores across UK, Colombia, USA, UAE, France, Spain, Indonesia, Thailand, Philippines, Australia, Portugal, Malaysia, Brazil, Vietnam and Argentina



2

Technology Centers  
- Leicester, UK (existing)  
- Chennai, India (upcoming)



2

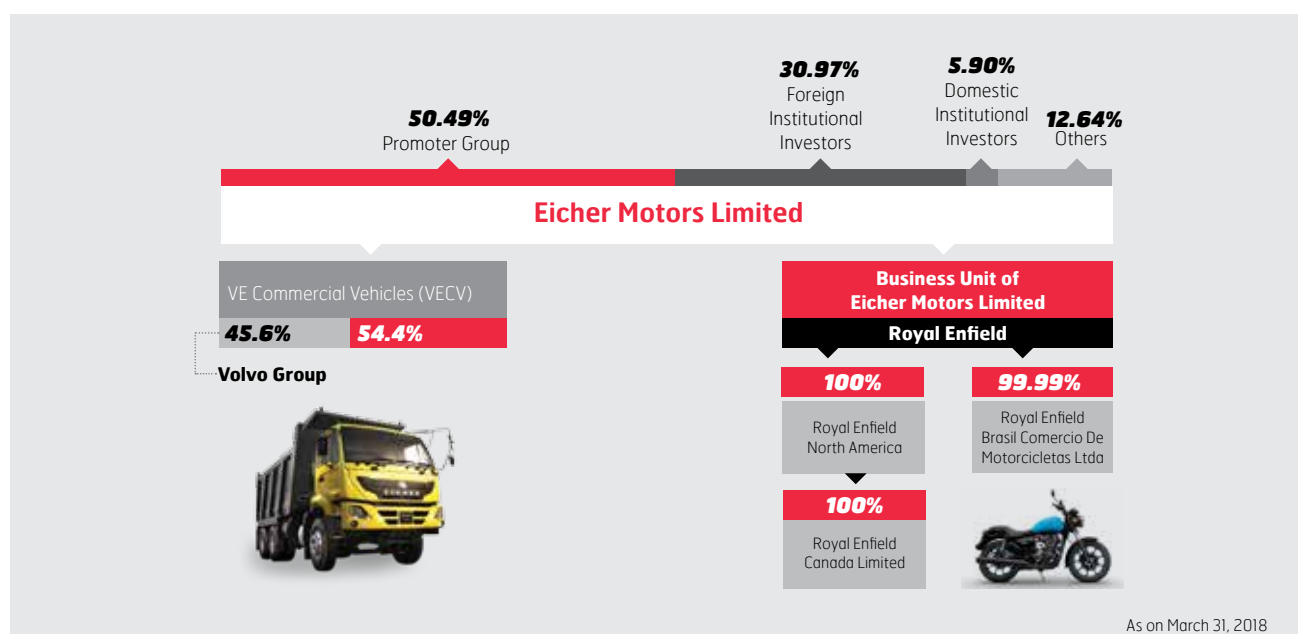
Fully-owned subsidiaries in USA (Royal Enfield North America) and in Brazil (Royal Enfield Brazil)



825

Stores in India

## Shareholding Pattern



# FINANCIAL POSITION-CONSOLIDATED

BALANCE SHEET			
		(Rs. Crores)	
	31.03.2018	31.03.2017	31.03.2016
Net Fixed Assets (Property plant & equipment, Intangibles, CWIP and Investment property)	1,834.90	1,246.55	888.64
Investment in joint venture	1,764.27	1,745.82	1,558.44
Investment in mutual funds, bonds & fixed deposits	4,925.51	3,241.31	1,825.24
Other non-current assets	204.85	278.07	200.80
<b>Current assets</b>			
Inventories	394.64	335.90	308.39
Debtors	68.00	50.04	32.64
Cash and Bank Balances (excluding fixed deposits)	103.06	25.06	49.17
Other current assets	227.00	86.33	75.69
<b>Total assets</b>	<b>9,522.23</b>	<b>7,009.08</b>	<b>4,939.01</b>
Equity share capital	27.26	27.21	27.16
Other equity	7,002.81	5,317.86	3,625.93
<b>Net Worth</b>	<b>7,030.07</b>	<b>5,345.07</b>	<b>3,653.09</b>
Non-current liabilities	226.92	134.26	73.60
Current liabilities	2,265.24	1,529.75	1,212.32
<b>Total equity and liabilities</b>	<b>9,522.23</b>	<b>7,009.08</b>	<b>4,939.01</b>
No. of Shares	2,72,55,549	2,72,10,249	2,71,61,183
Book Value per Share (Rs.)	2,579.32	1,964.36	1,344.97
Market Value per Share (Rs.)	28,372.65	25,587.50	19,180.60
Market Value to Book Value per Share	11:1	13:1	14.3:1
Market Capitalisation (Rs. Crores)	77,331.22	69,624.22	52,096.78

## Net Fixed Assets (Rs. Crores)

31.03.2018	1,834.90
31.03.2017	1,246.54
31.03.2016	888.64

## Net Worth (Rs. Crores)

31.03.2018	7,030.07
31.03.2017	5,345.07
31.03.2016	3,653.09

## Book Value Per Share (Rs.)

31.03.2018	2,579.32
31.03.2017	1,964.36
31.03.2016	1,344.97

## Market Capitalisation (Rs. Crores)

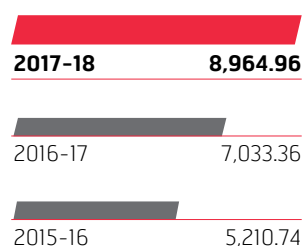
31.03.2018	77,331.22
31.03.2017	69,624.22
31.03.2016	52,096.78

# OPERATIONAL HIGHLIGHTS- CONSOLIDATED

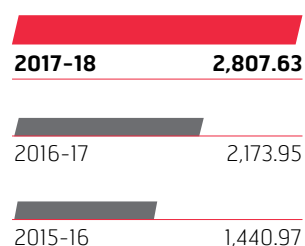
PROFIT AND LOSS ACCOUNT			
	(Rs. Crores)		
	2017-18	2016-17	2015-16
	Apr'17 - Mar'18	Apr'16 - Mar'17	Apr'15 - Mar'16
<b>Sales Volume :</b>			
Commercial Vehicles (Nos.)	65,932	58,604	51,888
Motorcycles (Nos.)	8,20,121	6,66,135	5,07,548
Net Revenue from operations - motorcycles	8,964.96	7,033.36	5,210.74
Manufacturing and other expenses	6,157.33	4,859.41	3,769.77
<b>Earnings before interest, depreciation &amp; tax (EBIDTA)</b>	<b>2,807.63</b>	<b>2,173.95</b>	<b>1,440.97</b>
<b>EBIDTA to Net Revenue (%)</b>	<b>31.3%</b>	<b>30.9%</b>	<b>27.7%</b>
Depreciation	223.30	153.81	118.03
<b>Earnings before interest &amp; tax (EBIT)</b>	<b>2,584.33</b>	<b>2,020.14</b>	<b>1,322.94</b>
<b>EBIT to Net Revenue (%)</b>	<b>28.8%</b>	<b>28.7%</b>	<b>25.4%</b>
Finance Cost	5.34	3.56	1.57
Other Income	280.10	227.33	147.99
Share of profit of joint venture - VECV	256.56	189.47	172.16
Profit before tax	3,115.65	2,433.38	1,641.52
Provision for taxation	935.93	720.30	459.02
<b>Profit after taxation (PAT)</b>	<b>2,179.72</b>	<b>1,713.08</b>	<b>1,182.50</b>
Share of loss of Joint venture from discontinued operation - EPPL*	-220.05	-46.00	-38.89
<b>Net Profit after tax</b>	<b>1,959.67</b>	<b>1,667.08</b>	<b>1,143.61</b>
Other comprehensive income	9.97	-2.43	-0.98
<b>Total Comprehensive income</b>	<b>1,969.64</b>	<b>1,664.65</b>	<b>1,142.63</b>
<b>Total Comprehensive income including share of profits from Joint Venture from continuing operation to Net Revenue (%)</b>	<b>24.4%</b>	<b>24.3%</b>	<b>22.7%</b>
Basic Earnings per Share (Rs.)	719.69	613.12	421.30
Diluted Earnings per Share (Rs.)	718.33	611.44	419.76

\* The Operations of EPPL were discontinued with effect from March 9, 2018

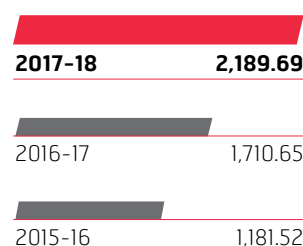
## Net Revenue from Operations (Rs. Crores)



## EBITDA (Rs. Crores)



## Total Comprehensive income including share of profits from Joint Venture from continuing operation (Rs. Crores)





## LETTER TO THE SHAREHOLDERS



**Dear Shareholders,**  
I am delighted to present the Annual Report 2017-18 of Eicher Motors Limited (EML). Once again, we've had a spectacular year, with the Company achieving record volumes and profit, and making significant progress on the several initiatives and projects that we had set out to accomplish this year. We remain dedicated to providing pure motorcycling experience to our community globally, while consistently enhancing value for stakeholders.



Financial year 2017-18 was another strong year for delivering profitable growth and further strengthened the robustness of our business model. In 2017-18, Royal Enfield's sales volume grew by 23% to 8,20,121 motorcycles. Our market share in above 125cc category of motorcycles in India increased from 24% to 27%. We have indeed come a long way from 3.8 % market share in above 125cc category of motorcycles category in 2011-12.

Last year, the Indian automobile industry faced several challenges, including the changeover to BS-IV emission norms, and the implementation of GST. I am pleased to share, neither of these events disrupted business at Eicher Motors Ltd. and we powered through as we were extremely well prepared.

EML's consolidated net revenue from operations (reflecting the business of Royal Enfield motorcycles) for the year 2017-18 was Rs. 8,965 crores, a growth of 27% over 2016-17. In 2017-18, EML's consolidated EBITDA grew 29% to Rs. 2,808 crores and PAT grew 18% to Rs. 1,960 crores. EML set a new industry benchmark with an EBITDA margin of 31.3% in 2017-18.

VECV - Eicher Motors Ltd's joint venture with Volvo Group - had a strong year in tough market conditions.

VECV's consolidated net revenue from operations for the year 2017-18 was Rs. 10,049 crores, a growth of 17% over the previous year. In 2017-18, EBITDA and PAT of VECV grew 33% and 35% respectively, over 2016-17.

 **29%**  
Consolidated EBITDA

 **18%**  
Consolidated PAT

## Royal Enfield

Royal Enfield has emerged as the strongest premium motorcycle brand in India, and the Classic 350 was the best selling model in the above 125cc category\* in 2017-18. We recently debuted on Economic Times Brand Equity's Top 100 Most Trusted brands list, perhaps the only brand to have done so without any major advertising spend.

Today, we enjoy the distinction of being a brand that's both aspirational and accessible. Our reason for being is to allow commuters to upgrade to the world of leisure motorcycling, reviving the simple pleasures of motorcycling at its purest in an otherwise fast-paced, performance-crazed world where motorcycling has reached intimidating extremes or is downright boring!

A Royal Enfield motorcycle is something many riders aspire to own and our legions of fans love our motorcycles and what our brand stands for. Still, we're accessible both in terms of price and with our sales and service network, which makes us unique. With our simple, timeless motorcycles, we stand for purposeful longevity, and shun forced obsolescence. That's why Royal Enfield motorcycles have one of the highest resale value in the country.

We continue to experiment with new retail formats and destinations to engage with our customers and those who love our brand. In November 2017, we opened the Garage Cafe in Goa. Reflecting the 'motorcycling way of life', the 120-seater Garage Cafe on the banks of the Baga River in Baga, Goa offers a relaxed, unhurried experience and is conceptualised to be an inclusive, engaging space. The Garage Cafe is a one-of-its-kind format that is an amalgamation of the various dimensions of Royal Enfield. The cafe houses a motorcycle museum-and-exhibition area, an exclusive gear store, a motorcycle customisation area and a service bay.

In an effort to allow easier discovery and access to pre-owned Royal Enfield motorcycles, we introduced our first pre-owned motorcycle store - Vintage - in Chennai. A pioneering initiative in the two-wheeler industry, Royal Enfield Vintage will deal exclusively in pre-owned, refurbished and restored motorcycles offering hassle-free sale and purchase experience to consumers. We will be expanding this unique retail format to 10 different locations across the country.

And we continue to strengthen our core retail network. Last year, we added 150 new dealerships in India taking our total retail outlet strength to 825 exclusive stores in the country, making us the strongest premium motorcycle distribution in the country by a large margin.

Our dealers are thrilled with us and are making solid progress too; this was reflected in our recent #1 ranking for dealer satisfaction by J.D. Power among two-wheeler manufacturers. Deeply engaged dealers are the key to our ambition of being number one in Customer Satisfaction - as an enormous part of the customer experience is in the dealership's purview.

After a very focussed effort over the last many years, we have been ranked #2 among two-wheeler manufacturers in customer service in India by J.D. Power. This is significant progress for Royal Enfield, as we are now ahead of the largest motorcycle manufacturer in the country as well as all the Japanese brands. I firmly believe that we're on the path to becoming number one and to set the standard for an exemplary ownership experience for our customers.

While Royal Enfield has grown from strength to strength in the last few years, we still believe that there's enormous potential to grow further. As incomes rise and the aspiration for leisure motorcycling grows in developing markets, especially India, I believe that customers from the commuter segment will continue to upgrade to the middle-weight segment (250cc-750cc) that is dominated by Royal Enfield. More so, from our own surveys, we see that there is an increasing number of people that are directly buying a Royal Enfield as their first motorcycle purchase.

While in some of the more developed states of India, we have an overall motorcycle market share of as much as 20-33%, in the lower income states it is as low as 2-4%. As incomes rise and distribution penetration increases in these populous states, we see a tremendous potential for growth in these regions.

While we continue to remain focussed on India, we've also been expanding beyond our shores, with motorcycles that stay true to our ethos of Pure Motorcycling, appealing to an increasingly higher number of riders across the world. Beyond India, Royal Enfield is now present across 50 countries through a network of over 500 multi brand outlets and 36 exclusive stores, 11 of which were opened in 2017-18.

Subsequent to opening our subsidiary in Brazil in 2016-17, we opened our first flagship store in the country in 2017-18. We also opened our first stores in Argentina and Vietnam, and added new exclusive stores in the UK, France, Austria, Mexico, Thailand, New Zealand, Colombia, and Indonesia. To further strengthen the brand and to accelerate market development activities, we have decided to set up wholly-owned subsidiaries in Indonesia and Thailand in 2018-19.

To cater to the continued demand, Royal Enfield began production at our plant in Vallam Vadagal near Chennai, in August 2017. Spread over 50 acres, the Vallam Vadagal plant is Royal Enfield's third manufacturing facility. I'm extremely pleased to inform you that Vallam Phase-1 was completed in record time and is now running at full capacity, and we have commenced work on building out Vallam Phase-2, which will further augment our capacity.

With a view to enhance our design, engineering, and product development capabilities, we are also completing construction of our Technical Center in Chennai this year. The Chennai Technical Center will complement our new and bespoke technical Center located in Leicestershire, UK which we moved into in May 2017. Spread over 36,000 square feet, the UK facility houses more than 120 employees and state-of-the-art equipment and workshop facilities, enabling engineers to develop best-in-class motorcycles and future concepts.

We unveiled our Interceptor 650 and Continental GT 650 twin cylinder motorcycles in November 2017 in Milan to great acclaim at the EICMA show, and thereafter at Rider Mania

in Goa. I am confident that the Interceptor 650 and the Continental GT 650 will be an important catalyst and flagship in our home market, where I expect many of our over 2.5 million riders, who have been asking for something more from Royal Enfield, to upgrade to the 650 Twins. The Continental GT and Interceptor are likely to become the mainstream volume drivers in our key international markets.

Continuing to strengthen our motorcycle offerings, we also introduced a number of new variants to our best-selling Classic range of motorcycles including the Gunmetal Grey and Stealth Black versions that added a rear disc brake. These new variants have received an excellent response, as has the new Himalayan Sleet + Explorer Kit edition and the brand new Thunderbird X, tailor-made for urban explorers.

## VE Commerical Vehicles

A strict implementation of a ban on overloading of trucks, a reconfiguration of regional warehouses due to the roll out of GST, and the need for long-haul trucks are driving a transition to higher gross vehicle weight (GVW) trucks. Coupled with increased investment in infrastructure, these measures have helped revive growth in the commercial vehicle industry. Medium duty and heavy duty truck sales led this growth, while the bus segment is still to recover from the pre-buying by State Transport Undertakings and other private players prior to the implementation of BS-IV.

In the high-performance trucks segment, where Volvo Trucks India is the market leader, sluggish demand in the first quarter was attributed to pre-buying ahead of BS-IV deadline. Subsequently, the market gained some momentum in the second quarter but overall industry volumes were 36% lower than the previous financial year.

VE Commercial Vehicles had an extremely successful year with its highest ever sales of 65,932 vehicles, growing 12.5% over 2016-17 volumes. In the domestic market, VECV sold 56,931 vehicles, a growth of 12.6% on the previous year. We achieved our highest ever volumes of 13,427 in heavy duty trucks. In exports, VECV recorded its highest ever volumes of 9,001 vehicles and has been supported by 134% growth in the Middle East and 24% in Africa, along with a 9% growth in South Asia.

VECV is focussed on a few key segments like construction, mining, e-commerce, fruits & vegetables among others, and continue to invest significantly in developing the market for these segments to drive future growth. We continue to retain an 88% market share in the high performance trucks segment (400+ horsepower) and are focussed on targeting mining segments besides quarrying, road construction, and irrigation to continue to drive growth.

We are preparing to introduce the next-generation BS-VI range of trucks and buses and are confident that we will have them in the market ahead of the April 1, 2020 deadline.