

Annual General Meeting July 27, 2010



ASHOK LEYLAND



HINDUJA GROUP



The presentation format

- 2009-10
 - ◆ The economy and the CV market
 - ◆ Ashok Leyland performance
 - ◆ The Financials
 - ◆ Ashok Leyland strategy
- 2010-11
 - ◆ Outlook
 - ◆ Thrust areas



2009-10 – Gaining lost ground



The economy:

Slow start but quickly revved up

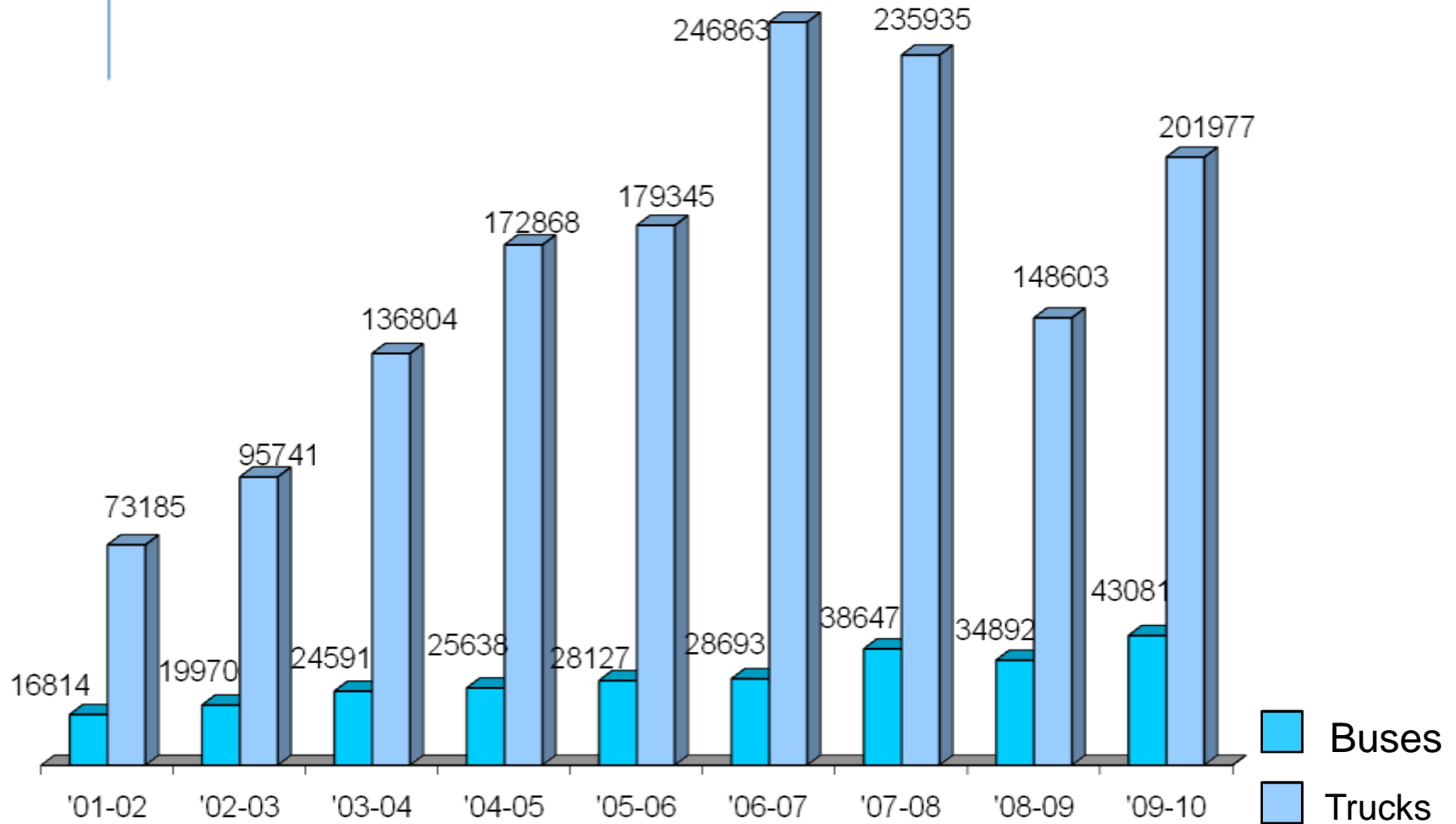
- Quicker, easier recovery than other economies thanks to strong fundamentals
- GDP growth of 7.4% achieved on the back of
 - ◆ Government spending - stimulus packages
 - ◆ Greater liquidity - RBI funding
- The IIP index witnessed a northward trend
- Infrastructure development gained ground especially road building

Return of cash, capital and confidence

CV industry rode the crest of the recovery wave

- Growth in sectors that impact the CV industry, albeit in the second half
 - ◆ Mining, quarrying, real estate, manufacturing
- Growth in several freight-generating sectors too
 - ◆ Coal, cement, steel, fertilizers, petroleum, iron ore
- NHAI projects: saw movement
 - ◆ 99% of the Golden Quadrilateral and 67% of the NS – EW corridors completed
 - ◆ NHAI Contracts worth ₹ 14,600 crores awarded during Jan/Feb '10 – 33% of them in South India
- Deferred vehicle purchases made; established players started adding to their existing fleets

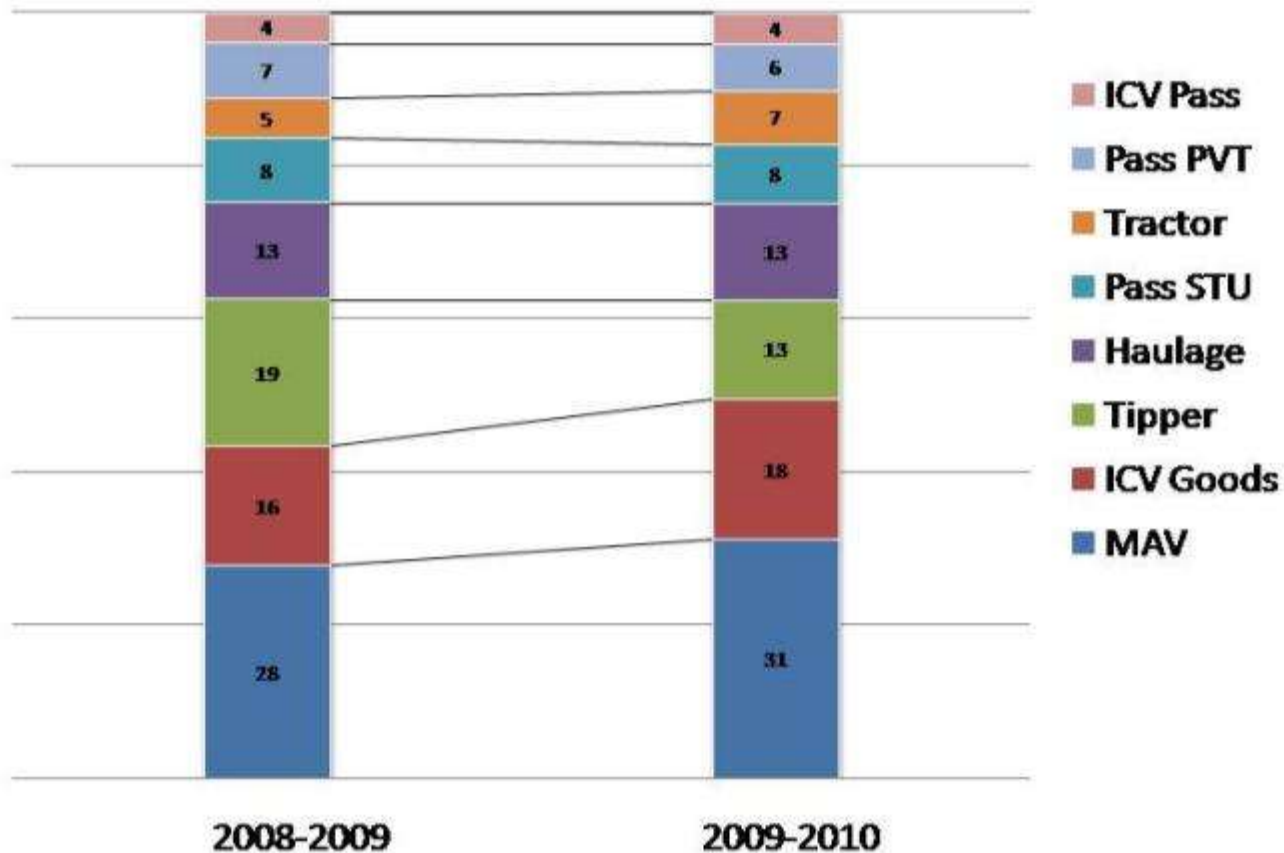
M&HCV TIV



Truck segment grew by 36%, bus by 23.5%

Source: SIAM

TIV grew by 33.5%



Growth sectors like MAV, ICV trucks grew; tractors maintained levels while tippers only spurred in the last two quarters

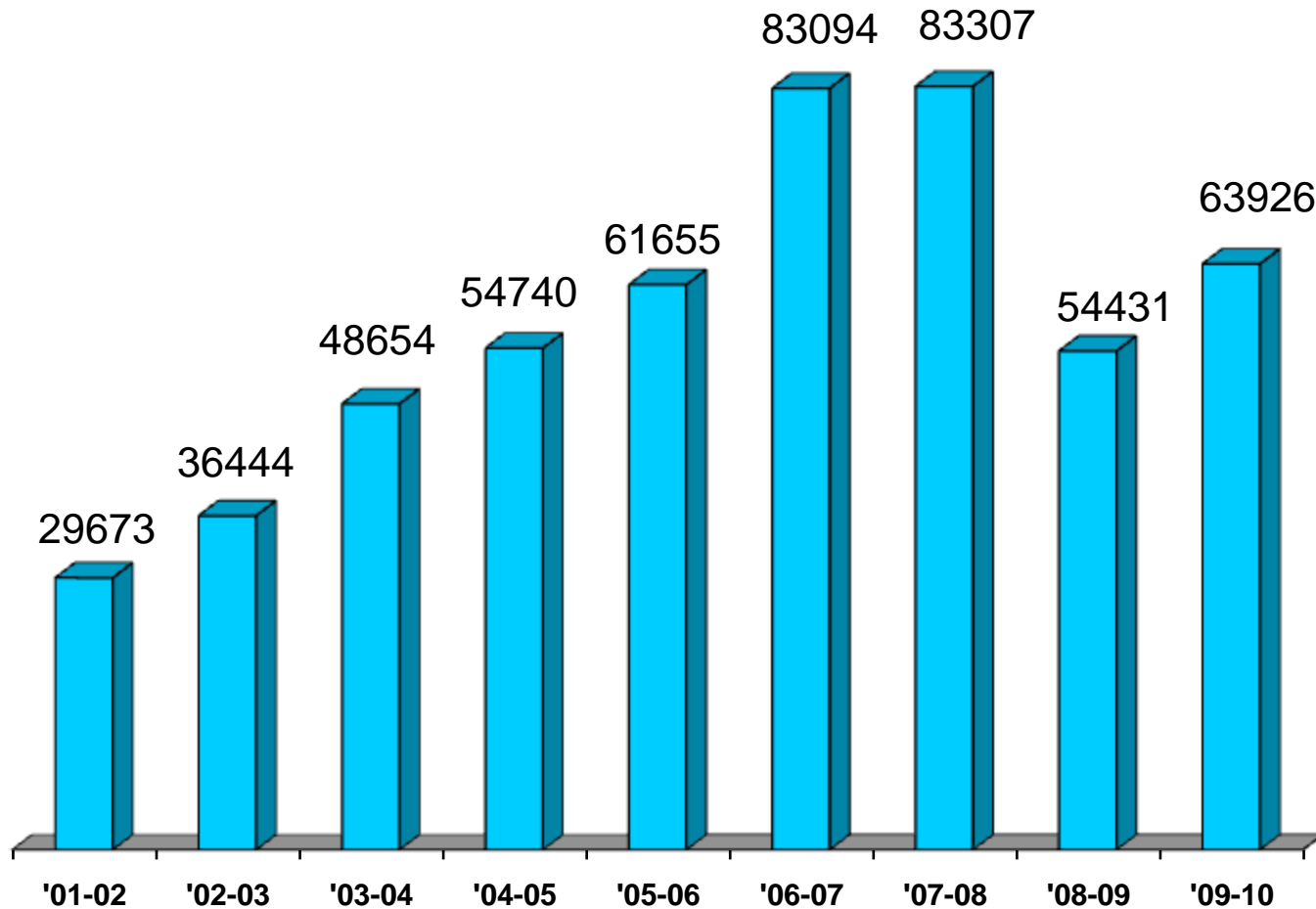
But there were growth dampeners

- Increase in fuel prices
- Freight rates did not rise as expected in key sectors like Delhi and Mumbai
- RBI's CRR hike in Jan '10 hardened interest rates
- Excise duty hike of 2% in the Union Budget made vehicles dearer by an average ₹ 20,000
- Supply constraints
 - ◆ FIPs, tyres



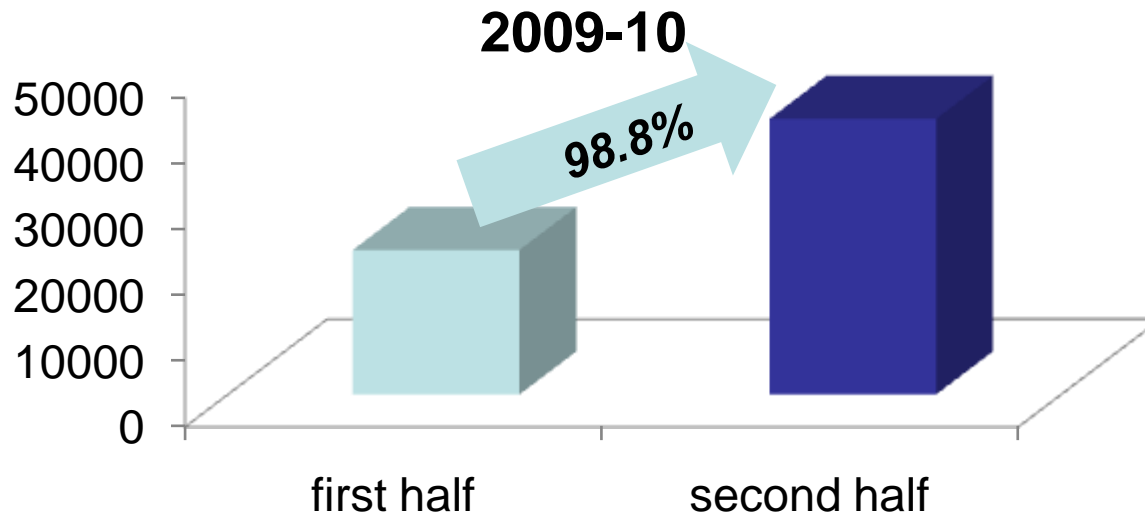
2009-10 – Ashok Leyland performance

Sales up 17%



A sluggish start; a strong finish

Began the year with 'Cash-and-Carry' system to clean up the inventory pipeline



Outperformed TIV in Q4; TIV up 116%, AL up 163%



Reasons for a strong 2nd half

- Advancing of purchases due to the anticipated change in emission norms
- Growth in CV-impacting sectors
- Funding for NHAI projects
- Liquidity in the market improved

Bus segment up thanks to JnNURM

	Orders recd.	Deliveries made
JnNURM Status	5,209 nos.	3,342 nos.

- 35% of the orders remain to be executed
- Along with the regular STU orders, the order book position is very healthy
- 369 nos. invoiced during Q1 FY11
- Current order outstanding 1,498 nos.

Composition of Sales

	2008-09	2009-10	% Inc (Dec) Over 2008-09
Domestic Civilian			
Passenger	16 548	17 217	4
Goods	30 651	40 541	32
Total	47 199	57 758	22
Defence	420	189	(55)
Exports	6 812	5 979	(12)
Total vehicles	54 431	63 926	17
Engines	21 447	19 050	(11)
Spares incl Defence (₹ Lakhs)	79 969	88 506	10



The Financials

Unbroken track record of profitability maintained

₹ Lakhs

	2008-09	% of Net Sales	2009-10	% of Net Sales	% growth
Net Sales / income from operations	598107	100.0	724471	100.0	21.1
Gross operating margin	46944	7.8	76284	10.5	62.5
Financial expenses	11871	2.0	8113	1.1	(31.7)
Other income	4962	0.8	7045	1.0	42.0
Gross Profit (PBDT)	40035	6.7	75216	10.4	87.9
Depreciation	17841	3.0	20411	2.8	14.4
Profit from ordinary activities before tax	22194	3.7	54805	7.6	146.9
Net Profit	19000	3.2	42367	5.8	123.0
Paid up equity share capital (face value per share Re 1 each)	1 3303		13303		-
Basic earnings per share (₹)	1.43		3.18		123.0
Dividend per share (₹)	1.0		1.5		

Significant reduction in material and operating costs supported by pricing action has improved margins

Performance Highlights – 5 Years

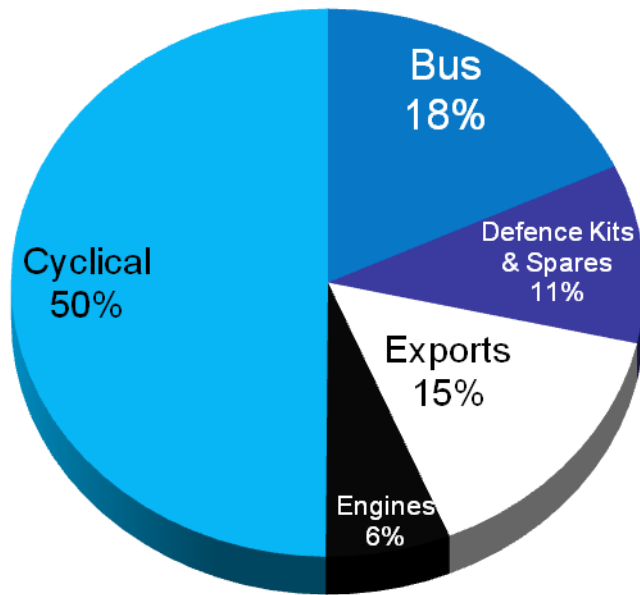
	05-06	06-07	07-08	08-09	09-10
ROCE (%)	21.2	24.7	23.2	8.7	13.2
Inventory Turns (Times)	5.3	5.5	5.0	3.5	3.5
Debtors (Days)	18	17	6	73	25
Debt : Equity	0.2	0.3	0.4	0.9	0.9
EPS (In ₹)	2.74	3.38	3.53	1.43	3.18



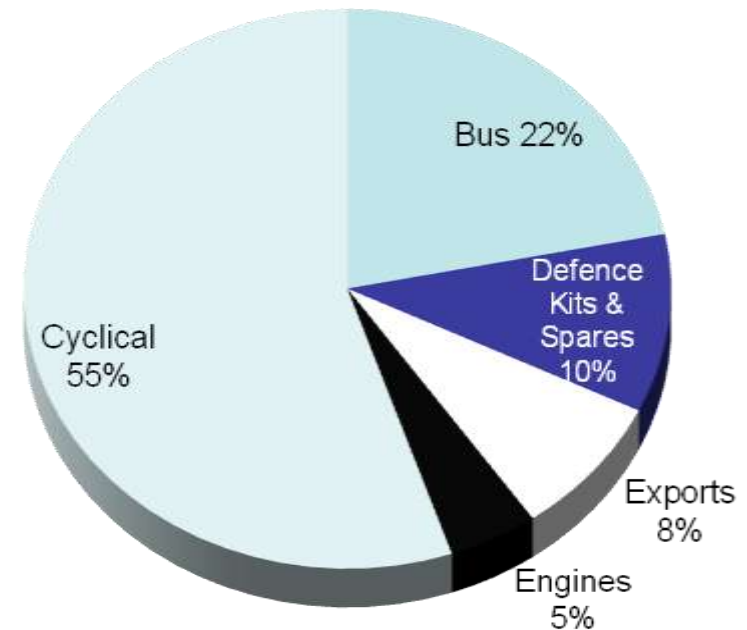
The story behind the numbers

1. Concentration on non-cyclical business as de-risk policy continued

2008-09



2009-10



Contribution slightly lower because of lower off-take of engines by Telecom sector



Sectoral performance

- The *LEYPARTS* business grew by 12%
- *LEYPOWER* Power Solutions Business fell because of lesser off take of DG sets by the Telecom sector
 - New markets in Africa and SAARC countries opened up and exports doubled
- International Operations
 - Robust growth in Sri Lanka and Bangladesh
 - New markets opened up
 - Latin America – Peru
 - CIS – Ukraine
 - Middle East - Saudi Arabia
- Defence kits to Vehicle Factory Jabalpur rose by 8%

Defence: Entry into armoured space

Armoured Stallion



Armoured Bus



Mine Protected Vehicle





2. Focus on improving operating margins

- Cost control
 - ◆ Material costs
 - Effectively contained cost increases in steel and rubber
 - ◆ Operating costs
 - Variable costs and administration overheads controlled
 - ◆ A slew of other internal cost cutting measures started during the tough times continued



3. Hinduja Leyland Finance gets RBI nod

- A much-needed financing arm
- HLF has commenced operations in 130 centres covering 16 states
 - ◆ Target to have a presence in all Indian states in a year's time and network strength of 300 centers in three years
- Initial capital of ₹ 100 crore contributed by Ashok Leyland, Ashley Holdings Ltd and Ashley Investments Ltd.
 - ◆ In discussion for funding to support a planned disbursement of ₹ 850 crores in the first year.

4. Capacity expansion

- Modern, fully-integrated manufacturing facility at Pantnagar inaugurated
- Represents a renewed focus on the north
- To roll out 50,000 vehicles, including the U-Truck
- Set up with an investment of ₹ 1,100+ crores
- Tax incentives available of around ₹ 40,000 per vehicle



4. Capacity expansion

- Hosur – the AL-Nissan project to be commissioned before the year-end
- Alwar: New bus body building facility put up with globally bench-marked processes and machinery
 - ✦ From where the high-end ULE buses roll out





Product Introductions of 2009-10



Trucks

CG 1613 ETK



3116



2518 H Tipper 14 cum.



3516 Super



Trucks

Ecomet Smart – 912 & 1112



Ecomet Strong – 912 & 1112



Buses



***HYBUS - India's first CNG
Plug-in Hybrid Bus***

Latest in green technology for mass urban transportation. It combines a CNG engine with an electric propulsion system.



***iBus2 –Emergency Response
Centre on Wheels***

Developed with CISCO , it combines user-friendly mobility with best-in-class connectivity

Customer Care: Raising the bar



*The national helpline
comes with the promise of*



*Response within **4 hours** anywhere on the Golden Quadrilateral
Restoration (vehicle back on road) in **48 hours***

After-market strength

	Added	Current
Dealership outlets	20	180
Authorized Service Centres	13	151
Work bays	96	2396



2010-11 – Prospects



Outlook – appears promising

• Positives

- ◆ Traction in the economy
 - Estimated to grow at 9.2% (source: CMIE)
- ◆ Infrastructure development in high gear
- ◆ Growth will be fueled by private consumption

• Negatives

- ◆ Rise in fuel and raw material prices
- ◆ Cost of ownership will rise due to
 - Hike in Excise duty
 - Migration – slated for October '10



Industry growth prospects

- With the economy doing well and infrastructure high on Govt.'s priority list, the CV industry should do well
- Better road systems will increase demand for superior, factory-built, fully-built vehicles
- Govt. mandate for use of School Buses over private utility vehicles augurs well
- Difficult to match growth rates of 2009-10 because that was on a lower base
- Optimistic of a growth rate of over 15%



Ashok Leyland – Thrust areas

1. Rolling out the U-Truck platform





The U-Truck platform ...

- Roll out by October, 2010
- 25 models over 18 months
- The platform will progressively morph with the introduction of new features and technologies
 - ◆ Will be powered by BS III and BS IV compliant engines
 - ◆ Will have superior, electronic and efficient engine management system
 - ◆ Equipped with electronic clusters and advanced Telematics for real-time track and trace, on-board diagnostics and driver management features to ensure the safety of the driver and cargo.

Buses on the anvil

Stag 4900 – School Bus



**The IT 09 – Developed by the
AL-TVS-IRIZAR joint venture.**



Ready for migration

- Now slated for October '10
- Ready with the products fro upgrading and both technologies
 - ◆ SCR – with the 'H' series engines
 - ◆ EGR – with the Neptune range and now with the 'H' series engines too

2. Capacity creation

● Bus plant at Ras Al Khaimah

- ◆ A vital manufacturing facility to feed GCC and African markets
- ◆ Production has already begun
- ◆ Initially to produce 2,000 buses annually
- ◆ Eventually to produce trucks too





3. Exports

- To explore new markets in:
 - ◆ Latin America
 - ◆ CIS
 - ◆ Africa
 - ◆ SAARC countries
- With products configured to the specific requirements of these new markets
- Target for FY11 – growth of 17% with volumes to touch 7,000 vehicles

4. CAPEX Plans

- **FY '09-'10**

- ◆ Capex incurrence was ₹ 810 crores
- ◆ Investments in JVs – ₹ 142 crores

- **Going forward over the next 2 years**

- ◆ Planned Capex incurrence - ₹ 1200 crores
- ◆ Investments in JVs – ₹ 800 crores



Q1 Financials

Composition of Sales Q1 2010-11

	Q1 2009-10	Q1 2010-11	% Inc / (Dec)
Domestic Civilian			
Passenger	2339	4402	88.2
Goods	4303	15043	249.6
Total	6642	19445	192.8
Defence	148	15	(89.9)
Exports	903	1940	114.8
Total vehicles	7693	21400	178.2
Engines	4106	3886	(5.4)
Spares incl Defence (Rs Lakhs)	19350	18431	(4.7)

Unbroken track record of profitability maintained

Rs Lakhs

	Q1 2009- 10	% of Net Sales	Q1 2010- 11	% of Net Sales	% Inc / (Dec)
Net Sales / income from operations	91807	100.0	234798	100.0	155.8
Gross operating margin	1779	1.9	23540	10.0	1223.4
Financial expenses	2580	2.8	3162	1.3	22.5
Other income	5500	6.0	473	0.2	(91.4)
Gross Profit (PBDT)	4699	5.1	20851	8.9	343.8
Depreciation	4350	4.7	6147	2.6	41.3
Profit from ordinary activities before tax	245	0.3	14704	6.3	5901.6
Net Profit	777	0.8	12264	5.2	1478.0
Paid up equity share capital (face value per share Re 1 each)	13303		13303		-
Basic earnings per share (Rs)	0.06		0.92		1478.0

5. Joints Ventures on schedule

- **With Nissan for LCVs**

- ◆ Well on course
- ◆ Launch date: mid 2011

- **With John Deere**

- ◆ Manufacturing facility being built at Gummdipoondi
- ◆ Pilot production to start by November '10
- ◆ Product roll out – Early 2011

- **Ashley Alteams**

- ◆ Plant inaugurated in January 2010
- ◆ Production on in full swing



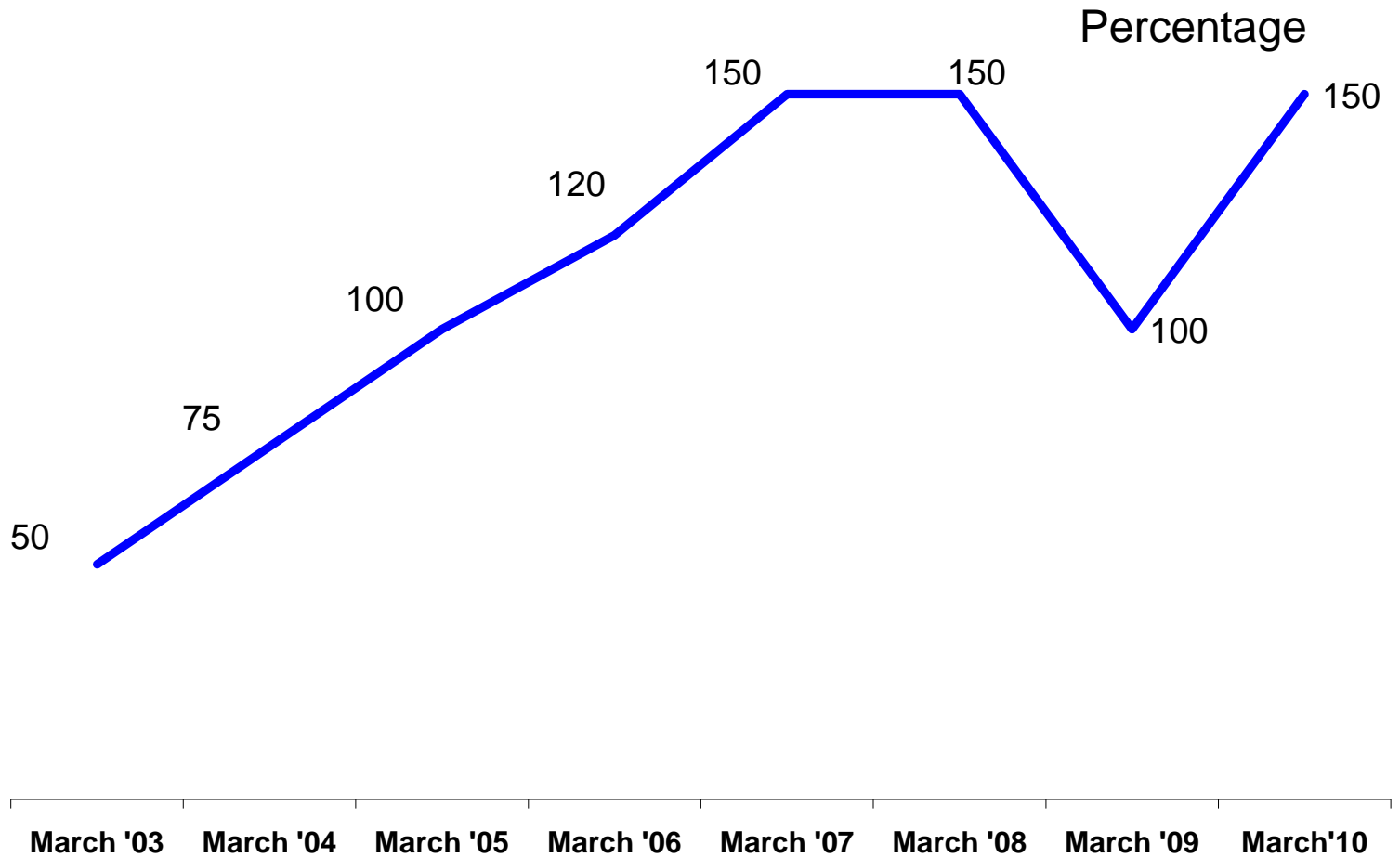
Investor Relations



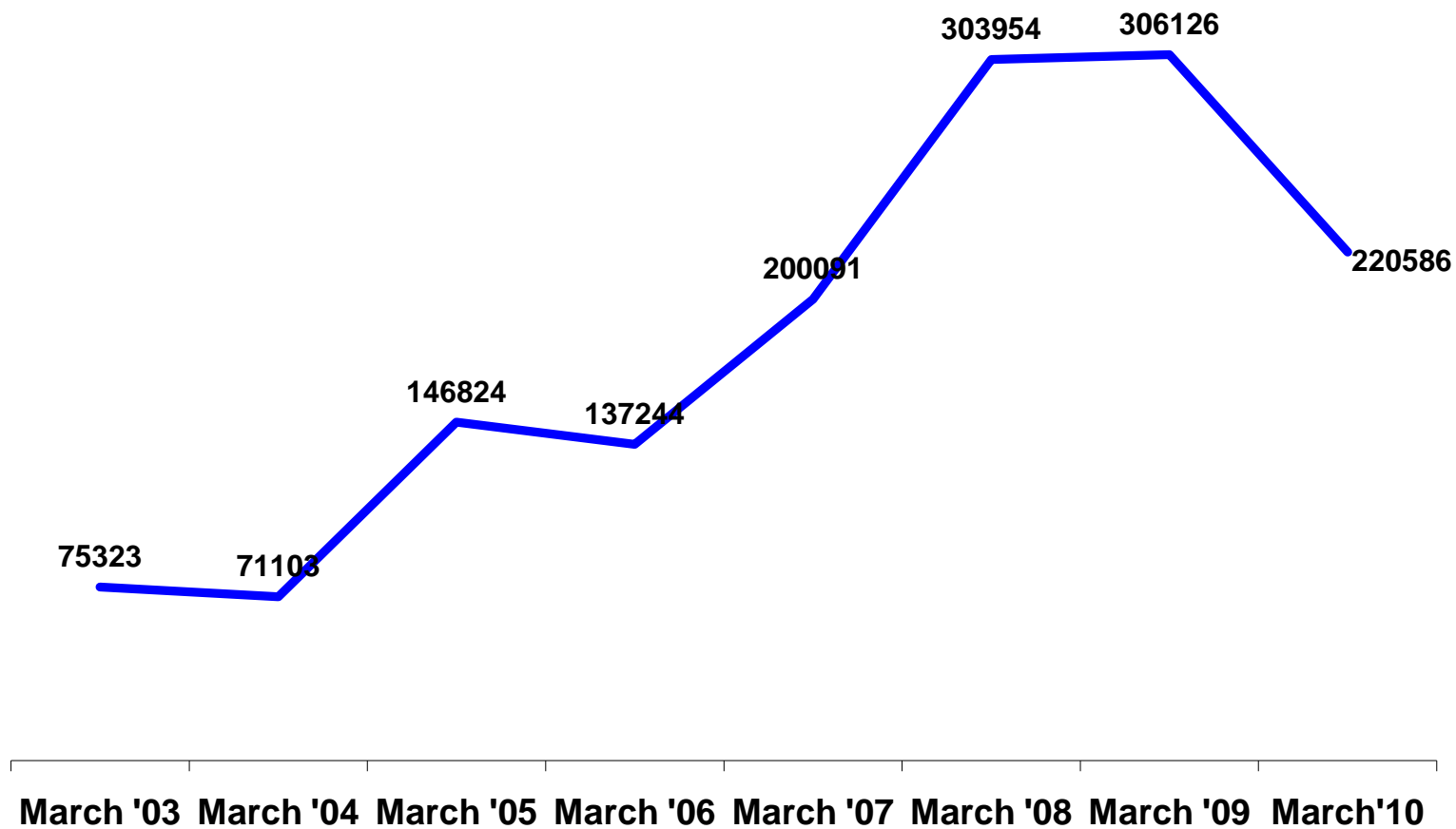
Value-added services for share-holders

- **Annual shareholders satisfaction survey**
 - ◆ Conducted for 9 years consecutively
 - ◆ Responses are summarised and reviewed by the Share-holder/Investor Grievance Committee of the Board
- **Investor Guide**
 - ◆ Sent to every share-holder every year since 1998
- **Annual Reports**
 - ◆ Disclosures beyond mandatory requirements

Sharing profits



Our family of shareholders





Thank You