

**36-48**

**MANAGEMENT  
DISCUSSION  
AND ANALYSIS**





# MANAGEMENT DISCUSSION AND ANALYSIS



In the Management Discussion and Analysis, all the numbers pertaining to EML refer to consolidated numbers.

## BUSINESS REVIEW

### Industry Performance

After a subdued performance over the past few years, the two-wheeler industry bounced back in 2017-18. This rebound was driven by demand coming from smaller towns and semi-urban areas, improving macroeconomic conditions, new model launches, ease of availability of finance and subsiding impact of demonetisation.

The overall two-wheeler industry volume in India touched an all-time high of 20.2 million in 2017-18, a growth of 15% over 17.6 million in 2016-17. This trend was driven by both, scooters and motorcycle segments alike. While the scooter segment volume grew by 20% from 5.6 million in 2016-17 to 6.7 million in 2017-18, year-on-year growth in motorcycle volume was a creditable 14% from 11.1 million in 2016-17 to 12.6 million in 2017-18.

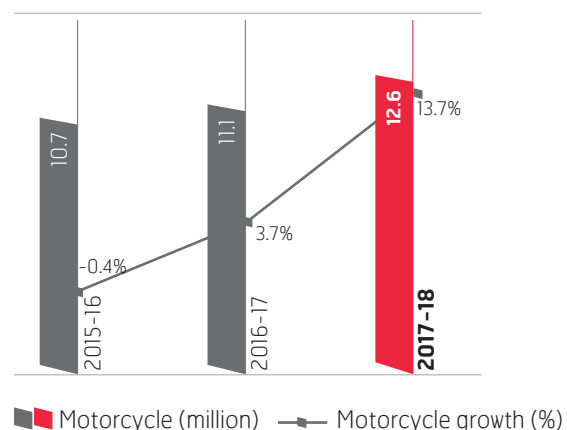
### Royal Enfield Performance

Royal Enfield posted another remarkable year, outperforming the industry yet again. Your Company recorded a growth of 23% as the total sales volume including international sales increased from 6,66,135 units in 2016-17 to 8,20,121 units in 2017-18.

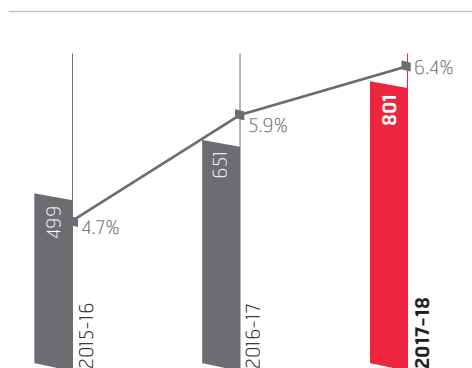
Royal Enfield continued its strong brand connect in the India posting a robust 23% growth during 2017-18, over the corresponding previous year. India sales increased from 6,51,110 units in 2016-17 to 8,01,230 units in 2017-18.

Royal Enfield strengthened its market share in India in the motorcycle segment from 5.9% in 2016-17 to 6.4% in 2017-18. Market share gains were driven by strengthening of position in your Company's traditionally strong demand states as well as tapping the potential in the states which are large motorcycle states but your Company's market share was lower than its India average market share.

**Chart 1 // Industry Volume and Growth - Motorcycle Segment**



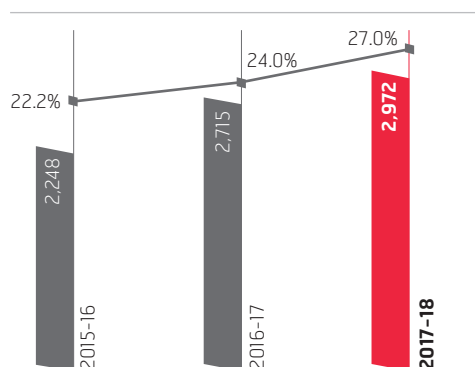
**Chart 2 // Royal Enfield's Market Share in India**



Royal Enfield India Volume ('000)  
 Royal Enfield Market Share (%)

Industry volume of motorcycles with engine displacement of above 125cc grew by 9% from 2.7 million in 2016-17 to 3.0 million in 2017-18. Royal Enfield improved its market share in this segment from 24.0% in 2016-17 to 27.0% in 2017-18. While for the year, Royal Enfield was the second largest player in above 125cc segment, in four of the six months in the second half of the year, Royal Enfield was the top choice of customers. This trend reflected that Royal Enfield is high in the consideration set of customers.

**Chart 3 // Royal Enfield's Market Share in above 125cc Motorcycle Segment**



Sale of Motorcycles of Engine Capacity above 125cc ('000)  
 Royal Enfield Market Share (%)

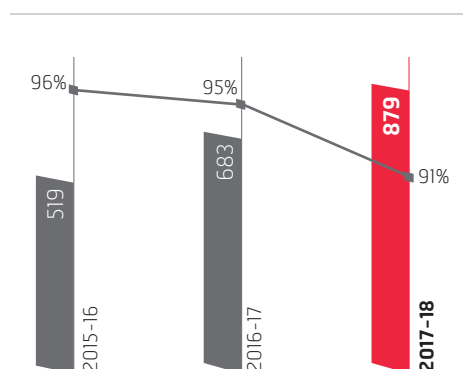
The motorcycle industry is witnessing a drift towards premiumisation as consumers are increasingly looking at riding as an extension of their lifestyle and also aim to be associated with brands which are aspirational in nature. This trend is reflected in the fact that on a year-on-year basis, the 250cc and above segment grew by 29% during the year, outpacing the growth of 14% in the overall motorcycle segment. While higher disposable income, increased awareness and lifestyle upgrades are driving the demand, improved access to financing is aiding the affordability for premium and branded products.

# 8,01,230

India motorcycles' sales in 2017-18

Royal Enfield continues to dominate this segment with a market share in excess of 90%. In addition to the positioning of a differentiated motorcycle, Royal Enfield also offers a unique experience to its customers through joy of pure riding, adventurous expeditions, community engagement, self expression and participation in events and rides.

**Chart 4 // Royal Enfield's Market Share in 250cc+ Motorcycle Segment**



Sale of motorcycles of Engine Capacity 250cc+ ('000)  
 Royal Enfield Market Share (%)

## Product Enhancements and Portfolio Expansion

Royal Enfield's offerings are designed to cater to riding preferences of a wide range of riders. While pure riding and self expression remain the fundamental premise, Royal Enfield engages extensively with its riders to enhance experiences, irrespective of their riding needs and styles. Product enhancements go a long way on achieving this and your Company continues to strategise and invest in these initiatives.

During 2017-18, Royal Enfield launched several variants with newer features and additional functionalities. It also previewed upcoming products, which would not only provide a compelling upgrade to existing riders, but also strengthen Royal Enfield's presence in the mid-sized motorcycle segment.

Enhancements to the existing product portfolio were a combination of improvement in functionalities, comfort and aesthetic, with an ultimate objective of enhancing riding experience. These value enhancements garnered tremendous interest on the launch of these variants and were well received by customers with enthusiasm. (Refer page no. 18)

## Dealership Network Expansion

To keep pace with a strong demand and improve accessibility, Royal Enfield has been ramping up its distribution network both in India and in global markets. In India, your Company

more than doubled its store count in last three years to 825 stores across more than 600 cities. With growing recognition of the Royal Enfield Brand and the culture of pure riding expanding beyond the large urban cities, two-thirds of the 150 stores opened in 2017-18 were in new cities.

While India has traditionally remained a large commuter driven market, noticeable changes in the overall two-wheeler landscape are being witnessed, driven by changing demographics, higher disposable incomes and ease of availability of finance. There are still vast untapped markets in the country, some of them in large motorcycle states, which provide opportunities which could be explored by way of appropriate network expansion. Improving economic health, urbanisation and brand awareness among the customers in these states will be key drivers for uplifting the demand for Royal Enfield motorcycles.

With a view to enhance customer experience in its own distinctive style, Royal Enfield embarked on a 'Brand Retail Identity (BRI)' programme to upgrade and standardise all its dealerships. The BRI programme was focussed on improving the visual identity of the brand by evolving and transforming the dealerships. The programme comprised re-designing of an array of elements including, among other things, exterior and interior ambience, furniture and fixtures, setting-up a brand history wall, display of motorcycle artwork, etc. The successful completion of this programme has resulted into converting of all the dealerships into now showcasing the rich heritage of Royal Enfield and reflect the core message of 'Pure Motorcycling'.

### After-Sales Service

Customer reach and service quality have always been of paramount importance to Royal Enfield. Your Company is continuously increasing its service footprint and bay capacity across the country to provide easy access and quick turnaround to the customers. Royal Enfield undertook various initiatives across the service spectrum - from ease of access of service network for its riders and skill development of technicians to creating awareness about the need to use genuine spares.

- ◆ To facilitate easy access to service touchpoints and enhance customer experience, the concept of 'Mobile service vans' was commenced during the year to enable riders have the convenience of service on call
- ◆ With an aim to promote skill development, 'Royal Enfield Central Staff Training Academy', offered structured long term residential training programme for technicians and service advisers. With completely digitised curriculum, infrastructure for real-time interaction and feedback across locations, Royal Enfield has become a pioneer in two-wheeler industry in offering such courses for promoting skill development. Your Company is planning to open two more academies in Delhi and Mumbai during 2018-19

- ◆ Royal Enfield embarked on various programmes for competence development to ensure quality of service. Under such programmes, each store is planned to have technicians with varying degrees of expertise and skill sets. This leads to enhancing technical capability of each Royal Enfield service centre to do the things right in first time
- ◆ Your Company is also running a 'Royal Enfield Mechanic Advisory Programme' for freelance mechanics with an aim to create awareness about and to promote the use of genuine parts

### Motorcycle Accessories

With the growing desire for personalisation of motorcycle, there is a large nascent demand for product and service solutions which can be offered to Royal Enfield customers to experience the brand. Additionally, the non-branded offerings currently available in the market are not backed by warranty. With a core vision to offer product solutions to the customers which enable them to live the brand experience of "Ride more and Ride pure" even in their daily commute and to proliferate the desire for personalisation, in 2016-17, your Company set out to develop Motorcycle Accessories.

In 2017-18, your Company strengthened its Motorcycle Accessories offerings with design and development of these accessories being carried out in parallel with the motorcycle itself. Your Company also aims to achieve the highest levels of engineering integration and thoroughly test the products fitted on the motorcycle in accordance with the design validation process.

### Gear

Royal Enfield Gear extends the brand beyond the legendary motorcycles to complete a way of life that reflects the brand. Inspired by a motorcycling way of life, Royal Enfield Gear comprises riding gear, apparel and personal accessories. The range is built to help riders explore and express themselves, on and off the motorcycle. Royal Enfield Gear bears quintessential Royal Enfield hallmarks – craftsmanship, durability and attention to detail.

Royal Enfield launched multiple ranges and collections, some celebrating the heritage stories of Royal Enfield and some inspired by the motorcycle launches of the year 2017-18. In order to expand its accessibility, your Company has forayed into online retail landscape through its own online store and through other larger online retailers.

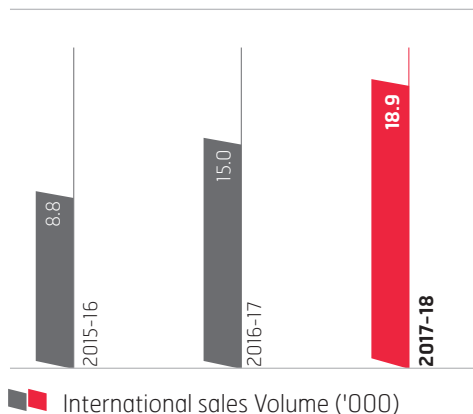
As more and more customers are taking up the riding culture, Royal Enfield gear is aiding them accentuate their lifestyle and self expression.

### International Business

Royal Enfield's vision in international markets is to expand and lead the mid-size motorcycle segment by

offering simple pleasures of pure motorcycling. With the focus on offering a differentiated customer experience, Royal Enfield has been engaging deeply with existing and potential riders through several initiatives, including rides, events and international motor shows. The focussed country-specific strategies has made steady progress in building recognition of Royal Enfield as a strong and differentiated brand across developed and emerging countries, alike. This is reflective in its international sales volume which increased by a healthy 26% from 15,025 in 2016-17 to 18,891 in 2017-18.

### Chart 5 // Royal Enfield International sales Volume



During the year, your Company expanded its global footprint with an increase in exclusive store network from 25 in 2016-17 to 36 by the end of 2017-18 and through a strong network of over 500 Multi Brand Outlets.

In 2016-17, Royal Enfield opened a subsidiary in Brazil, the biggest two-wheeler market in Latin America. With São Paulo as its Brazilian headquarter; the iconic motorcycle brand launched its first flagship store in the heart of the city in 2017-18.

During the year, Royal Enfield forayed into Vietnam and Argentina by opening its flagship stores at strategic locations in Ho Chi Minh City and Buenos Aires, respectively. It further strengthened its presence in UK, France, Austria, Mexico, Indonesia, Thailand, New Zealand and Colombia by adding new stores in these countries, indicating towards the increasing traction the brand is gathering in these regions.

With a view to cater to different riding requirements and grow the segment beyond just commuting, Royal Enfield expanded its product offerings in key global markets by introducing Himalayan across all key global markets. The Interceptor 650 and Continental GT 650 Twins, that were unveiled at the EICMA Motor Show in Milan were also showcased in key motor shows around the world. The rider interest to these have been

extremely encouraging and your Company is excited about its upcoming launch.

Royal Enfield's engagement with the rider community deepened during the year, further strengthening its positioning as a differentiated brand. Tours and REunions witnessed enthusiastic participation, further strengthening the concept of "Ride Pure" and building communities. The Tour of Thailand had riders participating in a 1,500 kms ride spanning across the length and breadth of Thailand. The first ever Tour of Colombia also witnessed an encouraging response to 1,400 kms ride through the Colombian Eastern mountain range.

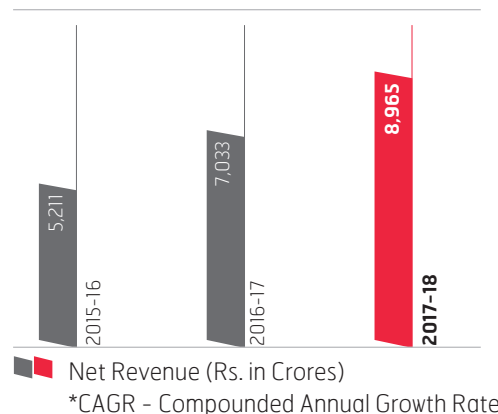
Royal Enfield's unique and evocative motorcycles have found strong traction in the ASEAN since entering the region two years ago. To further strengthen the brand and accelerate market development activities, Royal Enfield has decided to set up wholly-owned subsidiaries in Indonesia and Thailand in 2018-19. The work on building aspiration and creating access will continue to achieve your Company's vision of becoming the global leader in the mid-size motorcycle segment.

### FINANCIAL REVIEW

Your Company continued its strong financial performance in 2017-18 with revenue, EBITDA and PAT exhibiting a robust growth during the year. This growth was driven by both motorcycle sales as well as growth in spare parts, gears and service.

Total revenue from operations increased by 27% to Rs. 8,965 Crores in 2017-18 from Rs. 7,033 Crores in 2016-17.

### Chart 6 // Net Revenue - CAGR\* 31%

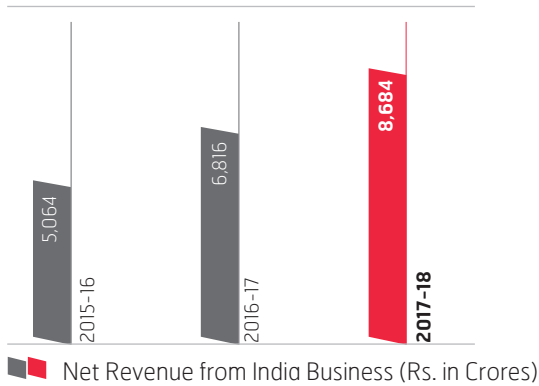


## Rs. 8,965 Crores

Total revenue in 2017-18

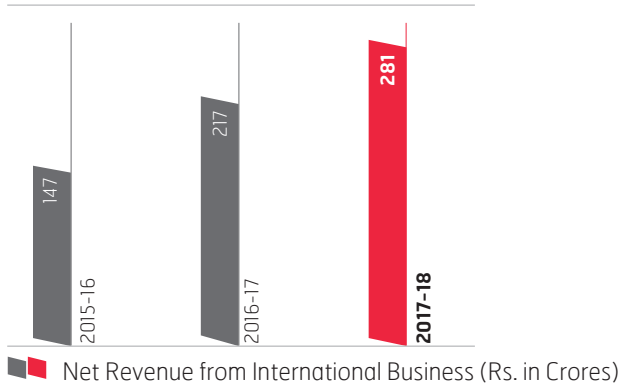
Given the largest share in the revenue, India motorcycle sales was the key driver of this growth. India revenue grew by 27% to Rs. 8,684 Crores in 2017-18 from Rs. 6,816 Crores in 2016-17.

**Chart 7 // Net Revenue from India Business - CAGR 31%**



International business also grew by 29% during the year to Rs. 281 Crores in 2017-18 from Rs. 217 Crores in 2016-17 on the back of strong response from Europe, UK, Latin America and ASEAN region.

**Chart 8 // Net Revenue from International Business - CAGR 38%**

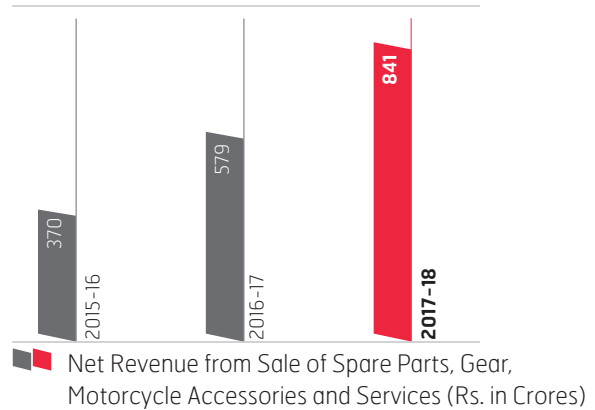


With a view to enhance riding experience, Royal Enfield has been offering a wide variety of Gear and Motorcycle Accessories both through online and in-store spaces. Your Company has also launched programmes to promote the use of Genuine spares and has been working extensively with its network to create awareness. Revenue from Gears and Accessories, together with spares and services grew by 45% in the year to Rs. 841 Crores in 2017-18 from Rs. 579 Crores in 2016-17.

**31.3%**

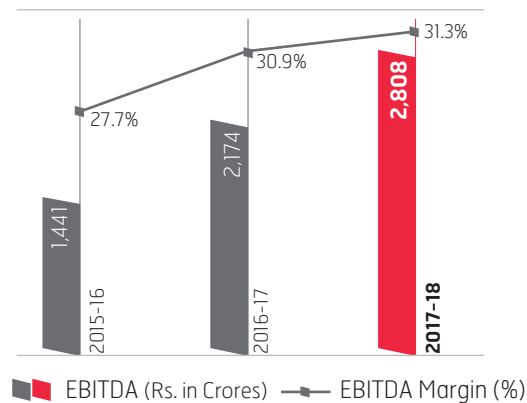
EBITDA Margin in 2017-18

**Chart 9 // Net Revenue from Sale of Spare Parts, Gear, Motorcycle Accessories and Services - CAGR 51%**

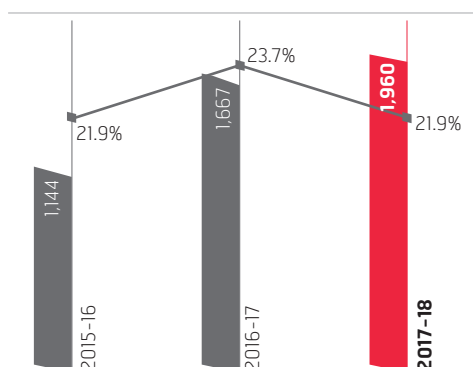


Industry leading Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of your Company increased by 29% from Rs. 2,174 Crores in 2016-17 to Rs. 2,808 Crores in 2017-18. Despite hardening of the commodity prices, your Company absorbed these inflationary pressures and did not increase prices for most part of the year and took a price increase of 1% only in February 2018. During the year, your Company improved its EBITDA margin from 30.9% in 2016-17 to 31.3% in 2017-18 driven by a focus on better product mix, cost optimisation initiatives and scale benefits.

**Chart 10 // Earnings Before Interest, Depreciations & Tax (EBITDA) and Margin**



Consolidated Net Profit After Tax (PAT) increased by 18% during the year to Rs. 1,960 Crores in 2017-18, from Rs. 1,667 Crores in 2016-17. Net Profit for the year included an amount of Rs. 220 Crores of exceptional nature representing the Company's share of loss relating to winding down of operations of Eicher Polaris Private Limited ("EPPL"), an equal Joint Venture with Polaris Industries Inc. Net profit margin decreased from 23.7% in 2016-17 to 21.9% in 2017-18. Also refer below.

**Chart 11 // Net Profit After Tax and Margin**

■ Net Profit (Rs. in Crores) — Net Profit Margin (%)

Your Company continued to generate a healthy cash flow as the total cash flow from operations increased from Rs. 1,708 Crores in 2016-17 to Rs. 2,482 Crores in 2017-18. Capital investment of about Rs. 800 Crores during the year was largely towards the commissioning of Phase-1 of your Company's third manufacturing facility in Vallam Vadagal near Chennai, India, completion of the Technical Centre in the UK, development of new products and the ongoing construction work for India Technology Centre in Chennai. Your Company's financial position continued to be robust with total cash and cash equivalents and investments (other than in subsidiaries and Joint Ventures) of Rs. 5,018 Crores.

EPPL was incorporated in October 2012 and in June 2015, the Company launched "Multix", India's first personal utility vehicle, purpose-built for the independent businessman. Given its unique positioning and differentiated product features, Multix initially generated significant interest from customers. However, the initial interest could not be sustained and the subsequent sales performance was significantly slower than your Company's expectations. Despite several initiatives, EPPL's performance could not be revived and the board of directors of EPPL on March 9, 2018, passed a resolution to close the operations of EPPL with immediate effect.

## OPERATIONS REVIEW

### Commissioning of your Company's Third Manufacturing Facility at Vallam Vadagal

The year 2017-18 marked the start of production from Royal Enfield's third manufacturing facility at Vallam Vadagal near Chennai, Tamil Nadu. The construction of the Phase-1 of facility was completed in a record time of 15 months. The plant commenced commercial production in August 2017 and ramped up to its peak capacity in eight months following its commissioning.

Spread over 50 acres, the new facility is benchmarked to the highest level of quality and productivity. The facility houses a modern paint shop with 30 colour options and 14 state-of-the-art robots. Modern clean painting techniques provide better paint finish and reduce wastage from the overall process. Vehicle assembly line is also equipped with a conveyor belt

which follows a non-conventional design and splits the overall assembly across two storeys. This not only led to maximum utilisation of space but has also resulted in process efficiencies as it eases material flow, and requires lesser manpower and exposure to parts.

During 2017-18, the total production from all the three plants was close to the target capacity of 8,25,000 motorcycles. In 2018-19, with the first phase of the Vallam Vadagal plant running its first full year of operations, and with productivity optimisation at its Oragadam plant, your Company plans an annual production capacity of 9,50,000 motorcycles.

With demand continuing to surpass supply and strong growth sustaining in all the markets, your Company sees the need for further capacity expansion. Within a year of commissioning of Phase-1, in April 2018, your Company decided to embark on commencing the construction of Phase-2 of the Vallam Vadagal facility in 2018-19.

### Building Product Development Capabilities - R&D and Technology Focus

In May 2017, Royal Enfield moved into its state-of-the-art Technology Centre at UK Technology Centre at Bruntingthorpe, Leicestershire in the United Kingdom. A place rich with history, just like Royal Enfield, the facility is right next to the 'Bruntingthorpe Proving Ground', one of the largest vehicle test track facilities in the UK. The 36,000 Sq. feet facility is the hub for product research, strategy, design and development activities of Royal Enfield's motorcycle platforms. The facility houses a state-of-the-art industrial design studio, development workshop and engineering office, and became fully operational during the year.

In Chennai, construction work is well underway on the India Technology Centre. The facility will have the engineering and design teams working under one roof and will house state-of-the-art engine, chassis and component test equipment and will be fully integrated with the Technology Centre in the UK. Activities at the facility are planned to commence in phased manner.

The facilities at these two technology centres will enable Royal Enfield build in-house capabilities to take full ownership of all aspects of motorcycle design and development.

### Supply Chain Management

An efficient and active management of supply chain activities has enabled your Company to cater to the growing demand from its customers. In 2017-18, your Company's supply partners significantly contributed to scaling up the overall production including ramp-up of Vallam plant last year, and also ensuring a seamless transition to the new indirect tax regime - Goods and Services Tax (GST).

In line with your Company's focus on quality improvement, the consolidated supplier base also collaborated to achieve improved product performance by active involvement in development and change management. Your Company worked closely with its supply partners in new process



technologies to enable successful launch of new variants and refresh models with new features of right quality, on time.

In addition to strengthening its supply chain, your Company continued to focus and work towards realising cost efficiencies in the overall processes. This entailed implementation of various cost management initiatives such as restructuring the make-or-buy strategies, engaging with suppliers for co-location, optimising value chain, leveraging scale benefits, administering logistics and inventory management controls.

### Product Quality

At Royal Enfield, upholding and improving quality standards across all aspects is a constant endeavour.

With a single focus on quality, your Company has undertaken several initiatives across the value chain, ranging from engagement with suppliers, strengthening of systems and processes to support operational excellence to enhancing retail experience.

Your Company kicked off a key quality improvement drive - "Shoki Ryudo Kanri" to foster a shift in mindsets and the ability to look at quality within the organisation. The Shoki Ryudo Kanri process seamlessly integrates with the "Hoshin Kanri"

methodology, which drives strategic goals through action at every level. The Shoki Ryudo Kanri initiative, which focusses on strict quality controls for new product and on improvements in the existing product portfolio is highly collaborative. It commences with intense quality checks at the supplier level at the initial build itself to identify and eliminate design and manufacturing defects. With several levels of rigorous quality checks in the pre-production, in-production and pre-delivery stage during the manufacturing operations stage, the focus is to eliminate chances of defect through the entire manufacturing value chain.

### BRAND BUILDING, CUSTOMER EXPERIENCE AND ENGAGEMENT

At the core of the Royal Enfield brand is promise of pleasure of pure riding and is constantly creating opportunities for its riders to have a differentiated and evocative experience. Rides, tours, events and community engagements provide opportunities for Royal Enfield riders to not only experience the pleasures of pure riding, but also create and reinforce bonds which last a lifetime.

In 2017-18, your Company added new avenues to reinforce brand Royal Enfield by introducing concepts like the garage cafe, vintage store and India's first air-conditioned workshop with a lounge in the two-wheeler industry. Royal Enfield also



extensively engaged with the community by replicating its successful concept of marquee rides in its overseas markets and complementing it with unique initiatives like partnering with the National Security Guard (NSG) for their 8,000 km ride across the country.

### Garage Cafe

In December 2017, Royal Enfield set-up its first ever Garage Cafe in Goa, a unique concept to blend motorcycling culture, lifestyle with the overall ethos that the Brand Royal Enfield stands for. (Refer page no. 32)

### Vintage Store

In a first of a kind initiative in the two-wheeler industry, Royal Enfield launched its maiden pre-owned motorcycle store in Chennai - **Vintage**. (Refer page no. 31)

### Air-conditioned Workshop

Royal Enfield's **Air-conditioned workshop with open lounge** aims to reinforce the connect between Man and Machine by providing a first of its kind experience to its customers in the two-wheeler industry. With the fully air-conditioned lounge blended with a service area, the customers are able to witness the servicing of their motorcycles in real time and up close.

Your Company continues to expand its marquee rides and events to its global motorcycling community. **Rider Mania**, India's most definitive motorcycle festival, is growing every year and its 2017 edition was the biggest ever gathering of Royal Enfield enthusiasts, which saw a participation of about 7,000 Royal Enfield riders from India and across the world. **One Ride**, one of the largest global community rides, had another successful year. One Ride 2017 saw record participation, with more than 500 registered rides attended by over 13,000 registered participants across 114 cities in India. Globally, Royal Enfield One Ride was celebrated across 28 countries in cities like London, Paris, Madrid, Barcelona, Dubai, Jakarta and Bangkok. Royal Enfield conducted 14th edition of its **Himalayan Odyssey** last year witnessing an overwhelming participation of over 61 riders including 6 women. Considered as the holy grail of motorcycle rides across the world, the participants on the Himalayan Odyssey rode from Delhi all the way to Khardung-La - one of the world's highest motorable roads over 18 days covering 2,300 kilometres.

Royal Enfield has always shared an impeccable bond with the Indian armed forces. Reiterating this relationship, your Company supported the NSG Motorcycle Expedition 2017. 15 Black Cat NSG Commandos went on an 8,000 km expedition, riding Royal Enfield Stealth Black Classic 500 motorcycles around the country to raise awareness against terrorism. These 15 motorcycles were then sold online within just 15 seconds of their launch as limited edition motorcycles. This again highlights the strong heritage and image, Royal Enfield brand carries.

Royal Enfield is taking the brand global and building communities outside of India by setting up new chapters of rides and tours in the overseas markets. During 2017-18, Royal Enfield conducted rides in Colombia, Thailand, Nepal and Bhutan. A strong traction in these rides and events reinforced the belief that Pure Motorcycling is truly limitless and boundless.

### RISK MANAGEMENT FRAMEWORK

At Eicher Motors Limited, various categories of risks are evaluated under a comprehensive risk management framework, which is the foundation of your Company's Enterprise Risk Management architecture. Your Company operates in an environment which exposes it to various categories of risks. Key risks are summarised below:

While India continues to be a large two-wheeler market, its composition has evolved over the past few years. On one hand, less than equal to 125cc segment has witnessed a rapid growth of scooters relative to motorcycles, on the other hand, the motorcycle segment has also evolved to witness premiumisation. While Royal Enfield, with its offerings only in the premium segment, has been the biggest beneficiary of this shift in riding preferences.

Your Company has been investing heavily in R&D, expanding its product offerings and enhancing its current product portfolio by adding functionalities that add to safety and comfort.

Your Company has also been extensively engaging with its riders to create a differentiated experience and also leveraging its brand to enhance in-store experiences.

Your Company is executing plans to be fully compliant with all regulatory changes that will be introduced over next few years. Your Company has clearly laid out path to comply with BS-VI emission norms which come into effect from April 2020.

Anti-lock Braking System (ABS) will be introduced in all two-wheelers with engine displacement size of 125cc and above by April 2019. Your Company plans to be compliant with this regulation ahead of the deadline.

Your Company also successfully transitioned to an all-new GST Regime from 1 July, 2017 onwards with seamless integration of operations and supply chain.

Over the past few years, the performance of Royal Enfield, when compared with the growth in the overall motorcycle industry and the above 125cc segment in India, indicates Royal Enfield motorcycle has been a preferred choice during buying decisions of a premium segment motorcycle. This trend has been driven by a mix of factors ranging from increase in disposable income, the customer preferences for riding evolving beyond just commuting and the positioning of Royal Enfield as an aspirational Brand.

As customer preferences even on riding needs evolve, Royal Enfield continues to expand its product offerings to keep pace with customer preferences. The Thunderbird, Himalayan and the upcoming launch of the 650cc Interceptor and Continental GT indicate the need to keep pace with customer preferences. On the brand side, Royal Enfield continues to position itself as not only a leisure motorcycle offering but also as a compelling upgrade to new customers. It continues the deep and differentiated engagement with its riders through various rider, events and community building initiatives.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has deployed a robust Enterprise Resource Planning (ERP) system based on SAP platform enabling high degree of system-based checks and controls ensuring protection of its assets and interests. The governance risk and compliance framework further ensures that internal controls are effective and complied with. The internal auditor carries out internal audit of functions and processes in accordance with a schedule approved by the Audit Committee. The Audit Committee reviews adequacy of resourcing, staffing and seniority of personnel in the internal audit team. The audit findings and management's resolution plans are reported on quarterly basis to the Audit Committee by the internal auditor. The internal auditor of your Company also reports to the Audit Committee in respect of adequacy of internal control systems and weaknesses, if any. Furthermore, the statutory auditor reports on the adequacy and effectiveness of the internal financial controls in respect of financial reporting.

Your Company has a whistle blower policy / vigil mechanism providing avenues to all employees and vendors to report instances of fraud and wrongdoings while ensuring protection from victimisation and reprisals.

### BUILDING HUMAN RESOURCE CAPABILITIES THROUGH HIGH DEGREE OF ENGAGEMENT

At Royal Enfield, effective talent and skill management is quintessential to its growth. Royal Enfield is continuously upscaling by creating the right-sized, driven, empowered and focussed team of professionals that form a base for achieving and surpassing organisational objectives.

Amidst global expansion, your Company has striven to foster and enable an inclusive, open and encouraging culture that thrives on your Company's core values. Managing talent with an equal grit at all locations, allowing equal opportunity to all employees to hone their skills by the means of robust learning & development initiatives has been at the core of the people strategy.

Your Company is continuously adding diverse workforce which includes diversity of gender, experience, industries, and geographies at the production sites, technical centres and the rest of the organisation. The percentage of women workforce in the plants has been increasing by 10% year-on-year for the last three years and apart from manufacturing and allied areas, over 200 women contribute to other areas of business, i.e. marketing, sales, service and other enabling functions.





Fostering the culture of "Pure Motorcycling", your Company has a high degree of engagement with employees on rides and events. Employees are encouraged to actively sign up for riding events and are also eligible for Rider's Leaves to pursue their passion for riding.

### **INFORMATION TECHNOLOGY**

Royal Enfield has been at the forefront of adopting technology and recognising its power to analytics to support and transform businesses. During the year, your Company introduced a Product LifeCycle Management (PLM) tool, which provides a single repository of Product information from 'Concept' to 'Obsolescence' using streamlined change management processes. Adjacent to PLM, an 'Electronic Parts Catalogue' was enabled to share Parts and Service information to Royal Enfield's national and International dealer community.

Your Company continues to invest in and extensively use digital technologies and data analytics to manage customer relationships, achieve operational excellence, business intelligence and drive decision-making.

### **ENVIRONMENT AND HEALTH & SAFETY**

Your Company is cognizant that its operations and products have an impact on the environment. Your Company therefore focusses on improving its own manufacturing processes on a continuous basis to reduce material use and wastage per motorcycle, optimise use of natural resources with emphasis on recycling & reusing and to the extent possible, adopt

renewable sources of energy. On the product side, the effort is to improve fuel efficiency and recyclability of products at the end of life.

Your Company has an environment policy in place and it ensures that the leading environmental practices are implemented across operations for the benefit of the organisation as well as the employees.

Further, your Company's plants are certified for compliance by the Government Pollution Control departments. It has a zero-water discharge policy where all water consumption and water treatment are handled in a manner that no water is sent out of the plant. Rainwater harvesting is done to recharge the ground. Company also emphasises on planting more and more trees inside the manufacturing plants towards carbon neutrality. All emissions and waste generated by your Company during the year were within the permissible limits prescribed by Central Pollution Control Board (CPCB) / State Pollution Control Board (SPCB).

Your Company recognises its employees as an important asset and a source of sustained competitive advantage. Your Company offers its employees good working conditions, progressive HR policies, and a conducive and enabling work environment so that the employees can deliver their best helping your Company to improve overall productivity. Your Company provides adequate trainings, offers reward and recognition programmes and invests in career development programmes for its employees. A training department has



been set up primarily for capability development of the employees.

Your Company has a policy of annual health checkup and also conducts health and fitness education programmes as an ongoing process. All the workstations are ergonomically-designed to avoid fatigue while working. Company's Oragadam plant is amongst the model plants as chosen by the Government of Tamil Nadu for other industries to emulate.

The Safety Committee of your Company addresses all safety related issues that emerge within the organisation. Safety training, including fire fighting training is part of the employees' induction process and all new employees have to mandatorily attend the same. Shop floor workers undergo periodic safety training organised as per the annual safety calendar to ensure accident-free and safe working environments.

All motorcycles manufactured by your Company comply with the statutory safety norms of the country. Your Company regularly uses various platforms to communicate the importance of "Safe Driving" to its customers. {Further details in BRR}

### **CAUTIONARY STATEMENT**

Certain Statements in the Management Discussion and Analysis describing your Company's view about the Industry, objectives and expectations, etc. may be considered as 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied in the statement. Your Company's operations may be affected with supply and demand situation, input prices and their availability, changes in Government regulations, tax laws and other factors such as Industrial relations and economic developments, etc. Investors should bear the above in mind.