Annual Report 2005 – 2006

Contents

Board of Directors	R J Shahaney, Chairman
	D G Hinduja, Vice Chairman *(Alternate : Y M Kale)*
	D J Balaji Rao
	F J Colon Martinez *(Alternate : G Sagone)*
	A K Das (*Alternate : I N Chatterjee)*
	P N Ghatalia
	S R Krishnaswamy
	E A Kshirsagar
	F Sahami
	A Spare
	S V Young
	R Seshasayee, Managing Director
Chief Operating Officer	V K Dasari
Chief Financial Officer	K Sridharan
Executive Directors	J N Amrolia
	S Balasubramanian
	A Bhat
	A R Chandrasekharan
	R Malhan
	S Nagarajan
	M Natraj
	B M Udayashankar
Executive Director & Company Secretary	N Sundararajan
Auditors	M S Krishnaswami & Rajan
	Deloitte Haskins & Sells
Cost Auditors	Geeyes & Co.
Bankers	Bank of America
	Bank of Baroda
	Canara Bank
	Central Bank of India
	Citibank N.A.
	HDFC Bank Limited
	ICICI Bank Limited
	IDBI Bank Limited
	Punjab National Bank
	Standard Chartered Bank
	State Bank of India
	The Hongkong and Shanghai Banking Corporation Limited
Registered Office	19, Rajaji Salai
	Chennai 600 001
Plants	Ennore and Ambattur, Chennai
	Hosur, Tamil Nadu
	Bhandara, Maharashtra
	Alwar, Rajasthan
Website	www.ashokleyland.com

Highlights of Performance

Rs. Millions

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Sales volume										
Vehicles (nos.)	**61655**	54740	48654	36444	29673	32475	37859	29741	31547	43352
Engines (nos.)	**7171**	6254	5085	5924	5258	6311	6004	7185	7611	8331
Spare parts and others	**7838**	5460	4468	4771	5492	5139	2145	2145	2520	2030
Sales value	**60531**	48108	39273	30740	26304	26067	25987	20451	20143	24825
Profit before tax	**4523**	3550	2865	1701	1322	1019	933	233	207	1570
Profit after tax	**3273**	2714	1936	1202	923	917	785	204	184	1249
Assets										
Fixed assets	**10847**	9790	9211	9398	10098	9613	9458	9547	9026	8399
Investments	**3682**	2292	1466	1576	1173	1179	1204	625	485	583
Net current assets	**8239**	9916	6310	7481	9825	10223	10329	10491	13914	13679
	22768	21998	16987	18455	21096	21015	20991	20663	23425	22661
Financed by										
Shareholders' funds - Capital	**1222**	1189	1189	1189	1189	1189	1189	1189	1189	1189
- Reserves	**12830**	10296	9005	8406	9131	10496	10145	9852	9763	9704
Loan funds	**6919**	8804	4990	7175	8884	9330	9657	9622	12473	11768
Deferred tax liability (Net)	**1797**	1709	1803	1685	1892	—	—	—	—	—
	22768	21998	16987	18455	21096	21015	20991	20663	23425	22661
Basic earnings per share (paise) (Face value Re. 1 each)	**274**	228	163	101	78	77	66	17	15	105
Dividend (%)	**120**	100	75	50	45	40	35	10	10	50
Employees (nos.)	**11845**	12178	12007	11860	13218	13489	14056	14254	14635	15274

PART-I PERFORMANCE / OPERATIONS

The Directors are pleased to present the Annual Report of the Company, together with the audited Accounts, for the year ended March 31, 2006.

Financial Results

	2005-2006	2004-2005
	Rs. Millions	Rs. Millions
Profit before tax	4,523.00	3,550.10
Less: Provision for taxation	1,249.80	836.00
	3,273.20	2,714.10
Add: Transfer from/(to):		
Debenture redemption reserve	68.33	89.17
Balance profit from last year	1,784.13	1,339.24
General Reserve	(1,000.00)	(1,000.00)
Profit available for appropriation	4,125.66	3,142.51
Appropriation:		
Proposed dividend	1,597.86	1,189.29
Tax on dividend	224.10	169.09
Balance profit carried to Balance sheet	2,303.70	1,784.13
Basic Earnings per Share (Face Value Re.1/-)	2.74	2.28

DIVIDEND

The Directors recommend a dividend of 120% (Rs.1.20 per equity share of Re.1/-) for the year ended March 31, 2006. This Dividend will also be payable on the shares arising from conversion of Foreign Currency Convertible Notes (FCCNs) issued in April 2004, to the extent converted upto the Book Closure Dates.

BUSINESS OPERATIONS

The year 2005-06 continued to be a good year when the Company achieved several new records and milestones riding on the overall economy and buoyancy in the market. The highlights are discussed in detail in the Management Discussion and Analysis Report attached as **Annexure-D** to this Report.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in **Annexure-A** to this Report.

PART – II CORPORATE MATTERS

CORPORATE GOVERNANCE

Your Company has consistently adopted high standards of Corporate Governance even before the SEBI Guidelines on this subject were mandated in the year 2000. The revised and more stringent Guidelines stipulated by SEBI through the Listing Agreements with Stock Exchanges became effective from January 1, 2006. The Code of Conduct for the Board and the Senior Management was adopted by the Company in March 2005. Your Board has implemented the necessary actions, and your Company is fully compliant with the revised Guidelines from April 1, 2005. All the Directors (and also the members of the Senior Management – of the rank of General Managers and above) have confirmed in writing about their compliance and adherence with the Code of Conduct. The details are furnished in **Annexure-B** to this Report.

The Statutory Auditors of the Company have examined the Company's compliance, and have certified the same, as required under SEBI Guidelines. Such certificate is reproduced as **Annexure-C** to this Report.

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 is furnished in **Annexure-E** to this Report.

The particulars of employees as prescribed by the Companies (Particulars of Employees) Rules, 1975 are furnished in **Annexure-F** to this Report.

The CEO / CFO Certification as required under the SEBI Guidelines, is attached - **Annexure-G** to this Report.

DOWNSTREAM BUSINESS SUPPORT ACTIVITIES

ASHLEY TRANSPORT SERVICES LIMITED

The activity in this Company had to be curtailed during the year in order to revamp and strengthen some of the controls and operating procedures required for this pioneering business venture.

GULF ASHLEY MOTOR LIMITED

This Company was formed primarily to strengthen the dealer network and customer servicing in the Eastern parts of the country. The initiative has started yielding good results as reflected by the increased sales and market share for this Company in these regions.

FOREIGN CURRENCY CONVERTIBLE NOTES (FCCNs)

The Foreign Currency Convertible Notes (FCCNs) for USD 100 mn. issued in April 2004 are convertible into shares of the Company (Fixed Exchange Rate USD 1 = Rs.44.10); Conversion Price (reset in 2005) of Rs.31/- per share of face value Re.1/- each. The market price of the Company's equity shares in the Indian Stock Market has improved considerably in the last few months. Starting from February 2006, the Company has received 9 requests upto March 31, 2006 for conversion of 22700 FCCNs into 32292576 equity shares. From April 1, 2006 upto April 29, 2006, the Company has received 3 more requests for conversion of 8050 FCCNs into 11451773 equity shares. These requests have been approved and conversions have taken place. All the procedures consequent to the conversion are being completed on time and these shares, which rank *pari passu* with the earlier shares in all respects, are tradable in the Indian Stock Exchanges. The details of the enhanced share capital as on March 31, 2006 and the corresponding revised shareholding pattern are given, as part of the Corporate Governance Report (**Annexure-B)** to this Report.

SUBDIVISION OF SHARES

During the year 2004-05, your Company's shares were subdivided (from a face value of Rs.10/- each to a face value of Re.1/- each) w.e.f. July 7, 2004. Such action has resulted in substantially increasing the shareholders base of the Company; the number of shareholders as on March 31, 2006 has increased to 137244 (from about 72000 before subdivision).

DIRECTORS

The present term of Mr R Seshasayee, Managing Director is due to expire on March 31, 2007. Over the past eight years, he has not only led the Company in achieving consistently good operating results, but has also built up the organisation in terms of technological self-reliance, strengthening marketing infrastructure, breakthroughs in wage settlements, manpower reduction, labour productivity etc. The Remuneration Committee and the Board have considered it essential to continue to retain his leadership of the Company, and have decided, subject to the approval of shareholders at this General Meeting, to foreclose/overlap the last year of his current term and has re-appointed him as Managing Director for a period of three years from June 1, 2006 to May 31, 2009 with a suitable revision in the terms of remuneration. The necessary resolutions relating to this re-appointment are being placed before the shareholders for approval.

Mr S V Young has been appointed as an Additional Director at the Board Meeting held on July 26, 2005.

Mr H Klingele ceased to be a Director of the Board effective January 31, 2006, after serving on the Board for about 18 years. The Board wishes to place on record its deep appreciation of Mr Klingele's active involvement and support, particularly in Technical and Exports related matters.

Mr A Spare (who was hitherto Alternate Director) was appointed as a Director in the casual vacancy caused by the resignation of Mr H Klingele.

Mr F J Colon Martinez, Mr E A Kshirsagar, Mr S R Krishnaswamy and Mr R J Shahaney, Directors retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The necessary resolutions are being placed before the shareholders for approval.

COST AUDITOR

The Government has stipulated Cost Audit of the Company's records in respect of motor vehicles as well as engines. M/s Geeyes & Co., Cost Auditors have carried out these assignments. Their findings have been very satisfactory.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a Practising Company Secretary. The findings of the Secretarial Audit were entirely satisfactory.

AUDITORS

M/s M S Krishnaswami & Rajan and M/s Deloitte Haskins & Sells, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval.

ACKNOWLEDGEMENT

The Directors wish to express their appreciation of the continued co-operation of the Central and State Governments, Bankers, Financial Institutions, Customers, Dealers and Suppliers and also the valuable assistance and advice received from major shareholders LRLIH Ltd., Hinduja Group, Iveco and all the shareholders. The Directors also wish to thank all the employees for their contribution, support and continued co-operation through the year.

On behalf of the Board of Directors

Chennai
April 29, 2006

R J SHAHANEY
Chairman

(A) CONSERVATION OF ENERGY

All manufacturing plants have implemented various conservation of energy initiatives leading to significant savings in cost during 2005-2006. Few of such key initiatives are:

– Elimination of non-productive energy consumption by continuous systematic monitoring through installation of microprocessor based digital energy meters in substations and auto controller/sensing to avoid idle running of equipment thus conserving electricity and replacement of high capacity pumps of machines/ equipments with optimum capacity pumps.

– Maintaining power factor always at 'ideal condition' achieved through optimum use of capacitor banks and incentives obtained from State Electricity Board.

– Systematic monitoring of recorded KVA Max. Demand and restricting the same close to minimum payable KVA demand.

– Value addition in terms of modifications, realignments and system improvements in major power consuming equipments to achieve reduced power consumption.

– Implementing various other energy saving measures in office lighting, street lighting etc.

(B) TECHNOLOGY ABSORPTION

Research and Development (R & D):

1. Specific areas in which R&D carried out by the Company

- Bharat Stage - III engine with "**COMMON RAIL FUEL INJECTION SYSTEM**" has been developed and durability trials have commenced.
- 152 KW (207 PS) rating on 'H' series 6 cylinder engine at Bharat Stage - II level has been extended to cover additional power ratings and commercial production will commence shortly.

2. Benefits derived as a result of the above R & D

- Wider range of vehicles, enhanced value equation and greater customer satisfaction.

3. Future Plan of Action

- Continue improvements in processes, skill building and addition of infrastructure.

Technology Absorption, Adaptation and Innovation:

- 6×2 Tipper for Mining Sector, scheduled for launch shortly.
- Upgraded version of Stallion, undergoing various trials with Indian Army.
- High Mobility Vehicle 6×6 has completed various user trials with the Army.
- A Field Articulated Tractor 6×6 vehicle has been developed for use by the Army.
- Two versions of the Ecomet i.e. 912 and 1112 have been launched in the Market.

4. Expenditure on R & D

	Rs. Millions
Capital	485.55
Revenue (excluding depreciation)	563.85
Total	1,049.40
Total R & D Expenditure as % of total turnover	1.7%

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of earnings and outgo of foreign exchange are given in Schedules 1.6 to 1.9 of Notes to the Accounts. The Company continues to strive to improve its export earnings.

1) ASHOK LEYLAND PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors and the Management of Ashok Leyland commit themselves to:

- strive towards enhancement of shareholder value through
  - sound business decisions
  - prudent financial management, and
  - high standards of ethics throughout the organisation
- ensure transparency and professionalism in all decisions and transactions of the Company
- achieve excellence in Corporate Governance by
  - conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance
  - regularly reviewing the Board processes and the Management systems for further improvement

The Company has adopted a Code of Conduct for members of the Board and senior management, who have all affirmed in writing their adherence to the Code. The full text of the Code is furnished at the end of this Report, and is also displayed at the Company's website **www.ashokleyland.com**

2) BOARD OF DIRECTORS

a) Composition : The Board of Directors of the Company, headed by a non-executive Chairman, consisted of the following Directors, as on March 31, 2006, categorised as indicated:

i) **Non-executive Directors**

a) Promoter Group	Mr F J Colon Martinez *(Alternate : Mr G Sagone)*
	Mr A K Das *(Alternate : Mr I N Chatterjee)*
	Mr D G Hinduja *(Vice Chairman)(Alternate : Mr Y M Kale)*
	Mr F Sahami
	Mr A Spare
b) Connected with Associate Companies	Mr R J Shahaney *(Chairman)*
c) Independent	Mr D J Balaji Rao
	Mr P N Ghatalia
	Mr S R Krishnaswamy *(representing LIC as shareholder)*
	Mr E A Kshirsagar
	Mr S V Young

ii) **Executive Director**

Managing Director	Mr R Seshasayee

Equity Shares held by Directors

Name of the Director	No. of equity shares	
Mr R J Shahaney Mr R Seshasayee	11730 11236	There are no other shares or convertible instruments held by any other Director(s)

b) Attendance at Board Meetings and last A.G.M. and details of memberships of Directors in other Boards and Board Committees

Details of Board Meetings held during the year 2005-06

Date of Meeting	Board Strength	No. of Directors present
April 28, 2005	11	11
July 26, 2005	12	12
October 22, 2005	12	12
January 31, 2006	12	12
March 29, 2006	12	7

- The time gap between any two meetings did not exceed four months.
- The last Annual General Meeting was held on July 26, 2005.

Name of Director		No. of Board meetings attended	Whether attended last A.G.M. held on July 26, 2005	MEMBERSHIPS AS ON 31/3/2006 IN	
				Other Boards (excluding Ashok Leyland) (Note 5)	Other Board Committees (excluding Ashok Leyland) (Note 6)
Mr R J Shahaney		5	Yes	4 (4 as Chairman)	1 (1 as Chairman)
Mr D J Balaji Rao		5	Yes	7	8 (4 as Chairman)
Mr F J Colon Martinez		1	No	1	Nil
Mr A K Das		3	Yes	5	1
Mr P N Ghatalia	(Note 1)	5	Yes	7	7 (3 as Chairman)
Mr D G Hinduja		4	Yes	4	Nil
Mr H Klingele	(Note 2)	4	Yes	Nil	Nil
Mr S R Krishnaswamy		5	Yes	1	Nil
Mr E A Kshirsagar		5	Yes	4	4 (1 as Chairman)
Mr F Sahami		4	Yes	1	1
Mr S V Young	(Note 3)	3	Not Applicable	1	Nil
Mr A Spare	(Note 4)	Nil	Yes. As Invitee	1	Nil
Mr R Seshasayee		5	Yes	6 (3 as Chairman)	1
Alternate Directors :					
Mr I N Chatterjee		1	No	3	3 (1 as Chairman)
Mr Y M Kale		Nil	No	3 (1 as Chairman)	2 (1 as Chairman)
Mr G Sagone		4	Yes	1	Nil

Note 1: Appointed as a Director effective April 1, 2005.
Note 2: Ceased to be a Director effective January 31, 2006.
Note 3: Appointed as a Director effective July 26, 2005.
Note 4: Appointed as a Director effective January 31, 2006.
Note 5: The above excludes Foreign companies, Private Limited Companies and Alternate Directorships.
Note 6: Only Audit Committee, and Shareholders/Investors Grievance Committee are reckoned for this purpose.

Secretarial Standards

The Institute of Company Secretaries of India (ICSI) has laid down Standards on secretarial practices relating to meetings of the Board and Board Committees, General Meetings, Dividends etc. Though these Standards are so far only recommendatory, the secretarial and the operating practices of the Company are in line with the above Secretarial Standards.

All the information required under Annexure-1 to Clause-49 of the Listing Agreements with Stock Exchanges are being placed before the Board at every meeting, with the current status duly updated.

3) AUDIT COMMITTEE

a) Constitution

The Audit Committee of the Company was constituted in July 1987 with Terms of Reference, which covered most of the aspects stipulated by SEBI in the year 2000. These were comprehensively reviewed once again by the Company's Board in the year 2000, and the Audit Committee has been mandated with the same Terms of Reference as specified in Clause 49 of the Listing Agreements with Stock Exchanges. The Terms of Reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

b) Composition, names of members and Chairperson

The composition of the Audit Committee :

Independent Directors	Promoter Group Director
Mr E A Kshirsagar (Chairman) Mr D J Balaji Rao Mr P N Ghatalia (from April 28, 2005)	Mr F Sahami

All the members of the Audit Committee have expertise in Finance as well as in general management.
Mr E A Kshirsagar, Mr P N Ghatalia and Mr F Sahami had been senior partners in leading firms of Chartered Accountants.
Mr Balaji Rao had been the Deputy Managing Director of the then ICICI Ltd., (now ICICI Bank) and the Managing Director of Infrastructure Development Finance Company Ltd.

c) Meetings and Attendance

Audit Committee Meetings held during the year 2005-06 and Attendance Details

Attendance :

Date of Meeting	Committee Strength	No. of Directors present
April 27, 2005	3	3
July 25, 2005	4	4
October 22, 2005	4	4
January 31, 2006	4	4

- Mr N Sundararajan, Company Secretary is the Secretary to the Committee. He is also the Head of the Internal Audit function, and has attended all the above Meetings of the Committee.
- Mr K Sridharan, Chief Financial Officer, attended all the above meetings of the Committee.

The Statutory Auditors of the Company and the Cost Auditors are invited to join the Audit Committee Meetings. The Audit Committee discusses with the Statutory Auditors on the "Limited Review" of the quarterly/half-yearly accounts, the Audit Plan for the year, matters relating to compliance with Accounting Standards, the Auditors' observations arising from the annual audit of the Company's accounts, and other related matters. The Committee also reviews at every meeting the significant observations arising from the reports of the Internal Audit Department and the adequacy of the follow up action taken by the Management. The Committee discusses with the Cost Auditor about the Annual Cost Audit Reports, his observations and allied matters.

4) REMUNERATION COMMITTEE

a) The Remuneration Committee consists entirely of non-executive Directors. Mr D J Balaji Rao, independent Director is the Chairman of the Committee. Mr R J Shahaney and Mr F Sahami are the other members.

Mr N Sundararajan, Company Secretary is the Secretary to this Committee.

The Committee is mandated with the following Terms of Reference :

- Determination and approval of the quantum of commission and special allowance payable to the Managing Director; and
- Determination and approval of the annual increments to the Managing Director .

Within the overall limits approved by the shareholders, the above determinations are based on the overall performance of the Company during the relevant financial year, and on the Committee's assessment of the personal contribution and achievements of the Managing Director.

b) The Committee met once during the year on April 27, 2005. All the members were present at this meeting.

c) The Remuneration Policy of the Company is summarised as follows :

(i) For Managing Director

The total remuneration, subject to shareholders' approval, consists of

- a fixed component – consisting of salary, allowances and perquisites; the perquisites and benefits are in line with the Company's Rules for senior managerial personnel.
- a variable component – linked to the performance of the Company as well as of the Managing Director – consisting of Commission and Special Allowance, as determined by the Remuneration Committee.

(ii) For Non-executive Directors

Sitting Fees is paid as per the Companies Act, 1956, and the Articles of Association of the Company, for attending meetings of the Board or any Committees of the Board. Directors are also reimbursed actual travel costs and incidental expenses incurred for attending such meetings or in connection with the Company's business.

At present there is no other remuneration to non-executive directors. Though at the Annual General Meeting held on July 24, 2001, the shareholders had approved the payment of Commission to the non-executive Directors of the Company, as may be decided by the Board, no such payments have been approved by the Board so far.

d) The details of remuneration paid/payable to the Directors for the year 2005-06 are :

i) Non-executive Directors - Sitting Fees : (excluding reimbursement of travel and other expenses incurred for the company's business)

	Rs.		Rs.
Mr R J Shahaney	380,000	Mr S R Krishnaswamy	100,000
Mr D J Balaji Rao	340,000	Mr E A Kshirsagar	200,000
Mr I N Chatterjee, Alt. Director	20,000	Mr F J Colon Martinez	20,000
Mr A K Das	60,000	Mr F Sahami	200,000
Mr P N Ghatalia	160,000	Mr S V Young	60,000
Mr D G Hinduja	160,000	Mr G Sagone, Alt. Director	80,000
Mr H Klingele	120,000	Mr A Spare	Nil

ii) Managing Director (No Sitting Fee is payable)

	Rs.
a) Fixed Component Salary	2,160,000
Perquisites (**)	1,847,022
b) Variable Component Commission	4,320,000
Special Allowance	4,320,000
Total	**12,647,022**

(**) Certain perquisites are valued as per the Income Tax Rules. Does not include contribution to Provident Fund @ 12% and Superannuation Fund @ 15% of the salary.

Mr Seshasayee, Managing Director is under contract of employment with the Company. There is also a contract corresponding to his appointment as Managing Director, stipulating 3 months' notice period from either side. There is no severance fees payable to him.

The Company has not offered any Employee Stock Options.

5) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) The Shareholders/Investors Grievance Committee has been functioning since August 2000. Mr R J Shahaney is the Chairman of the Committee; Mr D J Balaji Rao, Independent Director and Mr R Seshasayee, Managing Director are the other members. This Committee presently deals with and approves all share transfers, transmissions etc., and also all other matters relating to investor relations and grievances. From January 31, 2006, the Committee has also been empowered to allot shares upon conversion of the Foreign Currency Convertible Notes issued in April 2004.

b) Mr N Sundararajan, Company Secretary is the Secretary to this Committee and is also the Compliance Officer nominated for this purpose.

c) The Committee reviews the performance of the Company's Registrar & Transfer Agent (R&TA), and their system of dealing with and responding to correspondence from all categories of shareholders. All complaint letters received from Stock Exchanges/ SEBI/ Dept. of Company Affairs etc., and the responses thereto are reviewed by this Committee.

During the year, 1190 complaint letters were received from investors; 2945 letters (including 12 letters from SEBI / Stock Exchanges / DCA) were received on routine matters; all these were dealt with satisfactorily. The very few letters, which occasionally remained pending beyond the normal time lag were cases of inadequate documentation or clarifications being awaited.

For the fifth year in succession, the Company conducted an Investor Satisfaction Survey through a questionnaire, which was mailed along with the Notice of AGM 2005.

1398 investors had responded to the Survey. A vast majority of them have expressed high degree of satisfaction about various aspects of investor servicing. A few issues raised by some investors were pursued and dealt with satisfactorily.

At the October 2005 meeting, the Committee also reviewed the Special Report analysing the feedback from the Investor Satisfaction Surveys, and approved the initiatives for further improvements in investor servicing.

d) As on March 31, 2006, there were 4 share transfers pending; these were completed within the due dates.

6) GENERAL BODY MEETINGS

a) Details of location and time of holding the last three AGMs.

Year	Location	Date & Time
54th AGM - 2003	Narada Gana Sabha, 314 TTK Road, Chennai – 600 018	July 22, 2003 10.00 a.m.
55th AGM - 2004	Narada Gana Sabha, 314 TTK Road, Chennai – 600 018	July 29, 2004 10.30 a.m.
56th AGM - 2005	Narada Gana Sabha, 314 TTK Road, Chennai – 600 018	July 26, 2005 10.30 a.m.

The Chairman of the Audit Committee was present at all the above AGMs.

Details of EGMs held in the last three years:

Year	Location	Date & Time
2004	Narada Gana Sabha, 314, TTK Road, Chennai – 600 018	February 28, 2004 11.00 a.m.
2005	Rani Seethai Hall 603, Anna Salai, Chennai – 600 006	March 5, 2005 10.45 a.m.

b) All the Special Resolutions placed before the shareholders at the above meetings were approved. There were no resolutions requiring approval through Postal Ballot.

7) DISCLOSURES

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management, their Subsidiaries or relatives which may have potential conflict with the interests of the Company. The necessary disclosures regarding the transactions with Related Parties are given in the Notes to the Accounts.

There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters during the last three years.

The Company had no subsidiary company as on March 31, 2006.

8) MEANS OF COMMUNICATION

a) The half-yearly results are being mailed to all shareholders since October 2001, along with a letter to the shareholders from the Managing Director.

b) The quarterly results are being published in one leading national (English) newspaper (normally Business Line/Business Standard) and in one vernacular (Tamil) newspaper (Dinamani/Dinamalar). The quarterly results are also displayed on the Company's website **www.ashokleyland.com**

c) The Company's website also displays official press /news releases, Presentations made to institutional investors and analysts, and several other details/information of interest to various stakeholders.

d) A Management Discussion and Analysis Report is being presented as a part of the Annual Report from the year 1998-1999 onwards.

9) GENERAL SHAREHOLDER INFORMATION

a.	57th Annual General Meeting		
	— Date and Time — Venue	~~July 20, 2006 - 10.30 a.m.~~ ~~Narada Gana Sabha,~~ ~~314, TTK Road, Chennai – 600 018~~	***(Since changed to:*** *August 1, 2006 - 10.00 a.m.* *Kamaraj Memorial Hall,* *492, Anna Salai, Teynampet,* *Chennai - 600 006****)***
b.	Financial Calendar		
	Annual General Meeting	~~July 20, 2006~~ ***(Since changed to:*** *August 1, 2006****)***	
	Unaudited results for the quarter ending June 30, 2006	~~July 20, 2006~~ ***(Since changed to:*** *July 30, 2006****)***	
	Unaudited results for the quarter/half-year ending September 30, 2006	Last week of October 2006	
	Unaudited results for the quarter ending December 31, 2006	Last week of January 2007	
	Audited Results for the year ending March 31, 2007	Before end of May 2007	
c.	Book Closure Date	~~From July 4, 2006 to July 20, 2006 (both days inclusive)~~ ***[Since changed*** *- July 14, 2006 to August 1, 2006 (both days inclusive)****]***	
d.	Dividend payment date	~~Commencing July 20, 2006~~ ***(Since changed -*** *Commencing August 1, 2006****)***	
e.	a) Listing of Equity Shares	Madras Stock Exchange Ltd. Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd.	
	b) Listing of Global Depository Receipts (GDRs)	London Stock Exchange	
	c) Listing of Foreign Currency Convertible Notes (FCCN)	London Stock Exchange	
	The Listing Fees has been paid uptodate, to all the Stock Exchanges.		
f.	Stock Code		
	a) Trading Symbol at	Madras Stock Exchange Ltd.	ALL
		Bombay Stock Exchange Ltd. (Physical) (Demat)	477 500477
		National Stock Exchange of India Ltd.	ASHOKLEY
	b) Demat ISIN Numbers in NSDL & CDSL	Equity Shares	INE208A01029

g. Stock Market Data

Month	Bombay Stock Exchange				National Stock Exchange			
	Share Price		Sensex		Share Price		S&P CNX Nifty	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
April 2005	25.25	20.55	6,649.42	6,118.42	24.00	20.40	2,084.90	1,896.30
May 2005	24.35	22.45	6,772.74	6,140.97	24.80	22.45	2,099.35	1,898.15
June 2005	26.85	23.55	7,228.21	6,647.36	27.25	23.40	2,226.15	2,061.35
July 2005	29.90	23.65	7,708.59	7,123.11	29.95	23.55	2,332.55	2,171.25
Aug 2005	31.60	22.95	7,921.39	7,537.50	31.70	25.70	2,426.65	2,294.25
Sep 2005	30.55	26.70	8,722.17	7,818.90	30.85	26.50	2,633.90	2,382.90
Oct 2005	29.80	25.20	8,821.84	7,656.15	29.75	25.20	2,669.20	2,307.45
Nov 2005	33.00	27.25	9,033.99	7,891.23	35.00	27.25	2,727.05	2,366.80
Dec 2005	33.80	29.95	9,442.98	8,769.56	33.80	29.90	2,857.00	2,641.95
Jan 2006	32.80	29.40	9,945.19	9,158.44	33.05	29.50	3,005.10	2,783.85
Feb 2006	39.60	30.55	10,422.65	9,713.51	40.00	30.60	3,090.30	2,928.10
Mar 2006	43.00	37.70	11,356.95	10,344.26	42.75	37.80	3,433.85	3,064.00

h. Share Price performance in comparison to broad based indices – BSE Sensex and NSE Nifty

Share Price Movement (BSE)
Share Price Movement (Nifty)
See chart inside back cover

i. Registrar and Transfer Agents

All Securities Transfer work was done in-house till March 31, 2003. SEBI had directed that all Share Registry work in respect of both physical and demat segments should be handled by a single Common Agency. Accordingly, from April 1, 2003, the Company appointed M/s Integrated Enterprises (India) Ltd., 2nd Floor, Kences Towers, 1 Ramakrishna Street, North Usman Road, T.Nagar, Chennai 600 017 as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of investor servicing relating to shares in both physical and demat form. The residual matters relating to the fixed deposits are dealt with directly by the Company.

j. Share Transfer System

The authority relating to transfer of shares and allied work relating to servicing of investors has been delegated by the Board to the Shareholders/Investors Grievance Committee which consists of Mr R J Shahaney (Chairman), Mr D J Balaji Rao, and Mr R Seshasayee.

In order to further improve and speed up investor servicing, the Board has authorised the Managing Director individually to approve all routine transfers, transmissions etc. of shares. Such approval is being given by the Managing Director at frequent/regular intervals (32 times during 2005-06). Transfers, transmissions etc., were generally approved within 12 days ; requests for dematerialisation were confirmed within 10 days (as against the norm of 15 days). In addition, the Committee(s) met 9 times during the year 2005-06 for approving specific transfers, transmissions, etc., reviewing investor grievances and to allot shares upon conversion of FCCNs.

In February 2004, SEBI have notified withdrawal of the transfer-cum-demat-facility, whenever shares in physical segment are received for transfer.

k. (i) Distribution of Shareholding as on March 31, 2006

No. of Shares	Shareholders		No. of Shares	
	Number	%	Number	%
Upto 50	11323	8.25	360094	0.03
51-100	21393	15.59	2072204	0.17
101-200	17852	13.01	3351563	0.27
201-500	35727	26.03	14758406	1.21
501-1000	23305	16.98	20338049	1.67
1001-2000	15011	10.94	23351807	1.91
2001–5000	9408	6.85	30234163	2.48
5001-10000	1999	1.46	14816532	1.21
10001 & above	1226	0.89	1112303958	91.05
Total	**137244**	**100.00**	**1221586776**	**100.00**

(ii) Pattern of Shareholding as on March 31, 2006

Sl No.	Category	No. of Holders	No. of Shares	%
1	Promoter - LRLIH Ltd. (Includes 164600070 shares in GDR Form)	1	605766750	49.59
2	Residents (Individuals / Clearing Members)	133768	140263936	11.48
3	Financial Institutions/Insurance Co. / State Govt./ Govt. Companies/UTI	21	169086840	13.84
4	Foreign Institutional Investors	87	178868949	14.64
5	Non-Resident Indians/ OCB / Corporate Bodies - Foreign / Bank - Foreign / Foreign Nationals	1375	23797280	1.95
6	Corporate Bodies	1884	22174100	1.82
7	Mutual Funds	36	65576156	5.37
8	Trusts	19	236000	0.02
9	Banks	51	831265	0.07
10	Others - GDR	2	14985500	1.22
	Total	**137244**	**1221586776**	**100.00**

l. Dematerialisation of shares and Liquidity

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form.

Status of Dematerialisation of Shares as on March 31, 2006

Holders	Physical		Demat		Total	
	No. of Shares	% to paid-up capital	No. of Shares **	% to paid-up capital	No. of Shares **	% to paid-up capital
LRLIH Limited	441166680*	36.11	164600070	13.48	605766750	49.59
Others	26195828***	2.14	589624198	48.27	615820026	50.41
					1221586776	**100.00**

* held in one consolidated share certificate ** including in GDR Form *** held by approx. 24700 holders

Shares of the Company are actively traded in the Bombay and National Stock Exchanges, and hence have good liquidity.

m. Subdivision of Shares

Each equity share of face value of Rs.10/- was subdivided into 10 equity shares of face value of Re.1/- each, effective from July 7, 2004. Following the subdivision, there has been a significant increase in the number of shareholders; as of March 31, 2006, there were 137244 shareholders as compared to 71720 shareholders as on July 6, 2004.

n. Outstanding GDR/ Warrants and Convertible Notes, Conversion date and likely impact on the equity

No GDR is outstanding for conversion as on March 31, 2006 and hence there is no impact on equity.

After obtaining the approval of the shareholders at the Extraordinary General Meeting held on February 28, 2004, the Company issued Foreign Currency Convertible Notes (FCCN) for USD100 million in April 2004 to investors in the overseas market. As per the terms of the Issue, these Bonds are convertible into GDSs or convertible into the underlying shares @ 1422.581 shares (of face value Re. 1/- each) per Note of USD1000, at a conversion price (reset in 2005) of Rs.31/- per share at the option of the investors as per the terms of the issue.

From February 2006, the Company has started receiving requests from the holders of FCCNs seeking to convert the Notes held by them into underlying shares. Upto 31/03/2006, 22700 Notes have been converted into 32292576 shares. All the statutory / contractual obligations relating to such conversions have been fulfilled in time, and such additional shares (upon conversion) have been admitted for trading at Madras Stock Exchange Ltd., Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd.

o. Plant Locations

Ennore Post Box No.3 Ennore Chennai 600 057 Tamil Nadu	**Hosur – Unit I** 175 Hosur Indl. Complex Hosur 635 126 Tamil Nadu	**Hosur – Unit II** 77 Electronic Complex Perandapalli Village Hosur 635 109 Tamil Nadu
Hosur – Unit IIA Cab Panel Press Shop SIPCOT Industrial Complex Mornapalli Village Hosur 635 109 Tamil Nadu	**Bhandara** Plot No.1 MIDC Industrial Area Village Gadegaon Sakoli Taluk Bhandara 441 904 Maharashtra	**Alwar** Plot No.SPL 298 Matsya Indl. Area Alwar 301 030 Rajasthan
Ambattur, Chennai 3A/A&2 North Phase Sidco Industrial Estate Ambattur, Chennai 600 098 Tamil Nadu	**Technical Centre** Vellivayal Chavadi Via Manali New Town Chennai 600 103 Tamil Nadu	

p. Address for Correspondence

To contact R&TA for all matters relating to Shares, Dividends, Annual Reports	M/s Integrated Enterprises (India) Ltd. 2nd Floor, Kences Towers 1, Ramakrishna Street North Usman Road T. Nagar Chennai 600 017	Tel : 91-44-2814 0801/03 Fax : 91-44-2814 2479 e-mail : yesbalu@iepindia.com
For Fixed Deposits	Mr R Venugopalan Dy. General Manager - Finance Ashok Leyland Limited Ennore Chennai 600 057	Tel : 91-44-2575 1001/2575 0233 Fax : 91-44-2575 1798 e-mail : rv.ale@ashokleyland.com
For any other general matters or in case of any difficulties/ grievances	Secretarial Dept. Ashok Leyland Limited Building No.2, 5th Floor Khivraj Complex II 477-482 Anna Salai Nandanam Chennai 600 035	Tel : 91-44-2433 1120/2433 1128/ 2433 1129 Fax : 91-44-2433 5633 e-mail : secretarial@ashokleyland.com

Ashok Leyland Website address : **www.ashokleyland.com**

NON MANDATORY REQUIREMENTS

1. Non executive Chairman

   The Company maintains the office of the Non Executive Chairman and reimburses expenses incurred in the performance of his duties.

2. Remuneration Committee

   The Company has constituted a Remuneration Committee; full details are furnished under Item 4 of this Report.

3. Shareholder Rights

   The statements of quarterly and half yearly results are being published in the Press. The Company has been mailing half-yearly reports to shareholders from October 2001, along with a letter from the Managing Director highlighting significant events.

4. Postal Ballot

   The Company adheres to the Companies Act, 1956 requirements regarding Postal Ballot. The Company has had no occasion to use the postal ballot so far.

REVISED SEBI GUIDELINES ON CORPORATE GOVERNANCE

SEBI had notified on October 29, 2004, a revised /updated set of Guidelines relating to Corporate Governance which have been incorporated in the Company's Listing Agreements with the Stock Exchanges. The compliance with the earlier Guidelines were declared adequate upto March 31, 2005 (since extended upto December 31, 2005). The revised Guidelines came into effect from January 1, 2006.

The Company is fully compliant with the revised SEBI Guidelines.

CODE OF CONDUCT

Members of the Board and the Senior Management, shall

a) Always act in the best interests of the Company and its stakeholders.

b) Adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the Company.

c) Apply themselves diligently and objectively in discharging their responsibilities and contribute to the conduct of the business and the progress of the Company, and not be associated simultaneously with competing organisations either as a Director or in any managerial or advisory capacity, without the prior approval of the Board.

d) Always adhere and conform to the various statutory and mandatory regulations/guidelines applicable to the operations of the Company avoiding violations or non-conformities.

e) Not derive personal benefit or undue advantages (financial or otherwise) by virtue of their position or relationship with the Company, and for this purpose.

   i) shall adopt total transparency in their dealings with the Company.

   ii) shall disclose full details of any direct or indirect personal interests in dealings/transactions with the Company.

   iii) shall not be party to transactions or decisions involving conflict between their personal interest and the Company's interest.

f) Conduct themselves and their activities outside the Company in such manner as not to adversely affect the image or reputation of the Company.

g) Inform the Company immediately if there is any personal development (relating to his/her business/professional activities) which could be incompatible with the level and stature of his position and responsibility with the Company.

h) Bring to the attention of the Board, Chairman or the Managing Director as appropriate, any information or development either within the Company (relating to its employees or other stakeholders) or external, which could impact the Company's operations, and which in the normal course may not have come to the knowledge of the Board/Chairman or Managing Director.

i) Always abide by the above Code of Conduct, and shall be accountable to the Board for their actions/violations/defaults.

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of
Ashok Leyland Limited

1. We have examined the compliance with the conditions of Corporate Governance by **Ashok Leyland Limited** (the company) for the year ended March 31, 2006 as stipulated in clause 49 of the listing agreement of the said company with the stock exchanges in India, with the relevant records and documents maintained by the company and furnished to us and the report on Corporate Governance as approved by the Board of Directors.

2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the company for ensuring the said compliance. It is neither an audit nor an expression of opinion on the financial statements of the company.

3. Based on the aforesaid examination and according to the information and explanations given to us, we certify that the company has complied with the said conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M.S. KRISHNASWAMI & RAJAN
Chartered Accountants

M.K. RAJAN
Partner
Membership No. 4059

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. RAGHAVAN
Partner
Membership No. 9483

April 29, 2006
Chennai

With three consecutive years of growth in GDP at over 7.5%, the required momentum has been generated for achieving higher growth rates in the future.

A. Commercial Vehicle Industry Structure and Development

After recording an unprecedented compounded annual growth rate (CAGR) of 29.6% between 2001-02 and 2004-05, the Indian commercial vehicle production in 2005-06 grew by 10.6%. Domestic demand grew by 10.1% in 2005-06, reaching a record 350,683 units, coming after three high growth years.

Despite an estimated 8.1% growth in Indian GDP, the domestic medium and heavy commercial vehicle (M&HCV) demand was lacklustre for most part of 2005-06. A moderate 4.5% growth was registered in 2005-06, largely aided by a 16.3% spurt in the last quarter.

With 19.4% demand growth, Light Commercial Vehicles (LCV) segment contributed significantly to the overall commercial vehicle demand.

Indian commercial vehicle exports grew by 35.5% in 2005-06 and registered a CAGR of 36% between 2001-02 and 2005-06. Exports accounted for 10.4% of total production.

There has been a significant change in the profile of commercial vehicle industry during the last few years. This trend is expected to continue, with a mature transportation model emerging in the next few years.

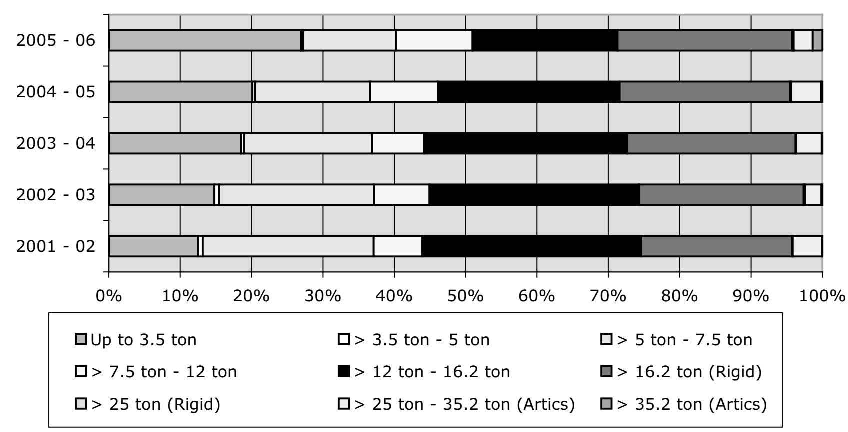
The recent directive of the Supreme Court to strictly curb overloading of trucks is already impacting positively on the demand for commercial vehicles. It will warrant significant changes in vehicle design to enhance productivity.

Another significant development is the demand for introduction of low floor city buses, which is expected to play a major role in defining urban transportation in India.

B. Business Review

The Company registered significant market share improvements in 2005-06. Leadership position in M&HCV buses and in the growing > 35 ton articulated trucks have been the major achievements in 2005-06. The Company also secured a significant order from the Indian Army for supply of 872 units of indigenously developed Water Bowsers. A major portion of orders from the Defence, will be executed in 2006-07.

The Company has overcome production bottlenecks to a large extent and has achieved satisfactory productivity levels in all plants, following the recent wage settlements. This has enabled the Company to increase its vehicle manufacturing capacity to 77,200 units from 67,500 units. The Company embarked on *Mission Gemba* across all manufacturing units in 2005. The objectives of *Mission Gemba* are to empower employees, develop a culture of solving problems on the shop floor and facilitate people to work together



towards achieving improvements in cost, quality, throughput and safety.

The Company has been gradually adopting *Design for Six Sigma* in design process. The benefits of this approach have begun to flow in.

Customer-centric products and services continue to be the *Marketing Mission*. Domain Expert Groups have been formed to understand customers' needs and business drivers for each application. The Company's product strategy will be driven by these findings. Key Account Management will be leveraged to expand the Company's presence in each segment and customer engagement will be part of marketing business plan.

Implementation of *Customer Connect*, a customer relationship process including Dealer Management System and Product Lifecycle Management process is in progress.

Apart from ongoing product improvements, *Newgen cab*, 260 hp rear engine *InterCentury Luxura* coach and > 300 hp tipper and tractor will be the major new launches in 2006-07.

The Company exported 4,879 units in 2005-06. Excluding the sales to Iraq in 2004-05 under the UN Oil for Food programme, export sales increased by 22% over 2004-05. Exports constituted 8% of total sales in 2005-06 and the Company is targeting to increase the contribution of exports to 10% of total sales in the coming years.

By entering into a marketing arrangement for small and high capacity engines, the Company has expanded its offering of engines for industrial and marine applications. In 2005-06, the Company sold 7,261 engines for industrial and marine applications, up 16% over 2004-05. The Company is tapping the vast export potential for its engines and a beginning has been made in 2005-06.

Significant increase in sale of CKD kits to the Indian Army has boosted the spare parts sale value to Rs. 7,837.8 million, up 44% over 2004-05.

First level training and implementation of Knowledge Management Initiatives in certain functions in Marketing, Product Development and IT have been completed.

The Company has taken up a major initiative for developing young executives by systematically engaging them in critical projects and capability building and by infusing a culture of innovation and speed.

Opportunities and Threats

In line with developed market practices, demand for < 3.5 ton GVW and > 16 ton GVW trucks is expected to increase at a much rapid pace. With a strong presence in the HCV range, the Company is exploring expansion of its range into the growing LCV segment. Various initiatives are being pursued in this regard.

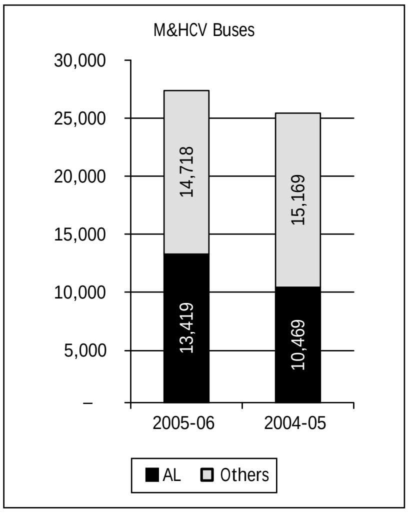
To de-risk against the cyclicality of the commercial vehicle business, the Company is aggressively progressing allied businesses. Dedicated organizations for components and aggregates business and engineering design services have been formed. The Company is seeking growth in new overseas markets as well.

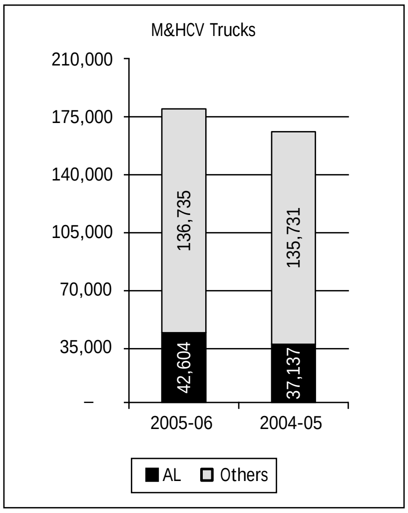
New urban transportation models are being contemplated in major cities and the Company is getting equipped to offer cost effective solutions.

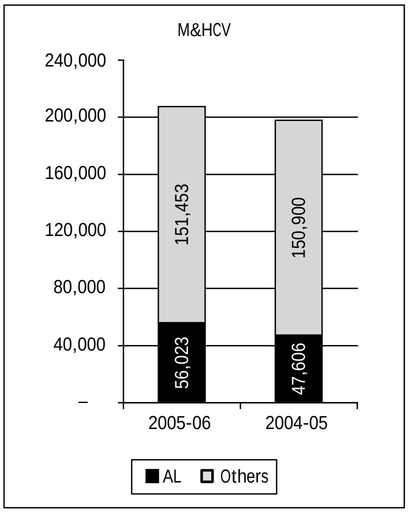
Given the changing competitive scenario, the Company is focusing on superior *cost-value* equation to retain its competitive edge.

C. Risk Management

The commercial vehicle business has a specific set of risk characteristics, which need to be carefully evaluated, managed and mitigated. In order to effectively manage the cyclical nature of demand, the Management has adopted an internal risk management protocol. Risk management covers the entire process of business including, inter-alia, capital investment, adherence to statutory norms and customer care.







Continuance of the reform process and emphasis on infrastructure and agriculture augur well for the road transport sector. However, the cyclical nature of demand in the commercial vehicles industry needs to be factored in for capacity build up / manufacturing strategies. Capacity build up plans are periodically re-assessed, taking into account market conditions and demand forecast.

The Company is planning to expand its capacity to 100,000 vehicles by FY08. Further expansion beyond this level will depend on actual growth rate for the commercial vehicle industry.

Concerns on input cost increases due to commodity price movements, coupled with cost increases arising out of improvements in product designs and upgradation to meet emission norms continue. Due to competitive pressures, these cost increases have not been fully passed on to the customers. The commercial vehicle industry in India will witness a higher level of competition following the proposed plans announced by automotive companies both Indian and foreign. The Company plans to counter these developments through product offerings to specific customer requirements and by increasing its marketing foot print across the country.

During the year under review, the Company suffered loss of vehicle volumes due to supply constraints in the first quarter, as a result of somewhat sudden changes made by the Government in the introduction of BS-II norms, in certain states.

The Company's foreign exchange exposure has reduced substantially with the good level of conversion from Bonds to equity. As on date, 81% of Bondholders have / are in the process of converting their Bonds into equity shares. The Company is a net foreign exchange earner and to that extent has limited exposures if the Indian Rupee was to depreciate in future. The Company's currency exposures are mostly in USD and are actively managed through a centralized Treasury Department assisted by technical experts.

D. Internal Control systems and their adequacy

Based on the nature of business and size of operations, the Company's internal control system has been designed to provide for:

- Accurate recording of transactions with internal checks and prompt reporting.
- Adherence to applicable Accounting standards and policies.
- Review of capital investments and long term business plans.
- Periodic review meetings to manage effectively, all working capital elements.
- Compliance with applicable statutes, policies, listing requirements and operating guidelines of the Company.
- Effective use of resources and safeguarding of assets.
- IT systems with in-built controls to facilitate all of the above.

The Company has its own Corporate Internal Audit set up which carries out periodic audits at all locations and of all functions and brings out deviations to internal control procedures. The observations arising out of audit are periodically reviewed and compliance ensured. The summary of the Internal Audit Reports is submitted to Audit Committee of the Board of Directors. The Committee reviews significant observations made in Internal Audit Reports along with actions initiated and reports to the Board periodically.

Rs. millions

		2005-06	2004-05	Inc / (Dec) %
Income				
Sales (Net of Excise Duty)		52,477	41,819	25.5
Other Income		329	538	(38.5)
Total		52,806	42,357	24.7
Expenditure				
Manufacturing Expenses		37,690	29,729	26.8
Employee Expenses		4,038	3,541	14.1
Other Expenses		5,347	4,321	23.7
Depreciation		1,260	1,092	15.4
Financial Expenses		165	28	489.3
Total		48,500	38,711	25.3
Profit Before Extraordinary items		4,306	3,646	18.1
Extraordinary item - Income / (Charge)		217	(96)	326.0
Profit Before Tax		4,523	3,550	27.4
Tax Provision	- Current	1,131	895	26.4
	- Deferred	72	(59)	222.0
	- Fringe benefit tax	47	–	–
Profit After Tax		3,273	2,714	20.6
Basic Earnings Per Share (in Rs.)		2.74	2.28	20.2
Diluted Earnings Per Share (in Rs.)		2.58	2.05	25.9
Cash Earnings Per Share (in Rs.)		3.86	3.15	19.7

E. Financial Review

The year under review witnessed strong growth in sales revenue and profit, with both reaching record levels. Implementation of BS-II norms and CMVR changes and difficulties in passing on the full cost increases impacted profitability marginally. The Management had initiated many cost reduction initiatives, which are expected to yield improvements to the operating margins. The Company achieved 21% improvement in net profit.

Revenues

Net sales for the year, at Rs.52,477 million, has increased by 25% as compared to previous year, contributed mainly by volume increases in vehicles by 13%, engines by 15% and a 44% increase in sales revenue from Spare Parts.

The reduction in other income is mainly on account of the one-time gain earned from sale of shares of IndusInd Bank during 2004-05.

Costs

Though steel prices softened during the year, there were significant cost increases on account of emission and noise norms. Through concerted efforts, the Company could secure better productivity norms in all the plants. This enabled the Company to reduce costs.

The overall manpower cost has increased by 14% mainly due to wage settlements in two (Ennore and Hosur II) plants. Other expenses have increased by 24%, mainly due to activity expansion. Thrust on Research and Development (R & D) is continuing and total R & D spend, including capital expenditure, accounts for Rs. 1,049 million, an increase of 14% over the previous year.

Depreciation for 2005-06 has increased to Rs. 1,260 million compared to Rs. 1,092 million, mainly due to current year's additions to facilities and increase in number of shifts of operations in some plants.

Financial expenses increased during the current year due to higher levels of working capital needed to support increased activity. Further, during the previous financial year, income earned on funds raised through the FCCN and remaining unutilised had helped in reducing net interest burden. These FCCN funds are utilised for capital expenditure requirements. Hence, there has been a reduction in income on deployment of such temporary surplus funds.

Sale of castings unit

The Company sold its castings unit at Hyderabad (Ductron Castings Unit) to Ennore Foundries Limited for a consideration of Rs. 620 million. The gain on sale amounting to Rs. 302 million is shown as extraordinary income for the year 2005-06. Ductron Castings Unit, now part of Ennore Foundries Limited, continues to supply castings to the Company.

Resources

During the year, the Company incurred capital expenditure of Rs. 2,434 million towards investments in capacity expansion / upgradation and R & D. Capacity increased from 67,500 vehicles to 77,200 vehicles by August 2005. The expansion of R & D facility is progressing as per plan.

Net Current Assets (excluding cash / bank balances) as on 31st March 2006 stood at Rs. 2,210 million as against the previous year level of Rs. 1,949 million. Inventories have gone up to Rs. 9,026 million as on 31st March 2006 compared to Rs. 5,681 million as at 31st March 2005 due to increase in finished inventory levels to meet sudden upsurge in market demand. Debtors level decreased to Rs. 4,243 million from Rs. 4,588 million. The high level of cash and bank balance includes funds raised through the FCCN issue kept in bank deposits pending utilisation in capital expenditure programmes. As of 31st March 2006, this amounted to Rs. 855 million.

Liquidity

During the fourth quarter, FCCNs issued by the Company began to be tendered for conversion to equity and by 31st March 2006, 23% of the FCCN issued were converted into Equity shares. This is excluding the 50.93% holding of the principal shareholders who have also advised the Company of their intention to convert. As of date, Bonds worth USD 81 million were converted / would be converted. On full conversion of all Bonds, the equity will increase to Rs.1,331.6 million from the previous year level of Rs.1,189.3 million.

Rs. millions

	2005-06	2004-05
Sources of Funds		
Shareholders' Funds	14,052	11,485
Loan Funds	6,919	8,804
Deferred Tax Liability-Net	1,797	1,709
Total	22,768	21,998
Application of Funds		
Fixed Assets	10,847	9,790
Investments	3,682	2,292
Net Current Assets	8,239	9,916
Total	22,768	21,998

Rs. millions

	2005-06	2004-05
Profit from operations	4,521	3,561
(Inc.) / Dec.in Net Working Capital	(1,291)	930
Net Cash Flow from operating activities (before extraordinary item)	3,230	4,491
Payments under Voluntary Retirement Scheme	(10)	(18)
Net cash flow from operating activities	3,220	4,473
Payment for Assets acquisition - net	(2,593)	(1,776)
Proceeds from sale of undertaking	620	–
Other Investments - net	637	222
Cashflow from Financing activities	(2,576)	2,804
Net Cash Inflow / (Outflow)	(692)	5,723

The Company continued to improve its debt-equity structure. As at 31st March 2006, net debt (net of cash & bank balances) to equity ratio has declined to 0.06 from 0.07 in March 2005. If the debt relating to FCCN is treated as equity, the Company will have net surplus funds. The Company manages its liquidity through rigorous monitoring of cash flows and surplus funds are invested mainly in units of Mutual Funds and in bank deposits.

The Company's principal sources of liquidity arise from

a) Cash generated by operations.
b) Unutilised limits with banks.
c) Unutilised limits of approved borrowings.

CRISIL maintained the Company's ratings for long-term borrowings at "AA". Fitch maintained the Company's ratings at IND AA. On commercial paper programme (short term borrowing), CRISIL maintained the earlier rating of P1+. The Company believes that it has sufficient liquidity to meet its working capital requirements and other anticipated cash outflows.

The Company registered Rs. 4,521 million cash inflow from operations. After meeting working capital requirements and extraordinary item of payments for Voluntary Retirement Scheme of Rs.10 million, the Company earned net cash inflow of Rs. 3,220 million.

Profit before tax and extra-ordinary items improved by 18% to Rs. 4,306 million. During the year, the Company charged Rs. 85 million towards amortisation of VRS expenses. Profit after charging the VRS expenses increased by 27%, to Rs. 4,523 million. After providing for taxes at Rs. 1,250 million (including deferred tax and fringe benefit tax), profit after tax for the current year improved by 21% to Rs. 3,273 million. In the previous year 2004-05, deferred tax liability for the Company came down by Rs. 109 million, consequent to the reduction in tax rates announced in the Union Budget in February 2005 (with net deferred tax credit of Rs. 59 million in the previous year).

F. Outlook

With the fundamentals of the economy remaining strong and no adverse sentiments emerging, the requirement for freight movement is expected to increase in line with the last three years.

With diesel cost expected to increase and with the railways announcing various initiatives, freight movement by road could become uncompetitive in some sectors, thereby inducing a shift in favour of the railways, affecting demand for new trucks. Hardening of interest rates and the cyclical nature of the industry could also dampen the demand for new trucks.

However, restrictions on overloading and possible improvement in freight rates provide optimism for growth in demand. Possible restrictions on 'vehicle-age' in some cities would further provide a fillip to demand.

Overall, we expect the total demand to grow. The ambitions of the Company are not only to accompany the market development, but to surpass it.

Annexure E to Directors' Report - Directors' Responsibility Statement

Directors' Responsibility Statement as per section 217(2AA) of the Companies Act, 1956

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting principles in India and the Accounting Standards prescribed by the Institute of Chartered Accountants of India in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2006 and of the results of operations for the year ended 31.3.2006.

The financial statements have been audited by M/s M.S. Krishnaswami & Rajan and M/s Deloitte Haskins & Sells in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

In the opinion of the Directors, the Company will be in a position to carry on its existing commercial vehicles / engines business and accordingly it is considered appropriate to prepare the financial statements on the basis of going concern.

Maintenance of accounting records & Internal controls

The Company has taken proper and sufficient care for the maintenance of adequate accounting records as required by various Statutes.

Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises the financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. Audit Committee also periodically interacts with internal and statutory auditors to ensure quality and veracity of Company's accounts.

Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER TO THE BOARD

We, R. Seshasayee, Managing Director and K. Sridharan, Chief Financial Officer of Ashok Leyland Limited, certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
   a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b) these statements give a true and fair view of the state of affairs of the company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept overall responsibility for the company's internal control system for financial reporting. This is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal audit works with all levels of management and statutory auditors, and reports significant issues to the Audit Committee of the Board. The auditors and audit committee are appraised of any corrective action taken with regard to significant deficiencies and material weaknesses.
4. We indicate to the auditors and to the audit committee:
   a) significant changes in internal control over financial reporting during the year;
   b) significant changes in accounting policies during the year;
   c) instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the company's internal control system over financial reporting.

   However, during the year there were no such changes or instances.

R. Seshasayee
Managing Director

K. Sridharan
Chief Financial Officer

April 29, 2006
Chennai

Auditors' Report to the Members

1. We have audited the attached Balance Sheet of **ASHOK LEYLAND LIMITED** as at March 31, 2006, the Profit and Loss Account and the Cash Flow statement for the year ended on that date (the financial statements), annexed thereto, signed by us under reference to this report. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing and assurance standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that:

3.1 we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

3.2 in our opinion, proper books of account, as required by law, have been maintained by the company so far as appears from our examination of those books.

3.3 the financial statements dealt with by this report are in agreement with the books of account.

3.4 in our opinion, the aforesaid financial statements comply in all material respects with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India referred to in section 211(3C) of the Companies Act, 1956 (the Act).

3.5 on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2006 from being appointed as a director in terms of section 274 (1) (g) of the Act.

3.6 in our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the Statement on Significant Accounting Policies and Notes to the Accounts, give the information required by the Act, in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of the affairs of the company as at March 31, 2006;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of section 227(4A) of the Act, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

4.1 (i) in our opinion, the company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(ii) the fixed assets are being physically verified under a phased programme of verification, which, in our opinion, is reasonable, and no material discrepancies have been noticed on such verification.

(iii) the company has not disposed off substantial part of its fixed assets during the year.

4.2 (i) in our opinion, inventories have been physically verified during the year by the management at reasonable intervals.

(ii) in our opinion, the procedures of physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(iii) in our opinion, the company is maintaining proper records of its inventories and no material discrepancies were noticed on physical verification.

4.3 the company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Act.

4.4 in our opinion, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the company, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4.5 to the best of our knowledge there are no contracts or arrangements with any party, which need to be entered in the register maintained under section 301 of the Act.

4.6 in our opinion, the company has complied with the provisions of section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from public.

4.7 in our opinion, the company has an internal audit system commensurate with its size and nature of its business.

4.8 we have broadly reviewed the books of account and records maintained by the company relating to the manufacture of commercial vehicles, diesel engines and auto components pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records.

4.9 (i) in our opinion, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities during the year.

(ii) there are no dues of income tax / wealth-tax, service tax, customs duty, which have not been deposited on account of any dispute. Details of dues towards sales tax, excise duty and cess that have not been deposited on account of dispute are as stated in note 9 of Notes to the Accounts forming part of the financial statements.

4.10 the company does not have any accumulated losses as at March 31, 2006 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

4.11 in our opinion, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.

4.12 in our opinion, the company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

4.13 the provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund / societies are not applicable to the company.

4.14 in our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies' (Auditor's report) Order 2003 are not applicable to the company.

4.15 in our opinion, the terms and conditions of guarantees given during the year by the company, for loans taken by others from banks or financial institutions, are not prima facie prejudicial to the interest of the company.

4.16 in our opinion, the term loans availed by the company were prima facie, applied for the purpose for which they were obtained. The loan funds pending application is temporarily deployed as deposits with banks.

4.17 on an overall examination of the financial statements of the company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

4.18 the company has not made any preferential allotment of shares during the year to any party.

4.19 the company has created securities / charges in respect of debentures issued and outstanding.

4.20 the company has not raised any money by public issues during the year.

4.21 in our opinion, considering the size and nature of the company's operations, no fraud of material significance on or by the company has been noticed or reported during the year.

For M.S. KRISHNASWAMI & RAJAN
Chartered Accountants

M.K. RAJAN
Partner
Membership No. 4059

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. RAGHAVAN
Partner
Membership No. 9483

April 29, 2006
Chennai

Balance Sheet as at March 31, 2006

	Schedule	2006 Rs. Millions	2006 Rs. Millions	2005 Rs. Millions
Sources of funds				
Shareholders' funds				
Capital	1.1	**1,221.59**		1,189.29
Reserves and surplus	1.2	**12,902.94**		10,489.36
			14,124.53	11,678.65
Loan funds				
Secured loans	1.3	**1,846.91**		2,634.96
Unsecured loans	1.4	**5,072.37**		6,169.10
			6,919.28	8,804.06
Deferred tax liability - net			**1,796.89**	1,708.48
Total			**22,840.70**	22,191.19
Application of funds				
Fixed assets	1.5			
Gross block		**21,384.99**		20,022.50
Less Depreciation		**11,952.28**		11,084.04
Net block		**9,432.71**		8,938.46
Capital work-in-progress		**1,414.17**		851.55
			10,846.88	9,790.01
Investments	1.6		**3,681.78**	2,291.90
Current assets, loans and advances				
Inventories	1.7	**9,025.61**		5,680.81
Sundry debtors	1.8	**4,243.37**		4,587.66
Cash and bank balances	1.9	**6,028.76**		7,966.82
Loans and advances	1.10	**3,026.39**		3,337.34
		22,324.13		21,572.63
Less Current liabilities and provisions	1.11			
Liabilities		**11,468.95**		9,611.87
Provisions		**2,616.21**		2,044.80
		14,085.16		11,656.67
Net current assets			**8,238.97**	9,915.96
Miscellaneous expenditure	1.12		**73.07**	193.32
(to the extent not written off or adjusted)				
Total			22,840.70	22,191.19

Statement on significant accounting policies, Schedules 1.1 to 1.12 and Notes to the Accounts form part of this Balance Sheet.

For and on behalf of the Board

K. SRIDHARAN
Chief Financial Officer

N. SUNDARARAJAN
Executive Director & Company Secretary

R. SESHASAYEE
Managing Director

R.J. SHAHANEY
Chairman

This is the Balance Sheet referred to in our report of even date.

For M.S. KRISHNASWAMI & RAJAN
Chartered Accountants

M.K. RAJAN
Partner
Membership No. 4059

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. RAGHAVAN
Partner
Membership No. 9483

April 29, 2006
Chennai

Profit and Loss Account for the year ended March 31, 2006

	Schedule	2006 Rs. Millions	2006 Rs. Millions	2005 Rs. Millions
Income				
Sales	2.1	60,531.08		48,108.01
Less Excise duty		8,054.51		6,289.04
			52,476.57	41,818.97
Other income	2.2		329.74	537.55
			52,806.31	42,356.52
Expenditure				
Manufacturing and other expenses	2.3	47,075.87		37,590.47
Depreciation, amortisation and impairment	2.4	1,260.06		1,092.14
Financial expenses	2.5	164.53		27.98
			48,500.46	38,710.59
Profit before extraordinary items			4,305.85	3,645.93
Extraordinary items				
Voluntary retirement scheme compensation amortised			84.51	95.83
Profit on sale of undertaking (refer note 11)			(301.66)	–
Profit before tax			4,523.00	3,550.10
Provision for taxation - Current tax			1,130.50	895.00
- Deferred tax			72.30	(59.00)
- Fringe benefit tax			47.00	–
Profit after tax			3,273.20	2,714.10
Balance profit from last year			1,784.13	1,339.24
Transfer from / (to) - Debenture redemption reserve			68.33	89.17
- General reserve			(1,000.00)	(1,000.00)
			4,125.66	3,142.51
Proposed dividend			1,597.86	1,189.29
Tax on dividend			224.10	169.09
Balance profit carried to balance sheet			2,303.70	1,784.13
Earnings per share (Face value Re.1) – Basic (in Rs.)			2.74	2.28
– Diluted (in Rs.)			2.58	2.05

Statement on significant accounting policies, Schedules 2.1 to 2.5 and Notes to the Accounts form part of this Profit and Loss Account.

For and on behalf of the Board

K. SRIDHARAN
Chief Financial Officer

N. SUNDARARAJAN
Executive Director & Company Secretary

R. SESHASAYEE
Managing Director

R.J. SHAHANEY
Chairman

This is the Profit and Loss account referred to in our report of even date.

For M.S. KRISHNASWAMI & RAJAN
Chartered Accountants

M.K. RAJAN
Partner
Membership No. 4059

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. RAGHAVAN
Partner
Membership No. 9483

April 29, 2006
Chennai

Cash Flow Statement for the year ended March 31, 2006

	2006 Rs. Millions	2005 Rs. Millions
Cash flow from operating activities		
Profit before tax	4,523.00	3,550.10
Adjustments for:		
Depreciation	1,260.06	1,092.14
Other amortisations	132.84	152.81
Unrealised foreign exchange gains / losses	102.05	(61.34)
Interest expense	288.33	236.94
Interest income	(193.87)	(258.39)
Income from investments	(87.47)	(106.78)
(Profit) / Loss on disposal of fixed assets / long term investments	(66.61)	(351.35)
Profit on sale of undertaking	(301.66)	–
Operating profit before working capital changes	5,656.67	4,254.13
Adjustments for changes in:		
Inventories	(3,477.99)	(611.40)
Debtors	(179.55)	(120.32)
Advances	314.73	(1,013.00)
Current liabilities and provisions	2,051.52	2,675.05
Cash generated from operations	4,365.38	5,184.46
Income tax including Fringe benefit tax paid	(1,135.68)	(693.29)
Net cash flow from operating activities before extraordinary expenditure	3,229.70	4,491.17
Compensation under voluntary retirement scheme	(9.53)	(17.71)
Net cash flow from operating activities after extraordinary expenditure	3,220.17	4,473.46
Cash flow from investing activities		
Payments for assets acquisition	(2,646.86)	(1,824.56)
Proceeds on sale of fixed assets	54.34	48.56
Proceeds on sale of undertaking	620.00	–
Purchase of long term and other investments	(138.66)	(92.60)
Sale / redemption of long term investments	479.68	154.16
Income from investments - Interest	48.95	42.70
- Dividend	56.93	106.78
Changes in advances	189.77	10.49
Net cash flow used in investing activities	(1,335.85)	(1,554.47)
Cash flow from financing activities		
Long term borrowings - Raised	186.69	4,975.34
- Repaid	(1,162.88)	(1,131.07)
Changes in short term borrowings	(76.79)	76.79
Debenture / Foreign currency convertible notes issue and loan raising expenses paid	–	(112.86)
Interest paid - net	(166.96)	4.16
Dividend paid and tax thereon	(1,356.10)	(1,008.54)
Net cash flow from financing activities	(2,576.04)	2,803.82
Net cash inflow / (outflow)	(691.72)	5,722.81
Opening cash and cash equivalents	9,194.94 *	3,481.90
Closing cash and cash equivalents	8,503.22	9,204.71
Net increase / (decrease) in cash and cash equivalents	(691.72)	5,722.81

* excludes cash and cash equivalents amounting to Rs. 9.77 million pertaining to undertaking sold during the year.
Refer Note 11 to the Accounts

Cash Flow Statement for the year ended March 31, 2006

	2006 Rs. Millions	2005 Rs. Millions
Notes to the cash flow statement		
1 Components of cash and cash equivalents:		
Cash and bank balances excluding those relating to unclaimed dividend	6,015.53	7,956.96
Investments in money market instruments	2,520.34	1,217.48
Unrealised foreign exchange gains / losses	(32.65)	30.27
	8,503.22	9,204.71

2 The conversion of Foreign currency convertible notes into equity shares has not been considered in the above statement. Refer Note 10 to the Accounts.

For and on behalf of the Board

K. SRIDHARAN
Chief Financial Officer

N. SUNDARARAJAN
Executive Director & Company Secretary

R. SESHASAYEE
Managing Director

R.J. SHAHANEY
Chairman

This is the Cash Flow Statement referred to in our report of even date.

For M.S. KRISHNASWAMI & RAJAN
Chartered Accountants

M.K. RAJAN
Partner
Membership No. 4059

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. RAGHAVAN
Partner
Membership No. 9483

April 29, 2006
Chennai

1. Accounting convention

Financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention except so far as they relate to revaluation of certain land and buildings.

2. Fixed assets and depreciation / amortisation

2.1 Cost of all civil works (including electrification and fittings) is capitalised with the exception of alterations and modifications of a capital nature to existing structures where the cost of such alteration or modification is Rs. 100,000 and below. Other fixed assets, including intangible assets and assets given on lease, where the cost exceeds Rs. 10,000 and the estimated useful life is two years or more, is capitalised. Cost of initial spares and tools is capitalised along with the respective assets. Cost of fixed assets is net of credits under Cenvat / Vat Scheme. Interest and other related costs, including amortised costs of borrowings attributable only to major projects are capitalised as part of the cost of the respective assets.

2.2 Assets are depreciated / amortised, as below, on straight line basis:

a) Leasehold land, over 40 years or the period of the lease, whichever is less;

b) Leasehold land and buildings subject to revaluation, is calculated on the respective revalued amounts, over the balance useful life as determined by the valuers in the case of buildings and as per (a) above in the case of land;

c) Buildings and plant and machinery (except assets subject matter of impairment) and other assets, including intangible assets and assets given on lease, over their estimated useful lives or lives derived from the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower;

d) Assets subject to impairment, on the asset's revised carrying amount, over its remaining useful life.

2.3 Depreciation/amortisation is charged for the full year on the additions made during the first half of the year and for six months on the additions made during the second half of the year. Changes to the cost of an asset in subsequent years on account of price adjustments, changes in duties or similar factors are depreciated / amortised in the same way as done in the case of the original cost of the asset. No depreciation is provided for in respect of assets disposed off during the year.

3. Investments

Long term investments are stated at cost less provision for diminution other than temporary, if any. Current investments are valued at lower of cost and market value.

4. Inventories

4.1 Inventories are valued at lower of cost and net realisable value; cost being ascertained on the following basis:

- Stores, spares, consumable tools, raw materials and components: on monthly moving weighted average basis. In respect of works-made components, cost includes applicable production overheads.

- Work-in-progress, finished / trading goods: under absorption costing method.

4.2 Cost includes taxes and duties and is net of credits under Cenvat / Vat Scheme.

4.3 Cost of patterns and dies is amortised equally over five years.

4.4 Surplus / obsolete / slow moving inventories are adequately provided for.

5. Foreign currency transactions

5.1 Foreign currency transactions (including booking / cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities (including forward contracts) in foreign currency are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items (including forward contracts) are recognised as income or expense.

5.2 The premium or discount arising on forward contracts is amortised over the life of the contract.

5.3 Investments in equity capital of companies registered outside India are carried in the Balance Sheet at the rates prevailing on the date of the transaction.

5.4 Income / expenditure of overseas branches is recognised at the average rate prevailing during the month in which transaction occurred.

6. Amortisation of deferred expenditure

Expenditure incurred on issue of debentures / raising loans is amortised over the period of such borrowings. Premium paid on prepayment of any borrowing is amortised over the unexpired period thereof or sixty months, whichever is less. Compensation under Voluntary retirement scheme is amortised over thirty six months.

7. Revenue recognition

Revenue from sale of products is recognised on despatch or appropriation of goods in accordance with the terms of sale and is inclusive of excise duty and export incentives, but net of incentive on sales including commission, rebates and discounts. Revenue arising due to price escalation claim is recognised in the period when such claim is made in accordance with terms of sale.

8. Government grants

Grants in the form of capital/investment subsidy are treated as Capital reserve. Incentives in the nature of subsidies given by the Government are reckoned in revenue in the year of eligibility.

9. Intangible items

Expenditure on the design and production of prototypes is charged to revenue as incurred.

10. Employees' retirement benefits

Liabilities for gratuity to all employees and for superannuation to the eligible employees are determined in accordance with the schemes administered by Life Insurance Corporation of India and contributions payable under the said schemes are charged to revenue. Liability for leave encashment and other retirement benefits is provided on actuarial basis.

11. Product warranties

Provisions for product warranties are made for contractual obligations in accordance with the policy in force and estimated for the unexpired period.

12. Deferred tax

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

Deferred tax assets are recognised only to the extent there is a reasonable certainty of its realisation.

		2006 Rs. Millions	2005 Rs. Millions
1.1	CAPITAL		
	Authorised		
	1,500,000,000 (2005 : 1,500,000,000) Equity shares of Re.1 (2005 :Re.1) each	1,500.00	1,500.00
	Issued		
	a) 165,025,815 (2005: 165,025,815) Equity shares of Re.1 (2005: Re.1) each	165.03	165.03
	b) 341,742,940 (2005: 341,742,940) Equity shares of Re.1 (2005: Re.1) each issued by way of conversion of debentures	341.74	341.74
	c) 323,157,240 (2005: 323,157,240) Equity shares of Re.1 (2005: Re.1) each issued through Global depository receipts	323.16	323.16
	d) 359,572,880 (2005: 359,572,880) Equity shares of Re.1 (2005: Re.1) each	359.57	359.57
	e) 32,292,576 (2005: Nil) Equity shares of Re.1 (2005: Re.1) each issued by way of conversion of Foreign currency convertible notes (FCCN)	32.29	–
		1,221.79	1,189.50
	Subscribed		
	1,221,586,776 (2005 : 1,189,294,200) Equity shares of Re. 1 (2005: Re.1) each fully paid up	1,221.59	1,189.29
	Add Forfeited shares (Rs.3,800)		
		1,221.59	1,189.29

Of the above,

1. 14,788,880 (2005: 14,788,880) Equity shares were allotted under an agreement without payment being received in cash.
2. 62,308,110 (2005:62,308,110) Equity shares were allotted as fully paid up by way of bonus shares by capitalisation out of General reserve and from Securities premium account.
3. LRLIH Limited holds 441,166,680 (2005:441,166,680) equity shares of Re.1 (2005: Re.1) each and 5,486,669 Global depository receipts equivalent to 164,600,070 (2005: 164,600,070) Equity shares of Re. 1 (2005: Re.1) each. LRLIH Limited ceased to be the holding company effective March 20, 2006 consequent upon certain foreign currency convertible note holders exercising their option to convert the notes into equity shares. However, LRLIH Limited holds foreign currency converible notes of US $ 50.93 million with similar option. LRLIH Limited has advised the company about its intention to convert FCCN of US $ 50.93 million, upon which LRLIH Limited would again become the holding company.
4. Refer Note 10 to the Accounts for option on unissued shares.

1.2 RESERVES AND SURPLUS	2006 Rs. Millions	2006 Rs. Millions	2005 Rs. Millions	2005 Rs. Millions
Capital reserve				
As per last Balance Sheet		8.95		8.95
Revaluation reserve				
As per last Balance Sheet	245.89		252.33	
Less Transfer to Profit and Loss account (Refer Note 3.7 (b) to the Accounts)	6.44	239.45	6.44	245.89
Securities premium				
As per last Balance Sheet	4,678.51		4,789.22	
Add Premium on issue of shares upon conversion of FCCN (Refer Note 10 to the Accounts)	968.78		–	
Less Expenses relating to issue of FCCN	–		110.71	
		5,647.29		4,678.51

		2006 Rs. Millions	2006 Rs. Millions	2005 Rs. Millions	2005 Rs. Millions
	Debenture redemption reserve				
	As per last Balance Sheet	**415.83**		505.00	
	Less Transfer to Profit and Loss account	**68.33**	**347.50**	89.17	415.83
	General reserve				
	As per last Balance Sheet	**3,356.05**		2,433.94	
	Add Transfer from Profit and Loss account	**1,000.00**		1,000.00	
	Add Write back of Deferred tax liability	**–**		43.57	
	Less Impairment of assets (Refer Note 12 to the Accounts)	**–**	**4,356.05**	121.46	3,356.05
	Profit and Loss account - surplus		**2,303.70**		1,784.13
			12,902.94		10,489.36
1.3	SECURED LOANS				
	Debentures		**1,390.00**		1,663.33
	Term loans				
	– From banks		**450.00**		957.81
	– From financial institutions		**6.91**		13.82
			1,846.91		2,634.96

1. a) Debentures and term loans from banks aggregating Rs. 1840.00 million (2005: Rs. 2,537.81 million) are secured by a first charge created on certain immovable properties and movable assets of the company.

   b) Debentures and term loans from financial institutions aggregating Rs.6.91 million (2005: Rs. 97.15 million) are secured by a second charge on certain immovable properties and movable assets of the company.

   c) Cash credit facility is secured by a first charge on certain movable assets and goods-in-transit and book debts (excluding deferred receivables) and also by a charge on the immovable properties subordinate to the existing charge created in favour of the lenders.

   d) Post shipment credit is secured by deposit of bills of exchange accepted by the customers and in certain cases is also guaranteed by the concerned governments and/or customers' bankers.

2. a) The company has powers to reissue debentures aggregating Rs.1120.00 million (2005: Rs.2020.00 million)

   b) Debentures are to be redeemed at par in single / equal instalments, as stated below:

Debenture Series	2006 Rs. Millions	2005 Rs. Millions	Dates of Redemption
XXIX	–	50.00	01 August 2005 and 01 February 2006
AL 1	83.33	166.67	15 June 2005 and 2006
AL 2	33.33	66.67	15 October 2005 and 2006
AL 3	16.67	33.33	19 December 2005 and 2006
AL 4	400.00	400.00	10 January 2007, 2008 and 2009
AL 5	6.67	13.33	15 February 2006 and 2007
AL 6	50.00	50.00	15 February 2007, 2008 and 2009
AL 7	–	83.33	01 June 2005
AL 9(A)	50.00	50.00	15 October 2007
AL 10	250.00	250.00	20 June 2006
AL 11	500.00	500.00	17 September 2008, 2009 and 2010
	1,390.00	1,663.33	

3. Loans include Rs 546.91 million (2005: Rs.788.05 million) due within 12 months.

		2006 Rs. Millions	2005 Rs. Millions
1.4	**UNSECURED LOANS**		
	Fixed deposits	–	0.48
	Loans and advances – From banks	–	76.79
	– Deferred sales tax	1,623.63	1,717.33
	Foreign currency convertible notes (refer Note 10 to the Accounts)	3,448.74	4,374.50
		5,072.37	6,169.10
	Of the above, amount due within 12 months		
	Loans and advances – From banks	–	76.79
	– Deferred sales tax	308.33	286.54

1.5 FIXED ASSETS

Rs. Millions

DESCRIPTION	GROSS BLOCK (COST/VALUATION)				DEPRECIATION/ IMPAIRMENT	NET BLOCK	
	2005	Additions	Deductions	2006	Upto 2006	2006	2005
Land – Freehold	324.78	16.07	22.97	317.88	–	317.88	324.78
– Leasehold	146.02	0.05	–	146.07	49.95	96.12	99.83
Buildings	2,402.65	116.91	36.05	2,483.51	915.36	1,568.15	1,548.48
Plant and machinery	15,486.69	1,086.67	344.35	16,229.01	9,673.22	6,555.79	6,451.78
Furniture, fittings and equipment	868.07	106.75	13.96	960.86	704.61	256.25	241.12
Vehicles	246.35	55.51	14.52	287.34	211.20	76.14	63.00
Assets given on lease Plant and machinery - windmills	–	337.36	–	337.36	22.11	315.25	–
Intangible assets							
Computer software							
– Developed	235.62	12.01	–	247.63	171.90	75.73	103.30
– Acquired	160.05	60.44	–	220.49	126.32	94.17	72.19
Technical knowhow – acquired	152.27	71.93	69.36	154.84	77.61	77.23	33.98
	20,022.50	1,863.70	501.21	21,384.99	11,952.28	9,432.71	8,938.46
Previous year	*18,756.42*	*1,408.11*	*142.03*	*20,022.50*	*11,084.04*		
Capital work-in-progress						1,414.17	851.55
						10,846.88	9,790.01

1. Certain Freehold and Leasehold land and buildings were revalued as at December 31, 1984.
2. A portion of buildings in Bhandara (estimated gross value Rs. 7.20 million) is on a land, title for which is yet to be transferred to the company.
3. Cost / Valuation of Buildings as at March 31, 2006 includes:
   a) Rs.0.34 million being cost of shares in Housing Co-operative Society representing ownership rights in residential flats and furniture and fittings thereat.
   b) Rs.13.24 million representing cost of residential flats including undivided interest in land.
4. Depreciation / impairment upto March 31, 2006 includes amortisation of cost / value of leasehold land.
5. Cost of additions and capital work-in-progress includes exchange difference for the year Rs. Nil (2005: Rs.18.54 million)

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2006

	2006 Nos.	2006 Rs. Millions	2005 Nos.	2005 Rs. Millions
1.6 INVESTMENTS				
DESCRIPTION				
I. Current investments - other than trade				
1) Mutual Fund Units of Rs. 10 each				
G101 Grindlays fixed maturity plan -10th plan - dividend	–	–	10,000,000	100.00
Birla fixed term plan- series A - growth	20,000,000	200.00	20,000,000	200.00
Birla fixed maturity plan quarterly series 2 Plan A - dividend payout	–	–	9,992,007	99.97
Prudential ICICI fixed maturity plan - series XXVI - quarterly plan - dividend option	–	–	9,994,004	100.00
Kotak fixed maturity plan - series II - dividend	–	–	10,000,000	100.00
UTI fixed maturity plan - (quarterly / 0305/ 11) - dividend plan	–	–	15,000,000	150.00
Prudential ICICI liquid plan - institutional plus - daily dividend option	–	–	3,164,881	37.51
UTI fixed maturity plan - (quarterly / 0306/ 1) - dividend plan	20,000,000	200.00	–	–
HSBC fixed term series - 8- growth	15,000,000	150.00	–	–
Kotak FMP series 23- dividend	5,000,000	50.00	–	–
HDFC FMP 3M march 2006 (1) institutional plan - dividend	20,000,000	200.00	–	–
LIC MF FMP series 6-3 months dividend plan	25,000,000	250.00	–	–
Chola FMP series 3 (qtly plan -1) dividend	5,000,000	50.00	–	–
2) Mutual Fund Units of Rs.1000 each				
UTI liquid cash plan - institutional - daily income option	–	–	29,597	30.00
3) Non convertible redeemable bonds of Rs. 1 million each				
IndusInd Bank Limited	1,400	1,400.00	400	400.00
ICICI Bank Limited	20	20.34	–	–
4) Equity shares of Rs.10 each				
IndusInd Bank Limited	8,361,803	147.38	9,362,442	165.02
II. Long term investments				
A) Trade				
1) Equity shares of Rs. 10 each				
Automotive Coaches and Components Limited	1,410,664	11.23	1,410,664	11.23
Ennore Foundries Limited	3,424,449	143.06	1,426,854	23.20
Irizar TVS Limited	1,400,000	14.00	1,400,000	14.00
Arkay Energy (Rameswarm) Limited	600,000	6.00	–	–
2) Equity shares of Rs.100 each				
Ashley Transport Services Limited	400,000	40.00	400,000	40.00
Gulf Ashley Motor Limited	354,000	35.40	226,000	22.60
3) Equity shares of Srilankan Rs. 10 each				
Lanka Ashok Leyland Limited	1,008,332	5.75	1,008,332	5.75
4) Equity shares of Rs. 100 each, partly paid-up				
Adyar Property Holding Co. Limited (Rs.65 paid up)	400	0.03	400	0.03

	2006 Nos.	2006 Rs. Millions	2005 Nos.	2005 Rs. Millions
1.6 INVESTMENTS (Contd.)				
5) 6% Cumulative non-convertible redeemable preference shares of Rs. 100 each				
Ennore Foundries Limited	2,500,000	250.00	2,500,000	250.00
6) Units of Rs. 5,000 each				
Auto Ancillary Fund	–	–	165	0.83
B) Other than trade				
1) Equity shares of Rs. 10 each				
Ashley Holdings Limited	750,000	7.50	750,000	7.50
Ashley Investments Limited	750,000	7.50	750,000	7.50
Ashok Leyland Project Services Limited	1,442,400	14.42	1,442,400	14.42
Chennai Willingdon Corporate Foundation (cost Rs. 900)	100		100	
Hinduja HCL Sing Tel Communications Private Limited (cost Rs. 100)	10		10	
Hinduja TMT Limited	4,058	0.81	174,058	34.81
ICICI Bank Limited	24,231	1.05	24,231	1.05
IndusInd Bank Limited	29,070,185	512.38	29,070,185	512.38
2) 2% Non-cumulative non-convertible redeemable preference shares of Rs. 10 each				
Ashley Holdings Limited	8,430,000	84.30	8,430,000	84.30
Ashley Investments Limited	8,670,000	86.70	8,670,000	86.70
		3,887.85		2,498.80
Less Provision for diminution in value		206.07		206.90
		3,681.78		2,291.90
1. Investments are fully paid-up unless otherwise stated.				
2. Quoted Investments - Cost		3,325.03		1,953.95
- Market value		4,698.02		3,543.57
Unquoted Investments - Cost		562.82		544.85

3. The shares in the following companies can be disposed of/encumbered only with the consent of Banks / Financial Institutions who have given loans to / subscribed to the Debentures of those companies:
   a) Automotive Coaches and Components Limited
   b) Ennore Foundries Limited
4. Shares in IndusInd Bank have been classified as long term and current investments to comply with certain administrative guidelines of banking regulatory authority.

1.6 INVESTMENTS (Contd.)

5. Purchase and sales/redemption of investments during the year are as under:

Description	Purchases		Sales/Redemption	
	Nos.	Cost Rs. Millions	Nos.	Cost Rs. Millions
a) Units in schemes of various funds				
Birla Sun Life mutual fund	121,106,711	1,213.43	131,098,718	1,313.40
Canbank mutual fund	4,982,606	50.03	4,982,606	50.03
Chola mutual fund	20,481,133	205.09	15,481,133	155.09
Deutsche mutual fund	56,670,062	567.81	56,670,062	567.81
DSP Merrill Lynch mutual fund	5,351,504	1,022.26	5,351,504	1,022.26
Franklin Templeton investments	50,020	50.02	50,020	50.02
HDFC mutual fund	25,000,000	250.00	5,000,000	50.00
HSBC mutual fund	92,467,668	925.57	77,467,668	775.57
ING Vysya mutual fund	86,750,935	868.22	86,750,935	868.22
JM financial mutual fund	23,991,284	240.31	23,991,284	240.31
Kotak mahindra mutual fund	69,668,050	840.76	74,668,050	890.76
LIC mutual fund	560,105,038	6,097.92	535,105,038	5,847.92
Principal mutual fund	71,307,688	713.12	71,307,688	713.12
Prudential ICICI mutual fund	156,343,425	1,807.34	169,502,310	1,944.85
Reliance mutual fund	82,700,629	955.49	82,700,629	955.49
SBI mutual fund	8,976,373	90.06	8,976,373	90.06
Standard Chartered mutual fund	303,672,040	3,036.85	313,672,040	3,136.85
Sundaram mutual fund	13,377,569	135.05	13,377,569	135.05
Tata mutual fund	933,295	1,017.59	933,295	1,017.59
UTI mutual fund	24,939,637	5,213.58	19,969,234	5,193.58
b) Redeemable bonds				
ICICI Bank Limited	20	20.34	–	–
IndusInd Bank Limited	1,000	1,000.00	–	–
c) Equity shares				
Arkay Energy (Rameswarm) Limited	600,000	6.00	–	–
Auto Ancillary Fund	–	–	165	0.83
Ennore Foundries Limited	1,997,595	119.86	–	–
Gulf Ashley Motor Limited	128,000	12.80	–	–
Hinduja TMT Limited	–	–	170,000	34.00
IndusInd Bank Limited	–	–	1,000,639	17.64

		2006 Rs. Millions	2005 Rs. Millions
1.7	INVENTORIES		
	Stores and spares	233.26	227.37
	Consumable tools	133.06	142.06
	Raw materials and components (including patterns and dies)	2,728.32	2,306.29
	Work-in-progress	1,437.30	912.41
	Finished/trading goods	4,493.67	2,092.68
		9,025.61	5,680.81
1.8	SUNDRY DEBTORS		
	Trade	4,139.65	4,162.16
	Others	150.19	466.12
		4,289.84	4,628.28
	Less Provision	46.47	40.62
		4,243.37	4,587.66
	Of the above,		
	1. Unsecured – Considered good	4,243.37	4,587.66
	– Considered doubtful	46.47	40.62
	2. Age analysis of debts		
	– Outstanding for more than six months (includes deferred receivables Rs. Nil (2005 - Rs. 96.94 million))	156.49	361.42
	– Other debts	4,133.35	4,266.86
	3. Debtors include Bills receivable	455.06	1,794.39
1.9	CASH AND BANK BALANCES		
	Cash and stamps on hand	2.37	2.78
	Cheques on hand and remittances in transit	14.06	46.57
	Balances with scheduled banks		
	– Current account	1,633.44	2,020.75
	– Deposit account	4,355.72	5,891.11
	Balances with other banks		
	– Current account	9.91	5.61
	– Deposit account	13.26	–
		6,028.76	7,966.82
	Balances with other banks		
	– Current account		
	ABSA Bank - South Africa - denominated in South African Rand	1.35	3.10
	Citibank New York - denominated in US$	0.04	0.04
	National bank of Sharjah - Sharjah - denominated in Dirham	7.85	0.51
	National bank of Sharjah - Sharjah - denominated in US$	0.42	1.96
	Standard Chartered Bank - Ghana - denominated in Ghana Cedis	0.25	–
	Standard Chartered Bank - Ghana - denominated in US$ (Rs.4,423)		–
	– Deposit account		
	Standard Chartered Bank - Ghana - denominated in Ghana Cedis	13.26	–
	Maximum balance at any time during the year		
	– Current account		
	ABSA Bank - South Africa - denominated in South African Rand	17.51	6.91
	Citibank New York - denominated in US$	0.04	4,361.00
	National bank of Sharjah - Sharjah - denominated in Dirham	7.85	3.11
	National bank of Sharjah - Sharjah - denominated in US$	61.97	4.73
	Standard Chartered Bank - Ghana - denominated in Ghana Cedis	0.94	–
	Standard Chartered Bank - Ghana - denominated in US$	0.01	–
	– Deposit account		
	Standard Chartered Bank - Ghana - denominated in Ghana Cedis	13.26	–

	2006 Rs. Millions	2005 Rs. Millions
1.10 LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	2,327.30	2,399.78
Balances with customs, port trust, central excise etc.	244.09	563.87
Other receivables	602.26	520.95
	3,173.65	3,484.60
Less Provision	147.26	147.26
	3,026.39	3,337.34
Of the above,		
1. Secured – Considered good	144.00	357.80
2. Unsecured – Considered good	2,882.39	2,979.54
– Considered doubtful	147.26	147.26
3. Due from Directors/Officers		
– At the end of the year	0.63	1.95
– Maximum amount due at any time during the year	1.95	2.58
4. Advances for capital items and investments	568.99	325.65
1.11 CURRENT LIABILITIES AND PROVISIONS		
Liabilities		
Acceptances	3,539.72	2,264.79
Creditors for materials and expenses		
– Small scale industrial undertakings	557.80	492.01
– Others	6,362.01	5,862.09
Other liabilities	951.13	911.46
Interest accrued but not due on loans	58.29	81.52
	11,468.95	9,611.87
Provisions		
Provision for current taxation - net	285.69	259.98
Proposed dividend	1,597.86	1,189.30
Tax on proposed dividend	224.10	166.80
Product warranties	273.91	248.38
Retirement benefits	234.65	180.34
	2,616.21	2,044.80
	14,085.16	11,656.67
Of the above,		
1. Provision made for the year		
– Product warranties	25.53	23.26
– Retirement benefits	54.31	7.86
2. Other liabilities include		
– Unclaimed matured fixed deposit and interest accrued thereon	0.82	1.14
– Unclaimed dividends	13.23	9.86
– Unclaimed debenture interest	4.07	6.01
1.12 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Debenture issue / Loan raising expenses	0.37	1.81
Premium on prepayment of borrowings	42.55	86.38
Compensation under voluntary retirement scheme	30.15	105.13
	73.07	193.32

Schedules annexed to and forming part of the Profit and Loss Account as at March 31, 2006

	Unit of Measurement	2006	2006 Rs. Millions	2005	2005 Rs. Millions
2.1 SALES					
Commercial vehicles	Nos	61,655	52,508.74	54,740	41,774.12
Engines	Nos	7,171	1,357.51	6,254	1,154.28
Ferrous castings	Tonnes	–	–	10,037	479.71
Spare parts and others			7,837.83		5,460.01
			61,704.08		48,868.12
Less Commission, rebate and discounts			1,173.00		760.11
			60,531.08		48,108.01
2.2 OTHER INCOME		Rs. Millions		Rs. Millions	
Income from current investments					
Dividend		39.77		57.23	
Interest		33.51	73.28	–	57.23
Income from long term investments					
Dividend – Trade		34.91		–	
– Others		52.56	87.47	67.15	67.15
Profit on sale of fixed assets - net			43.21		38.98
Profit on sale / redemption of investments - net					
– Current		54.70		293.95	
– Long term		23.40	78.10	43.42	337.37
Miscellaneous income			47.68		36.82
			329.74		537.55
2.3 MANUFACTURING AND OTHER EXPENSES					
A. Materials					
Consumption of raw materials and components-net		40,645.83		30,020.40	
Less Scrap sales		301.33	40,344.50	212.23	29,808.17
Purchase of trading goods			991.72		716.66
B. Employees' remuneration and benefits					
Salaries, wages and bonus		3,088.90		2,604.82	
Contribution to provident, gratuity and other funds		474.23		500.71	
Welfare expenses		475.74	4,038.87	434.92	3,540.45
C. Other expenses					
Power and fuel		414.06		496.61	
Consumption of stores and tools		342.28		289.77	
Repairs and maintenance					
– Buildings		120.89		99.51	
– Machinery		332.86		285.70	
Rent		119.40		118.12	
Rates and taxes		306.92		271.17	
Insurance		65.46		59.01	
Selling and administration expenses - net		2,452.09		1,793.08	
Research and development		197.35		188.00	
Bad and doubtful debts/advances provided/written-off					
– Net of recovery/write back		8.08	4,359.39	11.74	3,612.71

	2006		2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
D. Movement in value of stock of finished/ trading goods and work-in-progress				
Opening stock	2,924.93 *		2,823.12	
Closing stock	5,930.97		3,005.09	
(Increase)/ Decrease		(3,006.04)		(181.97)
Excise duty in value of finished goods				
(Increase)/ Decrease		351.53		102.55
		47,079.97		37,598.57
E. Less Expenses capitalised		4.10		8.10
		47,075.87		37,590.47

* excludes work-in-progress of Rs.80.16 million pertaining to undertaking sold during the year. Refer Note 11 to the Accounts

1. Rent includes amortisation of cost/value of leasehold assets as reduced by transfer from Revaluation reserve (Refer Note 3.7(b) to the Accounts)		3.06		3.03
2. Selling and administration expenses include Directors' sitting fees		1.90		2.20
2.4 DEPRECIATION, AMORTISATION AND IMPAIRMENT				
Buildings		75.51		72.94
Plant and machinery		930.87		922.25
Furniture, fittings and equipment		88.74		88.63
Vehicles		41.87		35.83
Assets given on lease				
Plant and machinery - windmills		22.11		–
Intangible assets				
Computer software				
– Developed		39.59		47.41
– Acquired		38.46		31.50
Technical knowhow - Acquired		28.66		20.79
		1265.81		1,219.35
Less Transfer from Revaluation reserve (Refer Note 3.7(b) to the Accounts)		5.75		5.75
Less Transfer from General reserve (Refer Note 12 to the Accounts)		–		121.46
		1,260.06		1,092.14
Of the above, Impairment of Plant and machinery		11.73		136.16

	2006		2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
2.5 FINANCIAL EXPENSES				
Interest		288.33		236.94
Others		95.41		67.07
		383.74		304.01
Less Premium (net)/ Interest earned on bills receivable, deposits and other accounts	193.87		258.39	
Cash discounts earned	25.34	219.21	17.64	276.03
		164.53		27.98
Of the above,				
1. Debenture issue / Loan raising expenses amortised		1.44		3.99
2. Premium on prepayment of borrowings amortised		43.83		49.96
3. Tax deducted at source from interest earned		27.91		29.51

				2006		2005
1	INFORMATION REGARDING GOODS MANUFACTURED, IMPORTS AND FOREIGN CURRENCY TRANSACTIONS					
		Unit of Measurement				
1.1	Licensed Capacities			Not Applicable		Not Applicable
1.2	Installed Capacities - Two shifts (as certified by the Managing director)					
	Commercial vehicles	Nos.		77,200		67,500
	Ferrous castings	Tonnes		–		24,000
1.3	Production					
	Commercial vehicles	Nos.		65,085		54,519
	Engines @	Nos.		7,190		6,395
	Ferrous castings	Tonnes		–		18,767
	@ Engines manufactured against spare capacity of commercial vehicles					
1.4	Finished/trading goods and work-in-progress			Rs. Millions		Rs. Millions
	Opening stock					
	Commercial vehicles	Nos.	2,393	1,429.48	2,660	1,426.50
	Engines	Nos.	213	30.81	78	8.64
	Parts for sale					
	– Bought out finished			432.58		477.04
	– Works made			199.81		204.65
	Work-in-progress			832.25*		706.29
	* Refer note under schedule 2.3					
	Closing stock					
	Commercial vehicles	Nos.	5,652	3,752.77	2,393	1,429.48
	Engines	Nos.	222	35.31	213	30.81
	Parts for sale					
	– Bought out finished			508.46		432.58
	– Works made			197.13		199.81
	Work-in-progress			1,437.30		912.41
	Capitalised / transferred for internal and other use					
	– Commercial vehicles	Nos.	171		46	
	– Engines	Nos.	10		6	
	– Ferrous castings	Tonnes	–		8,730	
1.5	Consumption of raw materials and components					
	Plates, sheets and angles	Tonnes	35,642	1,099.67	18,232	478.46
	Bars	Tonnes	394	20.16	2,935	129.17
	Steel tubes	Metres	2,749	1.19	351,780	19.81
	Tyres, tubes and flaps	Sets	564,228	3,261.11	457,532	2,400.02
	Pig iron, steel scrap and alloys	Tonnes	–	–	22,738	532.02
	Forgings and castings			4,749.00		3,523.47
	Finished and other items			31,514.70		22,937.45
				40,645.83		30,020.40
	Of the above					
	– Imported items			1,057.73		873.14
				2.60%		2.91%
	– Indigenous items			39,588.10		29,147.26
				97.40%		97.09%

			2006 Rs. Millions		2005 Rs. Millions
1.6	Imports (c.i.f)				
	Raw materials		679.82		569.86
	Trading goods and others		7.73		24.90
	Spares and tools		51.20		41.06
	Capital goods		718.67		426.92
			1457.42		1,062.74
1.7	Expenditure remitted in foreign currency				
	Royalty		25.02		15.86
	Technical knowhow		80.39		178.83
	Interest and commitment charges		22.89		12.30
	Commission paid on sales		367.85		263.16
	Research and development		84.13		38.11
	Travel		26.65		12.23
	Other expenses		174.55		178.44
			781.48		698.93
1.8	Earnings in foreign currency				
	Export - FOB value		4,513.05		5,228.75
	Interest		0.12		119.96
	Others (Freight, insurance, dividend and commission earned)		210.62		103.73
			4,723.79		5,452.44
1.9	Dividend remitted in foreign currency				
	Number of non-resident shareholders	1		1	
	Number of shares on which dividend was remitted	441,166,680		44,116,668	
	Dividend remitted during the year relating to previous year		441.17		330.88
2.	INFORMATION REGARDING MANAGERIAL REMUNERATION				
2.1	Remuneration to Managing director				
	Salary		6.48		5.04
	Commission		4.32		3.36
	Perquisites		3.08		2.49
			13.88		10.89
	Perquisites include amounts evaluated as per Income tax Rules in respect of certain items.				
2.2	Computation of net profits under section 198/349 of the Companies Act, 1956				
	Profit before tax		4523.00		3,550.10
	Add				
	– Depreciation as per books		1260.06		1,092.14
	– Profit on sale of fixed assets under section 349 - net		33.54		31.70
	– Directors' remuneration and amortisation of expenses		61.05		64.88
			5877.65		4,738.82
	Deduct				
	– Depreciation deductible		1244.96		1,121.18
	– Profit on sale of fixed assets as per books - net		43.21		38.98
	– Capital profit on sale of undertaking		125.11		–
	– Others capital profits		76.11		312.37
	Net Profit		4388.26		3,266.29

The total remuneration as stated in 2.1 above is within the maximum permissible limit under the Act.

			2006 Rs. Millions	2005 Rs. Millions
3.	OTHER FINANCIAL INFORMATION			
3.1	Capital commitments (net of advances) not provided for (including Rs. 161.78 million (2005 : Rs. 88.11 million) in respect of intangible assets)		2,326.89	2,503.30
3.2	Contingent Liabilities			
	a)	Guarantees	114.62	147.50
	b)	Partly paid shares	0.01	0.01
	c)	Claims against the company not acknowledged as debts	63.56	158.70
	d)	Bills discounted	6,957.82	4,182.80
3.3	Interest charge on			
	a)	Debentures	132.11	157.61
	b)	Fixed loans	58.09	56.73
3.4	Auditors' remuneration			
	a)	Included under Selling and administration expenses		
		For financial audit	2.40	1.80
		For cost audit	0.12	0.12
		For taxation matters	0.81	0.34
		For company law matters	0.07	0.06
		For other matters	1.92	1.81
		Expenses reimbursed	0.20	0.58
	b)	Included under Securities premium account in connection with Foreign currency convertible notes issue	–	3.00
3.5	Total Research and development costs charged to the Profit and Loss account (including amount shown under Schedule 2.3)		627.79	456.16
3.6	a)	Net exchange difference debited / (credited) to Profit and Loss account	84.56	(99.84)
	b)	Of the above, unrealised gains / loss debited/(credited) to Profit and Loss account	35.33	(105.70)
	c)	Income deferred to be recognised in subsequent accounting periods in respect of forward contracts	2.37	1.01

3.7 a) In respect of the following fixed assets useful lives lower than those derived from the rates specified in Schedule XIV to the Companies Act, 1956 have been reckoned in computing depreciation/amortisation for the year.

	Useful lives
Buildings	
Revalued buildings are depreciated over the balance useful life as determined by the valuers.	
Plant and machinery	
Assets subjected to impairment - revised carrying amount over its remaining useful life	
Windmils	12
Furniture and fittings and equipment	
Furniture and fittings	8
Office equipment	8
Data processing system	5
Vehicles	
Cars and motorcycles	3
Trucks and buses	5
Intangible assets	
Computer software	
– Developed	5
– Acquired	5
Technical knowhow - acquired	5/6

b) Depreciation for the year computed on revalued assets over the balance useful life on straight line method includes a net charge of Rs. 6.44 million (2005 : Rs. 6.44 million) [Rs. 0.69 million (2005 : Rs. 0.69 million) in Schedule 2.3 and Rs. 5.75 million (2005 : Rs. 5.75 million) in Schedule 2.4] being the excess over the depreciation computed by the method followed by the Company prior to revaluation and the same has been transferred from Revaluation reserve to the Profit and Loss Account.

				2006	2005
4.	EARNINGS PER SHARE				
	a)	*Basic earnings per share*			
		Profit after taxation as per Profit and Loss account (in Rs. million)	(A)	**3,273.20**	2,714.10
		Weighted average number of equity shares outstanding	(B)	**1,192,925,337**	1,189,294,200
		Basic earnings per share (Face value Re. 1) (in Rs.)	(A/B)	**2.74**	2.28
		Profit before extraordinary items net of tax (in Rs. million)	(C)	**3,095.30**	2,774.86
		Basic earnings per share (Face value Re. 1) excluding extraordinary items net of tax (in Rs.)	(C/B)	**2.59**	2.33
	b)	*Diluted earnings per share*			
		Profit after taxation as per Profit and Loss account (in Rs. million)		**3,273.20**	2,714.10
		Add: Interest and other costs net of tax		**94.73**	(33.21)
		Adjusted profits (in Rs. million)	(A)	**3,367.93**	2,680.89
		Weighted average number of equity shares	(B)	**1,302,890,820**	1,310,294,955
		Diluted earnings per share (Face value Re. 1) (in Rs.)	(A/B)	**2.58**	2.05
		Diluted earnings per share (Face value Re. 1) excluding extraordinary items net of tax (in Rs.)		**2.45**	2.09
5.	COMPOSITION OF NET DEFERRED TAX LIABILITY			**Rs. Millions**	Rs. Millions
	Deferred tax liabilities				
	–	Depreciation / Research and development expenditure		**1,858.28**	1,732.32
	–	Other timing differences		**14.71**	29.87
	Deferred tax assets				
	–	Voluntary retirement scheme compensation		**(31.53)**	(22.71)
	–	Unabsorbed capital losses		**–**	(16.18)
	–	Other timing differences		**(44.57)**	(14.82)
				1,796.89	1,708.48

6. SEGMENT INFORMATION

The company is principally engaged in a single business segment viz., Commercial vehicles and related components and operates in one geographical segment as per Accounting standard 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

7. RELATED PARTY DISCLOSURE

a) List of parties where control exists

Holding company (upto March 20, 2006)

LRLIH Limited, United Kingdom (refer note in schedule 1.1)

Machen-Iveco Holdings SA (*Holding Company* of LRLIH Limited, United Kingdom)

Fellow subsidiary (upto March 20, 2006)

Ennore Foundries Limited

b) Other related parties with whom transactions have taken place during the year

Associates

Ashley Holdings Limited

Ashley Investments Limited

Ashok Leyland Project Services Limited

Automotive Coaches and Components Limited

Ennore Foundries Limited (from March 21, 2006)

Gulf Ashley Motor Limited

Irizar TVS Limited

Lanka Ashok Leyland Limited, Sri Lanka

Enterprises which have significant influence

Machen Development Corporation, Panama

Key management personnel

Mr. R Seshasayee, Managing director

	2006 Rs. Millions	2005 Rs. Millions
c) Transactions with related parties		
(i) Purchase of raw materials and components		
Ennore Foundries Limited	**2,199.35**	1,647.39
Automotive Coaches and Components Limited	**432.16**	727.29
Irizar TVS Limited	**28.36**	118.16
(ii) Sales		
Lanka Ashok Leyland Limited	**1,306.04**	1,198.99
Gulf Ashley Motor Limited	**760.90**	–
(iii) Other expenditure		
Associate companies	**42.51**	51.34
LRLIH Limited	**11.31**	2.82
(iv) Interest income		
Associate companies	**2.91**	3.59
(v) Dividend income		
Ennore Foundries Limited	**30.54**	–
Lanka Ashok Leyland Limited	**4.37**	–
(vi) Dividend (net) paid		
LRLIH Limited	**441.17**	330.88
(vii) Remuneration to Key management personnel		
Refer 2.1 of Notes to the Accounts		
(viii) Sale of fixed assets		
Ennore Foundries Limited	**0.47**	–
(ix) Investment / (Redemption)		
Ennore Foundries Limited	**119.86**	–
Other associate companies (Refer Note 5 in Schedule 1.6)	**12.80**	62.60
(x) Sale of undertaking		
Ennore Foundries Limited (Refer 11 of Notes to the Accounts)	**620.00**	–
(xi) Outstanding balances (excluding application money for investments)		
- Debtors		
Ennore Foundries Limited	**30.54**	13.66
Other associate companies	**19.21**	11.04
- Loans and advances		
Associate Companies	**121.43**	195.38
Machen Development Corporation	**206.56**	206.56
Key management personnel	**0.37**	0.44
- Creditors for materials and expenses		
Ennore Foundries Limited	**157.58**	–
Other associate companies	**–**	4.65
Key management personnel	**4.73**	3.36
– Financial Guarantees		
Ennore Foundries Limited	**43.11**	76.74
Automotive Coaches and Components Limited	**66.50**	66.50
(xii) Advances to associate companies in the nature of loan included in (xi) above		
Ashley Holdings Limited	**16.20**	29.00
Ashley Investments limited	**17.80**	28.00
– Maximum loan outstanding during the year from associate companies		
Ashley Holdings Limited	**29.00**	73.55
Ashley Investments Limited	**28.00**	61.65

8. SALES TAX MATTERS

In respect of branch transfer of chassis from Tamil Nadu and subsequent sale in other States, Government of Tamil Nadu [GOTN] had demanded sales tax on such branch transfers even though these chassis sales have suffered sales tax in other States.

The amount involved for the years 1986-87 to 1988-89 and 1989-90 to 1991-92 are Rs. 132.46 million and Rs. 737.74 million (Rs. 301.66 million of tax and Rs. 436.08 million of penalty) for which the company has paid tax of Rs. 120.35 million and Rs 120.92 million in other States respectively.

GOTN had also issued show cause notices for similar transactions for the years 1992-93 to 2000-01. The company had to represent the case before various judicial forums including the Supreme Court. The Supreme Court confirmed, by its judgement dated January 7, 2004, that an order accepting Form-F is conclusive and cannot be reopened by revisional powers of the assessing authority except when there is commission of fraud, collusion, misrepresentation or suppression of material facts or giving or furnishing false particulars is suspected. The Supreme Court has not decided the issues on merits, but directed the Company to file a writ petition before the Madras High Court or Central State Tax Appellate Authority (CSTAA) and also implead other States, if necessary.

On the direction of the Supreme Court, the company preferred writ petition before the Madras High Court which by its order dated September 1, 2005 set aside the assessment order and order of the Sales Tax Appellate Tribunal for the years 1986-87 to 1988-89 and remitted the matter back to the assessing officer to re-do the assessment in line with the guidelines prescribed by the Supreme Court vide its order dated January 7, 2004 referred to above. Subsequently, the assessing authority issued a fresh notice dated March 16, 2006 for assessment year 1986-87 to which the company has filed its replies.

Similar demands were made by the Government of Rajasthan (GOR) in respect of branch transfer of chassis out of the State of Rajasthan. GOR has levied a tax of Rs. 21.26 million (and penalty / interest thereon Rs. 57.11 million) on sale of chassis in other States pertaining to the assessment years 1998-99 to 2000-01. In this respect, the company has paid tax of Rs. 139.35 million in other States. The Supreme court, by its order dated March 23, 2006, has directed the company to take up the matter before appropriate authority. Till this process is initiated, the Supreme Court has granted interim stay on any levy of sales tax by GOR. The company's appeals are currently pending before the first appellate authority.

In view of the above, these amounts have not been considered as contingent liabilities.

9. Particulars of dues (net) towards Sales Tax, Excise Duty and Cess that were not deposited during the year on account of dispute are given below :

	Nature of Dues	Dues (Rs. Millions)	Forum where dispute is pending	Amount stayed not included in dues (Rs. Millions)
1)	Sales Tax	**23.23**	Appellate Deputy / Additional Commissioner	**88.94**
		0.88	Tribunal	**16.33**
2)	Excise Duty	**0.36**	Commissioner of Central Excise (Appeals)	–

10. The company raised US$ 100 million (notes of US $ 1000 each) during April 2004 by way of Foreign currency convertible notes (FCCN) bearing interest rate of 0.5% per annum. Note holders have an option to convert each note into 1422.58 shares of Re.1 each or such number of shares of Re.1 each as per terms of issue, at any time after June 9, 2004. The conversion price currently is Rs.31.00. During the year 32,292,576 Equity shares (2005: Nil) were allotted consequent to conversion of 22,700 FCCN aggregating to US$ 22.70 million. The balance notes unless previously converted, redeemed or repurchased and cancelled, will be redeemed on April 30, 2009 at 100% of their principal value.

11. Profit on sale of undertaking represents profit on sale of Ductron Castings Unit, Hyderabad, as going concern to Ennore Foundries Limited, a fellow subsidiary, with effect from April 1, 2005.

12. The company had recognised as at April 1, 2004 Rs.121.46 million as impairment of identified Plant and machinery and consequential decrease in Deferred tax liability of Rs. 43.57 million by adjustment to General reserve in confirmity with the transitional provisions of accounting standard 28 (Impairment of assets) issued by the Institute of Chartered Accountants of India.

13. The company has entered into operating lease arrangements with various parties during the year, for leasing out windmills. Ashok Leyland Project Services Limited, an associate company, through its wind energy division, operates and maintains these assets and has guaranteed the following minimum lease rentals:

	Rs. Millions
(a) Receivable within one year	65.36
(b) Receivable between one year and five years	285.20
(c) Receivable after five years	291.14
(d) Receivable during the year	–

14. In terms of the FCCN issue and on the basis of the legal opinion obtained in this regard, the note holders, who have exercised the option to convert the notes upto the record date for the dividend that may be declared for the year ended March 31, 2006, will be entitled to the said dividend. Accordingly, the company has provided for the proposed dividend (including tax thereon) on the basis that all the FCCNs remaining outstanding as of March 31, 2006 would get converted into equity shares before the record date.

15. DERIVATIVES

The company uses derivative financial instruments such as forward contracts to hedge certain currency exposures, present and anticipated, denominated mostly in US dollars, Euro, Japanese Yen and Great Britain Pounds. Generally such contracts are taken for exposures materialising in the next six months. The company actively manages its currency/ interest rate exposures through a centralized treasury setup and uses derivatives to mitigate the risk from such exposures.

The company has a net receivable hedged exposure of US $ 12.61 million through forward contracts and net payable unhedged exposure of US $ 34.33 million. The statement on significant accounting policies deals with the accounting treatment accorded to such derivatives.

16. Figures for the previous year have been regrouped wherever necessary. However they are not comparable as the previous year figure includes operations of Ductron Castings Unit, sold at the commencement of the current year.

Signatures to Statement of Significant Accounting Policies, Schedules and Notes to the Accounts.

For and on behalf of the Board

K. SRIDHARAN
Chief Financial Officer

N. SUNDARARAJAN
Executive Director & Company Secretary

R. SESHASAYEE
Managing Director

R.J. SHAHANEY
Chairman

April 29, 2006
Chennai

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	000105	State Code	18
Balance Sheet Date	31 03 2006 (Date Month Year)		

II. Capital Raised during the Year (Amount in Rs. Thousands) (See note below)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	36925855	Total Assets	36925855
Sources of Funds			
Paid-up Capital	1221591	Reserves and Surpluses	12902935
Secured Loans	1846910	Unsecured Loans	5072372
Deferred Liability	1796887		
Application of Funds			
Net Fixed Assets	10846884	Investments	3681779
Net Current Assets	8238965	Misc. Expenditure	73067
Accumulated Losses	NIL		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	52806307	Total Expenditure	48283312
Profit/Loss Before Tax (+ –)	+ 4522995	Profit/Loss After Tax (+ –)	+ 3273195
Earnings per share in Rs.	2.74	Dividend Rate %	120

V. Generic Names of Three Principal Products of Company

Item Code No. (ITC Code)	87060042
Product Description	COMMERCIAL VEHICLES
Item Code No. (ITC Code)	84089010
Product Description	ENGINES
Item Code No. (ITC Code)	87080000
Product Description	SPARE PARTS

Note : Share capital of the Company has increased during the year by Rs. 32,292,576/- due to allotment of 32,292,576 equity shares on conversion of FCCNs (Refer note 11 to the Accounts).

For and on behalf of the Board

K. SRIDHARAN
Chief Financial Officer

N. SUNDARARAJAN
Executive Director & Company Secretary

R. SESHASAYEE
Managing Director

R.J. SHAHANEY
Chairman

April 29, 2006
Chennai

Information as per Section 217(2A)(b)(ii) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006

NAME	AGE	DESIGNATION	DATE OF COMMENCEMENT OF EMPLOYMENT	REMUNERATION RECEIVED / RECEIVABLE	QUALIFICATION	TOTAL EXPERIENCE (YEARS)	PARTICULARS OF PREVIOUS EXPERIENCE
Amrolia J N	58	Executive Director - HR	16.05.80	7328287	BA(Hons), M.A.(P.M.& L.W.)	35	Selection & Training Manager, Brooke Bond India Ltd., Calcutta
Anantha Narayanan T *	61	Advisor	07.09.76	6798359	B.Com., ACA., AICWA	37	Officer - Merchant Banking Divn., State Bank of India
Anup Bhat	49	Special Director - Strategic Sourcing	14.06.00	4718736	B.Tech.	27	Divisional General Manager in Royal Enfield Motors (Eicher Group)
Aravind S Bharadwaj Dr	41	Head - Advanced Engineering	01.10.02	4169755	B.E. M.S. Ph.D; MBA	20	Advisor, TVS Motor Co.
Balasubramanian S	58	Executive Director - Project Planning	01.01.73	6699943	B.E., Dip.in SQC & OR, ICWA (Inter)	37	-
Begg J R W	61	Head-Vehicle Engineering	07.01.02	6584704	B.Sc. (Mech.Engg.) MBA	37	General Manager (Engg & R&D) Trans Mobile Ltd., Karachi, Pakistan.
Bhalla K K S *	69	Executive Director - Project Engineering	17.01.79	902879	M.I.E.	46	DGM - Production, Heavy Vehicles Factory, Jabalpur
Chandrasekaran N	54	General Manager - Information Technology	30.06.04	2588749	B.Sc., DMIT	32	CEO, Esix Technologies
Chatterjee A K	54	General Manager - Manufacturing	03.02.97	2795568	B.E.	30	Manager - Maintenance, Voltas Ltd
Cowsik R	56	General Manager - Exports	01.01.74	2646083	B.Tech. PGDIT	31	-
Devarajan R	64	Special Director - Product Development	01.10.68	4614229	B.Sc., DMIT	38	-
Hombali V M	53	General Manager - South	01.09.82	2527942	B.Tech., MBA	29	Engineer - Market Planning, HMT Ltd
Khaitan B	56	Special Director - Vehicle Sales	05.08.79	3765590	B.E.	34	Regional Service Engineer, Hindustan Motors
Krishnamurthy K N	60	Technical Advisor to MD	01.10.72	3768348	B.E.	36	-
Kumar K S *	52	Executive Director - Marketing	01.04.04	5983284	B.Com., PGDBM	31	Consultant, Suhail Bhawan Group, Oman
Lakshmi Narayanan P A Dr.	56	Head - Engine R&D	16.05.02	2553200	B.Tech., M.S., Ph.D	27	Sr.GM-Research, Kirloskar Oil Engines Ltd
Mohanakrishnan N	54	Special Director - Information Management Services	01.07.77	4237555	B.Sc., ACA	30	Group Accounts Officer, Eastern Coal Fields Ltd., West Bengal
Murugappan N	56	General Manager - Manufacturing	01.05.75	2550013	B.E.	30	-
Muthusubramanian K	60	General Manager - Corporate Quality Engineering	01.07.77	2797411	B.E.	38	-

Information as per Section 217(2A)(b)(ii) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006 (Contd.)

NAME	AGE	DESIGNATION	DATE OF COMMENCEMENT OF EMPLOYMENT	REMUNERATION RECEIVED / RECEIVABLE	QUALIFICATION	TOTAL EXPERIENCE (YEARS)	PARTICULARS OF PREVIOUS EXPERIENCE
Muthusubramanian C S	56	General Manager - Exports	01.07.74	2683951	B.E.	31	-
Nagarajan S	61	Executive Director - Projects	02.04.97	7357396	B.E., PG Dip. in Industrial Admn.	38	Managing Director, MAC Industrial Products, Chennai
Nair M K R	59	General Manager - Special Projects	01.10.72	2935089	B.Sc., DIM	36	-
Natraj M	64	Executive Director - Advanced Engineering & Design Services	07.04.78	7393397	B.E.	42	Manager - Planning and Development, Bimetal Bearings Ltd., Coimbatore
Rajinder Malhan	57	Executive Director - International Operations	29.05.02	6844465	B.Sc (Engg.)	40	Consultant
Raju S K	59	Head - Current Vehicle Engineering	19.04.78	3789662	M.E.	34	Senior Development Engineer,TELCO
Ramadurai S G	54	General Manager-CG (MDV)	10.05.82	2645742	B.E.	31	Sales Executive, Greaves Cotton & Co Ltd
Ramasubramanian A *	53	Executive Director - Product Development	14.07.05	3689380	B.E.	30	CEO, Eicher Group
Rao R N	52	General Manager-West	30.09.93	2604282	B.E., MMM	29	Sales Engineer, Lucas TVS Ltd
Sarathy V	58	General Manager - ACCL	01.07.74	2727992	B.E.	31	-
Sambasivam S	58	General Manager - Finac Services	02.05.73	2528733	B.Sc., ACA	32	-
Sam Burman *	52	Head - Product Development	16.01.03	1610305	Grad. in Mech. Engg.	27	President, DynaMate AB, Sweden
Seshasayee R	58	Managing Director	21.01.76	13114158	B.Com., ACA	35	Manager - Accounts, Hindustan Lever Ltd.,
Shekhar Arora	53	General Manager - Management Development	02.01.81	3047047	B.A., MSW	29	Personnel Officer, Oswal Steel
Sridharan K	52	Chief Financial Officer	06.03.82	7164260	B.Com., ACA, Grad. CWA	29	Sr. System Analyst, Tata Consultancy Services, Mumbai
Srikant Srinivasan	49	General Manager - Manpower Planning and Recruitment	26.03.82	2400197	B.Com., MA (Pers Mgt)	27	Personnel Officer, ACC Ltd
Srinivasan R	57	General Manager - Finance	01.08.76	2768513	B.Sc., ACA	29	-
Soundararajan G	57	General Manager - Manufacturing	01.03.74	2515013	B.E., DIM	31	-
Sundaram Parthasarathi	53	General Manager - Business Planning	01.10.78	2771246	B.E., M.S.	27	-
Subramanya G	58	General Manager - Planning & Quality	24.07.96	2509470	B.E., Dip in Mkg & Advg	35	AGM - Projects, Hero Honda Motors Ltd
Sundararajan N	56	Company Secretary & Head - Internal Audit	05.06.96	4391177	B.Com., AICWA, FCS, PGDBM	34	President, Sundaram Industries Ltd.
Udayashanker B M	56	Plant Director - Ennore	01.07.74	3946005	B.E.	35	-

Information as per Section 217(2A)(b)(ii) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006 (Contd.)

NAME	AGE	DESIGNATION	DATE OF COMMENCEMENT OF EMPLOYMENT	REMUNERATION RECEIVED / RECEIVABLE	QUALIFICATION	TOTAL EXPERIENCE (YEARS)	PARTICULARS OF PREVIOUS EXPERIENCE
Venkat Subramaniam B	44	General Manager - Parts	01.08.03	2836228	B.Tech., PGDBM	19	GM - Sales, TVS Motor Co
Venkatesh S *	53	General Manager - Product Development	02.01.06	617589	B.E., M.Tech.	29	Head - Engg, Tata Motors
Vinod K Dasari	39	Chief Operating Officer	01.04.05	5621308	B.Sc. (Engg), M.S., MBA (Kellog)	17	JMD, Cummins India Ltd

*Part of the year

1. Gross remuneration shown above is subject to tax and comprises Salaries, Bonus, Allowances, medical benefits, Leave Travel Assistance as applicable in accordance with the Company's rules, Commission, Company's Contribution to Provident Fund and Superannuation Fund and perquisites evaluated as per Income-Tax rules. In addition to the above, the employees are entitled to Gratuity.
2. All appointments are contractual.
3. None of the employees is a relative of any Director of the Company.
4. The above list does not include employees on deputation.