

239-246

OVERVIEW OF PERFORMANCE

**VE COMMERCIAL
VEHICLES LIMITED**

A SUBSIDIARY OF THE COMPANY



PERFORMANCE HIGHLIGHTS

OF VE COMMERCIAL VEHICLES LIMITED

Chart 1: Eicher Commercial Vehicles and Growth

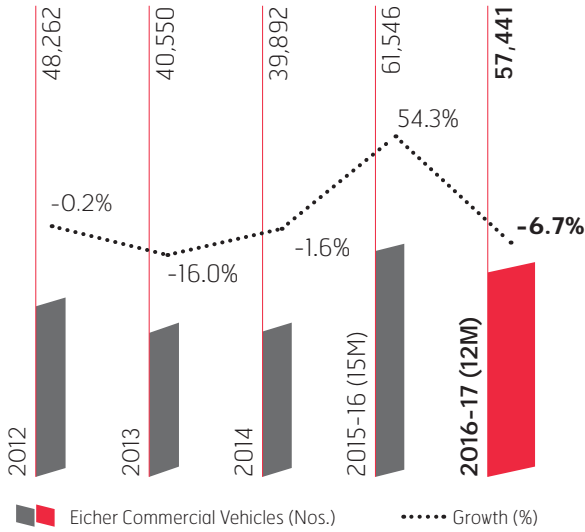


Chart 2: Eicher 5-14 Tonnes Cargo Domestic and Market Share

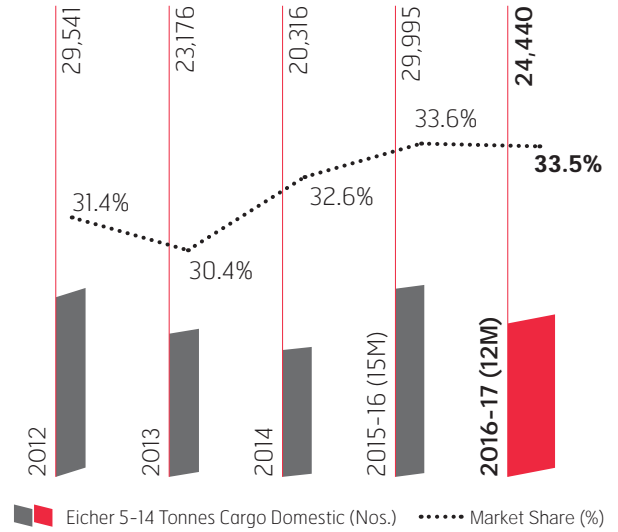


Chart 3: Eicher 16-Tonne and above Cargo Domestic and Market Share

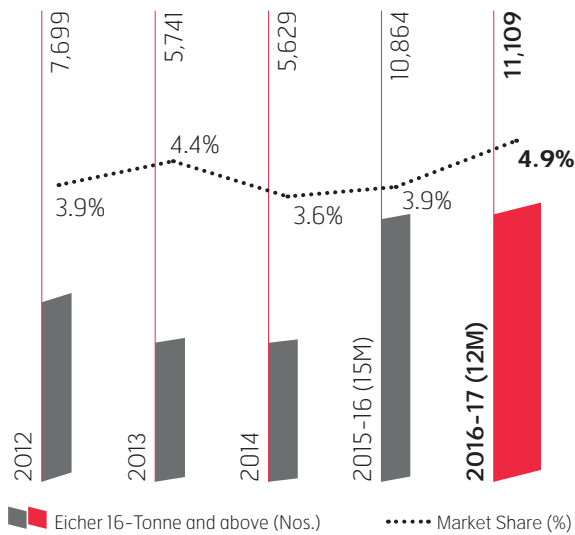


Chart 4: Eicher Exports: Cargo/Buses and Growth

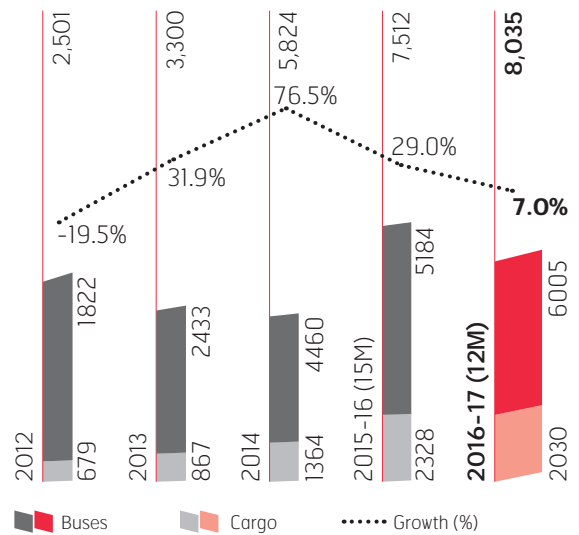


Chart 5: Eicher Buses Domestic and Market Share

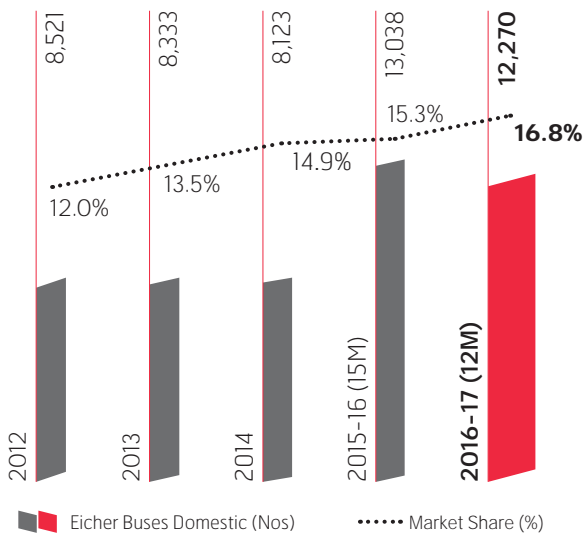


Chart 6: Volvo Trucks Domestic and Growth

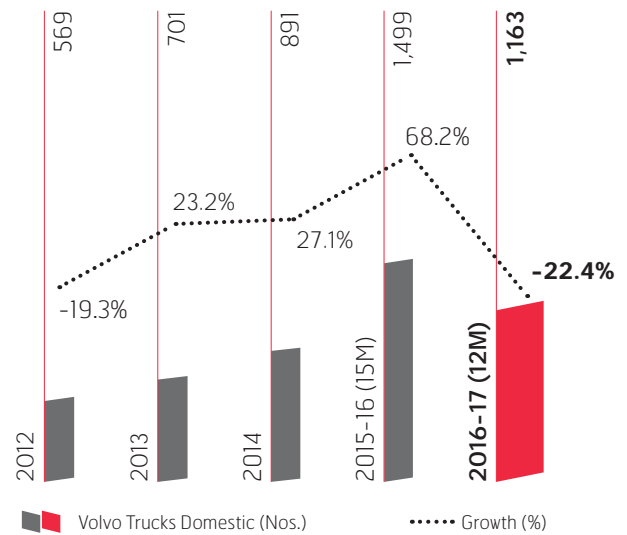


Chart 7: Net Revenue from Operations and Profit after Tax

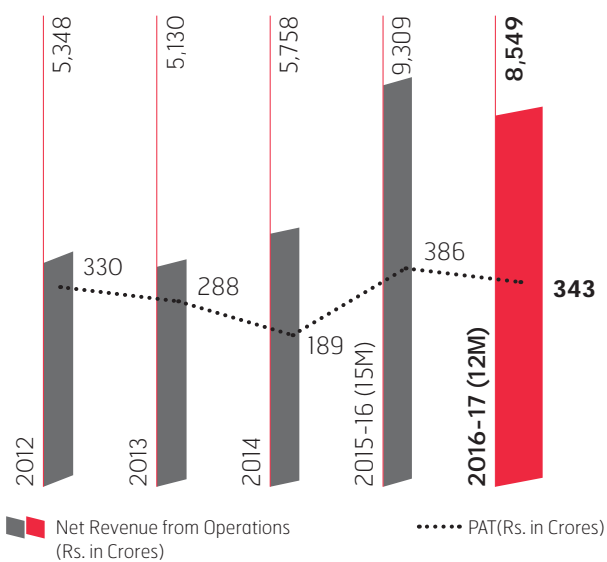
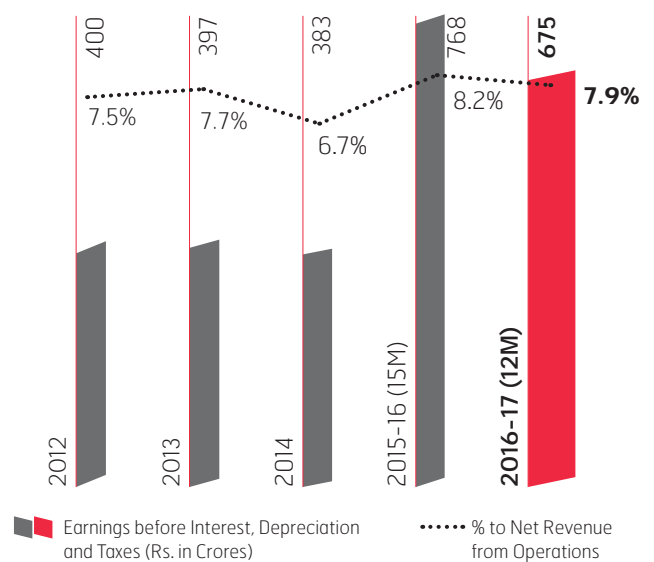


Chart 8: Earnings before Interest, Depreciation and Taxes and percentage to Net Revenue from Operations



BUSINESS HIGHLIGHTS AND FUTURE PROSPECTS



EICHER TRUCKS AND BUSES (ETB)

The demand for the trucks is directly linked to the growth of the economy and particularly in sectors like roads and constructions, mining, power and ports, agricultural as well as infrastructure projects. Growth in these sectors has facilitated improved performance of the Company during the period under review. ETB has achieved highest ever sales of 57,441 units in the financial year ended on March 31, 2017. ETB did very well in all segments during the period under review and achieved market share in Light Medium Duty trucks (5-15 Tonnes) of 33.5% in 2016-17 compared to 33.6% in 2015-16 despite intense competition, 4.9% in Heavy Duty trucks, up from 3.9% in 2015-16, and 16.8% Buses compared to 15.3% in 2015-16.

The domestic commercial vehicles industry slowed down in the first quarter of 2016-17 and turned negative in Q2 and Q3 before recovering in Q4. The Company believes in high focus on competitive growth as well as market development to build share in key segments such as e-commerce, mining, infrastructure, construction, allied segments, parcel and courier, FMCG, white goods, etc. which are critical for sustained growth and long-term value creation. While focussing on key segments, the Company continues to invest significantly, developing the market in these segments to drive future growth.

ETB plant has embarked on its journey to be a world-class Commercial Vehicles (CV) manufacturer. Technology infusion and capacity enhancement were done by adding new assembly lines to upgrade plant for catering upcoming volume and quality requirements. With the introduction of BS-IV variants across the entire range of trucks and buses and installation of 84,000 per annum capacity, ETB is ready to deliver higher production in 2017-18. ETB has successfully completed start of production (SOP) of new models like Pro 5000 and successful migration to BS-IV with high focus on cost and quality. Attaining Customer Satisfaction India No.1 position, while retaining agility and highest level of flexibility in supply chain remains the top priority for ETB.

VOLVO TRUCKS INDIA (VTI)

Industry volumes in the high performance trucks were impacted in 2016-17 as demand for coal did not pick up as per initial estimates. Coal production growth is expected to be approximately 3% in financial year 2016-17 versus 4.4% in 2015-16. However, in March 2017, the industry volumes grew by 160% Year-on-Year (YoY) clocking around 500 units due to the liquidation efforts of BS-III truck stocks by all the players. In 2016-17, the Company expanded the business to new applications like granite, quarry and road construction, etc. thereby reducing our dependence on coal segment.

During the year under review, VolvoTruck sold 1,163 units, out of which 1,106 units were tippers. Volvo Trucks continues to be the preferred mining solution provider amongst the competition in 400 hp + segment and retained its leadership position with market share of 62.4%.

Business sentiment for 2017-18 is positive. Coal India Limited's target of one billion tonnes' coal production by 2020 remains intact. Ministry is mulling introduction of commercial coal mining. Some of the private coal blocks auctioned earlier are also likely to get operationalised. Infrastructure, construction and highways will be other key drivers. Iron ore mining and irrigation projects in states will also provide the Company an opportunity. Tractor sales slowly started picking up and proposed implementation of GST by July 2017 will enhance further demand for long haul trucks. The Company's ambition is to drive Volvo Trucks sales in the new application segments apart from coal overburden and over dimensional cargo segments. With Eicher trucks portfolio, Volvo Trucks will build volumes in mining segment and also grow the business through select construction segment accounts.

EICHER ENGINEERING COMPONENTS (EEC)

The Company has made significant progress in total turnover with domestic as well as global customers including the captive businesses. During the financial year ended on March 31, 2017, EEC achieved a turnover growth of 20.9% on annualised basis.

The year 2017-18 is likely to witness further growth in businesses with the OEM customers with more efforts put in improving the share of business with the customers, development of new parts and assemblies, enhanced manufacturing technologies and productivity and meeting the increased requirements for strategic customers. The overall economy (India and US) is also buoyant signalling the increased demand overall.

EEC has gone ahead with its forward integration programme and is in the process of starting assembling transmissions for Eicher Trucks. This integration is expected to generate orders from other customers.

VE POWERTRAIN (VEPT)

VE Powertrain (VEPT) has sold 23,711 engines in the financial

year 2016-17 as against 19,854 engines in the financial year 2015-16, thus registering a growth of 19.4% on annualised basis.

BUS BODY AND APPLICATION MANUFACTURING PLANT (BUS BODY PLANT)

Bus Body plant has delivered 4,879 buses during the financial year as against 3,245 buses during financial year 2015-16 with a growth of 50% on annualised basis. This includes 897 buses of the newly launched platform of Skyline Pro Non-AC and AC and Midi buses. During the period under review, the plant productivity has been enhanced with man-days reduction by 18.8% per bus.

Bus Body Plant has taken major initiatives to promote the bus plant at all launch functions coupled with the visit of 400 key customers from domestic and export markets during this period. The new upgraded Starline range is now being produced in the bus plant.

EXPORTS

The Company recorded the highest ever exports of 8,035 Eicher vehicles during the financial year 2016-17 as against 7,521 vehicles in financial year 2015-16. The CV exports out of India last year were led by South Asia. Certain markets such as Middle East and Africa were very subdued mainly on account of low oil prices, forex non availability and local currency depreciation. The Company recorded a growth of 7.0% over last year.



CONSOLIDATED BALANCE SHEET

VE COMMERCIAL VEHICLES LIMITED AS AT MARCH 31, 2017

Particulars	(Rs. in Crores)		
	As at March 31, 2017	As at March 31, 2016	As at January 1, 2015
ASSETS			
Non-current assets			
(a) Property, plant and equipment	1,526.33	1,537.15	1,440.84
(b) Capital work-in-progress	175.91	82.37	124.43
(c) Intangible assets	430.45	298.35	315.61
(d) Intangible assets under development	191.25	237.88	142.48
(e) Financial assets			
(i) Investments	0.05	0.05	0.05
(ii) Trade receivables	8.90	29.60	25.61
(iii) Loans	1.91	1.60	1.47
(iv) Other financial assets	33.92	70.52	115.43
(f) Income tax assets (net)	-	-	1.97
(g) Other assets	165.82	172.83	169.85
Total non-current assets	2,534.54	2,430.35	2,337.74
Current assets			
(a) Inventories	662.77	694.72	441.56
(b) Financial assets			
(i) Trade receivables	1,029.61	798.27	540.26
(ii) Cash and cash equivalents	1,058.10	522.82	315.54
(iii) Loans	5.69	2.61	1.47
(iv) Other financial assets	42.96	36.96	70.86
(c) Other assets	363.44	360.84	283.43
Total current assets	3,162.57	2,416.22	1,653.12
Total assets	5,697.11	4,846.57	3,990.86
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	10.00	10.00	10.00
(b) Other equity	2,877.62	2,532.53	2,379.63
Total equity	2,887.62	2,542.53	2,389.63
LIABILITIES			
Non-current liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	9.75	7.63	8.41
(b) Provisions	124.62	94.44	55.28
(c) Deferred tax liabilities (net)	10.27	14.52	26.29
(d) Other liabilities	12.32	2.35	3.94
Total non-current liabilities	156.96	118.94	93.92
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	204.00	63.30	58.36
(ii) Trade payables	1,941.54	1,781.14	1,033.00
(iii) Other financial liabilities	221.22	121.09	149.24
(b) Provisions	85.85	56.00	63.43
(c) Income tax liabilities (net)	10.51	8.04	-
(d) Other current liabilities	189.41	155.53	203.28
Total current liabilities	2,652.53	2,185.10	1,507.31
Total liabilities	2,809.49	2,304.04	1,601.23
Total equity and liabilities	5,697.11	4,846.57	3,990.86

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

VE COMMERCIAL VEHICLES LIMITED FOR THE YEAR ENDED MARCH 31, 2017

Particulars	(Rs. in Crores)	
	For the year ended March 31, 2017	For the fifteen months ended March 31, 2016
INCOME		
Revenue from operations	9,258.64	10,011.51
Other income	57.21	42.39
Total Income	9,315.85	10,053.90
EXPENSES		
Cost of raw materials consumed	4,850.50	5,246.38
Purchases of stock-in-trade	1,502.73	1,766.55
Change in inventories of finished goods, work-in-progress and stock-in-trade	50.42	(217.36)
Excise duty on sale of goods	709.25	702.03
Employee benefits expenses	651.25	716.91
Finance costs	18.59	10.67
Depreciation and amortisation expenses	269.70	300.03
Other expenses	819.50	1,029.37
Total expenses	8,871.94	9,554.58
Profit before tax	443.91	499.32
Tax expense		
Current tax	97.12	125.62
Minimum alternate tax (MAT) credit entitlement	(10.92)	(108.39)
Deferred tax charge	9.42	96.47
Total tax expense	95.62	113.70
Profit for the year/period	348.29	385.62
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences in translating the financial statements of foreign operations	(2.64)	0.64
Income tax effect	0.91	(0.22)
	(1.73)	0.42
Items that will not be reclassified to profit or loss:		
Re-measurement gains/(losses) on defined benefit plans	(5.31)	(0.33)
Income tax effect	1.84	0.11
	(3.47)	(0.22)
Net other comprehensive income not to be reclassified to profit or loss	(5.20)	0.20
Total comprehensive income for the year/period, net of tax	343.09	385.82
Earnings per share (of Rs. 10 each) (not annualised) in Rs.		
(a) Basic/diluted	348.29	385.62

CONSOLIDATED CASH FLOW STATEMENT

VE COMMERCIAL VEHICLES LIMITED FOR THE YEAR ENDED MARCH 31, 2017

Particulars	(Rs. in Crores)	
	For the year ended March 31, 2017	For the fifteen months ended March 31, 2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	348.29	385.62
Adjustments for:		
Current tax	97.12	125.62
Minimum alternate tax (MAT) credit entitlement	(10.92)	(108.39)
Deferred tax charge	9.42	96.47
Depreciation and amortisation expenses	269.70	300.03
Profit on sale of property, plant and equipment	(0.40)	(2.54)
Property, plant and equipment and intangible assets discarded	1.26	0.44
Loss on sale of property, plant and equipment	3.98	2.44
Exchange fluctuation of subsidiary company transferred to exchange loss pursuant to divestment	2.00	-
Exchange differences in translating the financial statements of foreign operations	(2.64)	0.68
Re-measurement gains (losses) on defined benefit plans	(5.31)	(0.33)
Profit on divestment of subsidiary company	(4.31)	-
Interest income	(44.52)	(33.52)
Finance costs	18.59	10.67
Operating profit before changes in working capital	682.26	777.19
Changes in working capital:		
Adjustments for (increase) / decrease in assets:		
Non-current		
Trade receivables	20.70	(3.99)
Loans	(0.31)	(0.13)
Other financial assets	(2.96)	(0.28)
Other assets	(48.59)	(0.04)
Current		
Inventories	31.95	(253.16)
Trade receivables	(231.34)	(258.01)
Loans	(3.08)	(1.14)
Other financial assets	5.47	36.33
Other assets	(2.60)	(77.41)
Adjustments for increase / (decrease) in liabilities:		
Non-current		
Other financial liabilities	(16.77)	50.92
Provisions	30.18	39.16
Other liabilities	9.97	(1.59)
Current		
Trade payables	160.40	748.14
Other financial liabilities	100.13	(28.15)
Provisions	29.85	(7.43)
Other liabilities	33.88	(47.75)
Cash generated from operating activities	799.14	972.66
Income taxes paid	(94.65)	(115.61)
Net cash flow from operating activities (A)	704.49	857.05
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital advances)	(374.92)	(493.82)
Sale of fixed assets	6.68	6.42
Investment in fixed deposits	39.56	45.19
Interest received	37.36	31.09
Net cash flow from investing activities (B)	(291.32)	(411.12)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in short-term borrowings (net)	140.70	4.94
Interest paid	(18.59)	(10.67)
Dividend paid	-	(193.75)
Tax on dividend	-	(39.17)
Net cash flow from financing activities (C)	122.11	(238.65)
Net Increase in cash and cash equivalents (A)+(B)+(C)	535.28	207.28
Cash and cash equivalents at the beginning of the year/period	522.82	315.54
Cash and cash equivalents at the end of the year/period	1,058.10	522.82

Particulars	(Rs. in Crores)	
	As at March 31, 2017	As at March 31, 2016
Components of cash and cash equivalents		
Cash on hand	0.11	0.13
Cheques/drafts on hand	19.37	58.26
Balances with banks:		
In current accounts	18.08	91.51
In deposit accounts	1,020.54	372.92
Total cash and cash equivalents	1,058.10	522.82