



Ashok Leyland

Presentation

at

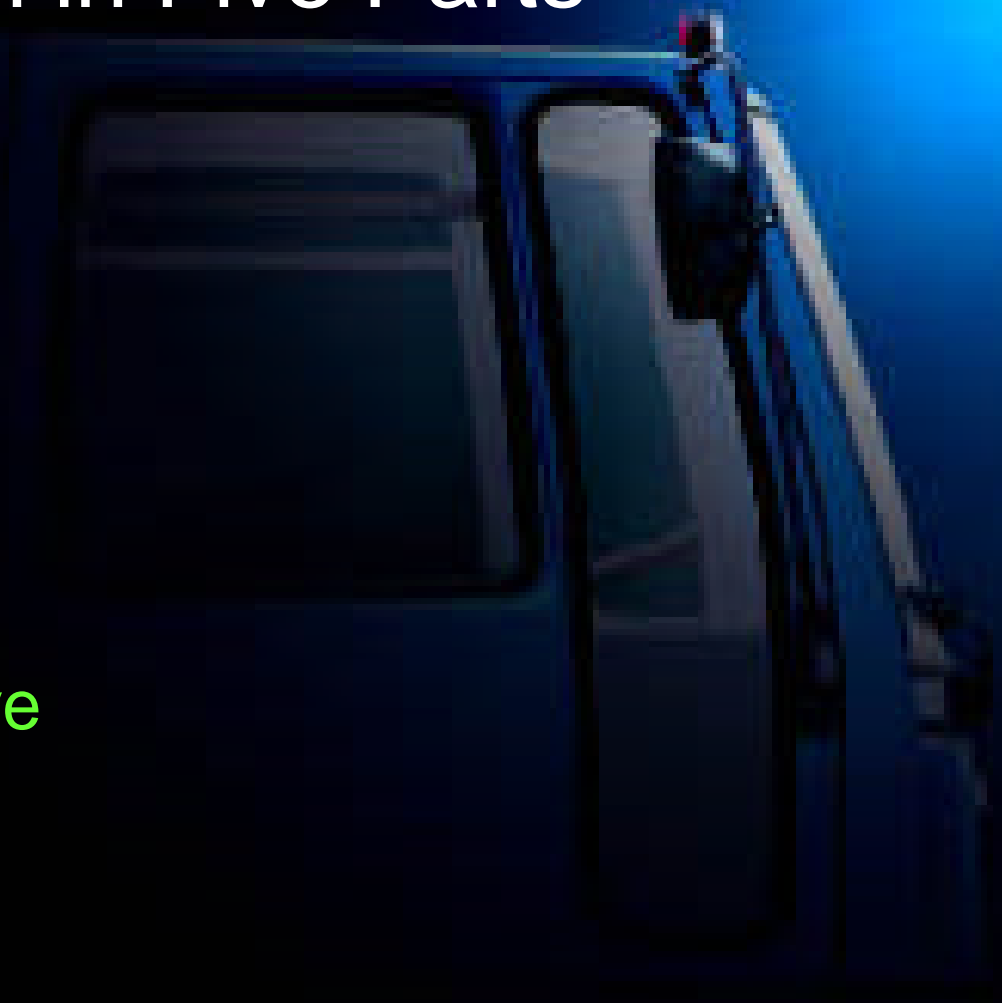
Analysts Meet

Mumbai

May 13, 2002

A Presentation in Five Parts

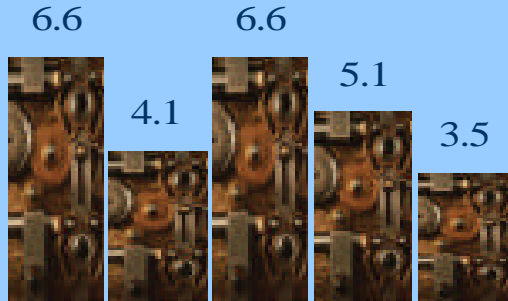
- Economy
- Market Dynamics
- De-risking
- Performance
- Future Perspective



Economy in Slow Mode

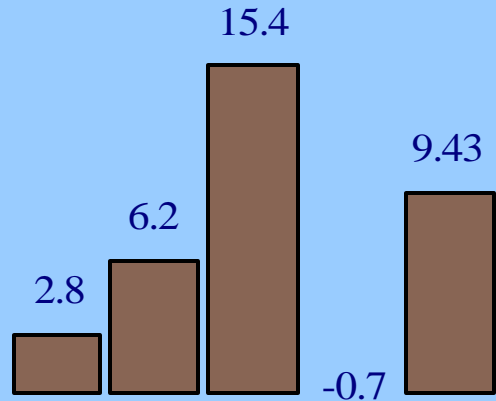
Source : CMIE

Industrial Production



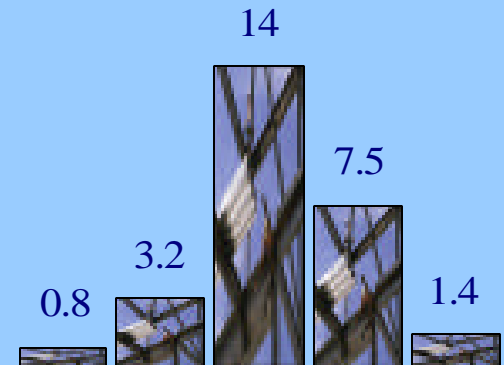
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Cement



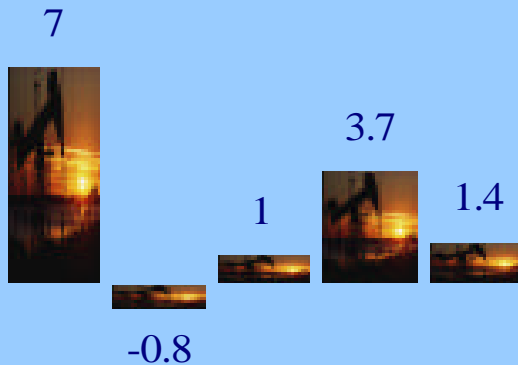
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Steel



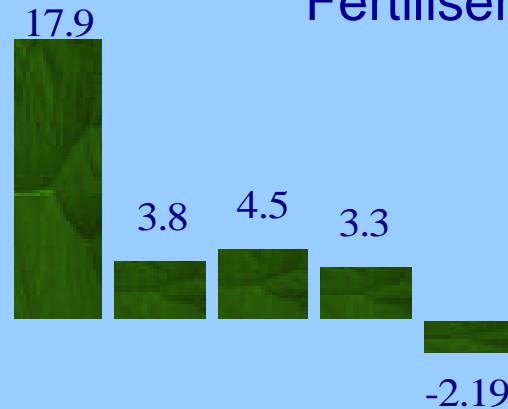
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Mining & Quarrying



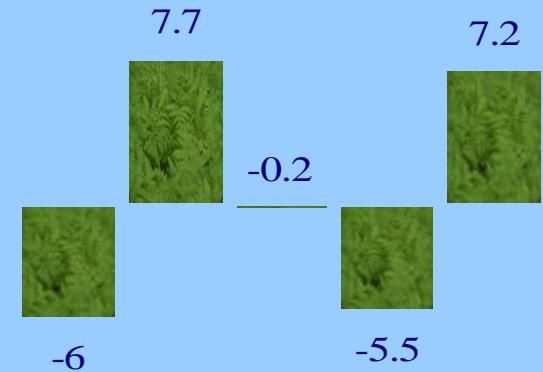
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Fertilisers



97-98 98-99 99-00 00-01 Jan 02

Agricultural Production



97-98 98-99 99-00 00-01 01-02

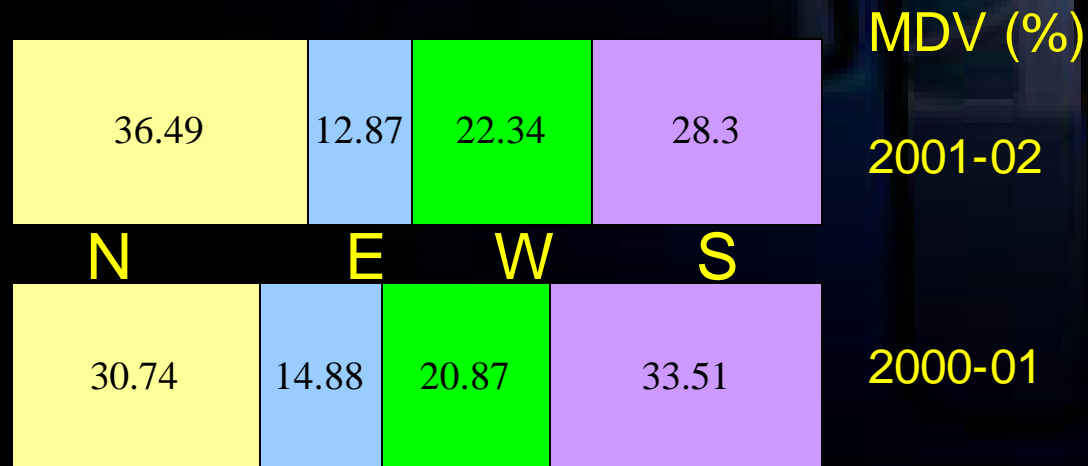
Economy in Slow Mode



- Slower pace of growth with sectoral imbalances
- Agriculture: recovery makes little impact with no surplus income generation
- Low industrial growth & capital investments (Govt & Pvt.) reflecting low business confidence & funds constraints for major Govt initiatives
- Exception : Northern States benefiting from agricultural recovery and Golden Quadrilateral road project
- Fallout from global recessionary trends felt

Market Dynamics

- In 2001-02, AL's strong areas declined, 'weak' areas grew
- South declined by 16 %, North grew by 18 %



Geographical market growth 'adversely' proportional to AL's strengths.


Market Dynamics contd...



- AL's 'strong' segment declined , 'weak' segment grew
- Bus declined by 33.6%, trucks grew by 16.5 %

Segmental market growth, again, 'adversely' proportional to AL's strengths

Market Dynamics Managed Through De-risking



AL could withstand the shocks thanks to its on-going de-risking strategy

- Anticipatory investments in technology
- Leadership position in emerging product segments
- Model proliferation (body / aggregate options) for customer choice and operational economics
- Spread across diverse segments
- Mining More Value

De-risking

Product Technology

- Contemporary, international aggregate technology in country-compatible vehicle configurations, maximising value to customer
 - Technological edge in product offerings
 - Competitiveness vis-à-vis foreign entrants

R & D expenditure - 1 % of sales

De-risking

Product Technology

- Tie-up with world leaders (Hino, Iveco, ZF, Dana, Arvin Meritor) for contemporary aggregate technology
- BS 2 upgrades of all engine platforms productionised; market-led expansion of Hino applications
- Product leadership in
 - Bus market (Double Decker, Low floor, CNG)
 - Growth segments of MAV, Tractor
 - Defence segment
- TVS-Irizar, JV for contemporary coach building
Result - higher MS, volumes and premium pricing in growing segments

De-risking Manufacture

- Increased flexibility of manufacturing facilities, labour deployment and manufacturing costs
- Wage settlements at all Units completed in last 2 years with built-in productivity / separation / redeployment
- Supplier base rationalisation
- Processes benchmarked to the best in the world

Goal: Flexible, cost effective manufacturing system

De-risking Market

- Seek volumes in growth segments (MAV / Tractor) and growing markets (North)
- Protect profitability in shrinking segment (Haulage)
- Strengthen infrastructure in key markets thru direct/dealer investment

Result

- *Improved MS in North as well as MAV /Tractor segments*
- *Higher share in Pvt. Passenger & growth in Defence*

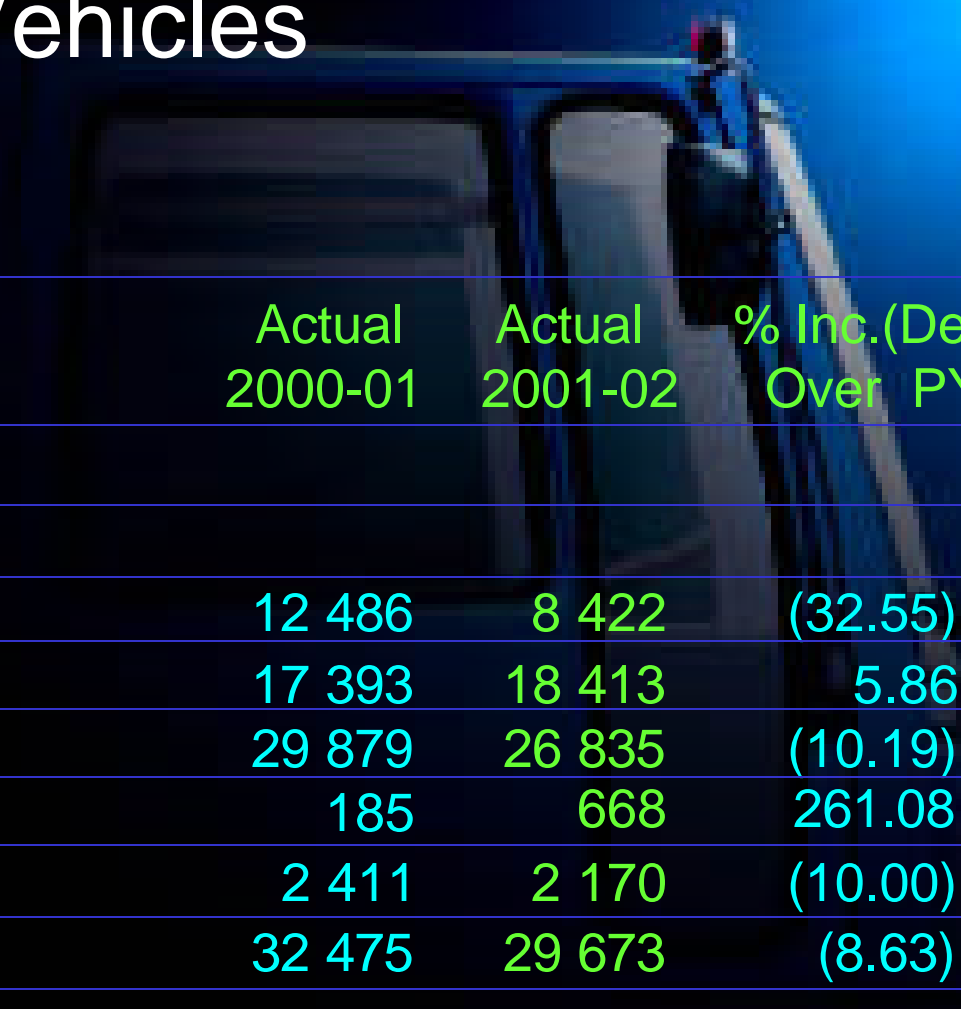
De-risking Assets

- Capex for strategic business requirements - not for capacity expansion
- Conversion of under-utilised Iveco engine line into common line for manufacture of Hino engines
- IT investments to improve processes

Capex spend in the last few years - critical for future

AL Performance

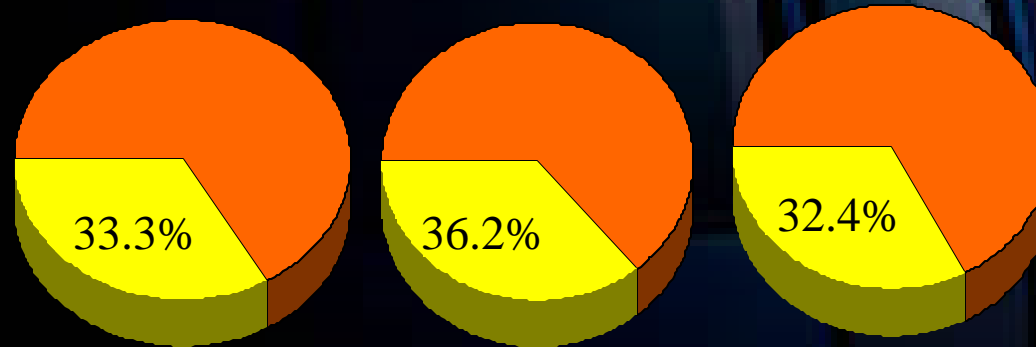
Commercial Vehicles



	Actual 2000-01	Actual 2001-02	% Inc.(Dec.) Over PY
<i>Sales</i>			
Domestic - Civilian			
Passenger	12 486	8 422	(32.55)
Goods	17 393	18 413	5.86
Total	29 879	26 835	(10.19)
Defence	185	668	261.08
Exports	2 411	2 170	(10.00)
Total Vehicles	32 475	29 673	(8.63)
Engines	6 311	5 258	(16.69)
Spares,incl Defence (Rs.Cr.)	514	549	6.8

AL Performance

MDV : TIV Vs Ashok Leyland



Year	1999-00	2000-01	2001-02
TIV	106 261	82 071	84 098
AL	35 374	29 706	27 247

2001-02: Domestic civil market share 33.8%

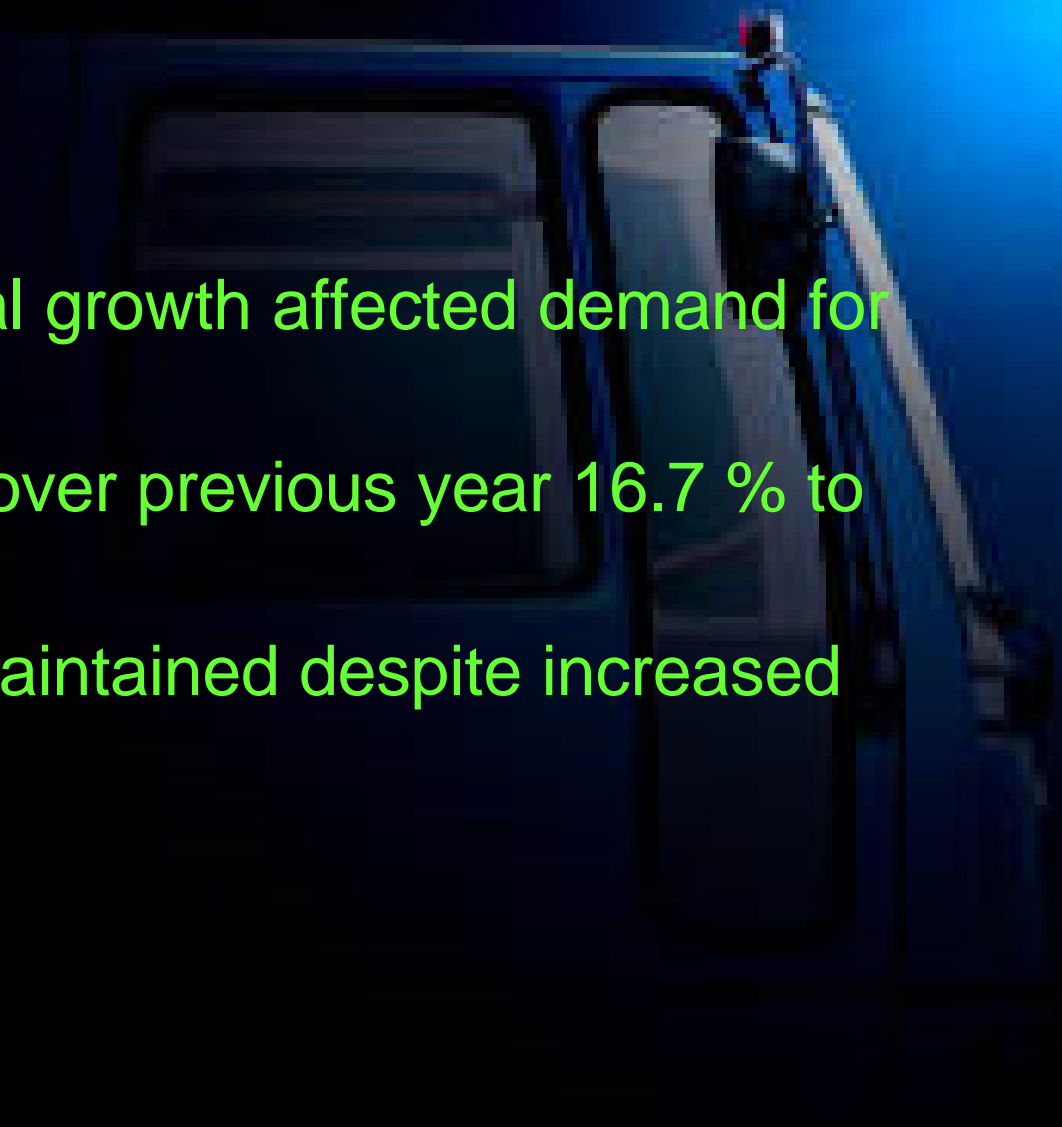
AL Performance

Defence

- Has emerged as a key business segment
- Business volumes in 2001-02 improved significantly
 - Fully built vehicles: Up from 185 nos. in 2000-01 to 668 nos
 - CKD Kits supply : Up by 26% over 2000-01
- Vehicles delivered include Light Recovery Vehicles (LRV) and Truck Fire Fighting (TFF)

AL Performance Engines

- Slower industrial growth affected demand for engines
- Sales dropped over previous year 16.7 % to 5 258 nos
- Market share maintained despite increased competition



AL Performance

Spare Parts

- Shrinkage of AL's strong markets
- Dumping by ancillaries and lower purchases from STUs affected sales - decline from Rs.2 365 mln in 2000-01 to Rs.1 966 mln. in 2001-02

Focus mainly on pipeline stock reduction, mix and profitability

AL Performance

Exports

- Traditional markets in Sri Lanka suffers
- Impact partially mitigated through foray into Bangladesh
- Volume drop from 2 411 nos. in 2000-01 to 2 170 nos. for 2001-02 mainly due to currency risk in Egypt and consequent deferral of despatches

AL Performance

Human Resources

- Focus on change management at shop floor and performance culture
- CFTs and small group activities made significant contribution to knowledge sharing, productivity process improvements and cost reduction - 800 CFTs in action
- Long term productivity linked agreements reached at Ennore and Hosur II plants for unionised staff
- VRS implemented at Ennore; 645 nos. relieved in April; Redeployments / Transition smooth
- Performance-linked compensation package for executives planned

AL Performance

Information Technology

- IT infrastructure at all locations upgraded
- Aimed at
 - Introduction of Enterprise Business Solutions
 - Web-based supply chain and dealer management
 - Connectivity of all business locations

AL Performance

Research & Development

- Thrust on R&D continues on top priority
- Spending stepped up from Rs. 231 mln in 2000-01 to Rs.253 mln (1.1% on Net Sales)

Central, comprehensive R&D infrastructure on the anvil

AL Performance

Finance

- Maximising Assets Turns top priority
- Effective working capital management for reduction in finance charges - 2.8% on sales from 3.4% in previous year
- Wt. avg. cost of borrowings down to 8.2% from 8.9%

Financial Performance

Financial Results

(Rs. millions)

	2000-01	%	2001-02	%
Net Sales / Income from Operations	26 069.99	100.0	26 304.34	100.0
Total Expenditure	23 381.00	89.7	23 465.10	89.2
Gross Operating Margin	2 688.99	10.3	2 839.14	10.8
Other Income	102.28	0.4	179.57	0.7
Interest	888.36	3.4	743.20	2.8
Gross Profit	1 902.91	7.3	2 275.61	8.7
Depreciation	883.50	3.4	953.55	3.6
PBT	1 019.41	3.9	1 322.06	5.0
Provision for Taxation - Current	102.60	0.4	307.00	1.2
- Deferred			92.50	0.4
PAT	916.81	3.5	922.56	3.5
Paid-up Equity Share Capital	1 189.29		1 189.29	
Reserves excl. revaluation reserve	10 326.65		8 315.03	
Earnings per share (Rs)	7.71		7.76	
Dividend per share (Rs)	4.00		4.50	

Financial Performance

Profitability

- PBT at Rs.1 322 mln improved by 30%
- 5 year high in
 - Cash profit - 8.7% as % of sales
 - Return on Investment - 11.6 %
 - PBT as % of sales - 5.02 %

Financial Performance

Cost Management

- Material cost reduction 1.3 % of sales - 5th consecutive year of reduction
- Production & Sales related overhead - second lowest in 5 years
- Administration overhead (net of extraordinary / one time expenses) - equivalent to 1997-98 level
- Manpower cost high at 9.75% of sales; VRS to help in improving productivity
- Interest at 2.8% on sales - lowest in 5 years

Financial Performance

Resources Management

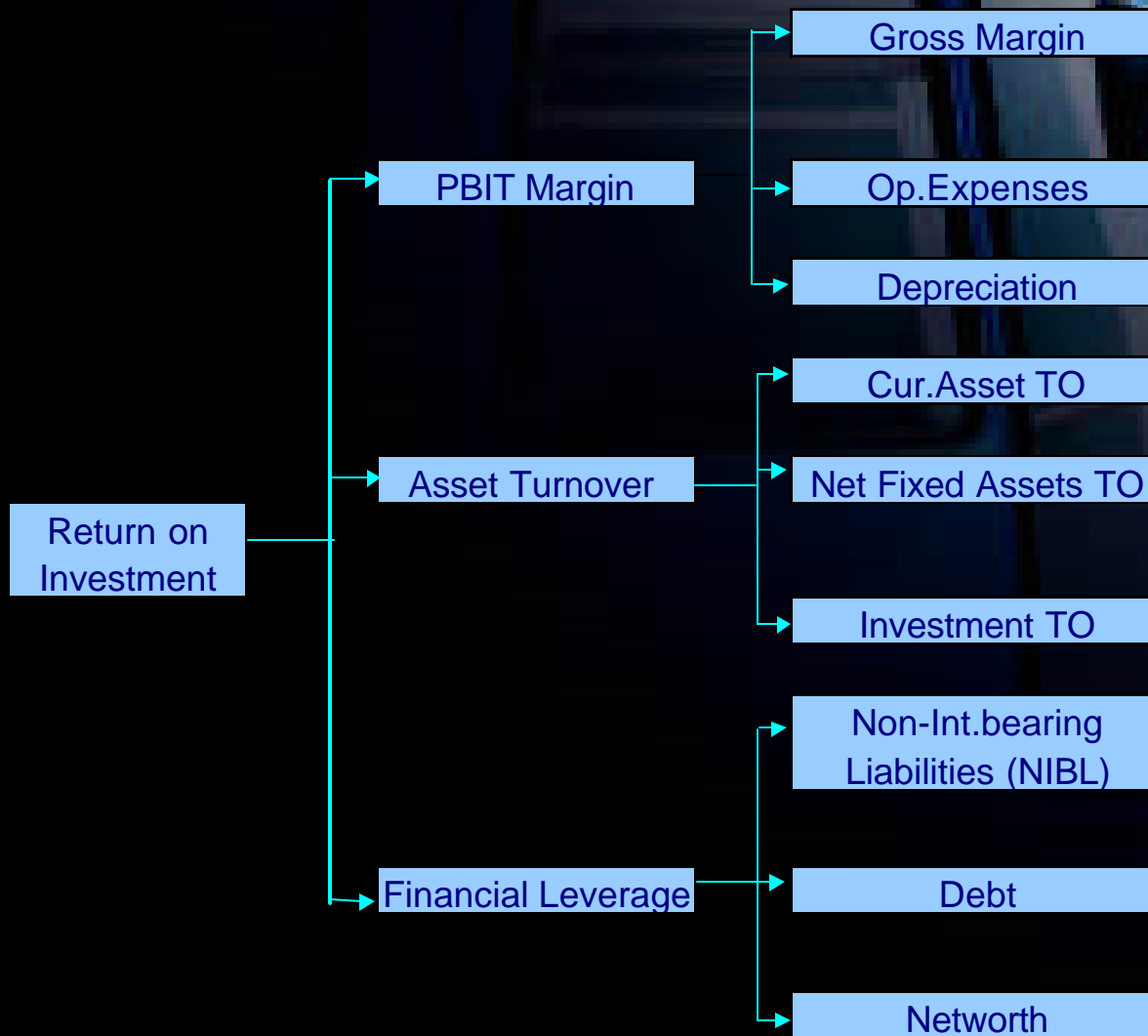
- Asset employed at Rs. 20 831 mln - below 5 years average
- Debt level as on March'02 - Rs. 6 036 mln (net of surplus funds) - 48% lower compared to Mar.97 levels
- Asset Turnover: 1.43 times - 5th consecutive year of improvement
- Working Capital Turnover: 4.18 times - 5th consecutive year of improvement (despite higher CNG & bus inventories)
- 4th consecutive year of net cash inflow - free cashflow generated Rs. 1 630 mln - second highest in 5 years

Financial Performance

Shareholder Returns

- Return on networth 2001-02 increased to 8.41% from 1.73 % in 1997-98 - 5th consecutive year of improvement
- EPS improved to Rs. 7.76 - highest in 5 years
- EVA positive for second year in row

Financial Performance Dupont Model



Financial Performance

Dupont Model

Return on Investment %

97-98	5.18
98-99	5.82
99-00	9.53
00-01	10.34
01-02	11.55

PBIT Margin %

97-98	5.75
98-99	6.00
99-00	7.32
00-01	7.79
01-02	8.11

Asset Turnover X

97-98	0.90
98-99	0.97
99-00	1.30
00-01	1.33
01-02	1.42

Financial Leverage

97-98	2.14
98-99	2.00
99-00	1.84
00-01	1.75
01-02	1.73

Financial Performance

Dupont Model

PBIT Margin %

97-98	5.75
98-99	6.00
99-00	7.32
00-01	7.79
01-02	8.11

Gross Margin %

97-98	26.10
98-99	26.34
99-00	26.63
00-01	28.54
01-02	29.31

Op. Expenses %

97-98	18.43
98-99	18.25
99-00	16.59
00-01	17.73
01-02	18.21

Depreciation %

97-98	3.50
98-99	3.73
99-00	3.17
00-01	3.39
01-02	3.62

Financial Performance

Dupont Model

Asset Turnover (X)

97-98	0.90
98-99	0.97
99-00	1.30
00-01	1.33
01-02	1.42

Current Asset TO (X)

97-98	1.05
98-99	1.27
99-00	1.85
00-01	1.85
01-02	1.96

Net Fixed Assets TO (X)

97-98	2.40
98-99	2.28
99-00	2.82
00-01	2.81
01-02	2.74

Investment TO (X)

97-98	37.72
98-99	36.86
99-00	28.42
00-01	21.87
01-02	22.36

Financial Performance

Dupont Model

Financial Leverage

97-98	2.14
98-99	2.00
99-00	1.84
00-01	1.75
01-02	1.73

Non-Int.bearing Liabilities(Rs.Cr.)

97-98	626
98-99	585
99-00	637
00-01	748
01-02	979

Debt (Rs. Cr.)

97-98	1245
98-99	900
99-00	928
00-01	768
01-02	614

Networth (Rs. Cr.)

97-98	1065
98-99	1075
99-00	1106
00-01	1141
01-02	1006

A dark, futuristic vehicle, possibly a train or a large truck, is shown in profile against a dark background. A bright blue light source is visible in the upper right corner, casting a glow on the scene. The vehicle has a large window and a door. The text "Future Perspective" is overlaid in the center.

Future Perspective

Future Perspective

Product Plans

- 2 new tractor trailers: 4421 and 3518. Modern (A/C sleeper cab, ABS/electronics optional), higher powered with BS 2 Hino engine
- Code “Ecomet” : A whole new series of modern and economical trucks, code named “Ecomet”
- 15 ton GVW, 4x2 haulage, Comet variant model with improved operational economics
- Minibus for export market with factory built world-class body (BS1 Hino engine, 28 -32 seater)
- Service/finance products

Increased focus on customer viability

Future Perspective Markets

- CNG market turning active
- STUs resume buying
- MAV, TT growth to continue
- Private passenger market set to grow through privatisation

In each of these segments, AL has improved its MS or has a share higher than its overall MS

Future Perspective

Momentum for Future

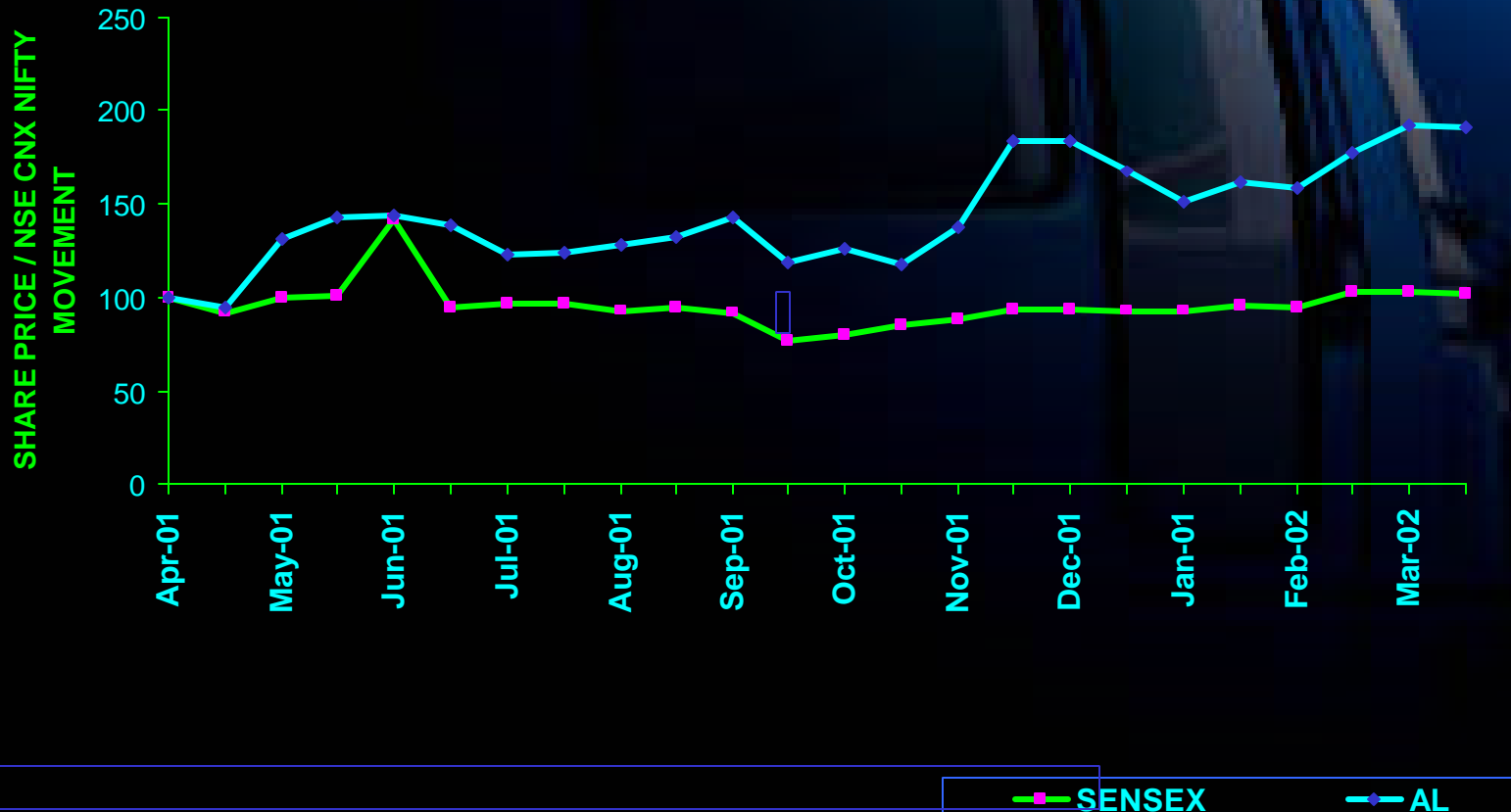
- A trimmer, 12 500-strong organisation
- Heightened employee participation: 800 CFTs at work
- New levels of productivity, flexibility, multi-tasking via wage settlements

Gains from change management will fuel the future

AL: Share Price movement in NSE

MOVEMENT OF AL SHARE PRICE Vs. NSE CNX NIFTY

APRIL 2001 TO MARCH 2002





Thank You