

ICICI Securities Investor Conference

Presentation by
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Presentation Outline

- Environment Scan: Indian Economy
- Indian CV industry
 - Current Status
 - Business Trends
- Ashok leyland
 - Growth Strategy
 - Performance 2002-03

Environment Scan-Indian Economy

- GDP at 3.7%(02-03) lowest in past decade
- still higher than most economies
- Investments in infrastructure fuels growth;
will be critical for future growth as well.
- Industry(4.9%) & Services (7%) do well;
Agri (-4.4%) suffers from drought – influence on the wane.
- Economy strong enough to withstand sectoral
downslides and global fallouts.

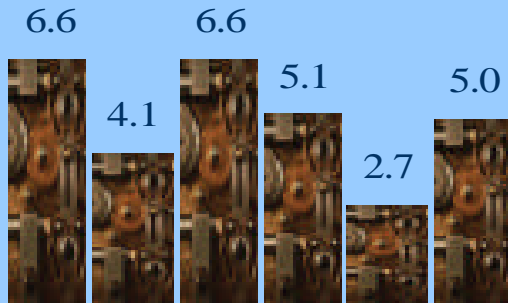
***Massive public investments and acceleration of reforms –
a must for achieving 8% growth targets***

Environment scan

Economy in Growth Mode

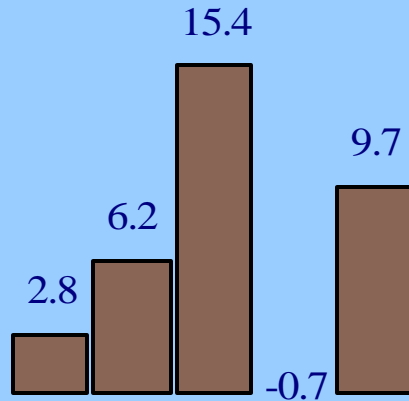
Source : CMIE

Industrial Production



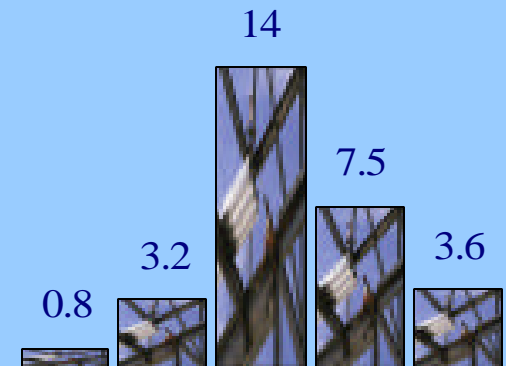
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Cement



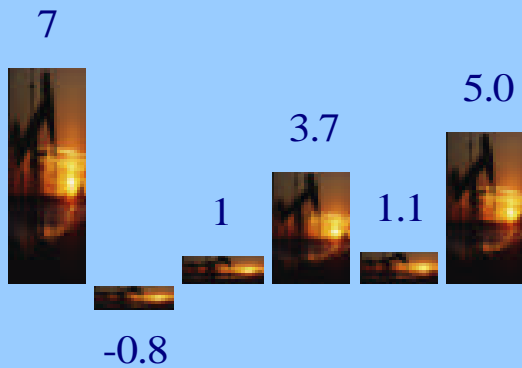
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Steel



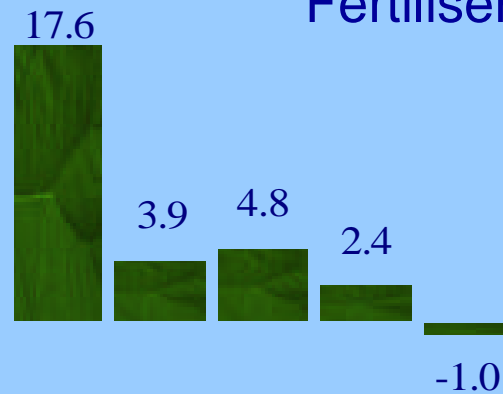
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Mining & Quarrying



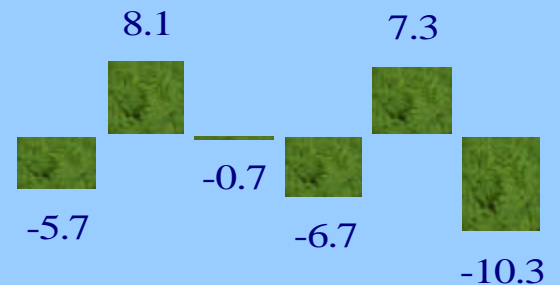
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Fertilisers



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

Agricultural Production



97-98 98-99 99-00 00-01 01-02 02-03(P)

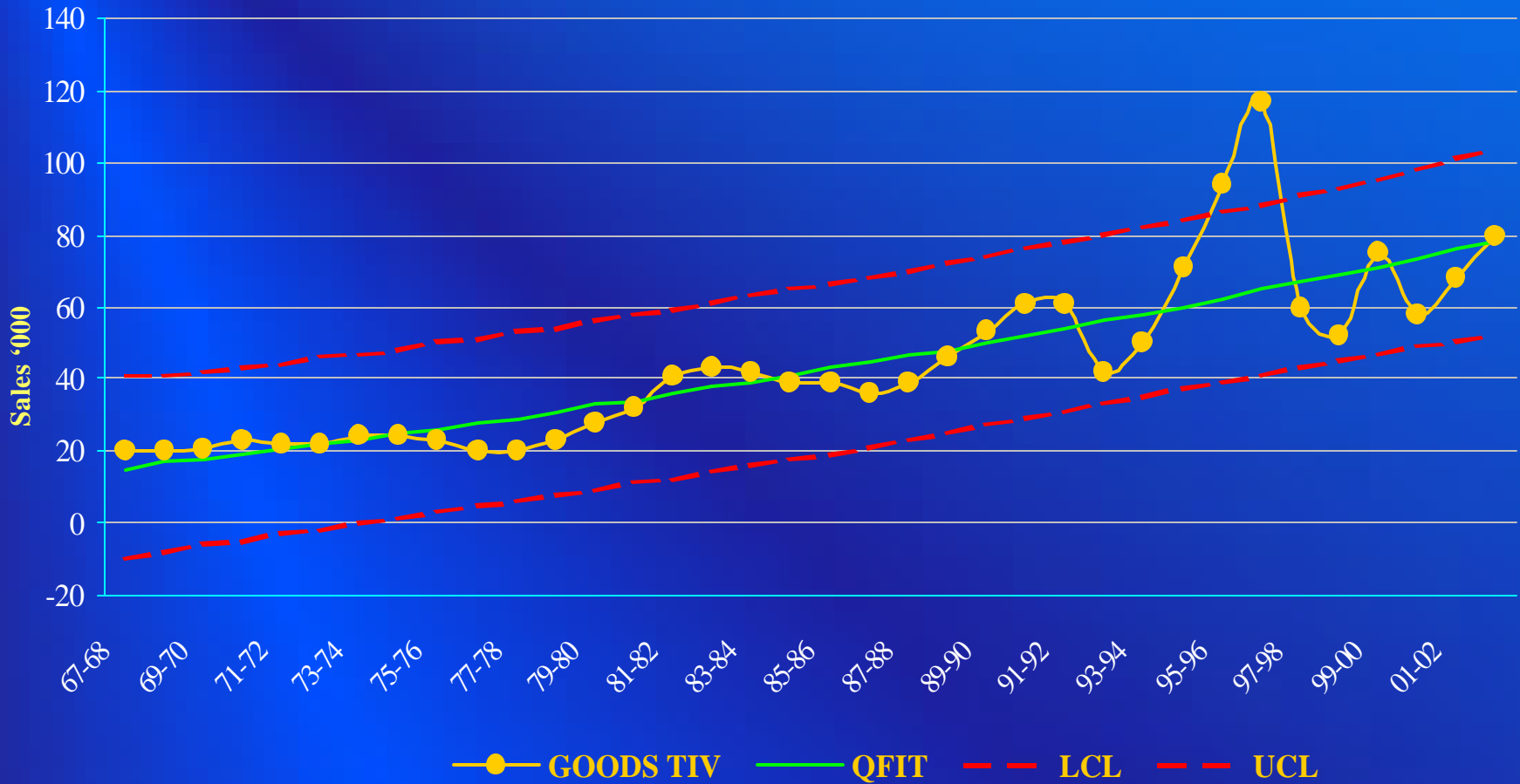
Indian CV industry

Current Status

- Current demand drivers
 - Mega road projects
 - Investments in rural and urban infrastructure
 - Replacement demand
- Decline in Agriculture production will impact at a lag; But food grains movement from surplus stock may be stepped up. Industrial recovery positively impacting demand
- Beginning of privitisation of public transport in key States
- Viability: key determinant for purchase decision; consolidation of freight and lower interest costs helps
- Lopsided growth across the country affecting demand distribution.

Current Status (contd.)

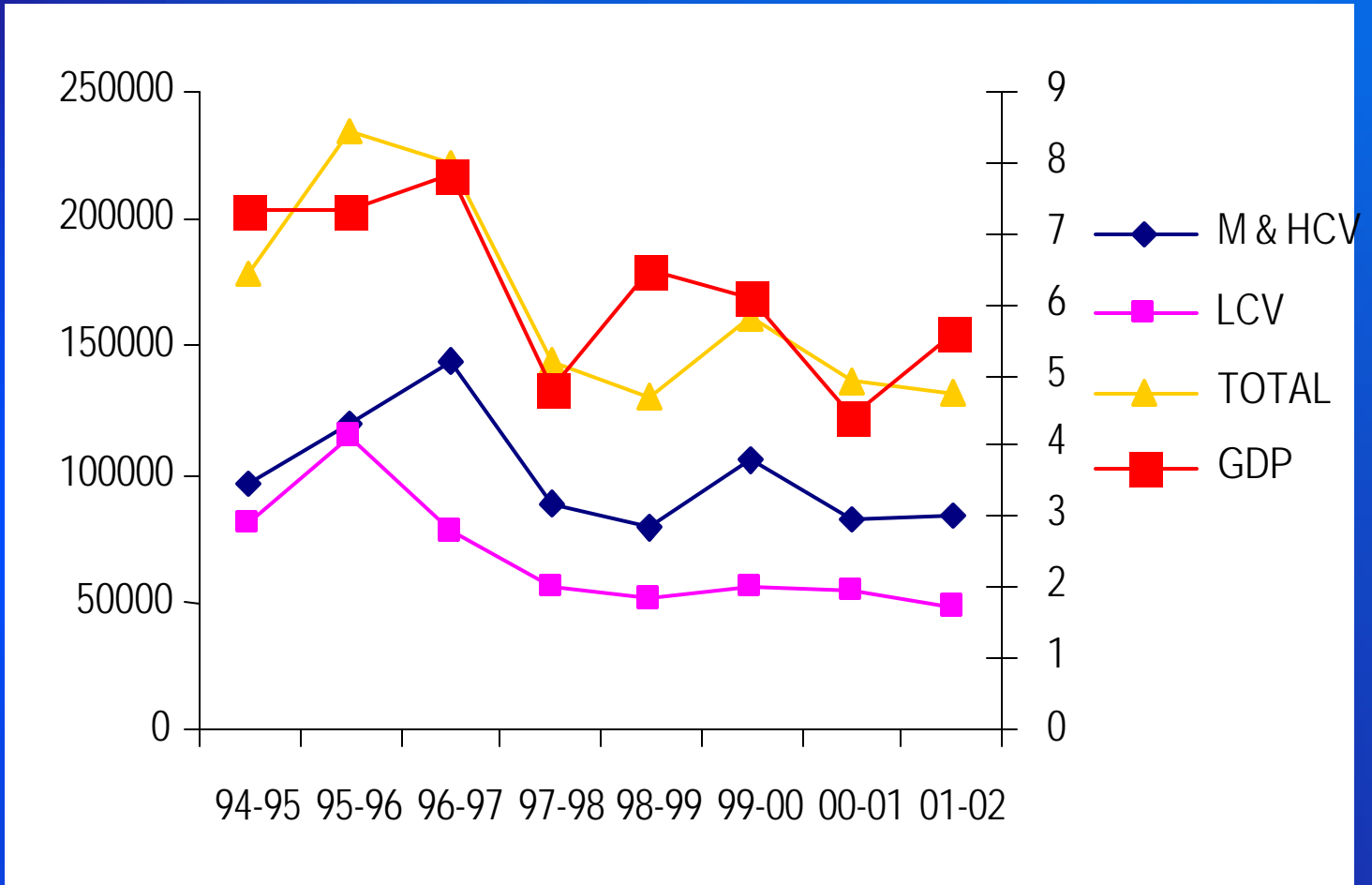
FORECASTING TRUCKS TIV BASED ON QUADRATIC FIT



Demand has mostly remained above UCL

Current Status (contd.)

GDP and CV Demand



**Correlation exists between GDP and CV demand ;
Current demand driven by augmentation needs**

Business trends

Evolution of New Customer Era - Increasing customer focus

- 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

Strategy aims delivery of more value and improve viability for the operator

Business trends (contd.)

Evolution of New Customer Era - Fleet consolidation

Truck segment

- Recession drives away single truck owners
- Freight consolidation boosts demand for MAV: significantly improves viability
- Other implications would include:
 - Bargaining power
 - Resilience
 - Experimenting new products
 - Service delivery commitments
 - Prepared to pay for value in return
- Increasing focus on CRM and win customer loyalty

Business trends (contd..)

Bus segment:

- Emergence of new class: Omnibus / Tourist operators
- Evaluation of Brand vs. Economic viability
- Higher private participation in public transport – diminishing role likely for STUs

Drives manufacturers to deliver more value

Business trends (contd.)

Ashok Leyland's prospects, as a leading player in Commercial Vehicle business (predominantly in >12 GVW MDV segment), industrial and marine engines and spare parts business is dependant on economic growth obtaining in the country and its ability to participate in the entire value chain of CV business.

Ashok Leyland - Growth strategy

Technology

- Tie-ups with world majors for all aggregates
 - Engines : Hino, Japan; AVL, Austria
 - Gearbox : ZF, Germany
 - Axles : Meritor / Dana, USA
- Emission norms : Upgradation to BS-II (equivalent to Euro II) complete
- Pioneer in introducing contemporary features and CNG
- In-house R & D: Increased thrust through higher spending and recruitments at senior level

Technology leadership in Indian CV market in the last 5 decades

AL Growth strategy (contd..)

Manufacturing facilities

- Plants specialise in aggregate manufacture
- Capacity adequate to meet upsurge in demand
- Contemporary processes benchmarked with the best by AT Kearney
- Employee led movements for continuous improvement

AL Growth strategy (contd..)

Manpower

- Down to 11,900 now from a high of 15,274 in 1996
- 1160 separations during 2002-03 completed through VRS
- Further VRS likely in 2003-04 to shed 500 +
- No major additions required for higher volumes
- Cost set to grow at lower pace with reference to volume expansion

AL Growth strategy (contd..)

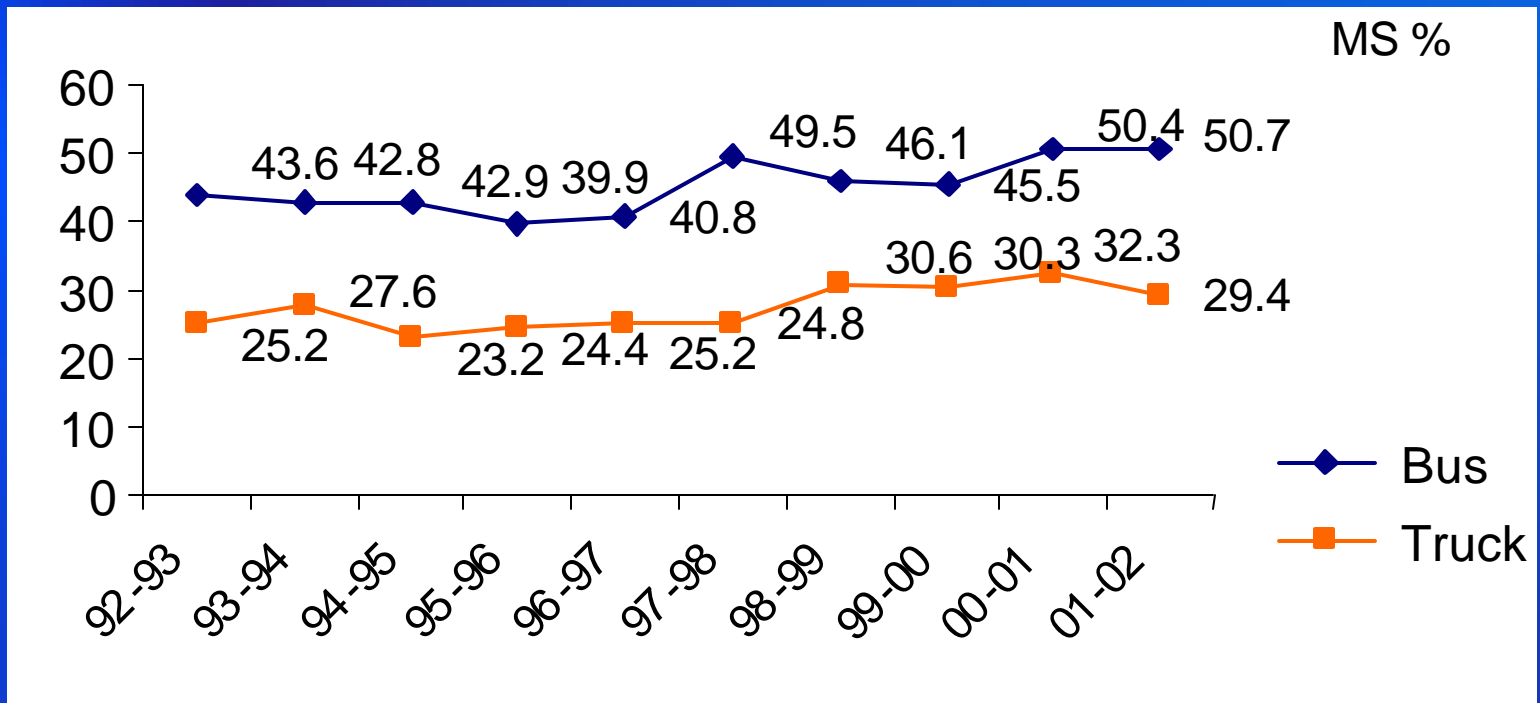
Product

- New product offerings centered around improving viability of operators e.g. "H" series
- Segmentation made based on applications like mining, road work, etc. e.g. RUBIC
- Development of vehicles combining best of aggregate technologies e.g. Hino engine, ZFGB, Meritor Axle, etc.
- Thrust for ICV & LCV product launches in 2003-04

Product value comparable with best in market place

AL Growth strategy (contd.)

MDV : Market Share



Decade marks significant increase in market share in both segments

AL Growth strategy (contd..)

Market share (MDV segment)

- Market share loss in last 2 years in MDV segment attributable to
 - Substantial growth in Haulage segment in Northern Region
 - Poor offtake by STUs
 - Supply of Defence supplies as CKD items
- Improvement expected when
 - Southern & western markets sustain / improves current momentum
 - Privatisation of STUs get implemented
 - “H” series launched at national level

AL Growth strategy (contd..)

Market reach

- Dealerships / outlets – Reach and effectiveness improved with particular focus to North (max outlets opened in North in 3 years)
- Current strength:

Dealerships	54
Outlets	138
Authorised Service Centres	121
- Service back-up and Parts availability has improved visibility and customer satisfaction
- Results in higher market share in North – from 11.9% in 1989-90 to 19% in 2002-03 (Apr.-Jan.)

AL Growth strategy (contd..)

Cost Management

- Material costs: Reductions achieved consecutively during the last 5 years;
- Operating expenses - inflationary pressures tackled through productivity increases; manpower costs reflect full impact of wage agreements
- Debt levels maintained but for outflow for VRS and online funding to ALF; reflected in lower borrowing costs.
- Total cost management approach to improve profitability
- Higher asset turns thru innovative product value offerings

Strategic approach to sustain savings and improve competitiveness

AL Growth strategy (contd..)

Financial Restructuring

- Fixed Assets and Investments – restated at realistic levels based on future utilisation levels.
- VRS effected to shed 1,160 nos. – outgo Rs.63 Cr.
- Loans aggregating to Rs.105 Cr. prepaid to take advantage of lower interest rates.
- Above items aggregating to Rs. 160 Cr.to be adjusted to Securities Premium Account; Legal processes completed.
- Likely to result in lower charge of Rs.38 Cr.(before tax) for full year.

Ashok Leyland - Performance: 02-03

Volumes

	9 Months ended		FY
	2002-03	2001-02	2001-02
<i>Domestic</i>			
MDV			
- Passenger	6 942	5 824	8 422
- Trucks	14 806	12 387	18 961
Total	21 748	18 211	27 383
LCV	84	129	120
TOTAL	21 832	18 340	27 503
<i>Exports</i>	1 765	1 505	2 170
Total Vehicles	23 597	19 845	29 673

AL - Performance : 02-03 (contd..)

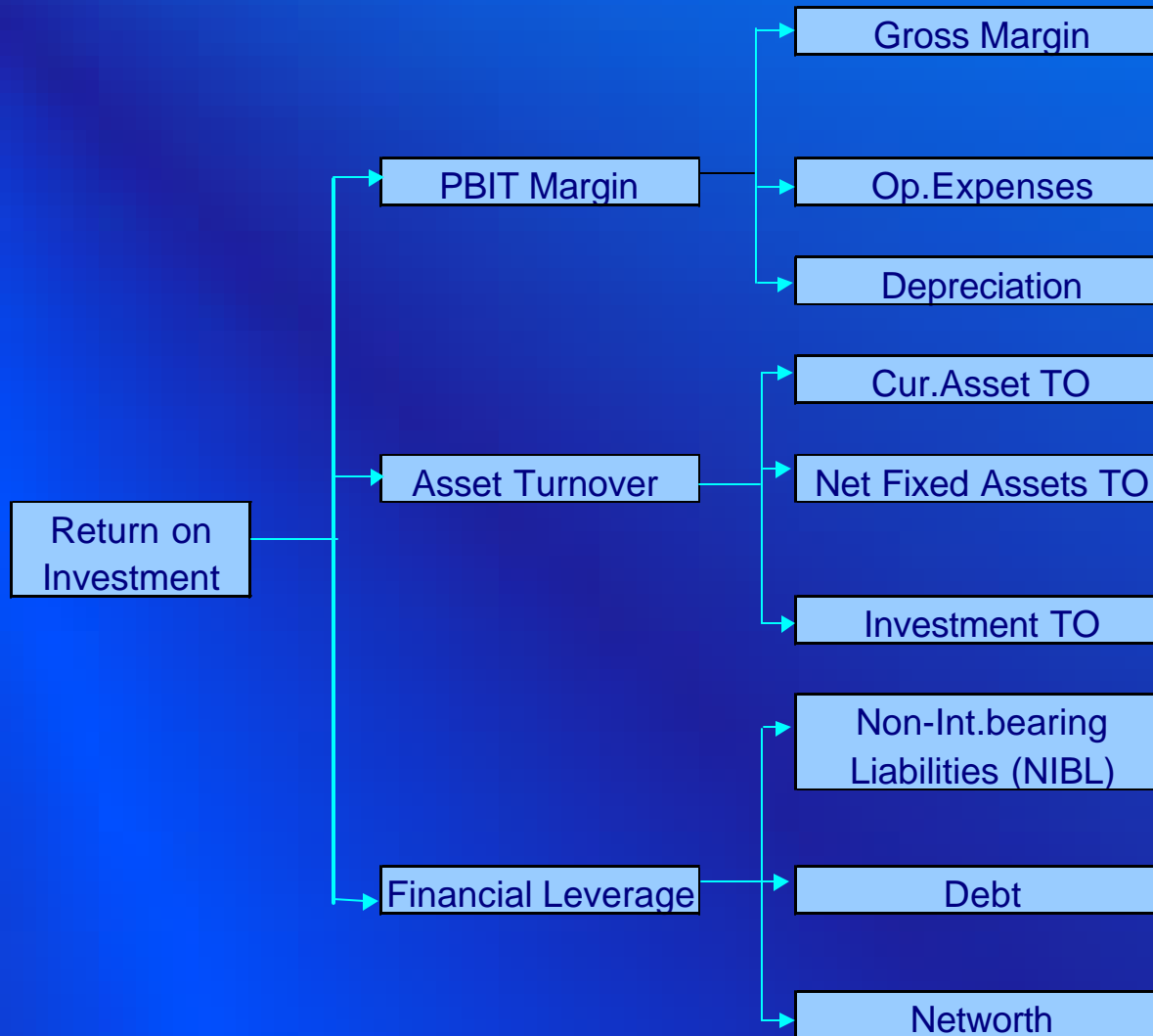
Financials

(Rs. millions)

	NINE MONTHS ENDED				FULL YR.	
	Dec'02	%	Dec'01	%	2001-02	%
Net Sales / Income from Operations	20 276.19	100.0	17 491.94	100.0	26 304.34	100.0
Total Expenditure	18 175.03	89.6	15 843.81	90.6	23 353.50	88.8
Gross Operating Margin	2 101.16	10.4	1 648.13	9.4	2 950.84	11.2
Other Income	84.67	0.4	85.15	0.5	179.57	0.7
Interest	468.72	2.3	676.33	3.9	825.12	3.1
Gross Profit	1 717.11	8.5	1 056.95	6.0	2 305.29	8.8
Depreciation	783.21	3.9	695.79	4.0	953.55	3.6
PBT and extraordinary item	933.90	4.6	361.16	2.1	1 351.74	5.1
Extraordinary item - VRS compensation amortised	86.69	0.4	22.37	0.1	29.68	0.1
PBT	847.21	4.2	338.79	1.9	1 322.06	5.0
Provision for Taxation - Current	243.00	1.2	30.00	0.2	307.00	1.2
- Deferred	65.50	0.3	82.50	0.5	92.50	0.4
PAT	538.71	2.7	226.29	1.3	922.56	3.5
Paid-up Equity Share Capital	1 189.29		1 189.29		1189.29	
Reserves excluding Revaluation Reserve					8 915.03	
Earnings per share (Rs)	4.53		1.90		7.76	

AL - Financial Performance in recent past: At a glance

Dupont Model



AL - Financial Performance in recent past: At a glance (contd.)

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

AL - Financial Performance in recent past: At a glance (contd.)

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

AL - Financial Performance in recent past: At a glance (contd.)

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

AL - Financial Performance in recent past: At a glance (contd.)

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

Financial Strengths (Mar.2002)

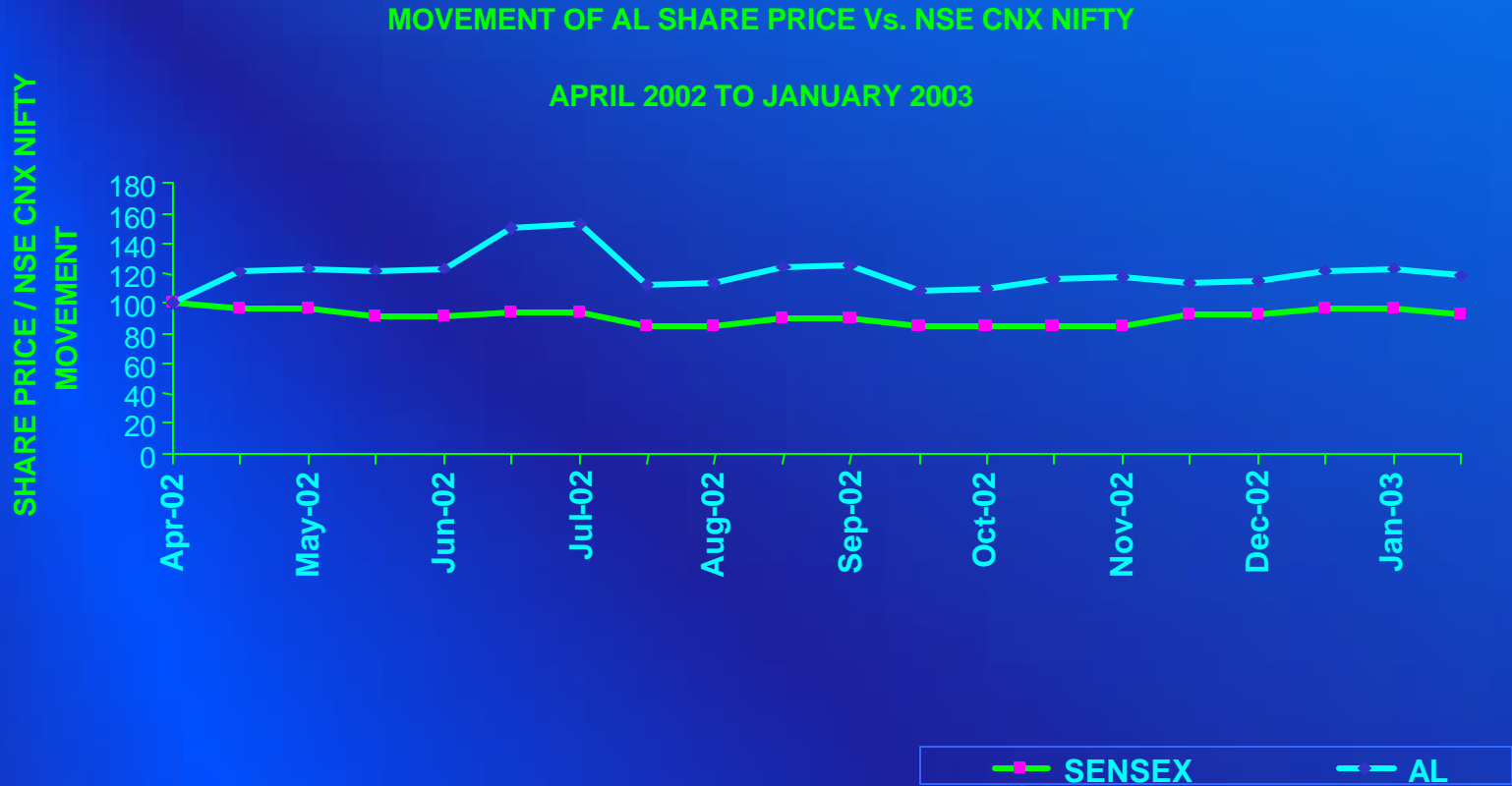
- Profit track record in all 54 years of its existence
- Business restructuring has resulted in improved PBIT margin-8.11% (97-98: 5.18%)
- Increase in Asset Turnover: 1.42 times (97-98: 0.90)
- 5 years of continuous reduction in material cost
- Reduction in Manpower to 11,900 nos. (1996:15 274)
- Debt (Net) / Equity ratio of 0.58

Consistency in financial performance - continued in 9 months (02-03)

Shareholder value creation

- Dividend payment for the last 53 years without break.
- Return on investment at 11.55% for 2001-02 has more than doubled in 5 years.
- Return on networth at 8.41% for 2001-02 - up from 1.73% in 97-98; 5th consecutive year of improvement.
- EVA positive during 2000-01 and 2001-02
- Current initiatives and restructuring expected to yield significant benefits when business revives
- Superior returns over sensex

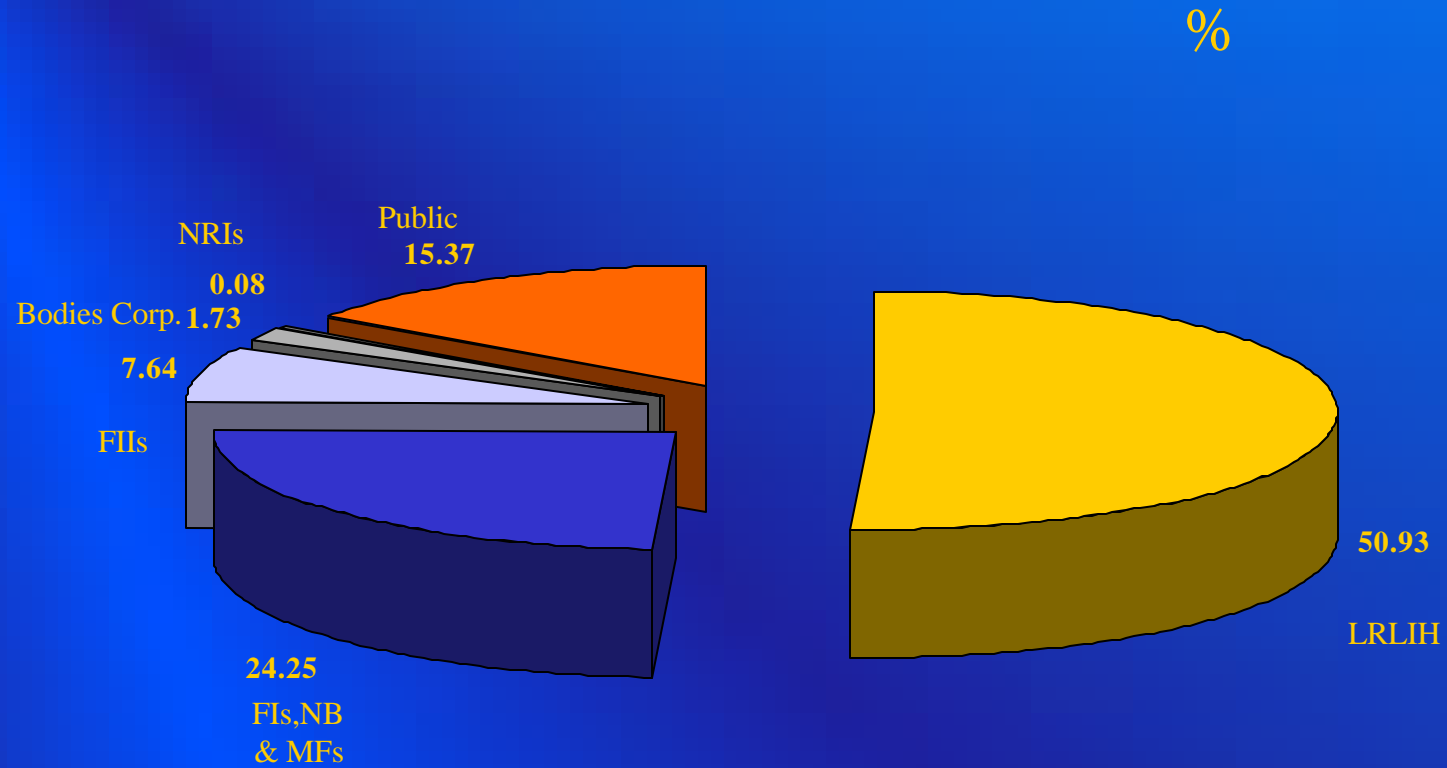
AL: Share Price movement in NSE



AL :Looking Forward

- Truck segment : buoyancy to continue; disparities in regional demand to impact
- New product offerings to hit market
- Pick up in Southern markets linked to flow of investments in road sector; benefits likely to accrue from next year
- STUs - likely to resume purchases or decide to privatise; can not afford to postpone deferments any longer - public resentments building up.
- Defence cushions business volatility
- Engines & Spares segments likely to do well

Shareholding Pattern



Thank you