

# BUSINESS HIGHLIGHTS AND FUTURE PROSPECTS



## BRIEF DESCRIPTION OF THE STATE OF COMPANY'S AFFAIRS

The financial year 2018-19 started on a promising note but also threw some challenges due to sudden new axle load norms and NBFC crises which adversely impacted sales in 2nd half of the year. With an all-time high volume of 72,969 trucks and buses, the company did well by growing at 10.7% as compared to 65,932 of last year.

In the domestic market, the company sold 62,959 vehicles, a growth of 10.6% over previous year. The company has achieved highest ever volumes in multiple categories in the year with sales of 14,507 Heavy Duty Trucks, 37,706 LMD trucks, 9,846 LMD Buses and 10,010 vehicles in Exports. The company also did well in HD Buses sales of 900 units in domestic market.

During the year under review, the Company won several prestigious awards. Some of these are as follows:

- At EPC World Awards 2019, VECV got "Outstanding Company in Commercial Vehicles" award
- At the Apollo CV awards 2019, VECV bagged 4 prestigious awards viz., "CV Man of the year given to Vinod Aggarwal, MD & CEO, VECV, "HCV Tractor of the year for Eicher Pro 8049 (6 x 4), "LCV Cargo Carrier of the year for Eicher Pro 1059XP (16-feet)" and "HCV Tipper of the year for Volvo FM380 (8 x 4)"
- VECV won "Best Risk Management Framework and System Automotive and Auto Ancillary" award by ICICI Lombard and CNBC TV-18
- VECV also bagged Making of Developed India Awards (Brand Excellence) by ET Now for "Brand Excellence in Automobile Sector" and "Best use of Social Media in Marketing – Eicher Nayi Soch"
- VECV also won the "CII National HR Excellence Award 2018".

VECV bagged multiple awards at "Global Awards for Retail Excellence in Auto Marketing" by ET Now as follows:

- a. Best MCV Tipper of the year – Eicher Pro 6025T
- b. Best ICV Cargo Carrier of the year – Eicher Pro 3014 - Super truck
- c. Best MCV Cargo of the year – Eicher Pro 3016 - AMT
- d. Best Tractor Cargo of the year – Eicher Pro6055
- e. Best Social Media Campaign – HaHa Highways
- f. Best Marketing Campaign of the year – Eicher Nayi Soch

VECV won "Most Preferred Brand by Construction & Real Estate – Heavy Vehicles (trucks)" by Times Network

VECV bagged 4 awards at "Talent Management and Leadership Awards" by ET Now for

- a. Best Talent Management Strategy
- b. National Best Employer Brand 2018
- c. Talent Management Award at Dream Companies to work for
- d. 101 HR Super Achievers (India)

VECV got "Brand Excellence Award in Commercial Vehicles" and "Best use of Social Media in Marketing" at Brand Excellence Awards by ABP

## BUSINESSES, MARKET AND FUTURE PROSPECTS

### Eicher Trucks and Buses (ETB)

Eicher Trucks and Buses (ETB) has achieved highest ever sales of 71,743 units in the financial year 2018-19 as compared to 64,877 units in the financial year 2017-18, with a growth of 10.6%. In domestic CV market, ETB has recorded sales of 61,733 units in FY 18-19 as compared to 55,876 units, representing growth of 10.5%. On the exports front, ETB has recorded highest ever sales of 10,010 units as compared to 9,001 units, with a growth of 11.2%.

LMD trucks (3.5 – 15T) market share declined from 31.3% to 29.4% in FY 18-19, HD trucks market share saw a marginal drop from 4.6% to 4.5%. In Bus segment, LMD buses improved its market share from 19.8% to 20.7% and with increased focus

in HD bus retail market, the volume reached from 50 to 75 buses per month consistently.

ETB plant is continuing its journey to become a world class CV manufacturer in India. Continuous efforts are being made to adopt Volvo Production System (VPS) across the plant. There is continuous focus on quality improvement through technology adoption and automation. To meet market demand, plant capacity has been increased to 90,000 per annum. New facilities for Body shop - Pro 2000, Pro 8000 and BSVI are installed and commissioned successfully and BSVI project reached to industrialization phase at Pithampur plant.

#### **Bhopal Plant**

To enhance overall ETB capacity from 90,000 to 1,30,000, Bhopal project kicked off in October 2018. Project work is going on in full swing. All efforts are being made to meet stringent deadline of phase 1. Land development for industrial shed and building foundation work is on track. Excavation and footing completed for engine assembly and utility building. Overall progress is on track.

#### **Volvo Trucks India (VTI)**

Total industry volume in financial year 2018-19 registered a strong growth of 26.5% in the high end premium HD Truck segment as compared to financial year 2017-18. The industry volume grew from 1,199 units last financial year 17-18 to 1,517 units in financial year 2018-19. VTI sold 1,226 trucks in financial year 2018-19, which is a growth of 16.2% as compared to 1,055 units sold in financial year 2017-18. VTI continues to maintain a strong leadership position in the market with 80.8% market share. Under the newly constituted construction and infra segment VTI clocked 117 units sale for financial year 2018-19 and crossed 250 trucks sale since inception.

Market continues to support VTI's growth ambitions as coal continues to be chief source of electricity with ~80% share in generation.

Volumes in financial year 2019-20 are expected to reach higher levels of growth with CIL taking up a target of ~700 MT of coal production and a greater number of captive coal blocks becoming active, though, uncertainties regarding retail finance and new government formation prevail in the first quarter. The new construction tipper [FM380] will enable VTI to make further inroads into segments like irrigation and road construction.

#### **Eicher Engineering Components (EEC)**

The year under review witnessed exports business doubled in last 3 years. During the year under review, EEC received awards from Key Global OEM customers for excellence in Quality, Delivery, New Product Development and Capacity Ramp up. Customer relationship management was also one of the key drivers to receive these awards.

The company is anticipating continued growth in business with the key OEM customers through increased share of business, acquisition of new customers and new businesses, introduction

of new parts and assemblies, focus on productivity improvement, cost and working capital management and meeting the increased requirements of domestic and global OEM customers.

#### **VE Powertrain (VEPT)**

VEPT has sold 39,827 engines in the financial year 2018-19 against 34,805 engines in the financial year 2017-18, thus registering a growth of 14.4%. 1,36,000+ engines have been delivered to customers since inception. VEPT aims to be best partner and preferred supplier of Medium Duty engines and powertrain assemblies to Volvo Group.

The financial year 2019-20 is likely to witness further growth in sales of engines. Main growth driver will be increase in supplies of CBU engines for Eicher brand vehicles and UD brand vehicles in Thailand (Eu3 applications). With migration to BSVI emission, relentless cost reduction programs and high focus on increased flexibility and agility of the supply chain, VEPT aims to cater all customer requirements most efficiently.

#### **Bus Body and Application Manufacturing Plant (Bus Body Plant)**

Bus Body plant volume has grown by 30.2 % to 7,298 buses during the financial year 2018-19 as against 5,605 buses during the financial year 2017-18 which is the highest ever volume rolled out. This includes 826 buses supplied through a new initiative of mass customization which has been well accepted in the market. The relentless strategy to focus on in-house process cost reduction over last 2 years has started yielding results.

With the Middle East market opening, the new LHD 2015 bus and the Pro LHD Bus in the pipe line, Bus Body Plant will be in a stronger position to deliver higher exports volume in the coming years. To enhance Bus quality, a new improvement program called 'Uptime Initiative' has been started for improvements in parts, process, irritant and quality impression in the field. Development of electric buses has been started and batch production is expected to start in the first quarter of financial year 2019-20.

#### **International Business**

The company recorded the highest ever exports of 10,010 Eicher Branded vehicles during the financial year 2018-19 as against 9,001 vehicles in financial year 2017-18 representing a growth of 11.2%. This has largely been driven by continued strong performance in South Asia and foray into ASEAN region. This was also supplemented by spare part sales growth of 31% over last year supported by retail network expansion which now stands at over 500 touch points across target markets.

The new generation trucks of Pro 3000 and Pro 6000 series have been introduced in several new markets with extremely good customer feedback and increasing the addressable space in the industry hitherto dominated by Japanese trucks.

The year also saw successful execution of 1st ever EXIM tender of 350 units of HD trucks to Bangladesh for Bangladesh Road Transport Corporation (BRTC).

# CONSOLIDATED BALANCE SHEET

VE COMMERCIAL VEHICLES LIMITED AS AT MARCH 31, 2019

Particulars	(Rs. in Crores)	
	As at March 31, 2019	As at March 31, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
(a) Property, plant and equipment	<b>1,674.72</b>	1,606.99
(b) Capital work-in-progress	<b>288.97</b>	96.45
(c) Intangible assets	<b>493.71</b>	520.83
(d) Intangible assets under development	<b>366.64</b>	238.72
(e) Financial assets		
(i) Investments	<b>0.14</b>	0.05
(ii) Trade receivables	<b>-</b>	1.97
(iii) Loans	<b>2.01</b>	2.17
(iv) Other financial assets	<b>33.64</b>	34.43
(f) Other assets	<b>233.72</b>	203.26
<b>Total non-current assets</b>	<b>3,093.55</b>	2,704.87
<b>Current assets</b>		
(a) Inventories	<b>1,285.77</b>	948.99
(b) Financial assets		
(i) Trade receivables	<b>1,264.48</b>	1,392.47
(ii) Cash and cash equivalents	<b>726.90</b>	345.22
(iii) Bank balances other than (ii) above	<b>994.98</b>	1,265.51
(iv) Loans	<b>3.67</b>	1.52
(v) Other financial assets	<b>237.12</b>	190.56
(c) Other assets	<b>183.66</b>	169.06
<b>Total current assets</b>	<b>4,696.58</b>	4,313.33
<b>Total assets</b>	<b>7,790.13</b>	7,018.20
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity share capital	<b>10.00</b>	10.00
(b) Other equity	<b>3,563.38</b>	3,233.18
<b>Total equity</b>	<b>3,573.38</b>	3,243.18
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
(a) Financial liabilities		
(i) Other financial liabilities	<b>7.06</b>	6.42
(b) Provisions	<b>124.29</b>	160.81
(c) Deferred tax liabilities (net)	<b>83.25</b>	42.52
(d) Other liabilities	<b>3.92</b>	1.42
<b>Total non-current liabilities</b>	<b>218.52</b>	211.17
<b>Current liabilities</b>		
(a) Financial liabilities		
(i) Borrowings	<b>295.89</b>	258.74
(ii) Trade payables		
- Total outstanding dues of micro enterprises and small enterprises	<b>102.06</b>	79.55
- Total outstanding dues of creditors other than micro enterprises and small enterprises	<b>2,904.19</b>	2,594.33
(iii) Other financial liabilities	<b>301.76</b>	265.08
(b) Provisions	<b>94.75</b>	91.01
(c) Income tax liabilities (net)	<b>26.51</b>	19.07
(d) Other liabilities	<b>273.07</b>	256.07
<b>Total current liabilities</b>	<b>3,998.23</b>	3,563.85
<b>Total liabilities</b>	<b>4,216.75</b>	3,775.02
<b>Total equity and liabilities</b>	<b>7,790.13</b>	7,018.20

Note: Consolidated financial statement represents financial statements of VE Commercial Vehicles Limited and its Subsidiaries, viz, VECV Lanka (Private) Limited and VECV South Africa (PTY) Limited

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

VE COMMERCIAL VEHICLES LIMITED FOR THE YEAR ENDED MARCH 31, 2019

Particulars	(Rs. in Crores)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>INCOME</b>		
Revenue from operations	11,599.94	10,223.34
Other income	97.37	82.66
<b>Total Income</b>	<b>11,697.31</b>	10,306.00
<b>EXPENSES</b>		
Cost of raw materials consumed	7,721.72	6,328.27
Purchases of stock-in-trade	1,467.21	1,324.16
Change in inventories of finished goods, work-in-progress and stock-in-trade	(387.05)	(127.40)
Excise duty on sale of goods	-	173.98
Employee benefits expenses	776.67	688.52
Finance costs	22.29	16.25
Depreciation and amortisation expenses	374.04	322.52
Other expenses	1,048.80	930.32
<b>Total expenses</b>	<b>11,023.68</b>	9,656.62
<b>Profit before tax</b>	<b>673.63</b>	649.38
<b>Tax expense</b>		
Current tax	160.41	151.88
Tax adjustment relating to earlier years	(2.57)	(7.28)
Deferred tax charge/(benefit)	40.79	33.16
<b>Total tax expense</b>	<b>198.63</b>	177.76
<b>Profit for the year</b>	<b>475.00</b>	471.62
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss:-		
Re-measurement losses on defined benefit plans	(1.61)	(2.26)
Income tax benefit	0.56	0.78
<b>Net other comprehensive income not to be reclassified to profit or loss</b>	<b>(1.05)</b>	(1.48)
Items that may be reclassified to profit or loss:-		
Exchange differences in translating the financial statements of foreign operations	1.42	(0.39)
Income tax effect	(0.50)	0.13
	<b>0.92</b>	(0.26)
<b>Net other comprehensive income not to be reclassified to profit or loss</b>	<b>(0.13)</b>	(1.74)
<b>Total Comprehensive income for the year, net of tax</b>	<b>474.87</b>	469.88
Earnings per share (of Rs. 10 each) in Rs.		
Basic/diluted	<b>475.00</b>	471.62

# CONSOLIDATED CASH FLOW STATEMENT

## VE COMMERCIAL VEHICLES LIMITED FOR THE YEAR ENDED MARCH 31, 2019

Particulars	(Rs. in Crores)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit after tax</b>	<b>475.00</b>	471.62
Adjustments for:		
Current tax	<b>160.41</b>	151.88
Tax adjustment relating to earlier years	<b>(2.17)</b>	(7.28)
Deferred tax charge	<b>40.39</b>	33.16
Depreciation and amortisation expenses	<b>374.04</b>	322.52
Property, plant and equipment and intangible assets discarded	<b>2.63</b>	6.64
Loss on sale of property, plant and equipment	<b>1.52</b>	2.60
Exchange differences in translating the financial statements of foreign operations	<b>1.42</b>	(0.39)
Re-measurement losses on defined benefit plans	<b>(1.61)</b>	(2.26)
Interest income	<b>(81.89)</b>	(69.19)
Finance costs	<b>22.29</b>	16.25
<b>Operating profit before changes in working capital</b>	<b>992.03</b>	925.55
<b>Changes in working capital:</b>		
<b>Adjustments for (increase) / decrease assets:</b>		
<b>Non-current</b>		
Trade receivables	<b>1.97</b>	6.93
Loans	<b>0.16</b>	(0.26)
Other financial assets	<b>(2.18)</b>	(0.85)
Other assets	<b>10.80</b>	(19.22)
<b>Current</b>		
Inventories	<b>(336.78)</b>	(286.22)
Trade receivables	<b>127.99</b>	(362.86)
Loans	<b>(2.15)</b>	4.17
Other financial assets	<b>(51.32)</b>	(50.78)
Other assets	<b>(14.60)</b>	112.86
<b>Adjustments for increase / (decrease) in liabilities:</b>		
<b>Non-current</b>		
Other financial liabilities	<b>0.64</b>	(0.03)
Provisions	<b>(36.52)</b>	36.19
Other liabilities	<b>2.50</b>	(36.12)
<b>Current</b>		
Trade payables	<b>332.37</b>	757.57
Provisions	<b>3.74</b>	5.16
Other financial liabilities	<b>(35.74)</b>	52.22
Other liabilities	<b>17.00</b>	63.23
<b>Cash generated from operating activities</b>	<b>1,009.91</b>	1,207.54
<b>Income taxes paid</b>	<b>(150.40)</b>	(136.04)
<b>Net cash flow from operating activities (A)</b>	<b>859.51</b>	1,071.50

# CONSOLIDATED CASH FLOW STATEMENT

VE COMMERCIAL VEHICLES LIMITED FOR THE YEAR ENDED MARCH 31, 2019

(Rs. in Crores)		
Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital advances)	(716.33)	(504.02)
Sale of fixed assets	8.25	6.77
Investment in fixed deposits	273.50	(517.85)
Investment in equity shares of non-subsidiary companies	(0.09)	-
Interest received	86.65	53.89
<b>Net cash flow from investing activities (B)</b>	<b>(348.02)</b>	<b>(961.21)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings (net)	37.15	54.74
Interest paid	(22.29)	(16.25)
Dividend paid	(120.00)	(95.00)
Tax on dividend	(24.67)	(19.34)
<b>Net cash flow from financing activities (C)</b>	<b>(129.81)</b>	<b>(75.85)</b>
<b>Net Increase in cash and cash equivalents (A)+(B)+(C)</b>	<b>381.68</b>	<b>34.44</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>345.22</b>	<b>310.78</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>726.90</b>	<b>345.22</b>

(Rs. in Crores)		
Particulars	As at March 31, 2019	As at March 31, 2018
<b>Components of cash and cash equivalents</b>		
Cash on hand	0.22	0.11
Cheques/drafts on hand	37.94	34.67
<b>Balances with banks:</b>		
In current accounts	130.72	45.44
In deposit accounts	558.02	265.00
<b>Total cash and cash equivalents (refer note no. 15)</b>	<b>726.90</b>	<b>345.22</b>