

EICHER MOTORS LIMITED
CHAIRMAN'S SPEECH
33rd Annual General Meeting on March 20, 2015

Good Morning Everyone,

On behalf of the Board of Directors, I would like to welcome you all to the 33rd Annual General Meeting of the Company.

To begin with let me give you a brief overview of the Indian economy. As you all know, after going through a rough period of economic slowdown over 36 months, the industry is finally seeing early signs of recovery. In the year 2014, the motorcycle industry recorded a growth of 8% over 2013, even as the domestic commercial vehicles industry (5 tonne and above) grew at only 0.7% in 2014 over 2013. Weak consumer spending due to higher inflation and interest rates had an adverse impact on demand for these vehicles.

The green shoots have started emerging in certain segments of the industry. The heavy duty segment of commercial vehicles industry grew by 17.6%, most of this growth was recorded in the last 2 quarters of calendar year 2014. Going forward, I expect a deeper and faster recovery in economic activity in 2015, aided by pick up in infrastructure and mining activities, lower fuel price and lower inflation along with expected softening of interest rates. In its Budget for 2015-16, Government has earmarked large amounts for infrastructure related activities. All these factors will result in the creating economic growth momentum. I am confident that in the long run the auto industry is poised for significantly higher growth.

BUSINESS PERFORMANCE

I am pleased to inform you that even in such challenging business environment, Eicher Motors Limited has had an excellent year. Your businesses – Royal Enfield in the motorcycle space and VE Commercial Vehicles (VECV) in the commercial vehicle space – delivered a solid performance in 2014. On consolidated basis, your company recorded its highest ever total income from operations at Rs.8738.3 Crores. It did so while maintaining a strong market pricing and efficient operations, resulting in a record operating profit i.e. Earnings Before Interest and Taxes (EBIT) of Rs. 894.9 Crores.

At standalone level, your Company achieved an all-time high top-line growth during the financial year 2014 with total net revenue from operations at Rs. 3031.2 Crores. The profit before depreciation and interest amounted to Rs. 733.6 Crores, which is 24% of the total revenue. After accounting for interest and dividend income of Rs. 116.3 Crores, interest expense of Rs. 1.7 Crores and depreciation of Rs.50.2 Crores, profit before tax amounts to Rs. 798 Crores. Profit after tax amounts to Rs. 558.9 Crores after income tax provision of Rs. 239.1 Crores

Eicher Motors Limited is one of the most profitable companies in the automotive business with no debt and a consistently growing topline. At 22.5%, Royal Enfield's EBIT margin is better than that of any other motorcycle company in the world, and possibly the highest level compared to any automotive brand globally as well. VECV's EBIT margin at 3.7% was the best amongst Indian CV companies in 2014; and VECV's lean business model gives it the distinction of being the only CV company to remain profitable in every quarter during the longest downturn in the recent decades for the Indian commercial vehicle industry.

ROYAL ENFIELD

Royal Enfield has had an excellent year in 2014. While the motorcycle industry grew by 8% in 2014 over 2013, the lifestyle segment (250cc and above) in which Royal Enfield operates, grew by 74.4% in 2014 as against 65.6% in 2013 indicating a solid growth promise for this segment. Royal Enfield sales grew by 70% in 2014.

With over 95% market share in this segment, Royal Enfield has created this segment in India. In 2014, Royal Enfield achieved its best ever sales of over 300,000 motorcycles and in 2015, it plans to manufacture 450,000 motorcycles. While continuing to ramp up capacity at the current facility in Oragadam, Tamil Nadu that was commercialized in April 2013, your company recently acquired 50 acres of land in Vallam Vadagal, near Chennai, Tamil Nadu, to set up the third manufacturing facility and would commence capacity creation here as and when there is a sight of demand that is beyond the combined capacity of the existing two facilities at Thiruvottiyur and Oragadam.

In addition to capacity expansion, your company is also investing in upgrading its capabilities in product development with two new technology centres on the anvil. The larger technology centre will be built on a 4.5 acre property that was acquired on Old Mahabalipuram Road in Chennai, and will be operational by Q2 of 2016; the smaller satellite center, being set up in UK, will be operational by the end of 2015. These new centres will be responsible for creating a robust and exciting range of new motorcycles from the two new platforms that are under development.

Your company has been engaged in revamping customer experience at retailer's end, while expanding distribution footprint. In February 2014, Royal Enfield's first concept store in Select City Walk, Saket, New Delhi was opened. It has been designed as a motorcycling enthusiast's living room. This brand new retail format showcases the brand's philosophy of "Pure Motorcycling". In May 2014, Royal Enfield opened its first exclusive store in London in the new retail identity. Your company has opened 100 stores in this format in India, and over the next two years, it plans to convert all stores across the globe to this format. Along with showcasing Royal Enfield's motorcycles, these stores also offer the entire range of Royal Enfield gear, including helmets, jackets, riding trousers, t-shirts, etc.

Royal Enfield is working towards its next level of growth with new products, retail and service excellence. It is also building a riding culture and eco-system with a strategic focus on international markets. Towards this, Royal Enfield has increased brand building momentum in key markets like UK, Europe, US and Colombia in 2014. Royal Enfield launched its first ever exclusive store in London in May and recreated the historic Top to Tip ride in UK on Continental GT's, to mark the launch. Royal Enfield also participated in several classic events such as the Isle of Man Classic TT in August and notably at the Goodwood Revival festival in September where it unveiled its new gear collection inspired by the despatch riders from the World Wars. In Europe, Royal Enfield showcased its motorcycles and gear at key auto shows such as INTERMOT in Germany and EICMA in Italy and also participated at the Wheels and Waves festival in France.

In July 2014, Royal Enfield announced its strategic entry to Colombia with the appointment of the Corbeta Group as its exclusive distributor and future CKD partner in the country. In US, Royal Enfield organised burn-ups(media rides) on Continental GTs in New York and Los Angeles and was also present in the Bonneville Speed week in July.

Your company has been enhancing its people capabilities and bandwidth by adding relevant expertise to the team. Some of the key hires include Mr. Rudratej Singh (Rudy) who has joined us as President, Royal Enfield. Rudy joins us from Unilever and will be in charge of the commercial functions in the company. After leading Harley Davidson's geographic expansion across emerging markets, industry veteran Mr. Rod Copes has recently joined your company to drive Royal Enfield's growth in North America. Mr. Pierre Terblanche, who has created some extraordinary motorcycles as the head of design for Ducati for over a decade and is one of the most prolific industrial designers has also joined your company.

Your company will be investing Rs. 500 Crores in 2015. This will be towards capacity creation and new product development.

VE Commercial Vehicles Limited (VECV)

VECV outpaced the industry growth in both 5-14 tonne Light and Medium Duty (LMD) trucks and Buses segments.

In Light and Medium Duty trucks, VECV recorded its highest ever market share of 32.6% for the year. In the Buses segment as well VECV posted its best ever market share of 14.9%. This was despite the overall market for both LMD and Buses declining in 2014. VECV's Volvo Trucks division also saw an impressive growth of 27% with sales of almost 900 units for the year. VECV also had a tremendous year in international sales having sold more than 5,800 units, a growth of 77% over 2013. This is a reflection of VECV's growing acceptance in export markets.

In December 2013, it unveiled the Pro series of trucks and buses. This next generation of Eicher trucks and buses represents the future of Indian trucking. The Pro series offers innovative products with higher power and durability, greater comfort and value-added enhanced features at economical costs, tapping into the surging demand for such products in the emerging mid-premium market segment. In 2014, VECV began commercialising the Pro series range in a phased manner, starting with the LMD segment– Pro 1000 and Pro 3000 trucks. Pro series trucks in Heavy Duty segments – Pro 6000 and Pro 8000. These have met with very encouraging response from the customers. By end of 2015, the Pro series range will be available across VECV's distribution network in the country. The most modern medium duty engine manufacturing facility that was commercialised in mid-2013 is ramping up its production. In 2014, 12,000 units of long blocks and completely built engines were sold. These meet Volvo's exacting standards of quality and performance and have been very well received in the Overseas Market.

VECV will invest Rs. 500 Crores in 2015, mainly towards commercialising new products.

EICHER – POLARIS PVT LTD

In 2012, your company entered into a 50:50 joint venture with Polaris Industries, USA to manufacture and sell four-wheeled personal vehicles and has made very good progress since commencement of the joint venture. The project is in its advanced stage of completion, with the launch of the products planned for the second half of this year.

Dividend

The Directors are pleased to recommend a dividend of 500% (Rs. 50/- per Equity Share of Rs. 10/- each) for the year ended December 31, 2014. Last year, your Company has paid dividend of 300% (Rs. 30/- per Equity Share of Rs. 10/- each) to the shareholders of the Company.

MARKET & FUTURE PROSPECTS

Your Company's motorcycle business – Royal Enfield – enjoys high credibility and has seen phenomenal growth over the years. Your Company's focused marketing efforts; improved product quality and expanded distribution network have enabled the brand to expand its reach to a much larger customer base. Your Company has set its goal to be a leader in the global mid-size motorcycle market. In order to achieve this goal, your Company will invest in increasing manufacturing capacity, strengthening supply chain, developing product development infrastructure and expanding distribution network. Your Company will invest in all these areas to seize the significant opportunities for growth that it believes lie in India and international markets.

VECV's highly differentiated product offering that generates maximum customer value proposition, excellence in manufacturing and relentless focus on quality will enable it to build sustainable and profitable growth in times to come.

Eicher Polaris Private Limited (EPPL) is expected to commence commercial production in 2015.

CONCLUSION

To conclude, I wish to convey my thanks and acknowledgement for the co-operation and assistance extended by the Central Government, State Government, Financial Institutions, the Company's Bankers, dealers, customers and suppliers. I would also like to congratulate each and every member of the Eicher Family for their sincere and committed contribution in this sound financial performance for the year 2014. I look forward to their continued support and encouragement as we embark on another exciting year. My best wishes to all of you.

I thank all the members present for participating in today's meeting.

March 20, 2015
New Delhi

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Chairman