

Ashok Leyland

“The new truck platform ‘unitruck’, reflects the universal slope and versatility to address the needs of domestic and global markets.”

– R. Seshasayee, Managing Director, Ashok Leyland

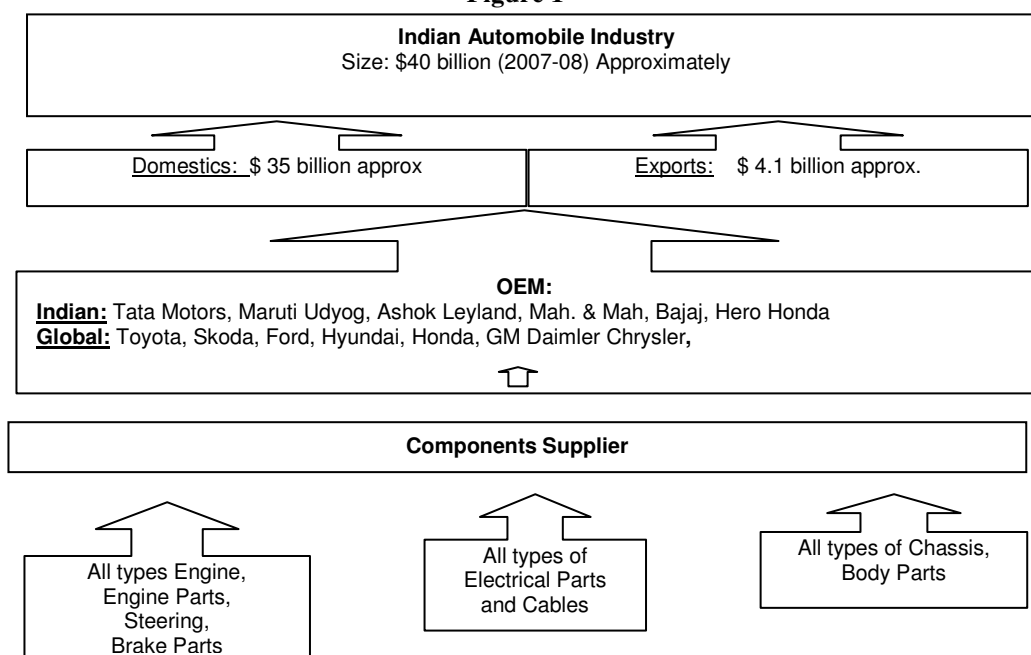
The Automobile Industry has been growing rapidly for the last ten years and is likely to continue the growth. This industry is contributing a major part to the Indian economy as also providing huge employment opportunity at every stage. When compared to other emerging economies, there is a large gap between the number of persons who own a car and the number of persons who do not. In India, approximately one in every hundred owns a car whereas in Korea and Brazil one in twelve owns a car. For an economy to develop, the transportation system should be strong. One can observe that a growing networking system of transportation also ensures growth in the automobile sector. This industry has well developed transport networking, which indicates that the industry’s growth is headed northwards.

Automobile industry is a core industry of the Indian economy, whose prospects reflect the country’s economic buoyancy. The Government of India’s economic liberalization policies have transformed India into a prime business destination for many global automobile players. As a result, this sector has recorded growth at the rate of 18 percent per annum. Automobile industry is capable to fulfill both domestic and international demand by producing a wide variety of vehicles, which can be divided into two segments: Heavy commercial vehicles and passenger vehicle – car, three-wheeler, and two-wheeler manufacturing units.

Ashok Leyland is one of the premier HCV manufacturers in India. It has come up with some of the most popular vehicles in this segment. Its ALRD 20 Rear Dumper is one of the largest selling dumpers used by a number of big construction firms and municipal corporations in the nation. The other major HCVs manufactured by Ashok Leyland are: Cargo 1512, Cargo 1614, Hippo Tipper, Cargo 909, Hippo Haulage, Coal Carrier, Taurus Tipper, Titan Double Decker, Panther, Cruiser Luxury Coach, Vestibule Bus, Viking/Cheetah and Viking Super (CNG). The gross weight of the HCVs usually ranges from 15,000 kg to 40,000 kg.

The turnover of automobile industry is expected at USD40 billion in the FY 2007-08. The industry provides direct and indirect employment to 13.1 million people. The contribution of the automotive industry to GDP has risen from 2.77% in 1992-93 to 5% in 2006-07. The industry is also making a contribution of 17% towards indirect taxes. In the following (figure 1), we can see a rough sketch about the Industry Value Chain and how it has linkages with various activities to lead the final product.

Figure 1



Source: Icfai Research Team.

Organized and Unorganized

Automobile industry is a capital-intensive industry; hence, it is 100% organized in nature, whereas auto-components industry is largely unorganized with the exception of a few big players or segments like steering. Major companies in auto component segment are Bharat Forge, Amtek Auto, Sona Koyo, Rico Auto among several others.

Commercial Vehicles

The revolution in the commercial vehicle industry came into effect from the mid 1990s. Earlier, the scenario was not stable at all, as there were only a few local companies dealing in this particular sector. However, as soon as the concept of globalization was introduced in India, this particular sector expanded rapidly with MNCs making Foreign Direct Investment as early as 2002. In view of this, India has become a perfect destination for global outsourcing. The reason being cost-effective environment and technologically skilled personnel found here. The industry's condition, the country's willingness to invest and the availability of skilled labor are some of the other major reasons behind the specified sector to flourish.

The commercial Vehicle sector is one of the fastest growing sectors in Indian economy in the present Indian scenario. India is the fifth largest producer in commercial vehicles segment globally, registering a growth of 32.963% in FY 07 from FY 06. The demand for commercial vehicles is highly correlated to the industrial production and transportation system of the nation. According to industry experts, the Supreme Court's order prohibiting overloading of trucks, the government's emphasis on infrastructure development, and the ongoing Golden Quadrilateral project are all effective causes for the rise in demand for commercial vehicles. However, the demand for commercial vehicles is also intensely dependent upon the infrastructure and economy of the country.

Commercial vehicle segment can be broadly divided into four types – Heavy Commercial Vehicles, Light Commercial Vehicles, Multi Utility Vehicles and Agricultural Vehicles.

- i. Heavy Commercial Vehicles are an important segment of Indian automobile industry. The HCVs ply across the length and breadth of the country ensuring that all indispensable goods and services are extended to different segments of the population. The role of heavy commercial vehicles has been strikingly growing keeping in tune with the country's economic growth. The reason for the spurt in the number of heavy commercial vehicle financiers in India in recent times is because of this growth.

Tata Motors is one of the largest automotive companies in India, which manufactures a wide range of Models in the heavy commercial vehicle segment that complies with world-class standards. The HCVs it manufactures have advanced braking system, high ground clearance, better maneuvering capabilities and sturdy body. The advanced engineering imparted to manufacture the HCVs makes them a class apart from other brands. Tata Motors has come out with numerous HCVs like Tata LPT 1613, Tata SK 1613, Tata SE 1613, Tata LPT 2213, Tata LPT 4021TC, Tata LPT 2516 TC, and Tata LP 1312TC/59, Tata LP 1319/59 RE, Tata LPO 1510 and Tata LP 1312TC. The various others popular HCVs are Swaraj Mazda Super ZT54, Eicher 10.90 and Volvo FH12-420.

- ii. Light Commercial Vehicles (LCVs) are frequently referred to as goods and carriage vehicles with a light capacity that differs from one state to another. In European countries, LCVs are classified as commercial vehicles, which have maximum capacity of 3.5 tons. The importance of light commercial vehicles is obvious especially in a newly industrialized economy with large regions to cater. Here LCVs play a major role in transporting goods from one place to another across the country. In our automobile industry, light commercial vehicles have a great impact on the economy. No doubt, all the leading automobile manufacturers have their operations in the field of LCVs.
- iii. Multi-utility Vehicle is a vehicle with multi usage capabilities and mainly suitable for large families. The concept of a multi-utility vehicle obviously has many takers in India. Therefore, all the major automobile players in the industry such as the Tata Motors, Hindustan Motors,

Mahindra & Mahindra (M&M), as also foreign players are expanding their presence in the MUV segment of Indian automobile market.

Hindustan Motors (HM), one of the oldest automakers in India, has come up with the likes of Pajero, Pushpak, and Trekker in the multi utility vehicles segment with technical tie-ups with foreign automakers. The first two could not make substantial headway in the market while Trekker got some semblance of popularity in rural pockets of the country. Hyundai Terracan, a crossover between a multi utility vehicle and sports utility vehicle from the South Korean auto major Hyundai, too lost out soon in spite of reasonable performance on the road and recently the company has ceased its production in India.

- iv. India's fertile lands have been the inspiration behind the constitution of many companies that are into making agricultural vehicles. These agricultural vehicles are durable and economical – an unbeatable combination for Indian conditions. Some such companies that produce agricultural vehicles are – Bharat Earth Movers Limited, one of the largest manufacturers of earthmoving equipments in the country. Its dominance can be estimated by the fact that it owns 70% of the market share in the domestic earth moving industry. Some types of agricultural vehicles that BEML produces are: Aircraft Towing tractors, Rope Shovels, Water Sprinklers.

Production, Sales and Exports (Industry)

Indian Automobile industry, one of the largest industries in India, has been registering impressive growth during the last two decades. The industry has been able to restructure itself, absorb newer technologies, align itself to the global developments and realize its potential. This has significantly increased the industry contribution to overall industrial growth in the country. The automobile sector recorded 13.8%, (2006-07) from (2005-06), growth in production as a whole (refer Table 1).

In the Tables 1, 2 and 3 below, we can find the sales and exports trends, where sales and exports have been registered a growth of 13.67% and 25.47% respectively from the previous year 2005-06.

Table 1: Automobile Production Trends

(Vehicles in numbers)

Category	2002-03	2003-04	2004-05	2005-06	2006-07
Commercial Vehicles	2,03,697	2,75,040	3,53,703	3,91,083	5,19,982
Passenger Vehicles	7,23,330	9,89,560	12,09,876	13,09,300	15,45,223
Three Wheelers	2,76,719	3,56,223	3,74,445	4,34,423	5,56,126
Two Wheelers	50,76,221	56,22,741	65,29,829	76,08,697	84,66,666
Grand Total	62,79,967	72,43,564	84,67,853	97,43,503	11,087,997
Growth %		15.34%	16.90%	15.07%	13.80%

Source: Icfai Research Team.

Table 2: Automobile Sales Trends

(Vehicles in numbers)

Category	2002-03	2003-04	2004-05	2005-06	2006-07
Commercial Vehicles	1,90,682	2,60,114	3,18,430	3,51,041	4,67,765
Passenger Vehicles	7,07,198	9,02,096	10,61,572	11,43,076	13,79,979
Three Wheelers	2,31,529	2,84,078	3,07,862	3,59,920	4,03,910
Two Wheelers	48,12,126	53,64,249	62,09,765	70,52,391	78,72,334
Grand Total	59,41,535	68,10,537	78,97,629	89,06,428	1,01,23,988

Growth %		14.63%	15.96%	12.77%	13.67%
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Source: Icfai Research Team.

Table 3: Automobile Exports Trends

(Vehicles in numbers)

Category	2002-03	2003-04	2004-05	2005-06	2006-07
Commercial Vehicles	12,255	17,432	29,940	40,600	49,537
Passenger Vehicles	72,005	1,29,291	1,66,402	1,75,572	1,98,452
Three Wheelers	43,366	68,144	66,795	76,881	1,43,896
Two Wheelers	1,79,682	2,65,052	3,66,407	5,13,169	6,19,644
Grand Total	3,07,308	4,79,919	6,29,544	8,06,222	10,11,529
Growth %		56.17%	31.18%	28.07%	25.47%

Source: Icfai Research Team.

Export

Export trends in commercial vehicles are moving northwards year on year basis. After watching such tremendous growth in demand at international level, the Indian manufacturers have decided to increase the production capabilities along with their international counterparts. The newly improved network and infrastructure have played a major role to raise the demand in the export segment. Meanwhile, the recent growth and upward trend in the Indian market is a very healthy signal for the export division.

However, there is a lot of space left in this industry as can be seen from the huge potential that our country holds in the automotive components industry. The automotive sector itself is in an outstanding position with technology, cost and manpower advantage, which support OEMs (original equipment manufacturers) in all types of areas.

Automotive Mission Plan 2016

The Government of India is drawing up an Automotive Mission Plan 2016 (AMP 2016) that aims to make India a global automotive hub. To maintain the high growth rate of the automotive industry and to retain the attractiveness of Indian market and further enhance the competitiveness of Indian companies, the Government has prepared the ten-year Automotive Mission Plan. The idea is to draw a futuristic plan of action with full participation of the stakeholders and to implement it in a mission mode to meet the challenges coming in the way of the industry growth. Through this Automotive Mission Plan, the Government wants to provide a level playing field in the sector and to lay a predictable future direction of growth to enable the manufacturers to make a more informed investment decision. The Automotive Mission Plan (AMP) envisages increase in production of automotive industry from the current level of Rs.16,90,000 million to reach Rs.60,00,000 million by 2016.

Policies

Government policy in Automobile Industry was delicensed in July 1991 with the announcement of the New Industrial Policy. The passenger car industry was delicensed in 1993. No industrial license is required for setting up a unit for the manufacture of automobiles except in some special cases. The norms for Foreign Investment and import of technology have also been progressively liberalized over the years for the manufacture of vehicles including passenger cars in order to make this sector globally competitive. At present, 100% Foreign Direct Investment (FDI) is permissible under automatic route in this sector including passenger car segment. This sector also allows the import of technology/technological up-gradation on the royalty payment of 5% without any duration limit and lump sum payment of USD2 million under automatic route. With the gradual liberalization of the automobile sector since 1991, the number of manufacturing facilities in India has grown progressively. At present, there are 15 passenger cars and multi utility vehicles manufacturers, 9 commercial vehicles manufacturers, 16 two and three-wheelers manufacturers and 14 tractors manufacturers besides 5 engines manufacturers. The automotive industry

comprises automobile and auto component sectors and has made rapid strides since delicensing and opening up of the sector to FDI in 1991. The industry had an investment of about Rs.500,000 million in 2002-03, which has gone up to Rs.800,000 million by the year 2007.

Ashok Leyland

The company – Ashok Leyland is part of Hinduja Group; the company was established under the name Ashok Motors in 1948. Ashok Motors was set up in Chennai (Madras) to assemble the Austin Car. In 1955, the company merged with British Leyland and registered its new name – Ashok Leyland and began to manufacture Commercial Vehicles.

Ashok Leyland has established a marked presence in India's commercial vehicle industry with a tradition for technological leadership achieved through tie-ups with international technology leaders and through vigorous in-house R&D. Access to international technology enabled the Company to set a tradition to be first in technology applications – be it in full air brakes, power steering or rear engine buses – Ashok Leyland is a pioneer in all these concepts. Responding to the operating conditions and practices in the country, the Company made its vehicles strong, over-engineering them with extra metallic muscles. "Designing durable products that make economic sense to the consumer, using appropriate technology", became the design philosophy of the Ashok Leyland, which in turn moulded consumer attitudes and the company's brand personality.

The name "Ashok Leyland" has a high reputation for reliability and ruggedness in the commercial vehicles segment and is synonymous with high quality. This is because it has worked towards achieving it through consistent hard work over a period of time. Over 5,00,000 vehicles have rolled out onto the Indian roads and have considerably eased the additional pressure placed on road transportation in independent India. In the populous Indian metros, four out of every five State Transport Undertaking (STU) buses come from Ashok Leyland. Some of them like the double-decker and vestibule buses are unique models from Ashok Leyland, tailor-made for high-density routes.

Plants

The company has six manufacturing plants and a seventh plant is under construction. Its oldest plant is located at Ennore near Chennai, known as mother plant. This plant is the backbone for the company among all the six plants and is contributing 40% of total production of the company. This plant manufactures a wide range of vehicles and manages in-house production facilities for essential vehicle parts such as Engine, Gear Box, Axles and internal components.

The company is operating three plants in Hosur. The first unit is named as Hosur Unit-1. This plant was commissioned in 1980, and it provides diesel and CNG engine-manufacturing technique within the company production system. This company also rolls out heavy and special vehicles from this plant. The second plant at Hosur is known as Hosur Unit-2 and was established in 1994 for finishing and assembly facilities including sophisticated painting facilities. This plant provides largest press facilities in India for pressing frame side members. Laid out with an eye for the future, this plant has won acclaim from several automotive experts who have visited the facility. The third plant in Hosur is called as Hosur: Unit-2A, a new Cab Panel Press Shop; it is an imposing addition to the industrial skyline of Hosur. The Shop is equipped to stamp select panels for Cargo cab, G-45 and C-45 FES – totally, 55 panels and their variants. Right now, it houses eight presses and has provision to accommodate four more. The versatility of the presses can be utilized for making panels of complex shapes and profiles with appropriate tooling and dies. In addition to catering to the present needs, the Press Shop can take up additional panels of new/current models. Right at the design stage, a rainwater harvesting facility was integrated into the Shop.

The fifth and sixth plants were commissioned in Alwar (Rajasthan) and in Bhandara (Maharashtra). Alwar is an assembly plant for a wide range of vehicles with an emphasis on passenger chassis, including CNG buses, situated close to the northern market. Ashok Leyland's Bhandara Unit

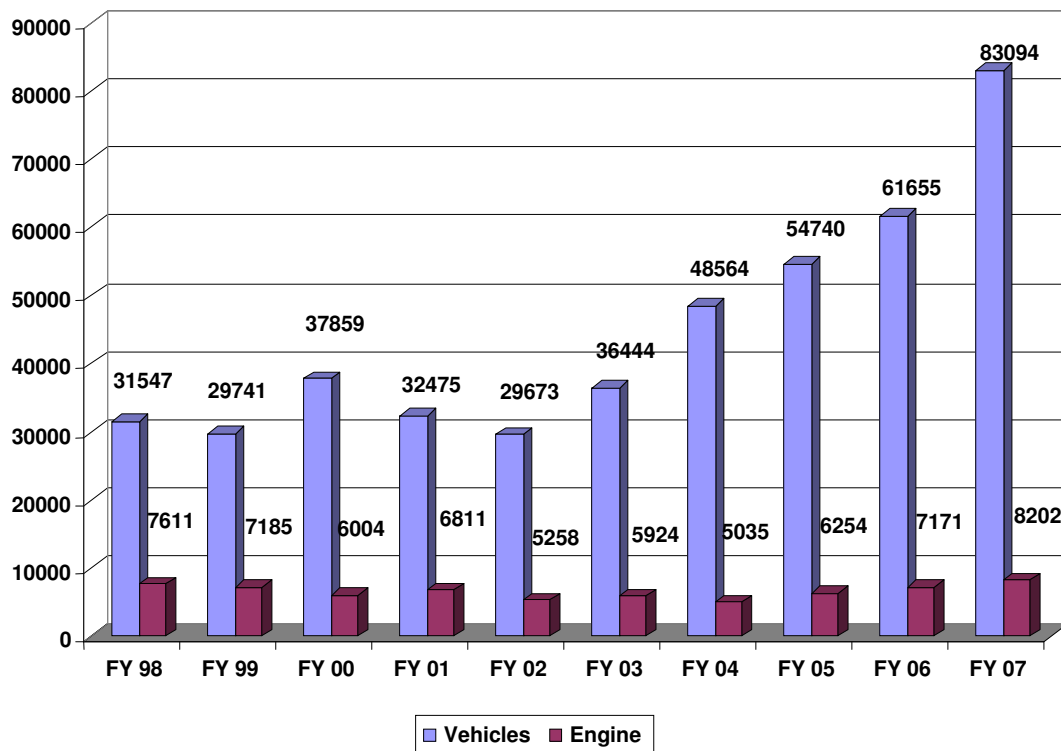
houses manufacturing and assembly facilities for sophisticated synchromesh transmission and also has facilities for assembling vehicles. The total covered space at these six plants exceeds 450,000 sq mtr and over 11,500 personnel are employed.

There is a plan to locate a plant in Pant Nagar, (Uttarakhand). The plant is expected to commission and start production in 2008 last quarter. The cost the company incurred amounted to Rs.12,000 million with a production capacity of 40,000 commercial vehicles. This would cover the demand and supply requirements of the northern sector of the country. This plant will be exempted from excise duty besides other tax concession given by state government.

Domestics

Ashok Leyland Limited operates under the automobile industry. The company manufactures trucks, buses, special application vehicles and engines. It is the largest supplier of the logistics vehicles to the Indian Army. As a producer and supplier of buses, it is the market leader for some unique types of vehicles such as Double Decker, CNG and Vestibule buses. In addition to the above vehicles, the company also produces multi-axle trucks and tractors-trailers also. The company supplies 15% to 17.5% of the total industry turnover in these segments. The company also generates its revenue from engine and spares of its products; in FY 2003-04, the company sold 5085 engines, whereas in FY 2006-07, the company sold 8202 engines, with a 61.3% growth during previous three financial years. Since the company's products are at par with the best in India and the world, the company stands second among the three other major players in this segment – Tata Motors Ltd., Eicher Motors Ltd., and Mahindra & Mahindra Limited in the production and sales of commercial vehicles. Figure 2, below shows the sales growth in vehicles and engines.

Figure 2: Sales of Vehicles and Engines in Numbers



Source: Icfai Research Team.

Ashok Leyland Limited is the market leader in the Heavy and Light Commercial vehicle segment. The company is the major supplier to BEST, the bus transport wing of Maharashtra. The company supplies more than 98% buses to the fleet of BEST buses in the state of Maharashtra. The company has supplied of more 80% of buses to other State Transport Undertakings in the country. The company's commitment can be observed at all stages of its initiatives, right from technology selection, design requirements, and location identification up to the end use of its products.

Ashok Leyland has a vast network across the country to meet the requirements of customers and dealers. The company has opened five regional and eleven area offices. The company has more than 140 dealer outlets and 75 authorized service centers. Apart from this, the company is increasing its suppliers globally day by day. This strong networking has rewarded the company making it the leader among its competitors. The company aims that the products it supplies or those that it would supply in future should have the best value-to-cost equation. The company's policy is to listen to its customers and understand their business needs, and to engineer product configuration that best answers his needs. Apart from all these, the company operates approximately 100 dealer outlets for industrial and marine engines. The company has facilitated around 200 highway repair centers to its valuable costumers even in distant and remote areas. The company has also established approximately 2800 retail outlets to sell its genuine spare parts.

Ashok Leyland is running two institute service training and driver training centers. The service training centers are at Alwar, Chennai, Kolkata and Nagpur, and offers regular programs such as Familiarization, Trouble-shooting, Maintenance and Overhauling of all types of vehicles. All these service centers are fully equipped with aggregates, general and special tools, technical handouts with the needed equipment for training. The institute provides mobile training also.

The driver-training center underlines the importance of man, in man-machine symbiosis. This is a generous tribute to the trucking community. This center is established in Namakkal, which is the busy hub of trucking activity. The company also provides training facility to all the candidates on payment basis.

International

Ashok Leyland carries out all its business activities at a global level too. It supplied some products in the international market, and its revenue from commercial vehicles grew by 22% in FY 2006-07; compared to the revenues in FY 2005-06 the growth in FY 2006-07 was 23%. The main reason for this encouraging growth was robust demand for its commercial vehicles in other countries. The company's newly upgraded Falcon bus was very well received in the Middle East.

Ashok Leyland is following the strategy of acquisition of companies at international level to increase its area of business, technology and maintaining good relations with other countries. It believes that this strategy is good for its growth as also for the nation. It adopted this strategy to increase its sales with appropriate products in selected segment in the global market. This strategy enabled it to achieve a 23% growth in vehicles exports in 2006-07. The company has planned further growth in exports for the coming years.

In October 2006, Ashok Leyland acquired a Truck Business unit in Prague, Czech Republic, which is based on AVIA and named it AVIA Ashok Leyland Motors. The acquired company's product range comprising 6T and 9T GVW D Line trucks was strengthened through inducting 12T and 10T D120 and D100 models powered by the all-new 4.5 L Cummins ISB Euro IV engine with Selective Catalytic Reduction (SCR) technology. This acquisition expands the company's growth into Eastern and Western Europe, and other second hemisphere markets. This tie-up will also improve its margins through cost reduction and increase its production.

Ashok Leyland acquired a US based company, Defiance Testing and Engineering Service, Inc, Michigan, in April 2007. After this acquisition the division of Ashok Leyland, Ashok Design and Engineering Services (ADES) got a lot of engineering support to extend greater value-added services to customers in the USA.

Ashok Leyland formed a Joint Venture with Alteams Group, Finland, Europe in July 2007. This JV made Ashok Leyland the leader in HPDC technology (High Pressure Die Casting); its total investment was Rs.3.35 billion made in two phases and it targets to make Rs.6.5 billion. The acquired group's core business is to manufacture cast light metal components and is one of the biggest light metal foundries. The group's customers are from different industries like telecom,

electronics, automotives, and meditech. Its production units are located in Finland, Russia, Sweden, China and Estonia with sales offices in the USA, France and Denmark.

Ashok Leyland is actively considering and is slated to enter the second hemisphere markets like Africa and Middle East.

Research and Development

Ashok Leyland is always ahead of its competitors in absorbing new technologies. The company has always adopted the technology that is beneficial for the environment as also for its growth and the health of its employees and their families. The company has always kept in mind that pollution should be at the minimum level whether it is air or sound pollution.

Ashok Leyland is able to introduce latest technology in the Indian market through its tie-ups with international technology leaders and through vigorous in-house R&D. It is the first Indian company to introduce power steering, full air breaks and rear engine buses in India. The company is adopting the technology from Siemens VDO Automotive AG, Germany, which will develop and adapt infotronics products and services for the transportation sector. The vehicles will be introduced in BS III norms with electronically controlled fuel injection. They will also develop electronic components and software such as instrument cluster applications, cockpit electronics, and various control units for commercial vehicles and passenger cars.

Ashok Leyland has introduced full vehicle test facility for the first time in India and will use it for accelerated test of the complete vehicle for structural fatigue. It could be simulated on road surfaces recorded anywhere in the world, which will reduce product development cycle time.

Ashok Leyland launched a program of total teamwork among the employees at the shop floor level. As a result of this program, the company improved productivity tremendously in all its plants and also reduced operating costs and mitigated erosion in margins by 200 bps.

Ashok Leyland commissioned an automated painting plant at an investment of Rs.50 million. This reduced the time to paint a batch by 33%, improved the quality of paint significantly, saved 5 to 10% of paint after stabilization, reduced the load of effluent treatment plant, and increased the growth of annual output from 75,000 side member to 100,000 side member.

In its journey towards global standards of quality, Ashok Leyland reached a major milestone in 1993 when it became the first Indian automobile industry to win ISO 9002 certification. The more comprehensive ISO 9001 certification came in 1994, QS 9000 in 1998 and ISO 14001 certification for all its vehicle manufacturing units in 2002. It has also become the first Indian automobile company to receive the latest ISO/TS 16949 Corporate Certification (in July 2006), which is specific to the auto industry.

Ashok Leyland has developed the country's first one-liter-per-cylinder 6 cylinder CNG engine for buses employing Multi Point Fuel Injection (MPFI). The W06DTI 'H' Series CNG engine combines superior power rating (135 kW @ 2400 rpm) with low emissions. This 5.7-litre turbocharged inter-cooled natural gas engine meets Euro IV emission standards – ahead of the mandate in India. The high power CNG engine uses stoichiometric combustion technology (chemically correct air-fuel ratio) in combination with three-way catalytic converter to reduce the emissions to the lowest level possible. The Multi Point Fuel Injection system delivers the required gas quantity at the intake manifold, as per the vehicle demand even in transient operating conditions.

The Exhaust Gas Re-circulation (EGR) used in this engine not only lowers the NO_x emission but also restricts the thermal load on the engine components. The difference in pressures between exhaust manifold and the turbocharger's compressor inlet controls the quantity of EGR. The waste gate turbocharger is optimized for maximum torque. The high performance CNG engine features electronics provided by a new state-of-the-art Electronic Control Unit (ECU) that controls the

sequential gas injection and high-energy ignition systems. The plug-on coils used in the engine, along with long life spark plug, make for maintenance-free operation of the vehicle.

Designed and optimized for high power and torque output with low fuel consumption and emission levels, the engine offers better fuel efficiency compared to any engine of its class and is expected to provide value to the customer with low life cycle costs.

Award

In year 2007, the company was awarded Employer of Choice Award 2007.

ANNEXURE I Profit and Loss A/c (Expected)

(Rs. in Million)

Particulars	FY 05	FY 06	FY 07	FY 08 (E)	FY 09 (E)	FY 10 (E)
Sales	48112.82	60531.08	83047.17	80940.82	91801.59	100135.82
Net Sales	48112.82	60531.08	83047.17	80940.8	91801.6	100135.8
Total Revenue	48650.37	60860.82	83755.2	81750.2	92719.6	101137.2
Expenditure	37595.28	47075.87	64654.91	63356.4	71857.7	78381.31
Excise Duty	6289.04	8054.51	11365.41	11036.3	12517.1	13653.52
EBITDA	4228.5	5400.7	7026.85	6548.11	7426.75	8100.988
Depreciation	1092.14	1260.06	1505.74	1802.25	2031.92	2145.41
EBIT	3136.36	4140.64	5521.11	4745.86	5394.82	5955.581
Financial Expenses	27.98	164.53	53.32	224.98	249.68	206.70
Other Income	537.55	329.74	708.03	809.408	918.016	1001.358
EBT	3645.93	4305.85	6175.82	5330.29	6063.16	6750.239
PB Extraordinary Expenditure	3645.93	4305.85	6175.82	5330.29	6063.16	6750.239
Extraordinary Expenditure						
Voluntary Retirement Scheme	95.83	84.51	130.76	100	100	
Profit on Sale of Undertaking		301.66				
PBT	3550.1	4523	6045.06	5230.29	5963.16	6750.239
Provision for Taxation						
Current	895	1130.5	1350.5	1307.57	1490.79	1687.56
Deferred	-59	72.3	230.2	78.4543	89.4474	101.2536
Fringe Benefit Tax		47	51.5	51.5	51.5	51.5
Total Tax	836	1249.8	1632.2	1437.53	1631.74	1840.313
Profit After Tax	2714.1	3273.2	4412.86	3792.76	4331.42	4909.925

(Rs. in Million)

Particulars	FY 05	FY 06	FY 07	FY 08 (E)	FY 09 (E)	FY 10 (E)
Excess Provision Written Back – Dividend			25.98			
Dividend Tax			3.64			
Balance Profit from last Year	1339.24	1784.13	2303.7	3616.86	4463.94	5573.339
Transfer from/(to)- Deb Red. Res	89.17	68.33	135			
General Reserve	-1000	-1000	-1000	-1000	-1000	-1000
	3142.51	4125.66	5881.18	6409.62	7795.36	9483.264
Dividend-Interim			1985.81			
Proposed Dividend	1189.29	1597.86		1706.74	1949.14	2209.466
Tax on Dividends	169.09	224.1	278.51	238.944	272.88	309.3253
Balance Profit Carried to B/S	1784.13	2303.7	3616.86	4463.94	5573.34	6964.473
EPS(FV Re. 1) Basic (in Rupees)	1.63	2.74	3.38	2.86	3.27	3.71
No. of Equity	1665.0920 2	1194.599	1305.58	1323.87	1323.87	1323.87

Source: Ashok Leyland Annual Report.

ANNEXURE II
Balance Sheet (Expected)

(Rs. in Million)

Particulars	FY 05	FY 06	FY 07	FY 08(E)	FY 09(E)	FY 10(E)
Gross Asset	20,022.50	21,384.99	26,201.97	31618.47	33865.39	35756.78
Accumulated Depreciation	11,084.04	11,952.28	13,131.64	14933.89	16965.82	19111.22
Capital WIP	851.55	1414.17	2374.91	2671.05	3672.06	4305.84
Net Fixed Asset	9,790.01	10,846.88	15,445.24	19,355.63	20,571.64	20,951.39
Investments	2291.9	3681.78	2210.94	2185.40	2478.64	2703.67
Current Asset	21572.63	22324.13	26977.15	25091.66	28458.50	31042.10
Cash	7966.82	6028.76	2624.28	3568.76	4673.71	6008.10
Inventories	5,680.81	9,025.61	10,703.21	10422.52	11821.03	12894.20
Trade Debtors	4,587.66	4,243.37	6,091.31	5100.38	5784.76	6309.93
Loans and Advances	3,337.34	3,026.39	7,558.35	6000.00	6179.00	5829.87
Current Liabilities	9,611.87	11,468.95	16,516.25	15807.7401	18017.9502	19425.82
Provision	2044.8	2616.21	1042.3	1,189.83	1,356.19	1,462.16
Total Current Liabilities	11,656.67	14,085.16	17,558.55	16,997.57	19,374.14	20887.98
Net Current Asset Excluding Cash	1949.14	2210.21	6794.32	4525.33	4410.64	4146.02
Miscellaneous Items	193.32	73.07	244.18	0.00	0.00	0.00
Deferred Tax (Net)	(1708.48)	(1796.89)	(1969.29)	0.00	0.00	0.00
Capital Deployed	20482.71	21043.81	25349.67	29635.12	32134.64	33809.18
Non-Current Liabilities						
Secured Debt	2,634.96	1,846.91	3,602.16	6040.54	6430.66	5714.07
Non-secured Debt	6,169.10	5,072.37	2,801.82	2801.82	2801.82	2801.82
Total Debt	8,804.06	6,919.28	6,403.98	8,842.36	9,232.48	8,515.89
Share Capital	1189.29	1221.59	1323.87	1323.87	1323.87	1323.87
Reserve and Surplus	10489.36	12902.94	17621.81	19468.89	21578.29	23969.42
Total Stock Holder's Equity	11678.65	14124.53	18945.68	20792.76	22902.16	25293.29
Capital Employed	20,482.71	21,043.81	25,349.66	29,635.12	32,134.64	33,809.18

Source: Ashok Leyland Annual Report.

ANNEXURE III
Cash Flow (Expected)

(Rs in Million)

	FY 08(E)	FY 09(E)	FY 10(E)
Cash Flow from Operating Activities			
PBT	5230.29	5963.16	6750.24
Depreciation	1802.25	2031.92	2145.41
Interest Expense	224.98	249.68	206.70
Other Non-cash Charges			
Operating Profit Before WC Changes	7257.52	8244.76	9102.35
Changes in Current Assets	2829.97	-2261.89	-1249.22
Changes in Current Liabilities	560.98	-2376.57	-1513.84
Changes in WC	2268.99	114.68	264.62
Miscellaneous Expenses	1725.12		
Cash Generated from Operations	7801.39	8359.45	9366.97
Direct Taxes Paid	1437.53	1631.74	1840.31
Net Cash Generated from Operations	6363.87	6727.71	7526.66
CAPEX	-5712.64	-3247.94	-2525.16
Investments	25.54	-293.24	-225.02
Net Cash Used in Investing Activities	-5687.10	-3541.18	-2750.18
Cash Flow from Financing Activities			
Change in Debt	2438.38	390.12	-716.59
Change in Equity			
Dividends Paid	1706.74	1949.14	2209.47
Interest Paid	224.98	249.68	206.70
Others Tax on Dividends	238.94	272.88	309.33
Net Cash used in Financing Activities	267.71	-2081.58	-3442.08
Net Increase in Cash and Cash Equivalents	944.48	1104.95	1334.39
Cash and Cash Equivalents at the Beginning	2624.28	3568.76	4673.71
Net Increase in Cash and Cash Equivalents	944.48	1104.95	1334.39
Cash and Cash Equivalents at the End	3568.76	4673.71	6008.10

Source: Ashok Leyland Annual Report.

ANNEXURE IV
Share Price of Ashok Leyland and Sensex

	1	2
Date	Share Price of Ashok Leyland at the End of Month (Rs.)	Sensex
August 2004	18.75	5192.08
September 2004	18.7	5583.61
October 2004	18.65	5672.27
November 2004	20.25	6234.29
December 2004	24.4	6602.69
January 2005	24.3	6555.94
February 2005	23.7	6713.86
March 2005	21	6492.82
April 2005	23.1	6154.44
May 2005	23.9	6715.11
June 2005	23.65	7193.85
July 2005	29.35	7635.42
August 2005	28.7	7805.43
September 2005	28.35	8634.48
October 2005	27.5	7892.32
November 2005	31.25	8788.81
December 2005	31.85	9397.93
January 2006	30.65	9919.89
February 2006	38.25	10370.24
March 2006	40.25	11279.96
April 2006	52.15	12042.56
May 2006	39.1	10398.61
June 2006	37.4	10609.25
July 2006	34.9	10743.88
August 2006	39.6	11699.05
September 2006	45	12454.42
October 2006	44	12961.9
November 2006	42.55	13696.31
December 2006	45.45	13786.91

	1	2
Date	Share Price of Ashok Leyland at the End of Month (Rs.)	Sensex
January 2007	48.35	14090.92
February 2007	39.8	12938.09
March 2007	38.45	13072.1
April 2007	38.95	13872.37
May 2007	37.25	14544.46
June 2007	37.8	14650.51
July 2007	37.25	15550.99
August 2007	38	14993.04

Source: www.BseIndia.com

ANNEXURE V
Profitability Ratios of Ashok Leyland

Profitability Ratios	FY 05	FY 06	FY 07
Return on Assets (ROA)	8.44	9.32	10.28
Return on Equity (ROE)	23.2	23.2	23.3
Return on Capital Employed (ROCE)	13.3	15.6	17.4
Dupont Analysis-ROE Decomposition			
PAT/PBT (Tax Efficiency)	0.76	0.72	0.73
PBT/EBIT (Interest Burden)	1.13	1.09	1.09
EBIT/Sales (OPM)	0.065	0.068	0.066
Sales/Total Assets (Asset Turnover)	1.50	1.72	1.94
TA/NW (Financial Leverage)	2.8	2.5	2.3
Liquidity Ratios			
Current Ratio	1.85	1.58	1.54
Acid Test Ratio	1.36	0.94	0.93
Debt-Equity Ratio	0.754	0.490	0.338
Efficiency Ratios			
Assets Turnover Ratio	1.50	1.72	1.94
Working Capital Turnover Ratio	4.9	7.3	8.8
F.A. Turnover Ratio	4.9	5.6	5.4
C.A. Turnover Ratio	2.2	2.7	3.1
Debtors Velocity	35	26	27
Margin Ratios (%)			
EBITDA Margin	8.8	8.9	8.5
Pre-Tax Margin	0.07	0.07	0.07
Net Profit Margin	0.056	0.054	0.053
Growth Ratios YoY (%)			
Net Sales	23%	26%	37%
EBITDA	7%	28%	30%
Adj.PAT	40%	21%	35%
Adj.EPS	-29%	68%	23%
Working Ratios (Days)			
Inventory	43.1	54.4	47.0
Debtors	35	26	27
Net Working Capital Excluding Cash	14.8	13.3	29.9

Other Ratios (%)			
Other Income/EBT	0.15	0.08	0.11
Per Share (Rs.)			
Adj.EPS	1.6	2.7	3.4
CEPS	2.3	3.8	4.5
DPS	0.71	1.34	1.52
BVPS	7.01	11.82	14.51
Cash Per Share	4.8	5.0	2.0

Source: Icfai Research Team.

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