

INDEPENDENT AUDITORS' REPORT

To
Members
EICHER MOTORS LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of EICHER MOTORS LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and a jointly controlled entity, comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the fifteen months then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that

we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entity as at March 31, 2016, and their consolidated profit and their consolidated cash flows for the fifteen months ended on that date.

OTHER MATTERS

We did not audit the financial statements of subsidiaries incorporated outside India viz., Eicher Engineering Solutions, Inc., U.S.A., Eicher Engineering Solutions (Beijing) Co., Ltd., Eicher Engineering Solutions (Shanghai) Co., Ltd. and V E C V Lanka Private Limited, whose financial statements reflect total assets (net) of Rs. 29.22 crores as at March 31, 2016, total revenues (net) of Rs. 123.49 crores and net cash flows amounting to Rs. 3.44 crores for the fifteen months ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements is not modified in respect of the above matters with respect to our reliance on the work done

and the reports of the other auditors and the financial statements certified by the management.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary company and jointly controlled company incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and jointly controlled

company incorporated in India, none of the directors of the Group companies and jointly controlled company incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity - Refer note 33 to the financial statements.
- ii. The Group and its jointly controlled entity did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer note 44 to the financial statements.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company and jointly controlled company incorporated in India - Refer note 45 to the financial statements.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm's Registration No. 015125N)

Jaideep Bhargava

Partner

(Membership No. 090295)

Place: GURGAON

Date: May 5, 2016

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" SECTION OF OUR REPORT OF EVEN DATE)

- (i) In respect of fixed assets of the Holding Company, Subsidiary Company and jointly controlled company incorporated in India:
- (a) The respective entities have maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the period by the Management of the respective entities in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (ii) In respect of inventories of the Holding Company, Subsidiary company and jointly controlled company incorporated in India:
- (a) As explained to us, the inventories were physically verified during the period by the Management of the respective entities at reasonable intervals other than for inventories lying with third parties at the end of the period for which confirmations have been obtained in most of the cases.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management of the respective entities were reasonable and adequate in relation to the size of the respective entities and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the respective entities has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Holding Company, subsidiary company and jointly controlled company incorporated in India have not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Act by the respective entities.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system in the Holding Company, subsidiary company and jointly controlled company incorporated in India commensurate with the size of the respective entities and the nature of their business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any major weaknesses in such internal control system.
- (v) According to the information and explanations given to us, the Holding Company, subsidiary company and jointly controlled company incorporated in India have not accepted any deposit during the period within the meaning of Section 73 to 76 or any other relevant provisions of the Act.
- (vi) We have broadly reviewed the cost records maintained by the Holding Company, Subsidiary Company and jointly controlled entity pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government of India under sub-section (1) of Section 148 of the Act for the goods manufactured by the Holding Company, Subsidiary Company and Jointly controlled entity and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us in respect of statutory dues of the Holding Company, subsidiary company and jointly controlled company incorporated in India:
- (a) The respective entities have been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to the respective entities with the appropriate authorities.
- (b) There are no undisputed amounts payable by the respective entities in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

(c) There are no disputed dues in respect of Wealth Tax, Customs Duty and Cess which have not been deposited by the respective entities. There are no disputed dues in respect of Income Tax, Sales Tax, Service Tax and Excise duty which have not been deposited by the jointly controlled company. Details of disputed dues not deposited/deposited under protest by the Holding Company and subsidiary company of Income Tax, Sales Tax, Service Tax and Excise Duty as at March 31, 2016 are as follows:

RS. IN CRORES					
Nature of the Statute	Nature of dues	Forum where pending	Amount*	Amount paid under protest	Period to which amount relate
Central Excise Act	Excise Duty	Assessing Authority	0.05	-	2011-12
		Appellate Authority up to Commissioner's level	1.90	0.01	1991-92 to 1997-98, 2000-01 to 2006-07, 2009-10 to 2014-15
		CESTAT	14.57	4.50	1983-84 to 2000-01, 2002-03 to 2015-16
Sales Tax Act	Sales Tax	Assessing Authority	0.12	0.12	1994-95 to 1998-99, 2000-01, 2004-05
		Appellate Authority up to Commissioner's level	95.63	11.35	1987-88, 1989-90 to 1991-92, 1993-94, 1995-96 to 1999-00, 2000-01 to 2014-15
		Appellate Tribunal	8.52	2.37	1988-89, 1991-92 to 1995-96, 1997-98 to 2004-05, 2006-07
		High Court	7.09	0.88	1984-85, 1985-86, 1993-94, 2000-01, 2001-02, 2004-05
		Supreme Court	1.96	0.55	1986-87, 1990-91, 1991-92, 2001-02 to 2003-04
Finance Act, 1994	Service Tax	Assessing Authority	0.39	0.02	2006-07 to 2011-12
		Appellate Authority upto Commissioner's level	2.65	-	2009-10 to 2014-15
		CESTAT	96.48	4.84	2003-04 to 2013-14
Income Tax Act	Income Tax	Appellate Authority upto Commissioner's level	1.59	-	2010-11
		Appellate Tribunal	0.16	-	2008-09 and 2009-10

* Amount as per demand orders including interest and penalty wherever indicated in the order.

(d) There were no amounts which were required to be transferred by the aforesaid entities to the Investor Education and Protection Fund.

(viii) The Group does not have any accumulated losses at the end of the financial period and has not incurred cash losses during the financial period covered by our audit and the immediately preceding financial year. As the jointly controlled company was incorporated for less than 5 years, paragraph 3(viii) of the order is not applicable.

(ix) In our opinion and according to the information and explanations given to us, the Holding Company, subsidiary company and jointly controlled company incorporated in India have not defaulted in the repayment of dues to banks. The respective entities have not taken any loan from financial institutions and have not issued any debentures during the period.

(x) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Holding Company and subsidiary company for loans taken by others from banks are not, prima facie, prejudicial to the interest of the Holding Company and subsidiary company. The Jointly controlled company has not given any guarantees for loans taken by others from banks or financial institutions.

(xi) As the Holding Company, subsidiary company and jointly controlled company has not taken any term loans during the period, paragraph 3(xi) of the order is not applicable.

(xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Holding Company, its subsidiary company and jointly controlled company and no material fraud on the Holding Company, its subsidiary company and jointly controlled company has been noticed or reported during the period.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm's Registration No. 015125N)

Jaideep Bhargava

Partner

(Membership No. 090295)

Place: GURGAON

Date: May 5, 2016