

Annual Press Meet

May 15, 2009



ASHOK LEYLAND



The presentation format

- 2008-09
 - ◆ Market performance
 - ◆ Ashok Leyland performance
 - ◆ Combating the downturn
 - ◆ Product launches
- 2009-10
 - ◆ Outlook
 - ◆ Ashok Leyland – Focus areas
 - ◆ Joint ventures



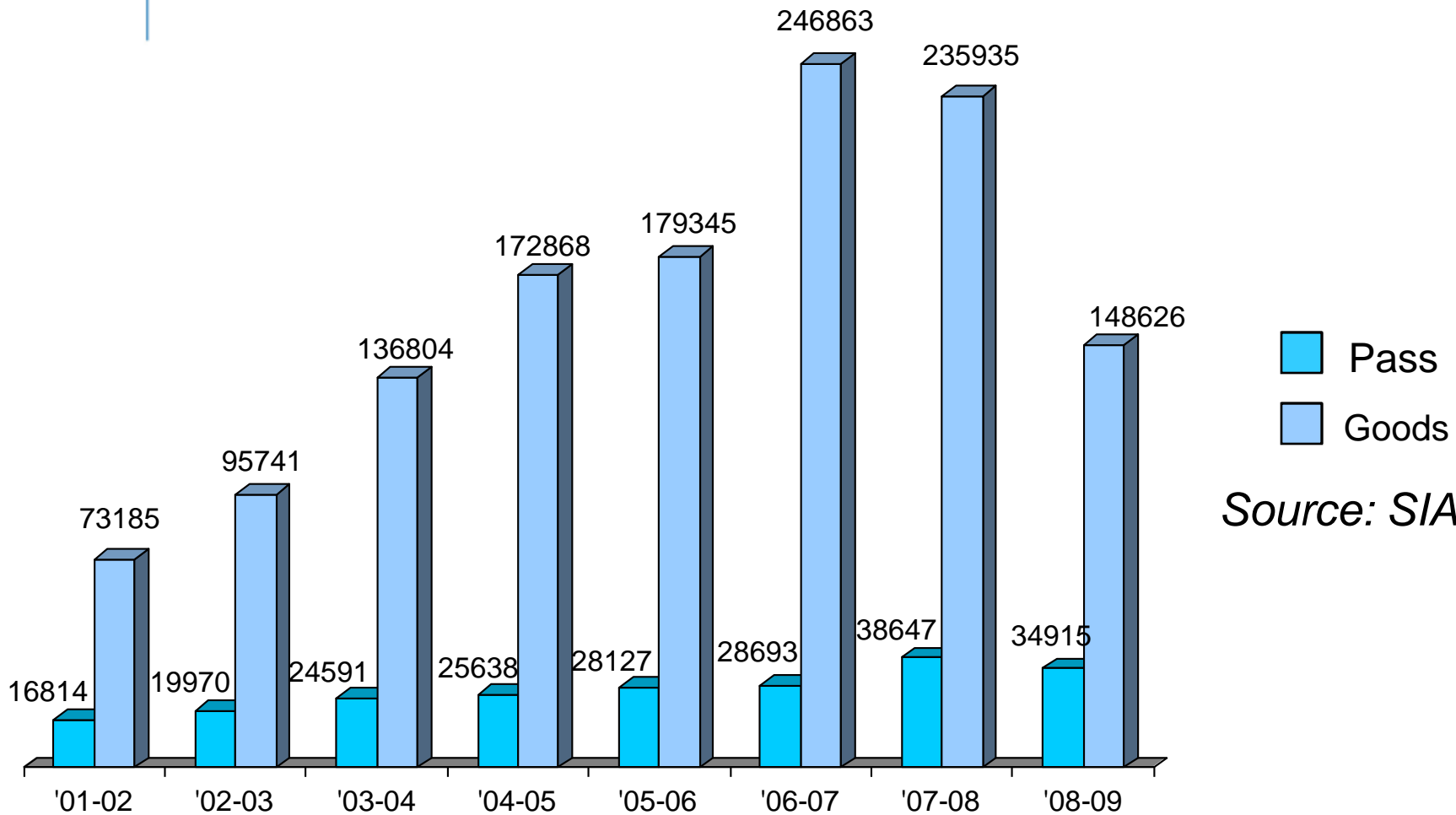
2008-09 – Battling the odds



The economy shifted gears ... downward

- Global economy in reverse gear
- The Indian economy decelerated
- The CV industry hit hard, especially M&HCV

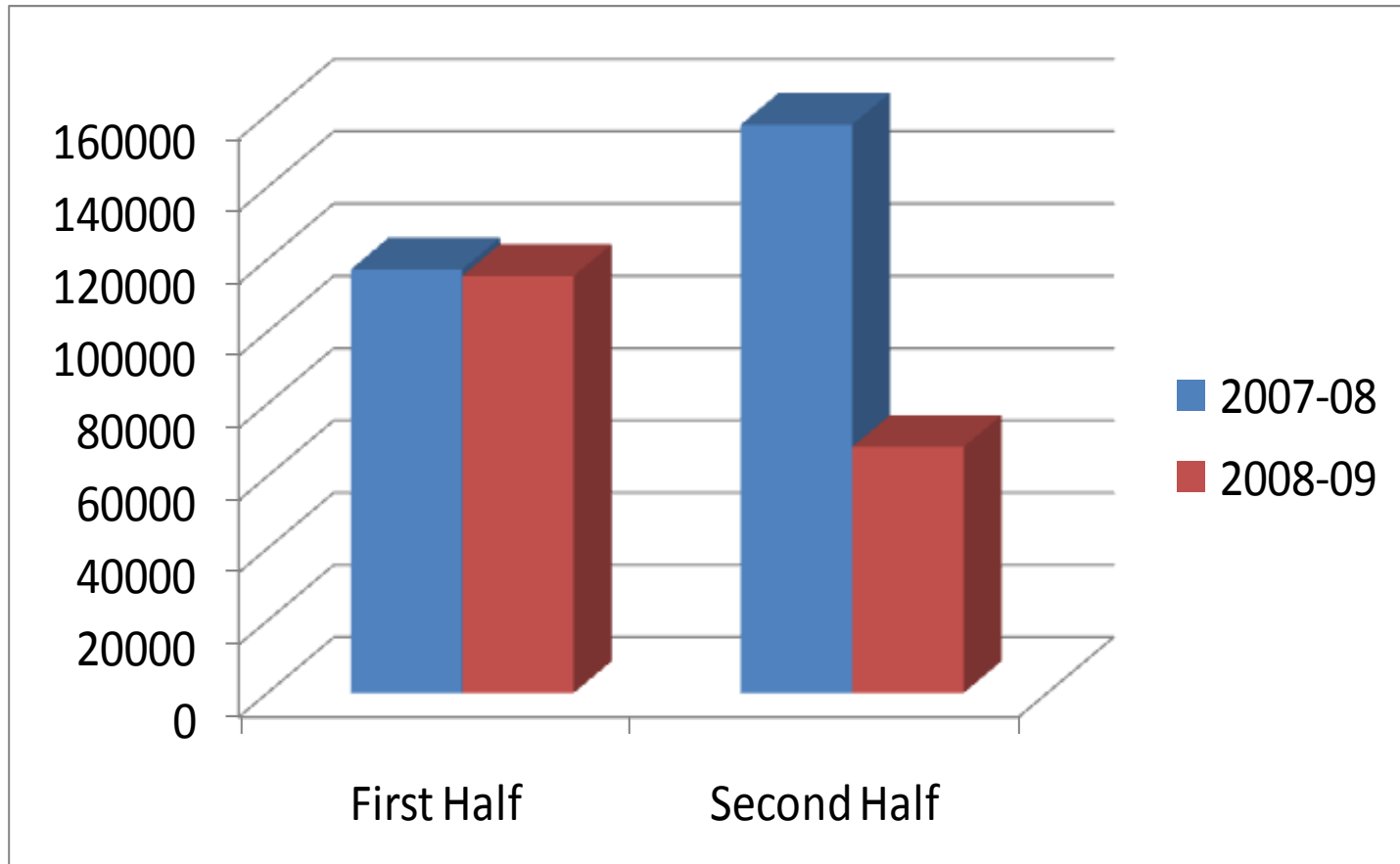
M&HCV TIV – Fell by 33%



Source: SIAM

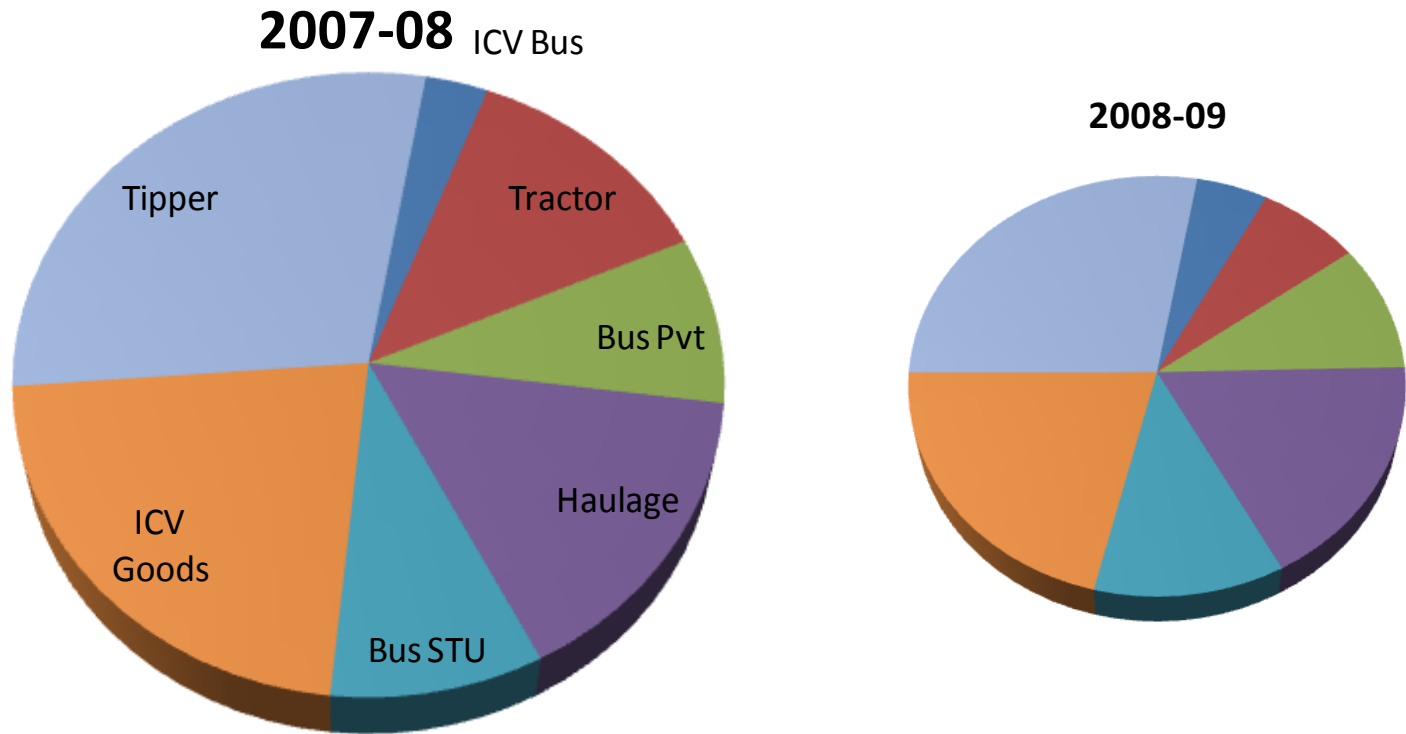
Bus segment fell by about 10% , Goods by 37%

Fall, expected; suddenness and severity, not



Lack of cash, capital and confidence

Tractor, Tipper & MAV: high growth sectors shrink 41.2%



*Temporary reversal of modernisation of
Indian commercial vehicle composition?*



Reasons for the segmental shift

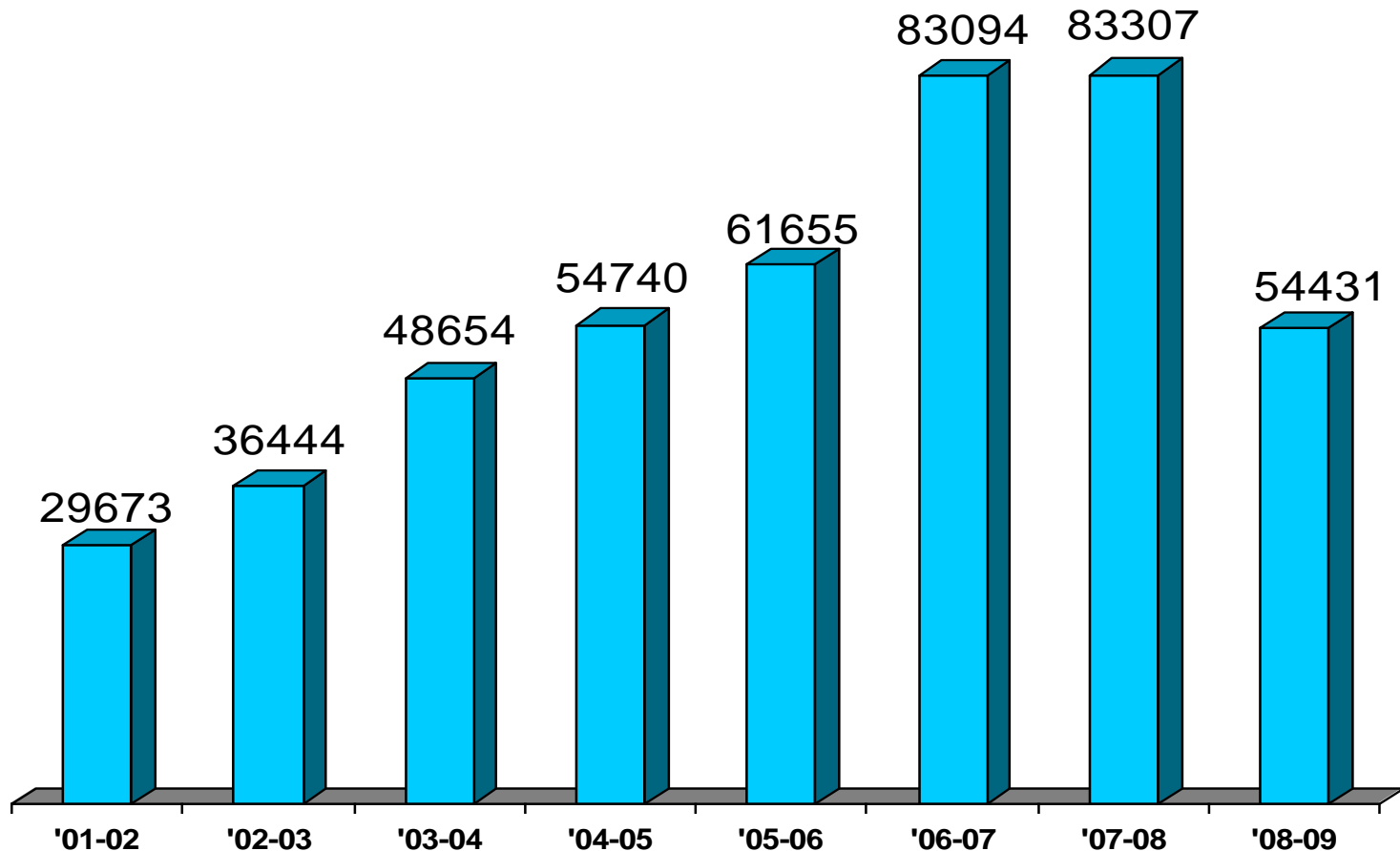
- Cyclical uncertainties
- With growing NPAs, banks and NBFCs lacked confidence to lend; also equity requirements from customers increased
- Interest rates remained high
- Hence, customers preferred less risk investments
- Opted for general purpose vehicles (haulage) instead of specialty vehicles (tractor trailers, MAVs)

A road block on the road to modernity



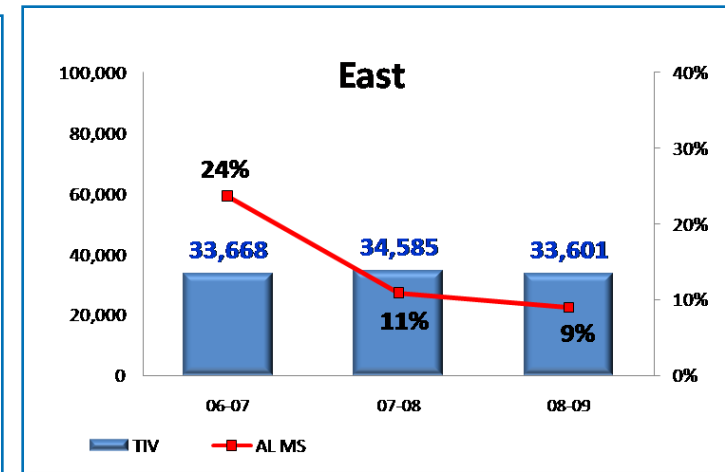
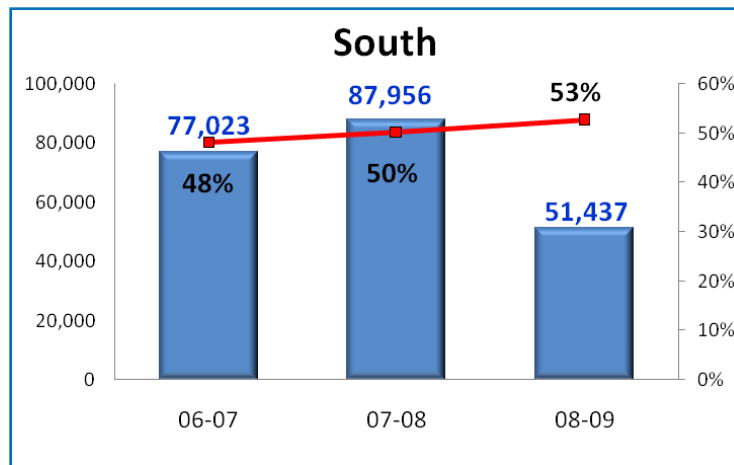
2008-09 Ashok Leyland performance

Sales dropped by 34.7%



Why 1.8% market share was lost

- A regional imbalance also adversely affected
 - Steep drop in South – traditionally AL stronghold
 - Lack of significant presence in East where the market held its own



- Demand moved up for SFC (Semi Forward Cab) vehicles



Leadership in bus market retained

- Maintained leadership position in the bus segment with **46%** market share

Composition of Sales

	2007-08	2008-09	% Inc (Dec)
Domestic Civilian			
Passenger	18 244	16 548	(9.3%)
Goods	57 364	30 651	(46.6%)
Total	75 608	47 199	(37.6%)
Defence	414	420	1.4%
Exports	7 285	6 812	(6.5%)
Total vehicles	83 307	54 431	(34.7%)
Engines	11 757	21447	82.4%
Spares incl Defence (Rs Lakhs)	7 9124	79969	1.1%



The Financials

Unbroken track record of profitability maintained

Rs Lakhs

	2007-08	2008-09	% growth
Net Sales / income from operations	774258	598107	(22.8)
Gross operating margin	82038	46944	(42.8)
Financial expenses	4974	11871	138.7
Other income	5760	4962	(13.9)
Gross Profit (PBDT)	82824	40035	(51.7)
Depreciation	17736	17841	0.6
Profit from ordinary activities before tax	65088	22194	(65.9)
Net Profit	46931	19000	(59.5)
Paid up equity share capital (face value per share Re 1 each)	1 3303	1 3303	-
Basic earnings per share (Rs)	3.53	1.43	(59.4)
Dividend per share (Rs)	1.5	1.0	(33.3)

Performance Highlights – 5 Years

	04-05	05-06	06-07	07-08	08-09
R O C E (%)	18.6	21.2	24.7	23.2	8.7
Inventory Turns (Times)	5.7	5.3	5.5	5.0	3.5
Debtors (Days)	14	18	17	6	73
Debt : Equity	0.3	0.2	0.3	0.4	0.9
EPS (In Rs.)	2.28	2.74	3.38	3.53	1.43




Financial resilience

- Maintained financial stability
- Managed downturn without getting over-leveraged



Combating the downturn



1. Focused on non-cyclical businesses

- **Power solutions**

- ◆ Volumes grew by 82.4% to 21447 units
- ◆ Business transformation: from trading in engines to value-added power solutions business: *LEYPOWER*

- **Leyparts**

- ◆ Revenues maintained at Rs. 79,969 lakhs

***Non-cyclical business contribution up;
from 34% to 50%***



2. Cash conserved

- CAPEX reduced from Rs. 3,000 crores to Rs. 2,000 crores over the next 3 years
- A new Working Capital Management Initiative put in place
- All discretionary capital expenses on hold



3. Internal cost-cutting steps taken

- Production cut by reducing working days in the manufacturing units
- 2-3% gain from drop in commodity prices
- 20% savings through voluntary salary cuts
- Overall, austerity measures resulted in a saving of Rs. 90 crores in operating cost



4. Improved competitiveness

- A slew of projects were undertaken at the Units
 - ◆ Innovations
 - ◆ Productivity enhancements
 - ◆ Improvement projects
 - ◆ Value engineering
 - ◆ Value Stream Mapping
 - ◆ Conversion of non-moving models into saleable ones with changes in aggregates



Product Introductions of 2008-09



Product introductions: goods & buses

2516 Super

3516 ETK


2516 HT

Ecomet 912 Tipper

Comet 1613

Rear Engine SLF (CNG) – BS III

Tarmac Coach ULE (CNG) – BS III



India's first H-CNG engine

- 6-cylinder, 6-litre 123 hp BS-IV engine with blend of natural gas and hydrogen (20% by volume)
 - ◆ Further reduces emissions
 - ◆ Stimulates combustion
 - ◆ Improves efficiency of the engine



After-market support

	Added	Current
Dealership outlets	11	170
Authorized Service Centres	09	146
Work bays	185	2,300



2009-10 – Prospects



Outlook

- The worst seems behind us
- Recovery dependent on revival of economic activity and political stability
 - ◆ Re-start of stalled infrastructure development projects; fillip to the housing and construction segments
 - ◆ Rapid implementation of the JNNURM-funded projects
- A single digit swing either way is possible



Ashok Leyland – Focus areas



1. GENMOD process

- Transformational new matrix management process
- Customer Inspired Solutions – to design breakthrough products
- To offer products at a new price-performance point



2. Product development

- **The UNITRUCK platform**


- ◆ The all-new modular, universal platform to meet diverse requirements of both domestic and global markets
- ◆ This on and off-highway platform range can create variants
- ◆ Will span truck models from 16 ton GVW to 49 ton GCW
- ◆ To feature new family of engines and cabs (including the NEXTGEN cab)
- ◆ Roll out by April, 2010



2. Product development

- **The NEPTUNE engine range**

- ◆ A new family of 4 and 6 cylinder inline engines ranging from:
 - 160 – 230 hp in 4 cylinder engines
 - 270 – 380 hp in 6 cylinder engines
- ◆ Of modular capacity from 4.7 litre to 8 litre – BSIII and BSIV / Euro IV compliant; protected for Euro-V, with cooled EGR and SCR options
- ◆ Quieter, stronger and more reliable by design, with higher power and torque and better fuel efficiency; also benchmarked for lower operating and maintenance costs



3. New products – Goods segment

- 3116
- 3518 Tractor Trailer
- 4019 Tractor Trailer
- 2521 Tipper

3. New products – Bus segment

ULE – BS III



- ◆ Following the 875-bus order received from DTC, orders for 120 received from other STUs, as part of 2,800 vehicle orders under JNNURM (out of 5,300 vehicle order released)



4. Exports

- Expect market revival post cessation of hostilities in Sri Lanka
- Consolidation in newly entered markets (Angola, Honduras)
- Introduction of exclusively designed truck range for export markets
- To capitalise on expected demand for price competitive products following revival in global markets



5. Capacity creation

- **Uttarakhand unit**

- ◆ Investments cut by Rs. 1,000 crores
- ◆ To go operational in 2010

- **Bus plant at Ras Al Khaimah**

- ◆ Trial productions have begun



Joint Ventures

Light truck JV with Nissan

- Product development in progress
- Product portfolio expansion under consideration, by including Nissan products initially slated for production outside India
- Roll out postponed to 2011; due to market conditions and land acquisition delays



Construction equipment JV with John Deere

- New company to be formed within 2 months
- Land already identified; negotiations on
- Product plans in place; testing on
- Roll out by Oct 2010





AL Vs BSE index

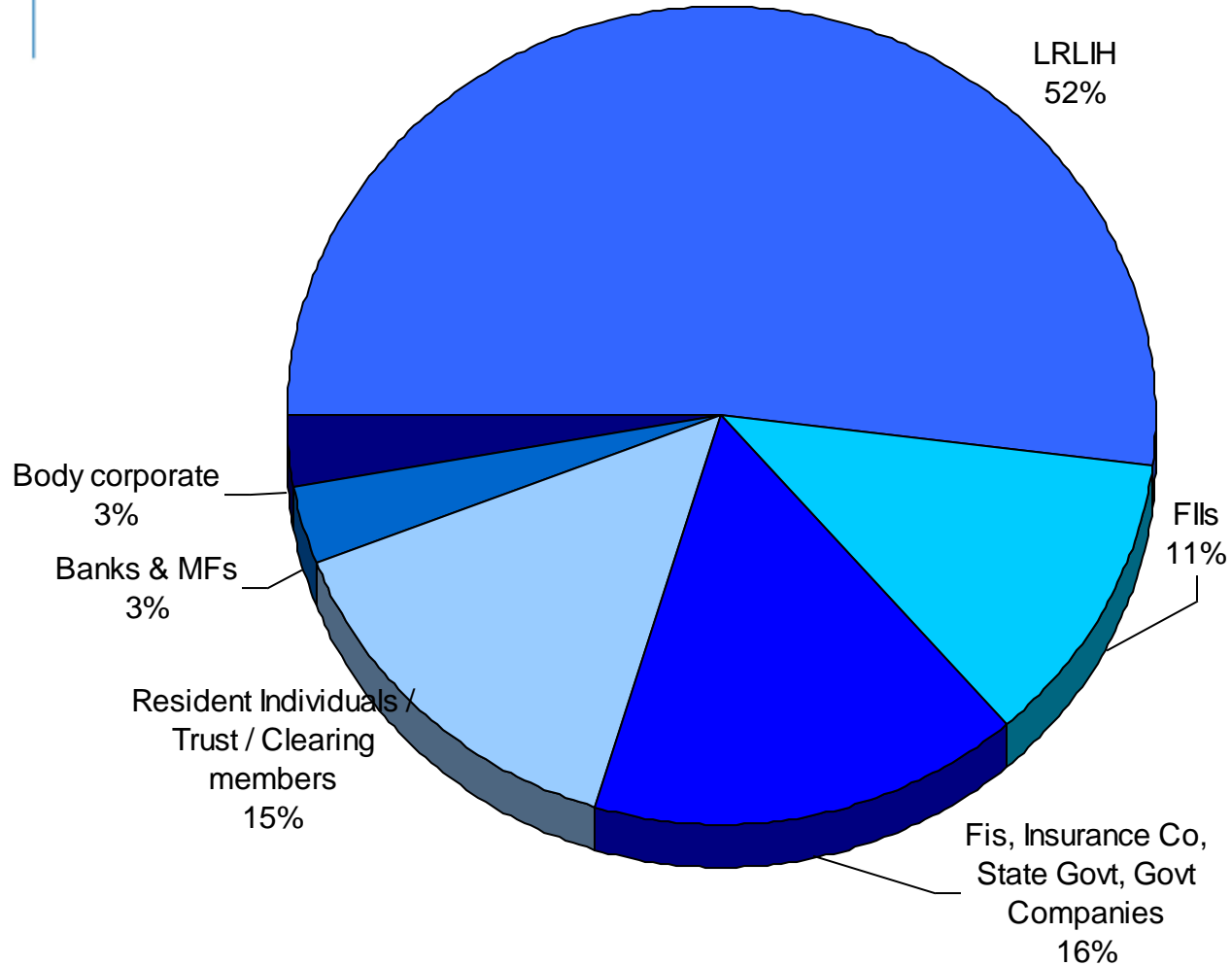




AL vs NSE Index



The shareholding pattern as of 31st March 2009





Thank You