



ASHOK LEYLAND

Registered Office: 1, Sardar Patel Road, Guindy, Chennai - 600 032

Speech by the Chairman

Mr R J Shahaney

At the Sixtieth Annual General Meeting on July 28, 2009

Ladies and Gentlemen,

A warm welcome to you to the 60th Annual General Meeting of your Company. You would recall that last year we celebrated our Diamond Jubilee and I had shared with you some facets of the glittering history of your Company. I had referred to the strength of character, the sagacity, the resilience and the foresight with which Ashok Leyland had successfully negotiated the last 60 years. All these sterling characteristics were severely tested during 2008-09 and I am happy to share with you that your Company was able to weather the storm and has emerged even stronger.

The suddenness and severity of the global financial crisis caught everybody by surprise. We, in India, had initially hoped that the inherent strength and momentum of our rapidly growing economy would insulate us from the global ills. However, our economy started to decelerate even as the global economy went into reverse gear and before we knew, we were fighting with our backs to the wall.

Almost every sector suffered from the adverse impact of this crisis and the auto industry was no exception. Demand, which had stayed flat the year before, fell quite precipitously. During the year under review, the total industry volume of the medium and heavy duty vehicle segment fell by 33%, with the truck segment falling sharper, by 37%. The Government, realising the seriousness of the situation, acted with three stimulus packages. Although the resultant impact was not immediate, it did however go some way in fostering positive sentiments.

Tough times call for tough measures

In the face of such challenges, Ashok Leyland, with the advantage of having been through downturns in the past and hence better equipped than most, took the required corrective measures – broadly, the Company sought to conserve cash and increase focus on non-cyclical businesses.

The Company's capital expenditure plan of about Rs. 3,000 crores was accordingly pruned to around Rs. 2,000 crores over a 3-year horizon. Investment plans and



capacity enhancements were either re-cast or deferred while a freeze was put on all discretionary expenses.

Austerity measures resulted in appreciable savings for the Company. Production was cut in line with falling demand. A voluntary wage cut across the board and aggressive negotiations with suppliers to bring down input costs to benefit from the fall in commodity prices were part of the measures taken.

This was supplemented by employees, across the Company, aggressively seeking more ways and means towards work place improvements, waste reduction and productivity enhancement. During the year, over 5,600 employee teams successfully implemented projects, registering a new high in employee participation.

As part of a concerted and strategic move to mitigate risk, your Company focused on developing businesses that were comparatively de-linked from economic cycles. In a tough year, we more than held our market share in the bus segment which also helped us maintain our leadership position. Efforts were stepped up in engines and generator sets business; sale of spare parts, supply of kits to Vehicle Factory, Jabalpur and exports, all of which together boosted the Company's revenue.

However, very pertinently, even in the face of such aggressive cost-cutting, R&D expenditure was protected and was 3.8% of the 2008-09 turnover – a clear appreciation of the fact that long term success lies in the development of superior products.

New beginnings

While at one level we gamely combated the effects of the downturn, at another, we

aggressively pursued our goal of developing innovative products. We have made substantial progress towards rolling out the first products on the all-new product platform – UNITRUCK – that we unveiled last year. Developmental work on the new family of engines has already reached an advanced stage and we will soon be putting the first batch into production. The face of our vehicles is all set to change in line with the modern innards, with the introduction of new cabs. The new year therefore promises to be a watershed one at Ashok Leyland.

One achievement that is noteworthy is the development of the country's first H-CNG engine marking a significant development in the realm of alternate fuels in which your Company has always been a leader. H-CNG which is a blend of CNG and 20% Hydrogen will soon usher in a new era of lower emissions and a greener, cleaner environment.

The economy going forward

The first green signs of revival have started to emerge and the world appears less pessimistic about the coming months. The resounding verdict of the people of India has paved the way for a strong government at the Centre and the resultant political stability can only augur well. The basic strategy and framework are in place to resume the march of the Indian economy on its high growth track.

The first quarter of 2009-10

There is one important aspect that I would like to dwell upon. You would have noticed that our sales numbers for the first quarter of 2009-10 has been lower than normal, even considering the continued sluggishness of the commercial vehicle market. This is because your Company

decided on clearing the pipeline of stock lying with dealers. We have since adopted the 'cash and carry' system, which has most importantly released cash for the Company. Further, by being market leaders in the bus segment, we can look forward to a fair share of orders for over 15,000 buses under the Government's Jawaharlal Nehru National Urban Renewal Mission. In addition, the order for ultra-modern low-end buses that we have bagged from the Delhi Transport Corporation is under execution.

Your Company has forged strategic partnerships with a host of Public Sector Banks thereby creating an interface between these banks and the end customers and dealers, to facilitate cost effective funding of our vehicles. Another significant step being taken in the area of dealer financing is the launch of a financing company named Hinduja Leyland Finance with an initial

capital of Rs. 100 Crores. Vehicle finance is a crucial component in closing a sale. I have no doubt that this move will pay rich dividends for your Company in the years to come.

Acknowledgements

I take this opportunity, to express my sincere thanks to all the share holders for their continued trust in the Board of Directors and the Management of the Company. I am grateful to the Hinduja Group, our principal shareholders, for their continued support and guidance. On behalf of the Company, I would like to also thank all our customers, dealers, suppliers, other business associates and employees for their invaluable support and co-operation especially in a particularly testing year.

Thank you!