

ANALYSTS MEET – 2003

Hosur



June 12, 2003

Presentation Outline

Economy	
CV Industry	
AL 2002-03	Performance : Recap
	Performance Highlights
Key Initiatives	Products
	Marketing
	Others
Strategic pursuits	Future Direction
Future Prospects	

Economy

CV Industry

AL 2002-03

Key Initiatives

Strategic pursuits

Future Prospects

Performance : Recap

Performance Highlights

Products

Marketing

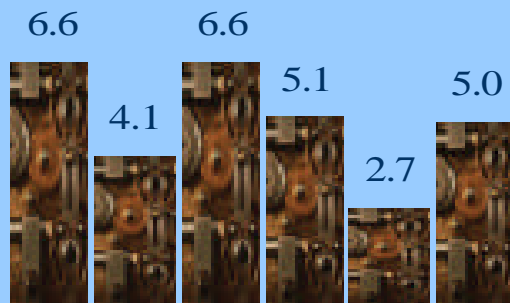
Others

Future Direction

Economy: In Growth Mode

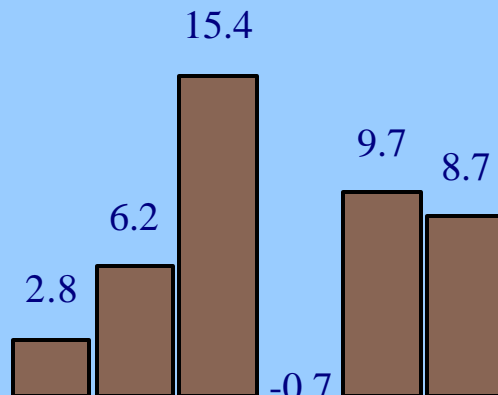
Source : CMIE

Industrial Production



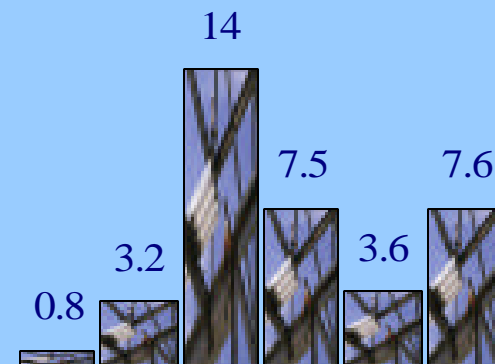
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Cement



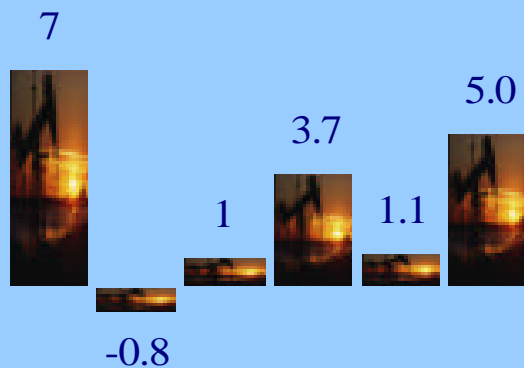
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Steel



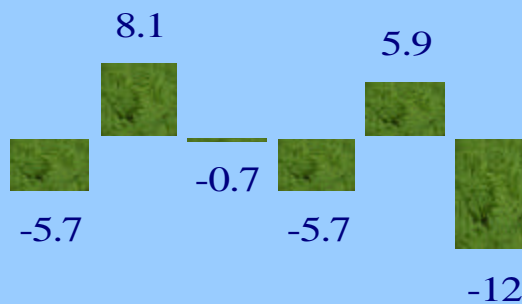
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Mining & Quarrying



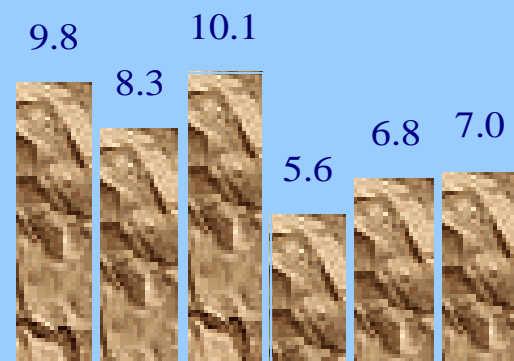
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Agricultural Production



97-98 98-99 99-00 00-01 01-02 02-03

Services



97-98 98-99 99-00 00-01 01-02 02-03

Economic Analysis

- GDP at 3.7%(02-03) lowest in past decade
 - still higher than most economies
- Lower GDP figs not revealing; improved growth in industry output benefits CV industry most
- Investments in infrastructure will help in de-bottleneck and spur economy to higher trajectory.
- Economy strong enough to withstand sectoral downslides and global fallouts.

Better quality of growth favours CV industry

Economy

CV Industry

AL 2002-03

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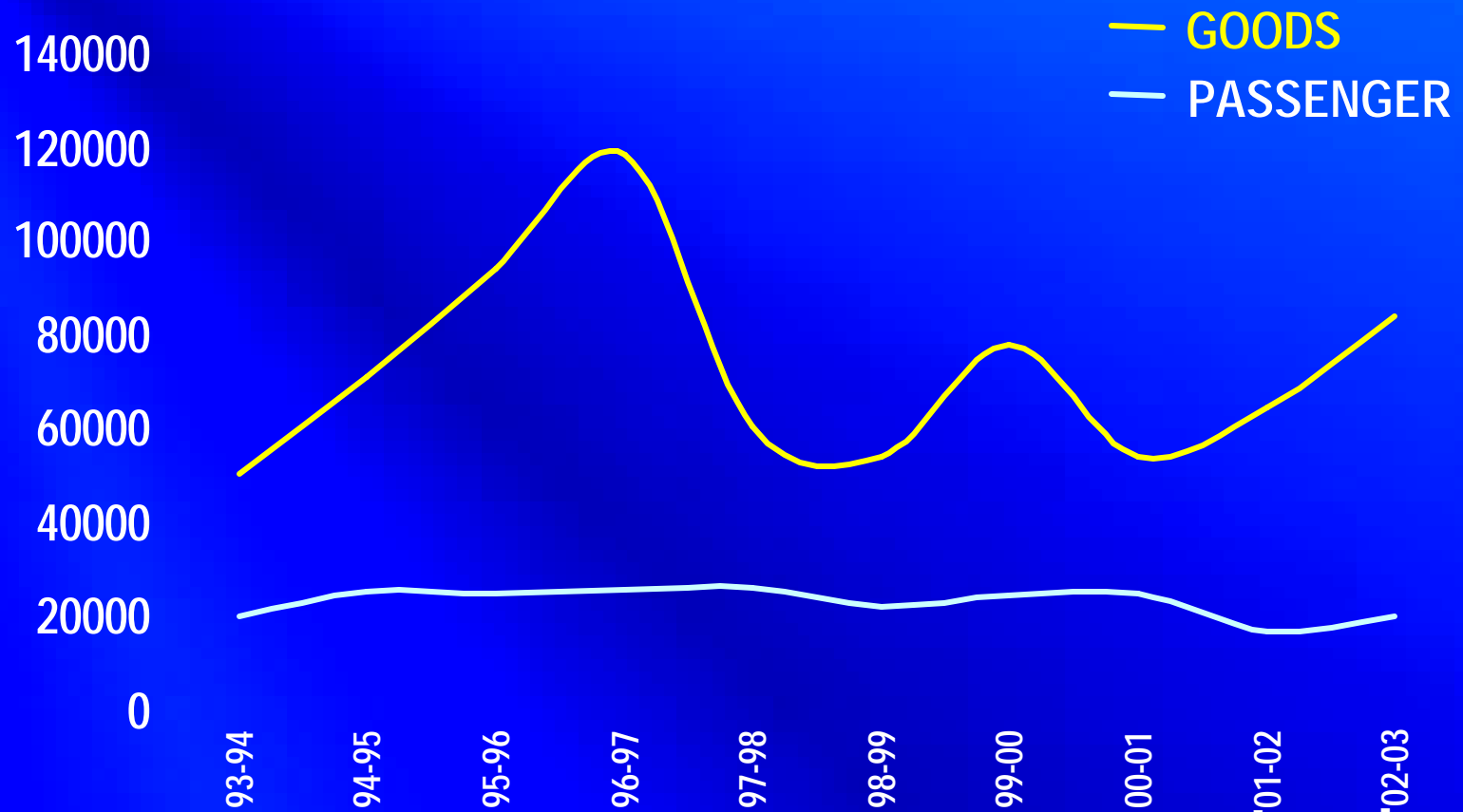
Products

Marketing

Others

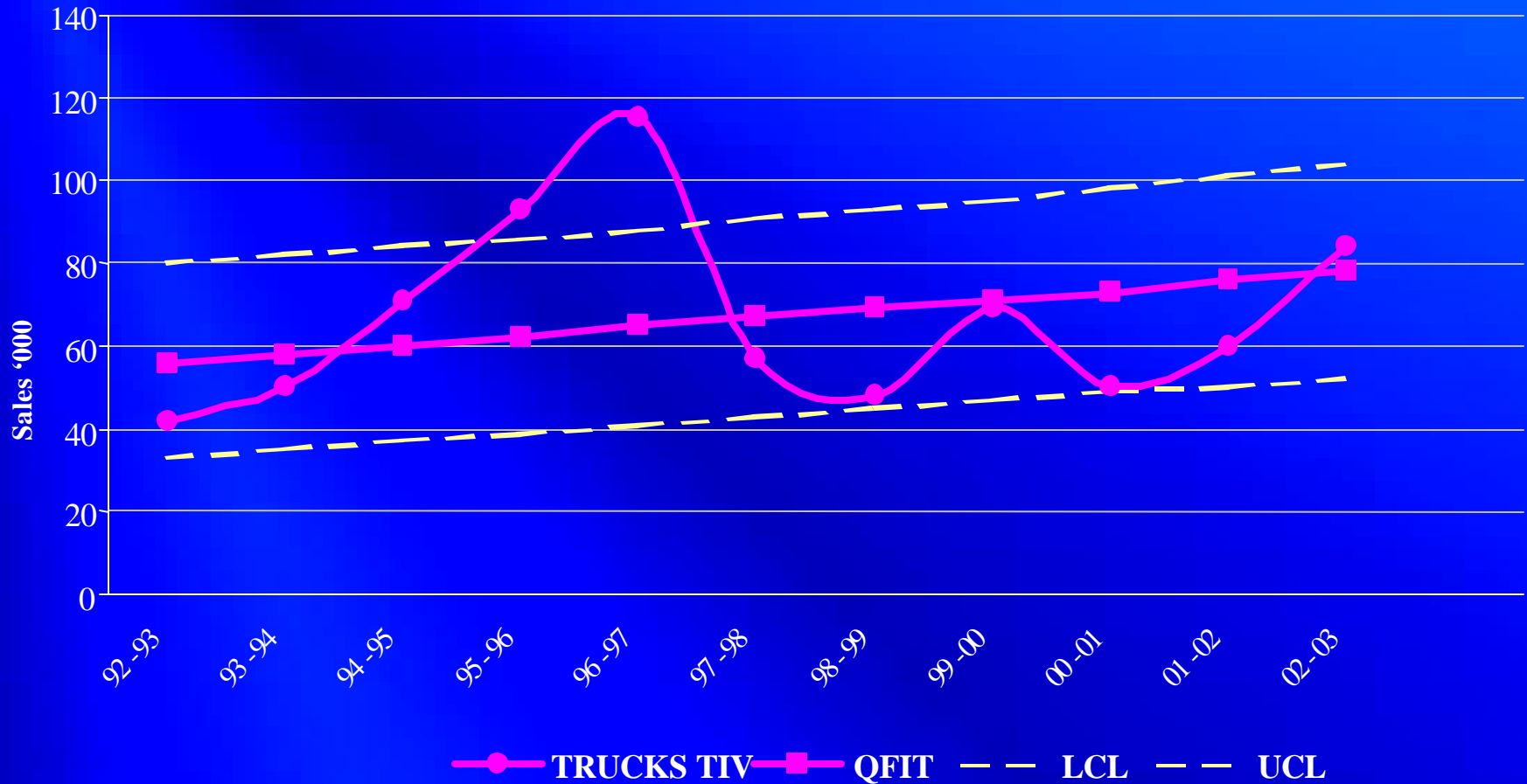
Future Direction

CV Industry: TIV Growth trends



Quality of trade cycles improving: “peaks” and “lows” will be at higher levels

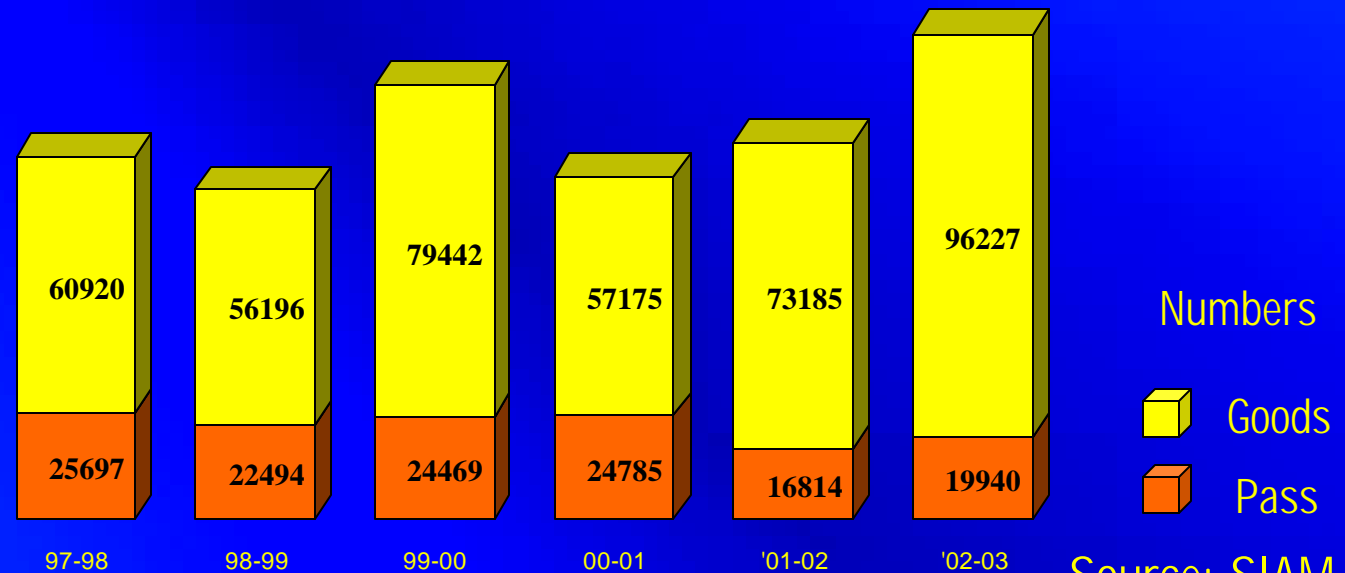
CV Industry :Trucks - Quadratic Fit



02-03 Volumes uptrend ; A good sign

CV Industry : MDV TIV - Pass Vs. Goods

- Bus market looks up with 19% growth
- Led by 40%+ growth in 4x2 haulage and MAV, goods demand up 31%
- 4x2 haulage in North doubles y-o-y



Source: SIAM

CV industry : Current Status

- Current demand drivers
 - NHAI project initiatives
 - Mandatory replacements (> 15 years, Emission replacements)
 - Price / Finance competitiveness
 - Trucking business remains an attractive business proposition
 - Single Truck Operators (STO) continue to co-exist
- Viability: key determinant for purchase decision; consolidation of freight and lower interest cost helps
- Lopsided growth across the country affecting demand distribution.

CV industry – Continuing Trends

- Bus: Transition towards segmentation
 - Mass market
 - Luxury – Intercity
- Trucks: Development of application specific models
 - MAV
 - Tippers
 - Tractors
 - Haulage
 - Auto Carriers
 - Readymix
 - Project sites
 - Mines
 - Refrigerations

Product offerings to deliver more value and improve profitability for the operator

Economy

CV Industry

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Performance : Recap

Performance Highlights

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Performance (02-03) : A Recap

Composition of Sales

	2001-02	2002-03	% Inc. (Dec.)
Domestic - Civilian			
Passenger	8 422	9 925	17.8
Goods	18 413	23 649	28.4
Total	26 835	33 574	25.1
Defence	668	320	(52.1)
Exports	2 170	2 550	17.5
Total Vehicles	29 673	36 444	22.8
Engines	5 258	5 924	12.7
Spares incl. Defence (Rs.Mil.)	5 492	4 771	(13.1)
<u>Production</u>			
Vehicles	31 824	33 646	5.7
Engines	5 201	5 917	13.8

Performance (02-03) Recap: Financial Performance

YEAR ENDED (AUDITED) Rs. millions

	31.03.2003	31.03.2002	YOY %
Net Sales/Income from Operations	30,739.95	26,304.34	16.9
Expenditure			
a) (Increase) / Decrease in Finished / Trading Goods	1,594.31	(1,291.35)	(223.5)
b) Consumption of raw materials (including WIP)	16,134.13	15,609.37	3.4
c) Staff cost	2,906.46	2,570.68	13.1
d) Excise Duty	3,753.31	3,692.00	1.7
e) Other expenditure	3,102.17	2,772.80	11.9
Total	27,490.38	23,353.50	17.7
Gross Operating Margin	3,249.57	2,950.84	10.1
Other Income	152.93	179.57	(14.8)
Financial Expenses	585.10	825.12	(29.1)
Gross Profit	2,817.40	2,305.29	22.2
Depreciation	1,029.69	953.55	8.0
Profit Before Tax and extraordinary item	1,787.71	1,351.74	32.3
Extraordinary item - VRS compensation amortised	86.69	29.68	192.1
Profit Before Tax	1,701.02	1,322.06	28.7
Provision - Current Taxation	442.50	307.00	44.1
- Deferred Taxation	56.40	92.50	(39.0)
Net Profit	1,202.12	922.56	30.3
Cash Profit	2 288.21	1 968.61	16.2
Basic Earnings Per Share (Rs.)	10.11	7.76	30.3
Cash Earnings Per Share (Rs)	19.24	16.55	16.2
Dividend Per Share (Rs.) (Recommended)	5.00	4.50	11.1

Performance(02-03) Recap

Key Ratios

Return on Investment

98-99	5.82%
99-00	9.53%
00-01	10.34%
01-02	11.55%
02-03	13.93%

PBIT Margin

98-99	6.00%
99-00	7.32%
00-01	7.79%
01-02	8.11%
02-03	7.68%

Asset Turnover X

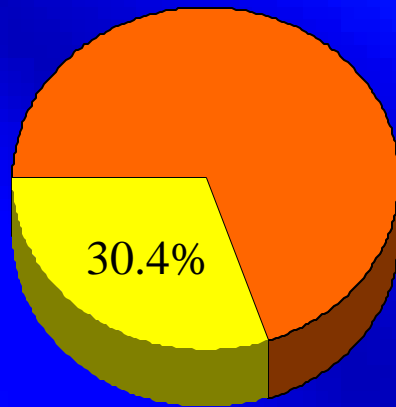
98-99	0.97
99-00	1.30
00-01	1.33
01-02	1.42
02-03	1.81

Debt / Equity

98-99	0.87
99-00	0.85
00-01	0.80
01-02	0.73
02-03	0.64

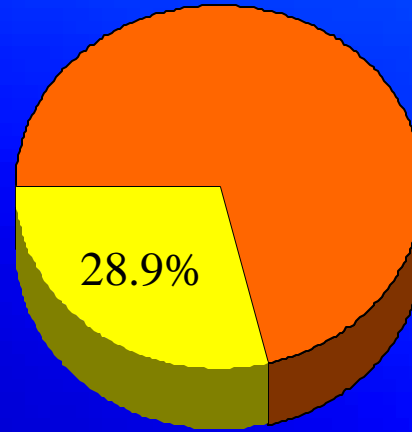
ROI continues to improve

Performance (02-03) Recap: MDV : Market share



2001-02

TIV 89 999
AL 27 245



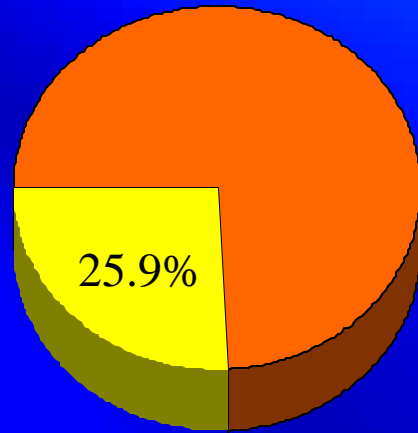
2002-03

116 167
33 581

Source: SIAM

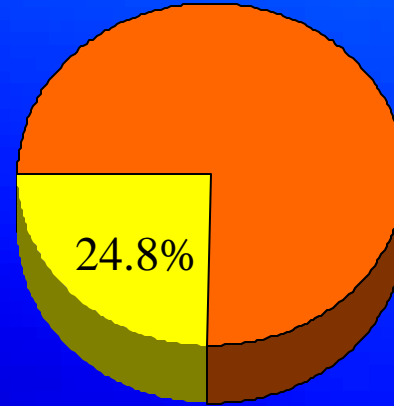
TIV includes other players as well

Performance(02-03) Recap: MDV : Goods Market share



2001-02

TIV	73 185
AL	18 961



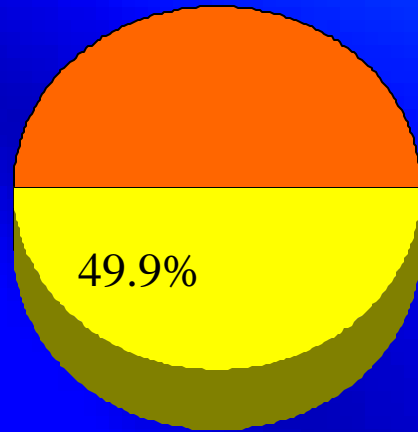
2002-03

TIV	96 227
AL	23 838

Source:SIAM

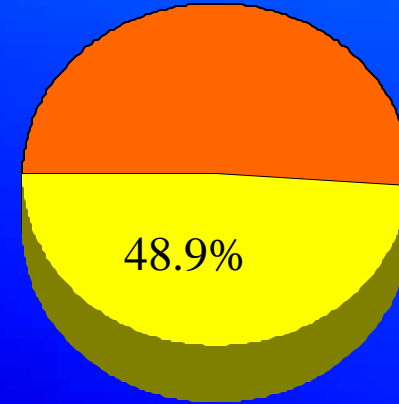
**Competitiveness improved in Q4
through new product introductions**

Performance(02-03) Recap: MDV : Passenger Market share



2001-02

TIV	16 612
AL	8 284



2002-03

19 940
9 743

Source: SIAM

**Lower volumes from STUs
compensated through private sector**

Economy

CV Industry

AL 2002-03

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Performance : Recap

Performance Highlights

Products

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Future Direction

Performance Highlights (02-03)

- BS II upgradation completed.
- Strategic shift to "H" series engines; H Series engine capacity increased through major re-engineering
- "H" series launched: Q4 witnessed market share gain
- Contemporary aggregates fitted in 2/3 vehicles (Hino Engine / ZF GB)
- Exports of 2,550 vehicles : All time high
- Manpower strength down by 10.3% YOY (separations: 1173 Nos.) (Equal to 89-90 level)
- Financial expenses: Lowest in the last 6 years

Economy

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AL 2002-03

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Future Direction

Product: Technology Developments

- "H" series variants
 - Introduction of "J" series
- } Range will be 80 – 260 HP
- Upgraded aggregates
 - Front axle
 - DANA / MERITOR Rear Axle
 - ZF Mark II GB
 - High Torque Transmission
 - E-comet (GVW 7 – 11 Tonnes)
 - Heavy Vehicles (GVW 40 T+)
 - Irizar TVS 'Inter-century' Bus

Will deliver better value and fill product gaps

Product: Technology Developments (contd..)

- Tie-ups with world majors for all aggregates
 - Engines : Hino, Japan
 - Gearbox : ZF, Germany
 - Axles : Meritor / Dana, USA
- Emission norms : Upgradation to BS-II (equivalent to Euro II) complete
- In-house R & D: Increased thrust through higher outlay on facilities and recruitments
- Contemporary vehicle and engine R & D facilities
- Advanced Engineering initiatives

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Marketing

- Process initiated to convert AL into a customer centric organization
- Will enable
 - Creation of sound data base for better customer insight
 - Configure products to address specific requirements
 - **Partnering with customer** during life time of the product for improving business economics and mitigating business risks
 - Enhancing customer satisfaction through participation in the entire value chain of customers' business

Marketing (contd..)

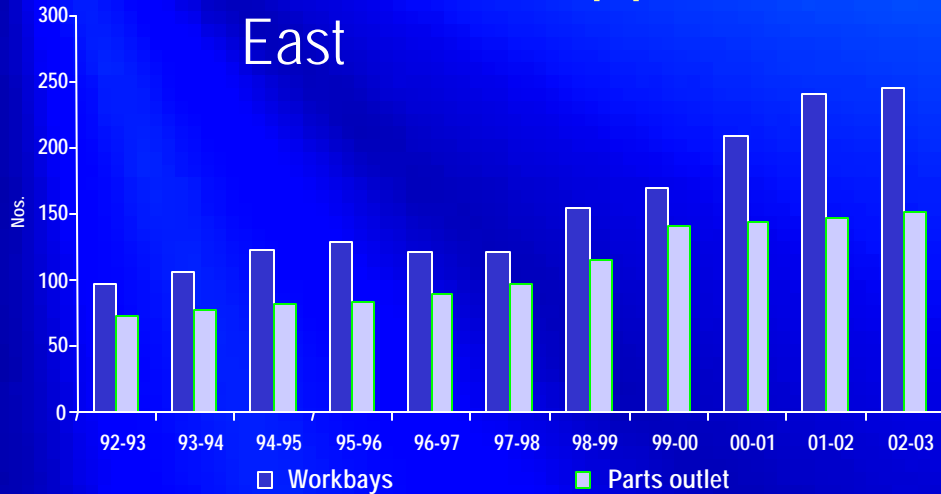
Major actions include

- Network AL Marketing set-up incl. Dealerships and customer touch-points
- Institutionalise work processes for integrated approach in serving customers
- Develop, through a business partnership approach, bouquet of after-sale products covering parts, maintenance services, unit exchange, co-marketing, finance, etc.

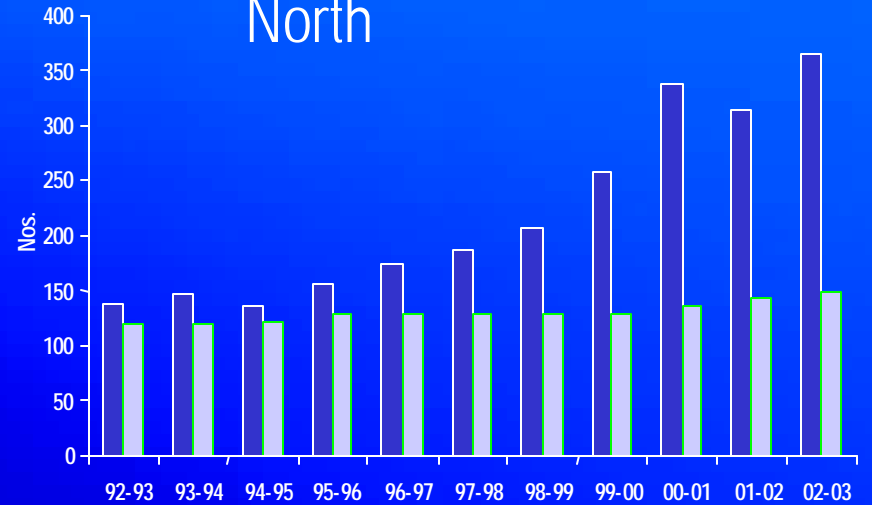
Marketing (contd..)

After-sales support

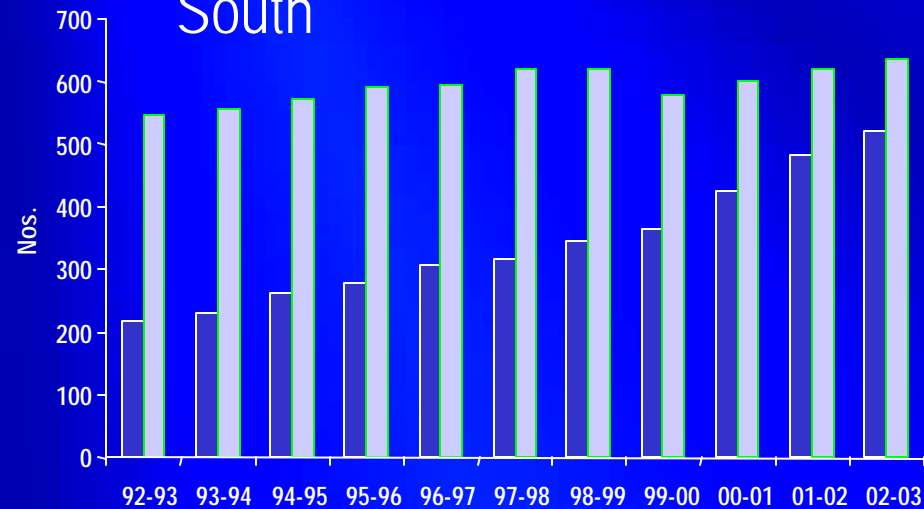
East



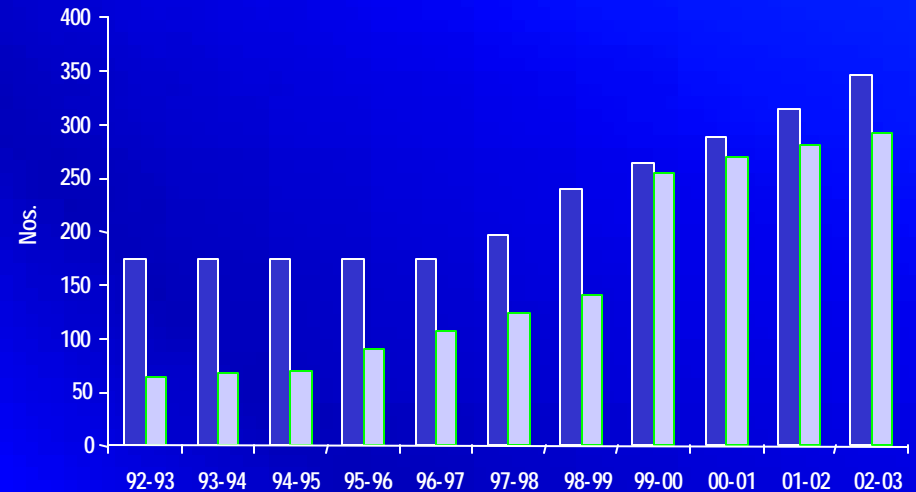
North



South



West

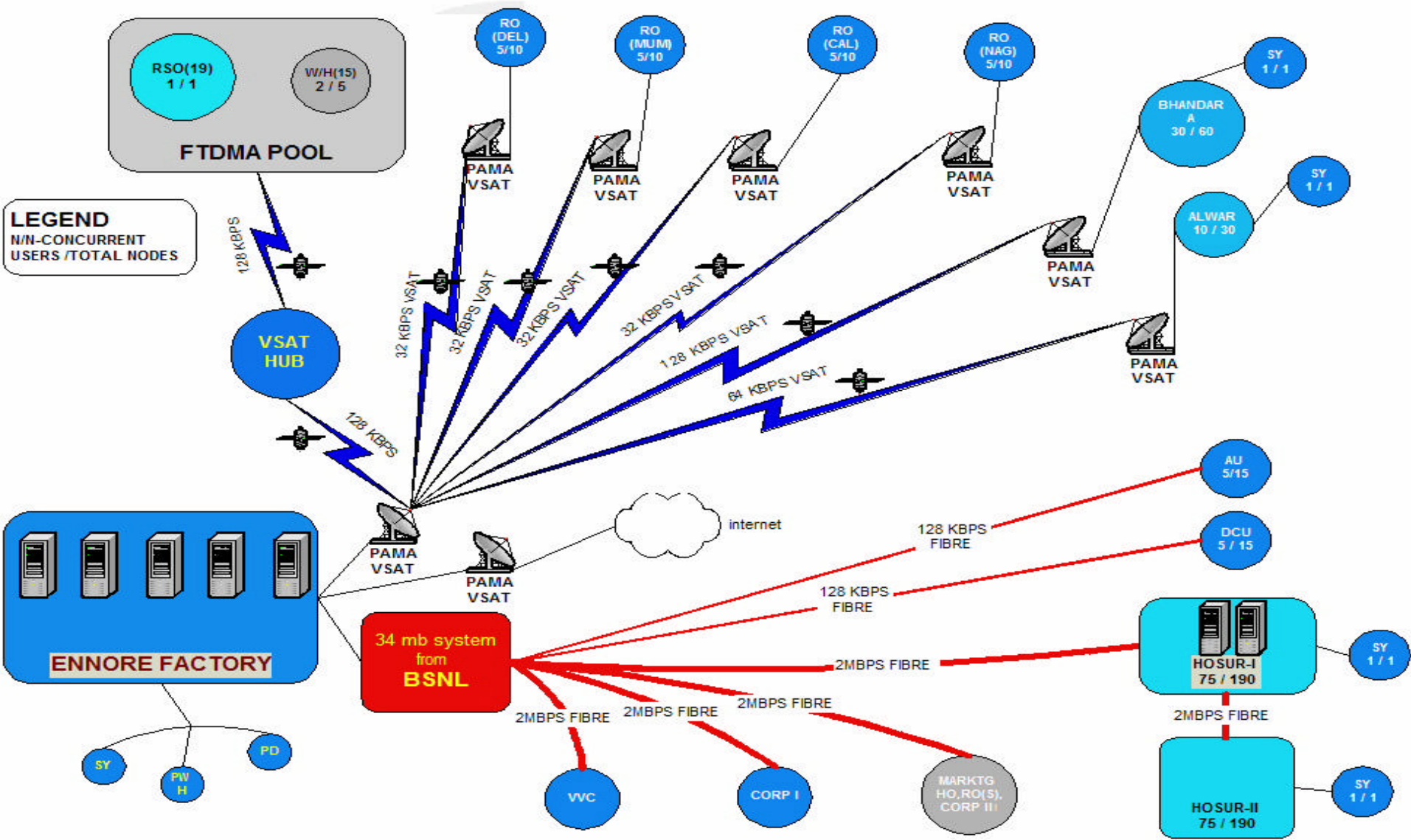


Focus on marketing infrastructure will remain a priority

Marketing : Leveraging IT



AL NET



Marketing : Leveraging IT

- Customised ERP implementation
- WAN connectivity with leased lines among manufacturing, marketing and Product Development
- Customer Relationship Management with dealer management system and forecasting module
- E-Commerce – SCM initiatives
- Decision Support system – Data Warehousing and Mining

State-of-the-art Data Centre at Ennore a proud achievement

Marketing : Customer Management Initiatives

- Special project launched for
 - Seamless interface with customers / marketing network
 - Aims at
 - Knowing customers and requirements better
 - Providing cost effective solutions to improve operational efficiencies and viability
 - Improve vehicle up-time
 - Enhance customer service standards
 - Offer value added services including financing

Economy

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Other Initiatives

- Major HR initiatives launched
 - Competency Mapping and Development
 - Future Leadership Programmes
 - Total Employee Improvement Programmes
- Asset restructuring thru Share Premium write off completed
- Major Export Order for supply of trucks for Iraq
- Ashok Leyland Finance subsidiary since May'03

Economy

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Strategic pursuits: Future Directions

- Redefine target markets and deepen product penetrations
- Enhance competitiveness and emerge as a Tier-1 supplier to other auto majors

Economy

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Future Direction

Future prospects

- Economic growth linked to public investments.
- Investments in Infrastructure and industrial growth likely to aid CV industry and AL's growth prospects
- Agriculture : Food grain movements and drought relief to generate freight
- Passenger segment : Privatisation initiatives holds potential for volumes
- Exports – Business development opportunities

Thank you